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Developmental Trends in National Insurance

Scope of Payments

National Insurance Institute (NII) cash and in-kind benefit payments – both contributory and non-contributory – amounted to NIS 88.8 billion in 2018, compared with 84.4 billion in 2017. These amounts also include other payments that the NII defrays, primarily to government ministries, for development of community services and national insurance system administrative and operational expenses in all of its fields (approximately NIS 2 billion).

Table 1: Benefit Payments and Collection from the Public (Without Administrative Costs) (Percentage of GDP), 1980-2018*

Year	Benefit payments		Collection	
	Total	Collectible benefits	Total**	National insurance contributions***
1980	6.09	4.98	6.77	5.15
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	6.62	5.31	5.65	3.80
2010	6.60	5.52	5.51	3.68
2011	6.55	5.49	5.41	3.58
2012	6.60	5.58	5.47	3.59
2013	6.42	5.45	5.30	3.46
2014	6.30	5.37	5.45	3.59
2015	6.19	5.36	5.46	3.60
2016	6.12	5.28	5.32	3.49
2017	6.48	5.66	5.28	3.49
2018	6.56	5.77	5.29	3.51

* General note for data as a percentage of GDP in the entire report: There may be differences compared to earlier years due to retroactive changes made by the Central Bureau of Statistics.

** Including collection for the health system.

*** Includes Treasury indemnification for reducing national insurance contributions for employers.

In 2018, the real increase in NII's payments reached 4.3% – a rate similar to the yearly average since the beginning of the decade ¹– and derives from an increase in the number of recipients in most benefits and legislative changes, including improvements in disability pensions (under an agreement signed between the Israeli government and the disabled organizations), earlier seniority increment to old-age pension, and the reform in the field of long-term care. In terms of GDP percentages, too, an increase was recorded: the rate of benefits reached 6.6% of GDP in 2018 (Table 1), thereby achieving an increase of about half a percentage point of GDP in comparison with 2016. Compared to pre-2016 years, the rate of benefit payments as a percentage of GDP is still quite low. In 1990, the year of the peak shown in Table 1, benefits accounted for 8.36% of GDP (similar to the 2002 rate not shown in the table) –1.8 percentage points more than in 2018. Benefit payments increased, although merely by a few Shekels, in January 2018, due to the rise in the Consumer Price Index between November 2016 and November 2017, by 3 tenths of a percent. This increase represent the overall increase in benefits over the last four years, since in the years 2014-2017, the rewards have not been updated due to the declines in the consumer price index.

In 2018, total benefit payments according to the National Insurance Law increased by 5.5% in real terms (compared to a 10.9% increase in 2017). Payments for benefits not prescribed by the National Insurance Law increased at a much lower rate – 0.2% (compared to 1.4% in 2017). These benefits are paid by virtue of State laws or agreements with the Treasury, fully funded by the latter, and include benefits such as income support, mobility, alimony, old age and survivors for those who are not insured (especially new immigrants), and reserve service benefit. In 2018, payments for these benefits (without administrative expenses) totaled NIS 10.5 billion, about 12% of all benefit payments.

The total collection as a percentage of GDP increased slightly in 2018 and reached 5.56 percent of GDP (compared to 5.53 in 2017). The ratio of national insurance contributions collection to GDP also increased slightly and reached 3.73 percent of GDP (compared to 3.71 in 2017). This is an annual increase of about half a percent in total collection, compared to an annual increase of about 1.2% in total payments, in terms of GDP points.

Payments to old-age and survivors' pensions increased by 5.5% in 2018, after a 4.6% rise in 2017 (Table 2). From 2008 to 2011, payments for these benefits increased mainly due to legislative changes: in December 2015, old-age and survivors' pensions were significantly raised as part of the

1 In 2017, the increase rate was more than double – 9.4%, due to the start of payments under the savings plan for each child, which also included retroactive payment for the years 2016-2015.

basic amount², including income supplement, in order to bring them closer to the poverty line (by type of family) and to make the situation of individuals and couples comparable with respect to poverty line. The distinction between the three age groups has been maintained (up to 70, 80-70 and 80 or older). The supplement amounts ranged between NIS 155 and NIS 542 per month, according to family composition.

According to the Arrangements Law for 2017-2018, the seniority increment for recipients of benefits under National Insurance Law, which has so far been paid from the 11th year of insurance, will be paid from the first insurance year. The change is made gradually over four years: in January 2017 the increment was paid from the tenth year, in 2018 from the ninth year, in 2019 from the fifth year and in 2020 from the first year. In the 2019 Arrangements Law, it was decided that, as of 2018, to consolidate the two stages provided for 2018 and 2019, so that, in 2018, the increment was paid from the fifth year and in 2019 from the first year.

The 2019 Arrangements Law also prescribed that the benefits paid to beneficiaries of income supplement will gradually increase over two years (2017-2018), in variable amounts according to family composition and age group (for example, from January 2017 those under age 70 receive a supplement of NIS 131). The income Support Law has been amended so that, in the table detailing benefit rates are shown rates increased by 7%. In addition, the rates of disregard for the work income test were raised.

In 2018, payments in Old-Age and Survivors Divisions (not including administrative expenses) increased in real terms by 6.3%. Payments for benefits under the National Insurance Law increased by 7.2% and for benefits under other agreements by 0.9%. About half of the increase in payments is due to the rise in the number of beneficiaries, and about half to legislative changes made that year as described above.

The payments for long-term care benefit rose in real terms by 9.3% in 2018 in comparison with 2017. Besides the relatively high increase in the number of eligible people, there was also a change in their composition: the number of persons entitled to the highest benefit increased. In addition,

2 The basic amount: The amount according to which most benefits from January 2006 are calculated. This amount is revised on the 1st of January each year according to the increase in the consumer price index of the previous year. The basic amount has different tariffs for the different benefits. In 2018, the basic amount for most benefits was NIS 8,783 after progressing by 0.3% of its value in 2017-2014. Until 2006 the benefits were revised according to the increase in the average wage.

payments related to in-kind services (for caregivers) increased due to the higher minimum wage fixed in December 2017 and April 2018.

There was a real decrease of 13.5% in payments for child allowances between 2017 and 2018, since in 2017 remittances related to the **savings plan for each child** included retroactive payments for years 2015-2016. Amounts paid for child allowances, not including the savings plan for each child, increased by 1.8% in real terms in 2018, as results of a similar growth rate in the number of children receiving child allowance. The savings plan for each child increased the share of child allowance payments out of all benefits payments from 7.9% in 2016 to 11.6% in 2017 (due to retroactive payments) and 9.6% in 2018. After deduction of savings per child, in 2017 and 2018 the share of child allowance payment out of all benefits payments was 6.6% and 6.2%, respectively – historically low rates, despite their increase by significant rates in 2015 and 2016. The erosion of the share of child allowances in all benefits in 2018 is due to the fact that payments for other benefits have increased – as results of the rise in the number of recipients as well as legislative changes.

The Disability Division reflects well a growth resulting from legislative changes: related payments incurred a real increase of 10.4% compared to 2017 (and of 12.8% without administrative expenses). The bulk of the increase stems from the expansion of eligibility for a general disability pension and the addition of attendance allowance payments, as part of an agreement signed between the Israeli government and the Disabled Organizations, along with an increase in the number of recipients by about 5%. Accordingly, the share of disability pension payments in all benefits payments increased by a percentage point and reached 20.1% in 2018³.

Payments for unemployment benefits also increased between 2017 and 2018 at a real rate of 8.4%, as a result of an increase in the number of recipients and developments in the labor market: the average salary increased by 2.5% and along with it the average unemployment benefits per day increased as well. There was also a growth in wage replacement benefits – in Maternity and Work Injury Divisions – affected by increases in wages and in the rate of employed people in the labor market, by 9.1% and 6.9%, respectively.

3 Other increases in amounts paid in the Disability Division are expected to be reflected in the 2019 Annual Report, in line with the plan to raise disability pensions and the continuing implementation of the said agreement (see box in the Disability chapter).

Table 2: National Insurance Benefit Payments (Including Administrative Costs), 1995-2018

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
Millions of NIS (current prices)										
1995	21,888*	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	2,0957	1,897
2005	43,305	16,457	7,792	3,192	2,857	4,548	2,044	713	2,859	2,842
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	2,194	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
2014	71,564	27,519	13,964	5,238	6,586	4,986	3,361	1,390	2,747	5,771
2015	74,215	28,479	14,502	5,702	6,868	5,661	3,319	1,056	2,680	6,125
2016	76,982	30,015	15,072	5,536	7,098	6,111	3,235	1,186	2,421	6,307
2017	84,443	31,458	16,049	5,825	7,746	9,782	3,260	1,209	2,336	6,778
2018	88,769	33,463	17,867	6,113	8,121	8,527	3,561	1,295	2,351	7,471
Real annual growth (percentages)										
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
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
2014	2.7	5.4	5.8	5.1	6.3	-23.2	2.9	22.1	0.2	4.5
2015	4.4	4.1	4.5	9.6	4.9	14.3	-0.6	-23.5	-1.8	6.8
2016	4.3	6.0	4.5	-2.4	3.9	8.5	-2.0	12.9	-9.2	3.5
2017	9.4	4.6	6.2	5.0	8.9	59.7	0.5	1.7	-3.7	7.2
2018	4.3	5.5	10.4	4.1	4.0	-13.5	8.4	6.3	-0.2	9.3
Distribution by divisions (percentages)										
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
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
2014	100.0	38.5	19.5	7.3	9.2	7.0	4.7	1.9	3.8	8.1
2015	100.0	38.4	19.5	7.7	9.3	7.6	4.5	1.4	3.6	8.3
2016	100.0	39.0	19.6	7.2	9.2	7.9	4.2	1.5	3.1	8.2
2017	100.0	37.3	19.0	6.9	9.2	11.6	3.9	1.4	2.8	8.0
2018	100.0	37.7	20.1	6.9	9.1	9.6	4.0	1.5	2.6	8.4

* General note for data as a percentage of GDP in the entire report: There may be differences compared to earlier years due to retroactive changes made by the Central Bureau of Statistics.

Compared to the increasing payment trends in most benefits, income support benefits kept declining in 2018 and reached NIS 1.94 billion – a real decline of 8.7% compared to 2017, which mainly due to a sharp decline in the number of benefit recipients. The decrease in the number of recipients stems from higher employment rates on one hand and from the erosion of the benefit on the other, which lowers its attractiveness. This year, benefit rates increased by about 3 tenths of a percent, in accordance with on the increase in the consumer price index between November 2016 and November 2017, thus the share of income support benefit payments in all benefits decreased to 2.6% –its lowest rate in the last two decades.

Payments to reservists this year increased by 6.3%. These payments are subject to many fluctuations as they are affected by security events. In 2014, due to Operation Protective Edge, payments increased in real terms by about 22% and then decreased in 2015 by about 24%, to approximately NIS 1 billion. However, due to the relatively small volume of these transfers, their share of all transfers is subject to variations and was 1.5% in 2018.

As mentioned, the share of benefits with an above-average increase in payments – disability, long-term care and, to a lesser extent, old-age pensions – grew in 2018. At the same time, there was a decline in the share of benefits that increased more moderately (children, work injury and maternity) or decreased (income support).

Level of Benefits

As stated, in January 2018 – the annual updating date of benefits – the benefits were updated upwards by approximately 0.03%, in accordance with the change in the consumer price index in the period from November 2016 to November 2017. **The basic amount⁴**, according to which most of the benefits have been updated since 2006, rose at this rate, after three consecutive years without updates due to the stagnation of the price index.

In 2018, real wages rose by 2.5% while the consumer price index rose by 0.8%. The wage increases observed in recent years after years of moderate growths and even declines in the price index, are restoring the trend that existed for a long period of time (although not in the first decade of the 2000s), according to which the average wage, reflecting changes in living standards and not only in

4 See Note 2.

prices, increases more than prices over time. Cumulatively from 2002 to 2018,⁵ the average wage rose at a nominal rate of about 44% – an increase approximately 20% higher than that of the basic amount updated according to the consumer price index. This rate expresses the level of erosion of benefits in comparison with the average wage and represents for benefit recipients a cumulative “loss” of more than NIS 15 billion.

The basic old-age pension decreased relative to the average wage in 2018 for the fourth consecutive year, since it did not catch up with the increase in average wage. Allowances granted to other family members who do receive any income supplement, also decreased at similar rates (Table 3). Income supplement benefits in old age at average wage rate were eroded by about half a percentage point, following legislative passed in December 2015 throughout 2016, led to a continued increase of the benefit relative to average wage, in 2017 too, and to a real increase in 2018, though at a lower rate than the increase in average wage. Eventually, these legislative changes prevented for four years the erosion of the income supplement benefit in old-age in terms of real wage. For example, the amount of the pension with income supplement for those under 70 was 31.3% of the average wage in 2018, approximately 0.7 percentage points more in comparison with 2014, for people aged 70-79 31.6%(similar to 2014), and for those aged 80 and over 31.9%, about one percentage point less than 2014.

5 The transition to benefits indexation to consumer prices instead of wages in 2006, was preceded by years of benefits freeze since 2002.

Table 3: Old-Age and Survivors' Pension and Minimum Guaranteed Income for the Elderly and Survivors (Fixed Prices and as a Percentage of the Average Wage*), Monthly Average, 1975-2018

Year \ Age	Basic old-age pension				Pension with income supplement (including child allowance)			
	Elderly individual		Widow/er with two children		Elderly individual		Widow/er with two children	
	2018 prices (NIS)	% of average wage	2018 prices (NIS)	% of average wage	2018 prices (NIS)	% of average wage	2018 prices (NIS)	% of average wage
1975	761	14.9	1,266	24.8	1,304	25.5	2,534	49.6
1980	838	17.1	1,625	33.1	1,472	30.0	2,984	60.9
1985	945	18.2	1,832	35.3	1,886	36.4	3,786	73.0
1990	1,191	16.4	2,305	31.7	1,870	25.7	3,790	52.1
1995	1,206	15.5	2,337	30.1	2,018	26.0	4,459	57.3
2000	1,347	15.0	2,608	29.0	2,250	25.0	4,951	55.0
2005	1,340	15.2	2,659	30.2	2,437	27.6	5,094	57.8
2010 up to 70	1,483	16.8	2,868	32.4	2,735	30.9	5,626	63.6
2010 70-79	1,483	16.8			2,807	31.8		
2010 +80	1,568	17.8			2,936	33.2		
2015 up to 70	1,539	16.4	2,982	31.7	2,817	29.9	5,788	61.5
2015 70-79	1,539	16.4			2,901	30.8		
2015 +80	1,625	17.3			3,031	32.2		
2016 up to 70	1,547	16.0	2,998	31.0	3,012	31.2	6,366	65.9
2016 70-79	1,547	16.0			3,074	31.8		
2016 +80	1,634	16.9			3,184	32.9		
2017 up to 70	1,543	15.5	2,991	30.1	3,162	31.8	6,565	66.1
2017 70-79	1,543	15.5			3,191	32.1		
2017 +80	1,630	16.4			3,237	32.6		
2018 up to 70	1,535	15.1	2,975	29.2	3,189	31.3	6,640	65.2
2018 70-79	1,535	15.1			3,221	31.6		
2018 +80	1,622	15.9			3,252	31.9		

* As measured by the Central Bureau of Statistics.

** Since 2008 the pension has been paid according to age-groups.

The minimum guaranteed income for the working-age population as a percentage of the average wage continued to erode due to a real increase in the average wage as opposed to the lowest revision rate of the basic amount and the benefits (Table 4). The income support benefit for an individual up to age 55, at a regular rate, decreased from 17.6% of the average wage in 2017 to 17.0%

in 2018, and for an individual over 55, at an increased rate, declined by about half the percentage point. In the case of a single mother⁶ and a couple with two children the decline is even greater – at a rate of approximately one percentage point. The erosion of the benefit in terms of average wage continues since 2010: Thus, the income support benefit for a single mother up to 55 years old with two children decreased by approximately 5 percentage points, from 41.9% to 36.5% of the average wage, between 2010 and 2017. The higher the average salary without revision of benefits according to it, the more the erosion in the living standards of income support recipients of working age and the higher the incentive not to exercise the right to this benefit.

Table 4: Guaranteed Minimum Income for the Working-Age Population

Year	Single person				Single parent**		Couple with two children (including child allowances)			
	Regular rate		Increased rate		With two children (including child allowances)		Regular rate		Increased rate	
	2018 prices (NIS)	% of average wage	2018 prices (NIS)	% of average wage	2018 prices (NIS)	% of average wage	2018 prices (NIS)	% of average wage	2018 prices (NIS)	% of average wage
The eldest in the family is under the age of 55										
2000	1,682	18.7	2,103	23.4	4,643	51.6	3,987	44.3	4,617	51.3
2005	1,632	18.5	1,836	20.8	3,476	39.4	3,028	34.4	3,476	39.4
2010	1,710	19.3	1,923	21.8	3,703	41.9	3,234	36.6	3,703	41.9
2015	1,739	18.5	1,956	20.8	3,730	39.7	3,251	34.6	3,730	39.7
2016	1,748	18.1	1,966	20.3	3,750	38.8	3,269	33.8	3,750	38.8
2017	1,744	17.6	1,962	19.7	3,741	37.7	3,261	32.8	3,741	37.7
2018	1,735	17	1,952	19.2	3,722	36.5	3,245	31.8	3,722	36.5
At least one member of the family is 55 or older										
2000	2,103	23.4	2,103	23.4	4,643	51.6	4,617	51.3	4,617	51.3
2005	2,040	23.1	2,040	23.1	4,378	49.7	4,333	49.2	4,333	49.2
2010	2,137	24.2	2,137	24.2	4,681	53	4,601	52.1	4,601	52.1
2015	2,173	23.1	2,173	23.1	4,762	50.6	4,642	49.4	4,642	49.4
2016	2,185	22.6	2,185	22.6	4,788	49.5	4,668	48.3	4,668	48.3
2017	2,179	21.9	2,179	21.9	4,776	48.1	4,656	46.9	4,656	46.9
2018	2,169	21.3	2,169	21.3	4,753	46.6	4,633	45.5	4,633	45.5

* As measured by the Central Bureau of Statistics.

** Also a single father.

6 Single parent (father, too).

Table 5: Allowance Points and Child Allowances (Fixed Prices and as a Percentage of the Average Wage), Monthly Average, 1990-2018

Year	Allowance point value		Allowance for two children		Allowance for four children		Allowance for five children	
	2018 prices (NIS)	% of average wage	2018 prices (NIS)	% of average wage	2018 prices (NIS)	% of average wage	2018 prices (NIS)	% of average wage
1990	228	3.2	460	6.4	1,777	24.8	2,522	35.1
1995	220	2.9	444	5.9	1,785	23.7	2,539	33.7
2000	225	2.7	453	5.4	1,825	21.7	2,596	30.9
2005	145	1.7	293	3.4	923	10.9	1,412	16.6
2006	176	2.0	354	4.0	960	10.9	1,353	15.3
2010 Older	177	2.1	370	4.3	1,135	13.2	1,527	17.8
New	177	2.1	370	4.3	892	10.4	1,069	12.4
2011 Older	175	2.0	421	4.9	1,178	13.7	1,566	18.2
New	175	2.0	421	4.9	944	11.0	1,119	13.0
2012 Older	176	2.0	438	5.0	1,193	13.6	1,584	18.0
New	176	2.0	438	5.0	963	11.0	1,139	13.0
2013 Older	161	1.8	373	4.2	1,027	11.6	1,403	15.8
New	161	1.8	373	4.2	799	9.0	959	10.8
2014 Older	140	1.5	280	3.1	787	8.7	1,140	12.6
New	140	1.5	280	3.1	559	6.2	699	7.7
2015 Older	147	1.6	320	3.4	842	9.0	1,197	12.9
New	147	1.6	320	3.4	666	7.2	813	8.7
2016 Older	152	1.6	342	3.6	871	9.1	1,229	12.8
New	152	1.6	342	3.6	722	7.5	873	9.1
2017 Older	151	1.6	341	3.5	869	8.9	1,226	12.6
New	151	1.6	341	3.5	720	7.4	871	8.9
2018 Older	150	1.5	339	3.4	864	8.7	1,218	12.3
New	150	1.5	339	3.4	717	7.2	867	8.8

The point value of child allowances decreased slightly in 2018 compared to 2017 – 1.5% of wage compared to 1.6%, respectively (Table 5). Increasing payment rates varied slightly between the various types of families and also between “older” and “new” children (those born after June 2003). Like families with one child, the benefit also decreased in the other family compositions by between one tenth and two tenths of a percent in terms of the average wage in 2018. However, in a multi-year perspective, it turns out that the benefit in terms of the average wage fell sharply between the beginning of the decade and the year of this survey. In the case of a benefit for five children, the rate dropped to approximately half its value in 2010 – from 17.8% for “older” children,

the majority of children at the time, to 8.8% for "new" children, the majority of children in 2018. This decrease therefore mainly reflects the erosion caused by the non-indexation of benefits to the average wage.

Recipients of Benefits

The number of recipients of **old-age** pension increased by 3.5% in 2018, like previous years, reaching about one million per month on average (Table 6). This rate reflects a 4.0% increase in the number of recipients, which was offset by a 1.1% decrease in the number of survivors' pension recipients. In the **Children** Division, as in recent years, the number of families receiving child allowances increased by 1.6% as a result of natural population growth. In 2018, child allowances were paid to a total of approximately 2.88 million children living in about 1.19 million families.

In the General Disability Division, the number of recipients of **general disability pension** increased at a higher rate than the natural population growth – 3.6% – after a similar rise in 2017, a more moderate rise at about half that rate in 2016, and an average annual increase of 2.4% between 2009 and 2015. In other benefits in the Division, increases continued at rates similar to previous years: the number of recipients of **attendance allowance** and the number of recipients to **disabled child allowance** increased by approximately 6% and 10%, respectively (compared to 6% and 11% in 2017), and the number of recipients of **mobility allowance** rose by 5.1 % – rate about 2.5 percentage points higher than each of the years since 2013. The rise in the number of disabled child allowance recipients derives primarily from expanding the list of grounds entitling to the benefit, while an increase in the number of attendance allowance recipients is attributed to the IADL test being added following the Ben Yehuda Committee (see below Chapter 3, General Disability).

In the Work-Injury Division, the number of recipients of a **permanent disability pension** also increased by a high rate of 5.1% between 2017 and 2018, as opposed to a slight decrease (0.1%) in **injury allowance** recipients.

In 2018, the number of recipients of **long-term care benefit** increased by 4.5%, and the number of women receiving a **birth grant** and **maternity allowance** increased by 2.0% and 3.1%, respectively – a result of the natural population growth and a rising number of employed people. On the other hand, the number of working-age recipients of **income support** decreased sharply at a rate of 8.5%, similar to the previous year. The drop in income support recipients is in line with a long-standing trend that began with the deep cuts made in 2003 and continued with short breaks until 2018. The moderate rise in 2013 probably derives from the legislative changes that slightly expanded the circle

of the eligible to the benefit (due to the relief related to car ownership, see below in Chapter 3, Income Support). Since 2015, the number of income support recipients decreased cumulatively by about 22% and, since 2005, by 45%. These declines are in absolute numbers; they are even steeper after correction according to the demographic growth in the population.

The number of recipients **of unemployment benefit** increased in 2018 by 6.8%, after a moderate rise of 0.2% in 2017 and declines in 2016 and 2015, by 4.3% and 3.6%, respectively. The increase in unemployment benefit recipients is in contradiction to the changes in the labor market, according to which unemployment continued to decline in 2018 and the number of employed people to rise. There is usually a correlation between the number of recipients of unemployment benefits and the events in the labor market. Thus, the decreases in 2015-2016 are partly explained by an increase in unemployment benefit recipients, and an increase in minimum and average. In previous years, many fluctuations in the rate of beneficiaries were recorded. In the three years between 2012 and 2014, there were increases, some of them high, despite a decrease in unemployment rate in the economy, due to reliefs in eligibility conditions for day-workers.

Following the economic crisis and the increase in the unemployment rate that began in late 2008, a temporary provision was enacted in early 2009, intended to assist the unemployed who were not entitled to unemployment benefits under the National Insurance Law, and to pay them special benefits. As a result, many temporarily joined the benefit recipients and the rate of beneficiaries increased by more than 50%. A partial offsetting of this sharp increase occurred in 2010, when the aforesaid temporary order expired and the number of recipients decreased by 21%. There was another moderate decline in 2011, and in 2015-2016 the decline amounted to approximately 10%.

Table 6: Recipients of Benefits in the Main Insurance Branches (Monthly Average), 1990-2018

Year	Old-age and survivors* pension	General disability				Work injury		Maternity		Children	Unemployment benefit	Income support (to working-age population)****	Long-term care
		General disability pension	Attendance allowance	Disabled child allowance	Mobility allowance	Injury allowance**	Permanent disability pension	Birth grant*	Maternity allowance*	Families receiving child allowance**			
Number of recipients (Thousands)													
1990	442.6	73.5	6.5	5.8	11.4	59.1	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	59.5	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	56.0	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	58.1	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	57.5	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	59.3	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	59.4	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	61.4	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	64.2	37.4	169.7	114.4	1,088.3	69.6	104.4	156.5
2014	868.3	222.6	46.2	40.5	36.6	66.5	39.3	173.2	120.4	1,107.5	72.0	103.0	159.5
2015	900.8	229.7	50.8	44.6	37.9	66.3	41.2	177.1	123.8	1,128.3	69.4	98.3	160.5
2016	933.4	233.9	55.0	49.6	39.4	64.3	43.5	179.1	126.2	1,148.5	66.4	90.9	164.0
2017	966.3	242.1	58.5	54.9	40.9	62.0	46.0	181.5	130.4	1,167.2	66.5	83.6	169.2
2018	1000.3	250.9	62.1	60.6	43.0	61.9	48.3	185.1	134.5	1,186.1	71.0	76.5	176.8
Distribution by divisions (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	3.8	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	-1.0	5.8	2.9	4.4	1.7	52.1	0.0	4.2
2010	1.6	3.5	6.1	5.3	3.9	3.1	4.5	6.6	5.7	1.8	-21.0	-2.1	3.5
2011	2.8	2.8	6.3	5.7	4.4	0.2	5.0	-2.0	2.3	1.8	-0.5	-3.7	3.0
2012	2.9	2.2	7.4	8.8	3.3	3.4	5.3	3.5	6.0	1.8	8.7	-1.4	4.9
2013	3.9	2.3	8.2	12.1	3.5	4.6	4.8	0.3	2.1	1.9	11.5	0.6	2.4
2014	4.1	0.0	13.0	12.5	3.7	3.6	5.1	2.1	5.2	1.8	3.4	-1.3	1.9
2015	3.7	3.2	10.0	10.1	3.6	-0.3	4.8	2.3	2.8	1.9	-3.6	-4.6	0.6
2016	3.6	1.8	8.3	11.2	4.0	-3.0	5.6	1.1	1.9	1.8	-4.3	-7.5	2.2
2017	3.5	3.5	6.4	10.7	3.8	-3.6	5.7	1.3	3.3	1.6	0.2	-8.0	3.2
2018	3.5	3.6	6.1	10.4	5.1	-0.1	5.1	2.0	3.1	1.6	6.8	-8.5	4.5

* Since 2010, the number of recipients of old-age and survivors' pensions who received divided old-age and survivors' pensions, are counted as a single unit.

** Number of various recipients during the year.

*** Data for 1985 and 1990 include families to which allowances for the first and second child were returned to them through the employers. In year 1993, allowances resumed to be universal.

**** In the calculation of the figures for 2004 and onwards, the benefit that was divided between recipients is imputed to one only. The number of 2004 recipients, calculated based on all recipients of a divided benefit, was 145.6 thousand on average per month.

Collection of Insurance Contributions and Sources of Funding for Benefits

NII benefit payments are funded from four sources: (a) Collection of national insurance contributions (directly from the public and with indemnification by the Treasury for the reduction national insurance contributions due by employers and the self-employed insureds). (b) Government participation in funding contributory benefits. (c) Government participation in funding non-contributory benefits. (d) Receivables from interest on investment of the fund balances, mainly in government bonds. In addition to national insurance contributions, the NII collects health insurance contributions and transfers them to the health maintenance organizations.

In the years 2014-2017, changes applied to the rate of national insurance contributions applicable to employers. Insurance contributions at the regular rate were gradually raised since 2016 up to 7.5% and applied to branches of insurance deprived from Treasury participation, thus bringing its participation back to 210% in the Children Division.

In 2018 the rate of insurance contributions for income higher than 60% of the average wage and up to the cap (5 times the basic amount), which also includes the share of the employee, was 14.5%, remaining unchanged from 2016 and 2017. In 2017, the rates of insurance contributions for the self-employed were changed: the regular rate was raised from 11.23% to 12.83% and the reduced rate lowered from 6.72% to 2.87%.

Collection of Insurance Contributions from the Public

The NII's receipts from national and health insurance contributions increased in real terms by 4.9% in 2018, a rate similar to 2017 and lower than 2015 and 2016, which saw an increase of about 7%. The receipts from NII Divisions increased by 5.1% – at a higher rate than the increase rate in receipts for the health system, which stood at 4.4% (Table 7). The increase is mainly due to changes in the labor market – a growth in the number of employed people and a real increase in minimum and average wages. The share of health insurance contributions in overall collection from the public (without indemnity) declined slightly, and reached 34.3%. The rate of collection from the public in relation to GDP was 5.3% – similar to 2017 and slightly higher than the rates recorded in 2012-2015 (5.1%) and in 2016 – 5.2%.

Table 7: Collection for National Insurance and Health System, 2013-2018

	2013	2014	2015	2016	2017	2018
Current prices (Millions of NIS)						
Total receipts from insurance contribution	55,891	58,720	62,272	66,332	69,862	73,825
Total collection from the public	53,420	56,146	59,564	63,452	66,849	70,656
For National Insurance Divisions	34,498	36,536	38,783	41,535	43,800	46,396
For Health System	18,922	19,790	20,781	21,917	23,048	24,260
Treasury indemnification	2,471	2,574	2,708	2,880	3,014	3,169
Indicators for development in collection from the public						
Real change percentage						
Total collection from the public	4.7	4.6	6.8	7.1	5.1	4.9
For National Insurance Divisions	5.7	4.9	7.4	7.7	5.2	5.1
For Health System	2.8	4.1	5.7	6.0	4.9	4.4
As a percentage of GDP						
Total collection from the public	5.1	5.1	5.1	5.2	5.3	5.3
For National Insurance Divisions	3.3	3.3	3.3	3.4	3.4	3.5
For Health System	1.8	1.8	1.8	1.8	1.8	1.8
As a percentage of direct taxes for individuals						
Total collection from the public	48.3	47.1	45.7	45.6	43.9	45.4
For National Insurance Divisions	31.2	30.5	29.8	29.9	28.8	29.8
For Health System	17.1	16.6	15.9	15.8	15.1	15.6
As a percentage of direct taxes						
Total collection from the public	33.3	33.6	33.1	33.3	30.4	33.5
For National Insurance Divisions	21.5	21.7	21.6	21.8	19.9	22.0
For Health System	11.8	11.8	11.6	11.5	10.5	11.5

In 2018, collection receipts amounted to NIS 70.66 billion, including NIS 46.4 billion for National Insurance Divisions and 24.26 billion for the health care system. Approximately NIS 3.17 billion were transferred by the State Treasury, in addition to collection from the public, as compensation for reduced national insurance contributions for employers and the self-employed (in accordance with Section 32 C1 of the Law).

In terms of percentage of the GDP, total collection reached 5.3% of GDP in 2018 and distributed, as in 2017, in 3.4% of collection for National Insurance Divisions and 1.8% for the health system. In all the years presented in Table 7, the collection in terms of GDP was approximately one percentage point lower and higher than the rate at the beginning of the decade – 6.3% (in 2003). The share of collection from the public in the amount of direct taxes to individuals increased between 2017 and 2018, from 43.9% to 45.4%, due to the lower growth in income tax.

Collection from salaried and non-salaried insured

In 2018, direct collection from salaried workers increase in real terms by 4.7% compared to 5.8% in 2017. This raise is explained by changes in employment rates and an increase in the average wage. Direct collection from non-salaried insureds, constituted of approximately 90% of self-employed workers, increased in real terms by 9.7%, after a slight decrease of 0.1% in 2017 and increases of 7% and 8% in 2015 and 2016. The stabilization in 2017, despite the modifications in the labor market, is explained by legislative changes (see above and in Chapter 4 – Collection) that reduced ordinary collection rates and, even more so, the reduced rates for the non-salaried workers.

Sources of Funding for Benefits

The total NII's receipts of funding for National Insurance Divisions increased by 6.4% in real terms in 2018, amounting to NIS 99.6 billion at current prices (Table 8). The increase derives from a rise from a rise in collection from the public⁷ – 5.8%, and from sharp increase in government participation under Section 32(a) of the National Insurance Law at 12.5% rate after a 16.1% increase in the previous year.

7 This rate is a bit different from the rate mentioned in the above section, since the collection of national insurance contributions in this table includes the Treasury indemnification.

Table 8: Funding Sources for NII Branches, 1995-2018

Year	Total receipts*	National insurance contributions**	Government participation***	Government funding of benefits	Receipts from interest
Current prices (Millions of NIS)					
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
2010	63,821	31,289	15,014	10,032	7,000
2015	79,309	41,491	19,453	9,994	7,681
2016	86,875	44,415	23,586	10,525	7,609
2017	93,602	46,850	27,392	10,639	7,896
2018	99,560	49,564	30,816	10,493	7,997
Real annual increase (percentages)					
2000	7.6	9.8	1.6	10.8	3.6
2005	3.2	4.2	5.0	-0.5	3.7
2010	2.2	8.3	-6.4	-1.7	2.3
2015	6.1	7.2	15.0	-7.6	-1.1
2016	10.1	7.6	21.9	5.9	-0.4
2017	6.8	5.5	16.1	1.1	3.8
2018	6.4	5.8	12.5	-1.3	1.3
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
2010	100.0	49.0	23.5	15.7	11
2015	100.0	52.7	24.7	12.8	9.8
2016	100.0	52.0	27.1	12.1	8.8
2017	100.0	50.5	29.5	11.5	8.5
2018	100.0	49.8	31.0	10.5	8.7

* Including third party compensation.

** Including Treasury indemnification.

*** Pursuant to Section 32(a) of the Law.

An explanation for this sharp increase in government participation in 2016-2018 lies in the amendment of Section 32 of the Law enforced by the Treasury in 2016; according to this amendment the rate of Treasury's funds allocation to various insurance branches in national insurance was modified and fixed as a percentage of receipts. Treasury allocation was calculated in these years as a percentage of all insurance contributions collection (including the State Treasury indemnification) plus a special allocation for hospitalization payments of about NIS 3 million, and a demographic coefficient (a coefficient which takes into account the expected population growth rate) – supposed to rise allocations for old age and long-term care. Receipts from interest also increased by 1.3% in 2018.

In view of the sharp increase in government participation, the share of the main component – national insurance contributions – dropped from 52.7% in 2015 to 49.8% in 2018, and at the same time the government's share increased in these years from 24.7% to 31.0%.

Surpluses, Deficits and Monetary Reserves

Ignoring the income from interest on the NII's investments, created a NIS 3.1 billion surplus in 2018, exceeding the 2017 surplus (NIS 1.6 billion) (Table 9). The increase in surplus is mainly due to increase in surplus in the Children Division, from NIS 6.5 to 8.4 billion between the two years. Taking into account interest receipts, Social Security's financial activity amounted to 2018 at a higher surplus of NIS 11.1 billion-similar to 2017, where the surplus was NIS 9.5 billion.

Table 9: Surpluses and Deficits in NII Divisions (Millions of NIS, Current Prices), 2014-2018

Insurance Division	Without interest					With interest				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Total	-4,175	-2,214	2,630	1,648	3,133	3,637	5,467	10,239	9,544	11,130
Old age and survivors	-4,233	-4,520	239	1,555	1,826	-1,583	-2,031	2,623	4,044	4,351
General disability	-5,043	-5,295	-3,380	-3,209	-4,171	-4,958	-5,188	-3,313	-3,151	-4,248
Work injury	-640	-22	1,499	1,919	2,006	-640	-22	1,515	1,992	2,138
Maternity	-2,771	-2,736	2,432	2,886	3,182	-2,724	-2,684	2,472	3,013	3,397
Children	14,480	15,528	5,266	1,730	3,900	19,204	20,245	9,965	6,491	8,476
Unemployment	-2,498	-1,491	-462	-258	-223	-2,498	-1,491	-405	-258	-223
Long-Term Care	-3,596	-3,823	-4,273	-4,682	-4,969	-3,530	-3,749	-4,184	-4,608	-5,070
Other	126	145	1,309	1,707	1,938	365	387	1,566	2,021	2,309