

2009

# Annual Survey



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

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## 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.

Esther Dominissini  
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 in English has three appendices: insurance branch tables, a survey of poverty data and resources and additional tables related to poverty and inequality.

I should like to thank the members of the Research and Planning Administration who took part in preparing the Survey and bringing it to press. Special thanks go to Miri Endeweld who edited the Survey, to Maya Orev-HaTal for the Hebrew language editing and for preparing the Hebrew edition, to Sarah Gargi for preparing the English edition and to Nira Amir for the Hebrew typesetting.

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





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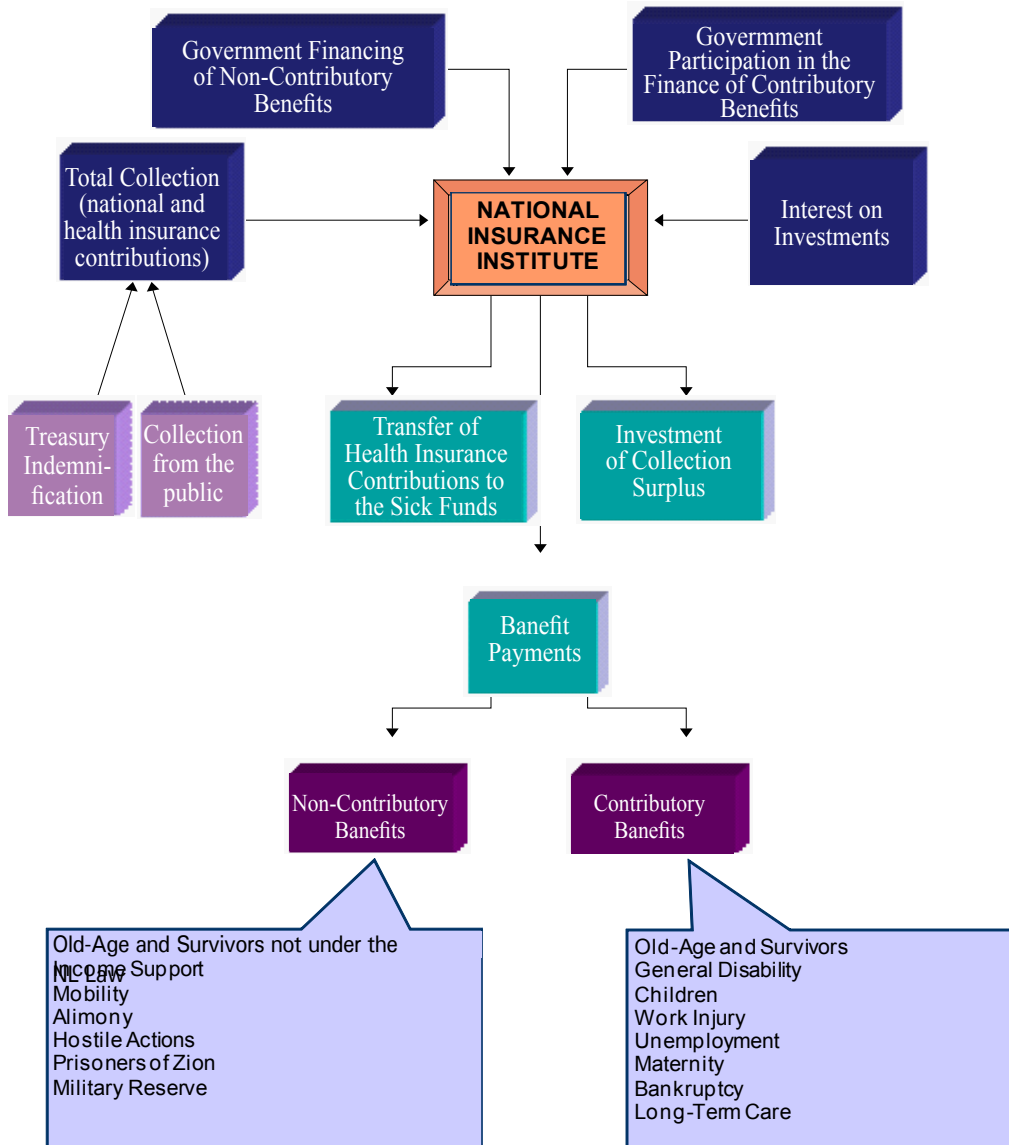
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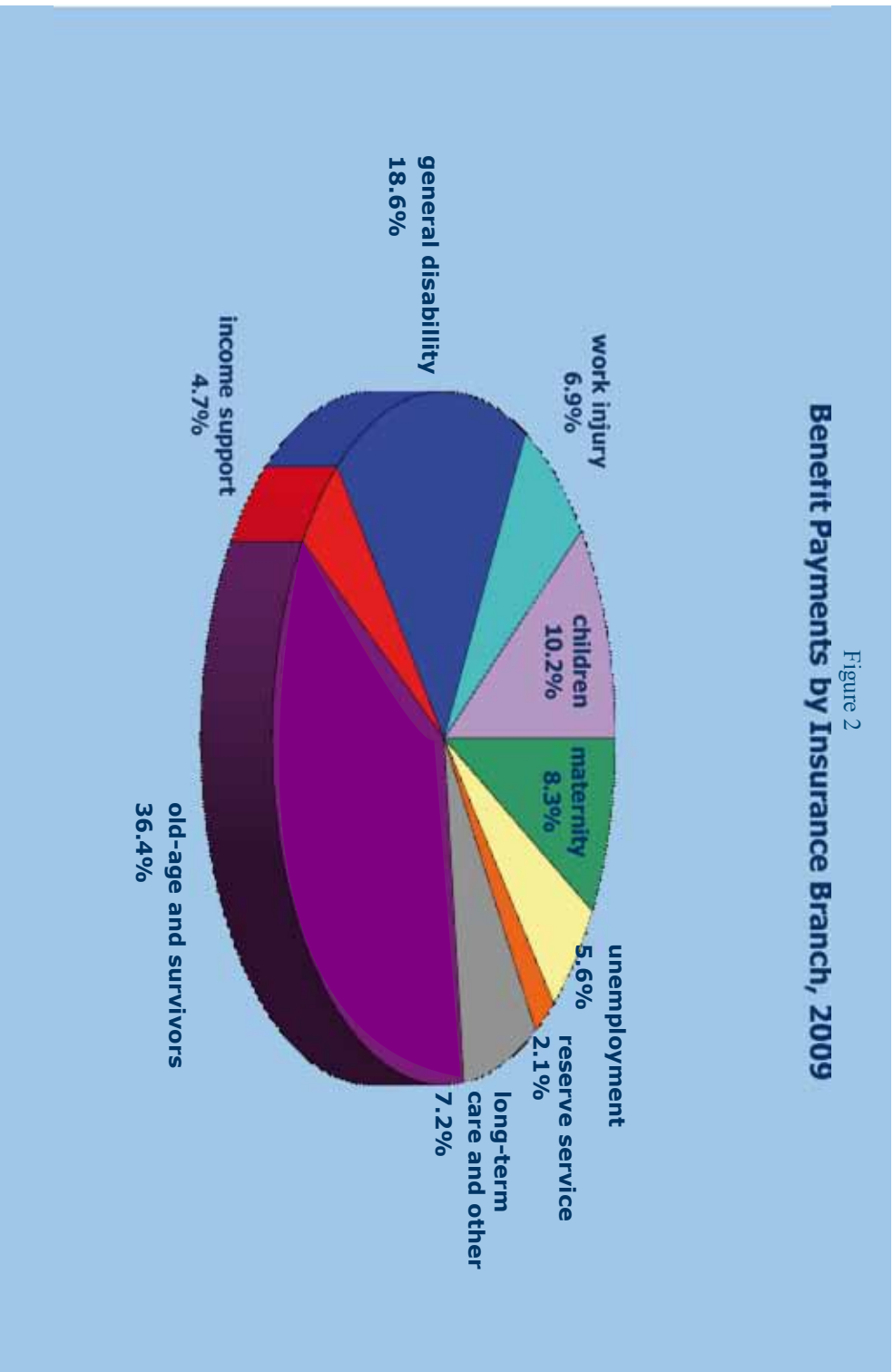
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Figure 1

**The National Insurance Institute - Resources and Uses**

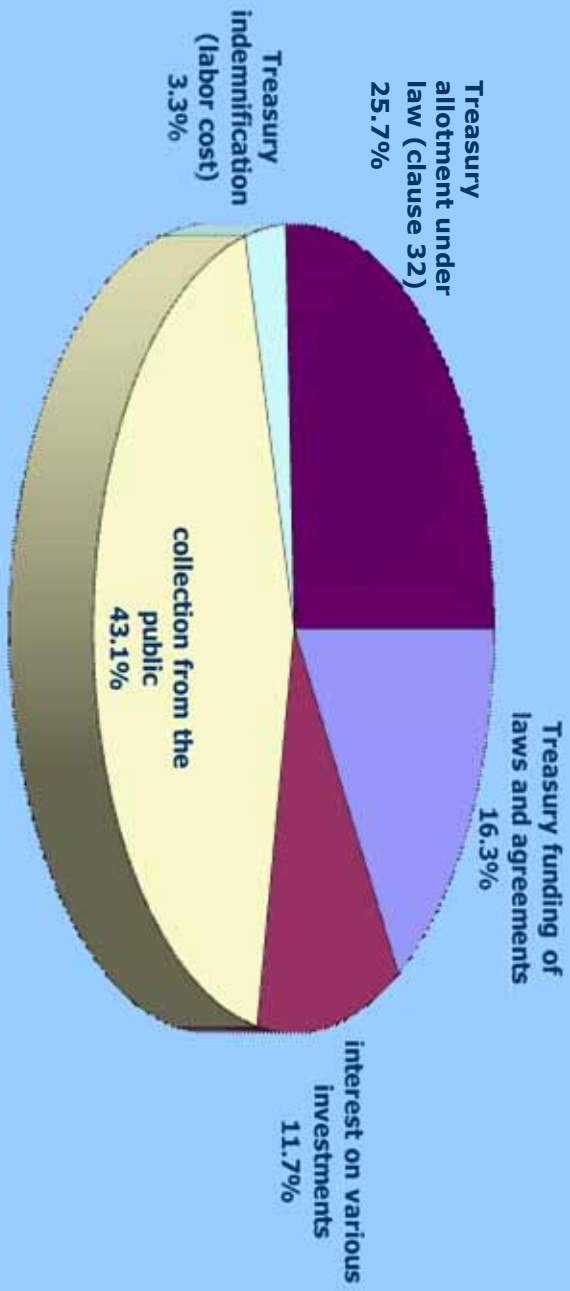






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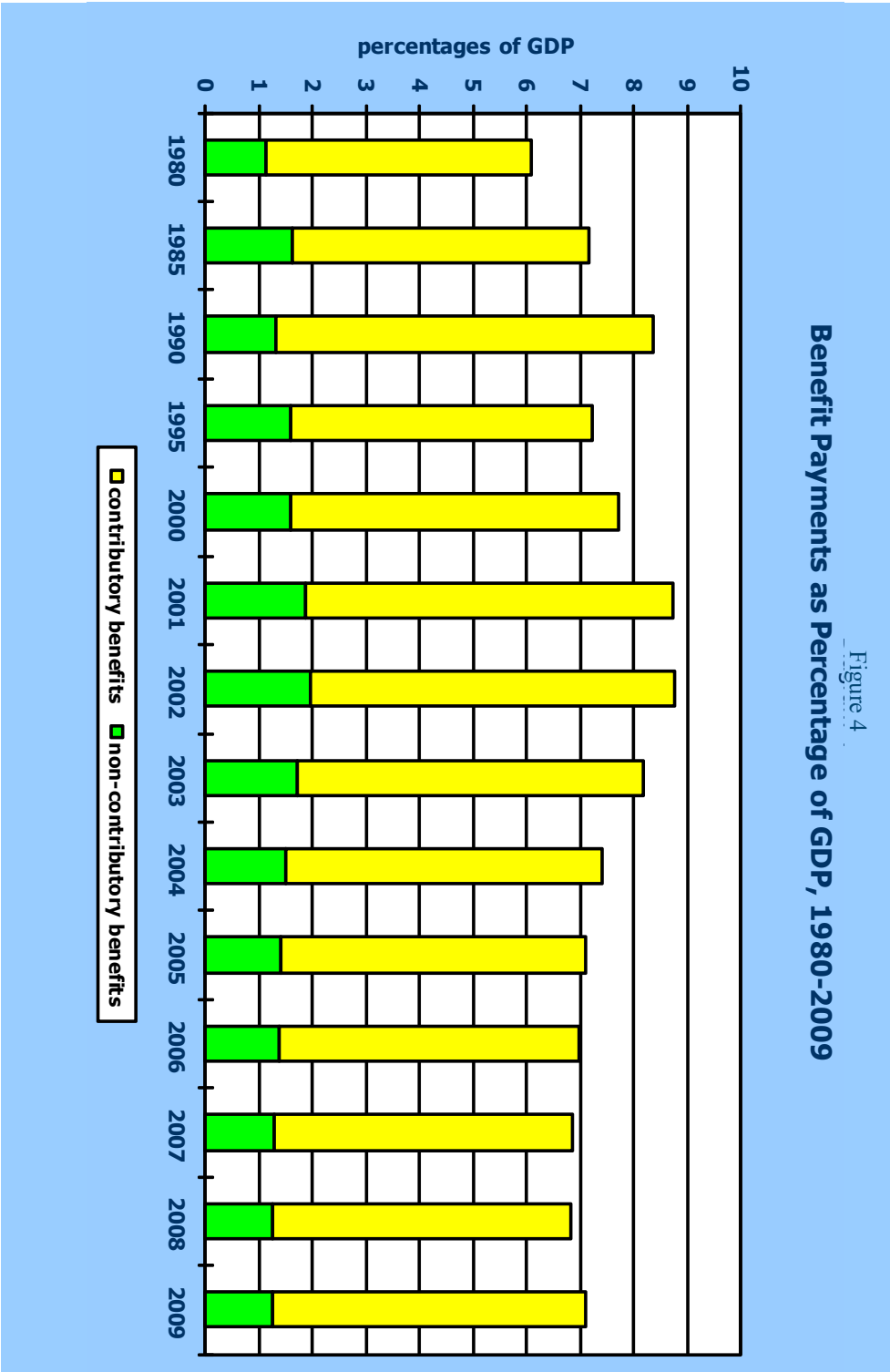
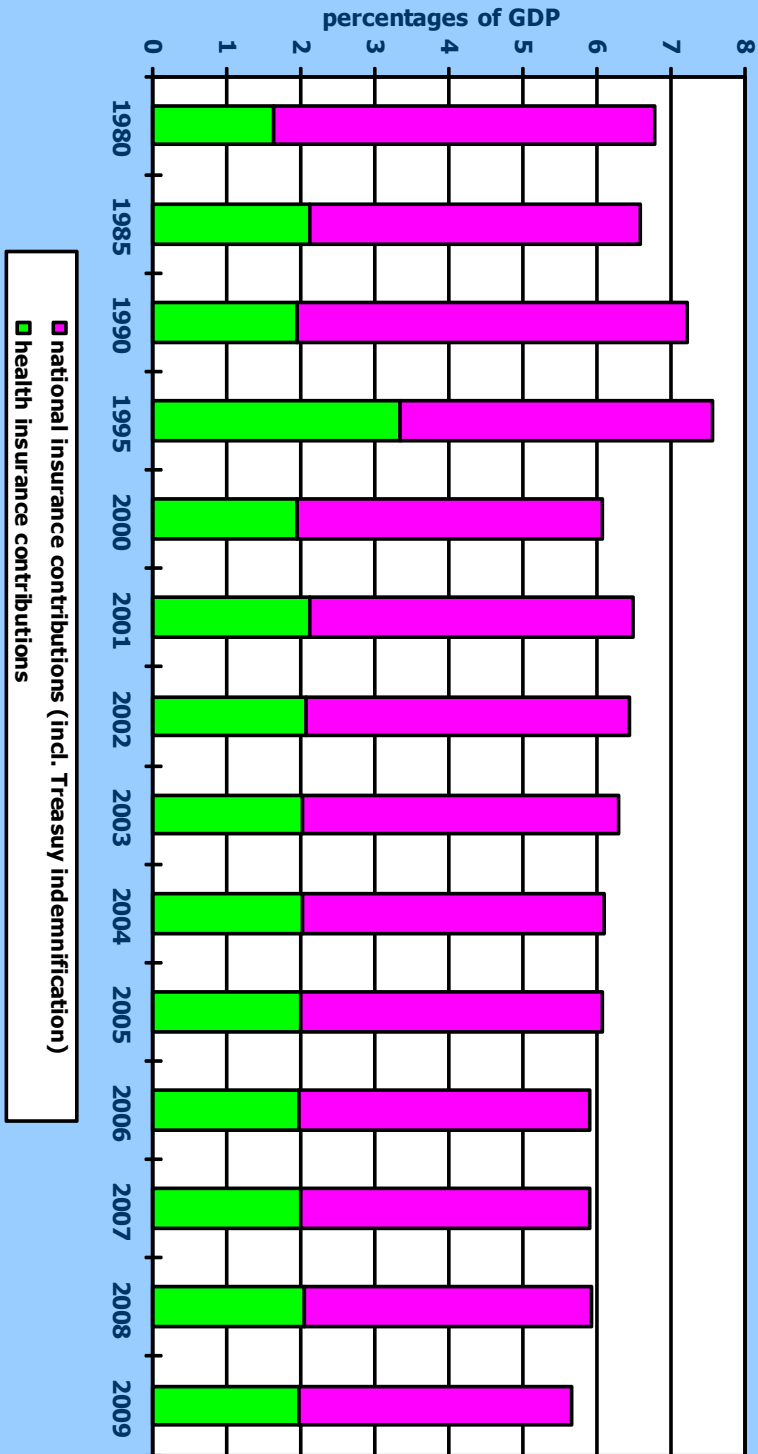
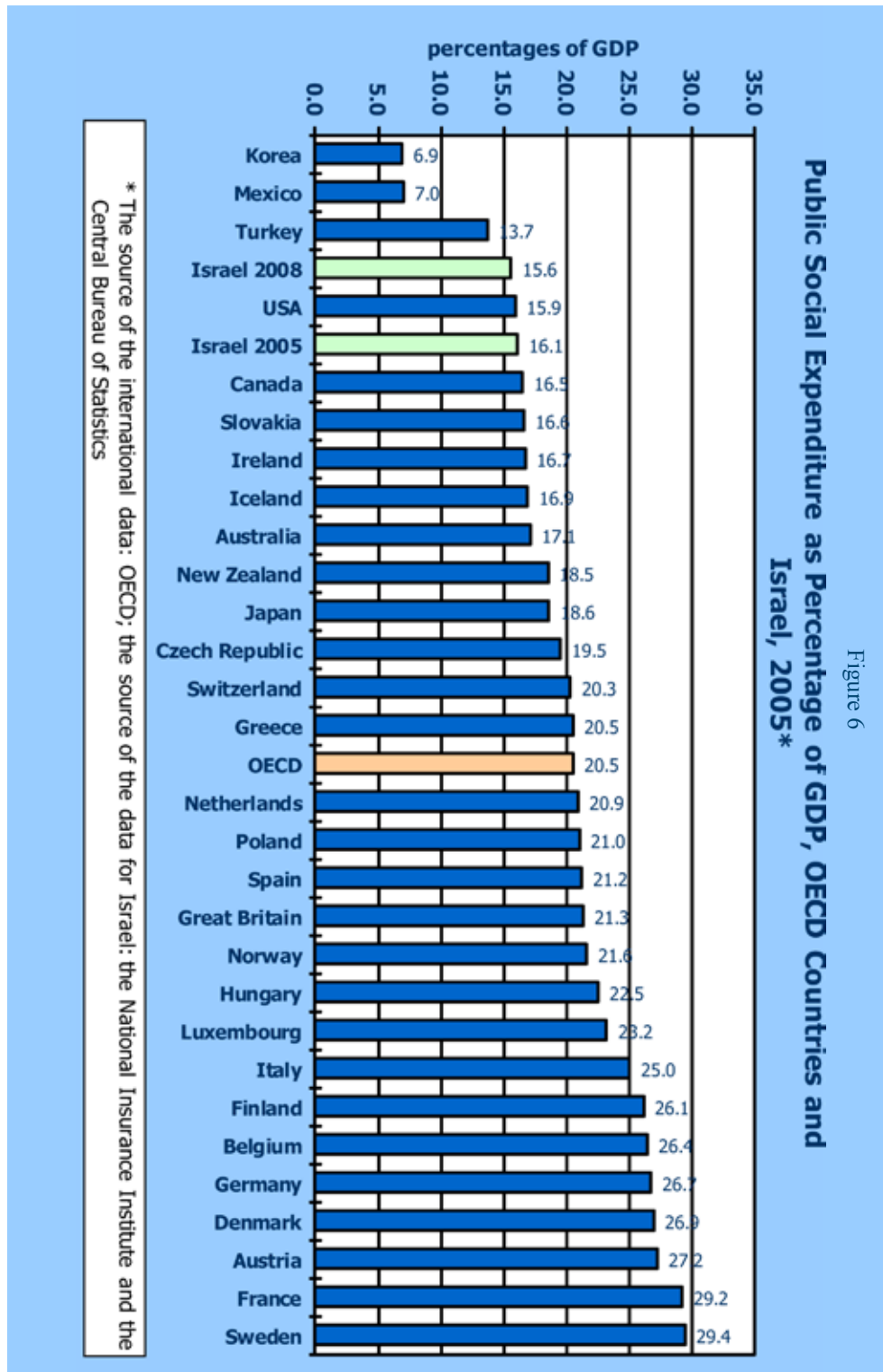


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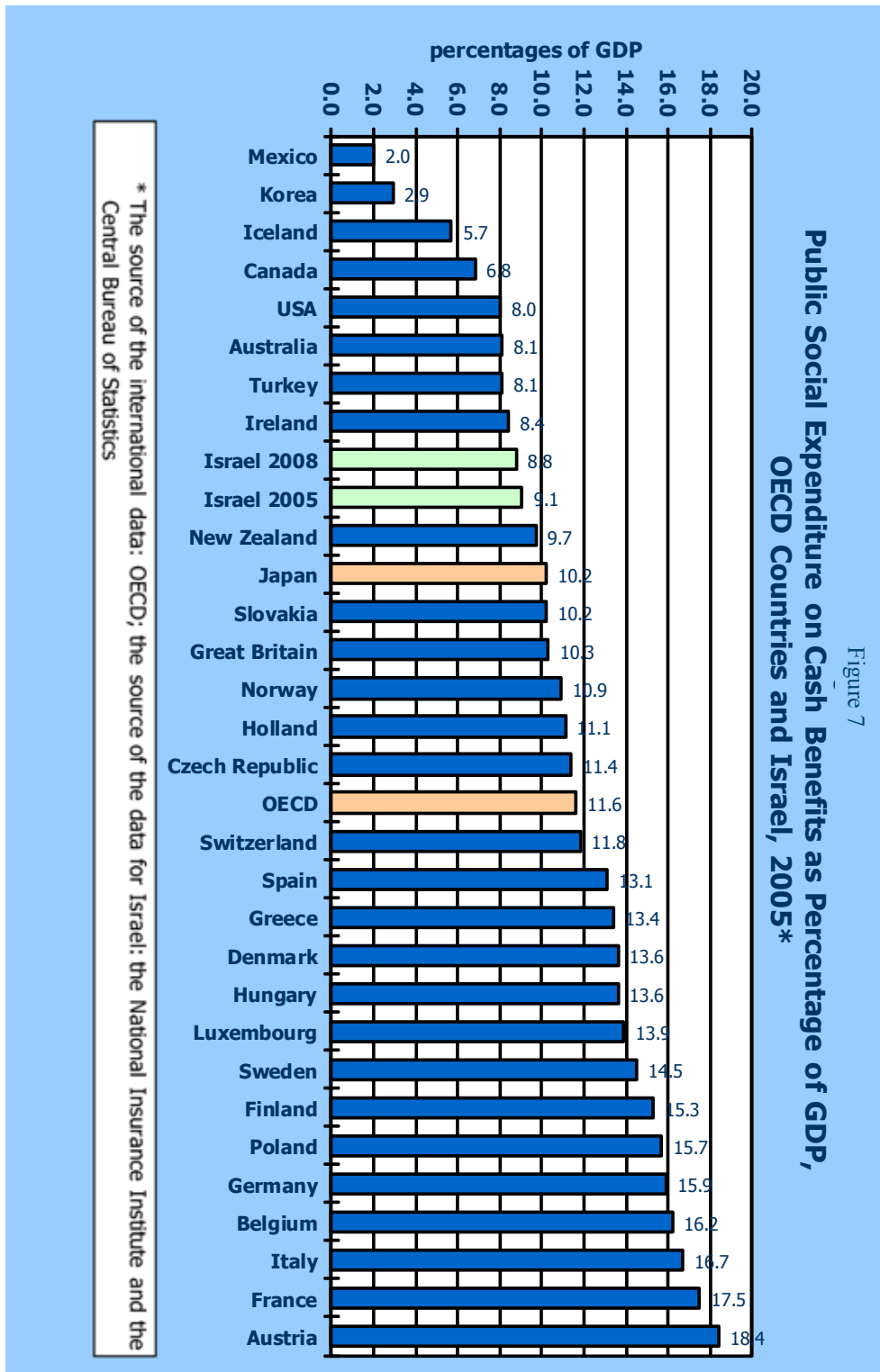


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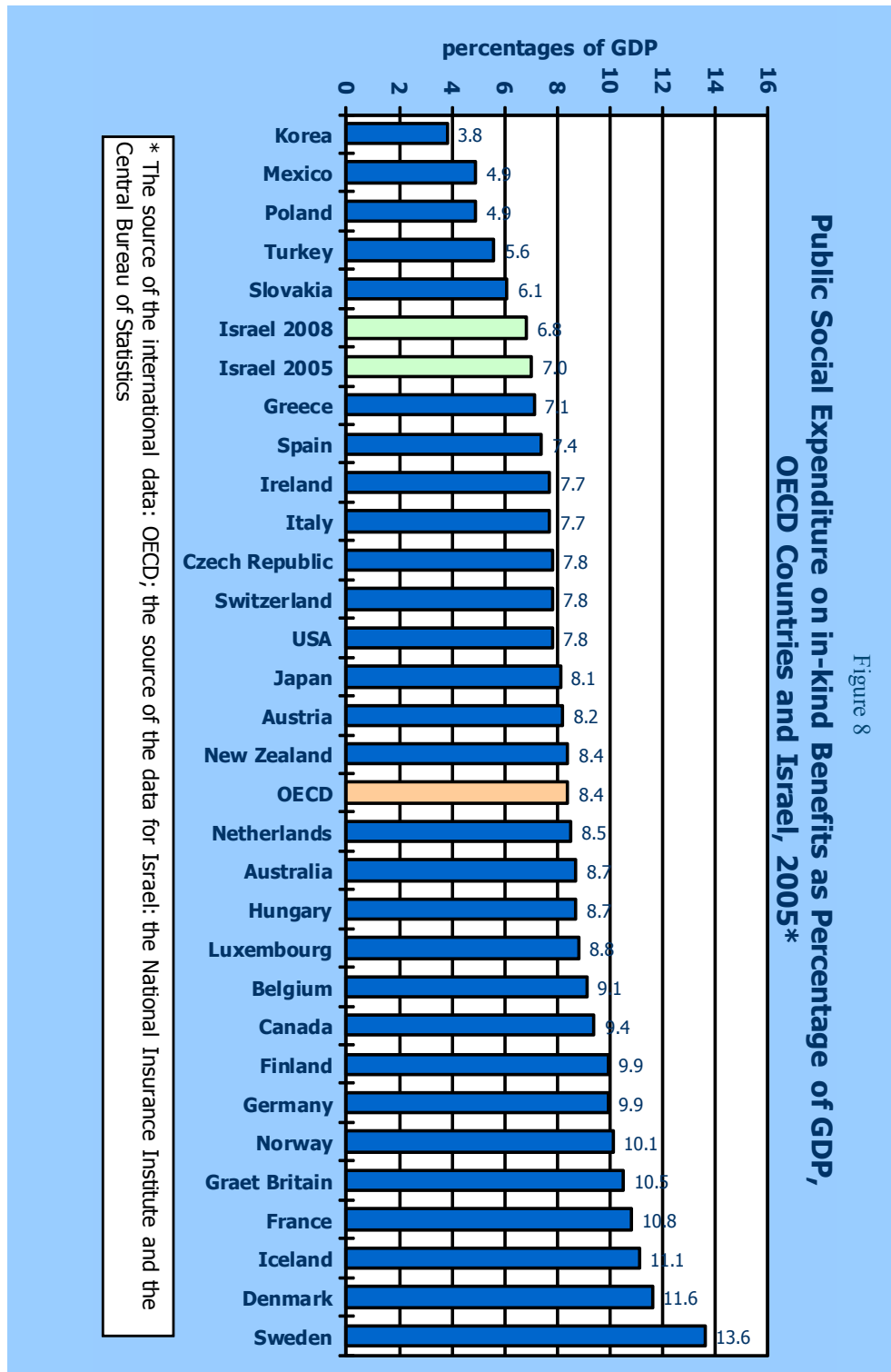


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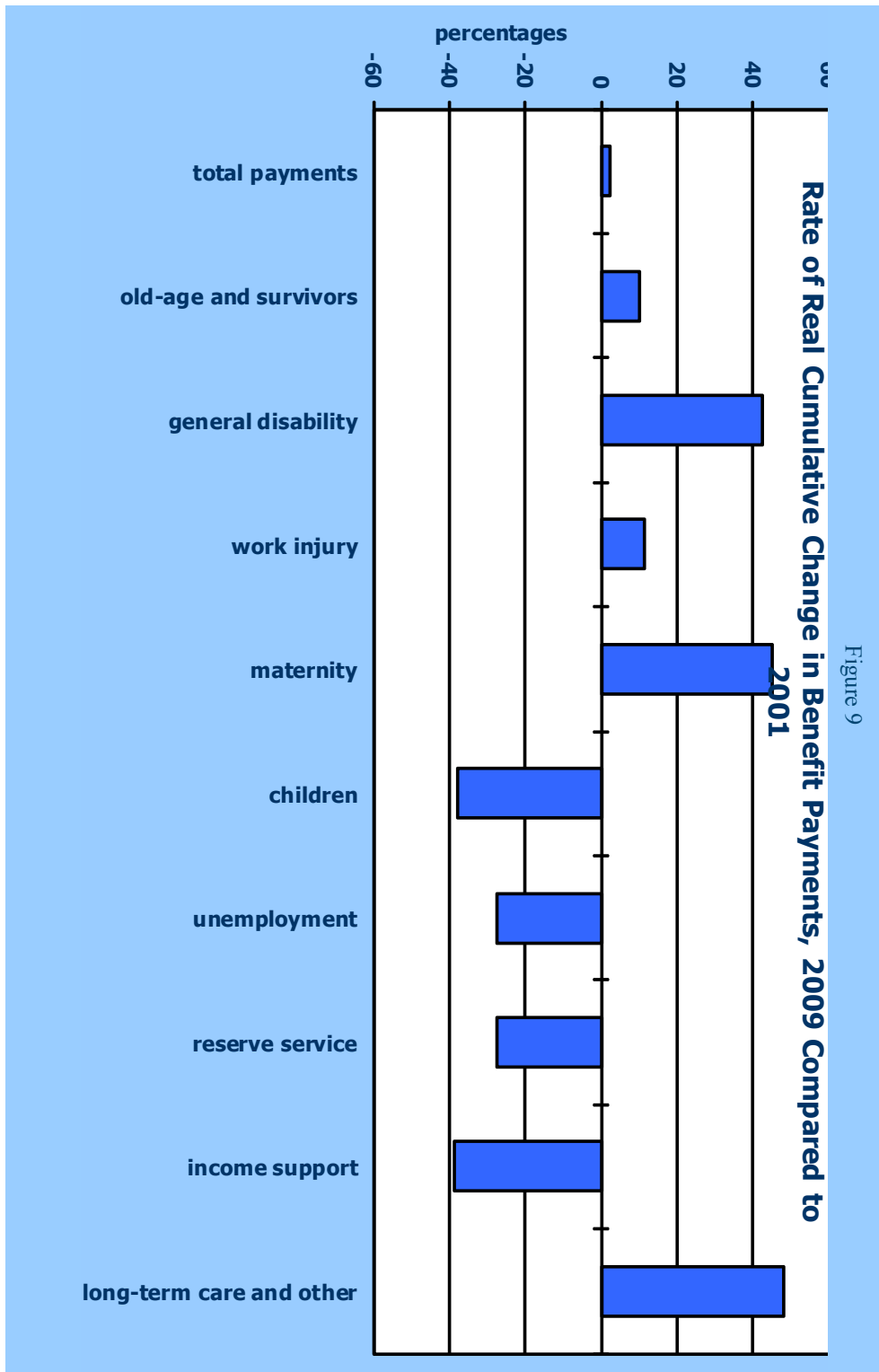


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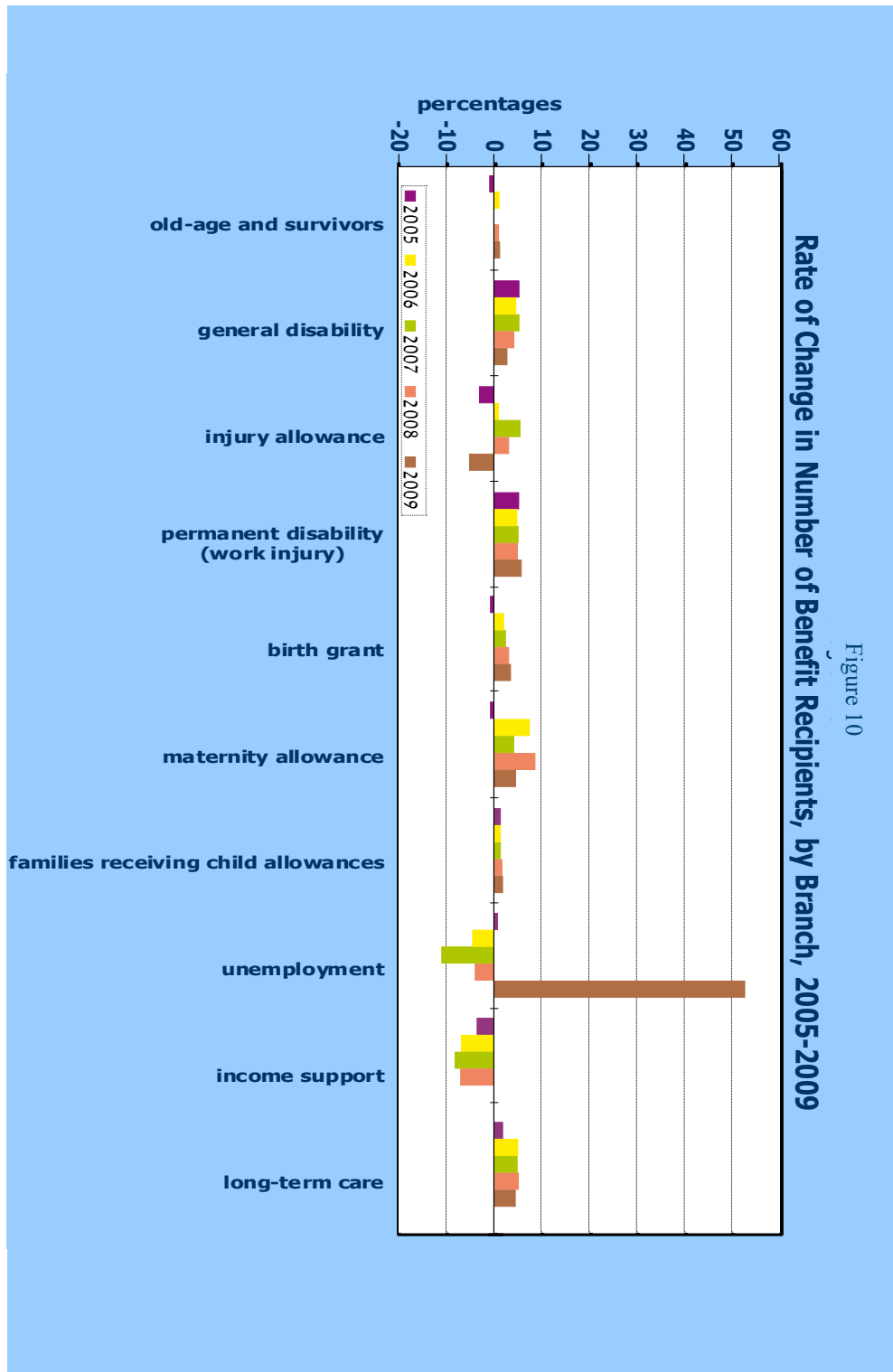


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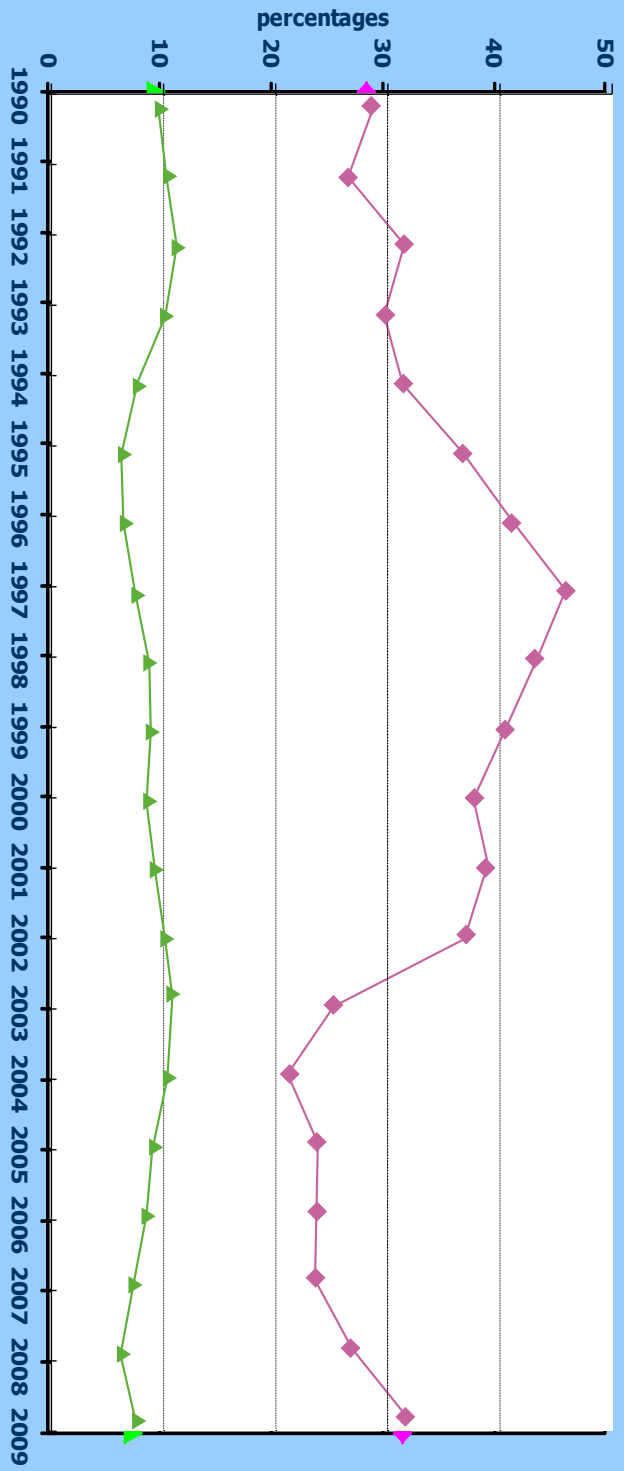
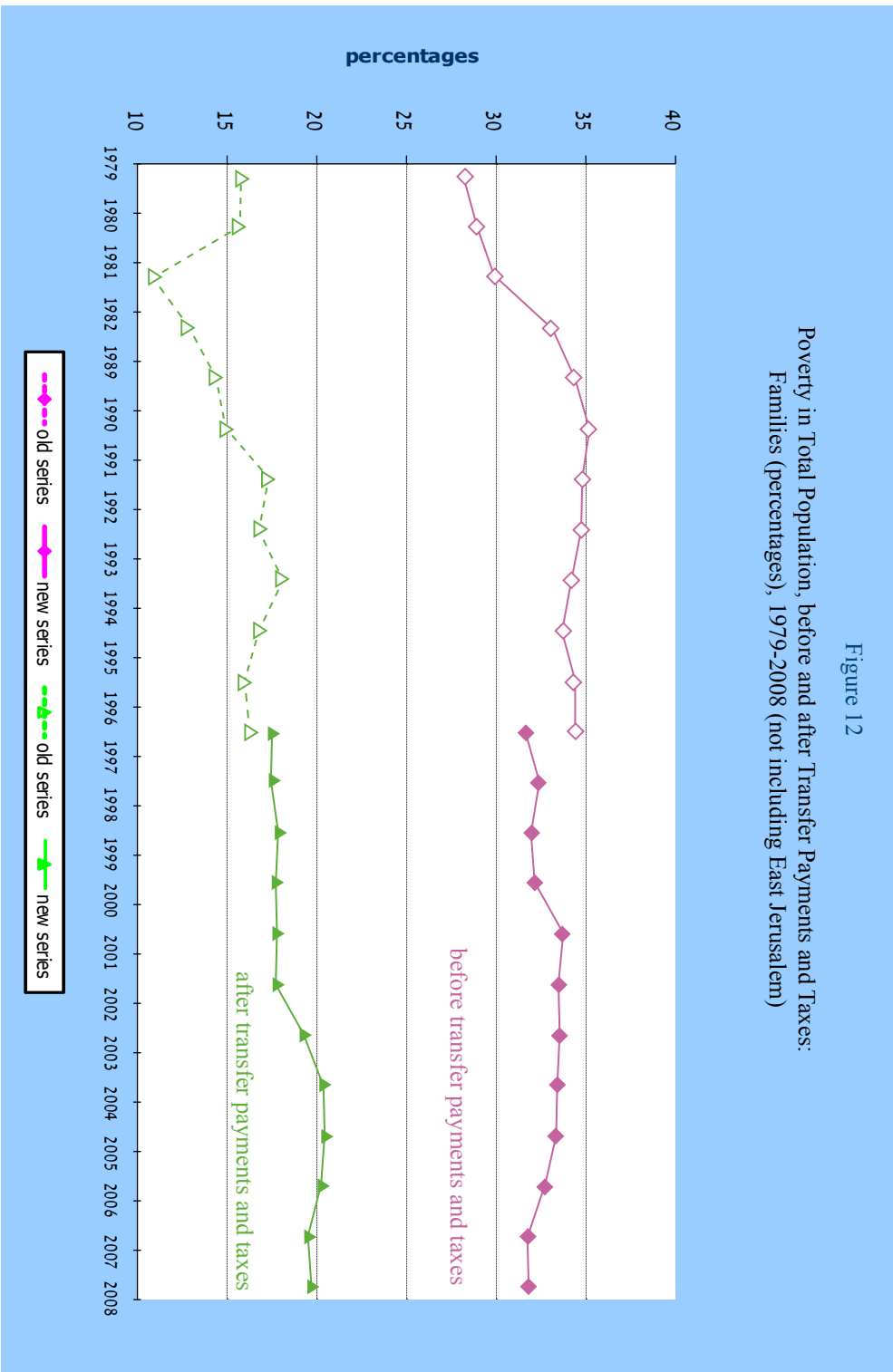
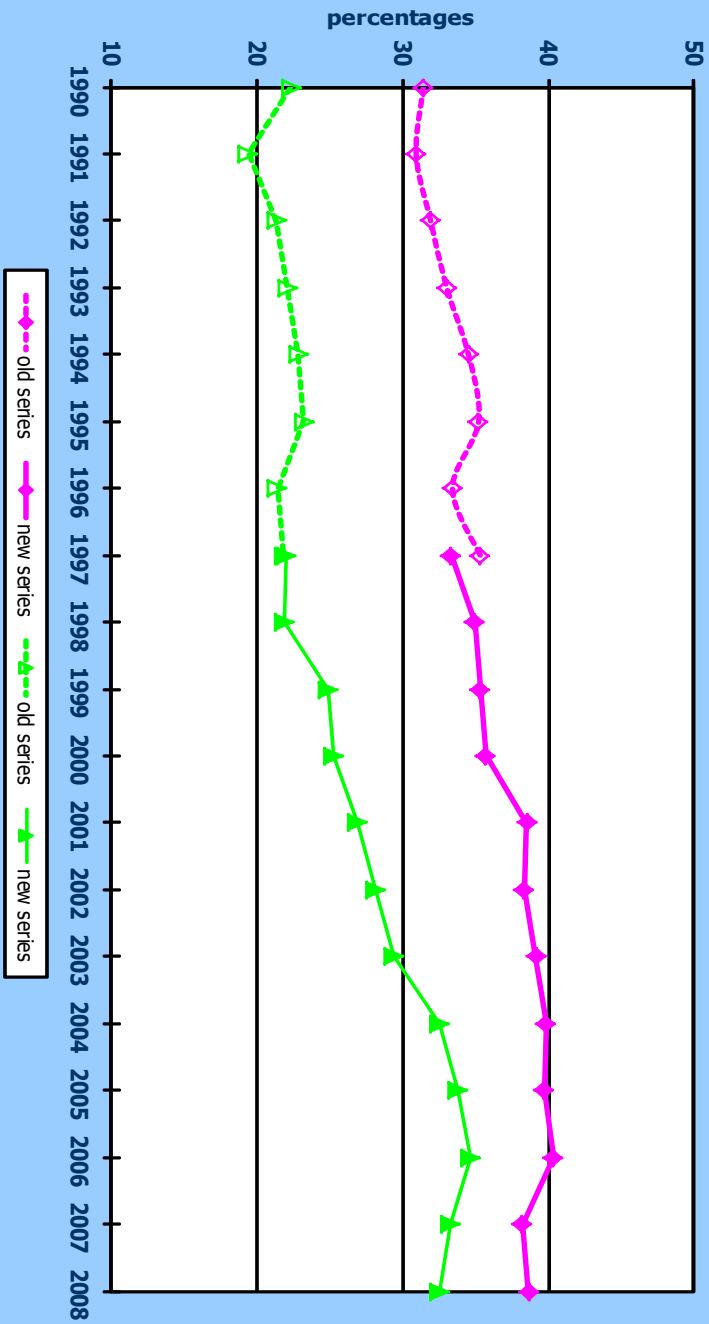


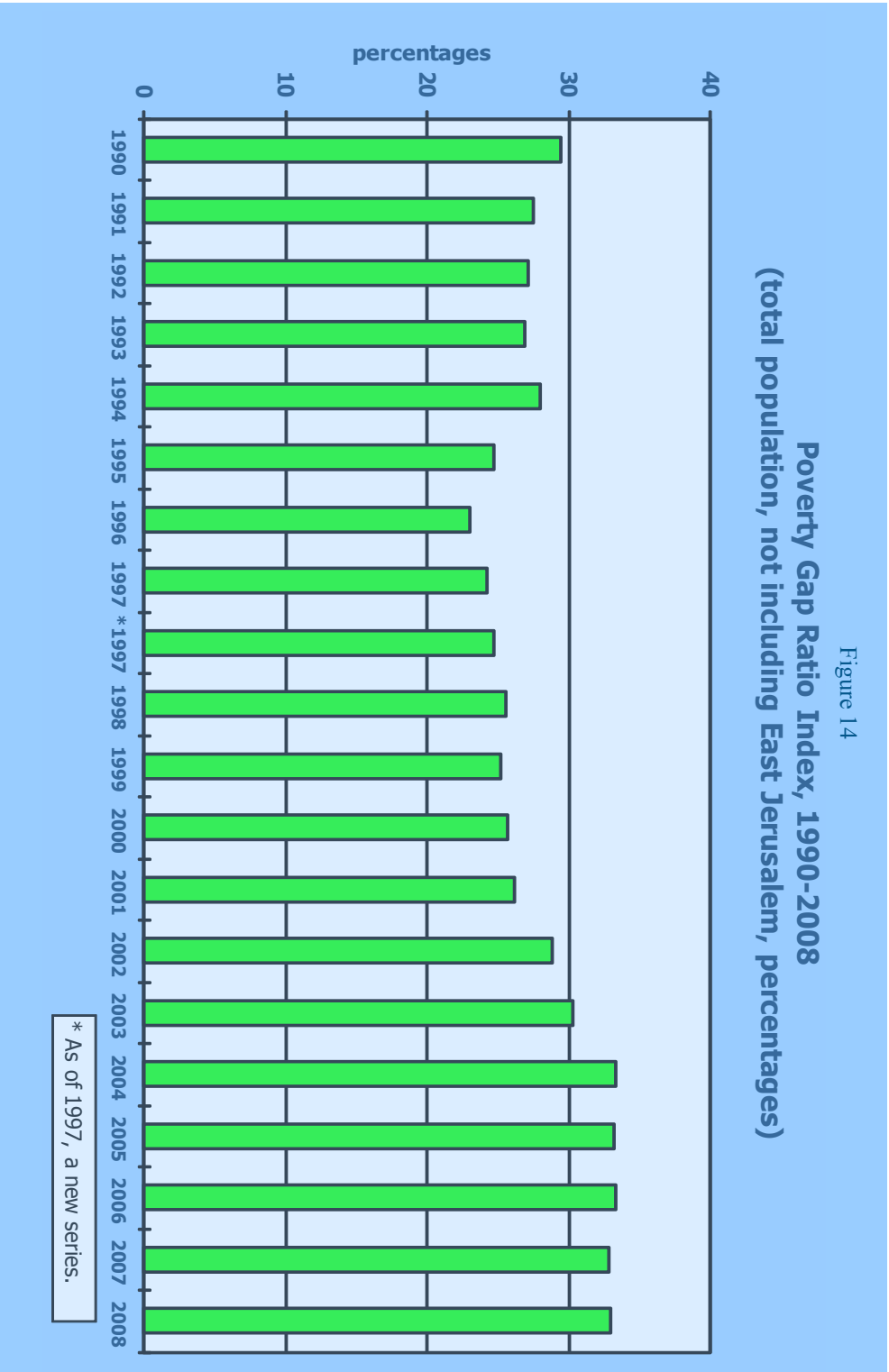
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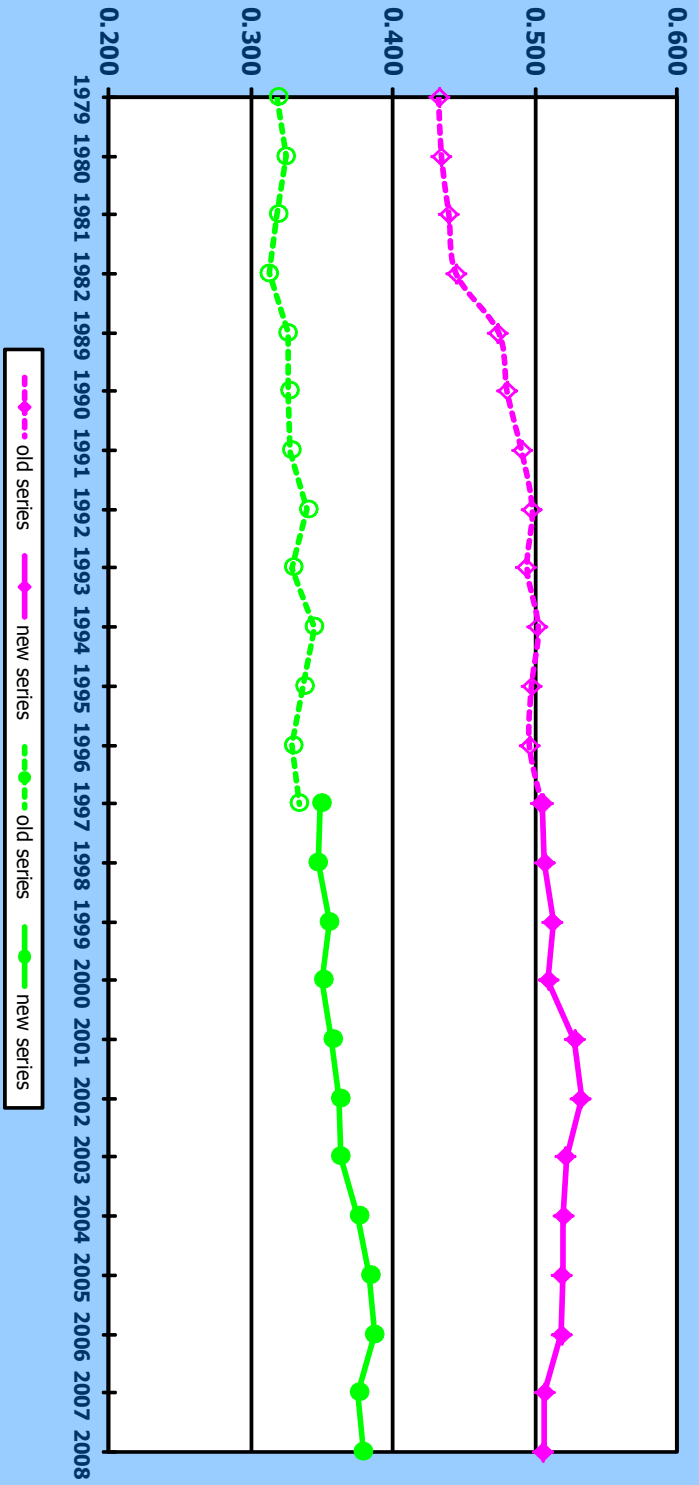
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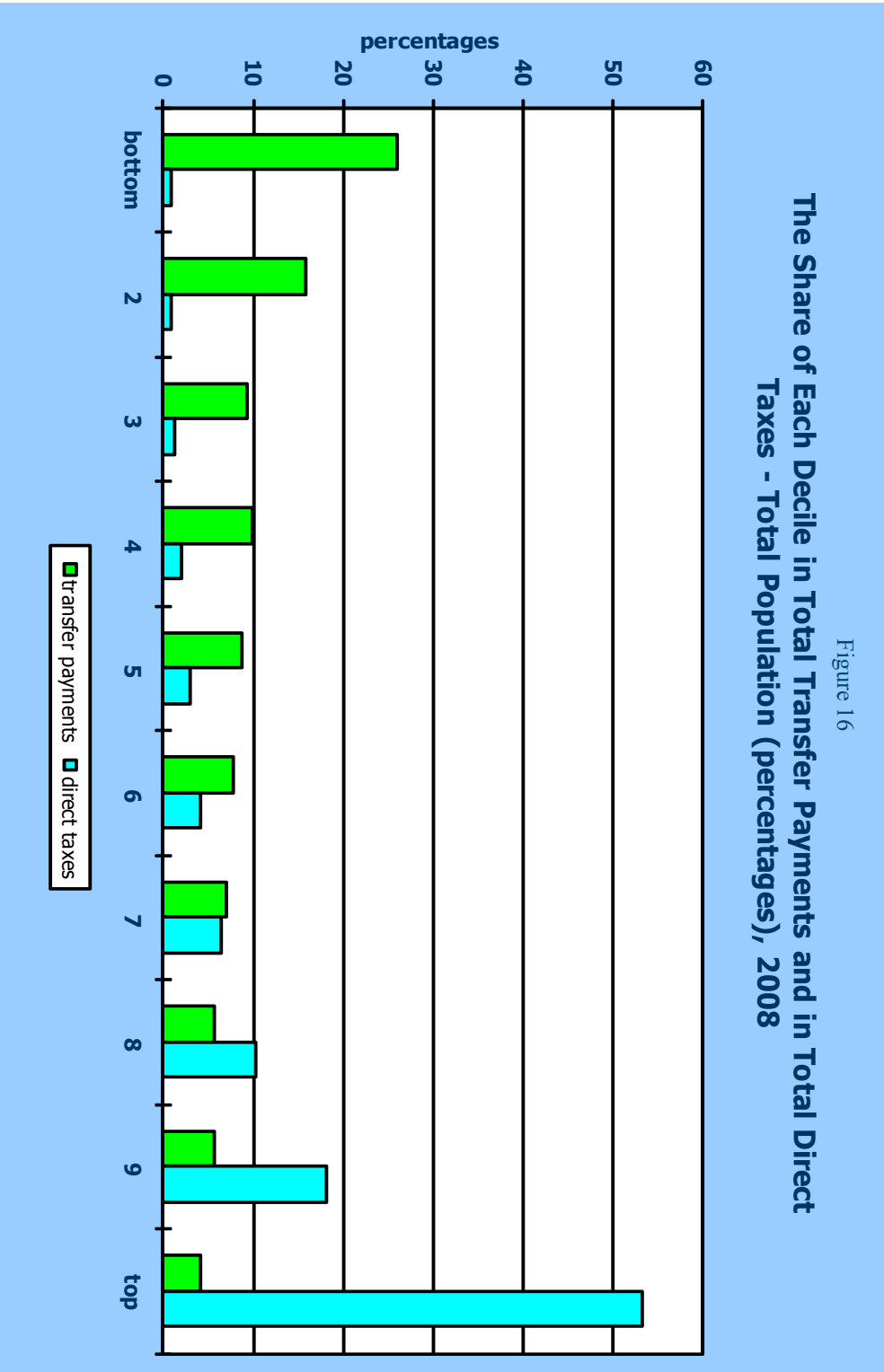
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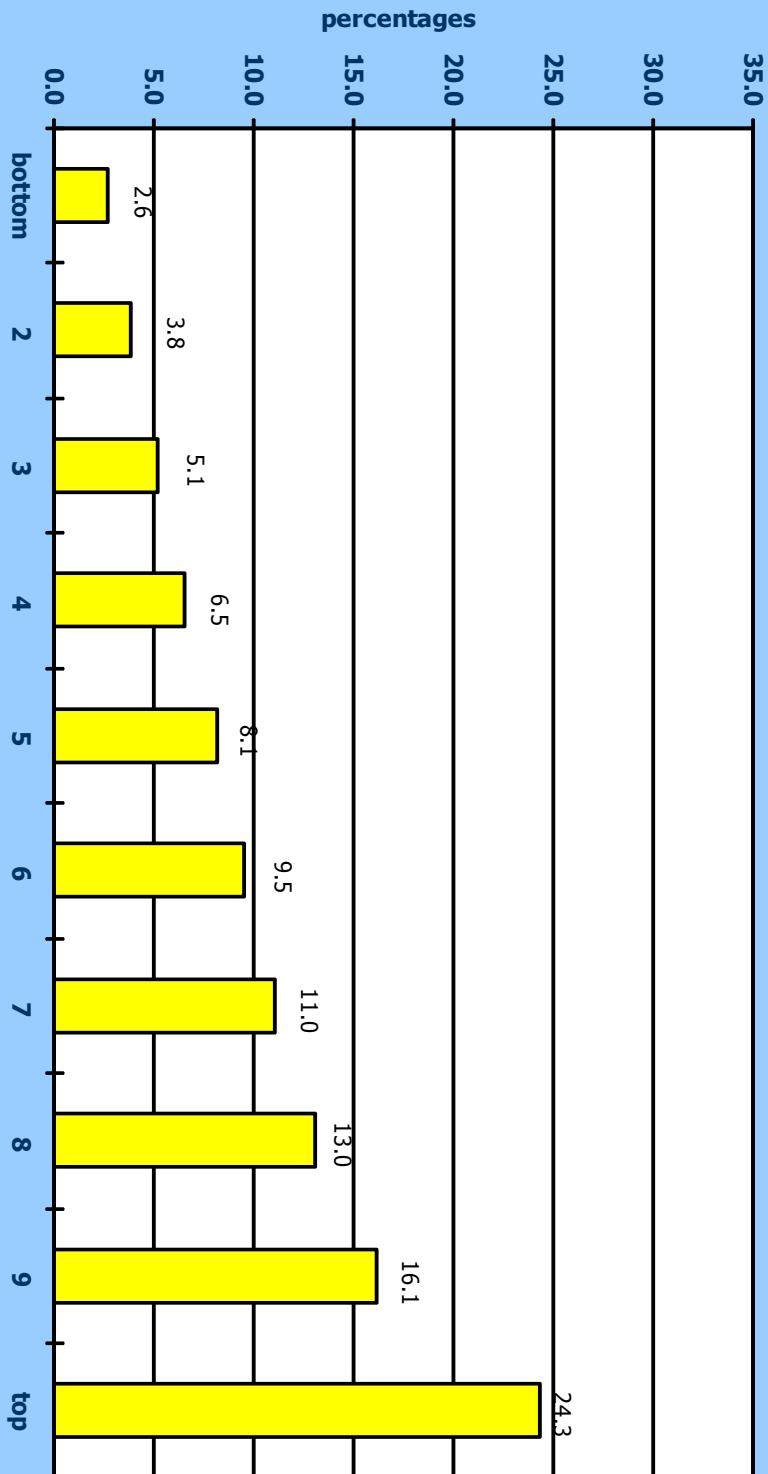
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**Chapter 1**  
**Social Policy and Developments in**  
**National Insurance**

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## 1. Introduction

The beginning of this chapter (Section 1) will discuss how the social security system in Israel continues to cope in 2009/10 with the residue of global recession, as well as the social policies to which Israel aspires, taking into account the great social gaps between Israel and the other OECD countries, as expressed in the NII poverty reports and Annual Surveys over the years, as well as in the OECD report on Israel published at the beginning of 2010, when Israel joined the organization.<sup>1</sup>

As is well known, the OECD's goal is to promote cooperation between the member countries in an effort to help improve their standard of living over time. One of the important aims internalized by the organization in this regard, perhaps more than in other international organizations, is the promotion of economic and social policies that can reinforce "the sustainability" of Israel's economy. Such a policy of permanent growth is particularly significant with regard to social policies, since one of the characteristics of sustainability is the requirement that economic growth be pro-poor, and not only be concentrated on the "well-to-do" – while protecting human and natural resources. This is also one of the reasons that the OECD emphasizes social policies in its reports, measuring poverty and inequality, and going as far as to analyze issues related to the enforcement of labor laws not only on Israeli workers, but also on foreign workers, to the integration of weak potential workers into the labor market, etc. The OECD reports regarding the situation in Israel present an international comparison, not only in an effort to help the country learn from the positive experiences of member countries, but also to avoid problems experienced by other economies. Regarding certain issues, such as immigrant absorption, the OECD recommends that other countries learn from Israeli good practice.

In view of the difficult social situation – from an international point of view as well as from a historical perspective – it is important that the government be the body that heads the battle against poverty and social gaps. Section 2 of this chapter discusses several ideas for poverty reduction, which is the government's declared policy. Reducing poverty through these proposed strategies will enable

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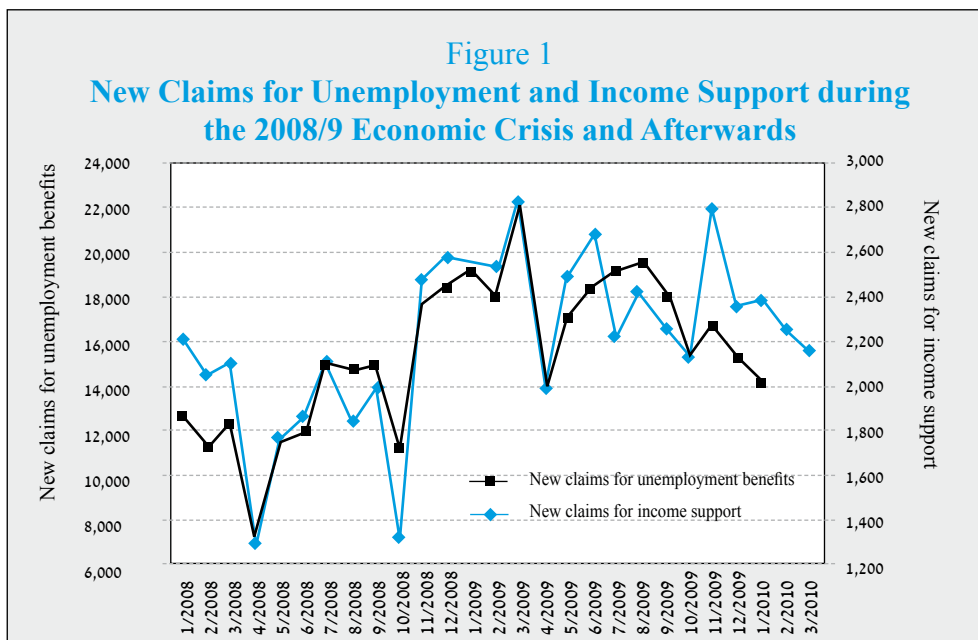
<sup>1</sup> See the publication: OECD Reviews of Labour Market and Social Policies: Israel, January 2010, 1-288.

renewed growth while reinforcing its social sustainability, since growth that does not reach all population sectors cannot endure. The goals of the tools to reduce poverty presented here are to enable the weaker sectors as well to be able to enjoy the fruits of economic growth.

Sections 3 to 6 in this chapter summarize the activities of the NII during the year under review in the areas of benefits and collection, and portray the state of the NII's surpluses and deficits.

## 2. How the Israel social security system copes with the global crisis

Both the recession and the exit from the recession are strongly reflected in the number of new unemployment benefit and income support benefit claims. As is clear from developments in these two benefits, claims rapidly rose from a relatively low level during the last quarter of 2008 to a record peak in March 2009. Fluctuating noticeably, they both dropped during the second half of 2009, and at the end of 2009 and the beginning of 2010, they reached their lowest levels. New claims for unemployment benefits declined more rapidly than did those for income support benefits.



This result reflects, inter alia, the decline in the unemployment rate to below 7.5%, which constituted a condition for benefit payment to those with a shorter qualification period. These indicators are therefore also consistent with the brief sharp effect of the recession on Israel's economy with regard to new claims for unemployment benefit.

### 3. The program for combating poverty

The poverty situation is described in detail in Chapter 2 (Poverty and Social Gaps). At this point, we will summarize only the major problems which must be the focus of any program for combating poverty.

As described in the OECD report,<sup>2</sup> Israel's poverty rate increased until it reached the upper limit of OECD countries, and it remained at that level for approximately twice as long as these countries' average. Looking back, too, on the development of poverty in Israel, the importance of putting into action a program to reduce poverty becomes clear.

#### A. The current situation

- Poverty is a problem that concerns the whole of Israeli society: for example, the largest group of poor are Jews who are not ultra-Orthodox (about 634,000 poor persons, of which about 237,000 are children).<sup>3</sup>
- There are groups living in acute poverty: for example within the Arab population, particularly in the South, and within the ultra-Orthodox population. However, since 2005, a certain improvement has been detected. There has been a decrease of 4.5 percentage points; among the ultra-

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2 See Figure 1.11, page 57, in the OECD Reviews of Labour Market and Social Policies: Israel, January 2010.

3 It is difficult to calculate the size of the Orthodox population and therefore, the non-ultra-Orthodox as well, since the Central Bureau of Statistics is unable to officially estimate the ultra-Orthodox population in its income survey. The above reference is based upon Gottlieb and Kushnir.

<http://www.economics-ejournal.org/economics/journalarticles/2009-28>)

Orthodox, it dropped by approximately 3 percentage points. Poverty is prevalent among the Arabs in the South, particularly in the unrecognized settlements – in 2004 it reached almost 80% there.<sup>4</sup>

- Poverty among children tends to be persistent, and the rate of poverty among children is particularly high. Poverty is more damaging to children than to members of the other age groups, since the damage is long-term – children are unable to properly develop into "human capital" and as a result, their ability to earn a living in the future is impaired and their chances of breaking out of the poverty cycle are small. Therefore, first and foremost, the proposed plan must address the problem of poverty among children.
- The poverty situation has improved since 2005 among families with 1-3 children, while the situation in the larger families worsened from 2005-2008. Studies show that a reduced birthrate can be achieved mostly through an increase of learning opportunities and the woman's ability to earn a living, while the effect of the child allowance upon the family's decision with regard to its size is negligible.<sup>5</sup> Therefore, for the most part, the child allowance only moderates the poverty situation.
- With no comprehensive program for combating poverty or a focused investment in the area of education (including an educational infrastructure among the Bedouins), the basic problem of poverty will become more acute, since the birth rate among the ultra-Orthodox is approximately three times that of the rest of the Jewish population and among the Bedouins in the south, it is about 2.5 times that of the rest of the Arab population. As a result, today, children aged 0-4 already account for one-fifth of the total ultra-Orthodox and Bedouin sectors, while in the rest of the population, they reach 7% and 14% (non-ultra-Orthodox Jewish and non-Bedouin Arabs, respectively). This is significant because when these children reach working age, the work situation of these two populations will become even more dismal. Therefore, thorough handling of this problem must clearly include concentration upon

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4 With regard to the Bedouin populations in the unrecognized settlements in the South, the Central Bureau of Statistics does not collate statistical data either, so that it is impossible to present consistent data based upon income and expenditure surveys. A detailed analysis, valid for 2003/2004 and which was based upon data collected by the Galil Association, can be found in the following link: [www.vanleer.org.il/econonsoc/pdf/1\\_research\\_m6.pdf](http://www.vanleer.org.il/econonsoc/pdf/1_research_m6.pdf).

5 See – Esther Toledano et al (2009). The effect of child allowances on fertility– <http://www.btl.gov.il/Publications/research>

resources in education for each of those sectors, according to their specific needs: There is a strong desire for study among the Bedouins,<sup>6</sup> and basically, the problem is that the high schools and comparable levels of study are not easily accessible to them, while among the ultra-Orthodox, their curricula lack balance when it comes to basic subjects which will affect future wage-earning, such as mathematics, digital skills and English. If these problems are not dealt with, this will only increase the difficulties faced by youths lacking a formal education when they try to enter the labor market in the next few years.

## **B. The target for reducing poverty**

The government should be congratulated for designating poverty as a goal several years ago.<sup>7</sup> However, there is not enough consistency in the aim of dealing with poverty. For example, during the 2008/9 recession, when it became difficult to reach the designated goal, it was deferred to a later time instead of taking a pro-active approach and increasing efforts to attain the goal on schedule. The public's trust in policy can only be gained if it believes that policymakers' efforts are sincere and not simply an attempt to achieve a patently numerical goal. Not achieving a goal when efforts are accompanied by increased endeavors can, in some way, be considered credible since failure is not always the fault of those who establish policy but rather is often the consequence of events beyond their control.

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6 For example, see: Ismael abu-Saad et al (1998). *Bedouin Arab Mothers' Aspiration for Their Children's Education in the Context of Radical Social Change*. International Journal of Educational Development, Volume 18, Issue 4, July, 347-359, ISSN 0738-0593, [www.sciencedirect.com](http://www.sciencedirect.com).

7 In its initial version, the goal was reached if the average family's gross financial income within the bottom quintile of the population rose in real terms by at least 10% per person more than GNP during 2008-2010 (that is, 1.1 times). See Government Decision no. 2162, 5.8.2007.

Table 1  
**The Government Poverty Goal and Changes in Poverty,  
 2002-2008, had the Goal been Implemented**

Year	GDP growth per person +10%	Gross income per family in bottom quintile*	Was the goal attained -according: to the official target	Change in incidence of poverty among persons		Change in poverty severity		
				Official index	Adequate consumption index	Official index	Adequate consumption index	Annual measure of goal (column 2 minus column 1)
2002	-2.5							
2003	0.1	-1.8	No	No	No	No	No	-4.9
2004	3.1	-1.8	No	No	No	No	No	0.6
2005	3.8	4.4	Yes	No	Yes	No	Yes	0.6
2006	3.8	5.4	Yes	Yes	Yes	No	Yes	1.6
2007	3.7	1.8	No	Yes	Yes	No	Yes	-1.9
2008	2.6	-1.3	No	Yes	Yes	Yes	Yes	-3.9

\* In accordance with the definition of the goal, the quintiles are classified according to disposable income per standard person; every quintile constitutes 20% of the families.

The current goal of the fight against poverty does not, therefore, reflect all of the policy's effects on poverty measured in Israel and abroad, thus causing problems for the government, which, for example, is interested in implementing taxation as a tool in the battle against poverty. In addition, the current goal does not take into account the various bonuses provided by the public sector or through associations for the benefit of the weaker sectors. The existing index also ignores the families' actual in-kind income. It turns out that in-kind income constitutes a substantial portion of the income of the lower deciles (i.e., see Box 2, Chapter 2).



The current poverty goal contradicts basic intuition: i.e., in Table 1, one can see that the goal would not have been attained had it been set in 2007-2008, even though the incidence of poverty for those years actually dropped. Had this goal been implemented in 2005, it might have been reached, despite the fact that poverty rose that year.<sup>8</sup>

It has been suggested that a combined goal be defined so that policy can be more transparent, thereby increasing its reliability as well.

- A comparative goal, based upon the relative method generally used in Israel as well as in most other countries and international organizations: in light of Israel's having joined the OECD, it is even more important than ever that the government do its utmost to attain a strategic goal based on a relative approach (that is, in the mid-term and long term) that will improve its situation regarding indices, so that the improvement will be reflected also in its poverty rating among the member countries. Today, Israel's poverty level places it near the top of the list of the OECD member countries.<sup>9</sup>

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<sup>8</sup> See a detailed discussion of possibilities for improving the goal in its current formula in the NII Annual Survey of 2007, pp. 30-37. In order to illustrate the situation, the official goal is based upon the gross financial income of the lower quintile. Since the target is based upon "gross" (that is pre-tax), it disregards the effect of taxation and benefits upon the welfare and poverty situation. Therefore, it is not affected by a negative income tax plan, which is considered, and rightly so, to be an essential tool for reducing poverty. Hence, even if this plan succeeds in improving the poverty situation based upon the simple criterion of, for instance, reducing the accepted incidence of poverty among working families, it will not be reflected in the official poverty goal. In addition, the goal also does not indicate improvement if, for example, the government increases old-age pensions in order to ease poverty among the elderly, nor in the case of a policy which reduces the cost of necessities for the poor population, such as benefits provided to the poor populations by the local authorities through flexible fees or concessions by the government with regard to prices of basic products wherever possible, or through the introduction of nourishment projects in the schools located in the poorer neighborhoods, etc. Therefore, even if the government takes welcome steps to reduce poverty, this is not reflected today in the selected indicator.

<sup>9</sup> As is well known, the NII 2007 report on Poverty and Social Gaps began reporting data in accordance with OECD regulations for computing poverty.

- It has been proposed that Israel define its long-term goal in terms of decreasing the magnitude of poverty (according to the existing variation of calculations or that of the OECD) to 10%, which was the average poverty incidence in OECD countries in the mid-2000's.<sup>10</sup>
- A secondary poverty goal based on adequate consumption expenditure: an additional problem with regard to poverty goals is that the tools used by governments to reduce poverty often simply consist of discounts on essential expenditures such as medication, public transport, housing, etc., or of providing hot meals for schoolchildren. None of these are reflected in the consumption indices of monetary income, as is customary in the NII and in most developed countries. Consumption poverty measures recently developed in Israel and elsewhere take into account the public's non-monetary income ("income in kind") and various benefits in kind provided by the Government. The advantage of these considerations is that they are sensitive to those policy tools. Therefore, it is proposed that the government adopt an additional goal – that of a poverty index based on realistic consumption.

Positive signs indicating the policy's success will make it possible to increase policy transparency, thus improving resource allocation. This will also allow for more efficient measurements of many policy tools which are presently being implemented without their effect being measured.

### C. Tools for reducing poverty

The government defined the increase in employment as a crucial tool in the battle against poverty since profitable and continued employment guarantees a

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10 The OECD measures the poverty line according to half of the monetary income of a person, where a standard person is calculated as the basis of the size of the family. Based on this method, the incidence of poverty in large families tilts downwards in comparison with the accepted measurements of the NII. Theoretically, it would be preferable to focus upon the acuteness of poverty as defined in professional literature, for example, the quarterly FGT index, whose reports are included in the NII poverty reports on a steady basis. This index is better than the incidence of poverty, since it complies with the criteria of poverty indices as defined in professional literature: the most important of these is the axiom of transfer, according to which the transfer of amounts from one household to another must reflect an improvement, if the household from which the income is transferred is poorer than the one receiving the money.

continual exit from poverty, and is the basis for a strong economic foundation for the family. In addition, this is also a way to ensure that economic growth anticipated for the coming years (about 3.2%-3.6% a year in 2010-2014) will reach the less-educated sectors.

## **Tools for increasing employment – ALMP (Active Labor Market Policy)**

According to the OECD's report, one of Israel's main weaknesses is the inconsequential investment it has made in an active labor market policy – for example, the implementation of programs such as the "Prospects for Employment" plan, budgeting and allowing the Employment Service to operate effectively and implementing programs for improving work income, such as negative income tax, etc. While Israel invests only approximately 0.1% of its product in such programs, an average similar investment by OECD countries reaches six times that in terms of products.<sup>11</sup>

### **I An active placement plan for the labor market ("Wisconsin")**

The "Prospects for Employment" ("Wisconsin") plan was recently terminated. This program played a vital role in increasing employment among the disadvantaged. Below are some proposals for improving the program, some of which appear also in the OECD report:

- **Proposal allowing the client his choice of operators:** Such a step will cause operators to increase their efforts vis-à-vis the clients, since it will compel them to compete. At the same time, one can assume that the clients' involvement and commitment will increase, since they themselves will have selected the operator. It goes without saying that a system of compensation for both employers and clients – from the aspects of perseverance at work and wages, based on the success of the placement – will have to continue. It would be desirable if the incentives took into account the objective difficulties in placement, so that an employer might find it more worthwhile to place an older or disabled person than a young person. Thus, the bulk of the effort will not always be put into placing those clients who are easier to place.

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11 See Figure 1.18 on page 65 of the *OECD Reviews of Labour Market and Social Policies, Israel, January 2010*.

- **Proposal to cancel the age limit for clients:** In view of the proposition presented in the above paragraph, it will be possible to cancel the age limit, since this, in fact, constitutes discrimination. This point is also important from the aspect of intra-operator competition: such competition can only succeed if there are enough cases vying for placement, since when there are only a few cases, placement profitability is diminished and this affects potential operators. Should the placement plan not succeed, it will be necessary to implement the income support system anticipated for situations of this kind (see proposals in Chapter 2, Box 3).
- **Taking the business cycle into consideration:** The system is built mainly around the principle of "work comes first". In order to take a weak labor market into consideration, it is proposed that a claimant for income support benefits receive financing for one month's vocational training for periods during which the rate of unemployment rose beyond the threshold of 7.5% for at least six months, so that even at times of continuing difficulties in the labor market, efforts can be spent on improving claimants' capabilities.

## II Negative Income Tax<sup>12</sup>

Today, in many of the OECD countries, benefits allocated to poor workers constitute a large part of the plans to combat poverty and increase employment among the disadvantaged. Such programs have become prevalent in those countries during the past ten years. A similar program is still in its early experimental stages in Israel, limited to certain areas, and the grant itself is small compared to that paid to a worker in, for example, the U.S. or Britain. The Israeli plan has been added to the "Prospects for Employment" program which, for the time being, has been suspended, despite the fact that Israel very much needs such a program, particularly in view of the very low employment rates in many sectors and the high rate of unemployment in comparison with the past, as well as in comparison with the global situation. The conclusion is that based upon the positive conclusions of similar experiments in other countries, this type of

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12 As was explained in the paper prepared by the above inter-ministerial team, the name is slightly misleading, since the current Israeli plan is similar to the American plan which is called income tax credit and refers to work-generated income, while negative income tax refers to the plan originally proposed by Milton Friedman as an absolute alternative for the income support system.

program must be given priority and must be more daring.<sup>13</sup>

The programs described in detail by Immervol and Pearson suggest a large variety of possibilities. Their study shows that the approach taken in Israel, and inspired by the American program, indeed produces an abnormal result (the authors used the expression "perverse") with regard to the worker's spouse, the other provider. They feel that there are two reasons for this: the family means test and the programs' connection between providers in the same family. For example, in the U.S., only one member of the family can participate in the program, thereby reducing the number of working hours of the second provider. In Israel, it was decided that both providers could participate in the program. This is a significant decision, but the incentive for the second provider, particularly in a large family, is small since he or she (usually the mother) must work full time or almost full time in order to be able to benefit from the subsidy.

The study carried out by the intra-ministerial team, with the participation of the NII Research and Planning Administration, reveals very low initial results with regard to the pool of potential workers. The program resulted in an approximately 3% decline in the poverty level of persons who were entitled and who took advantage of their right (constituting an improvement of approximately 8% in comparison with the incidence of poverty prior to the implementation of the program).<sup>14</sup> The goals of the recommendations below are to increase the potential effect of the program upon poverty by increasing employment among the disadvantaged.

- **A proposal to extend the negative income tax program nationwide.** The extension should be carried out alongside the "Prospects for Employment" program, but it is not absolutely necessary that the two programs be linked.

This type of program constitutes a major tool for increasing the salaries of disadvantaged workers. Many Western countries do this with varied levels of success and in a variety of models. In countries where the minimum wage is paid as legally required, or where the employer's behavior towards the workers is fair and equitable, it is clear that the problem of low salaries is mainly the concern of part-time workers.

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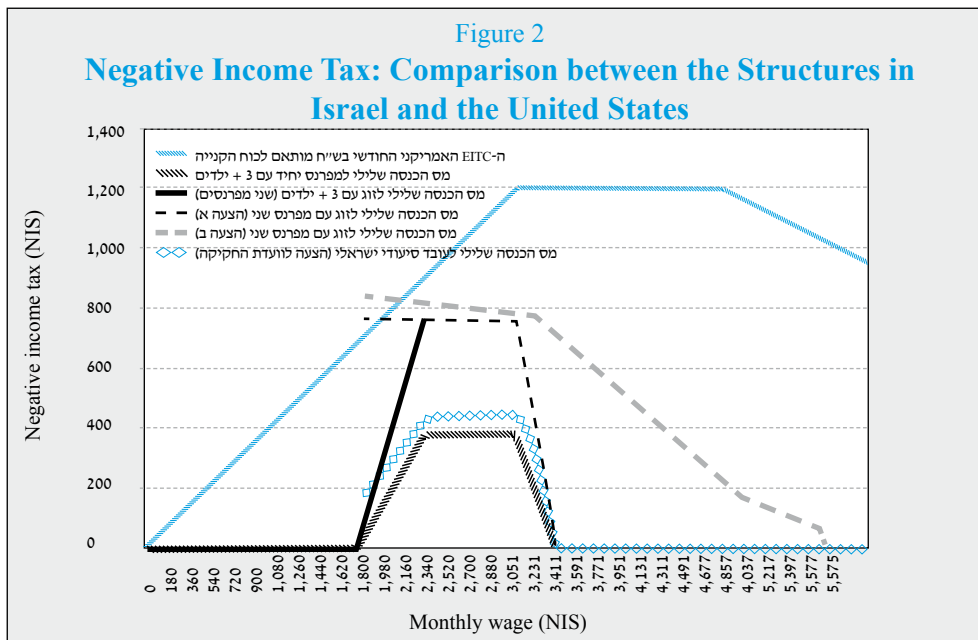
13 A comprehensive and current report by Immervol and Pearson of the OECD regarding the programs for policies to benefit disadvantaged workers. This report is more positive than previous reports which were based mainly upon the American model.

14 It is certain that the overall effect is larger, since the income of some of those receiving low salaries from work is above the poverty line, but the improvement in income distances them from the perils of falling into poverty.

At this stage of the study, it is not possible to examine the effect of potential members of the labor market, since according to the existing program, payment made is retroactively based on the previous year of employment (2007), when decisions regarding the criteria were made before the beginning of the program. Moreover, in programs implemented in other countries, the positive effect of employment was felt mainly by single mothers and not by families with two providers. At times, the latter even suffered from a reverse effect. In order to provide the second provider with the best chance for joining the work force, thereby helping to escape poverty, it is suggested that the subsidy to a **new** second provider in a family be increased (see below).

- **A proposal to significantly increase the negative income tax for the second person joining**, starting at a minimum salary of NIS 1,800, in a family where there are more than two children. Thus, it will be worthwhile for the spouse to join the wage-earning effort (see Figure 2, where the proposed increase can come to NIS 800). Using the current method, it does not really make sense to work part time since the supplement provided to reach minimum wage is small. The proposed gradual increase takes into account the fact that for a variety of reasons, it is difficult for the second person (among Arabs, this is usually the wife and among the ultra-Orthodox – the husband) to join the labor market working full time. However, a half-time position can constitute the first step toward accumulating experience in the labor market, especially when the children are still small and require the care of at least one of the family members. The proposal is that the grant be awarded to whoever did not work for three years prior to his joining the program, that it be limited to two years and that it be provided to a person who works at least 18 months out of two years.
- **Increasing the generosity of the negative income tax:** While the basic structure of the subsidy in Israel is similar to that in the U.S. (shaped like a trapezoid), the level of the negative tax in Israel is significantly lower than is customary in the U.S. There are more significant differences:
  - Israelis who are under 55 years old are eligible only if they are single parents or if they have at least two children.
  - The method requires a means test and this raises the probability that the bonus will be under-evaluated, thereby lowering a person's incentive to enter the labor market. Apparently, the advantage of the Israeli method is that if both spouses are working, the bonus increases, while in the U.S., only one of the providers is eligible to receive the bonus.

- Despite the fact that in Israel, both spouses can receive negative income tax benefits, the bonus in the U.S. is significantly larger than that given in Israel.
- **Adopting the negative income tax horizontal structure ("The British model")**: the adoption of a payment track similar to that of the bonus granted in Britain, where it immediately starts at a high level and where there are no increases, is an interesting possibility for encouraging the participation of the second provider. This constitutes a definite incentive for beginning to work. Of course, in order avoid discrimination against single mothers, they must be allowed to participate in the same track. Under the structure of the present program, a person earning less than NIS 1,800 a month is not entitled to the bonus; in order to reach a real bonus, he must work full time. An economy where the rate of employment among mothers with many children is very low, such as, for example, in the Arab sector, **raising the bar to a horizontal track for a second provider, or even lowering it, could constitute a definite incentive for easing the entrance of the second provider into the labor market** (the dotted lines in Figure 2 below).



### **III Encouraging the replacement of foreign workers with Israeli workers**

Various studies have emphasized the negative effect of Israel's immigration policies with regard to foreign workers, a policy which, from the beginning, was aimed at the low-skilled labor market. The policy was intended to provide a massive introduction of foreign workers to do work which does not require any particular skills; however, in Israel (contrary to other countries which also encourage the influx of foreign workers), there are many young people who can do such work. Therefore, this policy spoils the chances of young Israelis to find profitable work, especially in view of the fact that regulations are not enforced when it comes to wage conditions of foreign workers and when the cost of their labor is significantly lower than for Israelis. At the same time, the damage caused to the social safety net (unemployment and income support benefits to young people) has affected the standard of living of those who found it hard to earn an adequate salary. In order to encourage youths with little education to enter the labor market, it is proposed that work in the sector of long-term care – a sector where there are good possibilities for earning a living – be made more worthwhile. In addition, the ongoing increase in the number of elderly persons and of persons requiring long-term care, can ensure a steady demand for this type of work.

In many countries, the reverse income tax plan is implemented only in relation to special employment sectors and for disabled workers.<sup>15</sup> A proposal is presented below to specifically, and preferably, employ Israelis in the sector of long-term care – in which tens of thousands of foreign workers are employed – whenever they are prepared to replace foreign workers. The government and the NII have begun to implement a special program in which Israeli workers are given preference by granting additional care hours to persons in need of long-term care, thereby weighing the balance in favor of Israeli workers. Promoting this goal is an important element in the battle against poverty, since long-term care work is suitable also for women who lack education but are intelligent and sensitive. Strengthening their standing in the labor market might add second providers in poor families and at the same time, reduce dependence on foreign workers, even in cases that the work is not "around the clock". The definition of 24-hour care is flexible to a certain extent, and therefore, being flexible about the work and its profitability could increase employment opportunities for Israelis as opposed to foreign workers.

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<sup>15</sup> See Immervol and Pearson, page 43.



- **A proposal to grant increased negative income tax to a person working in a dependent elderly person's home** for a period of over five years, in order to encourage Israelis to work in the long-term care sector which is today reserved almost completely for foreign workers. In view of the demographic changes, this sector has gradually turned into potential employment which could be suitable for low-skilled workers. This market represents good working opportunities with relative high salaries for both men and women with little education. It therefore constitutes an excellent tool for increasing participation in the labor force, while, at the same time, reducing the number of foreign workers in Israel.
- **A proposal to raise the number of care hours approved for recipients of long-term care benefits** who transfer care from a foreign worker to an Israeli worker. This policy has yet to be examined in depth but at this time, it seems that recipients of long-term care and their families are not rejecting such an alternative, and from November 2009 to May 2010, there were many cases (several hundreds) of persons requiring long-term care who employed a foreign worker and who decided to switch and employ an Israeli worker.
- **A proposal to enable a family member who provides long-term care for a relative** – and who therefore, does not work outside of the house – to benefit from the value of income tax credit points. This system constitutes a type of alternate negative income tax. If the income tax system recognizes a family member as an unpaid worker, it will be possible to deposit an amount of money in his account that is equal to the unused number of credit points. This policy could potentially reduce poverty, particularly among Arab families where, apparently, it is common for a family member to provide long-term care.

It should be pointed out that these measures – which involve increasing employment and dependence upon a low-skilled Israeli work force – can also have a positive contribution to the NII's financial strength since it is a potential source of permanent income.

#### **D. Encouraging the employer to invest in the worker's human capital**

The law for encouraging capital investment does not include investing in the worker's human capital. This possibility should be taken into account so that employers can benefit from tax breaks or receive a grant based on the investments they make to provide vocational training for their workers. In the end, this investment could raise workers' salaries, since employers and workers could construct a training program that could lead to what the former consider to be increased productivity on the part of the latter.

#### **E. Income support benefits**

It is not possible to solve the problem of poverty simply by empowering those who do not work, or by improving salaries or one's chances of employment. There will always be a group of people and families that will have to fall back on a safety net, whether temporary or permanent. Therefore, one of the goals of the plan for combating poverty is to examine the situation of the social safety net, particularly that of income support benefits. An analysis of income support benefits for families where the head of the family is of working age reveals that this system has not operated satisfactorily as a final safety net for needy families since 2002/3 (see Box 3 in Chapter 2), due to the extensive budget cutbacks in the system during those years. The analysis in Chapter 2 suggests the need to significantly increase benefits for large families (two spouses with three or more children) where in some cases, the satisfactory minimum standard of living ("adequate") reached only 35-40%. In such cases, Table 1 in Box 3 of Chapter 2 suggests the need to at least double the benefit, even if this measure does not solve the problem entirely.

#### **F. An empowerment<sup>16</sup> grant to relieve the problem of inter-**

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16 This proposal constitutes a continuation of the previous proposal with regard to an

### generational poverty (child development account)

As stated above, the level of poverty among children in Israel is high in comparison with the other OECD countries, as well as from a historical aspect (See Chapter 2). The more permanent the poverty status of a child's family, the higher the chances that this child will remain poor when he reaches maturity. One of the indications of ongoing poverty is a situation where both the family income and the family's consumption of necessities are below the poverty line. The longer poverty persists, the more the long-term implications on the child's future ability to extract himself out are affected more negatively. One of the ways to help him do so is to provide the child with the means to acquire a certain initial capital, as well as additional subsidized savings over the years. This capital becomes the child's own property when he reaches the point of being able to earn a living, in the form of assistance to acquire an education or suitable vocational training, or even establish a business. The empowerment grant proposed below will not solve the problem entirely, but can serve as a complementary tool in a long list of measures aimed at improving a person's ability to earn a living.

Following are the main points of the program:

- (1) **Birth grant and right of refusal:** The NII will offer the mother the choice of depositing the birth grant – which amounts to NIS 1,600 today for the first child – into a special savings account in the child's name, or to receive the birth grant outright, as is the norm today.
- (2) **Minimum amount:** At the time of birth, the parent will be offered the opportunity of regularly depositing a minimum amount, i.e. NIS 50, to be deducted from the monthly child allowance, into the child's account as a standing order, or to continue receiving the child allowance as is the norm

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empowerment grant for children, proposed by the NII back in 2008. The present draft was formulated following a seminar on the issue of savings accounts for children (Child Development Account) which took place in the Research and Planning Administration of the NII, with the participation of international experts, among them Prof. Michael Sherraden, who was included as one of the 100 most influential leaders in Time Magazine for his contribution to this specific area of interest. Other participants were Mark Iwri, one of the U.S. President's senior economic advisors, Ray Boshara, Vice-President of the New American Foundation, as well as Prof. Michal Grinstein, who promoted the issue of the Child Development Account as well as the contact between American and Israeli teams. Many other representatives from the NII took part in the seminar, as well as representatives from the Ministry of Social Affairs and Social Services, the Ministry of Finance, academia, the Brookdale Institute, the Bank of Israel and other organizations.

today. Should the family agree, it will also be able to deposit additional amounts whenever it can or wishes. Whoever does not agree to deposit the monthly deduction but agrees to the initial deposit of the birth grant will accumulate interest and income accordingly.

- (3) Granting a bonus:** Until the child reaches the age of 18, the government will deposit into his/her account an amount that matches the family's deposits. This government investment will be limited to a certain ceiling, which shall be announced in advance. Studies regarding similar programs in the world indicate that such a declaration promotes saving, by giving the family an incentive to try to receive the government subsidy. This measure was found to be more encouraging than progressive matching, since it promises a government deposit that is higher than the invested amount, i.e. doubling the family's investment.
- (4) The purpose of the savings:** These savings are intended to be long-term, at least until the child reaches 21, when the accumulated capital can be used to empower the child's ability to make a decent living. Therefore, this capital must be earmarked for acquiring an education or vocational training which will enable him to successfully join the labor market. Other possible goals for the use of this capital can be helping to establish a business, or investing the savings for longer periods, possibly until retirement age.
- (5) Entitlement to an empowerment grant:** The plan is that entitlement to the empowerment program be granted pursuant to the following principle: anyone who is not exempt today from income tax on any type of savings plan such as pension, advanced studies funds, retirement funds, etc., shall be eligible for the grant. The poor population sector generally does not enjoy such exemptions since they do not reach an income level where they have to pay income tax or they are unable to save any money in these preferred programs. These are mainly families without providers and those who work in places where workers' rights are ambiguous. The implementation of such a program will help reduce inequality both in government benefits related to savings and in public assets.
- (6) Feasibility of the project based upon existing data regarding eligibility:** The project was approved by the State Revenue Administration. There are lists of providers who receive tax benefits in the area of savings, so that the eligibility rule will be the absence of the names of the parents of a newborn

baby from the list in a given month. It was explained to us that there are even data regarding the size of the bonus, which in time, will make it possible to improve the program.

- (7) Involvement of the banking system:** The banking system can implement the plan under conditions of fair competition with relation to the accounts. We feel that it will be necessary to introduce regulations to ensure that commissions charged are minimal. It can be assumed that because of competition for future clients, the banks will be interested in improving the conditions of the savings accounts. Alternatively, one should not ignore the possibility of arriving at an understanding with the Postal Bank which will include minimal commissions.
- (8) The advantage of the program for the saver:** At the age of 18, a person saving in this program will have NIS 38,000 at his disposal for reasonable expenditures. It can be assumed that universities, colleges and training institutions will see the potential in this, from their point of view, and will offer preferential conditions in order to attract these potential students. If someone prefers to leave the money in the account in order to establish a business at the age of 25, he will then be able to start out with approximately NIS 64,000.
- (9) Matching subsidy and 5% actual interest subsidy:** It is proposed that the program start with a deposit of NIS 50 per month until the age of 18, in keeping with the conditions outlined above, on the assumption that nominal interest will be paid on the savings.
- (10) Cost of the program (based upon prices at the beginning of 2010):** According to an initial estimate, the cost of a subsidy of NIS 50 a month during the first year will be NIS 30 million. Every year thereafter, the cost will be multiplied by the number of years since the beginning of the program, since the reference is to cumulative costs. At full maturity, the cost will come to slightly over half a billion new shekels. Should subsidized interest also be provided, for example 5% real interest, which would require a subsidy of 2.5% if based upon interest rates on the current market, this cost will range from NIS 35 per saver during the first year to NIS 480 when he reaches 18. Subsidized interest will add approximately NIS 1.9 million during the first year and approximately NIS 25 million at maturity, so that the size of the budget for these bonuses will come to approximately 33 million NIS during the first year, and slightly less than 600 million NIS at maturity (in another 18 years).

**(11) Follow-up study and termination of the program:** It is desirable to determine the timing of the termination of the program in advance, that is, when to halt the subsidy program. The program can fade out gradually, and even disappear with follow-up studies carried out after implementation, when a normative change in the desired direction with regard to behavior in the domain of saving will have been observed, and the private sector becomes involved and supports this type of savings plan. The Research and Planning Administration of the NII, together with a team of experts, should carry out a follow-up study on the project and its various effects.

A regular deposit of NIS 30 per month by a family, when taken out of the child allowance after the initial deposit of NIS 1,600 [the birth grant] can come to a capital of approximately NIS 31,000 set aside for the child. This capital can reach approximately NIS 70,000 if a needy family invests NIS 50 a month and the government supports it by depositing a matching amount.

The empowerment grant is intended to provide a mature child with a financial springboard for academic or professional studies (when he reaches the age of 18/21 to 30), or, alternatively, for starting a business (at the age of 25 to 30) or for purchasing an apartment (when even older), or to save towards a retirement pension, should he decide not to take advantage of any of the previous options. Another advantage of the program is that it teaches the child to save money, particularly important if, because of the poor economic condition of the family, he is not used to such habits.

Similar programs are being successfully implemented in several countries, some of them with significant success. Today, there is a program in England that helps young people break out of the poverty cycle when they mature, by allocating a split grant, part of which is received when the child is born, and the other part when the child turns 7. This grant is awarded to all children, but children in the needy population receive a larger amount. Similar programs are being implemented on an experimental basis in the U.S., as well as in Singapore and Korea.

## **G. Additional tools**

The connection between basic education, higher education and earning a living is among the best connections known today, as is, ultimately, the link between these and poverty. It is obvious that education must be at the core of any plan

to combat poverty, particularly in connection with subject matters which, today, are not found in the curricula for ultra-Orthodox boys, and which are essential for being able to earn a living in the long run, such as mathematics, English and digital skills.

- **Improving access by the Bedouin population to education by developing educational infrastructures and a comprehensive scholarship program:** There is no doubt that expanding the school system in the Bedouin sector is vital for improving their standard of living in the long run, especially with regard to high school education in the unrecognized settlements. However, another important connection between education and poverty should be emphasized here, and that is where the woman acts as an agent for social change: improving a woman's ability to earn a living by investing in her human capital not only improves her salary but also – and even more importantly – affects the timing for raising a family and shapes the life of the family and the joint decision made with her spouse regarding family size. In the end, reducing the size of the family in return for educational gains and the ability to earn a livelihood can improve a person's wellbeing. In fact, one of the ways to promote education and welfare in the Bedouin sector is to change, on a massive scale, the system for providing scholarships for higher education and vocational training for anyone who is interested and is able to study at the required level. The costs involved are minor compared to the long-term effects on the standard of living of the population and the indirect benefits to Israeli society.

Promoting the issues described above will certainly lead to a steady reduction of poverty in Israel, will improve public welfare and will result in a feeling on the part of fringe groups that they belong, thus increasing the potential for economic growth.

- **Increasing sensitivity regarding financial services for the disadvantaged who do not have a bank account:** The Postal Bank, branches of which are deployed throughout the country, can develop basic financial services which will include handling current accounts and access to small loans, similar to services provided in various places in the world. It is proposed that the Postal Bank operate this system at cost price, with the support of a government budget that can provide guarantees and subsidize operating costs, especially

since studies<sup>17</sup> have shown that micro-loans are very expensive for poor borrowers and their costs are reminiscent of high interest rates in the "gray market".

#### 4. Scope of payments

In 2009, NII benefit payments in cash and in kind – contributory and non-contributory – came to NIS 55.4 billion compared to NIS 49.9 billion in 2008. These amounts also include other payments made by the NII, particularly to government ministries, for developing services in the community. This also includes all types of administrative and operating expenses within the NII system (in the amount of approximately NIS 1.2 billion). There was a real increase of 7.4% in NIS payments, stemming from a combination of several elements: the rate at which benefits are subject to updates, based upon the price rises of the previous year and the rate of index increase in 2009 (which explains 2 percentage points out of the total increase in payments); macro-economic changes, particularly a steep increase in unemployment in the year under review; the increase in the number of benefit recipients; and the real rise in some benefits as a result of amendments to the 2009-2010 Economic Efficiency Law and agreements based upon Section 9 of the NI Law (some stemming from coalition deals). Benefits rose by approximately 0.4% (Table 1) after several years of either declining or remaining unchanged, in terms of percentage of productivity as well. The rate of benefits out of the GDP, which reached a peak of 8.7% in 2001-2002, dropped steadily to 6.8% in 2007 and 2008, while in 2009, they rose to 7.1% for the first time. This increase is particularly conspicuous in view of the decline in collection receipts due to the economic situation in the labor market (increased unemployment) in 2009 and a gradual decline that began in 2005 in the rate of NII collection from employers. In terms of the GDP, the collection rate for the NII branches dropped from 3.8% of the GDP in 2008 to 3.7% in 2009.

In general, benefit payments under the National Insurance Law rose by 8.3% in real terms in 2009. The non-contributory benefit payments – those paid under the country's laws or as a result of agreements with the Treasury, and fully funded by the State Treasury (such as income support, mobility, maintenance and old-

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17 Florence Brown, Yaakov Yaron, Galia Piet, (2010). Microfinance in Israel: Issues for discussion. Jerusalem, Draft, pp. 1-15.



age and survivors pensions), for the uninsured (particularly new immigrants and reserve service payments) rose by 4.1%. In 2009, non-contributory benefits, including administrative expenditure, came to NIS 9.94 billion, 17.9% of all benefit payments.

The data in Table 3 demonstrate the main trends in benefit payments by branch. A particularly high increase, approximately 60%, was noted in the Unemployment branch due to an increase in the rate of unemployment from 6.1% in 2008 to 7.6% in 2009 following the economic crisis during this period that hit the world as a whole and Israel in particular. The Reserve Service branch also felt a sharp increase: approximately 35%. This is explained by two factors: payments attributable to the "Cast Lead" operation that began near the end of 2008, and legislative changes: the lowest benefit was set at 68% of the basic wage (approximately NIS 5,200), while up to August 2008, the level of the benefit paid had been the minimum wage. In addition, the method for calculating the benefit paid to salaried workers and self-employed persons serving in the military reserves on week-ends was changed.

In the Long-term Care and Maternity branches, there was a real increase of approximately 8% in total payments. The increase in payment for long-term care is partially explained by the fact that as of March 2009, additional care hours were approved for those entitled to the two highest benefit levels if they employed Israeli caregivers: an additional three weekly hours of care were granted for those entitled to a benefit of 150% and an additional four weekly hours of care for those entitled to a benefit of 168%. Furthermore, more persons are receiving long-term care benefits, particularly the higher level of the benefit. The increase in maternity payments represents a phenomenon of recent years, where there was an increase in the number of those entitled to a maternity allowance, and where the average maternity allowance amount rose as a result of increased employment rates and women's salaries over time. There were 3.5% more births in 2009 than in 2008. As in previous years, this increase was higher than the increase in the number of women of fertility age.

Child allowance payments rose by 5.4% between 2008 and 2009. This rise stems, inter alia, from the gradual increase in child allowance payments that began in July 2009 pursuant to the introduction of the 2009-2010 Economic Efficiency Law. Under this law, allowances for second, third or fourth children in a family are to be increased gradually until an additional NIS 100 is paid in 2012 for

every child in this category. The amount paid out in 2009 totaled approximately one-sixth of the increase (which, in 2012, will amount to an additional NIS 1,500 million compared to 2008). It should be pointed out that within the context of the agreement, the increments will be purely nominal, and the allowance will not be revised to keep up with price changes during that period, so that in real terms, it is expected that the benefits of the increments will be eroded. It should be emphasized that the increase in child allowance payments was, in part, set off by the exclusion of the "old-time" children (born prior to 2003) in the system, replacing them with "new" children, who receive a sum that is uniform and lower than the sum received by the "old-timers" (a process which began in 2002), a measure aimed at reducing child allowance payments.

Old-age and survivors' pensions were increased by 4.7%. Some changes took place during 2009, with the goal of increasing payments for old-age and survivors' pensions: in April 2008, the basic old-age pensions and survivors' pensions were raised from 16.2% to 16.5%, and those aged 80 years or over received a special additional 1 percentage point over the basic amount. At the same time, income support benefits were increased, based upon the age of the person eligible. Moreover, in August 2009, under the Economic Efficiency Law, old-age and survivors' pensions were raised even further, from 16.5% to 17.0%, as part of a process which, in January 2011, will culminate in raising the basic pension to 17.7% of the basic amount. The income supplement to these pensions will also be increased at a similar rate. In addition cash increments to the income supplement were paid to 70-79 years old in August 2009 (NIS 133) as well as to those aged 80 or over (NIS 80).

Table 2  
**Benefit Payments and Collection from the Public (excluding  
 administrative expenses) as Percentage of GDP, 1980-2009**

Year	Benefit payments		Total collection	
	Total	Contributory benefits	Total*	NII 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	7.72	6.14	6.05	4.11
2001	8.72	6.85	6.41	4.35
2002	8.74	6.78	6.42	4.36
2003	8.18	6.46	6.27	4.25
2004	7.41	5.93	6.09	4.08
2005	7.08	5.68	6.05	4.06
2006	6.88	5.54	5.82	3.88
2007	6.71	5.45	5.79	3.83
2008	6.74	5.50	5.85	3.84
2009	7.08	5.82	5.64	3.68

\* Including health insurance.

\*\* Including Treasury compensation for reduction of NII contributions from employers.

Table 3 presents the total distribution of all benefit payments by branch. The largest, the Old-age and Survivors branch, paid 36.4% of all NII benefits in 2009. In comparison to the previous year (2008), this branch's activities declined by one percentage point. The second largest branch, the Disability branch, dropped from 19.2% in 2008 to 18.6% in 2009, while the Children branch maintained its position as granting one tenth of all payments. The Unemployment branch increased its share considerably, from 3.8% of total payments in 2008 to 5.6% in 2009 (see above) and the Reserve Service branch increased its modest portion as well, from 1.7% in 2008 to 2.1% in 2009. In comparison, the Income Support branch continued its downward trend of the last few years and came to 4.7% of total payments (compared to 7% in 2004). The other branches remained more or less at their 2008 levels.

Table 3

**Payments of NII Benefits (including administrative expenses), 1995-2009**

Year	Total payments*	Old-age and survivors**	General disability	Workinjuries, casualties of border and hostile acts	Maternity	Children	Unemployment	Reserve service	Income support***	Long-term care and other
<b>NIS million (current prices)</b>										
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
2004	42,759	16,032	7,355	3,145	2,727	4,887	2,177	708	3,003	2,735
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
<b>Real annual increase (percentages)</b>										
1995	10.1	8.6	16.1	14.6	8.20-	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
2004	-4.2	2.2	0.8	-0.3	0.2	-20.3	-12.3	-38.1	-9.5	1.2
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
<b>Distribution by branch (percentages)</b>										
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
2004	100.0	37.5	17.2	7.4	6.4	11.4	5.1	1.7	7.0	6.4
2005	100.0	48.0	18.0	7.4	6.6	120.5	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

\* The data for 1995 do not include sums transferred to the Ministry of Defense as repayment of debt for savings in number of days of reserve duty.

\*\* Including payments for income support.

\*\*\* For working-age population.

## 5. Benefit levels

In January 2009, benefits were adjusted at the rate of the increase in the consumer price index between November 2007 and November 200: 4.7%. This rate updated the "basic amount"<sup>18</sup>, which had been the basis for adjusting most benefits since 2006, pursuant to the Economic Recovery Program of June 2003. During the same period, the average wage, the previous basis for adjusting benefits, rose by 3.3%. The average wage rose cumulatively by 14% from 2002 to 2009, compared to an increase of 12% in prices during that same period. Thus the gap between the two indicators shrank, even if past experience demonstrates that benefits adjusted to prices can be eroded relative to salaries, so that when looking back over the past 30 years, real wages (those from price rises are deducted) increased by an average of 1.5% per year. However, if the above-described trend continues and returns from work continue to decrease in the upcoming decades, the erosion in benefits resulting from adjustments to prices rather than to wages will probably continue to lessen until it disappears.

The data in Table 4 reveal that in 2009, the basic rate of an old-age pension for a single person as a share of the average wage increased from 15.2% to 16.1% of the average wage for a single elderly person up to age 80, and from 15.9% to 17.1% of the average wage for those who are 80 years old and older. Similar rates of increase between 2008 and 2009 were noticeable also in the survivors' pensions for widow/ers with two children.

The data in Table 5 reveal that in 2008, the guaranteed minimum income for the working age population rose slightly. The minimum income for a single person, as defined in the context of a percent of the average wage, rose by 0.1-0.2 tenths of a percent between 2008 and 2009, and the income within the increment of child allowances rose at a slightly higher rate (0.3-0.4 tenths of a percent of the average wage). The benefit paid to a single parent up to the age of 55 with two children amounts to 41.7% of the average wage compared to 53.4% of the same in 2002, the eve of the deep cuts in income support benefits under the 2002-2003 economic program. By contrast, benefit to an individual aged 55 or older returned to its previous level and reached 24.2% of the average wage in 2009, compared to 24.3% in 2002.

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18 The "basic amount" is the amount according to which most benefits have been calculated since January 2006. This amount is adjusted on the first of January of every year based upon the rate of the increase in the consumer price index of the previous year. The basic amount has different rates for updating the various benefits. In 2009, the basic amount for calculating most of the benefits was NIS 7,836.

Table 4

**Old-age and Survivors' Pensions and Guaranteed Minimum Income for the Elderly and Survivors  
(Fixed prices and percentage of the average wage in the economy\*), monthly average, 1975-2009**

Year	Basic old-age pension and survivors' benefit				Guaranteed minimum income(including child allowance)			
	Elderly individual		Widow/er with two children		Elderly individual		Widow/er with two children	
	2009 prices (NIS)	% of the average wage	2009 prices (NIS)	% of the average wage	2009 prices (NIS)	% of the average wage	2009 prices (NIS)	% of the average wage
1975	691	14.9	1,150	24.8	1,185	25.5	2,302	49.6
1980	762	17.1	1,477	33.1	1,337	30.0	2,302	60.0
1985	859	15.2	1,665	29.5	1,713	30.5	3,287	58.3
1990	1,082	15.9	2,094	30.7	1,699	24.9	3,125	45.9
1995	1,095	15.5	2,123	30.1	1,835	26.0	4,051	57.3
2000	1,223	15.0	2,370	29.0	2,044	25.0	4,498	55.0
2001	1,326	15.7	2,569	30.5	2,218	26.3	4,861	57.7
2002	1,233	15.6	2,437	30.8	2,104	26.5	4,567	56.4
2003	1,196	15.6	2,416	31.5	2,083	27.2	4,511	58.7
2004	1,202	15.2	2,425	30.6	2,093	26.4	2,278	56.7
2005	1,217	15.2	2,416	30.2	2,214	27.6	4,629	57.8
2006	1,242	15.3	2,424	29.9	2,319	28.6	4,854	59.6
2007	1,252	15.2	2,428	29.5	2,357	28.6	4,898	59.4
2008	1,248	15.2	2,413	29.5	2,334	28.5	4,845	59.2
2008 **	1,305	15.9			2,456	30.0		
2009***	1,284	16.1	2,480	31.2	2,388	30.0	4,945	62.2
2009****	1,284	16.1			2,419	30.4		
2009 **	1,361	17.1			2,563	321.2		

\* As calculated by the Central Bureau of Statistics.

\*\* 80 years of age or over.

\*\*\* Up to 70 years of age.

\*\*\*\* 70-79 year olds.

The average disability pension increased in real terms. As a percentage of the average wage for a salaried employee, it came to 31% in 2008 and rose to 32.3% in 2009. Since 2003, the value of the pension has eroded by approximately 1.5 percentage points in terms of the average wage. The rising trend also affected the benefits which stem from the general disability pension: the average attendance allowance rose to an especially high rate, 7.7%, after the level of the pension for the most severely disabled was raised and in 2009, reached 28.1% of the average wage (compared to 25.4% in 2008). The average benefit for a disabled child rose by approximately one percent between 2008 and 2009 and in real terms, the mobility allowance rose by approximately 3% during the same period. In 2009, the average long-term care benefit granted to the elderly (translated into hours of care) rose by 1.7% in real terms compared to 2008.

Table 5 shows the size of the child allowance payable to various family structures both at 2009 prices and as a percentage of the average wage. The allowance rose somewhat between 2008 and 2009 in relation to the average wage as a result of increased allowances in mid-2009, but since the increase was only for the second to the fourth child, the increase as a percentage of the average wage of families with two children is rather moderate, but it reaches almost 2 percentage points in a family with four children. These real increases in the allowance were responsible for minimizing the great cumulative decline experienced by the allowances since the economic program of 2002-2003, which had affected almost 50% of the families with four children.

A real increase in benefit levels was noted in the branches which pay wage-replacing benefits: the average daily injury allowances for salaried employees and the self-employed rose by 4.4% and 13.4%, respectively. The increase for salaried employees mainly reflects the end of temporary cuts of approximately 4% introduced between 2002 and 2007. In addition to this change, the increase in injury allowances for the self-employed reflects also an increase in their income and the integral element of fluctuation which stems from the small number of beneficiaries.

Table 5

**Guaranteed Minimum Income for the Working-age Population**  
**(Fixed prices and percentage of the average wage in the economy\*) monthly average, 1990-2009**

Year	Individual				Single parent with two children* (including child allowance)		Couple with two children (incl. child allowance)			
	Normal rate		Increased rate				Normal rate		Increased rate	
	2009 prices (NIS)	% of average wage	2009 prices (NIS)	% of average wage	2009 prices (NIS)	% of average wage	2009 prices (NIS)	% of average wage	2009 prices (NIS)	% of average wage
1990	1,359	20.0	1,700	24.9	3,444	50.5	3,134	46.0	3,645	53.5
1995	1,370	19.4	1,713	24.3	3,796	53.9	3,285	46.6	3,799	53.8
2000	1,528	18.7	1,910	23.4	4,207	51.2	3,622	44.0	4,193	51.0
2001	1,659	19.7	2,074	24.6	4,557	54.1	3,890	46.2	4,511	53.6
2002	1,542	19.5	1,927	24.3	4,201	53.4	3,580	45.5	4,200	53.4
2003***	1,497	19.5	1,761	22.9	3,586	42.5	3,097	40.3	3,570	46.6
2003****	1,870	24.4	1,870	24.4	4,068	53.0	3,960	42.4	4,028	52.4
2004***	1,502	19.0	1,691	21.3	3,204	40.5	2,791	35.3	3,204	40.5
2004****	1,878	23.7	1,878	23.7	4,034	51.0	3,992	50.5	3,948	50.5
2005***	1,482	18.5	1,669	20.8	3,158	39.4	2,751	34.4	3,158	39.4
2005****	1,853	23.1	1,853	23.1	3,977	49.6	3,937	49.1	2,937	49.1
2006***	1,491	18.4	1,678	20.7	3,230	39.7	2,820	34.7	3,230	39.7
2006****	1,864	23.0	1,864	22.9	4,084	50.2	4,013	49.3	2,013	49.3
2007***	1,484	18.0	1,669	20.3	3,212	39.0	2,805	34.0	3,213	39.0
2007****	1,854	22.5	1,854	22.5	4,062	49.3	3,991	48.4	3,991	48.4
2008***	1,519	19.2	1,710	21.6	3,276	41.4	2,859	36.1	3,276	41.4
2008****	1,899	24.0	1,899	24.0	4,145	52.3	4,074	51.4	4,074	51.4
2009***	1,537	19.3	1,729	21.7	3,314	41.7	2,574	32.4	3,314	41.7
2009****	1,921	24.2	1,921	24.2	4,193	52.7	4,121	51.8	4,121	51.8

\* As calculated by the Central Bureau of Statistics.

\*\* Data re 1985 and 1990 refer to a widow with two children who is entitled to an income support benefit.

\*\*\* For an adult within a family, who has not reached 55 years of age.

\*\*\*\* At least one member of the family is over 55 years of age.



On average, the rate of the daily maternity allowance declined at a real rate of about 2% as a result of the changes in real wages, and despite the changes in the composition of recipients of maternity allowances: an increase in the number of women earning salaries 75% or higher than the average wage and a decline in the number of women earning less than this salary. By contrast, there was a real increase of 3% in the rate of the birth grant. Average daily unemployment benefits rose in 2009 by approximately 6% in real terms on an average daily basis, since in this year, recipients of unemployment benefits earned higher salaries in terms of an average wage than did recipients of the previous year.

Table 6  
**Allowance Point and Child Allowances\* (Fixed prices and percentage of average wage in economy, monthly average), 1990-2009**

Year	Value of allowance point		Allowance for two children **		Allowance for four children		Allowance for five children	
	2009 prices (NIS)	Percentage of average wage	2009 prices (NIS)	Percentage of average wage	2009 prices (NIS)	Percentage of average wage	2009 prices (NIS)	Percentage of average wage
1990	200	2.9	99	1.5	1,615	23.4	2,291	33.2
1995	202	2.8	403	5.8	1,622	23.4	2,307	33.4
2000	206	2.5	412	5.0	1,658	20.2	2,359	28.7
2001	204	2.4	407	4.8	1,642	19.5	2,661	31.6
2002	172	2.4	343	4.3	2,375	17.3	2,229	28.1
2003	163	2.5	325	4/2	1,199	15.6	1,915	24.9
2004	137	2.4	274	3.5	936	11.8	1,476	18.7
2005	133	2.4	266	3.3	838	10.5	1,283	16.0
2006***	161	2.0	322	4.0	872	10.7	1,230	15.1
2007****	160	1.9	320	3.8	868	10.5	1,223	14.8
2008	157	1.9	314	3.8	850	10.4	1,198	14.6
2009	159	2.0	318	4.0	939	11.8	1,292	16.2

\* Up until 1995, including the special increment for veterans.

\*\* The level of the allowance in 1985 and 1990 relates to a family (up to three children) which was not entitled to the first-child allowance, and as of October 1990, not for the second child either. In March 1993, the universal payment of child allowances was resumed.

\*\*\* As of 2006, child allowances were calculated according to the basic amount, which, in January 2006, stood at NIS 148.

\*\*\*\* The basic amount was not adjusted In January 2007 and therefore, child allowances remained unchanged at their current value.

## 6. Benefit recipients

In 2009, the number of recipients of old-age and survivors' pensions rose by 1.5%. On the average, the NII paid monthly pensions and benefits to 746.9 thousand elderly persons and survivors (Table 6). In the Children branch, the number of families receiving child allowances rose by 1.7%, the result of natural population growth. In 2009, child allowances were paid for approximately 2.4 million children in approximately one million families.

A sharp rise was recorded in the number of recipients of unemployment benefits, which, rose by approximately 50% from 2008 to 2009 as a result of the economic crisis and the fact that conditions of eligibility were eased for the period during which an unemployment rate of 7.5% or higher prevailed (see above). This sharp increase stemmed from the fact that since 2003 until recently, the number of unemployment benefits recipients dropped steadily by 4% to 27% (with the exception of 2005, when the rate remained stable).

The second largest branch, Disability, recorded a slower rate of increase than in recent years: 2.6%. Since the beginning of the 1990's, the average number of recipients rose each year by 4% to 8%. However, the increases in other benefits derived from general disability pensions continued at the same rate as those which had prevailed in recent years: the number of recipients of attendance allowance rose by 6.1%; the number of recipients of mobility allowance rose by 5.2%; and the number of recipients of benefit for disabled child rose by 4.7%. The number of recipients of benefits from the Maternity and Long-term Care branches also increased by approximately 4% each.

The Work Injury branch, affected by the employment rate, experienced a decline of 5.6% in the number of recipients. However, the number of recipients of permanent disability pensions in this branch rose at the same rate.

For the first time since 2003, the number of recipients of income support benefits remained steady. This stability came after a series of decreases ranging from 3% to 7% each year since 2004, and reached approximately 28% between 2004 and 2008, as a result of positive changes in employment, the stringent amendments legislated in 2003 and the implementation of the law to incorporate benefit recipients into the labor market. Conditions in the labor market after the economic crisis of 2009 halted this downward trend and the number of recipients remained as it was in 2008.

Table 7  
**Number of Benefit Recipients in the Main Insurance Branches (monthly average), 1990-2009**

Year	Old-age and survivors	General disability			Work-related injuries			Maternity		Children		Unemployment benefits	Income support (for working-age population)	Long-term care
		General disability pension	Pension for special services	Allowance for disabled child	Mobility allowance	Injury allowance	Permanent disability allowance	Birth grant*	Maternity allowance*	Families receiving child allowance**				
Number of recipients (in thousands)														
1990	442.6	73.5	6.5	5.8	11.4	56.7	11.8	103.6	43.7	532.5	50.6	30.8	25.0	
1995	553.9	94.0	10.2	10.3	12.2	84.9	14.6	113.1	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	127.1	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	
2004	722.3	162.4	22.7	19.5	23.5	65.8	24.0	141.2	77.5	945.6	58.4	144.7	113.4	
2005	719.9	170.9	24.0	21.0	24.9	63.9	25.2	142.9	77.0	956.3	58.8	139.9	115.0	
2006	727.5	178.3	25.6	22.2	25.1	64.3	26.4	143.6	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	147.2	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	157.7	97.7	1,012.0	73.0	111.8	136.6	
Annual increase (percentage)														
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	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	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	
2004	1.8	3.2	4.6	6.0	5.4	7.0	4.3	3.5	4.9	0.7	-17.2	-6.2	0.4	
2005	-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	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	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	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	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	

\* The number of different recipients during the year.

\*\* The 1999 data include families whose allowances for the first and second child were refunded to them through their employers. In 1993, these allowances once again became universal.

\*\*\* When calculating data for 2004 and thereafter, only one recipient received a benefit that was distributed among a number of recipients. When taking into account all recipients of a split benefit, on the average, the number of recipients for 2004 amounted to 145.6 thousands per month.

## **7. Collection of insurance contributions from the public and sources for financing benefits**

NII benefit payments are financed by four sources: the collection of NII contributions (direct contributions from the public and Treasury indemnification for a decline in NII contributions received from employers and the self-employed), the Government's participation in funding the levied benefits, financing by the Government of non-contributory benefits, and income from interest stemming from the investment of monetary balances, mainly in government bonds. In addition to collecting contributions to the NII, the NII collects health insurance payments and transfers them to the health funds.

The first stage in the process was activated in August 2005, at which time NII contributions imposed on employers were reduced. This process was gradual and continued until 2009, and ultimately, NII contributions from employers were reduced by 1.5 percentage points. Two insurance contribution rates were instituted concurrently – reduced rates and regular rates – instead of the uniform rate that previously applied to all levels of income for which insurance contributions must be paid. This measure was part of a more comprehensive policy initiated in the 1980's, aimed at reducing the employers' labor costs. It should be noted that the NII expressed its opposition to this measure: reducing collection of receipts from the public would increase the NII's dependence upon Treasury budgets, and might, if only indirectly, cause a further reduction in expenditure on benefits.

Another reform was implemented in early 2006 in the domain of collections of national insurance contributions, where the reduced rate of contributions imposed upon the employee was reduced from 1.4% of earnings to 0.4%, the regular rate was increased from 5.58% to 7%, and the bracket for the reduced rate was raised from 50% of the average wage to 60%. These changes were made in a zero budget.

Just as with the policy regarding benefits, the average wage was not adjusted by law during 2002-2005, and therefore, the brackets related to insurance contributions and the lowest income were not taken into account for the computation of insurance contributions to the various categories of insured persons. The freeze on the average wage continued until the end of 2005, and since 2006, the ceiling has been adjusted only after an increase in the index. On the other hand, even after 2006, the reduced rate bracket and the lowest income taken into account for

insurance contribution to the various insured persons continue to be adjusted in accordance with changes in the average wage. The modification in the approach taken for adjusting the ceiling could, over time, ease the burden on those earning very high salaries, and they will receive preferential treatment in comparison with those making minimum level insurance contributions (such as the unemployed and students). On the other hand, continued linkage of the reduced rate bracket to the average wage will avoid imposing the burden of insurance contribution upon low wage-earners.

Under the 2009-2010 Economy Arrangements Law, the ceiling for payment of national and health insurance contributions was doubled, from five to ten times the basis, without instituting a corresponding increase in the basic ceiling for calculating benefits to replace salaries. Concurrently, the reduced rate paid by the employer was raised by 0.4%. Steps such as these will raise the collection of NII contributions from the public by an estimated amount of half a billion new shekels a year, and will also increase government participation. It should be noted that these increases are expected to be set off by a reduction in government participation in the Children branch, a step that will take place mainly in 2010.

#### **A. Collecting insurance contributions from the public**

In 2009, NII receipts from collecting national and health insurance payments totaled NIS 43.2 billion: NIS 26.2 billion for the NII branches and NIS 15 billion for the health insurance system. Approximately NIS 2 billion were transferred to the Institute by the State Treasury to compensate for the decline in contributions by employers and the self-employed (under section 32C of the NI Law) and have been added to public contributions.

Table 8 demonstrates that in 2009, direct contributions from the public decreased by 1.4% in real terms: collection of NII contributions dropped by 1.9% and contributions for health insurance decreased at a more moderate rate, 0.4%. These decreases stem from developments affecting employment and salaries as a result of the economic crisis, as well as legislative amendments concerning the reduction of national insurance contribution rates by employers, amendments which were gradually enacted in 2005 and which continued to be in effect until 2009. Since these amendments did not affect the collection of health insurance contributions, the decline in contributions did not affect the health insurance

system significantly. Doubling the salary ceiling for the purpose of contributions offset the effect of the decrease in collecting national insurance contributions and, if only slightly, added to the amount of contributions to the health insurance system.

The downward trend that had characterized the degree of collection in terms of the GDP, and which had been halted in 2008, was renewed and in terms of the GDP, contributions decreased from 5.6% in 2008 to 5.4% in 2009. It should be noted that in 2003, contributions from the public amounted to 6.3% of the GDP and since then, have not exceeded the rate of 5.8%. The source of this decline only applies to contributions collected for national insurance branches, since the money collected for the health insurance system remained at their level (2%) in terms of the GDP. The portion of contributions from the public that stemmed from direct taxes continued to increase and rose gradually from 40.2% in 2003 to 50.3% in 2009 due to the tax reductions implemented after 2003 as part of the income tax reform.

The changes in collection rates differ between salaried employees and the non-salaried. While contributions from salaried employees decreased by 2.4% in 2009, the corresponding amounts from non-salaried persons rose by approximately 3% after the high rate of increase of approximately 10% each year between 2006 and 2008. As of 2005, the real collection from salaried employees rose cumulatively by approximately 2% compared to a corresponding increase of approximately 33% from the self-employed. These differences can be explained by the plan to reduce insurance contributions from employers during 2005-2009 – since, had it not been implemented, contributions from salaried employees would have risen by even higher rates – as well as by increasing contributions from non-salaried employees in recent years.

Table 8  
**Collection for the National and Health Insurance Systems,  
 2004-2009**

	2004	2005	2006	2007	2008	2009
	<b>Current prices (NIS million)</b>					
Total receipts from insurance contributions	34,331	36,137	37,792	39,740	42,402	43,224
Total collection from the public	32,971	34,597	36,112	37,910	40,452	41,228
For National Insurance branches	21,661	22,759	23,554	24,454	25,877	26,233
For the health insurance system	11,310	11,838	12,558	13,456	14,575	14,995
Total compensation from the Treasury	1,350	1,540	1,680	1,830	1,950	1,996
	<b>Indicators for developing collection from the public</b>					
<b>A. Percentage of real change</b>						
<b>Total collection from the public</b>	2.6	3.6	2.2	4.4	2.0	-1.4
For National Insurance branches	1.5	3.7	1.4	3.3	1.2	-1.9
For the health insurance system	4.6	3.3	4.0	6.6	3.6	-0.4
<b>B. As a percentage of GDP</b>						
<b>Total collection from the public</b>	5.8	5.8	5.6	5.6	5.6	5.4
For National Insurance branches	3.8	3.8	3.7	3.6	3.6	3.4
For the health insurance system	2.0	2.0	2.0	2.0	2.0	2.0
<b>C. As a percentage of direct taxes on individuals</b>						
<b>Total collection from the public</b>	41.9	42.1	44.0	46.2	49.3	50.3
For National Insurance branches	27.5	27.7	28.7	29.8	31.5	32.0
For the health insurance system	14.4	14.4	15.3	16.4	17.8	18.3
<b>D. As a percentage of direct taxes</b>						
<b>Total collection from the public</b>	32.0	31.4	28.8	28.7	32.5	35.4
For National Insurance branches	21.0	20.7	18.8	18.5	20.8	22.5
For the health insurance system	11.0	10.7	10.0	10.2	11.7	12.9

## B. Sources for financing the benefits

Table 9 shows that in 2009, overall NII receipts for financing the NII branches totaled NIS 60.9 billion at current prices. This is a real annual increase of 0.8% over the past two years, mainly the result of financing from the Ministry of the Treasury which increased 2.2% in real terms. A real increase in receipts from interest, at the rate of 5%, contributed to this growth as well. These increases were offset by a decline of approximately 2% in collecting national insurance contributions between 2008 and 2009.

Table 9  
Sources of Financing National Insurance Branches,  
1995, 2000, 2004-2009

Year	Total receipts	Collection of National Insurance contributions*	Government participation**	Government financing of benefits	Interest receipts
<b>NIS million, current prices</b>					
1995	23,581	12,171	4,333	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
<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
<b>Distribution (percentages)</b>					
1995	100.0	51.6	17.9	19.7	20.6
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

\* Including compensation from the Ministry of the Treasury.

\*\* Under Section 32C of the National Insurance Law.



Receipts have risen by over 10% in real terms since 2005, reflecting the growth in all the financial elements, stemming from an increase in real salaries and from legislative amendments that increased government participation in the NII's activities. Income from interest, whose weight in the total receipts is relatively small, rose by 24% in real terms during the same period. The addition of the element of government participation points to an increased rate that is higher than average for the same period. The cumulative increase in government participation is a reflection of an increased share in contributions as a result of government assurances that it will compensate the NII for any losses of income stemming from the decline in NII contributions from employers under Section 32 of the National Insurance Law.<sup>19</sup> The goals point to a growing dependence by the NII on government financing of benefits, possibly signifying an erosion of its independence.

### **C. Surpluses/deficits and capital reserves**

Setting aside any income from interest on the NII's investment, the trend pointing to a budgetary surplus which came to over NIS 2 billion in 2007 and 2008, was reversed – 2009 saw a deficit of approximately NIS 1.1 billion. Contributing factors to this reversal were the Old-age and Survivors branch which tripled its deficit compared to 2008 and reached NIS 1.5 billion; the Unemployment branch, which increased its deficit by approximately NIS one billion; the branches that provide wage-replacing benefits – Work Injury and Maternity – where the combined deficit of both rose by approximately half a billion new shekels; and the Long-term Care branch, which added another NIS 200 million to the deficit. The increased deficits in the various branches described above offset, if only slightly, the NIS 12 billion surplus in the Children branch. It should be noted that based upon the findings stemming from a simulation that was carried out, one can see that this trend will escalate over the coming years.

The inclusion of income from interest originating from investments of past

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<sup>19</sup> The NII reached an agreement with the Ministry of the Treasury according to which Treasury benefits under Section 32 of the National Insurance Law would not be affected by a decline in insurance contributions and as a result, necessary adjustments to the Law were carried out.

surpluses points to an improvement in the financial conditions of the NII's branches. The surplus that includes interest was reduced from NIS 8.6 billion in 2008 to NIS 5.5 billion in 2009. However, with the exception of the Old-age and Survivors branch, all of the other branches that showed deficits when they did not include interest gained from investments remained stable even after the inclusion. The disappearance of the surplus in the NII's budget since 2004, and the reinstatement of the current deficit is, of course, expressed in the extension of the deficit in the State budget.

Table 10  
**Surpluses/Deficits in NII Branches**  
**(NIS million, current prices) 2001, 2007-2009**

Branch	Surplus/deficit, excluding interest on investments				Surplus/deficit, including interest on investments			
	2001	2007	2008	2009	2001	2007	2008	2009
<b>Total</b>	<b>-3,420</b>	<b>2,285</b>	<b>2,454</b>	<b>-1,126</b>	<b>657</b>	<b>7,885</b>	<b>8,604</b>	<b>5,540</b>
Old-age and survivors	-633	-366	-406	-1,520	1,019	1,844	1,964	986
General disability	-1,762	-2,927	-2,934	-3,506	-912	-2,507	-2,394	-3,076
Work-related injury	-1,193	-1,104	-1,142	-1,351	-821	-914	-902	-1,151
Maternity	-852	-1,219	-1,608	-1,999	-674	-1,229	-1,558	-2,029
Children	5,338	11,161	11,960	12,013	5,890	13,791	14,660	15,413
Unemployment	-3,090	-1,312	-1,357	-2,468	-3,090	-1,342	-1,356	-2,468
Long-term care	-1,410	-2,000	-2,164	-2,376	-1,049	-1,970	-2,064	-2,377
Other	182	73	107	81	294	213	257	241

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**Chapter 2**  
**Poverty and Social Gaps**

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## 1. Introduction

The recent global economic crisis, which left its mark in Israel's economy at the end of 2008, put an end to an uninterrupted period of growth which had lasted five years. The standard of living dropped slightly in 2008 in terms of the median income per standard person and basically remained unchanged in terms of average income per standard person. However, although poverty among families and persons remained unchanged, poverty among children continued the downward trend which had begun in 2007. Income inequality, in its various forms, declined somewhat in 2008. These developments are the outcome of the positive changes in the labor market – an increase in employment and real wages – not skipping over the weaker sectors, which include large families. However, even after four consecutive years of growth, poverty and inequality in Israel are still high. Approximately one-fifth of all families in Israel are described as being poor – a fact that has not changed significantly since 2004. Indices regarding the severity of poverty and its extent show that conditions among the poor have even worsened. From an international point of view, Israel usually places low on the scale of public funds expended on welfare, and high on the scale of poverty, alongside countries where the levels of poverty and inequality are high vis-a-vis developed countries, as will be shown by the findings taken from international analyses and presented in this chapter.

The poverty indices in Israel are based on a relative approach according to which poverty is seen as a phenomenon of distress to be evaluated along with the standard of living that characterizes the society. A family is defined as being poor if its standard of living, as reflected by its income, is significantly below that of the society at large, specifically if its disposable income per standard person drops below half of the median of this income. The findings presented in reports and in this chapter of the Survey – derived from analyses carried out by the NII Research and Planning Administration – are based on annual income and expenditure reports distributed on a regular basis by the Central Bureau of Statistics.<sup>1</sup>

Since the 2007 Survey (published in 2008), findings relating to the annual dimensions of poverty for the calendar years have been published in a newer

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<sup>1</sup> For additional details of the measurement method and data sources, see appendix **Measuring of poverty and data sources** in this publication.

and broader format in the publication entitled: **Report on Poverty and Social Gaps**. The first issue of the report in this new format contained data relating to 2007.<sup>2</sup> The broader report contained additional indices and new population groups which had not been included in previous reports. In addition to findings about poverty and social gaps which were measured according to the relative measurement method customary in the NII, there was also a chapter which presented additional indices, as formulated in the report prepared by the team for the development of additional poverty indices<sup>3</sup> – indices which, according to their recommendation, should be implemented immediately. The same chapter of the report contained an extensive analysis of the standard of living by quintiles, calculations of the poverty indices using the OECD approach and a presentation of data on Israel compared to international standards, as well as a calculation of the number of poor families and persons whose consumption falls below the poverty line of income, an indication of continuous poverty ("permanent"). A separate section of the new format report is aimed at analyzing the issue of the elements of poverty<sup>4</sup> and policies for reducing it.<sup>5</sup>

This chapter presents findings on poverty and social gaps in 2008 as compared with 2007 and preceding years, finding a balance between two goals: on the one hand, maintaining the progression initiated in the publications of previous Annual Surveys, and on the other, expanding upon the information contained in the "Report on Poverty and Social Gaps", including areas not contained in that report.

The chapter opens with Israel's position on public expenditure on welfare, and then presents selected findings and analyses of poverty and inequality<sup>6</sup> in Israel in comparison with the OECD countries (Section 2 below). Further on, the chapter discusses key findings with regard to poverty and the standard of living of the population as a whole, using the measurement methods normally used in Israel (Section 3) as well as a review of the goals for the various population groups (Section 4). Following that, the chapter presents poverty measurement from the

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2 See Reports on Poverty and Social Gaps for 2007 and 2008 – in the NII website, publications section ([www.btl.gov.il](http://www.btl.gov.il)).

3 Report of the team for the development of additional poverty indices, headed by Shlomo Yitzhaki (2008), the Central Bureau of Statistics.

4 Such as noncompliance to minimum wage regulations, size of family, etc.

5 Through benefits, active labor market plans, etc.

6 See OECD, *Growing unequal? Income distribution and poverty in OECD countries, 2008*.

aspect of 2008 expenditure, based on two methods of calculation: the first, an approach developed by the NII<sup>7</sup>, is founded on the 1990's recommendations of an American committee of experts (the NRC) (Section 5 and Box 2), whose findings were consistently presented in Annual Surveys during recent years; and the second based on a combination of the approach of the NRC and the Canadian index for the market basket measure (MBM)<sup>8</sup>. This latter method defines a poverty index that is in keeping with an "adequate consumption basket". The findings of this approach are described in Box 3.

The last part of the chapter presents findings which touch mainly upon the inequality in income distribution, dividing the population into deciles (compared to quintiles in the annual report) (Section 6).

The chapter contains three boxes: Box one contains a summary of data on poverty for the second half of 2008 and the first half of 2009 (July 2008 – June 2009). Boxes 2 and 3 contain findings from two poverty indices which were developed or are in the process of being developed by the NII, where they mainly measure poverty according to either the "basic" or the "adequate" consumption basket – comparing it with the disposable income of the household required to consume it (see above). The appendices include a detailed description of the method used for measuring poverty and of the data sources, as well as tables – poverty and inequality tables which add to the information concerning findings on poverty and inequality.

## 2. The social indices in Israel in an international comparison

Three figures are presented at the beginning of the Survey showing Israel's relative position compared to international rankings from the aspect of total monies expended for welfare (Figure 1), as well as its two sections: cash expenditure

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7 M. Sabag-Endeweld and L. Ahdut (2004), **An experimental poverty measure from the perspective of expenditure in Israel**, Research paper no. 82, The Research and Planning Administration, NII.

8 The first index of this "family" was described in the article written by Gottlieb, Daniel and Manor, Roy (2005), *On the Choice of a Policy-oriented Poverty Measure: The Case of Israel 1997-2002*, <http://mpira.ub.uni-muenchen.de/3842>. See also Bank of Israel reports, Chapter 8, since 2005. It should be pointed out that MBM stands for Market Basket Measure and NRC, for National Research Council.

and in-kind expenditure (Figures 2 and 3). The data of countries to which Israel is compared date back to 2005, while the data related to Israel, back to 2005 and 2009.

Welfare expenditure rates considered to be part of the GDP separate the developed countries into three blocs: countries whose welfare expenditure is higher than average, countries where it is close to average and countries where it is below average. Figure 1 shows that Israel is situated firmly in the bloc of countries where the rate of welfare expenditure is relatively low and constitutes approximately 16% of the GDP (U.S.A., Canada) – compared to an approximate average of 20% in the OECD countries. Between 2005 (the year used as the basis for comparison in all of the countries) and 2009, there was no palpable change in Israel's placement. Table 1 focuses upon the 2001-2009 data for Israel by expenditure groups.

The findings show that there was a steady decline in Israel's total welfare expenditure as a percentage of the GDP during 2002-2005, while the rate remained essentially steady after 2006. In 2002, the rate of financial support provided to those of working age began falling off, the decline being a very sharp one during those years. All elements listed in the figure began to stabilize in 2006.<sup>9</sup> There is evidence of a slight increase in GDP percentage of welfare expenditure in Israel during 2008 and 2009. The source of this increase lies in financial support and not in in-kind support; specifically, there was an increase of NII benefits in terms of GDP rate to working-age families as well as to the elderly. In comparison, in-kind support, consisting mainly of expenditure on health and long-term care services, which had peaked in 2002 at a level of 8 percent of the GDP, declined with the years to a level of 6.8-6.9 percent of the GDP during the past three years.

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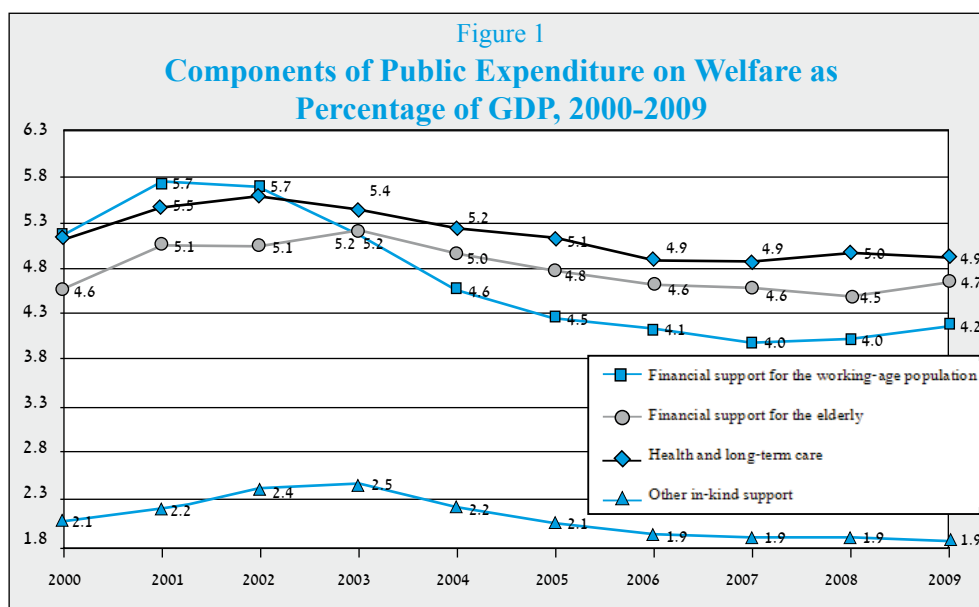
9 For the connection between welfare expenditure and poverty, see Chapter 2 of the 2008 Survey.



Table 1  
Public Expenditure on Welfare, 2001-2009 (percentage of GDP)\*

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Total public expenditure for welfare</b>	<b>18.49</b>	<b>18.73</b>	<b>18.33</b>	<b>17.03</b>	<b>16.27</b>	<b>15.61</b>	<b>15.39</b>	<b>15.43</b>	<b>15.72</b>
<b>Total financial support</b>	<b>10.80</b>	<b>10.73</b>	<b>10.41</b>	<b>9.54</b>	<b>9.06</b>	<b>8.78</b>	<b>8.61</b>	<b>8.54</b>	<b>8.88</b>
<b>Support for working-age population</b>	<b>5.73</b>	<b>5.67</b>	<b>5.19</b>	<b>4.58</b>	<b>4.28</b>	<b>4.14</b>	<b>4.01</b>	<b>4.04</b>	<b>4.21</b>
National insurance	4.74	4.68	4.26	3.72	3.47	3.38	3.28	3.32	3.48
War and hostilities	0.53	0.55	0.56	0.54	0.51	0.49	0.48	0.46	0.46
Other **	0.46	0.44	0.37	0.32	0.30	0.27	0.25	0.26	0.27
<b>Support for the elderly</b>	<b>5.07</b>	<b>5.06</b>	<b>5.22</b>	<b>4.96</b>	<b>4.78</b>	<b>4.64</b>	<b>4.60</b>	<b>4.50</b>	<b>4.67</b>
National insurance	2.94	2.88	2.86	2.77	2.69	2.61	2.51	2.48	2.57
Civil servants' pension	1.67	1.72	1.88	1.80	1.74	1.72	1.79	1.73	1.82
Other ***	0.46	0.46	0.48	0.40	0.35	0.31	0.30	0.29	0.27
<b>Total in-kind support</b>	<b>7.69</b>	<b>8.00</b>	<b>7.92</b>	<b>7.49</b>	<b>7.21</b>	<b>6.83</b>	<b>6.78</b>	<b>6.89</b>	<b>6.84</b>
Health and long-term care	5.48	5.59	5.44	5.24	5.13	4.89	4.87	4.98	4.93
Other ****	2.22	2.41	2.48	2.25	2.08	1.94	1.91	1.92	1.91

- \* Source: Data from the National Insurance Institute of Israel and the Israel Central Bureau of Statistics processed by the Research and Planning Administration according to the OECD rules of classification.
- \*\* Including support for discharged soldiers, the immigrant absorption basket and financial support with rent.
- \*\*\* Including support for victims of the Nazis, and financial support with rent.
- \*\*\*\* Including in-kind support from the NII, local authorities, national institutions, government non-profit organizations and the Ministry of Labor and Social Affairs.



Quantifying poverty in Israel, similar to measurements carried out in the OECD countries, is carried out on the basis of the relative approach, where a poor family is defined as a family whose disposable income per standard person is less than half of the median of this income in the total population. However, in the equivalence scale used by the OECD the number of standard persons in each family is equal to the root of the number of persons in it.<sup>10</sup>

In Chapter 2 of last year's Survey, the findings submitted of poverty in Israel were compared to international ones for 2005, taking into account several main indices. This year, the comparison is devoted to mostly changes that occurred between the 1999-2001 and between 2004-2005, focusing on the changes in poverty and inequality in Israel and in the countries being compared.

Figure 2 below presents the changes in the incidence of poverty of persons in Israel and in other countries between 1999-2001 and 2004-2005.<sup>11</sup> The figure shows that a few of the countries – Mexico, Britain, Italy and Sweden – succeeded in reducing poverty in their countries. In others poverty remained stable during those five years (Denmark, Switzerland, United States). In another a fairly large group, poverty increased between the two periods. Israel stood out in this group with an increase of about 4 percentage points, followed by Luxembourg with an increase of about 3 percentage points, and then Poland, with an increase of 2 percentage points in poverty of persons between the two comparable periods.

Figure 3 shows that compared to the beginning of the century, the Gini Index for inequality of disposable income in Israel rose by approximately 7% in the mid-2000's – the only other rates lower than that were found in Poland (which had undergone far-reaching political and economic changes during that period) and in Norway. Other countries in which inequality in income increased were Taiwan, Finland and Luxembourg. On the other hand, during that period, countries such as Switzerland, Mexico and Sweden, where the level of inequality is quite low,<sup>12</sup> inequality of income dropped to 5-7 percent in the Gini Index.

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10 This element of the approach is different than the one in use in Israel.

11 The countries for which data was available for the two periods in the Luxembourg Income Study (LIS) database.

12 The levels of the indices in the various countries are presented in Chapter 2 of the 2008 Annual Survey.

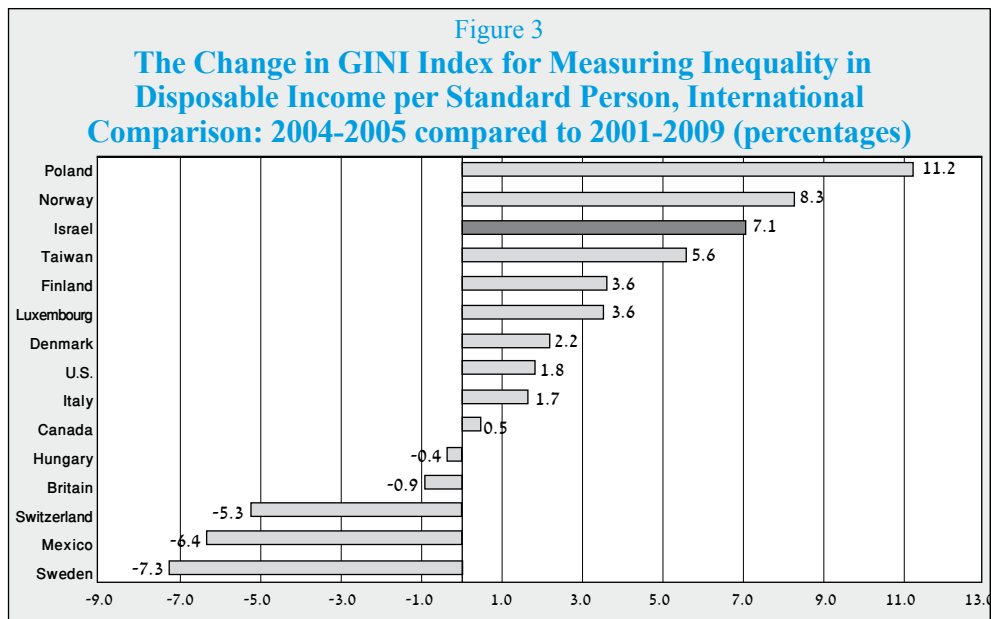
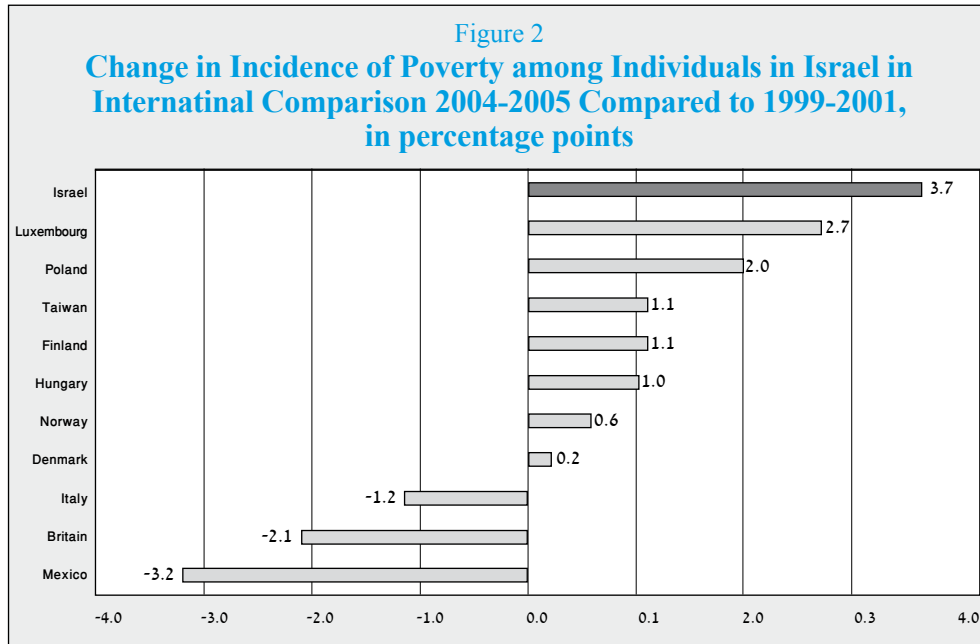


Table 2 below shows the changes in poverty among children, the elderly and working families in Israel and in the countries with which Israel is compared. The table shows that while the poverty among the elderly in Israel remained relatively stable between the two comparable periods, there was an increase in poverty among working families – from about 8% to about 10% – and poverty among children jumped upward from about 18% to 25%. A similar rather elevated increase in poverty among children occurred in Luxembourg (although the initial level was approximately half of that of Israel) and in Poland. In most countries, there are attempts to bringing about a decline in poverty among the elderly, children and working families. For example, Britain (where the result is based on poverty goals determined in advance in 1998) and Mexico succeeded in significantly lowering poverty rates among children. In addition, in those countries, even poverty among the elderly declined between the two periods (although not among working families). The only country that succeeded in significantly lowering poverty among working families is Sweden: from about 7% at the beginning of the 21st century to about 5% in the middle of the first decade. Poverty among working families remained stable in the United States and in Britain, while increases in poverty were recorded in most other countries.

Table 2  
**The Change in the Incidence of Poverty among Children, the Elderly and Working Families – International Comparison, mid-2000's vs. Beginning of the Century**

Country	Children		Elderly		Working families	
	2000*	2005**	2000*	2005**	2000*	2005**
Canada	15.5	16.8	5.4	6.3	9.4	10.1
Denmark	2.7	3.9	12.0	8.5	5.2	5.5
Finland	3.0	3.7	8.4	10.0	4.7	5.5
Hungary	8.1	9.9	4.3	4.0	-	-
<b>Israel</b>	<b>18.0</b>	<b>25.3</b>	<b>21.6</b>	<b>21.7</b>	<b>8.1</b>	<b>9.7</b>
Italy	17.1	18.4	14.5	11.2	-	-
Luxembourg	9.1	13.3	3.7	4.5	-	8.5
Mexico	27.0	22.2	29.1	27.6	-	-
Norway	3.4	5.0	12.3	8.5	6.9	8.6
Poland	13.6	17.3	5.0	3.4	4.9	6.7
Sweden	4.3	4.7	8.0	6.6	7.2	4.9
Switzerland	8.9	9.2	13.2	15.2	3.1	3.2
Taiwan	7.1	7.7	25.4	28.7	4.7	4.9
Britain	19.0	14.0	18.2	16.3	4.3	4.1
U.S.	22.0	21.4	24.9	24.8	11.6	11.4

Source: Data from the Luxembourg Income Study (LIS) Processed by the Research and Planning Administration

\* 1999-2001

\*\* 2004-2005

The third column in Table 3 shows the percentage of the decline in poverty stemming from transfer payments and direct taxes in Israel and in other countries. The table shows that in Israel, the U.S. and Taiwan, these policy resources helped approximately 40% of the poor to extract themselves out of poverty during the middle of the first decade of the 21<sup>st</sup> century, compared to 70-80% in the Scandinavian countries and in Poland, and approximately 50-60% in Switzerland, Britain and Canada. In most countries, the share of the contribution of policy resources to extract people from poverty remained stable between the two periods. In this area there was a significant decline in Israel, and a slight increase in such countries as the United States, Britain, Sweden and Switzerland.

Table 3  
**Incidence of Poverty per Person Before and After Transfer Payments  
and Taxes, and the Change between 2000 and 2005, Israel and  
Selected Countries, mid-2000's vs. Beginning of the Century**

Country	Before transfer payments and taxes		After transfer payments and taxes		Percentage of decrease in transactions from transfer payments and taxes	
	2000*	2005**	2000*	2005**	2000*	2005**
Canada	23.7	25.0	12.4	13.0	47.8	48.2
Denmark	24.8	25.8	5.4	5.6	78.1	78.1
Finland	30.1	30.6	5.4	6.5	82.0	78.7
<b>Israel</b>	<b>29.9</b>	<b>29.7</b>	<b>15.6</b>	<b>19.2</b>	<b>48.0</b>	<b>35.3</b>
Norway	23.4	26.2	6.5	7.1	72.1	72.8
Poland	37.6	44.0	9.6	11.6	74.4	73.5
Sweden	29.1	29.5	6.6	5.6	77.3	81.1
Switzerland	20.6	23.4	7.7	8.0	62.7	65.9
Taiwan	13.2	16.0	8.4	9.5	35.9	40.2
Britain	31.6	30.3	13.7	11.6	56.7	61.7
U.S.	24.8	26.9	17.3	17.6	30.3	34.5

Source: Data from the Luxembourg Income Study (LIS) Processed by the Research and Planning Administration

\* 1999-2001

\*\* 2004-2005

### 3. Main findings on poverty

Since mid-2003 until 2007, Israel's economy enjoyed continuous growth and employment and families' standard of living rose, reflected in the average and median disposable income (Table 4). The increase of 4-5% in disposable income for 2007 (Table 4), which also characterized the three preceding years, halted abruptly in 2008 when the standard of living of families remained stable and even declined slightly for the first time in four years.

Table 4  
**Average and Median Income per Standard Person after  
 Transfer Payments and Direct Taxes, and Poverty Line (NIS),  
 2006-2008**

Income per standard person	2006	2007	2008	Real growth rates	
				2006 - 2007	2007-2008
Average	3,914	4,078	4,261	3.6	-0.1
Median	3,184	3,184	3,483	4.6	-0.6
Poverty line	1,592.0	1,674.5	1,741.7	4.6	-0.6

The all-economy data point to the fact that the number of employed persons rose by 3.3% between 2007 and 2008, after an increase of approximately 5% the previous year. The increase in the number of employed persons is attributed mostly to the first half of 2008. At the same time, the rate of unemployment continued to drop in 2008, reaching 6.1%, compared to 7.3% in 2007 and 8.4% in 2006.<sup>13</sup> Nominal wages rose at a rate of approximately 4% while an increase in prices of 4.5% in 2008 led to a decline of approximately one half of a percent of the real wages.

The data contained in the 2008 income survey reflect a similar picture: the number of salaried employees rose by 2.9% between the two surveys. Income brought by the head of the household and by a couple stemming from salaried employment decreased by approximately one half of a percent. Nevertheless, the introduction of new providers in households led to an increase of approximately 2% in income from their work as salaried employees and reduced the decline in the income of working couples. The total income derived from work decreased by approximately one percent, after a sharp decline (approximately 6%) in income derived from self-employed work.

<sup>13</sup> In accordance with average calculations based upon the weights of the income survey.

Based on Survey data, total NII benefit payments rose by 0.8% in real terms; however, when the demographic growth in the population is taken into account, it turns out that in 2008, the average income per family from NII benefits dropped in real terms by approximately one percent.

As seen by data from the Survey, the total payment of old-age and survivors' pensions rose in real terms by 0.8%; however, if one deducts the demographic growth of pension recipients (by a rate of 1.6%), payments dropped by an average of 0.8% per family. This decline follows a preceding three consecutive years during which the policy of raising the level of the various old-age and survivors pensions was implemented. There was an average decline of 3-4% per family in child allowances and income support benefits: the decline in child allowances stemmed from the previously-mentioned gap between the delay in updating allowances and price changes, as well as from the addition of "new" children whose allowance level was lower than that of the "veteran" children.<sup>14</sup> In addition to the gap in price updates, the decline in income support benefits reflects also the decrease in the number of recipients of this benefit due to the increase in the number of persons employed, a situation which continued in 2008 as well. These decreases were, in part, offset by the stability of the average disability pension and the increase in the average unemployment benefit per household.

According to the data in the Survey, it can be seen that direct taxes declined sharply by approximately 8%. This decrease is composed of an average decline of 12% in income tax payments per household, and from an even more moderate decrease of 1%-2% in national and health insurance payments. This drop in the collection of direct taxes, explained by the continued implementation of the reform to reduce income tax and the decline in real wages, contributed to the reduction in the decline of net income relative to the gross income of households.

Table 5 presents the poverty line in 2007 and 2008, as well as the poverty line as a percentage of the average wage for the relevant period of the Survey. For example, the poverty line for a family of four comes to approximately 70% of the average wage. A family of up to six persons, where there is only one provider earning a salary equal to the average wage, will be above the poverty line.<sup>15</sup>

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14 Within the context of legislative amendments instituted during 2003-2004, a uniform allowance was introduced for each child at the level of the first two children, but the change was applied on new children born after June 2003. In time, the number of these children increased.

15 This calculation, of course, does not take into account pensions and direct taxes. The former increase disposable income and the latter, reduce it.

Table 5  
**Number of Standard Persons and Poverty Line per Family\*,  
 by Number of Persons in Family, 2007-2008**

Number of persons in family	Number of persons in standard family	Poverty line per family in 2007		Poverty line per family in 2008	
		NIS per month	Percent of average wage	NIS per month	Percent of average wage
1	1.25	2,093	27.1	2,177	27.0
2	2	3,349	43.4	3,483	43.2
3	2.65	4,437	57.5	4,616	57.3
4	3.2	5,358	69.4	5,573	69.2
5	3.75	6,279	81.3	6,531	81.1
6	4.25	7,117	92.1	7,402	91.9
7	4.75	7,954	103.0	8,273	102.7
8	5.2	8,707	112.7	9,057	112.4
9**	5.6	9,377	121.4	9,754	121.1

\* The average wage that was calculated for 2007 and 2008 is the weighted average of the average wage for a salaried position (Israeli employees) during the period adjusted to the period of each survey.

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

Tables 6 and 7 present poverty during 2006-2008 in absolute numbers and by selected indices, showing a trend of continuous stability in poverty in Israel. The rate of families whose disposable income falls below the poverty line remains the same – 19.9% in 2008, and the same is true with regard to persons living in poor families – that too has remained unchanged. Poverty among children which, for the first time in recent years was recorded as declining – from 35.8% in 2006 to 34.3% in 2007 – remained static in 2008 as well, and reached 34.2%.

Poverty measured against disposable income stems from transfer payments and direct taxes, which "correct" the economic income, which is defined as income from work and from capital before taxes. Transfer payments, which for the most part consist of NII benefits, increase the family's income, while direct taxes reduce it. The smaller the amount of direct taxes paid by a family, the larger its disposable income grows and its chances of liberating itself from poverty increase.



Table 6  
**Poverty in the Total Population (absolute numbers), 2006-2008**

	<b>Before transfer payments and direct taxes</b>	<b>After transfer payments only</b>	<b>After transfer payments and direct taxes</b>
<b>2006</b>			
Poor population			
Families	665,800	345,700	404,400
Persons	2,254,800	1,455,700	1,649,800
Children	921,900	718,600	796,100
<b>2007</b>			
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
<b>2008</b>			
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

Table 7  
**Poverty in Total Population by Selected Poverty Indices,  
 2006-2008**

Poverty index	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes
<b>2006</b>			
Incidence of poverty (%)			
Families	32.9	17.1	20.0
Persons	33.5	21.6	24.5
Children	41.5	32.3	35.8
Income gap ratio of the poor (%)*	61.8	33.5	33.8
FGT Index	0.1682	0.0354	0.0412
SEC Index	0.272	0.100	0.115
Gini Index of inequality in the distribution of income to the poor*	0.5106	0.1895	0.1952
<b>2007</b>			
Incidence of poverty (%)			
Families	32.3	17.1	19.9
Persons	32.5	20.9	23.8
Children	39.9	30.8	34.2
Income gap ratio of the poor (%)*	60.7	34.1	34.3
FGT Index	0.1591	0.0363	0.0418
SEC Index	0.261	0.099	0.113
Gini Index of inequality in the distribution of income to the poor*	0.5000	0.2021	0.2045
<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
Income gap ratio of the poor (%)*	59.6	33.5	34.2
FGT Index	0.1561	0.0365	0.0417
SEC Index	0.260	0.100	0.113
Gini Index of inequality in the distribution of income to the poor*	0.4882	0.2027	0.2051

\* The weight assigned to each family when calculating the index is equivalent to the number of persons in the family.

The gradual downward trend in poverty among families and persons, based upon economic income and which is the main result of developments in the labor market, came to a halt in 2008, and the rate of poor families measured according to economic income remained the same as in 2007 – 32.3%

The income gap ratio which expresses the depth of poverty among families (that is, the average distance between the income of the poor from the poverty line), which was 34.3% in 2007, remained at exactly the same level in 2008. The FGT index, which reflects the severity of poverty and incorporates the impact of poverty with the depth of poverty, giving greater weight to those who are poorer, stabilized for the first time in recent years and remained unchanged during the two years. The same could be said for the SEN index. All of the indices reviewed above – incidence of poverty, its depth and severity – point to a high level of stability between 2007 and 2008.

The Gini Index for unequal distribution of disposable income among the poor (Table 7) rose slightly (by 0.3%), between 2007 and 2008. Cumulatively, between 2002 and 2008, the index rose by approximately 5%. On the other hand, the Gini Index for economic income continued to decline in 2008 as well (by 0.3%), and since 2002, has dropped by a total of 5%.

Table 8  
**Impact of the Transfer Payments and Direct Taxes on  
Dimensions of Poverty in the Total Population, by Selected  
Poverty Indices, 2006-2008**

Poverty indices	Percentage of decline deriving from transfer payments only			Percentage of decline deriving from transfer payments and direct taxes		
	2006	2007	2008	2006	2007	2008
Incidence of poverty (%)						
Families	48.1	47.1	46.7	39.3	38.3	38.3
Persons	35.4	35.5	34.9	26.8	26.7	27.7
Children	22.1	22.6	22.3	13.6	14.1	15.9
Income gap ratio of the poor (%)*	45.7	43.8	43.7	45.2	43.6	42.6
FGT Index*	78.9	77.2	76.6	75.5	73.8	73.3

\* The weight assigned to each family when calculating the index is equivalent to the number of persons in the family.

The SEN index reflects the combined effect of the poverty index, the poverty gap index and the position of the poor individual on the scale of poverty; that is, the unequal distribution of income among the poor. The SEN index for disposable income, which declined by about 2% between 2006 and 2007, remained unchanged in 2008.

Table 8 shows that transfer payments and direct taxes during the period of the 2008 Survey extracted 38% of the poor families from the cycle of poverty,<sup>16</sup> just as had occurred the previous year. For comparison's sake, approximately half the poor families were extracted from poverty in 2002 due to governmental intervention. The contribution of the direct tax and payment transfer systems to the extraction of persons from poverty was smaller: only about 28%. This contribution rose slightly between 2007 and 2008 with regard to children: in 2008, approximately 16% of the poor children were extracted from poverty through government intervention compared to 14% in 2007. In 2002, the rate of children extracted from poverty due to government intervention came to approximately 25%. It should be pointed out that calculating the impact of transfer payments only, without direct taxes, results in much higher rates of extraction from poverty, since direct taxation at low income levels raises poverty and does not lower it. Nevertheless, the contribution of the distribution as a whole, not only among the poor, acts, of course, to reduce income inequality.

#### **4. Poverty by population group and composition of poor population**

The various population sectors can be distinguished by the trends and the differences in the dimensions of their poverty in the years under review. Tables 9-13 itemize poverty according to various population groups. Tables 9 and 10 show poverty in 2007 and in 2008 respectively, by economic income and disposable income in the various population groups, and Table 11 shows the share of these groups in the population as a whole as well as in the poor population. Table 12 shows relative values of income gaps by population group, and Table 13, the rates of reduction of poverty as a result of transfer payments and direct taxes.

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16 It would be reasonable to assume that if the financial support and direct taxation system did not exist, the details would be different. Therefore, the contribution of these systems to rescuing people from poverty could be angled upwards.

The stabilizing trend in poverty was not shared by all population sectors – certain sectors reduced poverty in their midst while in others, poverty increased (Table 9). Poverty in Arab families continued to decline – 54.0% in 2006, 51.4% in 2007 and 49.4% in 2008. Statistically, the decline from 2006 to 2008 stands out prominently, and it is explained mainly by increased integration into the labor market. Between 2007 and 2008, the number of providers rose by approximately 4% (on the average per family), after a similar increase had occurred between 2006 and 2007 (for comparison's sake, the rate of providers in the Jewish sector rose by approximately 2% between 2006 and 2008.) At the same time, the Arabs share of the poor population dropped from 34.6% in 2007 to 33.8% in 2008.

The decline in poverty among Arab families is linked also to changes in the composition of Arab families: the rate of families without children where the head of the family is of working age is slowly but steadily rising, from about 18% in 2005 to about 21% in 2008. These families are characterized by the relatively small number of persons in the family relative to this population (an average of three persons per household). In 2008, the contribution of the policy measures to reduce poverty in the Arab population rose from 11.8% in 2007 to 13.5% in 2008, but it is still very small in comparison with the parallel rate among Jews – approximately 46%. The explanation for the large gaps between Arabs and Jews in this domain can be found mainly in the composition of the Arab population vs. the structure of the benefits: old-age and survivors' pensions are the largest benefits, while the Arab population is relatively young and characterized by large numbers of children.

Poverty among the elderly remained stable in 2008 at 22.7% (compared to 22.6% in 2007). Pensions were updated by 2.5% at the beginning of 2008, increased (in April 2008) by an average of approximately 2% vs. an actual price rise of 4.5% during 2008 and resulted in the stabilization of poverty among the elderly.

Poverty among families with children decreased slightly, from 24.8% in 2007 to 24.5% in 2008. This drop reflects a decline in poverty among families with 1-3 children (from 18.4% to 17.8%) which, was reduced in part by the rise in the rate of poverty among larger families (from 56.5% to 57.8%) between 2007 and 2008.

The increase in poverty among large families probably reflects an increase in poverty among the ultra-Orthodox, which are characterized by large families. Surveys used to prepare this report do not refer directly to ultra-Orthodox

families. Using a variety of definitions, the rates of poverty of this sector were found to be significantly higher than those of other groups (with the exception of the Arabs) and reach rates of 60 to 70% (in families). However, due to the paucity of data, we feel that it is not possible to arrive at concrete conclusions regarding short-term changes in this population without additional research, and therefore, the ultra-Orthodox – despite the fact that the reference is to a sector which stands out because of its particularly high rates of poverty – are not included in the tables in the report at this stage.

- The poverty rate among poor single-parent families dropped from 29.8% in 2007 to 28.8% in 2008, while poor families became even poorer: the relative income gap (which expresses the average distance of the income of the poor from the poverty line) rose sharply – from 32.8% to 36.9 – and the FGT index of more severe poverty recorded a new increase of 22%. These increases were found to be statistically significant.
- The deterioration in the condition of poor single-parent families is explained by a deterioration of their condition in the labor market, apparently because the single provider in the household was fired from his/her work: the income from work decreased by a real rate of 4% and the number of average providers per family dropped by 1.7%. At the same time, the element of "support from private individuals" for these families increased significantly (at a real rate of 18%).
- Poverty among working families remained stable at 12.2%. This stability is also reflected in the other poverty indices which show the depth and severity of poverty. On the other hand, the goal of the past two decades, according to which more of the working population originated from among the poorer sectors, continued to rise: from 45.7% in 2007 to 46.3% in 2008.
- Poverty among new immigrants dropped slightly from 18.8% in 2007 to 18% in 2008. On the other hand, the relative income gap index (depth of poverty) rose from 27.6% to 29.4% during those two years.

Table 9  
Incidence of Poverty in Specific Population Groups, 2007 and 2008

Population group (families)	2007			2008		
	Economic income	Disposable income	Incidence ratio*	Economic income	Disposable income	Incidence ratio*
<b>Total population</b>	<b>32.3</b>	<b>19.9</b>	<b>1.00</b>	<b>32.3</b>	<b>19.9</b>	<b>1.00</b>
Jews**	28.3	15.0	0.75	28.4	15.3	0.77
Arabs	58.3	51.4	2.58	57.1	49.4	2.48
Elderly	55.9	22.6	1.14	55.9	22.7	1.14
New immigrants	40.2	18.8	0.94	40.7	18.0	0.91
<b>Families with children – total</b>	<b>30.5</b>	<b>24.8</b>	<b>1.25</b>	<b>30.9</b>	<b>24.5</b>	<b>1.23</b>
1-3 children	23.8	18.4	0.92	24.0	17.8	0.89
4 or more children	63.2	56.5	2.84	65.1	57.8	2.90
5 or more children	74.9	66.7	3.35	77.4	68.6	3.44
Single-parent families	46.9	29.8	1.50	46.9	28.8	1.45
<b>Employment status of head of household</b>						
Employed	18.2	12.2	0.61	18.8	12.2	0.61
Salaried	18.8	12.2	0.61	19.3	12.2	0.61
Self-employed	15.4	12.4	0.62	15.3	12.7	0.64
Unemployed (of working age)	91.2	69.8	3.50	89.5	71.4	3.59
Single provider	35.2	23.5	1.18	35.3	23.0	1.16
Two or more providers	4.1	2.8	0.14	4.7	3.0	0.15
<b>Age group of head of household</b>						
Up to 30	35.7	25.7	1.29	36.4	24.4	1.23
31 to 45 years old	26.6	20.5	1.03	26.7	20.7	1.04
46 to retirement age	22.0	14.1	0.71	21.3	14.5	0.73
Legal retirement age	59.3	23.5	1.18	58.2	23.1	1.16
<b>Years of schooling – head of household</b>						
Up to 8 years	69.4	44.3	2.22	68.7	44.6	2.24
9-12 years	32.6	20.9	1.05	33.5	22.1	1.11
13 or more years	23.2	13.4	0.67	23.2	12.8	0.64

\* The rate of concentration is the relationship between the poverty of the group and the incidence of poverty of the whole population (based upon disposable income), and reflects the extent of affinity the incidence of poverty of a particular group out of the overall population.

\*\* Tables that present data on Jews: Non-Jews who are not Arabs are also included in the Jewish population.

- Out of the population as a whole, the number of families with working-age heads of household who do not work has been declining steadily during recent years (Table 8). Therefore, for example, while in 2002 they amounted to approximately 12% out of all families, their share decreased to 9% in 2008. This finding reflects the success of the policy to integrate many of these families into the labor market. Nevertheless, the very high poverty rate of those who remain in this sector have augmented the costs: in 2006, 66% of these families were considered poor on the basis of their disposable income, while in 2007, this rate rose to 69.8% and in 2008, to 71.4%. Transfer payments only extracted approximately 20% of these families from poverty (compared to approximately 38% of all families).
- Poverty in households where the heads of households have only median education rose from 20.9% to 22.1% in 2008. In comparison, poverty of those with higher education decreased (from 13.4% to 12.8%). On the other hand, the depth and severity of poverty testify to the stability of the condition of these two groups of poor populations. In addition, poverty in households where the head of the household has a low level of education, which stood at 44.6% in 2008, remained steady.

The degree of concentration of families near the poverty line is linked to their source of income. Table 14 shows the spread of the various population sectors around the poverty line. The great concentration at the poverty line of families where the head of the household is elderly stems from the minimum income required for existence, ensured by the Income Support Law for the elderly and survivors who have almost no other source of income, which is more or less on par with the poverty line. Therefore, even the slightest supplement at the level of minimum income will significantly reduce the number of poor elderly families whose income will remain close to the poverty line, but will still be above it. On the other hand, any erosion – however slight – at the minimum wage level will significantly augment the number of the elderly poor. Lowering the poverty line by 95% would reduce the number of poor families by 20%, compared to a corresponding reduction of one-tenth in the whole of the population.



Table 10  
**Share of Specific Groups in the Total Population and the Poor Population  
 (percentages), 2007**

Population group (families)	Total population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Persons	Families	Persons	Families	Persons
<b>Total population</b>	86.6	80.3	75.8	63.6	65.4	54.8
Jews	13.4	19.7	24.2	36.4	34.6	45.2
Arabs	19.6	9.8	34.0	16.4	22.3	9.5
Elderly	19.0	16.2	23.6	16.9	17.9	12.3
New immigrants	86.6	80.3	75.8	63.6	65.4	54.8
<b>Families with children – total</b>	46.1	66.9	43.5	70.6	57.5	81.2
1-3 children	38.3	49.6	28.2	36.2	35.3	39.1
4 or more children	7.8	17.3	15.3	34.4	22.2	42.1
5 or more children	3.9	9.8	9.0	22.5	12.9	27.4
Single-parent families	5.4	5.9	7.8	9.0	8.0	8.2
<b>Employment status of head of household</b>						
Employed	74.7	82.9	42.1	57.7	45.7	58.9
Salaried	65.2	71.9	37.5	51.3	39.7	51.5
Self-employed	9.5	10.9	4.5	6.2	5.9	7.2
Unemployed (of working age)	9.3	9.5	26.3	27.5	32.6	31.9
Single provider	33.9	33.2	37.0	49.4	39.9	50.9
Two or more providers	40.8	49.7	5.1	8.3	5.8	8.0
<b>Age group of head of household</b>						
Up to 30	18.1	18.0	20.0	23.0	23.3	23.9
31 to 45 years old	34.3	42.9	28.2	43.1	35.3	48.6
46 to retirement age	29.9	30.5	19.8	18.8	21.0	19.0
Legal retirement age	17.7	8.6	32.0	15.1	20.5	8.5
<b>Years of schooling – head of household</b>						
Up to 8 years	11.9	10.6	25.6	23.0	26.5	24.1
9-12 years	38.4	41.1	38.7	43.0	40.2	44.7
13 or more years	49.7	48.3	35.7	34.0	33.3	31.2

Table 11  
**Share of Specific Groups in the Total Population and the Poor Population  
 (percentages), 2008**

Population group (families)	Total population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Persons	Families	Persons	Families	Persons
Jews	86.4	80.2	75.9	63.6	66.2	55.5
Arabs	13.6	19.8	24.1	36.4	33.8	44.5
Elderly	19.6	9.8	33.9	15.8	22.3	9.1
New immigrants	19.0	15.9	24.0	16.9	17.2	11.6
<b>Families with children – total</b>	<b>46.0</b>	<b>66.5</b>	<b>44.1</b>	<b>71.6</b>	<b>56.7</b>	<b>81.1</b>
1-3 children	38.3	49.5	28.4	36.5	34.2	38.3
4 or more children	7.8	17.0	15.6	35.0	22.5	42.8
5 or more children	3.7	9.4	8.9	22.3	12.8	27.2
Single-parent families	5.3	5.8	7.7	8.9	7.7	8.0
<b>Employment status of head of household</b>						
Employed	75.4	83.3	43.8	59.2	46.3	59.3
Salaried	66.0	72.9	39.4	52.8	40.3	51.8
Self-employed	9.3	10.4	4.4	6.4	6.0	7.5
Unemployed (of working age)	9.0	9.4	25.0	26.6	32.3	32.2
Single provider	34.6	33.3	37.8	48.8	40.1	50.1
Two or more providers	40.8	50.0	6.0	10.4	6.2	9.2
<b>Age group of head of household</b>						
Up to 30	17.9	17.7	20.2	22.4	21.9	21.4
31 to 45 years old	34.6	43.1	28.6	43.8	35.9	50.4
46 to retirement age	30.2	30.8	19.9	19.6	22.0	20.2
Legal retirement age	17.4	8.5	31.3	14.3	20.2	8.0
<b>Years of schooling – head of household</b>						
Up to 8 years	11.4	10.1	24.2	20.8	25.5	21.9
9-12 years	37.9	41.0	39.3	44.4	41.9	46.5
13 or more years	50.8	48.9	36.5	34.8	32.6	31.5

Table 12  
**Income Gap Ratio of the Poor\* in Specific Population Groups, 2007 and 2008**

Population groups (families)	2007			2008		
	General income	Disposable income	Concentr- ation Index	General income	Disposable income	Concentr- ation Index
<b>Total population</b>	<b>60.7</b>	<b>34.2</b>	<b>1.00</b>	<b>59.6</b>	<b>34.2</b>	<b>1.00</b>
Jews	63.6	32.0	0.93	63.0	32.8	0.96
Arabs	55.6	37.0	1.08	53.6	36.0	1.05
Elderly	80.4	23.4	0.68	80.8	23.0	0.67
New immigrants	71.4	27.6	0.81	67.8	29.4	0.86
<b>Families with children – total</b>	<b>55.9</b>	<b>35.2</b>	<b>1.03</b>	<b>54.6</b>	<b>35.4</b>	<b>1.03</b>
1-3 children	53.3	33.2	0.97	51.9	33.9	0.99
4 or more children	58.7	37.1	1.08	57.4	36.7	1.07
5 or more children	61.6	37.6	1.10	59.2	37.1	1.08
Single-parent families	69.1	32.8	0.96	67.4	36.9	1.08
<b>Employment status of head of household</b>						
Employed	38.9	26.9	0.79	38.1	26.9	0.78
Salaried	39.3	26.5	0.77	37.8	26.5	0.77
Self-employed	36.5	30.4	0.89	40.3	29.7	0.87
Unemployed (of working age)	93.9	50.9	1.49	94.2	50.9	1.48
Single provider	40.8	27.8	0.81	41.0	28.0	0.82
Two or more providers	27.8	21.3	0.62	24.4	20.6	0.60
<b>Age group of head of household</b>						
Up to 30	56.7	34.9	1.02	54.4	35.4	1.03
31 to 45 years old	54.3	35.1	1.02	53.0	33.9	0.99
46 to retirement age	64.1	37.0	1.08	64.3	39.0	1.14
Legal retirement age	80.7	21.6	0.63	81.3	21.4	0.62
<b>Years of schooling – head of household</b>						
Up to 8 years	70.2	38.6	1.13	67.4	35.9	1.05
9-12 years	54.5	33.1	0.97	55.3	33.9	0.99
13 or more years	62.0	32.5	0.95	60.3	33.5	0.98

\* The weight given to each family when calculating the index is equivalent to the number of persons in the family.

\*\* The incidence ratio relates to the disposable income, and indicates the ratio between the incidence of poverty in the group and that of the entire population.

Table 13  
**The Impact of Transfer Payments and Direct Taxes on  
Dimensions of Poverty in Specific Population Groups,  
2006-2008**

Population groups (families)	Percentage of decline stemming from transfer payments and direct taxes					
	Incidence of poverty			Income gap ratio of the poor		
	2006	2007	2008	2006	2007	2008
<b>Total population</b>	<b>39.3</b>	<b>38.3</b>	<b>38.3</b>	<b>45.2</b>	<b>43.6</b>	<b>42.6</b>
Jews	48.9	46.8	46.2	50.8	49.7	48.0
Arabs	9.2	11.8	13.5	37.4	33.4	32.8
Elderly	61.7	59.5	59.4	73.2	70.9	71.5
New immigrants	54.7	53.2	55.7	62.7	61.3	56.6
<b>Families with children – total</b>	19.4	18.5	20.6	39.7	37.0	35.2
1-3 children	25.7	22.9	25.8	38.3	37.6	34.7
4 or more children	8.0	10.5	11.1	41.2	36.8	36.0
5 or more children	8.5	10.9	11.4	42.1	38.9	37.4
Single parent families	42.2	36.5	38.6	48.1	52.5	45.3
<b>Employment status of head of household</b>						
Employed	33.1	33.1	34.8	30.5	30.8	29.5
Salaried	35.5	34.8	36.8	33.1	32.5	30.0
Self-employed	15.2	19.3	17.3	18.6	16.6	26.3
Unemployed (of working age)	25.1	23.5	20.2	48.7	45.8	46.0
Single provider	33.0	33.4	34.7	31.6	31.8	31.7
Two or more providers	33.7	30.9	35.9	24.8	23.5	15.6
<b>Age group of head of household</b>						
Up to 30	32.5	28.1	32.9	36.2	38.4	35.0
31 to 45 years old	20.5	23.0	22.5	39.6	35.4	36.1
46 to retirement age	36.3	34.5	31.9	45.4	42.3	39.4
Legal retirement age	62.2	60.5	60.3	74.7	73.3	73.7
<b>Years of schooling – head of household</b>						
Up to 8 years	39.3	36.2	35.1	50.4	45.1	46.8
9-12 years	34.6	35.9	34.2	39.2	39.2	38.7
13 or more years	44.7	42.4	44.9	49.1	47.6	44.5

Table 14  
**Percentage of Families Whose Disposable Income Does Not Exceed Given Income (in terms of poverty line), 2008**

Population groups (families)	Income as a percentage of poverty line							
	75	90	95	100	105	110	125	150
<b>Total population</b>	10.2	15.3	17.6	19.9	21.7	23.4	28.0	36.1
Jews	7.3	11.1	13.1	15.3	16.8	18.2	22.2	30.0
Arabs	29.0	42.0	46.0	49.4	52.4	56.3	64.3	74.7
Elderly	6.6	12.3	17.3	22.7	25.8	27.6	33.8	44.3
New immigrants	7.1	11.2	14.5	18.0	20.5	22.3	29.4	41.0
<b>Families with children – total</b>	14.5	20.9	22.8	24.5	26.5	28.7	33.7	42.0
1-3 children	9.8	14.7	16.4	17.8	19.5	21.5	26.2	34.8
4 or more children	37.5	51.8	54.4	57.8	61.2	64.2	70.4	77.6
5 or more children	45.3	62.6	65.5	68.6	72.5	75.8	81.1	87.2
Single parent families	18.2	24.8	26.7	28.8	31.2	33.0	40.3	50.9
<b>Employment status of head of household</b>								
Employed	5.6	9.6	11.0	12.2	13.6	15.2	19.5	27.2
Salaried	5.7	9.5	10.8	12.2	13.5	15.2	19.4	27.1
Self-employed	5.2	10.1	12.0	12.7	14.3	15.6	20.1	28.1
Unemployed (of working age)	53.3	63.9	67.3	71.4	73.4	75.3	78.9	84.8
Single provider	11.2	18.6	20.9	23.0	25.3	28.1	34.8	45.0
Two or more providers	0.9	2.0	2.5	3.0	3.6	4.3	6.4	12.0
<b>Age group of head of household</b>								
Up to 30	14.2	20.3	22.1	24.4	26.2	28.5	33.7	43.8
31 to 45 years old	12.0	17.6	19.4	20.7	22.3	23.9	28.4	36.1
46 to retirement age	8.2	11.5	13.0	14.5	15.6	17.1	20.2	26.2
Legal retirement age	6.3	12.1	17.3	23.1	26.4	28.2	34.5	45.4
<b>Years of schooling – head of household</b>								
Up to 8 years	21.8	33.5	38.3	44.6	47.9	50.3	56.6	66.7
9-12 years	11.8	17.6	20.1	22.1	24.0	25.8	31.6	41.3
13 or more years	6.5	9.4	11.1	12.8	14.0	15.6	18.9	25.4

Box 1

**Survey: Poverty and Income Gaps in 2008/9**

The global economic crisis that left its mark on employment and wages began during the second half of 2008 and continued through to the second half of 2009. The period covered by the Survey – July 2008 to June 2009 (hereinafter: 2008/9) – corresponds, to a great extent, to the period of the last economic crisis, which was characterized by an increase in unemployment and a decline in employment and real wages from the second half of 2008 until the end of 2009. The findings of the Survey will be compared with all of 2008 and to the corresponding period in 2007 (July 2007 to June 2008, hereinafter: 2007/8).

**Following are the main findings in the 2008/9 Survey compared to the 2008 Survey:**

- The standard of living, as reflected in the amended median disposable income, from which the poverty line is derived, remained more or less at its 2008 level (a real decline of 0.1%). Compared to the previous year, the period of the 2007/8 Survey, the poverty line dropped by 1.2% in real terms.
- The incidence of poverty of a family rose from 19.9% to 20.2% compared to 2008. The poverty depth measure (relative income gap) remained the same: 34.2% in 2008 and 34.3% in 2008/9.
- The incidence of poverty of persons also increased, from 23.7% in 2008 to 24.3% in 2008/9, and the incidence of poverty among children rose from 34.0% in 2008 to 35.0% in 2008/9, following the gradual decline recorded during the two previous years. The FGT index for severity of poverty, which places greater weight on those who are poorer, points to stability in comparison with 2008 and the previous year.
- During the 2008/9 period of the Survey, there were 427,000 poor families in Israel, comprising 1,708,100 persons, 813,000 of whom were children.
- When measured according to economic income, data on poverty show that despite the fact that the recent Surveys have shown a consistent decline, overall poverty rose from 32.3% to 32.8% between 2008 and 2008/9; in

**Incidence of Poverty Among Families by Various  
Characteristics (percentages)  
2007/8, 2008 and 2008/9**

	Income before transfer payments and direct taxes			Income after transfer payments and direct taxes			Rate of decline in incidence of poverty after transfer payments and taxes (percentages)		
	2007/8	2008	2008/9	2007/8	2008	2008/9	2007/8	2008	2008/9
<b>Total population</b>	<b>31.8</b>	<b>32.3</b>	<b>32.8</b>	<b>20.0</b>	<b>19.9</b>	<b>20.2</b>	<b>37.2</b>	<b>38.3</b>	<b>38.4</b>
Jews	27.9	28.4	28.7	15.2	15.3	15.5	45.5	46.2	46.1
Arabs	56.5	57.1	58.4	50.1	49.4	49.9	11.3	13.5	14.6
Elderly	53.1	55.9	54.3	22.2	22.7	21.6	58.1	59.4	60.3
New immigrants	39.5	40.7	40.5	19.0	18.0	17.3	52.0	55.7	57.4
<b>Families with children – total</b>	<b>30.6</b>	<b>30.9</b>	<b>31.9</b>	<b>24.7</b>	<b>24.5</b>	<b>25.5</b>	<b>19.2</b>	<b>20.6</b>	<b>20.2</b>
1-3 children	23.7	24.0	25.2	18.0	17.8	19.0	24.2	25.8	24.9
4 or more children	64.5	65.1	65.2	58.1	57.8	57.8	10.0	11.1	11.3
5 or more children	76.1	77.4	77.5	67.9	68.6	70.4	10.8	11.4	9.2
Single parent families	48.4	46.9	47.6	30.3	28.8	30.0	37.3	38.6	36.9
Two-parent families	27.1	27.6	28.7	23.4	23.5	24.3	13.6	15.0	15.3
<b>Employment status of head of household</b>									
Employed	18.4	18.8	19.2	12.3	12.2	12.6	33.2	34.8	34.2
Salaried	19.1	19.3	19.7	12.3	12.2	12.5	35.3	36.8	36.4
Self-employed	15.6	15.3	15.6	13.0	12.7	13.3	16.9	17.3	15.0
Unemployed (of working age)	90.6	89.5	90.6	71.4	71.4	71.7	21.1	20.2	20.9
Single provider	35.1	35.3	35.6	23.6	23.0	23.5	32.8	34.7	34.0
Two or more providers	4.6	4.7	5.2	2.9	3.0	3.4	35.8	35.9	35.2
<b>Age group of head of household</b>									
Up to 30	37.4	36.4	36.9	26.1	24.4	25.1	30.2	32.9	32.0
31 to 45 years old	26.5	26.7	27.2	20.5	20.7	21.1	22.4	22.5	22.3
46 to retirement age	20.4	21.3	22.7	14.0	14.5	15.5	31.4	31.9	31.8
Legal retirement age	55.9	58.2	57.1	23.0	23.1	21.8	58.8	60.3	61.9
<b>Years of schooling – head of household</b>									
Up to 8 years	66.9	68.7	71.0	44.1	44.6	45.1	34.1	35.1	36.5
9-12 years	32.8	33.5	35.1	21.3	22.1	23.1	35.1	34.2	34.1
13 or more years	22.8	23.2	22.8	13.3	12.8	12.6	41.7	44.9	44.7

families from 32.7% to 33.5%; and among children, from 40.4% to 41.4%. In comparison to the corresponding Survey period of the previous year, 2007/8, the increases were even greater and constitute an indication that the particular increase in poverty for that period stems mostly from the labor market situation.

- The incidence of poverty among the elderly decreased by one percentage point, from 22.7% in 2008 to 21.6% in 2008/9; this decline is explained by an improvement in the condition of the families of the elderly. The findings show that the increase in old-age and survivors pensions and an improvement in the situation of families of elderly persons with regard to the labor market (despite the economic crisis) led to an improvement in their relative condition compared to the whole of the population.
- The incidence of poverty among families with children rose by one percentage point, from 24.5% in 2008 to 25.5% in 2008/9. The same is true in comparison with 2007/8. The rise stems from increased poverty among families with 1-3 children, where the incidence of poverty rose from 17.8% in 2008 to 19.0% in 2008/9. Stability between the two periods was recorded in larger families.
- The incidence of poverty among working families rose from 12.2% in 2008 to 12.6% in 2008/9 during the period of the Survey. At the same time, the rising trend in some of the working families within the whole of the poor population continued, from 46.3% in 2008 to 47.0% in 2008/9. Almost all of the growth stems from the families with two or more providers, while the number of working families with one provider remained unchanged between the two periods.
- Transfer payments and direct taxes contributed to the reduction of poverty among families of the elderly, where their numbers increased from 58.1% in 2007/8 to 59.4% in 2008 and to 60.3% in 2008/9.
- 27.6% of the persons and 15.5% of the children were moved out of poverty status as a result of government intervention through transfer payments and direct taxes.



## 5. Measuring poverty from the perspective of expenditure, 2008

A study published by the NII<sup>17</sup> in 2004 attempted to measure poverty according to the approach developed by an American committee of experts established in the 1990's (the National Research Council – NRC). This committee proposed an approach for creating an index which would be an alternative to the official poverty index in the U.S. The approach is based mainly upon calculating the "threshold expenditure" for "a typical family" (comprised of two adults and two children), on the basis of the consumption data of the population itself, as reflected in expenditure surveys carried out by the Central Bureau of Statistics. The basket, which is the basis for calculating threshold expenditures, includes products and services associated to food, clothing, shoes and housing, along with related essential products. The threshold expenditure level is adapted to the composition of other families, using an equivalence scale which takes into account the composition of the family from the aspect of the number of adults and the number of children within it. The income taken into consideration for the expenditure threshold is the disposable income that is at the disposal of the household (gross income from all sources, minus deductions for direct taxes). The element labeled "in-kind income" is combined with the income if the family benefits from public housing and pays reduced rent in comparison with the market prices. In addition to direct taxes, travel expenses for going to and from work and expenses paid by working families for keeping children in child-care, pre-school or with nannies are also deducted from the income, in accordance with the recommendations of the American committee. A family is considered poor if there is no disposable income available for financing the expenditures of this basket.

The study presented two alternatives for calculating threshold expenditures and the income compared to it for all kinds of families, where the difference between the two alternatives originates from the definition of housing expense: the first alternative considers housing expense based upon the total payments required for residing in an apartment (loans and mortgages, rent, etc.); in the second alternative, the housing expenditures are calculated on the basis of the amount

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17 M. Sabag-Endeweld and L. Ahdut, (2004), **An experimental poverty index from the perspective of expenditure in Israel**, Research paper no. 82, The Research and Planning Administration, NII.

of rent paid by whoever lives in a rented apartment, and upon the equivalent value of the rent when a person owns an apartment. In the second alternative, a family living in an apartment which it owns is compensated by the income. The element added to the income constitutes the difference between the value of the rent for the apartment and the total current expenses on the apartment ("net rent"), and in most families owning an apartment, this difference is perceived on the plus side. In both alternatives, the calculation of the compared income for threshold expenditures also takes into account the bonus incorporated in the public housing services: a family residing in public housing (belonging to the Amidar and Amigur Housing Companies, etc.) is compensated in its income with an amount for up to the difference between rent in the free market (which is valued for an apartment according to its characteristics <sup>18</sup>) and the rent actually paid by the family.

As stated above, the basket used to calculate "threshold expenditures" per family basically consists of products and services in the domains of food, clothing and shoes and housing. The median expense of a typical family for the basic basket is multiplied by two coefficients: (1) a coefficient for multiplying the median, whose value ranges between 0 and 1 and represents the concept that the standard of living of a poor family is lower than that of a median family; (2) another multiplication coefficient, which represents the value of the accompanying basket of products and essential services in the domains of education, health and transportation (not including travel for work purposes, which is already deducted from the incomes). The multiplication coefficients, which, according to the committee, should be updated once every decade, have remained at the level which was determined in the study. The multiplication coefficient of the median is 80% and 85% for Alternatives A and B respectively, and the multiplication coefficient which represents the added element for the accompanying basket of products and services, is 1.35 and 1.25 for Alternatives A and B respectively.

There is no doubt that the findings were affected by macro-economic developments and changes in social policy during the three years of the Survey, which were basically the moving average for each of the years for which the dimensions of poverty were calculated. It should be pointed out that the indices of poverty

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18 Researchers estimate the "free" rent value for public apartments on the basis of information regarding characteristics of apartments (size and geographic location) as the data is received from the housing companies.

and inequality calculated relative to household income (such as the Gini and the SEN indices), were calculated on the basis of income which was defined by this approach for the purposes of the calculation, that is, income minus direct taxes and minus work-related expenses, with the addition of the in-kind transfer element which is included as part of the public housing. In addition, the element of the calculated rent is also added to the income.

In Box 2 below, the 2007-2008 findings of the dimensions of poverty are shown, based upon the two alternatives mentioned above. It should be emphasized that in accordance with the recommendations of the American committee, the poverty indices are not based upon consumption data and income of only a single year but upon a three year moving average. The findings for 2007 refer to data in household expenditure surveys for 2005-2007 (at 2007 prices), while the 2008 data refer to household expenditure surveys for 2006-2008 (at 2008 prices).<sup>19</sup> In order to simplify matters, the data of the three years at 2007 prices shall be referred to below as "2007" and in a similar manner, as "2008".

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<sup>19</sup> Income data from the surveys used for the analyses re 2008 were prioritized by a rise in the general index. However, the relevant expenses (as well as the income ascribed to owners of apartments) were prioritized differentially according to the relevant price index. A corresponding analysis was carried out for 2006 and 2007.

## Box 2

**Poverty According to the Expenditure Approach:  
Findings Updated to 2008**

Based upon two calculation alternatives, the findings related to the incidence of poverty point to stability with regard to the scope of poverty among families in 2008 when compared to 2007 (Table 1). Nevertheless, based upon the two alternatives, the scope of poverty among persons and children rose (see explanation of the difference between the two approaches in Section 5 of this chapter).

The relative gap of income among the poor (relative poverty gap), which expresses the degree of range of threshold expenditures of the relevant income according to each of the calculation alternatives, reached 32% in 2008 when measure by the first calculation alternative, and 28% according to the second calculation alternative. These rates indicate a measure of stability when compared to the corresponding data in 2007 – in contrast to the minor upward trend in the incidence of poverty among poor families and persons. The Gini indices for income inequality dropped slightly (0.4% in both alternatives), and the SEN index rose by 0.6% with the first alternative, dropping by 0.2% with the second alternative.

Table 1

**Incidence of Poverty Among Families, Persons and Children,  
2004-2008**

Alternative	2004	2005	2006	2007	2008
<b>Alternative A: Housing using payments approach</b>					
Families	22.6	22.6	21.2	21.2	21.4
Persons	26.2	26.6	25.4	25.3	25.6
Children*	35.0	35.8	35.0	35.1	35.4
<b>Alternative B: Housing using credited rent approach</b>					
Families	19.6	19.7	18.4	18.7	18.7
Persons	24.6	24.9	23.7	23.7	23.8
Children	34.0	34.8	33.9	34.2	34.3

The poverty lines stemming from the two alternatives are, in fact, the "threshold expenditures" of the families when based upon the elements of basic necessities, that is, expenditures of a family which is considered poor when there is no disposable income available to cover them. The threshold expenditures and the indices of poverty for the various family compositions, calculated according to Alternatives A and B of the calculation, are presented in Table 2. Poverty lines calculated according to Alternative B are higher than those of Alternative A, since they include an additional element which does not exist in Alternative

A, that of expenditure ascribed to housing that is owned by the residents. Therefore, in 2008, the threshold expenditure for a single person, for example, was approximately NIS 2,400 according to Alternative A – almost NIS 500 less than the threshold expenditure according to alternative B.

Table 2

**Threshold Expenditure and Poverty Among Families by Selected  
Family Composition – Alternatives A and B – 2007-2008**

Composition of family*	2007		2008	
	Threshold expenditure, in NIS	Incidence of poverty (%)	Threshold	Incidence of poverty (%)
<b>Alternative A</b>				
Single adult	2,291	21.8	2,489	22.7
Two adults	3,722	16.2	4,043	16.8
Two adults + one child	4,592	15.5	4,988	14.7
Two adults + two children	5,397	18.6	5,862	18.3
Two adults + three children	6,152	25.8	6,682	25.3
Two adults + four children	6,870	49.4	7,461	45.9
Two adults + five children	7,557	65.8	8,207	65.7
Single adult + two children	4,229	30.6	4,593	30.7
<b>Alternative B</b>				
Single adult	2,674	13.8	2,900	14.7
Two adults	4,344	13.2	4,711	13.5
Two adults + one child	5,359	15.5	5,813	15.2
Two adults + two children	6,297	19.1	6,831	18.2
Two adults + three children	7,179	25.5	7,787	24.7
Two adults + four children	8,017	45.4	8,696	42.9
Two adults + five children	8,818	63.7	9,565	63.3
Single adult + two children	4,935	31.1	5,353	30.9

\* Despite the fact that the calculation is based upon three years of study, due to a small number of observations, it was not possible to calculate the data for single parent families with the exception of a single person with two children, and even data for this kind of family suffers from too much fluctuation.

Just as in 2007, the 2008 income relevant for calculations carried out according to the two alternatives rose by approximately 3% in real terms, and the threshold expenditures exceeded that slightly. This is the reason that the poverty indices only rose slightly. According to the two calculation alternatives, the incidences of poverty between the two years dropped among most families. The decline in the incidence of poverty among couples with four children was conspicuous in the first calculation alternative, while in the case of the second calculation alternative, this occurred among couples with five children. The decline

As of this year, in addition to the poverty index from the perspective of expenditure described above, we shall publish the MBM/NRC index as well, as calculated for Israel's economy and which also finds itself situated between the two furthest points of a decisive ("absolute") and relative index. It belongs to the family of poverty indices that is based upon adequate consumption and which is used to calculate a basket that is a reasonable estimate of the acceptable minimum required for sustenance. Thus, this can help determine the sums of the benefits provided for sustenance, that is – the definitive safety net for benefits. These types of indices could also be more acceptable than other indices for following up on the extent of the success of the Government's policy implemented in its battle against poverty, since some of the policy measures consist of bonuses given to the weaker sectors as non-financial income, such as hot meals in schools, housing in subsidized apartments and discounts for medications. Benefits such as these, in addition to such benefits as private in-kind incomes, for example, residing in a self-owned apartment, are not expressed in terms of financial income and therefore, also do not affect the official poverty index, despite the fact that they improve the household's welfare. However, they do affect the indices of adequate consumption.<sup>20</sup> It should be pointed out that information regarding Government bonuses is not collected properly and it is important that the CBS designate appropriate resources to do so. A key difference between the two types of indices is the manner in which the index is updated every year. Every year, both indices receive information from current surveys – the income survey (the official index) and the expenditures survey (the adequate consumption index). Nevertheless, it is clear that in a growing economy, (external) income develops faster than consumption habits, which are the elements that impact the appropriate consumption basket.<sup>21</sup> As a result of all this, differences in the level of the poverty line and the incomes relevant for each index have been created over the years. Thus, poverty indices might provide different results over the years, regarding both the level of poverty and the composition of the poverty sector (Figure 1 and Table 3).

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20 It is clear that in this case, it is important to take into account interest payments on mortgages, since if a young couple bought an apartment by taking out a large mortgage, the payment of the capital can be compared to a savings fund, while the interest payment can be compared to paying rent. The MBM/NRC approach takes this issue into account. See Daniel Gottlieb and Roy Manor (hereinafter GM). The article, Gottlieb, D. and Manor, R. (2005). On the Choice of a Policy-oriented Poverty Measure: The Case of Israel 1997-2002 can be downloaded from <http://mpr.ub.uni-muenchen.de/3842>.

21 It should be noted that in contrast with the completely absolute index which is only updated according to price changes, the MBM/NRC index is updated every year on the basis of variable consumption habits, and this emphasizes its relative character. MBM is short of Market Basket Measure and NRC is short of National Research Council.

The motivation for defining an alternative poverty index for Israel stems from a desire to create a multi-dimensional poverty index which will take into account as many factors as possible which might affect the welfare condition of a household. Firstly, this index does not only receive information about incomes but also incorporates information regarding consumption habits. Secondly, this index makes it possible to take into account the unique conditions which affect the family's welfare, such as going out to work, where it is common knowledge that this places a higher burden on a single mother or on parents of small children who go out to work than on a couple where one of the parents stays home and only one parent joins the labor market. It is therefore not surprising that the rate of the poor among families with two or more providers is higher when using the consumption approach than when using the official approach.

### The poverty line

The team of American experts who formulated the principles of the NRC index in the 1995 report, as well as a team of Canadian experts who formulated the MBM index, came to fairly similar conclusions – the Americans focused upon households situated between the 30 to 35 percentile, while the Canadians determined the space between the 21 to 40 percentile as being relevant when determining the poverty line.<sup>22</sup>

A major difference between the NRC index and the MBM index can be found in their views on food: while the NRC relates to the spending on food in a manner similar to how the rest of the basket of adequate expenses, which includes clothing, housing and various other things, is treated, that is, by using an expenses multiplication coefficient, the MBM index treats the food basket, determined according to nutrition principles, on the basis of the composition of the household based upon gender and age. The MBM team attempted to expand the method for determining the acceptable minimum for other areas of necessity as well, but

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22 The NRC committee selected the 30 to 35 percentile based upon studies of the family budget (Renwick and Bergmann, 1993). Examination of the American economy proved that these expenses reflect a range of 78%-83% of the external expense. Calculations for Israel's economy for 1997-2002 yielded similar results, as described in the article of GM 2005. See also: Citro C.F and Robert T. Michael (1995). *Measuring Poverty: A New Approach*, National Research Council, National Academy Press, Washington D.C.

it was in vain. An example of failure with regard to other products and services is the attempt to determine a clothing basket in the Winnipeg District. A public council was established in that district whose job it was to determine an adequate level of expenditure on clothing for a typical family, with the objective of adopting the conclusions of the Winnipeg Social Planning Council (Acceptable Level of Living, 1997). To the committee's surprise, the result received had, in the past, been found to be very high in comparison to clothing expenses in the expenditure survey: with the publication of the survey, it turned out that this method resulted in a normative recommendation that was even higher than the average basket of the seventh decile (!), whose standard of living was much higher than that of the poverty line.<sup>23</sup> The conclusion was that the determination of a basket had proved itself as far as food went, while the process for absolute determination was problematic with regard to the rest of the basket. Therefore, the present index used with regard to Israel combines the NRC and the MBM indices.<sup>24</sup> Thus, the food basket was assembled using an absolute method of essential basic needs which was based upon the MBM approach, while the rest of the items were formed in a more relative manner, based upon the NRC approach. The non-food elements of the poverty line were therefore determined to be the average of the expenditures (in the expenditures survey) of the 30-35 percentiles with regard to the housing, clothing and shoe section. In addition, various personal expenses and travel expenditure were added using a small multiplication coefficient. In the present poverty line, the average personal expenditure was included for health, which, at least in part, is not covered by the health insurance. The equivalence factor (the consideration of advantages of the size of the family expenditures) is based upon the NRC approach. It should be pointed out that calculating the multiplication coefficient in the Israeli model is based on annual computations, contrary to the NRC recommendation, according to which it would be preferable for the multiplication coefficient to be based upon three-year periods.<sup>25</sup>

The original idea behind the Canadian MBM index was to create an absolute index in the sense that the composition of the basket and the amounts required for

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23 See Hartfield M., page 4.

24 The index described in the article by Gottlieb and Manor - Gottlieb, D. and Manor, R. (2005). *On the Choice of a Policy-oriented Poverty Measure: The Case of Israel 1997-2002* can be downloaded from <http://mpra.ub.uni-muenchen.de/3842>. See also Israel Central Bank Reports, Chapter 8, since 2005. See also Box 3 in this Chapter where another alternative calculation is proposed.

25 This decision stems from the considerations involved in creating an index for policy purposes, since the authors feel that it is important that the index reflects the efforts of the policy in an updated manner, so that the adopters of the policy can be constantly up-to-date.



consumption of "the minimum acceptable for existence" should be determined by experts. Therefore, a food basket was created that is cheap, accessible, healthy, consistent and broken down according to gender and age, based upon recommendations from nutrition experts. The results of the study, carried out by Dr. Nitzan Kloski and her team in the Ministry of Health, in cooperation with the CBS and which was based upon 2002/3 data, was used to determine the food element in the Israeli study. The results were updated and adjusted to the prices of food during the period researched. Basing the consumption basket upon the work of an expert or a researcher can, be simultaneously an advantage and a disadvantage for poverty indices of this type, since this creates a bias based upon the social concepts of those involved. Nevertheless, this also leads to uncertainty with regard to the relative half-median index relative to the determination of a level that is 50% of the median income (rather than 60 or 40%).

### Sources of income

Using the acceptable consumption approach, sources of income (used to examine "who is poor") include financial incomes as well as in-kind incomes; that is, all known incomes. Therefore, a simplistic comparison of poverty lines is not satisfactory because although the acceptable standard of living presented through a poverty line differs from approach to approach, if the reference to sources of income is different, it is not possible to come to conclusions simply by examining the poverty line. Using the approach based upon adequate consumption, not only are the required payments deducted from the income in order to arrive at the disposable income, but more expenditures are also deducted to be able to reach the conclusion as to whether or not the income at the family's disposal is sufficient to finance the expenditures in an adequate basket of products. These additional deductions relate to two domains – expenses for going to work and health expenses.

- Expenses for going to work: according to the NRC approach, which, as stated above, is incorporated into GM's research as well as in the present version, the cost involved when a couple goes out to work is deducted from the income when both members of the couple are working (or the reference is to working single mothers) and they have small children, in order to avoid underestimating the poverty condition of such families in comparison with

families who have a financial income at a similar level and where at least one parent stays home. The reason for this is that in a family with two working parents or a working single mother, travel expenses to and from work, and expenses involved in looking after small children reduce the income available for consumption.

- Exceptional health expenditures: if they are higher than the average personal health expenses (which are, as stated above, included in the poverty line, some of the personal medical expenses which are considered to be essential will also reduce the income in an adequate basket that is available for consumption. It is clear that it is preferable to deduct exceptional health expenses from sources of income rather than include them in the poverty line: if such an issue is included in the poverty line because it is essential, this would increase the poverty line for the whole of the population, despite the fact that the expenditure is exceptional and only applies to a few families. The acceptable expenditures for those families, are, of course, higher, but in order to ensure that such special cases do not affect all of the families whose essential expenses should be deducted, exceptional expenditures should only be deducted for the specific families involved, thereby avoiding a downward bias of the dimensions of poverty when taking into consideration an expenditure which, in fact, is essential but rare. This was the solution initiated by the NRC Council with regard to essential medical expenditures paid by an individual. On the other hand, the American Council ignored basic health insurance, which is certainly an essential expenditure for the whole of the population.<sup>27</sup>

### **Refinements and improvements in the present study<sup>11</sup>**

In comparison with the previous article by Gottlieb and Manor on the subject, a number of refinements and improvements were included, made possible because

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26 It should be pointed out that this method of deducting essential medical expenditures from sources of income very much aggravates the condition of the poor, who are unable to finance necessary medical expenditures, which, in the end, is expressed in their shorter life spans.

27 The calculations are based upon an in-progress study by the Research and Planning Administration of the NII. When it is finalized, it may contain additional changes as to the manner of calculation and if so, the findings for the years presented in this Chapter will be changed.

of the greater amount of details present in expenditure surveys since the previous study was carried out. As a result, all of the poverty index sections were re-examined in order to remove from it some of the sections defined as non-essential. Thus, a number of sections were added which could not be identified at the time the study was prepared at the beginning of the 21<sup>st</sup> century:

- Food: the main change involves calculating normative food expenditures which have been adjusted for a family in accordance to the composition of age and gender, as well as integrating this expenditure into the poverty line in accordance with the NRC approach regarding products that are not food. The change creates as many poverty lines as there are types of families from the aspect of age and gender.
- Housing: only variables related to rent (including in-kind expenses) were used. If a specific household had both kind of expenditures (financial and in-kind), only the lower expenditure of the two was taken into account. In addition, the issue of an expenditure relating to "miscellaneous household needs" was added.
- Health: the expenditure for maintaining relatives in private old-age homes was eliminated.
- Public transport: region or cities were itemized geographically: the Dan Bloc, Jerusalem, Haifa, Beersheba and Ashdod, while the rest of the regions were defined as periphery. The costs were determined according to the average expenditure for public transport in households where there is no vehicle. Thus, for example, in Jerusalem, the amount received was equivalent to the cost of the monthly use of busses, based upon the cost of a monthly bus card. The expenditure item for households in Beersheba is larger, apparently because of the need to use the train for inter-city travel. This item ranges from NIS 117 in the periphery to NIS 235 in Beersheba.
- Education: this section includes all education services. Previously, the section had included only some of the items. Nevertheless, it was found that there is no noticeable gap between the averages of these two versions.
- Expenses for maintaining and improving the residence: this section was removed from the calculations of the poverty line, since among owners, this section included renovations while among renters, it can be assumed that the expenditure is refunded to the renter or covered by the owner.

- Sources of income: in order to estimate the section on alimony more precisely, the section of "gifts and others" was removed from "transfers from other households".
- The multiplication coefficient: the variable of expenditure for a vehicle was eliminated since it was found that the section contained, for example, the purchase price of a motorcycle in the same section containing "car insurance expenditures".<sup>28</sup>

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28 The result was that these changes reduced dimensions of poverty in comparison with the calculation in GM's original study (Bank of Israel Annual Report). Another dissimilarity with the Bank of Israel index stems from the fact that in the past, the Bank of Israel had decided to present the MBM/NRC index without relating to GM's recommendation with regard to health expenditures.

Box 3

**Measuring Poverty According to an Adequate Consumption Basket: the MNM/NRC Approach**

According to the MBM/NRC, whose principles are outlined in Section 5 of this chapter, the poverty line for an adequate consumption index is linked to the concept of the minimum required for adequate living expenditures and can be used to determine the level of the living allowances for different family compositions. Table 1 presents a comparison between the support provided by the welfare system and the minimum required for acceptable living as represented in the index. The support includes income support benefits and income supplements, as well as child allowances in relevant cases. The results points to a clear formula: benefits to the older age cover at least approximately 85% of the minimum required for adequate living and the highest value of coverage is to single elderly persons who are 80 years of age or older. The standard of living represented in the benefits to elderly couples who are 80 years of age and older is higher as well.

The situation is also quite satisfactory in households where the head of the household is 55 years of age or older: for a single person, the coverage rate is approximately 74%; it decreases for a couple and for a couple with a child, but still remains over half. In families where the head of the household is younger than 55, the more children there are in the family, the more difficult the situation becomes. The level of coverage drops sharply, and in the case of a couple with five children, it reaches 35% of the minimally acceptable standard of living. The upper section of the table points out that in families with children, the living benefits, including child allowances, have indeed increased, but at a slower rate in comparison to the minimum, as understood by the acceptable minimum. The problem increases exponentially as the number of children in the family rises.

Table 1  
**Indicator for Minimum Required for Decent Living in Different Household Compositions and the Comparison to Pensions from the Welfare System (2008 prices)**

Age of household head Composition of family	Groups of income support and child allowance (income supplement in case of pension age on)			
	Until 55	From 55 to pension age	From pension age to 80	80 years old*
Adult	1,595	1,994	2,586	2,739
Adult + child	2,837	3,389	4,097	4,324
Adult + 2 children	3,440	4,352	4,960	5,185
Two adults	2,193	2,991	3,836	4,062
Two adults + one child	2,558	3,634	4,698	4,924
Two adults + two children	3,002	4,278	5,560	5,785
Two adults + three children	3,337	4,613	5,560	5,785
Two adults + four children	3,705	4,981	5,560	5,785
Two adults + five children	3,870	5,146	5,560	5,785
<b>Average of parts of pensions at the poverty line (percentages)*</b>				
Adult	57.5	74.0	96.7	102.3
Adult + child	67.1	-**	-	-
Adult + 2 children	60.9	-	-	-
Two adults	46.3	64.7	83.2	88.1
Two adults + one child	43.7	59.1	-	-
Two adults + two children	41.8	-	-	-
Two adults + three children	39.3	-	-	-
Two adults + four children	38.2	-	-	-
Two adults + five children	35.2	-	-	-

\* In all cases, the size of the authoritative profit at a 95% significance level does not exceed 1.5 percentage points.

\*\* Not presented due to lack of observations in the sample.

At the end of the 1990's, the official poverty line consisted of half of the adequate consumption, while during the period under review, the poverty lines drew closer so that in 2008, it consisted of approximately 55% of the adequate consumption (Figure 3). The significance of this is that the starting point for the poverty line in 1997 was significantly higher than the official line, but its development was slower. One cannot talk about the gap between the poverty lines without considering the sources of income that are the subject of the following section, but the fact that the development of the poverty line based upon adequate consumption is slower through time than the official line is very significant.

This stems from the fact that consumption develops slower than income, so that a family tends not to change its consumption habits (that is, its current standard of living) whenever there is a change in income. Moreover, from the economic theory, we would expect that a family would be inclined to increase its savings whenever there is a real increase in its income.

In Table 2, the results of a comparison between net financial incomes and net incomes from all sources shows that in-kind income particularly impacts the weaker sectors, that is, it raises the level of the financial disposable income of the lower half of the income distribution by more than half. The income of the lower decile is doubled and that of the second decile grows by approximately  $\frac{3}{4}$ . The effect keeps dropping and after the median, the income grows by less than half. The significance of this is that this income is critical for evaluating the welfare condition of households.

A comparison between Table 2 and Figure 3 points to the fact that most households situated in the first two deciles are below the poverty line. This can also be seen in Figure 2 below.

Table 2  
**Sources of Financial Income Including In-kind Income, Less  
Essential Expenditures\* (working outside of the house and health)**

Deciles**	Disposable financial income per standard person	Disposable income from all sources MBM/NRC per standard person	The difference in percentages
Total	4,608	6,805	48
Bottom	975	2,038	109
2	1,637	2,856	74
3	2,152	3,465	61
35 <sup>th</sup> percentile	2,560	4,029	57
4	2,720	4,212	55
5	3,378	5,106	51
6	4,067	6,018	48
7	4,824	7,089	47
8	5,759	8,310	44
9	7,294	10,526	44
Top	12,573	17,484	39

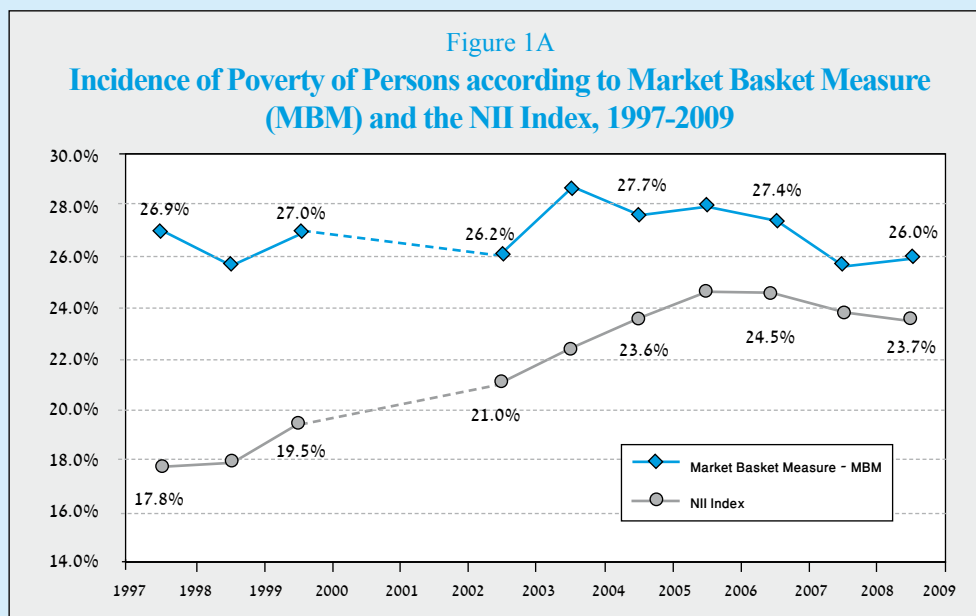
\* The essential expenditures are expenses of working couples with small children for working out of the house, expenses for traveling to work and back, as well as higher than usual medical expenses.

\*\* The families in each column were classed according to disposable financial income per person in each decile.

## Results of Measurement

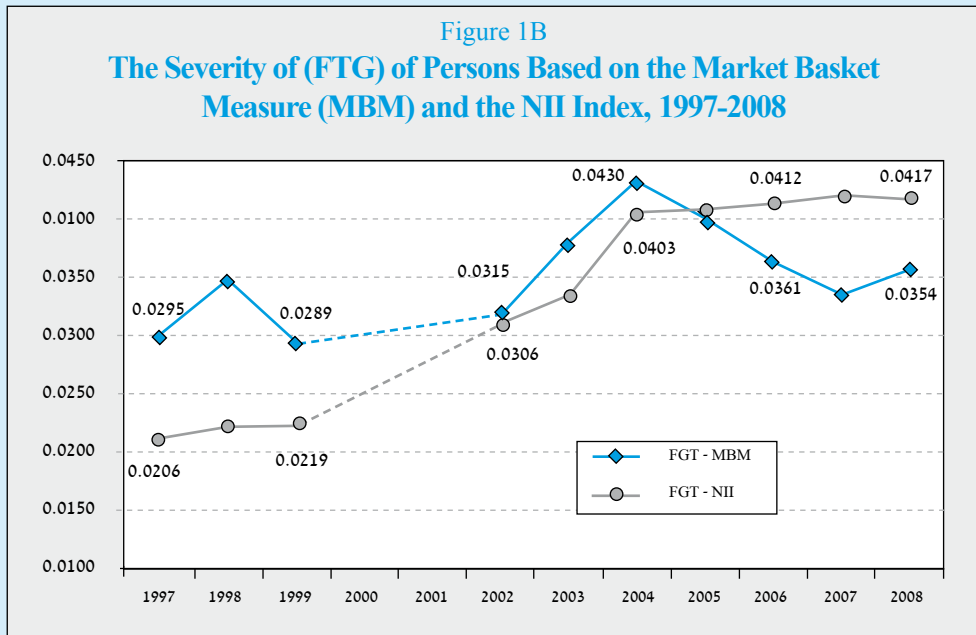
### 1. Dimensions of poverty over time

According to the acceptable consumption index, the incidence of poverty and its severity were significantly higher during the 1990's and the beginning of the 21st century than the incidence and severity of poverty according to the official index. Around 2005, there was a sharp improvement in the dimensions of poverty according to the acceptable consumption index, while there was the beginning of a sharp drop in the incidence and severity of poverty. The incidence of poverty remained above that of the official measurement during the whole period, but its severity dropped to a level which was significantly lower than the official one. It should be pointed out that from the practical aspect, the FGT severity index was considered in professional literature to be the preferred poverty index over the incidence index.<sup>1</sup>



1 For example, see the following publication: A.K. Sen (1997), *On Economic Inequality*, Expanded edition with a substantial annex by J.E. Foster and A.K. Sen, 1997. Clarendon Paperbacks, Oxford University Press.





It is interesting to point out that according to the MBM index, the incidence of poverty peaked in 2003, an outcome which was consistent with policy actions in the domain of welfare during 2002 and 2003, and which was very detrimental to the weaker sectors at the time. The peak of damage caused with regard to the severity of poverty occurred one year later and from 2005 to 2007, a sharp improvement took place. Compared to these, the official approach points to a later peak in incidence. In this case as well, there was an acute change in severity – it stops at a high level and does not improve from that point. In 2008, it is possible to see that according to the MBM index, there was a slight rise in the incidence of poverty among persons compared to the stability apparent in the official index. Moreover, there is also an increase in the severity of poverty according to the adequate consumption index, but according to the half median approach, there has been no change in trend in recent years. This apparently stems from the fact that the reaction of the official index makes itself felt later, as can be seen from the findings of the expenditures survey of 2008/09 (see Box 1).

## 2. Composition of the poor population

There is no conflict between the approaches with regard to 1.4 million out of 1.6 million poor persons (87%), the number being based upon NII data. Based upon the criteria as the consumption index, then approximately 207,000 of them are not poor. However, there are more persons (approximately 388,000) who are considered poor according to the consumption index but not according to the NII index. Therefore, there are differences of opinion with regard to approximately 595,000 persons, constituting approximately 8.5% of the whole population. This is an indication that it is necessary to invest in better means of identifying the poor in order to better utilize the resources allocated for the battle against poverty.

Table 3

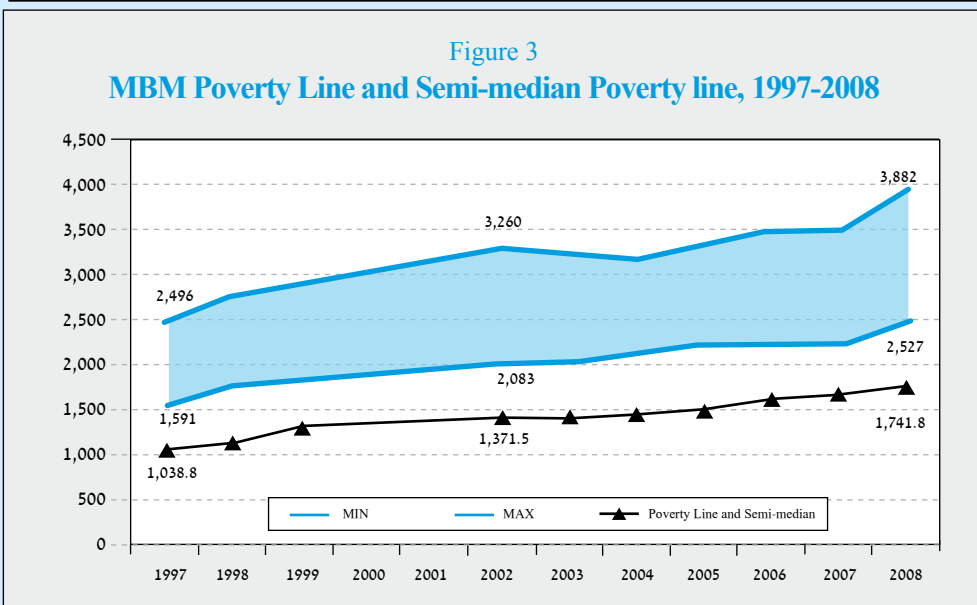
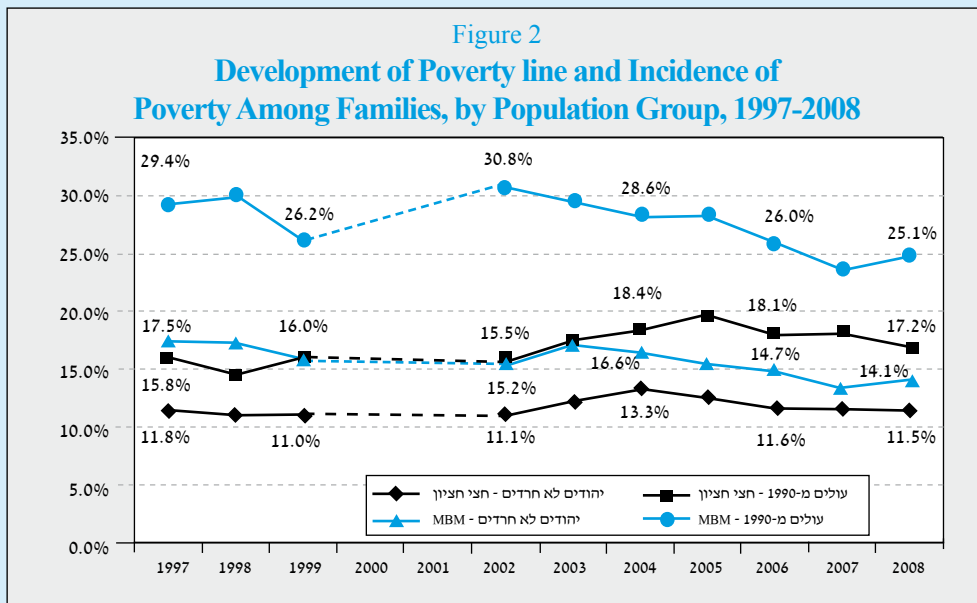
### Composition of Poor Population According to Various Approaches

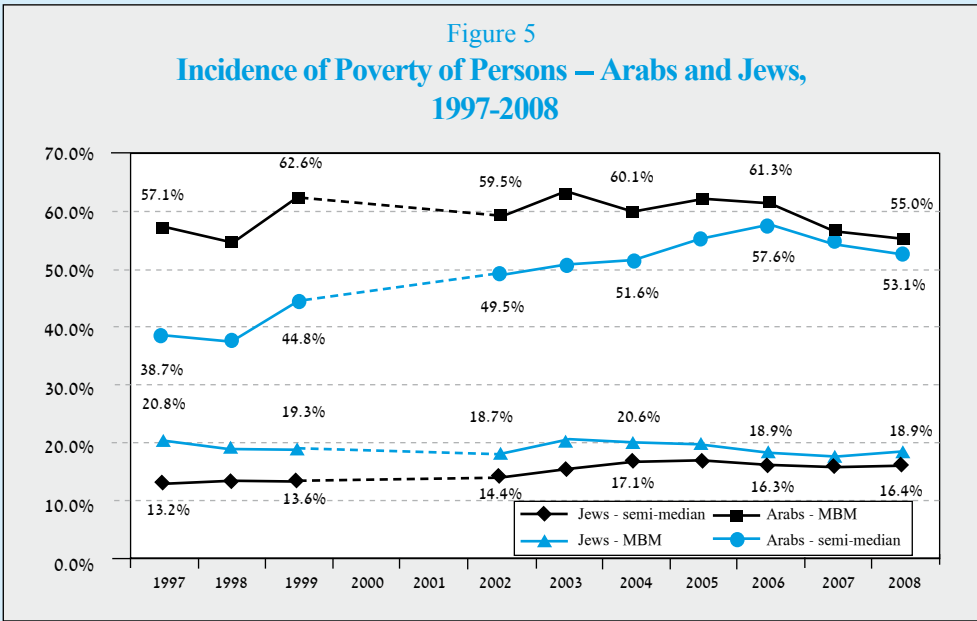
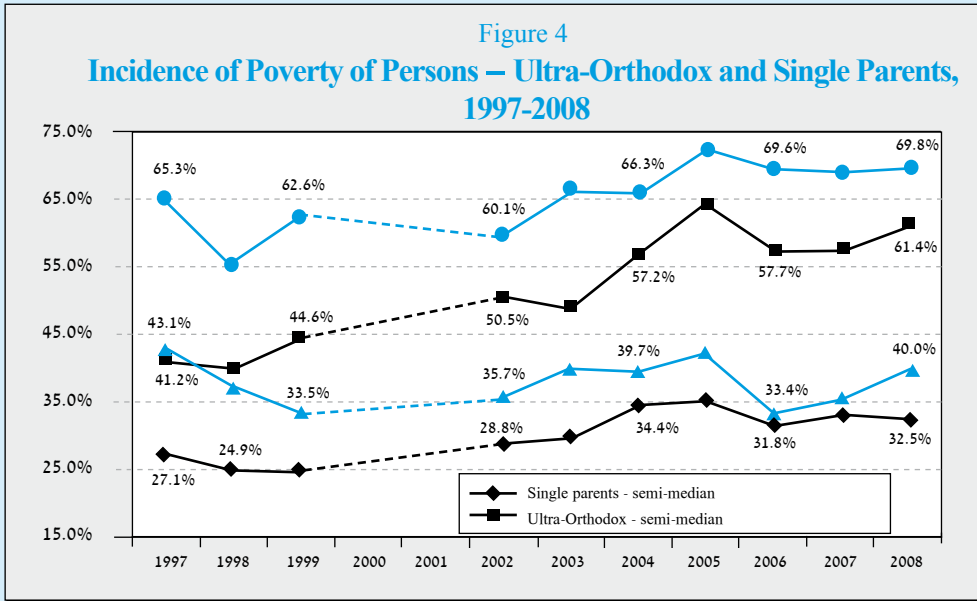
		Not poor semi- median	Poor semi- median	Total
Not poor MBM	Number of persons			
	Percentage of the total population	4,965,655	206,886	5,172,542
Poor - MBM	Percentage of the total population	71.1	3.0	74.0
	Number of persons			
Poor - MBM	Percentage of the total population	388,416	1,426,144	1,814,560
	Percentage of the total population	5.6	20.4	26.0
TOTAL	Number of persons			
	Percentage of the total population	5,354,071	1,633,031	6,987,102
TOTAL	Percentage of the total population	76.6	23.4	100.0

The development in the population sectors also differed between the two approaches: in 2008, the incidence of poverty based upon consumption in the Arab sector came to approximately 53% compared to approximately 50% incidence based upon half of the median. Among the ultra-Orthodox, the incidence of poverty is approximately 70% according to the consumption approach and 61% according to the official measurement. The real difference in assessing poverty is also seen among new immigrants who arrived after 1990. Based upon the consumption approach, these new immigrants are poorer, apparently because of

the lower rate of apartment ownership among them than among the veterans.

In summary, it is possible to establish that according to the consumption approach that is described, the peak of poverty, for the most part, was earlier and the period that followed points to a significant and steady improvement until 2007, after which was a slight increase was perceived.





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In summary, it is possible to establish that according to the consumption approach that is described, the peak of poverty, for the most part, was earlier and the period that followed points to a significant and steady improvement until 2007, after which was a slight increase was perceived.

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2 The identification of the ultra-Orthodox population here is based upon Gottlieb D. & Kushnir L. (2009). Social Policy Targeting and Binary Information Transfer between Surveys. Ben Gurion University, CONSIST Ltd., Vol. 3, 2009-29. June 11, 2009. <http://www.economics-ejournal.org/economics/journalarticles/2009-28>.

## **6. Inequality in Income Distribution and the Impact of Policy Measures**

The progressive structure of transfer payments and direct taxes narrows the income gaps in the population. The rate of the transfer payments relative to economic income decreases in proportion with the increase in economic income, while the rate of direct taxes increases in proportion with the increase in economic income. The higher the progressive increase in transfer payments and direct taxes, the larger the lower deciles' portion of income as income received via transfer payments and direct taxes, and the smaller the upper deciles' share of the income.

Table 13 shows the average changes in income, in benefits and in taxes per family during the period covered by the Survey. During the period between 2003 and 2008, economic income increased at a rate of 14.8% and disposable income rose by an even higher rate, 16.2%. The growth in economic income is the result of the expansion of employment and the real increase in salaries during 2003-2007, which came to a halt in 2008. The even higher growth in disposable income relative to economic income stems from two opposite influences, where one overcame the other: on the one hand, transfer payments declined at a real rate of approximately 6% and on the other, direct taxes also decreased at a rate of 5% as a result of the tax reform. Since, on the average, a reduction in taxes has a greater impact on disposable income than transfer payments, it is understandable that between 2003 and 2008, disposable income rose at a slightly higher rate than economic income.

Table 15  
**Average Income, Benefits and Taxes per Family**  
**(NIS per month, at 2007 prices) 2003-2008**

	2003	2004	2005	2006	2007	2008	2008 compared to 2003
Economic income	10,170	10,490	10,830	11,250	11,820	11,680	14.8
Total transfer payments	1,780	1,720	1,720	1,730	1,710	1,670	-6.2
NII benefits	1,360	1,290	1,250	1,260	1,250	1,230	-9.6
Direct taxes	2,500	2,460	2,410	2,390	2,580	2,370	-5.2
Disposable income	9,440	9,750	10,140	10,590	10,950	10,970	16.2

Table 15 shows the average amounts of transfer payments and direct taxes as a percentage of the average economic income of a family in each decile, and Table 16 presents the share of each decile (ranked according to economic income) for all transfer payments and direct taxes for 2006, 2007 and 2008.

The table shows that transfer payments and direct taxes continued to decrease in 2008 compared to economic income. However, compared to 2007, the changes regarding transfer payments were negligible: from 14.4% to 14.3% of the total economic income between 2007 and 2008. Nevertheless, in comparison with 2006, they decreased significantly – approximately one percentage point less in the total population, where the four lowest deciles represent the largest decline in transfer payments out of the total economic income. At the same time, the tax load between 2007 and 2008 decreased from 21.9% to 20.3% of the economic income between the two years and at variable levels in all of the deciles. This decrease is characteristic for all of the years since 2003 (with the exception of 2007) and it stems from a reduction in tax rates as part of the multi-year income tax reform framework.

Table 16

**Rates of Transfer Payments and Direct Taxes Relative to the Average Economic Income in Each Decile\*, Total Population (percentages), 2006-2008**

Decile	Rate relative to the average economic income					
	Transfer payments			Direct taxes		
	2006	2007	2008	2006	2007	2008
Bottom	--**	--**	--**	--**	--**	--**
2	246.2	213.0	183.3	18.8	16.1	15.2
3	52.4	49.3	47.7	9.1	9.2	8.7
4	39.4	32.1	32.5	9.9	10.0	9.2
5	23.2	21.6	20.6	10.9	10.9	10.2
6	15.7	14.2	14.2	11.8	11.9	10.9
7	11.5	9.4	9.8	13.3	14.1	12.6
8	6.7	6.4	6.1	17.0	17.6	15.7
9	4.2	3.9	4.4	21.3	22.1	20.3
Top	1.9	1.9	1.7	30.2	31.5	29.9
<b>Total</b>	15.3	14.4	14.3	21.2	21.9	20.3

\* the purpose of determining the deciles, families were ranked according to the economic income per standard person. Each decile constitutes 10% of all persons in the population.

\*\* This relativity cannot be computed, since families in the lowest decile have almost no economic income, and their only sources of income are transfer payments.

Table 16 shows that when ranking deciles by economic income, the lowest until the sixth deciles received transfer payments that are higher than their total direct tax payments. The seventh decile reached an even balance and starting with the eighth decile, the ratio was reversed: the top decile paid more than half of the taxes and received approximately 5% of the transfer payments. Table 17 shows the distribution of different types of income in the whole populations for 2006-2008.<sup>29</sup> From the data presented in the table, one can see that between 2007 and 2008, the two years under comparison, there were no real changes in the distribution of disposable income between the deciles, and the ratio between the income of the lower and the upper quintiles even pointed to a slight increase, from 8.0% to 8.1%, between the two years, comparable to the Gini inequality index, which also showed a slight increase in the distribution of disposable income for those years.

<sup>29</sup> The data on inequality in the distribution of incomes among the working population is presented in Tables 18-19 in the Appendix regarding poverty and inequality tables.



Table 17  
**Share of Each Decile\* of Total Population in Total Transfer Payments  
 and Direct Taxes (percentages), 2006-2008**

Decile	Total share (percentages)					
	Transfer payments			Direct taxes		
	2006	2007	2008	2006	2007	2008
Bottom	24.5	24.8	25.9	0.9	0.8	0.9
2	16.0	17.2	15.9	0.9	0.9	0.9
3	8.9	9.4	9.3	1.1	1.2	1.2
4	10.7	9.7	9.8	1.9	2.0	2.0
5	9.0	9.0	8.7	3.1	3.0	3.0
6	8.0	7.8	7.8	4.4	4.3	4.2
7	7.6	6.6	7.0	6.3	6.6	6.4
8	5.8	5.8	5.7	10.6	10.6	10.2
9	5.0	4.9	5.6	18.3	18.4	18.1
Top	4.6	4.8	4.2	52.5	52.3	53.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* For the purpose of determining the deciles, families were ranked according to the **economic income** per standard person. Each decile constitutes 10% of all persons in the population.

The contribution of transfer payments and direct taxes to reducing inequality stemming from the distribution of economic income dropped slightly, from 25.4% in 2007 to 24.7% in 2008, and it dropped by approximately 6 percentile points relative to 2002, when the rate was 31.5%.

Table 18  
**Impact of Transfer Payments and Direct Taxes upon Inequality in  
Income Distribution in Total Population (percentages) 2006-2008**

Decile*	Share of each decile in the total income (%)**								
	Prior to transfer payments and taxes			After transfer payments			After transfer payments and taxes		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Bottom	0.0	0.0	0.0	1.7	1.7	1.7	1.9	1.9	1.9
2	1.1	1.3	1.4	2.9	3.0	3.1	3.4	3.5	3.5
3	2.9	3.0	3.1	4.0	4.1	4.1	4.5	4.7	4.6
4	4.4	4.6	4.6	5.2	5.3	5.3	5.8	6.0	6.0
5	6.2	6.3	6.3	6.6	6.7	6.7	7.3	7.4	7.4
6	8.1	8.1	8.1	8.2	8.2	8.3	8.9	9.0	9.0
7	10.3	10.4	10.4	10.1	10.1	10.1	10.8	10.8	10.8
8	13.4	13.4	13.3	12.7	12.7	12.7	13.0	13.1	13.1
9	18.2	18.2	18.1	16.8	16.8	16.8	16.3	16.3	16.5
Top	35.5	34.8	34.8	31.8	31.4	31.4	28.0	27.2	27.3
Ratio before income of top and bottom quintiles	49.2	41.5	38.9	10.5	10.3	10.2	8.3	8.0	8.1

\* Families in each row were ranked according to level of income corresponding to a standard person. Each decile represents 10% of persons in the population.

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

Table 19  
**Gini Indices of Inequality in Income Distribution in the  
 Population, 1999-2008**

<b>Year</b>	<b>Before transfer payments and direct taxes</b>	<b>After transfer payments only</b>	<b>After transfer payments and direct taxes</b>	<b>% of the decline stemming from transfer payments and taxes</b>
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
Change in the index (%)				
2007 vs. 2008	0.3-	0.1-	0.6	
2002 vs. 2008	4.7-	0.1	4.7	
1999 vs. 2008	1.0-	2.5	7.2	



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**Chapter 3**  
**Collection of Insurance Contributions**

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## 1. Introduction

The National Insurance Institute is responsible for collecting national insurance contributions in order to fund the benefits paid under the National Insurance Law, and for collecting health insurance contributions to fund the health system. National and health insurance contributions are collected from both working (self-employed and salaried) and non-working residents of the country, at various rates based on income from which insurance contributions are deductible. In addition, since 1986, the government has compensated the National Insurance Institute for the loss of collected revenues due to the reduction in insurance contributions for employers and the self-employed. This compensation is called *Treasury indemnification*, and it forms part of the Institute's revenues from national insurance contributions<sup>1</sup>.

In 2009, as in previous years, collection from the public was affected by fluctuations due to economic developments in the economy as a whole, by the average wage, by the number of employed individuals (details below) and also by the legislative process – that commenced in 2005 with the tax reform of that year and that continued to the end of 2009 – that included the gradual reduction of insurance contributions from employers. In 2006, two rates of contributions – reduced and regular – were introduced for employers instead of the flat rate at all levels of income from which insurance contributions are deductible, similar to the rate structure for salaried and non-salaried workers. Before the National Insurance Law was changed, the employer paid 5.93% of the employee's salary, up to a ceiling of income from which the contributions are deductible. Following the amendment, for the period January-December 2009, employers paid 3.45% at the reduced rate (up to 60% of the average wage) and 5.43% at the regular rate. The tax reform also affected collection of national insurance contributions: the reduced rate for insurance contributions paid by 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% of the average wage to 60%. These changes were made with a zero budget; that is, with no change to the

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1 The rate of insurance contributions that is imposed on the government instead of on employers appears in the table of payment rates, but is also based on Section 32 of the National Insurance Law, which deals with all government participation in funding the various branches of national insurance.

overall size of the Institute's revenues. The increase in the reduced rate bracket also applies to the employer's share, to avoid a loss in collection of contributions.

The combined result of the Economy Arrangements Law-2005 and of the reform introduced in 2006 is that the reduced and regular rates of insurance contributions paid by employers in 2009 are 3.45% and 5.43% respectively. Compared with the situation before August 2005, this is a reduction of 1.5 percentage points in the average rate for the employer (4.43% compared with 5.93%). The cumulative loss of revenues from the start of this process (2005) to the end of 2009 amounts to over NIS 12 billion. In accordance with the legislation, the National Insurance Institute will not be compensated by the Finance Ministry for this loss. However, the rates of government participation, based on Section 32 of the Law, have been increased, so that the Finance Ministry allocation for funding benefits under the Law will not be reduced as a result of the loss of revenue from insurance contributions collected from employers.

Legislation of the Economic Efficiency Law for 2009-2010 was completed in July 2010 and contained two changes that had an impact on collection as of August 2009: (1) an increase in the reduced rate of contributions from employers from 3.45% to 3.85% (and in fact, a return to the situation of 2008); (2) doubling of the ceiling for the payment of national and health insurance, from five to 10 times the basic amount. A condensed picture of the changes and their impact on 2008-2009 is presented below (Tables 1 and 2). The goals of these two moves was supposedly to increase the collection of national insurance payments, but in actual fact, the additional collection and allocations under Section 32 were passed on to the Finance Ministry in toto, while the Ministry's participation in collection for the Children branch was reduced from 210% to 207.5% (and to 169% in 2010 and 208% in 2011).



Table 1  
**Collection from the Public and the Estimated Impact of  
 Legislative Changes on Revenues (NIS million), 2008-2009**

	2008			2009			Percentage of change 2009 compared with 2008			
	Less legislative change	Legislative change	Actual	Less legislative change	Legislative change	Actual	Nominal		Real	
							Less legislation	Actual	Less legislation	Actual
<b>Total</b>	43,822	-3,370	<b>40,452</b>	44,695	<b>-3,467*</b>	<b>41,228</b>	<b>2.0</b>	<b>1.9</b>	<b>-1.3</b>	<b>-1.4</b>
National Insurance	29,247	-3,370	25,877	29,773	-3,540	26,233	1.8	1.4	-1.5	-1.9
Health Insurance	14,575		14,575	14,922	73**	14,995	2.4	2.9	-0.9	-0.4

\* 8 months reduction of insurance contributions from employer and increased collection from raised ceiling.

\*\* Additional collection from doubling the ceiling.

Table 1 shows collection from the public in 2008 and 2009, and the effect of changes in legislation on the amounts collected. In 2009, National Insurance Institute revenues from collection of national and health insurance contributions amounted to NIS 41.2 billion. NIS 40.4 billion were collected directly from the public, and NIS 2 billion were transferred by the Finance Ministry, pursuant to Section 32(c) of the NI Law, which compensates the NII for the reduction in national insurance contributions by employers and self-employed individuals. In that year, direct collection from the public dropped by about 1.4% in real terms, compared with a growth of 2% in 2008. This decline can be attributed mainly to the global economic crisis, which did not skip over Israel and which resulted in a real decrease of 2.2% in the volume of wages. Without the change in the legislation implemented since 2005, direct collection from the public in 2009 would have dropped by an estimated 1.3% in real terms.

National Insurance contributions collected from the public in 2009 declined by 1.9% (compared with 1.2% in 2008), and health insurance contributions dropped by 0.4% (compared with an increase of 3.6% in 2008). Health insurance payments as a proportion of total collection from the public increased from 36.0% in 2008

to 36.4% in 2009, due to the continuing process of reducing national insurance contributions from employers as described above – a process that reduces the share of national insurance contributions from the public and consequently increases the share of health insurance payments. The rate of collection from the public in relation to the GDP dropped in 2009 to 5.4%. The percentage of revenues from the public as a total of all direct taxes<sup>2</sup> collected from individuals increased from 49.3% in 2008 to 50.3% in 2009, as a result of the decline in income tax from individuals at the nominal rate of 9.2% and an increase of 1.2% in national insurance collection.

## **2. Collection of national insurance contributions**

### **A. Rates of national insurance contributions**

In 1995, two rates of insurance contribution were instituted – reduced and regular – for all types of insured individuals. Starting in 2006, the reduced rate has been applied to that part of the income from which national insurance contributions are deductible, which is not over 60% of the average wage<sup>3</sup>. The regular rate applied to the remaining income up to a ceiling – on the salaried employee's share, on the employer's share, and also on the self-employed, without distinction between their share as an employee or as an employer. As Table 2 shows, the reduced rate applied to all insured individuals – salaried and non-salaried – and, from August 2005, it has been extended also to employers.

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2 Direct taxes collected from individuals include income tax (from salaried employees, the self-employed, and company directors), national insurance and health insurance. Total direct taxes include, in addition to taxes collected from individuals, company tax.

3 The average wage as defined in the National Insurance Law was NIS 7,928 per month in 2009.

Table 2  
**Rates of Insurance Contributions of Salaried Workers in  
 Israel and in OECD Countries**

Type of insured	National insurance payments				Health insurance payments	
	Regular rate		Reduced rate		Regular rate	Reduced rate
	2008	2009	2008*	2009**		
<b>Salaried – Total</b>	13.10	13.10	4.92	4.52	5.0	3.1
Thereof:	7.00	7.00	0.40	0.40	5.0	3.1
Employee's share	5.43	5.43	3.85	3.45	-	-
Government's share	0.67	0.67	0.67	0.67	-	-
<b>Self-employed – Total</b>	11.82	11.82	7.31	7.33	5.0	3.1
Employee's share	11.23	11.23	6.72	6.72	5.0	3.1
Government's share	0.59	0.59	0.59	0.61	-	-
<b>Insured who is not working and not self-employed</b>	7.00	11.05	4.61	4.61	5.0	5.0

\* Collection for 2008 and as of September 2009.

\*\* Collection for January-August 2009 only.

Table 2 shows the rates of the various types of insurance contributions and Table 3, the rates of contributions anticipated from employers for 2008-2009 as a result of the reduction in these contributions as of July 2005.

Table 3  
**Rates of National Insurance Contributions from Employers  
 (percentages), 2008-2009\***

Year	Reduced rate		Regular rate	
	2005	2006	2005	2006
2008	3.63	3.85	5.43	5.43
2009	3.19	3.45	5.43	5.43

\* The rates shown are for the status of legislation from January 2006 compared to legislation in force in 2005.

Table 4 shows the number of insured individuals who are required to make insurance contributions, by type of insured. In 2009, about 2.82 million salaried insured individuals paid national insurance contributions. That year, the number of salaried insureds increased by about 0.2%. It should be noted that this group does not include workers

from the Palestinian Authority, foreign workers, or insured Israeli residents with unique characteristics, such as kibbutz members, early retirees, domestic workers, persons in vocational training, and employees of the Ministry of Defense<sup>4</sup>.

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4 Section 5 of this chapter gives brief information on these population groups.

Box 4

**Rates of Insurance Contributions of Salaried Workers in Israel and OECD Countries**

The OECD, which Israel joined recently, constitutes an appropriate context for comparing the policy for financing Israel's social security structure with that of other developed countries.<sup>1</sup> The comparison is instructive with regard to the financing sources as well as the degree of progress within the social security system.

1. In most OECD countries, the social security system is financed by insurance contributions collected for employees (with the exception of Australia and New Zealand, where the insurance branches are financed by the government budget).
2. In certain countries, such as Germany, France and Japan, there are several insurance contribution rate brackets based on the level of the employee's salary. Reduced rates of contributions apply to low income levels which are usually defined according to a percentage of the average wage. In certain countries, there are several levels of reduced rates. In 2008, the average rates for OECD countries were 26.4% for the lower rate and 32% for the higher rate, while the rate in Israel was approximately 7.4% for lower incomes and 17.4% for higher incomes.
3. In all OECD countries, including Israel, the burden of insurance contributions is divided between the employee and his employer. In most countries, the employer's portion is larger than that of the employee: in OECD countries, the average (higher) rate for an employee is 11.5% compared with an average of 20.4% for the employer. The opposite is more common in Israel: the (higher) rate applies to the employee (12%), a higher rate than that applied to the employer (5.4%). It should be pointed out that the reduced rate which applies to an employee in Israel (3.5%) reduces the burden of insurance contributions on those earning low wages.

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<sup>1</sup> The data regarding the OECD countries were taken from Taxing Wages 2007-2008, 2009, OECD.

4. In some OECD countries, a percentage of the salary must be deducted for a personal pension fund. These payments are not included in the insurance contributions transferred to the public system. Countries which deduct a considerable sum for pension plans are: Holland (21%), Australia (9%), Poland (7%) Hungary (10%) and Denmark (a fixed sum). According to the Mandatory Pension Law in force in Israel, the deduction rate is gradually increasing from 2.5% in 2008 to reach 15% in 2013. In most countries, these deductions are evenly divided between the employee and the employer.
5. About 13 OECD countries have a ceiling for insurance contribution payments. In those countries, the average level of the ceiling is approximately twice the average wage. The ceiling may vary according to insurance branch and between employee and employer. The ceiling for payment of insurance contributions in Israel is notably high, a situation which points to over-progressiveness in Israel's social security system.
6. In most OECD countries, the government is involved in the financing of the various benefits by different methods. The nature of the financing is, for the most part, based upon need: financing provided for all of the expenditures, or state participation as a percentage of the salary for which contributions are owed, such as in Israel. The OECD countries which are similar to Israel in providing relative compensation for wages are Japan, Luxembourg, Mexico, Switzerland and Turkey. In Israel, the State Treasury participates in the Old-age and Survivors, Disability and Children branches (a percentage of the revenues of the branch) as well as in the Long-term Care and Maternity branches.

**Rate of Insurance Contributions (total, employee's share and employer's share) in Israel and in OECD Countries, 2008**

Country	Total insurance contributions		Employee's share		Employer's share	
	Reduced	Regular	Reduced	Regular	Reduced	Regular
Israel	7.35	17.43	3.50	12.00	3.85	5.43
Australia	-	-	-	-	-	-
Austria	25.60	46.96	18.10	18.10	7.50	28.86
Belgium	47.66	47.66	13.10	13.10	34.56	34.56
Canada	14.32	14.32	6.75	6.75	7.57	7.57
Czech Republic	47.50	47.50	12.50	12.50	35.00	35.00
Denmark	11.60	11.60	11.00	11.00	0.60	0.60
Finland	31.00	31.00	7.00	7.00	24.00	24.00
France	26.32	54.65	0.85	13.60	25.47	41.05
Germany	25.90	41.90	12.90	20.50	13.00	21.40
Greece	44.06	44.06	16.00	16.00	28.06	28.06
Hungary	49.00	49.00	17.00	17.00	32.00	32.00
Iceland	5.99	5.99	0.20	0.20	5.79	5.79
Ireland	10.50	14.75	2.00	4.00	8.50	10.75
Italy	41.57	42.57	9.49	10.49	32.08	32.08
Japan	1.50	25.10	0.60	12.20	0.90	12.90
Korea	17.38	17.38	7.59	7.59	9.79	9.79
Luxembourg	28.47	28.47	14.45	14.45	14.02	14.02
Mexico	7.87	9.55	1.25	2.60	6.62	6.95
Holland	16.51	46.06	5.20	31.70	11.31	14.36
New Zealand	-	-	-	-	-	-
Norway	20.60	20.60	7.80	7.80	12.80	12.80
Poland	32.18	32.18	13.75	13.75	18.43	18.43
Portugal	34.75	34.75	11.00	11.00	23.75	23.75
Slovakia	48.60	48.60	13.40	13.40	35.20	35.20
Spain	37.00	37.00	6.40	6.40	30.60	30.60
Sweden	39.42	39.42	7.00	7.00	32.42	32.42
Switzerland	22.10	22.10	11.05	11.05	11.05	11.05
Turkey	36.50	36.50	15.00	15.00	21.50	21.50
Britain	13.80	23.80	1.00	11.00	12.80	12.80
United States	2.90	21.50	1.45	7.65	1.45	13.85
AECD average	26.45	31.96	8.71	11.53	17.74	20.43

Table 4  
**Employers (by size of employer) and Insured Individuals  
 Required to Pay National Insurance Contributions, by Type  
 of Insured, 2008 and 2009**

Type of insured	2008	2009	% of change
<b>Insured salaried employees</b>			
<b>Total</b>	<b>2,815,000</b>	<b>2,820,000</b>	<b>0.2</b>
<b>Employers**</b>			
Total	226,765	225,686	-0.5
with 1-5 employees	166,817	165,464	-0.8
with 6-20 employees	41,800	42,464	0.8
with 21-99 employees	14,509	14,536	0.2
with 100-499 employees	3,047	2,968	-2.6
with 500+ employees	592	590	-0.3
<b>Non-salaried insured**</b>			
Total	662,182	691,485	4.4
Liable to pay from their income – total	379,329	453,028	11.5
From work (self-employed)	346,272	356,423	2.9
Not from work	33,057	66,605	19.5
Pay minimum insurance contribution – total***	282,853	268,457	-5.1
Not working and not self-employed (minimum 15%)	181,096	162,449	-10.3
Pupils and students (minimum 5%)	36,942	42,254	14.4
Yeshiva student (minimum 5%)	64,815	63,754	-1.6

\* The number of salaried insured individuals reported by the employers (Form 102). The figure is the monthly average.

\*\* The data refers to the year's end.

\*\*\* The income basis is a percentage of the average wage.

In the case of non-salaried insured individuals, we generally distinguish between two groups: those who pay insurance contributions based on their income (61.2% of all non-salaried insured individuals), and those who have no income and pay national insurance according to the minimum wage (38.8%). The first group consists mainly of the self-employed (84.3%), but following changes in the Economic Arrangements Law for 2008, insured individuals



with passive income (dividends and income from capital) at a rate that is more than 25% of the average wage, whether or not they have income as employees or as self-employed, must pay contributions at the rate of an insured individual who does not work and is not self-employed. This amendment, introduced at the end of 2008, added about 34,000 insured individuals to this group (an increase of 101.5%).

The second group, of insured individuals who pay the minimum level of contribution, is divided between those who are not working and have no income from which insurance payments are deductible (about 60%), and pupils and students (40%). The figures show a decline of 0.5% in the number of insured who paid the minimum contribution in 2009; the proportion of these who were not working as salaried employees or self-employed dropped by 10.3%. The proportion of students rose by 14.4%, apparently due to the economic crisis and the lack of available jobs. The number of yeshiva students declined by 1.6% on average.

Table 4 also shows data on the number of employers who pay national insurance for their employees, and the breakdown by number of employees. In 2009, the number of employers decreased by 0.5%; however, there was a slight increase among the medium-size employers (with 20-100 employees).

## **B. Scope of revenues from national insurance contributions**

Table 5 shows the amounts collected for national insurance in the years 2006-2009. In 2009, revenues from national insurance contributions totaled some NIS 28.2 billion. About NIS 26.2 billion were collected from the public, and about NIS 2.0 billion were transferred by the Finance Ministry, as compensation for the reduction in payments by employers and the self-employed. That year, the NII's revenues from national insurance contributions decreased by 1.8% in real terms. Collection from the public in 2009 decreased by 1.9% in real terms. On the other hand, the amounts transferred by the Ministry of Finance as indemnification for the reduction in payments by employers and the self-employed increased by 15.5% in real terms. The increase in the transferred amounts over and beyond the rate by which collection increased derives from the increase in government participation, due to the reduction in employer contributions under the tax reform legislated in March 2005, according to which Treasury allocations would

not be affected, even though there was a reduction of 0.02% in the Economic Arrangements Law of 2008. In 2009, direct collection from the public accounted for 92.9% of all national insurance revenue, similar to the previous year.

Table 5  
**Collection of National Insurance Contributions from Various Sectors, by Type of Insured, current prices (NIS million), 2006-2009**

Type of insured	2006	2007	2008	2009	Percentage of real change			
					2006	2007	2008	2009
<b>Total collection</b>	25,234	26,284	27,827	28,229	1.7	3.6	1.2	-1.8
Salaried and employers	23,113	23,944	25,132	25,351	1.0	3.1	0.4	-2.4
Non-salaried	2,121	2,340	2,695	2,878	9.7	9.8	10.1	3.4
<b>Collection from the public – Total</b>	23,554	24,454	25,877	26,233	1.4	3.3	1.2	-1.9
Salaried and employers	21,541	22,234	23,319	23,519	0.6	2.7	0.3	-2.4
Non-salaried	2,013	2,220	2,558	2,714	9.7	9.7	10.2	2.7
<b>Total government indemnification</b>	1,680	1,830	1,950	1,996	6.8	8.4	1.9	-0.9
For employers	1,572	1,710	1,812	1,832	6.6	8.2	1.3	-2.2
For non-salaried	108	120	138	164	10.2	10.5	9.6	15.5

In 2009, direct collection from salaried workers dropped by 2.4% in real terms, compared with an increase of 0.4% in 2008. Direct collection from salaried workers and their employers was affected by changes in the labor market; average pay for a full-time salaried worker from December 2008 to November 2009 – for which insurance contributions were collected in 2009 – increased by a nominal 0.4% (compared with a 4.4% increase in 2008). The number of employed individuals increased by 0.4% in 2009 (compared with a 3.5% increase in 2008), and salaried positions dropped by 0.4% (compared with an increase of 3.5% in 2008). The reduction in the employers' contribution was mitigated by the increase in collection.

In 2009, direct collection from non-salaried insured persons increased in real terms by 2.7%, in addition to the real increase of 10.2% in 2008. National

insurance revenues from salaried workers (including the share of the employee, the employer and the Treasury), as a part of all revenues, declined slightly (from 90.3% to 89.8% in 2008), because of the reduction in insurance contributions from employers, on the one hand, and the increase in income of the self-employed, on the other hand. Collection from non-salaried individuals for the various branches of national insurance consists mainly of collection from the self-employed (about 94%). In 2009, collection from the self-employed – based on tax assessments from 2007 that were updated by price rises only – increased by 11.2% in real terms. Collection from non-salaried insured individuals who pay minimum contributions, which accounts for 5% of all funds collected for insurance branches from the non-salaried, decreased by 5.4% in real terms. Examination of the payment ethics of the self-employed as well as of those who are not working and are not self-employed, emphasizes the difference between them; while collection from the self-employed as a proportion of their potential for collection, including the balance of debt, was about 92.8% in 2008, among those insured at minimum level, this rate amounted to only about 45.6%.

### **3. Collection for the health system**

#### **A. Health insurance contributions**

The National Health Insurance Law came into force in January 1995. The Law ensures the right of every resident of Israel to health insurance and defines a uniform basket of health services for all, where the responsibility for funding rests with the government. The Law specifies the sources of funding for the basket, the method of updating its cost, and the formula for allocating resources between the health funds. Israeli residents are entitled to choose one of the health funds recognized by the Ministry of Health, and the health fund must accept any resident, without any limitations, conditions or payment whatsoever.

Health fund payments, one of the main sources of funding for the basket of health services, are collected by the National Insurance Institute and divided among the health funds. For this purpose, the NII keeps a file of everyone who is covered by health insurance, which is regularly updated and provides information on membership of the health funds.

According to the law, every resident of Israel must pay health insurance contributions, even if he does not work, apart from a few exempt groups. The health insurance contributions from salaried and non-salaried insured are collected in the same way as are the national insurance contributions, while those collected from NII benefit recipients (who have no additional income) are deducted at source from the benefit.

Employees are charged for health insurance contributions at two levels: a reduced rate of 3.1% on that part of their income that is no more than 60% of the average wage, and a regular rate of 5.0% on the balance of their income above 60% of the average wage, up to the ceiling of income subject to insurance contributions, which is 5 times the basic amount (10 times as of August 1, 2009). Here too, updates are based on price rises.

Those who do not work and those who receive benefits from the NII are in most cases entitled to special rates of health contributions according to their financial situation. Table 6 specifies the amounts of health insurance contributions that are deducted from benefits, by type of benefit, as follows:

- Health insurance contributions for recipients of wage-replacing benefits (such as maternity payments, hostile action injury benefit, reserve duty compensation and unemployment pay) are deducted from the benefit at the same rate as from income from work.
- Health insurance contributions for working-age benefit recipients who do not work are deducted from their benefit at the minimum amount specified in the Law.
- Health insurance contributions for recipients of old-age and survivors' pensions who do not receive income supplement are deducted from the pension at the amounts stipulated for individuals and couples as applicable.
- Health insurance contributions for recipients of old-age and survivors' pensions who receive income supplement are deducted from their pension at the minimum rate, whatever the family composition.
- Health insurance contributions for working-age recipients of benefits who have income from work are applied only to their income from work, and not to the benefit.

Since January 2006, the amounts of benefits are updated according to the rate of increase in the consumer price index in the previous year (that is, the index for the previous November compared with the November before that), and therefore the minimum amounts are also updated by this rate. Anyone who is not salaried or self-employed and who does not receive any benefit pays the minimum health insurance contribution (NIS 92 per month as of January 2008). Many groups are exempt from payment of health insurance contributions, such as housewives, soldiers in compulsory army service, new immigrants in the first six months following their arrival in Israel, workers under the age of 18, insured individuals under the age of 21 who are not working and who then enlist in the army, and detainees and prisoners who have been sentenced to more than 12 months in prison and receive health services from the Prison Service.

Table 6  
**Amount of Health Insurance Payments by Type of Benefit, 2009**

Type of benefit	Monthly health benefit payments
<b>Wage-replacing benefits</b>	
Maternity allowance	
Injury allowance	
Unemployment benefit	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 until the ceiling set
Army reserve service benefit	
Accident payment	
Bankruptcy and corporate liquidation	
<b>Old-age and survivors</b>	
With income supplement	NIS 92
Without income supplement	
For individual	NIS 173
For couple	NIS 251
<b>Other benefits</b>	
Income support	
Alimony	
General disability	NIS 92
Work-related disability, with children	
Survivors of working age	

## B. Health insurance revenues and their distribution among the health funds

Until the beginning of 1997, the National Insurance Institute collected the parallel tax and health insurance contributions for the health system. When the Economic Arrangements Law-1997 was approved, collection of the parallel tax was abolished, and funding for the basket of health services from the state budget was increased accordingly. Table 7 shows the amounts of health insurance contributions collected by the NII from salaried and non-salaried individuals and benefit recipients. In 2009, the NII collected some NIS 15.0 billion for health insurance. This is a decline of 0.3% in real terms, following the increase of 3.6% in 2008. In 2009, 79.9% of total revenues for health insurance were collected from salaried employees; about 10.2% from non-salaried individuals and about 9.9% from recipients of NII benefits. Health insurance payments collected from the non-salaried are broken down as follows: 70% from the self-employed and 30% from insured who are not employed and are not self-employed, and who pay the minimum level of health insurance contributions.

Table 7  
**Collection of Health Insurance Payment (NIS million),  
2006-2009**

Year	Total	Salaried employees	Non-salaried employees	Recipients of benefits	Rate of real change
2006	12,558	10,021	1,185	1,352	4.0
2007	13,456	10,820	1,288	1,348	6.6
2008	14,574	11,755	1,426	1,394	3.6
2009	14,995	11,975	1,528	1,492	-0.4

Table 8 shows the health insurance contributions collected from recipients of NII benefits. In 2009, a total of NIS 1,492 million was deducted from benefits for health insurance, and in real terms this represents an increase of 3.6% compared with the previous year. Particularly noticeable is the increase in health insurance contributions deducted from unemployment benefit payments. About 70% of the health insurance contributions deducted from benefits were paid by recipients of old-age and survivors' pensions (including those who receive the pension with income supplement). It should be noted that health insurance contributions are deducted from benefits only on condition that the benefit recipient has no income from work, or that his only other income is exempt from insurance contributions.

Married women who work only in their homes (housewives) are also exempt from payment of health insurance contributions, even if they receive a benefit in their own right from the NII, on condition that this benefit is not a wage-replacing benefit.

Table 8  
**Health Insurance Payments from Benefits, by Type of Benefit  
(NIS million), 2008 & 2009**

Benefit	2008	2009	Real annual change (%)
Total	<b>1,394</b>	<b>1,492</b>	<b>3.6</b>
Old-age and survivors	1,001	1,042	0.8
Work disability	28	31	7.2
Disability	141	152	4.4
Income support	74	78	2.0
Army reserve duty	1	1	-3.2
Maternity allowance	81	89	6.4
Unemployment	38	67	70.7
Hostile action injury benefit	10	10	-3.2
Alimony	8	6	-27.4
Bankruptcy	3	3	-3.2

The National Health Insurance Law states that the money to fund the basket of health is transferred to the health funds directly by the National Insurance Institute. The principle for dividing this money is based on the "capitation formula", which mainly takes into account the number of insured persons in each health fund, weighted by the age of each insured individual. Table 9 shows that the capitation method works in favor of the Clalit Health Fund, because its members tend to be older. For example, about 73% of the very old insured individuals (aged 85 plus) are insured in the Clalit Health Fund. At the end of 2009, the Clalit Health Fund covered 52% of all insured individuals, but its share of the health insurance moneys was about 57%. On the other hand, this method reduces the amounts transferred to Maccabi and Meuchedet Health Funds, whose members are generally younger. It should be noted that in July 2005, a change was made to the formula for allocation to the various health funds, and two new age groups

were added (up to 1 year and over 85 years), which reflects the consumption of health services by those age groups. This change has slightly improved the share of Clalit Health Fund in the distribution of the funds. Since August 1, 2006, the capitation rates are calculated each month, instead of once every three months, as was the case previously. The monthly capitation makes it possible to reduce the gap between the number of insured individuals at the beginning of each quarter, and the actual number of insured in each of the three months of that quarter.

Table 9  
**Breakdown of Number of Insured and Key to Distribution of  
Health Insurance Revenues by Health Fund  
December 2008 and December 2009**

Health fund	December 2008		December 2009	
	Total insured	Distribution key	Total insured	Distribution key
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Clalit	53.07	57.30	52.47	56.87
Leumit	9.36	8.71	9.23	8.61
Meuchedet	13.27	11.40	13.53	11.63
Maccabi	24.30	22.59	24.77	22.89

The sources of funding for health services under the National Health Insurance Law are as follows:

- Health insurance payments, collected by the NII;
- Direct receipts collected by the health funds for health services provided for a fee (such as medicines, visits to doctor, etc.);
- Other amounts from the State budget intended to supplement the various health expenses, up to covering the cost of the basket of health services.

The estimate for 2009 is that the cost of the health basket increased by about NIS 1.7 billion in nominal terms, reaching about NIS 28.2 billion (Table 10) in real terms, an increase of 2.8% compared with the previous year.

In 2009, the State's share of funding for the basket (40.7%) rose to its 2007 level,



compared to the share paid from the health insurance contribution revenues, which dropped to approximately 52.8% that year. It should be noted that the Economic Arrangements Law for 2008 states that the revenues of the health funds from direct payments by their members will be 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 as of 2008.

Table 10  
**Cost and Sources of Health Services Basket, 2006-2009**

Source	2006	2007	2008	2009
(Cost (NIS million	24,041	24,946	26,583	28,242
(%) Sources				
Total	100.0	100.0	100.0	100.0
Health insurance payments	51.5	53.4	54.8	52.8
State budget	43.1	41.2	38.8	40.7
Own income	5.4	5.4	6.4	6.4

The adjusted cost of the health basket per head allows an examination of the impact of the insured's age on the health fund's costs (Table 11). The cost per head of the basket is calculated for the basket's sources divided between the health funds according to the capitation formula, and does not include amounts that are not distributed according to capitation, such as expenses for serious illnesses, administration costs, allocations to the Health Council and Magen David Adom (MDA) ("Red Shield of David" in Hebrew). In 2009, the weighted cost per head of the basket of health was NIS 3,344, compared with NIS 3,207 in 2008 – a real increase of about 1%. The basket's cost reflects the relative costs for different age groups: the cost of "younger" age groups is lower than that for the older groups. For example, in 2009, the cost of the health basket for the oldest group (aged 85 plus) was 4.1 times higher than the average cost for all insured, and 10.2 times the cost of the basket for the 15-24 age group.

Table 11  
**Adjusted Cost per Head of Health Basket, by Age Group (NIS  
per annum), 2008-2009**

Age group	2008	2009*
Total per standard person	<b>3,207</b>	<b>3,344</b>
Up to one year	4,971	5,183
years 1-4	3,079	3,210
5-14	1,507	1,571
15-24	1,283	1,337
25-34	1,828	1,906
35-44	2,181	2,274
45-54	3,432	3,578
55-64	5,420	5,651
65-74	9,173	9,563
75-84	11,418	11,903
85+	13,021	13,575

\* Estimate.

#### **4. Sharing burden of payment of national and health insurance contributions**

The national insurance system, like any insurance system, in most cases makes eligibility for benefits conditional on payment of fees (contributions). Accordingly, every insured person, irrespective of his employment status, must pay national insurance contributions. The parameters of the national insurance payments indicated at the beginning of this chapter – minimum and maximum for income subject to national insurance contributions and the rates of contributions for various types of insured individuals – are typical of most social security systems in western countries.

There is no disagreement on the fact that setting a floor and ceiling for income subject to national insurance contributions is a regressive element in the collection system. The reform introduced in the NII collection system in 1995 – broadening the income base from which national insurance contributions are deductible, and introducing a reduced rate for the part of income that is no greater than half the

average wage – and raising the income ceiling in January 2000 – were intended to mitigate the regressive nature of the distribution of the burden of national insurance payments imposed on insured individuals. The decision to make the National Insurance Institute responsible for collection of health insurance contributions from 1995, alongside the perception that every resident is insured and that the majority of the insured must pay contributions, led policy makers to apply the elements of the function of national insurance contributions to that of health insurance contributions.

Table 12

**Salaried Employees: Income (average per month of work) and Burden of Insurance Payments by Deciles, 2007**

Decile	Average income per month of work	Insurance contribution payments					
		NIS			percentage of income		
		Total	NII	Health insurance	Total	NII	Health insurance
1	861	30	3	27	3.5	0.4	3.1
2	2,050	72	8	64	3.5	0.4	3.1
3	3,066	107	12	95	3.5	0.4	3.1
4	3,865	135	15	120	3.5	0.4	3.1
5	4,662	175	28	147	3.8	0.6	3.2
6	5,666	296	98	197	5.2	1.7	3.5
7	7,019	458	193	265	6.5	2.7	3.8
8	9,101	708	339	369	7.8	3.7	4.1
9	12,981		610	563	9.0	4.7	4.3
10	24,496		1,416	1,139	10.4	5.8	4.6
Average	7,377	501	218	283	6.8	3.0	3.8

The latest figures available to us are for 2007. The data in Tables 12 and 13 refer to the legal situation in 2007; that is, taking into account the rate of insurance payments for that year and the maximum income subject to national and health insurance contributions (up to 5 times the basic amount). The steps taken in the framework of the tax reform of 2006 (such as lowering the reduced rate applying to workers 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 reflected also in the rate of insurance payments calculated on the basis of salary and income data of 2007.

Table 12 presents data on income subject to insurance contributions (average per month of work), national insurance contributions (the employee's share only) and health insurance contributions, as the average per decile of the salaried population. Salaried employees are graded by income subject to insurance contributions (average per month of work), so that each decile covers 10% of the salaried individuals<sup>5</sup>. The data shows that each of the five first deciles pays national insurance contributions at the rate of 0.4% of income, and the rate gradually increases, reaching 5.8% in the top decile. A similar picture arises from the rates of health insurance contributions by deciles, but the lowest rate in the five first deciles is 3.1%.

Table 13 shows the rates of insurance contributions by decile among the self-employed in 2007. It should be pointed out that the burden of national insurance contributions is striking in the first and second deciles, due to the existence of a minimum payment (2.5% of the average wage), which highlights the regressive nature of the system at low income levels. The rate of national insurance contributions paid by the self-employed (whether as workers or employers) is 6.7% in the third decile, and rises gradually to 10.4% in the tenth decile. The effect of the maximum income subject to national insurance contributions is more striking among the self-employed, because a larger part of their income is higher than this maximum. A similar picture emerges from an analysis of the changes in the rates of health insurance contributions in the various deciles.

It should be noted that, unlike the case of the salaried workers, the income of the self-employed in each decile is given in terms of monthly average for the year (and not per month of work), because collection from them is based on their annual reported income. This is the reason why the income of the salaried workers in Table 12 cannot be compared with the income of the self-employed in Table 13.

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5 In April 1999, an Amendment to the Law was passed, by which the minimum income for calculating insurance contributions for salaried employees was put on a par with the minimum wage in the economy, taking part-time jobs into account. When calculating the insurance contribution, we have assumed full compliance by employers with the minimum pay regulations, and that any reported pay that is below the minimum wage is for part-time work. The bias in the average rate of insurance contributions as a portion of income in the lower deciles is negligible.

Table 13  
**Self-employed: Income (average per month of work) and  
National Insurance Burden, by Decile, 2007**

Decile	Average income per month of work	Insurance contribution payments					
		NIS			% of income		
		Total	NII	Health insurance	Total	NII	Health insurance
1	607	185	127	58	30.5	20.9	9.6
2	1,439	185	127	58	12.9	8.8	4.1
3	2,007	197	135	62	9.8	6.7	3.1
4	2,841	279	191	88	9.8	6.7	3.1
5	3,775	371	254	117	9.8	6.7	3.1
6	4,840	495	339	156	10.2	7.0	3.2
7	6,348	737	506	231	11.6	8.0	3.6
8	8,557	1,092	750	342	12.8	8.8	4.0
9	12,600	1,741	1,196	544	13.8	9.5	4.3
10	30,301	4,582	3,152	1,429	15.1	10.4	4.7
Average	7,332	895	614	281	12.2	8.4	3.8

## 5. Special populations defined as salaried workers

The data on salaried workers given in this chapter refer to the number of salaried workers reported by employers on form 102. The salaried population as defined by the NII includes other groups.

**The main groups included in this population are the following:**

**Kibbutz members:** Kibbutz members are defined in the Law as salaried employees of the kibbutz (the employer), which has the duty and responsibility to register them as salaried employees and to pay their national insurance contributions. Kibbutz members are insured for all branches of national insurance except for the Unemployment branch. In 2009, an average of about 50,000 kibbutz members (aged 18 and over) were reported on each month and the national insurance contributions paid for them amounted to about NIS 9 million per month on average.

**Domestic workers:** The status and rights of people employed in private households are the same as those of other salaried workers, although the

contributions paid for them are set at different rates. At the end of 2009, about 175,000 employers reported people employed in their homes, and about NIS 80 million were collected from them as national insurance contributions.

**Workers from the territories and from the Palestinian Authority:** Workers from the territories and the Palestinian Authority employed by Israeli employers owe national insurance contributions for three insurance branches: Work Accidents, Maternity and Bankruptcy. National insurance contributions for them are collected by the Payments Section of the Employment Service. In 2009, an average of about 20,000 such workers were reported on each month, and the national insurance contributions paid for them amounted to about NIS 380,000 per month. The average monthly wage per worker, as the basis for payment of national insurance contributions, was about NIS 3,520.

**Foreign workers:** This group includes workers who are not Israeli residents and who are employed by Israeli employers. As in the case of workers from the territories and the Palestinian Authority, foreign workers are insured in the Maternity, Work Accidents and Bankruptcy branches, and the rate of contributions applying to them is based on special regulations. In 2009, an average of about 85,000 foreign workers were employed in Israel each month. Their average monthly wage was about NIS 4,800 and their national insurance contributions amounted to a monthly average of NIS 2.9 million.

**Workers who took early retirement:** These workers are charged national insurance and health insurance contributions on their early pension. In 2009, an average of about 60,000 pensioners paid contributions each month, amounting to about NIS 57 million per month.

**Vocational training:** This group includes people (both working and not working) who are undergoing vocational training arranged by the Ministry of Industry, Trade and Employment or in places approved for this purpose by the National Insurance Regulations. The national insurance contributions imposed on the employer and the trainee are for two branches only: Work Accidents and Maternity. In most cases the Ministry of Industry, Trade & Labor is the employer, unless the trainee is sent for training by his employer. The number of insured who were undergoing vocational training (and who paid national insurance) was about 35,000 on average per month in 2009, and the contributions paid for them amounted to about NIS 1 million per month.

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**Chapter 4**  
**Benefits: Activities and Trends**

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## 1. Income Support (including maintenance)

### A. General

In 2009, the number of families receiving income support benefit increased to 111,700, compared to 110,000 at the end of 2008 – as opposed to the continuous drop noted since the second quarter of 2003, when the number of families reached a record 159,000. During the first five months of 2009, the number of families rose to approximately 113,000, dropping from May to July and then stabilizing at 112,000 families.

The fluctuation in the number of recipients during 2009 was the result of the economic situation in the world in general, and particularly in Israel's economy, where the crisis was not as serious or as long-lasting as in the rest of the world. That was apparently the reason that the increase in the number of eligible families and individuals that began at the end of 2008 stopped as early as in mid-2009.

Under the 2004 Economy Arrangements Law, the Program for the Integration of Benefit Recipients in Employment was implemented in 2009, although still in an experimental stage. The object of the law was "to promote the integration of benefit recipients in employment that will utilize their earning ability while making them share responsibility, thus facilitating the transition from dependence on benefits to social and economic independence". (Quote). One should recall that the law was based on a pilot program called "From Welfare to Work", originally entitled the "From Income Support to Secure Employment", which underwent changes in 2007, when its name was changed again, to "Prospects for Employment".

The Integration of Benefit Recipients in Employment Law aroused controversy at the time of its legislation and continued to attract much public attention during its implementation, especially during Knesset discussions held at the end of 2009 and early 2010. In the 2009-2010 Economy Arrangements Law, the government attempted to amend the section in the 2004 Economy Arrangements Law which discussed the pilot program, to enable it to become permanent and on a nationwide basis. It was proposed that the nationwide employment program's components be accompanied by many changes, related to the economic model of bonus to agencies using the program, the definition of the hours spent in the occupation centers and adapting the program to special populations. During the legislation

of the Economy Arrangements Law, the section dealing with the program was deleted from the law, in response to a call that it required separate, in-depth discussions in the Knesset. The special Knesset discussions concluded with the extension of the validity of the temporary order until the end of April 2010 – that is, the program would continue to be implemented in its experimental form until that date.

If the amendment is approved, the program will be implemented throughout the country, however, while preparations were being made for nationwide deployment, it was proposed that the pilot be expanded to additional towns in the pilot regions. Therefore, in mid-2009, a regional committee was formed, as required by law, which made recommendations to the Ministers of Social Affairs and Social Services, of Commerce and Industry, and of Finance with regard to additional towns to be integrated in the pilot program.<sup>1</sup>

## **B. The major points of the Income Support Law in its 2003 form**

The new legislation set out in the 2003 Economy Arrangements Law introduced far-reaching changes in the elements of the Income Support Law that affect the working-age population, levels of maximum benefit, means test and employment test. The amendments to the Income Support Law also had an impact on the Maintenance Law (Guarantee of Payment). The new legislation came into effect in January 2003, but the section related to reduced benefits and changes in the means test were implemented only in June 2003.

In its present version, the Income Support Law allows for only two rates of benefits – a regular rate and an increased rate – but in effect, it established three levels of benefits for the transition period.<sup>2</sup> The law differentiates between eligible individuals aged 55+<sup>3</sup> and those under 55. The benefit for those aged

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1 For the list of towns in which the "Prospects for employment" plan is being implemented, see the NII Annual Survey, 2008.

2 Changes in the level of benefits and the means test are presented in detail in the NII Annual Survey for 2002-2003.

3 The rate of income support benefit for recipients of old-age and survivors' pension remained unchanged. Individuals eligible for benefits from the Work Injury branch will be eligible for an income support benefit at the same level as that of survivors in the Old-age and Survivors' Branch, regardless of age.

55+ remained unchanged for all family compositions, and they are entitled to an increased benefit (as was the case before January 2003), without discriminating between new and "old" claimants.<sup>4</sup> The differentiation between newly eligible individuals and those previously eligible is relevant only for persons under 55: all newly eligible individuals and all those previously eligible for the regular rate receive the benefit at the regular (but reduced) rate, and all those previously eligible for the increased rate receive the reduced increased rate. The significance of these changes is that over the years – at the end of the transition period – anyone under the age of 55 will be eligible to receive a benefit at the regular reduced rate only.

As of January 2003, the Employment Service no longer has the right to classify a claimant for income support as being either temporarily or permanently unplaceable in a job. The Income Support Law, in its new format, specifies those who are not required to report to the Employment Service. The main change relates to mothers of small children, who, prior to the amendments, were exempt from the employment test if their youngest child was under the age of 7, and since the amendments, are exempt only until their children reach age two. A widow was granted parity to a mother with small children with regard to the employment test: until January 2003, widows with children (under 18) were exempt from reporting to the Employment Service, regardless of their children's ages. No changes were made with regard to the situation of women eligible for maintenance, and under the new legislation, they continue to be exempt from the employment test.

As stated above, the Integration of Benefit Recipients in Employment Law (temporary order) was approved in 2004, and in August 2005, the responsibility for carrying out the employment test in the pilot regions was transferred from the Employment Service to the private occupation centers. Recipients of income support benefits participate in the program by virtue of their eligibility as "unemployed" or "low wages".

As of January 2007, a claimant owning a car is no longer automatically excluded from eligibility for an income support benefit (in the past, such ownership was cause for denying a benefit – unless it was for very special needs, such as medical

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<sup>4</sup> An individual previously eligible is a person who began receiving the benefit prior to 1 January 2003, including anyone whose benefit payment was suspended for a period not exceeding six months.

needs), if the car has an engine capacity of up to 1300 cc only and at least 7 years have elapsed since the end of its production year, or has an engine capacity of 1600 cc and at least 12 years have elapsed since the end of its production year. The car owner will be entitled to receive a benefit only if he (or his spouse) has an income from work that exceeds 25% of the average wage (17% of the average wage, in the case of a claimant of retirement age). The law also applies to persons who have been dismissed from work.

In addition, the situation for benefit recipients (or their spouses) who have reached retirement age and who travel abroad has eased. Travelling abroad for up to three times a year not exceeding a total of 72 days will not affect their benefit. Travelling abroad a fourth time or exceeding the 72 days limit abroad will result in the benefit being suspended for the whole period that they are away from Israel during one calendar year. Before the legislative changes, any travel abroad more than once during a calendar year was cause to suspend the benefit.

In addition, an amendment to the law was passed in July 2008 on the basis of which a single parent can receive an income support benefit, even if he is studying in an institution of higher learning, above secondary level, or taking a course that lasts over 12 months. The objective of this amendment is to help single parents acquire a suitable education to enable them become part of the work cycle or improve their work conditions. Eligibility for a benefit will be granted if the claimant meets the following conditions: a single parent who is eligible by cause; the income support benefit has been paid for 16 out of the 20 months prior to the month that studies began in an institution; the curriculum does not grant a Master's or Doctoral degree; payment of the benefit for the period of studies will not exceed 36 months; for the unemployed, studies take place in the evenings.

Several amendments were approved for the Income Support Law during 2009, to take effect in March 2010. Among these are: rates of deductions (disregarding work and rate of additional deduction from the income) from recipients of income support whose chances of finding employment are slim (i.e. recipients of a benefit on the grounds that they are employed in a "protected plant") will be adjusted to the level at which they were before the cutbacks of 2003; a person responsible for a person who is under house arrest (the child or spouse of the person under house arrest) is exempt from the employment test as a condition for benefit; a prisoner who spent six continuous months in detention will be entitled to benefit for the first two months after his release. In addition, an amendment

was approved which regulates the eligibility of prisoners, where the second parent does not receive the income support benefit.

### **C. Developments in the number of recipients of the income support benefit**

There was a continuous decline in the number of recipients of the income support benefits during June 2003-December 2008. This trend began in June 2003, with the implementation of the strict legislation – when approximately the benefits of 5,000 families were revoked and the obligation to meet the employment test as a criterion for eligibility for a benefit was expanded to include other population groups – and its extension stemmed from the continuous impact of the reduction of the maximum income allowed to qualify for the income support benefit, and from an improvement in the employment situation between 2004-2007 and in the first half of 2008. The operation of the occupational centers in the framework of the "From Income Support to Secure Employment" program in August 2005 and the "Prospects for Employment" program in August 2007 tended to accelerate this trend. 2009 was a turning point: the number of families receiving the benefit rose at the beginning of the year and stabilized at an even higher level during the second half of the year – apparently due to the economic situation that year.

The implementation of the 2003 Economy Arrangements Law led to a decline in the number of recipients from a record of approximately 159,000 (monthly average) at the beginning of 2003 to 145,300 during the first half of 2004. The continuous impact of the legislation, together with the improved employment situation in the economy, resulted in an additional reduction in the number of recipients – albeit a more moderate one – to 142,000 in the second quarter of 2005. The introduction of the "From Income Support to Secure Employment" program (in August 2005) reinforced the downward trend, and the number of recipients dropped to a monthly average of 130,300 families in 2006, dropping to 111,800 in 2008 (Table 1). The monthly average of families in 2009 remained the same as in 2008. Despite the increase in the number of families entitled to benefit in 2009 – from 109,700 families at the beginning of the year to 112,900 in May – at the end of the year, there were less than there had been at the beginning of 2008 (112,057 compared to 113,852 respectively). Therefore, the monthly averages were similar in 2008 and 2009.

In addition, alongside the continued moderate decline in the number of new immigrant families (per benefit claimant) in 2009, we witnessed – for the first time since 2004 – an increase in the number of veteran families (per benefit claimant) receiving benefits. Table 1 and Figure 1 clearly illustrate this development.

A focused look at the period during which the "From Income Support to Secure Employment"/"Prospects for Employment" programs operated (Table 2) shows that 139,300<sup>5</sup> families were receiving a benefit on the eve of the implementation of the "From Income Support to Secure Employment" program (July 2005): approximately 14,900 were living in the experimental regions and received benefits on the grounds of "unemployed" and "low wages", and therefore, were required to participate in the program and were referred to occupation centers after August 2005. About 124,400 families receiving the benefit were living in other parts of the country. Table 2 shows developments for July to December, 2005 to 2009.

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5 The figures for July 2005 differ slightly than those published in the 2005 Survey, in order to reflect more recent rates of change. (These figures also appear in the NII reports following up on the implementation of the program).

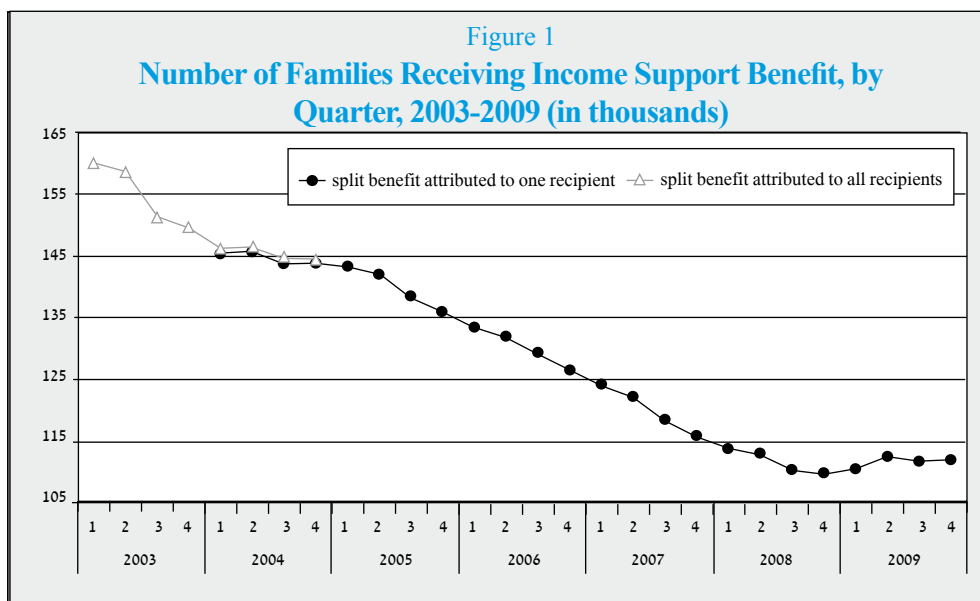
Table 1  
**Number of Families Receiving Income Support in Israel, by  
 Seniority \*, 2000-2009**

Year	Total		Veterans		New immigrants	
	Absolute number	% of change	Absolute number	% of change	Absolute number	% of change
2000	128,364	12.4	80,476	14.9	47,889	8.5
2001	141,840	10.5	91,264	13.4	50,576	5.6
2002	151,600	6.9	96,000	5.2	55,600	9.9
2003	155,178	2.4	99,953	4.1	55,225	-0.7
1-5/2003	158,528	--	101,211	--	57,317	--
6-12/2003	151,254	--	97,549	--	53,704	--
2004	145,550	-6.9	94,830	-5.1	50,720	--
2004**	144,661	--	94,139	--	50,522	--
1-7/2004	145,312	--	94,071	--	51,241	--
8-12/2004	143,749	--	94,234	--	49,515	--
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

\* Seniority in Israel is determined by the seniority of the claimant of the benefit.

\*\* In calculating this figure and the figures following it in the series, a benefit which has been divided among several recipients is credited to only one recipient. When calculating the previous figures in the series, all recipients of the divided benefit were counted among the total number of recipients. The two figures for 2004 show the difference between the series.

\*\*\* In comparison with the corresponding period the previous year.



There was an impressive reduction of 50.9% during the first year and a half (when the program began, there were 14,900 families, and in December 2006, there were 7,600). During January-July 2007, the number of families receiving benefits under the program stabilized, and in October, the number decreased when those aged 45-50 chose not to participate in the program, and those aged 50+ were referred to the Employment Service. In January 2008, there was an increase of 3.0% following the expansion of the pilot areas in December 2007; in March 2008, there was a significant decline of 12.2% because individuals aged 45+ were transferred to the Employment Service (individuals aged 45-50 who had participated in the program during its first months of operation before being transferred to the Employment Service), and from then until the end of 2008, there was a cumulative reduction of 13% while during 2009, there were no more changes in the program and the number of families decreased by 12.4% – from 4,700 families at the beginning of the year to 4,100 families at the end.

From January to December 2009, the number of families receiving benefit rose by 3.8%, based on comparisons with the rest of the country. One should remember that individuals aged 45-50 and residing in regions where the program was being implemented who chose not to participate in it, and individuals aged 50+ residing in the areas of the program and in the rest of the country, are included in these grounds. For comparison's sake, we examined the rates of change in the population



that is under 45 years old and that receives a benefit on parallel grounds. While a decline of 13.3% in the number of recipients in the areas of the program was noted between January and December 2009, the rest of the country had a 2% increase.

The number of families receiving benefit on other grounds decreased by 2.9% in 2009. All in all, the number of families receiving the benefit in 2009 rose by 2.1% (from 109,720 in January 2009 to 112,057 in December 2009), despite a decrease in the number of families participating in the "From Income Support to Secure Employment" program.

Table 2  
**Families who Received Income Support Benefit\* – "Income Support to Secure Employment" Program – and Other Recipients, July 2005-December 2009**

Date	Total	Outside the "From Income Support to Secure Employment" / "Prospects of Employment"			"From Income Support to Secure Employment" / "Prospects of Employment" program
		Total	On grounds of "unemployment" and "low wages"	On other grounds	
<b>2005</b>					
July	139,271	124,394	100,743	23,651	14,877
December	134,224	122,915	100,871	22,044	11,309
<b>2006</b>					
July	130,370	121,770	100,306	21,464	8,600
December	125,559	117,986	96,949	21,037	7,573
<b>2007</b>					
July	119,918	112,437	92,639	19,798	7,481
December	114,969	109,031	90,142	18,889	5,938
<b>2008</b>					
July	110,795	105,719	87,944	17,775	5,076
December	109,572	104,823	87,939	16,884	4,749
<b>2009</b>					
July	111,722	107,329	90,828	16,501	4,393
December	112,057	107,933	91,871	16,062	4,124

\* A family is considered a participant in the "From Income Support to Secure Employment"/"Prospects of Employment" program if at least one spouse is required to participate.

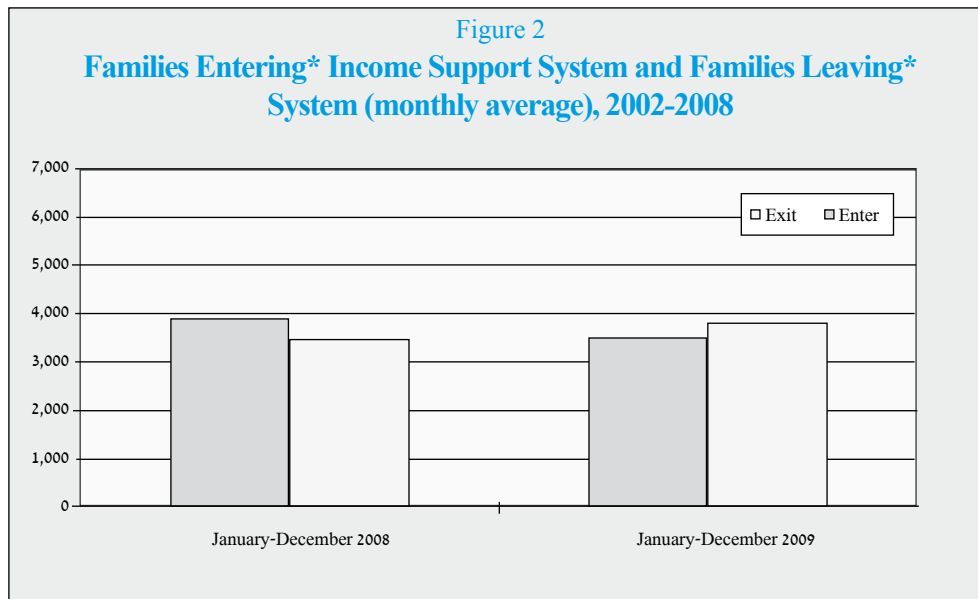
An analysis of the trends leading to people joining and leaving the program during 2008-2009, as described in Figure 2, shows that in 2009, the number of those joining rose and the number of those leaving decreased on a monthly average in

comparison with 2008. That means that exists from the income support system decreased at the same rate as the increase of entries into the system. In fact, the monthly average of entries during 2009 was similar to the number of exists in 2008. These changes explain the increase in the number of recipients during 2009 as well as the lack of change, on a monthly average, in the number of recipients in 2009 when compared to 2008 (11,800).

## D. Characteristics of recipients of the income support benefit

### 1. Family composition and seniority in Israel

The decline evident in the number of benefit recipients since 2003, the date of the great change in benefits, was accompanied by a change in the recipients' family compositions. The impact – which also manifested itself in 2004-2007 as a result of the legislative changes affecting benefit level, the income and employment tests – was not uniform in scope between the various population groups. Apart from the impact of the legislative changes, it is possible that not every individual



\* Families "entering the system" are defined as those who entered the system for the first time or after a break of at least two months after their previous entry Those who did not receive any benefit for at least two months are defined as "leaving the system."

was aware of the greater number of employment opportunities that stemmed from economic growth, and these differences could have also affected the composition of the population receiving income support benefits. To illustrate the changes in the composition of the population, data is presented from the beginning of 2003 (prior to the legislative changes) to 2008 (which demonstrates the complete operation of the "Prospects for Employment" program), continuing on to 2009.<sup>6</sup>

The data presented in Table 3 indicate two main developments: the proportion of income support benefit recipients among single parent families and couples with children declined, while the proportion of individuals receiving the benefit rose moderately until mid-2005, and after that, began to decline. These developments reflected the changes in the composition of the population of benefit recipients: the proportion of the single- parent families declined to 25.2% of all recipients in 2009 (compared to 33.2% in the beginning of 2003) and the proportion of couples with children decreased slightly – from 24.4% to 21.0%, respectively. At the same time, the proportion of individuals rose significantly – from 36.5% to 46.4%, respectively – and the relatively small number of couples rose moderately, from 5.9% to 7.4%, respectively. This means that the numbers point to a sharp decrease in the proportion of families with children and in their numbers from 2003 to mid-2005, and to a subsequent moderate decline until 2009.

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<sup>6</sup> For details regarding the changes in the family composition of benefit recipients for the period of 2004-2007, see NII 2008 Annual Survey.

Table 3  
**Recipients of Income Support Benefit, by Family Composition  
 and Seniority in Israel, 2003, 2008-2009**

Family composition	Numbers			Percentages		
	Total	Veterans	New immigrants	Total	Veterans	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>
Single individual	58,331	38,000	20,331	36.5	37.2	35.2
Single 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>2008 Average</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>
Single individual	50,683	33,843	16,840	45.3	43.4	49.8
Single 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>2009 Average</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>
Single individual	51,825	35,177	16,648	46.4	44.3	51.5
Single 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

## 2. Grounds for eligibility

Table 4 presents the distribution of individuals who received a benefit during the period of 2005, 2007-2009, by grounds for eligibility. Following the trends evident since 2003, the increase in the proportion of unemployed individuals out of all benefit recipients continued, as did the decrease in the proportion of mothers with small children and claimants who are 55+ who could not be placed. The 2009 data shows that the number of recipients on grounds that required an employment test (unemployment, low wages and "From Income Support to Secure Employment") was 79.9% of all recipients, compared to 78.8% in 2008. That is, approximately 80% of recipients of the income support benefit were required to undergo the employment test.

The number of those eligible for the benefit on the grounds of "From Income Support to Secure Employment" from 8.3% at the beginning of the program (August 2005-December 2005) declined to 3.2% in 2009, despite the expansion of the program, for two main reasons: the success of the program in removing income support benefit recipients from the system, and the removal of recipients aged 45+ from the program (October 2007) and transferring them to the Employment Service on the grounds of unemployment or low wages (with the exception of the 45-49 year olds who chose to continue participating in the program). Therefore, part of the increase in the rate of unemployed from 60.8% in 2007 to 65.1% in 2009 can be explained by this phenomenon.

### **3. Benefit rates**

Following the legislation introduced in 2002-2003 regarding the various benefit levels, the composition of benefit recipients underwent a significant change at the three levels of benefits. The proportion of families receiving benefits at the regular rate rose from 36% in 2004 to 40% in 2008 and 2009. The proportion of families receiving benefits at the increased rate for those under the age of 55 ("previously eligible") decreased from 22% in 2008 to 8.8% in 2009, and the proportion of recipients of increased benefits who were aged 55+ rose from 21% to 28.1%. On the basis of the family compositions shown in Table 5, we can see that the proportion of recipients receiving the regular rate and that of single-parent families decreased, as expected from the data in the previous paragraphs. The proportion of families receiving the increased rate benefit for those aged 55+ increased between 2005 and 2009 in all family compositions, but the proportion of couples with children and single-parent families receiving this rate remained steady during the past two years: 3.9% and 1.6%, respectively.

Table 4  
**Recipients of Income Support Benefit – Claimants and Their Spouses, by Grounds for Eligibility,  
 2005, 2007-2009**

Grounds	Average January-July 2005		Average August-December 2005		Average 2007		Average 2008		Average 2009	
	Numbers	Percentage	Numbers	Percentage	Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
Total	184,061	100.0	176,187	100.0	154,427	100.0	143,640	100.0	143,553	100.0
Unemployed	113,584	61.7	99,647	56.6	93,817	60.8	90,970	63.4	93,381	65.1
In training or being evaluated	4,666	2.5	2,748	1.6	2,291	1.5	1,636	1.1	1,612	1.1
The "From Income Support to Secure Employment / "Prospects of Employment" programs	-	-	14,696	8.3	7,486	4.8	5,526	3.8	4,652	3.2
Low wages	26,647	14.5	21,956	12.5	19,268	12.5	16,723	11.6	16,583	11.6
Addicts	3,974	2.2	3,932	2.2	3,788	2.5	3,619	2.5	3,502	2.4
Cannot be placed (aged 55+)	9,856	5.4	8,914	5.1	5,778	3.7	4,053	2.8	2,473	1.7
Mother/father	17,046	9.3	15,813	9.0	12,682	8.2	11,434	8.0	11,289	7.9
Other	8,281	4.5	8,472	4.8	9,318	6.0	9,570	6.7	10,067	7.0

Table 5  
**Recipients of Income Support Benefit by Family Composition  
 and Benefit Rate, 2005-2009**

Family composition	December 2005	December 2006	December 2007	December 2008	December 2009
Individual receiving regular rate	23.9	25.2	24.9	25.3	26.3
Individual receiving increased rate (aged 55 or less, "previously eligible")	8.7	6.4	5.9	5.1	4.2
Individual receiving increased rate (aged 55+)	10.9	14.3	16.0	16.9	17.7
Single parent (aged 55 or less)	25.9	24.1	23.3	22.7	21.5
Couple receiving increased rate (aged 55+)	4.8	5.6	5.9	6.1	6.5
Couple with children, receiving regular rate	10.7	11.5	11.6	12.1	12.8
Couple with children receiving increased rate (aged 55 or less, "previously eligible")	9.2	6.7	5.9	5.1	4.3
Couple with children receiving increased rate (aged 55+)	3.2	3.6	3.7	3.9	3.9
Other	2.7	2.7	2.7	2.8	2.8

#### 4. Income from work

Table 6, which shows families with income from work by family composition and income level, shows us that the decline which characterized the number of benefit recipients since 2004 was accompanied by a slight increase in the proportion of working families until 2008: from 25.5% to 28.6%. In 2009, their numbers decreased to 27.9%. The main increase took place between 2006 and 2007 (although the number of working families declined). The numbers regarding wage level show that in 2006, the proportion of the families with low wages remained steady compared to 2005 (prior to the implementation of the "From Income Support to Secure Employment" program) and in 2007-2009, began a downward trend. In 2009, the wages from work of 61% of the families did not exceed NIS 2,000, compared to 65.3% in 2006. In brief, along with a decline in the proportion of working families in 2009, the proportion of families earning up to NIS 2,000 also declined. That is to say that fewer families had income originating from work but that the salary level improved slightly, still remaining low. Only 8.4% of the families earned over NIS 3,500 per month.

As stated above, as of 2007, according to the amendment, recipients of the income support earning more than 25% of the average wage are entitled to own a car if they meet the conditions specified in the law. In 2009, a monthly average of 529 families who were receiving a benefit earned over 25% of the average wage and owned a car conforming to the regulations. In accordance with the conditions laid out in the law, 11 different families continued, during that year, to own a car and receive the benefit after having been laid off. In addition, approximately 460 families had a car used for medical needs (including a vehicle for a disabled child).

Table 6  
**Recipients of Income Support Benefit (Families) with Income from Work, by Family Composition and Income Level, 2005, 2008-2009**

Family composition	Total		Income level (NIS)					
	Absolute numbers	Percentage 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 with children	8,340	25.7	10.1	15.6	23.4	25.6	14.2	11.2
<b>2008 Average</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 with children	6,923	29.4	9.1	14.7	26.1	30.0	8.6	11.5
<b>2009 Average</b>								
<b>Total</b>	<b>31,128</b>	<b>24.6</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	12.1	17.8	34.1	22.7	17.5	4.4	3.4
Couple with children	7,025	19.7	8.8	14.7	25.3	31.5	8.3	11.4



## **E. Women receiving maintenance payments**

The Maintenance Law undertakes to pay divorced or separated women, common-law wives or women who remarried when the court verdict grants them maintenance but the person required to pay the maintenance does not fulfill his obligation towards them. The amount of the payment is the sum specified in the verdict or the sum set in the Maintenance Law regulations – whichever is lower: when the maintenance specified is lower than the payment designated in the regulations, the sum paid is that which is set out in the regulations, subject to the results of the means test. The rate of maintenance payment specified in the regulations is equal to the rate of the income support benefit for a single parent family. The NII is also responsible for collecting the maintenance payment specified in the verdict through execution proceedings undertaken against the person owing the money. Therefore, a woman can be eligible for maintenance payment from the NII only if she herself does not take any steps to enforce the verdict, or if she halts such proceedings prior to submitting a request to the NII. When the NII collects from the person owing a sum which is higher than the amount paid to the woman, she is entitled to receive the difference.

The 2009 amendments to the means test of the Maintenance Law affected this sector of the population as well, and during 2005-2009 the decline in the number of women who received maintenance from the NII continued – by approximately 4% each year until 2008. During the last year, the decline was more moderate – 2.6% – and in 2009, an average of 20,300 women received monthly maintenance payments. In addition, as will be pointed out below, the number of women receiving both maintenance and income support benefits continued to diminish.

The demographic characteristics of the women who received maintenance in 2009 were similar to those of the previous years: approximately 71% of them were divorced, approximately 14% were separated from their spouse despite the fact that they were still married to him, 8% had remarried, and the remainder – 6% – were common-law wives. Most of the women who received maintenance (about 80%) had one or two children (compared to 63% of all of the families with children in the population) and only 8% had four or more children (compared to 17% of all families with children in the population).

The proportion of women who received maintenance as a result of a court verdict and the characteristics of their employment were affected by amendments

in 2003, but remained unchanged in 2004-2009. 72% of the women received maintenance on the basis of a verdict and the rest, on the basis of the regulations: 6% received the whole rate specified in the regulations and approximately 22% received a reduced payment because they had income from work. The average amount paid to the women was approximately 20% of the average wage in the economy (NIS 1,616 per month), but there is a great difference between the amount received by women as specified in the verdict and the amount paid on the basis of the regulations (Table 9). In 2009, the average amount paid as specified in a verdict was only 20% of the average wage, while according to the regulations, 36% received the whole amount and approximately 19% received a reduced rate. The great gap between the two amounts (as specified in the verdict and as set out in the regulations) stands out even more when the average payment that is actually paid is calculated as a percentage of the average payment which would be acceptable had all women received the entire rate they deserve under the regulations. **In actual fact**, based on that calculation, the women receive only half of the amount they would have received **if only** they were all paid as under the regulations.

In 2009, 46% of maintenance recipients were working (compared to 49% of all women in the population), but their economic situation was poor. For most of them, the amount specified by the court was so low that a means test was irrelevant. The average amount of maintenance that working women received came to approximately 16% of the average wage. In addition to income from work, their inclusive income came to less than half of the average wage – a rate which is only 30% more than the maintenance of women who received the whole payment as specified in the regulations.

Table 7

**Women Recipients of Maintenance, by Family Status (absolute numbers and percentages), 2000-2009**

Year	Total		Family status			
	Absolute numbers	Percentages	Married to person owing maintenance	Divorced	Remarried	Other
2000	24,709	100.0	24.9	65.3	6.6	3.1
2001	26,294	100.0	23.8	66.5	6.2	3.5
2002	27,956	100.0	22.5	68.1	6.0	3.4
2003	25,789	100.0	18.4	71.2	6.4	4.0
2004	24,596	100.0	16.5	72.1	7.0	4.4
2005	23,603	100.0	14.8	72.8	7.5	5.0
2006	22,712	100.0	14.4	72.3	7.8	5.5
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	13.9	71.7	8.3	6.1

Table 8

**Women Recipients of Maintenance, by Type of Payment (absolute numbers and percentages), 2000-2009**

Year	Total		Type of payment (percentages)		
	Absolute numbers	Percentages	Under regulations		Based on verdict
			Full	Reduced	
2000	24,709	100.0	3.7	15.5	80.8
2001	26,294	100.0	2.6	13.2	84.1
2002	27,956	100.0	3.4	16.2	80.4
2003	25,789	100.0	6.2	22.7	71.1
2004	24,596	100.0	6.2	22.3	71.5
2005	23,603	100.0	6.4	23.1	70.5
2006	22,712	100.0	6.1	22.3	71.6
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

Table 9  
**Average Maintenance Payment as Percentages of Average  
 Wage in the Economy, by Type of Payment and Work,  
 2000-2009**

Year	Total	Type of payment			Work	
		Under regulations		Based on verdict	Working	Not working
		Full	Reduced			
2000	19.1	41.3	17.6	18.4	17.3	20.5
2001	19.5	44.0	18.9	18.9	17.9	20.7
2002	20.6	44.3	19.9	19.7	18.5	22.3
2003	18.8	37.6	16.3	18.0	14.6	21.7
2004	19.0	37.1	16.7	18.2	15.0	22.0
2005	19.3	36.4	17.4	18.4	15.5	22.5
2006	19.0	35.8	17.2	18.1	15.2	22.1
2007	19.1	35.0	17.2	18.3	15.2	22.6
2008	19.3	34.6	17.6	18.3	15.3	22.9
2009	20.3	36.2	18.6	18.3	16.2	23.8

These numbers indicate that in itself, the Maintenance Law does not ensure that all women who need a minimum income will receive it. Therefore, women for whom the courts specified that they would receive a low amount of maintenance and who do not have any other income, or whose income from other sources is very low, are eligible to receive income supplement from the NII under the Income Support Law, as long as they meet all other eligibility requirements for income support under this law. Indeed, in 2009, an average of 4,500 women who received monthly maintenance also received income support under the Income Support Law, as compared to 12,200 in 2002. In 2002, they constituted approximately 44% of all women receiving maintenance, but this rate dropped to approximately 22% in 2009. That is, the amendments also reduced the eligibility of women receiving maintenance to receive income supplement under the Income Support Law.

## 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 the elderly after he has retired from active work, and to the survivors of an insured person after his death. Pension from work constitutes the second tier of the pension system, and together with the old-age and survivors' pension, they are intended to ensure that the retired and elderly have a satisfactory minimal standard of living (see Chapter 4 [2], Old-Age and Survivors' Insurance, 2007 Annual Survey).

**An old-age pension** is paid to every insured on a universal basis, with no means test (from either work or capital) at the (fixed) eligibility age and upon retirement (the conditional age) if he meets the requirements of the means test. Until June 2004, the (conditional) retirement age was 60-64 for women and 65-69 for men. In mid- 2004, the Retirement Age Law came into effect, and the eligibility age for an old-age pension for both men and women was gradually raised: the conditional retirement age for men for receiving an old-age pension was raised from 65 to 67, and therefore, eligibility for the ages of 67-69 is conditional on a means test. The absolute age for men did not change. The conditional retirement age for women was raised from 60 to 64: first to 62 and three years later, to 64. The absolute eligibility age for women was gradually raised from 65 to 70.

Based on the Retirement Age Law, the process of gradually raising men's retirement age (conditional) to 67 and the first stage of the increase in women's age was implemented in May 2009: (conditional) retirement to 62 and (absolute) eligibility to 67 (including eligibility age for housewives).<sup>7</sup>

Increments are added to the basic old-age pension for a spouse and children, as well as a seniority increment and a pension-deferral increment. In addition, starting in April 2008, a special increment was paid for an insured aged 8 or over. The seniority increment is paid to anyone who has been insured for more than ten years and this amounts to 2% of the pension for every insured year beyond the

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<sup>7</sup> The process of deferring eligibility age for an old-age pension is detailed in the NII 2002-2003 Annual Surveys.

first ten years, not exceeding 50%. The pension deferral increment is granted to anyone who deferred receipt of the pension during the years when a means test from work or capital (from the conditional to the absolute age) is required, due to earnings from work. This increment is equal to 5% of the pension for every year of deferral. The special increment for those who have reached the age of 80 is 1% of the basic amount.

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

**Income increment for the elderly and survivors** is paid to recipients of old-age or survivors' pensions who have no or a low income, up to the amount of the pension specified by the Income Support Law for this population, and on the basis of the rules figuring in the law.<sup>8</sup>

**Benefits that do not fall under the National Insurance Law** – the NII pays special benefits to the elderly and survivors who are not eligible for a pension under the NII Law. These are fully funded by the government.

The individuals who are eligible for these benefits are mainly new immigrants who are over the retirement age (under the Retirement Age Law) on the day they arrive in Israel and are therefore not insured in accordance with regulations of the National Insurance Law. The amounts of the basic benefit received are identical to those paid by the pension under the law, eligibility usually dependent on taking a means test. No seniority or pension deferral increments are added to these benefits, but as of April 2008, an increment is paid to those who are eligible to it by virtue of their having reached the age of 80. The maximum income

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8 Since March 2008, income from work that exceeds 20% of the basic amount (for an individual) or 24% (for a couple), and income from a pension that exceeds 13% of the basic amount (for an individual) or 20.5% (for a couple) is deducted from the income support increment. Income from work that exceeds these amounts is deducted at the rate of only 60%; income from a pension that exceeds those sums is deducted in full; income from other sources, including old-age and survivors' pensions and income from capital are deducted in full from the income support increment, from the first shekel, with no exemption whatsoever.

increment paid to recipients of those benefits is equal to that paid to pension recipients under the law. Any change to eligibility age under the law also applies to recipients of benefits not based on the law.

**Counseling services for the elderly** – Since the beginning of the 1970's, a counseling service for the elderly has been operating on a volunteer basis in the framework of the NII, with elderly volunteers providing support for other old people. The service is part of the activities of the NII in the community and constitutes another of the activities of the Fund for the Development of Services for the various population sectors in Israeli society. The 2005 NII Annual Survey contains a detailed description of the counseling services available for the elderly, including goals, objectives and activities. In 2009, approximately 4,500 individuals were involved in activities in the framework of the service, and they carried out approximately 305,000 home visits to the elderly. The service handled approximately 103,000 requests for counseling/advice.

## **B. Changes in old-age and survivors' pensions rates**

**Old-age and survivors' pensions** – in the 2009 Economic Efficiency Law, it was determined that the basic old-age and survivors' pensions would be gradually increased until 2011, at a rate of approximately 7.3%. The pensions were to be increased at a uniform rate so that the difference (at the rate of 1% of the basic amount) between the pensions of those who have not reached the age of 80 and those who already have would be maintained.

In August 2009, a pension for individuals stood at 17% of the basic amount; in January 2010, it increased to 17.35% and in January 2011, it will stand at 17.7%. Benefits for all other family compositions increase accordingly.

This increase in the pension rate is added to the rise in the rate of the pension in recent years. In July 2006, the benefit rose from 16% of the basic amount to 16.2%, in April 2008, from 16.2% to 16.5%, with an increment of an additional 1% of the basic amount for anyone who had reached 80. In 2009, the rate of increase in old-age and survivors' pensions rose by approximately 3%. An increase of 7.3% will be paid in January 2011.

**Old-age and survivor' pensions including income supplement** also rose in

accordance with the increase in the basic pension. In addition, in August 2009, an additional age group was added, 70-79 year olds, and they received a supplement of approximately NIS 120 for an individual and approximately NIS 180 if there are dependents (this increment too includes the increase in the basic pension). Those who are 80+ were paid an increment of NIS 75 for an individual, and NIS 107 for whoever has dependents. As of 2010, the rate of the pension including income supplement will increase at the same rate as the growth in the basic pension.

The pension to an individual eligible for income supplement was, as of 2009, 29.4% of the basic amount for those under 70, 30.3% for those aged 70-79, and 31.7% for those who have reached 80 years of age.

It should be pointed out that the increase in the rate of a pension including income supplement is added to the recent increase in the rates of this pension. The pension paid to an individual, which was 25% of the basic amount until June 2005, increased to 27.2% in July 2005, to 28.5 in July 2006 and to 28.8% in April 2008. The amount paid to individuals who turned 80 by August 2009 came to 30.8% of the basic amount.

### **C. Recipients of old-age and survivors' pensions**

In 2009, the NII paid old-age pensions under law and special old-age benefits to 642,500 elderly individuals, in accordance with the National Insurance Law, and survivors' pensions to 104,000 survivors, as a monthly average. In December 2009, in addition to the recipients of old-age pensions, about 89,200 elderly persons also received a full old-age pension and half of the survivors' pension (see para. E above), and about 31,400 disabled elderly persons received a supplement to their pension (para. F above). The number of recipients of the old-age pension as per the National Insurance Law increased in 2009 by approximately 2.8%, and the number of recipients of the survivors' pension only dropped by 0.5%.



Table 1  
**Recipients of Old-Age and Survivors' Pensions, by Type of Pension and Legal Basis (monthly average), 2007-2009**

	Number of recipients (average)			Annual rate of growth		
	2007	2008	2009	2007	2008	2009
<b>Total</b>	728,891	735,796	746,901	0.2	0.9	1.5
<b>Old-age</b>						
Total	623,692	630,904	642,533	0.2	1.2	1.8
Under the NII Law	544,631	555,507	570,854	1.0	2.0	2.8
Not under the NII Law	79,061	75,397	71,680	-4.8	-4.6	-4.9
<b>Survivors</b>						
Total	105,199	104,892	104,367	0.0	-0.3	-0.5
Under the NII Law	104,659	104,378	103,884	0.0	-0.3	-0.5
Not under the NII Law	540	514	483	-3.2	-4.8	-6.2

The number of people receiving special benefits continued to decline in 2009 at a rate of 4.9%, after a decline of 4.6% in 2008. The share of recipients of special benefit out of all benefit recipients rose sharply, from 8.4% in 1990 to 18.7% in 1996. Starting with 1997, this rate gradually decreased until it reached 9.7% in 2009. This development was the result of a decreasing trend in the growth rate of this population sector during the second half of the 1990's: the result of a decrease in the number of older new immigrants to Israel and of the mortality rate among elderly new immigrants. Due to the limited immigration, the size of this population sector will, in fact, continue to decrease as years pass. The total numbers of recipients of the old-age pensions both under the National Insurance Law and not under the law grew by 1.8% in 2009, and the number of recipients of old-age and survivors' pensions increased by 1.5%.

### D. Recipients of old-age and survivors’ pensions including income supplement

Recipients of old-age and survivors’ pensions who do not have any additional sources of income, or whose income from other sources is extremely low, are entitled an increment in their pension under the Income Support Law. The number of recipients of income supplement in 1990-2001 increased steadily as many new immigrants joined the system, but then, it gradually declined (Figure 1), particularly as a result of the decline in the number of new immigrants eligible for special benefits.

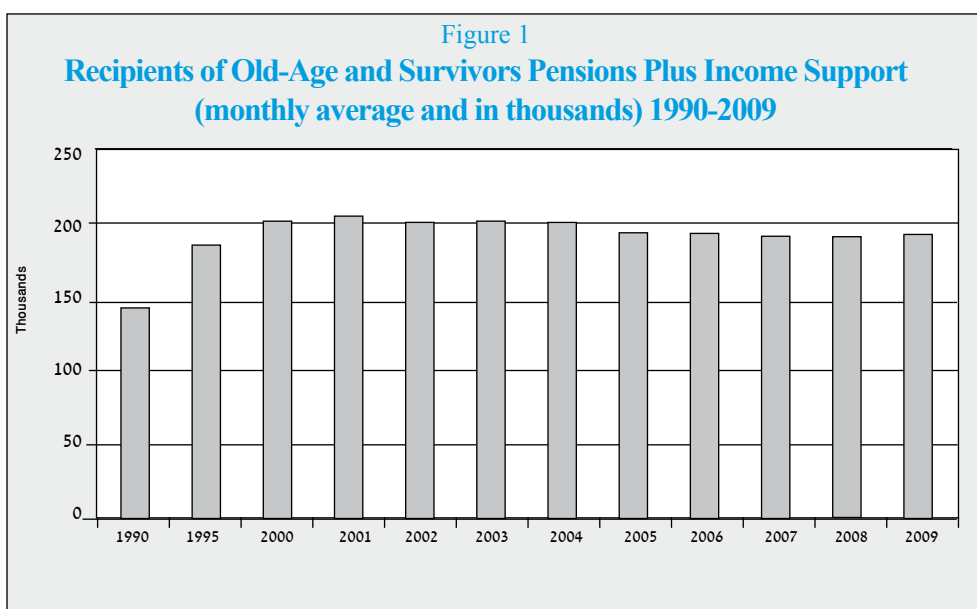


Table 2 shows the percentage of recipients of income supplement in December 2009 by type of pension and number of dependents basis for determining pension level). The percentage of individuals eligible for income supplement in December 2009 out of all recipients of old-age and survivors’ pensions reached 25.1%, compared to 25.5% in December 2008. The percentage of recipients of the income supplement out of all individuals receiving old-age pension under law increased slightly, reaching 16.1%, and among recipients of survivors’ benefits under law it declined to 27.7%. The percentage of recipients of an 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: 95.1% of the recipients of old-age pensions and 71.3% of the recipients of survivors' benefit in December 2009 were eligible for income supplements. Payment of old-age and survivors' pensions not under the National Insurance Law is dependent on a means test and therefore, it is not surprising that the number of individuals eligible for income supplement among recipients of those benefits was very high.

It should be noted that during 2000-2006, the proportion of recipients of income supplement from among recipients of old-age pensions under the National Insurance Law decreased (Table 3). The continuous increase in the proportion of benefits that included income supplements (para. B above) paid to the various age groups contributed to the rise in the number of recipients of this benefit after 2006. The cumulative data show us that in years during which there was an increase in the pension, the rise in the number of eligible individuals was clearly prominent.

Table 2  
**Recipients of Old-Age and Survivors' Pensions by Type of Pension and  
 Number of Dependents\*, December 2009**

Type of pension	Total	No dependents	One dependent	Two dependents	Three or more dependents
<b>Total old-age and survivors' pension</b>	<b>750,518</b>	<b>670,537</b>	<b>69,954</b>	<b>5,844</b>	<b>4,181</b>
% receiving income support	25.1	22.8	47.8	23.9	24.7
Old-age pensions as per NII Law	576,255	526,224	47,161	1,860	1,010
% receiving income support	16.1	13.9	39.4	34.8	53.2
Old-age benefits not as per NII Law	70,076	54,609	14,999	232	236
% receiving income support	95.1	96.2	91.2	89.2	95.8
Survivors' pensions as per NII Law	103,720	89,319	7,746	3,736	2,919
% receiving income support	27.7	30.0	15.0	14.2	8.9
Survivors' benefits not as per NII Law	467	385	33	8	12
% receiving income support	71.3	72.7	68.8	50.0	66.7

\* Including spouse and/or children in old-age pensions and children in survivors' pensions.

Table 3  
**Recipients of Old-Age Pensions under NII Law with Income Supplement  
 (monthly average), 2000-2009**

Year	Recipients of old-age pension under NII Law	Thereof: number of recipients of income supplement	Rate of recipients of income supplement
2000	454,532	74,896	16.5
2001	472,760	77,549	16.4
2003	491,250	79,671	16.2
2004	510,778	80,501	15.8
2005	527,363	81,271	15.4
2006	528,273	81,288	15.4
2007	539,265	84,127	15.6
2008	544,630	85,817	15.8
2009	555,508	88,011	15.8

## E. Recipients of old-age pension and half of the survivors' pension

Some of the recipients of old-age and survivors' pensions receive both types of benefits – old age and survivors (hereinafter: "both pensions"). The old-age pension is paid by virtue of the insurance of the insured individual himself, while the survivors' pension is paid by virtue of the spouse's insurance for his survivors. Regardless of which pension an individual is first eligible to receive, whoever is eligible for both pensions receives the entire old-age pension to which he is entitled as well as half of the survivors' benefit to which he is entitled. Only recipients of the pension under the law are entitled to both pensions. Recipients of a benefit not under the National Insurance Law receive their benefit by virtue of an agreement, and not by virtue of insurance in the Old-age and Survivors' branch.

In December 2009, 89,217 widows and widowers were entitled to both pensions, 94.5% of whom were women (Table 4), constituting 14.6% of all recipients of an old-age pension under the law. The high proportion of women among recipients of both pensions is not surprising, for a number of reasons. The first is that more men are insured than women: only women insured by virtue of the fact that they are working can grant their spouses rights to a survivors' pension (housewives cannot grant their spouses any insurance rights), while all men grant insurance rights to their spouses. The second reason is that the right to a survivors' pension for a widower without children depends on a means test. The third reason is that women are usually married to men who are older than them, and their life expectancy is higher than that of men. Therefore, it is more common to have a situation in which women are eligible for both pensions.

Table 4  
**Recipients of Both Benefits by Gender, December 2009**

	<b>Total</b>	<b>Men</b>	<b>Women</b>
Number of recipients	89,217	4,945	84,272
Percentage of recipients of income support	7.5	13.8	7.2
Average pension (in NIS)	2,641	2,743	2,635
Thereof: recipients of half of the survivors' pension (%)	902	781	909
Average age	77.7	79.7	77.6

In December 2009, the average amount of both pensions together was NIS 2,641, approximately one third of which is the survivors' pension. The average amount

of both pensions to which men are entitled is higher than that of women, since their old-age pension is higher, stemming from longer seniority and pension deferral increments. As expected, the proportion of income supplement recipients among recipients of both pensions is not high – only 7.5% – since the total amount of both pensions in itself is usually higher than the amount of a pension with income supplement. The proportion of male recipients of income supplement is double that of women because widowers must meet the requirements of the means test to become eligible for the survivors' pension, while widows are exempted from the test. Moreover, women are usually eligible for a higher survivors' pension than are men (NIS 909 compared to NIS 781), stemming from the higher number of years of seniority which their husbands had accumulated.

The average age of recipients of both pensions is higher than the age of all those eligible for the old-age pension under the law. The average age of men is 79.7 compared to 76.3 of all recipients of an old-age pension under the law, while among women, it is 77.6, compared to 72.5, respectively.

#### **F. Recipients of old-age pension for the disabled**

The NII disability pension is paid to a disabled individual until he reaches retirement age, and after that, he received an old-age pension. Under amendments passed in 2002 aimed at improving the disability pension system, the old-age pension paid to a disabled elderly individual who reaches retirement age after January 1, 2002 is to remain at the level of his disability pension, including the "additional monthly benefit" (see the chapter on disability) which was paid before reaching retirement age. The additional monthly benefit is paid to a disabled individual with at least 50% medical disability and at least 75% work incapacity, and ranged between NIS 224 and 331 per month in 2009, depending on the percentage of medical disability. When transferring to an old-age pension, the disabled individual effectively receives a sum which supplements the disability pension and the "additional monthly benefit", if he is entitled to such in addition to the old-age pension.

In December 2009, approximately 31,425 elderly disabled individuals received an old-age pension with disability supplement or another monthly benefit, approximately 47% of whom were women (Table 5). Approximately 84.3% of the disabled elderly also received an additional monthly benefit. The average amount

of the old-age pension for disabled elderly individuals came to approximately NIS 2,511 in December 2009, of which one-fifth was a supplement to the disability pension and included the additional monthly benefit. Approximately one-fourth – 24.5% – of the recipients of the disability supplement or the additional monthly benefit for the disabled, were also entitled to an income supplement, where the proportion of men and women entitled to the income supplement was comparable.

Table 5  
**Characteristics of Recipients of Old-Age Pension to Disabled,  
by Gender, December 2009**

	Total	Men	Women
Number of recipients	31,425	16,632	14,793
Out of these, recipients of another monthly pension	26,479	14,327	12,149
Average pension (in NIS)	2,511	2,599	2,415
Thereof: recipients of increment for disability and another monthly pension (NIS)	536	490	588
Average age	68.0	70.5	65.3

### G. Seniority increment

The seniority increment for the old-age pension is granted to elderly individuals who were insured in the NII for a period of at least ten years. It is equivalent to 2% of the basic old-age pension for every additional year over the first ten years of insurance, not to exceed 50% of the pension. Table 6 shows that in 2009, the percentage of women receiving the seniority increment increased and reached 72.6%, and the percentage of men receiving this increment also increased to 93.1%, returning to the level of 2004, after having remained steady for three years. The average seniority increment paid to an individual eligible for the benefit under the National Insurance Law also rose, from 29.4% of the basic pension in 2008 to 29.7% in 2009 (the rate of the average seniority increment paid to anyone eligible for this increment is 36.7%). This means that the percentage of recipients of the seniority increment rose, and the average number of years for which the increment is paid also increased. The average increment received by men was almost double that of the increment received by women – 41.2% compared to only 21.8%, respectively (the rate of the average seniority increment paid to

those eligible for this increment is 44.2% and 30.1% respectively.)

Between 2008 and 2009, the percentage of men and women receiving seniority increments from among newly eligible individuals rose from 94.4% to 96.8% of men, and from 77.7% to 83.2% of women, and this stemmed from an increase in the employment rate among women, and an increase in seniority among new immigrant women, etc. These percentages are higher than the percentage of men and women who received this increment in the population as a whole. In 2009, the average seniority increment paid to newly eligible individuals rose equally between men and women, after having declined the previous year, and the gap between the two genders with regard to this increment remained large: 43.1% for men and 26.6% for women. With the increased participation of women in the labor force and the continued rise in the retirement age, it is expected that the percentage of women eligible for the seniority increment will increase, particularly with regard to the maximum seniority increment, as well as an increase in the average seniority increment.

Recipients of the survivors' pension are granted the seniority increment to which the deceased was eligible. Most recipients of the survivors' pension, 85.3%, are eligible for this increment, and as expected, the proportion of women receiving the seniority increment accumulated by their deceased husbands is higher than the proportion of men receiving this increment: 88.0% compared to 49.6% respectively. In addition, the gap between the average seniority increments to which men and women are eligible is very high. Among recipients of the increment, women receive an increment of 36.0% while men are eligible for 19.7% only. The average increment for all recipients of the survivors' benefit stands at 30.2%, while recipients of the increment are eligible for a supplement of 35.3% on the average, that is, an increment for 16.7 years beyond the initial ten insured years.



Table 6

**Recipients of Old-Age Pensions under the National Insurance Law, by Rate of Recipients of Seniority Increment and Pension Deferral, and Rate of Average Increment (percentages and averages) 2003-2009 (December)**

Year	Percentage receiving increment*			Average increment for recipients of pension		
	Total	Men	Women	Total	Men	Women
<b>Seniority increment</b>						
2003	79.1	93.2	68.1	28.4	40.4	19.0
2003**	80.0	90.1	70.6	31.2	38.9	24.0
2004	79.4	93.1	68.8	28.7	40.6	19.6
2004**	82.6	92.1	73.9	32.1	40.5	24.5
2005	79.5	93.0	69.3	28.8	40.6	20.0
2005**	81.9	91.5	73.4	31.2	38.8	24.6
2006	79.8	92.9	70.0	29.1	40.8	20.4
2006**	84.2	92.9	76.5	32.0	39.8	25.0
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
<b>Pension deferral increment</b>						
2003	13.7	14.6	13.0	2.3	2.4	2.2
2003**	12.3	9.4	15.0	2.1	1.6	2.5
2004	13.7	14.5	13.1	2.3	2.4	2.2
2004**	11.4	11.4	11.5	2.0	2.0	1.9
2005	13.7	14.5	13.1	2.3	2.4	2.2
2005**	13.2	14.3	12.2	2.3	2.6	2.1
2006	13.7	14.5	13.1	2.3	2.5	2.2
2006**	12.6	14.7	10.7	2.4	2.8	2.0
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

\* All recipients.

\*\* Newly eligible.

## H. Pension deferral increment

The old-age pension for the age range that is between the retirement age and the age of entitlement depends on 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 old-age pension until the pension is rebalanced. If a person's income is higher, he is not eligible for the pension and will receive a pension deferral increment in the amount of 5% of the basic pension for each year of deferral. Anyone eligible for the reduced pension is entitled to choose not to receive the pension and shall then be eligible for the 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 2009, the percentage of men who received a pension deferral increment continued to rise to 14.8%, and the percentage of women who received this increment continued to decrease slightly, to 12.7%. The percentage of men and women from among the newly eligible in 2009 who received this increment rose and reached approximately 19.2% and 10.5% respectively. In 2009, the average increment paid to recipients of the pension remained stable: 2.5% men and 2.2% women. The rate of the average increment for women has remained unchanged since 2003. The average increment for recipients of this increment was 17%; that is, an average deferral of retirement of 3.4 years. In 2009, the increment paid to all of the individuals newly eligible for deferring the pension was somewhat higher than the increment paid to all of the recipients, 2.5% compared to 2.3%, respectively. Moreover, there was a decline in 2009 in the rate of the average increment paid to newly eligible men and a slight increase among women compared to the previous year. In 2008, there was an increase in the rate of this increment among newly eligible men and a decrease among newly eligible women in comparison with 2007. This increment as well was, on the average, higher among newly eligible recipients of the increment than among all of the recipients of the increment as a whole – 18.0% compared to 17%. The conclusion is that new retirees work a few more years beyond the retirement age than the recipients as a whole.

Under the Retirement Age Law, it is expected that the rate of the increment among women will increase in the future, since on the date that the process of raising their retirement age to 64 and the eligibility age to 70, the number of years that they will be able to defer retirement will increase to six years, compared to five years before the law came into effect.

## I. Pension levels

In 2009, the basic old-age and survivors' pensions rose at a real rate of 2.9% (for an individual, under the age of 80, who has no income supplement) after the previous year, during which the old-age pension decreased and the survivors' benefit rose negligibly. The real increase in the pensions is the result of the pensions having been updated in January 2009 at a rate of 4.5% so that they are on par with the price rise, and an additional increase of 3% in the rate of basic pension that came into effect in August of the same year (see para. B above) and which relatively affected the annual growth in the pension rate. Compared to that, the rate of increase in prices was only 3.3%. The old-age and survivors' pensions including income supplement rose in 2009 as well, at a real rate of 2.3% for an individual under the age of 70, after they had declined the previous year. The increase in the other two age groups is even larger due to an additional increase in August 2009, as detailed above (3.6% and 4.4% for those aged 70-79 and 80+, respectively.)

Table 7  
**Basic Old-Age and Survivors' Pension Amounts\*, by Selected Family Compositions, 2002-2009**

Year	Single individual		Couple		Widow + 2 children**	
	2009 prices (NIS)	% of average wage	2009 prices (NIS)	% of average wage	2009 prices (NIS)	% of average wage
2002	1,233	15.6	1,848	23.3	2,436	30.8
2003	1,196	15.6	1,796	23.4	2,416	31.5
2004	1,202	15.2	1,803	22.8	2,425	30.6
2005	1,217	15.2	1,827	22.8	2,416	30.2
2006	1,242	15.3	1,862	23.0	2,424	29.9
2007	1,252	15.2	1,878	22.8	2,428	29.5
2008	1,248	15.2	1,874	22.9	2,414	29.5
2008 aged 80+	1,305	15.9	1,951	23.9	**	**
2009	1,284	16.1	1,928	24.2	2,480	31.2
2009 aged 80+	2,563	17.1	2,005	25.2	**	**

\* Taking into account the reduction in the old-age pension from July 2002 till June 2006.

\*\* Not including child allowances.

## J. Scope of payments

In 2009, total payments of the Old-Age and Survivors' Branch (excluding administrative costs) increased in fixed terms by 4.7%. Pension payments under the National Insurance Law rose by 6.2% in real terms and pension payments not under the National Insurance Law dropped by 4.1% in real terms. The portion of pension payments not under the law (which, under the National Insurance Law, also include payment of income supplement to pension recipients) from total payments of old-age and survivors pensions in 2009 reached 18.3%. In 2009, total payments of National Insurance benefits (excluding administrative expenses) increased by 7.5% in real terms, which was greater than the rate of increase in payments made by the Old-Age and Survivors' branch. Therefore, the share of payments made by the Old-Age and Survivors' branch out of all NII payments during 2009 decreased to 36.7%, after it had been 37.7% the previous year.

Table 8  
**Payments of Old-Age and Survivors' Pensions  
 (without administrative costs), 2004-2009**

Type of pension	2004	2005	2006	2007	2008	2009
<b>Current prices (NIS millions)</b>						
Total payments	15,780	16,257	17,165	17,461	18,425	19,931
As per NII Law	12,615	12,910	13,628	13,920	14,842	16,284
Not as per NII Law	3,165	3,347	3,537	3,541	3,583	3,647
<b>2009 prices (NIS millions)</b>						
Total payments	17,730	18,030	18,648	18,867	19,037	19,931
As per NII Law	14,173	14,319	14,806	15,041	15,335	16,284
Not as per NII Law	3,556	3,711	3,842	3,826	3,702	3,647

Box 5

**International Social Security Conventions in the National Insurance Institute**

It is common these days for people to move from one country to another for short or longer periods and therefore it is necessary to ensure their social security. In the case of the State of Israel, it is very important to take into account the fact that a significant portion of its population came from other countries.

In many countries, eligibility for a pension is dependent on insurance payments and a qualifying period (a minimal period of time during which a person must be insured). The move to another country discontinues the insurance payment and the accumulated qualifying period, and could, in certain cases, spoil a person's eligibility to the point that he is unable to receive the pension. Moreover: there are cases where the move to another country entails making insurance payments in more than one country. In order to find a solution to this situation, countries have become signatories to an international convention.

**What is an international convention for social security?**

An international convention for social security is an agreement between two countries which ensures and regulates rights and obligations with regard to the issue of social security for populations which have moved from one country to another on a temporary or permanent basis. In the convention, the countries undertake to acknowledge the work periods in another country, to add rights accumulated in one country to the rights in another country, to avoid double payment of insurance payments and to pay benefits to the insured as is their rights, even if the laws of that country determine that the pension should be stopped for any insured individual who has left it. There are cases in which, without international conventions, an individual might not receive social rights in any country whatsoever. The convention was intended to take care of details which, if they did not exist, would prevent a person from being eligible for any pensions at all, or he might lose those rights for the periods during which insurance payments had been made. That is, the objective of the conventions is

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1 Written by Chaja Pe'er of the Division of International Affairs, Dr. Gabriela Heilbrun of the Research and Planning Administration and Attorney Jacob Sasporte, Director of the Division for International Conventions – all of the National Insurance Institute

to express a country's responsibility to protect the social rights of the individual.

Section 374 of the National Insurance Law authorizes the Minister of Social Affairs and Social Services, with the approval of the Labor and Social Affairs Committee, to draw up regulations for an agreement even if it is not consistent with the National Insurance Law, in order to enforce rights and obligations on the residents of the State of Israel or on residents of the authority with which the convention was signed.

### Principles of the Conventions

The conventions have four basic principles: equality under the law for nationals of one country and the citizens of another country; determining jurisdiction which will apply to insured individuals travelling between two countries; exporting benefits; protecting rights.

#### ○ **Equality under the law**

The convention ensures that every person to whom the convention applies will have the right to the same conditions and rights as any other citizen and resident of the country to which he travelled, with regard to the same areas of interest contained in the convention.

#### ○ **Determining authorized jurisdiction**

The convention applies to three types of workers: workers leaving of their own free will, temporarily, for another country; workers who are temporarily sent by their employers to carry out a job in another country (posted employees); and workers in the service of their countries, in transport companies, vessels and airlines, etc.

As stated above, the movements of workers from country to country places a double load on the collection of insurance payments, both on the employee and on the employers. This double taxation does not necessarily lead to a comparable accumulation of rights. The convention specifies the sole authorized jurisdiction to which the employee and employer will be subject in order to prevent doubling insurance payments.

- **Exporting benefits**

The convention makes it possible to export benefits to an entitled person who is residing in another country, even if the law in that country does not permit this. This principle makes it possible to maximize rights. In addition, in Israel, these conventions encourage immigration and lighten the burden on public funds in that they prevent the entry of some people into the income support or maintenance systems, since if they did not receive the benefits from the other countries, they would require minimum support benefits in Israel in order to survive.

- **Protecting rights**

Protecting rights prevents cutting off the flow of rights leading to the benefit payments (for example, in the case of moving to a country before the qualifying period has expired). Protecting the rights in each of the countries linked by convention and their cooperation when examining eligibility for a benefit leads to respecting rights, at times, through the completion of the qualifying period in each of the two countries, and reflecting all of the rights acquired during the claimant's insured years in order for him to be eligible for a specific benefit. It should be noted that protecting rights could result in their complete implementation in each of the two countries.

### **Additional issues set out in a convention**

- **Hospitalization and medical tests related to birth and to work injuries**

The convention determines which of the two countries will bear the burden of hospitalization expenses, medical treatment and medical tests. There are two possibilities: a refund of expenses by the country requesting the hospitalization or the tests, or mutual coverage, wherein each side bears the cost for the residents of the other country requiring hospitalization or tests.

- **Administrative assistance**

Each side undertakes to provide assistance to the other side in order to

implement the convention. This assistance includes providing information required to establish eligibility, communication between the second insuring institution and the insured, locating heirs, requesting the appointment of a guardian, repaying the insured's debts to the other insuring institution, translation of documents required for examination of eligibility, etc.

### **The conventions in the NII**

When it was established, the NII began formulate conventions in the domain of social security in order to ensure the social rights of immigrants who came to Israel. In 1957, a few years after the National Insurance Law was legislated, the first convention in the domain of social security was signed with Britain. Since then, Israel has signed conventions with Austria, Uruguay, Italy, Bulgaria, Belgium, Germany, Denmark, Holland, Norway, Finland, the Czech Republic, France, Canada, Sweden and Switzerland. Conventions with the Philippines and Slovakia have been signed and are waiting for ratification by the authorized elements in both countries in order to become valid. Most of the conventions apply to the following social security schemes: old-age, survivors, disability, work injury and occupational diseases, children and maternity; as and in Holland, and Sweden – unemployment as well.

The legal department, the relevant insurance departments and the International Relations Department of the NII, the Ministry of Foreign Affairs and the Ministry of Justice participated in the process of formulating conventions. The person responsible for international conventions in the Ministry of Justice is responsible for initiating new conventions, for asking the Ministry of Foreign Affairs to make initial contact with the target countries and for conducting negotiations towards the formulation of a convention, until the final draft is received and is approved by both sides. It is signed by both countries and becomes valid at the end of the ratification period by the authorized institutions in both countries.

The conventions contain a section that obligates both sides to establish communication bureaus which will make it easier to implement the convention. The Division of International Affairs in the NII serves as the contact as per the conventions in order to handle the affairs of Israeli residents who immigrated



from countries with whom Israel has signed conventions, of Israeli residents residing in countries with conventions, of residents from convention countries who are residing in Israel and of Israeli and foreign companies which place Israeli workers abroad. In these frameworks, the conventions also include handling issues related to Holocaust survivors who have German social security rights. The Division has ten employees who are well versed in foreign languages, in the National Insurance Law and other laws on the basis of which pensions are paid in Israel, in the social insurance laws of the convention countries and in the instructions contained in the conventions.

The Division of International Affairs is charged with implementing the conventions, including providing assistance in extracting rights from the insurance institutions in the convention countries as well as from the pension departments in the headquarter of the NII in Israel, regularizing the insurance and determining authorized legislation, following up on changes in the legislation of the convention countries and joining new conventions. Among others, the Division issues approvals required to examine the implementation of rights in accordance with a convention; defines which countries require that the insured make insurance payments; orders medical tests and medical documents; initiates claims; prepares files for decisions in claims made to the Old-age and Survivors' and General Disability branches, carries out verifications with insurance institutions abroad, explains the conventions to Institute employees, participates in the training of volunteers in the NII working in the counseling services for the elderly, and transmits information to organizations representing the various new immigrant populations, to attorney and accounting offices, to the Ministry of Finance and to the Ministry of Foreign Affairs and embassies. The work is not imposed on the branches and for the most part, is carried out in the head office of the NII in Jerusalem.

In 2009, the NII handled approximately 20,000 such requests. A description of the domains and payments handled by the conventions can be found in the Statistical Quarterly of the NII. In 2008, the NII paid approximately 13 million (2009 prices) to approximately recipients of pensions residing in convention countries (an average of approximately NIS 1,600 per month per person) (Table 1). Most of the benefits, approximately 97% of them, were paid to persons eligible for old-age and survivors' pensions. The same year, convention countries

paid approximately NIS 1.6 billion to approximately 52,500 recipients residing in Israel (an average of approximately NIS 2,480 per month per person). Most of the money came from Germany – NIS 1.1 billion for 35,300 pensions. The number of recipients of pensions from Germany and Austria, which paid approximately 59% of all payments in 2008, has been declining since 2002. In 2002, these countries paid 52,900 pensions (82.2% of all payments) compared to approximately 38,500 in 2008.

The pensions from abroad are paid directly to the recipients, therefore the NII does not have any information with regard to what kind of pensions are being paid, only the total amount of payments transferred from the convention countries.

#### Recipients of Pensions and Payments to and from Convention Countries, 2000-2008

Year	Recipients of pensions from convention countries	Pension payments from convention countries (NIS thousand*)	Recipients of pensions residing in convention countries	Pension payments to convention countries (NIS thousand*)
2000	60,057	1,770,595	866	12,181
2001	63,797	1,619,217	914	13,195
2002	64,309	1,996,791	937	12,769
2003	62,827	1,999,523	966	12,611
2004	62,333	2,084,837	951	12,874
2005	56,940	1,979,281	986	13,725
2006	55,908	1,895,480	999	14,072
2007	54,863	1,808,829	1,049	15,185
2008	52,505	1,563,550	1,035	13,176

\* in 2009 prices.

### 3. Long-term Care Insurance

#### A. General

The Long-term Care Insurance Law was approved by the Knesset in 1980 and went into effect in April 1988. The law was designed to keep the elderly in the framework of a community as long as possible by providing personal care for those needing assistance with daily living and to help the families caring for them. The law applied to everyone covered by the old-age and survivors' insurance, to housewives (married women who do not work outside the house) and to new immigrants not covered by old-age and survivors' insurance. Every disabled elderly person residing in Israel who meets the criteria of the means test and the test of depending on others for the performance of the daily activities is entitled to the benefit, on condition that he lives in the community. Anyone living in a nursing facility or in a nursing ward in an old-age home is not entitled to the benefit.

The means test, whose rules were established in the regulations of the law, is a personal test. As a condition for receiving the benefit in kind – that is, the long-term care service – only the income of the elderly person and that of his spouse are examined. The income of the family member who is caring for the elderly person and residing with him is also examined as a condition for receiving a monetary benefit. The means test is carried out by the claims officer and the test of dependency on others is carried out by professional evaluators. Evaluators include nurses, occupational and physio-therapists who have undergone appropriate training. As of July 2008, subsequent to the approval of a private bill in the Knesset, any elderly person who has reached the age of 90 can be examined for the dependency test by a geriatric specialist in a hospital, a clinic or public institution.

The long-term benefit is not paid in cash but rather awarded to those entitled to it in the form of services provided by organizations who receive payment directly from the NII for those services. The basket of long-term services covered by the benefit includes personal care provided in the elderly person's home or in a day care center, supervision, transport to the day care center, provision of absorbent padding, laundry services and financing for the installation and use of distress transmitters. A cash benefit is granted only to an eligible individual for whom

services are not available or where the services cannot be provided at the times specified by law. Moreover, in March 2008, the NII initiated a pilot program to grant cash benefits in three regions. In the framework of the program, elderly individuals residing in the pilot regions (the Ashkelon, Bnei Brak, Ramat Gan and Nahariya branches) would be able to choose to receive the cash benefit on condition that they have accumulated at least six points in the dependence test and that they are receiving long-term care most of the hours in the day from a care-giver who is not a member of the family, and this care is received six days a week.<sup>9</sup> The pilot program was accompanied by a study whose results appear in a Box in this chapter.

In December 2009, the temporary order that enabled the cash benefit ended. In January 2010, after long discussions in the Knesset, the program was extended for an additional year. Three additional pilot areas were added (Jerusalem, Ashdod and Tiberias) and the residents of these regions, as in the initial pilot areas, may to choose to receive the benefit in cash if they meet the criteria specified in the law.

In January 2007, three levels of long-term care benefit were defined, suited to three levels of dependency: a level of 91% of the full disability benefit for an individual, a level of 150% of the same and a level of 168% of the same. An individual whose income exceeds up to 1.5 times the average wage shall receive half of the benefit to which he is entitled based on the dependency level. A married person is entitled to the full benefit if his income does not exceed 1.5 times of the average wage, and an individual whose income is up to 2.25 times the average wage shall be entitled to half the benefit. These benefit levels were updated in January 2009 by 4.5%, in line with the increase in the basic amount (due to an increase in prices in 2008) from which the benefits are derived. As of January 2010, the long-term care benefit was updated by 3.8%, in accordance with the price rise in 2009.

As of March 2009, any individual receiving a long-term care benefit at the two highest levels and who employs only an Israeli (rather than a foreign) worker (either within or without the framework of the long-term care benefit), is entitled to additional weekly hours of care. Anyone who is very dependent on assistance

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<sup>9</sup> We should like to point out presenting the elderly with a choice in the framework of long-term care benefits exists in several western countries and these are listed in the 2005 Annual Survey.

from others, that is, eligible for 150% of the full disability benefit, is entitled to an additional three weekly hours of care, that is, to a supplement of 27.2% of the full disability benefit, and anyone who is completely dependent on assistance from others, that is, receives a benefit of 168% of the full disability benefit, is entitled to a supplementary four weekly hours of care (equal to 36.3% of the full disability benefit). Anyone who is entitled to half the benefit because of his income level is entitled to half the supplement. From March to September, this supplement was paid on the basis of an agreement with the Ministry of Finance, which funded it. From October 2009, the supplement is provided under the National Insurance Law, which funds it, in accordance with the Economic Efficiency Law of 2009-2010.

The law stipulates that the Minister of Social Affairs and Social Services must appoint local professional committees, which must consist of a social worker, a nurse and an employee of the NII. This committee must establish a plan for the care of an elderly person who is eligible for the benefit: what services must be provided for him and who can provide them. The committee must also ensure that these services are indeed provided, or alternatively, specifically state that no services are available for the elderly person.

The committee is also entitled to determine that the person caring for the recipient of the cash benefit is not suitable or that the long-term services which the eligible person receives from the caregiver is not sufficient for him and therefore, the NII is entitled to revoke the cash benefit and to decide that the benefit be paid in kind.

## **B. Claims and eligibility for long-term care benefit**

The number of claims for long-term care benefits rose by 3.4% in 2009 and reached approximately 77,000. In 2008, the number of claims declined but this was an exceptional situation in the continuous upward trend that had been seen in previous years. The number of first claims in 2009 rose by 4.1% compared to 2008, and the number of repeat claims (second or more claims) rose by 3.9%. The rate of repeat claims as a percentage of all claims in 2009 remained 59.0%.

Table 1  
**Claims, Rate of Approved Claims and of Repeat Claims,  
 2002-2009**

Year	Claim	Annual growth rate	Percentage of repeat claims	Percentage of claims approved*
2002	71,007	4.3	51.8	44.3
2003	63,928	-10.0	55.7	43.2
2004	71,246	11.4	58.6	43.5
2005	71,568	0.5	59.9	46.7
2006	72,257	1.0	58.2	49.2
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

\* Claims approved in the first eligibility decision. The calculation excludes claims by people who submitted claims and died, or whose eligibility was deferred.

In 2009, the percentage of approved claims declined slightly to 46%. The percentage of first-time claims approved in 2009 dropped from 54.3% in 2008 to 52.7% in 2009, and the percentage of repeat claims that were approved also declined from 42.7% in previous years to 41.3%. The decrease in the percentage of first claims approved in 2009 is expressed in the slight decrease in the percentage of false claims – claims that received 0 and 0.5 points in the ADL<sup>10</sup> – and in the lack of change in the size of cluster of parameters around 2.5 points, the threshold for benefit eligibility. The percentage of false claims in 2009 came to 28%, compared to 28.3% in 2008 and to 28.8% in 2007, and the percentage of claims receiving 2.5 points remained at 16.3%, as in 2008. It should be noted that in analyzing the percentage of claims approved, the percentage of false claims and size of groupings close to the threshold of points required for eligibility for a benefit also contained claims for which no dependency test was carried out and they were not approved because of pre-conditions, such as age.

The numbers of individuals eligible for long-term care benefit continued to rise in 2009 by approximately 3.9%, and reached a monthly average of 136,600. The number of individuals eligible for the benefit rose by 333% from 1991 to

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<sup>10</sup> Activities of Daily Living – a test that examines limitations in everyday activities (i.e. eating, dressing, mobility in the home, excreting, etc.).

2009, despite the elevation of the eligibility age. This is a very high rate, and it is significantly higher than the increase in the number of elderly persons during that period. During 2009, the retirement age for women reached 62. This age level will remain in effect for the next three years (in accordance with the procedure detailed in the Retirement Age Law described in previous surveys, particularly in the chapter on old-age and survivors). In 2009, the eligibility age for men reached the end of the procedure aimed at raising the eligibility age, which stands at 67. The percentage of individuals eligible for a benefit out of all the elderly persons in the population rose significantly, from 6% during the first years of the implementation of the law, to a peak of 17.7% in 2009. This percentage of eligible persons was calculated from an estimate of the number of elderly persons in the ages eligible for benefit (62 for women and 64 for men). This proportion of the number of individuals eligible for the benefit out of all of the relevant elderly persons in 2008 was 17.5% (in 2008, the eligibility age for women was 61 and 8 months, and for men – 66 and 8 months).

Table 2  
**Eligible for Long-Term Care Benefit and Elderly People in  
Israel, 2002-2009**

Year	Eligible for long-term care*		Elderly people in Israel**		Rate of coverage***
	Numbers (thousands)	Annual growth rate	Numbers (thousands)	Annual growth rate	
2002	112.3	6.5	758.1	1.8	14.8
2003	113.0	0.6	769.3	1.5	14.7
2004	113.4	0.4	780.5	1.5	14.5
2005	115.0	1.4	794.9	1.8	14.5
2006	120.3	4.6	813.8	2.4	14.8
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	774.0	2.8	17.7

\* Monthly average.

\*\* Until 2008 – average population of men aged 65+ and women aged 60+, based on data from the CBS. The figures for 2009 are estimates for men aged 67+ and women aged 62+.

\*\*\* The number of those eligible for benefits as a percentage of the number of elderly people. From mid-2004, the retirement age rose gradually from 65 to 67 for men and from 60 to 64 (in 2 stages) for women. Therefore, the number of elderly persons based on the former retirement age was larger and the coverage rate smaller. As of 2009, the rate relates to age groups that are identical with the number of elderly persons and the number of those eligible for a benefit.

Table 3  
**Those Eligible for Long-term Care Benefit, by Demographic  
 Characteristics and Benefit Level (monthly average), 2009**

	Absolute numbers	Percentages
<b>Total</b>	136.600	100.0
<b>Gender</b>		
Women	39,819	29.1
Men	96,788	70.9
<b>Age</b>		
Up to 64*	1,229	1.0
65-59	5,940	4.3
70-74	16,313	11.9
75-79	27,945	20.5
80-84	37,515	27.5
85 +	47,665	34.6
<b>Family composition</b>		
Living alone	60,060	46.9
Living with spouse	54,129	39.6
Living with children or others	18,418	13.5
<b>Seniority in Israel</b>		
Veterans	103,299	75.6
Immigrants** – total	33,308	24.4
Those who immigrated after 1999	3,690	2.7
<b>Level of benefit</b>		
Low benefit (91%)	77,252	56.5
High benefit (150%)	33,704	27.7
Very high benefit (168%)	25,650	18.6
Eligible for increment of 3 hours ***	17,194	36.8
Eligible for increment of 4 hours ***	10,005	63.2

\* Age group contains only women.

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

\*\*\* December 2009.



An examination of the demographic characteristics of eligible individuals in 2009 shows that almost one quarter (24.4%) of them are new immigrants who immigrated to Israel after 1989, 2.7% of whom immigrated after 1999, and the rest are veterans. There are almost three times the number of women than men. When breaking this down by age, more than one third of those eligible are 85 years of age or over, and close to 2/3 (62.4%) are 80 years of age or older. The main increase is in the 85+ group, where the total number of recipients rose from 32.7% to 34.9%, while the number of 80 year olds or less is steadily decreasing. Only 4.3% of those eligible are 65-69. As to family composition, two out of every five (39.6%) of those eligible live with a spouse. Almost one out of two (46.9%) lives alone, and one out of seven (13.5) lives with someone else – usually a son or a daughter (Table 3). 56.5% of those eligible were approved at the lowest level of eligibility – 91% of the full disability pension for an individual (including those whose benefit was reduced to half after the means test), and 25% were considered eligible for the higher level – 150%. The eligibility of the remainder of the recipients, approximately 18.8%, was approved at the very highest level – 168%. The proportion of those eligible for the highest level benefit is steadily rising – from 13.7% in 2007 until 18.6% in 2009. This group has the highest growth rate. Recipients of the lower level of benefit increased by 2.2%, of the mid-level by 2.8%, and that of those eligible for the highest rate rose by 11.1%.

In March 2009, supplementary care hours were added for anyone employing an Israeli worker, as mentioned above. 17,194 individuals received the supplementary three weekly hours of care, which comes to approximately 49.2% of those receiving the high level of benefit, and 10,005 individuals received an additional four weekly hours of care, which comes to 36.6% of the recipients of the highest benefit level. At the end of 2009, 450 eligible persons residing in a pilot area had opted for the cash benefit – 26 in Nahariya, 25 in Bnei Brak, 302 in Ramat Gan and 98 in Ashkelon.

### **C. Organizations providing long-term care services and the services provided**

The services provided under the Long-term Care Insurance Law are provided through official organizations acknowledged by the Ministry of Social Affairs and Social Services to be authorized providers of services based on contracts drawn up between them and the NII. In recently years, the NII published a number of tenders in order to establish a pool of long-term care service providers for eligible individuals, but the agencies and associations appealed against the tenders published and they were not implemented for a variety of reasons, among them strong pressure on the part of the suppliers, who preferred acting in the context of individual contracts. During 2008-9, the courts rejected the appeals against the last tender published in 2008, where long-term care agencies were required to improve the rights of the employees working in long-term care, and the tender was once again published in the beginning of 2009. A service provider can be a non-profit public organization such as MaTaV (home care) or a day care center, or a private organization operating as a business. At the end of 2009, the results of the tender were published along with the names of the agencies eligible to provide long-term care services.

Box 6

**Study Accompanying the Long-Term Care Cash Benefit Pilot<sup>1</sup>**

In accordance with Amendment no. 92-temporary order of the National Insurance Law, the NII implemented a pilot plan from March 2008 to December 2009 where the elderly were given the option of choosing a long-term care cash benefit, on condition that they met the following conditions:

1. They are eligible for one of the two higher levels of the long-term benefit – 150% or 168%.
2. They actually receive long-term care from a caregiver who is not a family member for most hours in the day, six days a week,.
3. They reside in a pilot area (selected according to criteria of representation of different populations).

The amendment also determined that a study would be carried out to accompany the pilot, intended to examine the possible implications of the right to opt for a long-term care cash benefit.

- **The research method** – Two samples were selected for the purposes of the study. A sample of elderly individuals who actually opted for the cash benefit (because of the paucity of cases, everyone opting for a cash benefit was selected) and a sample of elderly individuals in the same regions who did not opt for the cash benefit. The telephone survey questions were adjusted for the two groups, due to difficulties when interviewing confined elderly individuals. In fact, in only a small amount of cases did the elderly individual respond to the questionnaire himself; in most cases, it was a family member who responded. The interviews took place during the first half of 2009.

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1 The full report was written by Ramsees Gharrah.

### Number of Potential Elderly Persons and Number of Elderly Persons Opting for Cash Benefit, April 2009

Branch	Total		Opted	
	Total	With foreign caregiver (%)	Total	Percentages
Total in pilot regions	7,597	51.7	299	3.9
Nahariya	1,170	40.6	22	1.9
Ashkelon	1,676	35.5	62	3.7
Ramat Gan	3,825	60.0	195	5.1
Bnei Braq	926	60.7	20	2.2

- Characteristics of those opting for the cash benefit – An examination of the features of those opting for the cash benefit shows that new immigrants and Arabs, as well as those residing in Nahariya and Bnei Brak tended to select the long-term care cash benefit slightly less than did others (an average of approximately 2% compared to 3.9%). The following elderly individuals tended to opt for the cash benefit much more: those residing in Ramat Gan (5.1%, compared to an average of 3.9%); recipients of the highest benefit level (5%, compared to an average of 3.9%); those who have been part of the long-term care benefit system for from one to two years (5%, compared to an average of 3.9%); and those whose income is higher than the average wage in the economy (5.3%, compared to an average of 3.9%).
- Comparison between the characteristics of elderly individuals who opted for the cash benefit and those who did not – An examination of the data shows that those who opted for the cash benefit were older (48% over the age of 85 compared to 41% from among those who did not opt for the cash benefit); living alone (55% compared to 47%, respectively); their economic situation is better (50% compared to 54% whose income comes to half of the average wage); they are more dependent (53% compared to 44% at the highest benefit level); less among new immigrants and Arabs (2.4% new immigrants among those who opted for the cash benefit compared to 10.5% in the groups of those who did not choose to do so). In addition, they had more economic assistance from family members in order to finance the care (76% and 71%, respectively). It was interesting to see that only approximately 12% of the elderly individuals who did not opt for the cash benefit declared that they would prefer to be cared by a foreign worker, while 60% of them are actually cared for by such a worker.

In the area of subjective satisfaction on the part of the elderly persons with regard to the various aspects of the care they receive in the framework of the long-term care benefit, it was found that those who chose the cash benefit were more satisfied than those who had not, including those who employed a full-time caregiver, although the gap in level of satisfaction between those who opted for the cash benefit and those who did not, but employed a full-time caregiver, was very small. The gap in satisfaction with regard to all of the long-term care benefit arrangements was particularly prominent: a rate of 91.2% satisfaction among those opting for the cash benefit compared to only half among those who did not, including those employing a full-time caregiver. It should be noted that the two groups reported high levels of satisfaction with regard to all aspects, with the exception of two, where the level of satisfaction was low: the amount of help provided for financing the cost of the care, and the level of self-confidence and personal welfare. We should once again like to stress that the difference in satisfaction between the two groups is not necessarily the direct result of giving the option of choosing the cash benefit.

- **Information about the pilot program** – Whoever actually opted for the cash benefit generally received information about the benefit in a letter from the NII and from the media. Most of the families who did not opt for the cash benefit were not aware of the pilot program.
- **The main reasons for opting for the cash benefit** are economic: two out of every three individuals indicated that the amount of the cash benefit received from the NII was higher than the benefit previously received from the long-term care agency in the context of the in-kind benefit. 59.2% also pointed out the savings in cash and in payments to the full-time caregiver. One third referred to the control over the money of the benefit. They also pointed out the savings in bureaucratic arrangements, efforts and time that they used to devote in the past to dealing with the long-term care agency and they pointed out the more pleasant and easier procedures of the care received. 99% of those opting for the cash benefit would like to see the arrangement become permanent, and 73% are encouraging others to opt for this arrangement and manage the care independently.
- **Reasons for not opting for the cash benefit** – The most significant reason for not opting for the cash benefit was ignorance of the existence of this program (76%) compared with almost 100% of those who opted for it. It is important

to stress that 66% of the elderly individuals who did not opt for the cash benefit declared that they would like it, and that the higher payment and receiving information about the benefit would make them opt for it now.

- **Drawbacks to the benefit in kind arrangement** – 77% indicated that the amount of the benefit received from the long-term care agency as benefit in kind is lower. 59.1% also pointed out the superfluous mediation with the long-term care agency, accompanied by annoyance and awkwardness.
- **Attempts by long-term care agencies to prevent opting for the cash benefit** – It was estimated that with the implementation of the pilot program of the long-term care cash benefit, the manpower agencies would try to influence the elderly not to opt for the cash benefit in order to protect their own interests. The study shows that 1/3 of those who opted for the benefit reported having received requests from agencies – approximately 20% reported that the agencies made it clear that the transfer to a cash benefit would only add a small amount of money, and in a few cases, the agencies proposed to pay a higher payment to those who would remain with the in-kind care arrangement. Only six who did not opt for the cash benefit, out of a group of 270 were approached by an agency.
- **Control** – The NII carried out regular verifications with the recipients of the long-term care benefit through home visits by professional employees – social workers and nurses. In general, the data points to a lack of irregularities in all domains examined.

Principal recommendations:

1. Expand the scope of the option for selecting a cash benefit to all recipients of the long-term care benefit at the 150% and 168% levels, and turn it into a regular arrangement.
2. Provide complete, detailed and accessible information to all elderly individuals and their families regarding the procedures for attaining the long-term care cash benefit and full-time caregivers.
3. Make the amount of the long-term care cash benefit equivalent to the amount of the in-kind benefit.

Table 4 below shows the breakdown of the number of monthly hours of personal home care provided in December 2009 by type of service provider. All in all, in December 2009, service providers provided approximately 7.3 million personal care hours in the homes of those eligible for the long-term care benefit. Approximately 5.2 million hours were provided by private organizations (70.8%), approximately 1.2 million hours by MaTaV (home-care) non-profit organizations (16.6%), and the rest, approximately 0.9 million hours (12.7%), by public and other associations.

Table 4  
**Number of Personal Care Hours Provided at Home, by Type of Service Provider, December 2009**

Type of service provider	Numbers (thousands)	Percentages
<b>Total</b>	<b>7,359</b>	<b>100.0</b>
Private organization	5,209	70.8
Matav (home caregiver)	1,222	16.6
Non-profit organization	916	12.5
Other	12	0.2

Table 5 shows the breakdown of recipients of long-term care services in December 2009 by the type of service provided. It should be remembered that an individual eligible for a benefit can receive more than one type of service and therefore, the total number of recipients of long-term care services is greater than the number of individuals eligible for the benefit.

The vast majority (99.1%) of recipients of long-term care services in December 2009 received personal care at home from a local or foreign caregiver. 7.3% received personal care in a day care center, 19.8% received absorbent padding products and 12.9% received a distress transmitter. 69.0% of the recipients of personal care at home received it as the only item from the basket of services. Only 7.2% of the recipients of personal care in the day care center received no other services, and the rest combined it with other services.

Table 5  
**Recipients of Long-Term Care Services, by Type of Service,  
 December 2009**

Type of service	Number of recipients	Percentage receiving the service	
		Out of all eligible for benefit	As sole item from recipients of this service
Total*	192,917	-	-
Personal care at home	137,063	99.1	69.0
Personal care in day center	10,020	7.3	7.2
Absorbent products	27,434	19.8	0.3
Distress transmitter	17,792	12.9	0.4
Laundry services	608	0.4	0.3

\* An individual eligible for the benefit can receive more than one type of service. Therefore, the total recipients of long-term care services in this table is larger than the number of persons eligible for the benefit – 138,200.

#### **D. Scope of payments**

In addition to direct benefit payments, the Long-term Care Insurance Law requires that payment be made for additional items related to long-term care insurance. 15% of the annual receipts are allocated to the Ministry of Health and the Ministry of Social Affairs and Social Services in order to finance the growing number of persons admitted to institutions. In practice, the Ministry of Health usually uses up the full allocation while the Ministry of Social Affairs and Social Services uses up only a portion of it. In addition, money is allocated to the Fund for the Development of Communal and Institutional Services for the elderly.

In 2009, approximately NIS 3.7 billion (2009 prices) were transferred to finance the Long-term Care Insurance Law: approximately NIS 3.4 billion for providing services to those eligible and the balance, for developing the services of institutions and communal services, and for conducting dependency tests. The sum of NIS 78.9 million was transferred to the Ministry of Social Affairs and Social Services and to the Ministry of Health in order to help with the increased number of elderly people hospitalized in nursing care institutions (Table 6). In addition, the sum of NIS 81.0 million was transferred to the Ministry of Social Affairs and Social Services and



to the Clalit Health Fund and evaluators to develop a program for treating eligible individuals and to conduct dependency tests.

In 2009, unlike in other years, the Treasury paid the NII the sum of approximately NIS 80 million to cover the supplementary weekly care hours granted to eligible individuals employing only Israeli caregivers and who receive the two upper levels of the benefit. The payment for this supplement was, as stated above, financed by the Treasury during March-September 2009.

Table 6  
**Total Payments under Long-Term Care Insurance Law by Type of Payment (NIS thousand, 2009 prices), 2003-2009**

Year	Total	Long-term care benefits	Transfers to external bodies*	Development of services	Hospitalized in long-term care institution	Based on agreements with Ministry of Finance
2003	2,754.5	2,550.0	64.6	27.8	110.7	3.3
2004	2,776.8	2,563.4	68.6	38.8	103.2	2.8
2005	2,825.6	2,606.2	77.0	41.3	98.6	2.6
2006	2,952.8	2,755.2	67.1	32.5	95.6	2.5
2007	3,320.0	3,112.4	76.4	38.6	90.1	2.5
2008	3,409.6	3,223.7	81.7	21.4	80.5	2.3
2009	3,679.1	3,414.9	81.0	21.9	78.9	82.5

\* Transfers to the Ministry of Social Affairs and Social Services and to the Clalit Health Fund for preparing a treatment program for eligible recipients, and transfers for conducting dependency tests.

In 2009, payments made under the National Insurance Law increased by approximately 7.9% in fixed (2009) prices. Payment benefits increased by 5.9% as a result of the growth in the number of individuals eligible for the long-term care benefit, particularly for the highest benefit. The average benefit level in fixed prices rose by 1.7% in 2009.

## 4. Children Insurance

### A. General

**Child allowance** – The child allowance is paid monthly to every family with children in Israel to help with the expenses of raising children. The child allowance underwent many changes over the years and since 2002, the level of the allowance declined greatly as a result of many various programs. Since July 2009, in the framework of the Economy Arrangements Law, the allowance for the second to fourth child increased gradually, until, by the end of 2012, these children will receive a supplement of NIS 100 each to the payment received at the beginning of 2009.

**In 2009, the child allowance rose in comparison to its level in 2008, for two reasons:**

1. The allowance was updated in line with the consumer price index of the previous year;
2. In July 2009, the allowance for the third child rose by NIS 60 and for the fourth child, by NIS 93 – as the first stage in the program approved in the context of the 2009-2010 Economy Arrangements Law.

**The 2009-2010 Economy Arrangements Law** – The program which originated with coalition agreements began to go into effect in July 2009. In the framework of this program, the child allowance for children who are the second, third and fourth children in the family will be gradually increased until in 2012, a supplement of NIS 100 will be paid for each such child in families. The basis for this supplement is the level of the allowance actually paid in June 2009; that is, the allowance of children who are the second to fourth child will not be updated during 2010-2011 to meet any rise in the index, as is customary every January, and therefore, the supplement will be nominal and will be eroded over the years.

Beginning in July 2009, the fourth child received a supplement of NIS 93, and the third child, a supplement of NIS 60. The second child will receive a supplement of NIS 36 during the second stage only, to go into effect in July 2010 (Table 1). The estimated cost of this program for 2009 is about NIS 240 million. By 2012, the cost will reach NIS 1,500 million, compared to the cost in 2008. The revision

in the level of allowances introduced in 2009 that stemmed from the coalition agreements is slight compared to the ongoing harm to the allowances since 2002. The relentless adverse effect stems from the decision to pay a uniform allowance to children who were born after June 2003 ("new children"), whose position in the family is third or more. They received an allowance that is on par with the allowances for the first two children, compared to the higher allowance received by children in the same position in the family who were born before 2003 ("veteran children").

Table 1  
**Changes in Child Allowances under the Economy  
Arrangements Law – 2009-2010**

Child's place in family	Size of allowance in June 2009	Size of allowance after Stage A (July 2009-June 2010)	Size of allowance in Stage B (July 2010-March 2011)	Size of allowance in Stage C (April 2011-March 2012)	Size of allowance as of April 2012
<b>Size of allowance</b>					
New fourth child	159	252	252	252	259
Veteran fourth child	353	446	446	446	453
New third child	159	219	252	252	259
Veteran third child	191	251	284	284	291
Second child	159	159	195	252	259
<b>Increment vs. allowance, today</b>					
New fourth child		93	93	93	100
Veteran fourth child		93	93	93	100
New third child		60	93	93	100
Veteran third child		60	93	93	100
Second child		0	36	93	100
<b>Estimated annual cost in NIS compared to 2008</b>		240,000,000	700,000,000	1,280,000,000	1,500,000,000

The stringency introduced in 2002 resulted in a sharp decline in child allowance payments: approximately NIS 8.3 billion (2008 prices) were paid in 2001 while the payments dropped to a low of NIS 5 billion in 2008 – that is, a deterioration of 40%. As a result of the implementation of the first stage of the program in

the framework of the 2009-2010 Economy Arrangements Law, the amount rose in 2009, but not significantly. As stated above, the decline was reduced to 37% between 2001 and 2009. During that period, the number of families receiving a child allowance rose by 7% and the number of children – by 11%. This suggests that were it not for the recent decline, the child allowance payments would have amounted to more than NIS 9 billion, that is, in real terms, the decline amounted to over 43%.

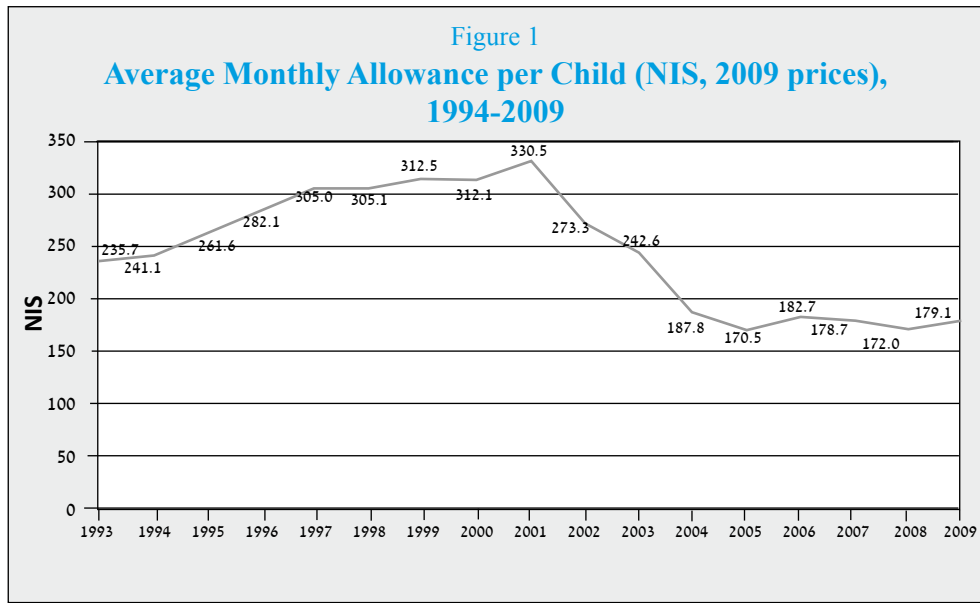
**Study grant** – In addition to the child allowances paid to every family with children, a study grant is paid to single-parent families and to families with four or more children who receive an income support benefit. The grant is paid for children aged 6-14, and its objective is to help families purchase school supplies prior to the start of the school year. In 2009, 146,000 children received the study grant. The cost of the grant amounted to NIS 165 million in 2009.

**Family increment** – In July 2004, families with three or more children who receive an income support benefit or maintenance payment from the NII began to receive a monthly family increment. The family increment is paid only for the third and fourth child. Until December 2005, this came to NIS 101 per child. From January 2006, it was increased to NIS 104 per child and in January 2009, it reached NIS 111 per child. The objective of this increment is to compensate families for the double erosion – in the child allowances and in the income support benefit. In 2009, this increment was paid to about 24,000 families (having about 40,000 third and fourth children). In 2009, the sum of NIS 56 million was paid in the form of the family increment, compared to NIS 58 million in 2007 and approximately 62 million in 2006. The decline stems from a decrease in the number of recipients of the income support benefit or maintenance that year.

## **B. The level of child allowances over the years**

Until 2005, the child allowance was calculated on the basis of allowance points determined by law, based on the child's position in the family. From 1987 to 2001, the allowance points were updated at the beginning of every calendar year in line with the full increase in the consumer price index, each time a cost of living increment was paid to all salaried employees in the economy. From January 2001 to December 2005, the allowance point was not updated and remained fixed at NIS 171.3 (2005 prices). From January 2006, the allowance point was

calculated on the basis of the basic amount, which is updated in line with the rise in the consumer price index. In 2009, this sum was NIS 159, compared to NIS 152 in 2008. Therefore, allowances for the first two children rose to NIS 159 per child, and the allowance for the third child rose from NIS 182 in 2008 to NIS 191 during the first half of 2009, and to NIS 251 during the second half of 2009. The child allowance for the fourth child rose from NIS 337 to NIS 353 during the first half of 2009, and to NIS 446 during the second half of 2009. The allowance for the fifth child and over rose from NIS 337 to NIS 355. The increase in child allowances stemmed from a decline during 2002-2004 in the size of the allowances, part of the cutbacks in child allowances described above.



The allowance for new children born after June 2003 is the same for the first two children, regardless of their position in the family – NIS 152.

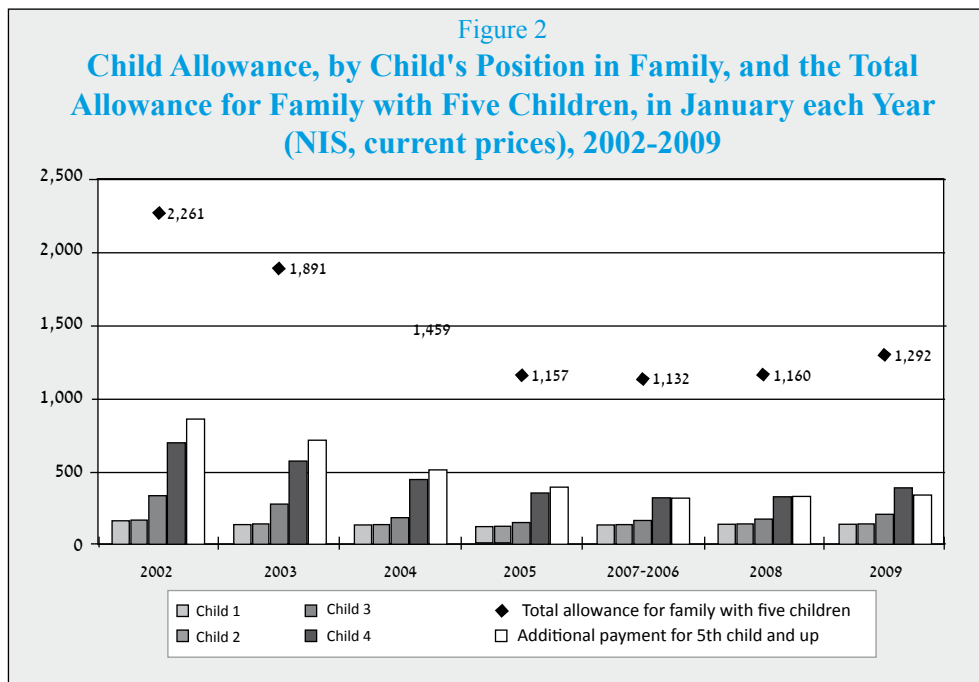


Figure 1 shows the average allowance per child from 1993 to 2009.<sup>11</sup> The average allowance per child rose gradually from 1993, when the child allowance began to be universal, until 2001. The "Halpert Law", which went into effect in 2001, saw the average child allowance rise to a record peak, and from 2002, the allowance began to decline sharply until its relative stability in 2005. A series of cutbacks in national insurance benefits in general, and in child allowances in particular, reduced the average allowance to approximately 50% per child during 2002-2005. In 2009, the average allowance per child was reduced by approximately 46% relative to 2002 – slightly reducing the gap relative to the previous year.

Table 2 shows the cumulative impact of the Economic Recovery Plan Law of June 2009, the Economic Policy Law of 2004 and the 2009-2010 Economy Arrangements Law.

- In real terms, the amount of the allowance for a family with one child decreased by 31% between January 2002 and January 2005. In the beginning of 2006, the allowance rose by approximately 20%<sup>12</sup>. In 2007, the allowance for a family with one child decreased slightly by less than 1%. The drop in the sum of the allowance was larger in 2008 – 2% (compared to 2007). In 2009, the allowance per child rose slightly by 1.3%.
- In 2005, a family with three children received 57% of the sum that it had received in 2002. The real allowance for a family with three children rose in 2006 by approximately 17% and in 2008, a decrease of 2% was again noted. In the first half of 2009, the allowance for a family with three children increased by 4.6% compared to 2008. During the second half of that year, the amendment to the Economy Arrangements Law came into effect and the child allowance was increased for the third and fourth child. Therefore, during this period, the allowance for a family increased by an average of 13.3% relative to their average allowance during 2008.

Figure 2 below shows the relative stability in the number of small families (1-2 children), compared to the reduced allowance of large families along the lines of the Economic Program of 2002-2003. Thus, for example, the family allowance for a family with five children was reduced between 2003 and 2008 by about 37%, reaching a monthly average of NIS 1,160 in 2008. In 2009, the adverse effect was minimized, and the allowance for a family with five children increased by 7.8% compared to that paid in 2008, reaching NIS 1,368.

11 The average allowance per child was calculated by dividing the total payments of child allowances in a specific year by the number of children eligible that year.

12 All the rates were calculated in real terms.

Table 2  
**Child Allowance by Place of Child in Family and Allowance per  
 Family by Number of Children (NIS, current prices),  
 2002-2009**

Date	1	2	3	4	5	Increment for additional child
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
2008						
Per child	152	152	182	337	337	337
Per family	152	304	486	823	1,160	337
January 2009						
Per child	159	159	191	353	353	353
Per family	159	318	509	862	1,215	353
July 2009						
Per child	159	159	251	446	353	353
Per family	159	318	569	1,015	1,368	353

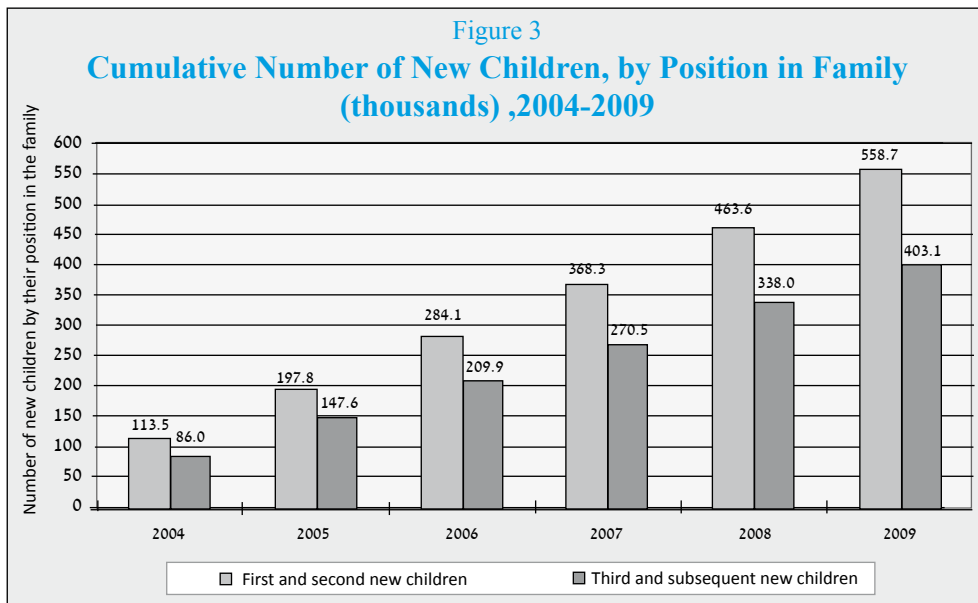
\* Children born after June 1, 2003 receive the same allowance as the first child, regardless of their place in the family.



### C. Recipients of child allowances

Tables 3 and 4 show the distribution of families receiving a child allowance based on the size of the family, as well as of the children for whom the allowance was paid based on their position in the family. The number of families which had children after June 2003 and the number of children born after that date are shown in detail in section E below.

The number of families receiving child allowances in 2009 reached an average of approximately one million per month – an increase of 1.7% compared to 2008, and this is slightly higher than the increase between 2007 and 2008. The number of children for whom allowances were paid reached a monthly average of approximately 2.4 million in 2009: an increase of 1.9% over the previous year. This rate is slightly higher than the growth rate of 2008, which was 1.6%. The annual average of families with one child rose by 1.2% in relation to 2008 and reached approximately 327,000. The number of families with two or more children increased by 1.4% compared to 2008.



#### **D. "New children"**

The amendments in 2003-2004 defined the group of "new children" as children born during and after June 2003. Up to June 2009, these children received an allowance equal to that of the first two children, regardless of their position in the family.<sup>13</sup> This policy naturally led to a disparity in the level of allowances between families of the same size.

Approximately 62,000 new children were born during the second half of 2003. Their numbers increased by 86,000 in 2004 and by 403,000 in 2009. All in all, the number of new children reached 962,000 in December 2009 – 40% of 2.4 million children for which an allowance was paid that that time. At the end of 2009, approximately 42% of them (about 403,000) were third or subsequent children, for whom a lower allowance was being paid than third or subsequent children who had been born prior to June 2003. These, in fact, were children who had been adversely affected in the past as a result of the equalization of allowances for all the children – and they are the beneficiaries of the change effected in the context of the Economy Arrangements Law.

Figure 3 shows the cumulative number of new children from 2004 to 2009 on the basis of their position in the family. The figure shows us that approximately 62,000 third or subsequent children were added every year between 2005-2007, and that in 2008-2009, approximately 65,000 third or subsequent children were added. At the end of 2009, their total number amounted to approximately 403,100 children.

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<sup>13</sup> NIS 144 between August 2003 and January 2004, NIS 120 between February 2004 and December 2005, NIS 148 in 2006 and 2007, NIS 152 in 2008 and NIS 159 in 2009.

Table 3  
**Families Receiving Child Allowance, by Number of Children in Family  
(monthly average), 2000-2009**

Year	Total	Number of children in the 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
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
<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
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

\* Due to a technical failure in the administrative files for children for June to October 2003, the number of children was estimated by retrieving data from the Children branch for the beginning of those months.

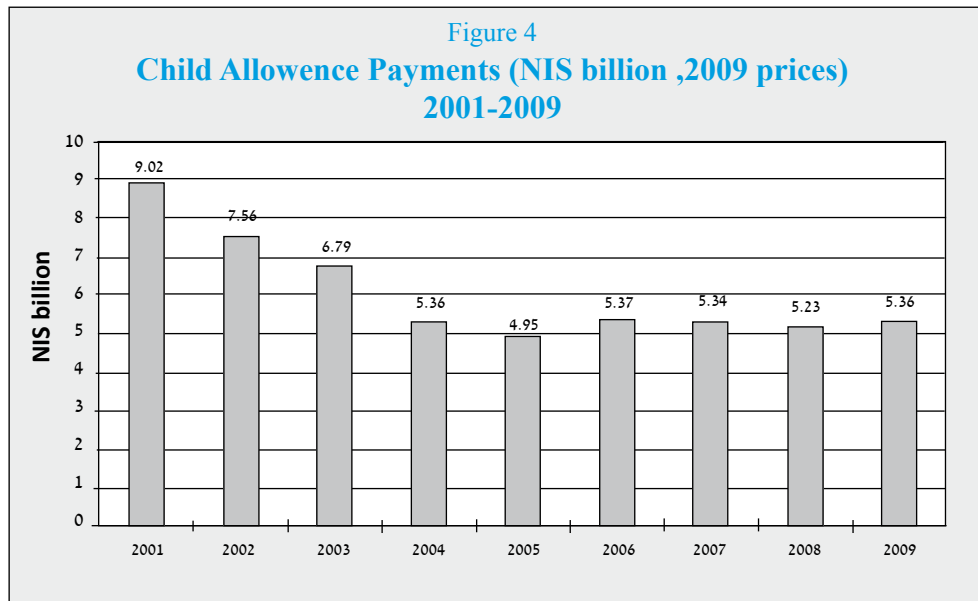
Table 4  
**Children Receiving Child Allowance by Their Place in the  
 Family (monthly average), 2000-2009**

Year	Total number of children	Child's place in the family					
		First	Second	Third	Fourth	Fifth	Sixth +
<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
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
<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
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

\* See note in Table 3.

### E. Study grant

In the framework of Children, study grants are paid from 1992 to single-parent families with children aged 6-14. Since August 1998, the grant is paid also to families with four or more children who receive one of the following NII benefits: an income support benefit, maintenance payments, a disability pension, an old-age pension or survivors' benefit. The grant is an annual one-time payment given close to the start of the school year and its objective is to help the eligible families purchase school supplies. The size of the grant for children aged 6-11 is 18% of the basic amount (NIS 1,383 in 2009) and for ages 12-14 – 10% of the basic amount (NIS 768).



In 2009, the NII provided study grants to approximately 81,000 families, of whom about 57,000 were single-parent families and the remainder, families with four or more children who receive support benefits. The grant was paid to 146,000 children, the same as in 2008. 60% of all the children who received the study grant (some 86,000 children) received the increased grant.

## F. Scope of payments

An examination of Table 5 shows that in 2009, child allowance payments rose at a real rate of approximately 6% compared to 2008. This increase consists, on the one hand, of a moderate increase in the number of children for whom the allowance was paid and a sharp increase in the allowance for third and fourth children, and on the other hand, of a decline in the number of children for whom the high allowance was paid because they were born before 2003.

Changes in the scope of child allowance payments are also reflected in the relative share of payments by the branch out of all NII payments. The portion of payments by the branch, out of all NII payments decreased in recent years: from 16.7% in 2001 to 11.4% in 2004, and to 10.4% in 2008-2009.

Figure 4 presents the annual payments for child allowances at fixed prices for 2001-2009. The development in the scope of payments reflects the series of cutbacks carried out in 2002-2005. The sharpest cutback was in 2004, which resulted in a decline of more than 20% in the scope of payments. In 2006, the scope of payments rose by approximately NIS 400 million by virtue of the increase in the child allowance for the first three children.

Box 7

**The Effect of Child Allowances on Fertility**

Child allowances are the main resource in the country's social security system for assisting families with the expenses of raising children. One of the objectives of the child allowances in Israel is to provide support for families from a weak socio-economic background. The question posed here is whether or not the size of the child allowances (indirectly) affects fertility.

There were significant changes in the structure and size of the child allowances in Israel over the past two decades. In the mid-1990's, child allowances to non-Jews rose significantly, when the allowance for "army veterans" was replaced by a universal child allowance, and in 2001, child allowances to higher placed children were increased significantly under the "Halpert Law". In 2002-2003, child allowances were cut back sharply, particularly in the context of the Economic Recovery Plan: the allowance for a child already born gradually diminished, and a child born after this date received an allowance that was much lower than that for the first child, regardless of his position in the family, so that in 2007, the marginal allowance for the next child was 3/5 lower in real terms than the allowance paid in 2000. From 2009 to 2012, the allowances will be gradually raised for children whose positions in the family are second to fourth.

The present study examined the impact of the size of the child allowance on the birth rate among women in Israel from 1994 to 2007, with an emphasis on the reaction to the sharp cutbacks in allowances in 2003. The significant changes in the structure and size of the allowances are what made it possible to identify their impact on fertility patterns.

The population included in the study covered all women aged 15-44 for 1994-2007. The database – originating from the administrative files of the NII – includes detailed information on women's fertility patterns and their socio-economic and demographic characteristics. A differentiation was made between the various population sectors: non-ultra-Orthodox and Orthodox Jews, Bedouins from the North and the South, (East) Jerusalem Arabs, other Arabs and Druzes.

The total rate of fertility of the various population sectors is presented in Table 1. The total rate of fertility is defined as the average number of children a woman is expected to have during her life if her fertility patterns are identical to those of all women of childbearing age during a given period.

The main finding of the study is that the size of the child allowances did not bring about a clear change in the total average childbearing of women as a whole: during the years preceding the cutbacks, the total fertility rate among the whole population of women was 2.78 and after the cutbacks, it stood at 2.77.

### Overall Fertility Before and After Reduction of Child Allowances Under the Economic Recovery Plan, June 2003

Population groups		1996-1997	2001-2002	2006-2007	First difference	Second difference
Jews	Orthodox	7.50	7.24	6.74	-0.51	-0.25
	Others	2.22	2.13	2.20	0.07	0.02
Arabs	Bedouins – South	7.08	6.76	5.62	-1.14	-0.82
	Bedouins – North	4.06	4.04	3.25	-0.79	-0.77
	Jerusalem	4.05	3.97	3.56	-0.41	-0.34
	Others	3.71	3.70	3.08	-0.62	-0.61
Druze		3.30	2.85	2.52	-0.34	0.11
Total		2.81	2.78	2.77	-0.03	0.03

When differentiating between various population sectors, one can see that the size of child allowances had a positive impact on two population sectors: among ultra-Orthodox women, who constitute 6.5% of all women of childbearing age, the total fertility rate decreased from 7.2 children in 2002-2003 to 6.7 children in 2006-2007, and among Arab women, who constitute 15% of all women of childbearing age, the decrease ranged between one to 0.4 children (Table 1), depending on the type of population.

Among other population sectors – non-ultra-Orthodox women, who constitute approximately 75% of all women of childbearing age, and Druzes – the child allowances did not have a noticeable effect on the birth rate.

Child allowances affected the birth rate mainly in families with many children, who are a minority among the total population – less than 10%. It should also be noted that the study was carried out shortly after the cutbacks in child allowances, and therefore, it is not clear to what extent the decrease in birthrate, if any, stabilized over time. In addition, the cutbacks occurred close to upheavals in the business world which resulted in extensive damage to the social security network, and it is possible that the evaluators might not have taken these factors fully into consideration.

Table 5  
**Payments for Child Allowances (NIS millions, 2009 prices),  
 2000-2009**

Year	Overall total		Child allowance		Study grant	
	Current prices	2009 prices	Current prices	2009 prices	Current prices	2009 prices
2000	6,937.6	8,353.9	6,808.7	8,198.3	128.8	155.1
2001	7,571.3	9,015.9	7,415.5	8,830.4	155.8	185.5
2002	6,705.7	7,555.4	6,553.7	7,384.2	151.9	171.2
2003	6,067.8	6,790.3	5,914.4	6,619.6	152.6	170.7
2004*	4,764.9	5,355.2	4,612.2	5,183.5	152.7	171.6
2005	4,460.7	4,947.5	4,308.2	4,778.4	152.4	169.0
2006	4,947.0	5,373.6	4,791.2	5,204.4	155.8	169.3
2007	4,940.5	5,334.0	4,783.3	5,169.2	157.1	169.8
2008	5,062.2	5,230.2	4,896.7	5,059.3	165.5	171.0
2009	5,537.3	5,537.3	5,365.4	5,365.9	171.4	171.4

\* As of 2004, payments include payments for family increments in addition to child allowances and study grants.



## 5. Maternity Insurance

### A. The benefits

In the framework of maternity insurance, the mother receives the following benefits:

**Hospitalization grant** – This grant is intended to cover the costs of giving birth and hospitalization of the mother and the newborn, and it is paid directly to the hospital. A higher hospitalization grant was paid as of December 1993 in the case of a premature baby. During the first two years since the introduction of the National Health Insurance Law (January 1995), hospitalization fees for mothers and newborns, premature babies included, were incorporated in the basket of health services defined by the law. The NII financed this hospitalization through the sums collected by the Maternity Branch and transferred them to the Ministry of Health. In January 2007, the hospitalization grant began once again to be paid directly to the hospital. When the birth occurs abroad, the hospitalization grant is paid directly to the mother submitting a claim.

#### **The amount of the hospitalization grant varies as follows:**

1. It is updated every January on the basis of a formula defined in the law, and on the basis of which the amount paid for normal births and the supplement for a premature birth will equal the sum that would be paid for these births had there been no difference in the amounts of the grant for normal and premature births.
2. When the Ministry of Health modifies the price of a general day of hospitalization, the amount of the hospitalization grant changes accordingly.

Since April 2005, the amount of the hospitalization grant for a premature birth has risen by approximately 50%. The cost of the supplement amounts to approximately NIS 115 million a year and is fully financed by the Treasury. Since January 2007, the amount of hospitalization grant has risen by 12.1%. The cost of the supplement amounts to NIS 151.6 million per year and is fully financed by the Treasury. Since August 2009, the amount of the hospitalization grant has increased by approximately 10%. The cost of the supplement amounts to approximately NIS 150 million per year and is fully financed by the NII (by those insured).

**Cost of transport to the hospital** – The NII also participates in the expenses involved in transporting the mother to the hospital. In 2008, the conditions for eligibility for transport to the hospital were eased. Prior to that, the mother was eligible for transport only if she lived at a certain distance from the hospital. As of March 16, 2008, every mother giving birth is entitled to transport to the hospital nearest to her place of residence.

**Birth grant** – The grant is intended to aid in purchasing initial supplies for the newborn, and it is paid directly to the mother. Until July 2002, the amount of the grant allocated to the mother was uniform, regardless of the number of previous births, and under the NII Law, it was equal to 20% of the average wage. In August 2003, the rate for mothers giving birth to the second and subsequent children was changed and was set at 6% of the average wage. In January 2004, the grant for the second child only was increased to 9% of the average wage. When two or more children are born in one birth, the birth grant is higher: for twins – a sum equal to the average wage, and for each additional child – another 50% of the average wage. Since January 2006, the amount of the birth grant is calculated on the basis of the basic amount.

**Maternity allowance** – This benefit is intended to compensate the working mother for loss of income during the maternity leave which she is obliged to take under the Employment of Women Law. Every working mother is entitled to the maternity allowance – salaried employees, self-employed and those in vocational training – in cases where, in the period preceding the birth, insurance payments were made for the periods stipulated by law. The maternity allowance is paid for seven or 14 weeks, depending on the qualifying period accumulated by the date stipulated by law (before the law was amended in May 2007, the maternity allowance was paid for six or 12 weeks). Since November 1994, the amount of the maternity allowance paid per day replaces the full salary or the average daily income earned by the mother during the three months before she stopped working (on or before the date of giving birth), and not more than the maximum amount stipulated by law. Income tax, social insurance payment and health insurance are deducted at source from the maternity allowance.

The mother can start receiving the maternity allowance before the estimated date of birth, but for no more than half of the period to which she is entitled. Under certain circumstances, the maternity leave can be extended for a maximum of four weeks. Since 1998, men who share the maternity leave with their partners can

receive maternity allowance payment, on condition that the mother has returned to work. Foreign residents are also entitled to the maternity allowance. Under the 2003 Economy Arrangements Law, women who are not in Israel legally are not entitled to the birth grant or the maternity allowance.

**Childbirth allowance** – The allowance is paid to a woman who bears three children or more in one birth, where the infants remained alive for a period stipulated by law, and it is intended to assist her with expenses. The allowance is paid every month for 20 months. The allowance is based on the basic amount, and it decreases gradually during the period of eligibility.

**Risk pregnancy benefit** – This benefit is paid to a working woman who, for medical reasons related to her pregnancy, is obliged to stop working for at least 30 days and does not receive payment from her employer or any other source for that period of time. The qualifying period for eligibility for this benefit is identical to that for the maternity allowance. Since the beginning of 1995, this benefit is equal to a woman's average wage during the three months before she stopped working, not exceeding 70% of the average wage. The law was amended in 2000 and the maximum amount paid was stipulated to be the full average wage, and it is currently the full basic amount.

**Special allowance and special benefit** – These allowances are paid if the mother dies in childbirth or within one year of the birth: a monthly allowance of 30% of the average wage is paid for a period of 24 months for every infant born during that birth. If a child receives a survivors' or dependent's benefit, the allowance will be paid only for 12 months. The spouse of the deceased receives a special benefit equal to the amount of injury allowance for a period of up to 12 weeks if he stopped working to care for the child. This benefit was paid in 10 cases during 2008.

## **B. Main trends**

The number of births relative to the population of women of childbearing age (15-44) continued to increase in 2009: in 2009, birth grants were paid to about 158,000 women (Table 1) – an increase of approximately 3.5% compared to 2008. During these years, the number of women of childbearing age rose by only one percent. In other words, the number of births per 1,000 women of childbearing age rose from approximately 96 births in 2008 to approximately 102 births in 2009.

About 47,000 of the births during 2009 were first births, 42,700 were second births and 68,000 were third or subsequent births, as shown in Table 2. About 3,500 were births of twins and 100 – births of three or more children in the same birth.

2,656 of the hospitalization grants paid in 2009 were for premature births. The decline in the number of hospitalization grants for premature births that began in 2004 came to a halt, and their number rose by 2.5% in 2007, by 5% in 2008 and by 6% in 2009.

About 98,000 women received a maternity allowance in 2009 compared to 94,000 women in 2008 – an increase of 3.4%, and the total number of women in the population rose during those two years, while the number of women employed in the work force only rose by one percent. Women receiving the maternity allowance constituted 62% of all women receiving birth grants. The average age of recipients of a maternity allowance continued to rise, albeit slightly, and in 2009, it rose to 31 (compared to 30 in 2007 and to 28.7 in 1988), corresponding to the average age of women giving birth in the general population. Some 95% of the women who received a maternity allowance were salaried employees, and the remainder – 5% – were self-employed, kibbutz members or members of a collective moshav.

Table 1  
**Women Who Received Birth Grant and Maternity Allowance  
(monthly average), (absolute numbers and percentages), 2000-2009**

Year	Received hospitalization grant		Received birth grant		
	Absolute numbers	Rate of change compared to previous year	Total	Rate of change compared to previous year	Rate of all women who received birth grant
2000	134,720	8.5	70,641	7.3	52.4
2001	132,044	-2.0	71,176	-0.2	53.9
2002	134,187	1.6	71,317	-0.8	53.2
2003	142,363	6.1	73,948	2.7	51.9
2004	143,387	0.7	77,505	3.8	54.1
2005	142,890	-0.3	77,025	-1.6	53.9
2006	143,599	0.5	83,285	7.1	57.6
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

Table 2  
**Distribution of Live Births by Order of Births (percentages),  
 2000-2009**

<b>Year</b>	<b>Total</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4+</b>
2000	100.0	30.1	25.8	18.0	26.0
2001	100.0	29.7	26.2	18.1	26.0
2002	100.0	29.5	26.2	18.1	26.3
2003	100.0	29.6	26.6	18.2	25.6
2004	100.0	29.9	26.8	18.4	25.0
2005	100.0	29.5	27.1	18.6	24.9
2006	100.0	29.2	27.4	19.0	24.4
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

The hospitalization grant was modified three times during 2009: in January, it was updated by 4.6%, on the basis of the formula stipulated in the law, which required a day of hospitalization to be updated; in August, it was increased by approximately 10% in accordance with the government decision in the 2009-2010 Economy Arrangements Law; and in September, it declined by 2.9% in keeping with the cost of a day in the hospital. All in all, it rose by 11.8% between December 2008 and December 2009, and at the end of 2009, stood at NIS 9,262.

In comparison with 2008, there was a nominal increase of 10% on the average in the hospitalization grants for a normal birth during 2009, and of 6% for a premature birth in real terms. The maternity allowance rose by approximately 4.5% in nominal terms, and by approximately 3% in real terms.

Table 3 shows that fewer than half the women received a daily maternity allowance in an amount not exceeding half of the average wage in the economy, and that one quarter of them received a maternity allowance that was higher than the average wage in the economy. The proportion of women receiving a maternity allowance that exceeded the average wage rose steadily from 19.6% of the women in 2006 to 24.6% in 2009, and at the same time, the proportion of women earning up to half of the average wage decreased from approximately 37% in 2006 to 31% in 2009.

Table 3  
**Women Receiving Birth Grants, by Rate of Birth Grant per Day, as Percentage of Average Daily Wage (absolute numbers and percentages), 2000-2009**

Year	Total recipients (numbers)	Up to 1/4 of average wage	1/4- 1/2 of average wage	1/2-3/4 of average wage	3/4 to 100% average wage	Above average wage
2000	70,641	7.4	29.9	28.5	16.1	18.1
2001	71,176	7.1	28.4	28.4	16.4	19.7
2002	71,377	6.9	26.5	28.6	17.1	21.0
2003	73,948	6.8	25.1	29.6	17.2	21.3
2004	77,505	7.9	26.6	29.0	16.6	19.8
2005	77,025	7.8	26.2	28.3	17.0	20.7
2006	83,285	8.7	28.2	28.1	15.4	19.6
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

Since 1995, the daily maternity allowance has risen from 75% of the mother's salary to her full salary. Therefore, the amount of the maternity allowance represents the salary earned by working women of childbearing age, and the distribution of maternity leave as a percentage of the average wage in the economy is equivalent to the distribution of salaries of women of those ages. This is despite the fact that the daily calculation of the maternity allowance is carried out for a 30-day month, while the monthly wage is based on the number of possible work days, which ranges between 25 and 27 days a month.

The amount of the maternity allowance, like salaries, differs according to demographic and employment characteristics:

- The amount of the maternity allowance increases as the woman's age increases. The average maternity allowance in 2009 was NIS 220 per day, which is 83% of the average wage. Women under 24 received a maternity allowance of approximately 46% of the average daily wage in the economy, while those who were 35 or over received slightly more than the average wage (107% of the average wage in the economy).
- The maternity allowance paid in the areas in the center of the country

were higher than those paid in the periphery. In the Tel Aviv and Kfar Saba branches, the amount of the maternity allowances paid daily was, on the average, the highest, while in the Bnei Braq and Nazareth branches, it was the lowest.

- In 2009, 285 men received the maternity allowance, compared to 281 in 2008 and 246 in 2007. Fewer than 3 men received the maternity allowance for approximately every 1,000 women who received it.

### C. Scope of payments

Table 4 shows the scope of benefits paid by the Maternity branch under the National Insurance Law, by type of benefit. The data shows that in 2009 as well, there was an increase in payments by this branch, mainly hospitalization grants and maternity allowances, which constituted approximately 93% of all payments by the branch. This increase stems from an increase in the number of births and an increase in the amount of the hospitalization grant, as stipulated in the 2009-2010 Economy Arrangements Law.

The proportion of payments by the Maternity branch from all National Insurance payments rose steadily and gradually from 6.3% in 2006 to approximately 8.5% in 2009.

Table 4  
**Maternity Benefit Payments, at 2009 Prices (NII thousand),  
2000-2009**

Year	Total benefit payments	Hospitalization	Layette for newborn	Birth grant	Risk pregnancy benefit
2000	2,548,407	1,067,845	226,418	1,185,488	58,171
2001	2,771,814	1,146,869	276,297	1,275,141	63,885
2002	2,736,970	1,112,748	267,776	1,284,302	62,319
2003	2,711,010	1,168,538	199,110	1,273,365	60,214
2004	2,722,666	1,185,081	141,046	1,325,813	60,217
2005	2,847,439	1,317,144	136,109	1,316,632	64,934
2006	3,060,630	1,384,034	148,348	1,435,500	80,023
2007	3,586,352	1,626,100	148,235	1,706,728	91,759
2008	3,977,126	1,609,212	155,765	2,084,363	117,136
2009	4,151,700	1,749,406	158,174	2,098,399	131,480

Box 8

**Who Should Finance the Hospitalization Grant –  
National Insurance or Health Insurance?**

The payment to hospitals for the hospitalization of birthing mothers was one of the first payments made by the National Insurance Institute in 1954. On the date on which the National Insurance Law came into effect, two benefits were paid simultaneously in the framework of Maternity Insurance – the maternity allowance and the birth grant. The birth grant included money to purchase initial items required for the infant and paid for the hospitalization of both mother and the infant in the hospital.<sup>1</sup> In order to receive the grant, the birth had to take place in a hospital.

In the newly formed State of Israel of that time, the legislation stemmed from the mass immigration, the rather high rate of births which was accompanied by a high rate of infant deaths,<sup>2</sup> and the lack of medical insurance for the general population. The objective of the legislation at the time was to encourage women to give birth in hospitals, in order to promote the mother and infant's health and to reduce the mortality rate of infants and birthing mothers, as well as to lay an important cornerstone for the welfare state and to reduce social gaps.

Prior to the legislation of the Maternity Insurance Law, the hospitalization of mothers was regulated via the medical insurance granted by the health funds and other public funds. Until 1995, when the National Health Insurance Law was legislated, there was no obligation to have health insurance. When there was no universal medical insurance, ensuring free hospitalization to all mothers giving birth through social insurance was considered the correct and advanced thing for its time. However, since the legislation of the National Health Insurance Law, every resident of Israel is insured and entitled to receive medical care in accordance with the specifications of the "health basket".

The question is whether payment for the hospitalization of mothers giving birth through the NII, paid for from its budget, is still justified?

- 1 In 1986, the birth grant for purchasing items required for the newborn was separated from the hospitalization grant paid to the hospital in which the birth occurred.
- 2 Data published by the Kanev Commission show that the rate of infant death rose from 29.2 per 100 live births in 1947 to 35.2 in 1948 and to 51.9 in 1949. For comparison's sake, the rate of infant death in 2007 in Israel was 4.6 per 1000 births.



In 1975, the report of the sub-committee of the "**Committee for Examining the Issue of Hospitalization Services for Mothers Giving Birth**"<sup>3</sup> (The Kaplinsky Commission) was published. In the concluding section, which determines the preferable method of funding, it states that: "When inclusive health insurance will be introduced in the law, the situation will change and the Commission is certain that there will no longer be any particular reason to take the hospitalization of mothers out of its natural context – all of the health and hospitalization services. It is therefore proposed that hospitalization support, on the one hand, and the insurance benefit required to finance it on the other, then be transferred from the National Insurance Law to the Health Insurance Law. This arrangement will avoid the need of arbitrary accounting between the two systems, where there is no clear and stable mathematical basis for it" (Report of the Commission, page 16).

### Financing Hospitalization of Women in Confinement in Selected Countries

Country	Financing hospitalization of women in confinement
Belgium	Included in the global rate of the National Social Security Office
Denmark	Included in payment to tax system
France	Financed by the National Sickness Insurance Fund
Germany	Financed by the sick funds
Greece	Financed by the Social Insurance Institute
Iceland	Financed by the Social Insurance Administration
Ireland	Financed by the Dept. of Health and Children through the Health Services Executive
Italy	Financed by the National Health Service
Luxembourg	Financed by the sick funds
Holland	Included in the health insurance
Norway	Included in the global rate to the National Insurance Administration
Spain	Included in the global rate of the National Institute of Social Security

Source: Social Security Programs throughout the World: Europe, 2008

The findings from a comparison between countries are not unequivocal:

- In half of the countries, the hospitalization of mothers giving birth is financed by the health funds and in half of them, by the social security system.
- In many developed countries, the "maternity" branch is part of the "health, sickness and maternity" branch and they cannot be separated.
- The differentiation between "sick funds" and "the social insurance system" is not always clear.

<sup>3</sup> Members of the sub-committee were representatives from the National Insurance Institute, the Ministry of Health and the Clalit Health Fund.

## 6. General Disability Insurance

### A. Benefits

In accordance with the law, the following benefits are paid in the framework of General Disability insurance: a disability pension, intended to guarantee a minimum income for subsistence to persons with disabilities; an attendance allowance, intended to help the person with disabilities to function in his home; a benefit for a disabled child, intended to help the family care for their disabled child at home; and a mobility allowance, to help persons with limited mobility outside the home.

In addition to these benefits, the law grants eligibility for the rehabilitation of disabled individuals where there is a potential for rehabilitation in order to help them to integrate into the labor market. Since 1994, Disability branch benefits are paid also under the Law for the Compensation of Radiation-affected Persons, and since 2007, compensation to polio victims is also paid.

#### 1. Disability pension

In the framework of Disability insurance, a distinction is made between two major groups: "disabled wage-earners" (men and women) and "disabled housewives". The eligibility test for the pension is different for each category.

**Disabled "wage-earner"**: an insured individual who, as a result of a physical, cognitive or emotional impairment resulting from an illness, accident or congenital defect, meets one of the following conditions: (a) his ability to earn a living from work or an occupation is limited by at least 50%, (b) he do not earn an amount exceeding 45% or 60% (depending on the condition of the person's health) of the average wage, as defined in the National Insurance Law.

**Housewife**: a married woman who has not worked outside her household for the periods defined by law, and who, as a result of a physical, cognitive or emotional impairment resulting from an illness, accident of congenital defect, is incapable of functioning and performing the chores customary in a normal household, or whose ability to perform them has been reduced by at least 50%.

The process of determining a wage-earner or a housewife's eligibility for a disability pension consists of two stages. During the first stage, an NII-appointed doctor determines whether the threshold of degree of medical disability has been met: for a disabled wage-earner – at least 60%, 40% in cases where the degree of medical degree of impairment is at least 25%, and for housewives – 50%. If it has been determined that the medical disability of an individual is lower than the above threshold, his claim is rejected out of hand and the person's ability to earn a living/function in the household is not examined.

Once the degree of medical disability has been determined, the claims officer determines the degree of inability to earn a living/function, after having consulted the authorized physician and the rehabilitation officer. In determining the degree of inability, the rehabilitation officer might also be influenced by additional factors such as the rate of unemployment in the region in which the disabled person resides. The size of the pension paid to a disabled individual with 100% disability is determined by law to be 26.75% of the basic amount.

A disabled individual who is at least 75% incapacitated who is not hospitalized and whose medical disability is at least 50% is entitled also to an additional monthly pension. This amount of this pension is dependent on the degree of medical disability, and in 2009, it was NIS 224-331 per month.

In August 2009, Amendment 109 to the NII Law (application of the recommendations of the Laron Commission) went into effect, and its purpose is to encourage people with disabilities to integrate into the labor market while continuing to receive a partial pension.

## **2. Attendance Allowance**

Under the regulations for the Attendance Allowance for the Disabled, a special allowance is paid to recipients of the disability pension who have at least 60% medical disability, and who are, to a large extent, dependent on the assistance of others in order to perform daily activities. In addition, the attendance allowance is paid to disabled individuals who, due to their age or income level, do not receive a disability pension and have at least 75% medical disability. The allowance is paid at three levels, depending on the extent of dependence on others: 50%,

105% and 175%<sup>14</sup> of the full disability pension for a single individual, which is 25% of the basic amount.

In addition, a special benefit is paid to individuals eligible for an attendance allowance who suffer from a serious physical handicap. The size of this benefit depends on the extent of need to rely on others and in 2009, it was NIS 272-827.

### 3. Benefit for disabled child

This benefit is intended to assist a family caring for its disabled child to carry the difficult burden of nursing or long-term care, or any other treatment aimed at improving the child's ability to function, as well as to encourage the family to care for the child in the framework of the home and the community.

A child is eligible for the benefit for a disabled child if the following conditions are met:

- He is dependent on the assistance of others, requires constant supervision, suffers from a particular impairment (i.e. hearing loss, decrease in vision, Down's Syndrome, etc.), or requires medical treatment as specified in the regulations (listed below).
- He is the child of an insured resident of Israel (or of an insured individual who passed away while a resident) or a new immigrant who arrived without his parents.
- He is residing in Israel.
- He has not been placed with a foster family or in an institution.

Five groups of children are eligible for the benefit for a disabled child:

- **A child between the age of 91 days and 3 suffering from severe developmental delay:** he is unable to perform most head, limbs and back

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<sup>14</sup> These are rates being paid since January 2009; until then, the rates were 50%, 100% and 150%.

movements which children of his age are capable of doing.

- **A child between the age of 91 days and 18 years who is in constant need of supervision** in order to prevent a life-threatening situation to himself and others.
- **A child between the age of 91 days and 18 years who is more dependent on the assistance of others than his peers** in order to be able to perform daily functions (dressing, eating, washing, mobility in the home, continence), or requires the permanent presence of others due to an impairment or an illness, or impaired comprehension of the significance of an immediate risk factor.
- **A child up to the age of 18 who suffers from one of the following impairments:** hearing impairment (since birth); visual impairment (since the age of 90 days); psychosis, autism or similar psychiatric conditions (since the age of 90 days); Down 's syndrome (since birth).
- **A child between the age of 91 days and 18 years requiring medical treatments** for a severed chronic illness, at the frequency set out in the Regulations.

The size of the benefit is calculated as a percentage of the full disability pension for an individual regardless of the impairment. The benefit includes an allowance for special arrangements and for assistance in studies and developmental treatment, varying on the basis of the child's age and the type of treatment or supervision he receives.

A family with two or more disabled children is eligible for an increase of 50% for each disabled child. This payment continues even if one of the children no longer receives the benefit because he has reached the age of 18. A disabled child with limited mobility of at least 80%, or who requires and uses a wheelchair, is entitled to receive both the benefit for disabled child and the mobility allowance.

In addition, a disabled child receiving at least 100% of the benefit is entitled also to an additional monthly benefit. In 2009, the additional benefit was NIS 331.

Box 9

**Modifications to the Disabled Child Regulations  
(Or Noy Report)**

In 1999, a committee was appointed, headed by Prof. Asher Or Noy (hereinafter, the committee), whose task it was to examine the conditions for eligibility for a disabled child benefit and to propose relevant modifications. The committee recommended two stages of action: in the first stage, children with severe developmental disorders and children requiring special medical treatment – approximately 4,500 additional children – should be added to the list of beneficiaries of this benefit. For the second stage, it was proposed that two standards be set for eligibility: (a) a child requiring special medical treatment (as it exists today); (b) a child requiring special rehabilitation treatment (at this time, this is in the process of being defined). Since then, despite repeated attempts, the regulations have not yet been approved.

The new regulations for eligibility for a benefit for disabled child were published on 14 February 2010, in accordance with the recommendations of the committee.

- 1) New grounds for eligibility and additions to existing criteria:
  - Severe physical impairment, an uncontrollable urge to eat, a lack of full function of two limbs, blood tests at least twice a day and immunosuppressive treatment for at least three years from the date of transplant in the case of a child requiring special medical treatment.
  - Hearing loss of at least 40 decibels, less than 6/60 vision in each eye, requiring a permanent presence and assistance in order to communicate (for a child with special impairment – see the table below).
- 2) Changes in the rates of the benefit for some of the criteria.
- 3) A supplement for living expenses and to help with studies at a uniform rate of 20% of the full benefit.

### Rates of Benefit for Disabled Child under 2010 Regulations, by Age

		0-90 days	90 days to 3 years old	3-18 years old	Additional benefit
Child dependent on help of others	1. Very much 2. Completely			30% 80%	17%
Child requiring special medical care	1. Requires a transfusion		100%	100%	17%
	2. Receives dialysis or catheterization twice a day		100%	100%	17%
	3. Receives immunosuppressive care after transplant		100%	100%	17%
	4. Long and serious illness resulting from the immunosuppressive care		100%	100%	17%
	5. Treated with cytotoxic instruments		100%	100%	17%
	6. Arthroscopy, gastrostomy, genostomy, colostomy or cystostomy		100%	100%	17%
	7. Uncontrollable urge to eat		100%	100%	17%
	8. Intravenous feeding		100%	100%	17%
	9. Treatment with tracheostomic oxygen		100%	100%	17%
	10. Regular treatments for six months, treatment with blood pressure regulators, bedridden at home or hospitalization for 45 days		100%	100%	17%
	11. Broken bones, chronic infections		100%	100%	17%
	12. Lack of full control over two limbs		100%	100%	17%
	13. Blood tests outside of home		100%	100%	17%
	14. Blood tests twice a day, at home (by doctor's orders)		50%	50%	
	15. Rare and serious syndrome			100%	100%
Child with unique impairment	1. Down's Syndrome	30%	30%	30%	17%
	2. Hearing impairment	80%	80%	80%	17%
	3. Hearing loss of at least 40 decibels in the good ear	30%	30%	30%	
	4. Visual impairment		80%	80%	17%
	5. Developmental delay		80%		17%
	6. Autism		80%	80%	17%
	7. Permanent presence		80%	80%	17%
	8. Assistance in communicating			80%	17%

#### **4. Allowance for persons with limited mobility**

The following payments are made in the framework of assistance to disabled individuals with limited mobility: (a) a mobility allowance to both car owners and those without cars, provided in the form of participation in travel expenses; (b) a standing loan for financing the taxes on a car purchased by a disabled individual. Additional assistance is granted to a first-time purchaser – a loan or a grant to help with the purchase of the car, subject to a means test.

The mobility allowance is calculated on the basis of a "vehicle maintenance basket", which consists of insurance, gasoline, car servicing and repair costs, security devices and repairs for special accessories. The mobility allowance is updated on the basis of the price increases of the components of the basket as reflected in the relevant price indexes of the Central Bureau of Statistics. The dates for the update are every January and every time the price increase reaches 4% or higher.

#### **5. Compensation for individuals affected by radiation**

In 1994, the Knesset approved the law for compensating individuals affected by radiation, intended to compensate those who contracted tinea capitis – ringworm of the scalp – and who, between 1.1.1946 and 31.12.1960, were treated with radiation by the State, the Jewish Agency, the health funds or the Hadassah Medical Histadrut, or themselves.

Under the law, individuals eligible for benefits through the NII are those who were determined by a committee of experts to have been treated by radiation treatments, and where the medical committee or the appellate medical board determined that they had become ill as a result. The illnesses specified in the addendum to this law are: various types of cancer in area of the head and the neck, benign tumors in the brain, leukemia, and lack of hair in scarred areas on the scalp.

Following are the payments to which individuals affected by radiation as well as the survivors of whoever died as a result of the illness, are entitled:



**Payments to affected individuals:**

- A lump-sum compensation: the sum of NIS 171,625 (December 2009) paid to those with 75-100% disability, and NIS 85,813 to those with 40-74% disability.
- Monthly pension: in addition to the lump-sum compensation, any individual certified with at least 40% disability is also entitled to a monthly pension. Under the law, if an individual is certified with 100% disability, the amount of the benefit is 25% of the average wage (NIS 1,982, December 2009).
- A grant in lieu of a pension: any individual certified with 5-40% disability receives a lump-sum grant, calculated on the basis of the percentage of the monthly benefit (based on his degree of disability) multiplied by 70.

**Grants to survivors:**

- A spouse with children – 36 allowance payments at a rate of 25% of the average rate under the law (NIS 71,352, December 2009).
- A spouse without children or a child without a spouse is entitled to 60% of 36 allowance payments at a rate of 25% of the average wage under the law (NIS 42,811, December 2009).

**6. Compensation for victims of polio**

The Knesset passed the Polio Victims Compensation Law in March 2007. This law is intended to compensate individuals who contracted polio in Israel, as an expression of the State's feeling of responsibility towards them.

The law defines a victim of polio as a resident of Israel who contracted poliomyelitis in Israel and where an authorized doctor or medical appellate committee determined that he incurred a disability as a result of that disease. Polio also includes subsequent deterioration – post-poliomyelitis. The disease broke out in the beginning of the 1950's but some isolated cases are known to have surfaced in later years.

The compensation granted to polio victims under the law will not derogate from their rights to receive any other benefit from the National Insurance Institute.

**Payments:**

- A lump-sum compensation in the following amounts (for 2009): NIS 53,713 to those with degrees of disability lower than 75%; NIS 107,426 to those with degrees of medical disability ranging from 75% to 94%; NIS 128,911 to those with degrees of medical disability of 95% or more.
- A monthly pension or a grant in lieu of a pension: in addition to the lump-sum compensation, any individual for whom at least 20% medical disability has been determined is entitled to a monthly pension. An individual whose disability has been determined to be less than 20% is entitled to a grant in lieu of a pension.

The full sum of the pension in December 2009 was NIS 3,964 (50% of the average wage under the law). The amount of the pension for anyone whose medical disability is lower than 100% but higher than 20% is calculated as a percentage of the full pension. The amount of the lump sum grant is calculated as a percentage of the monthly pension (based on the degree of medical disability determined for him), multiplied by 70.

In addition to these payments, the State participates in financing medical treatment, medical accessories and medical accessories required by polio victims because of their illness which are not included in the health basket. The Ministry of Finance pays for these expenditures (by virtue of the law) and the NII makes the payments.

**B. Pension recipients**

In 2009, an average of 200,000 individuals received general disability pensions, estimated to be 4.7% of the population of the population eligible to the pension, by age (18 to retirement age). That year, the number of recipients of the disability pension rose to 2.6%. This increase is significantly lower than the growth during the previous year, but still slightly higher than the increase of the general relevant population, which is estimated at being 2.4%. One should remember that the increase in the number of recipients stems, inter alia, from the rise in retirement age, which was 67 for men and 62 for women in 2009. At the end of 2009, about 7,600 women who were 60 and over and more than 7,200 men aged 65 and over received a disability pension (a total of 7.4% of all pension recipients at that time). As a result of the changes in the retirement age, new recipients in 2009 constituted 7% of among all disabled over the age of 60/65.

Table 1  
**Recipients of General Disability Pension, Attendance Allowance, Benefit for Disabled Child and Mobility Allowance (monthly average), 2003-2009**

Year	Disability pension	Attendance allowance	Benefit for disabled child	Mobility allowance
<b>Absolute numbers</b>				
2003	157,287	21,660	18,360	22,310
2004	162,382	22,701	19,540	23,524
2005	170,861	24,044	20,955	24,903
2006	178,263	25,648	22,208	26,078
2007	187,525	27,424	23,810	27,306
2008	194,988	29,390	25,255	28,915
2009	200,072	31,196	26,527	30,364
<b>Rate of change</b>				
2003	4.5	5.1	4.9	6.7
2004	3.2	4.8	6.4	5.4
2005	5.2	5.9	7.2	5.9
2006	4.3	6.7	6.0	4.7
2007	5.2	6.9	7.2	4.7
2008	4.0	7.2	6.1	5.9
2009	2.6	6.1	4.8	5.1

Among recipients of the benefit for disabled child as well, the rate of increase became more moderate in 2009 but remained in the growth range of the 2000's. The number of recipients in 2009 rose 5.1% compared to 2008 and came to 27,000. A similar trend characterizes also the increase in recipients of the attendance allowance, as well as an increase in the number of recipients of the mobility allowance: the number of recipients of the attendance allowance reached approximately 31,000 (an increase of approximately 6.1% compared to 2008) and the number of recipients of the mobility allowance reached approximately 30,000 (an increase of 5.1%).

Since November 1999, a disabled individual who fulfills all statutory and regulatory conditions required can receive more than one benefit for the same period. In December 2009, 35,626 disabled adults (approximately 16% of all disabled adults), received two or more benefits simultaneously, and 3,753 children (approximately 14% of all disabled children) received two benefits (the possible combinations are presented in Table 2).

Table 2  
**Recipients of Benefits, by Type of Benefit, December 2009**

Number of benefits	Type of benefit	Number of recipients	
<b>Adults</b>			
<b>Total</b>	General disability	203,042	
	Attendance*	31,775	
<b>Only one benefit</b>	Mobility	28,876	
	Radiation	3,689	
	Polio	3,182	
	General disability	188,634	
	Attendance	169,970	
	Mobility	5,546	
<b>Two benefits</b>	Radiation	9,669	
	Polio	2,818	
	General disability + attendance	631	
	General disability + mobility	27,455	
	General disability + radiation	17,303	
	General disability + polio	6,837	
	Attendance + mobility	577	
	Attendance + radiation	314	
	Attendance + polio	1,304	
	Mobility + radiation	65	
	Mobility + polio	7	
	Polio + radiation	38	
	<b>Three benefits</b>	General disability + attendance + mobility	1,010
		General disability + attendance + radiation	0
General disability + attendance + polio		7,717	
General disability + mobility + radiation		6,762	
General disability + mobility + polio		100	
General disability + radiation + polio		53	
Attendance + mobility + radiation		32	
Attendance + mobility + polio		588	
Attendance + radiation + polio		0	
Mobility + radiation + polio		15	
<b>Four benefits</b>		General disability + attendance + mobility + radiation	166
		General disability + attendance + mobility + polio	0
		General disability + attendance + radiation + polio	0
	General disability + mobility + radiation + polio	0	
	Attendance + mobility + radiation + polio	1	
	<b>Five benefits</b>	General disability + attendance + mobility + radiation + polio	453
		Disabled child	42
Mobility		411	
<b>Total</b>	Disabled child	26,773	
	Mobility	4,053	
<b>Only one benefit</b>	Disabled child	23,320	
	Mobility	23,020	
<b>Two benefits</b>	Disabled child + mobility	300	
		3,753	
		3,753	

\* Special medical needs.

## 1. General disability pension

In December 2009, 203,042 individuals received a disability pension – an increase of approximately 2.9% compared to December 2008. This was a lower than average increase than during recent years, although slightly higher than the growth of the general population of the relevant age. The rate of recipients of the general disability pension reached 4.7% of the population.

Table 3, which presents the distribution of recipients by gender and marital status, shows that approximately 48% of the recipients of a disability pension are married, and that the rate of married individuals is higher among men than among women (approximately 51% compared to 46% respectively). It is important to note that over 20% of the women receiving the pension are housewives; that is, their eligibility is contingent on their being married.

Table 3  
**Recipients of General Disability Pension, by Gender and Marital Status, December 2009**

	Total		Percentage of married people
	Absolute numbers	Percentages	
<b>Total</b>	<b>203,042</b>	<b>100.0</b>	<b>48.3</b>
Men	116,822	57.5	51.2
Women	86,220	42.5	45.9
Thereof: Wage-earning women	69,079	34.0	32.1
Housewives	17,141	8.5	100.0

Table 4 shows all recipients of disability pensions by type of primary impairment. At the time that the degree of medical disability is determined, all of the disabled individual's impairments are taken into consideration. The impairment that is assigned the highest percentage of disability is defined as the primary impairment. When relating to the primary impairment in a disabled individual, it turns out that emotional impairments are the most common. It is possible to divide emotional impairments into two groups, according to existing impairment categories: clause 33 – psychotic disorders, and clause 34 – psychoneurotic impairments. In general, it is possible to say that psychotic disorders are usually severe disorders from the aspect of functioning, and range from a protracted to chronic nature.

This is the largest group from among those suffering from emotional impairments. After emotional impairments, most common are internal impairments.

Distribution of the impairments by gender shows that the rate of mental retardation among housewives is lower than average (2.9% compared to 13.3% among wage-earning women and 10.1% among men). The rate of married women suffering from internal impairments is higher, in relation to all recipients of the pension – 28.0% compared to 24.5%, respectively. Locomotor impairments are also more common among housewives (14.5% compared to 6.4% among men and compared to 9.4% among wage-earning women).

Table 5 shows the distribution of recipients of the disability pension by degree of incapacity, primary impairment, and severity of their condition (under the Laron Law, individuals eligible for the general disability pension are divided into two groups, on the basis of the severity of their medical condition, and the criteria for eligibility for the work disability pension are determined in accordance with the group to which they belong).

Group A consists of individuals who are **one** of the following: individuals with 70% medical disability; individuals with 40% disability, if they have an emotional impairment and/or are mentally retarded; individuals who received a pension for five years out of the seven that preceded the application of the law. Group B consists of all other pension recipients.

Table 4  
**Recipients of Disability Pension, by Gender and Main Impairment (numbers and percentages), December 2009**

Main impairment	Total		Gender		
			Men	Wage-earning women	House-wives
<b>Absolute numbers</b>	<b>203,042</b>		<b>116,822</b>	<b>66,079</b>	<b>17,141</b>
<b>Percentages</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
	<b>Absolute numbers</b>		<b>Percentages</b>		
Mental	65,409	32.2	33.0	32.4	26.7
Psychotic disorder	40,834	20.1	21.3	18.8	17.7
Psycho-neurotic disorder	24,575	12.1	11.7	13.6	9.1
Internal	49,678	24.5	26.8	19.6	28.0
Mental retardation	21,522	10.6	10.1	13.3	2.9
Neurological	25,795	12.7	12.7	12.6	13.4
Visual	10,700	5.3	5.1	5.1	7.1
Locomotoric	16,460	8.1	6.4	9.4	14.5
Urogenital	6,635	3.3	2.8	3.7	4.9
Hearing	4,122	2.0	1.9	2.4	1.4
Other	2,721	1.3	1.3	1.5	0.9

These numbers reflect the ability of individuals with different disabilities to become part of the labor force. Most of the disabled (82%) are fully incapacitated and approximately 12% are 60% incapacitated.

An analysis by group shows that among the recipients in Group A, 89% are fully incapacitated while 7% are 60% incapacitated. In comparison, in Group B, the proportion of those fully incapacitated decreases to 55% and that of those less incapacitated is 27%.

An examination of impairments by degree of incapacity indicates that among those with 100% incapacity, 36% had emotional impairments while among those with a lower degree of incapacity, these amounted to 12% (up to 60% degree of capacity) and 20% (to a capacity degree of 65%). In comparison, individuals with locomotoric impairments make up only 6% of all disabled individuals with full

incapacity, and 16% of those with lower degrees of incapacity. One should note disabled individuals with internal impairments: only 21% are fully incapacitated and 44% have 60% degree of incapacity.

The average 2009 monthly disability pension was NIS 2,567 – a real increase of 1.1% compared to 2008 (Table 6). In terms of the average wage, the pension increased from 31.0% of the average wage to 32.3% of same, thereby returning to its 2006 level.

## **2. Attendance allowance**

31,775 individuals received an attendance allowance in December 2009 –5.4% more than the equivalent number in December 2008. 78% of them were also eligible for a disability pension, 4% of them were not eligible for a disability benefit because of their incomes (special attendance allowance), and another 18% did not receive the disability pension because they were beyond the eligible age (62 for women, 67 for men) (attendance allowance for the elderly). In addition to the disability pension and the attendance allowance, 7,216 disabled individuals also received a mobility allowance.

From data regarding the distribution of recipients of attendance allowances by type of recipient, as shown in Table 7, it seems that there are great similarities between the three groups in the table. However, recipients of the special attendance allowance, that is, those who are not eligible for the allowance because of their level of income from work, carry a greater weight in the group with the lower level of eligibility, that of 50% of the allowance.



Table 5  
**Recipients of Disability Pension by Degree of Disability, by Main Impairment and by Belonging to Group A or B, December 200**

Impairment	Total	Degree of disability			
		60%	65%	74%	100%
<b>Absolute numbers – total</b>	<b>203,042</b>	<b>23,471</b>	<b>11,367</b>	<b>2,555</b>	<b>165,649</b>
<b>Percentages – total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Mental – psychotic disorders	20.1	3.6	9.6	13.8	23.3
Mental – psycho-neurotic disorders	12.1	8.1	10.4	10.5	12.8
Internal	24.5	44.4	38.5	30.5	20.6
Mental retardation	10.6	1.3	1.8	2.7	12.7
Neurological	12.7	9.4	10.5	14.2	13.3
Visual	5.3	5.2	5.1	6.8	5.3
Locomotoric	8.1	16.1	15.9	14.8	6.3
Urogenital	3.3	5.8	4.5	4.0	2.8
Hearing	2.0	4.6	2.4	1.7	1.6
Other	1.3	1.4	1.2	1.1	1.3
<b>Group A</b>					
<b>Absolute numbers – total</b>	<b>159,707</b>	<b>11,920</b>	<b>4,708</b>	<b>1,065</b>	<b>142,014</b>
<b>Percentages – total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Mental – psychotic disorders	23.5	3.2	6.2	12.6	25.8
Mental – psycho-neurotic disorders	10.2	6.4	9.1	10.5	10.6
Internal	22.3	46.0	45.0	36.2	19.4
Mental retardation	13.1	1.4	1.8	3.1	14.5
Neurological	12.6	9.6	10.2	13.1	12.9
Visual	5.5	4.9	4.7	6.0	5.6
Locomotoric	6.3	15.5	12.8	8.7	5.3
Urogenital	3.1	5.7	5.3	5.5	2.8
Hearing	2.0	5.8	3.4	3.1	1.7
Other	1.4	1.5	1.5	1.2	1.4
<b>Group B</b>					
<b>Absolute numbers – total</b>	<b>43,321</b>	<b>11,539</b>	<b>6,659</b>	<b>1,490</b>	<b>23,633</b>
<b>Percentages – total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Mental – psychotic disorders	7.8	4.0	12.0	14.6	8.0
Mental – psycho-neurotic disorders	19.1	9.9	11.4	10.5	26.3
Internal	32.6	42.7	33.9	26.4	27.6
Mental retardation	1.4	1.1	1.7	0.7	1.5
Neurological	13.1	9.3	10.8	15.0	15.5
Visual	4.5	5.7	5.4	7.4	3.5
Locomotoric	14.7	16.7	18.1	19.1	12.5
Urogenital	4.0	6.0	4.0	2.9	3.1
Hearing	2.0	3.4	1.7	0.7	1.5
Other	0.9	1.3	1.1	1.0	0.7

Table 6  
**Average Monthly Disability Pension\* at Current Prices, at Fixed Prices and as a Percentage of the Average Wage, 2003-2009**

Year	Absolute numbers	2009 prices	Percentage of average wage
2003	2,325.0	2,601.9	33.9
2004	2,352.0	2,642.6	33.4
2005	2,340.0	2,595.4	32.4
2006	2,398.0	2,605.0	32.1
2007	2,394.0	2,586.7	31.4
2008	2,457.0	2,538.6	31.0
2009	2,567.0	2,567.0	32.3

\*Payments also include the amounts paid for additional monthly benefit.

Table 7  
**Recipients of Attendance Allowance, by Type of Recipient and Level of Entitlement, December 2009**

	Total		Level of entitlement		
	Absolute numbers	Percentages	50%	105%	175%
<b>Total recipients of attendance allowance</b>	<b>31,775</b>	<b>100.0</b>	<b>51.7</b>	<b>27.4</b>	<b>20.9</b>
Recipients of attendance allowance and general disability pension	24,672	100.0	51.5	26.9	21.6
Recipients of special attendance allowance	1,310	100.0	57.2	26.8	16.0
Recipients of attendance allowance for the elderly	5,793	100.0	51.6	29.7	18.7

Table 8 shows the distribution of recipients of disability pension and attendance allowance, and out of these, recipients of attendance allowance along with a mobility allowance, by type of primary impairment. An examination of this distribution clearly shows the difference in impairments between the different groups. Thus, for example, recipients with neurological impairments make up 13% of those receiving the disability pension, 36% of the recipients of attendance and 71% of recipients of mobility and attendance allowances. Individuals with internal impairments, who comprise approximately one quarter of the recipients

of disability pension and 22% of those receiving attendance allowance, make up only 9% of those receiving attendance and mobility allowances. A similar trend, albeit a sharper one, was seen between those with emotional impairments – 32% among recipients of the disability pension compared to 1.5% among recipients of the attendance and mobility allowances.

Table 8  
**Recipients of Disability Pension, Attendance Allowance, and  
Attendance + Mobility Allowance, by Main Impairment,  
December 2009**

Main impairment	Total recipients of disability pension	Recipients of attendance allowance	Recipients of attendance and mobility allowance
<b>Total – in absolute numbers</b>	<b>203,042</b>	<b>31,775</b>	<b>8,701</b>
<b>– in percentages</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Internal	24.5	21.6	9.4
Urogenital	3.3	8.1	1.6
Neurological	12.7	36.0	71.3
Mental	32.2	7.7	1.6
Locomotoric	8.1	8.4	9.8
Visual	5.3	8.3	1.7
Mental retardation	10.6	9.5	4.5
Hearing	2.0	0.3	0.1
Other	1.3	0.3	0.1

Table 9  
**Attendance Allowance (monthly average) at Current Prices, at  
2009 Prices and as Percentage of Average Wage, 2003-2009**

Year	Current prices	2009 prices	Percentage of average wage
2003	1,853.0	2,013.7	27.0
2004	1,855.7	2,018.5	26.4
2005	1,869.1	2,072.8	25.9
2006	1,932.7	2,099.6	25.9
2007	1,947.0	2,103.8	25.5
2008	2,010.0	2,076.7	25.4
2009	2,236.0	2,236.0	28.1

In 2009, the average monthly attendance allowance (including the special benefit for those suffering from especially severe disabilities) was NIS 2,236, and rising in real terms by 7.7% compared to 2008. This growth stems from the increase in the level of the allowance for the more seriously disabled, that is, an increase of 5% of the highest level of eligibility (from 150% to 175%). In addition, the proportion of the average wage rose to 28.1% compared to 25.4% in 2008.

### 3. Benefit for disabled child

In 2009, an average of 26,527 benefits were received for disabled children every month – an increase of 4.8% compared to 2008. This increase is much higher than the increase in the children’s population – estimated as being 1.6%. Table 10 shows that most of the children (69%) are older than 8 and that 7% of them are less than 3 years old. Approximately 72% of the recipients received 100% of the benefit (a benefit equivalent to the full disability pension for a single individual) or more, and that 19% received a benefit equal to 50%. From among all the children who received the benefit in 2009, 4,030 received an increased benefit because their families have more than one disabled child.

Table 10  
**Recipients of Benefit for Disabled Child (monthly average),  
 by Age, 2003-2009**

Year	Total	Up to age 3	Age 3-8	Age 8-18
2003	18,360	1,465	4,576	12,672
2004	19,540	1,584	4,863	13,093
2005	20,955	1,708	5,202	14,045
2006	22,208	1,812	5,478	14,918
2007	23,810	1,898	5,847	16,065
2008	25,555	1,970	6,174	17,111
2009	26,527	1,972	6,359	18,196

Entitlement to benefit for disabled child, unlike for disability pension and mobility allowance, is not determined on the basis of impairment clauses but rather on the basis of all of the child’s functional capabilities. Table 4F in the Appendix of Tables provides data regarding the recipients of the disabled child benefit for December 2009, on the basis of grounds for eligibility and the child’s

age, differentiating between children who study and those who do not. This table shows that 41% of the children eligible for the benefit are entitled because of their dependence on others, 22% suffer from pervasive development disorders (PPD) and 18% are entitled to the pension because of a sensory disability (hearing or sight).

The benefit for disabled child is calculated as a percentage of the full disability pension for a single individual. In 2009, the average benefit was NIS 1,973.10 per month, and just as with the average general disability pension, it also increased by 1.1% in real terms compared to 2008.

Table 11  
**Monthly\* Average for Benefit for Disabled Child, at Current Prices, at 2009 Prices and as Percentage of Average Wage**

Year	Current prices	2009 prices	% of average wage
2003	1,912.7	1924.4	26.2
2004	1,929.2	2140.5	25.7
2005	1,925.8	2167.6	25.6
2006	1,973.3	2136.1	24.6
2007	1,974.5	2134.1	24.1
2008	1887.7	1950.4	25.6
2009	1973.1	1973.1	25.6

\* Including the "additional monthly benefit".

#### 4. Mobility allowance

The average number of recipients of the monthly mobility allowance rose from 28,915 in 2008 to 30,364 in 2009 – an increase of 5.0%. Table 12 shows the distribution of recipients of the mobility allowance in December 2009 by age and by earnings. An individual whose mobility is limited is defined as a "wage-earner" if he earns a sum that exceeds 25% of the average wage in the economy. 17% of them are adults who are over 65 (most of them do not earn a salary) and 13% are children under 18. The rate of wage-earners declined from 20% in 2008 to 19% in 2009, and the proportion of those who are not wage-earners was 81% in 2009.

Table 12  
**Recipients of Mobility Allowance, by Earnings and by Age,  
 December 2009**

Age	Total		Earning		Not earning	
	Absolute numbers	Percentages	Absolute numbers	Percentages	Absolute numbers	Percentages
<b>Total</b>	<b>30,843</b>	<b>100.0</b>	<b>5,968</b>	<b>100.0</b>	<b>24,875</b>	<b>100.0</b>
3-18	4,044	13.1	0	0	4,044	16.3
19-34	4,359	14.1	481	8.1	3,878	15.6
35-44	3,248	10.5	792	13.3	2,456	9.9
45-54	5,027	16.3	1,554	26.0	3,473	14.0
55-64	8,966	29.1	2,515	42.0	6,451	25.9
65+	5,199	16.9	626	10.5	4,573	18.4

Table 13 shows the distribution of recipients of the mobility allowance by age, by whether or not they drive a car, and by car ownership. In addition, recipients receiving the allowances and have no car are also shown. The table shows that 36% of recipients without a car and 30% of the recipients who are not drivers are children under the age of 18. Among the drivers themselves, the weight of the 45-65 age group is very high. 17% of all recipients are adults who are 65 and over is (22% among drivers and approximately 10% among non-drivers). In this context, it should be pointed out that in 2002, eligibility for continued assistance for those who reached the age of 65 is no longer dependent on having a valid driver's license, so that the sector of those without a vehicle and the non-drivers who are 65 and over is rather new.

Table 13  
**Recipients of Mobility Allowance, by Driving Status and by Age,  
 December 2009**

Age group	All recipients		Driver		Non-driver		No car	
	Absolute numbers	Percentages	Absolute numbers	Percentages	Absolute numbers	Percentages	Absolute numbers	Percentages
<b>Total</b>	<b>30,843</b>	<b>100.0</b>	<b>18,616</b>	<b>100.0</b>	<b>6,587</b>	<b>100.0</b>	<b>5,640</b>	<b>100.0</b>
3-18	4,044	13.1	3	0.0	2,024	30.7	2,017	35.8
19-34	4,359	14.1	1,787	9.6	1,556	23.6	1,016	18.0
35-44	3,248	10.5	2,175	11.7	507	7.7	566	10.0
45-54	5,027	16.3	3,755	20.2	604	9.2	668	11.8
55-64	8,966	29.1	6,718	36.1	1,221	18.5	1,027	18.2
65+	5,199	16.9	4,178	22.4	675	10.2	346	6.1

Table 14 shows the distribution of recipients of mobility allowance from 2004 to 2009 by their driving characteristics. This table shows us that the non-driving group, including those who do not have a car, constitutes 39% of all recipients of the mobility allowance, and the group of drivers constitutes 61%. This distribution between drivers and non-drivers remained as it had been in 2008. The weight of those without cars also remained unchanged, after the rapid increase that characterized this group in the early 2000's.

51% of the drivers own a medium-size car (1,300 to 1,799 cc), 40% own a smaller vehicle and the rest own a large care. It should be noted that there has been a significant increase in the number of owners of cars whose volume exceeds 2,000 cc, particularly due to the extensive use of van-type vehicles. 219 recipients of the allowance had a van-type vehicle in 1999; the number rose to 640 in 2001, and in December 2009, there were 4,424 such recipients.

Table 14  
**Recipients of Mobility Allowance, by Driving Status  
(absolute numbers) 2004-2009**

	2004	2005	2006	2007	2008	2009
Total	23,523	24,901	26,080	27,311	28,915	30,364
Driver	15,435	15,851	16,319	16,858	17,668	18,395
Does not drive	8,089	9,501	9,759	10,449	11,248	11,967
Thereof: do not own vehicle	4,284	4,610	4,892	5,109	5,448	5,619

The average monthly mobility allowance in 2009 was NIS 1,755.50, an increase of 3.1% in real terms than in 2008.

Table 15  
**Number of Recipients of Mobility Allowance  
(monthly average), 2003-2009**

Year	Current prices	2009 prices
2003	1,440.9	1612.3
2004	1,461.0	1,641.5
2005	1,481.0	1,642.7
2006	1,513.3	1,644.0
2007	1,533.6	1,657.0
2008	1,648.6	1,703.3
2009	1,755.5	1,755.5

## 5. Benefit for radiation-affected persons

In December 2009, 3,689 individuals received a benefit for radiation-affected treatment – 4.1% more than the number of recipients of this benefit in December 2008. Table 16 shows that all recipients of the benefit were at least 45 years old. The majority of the recipients (61%) are women. Male recipients are slightly older than the women.

Table 16  
**Recipients of Benefit for Radiation-affected Persons, by Gender and Age, December 2009**

Gender	Total	Age		
		45-54	55-60	60+
<b>Absolute numbers – total</b>	<b>3,689</b>	<b>109</b>	<b>830</b>	<b>2,750</b>
Thereof: women (percentages)	61.2	67.0	66.0	59.5

Table 17  
**Recipients of Benefits for Radiation-affected Persons by Main Impairment and Degree of Medical Disability, December 2009**

Main impairment	Total	Degree of medical disability					
		40-49	50-59	60-69	70-79	80-89	90-100
<b>Absolute numbers – total</b>	<b>3,689</b>	<b>1,587</b>	<b>759</b>	<b>523</b>	<b>332</b>	<b>229</b>	<b>259</b>
<b>Percentages</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Internal	13.7	3.8	10.8	22.0	23.2	24.0	44.8
Neurological	10.7	2.8	8.0	15.3	18.4	30.6	29.7
Mental	27.8	30.9	34.4	24.9	24.1	19.7	8.1
Skin diseases and injuries	31.6	41.2	34.8	28.9	18.1	13.5	1.9
*Other	16.2	21.3	12.0	8.9	16.2	12.2	15.5

\* Including locomotoric, visual and hearing impairments, mental retardation, etc.

Table 17 shows that 43% of the recipients of this benefit have a 40-49% medical disability and that another 21% have a 50-59% medical disability. 32% suffer from



dermatological problems and 28%, from emotional problems. Among the more severely disabled individuals (90-100% medical disability), 75% suffer from internal or neurological problems. 24% of the recipients of the benefit for radiation-affected problems receive at least one additional benefit, as Table 2 shows us.

In December 2009, the average benefit was NIS 1,147 – a decline of 3.1% in real terms compared to 2008 – stemming from the fact that the medical condition of the new recipients was better (a lower level of severity) than that of the existing recipients, and therefore their benefit was lower. The total payments to victims of radiation-affected illnesses in 2009 totaled approximately NIS 110 million.

## 6. Benefit for polio victims

In December 2009, there were 3,182 recipients of the polio victims benefit. Table 18 shows that most of the recipients (70%) are 55 or over. A medical disability level of 80% or over was determined for about 60% of them.

Table 18  
**Recipients of Benefit for Polio Victims, by Age and Degree of Medical Disability, December 2008**

Age	Total	Degree of medical disability					
		20-49	50-59	60-69	70-79	80-89	90-100
<b>Absolute numbers – total</b>	<b>3,182</b>	<b>618</b>	<b>353</b>	<b>198</b>	<b>115</b>	<b>1,066</b>	<b>832</b>
<b>percentages</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
18-34	2.6	2.1	2.5	4.0	3.5	3.0	1.9
35-54	27.9	25.1	27.8	29.3	24.3	31.1	26.2
55+	69.5	72.8	69.7	66.7	72.2	65.9	71.9

Some 80% of the recipients of this benefit receive at least one additional benefit, and the most common of these is the mobility allowance (received by 68%), as can be seen in Table 2). The average benefit in December 2009 was NIS 2,842 and came to 35.7% of the average wage in the economy. In 2009, the total payments to polio victims came to about NIS 160 million.

### C. Scope of Payments

In 2009, approximately NIS 10 billion were paid by the Disability branch, a sum which, in real terms, was 3.6% higher than that paid in 2008.

Table 19 shows that the percentage of benefit payments by the Disability branch, out of all the benefit payments made, declined to 18.6% in 2009, as opposed to a steady increase since 2003. In part, the reason for this decline can be found in the higher rates in other benefit branches, due to the high unemployment in that year, as well as the coalition agreements signed with regard to the Old-age and Children branches that improved the conditions of those populations.

An assessment of the distribution of the branch's expenditures by subject shows that payments of disability and rehabilitation benefits declined in 2009 compared to 2008 and reached approximately 71.3% of the branch's expenditure. The downward trend that began many years ago continued in 2009 as well. At the same time, the proportion of the attendance and mobility allowances are gradually rising.

Table 19  
**Total Payments in Disability Branch and Percentages of Total National Insurance Benefits, 2003-2009**

Year	NIS millions (2009 prices)	Rate of real annual growth (percentages)	Percentage of benefit payments of the branch out of all benefit payments
2003	7,911.1	3.1	16.4
2004	8,058.1	0.9	17.2
2005	8,317.8	4.2	18.0
2006	8,800.1	5.8	18.3
2007	9,471.2	7.6	19.2
2008	9,638.7	1.8	19.2
2009	9,987.7	3.6	18.6

Table 20  
**Disability Branch Payments, by Type of Payment  
 (Percentages), 2003-2009**

<b>Year</b>	<b>Total</b>	<b>Disability and rehabilitation payments</b>	<b>Mobility allowance</b>	<b>Attendance allowance</b>	<b>Benefit for disabled child</b>	<b>Fund for the development of services</b>
2003	100.0	75.0	9.1	7.3	7.3	1.3
2004	100.0	74.2	9.5	7.5	7.4	1.4
2005	100.0	73.9	9.5	7.6	7.6	1.4
2006	100.0	72.8	10.5	7.9	7.6	1.2
2007	100.0	73.4	10.2	8.0	7.5	0.9
2008	100.0	72.4	10.9	8.3	7.6	0.8
2009	100.0	71.3	11.0	9.1	7.7	0.9

## 7. Work Injury Insurance

### A. General

Work injury insurance grants an insured individual who has been injured at work the right to a benefit or other defined assistance, on the basis of the nature of the injury.

1. **Injury allowance** – paid to a salaried employee or an individual who is self-employed, who, as a result of a work accident, is unable to engage in his occupation or other suitable work. The employee – salaried or self-employed – is entitled to an injury allowance per injury, for a period not exceeding 91 days (13 weeks). Until January 31, 2002, anyone who was injured was entitled to the payment of an injury allowance for a period of up to 26 weeks, to an amount equivalent to 75% of his income during the 3 months prior to the injury.

In 2005, the law was amended and the eligibility period for an injury allowance paid by the employers was extended from 9 to 12 days. Any individual who does not have an employer, such as self-employed, is not entitled to payment for the first 12 days.

In 2002-2007, the injury allowance was reduced by 4%. The order regarding this reduction expired on December 31, 2007.

2. **Disability pension** – paid to individuals injured at work, when due to the injury, they became disabled for a defined period of time or forever. The disability pensions paid are: **temporary disability pension**, paid to individuals injured at work who are defined as having a temporary disability of at least 9%; **permanent disability pension**, paid to individuals injured at work for whom a permanent degree of disability of at least 20% has been defined; **disability grant**, paid to individuals for whom a permanent degree of disability of 9-19% has been defined; **and a special benefit and grant for one-time arrangements**, paid to individuals injured at work (in addition to their monthly pension) where the degree of their disability has been defined as 75% or more. The amount of the temporary or permanent disability pension is determined on the basis of the injured individual's income during the three months preceding the injury: the amount of the full disability pension paid

to an injured person whose disability is 100% comes to 75% of his salary during the determining period; the benefit for an injured individual whose disability is below 100% is calculated at a pro rata basis, depending on his disability.

Payments of **disability grants** to individuals injured at work underwent far-reaching changes in recent years. Until 2003, the grant equaled 70 pension payments. Anyone injured on or after July 1, 2003 received a grant equal to 43 pension payments (special application rules were established with regard to occupation-related illnesses). In 2005, the law was amended, and work disability and temporary disability grants began to be paid to individuals with a disability degree of 9% instead of 5% for work-related accidents and occupation-related illnesses.

In May 2008, the list of tests was amended and impairment clauses for acquired immuno-deficiency (AIDS), low blood pressure, being overweight and obesity, pancreas defects and impotence were added.

3. **Dependents' benefit** – paid to the family of an insured individual who was killed in a work-related accident or whose subsequent death was a direct result of the accident, if the family was dependent on him for its subsistence. The full amount of the dependents' benefit is 75% of the deceased's wage during the determined period. The amount of a partial benefit is determined on the basis of the degree of eligibility. The degree of eligibility for a dependents' benefit is determined on the basis of the number of dependents (for example, a widow with no children is entitled to 60% of the full disability pension, while a widow with three children – to 100% of this pension).
4. **Medical expenses (including hospitalization and medical rehabilitation)** – health funds provide medical treatment for injured individuals. Based on an agreement, the NII pays the health fund for this treatment. Should it be necessary, the treatment also includes medical rehabilitation, convalescence, long-term care, etc.
5. **Vocational rehabilitation** – provided to a disabled individual whose degree of permanent disability is 10% and over, and who is unable to return to his previous work or another occupation due to a work-related injury.

On 1 January 2006, the method for updating work-related injury allowances was updated and since then, it has been updated every 1<sup>st</sup> of January.

- A new value, the basic amount, was added to the definitions, replacing the average wage as the basis for calculating the benefits. The original basic amount was the average wage, which served as the basis for calculating the various benefits before they were frozen at NIS 7,050 in 2002-2003. On 1 January of every year, the basic amount is updated according to the rate of the rise in the index. In January 2009, the basic amounts were increased by 4.5%, which is the rate of the increase of the consumer price index during the period of November 2007 to November 2008. As of January 2009, the basic amount has stood at NIS 7,778.
- The maximum ceiling for daily injury allowances is calculated on the basis of 75% of the basic amount, multiplied by five and divided by 30.

## **B. Recipients of injury allowance**

The number of recipients of an injury allowance decreased in 2009 to 65,814 – a decline of 5.6% compared to 2008 (Table 1).

It should be noted that out of the 59,899 **salaried employees** who were recipients of injury allowances in 2009, 17,962 were employed by "authorized employers" as defined by Regulation 22, so that the NII did not reimburse the employers for injury payments made for the first 12 days of eligibility. According to this regulation, the NII is entitled to permit the employer to pay the injury allowance on behalf of the NII, and he must pay it on the dates on which he would normally pay the salary. The employer must submit a claim to the NII for the work-related accident in which the employee was injured, and the NII reimburses him the sum paid (as of the 13<sup>th</sup> day), adding a commission that amounts to 2.5% of the injury allowance. If the NII rejects the claim, the employer is not reimbursed for any payments to the employee.

In 2000, recipients of the injury allowance constituted approximately 3% of all persons employed, while in 2005-2008, it was 2.3%. The gradual decline which began in 1996 and continued up to 2009 (Table 2) occurred simultaneously with legislative changes – requiring that payment for the first days be paid by

the employer, and abolishing this eligibility for anyone without an employer (in 1997 and 2005). In other words, the proportion of recipients of the injury allowance, from among all individuals employed, declined with the decrease in the number of recipients of the injury allowance and the increase in the number of individuals employed. The average number of days of inability to work per injured individual reached a peak in 2001 (40 days). Since then, there has been a sharp decrease (Table 1) which stemmed, inter alia, from legislative changes (a reduction in the maximum period for payment of injury allowance from 26 to 13 weeks, as of 1 February 2002). The decrease in the average number of incapacity days halted in 2003, and since then, until 2007, the average was 34 days, after which the average rose to 34.5 in 2008 and to 35 days in 2009.

Table 1  
**Employed, Recipients of Injury Allowance and Days of Work  
Disability, 2000-2009**

Year	Employed	Recipients of injury allowance*	Days of work disability	Average days of work disability
2000	2,519,800	76,185	2,863,296	37.6
2001	2,559,000	69,087	2,765,654	40.0
2002	2,569,200	70,025	2,594,111	37.0
2003	2,589,600	61,539	2,084,364	33.9
2004	2,634,000	65,776	2,204,345	33.5
2005	2,722,600	63,856	2,109,993	33.0
2006	2,801,000**	64,296	2,170,751	33.8
2007	2,925,100**	67,657	2,291,149	33.9
2008	3,041,000**	69,734	2,408,514	34.5
2009	3,037,000**	65,814	2,306,267	35.0

\* As of 1997, includes injured workers who did not actually receive payment from the NII due to legislative changes that year, but were approved and would have been entitled to payment if not for that law (the number of actual recipients of payment from the NII in 2009 was 57,193).

\*\* National accounting, according the 2009 CBS data. The "employed" include Israelis, foreign workers (reported and not-reported) and residents of Judea & Samaria and Gaza.

Table 2  
**Rate of Change in Recipients of Injury Allowance and Days of  
 Work Disability, 2000-2009**

Year	Recipients of injury allowance as % of all individuals employed	Rate of average annual change		
		Employed	Recipients of injury allowance	Average days of work disability
2000	3.0	2.1	3.39	0.80
2001	2.7	1.6	-9.32	6.38
2002	2.7	0.4	1.36	-7.50
2003	2.4	0.8	-12.12	-19.65
2004	2.5	1.7	6.90	-0.10
2005	2.3	3.4	-2.90	-1.40
2006	2.3	2.9	0.70	2.40
2007	2.3	4.4	5.20	0.30
2008	2.3	4.0	3.07	1.77
2009	2.2	-0.13	-5.62	1.45

Over the years, the number of "severe" injuries for which claims were submitted to the NII increased (Table 3): back in 1996, 13.4% of all recipients of the injury allowance had 61 or more days of work incapacity, while from 2001 to 2009, this applied to 20-23% of the recipients, with a steady upward trend. Throughout these years, the proportion of injured with 15-45 days of work incapacity has been surprising stable. Injured individuals with 1-14 days of work incapacity constituted 49% of total recipients of injury allowances in 1996 and only 35% in 2009, demonstrating a steady decline.

Table 4 presents data about employees and recipients of injury allowances among Israeli residents, residents of the territories (Judea and Samaria) and foreign workers for 2000-2009. The proportion of recipients of injury allowance among foreign workers and residents of the territories was lower during all those years. It would be reasonable to expect that the proportion of recipients of the injury allowance among those groups, particularly taking into account the relatively risky economic branches in which they work (agriculture and construction), would be at least equal to that of residents of Israel. Apparently, the low rate reflects under-reporting by this population with regard to work-related injuries, probably stemming from ignorance as to their rights, the fear of losing their jobs if they fail to come to work following an accident, their illegal status and their apprehension regarding their fate if it becomes known that they are in Israel without a permit.



When there are serious work-related accidents, these employees have no choice but to seek medical care and submit a claim for injury and disability pensions. The NII pays for a one-time emergency room treatment for foreign workers, and as of April 2008, also for workers from the territories who were injured in work-related accidents and did not submit claims for an injury allowance. This is the only source that provides information regarding the number of foreign workers who were treated in hospital emergency rooms – three times the number of foreign workers who received an injury allowance in 2009. It should be noted that the ratio of Israeli residents seeking medical treatment without submitting a claim to the NII to those who submit claims is approximately 1:1.

Table 3  
**Recipients of Injury Allowance by Period of Work Disability, 1996, 2000-2009**

Year	Total employed**	Total days of work disability	Total recipients of injury allowance	Number of days of work disability									
				0	1-14	15-30	31-45	46-60	61-75	76-90	91	92+	
1996	2,133,800	2,990,363	92,274	72	45,401	21,862	8,228	4,643	2,941	1,889	7,528		
2000	2,388,800	2,863,296	76,185	52	31,683	17,964	7,691	4,677	3,050	2,136	8,932		
2001	2,398,000	2,765,654	69,087	50	26,546	16,371	7,677	4,518	3,005	2,013	8,907		
2002	2,402,200	2,594,111	70,025	48	26,634	16,733	7,746	4,587	3,158	3,081	4,757*		
2003	2,435,600	2,084,364	61,539	30	22,677	14,897	6,965	4,236	3,019	4,159	462*		
2004	2,496,000	2,204,345	65,776	38	24,536	15,841	7,293	4,405	3,259	4,750	198 *		
2005	2,600,600	2,109,993	63,856	36	23,892	15,480	7,210	4,366	3,069	4,919	116*		
2006	2,685,000	2,170,751	64,296	37	23,432	15,469	7,245	4,547	3,218	5,182	65*		
2007	2,807,100	2,291,149	67,657	42	24,582	16,298	7,695	4,673	3,432	5,424	35*		
2008	3,041,000	2,408,514	69,734	35	24,831	16,606	7,981	4,931	3,569	5,837	11*		
2009	3,037,000	2,306,267	65,814	40	23,159	15,447	7,456	4,786	3,499	5,947	12*		
<b>Percentages</b>													
1996			100.0	0.1	49.0	23.6	8.9	5.0	3.2	2.0	8.1		
2000			100.0	0.1	41.6	23.6	10.1	6.1	4.0	2.8	11.7		
2001			100.0	0.1	38.4	23.7	11.1	6.5	4.3	2.9	12.9		
2002			100.0	0.1	38.0	23.9	11.1	6.6	4.5	4.4	6.8		
2003			100.0	0.0	36.8	24.2	11.3	6.9	4.9	6.8	8.8		
2004			100.0	0.1	37.3	24.1	11.1	6.7	5.0	7.2	8.3		
2005			100.0	0.1	37.4	24.2	11.3	6.8	4.8	7.7	0.2		
2006			100.0	0.1	36.4	24.1	11.3	7.1	5.0	8.1	0.1		
2007			100.0	0.1	36.3	24.1	11.3	6.9	5.1	8.0	0.1		
2008			100.0	0.1	35.6	23.8	11.4	7.1	5.1	8.4	0		
2009			100.0	0.1	35.2	23.5	11.3	7.3	5.3	9.0	0		

\* The reference is to those injured prior to 31.1.2002 who received injury payments after that date.

\*\* From CBS, National Accounting.

Since April 1, 2008, the same rules for medical treatment of victims of work-related injuries apply to both workers from the territories and to foreign workers; treatment is provided by the Clalit Health Fund.

A foreign worker is covered by work injury insurance even if he resides in Israel illegally. Until February 28, 2003, foreign workers and residents of the territories who were injured at work were eligible for all the benefits accorded to any persons injured at work, regardless of whether or not they had work permits. Since March 1, 2003, unreported foreign workers were denied the benefit: upon his departure from the country, the benefit to which he has been found to be eligible is paid from the time of his day of departure, and the payment does not include the period during which the benefit was denied. In view of the amendments and the activities of the Immigration Police, a gradual decrease was anticipated in the number of foreign workers 2002-2006. In 2007, an increase was once again noted, continuing until the end of 2009. In January 2010, the Prime Minister announced a new and more rigid immigration policy with regard to the conditions for employing foreign workers, which is intended to reduce their numbers by approximately 30-50,000.

There was a gradual increase in the number of workers from the territories from 2002 to 2008, and this number declined in 2009.

A clause was added to the National Insurance Law in 2005, which declared that work accident insurance applies to foreign workers and residents of the territories who are employed by an Israeli employer in Judea and Samaria (until the law was amended, a foreign worker or resident of the territories employed by an Israeli in that area were not covered by the work accident insurance.)

In 2009, the average number of days of work incapacity among foreign workers in all branches of their employment was lower than that of Israeli residents, despite expectations that it would be higher. The average number of work incapacity days of workers who are residents of the territories remained relatively high, although they work in occupations that are similar to those of foreign workers.

Table 4  
**Employed, Recipients of Injury Allowance and Days of Work Disability, by  
 Category of Residency, 2000-2009**

	<b>Total</b>	<b>Israeli residents</b>	<b>Residents of the territories</b>	<b>Foreign workers</b>
<b>2000</b>				
Employed*		2,217,900	95,900	206,000
Recipients of injury allowance	76,185	73,680	1,552	953
Percentage of recipients of injury allowance out of total employed	3.0	3.3	1.6	0.5
Average days of work disability	37.6	37.4	46.5	33.7
<b>2002</b>				
Employed*	2,569,200	2,284,400	30,300	254,500
Recipients of injury allowance	70,025	68,900	146	979
Percentage of recipients of injury allowance out of total employed	2.7	3.0	0.5	0.4
Average days of work disability	37.0	37.0	63.4	36.8
<b>2004</b>				
Employed*	2,634,000	2,400,800	37,400	195,800
Recipients of injury allowance	65,776	65,142	262	372
Percentage of recipients of injury allowance out of total employed	2.5	2.7	0.7	0.2
Average days of work disability	33.5	33.4	53.1	34.5
<b>2006</b>				
Employed*	2,801,000	2,573,600	47,100	180,300
Recipients of injury allowance	64,296	63,522	175	599
Percentage of recipients of injury allowance out of total employed	2.3	2.5	0.4	0.3
Average days of work disability	33.8	33.8	44.8	28.4
<b>2007</b>				
Employed*	2,925,700	2,682,000	50,500	193,200
Recipients of injury allowance	67,657	66,868	246	543
Percentage of recipients of injury allowance out of total employed	2.3	2.5	0.5	0.3
Average days of work disability	33.9	33.9	42.5	27.8
<b>2008</b>				
Employed*	3,041,000	2,777,100	62,600	201,300
Recipients of injury allowance	69,734	68,709	354	671
Percentage of recipients of injury allowance out of total employed	2.3	2.5	0.6	0.3
Average days of work disability	34.5	34.5	50.7	27.6
<b>2009</b>				
Employed*	3,037,000	2,771,900	56,000	209,100
Recipients of injury allowance	65,814	64,682	440	692
Percentage of recipients of injury allowance out of total employed	2.2	2.3	0.8	0.3
Average days of work disability	35.0	35.1	43.9	29.1

\* Source: CBS, National Accounting.

Another population group for which it is difficult to obtain data regarding safety at work is the group of employees hired through manpower agencies and manpower contractors. In manpower surveys by the CBS, these employees are identified by the question of “who pays your salary”. Within the work injury scheme of the National Insurance Institute, manpower agencies are not identified by a special code (economic branch or legal status of the employer) and therefore it is not possible to check if these employees are exposed to dangers, as can be done for employees who receive their wages directly from their workplace, or whether the fact that they are considered “exceptions” by their employer reduces the employer’s responsibility regarding conditions for their safety.

The data received from the CBS<sup>15</sup> shows that 51,700 people received wages through manpower companies in 2008. This refers to individuals who were placed in a workplace and receive their wages from the manpower agency or manpower contractor, while the workplace was responsible for the performance of their work and for their safety. Approximately one quarter of the employees hired through manpower agencies work in construction.

There are also problems with contracting companies which do not provide workers but rather provide services, and the obligations that apply to the manpower agencies, particularly licensing obligations, do not apply to them. The condition for obtaining a license and its renewal is compliance with the laws relating to employment and safety at work.

The definition of individuals receiving their wages through manpower agencies does not include employees of sub-contractors, who are responsible for their work performance as well as for their safety. These are salaried employees who are mainly employed in secondary economic branches – security, protection and cleaning, as well as home-care services.

Since December 2009, every security, protection and cleaning company must be licensed. The condition for a license are: the owners must not have a criminal record and there must be a financial guarantee to ensure the employees’ rights. This legislative amendment was initiated by the Histadrut in the framework of a package deal that was signed with the government and private employers. It would be worthwhile to check, in the next few years, if there has been a change

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15 From Table 2.50, Annual Civilian Work Force, 2009 Manpower Surveys, Central Bureau of Statistics.

in the number of injuries in this secondary branch. During 2007-2009, there were approximately 2,200 claims and the average number of work incapacity days rose from 34.3 to 36.

Table 5 differentiates between recipients of injury allowances who are salaried employees and those who are self-employed. The number of self-employed receiving an injury allowance has declined since 1997 from 9,483 to 5,915 in 2009, and their weight among the total recipients of the injury allowance dropped from 11.3% to 9%. This decline apparently stemmed from the changes in the National Insurance Law with regard to the first nine days and to the first 12 days, as well as a wave of closures of small businesses during the period of the economic recession. The average days of work incapacity among the self-employed was approximately 47% higher than that of salaried employees (50 days compared to 34, respectively). This difference also apparently stems from the fact that the self-employed tend not to submit claims to the NII for short absences (less than 12 days.).

Table 5  
**Recipients of Injury Allowance, by Work Status and Days of  
Work Disability, 2009**

Type of insured	Recipients of injury allowance		Average days of work disability
	Absolute numbers	%	
All recipients	65,814	100.0	35.0
Salaried employees	59,899	91.0	33.6
Self-employed	5,915	9.0	49.5

The breakdown of salaried employees with work-related injuries by economic sector has been steady over the years: approximately 21% work in industry, 14% in commerce and workshops, 12% in business services (which include recruiting workers and providing manpower services, as well as activities in security, protection and cleaning) and 10% in construction. From the aspect of severity of the injury (measured here by the number of work incapacity days), construction is in first place (46 days), followed by transport and storage (approximately 37 days), public services which include professional sports activities (37 days), commerce and workshops (35 days), business services (34 days) and agriculture (32 days).

Table 6  
**Recipients of Injury Allowance,  
 by Work Status and Economic Sector, December 2009**

Economic branch	Recipients		Days of work disability		
	Numbers	Percentages	Numbers	Percentages	Average work disability days per injured person
<b>Total</b>	<b>65,814</b>		<b>2,306,276</b>		<b>35.0</b>
Total salaried employees	59,899	100.0%	2,013,215	100.0%	33.6
Agriculture	2,101	3.5	66,996	3.3	31.9
Industry	12,568	21.0	377,479	18.8	30.0
Electricity and water	576	1.0	16,925	0.8	29.4
Constructions	6,103	10.2	279,331	13.9	45.8
Commerce, vehicle repair	8,438	14.1	295,223	14.7	35.0
Hospitality and food	3,466	5.8	106,119	5.3	30.6
Transportation, storage	4,333	7.2	161,455	8.0	37.3
Banking, insurance	1,050	1.8	27,466	1.4	26.2
Realty, business services	7,195	12.0	241,183	12.0	33.5
Public services	5,830	9.7	168,302	8.4	28.9
Education	2,109	3.5	68,764	3.4	32.6
Community services	1,763	2.9	65,026	3.2	36.9
Health, welfare	4,005	6.7	124,190	6.2	31.0
Other, unknown	362	0.6	14,756	0.7	40.8
<b>Self-employed</b>	<b>5,915</b>		<b>293,052</b>		<b>49.5</b>

With the increase in the number of women participating in the civilian work force which characterized the last two decades (from 40% in 1988 to 51.3% in 2008),

the proportion of women among recipients of injury allowance increased as well. The data for the second half of the 1990's and the beginning of the 2000's show that the number of women out of all recipients rose gradually and steadily from 19.8% to 30% in 2000 (Table 2/G in the Tables Appendix). The median age of women receiving injury allowance is 45 while the median age of men is 39. An examination of the distribution of men and women by age groups shows that men account for 70% of recipients in the younger groups (up to age 34), and approximately 66% in the older groups (45-59) (Table 7). The average number of incapacity days for women is lower than that for men – 31 compared to 37.

In 1996, traffic accidents (during work, on the way to and from work) accounted for 14.8% of all work-related injuries, while in 2009, they accounted for 23.3%. Between 1996 and 2009, the number of traffic accidents **on the way to work** increased from 9% of all work-related injuries to 16.1% (Table 8). On the other hand, the number of traffic accidents **in the course of work** rose slightly in 2008-2009, after a long period of stability (7%). In general, traffic accidents cause injuries that are more severe, which results in longer period of work incapacity than other accidents. In addition, the number of incapacity days resulting from traffic accidents **at work** is significantly higher than for other traffic accidents (39.5 days compared to 33 days for road accidents.) This gap apparently stems from the difference in the severity of inter-city traffic accidents compared to accidents on urban roads (as of 2009, data on traffic accidents on the way to and from work can be received from the Research and Planning Administration of the NII, including details regarding the type of vehicle [employer's, private], and whether the accident occurred when the victim was a pedestrian or riding a bus.)

The breakdown of recipients of injury allowance by cause and result of the accident ("nature") has changed very little over the years. The most common factors of work accident are falling (from scaffolding, ladder or crane; from a building or structure; slipping or stumbling on stairs; slipping or tripping on a surface – 25% of the recipients), traffic accidents (Table 8) (23%) and bodies (falling, crushed, hit – 19%). From the aspect of severity of the injury (measured by the number of incapacity days) the severe injuries were caused by falls (40 days); traffic accidents (36 days) and over-exertion (36 days). Falls resulted mostly in bruises and being crushed as well as broken arms and/or legs, strains or sprains. Injuries resulting from "illnesses" and "explosives" placed highest with regard to severity of injury (more than 40 incapacity days). The list of occupational illnesses is a closed one, but if an illness does not appear on the list



and based on professional opinions, there is clear-cut causation between it and working conditions – the illness is acknowledged as a work-related injury. Most of the claims for injury allowances due to an occupation illness are submitted in order to determine the extent of the work-related disability.

Table 7  
**Recipients of Injury Allowance and Employed Individuals by  
Age and Gender, 2009**

Age	Recipients of injury allowance – numbers			Israeli employees* - numbers			Recipients of injury allowance as percentage of those employed		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
<b>Total</b>	<b>65,814</b>	<b>45,906</b>	<b>19,908</b>	<b>2,681,992</b>	<b>1,441,886</b>	<b>1,240,106</b>	<b>2.5</b>	<b>3.2</b>	<b>1.6</b>
Up to 17	172	146	26	24,073	13,682	10,390	1.7	1.1	0.3
18-24	6,641	5,193	1,448	289,169	139,751	149,418	2.3	3.7	1.0
25-34	16,199	12,133	4,066	762,223	411,827	350,396	2.1	2.9	1.2
35-44	15,094	10,956	4,138	642,615	345,162	297,453	2.3	3.2	1.4
45-54	14,432	9,062	5,370	553,239	291,233	262,006	2.6	3.1	2.0
55-59	6,858	4,071	2,787	224,769	121,227	103,542	3.1	3.4	2.7
60-64	4,375	2,781	1,594	119,030	71,742	47,288	3.7	3.9	3.4
65+	2,043	1,564	479	66,874	47,261	19,613	3.1	3.3	2.4

Table 8

**Recipients of Injury Allowance, by Location of Injury and Days of Work Disability  
1996, 2002-2009**

Year	Accidents at work			Accidents on the way to and from work		Other
	Total	During work*	Traffic accident at work	Traffic accident on the way	On the way without a vehicle	
<b>1996</b>						
Numbers	92,274	75,341	5,361	8,310	2,880	382
Percentage	100.0	81.7	5.8	9.0	3.1	0.4
<b>2002</b>						
Numbers	70,025	50,529	4,327	10,645	3,671	853
Percentage	100.0	72.2	6.2	15.2	5.2	1.2
Average days of work disability	37.0	35.9	47.1	38.5	36.0	39.3
<b>2004</b>						
Numbers	65,776	46,888	4,638	9,655	3,455	1,140
Percentage	100.0	71.3	7.0	14.7	5.3	1.7
Average days of work disability	33.5	32.8	40.6	33.3	33.9	36.7
<b>2006</b>						
Numbers	64,296	45,374	3,833	9,339	3,575	2,175
Percentage	100.0	70.6	6.0	14.4	5.6	3.4
Average days of work disability	33.8	33.4	39.1	32.3	33.9	37.5
<b>2007</b>						
Numbers	67,657	47,757	4,092	9,571	3,991	2,246
Percentage	100.0	70.6	6.0	14.2	5.9	3.3
Average days of work disability	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
Percentage	100.0	69.5	6.6	14.6	6.0	3.3
Average days of work disability	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
Percentage	100.0	69.0	7.2	16.1	6.4	1.3
Average days of work disability	35.0	35.0	39.5	33.0	35.7	35.4

\* Injuries at work that are not traffic accidents.

Table 9  
**Recipients of Injury Allowance, by Cause of Injury and Days  
of Work Disability, 2007**

Cause of injury	Recipients		Average days of work disability	Total days of work
	Numbers	percentages		
<b>Total</b>	<b>67,512</b>	<b>100.0</b>	<b>34.8</b>	<b>2,347,457</b>
Fall	17,131	25.4	39.6	678,226
Traffic accident	15,284	22.6	36.0	550,435
Item falling, blow, pressure from item	12,959	19.2	32.0	414,829
Machines, tools	9,182	13.6	29.8	273,920
Strain	5,983	8.9	35.8	214,126
Fire, hot material, steam, acid	1,068	1.6	21.7	23,197
Foreign object in eye	867	1.3	14.2	12,287
Quarrel	688	1.0	30.5	20,989
Poisoning	587	0.9	21.0	12,324
Environmental factor	226	0.3	27.6	6,236
Illness resulting from profession	168	0.2	45.7	7,676
Explosives	116	0.2	41.8	4,845
Other, and unknown	3,253	4.8	••	••

The breakdown of recipients of injury allowance by nature of the injury has not changed either over the years. The most common results of injury are being crushed (23% recipients), bruises (22%), strain or sprain (17%) and cuts in an upper limb (9%). From the aspect of severity of the injury (measured by the number of incapacity days), the most severe injuries were: lower limb fracture (63 days), upper limb fracture (58 days), back fracture or damage to spine (56 days) and dislocation without fracture (55 days). An injury to the circulatory system is the most common injury (68 incapacity days).

The upper limbs are the limbs which are most injured in a work-related accident: fractures and cuts (only) in the upper limbs were the reason for 14% of all absences from work by recipients of injury allowances.

The average daily injury allowances for the self-employed rose significantly in 2009 in real terms and as a percentage of the average wage, and the gap compared to salaried employees continue to widen after having been steady in 2005-2007. Injury allowances to salaried employees declined slightly in 2009 in real terms and as a percentage of the average wage.

Table 10  
**Recipients of Injury Allowance, by Nature of Injury and Days  
of Work Disability, 2007**

Nature of Injury	Number of Recipients	Percentage of Recipients	Average Days of Work Disability Per Injured Individual	Total Days of Work Disability
<b>Total</b>	<b>67,512</b>	<b>100.0</b>	<b>34.8</b>	<b>2,347,457</b>
Being crushed	15,354	22.7	33.3	510,908
[Hard blow [no sign of injury	14,755	21.9	33.7	496,461
Pulled [muscle], sprain	11,680	17.3	32.2	376,126
Wound in upper limb	6,355	9.4	27.7	176,124
Skeleton and muscles	4,619	6.8	35.0	161,827
Break in upper limb	3,030	4.5	57.7	174,816
Break in lower limb	2,107	3.1	63.3	133,442
Burn	1,164	1.7	22.7	26,395
Cut in head, neck, upper back	959	1.4	24.8	23,808
Cut in lower limb	873	1.3	26.1	22,748
Penetration by foreign object	782	1.2	14.0	10,980
Cracked skull, upper back, spine	721	1.1	55.8	40,214
Poisoning	652	1.0	20.4	13,286
Symptoms	465	0.7	30.6	14,212
Dislocation without break	285	0.4	55.2	15,721
Circulatory system	150	0.2	67.9	10,184
Scrape	124	0.2	26.2	3,242
Other, and unknown	3,437	5.1	**	**

Table 11  
**Average Injury Allowances per Day, by Work Status,  
 2000-2009**

Year	Salaried employees			Self-employed		
	Current prices (NIS)	2009 prices (NIS)	% of the average wage	Current prices (NIS)	2009 prices (NIS)	% of the average wage
2000	147.4	177.6	67.0	161.6	194.8	73.5
2001	155.8	185.6	70.0	165.0	196.5	74.1
2002	157.7	177.8	67.1	170.5	192.1	72.5
2003	153.0	171.3	64.6	167.6	187.6	70.8
2004	151.6	170.3	64.2	174.2	195.8	73.9
2005	152.6	169.2	63.8	159.7	177.2	66.8
2006	153.5	166.8	62.9	161.5	175.4	66.2
2007	159.9	172.8	65.2	167.9	181.4	68.4
2008	174.6	180.4	68.0	199.2	205.8	77.6
2009	179.2	179.2	67.6	240.6	240.6	90.8

### C. Recipients of work disability pension

The number of recipients of a permanent disability pension has been rising steadily every year by more than 1,000 individuals, and reached 30,899 in 2009. Most recipients of a permanent disability pension have a low degree of disability, and this is particularly noticeable among women: 64% of them have a 20-39% degree of disability compared to 58% of the men, and only 9% of the men and 7% of the women have a level of disability that is higher than 80%. 21% of the men receiving a permanent disability pension are aged 65 or over and 28% of the women are aged 60 and over (Table 4/G in the Tables appendix). Recipients of a work-related disability pension can – when they reach the age entitling them to 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 it is possible to capitalize on the disability pension and receive the old-age pension, or continue receiving the work-related disability pension at a level equal to the old-age benefit. In 2009, 39% of the work injury victims capitalized their disability pension and began receiving the old-age pension.

Table 12  
**Recipients of Permanent Disability Pension, by Work Status,  
 2000-2009**

Year	Total		Salaried employees	Self-employed
	Numbers	Percentage of annual change		
2000	19,813	6.5	17,445	2,371
2001	20,810	5.0	18,309	2,501
2002	21,772	4.6	19,140	2,633
2003	22,960	5.5	20,176	2,784
2004	24,003	4.5	21,083	2,920
2005	25,179	4.9	22,120	3,059
2006	26,442	5.0	23,216	3,227
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

In 2009, the average permanent disability pension was NIS 3,156 for salaried employees and NIS 3,288 for self-employed. The level of the pension, in real terms and as a percentage of the average wage, rose for salaried employees and decreased slightly for the self-employed. During 2009, as in previous years, the pensions for the self-employed were higher than those of the salaried employees.

Table 13  
**Amount of Permanent Disability Pension by Work Status  
(monthly average), 2000-2009**

Year	Salaried employees			Self-employed		
	Current prices	2009 prices (NIS)	Percentage of the average wage	Current prices	2009 prices (NIS)	Percentage of the average wage
2000	2,416.7	2,910.5	36.6	2,715.1	3,269.8	41.1
2001	2,667.1	3,176.9	39.9	3,019.3	3,596.4	45.2
2002	2,686.5	3,027.4	38.1	3,028.6	3,413.1	42.9
2003	2,743.0	3,069.6	38.6	3,074.7	3,440.8	43.3
2004	2,752.3	3,092.6	38.9	3,086.0	3,467.4	43.6
2005	2,740.6	3,039.8	38.2	3,086.4	3,423.3	43.0
2006	2,817.4	3,060.6	38.5	3,144.4	3,416.0	43.0
2007	2,823.0	3,050.3	38.4	3,131.1	3,093.4	38.9
2008	2,894.8	2,990.9	37.6	3,204.1	3,310.5	41.6
2009	3,156.2	3,156.2	39.7	3,287.7	3,287.7	41.3

#### D. Recipients of disability grant

The disability grant is paid to an individual who is disabled as a result of a work accident, where the degree of his disability is stable and less than 20%, but not less than 9%. The amount of the grants for these disabled individuals and their eligibility underwent far-reaching changes in recent years. Until the legislation of the Economic Recovery Program Law in June 2003, the grant consisted of 70 monthly pension payments. This Law determined that whosoever was injured after 1.7.2003 would receive a grant equal to 43 monthly pension payments. As a result of the legislative changes, there was a steep decline in the amount of average disability grants. In 2009, 8,706 grants were awarded for various injuries – 7,648 to salaried employees and 1,058 to the self-employed. In 2009, the disability grant paid to salaried employees was NIS 31,526 compared to NIS 31,000 in 2008, and to the self employed, NIS 28,464 compared to NIS 28,825 in 2008.

An amendment to the 2005 Economy Arrangements Law was passed and the disability grant for a work-related injury was to be paid starting with a degree of 9% disability instead of 5%. The primary disability for most of the disabled with a degree of 5-9% disability is a locomotive disability – 83% – while 3% have an internal injury, 11% hearing or sight impairment and 3% skin and scarring defects. The amendment came into effect for work-related accidents occurring after 1 April 2006, and in the case of occupational illnesses – for claims submitted on or after that date.

#### **E. Recipients of special disability pension**

Victims of work accidents with a 75% degree of disability or more and disabled individuals with difficulties walking, whose degree of disability is 65-74% are eligible, in addition to any other benefit they might be receiving, to financial aid for personal assistance and travel, as well as being eligible to a grant for one-time arrangements in the form of assistance when purchasing a vehicle, solving housing problems and purchasing special equipment related to their disability.

In December 2009, 2,924 individuals who were disabled due to a work-related accident received a special pension, paid through rehabilitation, in the average sum of NIS 3,237, in addition to a monthly pension from work. In 2009, 166 rehabilitation grants were paid, averaging NIS 33,350.

#### **F. Recipients of dependents' pension**

The number of recipients of the dependents' pension gradually increased from 3,286 in 1985 to 4,573 in 2009. The growth rate ranges from 0.8% to 1.5% per year (Table 14).



Table 14  
**Recipients of Dependents' Pension by Work Status, 2000-2009**

Year	Total		Salaried employees	Self-employed
	Numbers	Percentage of annual change		
2000	4,158	1.4	3,564	594
2001	4,199	1.0	3,601	598
2002	4,253	1.3	3,647	606
2003	4,306	1.2	3,698	608
2004	4,349	1.0	3,740	609
2005	4,399	1.1	3,792	607
2006	4,446	1.1	3,834	613
2007	4,482	0.8	3,868	614
2008	4,518	0.8	3,907	611
2009	4,573	1.2	3,954	619

In 2009, the average amount of the dependents' monthly pension was NIS 5,992 for salaried employees and NIS 5,812 for the self-employed. In 2009, the dependents' pension rose significantly in real terms as well as in percentage of the salaried employee's average wage, and at a lower rate for the self-employed.

Box 10

**Models For Predicting the Submission of Claim For Work Disability Pension Based on The Nature of the Injury and Those Insured For Injury Allowances**

The objective of this study is to examine the possibility of creating a model that will make it possible to identify injured persons submitting a claim for an injury allowance who might very well also submit a claim for a work disability benefit at a later stage.

In 2009, the average time to handle a claim for a work disability benefit was 106 days, and it took 153 days to completely handle 80% of the cases. One of the reasons for this drawn-out process is the need for medical tests and completed medical documents. If it were possible to detect those injured who will probably submit a claim for this benefit earlier, it might be possible to shorten the period of time required for decision-making.

The model was based on the study and characterization of recipients of injury allowance who submitted a request for a work disability benefit, compared to those who did not; on the identification of the variables that most affect the submission or non-submission of a claim; and on the evaluation, early on, of the probabilities that a claim will be submitted. It should be noted that the tests relate only to the submission of the claim, without any connection to the determination of the percentage of disability at the end of the procedure.

**Figures for developing the model**

The analysis was carried out with regard to employees injured at work from February 2002 to January 2005. A total of 190,680 injured individuals were checked, 22% of whom had submitted a request for a work injury allowance.

Two types of explanatory variables were taken into consideration: the first, demographic data: gender, age at time of injury, type of residential community, type of employment community, position at work (salaried or self-employed), branch, residency. The second type are data on the injury: incapacity days, cause of injury, nature of injury, place of injury, economic branch of employer, size of employer, the time that passes between the injury and claim for injury allowance.

The explanatory variable: submission of claim for work injury allowance.

There are two acceptable models for estimating the function of the explanatory variable – a decision-making tree model and a regression logistics model.

#### A decision-making tree model

The data showed that the likelihood that an individual whose period of incapacity does not exceed 70 days will submit a claim for work disability is significantly lower than that of an individual whose incapacity period is longer than that. In this study, we attempted to identify additional characteristics that could help to identify the potential group that might submit a claim for this benefit.

A system of 20 situations was created in the model, where each has a different assessment of individuals submitting claims for work disability benefits (it should be noted that of all the injured, 22% submitted claims for this benefit).

Below are scenarios with the highest probability that a claim for work-related benefit will be submitted:

- If the number of incapacity days exceeds 86 days and the time that passes between the injury and the date on which a claim is submitted for the injury allowance does not exceed 60 days, there is a likelihood of 80% that a claim for the benefit will be submitted (8,556 cases).
- If the number of incapacity days exceeds 86 days and the time that passes between the injury and the date on which the claim for injury allowance submitted is 60-90 days, the likelihood is 77% (4,402 cases).
- If the number of incapacity days exceeds 86 days and the time that passes between the injury and the date on which the claim for injury allowance is submitted is 90-120 days, the likelihood is 68% (2,470 cases).

These three groups cover approximately 30% of those submitting claims for work disability benefits.

- If the number of incapacity days stands at 1-15, the likelihood is 5.4% (52,704 cases)

- If the number of incapacity days stands at 21-40, the likelihood is 13% (39,255 cases)
- If the number of incapacity days stands at 41-55, the likelihood is 24.5% (10,118 cases)

According to this model, the variables that most affect the prediction of probability that a claim for a work disability benefit will be submitted are the incapacity days, the time that passes between the injury and the submission of the claim, the cause of the injury, the branch, the type of insured person (salaried or self-employed), and the recipient of the injury allowance (the insured individual, the employers, etc.).

When acting according to this model, we have been able to identify 20% of the recipients of an injury allowance where the likelihood that they will submit a claim for a work disability benefit is 66%, that is, three times than in population as a whole.

#### **A logistical regression model (in steps)**

The data pointed to a dominant positive connection between the number of incapacity days and the submission of a claim for a work disability pension. In view of the fact that normally, when a claim for injury allowance is first received, there is no way of knowing how many days the injured will be incapacitated, we attempted to estimate the probability that a disability claim will be submitted without taking this variable into consideration, but rather only based on other variables. If the number of incapacity days is not taken into consideration for the model, this significantly reduces the level of explanation provided. While in the previous model, 20% of the recipients of injury allowance included 60% of the submitters of benefit claims, in this model, only 37% of those submitting claims for work disability benefit are included among the 20% recipients of the injury allowance. This group includes 7.5% of all recipients of the injury allowance who submitted a disability claim, and 14.5% of the recipients of the claim are part of the supplementary group.

Following are the variables that we found to have the most influence (in descending order):

Nature of injury (break, bruise, etc.); cause of injury (fall, traffic accident, blow, etc.); size of employer; age at time of injury; national insurance branch; gender; type of injury (bruising, heart, back, hearing, etc.); type of recipient of injury allowance (claimant, employer by special agreement); location of injury (workplace, traffic accident during work, traffic accident on the way, etc.); type of community of the injured individual; economic branch (construction, agriculture, industry, etc.); type of community of the employer; time that passed between the injury and claim for injury allowance; health fund; residency (resident of Israel, foreign worker, resident of the territories).

If, despite the above, we prefer to take into account incapacity days, we examined the regression (without incapacity days) with regard to injured individuals who have been missed work over 71 days due to the injury. The decision to cut the population off at this point was based on data that showed that the likelihood that they would submit a claim for a disability benefit was 42% or more, while when it is less than 71 days, the likelihood does not exceed 36%.

When examining without incapacity days as an explanatory variable – the explanatory variables, in descending order of their impact, are: nature of injury, cause of injury; size of employer, age at time of injury, NII local branch handling case; gender, location of injury; recipient of injury allowance; type of community of injured; economic branch of employer; type of community of employer; time that passed between date of injury and claim for injury allowance; type of injury.

We carried out a logistical regression using the most influential variables from the decision-making tree model, with the following main results:

- Incapacity: The more incapacity days, the higher the likelihood that a claim for work disability benefit will be submitted.
- Time that passes between the injury and the claim for injury allowance: The shorter the time, the higher the probability that a claim for the allowance will be submitted.
- Recipient of injury allowance: When, according to Clause 343 in the Reduced Insurance Payments Law, employees are injured while working for employers who employ less than 500 employees, the likelihood of a claim

for an allowance is higher, while in a kibbutz and in a collective moshav, it is less likely.

- Status of the injured individual: The probability that a claim will be submitted rises noticeably when the injured is a salaried employee, and the opposite is true when the injured is self-employed.
- NII branch handling case: The probability that a claim will be submitted in the Nahariya, Carmiel, Krayot and Haifa local branches, is unmistakably higher than in the rest of the country.

In the decision-making tree model for the group of injured individuals with 71 or more incapacity days, the most influential variables (in descending order) are: incapacity days; time that passes between injury and claim for injury allowance; and economic branch of the employer.

When, at the time that a claim is submitted for injury allowance, one wants to predict the probability of a claim for a work disability benefit, the number of incapacity days have to be removed from the equation since this variable is still an unknown, and one must depend on other variables, thus limiting the ability to predict. When one wishes to describe recipients of the injury allowance with regard to the submission of a claim

for work disability, one can use models that include the number of incapacity days.

In light of the above, one could say that when a claim for injury allowance is being handled, the probability with regard to the submission or non-submission of a claim is almost impossible as long as the final number of incapacity days is unknown. In order to make the handling of a case more efficient, we recommend that submitters of claims for injury allowance be checked once again after 71 days, thereby enlarging even more the group that is identified at an even earlier stage.

## 8. Insurance for Victims of Hostile Actions

### A. General

The Benefits for Victims of Hostile Actions Law was enacted by the Israeli government in order to ensure that victims of hostile actions and their families receive social benefits. Under this law (and its regulations), the benefits are paid by the National Insurance Institute and financed by the Ministry of Finance. The law is intended to bring the rights of victims of hostile acts from among the civilian population in line with the rights and services allocated to IDF soldiers and their bereaved families, who are cared for by the Ministry of Defense. The law underwent several changes before reaching its present format.<sup>14</sup> The innovations introduced by the law are the definition of a hostile act, the establishment of an Approval Authority which determines what incident is considered to be a hostile action, the definition of the principal rights in the law, full state funding for these benefits, the inclusion of past victims of hostile acts in the law and the transfer of the treatment to the NII.

Any of the following constitutes a **hostile action injury**:

- Injury resulting from a hostile act by enemy forces hostile to Israel, including actions occurring outside of Israel whose objective was to harm Jewish people;
- Unintentional injury by a person, as a result of hostile action by enemy forces, and unintentional injury under circumstances where there were reasonable grounds to fear a hostile act;
- Injury caused by a weapon intended for use in a hostile act by enemy forces, or injury caused by a weapon intended to combat such an action, even if not activated, with the exception of an injury to an individual aged 18 or over who perpetrates a crime or other offence involving malice or criminal negligence;

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<sup>14</sup> The Benefits for Victims of Hostile Actions Law was approved by the Knesset in 1970 retroactive to 1967, for anyone injured by hostile actions after 25 February 1959. In March 1977, the law was expanded and applied also to anyone injured between 14 May 1948 and 24 February 1949. Since March 1982, individuals injured between 29 November 1947 and 13 May 1948 have also become eligible.

- Injury resulting from violence where the main goal was to harm an individual because of his ethno-national origin, providing it stems from the Israeli-Arab conflict.
- Injury resulting from violence where the main goal was to harm an individual because of his ethno-national origin, carried out by a terrorist organization which was declared as such by the Israeli government, pursuant to Section 8 of the Prevention of Terror Orders 5708-1948, unless the organization is an enemy force or the violence is carried out on the order of or on behalf of such an organization.

**A person injured in a hostile action who is one of the following is eligible for the benefit:**

- An Israeli national injured in Israel or in Judea and Samaria or the Gaza Strip, or outside of Israel, if less than a year has elapsed since he ceased to be a resident;
- Anyone who entered Israel legally;
- A foreign resident working for an approved Israeli employer abroad and is injured by a hostile act abroad during the normal course of his work;
- A resident of the territories who has an Israeli I.D. card and who was injured in the boundaries of the Green Line.
- A resident of the territories who has a valid entry visa issued by the commander of the military forces in the territories and who is injured with the boundaries of the Green Line.

**B. Amendments to Benefits for Victims of Hostile Actions Law**

The amendments to the Benefits for Victims of Hostile Actions Law-1970 since its enactment point to a trend towards the extension of the rights to a benefit and to additional and supplementary services, aimed at recognizing the eligibility of other family members, as well as towards expanding the definition of hostile acts covered by the law. Unlike the injured individuals affected by the Disability



Law and the Families of Soldiers Killed in Battle Law, children, elderly and mothers with children are included in the definition of victims of hostile actions, and at times, hostile acts cause injuries to several members of the same family. Therefore, the solutions proposed in the framework of the Disabled Law and the Families of Soldiers Killed in Battle Law do not always fulfill the needs of families of victims of hostile acts. In 2004, the Minister of Labor and Social Affairs appointed a committee to examine the rights of victims of hostile acts and their families, in order to propose solutions for the unique problems of this population. In the deliberations of this committee, it was pointed out that the primary areas that had not been properly addressed by the existing law were the unique problems faced by children who had lost both parents (minors and adult children), as well as family members who took on the burden of caring for these orphans. In 2005, two amendments on the subject were passed and in November 2008, the Knesset approved amendment no. 25 to section 7 of the Benefit for Victims of Hostile Actions Law, which details and expands the eligibility of orphans who have lost both parents as a result of a hostile act. The law went into effect on December 1, 2008. An organization grant was also granted to children orphaned prior to October 1, 2000 and who turned 18 between October 1, 2000 and December 1, 2008.

**Following are the main points of the amendment:**

1. A new clause sets out in the law the amount of the benefit paid to an individual who lost both parents, payment for which, until now, had depended on an internal administrative decision of the NII. Today, the benefit is NIS 3,905, as for a married widow with a child.
2. An individual who lost both parents and who is over 21: until the age of 27, at the rate mentioned above (instead of until 21); ages 27-37 – 80% of the above-mentioned benefit (there was no eligibility before this).
3. An individual who lost both parents and who is entitled to benefits until the age of 37 is not entitled to the subsistence benefit for an orphan while undergoing vocational training or higher education studies. He will have to choose between them.
4. An organization grant of NIS 89,844 at this time, with eligibility until the age of 37, as well as a mobility grant of NIS 26,000, if under the age of 21.
5. A marriage grant for each parent separately, depending on which comes first:

marriage, acquisition of apartment, age of 30 or until age of 37. Today, the amount of the grant is NIS 112,307.

6. Monthly payments and mobility grant for the physical guardian (who actually raises the orphan) of an orphan who lost both parents as a result of a hostile act (not the property guardian).
7. A physical guardian is entitled to a monthly payment to cover loss of income during the period that the orphan is with him and he is caring for the orphan. A parent adopting an individual who lost both parents receives guardianship rights.

On November 23, 2009, an amendment was approved in the Knesset which resolves that a widow of a hostile act who has married shall continue receiving the monthly benefit as has been the custom until now. The amendment will go into effect in 2010 and the regulations with regard to the deduction of the marriage grant paid to widows who married during the previous five years will be amended.

In 2006, the definition of an injury resulting from a hostile act was extended to include an injury resulting from an act where the primary objective was to harm the Jewish people (section 18a of the NII Law). The extension applies to residents of Israel only.

The definition of an injury resulting from a hostile act was also extended to include an injury resulting from an act of violence where the main objective was to harm a person because of his ethno-national origin, if this stems from the Israeli-Arab conflict (section 4 of the definition) or if the violent act was perpetrated by a terrorist organization (section 5 of the definition).

### **C. Initial treatment of victims and other family members**

Unlike other benefits paid by the National Insurance Institute, where the handling process begins when the insured individual submits a claim, the NII initiates the process in the case of mass hostile incidents. Upon receiving the report of the terror incident, the NII contacts the Police Headquarters and the Approval Authority in the Ministry of Defense to receive confirmation that this was a

hostile act. Hospitals and the Red Magen David immediately transfer the names of the injured to the NII, and the Benefit and Rehabilitation departments of the NII prepare themselves for rapid intervention in order to be able to deal with the injured and their families.

**Preliminary assistance to the injured:** The first contact with the injured includes visits in the hospitals and contacts with the injured and their families, assembling the claims, identifying urgent needs and paying the hospitals, including covering the expenses of the families of the injured.

**Medical treatment for the injured** is deemed to be a benefit in kind, and includes hospitalization, operations, tests, therapy, psychiatric and psychological therapy, medications, recuperation, medical rehabilitation, instruments and accessories.

**Treatment of trauma victims:** During the Second Lebanon War, an innovative procedure was introduced for treating trauma victims, where the goal was to provide initial treatment for trauma victims even before they are acknowledged to be victims of hostile acts who are eligible for benefits and treatments by under law. The NII initiated this procedure, formulated in cooperation with the Ministry of Health (for the procedure of treatment of trauma victims, see the chapter on Victims of Hostile Acts in the 2007 Annual Survey). The procedure was implemented for trauma victims in four care centers in the Western Negev – Sderot, Eshkol, Sha'ar Ha-Negev and Sdot Ha-Negev – as well as in the trauma centers of the hospitals in Ashkelon and in Beersheba. In Jerusalem, the procedure was also introduced in mental health clinics after the tractor attacks.

**Initial assistance for families of fatalities:** The first contact with bereaved families centers upon funeral arrangements, transport for accompanying family members, visits to homes of mourners and providing emotional support. Representatives of the Rehabilitation and Benefit Departments from the NII local branches provide the families with information regarding their basic rights under the law. A widow is also entitled to a special grant at the time she is widowed, in order to provide for her immediate needs during the initial period of her widowhood, until her rights to benefits can be exercised.

The NII local branches **contact essential service-providers in the community**, such as the emergency centers of the local authorities, social services in hospitals, mental health clinics, trauma centers and psychological-educational counseling centers, for coordinated action.

#### D. Types of benefits

1. **Medical treatment payment** – Anyone who is unable to work or to function because he is receiving medical treatment (supported by a medical certificate) and with the approval of the NII doctor, is entitled to a special allowance for the period of treatment, on condition that he is not receiving a salary or any compensation during that period, and if he is self-employed, on condition that he is not engaging in that profession. This compensation is, in fact, a short-term payment granted for a limited period, until the degree of disability is determined by a medical committee.
2. **Disability benefits** – Anyone who has been assigned a degree of disability of at least 20% by the medical committee is eligible for a monthly disability benefit. The amount of the benefit or the allowance is determined on the basis of the degree of disability, and they are equivalent to benefits paid to a disabled IDF veteran under the Invalids Law (Compensation and Rehabilitation). An individual whose disability is the result of a hostile act and who is subsequently injured in another hostile incident, must have his degree of disability reassessed, and all the injuries are to be considered as having been caused by a single hostile act (combining disabilities). When necessary, additional benefits and grants are added in order to pay for assistance from others, mobility allowances, monthly and annual benefits and grants.

**Lump-sum disability grant** – paid to an individual for whom the medical committee determined a permanent disability of 10-19%. The amount of the grant is calculated by multiplying the sum derived from the degree of disability by the number of months. The grant calculation table shows the number of months used for calculating each degree of disability. For example, for an individual whose degree of disability is 10%, the grant is calculated for 108 months, and an individual whose degree of disability is 19% - the grant is calculated on the basis of 215 months.

In addition to the standard benefits, **special increments** are paid to certain **sectors**, such as the additional benefit for the severely disabled and the age increment, as well as special benefits at increased rates, for which eligibility and the amounts are determined on the basis of the degree of disability, the disabled individual's earning ability and potential for rehabilitation. Special benefits are:

- Benefit for the needy disabled – paid to an individual whose degree of disability is determined to be 50% or more and who meets the criteria with regard to income and ability to earn a living. The benefit for the needy disabled is paid in place of the disability benefit, and eligibility is determined by a committee for a maximum period of one year.
  - Benefit for the disabled with no income – paid to an individual whose temporary or permanent degree of disability is 10% or more, and who meets specific criteria with regard to income and seeking a job. Eligibility is determined by a special committee. It is paid in place of the disability benefit (based on the degree of disability) and is limited to one year.
  - Benefit for a disabled victim of a hostile act who has passed away – entitles a family member, as instructed by the disabled individual, to receive the benefit for a three-year period.
3. **Medical treatment** – Medical treatment includes hospitalization, treatment in a clinic, including dental treatment for damage caused by the hostile incident, medication, auxiliary medical equipment, recuperation and medical rehabilitation. Treatment is provided on the basis of authorization from the NII that the injury has been acknowledged as a hostile act injury and based on receipt of a monetary obligation from the NII.

Treatment is provided by medical services authorized by the State, which are State health services and the Health Funds recognized as authorized medical services. First aid treatment is provided to the injured individual by a Red Magen David medic, any doctor or nearby medical facility adjacent to the location in which the hostile incident took place. Medical treatment given to disabled individuals whose degree of disability is up to 19% is provided by the Health Funds in accordance with the National Health Insurance Law.

4. **Vocational and economic rehabilitation** – intended to assist in the rehabilitation of a disabled individual who has no profession or who needs vocational retraining due to his disability or due to cutbacks in his workplace. Anyone with a degree of disability of 20% or more, and who has not received funding for studies from the NII, can receive assistance from the NII to establish a business or upgrade an existing business. The business must be economically viable and be suited to the individual's abilities, knowledge and physical limitation.

5. **Dependents' allowance** – paid to the survivors of any individual killed in a hostile incident:

**A widower, a widow and orphans are eligible for a permanent monthly allowance.** The amount of the benefit is calculated as a percentage of salaries of state employees, to which are added social benefits as a monthly grossed-up payment. The rate for a widow/widower is determined on the basis of his age and if whether or not there are children – as well as the ages of the children. The supplement for children continues to be paid as long as the child is serving his national army service, even if he has already turned 21. After the army service, the widow/widower receives the same benefit that is paid to those whose children are adult. In special cases, orphans receive increased rates.

**Bereaved parents are also eligible for a permanent monthly benefit.** The rate is calculated as a percentage of salaries of state employees and determined on the basis of the family composition. The means test for calculating benefits for bereaved parents was cancelled in January 1, 2008 (amendment no. 28 to the Families of Fallen Soldiers Law).

In addition to monthly payments, dependent families are entitled to additional **rehabilitation, grants and bonuses** such as payment for assistance in daily tasks due to health limitations, help in purchasing a vehicle, loans and grants for a residence, assistance in mobility, help with housing and a marriage grant for orphans, as well as other grants and bonuses.

**Grants for covering mourning expenses** – paid to a widow/widower and to bereaved parents, and should there not be any, other relatives are entitled to this grant, in order to assist in the expenses involved in mourning.

The data presented in this section only relate to citizens who were injured during hostile acts and who are not soldiers or police officers. Tables that present benefit recipients do not show the injured who received a benefit in the past and who stopped being entitled to such, or the injured who did not receive a benefit from the start.

## **E. Hostile actions**

Hostile acts have been occurring throughout the years of the existence of the State of Israel. The NII began collecting data only in recent years, and therefore, data regarding the State's early years is incomplete. With the exception of the period of the War of Independence (1948), during which many civilians were killed or injured, 1946-1966, the first years of the State, were characterized by a relatively small number of hostile actions. With the end of the Six Days' War, there was a significant rise in the number of hostile acts and then a relative decline until the eruption of the first Intifada (1988).

1994-1998 were marked with a large number of hostile incidents and injured individuals; however, until September 2000 during which there was the outbreak of the second Intifada, the number of these incidents declined. At the end of 2000, and particularly in 2001-2002, the number of hostile incidents and their severity peaked. The ratio between the number of injured individuals approved and the number of incidents was 1:9 in 2002. In 2003-2005, the number of hostile acts decreased (Table 1).

In 2006, there was a sharp increase in the number of casualties, dead and wounded, as a result of the Second Lebanon War. Casualties included the slightly wounded who only received medical treatment, the wounded who recovered after a fairly short period of time and the severely wounded who became disabled. 37% of the 4,500 casualties of the Lebanon War suffered some sort of emotional trauma without any physical injury.

In 2008, there were approximately 190 confirmed hostile incidents (from November 19, 2008, each day of rocket attack on the region surrounding Gaza counted as an incident). Incidents in Jerusalem increased, during which residents of East Jerusalem were involved, where incidents involving a lone attacker were prominent.

In 2009, the incidence of hostile terrorist incidents decreased: 77 incidents were acknowledged, during which 258 people were injured, of which 2 died. It is to be hoped that the development of the "iron dome" missile will improve our ability to protect the country against rocket attacks.

Table 1  
**Number of Hostile Acts Confirmed by Approving Authority  
 and Victims of Hostile Acts by Years, 1947-2009**

Year of attack*	Number of incidents	Total casualties approved	Wounded		Killed	
			Total	Thereof: approved	Total	Thereof: approved
<b>Total</b>	<b>3,517</b>	<b>12,045</b>	<b>19,954</b>	<b>10,364</b>	<b>1,755</b>	<b>1,681</b>
1947-1957	157	193	157	143	56	50
1958-1976	364	652	491	461	212	191
1977-1993	694	1,112	896	776	354	336
1994-1998	612	1,819	1,846	1,629	194	190
1999	53	120	137	114	7	6
2000	191	396	468	371	25	25
2001	309	1,302	1,929	1,122	180	180
2002	186	1,710	2,923	1,405	305	305
2003	128	733	1,194	576	157	157
2004	136	593	876	506	87	87
2005	94	386	624	342	49	44
2006	195**	1,994	5,897	1,925	87	69
2007	132	222	340	214	9	8
2008	189 **	555	1,227	524	31	31
2009	77	258	949	256	2	2

\* 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 Provision of Treatment and Assistance (2005), by A. Yanai, R. Prior and S. Baer, published by the National Insurance Institute, where the attacks were divided into periods according to the type of act.

\*\* Each day on which missiles are fired into the region around the Gaza Strip and during the Second Lebanon War is defined as a separate incident.



## **F. Benefit recipients**

### **1. Recipients of the medical treatment benefit**

Immediately after an attack, casualties are entitled to receive an allowance for medical treatment, paid as compensation for their loss of fitness. 33% of the victims of hostile acts who received the medical treatment benefit in 2009 were unable to work or function for more than three months as a result of the injury. An additional 28% were unable to work or to function for one to three months. The average period of incapacity (to work or function fully) in 2009 was 93 days. In certain cases, as in the case of government employers, the employer pays the injured individual his full salary and the NII refunds the payment. Table 2 shows recipients of the benefit for medical treatment and the number of employers by the length of the incapacity period. The average benefit paid for the entire period of eligibility is NIS 21,200 (NIS 228 per day).

The amount of the medical treatment benefit is determined on the basis of the injured person's occupational status before the incident:

- Anyone who worked before the incident is entitled to a benefit equal to the average wage during the three months preceding the incident (after tax deductions) up to the maximum benefit paid to an individual serving his reserve army duty (five times the average wage).
- Anyone not working before the injury is entitled to a benefit calculated on the basis of his family status and the number of children. The benefit is calculated as a percentage of the salary of a State employee.
- Children under the age of 14 are not entitled to a medical treatment benefit under any circumstances. Those who are 14-18 are only entitled to a benefit if they were working.
- A disabled individual who returns to work part-time and whose rehabilitation ability has yet to be determined (however he is in a job framework and he has an income, but was unable to return to full capacity at work because of his acknowledged disability) – a partial payment of the medical treatment benefit can be considered during the disability period.

Table 2  
**Recipients of Medical Care Benefit, by Number of Days of  
 Work Disability, 2009**

Disability days	Total	Injured	Employers
<b>Total</b>	265	224	41
1-30 days	103	86	17
31-90 days	75	68	7
91 days and more*	87	70	17

\* Out of 87 injured, 23 had 181-270 disability days and 21 had 271-540 days of disability days

## 2. Disabled recipients of benefits

On the average, 3,860 individuals who had been injured in hostile incidents received monthly benefits in 2009. Table 3 shows the number of disabled veterans who were injured in hostile incidents and who received monthly benefits during 2000-2009. 1,205 disabled individuals whose degree of disability was 10-19% and who received a lump-sum grant were included among the disabled receiving benefits in December 2009. Until the beginning of 1996, disabled individuals with a degree of disability of 10-19% received a monthly benefit, and as of 1996, they only received lump-sum grants.

Table 3  
**Victims of Hostile Acts Receiving Monthly Disability Benefit  
 (annual average) by Degree of Disability, 2001-2009**

Degree of disability	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Total</b>	1,720	1,807	2,195	2,500	2,753	3,022	3,274	3,564	3,860
Up to 39	1,176	1,207	1,539	1,799	1,986	2,185	2,376	2,625	2,879
40-49	126	139	152	168	196	203	209	219	234
50-59	163	170	185	198	213	238	256	272	284
60-79	153	153	168	181	192	216	234	247	259
80-99	41	51	56	66	76	89	101	102	104
100	61	87	95	88	90	91	98	99	100

Table 4  
**Disabled Victims of Hostile Acts Who Received Benefits in  
 December 2009, by Gender and by Age at Time of Attack**

Age at time of attack	Total	Men	Women
<b>Total - numbers</b>	4,031	2,159	1,872
<b>Percentages</b>	100.0	100.0	100.0
Up to 19	23.2	24.9	21.2
20-29	20.0	20.9	18.9
30-44	26.6	27.3	25.8
45-64	24.5	22.1	27.2
65+	5.8	4.8	6.9

Tables 4 and 5 show the demographic and economic characteristics of disabled individuals who receive a monthly benefit. 54% of the recipients are men. The disabled individuals are also differentiated from each other according to their economic situation after the injury. Most of them (63%) are classified as regular, the minority as needy (3.7%) or without income (2.6%). Eligibility for a benefit as a needy person or because of lack of income is only for a limited period and requires occasional re-evaluation. The number of disabled individual by their status, as well as the average benefits for the various types of disabled individuals, are presented in Table 5.

Table 5  
**Disabled Victims of Terrorist Act who Received Benefits in  
 2009, by Status (Regular, Needy, Without Income) and the  
 Benefit Paid to Them (2009 prices)**

Status	Recipients (annual average)	Actual average monthly payment*
<b>Total</b>	3,862	2,721
Regular	2,480	2,752
Needy	143	13,097
Without income	96	7,775
Benefit for a deceased disabled victim (36 months)	30	2,968
Disabled with 10-19% disability	1,113	**

\* Includes monthly benefits and does not include annual benefits.

\*\* Receive a lump-sum rather than monthly payment.

### 3. Recipients of dependents’ benefits

A widower, a widow, children and parents of an individual who died as a result of a hostile act are entitled to a dependents’ benefit. Table 1 showed the number of hostile actions every year and the number of fatalities as a result to those actions. Tables 6 and 7 show the number of fatalities for which the dependents’ benefit is paid to their dependents, according to different distributions.

Table 6  
**Fatalities of Hostile Acts For Whom Benefits were Paid in  
 December 2009, by Year of Death**

Year of death	Fatalities
<b>Total</b>	<b>1,493</b>
Up to 1957	21
1958-1966	6
1967-1976	167
1977-1986	122
1987-1999	386
2000	22
2001	164
2002	243
2003	139
2004	72
2005	44
2006	62
2007	11
2008	29
2009	5

Table 7  
**Fatalities of Hostile Acts for whom Benefits were Paid in  
 December 2009, by Gender and Age at Time of Attack**

Age at time of attack	Total	Men	Women
<b>Total - numbers</b>	1,493	1,020	473
<b>Percentages</b>	100.0	100.0	100.0
Up to 18	19.3	15.5	27.9
19-29	21.2	19.5	25.0
30-49	35.3	39.4	26.0
50-64	17.0	17.8	15.2
65+	7.1	7.8	5.5

In December 2009, 1,945 benefits were paid to family units for 1,493 fatalities – approximately 50% were paid to bereaved parents and approximately 41% were paid to widows/widowers with and without children. The highest benefit rate was paid to a widower or a widow with children under the age of 21.

Table 8 shows the average monthly allowance by family composition. Table 9 presents the scope of payments in the branch over time.

Table 8  
**Families of Fatalities who Received Benefits in December 2009,  
 by Family Composition and Monthly Benefit (current prices)**

Family composition	Numbers	Monthly benefit* (average)
Total	1,945	6,780
Widow/er without children	23	6,677
Widow/er whose children are grown	456	7,618
Widow/er with children	318	8,760
Independent orphans	76	3,755
Bereaved parents	980	6,613
Other	92	-

\* Including balance, embodiment, health insurance and age increment.

Table 9  
**Scope of Benefits in Victims of Hostile Acts Branch, 2000-2009**  
**(NIS thousand)**

Year	Current prices	2009 prices	Real growth from year to year
2000	151,824	182,871	-
2001	202,567	241,290	31.9%
2002	302,000	340,332	41.0%
2003	348,536	390,044	14.6%
2004	339,000	380,896	-2.3%
2005	350,000	382,663	0.5%
2006	360,000	391,088	2.2%
2007	356,000	384,666	-1.64%
2008	399,500	412,763	7.3%
2009	441,335	441,335	6.9

After the outbreak of the second Intifada in 2001, there was a sharp increase – of 32% – in the scope of payments made by the Victims of Hostile Acts branch. In 2002, the payments increased by an even higher rate (41%), and in 2003, they rose once again, by 15%. From 2004 to 2007, payments remained stable at NIS 380-390 million. 2008 saw a real increase of 7.3% over 2007, and in 2009, victims of hostile acts received a total of approximately NIS 441 million as a variety of benefits, in money or in kind – an increase of 6.9% compared to 2008.

## 9. Rehabilitation of People with Disabilities and Widows/Widowers

### A. General

People with disabilities who were injured at work or in hostile actions or under other circumstances ("general disabled individual") and widows/widowers (with the exception of IDF disabled individuals and widows), are entitled to vocational rehabilitation – a therapeutic process intended to guide and prepare them for entering the labor market in work that is suitable to their professional skills and functional abilities. The services provided in the framework of the rehabilitation are generally in kind: vocational evaluation and guidance, advice for selecting a profession, vocational training or studies. In addition, they are entitled to funding to cover the basic expenses accompanying the rehabilitation process, such as money for studies and for the evaluation process. Some of them are also eligible for a rehabilitation allowance and for housing, food and travel expenses associated with studies.

The following are eligible for vocational rehabilitation:

**General disabled individual** – anyone with a physical, mental and/or emotional impairment, provided that he is a resident and meets the following criteria: he has been defined as having at least 20% medical disability on the basis of the appropriate tests; he is unable to engage in his previous occupation or any other suitable work; the evaluation of a rehabilitation instructor indicates that as a result of the impairment, he requires vocational training and other rehabilitation services that will enable him to return to his previous occupation or other suitable work.

**Work-injured individual** – anyone who was injured at work and has been assessed as having at least 10% medical disability and who, as a result of this injury, is unable to engage in his previous occupation or any other suitable work and requires, and is suited for, vocational rehabilitation. A work injury means a work accident which occurred during or because of work, including an accident occurring on the way to and from work, or a disease resulting from the occupation, based on the list of diseases as specified in the Work Injury regulations.

**Victim of hostile action** – anyone who was injured in a hostile incident and whose degree of medical disability is at least 10%. A victim of a hostile act is someone who has been injured by military or para-military forces, as well as someone who has been injured by the irregular forces of a country or an organization hostile to Israel, or under circumstances in which there was reasonable fear that a hostile act had taken place. In addition, anyone who has been injured as a result of actions carried out in order to assist military forces or the organization, or at their instigation.

**Widow/widower** – a widow/widower receiving a pension who meets one of the following conditions: he has no profession; he does not earn enough to live on; he requires vocational retraining as a result of being widowed; if a rehabilitation instructor considers him suitable for vocational training.

## B. Characteristics of applicants for rehabilitation

The number of applicants for rehabilitation increased, especially after 2007. In the preceding years (2004-2006), the number of applicants for rehabilitation had remained stable (Figure 1).

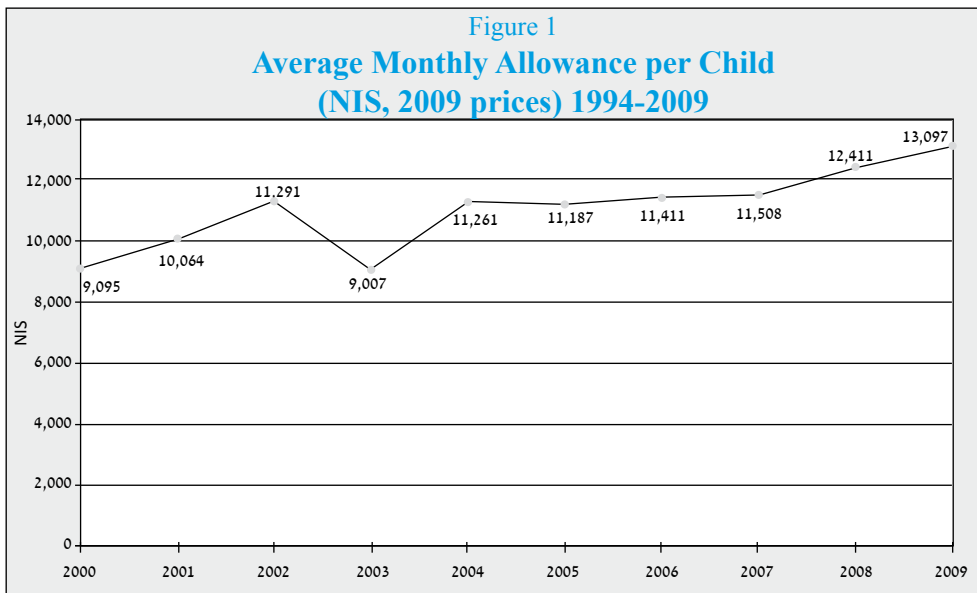




Table 1 shows that most of the applicants for rehabilitation in each of the years reviewed were general disabled individuals, that is, disabled individuals who had some sort of physical, mental and/or emotional impairment as a result of either a birth defect or an illness contracted during or after childhood.

2009 was characterized by an increase in the number of general disabled individuals compared to the previous year. This can be attributed to a decline in the number of victims of hostile actions, stemming from a decrease in the scope of terrorist activity.

Not unlike the proportion of men and women among recipients of the work disability pension, 57% of the applicants for rehabilitation in 2009 were men. They constituted the majority (87%) of the work injured group (Figure 2), since the proportion of men in the workforce is still higher than the proportion of women, and because men are more exposed to risks at work due to the nature of their occupations. The small proportion of widowers (9%) should also be noted, and this is because men are not entitled to survivors' benefits or the consequent right to rehabilitation if their wives were housewives. Even if men do not work, their wives are entitled to those benefits. In addition, the eligibility of a childless widower is dependent on the means test.

Table 1  
**Applicants for Rehabilitation, by Branch (absolute numbers and percentages), 2000-2009**

Year	Total		General disability	Injured at work	Casualties of hostile acts	Widow/widower
	Numbers	Percentages				
2000	9,095	100.0	70.1	16.8	4.9	8.2
2001	10,064	100.0	61.7	14.6	16.1	7.7
2002	11,291	100.0	61.2	13.3	18.9	6.9
2003	9,007	100.0	68.0	13.3	12.3	6.4
2004	11,261	100.0	67.8	16.2	7.4	8.6
2005	11,187	100.0	70.6	14.5	6.0	9.3
2006	11,411	100.0	68.1	13.9	10.1	7.9
2007	11,508	100.0	69.4	17.2	5.0	8.4
2008	12,411	100.0	71.3	16.1	5.5	7.0
2009	13,097	100.0	74.1	15.3	3.9	6.7

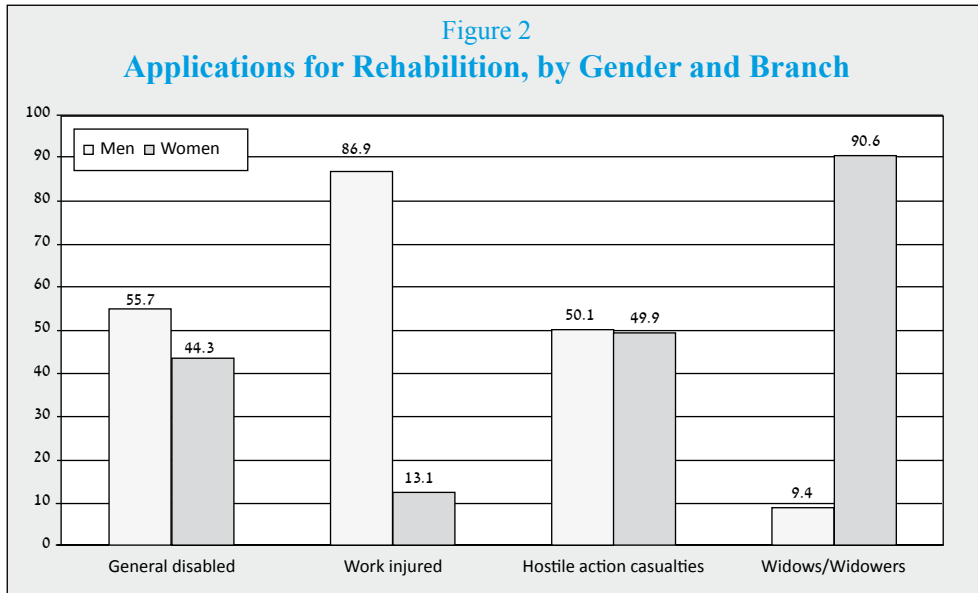


Table 2 shows that most of the applicants for rehabilitation were of working age (26-64), and this is not surprising, since a reference for rehabilitation is mainly intended to help the applicant become part of the work force. In addition, eligibility for a disability pension stops at retirement age, as does eligibility for rehabilitation. The general disabled individuals were much younger (on the average, 36), since these include, as stated above, individuals with a congenital or childhood impairment, and they apply for rehabilitation in order to exercise their rights when they reach the age of 18. The widows/widowers, on the other hand, were the oldest since their eligibility is not dependent on age, as is eligibility of the general disabled individuals.

Table 2  
**Applicants for Rehabilitation by Age and by Branch, 2009**

Age	Total	General disability	Injured at work	Casualties of hostile act	Survivors
<b>Total</b>	13,097	74.1	15.3	3.9	6.7
Up to 17	0.5	-	-	11.8	-
18-25	18.5	23.0	5.7	14.3	1.6
26-35	22.4	24.1	21.5	14.7	10.1
36-45	22.4	22.1	25.5	13.2	24.7
46-64	34.5	30.3	42.5	31.5	63.4
65 +	1.7	0.5	4.8	14.5	0.1
Average age (years)	36	36	43	39	43

### C. Individuals completing rehabilitation treatment

The number of individuals who completed their rehabilitation treatment increased by almost two-thirds during 2000-2009 (from 8,207 to 14,572 respectively) (Table 3). The rate of those completing rehabilitation treatment in 2009 is akin to that of 2008, while the rate of applicants for rehabilitation was larger. It should be noted that in comparison, the composition of those completing rehabilitation treatment, broken down by type of disability (branch), remained relatively steady over the years.

**Table 3**  
**Those Completing Rehabilitation, by Branch (absolute numbers and percentages), 2000-2009**

Year	Numbers	Total			Injured at work	Casualties of hostile acts	Survivors
		Percentages	Rate of growth	General disability			
2000	8,207	100.0	11.0	71.0	16.8	3.3	8.9
2001	8,135	100.0	-1.0	67.8	16.2	7.1	8.9
2002	9,462	100.0	16.3	68.1	14.9	9.4	7.6
2003	9,937	100.0	5.0	67.8	13.8	10.5	7.8
2004	9,857	100.0	-1.0	70.2	14.3	7.8	7.7
2005	10,525	100.0	6.8	69.2	14.5	7.9	8.4
2006	11,530	100.0	9.5	68.3	13.5	9.5	8.7
2007	12,396	100.0	7.5	69.5	15.5	6.9	8.1
2008	14,461	100.0	14.3	70.3	15.5	7.3	7.0
2009	14,572	100.0	Less than 1%	72.9	14.1	7.0	6.0

According to the law on the basis of which NII rehabilitation operates, the main rehabilitation program helps the participants in the program to find work on the open market. 72% of the participants were trained for working in the open market or in a sheltered framework, through one or more of the following rehabilitation programs (Table 4):

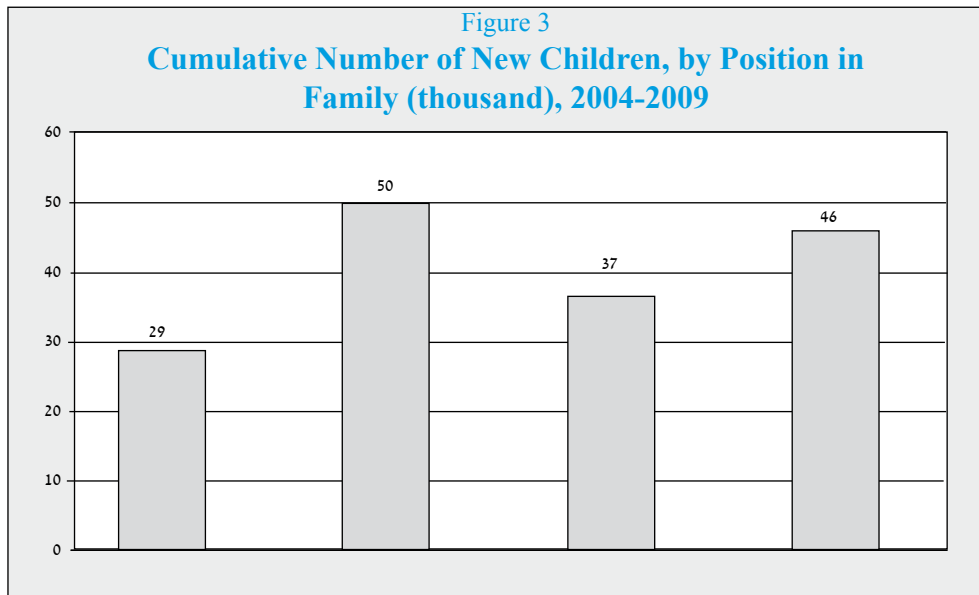
- Pre-vocational training, including completing one's education or acquiring work habits in rehabilitation centers with a view to vocational training. The participants in this program are individuals who are suited for work in the open market. In 2009, 15% of the rehabilitation participants took part in this program.
- Vocational training, including studies in courses, individual training or studies in the framework of institutions of higher education. This is provided for disabled individuals who already have work habits, who are motivated and who are able and desire to study and to change. In 2009, 15% of the participants in rehabilitation programs participated in various kinds of vocational training. The professions studied focused mainly on clerical work, computer programming and book-keeping.

- Assistance in work placement through an application to the Employment Service or to special placement services, providing support and following-up on their progress.
- Evaluation – intended to find the specific rehabilitation program suitable for each individual, given to approximately one quarter of the applicants to rehabilitation programs in 2009.

Table 4  
**Those Completing Rehabilitation, by Treatment Plan and by Branch (absolute numbers and percentages), 2009**

Treatment plan	Total	General disability	Injured at work	Casualties of hostile acts	Survivors
<b>Total persons who completed treatment</b>	14,572	10,617	2,054	971	930
Pre-vocational training	14.7	16.3	10.0	3.1	18.1
Vocational training	14.9	15.6	12.8	6.8	18.8
Short-term advice only	16.1	15.2	18.1	7.6	30.7
Evaluation	27.8	31.3	22.7	3.5	30.7

The success of the rehabilitation treatment is measured mainly by the number of participants integrated into the work force. Figure 3 shows that in 2009, the proportion of persons working in the open market after having completed treatment for work-related injury individuals was higher than for general disabled individuals (50% compared to 29%, respectively). However, the difference in proportions is not only explained by rehabilitation since, after all, the former come from work environments.



#### **D. Payments associated with rehabilitation treatment**

In many cases, rehabilitation treatment involves funding payments associated with the rehabilitation process: funding studies and vocational training; covering vocational evaluation expenses; granting a rehabilitation allowance that covers living expenses for full-time studies programs; as well as housing, food and travel expenses associated with studies. Tables 5 and 6 present the scope of payments by branch and by type of payment associated with rehabilitation. In 2009, total payments came to approximately NIS 208 million – a real increase of 7% compared to 2008.

Tuition and rehabilitation payments were the highest. Tuition covers costs of all kinds of vocational training. Rehabilitation payments are intended to cover living expenses while studying or during the period that the patient is being evaluated. Tuition was the payment which contributed most to the increase in total payments in 2009 compared to 2008.

Table 5  
**Rehabilitation Payments, by Branch, 2009 prices**  
**(NIS thousand), 2001-2009**

Year	Total	Rate of real change – total	General disability	Injured at work	Casualties of hostile acts	Survivors
2001	145,214	5.2	87,825	28,606	12,982	10,134
2002	173,557	19.5	101,981	30,601	24,387	10,938
2003	163,831	-5.7	98,277	27,039	23,276	9,871
2004	197,268	20.0	113,635	24,610	44,089	8,561
2005	214,877	8.9	122,221	27,196	47,573	10,880
2006	195,976	9.1	121,195	24,460	32,080	11,587
2007	194,924	-1.0	120,544	24,329	31,908	11,525
2008	193,364	-0.8	122,182	23,639	30,439	10,840
2009	208,018	7.0	136,461	28,803	29,249	13,408

All in all, the average cost of rehabilitation expenses for individuals with work-related injuries in 2009 was approximately 50% higher than the cost for individuals with general disabilities, as can be seen in Table 7 (NIS 19,000 compared to NIS 13,000, respectively). The costs differ in the significant weight of rehabilitation payments out of the total payments paid to victims of work-related injuries (on the average, NIS 23,000). These are higher than for those with general disabilities, where the allowance which is the basis for the rehabilitation allowance for a victim of work-related injury is higher than that of an individual with general disability. The table also shows that payments for rent to victims of hostile acts were, on the average, higher than for the other groups.

Table 6  
**Total Rehabilitation Payments, by Main Type of Payment\* (%)**

Year	Total (NIS)	Tuition	Rehab. Costs	Travel	Devices	Rent	Other expenses
2001	140,548	85,280	35,680	12,000	6,912	2,669	9,140
2002	167,979	93,921	39,871	11,830	6,535	3,322	16,293
2003	158,567	96,429	41,361	11,670	6,516	2,922	16,217
2004	190,929	89,816	37,750	10,920	5,629	2,966	15,364
2005	207,972	99,256	43,153	10,940	5,613	2,994	14,915
2006	189,689	103,167	45,590	11,230	6,752	3,737	17,709
2007	188,660	96,791	41,100	10,920	6,621	4,072	20,547
2008	187,151	96,743	44,646	12,100	6,272	4,681	16,506
2009	208,018	102,909	54,036	13,560	8,382	5,656	16,127

\* Refers to main payments, and therefore, the total exceeds the sum of the payments.

Table 7  
**Average Payments \*to Individual in Rehabilitation Being Treated in 2009, by  
 Branch and Main Type of Payment**

Main type of payment	Total average payment	General disability	Injured at work	Casualties of hostile acts	Survivors
<b>Total</b>	13,559	12,538	18,974	13,738	16,760
Tuition	7,492	7,459	7,642	7,518	7,607
Rehabilitation fees/living costs	11,435	11,435	22,895	17,822	12,253
Travel	1,337	1,337	1,555	1,524	1,449
Devices	2,452	2,748	1,405	1,653	960
Rent	7,317	7,276	7,021	10,182	11,400
**Other expenses	11,619	946	737	12,986	3,060

\* The averages were calculated on the basis of payments made to person in rehabilitation in 2009.

\*\* The same is true for expenses for help around the house, medication, etc.



## 10. Unemployment Insurance

### A. General

The objective of Unemployment Insurance is to guarantee employees an income during periods of unemployment and to prevent a sharp decline in their standard of living. As in every insurance system, an unemployment benefit constitutes an essential safety net, and it is supposed to help the unemployed maximize their earning potential by seeking work that matches their skills. As a result of the strict legislation implemented in 2002-2003 in the Unemployment Insurance scheme, the unemployment benefit and grants are paid on the basis of the criteria presented below.

Unemployment benefit is paid to unemployed who, prior to being unemployed, worked for a period required to qualify for an unemployment benefit, as specified by law – 12 months out of the 18 months preceding unemployment.<sup>15</sup> Eligibility for an unemployment benefit is granted immediately (after five days' wait) to anyone who was dismissed from his job and shows a willingness to accept alternate employment from the Employment Bureau. The work offered to unemployed individuals who are over 35 must be "work that is suitable" from the aspect of profession, salary and distance from work. Any work offered to all other unemployed by the Employment Service is work that is deemed suitable from the aspect of salary and profession.

An unemployment benefit is paid for a maximum period of 50-175 days, depending on the age and family status of the unemployed individual.<sup>16</sup>

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15 In the case of a daily worker, the qualifying period is 300 work days out of 540 days preceding unemployment.

16 The maximum period for payment is calculated on the basis of the following criteria:

- 50 days: for claimant aged 25 or less, with less than three dependents
- 67 days: for claimant over 25 but under 28 with less than three dependents
- 70 days: for discharged soldier (as defined on the next page)
- 100 days: for claimant over 28 but under 35 with less than three dependents
- 138 days: for claimant under 35 with at least three dependents, or claimant over 35 but under 45 with less than three dependents
- 175 days: for claimant over 35 but under 45 with at least three dependents, or claimant over 45.

Unemployed individuals participating in vocational training who have at least 12 years' education are entitled to an unemployment benefit for the maximum period as are the rest of the unemployed. Unemployed individuals participating in vocational training who have fewer than 12 years education are entitled to unemployment benefit for a maximum period of 138 days, even if, without the vocational training, they would have been eligible for 50-100 days.

The unemployment benefit is calculated on the basis of the unemployed<sup>17</sup> individual's salary just prior to his becoming unemployed, but its amount is limited: during the first five months of receiving the benefit – does not exceed the average wage, and as of the sixth month – is up to 2/3 of the average wage. Unemployment benefits for an unemployed individual who is undergoing vocational training is 70% of the unemployment benefit he would receive were it not for the vocational training.

**Unemployment benefit for discharged soldier:**

Until June 2007, a discharged soldier was exempt from the qualifying period and was eligible for an unemployment benefit during the first year following his release from the army. As of July 2007, a discharged soldier must accumulate a qualifying period of six months' work during the first year of his discharge in order to be eligible for an unemployment benefit. The unemployment benefit is 80% of the minimum wage, for a maximum period of 70 days.

**Grant for discharged soldier:** A soldier who works in a "priority/essential job", as defined by law, during the first two years after his release from the army is eligible for a grant to the amount of NIS 8,487 (2009 prices). A soldier who has taken advantage of his eligibility for unemployment benefit is not entitled to the grant.

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Portion of unemployed individual's wage	Up to 28	Over 28
Portion of wage up to half of average wage	60%	80%
Portion of wage between 1/2 to 3/4 of the average wage	40%	50%
Portion of wage between 3/4 and 100% average wage	35%	45%
Portion of wage equal to average wage, up to maximum average wage	25%	30%

## **B. Amendments to the Unemployment Insurance Law**

### **Reduced qualifying period – agreement under Section 9 of the law**

Following the economic crisis that began at the end of 2008 and which was accompanied by a recession and an increase in unemployment, an agreement was signed with the government at the beginning of 2009, intended to assist unemployed individuals who were not eligible for unemployment benefits under the NII Law, and to pay them special benefits. According to the agreement, any unemployed individual aged 25 or over who has been dismissed from his job and worked for 9 out of the 18 months prior to being unemployed will be eligible for a benefit from the NII. It should be remembered that under normal eligibility criteria, an unemployed individual must have worked 12 out of 18 months in order to be eligible for unemployment benefits. The benefit paid will be the amount of unemployment benefit to which he would have been entitled had he been eligible for unemployment benefit, and for a period which shall not exceed half of the maximum period for payment of unemployment benefit. The condition for the implementation of this agreement was that the rate of unemployment in the economy, as published by the CBS (on a quarterly basis), must be at least 7.5%.

The agreement was implemented in June 2009, because the unemployment rate passed the barrier of 7.5%

The validity of the agreement ended at the end of February 2010, when the rate of employment in the economy, as published, had dropped to 7.4%.

Table 1 shows the number of unemployed individuals who received unemployment benefits under the agreement. In 2009, there was a monthly average of 3,800 such unemployed individuals, and 9,400 various unemployed individuals during June-December 2009.

Table 1  
**Unemployed Recipients of Unemployment Benefit as per Agreement, 2009**

Month	Receiving	First received
June	2,172	2,172
July	4,149	2,110
August	5,087	1,281
September	4,568	1,127
October	3,871	875
November	3,518	844
December	3,256	727

All in all, benefits to the amount of approximately NIS 100 million were paid in the context of the above agreement.

#### **Extension of the maximum period of payment of unemployment benefits**

In December 2009, subsequent to the economy's recession, a further agreement was implemented, making it possible to extend the maximum period for paying unemployment benefits to young unemployed individuals who accumulated rights in Unemployment insurance.

Under the agreement, young unemployed individuals under the age of 25 will be eligible for an additional 15 days, but not exceeding 65 days, of benefit. 25-28 year old unemployed individuals will be eligible for an additional 30 days, not exceeding 97 days. 28-35 year old unemployed individuals will be entitled to a maximum period of 125 days instead of 100 days – an additional 25 days.

55,000 unemployed individuals aged 28-35 will be able to take advantage of this Agreement, despite the fact that on the basis of the data, only 50% take full advantage of their eligibility for unemployment benefits and the others find work before that. The inclusive cost of this agreement is also estimated to be NIS 100 million.

### **C. Figures and trends**

The increase in the dimensions of unemployment which had begun during the

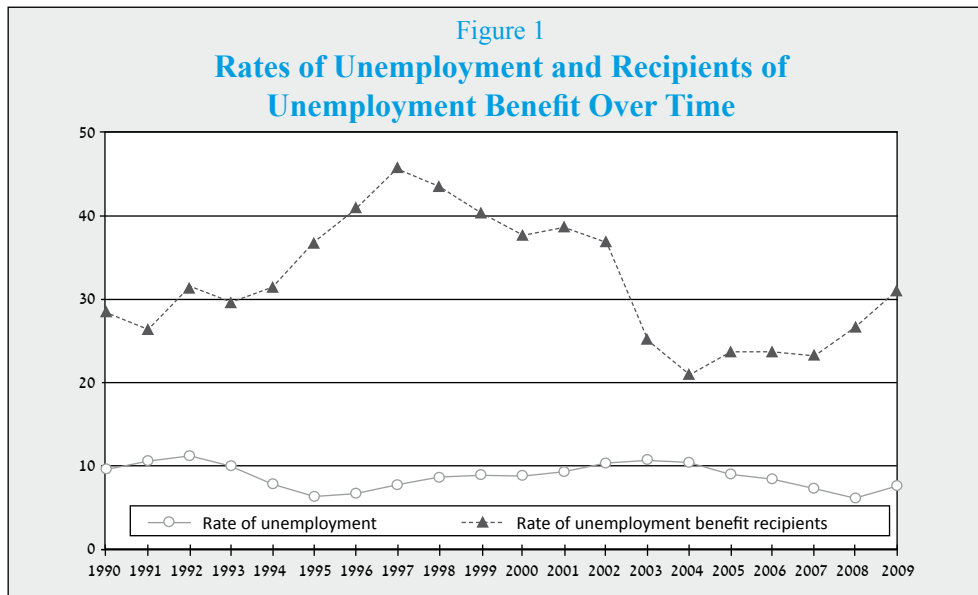
second half of 2008 continued to rise during the first six months of 2009: during the first half of 2008, the rate of unemployment was 6% and during the second quarter of 2009, it reached 8%. During the third quarter of 2009, the trend was reversed and began declining, albeit moderately. All in all, during 2009, the unemployment rate stood at an average of 7.6% compared to 6.1% in 2008 – an increase of 24.6%.

The same trend was seen in the number of recipients of unemployment benefits: during the first half of 2008, there were 44,500 recipients of unemployment benefits and in the third quarter of 2009, their number reached approximately 78,000. During the fourth quarter of 2009, the trend was reversed and the numbers declined to approximately 67,000. Between 2008 and 2009, the annual average number of recipients of unemployment benefits soared by 52% and reached 73,000 unemployed.

The rise in the number of recipients of unemployment benefits in 2009 was steeper than the increase in unemployed – the proportion of recipients of unemployment benefits out of all unemployed individuals rose from 26.5% in 2008 to 31.2% in 2009. Table 2 shows the number of recipients of unemployment benefits and their proportion out of all of the unemployed during 2009, and Table 3 shows the same data from 2000 to 2009. The proportion of recipients of unemployment benefits out of the unemployed reached a low of 21% in 2004, steadied at 23% in 2005-2007, rose to 26.5% in 2008 and to 31.2% in 2009, with the increase in the unemployment rate and the implementation of the above agreement.

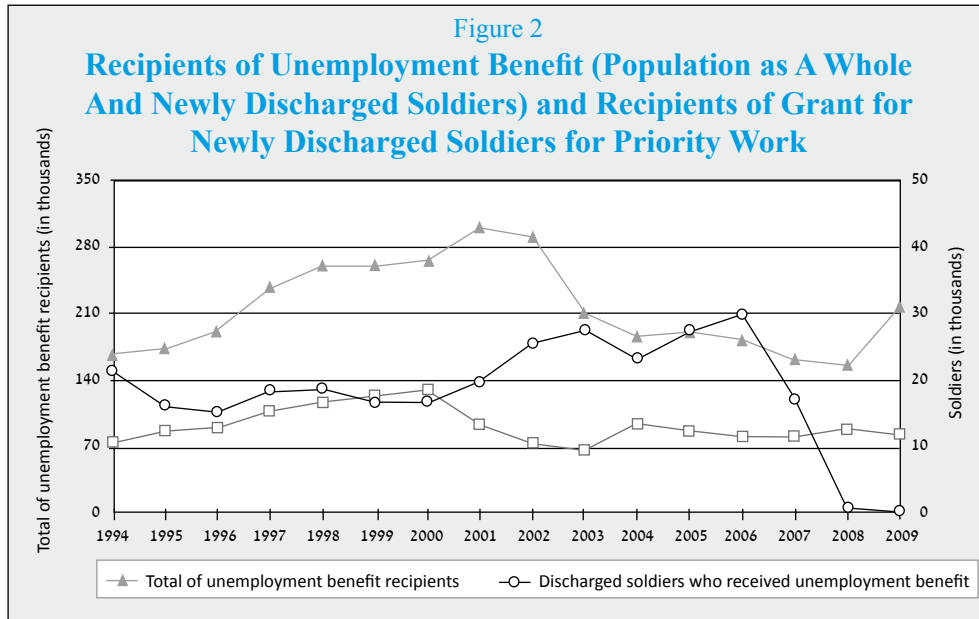
Table 2  
**Unemployed and Recipients of Unemployment Benefit  
(monthly average), 2009**

Period	Recipients of unemployment benefit	Rate of unemployment		Unemployed	Percentage of recipients of unemployment benefit out of unemployed
		Original	Adjusted seasonally		
First quarter	70,491	7.2	7.6	216,000	32.6
Second quarter	76,519	7.7	8.0	232,000	33.0
Third quarter	78,354	7.9	7.8	240,000	32.6
Fourth quarter	66,736	7.6	7.4	238,500	28.0



**Table 3**  
**Unemployed and Recipients of Unemployment Benefit**  
**(monthly average), 2000-2009**

Year	Unemployed		Recipients of unemployment benefit			
	Absolute numbers	Percentage of labor force	Total		Job seekers*	
			Absolute numbers	Percentage of labor force	Absolute numbers	Percentage of labor force
2000	213,800	8.8	92,596	43.3	80,650	37.7
2001	233,900	9.4	104,707	44.8	90,623	38.7
2002	262,400	10.3	97,000	37.0	83,130	31.7
2003	279,700	10.7	70,450	25.2	65,683	23.5
2004	277,700	10.4	58,350	21.0	57,572	20.7
2005	246,400	9.0	58,830	23.9	58,176	23.6
2006	236,100	8.4	55,941	23.7	55,294	23.4
2007	211,800	7.3	49,817	23.5	49,348	23.3
2008	180,000	6.1	48,045	26.7	47,647	26.5
2009	232,000	7.6	73,025	31.5	72,490	31.2



\* Excluding unemployed undergoing vocational training.

Figure 1 shows the trends from the beginning of the 1990’s of the proportion of recipients of unemployment benefit out of all of the unemployed in the economy, compared to the trends in the unemployment rate. There is a sharp plunge in the rate of recipients of unemployment benefits between 2002 and 2004 (compared to the relative stability in the unemployment rate), due to the strict legislation which was introduced regarding employment insurance during this period.

#### **D. The population of recipients of unemployment benefit**

It is customary to divide the recipients of unemployment benefits into two main groups: recently discharged soldiers and recipients of unemployment benefits who were working until they became unemployed. The discharged soldiers are divided into two sub-groups: those discharged before July 2007 and those discharged after July 2007. Before July 2007, discharged soldiers were exempt from the qualifying period for the first year after their release from the army and only subject to an employment test.

Subsequent to legislation in 2007,<sup>18</sup> the number of discharged soldiers eligible for unemployment benefits plunged from 6,650 in 2006 to 3,880 in 2007, and almost reached zero in recent years, with fewer than 10 soldiers receiving an unemployment benefit. In the years preceding the change in legislation, the percentage of these from among all of the recipients of an unemployment benefit was 12%.

Figure 2 clearly shows the inverse ratio between the change in the number of discharged soldiers who received an unemployment benefit and the change in the number of discharged soldiers who received the grant. In 2007 and 2008, the reason for this inverse ratio was the sharp decline in the number of soldiers who received unemployment benefits due to changes in legislation which, in fact, all but put an end to newly discharged soldiers being eligible for unemployment benefit.

Table 4 shows that there was an average 73,000 unemployed individuals in 2009 who received a monthly unemployment benefit – that is, an increase of 52% compared to 2008.

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18 See 2007 Annual Survey, the chapter on unemployment.



Table 4  
**Recipients of Unemployment Benefit by Year of  
 Unemployment, 2000-2009**

Year	Total		Recipients of unemployment benefit who were employed			Newly discharged soldiers		
	Numbers	Rate of change compared to previous year	Total (numbers)	Percentage of all recipients	% of change compared to previous year	Total	Percentage of all recipients	Rate of change compared to previous year
<b>Total</b>								
2000	264,598	6.1	247,726	93.6	8.1	16,872	6.4	-6.1
2001	299,896	3.31	280,120	93.4	1.31	19,776	6.6	2.71
2002	277,418	-5.7	252,093	90.9	-0.01	25,325	9.1	1.82
2003	210,957	-0.42	183,350	86.9	-3.72	27,607	13.1	0.9
2004	186,246	-7.11	161,940	86.9	-7.11	24,306	13.1	-0.21
2005	189,812	9.1	160,658	84.6	-8.0	29,154	15.4	9.91
2006	183,439	-4.3	153,538	83.7	-4.4	29,901	16.3	6.2
2007	162,759	-3.11	145,506	89.4	-2.5	17,253	10.6	-3.24
2008	156,450	-9.3	155,485	99.4	9.6	965	0.6	-4.49
2009	218,174	5.93	218,124	100.0	3.04	50	-	-8.49
<b>Monthly average</b>								
2000	92,596	-6.3	88,109	95.2	-6.3	4,187	4.8	-8.2
2001	104,707	1.31	99,703	95.2	2.31	5,004	4.8	5.11
2002	97,000	-4.7	90,700	93.5	-0.9	6,300	6.5	9.52
2003	70,450	-4.72	63,450	90.1	-2.03	7,000	9.9	3.31
2004	58,350	-2.71	52,852	90.6	-7.61	5,498	9.4	-5.12
2005	58,830	8.0	52,334	89.0	-0.1	6,496	11.0	2.81
2006	55,941	-9.4	49,294	88.1	-8.5	6,647	11.9	3.2
2007	49,817	-0.11	45,936	92.2	-8.6	3,881	7.8	-6.14
2008	48,045	-4.3	47,871	99.6	2.4	174	0.4	-5.59
2009	73,025	0.25	73,016	99.9	5.25	9	0.1	-8.49

The figures in Table 5 point to the continuing and steady rise in the number of academicians from among all recipients of an unemployment benefit who had been working prior to their unemployment, from 18% in 2000 to 29% in 2009, and the almost negligible rate of unemployed individuals who were in vocational

training courses – less than 1% in 2009. The stricter conditions for eligibility for unemployment benefits in the 2002-2003 economic program in effect did away with vocational training programs for unemployment benefit recipients.

Table 5  
**Recipients of Unemployment Benefit Who Were Employed, by  
Category of Unemployed Individual, and Job Seekers by Type  
of Employment Bureau (percentages), 2000-2009**

Year	Recipients of unemployment benefit			Thereof: job seekers		
	Total	Job seekers	Undergoing vocational training	Total	Academicians	Not academicians
2000	100.0	87.1	12.9	100.0	17.7	82.3
2001	100.0	86.7	13.3	100.0	20.7	79.3
2002	100.0	85.7	14.3	100.0	21.8	78.2
2003	100.0	93.3	6.7	100.0	23.4	75.6
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	98.8	1.2	100.0	26.1	73.9
2007	100.0	99.1	0.9	100.0	26.8	73.2
2008	100.0	99.2	0.8	100.0	28.3	71.7
2009	100.0	99.3	0.7	100.0	29.1	70.9

### E. Duration of unemployment benefit payment

Unemployment benefits are paid to unemployed individuals for 50, 67, 100, 138 and 175 days, depending on their ages and the number of dependents they have.<sup>19</sup> One may take up one's entitlement to an unemployment benefit only up to of one year from the first day of unemployment.<sup>20</sup>

Table 6, which shows the take-up rate of entitlement in relation to the possible period of entitlement under the law, indicates that the take-up rates of those who are entitled to 175 days of payment, and those entitled to up to 67 days, are higher

<sup>19</sup> See note 2 in this chapter.

<sup>20</sup> Until January 2003, this limit did not apply to unemployed individuals participating in vocational training courses.

than the rest of the groups. These take-up rates reflect the distress of the group of older people, which is less likely to be integrated into the labor market and of the youngest group, who are unable to find work during the period for which they are paid unemployment benefit. It should be emphasized that in 2009, there seemed to be a slight increase in the average number of days of payment as a percentage of the maximum period compared to 2008 – and this applies to all unemployed groups, with the exception of unemployed individuals eligible for the maximum period of 175 days (the older group), where there was a slight decline in the take-up rate of the days at their disposal.

**Table 6**  
**Recipients of Unemployment Benefit Seeking Work Whose Entitlement Ended in 2008 and 2009, by Number of Days for which they Received Unemployment Benefits (as percentage of the maximum period of entitlement) and by Maximum Period of Entitlement**

Eligibility period	Number of payment days as a percentage of maximum period of entitlement (percentages)					Average number of days as rate of maximum period of entitlement
	Up to 25	25-50	51-75	76-100	100	
<b>2008</b>						
Total	9.6	12.0	12.9	21.0	44.5	77.9
50 days	6.0	10.2	10.9	21.1	51.8	84.1
67 days	6.8	11.9	14.2	19.2	47.9	82.5
70 days	14.2	15.1	15.0	20.4	35.3	69.9
100 days	9.9	13.9	16.1	26.0	34.1	75.1
138 days	11.3	13.5	13.2	19.9	42.3	75.7
175 days	8.4	9.2	10.5	19.2	52.0	80.8
<b>2009</b>						
Total	9.5	11.4	11.2	21.6	46.4	79.2
50 days	7.4	10.8	10.0	21.1	50.8	82.0
67 days	6.1	11.5	12.7	19.6	50.1	84.0
100 days	8.6	12.8	15.2	27.1	36.6	77.7
138 days	10.7	13.2	11.1	21.1	43.9	77.2
175 days	9.9	9.8	9.1	19.8	51.4	80.1

## **F. Amount of unemployment benefit and scope of payments**

As stated earlier, the basis for calculating the unemployment benefit in Israel is a progressive formula that ensures a reduced replacement rate (the unemployment benefit as a proportion of the salary prior to unemployment), resembling other social insurance programs. This formula combines two considerations: insurance – insurance against unemployment – on the basis of which the compensation granted to maintain the standard of living of the unemployed individual and his family does not fully replace the salary received just prior to the unemployment; and income distribution – higher compensation for low-wage earners than for high-wage earners.

The figures in Table 7 show that the trend has changed directions since 2008. For the first time since 2004, the rate of the average unemployment benefit, as a percentage of the average wage in the economy, rose – from 47% in 2007 to 50% in 2008. This upward trend also continued in 2009, where the average unemployment benefit reached approximately 53% of the economy's average wage. The percentage of unemployed individuals receiving unemployment benefit at more than half the average wage in the economy rose from 38% in 2007 to 50% in 2009, and simultaneously, the percentage of unemployed individuals receiving an unemployment benefit dropped to below half of the average wage – from approximately 62% in 2007 to 50% in 2009.

Box 11

## Unemployment Insurance for the Self-employed

### General

The Unemployment Insurance Law, which exists in every developed country, is intended to provide a salaried employee who has lost his work with a substitute salary for a short period of time, in order to enable him to find work in his profession, for the economy's benefit as well as his. In Israel, the payment period is relatively short, and after a series of cutbacks in eligibility for unemployment benefits which took effect during the last decade, the benefit period covers only 50-175 days (depending on age and the number of dependents). The replacement rate of a salary is a decreasing function of the salary just prior to the unemployment (25-80%), calculated on the basis of additional marginal income. Therefore, individuals with high salaries in effect receive only about 30% of their previous salary.

### International comparison

There are only a few countries which have state unemployment insurance for the self-employed. This is because by its very nature, this law is intended to help individuals who have been dismissed and left without work, not of their own choosing. Self-employed work, by its very nature, is involved in taking responsibility and control over what happens at work. In Israel, a self-employed individual left without income is eligible for income support, just as in every developed country.

In many developed countries, the self-employed receive help when they run into problems, and before their business fails completely. This help is expressed in loans, grants, advice, etc., where the objective is to preserve the business and workplace of the self-employed, for the economy's benefit as well as his. The requirement to ensure unemployment benefits for the self-employed seems to contradict the personal and public interest, since an owner of a business desiring to preserve the hope of strengthening his business would not be eligible to receive a bonus.

Unemployment insurance for the self-employed exists in different modes in different countries: governmental and obligatory only in Iceland and Luxembourg;

governmental and voluntary in Sweden, Germany (for a self-employed individual who was previously a salaried employee), Austria, France (not including artists, merchants, industrialists, farmers and the free professions), Ireland (only fishermen) and Norway (only fishermen); and voluntary and implemented via special funds in Finland and Denmark.

### **Proposal for an Unemployment Insurance Law for the Self-Employed**

In 2004, a committee was appointed to consider the issue of unemployment insurance for the self-employed. The committee members consisted of representatives from the NII and from the self-employed sector. The committee completed its work in 2005. The parties agreed on most of the issues with an absolute majority. The only difference of opinion related to one issue – what is the amount of the insurance payment that should be collected from the income of the self-employed, the goal, as stated above, being to maintain a balance between unemployment benefit payments and revenue from insurance payments.

The main measure required for estimating the collection rate is the anticipated rate of unemployment among the self-employed. This measurement is not a part of economic indicators of Israel. The disagreements between the parties focused on estimating the rate of unemployment among the self-employed.

The organizations of the self-employed stipulate that the implementation of an insurance program regarding the rate of insurance payments should be identical with that of the salaried employees (0.25%). However, the Unemployment branch (for salaried employees) is constantly in the red, at a rate of three times the total revenue collected for the branch. In addition, based on the data of the CBS, there were 450,000 active businesses in 2008, of which 38,000 (8.5%) closed during the year. The same year, the unemployment rate in the economy was 6.1%, so that the rate of businesses closing down was approximately 40% higher than the unemployment rate in the economy. However, one can assume that some of the self-employed who closed their business immediately opened another one, so that, in effect, they were not unemployed. There is no way of knowing how many of these there were, but at any rate, the "unemployment" rate among the self-employed is apparently higher than that of the salaried employees.

According to the calculations of the Research and Planning Administration, if one wants to maintain an Unemployment branch for the self-employed whose budget is balanced, insurance payments must be set to at least 1.25%.

Table 7  
**Recipients of Unemployment Benefit who were Employed,  
 by Daily Payment Compared to Average Daily Wage in the  
 Economy (percentages), 2000-2009**

Year	Total	Daily unemployment benefit compared with average daily wage					Average unemployment benefit as percentage of average wage in the economy
		Up to 1/4 of average wage	From 1/4 to 1/3 of average wage	From 1/3 to 1/2 of average wage	From 1/2 to 2/3 of average wage	From 2/3 to 100% of average wage	
2000	100.0	6.2	8.0	48.8	29.8	7.2	46.5
2001	100.0	5.0	5.8	44.8	32.9	11.5	50.2
2002	100.0	4.9	6.6	43.4	33.1	12.0	50.4
2003	100.0	5.2	6.6	39.0	33.7	15.6	52.0
2004	100.0	6.3	6.1	38.6	32.5	16.5	50.6
2005	100.0	6.5	7.2	43.1	30.1	13.1	49.3
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

Table 8  
**Unemployment Benefit Payments (NIS million), 2000-2009**

Year	Current prices (NIS thousands)	Set prices (2009)	Rate of real growth
2000	2,953	3,562	-0.3
2001	3,503	4,182	17.4
2002	3,524	3,981	-5.1
2003	2,410	2,717	-29.9
2004	2,100	2,418	-12.9
2005	1,993	2,210	-6.3
2006	1,957	2,126	-3.8
2007	1,757	1,899	-10.7
2008	1,840	1,901	0.1
2009	3,028	3,028	59.3

In 2009, the inclusive cost for unemployment benefit payments totaled approximately NIS 3 billion compared to NIS 1.9 billion in 2008 – an increase of 59%. This increase is composed of a sharp increase in the number of recipients and a more moderate increase in the size of the payment. At the same time, the proportion of the payments in the Unemployment branch increased and reached 6.7% of all expenditures of pension payments by the NII in 2009 – compared to the much lower rate of 3.8% in 2008.



## 11. Workers' Rights in Bankruptcy and Corporate Liquidation

### A. General

The Branch for Worker's Rights in Bankruptcy was established in 1975 when many employees were affected by the collapse of businesses that entered bankruptcy and liquidation procedures. These employees did not only lose their jobs and the balance of their salary, but also the severance pay due them on the basis of the work agreements. Their social benefits were affected as well. This was because, in most cases, their employers were left without the financial resources or realizable assets necessary to be able to finance the balance of the debt owed the employees and the pension funds.

The purpose of the Branch for Workers' Rights Insurance in Bankruptcy and Corporate Liquidation is to pay the employees the debts owed by employers facing bankruptcy for the employees' back pay and severance pay, and to safeguard the continuity of the social rights in the pension funds.

Benefits paid to employees and to pension funds by the branch is financed by the insurance payments made by the employers (in 2009, the rate was 0.02% of the employee's monthly salary, up to a ceiling of income subject to insurance payment), as well as through government participation at a similar rate (in 2009 – 0.02%) in the framework of Treasury indemnification.

The activities of the Branch for Workers' Rights Insurance in Bankruptcy and Corporate Liquidation make it possible to differentiate fully between making payments to employees and pension funds and between realizing the assets of employers in bankruptcy and liquidation proceedings. In addition, payments to employees and pension funds were linked to the modifications in the basic amount, as defined in the National Insurance Law.

### B. Some definitions in the law

- An employer in bankruptcy or liquidation: any type of corporation against which a bankruptcy or liquidation injunction has been issued, and whose employees or pension funds did not receive their due: self-employed workers, limited companies, partnerships, cooperative societies and associations.

- **Employee:** anyone who worked for an employer at the time the bankruptcy or liquidation injunction was issued, and who has yet to receive the balance of his salary and severance pay. This definition includes residents of Israel, foreign residents and residents of the territories working by virtue of a valid employment agreement.
- **Pension funds:** any entity to which, on the basis of instructions in a collective agreement, an employment contract or any other agreement between the employee and the employer, and with the consent of that entity, to which the employer must transfer contributions from the employer's money or the employee's wages in order to add to or secure the employee's rights with regard to his work, termination, retirement or social security rights.

### C. Benefits paid under law

#### **Benefits to an employee**

**Salary:** amounts which not as yet been paid to the employee for his work – salary, overtime, recuperation allowance, redemption of unused vacation days, payment for holidays and clothing allowances – including an amount deducted from the employee's salary, not under the law and not transferred to its intended destination as yet. If the salary does not exceed the minimum wage (in 2009 – NIS 3,850 per month), the employee is entitled to receive the minimum wage set out in the law.

**Severance pay:** compensation to which the employee is entitled until his last day of work in keeping with the level of seniority accumulated during his years of work for the employers. Up to the end of July 2009, a maximum ceiling of up to ten times the basic amount (NIS 76,830) had been set for salary and severance pay, and as of August 2009, a legislative amendment changed this ceiling and it was raised to 13 times the basic amount (NIS 99,879).

#### **Payments to pension funds**

Intended to ensure the continuity of the employees' rights. Payments are limited to a maximum sum of twice the basic amount (in 2009 – NIS 15,366).

#### **D. Problems in implementing the law**

In spite of the significant progress achieved in the domain of protecting employees' salaries and rights, there are still some problems which remain to be solved:

- The law requires that a liquidation/bankruptcy injunction be issued. This is a long and drawn out process which often delays payment of debts to employees.
- The high legal costs involved in the employer's liquidation process could increase the amount owed the employee by the employer, and therefore, there is no reason for the employee to enter into such proceedings and he is unable to take up his rights in this branch.
- In most cases, employees who have accumulated long periods of seniority receive the maximum payment, which is only a small sum compared to the amount owed them by the employer.

#### **E. Employers undergoing bankruptcy or liquidation proceedings**

The numbers in Table 1 show the impact of the economic depression in 2005 and the change in direction of activities in 2006 on activities in this branch. The depression which Israel's economy encountered during the second half of 2008 began to have an effect on the activities of the Employees' Rights and Bankruptcy Branch in 2009.

In 2009, there were 450 new cases of employers faced with bankruptcy and liquidation, where their liquidators filed claims to the branch in the name of the employees and the pension funds – an increase of 11% compared to 2008. 7,300 new claims were received – an increase of 21.6% compared to 2008, and 6,800 claims filed by employees were approved – as in the previous year. It should be remembered that in 2007, efforts were made to significantly reduce the backlog of claims that had accumulated that year.

Pension fund claims were approved for 2,630 employees in 2009 – an increase of 63.3% compared to 2008.

Table 1  
**New Employers Accepted for Handling, undergoing  
 Bankruptcy and Liquidation Proceedings, Number of  
 Employee Claims Received and Approved and Number of  
 Pension Fund Claims Approved, 2005-2009**

Year	New employers accepted	New employee claims		New pension fund claims		
		Accepted	Approved*	Accepted	Approved*	New employees for whom funds were paid to pension funds
2005	520	9,000	7,600	330	310	3,220
2006	440	7,500	6,400	330	290	3,470
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

\* Including approvals for claims received in previous years.

From Table 2, one can see that in more than half of the employer files received in the branch during 2006-2009, 1-5 claims were approved per file. However, one should take into consideration that additional claim approvals in the same employer files in the coming year could change the distribution of employers by the number of employee claims in their files.

Table 2  
**New Employers, by Number of Claims Handled in Each File  
 (excluding pension fund claims), 2005-2009**

Year file received	Total employers (absolute numbers)	Number of claims per employer as percentage of total employers		
		1-5	6-25	26+
2005	505	48.8	38.0	13.2
2006	430	52.3	35.6	12.1
2007	440	59.8	32.0	8.2
2008	400	58.6	30.6	10.8
2009	400	54.7	33.3	12.0

In 2009, these employers were concentrated in the following economic sectors: commerce (30.7%), services (27.2%) and construction and infrastructure (14.9%) (Table 3). That year, service employees constituted 36.5% of the total new employees whose claims were approved, and employees in commerce, 22.3% (Table 4).

Table 3  
**New Employers Undergoing Bankruptcy, Handled by Employees' Rights Branch, According to the Economic Sector (percentages), 2005-2009**

Year	Total (absolute numbers)	Textile	Metal and electricity	Other industries	Construction and infra-structures	Commerce	Transport	Services*
2005	520	4.4	6.9	11.5	17.5	29.8	3.9	26.0
2006	440	1.4	7.3	14.8	15.2	31.6	3.2	26.5
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

\* Including commercial, public and personal services.

Table 4  
**Approved Employee Claims as a Percentage of the Total, by Economic Sector, 2005-2009**

Year	Total (absolute numbers)	Textile	Metal and electricity	Other industries	Construction and infra-structures	Commerce	Transport	Services*
2005	7,600	4.0	8.5	13.2	13.7	24.3	2.8	33.5
2006	6,400	4.4	7.1	8.9	12.3	28.9	2.7	35.7
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

\* Including commercial, public and personal services.

## F. Payments to employees and pension funds

In 2009, NIS 224.9 million were paid to employees and to pension funds – an increase of 14% compared to 2008. 78.6% of the payments were for salary and severance pay, 16.7% for only salary and 4.7% only for severance pay (Table 5).

Table 5

### Payments to Employees and Pension Funds, and Payment by Category of Benefit as Percentage of All Payments, 2005-2009

Year	Total payments (NIS million)			Payment by category of benefit to employee as percentage of total		
	Total	Employees	Pension fund	Salary and severance pay	Salary	Severance pay
2005	227.2	209.8	17.4	76.4	17.3	6.3
2006	152.2	139.6	12.6	73.0	23.7	3.3
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

In 2009, 205 employees, constituting 3% of all of the new employees whose claims were approved, received the maximum payment owed to them. 8.7% of the employees in whose names claims were filed with the pension funds received the maximum payment. It should be noted that these numbers could rise, due to the payment of benefit differentials in the coming years (Table 6).

Table 6

### Employees and Pension Funds that Received Maximum Benefits as Percentage of All Employee and Pension Fund Claims, 2005-2009

Year	Employees who received maximum benefit		Employees for whom maximum benefit was paid in pension fund	
	Total	As percentage of claims approved	Total	As percentage of total
2005	150	2.0	480	14.9
2006	140	2.1	1,170	33.8
2007	105	1.2	290	27.2
2008	170	2.5	250	15.5
2009	205	3.0	230	8.7

## **G. Collecting debts from employers for the Workers' Rights in Bankruptcy Branch**

According to the law, the branch is entitled to demand that the employers' liquidators pay the amounts of benefits to each employee by right of priority<sup>21</sup> for an amount that is no greater than the amount determined by the Companies' Order – Bankruptcy, Regulations for Collective Societies, etc. Until the end of July 2009, the amount by right of priority for an employee solely for salary was NIS 9,006, and after August 2009 – NIS 21,000. Until July 2009, the amount for salary and severance pay was NIS 13,500 and from August 2009 – NIS 31,509. There are no rights of priority on amounts paid to pension funds. With regard to the balance of the debt, the branch is deemed to be the normal creditor. It should be noted that if the employee receives the maximum amount (NIS 99,879 as of August 2008 due to legislative changes), the amount paid by the liquidators to the branch by right of priority will be transferred to the employee to cover part of the debt owed the employee by the liquidators. In this case, the branch becomes a normal creditor from the first shekel onward.

According to the same law, the branch will not be entitled to collect from the liquidator the linkage differential paid to the eligible employee for the period following the date on which the receivership or liquidation injunctions have been issued, unless the liquidator decides to pay interest, linkage differentials or both for the aforesaid period, to the remaining creditors in bankruptcy or liquidation proceedings. For example, if the employee was paid a salary and compensation in the amount of NIS 35,000, where NIS 2,000 of this is linkage differential for the period following the issue of the receivership or liquidation injunction, the remaining amount – NIS 33,000 is divided into NIS 13,500, as right of priority, and the balance, NIS 19,500, is a normal debt.

The above shows that the law restricts the ability of the branch to collect (if this is possible) partial amounts from liquidators on account for the benefits paid to the employees and the pension funds which were eroded in time. Table 7

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21 Right of priority debts are debts which have priority over other debts, when such priority refers to regular creditors and not towards secured creditors who are entitled to all their money in the bankruptcy/liquidation process. According to existing laws on this issue, there are types of debts which have the right of priority and they are defined according to following priorities: 1) work pay, 2) debts for income tax deductions at source, 3) other debts such as maintenance and rent, 4) municipal taxes.

presents the amounts of debt as right of priority and their weight in the benefits paid in 2005-2009, as well as the amounts collected from the liquidators and their share of the total debt under the right of priority for those years. This table shows that in 2009, the Branch for Worker's Rights Insurance in Bankruptcy and Corporate Liquidation was entitled to receive, as right of priority, 33% of the benefit payments paid to the employees and pension funds that year.

In 2009, the NII succeeded in collecting NIS 11.1 million on account for benefit payments paid in the past, and this constitutes 15% of the debt by right of priority for that year.

Table 7  
**Debt Under Law of Priority, as Percentage of All Benefits  
 Paid to Employees and Pension Funds, and Collection from  
 Liquidators as Percentage of Debt Under Law of Priority,  
 2005-2009**

Year	Current debt under Law of Priority		Collection from liquidators on account of the past	
	Amount (NIS million)	As percentage of benefits	Amount (NIS million)	As percentage of debt under Law of Priority
2005	73.6	32.4	5.0	6.8
2006	56.3	37.0	5.9	10.5
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



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## Appendices

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## **Insurance Branch Tables**

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Insurance Branch Table Appendix – General

## A. General

Table A/1  
**Receipts and Payments (at Current Prices)<sup>1</sup>, NIS Million, 2002, 2006-2009**

	2002	2006	2007	2008	2009
<b>Total receipts</b>	<b>59,295.2</b>	<b>64,665.7</b>	<b>68,192.9</b>	<b>72,834.7</b>	<b>75,654.9</b>
Thereof: to N.I. branches	48,411.9	52,107.4	54,737.1	58,260.2	60,660.4
Contributions to N.I. branches	23,113.5	25,233.9	26,283.7	27,819.3	28,228.8
Government participation under National Insurance Law	10,506.2	12,600.2	13,888.3	14,937.9	15,657.3
Interest	4,265.8	5,290	5,600	6,150.0	6,666.0
Miscellaneous	166.1	237.5	296.3	365.0	442.4
Government allocation for non-contributory payments <sup>1</sup>	10,360.3	8,745.8	8,668.8	8,988.0	9,665.9
Contributions under other laws	10,883.3	12,558.3	13,455.8	14,574.5	14,994.5
<b>Total payments of N.I. branches<sup>1</sup></b>	<b>46,290.8</b>	<b>44,741.4</b>	<b>46,062.1</b>	<b>48,839.7</b>	<b>54,266.6</b>
For contributory benefits	35,930.5	35,995.9	37,393.3	39,851.7	44,600.3
For non-contributory benefits	10,360.3	8,745.8	8,668.8	8,988.0	9,665.9
<b>Current surplus</b>	<b>-2,870.8</b>	<b>1,293.4</b>	<b>2,285.3</b>	<b>2,446.7</b>	<b>-1,125.9</b>
<b>Assets at end of year</b>	<b>89,223.8</b>	<b>111,322.5</b>	<b>121,792.3</b>	<b>135,702.7</b>	

1. Not including administrative expenses.

Table A/2  
**Receipts and Payments (at 2009 Prices)<sup>1</sup>, NIS Million, 2002, 2006-2009**

	2002	2006	2007	2008	2009
<b>Total receipts</b>	<b>66,839.1</b>	<b>70,247.8</b>	<b>73,681.5</b>	<b>75,250.5</b>	<b>75,654.9</b>
Thereof: to N.I. branches	54,571.2	56,605.4	59,142.7	60,192.6	60,660.4
Contributions to N.I. branches	26,054.1	27,412.1	28,399.2	28,742.0	28,228.8
Government participation under National Insurance Law	11,842.9	13,687.9	15,006.1	15,433.4	15,657.3
Interest	187.2	258.0	320.1	377.1	442.4
Miscellaneous	11,678.4	9,500.8	9,366.5	9,286.1	9,665.9
Government allocation for non-contributory payments <sup>1</sup>	12,267.9	13,642.2	14,538.8	15,057.9	14,994.5
<b>Total payments of N.I. branches<sup>1</sup></b>	<b>52,180.2</b>	<b>48,603.9</b>	<b>49,769.5</b>	<b>50,459.6</b>	<b>54,266.2</b>
For contributory benefits	40,501.8	39,103.1	40,403.0	41,173.5	44,00.36
For non-contributory benefits	11,678.4	9,500.8	9,366.5	9,286.1	9,665.9
<b>Current surplus</b>	<b>-3,236.0</b>	<b>1,405.0</b>	<b>2,469.2</b>	<b>2,527.9</b>	<b>-1,125.9</b>

1. Not including administrative expenses.

Table A/3  
**Receipts and Payments – Old-Age and Survivors Branch<sup>1</sup>,**  
**NIS Million, 2002, 2006-2009**

	2002	2006	2007	2008	2009
<b>At current prices</b>					
<b>Total payments</b>	<b>15,447.2</b>	<b>17,165.4</b>	<b>17,465.4</b>	<b>18,425.4</b>	<b>19,947.7</b>
Thereof: under N.I. Law	12,136.6	13,627.9	13,927.9	14,842.4	16,290.1
Total contributions from the public	10,302.4	11,263.7	11,803.8	12,559.8	12,791.6
Government participation under N.I. Law	1,694.1	1,740	1,911.1	2,054.2	2,159.7
Interest	1,821.2	2,150	2,210.0	2,370.0	2,506.0
Current surplus	-301.4	-762.2	-356.9	412.6-	-1,520.3
Surplus including interest	1,519.8	1,387.8	1,844.1	1,957.4	985.7
Assets at end of year	38,863.9	44,551.6	47,593.1	51,675.3	
<b>At 2009 prices</b>					
<b>Total payments</b>	<b>17,412.5</b>	<b>18,647.1</b>	<b>18,871.1</b>	<b>19,036.5</b>	<b>19,947.7</b>
Thereof: under N.I. Law	13,680.7	14,804.3	15,048.9	15,334.7	16,290.1
Total contributions from the public	11,613.1	12,236.0	12,753.9	12,976.4	12,791.6
Government participation under N.I. Law	1,909.6	1,890.2	2,064.9	2,122.3	2,159.7
Current surplus	-339.7	-828.0	-385.6	412.3-	-1,520.3

1. Not including administrative expenses.

Table A/4  
**Receipts and Payments – General Disability Branch<sup>1</sup>, NIS Million,  
 2002, 2006-2009**

	2002	2006	2007	2008	2009
<b>At current prices</b>					
<b>Total payments</b>	<b>6,809.9</b>	<b>8,100.7</b>	<b>8,472.8</b>	<b>9,328.9</b>	<b>9,987.8</b>
Thereof: under N.I. Law	6,032.1	7,155.9	7,528.0	7,983.1	8,628.2
Total contributions from the public	3,579.5	3,955.6	4,229.4	4,558.7	4,665.7
Government participation under N.I. Law	63.3	526.3	564.0	607.0	630.0
Interest	834.0	435.0	420.0	540.0	100.9
Current surplus	-2,562.1	-2,890	-2,927.2	2,934.3	-3,506.6
Surplus including interest	-1,728.1	-2,455	-2,507.2	2,394.3	-3,075.6
Assets at end of year	15,777.0	7,160.8	8,792.9	10,435.5	
<b>At 2009 prices</b>					
<b>Total payments</b>	<b>7,676.3</b>	<b>8,800.0</b>	<b>9,154.8</b>	<b>9,638.3</b>	<b>9,987.8</b>
Thereof: under N.I. Law	6,799.5	7,773.6	8,133.9	8,247.9	8,628.2
Total contributions from the public	4,034.9	4,297.1	4,569.8	4,709.9	4,665.7
Government participation under N.I. Law	71.4	571.7	609.4	627.1	630.0
Current surplus	-2,888.1	-3,139.5	-3,162.8	-3,031.6	-3,506.6

1. Not including administrative expenses.



Table A/5  
**Receipts and Payments – Work Injury Branch<sup>1</sup>, NIS Million, 2002, 2006-2009**

	2002	2006	2007	2008	2009
<b>At current prices</b>					
<b>Total payments</b>	<b>2,980.9</b>	<b>3,142.5</b>	<b>3,152.0</b>	<b>3,320.9</b>	<b>3,621.5</b>
Thereof: under N.I. Law	2,644.5	2,747.4	2,759.1	2,895.3	3,182.5
Total contributions from the public	1,467.3	1,519.8	1,593.8	1,680.8	1,659.9
Interest	334.2	200.0	190.0	240.0	200.0
Current surplus	-1,184.2	-1,213.4	-1,103.5	-1,142.0	-1,350.6
Surplus including interest	-850.0	-1,013.4	-913.5	-902.0	-1,150.6
Assets at end of year	6,313.3	3,249.2	3,805.9		
<b>At 2009 prices</b>					
<b>Total payments</b>	<b>3,360.1</b>	<b>3,413.8</b>	<b>3,405.7</b>	<b>3,431.0</b>	<b>3,621.5</b>
Thereof: under N.I. Law	2,980.9	2,984.6	2,981.2	2,991.3	3,182.5
Total contributions from the public	1,654.0	1,651.0	1,722.1	1,736.5	1,659.9
Current surplus	-1,334.9	-1,318.1	-1,192.3	-1,179.9	-1,350.6

1. Not including administrative expenses.

Table A/6  
**Receipts and Payments – Maternity Branch<sup>1</sup>, NIS Million, 2002, 2006-2009**

	2002	2006	2007	2008	2009
<b>At current prices</b>					
<b>Total payments</b>	<b>2,741.3</b>	<b>3,047.2</b>	<b>3,544.2</b>	<b>4,080.6</b>	<b>4,538.8</b>
Thereof: under N.I. Law	2,431.8	2,820.5	3,323.4	3,853.1	4,301.4
Total contributions from the public	1,566.0	1,846.8	1,980.9	2,139.3	2,187.5
Government participation under N.I. Law	0	0	151.6	160.0	166.6
Interest	142.8	-25.0	10.0	50.0	-30.0
Current surplus	-907.9	-1,018.7	-1,239.3	-1,606.7	-1,998.7
Surplus including interest	-765.1	-1,043.7	-1,229.3	-1,556.7	-2,028.7
Assets at end of year	2,523.2	-1,154.8	305.9	276.0	
<b>At 2009 prices</b>					
<b>Total payments</b>	<b>3,090.1</b>	<b>3,310.2</b>	<b>3,829.5</b>	<b>4,215.9</b>	<b>4,538.8</b>
Thereof: under N.I. Law	2,274.1	3,064.0	3,590.9	3,980.9	4,301.4
Total contributions from the public	1,765.2	2,006.2	2,140.3	2,210.3	2,187.5
Current surplus	-1,023.4	-1,106.6	-1,339.0	-1,660.0	-1,998.7

1. Not including administrative expenses.

Table A/7

**Receipts and Payments – Children Branch<sup>1</sup>, NIS Million, 2002, 2006-2009**

	2002	2006	2007	2008	2009
<b>At current prices</b>					
<b>Total payments</b>	<b>6,710.1</b>	<b>4,972.8</b>	<b>4,971.3</b>	<b>5,109.4</b>	<b>5,578.1</b>
Thereof: under N.I. Law	6,556.9	4,816.3	4,813.7	4,931.7	5,406.4
Total contributions from the public	5,103.3	5,486.7	5,446.9	5,557.0	5,552.0
Government participation under N.I. Law	8,082.5	9,725.7	10,592.0	11,405.4	11,937.4
Interest	767.2	2,415.0	2,630.0	2,700.0	3,400.0
Current surplus	6,556.5	10,332.8	11,160.5	11,954.2	12,013.0
Surplus including interest	7,323.7	12,747.8	13,790.5	14,654.2	15,413.0
Assets at end of year	17,741.4	55,193.3	57,745.0	64,235.2	
<b>At 2009 prices</b>					
<b>Total payments</b>	<b>7,563.8</b>	<b>5,402.1</b>	<b>5,371.4</b>	<b>5,278.9</b>	<b>5,578.1</b>
Thereof: under N.I. Law	7,391.1	5,232.1	5,201.1	5,095.3	5,406.4
Total contributions from the public	5,752.6	5,960.3	5,885.3	5,741.3	5,552.0
Government participation under N.I. Law	9,110.8	10,565.2	11,444.5	11,783.7	11,937.4
Current surplus	7,390.7	11,224.7	12,058.8	12,350.7	12,013.0

1. Not including administrative expenses.

Table A/8  
**Receipts and Payments – Unemployment Branch1, NIS Million, 2002, 2006-2009**

	2002	2006	2007	2008	2009
<b>At current prices</b>					
<b>Total payments</b>	<b>3,533.2</b>	<b>1,957.1</b>	<b>1,757.3</b>	<b>1,840.2</b>	<b>3,027.8</b>
Thereof: under N.I. Law	3,513.9	1,937.3	1,741.3	1,826.2	2,943.0
Total contributions from the public	455.7	450.3	483.2	525.9	535.8
Interest	63.7-	30-	-30	0.0	0.0
Current surplus	-3,123.2	1,542.7-	-1,312.4	-1,355.7	-2,468.1
Surplus including interest	-3,186.9	1,572.7-	-1,342.4	-1,355.7	-2,468.1
Assets at end of year <sup>2</sup>	0.0	0.0	0.0	0.0	0.0
<b>At 2009 prices</b>					
<b>Total payments</b>	<b>3,982.7</b>	<b>2,126.0</b>	<b>1,898.7</b>	<b>1,901.2</b>	<b>3,027.8</b>
Thereof: under N.I. Law	3,961.0	2,104.5	1,881.5	1,886.8	2,943.0
Total contributions from the public	513.7	489.2	522.1	543.3	535.8
Current surplus	-3,520.6	-1,675.9	-1,418.0	-1,400.7	-2,468.1

1. Not including administrative expenses.

2. The deficit in the Unemployment branch is covered by the transfer of money from the reserves of the Children branch.

Table A/9  
**Receipts and Payments – Long-term Care Branch,**  
**NIS Million, 2002, 2006-2009**

	2002	2006	2007	2008	2009
	<b>At current prices</b>				
<b>Total payments</b>	<b>2,505.8</b>	<b>2,720.5</b>	<b>3,074.3</b>	<b>3,302.3</b>	<b>3,681.2</b>
Thereof: under N.I. Law	2,500.9	2,718.2	3,072.0	3,300.0	3,598.7
Total contributions from the public	372.8	419.7	442.7	468.4	498.6
Government participation under N.I. Law	664.7	600.0	660.0	701.4	752.9
Interest	315.2	35.0	30.0	100.0	0.0
Current surplus	-1,494.9	-1,729.5	-1,999.9	2,163.3-	-2,376.9
Surplus including interest	-1,179.7	-1,694.5	-1,969.9	2,063.3-	-2,376.9
Assets at end of year	5,711.6	-319.6	561.4	1,057.8	
	<b>At 2009 prices</b>				
<b>Total payments</b>	<b>2,824.6</b>	<b>2,955.3</b>	<b>3,321.7</b>	<b>3,411.8</b>	<b>3,681.2</b>
Thereof: under N.I. Law	2,819.1	2,952.8	3,319.3	3,409.5	3,598.7
Total contributions from the public	420.2	455.9	478.3	483.9	498.6
Current surplus	-1,685.1	1,878.8	-2,160.9	-2,235.1	-2,376.9

## B. Old Age and Survivors

Table B/1  
**Recipients of Old Age and Survivors' Pensions, Monthly Average, 2001-2009**

Year	Grand Total	Old Age			Survivors			
		Total	Under N.I. Law	Not Under N.I. Law	Total <sup>1</sup>	Not Under N.I. Law		Under N.I. Law
						Total	:Thereof Maintenance Allowance for Orphans <sup>2</sup>	Survivors (New Immigrants)
<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	103,884	103,884	6,022	484
<b>Recipients of income supplement as percentage of 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

1. As of January 2002, the series was amended: recipients of survivors' pensions include only those entitled to a full survivors' pension.
2. The annual number of recipients of maintenance allowance for orphans refers to August of every year.
3. The 2002 data refer to December 2002.

Table B/2

### Recipients of Old Age and Survivors' Pensions, by Type of Family, Monthly Average, 1995, 2000-2009

Year	Total	Elderly Couple			Widow/er <sup>2</sup>					Children Only				
		Single Elderly Person <sup>1</sup>	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	5 or More 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	4,987	1,372	684	148

1. Including elderly persons without spouses and with or without children.

2. See note 1 to Table B/1.

3. Until August 1994, increments were paid only for the first two children. As of this date, an increment is paid for every child, and data have been therefore broken down according to number of children.

4. See note 3 to Table B/1.

Table B/3  
**Recipients of Old Age and Survivors' Pensions Plus Income Supplement, Monthly Average**

Year	Total	Elderly Couple			Widow/er <sup>2</sup>			Children Only						
		Without Children		With One Child	Without Children		With One Child	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
		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	5 or More Children	
		Number of recipients												
1990	143,588	26,942	1,129	1,005	38,127	1,587	2,199	-	-	125	75	-	-	
1995	184,780	38,800	1,230	1,160	35,250	1,400	880	770	240	120	40	15	5	
2000	202,128	44,498	1,167	1,183	31,160	1,480	898	576	97	201	41	27	1	
2001	204,985	45,354	1,225	1,211	30,552	1,480	922	527	84	194	42	20	1	
2002 <sup>4</sup>	204,324	43,802	888	1,159	29,599	1,476	941	479	63	211	35	13	3	
2003	201,947	43,039	1,130	1,138	29,019	1,464	906	463	55	203	39	10	3	
2004	198,542	41,244	1,124	1,039	28,390	1,429	839	416	41	198	36	12	1	
2005	194,537	39,578	1,105	978	28,041	1,444	778	374	34	218	32	11	-	
2006	193,763	38,383	1,081	922	27,831	1,416	727	354	30	210	31	12	1	
2007	191,018	36,730	1,025	865	27,533	1,263	617	312	27	193	37	10	1	
2008	189,225	35,019	971	830	27,226	1,159	565	290	19	181	43	8	1	

1. See note 1 to Table B/2.

2. See note 1 to Table B/1.

3. See note 3 to Table B/2.

4. See note 3 to Table B/1.



Table B/3 (Cont.)  
**Recipients of Old Age and Survivors' Pensions Plus Income Supplement, Monthly Average, 1995, 2000-2009**

Year	Total	Single Elderly Person <sup>1</sup>		Elderly Couple		Widow/er <sup>2</sup>					Children Only				
		Without Children	With One Child	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	5 or More Children	
1995	33.5	38.1	36.5	58.3	41.1	23.9	25.6	36.2	49.0	3.9	4.2	3.5	5.7		
2000	30.8	46.2	38.4	62.1	35.8	22.7	25.2	24.6	17.4	6.2	3.8	5.3	0.8		
2001	30.3	47.7	40.2	63.9	35.0	22.5	26.0	22.9	15.2	5.3	3.7	3.9	0.8		
2002 <sup>4</sup>	29.2	49.5	40.1	63.0	34.5	22.0	27.4	22.1	11.9	5.1	3.1	2.6	2.2		
2003	28.5	49.0	37.3	61.2	34.0	21.9	26.1	20.9	10.6	4.7	3.4	1.9	2.2		
2004	27.5	51.4	51.0	60.2	33.4	21.2	24.1	18.7	8.2	4.4	3.1	2.1	0.7		
2005	27.0	50.2	38.9	62.2	32.9	21.2	22.3	17.0	6.9	4.6	2.6	1.8	-		
2006	26.6	51.0	39.7	62.1	32.6	20.8	21.1	16.0	6.0	4.5	2.5	1.9	0.7		
2007	26.2	51.8	41.6	63.8	32.2	18.7	18.4	14.2	5.4	4.0	2.8	1.6	0.6		
2008	25.7	52.2	42.0	63.4	32.0	17.5	16.9	13.4	3.9	3.7	3.1	1.2	0.6		
2009	25.2	53.1	46.7	62.1	31.7	17.8	17.1	13.0	3.5	3.7	2.6	1.3	0.8		

As percentage of total old age and survivors' pension recipients

1. See note 1 to Table B/2.
2. See note 1 to Table B/1.
3. See note 3 to Table B/2.
4. See note 3 to Table B/1.

## C. Long-Term Care

Table C/1

### LTCI Coverage Rates by Age in Selected Localities, December 2009<sup>1</sup> (Percentages)

Locality	Number of LTCI Beneficiaries	Age			
		Total	under-70	70-79	80+
<b>Total nationwide</b>	<b>138,297</b>	<b>18.3</b>	<b>3.2</b>	<b>13.3</b>	<b>42.5</b>
Taybeh	446	27.2	10.9	31.2	66.4
Qiryat Malache	557	32.3	8.0	34.6	65.4
Sderot	696	32.7	8.9	29.0	74.6
Beit Shemesh	659	22.3	2.8	17.8	58.0
Or Yehudah	966	31.3	6.7	32.0	64.9
Hadera	2,463	23.0	3.9	17.0	54.2
Tiberias	979	21.0	4.5	18.5	49.2
Rahat	208	22.2	7.6	23.6	60.0
Ramle	1,366	20.4	4.1	16.8	47.1
Qiryat Ono	703	17.9	2.4	10.2	45.4
Nazareth	822	17.8	5.5	17.7	48.6
Kfar Saba	1,370	13.0	1.1	7.3	32.8
Eilat	309	10.2	1.9	7.6	40.1
Ramat HaSharon	930	14.7	1.2	4.5	49.1
Ma'alot Tarshiha	303	12.6	1.9	7.4	36.0

1. LTCI coverage rates from total number of old-age and survivors' pension beneficiaries and their elderly dependents. An elderly person is defined as a man aged 67 or over and a woman aged 62 or over.

## D. Children

Table D/1  
**Families Receiving Child Allowance, by Number of Children in Family,  
 1975-2009**

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	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
<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	32.2	30.8	19.8	8.7	4.0	2.1	2.3

1. From 1965 until 1975, the allowance for the first and second child was paid only to employee families, and for this period there is no breakdown for the first and second child separately.
2. From July 1985 and from October 1990, families having 1-3 children received allowance for the first and second child, respectively, according to income test. (The data do not include families of employees and of unemployed to whom the allowance was reimbursed.) As of March 1993 the allowance is again paid to all families without income test.

Table D/2  
**Children for Whom Allowances were Paid, 1980-2009**

Year	Total	Place of Child in Family					
		First	Second	Third	Fourth	Fifth	Sixth and Subsequent
<b>Numbers (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	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
<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

## E. Maternity

Table E/1  
**Number of Recipients of Maternity Benefits, 1955-2009**

Year	Hospitalization Grant	Maternity Allowance	
		Number of Recipients	As Percentage of Total Number of Women who Gave 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	156,400	97,715	62.5

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 Benefits, by Number of Dependants<sup>1</sup>, 1975-2009**

<b>Year</b>	<b>Total</b>	<b>Single Disabled</b>	<b>Disabled with One Dependant</b>	<b>Disabled with Two Dependants</b>	<b>Disabled with Three or More Dependants</b>
1975	4,685	2,453	996	382	854
1980	42,871	25,030	7,061	5,272	5,508
1985	62,132	41,487	11,414	6,252	2,978
1990	73,148	45,450	13,498	8,800	5,400
1995	94,038	57,139	16,930	11,760	8,208
1996	104,540	63,621	18,697	13,220	9,002
1997	111,957	67,870	20,085	14,308	9,695
1998	119,800	72,625	21,490	15,310	10,375
1999	127,211	76,717	22,874	16,468	11,152
2000	135,348	81,475	24,263	17,697	11,913
2001	142,440	85,713	25,727	18,521	12,480
2002	150,512	90,890	26,997	19,462	13,163
2003	157,287	95,993	27,793	19,992	13,509
2004	162,382	100,100	28,198	20,332	13,753
2005	170,861	106,423	29,741	20,677	14,020
2006	178,264	111,786	30,660	21,228	14,590
2007	187,525	118,856	31,733	21,911	15,025
2008	194,988	124,671	32,448	22,538	15,332
2009	200,072	128,534	32,865	23,203	15,470

1. From July 1975 to March 1984, the dependants' allowance was paid for spouse, for parents and for the first two children. In April 1984 the increment for parents was abolished.

Table F/2  
**Recipients of General Disability Benefits, by Degree of Disability and  
 Percentage of Medical Disability, December 2009**

Medical Disability Percentages	Degree of Disability				
	Total	60%	65%	74%	100%
<b>Total</b>	<b>203,042</b>	<b>23,471</b>	<b>11,367</b>	<b>2,555</b>	<b>165,649</b>
40-49	28,957	5,564	1,876	309	21,208
50-59	56,529	8,351	4,065	717	43,376
60-69	34,657	5,333	2,800	563	25,961
79-70	28,669	2,612	1,47	459	24,121
80-89	18,827	1,201	708	277	16,641
90-100	35,403	410	421	230	34,342

Table F/3

**Recipients of General Disability Benefits, by Number of Children,  
Marital Status and Sex (numbers, percentages), December 2009**

	Total		Number of Children						
	Numbers	Percentages	0	1	2	3	4	5	6+
<b>Total</b>	<b>203,042</b>	<b>100.0</b>	<b>65.1</b>	<b>13.5</b>	<b>9.0</b>	<b>5.6</b>	<b>3.3</b>	<b>1.7</b>	<b>1.9</b>
Men	116,822	100.0	65.5	12.3	8.4	5.7	3.7	2.0	2.5
Insured women	69,079	100.0	70.8	14.0	8.2	4.0	1.7	0.7	0.5
Housewives	17,141	100.0	39.9	19.3	15.7	10.7	6.6	3.7	4.0
Married – total	99,132	100.0	45.1	18.9	13.8	9.6	6.5	3.7	4.0
Men	59,784	100.0	45.0	17.9	12.9	9.7	6.6	3.7	4.7
Insured women	22,207	100.0	49.7	21.1	14.9	8.2	3.6	1.4	1.1
Housewives	17,141	100.0	39.4	19.3	15.7	10.9	6.8	3.7	4.2
Not married – total	103,910	100.0	83.8	8.5	4.4	1.9	0.8	0.3	0.3
Men	57,038	100.0	86.9	6.5	3.7	1.6	0.7	0.3	0.3
Insured women	46,872	100.0	80.9	10.6	5.1	2.1	0.8	0.3	0.2



Table F/4  
**Recipients of Benefit for Disabled Child, by Category of Entitlement<sup>1</sup>,  
 Age and Whether Studying, December 2008**

Category of Entitlement and Age		Total	Not Studying	Studying
<b>Total</b>				
Dependent on others				
- totally dependent	3-14	3,415	515	2,900
	14-18	1,426	99	1,327
- needs much help	3-14	4,700	302	4,398
	14-18	1,487	16	1,471
Down`s syndrome	Up to 14	1,549	121	1,438
	14-18	338	4	334
Hearing deterioration	Up to 14	2,846	51	2,795
	14-18	1,003	8	995
Sight impairment	Up to 14	716	149	567
	14-18	303	26	277
Retardation	Up to 3	410	64	346
Autistism	Up to 14	4,749	2,374	2,375
	14-18	1,111	122	989
<b>Medical treatments</b>				
- monthly transfusion	Up to 14	306	206	100
	14-18	112	24	88
- dialysis/ catheterization	Up to 14	241	131	110
	14-18	83	12	71
- transplantations	Up to 14	27	20	7
	14-18	10	5	5
- other treatments	Up to 14	2,439	1,596	843
	14-18	579	117	462
- supervision	Up to 14	2,098	312	1,786
	14-18	607	26	581

1. A child suffering from more than one problem may be included in two categories; thus the discrepancy between the numbers in the various categories and the total number of benefit recipients.

**G. Work Injury**

Table G/1  
**Recipients of Work Injury Benefits<sup>1</sup>, 1965-2009**

Period	Work Injury Benefits				Permanent Disability Pensions		Dependants' Pensions	
	Number of Injured		Number of Paid-For Days		Em- ployees	Self- employed	Em- ployees	Self- employed
	Em- ployees	Self- employed	Em- ployees	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

1. For disability and dependants' pension, the annual figure is the number of recipients in April of each year. For injury benefits it is the total number of recipients during the year.

2. As of 1980, the annual figure given under permanent disability pensions is a monthly average of recipients.



Table G/3  
**Recipients of Permanent Disability Pension in December 2009,  
 by Sex, Age and Degree of Disability**

Age	Total	Degree of Disability					
		Up to 19 <sup>1</sup>	39-20	59-40	79-60	99-80	100
<b>Total Population</b>							
<b>Numbers</b>	<b>30,920</b>	<b>1,321</b>	<b>18,038</b>	<b>6,229</b>	<b>2,538</b>	<b>1,247</b>	<b>1,547</b>
<b>Percentages</b>	<b>100.0</b>	<b>4.3</b>	<b>58.4</b>	<b>20.1</b>	<b>8.2</b>	<b>4.0</b>	<b>5.0</b>
Up to 21	41	0	21	12	2	3	3
22-29	780	16	422	164	68	46	64
30-39	3,522	204	1,920	713	293	162	230
40-49	6,332	409	3,588	1,274	493	273	295
50-59	9,021	475	5,420	1,728	679	329	390
60-64	4,657	167	2,903	860	367	147	213
65+	6,000	50	3,764	1,478	636	287	352
<b>Men</b>							
<b>Numbers</b>	<b>27,363</b>	<b>1,243</b>	<b>15,759</b>	<b>5,534</b>	<b>2,284</b>	<b>1,146</b>	<b>1,397</b>
<b>Percentages</b>	<b>100.0</b>	<b>4.6</b>	<b>57.6</b>	<b>20.2</b>	<b>8.3</b>	<b>4.2</b>	<b>5.1</b>
Up to 21	38	0	19	11	2	3	3
22-29	707	15	367	158	65	41	61
30-39	3,145	195	1,682	643	269	146	210
40-49	5,595	373	3,124	1,139	445	251	263
50-59	7,722	447	4,563	1,478	590	300	344
60-64	4,067	163	2,509	744	322	135	194
65+	6,089	50	3,495	1,361	591	270	322
<b>Women</b>							
<b>Numbers</b>	<b>3,557</b>	<b>78</b>	<b>2,279</b>	<b>695</b>	<b>254</b>	<b>101</b>	<b>150</b>
<b>Percentages</b>	<b>100.0</b>	<b>2.2</b>	<b>64.1</b>	<b>19.6</b>	<b>7.1</b>	<b>2.8</b>	<b>4.2</b>
Up to 21	3	0	2	1	0	0	0
22-29	73	1	55	6	3	5	3
30-39	377	9	238	70	24	16	20
40-49	737	36	464	135	48	22	32
50-59	1,299	28	857	250	89	29	46
60-64	590	4	394	116	45	12	19
65+	478	0	269	117	45	17	30

1. Pension recipients who have a partial capitalization.

Table G/4  
**Recipients of Dependants' Pension, by Year of Decease and Family Composition  
(Absolute Numbers), December 2009**

Year of Decease	Total	Young Widow	Child Only or Widow without Children	Two Children Only or Widow with One Child	Three Children Only or Widow with Two Children	Four Children Only or Widow with 3 Children	Other
<b>Total</b>	<b>4,583</b>	<b>178</b>	<b>3,434</b>	<b>454</b>	<b>264</b>	<b>204</b>	<b>49</b>
Until 1965	214	0	198	0	0	0	4
1966-1970	239	0	237	0	0	0	2
1971-1975	444	0	468	2	0	0	0
1976-1980	512	3	505	1	1	0	2
1981-1985	457	11	440	0	0	0	6
1986-1990	434	50	357	18	4	1	4
1991-1995	714	39	458	132	61	14	10
1996-2000	732	37	385	145	90	61	14
2001-2005	564	24	237	117	78	95	13
2006 <sup>1</sup>	93	7	32	19	14	21	0
2007 <sup>1</sup>	73	1	19	24	13	16	0
2008 <sup>1</sup>	37	3	3	7	12	12	0

1. The processing of these claims has not yet been completed, and more families will receive dependants' pension for these years.

## H. Hostile Action Casualties

Table H/1  
**Recipients of Benefits due to Hostile Actions: Disabled by Status and Dependents  
 by Family Composition, 2000-2009**

Year	Recipients of Disability Benefits				Recipients of Dependents Benefits					
	Total	Regular	Destitute	Needy	Widow/er of Disabled	Total	Widow/ers without Children	Widow/ers with Children	Bereaved Parents	Other
2000	1,688	1,576	24	63	25	962	301	129	485	47
2001	1,721	1,589	35	72	25	997	303	138	507	49
2002	1,807	1,678	36	71	22	1,287	340	199	668	80
2003	2,195	1,753	49	81	24	1,583	383	248	846	106
2004	2,502	1,905	51	88	23	1,713	416	263	917	117
2005	2,753	2,041	54	98	25	1,767	424	267	946	131
2006	3,022	2,164	66	121	22	1,851	447	267	999	138
2007	3,274	2,283	81	125	21	1,902	463	271	1,029	139
2008	3,721	2,420	94	146	29	1,904	476	323	975	130
2009	3,861	2,480	96	143	30	1,935	482	255	1,028	170

1. Including 1,113 recipients of lump-sum grant who receive bonuses.

## I. Unemployment

Table I/1

### Recipients of Unemployment Benefits Who were Employed, by Type of Unemployment and Type of Labor Exchange, (Percentages), 2000-2009

Year	Total	Looking for Work	In Vocational Training	Looking for Work		
				Total	Academic	Non-academic
<b>Absolute 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
<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





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## **Measuring Poverty and Data Sources**

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## Introduction

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 1970's, which is accepted by most researchers and social policy makers in the Western world. According to this relative approach, poverty is a phenomenon that stems from relative hardship and which must be evaluated in connection with the standard of living which characterize the society: a family is not considered poor when it is unable to purchase a basic basket of products required for its subsistence, but rather when its living conditions are significantly inferior to the living conditions characterizing the society as a whole.

The relative approach even acknowledges that need is not only expressed merely by low income, but it can also be expressed by the level of property ownership, housing conditions, education and the public services available to those in need. However, since there is no agreed-upon index that reflects all aspects of hardship, and since the NII possesses only data available on the current economic income of households in Israel (based on income surveys of the Central Bureau of Statistics - CBS), the measurement of poverty is limited to the aspect of economic income.

The relative approach offers some practical methods for measuring poverty based upon the level of economic income, whose common denominator is comparing the income level of the rest of the families at the lowest level of the income scale with that of all other families in the economy. The determination of the "poverty line" as some percentage of the "representative income" of the society's standard of living is at the source of every method. A family whose income is below the poverty line is considered a poor family without this necessarily implying that its members are hungry, undernourished, 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.

## Method for Measuring Poverty in Israel

In Israel, the method for measuring poverty is based upon three principles:

**The first principle** is viewing the family's disposable income as income that is relevant for examining the phenomenon of poverty. Disposable income is defined as the family's economic income (from work or ownership of physical means of production or financial assets) in addition to transfer payments (payments whose source is not the result of economic actions, such as national insurance benefits, support from institutions and individuals in Israel and abroad) from which direct taxes are deducted at source (income tax, national insurance and health insurance contributions).

**The second principle** is viewing the median disposable income of the population as society's representative income.<sup>1</sup> The median income is defined as an income level where 50% of the families have an income that is either equal or below this and where the income of the other 50% of the population is above it. The poverty line is defined as an income level that is equivalent to 50% of the median disposable income. Therefore, a family whose disposable income is lower than half of the median disposable income is considered to be a poor family. One of the outcomes of economic growth which brings about an increase in the level of the median disposable income is a rise in the poverty line. A family which is not poor but whose disposable income is growing at a slower rate than that of the poverty line is likely to become a poor family.

**The third principle** upon which the measurement of poverty in Israel is based is adjusting the poverty line to the size of the family. It is assumed that the size of the family has advantages in terms of consumption: when a family increases by one member its consumption needs do not increase at a similar rate but rather at a lower rate, so that the additional income required by a family in order to maintain a balanced standard of living drops in relation to the increase in the number of family members. In order to make it possible to compare the living standards of various families according to their size, it was necessary to develop an "equivalence scale", making it possible to measure the requirements of these families compared to the requirements of a family of a given basic size.

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<sup>1</sup> Median income is preferred over the average income as representing typical standard of living, since the average income is affected by extreme values in income distribution (that is, by very high or very low incomes).

Specifically, the equivalence scale translates the number of persons in a family to the "standard" number of persons (or "standard" adults) it contains. The basis of the scale is a family with two persons, which is assigned a value of two standard persons. That is, the requirements of a one-person family are assigned a value of 1.25 standard persons. That is, the requirements of a one-person family are not assessed as being equal to half of those of a two-member family but rather to more than half. Similarly, the requirements of a four-member family (assigned a value of 3.2 standard persons) are not double those of a two-member family (assigned a value of two standard persons), but rather less than double (only 1.6 times larger).

Based upon those 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 it contains, is lower than the poverty line per standard person. The poverty line for a family can be calculated in a similar manner – by multiplying the poverty line per standard person by the number of standard persons in a family.

As in many Western countries, an analysis of the dimensions of poverty in Israel is based mainly upon the two aggregate poverty indices that are the most accepted in empirical studies – the incidence of poverty and the depth and severity of poverty (reflected in the index of the income gap of the poor and the FTG index). The incidence of poverty index indicates the extent of poverty in terms of rate of poor family from among the whole population. The index of the income gap of the poor 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 in the population as a whole is defined as the sum of the poverty gaps of all of the poor families. It is possible to standardize the poverty gap index and to define it 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 FTG Index (also called the Foster Index), developed by Foster, Greer and Thorbecke in 1989, became the most accepted index for expressing the depth and severity of poverty. Contrary to the income gap index of the poor, it gives increased weight to those whose income is the farthest from the poverty line.<sup>2</sup> Another aggregate

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2 The FTG index can receive values of between 0 (if the incomes of the poor are linked to the poverty line) and the incidence of poverty (if the income of the poor is zero). The

index that is used is the SEN Index, which combines the above two indices with the element of inequality in the distribution of income among the poor.

## The Data Sources

The data on income that are used as a basis for calculating the dimensions of poverty and the distribution of income in Israel are the annual income surveys carried out by the Central Bureau of Statistics (hereinafter: the CBS). Until 1997 (inclusive) the population surveys only included households headed by either a salaried or unemployed individual in urban communities with at least 2,000 residents, excluding East Jerusalem.<sup>3</sup> In 1998, the CBS decided to carry out an integrated income survey, based upon the data from the current income survey and the data from the family expenditure survey. The integrated income survey has been published since 1997, when the CBS began preparing a current family expenditure survey in addition to the current income survey. The integrated survey is based upon 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 salaried and unemployed individuals residing in urban communities, the integrated survey includes the self-employed, and residents of moshavim as well as rural communities and small communities, and in principle, residents of East Jerusalem as well. The population that has yet to be included in the survey consists mainly of that in the kibbutzim and Bedouins who do not live in permanent communities. The residents of East Jerusalem were included in the integrated survey in 1997-1999,<sup>4</sup> but not in 2000, due to the security situation, which made it difficult to conduct a survey. In order to present comparisons between 1997 and 2000, the poverty and inequality data for 1997-1999 were re-issued, omitting residents of East Jerusalem.<sup>5</sup> A household (defined as a group

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index is calculated according to the following formula:  $1/n \cdot \sum ((z_i - y_i)/z_i)^2$ , where  $z_i$  is poverty-line income and  $y_i$  is the family's income.

- 3 Up until 1994 (inclusive), non-Jewish communities with at least 10,000 residents were included in the income surveys (with the exception of East Jerusalem). As of 1995, the income survey was expanded to also include non-Jewish communities having between 2,000 and 10,000 residents.
- 4 The sampling of the integrated income surveys included residents of East Jerusalem in 1998-1999 and only partially (approximately 65%) in 1997.
- 5 Data on the dimensions of poverty in 1997-1999 with regard to the population which includes East Jerusalem as well can be found in the 1999 Annual Survey.

of individuals who reside together most of the week and who have a common household budget) serves as the basic study unit in income and expenditure surveys.<sup>6</sup> For convenience sake, it is customary to use the term "family" instead of "household", even if the terms do not have the same 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 to 1985 on the basis of income surveys, the poverty line was defined as income level that is equal to 40% of the gross median income (after making transfer payments but before deducting direct taxes). Since 1988, the definition has been revised to 50% of the median disposable income.
2. Income surveys carried out since 1985 differ from the methods of research and methodologies implemented in previous income surveys from the aspect of the duration of the research period.
3. Until 1997 (inclusive), the population surveyed in the CBS income surveys contained only households headed by a salaried or unemployed individual (that is, it did not include households headed by a self-employed individuals, which is the situation in 10% of the families) in urban communities with at least 2,000 residents, excluding East Jerusalem.
4. Up to 1994 (inclusive) communities of non-Jews with at least 10,000 residents (excluding East Jerusalem) were included in the income surveys. As of 1995, the income survey was extended to include communities of non-Jews with 2,000-10,000 residents as well.
5. Since 1998, the CBS issues an income survey which is based upon the data of the integrated income survey and of the family expenditure survey. The integrated survey is based upon a larger sampling (1.8 larger than the previous sampling) and encompasses 95% of all households in Israel in most types of communities.

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<sup>6</sup> Since 1995, a head of a household is defined as the member of the household whose "degree" of participation in the labor force is the greater, regardless of age or gender.

6. With regard to the new series which began in 1997: the residents of East Jerusalem were not surveyed in 2000-2001. In 1998-1999, samplings of the integrated income survey among the residents of East Jerusalem were fully surveyed, as well as from 2002 onward, but only partial (approximately 65%) in 1997.

Following a NII initiative, the CBS carried out a feasibility study which showed that it is possible to produce findings on poverty and income distribution on a bi-annual basis. Therefore, as of 2004, in addition to publishing data for every calendar year, the CBS publishes findings regarding 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 containing the second half of the 2007 Survey and the first half of the 2008 Survey is published. No special survey is carried out to study poverty and income distribution for these interim periods, but rather, a special database was constructed that comprises half of each of the two annual surveys. Accordingly, the poverty report for those periods is more succinct in nature and is mainly intended to show trends which are anticipated for the next calendar year in the domains of poverty and the social gaps.



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## **Poverty and Inequality Tables**

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Table 1  
**Poverty in Total Population, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	668,200	340,400	410,700		
Persons	2,235,800	1,411,700	1,631,500		
Children	899,600	686,500	768,800		
Incidence of poverty (%)					
Families	33.6	17.1	20.6	49.1	38.5
Persons	33.8	21.3	24.7	36.9	27.0
Children	41.1	31.4	35.2	23.7	14.5
<b>2006</b>					
The poor population					
Families	665,800	345,700	404,400		
Persons	2,254,800	1,455,700	1,649,800		
Children	921,900	718,600	796,100		
Incidence of poverty (%)					
Families	32.9	17.1	20.0	48.1	39.3
Persons	33.5	21.6	24.5	35.4	26.8
Children	41.5	32.3	35.8	22.1	13.6
<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

Table 2  
Poverty and Inequality Table Appendix

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	514,100	218,000	273,600		
Persons	1,442,200	768,400	913,300		
Children	502,300	344,600	389,600		
Incidence of poverty (%)					
Families	29.8	12.6	15.8	57.6	46.8
Persons	27.1	14.4	17.2	46.7	36.7
Children	31.5	21.6	24.4	31.4	22.4
<b>2006</b>					
The poor population					
Families	504,700	216,300	258,000		
Persons	1,423,700	773,800	880,900		
Children	503,900	356,900	392,600		
Incidence of poverty (%)					
Families	28.8	12.3	14.7	57.1	48.9
Persons	26.4	14.3	16.3	45.6	38.1
Children	31.1	22.1	24.3	29.2	22.1
<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

Table 3  
Poverty Among Immigrants (since 1990), 2005-2008

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	167,100	59,800	78,800		
Persons	413,700	182,000	220,500		
Children	110,200	69,100	77,300		
Incidence of poverty (%)					
Families	42.4	15.2	20.0	64.2	52.8
Persons	37.0	16.3	19.7	56.0	46.7
Children	40.5	25.4	28.4	37.3	29.9
<b>2006</b>					
The poor population					
Families	153,600	53,400	69,600		
Persons	378,200	166,400	198,500		
Children	98,500	65,900	73,300		
Incidence of poverty (%)					
Families	39.9	13.9	18.1	65.2	54.7
Persons	34.4	15.2	18.1	56.0	47.5
Children	36.8	24.6	27.3	33.1	25.7
<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	163,400	58,300	163,400		
Persons	386,000	166,700	191,000		
Children	94,200	61,500	65,200		
Incidence of poverty (%)					
Families	40.7	14.5	18.0	64.3	55.7
Persons	34.7	15.0	17.2	56.8	50.5
Children	35.1	22.9	24.3	34.7	30.8

Table 4  
**Poverty Among non-Jews, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	154,100	122,400	137,000		
Persons	793,600	643,300	718,200		
Children	397,300	341,900	379,200		
Incidence of poverty (%)					
Families	58.6	46.6	52.1	20.5	11.0
Persons	61.2	49.6	55.4	18.9	9.5
Children	67.3	57.9	64.2	14.0	4.6
<b>2006</b>					
The poor population					
Families	161,200	129,300	146,300		
Persons	831,100	681,900	769,000		
Children	418,100	361,700	403,500		
Incidence of poverty (%)					
Families	59.5	47.8	54.0	19.7	9.2
Persons	62.3	51.1	57.6	17.9	7.5
Children	69.2	59.8	66.8	13.5	3.5
<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

Table 5  
**Poverty in Families Headed by an Elderly Person, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	219,900	62,100	94,300		
Persons	360,900	118,700	163,100		
Children	12,500	9,400	10,000		
Incidence of poverty (%)					
Families	57.0	16.1	24.4	71.8	57.1
Persons	55.8	18.3	25.2	67.1	54.8
Children	86.4	64.7	68.6	25.2	20.6
<b>2006</b>					
The poor population					
Families	220,600	62,000	84,500		
Persons	347,000	109,900	141,700		
Children	7,400	4,800	4,800		
Incidence of poverty (%)					
Families	56.1	15.8	21.5	71.9	61.7
Persons	53.7	17.0	21.9	68.3	59.2
Children	68.2	44.2	44.2	35.2	35.2
<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

Table 6  
Poverty in Families with Children, 2005-2008

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	303,100	216,500	245,300		
Persons	1,606,700	1,185,500	1,339,800		
Children	899,600	686,500	768,800		
Incidence of poverty (%)					
Families	32.4	23.1	26.2	28.6	19.1
Persons	36.2	26.7	30.2	26.2	16.6
Children	41.1	31.4	35.2	23.7	14.5
<b>2006</b>					
The poor population					
Families	296,000	213,400	238,600		
Persons	1,615,400	1,213,600	1,353,900		
Children	921,900	718,600	796,100		
Incidence of poverty (%)					
Families	31.6	22.8	25.5	27.9	19.4
Persons	36.0	27.0	30.1	24.9	16.2
Children	41.5	32.3	35.8	22.1	13.6
<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



Table 7  
**Poverty in Families with 1-3 Children, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	206,600	137,700	158,000		
Persons	877,200	597,400	688,500		
Children	398,300	278,300	318,900		
Incidence of poverty (%)					
Families	26.3	17.5	20.1	33.4	23.5
Persons	26.3	17.9	20.6	31.9	21.5
Children	27.7	19.3	22.2	30.1	19.9
<b>2006</b>					
The poor population					
Families	190,900	125,900	141,900		
Persons	818,700	554,300	627,300		
Children	375,400	261,600	294,700		
Incidence of poverty (%)					
Families	24.7	16.3	18.3	34.1	25.7
Persons	24.8	16.8	19.0	32.3	23.4
Children	26.5	18.4	20.8	30.3	21.5
<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

Table 8  
**Poverty in Families with 4 or More Children, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	96,500	78,800	87,300		
Persons	729,400	588,100	651,400		
Children	501,300	408,200	449,900		
Incidence of poverty (%)					
Families	64.2	52.5	58.1	18.3	9.6
Persons	66.2	53.3	59.1	19.4	10.7
Children	67.1	54.6	60.2	18.6	10.2
<b>2006</b>					
The poor population					
Families	105,100	87,600	96,700		
Persons	796,700	659,300	726,600		
Children	546,500	457,000	501,400		
Incidence of poverty (%)					
Families	65.2	54.4	60.0	16.7	8.0
Persons	67.0	55.5	61.1	17.2	8.8
Children	67.9	56.8	62.3	16.4	8.2
<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

Table 9  
**Poverty in Single-Parent Families, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	58,200	32,200	35,500		
Persons	210,000	124,300	135,900		
Children	111,700	69,500	74,600		
Incidence of poverty (%)					
Families	53.3	29.5	32.5	44.7	39.0
Persons	54.6	32.3	35.3	40.8	35.3
Children	59.3	36.9	39.6	37.8	33.2
<b>2006</b>					
The poor population					
Families	58,200	31,700	33,600		
Persons	214,300	121,500	128,200		
Children	113,400	71,400	74,400		
Incidence of poverty (%)					
Families	51.1	27.8	29.5	45.5	42.2
Persons	53.1	30.1	31.8	43.3	40.2
Children	57.7	36.3	37.9	37.0	34.4
<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

Table 10  
**Poverty in Families whose Head has up to 8 Years of Schooling, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	181,900	94,100	113,900		
Persons	532,600	364,500	411,700		
Children	180,800	162,500	173,400		
Incidence of poverty(%)					
Families	68.4	35.4	42.8	48.3	37.4
Persons	68.8	47.1	53.2	31.6	22.7
Children	81.0	72.8	77.6	10.2	4.1
<b>2006</b>					
The poor population					
Families	172,500	89,700	104,600		
Persons	511,200	346,600	383,000		
Children	171,800	149,600	159,500		
Incidence of poverty (%)					
Families	68.0	35.4	41.3	48.0	39.3
Persons	68.7	46.6	51.5	32.2	25.1
Children	79.4	69.2	73.7	12.9	7.2
<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

Table 11  
**Poverty in Families whose Head has 9-12 Years of Schooling, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	260,600	141,200	169,100		
Persons	985,900	634,400	739,200		
Children	425,400	322,100	366,100		
Incidence of poverty (%)					
Families	34.9	18.9	22.6	45.8	35.1
Persons	36.5	23.5	27.3	35.7	25.0
Children	45.2	34.2	38.9	24.3	13.9
<b>2006</b>					
The poor population					
Families	266,400	150,800	174,300		
Persons	1,016,300	682,000	783,000		
Children	451,300	352,500	399,800		
Incidence of poverty (%)					
Families	33.9	19.2	22.2	43.4	34.6
Persons	35.8	24.0	27.6	32.9	23.0
Children	46.2	36.1	41.0	21.9	11.4
<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

Table 12  
**Poverty in Families whose Head has 13 or More Years of  
 Schooling, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	225,700	105,100	127,600		
Persons	717,300	412,800	480,600		
Children	293,400	202,000	229,400		
Incidence of poverty (%)					
Families	23.1	10.8	13.1	53.4	43.5
Persons	22.9	13.2	15.3	42.4	33.0
Children	28.7	19.8	22.5	31.2	21.8
<b>2006</b>					
The poor population					
Families	226,900	105,200	125,400		
Persons	727,300	427,100	483,800		
Children	298,800	216,500	236,900		
Incidence of poverty (%)					
Families	23.0	10.7	12.7	53.7	44.7
Persons	23.1	13.6	15.3	41.3	33.5
Children	29.0	21.0	23.0	27.5	20.7
<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

Table 13  
**Poverty in Working Population, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	266,700	144,700	177,200		
Persons	1,204,800	730,700	891,600		
Children	569,700	389,300	468,000		
Incidence of poverty (%)					
Families	18.4	10.0	12.2	45.7	33.6
Persons	22.5	13.6	16.6	39.4	26.0
Children	30.8	21.0	25.3	31.7	17.9
<b>2006</b>					
The poor population					
Families	277,400	155,300	185,600		
Persons	1,257,200	793,200	943,000		
Children	596,100	426,800	501,800		
Incidence of poverty (%)					
Families	18.6	10.4	12.4	44.0	33.1
Persons	22.8	14.4	17.1	36.9	25.0
Children	31.5	22.6	26.6	28.4	15.8
<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	298,400	167,100	194,400		
Persons	1,351,300	856,200	978,800		
Children	646,400	460,900	519,200		
Incidence of poverty (%)					
Families	18.8	10.5	12.2	44.0	34.8
Persons	23.2	14.7	16.8	36.6	27.6
Children	32.1	22.9	25.8	28.7	19.7

Table 14  
**Poverty in Families of Employees, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	238,600	127,500	153,400		
Persons	1,075,700	647,800	775,600		
Children	509,100	348,300	410,500		
Incidence of poverty (%)					
Families	18.8	10.0	12.1	46.6	35.7
Persons	23.1	13.9	16.6	39.8	27.9
Children	31.7	21.7	25.5	31.6	19.4
<b>2006</b>					
The poor population					
Families	244,100	133,400	157,400		
Persons	1,100,100	681,000	798,400		
Children	518,300	366,500	424,000		
Incidence of poverty (%)					
Families	18.9	10.3	12.2	45.3	35.5
Persons	23.3	14.4	16.9	38.1	27.4
Children	32.3	22.8	26.4	29.3	18.2
<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



Table 15

**Poverty in Families of Self-Employed, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	27,900	17,100	23,600		
Persons	128,800	82,700	115,800		
Children	60,500	40,900	57,400		
Incidence of poverty (%)					
Families	15.3	9.4	13.0	38.8	15.4
Persons	18.7	12.0	16.8	35.8	10.1
Children	24.9	16.9	23.6	32.4	5.1
<b>2006</b>					
The poor population					
Families	33,100	21,700	28,100		
Persons	156,600	111,700	144,200		
Children	77,500	59,900	77,500		
Incidence of poverty (%)					
Families	16.3	10.7	13.9	34.4	15.2
Persons	20.2	14.4	18.6	28.7	7.9
Children	27.4	21.2	27.4	22.7	0.1
<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

Table 16  
**Poverty Among Persons of Working Age Who Are Not Working,  
 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	193,900	134,800	141,000		
Persons	695,200	565,400	580,800		
Children	318,900	288,400	291,500		
Incidence of poverty (%)					
Families	90.5	62.9	65.8	30.5	27.3
Persons	93.6	76.1	78.2	18.7	16.5
Children	98.4	89.0	90.0	9.6	8.6
<b>2006</b>					
The poor population					
Families	181,200	129,700	135,800		
Persons	677,000	556,100	569,000		
Children	319,000	287,100	289,600		
Incidence of poverty (%)					
Families	88.9	63.6	66.6	28.4	25.1
Persons	93.2	76.6	78.4	17.9	16.0
Children	98.1	88.3	89.0	10.0	9.2
<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

Table 17  
**Poverty in Families with One Earner, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	234,800	129,000	155,600		
Persons	1,028,600	644,800	772,600		
Children	498,300	350,800	416,500		
Incidence of poverty (%)					
Families	34.8	19.1	23.1	45.1	33.7
Persons	45.9	28.8	34.5	37.3	24.9
Children	57.1	40.2	47.7	29.6	16.4
<b>2006</b>					
The poor population					
Families	242,100	138,200	162,200		
Persons	1,054,200	691,200	805,800		
Children	508,900	378,700	439,100		
Incidence of poverty (%)					
Families	35.0	20.0	23.4	42.9	33.0
Persons	47.0	30.8	35.9	34.4	23.6
Children	59.0	43.9	50.9	25.6	13.7
<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

Table 18  
**Poverty in Families with Two Earners, 2005-2008**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2005</b>					
The poor population					
Families	31,900	15,700	21,600		
Persons	176,200	85,900	119,100		
Children	71,400	38,400	51,500		
Incidence of poverty (%)					
Families	4.1	2.0	2.8	50.7	32.4
Persons	5.7	2.8	3.8	51.3	32.4
Children	7.3	3.9	5.3	46.2	27.9
<b>2006</b>					
The poor population					
Families	35,300	17,100	23,400		
Persons	203,000	102,000	137,200		
Children	87,200	48,100	62,700		
Incidence of poverty (%)					
Families	4.4	2.1	2.9	51.6	33.7
Persons	6.2	3.1	4.2	49.8	32.4
Children	8.5	4.7	6.1	44.9	28.1
<b>2007</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>2008</b>					
The poor population					
Families	40,800	20,400	26,200		
Persons	237,500	117,600	151,700		
Children	110,900	56,500	72,900		
Incidence of poverty (%)					
Families	4.7	2.4	3.0	50.1	35.9
Persons	6.8	3.4	4.4	50.5	36.1
Children	9.8	5.0	6.5	49.1	34.2

Table 19  
**Average Family Income in Various Population Groups,  
 by Income Source and Share of Income Source in Average Income Before Tax, 2008**

Population group	Work	Total transfer payments	Income source*					Other income (property, pension)	Income before tax	Net income
			Thereof:		Support from abroad	State support	NII benefits			
Total	NIS (%) 10,437 78.2	1,666 12.5	1,234 9.2	161 1.2	271 2.0	1,208 9.0	10,973 100.0	10,973 82.2		
Jewish family	NIS (%) 11,064 78.1	1,698 12.02	1,212 8.6	182 1.3	304 2.1	1,362 9.6	14,164 100.0	11,566 81.7		
Non-Jewish family	NIS (%) 6,460 79.3	1,463 18.0	1,375 16.9	29 0.4	60 0.7	227 2.8	8,151 100.0	7,209 88.4		
Family headed by elderly person	NIS (%) 2,105 26.0	3,077 38.0	2,454 30.3	222 2.7	401 4.9	2,876 35.5	8,107 100.0	7,198 88.4		
New immigrant family	NIS (%) 8,093 77.7	2,007 19.3	1,450 13.9	212 2.0	345 3.3	312 3.0	10,420 100.0	8,948 85.9		
Family with children	NIS (%) 13,267 86.7	1,451 9.5	1,039 6.8	166 1.1	247 1.6	546 3.6	15,297 100.0	12,440 81.3		
Family with 1-3 children	NIS (%) 14,237 88.1	1,298 8.0	907 5.6	134 0.8	258 1.6	591 3.7	16,165 100.0	13,054 80.8		
Family with 4 or more children	NIS (%) 8,485 77.0	2,207 2.0	1,693 15.4	325 2.9	193 1.7	319 2.9	11,019 100.0	9,416 85.5		

Table 19 (Cont.)  
**Average Family Income in Various Population Groups,  
 by Income Source and Share of Income Source in Average Income Before Tax, 2008**

Population group	Work	Total transfer payments	Income source*			Other income (property, pension)	Income before tax	Net income
			NII benefits	State support	Support from abroad			
Family with 5 or more children	NIS 7,014 (%) 70.5	2,634 26.5	2,007 20.2	452 4.5	181 1.8	289 2.9	9,946 100.0	8,735 87.8
Single-parent family	NIS 6,957 (%) 67.8	2,710 26.4	1,574 15.3	196 1.9	940 9.2	567 5.5	10,263 100.0	9,034 88.0
<b>Work status of household head</b>								
Working	NIS 13,829 (%) 86.8	1,175 7.4	874 5.5	110 0.7	192 1.2	891 5.6	15,930 100.0	12,901 81.0
Employee	NIS 13,687 (%) 87.1	1,178 7.5	887 5.6	114 0.7	178 1.1	807 5.1	15,707 100.0	12,794 81.5
Self-employed	NIS 14,840 (%) 84.8	1,152 6.6	782 4.5	86 0.5	287 1.6	1,484 8.5	17,509 100.0	13,663 78.0
Family whose head is of working age but is not working	NIS 122 (%) 2.9	2,960 70.7	1,898 45.3	436 10.4	626 14.9	1,089 26.0	4,187 100.0	3,937 94.0
Family with one earner	NIS 7,862 (%) 74.9	1,584 15.1	1,129 10.8	171 1.6	286 2.7	1,014 9.7	10,496 100.0	8,722 83.1
Family with two earners	NIS 18,896 (%) 92.0	828 4.0	658 3.2	58 0.3	112 0.5	787 3.8	20,544 100.0	16,450 80.1

Table 19 (Cont.)  
**Average Family Income in Various Population Groups,  
 by Income Source and Share of Income Before Tax, 2008**

Population group Education group of household head	Income source*										Net income
	Work	Total transfer payments	Thereof:			Support from abroad	Other income (property, pension)	Income before tax			
			NII benefits	State support							
	NIS	2,889	2,370	2,102	140	128	908	6,179	5,630		
up to 8 years of schooling	(%)	46.8	38.4	34.0	2.3	2.1	14.7	100.0	91.1		
	NIS	8,408	1,625	1,298	142	186	972	11,035	9,580		
9-12 years of schooling	(%)	76.2	14.7	11.8	1.3	1.7	8.8	100.0	86.8		
	NIS	13,645	1,538	992	180	366	1,451	16,678	13,211		
13+ years of schooling	(%)	81.8	9.2	5.9	1.1	2.2	8.7	100.0	79.2		

\* Prices from mid-period of Income Survey 2005, for population including East Jerusalem residents.

Table 20

**The Effect of Transfer Payments and Direct Taxes on Inequality of Income  
Distribution Among Working Families (percentages), 2007-2008**

Share of each decile in total income**	Decile*					
	Market income		Income before tax		Net income	
	2007	2008	2007	2008	2007	2008
Lower	1.4	1.4	2.2	2.2	2.5	2.5
2	2.7	2.7	3.4	3.4	11.3	11.6
3	14.7	14.8	15.1	15.2	16.6	16.8
4	22.9	23.0	22.5	22.6	23.3	23.4
Upper	49.5	49.0	46.9	46.5	42.5	41.8
Ratio of upper to lower quintile income	12.5	12.1	8.6	8.4	6.7	6.5
Gini index***	0.4538	0.4473	0.4116	0.4066	0.3627	0.3537
% of decrease in Gini index	-	-	9.3	9.1	20.1	20.9

\* The families in each column were graded by the income level appropriate for standard person. Every decile includes 10% of the persons in the population.

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

\*\*\* The Gini index for inequality in income distribution was calculated on the base of individual observations, and not on the base of deciles.



Table 21  
**Average Monthly Income per Family,  
 by Decile, 2007-2008 (total population) in 2008 Survey Prices**

Decile*	Before transfer payments and direct taxes			After transfer payments and direct taxes		
	2007	2008	Real change	2007	2008	Real change
Lower	-	-	-	2,488	2,452	-1.5
2	1,546	1,668	7.9	4,148	4,227	1.9
3	4,113	4,804	-0.7	4,926	4,792	-2.7
4	5,650	5,654	0.1	6,420	6,265	-2.4
5	7,715	7,593	-1.6	8,127	8,184	0.7
6	9,608	9,706	1.0	9,535	9,742	2.2
7	12,235	11,967	-2.2	11,443	11,250	-1.7
8	15,744	15,173	-3.6	13,384	13,385	0.0
9	20,390	20,146	-1.2	15,980	16,428	2.8
Upper	36,741	36,350	-1.1	24,910	25,208	1.2
<b>Total</b>	<b>11,822</b>	<b>11,680</b>	<b>-1.2</b>	<b>10,945</b>	<b>10,973</b>	<b>0.3</b>

\* The families were scaled according to appropriate income per standard person, in order to determine the deciles. Each decile constitutes 10% of all persons in the population.

Table 22  
**Incidence of Poverty in All Families, Before and After Transfer Payments  
 and Direct Taxes (percentages), 1979-2008**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	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

\* Including East Jerusalem. From here on – new sample.

Table 23  
**Gini Index for Inequality in Income Distribution Among Families,  
 Before and After Transfer Payments and Direct Taxes, 1979-2008**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
1979	0.4318	0.3662	0.3181	15.2	26.3
1980	0.4337	0.3690	0.3239	14.9	25.3
1981	0.4390	0.3716	0.3185	15.4	27.4
1982	0.4441	0.3673	0.3122	17.3	29.7
1983	0.4392	0.3604	0.3005	17.9	31.6
1984	0.4723	0.3979	0.3267	15.8	30.8
1985	0.4678	0.3733	0.3119	20.2	33.3
1988	0.4574	0.3699	0.3221	19.1	29.6
1989	0.4741	0.3780	0.3252	20.3	31.4
1990	0.4799	0.3756	0.3263	21.7	32.0
1991	0.4901	0.3771	0.3272	23.1	33.2
1992	0.4977	0.3926	0.3391	21.1	31.9
1993	0.4940	0.3829	0.3290	22.5	33.4
1994	0.5019	0.3994	0.3441	20.4	31.4
1995	0.4971	0.3965	0.3365	20.2	32.3
1996	0.4956	0.3868	0.3285	22.0	33.7
1997	0.5045	0.3946	0.3332	21.8	34.0
1997*	0.5085	0.4137	0.3531	18.6	30.6
1998	0.5119	0.4134	0.3523	19.2	46.6
1999	0.5167	0.4214	0.3593	18.4	44.1
2002	0.5372	0.4312	0.3679	19.7	31.5
2003	0.5265	0.4241	0.3685	19.3	30.0
2004	0.5234	0.4300	0.3799	17.8	27.4
2005	0.5255	0.4343	0.3878	17.4	26.2
2006	0.5237	0.4379	0.3923	16.4	25.1
2007	0.5134	0.4323	0.3831	15.8	25.4
2008	0.5118	0.4318	0.3853	15.6	24.7

\* Including East Jerusalem. From here on – new sample.

Table 24

**Incidence of Poverty and Gini Index for Inequality in Income Distribution in All Families  
in Population not Including East Jerusalem, Before and After Transfer Payments and  
Direct Taxes (percentages), 2000-2008**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
Incidence of poverty in families					
2000	32.2	14.7	17.6	54.3	45.3
2001	33.7	14.3	17.7	57.0	47.2
2002	33.5	14.4	17.7	57.0	47.2
2003	33.5	15.4	19.2	54.0	42.7
2004	33.4	16.5	20.3	50.6	39.2
2005	33.3	17.2	20.3	48.4	39.0
2006	32.7	17.4	20.2	46.9	38.4
2007	31.7	16.9	19.5	46.6	38.4
2008	31.8	17.1	19.6	46.1	38.2
Gini Index for inequality					
2000	0.5090	0.4110	0.3500	19.3	31.2
2001	0.5277	0.4196	0.3567	25.9	32.4
2002	0.5320	0.4256	0.3616	20.0	32.0
2003	0.5213	0.4189	0.3629	19.6	30.4
2004	0.5193	0.4258	0.3752	18.0	27.7
2005	0.5187	0.4300	0.3834	17.1	26.1
2006	0.5182	0.4325	0.3865	16.5	25.4
2007	0.5066	0.4251	0.3754	16.1	25.9
2008	0.5058	0.4255	0.3784	15.9	25.2

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