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60 Years of National Insurance in Israel - Social security over the years

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CONTENTS

60th Anniversary of the National Insurance Institute of Israel: Looking Forward	Shlomo Mor-Yosef
The Uniqueness of National Insurance in Israel Past, Present and Future in the National Insurance System of Israel	Giora Lotan Arie Nitsan
National Insurance: The Struggle for Universality	Avraham Doron
The Health System in Israel Following the Implementation of the State Health Insurance Law	Revital Gross, Baruch Rosen, Arie Shirom
Fifty Years of Implementation of the National Insurance Law: the Celebrations Will Take Place in the Court	Guy Mundlak
Equal Politics in Difficult Times: Can Welfare States Still Promote Equality?	John Myles
Privatization or the Transformation of the State? The Case of the "Wisconsin Plan" in Israel	Asa Maron

60th Anniversary of the National Insurance Institute of Israel: Looking Forward

*Prof. Shlomo Mor-Yosef,
Director General of the National Insurance Institute
with Koby Halpern¹, Adv. Itzik Sabato¹ and Uri Kandel¹*

The National Insurance Institute of Israel (NII) — a cornerstone of Israel's social security system — plays a major role in fashioning, implementing and maintaining the country's welfare policy. The main goals of this policy are to reduce economic uncertainty and income risks (both short-term and long-term) and to prevent social distress. The National Insurance Law, which was passed 60 years ago, on the 18th of November 1953, expresses a world view of social justice, mutual assistance, respect for others and empathy for those in need. These were the guiding lights behind the establishment of the NII and they remain so today.

The NII provides social insurance for all residents of the state, based on two main principles: the principle of contributory insurance and the principle of universality. This insurance expresses itself in many programmes, in particular the payment of benefits: subsistence allowances and insurance benefits. The type of benefit entitlement and its level are determined through legislation by the government of Israel and the Knesset (Parliament).

The NII budget is funded through statutory contributions, surplus funds invested in government bonds and the state Treasury. As of 2014, the NII income stands at about NIS 76 billion and its expenditure at about NIS 71.5 billion. One of the NII's main tasks is the maintenance of its long-term financial sustainability, that is, its long-term ability to continue paying benefits under conditions of economic and demographic changes. Recent findings show that if appropriate steps are not taken, by 2036 the NII will have a current account deficit, and its income, including that from the surplus fund, will be less than its expenditure. In 2012 an inter-ministerial

1 National Insurance Institute.

committee on the financial stability of the NII published its findings, and these are awaiting discussion by the government.

The underlying principle behind the NII's service policy is that all persons insured in the NII should receive their full entitlements, according to their needs and as laid down in the law, this being the only way to implement a successful social policy.

The Uniqueness of National Insurance in Israel

*Giora Lotan*¹

National insurance (social security) institutes (NII) exist in 125 countries, and most of them are very similar, though each has its particular flavour, adapted to national needs and the national character. Israel's approach to National Insurance is special in that it takes into consideration the needs of immigrants; is based on principles of universalism and mutual help, and seeks to help the needy without stigmatising them. Israel's NII recognises the special needs of new immigrants, who effectively receive a pension even if they spent few, or even no years in Israel before reaching retirement age; it grants a universal pension to all, but matches individual contributions to the level of income and it pays burial costs for everyone who dies in Israel, thus doing away with the concept of a pauper's grave. Israel's NII also provides the solution for those pensioners, whether elderly or survivors, whose income is insufficient, through payment of a supplementary benefits not as a means-tested welfare payment which has to be explicitly requested and tested for, but as a right, based on the income information already held by the NII. The NII also covers the needs of soldiers serving in the reserve forces and of civilians injured in hostile acts. Other special aspects of Israel's national insurance cover include study grants for widows and orphans and the insurance of the self-employed (and not just employees) against work accidents. Israel is unique in requiring mothers to give birth in a hospital in order to receive a maternity grant - a stipulation that has led to almost 100 per cent hospital births and the lowest level of infant and maternal mortality in the developed world.

1 Dr. Giora Lotan (1902-1974) was the first Director General of the National Insurance Institute of Israel (1954-1969).

Published in edition no. 6-7, July 1974

Past, Present and Future

in the National Insurance System of Israel

*Arie Nitsan*¹

Israel's National Insurance Institute (NII) grew out of a long tradition of Jewish mutual assistance, a variety of voluntary organisations which developed in the pre-State period and the growth of National Insurance in post-war Europe. When the state was founded it became clear that a national solution was needed to meet the needs of all the population as well as the special tasks at hand, such as the absorption of new immigrants. The National Insurance Law (1953) provided contributory benefits for old age and survivors; work accidents and maternity benefits, to which the state added non-contributory benefits for immigrants. Over the years the NII has expanded to provide a wider range of insurance services (unemployment, disability, etc.) and an increase in the level of pensions, which are now linked to the average wage. The NII has become a major force in guaranteeing a minimum income, such as providing supplementary benefits for those with no other source of income and child allowances for large families, and it has expanded its range of services in kind, e.g. through the development of pilot and demonstration projects. Plans for the future include the expansion and consolidation of children's benefits and the establishment of a national pensions authority to develop income-linked pensions for all. By providing statutory benefits and pensions, as of right, instead of charity-based welfare payments, the NII is creating a social infrastructure of a guaranteed minimum income on which other social services can be built.

1 Dr. Arie Nizan (1910-1990) served as Director of the Special Research Unit and as research advisor in the National Insurance Institute (1956-1980), as well as chairman of the Editorial Board of Social Security (1972-1990).

Published in edition no. 8, March 1975

National Insurance: The Struggle for Universality

Avraham Doron¹

The welfare state is founded on the inclusionary principle of universalism. Current calls for a selectivist approach undermine the welfare state by substituting a policy of exclusion. Universalism means the state takes on responsibility for every member of the collectivity; there is no economic test of eligibility and there is a guaranteed minimum level of provision with no penalty for being above the minimum. Selectivity takes us back to the Poor Law approach which may prevent hunger, but in return stigmatises and punishes the recipient by denying full citizen rights. The selectivist argument seeks to prevent poverty at minimum cost by carefully targeting needy recipients, but the welfare state is not only about preventing poverty, it is a safety net against all threats to income flow, whether temporary or permanent. In practice, a selectivist approach does not even prevent poverty. In contrast to selectivity, a universalist approach can (inter alia) counter poverty; ensure maximal take-up of benefits; does not penalise and is hence a positive incentive to work; has no poverty trap and does not stigmatise.

¹ Professor Emeritus, Paul Baerwald School of Social Work and Social Welfare, the Hebrew University of Jerusalem.
Published in edition no. 49, April 1997

The Health System in Israel

Following the Implementation

of the State Health Insurance Law

Revital Gross¹, Baruch Rosen² and Arie Shirom³

Israel's National Health Insurance Law (1994), which came into force in January 1995, was designed to remedy many of the ills facing health provision until that date. Its main principles were: universal coverage for all Israelis, a guaranteed basket of services, irrespective of income; free choice of health fund; appropriation of money to health funds using members' ages as a proxy for need; and independence of the funds from other organisations (Histadruth, etc.). Through creation of open competition for members between independent health funds, and granting the government power to control total health expenditures, the law sought to increase efficiency in the use of resources and also to limit national expenditures on health. Changes since then have increased the level of government supervision of the sick funds, and sought to reduce costs through increased competition between the funds, but also allowed the funds to offer insurance-based supplementary services. In the years immediately following the law, national health costs stabilised, services to peripheral, poor and Arab populations expanded and, in general, patient satisfaction increased. On the other hand, the Ministry of Health still provides certain services directly (such as state-owned hospitals, geriatric and psychiatric services) which limits its ability to act as a ministry overseeing and supervising the provision of health services.

1 Prof. Revital Gross (1953-2011) served on the staff of the Myers-JDC-Brookdale Institute for Gerontology and Human and Social Development in Jerusalem.

2 Baruch Rosen, Myers-JDC-Brookdale Institute for Gerontology and Human and Social Development in Jerusalem.

3 Prof. Arie Shirom (1937-2012) taught at the Faculty for Management, Tel Aviv University and was a member of the Editorial Board of the *Social Security* journal in the years 1994-2003.

Fifty Years of Implementation of the National Insurance Law: the Celebrations Will Take Place in the Court

*Guy Mundlak*¹

Looking at the role of the law in governing the field of social security, the article indicates a significant change that has taken place since the enactment of the National Insurance Law in 1954 and the current state of affairs. Upon the establishment of the state and in the decades that followed, the law reflected prior agreements between the social partners and the state. Litigation was focused on day-to-day questions of implementation and interpretation. Fifty years later, omnibus legislation that reformed the social security system wholesale, towards a model that resonates better with a liberal-residual model of the welfare state, sought to bypass deliberations in civil society and the halls of the legislature. To overcome the democratic deficit that pervaded the rapid transformation, human rights organizations, professionals, academics and even political parties sought the involvement of the court in establishing the limits of reform. This designates a process of juridification, in which legal norms substitute social and political norms. The article critically assesses the vices and virtues of intense juridification, the agents who developed it, the courts' response and the actual outcomes. The article was originally written for a volume that marked the 50th year National Insurance Law, and is being reprinted with an aftermath that re-visits the lasting implications and outcomes of juridification in the decade that passed since the significant years of retrenchment circa 2003-2005.

1 Professor, Faculty of Law and the Department of Labor Studies in the Faculty of Social Sciences, Tel Aviv University.

Published in edition no. 67, December 2004

Equal Politics in Difficult Times: Can Welfare States Still Promote Equality?

John Myles¹

The future of the welfare state and a discussion of its contribution to dealing with income inequality in capitalist democracies are the subject of this article. Clearly, claims that the welfare state is about to wither away and disappear have proven wrong. Welfare states are more than likely to remain a major institution in capitalist democracies in the future. However, it is unclear whether they will be able to contribute significantly to the egalitarian project that seeks to limit social gaps and the degree of income inequality in these societies. Indeed, studies indicate that welfare states are finding it increasingly difficult to deal successfully with growing social gaps and to ensure low degrees of income inequality over time. The challenges facing the welfare states are demanding. They are a consequence of dramatic changes in the labor market in post-industrial societies, and of demographic changes, particularly in the social and economic life course of young adults, the rise of single-earner households and the growing importance of educational marital homogeneity – the tendency of "like to marry like". Dealing with these developments and maintaining an acceptable level of inequality are tasks that will require policy-makers committed to egalitarianism to take difficult and perhaps unpopular decisions in the future.

¹ University of Toronto, Canada.
Published in edition no. 71, May 2006

Privatization or the Transformation of the State?

The Case of the "Wisconsin Plan" in Israel

Asa Maron¹

Welfare state reform involves a multitude of new actors. This political phenomenon requires an adequate research perspective to analyze the complex relations forged between bureaucratic power and private organizations. The article argues that a privatization approach, often invoked in the study of contemporary changes in social service systems, does not serve this end. A productive analytic perspective should advance beyond a crude dichotomy of the public-statutory and private realms, and focus theoretically as well as methodologically on the state without presuming its withdrawal from society. Such a perspective may recognize the reconfiguration of state power via private agents. The article offers the governance approach as a comprehensive alternative, and utilizes the case of Israel's Welfare-to-Work program ("Wisconsin Plan") in order to demonstrate its merits. In this case, governing by private actors enabled a dominant state actor to circumvent bureaucratic opposition and establish a Neoliberal project.

¹ Department of Sociology and Anthropology, Ben-Gurion University of the Negev.
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