

4. Children Insurance

A. General

Child allowance – The child allowance is paid monthly to every family with children in Israel to help defray the expenses of raising children. The Children Insurance Law came into effect in 1959 and prescribed a fixed allowance to families with many children. Over the years, the child allowances have been subject to frequent revisions, which were intended to facilitate changes in fiscal policy in Israel. The revisions in the child allowances focused, inter alia, on the eligibility criteria for receiving the allowance.

In 2010, the child allowances rose relative to their level in 2009, for two reasons:

1. The allowance was updated by 3.8%, according to the rate of the rise in the consumer price index of the previous year.
2. In July 2010, the allowance for the second child was increased by NIS 36 and by NIS 33 for the third child over the rates in 2009 – as the second stage in the plan approved under the Economic Efficiency Law (Legislated Amendments for Implementing the Economic Plan for 2009-2010) (“Economic Arrangements Law for 2009-2010”).

Table 1
Amount of the Child Allowances under the Economic Arrangements Law, 2009–2010

Order of birth	June 2009	After Stage A 7/2009 through 6/2010	Stage B 7/2010 through 3/2011	Stage C 4/2011 through 3/2012	As of 4/2012
Amount of the allowance					
New* fourth child	159	252	252	252	259
Older** fourth	353	446	446	446	453
New third child	159	219	252	252	259
Older third child	191	251	284	284	291
Second child	159	159	195	252	259
The increment over the allowance paid in June 2009					
New fourth child		93	93	93	100
Older fourth child		93	93	93	100
New third child		60	93	93	100
Older third child		60	93	93	100
Second child		0	36	93	100
Estimated annual cost of the increment in NIS compared with 2008 (cumulative cost)		240,000,000	700,000,000	1,280,000,000	1,500,000,000

* child born after 6/2003

** child born before 6/2003

In July 2009, within the scope of the Economic Arrangements Law for 2009-2010, the decision was made to gradually revise the amounts of the child allowances through a plan that had originated in coalition agreements. Within the scope of the plan, the allowance for the second, third and fourth child born in a family will be gradually increased so that in 2012, an increment of NIS 100 shall be paid for each child born in these orders of birth. This increment is based on the amount of the allowance actually paid in June 2009; i.e., the child allowance for children whose order of birth is second child to fourth child will not be updated during 2010 and 2011 according to the index, as is customary every January, and therefore, the increment will be purely nominal and will be eroded over the years.

During Stage A, beginning in July 2009, the fourth child received an increment of NIS 93, while the third child received an increment of NIS 60. The second child received an increment of NIS 36 only during Stage B, as of July 2010 (Table 1). The cost of this plan in 2010 is estimated at approximately NIS 700 million, compared with the expenditure in 2008. The cumulative cost should reach NIS 1,500 million as of 2012, compared with the expenditure in 2008.

Study grant – In addition to the child allowances paid to every family with children, a study grant is also paid to single-parent families and to families with four or more children who receive a subsistence benefit. The grant is paid for children between the ages of 6 and 14, the purpose of which is to help families purchase school supplies prior to the start of the school year. In 2010, approximately 157,000 children received a study grant. The cost of the grant in 2010 totalled approximately NIS 185 million.

Family increment – In July 2004, families with three or more children who receive an income support benefit or a maintenance payment from the NII began receiving a family increment. The family increment is paid only for the third and fourth child. From NIS 111 per month per child in January 2009, the allowance was raised to NIS 116 per month in January 2010 – an increase of approximately 0.7% in real terms. The objective of this increment is to compensate families for the double erosion, both in the child allowances and in the income support benefit. In 2010, this increment was paid to approximately 26,000 families (representing approximately 41,000 children in the third and fourth order of birth) and reached the aggregate total of approximately NIS 57 million, compared with NIS 56 million in 2009.

Development of Child Allowance Payments

A child allowance has been paid since 1959 to families with children. Up until the income tax reform took effect in July 1975, the child allowance included an allowance to families with many children and an allowance to children in working families.

1. Allowance to families with many children – The allowance has been paid since September 1959 in respect of the fourth and subsequent child in a family, for children up to the age of 14. In 1965, the law was expanded and the allowance was paid for children up to the age of 18. Since April 1970, a child allowance has also been paid for the third child in families in which the head of household is a non-employee, and, since October 1972, also for the third child in families in which the head of household works as an employee.
2. Allowance for children in working families – This allowance partially supplemented the allowance for families with many children. Since August 1965, this allowance has been paid through employers to families of employees for their first three children up to the age of 18. Since October 1972, this allowance has been paid through employers for the first two children, while the NII paid for the third child within the scope of the allowance for families with many children.

As of July 1975, when the tax reform took effect, and according to the recommendations of the Ben-Shachar Committee, a uniform child allowance was paid to all families in Israel with children up until the age of 18. The child allowance was paid according to an allowance-points key, which was updated at the beginning of every calendar year and whenever a cost-of-living increment was paid at the rate of the rise in the index. From April 1984 until February 1993, the child allowance was made conditional upon means tests, and taxes were imposed on the allowances of the first three children at varying rates over the years. In March 1993, the policy of a uniform child allowance was reinstated across-the-board to all families with children without any means test.

Between 1996 and 1970, an increment was also paid within the framework of a child allowance in respect of discharged soldiers, to families in which one of their children had served in the Israel Defense Forces or in a security service as defined in the law. This allowance was paid according to the size of the family, using an allowance-point key, in respect of the third and subsequent child. A gradual process of discontinuing this allowance began in 1994 and it was transferred to a child allowance, so that the level of child allowances for all families was no longer contingent upon military service. Since 1997, all families of equal size have been receiving an equal level of allowance. In 2001, the “Halpert Law” was passed, which increased the child allowance for the fifth and subsequent child.

During 2002-2004, four economic plans were implemented that drastically slashed the child allowances. The fundamental principle in these plans was a uniform allowance for every child, regardless of his order of birth in the family. The law began being implemented already in August 2003 relative to children born after June 2003, who received a uniform allowance regardless of their order of birth in the family (“new

children”). The rate of the uniform allowance was affixed as the rate of an allowance for the first two children. Gradual cut-backs in the allowances for the “older children” (children born prior to June 2003) were also prescribed in the economic plans during the subsequent seven years until a uniform allowance would be achieved in 2009. The plans also prescribed that between 2002 and 2005, the child allowance would not be updated according to the rise in the index.

Since January 2007, the child allowance has been derived from the basic amount, which was updated according to the consumer price index at that time. In June 2006, the cut-back in the child allowances was cancelled for the years 2007-2009. Thus, the level of the allowances remained as they had been in 2006 and were updated according to the rise in the consumer price index.

In July 2009, within the scope of the Economic Efficiency Law (Legislated Amendments for Implementing the Economic Plan for 2009-2010), the decision was made to gradually revise the amounts of the child allowances for the second, third and fourth children in families, so that, by the conclusion of the process in 2012, each of these children will receive an increment of NIS 100, compared with the payment they had received at the beginning of 2009. This increment is based on the amount of the allowance actually paid in June 2009; i.e., the child allowance for children whose order of birth is second child to fourth child will not be updated during 2010 and 2011 according to the index, as is customary every January, and therefore, the increment will be purely nominal and will be eroded over the years.

B. Allowance Recipients

1. Recipients of child allowances

Tables 2 and 3 present the distribution of families receiving a child allowance by size of the family, and the distribution of the children for whom the child allowance was paid based on their order of birth. The number of families with children who were born after June 2003 and the number of children born after that date are presented in detail below in the section “New Children.”

In 2010, the number of families who were paid child allowances reached one million families per month – an increase of about 1.8% compared with 2009

In 2010, the number of families who were paid child allowances reached an average of approximately one million families per month – an increase of about 1.8% compared with 2009, which is slightly higher than the increase between 2008 and 2009. The number of children for whom allowances were paid in 2010 reached a monthly average of approximately 2.5 million children, which constitutes an increase of about 2.0% over 2009. This rate is slightly higher than the rate of the increase recorded in 2009, which was 1.9%. The number of families who received a child allowance for one child increased by 1.0% relative to 2009 and reached approximately 330,000 families. The number of families who received a child allowance for two and more children increased by 2.2%

Table 2
Families Receiving a Child Allowance, By Number of Children
in the Family (Monthly Average), 2006–2010

Year	Total	Number of children in the family					
		1	2	3	4	5	+6
Numbers (thousands)							
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
2010	1,030.0	329.8	316.5	207.3	90.7	41.4	44.5
Percentages							
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
2010	100.0	32.0	30.7	20.1	8.8	4.0	4.3

Table 3
Children for Whom a Child Allowance was Paid, by Order of Birth
in the Family (Monthly Average), 2006–2010

Year	Total children	Child's order of birth in the family					
		First born	Second child	Third child	Fourth child	Fifth child	Sixth & subsequent
Numbers (thousands)							
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
2010	2,466	1,030	700.2	383.8	176.5	85.9	89.1
Percentages							
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
2010	100.0	41.8	28.4	15.6	7.2	3.5	3.6

relative to 2009. Concurrently, the percentage of families with three children and, to a lesser extent, the percentage of families with four children, rose relative to other family compositions.

2. "New children"

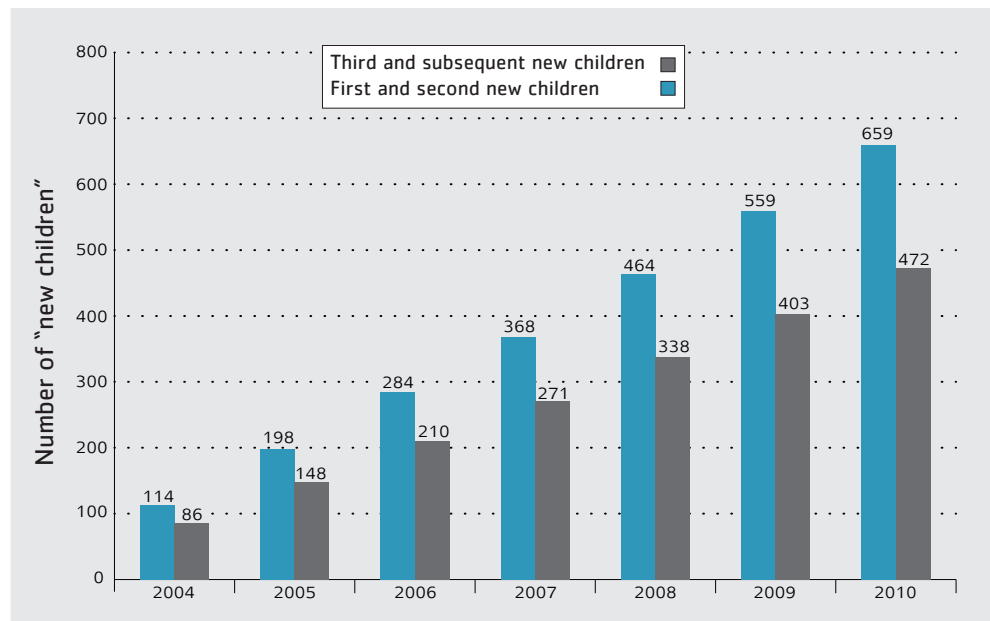
Subsequent to the legislative amendments during 2003 and 2004, a category of "new children" was defined, which includes children born since June 2003. Up until June 2009, these children received an allowance that was equivalent to the allowance for the first two children in the family, regardless of their order of birth in the family.¹ This policy inherently led to disparity in the level of allowances among families of equal size.

The number of "new children" in December 2010 reached 1.1 million children – 45% of the 2.5 million children for whom allowance was paid

The inclusive number of "new children" in December 2010 reached approximately 1.1 million children – 45% of the nearly 2.5 million children for whom an allowance was paid in December 2010. As can be expected, the ratio of "new children" to total children for whom an allowance was paid has been steadily increasing over the years and is expected to encompass all children by the end of the next decade. Approximately 42% (about 472,000 children) are the third or subsequent child in the family, and are, in effect, those children whose allowances had been adversely affected in the past as a result of the equating of allowances for all the children, and the amendment made within the scope of the Arrangements Law was intended to rectify this disparity.

Graph 1 shows the cumulative number of "new children" according to their order of birth in the family from 2004 to 2010. By the end of 2010, the aggregate number reached approximately 1.1 million children.

Graph 1
Cumulative Number of "New Children" by Order of Birth in the Family (thousands), 2004–2010



1 NIS 144 between August 2003 and January 2004; NIS 120 between February 2004 and December 2005, NIS 148 in 2006 and in 2007, NIS 152 in 2008, NIS 159 in 2009 and NIS 165 in 2010.

3. Recipients of study grants

Since 1992, study grants have also been paid within the scope of Children insurance, to single-parent families for children between the ages of 6 and 14. Since August 1998, the grant has been paid also to families with four and more children who receive one of the following subsistence benefits from the NII: an income support benefit, maintenance payments, a disability pension, an old-age pension or a survivors' pension. The grant is a one-time payment that is paid just prior to the start of the school year and its purpose is to help the families purchase school supplies. The amount of the grant for children between the ages of 6 and 11 is 18% of the basic amount (NIS 1,436 in 2010) and for children between the ages of 12-14 – 10% of the basic amount (NIS 798).

In 2010, the NII provided study grants to approximately 87,000 families, of whom approximately 62,000 were single-parent families, while the balance was families with four or more children who receive subsistence benefits. The study grant was paid for approximately 157,000 children, compared with 146,000 children in 2009, constituting a rise of approximately 8% between the two years. About 60% of all children who received the study grant (some 94,000 children) received the increased grant.

In 2010, the NII provided study grants to 157,000 children, compared with 146,000 children in 2009

C. Payments

1. Level of the child allowance

Since January 2006, the child allowance has been calculated according to the “basic amount,” which is updated according to the rate of the rise in the consumer price index. Between 2009 and 2010, the child allowances increased as follows: for the firstborn child – from NIS 159 to NIS 165; for the second child – from NIS 159 to NIS 195; and for the third child from NIS 219 to NIS 252 for the third “new” child and to NIS 284 for the third “older” child. The levels of the child allowance for the fourth and subsequent child remained without change at their nominal values.

Graph 2 presents the average allowance per child between 2001 and 2010.² In 2010, the average allowance per child rose by approximately 10% in real terms compared with 2009.

Table 4 presents the development of the child allowance during the last five years relative to the number of children in the family, which illustrates a number of facts:

- In 2007, the allowance for a family with one child declined slightly in real terms at the rate of less than 1% compared with 2006, and, in 2008, at the rate of 2% compared with 2007. In 2009, the child allowance rose again slightly at the rate of 1.3% and, in 2010, it continued to rise by approximately 1.1% compared with 2009.

2 The average allowance per child was calculated by dividing the total payments for child allowances in a given year by the number of eligible children during that same year.

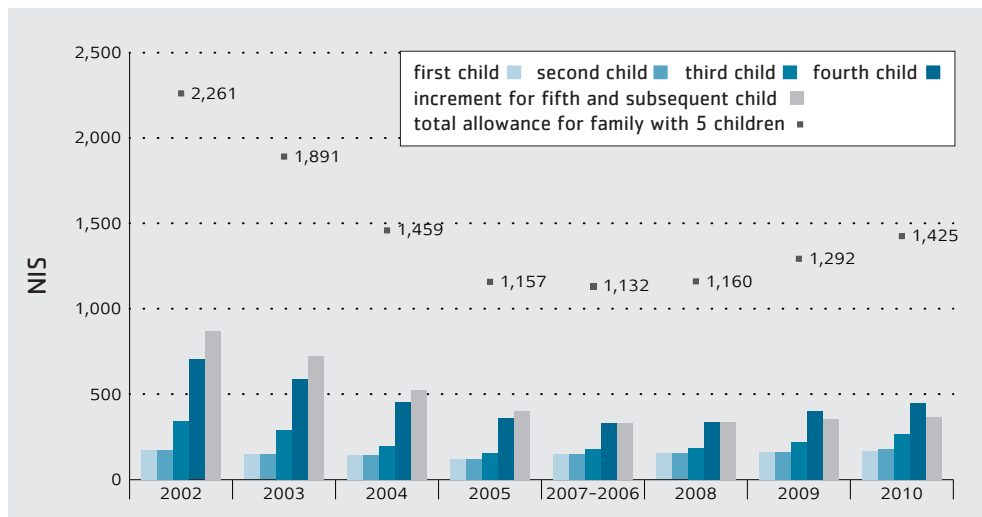
Graph 2
Average Monthly Child Allowance per Child
(NIS, 2010 prices), 2001–2010



Table 4
Child Allowance, by Order of Birth, and the Allowance to the Family, by
Number of Children (NIS, current prices), 2006–2010

Date	1	2	3	4	5	Increment per additional child
2006-2007						
For the child	148	148	178	329	329	329
To the family	148	296	474	803	1,132	329
2008						
For the child	152	152	182	337	337	337
To the family	152	304	486	823	1,160	337
January 2009						
For the child	159	159	191	353	353	353
To the family	159	318	509	862	1,215	353
July 2009						
For the child	159	159	251	446	353	353
To the family	159	318	569	1,015	1,368	353
January 2010						
For the child	165	165	251	446	366	366
To the family	165	330	581	1,027	1,393	366
July 2010						
For the child	165	195	284	446	366	366
To the family	165	360	644	1,090	1,456	366

Graph 3
Allowances for Children Born Prior to 1.6.2003, by Order of Birth in the Family, and Total Allowance to a Family with Five Children (NIS, 2010 prices), 2003–2010



- In 2010, the average allowance per family with three children rose by approximately 11% in real terms compared with 2009, similarly to its rise in 2009 relative to 2008 (real increase of approximately 13%). It should be kept in mind that the amendment to the Economic Arrangements Law which increased the child allowance for the third and fourth child took effect in 2009.

Graph 3 below illustrates the relative stability of the child allowance for small families (1-2 children), compared with the cutbacks in the allowance for large families under the Economic Plan of 2002- 2003, which was later increased once again for large families in 2009 under the amendment to the Economic Arrangements Law. Thus, for example, the average family allowance for a family with five children increased by approximately 7.4% in real terms compared with 2009, similarly to its increase in 2009 relative to 2008 (real increase of approximately 7.8%). In 2010, the average family allowance for a family with five children reached NIS 1,425 per month.

2. Volume of payments

Table 5 shows that in 2010, the volume of child allowance payments rose by approximately 8.4% in real terms compared with 2009. On the one hand, this rise is comprised of a moderate increase in the number of children for whom the allowance is paid and from the increase in the rate of the allowance for the second, third and fourth “new” children, and, on the other hand, a decrease in the number of children for whom a high allowance was paid since they were born prior to June 2003.

The changes in the volume of child allowance payments are also reflected in the ratio of payments of the Children insurance branch to all NII payments. The ratio of Children

insurance payments to total volume of NII payments rose from approximately 10.3% in 2009 to 10.7 in 2010. It should be noted that this is the first year in the last decade that the payments for child allowances have increased relative to the preceding year.

In 2010, total annual child allowance payments reached NIS 6 billion, thus rising by 8.6% in real terms relative to 2009

Graph 4 presents the annual payments for child allowances from 2001- 2010 at fixed prices. In 2010, the total annual payments for the child allowance reached approximately NIS 6 billion, thus rising by 8.6% in real terms, relative to 2009.

Table 5
Volume of Payments for Child Allowances
(NIS million, 2010 prices), 2006–2010

Year	Total		Child allowance		Study grant	
	Current prices	2010 prices	Current prices	2010 prices	Current prices	2010 prices
2006	4,947.0	5,518.1	4,791.2	5,344.4	155.8	173.9
2007	4,940.5	5,482.6	4,783.3	5,308.3	157.1	174.4
2008	5,062.2	5,370.9	4,896.7	5,195.4	165.5	175.6
2009	5,537.3	5,686.3	5,365.9	5,510.2	171.4	176.0
2010	6,164.5	6,164.5	5,984.5	5,984.5	180.0	180.0

Graph 4
Total Volume of Payments for Child Allowances
(NIS billion, 2010 prices), 2001–2010

