

Opening Remarks

This report presents the activities of the National Insurance Institute (NII) and the socioeconomic situation in Israel in 2016.

The report opens with a discussion of the issue of universal basic income, which has begun to be researched in welfare states (Chapter 1), presenting a review of literature on the subject, the principles of the system, the odds of its implementations in Israel and its potential implications for the social security system. The second part of the chapter reviews the main trends and changes in NII's two field of activities - benefits and collection - and the immediate and long-term effects of modifications introduced in the National Insurance programs. Chapter 2 presents a picture of poverty and social gaps in Israel and in international comparison. This year, it appears from this comparison, which focused on families with and without children, that the standing of Israel is more severe regarding families with children. For the first time, the chapter displays an innovative measurement of poverty and inequality that was recently developed by the Research Administration, based on administrative data. Chapter 3 reviews the core activity of the NII – payment of benefits – detailing the main benefits-related developments in various Divisions, as well as the influence of changes in legislation and other fields on a number of matters, such as benefit recipients and benefit rates. Chapter 4 deals with developments in the NII collection system. Chapter 5 there contains a retrospect of NII's activity in the community through various funds, in several fields: development of services for population groups in need (the disabled, at-risk children, among others), work accidents and special projects. Also included in this chapter is a description of the activity of the Research Fund and the Research Room, which is made available to researchers from academia, government ministries and other bodies, by the Research and Development Administration. Other interesting issues concerning the NII are presented in boxes in various chapters.

In order maximize its exposure in Israel and abroad, the present report has been translated in its entirety into English, and a summary into Arabic; all versions were posted on the NII website. Publishing the report on the internet, even before the printed edition is completed, is intended to reduce time interval between the completion of report writing and its publication as a booklet.

My thanks go to the staff of the Research and Planning Administration who wrote chapters of the report. Special thanks go to Dr Miri Endeweld for scientific editing, to Dr Jacques Bendelac for administrative coordination, to Maya Orev-Hatal for linguistic editing and copyediting, to Nira Amir for assistance with production and typing, and to Orit Nethanel for production of English and Arabic versions.



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

Foreword

From the Director-General

In 2016, the year reviewed in this report, the economy grew by approximately 2% after a slowdown in the last two years. The number of employed people grew by about 3% and unemployment remained stable at its low level in comparison with data on Israel's economy. The payments made by the National Insurance Institute (NII) amounted to NIS 77 billion in 2016, in comparison with 74.2 billion in 2015. These amounts include cash and in-kind benefits, as well as other payment, mainly to government ministries for costs related to developing services in the community, as well as administration and operation expenditures of the wide-ranging NII system in all of its areas (approximately NIS 1.7 billion). Institute's receipts for financing NII Divisions increased in 2016 by 10.1% in real terms, reaching NIS 86.7 billion at current prices. This increase arises mainly from a rise in collection from the public in 2016, at the rate of 7.6%.

As every year, in 2016 the NII 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, long-term care benefits, income support benefit and various types of disability allowances. The NII has about 4,000 employees, who in 2016 handled some 15 million interactions with the insured public in 78 branches and service centers, in person, by telephone and over the internet.

The NII's action and benefit payments, which have constantly increased in real terms in recent years, reduce economic and social hardship, and help achieving a more equal redistribution of income. These payments have, according to data from the NII's Poverty and Social Gaps Annual Report summarized in Chapter 2 of this report, rescued from poverty approximately 35% of families and 14% of children in Israel. However, these figures are still low in comparison with previous years and other countries. According to the report, Israel is almost at the bottom of the OECD scale in its expenditure on welfare – approximately 15.9% of GDP is allocated to welfare, in comparison with an average rate of 21% of GDP in developed countries.

As in the previous three years, NII benefits were not adjusted at all in 2016, since the consumer price index, to which they have been linked as of early 2000s, did not rise during the last three years. As a result, benefits were considerably eroded against a higher standard of living as expressed by an increase in net median income. Between 2002 and 2016 the average wage, whose growth leads to improved standard of living, has cumulatively increased by about 36% – a rate approximately 12 percentage points higher

than the increase of the consumer price index over the same period. This indicates that changes in standard of living are better expressed by the average wage than the index.

As the spearhead institution of social security in Israel, the NII considers its duty to assist in improving the country's social situation, and therefore works constantly on reforming conditions of eligibility for benefits, in order to reach social achievements aligned with policymakers' goals. However, the public image of the Institute fails to match the positive objective feedback received from those requiring its services, who report a fairly high level of satisfaction; the influencing factors related to this gap must be studied and understood. We will continue to improve our service to the insureds and promote legislation in order to fulfill our commitment – i.e. the promotion of social security over time, with mutual responsibility and fairness to the insured.

In conclusion, I wish to thank the NII staff and directors, who perform their daily work with dedication and a sense of mission in order to advance the social goals assigned to the NII.



Rami Greor

Acting Director-General