

2013

# Annual Report



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





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

# Annual Report

# 2013

**Scientific editing:** Miri Endeweld

**Administrative coordinating:** Jacques Bendelac

**Hebrew language editing and prepress:** Maya Orev-Attal

**Production of the English edition:** Sarah Gargi

**English translation:** Hever Translators Pool

**Production and printing assistance:** Nira Amir

**Design and typesetting:** Erga Yaari-Weitzman

**Cover design:** Studio Esh

This survey, in both Hebrew and English, as well as abstracts in Arabic, can be downloaded from the NII website at [www.btl.gov.il](http://www.btl.gov.il).

For questions and comments about the survey, or to order a print version, contact [skira@nioi.gov.il](mailto:skira@nioi.gov.il).

## Table of Contents

Foreword .....	3
Preface .....	5

Selected Graphs .....	9
-----------------------	---

### Chapter 1

#### Social Policy and Trends in National Insurance

1. Population Development in Israel from 2010 to 2060.....	31
2. Employment and Wage Development: 2001-2012 and Future Forecast.....	43
3. Summary of Sections 1 and 2 .....	71
4. Volume of Payments.....	72
5. Benefit Levels.....	76
6. Benefit Recipients .....	80
7. Collection of Insurance Contributions from the Public and the Sources of Funding of the Benefits.....	83

### Chapter 2

#### Dimensions of Poverty and Social Gaps

1. Introduction .....	91
2. An International Comparison of the Social Situation in Israel .....	92
3. Principal Findings .....	98
4. Poverty by Population Group and Composition of the Poor Population.....	105
5. The Inequality in Income Distribution and the Effect of Policy Measures.....	117

### Chapter 3

#### Benefits: Activities and Trends

1. Income Support (including maintenance payments).....	127
2. Old-age and Survivors' Insurance .....	143
3. Long-term Care Insurance.....	161
4. Children Insurance.....	185
5. Maternity Insurance .....	195
6. General Disability Insurance .....	203
7. Work Injury Insurance .....	243
8. Hostile Action Casualties.....	265
9. Vocational Rehabilitation .....	275
10. Unemployment Insurance .....	291
11. Workers' Rights under Employer Bankruptcy and Corporate Liquidation .....	303
12. Benefits to Reservists.....	309

## Chapter 4

### Collection: Activities and Trends

1. General.....	313
2. Legislative Changes.....	313
3. Collection of National Insurance Contributions .....	314
4. Collection for the Health System.....	319
5. Special Populations Defined as Salaried Employees.....	328

## Chapter 5

### National Insurance Institute Funds

1. NII Community Funds .....	333
2. Research Fund And Research Room.....	349

## Appendix

Insurance Branch Tables.....	353
Measurement of Poverty and Data Sources.....	389
Poverty and Inequality Tables.....	397

List of Authors .....	425
-----------------------	-----

## List of Boxes

1. Population Forecasts for 2010-2110.....	34
2. The Results of Applying The Financial Strength Model Using “The Middle Scenario” and Alternatives of the Employment Rates .....	56
3. The NII Asset Balance from the Perspective of the Government Accounts.....	59
4. 2012 Food Security Survey.....	102
5. Effect of the Work Grant on the Income and Poverty Level of Families .....	112
6. Social Assistance in Housing.....	121
7. Counseling Service for the Elderly.....	156
8. Providing A Long-Term Care Benefit In Cash – Accompanying Study.....	166
9. Pilot Program for Choosing a Geriatric Specialist to Perform Dependency Assessments for Persons Aged 80-89 .....	171
10. Child Allowances – Historical Developments.....	190
11. Single-Parent Families .....	200
12. An International Look At The Disability Pension: Israel and The Oecd Countries.....	212
13. Children on the Autism Spectrum who Receive a Benefit for Disabled Child.....	225
14. The Processing of Work Injury Victims.....	258
15. Employment among Participants in Vocational Rehabilitation Programs.....	283
16. The Wage in the New Workplace Subsequent to the Unemployment Period .....	299
17. Employer Insurance Contribution Rates – Historical Survey .....	327
18. Social Businesses In Israel .....	342

## Foreword

The National Insurance Report presents the activities of the National Insurance Institute of Israel (NII) and the social situation in the country in 2013.

Chapter 1 surveys the financial sustainability trends under various demographic and employment scenarios and shows that the actuarial situation is improving slightly according to the employment assumptions that have proven to be reasonable thus far. The chapter clarifies the importance of the asset balance of the NII and the general conclusion arising therefrom is that if the employment trends of the last decade continue and if the funding of the hospitalization expenses is transferred from the insurance payments to the State budget (without changing insurance contributions in this context), the financial sustainability of the NII can be improved significantly.

Chapter 1 further contains, as in previous years, a summary of the principal trends in the area of benefits and collection over the course of the surveyed year in terms of benefit levels, payments, numbers of recipients and collection of contributions for the NII branches and for health insurance.

Chapter 2 presents the state of poverty and social gaps in Israel. It highlights an international comparison of the situation in the OECD countries with that of Israel, as reflected in various indices of poverty and welfare – the official poverty index published within the framework of the poverty and social gap survey, additional indices based on the expenditure perspective and the income perspective of families – as well as in terms of the various items of welfare expenditure (cash and in-kind expenditure, for the elderly and for the working-age population). The chapter presents, as every year, international comparisons of the poverty and inequality indices between Israel and other developed countries and highlights the role of the universal child allowance in reducing poverty.

Chapter 3 presents the core activities of the NII and details the major developments that occurred in the various benefit branches. Chapter 4 deals with developments in the collection system of the NII. Chapter 5 presents the activity of the NII Funds for services in the community, the Research Fund and the research room.

Interesting issues regarding various topics pertaining to the NII and to social policy are presented in boxes in the different chapters.

The report in English has three appendices: insurance branch tables, a survey of poverty measurement and data sources and poverty and inequality tables.

In order to ensure that the general public in Israel and abroad has maximum access to the information appearing in the Report, it is hereby translated from the original Hebrew into English in its entirety, and its abstract into Arabic, and it is posted on the NII website.

I would like to thank the employees of the Research and Planning Administration, who participated in the preparation of the Report. Special thanks to Miri Endeweld

for the scientific editing; to Dr. Jacques Bendelac for the administrative coordination; to Maya Orev-Hatal for the language editing, bringing to press and producing the Arabic version; to Sarah Gargi for producing the English edition and to Nira Amir for the assistance with the production and the printing.

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

Dr. Daniel Gottlieb

Deputy General General for Research and Planning



## Preface

### By the Director General

2013 was characterized by positive developments in terms of growth and employment compared to other developed countries. The GDP grew by 3.3%, unemployment remained at a low level and the number of employed persons continued to increase – this year by about 3%. The cash and in-kind benefit payments of the National Insurance Institute – both contributory and non-contributory – amounted to NIS 69.32 billion in 2013, compared to 66.85 billion in 2012. These amounts also include other payments made by the NII, mainly to government ministries, for community service development expenses and for administrative and operating expenses of the miscellaneous domains of the NII system. The real growth in total NII payments reached 2.2% in 2013. The legislative changes that occurred in 2013, primarily the cutback in child allowances that took effect in August, partially offset the increase that stemmed from these factors.

Although in recent years a stabilization and even a slight decrease in the dimensions of poverty and inequality has been evident in Israel, as this Report shows, it seems that we still have a long way to go toward decreasing the poverty rates to acceptable levels. In 2013, the subject year of this Report, the **War on Poverty** Committee established by the Minister of Welfare and Social Services commenced operations, with the participation of representatives of government ministries, academia and social organizations. Notwithstanding the difficult social situation in Israel compared to other developed countries, this is the first time that a public committee has been established in Israel for this purpose.

Due to the latent potential of the NII benefits in increasing social justice and in reducing poverty and social gaps in Israel and given the longstanding activity of the NII in tracking poverty and in proposing tools for its reduction, NII had broad representation both on the committee and on its sub-committees. The Committee recommendations ultimately accepted included increasing the minimum subsistence benefit (the income support benefit) to a higher rate than the poverty line income and increasing the income supplement paid to the needy elderly. The NII also recommended to reform the child allowance system and to increase work compensation, but these recommendations did not receive a sufficiently broad consensus and therefore they were not included in the final recommendation report.

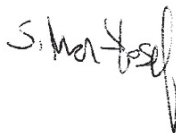
NII receipts from collecting national and health insurance contributions rose by 4.7% in real terms in 2013, compared to 1.5% in 2012. The receipts for the NII branches rose by 5.7% – twice the rate of the increase in the receipts for the health system, which was 2.8%. The growth in NII payments and receipts stems from the demographic growth in the number of recipient, the increase in the number of employed persons and wage increases.

During the surveyed year, several changes were advanced through legislation, most of which were intended to improve conditions of benefit entitlement. Following are the major topics:

- **Unemployment:** In March 2013 a legislative change came into force that eliminates the distinction in the entitlement conditions and in the determination of wages for purposes of calculating benefits between a monthly unemployed person and a daily unemployed person. As of this date, the qualifying period entitling to unemployment benefits is uniform – 12 out of the 18 months preceding the unemployment – and it is not contingent on the number of working days per month - and the basis for calculating the unemployment benefits is the wage of the last six months. Prior to the amendment, the basis for the calculation was the wage of the last three months for a monthly worker and the wage of the last 75 actual days of work for a daily worker.
- **Long-term care:** In July 2013, an amendment to the law was passed and thereby long-term benefit recipients who employ a personal caregiver, other than a family member, for at least six days a week, 12 hours a day, can receive a cash benefit. The benefit entitlement is not contingent on the benefit level, on the caregiver category (Israeli or foreign) or on the residential region.
- **Children:** In August 2013, the child allowances were cutback to a uniform amount of NIS 140 per child pursuant to the Economic Efficiency Law. Consequently, in 2013 the allowances decreased by 13.6% in real terms compared to their 2012 levels.
- **Collection:** in 2013, the employer insurance contributions were raised as part of the implementation of the Trajtenberg Committee recommendations. The increase was split into three stages and the first stage – an increase of 0.6% (from 5.9% to 6.5%) – was carried out in 2013.

In 2013, the NII published for the first time after many years a three-year Actuarial Report that presents the challenges of preserving the financial stability of the NII. This Report shows, for the first time, the financial sustainability of the NII for five decades forward under various demographic and employment assumptions and submits proposals for ensuring the activities of the NII in the areas of social security and reduction of social gaps in future.

One of the important objectives of the National Insurance Institute, in my mind, pertains to the quality of service at the local branches and to the proactive take up of rights. Therefore, in addition to our efforts to increase the welfare of the State's citizens thorough social policy, the NII also constantly strives to improve the service to the insureds at the local branches, so as to provide more efficient, quality, empathetic and accessible service, as well as to ensure maximum take up of rights for each benefit. This work is carried out thanks to the skilled and dedicated employees of the NII and to its sophisticated computer systems which undergo constant upgrading and adaptation to new needs.



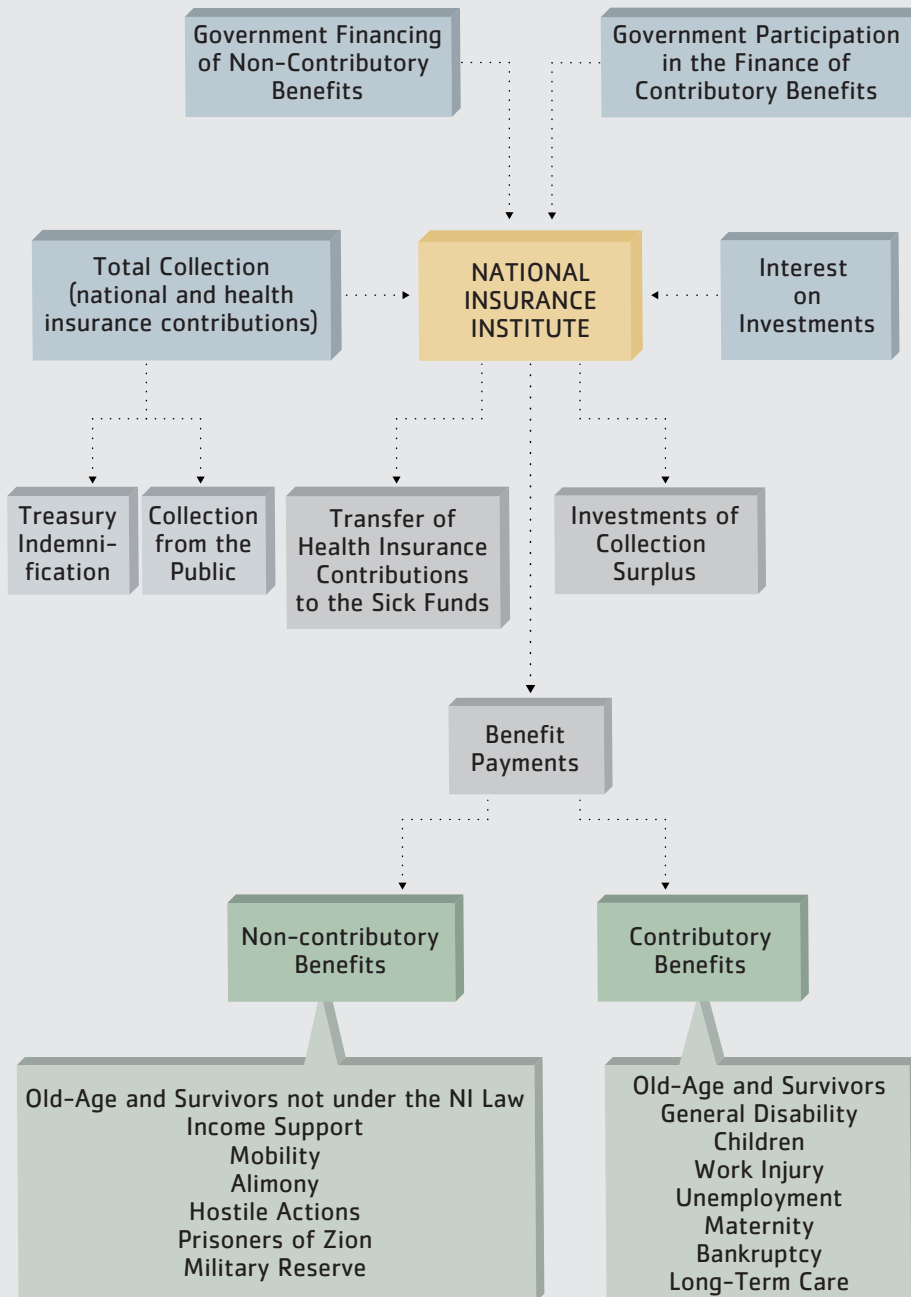
Prof Shlomo Mor-Yosef  
Director General

## Selected Graphs

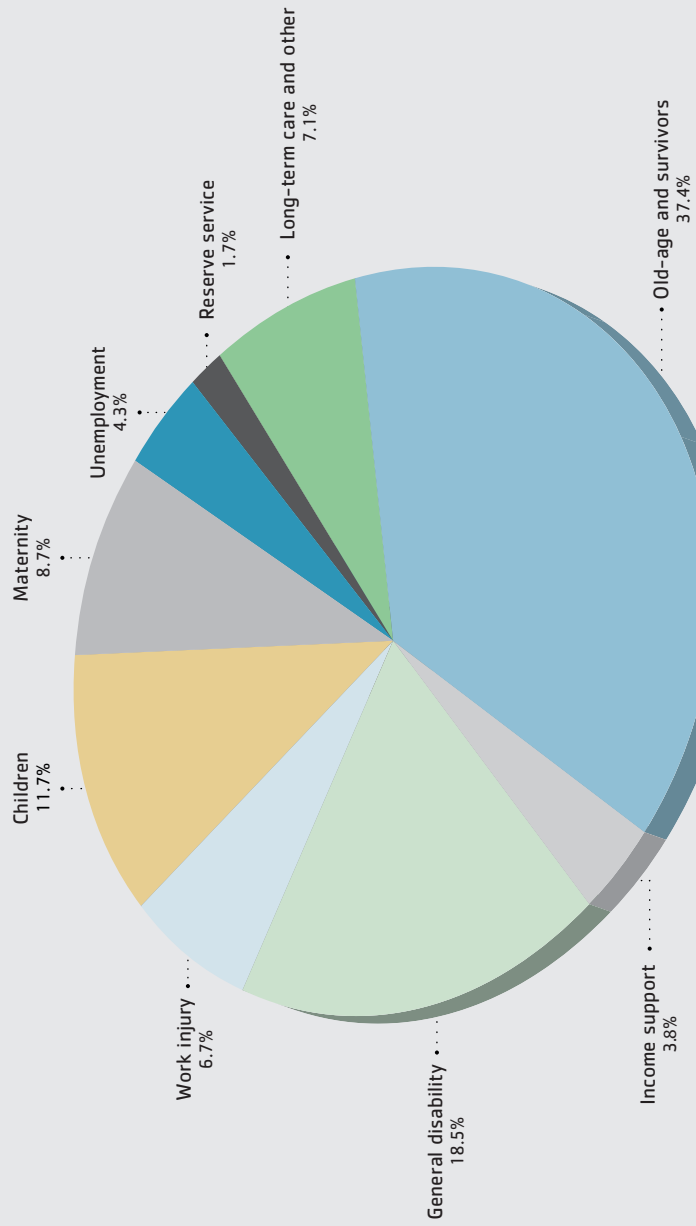




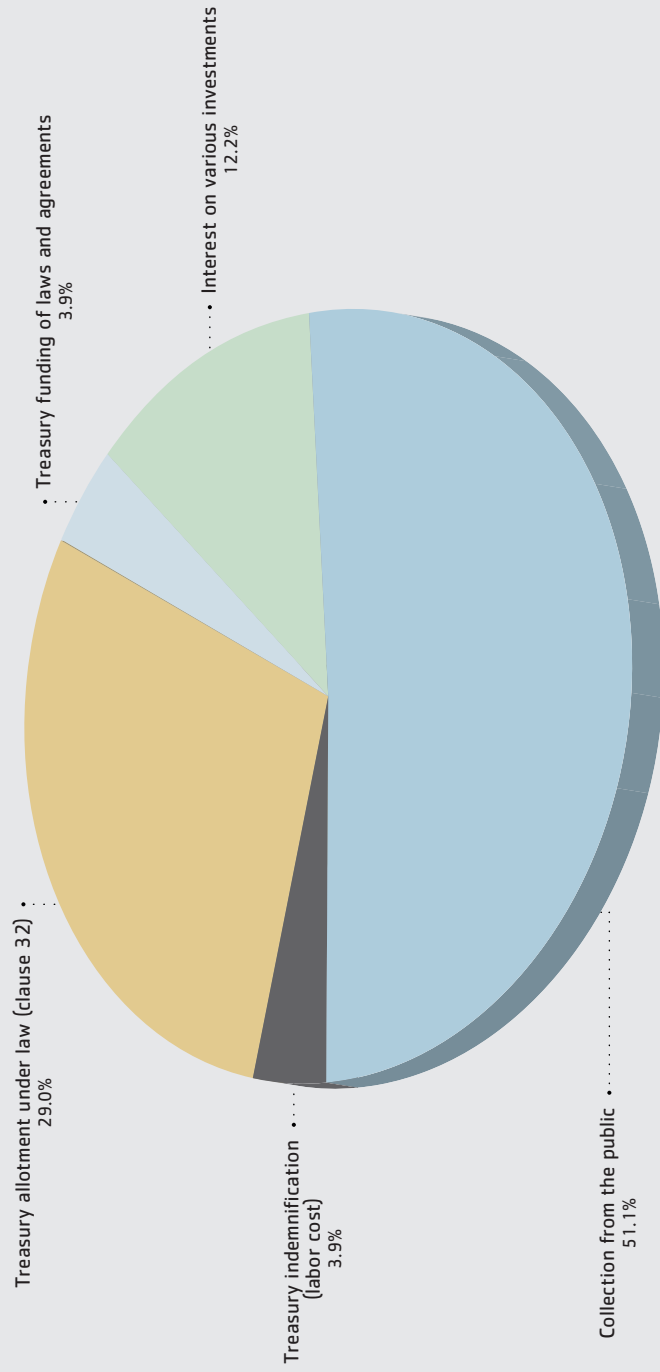
**Graph 1**  
**The National Insurance Institute - Resources and Uses**



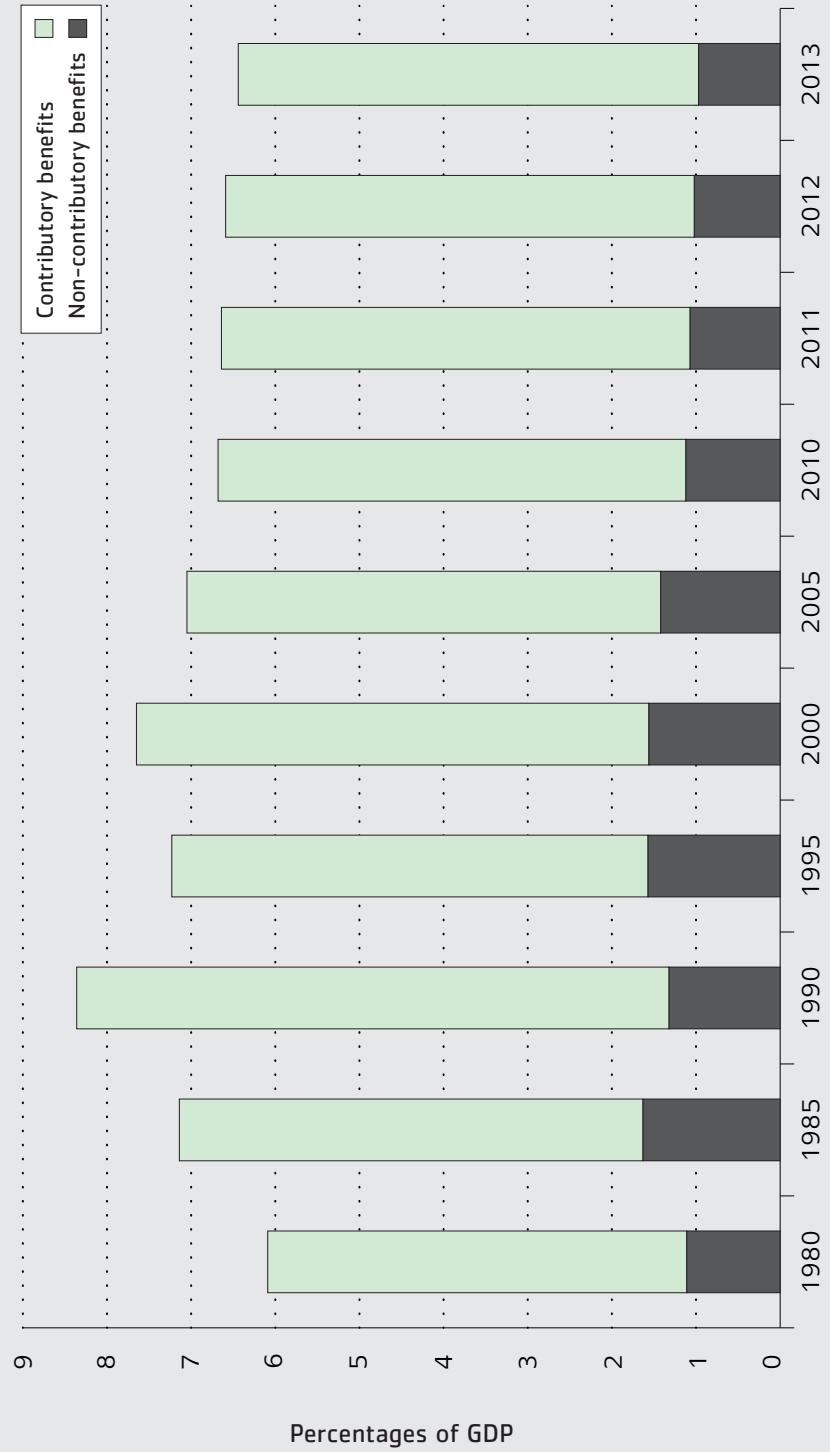
Graph 2  
Benefit Payments by Insurance Branch, 2013



Graph 3  
Receipts of National Insurance Branches by Source of Financing, 2013

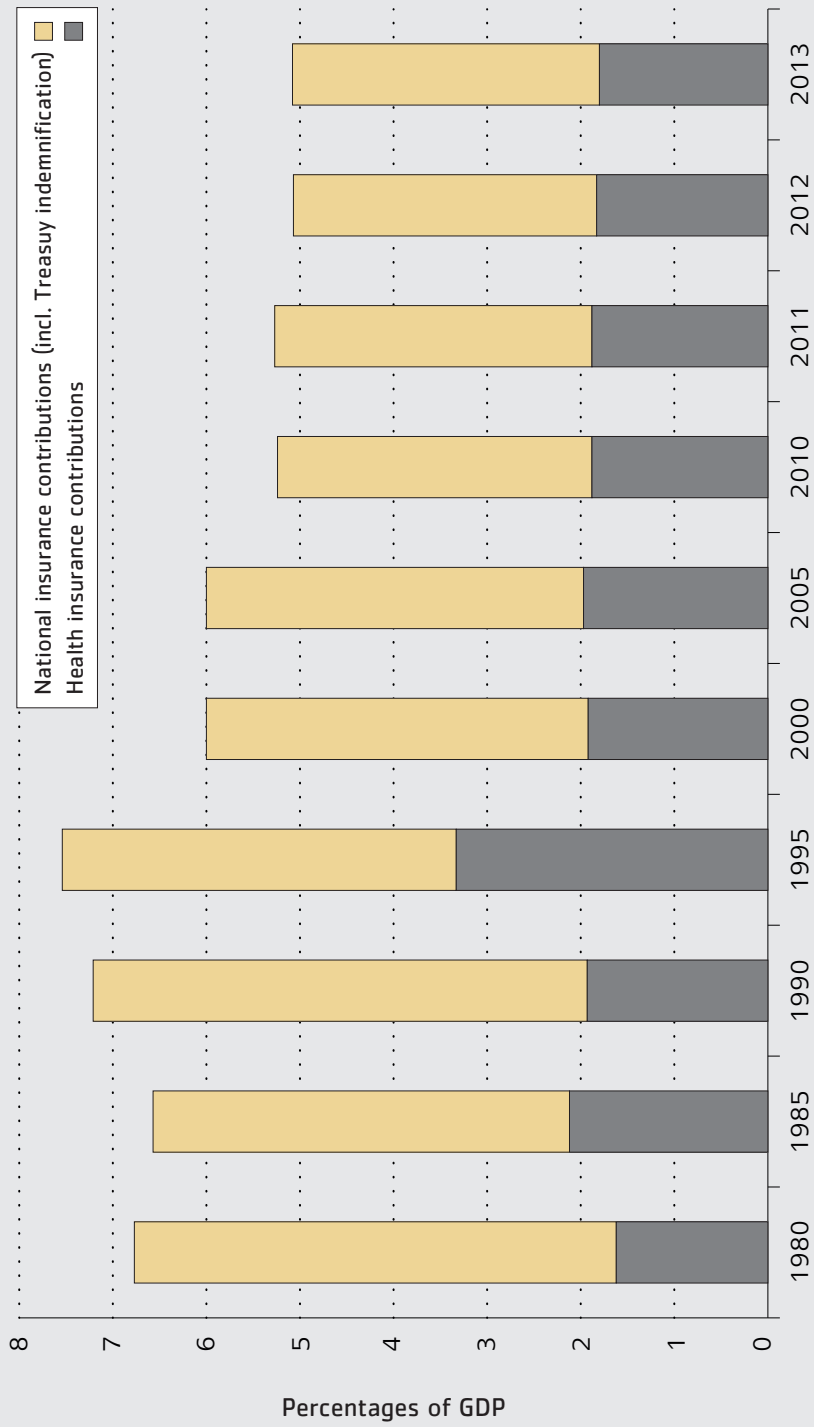


Graph 4  
Benefit Payments as Percentage of GDP, 1980-2013

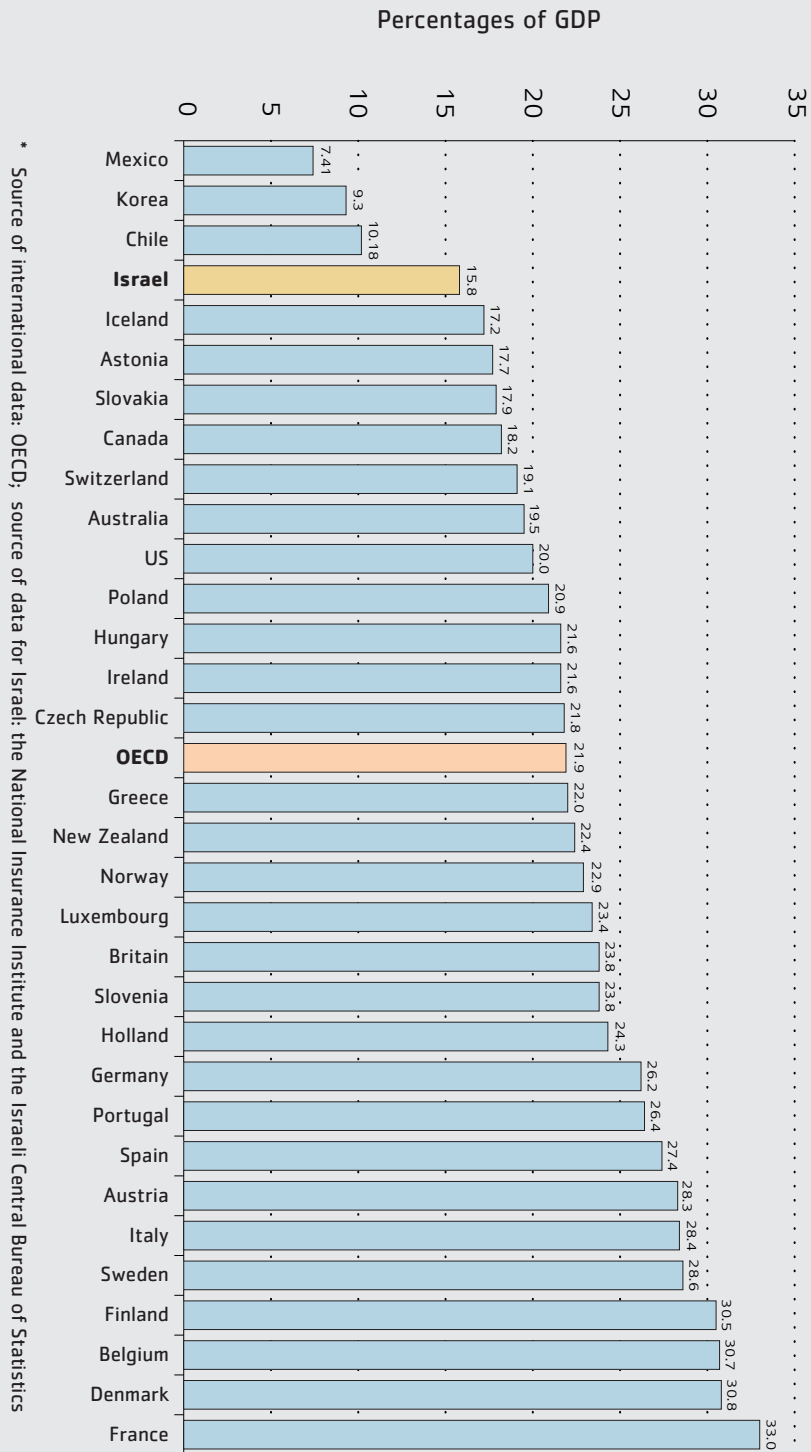




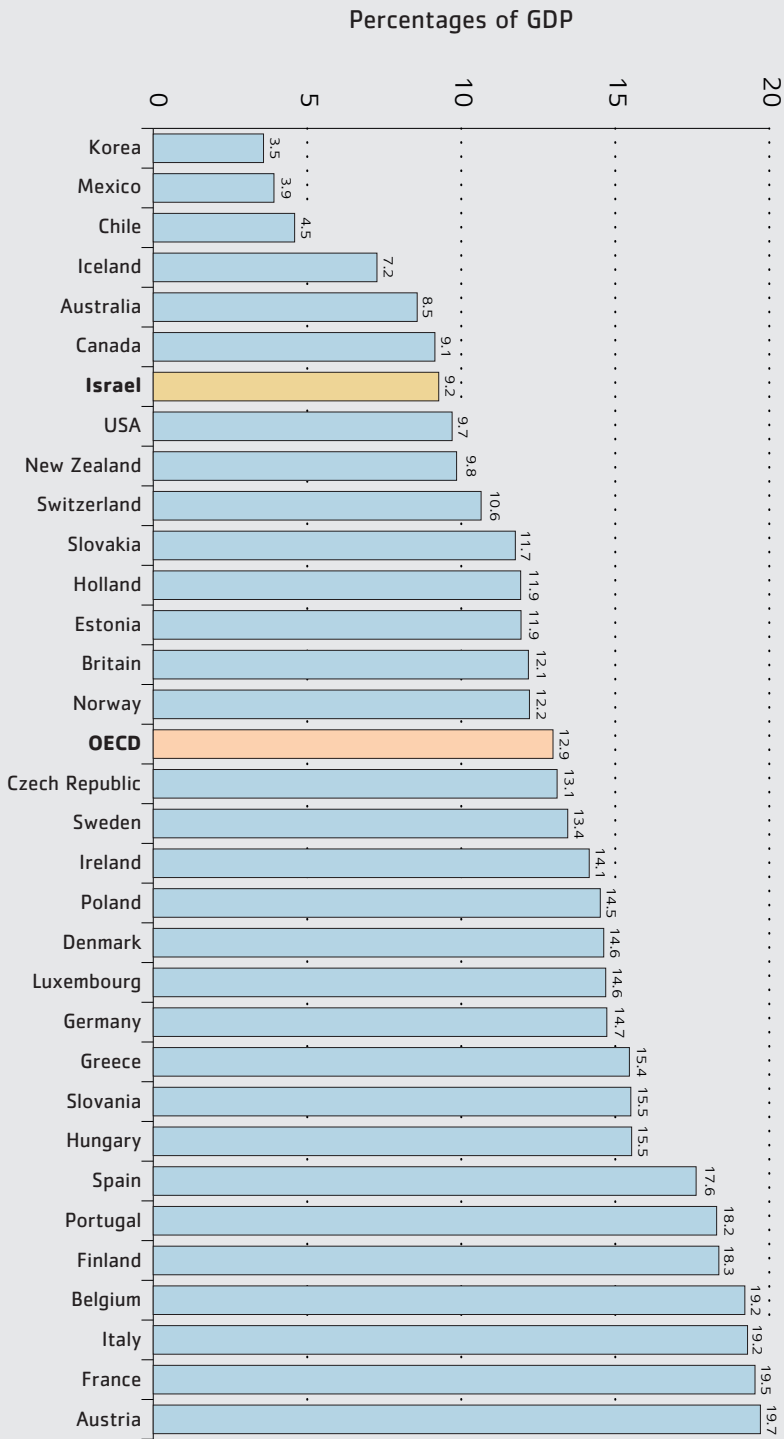
Graph 5  
Collection of Insurance Contributions as Percentage of GDP, 1980-2013



Graph 6  
Public Social Expenditure as Percentage of GDP, OECD Countries and Israel, 2013\*

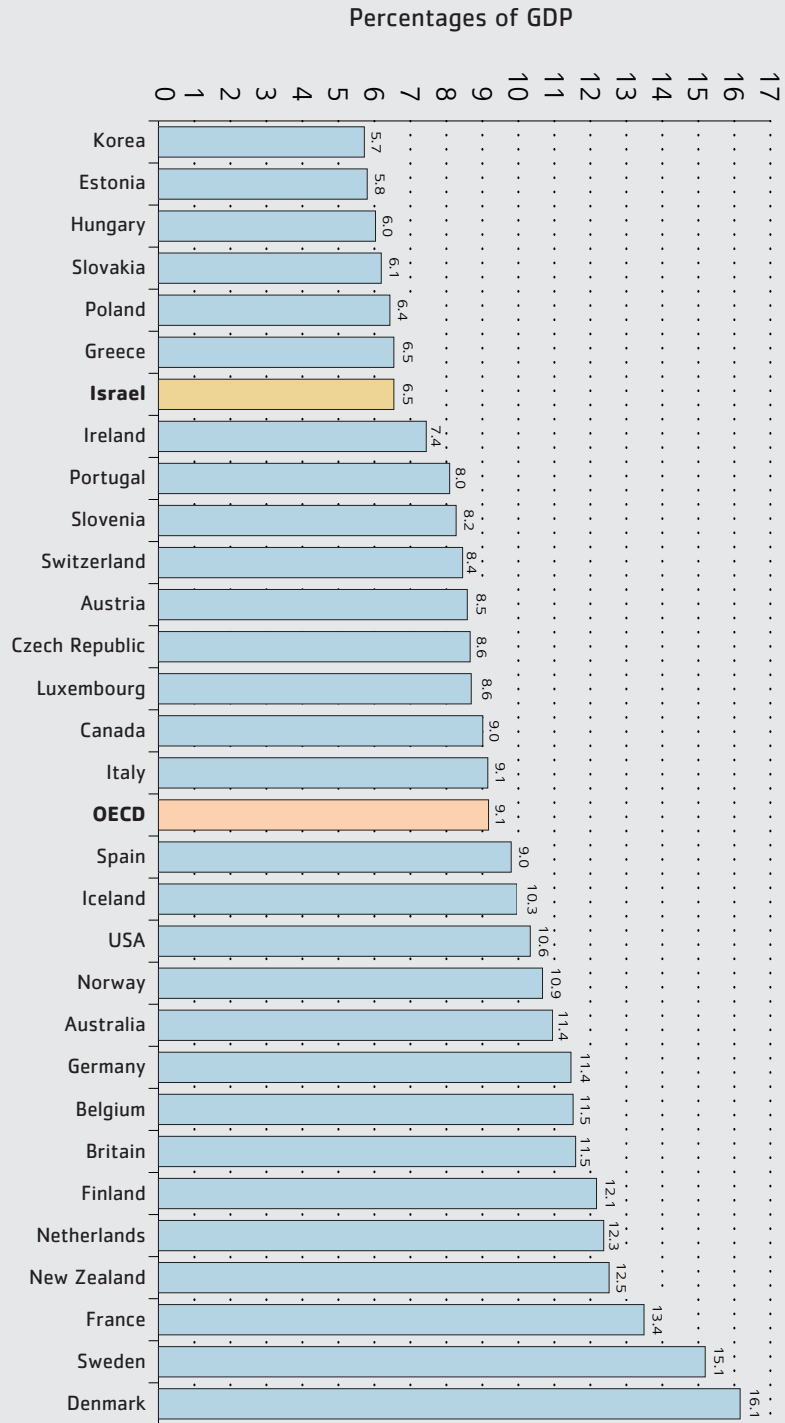


Graph 7  
Public Social Expenditure on Cash Benefits as Percentage of GDP, OECD Countries and Israel, 2013\*

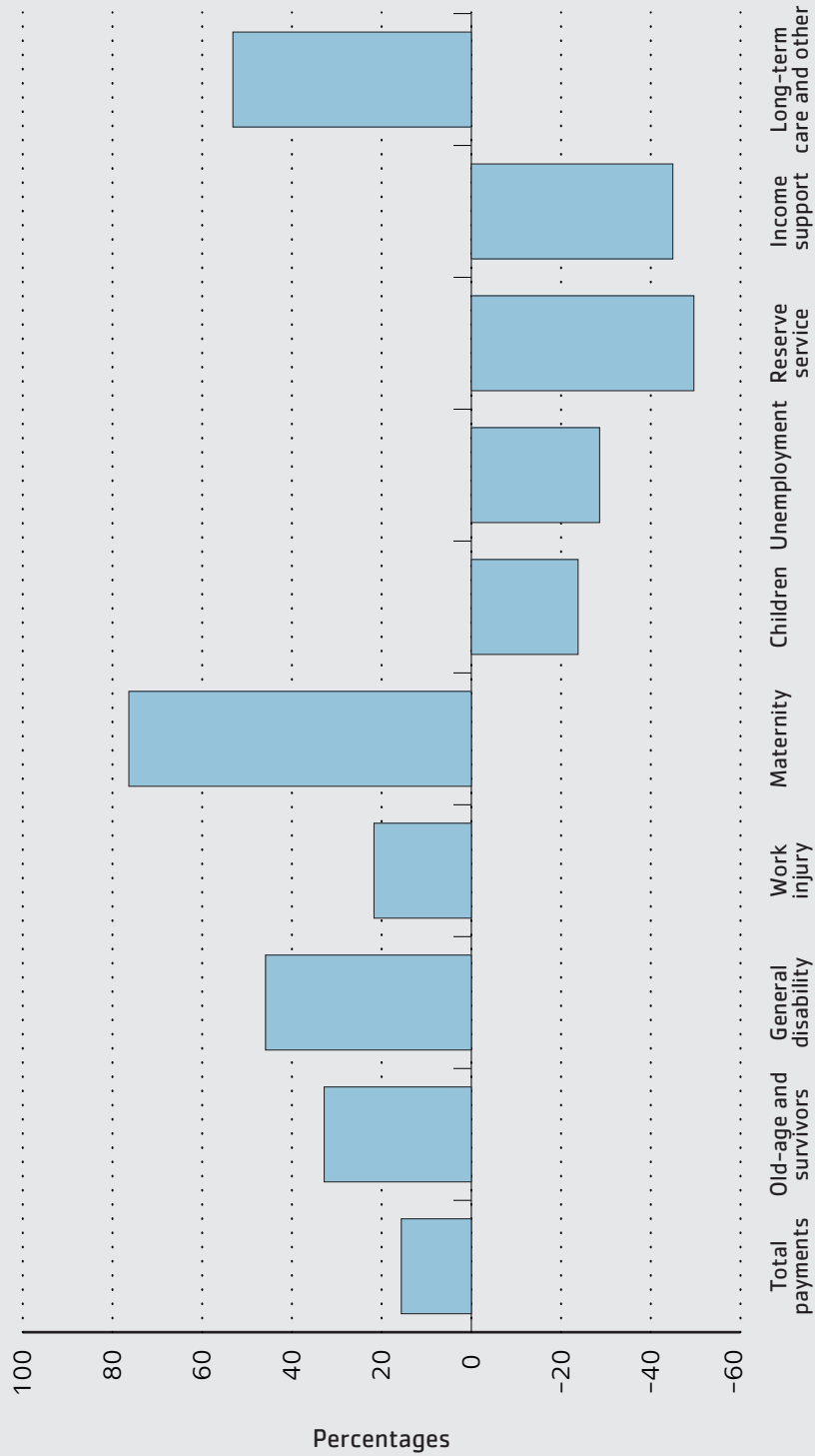


\* Source of international data: OECD; source of data for Israel: the National Insurance Institute and the Israeli Central Bureau of Statistics

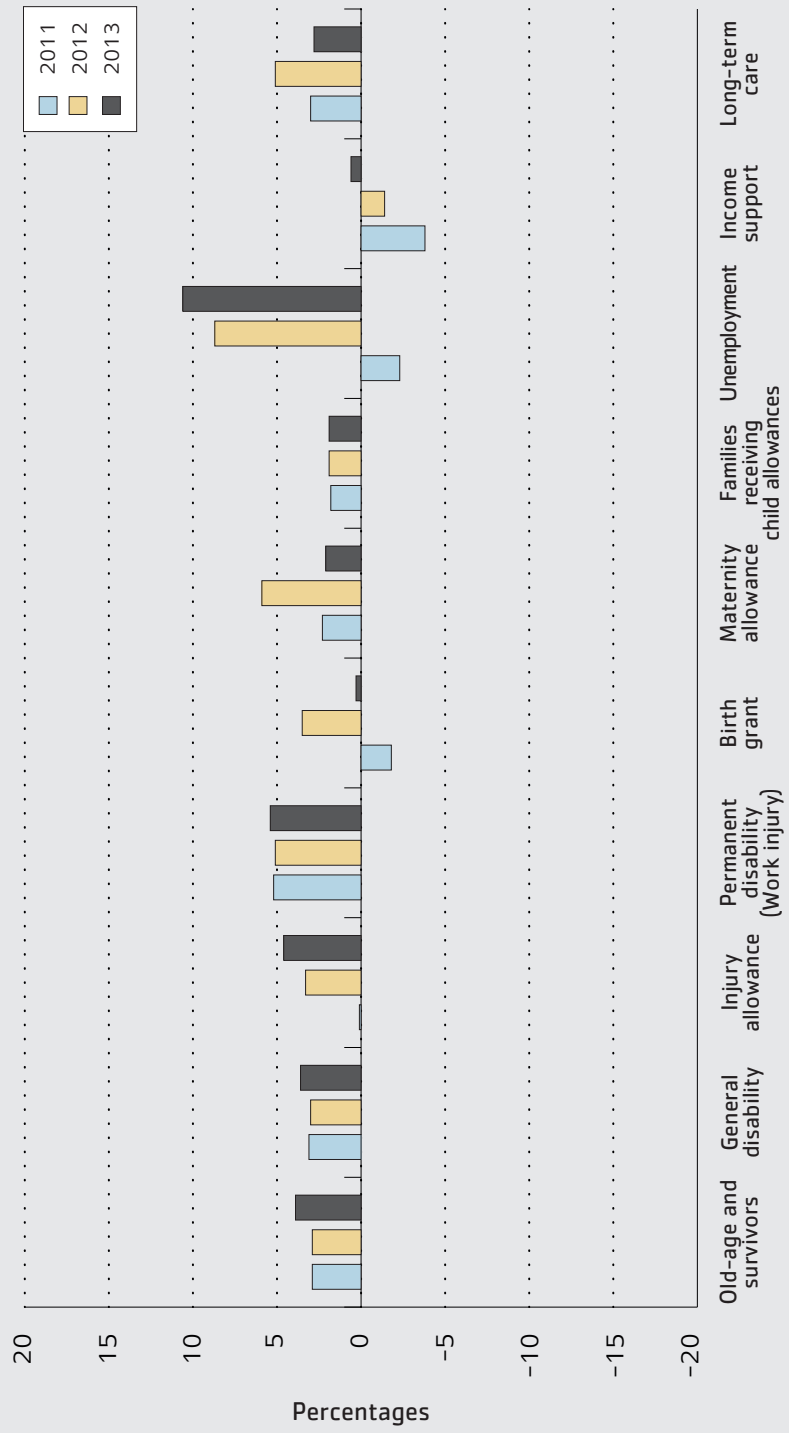
Graph 8  
Public Social Expenditure on in-kind Benefits as Percentage of GDP, OECD Countries and Israel, 2013\*



Graph 9  
 Rate of Real Cumulative Change in Benefit Payments, 2013 Compared to 2002



Graph 10  
Rate of Change in Number of Benefit Recipients, by Branch, 2010-2013

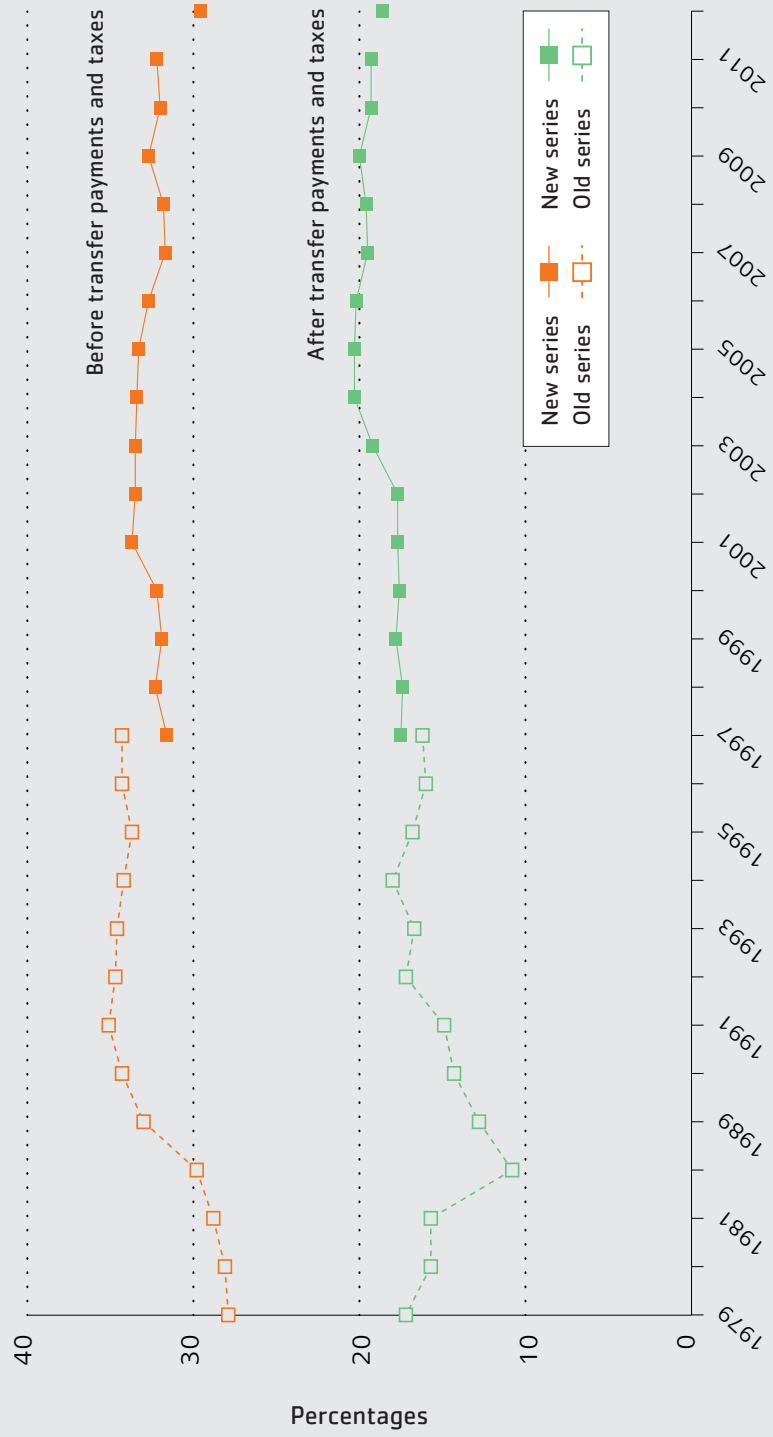


Graph 11  
 Unemployment Rate and Rate of Recipients of Unemployment Benefits Over Time, 2001-2013



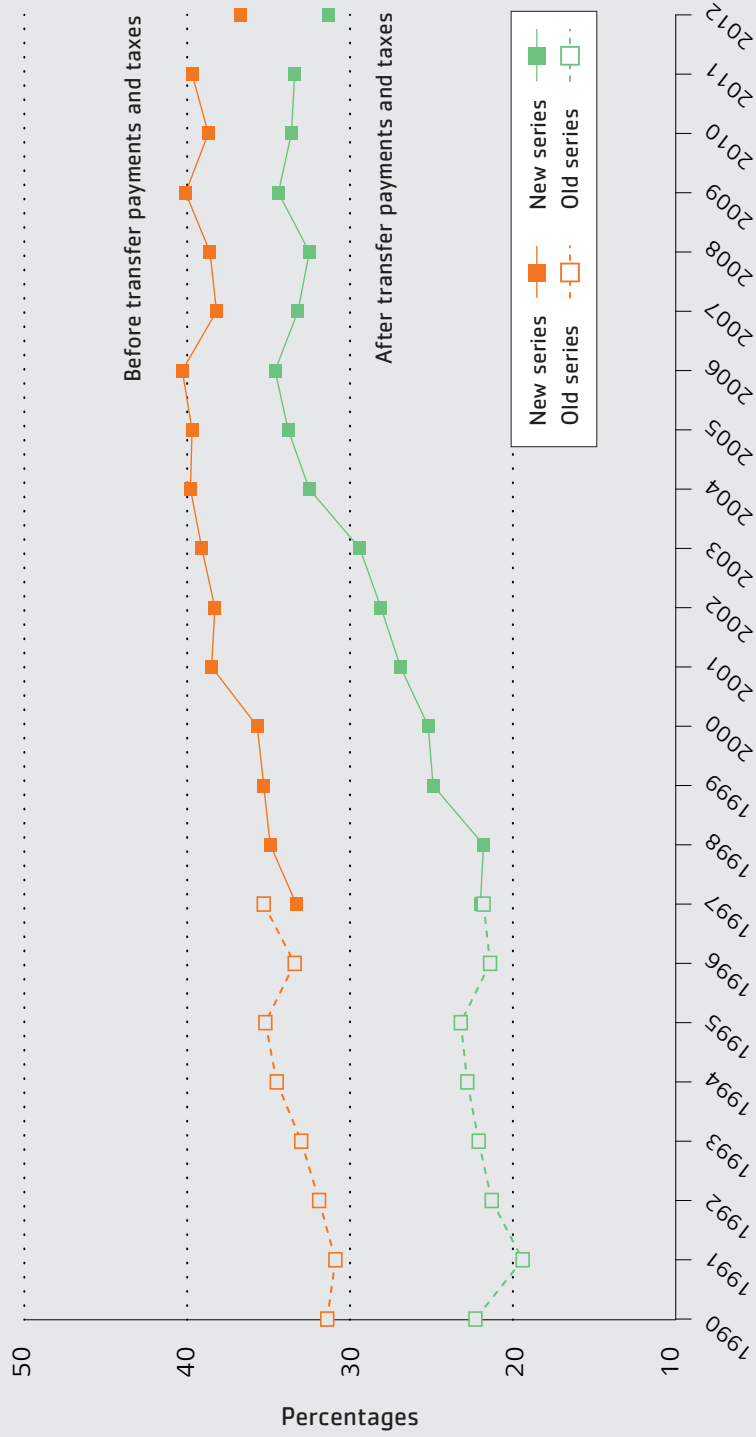
\* The changes in 2013 stem mainly from the structural changes in the CBS Manpower Surveys (see chapter on Unemployment in this Report).

Graph 12  
 Poverty in Total Population, Before and After Transfer Payments and Direct Taxes:  
 Families (percentages), 1979-2012 (not including East Jerusalem)

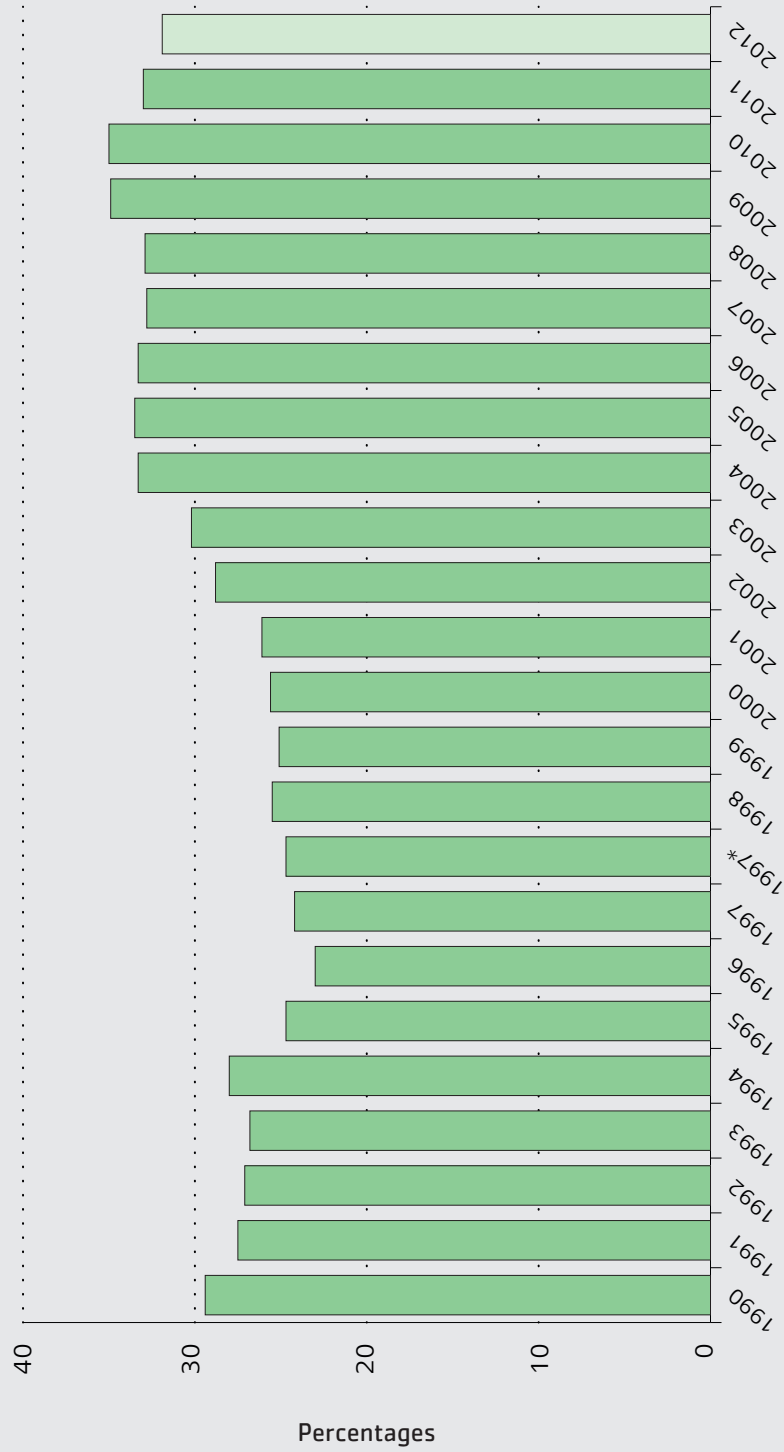




Graph 13  
 Poverty Among Children, Before and After Transfer Payments and Taxes (percentages),  
 1990-2012 (not including East Jerusalem)

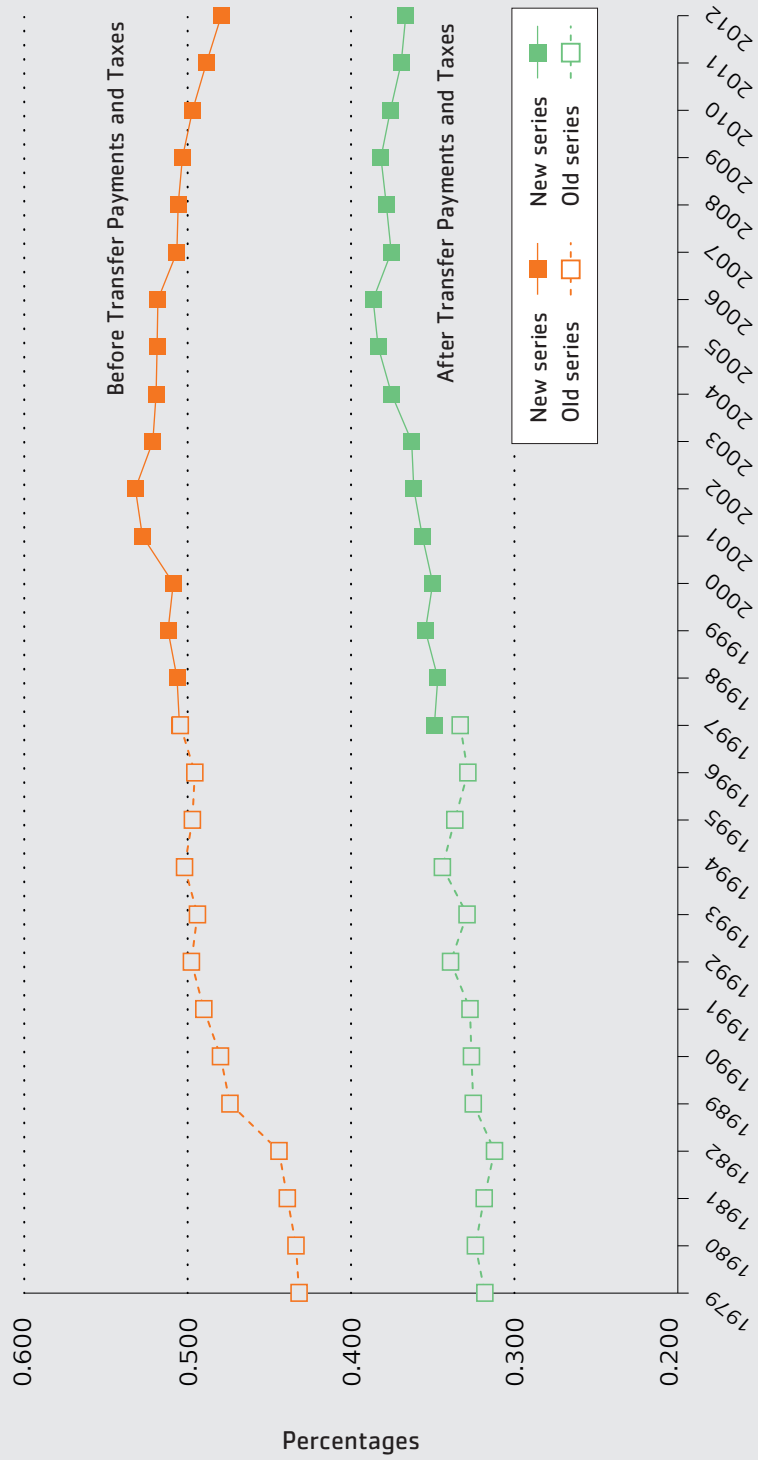


Graph 14  
Poverty Gap Ratio Index, 1990-2012 (total population, not including East Jerusalem, percentages)

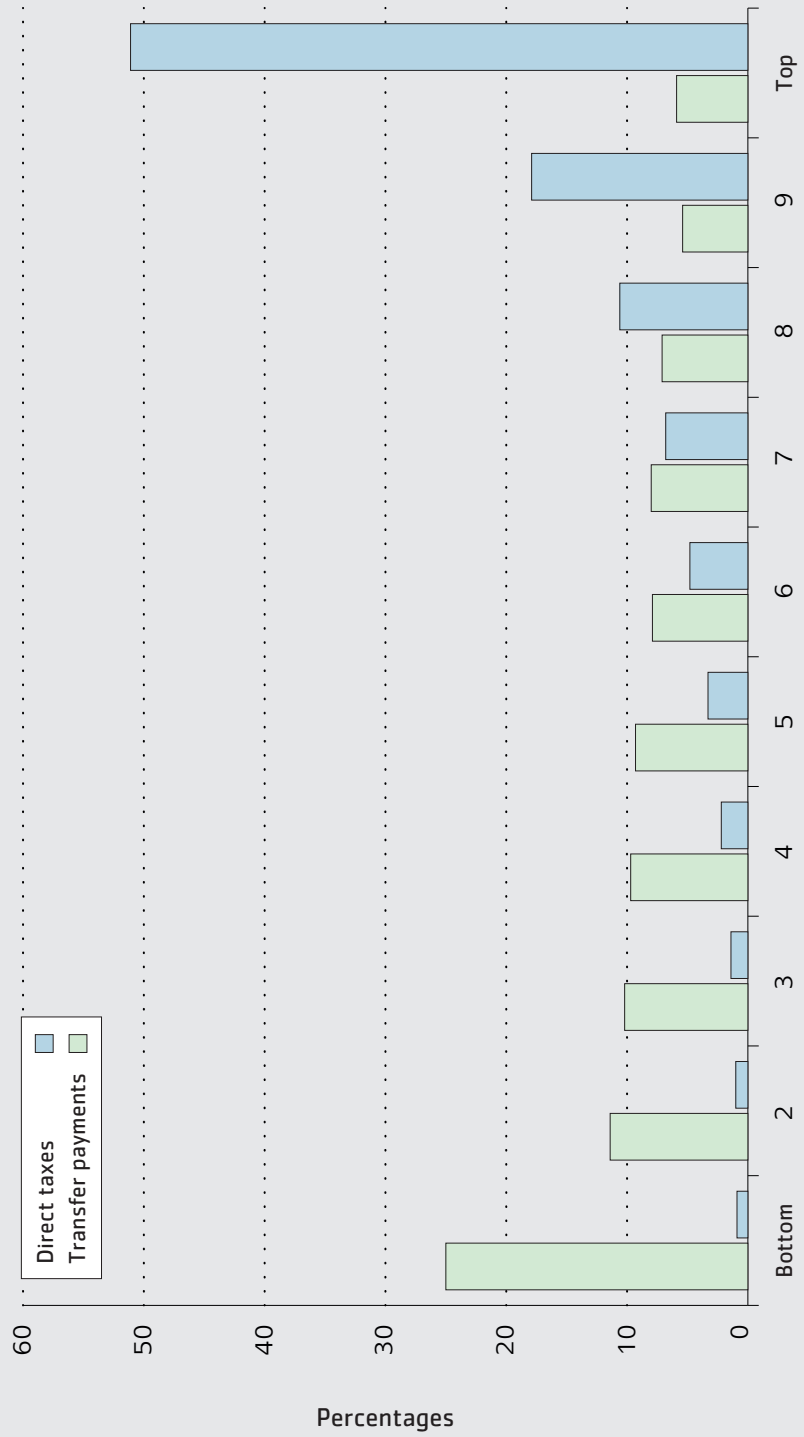


\* From 1997, new series

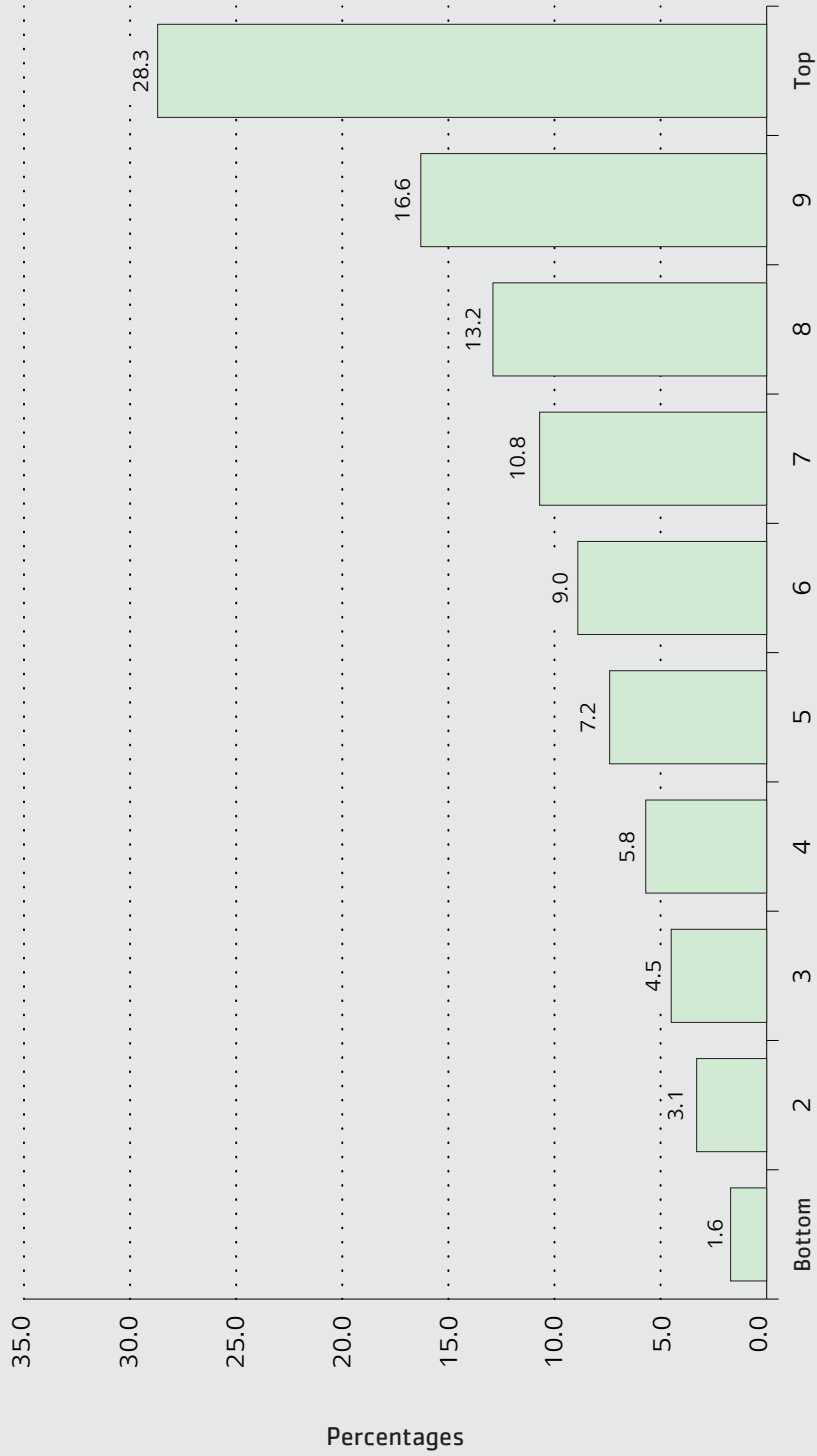
**Graph 15**  
**The Gini Index for Inequality in Income Distribution Among Families, Before and After Transfer Payments and Taxes, 1979-2012 (not including East Jerusalem)**



Graph 16  
 The Share of Each Decile in Total Transfer Payments and in Total Direct Taxes -  
 Total Population (percentages), 2012



Graph 17  
The Share of Each Decile in Total Net Income (percentages), 2012



\* The net income is calculated per capita; every decile includes 10% of all persons.



## **Chapter 1**

# Social Policy and Trends in National Insurance





## General

In recent years, the Research and Planning Administration of the National Insurance Institute of Israel (NII) has been investing considerable efforts in improving the demographic and economic – employment data entered into the financial and social sustainability model of the social security system established by the Administration, with the aim of helping to prepare the NII actuarial report. Within this framework, a demographic model and an employment model were developed by the Administration. The demographic model, which is described in Part 1 of this chapter and in Box 1, presents a long-term forecast of population development<sup>1</sup>. Part 2 of the chapter describes the employment model, which presents a forecast for employment development in Israel over the next 50 years, as derived from the demographic forecast. The employment forecast is important since it is used to forecast the level of receipts of the NII over time. The employment picture combined with the NII payment forecast, as published previously, enables a better assessment of the financial sustainability of the National Insurance Institute<sup>2</sup> (see Box 2).

In recent years, the National Insurance Institute of Israel has been investing considerable efforts into the financial and social sustainability model of the social security system

## 1. Population Development in Israel from 2010 to 2060

### A. Introduction

Demography and the forecast for its future development constitute a major factor in the project to examine the financial and social sustainability of the NII. The project, which has been developed by the Research and Planning Administration in recent years, is designed to enable an examination of different assumptions pertaining to various demographic processes and their social and economic effects – among them issues of birth rate development of different population groups, their employment development, etc. For this purpose, the demographic model is broken down by age (by single year), gender and population group for the next 25 to 100 years.

Demography and the forecast for its future development constitute a major factor in the project to examine the financial and social sustainability of the NII

In the demographic project, projections (forecasts) were made for the Israeli population, divided into ten groups: five for the Arab population (Muslims in the south; in East Jerusalem; Muslims in the other regions; Christians, Druze and Circassians) and five for the Jewish population (ultra-Orthodox Jews; non-ultra-Orthodox religious Jews; traditional religious; traditional but not religious and secular Jews). Different scenarios

.....

1 The demographic project was carried out with Dr. Eliyahu Ben Moshe. The long-term population projections were prepared by him for the National Insurance Institute. The projections are forecasts that are contingent on many assumptions, so that they cease constituting forecasts in the ordinary sense of the word, i.e. of an attempt to provide a probable assessment of a future occurrence. They are also not technical extrapolations of existing trends, but they include many “as-if” simulations, which are evaluated by the population team of the Research and Planning Administration and of Dr. Ben Moshe as interesting scenarios in the context of long-term social security planning.

2 See the interim conclusion of the model and its results in Chapter 1 of the Annual Survey of 2010.

were prepared for each group for several decades forward. The scenarios differ in the future fertility patterns of the groups and in the rate of convergence of the birth rates – starting with the assumption that the birth gaps will remain similar to the currently existing gaps<sup>3</sup> and ending with convergence of these birth rates with those of groups with currently low birth rates and with the assumption that the birth gaps will narrow but not disappear (the middle scenario). Therefore, numerous scenarios were created, from which we chose representative scenarios. Since the trends of changes in mortality are also uncertain, we also chose alternatives for them.

The predictability of the demographic forecasts for the next 30 years is more probable than for the more distant decades

The predictability of the demographic forecasts for the next 30 years is more probable than for the more distant decades. In forecasting the next 30 years, the demographic history of the different groups has great significance. The longer-term assumptions have a more speculative nature and they aim to present possible alternatives even if their probability is lower. These situations may occur and the forecasts are intended to illustrate the range of possibilities of size, structure and composition of the population in the future. Accordingly, the demographic project of the Research and Planning Administration provides a repository of many future population forecasts.

## B. Population Forecasts

Population forecasts are affected by assumptions pertaining to birth rate, mortality and migration development. This survey deals with three population groups with respect to which we need to make assumptions with regard to these three variables: non-Orthodox Jews, ultra-Orthodox Jews<sup>4</sup> and Arabs, for 2010-2060.

**Table 1**  
**Average Expected Number of Births per Woman,**  
**by Population Group (under “the Middle Scenario”), 2010-2060**

Year	Total	Jews			Arabs
		Ultra-Orthodox	Non-Orthodox	Total	
2010	3.0	6.4	2.5	2.9	3.3
2040	3.1	5.4	2.4	3.1	3.1
2060	3.0	4.7	2.2	3.1	2.8

3 This scenario is evaluated by us as unlikely, but it has been brought as a point of reference.

4 The affiliation with the ultra-Orthodox population is assessed according to an algorithm developed by the Research and Planning Administration based on administrative data analysis of the academic institutions of Jewish boys and girls and using family ties. Several validations were conducted for the model – vis-à-vis CBS surveys and vis-à-vis the Food Security Survey of the Research and Planning Administration. Details of the definition can be found in the position paper: Gottlieb D. and Toledano E. (2014). Employment and Wages in Israel of Select Populations, Administrative Data from 2001 to 2011, pg. 3 [http://www.btl.gov.il/Publications/more\\_publications/Pages/tasuka0410-8364.aspx](http://www.btl.gov.il/Publications/more_publications/Pages/tasuka0410-8364.aspx).

## 1. Fertility

The scenario presented here assumes a moderate decline in the fertility rates of all the population groups and it is established on the basis of an examination of the fertility levels that the different population groups had during the last decades. There is a fairly broad consensus among the experts<sup>5</sup> that the fertility rates are expected to decline in the future, while the present scenario reflects relatively modest changes.

During the years 2010-2060, the middle scenario (Table 1) assumes a fertility reduction of 1.7 children among the ultra-Orthodox population (from total fertility<sup>6</sup> of 6.4 in 2010 to 4.7, 50 years later) and of 1.2 children in the religious population (from 4.3 to 3.1). In the other Jewish groups with lower fertility levels the reduction of total fertility is smaller (total non-Orthodox Jews from 2.5 to 2.2). A fairly rapid reduction is expected to occur among the Muslim Arabs: the decline among the Bedouins is also relatively rapid – of 1.7 children (from 5.5 to 3.8) – and with the other groups in the Arab population the forecast is for a decline of a 0.7 child in the next 50 years. Also in this case there is a more moderate decline in the total fertility of the groups with low fertility (total Arabs from 3.3 to 2.8).

Although the fertility declines in all the groups, the fertility of the general population is expected to remain at its level as in 2010 – approximately 3 births on average per woman – as a result of the effect of the population composition, inasmuch as the proportion of the populations with higher than average fertility rates rises over the years.

High fertility rates have positive effects in terms of the stability of a social security system. If the working-age public is well integrated in the labor market, this situation indicates a high funding potential of the social security system when the children reach working age. For instance, the financial sustainability of European countries is adversely affected, inter alia, by the birth rates having shrunk to the extent that they are forced to open their doors to workers from other countries, despite the xenophobia in some of the countries. Therefore, the financial problem that may arise in Israel does not stem from the high birth rate among some of the population groups, but rather from the participation rate in the workforce still being quite low and from the wage of a substantial part of the salaried employees being low, particularly among the groups with high birth rates. Simultaneously increasing the employment rate and the wage level would improve the long-term funding situation of the social security and thereby also the social and financial sustainability situation.

## 2. Mortality and migration

**Mortality** – For each one of the two main groups – Jews and Arabs – three alternative mortality assumptions were calculated using a stochastic model: (1) minimum, (2)

<sup>5</sup> An expert survey conducted by the Central Bureau of Statistics.

<sup>6</sup> The total fertility is defined as a weighted average of the fertility rates of the reproductive age women population.

The scenario presented here assumes a moderate decline in the fertility rates of all the population groups

High fertility rates have positive effects in terms of the stability of a social security system

Simultaneously increasing the employment rate and the wage level would improve the long-term funding situation of the social security and thereby also the social and financial sustainability situation

maximum and (3) midpoint. The life expectancy of both groups and among both genders is expected to continue rising in the coming years and also the gaps in the mortality rates between the genders and between the groups is expected to decline gradually. According to these assumptions, the life expectancy at birth increases by approximately 2.5 months per year (Table 2).

**Migration** – It was assumed in the forecasts that the Israel migration balance rate of the Jewish population, including its five groups, would decrease from 3 out of a thousand to 0 in 2040. The migration balance of the Arab population was assumed to be approximately 0 throughout the period.

**Table 2**  
Expected Life Expectancy at Birth (under “the Middle Scenario”),  
Women and Men, Select Years

Year	Women		Men	
	Arab	Jewish	Arab	Jewish
2010	81.0	83.9	76.5	80.3
2020	83.4	86.0	79.1	82.5
2030	85.5	87.9	81.4	84.6
2040	87.4	89.5	83.5	86.5
2050	89.1	91.0	85.5	88.2
2060	90.7	92.3	87.3	89.8
Average annual increase in life expectancy	0.2%	0.2%	0.3%	0.2%
Growth in terms of life expectancy in 50 years	9.7	8.4	10.8	9.5

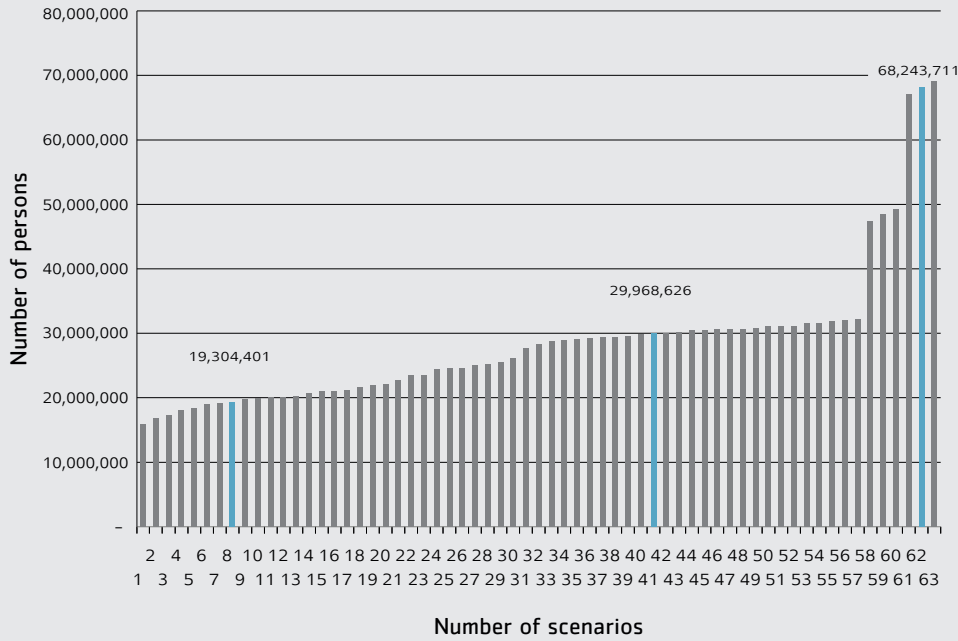
### Box 1

#### Population Forecasts for 2010–2110

The demographic forecast project of the Research and Planning Administration of the National Insurance Institute of Israel (NII) is designed to provide a population data infrastructure in order to examine the financial strength of the National Insurance Institute. Most of the project’s products are population estimates by gender, age and population groups – not necessarily specific demographic findings.

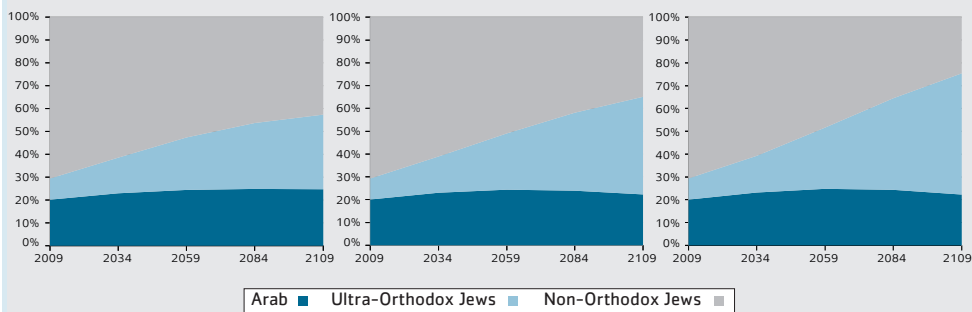
There are 63 different scenarios underlying the model of Israel population forecasts for the next hundred years (2010–2110), which create a very wide array of population compositions. The way in which the forecasts were calculated enables one to assume a different mortality and fertility assumption for each one of the ten population groups, to combine them and to present further forecasts.

**Graph 1**  
**Population Forecast for 2110, Total Population – Different Scenarios\***



\* The blue scenarios are the high, medium and low, as described in the box below.

**Graph 2**  
**Population Composition by Principal Population Group and Scenario**



The highest estimate assumes that the fertility rates will remain as they were in 2010 and the mortality rates will be very low, meaning the life expectancy will be high. The low scenario, by contrast, assumes a sharp decline in the fertility of each of the population groups and relatively high mortality rates. The Israeli population will reach

approximately 30 million residents according to the middle scenario presented in the center of Graph 1. Financial strength using the model is usually examined according to this scenario.

Graph 2 presents the expected population composition over the calculated period, divided according to population sector: Arabs, ultra-Orthodox Jews and non-Orthodox Jews. The most notable trend is the sharp rise in the proportion of the ultra-Orthodox group at the expense of the non-Orthodox Jewish group. The proportion of the Arab population rises slightly.

### 3. Population groups

In 2060, the Israeli population is expected to grow to approximately 16.9 million people and to reach 2.2 times its size in 2010 – an average annual growth of approximately 1.6%

In 2060, the Israeli population is expected to grow to approximately 16.9 million people and to reach 2.2 times its size in 2010 – an average annual growth of approximately 1.6%. According to the forecast assumptions, all the population groups will lessen their rate of growth in the coming 50 years. The ultra-Orthodox population, which constituted approximately 10% of the general population in 2010 will grow, according to the forecast, at an average rate of 3.6% per year and will constitute approximately 25% in 2060. The Arab population will increase its proportionate share and in 2060 is expected to constitute approximately 25% of the population of the State of Israel. Under this scenario, the growth rate of the three population groups diminishes over the years, while the growth rate of the non-Orthodox population is the lowest among the groups throughout the surveyed period and of the ultra-Orthodox Jews it is the highest (Tables 3 and 4).

**Table 3**  
Composition of the Population and the Expected Changes Therein,  
by Nationality and Religious Group (under "the Middle Scenario"),  
2010-2060

Population group	2010	2020	2030	2040	2050	2060
	<b>Absolute numbers</b>					
Total population	7,734,760	9,244,570	10,878,610	12,677,450	14,691,187	16,860,476
	<b>Percentages</b>					
Non-Orthodox Jews	70.4	67.1	62.8	58.5	54.4	50.3
Ultra-Orthodox Jews	9.4	11.4	14.6	17.9	21.5	25.3
Arabs	20.2	21.2	22.6	23.5	24.1	24.5

**Table 4**  
**Average Annual Growth Rates of the Population Groups**  
**over Time (percentages), 2010-2060**

Population group	2010-2020	2020-2030	2030-2040	2040-2050	2050-2060	2010-2060
Total population	1.80	1.64	1.54	1.49	1.39	1.57
Non-ultra Orthodox Jews	1.30	0.98	0.83	0.74	0.59	0.89
Ultra-Orthodox Jews	4.14	3.91	3.63	3.35	3.02	3.61
Arabs	2.29	2.28	1.96	1.72	1.55	1.96

#### 4. Age composition

Graphs 1A- H present the population age pyramids for 2010 and a forecast for 2060 for the general population and by group. Assuming a decline in fertility, the proportion of children in the general population will decline from a rate of approximately 33% in 2010 (about 2,539 thousand children) to approximately 31% in 2060 (about 5,172 thousand children). Among Arabs the proportion of children will decline from a rate of approximately 44% to 31% during the same period.

The older population (aged 68 or older) is expected to grow to 14.4% of the general population in 2060, compared to 8.3% in 2010. In 2010, some 640 thousand older adults lived in Israel and in 2060 2,430 thousand persons aged 68 or older are expected. The proportionate part of the older adults among the ultra-Orthodox population will continue to be low: approximately 5% of the ultra-Orthodox population is expected to be aged 68 or older in 2060.

The graphs indicate a balanced pyramid of the general population in the long-term, judging by its structure – a wide base of children, narrowing gradually to a relatively narrow rate of the elderly population. One of the important components of social and financial strength is therefore to strive toward a high employment rate and wage level combination for the general population. In light of cultural and other differences, there are significant gaps in employment rates and in wage levels between the different population groups.

In light of these gaps, these pyramids should also be looked at by cultural groups and by birth rate habits and labor market integration, since as is well known the gaps between them in these areas are significant. Accordingly, an important aim of socio-economic policy is to reduce economic gaps also from the aspect of socio-economic and financial sustainability and first and foremost, the wage gaps, which constitute an important basis

Assuming a decline in fertility, the proportion of children in the general population will decline and the older population (aged 68 or older) is expected to grow to 14.4% of the general population in 2060

for family income and for social security receipts. The wage level is determined by several factors, such as employee productivity and the degree of fairness in the labor market (one of the components of which is compliance with minimum wage). A further indicator of unfairness in the labor market is the degree of crowding around the minimum wage of professionals, inasmuch as the minimum wage is intended to be a floor for non-professional workers. Professional workers should earn a higher wage inasmuch as their job productivity is higher. This is also one of the reasons that the unemployment rate does not respond to increases in the minimum wage. The issue of employment and wage by population group is examined in section 2 of this chapter.

### 5. The working-age population and dependency ratio measures

Other important measures associated with the age structure are the annual growth of the working ages (in absolute terms and in percentages) and dependency ratios, which are measures of the possible impact of the age structure on the burden imposed on the working-age population. The burden can be measured also relative to the number of employed persons: the higher the employment rates, the smaller the burden.

Table 5 presents the expected population data by gender and population groups. The ultra-Orthodox population constituted approximately 7% of those aged 18-67 in 2010 and is expected to be 23% in 2060, whereas the non-Orthodox Jews, who constituted 75%, are expected to lower their proportion to only 51% during the same period. In terms of the financial strength in the context of old age it is necessary to look at the

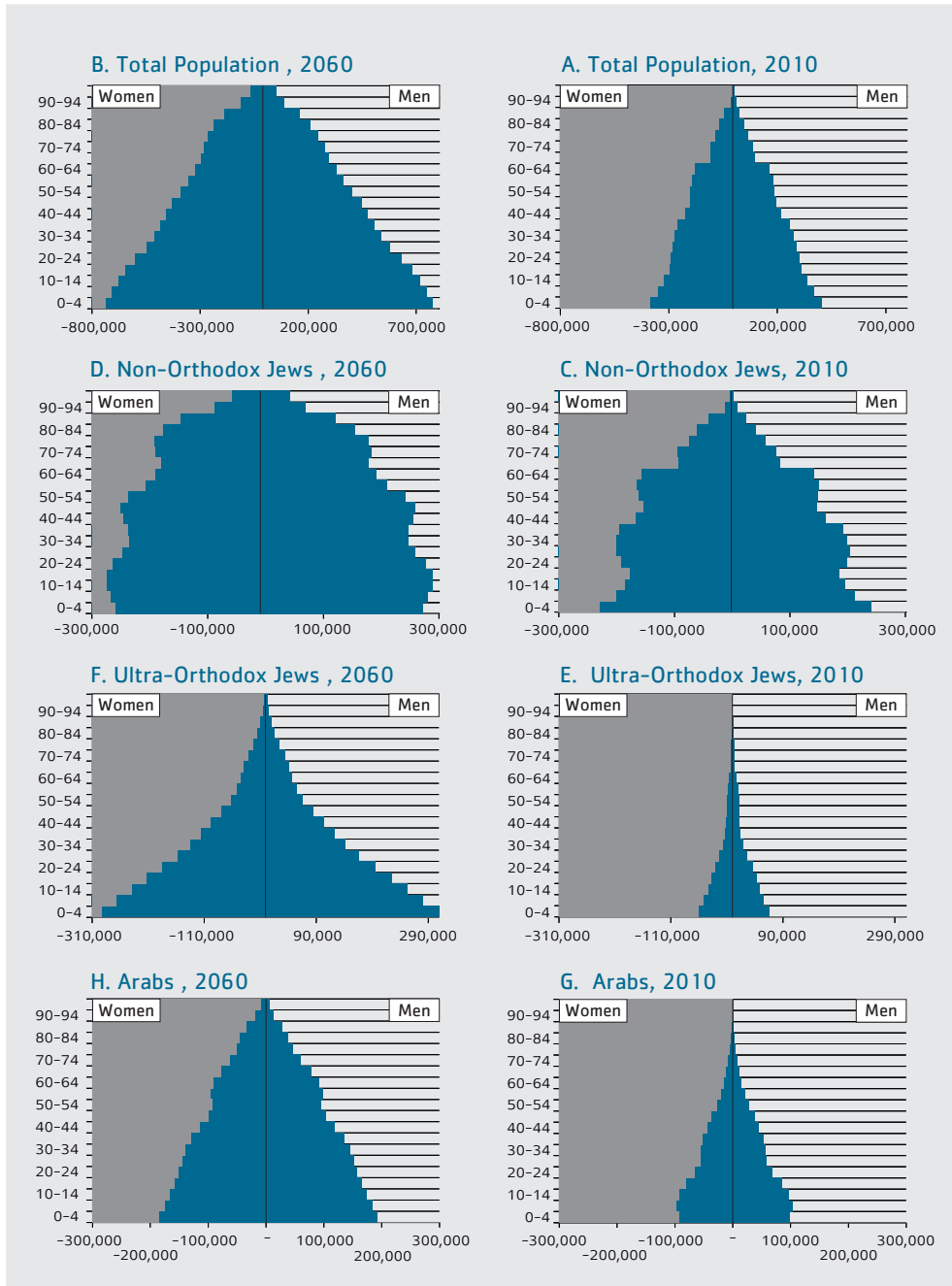
Table 5 presents the expected population data by gender and population groups. The ultra-Orthodox population constituted approximately 7% of those aged 18-67 in 2010 and is expected to be 23% in 2060

**Table 5**  
**The Working age Population (18-67), by Population Group**  
**(under “the Middle Scenario”), 2010-2060**

Population group	2010	2020	2030	2040	2050	2060
<b>Total</b>	4,558,000	5,257,430	6,076,090	7,040,880	8,022,659	9,260,723
Non-ultra Orthodox Jews	3,398,890	3,636,950	3,972,600	4,305,550	4,469,793	4,745,072
Ultra-Orthodox Jews	325,550	486,820	700,940	1,048,600	1,521,643	2,136,443
Arabs	833,550	1,133,660	1,402,550	1,686,740	2,031,223	2,379,208
<b>Men</b>	<b>2,255,340</b>	<b>2,618,090</b>	<b>3,047,710</b>	<b>3,551,890</b>	<b>4,067,938</b>	<b>4,709,528</b>
Non-ultra Orthodox Jews	1,666,880	1,794,910	1,980,030	2,161,430	2,259,143	2,409,075
Ultra-Orthodox Jews	168,260	249,410	356,580	533,960	775,467	1,088,406
Arabs	420,210	573,770	711,090	856,510	1,033,328	1,212,047
<b>Women</b>	<b>2,302,660</b>	<b>2,639,340</b>	<b>3,028,390</b>	<b>3,488,990</b>	<b>3,954,721</b>	<b>4,551,195</b>
Non-ultra Orthodox Jews	1,732,020	1,842,040	1,992,570	2,144,120	2,210,650	2,335,997
Ultra-Orthodox Jews	157,300	237,410	344,360	514,640	746,176	1,048,037
Arabs	413,350	559,890	691,460	830,230	997,895	1,167,161

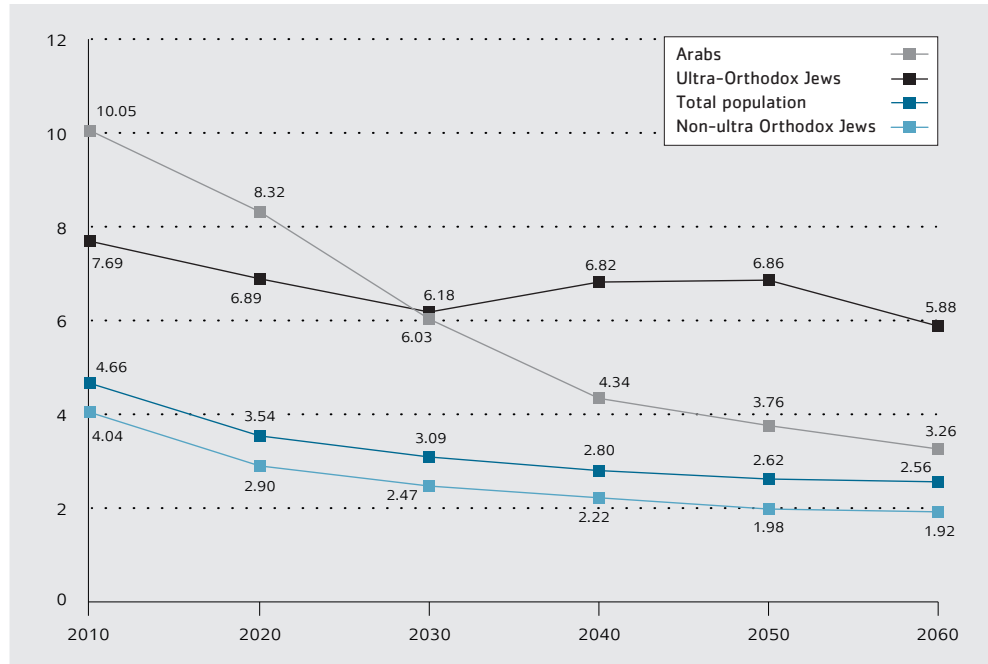


**Graph 1**  
**Age and Gender Composition of the Population in Israel by Population Group, 2010–2060**



ratio of working age to old age, inasmuch as a high birth rate increases the working age population in due course.

**Graph 2**  
**Ratio of the Working-age Population (25 to 64) to the Population Aged 65+,**  
**2010-2060**



\* The age group ratio is usually presented according to the ages in the graph. However, it is reasonable to assume that the increasing life expectancy and the development of the demographic ratio result in an extension of the working age period, whereas the lower limit of old age is rising, so that the ratio decreases less than in the graph.

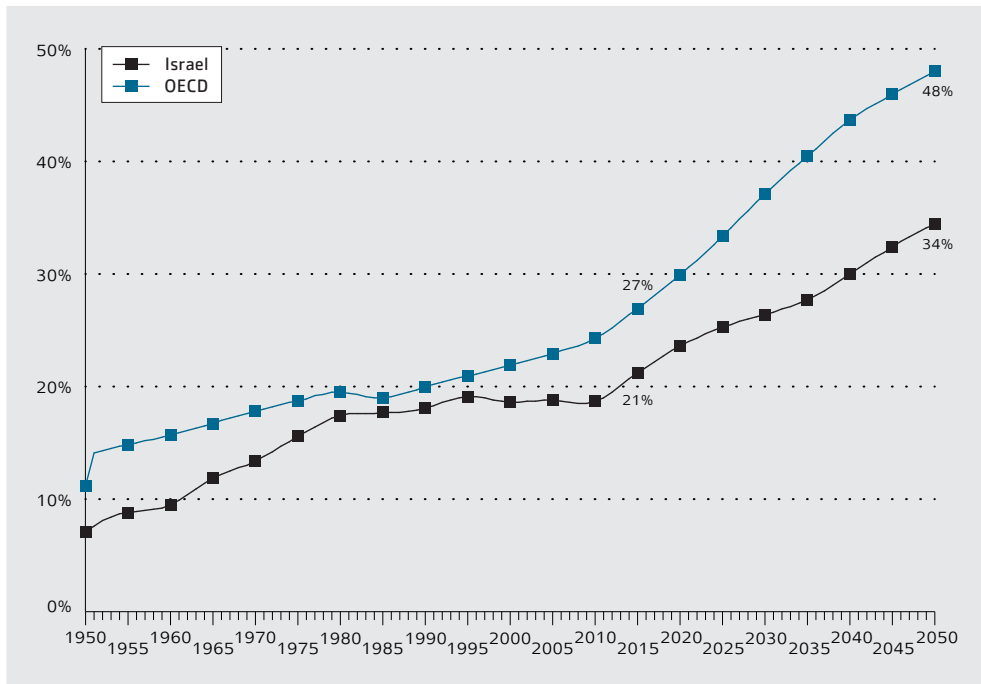
While the birth rate increases the dependency ratio, over the middle to long-term it improves it, inasmuch as the children grow and constitute an addition to the work force

While the birth rate increases the dependency ratio (Graph 4), over the middle to long-term it improves it, inasmuch as the children grow and constitute an addition to the work force. By contrast, the aging of the population only increases the dependency ratio over time (Graph 2). If we look at the potential, then families with many children and few elderly (the ultra-Orthodox Jew society and the Arab society) indicate a higher strength potential than does the non-Orthodox population – this assuming, of course, that they make up the gap in the employment rates within a short time.

It is customary in the OECD countries to present the dependency ratio as the rate of people in old age relative to the working-age population. Such a ratio with a forecast pertaining to Israel compared to the forecast prepared by the OECD is presented in Graph 3 below.

The data for the 34 OECD countries and for Israel were taken from an OECD report where they are defined by inverse ratio, i.e. the working-age population (aged 20 - 64) divided by the elderly population (65+). Therefore, the numbers here were calculated as the ratio of 1 divided by the numbers in the OECD report. It would have been advisable to compare the graph up to 2060, but the OECD estimates do not yet include such data.

Graph 3  
The Population Aged 65+ as a Percentage of the Population Aged 20-64,  
Israel and OECD Countries, 1950-2050



Source: Pensions at a Glance – Retirement Income Systems, OECD and G-20 Countries.

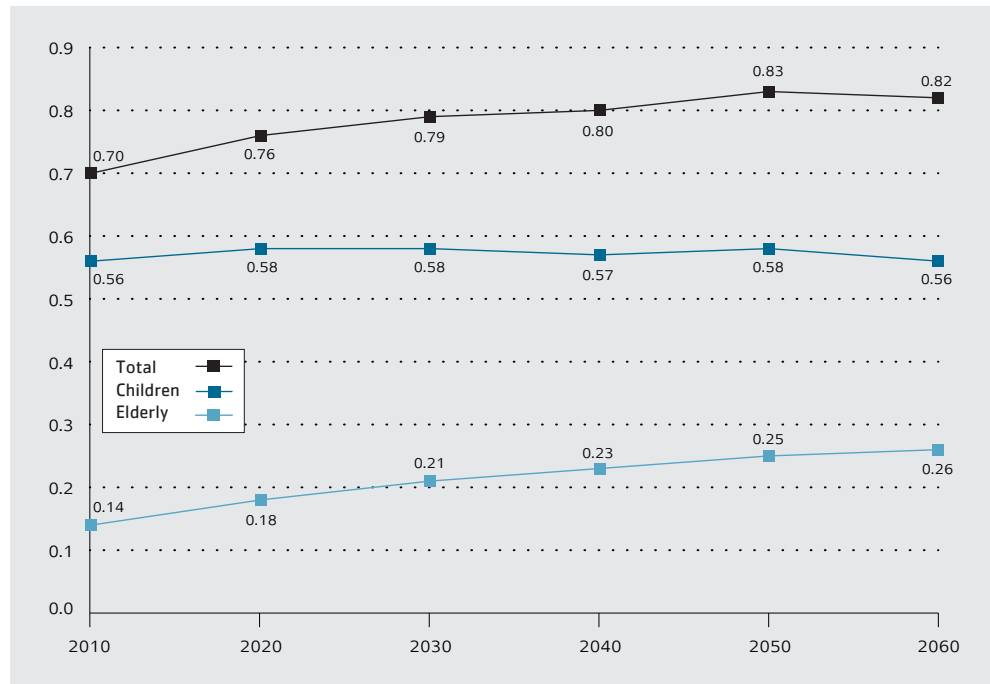
The calculations in Graph 3 indicate an advantage to the Israeli market over that of the OECD, which diminished from the 50s until the end of the 70s of the previous century. From the 80s until the mid-90s the Israeli market developed at a rate similar to that of the OECD and since then a growing advantage has again accrued to Israel. This advantage is expected to continue to grow even further in the coming 40 years according to OECD estimates. Naturally, this advantage largely depends on continued growth in the employment rate in Israel compared to the OECD and on rehabilitation of the wage level – two processes that would contribute to increasing the receipts of national insurance contributions. Such a development, of the continued positive trend in the employment rates accompanied by increased wages of newcomers, is not self-evident, judging by the wage development of the newcomers to the labor market in the last decade.

The dependency ratio, which includes the elderly and children as dependent on the working-age population, is presented in Graph 4. This ratio is expected to rise until 2050 and subsequently to level off. While in 2010 the ratio of the dependents (children and the elderly) to the working age population was 70 dependents per every 100 working age persons, in 2050 this ratio is expected to rise to 83 dependents. Most of the dependency stems from the growing elderly population, inasmuch as the rate of children is expected

The calculations in Graph 3 indicate an advantage to the Israeli market over that of the OECD which is expected to continue to grow even further in the coming 40 years

The dependency ratio is expected to rise until 2050 and subsequently to level off

**Graph 4**  
**Dependency Ratio: Children and Elderly Relative to the Working-age Population (18-67), 2010-2060**



to rise slightly until 2020 and then to stabilize at a high level until about 2050 and subsequently to begin to decline, while the number of elderly dependents is expected to double. From a long-range perspective it is more correct to include only the elderly in the dependency ratio, inasmuch as children have the potential of becoming a point of strength in terms of financial strength if resources are invested in them wisely.

## 6. Summary

Several major trends can be identified, which arise from the initial population structure and its two key components – the age structure and the age composition of the different population groups:

- The growth in the population will continue in the coming 50 years, despite the expected decline in the fertility rates.
- A steep upward trend in the rate of the elderly in the population is expected, particularly among non-ultra Orthodox Jews and Arabs.
- A decline in the percentage of the working age population and a rise in the burden on the potential workers is expected, although less than in OECD countries. The burden will also be affected by the degree of growth in the actual employment rate and by the degree of success in improving the wage level, particularly of the newcomers.

A decline in the percentage of the working age population and a rise in the burden on the potential workers is expected

## 2. Employment and Wage Development: 2001–2012 and Future Forecast<sup>7</sup>

### A. General

The population in Israel is varied in many respects: culture, ethnic origin, religion, devoutness, nationality, cultural heritage and demographic and regional structure. This heterogeneity greatly affects the functioning of the different groups in the labor market, as reflected in their employment rates and wage distribution.

The description of labor market behavior is based on a combination of individual identified administrative files over time that have accumulated at the NII in its capacity as a payer of benefits and as a collector of national insurance contributions as well as of the health insurance contributions that are distributed to the sick funds. The source of the files is the NII and government ministries related to the NII, such as the wage file of the Tax Authority and the demographic data file from the Ministry of the Interior. An important advantage of this database over other information on the labor market lies in the ability to investigate different aspects of the labor market situation over time, also within very small groups, since the database encompasses the entire population in Israel.

The analysis allows identification at the individual level, naturally while strictly maintaining privacy protection, and focuses on employment rates and wages of select groups – non-ultra-Orthodox Jews, ultra-Orthodox Jews, Ethiopian Jews and Arabs – by gender, age group, geographical region and economic sector<sup>8</sup>.

An employed person is defined as someone who has received wages in a given year as a salaried employee or as a self-employed person. The employment rate is calculated as the ratio of the number of employed persons to the number of residents in the reference group. The research population encompasses all residents of Israel aged 20–67. The employment indices describe the employment rate where 2001 constitutes a base (100=), in order to emphasize the dynamic as reflected by the cumulative growth rate of the employment compared to the base year.

The following analysis explores the development of both the employment rate and the wage distribution, so that it sheds light on the degree of influence of the steep growth in the employment rate that occurred in recent years on the standard of living. The analysis further reinforces the finding whereby joining the labor market per se does not guarantee

The analysis further reinforces the finding whereby joining the labor market per se does not guarantee a rise in the relative standard of living

7 The 2012 data was received near the completion of the preparation of the work on the Annual Survey, since the wage files of the Tax Authority are received with a delay of about 18 – 20 months. Consequently, Box 2 refers to the employment data up to 2011. The wage developments were taken from the 2012 files.

8 The weight of the individual is calculated relative to the number of months he worked in said year, so that the weight of a person who worked a full year is 1 and if for example he worked half a year – his weight is half. The weight therefore affects our calculation of the employment rate. The employment rate is calculated as the ratio of this number to the number of working age residents in the reference group.

a rise in the relative standard of living<sup>9</sup>. The explanation for this probably lies in a simple economic truth: as the supply of low-skilled workers grows in the labor market, their wage level may decline due to the growth in the supply of these kinds of services, while concurrently there is no growth (and in certain periods there is even a decline) in the demand for work services on the part of employers (Graph 5).

It should be noted that there is no simple way to identify ultra-Orthodox Jews in the files, inasmuch as Orthodoxy is essentially a subjective feeling of cultural – religious affiliation. In order to overcome this deficiency in the analysis of the behavior of this group in the labor market, an algorithm has been developed in recent years by the Research and Planning Administration from the administrative data of the NII in an attempt to identify those affiliated with this group according to various characteristics (for instance – one of the family members being a graduate of a yeshiva or an ultra-Orthodox seminary for girls)<sup>10</sup>.

The results pertaining to employment and wage are presented below. The data is presented separately, notwithstanding the connection between the two. The connecting link is the interaction between the demand for work by employers and the work supply of workers and job seekers.

## B. Employment Rates

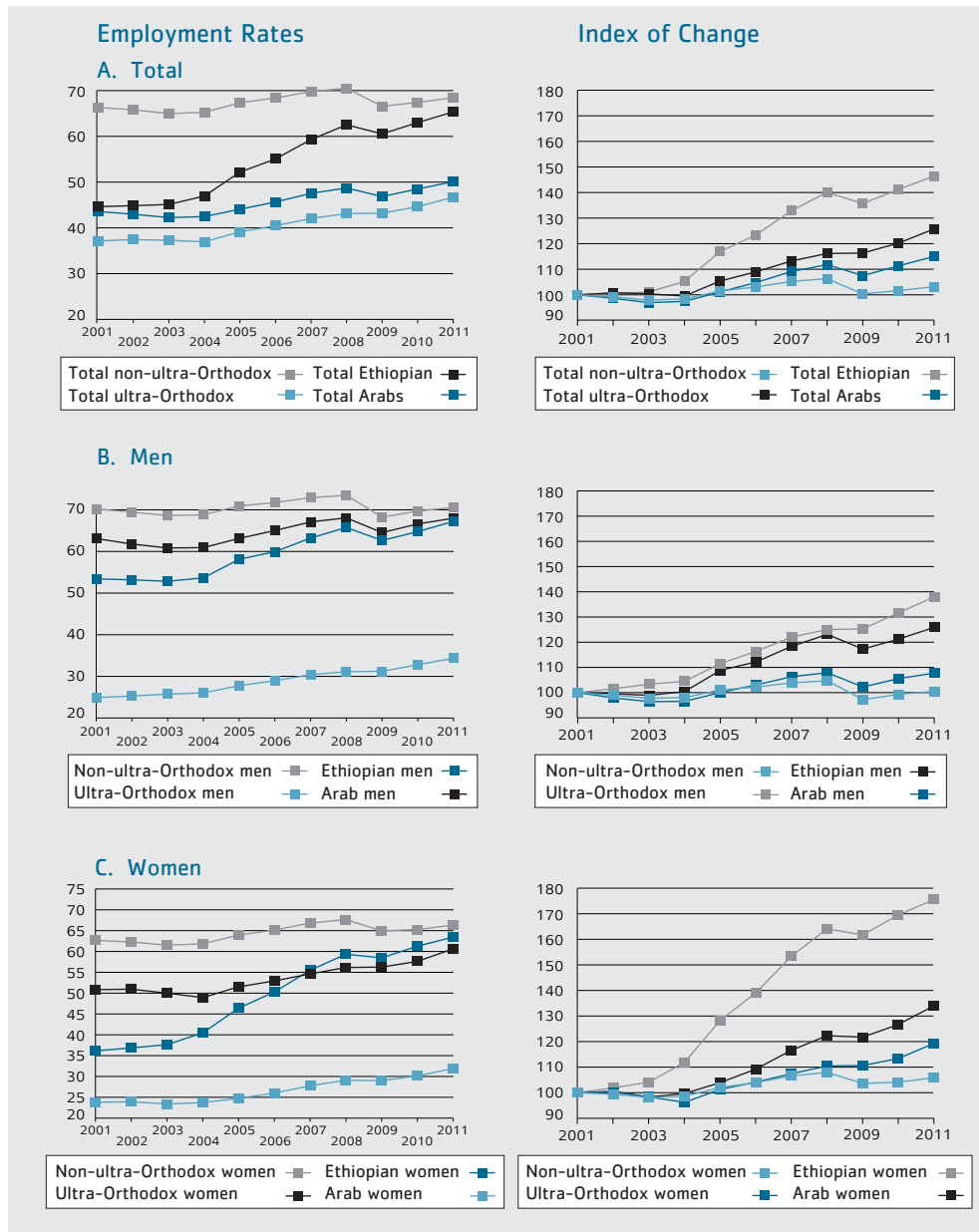
A major goal of the government in recent years has been increasing the employment rate in Israel, primarily among groups that traditionally have a relatively low employment rate<sup>11</sup>.

- .....
- 9 Such indication already exists in the surveys on the dimensions of poverty and social gaps of recent years, where the information there is based on surveys and it is therefore more general in terms of the reference to specific population groups. See in particular: The National Insurance Institute – Dimensions of Poverty and Social Gaps Survey 2014. Graphs pgs. 48 – 50. [http://www.btl.gov.il/Publications/oni\\_report/Documents/DohOni2012.pdf](http://www.btl.gov.il/Publications/oni_report/Documents/DohOni2012.pdf).
- 10 Yeshiva students and seminary girls are identified through unique payment of national insurance contributions. Furthermore, the Research and Planning Administration conducted surveys in 2011 and 2012 on food security, which also included devoutness-related questions (“Would you describe yourself as being affiliated with the ultra-Orthodox community? The national religious? Traditional religious? Traditional but not religious?”). The algorithm data of identifying an ultra-Orthodox person was corroborated with this subjective information and the results were reasonable. Most of the errors were in identifying an ultra-Orthodox Jew versus a national religious Jew, and the data was deficient when involving the Hassidic ultra-Orthodox movement, since the rate of those learning in a Yeshiva as a principal occupation is lower among them. Another upward bias of the estimated population volume could arise in relation to families of the penitents, inasmuch as they may be counted as ultra-Orthodox families. A potential bias in the opposite direction (presumably smaller, inasmuch as the ultra-Orthodox population is smaller than the non-Orthodox population) involves families of those leaving the fold. Insofar as the probabilities of strengthening devoutness are higher than the opposite development, so the bias will be toward underestimation.
- 11 See: (2007). Socio-Economic Agenda, Israel 2008 – 2010. National Economic Council. Prime Minister’s Office. <http://www.tevet4u.org.il/files/wordocs/agenda-%2008-10.pdf>, there a goal was set for increasing the employment rate for those aged 25 – 64 to 71% by the end of 2010, compared to a rate of approximately 68% at the time the Agenda Report was written. In view of the definition changes by CBS due to the desire to create harmonization with international definitions (ILO and OECD), certain changes may be necessary in the Agenda goals. Given the changes in the definition of the term “employment” in the CBS Manpower Survey, the historical comparison is more complicated, since the CBS has been defining, inter alia, also the regular soldiers as employed persons since 2012. The definition in this document does not include regular soldiers; therefore it is currently perhaps the only retroactive sequence that could be compared to many years retroactively.

Graphs 5A–C indicate significant growth in the employment rates of the ultra-Orthodox and Arab population, at least in the last 12 years. Of all the groups the Ethiopian Jews are the most notable: not only has the employment rate among them accelerated, but they more or less narrowed the large gap that existed in the early 2000s between their own employment rates and those of the non-ultra-Orthodox – the group

Graphs 5A–C indicate significant growth in the employment rates of the ultra-Orthodox and Arab population, at least in the last 12 years

**Graph 5**  
Indices of Change in the Employment Rate  
and Employment Rates by Population Group and Gender



with the highest employment rates in Israel<sup>12</sup>. The employment rate of ultra-Orthodox women is also approaching that of the non-ultra Orthodox women. Among Arab women there is still a significant gap in employment rates. However, the growth rate of convergence of the employment rates among Arab women has accelerated since 2004 and even more so in 2010 and 2011. Arab men have continued approaching the fairly high employment rates of non-ultra-Orthodox men in recent years. The employment rates of ultra-Orthodox men are still far from those of the other population groups, but they have been growing steadily since 2001 and at the fastest rate among the three groups and in 2010 - 2011 a particularly rapid acceleration can be observed.

The surge in the employment rates is notable between 2003 and 2004, a year during which an approximately two-year process of detriment to the social security system reached its peak, particularly in the level of child allowances and income support benefits<sup>13</sup>. Moreover, the period of payment of unemployment benefits was shortened and the volume of payments to young people was reduced. In 2004 the economy also began emerging from the deep recession in which it had been seeped since the beginning of 2001, so that the employment gaps also probably narrowed in consequence of the increase in the demand for workers.

Among men a significant convergence to higher employment rates can be observed

Among men a significant convergence to higher employment rates can be observed. Thus, for instance, since 2007 the employment rate of young Arab (up to the age of 35) has already passed the employment rate of non-ultra-Orthodox young Jews. For ultra-Orthodox Jews the growth rate is particularly high among those aged 35-50. Also among ultra-Orthodox Jews up to the age of 35 the growth rate of the employment rates is high and it has risen since the beginning of the 2000s by more than 25%. Also among the older ultra-Orthodox Jews (aged 50 or older) the employment rate has grown faster than among the Arabs and the non-Orthodox Jews.

Among women, the fastest growth rate of all three age groups is among Arab women

Among women, the fastest growth rate of all three age groups is among Arab women. The acceleration mainly began as of 2004, apparently in the wake of the extensive cuts in benefits, particularly in the child allowances. The growth rate was particularly great among older Arab women, but also among the middle aged (35 - 50). They have a rapid rate of joining the job market. Among the young women the growth halted during the recession year (2009), but resumed immediately thereafter.

The rate of growth of the employment rates increases with the number of children in the family, among both men and women

The rate of growth of the employment rates increases with the number of children in the family, among both men and women. Among men the phenomenon exists mainly among ultra-Orthodox Jews and Arabs. Rapid growth of entry into the job market has begun among young ultra-Orthodox Jews even where there are no children in the family.

12 As explained above, the non-ultra-Orthodox group is a diverse group that incorporates not only non-religious families, but also national religious, traditional and other such families.

13 Reduction of the disregard (the work income that is not exempt from the means test in the determination of the benefit level).



A certain turnover is evident between ultra-Orthodox men and ultra-Orthodox women with the increase in the number of children.

Regionally, the gaps in the rates of entry into the job market are less prominent. However, the acceleration is greatest among ultra-Orthodox Jews and Arabs in the south. The accelerated convergence of the employment rates develops in accordance with the objectives of the government, i.e. the fastest entry is among ultra-Orthodox Jews and Arabs. This result is indeed influenced, inter alia, by the initially low employment rates among both these populations, but this is not the only reason: the convergence per se is not inevitable but reflects a change of behavior of these groups in recent years. The data shows that the change has been going on for at least six years.

### C. Wage Development

The surveyed period (2001-2012) is divided in Graphs 6 A-F into two sub-periods: the cutbacks and the recession in 2001-2004 – Graphs A-B and the subsequent growth (which was infringed by the short recession at the end of 2008 until mid-2009) – Graphs C-D. An analysis of the aggregate period was made in Graphs E-F.

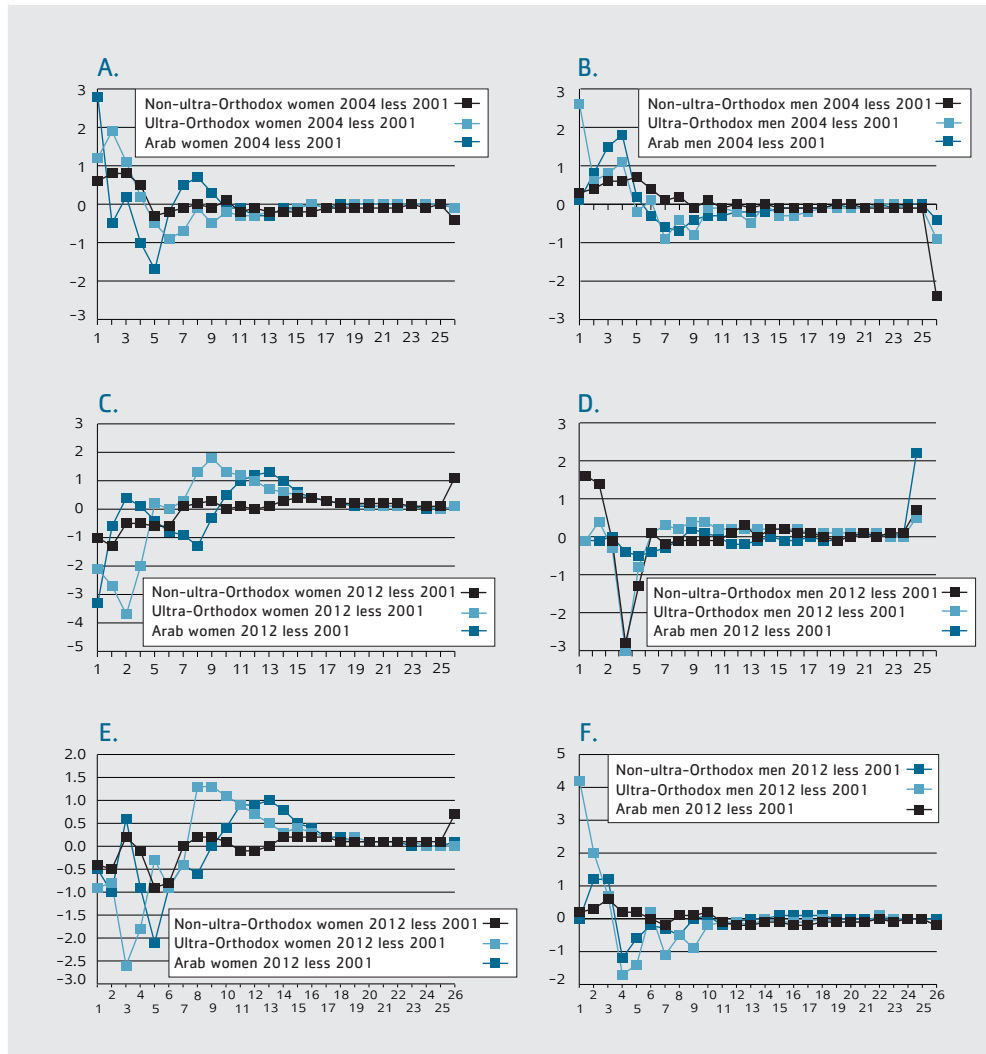
During the first period, there was a deterioration within the three population groups – particularly among men, and to a lesser extent also among women, since among the Arab women there was a certain improvement in the monthly wage of NIS 6,000 - 9,000. Also notable in the first period is the major deterioration in the high wage bracket (more than NIS 25,000 per month) of all the groups.

During the second period there was a significant improvement in women earning low wages and it is particularly notable among ultra-Orthodox women and Arab women. However, the economic growth passed over the ultra-Orthodox men, whose situation deteriorated during this period as well. Among Arab and non-ultra-Orthodox men the result is less clear. At the upper end of the distribution, the situation of the high wage earners again improved similar to the deterioration of the first period.

If we look at the aggregate period (2012 compared to 2001), we see an obvious improvement among women, particularly ultra-Orthodox women and Arab women, and a deterioration among men – particularly ultra-Orthodox men and less Arab men and still less non-Orthodox men. The distributions themselves in each one of the three years – 2001, 2004 and 2012 – are presented in Graphs 7 A-F and they emphasize the mode value (distribution peak) differences between the groups. The distributions also emphasize the overall fixation that characterized the gross wage distributions over the surveyed years, since we see that there was almost no movement in them in real terms.

Table 6 examines the gross wage distributions of the different years by the mode wage level and by the cumulative distribution up to a certain wage level – NIS 10,000. According to this cumulative rate, insofar as the mode wage is lower and the cumulative rate of the class is higher, so the gross wage distribution is less equitable.

**Graph 6**  
**Change in the Wage Distributions by Population Group and Gender**  
**(2012 prices)\*, 2001, 2004 and 2012**



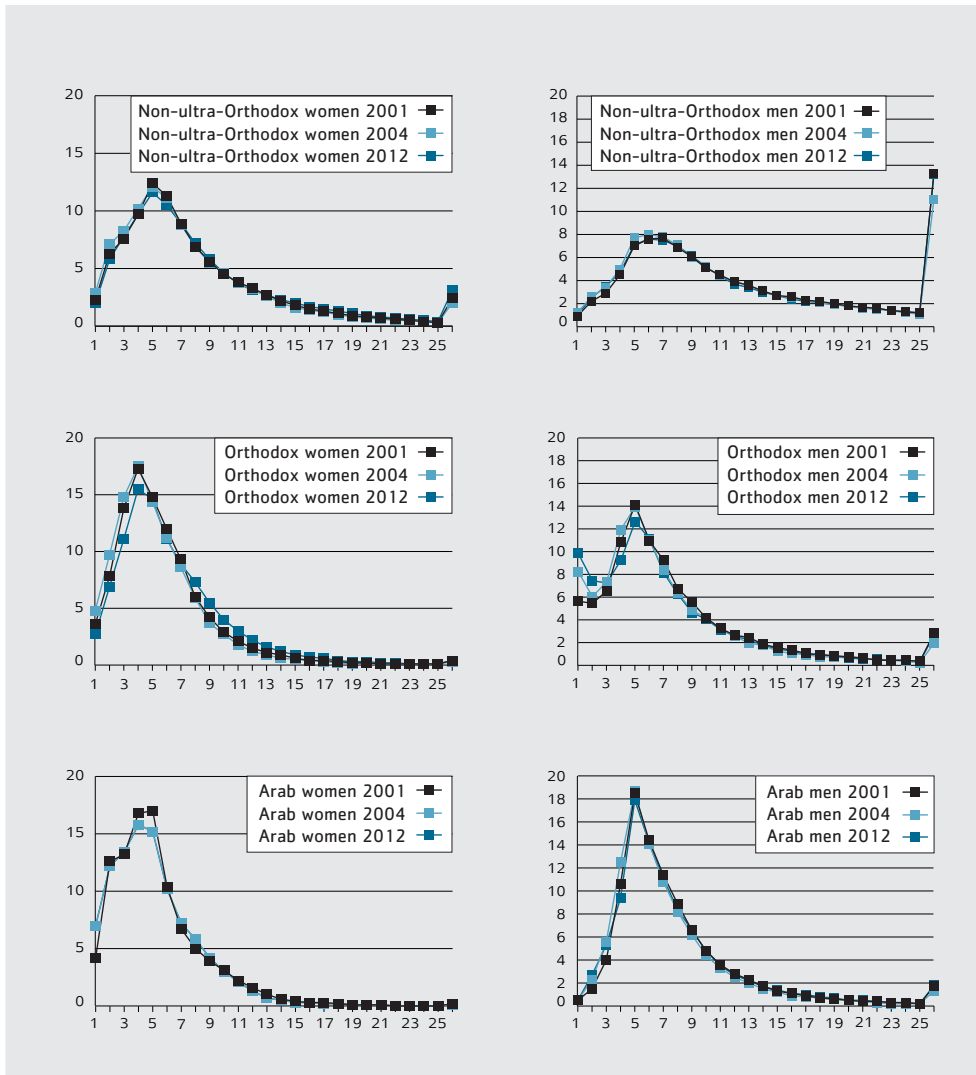
\* The horizontal axis – monthly wage in NIS thousands, 2012 prices; the vertical axis – percentage change of the employee population at a given wage level.

the wage distribution of Arab women is at the bottom of the scale and of ultra-ultra-Orthodox women it is slightly higher

Using this method of observation, the distribution of non-ultra-Orthodox men is improved in comparison to that of non-Orthodox women and both of them are preferable to the wage distributions of ultra-Orthodox and Arab men, but it is difficult to rank them. However, it can be determined that the wage distribution of Arab women is at the bottom of the scale and of ultra-ultra-Orthodox women it is slightly higher.

Another option is to examine the ratio of the average wage to the median wage: the closer the average wage and the median wage are to each other, the more symmetrical the

Graph 7  
Wage Distributions by Population Group and Gender, 2001, 2004 and 2012\*



\* The horizontal axis – gross wage in NIS thousands; the vertical axis – rate of wage earners at a given wage.

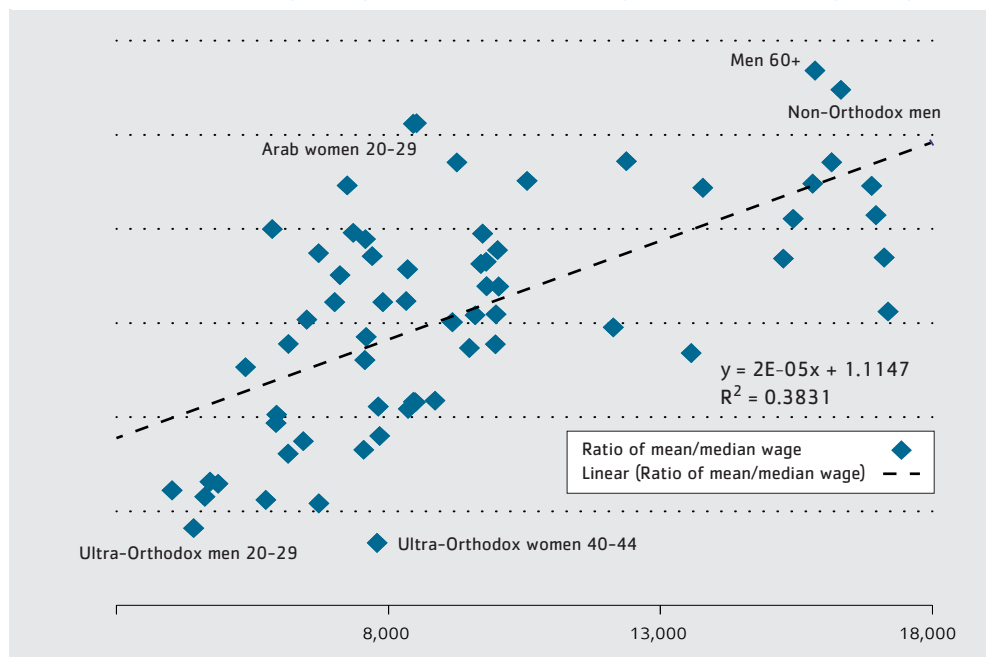
distribution. If the distribution is generally not symmetrical but skewed as in Graphs 7 A - F, then the closer the ratio (average wage divided by median wage) is to 1 this indicates a less equitable distribution. And indeed when calculating the ratio of the different distributions, the graphs show that the increase in the average wage is accompanied by a growing ratio. Meaning, the distribution is skewed toward the mode and the median being far from the average wage – a reflection of the inequality of the distribution. In the graph of the wage distribution of young ultra-Orthodox men, the ratio of the average

the distribution is skewed toward the mode and the median being far from the average wage – a reflection of the inequality of the distribution

**Table 6**  
**The Upper Segment of the Wage Distribution**  
**by Population Group and Gender, 2012**

Population group and gender	The mode wage (NIS per month)	Cumulate rate of wage earners Up to NIS 10,000	Cumulative rate of wage earners NIS 11,000 or higher	Total wage distribution
Non-ultra Orthodox Jews				
Men	6,000	52.3	47.7	100.0
Women	5,000	73.7	26.3	100.0
Ultra-Orthodox Jews				
Men	4,000	80.2	19.8	100.0
Women	4,000	87.6	12.4	100.00
Arabs				
Men	5,000	80.9	19.1	100.0
Women	4,000	87.4	12.6	100.0

**Graph 8**  
**Ratio of the Average wage to the Median Wage and the Average wage\***



\* Based on Tables 6 and 7.

wage to the median wage is close to 1 and this is also the case in the wage distribution of young Arab women. By contrast, the distribution of non-ultra Orthodox men aged 60 or older – a population with a high rate of affluent employees – is at the upper end of the scatter graph (Graph 8).

**Table 7**  
**Mean and Median Wage by Population Group, 2012**

Population group	Men		Women	
	Average wage	Median	Average wage	Median
<b>Total</b>	<b>12,309</b>	<b>8,362</b>	<b>7,886</b>	<b>5,965</b>
Non-ultra-Orthodox Jews	13,702	9,488	8,321	6,291
Ultra-Orthodox Jews	6,974	5,277	5,937	4,938
Arabs	7,567	6,003	5,364	4,284

#### D. Analysis of Trends in Government Policy

The government policy in the last decade was to motivate groups with low employment rates toward employment through benefit cuts, even if this involved a detriment to the guaranteed minimum for adequate sustenance of persons who are unable to earn a living and this during a period of two recessions. This policy operated primarily through disincentives to those who do not go out to work and less by positive encouragement. Such positive encouragement was instituted later, primarily through the work grant and the wage subsidy via the Employment Track. The result was indeed an impressive growth in the employment rates. The question is asked of whether this policy also succeeded in producing adequate subsistence. An indication of this is obtained from an analysis of income distributions by population group in Graph 7, which constitutes an empirical expression of Graph 5. The detriment to the wage distribution is measured for each group through the change in the rate of those earning a certain wage (change in the real wage distribution) during the surveyed periods.

An analysis of the wage situation indicates that joining the job market is a necessary but insufficient condition to improving one's social situation. The surge in the employment rates occurs between 2003 and 2004, years during which an approximately two-year process of extensive detriment to the social security system was completed, particularly in child allowances and in income support benefits, as well as in disregard<sup>14</sup>. Those same arrangements laws also shortened the duration of the period of payment of unemployment benefits, particularly for young people. Since employment should ultimately provide subsistence for a person and his family, the discussion and the examination should not only focus on the development of the employment rate, but also on why such a significant momentum in employment over more than a decade did not result in working families being able to earn a decent living.

In this area the policy has been less successful and it requires substantial revisions so that not only the employment continues growing but also the wage level, particularly of the newcomers, since many of them indeed increase their wages but are also forced to

.....

14 Reduction of the disregard (the work income that is not exempt from the means test in the determination of the benefit level).

An analysis of the wage situation indicates that joining the job market is a necessary but insufficient condition to improving one's social situation

relinquish a benefit, or that it becomes smaller according to the statutory rate of offset pursuant to the wage growth. Insofar as the wage growth is smaller than the benefit cut, the new workers do not benefit financially from the transition to employment and the increased employment. The tools for addressing this issue are varied, from setting and enforcing the minimum wage to a work grant (negative income tax).

The resulting conclusion is that we should not suffice with setting employment goals, but rather set also goals in the area of wage improvement

The resulting conclusion is that we should not suffice with setting employment goals, but rather set also goals in the area of wage improvement, particularly at the bottom of the wage scale, that are no less clear than the employment goals. It is also necessary to address the common phenomenon of the great many professional employees earning minimum wages and even less, despite their proven professional abilities. This issue pertains to a certain shortcoming of minimum wage laws, which usually are enacted in countries where to begin with there is a problem of unfairness in a substantial part of the labor market. From the outset, the governing minimum wage law was designed to protect the employees at the bottom of the wage scale i.e. disadvantaged and non-professional or low-skilled employees. However, it seems that the law has come with an undesirable phenomenon of employee concentration at the bottom of the wage scale and sometimes under the minimum wage even though they are professional, efficient and have high output<sup>15</sup>.

## E. Future Forecasts

In this section we will attempt to establish logical assumptions for the future employment rates of the population groups by gender according to the convergence rate in recent years, with the aim of creating a reasonable forecast for the expected national insurance contributions and estimating the expected actuarial account.

### The rate of change in employment

In order to take into account the dynamic of recent years in the development of employment rates, it has been decided to assume in the present exercise that the rate of change of the employment rates shall be determined according to the unique rate of change of each one of the population groups (by gender and age group) in the decade ending in 2011. Graph 9 below summarizes the rates of change in this decade in each one of the groups and indicates that the convergence rate of the employment rates of ultra-Orthodox Jews and Arabs in recent years was faster than that of the non-ultra-Orthodox Jews – men and women.

.....  
 15 See Graph 7 B, whereby approximately one third of the workers earn minimum wage or less even though they have a professional occupation. Endeweld M., Gottlieb D. and Heller O. (2013). Updated Findings on Non-compliance with the Minimum Wage Law and an International Perspective. National Insurance Institute. [http://www.btl.gov.il/Publications/more\\_publications/Documents/TziyutScharMinimum.pdf](http://www.btl.gov.il/Publications/more_publications/Documents/TziyutScharMinimum.pdf).

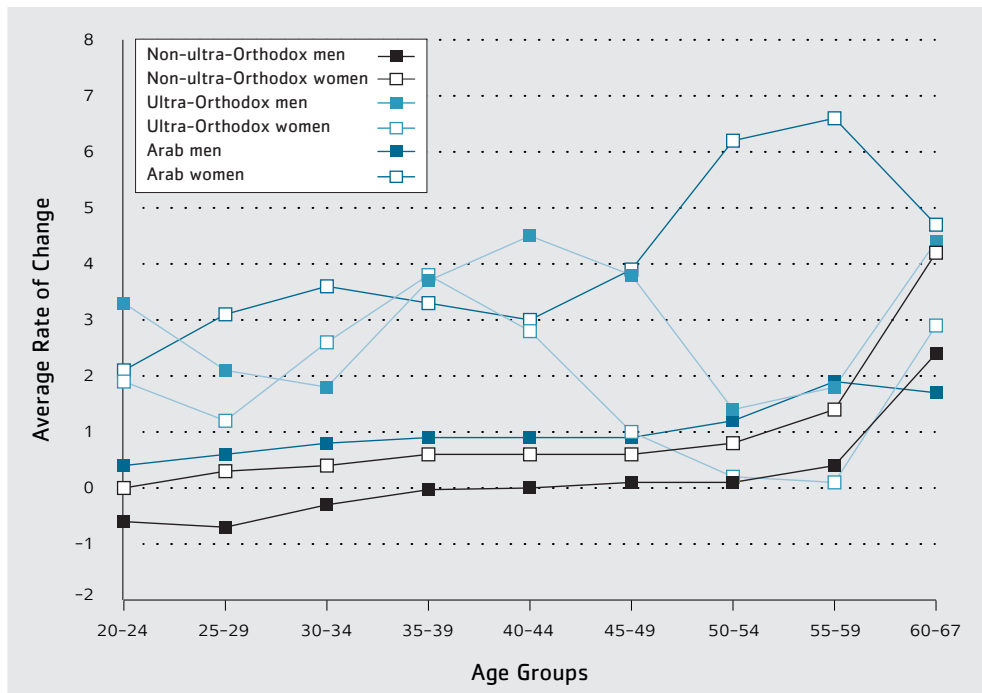
Among non-ultra-Orthodox men and women, the average change in the employment rates over the decade, ending in 2011, was insignificant. Among men there is a notable decline (or no change – among young men (aged 20- 39). Among women there is a moderate rise in the employment rate within those age groups. It is reasonable to assume that the delay stems primarily from the need for a longer period of studies than in the past in order to be prepared for the labor market.

Another interesting phenomenon is the accelerated growth in the employment rates among those aged 50 or older within these groups, this probably due to the increase in the life expectancy on the one hand and the aforesaid delay in entering the labor market on the other hand.

Another interesting phenomenon is the accelerated growth in the employment rates among those aged 50 or older

Legislative changes increasing the retirement age may also contribute to this. It is reasonable to assume that both phenomena are also related to the fact that the coverage of the standard of living in old age compared to the standard of living in working age has deteriorated, in light of both the transition to a cumulative pension and the fact of those aged 50 or older being a “desert generation” in terms of mandatory pension law, since many of them did not manage to accumulate many years of mandatory pension rights, if at all.

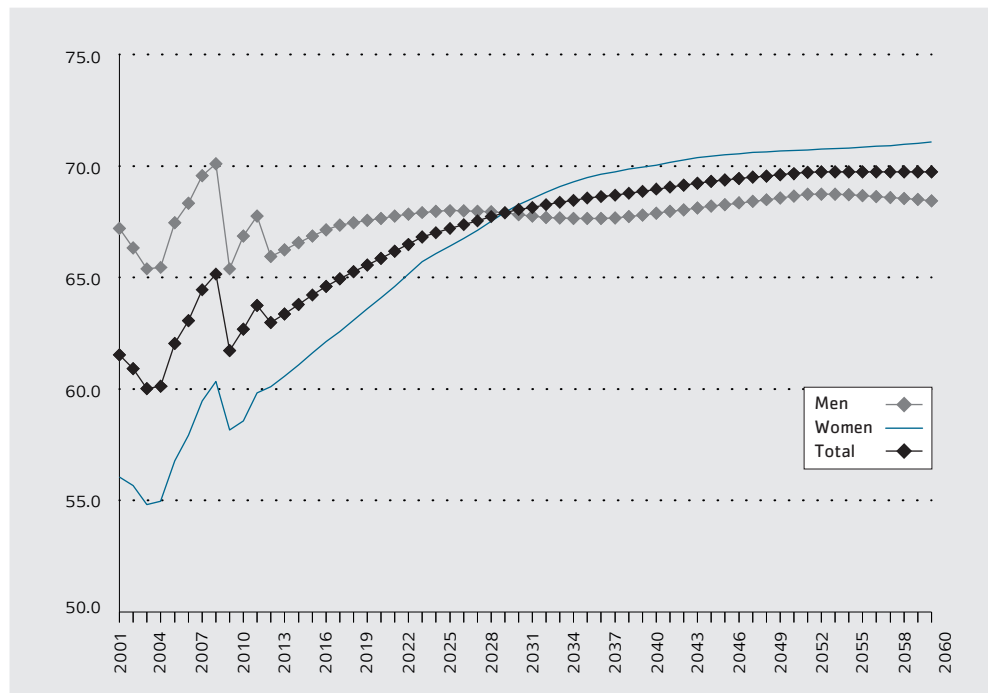
**Graph 9**  
**The Convergence Rate Assumption according to the Average Rate of Change of the Employment Rates, by Population Group, Gender and Age Group, 2001-2011**



Another assumption was necessary so as not to confront “impossible” employment rates (such as greater than 100% or smaller than 0%). For this purpose we set limits: the assumptions were established using a uniform method for all the groups, by gender and age group. We halted the convergence process when one of the following conditions was present: (1) the unique employment rate reached the high level of 2001 - 2011 in the group most integrated into the labor market – the corresponding non-Orthodox group. The limit therefore included the higher value of the relevant age group / gender. (2) The average employment rate of the relevant population group / gender was determined for all age groups, so as to allow a population group with significant growth in the employment rates within certain age groups – to grow. Among the non-Orthodox Jews, for instance, the employment rate in the lower age groups is in regression. If a certain population group in the same age group / gender has growth in the employment rate in recent years, then the minimum set by the non-ultra- Orthodox group will not constitute an effective limit for the growing group.

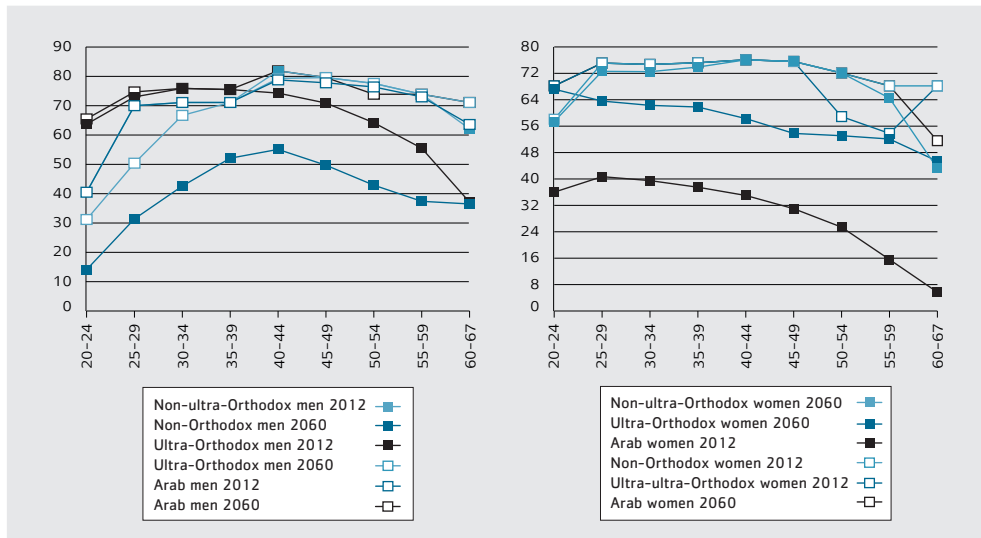
Moreover, in order to address the significant increase that is already occurring today within the high age group for instance (60-67) we have allowed values to grow also in the non-ultra- Orthodox group up to the average employment rate of all the ages within the same gender. Since the employment rates of men and women aged 60-67 are below

**Graph 10**  
**Convergence Rate of the Employment Rates, by Population Group,**  
**Age and Gender, 2001- 2060**





**Graph 11**  
**Employment Rates by Population Group, Gender and Age Group,**  
**Forecasts for 2012 and 2060**



average, the assumption allows certain growth also among this group. Since some of the average annual growth rates are high, the relevant limit is reached over a different number of years by each one of the groups. Combing the assumptions allows the difference in the existing dynamic between the different groups in the labor market in the last decade to be taken into account<sup>16</sup>.

Some of the results obtained according to these assumptions are presented in Graph 10 and in Graphs 11 A-B below.

**Development of real wages**

According to the above discussion, in the last decade there were no substantial changes in the real wages of all the groups and in any degree of involvement in the labor market and education profile (which differs greatly among the groups). Therefore, we assumed at this stage that the real wages of population groups by gender and age would remain constant. Of course, changing the weights of the different groups in and of itself creates changes in the average wage.

The process of convergence to high employment rates has great importance in terms of stabilizing and strengthening social security. In order to emphasize the social component

The process of convergence to high employment rates has great importance in terms of stabilizing and strengthening social security

16 We would note that the significance of the dynamic is that in the young ages a continuation of the decline in the employments rates of the non-ultra-Orthodox population is probably expected and according to the same logic this may also affect the other groups. However, we have allowed the other groups to aspire to higher values if there was such a phenomenon during the base period or if the average of all the age groups within the same population group was higher than that dictated by the non-ultra-Orthodox reference group.

of the NII, NII coverage is determined according to residency status and not according to labor market status, since whoever does not participate in the work force is insured in any event and is liable for minimum insurance contributions<sup>17</sup>. Naturally, the more integrated the insured are in the labor market, the higher the insurance contributions paid by them. In light of these considerations, the government policy of increasing the employment rate is an important element not only for the subsistence of the family but also for the prosperity of the social security system.

## Box 2

### The Results of Applying The Financial Strength Model Using “The Middle Scenario” and Alternatives of the Employment Rates

This box presents the results of applying the financial strength model using the employment assumptions and the middle scenario (Box 1) that are presented in the chapter.

The strength calculation consists of three main models: the demographic model, the economic model and the incidence of contributory benefits model. The economic model calculates the expected receipts, the incidence of benefits model calculates the expected payments and both of them are calculated according to population developments as forecasted by the demographic model.

The Research and Planning Administration’s model is designed to assist in preparing the actuarial report and as such it produces independent estimates. Naturally, the results may differ from those of the official actuarial report.

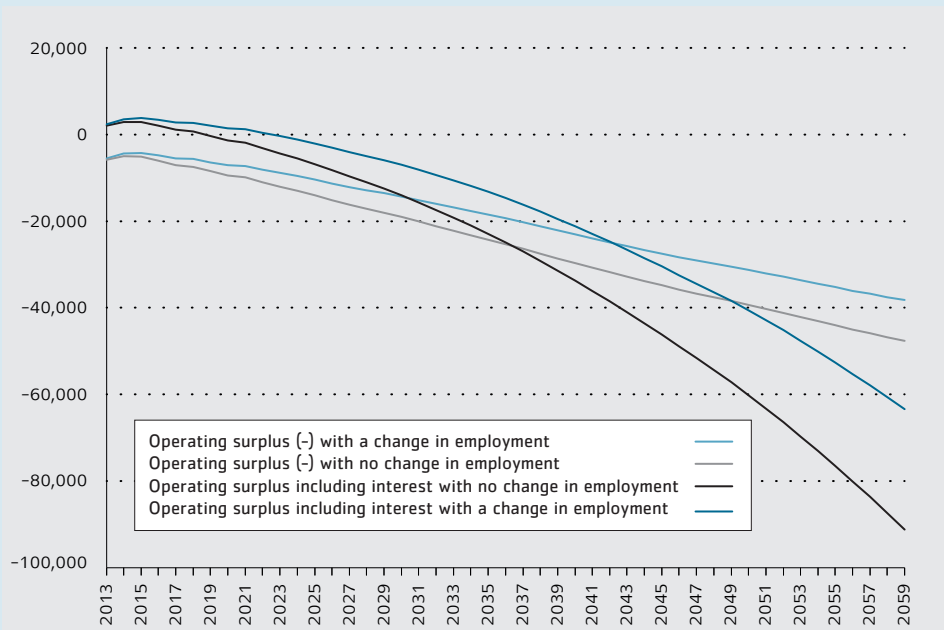
The results are obtained from applying the model using the basic scenario under the following assumptions:

- The middle scenario of the population forecasts (Box 1) is used.
- The current legal situation will continue throughout the forecast period.
- The prices are constant at the 2013 level.
- The average interest paid on government bonds will decrease gradually up to a real interest of 3.5 in 2060.
- The real wage of population groups by gender and age group is expected to grow by about a quarter percent, in addition to the wage increase inherent in the age composition changes according to the population forecast, inasmuch as the wage increases over the life cycle until it peaks and towards the end it decreases slightly.
- The employment rates will rise as described in the chapter.

.....

17 Exceptions include housewives, who despite being residents are insured only by virtue of their husbands and they have fewer rights. If the housewife status is repealed, they will belong to the group of insureds who pay minimum insurance contributions and they will have equal rights to all, which would eliminate this discrimination. One of the arguments against including them in this group is their significant poverty rate and therefore this requires a major overhaul of the problem with further steps.

**Graph 1**  
**The Current Deficit with or without Interest, 2013-2060**



The model allows to calculate the total surplus of receipts expected from the development of payments and receipts, the reserve development (the asset balance) and the ratio between it and the annual volume of payments (the number of years that the reserve allows to cover the payments – “years of coverage”). The model also enables the establishment of alternative policy scenarios with the scenario presented in this box comparing between an increase in the employment rates with a situation where the employment rates remain at the level of the current year.

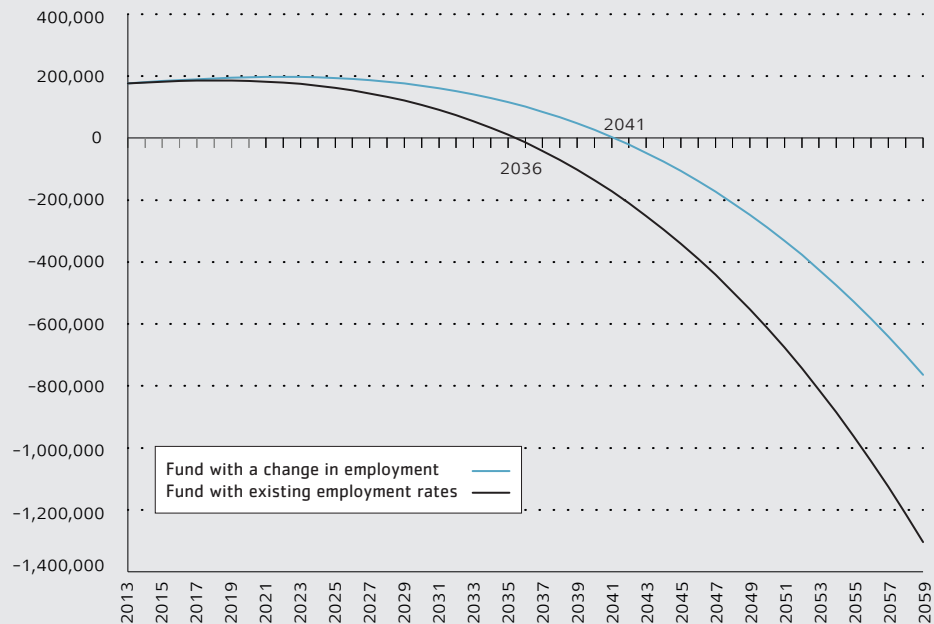
Since 2010, the operating receipts (excluding interest) have been lower than the NII payments, since the benefits were paid in part from the interest accrued in favor of the NII due to the surplus fund investment (the asset balance or “the reserve”) in said year. According to the forecast, the total surplus (the operating deficit together with the interest receipts) will reset around 2022 and subsequently become a deficit – this assuming that the employment rates as indicated by the discussion in this chapter will be in effect. Under a static assumption, whereby the employment rates will remain at the level that they reached in the current period, the total surplus will reset already in 2019. In other words, if the trends of the last decade of rapid growth in the employment rates of populations characterized by low employment rates continue, the financial strength of the NII will improve within 3 to 6 years, according to the selected strength index: the surplus (including interest) will reset three years later (in 2022 instead of 2019, Graph 1).

In the future, the payments are expected to grow at a faster rate than the receipts and therefore in the coming years as well the fund will reconcile the widening gap between receipts and payments. This situation slows the growth rate of the fund. The fund will begin diminishing and assuming that preventative steps are not taken, it will be depleted in around 2041. As can be seen in Graph 2, with no improvement in the employment rates the fund will already be depleted in around 2036. It can be seen that as the forecast years progress, expenditures grow, mainly due to the expected growth of the population and of pension payments to the older population.

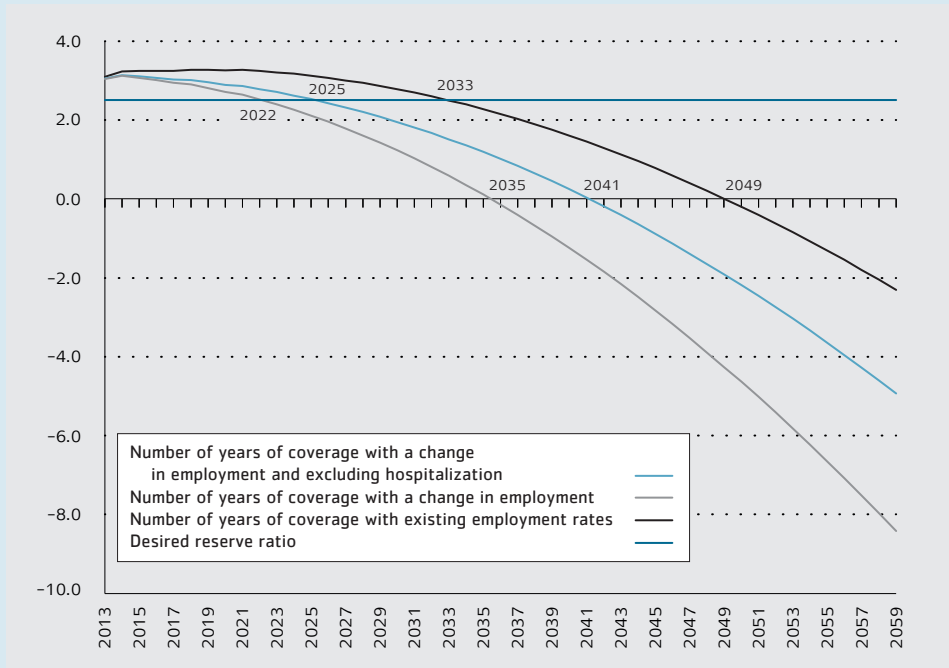
The reserve ratio is the ratio of the fund balance to the total payments. It constitutes a more qualitative index of the strength situation of the NII

The reserve ratio is the ratio of the fund balance to the total payments. It constitutes a more qualitative index of the strength situation of the NII, since it combines between both indices presented above. Its importance is reflected in the question of whether to include hospitalization expenses in the NII payments. Currently, these expenses are included in the payments, although they are not closely related to social security, but rather to the basic health insurance and therefore they should not adversely affect the financial strength of the NII as is the case in the present situation. According to the existing reserve, the ratio improves if we remove this component from the payments. An example of this are the hospitalization expenses paid to hospitals, which currently constitute approximately NIS 2.5 billion and that may increase to approximately NIS

**Graph 2**  
**Forecast of the Fund Balance with or without a Change in Employment**



**Graph 3**  
**Expected Reserve Ratio with or without a Change in Employment – Versus the Desired Ratio**



4.4 billion in 2060. A change in employment and transfer of the hospitalization expenses to the appropriate budget – the health budget – would change the reserve ratio and bring it to the “optimal” level of 2.5 years of coverage after eight years (in 2033 instead of 2025) and the depletion of the reserve would also be delayed by another eight years – in 2049 instead of 2041.

A change in employment and transfer of the hospitalization expenses to the appropriate budget – the health budget – would change the reserve ratio and bring it to the “optimal” level

**Box 3**  
**The NII Asset Balance from the Perspective of the Government Accounts<sup>1</sup>**

**1. General**

The primary activity of the NII – paying benefits under the National Insurance Law and collecting insurance contributions from insureds to fund the payments together with the NII appropriations – has generated, since its establishment, budget surpluses that have been invested in a surplus fund (the asset balance). This fund consists of non-negotiable interest bearing bonds of the government of Israel. As a result of

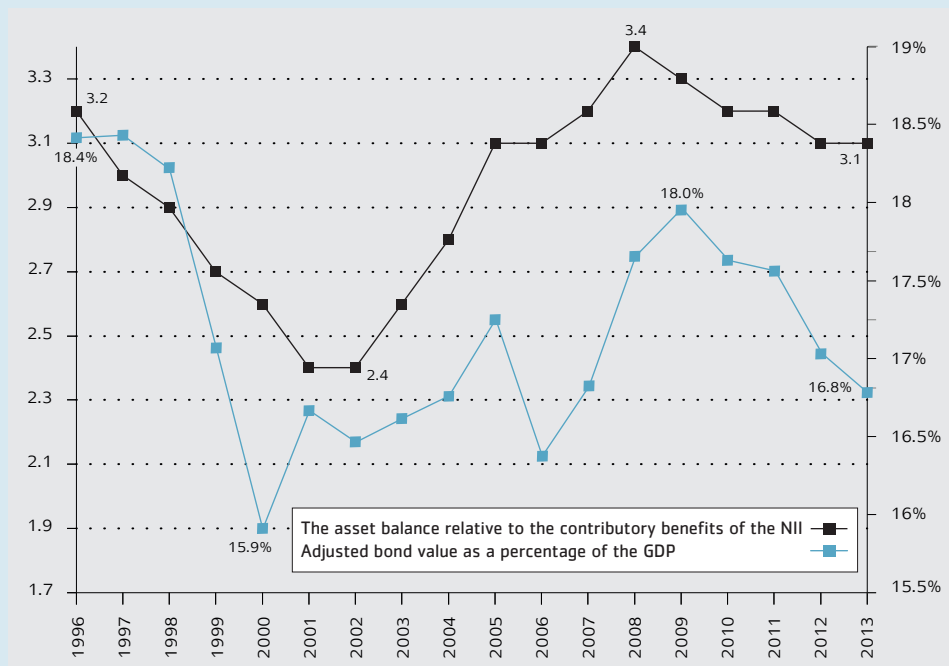
The primary activity of the NII has generated, since its establishment, budget surpluses

<sup>1</sup> Thanks to Eitan Stein, the assistant accountant of the National Insurance Institute of Israel, for his helpful comments.

these deposits, at the end of 2013, assets of the insureds accumulated in the sum of approximately NIS 177 billion<sup>2</sup>. These balances then constituted approximately 17.6% of the GDP (Table 1, Graph 1). An accepted indicator for estimating the volume of the asset balance is the ratio of the balance to the volume of the total contributory benefits per year. According to this index, the balance is sufficient in 2013 to pay the benefits for 3.1 years.<sup>3</sup>

This box discusses the proposals of the committee to examine the financial strength pertaining to the future of the government debt service to the NII,<sup>4</sup> and particularly the recommendation of the committee. For this purpose, we will illustrate for the first time in financial terms the significance of the various alternatives to the State budget and its deficit to the NII budget.

**Graph 1**  
**Ratio of the Asset Balance (Bonds Only) to the GDP and to the Benefits,**  
**1996-2013**



2. A more comprehensive financial stability exercise would calculate the number of years of national insurance (social security) required to finance the contributory benefits to be paid out according to certain demographic forecasts and according to the present law. Under the scenario described in this chapter, the actuarial deficit, if not taken care of, will lead to an unstable social security system.
3. See the committee report: [https://www.btl.gov.il/Publications/more\\_publications/Documents/Finance.pdf](https://www.btl.gov.il/Publications/more_publications/Documents/Finance.pdf).
4. See the actuarial report: <http://www.btl.gov.il/Publications/aktuarial/Documents/2010Triennial%20Report.pdf>.

A re-examination of the alternatives shows that it is possible to correct the manner of recording of the asset balance, while preserving the amortization schedule of the current bonds and taking into account the State budget deficit.

The asset balance is designed to function as a safety net for the social security system. It is necessary to the insureds similar to the necessity of a financial asset to a family: for situations when a current deficit accrues, i.e. the current payments are higher than the current NII receipts. As yet such a situation has not arisen in any year since the founding of the NII, inter alia, because of the supplemental receipts of the NII due to the interest receipts from the asset balance in the sum of approximately NIS 8 billion per year. However, according to estimates in the actuarial report, it is expected that failure to adequately and timely address the actuarial deficit will increasingly jeopardize the existence of the social security system in the coming decades<sup>5</sup> (Box 2). Meanwhile, the asset balance gives the NII a safety net and breathing space for the government and the Knesset in order to prepare an intelligent plan to resolve the financial strength problem in a socially just and financially effective manner.

#### Interrelationship between the NII budget and the State budget

There are several levels to the relationship between the NII budget and the State budget: (1) the current payments of the State Treasury as support to social security; (2) the debt repayments of the State to the NII (principal and interest) on the asset balance; (3) debt renewal (from the standpoint of the government), which is effectively a re-deposit of the principal repayments from the standpoint of the NII; (4) new deposits (debt augmentation from the standpoint of the government) of the current NII budget in the asset balance deriving from an NII budget surplus, including financing revenues; (5) payments deriving from the NII being an intermediary of the government in the implementation of its social policy (collecting health insurance contributions, paying benefits funded by the State budget, etc.). The various layers are therefore partly related to borrower / creditor and State relations (the generations of the insured public, as represented by the NII), to the State's ongoing support of social security and to the implementation and funding of the NII's work as an intermediary of the government.

It is important to clarify the significance of these interrelationships in the age of attempting to improve the financial strength in light of the long-term demographic changes, while a key goal of all the parties is to maintain the social sustainability of this important process.

The recording of the State support under NII budget funding (Section 32 of the National Insurance Law, which constitutes approximately 50% of item 27 of the State

5 See actuarial report: <http://www.btl.gov.il/Publications/aktuaria/Documents/2010Triennial%20Report.pdf>.

The asset balance is designed to function as a safety net for the social security system. It is necessary to the insureds similar to the necessity of a financial asset to a family

budget) is not a particular problem. Payment of the interest by the State as a borrower of the NII (the creditor, which holds the bonds of the State) constitutes a slightly more complicated issue. Under market conditions, some of the interest payments could have been received by any other entity in which the NII would have decided to invest its budget surpluses. However, the subsidized part effectively constitutes additional State support of social security. This part is currently recorded under interest receipts and it would have been preferable in terms of transparency to record it separately as support, which is effectively a function of the government interest level in the market, of the social security system.

### Recording the interrelationship in the State and NII budgets

The State invariably used to record Its debt repayment to the NII as an expense in calculating the deficit relevant to the Deficit Reduction Law calculation in the framework of its macro-economic policy (item 6 of Table 1 below).

Unlike the government, the NII does not record the inflows of receiving the principal repayments and of their re-deposit in the State Treasury in the budget, but only as balance sheet transactions (item 6, Table 2). Thereby, the NII acts according to generally accepted accounting principles.

The gap in the recording method of these capital transactions did not constitute a problem in terms of managing the government deficit in all the years, since concurrently the government automatically recorded the re-deposit by the NII back under State receipts. However, in light of the demographic changes and the concern over the financial and social sustainability of social security, the recording method of the State has been exposed as a macro-management problem, inasmuch as the re-deposit of

In light of the demographic changes and the concern over the financial and social sustainability of social security, the recording method should be changed

**Table 1**  
**NII Items in the State Budget (NIS thousand), 2014<sup>6</sup>**

Payments to NII			Receipts from NII		
1	Interest payments – item 45	7,750,000			
2	Transfers to NII – item 27	30,818,000	6	Repayment of principal, including linkage – item 84	10,859,000
6	Repayment of principal, including linkage – item 84	10,859,000	7	Budget surplus	3,860,000
				Re-investment (Research Administration estimate)	14,719,000
	49,427,000				
	Net effect (payments less receipts)	34,708,000			



**Table 2**  
**Budget of the National Insurance Institute (NIS thousand), 2014<sup>6</sup>**

Payments to the State		Receipts from the State		
		1	Interest receipts	7,750,000
		2	Transfers to NII – item 27	30,818,000
				38,568,000
			Net effect (receipts less payments)	38,568,000

**Balance Sheet of the National Insurance Institute (NIS thousand), 2014<sup>6</sup>**

Assets		Liabilities	
6	Bond acquisition (repayments of principal, including linkage – item 84)	10,859,000	
6	Repayment – principal, including linkage – item 84 (according to amortization schedule)	-10,859,000	
7 <sup>7</sup>	Bond acquisition – budget surplus	3,860,000	
	Net balance sheet effect	3,860,000	

the present principal repayments (item 6 in Tables 1, 2) is no longer fully guaranteed over time and this is also the case with regard to the re-deposit of the current budget surpluses of the NII (item 7 in the aforementioned tables<sup>7</sup>).

These deposits by the State will diminish in the future insofar as a solution is delayed for the actuarial problem of social security, which depends on weighty decisions being made in several areas. Naturally, this is connected with the implementation of legislative changes, some of which, as is well known, involve intricate socio-political processes. This intricacy of preparing the plan to improve the sustainability of the NII amply highlights the great importance that the asset balance carries for the generations of insureds.

The support of the NII is identical in both balance sheets (item 2 in the tables). With regard to the interest receipts, we estimated the support component incorporated in the interest subsidy, inasmuch as this component is appropriate to include in the State's support of social security, while the interest receipts under market conditions

6 The figures in the tables are adjusted for recording in the updated NII budget of 2014. The figures in the State budget may differ slightly, but the gaps should be negligible (aside from the reinvestment estimate).

7 The amount appearing in item 7 of Table 2 differs from the surplus that is usually presented in the budget of the NII and the government. The difference is explained by our attempt to take into account the fact that part of the interest payment by the State to the NII should have appeared as support of social security as with the support item (Section 32 of the National Insurance Law). See below.

are receipts of the NII due to asset accumulation over years. They would have been received by the NII had the NII elected to invest them in other financial instruments, in Israel or abroad, as is done in various countries in the world.

## 2. Recommendations of the Committee to Examine the Financial Sustainability of the NII Pertaining to the Asset Balance<sup>8</sup>

The bonds that the government owes to the general public are recorded under the public debt of the State (see Note 14 – Internal Loan, Financial Statements of the Government of Israel, the Accountant General). By contrast, the bonds held by the NII are indeed recorded on the government's balance sheets, but they are not included in the public debts published, for instance, by the Bank of Israel<sup>9</sup>. This treatment of the government debt to the NII is problematic from the perspective of the role of the NII as a representative of the generations of insureds. Inherent in this expression is the fact that the NII, as an independent statutory institute, must theoretically see itself as entrusted with maintaining and strengthening social security not only of the currently living insured, but also of those that are currently children or those who have not yet been born. The asset balance maintained by the NII from previously accumulated budget surpluses is therefore a deposit by the NII for these purposes and hence the importance of the term generations of insureds.

The expression of the cash flows between the NII and the government in the State budget has formed over the years, so that currently there is an inadequate separation in the government budget books between the current government deposits in the NII and the reciprocal deposits on account of the asset balance. Moreover, if in the past the State took care to invest the asset balances of the NII in “constructive investments”, as ordered under Section 34 of the Consolidated Version of the National Insurance Law, for many years the NII deposits have been used for ongoing funding of government expenses, contrary to the legislative intent.

Adherence to the law is intended to guarantee the preservation of the asset value in times of stress and to enable the government to fund the subsidy inherent in the return on the earmarked non-negotiable bonds of the NII. The more “constructive” the investments, the easier this task, i.e. made in essential infrastructures, which naturally have an especially high economic and social return. This was also the reason why using the NII surpluses to invest in the infrastructures of the young state was approved at the outset. The economic logic behind this was manifold, inasmuch as

3 See the committee report: [https://www.btl.gov.il/Publications/more\\_publications/Documents/Finance.pdf](https://www.btl.gov.il/Publications/more_publications/Documents/Finance.pdf).

4 The disregarding of this debt to the NII is based on the argument that the NII is part of the government and therefore the debt in the government books should be offset by the corresponding asset on the NII balance sheet.

Adherence to the law is intended to guarantee the preservation of the asset value in times of stress and to enable the government to fund the subsidy inherent in the return on the earmarked non-negotiable bonds of the NII

these investments helped the high growth. The economic growth is what allows the State to collect taxes, which in part later find their way to supporting social security.

So long as the government is committed to repaying the principal to the NII as required by the amortization schedule of the debt, the problem is the erroneous recording. However, this confidence in the debt repayment was violated with publication of the report of the Committee to Examine the Financial Strength of the NII (pg. 127 of the report of the Financial Strength Committee):

**Due to the below specified shortcomings of the alternatives for maintaining the existing bonds, the committee recommends to replace the bonds with an increment to the Treasury participation. As explained above, increasing transfers of the State budget in order to balance the principal is a more effective way to utilize assets of the present principal to fund payment of the benefits and maintain stabilization of the system.**

The committee recommended to replace the amortization schedule, i.e. the debt service (repayment of principal and interest), which constitutes a strong commitment of the borrower, inasmuch as non-payment is interpreted in the capital markets as difficulty in meeting the liabilities of the State with all the implications for the financial reputation of the State as a borrower. This measure would have been interpreted as insolvency of the government, inasmuch as it asks the creditor to reach a debt settlement with it that is more convenient for it as a debtor. The fact that the committee was aware of this risk is expressed in a footnote (97), where the committee rejects such interpretation of its proposal:

**It should be noted in this context that the very payment of the bonds, under the present layout, does not create difficulty for the State budget and there is no doubt with respect to the ability of the State to meet the bond payments. The reasons for the committee recommendations with regard to the principal stem from the recognition that the present principal is not effective as a source of funding for paying the benefits or as a measure to maintain stability of the system and therefore assuming growth in the gap between the payments and the receipts of the system, pressure is expected to be created to narrow it and to reduce the use of the principal repayments for paying benefits”.**

Underlying the words of the committee **the present principal is not effective as a source of funding for paying the benefits or as a measure to maintain stability of the system** is the fact that the government did not maintain the principal, but used it for miscellaneous projects and not necessarily for “constructive investments”. We will illustrate in financial terms the significance of the various alternatives discussed by the committee for the State budget and its deficit and for the NII budget.

Underlying the words of the committee is the fact that the government did not maintain the principal, but used it for miscellaneous projects and not necessarily for “constructive investments”

The committee recommends replacing the State commitment to the amortization schedule with a different commitment which is also listed in the National Insurance Law – Section 32 of **the State budget appropriations to the NII**. The committee apparently contends that there is no cause for concern inasmuch as it will entrench the future budget supplement in Section 32. However, anyone who is familiar with how Section 32 of the arrangements laws has progressed over the years understands that the distinction of a commitment under a debt amortization schedule entails a much stronger commitment than that of compliance with Section 32. Section 32 is the section with the most changes and it is sometimes more similar to a covert budgetary reserve of the Treasury than to a stable funding clause of the social security system. There has been almost no arrangements law where it has not been sought to change this section, usually unilaterally dictated by the Treasury and usually to the detriment of the commitment to the insureds, without allowing the NII to oppose the change<sup>10</sup>. By contrast, a debt amortization schedule cannot be changed other than by rescheduling, which is perceived as a serious breach of the debt repayment obligation<sup>11</sup>.

The alternatives in the committee report for addressing the debt service payment and the recording thereof in the State budget and in the deficit

The committee discussed four alternatives, rejecting each one of them on different grounds, and finally proposing a fifth alternative that it recommends (the alternatives are presented in Table 3). In this section, we will present the alternatives and the point of view of the asset owner – the generations of insureds – which in our opinion is not sufficiently reflected in the committee report. We will illustrate the financial significance of the different alternatives using the updated data of the NII 2014 budget. At this stage, the results describe the significance for the State and the NII budgets for 2014 only.

These alternatives have long-term implications for the government and NII budgets. Despite the great importance of these implications, they are not detailed

.....

10 The Research and Planning Administration of the NII has prepared a detailed list for the committee of all the changes made in the last 15 years to the insurance contributions and the benefits and where Section 32 constitutes a kind of balance between the receipts side and the payments side. This list indicates that usually the changes on the receipts side adversely affected the financial strength (mainly these were reductions in the insurance contributions of the employers while on the benefit payment side these were infringements of the rights of the insureds, primarily during the years 2002 to 2004. These changes were harmful to the insureds and beneficial to the financial strength after, as stated, the latter had been adversely affected on the receipts side.

11 In order to clarify the concept, the following comparison can be used: a young couple took a loan at the bank and used it to finance a trip. On returning from the trip the couple contacted the bank and informed it that the principal is not effective (that it no longer exists since it was used to finance the trip) and therefore it requests to replace the amortization schedule of the debt and promises to pay the bank by regular transfers even more than is required to settle the debt. It is reasonable to assume that the bank would not be enthusiastic about such unilateral rescheduling of the debt repayment, even if the couple promises to pay more than is required under the amortization schedule.

here, inasmuch as in order to discuss them it would be necessary to apply the financial strength model, which will be done in the future and will be presented separately. However, this box allows a basic discussion of the issue of the relationship between the State budget and the NII budget and it exposes the basic issues of the effect already in the current year.

### 3. Summary and Recommendations

The committee discussed Alternatives “A” to “D” and recommended an alternative that is here referred to as Alternative “E”. We will clarify here the shortcomings of Alternative “E” in terms of the insureds of the NII and we will present an additional alternative that was not considered by the committee, which attempts to maintain the needs of the government and prevent upheaval in its accounts while honoring the debt to the insureds.

The aim of the committee was to correct the distortions in the recording of the government’s activity vis-à-vis the NII in the State budget deficit. The main distortion stems from the State recording the capital transactions vis-à-vis the NII (the repayment of the principal to the NII and its re-deposit by the NII in the government and the investment of the current surplus of the NII in the State budget) in the current State budget. This practice is contrary to the directive under the law, whereby the government must invest the balances in constructive investments (in a development budget) and report to the NII administration regularly on the investment of the balances in constructive paths. This practice is also contrary to the generally accepted accounting principles, whereby capital transactions (principal repayment and asset deposits) should not be recorded in the current budget of the government.

This practice has created a distortion for many years. Throughout the years there has been a budget surplus in the NII so that the principal repayments of the government were offset by the deposits of these repayments. In the absence of a policy that will succeed in maintaining social security at a reasonable level while resolving the actuarial problem<sup>12</sup> (the aging population), growth in the benefit payments will gradually reduce the surplus in the NII budget.

In light of this demographic development, the distortion in the government accounts has been exposed gradually, since as the years pass and the problem of the social and financial sustainability of the NII is not addressed, the current surplus in the NII budget will continue diminishing until it turns into a deficit, so that sooner or later this will increase the government deficit.

Alternative “C” is inconsistent, inasmuch as it arbitrarily differentiates between deposits (a capital transaction) and principal repayment (which is also a capital transaction).

.....

12 See Note 3.

we will present an additional alternative that was not considered by the committee, which attempts to maintain the needs of the government and prevent upheaval in its accounts while honoring the debt to the insureds

Alternative “D”, in addition to also being inconsistent, similar to Alternative “C”, adversely affects the social security receipts, inasmuch as it includes a reduction of the State Treasury appropriation in the amount of the NII surpluses (Section 32 of the National Insurance Law). It therefore constitutes a kind of partial debt violation by unilateral write-off of part of the interest receipts to the asset owners (the insureds).

Adopting the recommendation of the committee to eliminate the amortization schedule (Alternative “E”) means a full breach of the debtor (the State) toward the asset owner (the insureds). Clearly it is not advisable for the asset owner to agree to a lesser promise (a promise to increase the appropriations of Section 32 over the next 40 years) than the existing one (the amortization schedule). It is enough to look at the many legislative changes undergone by the payments and the receipts – and therefore also by Section 32 – in order to get an impression of the intolerable ease with which Section 32 changes in multifarious ways notwithstanding the existence of such promise<sup>13</sup>.

Eliminating the principal, in the first year of the elimination, means recording a non-recurring expense on the balance sheet of the National Insurance Institute in the value of all the bonds at fair value, which represents the discounted value of the bonds: NIS 216 billion<sup>14</sup>. Furthermore, the actuarial deficit of the NII in the sum of NIS 465 billion will appear on its financial statements without being counteracted by the protection of the asset principal.

**The proposed solution:** Alternative “B”, which sides with the generally accepted accounting principles, is correct in terms of accounting, but it is difficult to implement all at once, inasmuch as it will immediately increase the government deficit by approximately NIS 4 billion. One option is to adapt the Deficit Reduction Law, on an ad hoc basis, to this recording change. The committee justifiably rejects this option, since it may upset the good financial reputation of the Israeli economy in the eyes of foreign investors and international rating companies. Therefore, a more intelligent solution needs to be sought. Transferring the hospitalization grant from the NII budget to the health budget is a recommended step (also by the committee), but it does not solve the government’s problem, inasmuch as it would need to increase receipts or cut expenses in order to find long-term funding for the hospitalization grant payments to the hospitals. The solution must therefore be found in the gradual and integrated improvement of the social and financial sustainability of the NII, while improving the recording of the NII payments and the receipts in the government accounts in an acceptable manner. In other words, the expedient solution is Alternative “B”, which needs to be carried out gradually and concurrently with improvement of the sustainability of the NII.

13 We should mention that changes in benefit payments do not automatically lead to changes in Section 32, inasmuch as it is mainly a function of insurance contribution receipts. Therefore, in order for benefit changes to be expressed in corresponding changes in Treasury appropriation, legislation is required.

14 The bond value is measured by a definition of adjusted value (see pg. 8, 2013 financial balance sheet, and Note 9). An alternative definition of fair value expresses the discounted value.

Transferring the hospitalization grant from the NII budget to the health budget is a recommended step, but it does not solve the government’s problem

the expedient solution is Alternative “B”, which needs to be carried out gradually and concurrently with improvement of the strength of the NII

**Table 3**  
**State Budget (NIS thousand), 2013**

Description	NII related income Item 081	NII related expenses – Items 45, 84 and 27 of the State budget	Effect of the NII items (net) on the State budget (increased deficit)	Change in the State budget (increased deficit) compared to the status quo	Change in the NII budget (increased deficit) compared to the status quo	Notes
Alternative "A"	14,719,000	49,427,000	34,708,000	0	0	Continuation of the status quo. This means that the deficit in the State budget would remain at the present level. Over the years it is expected to increase in light of the expected decrease in the re-investment of the principal repayments (due to the expected reduction in the budget surplus of the NII).
Alternative "B"	0	38,568,000	38,568,000	3,860,000	0	This alternative henceforth theoretically ensures the generation of a new asset balance for the NII in a separate fund. It immediately increases the effect of the NII on the government deficit and also in the medium term, inasmuch as the expected increase in the benefits (due to the demographic developments, etc.) would require the NII to demand to receive resources from the asset balance of the NII beyond principal repayment.
Alternative "C"	0	49,427,000	49,427,000	14,719,000	0	This alternative henceforth theoretically ensures the generation of a new asset balance. It increases the effect of the NII on the government budget immediately and with great intensity. This effect will worsen in the medium term, inasmuch as the expected increase in the benefits will require the NII to demand to receive resources from the asset balance beyond principal repayment.

Table 3 (continued)  
State Budget (NIS thousand), 2013

Description	NII related income Item 081	NII related expenses – Items 45, 84 and 27 of the State budget	Effect of the NII items (net) on the State budget (increased deficit)	Change in the State budget (increased deficit) compared to the status quo	Change in the NII budget (increased deficit) compared to the status quo	Notes
Alternative "D" Removing only the deposits from the budget and reducing the Treasury appropriation (items 27, 45, 84 of the government budget) by the size of the expected surplus in the NII budget:	0	45,567,000	45,567,000	14,719,000		This alternative henceforth theoretically ensures the generation of a new asset balance for the NII. It increases the government deficit even more than Alternative "B". Similarly, the negative effect on the deficit due to the principal repayment will increase over the years since the new deposits (which will not be recorded in the current budget) will result in the accumulation of new repayments in the future. Therefore the repayments will increase in the future.
Alternative "E" Replacing the amortization schedule with increased participation of the State Treasury under Section 32	0	34,708,000	34,708,000	0	3,860,000	This alternative cancels the debt to the NII all at once. Therefore, the receipts of the NII in its current budget will be reduced immediately by the size of the surplus. Ignoring the need to address the financial strength problem will result in a worsening of this new deficit of the NII, which will facilitate the government in persuading the legislature to infringe the rights of the insureds.



### 3. Summary of Sections 1 and 2

In Section 1 we surveyed the financial strength of the National Insurance Institute according to a model that was established by the Research and Planning Administration. First, we detailed the expected development of the population from the long-term population forecast project by primary groups (non-ultra-Orthodox Jews, ultra-Orthodox Jews and Arabs) and by age and gender and subsequently we presented the possible assumptions and their long-term consequences in terms of the population. In Box 1 we elaborated on the options for selecting a basic forecast for the financial strength model.

In Box 2, we presented the developments in the labor market from the perspective of those groups, while emphasizing the dynamic that can be identified in the last decade in relation to the behavior of the different groups in the labor market. In order to tie what is occurring in the labor market to the social security strength model we developed a forecast for labor market participation according to these groups and according to gender and age groups. For this purpose, we determined that the trends would continue and we also determined a reasonable limit with regard to the development of the employment rates of each one of the groups. We used the leading group in the labor market – the non-Orthodox population – in order to provide a limit for the different groups.

The result obtained is that the long-term employment rates are expected to be similar to those that we assumed when we began applying the model (Annual Survey 2010, Chapter 4): the employment rates were then derived from the government objectives as set out in the Agenda document of the National Economic Council. One of the conclusions of this chapter is that the employment objectives, as they were then, were probably reasonable, inasmuch as the present continuation of trends model has even improved the employment situation compared to the first version.

Box 2 describes what is expected in terms of the financial strength situation of the forecasts as described thus far and it shows that the actuarial situation improves slightly with the present employment assumptions. The box also shows that a fairly basic step of transferring the hospitalization expenses to their natural place – to the health budget or to item 9, i.e. outside the insurance benefits without changing the insurance contributions – can lead to a substantial improvement of the financial strength situation of the NII without compromising social security at all.

The conclusion that follows from Section 2 of this chapter is that the probability of meeting the challenge of the financial sustainability of the NII without having to compromise the level of social security – is high.

In Box 3, we clarify the importance of the asset balance of the NII and demonstrate the danger of adopting an approach whereby the amortization schedule of the NII bonds should be eliminated and replaced with direct State deposits in the NII budget (Section 32 of the National Insurance Law).

The probability of meeting the challenge of the financial sustainability of the NII without having to compromise the level of social security – is high

## 4. Volume of Payments

Payments of the cash and in-kind benefits of the National Insurance Institute – contributory and non-contributory – totaled NIS 69.32 billion in 2013, compared to 66.85 billion in 2012. These amounts include also other payments made by the NII, mainly to the government ministries, for community service development expenses, as well as administrative and operating expenses of the NII system and its miscellaneous domains (in the sum of approximately NIS 1.4 billion).

The real growth in the total NII payments reached 2.2% and it mainly stems from the growth in the number recipients of all the benefits

The real growth in the total NII payments reached 2.2% and it mainly stems from the growth in the number recipients of all the benefits paid by the NII, at varying rates. The number of employees, which rose in 2013 by a rate of about 3% and the real increase in the wage at a rate of about 1% also contributed to the increase in the total payments, whereas the legislative changes in 2013, mainly the cuts in child allowances (see below), partially offset the increase that stemmed from these factors. In 2012, child allowances were updated by 1.4% according to the increase in the index between November 2011 and November 2012 – a rate similar to the average index increase in 2013, which totaled 1.5%, so that the benefits were raised by 0.1%, i.e. they remained at the same level in real terms.

The cuts in child allowances, partially offset this increase

**Table 8**  
**Benefit Payments and Collection from the Public (excluding administrative expenses) as a Percentage of the Gross Domestic Product, 1980-2013\***

Year	Benefit payments		Collection	
	Total	Contributory benefits	Total**	National insurance 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	7.65	6.09	6.00	4.08
2005	7.02	5.63	6.00	4.03
2006	6.65	5.35	5.62	3.75
2007	6.41	5.20	5.53	3.66
2008	6.39	5.21	5.54	3.64
2009	6.71	5.51	5.34	3.48
2010	6.69	5.57	5.49	3.62
2011	6.64	5.57	5.54	3.65
2012	6.59	5.57	5.31	3.49
2013	6.44	5.47	5.30	3.72

\* General note for data as a percentage of the GDP throughout the entire report: there may be differences compared to previous years due to retroactive changes made to the definitions of GDP measurement in order to adapt it upon Israel joining the OECD countries.

\*\* Including collection for the health system.

\*\*\* Including Treasury indemnification in respect of the reduction in the national insurance contributions of employers.

However, in terms of GDP, a decline of 0.15 percentage points was recorded (Table 8). The table data shows that in terms of GDP the benefit rate fell consistently in recent years from 7 percentages of GDP in 2009 to 6.44 thereof in 2013 and thereby it reverted to the level prevailing in 2007 - 2008, after reaching a peak of 8.7% in 2002.

The collection's rate of the GDP in 2013 remained similar to the level of 2012 - 5.3% - and the national insurance contribution collection's rate of the GDP rose by 0.2 percentages of GDP, reaching 3.7% in 2013.

Overall, in 2013 the contributory benefit payments under the National Insurance Law rose by 2.5% in real terms. The payments of non-contributory benefits - which are paid by virtue of the State laws or by virtue of agreements with the Treasury and which are fully funded by the State Treasury (such as income support, mobility, maintenance, old-age and survivors to those who are not insured [primarily new immigrants] and reserve service benefits) - fell by 0.8%. In 2013, these benefit payments, including administrative expenses, totaled NIS 10.4 billion, which constitute approximately 15% of all benefit payments.

An analysis of the major trends in benefit payments by branches shows that the old-age and survivors' pension payments rose by 3.2% in 2013<sup>18</sup>, following an increase of 3.6% in 2012 and higher increases in 2009 and in 2010 (Table 9). During 2008 to 2011, the old-age and survivors' pension payments were raised, mainly due to legislative changes that acted to increase the payments of these pensions: in April 2008 the basic old-age and survivors' pensions were increased from 16.2% to 16.5% of the basic amount<sup>19</sup> and those aged 80 or older received a special increment at a rate of one percentage point thereof. In August 2009, under the Economic Efficiency Law, the old-age and survivors' pensions were raised further, from 16.5% to 17% of the basic amount. In January 2010, the pensions were raised to 17.35%, as part of a process at the end of which, in January 2011, the basic pension was increased to 17.7% of the basic amount. The gradual and continuous growth in old-age pensions from 16.2% to 17.7% of the basic amount was accompanied by a parallel process in which the income supplement benefits were raised according to the age of the entitled persons. The effect of the described legislative changes was exhausted in 2011, and as set forth above, also the annual pension update did not contribute to a real increase of the benefits. Accordingly, the increase in benefit payments in 2013 is explained solely by growth in the number of recipients.

In terms of GDP the benefit rate fell consistently in recent years from 7 percentages of GDP in 2009 to 6.44 thereof in 2013

.....

18 There may be differences in the rates of change of the payments presented in this chapter compared to those presented in the specific chapter surveying the benefits, since the data on which the calculation in this chapter is based includes administrative expenses and may also include additional small components that are added to the total benefit payments, such as a study grant in the child allowance.

19 The basic amount is the amount according to which most of the benefits are calculated as of January 2006. This amount is updated on the 1st of January of each year at the rate of increase of the consumer price index that occurred in the preceding year. The basic amount has different rates for updating the different benefits. In 2013, the basic amount for most of the benefits was NIS 8,487.

Child allowance payments fell by a real rate of 13% between 2012 and 2013, following an increase of 3.2% in 2012

Child allowance payments fell by a real rate of 13% between 2012 and 2013, following an increase of 3.2% in 2012. In July 2013, in the framework of the Economic Efficiency Law, it was decided to institute a steep and immediate cutback of the child allowance amounts for all children, so that except for the allowance for older children (born before June 1st, 2003), whose sequential number in the family is third or subsequent born, the allowance amount for all children was set at a uniform level of NIS 140 per month. Since the change came into effect only in August 2013, the aforesaid decline of 13% in child allowances is only partial and the further consequences of this process are expected to be reflected in the 2014 data.

The payments of unemployment benefits rose at the steep rate of approximately 10% in 2013 (following a similar increase in the previous year), which primarily originated in the steep rise in the number of recipients and in the legislative change in March 2013, when the conditions of entitlement and wage determination for benefit calculation for daily unemployed persons were equated to those of monthly unemployed persons – a step that raised the daily unemployed workers' proportion of all unemployment recipients. In other wage-replacement benefits – maternity and work injury – affected by the developments in the labor market, fairly steep rises of 5% - 6% were recorded. The increase in the maternity allowance constitutes a continuation of the growth in the number of women entitled to this benefit and the increase in the average maternity allowance payment in recent years, in light of the growth in employment rates and in the wages of women over time.

The long-term care benefit payments also rose by the high rate of 6% in 2013, primarily in light of the growth in the number of persons entitled to the benefit in general and in the number of persons entitled to the benefit at its highest rate in particular. Disability benefits rose by a real rate of 3.3% in 2013, a more moderate increase than that which was recorded the previous year, reaching 5.7%, which primarily stems from the growth in the number of recipients.

The income support benefit for the working age population rose by 2% for the first time after three years of declines in the volume of payments for this benefit, by varying rates. The increase in the payments stems from a combination of several factors: legislative changes (in the area of widening the circle of recipients who have a vehicle in their possession), the slight increase in the number of recipients and the increase in the average benefit level in 2013.

The only benefit that decreased is for those serving in reserve duty. Its volume of payments fell by 2.8% in 2013, following an increase at a rate nearly double that in 2012.

Most of the benefits increased their proportion in 2013 at the expense of the decline in the proportion of the child allowances out of total benefit payments (Table 9). The payments for the Old-age and Survivors' branch, the largest branch in size, constituted 37.5% of total benefits paid in 2013. Compared to 2012, their proportion rose by a further

Most of the benefits increased their proportion in 2013 at the expense of the decline in the proportion of the child allowances out of total benefit payments

**Table 9**  
**NII Benefit Payments (including administrative expenses), 1995-2013**

Year	Total payments	Old-age and survivors**	General disability	Work injury, border and hostile actions	Maternity	Children	Unemployment	Reserve service	Income support***	Long-term care and other
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
2005	43,305	16,457	7,792	3,192	2,857	4,548	2,044	713	2,859	2,842
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
2010	59,137	22,023	11,130	3,986	5,033	6,279	2,606	1,028	2,659	4,394
2011	62,666	23,531	11,664	4,281	5,357	6,974	2,582	1,068	2,617	4,592
2012	66,850	24,804	12,534	4,601	5,779	7,319	2,914	1,148	2,635	5,116
2013	69,321	25,980	13,137	4,961	6,168	6,465	3,252	1,133	2,728	5,498
<b>Real annual growth (percentages)</b>										
1995	10.1	8.6	16.1	14.6	20.8	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
2005	-0.1	1.3	4.6	0.2	3.4	-8.1	-6.9	-0.6	-6.0	2.5
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
2010	4.0	6.3	5.3	1.9	6.5	8.2	-17.8	-14.4	-0.9	7.4
2011	2.4	3.3	1.3	3.8	2.9	7.4	-4.2	0.4	-4.9	1.0
2012	4.9	3.6	5.7	5.7	6.1	3.2	11.0	5.7	-1.0	9.5
2013	2.2	3.2	3.3	6.2	5.2	-13.0	9.9	-2.8	2.0	5.9
<b>Distribution by branches (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
2005	100.0	38.0	18.0	7.4	6.6	10.5	4.7	1.6	6.6	6.6
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
2010	100.0	37.2	18.8	6.7	8.5	10.6	4.4	1.7	4.5	7.4
2011	100.0	37.6	18.6	6.8	8.5	11.1	4.1	1.7	4.2	7.3
2012	100.0	37.1	18.7	6.9	8.6	10.9	4.4	1.7	3.9	7.7
2013	100.0	37.5	19.0	7.2	8.9	9.3	4.7	1.6	3.9	7.9

\* The data for 1995 does not include the amounts transferred to the Ministry of Defense as repayment of debt in respect of savings in the number of reserve days.

0.4 percentage points, in light of the increase higher than the average increase in the total benefits paid. The general disability payments constituted 19.0% of the total benefits in 2013 – an increase of 0.3 percentage points compared to the previous year. As expected, the Children branch – the third largest in size – slightly reduced its proportion (by 1.6 percentage points) and it currently constitutes 9.3 of the total benefits, approaching the level of the work injury, maternity and long-term care benefits. The Unemployment branch continued to rise this year, from 4.4% to 4.7% between 2012 and 2013, as a result of the steep rise in the number of unemployment benefit recipients in 2013, while in the Income Support branch the diminishing trend in its proportion in recent years halted and it constitutes, as in the previous year, 3.9% of total payments – about less than half of its proportion in 2002, when it had constituted approximately 8% of the total payments.

## 5. Benefit Levels

In January 2013 the benefits were updated by the rate of increase of the consumer price index during the period of November 2011 to November 2012, by a rate of 1.4%. This rate updates the basic amount<sup>20</sup>, according to which most of the benefits are updated as of January 2006 under the Plan for Economic Recovery Law of June 2003. Previously, the benefits had been updated according to the increase in the average wage. In 2013, the average wage rose by a higher rate than the price increases, so that the pensions rose less than the average wage. However, as of 2002 the average wage cumulatively rose by a slightly lower rate than the increase in the consumer price index during the corresponding period. The described trend, whereby the average wage ceased rising by rates higher than the price increases over time, effectively eliminates the erosion that was expected to occur in the benefits (according to past experience), in the wake of the transition to updating them according to the consumer price index instead of according to the changes in the average wage.

In 2013, old-age pensions are the increased pensions after the completion in 2011 of a process raising the basic individual pension, as prescribed under the Economic Efficiency Law of 2009. The pension reached 17.7% as a rate of the basic amount for elderly individuals up to age 80 (an increase of about 2%). According to this layout, the pension for those who have turned 80 was also raised slightly, so that the gap of 1% of the basic amount in favor of these elderly in comparison to the elderly who have not yet turned 80 years old has been maintained, and the pensions for the other family compositions, including the old-age and survivors' pensions that include an income supplement, were also raised accordingly (Table 10).

The cessation of the layout for raising the old-age pension and the real increase in the average wage were reflected in the decline of the benefit level in terms of the average

The cessation of the layout for raising the old-age pension and the real increase in the average wage were reflected in the decline of the benefit level in terms of the average wage in 2013

20 See Note 19 in this chapter.

wage in 2013 compared to the previous year (Table 10): In the first two age groups (up to 70 and up to 79) the benefit fell from 16.9% of the average wage to 16.7% thereof and in the 80+ ages it fell from 17.9% to 17.7% of the average wage. It should be noted that the pension rates as a percentage of the average wage, as presented in Table 10, are lower than their rates as a percentage of the basic amount (by approximately one percentage point), since the basic wage level in absolute values is less than that of the average wage.

The benefit level for income support with its various definitions is presented in Table 11. The guaranteed minimum income for the working-age population as a percentage of the average wage has also been eroded compared to 2012 due to the real increase in the average wage (compared to the rate of update of the basic amount and of the benefits, which has remained unchanged in real terms). The benefit for a single mother<sup>21</sup> up to age

**Table 10**  
**Old-age and Survivors' Pension and Guaranteed Minimum Income for the Elderly and Survivors (fixed prices and percentage of average wage\*), Monthly Average, 1975-2013**

Year	Age	Basic old-age and survivors' pension				Guaranteed minimum income (including child allowances)			
		Elderly individual		Widow / widower with two children		Elderly individual		Widow / widower with two children	
		2013 prices (NIS)	Percentage of the average wage	2013 prices (NIS)	Percentage of the average wage	2013 prices (NIS)	Percentage of the average wage	2013 prices (NIS)	Percentage of the average wage
1975		758	14.9	1,261	24.8	1,300	25.5	2,525	49.6
1980		836	17.1	1,620	33.1	1,467	30.0	2,974	60.9
1985		942	28.2	1,826	35.3	1,880	36.4	3,774	73.0
1990		1,187	16.4	2,297	31.7	1,864	25.7	3,777	52.1
1995		1,202	15.5	2,329	30.1	2,011	26.0	4,444	57.3
2000		1,342	15.0	2,599	29.0	2,243	25.0	4,935	55.0
2005		1,336	15.2	2,650	30.2	2,428	27.6	5,077	57.8
2010	Up to 70	1,478	16.8	2,859	32.4	2,726	30.9	5,607	63.6
	70-79	1,478	16.8			2,798	31.8		
	80+	1,563	17.8			2,926	33.2		
2011	Up to 70	1,491	16.9	2,889	32.7	2,731	30.9	5,663	64.0
	70-79	1,491	16.9			2,812	31.8		
	80+	1,576	16.9			2,939	33.2		
2012	Up to 70	1,054	16.9	2,915	32.7	2,755	30.9	5,725	64.2
	70-79	1,054	16.9			2,837	31.8		
	80+	1,589	17.9			2,965	33.2		
2013	Up to 70	1,502	16.7	2,910	32.4	2,752	30.6	5,664	63.0
	70-79	1,502	16.7			2,833	31.5		
	80+	1,587	17.7			2,961	32.9		

\* As measured by the Central Bureau of Statistics.

\*\* Since 2008, the benefit levels were split by age.

21 Imports also a single father.

**Table 11**  
**Guaranteed Minimum Income for the Working-age Population (fixed prices in NIS and percentage of average monthly wages\*), Monthly Average, 2000-2013**

Year	Individual			Single mother** with 2 children (including child allowances)			Couple with two children (including child allowances)				
	Regular rate		Increased rate	Regular rate		Increased rate	Regular rate		Increased rate		
	2013 prices (NIS)	Percentage of average wage	2013 prices (NIS)	Percentage of average wage	2013 prices (NIS)	Percentage of average wage	2013 prices (NIS)	Percentage of average wage	2013 prices (NIS)	Percentage of average wage	
2000	1,676	18.7	2,096	23.4	4,627	51.6	3,973	44.3	4,602	51.3	
2005	1,627	18.5	1,830	20.8	3,464	39.4	3,017	34.4	3,464	39.4	
2006	1,636	18.4	1,841	20.7	3,543	39.8	3,093	34.8	3,543	39.8	
2007	1,628	18.0	1,832	20.3	3,524	39.0	3,077	34.0	3,524	39.0	
2008	1,666	18.6	1,875	20.9	3,594	40.0	3,136	34.9	3,594	40.0	
2009	1,686	19.3	1,897	21.7	3,635	41.6	3,173	36.3	3,635	41.6	
2010	1,704	19.3	1,916	21.8	3,691	41.9	3,223	36.6	3,691	41.9	
2011	1,685	19.1	1,896	21.4	3,706	41.9	3,242	36.7	3,706	41.9	
2012	1,700	19.1	1,912	21.4	3,751	42.1	3,284	36.8	3,751	42.1	
2013	1,697	18.9	1,910	21.3	3,682	41.0	3,215	35.8	3,682	41.0	
				Adult family members under the age of 55 years							
2000	2,096	23.4	2,096	23.4	4,627	51.6	4,602	51.3	4,602	51.3	
2005	2,033	23.1	2,033	23.1	4,363	49.7	4,318	49.2	4,318	49.2	
2006	2,045	23.0	2,045	23.0	4,479	50.3	4,402	49.5	4,402	49.5	
2007	2,034	22.5	2,034	22.5	4,456	49.3	4,379	48.4	4,379	48.4	
2008	2,083	23.2	2,083	23.2	4,547	50.6	4,469	49.8	4,469	49.8	
2009	2,107	24.1	2,107	24.1	4,600	52.6	4,521	51.7	4,521	51.7	
2010	2,130	24.2	2,130	24.2	4,665	53.0	4,586	52.1	4,586	52.1	
2011	2,106	23.8	2,106	23.8	4,668	52.8	4,590	51.9	4,590	51.9	
2012	2,125	23.8	2,125	23.8	4,722	53.0	4,643	52.1	4,643	52.1	
2013	2,122	23.6	2,122	23.6	4,668	51.9	4,573	50.9	4,573	50.9	
				At least one family member is aged 55 or older							
2000	2,096	23.4	2,096	23.4	4,627	51.6	4,602	51.3	4,602	51.3	
2005	2,033	23.1	2,033	23.1	4,363	49.7	4,318	49.2	4,318	49.2	
2006	2,045	23.0	2,045	23.0	4,479	50.3	4,402	49.5	4,402	49.5	
2007	2,034	22.5	2,034	22.5	4,456	49.3	4,379	48.4	4,379	48.4	
2008	2,083	23.2	2,083	23.2	4,547	50.6	4,469	49.8	4,469	49.8	
2009	2,107	24.1	2,107	24.1	4,600	52.6	4,521	51.7	4,521	51.7	
2010	2,130	24.2	2,130	24.2	4,665	53.0	4,586	52.1	4,586	52.1	
2011	2,106	23.8	2,106	23.8	4,668	52.8	4,590	51.9	4,590	51.9	
2012	2,125	23.8	2,125	23.8	4,722	53.0	4,643	52.1	4,643	52.1	
2013	2,122	23.6	2,122	23.6	4,668	51.9	4,573	50.9	4,573	50.9	

\* As measured by the Central Bureau of Statistics.

\*\* Imports also a single father.



**Table 12**  
**Allowance Point and Child Allowances (fixed prices and percentage of average wage), Monthly Average, 1990-2013**

Year 2013 prices	Allowance point value		Allowance for two children		Allowance for four children		Allowance for five children		
	2013 prices	Percentage of average wage	2013 prices	Percentage of average wage	2013 prices	Percentage of average wage	2013 prices	Percentage of average wage	
1990	229	3.2	459	6.3	1,772	24.4	2,514	34.7	
1995	221	2.9	443	5.8	1,779	23	2,531	32.7	
2000	226	2.5	451	5	1,818	20.3	2,588	28.8	
2005	145	1.7	292	3.3	920	10.5	1,407	16	
2006	177	2	353	4	957	10.8	1,348	15.2	
2007	176	1.9	351	3.9	952	10.5	1,342	14.8	
2008	173	1.9	345	3.8	932	10.4	1,315	14.6	
2009	175	2.0	349	4	1,030	11.8	1,416	16.2	
2010	Older	177	2.0	369	4.2	1,131	12.8	1,522	17.3
	New	177	2.0	369	4.2	889	10.1	1,064	12.1
2011	Older	175	2.0	420	4.8	1,174	13.3	1,562	17.7
	New	175	2.0	420	4.8	941	10.6	1,115	12.6
2012	Older	176	2.0	437	4.9	1,188	13.3	1,552	17.6
	New	176	2.0	437	4.9	958	10.7	1,134	12.7
2013	Older	160	1.8	373	4.2	1,024	11.4	1,399	15.6
	New	160	1.8	373	4.2	797	9.0	957	10.8

55 with two children, for instance, is 41% of the average wage in 2013 (compared to 41.9% in 2011 and 42.1% in 2012). The benefit was also greatly reduced compared to its level in 2000, on the eve of the deep cuts in the income support benefits as part of the Economic Plan of 2002-2003, when it was 51.6% of the average wage. The benefit for an individual who is under the age of 55 was 38.9% of the average wage, compared to a higher rate of 23.6% for those who had turned 55. These rates are similar and even slightly higher than the rates that prevailed on the eve of the aforesaid cuts in the beginning of the 2000s.

The average long-term care benefit granted to the elderly (whose amount is translated into hours of care) rose in 2013 by 0.3 in real terms, compared to 2012. In 2013, the average disability pension fell in real terms by approximately half a percent and remained at the same level as a percentage of the average wage – 31.5% thereof. A similar development occurred in the average attendance allowance and in the benefit for a disabled child; these fell by a rate of 0.4% and 0.7% in real terms respectively and remained at their 2012 level as a rate of the average wage – 27.8% and 27.4%, respectively.

By contrast, the average monthly mobility benefit rose by a rate of 3.1% as a result of the growth in the rate of persons entitled to a specially accessorized vehicle.

The average long-term care benefit granted to the elderly rose in 2013 by 0.3 in real terms, compared to 2012

The deep cuts in the child allowances, which began in August 2013 (and therefore were not fully exhausted in 2013), were reflected in the child allowance point value (Table 12). In all the recent years (as of 2009) the allowance point was set at 2% and fell to 1.8% of the average wage. The table shows that there was a decrease on a similar scale in all the family categories. For families with four children, for instance, the rate of the allowance paid for the children fell from 11.4% to 9.0% of the average wage. The rates of decrease in the child allowance vary among different categories of families, as well as among “older” and “new” (born subsequent to June 2003) children. Thus, for instance, for families receiving an allowance for two children, “new” or “older”, the allowance fell by a rate of approximately 15% in real terms between 2012 and 2013. For a family with four children, the real decrease was higher if the children were all “new” (17%) compared to a family in which all the children are “older” (13%). The decrease in the child allowances in 2013, which as stated was partial, completely offset the increase that was recorded therein in recent years pursuant to the layout for raising the child allowances. These gaps grow as the number of children in the family grows.

In the Unemployment branch, the level of the average unemployment benefits as a percentage of the average wage fell by about 3% in 2013, compared to 2012, in light of the legislative change that added a relatively disadvantaged population in the labor market to the circle of recipients

In the wage-replacement benefit branches there were mixed trends in the benefit levels. In the Work Injury branch, the average daily injury allowance for salaried employees rose in 2013 compared to 2012 at a rate of approximately half a percent, but fell by a similar rate as a percentage of the average wage. In the Unemployment branch, the level of the average unemployment benefits as a percentage of the average wage fell by about 3% in 2013, compared to 2012, in light of the legislative change that added a relatively disadvantaged population in the labor market to the circle of recipients – daily unemployed persons. The average daily maternity allowance fell at a rate of 1.7% in 2013, compared to 2012. By contrast, the hospitalization grant to the mother rose by 4.5% and the increment for a premature baby rose by 5.3% between the two years.

## 6. Benefit Recipients

The number of old-age and survivors' pension recipients rose in 2013 by 3.9%

The number of old-age and survivors' pension recipients rose in 2013 by 3.9% (Table 13). The NII paid pensions to 833.9 thousand old people and survivors on average per month. This rate reflects an increase of 4.6% in the number of old-age pension recipients, which was offset by a decrease of 0.8% in the survivors' pension recipients. In the Children branch, as in recent years, the number of families receiving child allowances rose by 1.9% as a result of natural population growth. In 2013, child allowances were paid to approximately 2.5 million children living in 1.1 million families.

Between 2012 and 2013, the number of unemployment benefit recipients rose by a steep rate of 11.6%, following a steep rise also in 2012 by 7.7%. The increase in the number of recipients in 2013 stems, inter alia, from the growth in the number of employed persons and from the legislative change pertaining to daily workers, inasmuch

as the unemployment rate fell (from 6.8% in 2012 to 6.2% in 2013 according to CBS data). Concurrently with these increases, there was improvement in the unemployment insurance's coverage rate of the unemployed persons in the economy.

The steep rises in the number of unemployment benefit recipients in the last two years come against the background of a decline in the number of recipients in the preceding years: in 2003 - 2008 their number fell consistently as a combined result of the economic situation in the economy and changes to the benefit entitlement conditions. In the wake of the economic crisis and the increase in the unemployment rate in the latter part of 2008, a temporary order was enacted in the beginning of 2009, with the aim of assisting unemployed persons who are not entitled to an unemployment benefit under the National Insurance Law and paying them special benefits. Consequently, many people were temporarily added to the circle of recipients and the rate of recipients rose by more than 50%. A partial offset of this steep increase by a decrease of 21% in the number of recipients occurred in 2010 upon the lapse of said temporary order and there was a further moderate decrease in 2011.

In the second largest branch, General Disability, an increase of 2.3% was recorded compared to 2012 – the lowest growth rate in the last decade. Since the 90s, the average number of recipients per year has risen by rates ranging between 3% and 8% each year. In the benefits deriving from the general disability pension, the increases continued on a scale similar to those in previous years: the number of attendance benefit recipients rose by 8.1% (compared to 7.4% in 2011), the number of mobility allowance recipients soared by 3.6% and the number of recipients of a benefit for disabled child rose by a steep rate of 12.2%, following an increase of 8.8% in the previous year, primarily due to the expansion of the list of causes entitling to this benefit.

In the Work Injury branch, which is generally affected by employment rates (which rose in 2013), the number of injury allowance recipients rose by a rate of 6.2% and the number of permanent disability pension recipients rose by 4.9% – a rate similar to the annual rate in each one of the years in the past decade. In the Long-term Care branch, the number of recipients rose by a slightly more moderate rate compared to recent years – 2.4%. In the Maternity branch, the number of birth grant recipients rose by the fairly moderate rate of 0.3%, whereas the number of maternity allowance recipients rose by 2.1%, following a steep rise of 6% in the previous year.

In 2013, for the first time since 2005, the number of working-age recipients of income support benefits rose slightly – by about half a percent. From 2005 to 2013, the number of recipients fell by a cumulative rate of approximately 25%. The moderate increase in the number of recipients probably stems from the growth in the number of employed persons and from the legislative changes (vehicle ownership, see the chapter on income support), which widened the circle of persons entitled to the benefit.

In the Work Injury branch, which is generally affected by employment rates (which rose in 2013), the number of injury allowance recipients rose by a rate of 6.2%

**Table 13**  
**Benefit Recipients of the Principal Insurance Branches (monthly average), 1990-2013**

Year	General disability			Work injury		Maternity		Children		Income support (for the working-age population) <sup>****</sup>	Long-term care		
	Old-age and survivors <sup>****</sup>	General disability pension	Attendance allowance	Benefit for disabled child	Mobility allowance	Injury allowance*	Permanent disability pension	Birth grant* allowance*	Maternity allowance*			Families receiving child allowances**	Unemployment benefits
1990	442.6	73.5	6.5	5.8	11.4	56.7	11.8	107.7	43.7	532.5	50.6	30.8	25.0
1995	553.9	94.0	10.2	10.3	13.2	84.9	14.6	113.4	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	127.2	71.2	928.2	104.7	141.8	105.4
2005	719.9	170.9	24.0	21.0	24.9	63.9	25.2	148.4	77.0	956.3	58.8	139.9	115.0
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	156.4	97.7	1,012.0	73.0	111.8	136.6
2010	758.5	207.2	33.1	27.9	31.6	67.6	32.3	166.7	103.3	1,030.1	57.7	109.4	141.4
2011	780.1	213.0	35.2	29.5	33.0	67.6	33.9	163.4	105.7	1,048.7	57.4	105.3	145.6
2012	802.5	217.6	37.8	32.1	34.1	69.7	35.7	169.2	112.0	1,068.1	62.4	103.8	152.8
2013	833.9	222.6	40.9	36.0	35.3	37.4	37.4	169.7	114.4	1088.3	69.6	104.4	156.5
						Annual growth (percentages)							
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
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
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
2010	1.5	3.5	6.1	5.3	3.9	2.8	4.5	6.6	5.7	1.8	-21.0	-2.1	3.5
2011	2.8	2.8	6.4	5.7	4.3	-0.1	5.0	-1.8	2.3	1.8	-0.5	-3.7	3.0
2012	2.9	2.2	7.4	8.8	3.3	3.2	5.3	3.5	6.0	1.8	7.7	-1.4	4.9
2013	3.9	2.3	8.1	12.2	3.6	3.6	4.9	0.3	2.1	1.9	11.6	0.6	2.4

\* The number of the various recipients during the year.

\*\* The data for 1985 and 1990 include the families whose first child and second child allowances were restored to them through the employers. In 1993, the allowances reverted to being universal.

\*\*\* In calculating the figure for 2004 onward, a benefit that was split between several recipients was attributed to only one recipient. The number of recipients in 2004, in the calculation of which all the split benefit recipients were included, was 145.6 thousand on average per month.

\*\*\*\* From 2010, the number of old-age and survivors' pension recipients who received split old-age and survivors' pensions are counted as a single unit.

## 7. Collection of Insurance Contributions from the Public and the Sources of Funding of the Benefits

The benefit payments of the National Insurance Institute are funded by four sources: (a) collection of national insurance contributions (direct collection from the public and Treasury indemnification in respect of the reduction in the national insurance contributions of employers and self-employed insureds) (b) government participation in funding the contributory benefits (c) government funding of non-contributory benefits (d) receipts from interest on the investment of financial balances, mainly in government bonds. In addition to the collection of national insurance contributions, the NII collects the health insurance contributions and transfers them to the sick funds.

Under the Economy Arrangements Law of 2011-2012, several amendments were introduced: (a) the ceiling for payment of national and health insurance contributions was raised to 9 times the basic amount from January 1st, 2011. (b) In 2012, the ceiling should have been raised to 8 times the basic amount, but pursuant to the Trajtenberg Law, which was enacted in the wake of the social protests, the ceiling for payment was lowered and reverted to 5 times the basic amount from 1.1.2012. (c) The regular employer insurance contributions were raised by 0.47% (from 5.43% to 5.9%) as of April 1st, 2011. These steps increased the collection of the NII, but not the share of the State Treasury and therefore the participation in the Children branch was 200.5% from April 1st, 2011 (204.5% in 2012).

In August 2013, child allowances were reduced and pursuant thereto the State participation diminished by the rate of the budgetary savings. The participation rate fell from 210% to 166.3% of the collection for the Children branch.

In August 2012, the Deficit Reduction Law was enacted, which gradually increased the regular employer insurance contributions from 2013 and reinstated, from June 1st, 2012, Treasury participation in collection for the Children branch to 210% – the governing rate in 2009. In 2013, employer insurance contributions were raised, as prescribed by the Trajtenberg Committee in 2011. The Committee decided on a three-stage increase: the first stage – an increase of 0.6% (from 5.9% to 6.5%) – which was made in 2013, and the following two stages were split into three parts: an increase of 0.25% in 2014, 0.5% in 2015 and 0.25% in 2016.

### A. Collection of Insurance Contributions from the Public

The NII's receipts from collecting national and health insurance contributions rose by 4.7% in real terms in 2013 (compared to 1.5% in 2012). The receipts of the NII branches rose by 5.7% – a rate double the rate of increase in the receipts of the health system, which was 2.8% (Table 14). The increase stems mainly from the developments in the labor market – the widening of the circle of employed persons and the real growth in wages – as well as the stated legislative change with regard to raising employer insurance contributions.

The NII's receipts from collecting national and health insurance contributions rose by 4.7% in real terms in 2013

In 2013, total collection receipts totaled NIS 55.9 billion

In 2013, total collection receipts totaled NIS 55.9 billion: 34.5 billion for the NII branches and 18.9 billion for the health system (Table 14). Approximately NIS 2.5 billion was added to the collection from the public, which the State Treasury transferred as indemnification for the reduction in the national insurance contributions of employers and self-employed persons (in accordance with section 32C1 of the National Insurance Law).

However, in terms of f GDP, total collection remained at its 2012 level – 5.1% of the GDP: 3.3% thereof being collection for the NII branches (an increase of 0.1% compared to 2012) and 1.8% for the health system (a decrease of 0.1% compared to 2012). In all the

**Table 14**  
**Collection for the National Insurance System**  
**and for the Health Insurance System, 2009-2013**

	2009	2010	2011	2012	2013
<b>Current prices (NIS million)</b>					
<b>Total insurance contribution receipts</b>	43,224	47,626	51,150	52,701	55,891
<b>Total collection from the public</b>	41,228	45,392	48,719	50,276	53,420
For the NII branches	26,233	29,102	31,305	32,144	34,498
For the health system	14,995	16,290	17,414	18,132	18,922
Treasury indemnification	1,996	2,234	2,431	2,425	2,471
<b>Development indicators of the collection from the public</b>					
<b>Real percent change</b>					
<b>Total collection from the public</b>	-1.4	7.2	3.7	1.5	4.7
For the NII branches	-1.9	8.0	4.0	1.0	5.7
For the health system	-0.4	5.8	3.3	2.4	2.8
<b>As a percentage of the GDP</b>					
<b>Total collection from the public</b>	5.1	5.2	5.3	5.1	5.1
For the NII branches	3.2	3.3	3.4	3.2	3.3
For the health system	1.9	1.9	1.9	1.9	1.8
<b>As a percentage of direct taxes on individuals</b>					
<b>Total collection from the public</b>	46.5	48.6	48.4	48.1	47.9
For the NII branches	29.6	31.2	31.1	30.8	30.9
For the health system	16.9	17.4	17.3	17.3	17.0
<b>As a percentage of direct taxes</b>					
<b>Total collection from the public</b>	35.2	35.7	35.2	34.8	33.1
For the NII branches	22.4	22.9	22.6	22.2	21.4
For the health system	12.8	12.8	12.6	12.6	11.7

years indicated in the table, the collection, in terms of GDP, ranges around five percent of the GDP, a rate lower than that at the beginning of the decade: in 2003 collection from the public reached 6.3% of the GDP. The proportion of the collection from the public of the total direct taxes on individuals fell slightly: from 48.1% in 2012 to 47.9% in 2013.

The changes in the collection growth rates differ between those paid for salaried employees (i.e. from salaried employees and from employers) and those paid for those other than salaried employees. In 2012, direct collection from the salaried employee public grew by 1.3% in real terms, compared to a growth of 4.7% in 2011. The direct collection from the salaried employees and their employers was affected both by the surveyed legislative changes and by the changes in the labor market: the average wage for a salaried position rose by 2.7, in nominal terms, in 2012 (compared to an increase of 4.1% in 2011). The number of positions rose by 2.6% in 2012 (compared to an increase of 3.6% in 2011). By contrast, the direct collection from non-employee insureds fell by 0.4% in real terms in 2012, compared to a decline of 1.1% in 2011. Overall, the collection of the NII in 2013 constitutes approximately 35% of the total collection of direct taxes in Israel, 63% of which are from national insurance contributions and 37% from health insurance contributions. The decline as a percentage of the direct taxes in general was more significant – from 34.8% to 33.1% between the two years.

Overall, the collection of the NII in 2013 constitutes approximately 35% of the total collection of direct taxes

## B. Sources of Funding of the Benefits

In 2013, the total NII receipts for funding the NII branches rose by 1.7% in real terms and totaled NIS 74.0 billion in current prices (Table 15). The steep rise at a rate of 4.7% in collection from the public<sup>22</sup>

was offset by declines in the other sources items: government participation under Section 32 of the Law fell by 2.4% in 2013; government funding of NII benefits fell by a more moderate rate of 1.1% and the interest payments that constitute about one-tenth of the total NII receipts fell by a similar rate (1.2%).

In the past decade (since 2003), receipts have risen by about 25% in real terms, primarily due to an increase in the national insurance contribution collection receipts by 32%. Both parts of the government participation component rose by about half that rate – by approximately 15% – whereas receipts from interest rose by the steepest rate of approximately 42% over the course of said decade. The cumulative increase of the aggregate government participation components was therefore the most moderate among the various components of the receipts. This trend led to a certain rise in the national insurance contributions' proportion of the total receipts: from 47.5% in 2003 to 49.9% in 2012. However, a longer-range examination shows that the proportion of the receipts from the public diminished from a rate higher than half the total receipts in

22 This rate is slightly different than the rate indicated in the previous section, inasmuch as the collection of national insurance contributions in this table includes the Treasury indemnification.

**Table 15**  
**The Sources of Funding of the National Insurance Branches, 1995-2013**

Year	Total receipts*	Collection of national insurance contributions**	Government participation***	Government funding of benefits	Interest receipts
NIS million, current prices					
1995	23,581	12,171	4,222	4,650	2,504
2000	41,207	20,751	8,336	8,148	3,907
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
2010	63,821	31,289	15,014	10,032	7,000
2011	68,976	33,736	17,304	10,203	7,304
2012	71,398	34,569	18,206	10,454	7,693
2013	74,017	36,969	18,115	10,539	7,748
Real annual growth (percentages)					
2000	7.6	9.8	1.6	10.8	3.6
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
2010	2.0	7.9	-6.6	-1.7	2.3
2011	4.5	4.2	11.4	-1.7	0.9
2012	1.8	0.7	3.4	0.7	3.6
2013	1.7	4.9	-2.4	-1.1	-1.2
Distribution (percentages)					
1995	100.0	51.6	17.9	19.7	10.6
2000	100.0	50.4	20.2	19.8	9.5
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
2010	100.0	49.0	23.5	15.7	11.0
2011	100.0	48.9	25.1	14.8	10.6
2012	100.0	48.4	25.5	14.6	10.8
2013	100.0	49.9	24.5	14.2	10.5

\* Including third party compensation.

\*\* Including Treasury indemnification.

\*\*\* Under Section 32 (a) of the Law.



1995 and at the beginning of the decade, to a lower rate. This indicates an erosion of the independence of the National Insurance Institute.

### C. Surpluses / Deficits and Financial Reserves

Disregarding the interest revenues on the NII investments, in 2013 the NII budget deficit (excluding interest) remained almost unchanged at a level of approximately NIS 3 billion in 2013, a rate similar to that prevailing in 2010. The most recent year in which there was a budget surplus is 2008. The size of this deficit is a result of increases in all the NII branches, save the Children Insurance branch, in which growth of nearly one billion NIS was recorded in the budget surplus, which offset the increases in all the other branches (Table 16).

The table further shows that the financial activity of the NII adds up to a surplus, when the interest receipts are included. The operating deficit turns into a surplus of NIS 4.7 billion, compared to NIS 4.55 billion in the previous year. However, all the branches that showed a deficit without inclusion of the interest on investments remained so also subsequent to the inclusion thereof.

Disregarding the interest revenues on the NII investments, in 2013 the NII budget deficit remained almost unchanged at a level of approximately NIS 3 billion in 2013

**Table 16**  
**Surpluses / Deficits of the National Insurance**  
**Institute Branches (NIS million, current prices), 2010–2013**

Insurance branch	Excluding interest				Including interest			
	2010	2011	2012	2013	2010	2011	2012	2013
<b>Total</b>	<b>-3006.1</b>	<b>-994.2</b>	<b>-3,145</b>	<b>-3,053</b>	<b>3,999</b>	<b>6,310</b>	<b>4,548</b>	<b>4,696</b>
Old-age and survivors	-1,365.4	-2004.8	-2862	-3,374	1,243	692	-107	-692
General disability	-3,445.4	-3,606.4	-4,168	-4,444	-3,118.5	-3,407	-4,096	-4,349
Work injury	-1,460.7	-1,252.2	-1,341	-857	-1,304.4	-1,140	-1,266	-836
Maternity	-2,181.7	-2,226	-2,579	-2,604	-2,296.7	-2,226.3	-2,613	-2,549
Children	10,075	12,641	13,076	13,976	14,059	16,752	17,738	18,579
Unemployment	-1944	-1,881.7	-2,188	-2,456	-1,981.9	-1,881.7	-2,188	-2,456
Long-term care	-2,719.5	-2,786.2	-3,182	-3,428	-2,813.3	-2,786.2	-3,228	-3,360
Other	37	123	99	134	212	307	307	358



## Chapter 2

## Welfare, Poverty and Social Gaps



## 1. Introduction

This chapter presents an overview of the socio-economic situation in Israel in 2013 with regard to welfare expenditure and in 2012, the last year for which there is data available pertaining to the dimensions of poverty and inequality. Among the various indices that will be presented, the status of Israel will be highlighted, both compared to previous years and by international comparison.

Poverty measurement in Israel, as in most Western countries and international organizations, is based on the relative approach, whereby poverty is a phenomenon of relative distress that should be evaluated in relation to the characteristic standard of living of a given society. A family is defined as poor if its standard of living, as reflected by its disposable income per standard person, is lower than half the median disposable income in the population. The findings presented in this chapter – the result of processing by the Research and Planning Administration of the National Insurance Institute – are based on the annual income and expenditure surveys conducted regularly<sup>1</sup> by the Central Bureau of Statistics (CBS). Nonetheless, as with last year, here also a summary will be provided of the poverty dimension and poverty line results obtained according to three alternative poverty indices calculated regularly by the Administration and addressing both the expenditure perspective and the income perspective of the families.

The chapter opens with the status of Israel in terms of public welfare expenditure and presents findings and select analyses pertaining to the dimensions of poverty and inequality<sup>2</sup> in Israel as compared to the OECD countries (Section 2 below). Later, the principal findings on the dimensions of poverty and the standard of living of the general population are provided, according to the measurement methods used in Israel (Section 3), as well as an overview of the trends among different groups and findings primarily pertaining to inequality in income distribution (Section 5). Finally, (Section 6), as stated, a brief overview is provided of three additional poverty indices developed by the Research and Planning Administration, as well as the poverty findings arising therefrom for 2011 and 2012.

The chapter contains three boxes: (a) **Food security by locality**, which presents data on the level of food security by locality according to special processing performed on two surveys conducted by the NII; (b) A summary of findings on **the effect of the income grant (negative income tax) on poverty**; (c) **Social assistance in housing** – the extent of social assistance in housing for poor and non-poor families.

This chapter has two appendices (in the last section of the Report): one contains a detailed description of the method for measuring poverty and the sources of data and the

1 Further details and explanations regarding the method of measurement and the sources of data may be found in the appendix Poverty Measurement and Sources of Data in this publication.

2 Growing unequal? Income distribution and poverty in OECD countries, OECD (2008).

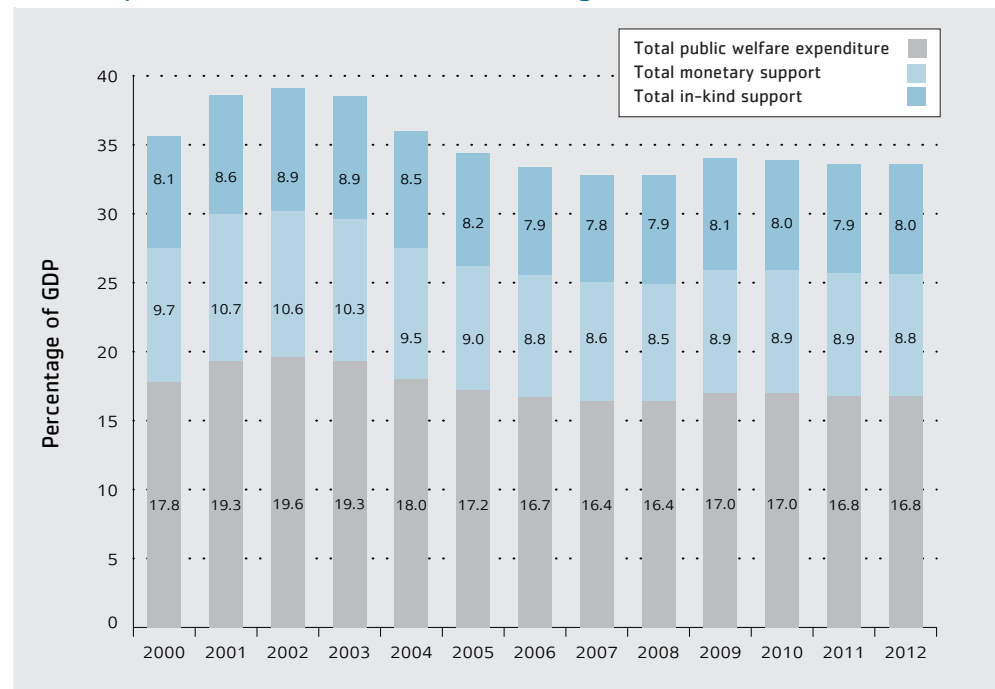
other contains poverty and inequality tables that elaborate on the information pertaining to the poverty and inequality findings.

## 2. An International Comparison of the Social Situation in Israel

In 2013, the public welfare expenditure constituted 16.2 percentage points of the GDP. This rate, which peaked in 2001 – 2002 (and was approximately 20% of the GDP), fell consistently until 2006 and halted at a level of 16% – 17% of the GDP since then up to 2013. In 2013, more than half the expenditure – approximately 54% – was earmarked for monetary support and the remainder for support in-kind

In 2013, the public welfare expenditure constituted 16.2 percentage points of the GDP. This rate, which peaked in 2001 – 2002 (and was approximately 20% of the GDP), fell consistently until 2006 and halted at a level of 16% – 17% of the GDP since then up to 2013. In 2013, more than half the expenditure – approximately 54% – was earmarked for monetary support and the remainder for support in-kind, i.e. support of services afforded to citizens, in this case primarily in the health care sector. The rate has remained similar in level to 2012 (Graph 1)<sup>3</sup>.

Graph 1  
Public Expenditures on Welfare as a Percentage of the GDP, Israel 2000-2013



\* Source of data on Israel: Central Bureau of Statistics.

3 Upon Israel joining the OECD, the CBS began to prepare detailed estimates of the various national welfare expenditure line items. As of 2013, the rates are to be based on these estimates (except for certain transfers of items from line to line according to the discretion of the writers of the chapter). Furthermore, this year the GDP data of the CBS was updated retroactively from 2006 in order to bring it to a uniform definition with the OECD countries. Accordingly, there may be changes compared to the publications in the annual statements of the NII in previous years in this regard.

A distribution of the expenditure by its various components (Table 1) shows that this stabilization is common to the monetary expenditure and to the in-kind expenditure. As may be observed, in 2000 a decrease began in the welfare expenditure for working-age families, but there was no real change in the size of the expenditure on the elderly in light of the gradual updating of old-age pensions in recent years. Also in the realm of support in-kind, which primarily consists of expenditure on health care and long-term care, a decrease of one percentage point was recorded during the course of the last decade.

As every year, we present here various aspects of the comparison of poverty and inequality in Israel to the developed countries (which are members of OECD ). The

**Table 1**  
**Public Welfare Expenditure by the Components Thereof, 2000-2013**

Component of the public welfare expenditure	2000	2001	2005	2006	2010	2011	2012	2013
<b>Total</b>	<b>18.5</b>	<b>20.1</b>	<b>17.8</b>	<b>16.5</b>	<b>16.4</b>	<b>16.3</b>	<b>16.2</b>	<b>16.2</b>
<b>Monetary support – total</b>	<b>10.1</b>	<b>11.1</b>	<b>9.4</b>	<b>8.9</b>	<b>8.8</b>	<b>8.8</b>	<b>8.7</b>	<b>8.8</b>
Support to working-age population	5.4	5.9	4.5	4.2	4.2	4.2	4.2	4.1
National Insurance	4.1	4.6	3.4	3.2	3.2	3.2	3.2	3.1
War and hostile actions	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Monetary and other benefits*	0.6	0.6	0.4	0.4	0.3	0.3	0.3	0.4
Support to elderly**	4.7	5.1	4.9	4.7	4.6	4.6	4.6	4.6
National Insurance	2.8	3.1	2.7	2.6	2.5	2.5	2.5	2.5
State employee pensions	1.9	2.0	2.1	2.1	2.0	2.0	2.0	2.1
Rental assistance	0.07	0.07	0.04	0.03	0.05	0.05	0.06	0.07
<b>Support in-kind – total</b>	<b>8.2</b>	<b>8.8</b>	<b>8.2</b>	<b>7.4</b>	<b>7.5</b>	<b>7.3</b>	<b>7.3</b>	<b>7.3</b>
Support to the elderly	0.19	0.20	0.17	0.16	0.12	0.12	0.11	0.12
Health and long-term care	6.0	6.4	6.2	5.6	5.7	5.6	5.6	5.5
Other ***	2.0	2.1	1.8	1.6	1.7	1.6	1.6	1.6
<b>Other ****</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

Source: CBS data and processing of the Research and Planning Administration, according to the classification rules of the OECD in the SOCX questionnaire.

\* The rental assistance to working-age families is included in other monetary benefits under support to the working-age population. This line also includes income support allowances, the income grant (negative income tax), etc.

\*\* Survivors' pensions were transferred to "support to the elderly" although a small proportion thereof refers to the working-age population.

\*\*\* Benefits in-kind related to monetary benefits under survivors, incapacity to work, family, etc.

\*\*\*\* Mainly active intervention in the job market.

data is updated in all the countries for the years adjacent to 2010 (generally 2009, 2010 or 2011) as available and Israel's data is updated to 2012. The comparisons were made according to the definition of poverty, consistent with the definition used by the OECD<sup>4</sup>.

Graph 2 below – with all three of its sections – presents an international comparison of the incidence of poverty as measured by economic income and by disposable income

**Graph 2**  
**Incidence of Poverty in Families Before and After Taxes and Transfer Payments**  
**Compared With the OECD Countries**



\* Based on 2010 data for all the countries except for the following countries: Ireland, New Zealand, Japan and Switzerland, whose data is correct as at 2009, Korea and Chile are correct as at 2011 and Israel – whose data is correct as at 2012.

4 The measurement of poverty in the OECD countries, as in Israel, is based on the poverty line, which is calculated as half the median disposable income per standard person. However, there are minor differences primarily pertaining to the different equivalence scale component (the mechanism used for comparing the standard of living between families of different sizes).



and the gap between them – which reflects the contribution of policy to reducing poverty. The incidence of economic poverty in the OECD countries, i.e. by income before transfer payments and taxes, ranges between 14% in Switzerland to 44% in Ireland. Israel is in the middle, i.e. it is not exceptional compared to the other countries – with a rate of 28.8%. In contrast, by incidence of poverty after transfer payments and taxes (Graph 2b), Israel rises to second place from the top, so that only Chile has a higher level of poverty.

This gap between the incidence of economic poverty that is very close to the average of the developed countries and such a high ranking in the incidence of poverty after transfer payments and taxes originates in the degree of contribution of government intervention to the extrication from poverty through direct taxes and monetary support. In Israel, this support is limited compared to that of the developed countries: Graph 2C presents the relationship between the incidence of poverty before and after the transfer payments and taxes by international comparison and shows that the reduction in poverty using these policy measures ranges among the developed countries from 11.8% in Chile to 79.5% in Ireland and in Israel – 39.6%.

These graphs illustrate that even though Israel is not exceptional in the dimensions of economic poverty, which are primarily influenced by market forces, the rather limited intervention of the policy through conventional measures is what situates Israel in its high placement in terms of poverty among the developed countries.

In recent years, the child allowance has constituted a focus of public debate with regard to its necessity and its measure of justice, inter alia given the social identity of families who benefit more therefrom, proportionately. In most welfare countries, the allowance is paid universally (i.e. without means testing) and constitutes, together with additional measures (such as tax credits) a common tool among developed countries for income re-distribution and improvement of the status of families who are raising the next generation.

Graph 3 below, with all three of its sections, presents an international comparison of the incidence of poverty of families with children, before taxes and transfer payments (3A) and the contribution of child allowances to reducing poverty among families with children (3B) and among children (3C).

The incidence of economic poverty among families with children ranges between 12.8% in the Netherlands to 51.4% in South Africa and in Israel it is set at 26.4%, slightly higher than the average among developed countries – 24%.

As stated, Graphs 3B and 3C present the rate of decrease of the incidence of poverty in each country compared to the incidence of poverty without child allowances. In Columbia, the United States, Italy and Mexico, where there is no child allowance<sup>5</sup>, the effect of the allowance on the incidence of poverty is negligible. By contrast, in

.....

5 Or at least such was not found in the LIS database under the definition of child allowance.

The incidence of economic poverty in the OECD countries, ranges between 14% in Switzerland to 44% in Ireland. Israel is in the middle, i.e. it is not exceptional compared to the other countries – with a rate of 28.8%

In contrast, by incidence of poverty after transfer payments and taxes, Israel rises to second place from the top

The rather limited intervention of the policy through conventional measures is what situates Israel in its high placement in terms of poverty among the developed countries

The incidence of economic poverty among families with children ranges between 12.8% in the Netherlands to 51.4% in South Africa

There is a diminishing rate in the poverty level due to the child allowances of about 23% among families with children and 26% among children

Finland the incidence of poverty among families with children is lower by 59.9% than it would have been if child allowances had not been paid and the incidence of poverty among children is lower by 68.9% than it would have been without the allowances. In Luxembourg, these rates are also higher, reaching 53.0% and 58.0% respectively. An average calculation of the countries affiliated with the organization and appearing in the graph leads to a diminishing rate in the poverty level due to the child allowances of about 23% among families with children and 26% among children.

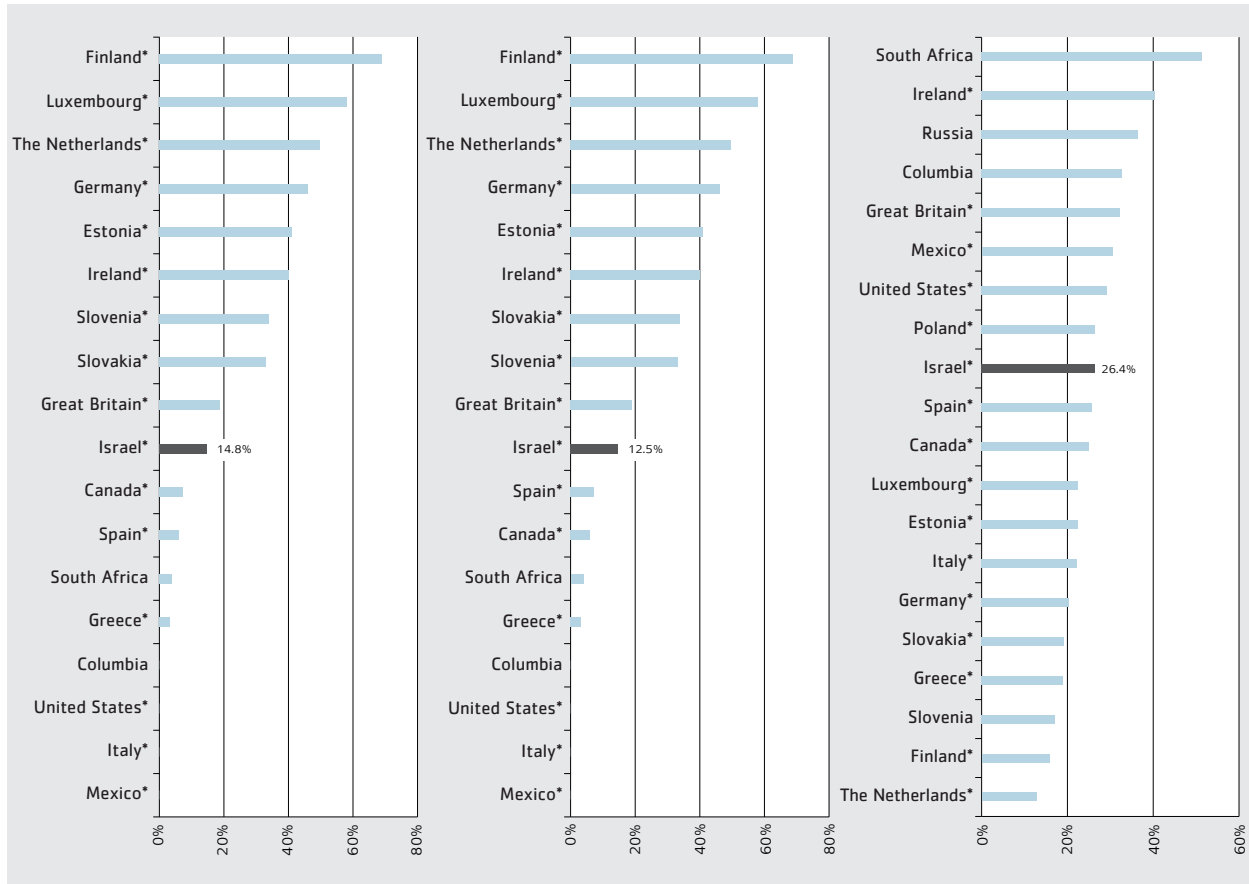
Graph 3

**Incidence of Economic Poverty among Families with Children and Rate of Reduction in Dimensions of Poverty Pursuant to the Granting of Universal Child and Family Allowances: an International Comparison**

3a: Rate of decrease in the incidence of poverty among children

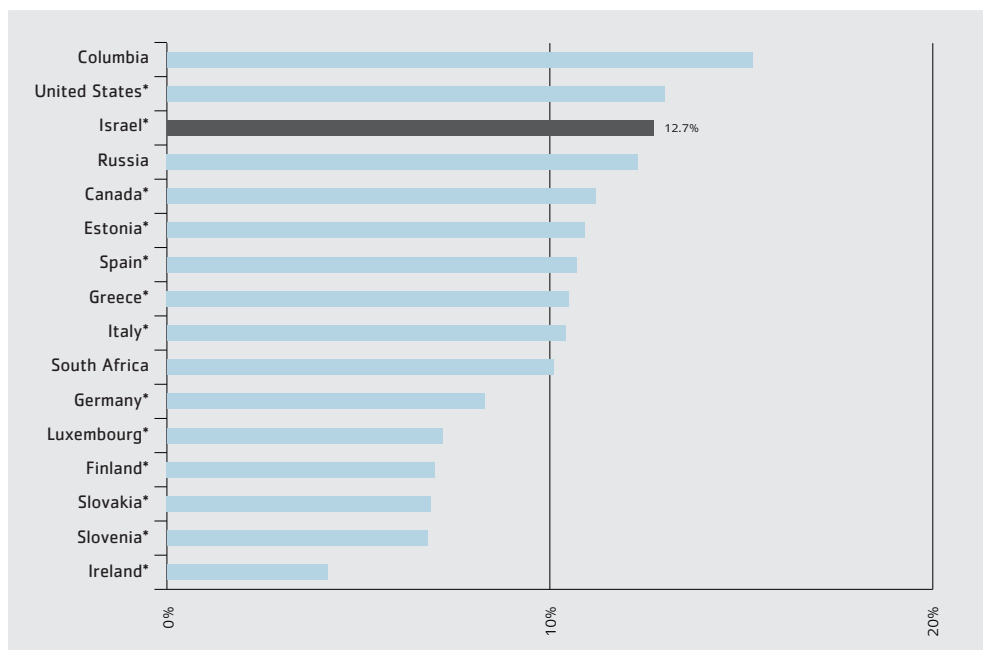
3b: Rate of decrease in the incidence of poverty in families with children

3c: Incidence of poverty in families with children, before taxes and transfer payments



\* OECD member countries. Source of data: Israel – CBS Household Expenditure Survey for 2012; other countries – processing of LIS data for surveys circa 2010.

**Graph 4**  
**Incidence of Poverty among Working-Age Families who Work\*\*:**  
**an International Comparison**



\* OECD member countries.

\*\* For the sake of uniformity of the comparison, households headed by persons between the ages of 18 – 60, with at least one working individual, were taken into account.

Source of data: Israel - CBS Household Expenditure Survey for 2012; other countries – processing of 2010 LIS data.

In Israel, where the incidence of economic poverty among families with children is similar to the average in the OECD member countries, the contribution of the child allowances to extrication from poverty is fairly low: the child allowances reduce the incidence of poverty among families by 6.7% and among children by 14.8%.

An international comparison of the incidence of poverty among working-age families who work<sup>6</sup> shows that the rate ranges between 4.2% in Ireland and 15.3% in Columbia (Graph 4). The incidence of poverty among working families in Israel reaches 12.7%, with only the incidence of poverty among working families in the United States being higher among developed countries.

The high incidence of poverty among working families suggests that work does not necessarily constitute a guarantee to exiting poverty. Government policy in the realm of taxation and transfers is known to be of great importance, particularly for low wage earners, as may be concluded from Graphs 2 and 3.

6 A family that has at least one wage earner who worked during the polling survey is deemed a working family, according to the definitions of the International Labour Organization.

In Israel, the contribution of the child allowances to extrication from poverty among families is 6.7% and among children is 14.8%

### 3. Principal Findings

In 2012, there was solid economic growth in a stable macro-economic environment in terms of budgetary policy and price stability, apart from the rising housing and real estate prices, which are affected, inter alia, by interest levels in Israel and elsewhere. In 2012, the Israeli economy grew by 3.2% – a slight decrease compared to 2011 – and the unemployment rate stabilized at the lowest level of 2011 (6.9%) (Table 2).

Since 2012, the cancellation of the Combined Income Survey created a problem in direct comparison vis-à-vis 2011

Since 2012, with the cancellation of the Combined Income Survey performed by the Central Bureau of Statistics, the poverty and inequality calculations were transferred to the CBS Household Expenditure Survey. Furthermore, changes in how the data is calculated occurred in the Expenditure Survey itself compared to previous years. These changes created a problem in direct comparison vis-à-vis 2011 and therefore in most cases the comparisons made in this section are through the perspective of recent years. In general it should be noted that, the dimensions of poverty and social gaps do not indicate significant changes in 2012 compared to preceding years<sup>7</sup>.

The “rise” in the standard of living as reflected in Table 3 (in 2012, a significant increase, at a rate of 12%, was recorded in the median disposable income per standard

**Table 2**  
**Economic Indicators Affecting the Dimensions of Poverty**  
**(percentages), 2006–2013**

Affecting factor	2006	2007	2008	2009	2010	2011	2012	2013
Rate of growth of the GDP	5.8	5.9	4.1	1.1	5.0	4.6	3.4	3.3
Rate of change in price levels during each survey period compared to the preceding period	2.1	0.5	4.6	3.3	2.7	3.4	1.7	1.5
Rate of real change in the average wage in the economy	1.3	1.8	-0.4	-2.5	0.8	0.7	0.7	0.1
Unemployment rate	10.5	9.1	7.6	9.4	8.3	7.0	6.9	6.2
Rate of unemployment benefit recipients among the unemployed	17.4	17.3	19.6	23.2	20.7	23.5	25.0	30.4
Minimum wage as a percentage of the average wage	46.2	47.5	46.8	47.3	45.8	45.5	46.2	46.7

Source: CBS data and processing of the Research and Planning Administration, according to the classification rules of the OECD in the SOCX questionnaire.

\* The rental assistance to working-age families is included in other monetary benefits under support to the working-age population. This line also includes income support allowances, the income grant (negative income tax), etc.

\*\* Survivors' pensions were transferred to “support to the elderly” although a small proportion thereof refers to the working-age population.

\*\*\* Benefits in-kind related to monetary benefits under survivors, incapacity to work, family, etc.

\*\*\*\* Mainly active intervention in the job market.

7 For further details on the implications of this change, which as stated hinders direct comparison between 2011 and 2012, see the 2012 Poverty and Social Gaps Survey and the appendix Poverty Measurement and Sources of Data in this report.

person) also stems from the structural changes associated with the replacement of the survey used to calculate poverty and inequality and accordingly, in 2012 it is difficult to evaluate the change in the standard of living as measured every year as the real change between the median or average disposal income in the standard of living. The minimum wage rose in 2012 to 46.2% of the average wage and the real wage remained at its 2010 level (0.7%).

It may be seen from a review of the poverty data as a percentage of the average wage in 2012 that, as with the 2011 data, the poverty line for a family with 4 persons, for instance, reached approximately 80% of the average wage, but in a family with 6 or more persons a wage at the level of the average wage of a single wage earner in the household is insufficient to extricate from poverty and it must raise its wage from 10% (6 person family) to about 40% (9 person family) (Table 4)<sup>8</sup>.

The poverty line for a family with 4 persons, for instance, reached approximately 80% of the average wage

**Table 3**  
**Average and Median Income per Standard Person after Transfer Payments and Direct Taxes and the Poverty Line (NIS), 2010-2012**

Income per standard person	2010	2011	2012	Rate of real increase	
				From 2010 to 2011	From 2011 to 2012
Average	4,665	4,805	5,458	-0.4	11.7
Median	3,861	4,001	4,513	0.2	10.9
Poverty line	1,931	2,000	2,256	0.2	10.9

**Table 4**  
**The Number of Standard Persons and the Poverty Line per Family\* by Number of Family Members, 2011-2012**

Number of family members	Number of standard persons in the family	Poverty line per family			
		2011		2012	
		NIS per month	Percentage of the average wage	NIS per month	Percentage of the average wage
1	1.25	2,501	28.7	2,820	31.5
2	2	4,001	46.0	4,512	50.4
3	2.65	5,301	60.9	5,978	66.7
4	3.2	6,401	73.6	7,219	80.6
5	3.75	7,502	86.2	8,460	94.5
6	4.25	8,502	97.7	9,588	107.0
7	4.75	9,502	109.2	10,716	119.6
8	5.2	10,402	119.5	11,731	131.0
9	5.6	11,202	128.7	12,634	141.0

\* The average wage calculated for 2011 and for 2012 is a weighted average of the average wage per salaried position (Israeli workers) during the period applicable to each survey.

\*\* The weight of each additional person is 0.04. So, for instance, in a family with 10 persons there are 6 standard persons.

8 This calculation does not take into account the benefits and the direct taxation; the first acts to increase the disposable income and the second to reduce it.

There is a trend of stabilization at a high level in the dimensions of poverty in Israel and a return to the rates prevailing in 2007-2008

A review of the dimensions of poverty by select indices indicates a trend of stabilization at a high level in the dimensions of poverty in Israel and a return to the rates prevailing in 2007-2008 (19.9%), following a temporary increase in 2009 in the wake of the recession. Notwithstanding the difficulty in comparing with previous years<sup>9</sup>, there has been a certain moderation in the general incidence of poverty indices of families, persons and children, but they are not substantially similar to the rates that prevailed in recent years (mainly as of 2004). The rate of families whose disposable income fell below the poverty line was 19.4% in 2012 and the rate of persons and children living in these families was 23.5% and 33.7%, respectively (Table 5).

The incidence of poverty measured by the disposable income is a result of transfer payments and direct taxes, which “correct” the economic income, defined as the pre-tax income from work and from capital. Transfer payments, which are primarily NII benefits, increase family income, whereas direct taxes reduce it. Insofar as the direct tax amount paid by a poor family is small, its disposal income increases, as do its chances of escaping from poverty. Table 5 shows the decrease achieved in each one of the years appearing there when only the transfer payments are taken into account, as well as when direct taxes are added to government policy measures. In some of the indices a significant improvement is achieved pursuant to the policy measures (FGT indices, the SEN index and the Gini index of income distribution among the poor lose half or more of their value) while in the incidence of poverty, primarily among children, a more moderate improvement is achieved.

It may be observed that the improvement obtained without taking direct taxes into consideration is higher than that obtained when they are taken into consideration, since while direct taxes act to reduce the income inequality between those earning different levels of income, they are actually ineffective in reducing poverty since they lower the disposable income of the poor. Most poor people do not reach the income tax threshold and therefore they do not pay income tax, and thus the tax effect on their disposable income is evident only with regard to health and national insurance contributions.

The incidence of poverty has remained at its high level of recent years, as have the depth and severity of poverty. In retrospect, these values are slightly similar to those that prevailed in 2007-2008 (and generally rose slightly in subsequent years, apart from 2012).

Notwithstanding the structural changes in the databases, the Gini indices of inequality in income among the poor do not differ greatly from those that prevailed in recent years. The Gini index of economic income reached 0.4348 and the Gini index of inequality in disposable income distribution among the poor (Table 5) reached 0.1995 in 2012, i.e. decreased by 54%.

9 See also note 5 above.

Notwithstanding the structural changes in the databases, the Gini indices of inequality in income among the poor do not differ greatly from those that prevailed in recent years

**Table 5**  
**Dimensions of Poverty In the General Population**  
**by Select Poverty Indices, 2010-2012**

Poverty index	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes
<b>2010</b>			
Incidence of poverty (%)			
Families	32.6	17.5	19.8
Persons	32.8	22.0	24.4
Children	40.4	32.8	35.3
Poor income gap ratio (%)*	60.0	35.3	35.8
FGT index*	0.1561	0.0399	0.0456
SEN index*	0.260	0.107	0.120
Gini index of inequality in income distribution among the poor*	0.4838	0.2059	0.2111
<b>2011</b>			
Incidence of poverty (%)			
Families	32.8	17.3	19.9
Persons	33.7	22.2	24.8
Children	41.9	32.9	35.6
Poor income gap ratio (%)*	58.3	34.2	34.7
FGT index*	0.1538	0.0381	0.0438
SEN index*	0.262	0.105	0.119
Gini index of inequality in income distribution among the poor*	0.4640	0.1978	0.2030
<b>2012</b>			
Incidence of poverty (%)			
Families	30.3	17.4	19.4
Persons	31.4	21.0	23.5
Children	39.0	30.8	33.7
Poor income gap ratio (%)*	56.3	33.7	34.4
FGT index*	0.1342	0.0351	0.0405
SEN index*	0.236	0.098	0.111
Gini index of inequality in income distribution among the poor*	0.4348	0.1957	0.1995

\* The weight given to each family in calculating the index equals the number of persons included therein.

The transfer payments and direct taxes during the 2012 survey period extricated 36% of the poor families from poverty (Table 6). For the sake of comparison, with the perspective of a decade, in 2002 about half of the poor families were extricated from poverty pursuant to government intervention. The contribution of the direct tax and

The transfer payments and direct taxes during the 2012 survey period extricated 36% of the poor families from poverty

transfer payment systems to extricating persons from poverty remained at nearly the same level during the last two years: 25%. Furthermore, 14% of poor children were extricated from poverty as a result of government intervention in 2012, compared to 25% in 2002.

**Table 6**  
**The Effect of Transfer Payments and Direct Taxes on the Dimensions of Poverty in the General Population, by Select Poverty Indices, 2010-2012**

Poverty index	Percentage of decrease stemming from transfer payments only			Percentage of decrease stemming from transfer payments and direct taxes		
	2010	2011	2012	2010	2011	2012
Incidence of poverty (%)						
Families	46.3	47.2	42.4	39.2	39.3	36.0
Persons	32.8	34.1	33.1	25.6	26.4	25.2
Children	18.9	21.5	21.1	12.6	15.1	13.6
Poor income gap ratio (%)*	41.2	41.4	40.1	40.2	40.5	39.0
FGT index*	74.4	75.2	73.8	70.8	71.5	69.8

\* The weight given to each family in calculating the index equals the number of person included therein.

### Box 1 2012 Food Security Survey

A food security survey was carried out by NII's Research and Planning Administration for the first time during the course of 2011 by telephone polling and approximately 5,600 representative families all over the country<sup>1</sup> participated therein. The second survey in this regard was conducted during the course of 2012 by the same method and approximately 6,300 families participated therein<sup>2</sup>. This box will present additional data to the published data, which is based on a combination of two surveys<sup>3</sup>, whose large number of forecasts enabled to produce the estimates not published in the annual reports of the surveys. The data here will be on the rates of food security and on the degree that families living with food insecurity receive aid from different aid entities, and it will be presented by locality.

- .....
- 1 Endeweld M, Barkali N. Fruman A. Gealia A. and Gottlieb D. (2012). **Food Security 2011 –Course of the Survey and Principal Findings.**
  - 2 Endeweld M., Barkali N. Avrahamov V., Gealia A. Gottlieb D. (2014). **Food Security 2012 – Principal Socio-economic Findings.**
  - 3 The 2011 and 2012 surveys were consolidated into one survey, which comprises approximately 12,000 families. The new weights were defined as half the weights of the original surveys, for the sake of maintaining consistency in the weighting of forecasts between the separate surveys and the consolidated survey.



According to the findings of the 2012 survey, 81.2% of Israeli residents live with food security (compared to 80.9% in 2011) and 18.7% live with food insecurity (19.1% in 2011) – 45% of them (53% in 2011) with severe food insecurity. Approximately 54% of the families living with food insecurity are assisted at various levels by aid entities, a majority of them by organizations, in order to improve their situation. The findings indicate a high correlation between insecurity rates and the poverty rates calculated in the Poverty and Social Gaps Survey for different population groups. It further emerges from the data that the phenomenon of food insecurity is prominent in large families (which have 4 or more children), in Arab families and in single

**Table 1**  
**Food Insecurity Rates – Select Localities (percentages), 2012**

Locality	Food security	Food insecurity	
		Total	Thereof: severe food insecurity
Ashdod	80.7	19.4	9.3
Modi'in	96.0	4.1	1.7
Jerusalem	70.5	29.5	14.8
Haifa	89.9	10.1	4.8
Tel Aviv – Jaffa	88.0	12.0	6.9
Bnei Brak	80.0	20.0	7.5
Bat Yam	83.3	16.7	6.8
Giva'tayim	88.8	11.2	2.3
Herzliya	87.2	12.7	8.1
Hadera	77.9	22.1	7.6
Holon	86.0	14.0	8.5
Kiryat Ata	79.6	20.4	9.0
Kfar Saba	92.5	7.5	1.7
Lod	75.3	24.7	17.7
Ashkelon	84.2	15.8	7.0
Netanya	84.8	15.2	8.2
Petah Tikva	86.0	14.0	6.4
Rishon LeZion	88.4	11.6	5.4
Rehovot	90.7	9.3	4.8
Ramla	68.7	31.4	19.3
Ramat Gan	85.1	14.8	7.2
Ra'anana	93.1	6.9	6.3
Be'er Sheva	85.5	14.5	4.6
Nahariya	81.8	18.2	8.1
Shfaram – Tamra	51.2	48.8	26.1
Umm El Fahm and Baka El Garbiya	50.8	49.3	23.9
Tira – Taibeh	46.3	53.7	30.6

Table 2  
Food Insecurity Rates – Select Localities (percentages), 2012

Locality	Total		Food security		Food insecurity		
	Assistance from family or from organizations	Thereof: Assistance from organizations	Assistance from family or from organizations	Thereof: Assistance from organizations	Mild food insecurity	Severe food insecurity	Thereof: Assistance from organizations
Ashdod	28.1	25.7	20.2	18.3	64.9	54.8	53.2
Modi'in	8.4	7.6	7.7	6.9	0	62.8	62.8
Jerusalem	32.1	29.2	19.8	18	58.8	60.4	56.9
Haifa	19.9	19	13.5	12.9	61.3	71.1	65.1
Tel Aviv – Jaffa	22.6	21.4	17.5	16.9	48.1	55.9	48.9
Bnei Brak	37.9	33.4	27.6	25.7	66.8	67	51.7
Bat Yam	23.5	23.1	18	18	55.1	53.1	49.4
Givatayim	21	21	18.3	18.3	18.6	100	100
Herzliya	17	14.6	9	9	64.5	69.4	45
Hadera	25.2	25.2	18.7	18.7	42.2	50.9	50.9
Holon	21.6	21.1	14.4	14	75.9	5.7	54.2
Kiryat Ata	30.7	29.6	19.2	19.2	50.8	92.7	92.7
Kfar Saba	16.7	15.7	12.5	12	54.1	44.6	44.6
Lod	26.5	25.7	15.1	14	43.1	57.9	57.9
Ashkelon	25.6	23.5	18.4	17.8	62	46.4	46.4
Netanya	24.3	21.6	17.1	14.8	70.2	60.3	55.9
Petah Tikva	23.3	21.7	16.8	15.2	51.3	69.5	65.9
Rishon LeZion	23.1	21.3	18.6	17.5	45.2	68.9	59.8
Rehovot	16.1	15.7	14.1	13.7	28	25.6	25.6
Ramla	28.2	27.1	16.1	16.1	43.2	54.5	51.5
Ramat Gan	21.7	21.2	13.4	13.4	56.4	75.8	69.4
Raanana	14.9	13.6	10.5	10.5	0	72.6	50.4
Be'er Sheva	25.6	24.5	18.8	17.8	56.9	77.3	77.3
Nahariya	30.7	29.2	17.5	17.5	81.9	79.2	79.2
Shfaram – Tamra	32.7	32.7	11.2	11.2	58.2	49.6	49.6
Umm El Fahm and Baka El Garbiya	41.2	41.2	19.1	19.1	34.1	82.0	82.0
Tira – Taibeh	37.1	37.1	14.9	14.9	52.2	72.6	72.6

parent families: the insecurity rates in each one of these groups is close to about half. However, in Jewish ultra-Orthodox families the level of insecurity is low compared to their economic status – a majority of them, approximately 3/4, live with food security. Among the elderly there is a fairly low level of food insecurity – 11.0% – as well.

An examination of the food insecurity rates by select localities (Table 1) indicates that alongside localities such as Modi-in and Ra'anana, where proportionately very low food insecurity rates were found (4% and 7% respectively), the food insecurity rates in the Arab localities, such as Umm El Fahm and Baka El Garbiya (Haifa district), Tira and Taibeh (Central district) and Shfaram and Tamra (Northern district) reach 49% - 54%. Also in mixed localities, such as Lod and Ramla, these rates are high and reach approximately 25% - 31%. Additional localities where the food insecurity rates are high include Jerusalem, Bnei Brak, Hadera and Kiryat Ata (20% - 30%). In most of these cities, one third to half of the families living with food insecurity is experiencing severe food insecurity.

The findings with regard to the level of aid received by families from aid organizations or from family during the course of the year (Table 2) reveal that the aid received from organizations or from family is particularly prevalent in Jewish localities, such as Jerusalem, Ashdod, Haifa, Bnei Brak, Herzliya, Holon, Ashkelon, Netanya and Nahariya: more than half the families there that are experiencing some form of food insecurity receive aid from aid organizations (and a minority of them from families) in order to improve their food security situation.

Among families who are experiencing severe food insecurity, it may be seen that the rate of aid received from aid entities and family is also high in Arab localities, such as Tira and Taibeh (approximately 73%) and Umm El Fahm and Baka El Garbiya (82%). These findings indicate higher assistance rates in cities characterized by a high level of food insecurity and it cannot be known from the data how much worse the situation of the families would have been had they not received aid from the aid entities.

Among the elderly there is a fairly low level of food insecurity – 11.0%

The food insecurity rates in the Arab localities reach 49% - 54%

## 4. Poverty by Population Group and Composition of the Poor Population

The various population groups differ from one another in terms of the trends and the changes in their dimensions of poverty in 2011-2012 (Tables 7-11). Table 7 presents the incidence of poverty by economic income and disposable income of different population groups and Tables 8 and 9 present the proportion of these groups out of the general population and the poor population in 2011 and in 2012, respectively. Table 10 presents the values of the income gap ratio by population group and Table 11 presents the diminishing rates of the dimensions of poverty as a result of transfer payments and direct taxes.

In general, the indices obtained according to the 2012 Expenditure Survey are lower than those calculated from the Combined Income Survey in recent years. In our assessment, the changes in the sample size, counting methods, the sample composition, etc. explain some of these changes in the income distribution of households and in their poverty rates. As stated, at this stage we have no good indication in order to decide with regard to the intensity of the effects of the processes among the two factors – the changes in the way the survey is conducted and the economic changes.

**The incidence of poverty among working families before transfer payments and taxes reaches 19.7% and drops to 13.7% when measured by disposable income.** The differences between the incidence of poverty among households headed by a salaried employee compared to those headed by a self-employed person – are negligible. A review of past years shows that the dimensions of poverty among working families have been on a gradual and continuous upward trend. For the sake of comparison, in 1999 the incidence of poverty among working families was approximately half of that which prevails today – 7%. Unduly disadvantaged populations joining the job market indeed enlarge the employment cycle and the participation rates, but also act to raise the poverty rates among the working population and increasingly undermine the assumption that work per se constitutes a guarantee for escaping poverty.

The differences between the incidence of poverty among households headed by a salaried employee compared to those headed by a self-employed person – are negligible

**The incidence of poverty among Arab families remains at a high level – 54.3% in 2012,** 2.8 times the incidence of poverty in the general population. The Arab population constitutes approximately 37% of all poor families even though its proportion out of the general population is much lower (13% according to the current survey data, which, as stated, does not include the Bedouin in the south, not counted by the CBS in 2013). Also, the other indices for evaluating poverty, such as the depth and severity of poverty, indicate a higher level of distress among the Arab population than in the general poor population. Thus, for instance, the depth of poverty among Arabs reaches 39.6% and is 15% higher than the index for all poor individuals (34.4%).

The incidence of poverty among Arab families is 2.8 times the incidence of poverty in the general population

**The incidence of poverty among the elderly reached 22.7% in 2012.** This rate is high relative to the decrease that typified this group in recent years achieved due to the gradual and ongoing improvement of the elderly benefit system in Israel in recent years. The apparent surge in the dimensions of poverty among the elderly in 2012 may be explained by the benefit level being very close to poverty, compared to the increase in the standard of living (by 12%), as reflected in 2013 in the comparison between the Expenditure Survey and the previous Income Survey (which, as stated, is problematic).

The contribution of transfer payments and direct taxes to the level of income support benefits among the elderly is the highest, reaching approximately 55% of those escaping poverty as a result thereof

The contribution of transfer payments and direct taxes to the level of income support benefits among the elderly is the highest, reaching approximately 55% of those escaping poverty as a result thereof. It should be noted that 2012 is the first year that benefits were updated only according to changes in the applicable price index and were not increased by legislation (as in 2009-2011).

**Table 7**  
**Incidence of Poverty among Select Population Groups, 2011 and 2012**

Population group (families)	2011			2012		
	Economic income	Disposable income	Concentration index*	Economic income	Disposable income	Concentration index*
<b>Total population</b>	<b>32.8</b>	<b>19.9</b>	<b>1.00</b>	<b>30.3</b>	<b>19.4</b>	<b>1.00</b>
Jews	28.1	14.2	0.71	25.9	14.1	0.73
Arabs	60.4	53.5	2.68	59.2	54.3	2.80
Elderly	54.4	19.4	0.97	50.5	22.7	1.17
New immigrants	40.4	16.3	0.82	34.8	17.3	0.90
Ultra-Orthodox Jews	66.9	54.3	2.73	68.0	53.2	
<b>Families with children – total</b>	<b>32.9</b>	<b>26.8</b>	<b>1.34</b>	<b>30.5</b>	<b>24.8</b>	<b>1.28</b>
1-3 children	26.4	20.4	1.03	24.5	18.5	0.95
4 or more children	63.8	56.7	2.85	60.7	56.6	2.92
5 or more children	75.4	67.4	3.38	71.1	67.1	3.46
Single parent families	47.5	30.8	1.55	45.1	29.0	1.50
<b>Employment status of head of household</b>						
Working	20.0	13.8	0.69	19.7	13.7	0.71
Salaried employee	20.6	13.7	0.69	20.1	13.7	0.71
Self-employed person	16.0	14.0	0.70	16.5	13.4	0.69
Working age but not working	90.4	70.7	3.55	89.1	66.1	3.41
One wage earner	37.8	25.9	1.30	36.0	24.6	1.27
Two or more wage earners	6.6	4.6	0.23	6.8	5.0	0.26
<b>Age of head of household</b>						
Up to 30	36.2	25.4	1.28	32.2	22.4	1.16
31-45	27.9	21.7	1.09	26.1	20.1	1.04
46 to retirement age	21.5	15.1	0.76	20.2	14.1	0.73
Statutory retirement age	58.1	19.8	1.00	54.0	24.1	1.24
<b>Education of head of household</b>						
Up to 8 years of schooling	71.3	44.2	2.22	69.1	45.2	2.33
9-12 years of schooling	36.1	23.6	1.18	33.2	22.3	1.15
13 or more years of schooling	22.4	12.2	0.61	21.4	12.8	0.66

\* The concentration index is the ratio of the incidence of poverty in the group to the incidence of poverty in the general population (by disposable income) and reflects the degree of “proximity” of a certain group to the general population in terms of the incidence of poverty.

\*\* Tables presenting data on Jews: The Jewish population includes also non-Jews other than Arabs.

**The incidence of poverty among families with children, which constitute more than half of the poor families, was 24.8% in 2012.** While the incidence of poverty among families with 1-3 children is lower than the national average and reaches 18.5%, the incidence of poverty among families with 4 or more children reaches 56.6% (and 2/3 when referring to larger families, with 5 or more children) and is 3 times greater than the national average. The contribution of transfer payments to extricating small families from poverty is much higher than that of families with 4 or more children – 24.6% compared to only 6.7% – due to the structure of child allowances and subsistence allowances that do not give preference to large families and in many cases even worsen their situation.

**The incidence of poverty among single-parent families is 50% higher than the national average and was 29% in 2012.** The contribution of transfer payments and direct taxes to these families is higher than to other families with children; approximately 36% of them escape poverty due to them. Also, the depth of poverty is higher among them – approximately 36% compared to 34.4% in the general population.

**The incidence of poverty among new immigrants, which recorded decreases over the years, reached 17.3% in 2012** – and it is lower than that which prevails in the general population. The contribution of transfer payments to the extrication from poverty is very high among this population (partially overlapping the elderly population) and it reached about half of them in 2012.

**In 2012, the incidence of poverty among working-age families who do not work continued to be the highest of all population groups and reached 66.1% – 3.4 times the national average.** Without transfer payments and direct taxes their incidence of poverty would have been 89.1%, so that their contribution to extrication from poverty reaches about one quarter of them. Against the background of these families joining the job market, their proportion among the poor population diminished concurrently with the rise in their proportion of working families, hence their entry into the job market has not always been helpful in extricating them from poverty. Since 1999, the already high incidence of poverty of these families rose sharply – from 64.5% to approximately 71% in 2011; however, the structural changes in the current survey lead to slightly lower poverty rates, which, as stated, reach about 66%,. The depth of poverty of this population, which seemingly does not gain a response commensurate with the severity of their situation, was 60% higher than that of all poor persons in 2012. The reason therefor stems from non-participation in the job market, the fairly low incidence of minimum subsistence benefits and their low rate compared with the minimum for adequate sustenance as reflected by the poverty line and in the low level of the child allowances, which were again reduced in 2013<sup>10</sup>.

.....  
 10 The changes in the dimensions of poverty following the most recent reduction in child allowances will only be fully reflected in the 2014 survey, since they only occurred in August of 2013, so that in 2013 they will only be partially reflected.

A review of the income gap ratio of the poor by economic and disposable income reveals that the average distance of a poor family from the poverty line reaches approximately one third (Table 10). As with the incidence of poverty data, the poverty gap among

**Table 8**  
The Proportion of Select Groups among the General Population and the Poor Population (percentages), 2011

Population group (families)	General population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Persons	Families	Persons	Persons	Persons
Jews	85.5	79.5	73.3	61.5	61.1	52.0
Arabs	14.5	20.5	26.7	38.5	38.9	48.0
Elderly	20.8	10.6	34.6	15.9	20.3	8.5
New immigrants	19.3	16.2	23.8	16.7	15.9	11.3
<b>Families with children – total</b>	<b>45.3</b>	<b>66.0</b>	<b>45.5</b>	<b>72.8</b>	<b>60.9</b>	<b>82.9</b>
1-3 children	37.4	48.6	30.1	38.8	38.4	41.9
4 or more children	7.9	17.4	15.4	34.0	22.5	41.0
5 or more children	3.7	9.3	8.4	21.2	12.4	25.7
Single parent families	5.5	6.1	8.0	9.3	8.5	8.6
<b>Employment status of head of household</b>						
Working	76.5	84.8	46.7	63.5	52.9	66.0
Salaried employee	66.6	73.5	41.9	56.8	45.9	57.7
Self-employed person	9.9	11.3	4.8	6.8	7.0	8.4
Working age but not working	7.9	8.0	21.8	22.4	28.1	26.2
One wage earner	32.9	31.3	38.0	48.8	42.8	51.6
Two or more wage earners	43.6	53.5	8.7	14.7	10.1	14.5
<b>Age groups of head of household</b>						
Up to 30	16.2	16.3	17.9	20.6	20.7	20.7
31-45	34.4	42.8	29.3	43.8	37.5	49.5
46 to retirement age	31.1	32.0	20.4	20.9	23.6	22.5
Statutory retirement age	18.3	8.9	32.4	14.6	18.2	7.3
<b>Education of head of household</b>						
Up to 8 years of schooling	10.7	9.2	23.2	19.3	23.6	20.1
9-12 years of schooling	37.7	40.3	41.5	45.8	44.7	48.2
13 or more years of schooling	51.6	50.6	35.3	35.0	31.7	31.7

\* The weight given to each family in calculating the index equals the number of persons included therein.

As with the incidence of poverty data, the poverty gap among families headed by working-age persons who are not working is the highest

families headed by working-age persons who are not working is the highest, and among families with two or more wage earners it is the lowest. A review of the contribution of the government policy measures – transfer payments and direct taxes – to the incidence

**Table 9**  
**The Proportion of Population Groups among the General Population and the Poor Population (percentages), 2012**

Population group (families)	General population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Persons	Families	Persons	Families	Persons
Jews	87.0	81.2	74.5	63.2	63.4	53.7
Arabs	13.0	18.8	25.5	36.8	36.6	46.3
Elderly	20.4	10.7	34.0	16.7	23.8	10.6
New immigrants	20.3	17.5	23.3	17.0	18.1	12.9
<b>Families with children – total</b>	<b>45.0</b>	<b>65.7</b>	<b>45.3</b>	<b>71.9</b>	<b>57.6</b>	<b>81.3</b>
1-3 children	37.5	49.2	30.4	39.0	35.8	40.2
4 or more children	7.4	16.5	14.9	32.8	21.7	41.1
5 or more children	3.5	9.0	8.3	20.5	12.3	25.9
Single-parent families	6.0	6.9	9.0	10.1	9.0	9.1
<b>Employment status of head of household</b>						
Working	79.4	86.8	51.7	67.3	56.0	69.5
Salaried employee	69.3	75.6	46.1	59.4	49.0	60.0
Self-employed person	10.1	11.1	5.5	7.8	7.0	9.3
Working age but not working	6.3	6.3	18.6	18.6	21.6	20.7
One wage earner	35.0	31.9	41.7	51.3	44.5	53.0
Two or more wage earners	44.4	54.9	10.0	15.9	11.5	16.5
<b>Age of head of household</b>						
Up to 30	17.4	17.3	18.5	19.6	20.1	18.6
31-45	34.5	43.0	29.8	43.9	35.9	49.7
46 to retirement age	30.5	30.8	20.3	21.5	22.2	22.3
Statutory retirement age	17.6	8.9	31.4	15.0	21.8	9.4
<b>Education of head of household</b>						
Up to 8 years of schooling	9.2	7.5	20.9	16.7	21.4	17.1
9-12 years of schooling	38.0	41.0	41.7	46.7	43.7	48.6
13 or more years of schooling	52.9	51.5	37.4	36.6	35.0	34.3

\* The weight given to each family in calculating the index equals the number of persons included therein.



of poverty and to the depth of poverty (Table 11) reveals that this has remained as it has been during the last two years.

**Table 10**  
**The Income Gap Ratio of the Poor\* among Select Population Groups, 2001 and 2012**

Population group (families)	2011			2012		
	Economic income	Disposable income	Concentration index*	Economic income	Disposable income	Concentration index*
<b>Total population</b>	<b>58.3</b>	<b>34.7</b>	<b>1.00</b>	<b>56.3</b>	<b>34.4</b>	<b>1.00</b>
Jews	60.1	31.8	0.92	56.2	29.8	0.87
Arabs	55.4	37.8	1.09	56.5	39.6	1.15
Elderly	79.5	26.8	0.77	78.0	28.1	0.82
New immigrants	65.3	28.4	0.82	61.1	25.1	0.73
<b>Families with children – total</b>	<b>53.8</b>	<b>35.8</b>	<b>1.03</b>	<b>52.0</b>	<b>35.4</b>	<b>1.03</b>
1-3 children	50.3	33.5	0.96	47.3	31.4	0.91
4 or more children	57.7	38.3	1.10	57.6	39.4	1.15
5 or more children	59.5	38.8	1.12	59.1	40.6	1.18
Single- parent families	62.6	36.3	1.05	61.4	36.0	1.05
<b>Employment status of head of household</b>						
Working	39.6	28.7	0.83	40.1	29.2	0.85
Salaried employee	39.8	28.3	0.82	40.0	28.7	0.83
Self-employed person	37.7	31.0	0.90	40.7	33.1	0.96
Working age but not working	95.6	52.1	1.50	94.2	54.2	1.58
One wage earner	43.5	30.9	0.89	43.5	31.4	0.91
Two or more wage earners	26.4	20.8	0.60	29.1	22.3	0.65
<b>Age of head of household</b>						
Up to 30	54.6	35.6	1.03	50.6	33.0	0.96
31-45	52.6	35.1	1.01	51.4	35.1	1.02
46 to retirement age	58.7	36.1	1.04	55.9	36.9	1.07
Statutory retirement age	80.2	24.7	0.71	78.4	27.2	0.79
<b>Education of head of household</b>						
Up to 8 years of schooling	71.2	39.9	1.15	72.1	37.0	1.08
9-12 years of schooling	53.8	33.5	0.97	51.0	34.2	1.00
13 or more years of schooling	57.1	33.2	0.96	55.9	33.2	0.97

\* The weight given to each family in calculating the index equals the number of persons included therein.

\*\* The concentration index is the gap ratio and it indicates the ratio of the depth of poverty in the group to that in the general population.

**Table 11**  
**The Effect of Transfer Payments and Direct Taxes on the Dimensions of Poverty**  
**among Select Population Groups, 2010-2012**

Population group (families)	Percentage of decrease stemming from transfer payments and direct taxes					
	Incidence of poverty			Income gap ratio of the poor		
	2010	2011	2012	2010	2011	2012
<b>Total population</b>	<b>39.2</b>	<b>39.3</b>	<b>36.0</b>	<b>40.2</b>	<b>20.5</b>	<b>39.0</b>
Jews	48.7	49.4	45.5	44.4	47.1	46.9
Arabs	12.3	11.5	8.4	33.8	31.8	29.9
Elderly	64.3	64.4	55.1	66.7	66.3	64.0
New immigrants	57.8	59.6	50.1	56.8	56.6	59.0
<b>Families with children – total</b>	<b>17.0</b>	<b>18.7</b>	<b>18.7</b>	<b>34.0</b>	<b>33.4</b>	<b>31.9</b>
1-3 children	21.5	22.5	24.6	33.4	33.5	33.6
4 or more children	8.3	11.2	6.7	34.9	33.7	31.6
5 or more children	8.2	10.7	5.6	35.5	34.9	31.2
Single parent families	35.1	35.2	35.8	43.7	42.0	41.3
<b>Employment status of head of household</b>						
Working	31.9	31.3	30.6	26.7	27.5	27.1
Salaried employee	33.8	33.4	32.0	28.2	28.8	28.3
Self-employed person	15.5	12.6	19.2	17.1	17.7	18.7
Working age but not working	22.6	21.8	25.8	44.4	45.4	42.4
One wage earner	32.2	31.6	31.7	28.5	29.1	27.8
Two or more wage earners	30.0	29.9	26.2	15.6	21.2	23.6
<b>Age of head of household</b>						
Up to 30	28.8	29.8	30.4	32.9	34.8	34.9
31-45	21.8	22.3	22.9	33.7	33.2	31.7
46 to retirement age	31.5	29.6	30.3	37.7	38.5	34.0
Statutory retirement age	65.6	65.9	55.4	68.6	69.2	65.3
<b>Education of head of household</b>						
Up to 8 years of schooling	38.9	38.0	34.7	43.5	44.0	48.7
9-12 years of schooling	34.1	34.6	32.9	36.3	37.8	32.9
13 or more years of schooling	45.7	45.5	40.2	43.4	41.9	40.5

### Box 2

#### Effect of the Work Grant on the Income and Poverty Level of Families

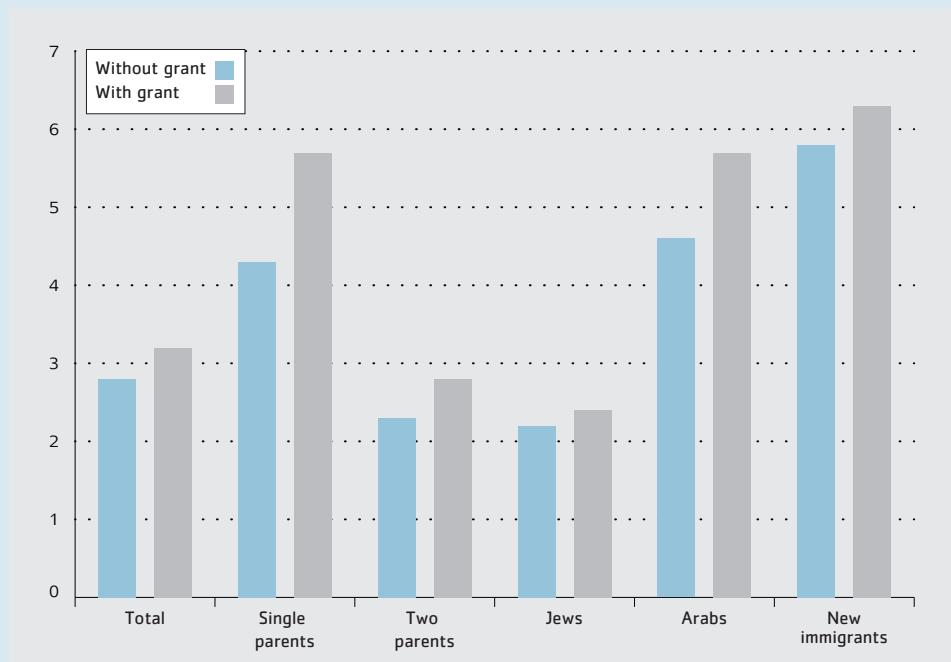
As part of a study on the work grant program (negative income tax<sup>1</sup>), the effect of the grant on the income changes in general and on the dimensions of poverty in

1 The negative income tax study was carried out by a team of investigators from the Bank of Israel, the National Insurance Institute, the Brookdale Institute and the Tax Authority. The full and detailed report on the effect of the work grant on poverty and other areas will be published soon.

particular, of the families that were entitled thereto, was examined. The follow-up study of the potential population entitled to the work grant was carried out by a joint research group, in which representatives from the NII and from additional institutions (Bank of Israel, Brookdale Institute, etc.) took part. The study examined the changes in the situation of the families according to various attributes related, inter alia, to their income and their poverty level, using an experimental group and a control group (the control group was composed of similar families that did not receive a work grant), at three points in time and while returning to those families.

This box will present a summary of the findings that will be presented in the full report, which pertain to the effect of the work grant on the poverty level of families in Israel according to the analysis performed at two points in time: the first date of the interviews at the beginning of the program (t0) and the third date of the interviews (t2)<sup>2</sup>. The findings will be presented by cross-sections of principal groups in the entitled populations (families with 1-2 children, families with 3 or more children and persons aged 55+) as well as by cross-sections of population groups (new immigrant, Arab, single parent, etc.).

#### The Decrease in the Incidence of Poverty in the Experimental and Control Groups Between T0 To T2 with and without the Work Grant, Average and Among Select Population Groups



2 The full report on this researched aspect will be published soon as part of the comprehensive report of the inter-office research group.

**Incidence of Poverty of Families in the Experimental and Control Groups,  
by Population Group (percentages)**

	t0		Experimental		t2		Control		Difference in differences	
	Experimental	Control	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Excluding work grant (percentage points)	Including work grant (percentage points)
Population group	Income after transfer payments	Income after transfer payments	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Excluding work grant (percentage points)	Including work grant (percentage points)
Total	41.4	40.2	38.4	38.0	40.1	40.1	40.1	40.1	-2.8	-3.2
Single parent	52.7	48.7	49.3	47.9	49.6	49.6	49.6	49.6	-4.3	-5.7
Two parent	48.5	41.5	44.4	43.9	39.8	39.8	39.8	39.8	-2.3	-2.8
Jews	40.3	37.9	37.7	37.6	37.6	37.6	37.6	37.6	-2.2	-2.4
Arabs	56.1	61.2	53.1	52.0	62.8	62.8	62.8	62.8	-4.6	-5.7
New immigrants	43.7	28.8	40.5	40.0	31.3	31.3	31.3	31.3	-5.8	-6.3

The incidence of poverty of families in the experimental group decreased from 41.4% at t) to 38.4% at t2 (see table). However, the work grant increment at t2 contributed to a further decrease in the incidence of poverty to a level of 38.0%, i.e. by about half a percentage point more. The incidence of poverty of families in the control group, which as stated were not included in the work grant program, decreased from 40.2% at t0 to 40.1% at t2.

An examination of the effect of the income grant by the difference in differences (i.e. when we calculate the difference between the incidence of poverty between t2 and t0 in the experimental and control groups and then we calculate the difference between these two differences) indicates that the incidence of poverty in the experimental group decreased between t0 to t2 by 2.8 percentage points more than did the incidence of poverty in the control group between the two points in time. The work grant had a further effect in that it increased the gap of decrease in the incidence of poverty between the experimental group and the control group to 3.2 percentage points (the last column in the table). These findings are compiled and illustrated in the above graph.

When examining the effect of the work grant on the incidence of poverty of families in select population groups, it may be seen that the effect thereof was greatest among new immigrant families: the grant increased the decrease in the incidence of poverty in the experimental group by about 6 percentage points compared to the decrease in the incidence of poverty in the control group. The effect of the work grant is evident also among the single-parent families and Arab families: the decrease in the incidence of poverty for them in the experimental group was 5.7 percentage points higher than the decrease in the corresponding control group. The smallest effect of the work grant was among Jews: for them as well the decrease in the incidence of poverty in the experimental group between t0 and t2 was greater than the decrease in the control group, but by a fairly moderate rate of 2.4 percentage points.

The work grant increment at t2 contributed to a further decrease in the incidence of poverty to a level of 38.0%

The effect of the work grant was greatest among new immigrant families

One way to define extreme poverty is to examine households whose income falls well below the official poverty line of 50% of the median income of the disposable monetary income per standard person. Thus, for instance, it is customary to regard households whose income level is lower than 40% of the median income as households living in extreme poverty<sup>11</sup> and by the same logic, households whose income is indeed above the official poverty line, but lower than 60% of the median income may be regarded as households living at risk of poverty<sup>12</sup>. The rate of persons living in extreme poverty in the general population reaches an average of approximately 15% of the people; however,

11 An approach more widely accepted among poverty researchers is to define extreme poverty using the FGT index, which generally expresses the sum of squares of the income gaps as described elsewhere in this chapter. The approach in this table is easier to understand.

12 The 60% measure was set by the European Union as the official poverty line for risk of living in poverty. See Poverty and Social Exclusion on the website: /http://ec.europa.eu/social.

**Table 12**  
**Incidence of Poverty, Extreme Poverty and Risk of Poverty**  
**among Persons, Select Population Groups, 2012**

Population group	Living in extreme poverty – below 40% of the median income	Living in moderate poverty – 40% - 50% of the median income	Living below the official poverty line of 50%	Living above the official poverty line, but at risk of poverty
<b>Total population</b>	15.4	8.1	23.5	7.2
Jews	8.8	6.7	15.5	6.3
Arabs	44.2	13.8	57.9	10.8
Elderly	12.6	10.7	23.3	7.7
New immigrants	7.5	9.8	17.3	8.6
Ultra-Orthodox Jews*	38.3	20.0	58.3	12.2
<b>Families with children – total</b>	19.8	9.3	29.1	7.8
1-3 children	11.4	7.8	19.2	7.2
4 or more children	44.8	13.6	58.4	9.6
5 or more children	51.9	15.4	67.3	10.9
Single-parent families	20.9	10.2	31.0	10.3
<b>Employment status of head of household</b>				
Working	11.4	7.4	18.8	7.0
Salaried employee	11.1	7.5	18.6	7.1
Self-employed person	13.1	6.6	19.7	6.3
Working age but not working	68.2	9.3	77.5	7.5
One wage earner	25.9	13.1	39.0	8.8
Two or more wage earners	2.9	4.1	7.0	5.9
<b>Age of head of household</b>				
Up to 30	15.8	9.4	25.2	10.0
31-45	18.5	8.6	27.1	6.8
46 to retirement age	11.6	5.4	17.0	6.0
Statutory retirement age	13.0	11.9	24.9	7.9
<b>Education of head of household</b>				
Up to 8 years of schooling	37.4	16.1	53.5	10.8
9-12 years of schooling	18.8	9.0	27.8	9.0
13 or more years of schooling	9.5	6.1	15.6	5.2

\* Ultra-Orthodox Jews are defined according to the approach of the Gottlieb – Kushnir study of 2009.

in large families – most of which (approximately 2/3 of them) are families of Ultra-orthodox Jews and Arab families – this rate rises to more than 40% (Table 12).

Some 80% of the persons in poor families that have four or more children, 90% of the persons in families headed by working age persons who are not working and more than 60% of the persons in poor working families live in extreme poverty. By contrast, in other groups the rate of those living in extreme poverty is much lower – about half of the poor elderly and the families headed by persons of retirement age, 43% of new immigrant families and 45% of households with two wage earners live in extreme poverty (Table 12).

## 5. The Inequality in Income Distribution and the Effect of Policy Measures

The progressive structure of transfer payments and direct taxes minimizes income gaps in the population. The rate of the transfer payments relative to the economic income diminishes as the economic income rises, whereas the rate of the direct taxes rises with economic income. The more progressive the transfer payments and the direct taxes, the higher the proportion of the lower decile income out of the income after transfer payments and direct taxes and the lower the proportion of the upper decile income.

As stated, the data presented below differs, from that of previous years in light of the structural changes in the database: the significance with regard to this unique year is a break in the statistical series, because of which it is impossible to directly compare the data of 2011 and 2012. However, as is presented below, looking over a range of many years back illustrates that generally the values of the indices and the principal trends as calculated in recent years have remained unchanged.

In 2004- 2012 economic income rose by 24.0% and disposable income by a higher rate: 27.2% (Table 13). The increase in economic income is a result of expanding employment and the real wage increase of 2003-2007, halted in 2008. The highest increase in the

**Table 13**  
**Average Income, Benefits and Taxes per Family (NIS per month, 2012 prices), 2004-2012**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012 vs. 2007 (percentages)
Economic income	11,720	12,080	12,560	13,200	13,040	12,720	13,180	12,930	14,530	24.0
Total transfer payments	1,920	1,920	1,930	1,910	1,860	1,970	1,970	1,960	2,060	7.3
National insurance benefits	1,440	1,400	1,410	1,390	1,380	1,450	1,490	1,480	1,510	4.9
Direct taxes	2,750	2,690	2,660	2,890	2,650	2,400	2,500	2,320	2,750	0.0
Disposable income	10,880	11,320	11,830	12,220	12,250	12,290	12,650	12,570	13,840	27.2

The highest increase in the disposable income relative to the economic income is a result of two changes

disposable income relative to the economic income is a result of two changes with a cumulative effect in the same direction: on the one hand, transfer payments rose by 2% in real terms, and on the other hand direct taxes also decreased, in the wake of the tax reform, by about 16%. Since, on average, tax reduction has a greater effect on disposable income than do transfer payments, it stands to reason that disposable income rose by a higher rate than did economic income in 2004–2012.

Transfer payments rose by 2% in real terms, and direct taxes decreased, in the wake of the tax reform, by about 16%

In 2012, there was a decrease in transfer payments relative to economic income – from 15.2% in 2011 to 14.2% in 2012 – so that this rate was even lower than its level in 2009 (Table 14). The significant differences in the transfer payment rates relative to the economic income of the various deciles, primarily the lower deciles, between 2011 and 2012 – as presented in Table 14 – are not explained by real changes in these years, but most likely stem from the technical differences between the databases. There is an increase in the proportion of direct taxes out of total economic income from 18% in 2011 to 18.9% in 2012. This change embodies a degree of progressiveness, where the second decile presents a drop of 2 percentage points in the direct tax rate as a proportion of total economic income, while the other deciles present a rise in this rate, which increases with the deciles.

The lowest to the seventh decile receive higher transfer payments than their total direct tax payment and starting with the eighth decile, the ratio reverses

When ranking deciles by economic income, the lowest to the seventh decile receive higher transfer payments than their total direct tax payment (Table 15) and starting with the eighth decile, the ratio reverses: the upper decile pays more than half the taxes and

**Table 14**  
**Rates of Transfer Payments and Direct Taxes Relative to the Average Economic Income in Each Decile\*, General Population (percentages), 2010–2012**

Decile	Transfer payments			Direct taxes		
	2010	2011	2012	2010	2011	2012
Lowest	—**	—**	—**	—**	—**	—**
2	157.1	133.2	96.4	14.5	12.7	10.8
3	52.3	51.6	46.9	8.8	8.6	8.7
4	34.6	38.0	30.2	9.3	8.5	9.1
5	23.4	22.2	21.1	9.6	9.1	10.0
6	14.9	14.7	13.7	10.3	10.4	11.1
7	9.5	9.8	11.0	12.3	11.5	12.5
8	6.7	6.5	7.7	14.6	14.1	15.2
9	4.7	4.9	4.4	18.6	17.9	19.2
Highest	2.1	2.2	2.4	28.0	26.5	27.6
<b>Total</b>	<b>14.9</b>	<b>15.2</b>	<b>14.2</b>	<b>18.9</b>	<b>18.0</b>	<b>18.9</b>

\* For the purpose of establishing the deciles, the families were ranked by economic income per standard person. Each decile represents 10% of all persons in the population.

\*\* This ratio cannot be calculated since families in the lowest decile have almost no economic income and their sole source of income is transfer payments.



**Table 15**  
**The Proportion of Each Decile\* of the General Population in Total Transfer Payments and Direct Taxes (percentages), 2010-2012**

Decile	Transfer payments			Direct taxes		
	2010	2011	2012	2010	2011	2012
Lowest	25.2	26.7	25.0	1.0	1.1	0.9
2	13.5	12.1	11.4	1.0	1.0	1.0
3	10.0	9.7	10.2	1.3	1.4	1.4
4	10.3	10.9	9.7	2.2	2.1	2.2
5	9.8	9.0	9.3	3.2	3.1	3.3
6	8.1	8.0	7.9	4.4	4.8	4.8
7	6.6	6.8	8.0	6.7	6.8	6.8
8	5.9	5.9	7.1	10.2	10.7	10.6
9	5.5	5.8	5.4	17.4	18.1	17.9
Highest	5.1	5.0	5.9	52.6	51.1	51.1
<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 establishing the deciles, the families were ranked by economic income per standard person. Each decile represents 10% of all persons in the population.

**Table 16**  
**The Effect of Transfer Payments and Direct Taxes on Inequality in Income Distribution among the General Population (percentages), 2010-2012**

Decile*	The proportion of each decile of total income (%)**								
	Before transfer payments and taxes			After transfer payments			After transfer payments and taxes		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Lowest	0.0	0.0	0.1	0.6	0.7	0.8	1.8	1.9	2.0
2	1.4	1.6	1.9	3.0	3.1	3.2	3.4	3.4	3.6
3	3.1	3.1	3.4	4.1	4.2	4.3	4.6	4.6	4.8
4	4.7	4.7	4.9	5.4	5.5	5.5	6.0	6.1	6.1
5	6.4	6.4	6.5	6.9	6.9	6.9	7.6	7.5	7.6
6	8.4	8.5	8.4	8.5	8.6	8.5	9.2	9.2	9.1
7	10.6	10.8	10.5	10.3	10.5	10.3	11.0	11.0	10.8
8	13.4	13.7	13.3	12.7	13.0	12.7	13.1	13.3	13.0
9	17.8	18.2	17.8	16.5	16.8	16.6	16.3	16.5	16.2
Highest	34.1	33.0	33.3	30.8	29.8	30.2	27.1	26.5	26.8
The ratio of the income of the highest to the lowest quintile	36.4	33.0	25.5	10.2	9.6	9.5	8.3	8.0	7.8

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

\*\* In terms of income per standard person

**Table 17**  
**Gini Index of Inequality in Income Distribution among the Population, 1999-2012**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease stemming from transfer payments and taxes
2012	0.4885	0.4170	0.3767	22.9
2011	0.4973	0.4179	0.3794	23.7
2010	0.5045	0.4260	0.3841	23.9
2009	0.5099	0.4293	0.3892	23.7
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	0.5368	0.4309	0.3677	31.5
1999	0.5167	0.4214	0.3593	30.5
Change in the index (%)				
2012 vs. 2011	-1.8	-0.2	-0.7	
2012 vs. 2002	-9.0	-3.2	2.5	
2012 vs. 1999	-5.5	-1.0	4.8	

receives about 6% of total transfer payments. The patterns of all income distribution in the general population during 2010 – 2012<sup>13</sup> (Table 16), illustrate that there were no substantial changes in the distribution of disposable income among the deciles between the two years compared, 2011 and 2012. The ratio of the income of the lowest quintile to that of the highest quintile, before transfer payments and taxes, decreased considerably between the two years, similar to the Gini index of income before transfer payments and direct taxes (Table 17). In the absence of real changes occurring during these years, which may explain this, we assume that this stems from technical differences between the databases.

The Gini index of income before transfer payments and taxes decreased to 0.4885 in 2012, compared to 0.4973 in 2011 (Table 17), as stated, with no sufficient real cause for such a sharp decrease. This, while the Gini index of the other income categories remained without considerable change. This being the case, the contribution of transfer payments and direct taxes to the reduction of inequality was apparently greatly reduced as well.

.....  
 13 The data on inequality in income distribution among the working population is presented in tables 18 – 19 in the appendix Poverty and Inequality Tables.

### Box 3 Social Assistance in Housing

Housing assistance to disadvantaged populations generally focuses on two principal measures – public housing and rental assistance – and in many countries worldwide, among them Israel, there is generally some combination of these two measures.

In recent decades, diminishing government intervention in the housing market has become apparent in Israel, while when choosing between the two above measures a reduction in the proportion of public housing and an increase in that of rental assistance has become evident.

In this box we will present an initial review of government housing assistance and of its effect on poverty, based on the 2012 Household Expenditure Survey (This year it has become possible, for the first time, to obtain the rental assistance as a separate line item in the framework of the Survey).

The Survey data shows that 63% of the poor families own an apartment, 9% of the poor families are supported by government assistance (7.7% live in public housing and 1.4% receive rental assistance), so that 28% of the poor families are not in possession of an apartment owned by them and are not supported by any housing assistance (Table 1). The public housing assistance is indeed granted primarily to families who are poor or on the verge of poverty, compared to the much lower rate (less than 2%) for families not defined as such.

The rate of the beneficiaries of both measures is significantly higher among families living in poverty or on the verge of poverty (whose income is up to 125% of the poverty line) (Table 2). Many households were above the poverty line, but in proximity thereto – which may allude to the efficacy of these measures in extricating from poverty.

The degree of efficacy of rental assistance in extricating from poverty is detailed below in Table 3, which presents the incidence of poverty of different groups, the incidence of poverty were it not for the rental assistance and the ratio between the incidences of poverty, which indicates the degree of contribution of the assistance to reducing the incidence of poverty. The data shows that rental assistance reduced the incidence of poverty in the general population by 4.2%, while the new immigrants are the primary beneficiaries of this assistance – the incidence of poverty among them diminished by 16.2%. This is also the case among the elderly, single parents and disability pension recipients (some of which overlap with the new immigrants); the incidence of poverty among these groups diminished at rates of 10.4%, 7.9% and 7.5%, respectively.

63% of the poor families own an apartment, 9% of the poor families are supported by government assistance

Rental assistance reduced the incidence of poverty in the general population by 4.2%

**Table 1**  
**Various Housing Solutions among Poor Families, Families in Near Poverty and Non-Poor Families (percentages), 2012**

	Rate of those living in owned apartments	Rate of those living in public housing	Rate of beneficiaries of rental assistance	No housing solution
Poor families	63.0	7.7	1.4	27.8
Families whose income is 25% or less above the poverty line	62.2	7.1	4.0	26.7
Non-poor families	69.1	1.8	2.8	26.4

**Table 2**  
**Proportion of Public Housing and Rental Assistance of Poor Families, Families in Near Poverty and Non-Poor Families (percentages), 2012**

	Proportion of public housing	Proportion of total rental assistance
Poor families	50.9	11.2
Families whose income is 25% or less above the poverty line	66.7	44.1
Non-poor families	49.1	88.8

**Table 3**  
**The Incidence of Poverty with and without Rental Assistance and the Contribution of the Assistance to Reducing the Incidence of Poverty, Select Groups (percentages), 2012**

Population group	Incidence of poverty		Rate of decrease in the incidence of poverty
	Total	Incidence of poverty without rental assistance	
Total	19.4	20.2	4.2
Elderly	19.5	21.8	10.4
New immigrants from 1990	18.7	22.3	16.2
Families with children	24.8	25.1	1.4
Number of children: 1-3	18.5	18.9	2.2
Single parents	28.4	30.8	7.9
Disability pension recipients	20.0	21.6	7.5
Income support recipients	64.9	67.8	4.3

## 6. Poverty from the Perspective of Expenditure

From early 1970s, poverty in Israel has been defined according to a relative approach, accepted by most researchers and social policy makers in the Western world. Under

this approach, poverty is a phenomenon of relative distress and a family is deemed poor when its living conditions are substantially inferior to those characteristic of the society as a whole – and not when it is unable to purchase some basic basket of goods that it requires for its subsistence.

In the 1990s, a semi-relative approach for measuring poverty was developed in the United States, whereby a threshold expenditure was set for a **basic basket of goods** (and in this respect the approach is absolute), but the value of this basket is calculated as a percentage of the median expenditure on consumption of basic goods. This method has been recommended as an alternative to the official poverty index existing in the United States and it was developed by a committee of experts from academia in the United States and in Great Britain (National Research Council – NRC), pursuant to an initiative of the Congressional Economic Committee, with the aim of thoroughly reviewing the official poverty measurement in the United States and proposing an alternative measurement. Its principles were formulated following years of thorough and comprehensive theoretical and empirical research. The committee recommended that the basket of goods be based on actual consumption habits, as they are reflected in household expenditure surveys.

This section presents a brief review of alternatives to the existing poverty index, which were developed by the Research and Planning Administration and are calculated according to the above approach, which is based on the expenditures of households and not on their income.

In a study published by the National Insurance Institute in 2004<sup>14</sup>, an attempt was made to measure poverty in Israel according to the NRC approach, primarily based on a calculation of a **threshold expenditure of a representative family** (which is comprised of two adults and two children), calculated from the consumption data of the population itself, as reflected in the expenditure surveys of the Central Bureau of Statistics. The basket, used as a basis for calculating the **threshold expenditure**, includes goods and services in the areas of food, clothing and footwear and housing, together with essential related goods. The threshold expenditure is adjusted for other family compositions using an equivalence scale that takes the family composition into account in terms of the number of adults and children that it comprises. The income that is compared to the threshold expenditure is the disposable income available to the household (the gross income from all sources less direct taxes). A component of **in-kind income** is added to the income if the family receives public housing and pays a reduced rent payment relative to the market prices<sup>15</sup>. A poor family is one whose disposable income cannot fund the expenditure on this basket.

A brief review of alternatives to the existing poverty index, which were developed by the Research and Planning Administration is based on the expenditures of households and not on their income

14 M. Sabag-Endeweld and L. Achdut (2004). **Development of an Experimental Poverty Index from the Perspective of Expenditures in Israel**. Research and Planning Administration, National Insurance Institute.

15 In accordance with the recommendations of the American committee, in addition to the direct taxes, also transportation expenses for work purposes and expenses of maintaining children in dormitories, kindergartens as well as caregivers for working families are deducted from income.

The study presented two alternatives for calculating threshold expenditure and the comparative income for each family category, where the difference between the two alternatives lies in the definition of housing expenditure. Under the first alternative, housing expenditure is obtained according to total current payments for living in an apartment (loans and mortgages, rent, etc.) and under the second alternative housing expenditure is calculated according to rent for whoever lives in a rented apartment and according to the rent imputed to the apartment for whoever owns an apartment. Under the second alternative, a family living in an apartment that it owns is compensated on the income side. The component that is added to the income side is the difference between the rent imputed to the apartment and the total current expenditure on the apartment<sup>16</sup>.

In another study published by the NII in 2011<sup>17</sup>, a poverty index that combines a Canadian approach and an American approach was calculated. The Market Basket Measure (MBM) index, as calculated for the Israeli economy, is on a continuum between two endpoints of an absolute and a relative index and it belongs to the family of poverty indices whose poverty line is derived from an adequate level of consumption of a basket of goods that reflects a reasonable estimate of a minimum for adequate sustenance. Its connection to a minimum for sustenance allows its poverty line to be used for evaluating the suitability of the level of subsistence benefits, i.e. income support and income supplement benefits, which constitute a last safety net for those who cannot support themselves or their families. A key difference between the NRC index and the MBM index lies in the treatment of the food component; while under NRC food expenditures is treated by means of the actual data, similar to the treatment of other expenditures of the adequate basket, which also includes clothing, housing and various supplements using an expenditure multiplier, under the MBM index, the food basket is set in nominal and not actual terms – according to nutritional principles based on the household composition by gender and age.

Under the third calculation method, FES, a unique poverty line is defined for each household according to the characteristics of the individuals of which it is composed. A **basic food** basket is tailored to each household, which defines the minimum necessary monetary expenditure on food, in accordance with the definitions of Nitzan-Kaluski (2003) and their correlation to the price level. This method takes into account that a household has necessary expenditures, additional to food expenditure, and when defining its minimum expenditure it takes into account both the minimum expenditure on food and that on additional goods. For this purpose, we assume under this model

.....

16 Under both alternatives, the calculation of the income compared to the threshold expenditure also takes into account the benefit inherent in the public housing services: a family living in public housing (of housing companies such as Amidar, Amigour, etc.) is compensated on the income side by the amount of the difference between the rent in the free market and the rent that is actually pays.

17 D. Gottlieb and A. Fruman (2011). **Measuring Poverty According to an Adequate Consumption Basket in Israel, 1997-2009**. Research and Planning Administration, National Insurance Institute.

that the household expenditure on food increases insofar as income increases and that the marginal cost food decreases insofar as income increases. Thus, insofar as income increases, food expenditure increases, so that its rate out of total expenditures diminishes and the rate of expenditure on other goods increases.

Under this method, we indicate for each household two sizes of minimum income, whose accounting average is defined as the poverty line: (a) income at which the households' distribution of its expenditures is such that food expenditure is identical to the minimum food expenditure defined for it. (b) Income identical to the monetary cost of the minimum food consumption defined for said household together with the monetary cost of goods other than food that the household would have consumed had its income been identical to the monetary cost of the minimum food basket defined for this household.

The various calculations under this method were done twice: once when using the monetary income of the household and a second time by inclusion of in-kind income as part of the income, while within the framework of the data currently available to us most of in-kind income is a result of ownership of the residential apartment.

Table 18 below presents the incidence of poverty and the threshold expenditure – the minimum expenditure required so as not to be deemed poor under any one of the methods, in accordance with the three calculation methods by different family compositions in 2011 and 2012. It may be seen that under the NRC method, the incidence of poverty when imputed rent is taken into account (alternative “B”) is lower than the incidence of poverty when current payments are taken into account (alternative “A”) under all the family compositions (apart from a couple with two children or an adult with two children). Thus, for instance, the incidence of poverty of an individual without children is set at 22%, while under alternative “B” it is set at only 14.3%. By contrast, under both the FES measurement methods, with and without the inclusion of income in-kind, a similar incidence of poverty is yielded among the different family categories.

Under all the methods presented for measuring poverty from the perspective of expenditure, the incidence of poverty rises insofar as the number of children increases, among families with two or more children. Thus, for instance, the incidence of poverty among couples with five children under the NRC method reaches 60.2% by monetary income and 58.7% by aggregate income. Under the FES method, this incidence of poverty reaches 67.9% by monetary income and 66.4% by aggregate income and under the MBM method, it reaches 62.5%.

According to the data presented, the threshold expenditure values for small families under the NRC and the MBM methods are higher than the threshold expenditure values under the FES method and in large families there is an inverse ratio. Accordingly, there is an identical ratio to the incidence of poverty. This difference stems from the equivalence scale under the NRC and MBM methods, which treats children and adults differently, unlike the calculation under the FES method.

The incidence of poverty when imputed rent is taken into account is lower than the incidence of poverty when current payments are taken into account

According to the data presented, the threshold expenditure values for small families under the NRC and the MBM methods are higher than the threshold expenditure values under the FES method





## Chapter 3

## Benefits: Activities and Trends



## 1. Income Support

In 2013, the number of families receiving an income support benefit rose by 0.6% and reached an average of 104.4 thousand per month, thereby altering the downward trend that began in 2003. As of the second quarter of 2003, when the number of families receiving a benefit reached a record of 159 thousand, a continuous decline began until 2009, when there was a stabilization compared to 2008. In 2010 there was a renewed decline, and in 2012 there were signs of moderation in the decline.

In 2013, the number of families receiving an income support benefit rose by 0.6% and reached an average of 104.4 thousand per month, thereby altering the downward trend that began in 2003

### A. Basic Elements of the Income Support Law in its 2003 Format

The Income Support Law in its current format retains, for the long term, two benefit rates – the regular rate and the increased rate – but de facto it sets three benefit levels for the transition period<sup>1</sup>. The Law differentiates between entitled persons who are aged 55 or over<sup>2</sup> and persons who have not yet reached the age of 55. The benefit and the means tests for persons aged 55 or over have remained unchanged for all family compositions and these are entitled to a benefit at the increased rate (as prevailing up to January 2003), whether they are new enrollees or previously entitled persons<sup>3</sup>. The differentiation between new enrollees and previously entitled persons is only relevant to persons under age 55: all new enrollees and all persons previously entitled to the regular rate are paid a benefit at the regular (but reduced) rate and all persons previously entitled to the increased rate are paid a benefit at the reduced increased rate. The significance of these amendments is that over the years – on expiration of the transition period – all those under age 55 will be entitled to a benefit only at the reduced regular rate.

The following are the principal revisions to the Law from 2003 to 2013, inclusive:

- As of January 2003, the Employment Service is no longer permitted to classify a claimant for an income support benefit as either temporarily or permanently unplaceable. Anyone who is not required to report to the Employment Service is specified in the Income Support Law under its new format. The main amendment pertains to mothers of small children: before the legislative amendments, they were exempt from an employment test if their youngest child had not yet reached the age of 7. Subsequent to the amendments, they are exempt only until their child reaches the age of two. The situation of a widow with regard to the employment test was equated to the situation of a mother of small children: until January 2003, widows

- 
1. The changes in the benefit levels and the means test are presented in detail in the 2002-2003 Annual Survey of the National Insurance Institute.
  2. The rates of the income support benefit for recipients of old-age and survivors' pensions have remained unchanged. Persons entitled to allowances from the Work Injury branch will be entitled to a benefit at the same level as that of survivors' in the Old-age and Survivors' branch, irrespective of the age of the entitled person.
  3. A previously entitled person is someone who began receiving a benefit prior to 1.1.2013, including someone whose benefit payment was discontinued for a period not exceeding six months.

with children up to the age of 18 were exempt from reporting to the Employment Service, regardless of the age of the children. No change was made in the situation of women who are entitled to maintenance (alimony or child support) payments and these are exempt from an employment test under the new legislation as well.

- In 2004, the Law for Integration of Benefit Recipients in the Labor Market (temporary order) was approved and in August 2005, the responsibility for conducting the employment test in the pilot regions was transferred from the Employment Service to private employment centers. The participants in the program were income support benefit recipients under the entitlement grounds of lacking employment or low wages. In April 2010, the program was terminated and the responsibility for conducting the employment test was returned to the Employment Service.
- Since January 2007, the claimant's ownership of a vehicle does not deny the benefit payment outright (previously such ownership was permitted only in the case of special needs, such as medical needs), if the vehicle has an engine capacity up to 1300 cc and 7 years have elapsed since its year of manufacture, or up to 1600 cc and 12 years have elapsed since its year of manufacture. A vehicle owner is entitled to receive a benefit only if the benefit claimant (or his spouse) has income from work that is higher than 25% of the average wage (in the case of a retirement aged claimant – 17% of the average wage). The Law also pertains to persons who have been dismissed from work (see below for further changes to the legislation regarding vehicle ownership.)
- In 2007, concessions were instituted for retirement-age entitled persons (or their spouses) who travel abroad, thereby traveling abroad up to three times a year and for no more than 72 days does not deny a benefit. Traveling abroad a fourth time or deviating from the 72-day framework leads to denial of the entitlement for all the periods of absence from Israel during the same calendar year. Before the legislative change, traveling abroad two or more times during a calendar year denied entitlement.
- In July 2008, an additional amendment to the Law was adopted, whereby a single<sup>4</sup> mother receives an income support benefit even if she is studying at a post-secondary institution or in a course whose duration exceeds 12 months. The amendment was designed to assist single mothers in acquiring an adequate education in order to become integrated in the job market or improving her work situation, to earn a higher wage or to escape from the cycle of unemployment. Under the amendment, a person fulfilling all the following conditions is entitled to the benefit: an individual mother entitled to an income support benefit; the benefit was paid for 16 out of the 20 months preceding the first month of her studies at the institution; the curriculum does not confer a master's or doctoral degree; the duration of payment for the period of studies does not exceed 36 months; for those lacking work – the classes are held in the evening.

.....

4 This is worded below in the feminine gender, but the intent is also to single fathers (in the language of the Law – single parent).

- Pursuant to a decision of the HCJ in August 2012, the condition whereby ownership or regular use of a vehicle (that does not have an engine capacity or year of manufacture allowing receipt of a benefit) deny the right to an income support benefit was repealed, and an alternative arrangement was established whereby monthly income is imputed from a vehicle whose value does not exceed NIS 40,000. Owners of vehicles whose value exceeds this amount are not entitled to a benefit or to income supplement (excluding a medical purpose vehicle or a mobility vehicle). The income imputed reduces the benefit rate or the income supplement rate which is 3% of the vehicle value exceeding a vehicle value that is not taken into account. The vehicle value that is not taken into account is higher for a person who works (his income from work is higher than 25% of the average wage). Whoever owned a vehicle and received a benefit prior to the above legislative changes continues to be entitled to benefit under the new rules.
- In 2012, another important amendment was introduced into the Law, which pertains to the imputation of income from assets. Under the amendment, the value of income from an asset is calculated according to the type of asset (financial or real estate), taking into consideration its value and the rate of return according to the market conditions and an additional progressive imputed income increment as well as family composition and age of claimant. The rate of return for a financial asset is set according to the average short term loan rate for the last 12 months as published by the Bank of Israel. The return for real estate; agricultural land 0%, residential asset 3% and commercial asset 5%. The rate of the additional increment brackets, ranging between 1.5% and 5%, is detailed in the regulations. Moreover, an annual updating mechanism of the rate of return was prescribed, by which the value of the imputed income is to be calculated. The rate of return for 2013 was 2.7%. Payments under this amendment began in March 2013 and also included payments for the period September to December 2012. An additional change made to the Law in 2012 is payment of an income support benefit to women living in shelters for battered women. These women are entitled to a benefit under pre-defined conditions provided that they had received the benefit in the month preceding their stay in the shelter.

Pursuant to a decision of the HCJ in August 2012, the condition whereby ownership or regular use of a vehicle deny the right to an income support benefit was repealed

In 2012, another important amendment was introduced into the Law, which pertains to the imputation of income from assets

## B. Recipients of the Income Support Benefit

### 1. Developments in the number of recipients

The period of June 2003 – December 2008 marks a continuous downward trend in the number of recipients of the income support benefit. This trend began with the implementation of the stringent legislation in June 2003 – when the benefit was denied to approximately 5,000 families and the obligation to pass an employment test as a condition to benefit entitlement was broadened to other populations. The continued trend stemmed from the ongoing effect of the reduction of the maximum income entitling to

a benefit and from the improvement in the employment situation in the economy during 2004– 2007 and until the second half of 2008. The operation of the employment centers as part of the “Wisconsin” plan in August 2005 and “Lights to Employment” in August 2007 accelerated the trend. In 2009, a turnaround occurred: 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, probably due to the situation in the economy during said year. As of 2010, the decrease in the number of benefit recipients resumed, a trend that presumably reflects the economic recovery. In 2012, signs of moderation began to be shown in this trend and, as stated, in 2013 there was an increase, which stemmed, inter alia, from the vehicle-related legislative changes for benefit recipients.

During 2010, 2011 and 2012, the average number of families receiving an income support benefit fell by 2.1%, 3.8% and 1.4% respectively

As stated, during 2010, 2011 and 2012, the average number of families receiving an income support benefit fell by 2.1%, 3.8% and 1.4% respectively (Table 1). The quarterly data (Graph 1) indicates that during the third and fourth quarter of 2012 there was a moderate increase in the average number of benefit recipients per month. The increase continued during the first quarter of 2013 and since then signs of a slow decline have begun to be shown. In total, there was an increase of 0.6% in the average number per month of families receiving an income support benefit in 2013, compared to 2012.

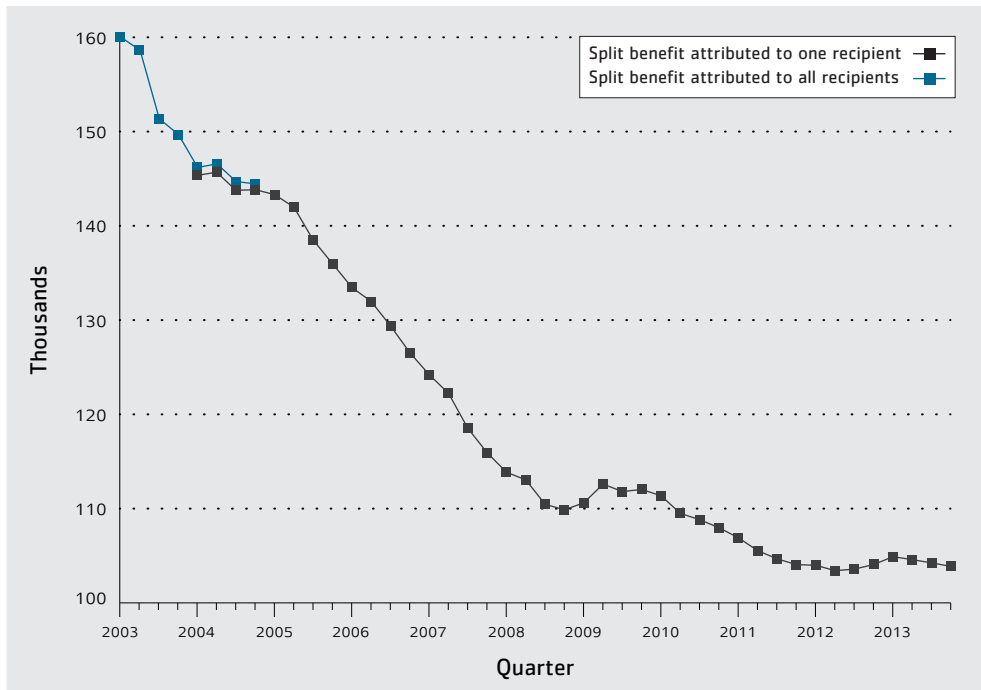
**Table 1**  
**Families who Received an Income Support Benefit**  
**by Length of Residency\* (monthly average), 2005–2013**

Date	Total		Long-standing		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	-2.1	79,102	-0.5	30,304	-6.2
2011	105,292	-3.8	77,443	-2.1	27,849	-8.1
2012	103,766	-1.4	77,945	0.6	25,821	-7.3
2013	104,399	0.6	80,084	2.7	24,315	-5.8

\* Length of residency is set according to the length of residency of the benefit recipient.

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

Graph 1  
Families who Receive an Income Support Benefit  
by Quarter (thousands), 2003-2013



\* A benefit whose payment is distributed to several recipients from the same family.

Furthermore, in 2009, alongside the continuous but moderating decrease in the number of new immigrant families (by benefit claimant), the number of long-standing families (by benefit claimant) receiving a benefit rose for the first time since 2004. In 2010, the trend changed again; the number of long-standing families fell and signs of an accelerated decrease in the number of new immigrants compared to the previous year began to be shown. In 2011, the downward trend in the number of long-standing families and in the number of new immigrant families continued. While in 2010 the decrease in the number of new immigrant families constituted approximately 85% of the total decrease in the number of families receiving the benefit, in 2011 they contributed only 60% to the total decrease, i.e. the rate of decrease of the immigrant families slowed down. Therefore, the decrease in the number of families receiving a benefit in 2010 – 2011 mostly stemmed from a decrease in the number of new immigrant families receiving a benefit. By contrast, in 2012 and 2013, there was an increase in the number of long-standing families receiving a benefit (0.6% and 2.7% respectively). Accordingly, the downward trend in the average number of total families entitled to a benefit in 2012 stemmed from the decrease in the number of new immigrant families, and it is contingent on an increase in the number of long-standing families. The increase in the average number of families in 2013 stems from the increase in the long-standing families and this is contingent on a decrease in the number of new immigrant families.

## 2. Family composition and length of residency

The apparent decrease in the number of benefit recipients since mid-2003, when significant changes were made to the benefit level and to the conditions of entitlement thereto, was accompanied by a change in the family composition of the benefit recipients. The effect of the legislative changes pertaining to the benefit level, the means test and the employment test, which was also reflected in 2004 – 2007, was not uniform in scope among the different population groups. Beyond the effect of the legislative changes, not all the recipients may have faced more employment opportunities in the wake of the economic growth and these differences may have an effect on the composition of the population receiving an income support benefit. In order to illustrate the changes in the population composition, data for the beginning of 2003 (prior to the legislative changes), for 2008 (which encompasses full operation of the “Lights to Employment” program) and for 2010– 2013 are presented<sup>5</sup>.

The data presented in Table 2 indicates two principal developments: the decrease in the number of benefit recipients in the wake of the cutbacks made thereto in 2003 occurred among single-parent families and couples with children, whereas the number of individuals who received a benefit increased. These developments were reflected in changes in the population composition of the recipients:

- The proportion of single-parent families fell to 24.8% in 2010 (compared to 33.2% in the beginning of 2003) and continued to fall slowly also during the subsequent years. In 2013 it reached 24.2%.
- The proportion of couples with children diminished slightly – from 24.4% in 2003 to 21% in 2010 and to 21.1% in 2012. In 2013, their proportion rose to 21.5%.
- In parallel with the decrease in the number of families with children during 2003 – 2012, the proportion of individuals rose considerably, from 36.5% in 2003 to 46.4% in 2009 and continued to rise slowly to 46.7% in 2012. In 2013, with the rise in the rate of couples with children, the rate of individuals fell and reached 46.5%.
- The fairly small proportion of couples increased gradually from 5.9% in 2003 to 7.8% in 2012 and remained unchanged in 2013.

The data therefore indicates a sharp decrease in the rate and number of families with children from 2003 to mid-2005, a moderate decrease until 2012 and a slight increase in 2013 (from 45.5% to 45.7%, respectively) to their rates in 2011. As stated, in 2013 we see an increase in the rate of long-standing families and a continued decrease in that of new immigrant families. Among long-standing families, there is an increase in the rate of couples with children, whereas among new immigrant families there is an increase in the rate of individuals. These changes in the family compositions are reflected in a slight increase in the number of families with children among the total recipients.

.....

5 For a breakdown of the changes in the family composition of the benefit recipients during 2004 – 2007, see the 2008 Annual Survey of the National Insurance Institute.

The changes in the family compositions are reflected in a slight increase in the number of families with children among the total recipients



**Table 2**  
**Income Support Benefit Recipients by Family Composition and Length of Residency (numbers and percentages), 2003, 2010-2012**

Family composition	Numbers			Percentages		
	Total	Long-standing	New immigrants	Total	Long-standing	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>
Individual alone	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 alone	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>2010 average</b>						
<b>Total</b>	<b>109,407</b>	<b>79,103</b>	<b>30,304</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Individual alone	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 alone	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
<b>2011 average</b>						
<b>Total</b>	<b>105,292</b>	<b>77,443</b>	<b>27,849</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Individual alone	49,064	34,535	14,529	46.6	44.6	52.2
Individual + children	25,888	16,473	9,416	24.6	21.3	33.8
Couple alone	8,159	5,541	2,619	7.7	7.2	9.4
Couple + children	22,179	20,895	1,285	21.1	27.0	4.6
<b>2012 average</b>						
<b>Total</b>	<b>103,766</b>	<b>77,945</b>	<b>25,821</b>	<b>100</b>	<b>100</b>	<b>100</b>
Individual alone	48,487	34,879	13,607	46.7	44.7	52.7
Individual + children	25,245	16,615	8,630	24.3	21.3	33.4
Couple alone	8,065	5,666	2,399	7.8	7.3	9.3
Couple + children	21,969	20,785	1,184	21.1	26.7	4.6
<b>2013 average</b>						
<b>Total</b>	<b>104,399</b>	<b>80,084</b>	<b>24,314</b>	<b>100</b>	<b>100</b>	<b>100</b>
Individual alone	48,595	35,736	12,858	46.5	44.6	52.9
Individual + children	25,216	17,091	8,125	24.2	21.3	33.4
Couple alone	8,129	5,909	2,220	7.8	7.4	9.1
Couple + children	22,459	21,348	1,111	21.5	26.7	4.6

### 3. Grounds for benefit entitlement

Further to the trends that were apparent in 2003, an increase was observed in the proportion of persons lacking work of the total recipients until 2010 and a renewed increase since 2012, a decrease in the proportion of mothers of small children until 2008 and a slow decrease since then (apart from 2013, when there was a slight increase to the 2012 level)

**Table 3**  
**Income Support Benefit Claimants and Their Spouses, by Grounds of Entitlement, 2009-2013**

Grounds of entitlement	2009 average		2010 average		2011 average		2012 average		2013 average	
	Numbers	Percentages	Numbers	Percentages	Numbers	Percentages	Numbers	Percentages	Numbers	Percentages
Total	143,553	100.0	140,808	100.0	135,631	100.0	133,800	100.0	134,528	100.0
Lacking employment	93,381	65.1	94,222	66.9	88,615	65.3	88,843	66.4	89,701	66.7
Undergoing training or assessment	1,612	1.1	1,202	0.9	1,455	1.1	984	0.7	505	0.4
“Wisconsin” / “Lights to Employment”	4,652	3.2								
Low wage	16,583	11.6	18,650	13.2	19,782	14.6	17,952	13.4	17,340	12.9
Addicts	3,502	2.4	3,447	2.4	3,321	2.4	3,182	2.4	3,153	2.3
Unplaceable (aged 55+)	2,473	1.7	1,639	1.2	1,183	0.9	765	0.6	260	0.2
Mother of small children	11,289	7.9	10,976	7.8	10,386	7.7	10,221	7.6	10,394	7.7
Other	10,067	7.0	10,672	7.6	10,888	8.0	11,853	8.9	13,175	9.8

\* In 2010, the recipients who received on the grounds of “Wisconsin” during the first four months of the year were added to the grounds of lacking employment.

and a decrease in the proportion of unplaceable persons aged 55 or over (Table 3). The data indicates that from 2011 to 2013 the average rate of recipients on grounds requiring employment testing (lacking employment and low wage) fell slightly and was 79.6% of the total recipients in 2013, compared to 80.1% in 2010. Nonetheless, most of the benefit recipients, approximately 80%, were required to take an employment test.

In addition to these prominent trends, we have also witnessed a decrease in the rate of benefit recipients on the grounds of training and vocational assessment up to 2010, from 2.5% during the first half of 2005 to 0.9% in 2010. In 2011, their rates reverted to that of 2009 – 1.1% of the total recipients – and again fell in 2012. In 2013, their proportion of total recipients was 0.4%.

#### 4. Income of benefit recipients

The decline that characterized the number of benefit recipients during 2004 to 2008 was accompanied by an increase in the rate of working families, from 25.5% to 28.6% (Table 4). In 2009, their rate fell and rose again in 2010 – 2011. In 2012, their rate fell again and reached 26.8% in 2013. Most of the increase occurred between 2006 and 2007, from 26.6% to 28.1% (although the number of working families fell). The wage level data shows that in 2006 the proportion of low wage earning families (up to NIS 2,000), remained stable compared to 2005 (prior to application of the “Wisconsin” plan) and since 2007 it has been on a downward trend.

As stated, the rate of working families in 2013 fell and reached a level similar to that which prevailed in 2006. Compared with 2012, there was a decline in the rate of employed persons in all the family compositions and the rate of families earning up to NIS 2,000 fell (Table 5). In other words, a smaller proportion of families who receive a benefit had income from work, but the wage level improved slightly, even though it was still low. Only 10.5% of all the families had a wage higher than NIS 3,500 per month. It should be mentioned that a considerable proportion of persons entitled to a benefit leave the income support system at this income level.

The rate of working families in 2013 fell and reached a level similar to that which prevailed in 2006

Under an amendment to the Law of August 2012, owners of vehicles worth up to NIS 40,000 (see section 1A above) can receive an income support benefit. At the beginning of 2012, prior to application of the law, there were some 630 income support recipients who were in possession of a vehicle, another 700 families were in possession of a vehicle due to medical needs (including a vehicle for a disabled child and mobility) and 35 families were in possession of a vehicle for a limited transition period, such as dismissal. At the end of the year, in December 2012, about 2,600 families were in possession of a vehicle. 830 were in possession of a medical purpose vehicle and 40 for a limited transition period. In December 2013, approximately 5,600 families were in possession of a vehicle; another 900 were in possession of a medical purpose vehicle and 30 for a limited transition period. Notwithstanding the increase in the number and percentage

of benefit recipients in possession of a vehicle other than for medical purposes, the rate of change in their number is steadily declining (Graph 2). In other words, the increase in the number of these families peaked during the initial months subsequent to the change and thereafter the rate of increase in their number slowed down.

Of all the families (some 6,500) who had a vehicle at their disposal in December 2013, about 40% received an income support benefit also prior to the amendment to the Law (received a benefit in January or February 2012). 4.5% did not receive a benefit during

**Table 4**  
**Rate of Families with Work Income, by Family Composition,**  
**2005, 2010-2013**

Family composition	Total	
	Absolute numbers	Rate of all families
		<b>January – July 2005</b>
<b>Total</b>	<b>37,240</b>	<b>26.2</b>
Individual alone	9,261	15.2
Individual + children	17,313	43.7
Couple alone	2,327	25.1
Couple + children	8,340	25.7
		<b>2010 average</b>
<b>Total</b>	<b>31,055</b>	<b>28.4</b>
Individual without children	9,658	19.0
Individual + children	11,820	43.6
Couple without children	2,240	26.7
Couple + children	7,337	31.9
		<b>2011 average</b>
<b>Total</b>	<b>30,297</b>	<b>28.8</b>
Individual without children	9,494	19.3
Individual + children	11,060	42.7
Couple without children	2,196	26.9
Couple + children	7,547	34.0
		<b>2012 average</b>
<b>Total</b>	<b>28,971</b>	<b>27.9</b>
Individual without children	9,228	19.0
Individual + children	10,386	41.1
Couple without children	2,079	25.8
Couple + children	7,279	33.1
		<b>2013 average</b>
<b>Total</b>	<b>27,957</b>	<b>26.8</b>
Individual without children	8,926	18.4
Individual + children	9,919	39.3
Couple without children	1,984	24.4
Couple + children	7,128	31.7

the two months prior to the amendment and were owners of a medical purpose vehicle. Furthermore, 5.5% began to receive a benefit subsequent to the change, but initially they received a benefit and they did not have a vehicle at their disposal and only later did they begin to be in possession of a vehicle (360 families). In other words, 55.5% of the families that had a vehicle at their disposal in December 2013 began to receive a benefit subsequent to the amendment to the Law and were in possession of a vehicle other than for medical purposes (including a vehicle for short transition periods), although about 10% of them enrolled in the system prior to having a vehicle at their disposal.

Additional benefits that are paid to families also constitute a source of income and are taken into account for the purpose of means testing. An average of 4.6% of the families per month were entitled to additional benefits from the NII in 2013, compared to 5.7% in 2012. The average monthly income per family from NII benefits (excluding wage-replacing benefits that are calculated from work income) was NIS 1,740 (compared to 1,709 in 2012) and reached as high as NIS 7,048. 9,410 families (9% of the families) had income both from work and from additional NII benefits. The average total income from both these sources per family was NIS 3,062.

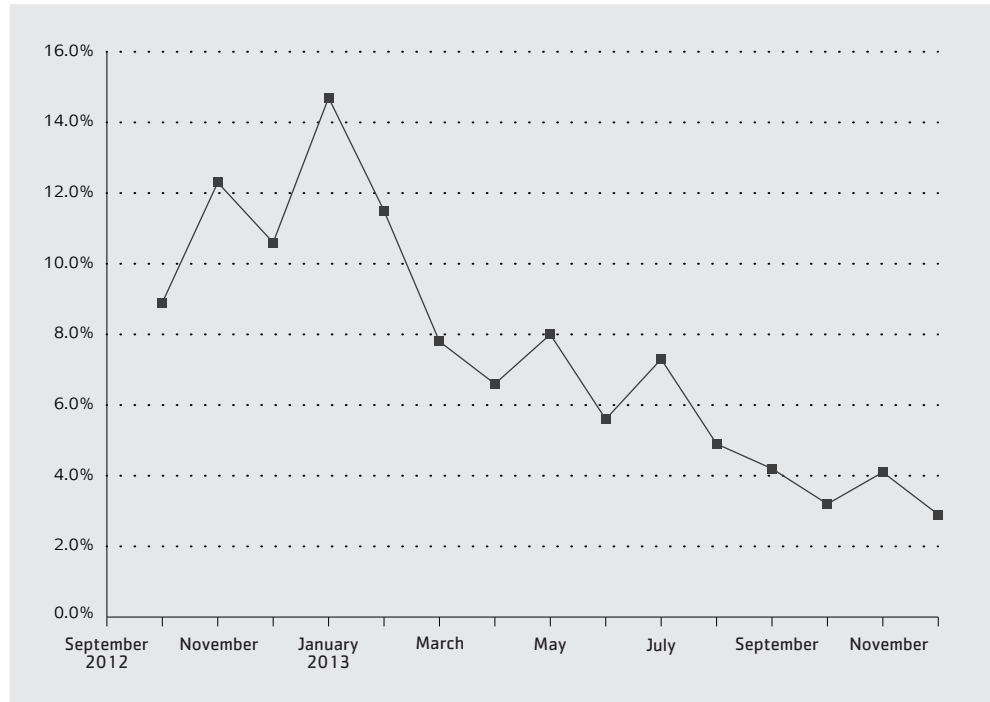
Another possible source of income is imputed return on financial assets, such as bank savings deposits. In 2013, only about 2,400 families, which constitute 2.3% of all the families, owned a financial asset whose value resulted in a reduction of their benefit. The average imputed income for a family whose benefit was reduced was NIS 139. Some 700 families had income from work and imputed income from financial assets. These families had an average work income of NIS 2,041 and the average amount of imputed income from financial assets was NIS 116, slightly lower than the general average.

55.5% of the families that had a vehicle at their disposal in December 2013 began to receive a benefit subsequent to the amendment to the Law

**Table 5**  
**Work Income Level of Families who Receive an Income Support Benefit,**  
**by Family Composition, 2012-2013**

Family composition	Income level (NIS)					
	1 – 1,000	1,000 – 1,500	1,500 – 2,000	2,000 – 3,000	3,000 – 3,500	3,500 +
2012 average						
<b>Total</b>	<b>13.1</b>	<b>22.5</b>	<b>20.0</b>	<b>28.8</b>	<b>5.9</b>	<b>9.7</b>
Individual alone	21.6	36.6	20.2	20.6	0.9	0.1
Individual + children	9.9	14.0	17.2	33.2	9.0	16.8
Couple alone	14.6	29.1	22.5	22.6	5.1	6.2
Couple + children	6.4	15.0	23.1	34.7	8.0	12.7
2013 average						
<b>Total</b>	<b>12.3</b>	<b>21.8</b>	<b>18.9</b>	<b>30.4</b>	<b>6.1</b>	<b>10.5</b>
Individual alone	19.7	35.9	20.5	22.5	1.3	0.1
Individual + children	9.4	13.9	15.9	34.0	9.0	17.8
Couple alone	12.6	27.5	21.6	24.8	5.6	7.9
Couple + children	6.8	13.8	20.5	36.9	8.2	13.8

**Graph 2**  
**The Rate of Change in the Number of Families Receiving an Income Support Benefit who are in Possession of a Vehicle Other than for Medical Purposes, 2012-2013**



Income is imputed from real estate in the same manner as income is imputed from financial assets. In 2013, the number of families that owned immovable property was 2,700, which constitute 2.6% of all the families receiving a benefit and the average income imputed to real estate was NIS 335. Only 10 families had imputed income from real estate and from a financial asset and also income from work.

## 5. Composition of benefit recipients by benefit level

Pursuant to the legislation introduced in 2002-2003 with regard to the various benefit levels, the composition of benefit recipients by the three benefit levels changed substantially. The rate of families receiving a benefit at the regular rate rose from 36% in 2004 to 41.9% in 2013, the rate of families receiving at an increased rate for those under the age of 55 (“previously entitled persons”) fell from 22% to 5% and the rate of families receiving at an increased rate for those aged 55 or over rose from 21% to 30.3% in 2011 and fell to 29.2% in 2012 and remained so also in 2013 (Table 6). An analysis of the benefit rates by family composition reveals that the rate of individuals receiving a benefit at a regular rate rose up to 2012 and fell in 2013, and alternatively the rate of single-parent families fell up to 2012 and rose in 2013. The proportion of families receiving a benefit at an increased rate for those aged 55 or over rose from 2005 to 2011 and in the

The proportion of families receiving a benefit at an increased rate for those aged 55 or over rose from 2005 to 2011 and in the last two years it stabilized at a lower rate

**Table 6**  
**Recipients of Income Support Benefit by Family Composition**  
**and Benefit Rate (percentages), 2009-2013**

Family composition	December 2009	December 2010	December 2011	December 2012	December 2013
Individual receiving regular rate	26.3	26.7	26.7	27.0	26.5
Individual receiving increased rate (for those aged 55 or under, “previously entitled persons”)	4.2	3.5	3.0	2.7	2.5
Individual receiving increased rate (aged 55+)	17.7	18.2	18.7	18.7	18.7
Single mother* (aged 55 or under)	21.5	21.4	21.1	20.8	20.9
Couple receiving increased rate (aged 55+)	6.5	6.6	7.7	6.7	6.7
Couple with children receiving regular rate	12.8	13.3	13.8	14.5	15.4
Couple with children receiving increased rate (for those aged 55 or under, “previously entitled persons”)	4.3	3.7	3.3	2.9	2.5
Couple with children receiving increased rate (aged 55+)	3.9	3.8	3.9	3.8	3.8
Other	2.8	2.8	1.8	2.9	3.0

\* See Note 4 in this chapter.

last two years it stabilized at a lower rate, primarily as a result of the decrease in couples without children who are aged 55 or over.

## C. Payments

### 1. Benefit level

In 2013, the benefit level remained almost unchanged in real prices (a decrease of 0.1%), but in terms of average wage it fell by approximately 0.9% (Table 7). The decrease in real terms stems from the fact that the benefits were updated in January by 1.4% (based on the increase in the price index during 2012: November 2012 compared with November 2011), whereas the average price index for 2013 (compared with the average price index of 2012) rose by approximately 1.5%. The decrease in the benefit in terms of average wage stems from an increase of 2.3% in the average wage compared to 1.4% – the benefit update rate.

The child allowance paid to families with children increases the level of their income from the NII. Furthermore, families that have 3 and 4 children are entitled to an

In 2013, the benefit level remained almost unchanged in real prices (a decrease of 0.1%), but in terms of average wage it fell by approximately 0.9%

additional allowance, paid in conjunction with the child allowance, which also increases the family income. Thus, for instance, a single parent under age 55 with three children, who under the Income Support Law should receive 39% of the “basic amount” (which constitutes 36.8% of the average wage), actually received 44.6% of the average wage together with the child allowance and increment for families with 3 children.

## 2. Volume of payments

The income support benefit payments reached NIS 2.58 billion in 2013 – a real increase of 2.1% compared to the previous year (Table 8). This increase stemmed from the increase in the number of recipients (0.6%), from the increase in the average benefit (0.4%) and from retroactive payments in respect of the legislative amendments regarding vehicles and assets (as a percentage of the payments).

The income support benefit payments reached NIS 2.58 billion in 2013

**Table 7**  
The Income Support Benefit at Fixed Prices and as a Percentage of the Average Wage\*, by Family Composition, 2009-2013

Year	Individual				Single mother** with two children		Couple with two children			
	Regular rate		Increased rate		2013 prices (NIS)	Percentage of the average wage	Regular rate		Increased rate	
	2013 prices (NIS)	Percentage of the average wage	2013 prices (NIS)	Percentage of the average wage			2013 prices (NIS)	Percentage of the average wage	2013 prices (NIS)	Percentage of the average wage
<b>Adult family members are under the age of 55</b>										
2009	1,686	19.3	1,897	21.7	3,287	37.6	2,824	32.3	3,287	37.6
2010	1,704	19.3	1,916	21.8	3,322	37.7	2,854	32.4	3,322	37.7
2011	1,685	19.1	1,896	21.4	3,286	37.2	2,822	31.9	3,286	37.2
2012	1,700	19.1	1,912	21.4	3,314	37.2	2,847	31.9	3,314	37.2
2013	1,697	18.9	1,910	21.3	3,310	36.8	2,843	31.6	3,310	36.8
<b>At least one family member is over the age of 55</b>										
2009	2,107	24.1	2,107	24.1	4,251	48.6	4,172	47.7	4,172	47.7
2010	2,130	24.2	2,130	24.2	4,296	48.8	4,217	47.9	4,217	47.9
2011	2,106	23.8	2,106	23.8	4,248	48.0	4,170	47.2	4,170	47.2
2012	2,125	23.8	2,125	23.8	4,285	48.1	4,206	47.2	4,206	47.2
2013	2,122	23.6	2,122	23.6	4,296	47.8	4,201	46.7	4,201	46.7

\* As measured by the Central Bureau of Statistics.

\*\* See Note 4 in this chapter.

**Table 8**  
Income Support Benefit Payments (excluding administrative expenses, NIS million), 2009- 2012

Year	Current prices	2013 prices
2009	2,482	2,723
2010	2,527	2,699
2011	2,477	2,558
2012	2,493	2,531
2013	2,583	2,583



## 2. Old-Age and Survivors' Insurance

The old-age and survivors' pensions constitute the first tier of the pension system in Israel and ensure a basic income for the elderly insured and for his survivors after his death. Work pension constitutes the second tier of the pension system<sup>1</sup> and both tiers together are intended to ensure a reasonable minimum standard of living during retirement and old-age.

The old-age and survivors' pensions constitute the first tier of the pension system in Israel

### A. Benefits of the Old-Age and Survivors' Branch

- **Old-age pension**

Paid to every insured on a universal basis and with no means test at the age of entitlement (the absolute age<sup>2</sup>), and at retirement age (the conditional age<sup>3</sup>) paid only if he passes the means test from work and from capital.

In mid-2004 the Retirement Age Law was implemented, under which the age of entitlement to an old-age pension gradually rose for both men and women. The conditional retirement age for men was raised from 65 to 67, and for women it was raised to 62 and will remain so until 2016. In 2017, the process of gradually raising the retirement age for women to 64 is expected to be resumed. Their (absolute) age of entitlement is gradually being raised from 65 to 70. In 2013 this age was 67 and 8 months. The (absolute) age of entitlement for men has not changed: 70.

- **Increments to the basic old-age pension**

**Dependents' increment** – paid for a spouse and children who are dependent on the insured (according to criteria set by law, such as means testing).

**Seniority increment** – paid to anyone who was insured for more than 10 years. Its rate is 2% of the pension for each year of insurance beyond the first 10 years, up to a ceiling of 50%.

**Pension deferral increment** – paid to whoever deferred receipt of the pension at ages at which a means test (from work and from capital) is conducted (from the conditional age until the absolute age). Its rate is 5% of the pension for each year of pension deferral.

**Increment for an insured who has reached the age of 80** – at a rate of 1% of the “basic amount.”<sup>4</sup>

- **Survivors' pension**

Paid to the survivors of an insured after his death. A seniority increment and an increment for a survivor who has reached the age of 80 are paid in addition to the

1 See Annual Survey 2007, Chapter 4 (2) – Old-age and Survivors, Box: Compulsory Comprehensive Pension for the Entire Israeli Economy.

2 The age at which the pension entitlement is not conditioned on means testing.

3 The age at which the pension entitlement is conditioned on means testing.

4 See Note 3 in Chapter 1.

basic pension. A widower is defined as being entitled to a survivors' pension so long as he has children or he passes a means test as required by law.

- **Income supplement for the elderly and for survivors**

Paid to recipients of old-age and survivors' pensions with no income or with low income, up to the amount specified in the Income Support Law.

- **Benefits not under the National Insurance Law ("special benefits")**

Paid to the elderly and survivors who are not entitled to a pension under the National Insurance Law. These benefits are wholly funded by the government.

Entitled to these benefits are primarily new immigrants who were above the retirement age (under the Retirement Age Law) on the day they immigrated to Israel and therefore they are not insured under the National Insurance Law. The rates of the special benefit are identical to the rates of the old-age pension under the Law, subject to means testing. An increment for an entitled person who has reached the age of 80 is paid to the special benefit, but seniority increments and pension deferral increments are not paid. The amount of the maximum income supplement for recipients of these benefits equals that paid to the recipients of the pension under the Law. The changes in the pension entitlement age under the Law (see above) apply to special benefits not under the Law as well.

- **Death grant**

Paid to whoever is entitled to an old-age or survivors' pension (under the National Insurance Law) who is survived by a spouse and in the absence of a spouse – by a child as defined in the National Insurance Law.

- **Burial expenses**

Every person who dies in Israel is entitled to be buried at no cost. The National Insurance Institute pays the costs of the burial day expenses for every person buried in Israel by a duly licensed burial society. Populations who customarily perform burials without using burial societies can receive this assistance directly. The tariff of the burial expenses is classified by the age of the deceased and the size of the community in which the particular burial society operates. In certain circumstances, the burial society may charge a fee for burial (for pre-purchase of a burial plot, post-death purchase of a special burial plot and burial in a closed cemetery). If the number of paid burials is higher than the rate stated in the regulations, the burial society is entitled to reduced payments. In 2013 burial expenses were paid for approximately 42 thousand burials.

- **Counseling Service for the Elderly**

The Counseling Service for the Elderly, under which elderly volunteers support other elderly persons, has been operating in the framework of NII since the early

seventies. Other NII activities in the community include Funds for the Development of Services for diverse populations in Israeli society.<sup>5</sup>

## B. Legislative Changes

- **Pensions under the National Insurance Law** – The Economic Efficiency Law of 2009 prescribed that the basic old-age and survivors' pensions were to be gradually increased up to 2011 by approximately 7.3%. The pensions increased in a manner maintaining the disparity (at a rate of 1% of the “basic amount”) between the pensions paid to whoever has not yet reached the age of 80 and those paid to whoever has already reached age 80.

In August 2009 an individual pension was 17% of the “basic amount”; in January 2010 it increased to 17.35%; and in January 2011 to 17.7% of the “basic amount”. The pensions to the other family compositions also increased accordingly.

This increase in the pension rate is over and beyond the increase in its rates 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% and a further increment of 1% of the “basic amount” for those aged 80+. In 2009 the old-age and survivors' pensions increased by about 3%; in January 2010 to 2.1%, and in January 2011 by 7.3%.

- **Old-age and survivors' pensions including the income supplement** increased according to the increase in the basic pension. Furthermore, as of August 2009 a persons aged 70-79 were paid an increment of about NIS 120 per individual and NIS 180 to those with dependents (these amounts include the increase in the basic pension). An increment was paid to those aged 80 and above to the amount of NIS 75 per individual and NIS 107 to those with dependents. In 2010 and in 2011 the rate of the pension plus income supplement increased by the rate of the increase in the basic pension.

From January 2010, the pension for the individual entitled to an income supplement was 29.9% of the basic amount to those under 70, 30.7% for 70-79 year olds and 32.1% for those aged 80 or more. From January 2011 its rate has been 30.3%, 31.2% and 32.6% of the “basic amount”, respectively.

It should be noted that the increase in the rates of the pension including the income supplement is added to the rate increase in this pension in recent years. The individual pension, which was 25% of the basic amount up to June 2005, increased to 27.3% in July 2005, to 28.5% in July 2006 and to 28.8% in April 2008. Its rate for whoever has reached the age of 80 was, until August 2009, 30.8% of the basic amount.

- **The Income Supplement Law was amended with regard to the imputation of income from assets.** This amendment has implications for recipients of old-age and survivors'

.....

5 For Elderly Counseling Service activities see Chapter 5 of this report.

pensions and the income supplement. Under the amendment, the value of income from an asset is calculated according to the type of asset (financial or real estate), taking into consideration the value of the asset, the rate of return corresponding to the market conditions and an additional progressive increment, the family composition and the age of the claimant. The rate of return for a financial asset was set according to the 12 month short-term loan rate published by the Bank of Israel. The rate of return for real estate: agricultural land – 0%, residential asset – 3% and commercial asset – 5%. The levels of the increment and the rates thereof, which range between 1.5% and 5%, are detailed in the regulations.

Moreover, an annual updating mechanism of the rate of return was prescribed, by which the value of the imputed income is to be calculated. The rate of return for 2013 was 2.7%.

## C. Pension Recipients

### 1. Recipients of old-age and survivors' pensions

In 2013 the National Insurance Institute paid old-age pensions to approximately 734 thousand elderly persons, and survivors' pensions to about 100 thousand survivors – on average per month

In 2013 the National Insurance Institute paid old-age pensions under the National Insurance Law and old-age pensions not under the National Insurance Law (hereinafter – **special benefits**) to approximately 734 thousand elderly persons, and survivors' pensions to about 100 thousand survivors – on average per month. Among the old-age pension recipients were approximately 101 thousand elderly persons who received a full old-age pension and half a survivors' pension (section 3 below) and 52 thousand disabled elderly persons who received a disability pension supplement (section 4 below). The number of recipients of old-age pension under the National Insurance Law increased in 2013 by 5.6%, while the number of recipients of a survivors' pension only (under the National Insurance Law) decreased by 0.9%.

**Table 1**  
**Recipients of Old-Age and Survivors' Pensions**  
**by Pension Category and Legal Basis (monthly average), 2011-2013**

Pension category	Number of recipients (average)			Rate of annual increase	
	2011	2012	2013	2012	2013
<b>Total</b>	<b>780,107</b>	<b>802,491</b>	<b>833,915</b>	<b>2.9</b>	<b>3.9</b>
<b>Old-age</b>					
Total	678,134	701,289	733,686	3.4	4.6
Under NII Law	613,476	640,110	675,816	4.3	5.6
Not under NII Law	64,658	61,178	57,870	-5.4	-5.4
<b>Survivors</b>					
Total	101,973	101,202	100,230	-0.8	-1.0
Under NII Law	101,590	100,842	99,897	-0.7	-0.9
Not under NII Law	383	360	333	-6.0	-7.5

The number of recipients of special benefits continued to decrease in 2013 by 5.4%, a rate identical to the decrease in 2012, following a decrease of 5.0% in 2011 and of 4.8% in 2010. The proportion of special benefit recipients out of all old-age and survivors' pension recipients increased from 8.4% in 1990 to 18.7% in 1996. From 1997 this rate gradually decreased to 7.0% in 2013. This development is a continuation of the downward trend in the growth rate of this population since the second half of the 1990s, a consequence of the dwindling number of new immigrants who came to Israel at an older age and of the mortality rate among their elderly, which are expected to further reduce the volume of this population in the coming years. The total recipients of old-age pensions under the National Insurance Law and special benefits increased in 2013 by 4.6%, while the number of all recipients of old-age and survivors' pensions increased by 3.9%.

**Graph 1**  
**Rate of Old-Age and Survivors' Pensions Together**  
**with Income Supplement (monthly average), 1990–2013**



## 2. Recipients of old-age and survivors' pensions together with income supplement

Recipients of old-age and survivors' pensions who do not have additional sources of income or whose income from additional sources is very low are entitled to a supplement to their pension under the Income Support Law. The number of income supplement recipients in 1990–2001 steadily increased, following the enrollment of many new immigrants, who received a special benefit together with an income supplement, and

from 2008 it gradually decreased, primarily as a result of the dwindling number of new immigrants receiving special benefits (see graph). In 2013, for the first time since 2001, the number of income supplement recipients increased: 187.5 recipients on average per month compared to 186.8 thousand in 2012.

Nonetheless, the rate of income supplement recipients among all old-age and survivors' pension recipients reached its peak in 1992 – 34% – and has since been declining (apart from 2007), mainly due to the dwindling number of special benefit recipients (Graph 1). As expected, among recipients of old-age pension under the Law, the rate of entitled persons rose moderately in the years in which there was a rise in the pension rate.

In December 2013, the percentage of persons entitled to an income supplement among all old-age and survivors' pension recipients reached 22.2%

In December 2013, the percentage of persons entitled to an income supplement among all old-age and survivors' pension recipients reached 22.2%, as compared to 23.0% in December 2012 (Table 2). The percentage of income supplement recipients among old-age pension recipients under the Law decreased slightly, reaching 15.5%, and among survivors' pension recipients under the Law it rose slightly, to 27.9%.

As expected, the percentage of income supplement recipients was highest among recipients of NII old-age and survivors' pensions and special benefits, which mainly include new immigrants: 94.0% of these old-age pension recipients and 66.2% of these

**Table 2**  
**Recipients of Old-Age and Survivors' Pensions**  
**by Pension Category and Number of Dependents\*, December 2013**

Pension category	Total	No dependents	One dependent	Two dependents	Three or more dependents
<b>Old-age and survivors' pension - total</b>	<b>848,769</b>	<b>689,669</b>	<b>67,078</b>	<b>6,079</b>	<b>4,570</b>
% of income supplement recipients	22.2	21.1	38.9	21.8	21.0
Old-age pension under the NII Law	692,614	648,616	40,673	2,134	1,191
% of income supplement recipients	15.5	13.7	42.8	33.7	48.0
Old-age pension not under the NII Law	56,591	46,644	9,628	159	160
% of income supplement recipients	94.0	94.4	91.7	90.6	95.6
Survivors' pension under the NII Law	99,247	84,681	7,695	3,768	3,103
% of income supplement recipients	27.9	30.3	14.7	15.2	10.8
Survivors' pension not under the NII Law	317	254	31	18	14
% of income supplement recipients	66.2	67.7	64.5	61.1	50.0

\* Including spouse or children – for old-age, and including children – for survivors.

survivors' pension recipients were entitled in December 2013 to an income supplement. Old-age and survivors' benefits paid not under the National Insurance Law are conditioned on means testing and therefore it is not surprising that the rate of persons entitled to an income supplement among immigrants is very high. Nonetheless, there have been signs of a decline in the rate of income supplement recipients since December 2011, when their rate was 94.4%.

### 3. Recipients of an old-age pension and half a survivors' pension

Among recipients of old-age and survivors' pensions, there are those who receive the benefit in both categories – old-age and survivors (hereinafter – both pensions), which are paid by virtue of the insured's rights at the Old-age and Survivors' branches. Irrespective of the first pension to which they are entitled, whoever is entitled to both pensions receives the full old-age pension to which he is entitled and half of the survivors' pension to which he is entitled. Only recipients of a pension under the Law are entitled to both pensions. Recipients of a pension not under the Law receive their pension by virtue of an agreement and not by virtue of insurance rights in the Old-age and Survivors' branch.

In December 2013, 101,289 widows and widowers were entitled to both pensions, 94.3% of them being women (Table 3), which constitute 13.8% of all recipients of old-age pensions under the Law. The high rate of women is not surprising, for a few reasons: (a) the percentage of insured men is higher than the percentage of insured women. Only women insured as workers confer insurance on their spouse under survivors' insurance (housewives do not confer insurance on their spouses), while all men confer entitlement to insurance on their spouses. (b) the right to a survivor's pension of a widowed man without children is contingent on means testing. (c) Women generally marry men who are older than them and their life expectancy is higher than that of men. This being the case, it is more common for women to be the ones who are entitled to both pensions.

The rate of increase of recipients of half a survivors' pension is lower than the rate of increase in the total recipients of the old-age pension under the Law (5.6%-13.5% annually, respectively). In December 2013 the average amount of both pensions collectively was NIS 3,091, approximately one third of which being the survivors' pension. The average amount of both pensions to which men are entitled is higher than the pension of women, since for the most part the old-age pension of the former is higher due to higher seniority increments and higher retirement deferral increments.

As expected, the rate of income supplement recipients among recipients of both pensions is not high – 7.8% only – since the amount of both pensions is itself usually higher than the pension amount with the income supplement. The rate of men receiving an income supplement is nearly double the rate of women, since widowers (without minor children) passed a means test in order to be entitled to the survivors' pension, in contrast to the widows who were exempt therefrom. Since only widowers who meet the conditions of the means test are entitled to receive a survivors' pension, the economic

In December 2013, 101,289 widows and widowers were entitled to both pensions, 94.3% of them being women

**Table 3**  
**Characteristics of Recipients of an Old-Age Pension**  
**and Half a Survivors' Pension, by Gender, December 2013**

	Total	Men	Women
<b>Total recipients</b>	<b>101,289</b>	<b>5,803</b>	<b>95,486</b>
Percentage of income supplement recipients	7.8	13.8	7.4
Average pension (NIS)	3,091	3,166	3,087
thereof: Half a survivors' pension (NIS)	1,054	901	1,064
Average age	78.1	79.4	78.0

situation of the widowers receiving a survivors' pension tends to be more difficult than that of the widows, who are not subject to this test as a condition to receiving the pension.

The average age of recipients of both pensions is higher than the age of all persons entitled to an old-age pension under the Law: Men – 79.4 years compared to 76.3, respectively and women – 78.0 compared to 72.7, respectively.

#### 4. Recipients of disability pension for elderly

A disability pension is paid to a disabled person until he reaches retirement age, after which he is paid an old-age pension. Under the legislative amendments to improve the benefits to disabled persons adopted in 2002, the old-age pension paid to a disabled person who reached retirement age after January 1, 2002 is the same level as that of his disability pension, including the **additional monthly pension**<sup>6</sup> that was paid to him before he reached retirement age. An additional monthly pension is paid to a disabled person whose degree of medical disability is at least 50% and whose degree of earning incapacity is at least 75%. The amount thereof in most cases was NIS 247 – 365 per month in December 2013, depending on the medical disability percentage. On transitioning to an old-age pension, the disabled person de facto receives a supplement up to the amount of the disability pension and an additional monthly pension, if he is entitled thereto, in addition to the old-age pension.

In December 2013, approximately 51 thousand elderly disabled persons (48.4% of them women) received an old-age pension with a supplement to the disability pension amount or with an additional monthly pension (or both), and this is an increase of 12.9% compared to December 2012 (a rate identical to the rate of increase in 2012) (Table 4). Approximately 87% of the elderly disabled persons received an additional monthly pension. In December 2013, the average amount of the old-age pension of the elderly disabled persons was approximately NIS 2,797, a fifth of which is a supplement to a disability pension, which includes the additional monthly pension. 22.6% of the

6 See Disability chapter in this survey.

In December 2013, approximately 51 thousand elderly disabled persons received an old-age pension with a supplement to the disability pension amount or with an additional monthly pension



**Table 4**  
**Characteristics of Recipients of Old-Age Disability Pension for Elderly,**  
**by Gender, December 2013**

	Total	Men	Women
<b>Total recipients</b>	<b>50,649</b>	<b>26,144</b>	<b>24,505</b>
thereof: additional monthly pension recipients	43,964	22,858	21,106
Average pension (NIS)	2,797	2,833	2,760
thereof: Disability supplement and additional monthly pension (NIS)	531	446	618
Average age	69.2	71.7	66.6

recipients of a disability supplement or additional monthly disability pension are also entitled to an income supplement, where the rate of entitled men and women is similar: 21.7% and 23.5%, respectively.

### 5. Seniority increment recipients

A seniority increment to the old-age pension is granted to elderly persons who have been insured by NII for more than ten years. Its rate is 2% of the basic old-age pension for each year of insurance beyond the first ten years of insurance, up to a ceiling of 50% of the pension. In 2013, the percentage of women and men to whom a seniority increment was paid continued to increase, reaching 76.6% and 94.4%, respectively (Table 5). The average seniority increment paid to a pension recipient under the National Insurance Law rose from 30.7% of the basic pension in 2012 to 31% thereof in 2013 (the rate of the average seniority increment paid to a person entitled to this increment is 37.2%). In other words, the percentage of seniority increment recipients rose and the average number of years for which the increment is paid also increased. The average increment that the men received was higher than the increment that the women received – 42.1% compared to 24.2% only, respectively (the rate of the average seniority increment paid to a person who is entitled to this increment is 44.6% for men and 31.5% for women).

The percentage of seniority increment recipients among newly entitled men rose slightly from what it was in 2012, to 98.3%, whereas among the women it decreased considerably, to 78.6%. This decrease is a consequence of a change in the composition of new enrollees in 2013, which stems from an amendment to the Law, which broadens the rights of pensioned housewives and widows who were born before 1931<sup>7</sup>. Under the amendment, from January 2013, older women (aged 82 and above) who are not entitled to a seniority increment or to a pension deferral increment enrolled in the system. They constitute 11% of all new enrollees in 2013 and therefore they cause a decrease in the

The percentage of seniority increment recipients among newly entitled men rose slightly from what it was in 2012, to 98.3%, whereas among the women it decreased considerably, to 78.6%

7 See Annual Survey 2012.

**Table 5**  
**Recipients of Old-Age Pension Under National Insurance Law,**  
**by Rate of Recipients of Seniority and Pension Deferral Increments**  
**and Rate of Average Increment, 2009-2013 (December)**

Year	Proportion of increment recipients out of all recipients (percentages)			Rate of the average increment for all pension recipients (percentages)		
	Total	Men	Women	Total	Men	Women
<b>Seniority increment</b>						
2009*	80.9	93.1	72.6	29.6	41.2	21.8
2009**	88.4	96.8	83.2	32.9	43.1	26.6
2010*	81.5	93.4	73.8	29.9	41.5	22.5
2010**	87.7	97.6	82.0	33.3	44.7	26.7
2011*	82.2	93.7	74.8	30.3	41.7	23.0
2011**	89.2	98.2	83.6	34.2	44.6	27.7
2012*	83.0	94.0	76.0	30.7	42.0	23.7
2012**	90.9	98.2	85.9	35.0	44.0	28.7
2013*	83.5	94.4	76.7	31.0	42.1	24.2
2013**	86.9	98.3	78.6	33.5	42.9	29.7
2013** , ***	92.2	98.3	87.3	35.6	42.9	29.7
<b>Pension deferral increment</b>						
2009*	13.6	14.9	12.7	2.3	2.5	2.2
2009**	13.8	19.3	10.5	2.5	3.2	2.0
2010*	13.4	14.7	12.5	2.3	2.5	2.2
2010**	10.0	11.9	8.9	1.9	1.9	1.9
2011*	13.2	14.5	12.5	2.3	2.4	2.2
2011**	11.4	11.1	11.6	2.0	1.4	2.4
2012*	13.1	14.2	12.5	2.3	2.3	2.2
2012**	11.1	10.4	11.6	1.8	1.2	2.2
2013*	13.0	13.8	12.5	2.2	2.2	2.2
2013**	10.8	9.7	11.6	1.7	1.2	2.2
2013** , ***	11.5	9.7	12.3	1.9	1.2	2.4

\* All recipients.

\*\* New enrollees.

\*\*\* Excluding housewives born before 1931 (Amendment 138 to Law).

rate of recipients of seniority increment and pension deferral increment as well as in the level of these increments. Table 5 presents data also on new enrollees, excluding these housewives, and it shows that there was a rise in the rate of new enrollees who are entitled to a seniority increment, 87.3%, and in the average increment per new enrollee, which rose to 31.5%, i.e. nearly 16 years of seniority.

The rate of seniority increment recipients and the level of the increment are higher among the enrolling men and women (excluding housewives born before 1931) than among all recipients. However, while the average seniority increment paid to newly entitled women (excluding housewives born before 1932) continued to rise in 2013

(compared to 2012) the average increment for newly enrolled men has been declining during the last three years. A review of the data shows that in 2008 – 2010 the rate of new immigrants (who immigrated to Israel from 1990) had declined among the new enrollees, but from 2010 their rate has risen considerably. The rate of new immigrants among the men who enrolled in 2010 was 10.6% compared to 18.4% in 2013. Naturally the average seniority increment of the immigrant men is significantly lower than that of other men (16% compared to 49%, respectively, in 2013) and therefore with their rising rate among new enrollees we are witnessing a decline in the average seniority increment.

Notwithstanding the decline in the average seniority increment for men, the disparity in the increment between new men and women remains significant: 42.9% for men and 29.7% for women. With the increase in the rate of women's participation in the workforce and in the number of years they work, the rate of women receiving a seniority increment, particularly the maximum seniority increment, is expected to continue rising, and an increase in the average seniority increment is expected as well.

Survivors' pension recipients are granted the seniority increment to which the deceased person was entitled. Most survivors' pension recipients (those entitled to survivors alone and those entitled to half a survivors' pension in addition to the old-age pension) – 86.6% – are entitled to this increment and, as expected, the rate of women receiving the increment accumulated by their spouse is higher than that of men – 87.7% compared to 71.6%, respectively. Furthermore, the average seniority increment to which the women are entitled is higher than that of the men: Women receive an average increment of 28.8%, while men are entitled only to 23.2%. The average increment among those entitled thereto is 32.9% on average, which translates to an increment for 16.5 years beyond the first ten years of insurance.

## 6. Pension deferral increment recipients

The old-age pension within the age range between retirement age and the age of entitlement is conditioned on means testing. An individual whose work income does not exceed 57% of the average wage is entitled to a full benefit (for a couple – 76% of the average wage). Also, high-level capital income is taken into account for the purposes of the means test (as detailed in the Law and in the regulations). For each additional shekel 60 agorot are deducted from the old-age pension (reduced pension) until the pension is adjusted to zero. Whoever has higher income is not entitled to the pension at retirement age and will receive a retirement deferral increment at a rate of 5% of the basic pension for each year of deferral. Whoever is entitled to a reduced pension may choose not to receive the pension and shall be entitled to a retirement 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.

The percentage of men who received a pension deferral increment in 2013 continued a slow decline and reached 13.8%. The partial explanation is the raised retirement age

With the increase in the rate of women's participation in the workforce and in the number of years they work, particularly the maximum seniority increment, is expected to continue rising

The percentage of men who received a pension deferral increment in 2013 continued a slow decline and reached 13.8%

and consequently the reduction in potential years of deferral accumulation. The average increment paid to a male pension recipient was reduced slightly for men and was 2.2%. The percentage of women who received this increment remained as it was since 2010, 12.5%. The average increment paid to a female pension recipient remained as in previous years: 2.2%. In fact, the average pension rate for women has remained unchanged since 2003 and it currently equals that of men. The average increment for its recipients was 17%, i.e. an average retirement deferral of 3.4 years.

Among new women enrollees<sup>8</sup>, there was a rise both in the percentage of increment recipients and in the amount of the average increment of the pension recipients. The rate of entitled women rose from 11.6% in the previous year to 12.3% and the rate of the increment rose to 2.4%. Among the new men, there was a decline in the rate of men entitled to the increment, from 10.4% in the previous year to 9.7% in the present year and this stems from a rise in the rate of new immigrants (who immigrated from 1990 onward; for an explanation see section 5). The rate of the increment remained as it was, 1.2%, but a de facto rounding of the result implies a decline from 1.24% to 1.19%.

The increment paid to the new enrollees in respect of the pension deferral in 2013 was lower than that paid to all the recipients – 1.9% compared to 2.2%, respectively – and similarly for the rate of recipients of this increment – 11.5% compared to 13%. Therefore, the new retirees are less likely to defer their retirement than are the veteran retirees. A similar predilection has been observed since 2010 and it will be interesting to see if it continues in the future.

Nonetheless, the men who enrolled this year and deferred their retirement are entitled to an increment of 16% on average. Since among them there were a small number of men, 0.8%, who according to their year of birth could defer the pension by four or five years, the average exceeds the current maximum possible increment. Excluding the men who deferred a pension by four and five years, the average pension deferral is 2.4 years, i.e. nearly the entire deferral period, three years. Among the women, the maximum deferral period is longer (see explanation below) and the new enrollees who deferred their retirement were entitled to an increment of 17.7%, i.e. 3.5 years.

Under the Retirement Age Law, the increment rate among women is expected to increase in the future. Up to 2016, the retirement age for women will remain 62, whereas the entitlement age will continue to rise gradually and will reach 70 in 2020. Therefore, the number of years for which women could be awarded a retirement deferral increment will increase gradually from 5 to 8 and will converge at 6 at the end of the retirement age raising process. On the other hand, the number of years that a man could defer his pension is only three and therefore it may be that the average increment rate for women will be higher than that of men (as already observed during the last three years among new men and women enrollees in the system).

8 The term new women enrollees in this section only does not include housewives born before 1931 (see previous section).

Excluding the men who deferred a pension by four and five years, the average pension deferral is 2.4 years, i.e. nearly the entire deferral period

## D. Payments

### 1. Pension level

In 2013 the basic old-age and survivors' pensions (for an individual up to the age of 80 with no income supplement) remained at the same levels as in 2012 (Table 6). The maintenance of the real value of the pensions stems from an update of the pensions at a rate of 1.4% (set according to the November 2012 index in relation to that of November 2011) against the increase at a rate of 1.5% in the average annual price index in 2013. The basic pension rate as a percentage of the average wage declined from 16.9% to 16.8% for an individual up to the age of 80. Old-age and survivors' pensions with an income supplement also remained at their 2012 levels.

**Table 6**  
Basic Old-Age and Survivors' Pension Amount  
by Select Family Compositions, 2009-2013

Year	Individual		Elderly person with a dependent spouse		Widow/er with 2 children*	
	2013 prices (NIS)	Percentage of the average wage	2013 prices (NIS)	Percentage of the average wage	2013 prices (NIS)	Percentage of the average wage
Person who has not yet reached the age of 80						
2009	1,408	16.1	2,115	24.2	2,721	31.1
2010	1,478	16.8	2,220	25.2	2,859	32.4
2011	1,491	16.9	2,241	25.3	2,889	32.7
2012	1,504	16.9	2,260	25.3	2,915	32.7
2013	1,502	16.8	2,257	25.3	2,910	32.6
Person who has reached the age of 80						
2009	1,493	17.1	2,199	25.2		
2010	1,562	17.8	2,304	26.2		
2011	1,576	17.9	2,325	26.3		
2012	1,589	17.9	2,345	26.3		
2013	1,587	17.8	2,342	26.3		

\* Not including child allowances.

**Table 7**  
Average Old-Age and Survivors' Pension Amount  
by Select Family Compositions, December 2013

Family composition	For pension recipients with no income supplement		For pension recipients with an income supplement	
	2013 prices (NIS)	Percentage of the average wage	2013 prices (NIS)	Percentage of the average wage
Individual	2,289	25.7	2,818	31.6
Couple	3,148	35.3	4,234	47.5
Widow/er with 2 children	3,193	35.8	5,378	60.3

Notwithstanding Table 6, a lion's share of the recipients are entitled to a pension that is higher than the basic pension amount and that includes the basic pension and the additional increments according to the characteristics of the entitled person (spouse increment, child increment, seniority increment, pension deferral increment, age increment, income supplement increment, etc.). Table 7 presents the average pensions for select family compositions.

## 2. Volume of payments

In 2013, the amount of payments of the Old-age and Survivors' branch increased in fixed prices by 3.2%

In 2013, the amount of payments of the Old-age and Survivors' branch (excluding administrative expenses) increased in fixed prices by 3.2%. The benefit payments under the National Insurance Law rose by 4.3% in real terms and the benefit payments not under the National Insurance Law declined by 2.9% in real terms. The proportion of benefit payments not under the Law (which also include income supplement pension payments to pension recipients under the National Insurance Law) out of all the old-age and survivors' pension payments reach 14.7% in 2013. The total payments for NII pensions in 2013 (excluding administrative expenses) increased by a rate of 2.1% in real terms, which is lower than the rate of increase in Old-age and Survivors' branch payments. Accordingly, the proportion of the branch's payments out of the NII's payments in 2013 rose to 37.9% after it was 37.5% during the previous year, and thereby it reverted to its 2011 level.

**Table 8**  
**Pension Payments by the Old-Age and Survivors' Branch**  
**(excluding administrative expenses, NIS Million), 2009-2013**

	2009	2010	2011	2012	2013
			<b>Current prices</b>		
<b>Total payments</b>	19,931	21,782	23,238	24,524	25,690
Under NII Law	16,284	17,946	19,383	20,689	21,911
Not under NII Law	3,647	3,837	3,855	3,835	3,779
			<b>2013 prices</b>		
<b>Total payments</b>	21,865	23,268	23,994	24,898	25,690
Under NII Law	17,864	19,170	20,014	21,005	21,911
Not under NII Law	4,001	4,098	3,981	3,893	3,779

### Counseling Service for the Elderly

The cash benefits granted to the elderly by the National Insurance Institute of Israel (NII) – old-age pension, survivors' pension, income supplement and long-term care benefit – constitute a significant share of their income. The elderly are also entitled to a range of services from various public and government organizations. The Counseling

Service for the Elderly of the NII helps with access to services and with exercising rights, and provides regular supportive social contact to those elderly who need it.

### a. Counseling

In spite of technological advancements, many elderly people still have trouble exercising their rights, whether in the framework of the National Insurance Institute or in other organizations; many services are not sufficiently accessible. The volunteer counselors of the Counseling Service for the Elderly, in various ways (such as conversation and explanation, translation, active referral and practical assistance), give their elderly clients the tools that they need in order to better exercise their rights. The counseling is given both in person at the local NII branches and by telephone, in various languages – at the national call center of the NII and by means of initiated calls, particularly to those elderly people living in outlying areas. In 2013, about 170,000 elderly people received counseling, compared to about 169,000 in 2012 – an increase of about 0.6%.

### b. Initial home visits

Initial home visits are paid to elderly people who are defined as being at risk, such as those aged over 80, those receiving long-term care – including those whose applications for long-term care were rejected – those for whom a pension receiver has been appointed and widows/widowers. The visits serve as a means of monitoring at-risk elderly people and help the NII ensure that its benefits are being used for the elderly person's benefit. The initial visits also help ensure that those elderly people who have physical limitations are exercising all their rights (such as receiving a long-term care benefit).

The Counseling Service volunteers are given special training for these initial visits, and their impressions from the visits form the basis for a professional assessment of the elderly person and decisions regarding further intervention, including referral to other departments of the NII or to other organizations. In 2013 there were about 26,480 initial home visits, compared to 26,135 visits in 2012 (an increase of 1.3%).

In 2013 there were about 26,480 initial home visits, compared to 26,135 visits in 2012

### c. Regular social home visits

Housebound elderly people with no regular social contacts or support suffer from isolation. Even if they have caregivers or spouses, these are not perceived as sufficient social contact. Volunteers from the Counseling Service for the Elderly conduct regular visits to those elderly who have expressed a wish for such visits and maintain regular direct contact with them.

The relationships – sometimes close friendships – that are built up over time between the elderly people and their volunteer visitors have made a proven contribution

to the quality of life and welfare of the elderly. The visits are arranged according to the resources of the Counseling Service and the professional judgment of the NII. In 2013 there were more than 356,000 regular weekly visits conducted to the homes of some 6,600 elderly people (as a monthly average). In all, 8,600 different elderly people received home visits during the year – similar to the figure for 2012.

#### d. Support groups for widows and widowers

Becoming widowed in old age often affects the person's quality of life. The Counseling Service for the Elderly has been running support groups for elderly widows and widowers for about 30 years, providing assistance, support and advice and helping the survivors get on with their lives. In addition to the support groups, activities for the widowed include telephone calls to provide comfort and invitations to special events giving information on rights.

Contact is usually made soon after the person becomes widowed. In 2013 there were about 70 support groups all over the country, similar to the situation in 2012.

#### e. Information days

Information days are a means of making direct contact with elderly for a range of purposes, such as providing information for new retirees, informing on rights of the widowed and of Holocaust survivors and providing support to dementia sufferers. The Counseling Service sends out letters to the elderly inviting them to a daily meeting during which they can learn about their rights under national insurance and the various services available to them from other organizations. These days have been found to be very helpful in that they provide direct access to the target population, leading to further contact as necessary. In 2013 information days were added for people preparing for retirement.

- **Information on exercising rights in the periphery:** Elderly people living in outlying areas of Israel often do not have accessible services or local branches of official institutions in their towns. Information days are held in these locations by the Counseling Service in conjunction with the local social services departments to provide answers to individual questions from the public.
- **Local and national projects:** The Counseling Service for the Elderly initiates both local and national projects, some in cooperation with other departments of the NII or other organizations. The overall purpose of these projects is to promote new essential services, such as support groups for the primary caregivers of elderly people who require long-term care, increasing awareness of conditions prevalent in old age, such as Alzheimer's disease, and developing services for the elderly within the community.

In 2013 there were about 70 support groups all over the country, similar to the situation in 2012



## Recipients of Services from the Counseling Service for the Elderly, 2012-2013

Local branch	2012						2013								
	Counseling	Initial home visits	Social home visits	Information days	Support groups	Counseling	Initial home visits	Social home visits	Information days	Support groups	Counseling	Initial home visits	Social home visits	Information days	Support groups
Total	169,038	26,135	6,580	116	72	170,007	26,482	6,598	120	72	170,007	26,482	6,598	120	72
Ashdod	4,103	950	161	3	1	4,252	963	167	2	2	4,252	963	167	2	2
Ashkelon	3,956	560	232	6	3	4,207	514	222	3	3	4,207	514	222	3	3
Beer Sheva	7,053	761	248	9	3	6,086	673	247	3	3	6,086	673	247	3	3
Bnei Brak	2,092	303	30	4	.	2,759	284	40	4	4	2,759	284	40	4	4
Hadera	5,388	700	236	2	2	4,441	800	237	3	2	4,441	800	237	3	2
Holon	5,255	890	129	5	2	5,994	720	128	5	2	5,994	720	128	5	2
Haifa	8,402	1,032	418	2	6	9,432	1,041	454	5	5	9,432	1,041	454	5	5
Tiberias	5,775	594	456	2	3	6,694	668	460	3	3	6,694	668	460	3	3
Jaffa	10,616	1,161	351	5	4	9,314	1,379	350	6	3	9,314	1,379	350	6	3
Jerusalem	11,401	2,392	603	6	5	10,532	2,648	590	15	9	10,532	2,648	590	15	9
Kfar Saba	7,058	695	262	2	3	7,733	532	219	3	2	7,733	532	219	3	2
Karmiel	4,419	731	185	4	1	3,934	666	171	6	1	3,934	666	171	6	1
Nahariya	3,954	1,351	287	3	2	3,784	1,434	315	5	2	3,784	1,434	315	5	2
Nazareth	6,463	3,890	140	3	1	6,598	4,383	147	6	1	6,598	4,383	147	6	1
Netanya	12,391	1,690	531	6	4	11,744	1,690	554	2	3	11,744	1,690	554	2	3
Afula	4,098	956	197	5	4	3,555	940	190	4	5	3,555	940	190	4	5
Petach Tikva	9,054	1,050	325	7	3	8,498	776	319	6	3	8,498	776	319	6	3
Krayot	5,537	1,257	346	4	4	4,937	1,199	349	6	5	4,937	1,199	349	6	5
Rishon Letzion	9,277	1,731	385	3	7	9,583	1,885	386	4	5	9,583	1,885	386	4	5
Rehovot	10,220	853	361	10	.	9,855	814	349	7	2	9,855	814	349	7	2
Ramla	6,533	637	208	4	1	5,510	587	198	5	.	5,510	587	198	5	.
Ramat Gan	11,389	1,146	226	8	3	12,941	1,263	247	7	5	12,941	1,263	247	7	5
Tel Aviv	14,603	805	285	13	8	17,624	623	261	10	7	17,624	623	261	10	7



### 3. Long-Term Care Insurance

#### A. General

The Long-term Care Insurance (LTCI) program was approved by the Knesset in 1980 in the framework of the National Insurance Law, and it began operation in April 1988. Long-term care is intended to enable the elderly to continue living as part of the community for as long as possible, by providing personal care to those who are in need of assistance with daily functioning or supervision and thereby helping the families who care for them. The Law applies to anyone who is insured in Old-age and Survivors' Insurance, to housewives (married women who do not work outside their homes) and to new immigrants not insured in Old-age and Survivors' Insurance.

Any elderly resident of Israel who has limited physical or cognitive functioning and who passes the means test<sup>1</sup> under the regulations and the test of dependence on the assistance of others in performing activities of daily living is entitled to a long-term care benefit, provided that he lives in the community (in his home, in the home of a family member or in an "assisted living" residence). The means test examines the income of the elderly person and his/her spouse only. The Law differentiates between the recipients of cash benefits as part of the pilot program and the recipients of cash benefits since services cannot be provided to them (in-kind benefit). A means test is conducted for the former that is identical in rules to that conducted for recipients of in-kind benefits. For the latter, as a condition to receiving a cash benefit, the income of the family member who cares for the elderly person and lives with him is also tested. A person who resides in a long-term care facility or in a nursing ward of a retirement home is not entitled to a benefit.

**The dependence test (ADL)** evaluates the extent that the assistance of others is needed in the performance of the basic activities of daily living: bathing, dressing, mobility (ambulation in the home and falls), bowel / bladder control and eating (including the ability to heat food and beverage). The dependence test also evaluates the need for supervision due to impaired cognitive ability, deterioration of mental health or due to a physical medical condition. The dependence test is conducted by professional assessors: nurses, occupational therapists and physiotherapists who undergo appropriate training.

An elderly person who has reached age 90 may have the dependence test performed by a geriatric specialist in a hospital, in a clinic or, in certain communities, in a public institution. From May 2012 to April 2013, in three of the local NII branches, persons aged 80-89 could, in the framework of a pilot program, choose to be examined by a

.....  
 1 The means test tests the income of the elderly person and their spouse only. The Law differentiates between the recipients of cash benefits as part of the pilot program and the recipients of cash benefits since services cannot be provided to them (benefit in kind). A means test is conducted for the former that is identical in rules to that conducted for recipients of benefits in kind. For the latter, as a condition to receiving a cash benefit, also the income of the family member who cares for the elderly person and lives with him is tested.

geriatric specialist. As of October 2013, the pilot program has been extended to persons aged 80 – 89 for three additional local NII branches and it is scheduled to be conducted until July 2014 (see Section B below).

In January 2007, **three levels of long-term care benefits** were established, and these correspond to three levels of dependence: a benefit at a rate of 91% of a full individual disability pension, which funds 9.75 weekly home care hours; a benefit at a rate of 150% of a full individual disability pension, which funds 16 weekly home care hours; and a benefit at a rate of 168% of a full individual disability pension, which funds 18 weekly home care hours. An individual is entitled to a full long-term care benefit according to the established level of dependence, if his income does not exceed the average wage (NIS 8,828 in 2013) and to half the benefit – if his income is higher than the average wage and up to 1.5 times the average wage. If his income is higher than 1.5 times the average wage – he is not entitled to a benefit. A couple is entitled to a full benefit when its combined income does not exceed 1.5 times the average wage and to half the benefit if its income is higher than 1.5 times the average wage and up to 2.25 times the average wage. A couple whose income is more than 2.25 times is not entitled to a long-term care benefit. When both spouses submit a benefit claim, their combined income is divided into two and the means test is performed for each one of them as though they were individuals. In January 2013, the long-term care benefit was updated at a rate of 1.4% and in January 2014 – by 1.9% (according to the price increase in 2012 and 2013).

Whoever receives a long-term care benefit under one of the two highest levels of the benefit and employs an Israeli worker only (not a foreign worker at all, neither within nor outside the framework of the long-term care benefit) is entitled to additional weekly care hours. Whoever is heavily dependent on the assistance of others, meaning that he is entitled to a benefit at a rate of 150% of a full disability pension, is entitled to three additional weekly care hours. Whoever is entirely dependent on the assistance of others and is therefore entitled to a benefit at a rate of 168% of a full disability pension is entitled to four additional weekly care hours. Whoever is entitled to half the benefit due to income is entitled to half the additional hours, depending on the level of dependence determined for him<sup>2</sup>.

**The long-term care benefit is not paid in cash, but rather is provided to entitled persons as services** by organizations that are paid by the NII for these services (benefit in kind). The basket of long-term care services covered by the benefit includes personal care or supervision at home, transportation and personal care at elderly day care centers, supply of absorbent products, laundry services and funding use of distress alert transmitters. A

.....  
 2 From March to September 2009, this addition was paid pursuant to an agreement with the Ministry of Finance and was financed thereby. As of October 2009, in accordance with the Economic Efficiency Law for 2009 – 2010, the addition is being paid pursuant to the National Insurance Law and is financed thereunder.

cash benefit is granted to entitled persons for whom there are no available services or services that can be provided within the timeframes stipulated in the law and to entitled persons within the framework of a pilot program being operated at some local NII branches.

In March 2008, the National Insurance Institute began operating a **pilot program providing cash benefits** in communities belonging to the Ashkelon, Bnei Brak, Nahariya and Ramat Gan local NII branches. In May 2010, the program was also extended to communities belonging to the Ashdod, Tiberius and Jerusalem local branches and in June 2011 – also to communities belonging to the Holon and Netanya local branches. The pilot program in this format terminated in April 2013. Under the program, elderly persons in these communities could opt for a cash benefit, provided that they had been entitled to a benefit at a rate of 150% or 168% of a full disability pension (or to half the benefit, due to the means test) and actually received long-term care services from a caregiver other than a family member for at least six days a week, 12 hours a day. The elderly person could opt to switch to a cash benefit or to revert to a benefit in kind at any time he so wished. The program was accompanied by studies which examined the characteristics of persons selecting a cash benefit compared to all entitled persons, and control of the quality of care of the recipients in these regions and in other regions was carried out. From March 2014 to the end of 2014, the pilot program was extended throughout the country (see Section B below).

Under the law, the Minister of Welfare and Social Services must appoint local professional committees, comprised of a social worker of the local authority, a sick fund nurse and a representative of the National Insurance Institute. The committee is charged with determining the care plan for the elderly person entitled to benefit – which services should be provided thereto and who is to provide them. The committee must also ensure that the services are indeed provided, or alternatively, specifically determine that there are no available services for said elderly person. The committee may also deny an application to receive a long-term care benefit in cash within the framework of the pilot program, if it believes that the elderly person and his family are incapable of using the benefit monies for their intended purposes; furthermore, the committee may determine whether the personal caregiver is suitable and whether the long-term care services that the elderly person is receiving are adequate. The committee can deny payment of a cash benefit and require the recipient to receive the benefit in kind.

## B. Legislative Changes and Administrative Changes

- **Payment of cash benefits**

The pilot program providing cash benefits at nine of the 23 National Insurance Institute local branches terminated on April 30th, 2013. On July 31st, 2013, an amendment to the law was passed and thereby whoever is entitled to a long-term care bene-

fit and employs a personal caregiver other than a family member for at least six days a week, 12 hours a day, can receive a cash benefit. The rates of the cash benefit are 80% of the rates of the long-term care benefit in kind<sup>3</sup>. The amendment does not restrict the receipt of the cash benefit by benefit level, caregiver category (Israeli or foreign) or region in the country.

The amendment to the law provides that the law shall be instituted as a temporary order from publication of regulations for implementation of the provisions of the law and until December 31st, 2014. During this period the National Insurance Institute is obligated to conduct a follow-up study of the implementation and implications thereof. Box 1 presents the conclusions of the accompanying study carried out by the Brookdale Institute for the National Insurance Institute.

On February 6th, 2014, additional regulations were published, whereby whoever begins to employ a foreign caregiver or renews a suspended permit to employ a foreign caregiver shall be requested to choose, at the time of submission of the application, whether to receive the benefit in kind or in cash.

On March 1st, 2014, another amendment came into force, whereby the entitled persons may switch between the benefits – cash and in kind – at any time, and the changeover shall be made in the month subsequent to approval of the application. The entitled person can also receive additional long-term care services under the law and the value of the additional long-term care services shall be deducted from the value of his full benefit and from the difference – 20% shall be deducted (so that the value of the cash benefit shall be 80% of the value of the benefit in kind).

It was further prescribed that recipients of cash benefits who employ a foreign worker are entitled to request that the NII deduct from their benefit 12% of the minimum wage for a pension fund for the caregiver, and if they do so, they are deemed to have fulfilled their obligation to set aside monies for deposit under the Foreign Workers Law.

- **Dependency assessment for persons aged 80 – 89**

On April 30th, 2013, the pilot program allowing persons aged 80 -89 in communities belonging to the local NII branches in Tiberius, Jerusalem and Petah Tikva to have the dependency test performed by a geriatric specialist ended (conclusions of the program are presented in Box 2)<sup>4</sup>. The program was extended to three additional local branches – Be'er Sheva, Nahariya and Ramat Gan – and it is scheduled to continue until the end of July 2014.

.....

3 The discrepancy between the values of long-term care benefits in kind and in cash stems from the additional costs incumbent on the long-term care companies, which individuals are not required to bear: VAT payment and the costs of employing professionals, such as social workers.

4 Under Section 224(c)(2) of the National Insurance Law [Consolidated Version], 5755-1995, as of August 2008, persons aged 90 or older can elect to have a geriatric specialist perform the dependency assessment in lieu of an assessor on behalf of the National Insurance Institute.

The dependency assessment must be carried out in the claimant's home and not in the physician's clinic, by a physician in the framework of his practice at a publicly owned medical institution. The claimants are not required to pay for the assessment, apart from the deductible pursuant to the rules of the National Health Insurance Law. They can elect to have the dependency assessment performed by assessors on behalf of the NII, as was done in the past.

- The committee to examine the assessment test for long-term care and attendance allowance within the framework of the NII (Ben Yehuda Committee): In July 2012, a public committee headed by Prof. Arie Ben Yehuda, a geriatric specialist from Hadasah Ein Kerem Hospital, convened in order to examine the existing dependency assessment test for long-term care and attendance allowance (the latter under the General Disability branch). The committee, whose members included geriatric specialists, gerontology specialists, representatives from the NII and representatives from the Ministry of Health and the Ministry of Welfare and Social Services – submitted its conclusions to the Director General of the National Insurance Institute in April 2013<sup>5</sup>.

The committee was appointed in order to assess the existing dependency test in light of the professional and public criticism thereof and in light of the need for periodic examination in the wake of the developing knowledge in the fields of long-term care, medicine and gerontology and the need to compare Israel to other countries. The committee also addressed the matter of improving the existing test and strengthening the public legitimacy of NII activities in this field.

The committee recommended leaving the existing test intact, but introducing improvements to it, among them an assessment of the need for supervision due to cognitive changes, limited mobility and bowel / bladder control, simplifying the use of the test and setting a clearer definition of the scoring system. The assessment tests used around the world were rejected, since they deal with medical, psychological and social aspects and not with the degree of need for home care. The committee recommended continuing to adhere to the Brill Committee<sup>6</sup> recommendations and minimizing the need for performing demonstrations, which feel like an invasion of privacy.

The Long-Term Care Department of the Benefits Administration, in collaboration with the Research and Planning Administration, examined the proposed test and the existing test in order to ensure that the use of the new test indeed facilitates matters for the examinees and for the examiners and similarly scores the level of dependence. Assessments were made of how the use of the proposed test would affect the number

5 The committee to examine the assessment tool for long-term care and special services within the framework of the NII, Final Report, April 2013.

6 The committee to examine arrangements for performing dependence test to receive a benefit under the Long-term Care Law, headed by Dr. Shai Brill, Director of Beit Rivka Hospital, submitted its recommendations on July 5, 2005.

of entitled persons and their level of dependence. The recommendations of the committee were approved by the Minister of Welfare and Social Services, the Director General of the NII and the administration of the NII. To date, the preparations for using the new test have not been completed.

### Box 1

#### Providing A Long-Term Care Benefit In Cash – Accompanying Study<sup>1</sup>

##### Introduction and Objectives

The pilot program for providing a long-term care (LTC) benefit in cash was in operation from March 2008 to April 2013 at the Ashkelon, Bnei Brak, Nahariya and Ramat Gan local NII branches. In May 2010 the program was extended to the Ashdod, Tiberius and Jerusalem local branches and in May 2011 also to Holon and Netanya. Participants were persons entitled to a long-term care benefit at the 150% or 168% levels (or to half these benefits, due to the means test), who reside in communities belonging to these local branches and who employ a personal caregiver other than a family member at least six days a week, 12 hours a day. They could choose between a benefit in kind or in cash and also switch between the two methods of benefit provision at any time, with no limitation as to the number of changeovers.

At the request of the NII, the Brookdale Institute conducted a follow up study of the program. The study had four objectives: (a) to examine the volume of cash benefit selection and the characteristics of those making the selection; (b) to examine the considerations for selecting and not selecting a cash benefit; (c) to examine the implications of the cash benefit for the quality of care, responsiveness to needs and employment of the long-term caregiver; (d) to examine the perceived value, difficulties and satisfaction with the arrangement. This box presents a summary of the study and the main findings arising therefrom.

##### Volume of the Selection

The first section of the study was based on an analysis of administrative data of the National Insurance Institute on all the persons entitled to the 150% and 168% benefit levels in July 2012, in order to canvass the volume of the selection and the characteristics of those making the selection and those not making the selection. From the beginning

.....  
 1 The complete study: Brodsky J., Resnick S. and Cohen Y. (2013). **Pilot Program for Providing Cash Benefits under the Long-term Care Insurance Law, Studies for Discussion 112.** Jerusalem: National Insurance Institute / Research and Planning Administration and Myers – JDC – Brookdale Institute / Center for Research on Aging. This box presents the highlights of the abstract appearing in this publication.



of the pilot program, until July 2012, 1,953 entitled persons received a cash benefit for a certain period. 83% of the applications for this benefit were approved by the local professional committees. The primary reasons for denying applications were absence of a valid permit for employing a foreign caregiver and absence of an employment contract therewith.

In July 2012, at all the nine local NII branches, 1,224 entitled persons received a cash LTC benefit – nearly all of them employed foreign caregivers – and they constituted approximately 4.5% of all the potentially entitled persons. 9.8% of the foreign caregiver permit holders opted for a cash benefit – from 5.9% at the Nahariya branch to 18.7% at the Ashkelon branch. Nonetheless, the differences between the local branches were not thoroughly explored in this study.

The more disabled entitled persons, whose principal supporters have vaster resources, had a higher likelihood of receiving a cash benefit. A multivariate analysis, which included the characteristics of the entitled person and the characteristics of the principal supporter, found that those relatively likely to receive a cash benefit were entitled persons who have not surpassed their nineties, who have a benefit level of 168%, whose principal supporter has not surpassed his nineties, has a fairly high level of education and his economic status is assessed by him as fairly good. No difference was found in the likelihood of receiving a cash benefit between those who were or were not entitled to an income supplement and also not between those who had been entitled to a long-term care benefit prior to the beginning of the pilot program and those who began receiving it subsequently.

### The Research Method

Additional research data was also gathered through interviews with the principal supporters of the entitled persons – 1,176 family members – 307 among recipients of cash benefits within the program regions, 307 among recipients of benefits in kind within the control regions, 281 among recipients of benefits in kind within the program regions, 281 among recipients of benefits in kind within the control regions. The interviews were conducted by telephone using special questionnaires by specifically trained interviewers, and they sought to examine the differences between the recipients of the two benefits. Therefore, in order to ensure that the groups would be similar, the entitled persons in the control group were selected by matching according to nine characteristics, which may influence the condition and the care of the entitled person: age, gender, living alone or with others, whether or not the entitled person immigrated to Israel from the 1990s onward, whether he requires constant supervision according to the dependence test, whether he has a permit to employ a foreign caregiver, the benefit level, whether he receives an

income supplement. In addition, the residential region was taken into account in the sampling and in the matching with the control groups<sup>2</sup>.

Under the study, 190 observations and interviews were conducted in the homes of the entitled persons: 95 observations of recipients of cash benefits within the program regions (Ramat Gan and Ashkelon), 95 observations of recipients of benefits in kind within the other regions (Be'er Sheva and Herzliya) and 132 interviews with entitled persons. Also in the observations the entitled persons were sampled and matched as in the method used for sampling the family members so as to ensure that the groups would be as similar as possible. Some of the information was gathered through interviews with the entitled persons, when this was possible, primarily through observations in their homes of their condition and their living environment. The home visits were carried out by health professionals hired directly by the research team of the Brookdale Institute.

### Considerations for Selecting and not Selecting a Cash Benefit

The supporters' main source of information on the long-term care benefit in cash was the National Insurance Institute. Nonetheless, in half the cases, the sources of information were friends or the media. The supporters who selected a cash benefit had clear information, but many of them were interested in further information with regard to the benefit and the employment of the caregiver. 44% of the foreign worker permit holders within the program regions reported that they did not know that they could switch to a cash benefit. Only 26% of the entitled persons (and their family members) within the program regions could have actually selected a cash benefit, i.e., they employed a personal caregiver and knew about the benefit.

Tables 1 and 2 present the primary considerations for selecting a cash benefit (Table 1) and for selecting a benefit in kind (Table 2).

**Table 1**  
**Primary Considerations for Selecting a Cash Benefit**

Consideration	Rate of respondents who indicated the consideration
Financial savings	82%
Desire to manage the care independently	69%
Greater control over the work of the caregiver	39%
Dissatisfaction with the nursing company	32%

.....  
2 For complete information on the research method, see Note 1 in this box.

**Table 2**  
**Primary Considerations for not Switching to a Cash Benefit**

Consideration	Rate of respondents who indicated the consideration
Satisfaction with the nursing company	79%
Did not think that this could save them money	58%
Apprehension of the difficulties in dealing with employing a caregiver without assistance from the nursing company	58%
Did not thoroughly consider switching to a cash benefit	45%
Thought that the process of changing over to a cash benefit is complicated	33%
The letter from the National Insurance Institute regarding the cash benefit was not sufficiently clear	29%
The nursing company worked to dissuade them from switching to a cash benefit	22%
Apprehension that the changeover to a cash benefit would compromise long-term care services in addition to the personal home care within the framework of a long-term care benefit	20%

### Findings: Quality of the Long-term Care

The study examined the various aspects of the care, the degree of responsiveness to the needs of the patient and the employment conditions of the caregivers, and made a comparison between the recipients of the two benefits. The findings showed that the recipients of the two benefits were satisfied with the care. Under most of the parameters no differences were found between the groups and under others only a small difference was found (although statistically significant) in favor of the cash benefit recipients. Under no parameter was it found that persons entitled to a benefit in kind receive better care than do persons entitled to a cash benefit or that the employment conditions of the caregiver are better.

In several similar questions asked of the family members and the entitled persons – although not involving cases where the entitled person and his family member were asked, inasmuch as the samplings were independent – a high degree of correlation was found between the distributions of the answers in both groups.

From the interviews with the family members, no significant differences were found between the two groups in the following parameters: the areas in which the caregiver assists the entitled person; the communication between the caregiver and the entitled person; the entitled person's need for further assistance with personal care; the percentage of entitled persons who visit an elderly day care center or the percentage of entitled persons in a supportive community; in the family member's perception of the caregiver's training; the family member's feeling that he can rely on the caregiver; the satisfaction with a variety of aspects of the caregiver's work; the assistance that the family members provide to the entitled person; the degree of turnover and the difficulties in recruiting the caregiver; various aspects related to the

employment conditions of the caregiver; difficulty of finding a substitute caregiver when the regular caregiver is on vacation; the likelihood that the entitled person would move into an institution.

From the interviews with the family members, significant differences were found in favor of persons entitled to a cash benefit in the following parameters: less need for further assistance of the entitled person in managing the household, in escorting outside the home for treatments and arrangements and in leaving the house for a walk; less strain on the family member who constitutes a principal supporter; a higher rate of cash benefit recipients signed an employment agreement and are prepared to pay compensation; more cash benefit recipients believe that the caregiver helps the entitled person remain in the community rather than moving into an institution.

From the interviews with the entitled persons no significant differences were found among the two groups in the following parameters: the caregiver assists them with personal care and in managing the household; there are no communication problems with the caregiver due to the language differences; most of them feel that the caregiver does not lack training; most of them rely on the caregiver; most of them are satisfied with the work of the caregivers in various dimensions of the care.

From the interviews with the entitled persons, significant differences were found in favor of persons entitled to a cash benefit in the following parameters: they receive more assistance from the caregiver in escorting outside the home for medical purposes and for arrangements; they receive more assistance from the caregiver in cleaning the house; a higher percentage reported that they do not feel uncomfortable asking the caregiver to do things differently or commenting to her about the quality of the work; a higher percentage reported that they have felt comfortable since the caregiver entered the home and that the latter keeps them company and helps ease the loneliness.

From the observations in the homes of the entitled persons, no significant differences were found in the following parameters: the mood of the entitled persons; their personal state (personal cleanliness, etc.), which in both groups was overwhelmingly good; the state of the housing environment, which was overwhelmingly good; the nutritional state and the content of the food products in their homes, which were adequate in the overwhelming majority of the cases; and in the working conditions of the caregiver.

From the observations in the homes of the entitled persons, significant differences were found in favor of persons entitled to a cash benefit in the following parameters: calmer emotional state in the homes where there is cooked food.

### **Findings: Satisfaction**

Approximately 85% of entitled persons who received a cash benefit had previously received service from a nursing company and 77% of their family members claimed

that the changeover to this benefit saved them money. The most common amount of savings was NIS 400 – 600, but a considerable portion of them could not specify an exact amount. 46% of the principal supporters reported that they feel greater control over the care that the entitled person is receiving. 14% of the supporters reported that dealing with the employment of the caregiver is less burdensome for them and 14% that it is more burdensome, 65% reported that they feel no change and the rest could not say. 77% of the supporters reported that there was no change in the wage of the caregiver following the changeover, 22% said that they raised the wage and a few supporters reported that they lowered the wages.

Of all the supporters of the cash benefit recipients that were asked, 98% reported that they are very satisfied or satisfied with the arrangement and 97% recommended to implement it throughout the country. The predominant advantage that was reported is the sense of greater control over the care and that this arrangement is convenient and easier for them in terms of the bureaucratic arrangements of payment to the caregiver. A few supporters noted that they miss the assistance of the nursing company in finding a substitute for the caregiver when necessary. Approximately one fifth noted that they would like further information on the rights of the caregiver.

The findings of the study, which as stated was conducted by the Brookdale Institute, are similar to the findings of a previous study of the National Insurance Institute, according to which great satisfaction with the cash benefit arrangement is evident<sup>3</sup>. Also in this study the supporters noted financial savings and a sense of control over the care of the entitled person following the changeover to this benefit. The study found no evidence of difficulties among those who opted for a cash benefit in the direct employment of a caregiver in terms of the payment arrangements and finding a substitute caregiver when necessary.

.....  
3 See Gharrah R. (2010). *Long-term Care Benefit in Cash – Study Accompanying Pilot, Studies 103*. Jerusalem: National Insurance Institute, Research and Planning Administration, December).

## Box 2

### Pilot Program for Choosing a Geriatric Specialist to Perform Dependency Assessments for Persons Aged 80-89<sup>1</sup>

#### Guidelines of the Law

On January 9, 2012, the Knesset adopted an amendment to the Law, whereby a pilot program would be implemented that allows persons aged 80-89 to be examined for a dependence test by a geriatric specialist within the framework of his practice at a

.....  
1 The complete study is published on the NII website under this name.

medical institution. The program commenced on May 1, 2012 and terminated on April 30, 2013 and the NII was required by law to have it accompanied by a study<sup>2</sup>.

The Law prescribed that the dependency assessment is not to be conditioned on payment from whoever is requesting to be examined, apart from the deductible under the National Health Insurance Law. It was agreed between the National Insurance Institute and the Ministry of Finance on the one side and the health care system and the geriatric physicians on the other side that the NII would pay the public medical institutions for the dependency assessments that would be carried out by their physicians within the framework of their public – not private – practice: NIS 1,000 for an examination of persons aged 80 – 89, which, under the Law, must be carried out in the home of the claimant and NIS 500 for an examination of persons aged 90 or older, which can be carried out either in the clinic of the physician or at the home of the claimant. The difference between the rates stems from consideration of the time and travel cost of the physician performing a home examination.

### Availability of Geriatric Specialists

The Law implemented the pilot program in three local NII branches: Tiberius, Jerusalem and Petah Tikva. The considerations for selecting the population belonging to these branches were its ethno-national, urban/rural and socio-demographic diversity: This population is comprised of Jews and Arabs, urban and rural people, different socio-economic levels, secular, religious and ultra-Orthodox people as well as new immigrants and long-standing residents. Within these regions, there are also differences in the degree of availability of the public medical institutions and the specialists and different rates of dependency assessments carried out by physicians for persons aged 90 or older.

The main difficulty encountered by the program was the unavailability of geriatric specialists in several of the regions and particularly in the outlying areas. At the Jerusalem and Petah Tikva local branches nearly all the assessments were carried out by physicians in large communities and at the Tiberius branch, where there are few specialists in this field, few assessments were carried out. By contrast, the assessors on behalf of the NII were available to perform dependency assessments within a short period of time in each community.

### Findings: Volume of Referrals to Physicians for Performing the Dependency Assessments

During the period between May 2012 and April 2013, 7,489 dependency assessments were carried out at the three branches, 374 of them (5.0%) by physicians (Table 1).

.....

2 As of August 2008, persons aged 90 or older throughout the country can choose to have a geriatric specialist perform a dependency assessment as a condition to entitlement to a long-term care benefit.

The actual demand for the dependency assessments is approximately one third to half higher, inasmuch as there is no information on assessments by physicians performed contrary to the rules (in most cases since they were carried out in a clinic or within the framework of the private practice of physicians) and disqualified. Although the number of dependency assessments by physicians is still small, a gradual increase was recorded in the months of May – December 2012, so that in December 2012, 8.5% of the dependency assessments for persons aged 80-89 in the three regions were carried out by physicians – 57 overall. In January 2013, a decrease was recorded in the rate of assessments by physicians – a monthly average of 6.7% (7.0% - 7.3% in the months of January – March 2013 and 5.0% in April 2013).

**Table 1**  
**Dependency Assessments Performed by Geriatric Specialists,**  
**Select Local NII Branches**

Branch	Number of dependency assessments by physicians	Total dependency assessments performed	Rate of dependency assessments by physicians out of all dependency assessments
Total	374	7,489	5.0
Tiberius	15	1,315	1.1
Jerusalem	221	3,836	5.8
Petah Tikva	138	2,334	5.9

### Findings: a Comparison between the Groups by the Type of Examiner

An analysis of the dependency assessment and examinee data reveals the following findings<sup>3</sup>:

- Distributions of the dependency score and the benefit levels recommended by the physicians lean heavily toward the higher benefit level (1.1% of the assessments did not award a benefit, 23.4% awarded a benefit at a level of 91%, 25.3% - at a level of 150% and 50.2% awarded a benefit level of 168%). The assessors' situation is reversed: 17.3% of the assessments did not award a benefit, 48.4% awarded a benefit at a level of 91%, 21.2% - a level of 150% and 13.0% awarded a benefit level of 168%. It is impossible to pinpoint the cause of this disparity, inasmuch as the pilot program does allow for experimentation (a random allocation of assessees between types of assessors) or comparison (transferring assessments by physicians and assessors to the same people at the same point in time).
- Physicians are far more likely to give a recommendation for constant or partial supervision in each one of the situations compared to assessors – 10.7% and 4.8%,

3 The words “physicians” and “assessors” are used according to the majority principle in each group. It should be clarified that each group includes men and women.

respectively. The reason is not only possible differences between the two groups (for instance, the more severe cases come to the physicians), but also the different perception between physicians and assessors with regard to the need for supervision from a long-term care perspective (the National Insurance Institute only instructs the assessors).

- The rate of income supplement recipients was lower among persons examined by physicians than among assessors – 28.4% compared to 32.1%, respectively, and the rate of women and new immigrants was higher: 68.7% women and 30% new immigrants among physicians, compared to 65.5% women and 23.9% new immigrants among assessors. When distributed by age – the men and women examined by physicians were older (48.8% of the women examinees and 43.5% of the men examinees were aged 80-84, compared to 60.6% of the women and 59.6% of the men that were examined by assessors). The rate of members of Clalit Health Services, in which most of the long-term care benefit claimants are members, among persons examined by assessors was higher than their rate among persons examined by physicians (70.3% compared to 60.1%).
- Differences were found between women and men by household composition in both groups of examinees – by physicians and by assessors (Table 2).

**Table 2**  
**Long-term Care Benefit Claimants by Gender and Household Composition (percentages)**

Gender	Living alone	Living with a spouse	Others	Total
<b>Examined by physicians</b>				
Total	37.2	38.6	24.2	100.0
Women	41.9	27.4	30.6	100.0
Men	27.0	62.6	10.4	100.0
<b>Examined by assessors</b>				
Total	38.1	40.3	21.6	100.0
Women	47.0	25.4	27.6	100.0
Men	21.6	68.0	10.4	100.0

### Findings: Interviews with Entitled Persons and with Principal Supporters

During the interviews, long-term care benefit claimants or their supporters who were present at the dependency assessments were interviewed regarding various subjects. Of 411 interviews, 167 were carried out with the claimants themselves (20 who were examined by physicians and 147 who were examined by assessors) and 244 with family members (71 who were examined by physicians and 173 by assessors). The findings are as follows:



- 53.8% of persons examined by a physician learned from the family physician of the possibility of an exam by a physician. An overwhelming majority of persons examined by assessors did not know that they could be examined by a physician (92.1%).
- Testimonies emerged from the interviews of difficulty in locating physicians to perform the assessment in their homes: 31.0% said they had difficulty finding a specialist, while 64.0% said that they did not have difficulty. Nonetheless, the testimonies of difficulty are less as of the initial assessment.
- Both physicians and assessors asked the claimants to demonstrate some of the basic activities of daily living – 56.6% – 86.4% of the persons examined by the physicians and 43.1% – 90.2% of the persons examined by assessors<sup>4</sup>. The act of rising from a chair / bed was the activity that the highest rates of examinees in both groups were asked to demonstrate, and food preparation – the lowest rates. In a smaller proportion of the cases physicians and assessors sufficed with questions regarding the ability of the claimants to perform these activities.
- The overall satisfaction with the manner of examination of the assessors is considerably lower than the overall satisfaction from the manner of examination of physicians (82.0% compared to 100%, respectively), but in other aspects of satisfaction with the examination, the disparities are narrower: treated with respect – 93.4% compared to 100%, respectively – and treated with patience – 92% and 96.7%, respectively.

### Challenges in Implementing the Law

Conversations with officers at the National Insurance Institute and with physicians who performed dependency assessments revealed several problems with regard to the implementation of the program:

- Unavailability of geriatric specialists. There are a limited number of geriatric specialists in Israel and some of them do not work full time in the public sector, so that the number of physicians available for tests is actually even smaller.
- Inequality between the examinees. Currently, the dependency assessments performed by assessors and physicians are not identical in terms of the professional background, the training and the manner of examination. Assessors test functioning or the need for supervision according to performance capabilities, while physicians test according to the medical condition in the present and the future prognosis. This situation creates inequality between the examinees.

.....  
 4 Rising from a chair / bed, ambulation in the home, washing face / hands, preparing food, wearing layered clothing.

- Inequality between regions of the country. The accessibility to geriatric specialists is not uniform in all regions of the country and sometimes even within the regions themselves disparities may be created between different communities and even within large communities.
- Lack of control over the physician assessments. Currently, there is no control system for the physician assessments. When physicians' decisions are translated into public expenditure on benefits, a control system similar to the existing system for the assessors' work is necessary.
- Concern over private payment for the dependency assessments. There is concern that long-term care benefit claimants who wish to be examined by a physician are in some cases paying or are required to pay in order to bring an appointment forward and particularly in order to receive a dependency assessment that meets their expectations.
- Difficulties in cooperation between the National Insurance Institute, medical institutions and geriatric specialists. The dispersion of dependency assessments performed by physicians among numerous entities requires much coordination.
- The bureaucratic processes are cumbersome. The information among the public and among the physicians was fairly limited and not sufficiently clear and therefore the provisions of the Law were not observed in many cases; physicians performed examinations within the framework of their private practice or at clinics of the sick funds or in hospitals; the claimants were forced to repeat the assessments or "to choose" an assessment by assessors on behalf of the National Insurance Institute. The processing of these claims imposed a heavy burden on NII employees and discontent and criticism of the NII were aroused on the part of the claimants and their family members.

### C. Claims for Long-term Care Benefits

The number of claims for long-term care benefits rose in 2013 by 2.8% compared to 2012 and reached 83.1 thousand<sup>7</sup>. 40.8% of the claims were initial claims (compared to 40.5% in 2012) and 59.8% - repeat claims (compared to 59.5% in 2012). The number of initial and repeat claims rose by 2.8% compared to 2012 (Table 1). 53.5% of the initial claims in 2013 were approved (compared to 55.1% in 2012) and 46.5% were denied (compared to 44.9% in 2012). By contrast, 38.2% of the repeat claims in 2013 were approved (compared to 41.4% in 2012) and 61.8% were denied (compared to 58.6% in 2012). Overall, 44.1% of the long-term care benefit claims were approved in 2013 and

7 Including claims the processing of which has not been completed.

55.9% were denied (compared to 146.9% and 53.1% in 2012, respectively). The rate of approved claims fell by 46.9% in 2012 to 44.1% in 2013. There was a similar decrease also in the rate of repeat claims that were approved.

The rate of false claims (claims that received a score of 0 or 0.5 for some of the ADL in the dependence test<sup>8</sup> and that established no entitlement in respect of the need for supervision) out of all claims rose from 35.3% in 2012 to 36.8% in 2013. The rate of persons receiving 2.5 points in the dependency assessment – the threshold score for benefit entitlement – out of all claims fell from 16.8% to 15.7% between the two years<sup>9</sup>.

**Table 1**  
**Claims, Approved Claims, Initial Claims and Repeat\* Claims**  
**(absolute numbers and percentages), 2009-2013**

Year	Total claims (numbers)	Annual growth	Percentage of claims approved	Percentage of initial claims approved	Percentage of repeat claims	Percentage of repeat claims approved
2009	77,003	3.9	46.0	52.7	59.4	41.3
2010	77,926	1.2	44.1	51.6	59.9	39.1
2011	79,542	2.1	45.0	52.1	61.0	40.4
2012	80,885	1.7	46.9	55.1	59.5	41.4
2013	83,130	2.8	44.1	53.5	59.2	38.2

\* (1) The calculation does not include claims of persons who submitted claims and died and persons whose entitlement has been suspended. (2) Presents claim results following an initial entitlement decision. (3) Claims include claims whose processing has not been completed in 2013. The percentage of claims approved, the percentage of initial claims approved, the percentage of repeat claims and the percentage of repeat claims approved only includes claims whose processing has been completed in 2013.

The rate of false claims among initial claims rose from 33.6% to 34.8% and among repeat claims – from 36.4% to 38.1%. The rate of persons receiving 2.5 points in the dependency assessment among initial claims fell from 17.2% to 16.7%; among repeat claims – fell from 16.5% to 15.1%.

## D. Persons Entitled to a Long-term Care Benefit

### 1. General

The number of persons entitled to a long-term care benefit increased in 2013, reaching a monthly average of 156.6 thousand – an increase of 2.9% (Table 2). The number of entitled persons rose from 1991 to 2013 fivefold despite the raising of the entitlement age. This is an extremely high rate of increase and it is considerably higher than the increase in the number of elderly persons during said period. A possible explanation may

8 See Annual Survey for 2011, pg. 125.

9 The threshold for admission to the long-term care system is 2.5 points under the dependency assessment for someone other than an individual (“single”) or 2 points under the dependency assessment with the addition of 0.5 points for an individual.

be the increased take up rate of benefit entitlement in light of the increased awareness thereof over the years. In the course of 2009, the entitlement age for women reached 62, which shall remain in effect until the end of 2016. In 2009, the entitlement age for men reached the end of a process of increasing the entitlement age and is currently 67. In 2013, as in 2012, the entitlement age for women and men did not change from the beginning of the year until the end. The percentage of persons entitled to benefits among the population's elderly rose markedly, from approximately 6% in the initial years of implementation of the law to 17.7% in 2013 (estimated). This rate of entitled persons is calculated from the estimated number of elderly persons who have reached age of entitlement to benefit (62 for women and 67 for men).

**Table 2**  
**Persons Entitled to a Long-term Care Benefit,  
Elderly Persons in Israel and Rate of Coverage, 2009–2013**

Year	Entitled to long-term care*		Elderly persons in Israel**		Rate of coverage***
	Numbers (thousands)	Annual growth rate	Numbers (thousands)	Annual growth rate	
2009	136.4	4.0	788.4	4.7	17.3
2010	141.1	3.4	812.7	3.1	17.4
2011	144.8	2.7	840.3	3.4	17.2
2012	152.1	5.0	861.9	2.6	17.6
2013	156.6	2.9	884.3****	2.6	17.7

\* Monthly average.

\*\* The data for 2009 – 2013 is for men aged 67 or older and for women aged 62 or older, according to data of the Central Bureau of Statistics.

\*\*\* The number of persons entitled to a benefit as a percentage of the number of elderly persons.

\*\*\*\* The figure for 2013 is an estimate.

## 2. Characteristics of entitled persons

An examination of the demographic characteristics of entitled persons in 2013 shows that 7 of every 10 entitled persons are women and that their proportionate rate of all entitled persons has fallen slightly in comparison with 2012. When distributed by age, approximately 2/5 are aged 85 or older and approximately 2/3 are aged 80 or older. As in 2012, in 2013 the main increase in the number of entitled persons was among persons aged 85 or older, whose proportion of total recipients rose from 39.4% to 40.5%, while their proportion of persons aged 84 or younger has been falling steadily.

The trend of the aging benefit recipients is continuing: thus, for instance, in 2001 persons aged 85 or older constituted less than one third (32.1%) of the entitled persons and persons aged 80 or older constituted less than 3/5 (55.2%). This trend reflects aging trends in Israeli society and particularly the increase in the proportion of the older ages, and it stems in part from the raising of the retirement age: the group of women up to 64 years of age who are entitled to a benefit is reduced and so also the group of entitled men and women aged 65 – 69, due to the raising of the retirement age for men.

**Table 3**  
**Persons Entitled to Long-term Care Benefit by Demographic Characteristics and Benefit Level (monthly average), 2013**

Characteristics	Absolute numbers	Percentages
<b>Total</b>	<b>156,621</b>	<b>100.0</b>
Gender		
Men	45,784	29.2
Women	110,837	70.8
Age		
Up to 64*	1,117	0.7
65-69	6,333	4.0
70-74	14,947	9.5
75-79	29,526	18.9
80-84	41,276	26.4
85+	63,422	40.5
Family composition		
Living alone	74,086	47.3
Living with a spouse	62,486	39.9
Living with their children or with others	20,049	12.8
Length of residency in Israel		
Long-standing residents	117,167	74.8
New immigrants** - total	39,454	25.2
Of which: immigrated subsequent to 1999	5,420	3.5
Source of funding of the benefit		
NII	125,366	80.0
State Treasury	31,255	20.0
Benefit level		
Low benefit (91%)	83,645	53.4
High benefit (150%)	39,444	25.2
Very high benefit (168%)	33,532	21.4
Entitled to 3 additional hours	23,984	60.8***
Entitled to 4 additional hours	15,157	45.2***

\* The age group includes women only.

\*\* Whoever immigrated to Israel from 1990 onward.

\*\*\* Entitled to additional hours as a percentage of all entitled persons within the benefit level.

Within the domain of family composition<sup>10</sup> stability has been maintained in 2013 compared with 2012: nearly half of the entitled persons live alone, two of every five live with a spouse and one of every eight lives with someone else – usually a son or daughter.

There is also stability between the two years with regard to the length of residency in Israel: one of every four entitled persons immigrated to Israel subsequent to 1989, and

10 There has been a change in the 2011 data regarding the definitions of living with a spouse and living with their children or with others: the definition of living with a spouse now also includes persons living with a spouse and with additional people.

one of every eight new immigrants immigrated subsequent to 1999. The proportion of entitled persons who immigrated to Israel subsequent to 1989 of all entitled persons rose from 25.1% in 2012 to 25.2% in 2013, and the proportion of entitled persons who immigrated subsequent to 1999 rose from 3.3% to 3.5% between the two years. Among the entitled persons, a monthly average of 589 immigrated to Israel subsequent to 2009. The Ministry of Finance funds the cost of a long-term care benefit for whoever immigrated to Israel at age 62 or older. In 2013, the benefits of approximately 20% (on monthly average) were funded by the State Treasury, compared to 20.7% in 2012. In recent years, the relative proportion of entitled persons whose benefits are funded by the State Treasury of all entitled persons diminished, and their average monthly number fell in 2013 by approximately 200 compared to 2012.

With the aging of the entitled population, a trend of change in the composition of entitled persons by benefit level has been created, which is also reflected between 2012 and 2013: the share of recipients of the low level benefit (91% of a full individual disability pension) fell, from 54.0% to 53.4%; of recipients of the high level (150%) – rose – from 25.1% to 25.2%; and the share of recipients of the highest level (168%) also rose – from 20.9% to 21.4% between the two years (Table 3).

The proportion of persons entitled to the highest benefit level has been rising steadily: from 17.6% in 2008 to 21.4% in 2013. The growth rate of this group is the highest. In comparison with 2012, the number of recipients of the low-level benefit increased in 2013 by 1.7%, of the high level – by 3.3% – and of the very high level – by 5.8% compared to 2012.

In March 2009, care hours were added for persons employing an Israeli worker only. The number of those employing Israeli caregivers within both high benefit levels increased in 2013 compared to 2012: by approximately 1,600 in the high level and by approximately 1,000 in the very high level. The primary cause of this is the relative scarcity of foreign caregivers in long-term care; since June 2010 the government has imposed quotas on the Long-term Care branch<sup>11</sup>. The additional hours apparently have the effect of encouraging the employment of Israeli caregivers, but it is more limited<sup>12</sup>.

## E. Organizations providing Long-term Care Services and Services Provided

The services provided in the framework of LTCI are provided through official organizations recognized by the Ministry of Welfare and Social Services as authorized

- .....
- 11 If 1% or more of the foreign long-term care workers who are present in Israel under permit are not employed during the course of the year, approval is not granted for bringing additional foreign caregivers. Private agencies who received a permit to bring long-term caregivers to Israel, are authorized to increase the number of foreign workers by 10% each year, if their placement rates are not lower than the threshold prescribed under procedures of the Immigration and Population Authority of the Ministry of the Interior (97%).
  - 12 With regard to the effect of the additional hours on encouraging the employment of Israeli caregivers, see the Long-term Care Insurance section in the Annual Survey for 2010.

service providers under a contract executed between them and the National Insurance Institute. At the end of 2009, the results of the last tender were published, including the names of the companies entitled to provide long-term care services.

A long-term care service provider can be a public non-profit organization, such as Matav (home caregivers, day care center for the elderly or a private organization operating as a business. At the end of 2013, 117 long-term care service providers were in operation: 49 NPOs (42% of all the companies) and 68 private companies (58% of all the companies). Overall, service providers provided a monthly average of approximately 8,011 million personal care hours in the homes of persons entitled to a long-term care benefit: approximately 5,840 million hours (72.9%) were provided by private organizations and 2.171 million hours (27.9%) by non-profit organizations (NPOs) (Table 4).

**Table 4**  
**Number of Personal Care Hours Provided,**  
**by Category of Service Provider (monthly average), 2013**

Category of service provider	Numbers (thousands)	Percentages
<b>Total</b>	<b>8,011</b>	<b>100.0</b>
Private organization	5,840	72.9
NPO	2,171	27.1

The monthly average number of total care hours increased from 2012 to 2013 by 3.1% – from 7.767 million to 8,011 million. The number of hours provided by private companies increased by 3.8% – from 5,628 million in 2012 to 5,840 million in 2013 and by NPOs increased by 1.5% – from 2.139 million to 2.171 million. The share of the private companies of all the hours increased from 72.5% to 72.9% between the two years.

**Table 5**  
**Recipients of Long-term Care Services,**  
**by Category of Service, December 2013**

Category of service	Number of recipients	Percentage of recipients	
		Of total benefit recipients	As a sole item, out of recipients of this service
<b>Total*</b>	<b>222,791</b>	-	-
Personal home care	155,738	98.6	68.3
Personal care in elderly day care center	11,777	7.5	6.1
Absorbent products	35,866	22.7	0.3
Distress alert transmitter	13,938	11.6	0.4
Laundry services	472	0.3	1.1

\* A person entitled to a benefit can receive more than one category of service, therefore the total recipients of long-term care services in the Table is greater than the number of benefit recipients (excluding those refusing to receive services) in December 2013 – 157,964.

The overwhelming majority (98.6%) of recipients of long-term care services<sup>13</sup> in December 2013 received personal home care by a local caregiver or a foreign caregiver, 7.5% received personal care in an elderly day care center, 22.7% received absorbent products and 11.6% received distress alert transmitters (Table 5)<sup>14</sup>. 68.3% of the recipients of personal home care received it as a sole item from the basket of services. Only 6.1% of the recipients of personal care in an elderly day care center received it as a sole item and the rest combined it with other services. It should be recalled that a person entitled to a benefit can receive more than one category of service and therefore the total recipients of long-term care services is greater than the number of persons entitled to a benefit.

#### D. Volume of Payments

Concurrently with the direct benefit payments, the National Insurance Law mandates payment for additional items associated with long-term care insurance. 15% of the annual receipts are allocated to the Ministry of Health and to the Ministry of Welfare and Social Services to fund the growing number of persons hospitalized in institutions. In practice, the Ministry of Health generally utilizes the entire allocation while the Ministry of Welfare only utilizes a very small portion thereof. Funds are also allocated to the Fund for the Development of Community and Institutional Services for the Elderly.

In 2013, the total payments transferred to fund LTCI reached approximately NIS 5.0 billion (in 2013 prices): NIS 4.8 billion for the provision of services to entitled persons and the balance for the development of services of institutions and services in the community and for conducting dependence tests (Table 6). An amount of approximately

**Table 6**  
**Total Payments within the Framework of Long-Term Care Insurance,**  
**by Category of Payment (NIS million, 2013 prices), 2009-2013**

Year	Total	Long-term care benefits	Transfer to outside entities*	Development of services	Admitted to long-term care facilities	Pursuant to agreements with the Ministry of Finance
2009	4,036.0	3,746.1	88.9	24.0	86.5	90.5
2010	4,269.0	4,035.9	90.7	46.8	91.8	3.6
2011	4,350.3	4,126.2	93.0	31.4	97.2	2.5
2012	4,750.3	4,528.0	99.2	26.2	94.0	2.9
2013	5,048.9	4,806.0	101.8	30.9	107.0	3.3

\* Transfers to the Ministry of Welfare and Social Services and to Clalit Health Services for introducing care plans for entitled persons and transfers for conducting dependence tests.

13 Of all entitled persons excluding those refusing to receive services – entitled elderly persons who were offered a basket of services, but refused to receive the service or to receive a service from a certain provider. Approximately 97.9% of all entitled persons (including those refusing service), 159,110 in number, received personal care in the home within the framework of their entitlement to a long-term care benefit.

14 Of all entitled persons excluding those refusing to receive services. Of all entitled persons (including those refusing service) the rates are 7.2%, 12% and 21.7%, respectively.



NIS 107 million was transferred to the Ministries of Health and Welfare and Social Services for increasing the number of persons hospitalized in long-term care institutions. Furthermore, an amount of about NIS 101.8 million was transferred to the Ministry of Welfare and Social Services, to the sick funds and to the assessors, for preparing care plans for entitled persons and for conducting dependence tests.

In 2013, the payments under LTCI increased by 6.3% in fixed prices (2013 prices). The benefit payments increased by 6.1% as a result of the increase in the number of persons entitled to a benefit, particularly persons entitled to the highest benefit. The average benefit level<sup>15</sup>, in fixed prices, rose in 2013 by 0.3% in real terms.

.....

15 Average benefit - had the long-term care benefits been paid to all entitled persons for all the hours in a given month of entitlement. Long-term care benefit payments are lower by a few percentages since some of the entitled persons do not receive long-term care benefits for part of the month for the following reasons: the entitled person died, moved into a long-term care facility or was admitted to a hospital for more than 14 days; the nursing company did not provide all the long-term care hours required from it since the caregiver could not come and a substitute caregiver was not found; different rates and different dates of update for the benefit and for the different payment rates, such as care hours. The nursing companies receive payment for the care hours or other services that they actually provided. The figure in Table 7 regarding the expenditure on long-term care benefits is the actual expenditure.



## 4. Children Insurance

### A. Child Allowance

#### 1. General

A child allowance is paid every month to all families with children in Israel in order to help defray the expenses of raising children. Under the original Children Insurance Law that came into force in 1959, the allowance was a fixed payment to large families only. Over the years the allowances have undergone many revisions, designed to adapt them to fiscal policy changes in Israel. These revisions were made, inter alia, in the amounts and in the entitlement conditions of the allowance recipients.

In 2013 the child allowances decreased by 13.6% in real terms compared to their levels in 2012, following application of the Economic Efficiency Law in August 2013.

In July 2013, in the framework of the Economic Efficiency Law, it was decided to institute a sharp and immediate cutback of the child allowance amounts for all children, so that except for the allowance for **older children** (children born before 1.6.2003), whose sequential number in the family is third or subsequent born, the allowance amount for all children was uniformly set. For the “older children”, the allowance was cutback in a manner identical to the that of the allowance of the “**new children**” (children born subsequent to June 1, 2003) who are third or subsequent born. The change began to be applied in August 2013.

The number of families who were paid child allowances reached approximately 1.1 million on average per month in 2013 – an increase of about 1.9% over 2012 (Table 2) and the number of children included therein reached some 2.6 million on average per month – an increase of 2.1% compared to 2012 (3). The number of families who received an allowance for one child increased by 0.9%, reaching 337 thousand and for two or more children it increased by 2.3%. Concurrently, the proportion of families with three children or four children among all families with children increased, compared to the proportion of other families.

**Table 1**  
**Level of Child Allowances by Child's Order of Birth in Family Prior**  
**and Subsequent to Application of Economy Arrangements Law (NIS), 2013**

Child's order of birth in the family	Allowance amount				Cutback amount	
	Up to July 2013		As of August 2013		New child	Older child
	New child	Older child	New child	Older child		
First child	175	175	140	140	35	35
Second child	263	263	140	140	123	123
Third child	263	295	140	172	123	123
Fourth child	263	459	140	336	123	123
Fifth or subsequent child	175	389	140	354	35	35

**Table 2**  
**Families Receiving Child Allowance,**  
**by Number of Children in Family (monthly average), 2009-2013**

Year	Total families	Number of children in family					
		1	2	3	4	5	6+
<b>Numbers (thousands)</b>							
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
2011	1,048.7	331.5	322.3	214.2	93.2	42.2	45.2
2012	1,068.1	334.3	328.4	220.7	95.7	42.7	46.2
2013	1,088.3	337.5	334.2	228.0	97.9	43.5	47.2
<b>Percentages</b>							
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
2011	100.0	31.6	30.7	20.4	8.9	4.0	4.3
2012	100.0	31.3	30.7	20.7	9.0	4.0	4.3
2013	100.0	31.0	30.7	20.9	9.0	4.0	4.3

**Table 3**  
**Children Receiving Child Allowance,**  
**by Order of Birth In the Family (monthly average), 2009-2013**

Year	Total children	Child's order of birth in the family					
		First	Second	Third	Fourth	Fifth	Sixth and subsequent
<b>Numbers (thousands)</b>							
2009	2,417.0	1,012.0	685.3	373.5	172.9	84.6	88.4
2010	2,466.0	1,030.0	700.2	383.8	176.5	85.9	89.1
2011	2,519.1	1,048.7	717.1	394.8	180.6	87.4	90.4
2012	2,572.9	1,068.1	733.8	405.4	184.6	88.9	92.1
2013	2,628.5	1,088.3	750.8	416.5	188.5	90.7	93.7
<b>Percentages</b>							
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
2011	100.0	41.7	28.5	15.7	7.2	3.4	3.6
2012	100.0	41.5	28.5	15.8	7.2	3.5	3.6
2013	100.0	41.4	28.6	15.8	7.2	3.4	3.6

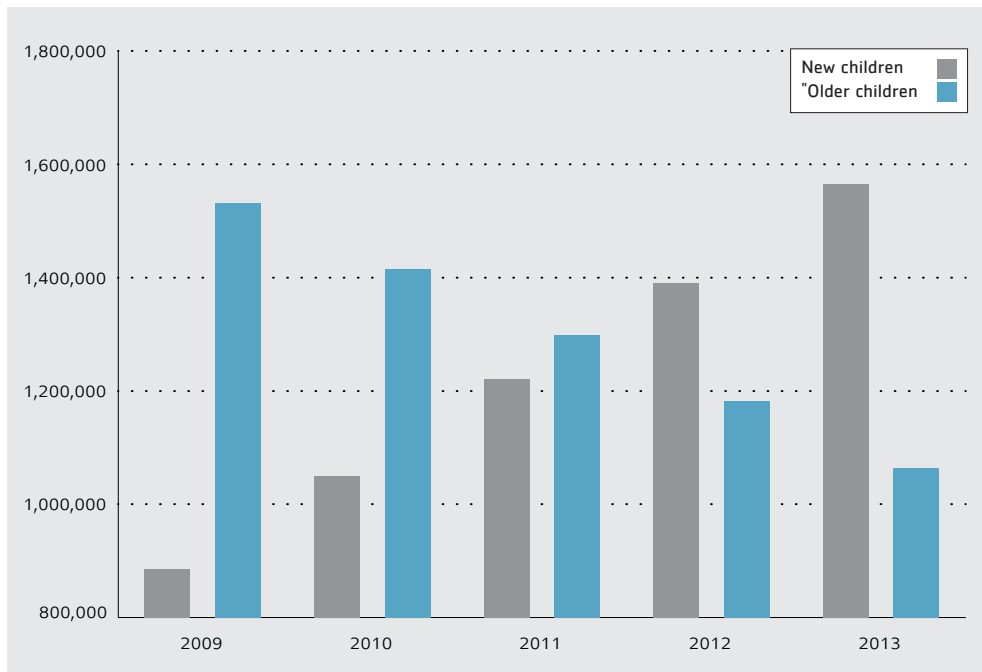
## 2. "New children"

Pursuant to the legislative amendments in 2003 – 2004, a category of "new children" was defined – children born from June 2008 onward. Up to June 2009, these children had received an allowance equivalent to that of the first two children, regardless of their

order of birth in the family<sup>1</sup>. Under the Economic Efficiency Law of August 2013, the allowance of these children reverted to being a uniform allowance.

In 2013, the aggregate number of new children reached some 1.6 million, constituting 60% of all children for whom an allowance is paid. As expected, the proportion of “new children” out of all children in respect of whom an allowance is paid has been increasing over the years and it should encompass all children by the end of the next decade. Approximately 41% (636 thousand) are third and subsequent born children. The number of “older children” is diminishing (Graph 1).

**Graph 1**  
Number of “New Children” Compared with “Older Children”, 2009–2013



### 3. Volume of Payments

In 2013, the amount of child allowance payments decreased sharply, by 13.6% in real terms, compared to 2012 (Table 4). This decrease stems from the application of the Economic Efficiency Law in July 2013, under which the level of the “basic amount” from which the allowance level is derived was cut by 20% and the allowance became uniform for most children.

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, NIS 165 in 2010, NIS 169 in 2011, NIS 173 in 2012 and NIS 140 in 2013.

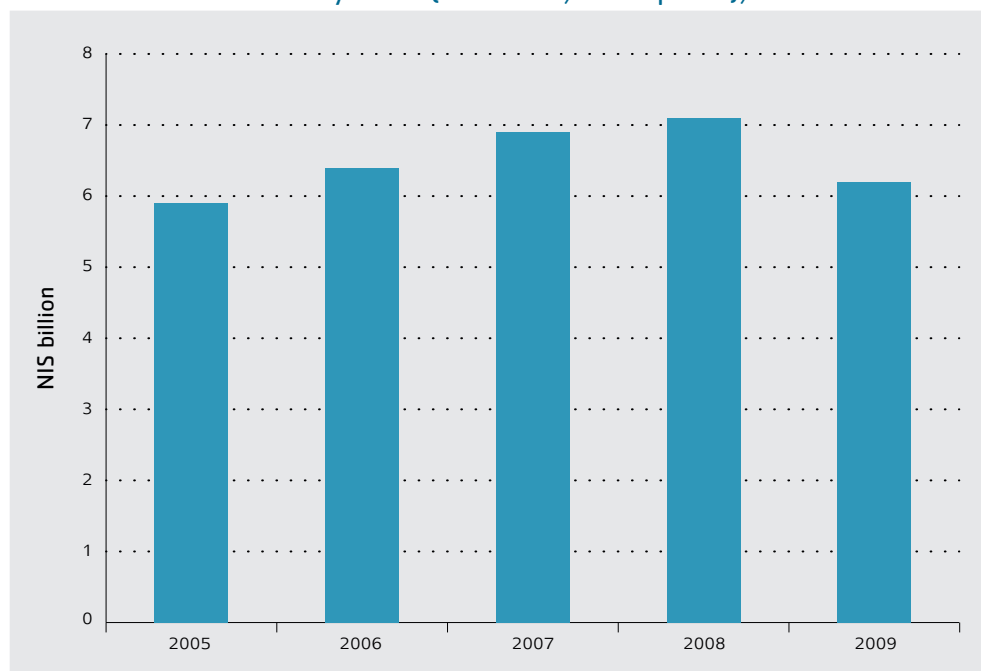
The changes in the volume of child allowance payments are reflected also in the proportionate part of the branch payments out of all NII payments, which decreased from approximately 11.8% in 2012 to 9.4% in 2013.

In 2013, total annual payments for child allowances were about NIS 6.3 billion – a decrease of 13.2% in real terms compared to 2012 (Graph 2).

**Table 4**  
**Child Allowance Payments**  
**(NIS million, current and fixed prices), 2009-2013**

Year	Aggregate amount		Child allowance		Study grant	
	Current prices	2013 prices	Current prices	2013 prices	Current prices	2013 prices
2009	5,537.3	6,074.4	5,365.9	5,886.4	171.4	188.0
2010	6,164.5	6,585.0	5,984.5	6,392.8	180.0	192.2
2011	6,892.0	7,111.6	6,711.0	6,930.0	181.0	186.9
2012	7,197.4	7,307.2	7,010.8	7,117.8	186.6	189.4
2013	6,344.0	6,344.0	6,153.3	6,153.3	190.7	190.7

**Graph 2**  
**Child Allowance Payments (NIS billion, 2013 prices), 2009-2013**



## B. Study Grant

A study grant is paid to single parent families and to families who have four or more children and who receive one of the following subsistence benefits from the National

Insurance Institute: an income support benefit, maintenance (alimony) payment, disability pension, old-age pension or survivors' pension. The grant is paid for children aged 6-14 and its purpose is to assist with the purchase of school supplies before the start of the school year. In 2013, about 149 thousand children received a study grant and its cost amounted to NIS 191 million.

In 1992 – 1998 the grant was paid to single-parent families only. As of August 1998 it is paid also to families who have four or more children and who receive one of the aforesaid subsistence benefits from the NII. The level of the grant for children aged 6-11 is 18% of the "basic amount" (NIS 1,528 in 2013) and for children aged 12-14 – 10% of the "basic amount" (NIS 849).

In 2013, the number of families who received a study grant reached 84 thousand, constituting some 8% of all families with children in Israel, most of them single-parent families (74% – 63 thousand) and the remainder large families (about 22 thousand). The proportion of families who have four or more children is 11% of all large families in Israel. The families who received a grant have 149 thousand children, constituting some 6% of all Israeli children. Approximately 87 thousand children (aged 6- 11) were entitled to the increased amount (NIS 1,528) and 62 thousand (aged 12-14) were entitled to the regular amount (NIS 849).

### C. Family Increment

In July 2004, a family increment began to be paid to families with three or more children who receive an income support benefit or maintenance payments from the NII. The increment is paid for the third and fourth child only and it is intended to compensate the families for the double cut to them (under the 2003 Economic Plan), both in the child allowances and in the income support benefit.

In January 2013, the increment amount for families with three children was NIS 123 and it decreased to NIS 98 in August 2013 and for families with four children – from NIS 246 to NIS 196. In 2013, this increment was paid to some 24 thousand families

**Table 5**  
**Families Receiving a Family Increment**  
**by Family Size, 2009-2013 (percentages)**

Year	Total		With 3 children	With 4 or more children
	Numbers	Percentages		
2009	25,179	100.0	39.9	60.1
2010	24,847	100.0	40.0	60.0
2011	24,304	100.0	39.9	60.1
2012	24,120	100.0	39.6	60.4
2013	24,241	100.0	40.0	60.0

(which include 39 thousand third and fourth born children) in an aggregate amount of about NIS 53 million, compared to NIS 56 million in 2012.

In 2013, the number of families receiving a family increment reached about 24 thousand – a rise of 0.5% compared to 2012. It should be noted that until now the number of recipient families has been on a downward trend and this is the first time that their number has risen compared to the previous year (Table 5). Most of the families (some 60%) have four or more children and the ratio of the proportion of families with three children out of all families receiving a family increment to the proportion of families with four or more children – is stable over the years.

### Child Allowances – Historical Developments

Child allowances have been paid since 1959 to families with children. Over the years the child allowances have undergone many revisions, inter alia, in the amounts and in the entitlement conditions of its recipients, which were designed to adapt them to fiscal policy changes in Israel.

As of July 1974, pursuant to the institution of the tax reforms and according to recommendations of the Ben Shachar Committee, a universal child allowance has been paid to all families in Israel with children up to the age of 18, according to a child allowance index updated at the beginning of each calendar year and whenever a cost of living increment was paid at the rate of increase in the CPI. From April 1984 until February 1993, the allowance was conditioned on means testing, and taxes were imposed on the allowances of the first three children at varying rates over the years. In March 1993 the child allowance reverted to being universal and the payments to all families with children were resumed without means testing.

During 1970-1996, in addition to the basic child allowance, a veterans' increment was paid to families one of whose members had served in the IDF or in a security service as defined by law. This increment was paid to families by size, according to an allowance point index in respect of the third and subsequent child. From 1994 the increment was gradually eliminated and transferred to the amount of the child allowance so that the level of child allowances for all families ceased to be dependent on military service. Since 1997, all families of equal size have been receiving an allowance of equal level. In 2001, the Halpert Law was passed, under which the allowances for the fifth and subsequent children were increased.

During 2002-2004 four economic plans were implemented, which cutback the child allowances immensely, and they were based on the principle of a uniform allowance for every child irrespective of his order of birth in the family. The Law was already applied in August 2003 to children born subsequent to June 2003; these children began to receive a uniform allowance regardless of their order of birth in the



family (new children). The level of the allowance was set to be the same as that of the allowance for the first two children. Under the economic plans, gradual cutbacks were prescribed in the allowances for “older children” as well during the next seven years, up to a uniform allowance in 2009. It was further prescribed that during 2002–2005 the child allowance would not be updated according to the increase in the CPI.

As of January 2006, the child allowance has been derived from the “basic amount” updated according to the consumer price index on that date. In June 2006 the continued cutback in child allowances planned for 2007–2009 was cancelled and the allowance levels remained as they were in 2006. They were later updated according to the consumer price index.

In July 2009, in the framework of the Economic Efficiency Law, it was decided to gradually revise the allowance amounts for the second, third and fourth children in the family, until by the end of the process in 2012, these children received an increment of NIS 100 each, comparable to the payment they received at the beginning of 2009. The increment was given comparable to the level of the allowance actually paid in June 2009. In other words, the allowance of the children whose order of birth is second to fourth was not updated in 2010–2011 according to the CPI as was the case every year in the month of January, so that the increment was nominal and eroded over the years.

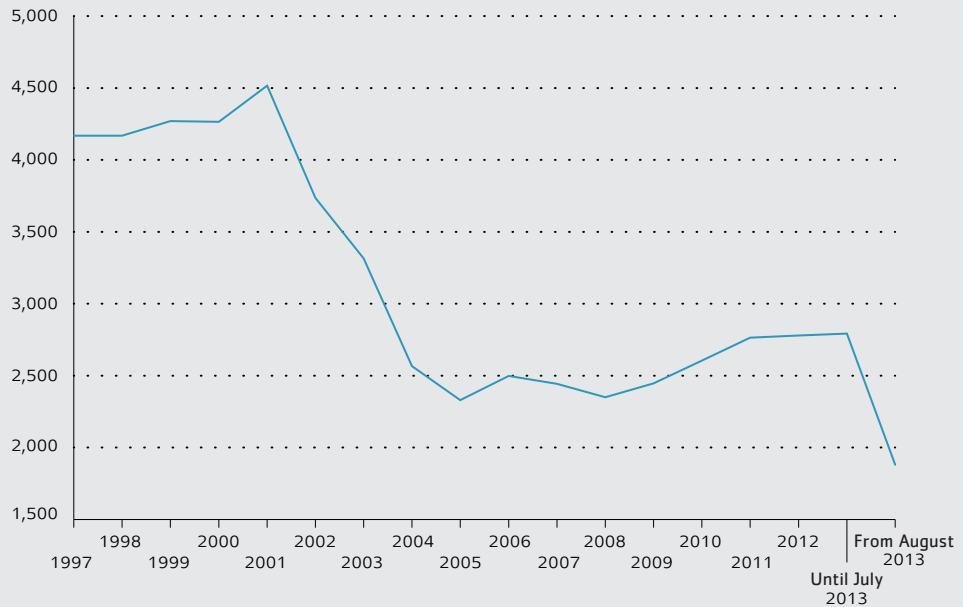
During Phase I, from July 2009, the fourth child received an increment of NIS 93 and the third – NIS 60. Only during Phase II, from July 2010, did the second child receive an increment of NIS 36 (Table E). The cost of the plan was estimated at approximately NIS 700 million in 2010 more than the expenditure of 2008, and the cumulative cost reached NIS 1,500 million.

In 2011, the allowance amount for a first child was NIS 169 per month both for a child born up to May 31, 2003 and for a child born subsequent to June 1, 2003. The allowance amount for a fifth child and for each additional child was NIS 375 per month for a child born up to May 31, 2003 and NIS 169 for a child born subsequent to June 1, 2003.

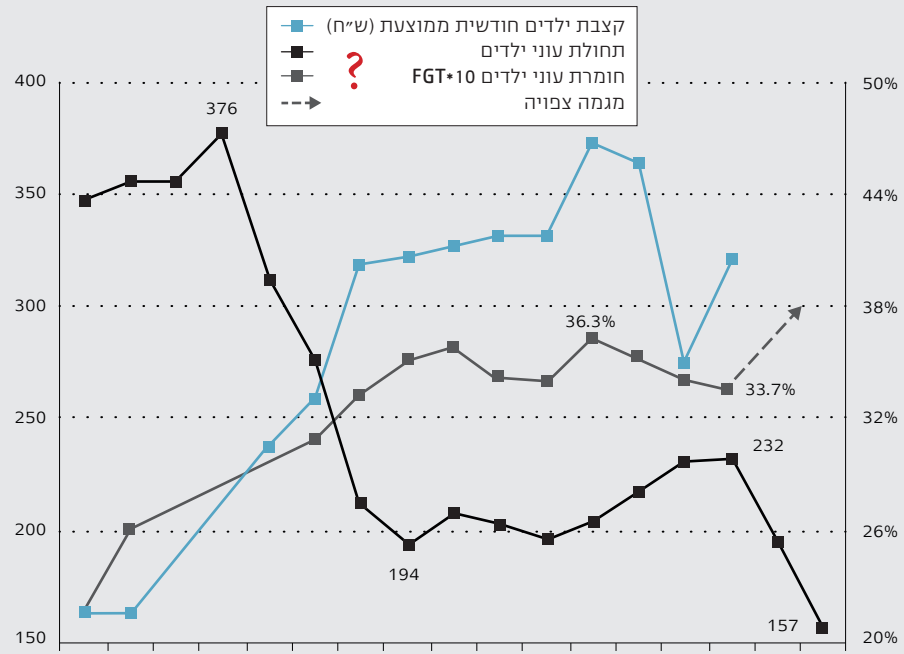
In July 2013, in the framework of the Economic Efficiency Law, it was decided to institute a sharp and immediate cutback for all children, so that except for the allowance for “older children” (children born before June 1, 2003), whose sequential number in the family is third or subsequent born, the allowance amount for all children would be uniform (NIS 140 per month). The allowance amount for “older children” was set at NIS 172 for third children, NIS 336 for fourth children and NIS 354 for fifth and subsequent children in the family. The change was already applied in August 2013.

Graph 1 presents the average allowance level per child over the course of the years: Since 2002 the child allowances were reduced and since August 2013 they have been at its lowest point of the last twenty years.

**Graph 1**  
Average Annual Allowance per Child (NIS, 2013 prices), 1997-2013



**Graph 2**  
Average Monthly Child Allowance (NIS) and Poverty Indicators among Children, 1998-2014



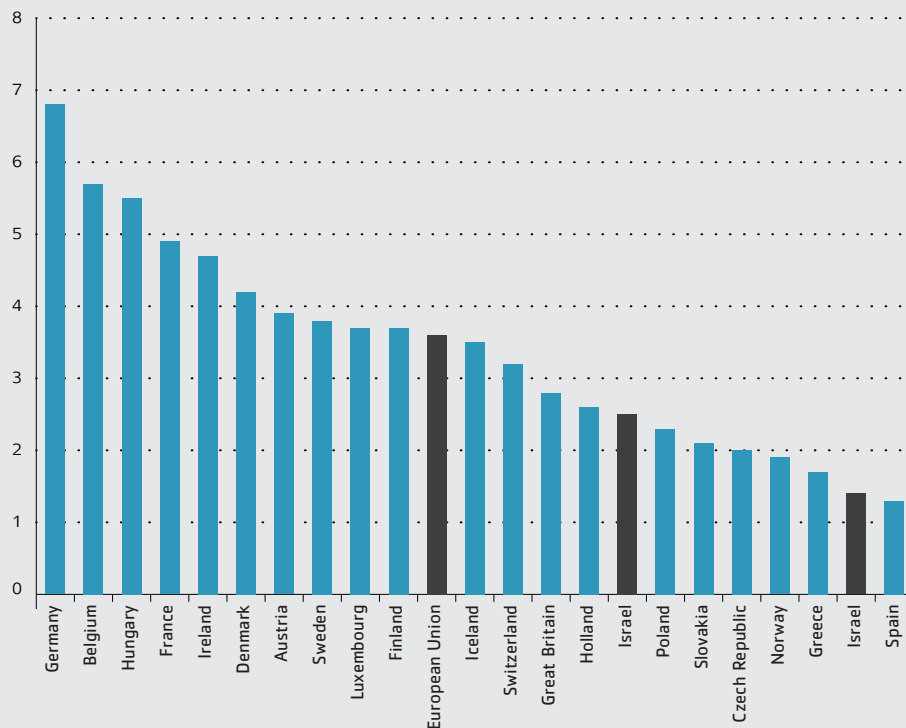
Source of data: Poverty Indicators – Annual Surveys.

Graph 2 highlights the close relationship between the level of the child allowance and the severity of poverty and incidence of poverty among children – insofar as the lower the allowance, the higher the severity of poverty and the incidence of poverty. The impact of the last cutback is not yet reflected in the measured data ; it will be felt with about a one-year lag.

An international comparison shows that the child allowances in Israel are almost at the bottom of the scale (Graph 3): The allowance level for the second child in Israel is lower than the average level in the European Union. The 2013 Economy Arrangements Law lowers Israel to the second to last place in a comparison with the OECD countries.

**Graph 3**

**Second Child Allowances as a Percentage of GDP per Capita, in Israel and in Select European Union Countries – Impact of the 2013 Economy Arrangements Law on the Position of Israel**





## 5. Maternity Insurance

### A. The Benefits

Maternity insurance came into effect on April 1, 1954 and was among the first five insurance branches covered by the National Insurance Law. Under Maternity Insurance the mother is granted the following benefits:

- **Hospitalization grant** – The grant is intended to fund the delivery and hospitalization expenses of the mother and the newborn and it is paid directly to the hospital. As of December 1993, a hospitalization grant is paid at an increased rate for a premature birth. During the first two years of application of the National Health Insurance Law (in January 1995), the hospitalization of mothers and of newborns, including premature babies, was included in the health services basket prescribed by law and it was funded by the National Insurance Institute from monies collected for the Maternity branch. Since January 1997 the hospitalization grant is again being paid directly to the hospital. When the delivery occurs abroad, the hospitalization grant is paid directly to the mother following her submission of a claim.

The amount of the hospitalization grant varies as follows:

- In the month of January each year the amount is updated according to a formula prescribed by law and thereby the total payment for normal deliveries and an additional payment for a premature birth is equal to the amount that would have been paid for these deliveries had there been no difference in the grant amounts between a normal delivery and a premature birth.
- Whenever the Ministry of Health revises the daily price of general hospitalization, the amount of the hospitalization grant is revised by the same rate.
- By decision of the government, under the Economy Arrangements Law, the government revised the amount in recent years within the framework of the Economy Arrangements Laws: in April 2005 it was increased for premature births by approximately 50%; in January 2007 – it was increased for every delivery by 12.1%; in August 2009 the amount was again increased by approximately 10%; in April 2012 by 0.2%; in August 2013 by 10% and in November 2013 by a further 3.87%. The government's involvement in setting the amounts of hospitalization grants is in fact a means of transferring budgets to hospitals through the National Insurance Institute.
- **Expenses of transportation to a hospital** – The National Insurance Institute subsidizes the expenses of transporting a woman in labor to a hospital. As of March 16, 2008, every woman in labor is entitled to be transported to the hospital nearest to her place of residence. (Previously, a woman in labor was entitled to transportation only if she lived a great distance from the hospital.)

- **Birth grant** – The grant is intended for the purchase of a layette for the newborn and it is paid directly to the mother. Up to July 2002, the grant was uniform and irrespective of the number of previous births and its rate was 20% of the statutory average wage. In August 2003, the rate of the grant was revised for the second and subsequent children and it was 6% of the average wage. In January 2004, the rate was raised for the second child only to 9% of the average wage. When two or more children are born in a single delivery, the birth grant is higher: for twins – an amount equal to the average wage and for each additional child – a further 50% of the average wage. Since January 2006, the amount of the birth grant has been calculated according to the basic amount.
- **Maternity allowance** – This benefit is intended to compensate working mothers for their loss of wages during the maternity leave that they are obligated to take under the Employment of Women Law. Working women – whether salaried, self-employed or undergoing vocational training – are entitled to a maternity allowance if insurance contributions have been paid on their behalf during the period preceding the delivery for the periods of time prescribed by law (qualifying period). The maternity allowance is paid for 7 or 14 weeks, depending on the **qualifying period** that she accumulated (before the law was amended in May 2007, a maternity allowance was paid for 6 or 12 weeks). As of November 1994, the maternity allowance per day replaces the full wage or the average income per day that the mother would have had during the three months before she stopped working (upon or before the delivery) and no more than the maximum amount prescribed by law. Income tax, national insurance contributions and health insurance contributions are deducted at source from the maternity allowance.

It is possible to receive the maternity allowance before the estimated delivery date, but they cannot be received for more than half the period to which the mother is entitled. Under certain conditions, the maternity leave may be extended by four weeks at the most. As of 1998, also men who share the maternity leave with their spouses can receive a maternity allowance, provided that the mother has returned to work.

Foreign workers are also entitled to a maternity allowance. However, the 2003 Economy Arrangements Law prescribes that foreign workers staying in Israel without a lawful permit are not entitled to a maternity allowance or to a birth grant.

- **Childbirth allowance** – The allowance is paid to a woman who in a single delivery gave birth to three or more children who survived for a period of time prescribed by law and it is paid every month for 20 months. Its level is derived from the basic amount and it diminishes over the course of the entitlement period.
- **High-risk pregnancy benefit** – This benefit is paid to a working woman, who, for pregnancy-related medical reasons, is forced to stop working for at least 30 days and who receives no payment from her employer or from any other entity in respect

thereof. The qualifying period entitling to this benefit is identical to the period entitling to a maternity allowance. From the beginning of 1995, the benefit level was the average salary of the woman during the three months before she stopped working and no more than 70% of the average wage. In 2000, the law was amended and the maximum amount payable was the full average wage (since 2006 it is the full “basic amount”).

- **Special allowance and special benefit** – These allowances are paid if the mother died during delivery or within one year of the delivery: a monthly allowance is paid for each newborn born during said delivery at a rate of 30% of the average wage for 24 months. If the child is being paid a survivors’ or dependents’ allowance, the allowance is paid for only 12 months. A special benefit is paid to the spouse of the deceased woman if he stopped working in order to care for the child, at a rate of an injury allowance, up to 12 weeks. This allowance is paid in approximately 10 cases every year.

## B. Major Trends

In 2013, birth grants were paid to approximately 170 thousand mothers (Table 2) – a rise of 0.3% compared to 2012. Concurrently, the number of women of childbearing age (15-44) rose by 0.6%. Consequently, the number of deliveries per 1,000 women of childbearing age was about 92 in 2013, similar to 2012.

In 2013, birth grants were paid to approximately 170 thousand mothers – a rise of 0.3% compared to 2012

Some 50,500 of the deliveries in 2013 were first deliveries, 46,500 were second deliveries and 73,000 were third or subsequent deliveries (Table 1). About 3,900 were deliveries of twins and 90 were deliveries of triplets or more.

Of the hospitalization grants that were paid in 2013, 2,657 were paid for premature births, whose number decreased by 56 compared to 2012.

In 2013, about 114 thousand women received maternity allowances compared to 112 thousand women in 2012 – a rise of 2.1%. The number of women of childbearing age participating in the work force rose between the two years by 6.1%. The number of women who received a maternity allowance for every 1,000 married women participating in the work force remained at 129, as it was in 2012.

**Table 1**  
**Live Births by Order of Birth (percentages), 2009-2013**

Year	Total	First birth	Second birth	Third birth	Fourth and subsequent birth
2009	100.0	29.8	27.1	20.0	23.1
2010	100.0	29.0	27.4	19.9	23.7
2011	100.0	29.6	27.4	19.7	23.3
2012	100.0	29.5	27.1	19.8	23.6
2013	100.0	29.7	27.4	19.7	23.2

**Table 2**  
**Women who Received a Birth Grant and a Maternity Allowance**  
**(monthly average) (absolute numbers and percentages), 2009-2013**

Year	Received a birth grant		Received a maternity allowance		
	Absolute numbers	Percent change compared to previous year	Total	Percent change compared to previous year	Rate of all women who received a birth grant
2009	157,702	3.5	97,715	4.4	62.5
2010	166,694	5.7	103,318	5.7	62.1
2011	163,402	-1.8	105,740	2.3	64.7
2012	169,166	3.5	112,014	5.9	66.2
2013	169,711	0.3	114,383	2.1	67.4

The rate of women who received maternity allowances rose slightly in 2013 – from 66% in 2012 to 67% in 2013

The rate of women who received maternity allowances rose slightly in 2013 – from 66% in 2012 to 67% in 2013. The average age of the maternity allowance recipients remained as it was in 2012: 31.5. Some 95% of the women who received maternity allowances were salaried employees and the remainder – 5% – were self-employed, members of a kibbutz or members of a cooperative settlement (moshav).

The distribution of the women by daily level of the maternity allowance indicates that in 2013 approximately one third received a daily maternity allowance not exceeding half the national average wage and a quarter of them – an amount exceeding the national average wage. The rate of women receiving maternity allowances exceeding the average wage declined from 24.9% in 2012 to 23.8% in 2013 and concurrently the proportion of those receiving up to half the average wage increased: from 32% in 2012 to 33.2% in 2013.

In 2013, the average work income of the mothers was NIS 7,193 per month, which constitutes approximately 80% of the national average wage

Since the maternity allowance is at the pre-delivery wage level of the mother, the distribution by maternity allowance level represents the wage distribution of these women. In 2013, the average work income of the mothers was NIS 7,193 per month, which constitutes approximately 80% of the national average wage, compared to NIS 7,227 in 2012 – which constitutes 82% of the average wage.

The amount of the maternity allowance, similar to wages, varies according to demographic and employment characteristics:

- The amount of the maternity allowance rises as the woman's age rises. The average maternity allowance in 2013 was NIS 241 per day, which constitutes approximately 80% of the average wage. Women up to the age of 24 received a maternity allowance at a rate of approximately 46% of the national average daily wage, while those aged 35 and older received an allowance at a rate exceeding the national average wage (106% thereof).
- The maternity allowances paid in communities in central Israel were higher than those paid in the outlying areas. The average amount per day was highest in the Tel



**Table 3**  
**Maternity Allowance Recipients by Daily Level of Maternity Allowance as a Percentage of the Average Daily Wage (absolute numbers and percentages), 2009-2013**

Year	Total recipients (numbers)	Up to 1/4 of the average wage	1/4 – 1/2 of the average wage	1/2 – 3/4 of the average wage	3/4 to the full average wage	Higher than the average wage
2009	97,715	7.1	23.8	27.3	19.2	24.6
2010	103,318	7.7	24.7	26.6	16.9	24.1
2011	105,740	7.4	24.8	26.4	16.9	24.5
2012	112,014	7.4	24.5	26.1	17.1	24.9
2013	114,383	8.2	25.0	26.0	17.0	23.8

Aviv, Kfar Saba and Ramat Gan local NII branches (114%, 112% and 110% of the national average wage, respectively), whereas it was lowest in Bnei Brak and in Nazareth (61% and 59% of the national average wage, respectively).

In 2013, the number of men who received maternity allowances rose from 425 in 2012 to 447 in 2013, i.e. a ratio of four men to 1,000 women. Between 2009 and 2013 there was a consistent rise in the number of men who received maternity allowances, from 285 to 447.

In 2013, the number of men who received maternity allowances rose from 425 in 2012 to 447 in 2013

#### D. Volume of Payments

In 2013, the volume of benefit payments by the Maternity branch increased by 5.5% (in fixed prices) compared with 2012 (Table 4). Hospitalization grant and maternity allowance payments constituted approximately 93% thereof. The rise in total payments is mainly a result of an increase in the number of births and a sharp rise in the daily hospitalization rates at hospitals. In 2013, the hospitalization amount rose by a cumulative rate of 14%. The proportion of the branch payments out of all NII payments rose from 8.4% in 2012 to 8.7% in 2013 and it has been on an upward trend since 2006 (excluding 2011).

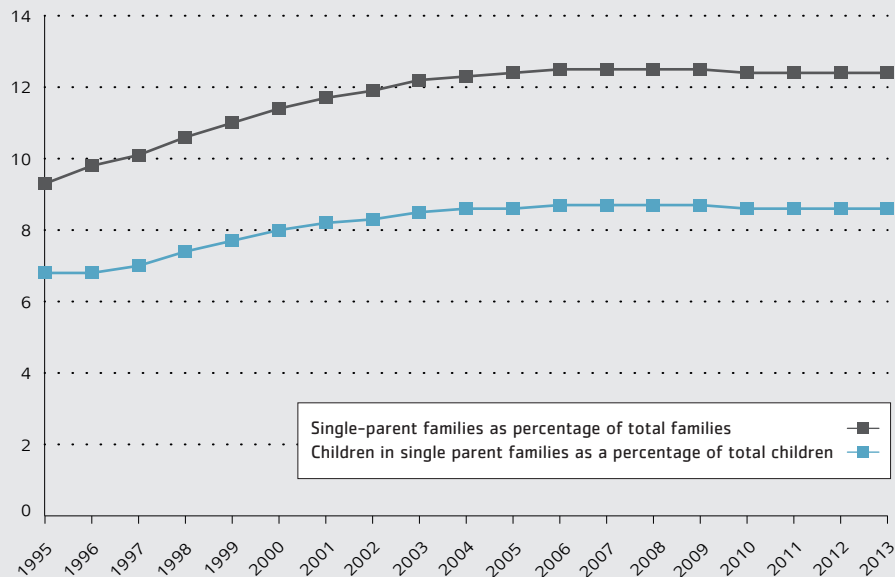
**Table 4**  
**Maternity Benefit Payments (2013 prices, NIS thousand), 2009-2013**

Year	Total benefit payments	Hospitalization	Birth grant	Maternity allowance	High risk pregnancy
2009	4,714,621	1,956,298	179,951	2,410,082	150,793
2010	5,039,281	2,171,308	188,269	2,502,585	159,778
2011	5,200,708	2,220,288	186,109	2,609,663	164,965
2012	5,565,249	2,383,016	192,594	2,792,769	181,249
2013	5,869,242	2,509,461	193,735	2,957,989	192,982

## Single-Parent Families

Up to 2010, the single-parent family population in Israel expanded beyond the rate of growth of total families with children and since then their rates have noticeably stabilized (see graph below). In 1995, single-parent families constituted 9.3% of the total families with children, in 2009 – 12.5% and since then their proportion out of total families with children has been 12.4%. The proportion of children in these families increased as well, although at a more moderate rate: from 6.8% in 1995 to 8.6% in 2013.

### The Proportion of Single-Parent Families out of all Families with Children and the Proportion of their Children out of all Children, 1995-2013



Between the years 1995 to 2013, the number of single parent families has doubled: from 76,200 to 136,708. Concurrently, the percentage headed by single women rose steadily, from 15.4% in 1998 to 24.4% in 2013. During these years, a consistent decline has been observed in the number of men heading these families: from 5% in 1998 to 3% in 2013. Therefore, the overwhelming majority of the single-parent families (97%) are headed by women.

The mothers of single-parent families are the eldest of all mothers: only 20% of them are younger than 34, compared to 39% of the mothers in two-parent families. Approximately 36% of them are aged 44 and over, compared to 22% in two-parent families and their average age is 42, compared to 38 among married mothers.

There are a small number of children in single-parent families. In more than half of them, 55%, there is one child, compared to 31% in two-parent families and only approximately 15% have three or more children, compared to 38% in two-parent families. Their average number of children is 1.7 compared to 2.4 in two-parent families.

Jewish families constitute 92% of total single-parent families, compared to 84% – their proportion of the total population – and non-Jewish families constitute 8% of single-parent families, compared to 16% – their proportion of the total population. These differences are explained by the more traditional structure of the non-Jewish society.

### Employment and Economic Characteristics

In the years following the enactment of the Single-Parent Family Law (1992), an upward trend had been observed in the rate of single-parent families entitled to receive subsistence benefits from NII. Since 2001, when the entitlement conditions for receiving subsistence benefits were made more stringent, the trend has reversed and the rate of these families has been on a downward trend. Thus, in 2000, 53% of all single parent families received subsistence benefits from NII and in 2013 their rate declined to about half that: 26%.

When differentiating by nationality, the number of non-Jewish families who received subsistence allowances during the surveyed years rose steadily, i.e. the same trend reversal that was found among all single-parent families was not found. The rate of benefit entitled persons among the single-parent Arab families reached 60% in 2013, compared to 26% among the Jewish families. These differences lie in the differences in the work force participation rates between Jewish women and Arab women.

An examination of the employment trends indicates that the employment rate of single parent mothers is increasing over the years, in the same way as married mothers, although the employment rates among them are much higher. In 1998, 68% of the single parents were employed, compared to 53% of the married parents and in 2011, these rates reached approximately 80% and 61%, respectively.

As expected, the rate of working women among the single parents who receive a benefit from NII was lower than the rate of single parents who do not receive a benefit. However, their rate is similar to that of married women.



## 6. General Disability Insurance

### A. General Disability Branch Benefits

The following benefits are paid under the National Insurance Law in the framework of the General Disability branch:

- **Disability pension** – guarantees a minimum subsistence income for disabled persons whose earning capacity from work or occupation has been impaired. Paid since 1974.
- **Attendance allowance** – helps disabled persons who are dependent on the assistance of others for the performance of daily activities or who need constant supervision by financing assistance for these activities. Paid since 1979.
- **Benefit for disabled child** – paid to families who are caring for their disabled child at home. Paid since 1981.

The branch also administers the following benefits that are not derived from the National Insurance Law:

- **Mobility allowance** – paid to persons with limited mobility<sup>1</sup>, to subsidize their expenses of mobility outside the home. Paid since 1975.
- **Compensation to Tinea Capitis victims** – paid to those who received radiation to treat scalp ringworm (Tinea Capitis) between 1946 and 1960 and fell ill as a result. Paid since 1995.

**Table 1**  
**Recipients of General Disability Pensions, Attendance Allowances,  
Disabled Child Benefits and Mobility Allowances (average per month), 2009–2013**

Year	Disability		Attendance		Disabled child		Mobility	
	Number of recipients	Rate of change	Number of recipients	Rate of change	Number of recipients	Rate of change	Number of recipients	Rate of change
2009	200,072	2.6%	31,196	6.1%	26,527	5.0%	30,364	5.0%
2010	207,174	3.5%	33,134	6.2%	27,870	5.1%	31,616	4.1%
2011	212,951	2.8%	35,219	6.3%	29,483	5.8%	32,964	4.3%
2012	217,589	2.2%	37,825	7.4%	32,103	8.9%	34,087	3.4%
2013	222,641	2.3%	40,860	8.0%	36,006	12.2%	35,311	3.6%

**Table 2**  
**Disability Benefit Recipients who are Minors,  
by Benefit Category, December 2013**

Number of benefits	Benefit category	Number of recipients	Rate change
Total	Disabled minors	38,217	13.8%
One benefit	Disabled child	33,754	15.7%
	Mobility	252	-4.5%
Two benefits	Disabled child and mobility	4,211	2.2%

1 A disabled person suffering from leg impairment, as specified in the Law.

**Table 3**  
**Adult Disability Benefit Recipients, by Benefit Category, December 2013**

Number of benefits	Benefit category	Number of recipients	Rate change compared to 2012
Total	Disabled adults	252,845	3.0%
	General disability	224,794	2.3%
	Attendance	42,054	8.4%
	Mobility	31,608	4.6%
	Polio	4,223	3.7%
One benefit	Tinea Capitis	4,284	3.5%
	General disability only	185,647	1.9%
	Attendance only	8,398	14.1%
	Mobility only	10,838	5.5%
	Polio only	1,065	5.0%
Two benefits	Tinea Capitis only	3,543	5.8%
	General disability + attendance	21,599	6.8%
	General disability + mobility	6,968	-1.0%
	General disability + polio	287	-7.4%
	General disability + Tinea Capitis	393	-13.8%
	Attendance + mobility	2,249	15.4%
	Attendance + polio	31	24.0%
	Attendance + Tinea Capitis	123	8.8%
	Mobility + polio	1,366	5.6%
	Mobility + Tinea Capitis	54	14.9%
Three benefits	Polio + Tinea Capitis	4	33.3%
	General disability + attendance + mobility	8,647	6.0%
	General disability + attendance + polio	77	10.0%
	General disability + attendance + Tinea Capitis	66	-9.6%
	General disability + mobility + polio	603	-0.2%
	General disability + mobility + Tinea Capitis	20	0.0%
	General disability + polio + Tinea Capitis	-	-
	Attendance + mobility + polio	327	13.1%
	Attendance + mobility + Tinea Capitis	49	19.5%
	Attendance + polio + Tinea Capitis	1	-
Four benefits	Mobility + polio + Tinea Capitis	3	50.0%
	General disability + attendance + mobility + polio	459	-0.6%
	General disability + attendance + mobility + Tinea Capitis	28	-12.5%
	General disability + attendance + polio + Tinea Capitis	-	-
	General disability + mobility + polio + Tinea Capitis	-	-
Five benefits	Attendance + mobility + polio + Tinea Capitis	-	-
	General disability + attendance + mobility + polio + Tinea Capitis	-	-
	Capitis	-	-

- **Compensation to polio victims** - paid to those who contracted polio in Israel – or received medical treatment for polio in Israel – and suffered a medical disability as a result of the polio. Paid since 2007.

A study carried out by the National Insurance Institute of Israel and the JDC – Brookdale Institute and published in 2012 shows that approximately one million people

living in Israel define themselves (a subjective definition) as having some level of disability that interferes with their functioning<sup>2</sup>. Approximately a quarter of them, 253 thousand, received a benefit (one or more) in 2013 from the NII General Disability branch – an annual increase of 3% in the number of entitled persons (the others – approximately 100 thousand – receive a benefit from another source [the Ministry of Defense, work-related injuries, etc.] and some do not receive a pension for various reasons: their disability level is insufficient to entitle them to a benefit or that they simply do not take up their rights).

General disability pension recipients constitute approximately 90% of all persons entitled to benefits from the branch. Their average number per month reached 222,641 in 2013, approximately 4.6% of the pension entitlement-age population (18 up to retirement age). After approximately a decade during which the retirement age has changed and Amendment 109 to the Law (Laron Law) was enacted, the annual rate of increase in the number of pension recipients has stabilized at 2% per year – a rate identical to the natural population growth rate.

The number of recipients of a benefit for disabled child rose sharply compared with previous years, as a result of broadening of the grounds entitling to a benefit (**Or-Noy Amendments 2**). It may be assumed that this trend will continue in the coming years in view of the further broadened grounds for benefit entitlement, but not necessarily at the same rate. The growth rate in the number of attendance allowance recipients also continues to increase compared to that of previous years. Inter alia, due to a change in the length of the waiting period until commencement of benefit entitlement. On the other hand, the growth rate in the number of mobility allowance recipients remains unchanged compared to its growth rate in 2012 (approximately 3.5%).

From November 1999, a disabled person who meets all the conditions of entitlement under the relevant laws and the regulations may receive more than one benefit from the General Disability branch for the same period of time. In December 2013, 43,354 disabled adults and 4,211 disabled minors (who constitute approximately 16% of the number of benefit recipients of the branch) received two or more benefits simultaneously (Tables 2 and 3). Particularly prominent are the attendance allowance, approximately 80% of whose recipients are entitled to additional benefits as well (usually a disability pension) and the benefit for polio victims, where approximately 75% of persons entitled thereto receive an additional benefit as well (mainly mobility).

## B. Disability Pension

### 1. Key elements of the Law

IN the framework of General Disability Insurance, a monthly pension is paid to Israeli residents from e age 18 up to retirement age whose ability to earn from work<sup>3</sup> has been

2 Naon et al. (2012). Working age disabled persons in Israel – Prevalence in the Population, Characteristics and Employment Status. The National Insurance Institute of Israel.

3 When establishing the disability pension entitlement, there is no reference to non-work income.

impaired due to their disability. This pension guarantees a minimum subsistence income<sup>4</sup> to entitled persons, who are classified into two categories:

- Disabled wage-earners: Men or women who, as a result of a physical, cognitive or psychological impairment from an illness, accident or congenital defect, have lost their capacity to earn, or their capacity to earn has been reduced by 50% or more, or their monthly income does not exceed the threshold set by law.
- Of the disabled wage-earners, the Law differentiates between two entitled groups: Group “A” – people with a severe impairment<sup>5</sup> or people with longstanding<sup>6</sup> entitlement, who are entitled to a disability pension if their income from work does not exceed 60% of the average wage; Group “B” – all the rest, who are entitled to a pension if their income from work does not exceed 45% of the average wage.

Housewives – married women who have not worked outside their household for periods defined under the Law prior to submitting the pension claim and who, as a result of a physical, cognitive or psychological impairment deriving from an illness, accident or congenital defect, have lost at least 50% of their capacity to function in the household.

There are several stages to the entitlement determination process:

1. **Examination of the work income at the time of enrollment:** The level of work income allowing pension payment is not fixed but rather varies according to the medical condition and to the group to which the insured belongs.
2. **Establishing medical disability:** A qualified physician on behalf of the National Insurance Institute, subject to medical examinations and medical records, establishes the medical disability percentages according to the disability criteria set by the Law. The medical percentages reflect the severity of the medical condition of the disabled person. As part of the medical examinations, the physician and a claims officer ascertain whether the threshold conditions required for defining a person as disabled are satisfied: (a) Disabled wage-earner – a medical disability of at least 60%, or 40% when there is at least one impairment at a rate of 25% or more. (b) Housewife – a medical disability of at least 50%.
3. **Establishing the degree of earning incapacity:** The NII claims officer, after consulting with the qualified physician and the rehabilitation officer, establishes to which degree the disabled person cannot earn<sup>7</sup> (the degree of incapacity), according to the degree of his ability to return to his work (on a full-time or part-time basis) or to integrate into

.....

4 A disability pension is paid from the 91st day of onset of the impairment, provided that the claim was submitted within 15 months. For later claims, the payment commencement date is later.

5 Severe impairment: Someone whose medical disability has been set at a rate of at least 70%, or who suffers from mental retardation or a psychological disability at a rate of at least 40%.

6 Longstanding entitlement: Someone who was entitled to a pension for at least 60 months during the 7 years preceding 1.8.2009.

7 Loss of earning capacity lower than 50% does not entitle to a pension.



other suitable work, subject to his education, physical capacity and medical condition. Establishing a full or partial degree of incapacity reflects a total or partial loss of the earning capacity of the disabled person and establishing a fixed or temporary degree of incapacity indicates a loss of the earning capacity either permanently or for a limited period of time.

In August 2009, Amendment 109 to the National Insurance Law (Laron Law) came into force. This amendment was designed to improve the conditions of disability pension recipients joining the job market, with the intent to improve their quality of life, to integrate them into society and to strengthen their public image. The main change instituted by the amendment was to allow them to increase their work income without negating their entitlement to a pension or related benefits and to guarantee that the overall amount received from work and the pension together will always be higher than the pension amount alone<sup>8</sup>. Moreover, the disabled persons were divided into two groups (see above) in order to differentiate between those with a high potential for integration into the job market and those whose prospects for this are lower. Furthermore, different work income levels were created for establishing the benefit entitlement, with the aim of encouraging integration into the job market. Also, as part of the amendment, a new pension was added under Disability Insurance: an incentive pension, paid in lieu of a disability pension to those whose work income exceeds the amount set by law, i.e. 45% - 60% depending on the group, and who had been entitled to a disability pension for at least 12 months.

A disabled wage-earner or housewife for whom full incapacity (at least 75%) has been established is entitled to a monthly pension at a level of 26.75% of the “basic amount” as defined by law. In 2013, the full pension amount for an individual disabled person was NIS 2,299. For disabled persons with a degree of full incapacity who do not live in an institution and whose medical disability is at least 50%, an increment to the monthly pension (**additional monthly pension**) is paid in the amount of NIS 247 – NIS 365 (in 2013). Approximately 65% of pension recipients were entitled to this increment in 2013.

The disabled person is entitled to an increment for his dependents as well, which constitutes an important tool in families one of whose wage earners is a disabled person to escape poverty: (a) for a spouse of an Israeli resident (whether they are married or a common law couple), whose monthly income does not exceed 57% of the average wage – an increment of 50% of the full individual pension paid to him. (b) For the child of an Israeli resident, as defined by NII – an increment of 40% of the individual

.....

8 Until the amendment to the Law went into effect, the disability pension was discontinued depending on the education of the disabled person (when his work income exceeded 37.5/45/55% of the average wage) and now it is offset according to Table H1 as defined under the Law: For work income that does not exceed 21% of the average wage, the monthly pension does not change; for income of 21% - 25% of the average wage, the pension is offset by 10%; for income of 25% - 68% it is offset by 30%; for income of 68% - 93% by 40%; and for income higher than 93% - by 60%.

pension paid to him (for the first two children only). A disabled housewife is entitled to an increment for the first two children only and not for her spouse. A disabled wage-earner or housewife receiving an increment for their dependents who have non-work income will have the entire non-work income amount deducted from the increment for dependents (only). Aside from the benefits under NII, those who receive a disability pension or incentive pension are also entitled to benefits from different public entities under varying conditions<sup>9</sup>.

## 2. General disability pension recipients

From the beginning of the century the growth rate in the number of disability pension recipients was 2 or more times higher than the natural population growth rate. There are several reasons for this growth: (a) The gradual increase in retirement age for men and women. (b) The growth in the morbidity rates of the population, stemming from an increase in reporting of illnesses and from a decrease in mortality rates among patients. (c) A change in the income threshold that allows examination of disability pension entitlement and the gradual offsetting of the disability pension in relation to work income. Since the potential of new enrollees who have become entitled pursuant to these changes was maximized, the annual growth has stabilized at 2% per year – a level very close to the natural population growth (Graph 1).

Notwithstanding the stabilization of the annual growth rate in the number of entitled persons, the number of general disability pension claims continues to rise (in 2013 it reached approximately 107 thousand) as does the number of first time pension recipients (approximately 23 thousand)<sup>10</sup>. It may be assumed that their economic situation urged them to seek alternative sources of income, where on the other hand the number of people leaving the system increased – which impacts the net growth in the number of recipients.

Despite the continuing growth in the number of claims per year, NII set itself a goal to reduce to the extent possible the claim processing time, from the time of claim submission and until the decision is made, as part of improved service to the insureds. This goal has been achieved: compared to 2008, the average processing time for a disability pension claim decreased by approximately 20% and it is currently 56 days on average (Graph 2).

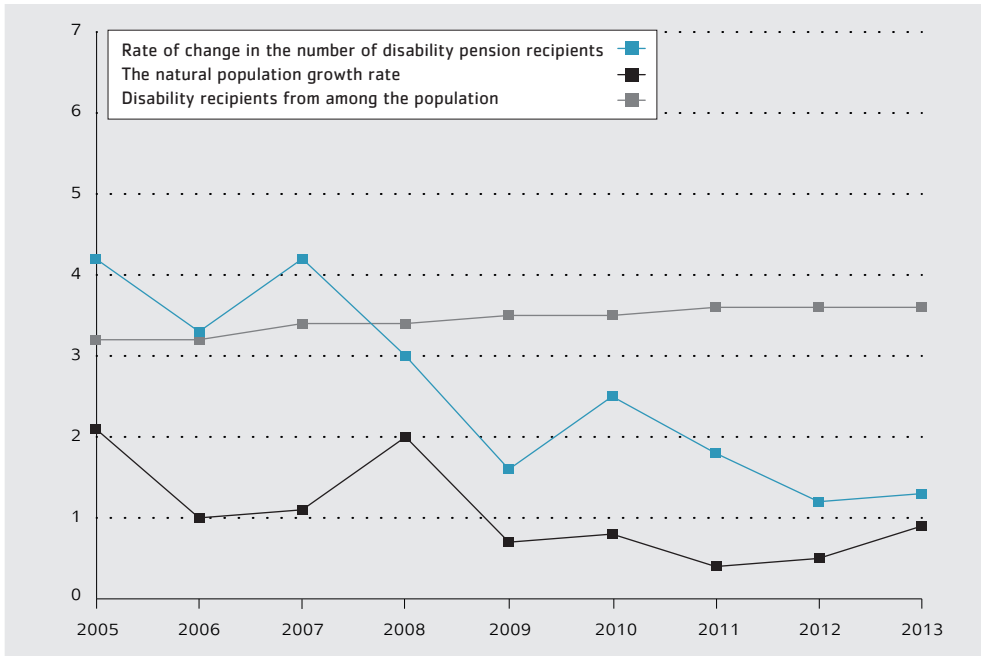
An inspection of the distribution of pension recipients in December 2013 by gender and established degree of incapacity<sup>11</sup> indicates a considerable disparity between disabled

9 These benefits include, inter alia: An exemption from payment of insurance contributions to NII, exemption from payment of income tax and purchase tax to the Ministry of Finance, municipal and water tax concessions, assistance with rent or in purchasing an apartment by the Ministry of Construction and Housing, a concession in taxes paid to the Israel Lands Administration, discounts on public transportation, benefits from the Ministry of Welfare and Social Services and benefits in payments to the sick fund. Details of the benefits may be found at the entities conferring the benefits.

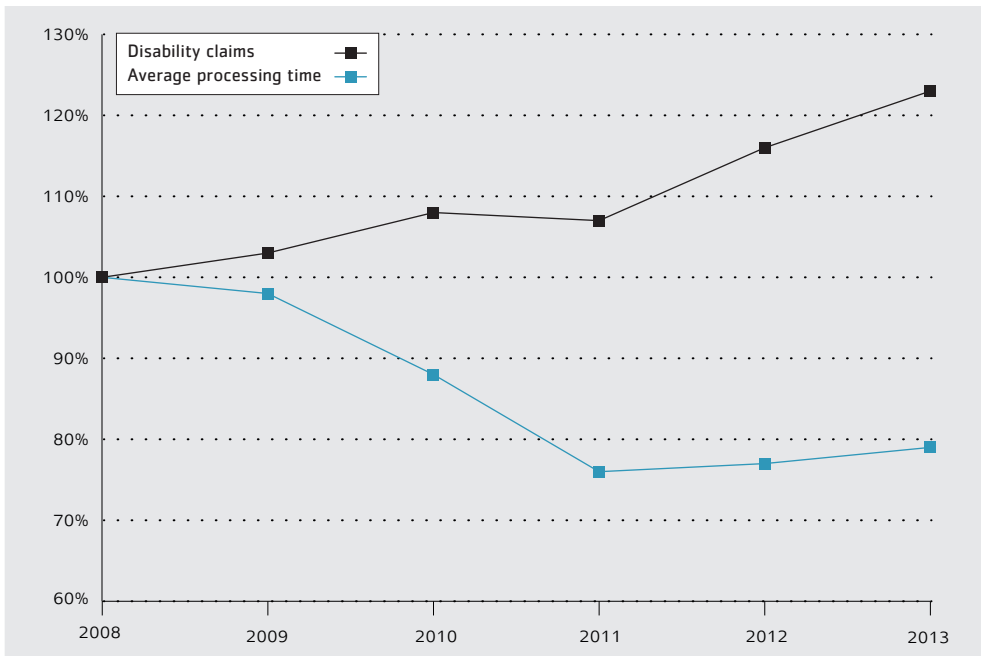
10 In recent years there has been no substantial change in the rate of rejected claims.

11 The distribution of the pension recipients by degrees of incapacity and medical percentages appears in Table 1/1 of the Appendix.

**Graph 1**  
**Disability Pension Recipients and the Development**  
**of the Working-age Population, 2005-2013**



**Graph 2**  
**The Change in The Number of Disability Pension Claims**  
**and in the Average Claim Processing Time (percentages), 2008-2013**



wage-earners and housewives (Table 4). For approximately 84% of wage-earners (men and women), full loss of earning capacity was established and they are entitled to a full benefit, as opposed to housewives, for whom only approximately 38% of whom full loss of capacity was established. These differences stem from the different entitlement criteria between the two groups.

**Table 4**  
**Disability Pension Recipients by Degree of Incapacity**  
**and Gender (absolute numbers and percentages), December 2013**

Gender Absolute numbers		Total		Degree of incapacity (percentages)				
		Percentages	60%	65%	74%	75% - 100%		
Total	Numbers	224,794		23,513	15,347	4,745		181,189
	Percentages		100%	10.5%	6.8%	2.1%		80.6%
Men		130,424	100%	9.0%	5.1%	1.5%		84.4%
Women	Total	94,370	100%	12.4%	9.2%	3.0%		75.4%
Of which	Wage-earning women	78,410	100%	9.3%	5.9%	1.8%		82.9%
	Housewives	15,960	100%	27.7%	25.4%	8.6%		38.3%

**Table 5**  
**Disability Pension Recipients by Present Age, Average Age**  
**and Primary Impairment (absolute numbers and percentages), December 2013**

Primary impairment		Total		Age (percentages)					Average age
		Absolute numbers	Percentages	18 – 24	25 – 34	35 – 44	45 – 54	50 – retirement age	
Total	Numbers	224,794		17,536	33,184	41,786	55,158	77,130	46.7
	Percentages		100	100	100	100	100	100	
Psychological	Psychotic disorders	44,760	20.0	19.8	28.2	27.8	20.2	11.9	43.1
	Psychoneurotic disorders	29,775	12.8	15.5	16.1	15.1	14.6	9.5	44.2
Mental retardation		23,058	10.4	23.6	19.3	13.6	7.4	3.6	37.9
Internal		54,002	23.9	8.9	9.3	14.6	24.3	38.7	53.2
Urogenital		7,234	3.3	1.3	1.6	2.4	3.7	4.4	51.5
Neurological		28,722	12.8	16.1	12.9	12.3	11.6	13.1	46.3
Locomotor		18,777	8.3	5.1	5.1	7.1	9.7	10.2	49.7
Sensory	Visual	10,662	4.9	4.8	4.4	4.5	4.6	5.1	47.3
	Hearing	5,335	2.3	4.7	2.8	2.1	2.0	2.1	43.7
Other		2,469	1.2	0.3	0.4	0.5	1.8	1.4	51.8

Approximately one third of disability pension recipients suffer from a psychological problem as a primary impairment<sup>12</sup> (Table 5). The primary impairment characteristics vary among people of different ages: At a young age the congenital impairments are prominent (such as retardation, hearing and psychological<sup>13</sup>) and at an older age the rate of impairments that develop with age increased (such as internal and urogenital<sup>14</sup>). Compared to 2012, the average age of disability pension recipients decreased by approximately half a year (from 47.3 to 46.7) – a result of the age of the new enrollees in the system compared to the age of those leaving it.

Approximately 48% of disability pension recipients are married<sup>15</sup>, but about 41% of them are not paid an increment for their family members due to the high (non-work) income of the disabled person or of the (work and non-work) income of their spouse (Table 6).

The percentage of married wage-earning women is low since a married woman who did not work prior to submission of the claim for a period of time defined by law is deemed a housewife. Nonetheless, the percentage of women defined as housewives is decreasing, whereas the percentage of women defined as wage-earners is increasing.

**Table 6**  
**Disability Pension Recipients by Dependent Composition**  
**and Family Status (absolute numbers and percentages), December 2013**

Family status		Total		Dependent composition					
		Absolute numbers	Percentages	Without dependents	One child	Two children	Spouse	Spouse + child	Spouse + 2 children
Total	Numbers	224,794		148,921	17,257	20,656	15,809	6,836	15,315
	Percentages		100	66.1%	7.5%	8.8%	7.5%	3.2%	6.9%
Married	Total	106,533	47.4	43,912	10,084	15,213	15,637	6,678	15,009
	Men	64,656	28.8	22,505	3,779	5,223	13,791	5,817	13,514
	Wage-earning women	25,917	11.6	12,549	3,831	5,362	1,846	861	1,468
Unmarried	Housewives	15,960	7.1	8,858	2,474	4,628	-	-	-
	Total	118,261	52.6	105,009	7,173	5,443	172	158	306
	Men	65,768	29.3	60,126	2,787	2,281	147	140	287
	Wage-earning women	52,493	23.4	44,883	4,386	3,162	25	18	19

12 A primary impairment is defined as an impairment having the highest medical percentage of the impairments. The NII medical disability percentages are not established according to illnesses but according to the limbs and their functioning.

13 Retardation: Including those suffering from Down syndrome; psychological: including those suffering from autism.

14 Internal: Including blood, heart, liver and lung diseases, diabetes, asthma and most cancer patients; urogenital: Including kidney, urinary and reproductive tract and bladder problems (common among prostate cancer patients).

15 Not including disabled persons who have a common law spouse.

### Box 1

#### An International Look At The Disability Pension: Israel and The Oecd Countries

A review carried out by the NII In 2010 of the social security system in Israel compared to the OECD countries<sup>1</sup> revealed that there are many differences in the disability pension entitlement conditions among the various countries.

- **Who is insured**

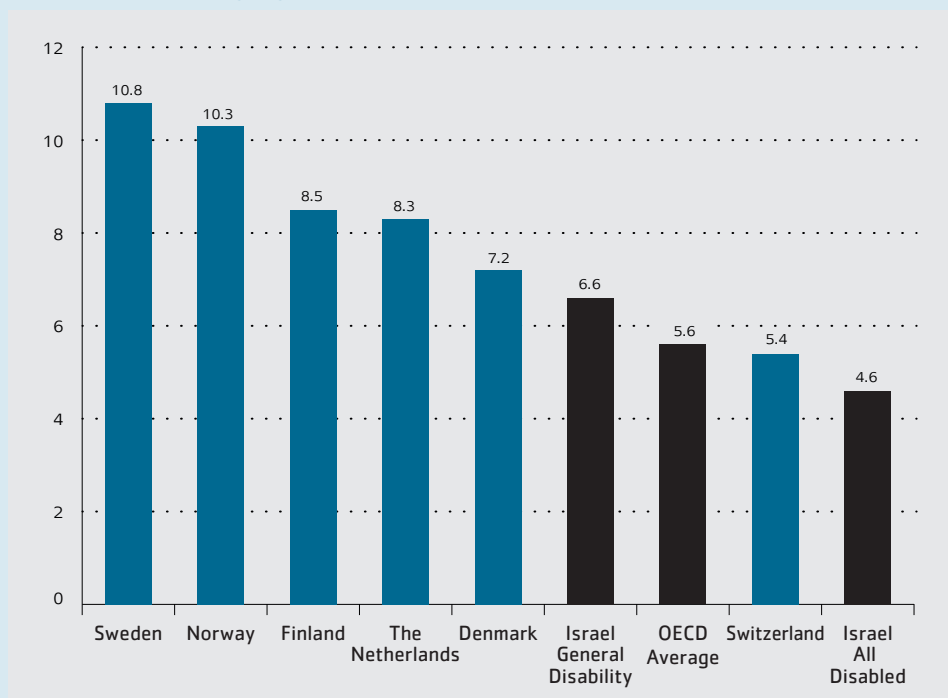
There are countries where all working age residents are insured with regard to disability pension (Israel, Sweden, Norway, Denmark, Finland, Iceland, the Netherlands and Switzerland while in the other countries only workers are insured (salaried or self-employed).

- **Establishing the degree of lost earning capacity**

In almost all the OECD countries entitlement to disability pension is contingent on loss of earning capacity. However, there is no uniform or accepted tool that

### Graph 1

Disability Pension Recipients as a Percentage  
of the Working Age Population, Israel and Selected Countries, 2011



1 Jacques Bendelac et al. (2010). An International Perspective on the Social Security System: Israel and the OECD Countries, 2009.

establishes the degree of loss of capacity. Hence, a person defined as disabled in one country would not necessarily be so defined in other countries. Moreover, the rate of the minimal loss of earning capacity is not identical among the countries: In Israel, for example, insureds who have lost at least 50% of their capacity to earn are entitled to a pension and this is also the case in Norway, Denmark, Iceland, Austria, Greece and Hungary.

In other countries the requisite loss of capacity rate is higher (for example, Great Britain, France, Italy and Belgium) and there are countries where the requisite rate is lower (for example, in Sweden 25%, in Spain 33%, in the Netherlands 35% and in Switzerland 40%).

In light of the above, it is clear that a comparison of the rate of disability pension recipients from among the working-age population in Israel versus all the OECD countries is too broad and therefore we chose to present a comparison of the rate of such recipients from the working-age population only in countries where all the residents are insured with regard to disability pension<sup>2</sup>. The rate of general disability pension recipients in Israel is the lowest of all selected countries – perhaps influenced by the requisite threshold conditions for entitlement. However, if we look at all the disability pension recipients in Israel we obtain a figure that is 18% higher than the average in the OECD countries (Graph 1).

- **Pension level and manner of calculation**

Not only the entitlement conditions, but also the pension level and manner of calculation are not identical among the various countries:

In **Israel** the level of the general disability pension is set according to the degree of lost earning capacity and it is calculated as a percentage of the "basic amount". In **Sweden** the pension amount is set according to the degree of lost earning capacity and an increment is paid for each year of entitlement. In **Norway** – according to the number of years of residency, and an increment is paid that is set as a percentage of the pre-disability wage. In **Denmark** – according to the degree of lost earning capacity only, without increments<sup>3</sup>. In **Finland** the pension is composed of a basic amount that is set according to the number of years of residency and the family status and the amount is determined for each year of employment and dependent on age. In **Iceland** the pension amount is set according to the degree of incapacity, the number of years of residency, the pre-disability earnings and the number of children of the disabled person. In the **Netherlands** – according to the degree of incapacity, the pre-disability wage and the age. In **Switzerland** the amount depends on the number of years of insurance and wages during the pre-disability period.

.....  
 2 The figure with regard to the rate of disability pension recipients in Iceland was not found.

3 Up to 2002 also in Denmark an increment was paid to disabled persons for their dependents.

In most of the countries where only employees are insured with regard to disability pension, the level of the pension depends on pre-disability wages or on the number of years of employment that preceded the disability.

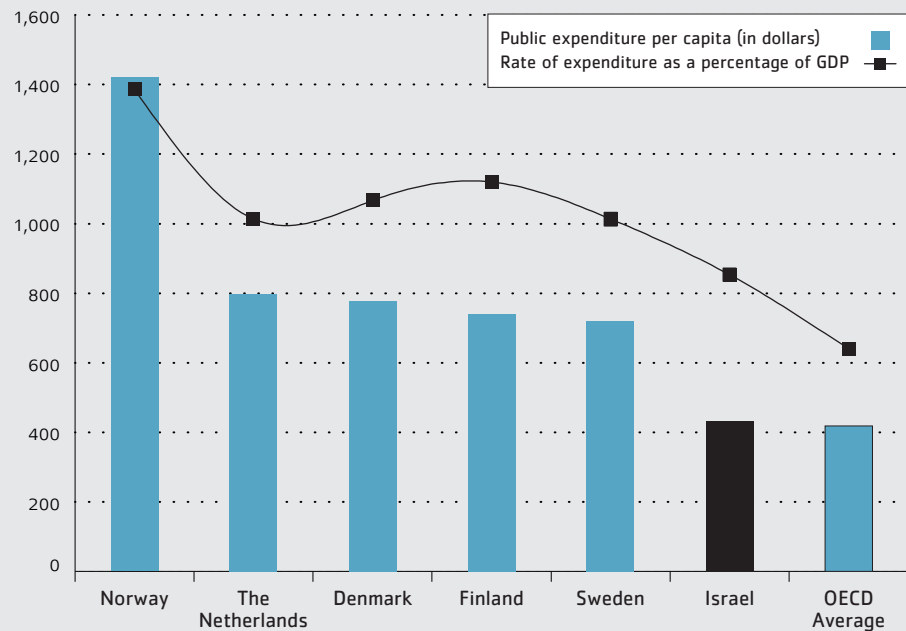
- **Receiving a pension and working**

Not in all the countries may a disabled person work while receiving a pension. In **Israel** it is possible to work and to receive a pension (or a part thereof) as long as the work income does not exceed 93% of the average wage (for an individual) or up to 130% thereof (in cases where an increment is paid for a spouse and/or children). Also in **Denmark, Iceland, Germany, Norway and Great Britain** it is possible to work and earn wages up to a certain ceiling (which varies among the different countries). In **Switzerland** and in the **Czech Republic** it is possible to work without any restriction. In **Sweden, Finland, Italy and Ireland** the disabled person is not allowed to work at all while receiving a pension.

- **Public expenditure on disability insurance**

The structure of the pension and the potential to integrate into the job market while simultaneously receiving a pension directly impact the pension level. Due to

**Graph 2**  
**Level of Public Expenditure on Disability Insurance and Rate of Public Expenditure on Disability Insurance per Capita as Percentage of the Gross Domestic Product, Israel and Selected Countries, 2011**



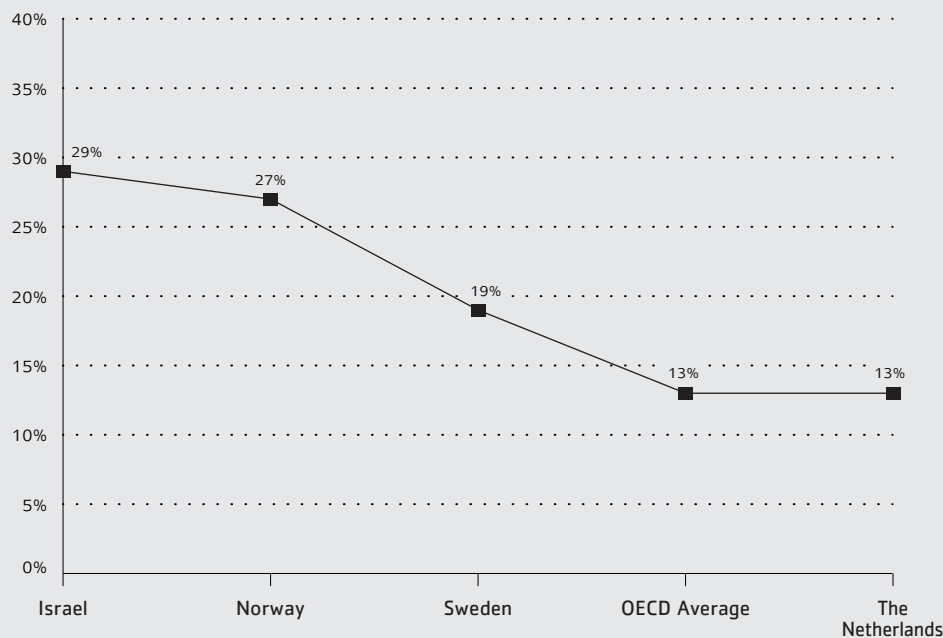


the problematic nature of such a comparison, we conducted a comparison of the public expenditure on disability insurance in Israel and in countries that are similar to it in the pension entitlement conditions, from among all the OECD countries. The pension per capita paid in Israel is the lowest among all the countries that are similar to it (both in dollars and as a percentage of the GDP)<sup>4</sup>, but compared to the average of all the OECD countries, the pension paid in Israel is higher (Graph 2).

The ability of the government to pay pensions is to a large extent contingent on its income. The funding entity of disability insurance in the various countries is not identical: In **Israel** disability insurance is funded through insurance contributions and the State Treasury and this is also the case in **Sweden, Norway, Switzerland, the Netherlands** and **Iceland**. In other countries (such as **Finland, Germany** and **Belgium**), disability insurance is funded solely by insurance contributions and in others (such as **Denmark**), it is wholly funded by the State Treasury.

Notwithstanding the difficulties entailed in such an examination, the ratio between the rate of public expenditure per capita on disability insurance and the rate

**Graph 3**  
The Relationship between the Rate of Public Expenditure on Disability Insurance and Insurance Contributions, Israel and Selected Countries, 2011



4 The figure with respect to public expenditure on disability insurance in Switzerland was not found.

of insurance contributions paid in countries where disability insurance is funded by insurance contributions and the State Treasury (Graph 3) was examined in selected countries. In Israel this ratio is the highest – a fact that partially explains the pension level paid in Israel.

In conclusion, Disability Insurance in Israel encompasses a larger insured population than it does in most OECD countries and provides its insureds with a high monthly pension in comparison with the average in these countries – which is commensurate with the insurance contribution rate paid by the Israeli insured. Despite the constant need to improve, it appears that in the disability field, Israel provides its insureds with suitable insurance.

## C. Attendance Allowance

### 1. Key elements of the Law

The attendance allowance (hereinafter: AA) is paid to insureds who require the assistance of another person with daily activities (dressing, eating, bathing, secretions and mobility within the home), or who require constant supervision to prevent endangerment to themselves or to others<sup>16</sup>.

Whoever resides in Israel and has not reached retirement age prior to submitting the claim may be entitled to the allowance, provided that they satisfy the following conditions:

- Disability pension recipients: If their medical disability rating is 60% or more (under the impairment sections recognized for AA), provided that they are not receiving a special work injury allowance or payment for personal care or household help pursuant to another law.
- Whoever requires dialysis (at least twice a week) or is undergoing active treatment for oncological diseases and depends on the assistance of others or has had an organ transplant (kidney, heart, pancreas, lung, liver) or who has undergone an autologous or unrelated donor bone marrow transplant.
- Blind persons for whom a medical disability of at least 90% has been established and who reside alone or with a blind spouse or who also have a hearing impairment at a rate of 50% or more.
- Whoever does not receive a general disability pension, if they satisfy one of the following conditions: (a) a medical disability rating of at least 75% has been established for them and their monthly work income is not higher than 5 times the

16 Similar to the entitlement conditions under the Long-Term Care Insurance Law, Section 223 of the National Insurance Law, (Consolidated Version), 5755-1995.

average wage (NIS 44,140 in 2013), provided that they do not receive a special work injury allowance or payment for personal care or household help pursuant to another law. (b) new immigrants (holding an immigrant certificate), for whom one year has not yet elapsed since the date of their immigration to Israel.

Whoever receives benefits under the Mobility Agreement is entitled to an attendance allowance only if a medical committee has determined that he has a limited mobility rating of 100% or that he is confined to a wheelchair or requires and uses a wheelchair.

Whoever was entitled to an attendance allowance prior to reaching retirement age is entitled at this age to choose between continuing to receive this allowance and receiving a long-term care benefit. Whoever is hospitalized in an institution where medical, long-term care or rehabilitation services are rendered is not entitled to the allowance.

The level of the attendance allowance is set relative to the full individual disability pension (25% of the “basic amount”) and an increment (additional monthly allowance –AMA) is also paid thereon. The allowance has three levels, determined according to the degree of dependence of the disabled person on the assistance of others (all the amounts are correct as of 2013<sup>17</sup>):

- Whoever requires a great deal of assistance in performing most of the daily activities during most hours of the day is entitled to a basic allowance at a rate of 50% of a full disability pension and to an AMA at a rate of 14% – totaling NIS 1,376 per month.
- Whoever requires a great deal of assistance in performing all the daily activities during most hours of the day is entitled to an allowance at a rate of 105% of the full individual disability pension and to an AMA at a rate of 28.5% – totaling NIS 2,868 per month.
- Whoever is totally dependent on another person in performing all the daily activities during all hours of the day is entitled to an allowance at a rate of 175% of a full disability pension and to an AMA at a rate of 42.5% – totaling NIS 4,674 per month.

## 2. Attendance allowance recipients

In December 2013, 42,054 people received an attendance allowance – approximately 8% more than in December 2012; For 5,517 of them this is the first year. There are several reasons for the growth in the number of allowance recipients: (a) The improved quality of medical care provided to seriously ill patients and prolonging their lives more than in the past, which is reflected by continued growth in the number of recipients defined as totally dependent on the assistance of others. (b) In general, an attendance allowance is paid from the 91st day of onset of the impairment, provided that the claim is submitted no later than within 15 months. From September 2012, disabled persons whose medical

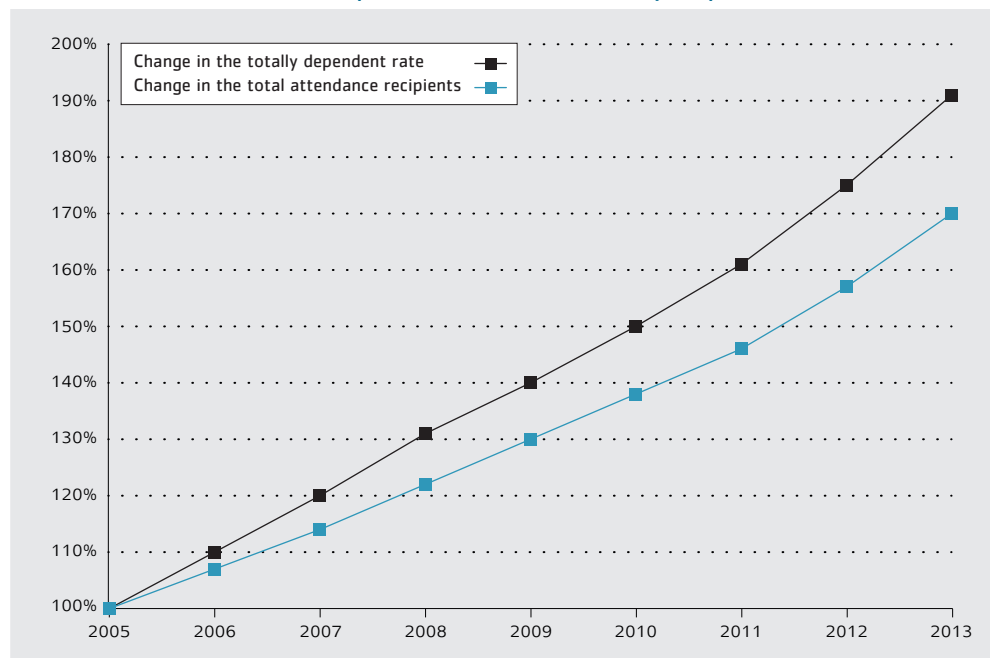
.....

17 These benefit rates have been in effect since January 2009. Up to then the allowance rates were 50%, 100% and 150% of a full individual disability pension.

disability rating is at least 75% and for whom entitlement of at least 6 months has been established are paid a pension from the 31st day.

As stated, most of the allowance recipients received more than one benefit – approximately 74% also received a disability pension (regular attendance) and another approximately 21% were also entitled to an old-age pension (elderly attendance allowance (Tables 2 and 7). The high rate of elderly is a result of the differences in the entitlement conditions between an attendance allowance and a long-term care benefit<sup>18</sup>, as well of a continued decrease in the mortality rates in Israel<sup>19</sup>.

**Graph 3**  
**The Change in the Number of Attendance Allowance Recipients**  
**and in the Number of Recipients Defined as Totally Dependent, 2005-2013**



A different distribution of impairments of attendance allowance recipients may be observed compared with that of general disability pension recipients: AA recipients have more neurological and internal problems and much fewer psychological problems or mental retardation (Tables 5 -17). One of the explanations for this is the medical disability threshold required for AA entitlement and the ADL criteria used to establish the entitlement, that test only difficulty in performing the five daily activities. Moreover, since about half of the special AA recipients work, internal or urogenital problems are more common with them than with the other two entitlement groups, whereas mental retardation or psychological problems are less common.

18 An attendance allowance is a monetary benefit and a long-term care benefit is usually in kind.

19 See Leading Causes of Death in Israel, the Ministry of Health, July 2011.

**Table 7**  
**Attendance Allowance Recipients**  
**by Entitlement Group and Primary Impairment**  
**(absolute numbers and percentages), December 2013**

Primary impairment		Total		Entitlement group (percentages)		
		Absolute numbers	Percentages	Regular AA	Special AA	Elderly AA
<b>Total</b>	<b>Numbers</b>	<b>42,054</b>		<b>30,985</b>	<b>2,647</b>	<b>8,422</b>
	<b>Percentages</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Psychological		3,077	7.3	7.5	2.4	8.2
Mental retardation		3,632	8.6	11.2	0.5	1.8
Internal		9,135	25.1	23.1	45.5	25.8
Urogenital		3,410	8.1	8.0	12.8	7.0
Neurological		14,540	34.6	35.2	26.2	35.0
Locomotor		3,589	8.5	8.0	6.7	10.9
Sensory		3,166	7.5	6.7	5.4	11.0
Other		103	0.2	0.2	0.6	0.3

**Table 8**  
**Attendance Allowance Recipients by Age**  
**and Grounds of Entitlement (absolute numbers and percentages), December 2013**

Grounds of entitlement		Total		Age (percentages)					
		Absolute numbers	Percentages	24-18	25-34	35-44	45-54	55-64	65 and over
<b>Total</b>	<b>Numbers</b>	<b>42,054</b>		<b>3,641</b>	<b>3,976</b>	<b>4,841</b>	<b>7,331</b>	<b>13,809</b>	<b>8,456</b>
	<b>Percentages</b>		<b>100</b>	<b>8.7</b>	<b>9.5</b>	<b>11.5</b>	<b>17.4</b>	<b>32.8</b>	<b>20.1</b>
Undergoing active treatment		1,692	100	2.7	7.3	19.1	27.5	38.4	4.9
Underwent transplant		174	100	8.0	16.7	20.7	22.4	27.0	5.2
Require dialysis		2,719	100	2.0	7.0	13.2	23.9	37.3	16.6
Suffer from blindness		1,430	100	5.1	10.8	13.8	21.5	25.8	23.0
Require assistance with most daily activities		9,520	100	6.3	10.5	11.1	14.7	30.9	26.6
Require assistance with all daily activities		12,127	100	6.8	8.0	10.9	18.3	35.6	20.5
Totally dependent on others		14,392	100	14.1	10.5	10.7	15.7	31.1	17.8

Approximately 14% of AA recipients are entitled to the allowance due to special medical conditions (6,015 out of 42,054) (Table 8)<sup>20</sup>, their number increases with age and

20 It should be noted that AA recipients who have one of the automatic grounds (blindness or disabled persons who have undergone special medical treatment) and whose serious medical condition confers on them an allowance at a higher rate than set forth in the regulations, are counted as dependent on others.

**Table 9**  
**Attendance Allowance Recipients by Medical Disability Percentage,**  
**Family Status and Assisting Entity**  
**(absolute numbers and percentages), December 2013**

Family status	Assisting entity	Total		AA medical disability (percentages)			
		Absolute numbers	Percentages	60-69	70-79	80-89	90-100
Total	Absolute numbers	42,054		4,094	5,850	7,120	24,990
	Percentages		100	9.7	13.9	16.9	59.4
Married	Total	21,435	100	8.0	11.5	17.8	62.8
	Employ a foreign worker	2,355	100	4.4	7.9	18.0	69.7
	No foreign worker	19,080	100	8.4	11.9	17.7	61.9
Unmarried	Total	20,619	100	11.5	16.4	16.1	55.9
	Employ a foreign worker	2,889	100	4.9	9.7	15.2	70.2
	No foreign worker	17,730	100	12.6	17.5	16.2	53.6

people aged 55-64 constitute one third of the recipients. Among those who are totally dependent on others, the high rate of young people is prominent – inter alia, due to high representation of those suffering from neurological problems. On the other hand, among people aged 65 and over the rate of those undergoing active treatment or a transplant decreases, since an allowance is paid on these grounds for a temporary period only.

The medical condition of attendance allowance recipients is more severe than that of the other disability pension recipients: approximately 59% of them have a medical disability percentage higher than 90% (compared with approximately 17% among disability recipients) (Table 9)<sup>21</sup>. Half of the recipients are married and approximately 12.5% employ a foreign worker. As expected, among those who employ a foreign worker, the rate of persons with a disability degree over 90% is even higher – approximately 70%. One third of allowance recipients are defined as alone (which confers on them other benefits), since they are not married or they reside with a spouse who is also disabled.

## D. Benefit For Disabled Child

### 1. Key elements of the Law

The benefit for disabled child is intended to assist the family caring for a child with special needs with the expenses entailed with the child's formidable personal and nursing care and with any other care that is intended to improve his functioning and to encourage the family to care for the child within the framework of the home and the community.

.....  
 21 See Table F/1 in the Appendix.

The process of determining the benefit entitlement has two stages. In the first stage, the claims officer verifies that the preliminary entitlement conditions are satisfied: The child, as defined under the National Insurance Law, has not yet reached the age of 18, he is a child of an insured (or of someone who was insured and died while being an Israeli resident)<sup>22</sup> and he is not in the custody of a foster family<sup>23</sup> or in an institution (under dormitory conditions where therapeutic, nursing or rehabilitation services are provided)<sup>24</sup>.

In the second stage, a pediatrician examines the child on behalf of the NII and determines whether he satisfies one of the following conditions:

- **The child depends on the assistance of others:** A child who has reached the age of 3 and as a result of an illness, syndrome, accident or congenital defect is dependent on the assistance of others in performing daily activities (dressing, eating, bathing, personal hygiene and mobility in the home) in a manner that exceeds what could be expected for a child his age.
- **The child requires constant attendance or constant supervision:** A child who is 90 days old and due to a severe medical impairment, serious chronic illness, severe behavior disorder or mental retardation he cannot be left without constant supervision or he requires the constant attendance of others, to prevent him from endangering himself or others.
- **The child suffers from a special impairment prescribed by regulations<sup>25</sup>:** Developmental delay; assistance with communication; hearing loss; visual impairment; autism or psychosis; Down syndrome.
- **The child requires special medical treatment:** He is 90 days old and due to a chronic illness he requires special medical treatment (as detailed in the Law).

In recent years, a number of changes have been made in the benefit for disabled child, which have led to an expansion in the number of entitled persons and to an increase in the monthly pension paid them. The prominent changes are implementation of the Or-Noy committee recommendations, under which the number of grounds entitling to a pension increased; the increment for maintenance allowance and scholastic assistance was unified to a level of 20% of the full benefit level, the increment was provided to all benefit recipients; and the benefit rate paid to children who are totally dependent on the assistance of others was increased.

.....

22 Including stepchildren or adopted children who have not yet turned 18 years old.

23 A foster family that has custody of a child with special needs is entitled to support from the Ministry of Welfare and Social Services.

24 Save special cases where the child is held in an institution and his parents bear all the expenses of his maintenance.

25 A child who has been found entitled to a benefit under this category may receive a benefit for disabled child from the day of his birth.

Pursuant to the Disabled Child Regulations, the benefit amount is set as a percentage of a full individual disability pension for each impairment category<sup>26</sup>. Under the amendments, three basic benefit entitlement levels were established: 50%, 100% and 128%. A child who satisfies more than one entitlement condition is entitled to one benefit at the highest rate. The basic monthly benefit amount for a child receiving a benefit at a rate of 100% was NIS 2,149 in 2013, to which was added an additional monthly pension (AMP) at a rate of 17% of a full individual pension: NIS 365 per month in 2013.

A family with two or more children receiving a benefit for disabled child is entitled to a benefit at a 50% increased rate (of the benefit rate for each child) for each one of the children. Families with two children with special needs, where one of them is not entitled to a benefit (since he lives in an institution or he is over 18 years of age and until he reached age 18 a benefit was paid for him), is also entitled to benefit at an increased rate for the child.

For children who have turned 18 and may be entitled to a disability pension or to an AA, the NII initiates a claim on their behalf in order to exhaust their rights to these benefits. The benefit payment continues for three months after they turn 18, so as to maintain continuity of payments to the family.

## 2. Benefit for disabled child recipients

A national study on children with disabilities in Israel, which was carried out in 1995 – 1997 by NII and the JDC-Brookdale Institute, revealed that 7.7% of children in Israel suffer from a chronic dysfunction or require ongoing medical care for a year or more. According to this estimate, in December 2013 approximately 200 thousand children with special needs lived in Israel and 37,965 of them received a benefit for disabled child – a number approximately 14% higher compared to the number of recipients in 2012. The main reason for the increase in the number of entitled persons is the reinstatement of the supervision grounds in the list of grounds entitling to a benefit (the number of children requiring supervision grew twofold last year).

The rate of change in the number of benefit for disabled child recipients is higher than that of the number of all children in Israel and it has increased even more sharply since implementation of the Or-Noy Committee recommendations (Graph 4).

Similar to the general distribution of children with special needs<sup>27</sup>, approximately 2/3 of the benefit for disabled child recipients from age 3 are boys (Table 10), this disparity

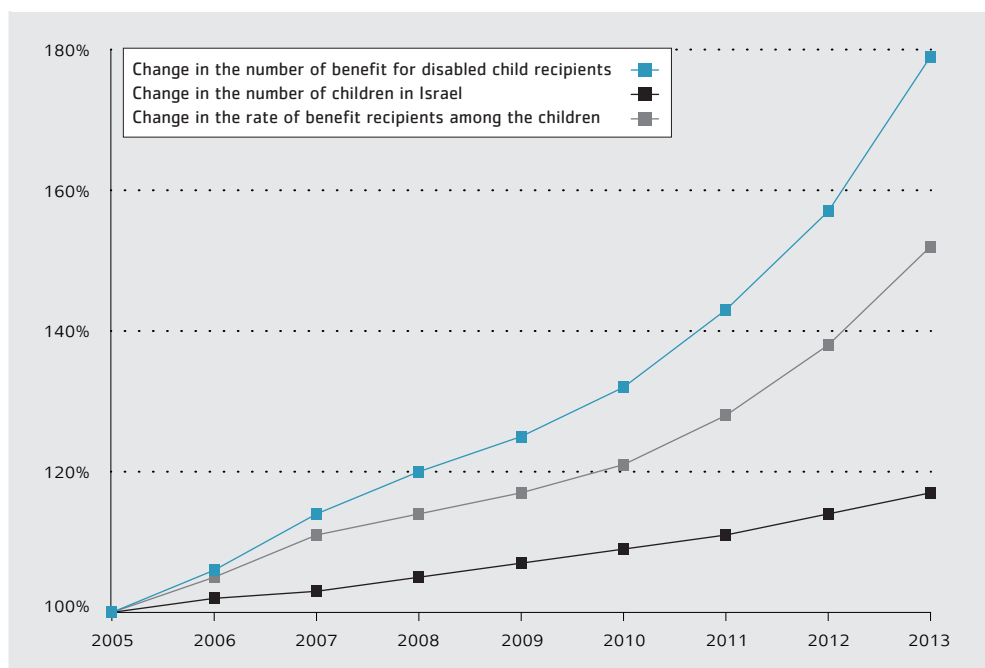
.....

26 As opposed to a disability pension, which is influenced by medical disability percentages and the degree of incapacity, there is no difference between benefit for disabled child recipients who are entitled on the same grounds. The benefit rates appear in the National Insurance (Disabled Child) Regulations, 5770-2010, Section 2: Benefit for Special Arrangements.

27 Naon et al. (2000). Children with Special Needs: Needs Assessment and their Coverage by Services. JDC – Brookdale Institute and the National Insurance Institute of Israel.



**Graph 4**  
**Benefit for Disabled Child Recipients and**  
**Development of the Child Population, 2005-2013**



between boys and girls originating mainly in the number of entitled persons with the special impairment – the prevalence of autism among boys is higher than among girls. The main entitlement ages are 6 – 13, due to the benefit entitlement definitions, which examine the child’s care compared to what could be expected for a child his age<sup>28</sup> and influenced by the minimum age set in the regulations for some of the grounds.

Caring for a child with special needs poses difficulties for the parents and caring for more than one disabled child makes it many times more difficult. In 2013 there were 2,212 families with more than one child receiving a benefit for disabled child (totaling 6,058 children), 280 of them having at least three children with special needs. The distribution of the common Impairments among these children reveals that in approximately 22% of the families the children suffer from hearing problems, in 24% there are two or more children with autism, in approximately 5% there are children with visual impairment and in 34% of the families there are children who are dependent on the assistance of others or require constant attendance.

About 3% of the benefit recipients employ a foreign worker – more than half of them do so since they are totally dependent on others for all daily activities (they can

28 Due to the natural development of the child, the effect of the disability is especially evident when he is an infant and diminishes as he matures.

**Table 10**  
**Benefit for Disabled Child Recipients by Age, Gender**  
**and Entitlement Group (absolute numbers and percentages), December 2013**

Gender	Entitlement group	Total		Age (percentages)				
		Absolute numbers	Percentages	Up to age 3	3-5	6-9	10-13	14-17
Total	Numbers	37,965		2,995	6,702	9,596	9,735	8,937
	Percentages		100	100	100	100	100	100
Boys	Total	24,681	65.0	58.9	66.3	68.0	64.9	63.0
	Children dependent on the assistance of others	4,597	12.1	.	8.7	13.2	13.6	15.9
	Children requiring constant attendance or supervision	4,095	10.8	10.9	9.5	12.2	11.5	9.5
	Children with a special impairment	12,731	33.5	31.0	40.0	35.4	31.4	29.9
	Children requiring special medical treatment	3,258	8.6	16.9	8.1	7.3	8.4	7.7
Girls	Total	13,284	35.0	41.1	33.8	33.0	35.7	38.0
	Children dependent on the assistance of others	3,295	8.7	.	6.7	8.0	10.6	11.7
	Children requiring constant attendance or supervision	2,265	6.0	7.4	6.2	6.1	5.7	5.5
	Children with a special impairment	5,110	13.5	21.2	14.5	11.6	12.1	13.6
	Children requiring special medical treatment	2,614	6.9	12.4	6.4	6.3	6.8	6.2

**Table 11**  
**Benefit for Disabled Child Recipients by Basic Benefit Rate,**  
**Assisting Entity and Number of Disabled Children in**  
**the Family (absolute numbers and percentages), December 2013**

Employment of foreign worker		Total		Basic benefit rate (percentages)		
		Numbers	Percentages	50%	100%	128%
Total	Numbers	37,965		9,861	22,864	5,240
	Percentages		100	26.0	60.2	13.8
Employ a foreign worker	Total	1,166	100	3.9	38.3	57.7
	Of them: Recipients of an increased benefit for families of disabled children	190	100	5.3	42.1	52.6
Do not employ a foreign worker	Total	36,799	100	26.7	60.9	12.4
	Of them: Recipients of an increased benefit for families of disabled children	5,597	100	19.8	68.0	12.2

be identified according to the benefit rate – 128%) (Table 11). The rate of children for whom a family increment is paid is nearly identical among those who employ and those who do not employ a foreign worker; however, in 2013 the number of families receiving a family increment whose children are totally dependent on others and who employ a foreign worker increased by some 10%. The increase of the benefit may have enabled more families to fund the cost of employing said worker.

## Box 2

### Children on the Autism Spectrum who Receive a Benefit for Disabled Child

Autism is a developmental disorder from the autism spectrum disorder – ASD – group. It is currently accepted to view this disorder as one of the pervasive developmental disorders – PDD – manifested in almost all the measures of child development: delays and difficulties in social interactions and language, and at a high rate also in cognitive, motor and sensory capabilities, and delays and difficulties in the mental capabilities of the child and in his behavior patterns reflected in play and in language. Medicine currently assumes that genetic, metabolic and environmental factors cause the onset of autism<sup>1</sup>.

#### Development of Persons Entitled to A Benefit in Respect of Autism

Until 2006, clear guidelines had not been issued for diagnosing children on the autism spectrum and therefore not all children with autism received a benefit for disabled child. In a petition to the High Court of Justice, filed in September 2006 by the Israel Society for Autistic Children (ALUT) and the Association for Children at Risk (HCJ 7879/06) against the NII, the Institute was requested to grant a benefit at a rate of 100% to all children with autism, alleging that the National Insurance Regulations do not differentiate between children with autism at different functional levels<sup>2</sup>. NII alleged in response that not all the children who are diagnosed as afflicted with autism spectrum impairment have a similar disability, and therefore automatic recognition of their benefit entitlement is inappropriate. In 2006 an interim order was handed down, whereby every child who is diagnosed as suffering from autism spectrum impairment will be entitled to a benefit at a rate of 100%, which is granted under the National Insurance Regulations.

In May 2008 the Minister of Welfare and Social Services at the time, Yitzhak Herzog, appointed a committee of experts, headed by Prof. Avraham Steinberg,

.....  
1 From <http://www.wikirefua.org.il> - Autism

2 National Insurance (Maintenance Allowance, Scholastic Assistance and Arrangements for a Disabled Child) Regulations, 5758-1998; a child suffering from autism or from psychosis as well as a child in a psychiatric – behavioral condition that is similar to the aforesaid impairments.

to discuss the professional aspect of the issues raised in the petition. The letter of appointment authorized the committee to examine the question of whether all children suffering from an autism spectrum disorder (PDD or ASD, including PDD NOS<sup>3</sup> and Asperger's syndrome), have a similar psychiatric-behavioral condition. The committee was also requested to state its opinion with regard to the tests that should be conducted in order to diagnose children suffering from such impairments and with regard to the feasibility of granting them a gradual benefit, depending on the findings determined by those tests.

The Steinberg committee determined that the regulations “clearly include the entire autism spectrum, including PDD NOS and Asperger's syndrome”. It recommended that all children up to age 7 who were diagnosed as autistic be granted a full benefit. In contrast, for children aged 7 or more it was recommended to grant a gradual full benefit, depending on the severity of their dysfunction and irrespective of the specific diagnosis within the autism spectrum. In 2009, NII adopted the committee report and conclusions, including its determination with regard to the correct and proper manner of diagnosing children with autism. Notwithstanding, to date the diagnostic methods for differentiating between children within the autism spectrum have not been agreed upon<sup>4</sup>.

### The Growth in the Number of Children with Autism

In recent years, there has been epidemiological evidence of a natural growth in the number of children with autism. There are several reasons for this:

- As part of the increased awareness of medical problems in general and the importance of early treatment, there is rising awareness of disorders within the autism spectrum, reflected in the growing number of mild autism diagnoses (mainly among boys).
- Medical development has led to a lowering of the age at which an autism disorder may be diagnosed: In the past it was common to diagnose around the age of 8, while presently many children are already diagnosed at age 3 (this fact influences the length of their stay in the NII system).
- The average birth age, both among women and among men, increases over the years. In the medical literature there is evidence of the effect of the birth age on the quality of the egg and the sperm and consequently also on the increased probability of health problems.

3 Pervasive Developmental Disorder Not Otherwise Specified.

4 From: <http://www.abiliko.co.il> – History of Autism in Israel and in the World.

NII data shows that one birth out of 200 live births is of a child with autism. In December 2013 10,270 such children, constituting approximately 27% of all benefit recipient children and 0.4% of all children in Israel, received a monthly benefit.

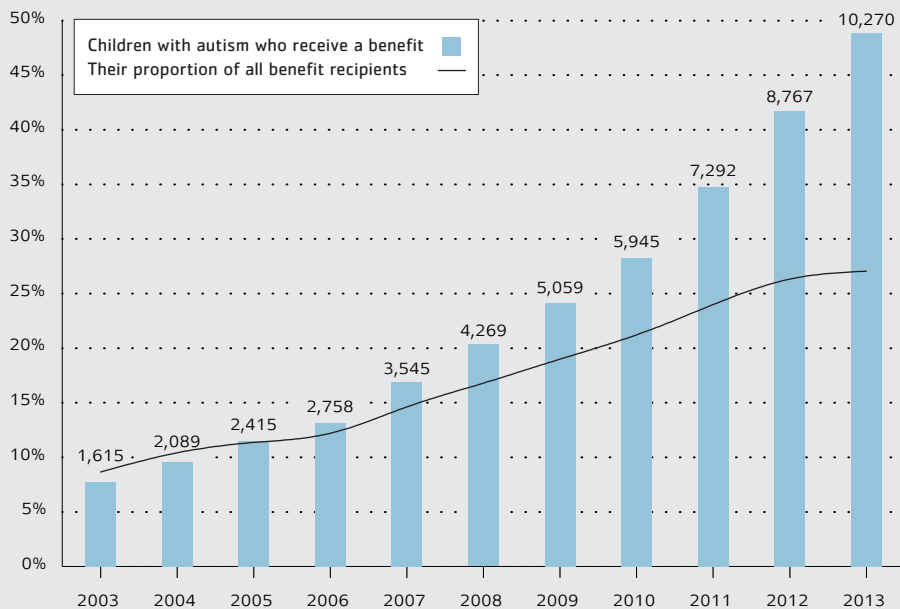
### The Growth in The Number of Children with Autism who are Entitled to a Benefit

Apart from the natural growth in the number of children with autism, we can identify the direct effect of the interim order and the Steinberg committee conclusions on the number of children receiving a benefit in respect of autism (Graphs 1 and 2). Since the order was issued, the annual growth of this rate has increased twofold. The stabilization of this rate for all children receiving a benefit for disabled child in 2013 is attributed to implementation of the Or-Noy Amendments, under which the number of all persons entitled to a benefit for disabled child has increased.

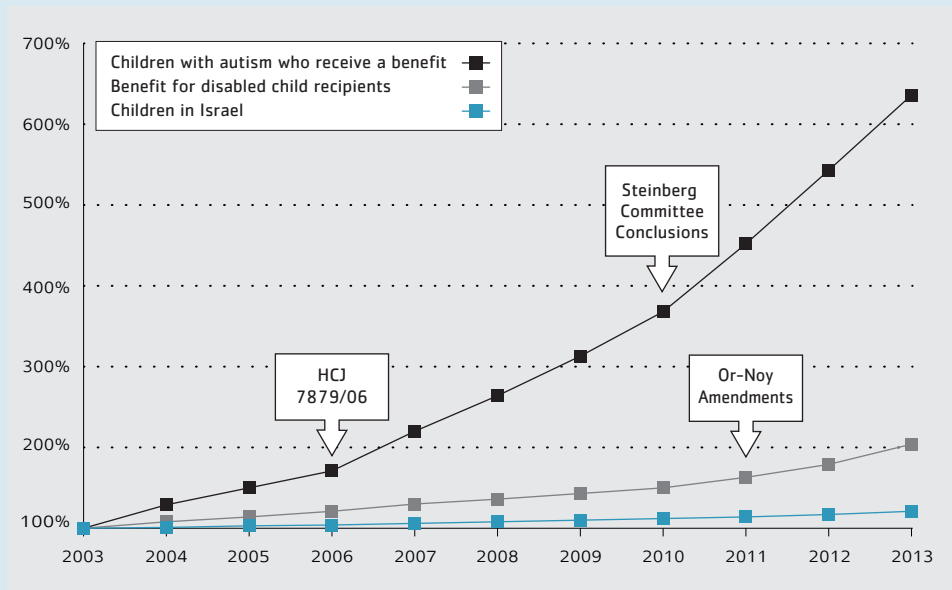
### Select Characteristics of Children with Autism

There is a high rate of boys among children with autism compared to their proportion of the child population (84% compared with 51%) – a known phenomenon for which a cause has not yet been found (Graph 3).

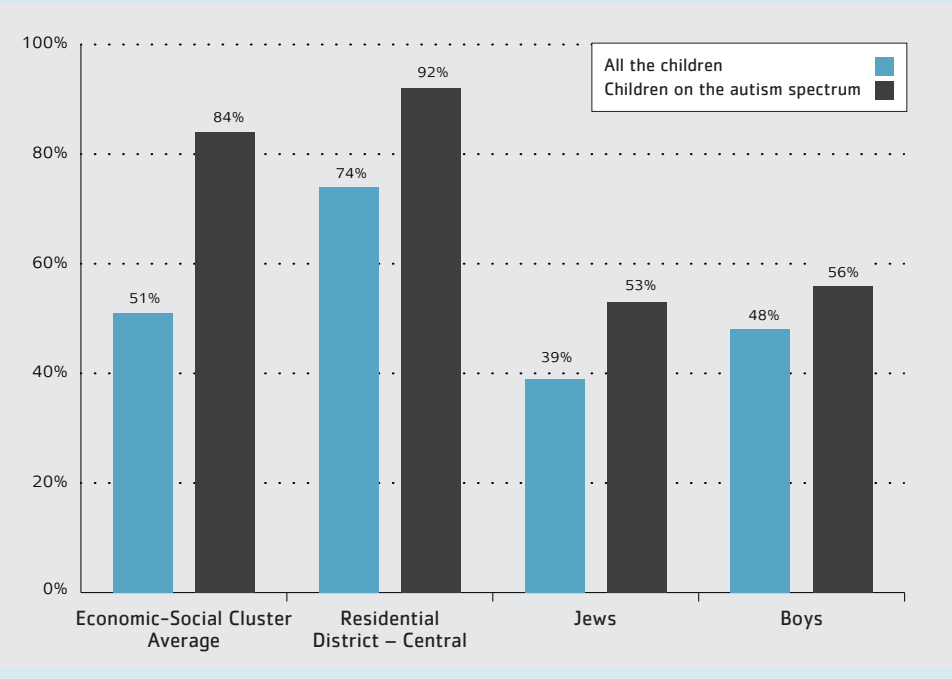
**Graph 1**  
Children with Autism Who Receive a Benefit for Disabled Child and their Proportion out of all Benefit Recipients, 2003-2013



**Graph 2**  
**The Rate of Change in the Number of Benefit for Disabled Child Recipients, the Number of Children with Autism who Receive a Benefit and the Number of Children in Israel, 2003-2013**



**Graph 3**  
**Select Characteristics of Children with Autism and Children in Israel, December 2013**



There are also high rates of children with autism among Jewish children, children who reside in Central Israel (Tel Aviv and Central District) and children belonging to a higher socio-economic status. A relatively low rate has been found in northern Israel and in the Jerusalem<sup>5</sup> area. The differences between the areas may be related to the awareness of this disorder not being identical in all parts of the population in Israel.

Currently, the Research and Planning Administration of NII is a partner and supporter of three studies of children with autism in Israel: (a) Autism in children born in 1992–2009. (b) Effect of air pollution on autism among children born in 2000–2009. (c) The probability of autism within families who already have a child diagnosed with autism. These studies and others in the field are intended to expand the knowledge with respect to this phenomenon whose incidence has grown in recent years.

.....

5 It is unclear which came first – the place of residence of the children with autism may be influenced by the geographic dispersion of the treatment centers of said children, but perhaps the dispersion of the treatment centers is actually influenced by the place of residence of the children.

## D. Benefit For Persons With Limited Mobility

### 1. Key elements of the Law

The mobility allowance confers benefits on disabled persons with leg impairments that limit their mobility<sup>29</sup>. The allowance is paid from State Treasury funds pursuant to an agreement between the Ministry of Finance and the National Insurance Institute of Israel.

A person with limited mobility is an Israeli resident aged 3–67<sup>30</sup> for whom a medical committee of the Ministry of Health has established a permanent mobility limitation rating of at least 40% – for holders of a valid driver’s license, or a permanent limitation rating of at least 60%– for those who do not have a driver’s license.

Persons with limited mobility are granted the following benefits:

- **Monthly allowance** – to subsidize the expenses of vehicle use<sup>31</sup> (for vehicle owners) or mobility (for those without a vehicle)<sup>32</sup>. A person whose home is more than 40 kilometers distant from his workplace, round trip, is entitled to an allowance increment. Only a person with limited mobility defined as a wage earner is entitled to a full benefit<sup>33</sup>.

.....

29 Subject to the list of impairments appearing in Addendum “A” to the Mobility Agreement.

30 In the Mobility Agreement there is no differentiation between men and women.

31 Expenses for fuel, insurance of the vehicle and its accessories, repairs and services and protective measures.

32 The allowance is updated from time to time according to the rate of increase of vehicle maintenance expenses.

33 A wage earning person with limited mobility is someone who works and earns at least 25% of the average wage, or who has an 80% or more mobility limitation, or who is entitled to a vehicle and special accessories. A non-wage earning person with limited mobility is entitled to 50% of the full benefit.

- **Standing loan** – extended to a new vehicle purchaser, for full or partial financing of the taxes due on the vehicle<sup>34</sup>. The loan amount is the same as the tax due on the determining vehicle (as defined by law) prescribed for the disabled person and no more than the tax due on the purchased vehicle. The loan is repaid to the Institute subject to the established rules.
- **Loan fund** – someone who the medical committee has determined requires and uses a wheelchair and who the Medical Institute for Road Safety has determined requires a specially accessorized vehicle<sup>35</sup>, or who has a limited mobility rating of at least 90%, who possesses a driver's license and who studies / works/ is in the process of rehabilitation – is entitled to assistance in purchasing the first vehicle at a rate of 80% of the value of the vehicle, without taxes<sup>36</sup>.
- **Loan for purchasing and installing accessories in a vehicle**<sup>37</sup> – whoever requires and uses a wheelchair is entitled to a loan to finance the special accessories required to use the vehicle, if the Medical Institute for Road Safety has determined that he requires a specially accessorized vehicle. If he possesses a driver's license, he is entitled to assistance in purchasing a lift mechanism as well.
- **Reimbursement of expenses for purchasing and installing accessories in a private vehicle** – a person with limited mobility who possesses a valid driver's license who the Medical Institute for Road Safety has determined requires additional accessories for driving, travel safety and using the vehicle – is entitled to reimbursement of expenses for the installed accessories.

It should be noted that the benefits granted to a person with limited mobility are not discontinued when he reaches the age of 67. However, in situations where he is entitled to mobility subsidies under other laws his entitlement to benefits under the Mobility Agreement is negated. In these situations, the person with limited mobility is not entitled to the aforementioned benefits and he must choose one benefit: (a) He receives an attendance allowance at a rate of less than 100% and has an established 100% mobility limitation or he does not require and use a wheelchair. (b) He receives a benefit for disabled child and he has not yet reached the age of 3, or he has reached the age of 3 and does not have an established mobility limitation of higher than 80%, or he does not require and use a wheelchair.

.....

34 A standing loan to replace a vehicle is granted to a person with limited mobility who possesses a driver's license only if 42 months have elapsed from the date of receiving the previous loan: For a person with limited mobility that does not have a driver's license – only if 48 months have elapsed; for a specially accessorized vehicle owner – only if 60 months have elapsed from the date of receiving the previous standing loan. If the vehicle has been stolen or completely damaged in an accident or there has been deterioration in the medical condition and the Medical Institute confirmed that the vehicle should be replaced, a new standing loan may be received.

35 A specially accessorized vehicle is a vehicle that may be entered or driven while seated in a wheelchair.

36 These amounts turn into a grant on expiration of 5 years.

37 Level of the loan – 95% of the value of the accessories and the cost of installing them, including the taxes due on them; and it is provided for new accessories only.



A family with two or more children each of whom has an established mobility limitation of at least 80% or it has been determined that they are incapable of walking on their own and they reside in the same apartment, may be entitled to both a benefit for disabled child and to benefits under the Mobility Agreement, even if the children have not yet reached the age of 3.

## 2. Mobility allowance recipients

In December 2013 36,074 people received benefits – a growth of 4% compared to 2012. The rate of growth in the number of persons entitled to mobility allowance diminishes over the years. Approximately 69% of allowance recipients receive an additional benefit from the Disability branch and 2,097 more are entitled to a disability pension from the Work Injury branch (Tables 2 and 3). We may assume that the other entitled persons who do not receive an additional benefit earn a high wage that negates a benefit or they are forced to relinquish other benefits due to the duplication with mobility.

**Table 12**  
**Mobility Allowance Recipients, by Driving Status, Vehicle Ownership and Vehicle Size (absolute numbers and percentages), December 2013**

Vehicle ownership	Engine capacity	Total		Driving status (percentages)	
		Absolute numbers	Percentages	Driver	Non-driver
Total	Absolute numbers	36,074		20,670	15,404
	Percentages		100	57.3	42.7
Vehicle owners	1300	10,277	100	79.3	20.7
	1800	9,889	100	88.3	11.7
	2000	1,712	100	81.3	18.7
	2500	322	100	98.4	1.6
	Van	6,823	100	30.5	69.5
No vehicle		7,051	100	.	100

An examination of the benefits for persons with limited mobility in other Western countries shows that only in a few countries there is a benefit specific to persons with limited mobility as there is in Israel. The main explanation for this is that in most of the countries the compensation for persons with limited mobility is incorporated as part of the benefits paid to those who are dependent on others (comparable to an attendance allowance in Israel). Compared to countries where separate compensation is paid to persons with limited mobility, Israel is the world leader in diversity and scope of benefits paid, by a substantial lead over the others. The explanation for this is the low quality of accessible public transportation in Israel in contrast with many countries and the multiple options abroad: inter-city and city rail, bus lines and shuttle services – city, inter-city and dedicated.

As stated, the scope of benefits paid to a person with limited mobility depends on whether he owns a vehicle, the vehicle size determined for him (classified by

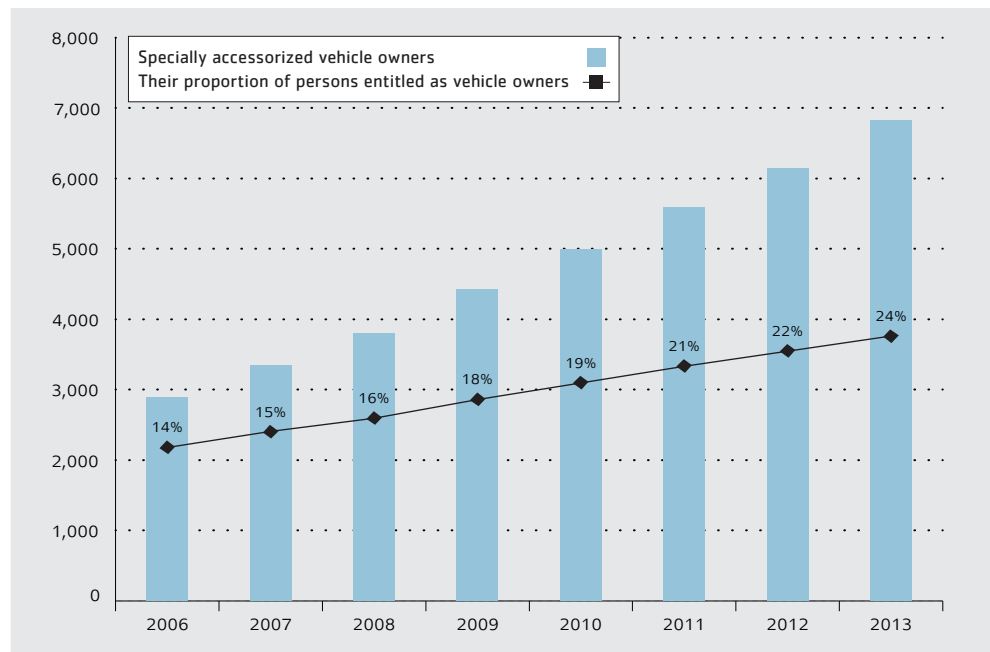
engine capacity) and his degree of independence (whether or not he drives himself). Approximately 80% of persons with limited mobility are entitled to a benefit as vehicle owners and approximately 36% of them have a small vehicle (with engine capacity of up to 1300 cc) (Table 12). Slightly more than 71% of persons with limited mobility who own a vehicle drive themselves, except for van owners, most of who sit in a wheelchair in the van, as a result of their serious medical condition.

In recent years, the rate of limited persons who own a private vehicle has decreased and the rate of those in possession of a specially accessorized vehicle has increased, inter alia due to the scope of benefits for such vehicle owners (Graph 5). This fact naturally increases public expenditure on Mobility Insurance.

The degree of dependence of the person with limited mobility on a wheelchair has a decisive influence on the rate of his limitation and on the vehicle size determined for him. Approximately 92% of persons with limited mobility, men and women, are confined to a wheelchair and about another 50% of those who require and use a chair have a limitation rating higher than 90%. The high rate of men entitled to a benefit is also prominent (Table 13).

Approximately one third of the allowance recipients are of non-working age, one third of them being children (Table 14). Most persons with limited mobility suffer from lower limb paralysis (67%). as the younger the age, the higher the rate of paralysis and the

**Graph 5**  
**Number of Specially Accessorized Vehicle Owners**  
**and their Proportion of all Vehicle Owners, 2006-2013**



**Table 13**  
**Mobility Allowance Recipients by Limitation Percentage, Gender and Wheelchair Dependence (absolute numbers and percentages), December 2013**

Gender	Wheelchair dependence	Total		Limitation (percentages)					
		Absolute numbers	Percentages	40-49	50-59	60-69	70-79	80-89	90-100
<b>Total</b>	Absolute numbers	36,074		3,222	3,432	3,051	4,142	9,597	12,630
	Percentages		100	9	10	8	11	27	35
Men	Total	22,345	100	11	10	9	12	27	32
	Confined	4,218	100	0	0	0	0	8	91
	Require and use	5,110	100	2	1	6	6	36	49
	None	13,017	100	17	17	12	18	29	7
Women	Total	13,729	100	6	9	8	11	27	39
	Confined	3,063	100	0	0	0	0	7	92
	Require and use	3,802	100	1	2	6	6	34	51
	None	6,864	100	11	16	13	19	31	9

lower the rate of those suffering from other impairments, since adults suffer also from limitations that develop with age, while most of the children suffer from congenital defects.

The mobility allowance is intended, inter alia, to enable its recipients to maintain a normal lifestyle, including integration in employment. Furthermore, someone whose home is more than 40 km distant from his workplace, round trip, is entitled to a pension increment as compensation for the additional fuel expense. Nevertheless, only approximately 17% of allowance recipients work, most of them close to their place of residence (17% of the workers are paid an allowance increment due to the distance between their place of residence and their workplace).

**Table 14**  
**Mobility Pension Recipients by Age and Primary Impairment (absolute numbers and percentages), December 2013**

Primary impairment	Total		Age (percentages)							
	Absolute numbers	Percentages	3-17	18-29	30-39	40-49	50-59	60-66	67 and over	
<b>Total</b>	<b>Numbers</b>	36,074	4,475	3,334	3,376	4,014	6,816	7,987	6,072	
	<b>Percentages</b>	100	100	100	100	100	100	100	100	
Paralysis		24,167	67	96	86	75	64	62	61	46
Limited joint mobility		4,591	13	1	5	10	13	14	17	20
Arterial insufficiency		1,905	5	.	0	0	2	6	8	13
Amputation		1,541	4	1	2	4	6	6	4	6
Sprains		1,287	4	1	2	4	6	5	3	4
Pseudoarthrosis		1,127	3	0	1	2	4	4	3	5
Sclerosis		945	3	0	1	2	3	3	4	5
Other		511	1	1	3	3	2	1	1	1

## F. Compensation To Tinea Capitis Victims

### 1. Key elements of the Law

The Tinea Capitis Victims Compensation Law passed by the Knesset In 1994 was intended to compensate persons who received radiation treatment for scalp ringworm (Tinea Capitis) between January 1, 1946 to December 31, 1960 by the State, the Jewish Agency, the sick funds or the Hadassah Medical Organization and they have contracted one of the diseases specified in the Law. The compensation is funded by the State Treasury and is paid by the National Insurance Institute of Israel.

Pursuant to the Law, a benefit entitled person is an Israeli resident who had contracted scalp ringworm<sup>38</sup> (Tinea Capitis) and an expert committee determined that pursuant to the radiation treatment he suffers from any type of cancer in the head and neck area or from benign brain tumors or from leukemia, or he suffers from baldness in the scarred areas of the scalp and his medical disability rate is 5% or more.

The regulations that were promulgated regulate the victim compensation: lump-sum compensation, monthly pension and grant in lieu of pension or grant to survivors as defined by law. The entitlement under the Tinea Capitis Victims Compensation Law does not derogate from the rights of the entitled persons to other benefits from the NII and is not age-dependent.

The payments provided under the Law are as follows (the amounts are correct as of 2013):

- **Monthly pension:** A patient with 40% or more medical disability is entitled to a monthly pension at a level of 25% of the average wage (pursuant to the National Insurance Law) multiplied by the medical disability percentages. The pension amount for 100% degree of disability – NIS 2,207.
- **Lump-sum compensation:** A patient with a medical disability of 75% or more is entitled to compensation in the amount of NIS 187,331; a patient with a medical disability of 40% - 75% is entitled to half the amount: NIS 93,666.
- **Grant in lieu of pension:** A patient with a medical disability of 5% - 39% is entitled to a lump-sum compensation, calculated as a percentage of the full pension amount (depending on the medical disability percentages established for him), and multiplied by 70.
- **Grant to survivors:** A spouse of a patient who has a child therewith is entitled to a grant at a level of 36 full monthly pensions – NIS 79,452; a spouse of patient who does not have a child therewith or a child of a patient are entitled to receive 60% of the full survivors' compensation amount – NIS 47,671.

.....

38 Tinea Capitis is a fungal skin disease that generally causes skin spots and irritations. Today, pills or ointments are used to treat the disease, but until 1959 there was no effective pharmacological treatment and x-ray radiation was used, the side effects of which proved to be severe.

## 2. Recipients of the benefit for Tinea Capitis victims

At the end of 2013, the number of monthly pension recipients under the Tinea Capitis Victims Compensation Law reached 4,284 – these are the serious patients who suffer from the disease and its metastases (Table 15). 265 of them first began receiving a pension in 2013. The average age of the entitled persons (68.2) is quite high as a result of the entitlement periods established by law. In contrast to most of the benefits paid by the Disability branch, most recipients of this pension (approximately 60%) are women, probably due to their longer average life expectancy than men.

**Table 15**  
Tinea Capitis Victims who Receive a Monthly Pension, by Age and Gender (absolute numbers and percentages), December 2013

Gender		Age (percentages)				
		Total	50-59	60-64	65-69	70 and over
Total	Numbers	4,284	263	1,157	1,443	1,421
	Percentages	100	100	100	100	100
Men		40	38	34	42	43
Women		60	62	66	58	57

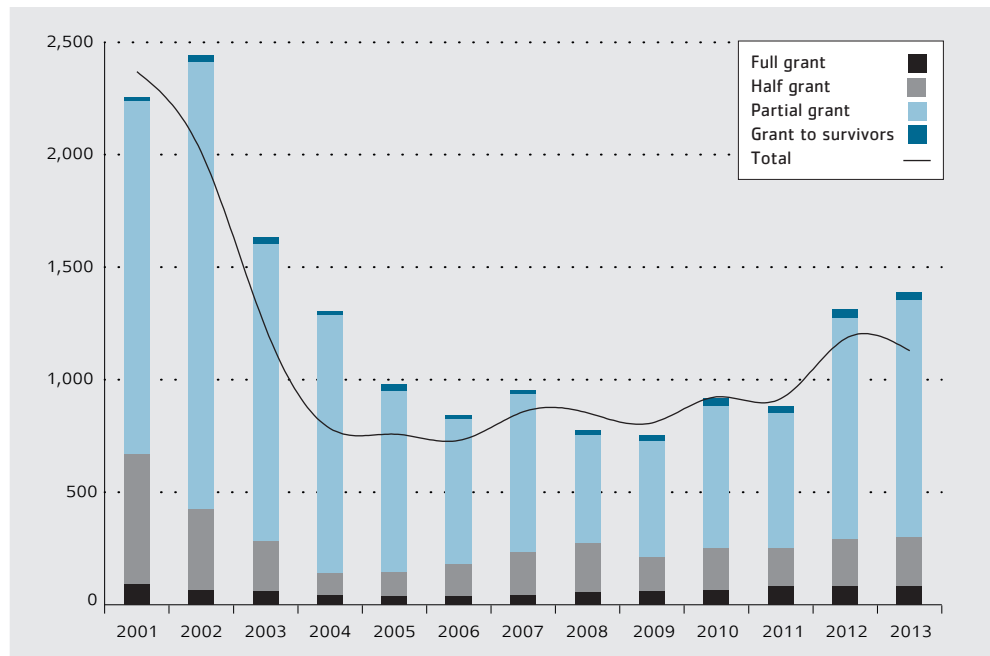
**Table 16**  
Tinea Capitis Victims who Receive a Monthly Pension, by Medical Disability Percentage and Entitling Impairment

Entitling impairment		Total		Medical disability (percentages)			
		Absolute numbers	Percentages	40-49	50-59	60-79	80-100
Total	Numbers	4,284		1,805	892	1,001	586
	Percentages		100	100	100	100	100
Damaged skin	Scars and damaged skin	1,889	44	53	50	38	17
	Baldness	798	19	33	15	6	2
Internal	Lymph nodes	447	10	1	9	17	32
	Internal – other	246	6	5	7	7	4
Neurological		866	20	7	15	31	42
Other		38	1	0	1	1	2

Most recipients of the pension suffer from damaged skin (approximately 63%) and they have a low disability rating and approximately 16% suffer from internal impairment and they have a high disability rating (usually those that have contracted cancer) (Table 16)<sup>39</sup>. Aside from the differences in the disability percentages defined in the impairment book, there are apparently differences between these patients also in life expectancy.

39 It is important to note that the entitling impairment is not necessarily the dominant impairment. For example, approximately 29% of the pension recipients have mental impairment, which is not reflected at all in Table 16.

**Graph 6**  
**Recipients of Grants for Tinea Capitis Victims\*, 2001–2013**



\* The payments are attributed to the year in which they were paid, but someone for whom higher medical disability ratings were approved after a repeat claim is counted as entitled to compensation on the new date. So also with respect to persons entitled to a grant under the Polio Victims Compensation Law.

From 2002, following maturation of the Law, the number of Tinea Capitis victim compensation or grant recipients had been diminishing up to 2011 (Graph 6), but in the last two years their number is growing again – possibly due to expanded activity to exhaust rights. The low rate of pension recipients with high medical disability percentages is also reflected in the low rate of full compensation recipients.

## G. Compensation To Polio Victims

### 1. Key elements of the Law

The Polio Victims Compensation Law was adopted by the Knesset in 2007. Under the Law, persons who satisfy the following conditions are entitled to compensation: he contracted Poliomyelitis<sup>40</sup> within the State of Israel or had undergone medical treatment within the State up to the end of 1969<sup>41</sup> and a qualified physician on behalf of the

40 Poliomyelitis damages the motor nerve cells in the spinal cord and consequently the nerve and muscle fibers are damaged. Approximately half the patients recover completely from the virus and approximately half suffer from varying degrees of limitations.

41 Up to February 2012, only someone who became ill within the State of Israel was entitled to compensation.

NII determined that he suffers from a medical disability or from a mobility limitation caused by the disease or by a subsequent deterioration (post-polio syndrome<sup>42</sup>). This compensation is funded by the State Treasury and is intended to express the State's commitment to the victims.

The payments provided under the Law are as follows (the amounts are correct as of 2013):

- **Monthly pension:** Whoever has an established medical disability of 20% or more is entitled to a monthly pension according to the medical disability percentages. The rate of a full pension is 50% of the average wage (as defined by law) – NIS 4,414.
- **Lump-sum compensation** – whoever has established permanent medical disability percentages: Up to 74% – compensation in the amount of NIS 59,338; 75% - 94% – NIS 118,678; more than 95% – NIS 142,413.
- **Grant in lieu of pension:** Whoever has established medical disability percentages at a rate lower than 20% is entitled to a grant in lieu of pension, paid proportionately to the disability percentages (out of the full monthly pension) and multiplied by 70.

In addition to these payments, the State subsidizes medical treatments, accessories and medical devices excluded from the health basket which are required by polio victims to conduct a normal lifestyle. It is important to note that the entitlement to compensation under the Polio Law does not derogate from the rights under other NII branches.

## 2. Recipients of the pension for polio victims

Most of the polio victims contracted the disease in the early days of the State (the early 50s), before the polio vaccine came into use (in 1961). Nonetheless, a few cases are known to have appeared later, probably in children or adults who had not been vaccinated.

In December 2013, the number of pension recipients reached 4,223 – an increase of approximately 4% compared with 2012. 195 people received it for the first time, and 75% of the recipients receive at least one additional benefit from the Disability branch (Table 3). Most of the increase in the last two years is a result of the 2012 amendment to the Law.

The vast majority of entitled persons contracted the disease before the vaccine administration began in 1961 (Table 17), a figure that could explain the older average age of the pension recipients – 61.7. The rest are primarily people who contracted the disease abroad and were treated in Israel or those suffering from late onset of the disease, among them also those who contracted the disease since they had not been vaccinated.

.....

42 Post-polio syndrome is caused as a result of erosion of the nerve cells and is characterized by decreased muscle activity accompanied by weakness and pain.

**Table 17**  
**Polio Victims who Receive a Monthly Pension, by Gender and Date of Onset of the Disease (absolute numbers and percentages), December 2013**

Date of onset of disease		Total		Gender (percentages)	
		Absolute numbers	Percentages	Men	Women
Total	Numbers	4,223		2,350	1,873
	Percentages		100	100	100
Before establishment of the State		437	10	9	11
1948-1959		3,114	74	72	75
1960-1969		395	9	11	8
1970-1979		160	4	5	3
1980 to present		117	3	3	3

**Table 18**  
**Polio Victims who Receive a Monthly Pension, by Entitling Impairment and Medical Disability Percentage (absolute numbers and percentages), December 2013**

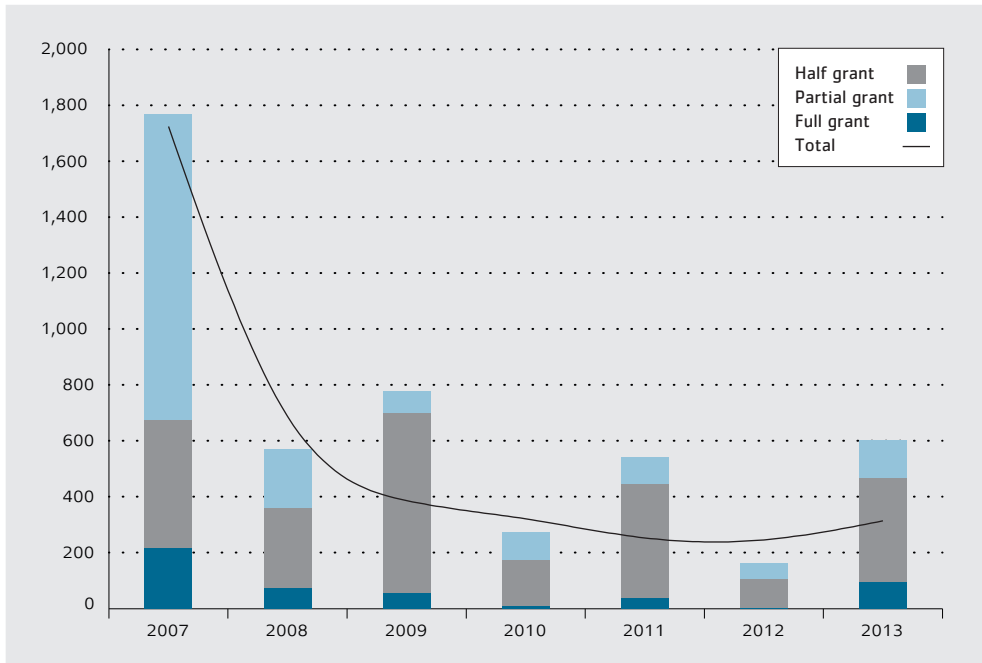
Entitling impairment		Total		Medical disability (percentages)					
		Absolute numbers	Percentages	20-49	50-59	60-69	70-79	80-89	90-100
Total	Numbers	4,223		952	466	285	174	1,352	994
	Percentages		100	100	100	100	100	100	100
Cranial nerve disorders		700	17	10	12	14	13	12	32
Limb nerve paralysis		1,035	25	66	25	48	38	5	2
Bone diseases and damage		362	9	16	8	11	9	5	6
Post-polio		2,126	50	8	54	27	40	78	60

Approximately 50% of pension recipients suffer from post-polio syndrome – a syndrome that could be revealed up to 45 years after infection with the virus. It may further be observed that there is a link between the impairment category and its severity: the rate of persons with high medical disability percentages who suffer from cranial nerve disorders and post-polio syndrome is higher than the rate of those suffering from limb paralysis and bone damage.

Since the Law came into force, the total grant payments have diminished every year. Nonetheless, there are fluctuations in the number of recipients between the years, since a person who has higher established medical disability percentages after submitting a repeat claim is included as a person entitled to compensation on the renewed entitlement date. We should note the disparity between the ratio of polio victims receiving both a monthly pension and a lump-sum grant (approximately 90% of all recipients) and the ratio for Tinea Capitis victims (approximately 23% of all victims) – probably due to the more generous entitlement conditions under the Polio Law.



Graph 7  
Recipients of Grants for Polio Victims and Total Grant Payments, 2007-2013



## H. Payments

In 2013, the General Disability branch paid benefits in the sum of approximately NIS 12.3 billion – an amount that is 3.2% higher in real terms than the amount paid in 2012. A distribution of the expenditure of the branch by payment category shows that the relative weight of the disability and rehabilitation benefit payments also continued to decrease in 2013 and reached approximately 67% of the expenditure of the Branch (Table 19). The main reason for this is the relative growth in the volume of payments of other benefits – allowance, disabled child and mobility. The total payments in 2013 to Tinea Capitis victims was approximately NIS 145 and to polio victims approximately NIS 230 million. The growth in payments to polio victims is largely a result of a legislative change that took effect this year.

The percentage of Disability branch benefit payments out of all NII benefit payments increased compared to 2012 and it is 18.7%, similar to its rate in previous years (Table 20).

In general, this year the trend of erosion of the various disability benefits (general disability, attendance allowance and disabled child) compared to the average wage continues – a result of the differences between the benefit updates and wage increase mechanisms.

The average disability pension<sup>43</sup> is influenced by many variables: (a) The rate of persons entitled to a full benefit, (b) the rate of persons entitled to an increment for their dependents, (c) the rate of entitled persons who have work income or non-work income, (d) the rate of incentive pension recipients. In 2013 the average pension was NIS 2,807 per month – which is 31.2% of the average wage (Table 21).

The average attendance allowance (which also includes the additional allowance) was NIS 2,482 in 2013, which is 27.6% of the average wage (Table 22).

The level of the average benefit<sup>44</sup> for disabled child is influenced by two major changes that occurred in recent years: payment of a study increment and maintenance allowance increment<sup>45</sup> to all the benefit recipients and the growth in the benefit for children who are totally dependent on others. In 2013 the level of the average benefit was NIS 2,439, which is 27.1% of the average wage (Table 23).

In 2013 the average mobility allowance was NIS 2,137 per month, which is 23.8% of the average wage. The real growth in the level of the average pension stems largely from the growth in the rate of persons entitled to a specially accessorized vehicle (Table 24).

**Table 19**  
**General Disability Branch Payments**  
**by Payment Category (percentages), 2009-2013**

Year	Total	Disability and rehabilitation	Allowance	Disabled child	Mobility
2009	100	71.3	9.1	7.7	11.0
2010	100	70.6	9.3	7.8	11.6
2011	100	69.3	9.9	8.5	11.6
2012	100	67.8	10.3	9.2	12.0
2013	100	66.8	10.8	9.9	11.6

**Table 20**  
**General Disability Branch Payments**  
**and Their Proportion of all Nili Benefits, 2009-2013**

Year	General Disability Branch payment		The rate of branch benefit payments out of total benefit payments
	In NIS million (2013 prices)	Real annual growth rate (percentages)	
2009	10,588,705	4.8	18.6
2010	11,121,790	5.0	18.6
2011	11,202,373	0.7	18.4
2012	11,866,467	5.9	17.8
2013	12,250,805	3.2	18.7

43 The payments also include the amounts paid for the additional monthly pension.

44 The payments also include the amounts paid for the additional monthly pension.

45 Children who had not yet reached the age of 14 before the new regulations came into effect are not entitled to the separate increment for scholastics that was paid until then.

In December 2013 the average pension for Tinea Capitis victims was NIS 1,285 and for polio victims – NIS 3,070 per month, with no real change relative to 2012.

**Table 21**  
Average Monthly Disability Pension (current prices, in fixed prices and as percentage of the average wage), 2009-2013

Year	Current prices	2013 prices	As a percentage of the average wage
2009	2,567	2,816	32.2
2010	2,658	2,839	32.2
2011	2,710	2,798	31.6
2012	2,774	2,816	31.5
2013	2,807	2,807	31.2

**Table 22**  
Average Monthly Attendance Allowance (current prices, in fixed prices and as percentage of the average wage), 2009-2013

Year	Current prices	2013 prices	As a percentage of the average wage
2009	2,236	2,453	28.0
2010	2,324	2,483	28.2
2011	2,383	2,460	27.8
2012	2,449	2,487	27.8
2013	2,482	2,482	27.6

**Table 23**  
Average Monthly Benefit For Disabled Child (current prices, in fixed prices and as percentage of the average wage), 2009-2013

Year	Current prices	2013 prices	As a percentage of the average wage
2009	1,973	2,164	24.7
2010	2,207	2,358	26.8
2011	2,266	2,340	26.5
2012	2,414	2,451	27.4
2013	2,439	2,439	27.1

**Table 24**  
Average Monthly Mobility Allowance (current prices, in fixed prices and as percentage of the average wage), 2009-2013

Year	Current prices	2013 prices	As a percentage of the average wage
2009	1,756	1,926	22.0
2010	1,828	1,952	22.2
2011	1,939	2,002	22.7
2012	2,036	2,067	23.1
2013	2,137	2,137	23.8



## 7. Work Injury Insurance

### A. Work Injury Branch Benefits

Work injury insurance is intended to compensate insureds<sup>1</sup> who have been injured at work, in an accident<sup>2</sup> or who have contracted an occupational disease<sup>3</sup>, in respect of loss of wages or income during the period following the injury, during which they became unfit for work, or in respect of physical or psychological damage from the injury. Work injury insurance also helps said injured persons to return to work with the assistance of vocational rehabilitation. The assistance to work injury victims is provided in several ways:

#### 1. Injury allowance

Payment due to absence from work and at the most for 91 days (13 weeks<sup>4</sup>) from the first day following the injury, to whoever was injured at work or contracted an occupational disease and consequently is unable perform his job or other suitable work and did not actually work and he requires medical treatment. The rate of payment is 75% of the average wage of the injured person during the three months preceding the injury and up to the maximum injury allowance (in January 2012 – NIS 1,059.38 per day).

#### 2. Work-related disability benefits

These are paid to work injury victims who have been left temporarily or permanently disabled as a result of the work-related injury.

- **Temporary disability pension** – paid to persons with a work-related disability who have a temporary degree of disability of at least 9%<sup>5</sup>.

.....

1 An insured under Work Injury Insurance is one of the following: a salaried employee (as of April 1954), a self-employed worker (as of July 1957), a person undergoing vocational rehabilitation, attending vocational training, being tested under the Apprenticeship Law or the Employment Service Law (during the testing time only), a working prisoner, a foreign resident employed by an Israeli employer (as of 1970), an Israeli resident abroad under certain conditions (as of 1970), a person whose wage is determined by law (for instance, a member of the Knesset), workers under the Emergency Services Work Law.

2 Work accident – an accident that occurs in the course and as a consequence of the work, including an accident on the way to and from work and an accident under the circumstances specified in the law.

3 Occupational disease – a disease contracted by the insured as a consequence of his work and appearing on the list of occupational diseases established in the law. The occupational diseases specified in the Second Addendum to the National Insurance Regulations (Insurance for Work-related Injuries), 5714- 1954.

4 Until 31.1.2002, persons injured at work were entitled to payment of an injury allowance for a maximum period of 181 days (26 weeks). For the two days following the day of injury, an injury allowance is only paid to persons who are unable to work for 12 or more days. Pursuant to the amendment to the law in 2005, the period of entitlement to an injury allowance at the expense of the employers was increased from 9 days to 12 days. Persons who have no employer, such as self-employed workers, are not entitled to payment for the first 12 days, apart from employers of domestic employees.

5 Until 2005, a work-related disability grant and temporary disability pension began to be paid from a 5% rated degree of disability.

- **Permanent disability pension** – paid to persons with a work-related disability who have a permanent degree of disability of at least 20% according to the degree of medical disability at a rate proportionate to the wage of the injured person during the three months prior to the injury (the maximum amount in January 2012 – NIS 31,781 to salaried employees and to self-employed workers).

The amount of the temporary or permanent disability pension is set as 75% of the income of the injured person during the three months preceding the injury multiplied by the degree of disability.

- **Work-related disability grant** – A lump sum at a rate of the monthly pension multiplied by 43 is paid to a person with a work-related disability who has a permanent degree of disability of 9% - 19%<sup>6</sup>.
- **Special pension** – paid in addition to the monthly pension to disabled persons who have a permanent degree of disability of at least 75% (and additional entitled persons under the law), who require assistance with daily activities (the maximum amount in January 2013 – NIS 8,057).
- **Special grant** – paid to disabled persons who have a degree of disability of at least 75% to fund non-recurring expenses due to the disability: housing adaptations, purchase of accessories and purchase of a vehicle to solve mobility problems (for persons with limited mobility only).

### 3. Dependents' benefits for work-related injuries<sup>7</sup>

These are paid to the widow/er, orphans, parents (and in special circumstances also to other family members) – of a person who died in consequence of a work-related injury and who had been dependent on him for their livelihood. The benefits can be paid as a pension, grant, marriage grant, maintenance allowance for orphans, Bar Mitzvah grant or death grant.

Dependents' pensions – a pension at a rate of 40% to 100% of the full pension which would have been due to the insured had he been disabled with a degree of disability of 100% and according to the number of children. A widow who has custody of children or who is over the age of 40 or who is unable to support herself is entitled to a dependents' pension, as well as a widower who has custody of a child or who is over the age of 40 and is unable to support himself (and whose gross income in January 2012 was less than NIS 4,913 per month). The full pension amount is 7% of the wage of the deceased during the determining period. The partial pension amount is determined according to the degree of entitlement<sup>8</sup>.

6 A person injured prior to 1.7.2003 received a grant in the amount of 70 pensions.

7 Dependents' benefits for work-related injuries include a dependents' pension, dependents' grant, marriage grant, vocational rehabilitation for a widow / er receiving a dependents' pension, maintenance allowance for orphans, Bar Mitzvah grant and death grant.

8 The rate of the dependents' pension according to the number of dependents and their relationship is specified in Section 132 of the National Insurance Law.

#### 4. Medical treatment expenses (including hospitalization and medical rehabilitation)

The National Insurance Institute, through the sick funds (which receive payment therefrom), provides full medical treatment to work injury victims, including, if necessary, medical rehabilitation, convalescence and nursing services, etc.

#### 5. Vocational rehabilitation

Provided to a disabled person whose permanent degree of disability is at least 10% and who in consequence of his work-related injury is unable to return to his previous work or to any other work. Vocational rehabilitation is provided also to the widows of work injury victims.

### B. Injury Allowance Recipients

#### 1. General

Injury allowance is a short term benefit paid to persons injured at work for a period of 91 days at most. In 2013, the number of recipients reached 74,760 – an increase of 6.2% compared to 2012<sup>9</sup>, which continues the upward trend in recent years (Graph 1).

The number of incapacity days for work also rose and reached 2,734,723 days – an increase of 7.4% compared to 2012. The average number incapacity days for work per injured person increased and reached 36.6 days – an increase of 1.1% (Tables 1 and 2).

The number of injury allowance recipients increased along with the increase in the number of employed persons. In 2013, injury allowance recipients constituted approximately 2% of all employed persons (Table 2).

The rate of injury allowance recipients among all employed persons decreased over the years but has remained stable in recent years, notwithstanding the increase in the

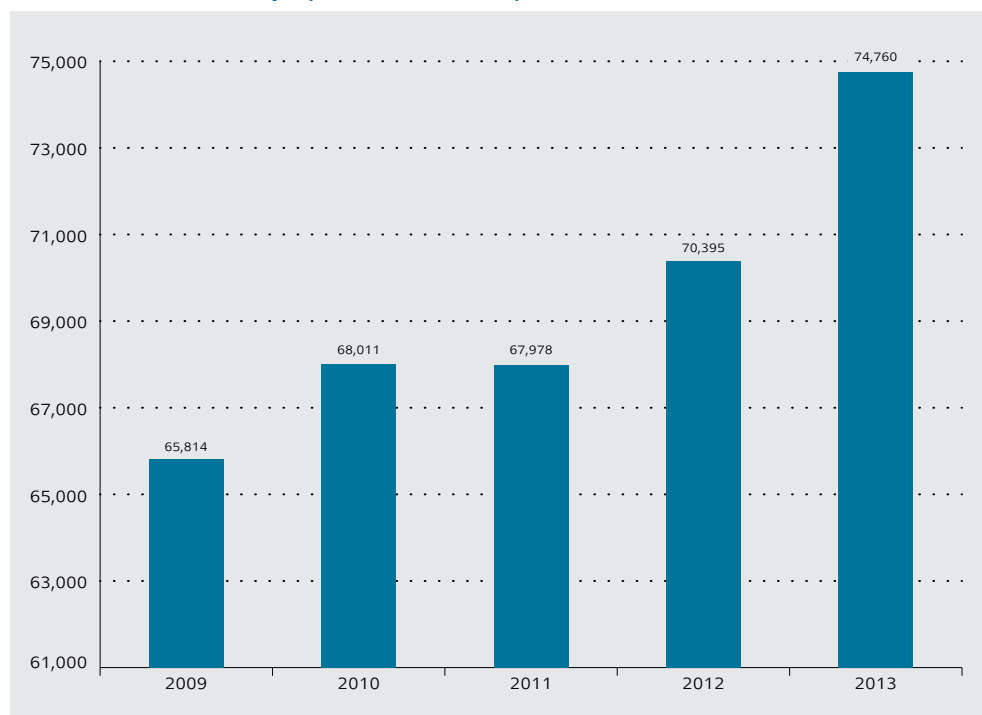
**Table 1**  
**Employed persons, Injury Allowance Recipients**  
**and Incapacity days for Work, 2009-2013**

Year	Employed persons (thousands)*	Injury allowance recipients	Incapacity days for work	
			Total	Average per injured person
2009	3,116.9	65,814	2,306,267	35.0
2010	3,214.0	68,011	2,478,106	36.4
2011	3,321.6	67,978	2,488,540	36.6
2012	3,426.8	70,395	2,546,960	36.2
2013	3,759.8	74,760	2,734,723	36.6

\* According to the National Accounting Data, the Central Bureau of Statistics, 2013. The employed persons include Israeli workers, foreign workers (reported and unreported) and residents of Judea and Samaria.

9 The series of injury allowance recipients from 2010 to date has been updated.

**Graph 1**  
**Injury Allowance Recipients, 2009-2013**



**Table 2**  
**The Rate of Change in Injury Allowance Recipients and Incapacity Days for Work (percentages), 2009-2013**

Year	Injury allowance recipients as a percentage of all employed persons	Average rate of annual change		
		Employed persons	Injury allowance recipients	Average incapacity days
2009	2.0	2.2	-5.6	1.4
2010	2.0	3.0	3.3	4.0
2011	1.9	3.0	-0.1	0.5
2012	1.9	4.0	3.6	-1.1
2013	2.0	2.9	6.2	1.1

number of recipients and that of employed persons. This gradual decrease, which began in 1996 and continued up to 2012, occurred concurrently with changes in legislation – charging the employer with payment in respect of the first days and revocation of the entitlement to payment for persons who have no employer (in 1997 and 2005). In 2013 a slight increase in the level of injury allowance recipients out of all employed persons was observed: from 1.9% to of 2%.

The average number of incapacity days per injured person reached its peak in 2001 (40 days), and in 2002 there was a sharp decrease that stemmed, inter alia, from a change



**Table 3**  
**Injury Allowance Recipients, by Number of Incapacity days, 1996, 2000, 2006–2013**

Year	Total employed persons*	Total incapacity days	Total injury allowance recipients	Number of incapacity days									
				0	1-14	15-30	31-45	46-60	61-75	76-90	91	92 or more	
<b>Absolute numbers</b>													
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	
2006	3,003,700	2,170,751	64,296	37	23,432	15,469	7,245	4,547	3,218	5,182	5,101		65**
2007	3,132,310	2,291,149	67,657	42	24,582	16,298	7,695	4,673	3,432	5,424	5,476		35**
2008	3,241,790	2,408,514	69,734	35	24,831	16,606	7,981	4,931	3,569	5,837	5,933		11**
2009	3,312,340	2,306,267	65,814	40	23,159	15,447	7,456	4,786	3,499	5,947	5,468		12**
2010	3,411,530	2,478,106	68,011	35	23,388	15,493	7,490	4,840	3,478	6,826	6,433		28**
2011	3,515,040	2,488,540	67,978	25	23,351	15,283	7,502	4,829	3,636	6,730	6,605		17*
2012	3,655,270	2,546,960	70,395	11	24,361	16,039	7,923	5,096	3,659	6,566	6,625		115*
2013	3,759,810	2,734,723	74,760	9	25,556	17,150	8,284	5,502	3,907	7,275	6,830		247**
<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	
2006			100.0	0.1	36.4	24.1	11.3	7.1	5.0	8.1	7.9		0.1
2007			100.0	0.1	36.3	24.1	11.3	6.9	5.1	8.0	8.1		0.1
2008			100.0	0.1	35.6	23.8	11.4	7.1	5.1	8.4	8.5		0.0
2009			100.0	0.1	35.2	23.5	11.3	7.3	5.3	9.0	8.3		0.0
2010			100.0	0.1	34.4	23.8	11.0	7.1	5.1	10.0	9.5		0.0
2011			100.0	0.0	34.4	23.5	11.0	7.1	5.3	9.9	9.7		0.0
2012			100.0	0.0	34.6	22.8	11.3	7.2	5.2	9.3	9.4		0.0
2013			100.0	0.0	34.2	22.9	11.1	7.4	5.2	9.7	9.1		0.3

\* From the National Accounting, the Central Bureau of Statistics. The 2006–2013 series has been updated and the new series cannot be compared to the old series.

\*\* Persons injured up to January 31, 2002 who received an injury allowance subsequent to this date.

in legislation (a shortening of the maximum period of injury allowance payment from 26 to 13 weeks, as of February 1, 2002). The decrease in the average incapacity days halted in 2003, and since then the rate has risen, reaching 36.6 in 2013 (Table 1).

There are two arrangements under the Work Injury Law (Regulation 22 and Section 343 of the Law), whereby the employer is the one who pays the injured person the injury allowance due to him in return for a discount or additional commission with which the NII credits him. Of the 68,616 salaried employees who received an injury allowance in 2013, 19,837 (29%) were employed by **authorized employers under Regulation 22**, whereby the NII does not reimburse the injury allowance to them for the first 12 days of entitlement. This is a payment that other employers are required to reimburse to the NII. In this case, the NII may permit an employer to pay the injury allowance on behalf of the NII and he must do so on the dates that he usually pays wages. The employer must

submit a claim to the NII in respect of the work accident of the employee and the NII reimburses the employer for the amounts paid thereby (for 13 or more days), together with a commission of 2.5% of the injury allowance. If the NII rejects the claim, the employer is not reimbursed for the monies that he paid to the employee.

Of all the salaried employees who received an injury allowance in 2013, - 602 (approximately 1%) worked for **employers who had enrolled under Section 343** of the Law. In 2011, 14 employers chose to enroll in this arrangement (these are large employers – of more than 500 employees) and they pay reduced insurance contributions to the Work Injury branch (85% of the regular rate). In return for the discounted insurance contributions, they absorb the payment of injury allowance to employees injured at work.

Over the years, there has been an increase in the number of severe injuries in respect of which claims were submitted to the NII (Table 3). In 1996, the last year before the legislative change whereby the first days are paid at the expense of the employer, the injured persons who had less than 14 incapacity days constituted about half of all injury allowance recipients and today their rate is under 35%. Concurrently, and with the shortening of the maximum period for receiving injury allowance, the rate of injury allowance recipients who had 61 or more incapacity days out of all recipients rose from 13% in 1996 to 24% in 2013. The percentage of injured persons who had 15-45 incapacity days has stabilized at a level of about 34% over the years.

## 2. Foreign workers, manpower company employees and contractor employees

It is difficult to obtain reliable data with regard to the injury rates of foreign workers, manpower company employees or contractor employees and the level of safety in the workplace.

The rate of injury allowance recipients among the foreign workers and residents of the territories has been lower than that of Israelis over the years. One may have expected that their rate would be at least the same as that of Israeli residents, due to the rather hazardous economic sectors (agriculture and construction) in which they work. The low rate probably reflects under-reporting of work-related injuries by this population, due to their fear of losing their jobs if they are absent due to an accident, their illegal status and concern as to their fate should it become known that they live in Israel without a permit –and perhaps also due to their lack of knowledge about their rights. In the case of serious work injuries these employees have no other option but to seek medical attention and to submit a claim for injury allowance or work disability. The NII pays directly the expenses of non-recurring treatment in the emergency room of foreign workers and as of April 2008, also of workers of the territories who were injured in work-related accidents and did not submit a claim for injury allowance.

A foreign worker is insured under Work Injury Insurance even if he lives in Israel unlawfully. Until February 28, 2003, foreign workers and residents of the territories

who were injured at work had been entitled to the full benefits granted to all work injury victims, whether or not they had a work permit. As of March 1, 2003, the benefit began to be denied to unreported foreign workers: on their departing Israel such workers are paid the benefit to which they are deemed to be entitled as of the date of their departure, and the payment does not include the period for which the benefit was denied. The gradual decrease in the number of foreign workers in 2002-2006 was expected due to the legislative amendments and the activities of the Immigration Police. An increase was again observed in 2007, and this increase continued until the end of 2009. In 2010,

**Table 4**  
**Employed Persons, Injury Allowance Recipients**  
**and Incapacity days, by Residency, 2009-2013**

	Total	Residents of Israel	Residents of territories	Foreign workers
<b>2009</b>				
Employed persons*	3,312,340	3,026,021	55,735	230,583
Injury allowance recipients	65,814	64,682	440	692
Rate of injury allowance recipients among employed persons	2.0	2.1	0.8	0.3
Average incapacity days	35.0	35.1	43.9	29.1
<b>2010</b>				
Employed persons*	3,411,530	3,120,687	60,621	230,225
Injury allowance recipients	68,011	66,656	490	865
Rate of injury allowance recipients among employed persons	2.0	2.1	0.8	0.4
Average incapacity days	36.4	36.5	45.8	29.9
<b>2011</b>				
Employed persons*	3,515,040	3,220,048	65,869	229,125
Injury allowance recipients	67,978	66,827	484	667
Rate of injury allowance recipients among employed persons	1.9	2.1	0.7	0.3
Average incapacity days	36.6	36.6	42.1	31.6
<b>2012</b>				
Employed persons*	3,655,270	3,358,974	65,550	230,741
Injury allowance recipients	70,395	68,987	604	804
Rate of injury allowance recipients among employed persons	1.9	2.1	0.9	0.3
Average incapacity days	36.2	36.1	46.5	35.7
<b>2013</b>				
Employed persons*	3,759,810	3,449,510	81,900	288,400
Injury allowance recipients	74,760	73,074	738	948
Rate of injury allowance recipients among employed persons	2.0	2.1	0.9	0.3
Average incapacity days	36.6	36.5	47.3	32.6

\* Source: The National Accounting, Central Bureau of Statistics.

the Prime Minister announced a new immigration policy that toughens the conditions for employing foreign workers, and that was intended to reduce their numbers by approximately 30 – 50 thousand.

Another population group for which it is difficult to obtain data on workplace safety is that of salaried employees who receive wages from manpower companies or from manpower contractors. Manpower surveys of the Central Bureau of Statistics identify these salaried employees by the question “who pays the wage”. In the work injury scheme of the National Insurance Institute, manpower companies are not specified by a unique code (economic sector or legal status of the employer) and it is therefore impossible to ascertain whether these employees are exposed to hazards as are the employees who receive wages from the workplace and whether the fact that they are exceptions for the employer causes him to lessen his responsibility for their safety conditions.

The problem also exists with contractor companies that do not supply workers, but rather services and to which the obligations incumbent on manpower companies, particularly the licensing obligation, do not apply. The receipt and renewal of a license are contingent on observance of the labor and workplace safety laws.

The definition of “recipients of wages from a manpower company” does not include salaried employees working through a sub-contractor, who is responsible for their work performance as well as for their safety. These are salaried employees who are employed primarily in two economic sub-sectors: guarding, security and cleaning and home caregiver services.

In 2013 (as well as in previous years), the average incapacity days per injured person of foreign workers was lower than that of Israeli residents – 32.6 days compared to 36.6 days respectively – although it would have been expected to be higher, due to their occupational sectors. The average incapacity days of the workers who are residents of the territories (Judea and Samaria) remained fairly high (47.3 days on average per injured person), although their occupations are seemingly similar to that of the foreign workers. However, it is possible that many of the foreign workers are employed as nursing caregivers who are injured less than are those employed in hazardous sectors.

Since 1997, the number of self-employed persons receiving injury allowance decreased – from 9,483 to 6,144 in 2013 – and their proportion of total recipients fell from 11.3%

**Table 5**  
**Injury Allowance Recipients by Employment Status**  
**and Incapacity days, 2013**

Employment status	Injury allowance recipients		Average incapacity days
	Numbers	Percentages	
All recipients	74,760	100.0	36.6
Salaried employees	68,616	91.8	35.4
Self-employed persons	6,144	8.2	49.9

**Table 6**  
**Injury Allowance Recipients by Employment Status and Economic Sector, 2013**

Economic sector	Recipients		Incapacity days		
	Numbers	Percentages	Numbers	Percentages	Average incapacity days per injured person
<b>Total</b>	<b>74,760</b>		<b>2,734,723</b>		<b>36.6</b>
Total salaried employees	68,616	100.0	2,428,177	100.0	35.4
Agriculture, forestry, fishery	1,682	2.5	57,099	2.4	33.9
Mining, excavation	132	0.2	4,641	0.2	35.2
Industry and production	11,070	16.1	349,351	14.5	31.6
Supply of electricity, gas, steam and air conditioning	430	0.6	13,088	0.5	30.4
Supply of water, sewerage services, garbage and waste treatment and purification services	322	0.5	11,194	0.5	34.8
Construction	7,339	10.7	333,416	13.9	45.4
Wholesale and retail trade, repair of motor vehicles and motorcycles	10,345	15.1	371,324	15.4	35.9
Transportation, storage, postal and courier services	5,674	8.3	245,211	10.2	43.2
Hospitality and catering services	4,292	6.3	133,223	5.5	31.0
Information and communications	1,379	2.0	41,147	1.7	29.8
Financial services and insurance services	1,408	2.1	43,768	1.8	31.1
Real estate activities	1,504	2.2	44,162	1.8	29.4
Professional, scientific and technical services	2,523	3.7	87,075	3.6	34.5
Management and support services	5,275	7.7	188,077	7.8	35.7
Local administration, public administration and security; mandatory NII services	5,789	8.4	178,569	7.4	30.8
Education	1,586	2.3	52,751	2.2	33.3
Health services and welfare and social services	4,659	6.8	154,900	6.4	33.2
Art, entertainment and leisure	1,040	1.5	41,585	1.7	40.0
Other services	1,504	2.2	54,108	2.3	36.4
Households as places of employment, households producing goods and services for personal use	26	0.1	802	0.0	30.8
International organizations and bodies	9	0.0	389	0.0	43.2
Unknown	628	0.9	21,644	0.9	34.5
<b>Total self-employed persons</b>	<b>6,144</b>		<b>306,586</b>		<b>49.9</b>

to 8.2% (Table 5). This decrease is apparently influenced both by the change in the law, whereby the initial incapacity days are funded by the self-employed person, and by the wave of small business closures during periods of economic recession. In 2013,

a slight decrease was recorded in the rate of self-employed persons who received an injury allowance (8.2%) compared to a slight increase in 2012 (from 8.5% to 8.7%). The average incapacity days for work among self-employed persons is about 41% higher than among salaried employees (49 days compared to 35.4, respectively), apparently since the self-employed persons are not inclined to submit claims to the NII in respect of brief absences (less than 12 days).

The distribution of salaried employees with work related injuries by economic sector changed slightly in 2012 in the wake of a transition to a new classification<sup>10</sup> of sectors, but still in 2013 the trends remained similar to those of previous years: 16.1% of the employees were injured in industry and production, 15.1% in commerce and repair of motor vehicles and motorcycles and 10.7% in construction. In terms of the severity of injury (measured here by the number of incapacity days for work), the most severe injuries have for years been occurring in the construction sector (45.4 days) followed by the following sectors: extraterritorial organizations and bodies (43.2 days), art, entertainment and leisure (40.0 days), other services (36.4 days) and commerce and repair of motor vehicles and motorcycles (35.9).

### 3. Women and youth

With increasing industrialization and the growth in the rate of women's participation in the civilian workforce which have characterized the last two decades, the proportion of women among all injury allowance recipients has also grown. Their rate has risen gradually and consistently – from 19.8% in 1995 to 31.4% in 2012 – but this year it has fallen slightly to a level of 30.6% (Table 7). Their proportion of all recipients is low compared with their proportion of total salaried employees in the job market in light of the nature of their occupations.

**Table 7**  
**Injury Allowance Recipients by Gender, 2009–2013**

	2009	2010	2011	2012	2013
<b>Numbers</b>					
Total	65,814	68,011	67,978	70,395	74,760
Men	45,906	47,354	46,668	48,449	51,906
Women	19,908	20,657	21,310	21,946	22,854
<b>Percentages</b>					
Total	100.0	100.0	100.0	100.0	100.0
Men	70.0	69.6	68.7	68.8	69.4
Women	30.0	30.4	31.3	31.2	30.6

10 The Standard Classification of Economic Sectors 2011 published by the CBS replaces the Standard Classification of Economic Sectors 1993 and it is based on the UN recommendations for the Standard Classification of Economic Sectors: ISIC 4 (International Standard Classification of All Economic Activities), Rev.

**Table 8**  
**Injury Allowance Recipients by Age and Gender (numbers), 2013**

Age	Total	Men	Women
<b>Total</b>	<b>74,760</b>	<b>51,906</b>	<b>22,854</b>
Up to 17	160	136	24
18-24	7,758	6,034	1,724
25-34	16,989	12,523	4,466
35-44	16,518	11,951	4,567
45-54	15,501	9,995	5,506
55-64	13,887	8,385	5,502
65+	3,947	2,882	1,065

An examination of the distribution of injury allowance recipients by gender and age shows that in the younger ages (up to age 34) men constitute 75% and in the older ages (45-59) they constitute only 63% of all recipients in the same age bracket (Table 8). The average incapacity days of women are lower than those of men: 31.7 compared to 38.7 respectively. This difference apparently stems from the difference in the occupational risk level of the younger men (higher) compared to that of the older men (lower).

### C. Work Accidents

In 2013, road accidents (during work or on the way to or from work) constituted 22.9% of all work accidents, which number has remained stable over the years. The number of road accidents to work increased during 2006-2013 from 14.4% of all work injuries to 16.2% (Table 9). By contrast, in 2013, the number of work-related road accidents constituted 6.7% of all work accidents. In the past, road accidents had caused more serious injury, which was reflected in the greater number of incapacity days than for other accidents. This gap has narrowed significantly in recent years and currently it is nearly non-existent, apparently due to the elimination of the short entitlement periods (up to 12 days), so that the number of applicants in mild cases has been greatly reduced, thereby raising the average number of incapacity days per injury.

The distribution of injury allowance recipients by cause of accident and nature of injury has been fairly stable over the years. The most common causes of work injury in 2012<sup>11</sup> were road accidents (26.1%), falls (from scaffolding, ladders or cranes; from a building or structure; slipping or tripping on stairs); slipping or tripping on level ground (25.9%) and injury from objects (falling, crushing, hitting – 16.2%) (Table 10). In terms of the severity of the injury (measured by the number of incapacity days), the serious injuries are primarily caused by falls (42.2 days). The falls primarily caused bruising and crushing as well as limb fractures, strains and sprains. Occupational diseases had the

11 The most current figures for cause of injury and nature of injury are for 2012.

**Table 9**  
**Injury Allowance Recipients by Location of Injury and Incapacity days, 2009-2013**

Year	Total	Work accidents		Accidents on the way to work		Other
		Accidents in the course of work*	Road accidents	Road accidents	Non-vehicle accidents	
<b>2009</b>						
Numbers	65,814	45,412	4,747	10,594	4,191	870
Percentages	100.0	69.0	7.2	16.1	6.4	1.3
Average incapacity days	35.0	35.0	39.5	33.0	35.7	35.4
<b>2010</b>						
Numbers	68,011	47,520	4,721	10,683	4,094	993
Percentages	100.0	69.9	6.9	15.7	6.0	1.5
Average incapacity days	36.4	36.2	42.0	34.3	38.0	35.8
<b>2011</b>						
Numbers	67,978	47,174	4,540	10,976	4,287	1,001
Percentages	100.0	69.4	6.7	16.1	6.3	1.5
Average incapacity days	36.6	36.4	42.3	34.3	37.9	38.3
<b>2012</b>						
Numbers	70,395	48,589	4,908	11,229	4,647	1,022
Percentages	100.0	69.0	7.0	16.0	6.6	1.5
Average incapacity days	36.2	36.0	41.8	33.8	37.9	37.1
<b>2013</b>						
Numbers	74,760	51,239	5,005	12,148	5,138	1,230
Percentages	100.0	68.5	6.7	16.2	6.9	1.6
Average incapacity days	36.6	36.2	42.7	34.9	37.6	38.9

**Table 10**  
**Injury Allowance Recipients and Incapacity days by Cause of Injury, 2012**

Cause of injury	Recipients		Incapacity days	
	Numbers	Percentages	Average incapacity days per injured person	Total days
<b>Total</b>	<b>70,395</b>	<b>100.0</b>	<b>36.2</b>	<b>2,546,960</b>
Falls	18,223	24.1	42.2	769,362
Road accident	18,354	25.9	37.2	682,792
Falling, hitting, crushing object	11,364	17.1	34.0	386,223
Machinery, tools	9,085	11.7	32.7	296,649
Over-exertion	5,745	9.0	38.0	218,505
Fire, scalding substance, steam, acid	1,083	1.5	22.2	24,046
Foreign object in eye	741	1.0	15.3	11,349
Altercations	677	1.1	33.3	22,533
Poisoning	500	0.7	21.7	10,834
Environmental factor	187	0.3	20.7	3,869
Occupational disease	118	0.2	58.1	6,860
Explosive material	116	0.2	34.6	4,008
Other and unknown	4,202	6.0	26.2	109,930



highest placing in the severity of the injury (58.1 days). Although the list of occupational diseases is closed, if the disease does not appear there and according to expert opinion there is a clear causal relation between it and the working conditions – the disease will be recognized as a work injury. Most of the claims for injury allowance in respect of occupational disease are submitted for the purpose of determining work-related disability.

An analysis of the distribution of injury allowance recipients by the **nature of the injury** shows that the most common causes are crushing (34.5%), skeletal muscle injury (14.5%), bruising (12.8%) and upper limb lacerations (9.2%). In terms of the **severity of the injury** (measured by the number of incapacity days), the serious injuries were lower limb fracture (66.2 days), damage to the vascular system (61.3 days), upper limb fracture (60.3 days), back or skull fracture or spinal cord injury (59.8 days) and dislocation without fracture (51.8 days).

The upper limbs are the most vulnerable organ in work accidents: fractures and lacerations (only) in the upper limbs caused approximately 15% of the injury allowance recipients to be absent from work (Table 11).

**Table 11**  
**Injury Allowance Recipients and Incapacity days**  
**by Nature of Injury, 2012**

Nature of injury	Recipients		Incapacity days	
	Numbers	Percentages	Average days	Total
<b>Total</b>	<b>70,395</b>	<b>100.0</b>	<b>36.2</b>	<b>2,546,960</b>
Crushing	24,290	34.5	36.4	883,001
Skeletal and muscular	10,203	14.5	34.0	346,818
Bruising	9,008	12.8	32.4	291,478
Upper limb laceration	6,461	9.2	30.0	193,723
Upper limb fracture	4,041	5.8	60.3	243,625
Strain, sprain	3,212	4.6	33.7	108,178
Lower limb fracture	2,763	3.9	66.2	182,953
Burns	1,318	1.9	23.8	31,306
Skull, back, spinal fracture	893	1.3	59.8	53,393
Head, neck, back laceration	891	1.3	19.9	17,704
Lower limb laceration	885	1.3	28.6	25,322
Symptoms	757	1.4	29.8	22,523
Foreign object penetration	747	1.1	14.6	10,913
Poisoning	297	0.4	19.3	5,718
Dislocation without fracture	215	1.1	51.8	11,140
Vascular system	129	0.3	63.1	8,142
Abrasion	98	0.2	25.1	2,460
Other and unknown	4,187	6.0	25.9	108,563

\* Work-related contusions and injuries other than road accidents.

## D. Recipients of Work-related Disability Benefits

Disability benefits are paid to work injury victims who have been left with a disability following the injury. A permanent disability pension is paid to injured persons who have a permanent degree of disability of 20% or higher.

### 1. Permanent disability pension

The number of recipients of permanent disability pensions has been rising steadily at a rate of about 5% per annum and in 2013 it reached 38,264, compared to 35,539 in 2012 (Table 12). A majority of the pension recipients (62.3%) have low disability degrees (up to 39%). This group is even larger among women (65.3%): 63.4% of them have a degree of disability of 20% - 39%, compared to 57.7% of

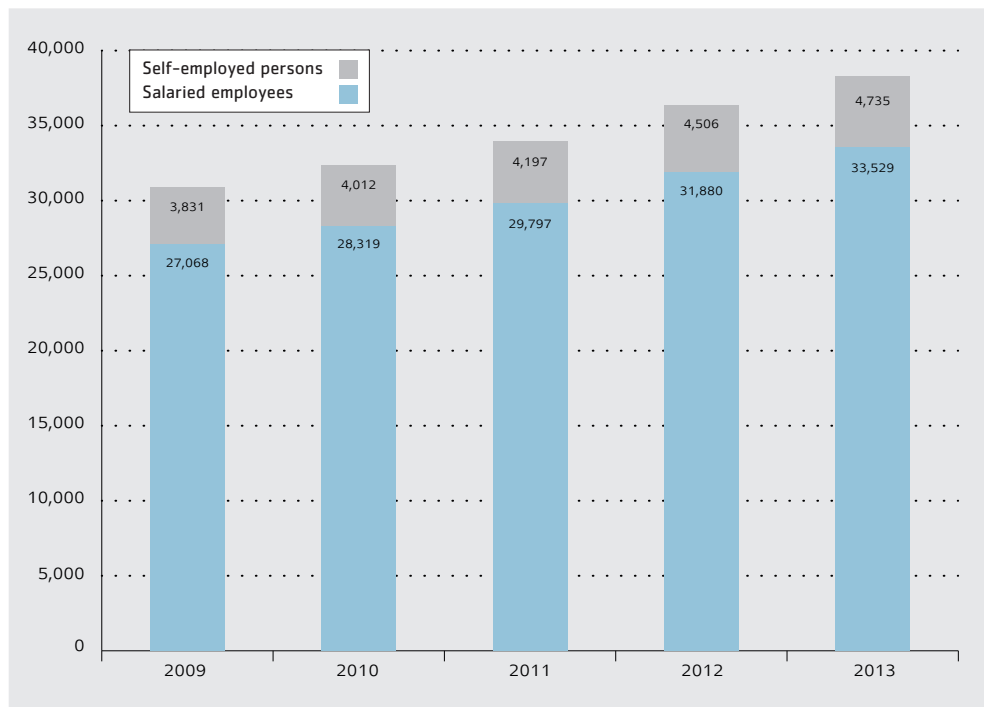
**Table 12**  
**Permanent Disability Pension Recipients**  
**by Employment Status (December), 2009-2013**

Year	Total		Salaried employees	Self-employed persons
	Numbers	Annual percentage of change		
2009	31,899	5.1	27,685	3,904
2010	33,079	4.7	28,994	4,085
2011	34,688	4.9	30,393	4,295
2012	36,390	4.9	31,883	4,507
2013	38,264	5.1	33,529	4,735

the men. 9.4% of the men and 7.3% of the women have a degree of disability higher than 80% (Table G/2 in the appendix of “Tables”). Recipients of work-related disability pensions can – when reaching the age entitling to an old-age pension – choose whether to continue receiving the work-related disability pension or to receive an old-age pension. Under the Law, if the old-age pension is higher than the work-related disability pension, it is possible to capitalize the disability pension and receive the current old-age pension, or to continue receiving the work-related disability pension at the level of the old-age pension. In practice, in 2013, 17 recipients of the disability pension who had reached said age chose to continue receiving the work-related disability pension also in old-age.

The situation is slightly different regarding the distribution of disability pension recipients than of injury allowance recipients (a distribution of recipients of permanent disability pensions by gender, age and percentage of disability is presented in Table G/2 in the appendix of “Insurance Branch Tables”). Most of these recipients are in the older group – aged 50 or older; for instance, men aged 50 – 59 constitute 26.3% of all men who are entitled to a pension, and this is also the case with women: those aged 50-59 constitute 32.6% of all women who receive a permanent disability pension.

**Graph 2**  
**Permanent Disability Pension Recipients by Employment Status, 2009–2013**



## 2. Disability grant

A disability grant is paid to persons with a work-related disability who have a stable degree of disability, which is higher than 9%, but less than 20%. The amounts of the grants and the conditions of entitlement thereto have undergone major changes in recent years. Until the enactment of the Economic Recovery Plan Law in June of 2003, the grant was at a level of 70 monthly pensions. It was then determined that whoever was injured as of 1.7.2003 onward would receive a grant equal to 43 pensions. Pursuant to the legislative change, there was a steep decrease in the amount of the average disability grants. In 2013, 11,090 grants were paid in respect of the various injuries (compared to

**Table 13**  
**Disability Grant Recipients by Employment Status, 2009–2013**

Year	Total		Salaried employees	Self-employed persons
	Numbers	Annual percentage of change		
2009	8,706	2.2	7,648	1,058
2010	8,821	1.3	7,697	1,124
2011	8,927	1.2	7,897	1,030
2012	9,729	9.0	8,544	1,185
2013	11,090	14.0	9,700	1,390

9,729 in 2012) – 9,700 to salaried employees and 1,390 to self-employed persons. In 2013, the average grant payment for salaried employees was approximately NIS 37.6 thousand, compared to NIS 36.6 thousand in 2012 and for self-employed persons – NIS 34.5 thousand, compared to NIS 35.6 thousand, respectively.

### 3. Special disability pension and special grants

Persons with a work-related disability whose degree of disability is 75% or higher and disabled persons with walking difficulties whose degree of disability is 65% - 74% are entitled, in addition to any other benefit, to financial aid for personal assistance, for travel and to a grant for non-recurring expenses – for purchasing a vehicle, for solving housing problems and for purchasing special accessories ensuing from the disability.

In December 2013, 3,413 disabled persons received a special pension through the Rehabilitation branch in an average amount of NIS 3,651, compared to 3,286 in December 2012 – an average amount of NIS 3,588 and 3,141 in December 2011 – an average amount of NIS 3,542.

In 2013, 169 rehabilitation grants were paid in an average amount of NIS 32,479, compared to 168 grants in an average amount of NIS 30,452 in 2012. These grants were paid as housing assistance (72 grants totaling NIS 3,236 thousand), assistance with purchasing a vehicle (25 grants totaling NIS 1,240 thousand) and other assistance (72 grants totaling NIS 1,013 thousand).

### 4. Dependents' benefits

The number of recipients of dependents' pensions has risen gradually over the years and in 2013 it reached 4,695, compared to 4,638 in 2012. The rate of change ranges between 0.2% and 1.2% (Table 14).

**Table 14**  
**Dependents' Pension Recipients by Employment Status, 2009-2013**

Year	Total		Salaried employees	Self-employed persons
	Numbers	Annual percentage of change		
2009	4,573	1.2	3,954	619
2010	4,565	-0.2	3,941	624
2011	4,603	0.8	3,981	622
2012	4,638	0.8	4,013	625
2013	4,695	1.2	4,063	632

### The Processing of Work Injury Victims

The processing of work injury victims begins with an injury allowance claim, which also constitutes notice of a work-related injury. At the claim processing stage, the

circumstances of the injury itself are ascertained: whether it indeed occurred in the course of the work and as a consequence of the work. The number of injury allowance claims submitted each year has increased by (an average of) 3.3% per year in the last five years. The increase in the claims corresponds on average to the increase in the number of employed persons in the economy – the more people who participate in the work force, the more persons injured during and as a consequence of work. Approximately 78% of all the average annual injury allowance claims submitted are approved (Table 1).

**Table 1**  
**Injury Allowance Claims that were Received and Approved, 2009-2013**

Year	Number of claims		Percentage of approvals out of total claims	Percentage of change compared to previous year	
	Received	Approved		Received	Approved
2009	89,821	72,542	81%	-3.1%	-6.0%
2010	94,601	74,635	79%	5.3%	2.9%
2011	98,594	76,742	78%	4.2%	2.8%
2012	106,279	79,496	75%	7.8%	3.6%
2013	108,532	84,029	77%	2.1%	5.7%

Of all the injury allowance claims that were approved, about 91% were submitted by salaried employees and the rest by self-employed persons (Table 2).

If an injured person has been left with a disability after having exhausted his entitlement to the 91 days of injury allowance, he may submit a work-related disability claim. In 2013, 26,933 claims were submitted for work-related disability benefits. The number of disability claims has increased in the last five years at an average rate of 4% a year (Table 3).

**Table 2**  
**Injury Allowance Claims that were Approved, by Employment Status, 2009-2013**

Year	Total claims approved			Percentage of total claims approved	
	Total	Salaried employees	Self-employed persons	Salaried employees	Self-employed persons
2009	72,542	66,192	6,129	91.2%	8.4%
2010	74,635	68,161	6,229	91.3%	8.3%
2011	76,742	70,260	6,267	91.6%	8.2%
2012	79,496	72,272	7,017	90.9%	8.8%
2013	84,029	76,455	7,315	91.0%	8.7%

**Table 3**  
**Work-related Disability Benefit Claims, 2009-2013**

Year	Number of claims		Percentage of approvals out of total claims	Percentage of change compared to previous year	
	Received	Approved		Received	Approved
2009	21,922	21,512	98.1%	0.2%	6.0%
2010	22,696	21,377	94.2%	3.5%	-0.6%
2011	23,401	20,874	89.2%	3.1%	-2.4%
2012	25,485	22,985	90.2%	8.9%	10.1%
2013	26,933	24,893	92.4%	5.7%	8.3%

After approval of the disability claim, the claimant must appear before a medical committee where the percentages of medical disability are determined, according to which the pension or the grant will be calculated. In 2013, 37,750 medical committee hearings were held, 25,760 of which were at the first level (initial claim of the injured person) and the rest were appeal committee or other hearings. The medical committees that consider work injuries also consider cases of hostile action victims and the Prisoners of Zion and conduct examinations for the purpose of determining income tax exemptions. On average, 3.2 insured files are considered in one hearing at the first level and at the second level 2.5 files. 1.44 hearings are held on average until the initial decision is made on the claim.

The average number of hearings until a decision is made on a claim is 1 – 2.9, depending on the application category: the shortest process – for Prisoners of Zion disability pension claims and the longest – for income tax, probably since income tax hearings require more experts (Table 4).

Dependents' pensions are paid to the family members of the work injury victim who are economically dependent thereon in the event of a fatal accident. There is fluctuation in the rate of approved claims (Table 5). In 2013, for instance, 314 dependents' claims were received and 57.3% of them were approved.

**Table 4**  
**Number of Committees, Insureds, Hearings until an Initial Decision is Made, Initial Decisions and Average Hearings until a Decision is Made, 2013**

Application category	Total number of committees	Number of insureds	Number of hearings until the decision is made	Number of initial decisions	Average hearings until the decision
Total	35,348	29,682	38,301	25,083	
Income tax	8,855	5,228	8,016	2,772	2.9
Hostile action victim	681	314	473	288	1.6
Work injury	25,806	24,136	29,810	22,021	1.4
Prisoner of Zion	6	4	2	2	1

**Table 5**  
**Dependents' Benefit Claims, 2009–2013**

Year	Number of claims		Percentage of approvals out of total claims	Percentage of change compared to previous year	
	Received	Approved		Received	Approved
2009	294	157	53.4	0.4	-10.3
2010	269	141	52.4	0.3	-10.2
2011	294	202	68.7	0.4	43.3
2012	285	155	54.4	0.3	-23.3
2013	314	180	57.3	0.4	16.1

## E. Payments

The average daily **injury allowance** for salaried employees and for self-employed persons rose in 2013 in nominal terms, in real terms and as a percentage of the average wage (Table 15).

In 2013, the average **permanent disability pension** for salaried employees was NIS 3,394.1 (compared to NIS 3,329.8 in 2012) and NIS 3,574.4 for self-employed persons (compared to NIS 3,574.4 in 2012). The pension level for salaried employees and self-employed persons rose in real terms, but fell as a percentage of the average wage (Table 16).

**Table 15**  
**Average Daily Injury Allowance by Employment Status, 2009–2013**

Year	Salaried employees			Self-employed persons		
	Current prices (NIS)	2013 prices (NIS)	Percentage of average wage	Current prices (NIS)	2013 prices (NIS)	Percentage of average wage
2009	179.2	196.6	67.4	240.6	263.9	90.5
2010	175.8	187.8	63.9	205.2	219.2	74.6
2011	178.5	184.3	62.5	195.1	201.5	68.4
2012	186.5	189.3	63.7	203.1	206.2	69.4
2013	190.0	190.0	63.4	212.6	212.6	71.0

**Table 16**  
**Amount of Permanent Disability Pension by Employment Status (monthly average), 2009–2013**

Year	Salaried employees			Self-employed persons		
	Current prices (NIS)	2013 prices (NIS)	Percentage of average wage	Current prices (NIS)	2013 prices (NIS)	Percentage of average wage
2009	3,156.2	3,462.3	39.6	3,287.7	3,606.6	41.2
2010	3,419.1	3,652.4	41.5	3,403.2	3,635.4	41.3
2011	3,240.0	3,345.6	37.8	3,489.8	3,603.6	40.8
2012	3,329.8	3,380.6	37.9	3,574.4	3,628.9	40.7
2013	3,394.1	3,394.1	37.8	3,649.4	3,649.4	40.6

The amount of the average monthly **dependents' pension** for salaried employees was NIS 6,239.4 in 2013 (compared to NIS 6,128 in 2012) and for self-employed persons NIS 6,576.4 (compared to NIS 6,480 in 2012). The pension rose in real terms for salaried employees and fell slightly for self-employed persons, whereas it fell as a percentage of the average wage in both groups (Table 17).

**Table 17**  
**Average Monthly Dependents' Pension**  
**by Employment Status, 2009-2013**

Year	Salaried employees			Self-employed persons		
	Current prices (NIS)	2013 prices (NIS)	Percentage of average wage	Current prices (NIS)	2013 prices (NIS)	Percentage of average wage
2009	5,992.2	6,573.4	75.1	5,812.3	6,376.1	72.9
2010	6,711.8	7,169.7	81.4	6,054.5	6,467.6	73.4
2011	6,010.3	6,206.2	70.2	6,296.1	6,501.3	73.5
2012	6,128.2	6,221.7	69.8	6,479.7	6,578.6	73.8
2013	6,239.4	6,239.4	69.4	6,576.4	6,576.4	73.2

**Table 18**  
**Payments\* by the Work Injury Branch (NIS thousand), 2009-2013**

Year	Current prices	2013 prices	Real rate of change (percentages)
2009	3,087,170	3,386,618	6.40
2010	3,279,105	3,502,812	3.43
2011	3,450,150	3,562,609	1.71
2012	3,767,946	3,825,440	7.38
2013	4,082,600	4,082,600	6.72

\* Including payments for injury allowance, disability benefits, dependents' benefits, medical treatment expenses and rehabilitation expenses.

The total payments by the Work Injury branch amounted to about NIS 4.08 billion in 2013 (compared to NIS 3.77 billion in 2012) - a real increase of 6.7% (Table 18). The increase stems from the increase in payments of disability benefits dependents' benefits, medical treatment expenses and rehabilitation expenses.

and medical treatment expenses out of the total payments by the branch. The payments of the other benefits out of the total payments by the branch decreased in 2013 (Table 19).

Since Work Injury Insurance has come into effect, significant changes have occurred in the composition of payments by the branch (Table 19). When the Law was first introduced, most of the payments (54%) were for injury allowance and fewer for disability pension payments (approximately 40%). The injury allowance payments are short term and their recipients change in the course of the year, whereas the disability pension payments are paid over time (up to old-age and sometimes even after). The proportion of disability pension payments increases over the years (relatively), while the



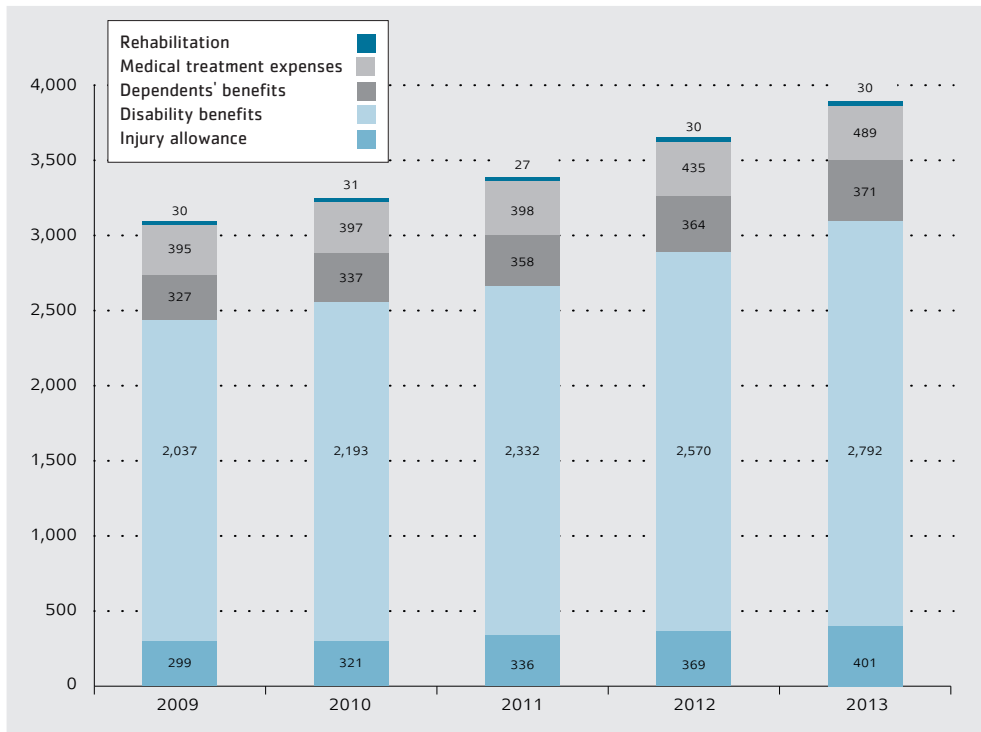
**Table 19**  
**Payments\* by the Work Injury Branch**  
**by Category of Benefit (percentages), 2009–2013**

Year	Total	Injury allowance	Disability benefits	Dependents' benefits	Medical treatment expenses	Rehabilitation expenses
2009	100.0	9.7	66.0	10.6	12.8	1.0
2010	100.0	9.8	66.9	10.3	12.1	0.9
2011	100.0	9.7	67.6	10.4	11.5	0.8
2012	100.0	9.8	68.2	9.7	11.6	0.8
2013	100.0	9.8	68.4	9.1	12.0	0.7

\* Excluding payments for accident prevention activities, or for the sake of workplace safety, research, special projects, legal assistance, medical committees and opinions.

proportion of injury allowance payments diminishes. Currently, the disability pensions constitute the lion's share of the branch payments – approximately 68% – and the injury allowance payments only about 9% of all branch payments.

**Graph 3**  
**Payments\* by the Work Injury Branch by Category of Benefit (NIS million), 2009–2013**





## 8. Hostile Action Victims

### A. General

The Hostile Action Victims (Benefits) Law was enacted by the government of Israel with the aim of ensuring social benefits for victims of hostile actions and their families. The benefits under this Law (and under its accompanying regulations) are paid by the National Insurance Institute and funded by the State Treasury. The Law is intended to equate the rights of the civilian hostile action victims with the rights and the services provided to IDF soldiers and bereaved IDF families, handled by the Ministry of Defense. The Law has undergone several stages until reaching its present version<sup>1</sup>.

The revisions to the Law pertain to the definition of hostile action, the establishment of an approving authority that determines which incidents are deemed hostile actions, the definition of the principal rights under the Law, full state funding of these rights, inclusion of past hostile action victims under the Law and transferring the processing to the National Insurance Institute.

A **hostile action** is one of the following (provided that the approving authority, appointed by the Minister of Defense, has confirmed that the injury is a hostile action injury):

- Injury resulting from a hostile action of enemy forces that are hostile to Israel, including actions occurring outside Israel with the aim of causing harm to the Jewish people.
- Unintentional injury inflicted by a person resulting from hostile actions of enemy forces or unintentional injury under circumstances where there were reasonable grounds to suspect that a hostile action would be committed.
- Injury resulting from a weapon intended for use in hostile actions of enemy forces, or injury resulting from a weapon intended to combat such action even if not used, apart from an injury suffered by a person 18 years or older in the commission of a crime or other offense involving malice or criminal negligence.
- Injury resulting from an act of violence, whose principal aim is to inflict injury on a person due to his affiliation with a national – ethnic origin, provided that it stems from the Arab – Israeli conflict.
- Injury resulting from an act of violence, whose principal aim is to inflict injury on a person due to his affiliation with a national – ethnic origin, which is committed by a terrorist organization declared by the government as such under Section 8 of the Prevention of Terrorism Ordinance, 5708 - 1948, apart from an organization of enemy forces, or which is committed by order of or on behalf of such organization.

.....

1 The Hostile Action Victims (Benefits) Law was approved by the Knesset in 1970 retroactively from June 1967 for anyone injured during hostile actions as of February 25, 1949. In March 1997, the Law was extended and applied also to those injured between the dates May 14, 1948 to February 24, 1949. As of March 1982, also those injured from November 29, 1947 to May 13, 1948 are entitled to a benefit.

Any one of the following who was injured during a hostile action is entitled to a benefit:

- A resident of Israel who was injured in Israel or in Judea, Samaria or the Gaza Strip, or outside Israel, if less than a year has elapsed since his residency lapsed.
- Someone who enters Israel legally.
- A non-resident who was injured abroad in the course and as a result of his work for an Israeli employer (approved for this purpose.)
- A resident of the territories who possesses an Israeli ID card and was injured within the Green Line.
- A resident of the territories who possesses an entry permit from the commander of the military forces in the territory and who was injured within the Green Line.

## B. Amendments and Revisions in the Hostile Action Victims (Benefits) Law

The amendments and revisions undergone by the Hostile Action Victims (Benefits) Law since its enactment in 1970 indicate a trend towards broadening the rights to benefits and to additional services, recognizing the entitlement of additional family members and broadening the definition of hostile action incidents covered thereunder. Unlike the casualty population who are entitled under the Disabled Persons Law and the Families of Fallen Soldiers Law, hostile action victims also include children, the elderly and mothers of children – and sometimes hostile actions injure several members of one family. Given this, the solutions proposed under the Disabled Persons Law and the Families of Fallen Soldiers Law do not always correspond to the needs of families who are victims of hostile actions.

In 2006, the definition of a hostile action injury was broadened to include an injury resulting from an action whose principal aim was to cause harm to the Jewish people<sup>2</sup>. However, said broadening only applies to persons who are residents of Israel. The definition of a hostile action injury was further broadened to include an injury resulting from an act of violence whose principal aim is to inflict injury on a person due to his affiliation with a national – ethnic origin, whether arising from the Arab- Israeli conflict or that the act of violence was committed by a terrorist organization.

In 2005, two legislative amendments were adopted regarding orphans who lost both parents as a result of a hostile action and in November 2008, an amendment was adopted (in effect from December 1st, 2008), which specifies and broadens the entitlement of these orphans. In 2011, a further amendment was adopted (with effect from August 1st, 2011), which broadens the entitlement of orphans who lost both parents as a result of a hostile action if they were orphaned before reaching age 37.

.....  
2 Section 18A of the National Insurance Law.

On November 23<sup>rd</sup>, 2009, an amendment adopted to the Law stipulated that a hostile action widow who remarried would not lose her monthly benefit, as was heretofore the case. The amendment is in effect as of February 2010, and regulations are to be enacted with regard to offsetting the marriage grant that was paid to widows who had remarried during the last 5 years.

### C. Categories of Benefits

1. **Medical treatment benefit** – A person who is unable to work or to function due to the receipt of medical treatment (according to a medical certificate) and by approval of an NII physician is entitled to a special monetary benefit during the treatment period, provided that he is not paid a wage or compensation during this period and, if he is a self-employed person, provided that he has ceased engaging in his profession. This benefit is short-term compensation granted for a limited period, until the disability is established by a medical committee.
2. **Disability benefit** – A person for whom a medical committee has established a disability degree of at least 20% is entitled to a monthly disability benefit. The amount of benefit is determined according to the disability degree and is equivalent to the benefit paid to disabled IDF veterans under the Disabled Persons (Benefits and Rehabilitation) Law. A disabled person with a degree of disability of 100% receives a benefit at a rate of 118% of the salary of a civil servant graded 17 on the administrative scale.

A person disabled as a result of a hostile action injury who sustains an additional hostile action injury shall have his degree of disability re-established and the impairments from all the hostile action injuries shall be deemed as having originated from a single hostile action injury (aggregation of disabilities). As needed, additional benefits are added, such as payment for assistance from others, mobility allowance, monthly and annual benefits and grants.

- **Lump-sum disability grant** – This is paid to a person for whom a medical committee has established a permanent disability degree of 10% - 19%. The grant amount is calculated by multiplying the amount derived from the disability degree by the number of months for calculating the grant. The grant calculation table indicates the number of months for calculating each disability degree. Thus, for instance, for a person whose disability degree is 10%, the grant is calculated for 108 months and for a person whose degree is 19%, the grant is calculated according to 215 months.

In addition to the regular benefits, special increments are paid to certain groups, such as a benefit increment for severely disabled persons and an age increment, as well as special benefits at increased rates, for which the entitlement and the levels are established according to the disability degree, earning capacity and rehabilitation potential of the particular disabled person. These special benefits are as follows:

- **Benefit for an indigent disabled person** – This is paid to a person whose established disability degree is 50% or higher and who satisfies the conditions pertaining to income and earning capacity. The benefit is paid in lieu of a disability benefit and the entitlement determined by a committee is for one year at the most.
  - **Benefit for a disabled person with no income** – This is paid to a person whose temporary or permanent disability degree is 10% or higher and who satisfies certain income and job search conditions. Entitlement to the benefit is determined by a special committee and the benefit is paid in lieu of a disability benefit (according to the disability degree) and for a limited period only.
  - **Benefit for a deceased disabled hostile action victim** – entitles the family member named by the disabled person to continued payment of the benefit, for three years.
3. **Medical treatment** – The medical treatment includes hospitalization, treatment in a clinic as well as dental treatment for damage caused as a result of the terrorist attack, medication, medical assistive devices, convalescence and medical rehabilitation. The treatment is provided based on certification of the National Insurance Institute that the injury has been recognized as a hostile action injury, and based on a financial commitment from the NII.

The treatment is provided through the state authorized medical services, which are the government health services and the sick funds that are recognized as an authorized medical service. First aid is extended to the injured person also by Magen David Adom and any physician or medical institution in proximity to the site where the injury occurred. Medical treatment to disabled persons whose disability degree is up to 19% is provided through the sick funds pursuant to the National Health Insurance Law.

4. **Vocational and economic rehabilitation** – intended to assist in the rehabilitation of a disabled person who has no vocation or who requires career retraining due to his disability or as a consequence of downsizing in his workplace. The NII can assist a person whose degree of disability is 20% or higher and who did not receive funding for studies from the NII in setting up an independent business or in establishing an existing independent business. The business must be economically viable and suited to the ability, know-how and physical limitations of the disabled person.
5. **Dependents' benefits** – benefits for the survivors of persons killed during a hostile action: widower, widow and orphans.

**Regular monthly benefit** – calculated as a percentage of the salaries of civil servants with social benefits added thereto as monthly gross-up. The benefit rate for a widower /widow is determined according to his / her age and whether they have children – also according to the age of the children. The increment in respect of children continues to be paid as long as the child serves in compulsory IDF service even if he has already reached the age of 21. Subsequent to the compulsory service, the widow / widower receives the same benefit as does someone whose children have reached adulthood. Orphans in special situations receive increased rates.

- **Rehabilitation, for grants and additional benefits**, such as payment for assistance with activities of daily living due to a medical limitation, assistance in purchasing a vehicle, housing loans and grants, assistance with mobility, assistance with housing and a marriage grant for orphans.
- **Grants for covering mourning expenses** – are paid to the widow / widower and to the bereaved parents. In their absence, any other blood-relative is entitled to the grant, with the aim of assisting with the mourning-related expenses.

The data presented in this section pertains to civilian hostile action victims only, not to soldiers or police officers who were injured in hostile actions. The tables presenting the benefit recipients do not include victims who had previously received a benefit and ceased being entitled, or victims who did not receive a benefit ab initio.

#### D. Hostile Actions

Hostile actions have occurred throughout the years of existence of the State, but the data on the early years of the State is deficient. Apart from the period of the War of Independence (1948), when many civilians were injured, the years 1946–1966, the early years of the State, are characterized by a fairly small number of hostile actions. Promptly following the Six Day War there was a significant rise in the number of hostile actions and subsequently a gradual decline until the beginning of the First Intifada (1988).

The years 1994-1998 were characterized by numerous hostile actions and by casualties in each incident; however up to September 2000, with the outbreak of the Second Intifada, there was a decline in the number of casualties. At the end of 2000 and particularly during the years 2001-2002, the number and severity of hostile actions reached a peak and the ratio of the number of confirmed casualties to the number of terrorist attacks in 2002 was 1:9. During the years 2003-2005, the number of hostile actions diminished (Table 1).

In 2006, in the wake of the Second Lebanon War, the number of persons killed and the number of persons wounded rose steeply. Among the wounded were minor casualties who received medical treatment only, casualties who fully recovered after a fairly short period and severe casualties who became disabled. 37% of the approximately 4,500 Second Lebanon War casualties suffered some form of psychological injury not accompanied by physical injury. In 2008, there were some 200 confirmed hostile action incidents (each day since November 19th, 2008, when rockets were launched at the Gaza Strip region, is counted as an incident).

During 2009-2010, a downward trend was observed in the number of hostile actions, but in 2011, their number rose again: there were 76 confirmed incidents, during which there were 209 casualties and the number of fatalities rose to 17. During 2012-2013 there was a further decline so that in 2013 there were 43 incidents during which 48 people were injured (47 wounded and one fatality).

**Table 1**  
**Hostile Action Incidents Confirmed by the Approving Authority**  
**and Hostile Action Victims, 1947-2013**

Year of attack*	Number of incidents**	Total confirmed casualties	Wounded		Fatalities	
			Total	There of: confirmed	Total	There of: confirmed
<b>Total</b>	<b>3,984</b>	<b>13,416</b>	<b>22,289</b>	<b>11,634</b>	<b>1,872</b>	<b>1,782</b>
1947-1957	170	216	159	143	83	73
1958-1976	372	679	510	475	228	204
1977-1993	706	1,140	922	797	363	343
1994-1999	671	1,939	1,991	1,741	203	198
2000-2004	972	4,739	7,450	3,984	762	755
2005	93	366	635	321	50	45
2006	196	2,049	5,952	1,977	87	72
2007	142	246	364	235	12	11
2008	207	668	1,345	635	33	33
2009	114	376	1,025	370	6	6
2010	86	107	122	100	7	7
2011	99	313	567	295	21	18
2012	113	530	1,174	514	16	16
2013	43	48	73	47	1	1

\* The distribution of years in the table was done according to the data presented in the study: Yanai A, Prior R. and Baer S. (2005). Hostile Action Victims in Israel: Injuries, Needs, Legislation and Extending Treatment and Assistance, published by the National Insurance Institute. The study divided the attacks by periods according to the nature of the action.

\*\* Each one of the days when rockets were launched at the Gaza Strip region and during the Second Lebanon War was defined as a separate incident.

## E. The Benefit Recipients

### 1. Medical treatment benefit recipients

25.6% of the hostile action victims who received a medical treatment benefit in 2013 could not work or function due to the injury for more than three months

Immediately following the injury, the victims are entitled to receive a medical treatment benefit, which is paid as compensation for the loss of capacity that they suffered. 25.6% of the hostile action victims who received a medical treatment benefit in 2013 could not work or function due to the injury for more than three months. An additional 31.8% could not work or function from one to three months. In certain cases, such as of government employers, the employer pays the victim his full salary and the NII reimburses the payment to the employers. Table 2 presents the medical treatment benefit recipients and the number of employers by the duration of the period of incapacity.

The level of the medical treatment benefit is determined according to the employment status of the victim prior to the incident:

- Whoever had been working prior to the injury is entitled to a benefit equivalent to his average income during the three months preceding the injury (after deducting



income tax) up to the maximum benefit paid to a person serving in reserve duty (five times the average wage).

- Whoever had not been working prior to the injury is entitled to a benefit calculated according to his family status and the number of children. The benefit is calculated as a percentage of a civil servant's salary.
- Children up to age 14 are not entitled to a medical treatment benefit under any circumstances. Persons aged 14 - 18 are entitled to a benefit only if they had been working.
- With regard to a disabled person who returned to work part time and whose rehabilitation capacity has not yet been established (he is indeed in an employment framework and he has income, but he has not returned to full functioning at work due to his recognized disability), a partial benefit payment may be considered during the disability period.

**Table 2**  
**Hostile Action Victims who Received Medical Treatment Benefits,  
by Number of Incapacity Days, 2013**

Incapacity days	Total	Victims	Employers
<b>Total</b>	<b>214</b>	<b>173</b>	<b>41</b>
1-30 days	70	63	7
31-90 days	72	58	14
91 or more days	72	52	20

## 2. Recipients of disability benefits

In 2013, a monthly average of 4,404 disabled persons received disability benefits, compared to 4,288 in 2012 (Table 3). Most of the growth in the number of disabled persons over the years was in the lower disability degree categories.

**Table 3**  
**Hostile Action Victims who Received Monthly Disability Benefits  
(annual averages), by Disability Degree, 2008-2013**

Disability degree	2008	2009	2010	2011	2012	2013
<b>Total</b>	<b>3,564</b>	<b>3,860</b>	<b>4,113</b>	<b>4,216</b>	<b>4,288</b>	<b>4,404</b>
Up to 39	2,625	2,879	3,116	3,216	3,283	3,391
40-49	219	234	238	240	239	245
50-59	272	284	294	298	297	298
60-79	247	259	263	260	267	269
80-99	102	104	105	103	104	101
100	99	100	97	99	98	100

**Table 4**  
**Hostile Action Victims who Received Monthly Disability Benefits, by Gender and Age at Time of Injury (percentages), December 2013**

Age at time of injury	Total	Men	Women
<b>Total</b>	<b>4,461</b>	<b>2,308</b>	<b>2,153</b>
Numbers			
Percentages	100.0	100.0	100.0
Up to 19	23.6	25.3	21.4
20-29	19.7	21.3	17.9
30-44	26.1	26.6	25.6
45-64	25.5	22.4	28.8
65+	5.1	4.0	6.3

**Table 5**  
**Hostile Action Victims who Received Monthly Disability Benefits, by Recipient's Status and Benefit paid thereto (numbers), December 2013**

Recipient's status	Number of recipients	Actual average monthly payment* (current prices, NIS)
<b>Total</b>	<b>4,461</b>	<b>2,407</b>
Regular	2,633	2,680
Indigent	175	14,001
With no income	105	7,381
Deceased disabled benefit (36 months)	35	3,263
10% - 19% degree of disability	1,513	**

\* Includes monthly benefits and excludes annual benefits.

\*\* Receiving a lump-sum payment and not a monthly payment.

51.7% of the monthly benefit recipients are men

51.7% of the monthly benefit recipients are men (Table 4). The disabled persons differ from one another in their economic status subsequent to the injury: most of them (59%) are regular disabled persons and a minority is indigent (4%) or has no income (2%) (Table 5). The entitlement to a benefit as an indigent person or a person with no income is for a limited period only and requires periodic re-assessment of his status.

### 3. Recipients of dependents' benefits

A widower, widow, children and parents of a person who was killed during a hostile action are entitled to a dependents' benefit<sup>3</sup>. In December 2013, benefits were paid to 1,914 families of various compositions in respect of 1,556 persons killed – about 52% of the benefits to bereaved parents and 40% to widowers / widows with and without children (Table 6). The average benefit ranges between approximately NIS 3,778 in the case of an independent orphan up to an average of NIS 10,787 per family consisting of a widower / widow with children (Table 7).

3 Table 1 presents the number of hostile actions each year and the number of persons killed therein.

**Table 6**  
**Persons Killed during Hostile Actions in respect of which Benefits were Paid, by Gender and Age at Time of Death (percentages), December 2013**

Age at time of death		Total	Men	Women
<b>Total</b>	<b>Numbers</b>	<b>1,564</b>	<b>1,073</b>	<b>491</b>
	Percentages	100.0	100.0	100.0
Up to 18		17.5	13.8	25.5
19-29		21.9	20.4	25.3
30-49		36.3	39.6	29.1
50-64		16.5	17.5	14.5
65+		6.7	7.4	5.1
Unknown		1.1	1.3	0.6

**Table 7**  
**Families of Persons Killed who Received Benefits, by Family Composition and Monthly Benefit Amount (numbers), December 2013**

Family composition	Number of families	Monthly benefit amount* (annual average, current prices, NIS)
<b>Total</b>	<b>1,914</b>	<b>8,435</b>
Widow / widower who does not have children	102	8,238
Widow / widower whose children have reached adulthood	454	9,567
Widow / widower with children	235	10,787
Independent orphans	23	3,778
Bereaved parents	945	7,458
Other	155	8,066

\* Including equalization, gross-up, health insurance and age increment.

## F. Volume of Payments

The volume of payments to hostile action victims in current prices has diminished from 2011 to date, following a consistent rise in the three years preceding 2011 (Table 8).

**Table 8**  
**Payments of the Hostile Action Victims Branch (NIS thousand), 2008-2013**

Year	Current prices	2013 prices	Real rate of change (percentages)
2008	388,365	433,561	4.3
2009	400,000	432,215	-0.3
2010	413,000	434,555	0.5
2011	475,740	483,875	11.4
2012	466,243	466,243	-3.6
2013	460,458	460,458	-2.7

The volume of payments to hostile action victims in current prices has diminished from 2011 to date, following a consistent rise in the three years preceding 2011

In 2013, NIS 461 million was paid to hostile action victims – a real decrease of 2.7% in payments compared to 2012

In 2011, there was a significant increase in the volume of payments –NIS 476 million compared to NIS 413 million in 2010 – a real increase of 11.3%. The increase stemmed from a legislative amendment, whereby payments were paid retroactively to children who had lost both their parents as a result of a hostile action. In 2013, NIS 461 million was paid to hostile action victims – a real decrease of 2.7% in payments compared to 2012.

## 9. Vocational Rehabilitation

### A. General

The Rehabilitation Department of the National Insurance Institute assists entitled persons who have been ejected from the job market or who lack employment experience to integrate into work suitable to their professional skills and their functional ability, through vocational training and job placement. The rehabilitation officers, who are trained social workers, provide such assistance through assessment services, employment counseling and guidance throughout the rehabilitation process.

Most of the services rendered in the framework of the rehabilitation are in-kind services: assessment, direction and counseling in choosing a vocation, pre-training and vocational training, supplementary education and higher education studies and assistance with job placement for whoever finds it difficult to integrate into the job market on their own. Furthermore, whoever participates in a rehabilitation process is entitled to funding of the related expenses, which includes assessment and studies and the travel costs to and from the place of training, according to the provisions of the law, as well as a rehabilitation allowance.

The population processed by the Department is divided into three groups<sup>1</sup>: new rehabilitation applicants, participants undergoing a process of rehabilitation and those who have completed a rehabilitation program. Substantial efforts are invested in identifying the suitable population from among the entitled persons, so as to maximize the rate of those who are integrated into the job market by the end of the process.

Besides vocational rehabilitation, the Rehabilitation Department hands down professional opinions to the Benefits Administration on various issues, such as establishing the degree of earning capacity for disabled persons, the designation of a benefit recipient, etc. Furthermore, the Rehabilitation Department employees assist work-injured persons and hostile action victims in taking up the cash benefits to which they are entitled, as well as caring for widows and hostile action victims<sup>2</sup> in times of crisis.

### B. Who is Entitled to Vocational Rehabilitation?<sup>3</sup>

- **Generally disabled persons** – an Israeli resident who suffers from a physical, cognitive or psychological impairment, if he meets all the following conditions: (1) he has established medical disability percentages at a level of at least 20% according to disability criteria; (2) due to the impairment, he can no longer engage in his previous work

1 A person being rehabilitated may belong to more than one group during the course of the year.

2 The processing of hostile action victims includes ongoing support and guidance throughout their lives.

3 Aside from what is detailed here, the entitlement to vocational rehabilitation is contingent on the claimant being below retirement age.

or in other suitable work; (3) as a result of the impairment, he requires and is suitable for vocational training and for additional rehabilitation services that will enable him to return to his previous work or to other suitable work. Also, a spouse of a disabled person (resides with him on a permanent basis), who due to the impairment cannot himself be rehabilitated, is entitled to rehabilitation.

- **Work injured persons** – whoever was injured at work<sup>4</sup> and has an established medical disability of at least 10% and who due to the injury cannot engage in his previous work or in other suitable work and who requires special vocational training so as to be able to return to his previous work. Nonetheless, the NII may approve vocational rehabilitation for a work injured person whose degree of disability is lower than 10%, if his continued work at his previous job is liable to excessively endanger his health or safety.
- **Widowers / widows** – a widower / widow as construed under the law who receives a survivors' pension or dependents' pension and who satisfies all the following conditions: (1) He does not have a vocation or cannot earn a living from his vocation; (2) he cannot continue working at his previous workplace due to his being widowed; (3) the rehabilitation worker has determined that he is suitable for vocational training / retraining, subject to his medical condition and to his education.
- **Hostile action victims** – a victim of a hostile action<sup>5</sup>, provided that he has an established medical disability<sup>6</sup> of at least 20% and due to the injury he cannot engage in his previous work or in other suitable work, or he requires special vocational training so as to be able to return to his previous work. Also bereaved family members, as defined by law (widower / widow, orphan and bereaved parents) whose relative died as a result of a hostile action are entitled to vocational rehabilitation.

### C. Vocational Rehabilitation Applicants

In 2013 9,786 people applied to the NII in order to undergo vocational rehabilitation – 4% more than in 2012. Most of the growth stems from an increase in the number of applications from generally disabled persons in the young age group (18-29). As with every year, this year too a majority (83%) of the applicants belong to the General

4 A work injury is a work accident that occurs during and due to work, including an accident that occurs en route to and from work, or an occupational disease, pursuant to the list of diseases defined under the Work Injury Regulations.

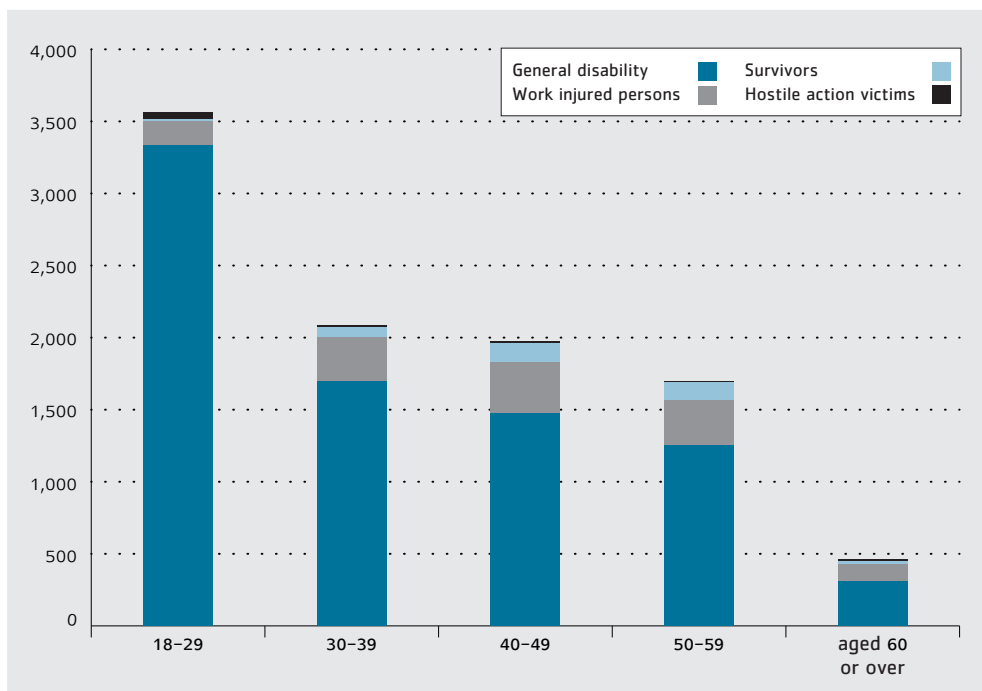
5 A hostile action victim is someone who was injured from an action of military / paramilitary forces / irregular forces of a country or organization that are hostile toward Israel or from an action committed in the aid of one of the above, by agency or on their behalf, and which were directed against Israel.

6 A hostile action victim who was injured prior to 1996 is entitled to vocational rehabilitation if he has an established medical disability of 10% or more.

Disability branch and 61% receive a monthly benefit from one of the various benefit branches of the NII.

Young people in their twenties have the highest potential for rehabilitation, since the training or higher education will considerably further their prospects of becoming integrated in the job market, and therefore it is not surprising that 36% of the rehabilitation applicants are of these ages (Graph 1). In addition, the younger the age, the higher the rate of rehabilitated persons from the General Disability branch. Since this group includes congenitally disabled persons who apply for rehabilitation in order to exercise their rights on reaching the age of 18. In the older ages the proportion of work injured persons and widowers / widows increases.

**Graph 1**  
**Vocational Rehabilitation Applicants by Age and Branch, 2013**



One of the most influential factors for the success of the rehabilitation is the internal motivation of the rehabilitees. It is reasonable to assume that someone who applies on his own initiative would have high motivation for success of the process. For 74% of the rehabilitation applicants in 2013 this was the first application and 80% of them applied on their own initiative. Only in 15% of the cases did the rehabilitation officers initiate the application for the insured – usually for generally disabled persons or for survivors who had never before applied for rehabilitation assistance (Table 1).

**Table 1**  
**Vocational Rehabilitation Applicants By Branch, Application Number**  
**and Initiator of the Application (Absolute Numbers and Percentages), 2013**

Application number	Initiator of the application	Total		General disability	Work injury	Survivors	Hostile action victims
		Absolute numbers	Percentages				
Total	Numbers	9,786		8,081	1,262	359	84
	Percentages		100%	100%	100%	100%	100%
First application	Total	7,236	74%	73%	80%	78%	70%
	Applicant	5,763	59%	56%	74%	64%	62%
	NII officers	1,184	12%	13%	5%	11%	7%
	Community entity	289	3%	3%	1%	3%	1%
Re-application	Total	2,550	26%	27%	20%	22%	30%
	Applicant	2,194	22%	23%	18%	19%	26%
	NII officers	193	2%	2%	1%	2%	4%
	Community entity	163	2%	2%	0%	1%	.

#### D. Those in The Process of Rehabilitation

The core activity of the Rehabilitation Department is helping insureds integrate into the job market. There are several stages to the rehabilitation process, during which the suitability of the applicant for rehabilitation is evaluated and a program is matched to him that best suits his needs, desires and abilities, according to the professional opinion of the rehabilitation employees. The most prominent stages in the process are as follows:

- **Employment assessment** – ascertaining the work skills of the insured, including vocational counseling and guidance by the rehabilitation officers, assessment institutes or rehabilitation centers. The assessment is performed according to the abilities of the insured and the opinion of the rehabilitation officer.
- **Pre-vocational training** – instilling work habits by rehabilitation centers, empowerment courses, supplementary education (matriculation exams, psychometric exams, preparatory programs, etc.), according to the employment assessment findings and as a preparation for integration into vocational training or the job market.
- **Vocational training** – training for individuals with employment skills suitable to studies, through which they acquire a vocation that will help them integrate into the job market: studies at institutions of higher education (universities and colleges), schools of engineering or vocational courses (such as, technician, secretarial, bookkeeping and cooking).
- **Job placement** – the employees help professional insureds or whoever has completed vocational training to seek work suitable to their abilities and to the vocation acquired, while guiding and monitoring their integration into the workplace.



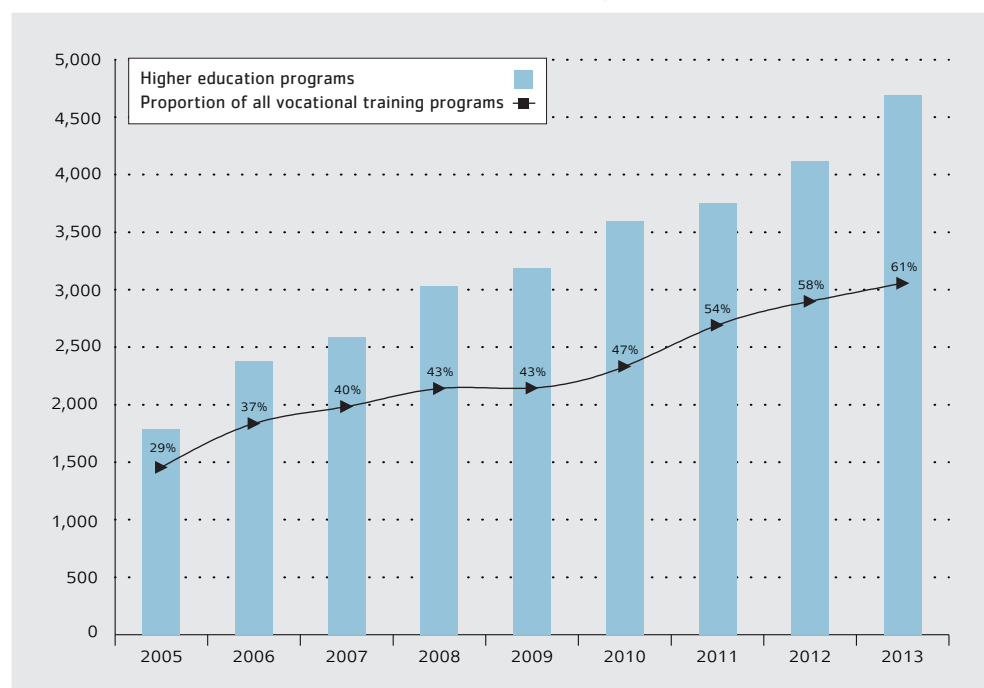
**Table 2**  
**Vocational Rehabilitation Programs and Participants by the Branch to which they Belong and Type of Program (Absolute Numbers and Percentages), 2013**

Type of program		Total	General disability	Work injury	Survivors	Hostile action victims	
<b>Total programs</b>	Absolute numbers	48,458	41,840	6,288	2,362	1,228	
	Percentages		100%	81%	12%	5%	2%
Program assessment	Total	21,683	100%	80%	14%	4%	2%
	Internal entitlement assessment	9,321	100%	82%	13%	4%	1%
	Internal program assessment	7,391	100%	80%	13%	5%	2%
	Outside assessment	4,971	100%	74%	19%	4%	2%
Pre-training	Total	3,813	100%	78%	13%	7%	3%
	Supplementary education	2,656	100%	77%	14%	7%	2%
Vocational training	Instilling work habits	1,157	100%	79%	12%	6%	4%
	Total	7,680	100%	82%	10%	5%	4%
	Professional course	2,986	100%	71%	16%	11%	2%
	Higher education	4,694	100%	85%	7%	2%	5%
Job placement assistance		3,100	100%	83%	11%	5%	1%
Creating academic conditions		1,422	100%	90%	8%	2%	1%
“Hameshakem” work referral		463	100%	96%	3%	0%	0%
Monitoring and maintenance		10,297	100%	81%	11%	6%	2%
<b>Total participants</b>	Absolute numbers	22,636	17,958	2,995	1,006	677	
	Percentages		100%	79%	13%	4%	3%

Participants in the rehabilitation process are those who have commenced a rehabilitation program this year or those who have not yet completed rehabilitation commenced previously. In 2013 approximately 22 thousand insureds participated in about 48 thousand different rehabilitation assessments and programs (Table 2). On average, each participant participates in two programs, one of which is a program assessment. 4,661 programs were held by rehabilitation service providers, 84% of them at the Foundation for Rehabilitation Enterprises.

The State of Israel is one of the leading countries in the Western world in its rate of academics; this phenomenon does not pass over the participants of the rehabilitation programs. Approximately 61% of the vocational training program participants have been referred to academic studies. Moreover, it is interesting to observe the developing rate of higher education programs over the years (Graph 2). From 2005 and until today the rate of higher education programs has doubled – apart from the natural growth in the number of higher education programs, the decrease in the number of vocational training programs also has an effect on the growth rate of these programs.

**Graph 2**  
**Higher Education Programs and Proportion of all Vocational Training Programs**  
**(Absolute Numbers and Percentages), 2005-2013**



**Table 3**  
**Vocational Rehabilitation Program Participants by Medical Disability Percentages**  
**and Primary Impairment (Absolute Numbers and Percentages), 2013**

Primary impairment	Total		Medical disability percentage					
	Absolute numbers	Percentages	None*	10-19	20-39	40-59	60-79	80-100
<b>Total</b>	<b>Numbers</b>	<b>22,636</b>	<b>1,342</b>	<b>1,460</b>	<b>4,664</b>	<b>8,169</b>	<b>3,941</b>	<b>3,060</b>
	<b>Percentages</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Psychological or retardation	6,027	27%		14%	28%	45%	18%	5%
Internal	4,505	20%		10%	21%	21%	25%	24%
Urogenital	611	3%		2%	2%	2%	4%	6%
Neurological	2,907	13%		7%	10%	11%	18%	25%
Locomotor	4,341	19%		61%	26%	14%	17%	13%
Visual	1,072	5%		1%	2%	2%	4%	20%
Hearing	995	4%		3%	3%	2%	12%	5%
Other**	2,178	10%	100%	2%	8%	3%	3%	2%

\* The entitlement to rehabilitation in the Hostile Action and Survivor branches is not necessarily a consequence of the medical condition of the rehabilitee.

\*\* This category also includes rehabilitees who have no impairment.

Table 3 presents the distribution of participants according to the primary impairment<sup>7</sup> and their medical disability rates. It is reasonable to assume that those with low medical disability percentages are more independent and can integrate into the job market on their own. The higher the medical disability, the lower the probability of finding a job in the open market. It is therefore not surprising that 36% of rehabilitation process participants in 2013 have 40-59 medical disability percentages; in terms of disability rates, this population has the highest potential for rehabilitation among all disabled persons. Among

rehabilitees who have lower medical disability rates (10% - 19%), the proportion of those suffering from locomotor problems is prominent and among those who have higher disability rates there is a large proportion of persons suffering from internal and neurological problems. 65% of those suffering from locomotor problems belong to the Work Injury branch.

### E. Persons who Completed Rehabilitative Care

The success of the vocational rehabilitation depends on the motivation of the rehabilitation applicants, so that if the rehabilitee shows no interest, job market integration is impossible for him.

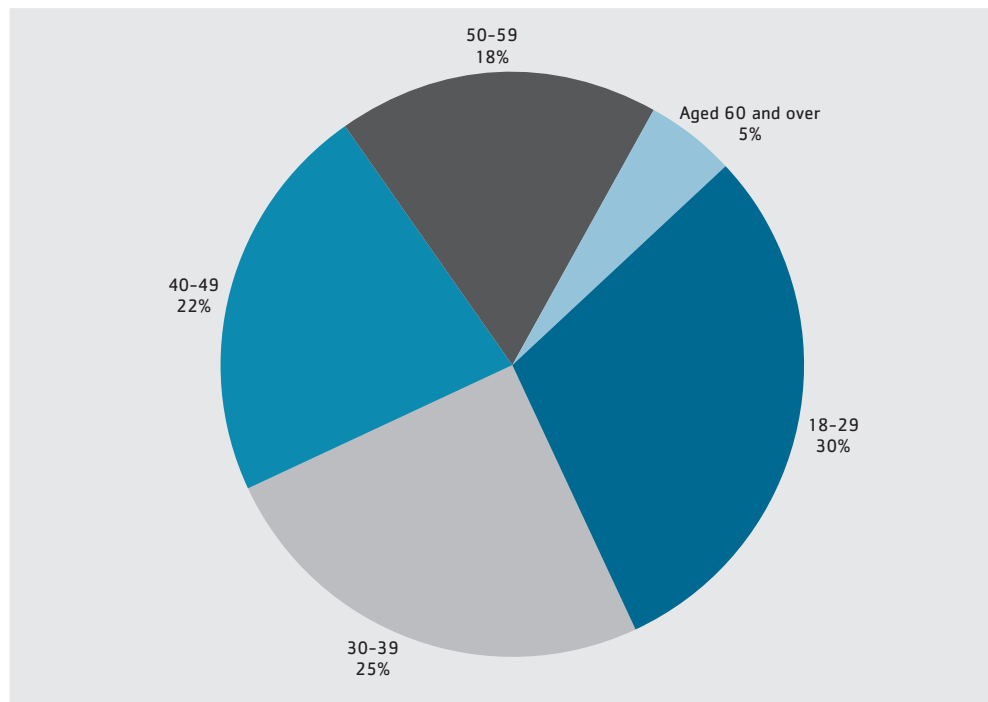
In 2013 the rehabilitative care of 11,591 people was completed. 5,689 rehabilitees completed at least one of the preparatory programs for work in the open market, and 75% of them succeeded in becoming integrated in the job market, where slightly more than half of those integrating into the job market were entitled to a monthly disability pension

**Table 4**  
**Persons who Completed Rehabilitative Care**  
**by the Branch to Which They Belong and Manner of Completion**  
**(Absolute Numbers and Percentages), 2013**

Manner of completion		Total	General disability	Work injury	Survivors	Hostile action victims	
	Absolute numbers	11,591	8,988	1,766	510	327	
<b>Total</b>	<b>Percentages</b>		100%	78%	15%	4%	3%
Integrated into the job market		4,268	100%	74%	16%	6%	3%
Completed vocational training		720	100%	79%	9%	10%	2%
Completed pre-training		701	100%	82%	11%	5%	1%
Referred to another entity		579	100%	94%	5%	1%	1%
Discontinuation of care		5,323	100%	78%	17%	2%	3%

<sup>7</sup> A primary impairment is one whose medical disability rate is the highest of the person's impairments.

**Graph 3**  
**Persons who Completed Rehabilitative Care who Integrated into the Job Market by Age, 2013**

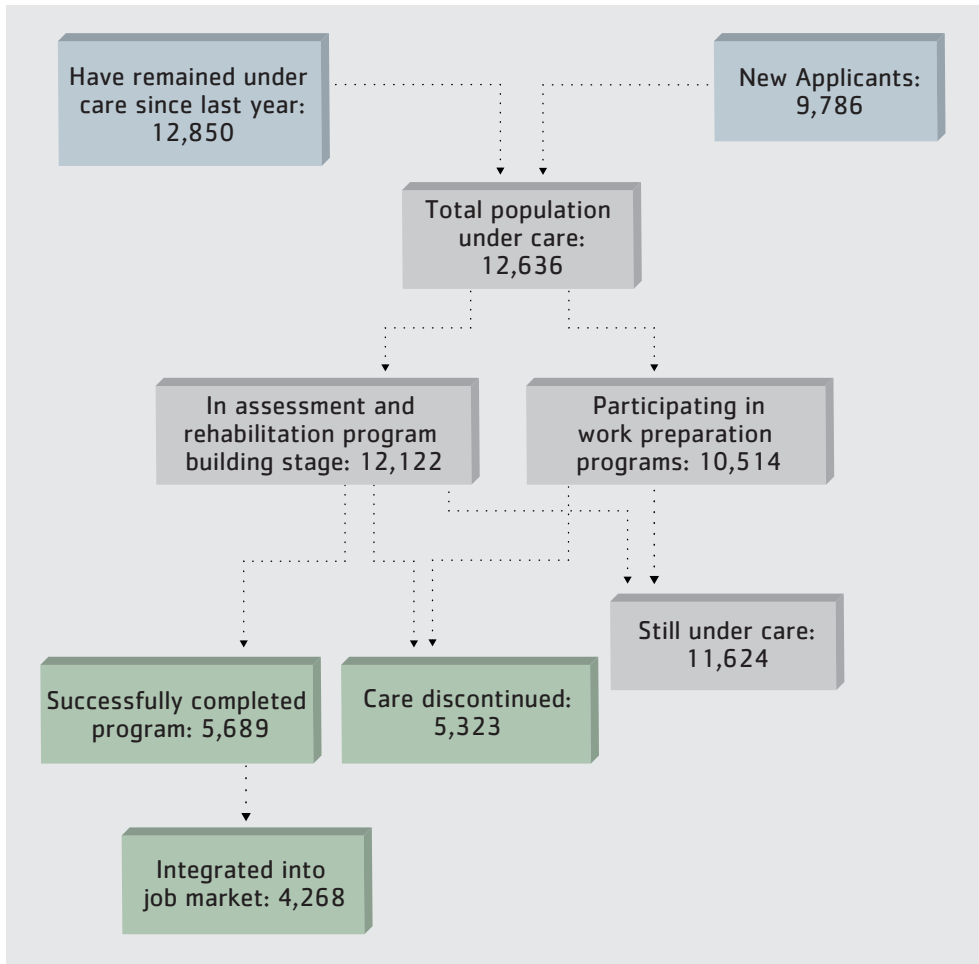


from the General Disability or Work Injury branches. This figure highlights the fact that the NII Rehabilitation Department is a major factor in the job market integration of disabled persons. For 5,323 people the rehabilitative care was discontinued, usually (approximately 65%) because they were found to be unsuitable.

Persons who completed the rehabilitation programs in 2013 required two years and two months to complete the program, on average. Nonetheless, the duration of the rehabilitation process is not fixed and it is influenced by many factors, ranging from the number of programs in which the rehabilitee participates, through the type of his training and ending with his medical condition. A few examples of the differences between rehabilitation graduates are:

- Those from the General Disability branch on average completed the program within two years and three months, while Work Injury rehabilitees required only one year and seven months for completion. These differences stem, inter alia, from the different work habits of the rehabilitees and from the different degrees of independence of the rehabilitees in these two insurance branches.
- The medical condition of the rehabilitee has a strong influence on the duration of his stay within the rehabilitation framework: for those with a medical disability rate higher than 65% the process was 50% longer than for those with a medical disability lower than 40% (2.7 years compared to 1.8 years).

Graph 4  
The Population in Vocational Rehabilitation by Stages of the Process, 2013



Unquestionably the age distribution of the rehabilitees (Graph 1) has a decisive influence on the rate of persons integrating into the job market in every age group (Graph 3).

Nonetheless, despite the effort to integrate them into employment, the rate of 18-29 year olds among those being integrated into the job market is slightly low compared to their proportion out of all new applicants (30% compared to 36%). This may be a result of their medical condition and lack of job skills and employment experience.

### Employment among Participants in Vocational Rehabilitation Programs

The main goal of the Rehabilitation Department's vocational rehabilitation programs is that participants of these programs find work. A case in which a rehabilitation

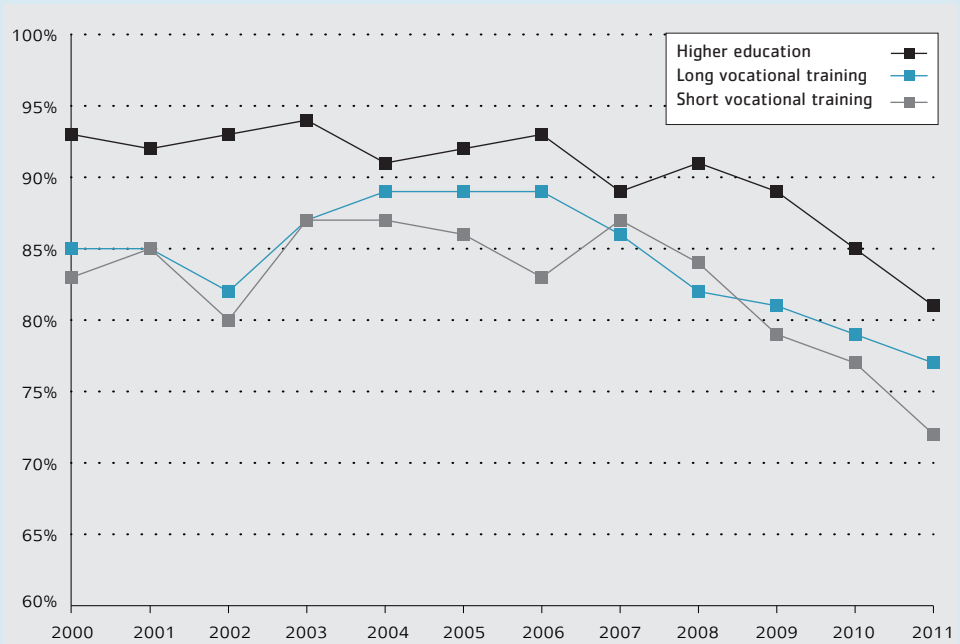
program participant finds work in the occupation that he has learned and persists at the job for an extended period is considered a success.

In order to obtain an overall picture of such cases, the trends over the years were examined. The National Insurance Institute receives detailed automated information about the employment situation of people only about a year after the end of the fiscal year<sup>1</sup> (at the time of this writing, figures are available for up to 2012 only), and therefore only those whose vocational rehabilitation training programs ended by 2011 were examined.

In order to determine the contribution of the Rehabilitation Department to the work integration of the rehabilitees, those who had completed job training programs were examined, the programs being divided into three groups: (a) higher education programs; (b) long vocational courses (lasting nine months or more); (c) short vocational courses (lasting up to nine months).

The findings show that in the period 2002-2008, on average of 92% of those who completed higher education programs found work, compared to 85% of those who completed both long and short vocational training programs (Graph 1). Since the

**Graph 1**  
**People who Completed Vocational Rehabilitation Training and Found Work (percentages), 2000-2011**



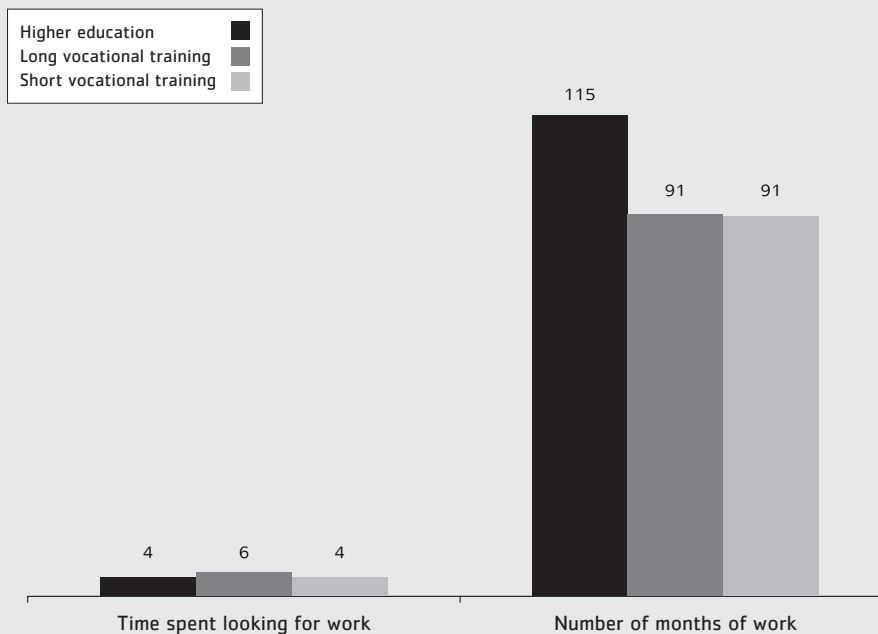
1 The employment and income data are produced by the Tax Authority and based on reported income of all working people, both salaried and self employed.

employment potential of those who completed rehabilitation programs from 2009 onwards has not been fully utilized, it is possible to see a fall in the proportion of rehabilitatees finding work in those years.

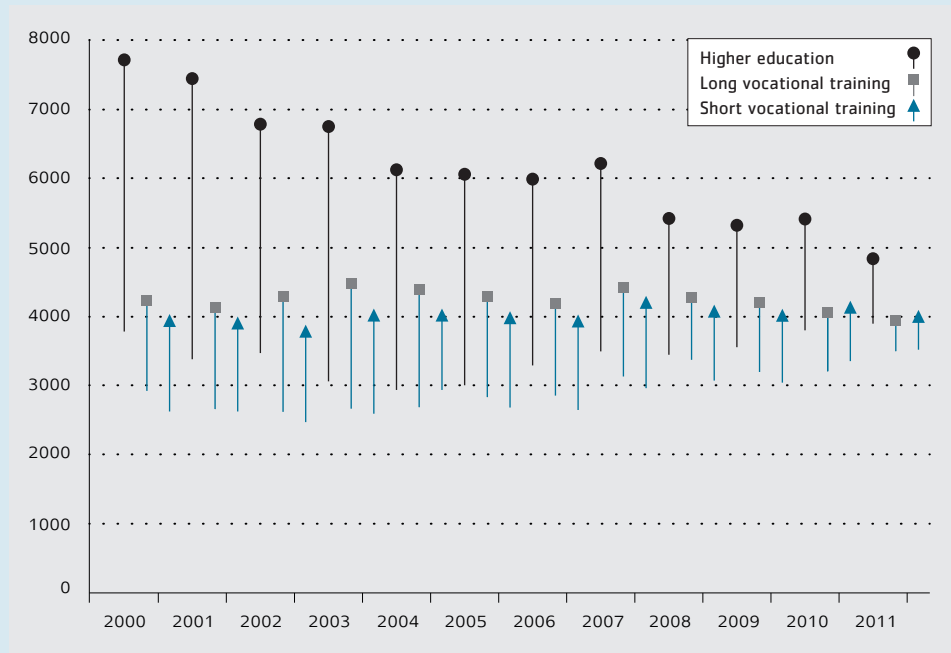
The wage data available to the National Insurance Institute do not enable a comparison between the vocational training that the individual received and the actual job that he performs at his place of work. However, we can look at the time spent looking for work and the length of the work period, which are also important variables for examining the effectiveness of the vocational training: about 50% of those who completed higher education required less than 4 months from the end of the vocational training course to find work, and the same was true for those who completed short vocational training, 50% of the people who completed long vocational training required up to 6 months to find work after the end of the course. It is also possible to see that work placement is more stable for the higher education group: they were in work for two years longer than those who completed vocational training.

In addition, the rate of pay rises for those who complete higher education programs is faster than for the others; Graph 2 shows that although there is no real difference in starting pay for the different groups (with the higher education group earning slightly more), later developments in pay are very different. If we assume that the individuals

**Graph 2**  
Time Spent Looking for Work and Number of Months in Work  
for Those who Completed Vocational Training, 2000–2007



**Graph 3**  
**Pay Rises among those who Completed Vocational Training and Found Work, 2000-2011**



who have most fully utilized their earning potential are the ones who completed the programs in the years 2000-2001, then while those who completed vocational courses have increased their pay by an average of 33% over the years, those who completed the higher education courses have doubled their pay – a figure which in itself justifies the increase in the share of higher education courses out of all vocational training courses.

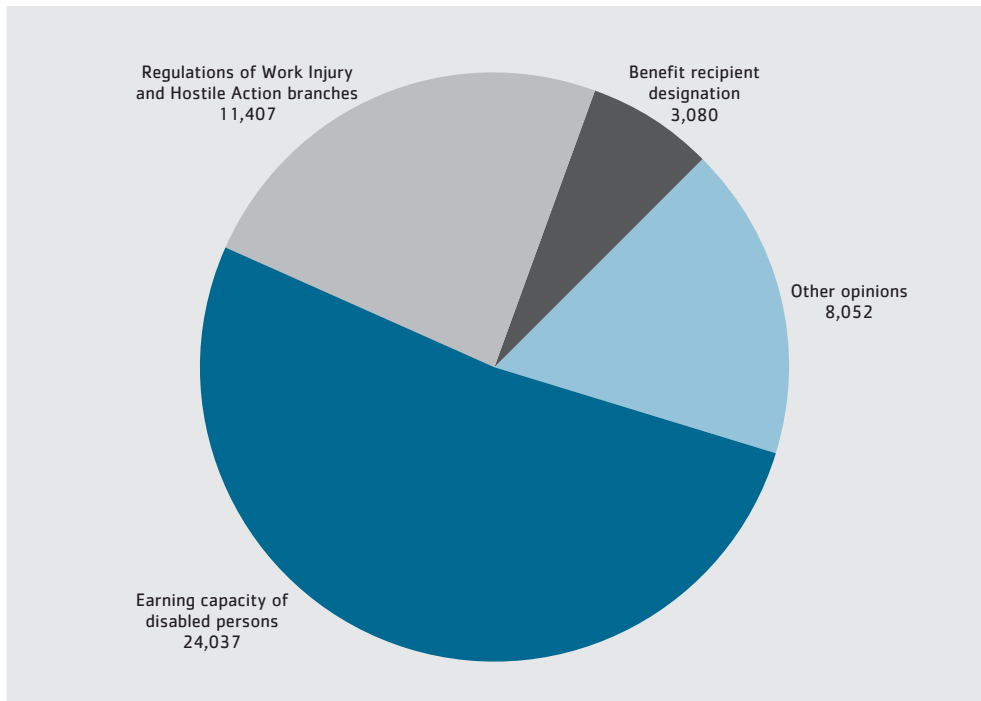
The National Insurance Institute is currently working on a research study designed to examine the costs and benefits of the various work preparation courses operated by its Rehabilitation Department, as well as changes in these variables over the years.

## F. Additional Activities of the Rehabilitation Department

Alongside the vocational rehabilitation, the Rehabilitation Department personnel also hand down professional opinions to the Benefits Administration departments on the following issues: (a) establishing the degree of earning capacity for disabled persons; (b) benefit recipient designation; (c) opinions on determining the entitlement of work injured persons to a raised degree of disability (Regulations 15) and determining the entitlement to capitalizations; (d) determining the entitlement to special benefits for work injured persons and hostile action victims. Furthermore, the Rehabilitation employees write opinions outside the framework of the National Insurance Law.



**Graph 5**  
**Recipients Of Assistance In Exhausting Rights By Branch, 2013**



In 2013 rehabilitation employees wrote a total of 46,576 different opinions, 52% of them with regard to establishing the degree of earning capacity for generally disabled persons (Graph 5).

Furthermore, the Department employees assist the work injured and hostile action victim populations in taking up the cash benefits to which they are entitled (such as a special pension and special grants). In 2013 they assisted 4,888 people in taking up cash benefits, out of whom 1,123 completed the care this year. Since they are social workers by profession, the Department employees also assist widows and hostile action victims<sup>8</sup> in crisis. In 2013 they assisted 103 such people.

## G. Payments

The vocational rehabilitation process entails paying for various items required for rehabilitation: maintenance, scholastic and mobility expenses. A breakdown of the payments follows:

- **Rehabilitation allowance:** A monthly maintenance benefit at the level of a full disability pension, which is paid during the study period to rehabilitees who are not

8 The processing of hostile action victims includes support and guidance throughout their lives.

entitled to a general disability pension or work disability allowance, provided that they study at least 20 hours per week.

- **Travel:** There are three options for travel expense subsidies: (1) reimbursement of travel to the venue of the training / assessment by public transportation. (2) supplement to a wage-earner mobility benefit for recipients of a partial mobility benefit. (3) use of shuttle services operated by the NII for rehabilitees who have a medical disability rating of 65% or more, and who have no vehicle and no driver's license.
- **Tuition:** subsidy of the academic tuition or of the training cost, up to the maximum amount prescribed under the Rehabilitation Department directives.
- **Tutoring and accessibility services:** assistance with tutoring, as needed and according to the scope of the study hours of the rehabilitee, as well as special assistance to disabled persons who require sign language translation, transcription, recitations, etc.
- **Rent:** Subsidy of rent or the dormitory cost to whoever spends time in vocational training that takes place more than 40 kilometers from their permanent place of residence, depending on their curriculum.
- **Equipment:** assistance to disabled persons in purchasing equipment essential for rehabilitation (computer, keyboard adapted for the blind, books, school supplies, etc.).
- **Other expenses (including per diem):** Assistance in taking up cash benefits, mainly among hostile action victims and work injured persons, as well as maintenance expense subsidies, subject to regulations.

In recent years, there has been increased adherence to rehabilitation entitlement approvals for suitable persons only and matching optimal rehabilitation programs. In 2013 approximately NIS 249 million was paid to 14,567 different people in the framework of the vocational rehabilitation<sup>9</sup>.

The distribution of payments in 2013 does not essentially differ from that of preceding years (Table 6).

1. The expenditure of the Disability branch constitutes about 67% of total annual expenditure, even though the rehabilitees of the branch constitute approximately 80%

**Table 5**  
**Expenditure on Vocational Rehabilitation – Total and by Branch,**  
**2013 Prices (Nis Thousands), 2009-2013**

Year	Total expenditure	General disability	Work injury	Survivors	Hostile action victims
2009	257,067	167,367	27,677	12,562	49,461
2010	265,667	177,325	28,587	13,148	46,608
2011	203,343	125,293	24,173	12,032	41,845
2012	242,765	162,272	26,525	11,815	42,154
2013	248,889	169,547	26,826	10,184	42,332

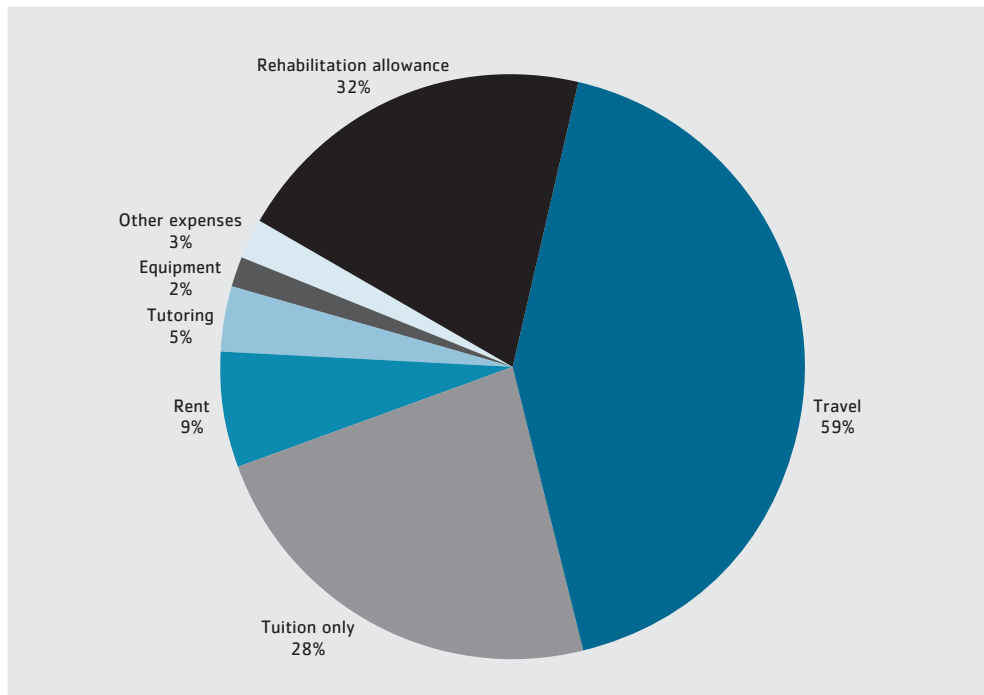
of the total rehabilitees. This is primarily a consequence of the conditions of entitlement in the other branches.

2. The main expenditures of the branch are for tuition payments (approximately 46% of the total expenditure), which are made to about 90% of the participants and for rehabilitation allowances, which constitute approximately one third of the total expenditure.
3. The average cost per rehabilitee was some NIS 15 thousand per year.

**Table 6**  
**Payments Related to Vocational Rehabilitation**  
**by Branch and Number of Recipients (Nis Thousands and Percentages), 2013**

	Total		Tuition	Rehabilitation allowance	Travel	Rent	Tutoring	Equipment	Other expenses
	Numbers (NIS thousands)	Percentages							
<b>Total expenditure</b>	<b>248,889</b>	<b>100%</b>	<b>46%</b>	<b>32%</b>	<b>5%</b>	<b>5%</b>	<b>3%</b>	<b>1%</b>	<b>8%</b>
General disability	169,547	100%	52%	30%	6%	7%	4%	1%	0%
Work injury	26,826	100%	35%	57%	5%	1%	1%	0%	0%
Survivors	10,184	100%	42%	49%	7%	0%	0%	0%	0%
Hostile action victims	42,332	100%	30%	10%	0%	0%	0%	0%	60%
<b>Total recipient</b>	<b>14,569</b>		<b>13,144</b>	<b>4,754</b>	<b>8,754</b>	<b>1,322</b>	<b>770</b>	<b>277</b>	<b>1,246</b>

**Graph 6**  
**Additional Rehabilitation Payments to Tuition Recipients, 2013**



Under the law, whoever has been found suitable for supplementary education or vocational training is entitled to more related payments (among them tutoring, equipment, travel and rent) than are those who do not study, while anyone can receive more than one payment. Similar to preceding years, in 2013 approximately 32% received a supplement to a full disability pension (rehabilitation allowance) as part of their participation in rehabilitation programs (Graph 6). In 59% of the cases the Institution subsidized travel expenses to the place of study. 28% of the tuition recipients do not receive additional payments; it may be assumed that most of them are full pension recipients.

## 10. Unemployment Insurance

### A. General

Unemployment insurance is intended to guarantee workers a reasonable income during unemployment and to prevent a sharp decline in their standard of living. As with any insurance system, unemployment benefits constitute an essential safety net, and these benefits are meant to assist unemployed persons in maximizing their earning potential by searching for work that is commensurate with their qualifications. Following the stringent legislation introduced in 2002 - 2007 in the Unemployment Insurance program, the unemployment benefits and the grants are paid under the conditions presented below.

**Unemployment benefits** are paid to unemployed persons who, prior to their unemployment, worked for the period of time required to secure the qualifying period prescribed by law – 12 months out of the last 18 months preceding the unemployment,. The entitlement to unemployment benefits is conferred (following a five day waiting period) to whoever was dismissed from his work and agreed to accept alternative work through the Employment Service Bureau. The work offered to unemployed persons aged 35 and older must be **suitable work** in terms of vocation, wage and distance from home. Other unemployed persons (up to age 35) must accept any work offered to them by the Employment Service.

Unemployment benefits are paid for a maximum period of 50-175 days, according to age, education and family status<sup>1</sup>. Unemployed persons with at least 12 years of schooling who participate in vocational training are entitled to unemployment benefits for the same maximum period as are the other unemployed persons. Unemployed persons with less than 12 years of schooling who participate in vocational training are entitled to unemployment benefits for a maximum period of 138 days, even if their entitlement would have been to 50 -100 days without vocational training.

The unemployment benefits are calculated according to the age and wage of the unemployed person<sup>2</sup> on the eve of his unemployment and are limited in level, as follows:

.....

- 1 The maximum utilization period is calculated according to the following conditions:
  - \* 50 days: For claimants aged 25 or younger, with less than 3 dependents.
  - \* 67 days: For claimants over the age of 25 but not more than 28, with less than 3 dependents.
  - \* 70 days: For discharged soldiers (as defined on the following page).
  - \* 100 days: For claimants over the age of 28 but not more than 35, with less than 3 dependents.
  - \* 138 days: For claimants up to the age of 35 with less than 3 dependents, or a claimant over the age of 35 but not more than 45 with less than 3 dependents.
  - \* 175 days: For claimants over the age of 35 but not more than 45, with less than 3 dependents, or a claimant over the age of 45.

Part of the unemployed person's wage	Up to age 28	Over age 28
Part of the wage up to half the average wage	60%	80%
Part of the wage above the average wage and up to 3/4 thereof	40%	50%
Part of the wage above 3/4 and up to the full average wage	35%	45%
Part of the wage equal to the average wage and up to the maximum insured wage	25%	30%

during the first five months of receiving them – no more than the average wage, and from the sixth month – up to 2/3 of the average wage. The unemployment benefits paid to an unemployed person in vocational training are 70% of the unemployment benefits due to him had he not been in vocational training.

**Unemployment benefits to discharged soldiers:** Up to June 2007, a discharged soldier had been exempt from a qualifying period and was entitled to unemployment benefits during the first year of being discharged. As of July 2007, a discharged soldier is required to have a qualifying period of six months of work during the first year of being discharged in order to be entitled to unemployment benefits, the amount of his unemployment benefits being 80% of the minimum wage, for a maximum period of 70 days.

**Grant to discharged soldiers:** A soldier who worked in **preferred / vital work**, as defined by law during the first two years of being discharged is entitled to a grant, which was of the amount of NIS 9,370 in 2013. The level of the grant equals the level of unemployment benefits per day times 138 (days) and divided by 2. A soldier who exhausted his entitlement to unemployment benefits is not entitled to a grant.

## B. Legislative Amendments to Unemployment Insurance

Equalization of the entitlement conditions of unemployed persons who worked daily jobs to those of unemployed persons who worked monthly jobs

A legislative amendment that came into force in March 2013 eliminates the distinction in the entitlement conditions and in the determination of wage for calculating benefits, between a monthly unemployed person and a daily unemployed person. From this date the qualifying period entitling to unemployment benefits is uniform – 12 months of work out of the 18 preceding the unemployment – and is not contingent on the number of working days per month. The basic wage for calculating unemployment benefits is the wage of the last six months (prior to the amendment the base was a wage of the last three months for a monthly worker and a wage of the last 75 actual days of work for a daily worker).

Unemployed persons who worked at daily jobs are the disadvantaged population in the job market. Already before the transition to a five day work week their situation was difficult – they were required to accumulate days just as monthly workers. The shortening of the work week made it twice as difficult for them, since a work month for monthly workers is approximately 21 days and for them it is 25. The legislative amendment redressed the injustice caused to them: the period entitling to unemployment benefits was made uniform and was set at 12 months of work (regardless of the number of working days in the month) out of the 18 months preceding the unemployment.

The number of unemployed persons who were entitled to unemployment benefits in 2013 following the said legislative amendment rose by approximately 4%. In the coming years a rise of approximately 10% is expected in the number of recipients pursuant to this amendment.

### C. Data And Trends

During the course of 2013, the number of unemployed persons who received unemployment benefits rose by approximately 12% on average per month, while the number of jobless decreased by 8%. In total, about 69 thousand people on average per month received unemployment benefits during the course of the year,

compared to approximately 62 thousand in 2012. The number of jobless amounted to approximately 228 thousand compared to 247 thousand, respectively. Table 1 presents the number of unemployment benefit recipients and their proportion of all jobless in 2001 – 2013.

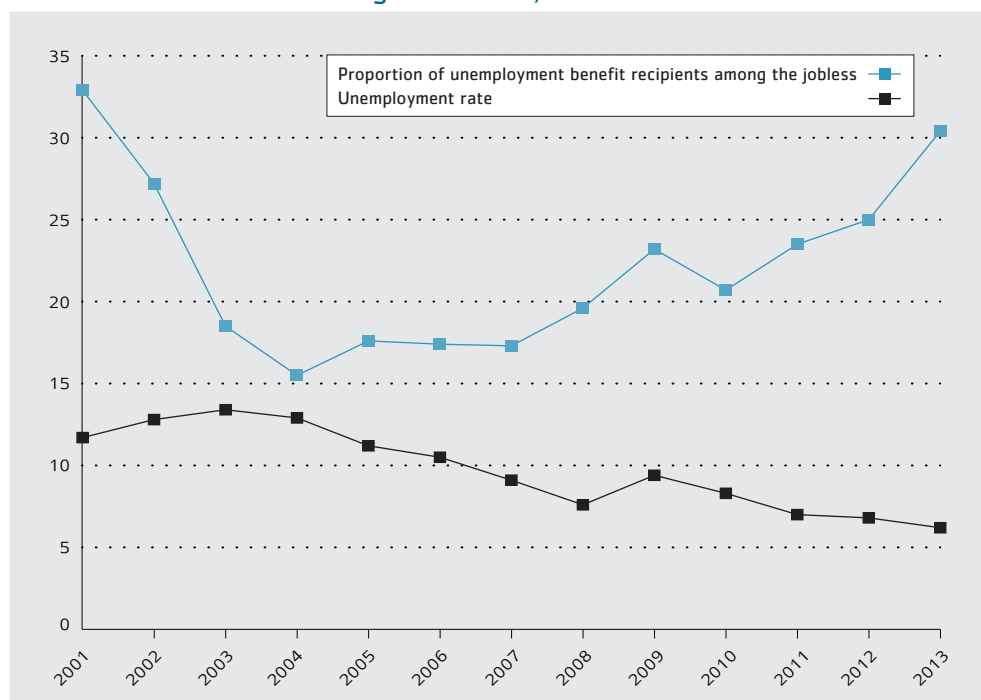
About 30% of the jobless received unemployment benefits in 2013. This is a rise of approximately 5 percentage points compared to 2012 and it stems from the surprising decrease in the number of jobless in 2013 on the one hand and from the rise in the number of unemployment benefit recipients due to the amendment concerning daily workers on the other hand (see above). It is to be noted that this is the highest rate since 2011, at which time Unemployment Insurance covered approximately one third of the jobless.

A negative correlation was found between the unemployment rate and the proportion of unemployment benefit recipients among the jobless: At the high unemployment rates, the number of unemployment benefit recipients increased, but their proportion out of the jobless decreased; at the low unemployment rates the number of unemployment benefit recipients decreased more moderately and therefore their proportion of the jobless increased.

**Table 1**  
**Jobless and Unemployment Benefit Recipients**  
**(monthly average), 2001–2013**

Year	Unemployed		Unemployment benefit recipients	
	Absolute numbers (thousands)	Percentage of the workforce	Absolute numbers (thousands)	Percentage of the unemployed
2001	318.0	11.7	104,707	32.9
2002	356.6	12.8	97,052	27.2
2003	380.2	13.4	70,450	18.5
2004	377.4	12.9	58,350	15.5
2005	334.9	11.2	58,830	17.6
2006	320.9	10.5	55,941	17.4
2007	287.8	9.1	49,817	17.3
2008	245.2	7.6	48,045	19.6
2009	315.0	9.4	73,025	23.2
2010	283.9	8.3	58,634	20.7
2011	243.9	7.0	57,354	23.5
2012	247.1	6.8	61,759	25.0
2013	228.4	6.2	69,351	30.4

**Graph 1**  
**Unemployment Rate and Proportion of Unemployment Benefit Recipients among the Jobless, 2001-2013**



#### D. Unemployment Benefit Recipients

In 2013, approximately 213 thousand different unemployed persons received unemployment benefits during at least one month in the course of the year, constituting some 69 thousand on average per month – a rise of 12% compared to 2012. Subsequent to the legislative amendment in 2007, which required discharged soldiers to accumulate a qualifying period in order to be entitled to unemployment benefits, the overwhelming majority of them (99.5%) were employed in 2013 prior to their unemployment. The number of soldiers who received unemployment benefits was nearly zero – they failed to accumulate a qualifying period even though they were obligated to only six months of the 12 months from the day of their discharge (an unemployed person other than a soldier is obligated to a qualifying period of 12 months of the 18 months preceding his unemployment) (Table 2).

Graph 2 presents the difference between the change in the number of discharged soldiers who received unemployment benefits and the change in the number of discharged soldiers who received a grant up to 2006. Following the legislative amendment that de facto eliminated the entitlement of discharged soldiers to unemployment benefits, the nexus between the two series was eliminated.



**Table 2**  
**Unemployment Benefit Recipients by Unemployment Year, 2006-2013**

Unemployment year	Total		Previously employed recipients of unemployment benefits		Discharged soldiers		
	Numbers	Percent change compared to previous year	Total (numbers)	Percentage of total recipients	Total	Percentage of total recipient	Percent change compared to previous year
	Total						
2006	183,439	-3.4	153,538	83.7	29,901	16.3	2.6
2007	162,759	-11.3	145,506	89.4	17,253	10.6	-42.3
2008	156,450	-3.9	154,103	98.5	2,347	1.5	-86.4
2009	218,174	39.5	216,384	99.2	1,790	0.8	-23.7
2010	182,065	-16.5	180,662	99.2	1,403	0.8	-21.6
2011	178,547	-1.9	177,149	99.2	1,398	0.8	-15.4
2012	193,201	8.2	191,617	99.2	1,584	0.8	13.3
2013	217,802	12.7	216,038	99.2	1,764	0.8	11.4
	Monthly average						
2006	55,941	-4.9	49,294	88.1	6,647	11.9	2.3
2007	49,817	-11.0	45,936	92.2	3,881	7.8	-41.6
2008	48,045	-3.4	47,559	99.0	486	1.0	-87.5
2009	73,025	52.0	72,654	99.5	371	0.5	-23.7
2010	58,634	-19.7	58,343	99.5	291	0.5	-40.2
2011	57,354	-2.2	57,065	99.5	289	0.5	-0.4
2012	61,759	7.7	61,431	99.5	328	0.5	13.3
2013	69,351	12.3	68,980	99.5	371	0.5	13.1

**Table 3**  
**Previously Employed Recipients of Unemployment Benefits**  
**by Type of Employment Bureau (percentages), 2006-2013**

Year	Total	University graduates	Non-university graduates
2006	100.0	26.1	73.9
2007	100.0	26.8	73.2
2008	100.0	28.3	71.7
2009	100.0	29.1	70.9
2010	100.0	28.3	71.7
2011	100.0	28.5	71.5
2012	100.0	28.8	71.2
2013	100.0	29.6	70.4

**Graph 2**  
**Recipients of Unemployment Benefits (Entire Population and Discharged Soldiers) and Recipients of a Grant to Discharged Soldiers in Respect of Preferred Work, 1995-2013**



A differentiation between unemployment benefit recipients by type of employment bureau shows that in 2013 the proportion of university graduates out of all recipients reached a peak of nearly 30% (Table 3). The proportion of unemployed persons who attended vocational training courses among unemployment benefit recipients has reached less than 1% in recent years.

### E. Depth Of Unemployment (Duration Of Payment)

Unemployment benefits are paid to unemployed persons for 50 days, 67 days, 100 days, 138 days or 175 days – depending on their age and the number of their dependents. In 2010- 2011, pursuant to the agreement that was enacted by temporary order in the beginning of 2009, under which the period of work required to receive unemployment benefits was shortened from 12 out of 18 months to 9 out of 18 months<sup>3</sup>, there were additional periods – 65 days, 97 and 125 days. Exercise of the entitlement to unemployment benefits is limited to one year from the first day of unemployment.

In 2013, the depth of unemployment referred to unemployed persons who completed their year of unemployment that year, i.e. they commenced their entitlement in 2012. There was no significant change in the depth of the average unemployment between the two years: From 106 days in 2012 to 107 in 2013.

The rate of persons exhausting the maximum payment period in relation to the possible period under law is higher among the youngest and the oldest individuals than among the other groups (Table 4). This phenomenon reflects the plight both of the older group, which suffers from poor prospects for integrating into the job market, and of the youngest individuals, who do not manage to integrate into the job market during the period for which unemployment benefits are paid.

**Table 4**  
**The Depth of Unemployment Of Unemployment Benefit Recipients who Completed their Year of Entitlement in 2013 (as a percentage of the maximum period) and the Maximum Period**

Maximum period (in days)	Total	Number of days of unemployment as a percentage of the maximum period (percentages)					Average number of days of unemployment as a % of the maximum period
		Up to 25%	26% - 50%	51% - 76%	76% - 99%	100%	
Total	100.0	9.1	10.9	10.3	20.6	49.2	80.6
50	100.0	6.2	9.0	9.4	17.2	58.2	86.0
67	100.0	5.7	11.2	12.6	17.7	52.9	86.2
70	100.0	40.0	8.5	10.0	16.2	25.3	49.4
100	100.0	8.2	11.9	12.5	26.9	40.4	79.6
138	100.0	9.6	12.4	10.3	21.1	46.6	79.1
175	100.0	10.1	9.8	8.8	18.4	52.9	80.2

### F. Level of Unemployment Benefits and Volume of Payments

As stated, unemployment benefits in Israel are calculated according to a progressive formula that ensures a diminishing replacement rate (the proportion of unemployment benefits out of the wage on the eve of the unemployment), similar to other social insurance programs. This format combines two considerations: the insurance consideration – insurance against unemployment – and thereby the compensation granted to maintain

the standard of living of the unemployed person and his family does not fully replace the wage on the eve of the unemployment; and income distribution – higher compensation for lower wages earners than for higher wage earners.

In 2013 the level of the average unemployment benefits as a percentage of the average wage decreased by approximately 3% compared to 2012, following a steady increase in previous years. This decrease is explained by the legislative amendment – the new recipients of unemployment benefits (daily unemployed persons; see above) are the disadvantaged population in the job market. As expected, unemployment benefits of women are 20% lower than those of men and they decreased at a higher rate than that of men.

Up to 2008, the average unemployment benefits did not reach the level of the average wage (Table 5). In 2004, following the economic crisis that was accompanied by a wave

**Table 5**  
**Level of Unemployment Benefits per Day\* in Relation**  
**to the Average Daily Wage in the Economy (percentages), 2006-2013**

Year	Unemployment benefits per day in relation to the average daily wage in the economy						Average unemployment benefits as a percentage of the average wage in the economy
	Total	Up to 1/4 of the average wage	From 1/4 to 1/3 of the average wage	From 1/3 to 1/2 of the average wage	From 1/2 to 2/3 of the average wage	From 2/3 to the full average wage	
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
2010	100.0	6.2	9.1	38.8	29.1	16.9	51.0
2011	100.0	6.4	8.5	37.9	30.1	17.0	51.2
2012	100.0	5.6	7.8	37.1	31.7	17.8	52.1
2013	100.0	7.5	9.1	36.9	29.8	16.6	50.7

\* Not including discharged soldiers

**Table 6**  
**Unemployment Benefit Payments (Nis Millions), 2006-2013**

Year	Current prices	Fixed prices (2012)	Real rate of change
2006	1,957	2,297	-3.8
2007	1,757	2,052	-10.7
2008	1,840	2,054	0.1
2009	3,028	3,272	59.3
2010	2,534	2,667	-18.5
2011	2,501	2,544	-4.7
2012	2,835	2,835	11.5
2013	3,176	3,176	10.2

of layoffs also of higher wage earners, the rate of unemployment benefits as a proportion of the average market wage rose to about 53%. Since then, it has slightly decreased but continues to be greater than half of the average wage and in 2013 it reached 50.7%. The percentage of unemployed persons who received unemployment benefits at a level greater than half the average wage in the economy rose from 38% in 2007 to about 50% during the last three years and concurrently, the proportion of unemployed persons who received unemployment benefits lower than half the average wage decreased from about 62% in 2007 to 50% during the last three years.

In 2013, the overall expenditure on unemployment benefit payments amounted to about NIS 3.2 billion, compared to 2.8 billion in 2012 – an increase of 12%. Also, the proportion of Unemployment branch payments rose from 4.3% of total expenditure on NII benefit payments in 2012 to 4.7% in 2013.

### The Wage in the New Workplace Subsequent to the Unemployment Period

Unemployment Insurance, first introduced in the beginning of 1973, has two main objectives:

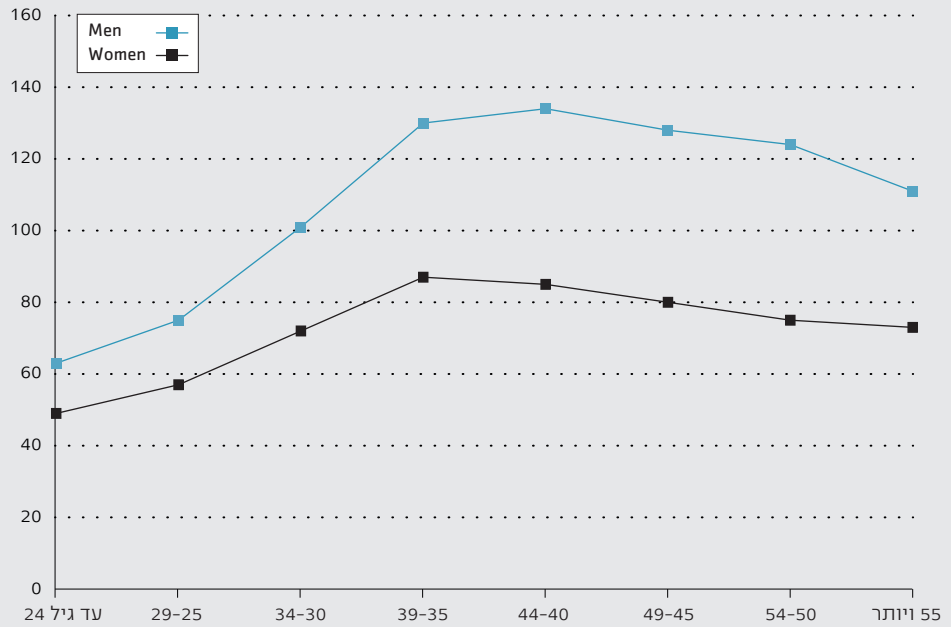
- To protect the individual during the crisis of loss of work, income and status and to provide him a reasonable period of time to search for suitable work.
- Efficient allocation of manpower in the economy: the interval afforded to the unemployed person allows him to search and find work that is commensurate with his abilities and his qualifications within the framework of the options in the job market.

The Research and Planning Administration of the National Insurance Institute ascertained to what degree the first objective was fulfilled, that is, whether unemployment benefit recipients indeed found a job that suited them in terms of wages.

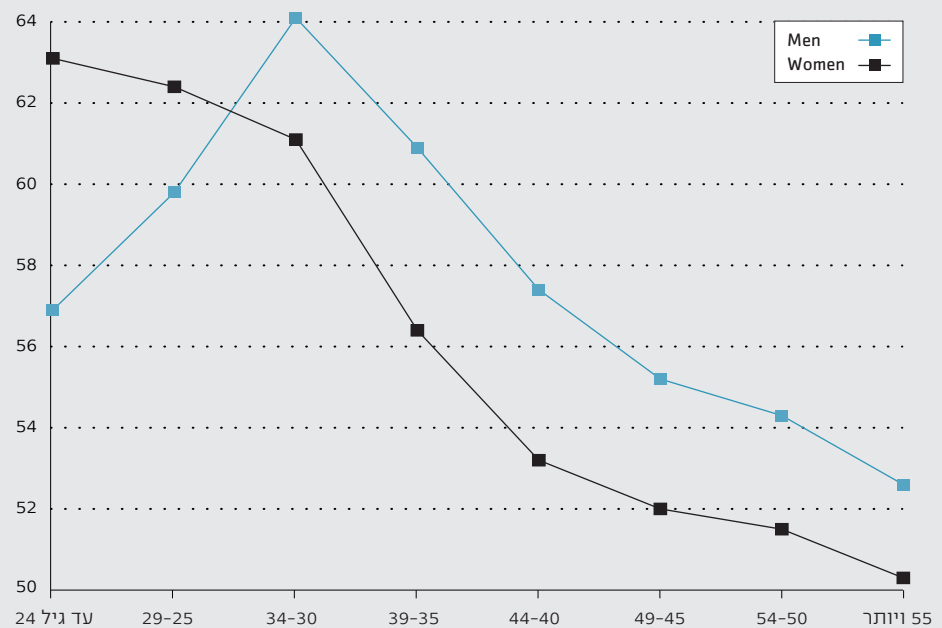
As is well known, the wage level of salaried employees is higher among men than among women, and this is the case among unemployment benefit recipients as well. Up to the age of 44, the wage level rises with the rise of age and subsequently wages decrease, although at a moderate rate. This phenomenon occurred among both men and women (Graph 1).

A review of the ratio of wages in the new workplaces compared to pre-unemployment wages shows that up to the age of 44 this ratio decreases with the rise in age and subsequently the trend reverses. It was further found that women improved their wages more than did men in all age groups, except the group of young people up to age 24 (Graph 2). Furthermore, it was found that approximately 55% of the unemployed did not come down in wage level subsequent to unemployment – some of them even improved their wages – and 45% came down in wage level.

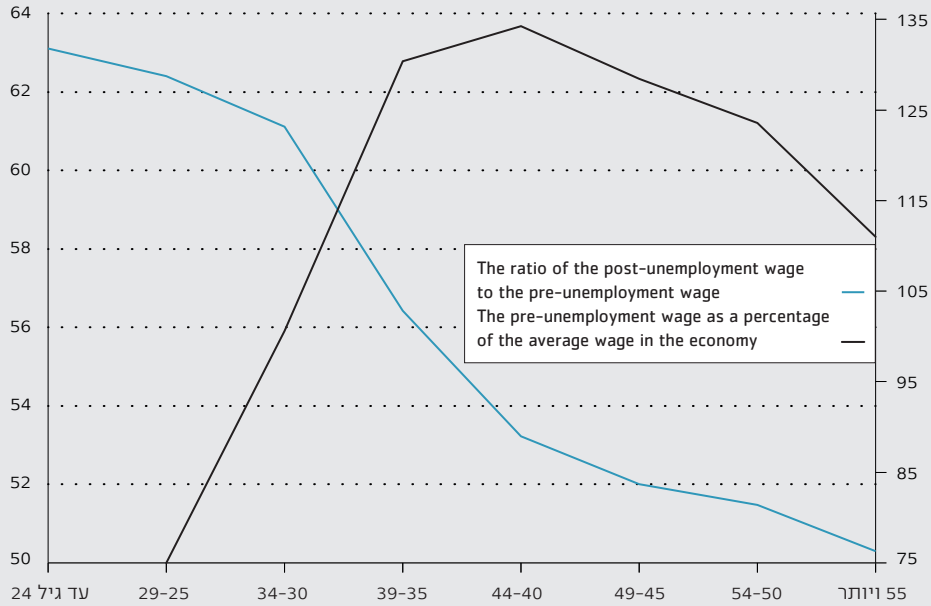
**Graph 1**  
**Average Pre-Unemployment Wages as a Percentage of the Average Wage, by Age and Gender, 2013**



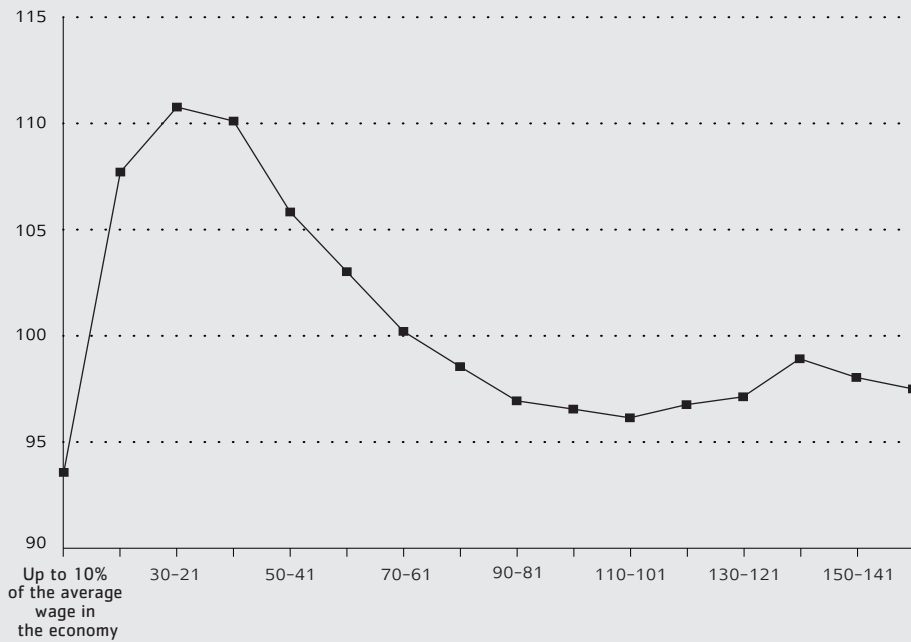
**Graph 2**  
**The Ratio of the Post-Unemployment Wage to the Pre-Unemployment Wage, by Age and Gender, 2013**



**Graph 3**  
**The Pre- and Post-Unemployment Wage and the Wage Ratio Between the Two Periods, by Age, 2013**



**Graph 4**  
**The Pre- and Post-Unemployment Wage Ratio, by Pre-Unemployment Wage Level (as a percentage of the Average Wage in the Economy), 2013**



A possible explanation for the reverse trends of wage levels and of the pre- and post-unemployment wage ratio at the workplace according to age (Graph 3), is the fact that in addition to the positive correlation existing between age and wage, it is easier to find a job with a similar wage to the previous job at the lower wage levels. Therefore, the rate of women and young persons (who are usually lower wage earners) who improve their wage is relatively high.

There is a negative correlation between the pre-unemployment wage levels and the post- versus pre-unemployment wage ratio, although at particularly high wage levels the individual is generally not willing to compromise.



## 11. Employee Rights Insurance in Case of Bankruptcy or Corporate Liquidation

### A. General

The Employee Rights in Case of Bankruptcy branch was established in 1975 against the backdrop of undue prejudice to many employees following the collapse of businesses and these businesses entering bankruptcy and liquidation proceedings. These employees lost not only their jobs and the balance of their wages, but also their obligatory severance pay under labor agreements, and their social rights were prejudiced as well – since in most cases, the employers were left without the financial resources or disposable assets necessary in order to fund the outstanding balance due to the employees and to the provident funds (see definitions below).

The purpose of the Employee Rights in case of Bankruptcy and Corporate Liquidation branch is to pay employees, via its benefits, the outstanding balance of the employers undergoing bankruptcy in respect of wages and severance pay and to maintain the continuity of social rights in the provident funds.

The branch benefits to employees and to provident funds are funded by the employers' insurance contribution payments (in 2013 at a rate of 0.01% of the monthly wage of the employee up to the income ceiling subject to insurance contributions and 0.04% above this income ceiling up to the maximum collectible base) as well as by government participation at a rate of 0.02% in the framework of the Ministry of Finance indemnification.

The activities of the branch enable complete separation between the effectuation of payments to employees and to provident funds and disposal of the employers' assets in case of bankruptcy and liquidation. Furthermore, the benefit amounts are linked to changes in the “basic amount” as defined in the National Insurance Law.

Notwithstanding the considerable progress achieved in the realm of protecting employee wages and rights, several problems remain that have yet to be resolved:

- The law requires the issuance of a liquidation / bankruptcy order. This is usually a protracted process that often delays payment of the outstanding balance to the employee.
- The high legal costs involved in the liquidation proceedings of the employer may be higher than the outstanding amount that the employer owes to the employee and therefore the employee has no reason to initiate these proceedings and he cannot exercise his rights under this branch.
- In most cases, employees who have accrued long periods of seniority receive the maximum benefit, which is only part of the debt that the employer owes them.

The following are a few of the definitions under the law:

- **Employer undergoing bankruptcy or liquidation:** all categories of corporations against which a bankruptcy or liquidation order has been issued, where the employ-

ees or provident funds have not received what is due to them: self-employed persons, limited companies, partnerships, cooperative societies and nonprofit organizations.

- **Employee:** anyone who was working for an employer when a bankruptcy or liquidation order was issued, who has yet to receive the balance of his wages and severance pay. This definition includes employees who are Israeli residents, foreign residents and residents of the territories who are working under a valid labor agreement.
- **Provident funds:** any entity to which, under the provisions of a collective agreement, labor agreement or other agreement between the employee and the employer and with the consent of said entity, the employer must remit money from the employer's own resources or from the employee's wages in order to accumulate or secure the employee's rights associated with his work, with the cessation of his work, with his retirement therefrom or with his social insurance.

## B. Benefits Paid and Volume of Payments

- **Benefits to employees**
  - **Wages:** amounts not yet paid to the employee in respect of his work – wages, overtime, convalescence pay, pay in lieu of leave days, payment for holidays and clothing – including any amount deducted from the employee's wage other than by law and that has not yet been transferred to its intended destination. If the wage does not exceed the minimum wage, the employee is entitled to receive the minimum wage prescribed by law (in 2012: January-September NIS 4,100 per month, in October-December NIS 4,300 per month).
  - **Severance pay:** compensation to which the employee is entitled up to the date of cessation of his employment in respect of the seniority accumulated during his years of work for the employer.  
The maximum benefit per employee (for wage and severance pay) was set at 13 times the "basic amount" (NIS 110,331 in 2013).

- **Benefits to provident funds**

These are intended to secure the continuity of rights of the employees. The benefits are limited to a maximum amount of twice the "basic amount" (NIS 16,974 in 2013). In 2013, a total sum of NIS 295.6 million was paid to employees and to provident funds – similar to that of the previous year (Table 1). The rate of total payments made in 2013 for both wages and severance pay together was 81.7%: 15.1% for wages only and 3.2% for severance pay only.

380 employees, constituting 4.7% of all new employees whose claim was approved, received the maximum benefit due to them in 2013; this is a high rate compared with those of recent years. 21% of the employees on whose behalf claims were filed with provident funds received the maximum benefit. It should be noted that their number may rise, due to benefit differential payments in the coming years – and this is also a much higher rate than the average in recent years (Table 2).

**Table 1**  
**Payments to Employees and to Provident Funds and Payment by Benefit Category as a Percentage of All Payments, 2009–2013**

Year	Total payments (NIS million)			Payment by employee benefit category as a percentage of the total			
	Total	To employees	To provident funds	Total	Wages and severance pay	Wage only	Severance pay only
2009	224.9	216.2	8.7	100.0	78.6	16.7	4.7
2010	290.2	278.5	11.7	100.0	81.2	16.0	2.8
2011	258.4	248.2	10.2	100.0	81.8	15.8	2.4
2012	296.0	288.9	7.1	100.0	80.5	17.0	2.5
2013	295.6	281.0	14.6	100.0	81.7	15.1	3.2

**Table 2**  
**Employees and Provident Funds who Received Maximum Benefits as a Percentage of Total Claims Approved, 2009–2013**

Year	Employees who received the maximum benefit		Employees for whom a maximum benefit was paid to the provident funds	
	Total	As a percentage of total claims approved	Total	As a percentage of the total
2009	215	3.2	230	8.7
2010	170	2.0	370	8.2
2011	240	3.4	270	6.4
2012	45	0.5	200	12.9
2013	380	4.7	840	21.0

### C. Data on Employers and on Employees

The period of time from when employer–employee relations are severed and until the benefit is paid is a long one, often extending for several years. It may be understood from the data in Table 3 that the economic crisis in 2008 impacted the volume of activity of the branch during 2009–2013 and this is expected to continue in the coming years.

In 2013, there were 570 new employers undergoing bankruptcy and liquidation whose liquidators filed claims with the branch on behalf of the employees and the provident funds – a decline of 16.3% compared to 2012. 10,000 new claims were received for processing – similar to 2011– and 8,100 employee claims were approved. The number of employees on whose behalf provident fund claims were approved in 2013 was 4,000 – a rise of 158% compared to 2012.

In more than half the employer files received for processing by the branch in 2009–2013, 1–5 claims per file were received (Table 4). However, additional future claims in the files that will be received for processing in the coming years should be taken into account, which may alter the employer distribution by number of employee claims in their files.

In 2013, there were 570 new employers undergoing bankruptcy and liquidation whose liquidators filed claims with the branch on behalf of the employees and the provident funds – a decline of 16.3% compared to 2012

Table 3

### New Employers Undergoing Bankruptcy and Corporate Liquidation Received for Processing, Number of Employee Claims Received and Approved And Number of Provident Fund Claims Approved, 2009-2013

Year	New employers received by the branch	New employee claims		New provident fund claims		Employees for whom benefits were paid to provident funds
		Received	Approved*	Received	Approved*	
2009	450	7,300	6,800	215	210	2,630
2010	560	9,100	8,400	320	300	4,500
2011	510	7,200	7,000	310	290	4,200
2012	490	10,100	8,800	280	235	1,550
2013	570	10,000	8,100	330	330	4,000

\* Including claim approvals received in previous years.

Table 4

### New Employers by Number of Claims Received for Processing by the Branch (excluding provident fund claims), 2009-2013\*

Year file received	Total employers (absolute numbers)	Number of claims per employer as a percentage of total employers			
		Total	1-5	6-25	26+
2009	450	100.0	46.3	38.3	15.4
2010	560	100.0	55.9	30.8	13.3
2011	510	100.0	58.9	30.1	11.0
2012	470	100.0	56.3	30.4	13.3
2013	540	100.0	59.7	29.8	10.5

In 2013, employers were concentrated in the following economic sectors: commerce (34%), services (33.5%) and construction (12.7%)

\* Excluding employer files in which only provident fund claims were submitted.

Table 5

### New Employers in the Employee Rights in Case of Bankruptcy Branch by Economic Sector (Percentages), 2009-2013\*

Year	Total (absolute numbers)	Agriculture	Industry	Construction	Commerce	Transportation	Services**
2009	450	0.9	18.6	15.0	30.3	2.2	33.0
2010	560	1.1	17.3	14.4	33.5	2.5	31.2
2011	510	1.2	16.7	12.1	32.7	3.5	33.8
2012	490	1.9	15.9	12.0	31.6	4.3	34.3
2013	570	0.5	15.3	12.7	34.0	4.0	33.5

\* New series based on the uniform classification of economic sectors - 2011.

\*\* Including business, financial, public and personal services.

In 2013, these employers were concentrated in the following economic sectors: commerce (34%), services (33.5%) and construction (12.7%) (Table 5). In that year, the service employees constituted 40% of total new employees whose claims were approved (Table 6).

**Table 6**  
**Approved Employee Claims as a Percentage of the Total,**  
**by Economic Sector\*, 2009-2013**

Year	Total (absolute numbers)	Agriculture	Industry	Construction	Commerce	Transportation	Services**
2009	6,800	0.7	19.4	12.1	26.9	0.8	40.1
2010	8,400	1.0	14.3	8.0	27.6	3.3	45.8
2011	7,000	0.8	15.3	12.3	17.4	1.1	53.1
2012	8,800	0.5	18.1	4.0	16.0	2.5	58.9
2013	8,100	1.3	19.6	9.4	27.1	2.6	40.0

\* New series based on the uniform classification of economic sectors – 2011.

\*\* Including business, financial, public and personal services.

#### D. Collecting Employer Debts

Under the law, the branch may demand from the employers' liquidators the benefit amounts paid to each employee under preferential rights<sup>1</sup>, in an amount not exceeding that prescribed under the Companies Ordinance, the Bankruptcy Ordinance, the Cooperative Societies Regulations, etc. In 2013, the amount under preferential rights per employee for wages only was NIS 23,379 for wages and NIS 35,068 for wages and severance pay. For benefits paid to provident funds there are no amounts with preferential rights. With regard to the outstanding balance, the branch is deemed a regular creditor. It should be noted that if the maximum amount (NIS 110,331 in 2013) was paid to the employee, the amount to be paid by the liquidators to the branch under preferential rights will be transferred to the employee to cover a portion of the debt owed by the liquidators to the employee. In this case, the branch becomes a regular creditor from the first shekel.

Under said law, the branch will not be entitled to collect from the liquidator the linkage differentials that it paid to the entitled person for the period subsequent to the issue date of the receivership order or the liquidation order, unless the liquidator decides to pay interest, linkage differentials, or both in respect of said period also to the other creditors in the bankruptcy or the liquidation. For example, if wages and severance pay were paid to the employee in the sum of NIS 35 thousand, of which NIS 2,000 constituted the linkage differential in respect of the period subsequent to the issue of a receivership order or liquidation order, the remaining amount – NIS 33,000 – is divided into NIS 13,500 under preferential rights and the balance – NIS 19,500 – is deemed a regular debt.

.....

1 Debts to which preferential rights are attached are debts that are given priority over other debts, when such priority is given to regular creditors and not secured creditors who are entitled to all their money in the bankruptcy / liquidation process. Pursuant to the relevant laws, there are categories of debts that are awarded preferential rights and they are ranked according to the following order of precedence: a) wages; b) debts in respect of deduction of income tax at source; c) other debts, such as maintenance payments and rent; d) municipal taxes.

The foregoing suggests that the law limits the branch's ability to collect (if possible) partial amounts from the liquidators on account of the benefits paid to employees and provident funds that have eroded over time. Table 7 presents the amounts of debt under preferential rights and their proportion of the benefits amounts paid in 2009 – 2013, as well as the amounts collected from the liquidators and their proportion of the total debt under preferential rights during said years. We learn from this table that in 2013, the Employee Rights in case of Bankruptcy and Liquidation branch was entitled to receive, under preferential rights, 44% of the benefit amount paid to employees and to provident funds during said year.

In 2013, the NII managed to collect NIS 15.3 million on account of benefit payments that were made in the past, constituting approximately 12% of the debt under preferential rights during that year.

In 2013, the NII managed to collect NIS 15.3 million on account of benefit payments that were made in the past, constituting approximately 12% of the debt under preferential rights during that year

**Table 7**  
**Debt Under Preferential Rights as a Percentage of Total Benefits Paid to Employees and to Provident Funds and Collection From Liquidators as a Percentage of the Amount of Debt Under Preferential Rights, 2009-2013**

Year	Current debt under preferential rights		Collection from liquidators on account of past payments	
	Amount (NIS million)	As a percentage of total benefits	Amount (NIS million)	As a percentage of debt under preferential rights
2009	74.2	33.0	11.1	15.0
2010	126.0	43.5	32.1	25.5
2011	140.3	54.3	13.0	9.3
2012	180.6	61.0	31.7	17.6
2013	130.0	44.0	15.3	11.8

## 12. Benefits to Reservists

### A. General

The National Insurance Institute pays a reserve service benefit to anyone called to reserve service under the Defense Service Law, as well as to anyone called to training under the Emergency Work Service Law. The NII also pays grants to working youths up to the age of 18 who were absent from work due to their participation in pre-military education (provided that they participated in the pre-military educational activity for at least two consecutive days and provided that they worked for at least 30 working days during the last three months preceding this activity).

Under the law, the NII may, following consultation with the Public Committee for Reserve Service, award grants for the development of welfare services for reservists and their family members.

Since 1999, the NII has been participating in an extensive IDF project whose aim is to enhance social cohesion and to create a sense of solidarity and sympathy toward the reservists, through subsidization of the **welfare basket** project organized by the IDF Manpower Directorate (IMD – individuals), which includes vacation activities, unit evenings, tribute evenings and additional team building activities. The total grants are not to exceed 0.25% of the estimated aggregate annual amount of reserve service benefits paid under the law, and the entire budget for this branch is funded by the Ministry of Finance in the framework of the defense budget. In 2012, approximately NIS 10 million in grants were paid for purposes of these welfare activities, an amount constituting the biennial budget for 2011 and 2012.

### B. The Benefit Rate for a Salaried Employee and for a Self-Employed Person

The daily benefit rate is set according to the gross wage (subject to insurance contributions) of the employee during the three months preceding the 1st of the month in which the service began, together with the cost of living increment, divided by 90 (days). Reserve service benefits, unemployment benefits, work injury allowances and maternity allowances are also taken into account for the purpose of the calculation. The benefit shall not be less

#### Payments to Reservists (NIS thousands), 2008-2013

Year	Current prices	2013 prices	Real rate of change (percentages)
2008	820,000	929,374	6.1
2009	1,150,730	1,262,348	35.8
2010	1,005,979	1,074,609	-14.9
2011	1,045,343	1,079,416	0.4
2012	1,124,500	1,141,658	5.8
2013	1,103,003	1,103,003	-3.4

than the minimum – 68% of the “basic amount” divided by 30 (in January 2013: NIS 192.37 per day, NIS 5,771 per month) – and shall not exceed the maximum: 5 times the” basic amount “divided by 30 (in January 2013: NIS 1,414.50 per day, NIS 42,435 per month).

The volume of payments to reservists increased from 2010 to 2012, but decreased in 2013

It may be seen in the table that the volume of payments to reservists increased from 2010 to 2012, but decreased in 2013. In 2009, there was a substantial increase in real terms compared to 2008 – 35.8% – due to payments to recruits during Operation Cast Lead that was conducted from December 27, 2008 to January 18, 2009. Subsequently, in 2010, payments decreased by 14.8% and in recent years they have risen again by a cumulative rate of about 6%.



## Chapter 4

## Collection: Activities and Trends



## 1. General

The National Insurance Institute is responsible for collecting national insurance contributions to fund the benefits payable pursuant to the National Insurance Law and for collecting health insurance contributions pursuant to the Health Insurance Law, which are intended to fund the health system. National and health insurance contributions are collected from working (salaried employees and self-employed persons) and non-working residents of the State, at varying rates applicable to the income subject to insurance contributions. Furthermore, since 1986, the Finance Ministry has been compensating the National Insurance Institute for the loss of collection proceeds resulting from the reduction in insurance contributions of employers and self-employed persons. This compensation is called “**Finance Ministry indemnification**” and it constitutes a component of the NII’s proceeds from national insurance contributions<sup>1</sup>.

As in previous years, in 2013 as well the collection from the public was affected by economic developments in the country, including fluctuations in the average wage and in the number of employed persons, and by legislation.

## 2. Legislative Changes

In 2005, a gradual reduction of employer insurance contributions began. Concurrently, two insurance contribution rates were instituted for employers, reduced and regular, in lieu of a uniform rate for all income levels subject to insurance contributions, similar to the rate structure of salaried and non-salaried employees. Prior to the revision of the law, the employer had been paying 5.93% of the employee’s income up to the maximum income subject to insurance contributions. Following application of the amendment, the employer paid during the period of January–August 2009, an amount of 3.45% at the reduced rate (up to 60% of the average wage) and 5.43% at the regular rate.

In the beginning of 2006, the following steps were also taken: the reduced rate of the employee’s insurance contributions was decreased from 1.4% of the 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% thereof. These revisions were made using a zero budget, i.e. with no change in the volume of proceeds of the NII. The increase of the reduced rate bracket also applies to the employer’s share, so as to avoid loss of collection.

In July 2009, the enactment of the Economic Efficiency Law of 2009–2010 was completed and it comprised two revisions that affected the collection from September 2009 to March 2011: the reduced rate of the employer’s insurance contributions was raised from 3.45% to 3.85% (and thereby the situation prevailing in 2008 was reinstated)

.....  
 1 The insurance contribution rate imposed on the government instead of on the employers appears in Schedule “J” of the National Insurance Law (the national contribution rates) and is entrenched in Section 32 thereof, which generally addresses the government’s participation in the funding of the insurance branches.

until March 31st, 2011 and the ceiling for payment of national and health insurance contributions was doubled: from 5 times the basic amount to 10 times the basic amount until December 31st, 2010.

These two steps should have increased the total collection of national insurance contributions, but in fact the additional collection and the additional allocations under Section 32 were transferred in their entirety to the Finance Ministry, inasmuch as the Finance Ministry's participation in the collection for the Children branch was simultaneously reduced from 210% to 207.5% in 2009, to 169% in 2010 and to 208% in 2011.

Under the Economy Arrangements Law of 2011- 2012, three further amendments were introduced: (a) The ceiling for payment of national and health insurance contributions was raised to 9 times the basic amount (from January 1st, 2011. (b) In 2012 the ceiling should have been raised to 8 times the basic amount, but following the Trajtenberg Law, which was enacted in the wake of the social protests, the ceiling for payment was decreased and reverted to 5 times the basic amount (from 1.1.2012). (c) The regular employer insurance contributions were raised by 0.47% – from 5.43% to 5.9% (from April 1st, 2011). These steps increased the collection of the NII, but not the share of the State Treasury and therefore its participation in the Children branch was 200.5% from 1.4.2011 (204.5% in 2012). In August 2012, the Deficit Reduction Law was enacted, which gradually increased the regular employer insurance contributions as of 2013 by 0.6 percentage points and it was applied to the insurance branches for which the employer is liable and where there is no Finance Ministry participation, therefore its participation in the collection for the Children branch reverted to 210%.

### 3. Collection of National Insurance Contributions

In 2013, the employer's insurance contributions were raised, as prescribed by the Trajtenberg committee established in the wake of the social protests of 2011. The

**Table 1**  
**Collection from the Public and Estimated Effect of the Legislative Changes**  
**on the Proceeds (NIS million), 2012-2013**

							Percent change 2013 vs. 2012			
	2012			2013			Nominal		Real	
	Net of legislative change	Legislative change	Actual	Net of legislative change	Legislative change*	Actual	Net of legislative change	Actual change	Net of legislative change	Actual change
Total	50,179	97	50,276	52,480	940	53,420	4.6	6.3	2.8	4.7
NII	32,069	75	32,144	33,558	940	34,498	4.6	7.3	2.9	5.7
Health insurance	18,110	22	18,132	18,922	0	18,922	4.5	4.4	2.7	2.8

\* There were no legislative changes in 2012; there was only a continuation of one month at a ceiling of 9 times the basic amount, which later reverted to 5 times the basic amount. In 2013, the regular employer insurance rates rose by 0.6% (from 5.9% to 6.5%).

committee decided on a three stage increase. The first stage – an increase of 0.6% (from 5.9% to 6.5%) was carried out in 2013. The next two stages were split into three parts: an increase of 0.25% in 2014, 0.5% in 2015 and 0.25% in 2016.

In 2013, the NII's proceeds from collecting national and health insurance contributions amounted to NIS 55.9 billion: 53.4 billion were collected directly from the public and 2.5 billion were transferred by the State Treasury in accordance with Section 32C1 of the law, which indemnifies the NII for the reduction in national insurance contributions for employers and for self-employed persons (Table 1). This year, as in 2012, the direct collection from the public, without Finance Ministry indemnification net of legislative changes, increased by 2.8% in real terms.

In 2013, the collection of national insurance contributions from the public increased by 5.7% (compared to an increase of 1.2% in 2012) and the collection of health insurance contributions increased by 2.8% (compared to an increase of 2.3% in 2012). The proportion of health insurance contribution collection out of the total collection from the public decreased slightly and in 2013 it reached 35.4% compared to 36.1% in 2012. The decrease in the rate of growth of the health insurance contribution collection primarily stems from the increased rate of the employer's insurance contributions, which proportionally lowers the weight of health insurance contributions out of the total insurance contributions from the public. The ratio of the rate of collection from the public to the GDP in 2013 was 5.1%<sup>2</sup>. The percentage of collection proceeds from the public out of the total direct taxes<sup>3</sup> collected from individuals decreased, from 48.1% in 2012 to 47.9% in 2013, as a result of the increase in income tax collection.

In 2013, the collection of national insurance contributions from the public increased by 5.7% (compared to an increase of 1.2% in 2012) and the collection of health insurance contributions increased by 2.8%

## A. National Insurance Contribution Rates

In 1995, two national insurance contribution rates were prescribed – reduced and regular – for all categories of insureds. As of January 2006, the reduced rate has been imposed on the part of the income subject to national insurance contributions that does not exceed 60% of the average wage<sup>4</sup> and the regular – on the balance of the income up to the ceiling: of the salaried employee, of the employer and of the self-employed person, without differentiating between his share as an employee or as an employer. The reduced rate is applicable to all the insureds – employees and non-employees – and as of August 2005, it has also been extended to employers (Table 2).

2 Table 13 in Chapter 1.

3 Direct taxes collected from individuals include income tax (from salaried employees, self-employed persons and company directors), national insurance contributions and health insurance contributions. Total direct taxes include, in addition to taxes collected from individuals, also corporate tax (the State Revenue Administration, Annual Surveys).

4 The average wage as defined under the National Insurance Law – NIS 8,828 per month in 2013 and the basis for reduced rates was 50% of the average wage until the end of 2005.

**Table 2**  
**Rates of National and Health Insurance Contributions**  
**by Category of Insured (percentages), 2012 and 2013**

Category of insured	National insurance contributions				Health insurance contributions	
	Regular rate		Reduced rate		Regular rate	Reduced rate
	2012	2013	2012	2013		
<b>Salaried employee - Total</b>	<b>13.10</b>	<b>13.10</b>	<b>4.92</b>	<b>4.52</b>	<b>5.0</b>	<b>3.1</b>
Thereof: Employee	7.00	7.00	0.40	0.40	5.0	3.1
Employer	5.90	6.50	*3.45	*3.45	-	-
Government	0.67	0.67	0.67	0.67	-	-
<b>Self-employed - Total</b>	<b>11.82</b>	<b>11.82</b>	<b>7.31</b>	<b>7.31</b>	<b>5.0</b>	<b>3.1</b>
Thereof: Employee	11.23	11.23	6.72	6.72	5.0	3.1
Government	0.59	0.59	0.59	0.59	-	-
<b>Not working and not a self-employed person</b>	<b>7.00</b>	<b>7.00</b>	<b>4.61</b>	<b>4.61</b>	<b>5.0</b>	<b>5.0</b>

In 2013, there were approximately 3.1 million salaried positions for which national insurance contributions were paid – an increase of 1.3% according to estimate

In 2013, there were approximately 3.1 million salaried positions for which national insurance contributions were paid – an increase of 1.3% according to estimate (Table 3). This group does not include employees from the Palestinian Authority, foreign employees and Israeli insureds with special characteristics, such as kibbutz members, early pension recipients, domestic employees, anyone undergoing vocational training and Defense Ministry employees<sup>5</sup>.

Within the insured population other than salaried employees it is customary to differentiate between two groups: individuals paying insurance contributions based on their income (57.5%) and individuals who have no income and thus pay insurance contributions based on the minimum income (42.5%). The first group consists mainly of self-employed persons (90.9%), but pursuant to legislative changes in 2008, also insureds with passive income (dividends and capital income) higher than 25% of the average wage, whether or not they have income as an employee or as a self-employed person, are liable for insurance contributions (9.1% of the insureds in this group). The second group, of insureds paying the minimum level of insurance contributions, is divided between those who do not work and have no income subject to insurance contributions (approximately 65.8%) and pupils and students (34.25). In 2013, the number of insureds who paid the minimum level of insurance contributions increased by 2.0% and the number of those who do not work as salaried employees or as self-employed persons rose by 13.5%. The number of students decreased by 28.1% and the number of yeshiva students decreased by 1.9%, apparently since they entered the job market.

The number of employers paying insurance contributions for their employees rose by approximately 2.8% in 2013 (Table 3).

.....  
 5 Section 5 of this chapter presents brief information regarding these populations.

**Table 3**  
**Employers (by Size of Employer) and Insureds Subject to**  
**National Insurance Contributions, by Category of Insured, 2012 and 2013**

Category of insured	2012	2013	Percent change
<b>Insureds who are salaried employees*</b>			
<b>Total</b>	<b>3,046,000</b>	<b>3,085,000</b>	<b>1.3</b>
<b>Employers**</b>			
Total	235,792	242,312	2.8
Employing 1-5 employees	170,470	175,070	2.7
Employing 6-20 employees	45,499	46,913	3.1
Employing 21-99 employees	15,900	16,309	2.6
Employing 100-499 employees	3,258	3,345	2.7
Employing 500 + employees	675	654	-3.1
<b>Insureds other than salaried employees**</b>			
Total	727,356	749,452	3.0
With liable income – total	415,278	431,015	3.8
From work (self-employed)	379,028	391,709	3.3
Not from work	36,240	39,306	8.5
Paying the minimum level of insurance contributions – total***	312,088	318,437	2.0
Not working and not a self-employed person (minimum 15%)	184,566	209,528	13.5
Pupil and student (minimum 5%)	61,813	44,471	-28.1
Yeshiva student (minimum 5%)	65,709	64,438	-1.9

\* Number of employee insureds reported by the employers (on Form 102) – monthly average.

\*\* The data refers to year end.

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

## b. Volume of Proceeds of National Insurance Contributions

In 2013, the proceeds from national insurance contributions amounted to NIS 36.9 billion: NIS 34.5 billion were collected from the public and NIS 2.5 billion were transferred by the Finance Ministry as indemnification in respect of the reduction in the national insurance contributions of employers and self-employed persons (Table 4). That year the NII's proceeds from national insurance contributions increased by 5.2% in real terms and collection from the public increased by 5.6% in real terms. The amounts that the Finance Ministry transferred as indemnification in respect of the reduction in national insurance contributions of employers and self-employed persons rose in real terms by 0.4%. The proportion of the direct collection from the public in 2013 was 93.3% of all insurance contribution proceeds – a certain increase compared to previous years.

In 2013, the direct collection from the salaried employee public increased by 5.9% in real terms, compared to an increase of 1.1% in 2012. The direct collection from salaried

In 2013 the NII's proceeds from national insurance contributions increased by 5.2% in real terms and collection from the public increased by 5.6% in real terms

employees and their employers was affected both by the legislative changes surveyed and by job market changes: the average wage for a salaried position rose by 3.0% in nominal terms in 2013 (compared to an increase of 2.3% in 2012). The number of positions in 2013 rose by 1.5% (compared to an increase of 2.6% in 2012). National insurance contribution proceeds for salaried employees (including the share of the employee, the employer and the Finance Ministry) as a proportion of all proceeds continued to increase slightly (from 90.6% in 2011 to 90.7% in 2013) due to the legislative changes in the Economy Arrangements Laws of 2009-2012, notwithstanding the reinstatement of the ceiling for payment of insurance contributions to 5 times the basic amount.

**Table 4**  
**National Insurance Contributions Collected, by Category of Insured**  
**(current prices, NIS million), 2009-2013**

Category of insured	Absolute numbers					Percentage of real change				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
<b>Total collection</b>	<b>28,229</b>	<b>31,335</b>	<b>33,736</b>	<b>34,569</b>	<b>36,969</b>	<b>-1.8</b>	<b>7.4</b>	<b>4.2</b>	<b>0.8</b>	<b>5.1</b>
Salaried employees and employers	25,351	28,221	30,527	31,327	33,540	-2.4	7.7	4.7	0.9	5.5
Non-employees	2,878	3,124	3,208	3,242	3,429	3.4	5.1	-0.9	-0.6	4.2
<b>Collection from the public – total</b>	<b>26,233</b>	<b>29,101</b>	<b>31,305</b>	<b>32,144</b>	<b>34,499</b>	<b>-1.9</b>	<b>7.4</b>	<b>4.1</b>	<b>1.0</b>	<b>5.7</b>
Salaried employees and employers	23,519	26,139	28,268	29,067	31,252	-2.4	7.6	4.7	1.1	5.9
Non-employees	2,714	2,962	3,037	3,077	3,247	2.7	5.6	-1.1	-0.4	3.9
<b>Finance Ministry indemnification – total</b>	<b>1,996</b>	<b>2,234</b>	<b>2,431</b>	<b>2,425</b>	<b>2,471</b>	<b>-0.9</b>	<b>8.3</b>	<b>5.3</b>	<b>-1.9</b>	<b>0.4</b>
For employers	1,832	2,072	2,260	2,260	2,288	-2.2	9.5	5.5	-1.7	-0.3
For non-employees	164	162	171	165	183	15.5	-4.5	2.2	-5.1	9.2

In 2013, the direct collection from the non-employee insureds increased by 3.9 in real terms compared to 2012, after two consecutive years of decline in proceeds from this group.

The percentage of collection from self-employed persons out of their collection potential, including the outstanding balance, was 96.6% in 2013, with insureds at the minimum level this rate only reached 50.54%

The collection from non-employees for NII branches primarily consists of collection from self-employed persons (92%). In 2013, the collection from self-employed persons – which was based on the 2011 assessments that were updated by the price increases only – increased by 5.4% in real terms. The collection from non-employee insureds who pay national insurance contributions based on the minimum, which constitutes about 4% of all collection for the insurance branches from non-employees, increased by 1.6% in real terms. An examination of the payment ethics of self-employed persons and those who do not work and are not self-employed highlights the difference between them: while the percentage of collection from self-employed persons out of their collection potential, including the outstanding balance, was 96.6% in 2013, with insureds at the minimum level this rate only reached 50.54%.



## 4. Collection for the Health System

### A. Health Insurance Contributions

In January 1995, the National Health Insurance Law came into force, which establishes the right of every Israeli resident to health insurance and prescribes a defined and uniform basket of health services for all, with the responsibility for funding its cost being imposed on the State. The Law specifies the sources for funding the basket, the method whereby the cost of the basket will be updated and the formula for allocating the resources among the funds. An Israeli resident may choose any one of the sick funds recognized by the Ministry of Health and the sick funds must accept every resident without any restriction, stipulation or payment whatsoever.

The health insurance contributions, which are used as one of the primary sources for funding the basket of health services, are collected by the National Insurance Institute and divided among the sick funds. For this purpose, the NII keeps a file of everyone insured by health insurance, which is regularly updated and provides information on the membership of the various sick funds.

In accordance with the Law, every Israeli resident is liable for payment of health insurance contributions, even if he does not work, excluding a few groups that are exempt from payment. The health insurance contributions from salaried employees and non-employee insureds are collected in the same way as are national insurance contributions, whereas the insurance contributions from recipients of National Insurance Institute benefits (who have no other income) are deducted at source from the benefit.

The health insurance contributions are imposed on the employees on two levels: a reduced rate of 3.1% on the part of the income that does not exceed 60% of the average wage and a regular rate of 5.0% on the balance of the income exceeding 60% of the average wage and up to the maximum income subject to insurance contributions, which is 5 times the basic amount. Also here the update is at the rate of price increases.

Those who do not work and those who receive benefits from the NII are entitled, in most cases, to special rates depending on their income level. Table 5 details the amounts of insurance contributions deducted from the benefits by benefit category, as follows:

- Health insurance contributions of wage-replacing benefit recipients (such as, maternity allowances, injury allowances, reserve service benefits and unemployment benefits) are deducted from the allowance at the governing rates for work income.
- Health insurance contributions of a working-age benefit recipient who does not work are deducted from the allowance by the minimum amount prescribed by law.
- Health insurance contributions of old-age and survivors' pension recipients with no income supplement are deducted from the pension by the amounts prescribed for an individual and a couple, as applicable.

- Health insurance contributions of old-age and survivors' pension recipients with an income supplement are deducted from their pension by the minimum amount, for all family compositions.
- Health insurance contributions of a working-age benefit recipient who has work income is imposed on his work income only, but not on his benefit.

**Table 5**  
**Level of Health Insurance Contributions by Benefit Category, 2013**

Benefit category	Monthly health insurance contributions
<b>Wage-replacing benefits</b>	3.1% of the benefit up to 60% of the average wage 5% of the remaining benefit that exceeds 60% of the average wage and up to the ceiling
Maternity allowance	
Injury allowance	
Unemployment benefits	
Reserve service benefits	
Accident allowance	
Bankruptcy and corporate liquidation	
<b>Old-age and survivors</b>	
With income supplement	NIS 101
With no income supplement:	
For an individual	NIS 192
For a couple	NIS 278
<b>Other benefits</b>	NIS 101
Income supplement	
Maintenance	
General disability	
Work-related disability, with dependents	
Working-age survivors	

Since January 2006, the benefit amounts are updated according to the rate of increase of the price index in the previous year (i.e., the new index of the last November compared to the previous November) and therefore also the minimum amounts are updated by this rate. A person who is neither a salaried employee nor a self-employed person and who does not receive a benefit pays minimum insurance contributions (NIS 101 per month as of January 2013). Certain groups are exempt from payment of health insurance contributions: housewives, new immigrants during the first six months of the date of their immigration to Israel; employees younger than 18; students younger than 21 who do not work and who subsequently are inducted into the military – are exempt from payment for 12 months; and detainees and prisoners who have been sentenced to more than 12 months' imprisonment and who receive health services from the Israel Prison Service.

## b. Health Insurance Contribution Proceeds and Their Distribution Among the Sick Funds

Up until the beginning of 1997, the National Insurance Institute collected the parallel tax and the health insurance contributions for the health system. Upon approval of the Economy Arrangements Law of 1997, the parallel tax collection was abolished altogether and funding of the basket of health services out of the State budget was increased accordingly. In 2013, the NII collected approximately NIS 18.9 billion in health insurance contributions – an increase of 2.8% in real terms, compared to an increase of 2.3% in 2012 (Table 6). 81% of the total collection was collected from salaried employees, from non-employees – approximately 9.7% – and from NII benefit recipients – 9.3%. Health insurance contributions from non-employee insureds were collected in the following proportion: 71% from self-employed persons and 29% from insureds who do not work and are not self-employed persons, who pay the minimum level of insurance contributions.

**Table 6**  
**Health Insurance Contributions Collected**  
**by Category of Insured (NIS million), 2009-2013**

Year	Total	Salaried employees	Non-employees	Benefit recipients	Rate of change	
					Nominal	Real
2009	14,995	11,975	1,528	1,492	2.9	-0.4
2010	16,290	13,067	1,660	1,563	8.6	5.8
2011	17,414	14,105	1,692	1,617	6.9	3.3
2012	18,132	14,665	1,750	1,717	4.0	2.3
2013	18,922	15,324	1,831	1,767	4.4	2.8

In 2013, health insurance contributions in the amount of NIS 1,767 million were deducted from benefits – a real increase of 1.4% compared with 2012 (Table 7). The increase in the amount deducted from unemployment benefits and bankruptcy is particularly prominent. Approximately 71% of the health insurance contributions deducted from benefits were paid by recipients of old-age and survivors' pensions (among them the pension recipients with income supplements). It should be noted that the health insurance contributions are deducted from the benefit only if the benefit recipient has no work income or he has other income that is exempt from payment of insurance contributions. Married women who work only in their own households (housewives) are exempt from payment of health insurance contributions, even if they receive a benefit in their own right from the National Insurance Institute, provided that this benefit is not a wage-replacing benefit.

The National Health Insurance Law prescribes that the monies designated for funding the health basket are to be transferred directly to the sick funds by the National

In 2013, health insurance contributions in the amount of NIS 1,767 million were deducted from benefits – a real increase of 1.4% compared with 2012

**Table 7**  
**Health Insurance Contributions from Benefits**  
**by Benefit Category (NIS million, 2013 prices), 2012 and 2013**

Benefit category	2012	2013	Real annual increase (percentages)
<b>Total</b>	<b>1,743.3</b>	<b>1,767.0</b>	<b>1.36</b>
Old-age and survivors	1,225.3	1,259.4	2.78
Work-related disability	38.7	40.3	4.23
Disability	177.4	159.7	-10.0
Income supplement	79.5	81.4	2.3
Reserve service	0.3	0.3	0.5
Maternity allowance	112.8	120.6	6.9
Unemployment	60.8	67.1	10.4
Injury allowance	12.6	13.3	5.9
Maintenance	7.2	7.1	-0.8
Bankruptcy	4.0	4.4	10.0
Other	24.8	13.4	-45.7

Insurance Institute. The principle governing the distribution of the monies is based on the **capitation formula**, which takes into account primarily the number of insureds in each one of the funds, while weighting the age of each insured. As of the 1st of November 2010, two new variables were added to the capitation formula: the gender of the insured and the remoteness of his place of residence from population centers.

The capitation method works in favor of Clalit Health Services, since it is characterized by a high percentage of older members and of members living in communities that are remote from central Israel (Table 8). Thus, for instance, approximately 72% of the very elderly insureds (aged 85 or older) and 69% of the residents of outlying areas are insured by this sick fund. At the end of 2013, their proportion of its insureds was approximately 52% of all the insureds, but Clalit's share of health insurance monies was approximately 56%. On the other hand, this method reduces the amounts transferred to the Maccabi and Meuhedet sick funds, whose members are younger. In 2005–2013, Clalit Health Service's share in the distribution of health insurance monies diminished from approximately 59% to approximately 56%.

It should be noted that as of August 1, 2006, the capitation rates have been calculated every month instead of once every three months as was customary until then. The monthly calculation makes it possible to reduce the disparity between the number of insureds at the beginning of each quarter and the actual number of insureds in each of the three months of the quarter.

Under the National Health Insurance Law, the health services are funded from several sources:

- Health insurance contributions, which are collected by the National Insurance Institute;

In 2005–2013, Clalit Health Service's share in the distribution of health insurance monies diminished from approximately 59% to approximately 56%

**Table 8**  
**Number of Insureds and Key to Distribution of Health Insurance**  
**Monies, by Sick Fund (percentages), January 2005- January 2013**

Year	Total	Sick fund			
		Clalit	Leumit	Meuhedet	Maccabi
<b>Total insureds</b>					
1/2005	100.0	54.4	9.8	11.7	24.0
1/2010	100.0	52.4	9.2	13.5	24.8
1/2011	100.0	52.3	9.2	13.6	24.9
1/2012	100.0	52.3	9.1	13.6	25.0
1/2013	100.0	52.3	9.1	13.6	25.0
<b>Distribution key</b>					
1/2005	100.0	58.970	9.105	10.085	21.839
1/2010	100.0	56.822	8.607	11.647	22.924
1/2011	100.0	56.691	8.560	11.590	23.159
1/2012	100.0	56.451	8.517	11.627	23.405
1/2013	100.0	56.167	8.497	11.745	23.591

- Amounts transferred by the Road Accident Victims Compensation Fund (Karnit) to the National Insurance Institute (since 2010);
- The direct proceeds of the sick funds for health services that they provide for a fee (such as, medications and doctor visits);
- Additional amounts from the State budget intended to supplement the various health expenses up to coverage of the cost of the basket of health services.

According to the estimate for 2013, the cost of the health basket for which the sick funds are responsible increased by NIS 1.88 billion in nominal terms and reached 36.5 billion shekels – an increase of about 3.8% in real terms compared to 2012 (Table 9). In 2013, the proportionate part of the State in the funding of the basket rose to 40.7% compared to the proportion of the health insurance contributions, which declined to

According to the estimate for 2013, the cost of the health basket for which the sick funds are responsible increased by NIS 1.88 billion in nominal terms and reached 36.5 billion shekels – an increase of about 3.8% in real terms compared to 2012

**Table 9**  
**Cost of Health Services Basket under the Responsibility**  
**of the Sick Funds, by Source, 2009-2013**

Source	2009	2010	2011	2012	2013
Cost – NIS million	28,141	30,333	32,668	34,678	36,553
<b>Percentages</b>					
Total	100.0	100.0	100.0	100.0	100.0
Health insurance contributions**	53.4	54.3	54.3	53.3	52.9
State budget	40.2	39.3	39.3	40.3	40.7
Independent income	6.4	6.4	6.4	6.4	6.4

\* Ministry of Health estimate (February 2014).

\*\* Includes amounts transferred to the NII by the Road Accident Victims Compensation Fund (since 2010). In 2013, an amount of NIS 433 million was transferred.

52.9%. It should be noted that under the Economy Arrangements Law of 2008, it was prescribed that the proceeds of the sick funds from the deductibles of their insureds would be at a rate of 6.45% of the cost of the basket (instead of 5.4% until 2007). This amendment explains the reduction in the State's participation by 1% since 2008.

The standardized per capita cost of the health basket makes it possible to study the effect of the insured's age on the expenses of the sick funds (Table 10). The per capita cost of the basket is calculated in relation to the sources of the basket that are distributed among the sick funds according to the capitation formula and excludes amounts not distributed in accordance therewith, such as expenses for serious illnesses, administrative expenses and allocations to the Health Council and to Magen David Adom. In 2013, the weighted per capita cost of the basket was NIS 3,979, compared to NIS 3,926 in 2012 – an increase of approximately 1.3% in real terms. The cost of the basket reflects the relative expenses among the age groups: except for children up to the age of 4, the cost of the younger age groups is usually lower than that of the older age groups. Thus, for instance, in 2013 the cost of the basket for the older population (aged 85 or older) was 3.8 times higher than the average cost for all insureds of the sick funds and 9.4 times the cost of the basket for 15 – 24 year olds.

**Table 10**  
**Per Capita Cost of the Health Basket, by Age Group**  
**(NIS per year, 2013 prices), 2012 and 2013**

Age group	2012	2013*
Standardized per capita total	3,926	3,979
Up to one year	6,487	6,576
1-4	3,357	3,400
5-14	1,578	1,599
15-24	1,582	1,602
25-34	2,270	2,300
35-44	2,685	2,720
45-54	4,215	4,270
55-64	6,870	6,960
65-74	11,275	11,426
75-84	14,580	14,776
85 or older	14,874	15,066

\* Estimate.

## 5. Distribution of the Burden of Payment of National Insurance Contributions and Health Insurance Contributions

The national insurance system, as any insurance system, makes the entitlement to benefits conditional, in most cases, on the payment of insurance contributions. According to

this principle, every insured, irrespective of his employment status, is liable for payment of insurance contributions. The parameters of the function of national insurance contributions, mentioned at the beginning of the chapter – a minimum and maximum for the income subject to national insurance contributions and the insurance contribution rates of the various insureds – is characteristic of most social insurance systems in western countries. Undisputedly, the setting of a floor and ceiling for income subject to national insurance contributions constitutes a regressive element of the collection system. The reform introduced in the collection system of the NII in 2006 – which broadens the income base subject to national insurance contributions and instituted a reduced rate for that part of the income that does not exceed 60% of the average wage – was designed to moderate the regressive distribution of the burden of payments of national insurance contributions imposed on the insured individuals. The decision to delegate the collection of health insurance contributions to the National Insurance Institute as of 1995, in tandem with the principles that every resident is insured and the majority of the insureds are liable for payment of health insurance contributions, have led policymakers to adopt the elements of the function of national insurance contributions also with respect to the function of health insurance contributions.

The most current income data available to us refers to 2011. The data in Tables 11 and 12 refers to the statutory status in 2011, i.e. to the insurance contribution rate of said year and to the maximum income subject to national insurance contributions and to health insurance contributions (up to 9 times the basic amount). The steps taken within the framework of the tax reform introduced in 2006 (such as the reduction in the

**Table 11**  
**Salaried Employees: Income (average per month of work)**  
**and Burden of Insurance Contributions, by Decile, 2011**

Decile	Average income per month of work	Insurance contribution payment					
		Absolute numbers (NIS)			Percentage of income		
		Total	National insurance	Health insurance	Total	National insurance	Health insurance
1	967	34	4	30	3.5	0.4	3.1
2	2,280	80	9	71	3.5	0.4	3.1
3	3,413	119	14	106	3.5	0.4	3.1
4	4,342	152	17	135	3.5	0.4	3.1
5	5,288	211	41	170	4.0	0.8	3.2
6	6,470	353	124	229	5.5	1.9	3.5
7	8,056	543	235	308	6.7	2.9	3.8
8	10,506	837	406	431	8.0	3.9	4.1
9	14,941	1,369	717	652	9.2	4.8	4.4
10	29,523	3,111	1,733	1,378	10.5	5.9	4.7
<b>Average</b>	<b>8,579</b>	<b>606</b>	<b>272</b>	<b>334</b>	<b>7.1</b>	<b>3.2</b>	<b>3.9</b>

reduced rate for employees from 4% to 0.4%, the increase in the regular rate from 5.58% to 7.0% and the increase in the reduced rate bracket from 50% of the average wage to 60% thereof) are also reflected in the insurance contribution rate that is calculated on the basis of the wage and income data for 2011.

Each one of the first four deciles pays national insurance contributions at a rate of 0.4% of his income and the rate rises gradually to 5.9% in the top decile

Table 11 presents data on the income (average per month of work), national insurance contributions (the share of the employee only) and health insurance contributions, on average per decile of the salaried employee population. The salaried employees are ranked according to the income subject to insurance contributions (average per month of work) so that each decile is comprised of 10% of the employed individuals<sup>6</sup>. Each one of the first four deciles pays national insurance contributions at a rate of 0.4% of his income and the rate rises gradually to 5.9% in the top decile. A similar picture arises from the health insurance contribution rates by deciles, but the lowest rate among the first five deciles is 3.1%.

Table 12 presents the insurance contribution rates by deciles of the self-employed population for 2011<sup>7</sup>. The burden of the national insurance contributions is prominent in the first and second deciles, since currently the minimum insurance contribution payment (25% of the average wage) underscores the regressive nature of the system at the lower income levels. The rate of national insurance contributions paid by self-employed persons (both as employees and as employers) is 6.7% in the third decile and it rises gradually to 9.7% in the tenth decile.

The effect of the maximum income subject to national insurance contributions is more prominent among self-employed persons, since the part of the self-employed persons' income that is exempt from payment of insurance contributions is relatively higher than that of the salaried employees, more than the part of the income that is subject to insurance contributions, which is actually 9 times the basic amount.

It should be noted that unlike salaried employees, the income of the self-employed person in each decile is indicated in terms of monthly average per year (and not per month of work), since the collection from them is based on their reported annual income. For this reason, the income of salaried employees, as presented in Table 11, cannot be compared to the income of self-employed persons as presented in Table 12.

- .....
- 6 In April 1999, a legislative amendment was adopted, whereby the minimum income for calculating insurance contributions of salaried employees was equated to the minimum wage in the economy, taking part-time jobs into account. When calculating the insurance contributions we assumed full compliance by employers with the Minimum Wage Law and that any reported wages that are less than the minimum wage level are due to part-time jobs. The deviation in the average rate of insurance contributions from income in the lower deciles is negligible.
  - 7 The last year for which there is complete administrative data on income of salaried employees and self-employed persons.



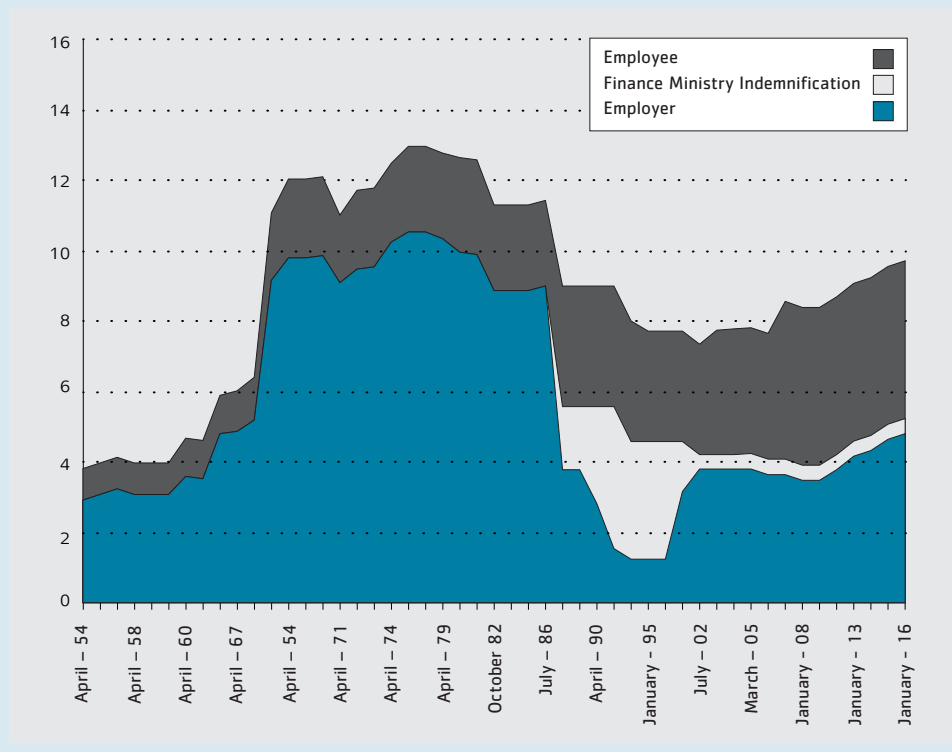
## Employer Insurance Contribution Rates – Historical Survey

The National Insurance Law prescribes that the national insurance contribution rates for an employee are to be paid through the employer and shall include the share of the employee and the share of the employer.

The insurance contribution rates of employers were subject to frequent changes over the years, both due to the addition of insurance branches and due to legislative changes in the insurance contribution rates, mainly during the last decade. Initially, the National Insurance Institute had only four insurance branches: Old-age and Survivors, Work Injury, Maternity and Reserve Service. Over the years, by the early '80s, the Children, Disability, Unemployment, Long-term Care, Bankruptcy and Accident Injury branches had been added.

In the mid-'80s, due to the rising inflation and the difficult economic situation that prevailed in Israel, the government decided to reduce the cost of labor for employers and self-employed persons by reducing the insurance contribution rates paid by them and supplementing them from the State budget. Within this framework, it was determined that the State Treasury would compensate the NII in respect of the

### Cumulative Regular Insurance Contribution Rates for One Employee



loss of collection (Finance Ministry indemnification). This indemnification, which is entrenched as a rate in Schedule “J” to the Law and as a percentage in Section 32C1 of the Law, as may be seen in the graph below, constitutes a substitute for the employer’s insurance contribution rates.

Accordingly, the insurance contributions for salaried employees are paid from a combination of three sources: the insurance contributions paid by the employees, the insurance contributions paid by the employers for their employees and the participation of the Finance Ministry. In 2013, the regular insurance contribution rates<sup>1</sup> deductible from employee wages were 6.5% for the employer, 7.0% for the employee and 0.67% for the State Treasury. In 2013, the collection of insurance contributions for salaried employees amounted to NIS 33,521 million according to the following distribution: NIS 17,615 million collected from employers (52.6% of total collection), NIS 13,618 million collected from employees (40.6% of total collection) and Finance Ministry indemnification – NIS 2,288 million (6.8% of total collection).

The graph shows the cumulative insurance contribution rates for employees, from the inception of the National Insurance Law in 1954.

The graph shows that from the fifties to this day there have been considerable changes in the composition of the insurance contributions by source. Up to the early ‘80s, there was an upward trend in the employer’s insurance contributions rates, mainly due to the introduction of new branches to the NII system: from 3.15% in 1954 to the peak in 1978 – 12.65%. In 1986, prior to the legislative change pertaining to the Finance Ministry’s participation in the insurance contributions replacing that of the employers, the employer’s insurance contributions were 10.05% and in 1987 the rate decreased to 5.9% (Finance Ministry participation – 2.8%). Up to 1995, the insurance contributions declined steadily, reaching a rate of 1.93% and since then they have begun to rise. In 2016, the rate of the employer’s insurance contributions for his employees will reach 7.5%.

.....  
1 This box does not address reduced rates.

## 5. Special Populations Defined as Salaried Employees

The data presented in the body of the chapter on the number of salaried employees pertains to the number of salaried employees reported by the employer on Form 102. The salaried employee population, as defined by the National Insurance Institute, includes groups with unique characteristics and they are specified below.

**Members of kibbutzim:** Members of kibbutzim (communal settlements) and moshavim (cooperative settlements) are defined under the law as salaried employees of the cooperative society (as an employer), which has the duty and the responsibility to

**Table 12**  
**Self-Employed Persons: Income (monthly average per year)**  
**and Burden of Insurance Contributions, by Decile, 2011**

Decile	Average monthly income per year	Insurance contribution payment					
		Absolute numbers (NIS)			Percentage of income		
		Total	National insurance	Health insurance	Total	National insurance	Health insurance
1	660	204	140	64	30.9	21.1	9.8
2	1,776	204	140	64	11.5	7.9	3.6
3	2,362	232	159	73	9.8	6.7	3.1
4	3,355	329	225	104	9.8	6.7	3.1
5	4,389	431	295	136	9.8	6.7	3.1
6	5,618	592	406	186	10.5	7.2	3.3
7	7,408	883	607	276	11.9	8.2	3.7
8	9,995	1,303	898	405	13.0	9.0	4.1
9	14,543	2,041	1,408	632	14.0	9.7	4.3
10	34,752	4,879	3,371	1,508	14.0	9.7	4.3
<b>Average</b>	<b>8,486</b>	<b>1,058</b>	<b>728</b>	<b>330</b>	<b>12.5</b>	<b>8.6</b>	<b>3.9</b>

register them as salaried employees and to pay insurance contributions on their behalf. Members of kibbutzim or moshavim are insured under all the NII branches, except for the Unemployment branch. In 2013, an average of 40 thousand members was reported per month (ages 18 or older) and the insurance contributions paid on their behalf amounted to approximately NIS 110 million for the year.

**Domestic employees:** The status and rights of people employed in private households are the same as those of all other salaried employees, although the insurance contributions paid on their behalf are set at different rates. At the end of 2013, approximately 200 thousand active employers employing domestic employees were reported and insurance contributions in the amount of approximately NIS 80 million were collected from them that year.

**Employees of the Palestinian Authority:** Employees from the territories and from the Palestinian Authority who are employed by Israeli employers are liable for payment of insurance contributions to three branches: Work Injury, Maternity and Bankruptcy. The insurance contributions for them are collected by the Payments Section of the Employment Service. In 2013, an average of approximately 38 thousand such employees was reported per month and the amount of insurance contributions paid on their behalf was approximately NIS 8.8 million for the year. The average monthly wage per employee, on the basis of which the national insurance contributions were paid, was approximately NIS 3,860.

**Foreign employees:** This group consists of employees who are not Israeli residents and who are employed by Israeli employers. As in the case of employees from the

Palestinian Authority, the foreign employees are insured under the Maternity, Work Injury and Bankruptcy branches and the insurance contribution rates applicable to them are established by a special regulation. In 2013, an average of approximately 120 thousand foreign employees were employed per month; their average monthly wage was NIS 5,800 and the insurance contributions with which they were charged were NIS 70 million for the year.

**Employees who retired prior to reaching retirement age:** These employees are liable for the payment of national and health insurance contributions on their early pension. In 2013, an average of approximately 39 thousand pensioners paid insurance contributions per month and the amount charged for them amounted to approximately NIS 330 million for the year.

**Insureds undergoing vocational training:** This group includes insureds (non-working and working alike) who are undergoing vocational training within the framework of the Ministry of Economy or at locations approved for this purpose under the National Insurance Regulations. The national insurance contributions are imposed on the employer and on the person undergoing vocational training for two branches only: Work Injury and Maternity. In most cases, the Ministry of Economy is the employer, unless the person undergoing vocational training has been sent for studies on behalf of his employer. The number of insureds who were undergoing vocational training (and who paid insurance contributions) reached an average of approximately 37 thousand per month in 2013 and the insurance contributions paid for them amounted to NIS 8 million for the year. This since the employer has ceased collecting the “not working and not self-employed” insurance contributions from the employees in vocational training and transfers to the NII only the “employee” share of the insured. The insured pays his “not working” share directly to the NII separately.

## **Chapter 5**

## **National Insurance Institute Funds**



## 1. NII Community Funds

### A. General

The principal activity of the National Insurance Institute is providing cash or in-kind benefits to those entitled to them under the Law. These benefits are financed by the NII budget and by collection of national insurance contributions.

As a supplement to the benefits, the NII assists in developing community services with the aim of improving the welfare of at-risk populations and broadening their opportunities. This activity is carried out through the NII Funds.

This unique activity of the NII is carried out under the National Insurance Law (consolidated version), 5755-1995 through the Fund Division<sup>1</sup> (service development Division), which was established in 2002 in order to centralize the NII Funds under one roof<sup>2</sup>. These Funds are designed to promote projects, programs and enterprises<sup>3</sup> that will develop and implement social services and infrastructures according to the needs of the target population and the NII policy.

The division operates through five Funds: The Fund for Development of Services for Persons with Disabilities, The Fund for Promoting Long-Term Care Programs, The Fund for Demonstration Projects, The Fund for Funding Occupational Health and Safety Activities (Manof) and the Fund for Development of Services for Children and Youth at Risk.

The populations addressed within the framework of the Funds are children and adults with special needs, disabled elderly in the community and in institutions, economically and socially disadvantaged families and individuals, persons unemployed for an extended period of time, children and youth at risk and employees who are at risk of work accidents.

In 2013, further to the activity of recent years, the NII Funds focused primarily on assisting at risk populations with education integration, employment preparation and employment placement – which are among the cornerstones of the welfare and social security policy of the National Insurance Institute and a central area of activity of three Funds: The Fund for Development of Services for Persons with Disabilities, The Fund for Demonstration Projects and the Fund for Children and Youth at Risk. The target populations of this assistance are disabled persons, youth at risk, economically disadvantaged women, unemployed youth and other unique groups, such as inhabitants of outlying areas, Arabs and ultra-orthodox Jews.

As a supplement to the benefits, the NII assists in developing community services with the aim of improving the welfare of at-risk populations

1 The Research Fund, which is also included in the Law, operates within the framework of the Research and Planning Administration. See below later in the chapter.

2 Up to this date each fund operated within the framework of the branch relevant to its activity, apart from the Children's Fund, which was established in 2004 and the Fund for Demonstration Projects, which operated within the framework of the Research Administration.

3 A **project** primarily deals with infrastructure construction and replenishment, a **program** is primarily operation of a service and an **enterprise** is a project or systemic program (in terms of the scope or the collaboration between several funds).

As stated, the authority of the Funds to develop welfare services is established in the Law, which also prescribes bylaws for each Fund, which detail the rules for reviewing the projects or the programs and for the NII's participation in the funding thereof. The activity is funded by a portion of the insurance contributions that are collected from the employers and from the insureds for each branch under which the Fund operates. The maximum annual budget for each Fund is prescribed under the Law.

The following are the NII Funds:

- **The Fund for Development of Services for Persons with Disabilities:** assists public entities in developing services for persons with disabilities in order to integrate them into the job market and into society and to improve their welfare. The Fund operates in the following areas: special education and early childhood, employment rehabilitation for disabled persons, protected housing in the community, sports and leisure activities, improving the physical conditions in institutions for the disabled and purchasing rehabilitation equipment and assistance with accessibility for the disabled in public buildings. The Fund also assists in improving the quality of life and the services at institutions.
- **The Fund for Promoting Long-Term Care Programs:** assists with the development of services for the disabled elderly and with the improvement of these services in the community and in institutions, establishing elderly day care centers, purchasing special needs equipment, training personnel to care for the elderly and improving the services at long-term care institutions.
- **The Fund for Demonstration Projects:** assists public and private entities in developing social services with an experimental and innovative component in a variety of fields and for diverse groups, most of them groups at risk: dysfunctional families, youth and children at risk, people with special needs and elderly persons suffering from violence. The goal is that these programs will constitute a model for development, be implemented in the community and spread to additional regions in the country and therefore most of them are accompanied by research evaluation.
- **The Fund for Development of Services for Children and Youth at Risk:** works to promote the care of children under the age of 18 years old who are at risk due to neglect, abuse, violence and sexual abuse, including children and youth who have broken the law, use drugs or are exposed to poor living conditions. The Fund primarily engages in developing programs to prepare adolescents for independent living and preventing future dependency on NII benefits, while developing employability. The Fund also assists in dealing with attention deficit disorders that constitute a basis for risk and care for children and youth who have been sexually abused. The Fund develops programs for rehabilitating these children and youth and assists in reconnecting them with education and welfare systems and preventing them from deteriorating to states of poverty and need.



- **“Manof” Fund:** intended to fund activities for the prevention of work accidents and to encourage programs for enhancing safety and health: funding of research in the field of occupational safety and health and implementation of their conclusions in experimental plants; development and improvement of innovative safety instruments; identification of professional risks and safety hazards in workplaces; and assistance with purchasing safety instruments, with training activities and with advocacy and advertising campaigns.

## B. Volume of Activity

In 2013, the Funds signed agreements for developing welfare services in the volume of approximately NIS 183 million for 255 different programs.

As stated, the volume of assistance of each Fund is prescribed by law. The highest amount is allocated to the Fund for Development of Services for Persons with Disabilities, more than half the fund budget – and following, by descending order: the Long-Term Care Fund and the Fund for Demonstration Projects, the Fund for Children and Youth at Risk and the Manof Fund (Graph 1). Most of the activity of the Fund for Disabled and the Long-Term Care Fund focuses on infrastructure investment and hence the large volume of the assistance budgets. The Fund for Demonstration Projects and the Fund for Children and Youth at Risk engage in the development and operation of services and thus their statutory budgets are lower. The volume of activity, which as stated derives from what is prescribed by law and from the nature of the projects or the programs, may be seen in the average program budget of each Fund.

In 2013, the Funds signed agreements for developing welfare services in the volume of approximately NIS 183 million for 255 different programs

**Table 1**  
**Number of Programs Approved and the Amount of NII Assistance, by Fund, 2013**

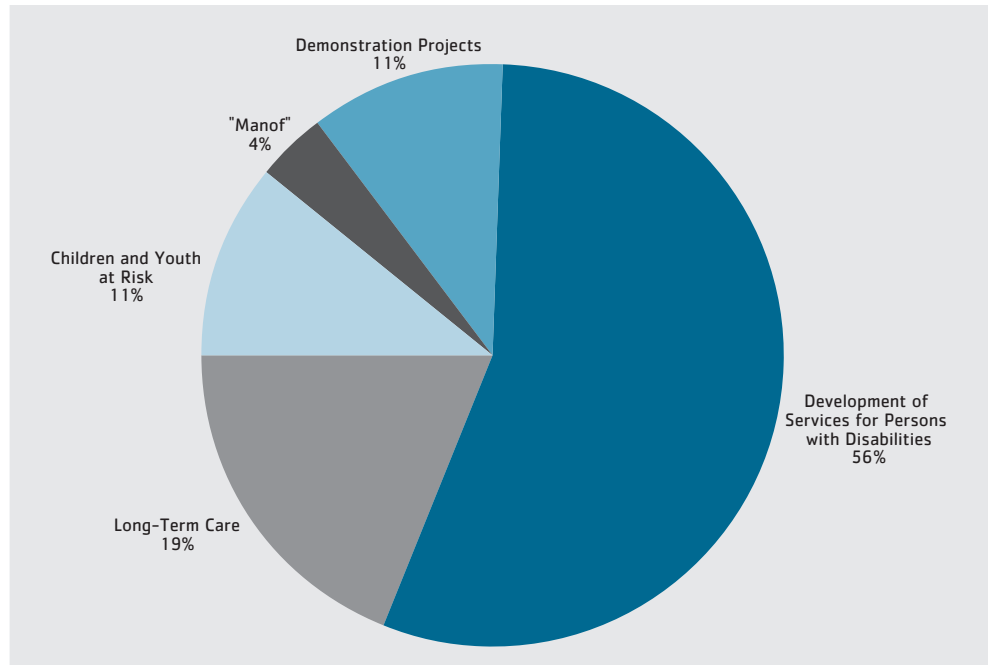
The fund	Number of programs approved	Amount of assistance approved* (NIS)	Percentage of the division's budget	Average budget per program (NIS)
Development of Services for Persons with Disabilities	143	102,269,269	56	715,170
Long-Term Care	32	34,215,574	19	1,069,237
Demonstration Projects	39	20,703,175	11	530,851
Children and Youth at Risk	25	19,580,946	11	783,238
Manof	16	6,676,549	4	417,284
<b>Total</b>	<b>255</b>	<b>183,445,513</b>	<b>100</b>	<b>..**</b>

\* The financial data presented in the following tables pertains to amounts that were approved in a certain year and not to actual performance.

\*\* The figure is irrelevant because of the differences in the nature of the programs of the various funds.

The NII Funds do not fully fund the programs in which they are partners, but rather pool resources from various entities. The maximum funding rate varies from Fund to Fund and is established in the bylaws of each Fund. For some of the Funds the funding rate is also set according to the social and economic characteristics of the target population or of the local authority (according to accepted statistical indices) and in the

**Graph 1**  
**The Assistance Approved, by Fund, out of all the Funds (percentages), 2013**



event of the Long-Term Care Fund – according to the economic characteristics of the entity operating the service.

The most common participation rate of the NII, which is prescribed in the bylaws of the Fund for Development of Services for People with Disabilities, is 80% of the total cost of the project and, under certain conditions, up to 90% thereof. The maximum assistance level (the assistance threshold) is NIS 2,350,000. For the Long-Term Care Fund the maximum assistance in 2013 was NIS 3,200,000 and this amount is updated at the beginning of each year. Furthermore, there is a distinction between community projects (such as day centers) and institution projects (such as retirement homes). For community projects, the percentage of NII assistance is set according to the CBS clusters<sup>4</sup> and it is 60% - 90% of the total cost of all the resources with other entities<sup>5</sup>. For institution projects, the percentage of NII assistance is set according to the recommendation of an accountant who inspects the financial strength of the applying entity and it is 50% - 70% of the total cost of all the resources. The Fund for Children and Youth at Risk assists with 50% of the program cost. The Fund for Demonstration Projects may fund an average of up to 80% of the program cost<sup>6</sup> and the Manof Fund may also fund the full program cost.

For the Long-Term Care Fund the maximum assistance in 2013 was NIS 3,200,000 and this amount is updated at the beginning of each year

.....

4 See Note 7.  
 5 Mainly Eshel and the Claims Conference.  
 6 For a program that the Fund funds for three years, the funding diminishes from 100% to 50%, depending on the year of operation.

**Table 2**  
**Total Cost of Programs, Participation of Funds**  
**and Assistance Rates, by Fund, 2013**

Fund	Cost of programs (NIS)	Amount of assistance approved (NIS)	Rate of assistance out of total cost *
Persons with Disabilities	174,718,951	102,269,269	59
Long-Term Care	76,737,928	34,215,574	45
Demonstration Projects	47,453,150	20,703,175	44
Children and Youth at Risk	38,890,497	19,580,946	50
Manof	8,804,151	6,676,549	76
<b>Total</b>	<b>346,604,677</b>	<b>183,445,513</b>	<b>53</b>

\* Taking into consideration the assistance threshold and the assistance percentages set in the bylaws.

In 2013, the assistance provided by all the Funds was NIS 183 million and by means thereof services were developed in the amount of approximately NIS 355 million (Table 2), so that the Fund monies enabled leveraging of the programs by their participation in an amount nearly double the amount of support of the Funds.

**The leverage ratio** is the ratio of the total cost of the program to the amount invested by the Funds. The leveraging of the Fund monies is very important: the activity of the programs is increasing significantly, as well as the potential for developing and operating additional programs, which could not have existed at all without the pooling of resources between the Funds and the entities. The higher the leveraging, the better the combination of the funding sources and the greater the pooling of resources. Leveraging has many other advantages beyond the economic advantage, for instance by it enabling national deployment, strategic perspective and standard setting up to regulatory change.

In 2013, the assistance provided by all the Funds was NIS 183 million and by means thereof services were developed in the amount of approximately NIS 355 million

### C. The Fund Activity in Communities

Most of the Funds' budget (approximately 80%) is invested in programs that are carried out in communities in the different municipal classes (cities, local councils and regional councils) and only approximately 20% are invested in enterprises or programs on a national level (such as the **Education Revolution** enterprise – support centers in institutions of higher education). The volume of investment in the outlying areas – south and north – reaches approximately 45% of the total Fund budget, while this population's proportion of the general population is approximately 30% (Table 3). In the Jerusalem, Southern and Northern districts the Funds invested more than their residents' proportion of the population and in the Tel Aviv, Haifa and Central districts a budget at a rate less than the residents' proportion of the population was invested. In the Judea and Samaria district a budget share corresponding to the size of the population in the region was invested.

The investment of all the Funds has been classified according to the socio-economic cluster of the CBS, where residents of the local authorities at the three lowest clusters of

**Table 3**  
**Amount of NII Assistance to Programs, Percentage of Total Budget and Population\*, by District and Sub-district\*\*, 2013**

District and sub-district	Amount of assistance approved by the NII (NIS)	Percentage of total budget	Population in the district and sub-district (percentages of total)
Jerusalem	20,265,852	14	12
Northern	33,889,232	23	16
Safed	8,257,758	6	1
Kinneret	2,100,974	1	1
Yizrael	14,278,560	10	6
Akko	9,251,940	6	7
Golan	-	-	1
<b>Haifa</b>	<b>13,751,882</b>	<b>9</b>	<b>12</b>
Haifa	10,196,107	7	7
Hadera	3,555,775	2	5
<b>Central</b>	<b>21,653,007</b>	<b>15</b>	<b>24</b>
Hasharon	5,688,398	4	5
Petah Tikva	1,725,248	1	8
Ramla	615,148	0.4	4
Rehovot	13,624,213	9	7
<b>Tel Aviv</b>	<b>19,975,074</b>	<b>13</b>	<b>17</b>
<b>Southern</b>	<b>33,031,955</b>	<b>22</b>	<b>14</b>
Ashkelon	12,850,194	9	6
Be'er Sheva	20,181,761	14	14
<b>Judea and Samaria</b>	<b>6,434,484</b>	<b>4</b>	<b>4</b>
<b>Total community programs</b>	<b>149,001,485</b>	<b>100</b>	<b>100</b>
National programs	34,444,028		
<b>Total</b>	<b>183,445,513</b>		

\* The percentage is calculated from the total budget of the community programs.

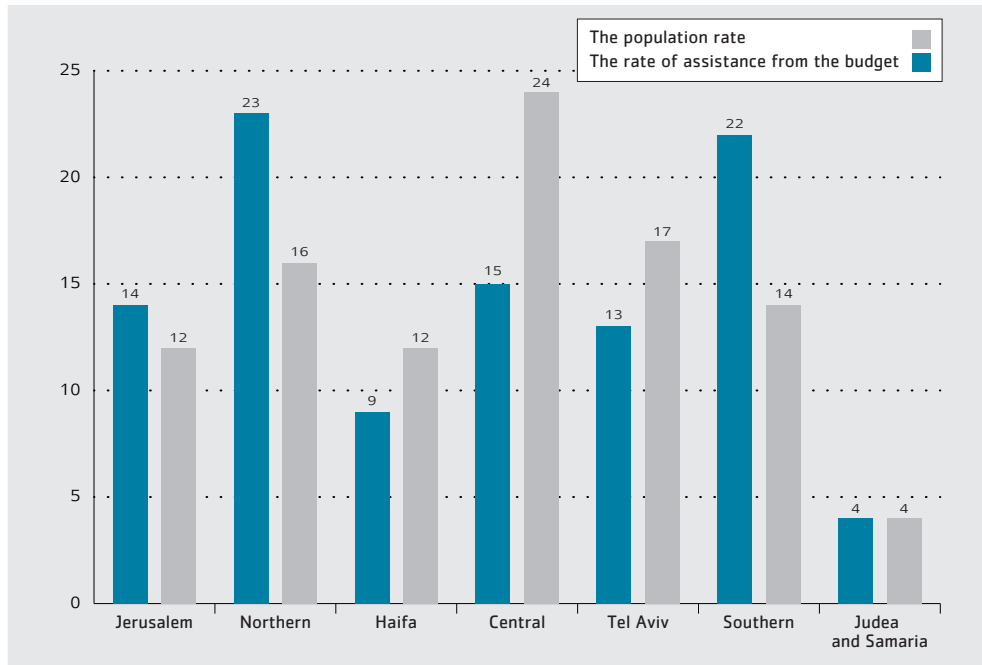
\*\* The districts and the sub-districts have been defined according to the official administrative division of the State of Israel, whereby there are 6 districts and 15 sub-districts. From: The Central Bureau of Statistics, Statistical Abstract of Israel No. 63, 2012.

the index (1-3) were defined as belonging to a low socio-economic class (12%), at the 4-7 clusters – to a middle socio-economic class (68%) and at the 8-10 clusters – to an upper socio-economic class (20%) (Table 4).

16% of the budget was invested in the lower class communities, 60% in the middle class communities and 24% was invested in the upper class communities

An analysis according to this classification shows that 16% of the budget was invested in the lower class communities, 60% in the middle class communities and 24% was invested in the upper class communities (Table 4 and Graph 3). Therefore, the investment of the Funds in the lower socio-economic class communities was slightly higher than their proportion of the population (16% compared to 12% respectively), in the middle class communities – higher than their proportion of the population (73% compared to 68% respectively) and in the upper class communities the assistance rate was lower than their proportion of the population (11% compared to 20% respectively). The affiliation of a community with a certain socio-economic cluster is made according to the average socio-economic indices in said community and therefore all residents of the community

Graph 2  
Rate of Assistance Approved and Population Rate, by District, 2013



belong to the same socio-economic cluster despite the difference in income level between them. Accordingly, also in communities that have a middle and also upper social class there is call for the funds' assistance to at risk populations.

Similarly, the financial investment of the Funds in the programs by the socio-economic cluster of the communities is also presented in Graph 3.

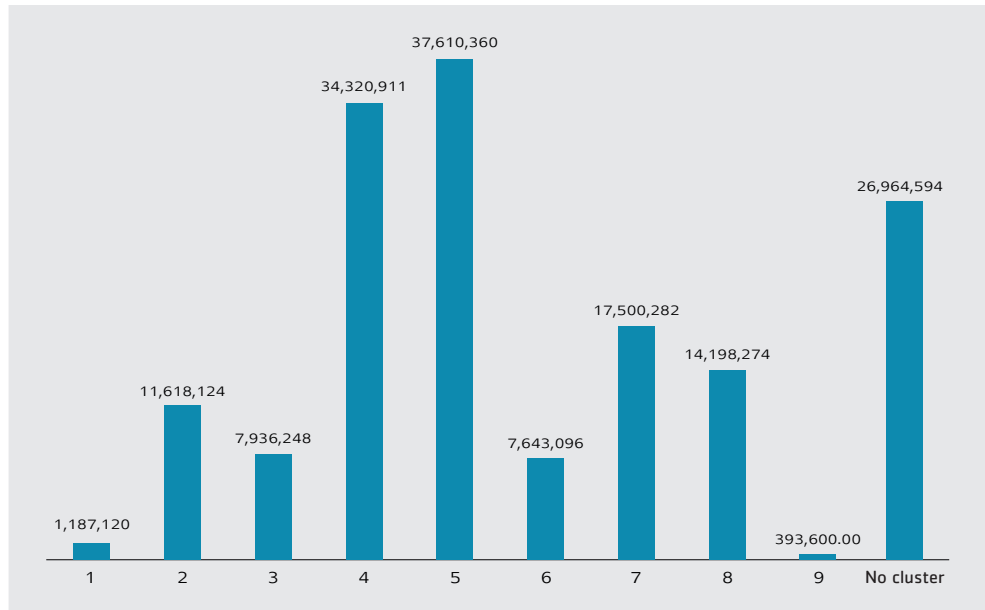
Table 4  
Amount of Assistance Approved, by Socio-economic Cluster and by Fund (NIS) and Rate of Total Budget, 2013

Social cluster	Persons with disabilities	Long-term care	Demonstration projects	Children and youth at risk	Total amount	Rate of the total cluster budget*
1	887,120	300,000			1,187,120	0.9
2	4,625,570	3,489,754		3,502,800	11,618,124	9
3	7,390,420		545,828		7,936,248	6
4	24,981,585	3,545,109	3,552,441	2,241,776	34,320,911	26
5	23,463,164	7,746,810	3,510,636	2,889,750	37,610,360	28
6	4,803,153	2,788,284		51,659	7,643,096	6
7	13,109,928	2,720,853	1,074,001	595,500	17,500,282	13
8	6,992,566	4,599,380	2,321,328	285,000	14,198,274	11
9	393,600				393,600	0.3
<b>Total**</b>	<b>86,647,106</b>	<b>25,190,190</b>	<b>11,004,234</b>	<b>9,566,985</b>	<b>132,408,015</b>	<b>100</b>

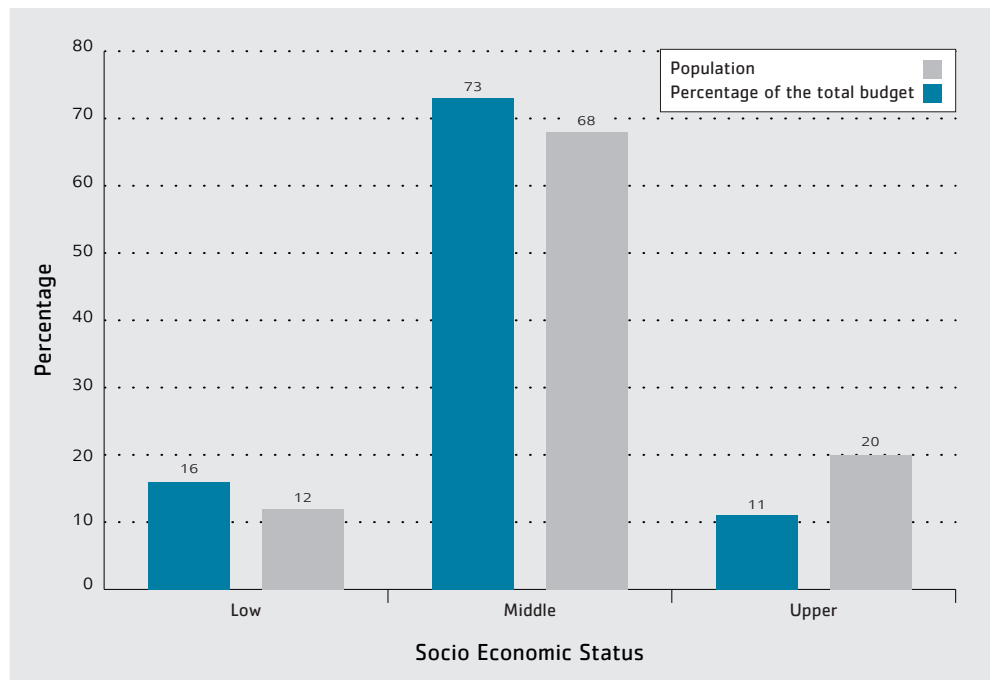
\* The percentage is calculated from the total budget of the community programs.

\*\* Total in the clustered communities.

**Graph 3**  
**Amount of NII Assistance, by Socio-economic Cluster (NIS), 2013**



**Graph 4**  
**Population and NII Assistance, by Socio-economic Class of the Communities\*, 2013**



\* The assistance amounts are correct as of 2013 and the population – as of 2010.

## D. Assistance to Social Businesses

The NII Funds have developed numerous programs dealing with training and employment for at risk groups and within the framework thereof social enterprise programs have been developed with the cooperation of foreign entities. These programs showed both the potential of social enterprises and the problem of funding and market development that exists in this sector. Within the framework of these enterprises, a social business is provided with professional guidance for building a business plan that will help it be balanced and even earn a profit and concurrently social guidance is provided to the employees of this business in order to instill them with life and work skills and to integrate them into the open job market in due course.

The following are a few examples of social businesses that receive assistance from the funds:

- Since 2012, the Fund for Children and Youth at Risk has been a partner in the social enterprise operating in the **Liliyot Restaurant** – a prestigious restaurant in Asia House in Tel Aviv. The restaurant was established in the 1990s by the Kamerman – Handler family and was donated in 1999 to the Elem Association for the purpose of operating a socio-educational enterprise to rehabilitate youth at risk. After encountering financial difficulties, the restaurant was acquired in 2009 by a group of business people headed by the Dualis Fund and began operating as a social business. Each year, the restaurant trains and employs 15 youth in restaurant professions, with close supervision by a social and employment worker for 18 months.
- The Fund for Demonstration Projects is a partner in **Kelim Shluvim** – an enterprise participating in the social business program of IVN (Israel Venture Network). Within the framework of the enterprise a store was established for selling various gifts and products, which constitutes a place of employment and training for people suffering from mental disorders, with the aim of integrating them in the community and in the labor market. The products sold in the store are made by persons with disabilities who are employed by non-profit organizations for the rehabilitation of such people.
- The Fund for Development of Services for Persons with Disabilities is a partner in the activity of the **Creating an Opportunity** network of **Shekulo Tov**. The network operates sales stands in malls and in shopping centers throughout Israel where a rehabilitation process takes places, which includes employment and employment training for persons suffering from mental disorders.

As stated, the NII Funds, the Accountant General and the National Economic Council are currently working to establish the **Social Enterprise** Fund, which will cultivate, assist and guide social businesses that integrate these populations into the labor market – an area that is at the core of activity of social business in Israel and abroad. The decision to focus on this area stems from the great importance that the government attaches to investment in at-risk populations and from the recognition that development of the

social businesses contributes to the rehabilitation and integration of these populations in Israeli society. After a similar budget is allocated by the Ministry of Finance for the purpose of establishing the fund, it will be possible to choose two funds in the manner proposed above. The fund will be established by an entrepreneur that is to be selected in a tender, through a public benefit company (PBC), and it will be given a conditional grant from the NII in the amount of NIS 11 million for each fund. The entrepreneur is committed to a leverage ratio of at least 1:1.5, .i.e. he must raise a minimum amount of NIS 15 million, so that at least NIS 30 million is raised for both funds. The fund will make capital investments, will grant loans to social businesses that meet the criteria for investment and will provide them with business and professional guidance so that they can realize their economic and social goals.

The fund will periodically measure the social and economic return of the businesses in which it has invested in order to develop methodologies of professional doctrine pertaining to the establishment of social businesses in areas such as employee training, professional guidance, appropriate economic tools and the like. The NII will guide the fund in research evaluation, which will enable to draw conclusions and to review the contribution of the social – business model to the integration of the target populations in the labor market.

### Social Businesses In Israel<sup>1</sup>

Social enterprises (hereinafter – social businesses) are organizations that use business activity in order to achieve social objectives.

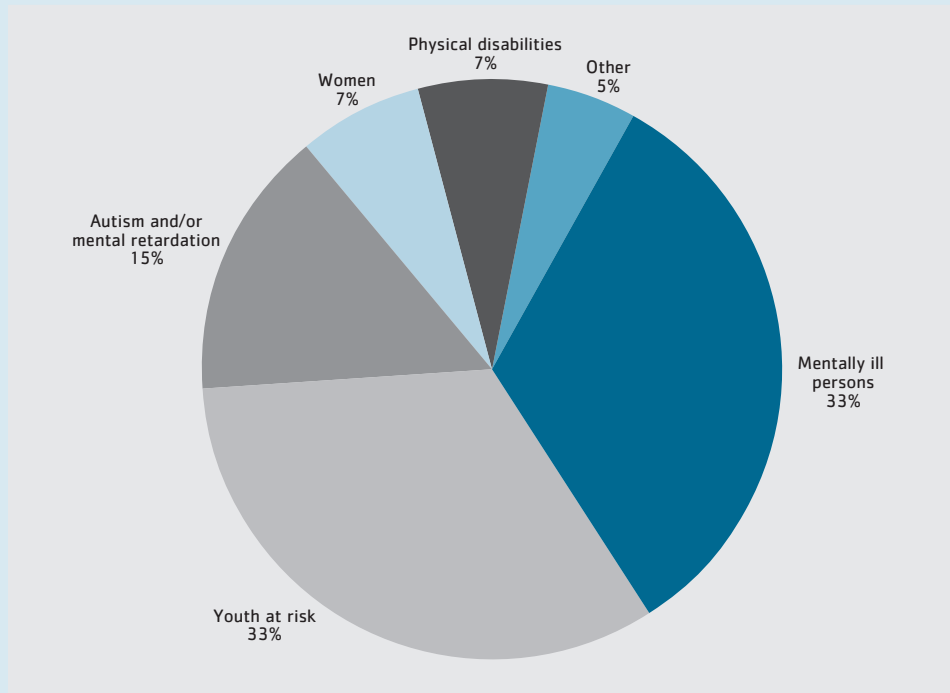
The social business field has been developing in recent years, particularly in the United States, where a social business is defined as “an enterprise or organization whose primary social objectives are achieved using business methods”, and in Great Britain as “a business whose primary objective is social, its profits are reinvested in the business or in the community and the objective driving the business is other than profit maximization”. In Israel, the field has been developing rapidly in recent years and its importance was presented in the report of the Committee for Social and Economic Change (Trajtenberg Committee). The report noted social businesses as an additional tool for addressing the need to broaden and diversify the sources of funding of the third sector in order for it to succeed in fulfilling its objectives. This field was also mentioned in the **Round Table** headed by the Prime Minister, which discussed the

1 Rachel Benziman, *Not By Philanthropy Alone... - Social Enterprises in Israel, Preliminary Mapping and Comparative Study*, December 2009; *Social Businesses – Background Paper and Platform for Discussion*, the Eleventh Conference, The Interfacial Round Table, 28/11/2012; Benny Gidron and Inbal Abbou, *Social Enterprises in Israel: In Preparation for Definition*, The Israeli Social Enterprise Research Center, June 2012.

The social business field has been developing in recent years, particularly in the United States



Social Businesses in Israel, by Target Population, 2012



Source: Benny Gidron and Inbal Abbou (2012). *Social Enterprises in Israel: In Preparation for Definition*, The Israeli Social Enterprise Research Center.

issue and recommended the establishment of a government fund that would remove the funding barrier facing social businesses<sup>2</sup>.

The social business field provides options for a wide variety of businesses – from a business that focuses on business objectives and gives absolute priority to generating revenues, to a business that focuses on social objectives and gives absolute priority to the social objective. Between the two extremes there is a wide range of businesses that combine and balance between the objectives in various ways.

In research conducted in 2012 by Prof. Benny Gidron for the Ministry of Industry, Trade and Labor, it was found that the two main target populations integrated with the social businesses in Israel are youth at risk and mentally ill persons (Graph 4).

The uniqueness of social businesses stems from the non-trivial connection between their different objectives, which makes it difficult to establish an integrated organization. The objectives can lead to pressure by market forces to compromise with regard to the social objectives and to withhold resources for social support on

2 The Fund, **Social Enterprise**, funded by the NII and in collaboration with the Accountant General and the National Economic Council, now being published for tender.

the one hand or to compromise on the financial performances on the other hand. Furthermore, it is difficult to accurately measure achievements in the social field.

The advantages of the social businesses are both social and economic. Socially, they provide optimal rehabilitation for the target population employed by them, prepare it or integrate it into the job market. Economically, the ability to rely on independent income as the main source of income weakens the organization, severs its dependence on donations and on government assistance and at the same time allows it to develop a long-term socio-economic strategy. However, the ability of these businesses to raise funding from commercial entities is nearly impossible, whereas the business aspect limits the philanthropic sources.

### E. Promoting Employment Among At-risk Populations

In recent years, the activity of the Funds has focused primarily on assisting at-risk groups with education integration, employment preparation and job placement in the open market or in rehabilitation frameworks. These areas are among the cornerstones of the welfare and social security policy of the National Insurance Institute and are central to the activity of three Funds: The Fund for Development of Services for Persons with Disabilities, The Fund for Demonstration Projects and The Fund for Children and Youth at Risk. The target populations of this assistance are disabled persons, youth at risk, economically disadvantaged women, unemployed youth and other unique groups, such as inhabitants of outlying areas, Arabs and ultra-Orthodox Jews.

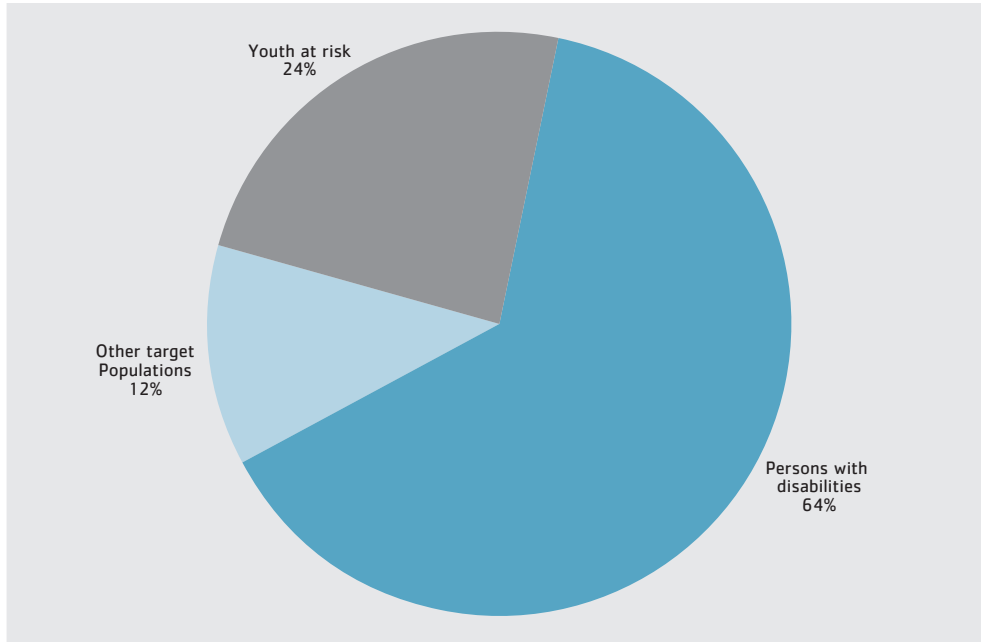
The poverty data<sup>7</sup> shows a negative correlation between employment and poverty. Accordingly, the promotion of employment of at risk populations could constitute an effective tool for the war on poverty and therefore the NII works toward this goal also through the Funds in programs to encourage employment among persons with disabilities, youth and young adults at risk, women at social risk and adults aged 50 or older. These

**Table 5**  
**Amount of NII Fund Assistance, by Target Population (NIS), 2009-2013**

Target population	Amount of assistance
Persons with disabilities	133,865,752
Youth at risk (up to 18)	50,839,714
Women at risk	10,772,530
Young adults at risk (20 – 35)	10,616,115
Adults	917,950
Others	2,806,600
<b>Total</b>	<b>209,964,343</b>

7 Dimensions of Poverty and Social Gaps Report 2012, National Insurance Institute.

**Graph 5**  
**Assistance of NII Funds, by Target Population (percentages), 2009-2013**



programs incorporate both development and assistance of rehabilitative employment frameworks and assistance with employment integration in the open market.

In the last five years (2009-2013), assistance has been approved for projects and programs promoting employment in the total amount of approximately NIS 210 million, which constitutes approximately 25% of the total NII assistance within the framework of the Fund Division. Table 5 and Graph 5 present the distribution of assistance of the NII funds in the area of employment promotion, by target populations.

The following are a few examples of programs developed by the NII Funds in the area of employment:

- **The Fund for Development of Services for Persons with Disabilities** has been investing in **projects to promote employment among persons with disabilities** for many years, In view of the low employment rate of this population – approximately 51% compared to approximately 71% among persons without disabilities<sup>8</sup>. In 2009- 2013 assistance was provided to projects in this area in the total amount of approximately NIS 110 million – for the establishment and assistance with the renovation and the equipping of sheltered workshops, for employment clubs for persons with disabilities and employment centers for persons with disabilities.

In 2009-2013, assistance has been approved for projects and programs promoting employment in the total amount of approximately NIS 210 million, which constitutes approximately 25% of the total NII assistance within the framework of the Fund Division

8 Fefferman, B. (2013). *The Contribution of Persons with Disabilities to Raising the Employment Rate in the Economy and Loss of the GDP due to Non-employment*. Jerusalem: Ministry of Industry, Trade and Labor, Research and Economics Administration.

- **The Fund for Development of Services for Children and Youth at Risk assists in promoting employability among youth at risk** (up to the age of 18). Employability is the full range of abilities and skills that assist a person in being hired for a job, in persevering and advancing there or in transitioning to a new and advancing workplace. In 2009-2013 the Fund approved assistance to programs in this area in the total amount of approximately NIS 85 million, where a substantial part of the funding was allocated to programs within the framework of the **Secure Future – Youth** enterprise. This enterprise instills these youth with tools for becoming integrated in employment and in society and provides an employment outlook that is based on faith in their ability to function as independent adults and to diminish their dependence on the State institutions.

By the end of 2013, the model had been implemented in approximately 40 communities among approximately 2,000 youth at risk, aged 14-18. A majority of the communities where the program was implemented are characterized by various dimensions of risk and are included in the list of communities of the National Program for Children and Youth at Risk (**Schmid Program**). The communities have a particularly low socio-economic status (clusters 2-4) and are situated in the geographic and social periphery of the State of Israel, also within the Arab and ultra-orthodox Jew sector<sup>9</sup>. Towards the end of 2014, the Fund is planning to expand the enterprise to include guidance towards and during military service, through workshops for employment integration subsequent to discharge.

- In recent years, **The Fund for Demonstration Projects** has sponsored programs to **promote employment among marginalized groups**. This activity began in 2005, initially to address suggestions forwarded to the Fund and as of 2007, on the initiative of the Fund, through a public appeal to the relevant entities (“Kol Koreh”). In 2009-2013, the Fund approved assistance in the amount of NIS 43 million to develop these promotion programs.

The activity to **integrate at risk women in employment** began in 2009 and since then programs for other groups of women have been implemented: women receiving income support, women who have undergone sexual, physical and mental abuse and single parent women. The programs provide supplementary education, vocational training, personal empowerment, hired work placement, small business openings, development of entrepreneurship incubators and guidance following placement. Approximately 2,000 women have participated in the various programs.

In 2009-2013, in the area of **integrating young adults at risk** (aged 20-35) in employment, the Fund approved approximately 15 special purpose programs in dozens of urban and rural communities throughout Israel, primarily in the outlying areas or

In 2009-2013, the Fund approved assistance in the amount of NIS 43 million to develop these promotion programs

9 Chen Lifshitz. Evaluation of the Secure Future Program Operated by the Fund for Children and Youth at Risk (draft).

in distressed neighborhoods. Approximately 2,000 young adults have participated in these programs.

In 2007, the NII began assisting in the operation of **centers for ultra-Orthodox Jews** in Beitar Illit and in Ashdod, which offer employment training, vocational guidance and job placement – this in view of the high poverty rates among them (13% of the general population), inter alia, due to barriers that lead to low participation rates in the employment market<sup>10</sup>. Over the years, the model has been adopted by the Ministry of Economy and currently it operates employment guidance centers for ultra-Orthodox Jews, which are based on the model of these centers.

The Fund assists in the development of programs to **integrate adults into the open job market** (as of 2005 for those aged 50+ and as of 2009 also for those aged 60+), this in view of the growing awareness in Israel and abroad of the importance of developing employment among adults. Many countries in the West are promoting this area and are working toward this purpose in various ways<sup>11</sup>. As part of the Fund's activity in this area, centers have been established in Tel Aviv and in Nahariya in recent years, which focus on recruiting employers, on training and on the placement of those aged 60+. Furthermore, the Fund continues to invest in the development of programs to promote employment among those aged 45+ and those aged 60+ in additional regions in Israel.

- **The Manof Fund** has been working in recent years to **promote workplace safety among youth at risk and persons with disabilities**. In 2009 – 2013, the Fund approved assistance in the amount of approximately NIS 3 million for these programs. The Fund has developed—in collaboration with the Ort school network—courseware that deals with safe behavior in the home, at school and at work and which is intended for job training workshops which are held within various frameworks of the Fund for Children and Youth at Risk and at YEP (Youth Employment Project), which is operated by the Ministry of Welfare.

The Manof Fund has been working in recent years to promote workplace safety among youth at risk and persons with disabilities. In 2009 – 2013, the Fund approved assistance in the amount of approximately NIS 3 million for these programs

## F. Promoting Education among At Risk Populations

Studies show that the number of years of schooling is among the most important predictors of persons with disabilities being integrated in employment<sup>12</sup> and even contributes to improving health and welfare in general. Therefore, the NII Funds invest

10 Ben-David D. and Bleikh H. (2013). Poverty and Inequality in Israel: Developments over Time and in Comparison to the OECD, in: Dan Ben David (editor). **State of the Nation Report – Society, Economy and Policy 2013**. Jerusalem, Taub Center.

11 Ori Tal-Spiro, Ways to Integrate Adults in the Job Market in Several Western Countries, Knesset Research and Information Center, October 2013.

12 Berman E. and Naon D. (2004). **Blind and Vision Impaired University Graduates: The Contribution of ALEH during their Studies and a Follow Up of their Integration into the Job Market**. Research Report. Brookdale Institute. Fefferman B. (2010). The Integration of Persons with Disabilities into the Job Market: Changes in Perceptions, Development of Tools and Employment Programs. **Employment Accessibility**, 10.

in projects and programs to promote higher education among these people. One of the barriers to integrating students with disabilities in academic studies is the lack of appropriate support.

During the years 1999-2010, the Fund for Development of Services for Persons with Disabilities invested approximately NIS 18 million in the physical and sensory accessibility of institutions of higher education in Israel. Despite this large investment, there has been no change in the number of students or in the number of university graduates with disabilities. It was clear that physical and sensory accessibility is a necessary but insufficient condition to enabling equal integration of students with disabilities in the higher education system.

A study of other models in the world has led to an understanding that it is necessary to develop a unique service that will fully address the needs of students with disabilities and will assist in removing the many barriers that they face. For this purpose, in 2011 the Fund for Demonstration Project and the Fund for Development of Services for Persons with Disabilities began operating the **Higher Education Revolution** enterprise – assistance with establishing and upgrading support centers that operate a variety of services that assists students with different disabilities under the same roof. The goal of the enterprise is to increase the number of students with disabilities who are admitted to institutions of higher education, persevere in them, acquire a university education and consequently are integrated in employment in positions commensurate with their ability and skills.

The support centers render the following services to students:

- Individual services – guidance and advice from the study candidate stage up to graduation: personal mentoring, support services, workshops on learning skills, etc. The center also assists students in exhausting their relevant legal rights.
- Accessibility – The center provides advice in all matters relating to the accessibility of the studies (building accessibility, service accessibility and academic accessibility) and operates and maintains a reserve of accessibility instruments (FM devices for the hearing impaired, screen magnification using CCTV, software for magnifying computer texts, “smart board”, etc.).
- Advocacy and attitude changing activities – Many of the barriers encountered by students with disabilities are not related to their personal abilities, but rather to the people surrounding them – lack of awareness of their circumstances or prejudices. In order to overcome this problem, the support center conducts advocacy and training activities for faculty and administrative staff on the accessibility of studies.

The support centers are an integral part of the institutions of higher education and they operate under the Dean of Students as part of the system of services rendered to students requiring special assistance.

Currently, as part of Phase I of the enterprise, support centers are operating in 12 institutions of higher education. The NII has thus far provided assistance in the amount

of approximately NIS 10 million. As part of Phase II of the enterprise, applications have been submitted by 20 additional institutions— more than half of them have already been approved and the rest are in the process of approval. The assistance that has been approved for the institutions that will participate in Phase II is to date approximately NIS 9.8 million out of NIS 10 million that has been approved. Apart from the financial assistance to the enterprise, the Fund Division is conducting a training program and seminars for the coordinators who work at the support centers.

## 2. Research Fund And Research Room

The National Insurance Institute supports research by providing grants to researchers in the fields of social insurance, the labor market, the social situation and social policy. The research funding is provided pursuant to Section 36 of the National Insurance Law, 5715-1955. The researchers submit proposals to fund research in these fields until the month of December of each year and in the subsequent year decisions are made whether to approve the funding and if so at what level. The research proposal approval process has several stages: a hearing of the internal research committee of the NII and formulation of recommendations, a hearing of the research sub-committee of the NII Council according to the recommendations of the internal committee and decision by the finance committee of the NII Council. A research proposal that has been approved must also obtain the approval of the Minister of Welfare and Social Services. Funding priority is given to research that has a close connection to the goals of the NII and to its areas of activity, to research that adds knowledge to assist in shaping and evaluating socio-economic policy and to research that has a source of funding aside from the NII Research Fund.

The categories of assistance of the Fund are:

- Grant for regular research – partial or full funding for research that satisfies the necessary conditions.
- Grant for comprehensive research – The NII may initiate comprehensive research that is within its areas of responsibility or stipulate its participation in proposed research on the involvement of additional entities, including from the National Insurance Institute, if involving a topic that is within its work plan or among its priorities.
- Grant to establish and maintain large databases relevant to the work of the NII.
- Grant to students – In order to encourage young researchers to engage in the specified fields, grants are given to two-three researchers per year who are studying in Israel and submitting a doctoral thesis.

After the Minister approves the funding, a detailed agreement is executed with the researchers, which specifies the conditions for receiving the funding at the various research stages defined in the agreement.

Upon its completion, the research is usually posted on the NII website, indicating the fact that it has received the support of the Fund. All research conducted with the support

of Fund since its establishment has been uploaded onto the website, insofar as it could be found.

Since its establishment, the NII has partially or fully funded approximately 170 studies and assisted with databases and research grants to students

Since its establishment, the NII has partially or fully funded approximately 170 studies and assisted with databases and research grants to students, some of them having been completed and some of them are in various stages of work. The entitlement conditions for receiving funding from the Fund and the manner of submitting the applications are specified on the website of the National Insurance Institute under the “Funds” tab.

### Research Room

As part of the broadening of the research options, a research room was opened in 2011 at the Research and Planning Administration of the NII (at the head office in Jerusalem), where researchers can use the NII database for their research, using files with no identifying information. The comprehensive database contains administrative files of the NII as well as of other entities with which the NII maintains a professional relationship, such as: the payroll file of the Tax Authority, data from the Population Registry, etc. Each application requires the preparation of a database tailored to the objectives and requirements of the research, which is done by NII employees.

The research room has three individual workstations and software suitable for data processing, such as STATA, SPSS and SAS. A committee on behalf of the Research and Planning Administration convenes once per quarter in order to discuss the applications received to use the research room and decides according to various criteria, such as: importance of the research, quality of the researchers, and the quantity of resources involved in the preparation of the files for the research by NII employees, etc. The other arrangements pertaining to use of the research room, such as collecting payment for the services being rendered to users by the National Insurance Institute, limiting the number of applications for a single study and so forth, are still being created.

The use of the room is subject to a procedure requiring the researchers who use it to undergo a security inspection that includes signing a confidentiality document.

Since the research room was established and up to the end of 2013, approximately 10 studies were conducted that made use of the data files existing in the database.

Similar to the practice of the Research Fund, upon completion of the research the researchers are requested to publish the research results in a manner coordinated with the NII. Some of the studies are conducted in collaboration with researchers of the Research and Planning Administration.

### Prominent Research Conducted Using the Research Room

#### Ministry of Economy:

- The Office of the Chief Scientist – Dr. Shlomi Prizat: An Examination of the Past Policies of the Office of the Chief Scientist Supporting R & D in Large Companies,

Since the research room was established and up to the end of 2013, approximately 10 studies were conducted that made use of the data files existing in the database



### **Focusing on the Phenomenon of Knowledge Spillover between the Companies.**

Based on the findings it is possible to examine the existing tools and the degree of their compatibility with the economic reality and if necessary, to propose new dedicated tools that will meet the needs of the large companies.

- **Research and Economics Administration – Assaf Malachi: The Contribution of the Employment Track of the Investment Center to the Integration of Special Populations in the Labor Market.**

The employment track of the Investment Center is one of the key government policy tools for encouraging demand for workers in outlying areas and among special populations (single parents, Arabs, ultra-orthodox Jews and persons with disabilities). The research examines the contribution of the employment track to the integration of various populations in the labor market.

- **Tavor Economic Consultants – Consultant to the Ministry of Economy, Mr. Amatzia Samkai: Shaping Policy and Determining Strategy to Encourage Employment within the framework of the Investment Center.**

### **The Hebrew University**

- **Prof. Victor Lavy – a series of studies examining the long-term effects of environmental conditions during childhood and studies.**
- **Prof. Michael Beenstock – Multiplex Autism.**

The objective of the research is to examine the prevalence of Multiplex Autism in Israel; to explore the relationship between Multiplex Autism and the traits of the parents and the siblings, to attempt to identify environmental and genetic influences on the prevalence of Multiplex Autism.

### **Harvard University in collaboration with the Ministry of Health and the NII:**

- **Dr. Raanan Raz – Harvard University and the Ministry of Health; Dr. Marc Weisskopf – Harvard University; Dr. Hagai Levine – The Hebrew University; Ofir Pinto – the NII: A Study of the Risk Factors and the Effect of Pollution in Particular on the Incidence of Autism Among Newborns in Israel between the Years 2000 and 2009.**

During the last 20 years, the number of children diagnosed as suffering from Autism has grown throughout the world and also in Israel. The medical – research literature contains evidence of several risk factors for Autism (genetic, metabolic and environmental factors). Recently, the voices claiming that pollution has a significant effect on the likelihood of contracting Autism have intensified. Most of the research in the field has been conducted on a non-random research group. The existing information in Israel allows such research to be conducted based on general population data.



## Appendices





## Insurance Branch Tables



## A. General

**Table A/1**  
**Receipts and Payments (current prices<sup>1</sup>, NIS million), 2009-2013**

	2009	2010	2011	2012	2013 <sup>2</sup>
<b>Total receipts</b>	<b>75,654.9</b>	<b>79,171.4</b>	<b>86,176.5</b>	<b>89,169.9</b>	<b>92,602.0</b>
Thereof: for the National Insurance branches	60,660.4	62,876.7	68,654.6	71,052.1	73,680.0
Collection for the National Insurance branches	28,228.8	31,334.5	33,735.5	34,568.6	36,969.2
Government participation under the National Insurance Law	15,657.3	14,296.9	17,303.8	18,206.4	18,115.0
Interest	6,660.0	7,004.7	7,304.1	7,692.9	7,748.0
Miscellaneous	442.4	493.1	429.6	257.7	646.4
Government allocation for non-contributory payments <sup>1</sup>	9,665.9	9,747.5	9,881.6	10,126.5	10,202.0
Collection under other laws	14,994.5	16,294.7	17,521.9	18,117.8	18,922.0
<b>Total payments of the National Insurance branches<sup>1</sup></b>	<b>54,266.2</b>	<b>57,962.2</b>	<b>61,312.4</b>	<b>65,506.0</b>	<b>67,884.0</b>
For contributory benefits	44,600.3	48,214.7	51,430.8	55,379.5	57,682.0
For non-contributory benefits	9,665.9	9,747.5	9,881.6	10,126.5	10,202.0
<b>Current surplus</b>	<b>-1,125.9</b>	<b>-3,006.1</b>	<b>-994.2</b>	<b>-3,144.9</b>	<b>-3,053.0</b>
<b>Assets at end of year<sup>2</sup></b>	<b>171,328.6</b>	<b>183,519.7</b>	<b>194,467.7</b>	<b>212,842.4</b>	<b>218,627.1</b>

1. Not including administrative expenses.
2. Since 2009 according to fair value.

**Table A/2**  
**Receipts and Payments (2013 prices<sup>1</sup>, NIS million), 2009-2013**

	2009	2010	2011	2012	2013 <sup>2</sup>
<b>Total receipts</b>	<b>82,986.6</b>	<b>84,572.6</b>	<b>88,985.4</b>	<b>90,530.5</b>	<b>92,602.6</b>
Thereof: for the National Insurance branches	66,537.7	67,166.2	70,892.4	72,136.2	92,602.6
Collection for the National Insurance branches	30,966.9	33,472.2	34,835.1	35,096.0	36,962.2
Government participation under the National Insurance Law	17,176.0	15,272.2	17,867.8	18,484.2	18,115.0
Interest	7,306.0	7,482.5	7,542.1	7,810.2	7,748.0
Miscellaneous	485.3	527.8	443.6	464.6	646.4
Government allocation for non-contributory payments <sup>1</sup>	10,603.4	10,412.5	10,203.6	10,281.0	10,202.0
Collection under other laws	16,448.9	17,406.3	18,093.0	18,394.2	18,922.0
<b>Total payments of the National Insurance branches<sup>1</sup></b>	<b>59,529.8</b>	<b>61,916.5</b>	<b>63,310.9</b>	<b>66,505.5</b>	<b>67,884.0</b>
For contributory benefits	48,926.4	51,504.0	53,107.2	56,224.5	57,682.0
For non-contributory benefits	10,603.4	10,412.5	10,203.6	10,281.0	10,202.0
<b>Current surplus</b>	<b>-1,235.1</b>	<b>-3,211.1</b>	<b>-1,026.6</b>	<b>-3,192.8</b>	<b>-3,053.0</b>

1. Not including administrative expenses.

2. □□□□□□



**Table A/3**  
**Payments and Receipts – Old-age and Survivors' Branch<sup>1</sup> (NIS million),**  
**2009–2013**

	2009	2010	2011	2012	2013
	<b>Current prices</b>				
<b>Total payments</b>	19,947.7	21,801.6	23,284.1	24,569.1	25,726.0
Thereof: for the National Insurance branches	16,290.1	17,961.0	19,408.2	20,706.0	21,921.0
<b>Receipts</b>					
Collection for the National Insurance branches	12,791.6	14,200.2	15,082.1	15,344.6	15,989.9
Government participation under the National Insurance Law	2,159.7	2,550.3	2,522.5	2,674.6	2,721.0
Interest	2,506.0	2,608.1	2,697.0	2,697.0	2,682.0
<b>Current surplus</b>	<b>-1,520.3</b>	<b>-1,365.4</b>	<b>-2,004.8</b>	<b>-2,862.0</b>	<b>-3,374.0</b>
Surplus including interest	985.7	1,242.7	692.2	-107.7	-692.0
Assets at end of year <sup>2</sup>	64,152.3	68,131.5	70,481.6	75,208.7	74,992.6
	<b>2013 prices</b>				
<b>Total payments</b>	21,882.5	23,288.9	24,043.0	24,943.9	25,726.0
Thereof : for the National Insurance branches	17,870.2	19,186.3	20,040.8	21,021.9	21,921.0
<b>Receipts</b>					
Collection for the National Insurance branches	14,032.3	15,168.9	15,573.7	15,578.7	15,989.9
Government participation under the National Insurance Law	2,369.1	2,724.2	2,604.7	2,715.4	2,721.0
<b>Current surplus</b>	<b>-1,667.7</b>	<b>-1,458.5</b>	<b>-2,070.1</b>	<b>-2,905.6</b>	<b>-3,374.0</b>

1. Not including administrative expenses.

2. Since 2009 according to fair value.

**Table A/4**  
**Payments and Receipts – General Disability Branch<sup>1</sup> (NIS million),**  
**2009-2014**

	2009	2010	2011	2012	2013
			Current prices		
<b>Total payments</b>	9,987.8	10,796.9	11,269.4	12,133.8	12,701.0
Thereof: under the National Insurance Law	8,628.2	9,343.1	9,740.4	10,422.7	10,950.6
<b>Receipts</b>					
Collection for the National Insurance branches	4,665.7	5,178.4	5,518.4	5,604.3	5,835.8
Government participation under the National Insurance Law	630.0	791.0	735.4	771.0	778.3
Interest	100.9	326.9	199.4	97.6	95.1
<b>Current surplus</b>	<b>-3,506.6</b>	<b>-3,445.4</b>	<b>-3,606.4</b>	<b>-4,168.3</b>	<b>-4,349.0</b>
<b>Surplus including interest</b>	<b>-3,075.6</b>	<b>-3,118.5</b>	<b>-3,407.0</b>	<b>-4,070.6</b>	<b>-4,444.4</b>
<b>Assets at end of year<sup>2</sup></b>	<b>9,589.8</b>	<b>6,649.5</b>	<b>3,432.3</b>	<b>0</b>	<b>0</b>
			2013 prices		
<b>Total payments</b>	10,956.5	11,533.4	11,636.7	12,318.9	12,701.0
Thereof: under the National Insurance Law	9,465.1	9,830.5	10,057.8	10,581.7	10,950.6
<b>Receipts</b>					
Collection for the National Insurance branches	5,118.2	5,531.6	5,698.2	5,689.8	5,835.8
Government participation under the National Insurance Law	691.1	844.9	759.3	782.7	778.3
<b>Current surplus</b>	<b>-3,846.7</b>	<b>-3,680.4</b>	<b>-3,723.9</b>	<b>-4,231.9</b>	<b>-4,444.0</b>

1. Not including administrative expenses.

2. Since 2009 according to fair value.

**Table A/5**  
**Payments and Receipts – Work Injury Branch<sup>1</sup> (NIS million),**  
**2009–2013**

	2009	2010	2011	2012	2013
			Current prices		
<b>Total payments</b>	3,621.5	3,788.0	4,059.5	4,371.3	4,711.0
Thereof: under the National Insurance Law	3,182.5	3,369.1	3,548.7	3,870.1	4,196.0
<b>Receipts</b>					
Collection for the National Insurance branches	1,659.9	1,855.1	2,297.2	2,514.2	3,265.7
Interest	200.0	156.3	112.2	45.3	21.2
<b>Current surplus</b>	<b>-1,350.6</b>	<b>-1,460.7</b>	<b>-1,252.2</b>	<b>-1,341.1</b>	<b>-857.0</b>
<b>Surplus including interest</b>	<b>-1,150.6</b>	<b>-1,304.4</b>	<b>-1,140.0</b>	<b>-1,295.8</b>	<b>-835.8</b>
<b>Assets at end of year<sup>2</sup></b>	<b>4,473.7</b>	<b>3,489.2</b>	<b>2,362.7</b>	<b>1,079.8</b>	<b>200.4</b>
			2013 prices		
<b>Total payments</b>	3,972.7	4,046.4	4,191.8	4,438.0	4,711.0
Thereof: under the National Insurance Law	3,491.1	3,598.9	3,664.3	3,929.1	4,196.0
<b>Receipts</b>					
Collection for the National Insurance branches	1,820.9	1,981.6	2,372.0	2,552.5	3,265.7
<b>Current surplus</b>	<b>-1,481.6</b>	<b>-1,560.3</b>	<b>-1,293.0</b>	<b>-1,361.5</b>	<b>-857.0</b>

1. Not including administrative expenses.

2. Since 2009 according to fair value.

**Table A/6**  
**Payments and Receipts – Maternity Branch<sup>1</sup> (NIS million), 2009–2013**

	2009	2010	2011	2012	2013
			Current prices		
<b>Total payments</b>	4,538.8	4,965.4	5,276.9	5,705.0	6,093.0
Thereof: under the National Insurance Law	4,301.4	4,721.8	5,039.9	5,486.1	5,871.0
<b>Receipts</b>					
Collection for the National Insurance branches	2,187.5	2,426.8	2,686.8	2,761.7	3,054.6
Government participation under the National Insurance Law	166.6	168.2	190.9	203.0	261.7
Interest	-30.0	-115.0	0.0	70.1	55.4
<b>Current surplus</b>	<b>-1,998.7</b>	<b>-2,181.7</b>	<b>-2,226.3</b>	<b>-2,579.1</b>	<b>-2,604.0</b>
<b>Surplus including interest</b>	<b>-2,028.7</b>	<b>-2,296.7</b>	<b>-2,226.3</b>	<b>-2,509.0</b>	<b>-2,548.6</b>
<b>Assets at end of year<sup>2</sup></b>	<b>-1,860.8</b>				
			2013 prices		
<b>Total payments</b>	4,979.0	5,304.1	5,448.9	5,792.0	4,711.0
Thereof: under the National Insurance Law	4,718.6	5,043.9	5,204.1	5,569.8	4,196.0
<b>Receipts</b>					
Collection for the National Insurance branches	2,399.6	2,592.3	2,774.3	2,803.8	3,054.6
Government participation under the National Insurance Law	182.7	179.6	197.1	206.1	261.7
<b>Current surplus</b>	<b>-2,192.5</b>	<b>-2,330.5</b>	<b>-2,298.8</b>	<b>-2,618.4</b>	<b>-2,604.0</b>

1. Not including administrative expenses.
2. Since 2009 according to fair value.

**Table A/7**  
**Payments and Receipts – Children Branch<sup>1</sup> (NIS million), 2009–2013**

	2009	2010	2011	2012	2013
			Current prices		
<b>Total payments</b>	5,578.1	6,204.5	6,890.1	7,244.9	6,390.0
Thereof: under the National Insurance Law	5,406.4	6,024.2	6,708.9	7,057.9	6,199.0
<b>Receipts</b>					
Collection for the National Insurance branches	5,552.0	6,176.6	6,485.5	6,585.4	6,872.6
Government participation under the National Insurance Law	11,937.4	9,994.6	12,973.0	13,620.0	13,374.8
Interest	3,400.0	3,983.6	4,111.6	4,406.1	4,602.6
<b>Current surplus</b>	<b>12,013.0</b>	<b>10,075.0</b>	<b>12,640.8</b>	<b>13,075.8</b>	<b>13,976.0</b>
Surplus including interest	15,413.0	14,058.8	16,752.4	17,481.9	18,579.0
Assets at end of year <sup>2</sup>	91,829.8	100,691.8	112,988.3	130,529.0	136,989.7
			2013 prices		
<b>Total payments</b>	6,119.1	6,627.7	7,114.6	7,355.4	6,390.0
Thereof: under the National Insurance Law	5,930.8	6,435.1	6,927.5	7,165.5	6,199.0
<b>Receipts</b>					
Collection for the National Insurance branches	6,090.5	6,597.9	6,696.9	6,685.8	6,872.6
Government participation under the National Insurance Law	13,095.3	10,676.4	13,395.8	13,827.8	13,374.8
<b>Current surplus</b>	<b>13,178.2</b>	<b>10,762.3</b>	<b>13,052.8</b>	<b>13,275.3</b>	<b>13,976.0</b>

1. Not including administrative expenses.

2. Since 2009 according to fair value.

**Table A/8**  
**Payments and Receipts – Unemployment Branch<sup>1</sup> (NIS million),**  
**2009-2013**

	2009	2010	2011	2012	2013
			Current prices		
<b>Total payments</b>	3,027.8	2,535.0	2,506.0	2,838.09	3,180.0
Thereof: under the National Insurance Law	2,943.0	2,468.2	2,483.5	2,814.0	3,152.0
<b>Receipts</b>					
Collection for the National Insurance branches	535.8	595.0	677.5	701.5	767.8
Interest	0.0	-37.0	0.0	0.0	0.0
<b>Current surplus</b>	<b>-2,468.1</b>	<b>-1,944.9</b>	<b>-1,881.7</b>	<b>-2,187.5</b>	<b>-2,456.0</b>
<b>Surplus including interest</b>	<b>-2,468.1</b>	<b>1,981.9</b>	<b>-1,881.7</b>	<b>-2,187.5</b>	<b>-2,456.0</b>
<b>Assets at end of year<sup>2</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
			2013 prices		
<b>Total payments</b>	3,321.4	2,707.9	2,587.6	2,881.4	3,180.0
Thereof: under the National Insurance Law	3,228.4	2,636.5	2,564.4	2,856.9	3,152.0
<b>Receipts</b>					
Collection for the National Insurance branches	578.8	635.6	699.6	712.2	767.8
<b>Current surplus</b>	<b>-2,707.5</b>	<b>-2,077.5</b>	<b>-1,943.0</b>	<b>-2,220.8</b>	<b>-2,456.0</b>

1. Not including administrative expenses.

2. The deficit of the Unemployment branch is covered by transferring money from the reserves of the Children branch.

**Table A/9**  
**Payments and Receipts – Long-term Care Branch<sup>1</sup> (NIS million),**  
**2009–2013**

	2009	2010	2011	2012	2013
			Current prices		
<b>Total payments</b>	3,681.2	3,996.2	4,203.8	4,683.2	5,051.0
Thereof: under the National Insurance Law	3,598.7	3,992.8	4,201.4	4,680.4	5,047.0
<b>Receipts</b>					
Collection for the National Insurance branches	498.6	529.4	591.2	614.8	701.4
Government participation under the National Insurance Law	752.9	782.6	870.8	932.3	974.0
Interest	0.0	-93.8	0.0	81.4	68.4
<b>Current surplus</b>	<b>-2,376.9</b>	<b>-2,719.5</b>	<b>-2,786.2</b>	<b>3,181.5</b>	<b>-3,428.0</b>
<b>Surplus including interest</b>	<b>-2,376.9</b>	<b>-2,813.3</b>	<b>-2,786.2</b>	<b>3,100.1</b>	<b>-3,360.0</b>
<b>Assets at end of year<sup>2</sup></b>	<b>-1,092.5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
			2013 prices		
<b>Total payments</b>	4,038.2	4,268.8	4,340.8	4,754.6	5,051.0
Thereof: under the National Insurance Law	3,947.7	4,265.2	4,338.3	4,751.8	5,047.0
<b>Receipts</b>					
Collection for the National Insurance branches	547.0	580.8	648.5	674.4	701.4
Government participation under the National Insurance Law	825.9	836.0	899.2	946.5	974.0
<b>Current surplus</b>	<b>-2,607.4</b>	<b>-2,905.0</b>	<b>-2,877.0</b>	<b>-3,230.0</b>	<b>-3,428.0</b>

1. ????

2. ????





## B. Old Age and Survivors

Table B/1  
Recipients of Old-age and Survivors' Pensions (monthly average), 2001–2013

Year	Grand total	Old-age			Survivors			
		Total	Under the National Insurance Law	Not under the National Insurance Law	Total <sup>1</sup>	Under the National Insurance Law		Not under the National Insurance Law (new immigrant survivors)
						Total	Of which: families receiving maintenance allowance for orphans <sup>2</sup>	
<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	104,368	103,884	6,022	484
2010 <sup>4</sup>	758,490	656,034	587,949	68,085	102,456	102,026	6,681	431
2011	780,107	678,134	613,476	64,658	101,973	101,590	6,572	383
2012	802,491	701,289	640,110	61,178	101,202	100,842	6,564	360
2013	833,915	733,686	675,816	57,870	100,230	99,897	5,728	335
<b>Income supplement recipients as a percentage of the 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
2010 <sup>4</sup>	24.8	24.2	16.1	94.9	28.3	28.1	-	70.3
2011	24.0	23.4	15.9	94.6	28.0	27.9	-	66.6
2012	23.3	22.6	15.8	94.3	27.9	27.8	-	66.1
2013	22.2	21.7	15.5	94.0	27.9	27.9	-	66.2

1. As of January 2002, the arrangement was amended: survivors' pension recipients only include persons entitled to a full survivors' pension.
2. The annual number of maintenance allowance recipients refers to the month of August of each year.
3. The data for 2002 is December 2002 data.
4. Since 1980, the number of recipients includes split pension recipients, each of which is counted as a separate unit and since 2010 they are counted as a single unit.

**Table B/2**  
**Recipients of an Old-age and Survivors' Pensions by Family Category, (monthly average), 1995, 2000-2013**

Year	Old-age				Survivors									
	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	Without one child	With 2 children	With 3 or 4 children	With 5 or more children	One child	2 children	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>3</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	4,897	1,372	684	148
2010 <sup>4</sup>	758,490	594,963	58,170	1,528	1,372	83,968	6,443	3,342	2,250	561	3,442	1,477	806	168
2011	780,107	619,690	55,481	1,581	1,382	83,371	6,437	3,354	2,254	552	3,521	1,485	824	175
2012	802,491	644,826	53,534	1,545	1,384	82,778	6,317	3,275	2,254	531	3,526	1,510	829	183
2013	833,915	681,817	48,978	1,550	1,341	81,975	6,185	3,264	2,247	512	3,536	1,545	774	193

1. Including elderly persons without a spouse, with or without children.

2. As of January 2002, the arrangement was amended: survivors' pension recipients only include persons entitled to a full survivors' pension.

3. The data for 2002 is December 2002 data.

4. Since 1980, the number of recipients includes split pension recipients, each of which is counted as a separate unit and since 2010 they are counted as a single unit.

**Table B/3**  
**Recipients of an Old-age and Survivors' Pensions together with an Income Supplement, (monthly average), 1995, 2000-2013**

Year	Old-age			Survivors										
	Single elderly person <sup>1</sup>	Elderly couple		Widow / er <sup>2</sup>			Children only							
		Without children	With one child	With 2 or more children	Without one child	With 2 children	With 3 or 4 children	With 5 or more children	One child	2 children	3 or 4 children	5 or more children		
	<b>Total</b>	<b>Number of recipients</b>												
1995	184,780	104,990	38,800	1,230	1,160	35,250	1,400	880	770	240	120	40	15	5
2000	202,128	120,799	44,498	1,167	1,183	31,160	1,480	898	576	97	201	41	27	1
2001	204,985	123,372	45,354	1,225	1,211	30,552	1,480	922	527	84	194	42	20	1
2002 <sup>3</sup>	204,324	125,655	43,802	888	1,159	29,599	1,476	941	479	63	211	35	13	3
2003	201,947	124,478	43,039	1,130	1,138	29,019	1,464	906	463	55	203	39	10	3
2004	198,542	123,773	41,244	1,124	1,039	28,390	1,429	839	416	41	198	36	12	1
2005	194,537	121,944	39,578	1,105	978	28,041	1,444	778	374	34	218	32	11	-
2006	193,763	122,765	38,383	1,081	922	27,831	1,416	727	354	30	210	31	12	1
2007	191,018	122,404	36,730	1,025	865	27,533	1,263	617	312	27	193	37	10	1
2008	189,225	122,913	35,019	971	830	27,226	1,159	565	290	19	181	43	8	1
2009	188,399	125,158	32,593	707	808	26,868	1,174	571	278	17	180	36	9	1
2010 <sup>4</sup>	188,037	126,906	30,628	715	834	26,624	1,181	583	307	44	150	46	16	3
2011	187,329	128,284	28,961	710	814	26,296	1,154	572	294	38	144	41	17	4
2012	186,801	129,665	27,467	657	783	26,097	1,069	552	279	37	133	42	18	4
2013	187,472	131,894	26,192	661	712	25,904	1,031	554	283	36	138	47	17	4

1. Including elderly persons without a spouse, with or without children.  
 2. As of January 2002, the arrangement was amended: survivors' pension recipients only include persons entitled to a full survivors' pension.  
 3. The data for 2002 is December 2002 data.  
 4. Since 1980, the number of recipients includes split pension recipients, each of which is counted as a separate unit and since 2010 they are counted as a single unit.

Table B/3 (Continuation)  
 Recipients of an Old-age and Survivors' Pensions together with an Income Supplement, (monthly average),  
 1995, 2000-2013

Year	Old-age				Survivors									
	Single elderly person <sup>1</sup>	Elderly couple			Widow / er <sup>2</sup>				Children only					
		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	3 or 4 children	5 or more children	
	<b>Total</b>													
1995	33.5	30.7	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	26.8	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	26.2	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>3</sup>	29.2	25.0	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	24.3	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	23.2	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	22.9	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	22.6	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	22.3	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	21.9	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	21.6	53.1	46.7	62.1	31.7	17.8	17.1	13.0	3.5	3.7	2.6	1.3	0.8
2010 <sup>4</sup>	24.8	21.3	52.7	46.9	61.0	31.7	18.3	17.4	13.6	7.9	4.4	3.1	2.0	1.8
2011	24.0	20.7	52.2	44.9	58.9	31.5	17.9	17.1	13.0	6.9	4.1	2.8	2.1	2.3
2012	23.3	20.1	51.3	42.5	56.6	31.5	16.9	16.9	12.4	7.0	3.8	2.8	2.1	2.1
2013	22.5	19.3	53.5	42.6	53.1	31.6	16.7	17.0	12.6	7.0	3.9	3.0	2.2	2.3

1. Including elderly persons without a spouse, with or without children.

2. As of January 2002, the arrangement was amended: survivors' pension recipients only include persons entitled to a full survivors' pension.

3. The data for 2002 is December 2002 data.

4. Since 1980, the number of recipients includes split pension recipients, each of which is counted as a separate unit and since 2010 they are counted as a single unit.

## C. Long-Term Care

Table C/1  
Persons Entitled to a Long-term Care Benefit, by Gender (monthly average), 1990-2013

Year	Total	Women	Men
<b>Numbers</b>			
1990	27,684	19,016	8,668
1995	59,023	42,367	16,656
2000	95,754	69,714	26,039
2001	105,384	76,571	28,813
2002	112,250	81,266	30,984
2003	113,028	81,454	31,575
2004	113,423	81,516	31,907
2005	115,014	82,232	32,783
2006	120,461	85,922	34,539
2007	125,401	89,020	36,381
2008	131,076	92,892	38,184
2009	136,362	96,615	39,747
2010	141,064	99,959	41,105
2011	144,924	102,813	42,111
2012	152,143	107,905	44,238
2013	156,621	110,837	45,784
<b>Percentages of total</b>			
1990	100.0	68.7	31.3
1995	100.0	71.8	28.2
2000	100.0	72.8	27.2
2001	100.0	72.7	27.3
2002	100.0	72.4	27.6
2003	100.0	72.1	27.9
2004	100.0	71.9	28.1
2005	100.0	71.5	28.5
2006	100.0	71.3	28.7
2007	100.0	71.0	29.0
2008	100.0	70.9	29.1
2009	100.0	70.9	29.1
2010	100.0	70.9	29.1
2011	100.0	70.9	29.1
2012	100.0	70.9	29.1
2013	100.0	70.8	29.2

**Table C/2**  
**Persons Entitled to Long-term Care Benefit,**  
**by Benefit Level (monthly average), 1990-2013**

Year	Total	Largely dependent (91%)		Heavily dependent (150%)		Entirely dependent (168%)	
		Full benefit	Half benefit	Full benefit	Half benefit	Full benefit	Half benefit
<b>Numbers</b>							
1990	27,684	20,643	324	6,516	201	-	-
1995	59,023	45,092	1,109	12,354	468	-	-
2000	95,754	70,807	2,157	21,868	921	-	-
2001	105,384	77,312	2,379	24,662	1,032	-	-
2002	112,250	81,352	2,479	27,226	1,193	-	-
2003	113,028	79,846	2,550	29,188	1,444	-	-
2004	113,423	76,871	2,537	32,243	1,772	-	-
2005	115,014	73,972	2,620	36,250	2,173	-	-
2006	120,461	73,646	2,814	41,401	2,599	-	-
2007	125,401	71,535	2,752	31,981	1,999	15,982	1,153
2008	131,076	72,351	3,035	30,776	1,950	21,392	1,574
2009	136,362	73,780	3,373	31,542	2,100	23,775	1,792
2010	141,064	74,718	3,787	32,837	2,233	25,484	2,006
2011	144,924	75,509	4,183	33,867	2,431	26,710	2,222
2012	152,143	77,830	4,415	35,635	2,543	29,319	2,401
2013	156,621	78,633	5,012	36,667	2,777	30,888	2,644
<b>Percentages</b>							
1990	100.0	74.6	1.2	23.5	0.7	-	-
1995	100.0	76.4	1.9	20.9	0.8	-	-
2000	100.0	73.9	2.3	22.8	1.0	-	-
2001	100.0	73.4	2.3	23.4	1.0	-	-
2002	100.0	72.5	2.2	24.3	1.1	-	-
2003	100.0	70.6	2.3	25.8	1.3	-	-
2004	100.0	67.8	2.2	28.4	1.6	-	-
2005	100.0	64.3	2.3	31.5	1.9	-	-
2006	100.0	61.1	2.3	34.4	2.2	-	-
2007	100.0	57.0	2.2	25.5	1.6	12.7	0.9
2008	100.0	55.2	2.3	23.5	1.5	17.4	1.3
2009	100.0	54.1	2.5	23.1	1.5	17.4	1.3
2010	100.0	53.0	2.7	23.3	1.6	18.1	1.4
2011	100.0	52.1	2.9	23.4	1.7	18.4	1.5
2012	100.0	51.1	2.9	23.4	1.7	19.3	1.6
2013	100.0	50.2	3.2	23.4	1.8	19.7	1.7

**Table C/3**  
**Persons Entitled to Long-term Care Benefit,**  
**by Age (monthly average, percentages), 2000-2013**

Year	Total	Up to 64	65-69	70-74	75-79	80-84	85+
2000	100.0	1.5	6.8	14.4	22.4	21.5	33.2
2005	100.0	0.8	5.4	12.4	20.7	27.2	33.4
2006	100.0	0.8	4.7	11.9	20.4	27.6	34.6
2007	100.0	1.0	5.4	12.8	21.5	28.2	31.1
2008	100.0	1.0	4.8	12.4	21.0	28.0	32.7
2009	100.0	1.0	4.3	11.9	20.5	27.5	34.9
2010	100.0	0.8	4.0	11.5	19.6	27.2	36.9
2011	100.0	0.8	3.8	10.9	19.2	26.7	38.6
2012	100.0	0.8	4.0	10.4	18.9	26.6	39.4
2013	100.0	0.7	4.0	9.5	18.9	26.4	40.5

**Table C/4**  
**Value of Average Long-Term Care Benefit**  
**(NIS, monthly average), 1990-2013**

Year	Current prices	2013 prices
1990	658	2,075
1991	732	1,970
1992	796	1,960
1993	895	1,988
1994	1,007	1,990
1995	1,144	2,055
1996	1,284	2,073
1997	1,420	2,103
1998	1,563	2,196
1999	1,636	2,185
2000	1,747	2,307
2001	1,921	2,509
2002	1,913	2,365
2003	1,844	2,263
2004	1,826	2,251
2005	1,879	2,286
2006	2,011	2,396
2007	2,073	2,457
2008	2,160	2,448
2009	2,268	2,488
2010	2,490	2,660
2011	2,559	2,642
2012	2,649	2,690
2013	2,698	2,698



## D. Children

**Table D/1**  
**Families Receiving a Child Allowance, by Number of Children in the Family, 1975-2013**

Period	Total	Number of children in the family						
		1 <sup>1</sup>	2 <sup>2</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 <sup>3</sup>	956,294	322,671	292,772	178,588	81,311	38,495	20,095	22,363
2010	1,030,062	329,790	316,483	207,260	90,675	41,375	21,186	23,293
2011	1,048,689	331,545	322,331	214,196	93,181	42,190	21,548	23,697
2012	1,068,097	334,337	328,383	220,744	95,688	42,718	22,012	24,216
2013	1,088,251	337,491	334,237	227,985	97,861	43,511	22,481	24,685
<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
2010	100.0	32.0	30.7	20.1	8.8	4.0	2.1	2.3
2011	100.0	31.6	30.7	20.4	8.9	4.0	2.1	2.3
2012	100.0	31.3	30.7	20.7	8.9	4.0	2.1	2.3
2013	100.0	31.0	30.7	20.9	9.0	4.0	2.1	2.3

1. From 1965 to 1975 an allowance was paid in respect of the first and second child to families of salaried employees only and there is no separate breakdown for the first and second child during this period.
2. From April 1984 to February 1993, the entitlement to a child allowance was by means testing (the above data does not include families of salaried employees and families of unemployed persons who received a refund). As of March 1993, the child allowance is again being paid to all families without means testing.
3. As of August 2003, a uniform allowance is being paid to children born since 1.6.2003, regardless of their order of birth in the family.

**Table D/2**  
**Children in respect of which Allowances were Paid,**  
**by the Child's Order of Birth in the Family, 1980-2013**

Year	Total	Child's order of birth in the family					
		First child <sup>1</sup>	Second child	Third child	Fourth child	Fifth child	Sixth and subsequent children
<b>Numbers (thousands)</b>							
1980	1,512.9	579.3	422.4	239.6	119.6	65.2	86.8
1985 <sup>2</sup>	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 <sup>3</sup>	2,260.6	956.3	633.6	340.8	162.3	80.9	86.7
2010	2,456.6	1,030.1	700.3	383.8	176.5	85.9	89.0
2011	2,519.1	1,048.7	717.1	394.8	180.6	87.4	90.4
2012	2,572.9	1,068.1	733.8	405.4	184.8	88.9	92.1
2013	2,628.5	1,088.3	750.8	416.5	188.6	90.7	43.8
<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
2010	100.0	41.8	28.4	15.6	7.2	3.5	3.6
2011	100.0	41.6	28.5	15.7	7.2	3.5	3.6
2012	100.0	41.5	28.5	15.6	7.2	3.5	3.8
2013	100.0	41.4	28.6	15.8	7.2	3.4	3.6

1. From 1965 to 1975 an allowance was paid in respect of the first and second child to families of salaried employees only and there is no separate breakdown for the first and second child during this period.
2. From April 1984 to February 1993, the entitlement to a child allowance was by means testing (the above data does not include families of salaried employees and families of unemployed persons who received a refund). As of March 1993, the child allowance is again being paid to all families without means testing.
3. As of August 2003, a uniform allowance is being paid to children born since 1.6.2003, regardless of their order of birth in the family.

## E. Maternity

Table E/1  
Number of Women Receiving Maternity Benefits, 1955–2013

Year	Number of recipients		
	Hospitalization grant	Maternity allowance	Percentage of total mothers
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
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	157,702	97,715	62.0
2010	166,694	103,318	62.0
2011	163,402	105,740	64.7
2012	169,166	112,014	66.2
2013	169,711	114,383	67.4

1. In 1995, the number represents the birth grants paid for a layette for the newborn.



## F. Disability

**Table F/1**  
**Recipients of a General Disability Pension, by Degree of Incapacity and Percentage of Medical Disability, December 2013**

Percentage of medical disability	Degree of incapacity								
	Total	60%		65%		74%		100%	
		Absolute numbers	Percentages	Absolute numbers	Percentages	Absolute numbers	Percentages	Absolute numbers	Percentages
Total	224,794	23,513	100	15,347	100	4,745	100	181,189	100
40-49	31,459	5,108	21.7	2,544	16.6	688	14.5	23,967	13.2
50-59	59,827	8,082	34.4	4,894	31.9	1,209	25.5	46,624	25.7
60-69	37,435	5,627	23.9	3,982	26.0	1,148	24.2	27,114	15.0
70-79	31,222	2,960	12.6	2,221	14.5	886	18.7	25,731	14.2
80-89	21,272	1,390	5.9	1,281	8.4	568	12.0	19,020	10.5
90-100	38,463	346	1.5	425	2.8	246	5.2	38,733	21.4

**Table F/2**  
**Recipients of a General Disability Pension, by Number of Children<sup>1</sup>,  
 Gender and Family Status (absolute numbers), December 2013**

Gender	Family status	Total (absolute numbers)	Number of children under the age of 21				
			None	1	2	3	4 or more
<b>Total</b>	<b>Absolute numbers</b>	<b>224,794</b>	<b>159,704</b>	<b>24,519</b>	<b>17,237</b>	<b>10,173</b>	<b>10,161</b>
Men	Total	130,424	97,230	14,280	8,297	5,132	5,485
	Unmarried	65,768	59,397	3,687	1,646	625	413
	Married	64,656	37,833	10,593	6,651	4,507	4,072
Employed women	Total	78,410	55,632	10,333	6,633	3,358	2,454
	Unmarried	52,493	43,135	5,129	2,543	1,043	643
	Married	25,917	12,497	5,204	4,090	2,315	1,811
Housewives	Total	15,960	6,842	2,906	2,307	1,683	2,222

1. Only children meeting the NII definition of child were taken into account.

**Table F/3**  
**Recipients of the Benefit for Disabled Child,**  
**by Grounds of Entitlement, December 2013**

Grounds of entitlement	Number of recipients	Grounds of entitlement	Number of recipients
<b>Total</b>	<b>37,965</b>	Partial deafness	174
P.D.D.	6,242	Malignant disease	379
Autism	3,480	Secondary cancer disease	36
Urethrostomy	8	Constant attendance	1,616
Immunosuppression – secondary disease	43	Assistance with communication	402
Four sections of two diseases	33	Diabetes	1,570
Blood tests outside of home	125	Developmental delay	591
Jejunostomy	30	Intravenous infusions	477
Gastrostomy	235	Psychosis	786
Uncontrollable urge to eat	72	Cystostomy	12
Chronic bone infections	4	Colostomy	70
Continuous feeding	166	Pathologic bone fractures	146
Drop feeding using nasogastric tube	110	Three treatments, including supervision	738
Intravenous feeding	43	Three treatments, not including supervision	647
Continued payment for malignant disease	140	Three sections, including attendance	303
Absence of limbs	14	Three sections, including hospitalization	57
Kidney and urinary tract disorders	320	Three sections, including blood pressure stabilizers	7
Requiring supervision	3,703	Largely dependent on others	2,652
Dysfunction in both limbs	100	Totally dependent on others	5,240
Deafness	3,954	Down syndrome	1,099
Immunosuppressive therapy	105	Rare syndrome	411
Respiratory therapy	206	Impaired functioning of two limbs	306
Partial blindness	196		
Partial deafness	174		
Visual impairment	917		

**Table F/4**  
**Rate of Entitlement to Benefit for Disabled Child,**  
**by Grounds of Entitlement, December 2013**

Grounds of entitlement	Rate of entitlement	Age restrictions	Grounds of entitlement	Rate of entitlement	Age restrictions
Deafness	100	None	Feeding	100	91 days
Partial deafness	50	None	Absence of two limbs	100	91 days
Down syndrome	50	None	Supervision	50	91 days
Developmental delay	100	90 days to 3 years	Venous	100	91 days
Two sections _ hospitalization of 45 days	100	91 days	Oxygen	100	91 days
Two sections _ blood pressure stabilizers	100	91 days	Tracheostomy	100	91 days
Two sections + supervision	100	91 days	Partial blindness	100	91 days
Two sections + attendance	100	91 days	Disease / rare syndrome	100	91 days
Three sections of one disease	100	91 days	Malignant	100	91 days
Four sections of two or more diseases	100	91 days	Psychiatric condition	100	91 days
PDD	100	91 days	Constant attendance	100	91 days
Autism	100	91 days	Blindness	100	91 days
Urethrostomy	100	91 days	Intravenous infusions	100	91 days
Dysfunction in both limbs	100	91 days	Psychosis	100	91 days
Immunosuppression – secondary disease	100	91 days	Cytotoxic T-Cells	100	91 days
Home blood tests	50	91 days	Catheterization	100	91 days
Blood tests outside the home	100	91 days	Colostomy	100	91 days
Use of nasogastric tube	100	91 days	Ionizing radiation	100	91 days
Jejunostomy	100	91 days	Pathologic fractures	100	91 days
Gastrostomy	100	91 days	Impaired functioning of two limbs	50	91 days
Uncontrollable urge	100	91 days	Assistance with communication	50	3 years
Dialysis	100	91 days	Largely dependent on the assistance of others	50	3 years
Chronic infections	100	91 days	Totally dependent on the assistance of others	128	3 years



## G. Work Injury

Table G/1  
Recipients of Work Injury Benefits<sup>1</sup>, 1965-2013

Period	Injury allowance				Permanent disability pensions		Dependents' pensions	
	Injury allowance recipients		Number of days for which paid		Salaried employees	Self-employed persons	Salaried employees	Self-employed persons
	Salaried employees	Self-employed persons	Salaried employees	Self-employed persons				
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
2010	53,990	5,357	1,955,207	232,790	28,319	4,012	3,941	624
2011	54,249	5,159	1,970,333	229,904	29,797	4,197	3,981	622
2012	55,917	5,438	2,053,673	249,617	31,231	4,423	4,013	625
2013	58,671	5,502	2,164,857	244,667	32,798	4,635	4,040	631

1. The number of recipients of disability and dependents' pensions is the average number of recipients per annum, whereas the number of recipients of injury allowances is the number of recipients throughout the year.
2. Since 1980, the annual figure appearing under permanent disability pension is the average number of recipients per month.

**Table G/2**  
**Recipients of Permanent Disability Pension, by Gender,**  
**Age and Percentage of Disability, December 2013**

Age	Total	Percentage of disability					
		Up to 19 <sup>1</sup>	20-39	40-59	60-79	80-99	100
<b>General population</b>							
Numbers	37,346	1,440	21,826	7,571	3,092	1,524	1,893
Percentages	100.0	3.9%	58.4%	20.3%	8.3%	4.1%	5.1%
Up to 21	67	0	43	10	7	5	2
22-29	936	9	507	223	88	50	59
30-39	3,720	146	2,144	738	307	177	238
40-49	7,365	456	4,134	1,522	581	300	372
50-59	10,126	516	6,042	1,982	769	395	422
60-64	5,987	238	3,691	1,134	446	205	273
65+	9,145	75	5,295	1,962	894	392	527
<b>Men</b>							
Numbers	32,599	1,350	18,817	6,322	2,587	1,339	1,614
Percentages	5.0%	4.1%	57.7%	19.4%	7.9%	4.1%	5.0%
Up to 21	58	0	38	9	6	3	2
22-29	836	9	443	201	83	47	53
30-39	3,264	136	1,809	666	273	159	221
40-49	6,374	426	3,511	1,328	514	269	326
50-59	8,579	472	5,035	1,684	667	356	365
60-64	5,109	232	3,116	951	382	185	243
65+	8,379	75	4,865	1,784	812	358	485
<b>Women</b>							
Numbers	4,747	90	3,009	948	355	147	198
Percentages	100.0	1.9%	63.4%	20.0%	7.5%	3.1%	4.2%
Up to 21	9	0	5	1	1	2	0
22-29	100	0	64	22	5	3	6
30-39	456	10	305	72	34	18	17
40-49	991	30	623	194	67	31	46
50-59	1,547	44	1,007	298	102	39	57
60-64	878	6	575	183	64	20	30
65+	766	0	430	178	82	34	42

1. Pension recipients with partial capitalization.

## H. Hostile Action Casualties

Table H/1  
 Recipients of Hostile Action Benefits: Disabled Persons  
 by Status and Dependents by Family Composition, 2000-2013

Year	Disability benefit recipients					Dependents' benefit recipients				
	Total	Regular	Unable to earn a living	Indigent	Benefit to a widow / er of a deceased disabled person	Total	Widows / widowers without children	Widows / widowers with children	Bereaved parents	Other
2000	1,693	1,573	34	72	25	962	301	129	485	37
2001	1,720	1,589	35	72	25	998	303	138	507	38
2002	1,807	1,678	36	72	22	1,287	340	199	668	52
2003	2,195	1,751	49	82	23	1,583	383	248	846	68
2004	2,499	1,905	50	87	23	1,727	417	266	924	77
2005	2,753	2,041	54	98	25	1,767	423	267	946	82
2006	3,022	2,164	66	121	22	1,851	447	267	999	88
2007	3,275	2,283	80	124	21	1,902	463	271	1,029	90
2008	3,564	2,372	89	137	22	1,908	474	265	1,028	91
2009	3,861	2,480	96	143	30	1,935	481	255	1,028	96
2010	4,113	2,538	95	151	39	1,991	510	251	1,032	116
2011	4,216	2,552	96	159	43	1,974	536	239	1,022	114
2012	4,288	2,558	106	168	46	1,946	543	226	1,023	127
2013	4,404	2,613	105	174	42	1,935	551	215	1,015	127



## I. Unemployment

Table I/1  
Previously Employed Recipients of Unemployment Benefits,  
by Type of Employment Bureau and Category  
of Unemployed (percentages), 2000-2013

Year	Total	Job seekers	Recipients of vocational training	Job seekers		
				Total	Academics	Non- academics
Absolute numbers						
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	47,559	45,131	428	47,131	13,291	33,840
2009	72,654	72,073	581	72,073	20,901	51,172
2010	58,343	57,993	350	57,993	16,412	41,581
2011	57,065	56,608	457	56,608	16,077	40,532
2012	61,431	61,062	369	61,062	17,586	43,476
2013	68,980	68,768	212	68,768	20,380	48,388
Percentages						
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
2010	100.0	99.4	0.6	100.0	28.3	71.7
2011	100.0	99.2	0.8	100.0	28.4	71.6
2012	100.0	99.4	0.6	100.0	28.8	71.2
2013	100.0	99.7	0.3	100.0	29.6	70.4



## Measurement of Poverty and Data Sources





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 1970s, which is accepted by most researchers and social policy makers in the Western world.

Under this relative approach, “poverty” is a phenomenon of relative hardship that should be evaluated in correlation with the society’s standard of living: A family is considered poor not when it is unable to purchase a basic basket of products it needs for its subsistence, but rather, when its living conditions are significantly inferior to those of society as a whole.

The relative approach also recognizes that hardship is not expressed merely by low income, but may also be expressed by the level of property ownership, by housing conditions, by education and by the public services available to those in need. However, since there is no generally accepted index that reflects all aspects of hardship, and since the NII possesses data only on the current nominal income of households in Israel (based on income surveys of the Central Bureau of Statistics), the measurement of poverty is limited to the aspect of the nominal income.

The relative approach offers some practical methods for measuring poverty based on the level of nominal income, the common denominator being a comparison between the income level of families at the bottom of the income scale and that of all other families. The determination of the “poverty line” as some percentage of the “representative income” of the society’s standard of living is the foundation of any method for measuring poverty. A family whose income is below the poverty line is considered a poor family, without this necessarily implying that the family is going hungry, is suffering from malnutrition, is 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.

In Israel, the method for measuring poverty is based on three principles:

- a. **The first principle** is viewing the family’s disposable income as the income that is relevant for examining the phenomenon of poverty. “Disposable income” is defined as the family’s economic income (from work and from ownership of physical means of production and from financial assets) plus transfer payments (payments other than in consideration for economic activity, such as national insurance benefits, support from institutions and from individuals in Israel and abroad), and net direct taxes (income tax, national and health insurance contributions).
- b. **The second principle** is viewing the median disposable income of the population as the society’s representative income.<sup>1</sup> The “median income” is defined as the threshold, when 50% of the families have income that is equal to or below it, while the income

1 In order to represent the typical standard of living, use of the median income is preferable to the average income, since the average income is affected by extreme values in income distribution (that is, by very high or very low incomes).

of the other 50% is above it. The poverty line is defined as the income level that is equal to 50% of the median disposable income. Therefore, a family whose disposable income is less than half of the median disposable income is considered to be a poor family. Economic growth, which stimulates an increase in the level of the median disposable income, also raises the poverty line. A family that is not poor, but whose disposable income is growing at a slower pace than the rise in the poverty line, is liable to become a poor family.

- c. **The third principle** is based on adjusting the poverty line to the size of the family. The assumption is that the size of a family affords advantages in terms of consumption: when a family grows by one additional member, its consumption needs do not increase proportionately, but rather, at a lower rate, so that the additional income needed by a family in order to maintain the same standard of living decreases as the size of the family increases. In order to facilitate a comparison between the standards of living of families of different sizes, an equivalence scale was developed that made it possible to measure the needs of these families compared with the needs of a family of a given basic size. Specifically, the equivalence scale translates the number of persons in a family to the number of “standard” persons (or “standard” adults) in the family. According to the equivalence scale, the basic family is comprised of two persons, which is assigned a value of two standard persons. According to this scale, a one-person family is assigned a value of 1.25 standard persons. In other words, the needs of a one-person family are not assessed as being equal to half of the needs of a two-person family, but rather, slightly more than half. Similarly, the needs of a family of four (which is assigned a value of 3.2 standard persons) are not double those of a family of two (which is assigned a value of two standard persons), but rather, are less than double (only 1.6 times greater).

Based on these 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 in the family, is under the poverty line per standard person. The poverty line for a family may be calculated in a similar manner – by multiplying the poverty line per standard person by the number of standard persons in the family.

As in many Western countries, the analysis of the dimensions of poverty in Israel is based primarily on the two aggregate poverty indices that are the most generally accepted in empirical studies – “incidence of poverty” and “depth and intensity of poverty” (reflected in the income gap ratio of the poor and the FGT index). The incidence of poverty index indicates the extent of poverty in terms of the percentage of poor families in the entire population. The poverty gap index 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 of the entire population is defined as

the sum of the poverty gaps of all of the poor families. The poverty gap index may be standardized and defined 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 FGT Index (also called the Foster Index) was developed by Foster, Greer and Thorbecke in 1989 and became the most accepted index for expressing the depth and intensity of poverty. Contrary to the income gap ratio of the poor, it gives greater weight to those whose income is the farthest from the poverty line.<sup>2</sup> Another aggregate index is the SEN Index, which combines these two indices with the component of inequality in the distribution of income among the poor.

## The Data Sources

The income data are used as a basis for calculating the dimensions of poverty and the distribution of income in Israel are the annual income surveys conducted by the Central Bureau of Statistics (hereinafter: “the CBS”). Up to and including 1997, the population surveyed included solely households headed by an employee or a non-working person in urban communities of at least 2,000 residents, and excluded East Jerusalem.<sup>3</sup>

In 1998, the CBS decided to produce a combined income survey, elicited from the data from the current income survey and the data from the household expenditure survey. The combined income survey has been published since 1997, when the CBS began preparing a current household expenditure survey in addition to the current income survey. The combined survey is based on 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 employees and non-working persons residing in urban communities, the combined survey also encompasses the self-employed, residents of moshavs, rural communities and community settlements and, in principle, also the residents of East Jerusalem. The populations that are not yet included in the survey are mainly the kibbutzim, as well as Bedouin not residing in permanent communities. The residents of East Jerusalem were included in the combined survey for the years 1997-1999,<sup>4</sup> but not in 2000, due to the security situation, which made it difficult to conduct

.....  
 2 The FGT index accepts values of between 0 (if the income of the poor is at the poverty line) and the incidence of poverty (if the income of the poor is zero). The index is calculated according to the following formula:

$$\frac{1}{n} \sum_{i=1, y_i < z_i}^n \left( \frac{z_i - y_i}{z_i} \right)^2$$

where  $z_i$  is poverty-line income and  $y_i$  is the family's income.

3 Up to and including 1994, the income surveys included non-Jewish communities with at least 10,000 residents (excluding East Jerusalem). Since 1995, the income survey was expanded to also include non-Jewish communities of between 2,000 and 10,000 residents.

4 The sampling of the combined income surveys included residents of East Jerusalem fully in 1998 and 1999, and only partially (approximately 65%) in 1997.

a survey. In order to present comparisons for 1997–2000, the poverty and inequality data for 1997–1999 were re-generated, excluding the residents of East Jerusalem.<sup>5</sup>

A household (defined as a group of individuals who reside together most of the week and who have a common household budget) serves as the unit under examination in income and expenditure surveys.<sup>6</sup> For the sake of convenience, it is customary to use the term “family” instead of “household,” even if the terms do not have identical 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 until 1985 on the basis of income surveys, the poverty line had been defined as the income level that was equal to 40% of the gross median income (after transfer payments, but before deducting direct taxes). Since 1988, the definition of the poverty line has been revised to 50% of the median disposable income.
2. The income surveys conducted since 1985 differ from previous income surveys in their research and measurement methodologies, in terms of the duration of the research period.
3. Up to and including 1997, the population surveyed in the CBS’s income surveys included households headed by an employee or non-working individual (i.e., the surveys did not include households headed by a self-employed individual, which constitute about 10% of all households) in urban communities with at least 2,000 residents, excluding East Jerusalem.
4. Up to and including 1994, non-Jewish communities with at least 10,000 residents (excluding East Jerusalem) had been included in the income surveys. Since 1995, the income survey has been broadened to also include non-Jewish communities with 2,000–10,000 residents.
5. Since 1998, the CBS has been producing the income survey based on the data from the current income survey and the data from the household expenditure survey. The combined survey is based on a larger sampling (1.8 times larger than the previous sampling) and encompasses 95% of all households in most types of communities in Israel.
6. Regarding the new series of surveys since 1997: In 2000 and 2001, no survey was conducted among residents of East Jerusalem. The income survey sampling included the residents of East Jerusalem fully in 1998 and 1999, and since 2002, but only partially (approximately 65%) in 1997.

.....

5 The Annual Survey for 1999 presents data on the dimensions of poverty in 1997 – 1999 in relation to the population that also includes East Jerusalem.

6 Since 1995, a “head of household” is defined as that member of the household with the greatest “degree” of participation in the labor force, regardless of age or gender.

Following an initiative proposed by the NII, the CBS carried out a feasibility study that showed that it is possible to produce findings on poverty and income distribution on a bi-annual basis. Consequently, since 2004, in addition to data on the calendar year, the CBS publishes findings relative to 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 is published, which relates to the second half of the 2007 Survey and the first half of the 2008 Survey. No individual survey with its own sampling framework is conducted to analyze poverty and income distribution for these interim periods; instead, a database was built that is comprised of both parts of the annual surveys. Accordingly, the report on poverty for these periods is more succinct in nature and is used primarily to show the forecasted trends relative to poverty and social gaps in the coming calendar year.



## Poverty and Inequality Tables





**Table 1**  
**Dimensions of Poverty in the General Population, 2009–2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	706,100	380,400	435,100		
Persons	2,405,400	1,589,100	1,774,800		
Children	982,300	781,700	850,300		
Incidence of poverty (%)					
Families	33.2	17.9	20.5	46.1	38.4
Persons	33.9	22.4	25.0	33.9	26.2
Children	41.9	33.3	36.3	20.4	13.4
<b>2010</b>					
The poor population					
Families	712,300	382,400	433,300		
Persons	2,383,800	1,602,200	1,773,400		
Children	958,500	777,300	837,300		
Incidence of poverty (%)					
Families	32.6	17.5	19.8	46.3	39.2
Persons	32.8	22.0	24.4	32.8	25.6
Children	40.4	32.8	35.3	18.9	12.6
<b>2011</b>					
The poor population					
Families	728,000	384,000	442,200		
Persons	2,499,100	1,647,200	1,838,600		
Children	1,014,600	796,500	860,900		
Incidence of poverty (%)					
Families	32.8	17.3	19.9	47.2	39.3
Persons	33.7	22.2	24.8	34.1	26.4
Children	41.9	32.9	35.6	21.5	15.1
<b>2012</b>					
The poor population					
Families	686,700	395,300	439,500		
Persons	2,345,700	1,568,600	1,754,700		
Children	945,900	746,300	817,200		
Incidence of poverty (%)					
Families	30.3	17.4	19.4	42.4	36.0
Persons	31.4	21.0	23.5	33.1	25.2
Children	39.0	30.8	33.7	21.1	13.6

**Table 2**  
**Dimensions of Poverty among Jews, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	529,700	238,900	278,800		
Persons	1,517,500	855,600	961,300		
Children	546,800	398,000	432,100		
Incidence of poverty (%)					
Families	28.9	13.0	15.2	54.9	47.4
Persons	26.7	15.1	16.9	43.6	36.7
Children	31.8	23.2	25.1	27.2	21.0
<b>2010</b>					
The poor population					
Families	525,700	232,100	269,600		
Persons	1,475,200	837,300	943,100		
Children	519,500	384,700	418,600		
Incidence of poverty (%)					
Families	28.0	12.4	14.3	55.8	48.7
Persons	25.4	14.4	16.2	43.2	36.1
Children	29.9	22.2	24.1	25.9	19.4
<b>2011</b>					
The poor population					
Families	533,600	227,400	270,200		
Persons	1,538,000	833,300	956,500		
Children	557,600	390,600	426,900		
Incidence of poverty (%)					
Families	28.1	12.0	14.2	57.4	49.4
Persons	26.1	14.1	16.2	45.8	37.8
Children	31.5	22.1	24.2	30.0	23.4
<b>2012</b>					
The poor population					
Families	511,300	247,800	278,800		
Persons	1,482,800	821,500	941,500		
Children	544,700	374,900	423,200		
Incidence of poverty (%)					
Families	25.9	12.6	14.1	51.5	45.5
Persons	24.4	13.5	15.5	44.6	36.5
Children	29.5	20.3	22.9	31.2	22.3

**Table 3**  
**Dimensions of Poverty among New Immigrants**  
**(from 1990), 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	163,700	57,500	70,800		
Persons	405,800	179,500	208,100		
Children	111,200	73,800	79,300		
Incidence of poverty (%)					
Families	40.3	14.1	17.4	64.9	56.7
Persons	35.2	15.6	18.0	55.8	48.7
Children	39.2	26.0	27.9	33.7	28.7
<b>2010</b>					
The poor population					
Families	157,500	51,500	66,500		
Persons	384,000	168,200	204,300		
Children	101,300	69,200	78,200		
Incidence of poverty (%)					
Families	39.5	12.9	16.7	67.3	57.8
Persons	34.1	14.9	18.2	56.2	46.8
Children	37.3	25.4	28.8	31.7	22.8
<b>2011</b>					
The poor population					
Families	173,400	55,500	70,100		
Persons	416,500	174,400	207,900		
Children	108,000	71,000	77,600		
Incidence of poverty (%)					
Families	40.4	12.9	16.3	68.0	59.6
Persons	34.6	14.5	17.3	58.1	50.1
Children	36.4	23.9	26.1	34.2	28.2
<b>2012</b>					
The poor population					
Families	160,000	69,300	79,800		
Persons	399,000	195,700	225,700		
Children	111,900	75,400	85,600		
Incidence of poverty (%)					
Families	34.8	15.1	17.3	56.7	50.1
Persons	30.6	15.0	17.3	51.0	43.4
Children	34.1	23.0	26.1	32.6	23.5

**Table 4**  
**Dimensions of Poverty among Non-Jews (from 1990), 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	176,400	141,500	156,300		
Persons	887,900	733,500	813,500		
Children	435,500	383,700	418,200		
Incidence of poverty (%)					
Families	60.3	48.4	53.5	19.8	11.4
Persons	62.7	51.8	57.4	17.4	8.4
Children	69.5	61.3	66.8	11.9	4.0
<b>2010</b>					
The poor population					
Families	186,600	150,300	163,600		
Persons	908,600	764,900	830,400		
Children	439,000	392,600	418,600		
Incidence of poverty (%)					
Families	60.7	48.9	53.2	19.4	12.3
Persons	61.9	52.1	56.6	15.8	8.6
Children	69.0	61.7	65.8	10.6	4.6
<b>2011</b>					
The poor population					
Families	194,400	156,700	171,900		
Persons	961,100	814,000	882,100		
Children	457,000	405,900	434,000		
Incidence of poverty (%)					
Families	60.4	48.7	53.5	19.4	11.5
Persons	63.2	53.5	58.0	15.3	8.2
Children	70.0	62.2	66.5	11.2	5.0
<b>2012</b>					
The poor population					
Families	175,500	147,500	160,800		
Persons	862,900	747,100	813,100		
Children	401,200	371,400	394,000		
Incidence of poverty (%)					
Families	59.2	49.8	54.3	16.0	8.4
Persons	61.5	53.2	57.9	13.4	5.8
Children	69.1	64.0	67.9	7.4	1.8

**Table 5**  
**Dimensions of Poverty among Families whose**  
**Head of Household is an Elderly Person, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	228,800	63,100	84,400		
Persons	361,200	113,400	143,900		
Children	11,500	9,300	10,100		
Incidence of poverty (%)					
Families	54.5	15.0	20.1	72.4	63.1
Persons	51.0	16.0	20.3	68.6	60.2
Children	70.8	57.3	62.1	19.1	12.3
<b>2010</b>					
The poor population					
Families	244,000	68,200	87,100		
Persons	395,600	135,700	162,900		
Children	16,600	14,900	14,900		
Incidence of poverty (%)					
Families	54.8	15.3	19.6	72.0	64.3
Persons	52.3	17.9	21.5	65.7	58.8
Children	82.4	73.9	73.9	10.3	10.3
<b>2011</b>					
The poor population					
Families	251,600	67,400	89,600		
Persons	397,900	121,500	156,000		
Children	10,500	8,200	8,200		
Incidence of poverty (%)					
Families	54.4	14.6	19.4	73.2	64.4
Persons	50.5	15.4	19.8	69.5	60.8
Children	64.2	50.3	50.3	21.7	21.7
<b>2012</b>					
The poor population					
Families	233,400	92,400	104,800		
Persons	391,600	162,000	186,700		
Children	14,500	13,300	13,500		
Incidence of poverty (%)					
Families	50.5	20.0	22.7	60.4	55.1
Persons	48.9	20.2	23.3	58.6	52.3
Children	79.2	72.4	73.6	8.6	7.1

**Table 6**  
**Dimensions of Poverty among Families with Children, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	318,700	239,100	261,800		
Persons	1,734,900	1,339,300	1,470,500		
Children	982,300	781,700	850,300		
Incidence of poverty (%)					
Families	32.6	24.4	26.8	25.0	17.9
Persons	36.8	28.4	31.2	22.8	15.2
Children	41.9	33.3	36.3	20.4	13.4
<b>2010</b>					
The poor population					
Families	316,300	240,100	262,600		
Persons	1,700,300	1,338,100	1,456,800		
Children	958,500	777,300	837,300		
Incidence of poverty (%)					
Families	32.0	24.3	26.6	24.1	17.0
Persons	35.5	28.0	30.5	21.3	14.3
Children	40.4	32.8	35.3	18.9	12.6
<b>2011</b>					
The poor population					
Families	331,000	244,900	269,200		
Persons	1,818,900	1,394,500	1,524,000		
Children	1,014,600	796,500	860,900		
Incidence of poverty (%)					
Families	32.9	24.4	26.8	26.0	18.7
Persons	37.2	28.5	31.2	23.3	16.2
Children	41.9	32.9	35.6	21.5	15.1
<b>2012</b>					
The poor population					
Families	311,200	228,000	253,000		
Persons	1,686,100	1,289,400	1,426,100		
Children	945,900	746,300	817,200		
Incidence of poverty (%)					
Families	30.5	22.3	24.8	26.7	18.7
Persons	34.3	26.3	29.1	23.5	15.4
Children	39.0	30.8	33.7	21.1	13.6

**Table 7**  
**Dimensions of Poverty among Families with 1-3 Children, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	212,100	150,300	164,300		
Persons	920,700	662,200	727,100		
Children	425,800	313,600	340,400		
Incidence of poverty (%)					
Families	26.0	18.4	20.2	29.2	22.5
Persons	26.1	18.8	20.6	28.1	21.0
Children	27.8	20.4	22.2	26.4	20.1
<b>2010</b>					
The poor population					
Families	208,600	147,400	163,800		
Persons	897,400	649,100	722,600		
Children	408,200	303,000	332,600		
Incidence of poverty (%)					
Families	25.6	18.1	20.1	29.3	21.5
Persons	25.4	18.4	20.5	27.7	19.5
Children	26.7	19.8	21.7	25.8	18.5
<b>2011</b>					
The poor population					
Families	218,900	151,300	169,700		
Persons	969,900	683,600	769,500		
Children	434,300	310,800	346,200		
Incidence of poverty (%)					
Families	26.4	18.2	20.4	30.9	22.5
Persons	26.9	19.0	21.4	29.5	20.7
Children	28.0	20.0	22.3	28.4	20.3
<b>2012</b>					
The poor population					
Families	208,700	140,100	157,400		
Persons	915,900	627,900	705,700		
Children	421,600	294,000	326,900		
Incidence of poverty (%)					
Families	24.5	16.4	18.5	32.8	24.6
Persons	24.9	17.1	19.2	31.4	23.0
Children	26.4	18.4	20.5	30.3	22.5

**Table 8**  
**Dimensions of Poverty among Families with 4 or more Children,**  
**2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	106,500	88,800	97,400		
Persons	814,200	677,000	743,400		
Children	556,600	468,100	510,000		
Incidence of poverty (%)					
Families	65.5	54.6	59.9	16.6	8.6
Persons	68.1	56.6	62.1	16.8	8.7
Children	68.6	57.7	62.8	15.9	8.4
<b>2010</b>					
The poor population					
Families	107,700	92,700	98,800		
Persons	802,800	688,900	734,200		
Children	550,300	474,300	504,700		
Incidence of poverty (%)					
Families	62.4	53.7	57.2	13.9	8.3
Persons	64.1	55.0	58.6	14.2	8.5
Children	65.3	56.3	59.9	13.8	8.3
<b>2011</b>					
The poor population					
Families	112,100	93,700	99,500		
Persons	849,000	710,900	754,500		
Children	580,300	485,700	514,700		
Incidence of poverty (%)					
Families	63.8	53.3	56.7	16.5	11.2
Persons	66.0	55.2	58.6	16.3	11.1
Children	66.9	56.0	59.3	16.3	11.3
<b>2012</b>					
The poor population					
Families	102,500	87,800	95,600		
Persons	770,200	661,500	720,400		
Children	524,200	452,300	490,300		
Incidence of poverty (%)					
Families	60.7	52.0	56.6	14.3	6.7
Persons	62.5	53.7	58.4	14.1	6.5
Children	63.1	54.5	59.0	13.7	6.5



**Table 9**  
**Dimensions of Poverty among Single-parent Families, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	59,300	36,600	38,900		
Persons	221,000	144,600	152,900		
Children	121,500	84,600	88,700		
Incidence of poverty (%)					
Families	49.3	30.5	32.3	38.3	34.5
Persons	50.3	32.9	34.8	34.6	30.8
Children	55.9	39.0	40.8	30.4	27.0
<b>2010</b>					
The poor population					
Families	58,800	35,700	38,200		
Persons	217,700	139,700	149,900		
Children	123,500	84,300	89,100		
Incidence of poverty (%)					
Families	46.9	28.5	30.5	39.3	35.1
Persons	48.3	31.0	33.2	35.8	31.2
Children	55.1	37.6	39.8	31.7	27.9
<b>2011</b>					
The poor population					
Families	58,200	35,400	37,700		
Persons	232,900	148,400	157,200		
Children	127,500	85,800	89,800		
Incidence of poverty (%)					
Families	47.5	28.9	30.8	39.1	35.2
Persons	51.7	32.9	34.9	36.3	32.5
Children	57.7	38.8	40.6	32.7	29.6
<b>2012</b>					
The poor population					
Families	61,600	37,300	39,500		
Persons	238,100	148,300	159,900		
Children	132,600	86,400	92,000		
Incidence of poverty (%)					
Families	45.1	27.3	29.0	39.5	35.8
Persons	46.2	28.8	31.0	37.7	32.8
Children	53.2	34.7	36.9	34.8	30.6

**Table 10**  
**Dimensions of Poverty among Families whose**  
**Head of Household has 8 Years of Schooling, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	160,300	86,800	98,900		
Persons	459,500	324,700	352,400		
Children	156,100	141,700	148,700		
Incidence of poverty (%)					
Families	68.1	36.9	42.0	45.8	38.3
Persons	67.7	47.8	51.9	29.3	23.3
Children	77.9	70.7	74.2	9.2	4.8
<b>2010</b>					
The poor population					
Families	170,100	92,500	104,000		
Persons	476,900	339,600	365,100		
Children	152,400	140,700	144,000		
Incidence of poverty (%)					
Families	69.7	37.9	42.6	45.6	38.9
Persons	68.8	49.0	52.7	28.8	23.4
Children	81.4	75.2	76.9	7.7	5.5
<b>2011</b>					
The poor population					
Families	168,600	91,500	104,500		
Persons	481,400	342,100	369,800		
Children	154,900	142,900	146,700		
Incidence of poverty (%)					
Families	71.3	38.7	44.2	45.7	38.0
Persons	70.9	50.4	54.5	28.9	23.2
Children	83.2	76.8	78.9	7.7	5.3
<b>2012</b>					
The poor population					
Families	143,700	84,600	93,000		
Persons	392,100	268,900	299,200		
Children	104,300	92,800	98,800		
Incidence of poverty (%)					
Families	69.1	40.7	45.2	41.1	34.7
Persons	70.1	48.1	53.5	31.4	23.7
Children	82.0	72.9	77.7	11.0	5.2

**Table 11**  
**Dimensions of Poverty among Families whose**  
**Head of Household has 9-12 Years of Schooling, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	297,200	170,800	194,800		
Persons	1,137,000	769,900	874,900		
Children	491,500	393,000	435,800		
Incidence of poverty (%)					
Families	36.9	21.2	24.2	42.5	34.5
Persons	39.0	26.4	30.0	32.3	23.1
Children	50.0	40.0	44.3	20.0	11.3
<b>2010</b>					
The poor population					
Families	301,100	178,700	198,500		
Persons	1,138,900	809,200	891,800		
Children	490,900	405,400	438,300		
Incidence of poverty (%)					
Families	36.3	21.5	23.9	40.6	34.1
Persons	38.1	27.1	29.9	29.0	21.7
Children	49.3	40.7	44.0	17.4	10.7
<b>2011</b>					
The poor population					
Families	302,200	173,400	197,600		
Persons	1,143,600	795,100	885,700		
Children	481,400	391,000	424,400		
Incidence of poverty (%)					
Families	36.1	20.7	23.6	42.6	34.6
Persons	38.3	26.6	29.7	30.5	22.6
Children	49.5	40.2	43.7	18.8	11.8
<b>2012</b>					
The poor population					
Families	286,100	171,000	192,000		
Persons	1,094,800	756,500	853,000		
Children	465,300	376,800	413,200		
Incidence of poverty (%)					
Families	33.2	19.8	22.3	40.2	32.9
Persons	35.7	24.7	27.8	30.9	22.1
Children	47.0	38.1	41.8	19.0	11.2

**Table 12**  
**Dimensions of Poverty among Families whose**  
**Head of Household has 13 or more Years of Schooling, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	248,700	122,800	141,500		
Persons	808,900	494,500	547,400		
Children	334,700	246,900	265,800		
Incidence of poverty (%)					
Families	22.9	11.3	13.0	50.6	43.1
Persons	23.1	14.1	15.6	38.9	32.3
Children	28.8	21.2	22.9	26.2	20.6
<b>2010</b>					
The poor population					
Families	241,100	111,200	130,800		
Persons	768,000	453,500	516,500		
Children	315,200	231,300	255,000		
Incidence of poverty (%)					
Families	21.7	10.0	11.8	53.9	45.7
Persons	21.3	12.6	14.4	40.9	32.7
Children	26.5	19.4	21.4	26.6	19.1
<b>2011</b>					
The poor population					
Families	257,200	119,200	140,100		
Persons	874,100	510,100	583,100		
Children	378,300	262,600	289,800		
Incidence of poverty (%)					
Families	22.4	10.4	12.2	53.7	45.5
Persons	23.3	13.6	15.6	41.6	33.3
Children	30.0	20.8	23.0	30.6	23.4
<b>2012</b>					
The poor population					
Families	256,900	139,600	153,700		
Persons	858,800	543,200	602,400		
Children	376,200	276,700	305,200		
Incidence of poverty (%)					
Families	21.4	11.6	12.8	45.7	40.2
Persons	22.3	14.1	15.6	36.8	29.9
Children	28.8	21.1	23.3	26.5	18.9

**Table 13**  
**Dimensions of Poverty among Families**  
**with a Working Head of Household, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	311,500	184,000	213,000		
Persons	1,431,200	938,100	1,085,500		
Children	677,800	501,900	568,800		
Incidence of poverty (%)					
Families	19.5	11.5	13.4	40.9	31.6
Persons	24.2	15.9	18.4	34.5	24.2
Children	33.3	24.7	28.0	26.0	16.1
<b>2010</b>					
The poor population					
Families	321,700	190,300	219,200		
Persons	1,458,300	988,100	1,122,300		
Children	692,400	529,700	587,100		
Incidence of poverty (%)					
Families	19.4	11.5	13.2	40.9	31.9
Persons	23.8	16.1	18.3	32.2	23.0
Children	32.9	25.2	27.9	23.5	15.2
<b>2011</b>					
The poor population					
Families	340,100	200,300	233,800		
Persons	1,587,200	1,061,500	1,214,300		
Children	751,300	556,400	619,900		
Incidence of poverty (%)					
Families	20.0	11.8	13.8	41.1	31.3
Persons	25.3	16.9	19.3	33.1	23.5
Children	34.9	25.8	28.8	25.9	17.5
<b>2012</b>					
The poor population					
Families	354,900	211,800	246,300		
Persons	1,578,000	1,052,100	1,219,400		
Children	725,400	545,500	616,000		
Incidence of poverty (%)					
Families	19.7	11.8	13.7	40.3	30.6
Persons	24.3	16.2	18.8	33.3	22.7
Children	33.0	24.8	28.0	24.8	15.1

**Table 14**  
**Dimensions of Poverty among Families**  
**of Salaried Employees, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	281,100	163,400	187,800		
Persons	1,289,300	835,900	958,300		
Children	604,100	447,600	500,900		
Incidence of poverty (%)					
Families	20.2	11.7	13.5	41.9	33.2
Persons	25.1	16.3	18.7	35.2	25.7
Children	34.5	25.5	28.6	25.9	17.1
<b>2010</b>					
The poor population					
Families	287,800	168,100	190,600		
Persons	1,302,000	883,400	988,900		
Children	614,200	475,200	519,600		
Incidence of poverty (%)					
Families	20.0	11.7	13.3	41.6	33.8
Persons	24.6	16.7	18.7	32.2	24.0
Children	33.9	26.2	28.7	22.6	15.4
<b>2011</b>					
The poor population					
Families	304,900	176,100	203,000		
Persons	1,418,500	940,400	1,060,400		
Children	664,600	491,200	538,800		
Incidence of poverty (%)					
Families	20.6	11.9	13.7	42.3	33.4
Persons	26.0	17.3	19.5	33.7	25.3
Children	35.7	26.4	29.0	26.1	18.9
<b>2012</b>					
The poor population					
Families	316,700	186,400	215,300		
Persons	1,392,900	917,200	1,053,700		
Children	632,600	473,600	528,300		
Incidence of poverty (%)					
Families	20.1	11.9	13.7	41.2	32.0
Persons	24.6	16.2	18.6	34.2	24.4
Children	33.3	25.0	27.8	25.1	16.5

**Table 15**  
**Dimensions of Poverty among Families of Self-Employed Persons,**  
**2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	30,400	20,600	25,200		
Persons	141,900	102,200	127,200		
Children	73,600	54,200	67,900		
Incidence of poverty (%)					
Families	15.2	10.3	12.5	32.4	17.3
Persons	18.5	13.3	16.6	28.0	10.3
Children	26.2	19.3	24.2	26.3	7.7
<b>2010</b>					
The poor population					
Families	33,900	22,100	28,600		
Persons	156,300	104,700	133,500		
Children	78,100	54,500	67,500		
Incidence of poverty (%)					
Families	15.5	10.1	13.1	34.7	15.5
Persons	18.9	12.7	16.1	33.0	14.6
Children	27.0	18.9	23.4	30.3	13.6
<b>2011</b>					
The poor population					
Families	35,200	24,200	30,700		
Persons	168,700	121,100	154,000		
Children	86,700	65,300	81,000		
Incidence of poverty (%)					
Families	16.0	11.0	14.0	31.1	12.6
Persons	20.2	14.5	18.5	28.2	8.7
Children	29.4	22.2	27.5	24.7	6.5
<b>2012</b>					
The poor population					
Families	38,000	25,200	30,700		
Persons	183,100	133,000	163,800		
Children	92,100	71,200	86,900		
Incidence of poverty (%)					
Families	16.5	11.0	13.4	33.7	19.2
Persons	22.0	16.0	19.7	27.4	10.6
Children	30.7	23.7	29.0	22.7	5.6

**Table 16**  
**Dimensions of Poverty among the Working-age**  
**Population who are not Working, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	182,700	135,300	140,200		
Persons	644,600	542,200	550,900		
Children	293,800	270,800	271,800		
Incidence of poverty (%)					
Families	89.8	66.5	68.9	25.9	23.3
Persons	93.8	78.9	80.2	15.9	14.5
Children	98.4	90.7	91.0	7.8	7.5
<b>2010</b>					
The poor population					
Families	168,000	126,000	130,100		
Persons	570,400	483,700	495,200		
Children	251,100	233,700	236,200		
Incidence of poverty (%)					
Families	90.6	67.9	70.1	25.0	22.6
Persons	94.5	80.2	82.1	15.2	13.2
Children	98.7	91.8	92.8	6.9	5.9
<b>2011</b>					
The poor population					
Families	158,700	120,000	124,100		
Persons	559,200	473,900	481,700		
Children	254,300	232,500	233,600		
Incidence of poverty (%)					
Families	90.4	68.4	70.7	24.4	21.8
Persons	94.7	80.2	81.5	15.3	13.9
Children	99.1	90.6	91.0	8.6	8.1
<b>2012</b>					
The poor population					
Families	127,900	94,300	94,800		
Persons	435,600	362,300	363,300		
Children	207,200	188,000	188,500		
Incidence of poverty (%)					
Families	89.1	65.7	66.1	26.3	25.8
Persons	92.9	77.2	77.5	16.8	16.6
Children	97.3	88.3	88.5	9.3	9.1



**Table 17**  
**Dimensions of Poverty among Families with**  
**One Wage Earner, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	263,200	159,800	180,500		
Persons	1,156,500	805,400	901,000		
Children	561,100	444,100	487,000		
Incidence of poverty (%)					
Families	36.4	22.1	24.9	39.3	31.4
Persons	49.7	34.6	38.7	30.4	22.1
Children	63.9	50.6	55.5	20.9	13.2
<b>2010</b>					
The poor population					
Families	275,800	164,900	187,100		
Persons	1,196,100	837,100	931,600		
Children	580,100	458,200	501,100		
Incidence of poverty (%)					
Families	37.8	22.6	25.6	40.2	32.2
Persons	51.4	36.0	40.0	30.0	22.1
Children	64.7	51.1	55.9	21.0	13.6
<b>2011</b>					
The poor population					
Families	276,500	166,400	189,200		
Persons	1,220,700	853,700	948,500		
Children	587,000	463,500	501,200		
Incidence of poverty (%)					
Families	37.8	22.7	25.9	39.8	31.6
Persons	52.7	36.9	40.9	30.1	22.3
Children	68.1	53.8	58.1	21.0	14.6
<b>2012</b>					
The poor population					
Families	286,200	172,400	195,500		
Persons	1,204,400	825,600	930,000		
Children	565,400	434,100	482,600		
Incidence of poverty (%)					
Families	36.0	21.7	24.6	39.7	31.7
Persons	50.6	34.7	39.0	31.5	22.8
Children	65.8	50.5	56.2	23.2	14.7

**Table 18**  
**Dimensions of Poverty among Families**  
**with Two Wage Earners, 2009-2012**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2009</b>					
The poor population					
Families	48,400	24,200	32,500		
Persons	274,700	132,700	184,500		
Children	116,700	57,800	81,800		
Incidence of poverty (%)					
Families	5.6	2.8	3.7	50.0	32.7
Persons	7.7	3.7	5.2	51.7	32.8
Children	10.1	5.0	7.1	50.5	29.9
<b>2010</b>					
The poor population					
Families	45,900	25,400	32,100		
Persons	262,200	150,900	190,700		
Children	112,300	71,500	86,000		
Incidence of poverty (%)					
Families	4.9	2.7	3.5	44.7	30.0
Persons	6.9	4.0	5.0	42.4	27.2
Children	9.3	5.9	7.1	36.3	23.4
<b>2011</b>					
The poor population					
Families	63,600	33,900	44,600		
Persons	366,500	207,800	265,800		
Children	164,300	93,000	118,700		
Incidence of poverty (%)					
Families	6.6	3.5	4.6	46.7	29.9
Persons	9.2	5.2	6.7	43.3	27.5
Children	12.7	7.2	9.2	43.4	27.7
<b>2012</b>					
The poor population					
Families	68,700	39,400	50,700		
Persons	373,600	226,500	289,500		
Children	160,000	111,400	133,400		
Incidence of poverty (%)					
Families	6.8	3.9	5.0	42.7	26.2
Persons	9.1	5.5	7.0	39.4	22.5
Children	11.9	8.3	10.0	30.4	16.6

**Table 19**  
**Average Income per Family by Different Population Groups and by Source**  
**of Income and the Proportion of the Different Sources of Income of the Average Pre-tax Income, 2012**

Population group	Source of income*										Pre-tax income	Disposable income
	Work	Total transfer payments	NII benefits	Government subsidies	Private and foreign subsidies	Other income (property, pension)	Pre-tax income	Disposable income				
<b>Total</b>	NIS (%)	2,058 12.4	1,513 9.1	205 1.2	341 2.1	1,641 9.9	16,587 100.0	13,842 83.5				
Jewish family	NIS (%)	2,099 11.9	1,486 8.4	228 1.3	385 2.2	1,841 10.5	17,607 100.0	14,607 83.0				
Non-Jewish family	NIS (%)	1,787 18.2	1,688 17.2	49 0.5	50 0.5	314 3.2	9,795 100.0	8,748 89.3				
Family whose head of household is an elderly person	NIS (%)	3,604 31.6	2,837 24.9	327 2.9	440 3.9	3,982 34.9	11,412 100.0	10,056 88.1				
New immigrant family	NIS (%)	2,439 18.5	1,703 12.9	227 1.7	509 3.9	532 4.0	13,203 100.0	11,499 87.1				
Family with children	NIS (%)	1,835 9.7	1,310 7.0	197 1.0	328 1.7	725 3.9	18,829 100.0	15,579 82.7				
Family with 1-3 children	NIS (%)	1,690 8.6	1,191 6.1	166 0.8	334 1.7	780 4.0	19,679 100.0	16,204 82.3				
Family with 4 or more children	NIS (%)	2,562 17.6	1,909 13.1	354 2.4	299 2.1	447 3.1	14,543 100.0	12,427 85.5				

\* Mid-2012 Survey period prices, for the population including residents of East Jerusalem.

**Table 19 (continued)**  
**Average Income per Family by Different Population Groups and by Source of Income and the Proportion of the Different Sources of Income of the Average Pre-tax Income, 2012**

Population group	Work	Total transfer payments	NII benefits	Source of income*				Other income (property, pension)	Pre-tax income	Disposable income
				Government subsidies	Private and foreign subsidies	Thereof:				
Families with 5 or more children	NIS 9,460	2,869	2,156	457	256		288	12,621	11,120	
	(%) 75.0	22.7	17.1	3.6	2.0		2.3	100.0	88.1	
Single-parent family	NIS 9,773	2,877	1,714	152	1,011		563	13,273	11,545	
	(%) 73.6	21.7	12.9	1.1	7.6		4.2	100.0	87.0	
Employment status of head of household										
Working	NIS 16,156	1,580	1,150	167	264		1,248	19,023	15,679	
	(%) 84.9	8.3	6.0	0.9	1.4		6.6	100.0	82.4	
Salaried employee	NIS 15,903	1,592	1,160	179	254		1,173	18,718	15,536	
	(%) 85.0	8.5	6.2	1.0	1.4		6.3	100.0	83.0	
Self-employed person	NIS 17,892	1,495	1,078	86	334		1,764	21,117	16,657	
	(%) 84.7	7.1	5.1	0.4	1.6		8.4	100.0	78.9	
Family whose head of household is of working-age but not working	NIS 192	3,764	2,479	363	922		1,163	5,180	4,919	
	(%) 3.7	72.7	47.9	7.0	17.8		22.5	100.0	95.0	
Family with one wage earner	NIS 9,513	2,112	1,491	245	376		1,543	13,225	11,111	
	(%) 71.9	16.0	11.3	1.9	2.8		11.7	100.0	84.0	
Family with two or more wage earners	NIS 21,386	1,162	882	105	175		1,016	23,587	19,275	
	(%) 90.7	4.9	3.7	0.4	0.7		4.3	100.0	81.7	

\* Mid-2012 Survey period prices, for the population including residents of East Jerusalem.

Table 19 (continued)  
Average Income per Family by Different Population Groups and by Source  
of Income and the Proportion of the Different Sources of Income of the Average Pre-tax Income, 2012

Population group	Work	Total transfer payments	NII benefits	Source of income*			Other income (property, pension)	Pre-tax income	Disposable income
				Government subsidies	Private and foreign subsidies	Thereof:			
Education of head of household									
Up to 8 years of schooling	NIS 2,991 (%) 41.9	3,030 42.4	2,599 36.4	211 3.0	220 3.1	1,108 15.5	7,145 100.0	6,643 93.0	
9-12 years of schooling	NIS 10,416 (%) 76.4	1,989 14.6	1,573 11.5	162 1.2	256 1.9	1,183 8.7	13,636 100.0	11,920 87.4	
13 years of schooling	NIS 16,295 (%) 80.1	1,940 9.5	1,282 6.3	234 1.2	424 2.1	2,063 10.1	20,341 100.0	16,469 81.0	

\* Mid-2012 Survey period prices, for the population including residents of East Jerusalem.

**Table 20**  
**The Effect of Transfer Payments and Direct Taxes on Inequality of Income Distribution among Working Families (percentages), 2011-2012**

Decile*	The proportion of each decile of total income (%)**					
	Economic income		Pre-tax income		Disposable income	
	2011	2012	2011	2012	2011	2012
Lowest	1.4	1.4	2.2	2.1	2.4	2.4
	2.7	2.7	3.4	3.5	3.8	3.9
	3.9	4.0	4.6	4.6	5.1	5.1
	5.3	5.3	5.8	5.8	6.4	6.4
	6.8	6.8	7.2	7.1	7.8	7.8
	8.6	8.4	8.7	8.5	9.3	9.1
	10.5	10.3	10.4	10.2	10.9	10.7
	13.2	12.8	12.7	12.5	13.0	12.8
	17.1	17.0	16.4	16.2	15.9	15.7
	Highest	30.6	31.4	28.8	29.4	25.4
Ratio of income of highest to lowest quintile	21.8	22.3	13.3	13.7	10.5	10.7
Gini index***	0.437	0.440	0.395	0.398	0.353	0.355
% of decrease of the Gini index	-	-	9.6	9.5	19.2	19.3

\* The families in each column were ranked according to the level of adjusted income per standard person. Each decile represents 10% of all persons in the population.

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

\*\*\* The Gini index of inequality of income distribution was calculated on the basis of individual observations and not on the basis of quintiles.

**Table 21**  
**The Average Monthly Income per Family in each Decile,**  
**2011-2012 (General Population) at 2012 Survey Prices**

Decile*	Before transfer payments and taxes			After transfer payments and taxes		
	2011	2012	Real change	2011	2012	Real change
Lowest	-	-	-	2,932	3,201	9.2
	2,310	3,123	35.2	4,810	5,156	7.2
	4,600	5,451	18.5	5,502	6,777	23.2
	6,432	7,598	18.1	7,319	8,566	17.0
	8,603	9,560	11.1	9,331	10,151	8.8
	10,992	12,076	9.9	11,191	12,067	7.8
	13,669	14,694	7.5	13,180	14,096	7.0
	17,012	18,531	8.9	15,585	16,762	7.6
	22,642	24,652	8.9	18,774	20,428	8.8
Highest	37,722	42,374	12.3	27,536	30,500	10.8
<b>Total</b>	<b>12,926</b>	<b>14,529</b>	<b>12.4</b>	<b>12,568</b>	<b>13,842</b>	<b>10.1</b>

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

**Table 22**  
**The Incidence of Poverty among all Families**  
**in the Population Before and After Transfer Payments**  
**and Direct Taxes (percentages), 1979-2012**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming 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	18.8	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
2009	33.2	17.9	20.5	46.1	38.4
2010	32.6	17.5	19.8	46.3	39.2
2011	32.8	17.3	19.9	47.2	39.3
2012	30.3	17.4	19.4	42.4	36.0

\* Including East Jerusalem. Hereafter – new sampling.



**Table 23**  
**Gini Index of Inequality of Income Distribution among Families,**  
**Before and After Transfer Payments and Direct Taxes, 1979–2012**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
1979	0.432	0.366	0.318	15.2	26.3
1980	0.434	0.369	0.324	14.9	25.3
1981	0.439	0.372	0.319	15.4	27.4
1982	0.444	0.367	0.312	17.3	29.7
1983	0.439	0.360	0.301	17.9	31.6
1984	0.472	0.398	0.327	15.8	30.8
1985	0.468	0.373	0.312	20.2	33.3
1988	0.457	0.370	0.322	19.1	29.6
1989	0.474	0.378	0.325	20.3	31.4
1990	0.480	0.376	0.326	21.7	32.0
1991	0.490	0.377	0.327	23.1	33.2
1992	0.498	0.393	0.339	21.1	31.9
1993	0.494	0.383	0.329	22.5	33.4
1994	0.502	0.399	0.344	20.4	31.4
1995	0.497	0.397	0.337	20.2	32.3
1996	0.496	0.387	0.329	22.0	33.7
1997	0.505	0.395	0.333	21.8	34.0
1997*	0.509	0.414	0.353	18.6	30.6
1998	0.512	0.413	0.352	19.2	46.6
1999	0.517	0.421	0.359	18.4	44.1
2002	0.537	0.431	0.368	19.7	31.5
2003	0.527	0.424	0.369	19.3	30.0
2004	0.523	0.430	0.380	17.8	27.4
2005	0.526	0.434	0.388	17.4	26.2
2006	0.513	0.432	0.383	15.8	25.4
2007	0.524	0.438	0.392	16.4	25.1
2008	0.512	0.432	0.385	15.6	24.7
2009	0.510	0.429	0.389	15.8	23.7
2010	0.505	0.426	0.384	15.6	23.9
2011	0.497	0.418	0.379	16.0	23.7
2012	0.489	0.417	0.377	14.6	22.9

\* Including East Jerusalem. Hereafter – new sampling.

**Table 24**  
**The Incidence of Poverty and the Gini Index of Inequality of Income Distribution among all Families in the Population, Excluding East Jerusalem, Before and After Transfer Payments and Direct Taxes (percentages), 2000-2012**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>Incidence of poverty, families</b>					
2000				54.3	45.3
2001				57.0	47.2
2002				57.0	47.2
2003				54.0	42.7
2004				50.6	39.2
2005				48.4	39.0
2006				46.9	38.4
2007	31.7	16.9	19.5	46.6	38.4
2008				46.2	38.4
2009			20.0	46.2	38.8
2010	32.0	17.0		46.9	39.7
2011	32.2	16.9	19.3	47.6	40.1
2012	29.6	16.6	18.6	43.7	37.1
<b>Gini Inequality Index</b>					
2000	0.509	0.411	0.350	19.3	31.2
2001	0.528	0.420	0.357	25.9	32.4
2002	0.532	0.426	0.362	20.0	32.0
2003	0.521	0.419	0.363	19.6	30.4
2004	0.519	0.426	0.375	18.0	27.7
2005	0.519	0.430	0.383	17.1	26.1
2006	0.518	0.433	0.387	16.5	25.4
2007	0.507	0.425	0.375	16.1	25.9
2008	0.506	0.425	0.378	15.9	25.2
2009	0.503	0.422	0.382	16.1	24.2
2010	0.497	0.418	0.376	15.8	24.4
2011	0.489	0.409	0.369	16.4	24.4
2012	0.479	0.407	0.366	15.0	23.5

## List of Authors

### Chapter 1: Social Policy Developments and Trends in National Insurance

Miri Endeweld, Mikaela Asulin, Daniel Gottlieb, Esther Toledano  
and Refaela Cohen

### Chapter 2: The Dimensions of Poverty and Social Gaps

Miri Endeweld, Netanela Barkali and Oren Heller

### Chapter 3: Benefits: Activities and Trends

1. **Income support**  
Gabriela Heilbrun and Miriam Shmelzer
2. **Old-age and survivors' insurance**  
Miriam Shmelzer, Gabriela Heilbrun and Vera Shalom
3. **Long-term care insurance**  
Sharon Asiskovitch and Miriam Shmelzer
4. **Children insurance**  
Chantal Wasserstein
5. **Maternity insurance**  
Chantal Wasserstein
6. **General disability insurance**  
Ofir Pinto and Rivka Prior
7. **Work injury insurance**  
Rivka Prior and Natalia Gitelson
8. **Hostile action casualties**  
Rivka Prior and Natalia Gitelson
9. **Vocational rehabilitation**  
Ofir Pinto and Rivka Prior
10. **Unemployment insurance**  
Esther Toledano
11. **Workers' rights insurance (consequent to corporate bankruptcy and liquidation)**  
Avner Sharf
12. **Benefits to Reservists**  
Rivka Prior and Natalia Gitelson

### Chapter 4: Collection Activities and Trends

Aviva Gaibel, Refaela Cohen and Jacques Bendelac

## Chapter 5: Funds and Services

### **1. Funds of the National Insurance Institute**

Tami Eliav, David Benayoun, Izik Sabato and Eyal Berger

### **2. The NII Research Fund and the Research Room**

Miri Endeweld and Janna Frid

Questions and comments regarding the Survey may be sent to: [skira@nioi.gov.il](mailto:skira@nioi.gov.il).