

Preface

This Survey reviews the activities of the National Insurance Institute in the context of Israel's socioeconomic situation in 2011.

Chapter 1 discusses the social protests that were prominent in the second half of that year, including its causes and a debate of what the government policies should be in response. The chapter suggests ways to reduce poverty and income gaps without putting the country's macro-economic stability at risk, that is, without increasing the deficit. One effective way to accomplish this is by re-evaluating the country's tax benefits policy as part of the overall budget policy – including, inter alia, the benefits granted under the Encouragement of Capital Investment Law, and benefits granted for putting savings into the stock market, which amount to billions of shekels. As shown in this Survey, not only do these benefits reduce state revenues (thus contributing to the deficit), but also they are distributed in a most inequitable fashion. The chapter then ranks several different social policy proposals in terms of their effectiveness in reducing income inequality.

Further on in the chapter, the primary changes and trends in the two major NII activities – benefits and collection – are surveyed, including both the immediate and the long-term ramifications of these changes.

Chapter 2 portrays the state of poverty and social gaps in Israel and compares the country's socioeconomic situation to that of other OECD countries, as reflected in the distribution of benefits in cash and in kind to various population groups (such as the elderly and children). The chapter also discusses poverty and inequality indices related to income in these groups. This year, an in-depth analysis of the influence of transfer payments on reducing poverty, in comparison to other countries, was conducted in two periods of time.

Chapter 3 details the main developments in the benefits provided by the various insurance branches in 2011 and chapter 4 reviews trends in the NII's collection system. Topics on the agenda relating to the NII and social policies are elaborated on in the boxes (sidebars) that appear in various chapters.

To assure that the public, both in Israel and abroad, has maximum accessibility to the information that appears in this Survey, it has been translated into English in its entirety, with summaries in Arabic, and it has been posted on the Internet. This year the Hebrew version was posted online before the bound version was published.

The survey has four appendices: abstracts from research reports and surveys published by the Research and Planning Administration in 2011 (in Hebrew only), insurance branch tables, an appendix on measuring poverty and poverty data sources, and poverty and inequality tables.

I would like to thank the staff of the Research and Planning Administration who participated in preparing the Survey and bringing it to press. Special thanks go

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A handwritten signature in black ink, appearing to be 'D. Gottlieb', written in a cursive style.

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

Foreword

by the Director-General

The Israeli economy continued to thrive in 2011, standing out against the economic crises in many other western countries: there was rapid growth and a further drop in unemployment. The most significant public phenomenon in that year, however, was without a doubt the social-justice protest, which broke out during the summer and encompassed broad sectors of the population. The government responded quickly to the protest and suggested some welcome changes in taxation and financial support of families, as well as in education funding, in keeping with the recommendations of the Trajtenberg Committee (which included NII representatives). Still, it appears that despite the government's willingness to make changes (some of which are already being implemented in 2012), there is much work to be done before a complete solution can be implemented to the many problems raised in the course of the protest.

It is generally agreed that the protest, initiated and led primarily by young adults from the middle class, was not the result of anything specific that occurred in the specific year in which it erupted (2011), but was rather the result of ongoing economic and social processes reflected in the growing gaps in the standard of living of families in Israel. Indicators of these processes have been widely and consistently surveyed over the years in the NII's reports on poverty and social gaps and in its Annual Surveys, and have appeared also in our position papers, particularly those written during the early stages of the protest. These publications, including the present Survey, show that this year Israel has still not succeeded in improving its position with regard to poverty and inequality relative to the other OECD countries. Furthermore, the ratio of welfare expenditure to the GDP in Israel, particularly with regard to the working-age population, is low in an international comparison.

The government took several significant steps in 2012 that may generate a real improvement in the social situation – for example, improving benefits for the disabled, including the benefit for disabled child, and more strictly enforcing labor laws – at a standard that approaches that of the OECD. Increasing subsidies to low-wage workers by extending the negative income tax program from a limited pilot project to a national program is also expected to reduce poverty in 2012.

Although recent years point to a stabilization or even moderate decline in poverty and inequality in Israel – and specifically to a decline in poverty among the elderly, due to government policy adjustments aimed at this population – there is still much to do before we reach poverty rates acceptable in developed countries.

NII cash and in-kind benefits rose by 2.4% in real terms in 2011, reaching NIS 62.7 billion, or about 7% of Israel's GDP. This real increase stems primarily from an increased number of benefit recipients, as well as a real increase in some of the benefit amounts,

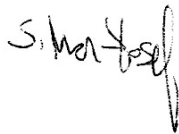
primarily those of the old-age and survivors pensions and child allowances. At the same time, the receipts of the NII from national and health insurance contributions went up by 3.7%, totaling NIS 51.1 billion, out of which NIS 31.2 billion were for insurance branches and NIS 17.4 billion for the health system.

The NII, as an institution responsible for the social security of Israel's citizens which has as one of its primary objectives the redistribution of income and the reduction of social gaps, must be the spearhead in meeting the challenge facing decision-makers to improve the country's socio-economic situation. An analysis of possible tools to do so, ranked according to their efficacy, appears in the first chapter of this Survey. These tools are partially based on the potential of NII benefits to increase social justice and reduce the poverty and social gaps among various population groups in Israel.

As the NII approaches the end of the 2012 budgetary year and the start of 2013, we have been working with the relevant government ministries to try to improve the position of the middle and low-class populations. This effort is especially important in light of the continuing financial crisis in Europe and elsewhere, which is being felt in Israel as well.

Together with its efforts to improve welfare and to play an active role in formulating social policy, the National Insurance Institute is also committed to raising the quality of the service that Israeli citizens receive at the NII local branches, making it more efficient, sympathetic and accessible. This commitment, which will also hopefully make a crucial change in the public perception of the NII, necessarily relies on the Institute's skilled employees and sophisticated computer systems, which are constantly being upgraded and adapted to new needs.

Upon my assumption of the post of Director General of the National Insurance Institute, I am happy to take this opportunity to note how impressed I am by the professional work being carried out by those involved in Israel's social security system – in the NII head office and local branches and sub-branches throughout the country. I hope that our continuing efforts to carry out the Institute's diverse activities and advance social policy will merit the support of government decision-makers, for the benefit of the public at large.



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Director-General