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Collection – Activities and Trends

Collection – General

The National Insurance Institute (NII) is responsible for collecting national insurance contributions to finance the benefits paid under the National Insurance Law and for collecting health insurance contributions under the Health Insurance Law intended to finance the health system. These payments are collected from both working (salaried employees and self-employed) and non-working State's residents at various rates on income subject to insurance contributions. Since 1986, the Ministry of Finance has been compensating the NII for the loss of receivables deriving from a reduction in insurance contributions paid by employers and the self-employed. This compensation is known as the “Treasury’s Indemnification”, and is considered part of the Institute’s receivables from national insurance contributions¹.

As in previous years, in 2018 the volume of collection from the public was affected by fluctuations resulting from economic developments in the economy, the average wage, the number of employed people and changes in legislation.

Legislative Changes 2005-2018

The Arrangements Law for 2017-2018 set forth provisions with respect to the self-employed’s mandatory pension as well as its effect on them in terms of payment to the NII: in order to relieve the self-employed with lower income, it was decided to decrease the reduced insurance contribution rate and increase the regular rate. In 2017, insurance contributions for the self-employed were changed: the regular rate was increased from 11.23% to 12.83% and the reduced rate was lowered from 6.72% to 2.87%.

The following are the legislative changes that took place in the years 2005 to 2016:

- In 2005, a gradual reduction in the employer’s insurance contributions began and two rates, reduced and normal, were introduced instead of a uniform rate for all levels of insurable

¹ The rate of insurance premiums imposed on the government instead of employers appears in Table 10 of the Law (rates of insurance contributions) and is enshrined in section 32 thereof, which deals with all government participation in the financing of the insurance branches.

income – similar to the rate structure of salaried and non-salaried employees (until then an employer paid 5.93% of the employee's income up to the ceiling of income subject to insurance contributions).

- At the beginning of 2006, insurance contribution rates for employees were also changed: the reduced rate was lowered from 1.4% of income to 0.4%, the regular rate was increased from 5.58% to 7%, and the reduced rate bracket was increased from 50% of the average wage to 60% thereof. These changes were made in a zero-based budget, i.e. without changing the NII's scope of receivables. The increase in the reduced rate bracket also applies to the employer's share in order to avoid a collection loss.
- In September 2009, under the Economic Efficiency Law for 2009-2010, there were two changes that affected collection: the reduced rate for an employer was raised from 3.45% to 3.85% by the end of March 2011 (thereby reinstating the situation prevailing in 2008), and the cap on payment of national and health insurance contributions was doubled by the end of December 2010 from 5 times to 10 times the basic amount².
These two changes were supposed to increase the collection of national insurance contributions, but in practice the additional collection and allocations under Section 32 were transferred in their entirety to the Treasury, as at the same time the Treasury's participation in collection for the Children Division was reduced from 210% to 207.5% in 2009, to 169% in 2010 and to 208% in 2011.
- Under the Arrangements Law for 2011-2012, three additional amendments were introduced: (a) for the employee: the cap for payment of national insurance and health insurance contributions was raised to 9 times the basic amount (from 2011); (b) for the employee: in 2012 the payment cap was supposed to increase to 8 times the basic amount, however following the Trachtenberg Law enacted in the wake of social protest, it was lowered and reverted to 5 times the basic amount; (c) for the employer: regular insurance contributions were increased by 0.47% – from 5.43% to 5.9% (from April 2011). These changes increased the NII's collection, but not the Treasury's share, and therefore its participation in the Children Division was 200.5% from April 1st, 2011 and reached 204.5% in 2012.
- In 2013, regular insurance contributions for the employer were gradually increased by 0.6 percentage points, and applied to the insurance branches in which the Treasury does not participate, therefore its participation returned to its 2018 level (210%) in collection for the Children Division.

² In 2018 – NIS 8,674

- In 2014, the regular rate for an employer was supposed to increase by 0.5 percentage points, but on April 1st, 2014, it was increased by only 0.25 points. The rise to 7.5% continued until 2016 and not until 2015 as originally stipulated.
- In 2015, the regular rate for employers continued to rise, reaching 7.25%. The rate of insurance contributions for income higher than 60% of the average wage and up to the ceiling (5 times the basic amount), which also includes the employee's share, was 14.25%.
- In 2016, the regular rate for the employer continued to rise and reached 7.5%. Since then the regular rates have amounted to 14.5% and include both the employee's share and the employer's share.

Scope of Collection

The NII's receivables from collecting national insurance and health insurance contributions in 2018 amounted to NIS 73.8 billion: NIS 70.7 billion was collected directly from the public and NIS 3.2 billion was transferred by State Treasury³ (Table 1).

The amount of national insurance contributions collected from the public increased in 2018 by 5.1% (in comparison with 5.2% in 2017), and the amount of health insurance contributions increased by 4.5% (in comparison with 4.8% in 2017). The Treasury's indemnification for the reduction of national insurance contributions paid by employers and the self-employed increased in real terms at a lower rate, of 4.3%. Like 2017, the share of health insurance contributions in the total collection from the public (without indemnification) reached 34.5% and the rate of receivables collected from the public in relation to GDP was 5.3%⁴. Their share of all direct taxes⁵ collected from the public was 45.4% – similar to 2016 and above the 2017 rate that stood at 43.9%.

³ According to section 32 c1 in the Law, which indemnifies the Institute for lowering National Insurance contributions to employers and self-employed.

⁴ Table 7 in Chapter 1.

⁵ Direct taxes: (a) From individuals (employees, self-employed and company managers) - income tax, National Insurance contributions and health insurance contributions. (b) Companies - Companies Tax (State Revenue Administration, annual reports).

Table 1: Collection from the Public (Millions of NIS, Current Prices), 2016-2018

				Rate of change (%)			
				2016-2017		2017-2018	
	2016	2017	2018	Nominal	Real	Nominal	Real
Total collection	66,332	69,813	73,825	5.2	5.0	5.7	4.9
Total collection from the public	63,452	66,799	70,657	5.3	5.0	5.8	4.9
National insurance	41,535	43,767	46,396	5.4	5.1	6.0	5.2
Health insurance	21,917	23,032	24,260	5.1	4.8	5.3	4.5
Treasury's indemnification	2,880	3,014	3,169	4.7	4.4	5.1	4.3

Insurance Contributions Rate

In 1995, two rates were set for national insurance contributions – reduced and regular – for all types of insureds⁶. From January 2006, the reduced rate was imposed on the portion of income liable for insurance contributions not exceeding 60% of the average wage by law⁷, and the regular rate – on the remaining income up to a cap (5 times the basic amount). From August 2005, the reduced rate applies to employers too. In 2017, insurance contributions rates for the self-employed were changed: the regular rate was increased and the reduced rate decreased (see also **Legislative Changes** below) (Table 2).

⁶ The reduced rate was imposed on the portion of taxable income in insurance contributions not exceeding 50% of the average wage by law.

⁷ The average wage as defined in the National Insurance Law – NIS 9,906 per month in 2018.

Table 2: National Insurance and Health Insurance Contributions, by Type of Insured (Percentages), 2016, 2017-2018

Type of insured	National insurance contribution				Health insurance contributions	
	Regular rate		Reduced rate		Regular rate	Reduced rate
	2016	2017 - 2018	2016	2017 - 2018		
Salaried employee – Total	15.17	15.17	4.52	4.52	5.0	3.1
Of which: Worker	7.00	7.00	0.40	0.40	5.0	3.1
Employer	7.50	7.50	3.45	3.45	-	-
Government	0.67	0.67	0.67	0.67	-	-
Self-employed – Total	11.82	13.42	7.31	3.46	5.0	3.1
Of which: Worker	11.23	12.83	6.72	2.87	5.0	3.1
Government	0.59	0.59	0.59	0.59	-	-
Neither employed, nor self-employed	7.00	7.00	4.61	4.61	5.0	5.0

Collection of National Insurance Contributions

Type of Insureds

Salaried insureds

In 2018, there were approximately 3.68 million employee jobs for which national insurance contributions were paid – an increase of 2.3% according to estimate (Table 3). This group does not include employees from the Palestinian Authority, foreign workers and Israeli insureds with special characteristics, such as Kibbutz members, early retirees, domestic workers, those in vocational training and Ministry of Defense employees (see **Populations Defined as Salaried Employees** below).

The number of employers paying national insurance contributions for their salaried employees increased in 2018 by 1.6% (Table 3). Most employers (72%) employ up to five workers and about 19% of them employ between 6 and 20 workers.

Non-salaried insureds

- **Those who pay insurance contributions based on their income** (56.9% of all non-salaried insureds): this group comprises mainly the self-employed (88.4%), but since 2008 insured people who have a passive income (dividends and capital income) higher than 25% of the average wage, are also subject to insurance contributions, whether or not they have income as a salaried employee or self-employed (11.6% of insureds in this group).

- **Those who pay insurance contributions at the minimum rate** (43.1% of all non-salaried insureds): (a) do not work and have no income subject to insurance contributions (64.7%); (b) academic and yeshiva students (35.3%). In 2018, the number of academic and yeshiva students increased by about 14.5% and the number of unemployed increased by about 5.5%. In mid-2015, a cessation of calculation of insurance contributions was gradually applied, and salaried employees were charged for missing periods⁸. This operation (**network expansion**) led to a real increase in the number of insureds who are neither employed nor self-employed.

Table 3: Employers and Insureds Subject to National Insurance Contributions, by Type of Insured, 2017 and 2018

Type of insured	2017	2018	Change rate (%)
Employers* – Total	275,126	279,607	1.6
1-5 employees	198,481	202,700	2.1
6 -20 employees	53,765	53,806	0.1
21-99 employees	18,497	18,689	1.0
100-499 employees	3,596	3,608	0.3
500+ employees	787	804	2.2
Salaried insureds** – Total	3,592,500	3,675,000	2.3
Non-salaried** insureds – Total	911,406	970,077	6.4
Liabile on their income – Total	525,636	551,537	4.9
Work income (self-employed)	465,325	487,544	4.8
On-work income	60,311	63,993	6.1
Minimum rate payers*** – Total	385,770	418,540	8.5
Neither salaried nor self-employed (minimum 15%)	256,573	270,611	5.5
Pupil and student (minimum 5%)	54,241	49,614	-8.5
Yeshiva student (minimum 5%)	74,956	98,315	31.2

* The data refers to end of the year.

** Number of salaried employees reported by the employers (on Form 102) = salaried employee positions (an insured person can appear with more than one employer), monthly average.

*** Income basis is a percentage of the average wage.

⁸ The statute of limitations on debt of insurance contributions after seven years applies to debtors from the beginning of 2015, so the Institute decided to expand the debtors network (**network expansion**) to two groups of debtors: (a) Those who pay the minimum amount – those who were in **held calculation** to whom notifications of debt had not been sent (many of them did not incur debt because they were abroad with a foreign passport and lacked verified billing periods.) (b) Salaried employees who owe insurance contributions for missing periods, in order to maintain their insurance continuity

Receivables

As mentioned, in 2018, receivables from national insurance contributions amounted to NIS 49.6 billion: 46.4 billion were collected from the public and 3.17 billion were transferred by the Treasury, as indemnification. The share of direct collection from the public in 2018 is similar to recent years – 93.5% of all insurance contributions receivables.

Table 4: National Insurance Contributions (Collection and Treasury Indemnification), by Type of Insured (Current Prices, Millions of NIS), 2016-2018

Type of insured	Absolute numbers			Real change (%)		
	2016	2017	2018	2016	2017	2018
Insurance contributions – Total	44,415	46,814	49,565	7.6	5.2	5
Salaried employees and employers	40,292	42,689	45,007	7.6	5.7	4.6
Non-salaried employees	4,123	4,125	4,557	7.5	-0.2	9.6
Collection from the public – Total	41,535	43,800	46,396	7.7	5.2	5.2
Salaried employees and employers	37,626	39,886	42,067	7.7	5.8	4.7
Non-salaried employees	3,909	3,914	4,329	7.6	-0.1	9.7
Treasury indemnification – Total	2,880	3,014	3,169	6.9	4.4	4.3
For employers	2,666	2,803	2,940	6.9	4.9	4.1
For non-salaried employees	214	211	228	7.1	-1.6	7.4

Receivables for salaried insureds

Receivables for salaried employees (from the employee, employer, and Treasury) increased by 4.7% in real terms from 2017 to 2018 (compared to 5.8% from 2016 to 2017). This increase was mainly affected by changes in the labor market: the average wage for salaried employee's job nominally increased by 3.5% (compared to 3.1% in 2017), and the number of jobs increased by 2.3%. Receivables for salaried employees constituted about 91% of all receivables in recent years.

Receivables for non-salaried insureds

Receivables from non-salaried insureds increased by 9.7% in real terms in 2018 in comparison with 2017 (compared to a decrease of 0.1% between 2016 and 2017) due to changes in the labor market. Most of the collection (about 87%) is from the self-employed. Collection from the self-employed – based on the assessments from 2017 that were revised only with respect to price increase – increased in real terms by 6.6%. The collection from those paying on the minimum income basis, which

constitutes about 13% of the total collection from non-salaried employees, decreased in real terms by 4.5%, following the operation to increase the number of non-salaried insureds (**network expansion**) that began in mid-2015.

A review of the payment ethic emphasizes the difference between the self-employed and the non-salaried insureds who pay on a minimum income basis: the collection rate from the potential of the self-employed was 99.9% in 2018 compared to only 55.3% from the potential of those who pay the minimum amount. Following the operation to expand the network of insureds, people who were, for up to seven years, in cessation of calculation for insurance contributions (see note 6) were added to this group, an operation that ended in 2018.

Collection for Health Care System

National Health Insurance Law

In January 1995, the National Health Insurance Law came into force, which anchors the right of every resident of Israel to health insurance and establishes a defined and uniform basket of healthcare services for all. The responsibility for financing this basket rests with the State, and the Law stipulates its funding sources, the method by which its cost will be updated and the resources allocation formula between the health maintenance organizations (HMOs). An Israeli resident may choose one of the HMOs recognized by the Ministry of Health, and the HMO must accept any resident without any restriction, stipulation, or payment.

Health insurance contributions, which are one of the main sources of funding for the health services basket, are collected by the NII and distributed among the HMOs. To this end, the NII keeps a file of all health insurance insureds, which is updated regularly and provides information about memberships in the various HMOs.

By law, every Israeli resident, even a non-working resident, is required to pay health insurance contributions, apart from a few exempt groups. Health insurance contributions from salaried and non-salaried insureds are collected in the same manner as national insurance contributions, while the insurance contributions from recipients of NII benefits (who have no other income) are deducted at source from the benefit.

Insurance Contributions Rate

Health insurance contributions have two rates: a reduced rate – 3.1%, imposed on the part of the income that does not exceed 60% of the average wage, and a regular rate – 5.0% on the remaining income up to the cap of income liable for insurance contributions (5 times the basic amount). The update rate is the same as the rate of price increase.

Those who do not work and those who receive NII benefits are in most cases entitled to special rates depending on their income. Table 5 lists the amounts of insurance contributions deducted from benefits by type of benefit.

Since January 2006, benefits amounts are revised according to the increase rate in the price index of the previous year (the index for last November compared to the previous November), and therefore the minimum amounts are also revised at this rate. Those who are not salaried employees or self-employed, and are not benefit recipients, pay minimum insurance contributions (NIS 103 from January 2014). Certain groups are exempt from payment of health insurance contributions: housewives, new immigrants in the first six months of immigration, workers under 18, students under 21 who don't work and then join the army (12-month payment exemption), and detainees and prisoners sentenced to more than 12 months of incarceration and receiving health services from the Prison Service.

Table 5: Health Insurance Contributions Amount, by Type of Benefit, 2018

Benefit type	Monthly health insurance contributions
Salary-replacement benefits	
Maternity allowance / work injury allowance / unemployment benefit / reserve service benefit / accident benefit / bankruptcy and corporation liquidation	Identical rates as employees: 3.1% of the benefit up to 60% the average wage, 5% of the benefit balance over 60% of average wage up to ceiling (5 times the basic amount)
Old age and survivors	
With income supplement	NIS 103
Without income supplement: for a single person	NIS 197
for a couple	NIS 284
Other benefits	
Income support / maintenance / general disability / work-related disability and dependents / survivors of working age	NIS 103

Receivables

Until the beginning of 1997, the NII collected the parallel tax and health insurance contributions for the healthcare system. In 1997, the collection of the parallel tax was abolished, and the funding of health services in the State budget was increased accordingly. In 2018, the NII collected about NIS 24.3 billion in health insurance contributions – a real increase of 4.4% compared to 2017 – a rate lower than the previous three years that ranged around 5% -6% (Table 6). Approximately 81% of all insurance contributions were collected from salaried employees, 10.4% from non-salaried, and 8.6%

from recipients of NII benefits. In the non-salaried group, 79% of the insurance contributions were collected from the self-employed and 21% from those paying insurance contributions at the minimum level.

Table 6: Health Insurance Contributions Collected, by Type of Insured (Millions of NIS), 2014-2018

Year	Salaried insureds	Non-salaried insureds	Benefit recipients	Total	Annual growth (%)	
					Nominal	Real
2014	16,036	1,926	1,829	19,791	4.6	4.1
2015	16,812	2,068	1,901	20,781	5.0	5.7
2016	17,740	2,247	1,930	21,917	5.5	6.0
2017	18,658	2,390	2,000	23,048	5.2	4.9
2018	19,640	2,529	2,092	24,260	5.3	4.4

Table 7: Health Insurance Contributions from Benefits, by Type of Benefit (Millions of NIS, 2018 prices), 2017 and 2018

Type of benefit	2017	2018	Real annual change (%)
Total	2016.2	2091.9	3.8
Old age and survivors	1495.0	1543.2	3.2
Work disability	40.0	42.0	4.9
Disability	158.8	173.5	9.3
Income support	58.7	52.4	-10.6
Reserve service	0.3	0.3	-11.1
Maternity	160.5	172.2	7.3
Unemployment	67.6	73.5	8.6
Injury allowance	16.4	17.6	7.3
Maintenance	6.0	5.3	-11.6
Bankruptcy	2.2	2.0	-9.2
Other	10.7	9.9	-7.7

In 2018, NIS 2,092 million of health insurance contributions were deducted from benefits – a real increase of 3.8% on average compared to 2017 (Table 7). The changes in health insurance contributions by type of benefit are affected by changes in the number of recipients and benefit rates. Approximately 74% of the amount was deducted from old-age and survivors pensions, including

pensions with income supplement, and about 8% from recipients of disability pensions. It should be noted that only those who have either no work income or other income exempt from national insurance contributions payment, are subject to the deduction. Housewives (married women who only work in their own household) are exempt from paying insurance contributions even if they receive a benefit in their own right from the NII, provided that it is not a wage-replacement benefit.

Distribution of funds among health maintenance organizations (HMOs)

According to the National Health Insurance Law, the funds for financing the health basket are transferred to the HMOs directly by the NII, based on the **capitation formula**. The formula considers the number of insureds in the organization while weighting the insured's age, gender, and the distance between his place of residence and population centers⁹.

The capitation system works in favor of HMOs with a high proportion of older members and members living in remote locations (Table 8). For example, about 69% of the very elderly insureds (aged 85 and over) and 69% of the residents of the periphery are insured with Clalit HMO. In January 2018, the share of Clalit HMO members was 52.3% of all insureds (a stable rate maintained since 2010), however its share of health insurance funds was about 55%. Similarly, this formula reduces the amounts transferred to the Maccabi and Meuhedet HMOs, whose members are younger. In the years 2005-2018, the share of Clalit HMO in the distribution of health insurance funds gradually decreased from 59% to 55%, approximately.

Capitation rates are calculated monthly, from August 2006, to narrow the gap between the number of insured persons at the beginning of each quarter and their actual number in each of the three months of the quarter (until then the rates were calculated once every three months).

⁹The variables gender and place of living were added to the formula in November 2010

Table 8: Number of Insureds and Distribution Key of Health Insurance Funds, by HMO (Percentages), January 2005 – January 2018

Year	Total	HMO			
		Clalit	Leumit	Meuhedet	Maccabi
Total insureds					
1/2005	100	54.4	9.8	11.7	24.0
1/2010	100	52.4	9.2	13.5	24.8
1/2013	100	52.3	9.1	13.6	25.0
1/2014	100	52.4	8.9	13.7	25.0
1/2015	100	52.4	8.9	13.7	25.0
1/2016	100	52.5	8.7	13.8	25.0
1/2017	100	52.4	8.5	13.8	25.3
1/2018	100	52.3	8.3	13.9	25.6
Distribution key					
1/2005	100.0	58.970	9.105	10.085	21.839
1/2010	100.0	56.822	8.607	11.647	22.924
1/2013	100.0	56.167	8.497	11.745	23.591
1/2014	100.0	55.969	8.402	11.839	23.790
1/2015	100.0	55.666	8.398	11.926	24.010
1/2016	100.0	55.312	8.265	12.056	24.367
1/2017	100.0	55.025	8.081	12.149	24.745
1/2018	100.0	54.675	7.938	12.222	25.165

Health services basket costs

According to the National Health Insurance Law, healthcare services are funded from several sources:

- Health insurance contributions collected by the NII.
- Funds transferred by the Road Accident Victims Compensation Fund (Karnit) to the NII (since 2010).
- HMOs' direct receivables for payable services (such as medication and a visits to the doctor).
- Additional amounts from the State budget which supplement various health expenses up to the full cost of the health services basket.

According to estimates for 2018, the cost of the healthcare basket under the responsibility of the HMOs increased nominally by approximately NIS 2.4 billion and reached about NIS 51.05 billion

– a real increase of about 4% compared to 2017 (Table 9). The State's relative share in funding the basket decreased in 2018 to 45.0% compared to the share of receivables from health insurance contributions, which rose to 48.6%. The Arrangements Law to the State Budget of 2008 stipulated that the HMOs receivables from their insureds' deductibles would be at a rate of 6.45% of the basket cost (instead of 5.4% until 2007). This amendment explains the reduction in State's participation by approximately 1% since 2008.

Table 9: Cost of the Health Services Basket under HMOs' Responsibility, by Source, 2014-2018

Source	2014	2015	2016	2017	2018*
Cost, Millions of NIS	38,582	41,349	45,902	48,671	51,052
Percentages					
Total	100.0	100.0	100.0	100.0	100.0
Health insurance contributions**	52.4	51.5	48.4	48.0	48.6
State budget	41.2	42.1	45.1	45.5	45.0
Independent income	6.4	6.4	6.4	6.4	6.4

* Ministry of Health estimate (April 2019)

** Including amounts transferred to the Road Accident Victims Compensation Fund to the NII (since 2010)
In 2018, about NIS 503 million was transferred.

Table 10: Per Capita Cost of the Health Basket, by Age Group (NIS per Year, 2018 Prices), 2017 and 2018

Age group	2017	2018*
Total amended per capita	4,884	4,973
Up to 1	7,996	7,933
1 to 4	4,174	4,141
5 to 14	2,010	1,993
15 to 24	2,014	1,997
25 to 34	2,894	2,871
35 to 44	3,386	3,359
45 to 54	5,238	5,196
55 to 64	8,495	8,427
65 to 74	13,860	13,750
75 to 84	17,899	17,760
85 and above	18,230	18,085

* An estimate

The amended per capita cost of the healthcare basket enables to examine the effect of the insured's age on the HMO expenses (Table 10). The basket cost is calculated according to the capitation formula, which takes into account age, gender and residence in the periphery and does not include amounts such as expenses for serious illnesses, administrative expenses or allocation to the Health Council and the Magen David Adom (Israel's national emergency medical, disaster, ambulance and

blood bank service). In 2018, the cost of the basket amended per capita was NIS 4,973 compared to NIS 4,884 in 2017 – a real increase of about 1.8%.

The cost of the basket reflects the relative expenses between the age groups: except for children up to the age of 4, the cost of the younger age groups is usually lower than that of the older age groups. For example, the cost of the basket for those aged 85 and over was 3.6 times higher in 2018 than the average cost for all insured persons, and 9.1 times higher than the cost for those aged 15 – 24.

Payment Burden by Deciles

As an insurance system, eligibility for NII benefits is in most cases conditional upon payment of insurance contributions. According to this conception, every insured, whether they work or not, must pay insurance contributions, except for those benefiting from an exemption (for defined periods or for exempt income types).

The above mentioned parameters for calculating national insurance contributions (minimum and maximum income subject to national insurance contributions and insurance contribution rates for the various insureds) characterize most of the social security systems in Western countries. There is no dispute that determining the floor and ceiling for income subject to national insurance contributions constitutes a regressive component in the collection system. Expanding the income base for national insurance contributions and applying a reduced rate to the portion of income not exceeding 60% of the average wage, as introduced in the 2006 reform, were intended to moderate the regressive distribution of the payment burden of insurance contributions imposed on individuals.

Table 11: Salaried Employees: Income (on Average per Month of Work) and Insurance Contribution Burden, by Decile, 2017*

Decile	Average monthly work income	Payment of insurance contributions					
		Absolute numbers (NIS)			Percentage of income (%)		
		Total	National insurance	Health insurance	Total	National insurance	Health insurance
Lower	1,012	35	4	31	3.5	0.4	3.1
2	2,549	89	10	79	3.5	0.4	3.1
3	3,964	139	16	123	3.5	0.4	3.1
4	5,197	182	21	161	3.5	0.4	3.1
5	6,442	280	68	212	4.3	1.1	3.3
6	7,943	460	173	287	5.8	2.2	3.6
7	9,859	690	307	383	7.0	3.1	3.9
8	12,711	1,032	507	525	8.1	4.0	4.1
9	17,880	1,652	869	784	9.2	4.9	4.4
Upper	36,272	3,643	2,029	1,614	10.0	5.6	4.4
Average	10,383	753	344	409	7.2	3.3	3.9

* The last year for which there is full administrative data on salaried employees and self employed income.

The decision to entrust the collection of health insurance contributions on the NII from 1995, along with the conception that every insured resident and most of the insureds are liable for payments, led the policy makers to adopt the components for calculating national insurance contributions to the calculation of health insurance contributions as well.

The most up-to-date income data relate to 2017¹⁰. Tables 11 and 12 present the data relating to the terms of the law in 2017, i.e. the rate of insurance contributions for that year and the maximum income subject to national and health insurance contributions (up to 5 times the basic amount). The measures taken in the framework of the tax reform introduced in 2006 (such as lowering the reduced rate per employee from 1.4% to 0.4%, increasing the regular rate from 5.58% to 7.0% and increasing the reduced rate bracket from 50% of the average salary to 60% thereof) are also reflected in the rate of insurance contributions calculated according to wage and income data for 2017.

¹⁰ The last year for which full administrative data on salaries of salaried employees and self-employed; same comment as under the table.

Table 12: Self-Employed: Income (on Average per Month in a Year) and Insurance Contributions Burden, by Decile, 2017*

Decile	Average monthly income per year	Payment of insurance contributions					
		Absolute numbers (NIS)			Percentage of income (%)		
		Total	National insurance	Health insurance	Total	National insurance	Health insurance
1	841	144	69	75	17.2	8.3	8.9
2	2,171	144	69	75	6.6	3.2	3.5
3	2,917	174	84	90	6.0	2.9	3.1
4	4,144	247	119	128	6.0	2.9	3.1
5	5,356	320	154	166	6.0	2.9	3.1
6	6,859	564	327	237	8.2	4.8	3.5
7	9,032	951	605	346	10.5	6.7	3.8
8	12,175	1,512	1,009	503	12.4	8.3	4.1
9	17,638	2,486	1,710	776	14.1	9.7	4.4
10	40,519	6,013	4,155	1,858	14.8	10.3	4.6
Average	10,165	1,154	751	403	11.3	7.4	4.0

* The last year for which there is full administrative data on salaried employees and self-employed income.

Table 11 presents data on income (average per month of work), national insurance contributions (employee's share only) and health insurance contributions, on average per decile in the salaried population. Salaried employees are ranked according to income subject to insurance contributions (on average per month of work) and in each decile are 10% of the salaried-employee individuals¹¹. Each of the first four deciles pays national insurance contributions at a rate of 0.4% of their income and the rate gradually rises to 5.6% in the top decile. The situation is similar in health insurance contributions by deciles, however the lower rate in the first four deciles is much higher – 3.1%, at the same level of the reduced rate. Moreover, the rate paid by the two higher deciles is lower and reaches 4.4% – which makes health insurance contributions regressive compared to national insurance contributions.

¹¹ In April 1999, the law was amended, and the minimum income for calculating insurance contributions for employees was compared to the minimum wage in the economy, taking into account part-time work. In calculating the insurance contributions, we assumed full compliance of the employers with the Minimum Wage Law, and that wages of less than the minimum wage were due to part-time work. The bias in the average rate of insurance contributions from income in the lower deciles is negligible

Table 12 presents the rates of insurance contributions by deciles among the self-employed for this year (2017). In the first and second deciles, the payment burden is noticeable, because the minimum payment (25% of the average wage) highlights the system's regressiveness at low-income levels. The payment rate for the self-employed (both as workers and employers) is 2.9% in the third decile and gradually rises to 10.3% in the tenth decile. Unlike salaried employees, the self-employed income in each decile is indicated in terms of a monthly average per year (rather than a month of work), since the collection from this group is based on the yearly income they report. Thus, the income of salaried employees as presented in Table 11 cannot be compared to the income of the self-employed as shown in Table 12.

Populations Defined as Salaried Employees

The data presented in this chapter on the number of salaried employees relate to the number of salaried employees reported by employers on Form 102. Special groups, whose characteristics and collection data for 2017 are detailed below, are also included with the employees' population, as defined by the NII.

- **Members of Kibbutz and cooperative settlements:** are defined by law as salaried employees of the cooperative association (as employer), who has the duty and responsibility to register them as salaried employees and to pay the insurance contributions for them. They are insured in all national insurance branches, except the unemployment.
- In 2017, the law defined a status of a "renewed" Kibbutz whose members were defined as salaried employees (not as a special salaried employee population). In July 2017, about 250 Kibbutzim changed their status to "renewed". In 2018, an average of 18.7 thousand members per month (aged 18 and over) were reported, for whom approximately NIS 46 million in insurance contributions were paid.
- **Domestic workers:** Their status of and their rights are the same as those of other salaried employees, although the insurance contributions paid for them are set at different rates. At the end of 2018, about 216,400 active employers were reported who employed workers in the household and from whom insurance contributions in the amount of NIS 89 million were collected.
- **Workers from the Palestinian Authority:** Employees from the Occupied Territories and the Palestinian Authority employed by Israeli employers must pay insurance contributions to three branches: work injury, maternity, and bankruptcy. The insurance contributions are collected for them by the payments department of the Employment Service. In 2018, an average of 77,000 employees per month were reported for whom insurance contributions

were paid in the amount of NIS 27 million. The average monthly wage per employee, based on which national insurance contributions were paid, was NIS 4,690.

- **Foreign workers:** (those who are not residents of Israel and are employed by Israeli employers) are insured, similar to Palestinian Authority workers in the maternity, work injury and bankruptcy insurance branches, and the insurance contributions rates applicable to them are set forth in a special regulation. In 2018, an average of 246,000 foreign workers were employed in Israel per month, at an average monthly salary of NIS 5,130. The insurance contributions paid for them were NIS 170 million per year.
- **Employees who retired before retirement age:** These employees are required to pay national insurance and health insurance contributions for their early pension. In 2018, an average of 58,000 retirees per month paid insurance contributions, and the amount collected for them amounted to about NIS 359 million per year.
- **Insureds undergoing vocational training:** Those who are in vocational training within the framework of the Ministry of Economy (both non-working and employees) or in places approved for this purpose by the National Insurance Regulations are insured in the work injury and maternity branches only. National insurance contributions are imposed on the employer and the insured. In most cases, the Ministry of Economy is the employer, unless the insured is sent to study on behalf of his employer. In 2018, about 46,000 insured people per month were in vocational training (and paid insurance contributions). The insurance contributions paid for them amounted to NIS 11 million per year, since employers collect from such employees only the employee's share of the contributions, and the non-working's share is paid by the insured directly to the NII.