

Chapter 3

Benefits: Activities and Trends

1. Income Support (including maintenance payments)

A. General

In 2010, the number of families receiving income support benefit continued to decline and reached 109,400 families on average per month, compared with 111,800 families in 2009 – a decrease of 2.1%. The downtrend began after the second quarter of 2003 (when the number of families receiving income support reached a record 159,000) and persisted until 2009, when the level stabilized at the 2008 level. The decrease in the number of recipients of this benefit in 2010 was apparently affected by the state of the Israeli economy, which has been showing signs of recovery from the crisis during 2008/2009. However, the minimum subsistence covered by this benefit has been steadily decreasing in recent years, as reflected by the official poverty line (see Chapter 2).

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The program promoting the integration of benefit recipients in the job market, which had begun in August 2005 under the Economic Policies for 2004 (Legislative Amendments) (Integration of Benefit Recipients in the Labor Market) (Temporary Order), was discontinued in April 2010. To cite the law, the purpose of the program had been “to promote the integration of benefit recipients in employment that will enable them to utilize their full potential earning capacity while sharing the responsibility for this with them, thus enabling them to make the transition from dependence on benefits to social independence and economic self sufficiency.” As one may recall, the “From Welfare to Work” pilot program in select regions prescribed in the law had originally been called “From Income Support to Self Sufficiency.” In 2007, the program was revised and its name was changed to “Prospects for Employment.” The law promoting integration of benefit recipients in employment 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 in early 2010. In April 2010, the members of the Knesset decided not to renew the validity of the program and not to expand it to all other parts of the country.

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

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

In its present format, the Income Support Law retains two benefit rates for the long term – the regular rate and the increased rate – but prescribes, in effect, three levels of

benefit for the transitional period.¹ The law differentiates between eligible persons who are at least 55 years old² and those under the age of 55. The benefit and the means tests for those who are at least 55 years old remained unchanged for all family compositions, and they are eligible for a benefit at an increased rate (as had been the case up until January 2003), whether they are newly eligible persons or previously eligible persons.³ The differentiation between newly eligible persons and previously eligible persons is relevant only for persons under the age of 55: all newly eligible and all previously eligible persons for the regular rate are paid a benefit at the regular (but reduced) rate, and all those previously eligible for the increased rate are paid a benefit at the increased (but reduced) rate. The significance of these revisions is that over the years – at the end of the transitional period – anyone under the age of 55 is eligible for a benefit only at the reduced regular rate.

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

As stated above, the Economic Policies for the Year 2004 (Legislative Amendments) (Integration of Benefit Recipients in the Labor Market) (Temporary Order) was approved in 2004 and, in August 2005, the responsibility for conducting employment tests in the pilot regions was transferred from the Employment Service to private employment centers. The participants in the program had been recipients of an income support benefit under the grounds for eligibility of “lacking employment” or “low wage.”

Since January 2007, ownership of a car no longer automatically disqualifies claimants for an income support benefit (in the past, ownership of a car was only allowed in

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- 1 The revisions in the level of benefits and in the means test are presented in detail in the NII Annual Survey for 2002-2003.
 - 2 The rates of the income support benefit for recipients of old-age and survivors' pensions have remained unchanged. Those eligible for benefits from the work injury insurance branch will be eligible for an income support benefit at the same level as that of survivors in the Old-age and Survivors' insurance branch, regardless of the age of the eligible person.
 - 3 A previously eligible person is anyone who began receiving a benefit prior to January 1, 2003, including anyone whose benefit payment had been discontinued for a period not exceeding six months.

instances of special needs, such as medical needs), if the car owned by the claimant has an engine capacity of up to 1300 cc and seven years since its year of manufacture have elapsed, or up to 1600 cc and 12 years since its year of manufacture have elapsed. A car owner will be considered to be eligible to receive an income support benefit only if the benefit claimant (or spouse) has income from work that exceeds 25% of the average wage (17% of the average wage, in the case of a retirement-age claimant). The law also applies to persons who have been dismissed from work.

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

In July 2008, an additional amendment to the law was passed whereby a single parent shall receive an income support benefit, notwithstanding his studies at an institution of higher education or in a course whose duration exceeds 12 months. The objective of this amendment is to help single parents acquire a suitable education enabling them to integrate into the work force and extricate themselves from the ranks of those lacking employment, or to improve their work and earn a higher wage. A claimant applying for a benefit will be eligible for this benefit if the following criteria are met: single parent, who is eligible for a benefit; an income support benefit had been paid for 16 out of the 20 months preceding the first month of studies at an institution; the curriculum does not award a Master's or Doctoral degree; the duration of the benefit payments in respect of the period of studies shall not exceed 36 months; for those lacking employment – the studies are held in the evening. In December 2009, the decision was reached to extend the "Prospects for Employment" program until April 29, 2010.

During 2010, the following legislative amendments were instituted:

- The deduction rates of income support recipients who have reduced employment capacity were amended (disregarding work and the rate of the additional deduction from earnings) to their levels prior to the cutbacks instituted in 2003 (for example, recipients of a benefit on the grounds that they are employed in a "protected enterprise").
- The "Prospects for Employment" program was discontinued at the end of April.
- The term "child" under the National Insurance Law was redefined so that a person under the age of 24 can be deemed a dependent child for the purpose of the payment of benefits.
- A benefit may be paid to a child with one foreign-resident parent and one parent who is a resident of Israel but in custody on remand or incarcerated, through payment to the nonresident parent.

The main amendments in 2010: The deduction rates of income support recipients who have reduced employment capacity were amended, the "Prospects for Employment" program was discontinued and a person under 24 can be deemed a dependent child for the purpose of benefit payments

- Anyone under house arrest, the conditions of which prevent him from integrating in the work force, may be exempted from an employment test. Furthermore, a person responsible for a child/spouse under house arrest, the conditions of which prevent the claimant from integrating in the work force due to his being a guarantor, may be exempted from the employment test.
- A prisoner who has spent six consecutive months in detention on remand may be paid an income support benefit during the first two months after his release.
- Maintenance payments that were discontinued and not actually paid to a separated wife may be excluded from the calculation of income.
- The procedure regarding fixed income from family support or from charitable bodies was amended. According to the amended procedure, fixed income (six consecutive months or six out of nine months) from any support exceeding 13% of the average wage in the economy for an individual or 17% of the average wage in the economy for a family, shall be taken into account as income in the means test.

C. Recipients of income support benefit

1. Development of the number of families receiving benefit

The period from June 2003–December 2008 was characterized by a steady downtrend in the number of recipients of an income support benefit. This trend began when stringent legislation was implemented in June 2003 – the benefits of some 5,000 families were revoked and the obligation of meeting an employment test as a precondition for eligibility for a benefit was expanded to additional populations. This downtrend persisted, due to the continuous impact of the reduction of the maximum income qualifying for an income support benefit, and due to improvement in the employment situation in Israel from 2004 until the second half of 2008. The operation of employment centers within the framework of the “From Income Support to Self Sufficiency” program in August 2005 and the “Prospects for Employment” program in August 2007 accelerated the downtrend in the number of recipients of an income support benefit. A reversal in trend occurred in 2009: the number of families receiving a benefit rose at the beginning of the year and stabilized at a higher level during the second half of the year, which apparently was due to the state of the economy that year. On the other hand, in 2010, the number of recipients of an income support benefit decreased – a trend that apparently reflects the recovery of the Israeli economy (despite the closing of the “From Welfare to Employment” program).

As stated above, the implementation of the 2003 Economic Arrangements Law led to a decrease in the number of families receiving an income support benefit, from a record number of some 159,000 (on average per month) at the beginning of 2003 to 145,300 families during the first half of 2004. The persistent impact of the legislation, coupled with the improvement in the employment situation in the economy, led to an additional

– albeit more moderate – decrease in the number of recipient families to approximately 142,000 during the second quarter of 2005. The operation of the “From Income Support to Self Sufficiency” program (in August 2005) reinforced the downtrend, and the number of recipients dropped to about 130,300 families on average per month in 2006, and continued to drop to 111,800 in 2008 (Table 1). The average number of recipient families per month in 2009 remained the same as in 2008. Despite the rise in the number of families eligible for a benefit in 2009 – from 109,700 families at the beginning of the year to 112,900 in May – their number at the end of the year was lower than it had been at the beginning of 2008 (112,057, compared with 113,852, respectively). Therefore, the average per month was similar in 2008 and 2009. During 2010, the number of families receiving an income support benefit decreased from 112,400 families in January to 107,700 families at year end (a decrease of 4.2%).

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Furthermore, in 2009, alongside the steady but moderating downtrend in the number of new immigrant families (according to benefit claimants), we are seeing, for the first time since 2004, an increase in the number of long-standing resident families receiving benefits (according to benefit claimant). In 2010, the trend reversed once again – the number of long-standing resident families decreased, and there are indications of a sharp drop in the number of new immigrant families, compared with 2009. Table 1 and Graph 1 clearly illustrate this development.

Table 1
Average Number of Families Receiving Income Support Benefit per Month, by Years in Israel,* 2005–2010

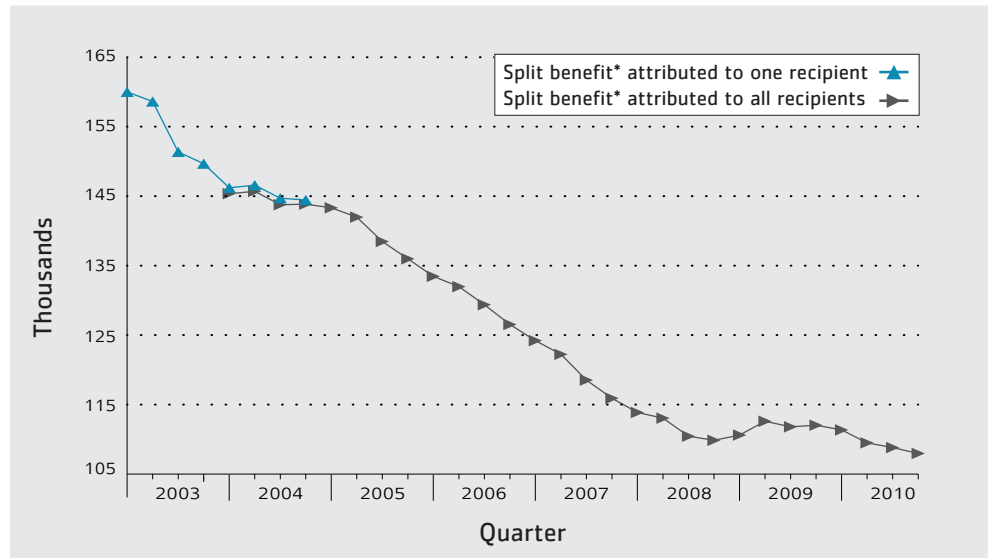
Year	Total		Long-standing residents		New immigrants**	
	Absolute number	Rate of change	Absolute number	Rate of change	Absolute number	Rate of change
2005	139,940	-3.3	93,037	-1.2	46,903	-7.2
1-7/2005***	142,321	-2.1	94,302	0.2	48,019	-6.3
8-12/2005***	136,606	-5.0	91,267	-3.1	45,339	-8.4
2006	130,337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

* “Years in Israel” is determined according to the years of Israeli residence of the benefit claimant.

** A person who immigrated to Israel as of 1990 is considered a “new immigrant.”

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

Graph 1
Number of Families Receiving Income Support Benefit,
by Quarter (thousands), 2003–2010



* Benefit, the payment of which is divided among a few recipients in the same family.

When we examine the period during which the program “From Income Support to Self Sufficiency” / “Prospects for Employment” were operated (Table 2), we find that approximately 139,300 families⁴ had been receiving a benefit prior to the operation of the “From Income Support to Self Sufficiency” program (July 2005): approximately 14,900 families resided in the trial regions and received a benefit on the grounds of “lacking employment” and “low wage,” and therefore, had been obligated to participate in the program and, as of August 2005, were referred to the employment centers, and approximately 124,400 families were benefit recipients residing in all other regions of the country. Table 2 presents the development between July and December during the years 2005 - 2010.

During the first year and a half of the program's implementation, there was an impressive 50.9% decrease in the number of recipient families (the program had begun with 14,900 families and, by December 2006, the number of recipient families had dropped to 7,600). During the period from January to July 2007, stability was observed in the number of families receiving a benefit within the framework of the program, and, in October 2007, the number dropped, due to the number of persons in the 45-50 age bracket who opted not to participate in the program, and the number of persons above

4 The data for July 2005 slightly differ from those published in the NII Survey for 2005, in order to reflect more up-to-date rates of change (these data also appear in the NII's published reports monitoring the program implementation).

the age of 50 who were referred to the Employment Service. In January 2008, there was a 3.0% increase, following the expansion of the pilot areas in December 2007. In March 2008, a significant 11.8% decrease was recorded, due to a policy change that referred persons who are at least 45 years old to the Employment Service (those persons in the 45-50 age bracket who had participated in the program during the first two months before being referred to the Employment Service). From March until the end of 2008, there was a cumulative decrease of approximately 12%. During 2009, no more changes were made in the program and the number of family recipients decreased by 12.4%, from 4,700 families at the beginning of the year to 4,100 families by year end. In April 2010, prior to the shut-down of the program, 3,900 families participated in the program – a decrease of 5.2% in 2010 and of 27.8% since March 2008, when the last change in the program had been implemented.

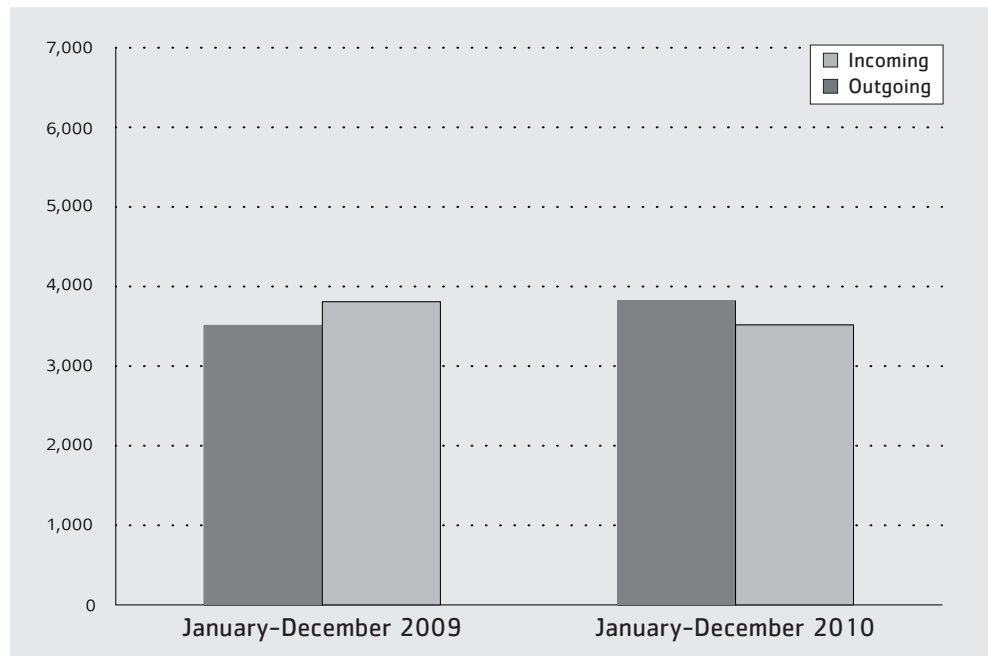
From January to December 2009, the number of families receiving a benefit in respect of corresponding grounds for eligibility in all other regions in Israel rose by 3.8%, and,

Table 2
Families Receiving an Income Support Benefit*
“From Income Support to Self-Sufficiency” Program and
All Other Recipients, July 2005 - April 2010

Date	Total	Outside programs “From Income Support to Self-Sufficiency”/ “Prospects for Employment”			Participating in programs “From Income Support to Self-Sufficiency” / “Prospects for Employment”
		Total	On grounds of “lacking employment” and “low wage”	Other grounds for eligibility	
2005					
July	139,271	124,394	100,743	23,651	14,877
December	134,224	122,915	100,871	22,044	11,309
2006					
July	130,370	121,770	100,306	21,464	8,600
December	125,559	117,986	96,949	21,037	7,573
2007					
July	119,918	112,437	92,639	19,798	7,481
December	114,969	109,031	90,142	18,889	5,938
2008					
July	110,795	105,719	87,944	17,775	5,076
December	109,572	104,823	87,939	16,884	4,749
2009					
July	111,722	107,329	90,828	16,501	4,393
December	112,057	107,933	91,871	16,062	4,124
2010					
April	109,607	105,712	89,883	15,829	3,895

* A family is counted among participants in the programs “From Income Support to Self-Sufficiency” / “Prospects for Employment” if at least one of the spouses was obligated to participate in the program.

Graph 2
Number of Families Entering* and Exiting the Income Support System (Average per Month), 2009–2010



* "Incoming" into the system were defined as all those entering for the first time, or after a halt of at least two months from their previous entry. All those not receiving a benefit for at least two months were defined as "outgoing" from the system.

in 2010, decreased by 3% until the program was shut-down in April 2010. One should keep in mind that persons in the 45-50 age bracket, who were residing in regions where the program was being implemented and who opted not to participate in it, and persons who are at least 50 years old who were residing in the pilot regions and in the rest of the country, are included under these grounds for eligibility. For the sake of comparison, we examined the rates of change in the population that is under the age of 45 and receiving a benefit on corresponding grounds for eligibility. While a decrease of 5.4% in the number of recipient families was recorded in the regions covered by the program between January and April 2010, only a slightly lower decrease in the number of recipient families, of 4.8%, was recorded in the rest of the country.

The average number of families per month receiving a benefit in 2010 decreased by 1.9% compared with the average number in 2009

The number of families receiving a benefit in respect of other grounds for eligibility decreased in 2009 by 2.9%. Between December 2009 and April 2010, when the program was shut down, a decrease of 1.5% was recorded. In total, the average number of families per month receiving a benefit in 2010 decreased by 1.9% compared with the average number in 2009.

An analysis of claimants entering and exiting the income support system in 2009 and 2010, as described in Graph 2, shows that in 2010 the average monthly number of those

entering decreased while the number of those exiting increased, compared with 2009. In other words, 2010 was characterized by a slowdown in the pace of entries into the income support system, concurrent with an accelerated pace of exits from the system. In effect, the average number of exits per month in 2010 was similar to the number of entries in 2009, while the number of entries in 2010 was similar to the number of exits in 2009. These changes explain the decrease in the number of families receiving an income support benefit in 2010.

2010 was characterized by a slowdown in the pace of entries into the income support system, concurrent with an accelerated pace of exits from the system

2. Characteristics of recipients of the income support benefit

a) Composition of a long-standing resident family

The evident decrease in the number of benefit recipients since mid 2003, the period marked by drastic revision of the eligibility criteria and the rate of the income support

Table 3
Recipients of an Income Support Benefit, by Family Composition and Years in Israel, 2003, 2008–2010

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

benefit, had also been accompanied by a change in the recipients' family compositions. The impact of the legislative amendments pertaining to the level of benefit, the means test and the employment test, which continued to receive expression between 2004 and 2007, had not been uniform in scope on the various population groups. Beyond the impact of the legislative amendments, it is possible that not all recipients enjoyed more employment opportunities as a result of the economic growth in Israel during that period, and these differences could have also affected the composition of the population receiving an income support benefit. To illustrate the changes in the composition of the population, data is presented from the beginning of 2003 (prior to the legislative changes) until 2008 (which encompasses the full operation of the "Prospects for Employment" program), and for 2009 and 2010.⁵

The decrease in the number of recipients of income support benefit occurred among single-parent families and couples with children

The data presented in Table 3 indicate two main developments: the decrease in the number of recipients of an income support benefit occurred among single-parent families and couples with children, while the number of individuals receiving the benefit rose moderately until mid-2005, and then began to decline. These developments reflected the changes in the composition of the population of benefit recipients: the ratio of single-parent families to all recipients dropped to 24.8% in 2010 (compared with 33.2% at the beginning of 2003), while the ratio of couples with children declined slightly, from 24.4% to 21.0%. At the same time, the ratio of individuals rose significantly, from 36.5% to 46.5%, while the relatively small ratio of couples rose moderately, from 5.9% to 7.7%. In other words, the data indicate a sharp drop in the percentage and number of families with children from 2003 to mid-2005, and a subsequent moderate decline until 2010.

The increase in the percentage of persons lacking employment out of all benefit recipients continued, just as did the decrease in the percentage of mothers of small children and of persons at least 55 years old who cannot be placed in employment

b) Grounds for eligibility

Table 4 presents the distribution of recipients of the income support benefit in 2005, 2007, and in 2009 – 2010, by grounds for eligibility for a benefit. Continuing the trends that have been evident since 2003, the increase in the percentage of persons lacking employment out of all benefit recipients continued, just as the decrease continued in the percentage of mothers of small children and of persons who are at least 55 years old, who cannot be placed in employment. The data show that, in 2010, the percentage of recipients whose eligibility was contingent upon an employment test (lacking employment, low wage and participation in the program "From Income Support to Self Sufficiency") was 80.1% of all recipients, compared with 79.9% in 2009. In other words, the majority of the recipients of the income support benefit, 80%, were required to undergo an employment test.

Most recipients of income support benefit, 80%, were required to undergo an employment test

The dramatic drop in the percentage of those eligible for an income support benefit on the grounds of participation in the program "From Income Support to Self Sufficiency,"

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

Table 4
**Recipients of an Income Support Benefit – Claimants and Spouses, by Grounds for Eligibility, 2005, 2007
 and 2009–2010**

Grounds for eligibility	Jan.-July 2005		Aug.-Dec. 2005*		Average 2007		Average 2009		Average 2010	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Total	184,061	100.0	176,187	100.0	154,427	100.0	143,553	100.0	140,808	100.0
Lacking employment **	113,584	61.7	99,647	56.6	93,817	60.8	93,381	65.1	94,222	66.9
Under training or evaluation	4,666	2.5	2,748	1.6	2,291	1.5	1,612	1.1	1,202	0.9
“From Income Support to Self Sufficiency” / “Prospects for Employment”	-	-	14,696	8.3	7,486	4.8	4,652	3.2		
Low wage	26,647	14.5	21,956	12.5	19,268	12.5	16,583	11.6	18,650	13.2
Addicts	3,974	2.2	3,932	2.2	3,788	2.5	3,502	2.4	3,447	2.4
Unemployable (above age 55)	9,856	5.4	8,914	5.1	5,778	3.7	2,473	1.7	1,639	1.2
Mother/father	17,046	9.3	15,813	9.0	12,682	8.2	11,289	7.9	10,976	7.8
Other	8,281	4.5	8,472	4.8	9,318	6.0	10,067	7.0	10,672	7.6

* Start of the program “From Income Support to Self Sufficiency”
 ** In 2010, recipients who had received a benefit on the grounds of participation in the program “From Income Support to Self Sufficiency” during the first four months of the year were transferred to the “lacking employment” grounds for eligibility.

from 8.3% during the initial months of the program (August – December 2005) to 3.2% in 2009, notwithstanding the expansion of the program, derived mainly from two reasons: the success of the program in removing income support recipients from the system, and the removal of persons who are at least 45 years old from the program (October 2007) and referring them to the Employment Service on the grounds of lack of employment or low wage (with the exception of those in the age bracket of 45 – 49 who opted to continue participating in the program). Therefore, a portion of the rise in the percentage of persons lacking employment, from 60.8% in 2007 to 65.1% in 2009 (and in all other regions of the country) can be explained by this phenomenon. In 2010, the percentage of recipients on the grounds of lack of employment was 66.9%, and it includes the recipients on the grounds of participation in the “From Income Support to Self Sufficiency” program during the first four months of the year.

In addition to these evident trends, we are also witnessing a decrease in the percentage of benefit recipients on the grounds of training and professional evaluation, from 2.5% during the first half of 2005 to 0.9% in 2010.

c) Earnings

Table 5, which presents working families, by family composition and income level, shows that the downtrend in the number of recipients of an income support benefit, which had characterized the period from 2004 to 2008, had been accompanied by a slight uptrend in the ratio of working families, from 25.5% to 28.6%. In 2009, this ratio dropped to 27.9% and rose again in 2010 to 28.4%. The majority of the rise in the ratio of working families occurred in 2006 and 2007, from 26.6% to 28.1% (although the **number** of working families had decreased). The data on the wage levels show that, in 2006, the percentage of families earning low wages (up to NIS 2,000) had remained stable relative to 2005 (prior to the implementation of the “From Income Support to Self Sufficiency” program), and that since 2007, the percentage has been dropping. In 2010, the earnings from work of 60.2% of the families did not exceed NIS 2,000, compared with 65.3% in 2006. The ratio of working families in 2010 rose and returned to its level in 2008, and the ratio of families earning up to NIS 2,000 decreased. In other words, a large percentage of families receiving an income support benefit also have earnings from work and their wage level has slightly improved, but is still low. In 2010, the earnings from work of 60.2% of the families did not exceed NIS 2,000. Pursuant to an amendment to the law, since 2007, recipients of an income support benefit who are earning more than 25% of the average wage and who meet the criteria prescribed in the law may maintain a vehicle. In 2010, 600 families on average per month who earned more than 25% of the average wage and owned an appropriate vehicle received an income support benefit. Pursuant to the criteria defined in the law, 10 unrelated families continued to own a vehicle and to receive a benefit during the year after they were laid-off. Furthermore, approximately 490 families maintained a vehicle for medical needs (including a vehicle for a disabled child).

The ratio of working families rose in 2010 to 28.4%

In 2010, the earnings from work of 60.2% of the families did not exceed NIS 2,000

Additional benefits for which families are eligible also constitute a source of income. In December 2010, 4.2% of the recipients of an income support benefit were also eligible for other benefits from the NII. The percentage of families with additional income from NII benefits was 5.3%. The average income per family from NII benefits (excluding wage-replacing benefits, which are classified as earnings from work) was approximately NIS 1,618, and ranged between NIS 14 to NIS 5,502. Approximately 700 families (0.6% of all recipient families) also had earnings from work, as well as additional NII benefits. The total income from both of these sources was on average about NIS 2,857 per family.

Table 5
Families Receiving Income Support Benefit who had Earnings from Work, by Family Composition and Income Level, 2005, 2008–2010

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

In December 2010, 23,300 families, constituting 21.7% of all families receiving an income support benefit, had financial assets

Only 2,500 families, constituting 2.3% of all families receiving an income support benefit, owned an asset that caused their benefit to be reduced

Another possible source of income is interest on financial assets, such as bank savings deposits. In December 2010, approximately 23,300 families, constituting 21.7% of all families receiving an income support benefit, had financial assets, with the average asset value per family being approximately NIS 17,400. This sum is under the maximum value of financial assets that may be held without being deemed an asset that must be attributed to income, which would reduce the level of benefit. Only approximately 2,500 families, constituting 2.3% of all families receiving an income support benefit, owned an asset that caused their benefit to be reduced. The average total financial assets per family, which resulted in a reduction in benefit level, was approximately NIS 42,700.

Approximately 8,500 families had earnings from work as well as from financial assets. These families had income from work at an average of approximately NIS 2,010 and financial assets at the average value of approximately NIS 14,700, which is slightly under the general average.

The number of families who own real-estate assets is similar to the number of families holding financial assets – approximately 2,600 families, constituting 2.4% of all families receiving an income support benefit. The average real-estate value was approximately NIS 101,400, but about half of the families own real-estate valued at under NIS 83,000. Among all families receiving an income support benefit, only 113 families had earnings from work, owned real estate, and held a financial asset.

Negative Income Tax System and its Impact on Recipients of Income Support Benefit

Today, recipients of an income support benefit are subject to the same eligibility criteria for receiving negative income tax as are the rest of the population. Under the current format, the marginal tax on earnings from work for benefit recipients may reach up to approximately 104%¹ – in other words: at particular wage levels there is a counter-incentive to increase earnings from work. Therefore, there is a distortion in the system that discourages benefit recipients from seeking employment and a substantive concern that the combination of negative income tax programs and income support under the present format is liable to develop into a poverty trap.

Analysis of the incentive system: We will examine the alternative marginal cost of earnings from work relative to recipients of income support benefit. First, we will define the **alternative marginal cost** as the total deductions from the earning of one additional shekel from work, including national and health insurance contributions, income tax, deduction from the income support benefit, and a negative income tax

1 Not including pension allocations – had we added the pension allocations, we would have arrived at even a higher rate.

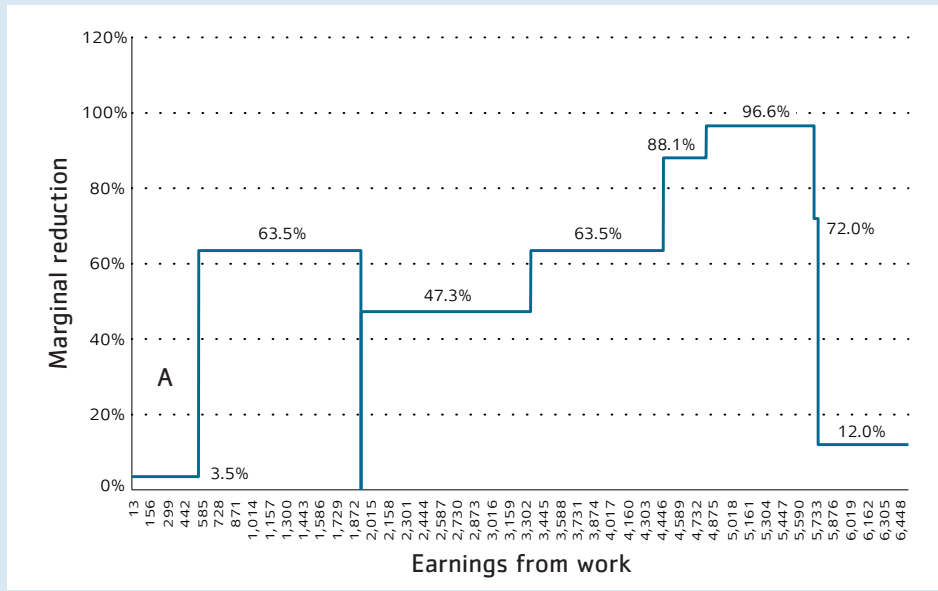
grant. The discussion will address the incentive system and the individual's profit considerations, **when the decisive variable in the individual's considerations is the profitability of earning one additional shekel from work.**

In order to examine the counter-incentive, we will examine systems that affect the disposable income of a recipient of an income support benefit – the income tax system under section 121 of the Income Tax Ordinance, payments of national i and health insurance contributions, an income support benefit, and a negative income tax grant. We will select a representative subject – a working-age recipient of an income support benefit who is working.

We will use as an example subject a single mother under the age of 55 with two children. For this family type, the maximum benefit is NIS 3,110. A person with earnings from work will not receive an income support benefit at all when the earnings from work reach NIS 5,744. The benefit reduction methodology for a person with earnings from work is as follows: the sum of 7% of the average wage, or the first NIS 561, is disregarded. For every additional shekel of earnings from work, the benefit is reduced by 60 agorot (i.e., a deduction rate of 60%). We point out that the 60% deduction rate from earnings from work is the lowest rate existing in the system – for example, for a typical individual, the deduction rate is approximately 70% – which exacerbates the counter-incentive to seek work at particular wage levels.

A negative income tax grant begins at the level of NIS 1,920 (half of the minimum wage) and ends at NIS 5,710.

Graph 1
Marginal Cost, after Fringe Benefits, NII Benefits and Compulsory Payments



Graph 1 presents the rates of the marginal cost:

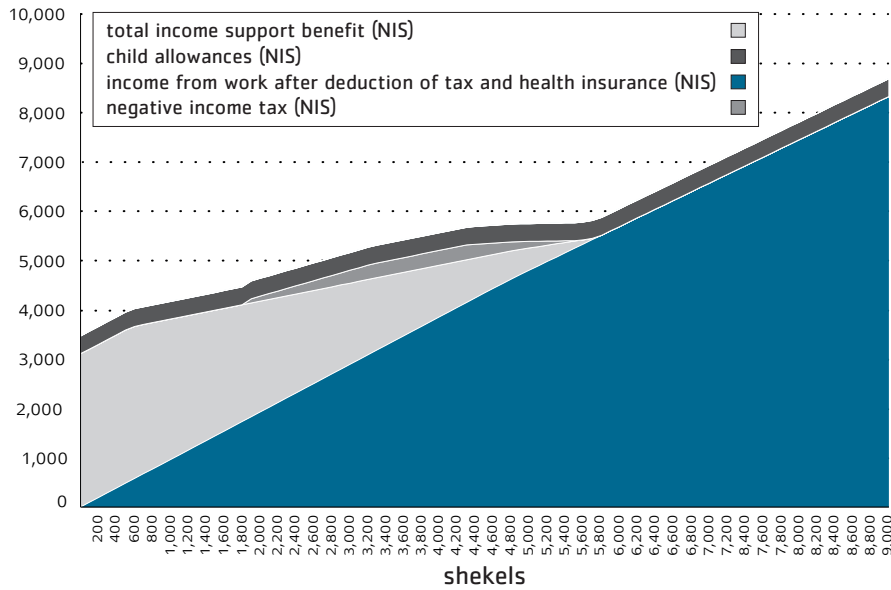
Point	Level of Earnings (NIS)	Marginal cost	Explanation
A	0-560	3.5%	3.5% deduction of national and health insurance contributions.
B	561-1920	63.5%	The first NIS 561 of earnings are disregarded. Thereafter, deduction rate of 60%.
C	1,921-3,340	47.5%	Negative income tax grant. Marginal increment of 16% (including deduction of income support and national and health insurance contributions).
D	3,341-4,450	63.5%	
E	4,451-4,809	88.1%	Fixed negative income tax grant – NIS 310. Deduction of marginal tax of 24.5% from the maximum negative income tax grant (including deduction of income support and national and health insurance contributions).
F	4,810-5,710	96.6%	Increase of the collection rate of national insurance and health insurance from 3.5% to 12%
G	5,711-5,744	72%	Ejection from the negative income tax system (cessation of 24.5% deduction).
H	5,744 and above	12%	Ejection from the income support system (since the example individual has a high number of credit points – between 3.75 and 5.75 – at a wage level of NIS 5,744 there is no income tax deduction).

We will demonstrate the marginal cost to the aforesaid individual if he accepts employment at a wage level of NIS 4,451. At this wage level, the individual's alternative cost is 88.1%; i.e., on earnings of one additional shekel from work, this individual will be left with 11.9 agorot – 3.5 agorot are deducted for national and health insurance contributions, 60 agorot are deducted from the income support benefit and 23.6 agorot deduction from the maximum negative income tax grant.

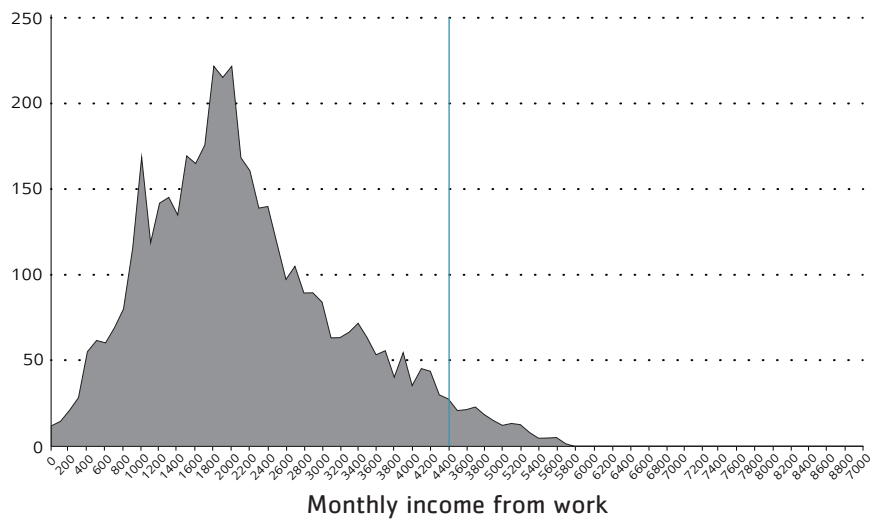
Graphs 1 and 2 show that when the level of earnings from work ranges between NIS 4,450 and NIS 5,710 – i.e., in the portion of the down slope of the trapezoid in the negative income tax model – the marginal income tax on one additional shekel of earnings from work ranges between 88.1% to about 96.5%. In other words, for a typical “single mother with at least two children”: for every shekel of earnings from work within the range of NIS 4,450 – 5,710, she is left with disposable income of between 11.9 agorot and 4.5 agorot. For other populations in the system with a deduction rate from earnings from work higher than 60%, their situation could be even worse.

All of the single mothers located right of the line have negligible incentive to increase their earnings from work. Today, there are approximately 200 “single-parent families with two children” in the system, who are located to the right of the line – i.e., who earn more than NIS 4,400 from work. Therefore, one could recommend

Graph 2
Total Monetary Earnings (in NIS) After Deductions, including Income from Benefits and Negative Income Tax (by type of income)



Graph 3
Distribution of Recipients of an Income Support Benefit with Monthly Earnings from Work (for type of family: single mother with at least two children)



effecting the existing changes in the marginal tax over the various programs, so that the marginal tax will be less volatile and rise more steadily on the right side of the line.

Table 6
 Monthly Income Support Benefit, at Fixed Prices and as a Percentage of the Average Wage
 in the Economy,* 2006–2010

Year	Individual		Single parent with two children		Couple with two children	
	Regular rate	Increased rate	Regular rate	Increased rate	Regular rate	Increased rate
	2010 prices (NIS)	% of average wage	2010 prices (NIS)	% of average wage	2010 prices (NIS)	% of average wage
2006****	1,532	18.4	1,724	20.7	2,986	35.9
2006*****	1,914	23.0	1,914	22.9	3,863	46.4
2007****	1,524	18.0	1,715	20.3	2,971	35.1
2007*****	1,904	22.5	1,904	22.5	3,843	45.5
2008****	1,560	18.6	1,755	21.6	3,042	36.2
2008*****	1,950	24.0	1,950	24.0	3,934	46.8
2009****	1,578	19.3	1,776	21.7	3,077	37.6
2009*****	1,973	24.2	1,973	24.2	3,979	48.6
2010****	1,595	19.9	1,794	22.4	3,110	38.8
2010*****	1,994	24.9	1,994	24.9	4,022	50.2
					2,566	30.8
					3,790	45.5
					2,552	30.2
					3,771	44.5
					2,613	31.1
					3,861	45.9
					2,643	32.3
					3,905	47.7
					2,672	33.3
					3,948	49.3

* As measured by the Central Bureau of Statistics.

** For an adult and members of his/her family under the age of 55.

*** At least one of the family members is over the age of 55.

D. Payments

1. Level of benefit

The data in Table 6 show that the level of benefit rose slightly in 2010. In terms of the average wage, the level of benefit rose by approximately 3%, while in real prices, by approximately 1%. The child allowance being paid to families with children increases the level of income from the NII. Additionally, families with three and four children are eligible for an additional benefit, which is paid in conjunction with the child allowance and also increases income. Thus, for example, a single parent under the age of 55 with three children, who, under the Income Support Law, is eligible to receive 39% of the basic amount, which is 38.8% of the average wage in the economy, actually received 47.1% of the average wage, when we include the child allowance and the increment to families with three children.

In terms of the average wage, the level of benefit rose in 2010 by 3%, and in real prices – by 1%

2. Composition of benefit recipients by benefit levels

Subsequent to the legislation enacted in 2002 and 2003 relative to the various levels of the benefit, the composition of benefit recipients was significantly revised according to three benefit levels. The percentage of families receiving a benefit at the regular rate rose from 36% in 2004 to 40% in 2010, the percentage of families receiving a benefit at an increased rate for those under the age of 55 (“previously eligible”) dropped from 22% to 7.2% in those same years, while the percentage of families receiving a benefit at an increased rate who were at least 55 years old rose from 21% to 28.6%. When examining the family compositions presented in Table 7, one can see that, over time, the rate of individuals receiving a benefit at the regular rate is rising while that of single-

Over time, the rate of individuals receiving a benefit at the regular rate is rising while that of single-parent families is falling

Table 7
Recipients of an Income Support Benefit, by Family Composition and Level of Benefit, 2005–2010

Family composition	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2010
Individual receiving regular rate	23.9	25.2	24.9	25.3	26.3	26.7
Individual receiving an increased rate (under 55, “previously eligible”)	8.7	6.4	5.9	5.1	4.2	3.5
Individual receiving increased rate (55+)	10.9	14.3	16.0	16.9	17.7	18.2
Single parent (under 55)	25.9	24.1	23.3	22.7	21.5	21.4
Couple receiving increased rate (55+)	4.8	5.6	5.9	6.1	6.5	6.6
Couple with children receiving regular rate	10.7	11.5	11.6	12.1	12.8	13.3
Couple with children receiving increased rate (under 55, “previously eligible”)	9.2	6.7	5.9	5.1	4.3	3.7
Couple with children receiving increased rate (55+)	3.2	3.6	3.7	3.9	3.9	3.8
Other	2.7	2.7	2.7	2.8	2.8	2.8

parent families is falling, as expected from the data presented in the previous sections. The percentage of families receiving a benefit at an increased rate for those aged 55 and above has risen since 2005 and through 2010.

3. Volume of payments

The volume of payments of income support benefits totaled NIS 2.5 billion in 2010, constituting a decline of 0.9% compared with 2009. This decline derived from the decrease in the number of recipients, but was offset by the increase in the level of the benefit.

Table 8
Volume of Payments of Income Support Benefits (excluding Administrative Expenses), 2006–2010

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

E. Women Receiving Maintenance Payments

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

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

were paid to approximately 20,000 women on average per month. Furthermore, as shall be indicated hereunder, the number of women receiving both maintenance payments and an income support benefit has continued to diminish.

The demographic characteristics of the women who received maintenance payments in 2010 were similar to those in previous years: approximately 69% of the women were divorced, approximately 14% were separated from their spouses, but were still married to them, 9% had remarried, and the remainder – approximately 8% – were common-law wives. It should be noted that a slight downtrend is evident in the ratio of divorcées to total recipients of maintenance payments – from 72.8% in 2005 to 69.4% in 2010. On the other hand, the ratio of unmarried women to total recipients has risen – from 5% in 2005 to 8% in 2010. In 2010, the majority of women who received maintenance payments (approximately 80%) have one or two children (compared with 63% among all families with children in the population), while only about 8% have four or more children (compared with 17% among all families with children in the population).

The percentage of women who received maintenance payments pursuant to a court ruling, and the characteristics of their employment, were affected by the legislative amendments in 2003, but remained unchanged between 2004 and 2010. Seventy-three percent of the women received maintenance payments pursuant to a court ruling, while the rest received maintenance payments pursuant to the regulations: 5% received the full rate specified in the regulations while about 22% received a reduced payment due to earnings from work. The average amount paid to women was approximately 20% of the average wage in the economy (NIS 1,696 per month), but there was a significant gap between the amount received by women under a court ruling and the amount received under the regulations (Table 10). In 2010, the average amount paid under a court ruling was only 20% of the average wage, while under the regulations – 36% to women who were receiving the full rate and approximately 19% to women who were receiving a reduced rate.

In 2010, approximately 46% of the women receiving maintenance payments were working (compared with 49% among all women in the population), but their economic

In total, maintenance payments were paid to about 20,000 women on average per month

In 2010, 73% of the women received maintenance payments through court judgment and the remainder – under the regulations

In 2010, 46% of the women receiving maintenance payments were working but their economic situation was poor

Table 9
Recipients of Maintenance Payments, by Marital Status (absolute numbers and percentages), 2006–2010

Year	Total		Marital status			
	Absolute numbers	Percentages	Married to the debtor	Divorced	Remarried	Other
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	13.7	70.6	8.7	7.0
2010	20,012	100.0	13.8	69.4	8.7	8.1

Table 10
Recipients of Maintenance Payments, by Source of Payment Ruling
(absolute numbers and percentages), 2006–2010

Year	Total		Source of Payment Ruling (%)		
	Absolute numbers	Percentages	Regulations		Court rulings
			Full	Reduced	
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
2010	20,012	100.0	4.9	21.6	73.3

Table 11
Average Maintenance Payment, as a Percentage of the Average
Wage in the Economy, by Source of Payment Ruling and Work Status,
2006–2010

Year	Total	Source of Payment Ruling			Employment status	
		Regulations		Court rulings	Working	Not working
		Full	Reduced			
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	18.6	15.3	22.9
2009	20.3	36.2	18.6	19.6	16.2	23.8
2010	20.4	35.9	18.7	19.9	16.3	23.9

situation was poor. For most of them, the amount adjudged by the court was so low that a means test was unnecessary. The average maintenance payment that working women received was approximately 16% of the average wage in the economy. Even after adding their earnings from work to this sum, their aggregate income was less than half of the average wage in the economy – which is only 30% higher than the maintenance payments received by women who received the full payment under the regulations.

These data show that the Maintenance Law *per se* does not guarantee a minimum income to all women who need it. Therefore, women to whom the courts have awarded low maintenance payments and who have no other income, or whose income from other sources is very low, are eligible for an income supplement from the NII under the Income Support Law, as long as they meet all other eligibility criteria for an income supplement by virtue of this law. Indeed, in 2010, an average of about 4,300 women who received monthly maintenance payments also received an income supplement by virtue of the Income Support Law, compared with 6,892 in 2006. In 2006, these women constituted approximately 30% of all women receiving maintenance payments, but by 2010, this percentage dropped to approximately 22%.

In 2010, an average of 4,300 women who received monthly maintenance payments also received an income supplement