

Chapter 3

Benefits: Activities and Trends

1. Income Support

In 2014 the number of families receiving income support fell by 1.3% to 103,000 on average per month. Since the second quarter of 2003, when the number of families receiving income support reached a record 159,000, there has been a steady drop until 2009, when the number stabilized at the 2008 level. In 2010, the drop resumed, in 2012 the rate of decrease was smaller, and in 2013 the number rose slightly (by 0.6%) for the first time since 2003.

a. Main points of the Income Support Act in its 2003 format

The Income Support Act which applies to the working-age population, permits two rates of long-term benefit—the normal rate and the increased one, but in fact defines three rates for a transitional period¹. Among eligible persons, the Act distinguishes between those aged 55 and over, and those aged under 55. The benefit and the means test for people aged 55 and over remained unchanged for all family compositions who are eligible for the increased rate (as it was until January 2003), whether newly or **previously eligible**². The distinction between the newly eligible and the previously eligible is only relevant for recipients aged 55 and over: All the newly eligible and those who were previously eligible for the normal rate receive the normal (but reduced) rate, while those who were previously eligible for the increased rate receive the (reduced) increased rate. The significance of these amendments is that eventually - after the transitional period - anyone under 55 will only be eligible for the normal reduced rate of benefit. In December 2014 only 4,690 families were defined as “previously eligible”.

Below are the main changes in the Act from 2003 to 2014 and going forward:

- Since January 2003, the Employment Service has no longer been permitted to define a benefit claimant as temporarily or permanently unemployable. Those who are not required to appear before the Employment Service are indicated in the new format of the Income Support Act. The main amendment affects mothers of small children: before the amendment they were exempt from the employment test if their youngest child was under 7 years of age. After the amendment, they are only exempt until their youngest child reaches the age of 2. There is no change in the situation of women entitled to child support, and they continue to be exempt from the employment test after the new legislation.
- In 2004 the Integration of Benefit Recipients in the Labor Market Act (temporary provision) was passed, and in August 2005, responsibility for carrying out the employment test in trial areas was transferred from the Employment Service to

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- 1 Changes in the level of benefits and the means test are given separately in the NII's Annual Survey for 2002-2003.
- 2 People who began receiving the benefit before 1.1.2003, including those whose benefits were stopped for a period of no more than six months.

private employment centers. Participants in the program were benefit recipients on the grounds of unemployment or low pay. In April 2010 the program ended and responsibility for the employment test returned to the Employment Service.

- Since January 2007, ownership of a car does not automatically disqualify a claimant from receiving the benefit (previously, ownership was only permitted in the case of special needs such as medical necessity), if the car's engine size is up to 1300ccs, if 7 years have passed since the end of its year of manufacture, or up to 1600ccs if 12 years have passed. The car owner will only be eligible for the benefit if the claimant (or claimant's spouse) has income from work that is higher than 25% of the average wage (in the case of a claimant of retirement age – 17% of the average wage). The law also affects anyone dismissed from work. (For other changes in the law regarding ownership of a car, see below.)
- In 2007 changes were also introduced regarding overseas travel: eligible persons (or their spouses) who have reached the age of retirement can travel overseas up to three times a year, for no more than 72 days without automatic disqualification for the benefit. On the fourth occasion of overseas travel in the same calendar year or after 72 days, they will not be eligible for the benefit while outside Israel. Before the change in legislation, eligibility was stopped on the second overseas trip in the same calendar year.
- In July 2008 a further amendment was passed, stating that a single mother³ would continue to receive income support while studying in an institution of further education or doing a course of longer than 12 months. The amendment was intended to help mothers acquire suitable education to help them find work, or improve their work prospects, or earn more. An eligible mother who met all the following conditions would continue to receive the benefit: the benefit was paid for 16 out of the 20 months prior to the first month of study; the course does not grant a master's or doctoral degree; the benefit would be paid for no more than 36 months of study; for the unemployed – the studies take place in the evening.
- Following a Supreme Court decision in August 2012, the condition that ownership or regular use of a car (not of the permitted engine size or year of manufacture) would deny eligibility for income support was cancelled and an alternative arrangement was defined, whereby a monthly income would be credited for a car worth no more than NIS 40,000. Owners of cars of higher value would not be entitled to income support or income supplement (excluding cars for special needs or mobility vehicles). The credited income would reduce the benefit rate by 3% of the value of the car above the value not taken into account. The car value not taken into account is higher for those who work (income from work greater than 25% of the average wage). Anyone

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 3 Although the following refers to mothers, it also applies to single fathers (in the Act – single parents).

who owned a car and received a benefit before the above legislative changes could be eligible for the benefit under the previous rules.

- In 2012 a further important amendment to the law was introduced, concerning income from property. Under the amendment, the value of income from property is calculated according to the type of property (financial or real estate), taking account of its value and the rate of yield under market conditions, plus an additional graded income credit, depending on family composition and claimant's age. The yield rate of a financial asset was determined by the average short term loan rate for the previous 12 months as published by the Bank of Israel. The yield from real estate: agricultural land 0%, residential property 3% and commercial property 5%. The rates of the graded supplement, ranging from 1.5% to 5%, are specified in the Regulations. In addition, a mechanism for annual update of the yield was defined, to calculate the value of the income to be credited. Payments according to this amendment began in March 2013 and included payments for the period from September to December 2012.
- Another change in the law in 2012 is the payment of income support to women in shelters for victims of domestic violence. These women will be eligible for the benefit on predetermined conditions and providing they received this benefit in the month prior to entering the shelter.
- In October 2013 the Cold Regions Order was updated, specifying the places where recipients of old-age and survivors' pensions with income supplements were eligible for a heating grant. It also determined that the eligibility of anyone who received an income support/income supplement, who reached retirement age before November 2013 and who was living in an area defined as cold before the amendment would not be affected.
- Guidelines were approved for the Protective Edge Campaign period, to ease the situation of benefit claimants and recipients living up to 40km from the Gaza Strip.

b. Recipients of Income Support

1. Developments in the number of recipients

The period June 2003 to December 2008 shows a steady falling trend in the number of recipients of income support. The trend began with the implementation of stricter legislation in June 2003, when some 5,000 families became ineligible, and the obligation to pass an employment test as a condition of eligibility was extended to additional groups. Continuation of this trend was due to the ongoing effect of the decrease in the maximum income for eligibility, and to the improvement in the general employment situation from 2004 to mid-2008. The introduction of employment centers as part of the Mehalev program in August 2005 and Lights for Employment in August 2007 accelerated the trend. In 2009 there was a turning point: the number of families receiving the benefit rose early in the year and stabilized at a higher level in the second half, apparently due

to general conditions in the economy. Since 2010 the number of recipients has again been falling, a trend that apparently reflects the economic recovery. In 2012 this trend slowed down, and in 2013 there was, as stated, an increase due among other reasons to legislative changes relating to car ownership. In 2014 there was a drop again, and the average number of recipient families is the lowest since 1999.

As stated, in 2010, 2011 and 2012 the average number of families receiving income support fell by 2.1%, 3.8% and 1.4% respectively (Table 1). The quarterly figures (Diagram 1) show that in the third and fourth quarters of 2012 there was a measured increase in the average number of recipients per month. The rise continued into the first quarter of 2013 and since then there has been a slow decrease. Overall, in 2013 there was a rise of 0.6% in the average number of recipient families per month compared to 2012. In 2014 there was a drop in the first three quarters and a rise in the last quarter.

In October and November 2014 Employment Service branches were closed due to sanctions, and benefit recipients who were required to report could not complete the employment test in order to receive their benefits. The Employment Service treated everyone who had reported during the month prior to the sanctions (even those who only reported partially and were therefore ineligible for the benefit that month) as having fulfilled the requirement during the sanctions. Therefore the number of eligible recipients rose during those months, in contrast to the drop during 2014. The number of recipient families decreased again when the sanctions ended.

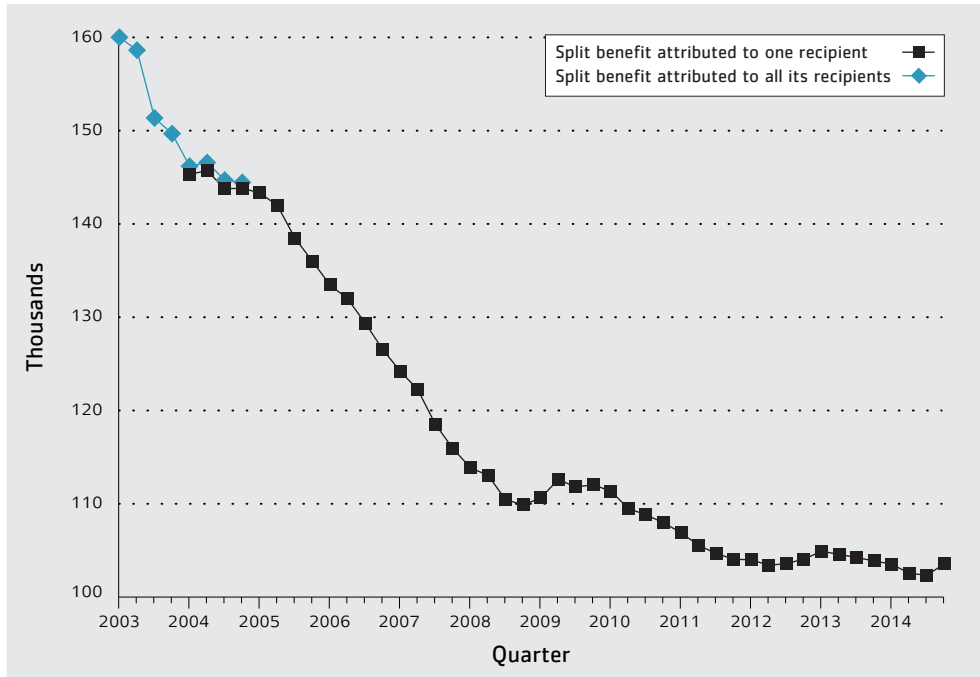
Table 1
Families Receiving Income Support by Number of Years
in Israel* (monthly average), 2008-2014

Year	Total		Veterans		Immigrants	
	Absolute number	Rate of change	Absolute number	Rate of change	Absolute number	Rate of change
2008	111,808	-7.0	78,011	-5.4	33,798	-10.4
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
2014	102,993	-1.3	80,262	0.2	22,731	-6.5

* Seniority in Israel is established according to the age of the of the benefit claimant

In 2009, alongside the continual but decreasing drop in the number of immigrant families (classified by the benefit claimant), the number of veteran families (by the claimant) receiving the benefit rose for the first time since 2004. In 2010 the trend changed again – the number of veterans fell and there was an accelerated fall in the number of immigrants compared to 2009. In 2011 the downward trend continued

Diagram 1
Families Receiving Income Support by Quarter (thousands), 2003–2014



for both veteran and immigrant families. While in 2010 the fall in the number of immigrant families accounted for about 85% of the total decrease in the number of recipient families, in 2011 immigrants accounted for only about 60% of the decrease; i.e. the rate of decrease among immigrant families slowed. Therefore, the decrease in the number of families receiving the benefit in 2010–2011 was largely due to the decrease among immigrant families. By contrast, in 2012, 2013 and 2014 there was an increase in the number of veteran families receiving the benefit (2.7%, 0.6% and 0.2% respectively). Therefore the falling trend in the average overall number of families eligible for the benefit in 2012 and 2014 was due to a drop in the number of immigrant families, which was mitigated by the increase in the number of veteran families. In 2013 the rise in the average number of families was due to an increase in veteran families which was offset by a drop in the number of immigrant families.

2. Family composition and number of years in Israel

The drop in the number of benefit recipients seen since mid-2003, the date of the big change in the benefit amount and in conditions of eligibility, was accompanied by a change in the composition of recipient families. The decrease occurred among single parent families and couples with children, while the number of single recipients grew.

Apart from the effect of legislative changes that also found expression in subsequent years, it is possible that not all recipients found more employment opportunities following

the growth in the economy, and these differences could also affect the composition of the population receiving income support. In order to illustrate the ongoing changes in composition, data are shown for early 2003 (before the changes in the law) and for 2011-2014⁴ (Table 2):

Table 2
Recipients of Income Support by Family Composition and Time
in Israel (numbers and percentages), 2003, 2011-2014

Family composition	Numbers			Percentages		
	Total	Veterans	Immigrants	Total	Veterans	Immigrants
January to March 2003						
Total	160,006	102,194	57,812	100.0	100.0	100.0
Single	58,331	38,000	20,331	36.5	37.2	35.2
Single+ children	53,191	25,662	27,529	33.2	25.1	47.6
Couple	9,468	5,070	4,398	5.9	4.7	7.6
Couple+ children	39,016	33,462	5,554	24.4	32.7	9.6
Average 2011						
Total	105,292	77,443	27,849	100.0	100.0	100.0
Single	49,064	34,535	14,529	46.6	44.6	52.2
Single+ children	25,888	16,473	9,416	24.6	21.3	33.8
Couple	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
Average 2012						
Total	103,766	77,945	25,821	100	100	100
Single	48,487	34,879	13,607	46.7	44.7	52.7
Single+ children	25,245	16,615	8,630	24.3	21.3	33.4
Couple	8,065	5,666	2,399	7.8	7.3	9.3
Couple+ children	21,969	20,785	1,184	21.2	26.7	4.6
Average 2013						
Total	104,399	80,084	24,314	100	100	100
Single	48,595	35,736	12,858	46.5	44.6	52.9
Single+ children	25,216	17,091	8,125	24.2	21.3	33.4
Couple	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
Average 2014						
Total	102,993	80,262	22,731	100	100	100
Single	47,379	35,327	12,052	46.0	44.0	53.0
Single+ children	24,990	17,263	7,727	24.3	21.5	34.0
Couple	8,169	6,273	1,896	7.9	7.8	8.3
Couple+ children	22,455	21,400	1,055	21.8	26.7	4.6

4 For details of changes in the composition of families receiving the benefit in the years 2004-2007, see the **Annual Review for 2008**.

- The proportion of single parent families continued to decline slowly and reached 24.3% in 2014 (compared to 33.2% in early 2003).
- The proportion of couples with children decreased slightly, from 24.4% in 2003 to 21% in 2010, after which it rose slowly, reaching 21.8% in 2014.
- As the proportion of families with children fell in 2003–2012, the proportion of single people rose significantly, from 36.5% in 2003 to 46.7% in 2012. In the last two years, as the rate of couples with children rose, the rate of single people fell to 46.0% in 2014.
- The quite small rate of couples rose gradually from 5.9% in 2003 to 7.7% in 2010, and has since risen and stabilized alternately, reaching 7.9% in 2014.

The figures therefore indicate a sharp drop in the proportion and number of families with children from 2003 to mid-2005, a moderate drop until 2012, and stability in recent years.

As stated, in 2014 there were signs of a moderate increase in the rate of veteran families and an ongoing decrease in the share of immigrant families. Among veteran families there was a drop in singles and a rise in couples without children, while among immigrant families, there was a rise in singles with children and a drop in the rate of childless couples. These changes in family composition are expressed by a drop in the number of single people and a rise in the number of families with children among all recipients.

3. Grounds for eligibility for the benefit

In line with trends emerging from 2003, the following was observed (Table 3):

- A rise in the share of the unemployed among all recipients until 2010, with a renewed rise in 2012–2013, and a fall in 2014.
- A fall in the share of mothers with small children until 2012, and a slow rise in the last two years.
- A fall in the share of the unemployable aged 55 and over.
- From 2011–2013 – a slight decrease in the average rate of recipients on the grounds of the employment test requirement (absence of work and low pay) which stabilized in 2014 at 79.6% of all recipients, compared to 80.1% in 2010. However, most benefit recipients are still required to take the employment test.

In addition to these striking trends, we still see a drop in the rate of benefit recipients on the grounds of training and vocational diagnosis up to 2010, from 2.5% in early 2005 to 0.9% in 2010. In 2011 the rate returned to the 2009 level – 1.1% of all recipients, and again fell from 2012 to 2013. In 2014 their share of recipients stabilized at 0.4% of all recipients.

Table 3
Claimants of Income Support Benefits and their Spouses on Grounds for Eligibility, 2010-2014

Grounds	Average 2010		Average 2011		Average 2012		Average 2013		Average 2014	
	Numbers	Percent	Numbers	Percent	Numbers	Percent	Numbers	Percent	Numbers	Percent
Total	140,808	100.0	135,631	100.0	133,800	100.0	134,528	100.0	133,618	100.0
Unemployed*	94,222	66.9	88,615	65.3	88,843	66.4	89,701	66.7	88,294	66.1
In training or diagnosis	1,202	0.9	1,455	1.1	984	0.7	505	0.4	564	0.4
Low pay	18,650	13.2	19,782	14.6	17,952	13.4	17,340	12.9	17,524	13.1
Addicts	3,447	2.4	3,321	2.4	3,182	2.4	3,153	2.3	3,103	2.3
Unemployable (age 55+)	1,639	1.2	1,183	0.9	765	0.6	260	0.2	89	0.1
Mother of small children	10,976	7.8	10,386	7.7	10,221	7.6	10,394	7.7	10,415	7.8
Other	10,672	7.6	10,888	8.0	11,853	8.9	13,175	9.8	13,629	10.2

* In 2010, anyone who received the benefit through the Mehalev framework in the first four months of the year is included in the unemployed.

4. Income of the Benefit Recipients

The decrease in the number of income support recipients from 2004 to 2008 was accompanied by a rise in the proportion of working families, from 25.5% to 28.6%. In 2009 this proportion fell, then rose again in 2011. In 2012 there was a decrease again, and by 2013 there were 26.8% working families among recipients. This rose again in 2014, to 27.4% (Table 4).

Table 4
Proportion of Benefit Recipient Families with Income
from Work, by Family Composition, 2005, 2011–2014

Family composition	Total	
	Absolute numbers	Percent of total
January – July 2005		
Total	37,240	26.2
Single	9,261	15.2
Single + children	17,313	43.7
Couple	2,327	25.1
Couple + children	8,340	25.7
Average 2011		
Total	30,297	28.8
Single	9,494	19.3
Single + children	11,060	42.7
Couple	2,196	26.9
Couple + children	7,547	34.0
Average 2012		
Total	28,971	27.9
Single	9,228	19.0
Single + children	10,386	41.1
Couple	2,079	25.8
Couple + children	7,279	33.1
Average 2013		
Total	27,957	26.8
Single	8,926	18.4
Single + children	9,919	39.3
Couple	1,984	24.4
Couple + children	7,128	31.7
Average 2014		
Total	28,272	27.4
Single	8,895	18.8
Single + children	9,970	39.9
Couple	1,932	23.6
Couple + children	7,475	33.3

Table 5
Income from Work of Families Receiving Income Support Benefits
by Family Composition, 2013-2014

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+
Average 2013						
Total	12.3	21.8	18.9	30.4	6.1	10.5
Single	19.7	35.9	20.5	22.5	1.3	0.1
Single + children	9.4	13.9	15.9	34.0	9.0	17.8
Couple	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
Average 2014						
Total	11.7	21.6	18.6	31.0	6.4	10.7
Single	18.7	35.2	20.6	23.7	1.7	0.2
Single + children	9.2	14.1	15.4	33.9	9.4	18.1
Couple	11.9	24.6	20.8	28.4	6.0	8.2
Couple + children	6.7	14.6	19.9	36.6	8.1	14.1

In comparison to 2013, the rate of employment among single people with and without children rose, alongside a fall in the rate among couples with and without children. There was also a drop in the rate of families earning up to NIS 2,000 (Table 5). In other words, a larger proportion of the families receiving the benefit had income from work, and their wage levels increased slightly, while remaining low. Only 10.7% of all the families had income greater than NIS 3,500 per month. It should be remembered that many of those eligible for the benefit leave the income support system at that level of income.

According to the August 2012 amendment in the law, owners of cars worth up to NIS 40,000 may also receive income support. In December 2014 there were about 8,200 families with cars compared to 5,600 in December 2013. For most of them, some 5,700 (60%), the amount of the benefit remained unchanged. The benefits of the remaining families were reduced by an average of NIS 226. Another 1,200 families approximately had a car for medical needs in December 2014, compared to 900 in December 2013.

Other benefits paid to families are also a source of income and taken into account for the means test. 6.2% of families on average per month were eligible for other benefits from the NII in 2014, compared to 4.6% in 2013. The average monthly family income from these benefits (except for wage-substituting benefits calculated as income from work) was NIS 1,780 (compared to 1,740 in 2013). 9,730 families (about 9%) had income both from work and from NII benefits. The total monthly family income from both sources was about NIS 3,106 on average.

Another possible income is the yield from assets – financial assets and real estate. Financial assets include savings in banks. In December 2014 only some 2,533 families, 2.5% of the total, had a financial asset sufficient to reduce their benefits, compared to

2,400 such families in December 2013. Average income credited to a family whose benefit was reduced was NIS 117. About 740 families had income from work and a credit of income from financial assets: income from work – NIS 2,120 on average, and income from financial assets – NIS 101 on average, lower than the general average.

As with income from financial assets, income from real estate property is also credited. In December 2014 there were about 2,900 families with real estate property (compared to 2,700 in December 2013), representing 2.8% of all families receiving the benefit. The average income credited from property was NIS 343. Only about 13 families were credited with income from real estate and financial assets and also had income from work.

5. Composition of recipients by level of benefit

As a result of legislation introduced in 2002-2003 regarding income support levels, the composition of benefit recipients among families and single persons, changed considerably. The rate of families receiving the regular benefit rose from 36% in 2004 to 42.8% in 2014, and the rate of families receiving the enlarged benefit for claimants under 55 years (“previously eligible”) fell from 22% to 4.6%. The rate of families receiving the enlarged benefit for claimants aged 55+ rose from 21% to 30.3% in 2011, fell to 29.2% in 2012, remained at that level in 2013, and rose again in 2014, to 29.6%.

The rate of single people receiving the regular benefit rose until 2012, and since then has been falling (Table 6). The rate of recipients among single parent families (up to 55 years) fell until 2013, then rose in 2013 and 2014.

Table 6
Recipients of Income Support by Family Composition
and Benefit Rate (Percent) 2010-2014

Family Composition	Dec. 2010	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Total	100.0	100.0	100.0	100.0	100.0
Singles receiving regular rate	26.7	26.7	27.0	26.5	26.1
Singles receiving increased rate (aged less than 55, “previously eligible”)	3.5	3.0	2.7	2.5	2.3
Singles receiving increased rate (55+)	18.2	18.7	18.7	18.7	18.9
Single mothers* (under 55)	21.4	21.1	20.8	20.9	21.1
Couples receiving increased rate (55+)	6.6	7.7	6.7	6.7	6.9
Couples + children receiving regular rate	13.3	13.8	14.5	15.4	15.7
Couples + children receiving increased rate (under 55, “previously eligible”)	3.7	3.3	2.9	2.5	2.2
Couples + children receiving increased rate (55+)	3.8	3.9	3.8	3.8	3.9
Other	2.8	1.8	2.9	3.0	2.9

c. Payments

1. Benefit level

In 2014 the benefit increased by 1.5% in real prices, but was unchanged in terms of average wage (Table 7). The real increase was due to the 1.9% update of benefit rates in January (based on the cost of living index for November 2013 compared to November 2012), in contrast to the increase of 0.5% in the annual average Index in 2014. There was no change in benefits in terms of average wages since the growth in wages and benefits was similar.

The child benefit paid to families with children increases their income from the NII. Families with 3-4 children are eligible for an additional benefit which also increases their income. For example, a single mother under the age of 55 with three children, and who according to the Income Support Act should receive 39% of the basic amount, equal to 36.8% of the average wage – actually received 42.5% of the average wage together with the child allowance and the additional allowance for a family with three children.

Table 7
Income Support in Fixed Prices and as a Percent
of the Average Wage*, by Family Composition, 2010-2014

Year	Single person				Single mother** with two children		Couple with two children			
	Regular rate		Increased rate		2014 prices (NIS)	% of average wage	Regular rate		Increased rate	
	2014 prices (NIS)	% of average wage	2014 prices (NIS)	% of average wage			2014 prices (NIS)	% of average wage	2014 prices (NIS)	% of average wage
The oldest member of the family is not yet aged 55										
2010	1,712	19.3	1,926	21.8	3,338	37.7	2,868	32.4	3,338	37.7
2011	1,693	19.1	1,905	21.4	3,301	37.2	2,836	31.9	3,301	37.2
2012	1,708	19.1	1,921	21.4	3,330	37.2	2,860	31.9	3,330	37.2
2013	1,705	18.9	1,919	21.2	3,326	36.8	2,857	31.6	3,326	36.8
2014	1,730	18.9	1,946	21.2	3,373	36.8	2,897	31.6	3,373	36.8
At least one member of the family is aged 55+										
2010	2,140	24.2	2,140	24.2	4,317	48.8	4,237	47.9	4,237	47.9
2011	2,117	23.8	2,117	23.8	4,268	48.0	4,189	47.2	4,189	47.2
2012	2,135	23.8	2,135	23.8	4,306	48.1	4,226	47.2	4,226	47.2
2013	2,132	23.6	2,132	23.6	4,316	47.7	4,221	46.7	4,221	46.7
2014	2,162	23.6	2,162	23.6	4,400	48.0	4,281	46.7	4,281	46.7

* As measured by the Central Bureau of Statistics

** See Note 3 in this Chapter

2. Size of payments

In 2014 payments of the income support benefit amounted to NIS 2.59 billion – a real decrease of 0.1% compared to the previous year (Table 8). The decrease was due to a fall in the number of recipients (1.3%) and to an increase in the average benefit at a similar rate.

Table 8
Payments of Income Support (without Administrative Costs, NIS millions), 2010-2014

Year	Current prices	2014 prices
2010	2,527	2,712
2011	2,477	2,570
2012	2,493	2,543
2013	2,583	2,596
2014	2,593	2,593

