

## Opening Remarks

In 2014 the National Insurance Institute celebrated 60 years of existence. This is a good time to look back and assess the situation of social security until now, and also to examine the NII's readiness for the challenges faced by insured persons and policy makers.

Chapter 1 discusses the main goals of social security and the link between them and benefit clusters, and presents a program to achieve financial sustainability and reinforce the link between NII subsistence benefits and a decent standard of living. In 2014, in the framework of the 'War on Poverty' Committee, the Research & Planning Department presented various options for a decent living standard, but today there is no consensus on such a minimum.

Chapter 2 describes the situation of poverty and social gaps in Israel, with the emphasis on a comparison with OECD countries. It presents some other indices of poverty, based on both the expenditure aspect and the income aspect of families, and a comparison between Israel and the OECD countries in terms of expenditure in cash and in kind on welfare for the elderly and the working age population.

Chapter 3 presents the core of National Insurance activity, payment of benefits, and specifies the main developments in this area: benefit levels, payments and number of recipients. Chapter 4 deals with developments in the NII's collection system, and also presents the most important legislative changes.

Chapter 5 reviews the activity of the NII's five funds for the development of various aspects concerning the community (such as the development of services for the disabled, promotion of nursing programs, special enterprises, services for at-risk children and youth, and prevention of work accidents) as well as of the Research Fund and the Research Room which are available to external researchers in order to promote empirical research in Israel.

As always, this report also includes special sections ('boxes') on a range of topics: for example a joint project of the National Insurance and Jerusalem Municipality to map poverty in the capital; an international comparison of maintenance payments; the activity of the Advisory Service for the Elderly; the effect of lengthening maternity leave on mothers returning to work; changes in tests of eligibility for the Special Services Allowance; the issue of unemployment insurance for the self-employed; a historical analysis of the Treasury's participation in collection of NII contributions; and the phenomenon of child neglect.

The whole report is translated into English, and a summary is also translated into Arabic. All versions can be found on the NII website.

My thanks go to the staff of the Research & Planning Administration who helped to prepare this report. Special thanks to Miri Endeweld for the scientific editing;

to Dr. Jacques Bendelac for administrative coordination; to Maya Orev-Hatal for linguistic editing and production; and to Nira Amir for typing and assistance with the production.

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Prof. Daniel Gottlieb

Deputy Director-General for Research and Planning

# Annual Report 2014 – Foreword

## From the Director General

The National Insurance Institute strives to be an advanced, generous and comprehensive social security system, and sees this as an expression of the State's responsibility for helping people who are in temporary or ongoing distress. This goal is expressed in the effort to achieve optimal utilization and implementation of rights, and to initiate legislative processes to increase existing rights, all within the limits of budgets and priorities.

As always, in 2014 the National Insurance Institute operated 32 social programs, covering 130 types of payments and services. These payments constitute the socioeconomic safety net of the State of Israel, and include among others, old age pensions, child allowances, nursing care allowance, income support and the various types of disability benefits. The NI has about 4,000 employees, who in 2014 handled about 15 million interactions with the insured public in 78 branches and service centers, by telephone and over the Internet.

## Figures and Trends

In 2014 Israel invested 16.5% of its GDP in welfare, mainly expenditure on welfare services and National Insurance benefits. In an international comparison, Israel is at the bottom of the OECD scale in its expenditure on welfare – only Mexico, Chile and South Korea are lower. National Insurance supports the gradual increase of public expenditure on welfare to 21.6% of GDP, which is the average rate in OECD countries. (For illustrative purposes, one percent of Israeli GDP is worth about NIS 11 billion.)

Israel in 2014 was characterized by positive developments in terms of growth in employment compared to developed countries. GDP grew by 2.8%, unemployment remained low, and the number of people employed in the economy continued to rise, this year by about 3%. Payments of benefits granted by the National Insurance in cash and services totaled some NIS 71.6 billion, compared to NIS 69.3 billion in 2013. These amounts include other payments, mainly to Government Ministries, plus the costs of developing services in the community, and the costs of administration and operation of the wide-ranging NII system. The real growth in total payments reached 2.7% in 2014. Legislative changes this year, above all the cut in child allowances from August 2013, partly offset the rise in benefit payments.

The National Insurance Institute's revenues from the collection of NI contributions and health insurance payments rose in real terms by 4.6% in 2014, compared to 4.7% in 2013. Revenues for the various NI branches rose by 4.9% - higher than the increase in revenues for the health system – 4.1%. The growth in NI payments and revenues derives from the demographic increase in pension recipients, the rise in the number of workers in the labor market, and the growth in wages.

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## New Aspects of Social Policy

In recent years there have been growing calls from the public to expand and improve National Insurance services and conditions of eligibility for the various benefits. The National Insurance listens to these calls and is working to develop new social programs based on these principles:

**Initiative:** However generous and proper benefits may be, they are not effective if in practice they fail to reach the people eligible for them. Therefore initiatives to ensure full take-up of benefits by eligible Israeli residents are at the top of the NI agenda. This concept puts the insured individual at the center, and NI employees and managers work to exercise his or her rights quickly, efficiently and sensitively. Not only that: the aim is to achieve automatic utilization of rights as far as possible, while reducing cumbersome bureaucratic processes. Among other things, this involves developing convenient and accessible digital services.

**Encouragement of employment:** At present it is hard to encourage benefit recipients to join the labor market, because any income, however small, leads to withdrawal of benefits. This creates what is called the poverty trap. The National Insurance seeks to limit the poverty trap as much as possible, for example by planning benefits that can be adjusted to starting employment, and by encouraging recipients to find work.

**Prevention:** In addition to a “caring” social policy that deals with people who are already in socioeconomic distress, National Insurance also designs “preventive” social policy, where the goal is to prevent the occurrence of social, economic or health situations of distress. Examples are the development of social “bonds” to prevent diabetes and drawing up and operating a long term savings program for children to prevent inter-generational poverty.

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## Legislative Changes in 2014

In 2014 a number of legislative changes were introduced that improved the criteria of eligibility for benefits and therefore increased the number of recipients. The following are the main ones:

**Nursing:** Anyone who employs a foreign carer or renews a frozen permit to employ a foreign carer can choose, when submitting the application, to receive the benefit in the form of services or cash.

**Income support:** The Cold Areas Order was updated, which specifies locations where old age and survivors’ pensions recipients with income support are eligible for a heating grant. The eligibility of those who were already receiving this grant was not affected.

**Survivors:** The definition of “child” in the survivors’ pension was extended: a child aged 18-20 who is studying at an educational institution as defined in law for at least 20 hours per week can be eligible for the survivors’ pension.

**Special Services:** Eligibility for the special services allowance for the severely disabled is also now being determined by the IADL test (help with running a home) as well as the ADL test (daily activities). This has led to a sharp increase in the number of people eligible for the allowance.

**Disability:** People with a special disability are entitled to an additional monthly benefit of 11.5% of the full single person's benefit.

**Maternity:** A special benefit is paid to a disabled woman who gives birth and is unable to care for the infant.

**Collection:** The normal contribution rates for employers were supposed to rise by 0.5% in 2014, but were actually increased by only 0.25%.

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## The Protective Edge Campaign

The Protective Edge Campaign began on July 8, 2014 and lasted almost 50 days, making it one of the longest battles in Israel's history. The fighting took place in the Gaza Strip, but some 75% of the country's territory was under the threat of rockets, and residents of Israel experienced a real emergency situation. This drawn-out campaign and the large areas that came under fire forced the Israeli authorities, including the National Insurance Institute, to make special preparations.

The social security system plays a central role in maintaining the country's national strength in times of routine and peace, but even more so in times of emergency and warfare: when existential security is threatened, preserving and reinforcing social security is essential. The National Insurance faced to primary goals: to ensure continuation of the work routine in all its branches in spite of the situation, and to provide a quick and comprehensive response to all the special needs that arose because of the emergency, with the aim of providing citizens with maximum utilization of their rights.

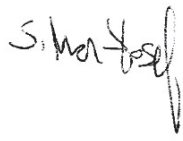
Continuity of work in the branches was indeed maintained: reception hours and regular services continued as normal all over the country throughout the fighting, even in branches that were subject to frequent rocket attacks: Ashdod, Ashkelon, Rechovot and Beer Sheba and their sub-branches. Staff at these branches demonstrated dedication and responsibility, turning up for work each day in impressive numbers. They were authorized to use their judgement and be flexible in complex situations. In order to ensure the continuity and quality of the service to the public, the NII Administration took special care of staff in the South: summer camps were held for children in the branches, and during and after the campaign staff members and their children went for refreshing breaks in the North.

The response to special needs in the population was also fast and professional: allowances for reservists on active duty were paid automatically into their bank account and of their employer; recipients of unemployment pay and income support were given

exemption from the obligation of reporting to the Employment Service, and legislation was quickly passed extending the period of eligibility for unemployment pay for people living within 40 km of the Gaza Strip.

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I wish to express my deep appreciation for the staff and management of the National Insurance for their work in 2014, and particularly during the Protective Edge Campaign, and for their dedication to Israeli society and its social needs. I hope that the National Insurance Institute will continue to promote socioeconomic security for the country's residents, and that we shall achieve a strong, united society, in which each individual prospers.

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Prof. Shlomo Mor-Yosef  
Director General