

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.

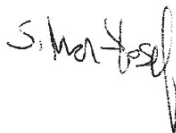
NII receipts from collecting national and health insurance contributions rose by 4.7% in real terms in 2013, compared to 1.5% in 2012. The receipts for the NII branches rose by 5.7% – twice the rate of the increase in the receipts for the health system, which was 2.8%. The growth in NII payments and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