



2007

Annual Survey



**National Insurance Institute**  
Research and Planning Administration



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# 2007

# Annual Survey

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To order a printed copy of the Annual Survey in Hebrew or abstracts in Arabic, or for any questions or comments regarding the Annual Survey, please contact Sarah Gargi at [sarag@nioi.gov.il](mailto:sarag@nioi.gov.il).

## Preface

### by the Director General

The year 2007, like the three preceding years, was characterized by remarkable economic growth in Israel and continued improvement in the fields of employment and wages. The expansion of employment, which included the disadvantaged population as well, reduced the gaps of financial income – income prior to transfer payments and taxes. However, there was still no substantial change in the year under review in the social situation of the country. The data presented here indicate that both poverty and the cuts in welfare expenditure have been curbed – in certain groups, such as the elderly, there has been even a certain degree of improvement – but the marked improvement in the economy relative to its state in the recession years of 2001-2003 has not been translated into a corresponding improvement in the social situation of the country.

In a document entitled "The Socio-Economic Agenda for Israel 2008-2010" (*The Agenda*), the Israeli government declared its intention of improving the socio-economic situation, while setting specific objectives in the areas of employment and poverty. This government decision constitutes a real change in social strategy, since in the past social objectives had not been a part of government policy. Binding the employment and poverty objectives together indicates that the government recognizes that there is a correlation between alleviating poverty and increasing the employment rate among the working-age population.

The findings clearly indicate a negative correlation between the number of providers in the family and family's chances of being poor. At the same time, the data also indicate a consistent increase in the rate of poor working families, parallel to the increase in the employment of the disadvantaged population in recent years. This means that an improved employment rate alone is not sufficient to alleviate distress, which requires an active government labor market policy aimed at increasing the wages paid to low-wage earners. The Negative Income Tax Law of 2008 was meant to present a partial solution in this context. Simultaneously, assistance should be increased by means of work-support instruments, such as day-care centers and vocational training schools, maintaining its relevancy of such training to the demands of the labor market and ascertaining that labor laws are enforced.

As the institution entrusted with guaranteeing the social security of all Israeli citizens, the National Insurance Institute sees employment as the primary instrument through which to attain a real reduction of poverty and income gaps among the working-age population, while recommending not abandoning the use of supportive and supplementary instruments. Financial support of families, as well as social services and improved infrastructure, are important in shaping the welfare state, especially with regard to those who are involuntarily excluded from the labor market, such as the elderly, the disabled and children, and with regard to those who cannot escape their economic distress even when actively participating in the labor market.

National insurance benefits feature in the *agenda* as an area that requires *improved efficiency*, a term that may imply making the benefits selective (focused on the poor population) at the expense of maintaining their universal nature. It should be remembered that making the benefits selective

may sever the affiliation between regular payment of insurance contributions and receipt of benefits in time of need, and thus erode public support of the social security system. One must therefore act carefully in this area. At the same time, the social security system is also designed to assume the function of reducing poverty and social gaps, supporting those who require assistance. Achieving these two objectives while maintaining the appropriate balance between them on the one hand, and the financial strength of the Institute and public expenditure on the other, constitutes an important challenge for the NII and for Israeli society as a whole.

This Survey, which describes the activities of the National Insurance Institute in the areas of benefits and collection of contributions, as well as the social situation of the country, proposes a range of instruments and interventions aimed at securing a more egalitarian distribution of incomes and at reinforcing the positive impact of economic growth on society's weaker population groups, sometimes referred to as *pro-poor growth*.

The situation depicted in the Survey clearly emphasizes the need, upon assumption of my position as Director General of the National Insurance Institute, to act toward building new support systems adapted to the changing circumstances of the Israeli and international labor markets, and to reform the existing systems that currently do not provide adequate solutions for the population they were designed to serve. At the same time, the National Insurance Institute will act to improve the service provided to its clients by alleviating the ever-growing burden on the employees in our local branches – due to the growing population and the multitude of needs –and by developing innovative tools of up-to-date information technology. All this is being carried out while keeping in mind the goals of reinforcing the long-term stability and independence of the National Insurance Institute and the insured public and enhancing the welfare take-up of rights of the entire population.

Esther Dominissini  
Director General

## Foreword

The present Survey, like its predecessors, covers the various activities of the National Insurance Institute in the past year– benefit payments and collection of insurance contributions, social policy and research.

Chapter 1 opens with a presentation of the social situation with reference to fundamental social policy in 2007, while elaborating on the social objectives of the Israeli government. The second part of the chapter describes the main developments in the areas of benefits and collection in 2007. Chapter 2 presents the situation of poverty and the social gaps in Israel until mid 2007. In addition to findings on poverty according to the relative approach, the chapter presents updated findings on poverty according to the basic needs approach. Chapter 3 deals with the developments in the system of collection of national and health insurance contributions. Chapter 4 discusses the changes and trends in the various benefit systems, designating a special part to each of the major NII benefits. The various chapters also incorporate Boxes highlighting specific topics of social concern for Israel. The survey (in English) has two appendices: tables of insurance branches and tables of poverty and inequality.

This year, for the first time, the entire survey is published on the Internet in English, and the first chapter, dealing with official social policy and trends in social security, as well as summaries of all the remaining chapters, are – also for the first time – published in Arabic in a separate publication.

For convenience's sake, the masculine form is used throughout the survey, to refer to both men and women.

I wish to thank the employees of the Research and Planning Administration who diligently prepared the Survey and brought it to print. Many thanks to Miri Endeweld, the professional editor of the Survey; to Maya Orev-HaTal, the linguistic editor; and to Sarah Gargi, the linguistic editor of the English version.

Dr. Daniel Gottlieb  
Deputy Director General  
for Research and Planning



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## Selected Diagrams

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**Diagram 1**  
**The National Insurance Institute - Resources and Uses**

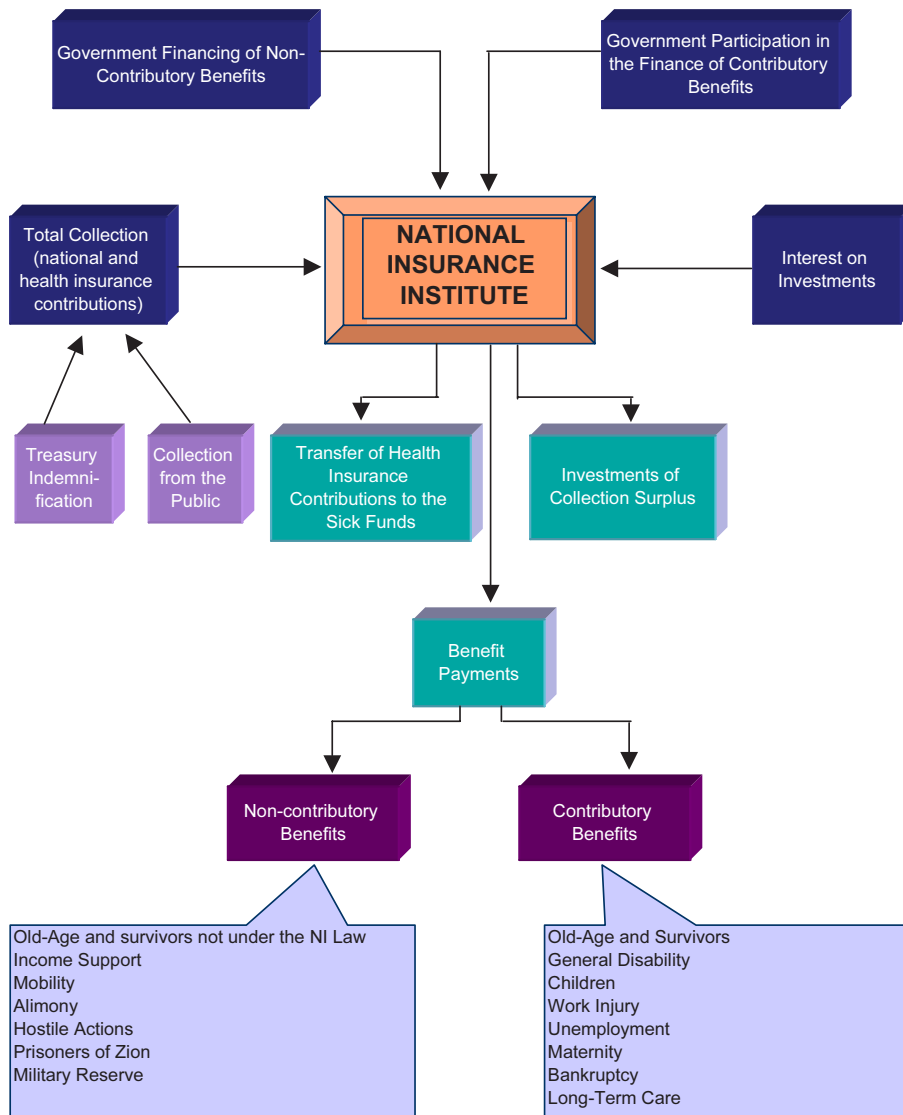


Diagram 2  
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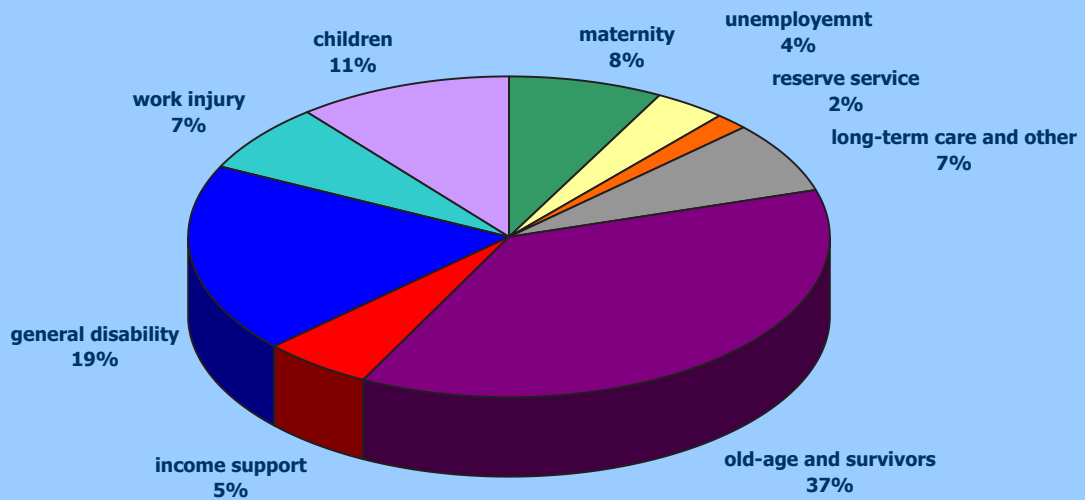
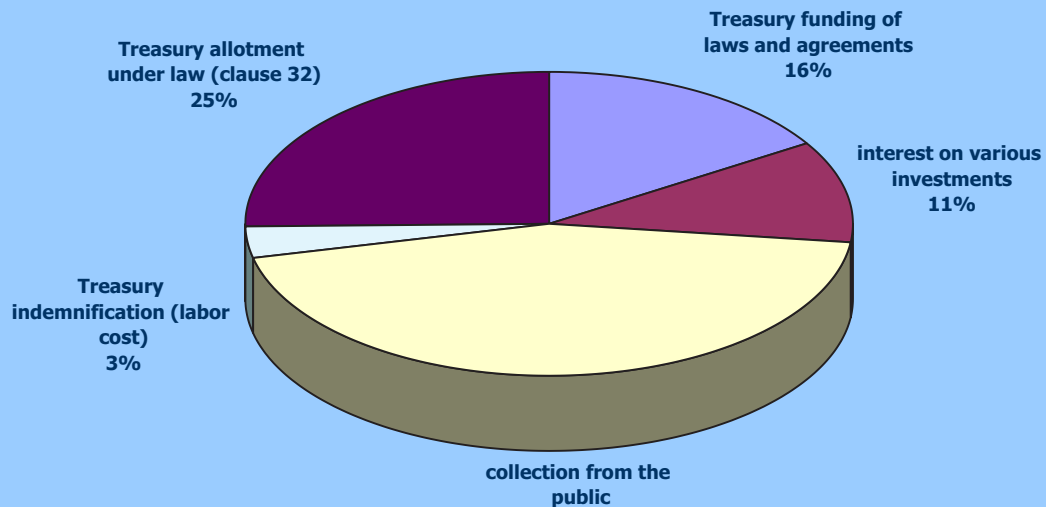


Diagram 3  
**Receipts of National Insurance Branches by Source of Financing, 2007**



The total receipts for national insurance branches amount to about NIS 52.3 billion. About 55.6% of the receipts of the national insurance branches come from independent sources, and about 44.4% from the State budget.

Diagram 4  
**Benefit Payments as Percentage of GDP, 1980-2007**

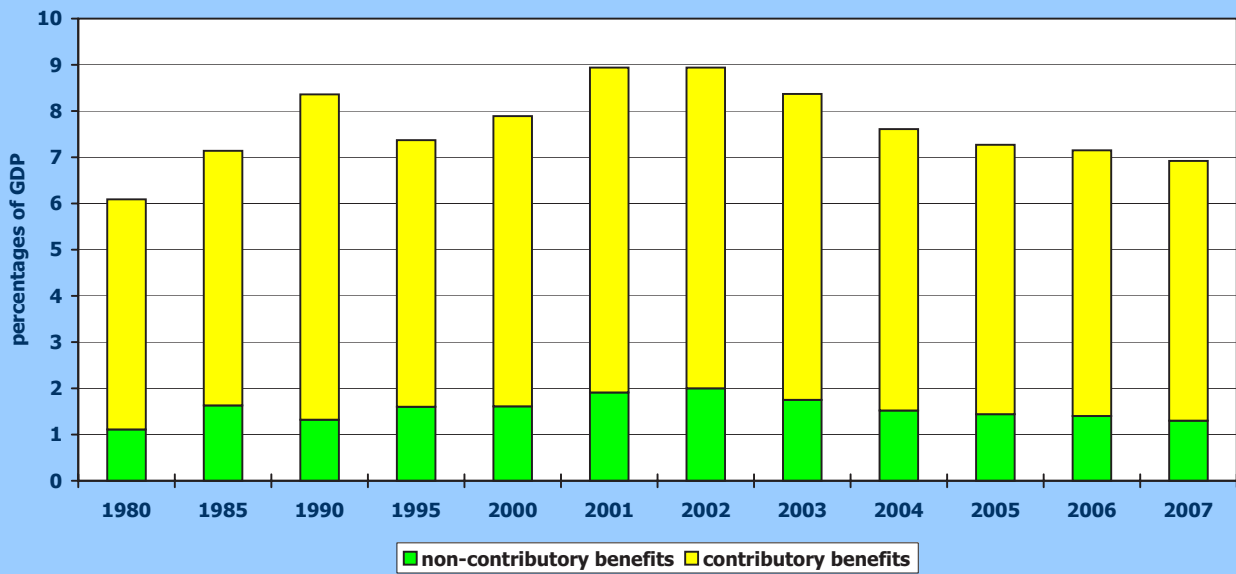
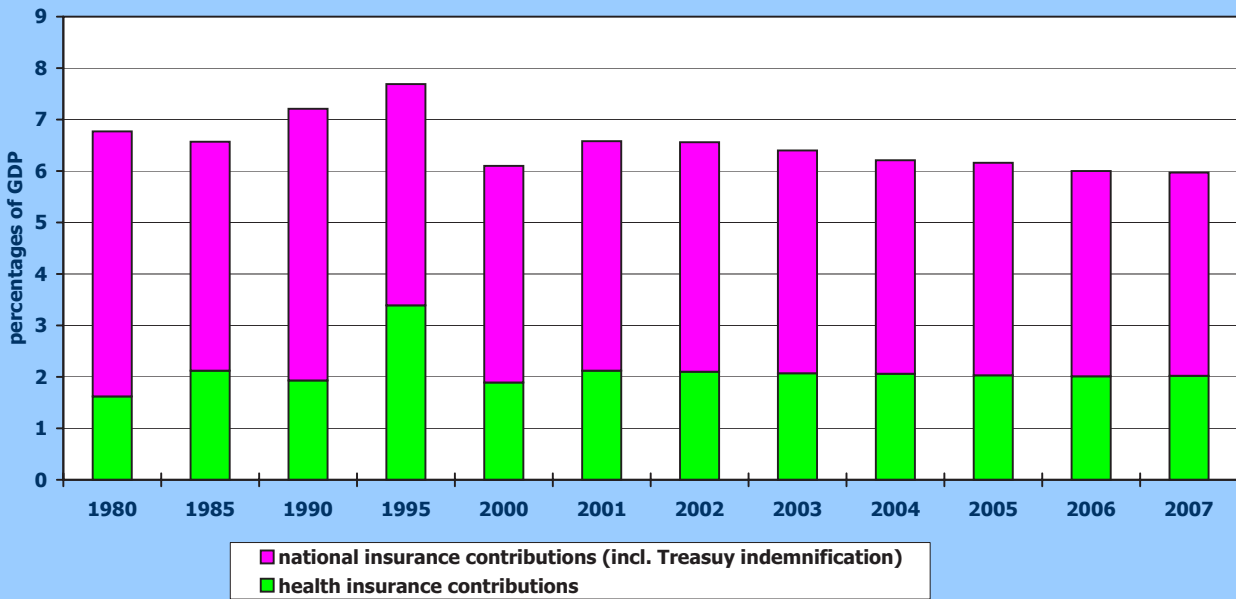


Diagram 5  
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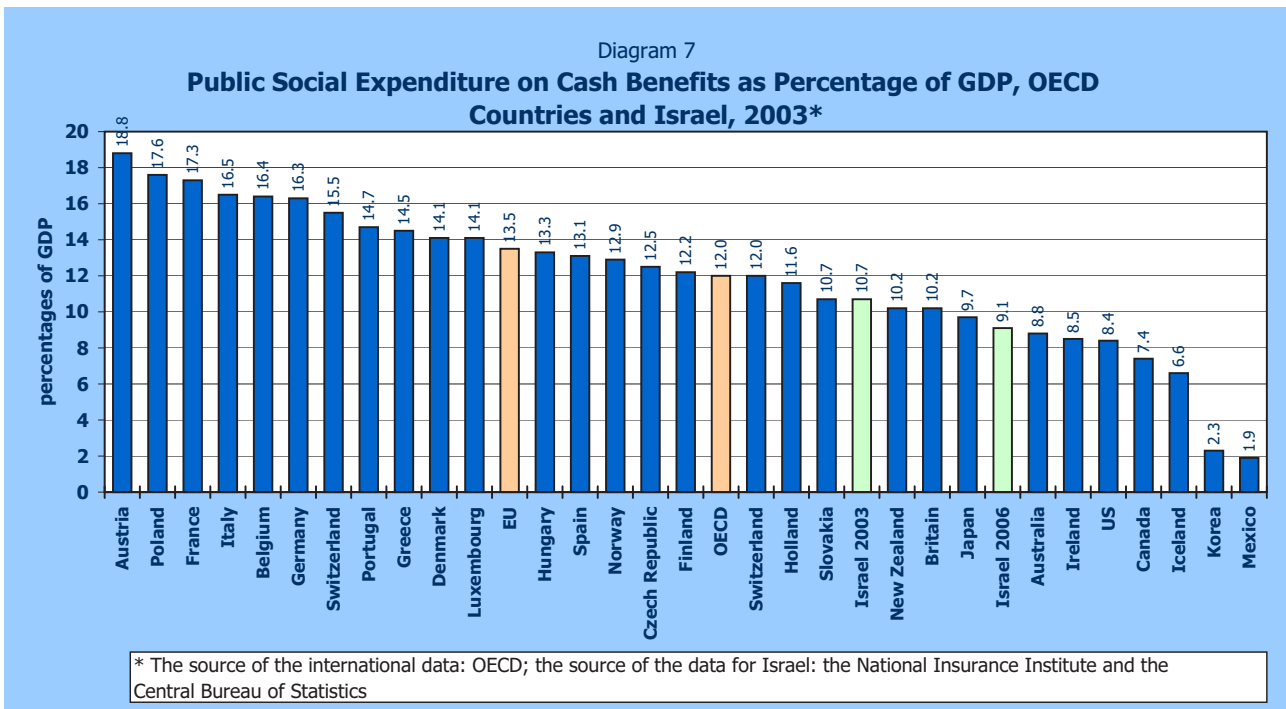
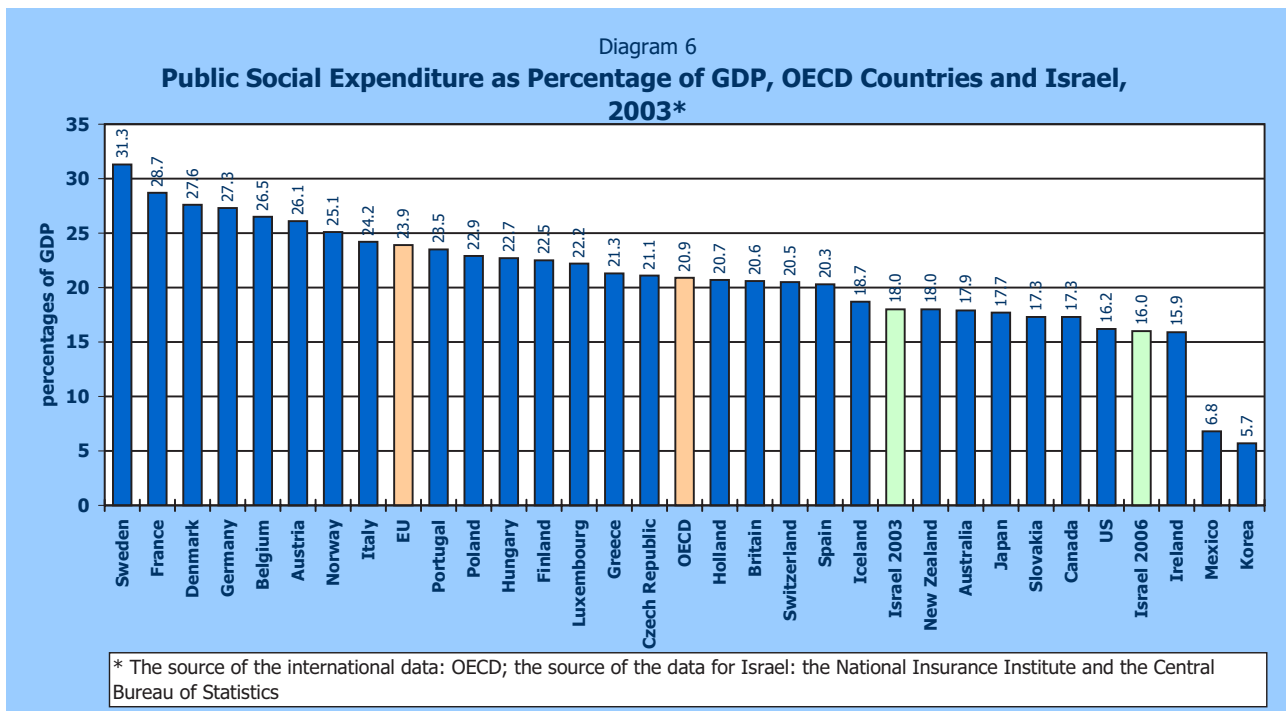
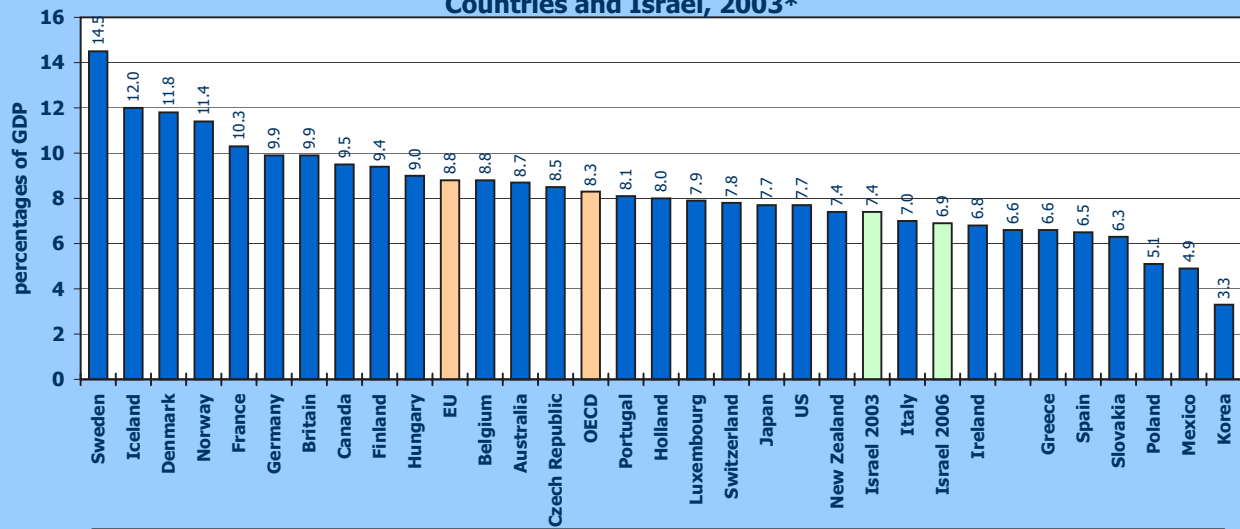
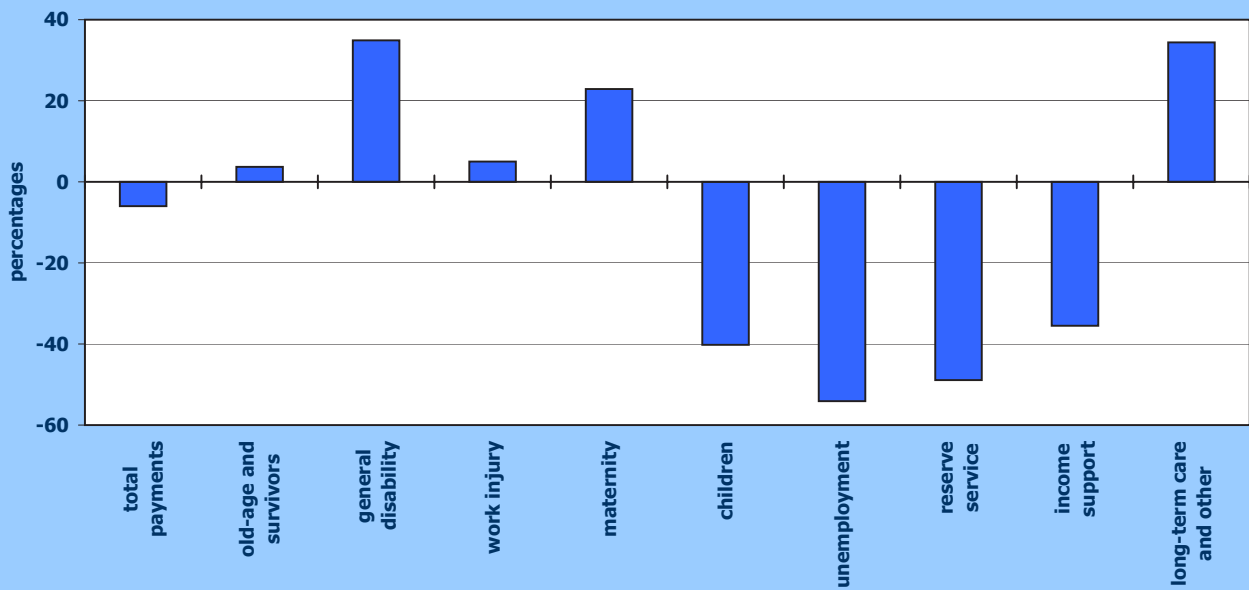


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\* The source of the international data: OECD; the source of the data for Israel: the National Insurance Institute and the Central Bureau of Statistics

Diagram 9  
**Rate of Real Cumulative Change in Benefit Payments, 2007 Compared to 2001**





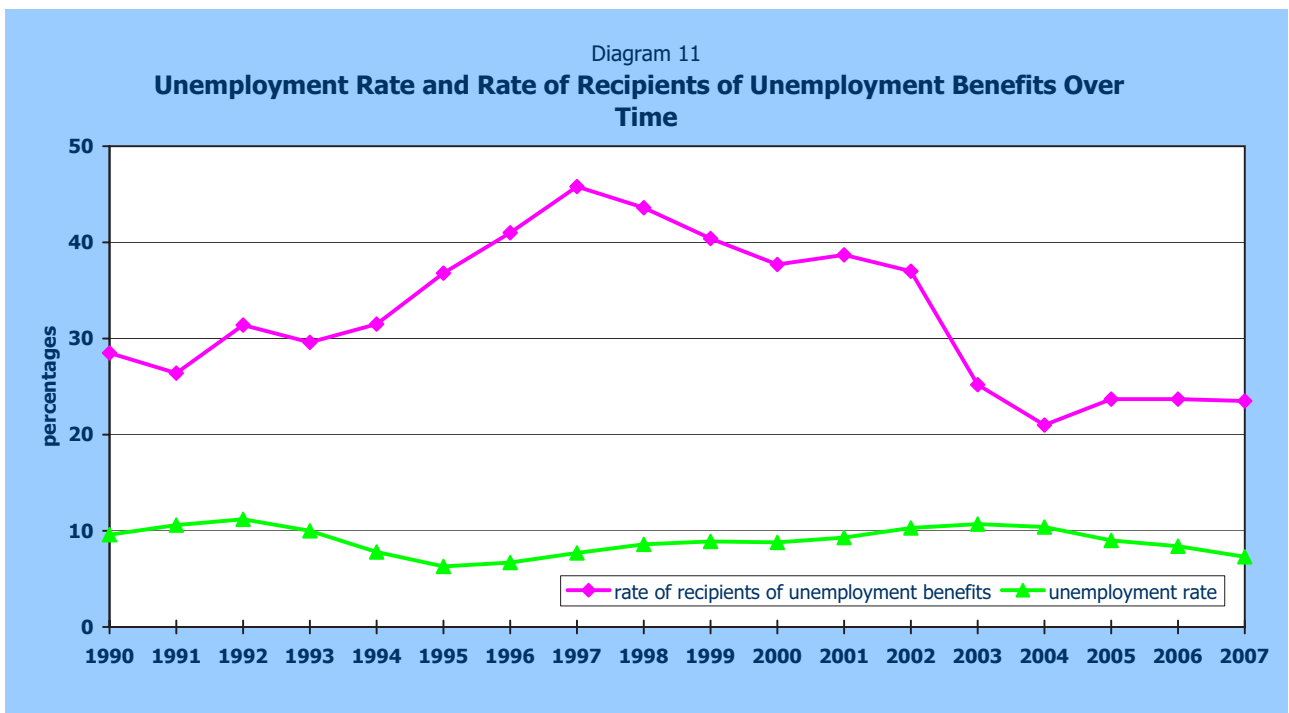
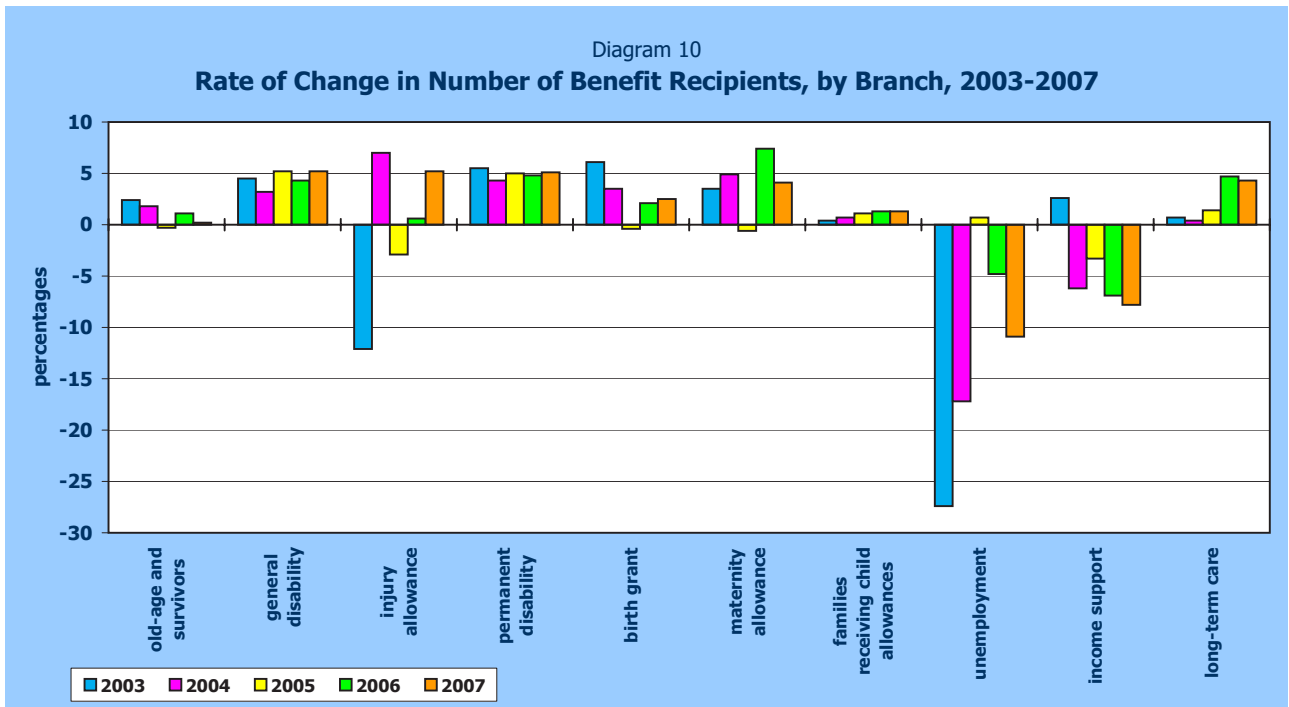


Diagram 12  
**Poverty in Total Population, Before and After Transfer Payments and Direct Taxes: Families (percentages), 1979-2006 (not including East Jerusalem)**

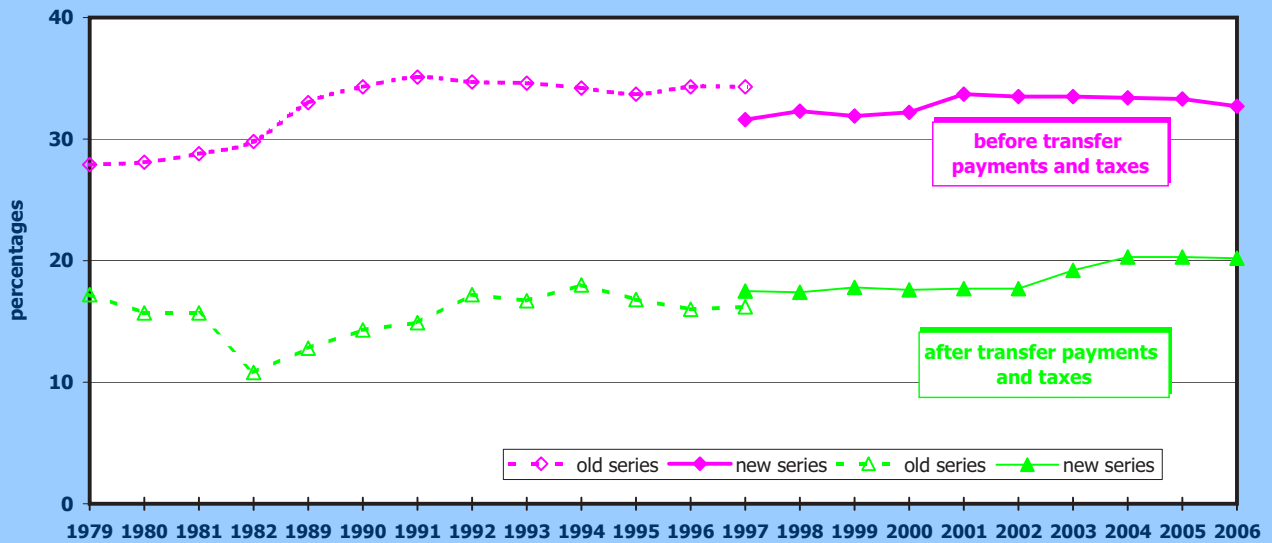
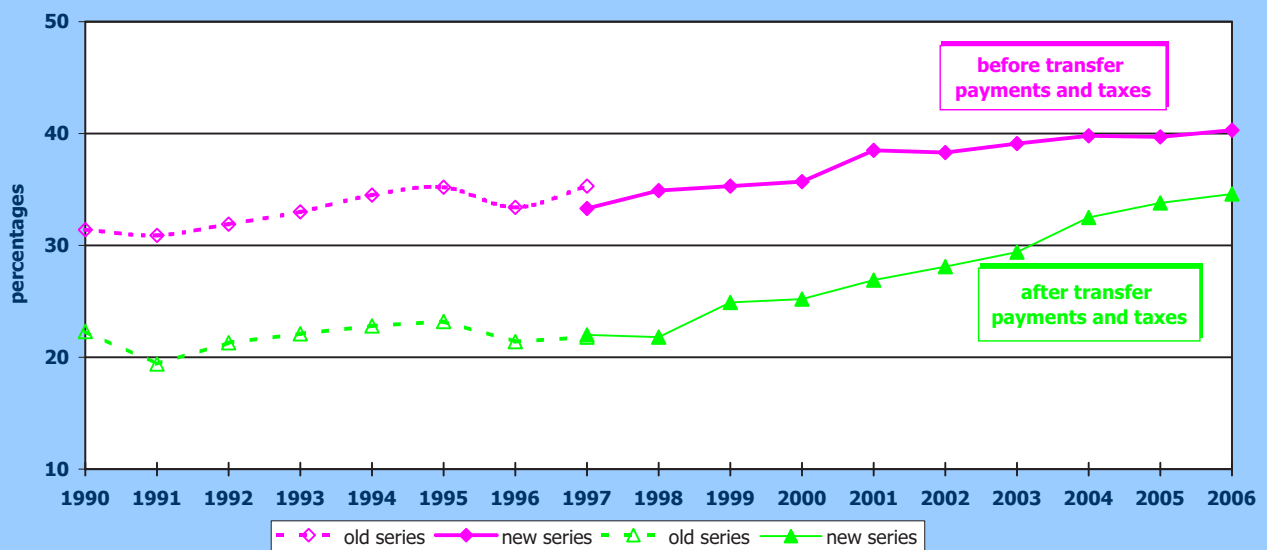


Diagram 13  
**Poverty Among Children, Before and After Transfer Payments and Taxes (percentages), 1990-2006 (not including East Jerusalem)**



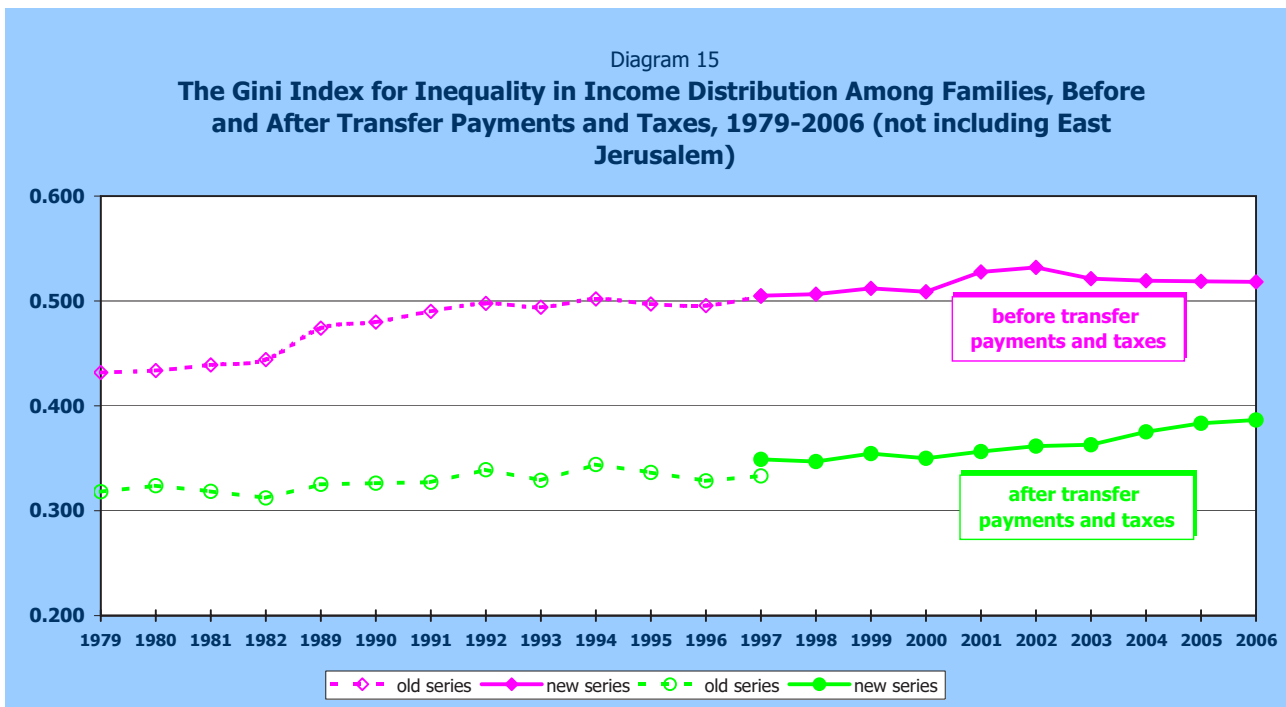
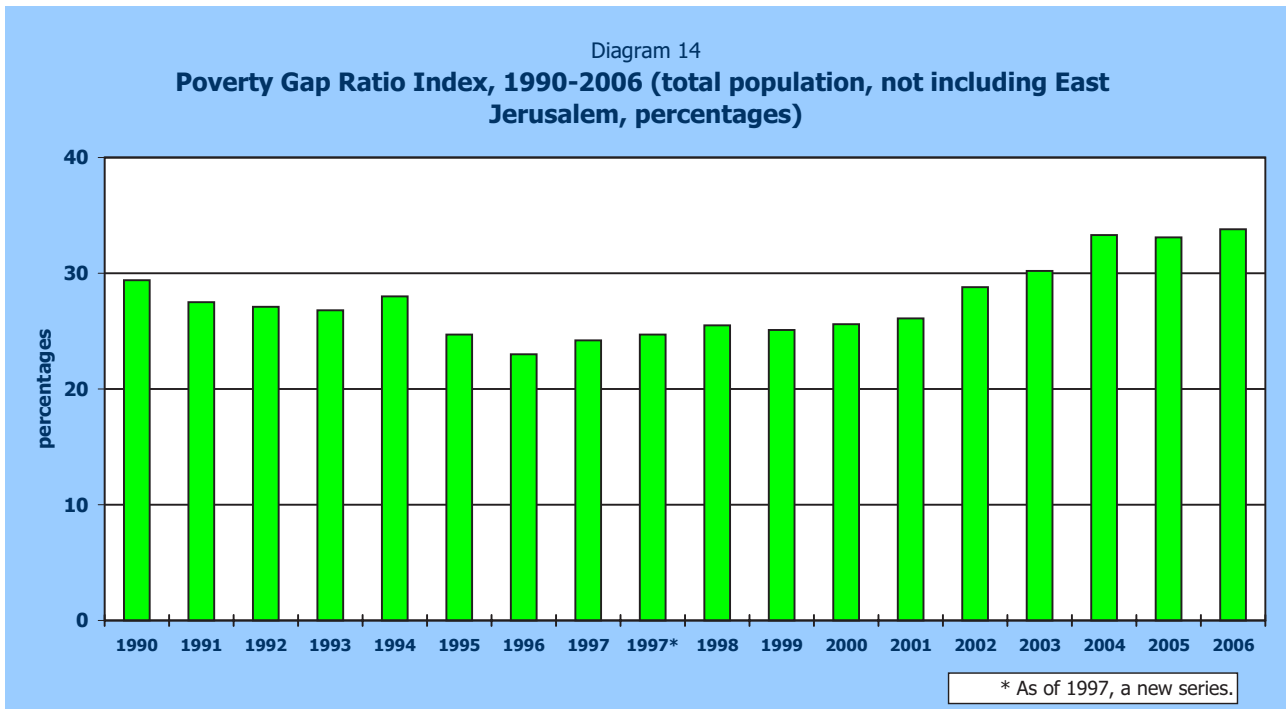


Diagram 16  
**The Share of Each Decile in Total Transfer Payments and in Total Direct Taxes - Total Population (percentages), 2006**

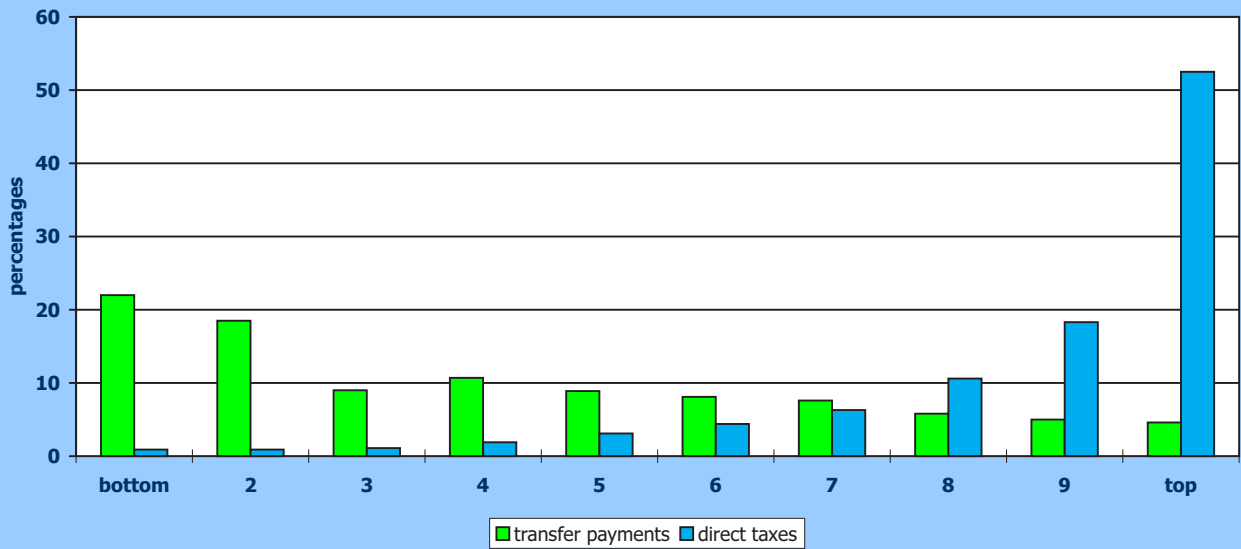
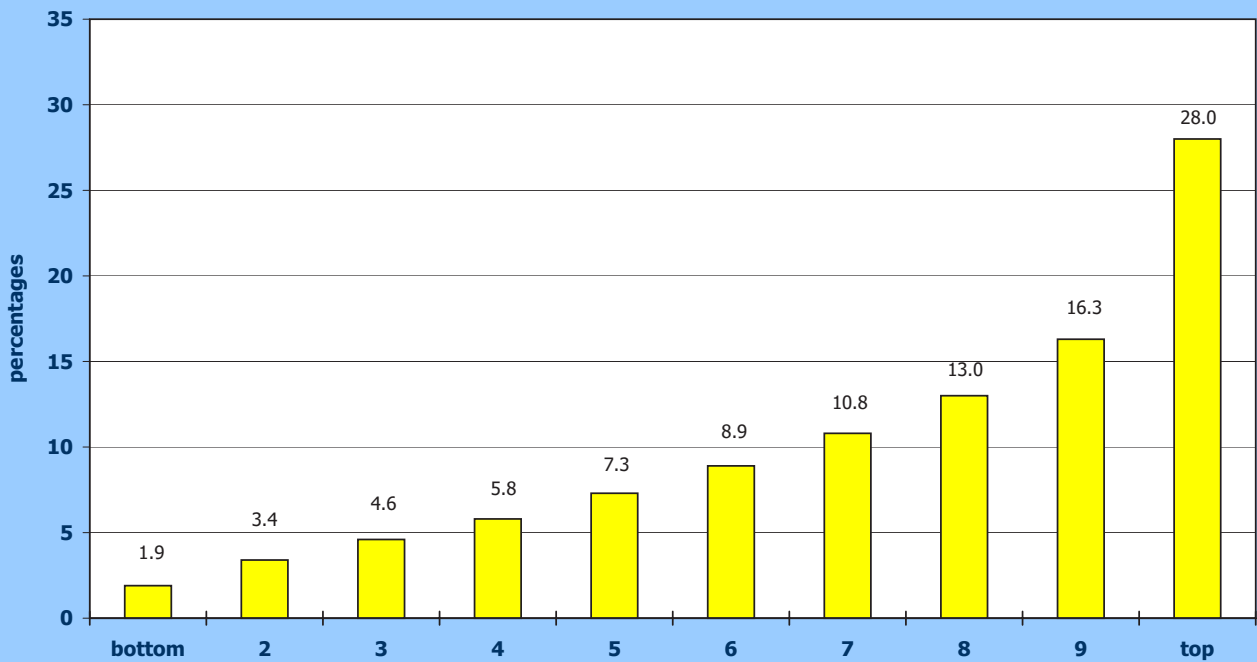


Diagram 17  
**The Share of Each Decile in Total Net Income (percentages), 2006**





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**Chapter 1**  
**Social Policy and Developments**  
**in National Insurance**

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## Introduction

In this chapter the state of social affairs and social policy in Israel is analyzed. Special attention is given to the activity concerning Israel's social security as implemented by the National Insurance Institute in 2007. Developments in poverty and inequality, developments in public welfare expenditure, as well as the government's plans to reduce poverty (Part 1) as reflected in the government's *socio-economic agenda*<sup>1</sup>, are evaluated (Part 2). Developments in benefit payments – scope, level, number of recipients and their sources of finance – are reviewed (Parts 3, 4, 5 and 6). Recommendations in the sphere of social policy are presented (Part 7). The issue of migrant workers in Israel, viewed in an international perspective (Box 1) and the topic of poverty as opposed to inequality as reflected in the official *agenda* (Box 2) are also discussed in the present chapter.

### 1. Issues of social developments

The Israeli economy has been very successful in recent years according to accepted macro-economic standards. The Gross Domestic Product (GDP) grew at an annual rate of about 5% between the second half of 2003 and the beginning of 2008, reflecting a per capita growth rate of about 3%. Israel's international creditworthiness, as reflected in its rating by major international rating companies, improved both due to macro-economic discipline – as expressed in responsible fiscal and monetary policies as well as in developments in the balance of payments and the foreign debt – and to its achievements in hi-tech. The improved financial reputation enhanced Israeli firms' access to international capital markets and secured improved interest terms on their debts. It also improved the situation of individual debts of Israelis to institutions abroad and made foreign investment in Israel more attractive. All these developments strengthened the Israeli economy in recent years, and one would expect that they should also improve to some extent the general welfare of Israeli residents. However, unfortunately, 2007 still does not herald news of any real improvement in the social area. The following brief review of developments since the 1990's may serve as a platform for discussing Israel's main social problems in 2007 and the potential instruments with which these problems may be overcome.

The process of opening the Israeli economy to globalization was accelerated during the 1990's, after the gradual liberalization of capital and financial markets in the late 1980's. A new dimension to globalization was added with the outbreak of the intifada. Disruptions, mainly in construction and agriculture, persuaded the government at the time to open its gates to migrant workers, replacing Palestinian workers in Israel, many of whom could no longer regularly attend work due to frequent closures of border crossings from the territories, imposed for security reasons. During this period there was a worldwide general movement of many workers from very poor countries in Africa, Asia, and South America to Western countries with relatively high wages. Like European economies, the Israeli economy attracts migrant workers, particularly in light of falling international travel costs. Thus the international movement of workers became an important aspect of globalization, in

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1 See "Socio-Economic Agenda" (2007), The National Economic Council, the Prime Minister's Office.



addition to capital flows between countries. Some countries, such as the United States, particularly encourage, through entry regulations, not only simple workers but also highly educated workers, in order to benefit from their high labor productivity and low wage cost relative to that of domestically hired workers. In Israel, a different approach was taken: since 1993, an increased flow of migrant workers has been allowed into the country, while making sure that mainly workers for simple jobs were allowed in – mostly for construction and agriculture – and in recent years, mostly nursing attendants for the elderly and the disabled.

Another important process that resulted from accelerated globalization was the loss of competitiveness in production of products based on cheap labor in developed economies, and a transition of these industries to economies in the early stages of industrialization. This development also affected the Israeli economy, creating a policy problem concerning the influx of migrant workers, which has not yet been solved. As a result of this process, described in Box 1, many Israeli workers with little education, many of them in the Arab sector, at first lost their jobs and at a second stage dropped out of the labor force altogether. This process has certainly contributed to increased poverty and inequality during the past 15 years. The massive immigration from the former Soviet Union during the 1990's, together with the exit of low-skilled workers from the labor market, pushed this population to the entrance of the income support system, to a large extent for the lack of any other option.

Box 1:

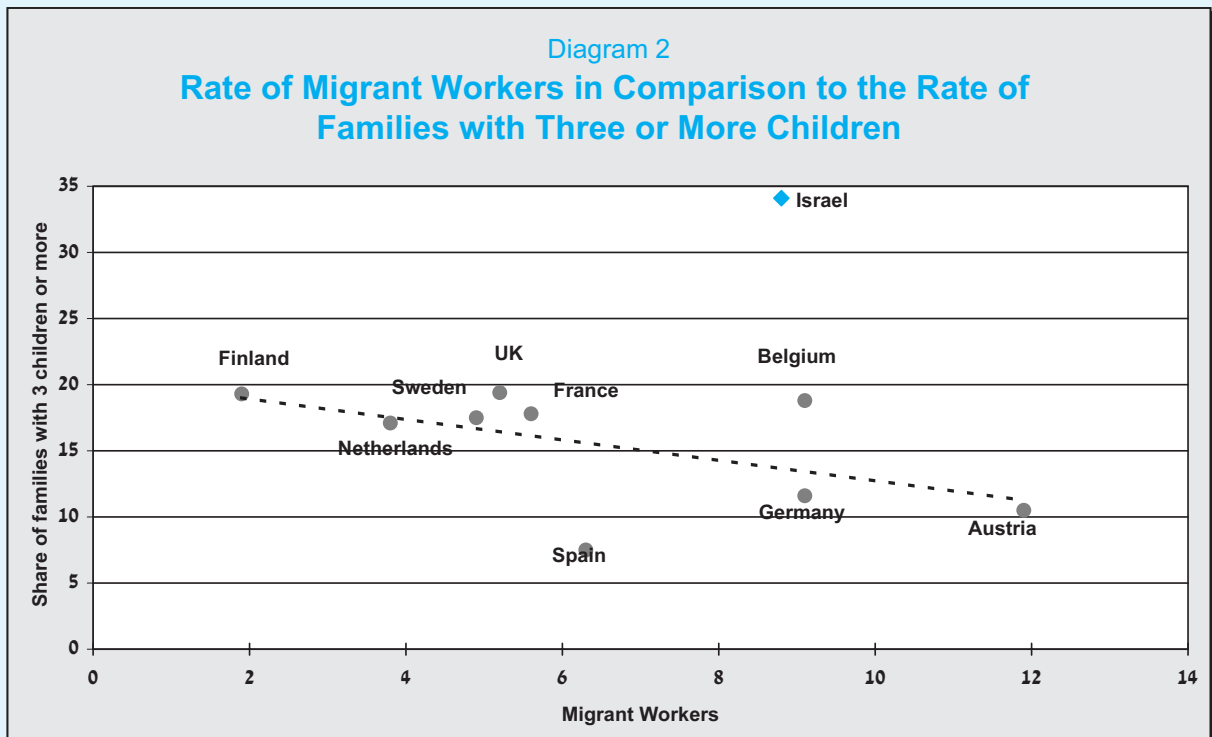
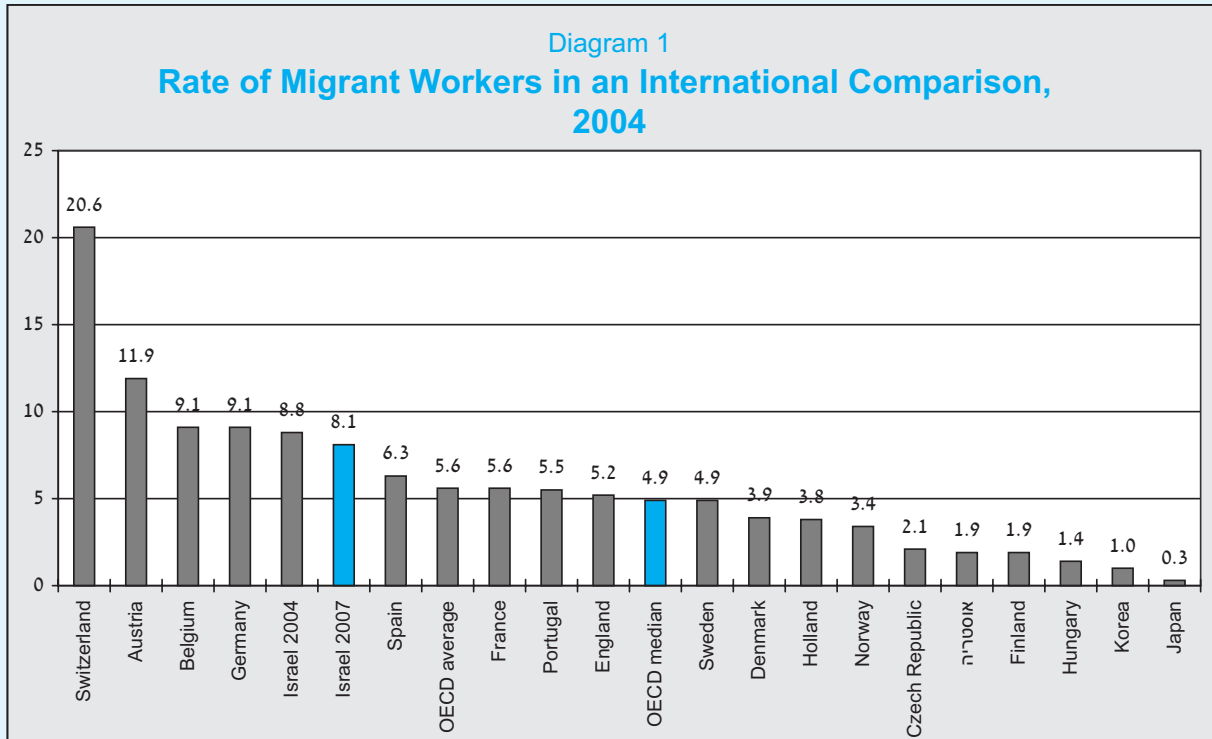
### **The Topic of Migrant Workers in an International Perspective**

The rate of migrant workers in Israel is high by international comparison: the median in OECD countries stands at 4.9%, while in Israel it reached 8.8% in 2004 (the year to which data pertaining to the other countries refers to) and in 2007 it decreased slightly – to 8.1% of the Israeli labor force (Diagram 1). A main reason for opening the country's gates to migrant workers is the aging of the population and the sparsity of young people at working age, a situation that characterizes many Western countries where the rate of migrant workers is high. Despite the fact that in Israel the rate of young people is particularly high compared to other Western countries, the rate of migrant workers is also exceptionally high, though the trend indicates an inverse relation between the two (Diagram 2). The high rate of work migrants in Israel is problematic in light of the high weight of young people with little education within the Israeli population, and due to lacking enforcement of labor laws. These young people therefore confront unfair competition for their potential jobs.

Due to the above policy, the labor market of simple workplaces has been flooded with migrant workers who are, in many cases, employed in unfair conditions, while only half of them hold a permit. This process had a severe adverse effect on the prospect of Israelis with little education to secure employment with adequate wages in their potential labor market area – personal services – since success in this type of work does not require formal high education. Moreover, a person who opts for this area can improve his competence through prior vocational training.

A commonplace argument is that there is no chance to match Israelis who require 24-hour attendance with Israelis who are willing to provide this service. A similar argument was made several years ago with regard to the area of construction, and was proved wrong – appropriate wages have created a supply of Israeli manpower. Even if the argument is proved to be right further along, even with a significant pay rise, 24-hour work alternatives may develop, such as shifts, emergency services, etc. It is probable that when the obstacle is lifted, in time equilibrium will be created so that some of the services will continue to be rendered by migrant workers, though at a higher cost due to necessary enforcement of labor laws.

In order to avoid the damages of mark-up in services for the needy (the elderly and the disabled), the government should subsidize these services. It is likely that in many cases the budgetary cost will still be smaller than the cost of increasing the number of beds in nursing homes, protected tenancy, etc. The government should include in its calculations not only the need for increasing subsidization, but also the savings which result from a reduction in the share of the working-age population receiving income support, the advantages expected from reaching its social goals (see Chapter 1) and more.



In response to the economic crisis that emerged in Israel in the early 2000's, the government decided to reduce the government deficit in order to maintain the fiscal target. This was done mainly through a cut in social expenditure which had a severely unbalanced social impact. Even if the macro-economic program called for a cutback, this step was unnecessarily harsh. Part of the problem was that concurrently with the required cutback for the purpose of deficit reduction, the government decided on a steady and rapid reduction in income taxes, which led to an even stronger need for an expenditure cut in order to achieve the budget deficit target. This unbalance policy pushed poverty and inequality rates further up, leading to a situation whereby the weak population suffered twice – firstly, through its impaired access to the labor market and secondly through the policymakers' unwillingness to bear the consequences of their policy towards non-Israeli workers and of the weak compliance to labor laws.

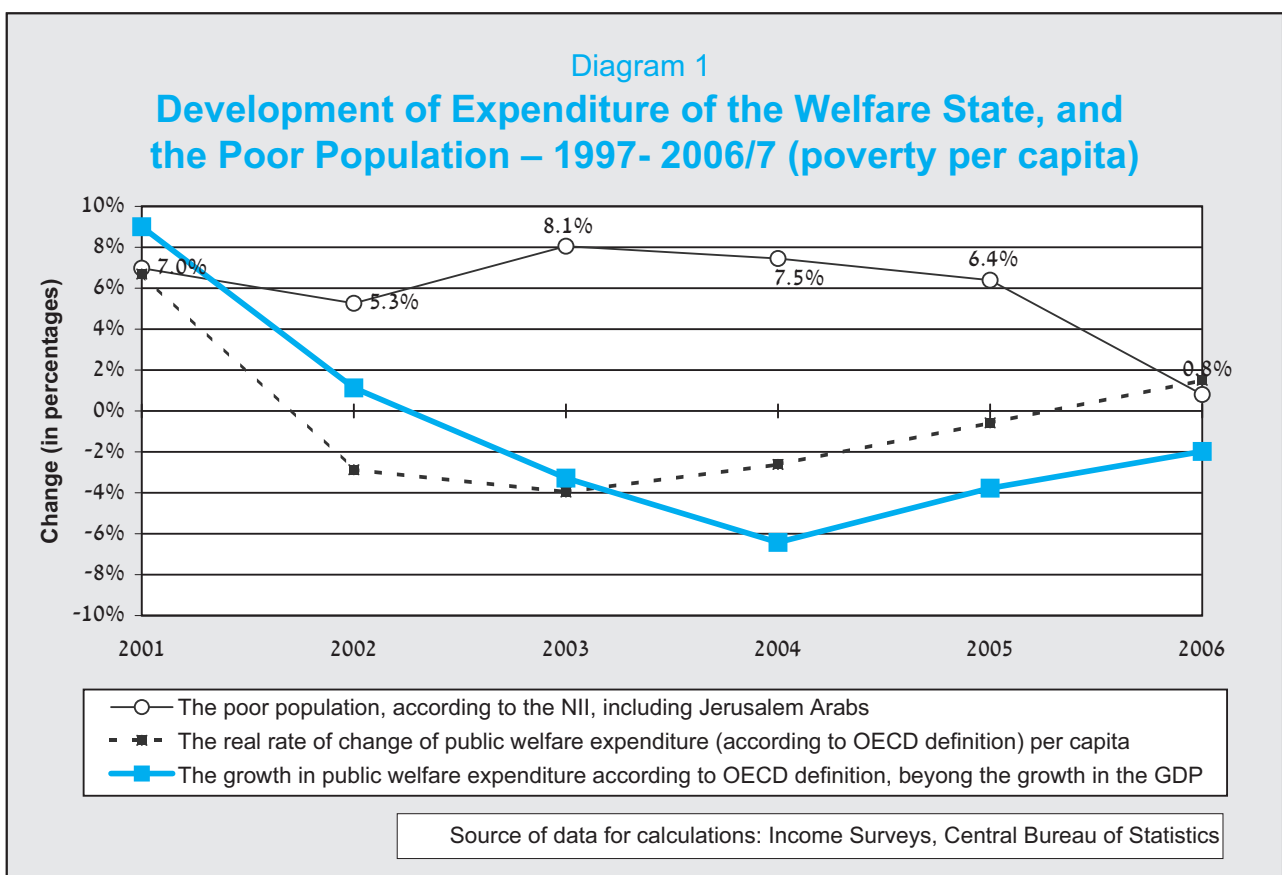


Diagram 1 illustrates the rate of growth of the poor population in Israel in comparison to the rate of change in public welfare expenditure (according to OECD classification) in 2001 and onwards. The diagram demonstrates the inverse relationship between the two variables: when welfare expenditure cuts were accelerated, the rate of growth in the poor population was moderated and vice versa. The overlapping of the two curves in 2006 points to the halt of the deterioration in the social situation.

The diagram illustrates that the growth of poverty and of cutbacks in welfare expenditure were moderated in 2005 and 2006, showing stabilization of poverty and inequality at high levels; although the continuous reduction in national welfare expenditure in terms of the GDP since 2002

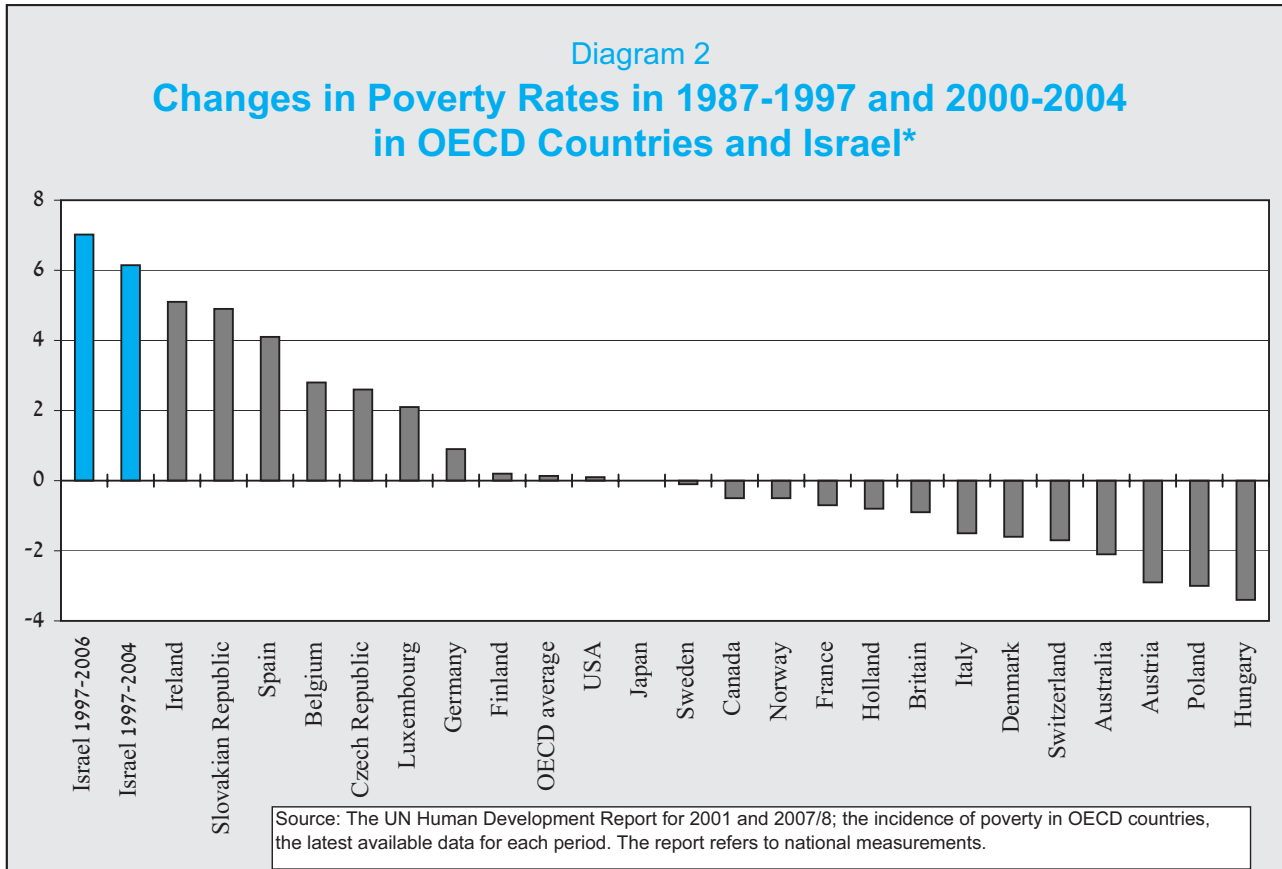
was indeed restrained, a positive correction was not made until 2006. It seems however, according to preliminary estimations, that a certain correction was effected in 2007. This positive trend is the upshot of recently increased social awareness of the government reflected in real measures such as the enactment of the Negative Income Tax Law and the increase of pensions for the elderly.

The reduction in national welfare per capita expenditure in recent years reflects the recent extensive cutbacks in benefits and the change in the method of adjusting benefits (their linkage to price changes rather than to changes in wages), but it does not explain all the factors that acted to stabilize poverty at its high level. The high level of poverty is also a result of government policy to increase the available income of the upper deciles through a gradual income tax reform in which tax rates were reduced. This tax reduction, in conjunction with maintaining the deficit target, has created – at least in the immediate term – the need for further cutbacks in expenditure. The decision to make substantial cutbacks in social services increased the regressive nature of the move. This conception reflects a priority which adversely affects low-income groups, thereby causing further poverty and economic inequality. Inequality also grew due to the nature of the economic growth: to the extent that this growth stems from the expansion of hi-tech branches, the resulting demand is mainly for highly skilled workers.

Inequality and poverty in Israel are high both historically and by international comparison. The data reflect increasing polarization in Israeli society, which creates an increased risk of political and social instability. The strengthening of social security is an important tool for minimizing this risk while avoiding negative work incentives.

Diagram 2 illustrates the change in poverty incidence (in percentage points) in OECD countries and in Israel through 2001-2004 (according to available data), as compared with the average that prevailed through the 1987-1997 decade. The change from this decade to 2006 is also shown for Israel. Even though the years on which the data are based differ due to data availability for each OECD country, the overall picture is clear: while in more than half of the reporting countries poverty was reduced during this period, in the OECD countries reported on in the table, poverty remained more or less unchanged (an average increase of 0.1%), and in Israel, poverty incidence rose by 6-7 percent points.

The picture of poverty is influenced by recent government policy supporting a slower increase in public consumption than that compelled by the growth of the low-income population in Israel. A common contention in support of the expenditure policy is the need to maintain a responsible fiscal policy – that is, continuing to reduce the weight of the public debt and of government deficit in the GDP. There is no doubt that a responsible policy compels abidance by the rules aimed at reducing the government deficit and the weight of public debt in the GDP, but it is also clear that in order to implement these principles it was not necessary to make cuts specifically in the social security system and certainly not to the extent that this was done from 2002 to 2004. It should be remembered that the weak population groups have recently grown faster than has the population as a whole.



The condition of the poor in Israel also manifests itself in non-financial aspects: it is influenced by the long-term neglect of fundamental public infrastructure in the periphery – especially among the Arab population in the south of the country – in many basic areas, such as transportation, education and access to industrial zones. Too many Arab communities are still unconnected to the systems of electricity, water and sewage. All this is detrimental to the welfare of the concerned population among these groups and its ability to integrate in employment. Box 3 in Chapter 2 reviews the particular poverty situations of various population groups in Israel and further elaborates on the topic of infrastructure.

## 2. Government social policy targets

In light of the above, the government declared in 2007, through its *socio-economic agenda* document, its intention to improve the socio-economic situation of Israel. The government recognized the complexity of the problem and the need to devise a perennial policy framework, and therefore defined its target to reduce poverty within three years – from 2008 to 2010. The government thus signals, and rightfully so, that improvement cannot be achieved overnight but rather requires a fairly long-term approach. We will therefore discuss not only steps decided upon in 2008, but also the government's aspirations as reflected in the three-year targets. This analysis must be made on the basis of a wide consensus that sometimes deviates from the immediate operative responsibility of the NII. At the same time, it is clear that changes in the social situation

affect not only the welfare of the population, but also bear indirect implications on social security policy. Thus, for example, the programs for enhanced integration of working-age income support recipients into the labor market is expected to reduce the number of recipients of subsistence benefits, as proved to a certain extent by the "Prospects of Employment"/Welfare-to-Work program ("from Income Support to Secured Employment" until 2007). It is important to assure that the reduction in welfare dependence indeed stems from an increased participation in the labor market of program participants and not from other reasons.

Another important question is to what extent the relatively high economic growth has managed to improve the socio-economic situation. So far data suggest that there has been little such improvement. The reasons for this will be examined, and in order to do so we will expand the review to demographic developments expected in the coming years and we will examine the steps that may be taken in order to strengthen the link between economic growth and reduction of poverty and inequality. The responsibility for such steps lies with various government ministries, such as the Ministries of National Infrastructures, Transportation, Education and Health, and institutions responsible for the basic infrastructures such as electricity, water and sewage. The better the government manages to cope with a distribution of resources by region and population group, the lesser will be the burden on Israel's system of subsistence benefits. This will also help keep up the true fundamental tasks of a healthy social security system – namely to provide assistance to anyone in need.

The government decision – taken in the course of 2007 and in the beginning of 2008 – to adopt targets in the areas of poverty and employment, actually constitutes a change in social strategy. This step, important as it is for dealing with poverty in the medium and long run, does not address the immediate severity of poverty, since the government is not presently considering an increase in subsistence benefits for working-age persons.<sup>2</sup> There is thus a need to implement a combined policy which explicitly addresses short-term targets as well. This change of direction, if realized, requires time for planning and execution. The income support scheme in the social security net is designed to enable economically distressed families to bridge over the period during which active policy has not yet fulfilled its targets.

In addition to these targets, it was further decided to curtail poverty through enhancement of employment and remuneration for work, including negative income tax – so far only experimentally in the specific regions of the Lights to Occupation/Prospects of Employment Program. The government has also initiated a dialogue between the Industrialists' Association and the Histadrut, on operating a "compulsory pension" program. Beyond that, the *Agenda* document discusses reports by various committees concerning children at risk, education reforms, and more. It stresses the need for *improving efficiency* (as phrased) in the system of social security benefits – a choice of words that insinuates that the government believes it not to be adequately efficient at present. Behind the term *improving efficiency* hides a "residual" conception whereby benefit payments should be channeled mainly to the poorest population, arguing that others do not need it. This

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2 It is noted that the government did recently increase old-age pensions, which significantly affected the incidence of poverty in the older population. Moreover, the *Agenda* document discusses the possibility of making the benefit system more effective, but not of increasing benefits.



attitude goes against the fundamental idea of social security, since the foundation of support for the social security system is the middle-class, on which rests most of the financing burden of this system. The policy of channeling benefits only to the poorest parts of the population may lead to a weakening of the connection between payment of insurance contributions and payment of the benefits meant to be guaranteed to this public in time of need and thus to an erosion of support on the part of this important population group altogether.

The government resolved to set two targets concerning the juncture between economy and society: an employment target and a target to reduce poverty – thus indicating its awareness of the relationship between poverty alleviation and increasing employment.

Policy goals can be a useful tool to administer policy. It is designed to support policy implementation, particularly when implementation is a lengthy process. The problem and its solution can then be spread out gradually over a number of years, thus reducing the burden on annual budgets. The policy can be regarded as successful, even if the problem remains unsolved, as long as the public is convinced that reasonable effort is being exerted to mitigate it, and that it has produced at least partial results. It is therefore important for the chosen target to be convincing, i.e., recognized by the majority of the public as relevant, in light of the problem's extent. The public's patience can be stretched as long as it is convinced that the treatment of the problem is thorough and honest, and the very advancement favorably affects government credibility in the public eye. A dynamic relationship is thus created between the government and the public, which in turn creates a cycle reinforcing the policy and its outcomes, since the better the public understands the government's intent and accepts it as a desirable one, the more it adapts its behavior towards attaining the target. In other words, if government actions are indeed relevant to the desire of individuals to integrate into the labor force, their expectations will be affected accordingly, as will their behavior. A credible policy will generate hope of escaping the cycle of poverty and will influence the desire to work. This process is analogous to the force generated as a result of battling inflation by adapting inflation expectations to low levels. Expectations that coincide with government targets are government credibility made tangible.

### **A. The Israeli experience with policy targets**

The Israeli economy has had experience with two main targets –the inflation target and the fiscal target. The latter had set a downward course for the deficit ever since its one-time increase to absorb the large immigration wave of the early 1990's.

The main success of the inflation target (a not particularly coherent course was selected at first, and later substituted by a long-term price stability target of 1%-3% along with the government's conviction of the policy's success) was in that it helped reduce inflation from about 16% to 20% through 1987-1991 and after several years of a very low level – less than 2% on average over the past six years. An important condition for the success of this inflation target policy was the unequivocal responsibility of a professional body, in this case the Bank of Israel, acting under a law



that explicitly specifies the Bank's responsibility for price stability.<sup>3</sup> The declaration of the target per se also created an important dynamic process: when the target was introduced in 1992, at first in a somewhat hesitant and non-transparent manner, a focal point was created. The press, public and government agencies, even if they were not previously enthusiastic about the target, suddenly began to scrutinize the Bank of Israel's performance with respect to the target and to criticize it for deviating from it. Aside from the discomfort this caused for the Bank of Israel during those years, this fact set in motion an interesting dynamic: the Bank was forced to dedicate more efforts to understanding the process of reducing inflation and of the transmission mechanism at work between the policy tools (interest or monetary aggregates and the exchange rate) and the target. Thus systematic thinking was fostered, models were developed and policy papers were prepared and discussed as part of an ongoing and consistent policy. Over the years, the policy became more and more structured, with regular monthly and weekly discussions. In the course of the disinflation process, it became clear to the Bank heads that the Bank's authority must be broadened in order to better meet the target. Once the policy had been successfully implemented, a periodic follow-up report was added to enable the institution responsible for policy implementation to explain its measures. With all difficulties integral to the process, it is possible to conclude that the policy succeeded to a reasonable extent.

The fiscal target was in later stages supplemented with the debt to GDP ratio ("the 60% target"), and recently with a limitation on public expenditure (1% real annual growth, later increased to 1.7%). With hindsight, one may say that the two policy targets were achieved as far as policymakers are concerned, regardless of differences of opinion that arose in the course of the years.

The government's fiscal credibility was not steady. In the first years changes were made in the target that was first declared just prior to the 1992 budget: the (local) budget target was first set due to the fear of a breach in the budget after the immigration wave of the 1990's and the concern of uncontrolled deficits, as in the distant past. At first, the target of budgetary balance was set for 1995, but as it became clear that the target of a zero deficit would be too difficult to achieve it was replaced by the target of reducing the deficit. The succeeding government expanded the target indicator from the local deficit to one considering the entire deficit while changing the course of the target itself in a way that would make it more easily attainable. The succeeding government followed a similar course when it corrected another aspect of the government deficit, also by way of making the target easier to achieve. The government behaved in a similar way afterwards when it changed another technical aspect of the State deficit, making it easier to attain its target. Thus considerable skepticism was created regarding the target, but with the benefit of hindsight we can conclude that setting the fiscal target eventually improved fiscal discipline. The debt target (limitation of the public debt to 60% of the GDP, similar to the target of the European Union) struck roots in a less formal way and without a timetable, while it is compatible with the conception of reducing public expenditure, which Israeli governments have supported in recent years. The public debt has indeed decreased since a decision was taken regarding the law for reducing the budgetary deficit from a level of over 100% in the second half of the 1990's to about 80% in 2007.

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3 This is regardless of the current discussion on the target's clarity under the existing law, as compared with the law being formulated in recent years.

These experiences suggest that the government can learn important lessons from its own experience in recent years with respect to the employment and poverty targets in the government's "agenda": Namely (1) that targets, when pursued consistently over a long enough period of time indeed produce positive results and (2) that if at first they suffer lack of aspiration, they will eventually have to be reset more ambitiously, and (3) once a government engages in the pursuit of policy goals, a serious policy effort will be benefited by improved policy credibility in the eyes of the public. This will cause the public to change its expectations and therefore its behavior in favor of the outlined policy target, thus making it achievable so that a way will be found out of Israel's social predicament.

## B. The employment target

The government decided to direct its employment policy toward reaching an employment rate of 71% among persons aged 25-65 by 2010. This is a desirable target, though it would have been better to tighten the connection between it and the poverty target by setting consistent and detailed goals regarding populations characterized by high poverty rates and exceptionally low employment rates. This could then create a commitment on the part of the government to improve the infrastructure relevant for achieving the employment target in places where such infrastructure is lacking or defective. Furthermore, it is important to elaborate on the supplementary services for achieving the target in selected areas, such as day-care centers for young children and school lunches.

For some reason, the government decided not to include in its policy young persons under age 25, a critical group regarding the poverty target, since it is well known that poverty is particularly high among young persons (heads of households) up to age 24. In the Arab population and among new immigrants, for example, there are many young persons aged 21-25 who dropped out of the education system and who are not integrated in the labor force. The incidence of poverty in this age group is 34.5% among families and 51.9% among children (about 48,000 children). The average family size is 3.6 persons, and the average gap between their incomes and the poverty line is about 37%. Moreover, the limit of the target to the age of 65 is inconsistent with government policy of raising the age of retirement to 67 for men and to 62 for women.

In order to track the policy's success and difficulties it is important to immediately broaden the sample of income surveys, expenditure surveys and manpower surveys, so that we can analyze specific target groups according to combined factors of age, gender, nationality and size of family by region.<sup>4</sup>

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4 The size of the current sample used for income surveys does not allow analysis of such small sub-groups. Such an effort was made at the time by the Central Bureau of Statistics when the Prime Minister at the time, Shimon Peres, together with his economic adviser, Michael Bruno, sought to calculate the price index every two weeks instead of once every month. This step then helped to enhance public trust in the success of the program, a fact that manifested itself clearly through swift reduction in inflation expectations. Policymakers wanted to track the success of the stabilization program in real time.

### C. The poverty target

The poverty target was determined in two stages: at first, it was determined that the poverty incidence among families should drop to a level of 17.2% by 2010. This target was then abandoned in terms of poverty level, and a target was set in terms of change in net financial incomes for the bottom quintile. This target is defined as follows: During the three years 2008-2010, the average income for families in the bottom quintile should increase at least 10% faster than the per capita GDP growth rate. If, for example, the GDP per capita grows during this period by 10%, the target will be achieved if the real income for bottom quintile families will increase by 11%.

This approach of giving priority to income changes over a target defined in terms of poverty level may create results contradictory to the government's declared policy to reduce poverty. It is in fact possible that the formal target will be achieved while poverty actually increases during this period – for example, if per capita GDP growth is slower than the growth of the average income of the bottom quintile, while the latter grows less than the median income that constitutes a widely accepted indicator of the standard of living in the economy.

An additional important disadvantage of defining the target in terms of "change" is the association of the poor with the bottom quintile. Even if the current poverty rate among families is similar to that of the bottom quintile, this fact will become ever less accurate as the incidence of poverty differs from the bottom quintile. If poverty rises, it would mean that the new poor are being ignored, and if it drops, it would mean that the definition does not distinguish between those who are truly poor and those whose condition has improved.

The "change" index also suffers from asymmetry in that the GDP is measured in terms of individuals, while the bottom quintile income is measured in terms of income per family, rather than any weighted income according to family size. For example, if a family composition in the bottom decile changes, the change in income will be affected by the family composition as well, not only by the change in the family's situation.

Furthermore, in order to clearly express poverty among children, which is the most painful problem of poverty, it would have been desirable to add a specific target concerning this problem. It is important to remember that more than a third of the children in Israel are poor, and that 48% of all the poor in the country are children (2006). An examination of Israel's position in an international perspective shows that even the use of an internationally accepted equivalence scale places Israel high above the average incidence of child-poverty among many Western countries. A detailed discussion of child poverty is given in Chapter 2 and in its boxes.

In any event, it appears that setting the aforesaid triennial target is not ambitious enough – particularly when considering the large gap in the poverty incidence between Israel and OECD countries. It is important to set a target, even if it needs to be set as a very long-term goal (say 10 years), that will instill hope for a fundamental positive change in the situation. In this case one can learn from aspirations in the fiscal area, in which the European Union adopted the 60% GDP rule for the public debt .

A similar approach concerning overall poverty could be to set, for example, a poverty target of 10%, which would be reasonably close to the average incidence of poverty in OECD countries (9%). Since this target would present a formidable challenge, it is possible to set a longer timetable, for example 10 or even 15 years. A target that does not reflect reasonable aspirations is pointless since it is similar to marking a target close to the current unsatisfactory situation.

Beyond the change in income or in the incidence of poverty, it is very important to take into consideration the poverty gap. The National Economic Council intends to monitor the average income gap from the *poverty line*, but this is insufficient, since the average income gap fails to distinguish between the poorer and the less poor. Thus, for example, if policymakers opt to subsidize poor employees (usually situated close to the poverty line) by a negative income tax, to be financed by a cut in income support benefits or harshening conditions for entitlement to these benefits (for which mostly the very poor are entitled) this implies a transfer of incomes from very poor families to less poor families. The income gap cannot reveal this fact. Therefore measures are needed that give less weight to the income of the poor the less poor they are. There are a number of cumulative poverty indices accepted in the professional literature that are sensitive to poverty severity. One of them is the Sen Index (named after Amartya Sen, Nobel Prize winner for economics in 1998) that has long featured in NII reports, and recently also in reports of the Bank of Israel. They are also accepted today in research reports by institutions that specialize in poverty research such as The World Bank and the UN (e.g. the UN's Human Development Report). The internationally most widely accepted measure in addition to the poverty incidence measure is the index of poverty severity known as the *squared income gap*<sup>5</sup>. The data presented in Diagram 4 shows that the significant deterioration in the incidence of poverty and inequality was moderate in comparison to the deterioration in the severity of poverty, as reflected in the FGT Index, which doubled from the early 2000's until 2004 and onwards. The advantage that the poverty severity index brings to the incidence of poverty index is that the former also registers improvements in the poor person's condition, even though he remains poor. In many cases, policy measures improve the condition of the poor without completely extricating them from poverty, for which the policy maker deserves recognition as well.

As aforesaid, by binding together the poverty and employment targets the government signals that the primary mechanism through which poverty needs to be attacked is the labor market. It is indeed important to reduce poverty through increasing employment, but in order not to neglect the monitoring of population groups that are not capable of finding a solution for their distress through the labor market alone (such as the elderly and weak population groups, particularly those of working age), intervention in supplementary areas is required.

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5 This index was developed by Foster, Greer and Thorbecke and is therefore also referred to as the Quadratic FGT index. This well-accepted index has important virtues described in the professional literature. It is regarded by the majority of researchers on poverty to reflect poverty severity adequately. Hypothetically, the index would be equal to the incidence of poverty, if **all** poor persons included in the index were to have no income at all ("the wretchedly poor"). Alternatively, if all that was needed for the poor to escape poverty was "one shekel", then the suggested severity index would be very close to zero, thus showing a very low severity of poverty. The higher the index of severity (the value of FTG<sup>2</sup>), the more severe the poverty. The index thus varies between zero (negligible severity of poverty) and the value of the incidence of poverty (extremely severe poverty).

This chapter offers several means to improve the earning capacity of the poor population. Any fundamental solution in this context must include a real increase of the probability of needy persons to find suitable employment at reasonable wages. The government has indeed committed itself to this purpose through the *From Dependency to Self-Sufficiency/Prospect for Employment* program, the negative income tax program and other programs dedicated specifically to groups such as the ultra-Orthodox population and other special population groups. It appears that in order to effect a deeper change in earning capacity, a change in the range of interventions is required.

## Box 2:

### A Comment on the Relative Importance of the Struggle against Poverty As Compared to the Struggle against Inequality

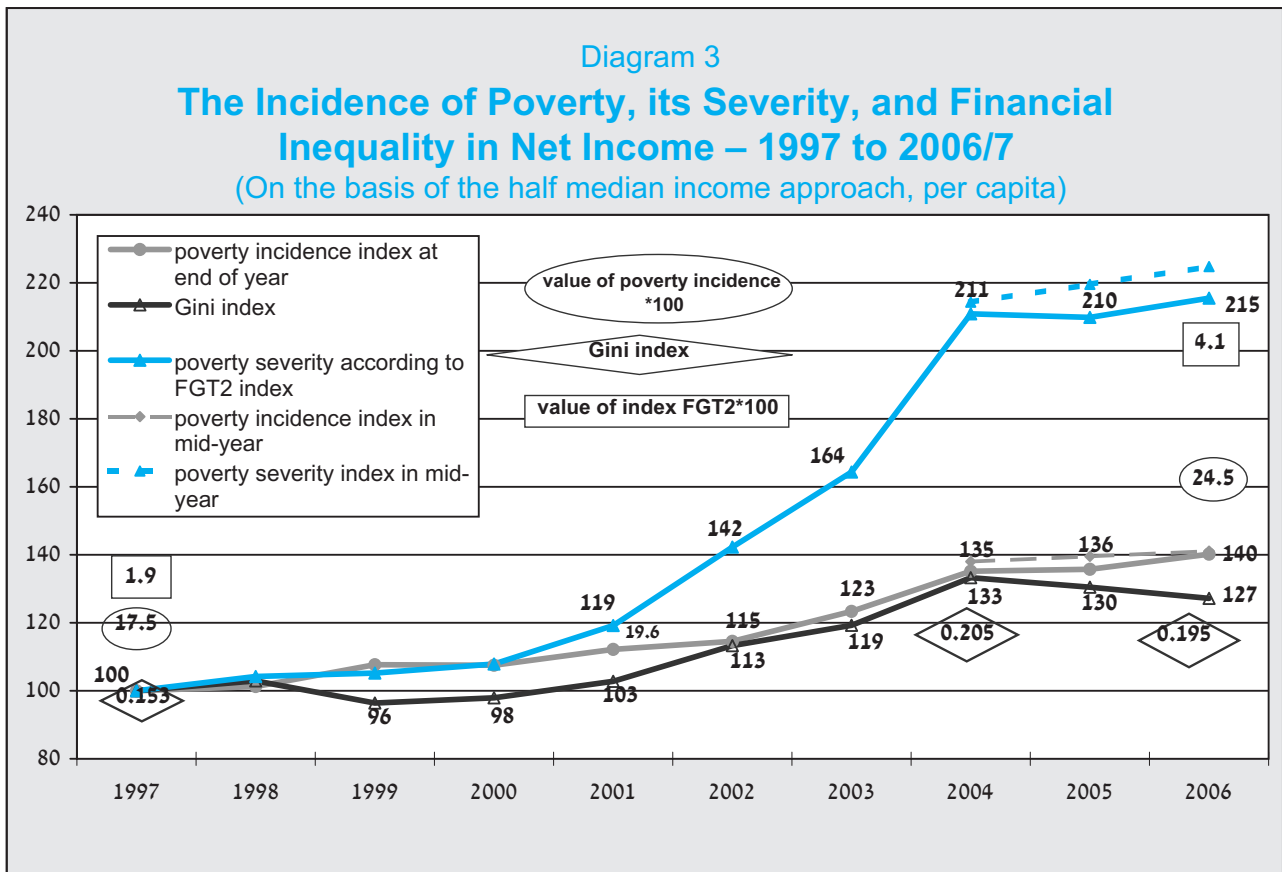
If to judge based on the *Agenda Document* of the National Economic Council, the government "at this stage" does not intend to deal with inequality, but rather to focus solely on the topic of poverty in the hope that it will also have an effect in reducing inequality:

"Without undermining the importance of the broadening gaps, we believe that the main problem is the dimensions of poverty and not inequality per se. A high inequality index may be the result of various factors pertaining to various segments of the income distribution. Accordingly, there is no doubt that the rapid growth of the high-tech sector contributed to the expansion of inequality, since it yielded an increase in the income of those working in this sector at a much faster rate than that of the remaining population. However, it is not at all clear that stretching the top end of the income distribution for this reason presents a problem which merits government intervention. Moreover, it is probable that any attempt to moderate the growth of inequality for this reason will have a significant toll in terms of incentives to the future development of growing sectors. Conversely, deepening poverty also increases the level of inequality, but its results are far harsher on the individual and the public, by virtue of the above reasons. Hence, we believe that at this stage poverty, rather than inequality, has to be put at center stage, since it is clear that tending to the former is expected to also alleviate the latter..."<sup>1</sup>

Focusing attention on poverty more than on inequality is understandable, since poverty constitutes a type of a particularly acute inequality, and for some of the poor it even has a considerable adverse affect on the minimum standard of living in dignity. Notwithstanding, inequality should not be ignored, particularly in certain cases: when the inequality originates from one's investment in human resources, or if one is endowed with a special talent or another ability of ingenuity or creativity, the inequality is an expression of recognition of one's qualities and amounts to an incentive to others to make an effort and share their abilities. However, when inequality originates from discrimination in the labor market or in infrastructures provided by the government, nepotism, corruption, unfair monopolistic power, or excessive wages – particularly if paid by public bodies or public enterprises – then inequality is an affliction that offends the basic sense of justice and squanders society's creative resources.<sup>2</sup> Inequality demands action also in the event of a taxation policy that excessively imparts benefits to the rich, especially when its extent reduces the funding of important public services, thereby endangering the orderly functioning of social security. Hence, the areas that create poverty are abundant and it is important, parallel to the policy aimed at reducing poverty, to try and separate bearable inequality (that which creates positive incentives) from excessive and unjustified inequality that must be reduced, and in part even uprooted.

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- 1 See the "Socio-Economic Agenda" by the National Economic Council in the Prime Minister's Office, 2007, pp. 16-17.
  - 2 See: Francisco Ferreira, 2007, "Inequality as Cholesterol", in "The Challenge of Inequality", International Poverty Centre, June, 20-21.





### 3. Scope of payments

NII benefit payments in cash and in kind – contributory and non-contributory – totaled NIS 47.1 billion in 2007, as compared with NIS 45.8 billion in 2006. These sums also include other payments made by the NII, mostly to government ministries, for expenses related to the development of community services. They are also included in the various administrative and operational expenses of the national insurance system (at the amount of NIS 1.2 billion). The real increase in total NII payments reached 2.4%. The increase is mostly the result of legislative changes, and to a lesser extent of an increase in the number of benefit recipients. On the other hand, the erosion of benefit payments has continued consistently since 2001 (Table 1): these payments dropped to 6.9% of the GDP in 2007, as compared with 8.9% in 2001-2002. A similar trend of gradual reduction in terms of GDP also characterizes collection by the Institute, mainly as a result of lowering the rates of collection from employers through a gradual process that began in 2005 (see below).

The data in Table 2 show the main trends relevant to benefit payments by branch. The 2.4% rise in the rate of benefit payments is explained by considerable increases in the Disability and Maternity branches. Payments of disability pensions increased by 7.1% following a 5.2% increase in the number of recipients, alongside an increase in payments due to implementation of the Polio Law – in 2007 about 1,800 polio disabled were paid a total of NIS 238 million. Payments of maternity benefits have increased by 15.6% due a rise in the number of recipients as well as due to

legislative changes made in the survey year: beginning in May 2007, maternity allowance is paid over a period of 7 or 14 weeks (as compared with 12 weeks previously), and beginning in January 2007, the hospitalization grant was increased by an additional 12.1% (beyond the costs of hospitalization) – a cost that totals NIS 151.6 million annually, and which is funded by the Treasury.

An additional and significant increase of 13.3% occurred in the "Long-Term Care branch and Other", as a result of several factors: a 4.3% increase in the number of long-term care benefit recipients (this increase is also the result of a change made to the definition of "solitary" that increases the number of eligible persons), creation of an additional level of eligibility, and an increase in the average fee per hour of care. A moderate increase (0.8%) was also registered in the Old Age and Survivors branch, the result of increasing pensions in mid-2006 – a change fully reflected in 2007 – and a slight increase (0.2%) in the number of eligible persons.

On the other hand, as in recent years, the scope of payments for benefits paid to the working-age population – unemployment (10.5%), income support (7.3%), and reserve service (12.1%) – continued to fall. The steep reduction in benefit payments at working age – unemployment and income support – is at least in part the result of the improvement in employment and the resumption of the downward trend in unemployment rates in 2007. An additional cause of this reduction is the amendment under which beginning in July 2007, a discharged soldier is required to have a qualifying period of six work months during the first year following his discharge in order to be entitled to unemployment benefit (previously, discharged soldiers were exempt from a qualifying period during the first year following their discharge). As a result of this amendment – which in essence terminates the entitlement of discharged soldiers to unemployment benefits – the number of discharged soldiers who received benefit fell drastically. It should be noted that this change is a further step in the policy of making eligibility conditions for unemployment benefit more stringent in recent years, after the introduction of the harsh legislative changes of 2002-2003. The reduction in payments for reserve service is a downward correction, after payments had soared by 18% due to the Second Lebanon War in 2006.

After child allowance payments went up by 8.5% in 2006 – for the first time since 2002 – following the expiration of the temporary order on cutbacks in child allowances, in 2007 they dropped again by half a percentage point. This reflects a continued process since 2002 of reducing payments for child allowances and determining a uniform allowance at a rate lower than the existing one for *new children* (born after June 2003) who are the third or subsequent children in their families. The process of replacing *veteran children* with *new children* is estimated to be completed by 2012, when most children will be considered as *new*. The exit of *veteran children* and the introduction of *new children* to the system gradually reduce the payments of child allowances. It should be further noted that similar to other NII benefits, the amounts of child allowances were not adjusted in 2007.



Table 1  
**Benefit Payments and Collection from the Public (not including administration expenditure), as a Percentage of the GDP, 1980-2006**

Year	Benefit payments		Total collection	
	Total	Contributory benefits	Total*	National insurance contributions**
1980	6.09	4.98	6.77	5.15
1985	7.14	5.51	6.57	4.45
1990	8.36	7.04	7.21	5.28
1995	7.37	5.77	7.69	4.30
2000	7.89	6.28	6.19	4.21
2001	8.92	7.01	6.56	4.45
2002	8.94	6.94	6.56	4.46
2003	8.33	6.58	6.39	4.33
2004	7.54	6.04	6.20	4.15
2005	7.19	5.76	6.14	4.13
2006	7.07	5.69	5.97	3.99
2007	6.92	5.62	5.97	3.95

\* Including collection for the sick funds.

\*\* Including Treasury indemnification for reduced national insurance contributions from employers.

Total payments of contributory benefits under the National Insurance Law went up in 2007 by 3.3% in real terms. Payments of non-contributory benefits which are paid under State laws or under agreements with the Treasury, and which are fully financed by the State Treasury (e.g. income support, mobility, alimony, old-age and survivors' pensions to the non-insured – mostly new immigrants – and reserve service benefit) were reduced by 1.4%. In 2007 non-contributory benefits, including administration expenses, totaled NIS 8.9 billion, constituting 18.9% of total benefit payments.

Table 2 also features the distribution of benefit payments by branch. In the Old-age and Survivors branch, the largest branch, are concentrated 37.4% of total paid benefits – a rate slightly lower than that in the two years preceding 2007 (38%). On the other hand, the Disability branch, the second largest, increased its share by half a point, to 19.2%. The Children branch, which reduced its share by nearly a half since 1995, reduced its share even further from 2006 to 2007: from 11% to 10.7%. The shares of the Unemployment and Income Support branches in total benefits continued to be reduced in 2007, reaching 3.8% and 5.4%, respectively. It should be noted that between 2002 and 2007 the share of the Unemployment branch in total payments was halved, mainly due to profound legislative changes in 2002-2003 that made the conditions of entitlement to unemployment benefit more stringent, and to a lesser extent due to affirmative changes in the labor market in the following years. On the other hand, the Maternity branch increased its share by one percentage point through the two years as a result of the above-mentioned legislative changes. A similar increase was registered in the share of the Long-term Care branch. The share of the Reserve Service branch returned to its 2005 size after registering an increase in 2006 in the

wake of the Second Lebanon war. The condition of the other branches – Work Injury, Maternity and Reserve Service – remained mostly unchanged. Two-thirds of all benefit payments are concentrated in 2007 in the three largest branches – Old-age and Survivors, General Disability and Children.

Table 2  
**National Insurance Benefit Payments (including administrative expenditure), 1995-2007**

Year	Total Payments'	Old-age and survivors**	General disability	Work injury and hostile and border actions	Maternity	Children	Unemployment	Reserve service	Income support***	Long-term care and other
1995	21,188	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	2,957	1,897
2002	47,247	15,671	7,040	3,124	2,796	6,784	3,598	1,771	3,795	2,668
2004	42,759	16,032	7,355	3,145	2,727	4,887	2,166	708	3,003	2,735
2005	43,305	16,457	7,792	3,192	2,857	4,548	2,044	713	2,859	2,842
2006	45,760	17,376	8,392	3,306	3,103	5,038	2,013	860	2,730	2,941
2007	47,089	17,615	9,034	3,332	3,605	5,038	1,812	760	2,543	3,350
<b>Real annual growth (percentages)</b>										
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
2002	-1.6	-3.8	9.6	2.7	-0.7	-16.0	-4.9	24.1	0.3	11.6
2004	-4.2	2.2	0.8	-0.3	0.2	-20.3	-12.3	-38.1	-9.5	1.2
2005	-0.1	1.3	4.6	0.2	3.4	-8.1	-6.9	-0.6	-6.0	2.5
2006	3.5	3.4	5.5	1.4	6.4	8.5	-3.6	18.1	-6.5	1.4
2007	2.4	0.8	7.1	0.2	15.6	-0.5	-10.5	-12.1	-7.3	13.3
<b>Distribution by branch (percentages)</b>										
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
2002	100.0	33.2	14.9	6.6	5.9	14.4	7.6	3.7	8.0	5.6
2004	100.0	37.5	17.2	7.4	6.4	11.4	5.1	1.7	7.0	6.4
2005	100.0	38.0	18.0	7.4	6.6	10.5	4.7	1.6	6.6	6.6
2006	100.0	38.0	18.3	7.2	6.8	11.0	4.4	1.9	6.0	6.4
2007	100.0	37.4	19.2	7.1	7.7	10.7	3.8	1.6	5.4	7.1

\* The figures for 1995 do not include the amounts transferred to the Ministry of Defense as reimbursement of debt for savings in reduced reserve service duty days.

\*\* Including payments for income supplement.

\*\*\* For the working-age population.

## 4. Benefit levels

The Economy Recovery Law of June 2003 determined that NII benefits, except old-age and survivors' pensions<sup>6</sup>, are to be frozen until the end of 2005, and that from January 2006, they will be adjusted at the rate of price rises, rather than according to changes in the *average wage* as previously. In the wake of the change in the method of adjusting benefits, the clauses in the National Insurance Law that defined the calculation of benefits and their adjustment according to the *average wage* were changed, and beginning in January 2006 benefits are calculated on the basis of the *basic amount*<sup>7</sup>. This amount is adjusted in January each year in accordance with the increase in the Consumer Price Index between the index of November that preceded the month of adjustment and the index of November of the preceding year.

The influence of the cancellation of the linkage to the *average wage* and its replacement with a linkage to price rises was felt as early as 2006, when benefits were adjusted by 2.7%. During 2002-2006, when benefits were frozen and when they began to be linked to prices rather than to the *average wage* (beginning in 2006) – the *average wage* went up by 6%; that is, benefit recipients in effect lost 3.2% of their benefits. In 2007, benefits were not adjusted at all, since there was a minor decrease in the price index for the relevant period. In this case, had benefits been still adjusted on the basis of the *average wage*, recipients would have enjoyed a 2% addition to their benefits. The cumulative loss to benefit recipients in the two years totaled over 5%, or about NIS 2 billion in budgetary terms. Past experience indicates that this trend of benefit erosion will gather momentum, since **real** wages rise at an average rate of about 2% annually. Moreover, the 4% reduction in most benefits that began in July 2002 continued, and was meant to continue only until December 2006, but was eventually extended up to 2007.

The data in Table 3 indicate that the basic old-age pension for a single person went up in real terms by 0.9%, and that the old-age pension plus income supplement for a single person went up by 1.6%. On the other hand, as a percentage of the *average wage*, all categories of the old-age and survivors' pension either remained at their 2006 level or were slightly eroded.

The data in Table 4 indicate that the minimum guaranteed income for the working-age population went up in 2007 by 1% to 3.5%, according to the different family compositions. Still, as a percentage of the average wage in the economy, the benefit more or less remained at its real level of 2005. This stabilization followed significant erosion in benefits for the working-age population through 2002-2005; a basic calculation shows that minimum income support for a single parent with two children, for example, was reduced by 23% in real terms through 2002-2007.

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6 Including dependents' benefit in the Work Injury Branch.

7 The amount on which basis most benefits are calculated since January 2006. This amount is updated on January 1<sup>st</sup> each year, at the rate of the Consumer Price Index increase in the preceding year. The *basic amount* has three different rates for the purpose of updating the various benefits. For most benefits, the *basic amount* in 2007 was NIS 7,240; for child allowances it was NIS 152, and for old-age and survivor's pensions it was NIS 7,352.

Table 3

**Old-age and Survivors' Pensions, and the Minimum Guaranteed Income for the Elderly and for Survivors (fixed prices and a percentage of the average wage in the economy\*), monthly average, 1975-2007**

Year	Basic old-age and survivors' pension				Minimum guaranteed income (including child allowances)			
	Single person		Widow/er with two children		Single person		Widow/er with two children	
	2007 prices (NIS)	Percent of the average wage	2007 prices (NIS)	Percent of the average wage	2007 prices (NIS)	Percent of the average wage	2007 prices (NIS)	Percent of the average wage
1975	640	14.9	1,064	24.8	1,096	25.5	2,130	49.6
1980	705	13.5	1,366	26.3	1,238	23.8	2,506	48.2
1985	795	15.2	1,541	29.5	1,586	30.5	3,042	58.3
1990	1,001	15.9	1,938	30.7	1,573	24.9	2,893	45.9
1995	1,014	15.5	1,965	30.1	1,696	26.0	3,749	57.3
2000	1,132	15.0	2,193	29.0	1,892	25.0	4,162	55.0
2001	1,228	15.7	2,378	30.5	2,053	26.3	4,499	57.7
2002	1,141	15.6	2,255	30.8	1,946	26.5	4,227	56.4
2003	1,107	15.6	2,235	31.5	1,929	27.2	4,174	58.7
2004	1,112	15.2	2,244	30.6	1,937	26.4	4,144	56.7
2005	1,127	15.2	2,235	30.2	2,049	27.6	4,284	57.8
2006	1,149	15.3	2,243	29.9	2,146	28.6	4,492	59.6
2007	1,159	15.1	2,247	29.5	2,181	28.6	4,533	59.4

\* As measured by the Central Bureau of Statistics.

The average disability pension was eroded by 0.7% between 2006 and 2007, and as a percentage of the *average salary per employee post* it went down from 32.1% to 31.4%, thus returning to its 2002 level. Similar trends characterized benefits derived from the general disability pension: the benefit for a disabled child registered a real decrease of a similar rate, and the average attendance allowance, that went up slightly (0.2%) between 2006 and 2007, was eroded in terms of percentage of the *average wage* by half a percentage point. On the other hand, the average mobility allowance showed a real increase of 0.8% as compared with 2006.

The average long-term care benefit (translated into care hours) registered a real increase of about 4.4% in 2007 as compared with 2006. This increase expresses the effect of the legislative change of January 2007 whereby three dependency levels were determined in place of the previous two levels: a third level at a rate of 168% of the full disability pension for a single person was added. In addition, the fee for an hour of care increased at a real rate of about 3%.

Table 5 features the value of the allowance point for children and the rate of child allowance paid to various family compositions, in 2007 prices and as a percentage of the *average wage*. Since the *basic amount* did not change in 2007, the child allowance too (paid according to the *basic amount*), remained the same. As a result, the allowance point was eroded in relation to the *average wage*, going down from 2% to 1.9% of this wage. The nature of the continuing cutback in child allowances since 2001, as part of the program to equalize the allowance for all children, led to differential cumulative rates of change for various family compositions: while child allowance for families with two children was eroded by about 22% between 2001 and 2007, the allowance for families with four and five children was eroded by 47% and 54%, respectively, during this period.

Table 4  
**Minimum Guaranteed Income to Working-Age Population (set prices and as a percentage of average wage \*),  
 Monthly Average, 1990-2007**

Year	Single person			Single parent with two children* (including child allowances)			Couple with two children (including child allowances)			
	Regular rate		Increased rate	2006 prices (NIS)		Percent of average wage	Regular rate		Increased rate	
	2006 prices (NIS)	Percent of average wage	2006 prices (NIS)	Percent of average wage	2006 prices (NIS)	Percent of average wage	2006 prices (NIS)	Percent of average wage		
1990	1,258	20.0	1,573	24.9	3,187	50.5	2,901	46.0	3,373	53.5
1995	1,268	19.4	1,585	24.3	3,513	53.9	3,040	46.6	3,516	53.8
2000	1,414	18.6	1,768	23.2	3,894	51.2	3,352	44.0	3,881	51.0
2001	1,535	19.7	1,918	24.6	4,218	54.1	3,600	46.2	4,174	53.6
2002	1,426	19.6	1,783	24.5	3,888	53.4	3,313	45.5	3,887	53.4
2003***	1,385	19.5	1,630	22.9	3,319	42.5	2,866	40.3	3,304	46.6
2003****	1,731	24.4	1,730	24.4	3,765	53.0	3,665	52.4	3,728	52.4
2004***	1,390	19.0	1,564	21.4	2,965	40.5	2,583	35.3	2,965	40.5
2004****	1,738	23.8	1,738	23.8	3,733	51.0	3,695	50.5	3,654	50.5
2005***	1,372	18.5	1,544	20.8	2,923	39.4	2,546	34.3	2,923	39.4
2005****	1,715	23.1	1,715	23.1	3,681	49.6	3,644	49.1	3,644	49.1
2006***	1,380	18.3	1,553	20.6	2,989	39.7	2,610	34.7	2,989	39.7
2006****	1,725	22.9	1,725	22.9	3,779	50.2	3,714	49.3	3,714	49.3
2007***	1,373	18.0	1,545	20.3	2,973	39.0	2,596	34.0	2,974	39.0
2007****	1,716	22.2	1,716	22.5	3,759	49.3	3,694	48.4	3,694	48.4

\* As measured by the Central Bureau of Statistics.

\*\* The 1985 and 1990 figures refer to a widow with two children who was entitled to an income support benefit.

\*\*\* The eldest member of the family is not yet 55.

\*\*\*\* At least one family member is over 55.

In branches that pay wage-replacing benefits, neutral trends were observed in 2007: the average daily injury allowance for employees and the self-employed increased by 3.6% and 3.4%, respectively, and the average maternity allowance per day increased by half a percent in real terms. On the other hand, the birth grant registered a real decrease at a similar rate and the average unemployment benefit continued to decrease relative to the average wage in the economy. This latter decrease is mainly due to the continued reduction in the share of the unemployed persons who received unemployment benefit at a rate of over half the average wage in the economy, together with a parallel increase in recent years in the share of those who received this benefit at a rate of under half the average wage in the economy.

Table 5  
**Child Allowances and Allowance Point\* (fixed prices and as percentage of the average wage in the economy), Monthly Average, 1990-2007**

Year	Allowance point value		Allowance for two children**		Allowance for four children		Allowance for five children	
	2007 prices (NIS)	Percent of average wage	2007 prices (NIS)	Percent of average wage	2007 prices (NIS)	Percent of average wage	2007 prices (NIS)	Percent of average wage
1990	192	2.9	92	1.5	1,493	23.4	2,116	33.2
1995	187	2.8	375	5.8	1,504	23.4	2,139	33.4
2000	190	2.5	382	5.0	1,534	20.2	2,185	28.7
2001	188	2.4	378	4.8	1,520	19.5	2,463	31.6
2002	179	2.4	319	4.3	1,267	17.3	2,063	28.1
2003	177	2.5	301	4.2	1,110	15.6	1,772	24.9
2004	178	2.4	253	3.5	867	11.8	1,365	18.7
2005	176	2.4	246	3.3	776	10.5	1,187	16.0
2006***	149	2.0	298	4.0	807	10.7	1,138	15.1
2007****	148	1.9	296	3.8	803	10.5	1,132	14.8

\* Until 1995 includes the Special Allowance for Veterans.

\*\* The allowance level in 1985 and 1990 refers to families (with up to three children) who were not eligible for child allowance for the first child, and since October 1990 – nor for child allowance for the second child. In March 1993, the payment of child allowances on a universal basis was resumed.

\*\*\* Since 2006, child allowances are calculated according to the *basic amount*, which in January 2006 was NIS 148.

\*\*\*\* The *basic amount* was not updated in January 2007, and child allowances at their current value remained unchanged.

## 5. Benefit recipients

In 2007, the number of persons who received old age and survivors' pensions – the largest of all NII branches from the point of view of the scope of benefit payments – went up by 0.2%: the NII paid pensions to 728,900 elderly and survivors, as a monthly average, in 2007 (Table 9). The slowdown in the growth rate of these pension recipients is attributable to the rise in the conditional age of entitlement to old-age pension for both men and women, and in the absolute age of entitlement for women, as well as to the steady decrease – at an annual rate of 4% – in the

number of non-insured recipients (new immigrants). This decrease is partly set off against a parallel increase in branches that pay benefits to the working-age population. In the second largest branch, General Disability, an increase of 5.2% was registered in the number of recipients of the general disability pension. The increase in the number of recipients also characterized the other benefits in this branch: the number of attendance allowance recipients went up by 6.9% and the number of recipients of mobility allowance – by 4.7%. The number of recipients of benefit for disabled child increased by 7.2%, after a 6% increase in 2006. It should be noted that in 2007, following the Polio Law, NIS 238 million were paid for the first time under this law to about 1,800 polio-disabled. In the third largest branch, Children, the number of families receiving child allowances increased by 1.3%, after an identical increase in 2006, as a result of the natural growth rate of the population. In 2007, child allowances were paid to about 2.3 million children who live in 980,600 families.

Significant increases were registered in the Maternity and Work Injury branches – branches mainly influenced by employment opportunities. In the Maternity branch, the number of maternity allowance recipients increased by 4.1%, and the number of birth grant recipients – by 2.5%. The Work Injury branch registered an increase of about 5% both in recipients of injury allowance and recipients of permanent disability pension. The Long-term Care branch, which pays in-kind benefits (care hours) for the elderly limited in their daily functions, registered a similar increase (4.3%).





The downward trend in the number of unemployment benefit recipients continued, and in 2007 this number went down by about an additional 11%, so that the cumulative reduction in this number since 2001 reached 52%. While the reduction of the past two years (a cumulative rate of about 16%) is attributed to the positive changes in employment and unemployment, the cumulative reduction since 2001 is mainly the result of restrictive changes made to the law in 2002-2003, first and foremost, the extension of the qualifying period of entitlement to unemployment benefit.

A sharp reduction (of 7.8%) was registered in the number of income support recipients, continuing the trend that began in 2004, and which can be attributed to the combination of several factors: the positive changes in employment and unemployment during the past two years, the restrictive changes in the law in 2003, and the implementation of the Law for Integrating Benefit Recipients in Employment.

## 6. Collection of contributions from the public and sources of financing benefits

NII benefit payments are financed from four sources: collection of national insurance contributions (direct collection from the public as well as *Treasury indemnification* against reduced national insurance contributions from employers and from the self-employed), government participation in financing non-contributory benefits, government financing of non-contributory benefits, and revenue derived from interest on investments of surpluses, mostly in government bonds. In addition to collecting national insurance contribution, the NII collects health insurance contributions and transfers them to the sick funds.

In August 2005 the first stage in the process of reducing national insurance contributions to employers began, a gradual process to extend until 2009. At its end, national insurance contributions for employers will be reduced by 1.5 percent points. At the same time, two rates of insurance were introduced – reduced and regular – in place of a uniform rate for all levels of income liable for insurance contributions. This step is part of a broader policy dating back to the 1980's, according to which the cost of labor to employers should be reduced. It should be noted that the NII expressed its objection to this measure: reduction in revenue from collection from the public enhances the dependency of the national insurance system on Treasury budgets, and may indirectly cause further cutbacks in expenditure on benefits.

Under an additional reform introduced in the area of collection by the NII in the beginning of 2006, the reduced rate of insurance contributions applying to the **worker** was lowered from 1.4% of income to 0.4%; the regular rate was increased from 5.58% to 7%, and the reduced rate was increased from 50% of the *average wage* to 60% thereof. These changes were made on a zero budget. Like the policy with regard to benefits, the *average wage* was not adjusted by law through 2002-2005, so that insurance contributions and the minimum income for the purpose of paying contributions for the various types of insured persons were not adjusted. The *average wage* continued to be frozen until the end of 2005, and beginning in 2006 the ceiling is adjusted only at the rate of the index increase. On the other hand, the reduced rate, as well as the minimum wage

for the purpose of paying insurance contributions, will continue to be adjusted on the basis of changes in the *average wage* even beyond 2006. The change in the method of adjusting the ceiling will lead in the long run to a lesser burden being imposed on very high wage-earners, who will be favorably discriminated relative to those who pay insurance contributions at the minimum level (such as students and the unemployed). On the other hand, continued linkage of the reduced rate to the *average wage* will prevent the imposition of a heavier burden of insurance contributions on low-wage earners.

#### **A. Collection of insurance contributions from the public**

The NII's revenue from collection of national and health insurance contributions totaled NIS 39.7 billion in 2007: NIS 24.45 billion for national insurance branches and NIS 13.46 billion for the health system. This collection from the public must be supplemented by about NIS 1.8 billion transferred by the State Treasury as indemnification for the reduction in national insurance contributions for the employers and the self-employed (under clause 32C of the National Insurance Law).

Table 7 indicates that direct collection from the public registered a real increase of 4.4% in 2007: collection of national insurance contributions went up by 3.3% and of health insurance contributions – by 6.6%. These increases stem mostly from positive developments in the areas of employment and wages. Estimates indicate that direct collection from the public in 2007 could have climbed at an even higher rate (of about 7% in real terms) were it not for the legislative changes of 2005 and 2006 that reduced the rates of national insurance contributions from employers and that will continue to influence the system until 2009. These changes did not affect collection of health insurance contributions.

The downward trend that characterized the scope of collection in terms of GDP was brought to a halt in 2007, after collection went down from 6.2% of the GDP in 2003 to 5.7% in 2006. The scope of national and health insurance contributions is identical to that of 2006 in terms of percentage of the GDP. Due to the income tax reform, the share of collection from the public went up to 46.2% of total direct taxes, a process that began in 2003, when collection from the public amounted to 40.2% of total direct taxes.

The changes in collection rates differ between employees and non-employees. While collection from the former registered a real increase of 2.7% in 2007 (after an increase of half a percent in 2005), the rate of collection from the latter went up by 9.7% (after an identical increase in 2006). These differences are attributable to the implementation of the program for reducing insurance contributions from employers between 2005 and 2009.

Table 7  
**Collection for the National Insurance and Health Systems, 2002-2007**

	2002	2003	2004	2005	2006	2007
	<b>Current prices (NIS million)</b>					
<b>Total revenue from insurance contributions</b>	<b>33,995</b>	<b>33,660</b>	<b>34,331</b>	<b>36,137</b>	<b>37,792</b>	<b>39,740</b>
<b>Total collection from the public</b>	<b>31,378</b>	<b>32,275</b>	<b>32,971</b>	<b>34,597</b>	<b>36,112</b>	<b>37,910</b>
For national insurance branches	20,495	21,424	21,661	22,759	23,554	24,454
For health system	10,883	10,851	11,310	11,838	12,558	13,456
Total Treasury indemnification	2,617	1,385	1,360	1,540	1,680	1,830
	<b>Indicators of development of collection from the public</b>					
<b>A. Rate of change in real terms</b>						
<b>Total collection from the public</b>	<b>-0.1</b>	<b>2.2</b>	<b>2.6</b>	<b>3.6</b>	<b>2.2</b>	<b>4.4</b>
For national insurance branches	1.3	3.8	1.5	3.7	1.4	3.3
For health system	-2.7	-1.0	4.6	3.3	4.0	6.6
<b>B. As percentage of GDP</b>						
<b>Total collection from the public</b>	<b>6.1</b>	<b>6.2</b>	<b>6.0</b>	<b>5.9</b>	<b>5.7</b>	<b>5.7</b>
For national insurance branches	4.0	4.1	3.9	3.9	3.7	3.7
For health system	2.1	2.1	2.1	2.0	2.0	2.0
<b>C. As percentage of direct taxes for a single person</b>						
<b>Total collection from the public</b>	<b>36.8</b>	<b>40.2</b>	<b>41.9</b>	<b>42.2</b>	<b>44.0</b>	<b>46.2</b>
For national insurance branches	24.0	26.7	27.5	27.8	28.7	29.8
For health system	12.8	13.5	14.4	14.4	15.3	16.4
<b>D. As percentage of direct taxes</b>						
<b>Total collection from the public</b>	<b>30.8</b>	<b>32.5</b>	<b>32.0</b>	<b>31.4</b>	<b>28.8</b>	<b>28.6</b>
For national insurance branches	20.1	21.6	21.0	20.7	18.8	18.5
For health system	10.7	10.9	11.0	10.7	10.0	10.1

## B. Sources of financing benefits

Table 8 indicates that total NII payments for financing the national insurance branches totaled NIS 55 billion in current prices in 2007. This constitutes an increase of 4.5% in comparison to 2006 and an accumulated increase of over 10% in comparison to 2004. This real increase, for the third consecutive year, stands in opposition to the real reduction in total financing sources during the two years preceding 2005 and is composed of an increase in all financing components, particularly government contribution to financing insurance branches, which registered a sharp increase (of 9.6%). This rate is the result of wage rises, with an approximate 7% influence on collection, and other additions to this expenditure, such as the addition of NIS 151 million for the 12.1% rise (over and beyond the rise in hospitalization costs) in the hospitalization grant as of January 2007 – a cost entirely financed by the Treasury.

Table 8  
Sources of Financing of National Insurance Branches, 1995-2007

Year	Total revenue	Collection of national insurance contributions*	Government participation**	Government financing of benefits	Revenue on interest
<b>NIS million, current prices</b>					
1995	23,581	12,171	4,222	4,650	2,504
2000	41,207	20,751	8,336	8,148	3,907
2002	48,642	23,114	10,506	10,590	4,266
2004	47,513	23,021	10,996	8,548	4,617
2005	49,705	24,299	11,700	8,616	4,850
2006	52,344	25,234	12,600	8,982	5,290
2007	54,974	26,284	13,888	9,459	5,600
<b>Real annual growth (percentages)</b>					
2000	7.6	9.8	1.6	10.8	3.6
2002	-0.2	-1.7	-0.1	2.7	-1.0
2004	-0.6	1.3	2.2	-8.9	4.1
2005	3.2	4.2	5.0	-0.5	3.7
2006	3.1	1.7	5.5	2.1	6.8
2007	4.5	3.6	9.6	4.7	5.3
<b>Distribution (percentages)</b>					
1995	100.0	51.6	17.9	19.7	10.6
2000	100.0	50.4	20.2	19.8	9.5
2002	100.0	47.5	21.6	21.8	8.8
2004	100.0	48.5	23.1	18.0	9.7
2005	100.0	48.9	23.5	17.3	9.8
2006	100.0	48.2	24.1	17.2	10.1
2007	100.0	47.8	25.3	17.2	10.2

\* Including Treasury indemnification.

\*\* Under clause 32(a) of the National Insurance Law.

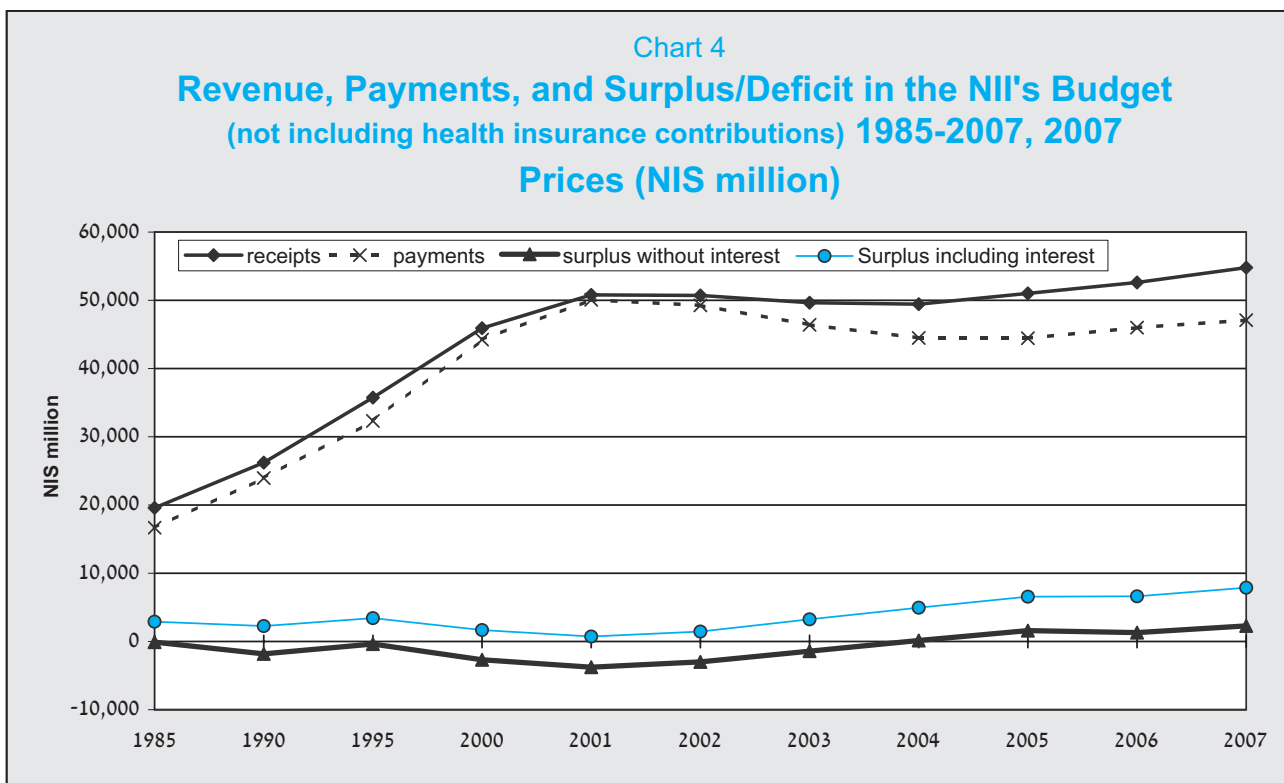
The other components of financing increased by 4%-5%. The increase in government participation, anchored in clause 32 to the National Insurance Law, aims at compensating the NII for the loss of income following the reduction in national insurance contributions from employers<sup>8</sup>. The contribution on part of the Treasury under this clause varies according to the increase in collection rates, which is in itself influenced by legislative changes and changes in the labor market, which were positive for the year under review. An examination of the distribution of benefit financing by source indicates that the share of government financing went up at an average rate of 7.6% in 2007, after an increase of about 4% in 2006. The data indicate an ever-growing intervention on the

8 The NII reached an agreement with the Treasury whereby Treasury appropriations under clause 32 of the National Insurance Law will not be adversely affected by the reduction in insurance contributions, and necessary adaptations were accordingly made in the law.

part of the government through government financing of NII benefits, which means erosion in the NII's independence. The increase in the remaining components of financing – collection of national insurance contributions and revenue on interest – was more moderate (an average of 3.7%).

### C. Surpluses/deficits and financial reserves

Excluding revenue from interest on NII investments, the budgetary surplus reached about NIS 2.3 billion in 2007, after it stood at NIS 1.3 billion in 2006. The NII's budget went from current deficit to current surplus in 2004, and the surplus continued to grow from one year to the next (see Diagram 4). The increase in collection from the public in addition to the increase in participation on part of the Treasury – that went up at high rates in 2007 as a result of the positive developments in employment and wages, as against the non-adjustment of benefits in 2007 – led to an increase in the NII's budgetary surplus. The additional increase of about NIS 5 billion in the Children branch (Table 9), characterized throughout the years by an extensive current surplus, is in fact the main cause of the increase in current surplus. An examination of the other components of growth in the current surplus shows that between 2006 and 2007 the deficit was reduced in the Old-age and Survivors branch as well as in the Unemployment branch, in which the deficit is entirely covered with monies from the Children branch since 1999. On the other hand, the growing deficit in Maternity, Work Injury and General Disability branches contributed to a certain moderation of the rise in budgetary surplus. Beginning in 1999, the deficit in the Unemployment branch is wholly financed with monies from the Children branch.



Inclusion of revenue derived from interest on past surpluses presents an improvement in the financial state of the NII branches: the overall surplus including interest grew from about NIS 6.6 billion in 2006 to NIS 7.9 billion in 2007. However, the Disability, Work Injury, Unemployment, and Long-term Care branches remain in deficit. The absence of a current deficit in the Institute's budget and the transition to current surplus naturally manifest themselves in a reduced deficit in the State budget.

Table 9  
**Surpluses/Deficits in NII Branches (NIS million, current prices), 2001-2007**

Insurance branch	Surplus/deficit without interest on investments			Surplus/deficit including interest on investments		
	2001	2006	2007	2001	2006	2007
<b>Total</b>	<b>-3,420</b>	<b>1,293</b>	<b>2,285</b>	<b>657</b>	<b>6,583</b>	<b>7,885</b>
Old age and survivors	-633	-762	-366	1,019	1,389	1,844
General disability	-1,762	-2,890	-2,927	-912	-2,455	-2,507
Work injury	-1,193	-1,213	-1,104	-821	-1,013	-914
Maternity	-852	-1,019	-1,239	-674	-1,044	-1,229
Children	5,338	10,333	11,161	5,890	12,748	13,791
Unemployment	-3,090	-1,543	-1,312	-3,090	-1,573	-1,342
Long-term care	-1,410	-1,730	-2,000	-1,049	-1,695	-1,970
Other	182	117	73	294	227	213

In 2007, the Finance Committee of the NII approved the transfer of monies from the surplus of the Children branch to the Maternity and Long-term Care branches, which are in deficit, as well as to two additional branches in deficit (General Disability and Work Injury) so as to ensure their continued operation.

## 7. Social policy recommendations

The recommendations of the NII, as stemming from this chapter and from the Annual Survey as a whole, are as follows:

1. **Reduction in the number of migrant workers** employed in the potential labor market for persons with low education, and encouragement of Israelis to work in all areas that currently employ migrant workers, especially those in which a significant and continued excess demand for services is expected and which is suitable for less educated workers; for example, nursing care for the elderly and the disabled, and tourism. These areas hold substantial employment potential for less-educated workers. Specifically we suggest subsidizing those elderly and disabled who are willing to accept nursing services performed by Israelis. This step will minimize the possible impact on the costs of such services. If the government wishes to secure adequate and low-priced nursing services, it must do so by means of direct subsidization and not through violation of labor laws in the area of home nursing care. As long as the total



number of non-Israeli workers in the country is not restricted, the surplus demand will continue to influence the earning capacity of less-educated Israeli workers. Regaining control over the number of migrant workers and stabilizing it at a level significantly lower than the current level will improve the earning capacity of less-educated Israeli workers<sup>9</sup>.

- 2 Action must be taken to **enforce labor laws** on employers of Israelis and non-Israelis alike, especially those employed in private households as nursing attendants. Foreign nursing attendants constitute a growing branch, and in recent years have even become the largest branch with regard to permits issued by the government<sup>10</sup>. In order to alleviate pressure off the labor market for low-educated persons, a wider range of migrant workers must be permitted: the more educated these workers are, the greater their contribution to the GDP, and thus the least damage inflicted to the labor market of low-educated persons. In this matter, it is recommended to adhere to principles practiced by immigration authorities of many developed countries<sup>11</sup>. The conclusions of the Committee for Formulating Policy on Non-Israeli workers are inconsistent with these recommendations.
3. In order to strengthen the connection between the two above targets, it is recommended to award **temporary payment of benefits to families in distress in the process of integration into employment**, gradually reducing their benefit at the rate in which integration is accomplished. Both the poverty and employment targets will thus be promoted at the same time. Benefits will be paid directly to persons who have been out of the labor force for a long period (or all the time). The negative income-tax credit will be paid to these people only at the lapse of one year, and the credit will be therefore less relevant to their decision on whether or not to join the labor force.
4. **Link NII benefits to changes in the standard of living** and not to price changes only. This can be achieved by re-linking the benefits to the average or median wages in the economy, while taking into consideration possible implications on collection and long-term financial sustainability.
5. International comparisons have shown that the level of generosity of Unemployment Insurance, after benefit restrictions introduced in recent years, is very low, a fact that makes Unemployment Insurance a deficient instrument for achieving its main objectives: (a) to extend time in which the worker may look for work suitable to his skills and wage level, (b) to provide a financial safety net until new work is found<sup>12</sup>. It is recommended that **the restrictions introduced to Unemployment Insurance be moderated** in various ways, for example, by setting a shorter work period for entitlement to unemployment benefit (qualifying period) than

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9 In addition to an effective limitation of the number of migrant workers, the quota of migrant workers should be distributed among all occupations in which there is a surplus of demand for workers, and not be focused only on occupations in which there is competition with Israeli non-educated workers.

10 See Illustration 1 in Chapter E (The Labor Market) to the Report, 2007, the Bank of Israel.

11 Ruhs Martin, 2005, "The potential of temporary migration programs in future international migration policy", Centre on Migration, Policy and Society, University of Oxford, September, 1-29.

12 M. Endweld and E. Toledano, **Reducing the Insurance Coverage for Unemployment in a Flexible Labor Market**, 2007, presented at the ISSA convention in Warsaw.



the one that currently applies to all types of workers, and by equalizing the qualifying period for monthly workers and daily workers: calculation shows that daily workers currently require 14.4 active work months in order to be entitled to unemployment benefit, while monthly workers require only 12 work months.

6. The data indicate an ever-growing intervention through government financing of benefits, which implies an erosion of the independence of the NII. The recommendation is **to stop reducing the share of employers in national insurance contributions** and to initiate a reverse move, in which the employers will still pay low rates that will not significantly increase the cost of labor but will help preserving the NII's independence.
7. **Enhancement of the Arab population's access to employment and transportation infrastructures** in the periphery, particularly in the southern areas of Israel (see more details on the topic in Box 3, Chapter 2).
8. **Intensification of education and vocational training in order to improve future earnings** of the less-educated populations, inter alia, through investment in education infrastructure. This intensification should be mainly directed at two population groups: (a) the Arab population in the periphery, especially Bedouin women, (b) the religious Orthodox population, especially the men (for more details on this topic see Box 3, Chapter 2).
9. In order to increase the influence of affirmative action in the area of **poverty among children**, it is important that the government **adopt interim targets** such as in the area of dropout from different education levels, which will also permit the monitoring of changes in this area in real time.
10. Regarding the intermediate goals at least, it is recommended to define the employment target not only in quantitative terms, but in **qualitative** terms as well, relating to topics such as adequate wages and pension rights.

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**Chapter 2**  
**Poverty and Inequality in Income Distribution**

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## 1. Poverty and income gaps in 2006

The trends of growth in employment and wages which have characterized the economy since mid-2003 continued in 2006. The number of people in employment grew by about 4% on average in comparison to the 2005 survey period, a growth noted in the majority of employment sectors, including the traditional ones. The *average wage per employee post* increased between the two survey periods by 1.5% in real terms, though the trend was not uniform in the different branches: while in capital and technology-intensive branches real wages increased at a rate greater than the average increase, the traditional branches – such as wholesale trade and entertainment and catering – registered stability and even erosion in real wages (0.1% and 0.3%, respectively).

The increase in net income, mainly in the top deciles<sup>1</sup>, was also a result of the income tax reform, of which an additional stage – the marginal tax rates were reduced again – was implemented in 2006. Changes were also introduced in 2006 in the rates of national and health insurance contributions and in the level of the reduced rate bracket. Progressivity was strengthened by a cut in the reduced rate of national insurance contributions for an employee from 1.4% to 0.4% and by an increase in the reduced rate bracket (for employees and the self-employed, and for health insurance contributions) was increased from 50% of the *average wage* to 60% thereof. The income survey data accordingly indicate a reduction in the burden of direct taxation at an average rate of 0.8% – reflecting a 0.5% reduction in the average income tax per family and a 1.9% reduction in health insurance contributions.

In 2006 national insurance benefits were adjusted (for the first time since 2002) by 2.7% (according to the price rise). The real increase of 0.7% in benefits reflects, over and beyond their adjustment, an increase in child allowances and in old-age pensions together with a reduction in benefits paid to the working-age population, as described below.

According to survey data, the economic income per family increased at an average rate of about 4% during the period 2005-2006. This increase, together with the reduction in the burden of direct taxation and the moderate increase in national insurance benefits, have contributed to increasing net income by an average real rate of 4.6% between the two years.

The situation depicted by the 2006 data shows that the dimensions of poverty in Israel remain high. Developments in the labor market, taxation and national insurance benefits – that all influenced the dimensions of poverty in the same direction, but in varying degrees on the different population groups – led to a stability in poverty among families according to a measurement based on net income. In 2006, there was also a further expansion was in net income gaps<sup>2</sup>. On the other hand, the continuous increase in poverty among children was curbed, and poverty among families of the

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1 **Social Aspects of the State Budget: 2001-2006**, Research and Planning Administration, National Insurance Institute.

2 Beginning in 2006 the Central Bureau of Statistics incorporated a new method in their income surveys, according to which an averaging of incomes was made in a certain number of observations of particularly high incomes ("top-coding"). This change does not affect the dimensions of poverty, but it might affect the dimensions of inequality and income distribution to an extent that we have not yet had the opportunity to evaluate. There is thus no certainty that the 2006 data are comparable to the data of 2005 in this respect.

elderly was reduced as a result of a real increase in their pensions. The incidence of poverty, calculated on the basis of economic income from 2003 until the most recent survey, points to a slow but persistent reduction, and economic income gaps remain stable due to the improvement in employment, which included the weaker links of the labor market as well.

Box 1 describes the foci of poverty in Israel, including the non-economic aspect of the situation of these poor populations.

This chapter presents the most updated findings on poverty and inequality for 2006. Findings referring to a more recently updated period are presented in the Boxes of this chapter. Accordingly, the findings on poverty and inequality for 2006/7 (the period which covers the second half of 2006 and the first half of 2007) are set forth in Box 2 of this chapter.

Poverty measurement from the perspective of expenditure on the basis of an approach developed by an American committee of experts (NRC) and implemented in Israel, shows a reduction in the poverty of families in 2006 compared to 2005 (see Box 3 in this chapter).

## 2. Poverty measurement and data sources

Since the early 1970's poverty in Israel has been defined according to the relative income approach, which is accepted by the majority of researchers and social policy makers in the Western world. Under this approach, poverty is a phenomenon of relative hardship which must be assessed with affinity to the living standard of the specific society: a family is considered poor not when it cannot afford to buy a certain basic basket of products required for its subsistence, but rather when its living conditions are significantly inferior to those of the society as a whole. The relative approach recognizes the fact that hardship is not manifested in low income alone, but also in the level of property, living conditions, education and available public services. Still, as a whole, since there is no universal index to reflect every aspect of distress and since data on current economic income were, and still are, more readily available, the poverty measurement focuses on the household's economic income.

The relative method used in the NII for measuring poverty is based on two principles: the first is to regard the family's **net income**<sup>3</sup> as the relevant income for examining living standards and to regard the population's **median** net income as the society's representative income<sup>4</sup>. The second principle is to adjust living standards to family size, on the assumption that family size has advantages in consumption: the needs of a family that grows larger by one individual do not increase in a similar rate, but at a smaller rate, so that the income required for the family in order to

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3 The net income is defined as the family's economic income derived from work, in addition to transfer payments (payments made other than in return for financial activity, e.g., national insurance benefits and support from institutions and individuals in Israel and abroad) from which direct taxes (income tax and national and health insurance contributions) are deducted.

4 The median income is preferable to the average income as the representative of the typical living standard, since the average income is influenced by extreme values in income distribution (i.e., by very high or very low incomes).

maintain a constant living standard is reduced with the increase in the number of individuals in the family. In order to allow comparison between living standards in families of various sizes, a *weighing scale* (or *equivalence scale*) was developed, which makes it possible to measure the needs of these families as compared with the needs of a family of any basic size<sup>5</sup>.

Under these principles, the *poverty line per standard person* in Israel was defined as the level equal to 50% the median net income for a *standard person*. A family in Israel is ascribed to the poor population when its net income, which is distributed according to the number of *standard persons* in it, is lower than the *poverty line per standard person*. The poverty line per family can be similarly calculated – by multiplying the *poverty line per standard person* by the number of *standard persons* in the family.

The findings on poverty and income distribution are presented in this chapter. These findings, the result of data processing of the NII's Research and Planning Administration, are based on annual income surveys conducted regularly by the Central Bureau of Statistics (CBS). Occasionally, data pertaining to incomes included in family expenditure surveys, conducted regularly by the CBS since 1997, are also presented.

Following an NII initiative, the CBS made a probability test that showed that findings on poverty and income distribution can be produced twice a year. Hence, **in addition** to 2006 data, Box 1 in this chapter presents findings pertaining to the period which includes the second half of 2006 and the first half of 2007 (July 2006-June 2007). It should be emphasized that there was no special survey with an independent sample made on poverty and income distribution for this period, but rather a database made up two parts: data pertaining to the second half of 2006 were taken from the 2006 Income Survey, while data pertaining to the first half of 2007 – from the 2007 Income Survey (not yet completely edited). This period will be marked "2006/7".

In February 2004, a paper published by the Research and Planning Administration presented findings for 2001 and the fundamentals of the approach for measuring poverty from the perspective of expenditure<sup>6</sup>. The approach set forth in this research is based on principles formulated by a committee of experts in the United States, adapting it to the Israeli economy. The *threshold expenditure* for a *representative family* – which includes products and services in the areas of food, clothing and footwear and housing, in addition to supplementary basic products – is calculated according to this approach. The *threshold expenditure* is adjusted to other family compositions by means of the *weighing scale*. A poor family is defined as a family whose net income is not sufficient for acquiring this basic basket. Clause 5 and Box 5 in this chapter set forth the

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5 Specifically, the *weighing scale* translates the number of persons in the family into the number of *standard persons* (or *standard adults*) in it (Table 2). The basis of the scale is a family with two persons, to which a value of two *standard persons* is assigned. According to this scale, a family with one person has a value of 1.25 *standard persons*, i.e., the needs of a family with one person are not assessed as being equal to half the needs of a family with two persons, but to more extensive needs. Similarly, the needs of a family with four persons (which is assigned a value of 3.2 *standard persons*) are not double the needs of a family with two persons (to which a value of 2 *standard persons* is assigned), but are less than double (they are only 1.6 times larger).

6 Sabag-Endweld, M. and Achdut, L. (2004), **An Experimental Poverty Measure from the Perspective of Expenditure in Israel**, Research and Planning Administration, National Insurance Institute.

fundamentals of the approach, including findings on poverty for 2006 according to this approach, while the tables in the Appendix to this chapter elaborate on the findings on poverty and inequality.

### 3. The main poverty findings

Like many Western countries, the analysis of poverty in Israel is mostly based on the two aggregative poverty indices most acceptable in empirical researches – the incidence of poverty and the *income gap of the poor* (or the *poverty gap*). The poverty incidence index specifies the **extent** of poverty in terms of the rate of poor families in the population, while the poverty gap index reflects the **depth** of poverty: the poverty gap of any poor family is defined as the difference between the poverty line (corresponding to its size) and its actual income, whereas the poverty gap of the entire population is defined as the sum of the poverty gaps of all poor families. It is possible to standardize the poverty gap index and define it as the ratio between the average income gap for a poor family and the poverty line (hereafter referred to as the *income gap ratio of the poor*). An additional aggregative index is the Sen Index, which combines these two indices with the component of inequality in income distribution among the poor.

Table 1  
**Average and Median Income per Standard Person After Transfer Payments and Direct Taxes, and the Poverty Line (NIS), 2004-2006**

Income per standard person	2004	2005	2006	Real growth rate	
				From 2004 to 2005	From 2005 to 2006
Average	3,457	3,666	3,914	4.7	4.6
Median	2,843	2,986	3,184	3.7	4.4
Poverty line	1,421.3	1,493.1	1,592.0	3.7	4.4

Table 1 shows that the economic growth which began in mid-2003 after the recession and continued through the following years brought about a rise in living standards; between 2005 and 2006 living standards improved – in terms of net income per standard person on average per family – at a real rate of 4.6%, and beginning in 2004 the real increase amounted to about 9%. The half net median income per standard person, from which the poverty line is derived, increased between 2005 and 2006 at the similar rate of 4.4% (and at a cumulative rate of about 8% since 2004). The increase in net income is the outcome of several factors which operated in the same direction in 2006: the expansion of employment by about 4% and the simultaneous increase in real wages by about 2%. This trend was further enhanced by the income tax reform under which tax rates were reduced again in the beginning of 2006. National insurance benefits also went up (for the first time in four years) by 0.7% per household on average. This moderate increase shows that their real value was preserved as a result of the adjustment of early 2006 (according to price changes) and reflects additional developments to be reviewed below.

The survey data indicate a real increase of 1.5% in old-age pensions (on average per recipient), reflecting the policy toward the elderly population; in January 2006 pensions were adjusted in

accordance to price changes by 1.8% (after a 0.9% update in January 2005), and in mid-2006 the 1.5% reduction in old-age pensions was cancelled. The basic pension grew by 1.3% and the pension for income supplement recipients was raised by about 4%.

The temporary order regarding the NIS 24 per month cutback in child allowances for the first three children and for all the "new" children, as well as the NIS 5 cutback for the fourth and subsequent children in families, expired in the beginning of 2006. However, there was a continued cutback in the allowance for the fourth and subsequent children in families as part of the policy aimed at paying a uniform allowance for all children. These opposing changes led to a real increase of about 7% in the average child allowance per household.

On the other hand, benefit payments to the working-age population (unemployment and income support), on average per family, continued to decline as a result of the reduction in the number of recipients, due, in turn, mostly to an improvement in employment, and to a lesser degree to the operation of the "Welfare to Work" program. The particularly high increase (about 25%) in payment of the "other" benefits in the data of the 2006 survey probably reflects the growth in payments of reservists' benefits due to the Second Lebanon War.

The minimum wage adjustment, made twice during the year – in April and in June – is also reflected (albeit partially) in the 2006 survey. In real terms, the minimum wage went up by 1.1% between the two last surveys, and as a percentage of the average wage it remained at the level of 45.9% in 2006. Table 2 presents the poverty lines for families according to their size, in terms of shekels and as a percentage of the average wage in the economy in 2005-2006.

Table 2  
**Number of Standard Persons and Poverty Line per Family,\* by Number of Persons in Family, 2005-2006**

Number of persons in family	Number of standard persons in family	Poverty line per family in 2005		Poverty line per family in 2006	
		NIS per month	Percentage of average wage	NIS per month	Percentage of average wage
1	1.25	1,866	25.6	1,990	26.4
2	2.00	2,986	40.9	3,184	42.3
3	2.65	3,957	54.2	4,219	56.0
4	3.20	4,778	65.5	5,094	67.6
5	3.75	5,599	76.7	5,970	79.2
6	4.25	6,346	86.9	6,766	89.8
7	4.75	7,092	97.2	7,562	100.4
8	5.20	7,764	106.4	8,278	109.9
9**	5.60	8,361	114.6	8,915	118.3

\* The average wage calculated for 2006 is the weighted average of the *average wage per employee post* (Israeli workers) from October 2005 to November 2006.

\*\* The weight of each additional individual is 0.40. Thus for example, in a family of 10 there are 6 standard persons.



The economic indicators of the macro-economic developments of 2002-2006 presented in Table 3 indicate that between 2005 and 2006 the level of prices went up by 0.4% and real wages by 1.6%. The trend of expansion in unemployment, which was halted in 2004 and went down in 2005, continued to go down in 2006 as well, and the rate of unemployment reached a level of 8.4% (as compared with 10.4% in 2004 and 9.0% in 2005).

Table 3 further shows that together with the positive changes in the area of employment, the relative level of national insurance benefits continued to be eroded: except for old-age pensions with income supplement, all benefits indicated in the table were reduced between 2005 and 2006 both as percentages of the average wage and as percentages of the poverty line. The income support benefit, which aims at securing minimum sustenance, continued to move away from the poverty line: the benefit for a couple with two children – together with child allowances – provides them an income equal to 48.9% of the poverty line (as compared with 50.4% in 2005 and about 71% in 2002). Conversely, there were differential changes in the old-age pensions in accordance with the type of beneficiary: the old-age pension without income supplement for a single person went down from 15.0% to 14.5% of the average wage between 2005 and 2006, while old-age pensions including income supplement remained similar to their 2005 level as a percentage of the average wage.

Table 3  
**Economic Developments, National Insurance Benefits and Direct Taxes: Selected Indices\*, 2002-2006**

	2002	2003	2004	2005	2006
Rate of price level change throughout survey period as compared with previous period (percentages)	5.6	0.7	-0.4	0.2	0.4
Rate of real change in average wages in economy (percentages)	-6.0	-3.0	2.5	1.0	1.6
Unemployment rate (percentages)	10.4	10.7	10.4	9.0	8.4
Rate of unemployment benefit recipients among unemployed	37.0	25.0	21.0	23.9	23.7
Minimum wage, as percentage of average wage	46.4	48.4	48.0	45.9	45.9
Minimum wage as percentage of e poverty line:					
For single person	189.6	191.0	188.2	179.5	173.8
For couple with two children (plus child allowance)	81.2	81.1	79.1	75.1	73.5
Old-age pension for single elderly, as percentage of average wage:					
Without income supplement	15.7	15.6	15.4	15.0	14.5
With income supplement	26.5	27.1	26.8	27.0	27.1
Old-age pension with n income supplement, as percentage of poverty line (from which health insurance contributions are deducted):					
For single elderly	103.5	102.1	100.4	101.2	101.9
For elderly couple	98.6	97.3	95.6	95.8	95.8
Regular rate of income support benefit, as percentage of poverty line (from which health insurance contributions are deducted):					
For single person	75.1	71.9	70.7	67.4	64.6
For couple with 2 children (plus child allowance)	70.8	62.3	53.1	50.4	48.9
Increased rate of income support benefit (previously entitled person), as percentage of poverty line (from which health insurance contributions are deducted):					
For single person	95.1	87.1	80.2	76.4	73.0
For couple with 2 children (plus child allowance)	82.5	72.2	61.2	58.1	56.2
For single parent with 2 children (plus child allowance)	100.0	87.8	61.2	58.1	56.2
Pension point, as a percentage of average wage	2.2	2.1	1.8	1.7	1.9
Credit point, as percentage of average wage	2.4	2.6	2.6	2.4	2.4

\* The data refer to benefits adjusted to the income survey period.

Tables 4 and 5 show the dimensions of poverty in 2004-2006 both in absolute numbers and according to selected indices. The findings indicate the continuation of the trend of poverty stabilization in Israel. The rate of families with a net income short of the poverty line, 20.6% in 2005, went down to 20.0% in 2006, and the rate of persons in poor families went down from 24.7% to 24.5%. On the other hand, the rate of poor children went up from 35.2% to 35.8%<sup>7</sup>

The incidence of poverty measured according to net income is the result of transfer payments and direct taxes that "correct" economic income, defined as income derived from work and capital before taxes. Transfer payments, the essence of which is national insurance benefits, increase the family income, while direct taxes decrease it. The smaller the amount of direct tax paid by a poor family, the larger is its net income and the greater its prospects of escaping poverty, and vice versa.

The figures in the tables indicate that the trend of stability in poverty among families and persons according to economic income continues, as a result of two labor market developments working in opposing directions: the expansion of employment, that mostly characterized the weak links of the labor market and which contributed to the increase in economic income, and a slight pay rise for workers in these sectors, as compared with the rise in the average wage and in the advanced economic sectors.

The transfer payments and direct taxes in the 2006 survey period extricated 39% of poor families from poverty. For the first time since 2002, the decline in the influence of transfer payments and direct taxes on the reduction of poverty among families was brought to a halt. However, an examination of the influence of transfer payments alone shows that in 2006 as well their contribution to extricating families from poverty diminished, leading to the conclusion that direct taxation is the system that contributed the most to the moderate decline. For purposes of comparison, in 2002 half of the poor families were extricated from poverty by virtue of government intervention. On the other hand, the steady trend of reduction in the contribution of transfer payments and direct taxes to the extrication of children from poverty continues, though at a slower pace. These systems succeed in extricating from poverty at least one third of the poor persons and about a mere sixth of the children (as compared with more than one third of persons and one quarter of children in 2002). The contribution of benefits and direct taxes as well to reducing the income gap ratio of the poor went down: from 47.5% in 2004 to 45.3% in 2006.

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7 These changes are not statistically significant and show stability.

Table 4  
**Dimensions of Poverty in Total Population (absolute numbers), 2004-2006**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes
<b>2004</b>			
The poor population			
Families	656,800	320,600	394,200
Persons	2,184,100	1,308,500	1,534,300
Children	881,600	632,100	713,600
<b>2005</b>			
The poor population			
Families	668,200	340,400	410,700
Persons	2,235,800	1,411,700	1,630,500
Children	899,600	686,500	768,800
<b>2006</b>			
The poor population			
Families	665,800	345,400	404,400
Persons	2,254,800	1,455,500	1,649,800
Children	921,900	718,600	796,100

Table 5  
**Poverty in Total Population, by Selected Poverty Indices, 2004-2006**

Poverty index	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes
<b>2004</b>			
Incidence of poverty (%)			
Families	33.7	15.8	20.3
Persons	33.6	20.2	23.6
Children	41	29.4	33.2
Income gap ratio of the poor (%)*	64.5	33.4	33.3
Sen Index*	0.283	0.094	0.111
Gini Index for inequality in income distribution of the poor*	0.5499	0.2007	0.2045
<b>2005</b>			
Incidence of poverty (%)			
Families	33.6	17.1	20.6
Persons	33.8	21.3	24.7
Children	41.1	31.4	35.2
Income gap ratio of the poor (%)*	62.5	32.8	33.1
Sen Index*	0.278	0.098	0.114
Gini Index for inequality in income distribution of the poor*	0.5246	0.1923	0.1953
<b>2006</b>			
Incidence of poverty (%)			
Families	32.9	17.1	20.0
Persons	33.5	21.6	24.5
Children	41.5	32.3	35.8
Income gap ratio of the poor (%)*	61.8	33.5	33.8
Sen Index*	0.272	0.100	0.115
Gini Index for inequality in income distribution of the poor*	0.5106	0.1895	0.1952

\* The weight assigned to each family in calculating the index is equal to the number of persons in it.

The income gap ratio of the poor (which expresses the depth of poverty) registered a slight increase – from 33.1% in 2005 to 33.8% in 2006. This fact means that the revised net income of a poor family is one third away from the poverty line, on average. The index more or less stabilized at its level since 2004, after a gradual increase since 1999 – the year in which the income gap ratio of the poor was 25.8%.

The Gini Index for inequality in net income distribution of the poor (Table 5) indicates stability between 2005 and 2006. On the other hand, the Gini Index for inequality in the distribution of economic income continues the downward trend which began in 2004. The index reduction totaled

about 6% between 2004 and 2006, due to the introduction of additional poor workers to the labor market.

Table 6  
**Influence of Transfer Payments and Direct Taxes on Poverty in the Entire Population. by Selected Poverty Indices, 2004-2006**

Poverty index	Percent of reduction attributed to transfer payments only			Percent of reduction attributed to transfer payments and direct taxes		
	2004	2005	2006	2004	2005	2006
Incidence of poverty (%)						
Families	53.1	49.1	48.0	39.8	38.7	39.2
Persons	39.9	37.0	35.5	29.8	26.9	26.9
Children	28.3	23.6	22.2	19.0	14.4	13.7
Income gap ratio of the poor (%)*	48.2	47.5	45.8	47.5	47.0	45.3

\* The weight assigned to each family in calculating the index is equal to the number of persons included in it.

The Sen Index reflects the combined influence of the poverty incidence index, the poverty gap index and the position of the individual in the rating of the poor, i.e., the inequality in the income distribution of the poor. The Sen Index of net income went up at the moderate rate of 0.8% in 2006 as compared with 2005, but in a cumulative manner it went up by 3.6% since 2004. This increase expresses the expansion of poverty among persons. Like the trends evident in the Gini Index for the incomes of the poor, the increase in the Sen Index by net income stands in contrast to the decrease by economic income.

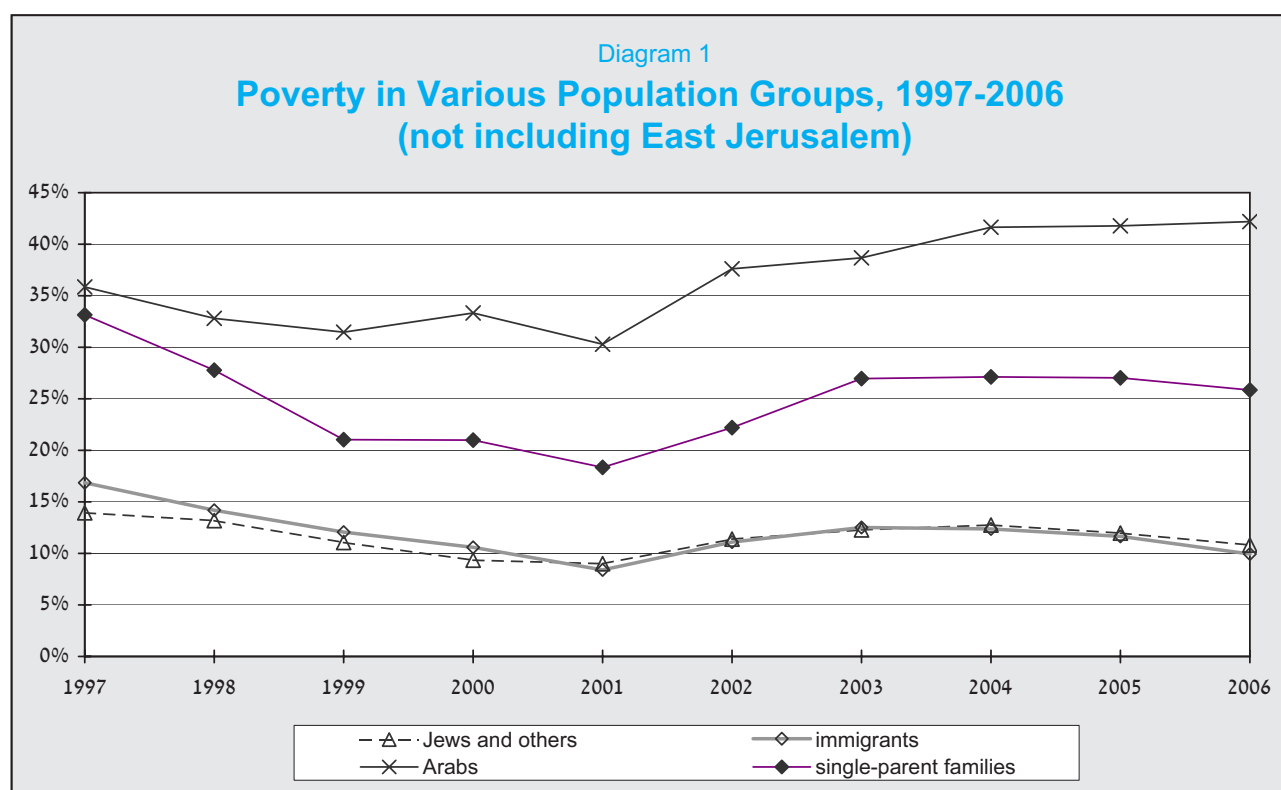
#### 4. Poverty by population groups and composition of poor population

Tables 7-10 show poverty by the various population groups. Table 7 indicates poverty by economic income and net income in the various population groups in 2005 and 2006, and Table 8 indicates the share of these groups both in the entire population and in the poor population. Table 9 features the values of the poverty gap ratio by population group, and Table 10 features the rates of reduction in poverty as a result of transfer payments and direct taxes.

The trend of stabilization in poverty was not common to all population groups. Poverty among the elderly went down from 25.1% in 2004 to 24.5% in 2005 and to 21.5% in 2006, reflecting the influence of increasing the pensions for the elderly, including those with a low income, in 2005 and in 2006. At the same time, the share of elderly families in the poor population went down by two percent points between 2005 and 2006, and the contribution of transfer payments and direct taxes to the reduction of poverty among the elderly increased from 57% in 2005 to 62% in 2006. On the other hand, the income gap ratio of the poor **went up** by two percent points – reflecting the fact that the elderly who remained poor were poorer when the families with income closer to the poverty line were extricated from poverty.

Poverty was reduced in families of new immigrants and in single-parent families as well. In the latter, the poverty rate went down from 32.5% to 29.5% between 2005 and 2006, and in the former, it went down from 20.0% to 18.1%. In both populations this reduction is attributed to the improvement in economic income and not to the growth stemming from transfer payments or the reduction of taxes. At the same time, the income gap ratio of the poor also went down slightly among the new immigrants, but among the single-parent families there was an increase of 3 percent points in this index. Like in the case of the elderly, here too those extracted from poverty are those whose income was closer to the poverty line, and when included in the poor population, they contributed to reducing the gap between the incomes of the poor and the poverty line. Upon their lift from poverty, the families that remained poor become therefore poorer and this fact is reflected in the distance of their income from the poverty line.

Diagram 1 presents the development of poverty in selected population groups through the last decade, illustrating the turning point after 2001 in all population groups. After registering a downward trend between 1997 and 2001, poverty changed its direction in 2002. However, while with groups with a relatively low incidence of poverty – such as Jews and new immigrants – it more or less returned to its 2001 level, other groups, characterized by a higher level of poverty rates – such as Arabs and single-parent families – did not manage to return to their relative situation of 2001.



Between 2005 and 2006, the trend of increase in poverty among families with children was brought to a halt for the first time in seven years. This stabilization reflects two opposing developments in two sub-groups that compose this population: an improvement in the situation of the families with 1-3 children and a further deterioration in the situation of large families (with 4 or more children).

The 2 percent-point drop in poverty among families with 1-3 children was set off by a parallel increase in that of large families. The contribution of transfer payments to reducing poverty in families of 1-3 children increased from 23.6% to 25.9%, while it decreased from 9.5% to 8% in large families between the two years under review. On the other hand, the index of the income gap ratio of the poor indicates stabilization of the poverty situation among the two groups of families with children.

The population of Arab families, many of whom number large families, is included among the foci of poverty in Israel. The indices indicate a further deterioration in the poverty of this population. The high poverty incidence of Arab families registered a further increase in 2006, from 52.1% in 2005 to 54.0%. While the rate of Arabs in the population as a whole is approximately 20%, about 44% of poor persons in 2005 were Arabs, and this rate continued to climb in 2006, reaching about 47%. The income gap ratio of the poor Arab population went up as well: from 35.3% in 2005 to 36.7% in 2006.

In the families leading the poverty scale in Israel – families in which the working-age head of the family does not work – a further deterioration was registered in 2006: the incidence of poverty of these families went up from 65.8% in 2005 to 66.6% in 2006. The depth of poverty remained more or less stable between the two years; the income of the poor families in this group reaches half the poverty line income on average. The rate of the reduction in the incidence of poverty which stems from government intervention decreased further, from 27% in 2005 to 25% in 2006.



Table 7  
**The Incidence of Poverty in Specific Population Groups, 2005-2006**

Population group (families)	2005			2006		
	Economic income	Net income	Gini Index*	Economic income	Net income	Gini Index*
<b>Total population</b>	<b>33.6</b>	<b>20.6</b>	<b>1.00</b>	<b>32.9</b>	<b>20.0</b>	<b>1.00</b>
Head of family:						
Elderly person	57.0	24.4	1.18	56.2	21.5	1.08
Unemployed person (at working age)	90.4	65.8	3.19	88.9	66.6	3.33
Working:	18.4	12.2	0.59	18.6	12.4	0.62
Employee	18.8	12.1	0.59	18.9	12.2	0.61
Self-employed	15.3	13.0	0.63	16.3	13.9	0.70
Families with one provider	34.8	23.1	1.12	35.0	23.4	1.17
Families with two providers	4.7	3.1	0.15	5.1	3.4	0.17
Jews**	29.8	15.9	0.77	28.8	14.7	0.74
Arabs	58.6	52.1	2.53	59.5	54.0	2.70
New immigrants (from 1990)	42.4	20.0	0.97	39.9	18.1	0.91
Single-parent	53.3	32.5	1.58	51.1	29.5	1.48
Families with children	32.4	26.2	1.27	31.7	25.5	1.28
1-3 children	26.3	20.1	0.98	24.7	18.3	0.92
4 or more children	64.2	58.1	2.82	65.2	60.0	3.00

\* The Gini Index refers to net income.

\*\* The Jewish population also includes non-Jews who are not Arabs.

The situation of the working families indicates a certain upward trend in the incidence of poverty between 2004 and 2005 and stability between 2005 and 2006. On the other hand, poverty in working families has grown deeper between the two years, as will be elaborated below.

Table 8  
**Share of Specific Groups in Total Population and in Poor Population (Percentages)\*, 2005- 2006**

Population group	Total population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Persons	Families	Persons	Families	Persons
<b>2005</b>						
Head of family:						
Elderly person	19.4	9.8	32.9	16.1	23.0	10.0
Unemployed person (of working age)	10.8	11.2	29.0	31.1	34.4	35.6
Working:	73.0	81.0	39.9	53.9	43.1	54.6
Employee	63.8	70.5	35.7	48.1	37.4	47.5
Self-employed	9.2	10.4	4.2	5.8	5.8	7.1
Families with one provider	33.9	33.9	35.1	46.0	37.9	47.4
Families with two providers	31.9	36.8	4.4	7.0	4.8	6.5
Arabs	13.2	19.6	23.1	35.5	33.4	44.0
Jews	86.8	80.4	76.9	64.5	66.6	56.0
New immigrants (from 1990)	19.8	16.9	25.0	18.5	19.2	13.5
Single-parent	5.5	5.8	8.7	9.4	8.6	8.3
Families with children:	47.0	67.1	45.4	71.9	59.7	82.1
1-3 children	39.5	50.4	30.9	39.2	38.5	42.2
4 or more children	7.6	16.7	14.4	32.6	21.2	39.9
<b>2006</b>						
Head of family:						
Elderly person	19.5	9.7	33.5	16.0	22.2	9.4
Unemployed person (of working age)	10.5	11.1	28.3	30.8	35.2	36.2
Working:	73.4	81.2	40.2	54.3	43.2	54.7
Employee	63.8	70.1	35.8	48.1	37.1	46.9
Self-employed	9.6	11.1	4.4	6.2	6.0	7.8
Families with one provider	33.8	33.2	35.3	45.6	37.9	46.9
Families with two providers	31.9	37.0	4.6	7.9	4.9	7.1
Arabs	13.4	20.0	22.8	35.7	34.0	44.7
Jews	86.6	80.0	77.2	64.3	66.0	55.3
New immigrants (from 1990)	19.4	16.7	24.4	18.1	18.0	13.2
Single-parent	5.5	5.9	8.9	9.5	8.5	7.8
Families with children:	46.2	66.7	44.5	71.6	59.0	82.1
1-3 children	38.2	50.9	28.7	36.3	35.1	38.0
4 or more children	8.0	15.8	15.8	35.3	23.9	44.1

Table 9  
**Income Gap Ratio of the Poor\* In Specific Population Groups, 2005-2006**

Population group (families)	2005			2006		
	Economic income	Net income	Concentration Index**	Economic income	Net income	Concentration Index**
<b>Total population</b>	<b>62.5</b>	<b>33.1</b>	<b>1.00</b>	<b>61.8</b>	<b>33.8</b>	<b>1.00</b>
Head of family:						
Elderly person	82.7	19.6	0.59	81.2	21.8	0.64
Unemployed person (of working age)	93.7	48.0	1.45	93.1	47.7	1.41
Working:	38.2	25.8	0.78	39.2	27.3	0.81
Employee	37.8	24.8	0.75	38.6	25.8	0.76
Self-employed	41.0	32.3	0.98	43.1	35.0	1.04
Families with one provider	40.1	26.1	0.79	41.1	28.1	0.83
Families with two providers	27.3	23.5	0.71	29.6	21.9	0.65
Jews***	64.7	31.3	0.95	63.6	31.3	0.93
Arabs	58.7	35.3	1.07	58.6	36.7	1.09
New immigrants (from 1990)	70.8	26.9	0.81	70.2	26.2	0.78
Single-parent	68.4	32.3	0.98	67.8	35.2	1.04
Families with children:	58.4	34.3	1.04	57	34.9	1.03
1-3 children	56.1	33.3	1.01	55.2	34.0	1.01
4 or more children	61.2	35.4	1.07	60.6	35.6	1.05

\* The weight assigned to each family in calculating the index to the number of persons in it.

\*\* The concentration index refers to net income.

\*\*\* The Jewish population includes also non-Jews who are not Arabs.

Table 10  
**Influence of Transfer Payments and Direct Taxes on Poverty in Specific Population Groups, 2004-2006**

Population group (families)	Rate of reduction stemming from transfer payments and direct taxes					
	Incidence of poverty			Income gap ratio of the poor		
	2004	2005	2006	2004	2005	2006
<b>Total population</b>	<b>39.8</b>	<b>38.7</b>	<b>39.2</b>	<b>48.4</b>	<b>47.0</b>	<b>45.3</b>
Head of family:						
Elderly person	57.6	57.2	61.7	77.2	76.3	73.2
Unemployed person (of working age)	28.9	27.2	25.1	50.6	48.8	48.8
Working:	35.2	33.7	33.3	32.3	32.5	30.4
Employee	38.3	35.6	35.4	35.6	34.4	33.2
Self-employed	12.4	15.0	14.7	19.7	21.2	18.8
Families with one provider	36.2	33.6	33.1	35.6	34.9	31.6
Families with two providers	29.8	34.0	33.3	12.6	13.9	26.0
Jews***	47.9	46.6	49.0	53.8	51.6	50.8
Arabs	12.3	11.1	9.2	37.7	39.9	37.4
New immigrants (from 1990)	56.2	52.8	54.6	62.4	62.0	62.7
Single-parent	40.6	39.0	42.3	54.9	52.8	48.1
Families with children:	22.5	19.1	19.6	42.6	41.3	39.7
1-3 children	26.9	23.6	25.9	41.9	40.6	38.4
4 or more children	12.3	9.5	8.0	43.6	42.2	41.3

The degree in which families concentrate around the poverty line is related to their sources of income. Table 11 shows the positioning of various population groups around the poverty line. The dense concentration of families headed by an elderly person around the poverty line stems from the fact that the minimum income for subsistence guaranteed under the Income Support Law (for the elderly and survivors who have no income from another source) is more or less compatible with the poverty line. Hence, an increment, even if small, to the minimum income level, substantially reduces the number of poor elderly families whose income remains very close to the poverty line, but is still above it. On the other hand, erosion – even if minor – in the minimum income level substantially increases the number of poor elderly. Lowering the poverty line to 95% thereof would reduce the rate of poor families by a quarter, as compared with a parallel reduction of one tenth in respect of the entire population.

Box 3 in this chapter elaborates on the foci of poverty in Israel while discussing additional aspects of poverty other than the economic one.

Table 11

**Percent of Families in which Disposable Income Does Not Exceed Given Income (In Terms of Poverty Line), 2006**

Population group (families)	Income as a percent of poverty line							
	75	90	95	100	105	110	125	150
<b>Total population</b>	<b>10.6</b>	<b>15.6</b>	<b>17.8</b>	<b>20.0</b>	<b>22.1</b>	<b>23.5</b>	<b>28.3</b>	<b>36.0</b>
Head of family:								
Elderly person	6.3	12.2	16.7	21.5	25.7	27.9	33.5	43.4
Unemployed person (of working age)	50.9	60.5	63.6	66.6	69.4	70.8	76.5	82.7
Working:	5.8	9.8	11.1	12.4	13.8	15.0	19.4	26.7
Employee	5.4	9.6	10.9	12.2	13.6	14.8	19.2	26.5
Self-employed	8.2	11.0	12.3	13.9	15.3	16.3	26.9	28.2
Families with one provider	11.3	18.8	21.1	23.4	25.8	27.8	34.3	44.0
Families with two providers	1.2	2.3	2.9	3.4	4.1	4.6	7.5	13.0
New immigrants (from 1990)	6.5	10.7	14.1	18.1	21.4	23.0	29.1	40.7
Single-parent	17.7	24.6	26.9	29.5	32.0	34.6	42.4	52.3
Families with children:	15.2	21.7	23.6	25.5	27.4	29.0	34.8	43.2
1-3 children	10.0	15.1	16.7	18.3	20.0	21.5	27.0	35.8
4 or more children	40.0	53.1	56.6	60.0	62.5	64.5	72.2	78.8

## Box 3

**Poverty Pockets in Israel and Suggested Solutions**

The focus of poverty is at the heart of government policy in Israel, as manifested in the *socio-economic agenda* document (see Chapter 1). This Box reviews the main focus of poverty in the Arab and Jewish sectors and suggests ways to reduce poverty.

Poverty in Israel is concentrated in certain groups – families in which the household head has little education, large families, and families with one or no providers – many of which are in the Jewish-Orthodox and Arab sectors. A major pocket of poverty is of Arabs in the South who live in villages not recognized by the government. 2004 is the first year for which data are available which made it possible to calculate poverty among the Bedouin there. In this year data were compiled, as part of a survey conducted by the Galilee Society<sup>1</sup>. The incidence of poverty among the Arabs of the South is close to 80% (in 2004) and the severity of poverty is nearly seven times that of the Jewish non-Orthodox population. However, an additional, and seldom discussed, aspect of the situation of the population in the foci of poverty concerns the state of infrastructures in their settlements. The above-mentioned survey points to neglect of the education, electricity, water, sewage and transportation systems and to lack of accessibility to industrial zones as the main barriers to the population's advancement. Discrimination in public infrastructures exists particularly toward the Arabs of the South, who lack accessibility to the most basic infrastructures. Diagram 1 shows that this problem characterizes many Arab settlements, not only in the South.

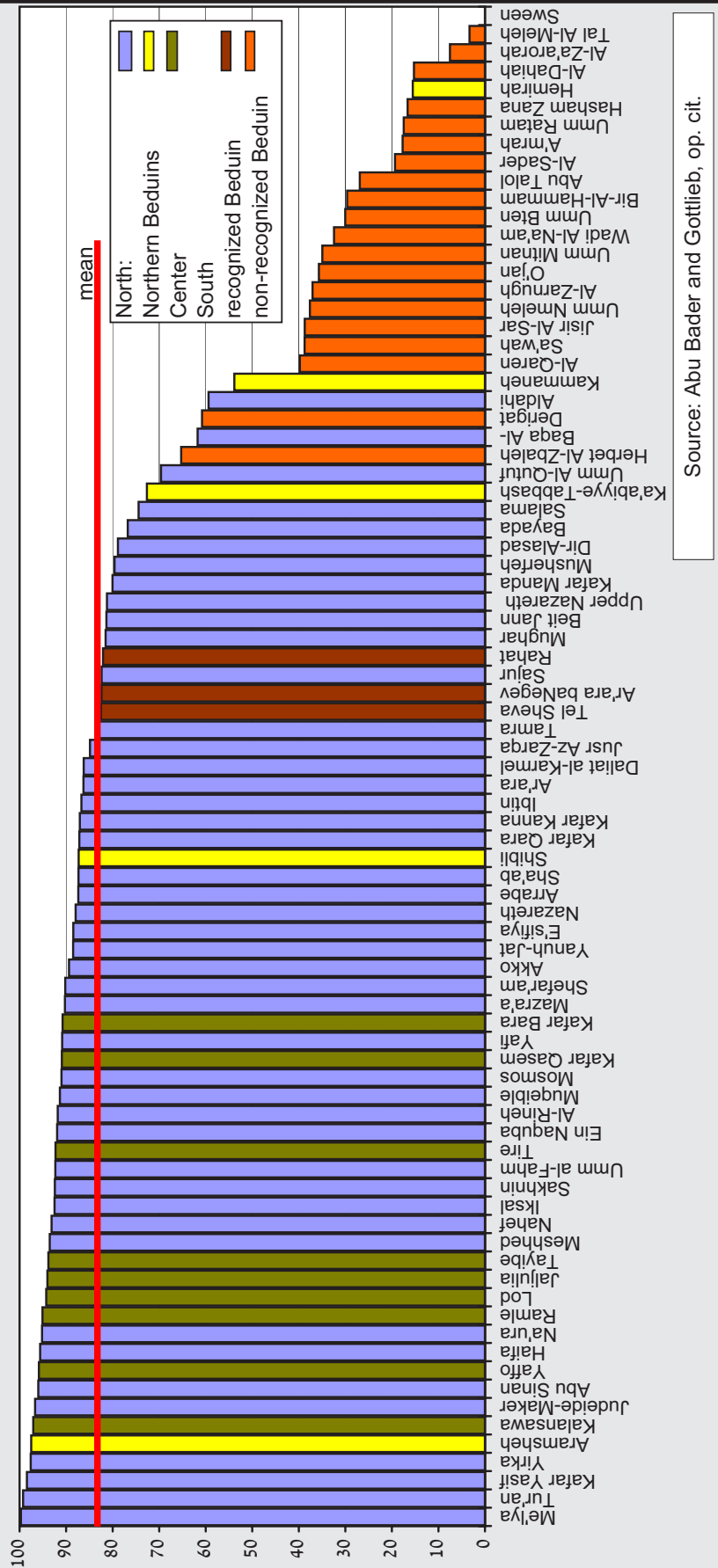
Poverty among Jews is mostly concentrated in Orthodox and in single-parent families (Diagram 2). Additional reasons for poverty, aside from education and family size, are labor-market related: unemployment and low wages, due, inter alia, to discrimination in the labor market, and in the case of new immigrants, due to difficulties integrating into Israeli society and economy. The social cross-sections imply the types of problems with which many poor families cope, especially in settlements with a low socio-economic status: lack of infrastructure and poor quality of education – including the difficulty to provide children with self-funded private education services, as a result of the creeping privatization of such services<sup>2</sup>. Data processed by the NII Research and Planning Administration show that the weight of the expenditure on private education in the bottom quintile has diminished in recent years, as opposed to an increase in this weight in the population as a whole. The detrimental effect on quality of human capital due to a failing education system – although manifested only after several years – is critical, since it influences the prospects of future earning levels.

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1 For data pertaining to the Arab population see Abu-Bader and Gottlieb, 2008, **Poverty, Education, and Employment in the Arab-Bedouin Society: A Comparative View**, the Van Leer Institute, Jerusalem, based on data derived from income surveys for 2004 and data derived from the Galilee Society Survey, 2004.

2 An example of this are the substantial private expenses involved in providing private tutoring to children and psychometric courses for adolescents in order to enhance their chances of getting into universities in Israel. Another example is the distribution of the education level of teachers in the periphery: their level is probably lower than that in the Center, even though it difficult to obtain respective data by geographic distribution.

Diagram 1  
**Rating of Arab Settlements by Accessibility to Basic Infrastructure (100=full accessibility, 0=no accessibility)**



Source: Abu Bader and Gottlieb, op. cit.

There is a certain overlap between the single-parent and new immigrants' family groups, and several other groups. It is noted that the data in the diagram do not include the Bedouins who live in non-recognized villages because the Central Bureau of Statistics, the source of the data, does not compile social information on this population group.

Poverty among **children** is a central problem in Israel: poverty in the family hurts a child more deeply than it does the rest of the family, since the period of adolescence is meant to serve him to accumulate human capital for his future. When this does not occur, he is continuously lacking, his chances of escaping poverty when he grows up are substantially reduced and the risks of his remaining in poverty for an extended time are greater. An additional problem is that dealing with poverty among children yields results only after a long time, something that makes it politically unattractive.

The recent years' cutback in benefits substantially increased not only the incidence of poverty, but also the depth of poverty of families: whereas prior to the cutback the average income gap was about one quarter from the poverty line, it grew to one third and more after the cutback.

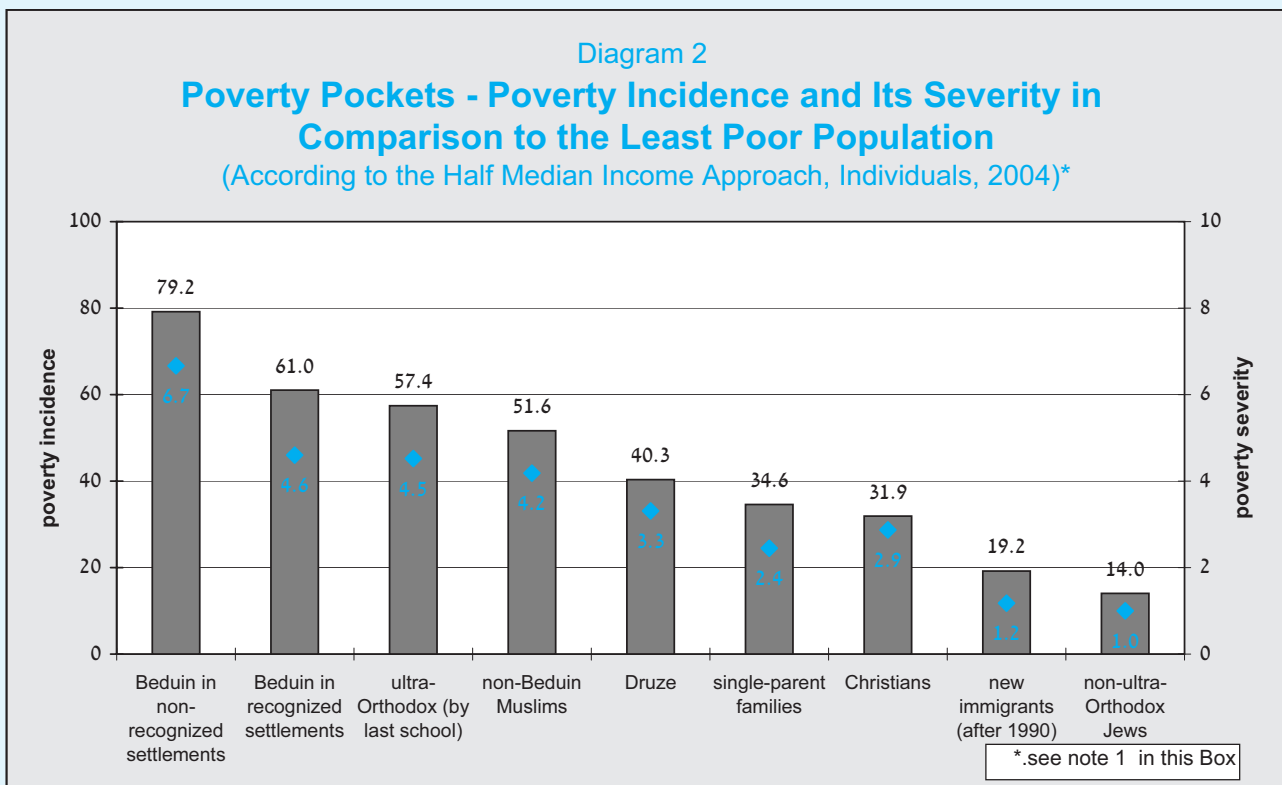
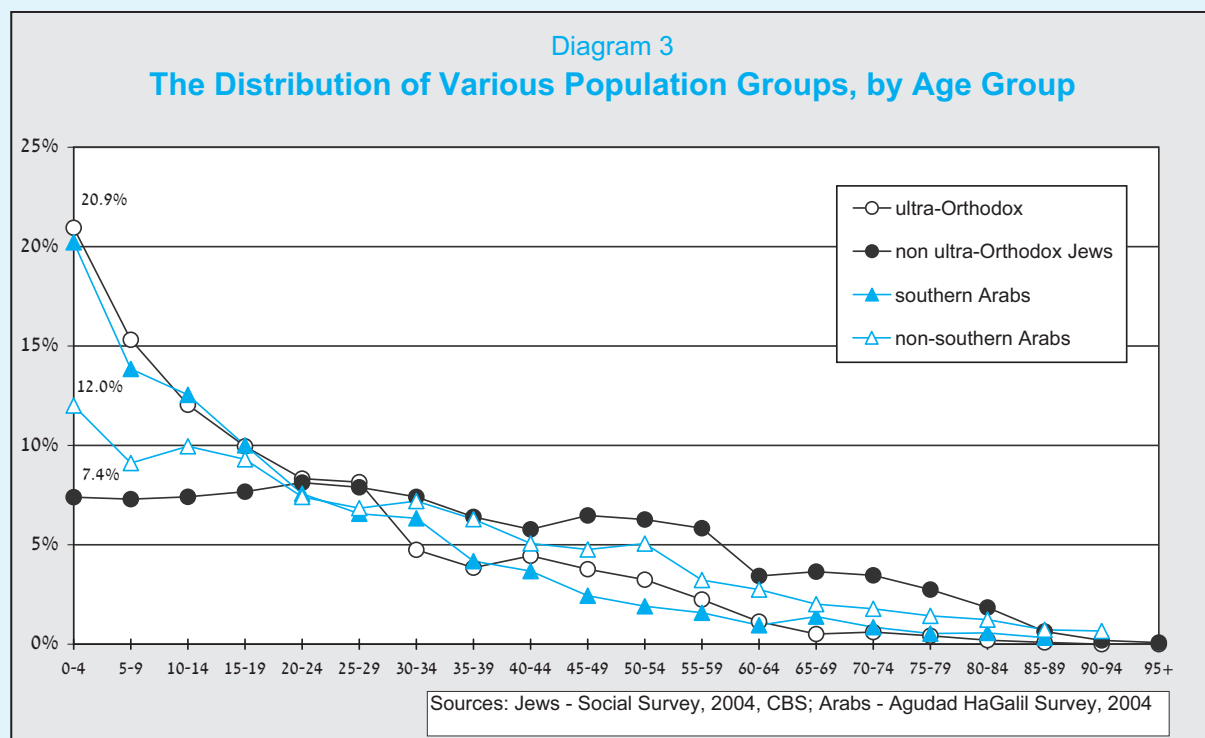


Diagram 3 points to a difficulty that Israeli society will face in a few years should the governments continue to ignore the situation. The weight of the population of the youngest children (aged 0-4) among the Jewish Orthodox and among Arabs of the South is very similar – about three times their weight in the Jewish non-Orthodox society and about twice that of the non-Southern Arab population, respectively. If we add to this fact the education difficulties in the two populations we can envisage the harsh implications it will have on the future poverty situation. The difficulties in education differ between the two groups: whereas the Bedouins of the South lack basic education



from their unwillingness to invest in an existing education infrastructure that will improve their children's future earning capacities. In any event, the result is the same, and in 20 years youths from both these population groups will find it difficult to cope in the labor market even if they wish to. It is therefore crucially important to invest in education among the Arabs of the South. Dealing with the Jewish Orthodox group in Israel is more complicated and calls for cooperation from their leaders. Programs founded mostly on active government intervention in the labor market do not deal with the root of the problem, which is early childhood education.



Cutbacks made in the benefits in recent years have also left their mark on the poverty trend. A rational policy must therefore employ combined instruments that handle all the aforesaid aspects. A program to reduce poverty among the poor population groups has to include an investment in the infrastructures of education and transportation, because the better the state of education and transportation, the greater will the rate of employment become and even a reduction in birth rates will become possible. In light of the slow maturation of the influence of the proposed instruments on poverty it is imperative to simultaneously restore some of the child allowances to large families, even if for a few years only, until the government manages to improve the earning capacity of the poor through the above-mentioned instruments. In other words, the possibility of temporarily expanding child allowances while simultaneously executing a wise labor market policy calls for serious consideration. Unlike the existing policy as reflected in the *Agenda* document, transfer payments to work-age population as well may be an effective instrument when executed jointly with other instruments.

At a time of accelerated and prolonged growth the government could afford to support particularly poor families by paying a temporary benefit. Such a pro-cyclical approach can be justified especially at a time when the government operates a program to reduce poverty through

integrating populations into the labor market. Such programs usually require time to mature due to planning and initial difficulties. Payment of such a temporary benefit can help through this period of maturation, when the government can monitor indicators of success and reduce the temporary payments according to the program's progress as evaluated by the indicators. Moreover, a temporary transfer payment is not expected to affect the behavior of individuals<sup>3</sup>. The State will thus allow a fairer distribution of the fruits of economic growth at a time when the economy as a whole is growing stronger and thereby signal that it is assuming responsibility over its function of formulating socio-economic policy. Once its obligation to enhance employment is fulfilled the government will have moral justification to cutback the bridging benefits again. With regard to the Arabs of the South, poverty is high also in recognized settlements, although it is lower by nearly one quarter than poverty in non-recognized villages – a fact which suggests that the policy of recognizing the settlements helps reduce poverty. It is therefore recommended to continue to strive toward recognizing additional settlements as a first step in order to increase the direction of resources to the Bedouin population. In previous research it was found that the lack of infrastructure increases poverty not only directly, but indirectly as well, through increasing dropout from school and its implications on fertility.

In conclusion, reducing poverty through continuous economic growth is possible, but requires the use of additional and supplementary instruments, in order to make growth pro-poor.

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3 Even if the argument that child allowances affect birth rates or perhaps amount to a negative incentive to enter the labor market is true, the connection prevents such a negative effect and, on the other hand, enables the alleviation of particularly hard cases of poverty.

## Poverty among working families

The continued expansion in the poverty of working families is an issue of great public interest. The rate of working families in the poor population, 28% in the early 1990's, went up to about 46% in 2006 – a 65% increase. More than half the poor **persons** live in working households, usually with one provider. The incidence of poverty of working families has gradually and consistently increased, from about 6% in the end of the 1980's to a rate double than that in 2006 (12.4%). The findings indicate that active participation of the household head (and occasionally of both spouses) in the labor force in Israel does not guarantee protection against poverty. The fact that even a measurement based on economic income yields a similar result shows that the problem's origins are rooted in factors related to the labor market.

The diagram below shows the share of the various types of families in the poor population in 2006 as compared with 1999. While there was no real change in the (high) share of working-age non-workers between the two years, a significant increase is evident in the share of families with one provider in the poor population, and there is a relatively significant increase in the share of families with two providers. In total, the weight of the working population in the poor population increased between the two periods by 3 percent points – from 38.4% in 1999 to 41.4% in 2004/5.

Table 12 shows the distribution of wages of the employed population in general, and of the poor employed population in particular, according to data of the 2006 survey. The findings indicate that the rate of poor employees who earn above the average wage is virtually zero (as compared with about one third of all employees in the economy), while the rate of those who earn low wages (up to minimum wage) reaches about two thirds when poverty is measured according to economic income, and a rate not so far from that – 58% – when measurement is made according to net income. About 35% of employees who work full time earn low wages in comparison to 12% of all employees.

Diagram 2 illustrates the development of poverty of families by the number of providers through 1997-2006. Alongside the extensive gaps in the poverty level of the various families, the upward trend common to all three of them is notable: poverty of families without a provider, initially very high, increased further by 16% during this period. On the other hand poverty of families with one provider soared by about 80%, and that of families with two providers doubled during this period.

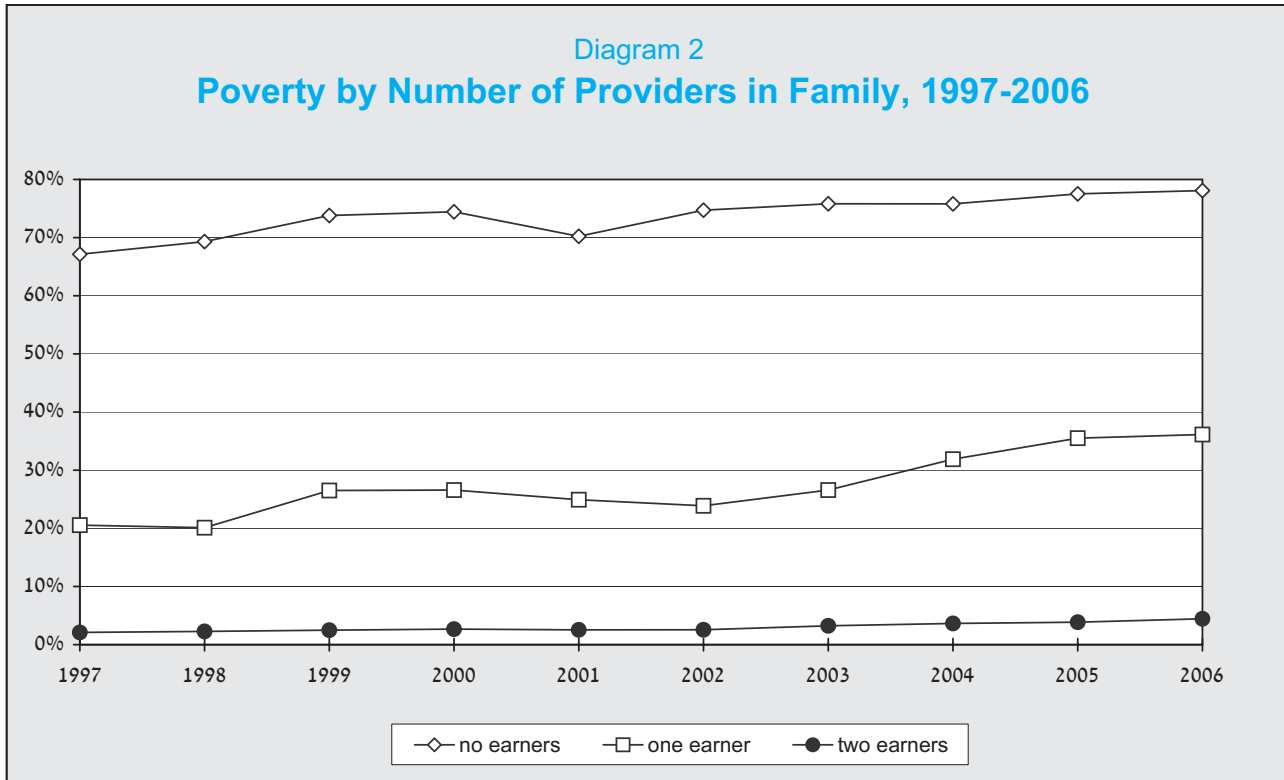


Table 12  
**Wages of Working Population and of Poor Working Population, by Wage Level (percentages), 2006**

	Total (thousands)	Up to half minimum wage	One half to full minimum wage	Minimum wage to average wage	Above average wage
<b>Total number of employees</b>	<b>2,233</b>	<b>9.9</b>	<b>15.1</b>	<b>44.3</b>	<b>30.7</b>
Employees who work full time	1,657	3.0	8.9	50.0	38.1
<b>Poor population by economic income</b>					
Total number of employees	<b>278</b>	<b>32.6</b>	<b>30.6</b>	<b>34.6</b>	<b>0.4</b>
Employees who work full time	179	12.9	25.8	60.7	0.6
<b>Poor population by net income</b>					
Total number of employees	<b>179</b>	<b>29.9</b>	<b>28.0</b>	<b>41.8</b>	<b>0.2</b>
Employees who work full time	106	13.1	22.4	64.1	0.4

An analysis of poverty among working families by nationality and family composition (Table 13) points to the over-representation of Arabs and large families in the poor working population. While among Jewish families with one provider the incidence of poverty was 15% in 2006, two or more providers are required in an Arab family in order to reach similar poverty dimensions (about 13%). The incidence of poverty of Arab families with one provider is similar to that of all Arab families, i.e., it being a "working" family does not contribute to reducing its chances of escaping poverty, despite

the fact that the share of poor working families (at working age) in total poor families is higher among the Arabs than among Jews: 57% of poor Arab families work as compared with 45% of poor Jewish families. The over-representation of large families in poverty has also been observed when the working population is in issue, in the two sectors – Jewish and Arab. However, over and beyond family size, the explanations regarding these differences relate to the status of workers from the various labor market sectors, such as their chances of being employed and wage levels.

Table 13  
**Poverty among Working Families, by Number of Providers and Nationality,  
2003-2006**

	According to economic income				According to net income			
	2003	2004	2005	2006	2003	2004	2005	2006
<b>Jewish population</b>								
Working head of family	13.9	14.0	14.7	14.5	6.9	7.8	8.3	8.0
Family with one provider	27.1	27.3	29.9	28.8	12.8	14.5	16.3	15.4
Family with two providers	3.3	3.8	3.8	4.2	2.1	2.5	2.5	2.6
<b>Arab population</b>								
Working head of family	40.1	42.5	43.0	45.4	33.6	36.8	38.7	42.2
Family with one provider	53.6	57.1	55.5	61.6	45.0	50.1	51.5	58.0
Family with two providers	15.3	15.2	16.7	15.6	12.7	12.3	11.0	12.9

## Box 4

**Poverty and Incomes Gaps in 2006/7**

This Box presents poverty findings of the period that includes the second half of 2006 and the first half of 2007 (2006/7)<sup>1</sup>.

Economic growth continued through the first half of 2007 and manifested itself in the expansion of employment and the increase of real wages. Macro-economic data indicate that between 2006 and 2006/7 the number of employed persons went up by about an additional 2%, real wages by 1.6%, and the minimum wage by a real cumulative rate of 3.6%. NII benefits were not adjusted in 2007 since the Consumer Price Index declined during the determining period (November 2005 to November 2006). The survey data point to an increase in payments of disability pensions and of child allowances, to stability in payments of old-age and survivors' pensions<sup>2</sup>, and to a further reduction in payments of benefits for the working-age population (unemployment and income support). The total amount of benefits increased by 1.4%. If the natural growth of the population is not taken into account, the benefits increased by half a percent.

The main findings of the survey are as follows:

- The improvement in the standard of living, as reflected in the median of the revised net income – from which the poverty line is also derived – was at a rate of 2.3%. On the other hand, the average net income per standard person registered a real increase at the moderate rate of 0.3%.
- Poverty among families went up slightly – from 20.0% in 2006 to 20.5% in 2006/7. The *income ratio of the poor*<sup>3</sup> per family, which expresses the distance of the poor families' income from the poverty line, remained similar to its 2006 level – 34.0% (as compared with 33.8% in 2006).
- The incidence of poverty per capita remained stable between the two periods: the rate of poor persons went up from 24.5% in 2006 to 24.7% in 2006/7. Poverty among children too remained at its high level – 35.9% (as compared with 35.8% in 2006).
- There were 420,000 poor families in 2006/7, including 1,674,800 persons and 805,000 children.

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1 The survey period is from July 2006 to June 2007. The database is made up of two parts: data of the second half of 2006 were taken from the Income Survey of 2006, while data of the first half of 2007 were taken from the Income Survey of 2007, which has not yet been completely edited. The second half of 2006 is therefore common to the databases of 2006/7 and of 2006.

2 Data of the current survey indicate a reduction in payments of old-age pensions and stability in the level of these pensions. These findings stand in contrast to the administrative data, which point to an increase of 1.3% in payments of old-age and survivors' pensions between the two periods. The reduction in payments of old-age pensions in the survey is attributed to both an increase that is more moderate than the one actually affected in the average old-age pension and to an unexplained reduction in the number of old-age pensions recipients in the survey. It is noted that in an inquiry to the Central Bureau of Statistics it was found that the data are within the range of statistical error.

3 Formerly referred to as the *poverty gap ratio*.

- The trend of stability in poverty according to economic income continued for the fifth consecutive year and the rate of poverty was 33%.
- There was an unexpected increase in the rate of poverty among the elderly in 2006/7; it went up from 21.5% in 2006 to 23.5% in 2006/7. An examination found that the source of the reduction in the relative income of the elderly, according to survey data, is in the component of income derived from pensions (since the other income components increased at a rate similar to the rise in the living standard). This finding stands in opposition to trends observed according to NII administrative data. This gap between data sources creates an upward deviation in measured poverty of the elderly according to the survey. A simulation shows that if survey data would have shown the actual increase in old-age pensions (as reflected in NII data), there would have emerged a picture of stability in poverty among the elderly and among families. This finding will probably be corrected downward in the next annual survey<sup>4</sup>.
- Poverty among families with children continued to increase slightly: from 25.5% in 2006 to 25.9% in 2006/7. On the other hand, poverty among large families remained at its high 2006 level – 60% of families in which there are four or more children are poor.
- The consistent increase in the rate of poor working families in general and of families with a sole provider in particular continues. The rate of poverty of families with one provider went up from 22.6% in 2005/6 to 23.4% in 2006 and to 23.9% at present. In 2002 the incidence of poverty of these families was 17.6%.
- In 2006/7 the contribution of transfer payments to the reduction of poverty continued to be reduced: only 37% of families escaped poverty as a result of transfer payments – as compared with 39.2% in 2006. This finding is explained, inter alia, by the erosion in benefit levels relative to other income components.

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4 See also footnote 2 above.

### Poverty among Families, by Type of Family (percentages), 2005/6-2006/7

	Before transfer payments and taxes		After transfer payments and taxes		Rate of reduction in poverty after transfer payments and taxes	
	2005/6	2006/7	2005/6	2006/7	2005/6	2006/7
<b>Total population</b>	<b>33.1</b>	<b>33.0</b>	<b>20.2</b>	<b>20.5</b>	<b>39.0</b>	<b>37.9</b>
Elderly head of family	56.9	56.4	22.9	23.5	59.8	58.3
Family with children	31.9	31.6	25.6	25.9	19.7	18.0
1-3 children	25.2	24.7	19.0	18.8	24.6	23.9
4 or more children	65.0	65.0	58.8	60.0	9.5	7.7
Working head of family	18.2	18.8	11.9	12.6	34.6	33.0
Employee	18.6	19.1	11.7	12.4	37.1	35.1
Self-employed	15.2	17.1	12.6	14.3	17.1	16.4
Unemployed person (of working age)	89.7	90.6	67.9	68.9	24.3	24.0
Families with a sole provider	34.6	35.6	22.6	23.9	34.7	32.9
Families with two providers	4.8	4.9	3.1	3.5	35.4	28.6
Jews	29.5	28.7	15.4	15.2	47.8	47.0
Non-Jews	56.6	61.3	51.2	54.8	9.5	10.6
Single-parent families	53.4	47.6	30.9	28.9	42.1	39.3



## 5. Measurement of poverty from perspective of expenditure, 2005-2006

In a research paper published by the National Insurance Institute<sup>8</sup> in 2004, an attempt was made to measure poverty on the basis of an approach developed by a US committee of experts established in the 1990's (National Research Council – NRC). This committee suggested an approach for the creation of an alternative index to the official poverty index in the United States. The approach is primarily based on calculating the *threshold expenditure* for a *representative family* (in which there are two adults and two children), calculated on the basis of consumption data of the population as reflected in expenditure surveys of the Central Bureau of Statistics. The basket that serves as a basis for calculating the *threshold expenditure* includes products and services in the areas of food, clothing and footwear and accommodation, in addition to supplementary basic products. The *threshold expenditure* is adapted to other family compositions through a weighing scale that accounts for family composition – the number of adults and children in the family.

The research presented two alternatives for calculating the *threshold expenditure* and the income to which it is compared per family type, when the difference between the two alternatives is the definition of the expenditure for accommodation: in the first alternative (A), the expenditure for accommodation is ascertained according to regular payments made for the purpose of accommodation in an apartment (loans and mortgages, rent, etc); and in the second alternative (B), the expenditure for accommodation is calculated according to the rent for a person who lives in a rented apartment and according to the rent credited in favor of one who owns an apartment. In the second alternative a family who lives in an apartment it owns is compensated in the aspect of income. The component added to the aspect of income is the difference between the rent credited to the apartment and the total current expenditure on the apartment (the *net rent*); in most families who own an apartment this difference is a plus. In the two alternatives the calculation of the income compared to the *threshold expenditure* also accounts for the benefit latent in public accommodation services: a family living in public accommodation (of the housing companies Amidar, Amigur, and so forth) is compensated, in the aspect of its income, to the level of the difference between the rent on the open market (credited to the apartment according to its characteristics<sup>9</sup>) and the rent it actually pays.

As stated, the basket used for calculating the *threshold expenditure* per family basically includes products and services from the areas of food, clothing and footwear and accommodation. The median expense of the *representative family* on the basic basket is multiplied by two multiplication coefficients: (a) a coefficient for multiplication of the median, with a value ranging between 0 and 1 and representing the conception that the living standard of a poor family is lower than that of the median family; (b) an additional multiplier that represents the value of a supplementary basket of products and basic services from the areas of education, health and transportation (not including work-related transportation, which is deducted from the income side). The multiplication coefficients, which the committee recommends adjusting once a decade, remained at their level determined prior to the research. The median's

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8 Endweld, M. and L. Achdut (2004), **The Development of an Experimental Poverty Index in The Aspect of the Expense in Israel**, The Research and Planning Administration, the NII.

9 The estimate of the "free" rent credited to public apartments is made by the researchers on the basis of the apartments' characteristics (size and geographical district) as it was received from the housing companies.

multiplication coefficient stands at 80% and 85% for Alternatives A and B, respectively, and the multiplier representing the increment for the supplementary basket of products and services stands at 1.35 and 1.25, respectively.

Box 5 below presents the findings on the dimensions of poverty for 2005-2006, according to the two aforesaid alternatives<sup>10</sup>. It should be emphasized, that pursuant to recommendations made by the American committee, the poverty indices are not based on consumption and income data for one year, but rather on a moving average of three years. The findings for 2005 refer to data derived from household expenditure surveys for 2003-2004-2005 (in 2005 prices), while the 2006 data refer to expenditure surveys for 2004-2005-2006 (in 2006 prices)<sup>11</sup>

Clearly, findings are influenced by macro-economic developments and changes in the social policy of the three survey years, which are at the basis of the moving average for each of the years in respect of which the poverty indices were calculated. It should be emphasized that the indices of poverty and inequality which are calculated relative to household income (such as the Gini Index and the Sen Index) were calculated on the basis of the income specifically defined for this purpose, i.e. the income from which direct taxes and work-related expenses are deducted, and supplemented by in-kind transfers related to public accommodation. For Alternative B the income is also supplemented by the credited rent fee.

For purposes of simplifying the presentation we will hereafter refer to the data of the three years which are in 2005 prices as "year 2005", and similarly regarding "year 2006".

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10 For detailed findings pertaining to years 2002-2003 see publication 87 in the "Current Researches and Surveys" series of the NII's Research Administration. In the following years, the updated findings appear in the Box respectively designated in this chapter of the review.

11 The surveys' incomes data that served for the processing of year 2002 were adjusted by the increase of the general index. On the other hand, the relevant expenses (as well as the credited income which is added for apartment owners) were differentially adjusted according to the price index to which they correspond. Parallel processing was executed for 2003 and 2004.

## Box 5:

**Poverty Measured by the Expenditure Approach: 2006 Findings**

Poverty among families went down by more than one percent point in 2006 according to two calculation alternatives (Table 1), and a similar reduction was noted among persons as well. For the first time since 2002, when the cutback in child allowances began, a reduction was noted in the rate of poverty among children, after this rate had increased by 5 percent points between 2002 and 2005 in both calculation alternatives.

Table 1  
**Incidence of Poverty among Families, Persons and Children, 2003-2006**

Alternative	2003	2004	2005	2006
<b>A: Accommodation by payments approach</b>				
Families	23.9	22.6	22.6	21.2
Persons	27.0	26.2	26.6	25.4
Children*	34.9	35.0	35.8	35.0
<b>B: Accommodation by credited rent fee approach</b>				
Families	19.9	19.6	19.7	18.4
Persons	24.1	24.6	24.9	23.7
Children*	32.5	34.0	34.8	33.9

The *income gap ratio of the poor*, which indicates the distance of the threshold expenditure from the relevant income according to each calculation alternative, reached 33% in 2006 according to the first calculation alternative, and 28% according to the second. These rates show stability in comparison to the corresponding 2005 data: though the number of poor families and persons went down between 2005 and 2006, the depth of poverty remained stable. The Gini indices of income inequality went up by less than one percent in the two alternatives, while the Gini Index of income inequality of the poor, as well as the Sen Index, point to a reduction (of about 3% and 6%, respectively) between 2005 and 2006.

The poverty lines derived from the two alternatives are in fact *threshold expenditure* of families on basic consumption components, that is, expenses that if not covered by a family's net income cause the family to be considered poor. Threshold expenditure and poverty in various family compositions according to calculation Alternatives A and B are presented in Table 3. Poverty lines according to Alternative B are higher than those according to Alternative A, since they include a factor not included in Alternative A: the expense credited for accommodation owned by the tenants.

Table 2  
**Threshold Expenditure and Poverty among Families, by Selected Family Compositions, Alternatives A and B, 2005-2006**

Family composition*	2005		2006	
	Threshold expenditure (NIS)	Incidence of poverty (%)	Threshold expenditure (NIS)	Incidence of poverty (%)
<b>Alternative A</b>				
Single adult	2,176	23.2	2,214	22.0
Two adults	3,535	16.7	3,597	15.3
Two adults + one child	4,361	19.0	4,438	16.4
Two adults + two children	5,126	19.9	5,215	18.0
Two adults + three children	5,843	26.4	5,946	24.6
Two adults + four children	6,525	49.1	6,639	49.9
Two adults + five children	7,177	61.8	7,302	63.6
Adult + two children	4,016	38.9	4,086	34.1
<b>Alternative B</b>				
Single adult	2,539	13.1	2,580	12.6
Two adults	4,125	13.7	4,192	12.6
Two adults + one child	5,090	17.9	5,172	15.5
Two adults + two children	5,981	19.6	6,078	18.2
Two adults + three children	6,818	26.8	6,928	24.5
Two adults + four children	7,614	46.4	7,737	46.9
Two adults + five children	8,375	59.8	8,510	61.9
Adult + two children	4,687	38.0	4,762	34.4

\* Though the calculation is based on three survey years, due to the small number of observations it was not possible to calculate the data for single-parent families, except for those composed of one adult with two children, and even family data of this sort suffer from quite substantial fluctuations.

The nominal threshold expenditure for the families increased by 1.7% according to Alternative A and by 1.6% according to Alternative B. In real terms, there was a minor reduction in the threshold expenditure of the families, which, together with the increase in real income (at an average rate of about 2%) explains the reduction in poverty among families in the entire population.

The threshold expenditure for a single adult according to Alternatives A and B amounts to a total of approximately NIS 2,200 and NIS 2,600, respectively, and for a family in which there are two adults and three children to approximately NIS 6,000 and NIS 6,900, respectively. The trend of change in poverty is not uniform in the various family compositions. Among small and medium-size families the rate of poor families went down, but in families of four or more children the trend was reversed and poverty resumed the trend of increase of recent years.

## 6. Inequality in income distribution and influence of policy

The progressive makeup of transfer payments and direct taxes narrows income gaps in the population. The rate of transfer payments grows smaller with the increase in economic income, while the rate of direct taxes increases with economic income. As the progressiveness of transfer payments and direct taxes grows, so grows the share of the lower deciles' income in the income after transfer payments and direct taxes, while the share of the top deciles' income grows smaller.

Table 13 features the changes in income, benefits and taxes on average per family during the survey periods. In 2002-2006 economic income increased by 7.3% and net income at the higher rate of 11.3%. The increase in economic income is a result of the expansion of employment and the increase in wages between 2004 and 2006, which prevailed over the influence of the 2001-2003 recession. The higher growth in net income relative to economic income is a result of the tax reform which led to the decline of direct taxes by about 17% on the one hand, and of the reduction in NII benefits (by 14%) which contributed to the setoff of the influence of the tax reform on net income.

Table 14 features the average amounts of transfer payments and direct taxes as a percentage of the average economic income in each decile, and Table 15 features the share of each decile (rated according to economic income) in total transfer payments and in total direct taxes in 2004, 2005 and 2006.

Table 14  
**Income, Benefits and Taxes on Average per Family  
(NIS per month, 2006 prices), 2002-2006**

	2002	2003	2004	2005	2006	2006 versus 2002
Economic income	9,970	9,670	9,970	10,300	10,710	7.3
Total transfer payments	1,830	1,680	1,630	1,630	1,680	-8.2
NII benefits	1,400	1,290	1,220	1,200	1,200	-14.0
Direct taxes	2,740	2,370	2,340	2,290	2,270	-17.2
Net income	9,060	8,980	9,260	9,640	10,080	11.3

Table 14 shows that in 2006 the reduction in transfer payments in proportion to economic income continued – parallel to the resumption of the trend of reduction in direct taxes. Transfer payments as part of average economic income went down from 18.3% in 2002 to 16.4% in 2004 and to 15.3% in 2006. This reduction manifested itself in all the deciles, but more notably in the lower deciles, by virtue of both the erosion of transfer payments in proportion to the increase in wages, and the introduction of new workers from these deciles into the labor market and the resulting rise of economic income. The tax burden was concurrently reduced and continued to do down: from 23.5% of economic income in 2004 to 21.2% thereof in 2006. These reductions in benefits and direct taxes as part of economic income were expressed in most deciles.

Table 15 presents the share of the various deciles in total transfer payments and total direct taxes. The reduction in the share of the bottom deciles – first to third – in total transfer payments continued in 2006 as well, as part of a consistent downward trend since 2003. Conversely, the

share of the medial deciles (fourth to seventh) increased in the total transfer share, after a decrease between 2004 and 2005. The share of the higher deciles also went down between 2005 and 2006, though in comparison to 2004 their share remained more or less the same. The situation with regard to the deciles' share of total direct taxes remained more or less stable between the two years under review, aside from a slight increase in the top decile.

Table 15

### The Rate of Transfer Payments and Direct Taxes in Proportion to Average Economic Income, Total Population, by Decile (percentages), 2004-2006

Decile	Transfer payments			Direct taxes		
	2004	2005	2006	2004	2005	2006
Bottom	**_	**_	**_	**_	**_	**_
2	550.0	392.9	283.4	33.0	25.5	19.1
3	63.7	58.0	52.3	11.1	10.5	9.1
4	37.0	38.0	39.6	11.4	10.8	9.9
5	25.3	23.5	23.1	12.5	11.7	11.0
6	16.4	15.1	15.7	13.8	12.9	11.8
7	10.7	10.0	11.5	15.7	14.7	13.3
8	6.8	7.6	6.7	18.5	17.3	17.0
9	4.5	4.8	4.2	23.3	22.4	21.3
Top	2.0	2.1	1.9	33.2	31.2	30.2
<b>Total</b>	<b>16.4</b>	<b>15.9</b>	<b>15.3</b>	<b>23.5</b>	<b>22.2</b>	<b>21.2</b>

\* For the purpose of determining the deciles, families were rated according to **economic income** per standard person. Each decile represents 10% of all individuals in the population.

\*\* This ratio cannot be calculated since the families found in the bottom decile have nearly no income, and their exclusive source of income is the transfer payments.

Table 16  
**The Share of Each Decile\* in Total Population, in Total Transfer Payments and Direct Taxes, (Percentages), 2004-2006**

Decile	Share of total (percentages)					
	Transfer payments			Direct taxes		
	2004	2005	2006	2004	2005	2006
Bottom	18.0	19.8	22.0	0.8	0.8	0.9
2	23.6	21.5	18.5	1.0	1.0	0.9
3	9.9	9.4	9.0	1.2	1.2	1.1
4	9.3	9.9	10.7	2.0	2.0	1.9
5	9.1	8.8	8.9	3.2	3.1	3.1
6	8.0	7.5	8.1	4.7	4.6	4.4
7	6.8	6.5	7.6	7.0	6.8	6.3
8	5.7	6.5	5.8	10.8	10.8	10.6
9	5.1	5.5	5.0	18.5	18.5	18.3
Top	4.5	4.8	4.6	50.9	51.2	52.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* For the purpose of determining the deciles, families were rated according to **economic income** per standard person. Each decile represents 10% of all individuals in the population.

Table 16<sup>12</sup> presents the pattern of distribution of the various kinds of income in the total population in 2004-2006. The data in the table show that between 2004 and 2006 the share of the second, third, and top deciles increased in total economic income while the situation of the remaining deciles either deteriorated or remained stable. The main reason for the increase in the share of the second and third deciles is the expansion of employment and the introduction of new workers from these deciles to the labor market, while in the top decile growth is primarily attributed to the increase in wages. Concurrent with the growth in the economic income of the bottom deciles, the ratio between the income of the top quintile and that of the bottom quintile was reduced from 66.6% in 2004 to 59.3% in 2005, and to 48.8% in 2006.

12 The data on inequality in the income distribution among the working population is presented in Tables 18-19 in the Poverty and Inequality Tables' Appendix.

Table 17  
**Influence of Transfer Payments and Direct Taxes on Inequality of Income Distribution in Total Population (percentages), 2004-2006**

Decile	Share of each decile in total income (%)**								
	Before transfer payments and taxes			After transfer payments			After transfer payments and taxes		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Bottom	0.0	0.0	0.0	1.7	1.7	1.7	1.9	2.0	1.9
2	0.8	0.9	1.1	3.1	3.0	3.0	3.6	3.5	3.4
3	2.8	2.9	2.9	4.0	4.0	4.0	4.7	4.6	4.6
4	4.4	4.4	4.4	5.3	5.2	5.2	6.0	5.9	5.8
5	6.2	6.2	6.2	6.7	6.7	6.6	7.5	7.4	7.3
6	8.2	8.2	8.1	8.3	8.2	8.2	9.1	9.0	8.9
7	10.6	10.5	10.3	10.3	10.2	10.1	11.0	10.8	10.8
8	13.8	13.6	13.4	12.9	12.8	12.7	13.2	13.1	13.0
9	18.6	18.4	18.2	17.0	16.9	16.8	16.6	16.5	16.3
Top	34.7	35.0	35.5	30.8	31.3	31.8	26.6	27.4	28.0
Ratio between top and bottom quintiles	66.6	59.3	48.8	10.1	10.3	10.3	7.9	8.0	8.4

\* The families in each column were rated according to the appropriate level of income per standard person. In each decile there are 10% of the individuals in the population.

\*\* In terms of income per standard person.

Conversely, the distribution of net income continued to point to a trend of expanding inequality, and the share of the top decile in total income continued to rise<sup>13</sup>. The opposite situation depicted in recent years between trends of inequality in economic and net incomes is also manifested in the Gini Index for inequality in income distribution (Table 17). The index for inequality in the distribution of **economic income** went down between 2002 and 2006 at an accumulated rate of 2.5%, while the index for the distribution of **net income** went up by 6.6% during the same period. In comparison to 1999, the Gini Index for the distribution of net income went up at an accumulated rate of about 9%.

13 It is appropriate to revisit the aforesaid in footnote 2 in this chapter regarding the implementation of the topcoding method applied by the Central Bureau of Statistics to high incomes in the income surveys, as of the 2006 survey.



Table 18  
**Gini Indices for Inequality in Income Distribution in Population,  
 1999-2006**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percent of reduction as a result of transfer payments and direct taxes
2006	0.5237	0.4379	0.3923	25.1
2005	0.5255	0.4343	0.3878	26.2
2004	0.5234	0.4300	0.3799	27.4
2003	0.5265	0.4241	0.3685	30.0
2002	0.5372	0.4312	0.3679	31.5
1999	0.5167	0.4214	0.3593	30.5
The index change (%)				
2006 vs. 2005	0.2	0.8	1.2	
2006 vs. 2002	-2.5	1.6	6.6	
2006 vs. 1999	1.4	3.9	9.2	

The table further indicates an additional decrease in the contribution of transfer payments and direct taxes to the reduction of inequality that stems from the distribution of economic income. This contribution was reduced to 25.1% in 2006, as compared with 31.5% in 2002.

The socio-economic situation of Israel in 2006 on the whole indicates a continuation of the stability that characterized the preceding year. A summary of trends of recent years shows that the ongoing erosion in NII benefits and the continued implementation of the income tax reform, which has not improved the condition of workers who do not reach the tax threshold, had a greater influence on the situation of the country than did the developments – in the area of the labor market and the increase of pensions to the elderly – that contributed to an increase in the income of the weaker links of society.

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**Chapter 3**  
**Collection of Insurance Contributions**

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## 1. Introduction

The National Insurance Institute is responsible for the collection of national insurance contributions aimed at financing benefits under the National Insurance Law, as well as for the collection of health insurance contributions aimed at financing the health system. National and health insurance contributions are collected from employees (through their employers), from the self-employed, from other non-employee insured persons and from persons who do not work – in different rates applying to income liable for insurance contributions. Moreover, since 1986 the government compensates the NII for loss of collection receipts stemming from reductions in insurance contributions for employers and the self-employed. This compensation, referred to as *Treasury indemnification*, represents a portion of the Institute's receipts from national insurance contributions<sup>1</sup>.

Like preceding years, in 2007 as well collection from the public was influenced by fluctuations stemming from developments in the economy, in the average wage in the economy and in the number of employed persons, as well as by the legislative process that began in 2005 and that shall continue until 2009 – particularly the tax reform of 2005. Under this reform, there was a gradual reduction in insurance contributions for employers. In parallel, two insurance contribution rates were introduced for employers in 2006 – reduced and regular – in place of the previous uniform rate for all levels of income liable for insurance contributions, in a manner similar to the rate structure for the portion of the employee and of the non-employee worker. Before the law was amended, employers had paid 5.93% of the worker's income up to the ceiling of income liable for insurance contributions, while after the amendment, they paid (through January to December 2007) 4.14% at the reduced rate (up to 60% of the *average wage*<sup>2</sup>) and 5.68% at the regular rate. The tax reform also affected the collection system, by the following measures: the reduced rate of insurance contributions imposed on the worker was decreased from 1.4% of income to 0.4%, the regular rate was increased from 5.58% to 7%, and the bracket of the reduced rate was increased from 50% of the *average wage* to 60% thereof. These changes were made with a zero budget, i.e. without change in the scope of the Institute's receipts. Increase of the reduced rate bracket also applies to the employer's portion, in order to avoid a loss in collection. An itemization of the changes for 2005-2009 is featured below (Tables 2 and 3).

The cumulative result of the Economic Arrangement Law-2005 and the 2006 reform is that the rate of reduced and regular insurance contributions imposed on employers shall be 3.45% and 5.43% respectively, in 2009. Compared to the situation that preceded August 2005, this is a reduction of 1.5 percentage points in the average rate of insurance contributions for the employer (4.43% as compared to 5.93%). This policy shall culminate in a collection loss reaching, in 2009, NIS 3.5 billion in 2007 prices, and under law, the National Insurance Institute shall **not** be indemnified by the Treasury for this loss. Nevertheless, the rates of government participation, anchored in clause

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1 The rate of insurance contributions which is imposed on the government instead of the employers appears in the insurance rates' table, yet it is also anchored in clause 32 to the law, which refers to total government participation in financing the insurance branches.

2 The term *average wage*, when used by itself, refers to the average wage according to the National Insurance Law. It is calculated according to a method determined in this law on January 1<sup>st</sup> of every year, and afterwards each time that a compensation is paid to employed workers for price rises.

32 to the law, were increased in such a way that the *Treasury indemnification* for financing benefits under the law shall not be reduced as a result of loss in collection of contributions from employers.

Table 1 shows collection from the public in 2006 and 2007 and the influence of the legislative amendments on its scope. In 2007 NII receipts from collection of national and health insurance contribution totaled NIS 39.7 billion: 37.9 billion collected directly from the public and 1.8 billion transferred by the State Treasury under clause 32 C to the law, which indemnifies the Institute for reduction in national insurance contributions for employers and the self-employed. In this year, direct collection from the public increased by 4.4% in real terms, as compared to a 2.2% increase in 2006. Were it not for the amendments of 2005 and 2006, the direct collection from the public would have increased by an estimated 6.9% in real terms.

Collection of national insurance contributions from the public increased by 3.3% in 2007 (as compared to 1.4% in 2006), while collection of health insurance contributions increased by 6.6% (as compared to 4.0% in 2006). The portion of health insurance contributions' collection out of total collection from the public increased from 34.8% in 2006 to 35.5% in 2007, as a result of the ongoing reduction of national insurance rates for employers that began in July 2005 and that shall continue until 2009 – a process that shall reduce the share of national insurance contributions from the public and necessarily augment the share of health insurance contributions. The extent of collection from the public by means of the National Insurance Institute in the GDP did not change in 2007 and remained 5.7%. The portion of collection from the public out of total direct taxes<sup>3</sup> collected from individuals registered an increase: from 44.0% in 2006 to 46.2% in 2007.

Table 1  
**Collection from the Public in 2006-2007  
and Estimate of the Influence of Amendments**

	2006			2007			Rates of change in 2007 compared to 2006			
	Without amendments	With amendments	Actual	Without amendments	With amendments	Actual	Nominal		Real	
							Without amendments	Actual	Without amendments	Actual
<b>Total</b>	<b>37,512</b>	<b>-1,400</b>	<b>36,112</b>	<b>40,310</b>	<b>-2,400</b>	<b>37,910</b>	<b>7.5</b>	<b>5.0</b>	<b>6.9</b>	<b>4.4</b>
National insurance	24,954	-1,400	23,554	26,854	-2,400	24,454	7.6	3.8	7.1	3.3
Health insurance	12,558	-	12,558	13,456	-	13,456	7.2	7.2	6.6	6.6

3 Direct taxes collected from individuals include income tax (from employees, self-employed, and company executives) and national and health insurance contributions. The total of all direct taxes includes, in addition to taxes collected from individuals, also companies' tax.

## 2. Collection of national insurance contributions

### A. Rates of national insurance contributions

There were two rates of insurance contributions in 1995 – a reduced rate and a regular rate – for all categories of insured persons. The reduced rate is imposed on the income liable for national insurance contributions which does not exceed 60% of the *average wage* beginning in January 2006 (The average wage as defined under the National Insurance Law – NIS 7,663 per month in 2007). The regular rate applies to the remaining income, up to a ceiling, of the portion of the employee and of the employer, and in respect of the self-employed, without distinguishing his/her share as a worker from that of his/her share as an employer. As is shown in Table 2, the reduced rate applies to all insured persons – employees and non-employees – and beginning in August 2005 it was expanded to include employers as well.

Table 2  
National and Health Insurance Contribution Rates,  
by Category of Insured, 2006-2007

Category of insured	National insurance contributions				Health insurance contributions	
	Regular rate		Reduced rate		Regular rate	Reduced rate
	2006	2007	2006	2007		
<b>For employees – total</b>	<b>13.37</b>	<b>13.37</b>	<b>6.07</b>	<b>5.23</b>	<b>5.0</b>	<b>3.1</b>
Thereof: Workers	7.00	7.00	0.40	0.40	5.0	3.1
Employers	5.68	5.68	4.98	4.14	-	-
Government	0.69	0.69	0.69	0.69	-	-
<b>For self-employed – total</b>	<b>11.84</b>	<b>11.84</b>	<b>7.33</b>	<b>7.33</b>	<b>5.0</b>	<b>3.1</b>
Thereof: Workers	11.23	11.23	6.72	6.72	5.0	3.1
Government	0.61	0.61	0.61	0.61	-	-
<b>Non-employee and non-self-employed insured persons</b>	<b>11.05</b>	<b>11.05</b>	<b>4.61</b>	<b>4.61</b>	<b>5.0</b>	<b>5.0</b>

Table 2 shows the rates of national insurance contributions for the different categories, and Table 3 features the rates of expected insurance contributions from employers in 2008-2009, following the reduction in these contributions in July 2005.

Table 3  
**National Insurance Contribution Rates for Employers, 2008-2009\***

Year	Reduced rate		Regular rate	
	2005	2006	2005	2006
2008	3.63	3.85	5.43	5.43
2009	3.19	3.45	5.43	5.43

\* The rates relate to the legislative situation in January 2006 in comparison to that of 2005.

Table 4 shows data on the number of insured persons liable for national insurance contributions by category of insured persons. In 2007, 2.54 million insured employees paid national insurance contributions. In the same year the number of insured employees grew by 4.5%. It should be noted that this group does not include workers from the Palestinian Authority, migrant workers or Israelis with special characteristics, such as kibbutz members, recipients of early pensions, housekeepers, vocational trainees and Ministry of Defense employees<sup>4</sup>.

With regard to the non-employee insured persons, it is conventional to distinguish between two groups: those who pay insurance contributions on the basis of their income (55.0% of all the non-employee insured persons) and those who do not have income and who pay insurance contributions on the basis of the minimum wage (45.0%). The first group includes chiefly the self-employed (97.4%), though it also includes a small number of insured persons who do not work as employees or as self-employed, but have another income liable for national insurance contributions (such as income derived from dividends), or persons who have an income but do not meet the definition of the self-employed worker.

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4 The annex to this chapter features information in brief regarding these populations.

## Box 6

**Sources of Growth in Population Covered in Health Insurance in 2007**

By the end of 2007, 7,251,628 persons were insured in the various sick funds in Israel. This number constitutes a growth of about 1.7%, or of approximately 118,000 people. The rate of growth was not uniform among the sick funds: the Meuhedet and Maccabi funds grew at a rate higher than did the other funds, and in the Leumit fund there was even a decrease of about 0.7% in the number of its members in 2007.

The sources of this growth in the number of insured people and the changes in their distribution among the sick funds are many and diverse:

- Natural changes: births and deaths;
- The migration balance: new immigrants, returning residents and Israeli residents living abroad;
- Transitions among the sick funds: people who leave one fund and join another;
- Other changes: soldiers and prisoners (for over a year), who are not insured under national health insurance.

The respective influence of the above factors changed slightly since the National Health Insurance Law came into effect. In the 1990's, immigration to Israel accounted for most of the annual growth in the number of insured persons, while since the early 2000's, when immigration from the FSU decreased sharply, natural increase became the main source of growth for most sick funds.

In 2007, the predominant share of the growth in the number of insured persons (94%) is attributed to natural increase. In this year 110,000 additional persons (constituting about 16 per 1,000 persons), stemming from natural increase, were registered in the sick funds. However, due to the varied weight of births and deaths among the funds, there were variations also in natural changes. In the Clalit sick fund for example, the rate of natural growth is lower than in the population as a whole (about 12 per 1,000 persons), while in the Meuhedet fund, natural growth is about 25 per 1,000 persons.



### Sources of Growth in the Population Covered in Health Insurance, by Sick Fund, 2007

Sick fund	Insured in beginning of year	Natural growth	Transitions among sick funds (net)	Immigration and other movements	Insured in end of year	% of annual growth
<b>Total</b>	<b>7,133,829</b>	<b>110,683</b>	<b>0</b>	<b>7,116</b>	<b>7,251,628</b>	<b>1.7%</b>
Clalit	3,823,798	46,183	-17,931	4,159	3,856,209	0.8%
Leumit	691,207	11,608	-30,216	14,086	686,685	-0.7%
Maccabi	1,723,407	30,738	3,924	3,504	1,761,573	2.2%
Meuhedet	895,417	22,154	44,223	-14,633	947,161	5.8%

Conversely, only a minor portion of the growth registered in 2007 (6%) can be explained by immigration. In 2007, only about 14,000 new immigrants registered in a sick fund – the lowest number of immigrants to join the sick funds since 1995.

The distribution of members among the sick funds is affected also by their transitions. Since the early 2000's, about 1%-1.5% of members moved to another sick fund each year. In 2007, the net transitions (those who join a sick fund minus those who leave it) contributed to a significant increase in the number of members of the Meuhedet sick fund, and to a certain extent, of Maccabi as well, while the Clalit and Leumit sick funds lost members due to transitions.

Table 4

### Employers by Size and Insured Persons Liable for National Insurance Contributions, by Category of Insured, 2006-2007

Category of insured	2006	2007	Percentage of change
<b>Insured employees*</b>			
Total (in thousands)	2,430	2,540	4.5
<b>Employers**</b>			
Total	210,496	220,651	4.8
Employ 1-5 workers	154,848	161,841	4.5
Employ 6-20 workers	38,949	40,920	5.1
Employ 21-99 workers	13,297	14,295	7.5
Employ 100-499	2,853	3,036	6.4
Employ 500+ workers	549	559	1.8
<b>Non-employee insured persons**</b>			
Liable for national insurance contributions – total	614,292	625,048	1.8
Liable out of their income – total	332,550	344,064	3.5
From work (self-employed)	323,365	334,964	3.6
Not from work	9,185	9,100	-0.9
Pay national insurance contributions at a minimum rate – total***	281,742	280,984	-0.3
Not a worker and not a self-employed (15% minimum)	170,651	175,247	2.7
Pupils and students (5% minimum)	53,019	45,506	-14.2
Yeshiva students (5% minimum)	58,072	60,231	3.7

\* The number of insured employees who are reported by employers (on form 102) is a monthly average.

\*\* The data refer to year's end.

\*\*\* The income base is a percent of the average wage.

The second group – of insured persons who pay insurance contributions at a minimum rate – is divided into the unemployed who have no income liable for insurance contributions (62%) and pupils and students (38%). The data indicate a 1% decline in the number of insured persons who paid minimum insurance contributions in 2007: the number of those who do not work as employees or as self-employed rose by 2.7%, the number of students declined steadily by 14% – probably due to their finding employment – while the number of yeshiva students increased by an average of 4%.

Table 4 shows also data on the number of employers who pay insurance contributions for their workers and their breakdown by number of workers. The number of employers increased by 5% in 2007, the rate of increase being more notable among the larger employers (those with 21-99 workers).

## **B. Scope of receipts from national insurance contributions**

Table 5 features the amounts of national insurance contributions collected in 2004-2007. In 2007, national insurance contributions' receipts totaled NIS 26.3 billion: NIS 24.5 billion collected from the public and NIS 1.8 billion transferred by the Treasury as indemnification for the reduction in national insurance contributions of employers and the self-employed. During that year, NII receipts grew at a real rate of 3.6%, in keeping with the trend that began in 2004 and the positive trends that characterized the labor market in the following years. Collection from the public increased in 2007 by 3.3% in real terms. Were it not for the amendments of 2005 and 2006, the direct collection of insurance contributions from the public would have increased by an estimated 7.1% in real terms. Furthermore, the amounts transferred by the Treasury as indemnification increased, in real terms, at the high rate of 8.4% – beyond the rate at which collection grew. This is due to the increase in government participation as a result of reducing employers' contributions under the 2005 tax reform, which determined that Treasury appropriations shall not be affected. The portion of direct collection from the public in 2007 reached 93.0% out of total insurance contribution receipts (as compared to 93.3% in 2006 and 93.7% in 2005) (See Table 7 in Chapter 1).

Table 5  
**Collection of National Insurance Contributions for the Insurance Branches,  
 by Category of Insured, Current Prices (NIS million), 2004-2007**

Category of insured	2004	2005	2006	2007	Percentage of change in real terms			
					2004	2005	2006	2007
<b>Total collection</b>	<b>23,021</b>	<b>24,299</b>	<b>25,234</b>	<b>26,284</b>	<b>1.3</b>	<b>4.2</b>	<b>1.7</b>	<b>3.6</b>
Employees and employers	21,266	22,406	23,113	23,944	1.6	4.0	1.0	3.1
Non-employees	1,755	1,893	2,121	2,340	1.9	6.4	9.7	9.8
<b>Total collection from the public</b>	<b>21,661</b>	<b>22,759</b>	<b>23,554</b>	<b>24,454</b>	<b>1.5</b>	<b>3.7</b>	<b>1.4</b>	<b>3.3</b>
Employees and employers	19,989	20,962	21,541	22,234	1.8	3.5	0.6	2.7
Non-employees	1,672	1,797	2,013	2,220	-1.3	6.1	9.7	9.7
<b>Total Treasury indemnification</b>	<b>1,360</b>	<b>1,540</b>	<b>1,680</b>	<b>1,830</b>	<b>-1.4</b>	<b>11.7</b>	<b>6.8</b>	<b>8.4</b>
For employers	1,277	1,444	1,572	1,710	-0.6	11.6	6.6	8.2
For non-employees	83	96	108	120	-12.3	14.1	10.2	10.5

In 2007 direct collection from employees increased by 2.7% in real terms, as compared to 0.6% in 2006. This moderate increase stems from the continuous reduction in employers' contributions that began in July 2005. The direct collection from employees and their employers was naturally influenced by the steady recuperation of the labor market: the *average wage per employee post* in December 2006-November 2007, for which insurance contributions are collected in 2007, increased by 2.4% (as compared to 4.0% in 2006). The number of employed persons grew in 2007 by 4.5% (as compared to 4.0% in 2006), and employee posts went up by 4.2% (as compared to 4.1% in 2006).

Direct collection from non-employees grew in 2007 by 9.7% in real terms, in addition to the real growth at a rate of 9.7% in 2006. National insurance contribution receipts from employees (including the portion of the employee, the employer, and the Treasury) out of total receipts went down slightly (from 92.2% to 91.1% in 2007) due to the reduction in insurance contributions for employers on the one hand, and the growth that influenced the increase in the incomes of the self-employed on the other. Collection from non-employees for the national insurance branches is chiefly made up of collection from the self-employed (95%). In 2007, collection from the self-employed – based on 2005 assessments that were adjusted only at times of price-hikes – went up, in real terms, by 11.0%. Collection from non-employees who pay national insurance contributions on a minimum basis – and who constitute 5% of total collection for insurance branches from non-employees – went up, in real terms, by 2.4%. Examination of the payment regime of the self-employed, the unemployed, and the non-self-employed workers shows the difference among them: while the percentage of collection from the self-employed out of their collection potential, including the outstanding debt, is 92% in 2007, that of the insured at the minimum rate is only 45%.

### 3. Collection for the health system

#### a. Health insurance contributions

The National Health Insurance Law came into effect in January 1995. The law anchors the right of all Israeli residents to health insurance and prescribes a defined basket of health services uniform for all, with the responsibility for financing its cost imposed on the state. The law specifies the sources of financing the basket, the method by which the cost of the basket shall be updated and the formula for allocation of resources among the various sick funds. Residents of Israel may choose one of the sick funds recognized by the Ministry of Health, and the sick funds must accept every resident without any restriction, stipulation or payment.

The National Insurance Institute collects the health insurance contributions, which are one of the chief sources of financing the health services basket, and distributes them among the sick funds. The NII also maintains a file of all persons insured under health insurance. This file, routinely updated, provides information on membership in the various sick funds.

Under the law, every Israeli resident, even if he not working, must pay health insurance contributions – except several groups who are exempt from payment. Health insurance contributions from employees and non-employees are collected in the same way as are national insurance contributions, while insurance contributions from NII benefit recipients (who do not have additional income) are collected at source from their benefit.

There are two rates of health insurance contributions: a reduced rate of 3.1% on the portion of income that does not exceed 60% of the *average wage*, and a regular rate of 5.0% on the balance of income (that exceeds 60% of the *average wage*) up to a ceiling of income liable for insurance contributions, that stands at 5 times the *basic amount*<sup>5</sup>.

Those who do not work and those who receive NII benefits are, in most cases, entitled to special rates in accordance with their financial situation. Table 6 specifies the amounts of insurance contributions that are deducted from the benefits, by type of benefit, as follows:

- Health insurance contributions for recipients of wage-replacing benefits (such as maternity allowance, injury allowance, reservists' benefit and unemployment benefit) are deducted from the benefit at the same rates as from income from work.
- Health insurance contributions for working-age benefit recipients who do not work are deducted from the benefit at the minimum amount prescribed under law.

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5 The amount on which basis most benefits are calculated since January 2006. This amount is updated on January 1<sup>st</sup> each year, at the rate of the Consumer Price Index increase in the preceding year. The *basic amount* has three different rates for the purpose of updating the various benefits. For most benefits, the *basic amount* in 2007 was NIS 7,240; for child allowances it was NIS 152, and for old-age and survivor's pensions, as well as for calculation of maximum income for purposes of collection of insurance contributions, it was NIS 7,352.

- Health insurance contributions for recipients of old-age or survivors' pension without income supplement are deducted from the pension at set amounts for an individual and for a couple.
- Health insurance contributions for recipients of old-age or survivors' pension with income supplement are deducted from their pension at the minimum amount for all family compositions.
- Health insurance contributions for working-age benefit recipients who have income from work are deducted from the work income only, not from the benefit.

Since the Health Insurance Law came into effect, the minimum amounts are updated at the same rate by which benefits are updated. Following the Economic Arrangements Law-2002, which restored the *average wage* to its December 2001 level, the minimum amounts returned to their 2001 level and remained frozen at this level until the end of 2005. Since January 2006, the amounts of benefits are updated in accordance with the rise of the price index of the preceding year (that is, the index of the last November as compared to November of the preceding year), and the minimum amounts are therefore also updated by the same rate. Following the decrease of the Consumer Price Index between November 2005 and November 2006, the minimum health insurance contributions remained unchanged – NIS 86 per month from January 2006 until December 2007. Persons who are not employees nor self-employed and who do not receive a benefit pay minimum insurance contributions. Some groups are exempt from payment of health insurance contributions; for example, *housewives*, new immigrants during the first six months since their arrival in Israel, workers under age 18, insured persons under age 21 who do not work and who thereafter join the army, detainees, and prisoners who were sentenced to more than 12 months' imprisonment and who receive health services from the Prison Authority.

Table 6  
**Health Insurance Contribution Rates, by Benefit Category, 2007**

Benefit category	Monthly health insurance contributions
<b>Wage-replacing benefits</b>	3.1% of benefit up to average wage; 5% of balance of benefit that is over 60% of average wage, up to ceiling
Maternity allowance	
Injury allowance	
Unemployment benefit	
Reservists' benefits	
Accident allowance	
<b>Old-age and survivors</b>	
With income supplement	NIS 86
Without income supplement:	
For individual	NIS 161
For couple	NIS 233
<b>Other benefits</b>	
Income supplement	NIS 86
Alimony	
Work-related disability and dependents	
Survivors of working age	

#### **b. Health insurance contribution receipts and their distribution among sick funds**

Until the beginning of 1997 the National Insurance Institute collected parallel tax and health insurance contributions for the health system. With the passing of the Economic Arrangements Law-1997, the collection of parallel tax was cancelled and the financing of the health services basket out of State budget was increased accordingly. Table 7 shows the amounts of health insurance contributions collected by the Institute from employees, non-employees and benefit recipients. In 2007 the Institute collected NIS 13.5 billion in health insurance contributions. This represents an increase of 6.6% in real terms, following a 4.0% increase in 2006. Similarly to the case with national insurance contributions, the collection of health insurance contributions was influenced by the recuperation of the economy that began in 2004 and grew stronger during 2005-2007. In 2007, 80.4% of all health insurance contributions were collected from employees, 9.6% from non-employees and 10.0% from persons who receive benefits from the NII. Health insurance contributions collected from the non-employees are divided as follows: 78% from the self-employed and 22% from insured persons who do not work and who are not self-employed, who pay insurance contributions at a minimum rate.

Table 7  
**Collection of Health Insurance Contributions (NIS million), 2004-2007**

Year	Total	Employees	Non-employees	Benefit recipients	Rate of change in real terms
2004	11,310	8,899	1,077	1,334	4.6
2005	11,838	9,437	1,080	1,321	3.3
2006	12,558	10,021	1,185	1,352	4.0
2007	13,456	10,820	1,288	1,348	6.6

Table 8 shows the amounts of health insurance contributions collected from NII benefit recipients. In 2006 NIS 1,348 million were deducted from benefits: a decrease of 0.8% in real terms, in comparison to the preceding year. Of particular note is the decrease in health insurance contributions deducted from unemployment benefits (-20%) and from income supplement (-9%). 72% of health insurance contributions deducted from benefits were paid by recipients of old age and survivors' pensions (including recipients of pension with income supplement). It should be noted that health insurance contributions are deducted from the benefit only if the benefit recipient does not have income from work, or has another income exempt from insurance contributions. Married women who work only in their household (*housewives*) are also exempt from health insurance contributions, even if they receive a NII benefit – unless it is a wage-replacing benefit – in their own right.

Table 8  
**Health Insurance Contributions from Benefits, by Benefit Category (NIS million), 2006 and 2007**

Benefit	2006	2007	Annual growth in real terms (%)
<b>Total</b>	<b>1,352</b>	<b>1,348</b>	<b>-0.8</b>
Old age and survivors	979	975	-0.9
Work-related disability	26	27	3.3
Disability	129	135	4.1
Income supplement	86	79	-8.6
Reserve service	1	1	-0.5
Maternity allowance	53	63	18.3
Unemployment	46	37	-20.0
Injury allowance	11	11	-0.5
Alimony	8	8	-0.5
Bankruptcy	2	3	49.3

The National Health Insurance Law prescribes that monies destined for financing the health basket are to be transferred to the sick funds directly by the National Insurance Institute. The principle of distributing the monies is based on the *capitation formula* which takes into account mainly the number of insured persons in each of the funds while weighing the age of each insured person.



Table 9 illustrates that the capitation method works for the benefit of the Clalit sick fund, since the latter is characterized by older members. Thus, for example, about 75% of the very old insured (85 and over) are insured with the Clalit sick fund. At the end of 2007, the portion of persons insured with the Clalit sick fund was about 53% of all insured persons, but the portion of the fund in health insurance monies was about 58%. On the other hand, this method reduces the amounts transferred to Maccabi and Meuhedet sick funds, whose members are younger. It should be noted that a change in the allocation formula was introduced in July 2005 and two new age groups were added (up to age 1 and over age 85) that reflect the consumption of health services at these ages. This change slightly improved the portion of the Clalit sick fund in the allocation of monies. Beginning in August 1, 2006, capitation rates are calculated each month instead of once every three months as previously. The monthly *capitation formula* allows narrowing the gap between the number of insured persons at the beginning of each quarter and the number of persons who are insured in fact in each of the quarter's three months.

Table 9  
**Insured Persons and Key for Distributing Health Monies, by Fund (percentages),  
December 2006 and December 2007**

Sick fund	December 2006		December 2007	
	Total number of insured persons	Distribution key	Total number of insured persons	Distribution key
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Clalit	53.60	58.27	53.18	57.81
Leumit	9.69	8.96	9.47	8.82
Meuhedet	12.55	10.75	13.06	11.13
Maccabi	24.16	22.02	24.29	22.24

The financing sources for health services under the National Health Insurance Law are as follows:

- Health insurance contributions collected by the National Insurance Institute;
- Direct receipts by the sick funds for health services rendered against payment (e.g. medicine, visit to the doctor, and so forth);
- The Ministry of Health budget for the provision of health services;
- Additional amounts from the State's budget aimed at supplementing the various expenses for health until the cost of the health services basket is covered.

Based on an estimate for 2007, the cost of the health basket grew by about NIS 900 million, reaching about NIS 24.9 billion (Table 10). In real terms, this represents a 3.1% increase as compared to the preceding year. In 2007, the portion of the State in funding the basket (41.2%) dropped to its lowest level since the National Health Insurance Law came into effect. On the other hand, the portion of health insurance contribution receipts grew by about 53.4% in 2007. It should be noted that before 2007 it was determined that the receipts of the sick funds from the self-participation of their members shall be 5.4% of the basket's cost.

Table 10  
**Cost and Sources of the Health Services Basket, 2004-2007**

Source	2004	2005	2006	2007*
Cost (NIS million)	22,008	22,768	24,041	24,929
Sources (percentages)				
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Health insurance contributions	50.4	51.7	51.5	53.4
State budget	44.2	42.9	43.1	41.2
Self-revenue	5.4	5.4	5.4	5.4

\* Estimation.

The adjusted cost of the health basket per person enables examination of how the age of the insured person influences expenses of the sick funds (Table 11). The cost of the basket per person is calculated for the basket's sources which are distributed among the sick funds in accordance with the capitation formula and does not include amounts not thus distributed, such as expenses for severe illnesses, administrative expenses, and appropriation to the Health Council and to Magen David Adom. In 2007, the standardized cost of the health basket per person was NIS 3,104 as compared to NIS 3,062 in 2006 – a 1% increase in real terms. The cost of the basket reflects the relative expenses among the age groups: the cost of the younger age groups is smaller than that of the older age groups. Thus for example, in 2007 the cost of the basket for the older population (age 85 or over) is 4.1 times higher than the average cost for all persons insured with the sick funds, and 10.15 times higher than the cost of the basket in the 15-24 age group.

Table 11  
**Standardized Cost of Health Basket per Person, by Age Group (NIS annually), 2006-2007**

Age group	2006	2007*
<b>Total</b>	<b>3,062</b>	<b>3,104</b>
Up to 1	4,745	4,811
1-4	2,939	2,980
5-14	1,439	1,459
15-24	1,225	1,242
25-34	1,745	1,769
35-44	2,082	2,111
45-54	3,276	3,321
55-64	5,174	5,246
65-74	8,756	8,876
75-84	10,899	11,050
85+	12,430	12,602

\* Estimation.

## D. Allocating burden of paying national and health insurance contributions

In the majority of cases, the national insurance system, as an insurance system, conditions eligibility for benefit on payment of insurance contributions. In the wake of this concept, every insured person, regardless of his state of employment, has to pay insurance contributions. The parameters of the national insurance contributions' function, as specified in the beginning of the chapter – minimum and maximum for an income liable for national insurance contributions and the rates of insurance contributions for the various insured persons – characterize most of the social insurance systems in the West. It is not in dispute that determining lower and upper limits for income liable for national insurance contributions constitutes a regressive element of the collection system. The 1995 reform in the Institute's collection mechanism – expanding the base of income liable for national insurance contributions and introducing a reduced rate on an income portion that does not exceed half the average wage – as well as increasing the income ceiling in January 2000 – aimed to moderate the regressive nature of distributing the burden of national insurance contribution payments on individual insured persons. The decision to entrust the collection of health insurance contributions since 1995 to the National Insurance Institute, alongside the concept that every resident is an insured person, and that the majority of insured persons are liable for payment of health insurance contributions, led policymakers to assimilate the elements of the national insurance contributions' function into the function of health insurance contributions as well.

Table 12  
**Employees: Income (average per working month) and Payment of Insurance Contributions, by Decile, 2005**

Decile	Average income per month of work	Payment of insurance contributions					
		NIS			Percentage of income		
		Total	National insurance	Health insurance	Total	National insurance	Health insurance
1	733	33	10	23	4.5	1.4	3.1
2	1,784	80	25	55	4.5	1.4	3.1
3	2,704	122	38	84	4.5	1.4	3.1
4	3,463	155	48	107	4.5	1.4	3.1
5	4,210	232	89	143	5.5	2.1	3.4
6	5,129	327	140	187	6.3	2.7	3.6
7	6,347	454	209	245	7.2	3.3	3.9
8	8,217	648	313	335	7.9	3.8	4.1
9	11,692	1,009	507	502	8.6	4.3	4.3
10	25,504	2,311	1,146	1,165	9.1	4.5	4.6
Average	6,978	520	244	276	7.5	3.5	4.0

Table 12 shows data on income liable for insurance contributions (on average per month of work), national insurance contributions (the worker's portion only) and health insurance contributions on average per decile in the population of employees. Employees are rated according to income liable

for insurance contributions (on average per month of work) and each decile incorporates 10% of the individual employees.<sup>6</sup> The most recent available data refer to 2005 and indicate that each of the first four deciles pays national insurance contributions at a rate of 1.4% of its income, with the rate steadily scaling to 4.5% in the top decile. A similar picture also stems from the rates of health insurance by decile, but the lowest rate in the first four deciles is 3.1%.

Table 13 features the rates of insurance contributions by decile among the self-employed in 2005. The burden of national insurance contributions is notable in the first and second deciles as a result of there being a minimum for payment of insurance contributions (25% of the *average wage*) that makes the regressive nature of the system prominent at lower income levels. The rate of national insurance contributions paid by the self-employed (as both workers and employers) is 6.7% in the third decile, gradually rising to 9.4% in the tenth decile. The influence of the maximum income liable for national insurance contributions (in July 2003) is more notable among the self-employed, since a larger part of their income is higher than the said income. The same picture stems from an analysis of the variation in health insurance contributions of the various deciles. It should be noted that unlike that of employees, income of the self-employed in each decile is specified in terms of an annual average per month (rather than per month of work), since collection from them is based on the annual income which they report. Thus the income of employees in Table 12 cannot be compared to the income of the self-employed in Table 13.

The data in Tables 12 and 13 pertain to the legal status in 2005, i.e., take into account the rate of insurance contributions of the same year and the maximum income liable for national and health insurance contributions (up to 5 times the *average wage*). The steps taken as part of the 2006 tax reform – specifically, reduction of the reduced rate for workers from 1.4% to 0.4%, increase of the regular rate from 5.58% to 7.0% and increase of the reduced rate bracket from 50% of the *average wage* to 60% thereof) – shall be reflected in the burden of insurance contributions calculated on the basis of wage and income data for 2006 and thereafter.

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6 In April 1999 an amendment was passed whereby the minimum income for calculating insurance contributions for employees was compared to the minimum wage, taking into account the part-time nature of the position. In calculating the insurance contributions we assumed complete compliance on part of employers in respect of minimum wage, and that wages that are reported at a level lower than the minimum wage stems from the part-time nature of the position. Diversion in the average rate of insurance contributions from income in the lower deciles is relatively negligible.

Table 13  
**The Self-employed: Income (monthly averages) and Payment of Insurance Contributions, by Decile, 2005**

Decile	Average income per month of work	Payment of insurance contributions					
		NIS			Percentage of income		
		Total	National insurance	Health insurance	Total	National insurance	Health insurance
1	566	171	117	54	30.2	20.7	9.5
2	1,249	171	117	54	13.7	9.4	4.3
3	1,766	173	119	55	9.8	6.7	3.1
4	2,399	236	161	74	9.8	6.7	3.1
5	3,272	321	220	101	9.8	6.7	3.1
6	4,215	455	312	143	10.8	7.4	3.4
7	5,466	648	445	203	11.8	8.1	3.7
8	7,408	947	651	296	12.8	8.8	4.0
9	10,927	1,490	1,025	465	13.6	9.4	4.2
10	26,662	3,597	2,477	1,120	13.6	9.4	4.2
Average	6,393	791	543	248	12.4	8.5	3.9

## Annex: Special populations defined as employees

The data presented in this chapter on the number of employees refer to the number of employees reported by the employer on form 102. The population of employees as defined in the National Insurance Institute include additional groups, as follows:

**Kibbutz members:** defined under the law as employees of the kibbutz (as an employer), which has the obligation and responsibility to register them as employees and to pay insurance contributions for them. Kibbutz members are insured in all national insurance branches, except for the unemployment branch. In 2007, about 54,000 members were reported per month on average (aged 18 and over) and the national insurance contributions paid for them totaled about NIS 9 million per month on average.

**Household workers:** The status of those employed in household work and their rights are identical to those of the other employees, though the insurance contributions paid for them were prescribed in different rates. At the end of 2007, about 159,000 employers were reported to have workers employed in household work, of whom insurance contributions were collected to an amount of about NIS 60 million.

**Workers from the territories and from the Palestinian Authority:** Workers from the territories and from the Palestinian Authority employed by Israelis are liable for payment of insurance contributions to three branches: Work Injury, Maternity and Bankruptcy. Insurance contributions for them are collected by the Payments Department of the Employment Service. In 2007 about 16,000 workers were reported per month on average, and the amount of insurance contributions paid for them was about NIS 290,000 per month. The average monthly wage per worker on the basis of which national insurance contributions were paid was about NIS 3,100.

**Migrant workers:** non-Israeli residents who are employed by Israeli employers. Like workers from the autonomy territories, migrant workers are insured in the Maternity, Work Injury, and Bankruptcy branches and the rates of insurance contributions that apply to them are anchored in a special regulation. In 2007 there were about 71,000 migrant workers employed in Israel per month on average, their average wage per month was about NIS 4,200, and the insurance contributions they were debited with were NIS 2.5 million per month on average.

**Workers who retire before reaching retirement age:** These workers are liable for payment of national and health insurance contributions in respect of their early retirement. In 2007, about 38,000 retirees per month on average paid insurance contributions and the amount collected for them totaled about NIS 40 million per month.

**Vocational training:** This group includes insured persons in vocational training within the scope of the Ministry of Industry, Trade, and Labor (both unemployed and workers) or in places approved in the NII regulations. National insurance contributions are imposed on the employer and on persons in vocational training for two branches only: Work Injury and Maternity. In most cases, the Ministry of Industry, Trade, and Labor is the employer, unless the person in vocational training was sent to study on behalf of his employer. The number of insured persons in vocational training (who paid insurance contributions) reached 25,000 per month on average in 2007, and the insurance contributions paid for them totaled NIS 1 million per month.



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## **Chapter 4**

### **Benefits: Activities and Trends**

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## 1. Income Support<sup>1</sup>

### A. General

The number of income support recipients continued to decrease in 2007, as in previous years, reaching 115,000 families by the end of the year – as compared with 125,600 at the end of 2006 and a record 159,000 in the second quarter of 2003. The developments in 2007 were influenced by continued improvements in the labor market, the continued impact of the strict legislation of mid-2003 and the implementation of the Integration of Benefit Recipients in Employment Law (temporary order) in August 2005.

The above law, approved in 2004, is still undergoing changes and adjustments following the public debate and the conclusions already derived from its implementation. The law was approved as a temporary order for a period of three years, extending from the date of its de facto coming into effect – August 2005. It embodies an experimental program, "From Welfare to Work", initially titled "From Income Support to Secured Employment", and in 2007 it underwent changes and its title was altered to "Prospects of Employment". The purpose of the program is "to further the integration of benefit recipients in employment that will utilize their earning capacity while having them share responsibility, thus enabling them a transition period from being completely dependent on benefits, to eventual social and economic independence".

The law in effect transfers responsibility for performing the employment test – the passing of which is a condition of eligibility for an income support benefit – from the State to private bodies. It stirred controversy both during its enactment and after its implementation, mainly revolving around the method of remuneration and the manner of implementation, particularly in respect of special population groups. It is difficult to integrate special groups in employment or in a personal plan due to barriers such as age and mental barriers, and to situations such as single parenthood or an ill/inpatient child. Since the commencement of the program several committees were formed – the First Dinur Committee, the Tamir Committee and the Second Dinur Committee – that recommended changes to the program. In 2007 another committee submitted its recommendations – the Public-Scientific Committee Concerning the Integration of Income Support Benefit Recipients in Employment. Among the changes recommended were the reduction of participation hours for defined groups such as those close to retirement age, those who have degrees of earning incapacity determined by the National Insurance Institute, and single-parent families, as well as the offer of vocational diagnosis and employment rehabilitation for those who need it. In addition, it was recommended that the method of remuneration be changed in such a way that quality and long-term placements are remunerated (to both participant and employment center) and that the remuneration for decreasing benefits is reduced.

The "Prospects of Employment" program commenced operating in August 2007, after the recommendations of the various committees were consolidated. Among the changes effected were the referral of people aged 45 and over to the employment service (unless they chose to participate in the program) and the reduction of hours to selected population groups until vocational

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1 Including alimony.

diagnosis is carried out. In addition, the method of remuneration was changed, to rely less on reducing benefits and to include new components such as remuneration for job placements. There began a process of paying a perseverance grant to participants who were placed in jobs, and the rules for paying a placement grant to operators were set. In December 2007, the geographical area covered by the program was expanded to encompass the populations of the following towns: Ashkelon, Sderot, Jerusalem, Hadera, Netanya, Basma<sup>2</sup>, Nazareth, Nazrat Illit and Ein-Mahel.

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2 The towns Barta'a, Ein-A-Sahle, and Muawiye, which were united as a single local council.

## Box 7

## Findings of the "From Income Support to Secured Employment" Evaluation Research

The Integration of Benefit Recipients in Employment Law, in which the experimental "From Income Support to Secured Employment" program is anchored, determines that the program be accompanied by an evaluation research. The research is intended to assist the government and the Knesset in forming policy regarding the employment test, a test which must be passed as a condition for entitlement to income support benefit. In the framework of this research<sup>1</sup>, conducted by the National Insurance Institute and the Myers-JDC-Brookdale Institute, six reports have thus far been published which present findings on the impact of the program in several areas: employment, entitlement to income support benefit, income from work and other sources, and the welfare of children in families referred to the program and their functioning in the education system.

### Research method

The research method is based on tracking two groups: the experiment group, which includes a sample of the program's participants in the four regions of the experiment, and a control group, including the benefit recipients who reside in regions which are comparable to those of the experiment and whose characteristics resemble those of the benefit recipients in the regions of the experiment<sup>2</sup>. The impact of the program is assessed through the "difference of differences" – a calculation of the difference between the change effected in the experiment group between the two points in time being researched, on the eve of the program's commencement (August 2005) and after 15 months (November 2006), and the change effected in the control group between these two points in time.

### Main findings

#### Changes in employment between August 2005 and November 2006

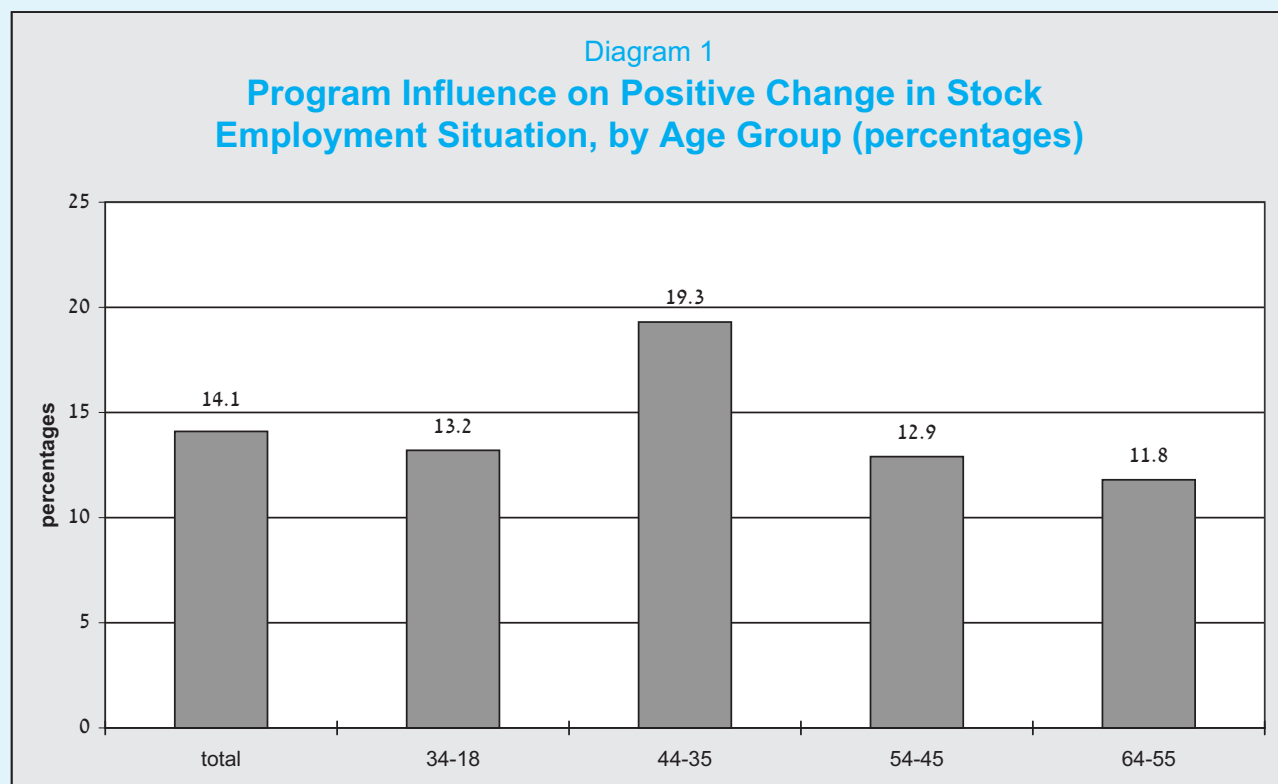
- The increase in the rate of the employed, after 15 months of operating the program, is higher in the experiment group by 10.3 percentage points than in the control group. The rate of the employed in the experiment group went up from 24.6% on the eve of the program's commencement to 38.8% in November 2006 – a growth of 14.1 percentage points, as compared with a growth of 3.8 percentage points in the control group.

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1 From: the findings of follow-up report on the impact of the "From Income Support to Secured Employment": **on the people who are eligible in the beginning of the program (the inventory) – after 15 months to its operation and on the new applicants (the flow) – after 6 months since filing the claim**, Summary Report No. 6.

2 Due to difficulty in locating a control region to match the neighborhoods in East Jerusalem, it was decided to match a control to the Jewish residents of the city only.

- The impact of the program on a positive change in employment is estimated at 14.2 percentage points. 21.6% (net<sup>3</sup>) of those who applied to the program, as compared with 7.4% in the control population, have reported a positive change in their state of employment – they have become integrated in work or have expanded their extent of work hours by at least one hour a week.



- The degree of the program's impact differs among various age groups. Its impact among those aged 35-44 is estimated at 19.3 percentage points and among those aged 45-54 at 12.9 percentage points. Among those aged 55 and over, a lesser impact was estimated – 11.8 percentage points (Diagram 1).
- The program had a similar impact on improving the state of employment among men and women (14.7 percentage points, as compared to 14.0 percentage points, respectively).
- A greater impact of the program on the state of employment manifested itself among single-parent mothers (20 percentage points) and among those who are married and have children (14.4 percentage points).
- Among new immigrants and among Arabs, the program had a greater impact on improving the state of employment, as compared with the senior Jewish population – 12.6 percentage points, 14.4 percentage points, and 10.3 percentage points, respectively.

3 i.e., after those who stopped working or reduced the number of their work hours are deducted.

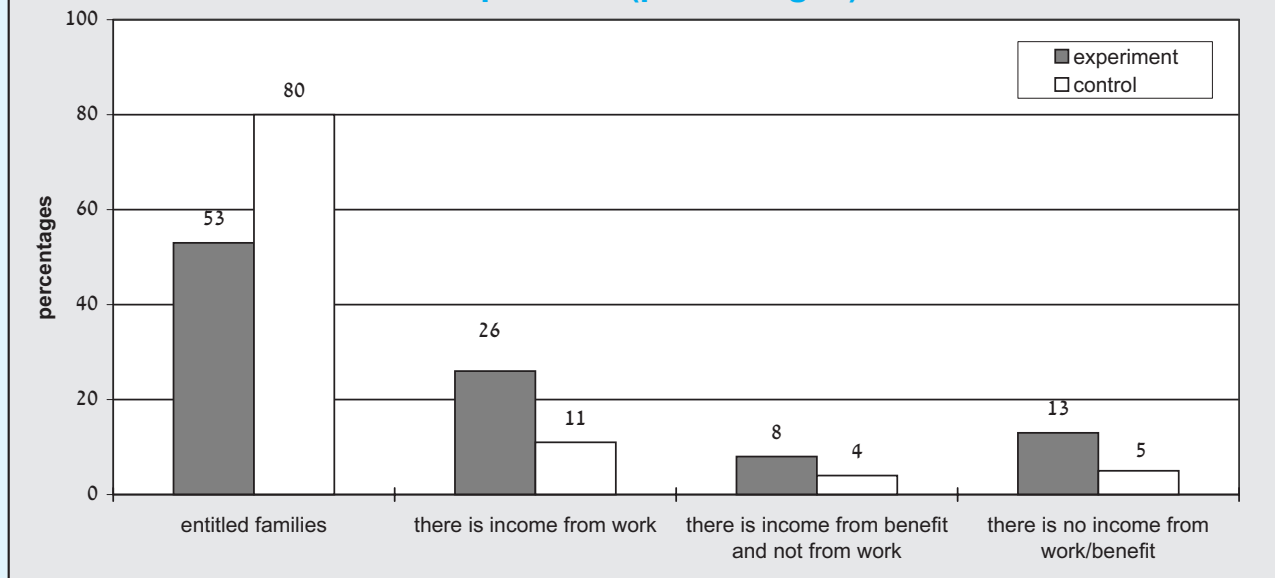
### Changes in monthly average wages

- The increase in the monthly average wage from work among the employed in the experiment group is significantly higher than in the control group.
- No significant difference was found in the **wages per work hour** of the employed between the experiment group and the control group. The average wage per work hour is approximately the minimum wage.
- The average monthly wages of the employed in the experiment group increased by NIS 400 more than did the average wages of the employed in the control group.
- The increase in wages of the employed in the experiment group, as compared with the control group, is attributed to the increase in the extent of their work hours.
- In the experiment group there was a higher rate of people who were employed full-time, and those who were employed part-time worked a greater number of hours, as compared to the control group.

### Changes in receipt of income support benefit

- In November 2006, 15 months after the program began, the rate of families in the experiment population that reported that they were eligible for a benefit was 27 percentage points lower than the parallel rate in the control population. The rate of families that reported they were not eligible for a benefit was 47% in the experiment group, as compared with 20% in the control group.
- 56% of the families that were not eligible in the experiment group reported that they had an income from work, the same as in the control group (54%).
- The positive change in the state of employment can explain 43% of the rate of reduction in the number of families in the experiment group that were not eligible for a benefit, similar to that in the control group (40%).
- Among the families **not eligible** for a benefit, the rate of families that do not have an income from work or benefit is similar in the experiment and control groups. Notwithstanding, since a much higher rate of families in the experiment group are not eligible for benefit, as compared with the control group, it was found that 13% **of all families** in the experiment group were not eligible for an income support benefit and did not have income from work or from another NII benefit, as compared with 5% in the control group, i.e., a difference of 8 percentage points (Diagram 2). The group of those who are not eligible and who do not have an income from work or from other benefits is a particularly disadvantaged group in terms of education, experience in employment, and risk of emotional and mental problems, and it has a much greater concentration of single persons, young persons and Arabs.

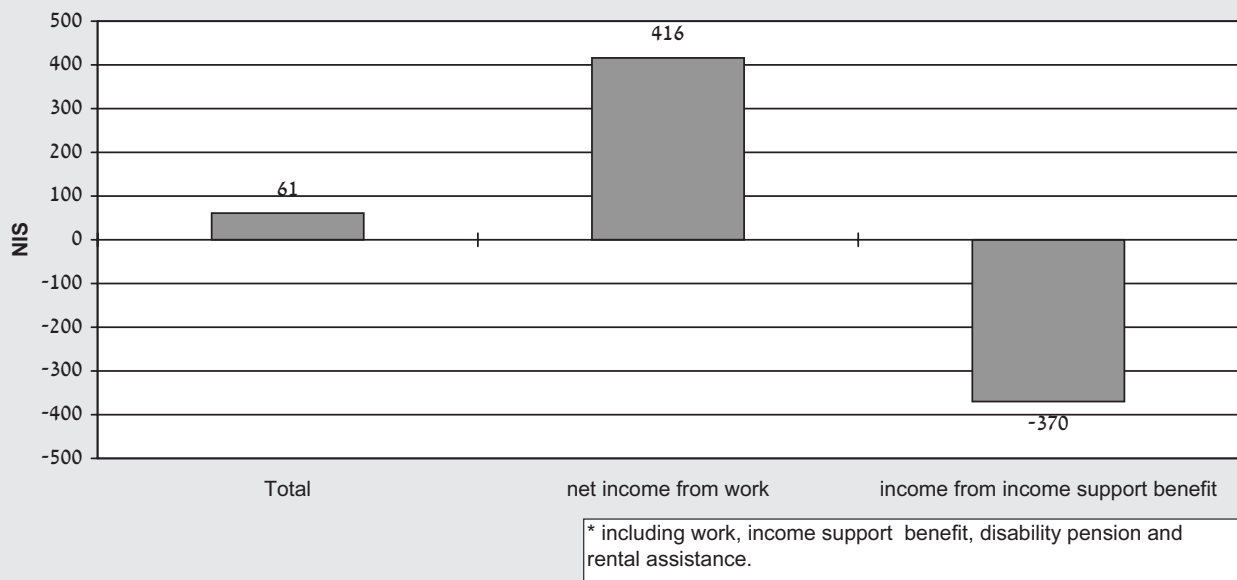
Diagram 2  
**Program Influence on Income Sources of Total Experiment Group as Compared to Control Group out of Total Population (percentages)**



### Influence of program on family income

- In examining the influence of the program on family income, changes affected in the main sources of income of the population of benefit recipients were examined: income from work, from the income support benefit and disability pension, and from assistance with rent. A positive influence of the program was found on the available income from work of the spouses, and as expected, a negative influence on income from the income support benefit.
- An examination of the total family income including all the above sources shows that the program did not influence the change in income among the general population; however, a positive influence was found in families where there was a positive change in the state of employment of at least one spouse.
- The average family income from work in the experiment group in November 2006, as compared to the situation on the eve of the program's commencement, increased by NIS 415 more than the income in the control group among all families (including those in which neither spouse is working). In the control group, the parallel increase was from NIS 434 to NIS 603 – an increase of NIS 169 (Diagram 3).

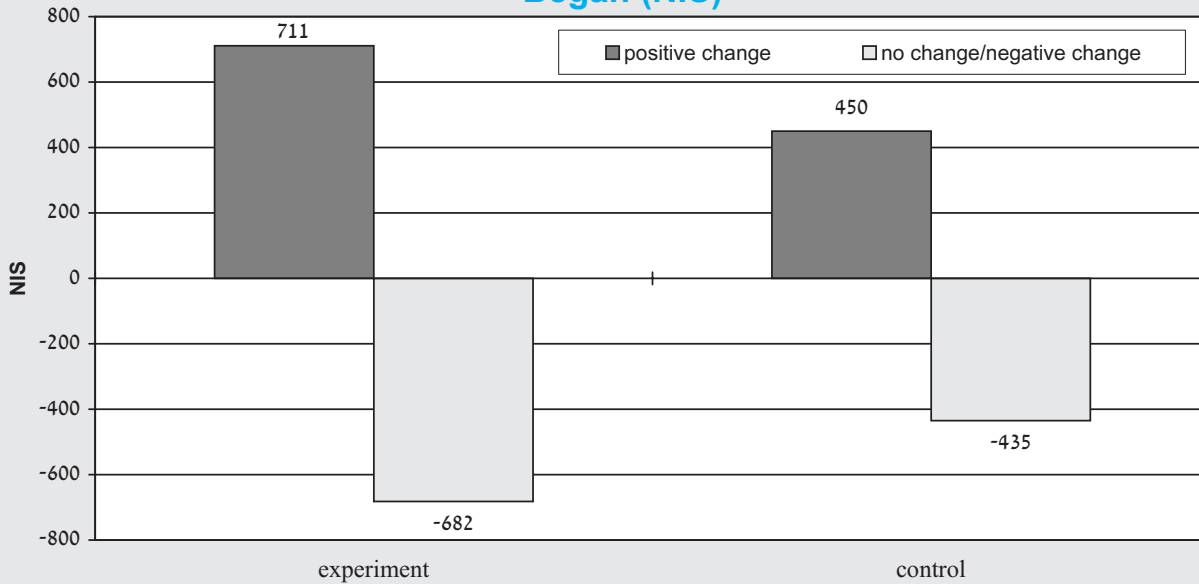
Diagram 3  
**Program Influence on Total Incomes and on Net Income  
 from Work and from Income Support Benefit After 15  
 Months (NIS)**



- The family income from the income support benefit in the experiment group went down by NIS 370 more than in the control group.
- The program did not influence total income from all sources, since the increase in income from work was set off by the reduction in income from the income support benefit (Diagram 3).
- The total income of families, in which positive change was affected in the state of employment, increased in both the experiment and control groups; however, the increase in the experiment group was NIS 261 greater than that in the control group (Diagram 4).



Diagram 4  
**Income Changes among Families in Stock by Change in Employment Situation After 15 Months Since Program Began (NIS)**



## B. Fundamentals of the Income Support Law in its 2003 version

The new legislation, basically anchored in the Economic Arrangements Law for 2003, introduced far-reaching changes in the clauses of the Income Support Law pertaining to the working-age population: in the level of the maximum benefit, in the income test and in the employment test. The amendments to the Income Support Law had implications extending to the Alimony (Guarantee of Payment) Law as well. The legislation came into effect in January 2003, but was actually implemented only in June 2003 with regard to reducing the benefit and the changes to the income test.

The Income Support Law in its current version retains, for the long term, the two rates of benefit – the regular rate and the increased rate – but in fact it sets three levels of benefit for the transition period<sup>3</sup>. The law makes a distinction between 55+ year olds eligible for benefit<sup>4</sup> and those under 55. The benefit for those aged 55 and over remain unchanged for all family compositions and they are eligible for a benefit at the increased rate, as previous to January 2003, without distinction between new participants and those previously eligible<sup>5</sup>. The distinction between new participants and those previously eligible is relevant only to those under age 55; **all** new participants and all people previously eligible for the regular rate will receive a benefit at the regular, but now reduced, rate, and all those who were previously eligible for the increased rate, will receive a benefit at the increased, now reduced, rate. The significance of these changes is that after the transition period, persons under age 55 may be eligible for a benefit only at the regular reduced rate.

Beginning in January 2003, the employment service may no longer define one who claims an income support benefit as a person who cannot be placed at work. Persons not compelled to report to the employment service were explicitly defined in the Income Support Law in its new version. The main amendment concerns mothers of small children: prior to the amendment they were exempt from the employment test if their youngest child was under the age of 7, while after the amendment they are exempt only until their youngest child turns two. The situation of a widow – regarding the employment test – was equalized to that of a mother of small children. (Until January 2003, widows with children up to age 18 were exempt from reporting to the employment service, regardless of the children's age.) There was no change in the situation of women eligible for alimony; they are exempt from the employment test under the new legislation as well. As mentioned, in 2004 the Integration of Benefit Recipients in Employment Law (temporary order) was approved, and in August 2005 the responsibility for operating the employment test in the regions of the experiment was transferred from the government-run employment service to private employment centers. The participants in the program are recipients of income support benefit based on entitlement grounds of "unemployed" or "low wages".

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3 The changes in benefit levels and in the income test are elaborately set forth in the Annual Survey of the National Insurance Institute for 2002-2003.

4 The rates of income support benefit for recipients of old-age and survivors' benefit remained unchanged. Those eligible for benefits from the Work Injury branch will be eligible for an income support benefit at a level identical to that of survivors, regardless of their age.

5 A person "previously eligible" is one who began receiving a benefit before January 1, 2003, including those to whom payment of benefit was stopped for a period which does not exceed 6 months.

Under an amendment to the Income Support Law in effect since January 2007, ownership of a car does not automatically disqualify eligibility for an income support benefit (as previously, when there were only special exceptions such as for persons with medical needs), if the car is up to 1,300 cc and 7 years have past since the end of its production year, or if the car is up to 1,600 cc and 12 years have past since the end of its production year. A car owner will be eligible for benefit only if he (or his spouse) has an income from work that exceeds 25% of the *average wage* (if he is of retirement age – 17% of the *average wage*). The amendment pertains to persons who were dismissed from their job as well.

In addition, the situation of a person who travels abroad was improved. This amendment applies only to persons of retirement age (or their spouse): their traveling abroad for up to 3 times a year for up to 72 days will no longer disqualify them for a benefit. Traveling abroad for a fourth time or deviating from the 72-day timeframe will disqualify them from benefit for all periods that they were out of the country in one calendar year. (Previous to the amendment, a second or subsequent departure abroad in a calendar year disqualified one from the income support benefit.)

### C. Income support benefit recipients

The June 2003-December 2007 period registered a continuous downward trend in the number of recipients of income support benefit. This trend began with the strict legislation of June 2003 – when the benefit was taken away from about 5,000 families and the obligation to pass the employment test, as a condition of being eligible for a benefit, was expanded to additional populations – and continued with the reduction of the maximum income entitling one to benefit and the improvement in employment in 2004-2007. The operation of employment centers as part of the "From Income Support to Secured Employment" program in August 2005 and "Prospects of Employment" in August 2007 accelerated this trend.

Table 1  
**Number of Families who Received Income Support Benefit,  
 by Seniority in Israel\*, 2000-2007**

Year and month	Total		Veterans		New immigrants	
	Absolute number	Rate of change	Absolute number	Rate of change	Absolute number	Rate of change
2000	128,364	12.4	80,476	14.9	47,889	8.5
2001	141,840	10.5	91,264	13.4	50,576	5.6
2002	151,600	6.9	96,000	5.2	55,600	9.9
2003	155,178	2.4	99,953	4.1	55,225	-0.7
2003/1-5	158,528	--	101,211	--	57,317	--
2003/6-12	151,254	--	97,549	--	53,704	--
2004	145,550	-6.9	94,830	-5.1	50,720	-8.1
2004**	144,661	--	94,139	--	50,522	--
2004/1-7	145,312	--	94,071	--	51,241	--
2004/8-12	143,749	--	94,234	--	49,515	--
2005	139,940	-3.3	93,037	-1.2	46,903	-7.2
2005/1-7***	142,321	-2.1	94,302	0.2	48,019	-6.3
2005/8-12***	136,606	-5.0	91,267	-3.1	45,339	-8.4
2006	130,337	-6.9	88,144	-5.3	42,193	-10.0
2006/1-7***	132,380	-7.5	89,084	-5.9	43,296	-10.9
2006/8-12***	127,477	-7.2	86,829	-5.1	40,648	-11.5
2007	120,218	-7.8	82,488	-6.4	37,730	-10.6
2007/1-7***	122,748	-7.3	83,931	-5.8	38,817	-10.3
2007/8-12***	116,677	-8.5	80,469	-7.3	36,208	-10.9

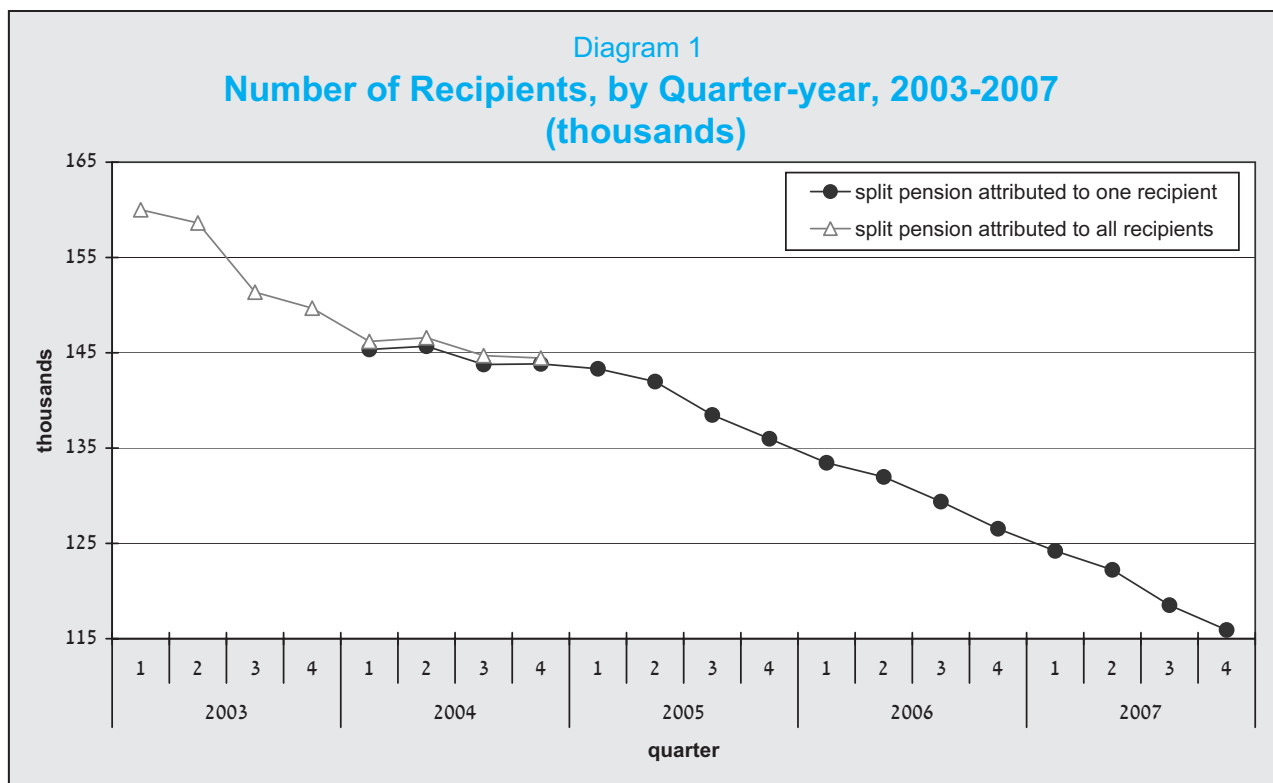
\* Seniority in the country is determined according to the seniority of the benefit claimant.

\*\* In the calculation of this figure and the figures that follow it in the series, a benefit divided among several recipients is credited to a single recipient only. In calculating the previous figures in the series, all recipients of the divided benefit counted with the total number of recipients. Both figures for 2004 indicate the difference between the two series.

\*\*\* In comparison to the parallel period in the preceding year.

The Economic Arrangements Law-2003 led to a reduction in the number of recipients, from a peak of about 160,000 (monthly average) in early 2003, to 145,500 in the first half of 2004. The continued influence of this law combined with the improvement in employment led to a further reduction in the number of recipients – albeit a more moderate one – to about 142,000 in the second quarter of 2005. The operation of the "From Income Support to Secured Employment" program (in August 2005) enhanced the downward trend, and the number of recipients as a monthly average dropped as low as 130,300 families in 2006 and continued to drop to about 120,200 families in 2007 (Table 1). The reduction in 2007 is the result of the "Prospects of Employment" program, as well as of a clear and steady reduction in the number of benefit recipients on parallel grounds (unemployment and low wages) who reported to the employment service, and in the number of recipients on other grounds (Table 2).

A summary of developments since June 2003 indicates a continuous reduction in the number of benefit recipients (as a monthly average) at a cumulative rate of about 23%. During a period of 4.5 years the number of benefit recipients went down by about 35,000 families. Table 1 and Diagram 1 clearly illustrate this development.



A view focused on the period during which the "From Income Support to Secured Employment" program operated (Table 2) shows that about 139,300<sup>6</sup> families received a benefit on the eve of the operation of the program (July 2005): about 14,900 families who resided in the regions of the experiment received their benefit on the grounds of "unemployment" and "low wages", and were therefore compelled to participate in the program and referred to employment centers since August 2005, and about 124,400 families from other regions of the country received benefit. Among the latter group, about 100,700 families received, in June, a benefit on the grounds of "unemployment" and "low wages" – which are the parallel grounds to those of the "From Income Support to Secured Employment" and "Prospects of Employment" programs. Table 2 shows the developments in the trend of benefit recipients in July and December of 2005-2007.

During a 24-month period the number of benefit recipients in the "From Income Support to Secured Employment" program was reduced by about 49.7% – from 14,900 families on the eve of the program's operation to 7,500 in July 2007. During the first 18 months there was an impressive reduction of 49.1%. In the last 6 months of the program's operation, January-July 2007, the

<sup>6</sup> The data for July 2005 are slightly different than those published in the 2005 survey in order to reflect more recent rates of change (these data also appear in the follow-up reports on the implementation of the program).

number of families receiving a benefit within the framework of the program stabilized. The number of families that received benefit on parallel grounds in the other regions of the country decreased between December 2006 and July 2007 by 4.4%, and the number of families that received benefit on other grounds went down by 5.9%. In total, the number of benefit recipients in July 2007 was smaller by about 19,350 families than that of July 2005, with 38.2% of this reduction attributed to the "From Income Support to Secured Employment" program.

Table 2  
**Families who Received Income Support Benefit\* –  
the "From Income Support to Secured Employment" Program and Other Recipients,  
July 2005- December 2007**

Year and month	Total	Outside program			Program
		Total	On grounds of unemployment or low wages	Other grounds	
<b>2005</b>					
July	139,271	124,394	100,743	23,651	14,877
December	134,224	122,915	100,871	22,044	11,309
<b>2006</b>					
July	130,370	121,770	100,306	21,464	8,600
December	125,559	117,986	96,949	21,037	7,573
<b>2007</b>					
July	119,918	112,437	92,639	19,798	7,481
August	118,009	110,378	91,438	18,940	7,631
September	117,633	109,858	90,999	18,859	7,775
October	116,739	113,506	94,695	18,811	3,233
November	116,036	112,674	94,187	18,487	3,362
December	114,969	109,031	90,142	18,889	5,938

\* A family is counted with the participants of the program if at least one spouse is compelled to participate.

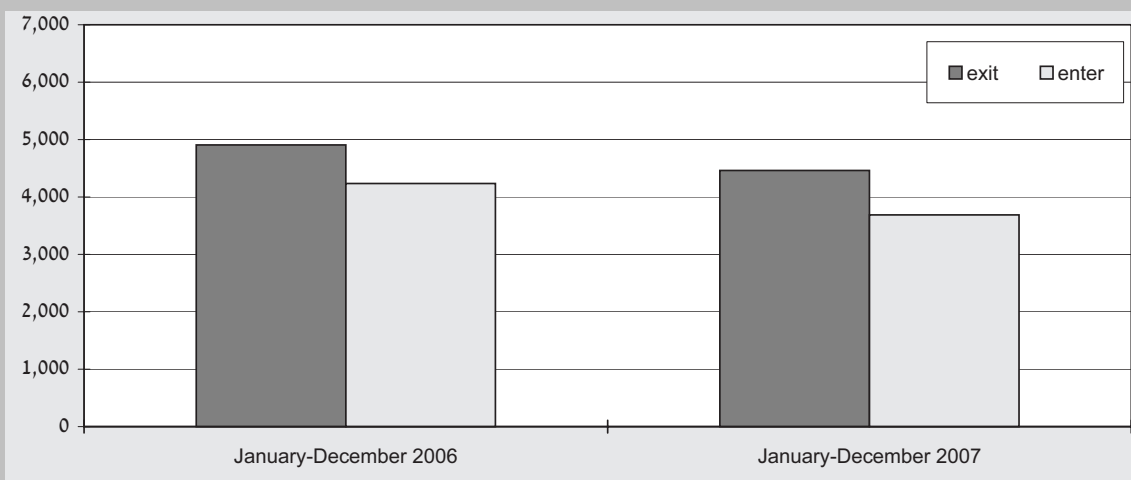
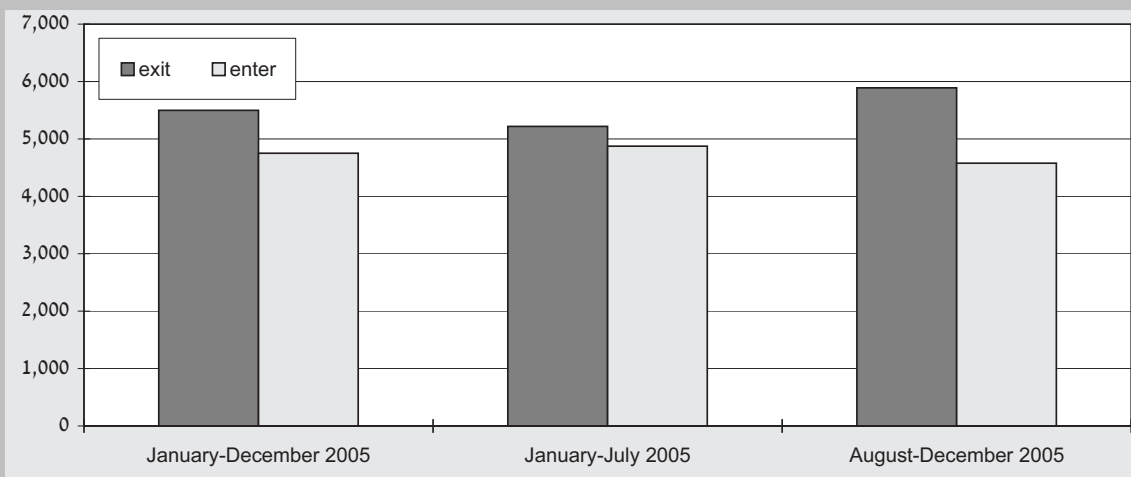
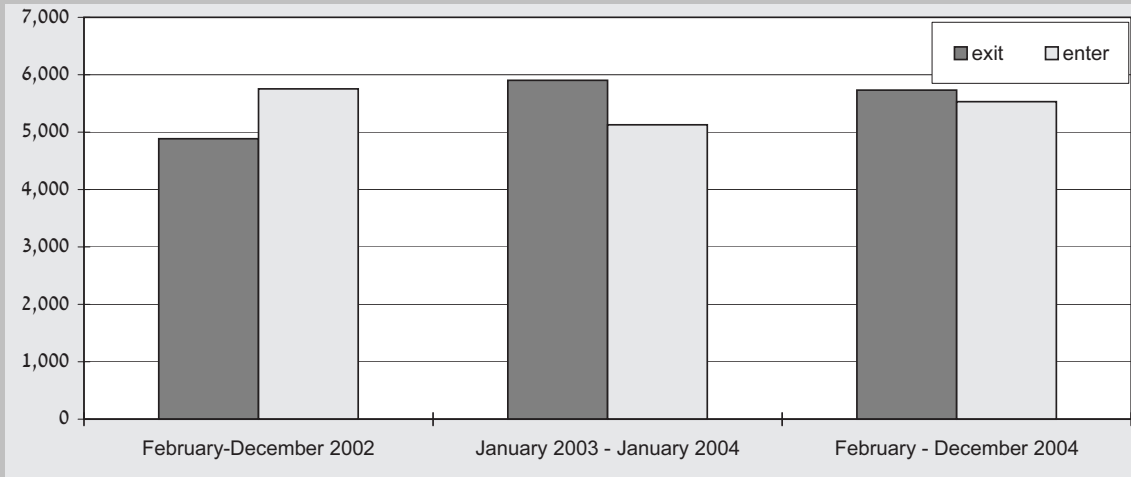
Due the extensive changes in the definition of a participant in the "Prospects of Employment" program which began in August 2007, it is impossible to compare the data to those of preceding years. The table sets forth the data for the first five months of the program, which present the families who received benefit as a result of the changes implemented in the program. In the beginning of the program 7,500 families participated and their number increased slightly by September – to 7,800 (about 4%). In October persons aged 45 and over (except those who chose to participate in the program) were referred to the employment service, and the number of families taking part in the program decreased to 3,200. At the same time, the number of families who receive benefit on grounds parallel to those of the rest of the country went up to 94,700 recipients, from 91,000 in the preceding month. As mentioned, in December the geographical extent of the program was expanded, so that the number of families receiving benefit in the regions of the program climbed to about 6,000 families while the number of families who receive benefit on parallel grounds in the rest of the country went down to 90,100. In drawing conclusions from the implementation of the program, the NII initiated a process of take-up of rights in the new regions

added to the program. As a result, the reduction in the number of families who received benefit on other grounds was brought to a halt and this number went up to 18,900 in December 2007.

An analysis of the flows of entering and exiting the system in 2002-2007 as illustrated in Diagram 2 shows that the sharp reduction in January 2003 - January 2004 may be explained not only by the acceleration of exits but also by a considerable moderation of entries, mainly due to legislative changes. Furthermore, during February 2004 - December 2004 and again during January-July 2007, the number of families that entered the system was slightly lower than the number of exiting families – as reflected in the moderate reduction in the number of recipients (monthly average) during these two periods. The operation of the "From Income Support to Secured Employment" program in August-September 2005 changed the picture again, mainly accelerating exits from the system. It appears that the slowdown in entries to the system is a continuation of the trend of the first half of 2005, although it is possible that the operation of the centers has also led to families abstaining from resorting to the income support system.

The number of people entering the system continued to decrease in 2006 as well, and despite the continued implementation of the "From Income Support to Secured Employment" program, the number of people who exited the system went down as well. In 2007, there was a reduction in the number of people who entered and exited, as compared with 2006, and the gap between those who entered and those who exited grew from about 700 to about 800. These changes account for the continued reduction in the number of recipients of income support benefit that results from the steady slowdown in entering the system.

Diagram 2  
**Families that Entered\* and Exited the Income Support System (monthly average), 2002-2007**



\* "Entered the system" is defined as persons who entered the system for the first time or after a break of at least two months from their previous entry. A person who did not receive a benefit for at least two months is defined as "exited the system".



## D. Characteristics of income support benefit recipients

### 1) Family composition and seniority in the country

The reduction in the number of benefit recipients since mid-2003 was accompanied by a change in the family composition of benefit recipients. The influence of legislative changes pertaining to benefit levels, the income test, and the employment test, which manifested itself in 2004-2007 as well, was not uniform in its extent among the various population groups. Beyond this influence, it is possible that not all individuals had a greater number of employment opportunities following the growth in the economy, and these differences may also affect the composition of the population that receives income support benefit. In order to illustrate the changes in family composition, data are presented for the beginning of 2003 (prior to the legislative changes); for 2005 in respect of two periods: January-July and August-December (before and after the operation of the "From Income Support to Secured Employment" program); for 2006 (in which the "From Income Support to Secured Employment" program was in full operation); and for 2007 (termination of the "From Income Support to Secured Employment" program operation and commencement of "Prospects of Employment").

The data presented in Table 3 indicate two major developments: the reduction in the number of income support benefit recipients among single-parent families and among couples with children, and the moderate growth rate in the number of single persons who receive benefit until mid-2005, when this number began to drop. The number of single-parent families went down from 53,200 as a monthly average in the beginning of 2003 to 42,000 in 2004 and again to 32,500 in 2007. The number of couples with children, which was 39,000 in the first quarter of 2003, dropped steadily to 25,800 as a monthly average in 2007. On the other hand, the number of single persons who received a benefit increased from 58,300 in the first quarter of 2003 to 60,900 as a monthly average in the first half of 2005; with the operation of the "From Income Support to Secured Employment" program, this number began to drop until it reached 53,500 as a monthly average in 2007. These developments were reflected in changes in the composition of the population: the share of single-parent families in the total number of recipients went down to 27.0% in 2007 (as compared with 33.2% in the beginning of 2003) and the share of couples with children went down slightly – from 24.4% to 21.5%. Simultaneously, the share of single persons increased significantly – from 36.5% to 44.5%. This means that there was a sharp reduction in the rate and number of families with children from 2003 until mid-2005, and a moderate reduction until 2007. In 2007, the number of eligible people continued to decrease, but the composition of the population was similar to that of 2006 (the two sub-periods in 2007 – January-July and August-December – are similar).

Table 3  
**Recipients of Income Support Benefit,  
 by Family Composition and Seniority in the Country, 2003-2006**

Family composition	Numbers			Percentages		
	Total	Veterans	New Immigrants	Total	Veterans	New Immigrants
<b>January-March 2003</b>						
<b>Total</b>	<b>160,006</b>	<b>102,194</b>	<b>57,812</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Single person	58,331	38,000	20,331	36.5	37.2	35.2
Single person + children	53,191	25,662	27,529	33.2	25.1	47.6
Couple	9,468	5,070	4,398	5.9	4.7	7.6
Couple + children	39,016	33,462	5,554	24.4	32.7	9.6
<b>2004 average</b>						
<b>Total</b>	<b>144,661</b>	<b>94,139</b>	<b>50,522</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Single person	60,105	39,480	20,624	41.5	41.9	40.8
Single person + children	42,003	20,350	21,653	29.0	21.6	42.9
Couple	8,826	4,758	4,068	6.1	5.1	8.1
Couple + children	33,727	29,550	4,177	23.3	31.4	8.3
<b>January-July 2005</b>						
<b>Total</b>	<b>142,321</b>	<b>94,302</b>	<b>48,019</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Single person	60,953	40,448	20,505	42.8	42.9	42.7
Single person + children	39,628	19,836	19,792	27.8	21.0	41.2
Couple	9,260	5,129	4,131	6.5	5.4	8.6
Couple + children	32,480	28,889	3,590	22.8	30.6	7.5
<b>August-December 2005</b>						
<b>Total</b>	<b>136,606</b>	<b>91,267</b>	<b>45,339</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Single person	59,299	39,324	19,975	43.4	43.1	44.1
Single person + children	37,727	19,409	18,319	27.6	21.3	40.4
Couple	9,091	5,145	3,945	6.7	5.6	8.7
Couple + children	30,489	27,389	3,100	22.3	30.0	6.8
<b>2006 average</b>						
<b>Total</b>	<b>130,337</b>	<b>88,144</b>	<b>42,193</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Single person	57,332	38,222	19,110	44.0	43.4	45.3
Single person + children	35,657	18,922	16,735	27.3	21.5	39.7
Couple	8,694	4,975	3,718	6.7	5.6	8.8
Couple + children	28,655	26,025	2,629	22.0	29.5	6.2
<b>2007 average</b>						
<b>Total</b>	<b>120,218</b>	<b>82,488</b>	<b>37,730</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Single person	53,539	35,703	17,836	44.5	43.3	47.2
Single person + children	32,470	17,961	14,510	27.0	21.8	38.5
Couple	8,411	5,065	3,346	7.0	6.1	8.9
Couple + children	25,798	23,760	2,038	21.5	28.8	5.4

## 2) Grounds of entitlement

Table 4 features the distribution of benefit recipients through 2005-2007 by the grounds of entitlement to benefit. Following the trend which became apparent since 2003, in the first period of 2005 the increase in the share of the unemployed in the total number of benefit recipients continued. Concurrently, there was a reduction in the share of mothers of small children and of those aged 55 and over who cannot be placed in work. The trend which characterized the two latter grounds also continued in 2006 and 2007. Since August 2005, a new grounds was added – the "From Income Support to Secured Employment" grounds, which includes both the unemployed and low-wage earners. Hence, the comparison made in the table in respect of periods preceding August 2005 should be made concerning the three grounds that compel an employment test: unemployed, "From Income Support to Secured Employment" ("Prospects of Employment"), and low wages. The data indicate that in 2007 the rate of recipients on grounds that compel an employment test was 78.1% of the total number of recipients, as compared with 77.7% in 2006.

Table 4  
**Recipients of Income Support Benefit – Claimants and Their Spouses, by Grounds of Entitlement, 2005-2007**

The grounds	2005 average		January-July 2005		August-December 2005		2006 average		2007 average	
	Numbers	Percents	Numbers	Percents	Numbers	Percents	Numbers	Percents	Numbers	Percents
<b>Total</b>	<b>180,780</b>	<b>100.0</b>	<b>184,061</b>	<b>100.0</b>	<b>176,187</b>	<b>100.0</b>	<b>167,685</b>	<b>100.0</b>	<b>154,427</b>	<b>100.0</b>
Unemployment	107,777	59.6	113,584	61.7	99,647	56.6	98,751	58.9	93,817	60.8
In training of evaluation	3,867	2.1	4,666	2.5	2,748	1.6	2,538	1.5	2,291	1.5
The - From Income Support to Secured Employment/Employment Prospects – Program	6,123	3.4	-	-	14,696	8.3	10,382	6.2	7,486	4.8
Low wages	24,692	13.7	26,647	14.5	21,956	12.5	21,142	12.6	19,268	12.5
Addicts	3,957	2.2	3,974	2.2	3,932	2.2	3,909	2.3	3,788	2.5
impossible to place (aged 55+)	9,464	5.2	9,856	5.4	8,914	5.1	7,354	4.4	5,778	3.7
Mother/Father	16,532	9.1	17,046	9.3	15,813	9.0	14,510	8.7	12,682	8.2
Other	8,360	4.6	8,281	4.5	8,472	4.8	9,100	5.4	9,318	6.0

### **3) Benefit rates**

Following the legislation of 2002-2003 regarding entitlement to benefit in its various levels, the rate of those who receive a benefit at the regular rate increased, and stabilized in 2006 and 2007 – their rate remained as it was in 2005, about 37% (as compared with 23% in 2002). Single-parent mothers (previously entitled, or women aged 55 and over) to whom a benefit at the special rate was paid constituted 24.9% of the total number of recipients in 2007, as compared with 25.5% in 2006 and about 28% in 2002, while in 2007 only 6% of them were 55 years old and over, and they continued to receive the special rate that applied before the benefit rate was cut. The increased rate was paid to about 38% out of the total number of recipients in 2007 (as compared with 37% in 2006 and about 43% in 2002). 32.2% of these were under age 55 and therefore received benefit at the cut increased rate, and 67.8% were aged 55 or over and received benefit at its increased rate that was not cut. Beginning in 2004, the share of those aged 55 and over in the total number of people who receive a benefit at the increased rate continued to grow.

### **4) Income from work**

Table 5, which features the families with income from work by family composition and income level, shows that the reduction in the number of benefit recipients since 2004 was accompanied by a slight increase in the rate of working families. In 2007 the rate of working families was 28.1% (as compared with 25.5% in 2004). The main increase took place between 2006 and 2007. The number of working families continued to drop in 2006 and in 2007. The data pertaining to income level show that like in 2004, in 2005 the share of low-wage families increased, in 2006 it remained stable, and in 2007 it went down slightly. In 2007, 64.3% of families had income from work of not over NIS 2,000, as compared with 63.4% in 2004 and 65.3% in 2006. Hence, in 2007 the rate of working families went up and a slightly higher percent than in 2006 earned more than NIS 2,000. Notwithstanding, about two thirds of working families still earned up to NIS 2,000 per month.

Table 5  
**Recipients of Income Support Benefit (Families) with Income from Work,  
 by Family Composition and Income Level, 2004-2005**

Family composition	Total (absolute numbers)	Rate out of total number of families	Income level (NIS)					
			1-1,000	1,000-1,500	1,500-2,000	2,000-3,000	3,000-3,500	3,500+
<b>Total</b>	<b>36,905</b>	<b>25.5</b>	<b>21.1</b>	<b>21.5</b>	<b>20.8</b>	<b>19.5</b>	<b>8.8</b>	<b>8.4</b>
Single person	8,748	14.6	42.6	28.9	19.9	8.5	0.1	0.0
Single person + children	17,586	41.9	15.0	19.3	21.4	22.6	10.4	11.3
Couple	2,164	24.5	28.2	36.1	15.6	15.2	3.7	1.2
Couple + children	8,407	24.9	9.5	14.5	21.7	25.7	15.5	13.0
			<b>2004 average</b>					
<b>Total</b>	<b>36,401</b>	<b>26.0</b>	<b>22.7</b>	<b>22.0</b>	<b>21.1</b>	<b>19.3</b>	<b>7.7</b>	<b>7.2</b>
Single person	9,197	15.3	44.7	28.0	19.0	8.2	0.1	0.0
Single person + children	16,834	43.3	15.5	19.9	21.8	23.0	9.4	10.3
Couple	2,296	25.0	30.2	35.6	15.7	14.1	3.3	1.1
Couple + children	8,074	25.5	10.3	15.8	23.7	25.6	13.9	10.7
			<b>2005 average</b>					
<b>Total</b>	<b>37,240</b>	<b>26.2</b>	<b>22.5</b>	<b>21.9</b>	<b>21.1</b>	<b>19.2</b>	<b>7.8</b>	<b>7.5</b>
Single person	9,261	15.2	44.9	28.0	19.0	8.0	0.1	0.0
Single person + children	17,313	43.7	15.5	20.0	21.8	22.7	9.5	10.5
Couple	2,327	25.1	30.3	35.3	15.8	14.2	3.2	1.2
Couple + children	8,340	25.7	10.1	15.6	23.4	25.6	14.2	11.2
			<b>January-July 2005</b>					

Table 5 (continued)  
**Recipients of Income Support Benefit (Families) with Income from Work,  
 by Family Composition and Income Level, 2004-2005**

Family composition	Total (absolute numbers)	Rate out of total number of families	Income level (NIS)					
			1-1,000	1,000-1,500	1,500-2,000	2,000-3,000	3,000-3,500	3,500+
<b>August-December 2005</b>								
<b>Total</b>	<b>35,227</b>	<b>25.8</b>	<b>22.9</b>	<b>22.1</b>	<b>21.2</b>	<b>19.5</b>	<b>7.4</b>	<b>6.9</b>
Single person	9,109	15.4	44.4	28.1	19.0	8.4	0.1	0.0
Single person + children	16,163	42.8	15.6	19.7	21.8	23.5	9.2	10.1
Couple	2,253	24.8	30.0	36.1	15.7	13.9	3.4	0.9
Couple + children	7,702	25.3	10.6	16.1	24.2	25.6	13.5	10.0
<b>2006 average</b>								
<b>Total</b>	<b>34,681</b>	<b>26.6</b>	<b>22.2</b>	<b>21.9</b>	<b>21.2</b>	<b>20.3</b>	<b>6.8</b>	<b>7.7</b>
Single person	9,321	16.3	43.0	28.4	18.9	9.6	0.1	0.0
Single person + children	15,625	43.8	14.5	18.6	21.8	24.8	8.8	11.5
Couple	2,296	26.4	27.2	37.6	15.9	13.8	3.8	1.6
Couple + children	7,439	26.0	10.5	15.6	24.6	26.1	12.1	11.0
<b>2007 average</b>								
<b>Total</b>	<b>33,784</b>	<b>28.1</b>	<b>20.7</b>	<b>21.7</b>	<b>21.8</b>	<b>21.8</b>	<b>5.8</b>	<b>8.1</b>
Single person	9,413	17.6	39.7	29.5	19.6	11.1	0.1	0.0
Single person + children	14,843	45.7	13.3	17.4	21.8	27.2	7.9	12.4
Couple	2,265	26.9	24.5	37.5	18.2	13.8	3.8	2.2
Couple + children	7,263	28.2	10.2	15.5	25.9	27.3	9.5	11.6

## Box 8

**Discontinuation of Income Support Benefit and the Right to a Hearing**

Following a petition to the High Court of Justice concerning the discontinuation of eligibility for an income support benefit without a hearing procedure, the Income Support Department of the National Insurance Institute reviewed the work procedures concerning the discontinuation of the eligibility for a benefit. The review yielded that in virtually all cases in which the benefit is discontinued, the recipient of benefit receives an advance notice on the discontinuation of payment and he is afforded the opportunity to state his arguments prior to the discontinuation of payment, except in two cases: discontinuation of eligibility due to the use of a car – a situation that may apply to all benefit recipients – and discontinuation of eligibility to single-parent families only due to running a joint household with a spouse.

The Income Support Law determines that a person who receives an income support benefit may not own or use – even if he does not own – a car regularly, except for specific cases such as medical needs. Since January 2007 the recipient of an income support benefit may own a car, providing he is earning more than an amount stated in the law and that the car meets the specifications prescribed in the law. In addition, under the provisions of the law, the eligibility of either spouse to a benefit is conditional on the other spouse also meeting the conditions of eligibility. For the purposes of the Income Support Law, the definition of a spouse includes also common-law spouses. Hence, if a common-law spouse exists, then the receipt of the benefit is conditional on both spouses meeting the conditions of eligibility. Once the National Insurance Institute learns that the benefit recipient owns a car (or regularly uses a car) and does not meet the conditions prescribed under the law, or that there are common-law spouses regarding whom it was not checked whether they pass the test of eligibility for such situations, the NII is obliged to disqualify eligibility for a benefit.

The National Insurance Institute suggested before the High Court of Justice to conduct an experiment of holding a hearing in such cases. The experiment began in mid-September 2006 for a period of six months, during which a hearing was to be held in cases where the benefit was discontinued due to the two above-mentioned reasons only, in four local NII branches: Holon, Carmiel, Krayot and Ramle. The objectives of the experiment were as follows:

1. To examine the extent of response on the part of benefit recipients who were summoned to a hearing;
2. To examine whether there are arguments that were not brought into account while deciding to discontinue the benefit;
3. To examine whether as a result of the hearing process there is a change in the decision to discontinue the benefit.

During the period of the experiment the benefit paid to 104 families was discontinued due to use of a car or due to joint residency with a spouse. Of these cases, 52 families, of their own initiative, informed the NII of the change in their situation and payment of benefit to them was therefore discontinued. Two additional families took part in examining the topic following information



received from other sources. In these cases a hearing was not required. Of the 50 remaining cases, 48 families were afforded the opportunity to a hearing (in two cases summons to a hearing was not sent and these are currently being investigated by the Income Support Department).

## Summary of experiment's results

- 48 questionnaires were received in total, with a little over half of them, 56%, concerning a hearing on the topic of joint residency with a spouse. There are differences among the local branches regarding the number of hearings and the topic of the hearing. Close to half of the hearing summonses, 44%, were sent by the Holon branch, and an additional 30% by the branches of Carmiel and Krayot, while in each of these branches there was a similar number of summonses. About half of the hearings on the topic of using a car were from Ramle, while in Holon more than half of the hearings were on the topic of joint residency with a spouse.
- About half of the families whose benefit was discontinued, 48%, did not respond to the summons. On the topic of using a car, nine families (43%) did not respond to the offer to hold a hearing, while on the topic of joint residency, 14 claimants (52%) did not contact a local NII branch.
- The most common forms of contacting the local branches were through a conversation in the branch itself and by letter.
- The most common argument on the topic of using a car was "I do not own the car". Few people argued that the car was used for medical needs or for work. On the topic of joint residency the most common argument was "we do not run a joint household". There were a few who explained that "my spouse is not a permanent one" or that he "does not participate in the household expenses".
- In 60% of the cases that responded to the hearing summons (15 cases), no further examinations were required in order to reach a decision whether to discontinue the benefit. In four cases, an investigation or completion of an investigation was required, and in four other cases the claimant was asked to furnish further documentation in order for a decision to be reached.
- In most cases that responded to the hearing summons, 81%, the decision was not changed as a result of the hearing process and the benefit to these families was discontinued. Payment of benefit to three families was approved (the benefit was not discontinued) and one family was approved partial payment, i.e., payment for a fraction of the discontinuation period, and discontinuation of the benefit after the approved period. In one case a decision was not taken with regard to the topic of the hearing since a disability pension claim was approved for the period of discontinuation of the income support benefit.
- All cases in which the decision changed as a result of the hearing (or a decision was not taken in the hearing) dealt with the topic of joint residency with a spouse.

- In the three cases where it was decided to continue to pay the benefit, additional information was required for that purpose.
- The number of cases in which a decision was taken to change the decision to discontinue the benefit was small (four), but so was the number of people who responded to the hearing summons (25 people). In contemplation of the small numbers, the rate of overturned decisions is meaningful. It is impossible to know what would have happened if the number of people who responded had been greater and it may be required to examine this in the future.
- In conclusion, in most families summoned to a hearing, 90%, the decision of discontinuation remained unchanged; close to half of them did not respond to the summons and the decision to discontinue the benefit was therefore not reexamined.

The rate of response to a hearing summons indicates a need to examine why people do not respond to a summons – whether it is a considered choice on part of the claimant or whether the reasons are different. After the experiment ended the National Insurance Institute decided to implement the hearing process when discontinuing a benefit on these grounds in all NII branches.

## E. Implementation of the Integration of Benefit Recipients in Employment Law, August 2005 - December 2007

### 1) Participants in the "From Income Support to Secured Employment" / "Prospects of Employment" Program

As mentioned, in August 2005 the "From Income Support to Secured Employment"/"Prospects of Employment" program began to operate in experimental mode by means of corporations from abroad which joined forces with companies from Israel selected on the basis of a tender. The program operates in four regions of the country, in each of which at least one employment center was set up. These centers (in place of the government-run employment service) are responsible for conducting the employment test in the regions of the experiment and they deal with claimants and recipients of income support benefit **who reside** in these regions and who are **compelled** to take an employment test as a condition to receiving benefit. The grounds of entitlement of those compelled to take an employment test (the unemployed and low-wage workers) in regions of the experiment carries the name of the program – the "From Income Support to Secured Employment"/"Prospects of Employment" grounds. The planners of employment objectives who are stationed at the employment centers are the ones entrusted with work placement and with providing required assistance, as well as with forming a personal plan for each participant (according to the recommendations of the professional committees in cases referred to special diagnosis). The personal plan includes a weekly activity of 30-40 hours in which – in addition to part-time work which amounts to less than this quota of hours – there are various activities to promote work integration, such as vocational training, education supplementation, workshops for seeking jobs, practical practice aimed at acquiring work-related habits, and recently even employment diagnosis. Employment may be in the form of community work (without pay) for a limited period – but only in non-profit organizations or in special projects by public bodies. In appropriate and special cases, the law allows reducing the number of personal plan hours by half or even less, according to the limitations of the participant.

In order to promote work integration, the employment centers are meant to assist in the removal of additional barriers to employment through work-supporting services, such as assistance in care of small children and reimbursement of expenses incurred for traveling to and from the workplace.

Determining entitlement to income support benefit remained the discretion of the National Insurance Institute, but is subject to confirmation by the employment objectives' planner that the participant has indeed followed the plan prepared for him. Not following the plan in its entirety or in part entails a disqualification of benefit for one month, and a refusal to accept a job – for two months. The law also took it upon itself to protect benefit recipients, and a person who considers himself adversely affected by the decisions of the planner may appeal to the Appeal Committee.

This chapter discusses the experience accumulated during the two years since the operation of the "From Income Support to Secured Employment" program, and to the first five months since the operation of the "Prospects of Employment" program, which integrates changes suggested in the former program. The "Prospects of Employment" program began in August 2007. In October, those aged 45 and over were referred to the employment service, and in December the program's

population was expanded to include additional towns (Netanya, Ein-Mahel, the local council of Barta'a, Ein-A-Sahle, and Muawiye) and the entire population of the cities Nazareth, Jerusalem and Ashkelon.

## 2) Records made in attendance maps delivered by the centers

Passing the employment test, which is a condition for entitlement to income support benefit, was determined in respect of program participants, according to the record of activity/work made in the map of attendance delivered by the centers to the National Insurance Institute. The entries in the map of attendance were joined to form several categories:

- Refusal to accept work, which disqualifies benefit for the month of refusal and the following month;
- Non-cooperation in activity initiated by the center, refusal to undergo examination or provide information, and unjustified absence (for more than two days), which disqualify benefit for that month;
- A work extent that does not compel activity at the center, i.e., 30 hours or more;
- "Other Eligibility" – persons entitled to benefit who participate in an activity of the center that can be combined with work (for less than 30 hours). This group includes those who work part-time or who do not work, and who adhere to their personal plan.
- Work placement – made during the same month. A placement will be recorded in the attendance map as such, where work is found with one or more employers, for one who did not work previously, or – for one who worked previously – where the extent of his work with the same employer has increased, or where an additional position has been found for him with a new employer.

**Benefit-disqualifying records, eligibility records and placement records<sup>7</sup>** – The number of people who reported to the four employment centers each month during 2002 was fairly stable, ranging between 17,270 and 17,800, but in the course of 2006 it steadily decreased: from 16,738 in the beginning of the year to 10,636 in its end, and continued to decrease in 2007 as well (Table 6). The many changes affected in the program during 2007 divide the year into two main periods: January to July – the end of the "From Income Support to Secured Employment" program, and August to December – the beginning of the "Prospects of Employment" program. During the first period the number of people who attended dropped slightly each month, ranging between 10,498 and 9,969. In July, on the eve of the new program's commencement, the number of attendees went up to 10,435. This increase may be the result of extenuations in the personal plans which began in this month. The number of attendees (as a monthly average) during the first period was 10,198.

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7 It should be emphasized that once a placement is recorded in the attendance map, the benefit is discontinued until the pay slips – on the basis of which eligibility for benefit and its level are determined – are furnished. Hence, a benefit may be discontinued for the period of the placement month and will be paid retroactively for this month once eligibility is determined.

The second period of 2007 may be again divided according to changes in the program: In the months August to September, when the changes were implemented as part of reducing the extent of the personal plan (the number of attendance hours) for selected populations, the number of attendees was 10,742 on average per month, i.e., it continued to rise. In October, those aged 45 and over (except for participants who chose to take part in the "Prospects of Employment" program) were referred to the employment service and the number of attendees on average per month registered a sharp drop to 4,671 (their number in both months was similar). In December the program was expanded to additional regions and the number of attendees increased to 9,559. In total, the "Prospects of Employment" program included 8,077 attendees on average per month during the first five months of its operation.

The number of records that disqualified eligibility for a month or two months increased gradually during 2005, from 557 in August in all the employment centers (about 3% of all records) to 1,519 in December (about 9% of all records). In 2006, the absolute number of these records went down from 1,713 to 720, but their rate in the total number of records during the year ranged between about 10% to 7% on average per month. During the first seven months of 2007, the end of the "From Income Support to Secured Employment" program, the number of records and their rate continued to drop, going down to 509 records on average per month, which constituted 5% of all records made. In July 2007 the rate of benefit disqualifying records was only 3.6%. During the second period of 2007, in the course of the "Prospects of Employment" program the number of these records was slightly higher, 535 on average per month, and their rate was 7%. A comparison of the periods of implementation of the "Prospects of Employment" program yields that before the December expansion the rate of the benefit-disqualifying records was similar and even slightly lower than that observed at the end of the "From Income Support to Secured Employment" program implementation: During August-September, their number was 344 on average per month (about 3% of all records), and during October-November their number dropped further to 213 on average per month and their rate went up to about 5% of all records. On the other hand, together with expanding the program to additional regions, the number of benefit-disqualifying records increased sharply and stood at 1,563 on average per month, an increase of about 16%. This rate is much higher than that observed in the beginning of the "From Income Support to Secured Employment" program (August 2005): about 3%. The difference stems from the type of population summoned to the employment centers in the two periods. In December 2007, people eligible for benefit in November were summoned to report to the centers, as well as people who stopped receiving benefit up to two months before the beginning of the expansion, and claimants whose claim was not yet handled on the eve of the expansion. A situation was therefore created whereby in the first month, attendance maps reported many people who stopped receiving the benefit before the expansion and who never reported to the centers. In August 2005 only people who were eligible for benefit in the previous month were summoned to the "From Income Support to Secured Employment" centers and the number of maps containing benefit-disqualifying records was therefore very low. As in previous years, the main reason for disqualifying eligibility was unjustified absence and non-cooperation (for instance, 558 and 15, respectively, in February; 297 and 3, respectively, in September). The share of the disqualifications due to refusal to accept work was fairly low (58 in February, 9 in December).

Parallel to fluctuations in the rate of benefit-disqualifying records, the rate of records pertaining to eligibility during 2007 also ranged between 95% in January-July and 93% in August-December (about 96%, exclusive of December).

**Placements** – A total of 6,242 placements were recorded in 2007. At the conclusion of implementing the "From Income Support to Secured Employment" program, in January-July, the average rate of placements per month was lower than that observed during 2006 – 5.5% (559 placements on average per month), as compared with 6.5% in October, after which those aged 45 and over were referred to the employment service, the number of participants in the centers decreased sharply and the rate of placements increased to 8.5%, although their number went down to 398 on average per month. In the first month of the expansion the rate of placements was similar to that reported in the first half of the year: about 5.6%, i.e., 537 placements. This rate is slightly higher than that observed in the first month of the operation of the "From Income Support to Secured Employment" program in August 2005 – 4.8%.

Table 6  
**Records Included in the Attendance Maps Delivered to the  
National Insurance Institute (Monthly Average), August 2005-December 2007**

	2005	2006	2007	
	August-December	January-December	January-July	August-December
<b>Total</b>	<b>17,560</b>	<b>13,264</b>	<b>10,198</b>	<b>8,077</b>
Benefit-disqualifying records	1,062	1,112	509	535
Records pertaining to eligibility	16,498	12,153	9,689	7,542
Placements*	** 930	864	559	466

\* Including placements recorded together with benefit-disqualifying records,

\*\* Since the records of placements in August 2005 are unclear, the average refers to September-December 2005.

### 3) Demographic characteristics

The population of benefit recipients compelled to participate in the experimental "From Income Support to Secured Employment" program is similar in its characteristics to the other benefit recipients on grounds of unemployment and low wages. On the eve of opening the employment centers, the rate of women in these two populations was 63% and the rate of new immigrants about 32%<sup>8</sup>. In comparison to the population of non-participants, the participants in the beginning of the program were slightly older, but the rate of single-parent mothers and of couples with children were similar in both populations. The data are presented in Table 7.

8 A specification of the characteristics of the program's participants is set forth in the **Integration of Income Support Benefit Recipients in Employment Law – the "From Income Support to Secured Employment" Program – Follow-Up Report No. 2, February 2007**, by Leah Ahdut, Gabriela Heilbron, and Miriam Shmeltzer, Research and Planning Administration, National Insurance Institute.

After two years of the program's implementation, it becomes clear that the reduction in the number of benefit recipients who participated in the program was more characteristic of men, young persons (up to age 30), seniors, couples with children, and single persons without children. All these have better chances to become integrated in work, although exiting the system is not solely attributed to integration in the labor market. On the other hand, in the rest of the country, in July 2007, as compared with July 2005, there was a reduction in the number of recipients among new immigrants, the young, single-parent families and couples with children.

In conclusion, while comparing the changes among the program's participants and among those who are not in the program, the following developments are evident:

- The rate of women among the participants of the "From Income Support to Secured Employment" program increased, while in the rest of the country there was no change.
- The changes among the single persons, single-parent families, and new immigrants present an inverse trend in both population groups: among the new immigrants and the single-parent families there is a considerable increase in the program's participants while their rate among the population which does not take part in the program has been reduced. Among the single persons the situation is the opposite.

It is still early to assess the changes affected to the population following the implementation of the "Prospects of Employment" program, aside from the decrease in the number of adults, which was understood to be a part of the changes in the program. The expansion of the program in December 2007 changed the composition of the population again and it may be possible to report its influence in the future.



Table 7  
**Characteristics of Income Support Recipients in "From Income Support to Secure Income" Program, and in Rest of the Country**

	Program participants						Program non-participants (must undergo employment test)					
	July 2005	December 2005	December 2006	July 2007	November 2007	December 2007	July 2005	December 2005	December 2006	July 2007	November 2007	December 2007
Women	63.8	66.2	70.9	70.9	73.9	73.9	63.1	63.3	63.5	64.0	64.0	63.6
New immigrants	32.1	34.8	38.2	37.5	34.0	30.9	31.2	30.4	29.0	28.5	28.5	27.0
Young people (to age 30)	13.1	12.0	7.8	7.2	17.8	15.7	16.5	17.2	14.5	13.4	12.1	13.1
Elderly (over age 50)	34.0	34.0	41.1	44.3	5.8	3.3	31.7	31.0	35.4	37.8	40.0	38.0
Single persons*	40.7	39.9	35.7	36.9	23.1	24.5	40.9	41.9	42.7	43.2	44.2	44.3
Single-parents*	26.3	28.9	35.5	34.9	50.4	46.3	26.2	25.6	24.6	24.3	23.5	23.1
Couples with children*	25.3	23.3	20.5	19.8	25.0	27.4	26.0	25.6	25.2	24.7	24.2	24.9

\* Out of total number of families. The remaining rates were calculated out of the total number of individuals.



## F. Women who receive alimony

The Alimony (Guarantee of Payment) Law assures payment to women who are divorced, separated, common-law wives or women who remarried, in favor of whom a court determined alimony, when the person obligated does not pay. The amount due is that determined in the court judgment or that set in the Alimony Law regulations – the lower of the two; when the amount of alimony determined is higher than that compelled by the regulations, the latter is paid, subject to an income test. The rate of alimony set in the regulations is equal to that of the income support benefit for single-parent families. The National Insurance Institute is responsible for collecting the alimony determined in a court judgment through enforcement proceedings against the person obligated. Hence, only a women who herself does not initiate proceedings to enforce the judgment, or who has stopped such proceedings before turning to the NII, is eligible for payment of alimony through the NII. In cases where the NII collects from the person obligated an amount higher than that paid to the woman, she is entitled to receive the difference.

The amendments to the income test in the Income Support Law influenced this population as well and in 2005-2007 the number of women who received alimony from the National Insurance Institute continued to decrease – at a rate of 4% each year – after a cumulative reduction of 12% in 2003-2004. In 2007, alimony was paid to about 21,700 women on average per month. Moreover, as noted below, the number of women who received both alimony and an income support benefit continued to decline.

The demographic characteristics of women who received alimony in 2007 were similar to those of previous years: about 72% of them were divorced, about 22% lived separately from their spouse – although still married to him – and the remainder, about 6%, were common-law wives. Most women who received alimony (about 81%) were mothers to one or two children (as compared with 65% of all families with children in the population), and only about 8% were mothers to four or more children (as compared to 17% of all families with children in the population).

The rate of women who received alimony determined by court judgments and the characteristics of their employment were affected in 2003 by the legislative amendments, but remained unchanged through 2004-2007. 71% of the women received alimony determined by court judgments and the remainder according to the regulations: 6% received the full rate set in the regulations and about 23% received a reduced payment due to income from work. The average amount paid to women was about 19% of the average wage in the economy (about NIS 1,466 per month), but there is a substantial gap between the amount paid according to court judgment and the amount paid according to the regulations (Table 9). In 2007 the average amount paid according to court judgment was a mere 18% of the average wage, while according to the regulations it was 35% of the average wage to a woman who received the full rate and about 17% to one who received a reduced rate. The substantial difference between these amounts (according to court judgment and according to the regulations) is even more notable where the average payment **actually** made is calculated as a percentage of the average payment that would have been received **if all** women would have received the full rate to which they are entitled under the regulations. According to this calculation, the women actual receive half the amount they would have received had they all been paid according to the regulations.

Table 8  
**Women Who Received Alimony by Personal Status  
 (Absolute Numbers and Percentages), 2000-2007**

Year	Total		Personal status			
	Absolute numbers	Percentages	Married to person obligated	Divorced	Remarried	Other
2000	24,709	100.0	24.9	65.3	6.6	3.1
2001	26,294	100.0	23.8	66.5	6.2	3.5
2002	27,956	100.0	22.5	68.1	6.0	3.4
2003	25,789	100.0	18.4	71.2	6.4	4.0
2004	24,596	100.0	16.5	72.1	7.0	4.4
2005	23,603	100.0	14.8	72.8	7.5	5.0
2006	22,712	100.0	14.4	72.3	7.8	5.5
2007	21,771	100.0	13.8	72.1	8.2	5.9

In 2007 about 47% of the women who receive alimony worked (as compared with 49% of the entire population of women), but their economic situation was not good. The amount of alimony determined for most of them in court was low to a degree that dispensed with the need to hold an income test. The average amount of alimony paid to working women reached approximately 15% of the average wage in the economy. In addition to their income from work, their total income reached less than half the average wage in the economy – a rate merely 30% higher than the rate of alimony for women who received the full payment according to the regulations.

Table 9  
**Women Who Received Alimony by Type of Payment  
 (Absolute Numbers and Percentages) 2000-2007**

Year	Total		Type of payment (percentages)		
	Absolute numbers	Percentages	According to regulations		According to judgment
			Full	Reduced	
2000	24,709	100.0	3.7	15.5	80.8
2001	26,294	100.0	2.6	13.2	84.1
2002	27,956	100.0	3.4	16.2	80.4
2003	25,789	100.0	6.2	22.7	71.1
2004	24,596	100.0	6.2	22.3	71.5
2005	23,603	100.0	6.4	23.1	70.5
2006	22,712	100.0	6.1	22.3	71.6
2007	21,771	100.0	6.3	22.7	71.0

Table 10  
**Average Alimony Payment as Percentage of the Average Wage in Economy,  
 by Type of Payment and Employment, 2000-2007**

Year	Total	Type of payment			Employment	
		According to regulations		According to judgment	Employed	Unemployed
		Full	Reduced			
2000	19.1	41.3	17.6	18.4	17.3	20.5
2001	19.5	44.0	18.9	18.9	17.9	20.7
2002	20.6	44.3	19.9	19.7	18.5	22.3
2003	18.8	37.6	16.3	18.0	14.6	21.7
2004	19.0	37.1	16.7	18.2	15.0	22.0
2005	19.3	36.4	17.4	18.4	15.5	22.5
2006	19.0	35.8	17.2	18.1	15.2	22.1
2007	19.1	35.8	17.2	18.3	15.2	22.6

These data show that the Alimony Law per se does not guarantee for all women the minimum income they require. Hence, women in favor of whom a court determined a low amount of alimony and who do not have any other income, or whose income from other sources is very low, are eligible for an income supplement from the National Insurance Institute under the Income Support Law, if they meet all the other conditions of eligibility for this supplement. Indeed, in 2007 an average of about 5,000 women who received alimony on a monthly basis also received an income supplement under the Income Support Law, as compared with 6,900 in 2005, 7,900 in 2004, 8,800 in 2003, and 12,200 in 2002. In 2002 they constituted 44% of all women who received alimony, but this rate decreased to about 24% in 2007. This means that the legislative amendments also reduced the eligibility of women who receive alimony to an income supplement under the Income Support Law.

## 2. Old-age and Survivors' Insurance

### A. General

Old-age and survivors' pensions of the National Insurance Institute constitute the first tier of the pension system in Israel and ensure a basic income for those who retire from a life of active work as well as for the survivors of an insured person upon his death. Pension from work constitutes the second tier of the pension system and, together with the NII old-age and survivors' pensions, they are designed to secure a reasonable minimum living standard for the retired and for the elderly. Worthy of note here is the mandatory comprehensive pension agreement in Israel, signed by the New Federation of Labor (Histadrut) and the Bureau of Coordination among the Financial Organizations in July 2007, which the Minister of Industry, Trade and Labor expanded to all workers who had previously no beneficial pension insurance. For a description of this agreement and topics concerning its implications, see the Box in this chapter.

**An old-age pension** is universally paid to every insured person, without a means test (derived from work or capital) at the *absolute age*, and with a means test at the *conditional age*. Until June 2004, the *conditional age* was 60-65 for women and 65-70 for men and the *absolute age* was 65 for women and 70 for men. In mid 2004, with the implementation of the Retirement Age Law, the age of entitlement to old-age pension was gradually raised for both men and women. The *conditional age* for men was raised from 65 to 67 and therefore their entitlement at ages 67-70 is conditional on a means test, while the *absolute age* for men did not change. The *conditional age* for women was raised from 60 to 64 in two stages: first to 63, and after a break of 3 years, to 64, while the *absolute age* for women was gradually raised from 64 to 70, so that entitlement at ages 62 (or 64) to 70 is conditional on a means test.

Under the Retirement Age Law, during 2007 men/women who turned 66/61 and four months in that year were eligible for an old-age pension. This group includes men and women who turned 65/60 through January-August 2006 and were eligible for an old-age pension in May-December 2007. *Housewives* who turned 66 and four months in 2007 (the *absolute age*) were also eligible for their pensions in that year.

The process of postponing the age of entitlement to old-age pension is detailed in the National Insurance Institute's Annual Survey for 2002-2003.

An increment to the basic old-age pension is paid for a spouse and for children, as well as a *seniority increment* and a *deferred pension increment*. In addition, under a recently approved government decision, a special increment is paid beginning in April 2008 for an insured person who turned 80 years old (*80+ increment*).

The *seniority increment* is paid to a person who has been insured under Old-age and Survivors' insurance for over 10 years. The rate of increment per each year of insurance beyond the initial 10 years is 2% of the pension, and its accumulated rate does not exceed 50%. The *deferred pension increment* is paid to a person who deferred the receipt of his/her pension to the range of ages from

the *conditional age* to the *absolute age*. The rate of this increment is 5% of the pension per each year of pension deferral. The rate of the *80+ increment* is 1% of the *basic amount*<sup>1</sup>.

A **survivors' pension** is paid to the insured person's survivors after his death. The basic pension is paid with an increment for children, and beginning in April 2008, also an increment for a survivor aged 80 or over. A widower is defined as being eligible to a survivors' pension if he has children and passes the means test as required by law.

**Income supplement to the elderly and to survivors** is paid to low-income recipients of old-age or survivors' pensions, up to the amount of income required for minimum subsistence, as defined in the Income Support Law regarding this population.<sup>2</sup>

**Benefits not under the National Insurance Law** – the National Insurance Institute pays *special benefits* fully funded by the government to those elderly and survivors who are not eligible for a pension under the National Insurance Law. These persons are mainly new immigrants who were over the retirement age (under the Retirement Age Law) on the day of their arrival in Israel, and are therefore not insured under the National Insurance Law. The basic rates of benefits paid to them are identical to the rates of pension under the National Insurance Law, and entitlement is routinely conditioned on a means test. *Seniority increment* and *deferred pension increment* are not paid for these benefits, but the *80+ increment* is paid. The maximum *income supplement* for recipients of these benefits is equal to that paid to pension recipients under the National Insurance Law. The above-mentioned changes to the age of entitlement to pensions under the law also apply to recipients of benefits not under the law.

In January 2007 there was no change to the *basic amount* for purposes of determining old-age and survivors' pensions, and they were thus not adjusted. In January 2008 they were adjusted by 2.8%, in accordance with changes in price levels.

In March 2008, the Knesset approved a government bill to increase the rate of the old-age and survivors' pensions. Under the bill, beginning in 2008 the basic pension for an individual shall increase by 1.9% (from 16.2% of the *basic amount* to 16.5% thereof) and a special increment at a rate of 1% of the *basic amount* shall be paid to eligible persons aged 80 or over. Moreover, old-age and survivors' pensions with income supplement shall increase according to age: by NIS 29 on average for persons under 80 and by NIS 200 on average for persons aged 80 or over.

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1 The amount on which basis most benefits are calculated since January 2006. This amount is updated on January 1<sup>st</sup> each year, at the rate of the Consumer Price Index increase in the preceding year. The *basic amount* has three different rates for the purpose of updating the various benefits. For most benefits, the *basic amount* in 2007 was NIS 7,240; for child allowances it was NIS 152, and for old-age and survivor's pensions it was NIS 7,352.

2 Beginning in March 2008, income from work over 20% of the *basic amount* (for a single person) or 24% (for a couple) and income from a pension over 13% of the *basic amount* (for a single person) or 20.5% (for a couple) is deducted from the income supplement. Income from work over the above amounts is deducted at a rate of 60% only; income from a pension over the above amounts is deducted in full; income from other sources, including old-age or survivors' pensions, and incomes from capital, are deducted in full from the income supplement beginning with the first shekel, without exemption of any kind.

**Counseling Service for the Elderly** – The Counseling Service for the Elderly operates as part of the national insurance system since the early 1970's on the basis of voluntary activity by elderly persons for the benefit of other elderly persons. The service, funded from the budget of the Old-age and Survivors' branch and presently in the process of being anchored in law, is part of the Institute's activity in the community and is in addition to the network of funds for developing services for various population groups in Israel. A description of the Counseling Service for the Elderly, including its diversified goals and operation, may be found in the National Insurance Institute's Annual Survey for 2005. In 2007, 4,500 volunteers worked in the Service, about 426,000 home visits were conducted and about 124,000 applications for counseling were handled.

Box 9

## Mandatory Comprehensive Pension in Israel

The transition from an active working life to retirement and the change of income components are among the chief characteristics of old age. Various pension insurance plans as described in the NII Annual Survey for 2004 are practiced in the West and are intended to secure an adequate standard of living at times of retirement and old age. Israel, along with a small group of Western countries such as Holland and Ireland, ensure its citizens a basic tier only at times of retirement and old age as part of its national social security scheme. An old-age pension is paid in Israel to every insured person and/or a survivors' pension to the survivors of an insured person. In addition, low-income recipients of old-age or survivors' pension receive an income supplement up to the amount required for minimal subsistence as defined in the Income Support Law. In the second tier of the pension system – not integral to the national social security system – a pension from work is paid to each retiree who accumulated pension rights during his working life, and in the third tier – voluntary and negligible – a pension or a pecuniary amount is paid to each private saver.

Examination of the pension coverage in Israel among the elderly and among workers paints a sad picture. Only 32.6% of the elderly<sup>1</sup> in Israel had an income from a work pension in 2005, with substantial gaps between the genders and among population groups, as was expected (Table 1). The percentage of women and Arabs who received pension from work was particularly low (27.8% and 13.3%, respectively), and the percentage of new immigrants who received such a pension was extremely low (1.7%). The average level of pension for those who had this income was NIS 3,900 (in 2005 prices), constituting 54% of the *average wage per employee post*. The gaps in pension coverage between the genders and among population groups are evident regarding the pension level as well.

From another perspective, the social survey of the Central Bureau of Statistics for 2002 provides unique data on pension programs for Israeli workers. Only half of low-wage Israeli workers (earning up to NIS 4,000) are covered for their retirement under at least one of the following pension programs: seniority pension, pension fund, directors' insurance, life insurance with savings, and provident funds<sup>2</sup>. 67.7% are covered under one pension program and 26.6% are covered under two programs.

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1 Men aged 66 or over, and women aged 61 or over.

2 See the Central Bureau of Statistics, **Social Survey 2002 – Pension and Savings Arrangements Toward Retirement, Social Indicators**, Publication No. 9 Jerusalem, August 2005.



### Elderly Persons who Received Current Income from Pension, and the Average Pension (NIS), by Gender and Population Group, 2005

Gender and population group	Percentage of elderly persons who received current income from pension	Average pension level	
		NIS	Percent of average wage per employee post
<b>Total</b>	<b>32.6</b>	<b>3,900</b>	<b>54.0</b>
<b>Gender</b>			
Men	40.6	4,698	65.1
Women	27.8	3,220	44.6
<b>Population group</b>			
Veteran Jews	45.4	3,965	54.9
Arabs	13.3	2,748	38.1
New immigrants	1.7	1,773	24.6

Source: The Income Survey of the Central Bureau of Statistics, 2005.

On this background of pension coverage in Israel, the New Federation of Labor (Histadrut) and the Coordination Bureau of the Financial Organizations signed a collective agreement in July 2007 with the aim of implementing mandatory pension coverage (pension fund or directors' insurance) to working men aged 22 and over and to working women aged 20 and over who did not previously have any beneficial pension arrangement. The Minister of Industry, Trade and Labor expanded the agreement to apply to all workers who did not have pension coverage, including those not associated with the Histadrut – workers who earn the minimum wage or even less. The agreement came into force in January 2008 and shall be gradually implemented through five years. In 2013, at the end of the process, the total rate of remittance shall reach 15%, of which 5% will be remitted by the worker. The ensured wage for pension is the basic wage plus supplements determined under the Severance Compensation Law, up to the rate of the average wage in the economy. The agreement is primarily designed to increase the number of persons who shall receive an income from work pension (the second tier of the pension insurance scheme) once they retire, and secure for each retiree an adequate income from pension by virtue of savings accumulated during his working years. In the long run, application of the agreement is meant also to bring about the attainment of central economic and social goals, such as reduction in poverty among the elderly – while increasing participation on the part of the individual and the employer in the former's livelihood after retirement (the agreement is based on the principle of self-financing in the long run) – and a reduction in inequality of income distribution. With the increase in life expectancy and drop in fertility, the share of elderly persons in the total population in Israel shall grow, leading to a reduction in poverty in the population as a whole. Moreover, the agreement shall bring about an increase in pension savings with a resulting rise in production capital stock, leading to an increase in employment and economic growth. The attainment of these goals shall allow a reduction in income supplement payments to the elderly.

It worthy of note that some individuals may be adversely affected by this agreement, such as low-wage workers in the process of accumulating pension rights and older workers (hereafter: *mid-life*



*generation*) who as a result of the agreement shall accumulate a small pension only due to late entry into the pension system. The current living standard of low-wage workers shall be lowered due to remittance of a premium (5%) and erosion of the net wage shall become even further distanced from the adequate minimal standard of living. This adverse effect may also influence the planned negative income tax and curtail its efficiency. The *mid-life generation* as well shall be unable to sustain itself in dignity without proper intervention, which shall probably be provisional in nature, since with time most persons insured under a pension scheme shall gain maximum seniority. The mandatory pension agreement is therefore intended to secure a reasonable minimum living standard to all elderly persons in the long run. The *mid-life generation* shall not have sufficient time to accumulate enough pension to secure the living standard sought for in the long run. Hence, policymakers should consider a solution for these individuals who are bound to be hurt by the agreement.

In addition to the mandatory pension agreement, other fundamental changes were introduced in recent years to each of the two tiers of the pension system in Israel without coordination among them and without a clear purpose, such as fixing a minimal exchange ratio at time of retirement and reducing poverty among the elderly to a certain level. It is true that the two tiers operate in separate frames, but policymakers should coordinate the changes through the two tiers in order to attain pre-determined goals.

## B. Recipients of old-age and survivors' pensions

In 2007, the National Insurance Institute paid old-age pensions under the National Insurance Law and special old-age benefits to about 623,700 elderly persons, as well as pensions to about 105,200 survivors per month on average. In the count of old-age pensions recipients, about 83,200 elderly persons (in December 2007) who receive a full old-age pension and half a survivors' pension are included, as well as about 22,600 disabled elderly persons who receive a supplement for disability (see part E below). The number of old-age pension recipients under the National Insurance Law grew in 2007 by 1%, while the number of survivors' pension recipients remained unchanged.

Table 1  
**Recipients of Old-age and Survivors' Pensions, by Type of Pension and Law  
 (monthly average), 2005-2007**

	Number of recipients (average)			Annual growth rate		
	2005	2006	2007	2005	2006	2007
<b>Total</b>	<b>719,920</b>	<b>727,516</b>	<b>728,891</b>	<b>-0.3</b>	<b>1.1</b>	<b>0.2</b>
<b>Old age</b>						
Total	614,886	622,335	623,692	-0.5	1.2	0.2
Under NI Law	528,273	539,266	544,631	0.2	2.1	1.0
Not under NI Law	86,613	83,069	79,061	-4.3	-4.1	-4.8
<b>Survivors</b>						
Total	105,034	105,181	105,199	0.6	0.1	0.0
Under NI Law	104,457	104,623	104,659	0.6	0.2	0.0
Not under NI Law	577	558	540	0.9	-3.3	-3.2

The number of special benefits (not under the National Insurance Law) continued to decline in 2007 at a rate of 4.8%, after a 4.1% decline in 2006. This development comes in the wake of decelerated growth in this population beginning in the second half of the 1990's. These trends are the result of a decline in the extent of immigration to Israel and of mortality among elderly immigrants. Due to the reduced immigration, this population shall steadily grow smaller over the years. The share of special benefit recipients out of total old-age pension recipients grew from 8.4% in 1990 to 18.7% in 1996. This rate gradually went down after 1997, reaching 12.7% in 2007. The total number of old-age pension and special old-age benefits grew by 0.2% in 2007, and the number of all old-age and survivors' pensions recipients' grew at an identical rate.

## C. Recipients of old-age and survivors' pensions plus income supplement

Recipients of old-age and survivors' pensions who do not have additional income sources or whose income from other sources is extremely low are eligible for a supplement to their pension under the Income Support Law. The number of income supplement recipients through 1990-2001

grew steadily due to the addition of many new immigrants in those years. Through 2002-2007 the number gradually went down, mainly as a result of the decline in the number of immigrants who receive special benefits. Table 2 shows the percentage of persons who receive income supplement by type of pension and number of dependants (on the basis of which the pension level is determined) in December 2007.

Table 2  
**Recipients of Old-age and Survivors' Pensions, by Type of Pension and Number of Dependants\*, December 2007**

Type of pension	Total	Number of dependants			
		No dependants	1	2	3 or more
<b>Old-age and survivors' pensions – total</b>	<b>737,554</b>	<b>647,723</b>	<b>78,534</b>	<b>6,675</b>	<b>4,622</b>
% of income supplement recipients	25.9	23.3	47.4	24.2	25.9
Old-age pension under NI Law	555,115	500,606	51,225	2,172	1,112
% of income supplement recipients	15.7	13.3	38.0	34.9	55.3
Old-age pension not under NI Law	77,601	58,705	18,307	318	271
% of income supplement recipients	95.1	96.6	90.3	89.6	97.4
Survivors' pension under NI Law	100,465	84,951	8,361	4,010	3,143
% of income supplement recipients	29.0	31.8	14.1	13.8	9.5
Survivors' pension for children under NI Law	3,854	3,028	599	155	72
% of income supplement recipients	4.8	5.2	4.2	0.0	5.6
Survivors' benefit not under NI Law	519	433	42	20	24
% of income supplement recipients	75.0	75.1	73.8	80.0	70.8

\* The number of persons dependent on the person entitled to pension, including the entitled person himself.

In December 2007 25.9% of persons were entitled to an income supplement out of the total number of old-age and survivors' pensions recipients, as compared to 26.6% in the preceding year. The percentage of income supplement recipients out of the recipients of old-age pensions and out of recipients of survivors' pensions went down slightly as well, reaching 15.7% and 29%, respectively. The percentage of income supplement recipients – including mostly new immigrants – among recipients of old-age and survivors' benefits not under the National Insurance Law was very high: 95.1% of these old-age pension recipients and 75% of these survivors' pension recipients in December 2007 were entitled to income supplement.

#### D. Recipients of old-age pension and half the survivors' pension

Among the recipients of old age and survivors' pensions, there are those who receive both types of pension – old age and survivors together (hereafter: *the two pensions*). The old-age pension is paid by virtue of the old-age insurance of the insured person himself, whereas the survivors' pension is paid by virtue of the survivors' insurance of the spouse. Regardless of the pension to which the person was initially entitled, a person entitled to *the two pensions* receives the full old-age pension to which he is entitled plus half the survivors' pension to which he/she is entitled. Only persons who receive a pension **under National Insurance Law** may be eligible for *the two pensions*. Persons who receive a pension **not under the National Insurance Law** receive their pension by virtue of an agreement and not by virtue of insurance rights in the Old-Age Insurance branch.

In December 2007, 83,210 widows and widowers (94.5% widows), constituting about 15% of old-age pension recipients under the NI Law, were entitled to *the two pensions* (Table 3). There are several reasons for the high rate of women among recipients of *the two pensions*. Firstly, the percentage of insured men is higher than that of insured women; only women who are insured as workers insure their spouse under survivors' insurance (*housewives* do not insure their spouse), while all men insure their spouse; secondly, a widower's entitlement is conditional on a means test; and thirdly, women usually marry men older than them, and their life expectancy is higher than that of men, so that it is more common for women to be entitled to this pension than it is for men.

In December 2007, the average level of *the two pensions* combined was NIS 2,266, about a third of which constitutes a survivors' pension. As expected, the rate of income supplement recipients in this group is not high – only 7.1% – since the amount of *the two pensions* by itself is usually higher than the amount of a pension coupled with an income supplement.

The rate of men who receive an income supplement is double the rate of women for two reasons: firstly, widowers who receive a survivors' pension must undergo a means test, as opposed to widowers, who are exempt from this test. Secondly, women are usually entitled to a survivors' pension at a higher amount than are men (NIS 784 and NIS 671, respectively) since the men in respect of whom their wives receive the survivors' pension had more years of seniority than did the women in respect of whom their husbands receive a survivors' pension (This difference was observed among total recipients as well). This difference between the genders is also discernable in the level of *the two pensions*. The average level of *the two pensions* to which men are eligible is higher than that for women; for the same reason – their old-age pension is higher as a result of a higher *seniority increment* and a *pension deferral increment*.

The average age of *the two pensions* recipients is higher than that of total persons entitled to an old-age pension under the National Insurance Law. The average age for men is 79 as compared to 75.6 among total recipients, and among women – 76.8 as compared to 72.1 among total recipients.

Table 3

**Characteristics of Persons Receiving *the Two Pensions*, by Gender, December 2007**

	Total	Men	Women
Number of recipients	83,210	4,535	78,675
Percent of income supplement recipients	7.1	13.9	6.7
Average pension (NIS)	2,277	2,353	2,273
Thereof: half the survivors' benefit (NIS)	778	671	784
Average age	76.9	79.0	76.8

**E. Recipients of old-age pension to disabled person**

The National Insurance Institute pays a disability pension to disabled persons until they reach retirement age, after which they are paid an old-age pension. Following amendments to improve benefits to the disabled introduced in 2002, the old-age pension paid to a disabled person who reached retirement age after January 1, 2002 is at the same rate of his disability pension, including the *additional monthly pension* he received prior to reaching retirement age. The *additional monthly pension*, paid to a disabled person whose degree of medical disability is at least 50% and whose degree of incapacity to earn is at least 75%, today ranges between NIS 214 - NIS 316 per month, in accordance with the degree of medical disability (see chapter on General Disability). Thus, when switching to an old-age pension, the disabled person in fact receives a supplement to the disability pension, and *additional monthly pension* if he is entitled to it, in addition to the old-age pension.

In December 2007, 22,647 elderly disabled, 49% of whom were women, received an old-age pension plus a supplement for disability (Table 4). 79% of the elderly disabled also received an *additional monthly pension*. The average level of the old-age pension for the disabled elderly was NIS 2,292 in December 2007, a quarter of which constituted the supplement for disability and the *additional monthly pension*. As expected, the rate of income supplement recipients in this group was lower than their rate among total recipients of old-age pension under National Insurance Law: 14.1% and 15.7%, respectively. The rate of disabled men who receive an income supplement was higher than that of women (15% and 13%), even though their average pension was higher. Examination of the family status of elderly persons who received an old-age pension for disabled person in December 2007 shows that only 55% of the women were married compared to 79% of the men. Since the family composition determines the rate of the old-age pension plus income supplement, the difference in family composition between genders probably brought about an incongruity between the level of pension and the rate of income supplement recipients.

Table 4  
**Characteristics of Persons who Receive Old-age Pension for Disabled Person ,  
 by Gender, December 2007**

	Total	Men	Women
Total recipients	22,647	12,485	10,162
Thereof: receive additional monthly pension	17,977	10,534	7,443
Percent of income supplement recipients	14.1	15.0	13.0
Average pension (NIS)	2,292	2,387	2,176
Thereof: supplement for disability and additional monthly pension (NIS)	597	576	624
Average age	66.3	68.6	63.5

## F. Seniority increment

*Seniority increment* to the old-age pension is paid to those elderly who were insured for over ten years. Its rate is 2% of the basic old-age pension for each year of insurance in excess of the initial ten years, up to a maximum of 50% of the pension. In 2007 the percentage of women who received a *seniority increment* continued to rise, reaching 78.8%, while the number of men who received this increment remained stable at 92.9%. The average *seniority increment* paid to a recipient of a pension under the National Insurance Law continued to grow, albeit slightly, reaching approximately 29.4% of the basic pension in 2007 (The rate of the average *seniority increment* is 36.6%). The average increment the men received was double that paid to women: 41.0% and 20.8%, respectively.

In 2007, the percentage of men and women who received a *seniority increment* grew among the new eligible persons, reaching 94.4% and 78%, respectively – higher than the percentages of men and women who received this increment out of the population as a whole. The average *seniority increment* paid to new entitled persons also continued to grow among men and women alike in 2007, but the gap remained wide between the two genders: 41% for men and 25.2 for women. Due to the rise in the rate of women in the work force and the raising of the retirement age, the percentage of women who shall receive a *seniority increment*, in particular the maximum *seniority increment*, is expected to increase, as is the average *seniority increment*.

Table 5  
**Recipients of Old-age Pensions under the National Insurance Law, by Rate of Seniority and Pension Deferral Increment Recipients, and Rate of Average Increment (percentages and averages), 2002-2007 (December)**

Year	Percent of increment recipients*			Average increment per pension recipient		
	Total	Men	Women	Total	Men	Women
<b>Seniority increment</b>						
2002	79.3	93.5	67.8	28.2	40.3	18.6
2002**	75.8	86.4	65.3	29.5	38.0	21.2
2003	79.1	93.2	68.1	28.4	40.4	19.0
2003**	80.0	90.1	70.6	31.2	38.9	24.0
2004	79.4	93.1	68.8	28.7	40.6	19.6
2004**	82.6	92.1	73.9	32.1	40.5	24.5
2005	79.5	93.0	69.3	28.8	40.6	20.0
2005**	81.9	91.5	73.4	31.2	38.8	24.6
2006	79.8	92.9	70.0	29.1	40.8	20.4
2006**	84.2	92.9	76.5	32.0	39.8	25.0
2007	80.1	92.9	70.8	29.4	44.0	20.8
2007**	85.7	94.4	78.0	31.6	41.0	25.2
<b>Pension deferral increment</b>						
2002	13.8	15.0	12.8	2.3	2.5	2.1
2002**	10.6	9.5	11.7	1.9	1.6	2.1
2003	13.7	14.6	13.0	2.3	2.4	2.2
2003**	12.3	9.4	15.0	2.1	1.6	2.5
2004	13.7	14.5	13.1	2.3	2.4	2.2
2004**	11.4	11.4	11.5	2.0	2.0	1.9
2005	13.7	14.5	13.1	2.3	2.4	2.2
2005**	13.2	14.3	12.2	2.3	2.6	2.1
2006	13.7	14.5	13.1	2.3	2.5	2.2
2006*	12.6	14.7	10.7	2.4	2.8	2.0
2007	13.5	14.4	12.9	2.3	2.4	2.2
2007**	10.4	13.2	8.4	2.0	2.5	2.6

\* Total number of recipients.

\*\* New recipients.

## G. Pension deferral increment

A *pension deferral increment* is paid to a person who reaches retirement age, for each year in which he did not receive a pension due to income from work. Its rate is 5% of the basic pension for each year. This increment is less significant than the *seniority increment*, in terms of both number of recipients and rate.



The percentage of men and women who received a *pension deferral increment* went down in 2007, after remaining stable in the three preceding years, and reached 14.4% of men and 12.9% of women. The percentage of men and women among the new recipients who received this increment in 2007 declined at a faster rate, reaching 13.2% and 8.4%, respectively. The average increment paid to a pension recipient in 2007 remained unchanged: 2.4% for men and 2.2% for women; and the average increase for the recipients of this increment was 16.8%, i.e., pension deferral for 3.4 years. The *pension deferral increment* paid to new recipients in 2007 was slightly higher than the increment paid to total recipients, 2.5% and 2.6%, respectively. The rate of increment too is higher on average among the new increment recipients than among total increment recipients – 19.2% as compared to 16.8%. This means that new retirees work slightly more years beyond retirement age than do retirees as a whole. Following the Retirement Age Law, the rate of increment among women is expected to grow, whereas the number of years by which they can defer their retirement shall increase by 6 years once the process of raising their retirement age to 64 years, and the absolute age to 70 years, is completed – compared to 5 years before the law.

## H. Benefit levels

The basic old-age pension continued to grow in 2007, by a real increase of 0.9%. However, this pension was depreciated slightly as a percentage of the *average wage*, reaching 15.2% in 2007. The accumulated rise in the basic old-age pension through 2005-2007 was 4.2%, as a result of canceling the 4% reduction of June 2002 and the increase in the basic pension. The old-age pension coupled with income supplement continued to grow in 2007, registering a real increase of 1.5%. The accumulated real increase in this pension through 2005-2007 reached 12% as a result of increasing this pension through 2005-2006.

The basic survivors' pension showed a real, yet slight, increase in 2007; however, survivors' pensions coupled with income supplement continued to grow in 2007. Thus for example, this pension for a widow with one child registered a real increase of 1.3%, and for a widow with two children – 1%.

The old-age and survivors' pensions continued to increase in April 2008: the basic pension for a single person increased by 1.9% (from 16.2% of the *basic amount* to 16.5%), and a special increment of 1% of the *basic amount* is paid to eligible persons aged 80 or over. Moreover, old-age and survivors' pensions coupled with an income supplement increased in accordance with the age of the eligible person: by NIS 29 on average for persons under 80, and by NIS 200 on average for persons aged 80 or over.



Table 6  
**Basic Old-age and Survivors' Pensions,  
 by Selected Family Compositions, 2002-2007**

Year	Single person		Couple		Widow with two children*	
	2007 Prices (NIS)	Percent of average wage	2007 Prices (NIS)	Percent of average wage	2007 Prices (NIS)	Percent of average wage
2002	**1,141	15.6	1,711	23.3	2,254	30.8
2003	**1,107	15.6	1,661	23.4	2,235	31.5
2004	**1,112	15.2	1,668	22.8	2,244	30.6
2005	**1,127	15.2	1,690	22.8	2,235	30.2
2006	**1,149	15.3	1,723	23.0	2,243	29.9
2007	1,159	15.2	1,738	22.8	2,247	29.5

\* Not including child allowances.

\*\* After a 4% reduction. Beginning May 2005, the reduction went down to 1.5%, and in June it was canceled.

## I. Scope of payments

In 2007, the amount of payments in the Old-age and Survivors branch increased by 1.2% in set prices. This increase resulted from both a growth in the number of persons entitled to old-age and survivors' pensions and from the full effect of the legislative changes of the second half of 2006: increase to the rate of the basic pension, cancellation of the reduction in old-age pensions and increase of the pension with income supplement. Benefit payments under the National Insurance law registered a real increase – of 1.6% – and benefit payments not under the National Insurance Law registered a real decrease of 0.4%. The share of benefit payments not under the law (also including payments of income supplement to recipients of a benefits not under the National Insurance Law) reached 20.3% of total payments of old-age and survivors' pensions in 2007. The total payments for National Insurance benefits in 2007 registered a higher real increase than that of the Old-age and Survivors' branch. Thus the share of the Old-age and Survivors' branch in total NII payments went down to 37.9%.

Table 7

**Benefit Payments in the Old-age and Survivors Branch (not including administration expenses), current prices and 2007 prices, 2002-2007**

Type of pension	2002	2003	2004	2005	2006	2007
<b>Current prices (NIS million)</b>						
<b>Total payments</b>	<b>15,449</b>	<b>15,551</b>	<b>15,780</b>	<b>16,257</b>	<b>17,165</b>	<b>17,461</b>
Under NI Law	12,137	12,296	12,615	12,910	13,628	13,920
Not under NI Law	3,310	3,255	3,165	3,347	3,537	3,541
<b>2007 prices (NIS million)</b>						
<b>Total payments</b>	<b>16,129</b>	<b>16,107</b>	<b>16,408</b>	<b>16,688</b>	<b>17,258</b>	<b>17,461</b>
Under NI Law	12,669	12,735	13,117	13,252	13,702	13,920
Not under NI Law	3,460	3,371	3,291	3,435	3,556	3,541



### 3. Long-term Care Insurance

#### A. General

The Long-term Care Insurance Law was passed by the Knesset in 1980 and came into effect in April 1988. The law aims to keep the elderly in the community for as long as possible by providing personal care to those who require assistance in daily functions as well as assistance to the families that care for them. The law applies to all persons insured under old age and survivors' insurance, to *housewives* who do not work outside their homes and to new immigrants not insured under Old-age and Survivors' insurance. Every elderly person, who is an Israeli resident, whose function is restricted and who passes the means test and the test of dependency on the help of others in daily activities, is eligible for a benefit, providing that he resides in the community. Persons who reside in a nursing home or nursing ward are not eligible for benefit.

The rules of the means test – a personal test – are set down in the regulations. Only the incomes of the elderly person and of his spouse are examined in determining entitlement to an in-kind benefit – i.e. long-term care service. In determining entitlement to a cash benefit, on the other hand, the income of the family member who cares for the elderly person and who resides with him is also examined. The means test is the responsibility of the claims officer, while the test of dependency on the help of others is conducted by professional assessors: nurses/orderlies, occupational therapists, or physiotherapists who undergo appropriate training. A private bill was recently introduced under which a specialist physician may also conduct the dependency test to elderly persons aged 90 years or over, but this bill has not yet been approved.

The long-term care benefit is not paid in cash but rather provided to entitled persons in the form of services rendered by private organizations and paid for by the NII. The long-term care services basket covered by the benefit includes personal care at the home of the elderly or at a day-care center, supervision, transportation to a day-care center, supply of absorption products, laundry services, and financing use of emergency transmitters. A cash benefit is paid only to those for whom there are no available services or services that can be provided according to the timetable prescribed by law. The Knesset recently approved an NII proposal to operate, beginning in March 2008, a pilot scheme of providing a cash benefit in three regions in Israel. The scheme shall extend for two years, during which those elderly who reside in one of the pilot areas may opt for a cash long-term care benefit if they score at least 6 points on the dependency test and if they receive long-term care services *de facto* by an attendant who is not a relative during most hours of the day, for six days a week<sup>1</sup>. Furthermore, the Ministry of Finance recently promoted a bill under which **each** elderly person who employs an attendant shall be entitled to a cash long-term care benefit, but this proposal was rejected.

Beginning in January 2007, there are three rates of long-term care benefit, corresponding to the three dependency levels: a rate of 91% of the full disability pension for an individual, a rate of 150% thereof and a rate of 168% thereof.

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1 Some Western countries have arrangements for freedom of choice on the part of the elderly within the framework of long-term care benefits; these are described in the Annual Survey of 2005.

The law further determined that the Minister of Social Affairs and Social Services must appoint professional local committees comprising a social worker, nurse, and an NII employee. These committees formulate the care schemes for the entitled elderly: what services he should receive and who should provide them. The committee also has to make sure that the services are indeed provided, or alternatively prescribe in explicit terms that there are no services available for these elderly.

## B. Claims and persons entitled to long-term care benefit

The number of claims for a long-term care benefit has continued to rapidly increase in 2007, reaching about 75,400 – an increase of 4.3% in comparison to the preceding year. The number of first-time claims increased by 4.3% in 2007 and the number of repeat-claims (second claim or more by the elderly person) increased at a similar rate. Consequently, the rate of repeat claims out of all claims in 2007 remained stable at 58.2%.

Table 1

### Claims, Rate of Claims that were Approved and Rate of Repeat Claims, 2002-2007

Year	Numbers	Annual rate of increase	Repeat claims	Approved claims*
2002	71,007	4.3	51.8	44.3
2003	63,928	-10.0	55.7	43.2
2004	71,246	11.4	58.6	43.5
2005	71,568	0.5	59.9	46.7
2006	72,257	1.0	58.2	49.2
2007	75,375	4.3	58.2	47.3

\* Claims approved for a first **entitlement**. Claims of those who subsequently died and of those whose eligibility has been suspended are not included.

In 2005-2006 there was an increase in the rate of claims that were approved – partly resulting from the expansion of the definition of "solitary" at the end of 2005 – but in 2007 the rate went down, reaching 47.3% of claims. This decrease characterized first-time claims and repeat claims alike. The rate of first-time claims approved out of all first-time claims reached 53.7% in 2007 as compared to 56.0% in 2006, and the rate of repeat claims that were approved reached 42.7% as compared to 44.3%. The decline in the number of approved claims is reflected in an increase of futile claims – claims in respect of which 0-0.5 points were scored in the ADL<sup>2</sup> – and a decrease in the extent of gathering around 2.5 points, the threshold score for attaining entitlement to a benefit. The percent of futile claims in 2007 – 30.2% as compared to 28% in 2005-2006 – and the percent of claims that scored 2.5 points in the ADL reached 14.6%, as opposed to 15.4% in the preceding year. It should be noted that in an analysis of the percentage of approved claims, the percentage of futile claims and the extent of crowding around the threshold score for attaining entitlement to

2 A test that examines limitation in the performance of daily activities (eating, dressing, bathing, mobility in the home and excretions).

benefit also include claims in which a dependency assessment was not made, and they were not approved by reason of preliminary conditions such as age.

The number of persons entitled to a long-term care benefit continued to rise in 2007 by 4.3%, reaching about 125,500 per month on average, as a result of the increase in the number of claims that year. The number of entitled persons grew in 1991-2007 by 295%, more than five times higher than the rate of increase of the elderly population as a whole. The percentage of persons entitled to a benefit from among the elderly population registered a significant increase: from 6% in the first years since the law came into effect to a record 15.1% in 2007.

Table 2  
**Persons Entitled to Long-term care Benefit and Elderly in Israel, 2002-2007**

Year	Entitled to long-term care*		Elderly in Israel**		Rate of coverage***
	Numbers	Annual rate of increase	Thousands	Annual rate of increase	
2002	112.3	6.5	758.1	1.8	14.8
2003	113.0	0.6	769.3	1.5	14.7
2004	113.4	0.4	780.5	1.5	14.5
2005	115.0	1.4	794.9	1.8	14.5
2006	120.3	4.6	813.8	2.4	14.8
2007	125.5	4.3	833.0	2.4	15.1

\* Monthly average.

\*\* Average population of men 65 years old and over, and women 60 year old and over. The 2007 figure is an estimate.

\*\*\* The number of persons entitled to benefit as a percentage of the number of elderly persons.

Table 3  
**Persons Entitled to Long-term Care Benefit, by Demographic Characteristics and Degree of Disability (monthly average) in percentages, 2007**

Characteristic	Percentage
<b>Total (Absolute numbers)</b>	<b>125,521</b>
<b>Age</b>	
Up to 64*	1.0
65-69	5.4
70-74	12.8
74-79	21.5
80-84	28.2
85+	31.1
<b>Family composition</b>	
Live on their own	47.1
Live with a spouse	39.9
Lives with their sons or with others	13.0
<b>Benefit rate</b>	
Low benefit (91%)	59.2
High benefit (150%)	27.1
Very high benefit (168%)	13.7
<b>Gender</b>	
Men	29.0
Women	71.0
<b>Duration of stay in Israel</b>	
Veterans	75.7
Immigrants**	24.3

\* The age group includes women only.

\*\* Persons who immigrated to Israel after 1989.

Examination of the demographic characteristics of entitled persons in 2007 shows that close to a quarter (24.5%) are immigrants, and that the number of women is nearly three times that of men. In distribution by age, nearly third of the entitled persons are 85 years old or over, and more than half of them (59.3%) are aged 80 or over. Only 5.4% of entitled persons are 65-69 years old. In family composition, only two of every five (39.9%) entitled persons live with a spouse. Nearly one of every two (47.15) live alone, and one of every seven (13%) live with someone else – usually a son or daughter (Table 3). For 59.2% of the entitled persons, a low-level entitlement (91%) was approved (includes those whose benefit was reduced to half due to the means test), for 28.1% a higher-level eligibility (150%) was approved, and for the remaining recipients, 13.7%, a very high-level eligibility (168%) was approved.

### C. Organizations that provide long-term care services and services provided

Services are provided under the Long-term Care Insurance Law through formal organizations recognized by the Ministry of Social Affairs and Social Services as service providers authorized by contract between them and the National Insurance Institute. In recent years the National Insurance Institute published several tenders for the erection of a data base of long-term care service providers, yet each time the companies and societies petitioned against these tenders and they were not executed due partly to intense pressure on part of the suppliers, who prefer to operate under contractual engagements. The last tender, aimed inter alia at protecting the rights of workers in the sector, would have obliged the service providers to impart fringe benefits to attendants they employ. A service provider can be a public non-profit organization, e.g. household attendance or day-care center, or a private organization acting as a business organization. The tender was published in 2004 and the companies and societies competing in it filed petitions regarding the procedure of its inspection and its results. Eventually the NII opted to call off the tender since the hearings on this wave of petitions could have lasted for years.

The diagram below depicts the shares of private organizations and of non-profit organizations in the number of personal care hours at home provided in October 2007. 73.3% of the hours were provided by private organizations and the remainder by non-profit organizations (household attendance – 14.2% and other public societies – 12.4%). The analysis does not include care hours provided to entitled persons in day-care centers that are routinely provided by societies. Hence, the share of the private sector in the total number of care hours provided shall decrease slightly.

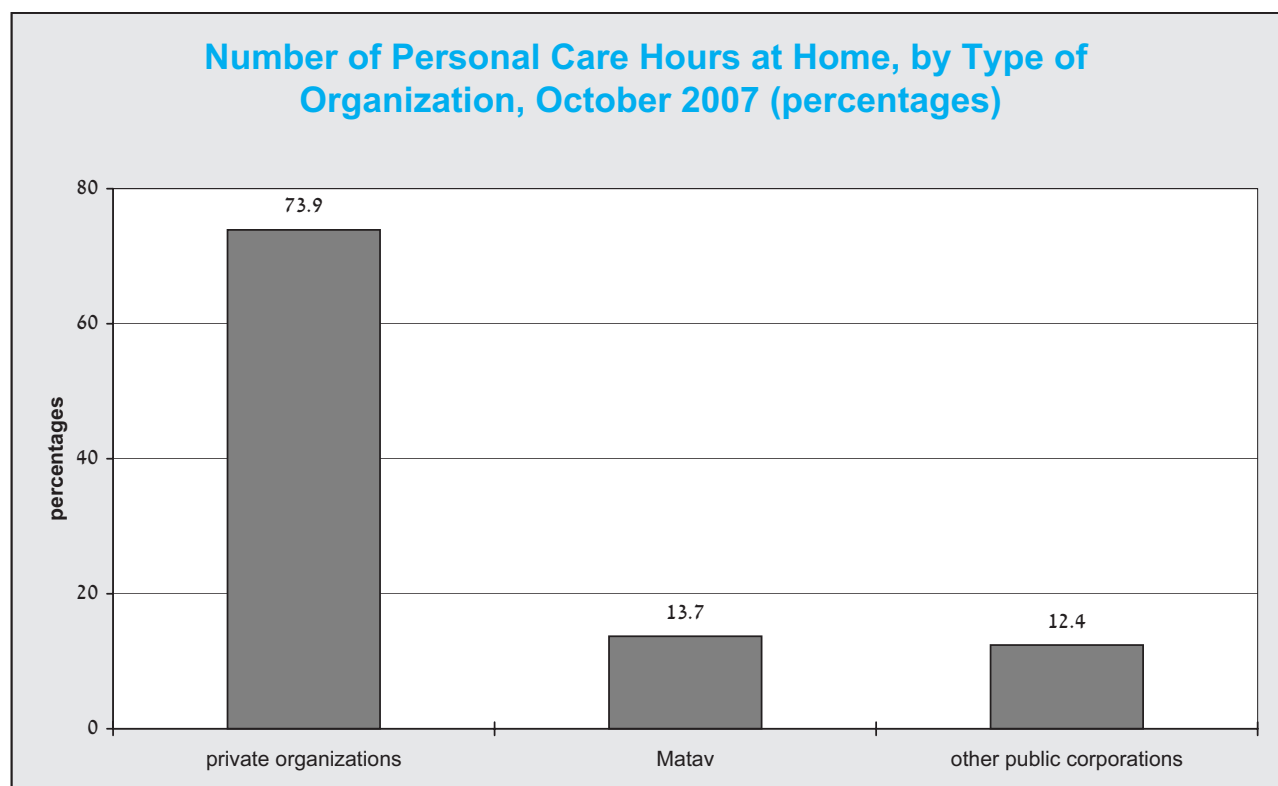




Table 4 shows the distribution of long-term care service recipients in December 2007 by the type of service they received. It should be noted that entitled persons can receive more than one type of service, so that the total number of recipients of long-term care services is greater than the number of persons entitled to a benefit.

The decisive majority (98.2%) of long-term care service recipients in December 2007 received personal care at home by a local or foreign attendant. For a depiction of the phenomenon by which a foreign attendant is employed and of the characteristics of the elderly who employ a foreign attendant, see Box below. 7.2% received personal care in day-care centers, 17.2% received absorption products and 12.7% received emergency transmitters. 71.2% of persons who receive personal care at home received it as a single item in the basket of services. Only 10.1% of persons who receive personal care at a day-care center received it as a single item and the remainder combined it with other services.

## Box 10

### Persons Eligible for a Long-term Care Benefit Who Employ a Foreign Attendant

The rapid growth in the number of elderly persons in Israel who require long-term care was accompanied by a significant increase in the number of migrant workers employed in the long-term care sector. The number of recipients of long-term care benefits from the National Insurance Institute has doubled through 1996 to 2007, reaching about 125,500 in 2007. At the same time, the number of long-term care benefit recipients who employ a foreign attendant grew significantly: from about 10,000 in 2003 to about 27,200 in 2007. The number of permits issued for employing migrant workers in the long-term care sector in 1996-2007 rocketed by about 500%, reaching 51,700 in 2007. This number is in fact higher when one considers the fact that some migrant workers are employed illegally. The long-term care sector in Israel has recently become a major sector in the employment of migrant workers: the number of workers it employs is expected to reach some 100,000-150,000 in the coming years. Employment of a foreign long-term care attendant is apparently a satisfactory solution for all parties involved: it is convenient for the elderly person and his family; convenient for the State (released from its responsibility to the elderly person); convenient for the foreign attendant who earns a higher wage than he would have earned in his country of origin, and of course convenient for the manpower agencies and mediators who enjoy a handsome profit. We note in this context that the Minister of Finance recently adopted recommendations to curtail the number of migrant workers, recommendations consolidated by the staff of the Ministry and of the Bank of Israel. These recommendations aim to release the Israeli economy from its dependency on work immigrants by reducing the number of migrant workers and encouraging Israelis to work in the sectors of long-term care, agriculture and construction, sectors in which the migrant workers are mainly employed. The goal was to significantly reduce their number in the said sectors and to turn long-term care into a sector that employs mainly Israelis. The staff estimated that the high number of migrant workers in long-term care in Israel stems from the lack of a clear policy in the area of care for the elderly, because of which there are no criteria for assigning migrant workers to the elderly.

It is interesting to examine the characteristics of the elderly who receive a long-term care benefit and employ a foreign attendant, as well as the characteristics of the foreign attendants. The analysis in this Box is limited to the characteristics of the elderly available from NII administrative data on long-term care benefit recipients. Employment of a foreign attendant naturally entails obtainment of permit from the Ministry of Industry, Trade and Labor, as well as of a visa from the Ministry of the Interior. The petitioner has to meet preliminary thresholds of limitation in the performance of daily functions – at least 4.5 points in the ADL areas as well as a need for constant supervision for an elderly person who is not solitary, or at least 4 points for one who is solitary. Hence, the following analysis is limited to the population of long-term benefit recipients who meet these threshold conditions (Hereafter: *persons potentially entitled to employ a foreign attendant*). Table 1 features the breakdown of long-term care benefit recipients who employ a foreign attendant from among the *persons potentially entitled to employ a foreign attendant*, sorted by selected characteristics of the elderly. The data, based, as aforesaid, on NII administrative data, refer to December 2007. It was found that about 61,800 out of about the approximate 128,000

persons who are eligible for a long-term care benefit met the threshold conditions of disability required in order to employ a foreign long-term care attendant. The percentage of elderly persons who employed a foreign attendant from among the *persons potentially entitled to employ a foreign attendant* reached about 44.1%, with considerable gaps, as expected, according to age, benefit level, population group, district of residence and income level. The percentage of elderly persons who employed a foreign attendant gradually rose in correspondence to age: from 25.1% among 65-69 year-olds to 51% among those aged 90 and over. It turned out that the Arab and the new immigrant elderly were less inclined to employ a foreign attendant than were veteran elderly Jews; only about a tenth of the former employed a foreign attendant as compared to the high rate of 54.1% of the latter. The pattern of employing a foreign attendant was the most common in central regions while it was the least common in the northern and southern peripheries. Thus, for example, about 30% of the periphery elderly persons employed a foreign attendant compared to more than half of those in the central regions. The percentage of elderly who employed a foreign attendant gradually rose in correspondence to income level, from 32% among the elderly whose income is up to one quarter of the *average wage* to 53.2% among those whose income is higher than the *average wage*. Further, it was found that only 13.8% of elderly persons at the low rate of benefit employed a foreign attendant as compared to 53.2% of elderly persons at the highest rate. No real gaps were discerned between men and women or between elderly persons who live alone and those who live with a spouse. There is no doubt that the demand for foreign workers in the long-term care sector is an interesting subject in need of in-depth study.

Table 1  
**Elderly Persons who Receive Long-Term Care Benefit and Employ a Foreign Attendant Among the Persons Potentially Entitled to Employ a Foreign Attendant, by Selected Characteristics of the Elderly, December 2007**

Characteristic	<i>Total persons potentially entitled to employ a foreign attendant</i>	<i>Percentage of persons who employ a foreign attendant</i>
<b>Total</b>	<b>61,777</b>	<b>44.1</b>
<b>By age</b>		
Up to 64	417	24.2
65-69	2,555	25.1
70-74	6,481	32.7
75-79	11,913	39.5
80-84	16,694	45.8
85-89	13,990	50.5
90+	9,727	51.0
<b>By gender</b>		
Men	19,090	41.6
Women	42,687	45.2
<b>By family composition</b>		
Lives alone	29,047	49.1
Lives with a spouse	24,869	42.0
Other	7,861	32.1
<b>By level of benefit</b>		
Low	7,930	13.8
High	32,567	45.6
Very high	21,280	53.2
<b>By population group</b>		
Veteran Jews	47,502	54.1
Arabs*	3,179	9.0
New immigrants	11,096	11.3
<b>By district of residence</b>		
Jerusalem	5,140	44.3
North	6,513	28.1
Haifa	8,427	43.2
Center	14,237	50.1
Tel Aviv	17,916	52.3
South	9,072	31.1
<b>By income level</b>		
Up to 1/4 the average wage	19,625	32.0
1/4 to 1/2 the average wage	17,410	43.1
1/2 to 3/4 the average wage	10,476	54.2
3/4 to full average wage	7,107	55.9
Over the average wage	7,159	53.2

\* Not including Arabs who reside in Jewish or in mixed settlements.

Table 4  
**Recipients of Long-term Care Services, by Type of Service, December 2007**

Type of service	Number of recipients	Percent of service recipients out of all entitled persons	Percent of service recipients who receive the service as a single item out of all recipients of that service
<b>Total*</b>	<b>174,849</b>	<b>-</b>	<b>-</b>
Personal care at home	126,349	98.2	70.2
Personal care at a day-care center	9,266	7.2	10.1
Absorption products	22,222	17.3	0.4
Emergency transmitters	16,378	12.7	0.3
Laundry services	634	0.5	0.6

\* A person who is entitled to a benefit can receive more than one type of service. Hence, the total number of long-term care services recipients featured in the table is greater than the number of persons eligible to a benefit that counted 128.7 thousand.

### C. Scope of payments

Aside from payments of direct benefits, the Long-term Care Insurance Law determines additional types of payment. 15% of the annual receipts of the Long-term Care branch are allocated to the Ministry of Health and to the Ministry of Social Affairs and Social Services to finance expansion of the number of inpatients in institutes. Monies are also allocated to the Fund for the Development of Community and Institutional Services for the Elderly.

In 2007, the total amount of payments transferred for financing the Long-term Care Insurance Law exceeded NIS 3 billion (in 2007 prices): about NIS 2.88 billion for provision of services to entitled persons and the remainder for development of institutional and community services for the elderly and for the execution of dependency tests. A sum of NIS 83.4 million was transferred to the Ministry of Social Affairs and Social Services and to the Ministry of Health for increasing the number of inpatients in nursing homes (Table 5). In addition, NIS 70.7 million were transferred to the Ministry of Social Affairs and Social Services, the "Clalit" sick fund, and assessors for preparing care schemes for entitled persons and for executing dependency tests.

Table 5  
**Total Payments under Long-term Care Insurance Law, by Type of Payment  
 (NIS thousand, 2007 prices), 2003-2007**

Year	Total	Long-term care benefits	Transfer to outside agents*	Service development	Inpatients in nursing homes	On account of agreements with the Treasury
2003	2,549.0	2,359.8	59.8	23.8	102.4	3.1
2004	2,569.6	2,372.2	63.5	35.9	95.5	2.6
2005	2,614.8	2,411.7	71.3	38.2	91.2	2.4
2006	2,732.5	2,549.0	62.0	30.1	88.4	2.3
2007	3,072.3	2,880.2	70.7	35.7	83.4	2.3

\* Transfers to the Ministry of Social Affairs and Social Services and to the "Clalit" sick fund for preparing care schemes for entitled persons and for executing dependency tests.

In 2007 payments under the Long-term Care Law increased by 12% in set prices (2007 prices). Benefit payments increased by 13% as a result of an increase in the number of entitled persons and in the benefit level. As mentioned, beginning in January 2007, the 4% reduction in payment of long-term care benefits was halted, and a very high benefit level – at a rate of 168% of a disability pension for an individual – was added. The average benefit level in set prices went up in 2007 by 4.4% as compared to 2006, reaching NIS 2,110.



## 4. Children Insurance

### A. General

**Child allowance** – A child allowance is paid monthly to all families with children in Israel in order to assist with the expenses of raising the children. Child allowances have gone through many changes through the years, and since 2002, their level has been radically reduced under various economic programs.

In 2007, child allowances remained at the level of 2006, since their level was not updated by the increase in the cost of living at the beginning of that year. Under coalition agreements made in 2006, indexation to the cost of living has been waived, thus leaving their sum at the same level as in the previous year. In the following years, the child allowances will be adjusted to the consumer price inflation in the beginning of each calendar year. Thus, the erosion to the child allowances, which began in 2002 with the substantial cutbacks in these allowances, continued this year as well – particularly following the decision to pay a uniform allowance for *new children* – those born after June 2003 who are the third or subsequent children in their family. For these children, the level of the allowance is equal to that paid for the first two children – as opposed to the higher allowance for such children born before June 2003 (*veteran children*).

The addition of *new children* to the system and the natural exit of *veteran children* due to aging reduced the child allowance payments from NIS 4.97 billion in 2006 (in fixed prices) to NIS 4.94 billion in 2007 – a decrease of NIS 30 million. Aside from the change in payment for the *new children*, the decrease in payments in 2007 stems also from a reduction in payment of the *family increment*<sup>1</sup>.

The cumulative erosion of child allowances through the past six years led to significant differences in payments of these allowances over this period: from NIS 8.3 billion in 2001 to NIS 4.9 billion in 2007 – a real decrease of about 40%.

Compared to 2006, the number of families who received child allowances in 2007 grew by approximately 1.2%, and the number of children for whom allowances were paid grew by approximately 1.6%.

**Study grant** – In addition to child allowances paid to all families with children, a *study grant* is paid to single-parent families, as well as to families with four or more children who receive a subsistence benefit from the NII. The grant, paid for children aged 6-14, aims to assist the families in purchase of textbooks prior to the opening of the school year. In 2007, about 158,000 children received a *study grant*, at a total cost of approximately NIS 160 million.

**Family increment** – Beginning in July 2004, an increment began to be paid to families with three or more children who receive an income support benefit or alimony payment from the NII. The *family increment* is paid for the third and fourth child only. Until December 2005, the increment was

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1 See a description of the *family increment* below.



NIS 101 per child, and since January 2006 it is NIS 104. This increment, meant to compensate the families for the double erosion in their benefits, in both the child allowances and the income support benefit, was paid in 2007 to about 30,000 families (including 48,000 third and fourth children). In this year, the total amount of the *family increment* was NIS 58 million, as compared to NIS 62 million in 2006. The reduction is a result of the decrease in the number of persons who receive an income support benefit or alimony payment in this year.

## **B. Changes in child allowance system in 2002-2009**

The series of cutbacks in child allowances through 2002-2006 is anchored in four economic programs, two of which were implemented in 2002 – the Economic Arrangements Law and the extensive Emergency Economic Program Law. These laws determined that the allowance point will not be adjusted, and that child allowances will be uniformly cut back by 15% in that year. This was the first time that child allowances were paid on the basis of an allowance point of 0.88, and not on the basis of a full allowance point.

The series of reductions in child allowances resumed more severely under the Economy Recovery Program Law (June 2003) and under the Economic Policy Law for the 2004 fiscal year. In 2003, a structural change to child allowances was introduced, under which the allowance will be of a uniform level, regardless of the child's position in the family. Since August 2003, children born beginning in June 2003 received a uniform allowance to the amount of NIS 144 (0.84 allowance point), regardless of their position in the family. The recovery program determined that the equalization of the level of allowances for all children will not be implemented on a zero budget, but rather by way of reducing the allowances for the third and subsequent children to that paid for the first and second children. This policy of decreasing allowances was therefore first and foremost impelled by the considerations of curbing public expenditure, for were it not for this consideration, it would have been possible to determine a uniform allowance level of NIS 250 per month for every child. The recovery program further determines that the process of equalization of allowance levels and reducing allowances for third and subsequent children will be gradually implemented during August 2003 -January 2009.

The recovery program also related to the adjustment of child allowances as part of a comprehensive policy on the adjustment of all NII benefits: child allowances were not adjusted in accordance with price increases until the end of 2005.

The policy of cutbacks persisted under the Economic Policy Law for 2004. As part of a temporary order for 2004-2005, allowances were reduced as follows: NIS 24 per month from allowances for the first to third children, from February 2004 to the end of 2005; NIS 24 from allowances for the fourth and subsequent children, from February to June 2004; and NIS 4 from allowances for the fourth and subsequent children, from July 2004 to December 2005. This temporary order expired in January 2006, as did the non-adjustment of child allowances accordance with the Consumer Price Index.

A number of changes were introduced to the child allowance system in 2006. Firstly, similar to the case with other NII benefits, the method of calculating these allowances changed: since January 2006, they are calculated according to the *basic amount*<sup>2</sup>, and after adjustment according to the Consumer Price Index, the allowance level for any one child was set at NIS 148. Moreover, in 2006, coalition agreements instructed to stop the cutbacks in the child allowances and to freeze the allowances at their 2006 level for 2007-2009. Since the *basic amounts* were not adjusted in January 2007, the allowances in 2007 remained as they were in 2006.

### C. Child allowance levels in 2002-2007

Until 2005, the child allowance was calculated on the basis of allowance points determined according to the child's position in the family. From 1987 to 2001, the allowance point was adjusted to the full extent of the price index in the beginning of each calendar year and whenever a cost-of-living increment was paid to employees. From January 2001 to December 2005, the adjustment of allowance points stopped, and the point remained fixed at NIS 171.3 (in 2005 prices), on the basis of which the allowances were calculated. Beginning in January 2006, the child allowance is calculated according to the *basic amount*, which was NIS 148 at the time. The allowances for the first two children therefore increased to NIS 148, for the first child climbed to NIS 178, and for the fourth and subsequent child went down to NIS 329. The allowance for *new children* (born after June 2003), paid regardless of their position in the family, remained equal to that for the first two children – NIS 148. In the beginning of 2007, the *basic amount* remained as it was in 2006, as did the level of child allowances.

Diagram 1 features the average child allowance in 1993-2007<sup>3</sup>. Beginning in 1993, child allowance became universal again, and until 2001, the average allowance per child increased moderately – by about 13.3% – from NIS 283.3 to NIS 321. The "Halpert Law", implemented in 2001, then brought the average allowance per child to its peak, and since 2002 the allowance began to decrease drastically. The series of cutbacks in NII benefits in general and in child allowances in particular reduced the average allowance per child through 2002-2005 by about 50%.

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- 2 The amount on the basis of which most benefits are calculated since January 2006. This amount is adjusted on January 1<sup>st</sup> each year, at the rate of the Consumer Price Index increase in the preceding year. The *basic amount* has three different rates for the purpose of updating the various benefits. For most benefits, the *basic amount* in 2007 was NIS 7,240; for child allowances it was NIS 152, and for old-age and survivor's pensions it was NIS 7,352.
  - 3 The average allowance per child was calculated by dividing the total of all payments for child allowances in a specific year by the number of eligible children in that year.

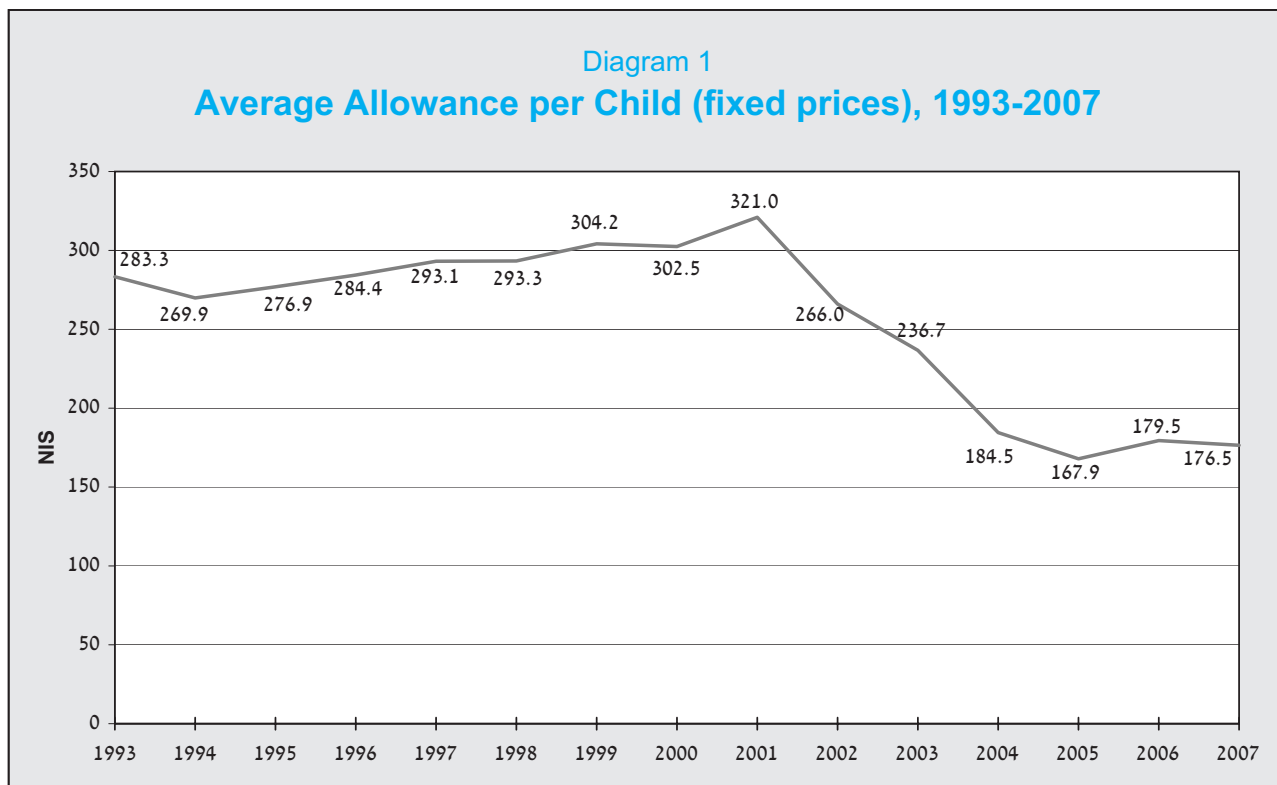


Table 1 features the allowance points for a family through 2002-2005 and the rates in terms of the *basic amount* for 2006 and 2007. Table 2 indicates the amounts of allowance for a child and for a family in these years.

**Table 1**  
**Allowance Points per Family in Terms of the Basic Amount in 2006 and 2007, by Number of Children, 2002-2005**

Date	Number of children					
	1	2	3	4	5	6
January 2002	1.00	2.00	3.96	8.00	13.00	18.00
March 2002	0.88	1.76	3.52	7.08	11.48	15.88
July 2002	0.85	1.70	3.39	6.81	11.04	15.27
August 2003*	0.84	1.68	2.82	5.48	8.53	11.58
February 2004	0.70	1.40	2.40	4.91	7.82	10.73
July 2004	0.70	1.40	2.36	4.72	7.40	10.08
January 2005	0.70	1.40	2.31	4.41	6.76	9.10
2006-2007	1.00	2.00	3.20	5.42	7.64	9.86

\* Children born after June 1, 2003 receive an allowance as that for the first child, regardless of their position in their family.

Tables 1 and 2 illustrate the cumulative effect of the Economy Recovery Program Law -June 2003, and the Economic Policy Law for 2004.

Table 2, which shows the amount of allowances through 2002-2007 by the number of children in the family, indicates several facts:

- The amount of allowance for a family with one child decreased between January 2002 and January 2005 by 31%. In the beginning of 2006 the allowance increased by about 20%<sup>4</sup>
- In 2005 a family with 3 children received 57% the amount received in January 2002.
- In 2005 a family with 5 children received half the allowance it received in January 2002.

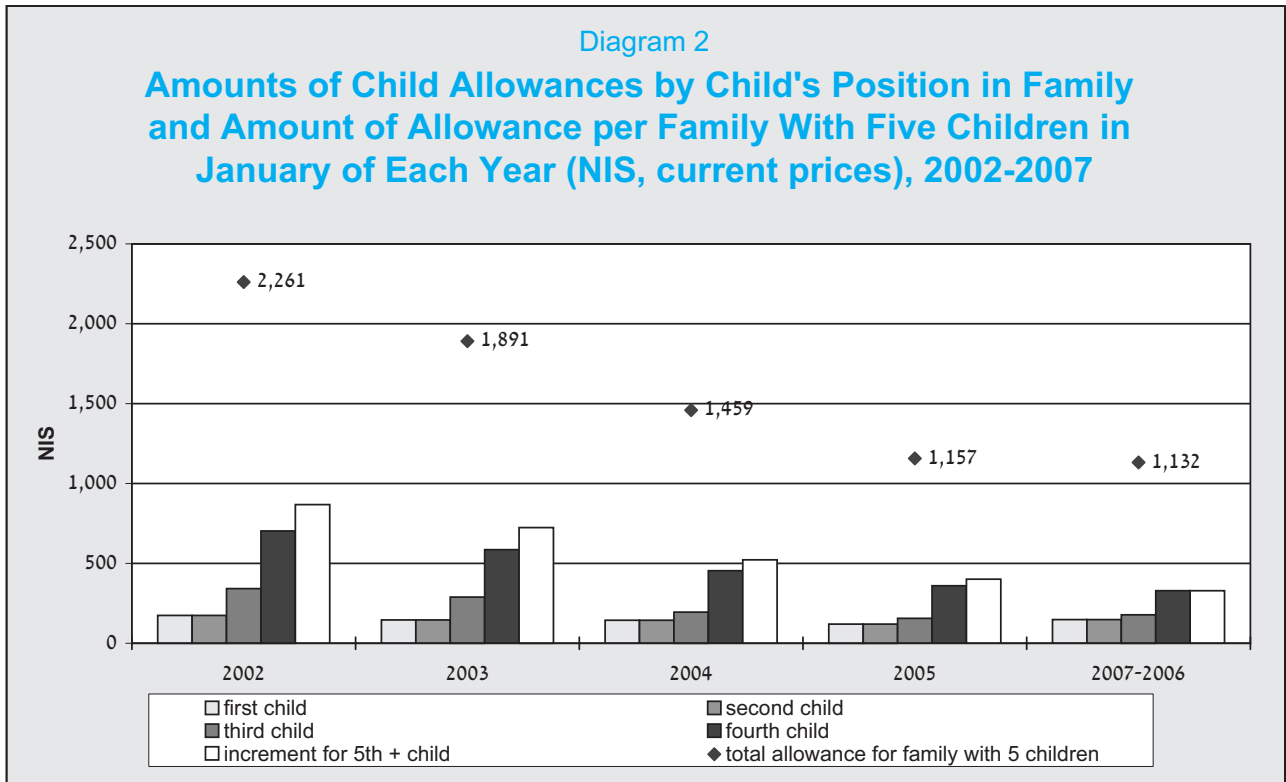
Table 2  
**Child Allowance by Position of Child, and Allowance per Family, by Number of Children (NIS, current prices), 2002-2007**

	Number of children					Increment for each additional child
	1	2	3	4	5	
January 2002						
Per child	174	174	342	703	868	868
Per family	174	348	690	1,393	2,261	868
March 2002						
Per child	151	151	301	610	754	754
Per family	151	302	603	1,213	1,967	754
July 2002						
Per child	146	146	289	586	724	724
Per family	146	292	581	1,167	1,891	724
August 2003*						
Per child	144	144	195	454	522	522
Per family	144	288	483	937	1,459	522
February 2004						
Per child	120	120	171	430	498	498
Per family	120	240	411	841	1,339	498
July 2004						
Per child	120	120	164	404	459	459
Per family	120	240	404	808	1,267	459
January 2005						
Per child	120	120	156	360	401	401
Per family	120	240	396	756	1,157	401
2006-2007						
Per child	148	148	178	329	329	329
Per family	148	296	474	803	1,132	329

\* Children born after June 1, 2003 receive an allowance as for the first child, regardless of their position in their family.

4 All rates are expressed in real terms.

Diagram 2 below illustrates the great extent to which families with five children were hurt in the 2002-2007 period following the cutbacks of the economic programs. The amount of allowance for such families decreased through 2002-2006 by an annual average of approximately 16%, in real terms. Throughout this period, the family allowance decreased by about a half, reaching NIS 1,132.



#### D. Child allowance recipients

Tables 3 and 4 feature the breakdown of families who received a child allowance by family size and the breakdown of children for whom a child allowance was paid by their position in the family. (The number of families in which children were born after June 2003 and the number of children born after this date is illustrated in detail under the next section.)

In 2007, the number of families to whom child allowances were paid reached about 980,600 as a monthly average – an increase of about 1.2% compared to 2006, which is high in comparison to the moderate increase (0.4%-0.7%) of 2001-2004. The number of children for whom allowances were paid reached approximately 2,333,100 as a monthly average in 2007. The increase in the number of children this year resembles that of 2006 – about 1.6%. The annual average number of families with one child remained as in 2006 – about 321,800 – but was raised for families with two or more children. Accordingly, the breakdown of children also changed this year: the rate of families with one child was reduced, while that of families with two to three children was raised.

Table 3  
**Families who Receive Child Allowance, by Number of Children in Family (monthly average) 2000-2007**

Year	Total	Number of children in family					
		1	2	3	4	5	6+
<b>Numbers (thousands)</b>							
2000	912.5	321.0	276.9	165.7	76.3	34.5	38.1
2001	928.2	327.8	280.9	167.6	77.4	35.6	39.0
2002	935.0	327.9	283.4	169.1	78.1	36.6	39.9
2003*	939.1	324.9	285.6	171.3	78.9	37.4	40.8
2004	945.6	323.2	288.5	174.4	79.9	37.9	41.7
2005	956.3	322.7	292.8	178.6	81.3	38.5	42.4
2006	968.3	321.8	298.3	183.2	82.7	39.3	43.0
2007	980.6	321.8	303.0	188.5	84.4	39.8	43.1
<b>Percentages</b>							
2000	100.0	35.2	30.3	18.1	8.4	3.8	4.2
2001	100.0	35.3	30.3	18.1	8.3	3.8	4.2
2002	100.0	35.1	30.3	18.1	8.3	3.9	4.3
2003*	100.0	34.6	30.4	18.2	8.4	4.0	4.4
2004	100.0	34.2	30.5	18.5	8.4	4.0	4.4
2005	100.0	33.8	30.6	18.7	8.5	4.0	4.4
2006	100.0	33.2	30.8	18.9	8.6	4.1	4.4
2007	100.0	32.8	30.9	19.2	8.6	4.1	4.4

\* Due to a technical malfunction in the administrative children files' for June-October 2003, the number of children is estimated on the basis of data from the beginning of these months.

Table 4  
**Children who Receive Child Allowance, by their Position in the Family (monthly average), 2000-2007**

Year	Total number of children	Child's position in the family					
		First	Second	Third	Fourth	Fifth	Sixth and subsequent
<b>Numbers (thousands)</b>							
2000	2,118.8	912.5	591.5	314.6	148.9	72.6	78.7
2001	2,154.7	928.1	600.4	319.5	152.0	74.6	80.1
2002	2,178.8	935.0	607.1	323.7	154.6	76.5	81.9
2003*	2,201.1	939.1	614.1	328.6	157.3	78.3	83.7
2004	2,226.4	945.6	622.4	333.9	159.5	79.6	85.3
2005	2,260.6	956.3	633.6	340.8	162.3	80.9	86.7
2006	2,297.3	968.3	646.5	348.1	164.9	82.2	87.3
2007	2,333.1	980.6	658.9	355.8	167.4	82.9	87.5
<b>Percentages</b>							
2000	100.0	43.1	27.9	14.9	7.0	3.4	3.7
2001	100.0	43.1	27.8	14.8	7.1	3.5	3.7
2002	100.0	42.9	27.9	14.8	7.1	3.5	3.8
2003*	100.0	42.7	27.9	14.9	7.1	3.6	3.8
2004	100.0	42.5	27.9	15.0	7.2	3.6	3.8
2005	100.0	42.3	28.0	15.1	7.2	3.6	3.8
2006	100.0	42.1	28.1	15.2	7.2	3.6	3.8
2007	100.0	42.0	28.2	15.3	7.2	3.6	3.7

\* See note in Table 3.

## E. New children

Following legislative amendments in 2003-2004, a group of *new children* was defined as including children born in June 2003 and thereafter. These children receive an allowance equal to that for the first two children, regardless of their position in the family<sup>5</sup>. This policy by its nature led to differences in the level of allowances paid to families of equal size. Thus for example, in 2007 there is a difference of NIS 180 between the allowances paid to a family four children in which a child was born before June 2003 and a family with four children in which a child was born after June 2003.

<sup>5</sup> NIS 144 between August 2003 and January 2004, NIS 120 between February 2004 and December 2005, and NIS 148 in 2006 and 2007.

62,000 *new children* were born in the second half of 2003, about 146,000 were born in 2005 and about 145,000 were born in 2007. The overall number of *new children* reached about 639,000 in December 2007 – 27% of approximately 2.3 million children for whom allowance was paid. Out of all the *new children* at the end of 2007, some 42% (about 270,000), are third or subsequent children – for whom a smaller allowance is paid than that paid for third and subsequent children born before June 2003. These, then, are children adversely affected by the equalization of the allowance level for all children.

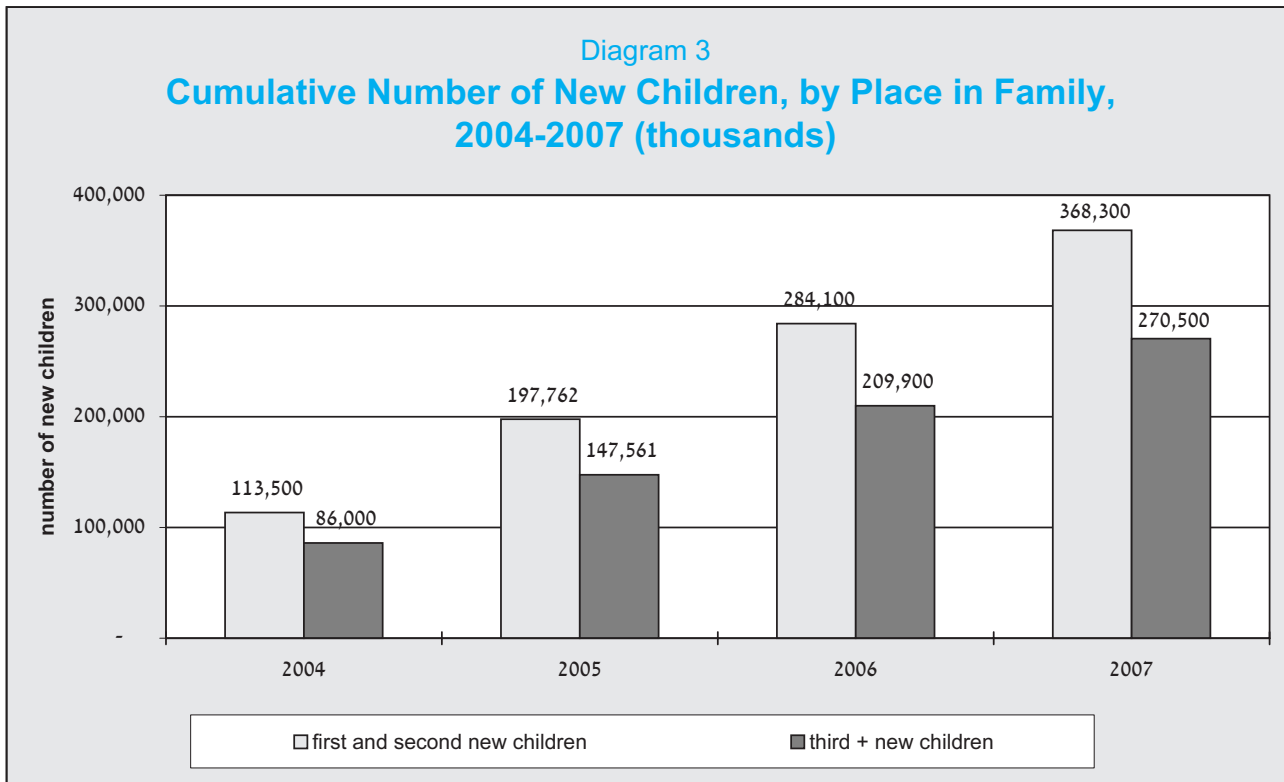


Diagram 3 illustrates the cumulative number of *new children* by their position in the family in 2004 to 2007. The diagram shows that through 2005-2007, 62,000 third and subsequent children were added each year, and at the end of 2007 their total number reached about 270,500 children.

The average number of new children per month was approximately 572,000 in 2007, of which about 243,000 are third or subsequent children. The data in Table 6 indicate the position of these children in the family (average per month). Until 2007, the number of families in which *new children* were born is about 467,000, but the number of *new children* is about 639,000.



Table 5  
**New Children, by Place in Family (cumulative and monthly average), 2007**

	Total	Child's place in family					
		1	2	3	4	5	+6
<b>Numbers (thousands)</b>							
Cumulative	638.8	191.5	176.8	122.7	63.0	34.9	49.9
Monthly average	571.7	170.9	158.2	109.4	56.4	31.4	45.4
<b>Percentages</b>							
Cumulative	100.0	29.9	27.7	19.2	9.9	5.5	7.8
Monthly average	100.0	29.9	27.7	19.1	9.9	5.5	7.9

Table 6  
**Families with New Children, by Number of Children in Family (cumulative and monthly average), 2007**

	Total	Number of children in family					
		1	2	3	4	5	+6
<b>Numbers (thousands)</b>							
Cumulative	466.6	117.4	138.0	100.0	49.8	26.4	35.0
Monthly average	434.0	111.4	127.6	91.3	45.8	24.6	33.3
<b>Percentages</b>							
Cumulative	100.0	25.2	29.6	21.4	10.6	5.7	7.5
Monthly average	100.0	25.6	29.4	21.0	10.6	5.7	7.7

## F. Study grant

Beginning in 1992, in the framework of the Children branch, a *study grant* is paid to single-parent families for children aged 4-6. Beginning in August 1998 the grant is also paid to families with four or more children who receive one of the following subsistence benefits from the National Insurance Institute: income support, alimony, disability, old-age, or survivors. The grant, a lump-sum payment paid close to the opening of the school year, aims to assist the families with the purchase of school supplies. The level of grant for children aged 6-11 is 18% of the *basic amount* (NIS 1,236 in 2007 – the increased grant), and for 12-14 year olds – 10% of the *basic amount* (NIS 686). The amounts have not changed since 2006 because the *basic amount* was not adjusted.

In 2007, the NII paid a study grant to about 86,500 families, of whom approximately 60,000 are single-parent families and the remainder families with four or more children who receive subsistence benefits. The number of children for whom the grant was paid grew from 148,100 in 2006 to 157,600 in 2007. Out of all children who received a study grant, some 60% (about 95,000 children) received the increased grant.

## Box 11

**An Overview of Financial Aid to Families with Children in Britain<sup>1</sup>**

The system of payments and credits for children in Britain<sup>2</sup> has undergone a revolutionary change during the past decade. For years the traditional earning model was practiced in Britain, which did not have a clear policy in the area of family assistance. The only benefit provided to working mothers was a 13-week maternity leave, while women's social rights were derived from those of their husbands – in times of unemployment, illness or old age. This perception prevailed among policy makers, regardless of their political inclination, until the early 1980's. In the mid 1990's, a new consensus began to evolve on the need to implement a national policy for children in a way that more women can hold work in accordance with their skills. The change of policy in this area is strongly connected to the rise of the British Labor Party to power in 1997.

The *child benefit*, first paid in April 1977 under the Child Benefit Act-1975, replaced the family allowance and credits provided through the tax system (child tax allowances). It was paid for every child and was tax exempt. At the same time, a benefit paid to single-parent families for children was combined with the *child benefit* and paid as an increment to it<sup>3</sup>. In 1980, the Conservative Party headed by Margaret Thatcher made a commitment to preserve the value of the benefit in the face of inflation, but this was not carried out and only close to the time of the general elections of 1983 did the value of the benefit return to its 1979 level. In 1986, the Social Security Act 1986 was enacted, under which the statutory commitment to raise the child benefit was cancelled and the value of the benefits was frozen for a three-year period (from April 1988 to April 1990). Child benefits to single-parent families were not frozen. The rationale behind this policy was to provide direct support to those populations who require it and to control the overall rise in welfare expenditure. In April 1991, the level of benefit for the first child in the family was raised by one pound sterling and by a smaller amount for subsequent children.

The Labor Party, which rose to power in 1997, brought about various changes in welfare policy: in the area of payments for children, in aid, in expansion of day-care centers for children, in vocational training, and more. In 1999 the British Government had set the restoration of "social inclusion" and the war on poverty as national socio-economic objectives, part of a long-term policy<sup>4</sup>. These objectives coincide with that set by the EU heads of State to banish poverty in European countries. Four main goals were set in this context:

- 
- 1 The Box was prepared by Tami Eliav.
  - 2 The benefit is paid by the government in England, Wales, Scotland, and Northern Ireland.
  - 3 This change, as implemented in Britain during the second half of the 1970's, resembles the multi-system change made in Israel in the wake of the Ben-Shahar Committee report: a committee for the income tax reform, headed by Prof. Ben-Shahar, of which main recommendations to be implemented were payment of a tax-exempt and uniform child benefit; paid directly to the family; the level of benefit per child was the same for the first two children and higher for a third and subsequent child.
  - 4 United Kingdom National Action Plan on Social Inclusion 2003-2005, Department for Work and Pensions; Working Together United Kingdom National Action Plan on Social Inclusion 2006-2008, Department for Work and Pensions.

- A. Banishing poverty among children: to reduce poverty among children in half by 2010, and eradicating poverty altogether by 2020 – out of a conception holding that order to break the cycle of poverty, one must first deal with poverty among children;
- B. Increasing the number of workplaces and enhancing integration into the work cycle;
- C. Providing access to quality services in welfare, health and education;
- D. Eliminating discrimination of various groups in society: women, residents of certain geographic regions, members of certain ethnic groups and persons with disabilities.

On the basis of the assumption underlying the program, whereby work is the best way to escape poverty, efforts were devoted to opening the labor market to all persons capable of working. At the same time the support system was developed and expanded in order to afford a safety net to persons unable to work. The policy of minimizing poverty among children included encouragement and support to parents – especially single-parent mothers – in work integration and vocational training, establishment of high quality day-care centers for children, an increase in maternity allowance, extension of maternity leave, and more. Concomitantly, credits and financial support were provided through the tax system (CTC and WTC).

In April 1999, the child benefit was increased by about 20% in real terms for the first child. Thus, the real value of this benefit increased beyond its value in 1979, when tax credits had been canceled as a substitute for child benefit. The benefit's real value, beginning with the first child and onwards, still remained lower than its rate in 1979. An additional change, besides the significant increase in the level of child benefits, was the expansion of the number of eligible persons, as explained below.

The above government policy brought about a significant reduction in the rate of poverty among children, from 27% of poor children in 1997/98 to 22% in 2004/05 – similar to the rate in EU countries (about 20%)<sup>5</sup>. In order to meet the defined objectives, cooperation existed between all factors involved in social matters: the government and non-government social organizations.

### **Following is a brief account of the various payments currently provided for children:**

#### **A. Child benefit<sup>6</sup>**

A universal child benefit is paid in Britain for every child up to the age of 16, regardless of income. If the child is studying (attends a study program of at least 12 hours per week) the benefit is paid until he turns 19. Also children aged 16-17 who have stopped studying, but are working or in

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5 Poverty among children in Israel stood in 2006 at 35.8%. In European countries a measurement scale is practiced which is different than that practiced in Israel. Even according to the European measurement scale, poverty among children in Israel ranges in recent years around 30%.

6 Source: the British government Website - [www.hmrc.gov.com](http://www.hmrc.gov.com), HM Revenue&customs

vocational training, are eligible for a child benefit. The benefit is paid every four weeks directly into a bank account. The frequency of payment to single-parent families, or to families in which the parent or his spouse receive income support or an unemployment benefit, is higher than that for the other recipients (each week instead of each month).

The benefit paid for the first child (or only child) is about 4% of the average wage, and the benefit for every additional child is about 2.7% thereof. It should be noted that in most European countries an inverse model is practiced in which the rate of benefit for the first child is lower than its rate for the remaining children. In several countries, the level of the benefit changes in accordance with the child's age.

Until 2006/7, children in a single-parent family who received an income support benefit or an unemployment benefit received a higher child benefit than that paid for children in two-parent families. Beginning in 2007/8, a uniform benefit is paid to all types of families.

A number of changes that came into effect In April 2006 increased the number of children eligible for child benefit, by expanding the age of those who are eligible and by paying a benefit for working children as well. A further increase to the number of eligible persons, which came into effect at the end of 2005, concerns same-gender couples (civil partners): for purposes of the child benefit, civil partners living under one roof are treated in the same way as married or unmarried couples who live together.

**B. Child support<sup>7</sup>:** an additional benefit that supports the policy of reducing poverty among children.

### **C. Child trust fund<sup>8</sup>**

This is a tax-exempt long-term saving plan in which the State invests the initial amount. Since September 2003, every child born after September 2002, providing he is eligible for a child benefit and resides in Britain, is eligible for a payment of at least 250 pounds sterling as an initial deposit. This initial deposit is used for opening a special savings account which he can open at the age of 18. It is possible to put into the account, independently, a maximum of 1,200 pounds sterling per year. Low-income families receive an additional amount of 250 pounds sterling and have total of 500 pounds sterling available to them. An additional payment of 250 pounds sterling is awarded once the child turns 7.

7 Cited from: Working Together United Kingdom National Action Plan on Social Inclusion 2006-2008, Department for Work and Pensions.

8 Source: United Kingdom National Action Plan on Social Inclusion 2003-2005, Department for Work and Pensions and the website [www.directgov.gov.uk](http://www.directgov.gov.uk)

## **D. Credits for children in tax system<sup>9</sup>**

### **Child Tax Credit – CTC**

As part of the policy to alleviate poverty and encourage employment, tax credit is awarded in Britain for children (in addition to the universal benefit). The credit is provided according to criteria that match the conditions of eligibility for the child benefit, and is conditioned on an income test. The person actually caring for the children – not necessarily the child's parent.– is eligible for the tax credit. The amount of credit per family depends on the number of children in the family, whether any of them are disabled and the family's total annual income.

In the system of tax credits as well, there were changes in recent years as part of the overall agenda regarding the increase of government participation in expenses of raising children. The current plan was thus set in motion in April 2003 and replaced the tax credits in use until that time: Working Families Tax Credit, Disabled Person's Tax Credit, and Children's Child Credit. Furthermore, in April 2004, they substituted components that depend on children, paid through the income support benefit and the unemployment benefit. Such credits are not related to the regular tax system and are independent of the rate of tax on the individual or the family.

### **Working Tax Credit – WTC**

In addition to the tax credit for children, a tax credit system (*negative income tax*) exists for employees and the self-employed – Working Tax Credit-WTC. The tax credit is intended for the working population whose wage is relatively low (the common income of both spouses is taken into account) and it also includes disabled workers. The new credit replaces, inter alia, the components which are independent of children, and which were included in the former credits (Working Families Tax Credit, Disabled Person's Tax Credit). This credit also includes a component of support in respect of tax-deductible expenses incurred in relation to child care, reaching 80% of such expenses.

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9 Source: The NII document "Presentation of the New Plan Concerning Tax Credit for Children and Workers in Britain", not published; United Kingdom National Action Plan on Social Inclusion 2003-2005.

## G. Scope of payments

The data in Table 7 shows that the payments for child allowances registered a real decrease in 2007 at a rate of about 0.6% compared to 2006, due to two factors: firstly, a real decrease of about 6% in payments for *family increment*, from about NIS 62 million in 2006 to about 58 million in 2007, and secondly, the addition of *new children* to the system, for whom a smaller allowance is paid than that paid for the veteran children who leave the system (this of course applies to children whose position in the family is third and subsequent).

The decrease in the scope of child allowance payments is also reflected in the relative portion of the branch payments' out of all NII payments', which went down in recent years: from 16.8% in 2001 to 11.4% in 2004 and to 10.7% in 2007.

Table 7  
Child Allowance Payments (NIS million, 2007 prices), 2000-2007

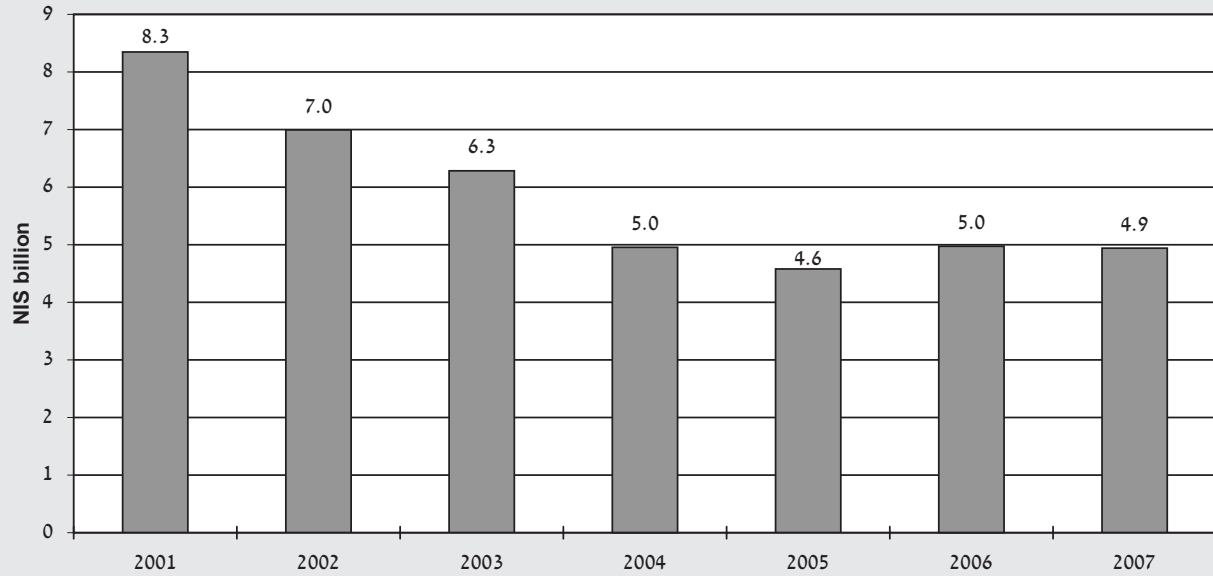
Year	Total amount		Child allowance		Study grant	
	Current prices	2007 Prices	Current prices	2007 Prices	Current prices	2007 Prices
2000	6,941.7	7,732.1	6,808.7	7,588.5	128.8	143.5
2001	7,571.9	8,347.3	7,416.0	8,175.3	155.8	171.7
2002	6,706.0	6,994.0	6,544.0	6,835.5	152.0	158.6
2003	6,067.3	6,284.0	5,914.4	6,125.5	152.8	158.2
2004*	4,765.0	4,954.9	4,583.5	4,766.2	153.0	159.2
2005	4,460.7	4,579.0	4,244.6	4,357.1	152.4	156.4
2006	4,947.0	4,973.7	4,730.0	4,755.5	155.8	156.6
2007	4,940.4	4,940.4	4,725.4	4,725.4	157.1	157.1

\* Payments since 2004 include, in addition to child allowances and study grants, also payments for family increment.

Diagram 4 shows the annual child allowance payments in 2001-2007 in fixed prices. The development of the scope of payments reflects the series of cutbacks made through 2002-2005. The steepest cutbacks occurred in 2004, following which the scope of payments went down by more than 20%. In 2006, the scope of payments increased by approximately NIS 400 million due to the increase in the allowance for the first three children.

Were not for the cutbacks prescribed under the economic programs of recent years, the forecasted expenditure for child allowances in 2007 would have been close to NIS 8 billion, double the actual expenditure for that year.

Diagram 4  
**Payments for Child Allowances (fixed prices, NIS billion),  
2001-2007**



## 5. Maternity Insurance

### A. General

Women who give birth are granted the following benefits under Maternity Insurance:

**Hospitalization grant** – designed to finance expenses associated with birth and hospitalization of the mother and baby and paid directly to the hospital. In December 1993 the grant for premature babies was increased. In the first two years since the introduction of the National Health Insurance Law (in January 1995), hospitalization of mothers and babies, including premature babies, has been included in the health services basket defined by law. The National Insurance Institute funded this hospitalization from monies it collected for the Maternity branch. Since 1997 the hospitalization grant has again been paid directly to the hospitals. When a birth takes place abroad the hospitalization grant is paid directly to the mother who submits a claim.

The amount of the hospitalization grant varies as follows:

1. It is adjusted every January according to a formula defined by law, according to which payments for normal births and increments for prematurely born babies are no more or less than the amount that would be paid for such births had there been no difference between the amounts paid for a normal birth and those paid for a premature birth.
2. Whenever the Ministry of Health adjusts the daily cost of general hospitalization, the hospitalization grant is adjusted by the same amount.

Since April 2005, under the Economy Arrangements Law-2005, the hospitalization grant for premature births was increased by about 50%. The total annual cost of the increment for such births is about NIS 115 million and it is fully funded by the Ministry of Finance.

In January 2007, under the above law, the hospitalization grant was increased by 12.1%. The cost of this addition amounted to about NIS 151.6 million and it is fully funded by the Ministry of Finance.

**Costs of transportation to the hospital** – The National Insurance Institute pays for some of the expenses of transportation to the hospital for mothers who live far away from the hospital.

**Birth grant** – designed to cover the cost of initial layette purchases for the baby and paid directly to the mother. Up to July 2002 the grant for mothers was uniform, irrespective of the number of previous births, and was equal to 20% of the *average wage*. In August 2003 the grant for a second birth was set at 6% of the *average wage*, and in January 2004 it was increased to 9% of the *average wage*. The grant is higher when two or more babies are born in the same birth: for twins, an amount equal to the *average wage*, and another 50% of the *average wage* for every additional baby.

**Maternity allowance** – designed to compensate working mothers for loss of pay during maternity leave, which she has to take in accordance with the Women's Labor Law. A working mother –



salaried employee, self-employed or professional trainee – is eligible for a maternity allowance when prior to the birth, insurance payments were paid for her in the periods set out in the law. Maternity allowance is paid for 7 or 14 weeks, according to qualifying period accrued until the time set by law (before the law was amended in May 2007, maternity allowance was paid for 6 or 12 weeks). Since November 1994, daily maternity allowances replace the full salary or average income per day the mother earned in the three months prior to taking leave from work (at the time of the birth or prior to it), and no more than the maximum amount set out in the law. Income tax and national and health insurance contributions are deducted from maternity allowances at source. A woman may receive maternity allowance prior to the estimated birth date, but for no more than half of the period for which the mother is eligible to receive the allowance. In certain conditions maternity leave may be extended by up to four weeks. From 1998 men who shared maternity leave with their partners are eligible for maternity allowance, on condition that the mother has returned to work. Migrant workers are also eligible for maternity allowance and birth grant, as long as they are residents of Israel.

**Childbirth allowance** – paid to a woman who gives birth to three or more children in the same delivery, who were live for the period set out in the law, and designed to help pay for costs. The allowance, paid monthly for 20 months, is based on the *basic amount*, and is gradually reduced during the period of eligibility.

**Risk pregnancy benefit** – paid to a working woman who, for health reasons related to pregnancy, is forced to stop working for at least 30 days and does not receive pay from her employer or any other body for that period. The qualifying period that determines eligibility for this benefit is identical to that which establishes eligibility for maternity allowance. Since 1995 the benefit has been the equivalent of the average salary of the woman in the three months prior to taking leave, and no more than 70% of the *average wage*. In 2000 the law was amended and the maximum amount that can be paid became the full *average wage*.

**Special allowance and special benefit** – paid when a woman dies during childbirth or within one year of giving birth: a monthly allowance paid for each baby born at that birth, and equal to 30% of the *average wage* over a period of 24 months. If a surviving relative or dependant's allowance is paid to the child, the allowance is paid for a period of only 12 months. A special benefit is paid to the deceased woman's husband if he stops work in order to take care of the child, at the rate of the work injury allowance, for up to 12 months. In 2007 this benefit was paid in 11 cases.

## B. Principal trends

In 2007 birth grants were paid out to about 148,000 mothers (Table 1) – an increase of about 3% compared with 2006, when the grant was paid to about 144,000 mothers. It should be noted that the number of births in the last two years is the highest since the law was passed.

About 45,000 births in 2006 were first births, about 40,000 were second births and about 63,000 were third or subsequent births<sup>1</sup>. The breakdown of births in order of birth, as presented in Table 2, indicates that the fertility rate has decreased over the years, as shown in the Box in this chapter. The Box shows test findings in NII administrative files, according to which fertility among women has decreased in all sectors.

In 2006 the decline in first births ended and there was a rise in third and subsequent births. According to Central Bureau of Statistics figures, the fertility rate, which had been in constant decline since the 1960's, rose for the first time in 2006: from 2.84 in 2005 to 2.88 in 2006.

The hospitalization grants paid in 2007 included about 2,400 grants for premature births. The decrease in the number of hospitalization grants for premature births, which began in 2004, stopped in 2007, when this number rose by about 2.5%.

About 88,000 women received a maternity allowance in 2007, compared with about 83,000 women in 2006 – a rise of about 6%. As a result, the number of women who received a maternity allowance out of those who received a birth grant rose from 58% in 2006 to around 60% in 2007.

The average age of women receiving a maternity allowance continued to rise in 2007 and reached around 30, as compared with 28.7 in 1988, and it is similar to the average age of women giving birth in the population at large.

About 96% of women who received a maternity allowance were salaried employees (compared with 91% of all women employed), and the remainder – 4% – were self-employed, kibbutz members or members of a cooperative settlement.

As expected, the fertility rates of the women who received a maternity allowance were lower than those of other women – 3 and 4 children, respectively.

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1 These estimates were made based on figures provided by the Central Bureau of Statistics for live births according to the child's position in the family.

Table 1  
**Women who Received Hospitalization Grant and Maternity Allowance (monthly average),  
 absolute numbers and percentages, 2000-2007**

Year	Received hospitalization grant		Received maternity allowance		
	Absolute numbers	Percentage of change	Total	% of all women who received hospitalization grant	Out of all employed women*
2000	134,720	8.5	70,641	52.4	70.0
2001	132,044	-2.0	71,176	53.9	68.8
2002	134,187	1.6	71,317	53.2	68.2
2003	142,363	6.1	73,948	51.9	69.3
2004	143,387	0.7	77,505	54.1	70.6
2005	142,890	-0.3	77,025	53.9	66.8
2006	143,688	0.6	83,285	58.0	70.0
2007	147,767	2.8	88,285	59.7	70.6

\* For 1,000 women. Source for employed women figure: Central Bureau of Statistics statistical yearbooks.

Table 2  
**Breakdown of Live Births, by Order of Birth, 2000-2007**

Year	Total	Order of birth (percentages)			
		1	2	3	+4
2000	100.0	30.1	25.8	18.0	26.0
2001	100.0	29.7	26.2	18.1	26.0
2002	100.0	29.5	26.2	18.1	26.3
2003	100.0	29.6	26.6	18.2	25.6
2004	100.0	29.9	26.8	18.4	25.0
2005	100.0	29.5	27.1	18.6	24.9
2006	100.0	29.2	27.4	19.0	24.4
2007	100.0	28.6	27.3	19.6	24.6

During 2007 the hospitalization grant was updated once, in January, according to the formula set out in the law, and according to the increment determined in the Economy Arrangements Law.

In 2007 there was an average nominal increase of 11.4% in the hospitalization grant for a normal birth and premature birth, compared with 2006. Due to the continued freezing of benefits, in 2007 the birth grant remained unchanged in nominal terms, but decreased by about 0.5% in real terms.

Table 3 shows that more than a third of women received daily maternity allowances of an amount equivalent to no more than half the average wage in the economy, and about a fifth received birth allowances of over the average wage.

**Table 3**  
**Recipients of Maternity Allowance, by Daily Allowance Level, as Percentage of Average Daily Wage (absolute numbers and percentages), 2000-2007**

Year	Total recipients (numbers)	Level of daily maternity allowance (%)				
		Up to 1/4 of average wage	1/4-1/2 of average wage	1/2-3/4 of average wage	3/4 to e full average wage	Over average wage
2000	70,641	7.4	29.9	28.5	16.1	18.1
2001	71,176	7.1	28.4	28.4	16.4	19.7
2002	71,377	6.9	26.5	28.6	17.1	21.0
2003	73,948	6.8	25.1	29.6	17.2	21.3
2004	77,505	7.9	26.6	29.0	16.6	19.8
2005	77,025	7.8	26.2	28.3	17.0	20.7
2006	83,285	8.7	28.2	28.1	15.4	19.6
2007	88,285	8.5	27.3	28.4	15.9	20.0

From 1995, the daily maternity allowance rose from 75% of the mother's salary to the full salary. As such, the amount of the maternity allowance represents the salary of working women of fertility age, and the breakdown of birth allowances as a percentage of the average wage matches the breakdown of the salary of women of these ages.

The amount of maternity allowances, similar to salaries, varies according to demographic and employment characteristics:

- The amount of the maternity allowance rises with the woman's age. The average maternity allowance in 2007 was NIS 194 a day, which is about 76% of the average wage. Women up to age 24 received a maternity allowance equivalent to about 41% of the average wage in the economy, while women aged over 35 received a maternity allowance close to the average wage.
- Maternity allowances paid in population centers in the center of the country were higher than those paid in the peripheral areas. The average daily maternity allowances paid in the Tel Aviv and Kfar Sava local branches, for example, were greater than the average wage, while allowances paid in the Bnei Barak and Nazareth branches were close to half the average wage.

### C. Scope of payments

Table 4 shows the amount of benefits paid under the National Insurance Law in the Maternity branch, according to type of benefit. The figures indicate that in 2007 there was a sharp increase in payments for all types of benefits, principally for maternity allowances. This followed an amendment to the law that came into force in May 2007, which extended the maternity allowance payment period from 12 weeks to 14 weeks, as mentioned above. Hospitalization grant payments also rose following an increment determined in the 2007 Economy Arrangements Law.

In 2007 payments of the maternity branch accounted for 6.7% of all national insurance payments, compared with 5.9% in 2006.

Table 4  
Payments for Maternity Benefits (2007 prices, NIS million), 2000-2007

Year	Total benefit payments	Hospitalization	Layette for the baby	Maternity allowance	Risk pregnancy
2000	2,358,182	988,136	209,517	1,096,998	53,829
2001	2,564,913	1,061,262	255,673	1,179,959	59,117
2002	2,532,669	1,029,687	247,788	1,188,436	57,667
2003	2,508,648	1,081,313	184,248	1,178,315	55,720
2004	2,519,433	1,096,621	130,518	1,226,848	55,722
2005	2,634,893	1,218,826	125,949	1,218,353	60,087
2006	2,832,170	1,280,723	137,275	1,328,347	74,050
2007	3,318,650	1,504,720	137,170	1,579,330	84,910

## Box 12

**Characteristics of Women Giving Birth, 1995-2007**

The number of childbirths in Israel has risen steadily, from 80,000 during the 1970's to 150,000 in 2007. This Box discusses the differences in the characteristics of women giving birth and the changes in fertility patterns between 1995 and 2007. The analysis is based on the NII child allowance administrative file (updated to March 2008).

Table 1 indicates that the rate of young women out of all women giving birth has decreased over the years, while the rate of women who gave birth at a relatively advanced age has increased: from an average of 28.6 in 1995 to 29.9 in 2007.

In order to examine whether this rise in the average age is uniform through all classes of the population, four cities of different socio-economic characteristics were selected: Tel Aviv and Kefar Sava – situated on the higher deciles and defined as secular; Rahat – an Arab city with a high poverty rate; and Bnei Brak – where the rate of poverty is also high and which is defined as Orthodox. A comparison among these cities indicates that the lowest average age of women giving birth is in Bnei Brak – 28.5, and Rahat nears this age – 29. The average age of women giving birth is the highest in Tel Aviv and Kefar Sava: 31.7 (Table 2).

A comparison between the years indicates that as opposed to other towns and to the country in whole, the average age of a woman giving birth in Bnei Brak is ever decreasing – from 29.2 in 1995 to 28.5 in 2007. In the three other cities the average age has gone up: from 30 in 1995 to 31.7 in 2007 in Tel Aviv and Kefar Sava, and from 24.5 to 29 in Rahat.

Table 1

**Women who Gave Birth, by Age and Year of Childbirth, 1995-2007**

Year	Total number of births		Age of woman at childbirth				Average age
	Absolute numbers	Percentages	Up to age 25	26-30	31-35	36+	
1995	120,232	100.0	33.1	31.3	22.1	13.6	28.6
1996	123,895	100.0	32.2	31.7	22.2	13.9	28.7
1997	125,980	100.0	31.1	32.2	22.8	13.9	28.8
1998	130,138	100.0	31.1	32.6	22.3	14.0	28.9
1999	130,631	100.0	30.3	33.0	22.6	14.0	28.9
2000	134,410	100.0	29.5	33.4	23.1	14.0	29.0
2001	134,405	100.0	28.8	33.3	23.8	14.1	29.1
2002	137,685	100.0	27.5	33.3	24.5	14.6	29.3
2003	141,964	100.0	26.7	33.4	25.2	14.7	29.4
2004	141,114	100.0	26.4	32.7	26.0	15.0	29.5
2005	140,345	100.0	25.5	32.6	26.5	15.4	29.6
2006	143,709	100.0	25.0	31.9	27.3	15.9	29.7
2007	143,357	100.0	23.7	31.5	28.4	16.5	29.9

Table 2  
Average Age of Women who Gave Birth, Selected Cities, 1995-2007

Year	Total	Rahat	Tel Aviv	Bnei Brak	Kefar Sava
1995	28.6	27.5	30.0	29.2	30.2
1996	28.7	27.7	30.2	29.3	30.6
1997	28.8	28.0	30.2	29.4	30.8
1998	28.9	28.1	30.4	29.4	30.3
1999	28.9	27.7	30.3	29.3	30.6
2000	29.0	28.2	30.5	29.2	30.6
2001	29.1	28.2	30.6	28.9	30.7
2002	29.3	28.4	30.7	29.0	30.9
2003	29.4	28.7	31.0	28.7	30.9
2004	29.5	28.7	31.3	28.7	31.3
2005	29.6	28.8	31.4	28.6	31.5
2006	29.7	28.9	31.6	28.5	31.4
2007	29.9	29.0	31.8	28.5	31.7

Table 3 points to a decrease in the rate of women who had 7 or more children, and an increase in the rate of women with two children. In total, the average number of children that a woman already had at childbirth decreased from 1.86 in 1995 to 1.81 in 2007, with slight fluctuations through the years.

A comparison among the four selected cities predictably indicates high fertility for women who gave birth in Rahat (four children) followed by Bnei Brak (three). In Tel Aviv and Kefar Sava the average number of children women already had at childbirth was one (Table 4). A steady decrease in the fertility of these women was found in all the cities.

Table 3  
Women who Gave Birth, by Number of Children and Year of Birth, 1995-2007

Year	Absolute numbers	Number of children the woman had prior to childbirth								Average number of children
		0	1	2	3	4	5	6	7	
1995	120,232	29.7	25.3	18.3	10.8	5.9	3.6	2.2	4.1	1.86
1996	123,895	30.2	25.4	18.3	10.5	5.8	3.5	2.2	4.1	1.84
1997	125,980	30.3	25.5	18.2	10.5	5.8	3.4	2.2	4.1	1.84
1998	130,138	30.3	25.8	18.1	10.3	5.9	3.4	2.1	4.1	1.83
1999	130,631	30.1	25.9	18.1	10.4	5.8	3.4	2.1	4.2	1.84
2000	134,410	30.2	25.8	18.0	10.4	5.9	3.5	2.2	4.2	1.85
2001	134,405	29.7	26.2	18.1	10.1	6.1	3.4	2.2	4.2	1.86
2002	137,685	29.5	26.2	18.1	10.2	5.9	3.6	2.2	4.3	1.87
2003	141,964	29.6	26.6	18.2	10.0	5.8	3.5	2.1	4.2	1.85
2004	141,114	29.9	26.8	18.4	9.8	5.5	3.5	2.1	4.1	1.83
2005	140,345	29.5	27.1	18.6	9.8	5.6	3.4	2.2	3.9	1.82
2006	143,709	29.2	27.4	19.0	9.8	5.5	3.2	2.0	3.9	1.80

Table 4  
Average Number of Children of Women who Gave Birth, Selected Cities, 1995-2007

Year	Total	Rahat	Tel Aviv	Bnei Brak	Kefar Sava
1995	1.86	4.22	1.16	3.48	1.15
1996	1.84	4.19	1.19	3.51	1.16
1997	1.84	4.26	1.13	3.56	1.19
1998	1.83	4.23	1.2	3.50	1.06
1999	1.84	4.01	1.11	3.48	1.13
2000	1.84	4.20	1.08	3.46	1.01
2001	1.85	4.11	1.13	3.36	0.99
2002	1.86	4.23	1.06	3.25	0.96
2003	1.87	4.16	1.04	3.17	0.98
2004	1.85	4.07	1.03	3.15	1.02
2005	1.83	4.05	0.98	3.09	0.95
2006	1.80	3.99	0.94	2.99	0.96
2007	1.81	3.85	0.93	3.02	1.01

Table 5 indicates a decrease in the rate of fertility through all age groups, aside from young women whose rate of fertility remained constant – 0.74. The most significant decrease was among women aged 31-35, whose fertility decreased by 18% through 1995-2007, as compared to a 10% decrease in other age groups.

A comparison of women aged 36 and over who gave birth among the selected cities shows that in Bnei Brak their fertility remains more or less constant through the years, even increasing in 2007. In other cities there was a decrease, and a particularly steep one in Rahat (Table 6).

Table 5  
Average Number of Children of Women who Gave Birth,  
by Age at Childbirth, 1995-2007

Year	Up to age 25	26-30	31-35	36+
1995	0.74	1.58	2.67	3.93
1996	0.73	1.53	2.60	3.92
1997	0.73	1.51	2.57	3.90
1998	0.74	1.50	2.56	3.90
1999	0.74	1.50	2.55	3.89
2000	0.74	1.49	2.50	3.97
2001	0.75	1.50	2.46	3.95
2002	0.74	1.50	2.42	3.94
2003	0.74	1.46	2.34	3.89
2004	0.74	1.43	2.31	3.78
2005	0.72	1.44	2.25	3.71
2006	0.72	1.41	2.20	3.59
2007	0.73	1.42	2.17	3.49



Table 6  
**Average Number of Children of Women Aged 36 and Over who Gave Birth, Selected Cities, 1995-2007**

Year	Total	Rahat	Tel Aviv	Bnei Brak	Kefar Sava
1995	3.93	9.24	1.83	6.88	2.12
1996	3.92	8.90	1.95	6.89	2.07
1997	3.90	9.24	1.73	6.97	2.13
1998	3.90	8.95	1.95	7.01	2.00
1999	3.89	9.05	1.83	6.94	2.23
2000	3.97	9.24	1.75	7.13	2.01
2001	3.95	9.34	1.78	7.12	1.93
2002	3.94	9.67	1.72	6.96	1.97
2003	3.89	9.04	1.62	7.00	1.93
2004	3.78	8.87	1.57	6.97	1.90
2005	3.71	9.09	1.53	6.90	1.71
2006	3.59	8.97	1.44	6.85	1.70
2007	3.49	8.60	1.48	7.41	1.90

## 6. General Disability Insurance

### A. General

The following benefits are paid under law in the framework of General Disability Insurance:

- A. *Disability pension*, designed to secure minimum income for subsistence to persons with disabilities;
- B. *Attendance allowance*, designed to aid such persons with functioning in the home;
- C. *Benefit for disabled child*, designed to aid families who tend to their disabled child at home;
- D. *Mobility benefit*, designed to aid persons with disabilities with mobility outside the home.

In addition to these benefits, the law grants eligibility for rehabilitation to those disabled persons who have rehabilitative potential, in order to help them integrate into the labor market. Since 1994, benefits have been paid to radiation-affected persons and since 2007, to poliomyelitis-affected persons as well.

#### 1. Disability pension

Under Disability Insurance distinction is made between two major groups, *earners* and *disabled housewives*, with different conditions of entitlement for the two different groups.

**Earner:** an insured person who as a result of a physical, cognitive, or mental impairment stemming from an illness, accident, or birth defect meets one of the following conditions: (a) lacks the capacity to earn a living from work or vocation and does not earn an amount that exceeds 25% of the *average wage*<sup>1</sup>; or (b) his capacity to earn a living from work or vocation as well as actual earnings were reduced by at least 50% as a result of the impairment.

**Housewife:** a married woman who did not work outside her household during periods defined under the law and who as a result of a physical, cognitive or mental impairment stemming from an illness, accident, or birth defect lacks the capacity to function and carry out household chores or whose capacity to carry them out has been reduced by at least 50%.

The process of determining an *earner's* or *housewife's* entitlement to disability pension has two stages. During the first stage, a physician on behalf of the NII determines the degree of medical disability. The entitlement to pension is examined only regarding an *earner* for whom a medical disability degree of at least 60% is determined (unless there is at least one impairment for which the medical disability degree is at least 25%, in which case a medical disability degree of only 40%

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1 The term *average wage*, when used by itself, refers to the average wage according to the National Insurance Law. It is calculated according to a method determined in this law on January 1<sup>st</sup> of every year, and afterwards each time that a compensation is paid to employed workers for price rises.

is required) and regarding a *housewife* for whom a medical disability degree of at least 50% is determined. The claim of a person for whom a lower medical disability is determined is rejected forthwith and his capacity to earn or function in the household is not examined.

Once the medical disability degree is determined, the claims officer determines the degree of incapacity to earn or function, after consulting the authorized physician and the rehabilitation officer. In certain conditions the discretion of the rehabilitation officer regarding the incapacity degree may be influenced by other factors such as the rate of unemployment in the area where the disabled person resides. The rate of pension paid to a disabled person with a full incapacity degree is determined by law at 26.75% of the *basic amount*<sup>2</sup>.

In 2002, after a nationwide strike of persons with disabilities in Israel, an *additional monthly pension* was added for disabled persons with an incapacity degree of at least 75% who are not hospitalized and whose medical disability degree is at least 50%. The rate of this payment varies in accordance with the degree of medical disability, ranging from NIS 214 to NIS 316 per month.

## 2. Attendance allowance

Under the Attendance Allowance for The Disabled regulations, a special benefit is paid to disability pension recipients whose medical disability is at least 60% and who are dependant to a large extent on the help of others in order to carry out daily activities. The benefit has three levels according to the extent of dependency on the help of others: 50%, 100%, and 150% of the full disability pension for a single individual, which stands at 25% of the *basic amount*.

After the 2002 strike, the law was supplemented with a *special benefit* to those eligible for an attendance allowance and who suffer from a particularly severe disability. This benefit too varies in accordance with the degree of dependency on others, ranging from NIS 253 to NIS 769 per month.

## 3. Benefit for disabled child

This benefit is designed to aid families that care for their disabled children to bear the difficult burden of personal treatment and long-term care, or any other treatment intended to better the child's functional capacity. The legislator further aimed to encourage families to care for these children within the home and the community.

A child is eligible for a *benefit for disabled child* if he meets all the following conditions:

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2 The *basic amount* is the amount according to which most of the benefits are calculated as of January 2006.

- a. He is dependant on the help of others, or requires constant supervision, or suffers from a special impairment (such as regression in hearing or in eyesight and Down syndrome), or is in need of medical treatments as set forth in the regulations (detailed below).
- b. He is the child of an insured person who is an Israeli resident (or of an insured person who died while a resident); or he is a new immigrant who immigrated without his parents.
- c. He is present in Israel.
- d. He is not being kept with a foster family or in an institution.

Five groups of children are eligible for a *benefit for disabled child*:

1. **A child between 90 days and 3 years old who suffers from severe development inhibition:** can not perform most actions or movements of the head, limbs, and back that children of his age are capable of.
2. **A child between 90 days and 18 years old who requires constant supervision** in order to prevent a life-threatening situation to himself or to others.
3. **A child between 3 and 18 years old who is depended on the help of others to a greater extent than other children in his age group** in order to perform daily activities (dressing, eating, bathing, mobility at home and control over excretions), or who requires the constant attendance of others as a result of an impairment, illness or impaired comprehension of immediate risk factors.
4. **A child up to age 18 who suffers one of the following impairments:** hearing impairment (since the day of birth); eyesight impairment (since the age of 90 days); psychosis; autism or similar psychiatric conditions (since the age of 90 days); Down's Syndrome (since the day of birth).
5. **A child between 90 days and 18 years old who requires medical treatment** due to a difficult chronic illness, at the frequency prescribed in the regulations.

The amount of the benefit is determined as a percentage of the full disability pension for a single individual for all types of impairments. The benefit includes payment for special arrangements and payment for assistance in education or developmental treatment, which varies according to the child's age and the type of treatment or supervision he receives (Under changes to the regulations in August 2002, the benefit is no longer reduced as a result of the child's maturation. Until then, there were situations wherein the benefit was reduced by virtue of changing age only, without any change in the disabled child's health condition).

A family of two or more disabled children is entitled to a benefit increased by 50% for each of the disabled children, even if one of the children stops receiving benefit upon reaching the age of 18. Beginning in November 1999, a disabled child with a mobility limitation of at least 80% or who

requires and uses a wheelchair may receive the *benefit for disabled child* and the *mobility allowance* at the same time.

Following the 2002 strike, an *additional monthly benefit* of NIS 308 was added for a disabled child whose benefit is at a rate of at least 100%.

#### **4. Benefits to persons with limited mobility**

The following payments are made to persons with limited mobility: (a) *mobility allowance* to both car-owners and non car-owners, provided as participation in travel expenses; (b) a *non-recourse loan* for financing taxes on cars. For the first-time purchaser of a car, further assistance is extended – a loan or grant for partial financing of the car, subject to a means test.

The *mobility allowance* is calculated on the basis of a "vehicles' maintenance basket" comprising the costs of insurance, fuel, car service (rates of labor hours in garages), and car repairs according to the repairs index of the Central Bureau of Statistics. The *mobility allowance* is updated by the actual change of cost to these components in the basket. Beginning in October 2000, further components were incorporated into the "vehicles' maintenance basket", such as fortification and repairs to special accessories. In January 2001 it was decided that the allowance shall be updated on the basis of price increases as reflected in the General Price Index in January of each year and whenever the increase rate reaches 4% or over.

#### **5. Payments to radiation-affected persons**

In 1994 the Radiation-Affected Persons Law was legislated, whereby radiation-affected persons are eligible for payments of benefits through the National Insurance Institute (persons who fell ill with Tinea Capitis – Ringworm of the Scalp – were given radiation treatments between January 1, 1946 and December 31, 1960 by the State, the Jewish Agency, the sick funds, or the Hadassah Medical Organization, or on their behalf).

An injured person under this law is one in respect of who the experts' committee determined that he was given radiation treatment, and a medical committee or an appeals medical committee determined that he was stricken with an illness as a result thereof. The illnesses set forth in the table appended to this law are: cancer diseases in the head and neck, benign tumors in the brain, leukemia, and lack of hair in areas of scar tissues on the scalp.

The payments to which radiation-affected persons – and the surviving relatives of persons who died as a result of the disease – are entitled to are as follows:

##### **Payments to affected persons:**

1. A *lump-sum compensation* of NIS 158,812 is paid to persons with a disability degree of 70%-100% (in December 2007), and of NIS 79,406 to persons with a disability degree of 40%-74%.

2. A *monthly pension*, in addition to the lump-sum compensation, is paid to a person with a medical disability degree of at least 40%. To a person whose medical disability degree is 100%, the amount of pension is 25% of the wage prescribed under the law (NIS 1,884).
3. A *lump-sum grant* is paid to a person with a medical disability of 5% to 40%, calculated as a percentage of the monthly pension (on the basis of his medical disability degree) multiplied by 70.

**Survivors' grant:**

A spouse with children – 36 pensions at a rate of 25% of the *basic amount* (NIS 67,824).

A spouse who does not have children or a child without an eligible spouse – 60% of 36 pensions at a rate of 25% of the *basic amount* (NIS 40,694).

Box 13

### **Polio-affected Persons Who Received Benefits in 2007**

In March 2007, the Knesset passed the Polio-affected Persons Compensation Law to compensate persons who were inflicted in Israel with poliomyelitis, and thus expressed the obligation of the State towards them. The benefits granted to polio-affected persons under the law shall not derogate from the rights of these persons to receive other benefits from the National Insurance Institute.

A polio-affected person is defined in the law as an Israeli resident who was struck with poliomyelitis, as a result of which he became disabled, according to a physician or an appellate medical committee. The polio disease also includes future aggravation (post-poliomyelitis syndrome). Most cases occurred in Israel in the early 1950's, but a number of other cases are known to have manifested in later years.

1,800 persons received benefits under this law in 2007. 44% of these had a disability degree of 75%-94% and they received a lump-sum compensation to the amount of NIS 100,000; 33% had a disability degree of at 95% or over and they received compensation to the amount of NIS 120,000; and the remainder received compensation to the amount of NIS 50,000 (had a disability degree of up to 75%). The rate of the average monthly pension (paid to those with a disability degree of 20% or over) was NIS 3,075 and the average grant (paid to those with a disability degree under 20%) totaled NIS 37,260.

The absolute majority of polio-affected persons (92%) receive at least one benefit in addition to their benefits under the Polio-affected Persons Compensation Law. Of these, 46% receive one additional benefit and 29% receive two additional benefits (see table below).

### Benefit Recipients under the Polio-affected Persons Compensation Law, by Additional Benefit, December 30, 2007

Number of benefits	Type of benefit	Number of recipients	Average pension for polio-affected persons (NIS)	Average general disability pension (NIS)	Average attendance allowance (NIS)	Average mobility allowance (NIS)
Total (pension or grant)	Polio-affected persons	<b>1,805</b>	3,075			
Polio-affected persons only	Polio-affected persons	<b>147</b>	1,992			
Polio-affected persons + one benefit	<b>Total</b>	<b>824</b>	2,865			
	Polio + general disability	137	2,332	2,111		
	Polio + attendance	5	3,399		2,556	
	Polio + mobility	682	2,968			1,683
Polio-affected persons + two benefits	<b>Total</b>	<b>519</b>	3,235			
	Polio + general disability + attendance	31	2,819	2,199	1,685	
	Polio + general disability + mobility	353	3,098	2,281		1,676
	Polio + mobility + attendance	135	3,691		2,201	2,973
Polio-affected persons + three benefits	Polio + general disability + attendance + mobility	<b>315</b>	3,659	2,347	2,345	3,022

It is worthy of note that 27% of polio-affected persons who receive also a general disability pension and/or an attendance allowance – work. This rate is relatively high compared to that of general disability pension and/or attendance allowance recipients, among whom the rate of workers is 10%.

82% of polio-affected persons who received benefits in 2007 received also a mobility allowance. A comparison with all mobility allowance recipients shows that the group of persons who drive themselves is particularly large among polio-affected persons (94% as compared to 62% of total mobility allowance recipients). Distribution by type of vehicle indicates that 69% use a medium-size vehicle – constituting 37% of total mobility allowance recipients.



## B. Recipients of disability benefits

In 2007 a monthly average of 188,000 persons received disability benefits, representing an estimated 4.6% of the population at the eligible age (from 18 until the retirement age). In this year the number of general disability pension recipients increased by 5.2%.

Table 1  
**Recipients of General Disability Pension, Attendance Allowance, Benefit for Disabled Child and Mobility Allowance (monthly average), 2001-2007**

Year	Disability pension	Attendance allowance	Benefit for disabled child	Mobility allowance
<b>Absolute numbers</b>				
2001	142,440	18,878	16,441	19,318
2002	150,512	20,614	17,510	20,901
2003	157,287	21,660	18,360	22,310
2004	162,382	22,701	19,540	23,524
2005	170,861	24,044	20,955	24,903
2006	178,263	25,648	22,208	26,078
2007	187,525	27,424	23,810	27,306
<b>Rates of change</b>				
2001	5.2	1.4	7.6	15.0
2002	5.7	9.2	6.5	8.2
2003	4.5	5.1	4.9	6.7
2004	3.2	4.8	6.4	5.4
2005	5.2	5.9	7.2	5.9
2006	4.3	6.7	6.0	4.7
2007	5.2	6.9	7.2	4.7

This increase is higher than that of 2001-2006 (4.7% on average). It should be noted that the increase in the number of recipients stems, inter alia, from the raising the age of retirement to 66 and 4 months for men and to 61 and 4 months for women. At the end of 2007, 4,900 women aged 60 and over and 4,100 men aged 65 and over (in total – 4.7% of all pension recipients at the time) received a disability pension. The new pension recipients in 2007 constituted 8% of all disabled persons over 60/65.

A similar trend is apparent among the recipients of *benefit for disabled child* and of *attendance allowance*. The number of the former reached 24,000 in 2007 – an increase of 7.2% in comparison to the preceding year, while the number of the latter reached 27,000 – a 6.9% increase. On the other hand, the rate of increase in recipients of *mobility allowance* remained as in 2006: 4.7%. It is worthy of note that since 2001, when legislative changes expanded the benefits to persons with limited mobility, the rate of increase of recipients of this benefit is steadily declining: from 15% in 2001 to 2.7% in 2007. It is plausible to assume that the above legislative changes were exhausted among those whose mobility is restricted.

Table 2  
**Benefit Recipients, by Type of Benefit, December 2007**

Number of benefits	Type of benefit	Number of recipients
<b>Total</b>	<b>General disability</b>	<b>189,146</b>
One benefit only	Attendance allowance	28,233
	Mobility	27,964
	Disabled child	24,353
	Disability only	160,612
Two benefits	Attendance allowance only	5,335
	Mobility only	10,339
	Disabled child only	20,891
	Disability + attendance allowance	15,493
Three benefits	Disability + mobility	6,810
	Attendance allowance + mobility	1,229
	Disabled child + mobility	3,462
	Disability + attendance allowance + mobility	6,176

Since November 1999, a disabled person who meets all the required conditions may receive more than a single benefit for the same period. In December 2007 there were 6,176 disabled persons who received three benefits simultaneously – disability pension, attendance allowance and mobility allowance – and 26,994 disabled persons who received two benefits simultaneously (the possible combinations are featured in Table 2).

### C. General disability pension

The number of disability pension recipients reached 189,146 in December 2007 (4.6% of the population) – an increase of 4.1% in comparison to December 2006. This rate of increase is within the average range of recent years, yet higher than the growth of the general population at the relevant ages.

Table 3, which features the distribution of recipients by gender and marital status, shows that 49% of the disability pension recipients are married, and that the rate of marriage is greater among men than among women who receive a pension as *earners* (52% as compared to 32% respectively). It is of note that more than 20% of the women receive a pension as *housewives*, i.e., their eligibility is conditional on their being married.

Table 3  
**Recipients of General Disability Pension, by Gender and Marital Status,  
 December 2007**

	Total		Rate of married
	Numbers	Percentages	
<b>Total</b>	<b>189,146</b>	<b>100.0</b>	<b>48.6</b>
Men	108,197	57.2	51.2
Earning women	64,132	33.9	31.8
Housewives	16,817	8.9	100.0

Table 4 features the total number of persons receiving a disability pension by type of impairment. All impairments of the disabled person are taken into account when determining the medical disability degree, and the impairment which imparts the highest degree is defined as the chief impairment. In reference to the chief impairment of the disabled, it is evident that mental impairments are the most common. The mental impairment can be divided into two groups in adherence to the existing sections of impairment: section 33 – the psychotic disorders, and section 34 – the psychoneurotic impairments. In general, it is possible to say that the psychotic disorders are usually severe functional disorders of a prolonged to chronic nature. Among those who suffer a mental impairment, this is the larger group. Following the mental impairments, the internal impairments appear in the order of incidence.

The distribution of impairments by gender indicates that the rate of mental retardation among housewives is lower than the average (3.1% as opposed to 13.6% with earning women and 10.4% with men). There is a fairly high rate of married women who suffer from an internal impairment – 29% as compared to 24.8% among all of pension recipients. The locomotoric impairment as well appears in a fairly high incidence rate with housewives (13.8% as compared to 6.3% with men).

Table 4  
**Recipients of Disability Pension, by Gender and Chief Impairment  
 (numbers and percentages), December 2007**

Chief impairment	Total		Gender		
	Absolute numbers	Percentages	Men	Earning women	Housewives
<b>Total - Numbers</b>	<b>189,146</b>		<b>108,197</b>	<b>64,132</b>	<b>16,817</b>
<b>Percentages</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Mental – total	60,389	31.9	32.7	31.9	26.8
Psychotic disorders	38,101	20.1	21.1	19.0	18.0
Psychoneurotic disorders	22,288	11.8	11.6	12.9	8.8
Internal	46,882	24.8	27.0	19.9	29.0
Mental retardation	20,565	10.9	10.4	13.6	3.1
Neurology	23,529	12.4	12.2	12.2	13.2
Eyesight	10,188	5.4	5.3	5.2	7.0
Locomotoric	15,135	8.0	6.3	9.3	13.8
Urogenital	5,945	3.1	2.5	3.7	4.9
Hearing	3,719	2.0	1.8	2.3	1.4
Other	2,794	1.5	1.5	1.7	0.9

Table 5 features the distribution of disability pension recipients by degree of incapacity and chief impairment. Most of the disabled persons (81%) have a full degree of incapacity and 11% – a 60% degree of incapacity.

An examination of impairments by degree of incapacity shows that among persons with an incapacity degree of 100%, those with a mental impairment represent 36% as opposed to 12%, and 20% among persons with low incapacity degrees (60% and 65%, respectively). In contrast, persons with the locomotoric impairment constitute only 6% of the total number of disabled persons with a full incapacity degree and 16% of those with lower incapacity degrees. These differences reflect the ability of disabled persons with various disabilities to integrate into the labor market. It is worthy to note that those with an internal impairment constitute 45% of all those with an incapacity degree of 60% and only 21% of all those with a full degree of incapacity.

Table 5  
**Recipients of Disability Pension, by Degree of Incapacity and Chief Impairment  
 (numbers and percentages), December 2007**

Chief Impairment	Total	Degree of incapacity			
		60	65	74	100
<b>Total - Numbers</b>	<b>189,646</b>	<b>21,526</b>	<b>10,908</b>	<b>2,521</b>	<b>154,191</b>
<b>Percentages</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Mental – psychotic disorders	20.1	3.7	10.0	15.7	23.2
– psychoneurotic disorders	11.8	7.8	9.8	10.1	12.5
Internal	24.8	45.3	39.3	30.3	20.8
Mental retardation	10.9	1.4	2.0	2.9	13.0
Neurology	12.4	9.3	10.4	13.7	13.0
Eyesight	5.4	5.3	5.2	7.1	5.4
Locomotoric	8.0	16.0	15.4	14.4	6.3
Urogenital	3.1	5.5	4.5	3.5	2.7
Hearing	2.0	4.3	2.4	1.2	1.6
Other	1.5	1.4	1.2	1.3	1.5

The average disability pension in 2007 was NIS 2,394 per month – a slight real decrease (0.7%) as compared to 2006.

Table 6  
**Average Monthly Disability Pension, in Current Prices, in 2007 Prices  
 and as a Percentage of Average Wage, 2001-2007**

Year	Current prices	2007 prices	Percentage of average wage
2001	2,193.0	2,417.6	31.0
2002	2,219.0	2,314.2	31.5
2003*	2,325.0	2,408.0	33.9
2004	2,352.0	2,445.7	33.4
2005	2,340.0	2,402.0	32.4
2006	2,398.0	2,410.9	32.1
2007	2,394.0	2,394.0	31.4

\* Beginning in 2003, the payments include the amounts paid for the *additional monthly pension*, introduced following the amendment to the law effected thereafter the strike of the disabled.

#### D. Attendance allowance

28,233 persons received an attendance allowance in December 2007 – 7.1% more than in December 2006. 77% of these were also eligible for a disability pension, 4% were not eligible for a disability pension due to their incomes, and an additional 19% – due to their being over the age of eligibility (61 and 4 months for a woman; 66 and 4 months for a man). 6,176 disabled persons received a mobility allowance in addition to the disability pension and attendance allowance.

Table 7, which features the distribution of attendance allowance recipients by type of recipient and eligibility level, shows that there are hardly any differences among the different groups of eligible persons in eligibility levels, aside from those who are not eligible for a disability pension due to their incomes from work. Within this group, persons with an eligibility level of 50% carry a greater weight.

Table 7  
**Recipients of Attendance Allowance, by Type of Recipient and Eligibility Level  
(absolute numbers and percentages), December 2007**

	Total		Eligibility level		
	Numbers	Percentages	50%	100%	150%
<b>Total</b>	<b>28,233</b>	<b>100.0</b>	<b>52.1</b>	<b>27.5</b>	<b>20.4</b>
Recipients of attendance allowance and general disability	21,669	100.0	51.6	27.2	21.2
Recipients of special attendance allowance	1,280	100.0	56.5	27.0	16.5
Elderly recipients of attendance allowance	5,284	100.0	53.1	28.8	18.1

Table 8 features the distribution of disability pension and attendance allowance recipients, and among these, the recipients of attendance allowance coupled with mobility, sorted by the type of chief impairment. Differences may be found among the different groups. For example, persons with a neurological impairment constitute 12% of disability pension recipients, 36% of attendance allowance recipients and 72% of attendance allowance + mobility recipients. Persons with internal impairments, who constitute about a quarter of disability pension recipients and 21% of attendance allowance recipients, constitute only 9% of special attendance allowance + mobility allowance recipients. A similar trend, albeit sharper, was observed among persons with mental impairments (32% of recipients of disability pension as compared to 1.5% of recipients of mobility allowance).

Table 8

### Recipients of Disability Pension, Attendance Allowance, and Attendance Allowance plus Mobility, by Chief Impairment, December 2007

Chief impairment	Total number of disability pension recipients	Recipients of attendance allowance	Recipients of attendance allowance and mobility
<b>Total – Numbers</b>	<b>189,146</b>	<b>28,233</b>	<b>6,754</b>
<b>Percentages</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Internal	24.8	21.4	8.7
Urogenital	3.1	8.0	1.3
Neurological	12.4	35.6	72.3
Mental	31.9	7.6	1.5
Locomotoric	8.0	8.4	9.5
Eyesight	5.4	8.4	1.7
Mental retardation	10.9	9.9	4.8
Hearing	2.0	0.3	0.1
Other	1.5	0.4	0.1

Table 9

### Rate of Attendance Allowance (monthly average), in Current Prices, in 2007 Prices, and as Percentage of Average Wage, 2001-2007

Year	Current prices	2007 prices	Percentage of average wage
2001	1,522.5	1,678.9	21.5
2002	1,533.0	1,598.9	21.8
2003	1,853.0	1,919.2	27.0
2004	1,855.7	1,868.0	26.4
2005	1,869.1	1,918.3	25.9
2006	1,932.7	1,943.1	25.9
2007	1,947.0	1,947.0	25.5

The average attendance allowance (including the special benefit for one who suffers from a particularly severe disability) was NIS 1,947 per month in 2007: it went up slightly – by 0.2% in real terms – since 2006, but went down in terms of the average wage: from 25.9% in 2006 to 25.5% in 2007. This change emanates from the fact that beginning in January 2006 NII benefits are linked to the *basic amount* and not to the *average wage*.

#### E. Benefit for disabled child

An average of 23,810 children per month received a *benefit for disabled child* in 2007 – an increase of 7.2% from 2006. Table 10 shows most of such children (67%) are over the age of eight and 8% are under three. 73% of the recipients received a benefit at a rate of 100% (a benefit

equivalent to a full disability pension for a single individual) or over and 16% received a benefit at a 50% rate. Out of all disabled children who received a benefit in December 2007, 3,541 received the *additional monthly pension* due to there being more than one disabled child in their family. It should be noted that in 2007 as well, this group grew at a greater rate than that of the total number of recipients of *benefit for disabled child* (10.4% and 7.2%, respectively).

Table 10  
**Recipients of Benefit for Disabled Child (monthly average), by Age, 2001-2007**

Year	Total	Age		
		Up to 3	3-8	8-18
2001	16,440	1,500	4,047	10,893
2002	17,510	1,545	4,290	11,675
2003	18,360	1,465	4,576	12,672
2004	19,540	1,584	4,863	13,093
2005	20,955	1,708	5,202	14,045
2006	22,208	1,812	5,478	14,918
2007	23,810	1,898	5,847	16,065

The eligibility for a *benefit for disabled child*, unlike eligibility for *disability pension* or for *mobility allowance*, is not determined by the impairment clauses, but rather by the child's functional gamut. Table F/4 in the Appendix of Tables sets forth the recipients of *benefit for disabled child* in December 2007 by cause and by the child's age, while making a distinction between children who study and those who do not. It is evident from this table that 41% of the children who are eligible for a benefit are thereby eligible by virtue of their dependency on others, about 17% suffer from PDD (pervasive developmental disorders) and 21% are eligible for benefit by virtue of a sensory disability (hearing or eyesight).

The *benefit for disabled child* is calculated as a percentage of the full disability pension for a single individual. In 2007 the average benefit was NIS 1,893 per month, down slightly in real terms from 2006 (by 0.7%).



Table 11  
**Rate of Benefit for Disabled Child, as Monthly Average, in Current Prices,  
 in 2007 prices, and as Percentage of Average Wage, 2001-2007**

Year	Current prices	2007 prices	Percentage of average wage
2001	1,462.3	1,509.0	20.6
2002	1,488.5	1,552.4	21.1
2003	1,798.4	1,862.6	26.2
2004	1,809.1	1,881.2	25.7
2005	1,802.0	1,849.7	25.6
2006	1,842.0	1,851.9	24.6
2007	1,838.9	1,838.9	24.1

Beginning in 2003 the benefit includes the *additional monthly pension*.

## F. Mobility allowance

The number of mobility allowance recipients increased from 26,078 in 2006 to 27,306 as monthly average in 2007 – an increase of 4.7%. Table 12 features the distribution of mobility allowance recipients in December 2007 by age and earning status. 15% are adults over 65 (the majority of whom are not earners) and 13% are children (under age 18). The trend of reduction in the rate of earners in favor of the non-earners continued in 2007: 20% in 2007 compared to 21% in 2006.

Table 12  
**Recipients of Mobility Allowance, by Earning Status and Age,  
 December 2007**

Age group	Total		Earner		Non-earner	
	Numbers	Percentages	Numbers	Percentages	Numbers	Percentages
<b>Total</b>	<b>27,964</b>	<b>100.0</b>	<b>5,665</b>	<b>100.0</b>	<b>22,299</b>	<b>100.0</b>
3-18	3,690	13.2	0	0	3,690	16.5
18-35	4,058	14.5	536	9.5	3,522	15.8
35-44	2,960	10.6	757	13.4	2,203	9.9
45-54	5,245	18.8	1,764	31.1	3,481	15.6
55-64	7,715	27.6	2,183	38.5	5,532	24.8
65+	4,296	15.3	425	7.5	3,871	17.4

Table 13 shows the distribution of mobility allowance recipients by age and by whether they drive a car, as well as those who do not own a car. The table shows that 42% of those who do not have a car and 29% of those who do not drive are children (up to the age of 18). Among those who drive themselves, the weight of the 45-64 age group is fairly high. The elderly of 65 and over represent 15% (21% among those who drive and 8% among those who do not drive). In this context it is of

note that since 2002 the eligibility for continued benefit to persons who reach the age of 65 is no longer conditional on their having a valid driving license, and thus the category of persons aged 65 and over who do not own a car and who do not drive is fairly new.

Table 13  
**Recipients of Mobility Allowance, by Driving Status and Age,  
(absolute numbers and percentages), December 2007**

Age group	Total		Driving		Not driving		Does not own a car	
	Numbers	Percentages	Numbers	Percentages	Numbers	Percentages	Numbers	Percentages
<b>Total</b>	<b>27,964</b>	<b>100.0</b>	<b>17,185</b>	<b>100.0</b>	<b>6,234</b>	<b>100.0</b>	<b>4,545</b>	<b>100.0</b>
3-18	3,690	13.2	3	0.0	1,802	28.9	1,885	41.5
18-34	4,058	14.5	1,752	10.2	1,623	26.1	683	15.0
35-44	2,960	10.6	2,019	11.8	550	8.8	391	8.6
45-54	5,245	18.8	3,998	23.3	693	11.1	554	12.2
55-64	7,715	27.6	5,813	33.8	1,080	17.3	822	18.1
65+	4,296	15.3	3,600	20.9	486	7.8	210	4.6

Table 14 features the distribution of mobility allowance recipients by characteristics of their driving in December of each of years 2002 to 2007. This table indicates that the group of non-drivers constitutes 37% of all recipients of mobility allowance, while the group of those who drive themselves constitutes 63%. This distribution between drivers and non-drivers remained as it was in 2006. The weight of those who do not own a car also remained as it was in 2006, after a rapid growth that characterized this group in the early 2000's.

57% of the drivers own a medium-size car (1,300 to 1,799 cc), 37% own a smaller car and the remainder own a big car. There has been a significant increase in the rate of car-owners whose car is over 2,000 cc., mainly due to the expanded use of vans. In 1999, 219 mobility allowance recipients owned a van; in 2001– up to 640; and in December 2007 – 3,551 recipients.

Table 14  
**Recipients of Mobility Allowance, by Driving Status (absolute numbers),  
December 2002 - December 2007**

	2002	2003	2004	2005	2006	2007
<b>Total</b>	<b>21,493</b>	<b>22,785</b>	<b>24,243</b>	<b>25,491</b>	<b>26,619</b>	<b>27,964</b>
Driving	14,519	15,072	15,761	16,041	16,808	17,493
Not driving	6,974	7,713	8,482	9,550	9,811	10,471
Thereof: persons who do not own a car	3,697	3,817	4,028	4,213	4,373	4,545

The average mobility allowance in 2007 was NIS 1,533.6 more than in 2006 in real terms.

Table 15  
**Average Monthly Mobility Allowance,  
 in Current Prices and in 2007 Prices, 2001-2007**

Year	Current prices	2007 prices
2001	1,284.0	1,415.4
2002	1,353.4	1,411.5
2003	1,440.9	1,492.3
2004	1,461.0	1,519.3
2005	1,481.0	1,520.3
2006	1,513.3	1,521.5
2007	1,533.6	1,533.6

### G. Radiation-affected persons' benefit

3,351 radiation-affected persons received benefit in December 2007 – 6.0% more than in December 2006. Table 16 indicates that all these benefit recipients are 45 or older, that women constitute 61% of all recipients and that the men are slightly older than the women.

Table 16  
**Radiation-affected Benefit Recipients, by Gender and Age, December 2007**

Gender	Total	Age		
		45-54	55-60	60+
<b>Total numbers</b>	<b>3,451</b>	<b>287</b>	<b>949</b>	<b>2,115</b>
Thereof: women (Percentages)	61.0	66.9	64.1	58.9

Table 17  
**Radiation-affected Benefit Recipients, by Chief Impairment and Degree of Medical Disability, December 2007**

Chief impairment	Total	Degree of medical disability					
		40-49	50-59	60-69	70-79	80-89	90-100
<b>Total - Numbers</b>	<b>3,351</b>	<b>1,478</b>	<b>687</b>	<b>476</b>	<b>286</b>	<b>191</b>	<b>233</b>
<b>Percentages</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Internal	14.1	3.9	11.1	22.3	26.9	26.7	45.1
Neurological	10.6	2.8	9.3	14.7	17.5	32.5	29.6
Mental	25.4	27.9	31.0	24.0	21.0	17.8	7.3
Scars, diseases, and skin injuries	33.5	44.4	36.2	29.0	19.6	10.0	2.2
Other*	16.4	21.6	12.4	10.0	15.0	13.0	15.8

\* Including locomotor impairments, eyesight, mental retardation, hearing, etc.

Table 17 indicates that 44% of persons who receive the pension have a medical disability degree of 40%-49% and that an additional 21% have a medical disability degree of 50%-59%. 34% suffer from skin problems and an additional 25% suffer from mental problems. Among the most severely disabled (a medical disability degree of 90%-100%) 75% suffer from internal or neurological problems.

25% of radiation-affected benefit recipients receive at least one additional benefit at least, as we can learn from Table 18.

Table 18  
**Radiation-affected Benefit Recipients by Type of Additional Benefit,  
December 2007**

Number of additional benefits	Type of benefit	Number of recipients
<b>Total</b>	<b>Ringworm</b>	<b>3,351</b>
Do not receive an additional benefit		2,523
One additional benefit	General disability	568
	Attendance allowance	62
	Mobility	31
Two additional benefits	General disability and attendance allowance	83
	General disability and mobility	34
	Attendance allowance and mobility	12
Three additional benefits	General disability, attendance allowance and mobility	38

The average benefit was NIS 1,084 in December 2007 – an increase of 1.4% in real terms in comparison to 2006.

## H. Scope of payments

NIS 8.8 billion were paid in the disability branch in 2007, 7.6% more in real terms than the amount paid in 2006.

Table 19  
**Total Disability Branch Payments and Their Portion out of Total NII Benefits,  
 2001-2007**

Year	NIS million (2007 prices)	Real annual growth rate (percentages)	Percentage of the branch's benefit payments out of all benefit payments
2001	6,522.9	18.0	13.4
2002	7,102.3	8.9	14.9
2003	7,321.6	3.1	16.4
2004	7,390.7	0.9	17.2
2005	7,697.9	4.2	18.0
2006	8,144.3	5.8	18.3
2007	8,765.4	7.6	19.2

Table 19 shows that the percentage of disability branch benefit payments out of all benefit payments grew steadily since 2001, reaching 19.2% in 2007. The reason for this growth is that the branch's benefit payments were not reduced during this period and they even went up due to improved benefits to the disabled as a result of their strike. On the other hand, there were substantial cutbacks in recent years in some of the other branches (such as Children, Unemployment and Income Support).

Table 20  
**Payments of Disability Branch, by Type of Payment (percentages), 2001-2007**

Year	Total	Disability and rehabilitation	Mobility	Attendance allowance	Disabled child	Fund for development of services
2001	100.0	77.9	8.9	5.9	6.0	1.3
2002	100.0	75.9	9.2	7.1	6.4	1.4
2003	100.0	75.0	9.1	7.3	7.3	1.3
2004	100.0	74.2	9.5	7.5	7.4	1.4
2005	100.0	73.9	9.5	7.6	7.6	1.4
2006	100.0	72.8	10.5	7.9	7.6	1.2
2007	100.0	73.4	10.2	8.0	7.5	0.9

A review of the distribution of expenditure in the branch shows that payments of disability and rehabilitation benefits went up in 2007, reaching 73.4% of the branch's expenditure. The reason for this increase after many years of a steady decline is the beginning of payments to polio victims – 2.7% of the branch's expenditure.

## 7. Work Injury Insurance

### A. General

Work injury insurance provides an insured person who is injured at work a right to receive a benefit or other defined assistance, in accordance with the nature of the injury. The benefits and assistance are:

- a. **Injury allowance** – paid to a salaried worker or self-employed worker who, as the result of a work accident, is unable to engage in his work or other suitable work. A worker – salaried or self-employed – is eligible for injury allowance for one injury for a period of no more than 91 days (13 weeks). Up to December 31, 2002, an injured person had been entitled to injury allowance for up to 26 weeks. It should be noted that when this maximum period was shortened, the clause under which the amount of payment was adjusted on the 91<sup>st</sup> day was repealed. The amount of the injury allowance is 75% of the injured person's income during the quarter-year prior to the injury.

In 2005 the initial period of entitlement to reimbursement of injury allowance from employers was increased from 9 days to 12 days. A person who does not have an employer, such as a self-employed worker, is not entitled to payment for the first 12 days.

In 2002 the rate of the injury allowance was reduced by 4%. This reduction was intended to have been maintained until the end of 2003. In May 2003, as part of the recovery plan, the period of reduction was extended until the end of 2006, when it was again extended until the end of 2007.

- b. **Work disability benefit** – paid to a work injured person who, following the injury, remained disabled for a limited period or permanently. The disability benefits are: a temporary disability pension, paid to work injured person for whom a temporary degree of disability of at least 9% is determined; a permanent disability pension, paid to work injured person for whom a permanent degree of disability of at least 20% is determined; a disability grant paid to a person for whom a permanent degree of disability of 9%-19% is determined; and a special pension and grant for one-time arrangements for work injured whose degree of disability is 75% or more. The amount of the temporary or permanent disability pension is set as a percentage of the injured person's income in the quarter-year prior to the injury; the amount of a full disability pension for an injured person with 100% degree of disability is 75% of his salary in the determining period, while the pension of an injured person with a degree of disability of under 100% is calculated in accordance with his degree of disability.

In 2003 regulations were set that revoked a disability pension following a work injury to migrant workers who do not have legal status in Israel. Under these regulations, such a worker, when he departs from Israel, will receive a payment for which he has been found to be eligible since the time of his departure. However the payment will not include the period for which the pension was revoked.

Also in 2003, rules were set with regard to payment of a benefit for the period prior to the submission of the claim. Following the amendment, a benefit may not be paid for a period of more than 12 months prior to the month in which the claim was submitted.

Payments of disability grants to work injured persons have undergone significant changes in recent years. Up to 2003, the rate of the grant was the equivalent of 70 pensions. Since July 1, 2003 a person who is injured receives a grant equivalent to 43 pensions (special rules of applicability regarding occupational diseases were determined). In 2005, the law was further amended and both a disability grant from work and a temporary disability pension began to be paid from a degree of disability of 9% – rather than 5% – for work injuries and occupational diseases. The Box in this chapter contains detailed figures on recipients of disability grants.

An additional amendment in 2005 laid down new rules for testing hearing impairments and tinnitus after exposure to noise in the workplace. It was determined that hearing impairments after exposure to noise are not to be viewed as work injuries unless certain conditions exist. In view of the fact that the law was amended in a shortened procedure, and in view of the NII's experience in its application, a proposal to amend the law, particularly by sharpening the definitions, is now being submitted.

On January 1 2006 regulations were laid down whereby is possible to deduct from persons disabled as a result of work injury – who are members of an organization of disabled persons – fees for mutual life insurance initiated and arranged by the organization.

- c. **Dependents' benefits** – paid to relatives of an insured person who was killed in a work accident or who died later as a direct result of the accident, if his family members were dependent on him for their living. The amount of the full dependents' pension is 75% of the salary of the deceased person in the determining period, while that of the partial dependents' pension is set according to the rate of eligibility, which, in turn, is set according to the number of dependents (for example, a widow without children is eligible for 60% of the full disability pension and a widow with three children, for the full pension).
- d. **Medical care costs (including hospitalization and medical rehabilitation)** – medical treatment is provided to the injured via the sick funds. The NII pays the sick funds for this care under an agreement with them. If necessary, the treatment also includes medical rehabilitation, recovery, nursing, etc.
- e. **Vocational rehabilitation** – given to disabled persons with permanent disability of 10% or more who are unable to return to their previous job or other job following a work injury.

### **Changes affecting work injury benefits in 2006**

On January 1, 2006, the period of freezing benefits determined in the Economy Arrangements Law for 2002-2003 ended and work injury benefits began to be adjusted as follows:

- a. Work injury benefits are adjusted on January 1<sup>st</sup> of each year.

- b. A new value – the *basic amount*<sup>1</sup> – was added to the definitions. This replaces the *average wage*<sup>2</sup> for the purpose of calculating most benefits.
- c. The ceiling for the daily injury allowance is 75% of the *basic amount* multiplied by 5 and divided by 30.
- d. The National Insurance Law was augmented by a clause under which migrant workers and residents of the territories who work for an Israeli employer in the region are covered by work injury insurance.

## B. Injury allowance

Table 1 indicates that in 2007 the number of people who received an injury allowance increased to about 67,700 (a rise of 5.2% compared with 2006).

99.1% of recipients of injury allowances in 2007 were injured after April 1<sup>st</sup>, 2005. This means that there were 12 days of incapacity at the employer's (for salaried workers) expense, while the self-employed are not paid for the first 12 days of incapacity. The limit of incapacity days is 91.

It should be noted that, out of 61,661 salaried workers who received an injury allowance in 2007, about 18,394 were employed by "authorized employers" under regulation 22, in other words, the National Insurance Institute does not compensate employers for injury allowance they paid for the first 12 days of eligibility. Regulation 22 determines that the National Insurance Institute may allow an employer to pay an injury allowance on behalf of the NII, and he must pay them at the times at which he normally pays the salary. The employer should submit a claim for the work injury sustained by the injured employee to the NII, and the NII will reimburse the employer for the amounts he paid (for 13 days or more), plus a commission of 2.5% of the injury allowance. If the NII rejects the claim the employer will not be reimbursed for the monies he paid to the employee.

In 2000 recipients of injury allowances comprised around 3% of all employees, while in 2005-2007 they accounted for 2.3% of employees. The gradual decrease between 1996 and 2005 (Table 2) occurred at the same time that the law was changed: making the employer liable for payment of injury allowances for the first days, and rescinding the allowance for persons who do not have an employer (between 1997 and 2005). In other words, the number of employees receiving injury allowances from their employers dropped together with the decline in the number of injury allowance recipients and the increase in the number of employees. The number of days of

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1 The amount on which basis most benefits are calculated since January 2006. This amount is updated on January 1<sup>st</sup> each year, at the rate of the Consumer Price Index increase in the preceding year. The *basic amount* has three different rates for the purpose of updating the various benefits. For most benefits, the *basic amount* in 2007 was NIS 7,240; for child allowances it was NIS 152, and for old-age and survivor's pensions it was NIS 7,352.

2 The term *average wage*, when used by itself, refers to the average wage according to the National Insurance Law. It is calculated according to a method determined in this law on January 1<sup>st</sup> of every year, and afterwards each time that a compensation is paid to employed workers for price rises.



incapacity peaked in 2001 (40 days). Since then there has been a sharp drop (Table 1), resulting from a change in legislation (shortening the maximum period of payment of injury allowances from 26 weeks to 13 weeks, as of February 1<sup>st</sup>, 2002). The drop in the average days of incapacity stopped in 2003, and since then and up to 2007 the average has been around 34 days.

Table 1  
**Employees, Injury Allowance Recipients and Work Incapacity Days, 2000-2007**

Year	Employees	Injury allowance recipients**	Work incapacity days	Average incapacity days per injured person
2000	2,519,800	76,185	2,863,296	37.6
2001	2,559,000	69,087	2,765,654	40.0
2002	2,569,200	70,025	2,594,111	37.0
2003	2,589,600	61,539	2,084,364	33.9
2004	2,634,000	65,776	2,204,345	33.5
2005	2,722,600	63,856	2,109,993	33.0
2006	*2,801,000	64,296	2,170,751	33.8
2007	*2,925,100	67,657	2,291,149	33.9

\* According to CBS data for 2007 – National Accounting, employees comprises Israeli workers, migrant workers (reported and unreported) and residents of Judea, Samaria and Gaza.

\*\* As of 1997, includes injured persons who did not receive actual payment from the National Insurance Institute due to an amendment in the law in that year, but whose claims were approved and who would have been eligible for payment had it not been for this law (the number of recipients of actual payment from the NII in 2007 was 58,188).

Table 2  
**Injury Allowance Recipients and Days of Work Incapacity, 2000-2007**

Year	Injury allowance recipients as percentages of employees	Annual averages		
		Employees	Injury allowance recipients	Average days of work incapacity
2000	3.0	2.1	3.39	0.80
2001	2.7	1.6	-9.32	6.38
2002	2.7	0.4	1.36	-7.50
2003	2.4	0.8	-12.12	-19.65
2004	2.5	1.7	6.90	-0.10
2005	2.3	3.4	-2.90	-1.40
2006	2.3	2.9	0.70	2.40
2007	2.3	4.4	5.20	0.30

Table 3  
**Recipients of Injury Allowance, by Duration of Incapacity, 1996, 2000-2007**

Year	Employed under permit	Incapacity days	Injury allowance recipients	Number of incapacity days									
				0	1-14	15-30	31-45	46-60	61-75	70-90	91	92 and over	
<b>Absolute numbers</b>													
1996	2,133,800	2,990,363	92,274	72	45,401	21,862	8,228	4,643	2,941		1,889		7,528
2000	2,388,800	2,863,296	76,185	52	31,683	17,964	7,691	4,677	3,050		2,136		8,932
2001	2,398,000	2,765,654	69,087	50	26,546	16,371	7,677	4,518	3,005		2,013		8,907
2002	2,402,200	2,594,111	70,025	48	26,634	16,733	7,746	4,587	3,158	3,081		3,281	*4,757
2003	2,435,600	2,084,364	61,539	30	22,677	14,897	6,965	4,236	3,019	4,159		5,094	*462
2004	2,496,000	2,204,345	65,776	38	24,536	15,841	7,293	4,405	3,259	4,750		5,456	* 198
2005	2,600,600	2,109,993	63,856	36	23,892	15,480	7,210	4,366	3,069	4,919		4,768	*116
2006	2,685,000	2,170,751	64,296	37	23,432	15,469	7,245	4,547	3,218	5,182		5,101	*65
2007	2,807,100	2,291,149	67,657	42	24,582	16,298	7,695	4,673	3,432	5,424		5,476	*35
<b>Percentages</b>													
1996			100.0	0.1	49.0	23.6	8.9	5.0	3.2		2.0		8.1
2000			100.0	0.1	41.6	23.6	10.1	6.1	4.0		2.8		11.7
2001			100.0	0.1	38.4	23.7	11.1	6.5	4.3		2.9		12.9
2002			100.0	0.1	38.0	23.9	11.1	6.6	4.5	4.4		4.7	6.8
2003			100.0	0.0	36.8	24.2	11.3	6.9	4.9	6.8		8.3	0.8
2004			100.0	0.1	37.3	24.1	11.1	6.7	5.0	7.2		8.3	0.3
2005			100.0	0.1	37.4	24.2	11.3	6.8	4.8	7.7		7.5	0.2
2006			100.0	0.1	36.4	24.1	11.3	7.1	5.0	8.1		7.9	0.1
2007			100.0	0.1	36.3	24.1	11.3	6.9	5.1	8.0		8.1	0.1

\* Persons injured before January 31, 2002 who received injury allowance after that date.

Over the years the number of severe injuries for which claims were submitted to the NII has grown (Table 3): in 1996, 13.4 of recipients had 61 days or more of incapacity, and between 2001 and 2007 this number increased to approximately 20%-21% of recipients.

Table 4 contains data on the employees (the data comes from National Accounting at the CBS) and injury allowance recipients of Israeli residents, residents of the territories and migrant workers between 2000 and 2007. The rate of employees who received injury allowances among migrant workers and among residents of the territories was low in all these years. One might have expected the rate of the injury allowance recipients in these groups to be at least at the level of Israeli residents, considering the high-risk sectors (agriculture and construction) in which they work. The actual low rate apparently reflects inadequate reporting on work injuries in this group, resulting from lack of knowledge of rights, concern over the possibility of losing their place of work if they miss work because of the accident and concern over their illegal status and over their fate if their illegal status in the country becomes known. If they sustain a severe work injury, however, they have no choice but to apply for medical care and to submit a claim for an injury allowance and a disability allowance. The NII pays the one-time treatment costs for migrant workers injured in a work accident who did not submit a claim for an injury allowance directly at the emergency room (ER). From this source alone it is known that in 2007 2,094 migrant workers were treated at hospital ERs, 3.9 times the number of migrant workers who received an injury allowance in 2007. It should be noted that among residents of Israel the ratio between persons applying for medical care without submitting a claim and those who submitted claims is about 1:2. Under the law, up to February 28<sup>th</sup>, 2003 migrant workers and residents of the territories hurt in a work accident were eligible for the full benefits provided to work injured, whether or not they had a work permit. As of March 1<sup>st</sup>, 2003 the benefits for migrant workers without legal status in Israel began to be revoked. When such workers leave Israel they receive the allowance to which they are eligible as of the time of their departure, and the payment does not include the period during which their allowance was revoked. The gradual decrease in the number of migrant workers up to 2006 was expected following the amendments to the legislation and the activities of the immigration police. In 2007 there was an increase in the number of reported and non-reported migrant workers.

Table 4  
**Employees, Recipients of Work Allowances and Days of Incapacity,  
 by Type of Residency, 2000-2007**

	Total	Israeli residents	Residents of territories	Migrant workers
<b>2000</b>				
Employees	2,519,800	2,217,900	95,900	206,000
Injury allowance recipients	76,185	73,680	1,552	953
Rate of injury allowance recipients out of employees	3.0	3.3	1.6	0.5
Average days of incapacity	37.6	37.4	46.5	33.7
<b>2001</b>				
Employees	2,559,000	2,264,900	47,800	246,300
Injury allowance recipients	69,087	67,847	290	950
Rate of injury allowance recipients out of employees	2.7	3.0	0.6	0.4
Average days of incapacity	40.0	40.0	56.1	37.3
<b>2002</b>				
Employees	2,570,200	2,284,400	30,300	255,500
Injury allowance recipients	70,025	68,900	146	979
Rate of injury allowance recipients out of employees	2.7	3.0	0.5	0.4
Average days of incapacity	37.0	37.0	63.4	36.8
<b>2004</b>				
Employees	2,634,000	2,400,800	37,400	195,800
Injury allowance recipients	65,776	65,142	262	372
Rate of injury allowance recipients out of employees	2.5	2.7	0.7	0.2
Average days of incapacity	33.5	33.4	53.1	34.5
<b>2005</b>				
Employees	2,722,600	2,493,600	46,300	182,700
Injury allowance recipients	63,856	63,267	178	411
Rate of injury allowance recipients out of employees	2.3	2.5	0.4	0.2
Average days of incapacity	33.0	33.0	52.1	33.3
<b>2006</b>				
Employees	2,801,000	2,573,600	47,100	180,300
Injury allowance recipients	64,296	63,522	175	599
Rate of injury allowance recipients out of employees	2.3	2.5	0.4	0.3
Average days of incapacity	33.8	33.8	44.8	28.4
<b>2007</b>				
Employees	2,925,100	2,691,000	48,700	185,400
Injury allowance recipients	67,657	66,868	246	543
Rate of injury allowance recipients out of employees	2.3	2.5	0.5	0.3
Average days of incapacity	33.9	33.9	42.5	27.8

\* Source: National Accounting – CBS.

In 2007 the average number of days of incapacity of migrant workers was lower than that of residents of Israel, although it was expected to be higher, due to the economic sectors in which

they work. While the average number of days of incapacity of workers in Judea and Samaria was lower than in 2006, it is still high, even though their type of employment is similar to those of migrant workers.

Another area from which it is difficult to gather data on work safety is manpower companies and contractors. These do not have a special code of an economic sector, trade or employer's legal status.

According to the data of the Central Bureau of Statistics, the number of persons employed by manpower companies rose by about 21% between 2004 and 2007. These are employees who were placed in jobs by manpower companies or contractors, from which they receive their wages, while their workplace is responsible for the implementation of their work as well as for their work safety. This group does not include persons employed by means of sub-contractors, generally in the fields of security, cleaning or care-giving.

A similar problem exists with contracting companies that supply services, not manpower, and regarding which the obligations applying to manpower companies – particularly the obligation of licensing – do not apply. The condition for receiving and renewing a license is meeting the requirements of labor laws and work safety.

Due to the difficulties in identifying these groups, it is not possible to examine whether these employees are exposed to risks, and whether the fact of their being “different” in their workplaces reduces their employers' responsibility towards them.

Table 5 differentiates between employees and self-employed. The number of self-employed persons who received injury allowances declined from 9,483 in 1997 to 5,996 in 2007 (from 11.3% to 8.9%), both following the change in the law regarding the first 9 days and the first 12 days, and also due to the wave of closures of small businesses during the recession. The average number of days of incapacity among self-employed is around 45% higher than of salaried employees (47 days compared with 33 days respectively).

Table 5  
**Injury Allowance Recipients, by Work Status and Days of Incapacity, 2007**

Type of insured person	Injury allowance recipients		Average days of incapacity
	Absolute numbers	Percentages	
All recipients	67,657	100.0	33.9
Employees	61,661	91.1	32.6
Self-employed	5,996	8.9	47.3

There were no significant changes in the breakdown of employee work injuries in accordance with work sector between 1997 and 2007. Around 23% worked in industry, 14% in trade and workshops, 12% in business services (including worker recruitment and provision of manpower services and guard, security and cleaning activities) and 10% in construction. In terms of the severity of injury (assessed here according to the number of days of work incapacity), the construction sector is in first place (43 days), followed by transport and storage (about 36 days), trade and workshops (34 days), business services and agriculture (32 days each) and industry (around 30 days).

Table 6  
**Injury Allowance Recipients, by Work Status and Economic Sector,  
 December 2007 and December 2006**

Economic sector	December 2007			December 2006		
	Recipients	Percentages	Incapacity days	Recipients	Percentages	Incapacity days
<b>Total</b>	<b>67,657</b>		<b>2,291,149</b>	<b>64,296</b>		<b>2,170,751</b>
Total employees	61,661	100.0%	2,007,784	58,352	100.0%	1,889,356
Agriculture	2,025	3.3	65,631	1,940	3.3	62,594
Industry	13,948	22.6	412,168	12,887	22.1	375,997
Electricity and water	631	1.0	18,865	654	1.1	17,849
Construction	6,286	10.2	269,732	6,076	10.4	256,551
Trade, auto repair	8,303	13.5	282,935	7,739	13.3	264,868
Hospitality and food	3,533	5.7	103,830	3,338	5.7	92,907
Transport, storage	4,453	7.2	158,947	4,422	7.6	160,644
Banking, insurance	901	1.5	26,626	809	1.4	22,412
Real estate, business services	7,444	12.1	241,229	6,806	11.7	220,969
Public service	5,580	9.0	154,665	5,446	9.3	151,104
Education	2,317	3.7	68,600	2,407	4.1	72,505
Community service	1,666	2.7	63,383	1,521	2.6	57,692
Health, welfare	4,049	6.6	120,019	3,626	6.2	107,127
Other and unknown	525	0.9	20,954	681	1.2	26,137
Self-employed	5,996		283,365	5,944		281,395

### C. Another view of work injury allowance recipients

With the increase in the number of women in the workforce in the last two decades, the percentage of female recipients of injury allowances has also risen. The figures for the second half of the 1990's and beginning of the 21<sup>st</sup> century indicate that the percentage of female recipients rose from 19.8% in 1995 to 29.2% in 2007 (Table G/2 in the Appendix of Tables). The median age of women who receive injury allowances is 44 while the age median for men is 39. Examination of the breakdown of men and women based on age groups indicates that in the younger groups (up to 34) men comprise 77%, and in the older groups (45-59) they comprise only about 63%. The average number of days of incapacity for women is lower than that for men: 29.6 compared with 35.6 (Table 7).

Table 7  
**Recipients of Injury Allowance and Employed Persons, by Age and Gender, 2007**

Age	Injury allowance recipients – numbers			Israeli employed persons* – numbers			Injury allowance recipients as percentage of employed persons		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
<b>Total</b>	<b>67,657</b>	<b>47,928</b>	<b>19,729</b>	<b>2,682,000</b>	<b>1,441,900</b>	<b>1,240,100</b>	<b>2.5</b>	<b>3.3</b>	<b>1.6</b>
Up to 17	273	237	36	46,626	26,581	20,019	0.6	0.9	0.2
18-24	7,375	5,743	1,632	343,906	163,721	180,527	2.1	3.5	0.9
25-34	16,970	12,889	4,081	779,643	422,682	356,904	2.2	3.0	1.1
35-44	15,407	11,239	4,168	628,301	337,033	291,280	2.5	3.3	1.4
45-54	15,234	9,771	5,463	569,925	300,937	269,078	2.7	3.2	2.0
55-59	6,874	4,131	2,743	181,447	102,385	78,984	3.8	4.0	3.5
60-64	3,713	2,520	1,193	73,372	48,454	24,771	5.1	5.2	4.8
65+	1,811	1,398	413	58,781	40,107	18,536	3.1	3.5	2.2

\* Source: the website of the Central Bureau of Statistics, Human Resources surveys, Table 2.2: employed persons by gender.

The number of traffic accidents on the way to work between 1996 and 2007 rose from about 9% of all work injuries to about 14% (Table 8). On the other hand, the number of **traffic accidents in the course of professional duties** remained stable (about 6%). Traffic accidents in general cause a longer period of incapacity than do other accidents. Moreover, the number of days of incapacity caused by traffic accidents **at work** is significantly greater than for other traffic accidents (39 days compared to 33 days for accidents on the way to work). It is possible that this discrepancy is result of differences in the severity of the traffic accidents on intercity highways as compared with urban roads.

The breakdown of injury benefit recipients, according to **the cause of the accident and the results of the injury** (nature) varies only slightly among the years. The principal cause of injury at work is **falling**: in 2006 there were 17,600 incidents, with about 27% of injury allowance recipients injured as the result of a fall (average of 39.5 days of incapacity per casualty). A differentiation should be made between falling off a ladder, scaffolding or crane (2,086 cases with an average of 49 days of incapacity per casualty), falling from a building or structure (1,748 cases with an average of 47 days of incapacity per casualty), and falling after slipping or stumbling on stairs (2,782 cases with an average of 37 days of incapacity per casualty). 10,668 falls occurred on a level surface due to slipping, stumbling or being pushed. About 41% of falls caused dry blows, and about 31% caused crushing. The remainder caused pulls and sprains (7%), fractures (13%) and injury to bones and muscles.



Table 8  
**Injury Allowance Recipients by Place of Injury and Days of Incapacity,  
 1996, 2002-2007**

Year	Accidents at work			Accidents on the way to work		
	Total	During work*	Traffic accidents	Traffic accidents	On the way, without a car	Other
<b>1996</b>						
Numbers	92,274	75,341	5,361	8,310	2,880	382
Percentages	100.0	81.7	5.8	9.0	3.1	0.4
<b>2002</b>						
Numbers	70,025	50,529	4,327	10,645	3,671	853
Percentages	100.0	72.2	6.2	15.2	5.2	1.2
Average days of incapacity	37.0	35.9	47.1	38.5	36.0	39.3
<b>2004</b>						
Numbers	65,776	46,888	4,638	9,655	3,455	1,140
Percentages	100.0	71.3	7.0	14.7	5.3	1.7
Average days of incapacity	33.5	32.8	40.6	33.3	33.9	36.7
<b>2005</b>						
Numbers	63,856	45,096	3,907	9,570	3,612	1,671
Percentages	100.0	70.6	6.1	15.0	5.7	2.6
Average days of incapacity	33.0	32.6	38.5	32.5	33.0	35.9
<b>2006</b>						
Numbers	64,296	45,374	3,833	9,339	3,575	2,175
Percentages	100.0	70.6	6.0	14.4	5.6	3.4
Average days of incapacity	33.8	33.4	39.1	32.3	33.9	37.5
<b>2007</b>						
Numbers	67,657	47,757	4,092	9,571	3,991	2,246
Percentages	100.0	70.6	6.0	14.2	5.9	3.3
Average days of incapacity	33.9	33.4	38.9	32.9	35.4	37.0

\* Bruising and injuries at work that are not traffic accidents.

The second most common cause of work injuries is **traffic accidents**: in 2006, about 24% of injury allowance recipients were involved in traffic accidents, with an average of 35.4 days of incapacity per casualty. The third cause is machines, tools and appliances (29 days of incapacity on average) – about 13% of injury allowance recipients were injured in such incidents in 2006. The fourth cause is **a blow to the body** (13% of those injured, 30 days of incapacity on average). The fifth cause is **over-exertion** (10% of those injured, 36 days of incapacity on average). The highest average of days of incapacity relates to **occupational diseases** – 50 days. Although the list of occupational diseases is a closed one, in cases in which the ailment does not appear in the list and – according to an expert – there is a clear causal connection between it and the working conditions, the ailment will be recognized as a work injury. Most of the claims for injury allowance for an occupational disease are submitted for the purpose of determining disability from work.

The most frequent injury, although not the most severe, is **dry blows** – about 23% of injury allowance recipients in 2006 suffered this type of injury, and the average days of incapacity for it is 34. In addition, 23% of injury allowance recipients were injured by crushing, with an average of 34 days of incapacity. Another frequent injury (about 20% of cases) with an average of 32 days of incapacity, and which is generally connected to ergonomic circumstances, is **sprains/strains**, whereby the ligaments that hold the joint in place are pulled while the bone stays in its place. **Cuts** are suffered by about 11% of injury allowance recipients, particularly in the upper body. The severity of the injury is not too great and the average number of days of incapacity is about 27. **Fractured limbs** were suffered by 77% of injury allowance recipients, with the longest absence from work affecting those injured in the lower limbs: an average of 63 days of incapacity compared with 56 days for those suffering fractures in the upper part of the body. **Dislocation** without a fracture causes a relative long absence from work – 55 days (details in Table G/3 in the Appendix).

The upper limbs are the most vulnerable in work accidents: fractures and cuts in the upper limbs led to absences from work of about 14% of injury allowance recipients. Long absences from work were caused by injury to internal systems, such as the blood system (64 days).

The average number of days of incapacity is steady – about 33 since 2003, after dropping from 40 in 2001 (following a change in the law in February 2002 which determined the maximum period for payment of injury allowances as 13 weeks).

The difference in the average injury allowance per day between self-employed persons and employees remained unchanged between 2005 and 2007, while in 2007 it rose in real terms and as a percentage of the average wage.

Table 9  
Average Injury Allowance per Day, by Work Status, 2000-2007

Year	Employees			Self-employed		
	Current prices (NIS)	2007 prices (NIS)	Percentages of average wage	Current prices (NIS)	2007 prices (NIS)	Percentages of average wage
2000	147.4	164.4	65.5	161.6	180.2	71.8
2001	155.8	171.7	68.4	165.0	181.9	72.5
2002	157.7	164.6	65.5	170.5	177.8	70.8
2003	153.0	158.5	63.1	167.6	173.6	69.1
2004	151.6	157.6	62.8	174.2	181.2	72.2
2005	152.6	156.6	62.4	159.7	164.0	65.3
2006	153.5	154.3	61.5	161.5	162.4	64.7
2007	159.9	159.9	62.9	167.9	167.9	66.1

#### D. Work disability benefits

The number of recipients of permanent disability pensions has risen steadily each year by over 1,000 disabled persons, reaching 27,799 in 2007. Most work disability pension recipients have low

degrees of disability, and this is particularly noticeable among women: 65% have a disability degree of 20%-39% compared with 58% of men, and only 9% of men and 7% of women have a degree of disability in excess of 80%. Around 20% of male work disability pension recipients are aged over 65, whereas 25% of the women are over 60 (Table G/4 in the Appendix of Tables). Work disability pension recipients may, when they reach pension age, choose between continuing to receive a work disability pension or receiving an old-age pension.

Table 10  
**Permanent Disability Pension Recipients, by Work Status, 2000-2007**

Year	Total		Employees	Self-employed
	Numbers	Percentages annual change		
2000	19,813	6.5	17,445	2,371
2001	20,810	5.0	18,309	2,501
2002	21,772	4.6	19,140	2,633
2003	22,960	5.5	20,176	2,784
2004	24,003	4.5	21,083	2,920
2005	25,179	4.9	22,120	3,059
2006	26,442	5.0	23,216	3,227
2007	27,799	5.1	24,406	3,393

The average permanent disability pension in 2007 was NIS 2,817 for employees and NIS 3,144 for self-employed persons. The value of the pension both in real terms and as a percentage of the average wage dropped slightly for self-employed and rose slightly for employees. As in previous years, in 2006 too pensions for self-employed were higher than employees' pensions.

Table 11  
**Permanent Disability Pension Value by Work Status (monthly average), 2000-2007**

Year	Employees			Self-employed persons		
	Current prices (NIS)	2007 prices (NIS)	Percentage of average wage	Current prices (NIS)	2007 prices (NIS)	Percentage of average wage
2000	2,416.7	2,693.6	35.8	2,715.1	3,026.1	40.2
2001	2,667.1	2,940.1	39.0	3,019.3	3,328.4	44.2
2002	2,686.5	2,801.8	37.2	3,028.6	3,158.7	41.9
2003	2,743.0	2,840.9	37.7	3,074.7	3,184.4	42.3
2004	2,752.3	2,862.1	38.0	3,086.0	3,209.0	42.6
2005	2,740.6	2,813.3	37.4	3,086.4	3,168.2	42.1
2006	2,817.4	2,832.6	37.6	3,144.4	3,161.4	42.0
2007	2,823.0	2,823.0	37.0	3,131.1	3,131.1	41.1

## E. Disability grants

A disability grant is paid to a work disabled person whose degree of disability is steady and less than 20%, but not less than 9%. The amounts of the grants for work injured persons, as well as conditions of entitlement for them, have undergone significant changes in recent years. Up to the introduction of the Economy Recovery Plan Law in June 2003, the amount of the grant was the equivalent of 70 monthly pension payments. This law determined that a person injured on July 1<sup>st</sup> 2003 or thereafter will receive a grant equal to 43 pensions. Following this change in the law there was a sharp decline in the average disability grant: in 2003 the average grant (in 2005 prices) was about NIS 46,000 for an employee and about NIS 41,170 for a self-employed person, while in 2007 the average grant was about NIS 26,700 for an employee and about NIS 24,975 for a self-employed person.

Under the 2005 Economy Arrangements Law, work disability grants are paid from a disability degree of 9% onwards, instead of 5%. This led to a reduction in the number of grants: in 2007 9,966 grants were paid, compared with 11,807 in 2006, 87.5% of which were paid to employees. The number of grants is expected to continue to decrease until the law fully matures.

Table 12  
Average Disability Grants, by Work Status (NIS), 1996-2007

Year	Employees		Self-employed persons	
	Current prices (NIS)	2007 prices (NIS)	Current prices (NIS)	2007 prices (NIS)
1996	26,444	36,027	29,865	40,688
1997	31,256	39,067	29,356	36,692
1998	33,561	39,786	33,850	40,129
1999	38,192	43,039	38,813	43,740
2000	43,582	48,568	43,630	48,621
2001	46,209	50,928	45,992	50,688
2002	49,458	51,574	44,040	45,925
2003	46,010	47,660	41,171	42,647
2004	40,656	42,288	36,742	38,217
2005	32,713	33,580	29,218	29,993
2006	29,124	29,281	25,931	26,071
2007	26,688	26,688	24,975	24,975

## F. Dependents' benefits

The number of dependents' pension recipients steadily increased from 3,286 in 1985 to 4,482 in 2007. The rate of increase is about 0.8%-1.5% a year (Table 13).

Table 13  
**Dependents' Benefits Recipients, by Work Status, 1996-2007**

Year	Total		Employees	Self-employed persons
	Numbers	Percentages annual change		
2000	4,158	1.4	3,564	594
2001	4,199	1.0	3,601	598
2002	4,253	1.3	3,647	606
2003	4,306	1.2	3,698	608
2004	4,349	1.0	3,740	609
2005	4,399	1.1	3,792	607
2006	4,446	1.1	3,834	613
2007	4,482	0.8	3,868	614

The average monthly amount of dependants' pensions paid in 2007 was about NIS 5,185 for employees and about NIS 5,451 for the self-employed. The value of the dependants' pensions has dropped both in real terms and as a percentage of the average wage for the self-employed, and has risen slightly in real terms for employees.

Table 14  
**Average Monthly Dependants' Pension, by Work Status, 2000-2007**

Year	Employees			Self-employed persons		
	Current prices (NIS)	2007 prices (NIS)	Percentages of average wage	Current prices (NIS)	2007 prices (NIS)	Percentages of average wage
2000	4,446.6	4,955.9	65.8	4,826.6	5,379.3	71.4
2001	4,889.8	5,401.5	71.7	5,269.3	5,808.9	77.1
2002	4,976.5	5,190.1	68.9	5,359.0	5,589.1	74.2
2003	4,964.4	5,141.6	68.3	5,362.4	5,553.8	73.7
2004	4,955.7	5,153.2	68.4	5,353.1	5,564.4	73.9
2005	5,007.5	5,140.3	68.3	5,395.5	5,538.5	73.5
2006	5,126.7	5,154.4	68.4	5,449.8	5,479.2	72.8
2007	5,185.3	5,185.3	68.0	5,451.1	5,451.1	71.5

## G. Scope of payments

Payments made in the Work Injury branch in 2007 totaled NIS 2.8 billion. Table 15 indicates that this sum comprises a drop of 0.15% in real terms as compared with 2006.

Table 15  
**Total Payments\* in Work Injury Branch (NIS thousand), 2000-2007**

Year	Current prices (NIS)	2007 prices (NIS)	Real change (Percentages)
2000	2,212,449	2,465,989	17.60
2001	2,457,869	2,709,185	9.90
2002	2,572,500	2,682,985	-1.00
2003	2,590,000	2,682,459	-0.02
2004	2,639,114	2,744,304	2.30
2005	2,649,630	2,719,880	-0.90
2006	2,742,931	2,757,743	1.40
2007	2,753,714	2,753,714	-0.15

\* Including payments for injury allowances, disability benefits, dependants' benefits, treatment costs and rehabilitation costs.

Table 16 shows a breakdown of all payments in the Work Injury branch according to the main components: injury allowance, disability benefit, dependants' benefit, medical care costs and rehabilitation costs. Disability benefits account for the majority of payments in the branch: 62.4% in 2007. There was no change in dependents' benefit payments between 2007 and 2006. However, the number of disability grants and payments for them decreased, as explained in clause D above. The disability and dependents' pensions are the component paid over time (up to pension age, and sometimes thereafter). The percentage of injury allowance payments dropped steadily from 1996 (21.9%) to 2006 (9.1%), apparently due to the aforementioned changes in the law, and in 2007 the percentage of injury allowance payments rose by half a percent. Expenditure on medical care rose gradually from 2001 to 2005, and dropped between 2006 and 2007. Rehabilitation costs in 2007 totaled about 5.2% of all sector costs, compared with less than 1% in 1985.

Table 16  
**Total Payments\* in Work Injury Branch, by Benefit Type (percentages), 2000-2007**

Year	Total	Injury allowance	Disability benefit	Dependant's benefit	Treatment costs	Rehabilitation costs
2000	100.0	17.7	53.9	11.2	13.1	4.1
2001	100.0	15.6	57.0	11.0	11.9	4.5
2002	100.0	14.4	57.5	10.9	12.4	4.8
2003	100.0	10.8	61.0	11.1	12.4	4.7
2004	100.0	10.2	62.0	10.9	12.6	4.2
2005	100.0	9.5	60.3	11.6	14.2	4.4
2006	100.0	9.1	61.6	11.2	13.4	4.7
2007	100.0	9.6	62.4	11.2	11.6	5.2

\* Not including accident prevention activities, work safety activities, research, special projects, legal aid, medical committees and professional opinions.



## 8. Hostile Action Casualties Insurance

### A. General

The Hostile Action Casualties Benefits Law was passed by the Israeli government with a view to ensuring the social rights of hostile action casualties and the members of their families. The benefits deriving from this law (and from its regulations) are paid by the National Insurance Institute and funded by the national budget. The law is designed to equate the rights of civilian hostile action casualties with the rights and services granted to IDF soldiers and bereaved families by the Ministry of Defense. The law went through several stages until it reached its present format and version<sup>1</sup>. The innovations incorporated by the law are reflected in the definition of *hostile action*, the establishment of an approval authority that determines what events are considered hostile actions, definition of the main rights provided by the law, full state funding of these benefits, inclusion of victims of past hostile actions in the law and transfer of their administration to the National Insurance Institute.

All the following comprise hostile action injuries:

- Injury by hostile action of enemy forces hostile to Israel, including actions that took place outside Israel that are designed to harm the Jewish people;
- Unintentional injury caused following a hostile action of enemy forces, or unintentional injury caused in circumstances in which there were grounds for reasonable suspicion that a hostile action would be carried out;
- Injury by a weapon designed for use in a hostile action of enemy forces, or injury by a weapon designed to be used in counter action, even if not used, excluding injury sustained by a person aged 18 or over while carrying out a criminal act or other offence which incorporates criminal intent or negligence;
- Injury through an act of violence principally designed to injure a person because of his ethnic-national origin, as long as this derives from the Israeli-Arab conflict;
- Injury through an act of violence principally designed to injure a person because of his or her ethnic-national origin, carried out by a terror organization, defined as such by the government in accordance with clause 8 of the 1948 Prevention of Terror Ordinance, except for an organization that comprises or represents enemy forces.

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1 The Hostile Action Casualties Benefits Law was passed by the Knesset in 1970, retroactively to June 1967, with regard to casualties of hostile acts as of February 25, 1949. In March 1977 the law was extended and made applicable to persons injured between May 14, 1948 and February 24, 1949. As of March 1982 persons injured between November 29, 1947 and May 13, 1948 were also included in the law.



The following are eligible for benefits:

- An Israeli citizen injured in Israel or in Judea, Samaria or Gaza, or outside Israel if less than one year has elapsed since he ceased to be a resident of Israel;
- Anyone who enters Israel legally;
- A foreign resident employed by an approved Israeli employer abroad, who was injured in a hostile action abroad in the course of and due to his work;
- A resident of the territories who bears an Israeli ID card and who was injured within the “green line”;
- A resident of the territories who possesses an entry permit issued by an officer of the armed forces in the field, and who was injured within the *green line*.

## **B. Amendments to the Hostile Action Casualties Benefits Law**

The amendments introduced to the 1970 Hostile Action Casualties Benefits Law since its legislation indicate a trend of extending rights to benefits and additional and complementary services, of recognition of the eligibility of additional relatives and of extension of the definition of hostile actions covered. In contrast with injured persons to whom the Disabled Persons Law and Families of Soldiers Killed in Battle Law apply, hostile action victims include children, elderly persons and mothers, and hostile actions sometimes injure several members of the same family. Thus, the solutions offered within the framework of the Disabled Persons Law and Families of Soldiers Killed in Battle Law do not always meet the needs of families of hostile action victims. The Minister of Labor and Social Affairs appointed a committee to examine the rights of victims of hostile actions and their family members in order to propose solutions to this group's unique problems. The committee discussions indicate that the main problems not adequately addressed by the existing law are those with which persons who have lost a father or mother (minor orphans and adult children) have to contend, as do relatives who take on the responsibility of caring for the orphans. Two amendments introduced to the law in 2005 apply to orphans who have lost both parents as a result of hostile actions (details in clause D below).

In 2006, the definition of hostile actions was extended to include injury sustained due to action whose primary purpose was to harm the Jewish people (clause 18a of the definition). However, the said extension applies solely to residents of Israel.

The definition of a victim of hostile actions was further extended to include acts of violence whose main purpose is to injure a person because of his or her ethnic-national origin, whether this derives from the Israeli-Arab conflict (clause 4 of the definition) or from an act of violence carried out by a terror organization (clause 5 of the definition).

### C. Initial care of victims and family members

In contrast with other benefits paid by the National Insurance Institute, whereby processing starts with submission of the claim by the insured person, in mass hostile actions the process is initiated by the NII. When a terrorist attack is reported, the NII contacts the national police headquarters and the approving authority at the Ministry of Defense for confirmation that the reported event is a hostile action. The hospitals and “Magen David Adom” immediately submit a list of casualties to the National Insurance Institute, and the Benefits and Rehabilitation departments of the NII prepare for rapid intervention in order to provide services to the victims and their families.

**Initial assistance to the injured** includes hospital visits, contacting the families, coordinating claims, identifying urgent needs and making payments to hospitals, including covering expenses of the families.

**Medical assistance to the injured persons** is in the form of in-kind benefits, including hospitalization, operations, tests, healing, psychiatric and psychological treatment, drugs, recovery, medical rehabilitation, apparatus and accessories.

**Treatment of trauma casualties:** In the Second Lebanon War, the National Insurance Institute, in conjunction with the Ministry of Health, initiated an innovative procedure for treating trauma casualties in order to provide them with initial treatment even before they were recognized as casualties of hostile actions – eligible by law for benefits and treatment (details of the procedure for treating trauma sufferers appears in a Box in this chapter).

**Initial care of bereaved families** focuses on funeral arrangements, transport arrangements for those accompanying the bereaved, a visit to the mourners’ home and emotional support. Representatives of the Rehabilitation and Benefits departments at the local NII branch inform the family about their basic rights under law. Widows are eligible for a special grant to provide for their immediate needs during the first period of their widowhood, until benefits are granted.

The NII local branches make **contact with essential service-providers in the community** for integrated intervention. Such service-providers include emergency centers of the local authorities, social services at hospitals, psychological health stations, trauma centers and stations for educational-psychological advice.

### D. Types of benefits

1. **Medical treatment benefit** – a person who is unable to work or function following medical treatment (in accordance with a medical certificate and approved by an NII doctor) is eligible for a special cash benefit during the period of treatment if he does not receive a salary or compensation during this period and, if self-employed, if he stops working. This benefit is, in fact, short-term compensation granted for a limited period until the degree of disability is determined by a medical committee.

2. **Disability benefits** – A person who is recognized by a medical committee as having at least 20% disability is eligible for a **monthly disability benefit**. The amount of the benefit is based on the degree of disability and is equivalent in rate to the benefit paid to IDF disabled under the Disabled Persons Law (Benefits and Rehabilitation). A person already disabled as the result of a hostile action who is injured in a further hostile action will have his degree of disability reviewed and all his injuries from all the hostile actions will be considered as caused from the same hostile action (combination of disabilities). Additional monthly and annual benefits are added, as needed, for payment for hired help, mobility allowance, etc.

In addition to the regular benefits, **special benefits are paid to certain groups** such as the severely disabled, the elderly and other special groups eligible due to their disability degree, earning capacity or rehabilitation potential. These special benefits include:

**Benefit for needy disabled** – paid to persons with a disability degree of 50% or more, who comply with conditions relating to income and earning capacity. The benefit for a needy disabled person is paid instead of the disability benefit, and eligibility is determined by a committee for up to one year.

**Benefit for a disabled person without an income** – paid to persons with a temporary or permanent disability degree of 10% or more who comply with certain conditions relating to income and who are seeking employment. Eligibility for the benefit is determined by a special committee and is paid instead of the disability benefit (in accordance with the disability degree) for a limited period only.

**Benefit for a person disabled as a result of a hostile action, who dies** – further to payment of benefits, the relative named by the deceased will receive benefits for 3 years.

**Lump-sum disability grant** – paid to persons for whom a medical committee has determined a permanent disability degree of 10%-19%. The rate of the grant is calculated by multiplying the amount deriving from the degree of disability by the number of months of the grant to be calculated. The number of months to be calculated for each degree of disability is indicated in the “grant calculation table”. For example, the grant for a person with a disability degree of 10% is calculated for 108 months, while the grant for a person with a 19% disability degree is calculated for 215 months.

3. **Medical care** – includes hospitalization, clinic treatment – including dental care for damage caused by the terrorist attack – drugs, auxiliary medical apparatus, recovery and medical rehabilitation. Treatment is provided based on confirmation by the National Insurance Institute that the injury was recognized as injury caused by hostile action, and in accordance with the NII’s financial commitment

Care is provided through the country’s qualified medical services, comprising both state health services and the recognized sick funds. First aid is administered by “Magen David Adom” or by any doctor or medical establishment near to the place of injury. Medical treatment for persons with a 10%-19% disability degree is provided through the sick funds under the State Health Insurance Law.

4. **Vocational and financial rehabilitation** – designed to aid rehabilitation of disabled persons who do not have a profession or who need to undergo professional retraining due to their disability or due to being dismissed from their place of work. Persons with a disability degree of 20% or more who have not received study funding from the NII may receive help from the NII in setting up a business or consolidating an existing business. The business must be financially realistic and be adapted to the disabled person's capacities, knowledge and physical limitations.
5. **Benefits for dependents** – are paid to the survivors of a person killed in a hostile action.

**Widowers, widows and orphans are eligible for a fixed monthly benefit.** The rate of the benefit is based on a percentage of the salary of civil servants, on top of which social benefits are added as a gross monthly amount. The rate of benefit for a widow/er is based on the widow/er's age and whether he or she has children – as well as on the children's ages. The increment for children is paid even if they are over 21 years of age as long as they are in obligatory national service. After the children's national service the widow/er receives the benefit paid to a person with grown children. Orphans in special situations receive increased amounts.

A person orphaned from both parents, at least one of whom was killed in a hostile action when he was between 21 and 30 years old, is eligible for the grant paid to a lone bereaved parent (NIS 42,704 in August 2007).

An orphan between 21 and 35 years old both of whose parents died as a result of a hostile action is eligible for a benefit at the rate of 80% of that paid to an independent orphan (NIS 2,917 in August 2007) for 24 months. If benefits were paid before the orphan reached the age of 21, the months in which he received benefits are deducted from the 24 month-period for which he is eligible.

**Bereaved parents too are eligible for a fixed monthly benefit.** The rate is calculated as a percentage of the salary of civil servants and determined according to the family composition and parent's age. The benefit is subject to an income test.

In addition to monthly benefits, families of dependents are eligible for **rehabilitation, grants and additional benefits** such as payment for assistance with daily activities due to medical problems, help with purchasing a vehicle, housing loans and grants, help with mobility, housing aid and a marriage grant for orphans.

**Grants for mourning expenses** – paid to a widow/er and bereaved parents, or, in their absence, another close relative – to help cover costs associated with mourning.

The figures presented in this chapter refer only to civilian hostile action casualties and not to soldiers or police officers injured in such actions. Furthermore, the tables of benefit recipients do not include casualties who have previously received benefits and have ceased to be eligible for them, or casualties who did not receive benefits from the start.

Box 14

## **Treatment of Emotional Trauma Casualties in Emergencies and in Mass Terrorist Attacks**

During the Second Lebanon War, the National Insurance Institute initiated an innovative procedure, developed jointly with the Ministry of Health, to treat emotional trauma casualties in order to provide them with preliminary care even before they are recognized as hostile action casualties entitled to a benefit and treatments under the law (in other words, they were not yet recognized by the approving authority of the Ministry of Defense). In light of favorable responses to the procedure in the north of Israel, it is now being deployed in the community mental health center in Sderot.

The rationale behind the new procedure and the decision not to wait until all permits are obtained from the approving authority is based on the pressing need to care for emotional trauma casualties as early as possible, thus preventing chronic post-traumatic stress disorder that may disrupt the normal course of life.

The professional literature distinguishes three stages of emotional trauma:

- Acute stress reaction – an immediate response to a traumatic event. The common symptoms are shock and expressions of anxiety, anger and melancholy. This stage can extend for up to two days and may later fade away.
- Acute stress disorder – a critical stage accompanied by distress and functional difficulties. Casualties are at enhanced risk of developing post-traumatic disorders along the way, and the situation therefore calls for treatment within a few weeks in order to prevent the chronic state.
- Post-traumatic stress disorder – a chronic condition that causes considerable distress, anxiety and a significantly reduced capacity to function.

The goal is to diagnose the target population (emotional trauma casualties who arrived in ER or containment centers) through an efficient and swift procedure and to provide preventive treatment that may reduce the number of chronic casualties.

The coordinators contact the target population and conduct a telephone interview with them, using a structured questionnaire. They then form a preliminary evaluation on the basis of which a plan of action is selected. According to experience thus far accumulated, in 30% of the cases there is no need for further treatment.

The remaining casualties are treated as follows:

1. A telephone conversation is initiated after one week. A decision is taken on whether additional care is required, and an intake session is then scheduled (which may lead to a final decision that care is not required).

2. The injured person is invited to an intake session (preliminary interview) (experience indicates that 85% of invitees show up), diagnosed and prescribed future treatment.
3. Follow-up treatment is administered by one of the following methods (experience indicates that 50% show up for follow-up treatment):
  - A. Cognitive group therapy (5-6 persons per group);
  - B. Individual treatment by different methods;
  - C. Treatment with paregoric medicine for one week, and then follow-up;
  - D. Treatment with antidepressants;
  - E. Prolonged treatment.

Payment for the treatments is transferred by the National Insurance Institute at the expense of the Treasury. A set rate is determined for the telephone interview stage (NIS 100), intake (NIS 500) and psychotherapeutic treatment (NIS 1,520). The latter rate is all encompassing regardless of the treatment method or the number of treatments provided. Feedback reported by the centers to the National Insurance Institute includes the treatment method and the number of actual sessions.<sup>1</sup>

The emotional trauma procedure began to be used at containment centers in Sederot in October 2006. According to reports, in 2007 the center treated 500 casualties who were evacuated there, for whom the NII paid half a million shekels. All emotional trauma treatments were provided through clinics in mental health community centers/containment centers (emotional trauma casualties are usually not referred to Barzilai Hospital). In total there were 5,000 contacts with the target population, which then included children as well.

In 2008, children and teenagers up to the age of 18 are being treated by psychologists from the education system. The psychologists refer those who are suffering from a temporary or constant mental disorder to the National Insurance Institute to file a claim for benefit. Casualties not evacuated to containment centers who arrive at a NII local branch to file a claim for emotional trauma are directed to a mental health clinic and undergo the emotional trauma procedure.

At the Ashkelon local branch of the NII, thorough examination was made in 192 cases in which the emotional trauma procedure was applied in Sderot in June 2007, as well as through October-December 2007 (the number of applicants in 2007 was estimated at 576). Out of 192 persons who applied to the mental health clinic for the emotional trauma procedure, 80 filed claims with the Institute to be recognized as hostile action casualties, 56 are recognized as hostile action casualties from previous terror acts, 108 were given a telephone interview and 81 of the applicants underwent an intake.<sup>2</sup>

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1 Cited from "Procedure of care for emotional trauma casualties in an emergency and in a mass terrorist attack", by A. Shreibman, Deputy Director General of Benefits, National Insurance Institute; and Dr. Y. Paulyakovitch, Head of Mental Health Services in the Ministry of Health, February, 12, 2008.

2 Cited from "Emotional Trauma Procedure – Sederot Mental Health", by M. Hevroni, Ashkelon NII local branch.

## E. Hostile actions

Hostile actions have occurred since the creation of the State of Israel. The NII began to collate data in only recent years and therefore the figures for the early years of the State may be incomplete. Except for the period of the War of Independence (1948), in which there were many civilian casualties, there were few hostile action casualties in the first years of the State (from 1949 to 1966). The ratio between the number of casualties and the number of terrorist attacks in this period is close to 1:1. Immediately after the Six Day War there was a significant rise in the number of hostile actions, followed by a gradual decline up to the start of the first intifada (1988). While there was a large number of hostile actions between 1994 and 1998 – and of casualties in each action – there was a drop in this number up to September 2000, when the second intifada broke out. The number and severity of hostile actions peaked at the end of 2000, and mainly in 2001-2002. The ratio between the number of casualties and the number of attacks in 2002 was 1:14. In 2003-2005 there was a drop in the number of hostile actions, as illustrated in Table 1.

There was a sharp increase in the number of fatalities and injuries in 2006 as a result of the Second Lebanon War. This number includes people with light injuries who required only medical attention, those who recovered after a short period and those who became disabled. 37% of the approximate 4,500 casualties of the Second Lebanon War suffered some kind of psychological harm, but were not physically injured.

87 hostile actions were recognized in 2007, about 522 of which occurred in the Gaza surrounding area, including Sderot – most occurring between May and the end of the year. Out of the 141 victims of hostile actions that occurred in 2007, 76 were Sderot residents.

The figures in Table 1 indicate a seemingly optimistic situation relating to victims of hostile actions although, from the perspective we have at the time of this writing in March 2008, we know that this is not the case.



Table 1  
**Hostile Actions Confirmed by the Approval Authority and  
 Victims of Hostile Actions, 1947-2007**

Year of injury*	Hostile actions	Victims of hostile actions		
		Total	Injured	Dead
<b>Total</b>	<b>3,140</b>	<b>15,541</b>	<b>13,924</b>	<b>1,617</b>
1947-1957	146	183	139	44
1958-1976	355	621	437	184
1977-1993	683	1,065	734	331
1994-1998	608	1,822	1,635	187
1999	53	134	128	6
2000	190	452	427	25
2001	305	1,730	1,553	177
2002	183	2,584	2,281	303
2003	124	1,098	944	154
2004	133	714	627	87
2005	91	542	498	44
2006	**182	***4,455	4,388	67
2007	87	141	133	8

\* The division of the years as presented here is based on the figures in the research paper, **Casualties of Hostile Actions in Israel: Injuries, Needs, Legislation and Provision of Treatment and Assistance**, by A. Yanai, R. Prior and S. Bar (July 2005), National Insurance Institute, in which the casualties are divided according to periods based on the nature of the activity.

\*\* Each day of the war in the north, with artillery activity (July 12<sup>th</sup>, 2006-August 14<sup>th</sup>, 2006), was defined as a separate hostile action.

\*\*\* The information sources include hospital ERs and stress centers.

## F. Recipients of medical care benefits

Shortly after sustaining injury, victims are eligible for a medical care benefit paid as compensation for their loss of capacity. Around 29% of hostile action casualties who received a medical care benefit in 2007 were incapable of working or functioning for more than three months as a result of their injury. An additional 30% were not capable of working or functioning for between one and three months. The average period of incapacity (to work or fully function) is about 80 days. In certain cases (for example, civil servants), the employer pays the injured person his full salary and the NII later refunds this payment to the employer. Table 2 presents the number of recipients of medical care benefits and the number of employers according to the length of the incapacity period.

The amount of the medical care benefit is determined in accordance with the injured person's employment status prior to the hostile action:



- A person who worked before the injury is eligible for a benefit equal to his average income in the three months prior to the injury (after income tax deduction) up to the maximum benefit paid to a reserve soldier (five times the *average wage*).
- A person who did not work before the injury is eligible for a benefit calculated in accordance with his marital status and number of children. The benefit is calculated as a percentage of a civil servant's salary.
- Children up to the age of 14 are not eligible for medical care benefit in any case. Children aged 14-18 are eligible for benefits only if they worked.

Table 2  
**Recipients of Medical Care Benefits, by Number of Days of Incapacity, 2007**

Days of incapacity	Medical care benefits recipients – total	Casualties who received medical care benefits	Employers who received medical care benefits
<b>Total</b>	<b>541</b>	<b>469</b>	<b>72</b>
1-30 days	225	196	29
31-90 days	160	144	16
91 days and over	156	129	27

### G. Disabled persons who receive benefits

In 2007 an average of 3,274 disabled persons received benefits after being injured in hostile actions. Table 3 shows the number of people disabled as a result of hostile actions who received monthly benefits between 2000 and 2007. The number of disabled people receiving benefits in 2007 includes about 766 persons whose degree of disability was between 10% and 19% and who received a lump-sum benefit. Up to the beginning of 1996, persons with a disability degree of 10%-19% received monthly benefits, and since 1996 they receive only lump-sum grants.

Table 3  
**Hostile Actions Casualties who Receive Monthly Disability Benefits (annual average), by Disability Degree, 2001-2007**

Disability degree	2001	2002	2003	2004	2005	2006	2007
<b>Total</b>	<b>1,720</b>	<b>1,807</b>	<b>2,195</b>	<b>2,500</b>	<b>2,753</b>	<b>3,022</b>	<b>3,274</b>
Up to 39	1,176	1,207	1,539	1,799	1,986	2,185	2,376
40-49	126	139	152	168	196	203	209
50-59	163	170	185	198	213	238	256
60-79	153	153	168	181	192	216	234
80-99	41	51	56	66	76	89	101
100	61	87	95	88	90	91	98

Table 4  
**Hostile Action Casualties who Received Benefits in December 2007, by Gender and Age at Time of Injury**

Age at time of injury	Total	Men	Women
<b>Total – numbers</b>	<b>3,415</b>	<b>1,864</b>	<b>1,551</b>
Percentages	100.0	100.0	100.0
Up to 19	24.2	25.4	22.7
20-29	21.3	22.2	20.3
30-44	26.6	26.9	26.3
45-64	22.6	20.7	24.9
65+	5.3	4.8	5.9

Tables 4 and 5 indicate the demographic and economic attributes of the disabled persons who receive a monthly benefit. 55% of benefit recipients are men. The disabled vary in terms of their financial situation after the injury: the majority (68%) are regular disabled persons and a minority (3.7%) are needy or have no income (2.7%). Eligibility for a benefit as a needy person or as a person without income is for a limited period only and necessitates periodic examination of the recipient's situation. Table 5 shows the number of disabled persons according to their status, as well as the average benefits for the various types of disabled persons.

Table 5  
**Disabled as a Result of Hostile Actions who Received Benefits in December 2007,  
 by Status (Regular, Needy and Without Income),  
 and Benefit Paid to Them (2007 prices)**

Disabled person's status	Numbers	Actual average monthly payment*
<b>Total</b>	<b>3,415</b>	<b>2,341</b>
Regular	2,335	2,249
Needy	126	11,972
Without income	91	6,085
Benefit for deceased disabled (36 months)	22	3,120
Disabled with 10%-19% disability	841	**

\* Including monthly benefits, and not including annual benefits.

\*\* Recipients of lump-sum payment, not monthly payment.

#### H. Recipients of dependents' benefits

A widower, widow, children and parents of a person killed in a hostile action are eligible for a dependent's benefit. While Table 1 showed the number of hostile actions per year and the number of persons killed in those actions, Table 7 presents the number of deceased for whom dependants' benefits are paid to their survivors.

Table 6  
**Persons Killed in Hostile Actions for whom Benefits Were Paid in December 2007,  
 by Year of Death**

Year of death	Number killed
<b>Total</b>	<b>1,458</b>
Up to 1957	23
1958-1966	6
1967-1976	171
1977-1986	127
1987-1999	383
2000	22
2001	161
2002	242
2003	137
2004	72
2005	43
2006	61
2007	10

Table 7

### Persons Killed in Hostile Actions for whom Benefits Were Paid in December 2007, by Gender and Age at Time of Injury

Age at time of injury	Total	Men	Women
<b>Total – numbers</b>	<b>1,458</b>	<b>986</b>	<b>472</b>
Percentages	100.0	100.0	100.0
Up to 18	18.5	14.1	27.8
19-29	21.5	19.8	25.1
30-49	36.0	40.6	26.3
50-64	16.7	17.4	15.2
65+	7.3	8.1	5.6

In December 2007 1,900 benefits were paid to bereaved families for 1,458 persons killed – including around 52% to bereaved parents and about 42% to widow/ers with or without children. The highest benefits were paid to widowers/ widows with children under age 21.

Table 9 contains the average monthly benefits, according to family composition.

Table 8

### Families of Deceased who Received Benefits in December 2007, by Family Composition and Monthly Benefit (2007 prices)

Family composition	Numbers	Monthly benefit* (average)
<b>Total</b>	<b>1,900</b>	<b>6,477</b>
Widow/er without children	26	6,372
Widow/er with grown up children	440	7,880
Widow/er with children	329	9,106
Independent orphans	49	3,434
Bereaved parents	982	5,123
Other	74	...

\* Including balance, grossing up, health insurance and increment for age.

Table 9

### Payments of the Hostile Actions Casualties Branch, 2000-2007 (NIS thousand)

Year	Current prices	2007 prices	Real annual growth
2000	151,824	169,244	-
2001	202,567	223,309	31.9%
2002	302,000	314,970	41.0%
2003	348,536	360,978	14.6%
2004	339,000	352,512	-2.3%
2005	350,000	354,147	0.5%
2006	360,000	361,944	2.2%
2007	356,000	356,000	-1.64%

After the outbreak of the second intifada in 2001, there was a sharp rise – of 32% – in the payments of the Hostile Actions Casualties branch., The payments rose even more sharply in 2002 (41%), and in 2003 there was a further increase of 15%. In 2004, payments stabilized at a level of NIS 350 million-360 million. In 2007 a total of approximately NIS 356 million was paid in various benefits, in cash or in kind, to hostile action casualties.

## 9. Rehabilitation of People with Disabilities and Widows

### A. General

People with disabilities who were injured at work, as a result of hostile actions or in other circumstances (*general disabled persons*) and widow/ers (other than IDF disabled persons and widows) are eligible for vocational rehabilitation – a therapeutic process designed to guide and prepare them to obtain employment suitable to their professional skills and functional abilities. Rehabilitation services include principally career examination and guidance, career advice and vocational training or studies. People with disabilities and widow/ers are also eligible for funding of basic expenses entailed in the rehabilitation process as well as funding of studies and the examination process. Some may be eligible for a rehabilitation allowance and accommodation, living and travel expenses associated with the studies.

Eligible for vocational rehabilitation:

**General disabled person** – a person with a physical, mental and/or emotional impairment, if he is a resident of Israel and meets the following conditions: he has been assigned a medical disability degree of at least 20% according to disability testing; he is incapable of engaging in his previous type of employment or other appropriate work; and according to the opinion of the rehabilitation worker, as a result of the impairment he requires vocational training and other rehabilitation services which will enable him to return to his previous or other appropriate work.

**Work injured** – a person injured at work if assigned at least 10% medical disability and, due to the injury, is incapable of engaging in his previous type of employment or other appropriate work, and needs and is suitable for vocational rehabilitation. Injury at work is a work accident that takes place during and due to work, including on the way to and from work, or due to an occupational disease based on the list of diseases defined in the work injury regulations.

**Hostile action casualty** – a person injured in a hostile action, if assigned at least 10% medical disability. A hostile action casualty is a person injured by military or paramilitary forces, a person injured by irregular forces of a country of organization hostile to Israel, a person injured in circumstances in which there were reasonable grounds to believe that a hostile action will be carried out, or a person injured in actions carried out in with a view to helping military forces or an organization or on their behalf.

**Widow/er** – since 1968, a widow/er receiving a pension, if one of the following conditions is met: they do not have a profession; they cannot support themselves; or they need vocational retraining due to their becoming a widow/er, and the rehabilitation worker believes that they are suitable for vocational training.

## B. Characteristics of applicants for rehabilitation

Diagram A indicates that the number of applicants for rehabilitation rose slightly in 2007 compared with 2006, and totaled close to 11,500 disabled persons and widows. It is also noticeable that the number of applicants for rehabilitation declined in 2003 compared with the previous two years, when there was a significant increase in the number of hostile action casualties. The ensuing burden imposed on the Rehabilitation Department reduced the extent of treatment of general disabled and work injured persons. The relatively large proportion of general disabled persons caused an overall decrease in the number of rehabilitation applicants. Table 1 indicates that most applicants to rehabilitation, in each of the years reviewed, are *general disabled* – in other words, disabled persons who, as mentioned, have suffered a physical, mental and/or emotional impairment as a result of a defect from birth or a childhood ailment or at a later stage. In 2007 there was an increase in the number of hostile action casualties compared with the previous two years, principally following injuries to civilians during the Second Lebanon War.

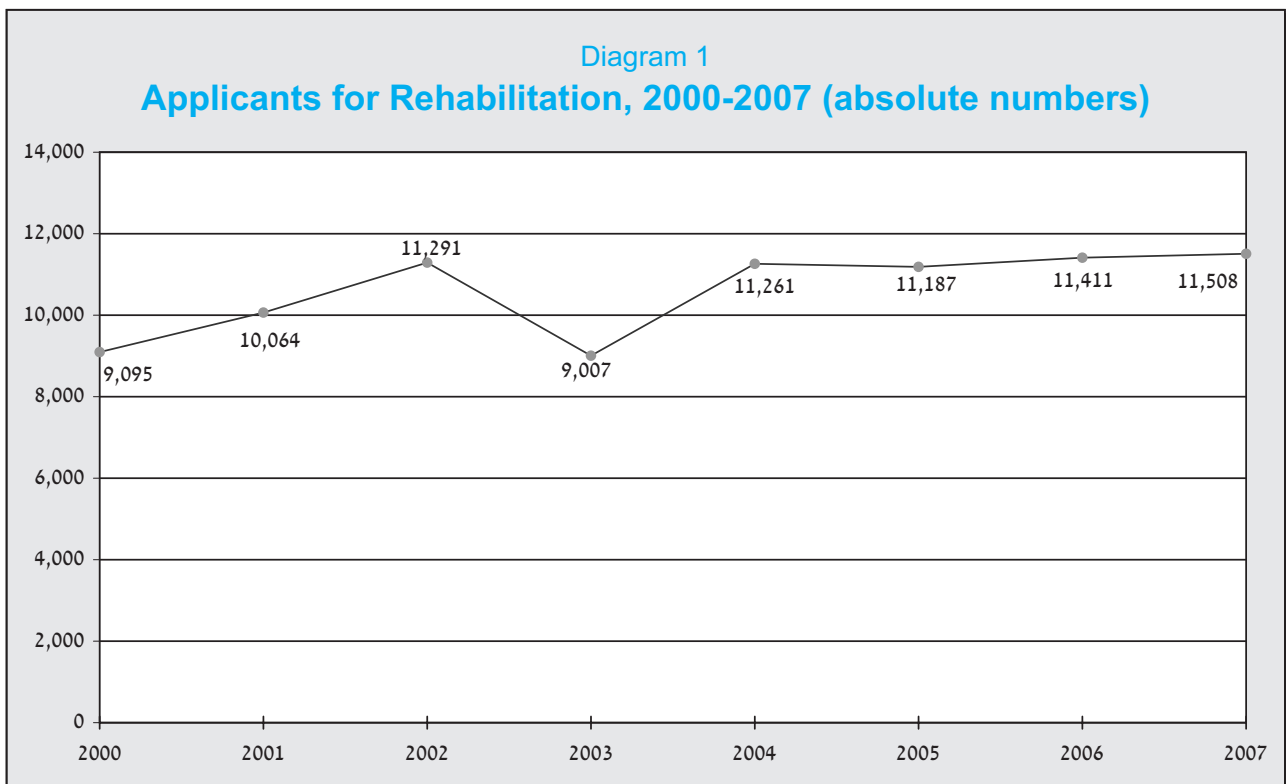


Table 1  
**Applicants for Rehabilitation, by Branch**  
**(absolute numbers and percentages), 2000-2007**

Year	Total		Branch			
	Absolute numbers	Percentages	General disabled	Work injured	Hostile action casualties	Widows/widowers
2000	9,095	100.0	70.1	16.8	4.9	8.2
2001	10,064	100.0	61.7	14.6	16.1	7.7
2002	11,291	100.0	61.2	13.3	18.9	6.9
2003	9,007	100.0	68.0	13.3	12.3	6.4
2004	11,261	100.0	67.8	16.2	7.4	8.6
2005	11,187	100.0	70.6	14.5	6.0	9.3
2006	11,411	100.0	68.1	13.9	10.1	7.9
2007	11,508	100.0	69.4	17.2	5.0	8.4

57% of the applicants for rehabilitation in 2007 were men. Men comprised the majority (88%) of work injured persons (see Diagram B), since they both comprise a greater proportion of the workforce than women and are more exposed to work risks due to the nature of their work. It should also be noted that widowers only account for a small proportion of applicants (11%), as housewives do not make their partners eligible for a survivors' benefit and subsequent rehabilitation, as opposed to men, who even if they do not work, make their partners eligible for a benefit. In addition, a childless widower's eligibility for rehabilitation is contingent on an income test.

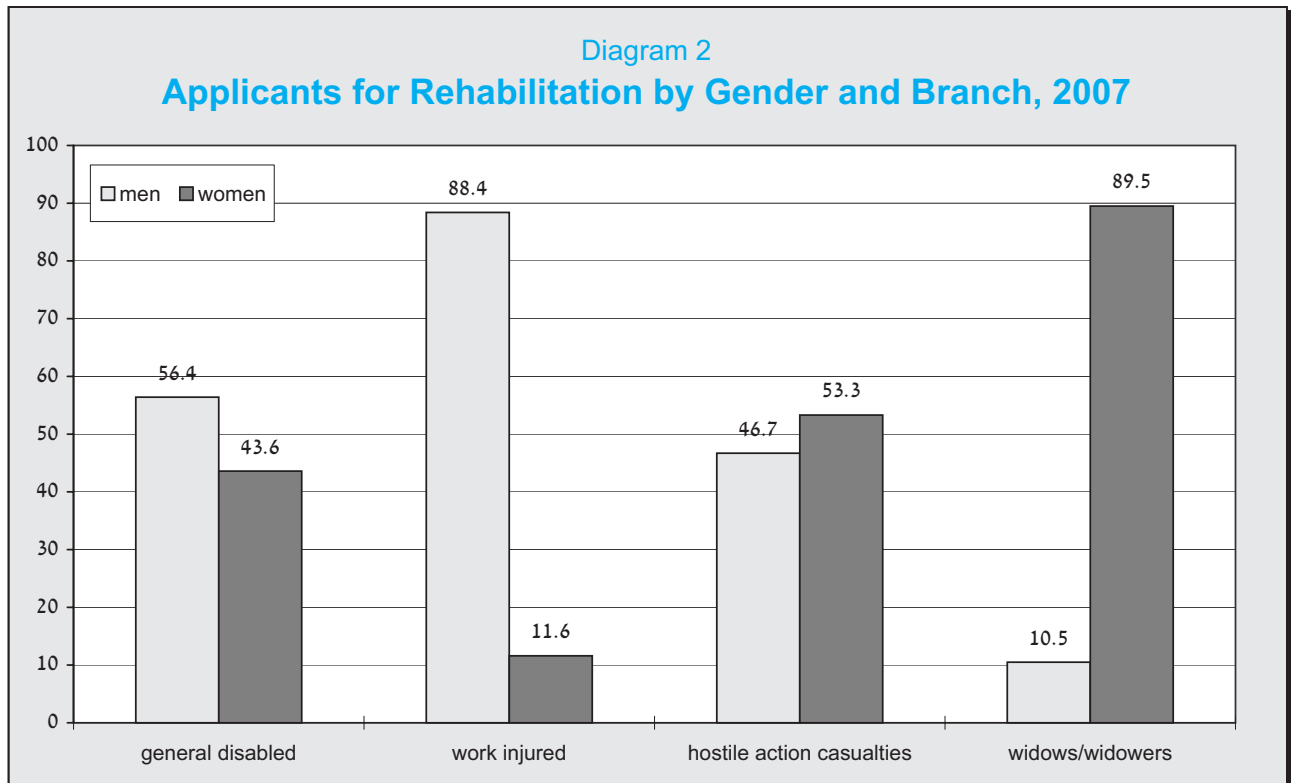




Table 2 indicates that most applicants for rehabilitation were of employment age. This is not surprising, given that application for rehabilitation is mainly designed to place applicants in employment. The *general disabled* were the youngest (average age of 36) as, as noted, they include people with defects from birth or from childhood and they apply for rehabilitation to exercise their rights when they attain the age of 18. The widow/ers, on the other hand, were the oldest as their eligibility is not contingent on age, and it includes eligibility for various services, in addition to vocational rehabilitation.

Table 2  
**Applicants for Rehabilitation, by Gender and Branch  
(absolute numbers and percentages), 2007**

Age	Total		Branch			
	Absolute numbers	Percentages	General disabled	Work injury	Hostile action casualties	Widows/widowers
<b>Total</b>	<b>11,182</b>	<b>100.0</b>	<b>7,721</b>	<b>1,498</b>	<b>1,083</b>	<b>869</b>
Up to 17	72	0.6	-	-	12.4	-
18-25	2,156	19.3	25.5	4.5	15.9	1.4
26-35	2,457	22.0	24.6	19.5	14.8	10.1
36-45	2,466	22.0	21.3	26.0	12.2	26.5
46-64	3,807	34.0	28.5	43.1	31.8	61.8
65+	224	2.0	0.2	6.8	13.0	0.2
Average age (years)	39		36	43	39	46

### C. Persons completing rehabilitation treatment

Table 3 indicates an increase of about 51% in the number of persons completing rehabilitation treatment between 2000 and 2007 (8,207 and 12,396, respectively). It should be noted that the composition of such persons according to type of disability (branch) remained mostly stable over the years, except for the changes on the number of hostile action casualties. In 2007 the number of hostile action casualties out of those completing treatment declined compared with 2006.

Table 3  
**Persons Completing Rehabilitation Treatment, by Branch  
 (absolute numbers and percentages), 2007**

Year	Total			Branch			
	Absolute numbers	Percentages	Rate of increase	General disabled	Work injury	Hostile action casualties	Widows/widowers
2000	8,207	100.0	11.0	71.0	16.8	3.3	8.9
2001	8,135	100.0	-1.0	67.8	16.2	7.1	8.9
2002	9,462	100.0	16.3	68.1	14.9	9.4	7.6
2003	9,937	100.0	5.0	67.8	13.8	10.5	7.8
2004	9,857	100.0	-1.0	70.2	14.3	7.8	7.7
2005	10,525	100.0	6.8	69.2	14.5	7.9	8.4
2006	11,530	100.0	9.5	68.3	13.5	9.5	8.7
2007	12,396	100.0	7.5	69.5	15.5	6.9	8.1

According to the mandate granted to the NII Rehabilitation Department, the main rehabilitation program helps recipients of rehabilitation treatment attain employment on the free market. 72% of recipients of rehabilitation treatment underwent preparation to attain employment on the free market or within a sheltered framework by means of one or more of the following rehabilitation programs (see Table 4):

- **Pre-vocational training**, including completing education or acquiring work habits at rehabilitation centers prior to starting vocational training. Persons suitable for employment on the free market may participate in the program. In 2007 15% of rehabilitation treatment recipients took part in this program.
- **Vocational training**, including study courses, individual training or studies at institutions of higher education. This is provided to persons with disabilities who have work habits, motivation and the ability and willingness to study and to change. 23% of persons receiving rehabilitation treatment in 2007 participated in various types of vocational training. The professions that were studied were primarily in clerical work, computer programming and bookkeeping.
- **Placement assistance** designed to find employment by referring persons to the employment services or to special placement services, with support and monitoring. In 2007, around one fifth of persons receiving rehabilitation treatment were assisted by placement services – more general disabled than persons with work injuries (19% and 8%, respectively).
- **Monitoring and maintenance**, including activities designed to prevent dropout from work. In 2007, around one third of rehabilitation treatment recipients benefited from these services.
- **Welfare assistance** with a view to improving the quality of life and ability to function of persons receiving rehabilitation treatment. These include, for example, financial assistance for covering needs relating to disabilities, help with purchasing housing, a car and various accessories, all in accordance with the instructions and regulations. In 2007, 10% of rehabilitation treatment

recipients received welfare support, particularly hostile action casualties (50%) and persons with work injuries (26%).

- **Work at sheltered places**, designed for persons with disabilities who are not capable of working in competitive conditions on the free market; that is, persons with reduced work capabilities and low productivity. In 2007, 2% of rehabilitation treatment recipients were referred to sheltered employment and their absorption into this framework was monitored (for up to six months).
- **Individual psychological treatment** administered to around one third of hostile action casualties, in order to help them deal with trauma and bereavement.
- **Diagnosis** designed to tailor specific rehabilitation treatment to individual needs – in 2007 given to around two thirds of persons receiving rehabilitation treatment.

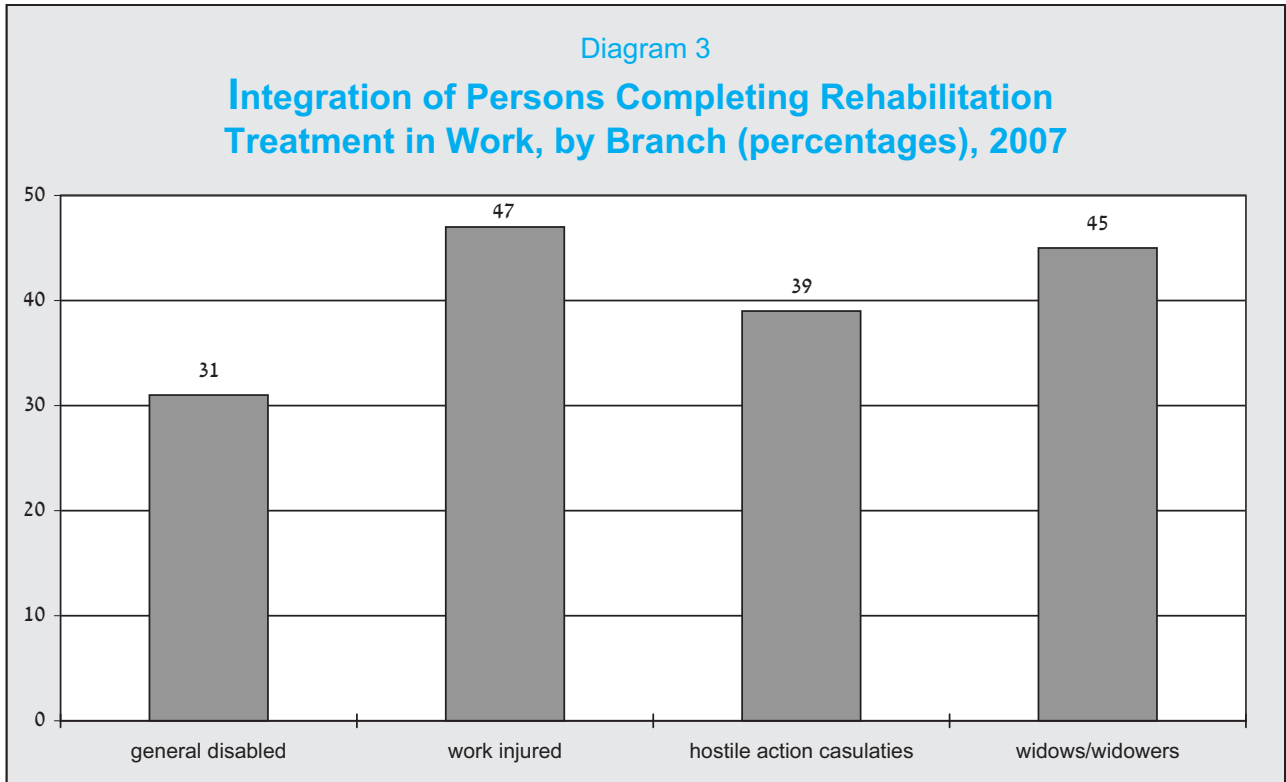
Table 4  
**Persons Completing Rehabilitation Treatment,  
by Treatment Program and Branch (absolute numbers and percentages\*), 2007**

Treatment program	Total**	Branch			
		General disabled	Work injury	Hostile action casualties	Widows/widowers
<b>Total</b>	<b>12,396</b>	<b>8,615</b>	<b>1,921</b>	<b>850</b>	<b>1,005</b>
<b>Percentages</b>					
Prior to training	15.4	16.9	9.3	5.9	11.1
Vocational training	23.0	25.1	18.6	10.4	27.8
Placement assistance	15.4	18.9	8.2	1.8	10.0
Referral to sheltered employment	2.0	2.7	0.5	-	-
Psychological treatment	2.2	-	-	31.8	-
Monitoring and maintenance	38.1	37.4	33.3	65.6	28.9
Financial assistance	10.1	3.3	25.6	50.5	5.4
Diagnosis	63.1	68.9	60.4	20.8	53.1
Short-term advice only	18.2	17.0	18.9	7.2	36.5

\* The complementary percentages refer to those who did not undergo the program.

\*\* As some of those who completed treatment participated in more than one treatment program, the percentages exceed 100.

The success of rehabilitation treatment is mainly judged by the extent of integration of the recipients of such treatment in work. Diagram C indicates that a higher number of work injured persons than general disabled (47% compared with 31%, respectively) integrated on the free employment market in 2007. This is to be expected, since the former come from the employment cycle.



#### **D. Payments associated with rehabilitation treatment**

Rehabilitation treatment, as mentioned above, frequently involves funding payments associated with the rehabilitation process: studies and vocational training; expenses relating to diagnosis; rehabilitation fees – living costs for persons studying on full programs; and housing costs, living expenses and travel relating to studies. Tables 5 and 6 indicate the scope of payments according to branch and type of payment associated with rehabilitation. Total payments associated with rehabilitation decreased in 2007 in real terms, as compared with 2006.

Payments for tuition fees and rehabilitation fees were the highest. Tuition fees include the various types of vocational training. Rehabilitation fees were designed to cover living costs during studies or while the patient is undergoing diagnosis. Tuition fees contributed the most to the total increase.

Table 5  
**Payments Associated with Rehabilitation, by Branch  
 (2007 prices, NIS thousand), 2001-2007**

Year	Total	Real change – total	General disabled	Work injury	Hostile action casualties	Widows/ widowers
2001	140,548	5.2	87,825	28,606	12,982	10,134
2002	167,979	19.5	101,981	30,601	24,387	10,938
2003	158,567	-5.7	98,277	27,039	23,276	9,871
2004	190,929	20.0	113,635	24,610	44,089	8,561
2005	207,972	8.9	122,221	27,196	47,573	10,880
2006	189,679	9.1	121,195	24,460	32,080	11,587
2007	188,660	-1.0	120,544	24,329	31,908	11,525

All told, the average cost of rehabilitation expenditure for work injured persons in 2007 was greater than the cost for general disabled, as indicated by Table 7 (NIS 17,000 and NIS 12,000, respectively). The costs vary due to the decisive contribution of rehabilitation fees to the payments made to work injured persons (NIS 20,000 on average). These are higher than for a general disabled person, as the allowance on which work injured rehabilitation fees are based is higher than for the general disabled. The table also indicates that the payments for rental fees and for other costs paid to hostile action casualties were, on average, greater than for the others.

Table 6  
**Total Payments Associated with Rehabilitation,  
 by Main Type of Payment (percentages), 2001-2007**

Year	Total (NIS)	Main type of payment*					
		Tuition fees	Rehabilitation fees	Travel	Apparatus	Rent	Other costs
2001	140,548	85,280	35,680	12,000	6,912	2,669	9,140
2002	167,979	93,921	39,871	11,830	6,535	3,322	16,293
2003	158,567	96,429	41,361	11,670	6,516	2,922	16,217
2004	190,929	89,816	37,750	10,920	5,629	2,966	15,364
2005	207,972	99,256	43,153	10,940	5,613	2,994	14,915
2006	189,689	103,167	45,590	11,230	6,752	3,737	17,709
2007	188,660	96,791	41,100	10,920	6,621	4,072	20,547

\* Referring to main payments; thus the total is greater than the sum of the payments.

Table 7  
**Average Payments\* per Rehabilitation Treatment Recipient in 2007,  
 by Branch and Main Type of Payment (NIS)**

Main type of payment	Total average payment (NIS)	Branch			
		General disabled	Work injury	Hostile action casualties	Widows/widowers
<b>Total</b>	<b>13,119</b>	<b>11,975</b>	<b>16,714</b>	<b>15,831</b>	<b>13,500</b>
Tuition fees	7,750	7,778	7,716	8,209	6,406
Rehabilitation fees/living costs	12,544	10,795	19,619	17,960	9,635
Travel	1,280	1,269	1,451	1,412	991
Apparatus	2,445	2,846	893	633	1,052
Rent	6,741	6,632	7,039	10,081	8,974
Other costs**	14,782	567	416	16,439	21,360

\* Averages based on payments made to rehabilitation treatment recipients in 2007.

\*\* Such as costs on a housekeeper, medicinal drugs, etc.



## 10. Unemployment Insurance

### A. General

Unemployment insurance is designed to guarantee workers an income when unemployed and to help them avoid a drastic drop in their standard of living. Like any insurance system, unemployment insurance comprises an essential safety net and is meant to help the unemployed maximize their earning potential by looking for employment compatible with their skills. Following the strict legislation introduced in 2002-2003 in the unemployment program, unemployment benefits and grants are paid contingent on the following conditions:

An **unemployment benefit** is paid to an unemployed person who worked prior to becoming unemployed for a period of time (qualifying period) determined in the law – 12 months' work out of the 18 months prior to unemployment<sup>1</sup>. Eligibility for unemployment benefit is granted immediately to a person who has been dismissed from work and has demonstrated willingness to accept alternative work by reporting to the labor exchange. Employment suggested to unemployed persons aged over 35 must be *suitable employment*, in terms of profession, salary and distance from home. For other unemployed persons, any employment offered to them by the labor exchange must be *suitable employment* in terms of profession and salary.

An unemployment benefit is paid for a maximum period of 50-175 days, in accordance with the age of the unemployed person and his marital status<sup>2</sup>. Unemployed persons with at least 12 years' schooling who participate in vocational training are entitled to unemployment benefits for the maximum period applicable to all unemployed persons. An unemployed person with less than 12 years' schooling who participates in vocational training is entitled to benefit for a maximum period of 138 days (even if his entitlement without vocational training is 50-100 days).

The unemployment benefit is calculated in accordance with the unemployed person's salary<sup>3</sup> prior to unemployment, up to a ceiling, as follows: for the first five months of payment of unemployment

1 For daily workers, the qualifying period is 300 days' work out of the 540 days prior to unemployment.

2 The maximum period of take-up is calculated as following:

- 50 days: for an applicant aged 25 or less, with less than 3 dependants.
- 67 days: for an applicant aged over 25, but no more than 28, with less than 3 dependants.
- 70 days: for a discharged soldier (in accordance with the definition above).
- 100 days: for an applicant aged over 28, but no more than 35, with less than 3 dependants.
- 138 days: for an applicant aged no more than 35 with less than 3 dependants, or an applicant aged over 35, but no more than 45, with less than 3 dependants.
- 175 days: for an applicant aged over 35, but no more than 45, with less than 3 dependants, or an applicant aged over 45.

3

Proportion of the unemployed person's salary	Up to 28 years old	Over 28 years old
Proportion of the salary, up to half the average wage	60%	80%
Proportion of the salary, over half and up to $\frac{3}{4}$ of the average wage	40%	50%
Proportion of the salary, over $\frac{3}{4}$ and to the full average wage	35%	45%
Proportion of the salary equal to the average wage and up to the maximum guaranteed wage	25%	30%



benefit – up to the average wage, and from the sixth month onwards, up to two-thirds the average wage. The unemployment benefit paid to an unemployed person attending vocational training is 70% of the benefit for which he would be eligible had he/she not been in vocational training.

**Unemployment benefit for discharged soldier:** Up to June 2007 discharged soldiers were exempt from the qualifying period and were eligible for unemployment benefits for the first year after their discharge from the army. As of this date, discharged soldiers require a qualifying period of 6 months' work in the first year after being discharged in order to be eligible for benefit, which is at the rate of 80% of the minimum wage for a maximum period of 70 days.

**A grant for a discharged soldier:** a soldier who worked in *preferred/required work* (as defined in the National Insurance Law) during the first two years after being discharged is entitled to a grant of NIS 7.578 (based on 2007 prices). A soldier who has fully taken up his entitlement to unemployment benefit is not eligible for a grant.

## B. Changes in legislation in 2007

After the very severe changes introduced in the Unemployment Insurance Law 2002-2003, the law was amended again in 2007, as follows:

- In March 2007, the maximum period for payment of unemployment benefit for unemployed persons aged 25-28 was reduced from 100 days to 67 days.
- In March 2007 too, the rate of unemployment benefit paid to persons aged up to 28 was reduced by about 25%.
- As of July 2007 discharged soldiers are eligible for unemployment benefit only if they have accumulated a qualifying period of 6 months in the year following their discharge from compulsory military service. (Previously, they had been exempt from a qualifying period, as mentioned above.)

## C. Figures and patterns

In 2003 the level of unemployed persons reached a record high of 10.7%, and in 2004 the pattern was reversed and this level began to decline, falling to 6.7% by the last quarter of 2007.

The drop in the unemployment level has entailed an upturn in employment: around 84,000 people joined the workforce in 2007, comprising an increase of 108,000 in the number of employed persons, while the number of non-employed persons dropped by about 24,000.

The number of persons receiving unemployment benefit has declined by the same level, so that the proportion of these persons out of total non-employed persons is unchanged: about 24%.

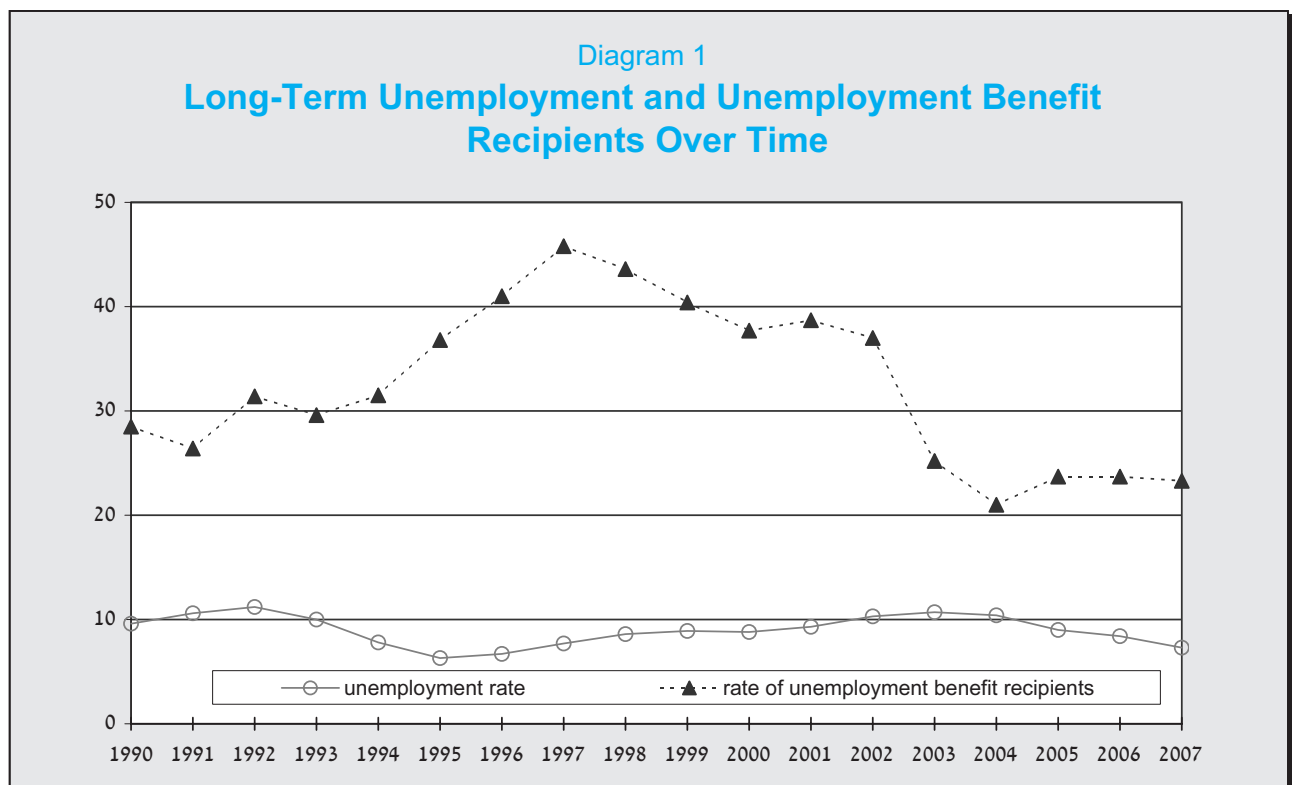
Table 1 shows the number of recipients of unemployment benefits and their share of the total number of non-employed persons.

**Table 1**  
**Non-employed Persons and Recipients of Unemployment Benefits**  
**(monthly average), 2000-2007**

Year	Non-employed		Thereof: unemployment benefit recipients			
	Absolute numbers	Percentage of workforce	Total		Job seekers*	
			Absolute numbers	% of non-employed	Absolute numbers	% of non-employed
2000	213,800	8.8	92,596	43.3	80,650	37.7
2001	233,900	9.4	104,707	44.8	90,623	38.7
2002	262,400	10.3	97,000	37.0	83,130	31.7
2003	279,700	10.7	70,450	25.2	65,683	23.5
2004	277,700	10.4	58,350	21.0	57,572	20.7
2005	246,400	9.0	58,830	23.9	58,176	23.6
2006	236,100	8.4	55,941	23.7	55,294	23.4
2007	211,800	7.3	49,817	23.5	49,348	23.3

\* Not including unemployed persons participating in vocational training.

Diagram 1 indicates the trends in unemployment benefit recipients out of the total number of non-employed persons from the early 1990's as well as unemployment rates.



#### D. Discharged soldiers who received unemployment benefits

Unemployment benefit recipients are generally divided into two main groups: discharged soldiers and unemployment benefit recipients who were previously employed. Discharged soldiers are further divided into two groups according to different periods –prior to July 2007, and after that date – since prior to July 2007 they were exempt from a qualifying period in the first year following their discharge, and were subject to an employment test only.

The legislative changes in 2002-2003 which made conditions for eligibility to unemployment benefit stricter did not apply to discharged soldiers. Thus, their employment situation before 2006 reflected the fluctuations in the overall employment situation in the country, as well as changes in the rules of eligibility for a grant for *preferred work*.

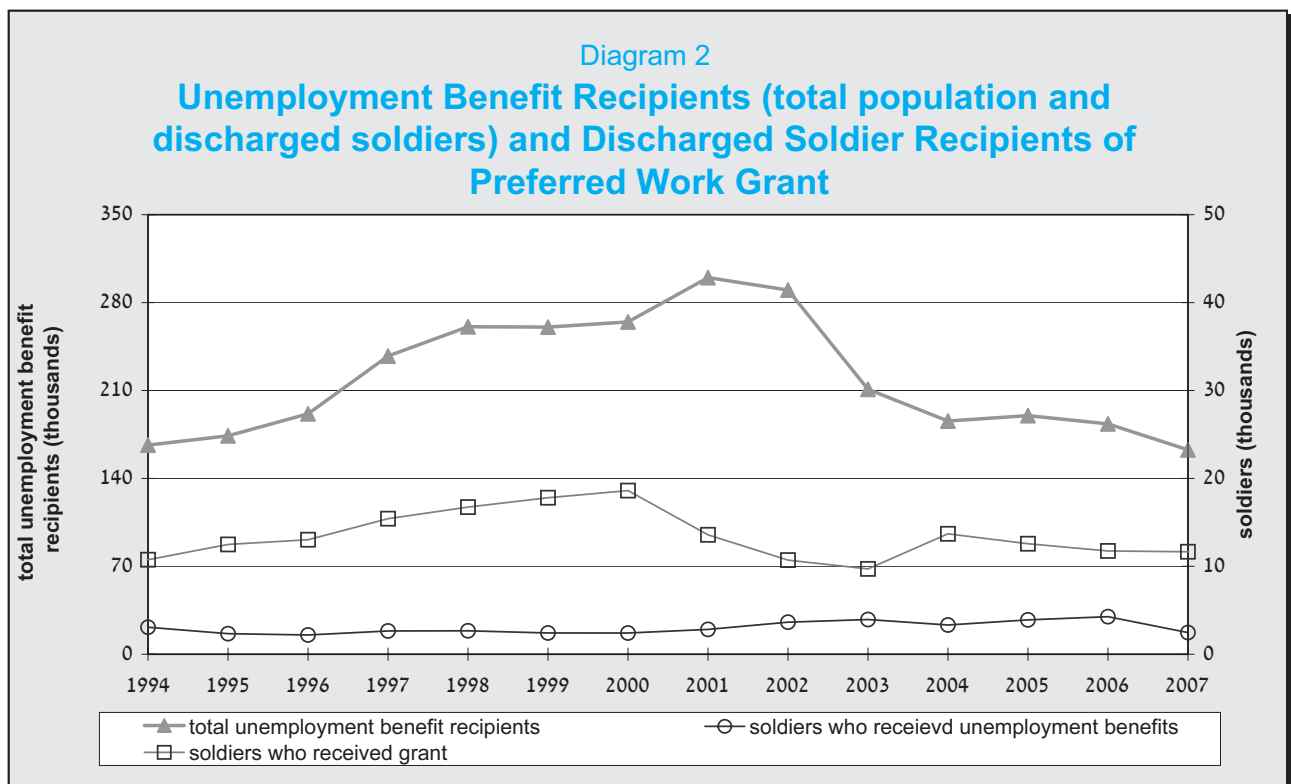
The difficulties in the job market in 2002-2003, together with the removal of the industrial sector from the list of *preferred work* in July 2001 (although the sector was restored to the list in December 2002, with a reduction of 20% in the grant), explain the significant increase in the number of discharged soldiers who received unemployment benefit in these years. This number peaked at an average of 7,000 a month in 2003, as indicated in Table 2, as compared with an average of 4,000-5,000 in 1995-2000. This pattern changed in 2004, and the number of discharged soldiers who received unemployment benefits dropped by about 20%, to an average of about 5,500 a month. This drop is mainly attributable to the fact that security work was added to the list of *preferred work* between 2003 and 2004, although the improvement in employment and the reduction in the number of migrant workers also contributed to the decline. Security workers at educational institutions and on public transport were eligible for a grant for limited periods only (from September 2003 to March 2004 for educational institutions, and from October 2003 to June 2004 for public transport), and this may explain, at least partially, the renewed increase in the number of discharged soldiers who received unemployment benefits in 2005 and 2006: despite the more marked improvement in the employment level in these years, this number rose by about 18% in 2005 and by another 2% in 2006 and in the first half of 2007.

As a result of the legislative changes in July 2007, the number of discharged soldiers eligible for unemployment benefit fell from about 6,000 in the first half of the year to under 800 in December. Their share out of the total number of unemployment benefit recipients dropped from around 12% in the first half of the year to less than 2% by the end of the year (Table 2).

**Table 2**  
**Unemployment Benefit Recipients Who Were Unemployed in 2007,**  
**by Unemployment Month**

Employment month	Total		Thereof: discharged soldiers	
	Absolute numbers	Percentages	Absolute numbers	Percentages
1-6	51,768	100.0	5,624	12.2
7	51,423	100.0	4,123	8.0
8	51,634	100.0	2,976	5.8
9	47,902	100.0	2,090	4.4
10	46,772	100.0	1,558	3.3
11	44,913	100.0	1,029	2.3
12	44,259	100.0	759	1.7

Diagram 2 clearly indicates the reverse relationship between the change in the number of discharged soldiers who received unemployment benefit and the change in the number of discharged soldiers who received a grant. In 2007, this was due to the sharp drop in the number of discharged soldiers who received unemployment benefit as a result of a change in legislation which will probably do away with discharged soldiers' eligibility for unemployment benefit. The box in this chapter shows the results of a survey of soldiers who received a grant, young people who were not eligible for the grant and a comparison between them.



## E. Unemployment benefit recipients who were previously employed

There was a drop, albeit moderate, in the number of unemployment benefit recipients who were previously part of the work force, due to the overall decline in the unemployment level (as opposed to the drop in the number of unemployed discharged soldiers, resulting also from the change in legislation, as stated above).

There was a monthly average of about 50,000 people who received unemployment benefits in 2007 (a drop of about 11% compared with 2006), of whom about 46,000 (a drop of about 7%) had previously been part of the workforce, and about 4,000 (a drop of around 42%) were discharged soldiers (Table 3).

Table 3  
Unemployment Benefit Recipients, by Year of Unemployment, 2000-2007

Year	Total		Unemployment benefit recipients who were employed			Discharged soldiers		
	Numbers	Rate of change compared with previous year	Total (absolute numbers)	Percentage of all recipients	Rate change compared with previous year	Total	Percentage of all recipients	Rate change compared with previous year
<b>Total</b>								
2000	264,598	1.6	247,726	93.6	1.8	16,872	6.4	-1.6
2001	299,896	13.3	280,120	93.4	13.1	19,776	6.6	17.2
2002	277,418	-7.5	252,093	90.9	-10.0	25,325	9.1	28.1
2003	210,957	-24.0	183,350	86.9	-27.3	27,607	13.1	9.0
2004	186,246	-11.7	161,940	86.9	-11.7	24,306	13.1	-12.0
2005	189,812	1.9	160,658	84.6	-0.8	29,154	15.4	19.9
2006	183,439	-3.4	153,538	83.7	-4.4	29,901	16.3	2.6
2007	162,759	-11.3	145,506	89.4	-5.2	17,253	10.6	-42.3
<b>Monthly average</b>								
2000	92,596	-3.6	88,109	95.2	-3.6	4,187	4.8	-2.8
2001	104,707	13.1	99,703	95.2	13.2	5,004	4.8	11.5
2002	97,000	-7.4	90,700	93.5	-9.0	6,300	6.5	25.9
2003	70,450	-27.4	63,450	90.1	-30.2	7,000	9.9	13.3
2004	58,350	-17.2	52,852	90.6	-16.7	5,498	9.4	-21.5
2005	58,830	0.8	52,334	89.0	-1.0	6,496	11.0	18.2
2006	55,941	-4.9	49,294	88.1	-5.8	6,647	11.9	2.3
2007	49,817	-11.0	45,936	92.2	-6.8	3,881	7.8	-41.6

Table 4  
**Unemployment Benefit Recipients who were Previously Employed, by Type of Unemployed Person and Type of Labor Exchange (percentages), 2000-2007**

Year	Total	Job seekers	Participants in vocational training	Job seekers		
				Total	With college education	Without college education
2000	100.0	87.1	12.9	100.0	17.7	82.3
2001	100.0	86.7	13.3	100.0	20.7	79.3
2002	100.0	85.7	14.3	100.0	21.8	78.2
2003	100.0	93.3	6.7	100.0	23.4	75.6
2004	100.0	98.7	1.3	100.0	24.8	75.2
2005	100.0	98.9	1.1	100.0	24.9	75.1
2006	100.0	98.8	1.2	100.0	26.1	73.9
2007	100.0	99.1	0.9	100.0	26.8	73.2

The figures in Table 4 indicates the steady increase in the number of college-educated persons among unemployment benefit recipients who had been previously employed (27%) and the negligible number of unemployed persons who attended vocational training courses – less than 1%. The amendments making the conditions for eligibility to unemployment benefit stricter, particularly during vocational training, to all intents and purposes put an end to such training for recipients of unemployment benefits.

#### F. Duration of unemployment benefit payments

Unemployment benefit is paid for up to 70 days to a discharged soldier within the first year after his discharge<sup>4</sup>, and for 50 days, 67 days, 100 days, 138 days or 175 days – to other unemployed persons, based on their age and number of dependants<sup>5</sup>. Exercising entitlement to unemployment benefit is limited to a period of one year from the first day of unemployment.<sup>6</sup>

The figures in Table 5 indicate that, similar to the case in 2006, the duration of unemployment benefit payment became shorter in 2007 for all unemployed persons – including job seekers and those participating in vocational training. The duration of payment for those seeking work decreased from 109 days in 2002 to 107 days in 2004 and down to 95 days in 2007. For unemployed persons in vocational training, payment periods declined from 239 days in 2002 to 114 days in 2004 and down to 106 days in 2007. These figures indicate that the legislation which made the rules of eligibility for unemployment benefit during vocational training tougher led to the

4 To receive a grant for preferred work, a discharged soldier may submit a claim within two years of his discharge.

5 See footnote 2 in this chapter.

6 Up to January 2003 this limitation did not apply to unemployed persons who participated in vocational training courses.

almost complete closure of the gap in the duration of benefit payment in favor of those participating in vocational training. The table also shows that a further reduction in the duration of payment of unemployment benefits was noted among unemployment benefit recipients who worked just prior to their becoming unemployed. There were no changes among discharged soldiers.

The reduction in the duration of payment of unemployment benefits may also be attributed to the continued improvement in the overall employment situation in the country.

Table 6

**Recipients of Unemployment Benefits Seeking Work who Completed their Entitlement in 2006 and 2007, by Number of Days for which they Received Unemployment Benefits (as a Percentage of Maximum Period of Entitlement) and by Maximum Period of Entitlement**

Period of entitlement	Number of payment days as percentage of maximum period of entitlement					Average number of days as % of maximum period of entitlement
	Up to 25	25-50	51-75	76-100	100	
<b>2006</b>						
<b>Total</b>	<b>8.7</b>	<b>11.2</b>	<b>12.2</b>	<b>23.2</b>	<b>44.7</b>	<b>79.4</b>
50 days	4.7	8.7	9.4	21.6	55.7	90.9
70 days	10.4	12.3	13.6	21.8	41.9	75.8
100 days	8.4	13.1	15.7	28.1	34.7	76.8
138 days	9.8	12.6	11.4	22.2	44.1	78.3
175 days	8.3	9.2	9.8	21.0	51.8	81.6
<b>2007</b>						
<b>Total</b>	<b>8.6</b>	<b>12.2</b>	<b>12.5</b>	<b>22.9</b>	<b>42.8</b>	<b>77.8</b>
50 days	5.4	8.7	9.7	23.3	52.9	89.6
70 days	11.7	12.6	13.6	21.6	40.5	74.3
100 days	9.3	14.0	15.6	28.3	32.8	75.5
138 days	10.5	13.9	12.4	21.5	41.7	76.4
175 days	9.2	10.6	10.0	20.0	50.2	79.7

Table 6 shows the degree of take-up of the payment period under the law. The degree of take-up on the part of those eligible for 175 days payment and for 50 days payment is greater than that for the other groups, reflecting the distress of adults who stand little chance of finding jobs and of that of the young people who do not manage to find jobs in the brief period during which they receive unemployment benefits. It should be noted that in 2007, there was a drop in the average number of days as a percentage of the maximum period – for all unemployed groups. The number of unemployment benefit recipients who took up 75% or more of the maximum period dropped most noticeably.

## G. Rate of unemployment benefit and scope of payments

As aforesaid, unemployment benefit in Israel is calculated according to a progressive formula that ensures that the replacement level (the level of unemployment benefit out of the salary earned prior to unemployment) decreases, similarly to the case in other social insurance programs. This formula incorporates two considerations: the insurance consideration – insurance against unemployment, whereby compensation granted for maintaining the standard of living of the unemployed persons and their families does not fully counterbalance the salary prior to unemployment; and the income distribution consideration – providing greater compensation to low-wage earners than to high-wage earners.

Table 7  
**Unemployment Benefit Recipients who were Previously Employed, by Daily Unemployment Benefit Relative to the Average Daily Wage (%), 2000-2007**

Year	Total	Daily unemployment benefit relative to average daily wage						Average unemployment benefit as percentage of the average wage
		Up to 1/4 the average wage	1/4-1/3 the average wage	1/3-1/2 the average wage	1/2 -2/3 the average wage	From 2/3 up to the full average wage	Over the average wage	
2000	100.0	6.2	8.0	48.8	29.8	7.2	-	46.5
2001	100.0	5.0	5.8	44.8	32.9	11.5	-	50.2
2002	100.0	4.9	6.6	43.4	33.1	12.0	-	50.4
2003	100.0	5.2	6.6	39.0	33.7	15.6	-	52.0
2004	100.0	6.3	6.1	38.6	32.5	16.5	-	50.6
2005	100.0	6.5	7.2	43.1	30.1	13.1	-	49.3
2006	100.0	6.5	8.3	44.2	28.5	12.5	-	48.7
2007	100.0	7.6	10.6	43.7	25.6	12.5	-	46.9

The figures in Table 7 show that the drop in the level of average unemployment benefits relative to the average wage continued in 2007. This decrease began in 2004, after a continuous rise in the previous four years. The percentage of unemployed persons who received unemployment benefits to a value of **more** than half the average wage fell from 49% in 2004, to 43% in 2005 and again to about 38% in 2007, while the percentage of unemployed persons who received benefits of less than half the average wage rose from around 50% in 2004 to 60% in 2007. A decrease of about 25% in unemployment benefits received by young people (up to age 28), resulting from a change in the law applying to persons receiving unemployment benefit recipients for the first time in March 2007, contributed slightly to the decrease in the average unemployment benefit.



Table 8  
**Unemployment Benefit Payments (NIS million), 2000-2005**

Year	Current prices (NIS thousands)	2006 prices	Real increase
2000	2,953	3,206	-0.3
2001	3,503	3,763	17.4
2002	3,524	3,572	-5.1
2003	2,410	2,502	-29.9
2004	2,100	2,172	-12.9
2005	1,993	2,035	-6.3
2006	1,957	1,957	-3.8
2007	1,757	1,748	-10.7

The total expenditure on unemployment benefit payments continued to decrease in 2007, by a real rate of about 11%. In this year payments totaled less than NIS 1.8 billion (compared with NIS 3.8 billion in 2001 – in 2006 prices). The drop in payments in 2007 is principally attributable to the decrease in the number of unemployment benefit recipients.

In 2007 the total expenditure on unemployment benefit payments accounted for 3.8% of the total expenditure on national insurance benefits, compared with 4.4% in 2006, 5.8% in 2005 and 7.9% in 2001.

## Box 15

### Soldiers Discharged from Compulsory Military Service Who Received a Grant for Working in Industry

In June 1998 an amendment to the Unemployment Insurance Law came into effect, under which a discharged soldier who worked in *preferred work* – work defined as vital to the economy – for six months within the two years since his discharge, is eligible for a special grant. One of the sectors in the *preferred work* category is the industry sector.

Throughout the years changes were introduced to the list of *preferred works*. At present, a discharged soldier who works in industry is eligible for a reduced grant at the rate of 80% the full grant.

This Box shall discuss differences in work conditions in the industry sector between young people who received a grant and those who did not.. The examination, based on an NII administrative data file and wage files of the Income Tax Authority, showed that the rate of young people who worked in industry out of the total number of young people who worked, was twice as high among those who received a grant.

Table 1  
Number of Work Months of Young People in Their First Job, 1999-2004

Year	Received a grant	Did not receive a grant
1999	14.2	8.6
2000	12.9	8.2
2001	11.6	8.2
2002	10.7	7.8
2003	10.2	6.3
2004	8.8	4.7

Table 1 indicates that young people who received a grant persevered longer in their workplace than did other young people. Differences in duration of employment at the first job were also found when we examined the number of working months in all workplaces in which employment was uninterrupted (see Table 2).

Table 2  
Number of Uninterrupted Work Months of Young People

Year	Received a grant	Did not receive a grant
1999	20.6	14.3
2000	19.2	13.3
2001	17.8	12.7
2002	15.5	11.4
2003	13.9	8.7
2004	11.1	6.3

Table 3 indicates that the wage of young people who received a grant is higher than that of those who didn't, though it is still close to minimum wage – perhaps because full-time employment is a requisite for grant eligibility.

Table 3  
**Median Wage of Young People (NIS), 1999-2004**

Year	Received a grant	Did not receive a grant
1999	3,302	2,565
2000	3,467	2,730
2001	3,571	2,892
2002	3,495	2,790
2003	3,744	2,569
2004	3,817	2,655

In principle, one may state that the grant for *preferred work* attained its goal to encourage immediate and long-term integration of young people in work vital to the Israeli economy.

## 11. Workers' Rights in Bankruptcy and Corporation Liquidation

### A. General

The Workers' Rights in Bankruptcy and Corporation Liquidation branch (or in brief, Bankruptcy branch) was established in 1975, after a large number of workers suffered due to the collapse of various businesses and the start of bankruptcy and liquidation processes. These workers lost not only their jobs and the balance of their salaries, but also the compensation to which they were entitled under their work agreements. Their social rights were also adversely affected since, in most cases, their employers had no financial sources or assets left with which to finance the balance of the debt owed to the workers and to the provident funds.

The Bankruptcy branch, through its benefits, pays the workers the balance of the bankrupt employers' debt for salaries and compensation and maintains continuity of social rights in the provident funds.

The benefits of both workers and provident funds in the Bankruptcy branch are financed through employers' insurance contributions (in 2007, at a rate of 0.02% of the employee's monthly salary, up to the income ceiling for which contributions are payable), as well as through government contributions at the same rate (in the framework of indemnification by the Ministry of Finance).

The Bankruptcy branch allows full separation between payments to employees and those to provident funds, and realization of assets of employers who are undergoing bankruptcy or liquidation. The benefits both to employees and to provident funds are linked to changes in the *basic amount*<sup>1</sup>.

### B. Some of the definitions in the National Insurance Law

1. **Employer undergoing bankruptcy or liquidation:** all types of corporations against which a bankruptcy or liquidation order has been issued and whose employees or provident funds have not received amounts owing to them: self-employed workers, corporations, partnerships, collective associations and NPO's.
2. **Employee:** any person who worked for an employer at the time of issue of a bankruptcy or liquidation order who has not yet received his salary and compensation. This definition encompasses employees who are resident of Israel, foreign residents and residents of the territories employed under a valid work agreement.

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1 The amount on which basis most benefits are calculated since January 2006. This amount is updated on January 1<sup>st</sup> each year, at the rate of the Consumer Price Index increase in the preceding year. The *basic amount* has three different rates for the purpose of updating the various benefits. For most benefits, the *basic amount* in 2007 was NIS 7,240; for child allowances it was NIS 152, and for old-age and survivor's pensions it was NIS 7,352.

- 3. Provident fund:** any body to which – in accordance with the instructions of any collective agreement, work contract, or other agreement between the employee and employer and according to the consent of that body – the employer must transfer monies of his own or the employee's salary for their accumulation or to safeguard the worker's rights associated with his employment, when terminated, or when he retires or in social insurance.

## C. Benefits paid under National Insurance Law

### 1. Employee benefits

**Salary:** sums not yet paid to the employee for his work – wages, overtime, convalescence fees, redeeming vacation pay, holiday pay and clothing allowance – including any sum deducted from the employee's salary not under law, and which has yet to be transferred to its destination. If the salary does not exceed the minimum wage (in January 2007 – NIS 3,710 a month), the employee is entitled to receive the minimum wage as determined in law.

**Dismissal compensation:** compensation to which the employee is entitled, up to the time of termination of his employment, for seniority accumulated during his years of employment with the employer. In 2007 a maximum benefit was determined for salary and dismissal compensation of up to 10 times the *basic amount* (NIS 71,520).

- 2. Benefits for provident funds:** to ensure continuity of workers' rights. The benefits are limited to a ceiling twice the *basic amount* (NIS 14,304 in 2007).

## D. Problems with implementation of the law

Despite the significant progress made in protecting the salaries and rights of workers, there remain a number of problems, as follows:

1. The law requires the issue of a liquidation/bankruptcy order. This process is normally protracted and often delays payment of the balance of the money owed to the worker.
2. The high legal costs involved in the employer's liquidation process may exceed the amount that the employer owes the employee. Thus, there is no reason for the employee to initiate such proceedings and he is unable to exercise his rights in this area.
3. The workers who have accumulated long periods of seniority, in most cases receive the maximum benefit, which is a small amount compared with the employer's actual debt to them.

## E. Employers in bankruptcy or liquidation

Table 1 shows figures regarding the number of new employers in bankruptcy or liquidation processes, as well as claims of workers and provident funds for benefits in the Bankruptcy branch in 2003-2007. The figures indicate the impact of the economic slowdown between 2003 and 2005 and of the economic changes in 2006 on the scope of activity in the branch.

In 2007, liquidators of 450 new employers who underwent bankruptcy or liquidation submitted claims to the branch on behalf of the workers and the provident funds – a moderate rise (of 2.5%) compared with the previous year.

In 2007, 8,400 employee claims were approved, representing an increase of 31.3% over the previous year – as a result of expedited handling of the claims accumulated from past years.

In 2007, a total of 1,060 provident fund workers' claims were approved – a decrease of 70% compared with 2006.

Table 1  
**New Employers in Bankruptcy and Liquidation Proceedings,  
 Workers' Claims Received and Approved,  
 and Provident Fund Claims Approved, 2003-2007**

Year	New employers	New workers' claims		New provident fund claims		
		Received	Approved*	Received	Approved*	Workers for whom provident funds were paid
2003	395	6,500	7,100	170	230	1,350
2004	425	7,500	8,400	220	190	1,440
2005	520	9,000	7,600	330	310	3,220
2006	440	7,500	6,400	330	290	3,470
2007	450	7,000	8,400	180	190	1,060

\* Including approvals of claims received in previous years.

Table 2 indicates the distribution of new employers in 2003-2007 by the number of workers' claims handled in each employer file. The table indicates that between 1 to 5 claims per file were approved for half the employers whose files were received in the branch.

Table 2  
**New Employers, by Number of Claims Handled in each File  
(not including Provident Fund Claims), 2003-2007**

Year in which file was received	Absolute number of employers	Number of claims per employer, as percentage of total employers		
		1-5	6-25	26+
2003	386	47.9	36.8	15.3
2004	408	44.6	39.0	16.4
2005	504	51.2	36.9	11.9
2006	424	55.9	32.8	11.3
2007	349	68.8	26.9	4.3

Tables 3 and 4, respectively, indicate the breakdown of new employers whose files were received in the branch and that of new workers whose claim was approved, by economic sector. In 2007 these employers featured in the following economic sectors: commerce (34.2% of total), services (30%) and infrastructure construction (15.1%). Of all new workers whose claims were approved in that year, service workers comprised 45.7% and workers in commerce – 24.4%.

Table 3  
**New Employers in the Rights of Workers in Bankruptcy Branch,  
by Economic Sector, 2003-2007**

Year	Absolute numbers	Thereof: by sector, as percentage of total						
		Textiles	Metals and electricity	Various industries	Construction and infrastructure	Commerce	Transport	Services*
2003	395	3.0	7.1	16.5	17.5	23.0	4.8	28.1
2004	425	4.0	9.2	11.5	14.1	29.9	4.7	26.6
2005	520	4.4	6.9	11.5	17.5	29.8	3.9	26.0
2006	440	1.4	7.3	14.8	15.2	31.6	3.2	26.5
2007	450	2.9	5.8	8.7	15.1	34.2	3.3	30.0

\* Including business, public and personal services.

Table 4  
**Workers' Claims Approved as Percentage of Total,  
 by Economic Sector, 2003-2007**

Year	Absolute numbers	Thereof: by sector, as percentage of total						
		Textiles	Metals and electricity	Other industries	Construction and infrastructure	Commerce	Transport	Services*
2003	7,100	3.3	8.8	16.8	11.1	12.2	10.0	37.8
2004	8,400	6.4	5.5	10.5	17.8	15.4	2.2	42.2
2005	7,600	4.0	8.5	13.2	13.7	24.3	2.8	33.5
2006	6,400	4.4	7.1	8.9	12.3	28.9	2.7	35.7
2007	8,400	5.1	5.0	9.9	8.2	24.4	1.7	45.7

\* Including business, public and personal services.

## F. Benefits to workers and provident funds

In 2007 a total of NIS 218.1 million was paid to workers and provident funds – a rise of 43.3% compared with 2006. Out of the amounts paid to workers in 2007, 79.7% was paid for salaries and dismissal compensation, 16.9% for salaries alone and 3.4% for compensation alone (Table 5).

Table 5  
**Payments to Workers and Provident Funds, and Payments by Type of Benefit,  
 as Percentage of Total Payments, 2003-2007**

Year	Total payments (NIS million)			Payment by benefit type for workers as percentage of total		
	Total	Workers	Provident funds	Salary and dismissal compensation	Salary	Dismissal compensation
2003	188.2	179.5	8.7	71.8	23.6	4.6
2004	199.3	192.1	7.2	75.0	19.0	6.0
2005	227.2	209.8	17.4	76.4	17.3	6.3
2006	152.2	139.6	12.6	73.0	23.7	3.3
2007	218.1	212.7	5.4	79.7	16.9	3.4

Table 6 shows figures on workers who received the maximum benefit for salary and dismissal compensation, and in the framework of provident funds, in 2003-2007.

In 2007, 80 workers, representing about 0.1% of new workers whose claims were approved, received the maximum benefit for which they were eligible. 27.2% of the workers on whose behalf provident fund claims were submitted received the maximum benefit. It should be noted that this number may rise following benefit differentials to be paid in the coming years.



Table 6  
**Workers and Provident Funds that received Maximum Benefits  
 as Percentage of all Workers' and Provident Fund Claims, 2003-2007**

Year	Workers who received maximum benefit		Workers for whom maximum provident fund benefit was paid	
	Total	As percentage of claims approved	Total	As percentage of total
2003	523	7.5	273	20.1
2004	320	3.8	210	14.6
2005	153	2.0	480	14.9
2006	129	1.9	1,174	33.8
2007	80	0.1	288	27.2

### G. Collecting employers' debts to the Workers' Rights in Bankruptcy branch

Under law, the branch may ask the employers' liquidators to pay the benefit sums that it paid to each worker by *preferential right priority*<sup>2</sup>, of an amount that does not exceed the sum set in accordance with the companies' order, bankruptcy ordinance, collective association regulations, etc. In 2007 the value of the *preferential right priority* was NIS 8,380 for salary alone, and NIS 12,570 for salary and dismissal compensation. With regard to benefits paid to a provident fund, there are no *preferential right priority* amounts. With regard to the balance of the debt, the branch is considered a regular creditor. It should be noted that, if the maximum sum (NIS 71,520 in 2007) is paid to a worker, the sum to be paid by the liquidators to the *preferential right priority* section is transferred to the worker to cover part of the debt which the liquidators owe to the worker. In this case, the branch becomes a regular creditor for the full amount.

Under the law, the branch does not have the right to collect from the liquidator the linkage differentials which it paid to the eligible party for the period following the day on which the receivership or liquidation order was issued, unless the liquidators decided to pay interest, linkage differentials or both together for the period in question to the other creditors in the bankruptcy or liquidation.

<sup>2</sup> As part of *preferential right priority*, a determination was made regarding the owners of the debt (creditors) with regard to whom the debt of the bankrupt corporation/corporation in liquidation is set at the highest level, out of the debts to the other creditors.

Table 7

**Preferential Right Priority Debt as Percentage of Total Benefits Paid to Workers and Provident Funds, and Collecting from Liquidators as Percentage of Sum of Preferential Right Priority Debt, 2003-2007**

Year	Preferential right priority debt		Collection from liquidators	
	Total (NIS million)	As percentage of total benefits	Total (NIS million)	As percentage of preferential right priority debt
2003	64.3	34.2	4.6	7.2
2004	74.3	37.3	4.4	5.9
2005	73.6	32.4	5.0	6.8
2006	56.3	37.0	5.9	10.5
2007	83.0	38.0	6.1	7.4

It is clear that the law limits the branch's ability to collect (if collection is possible) partial sums from the liquidators on account of the benefits paid to workers and provident funds that have declined over time. Table 7 shows the *preferential right priority* debt amounts and their part in the sums of benefits paid in 2003-2007, as well as the amounts collected from the liquidators and the share they represent of the total *preferential right priority* in those years. This table indicates that in 2007, the Bankruptcy branch had the right by *preferential right priority* to receive 38% of the sum of the benefits paid to workers and provident funds in that year.

In 2007 the NII managed to collect NIS 6.1 million, comprising 7.4% of *preferential right priority* debt in that year, on account of benefit amounts paid in the past.



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## Appendices

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## **Insurance Branch Table Appendix**

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## A. General

Table A/1  
**Receipts and Payments (at Current Prices)<sup>1</sup>, NIS Million**

	2002	2004	2005	2006	2007
<b>Total receipts</b>	<b>59,295.2</b>	<b>58,630.3</b>	<b>61,317.0</b>	<b>64,665.7</b>	<b>68,192.9</b>
Thereof: to N.I. branches	48,411.9	47,319.9	49,479.1	52,107.4	54,737.1
Contributions to N.I. branches	23,113.5	23,020.5	24,299.1	25,233.9	26,283.7
Government participation under National Insurance Law	10,506.2	10,996.3	11,699.7	12,600.2	13,888.3
Interest	4,265.8	4,617.0	4,850.1	5,290.0	5,600.0
Miscellaneous	166.1	330.8	240.0	237.5	296.3
Government allocation for non-contributory payments <sup>1</sup>	10,360.3	8,355.3	8,390.2	8,745.8	8,668.8
Contributions under other laws	10,883.3	11,310.4	11,837.9	12,558.3	13,455.8
<b>Total payments of N.I. branches<sup>1</sup></b>	<b>46,290.8</b>	<b>41,798.2</b>	<b>42,326.0</b>	<b>44,741.4</b>	<b>46,062.1</b>
For contributory benefits	35,930.5	33,442.9	33,935.8	35,995.9	37,393.3
For non-contributory benefits	10,360.3	8,355.3	8,390.2	8,745.8	8,668.8
<b>Current surplus</b>	<b>-2,870.8</b>	<b>137.7</b>	<b>1,549.9</b>	<b>1,293.4</b>	<b>2,285.3</b>
<b>Assets at end of year</b>	<b>89,223.8</b>	<b>96,164.2</b>	<b>105,098.1</b>	<b>111,804.6</b>	

1. Not including administrative expenses.



Table A/2  
**Receipts and Payments (at 2007 Prices)<sup>1</sup>, NIS Million**

	2002	2004	2005	2006	2007
<b>Total receipts</b>	<b>61,860.2</b>	<b>60,985.2</b>	<b>62,942.7</b>	<b>65,014.9</b>	<b>68,192.9</b>
Thereof: to N.I. branches	50,506.1	49,220.6	50,791.0	52,388.8	54,737.1
Contributions to N.I. branches	24,113.3	23,945.1	24,943.4	25,370.2	26,283.7
Government participation under National Insurance Law	10,960.7	11,438.0	12,009.9	12,668.2	13,888.3
Interest	173.3	344.1	246.4	238.8	296.3
Miscellaneous	10,808.5	8,690.9	8,612.7	8,793.0	8,668.8
Government allocation for non-contributory payments <sup>1</sup>	11,354.1	11,764.7	12,151.8	12,626.1	13,455.8
<b>Total payments of N.I. branches<sup>1</sup></b>	<b>48,293.2</b>	<b>43,477.1</b>	<b>43,448.2</b>	<b>44,983.3</b>	<b>46,062.1</b>
For contributory benefits	37,484.8	34,786.2	34,835.6	36,190.3	37,393.3
For non-contributory benefits	10,808.5	8,690.9	8,612.7	8,793.0	8,668.8
<b>Current surplus</b>	<b>-2,995.0</b>	<b>143.2</b>	<b>1,591.0</b>	<b>1,300.4</b>	<b>2,285.3</b>

1. Not including administrative expenses.

Table A/3  
**Contributions and Benefits – Old-Age and Survivors Branch<sup>1</sup>, NIS Million**

	2002	2004	2005	2006	2007
	<b>At current prices</b>				
<b>Total benefits</b>	<b>15,447.2</b>	<b>15,780</b>	<b>16,256.9</b>	<b>17,165.4</b>	<b>21,152.5</b>
Thereof: under N.I. Law	12,136.6	12,615	12,909.7	13,627.9	17,615.0
Total contributions from the public	10,302.4	10,193.7	10,632.8	11,263.7	11,803.8
Government participation under N.I. Law	1,694.1	1,508	1,603.5	1,740	1,911.1
Interest	1,821.2	1,977.9	2,010	2,150	2,210.0
Current surplus	-301.4	-1,104.9	-725	-762.2	-356.9
Surplus including interest	1,519.8	873.1	1,285	1,387.8	1,844.1
Assets at end of year	38,863.9	40,857.2	43,293.5	44,770.5	..
	<b>At 2007 prices</b>				
<b>Total benefits</b>	<b>16,115.4</b>	<b>16,413.8</b>	<b>16,687.9</b>	<b>17,258.1</b>	<b>21,152.5</b>
Thereof: under N.I. Law	12,661.6	13,121.7	13,252.0	13,701.5	17,615.0
Total contributions from the public	10,748.1	10,603.1	10,914.7	11,324.5	11,803.8
Government participation under N.I. Law	1,767.4	1,568.6	1,646.0	1,749.4	1,911.1
Current surplus	-314.4	-1,149.3	-744.2	-766.3	-356.9

1. Not including administrative expenses.







Table A/7  
**Contributions and Benefits – Children Branch<sup>1</sup>, NIS Million**

	2002	2004	2005	2006	2007	
		<b>At current prices</b>				
<b>Total benefits</b>	<b>6,710.1</b>	<b>4,793.8</b>	<b>4,483.4</b>	<b>4,972.8</b>	<b>4,971.3</b>	
Thereof: under N.I. Law	6,556.9	4,640.1	4,330.4	4,816.3	4,813.7	
Total contributions from the public	5,103.3	5,228.6	5,483.9	5,486.7	5,446.9	
Government participation under N.I. Law	8,082.5	8,447.2	9,036	9,725.7	10,592.0	
Interest	767.2	1,419.3	1,848.9	2,415.0	2,630.0	
Current surplus	6,556.5	8,945.5	10,126.2	10,332.8	11,160.5	
Surplus including interest	7,323.7	10,364.8	11,975.1	12,747.8	13,790.5	
Assets at end of year	17,741.4	32,755.9	44,227.3	55,296.8	..	
		<b>At 2007 prices</b>				
<b>Total benefits</b>	<b>7,000.4</b>	<b>4,986.3</b>	<b>4,602.3</b>	<b>4,999.7</b>	<b>4,971.3</b>	
Thereof: under N.I. Law	6,840.5	4,826.5	4,445.2	4,842.3	4,813.7	
Total contributions from the public	5,324.1	5,438.6	5,629.3	5,516.3	5,446.9	
Government participation under N.I. Law	8,432.1	8,786.5	9,275.6	9,778.2	10,592.0	
Current surplus	6,840.1	9,304.8	10,394.7	10,388.6	11,160.5	

1. Not including administrative expenses.



## B. Old Age and Survivors

Table B/1  
**Recipients of Old Age and Survivors' Pensions, Monthly Average**

Year	Grand Total	Old Age			Survivors			
		Total	Under N.I. Law	Not Under N.I. Law	Total <sup>1</sup>	Not Under N.I. Law		Under N.I. Law
						Total	Thereof: Maintenance Allowance for Orphans <sup>2</sup>	Survivors (New Immigrants)
<b>All pension recipients</b>								
1995	553,888	452,051	368,969	83,081	101,836	101,014	4,940	822
2000	657,117	552,072	454,531	97,541	105,045	104,404	5,837	641
2001	677,018	571,200	472,761	98,439	105,818	105,188	6,079	630
2002 <sup>3</sup>	698,995	594,376	498,353	96,023	104,619	104,012	6,539	607
2003	709,279	604,786	510,779	94,008	104,493	103,813	6,060	592
2004	722,264	617,832	527,364	90,469	104,431	103,859	6,170	572
2005	719,921	614,886	528,273	86,613	105,035	104,457	6,397	577
2006	727,517	622,335	539,266	83,069	105,182	104,623	6,392	558
2007	728,891	623,691	544,631	78,061	105,199	104,659	6,233	540
<b>Recipients of income supplement as percentage of total</b>								
1995	33.4	32.3	18.3	94.6	37.9	37.5	-	89.0
2000	30.8	30.4	16.5	95.1	32.8	32.5	-	84.4
2001	30.3	30.0	16.4	95.1	32.0	31.4	-	84.1
2002 <sup>3</sup>	29.2	28.9	16.1	95.1	31.4	31.1	-	80.1
2003	28.5	28.1	15.8	95.0	30.8	30.5	-	78.5
2004	27.5	27.1	15.4	95.0	30.0	29.8	-	78.3
2005	27.0	26.6	15.4	95.0	29.4	29.2	-	79.4
2006	26.6	26.2	15.6	95.1	29.1	28.8	-	77.4
2007	26.2	25.8	15.8	95.1	28.5	28.3	-	76.1

1. As of January 2002, the series was amended: recipients of survivors' pensions include only those entitled to a full survivors' pension.
2. The annual number of recipients of maintenance allowance for orphans refers to August of every year.
3. The 2002 data refer to December 2002.



Table B/2  
**Recipients of Old Age and Survivors' Pensions, by Type of Family, Monthly Average**

Year	Total	Single Elderly Person <sup>1</sup>	Elderly Couple			Widow/er <sup>2</sup>					Children Only			
			Without Children	With One Child	With 2 or More Children	Without Children	With One Child	With 2 Children	With 3 or 4 Children	With 5 or More Children	One Child	2 Children <sup>3</sup>	3 or 4 Children	5 or More Children
1980	343,359	176,703	83,162	4,200	3,243	62,482	5,039	6,338	-	-	1,420	772	-	-
1990	450,829	261,817	85,740	3,453	2,021	81,838	6,029	6,438	-	-	2,225	1,268	-	-
1995	553,890	345,200	101,600	3,300	1,950	85,600	5,870	3,420	2,300	480	2,730	930	440	70
2000	657,117	450,712	96,413	3,041	1,905	87,135	6,510	3,559	2,340	556	3,244	1,067	514	121
2001	677,018	471,205	95,055	3,044	1,895	87,374	6,585	3,547	2,301	551	3,683	1,133	518	127
2002 <sup>4</sup>	698,995	501,836	88,488	2,212	1,840	85,902	6,707	3,436	2,163	529	4,110	1,136	500	136
2003	709,279	512,121	87,778	3,028	1,859	85,405	6,694	3,467	2,215	517	4,319	1,134	515	137
2004	722,264	533,588	80,313	2,206	1,725	85,127	6,753	3,476	2,225	498	4,501	1,151	559	143
2005	719,921	531,629	78,845	2,840	1,572	85,359	6,816	3,481	2,202	496	4,710	1,227	596	148
2006	727,513	542,888	75,241	2,721	1,484	85,489	6,800	3,446	2,209	500	4,703	1,263	622	147
2007	728,891	548,968	70,901	2,466	1,356	85,486	6,747	3,351	2,191	498	4,801	1,340	630	154

1. Including elderly persons without spouses and with or without children.
2. See note 1 to Table B/1.
3. Until August 1994, increments were paid only for the first two children. As of this date, an increment is paid for every child, and data have been therefore broken down according to number of children.
4. See note 3 to Table B/1.

Table B/3  
**Recipients of Old Age and Survivors' Pensions Plus Income Supplement, Monthly Average**

Year	Total	Single Elderly Person <sup>1</sup>	Elderly Couple			Widow/er <sup>2</sup>					Children Only			
			Without Children	With One Child	With 2 or More Children	Without Children	With One Child	With 2 Children	With 3 or 4 Children	With 5 or More Children	One Child	2 Children <sup>3</sup>	3 or 4 Children	5 or More Children
<b>Number of recipients</b>														
1980	155,516	74,877	36,543	2,155	2,021	33,812	2,168	3,311	-	-	434	206	-	-
1990	143,588	72,339	26,942	1,129	1,005	38,127	1,587	2,199	-	-	125	75	-	-
1995	184,780	104,990	38,800	1,230	1,160	35,250	1,400	880	770	240	120	40	15	5
2000	202,128	120,799	44,498	1,167	1,183	31,160	1,480	898	576	97	201	41	27	1
2001	204,985	123,372	45,354	1,225	1,211	30,552	1,480	922	527	84	194	42	20	1
2002 <sup>4</sup>	204,324	125,655	43,802	888	1,159	29,599	1,476	941	479	63	211	35	13	3
2003	201,947	124,478	43,039	1,130	1,138	29,019	1,464	906	463	55	203	39	10	3
2004	198,542	123,773	41,244	1,124	1,039	28,390	1,429	839	416	41	198	36	12	1
2005	194,537	121,944	39,578	1,105	978	28,041	1,444	778	374	34	218	32	11	-
2006	193,763	122,765	38,383	1,081	922	27,831	1,416	727	354	30	210	31	12	1
2007	191,018	122,404	36,730	1,025	865	27,533	1,263	617	312	27	193	37	10	1

Table B/3 (Cont.)  
**Recipients of Old Age and Survivors' Pensions Plus Income Supplement, Monthly Average**

Year	Total	Single Elderly Person <sup>1</sup>	Elderly Couple			Widow/er <sup>2</sup>					Children Only			
			Without Children	With One Child	With 2 or More Children	Without Children	With One Child	With 2 Children	With 3 or 4 Children	With 5 or More Children	One Child	2 Children <sup>3</sup>	3 or 4 Children	5 or More Children
<b>As percentage of total old age and survivors' pension recipients</b>														
1980	45.3	42.4	43.9	51.3	62.3	54.1	43.0	52.2	-	-	30.6	26.7	-	-
1985	36.8	33.1	34.7	39.7	52.9	50.1	35.1	39.6	-	-	9.0	8.4	-	-
1990	31.8	27.6	31.4	32.7	54.7	46.6	26.3	34.2	-	-	5.6	5.9	-	-
1995	33.5	30.7	38.1	36.5	58.3	41.1	23.9	25.6	36.2	49.0	3.9	4.2	3.5	5.7
2000	30.8	26.8	46.2	38.4	62.1	35.8	22.7	25.2	24.6	17.4	6.2	3.8	5.3	0.8
2001	30.3	26.2	47.7	40.2	63.9	35.0	22.5	26.0	22.9	15.2	5.3	3.7	3.9	0.8
2002 <sup>4</sup>	29.2	25.0	49.5	40.1	63.0	34.5	22.0	27.4	22.1	11.9	5.1	3.1	2.6	2.2
2003	28.5	24.3	49.0	37.3	61.2	34.0	21.9	26.1	20.9	10.6	4.7	3.4	1.9	2.2
2004	27.5	23.2	51.4	51.0	60.2	33.4	21.2	24.1	18.7	8.2	4.4	3.1	2.1	0.7
2005	27.0	22.9	50.2	38.9	62.2	32.9	21.2	22.3	17.0	6.9	4.6	2.6	1.8	-
2006	26.6	22.6	51.0	39.7	62.1	32.6	20.8	21.1	16.0	6.0	4.5	2.5	1.9	0.7
2007	26.2	22.3	51.8	41.6	63.8	32.2	18.7	18.4	14.2	5.4	4.0	2.8	1.6	0.6

1. See note 1 to Table B/2.
2. See note 1 to Table B/1.
3. See note 3 to Table B/2.
4. See note 3 to Table B/1.

## C. Long-Term Care

Table C/1

### LTCI Coverage Rates by Age in Selected Localities, December 2006<sup>1</sup> (Percentages)

Locality	Number of LTCI Beneficiaries	Age			
		Total	65-69	70-74	75+
<b>Total</b>	<b>128,535</b>	<b>16.9</b>	<b>4.1</b>	<b>9.1</b>	<b>31.2</b>
Taybeh	421	25.5	12.1	29.1	50.3
Qiryat Malache	582	33.4	14.8	28.9	60.2
Sderot	697	32.6	10.8	25.8	58.2
Beit Shemesh	643	21.9	4.7	15.2	44.7
Or Yehudah	836	26.9	10.1	19.9	50.3
Hadera	2,282	21.2	5.3	12.0	39.5
Yeroham	185	23.2	9.8	16.9	42.2
Rahat	170	17.1	6.7	16.3	40.4
Tirat Carmel	452	18.6	4.2	10.3	36.7
Qiryat Ono	679	17.6	2.0	7.6	33.3
Nazareth	658	14.0	5.3	11.1	31.6
Kfar Saba	1,256	12.2	1.6	4.3	23.3
Eilat	282	9.7	3.1	6.1	25.0
Ramat HaSharon	474	7.7	0.7	2.8	16.0
Nahariya	775	10.7	2.3	4.4	20.3

1. LTCI coverage rates from total number of old-age and survivors' pension beneficiaries and their elderly dependents.



## D. Children

Table D/1  
**Families Receiving Child Allowance, by Number of Children**

Period	Total	Number of Children in Family						
		1 <sup>1</sup>	2 <sup>1</sup>	3	4	5	6	7+
<b>Absolute numbers</b>								
IV 1975	402,877	205,000		86,731	44,387	24,436	16,497	25,826
1980	579,247	156,793	182,805	120,094	54,370	26,078	16,000	23,107
1985 <sup>2</sup>	531,283	64,758	202,935	144,026	59,675	26,170	14,896	18,823
1990	493,505	44,965	168,189	154,660	66,217	27,797	14,719	16,958
1995	814,652	268,323	251,039	158,201	72,172	30,819	16,230	17,868
2000	912,481	320,956	276,949	165,702	76,293	34,507	17,882	20,192
2005 <sup>3</sup>	956,294	322,671	292,772	178,588	81,311	38,495	20,095	22,363
2006	968,282	321,819	298,313	183,241	82,707	39,290	20,262	22,651
2007	980,632	321,777	303,034	188,468	84,429	39,807	20,332	22,785
<b>Percentages</b>								
1980	100.0	50.9		21.5	11.0	6.1	4.1	6.4
1985	100.0	26.5	32.1	22.4	9.3	4.2	2.4	3.1
1990	100.0	12.2	38.2	27.1	11.2	4.9	2.8	3.5
1995	100.0	33.3	30.8	19.1	8.8	3.8	2.0	2.2
2000	100.0	35.2	30.4	18.2	8.4	3.8	2.0	2.2
2005	100.0	33.8	30.6	18.7	8.5	4.0	2.1	2.3
2006	100.0	33.2	30.8	18.9	8.6	4.1	2.1	2.3
2007	100.0	32.8	30.9	19.2	8.6	4.1	2.1	2.3

1. From 1965 until 1975, the allowance for the first and second child was paid only to employee families, and for this period there is no breakdown for the first and second child separately.
2. From July 1985 and from October 1990, families having 1-3 children received allowance for the first and second child, respectively, according to income test. (The data do not include families of employees and of unemployed to whom the allowance was reimbursed.) As of March 1993 the allowance is again paid to all families without income test.
3. From August 2003 and thereafter, a uniform child allowance is paid for every child born on or after June 1, 2003, regardless of his place in the family.

Table D/2  
**Children for Whom Allowances are Paid**

Year	Total	Place of Child in Family					
		First <sup>1</sup>	Second <sup>2</sup>	Third	Fourth	Fifth	Sixth and Subsequent
<b>Numbers (thousands)</b>							
1980	1,512.9	579.3	422.4	239.6	119.6	65.2	86.8
1985	1,334.6	354.3	466.5	263.6	119.6	59.9	70.7
1990	1,306.5	331.0	443.8	281.1	126.0	59.5	65.1
1995	1,927.6	814.7	546.3	295.3	137.1	64.9	69.3
1999	2,076.0	891.5	581.6	309.8	146.0	70.8	76.2
2000	2,118.8	912.5	591.5	314.6	148.9	72.6	78.7
2005 <sup>3</sup>	2,260.6	956.3	633.6	340.8	162.3	80.9	86.7
2006	2,297.3	968.3	646.5	348.1	164.9	82.2	87.3
2007	2,333.1	980.6	658.9	355.9	167.4	82.9	87.5
<b>Percentages</b>							
1980	100.0	38.3	27.9	15.9	7.9	4.3	5.7
1985	100.0	26.6	35.0	19.8	9.0	4.5	5.1
1990	100.0	25.4	34.0	21.5	9.6	4.5	5.0
1995	100.0	42.2	28.4	15.3	7.1	3.4	3.6
1999	100.0	42.9	28.0	15.0	7.0	3.4	3.7
2000	100.0	43.1	27.9	14.9	7.0	3.4	3.7
2005	100.0	42.3	28.0	15.1	7.2	3.6	3.8
2006	100.0	42.1	28.1	15.2	7.2	3.6	3.8
2007	100.0	42.0	28.2	15.3	7.2	3.6	3.7

1. See note 1 to Table D/1.
2. See note 2 to Table D/1.
3. See note 3 to Table D/1.

## E. Maternity

Table E/1  
**Number of Recipients of Maternity Benefits**

Year	Hospitalization Grant	Maternity Allowance	
		Number of Recipients	As Percentage of Total Number of Women who Gave Birth
1955	44,500	8,735	19.6
1960	51,500	13,118	25.5
1965	60,550	17,225	28.4
1970	79,335	24,843	31.3
1975	96,966	34,918	36.0
1980	96,687	39,785	41.1
1985	101,329	42,688	42.1
1990	105,373	43,711	41.5
1995 <sup>1</sup>	113,892	55,597	48.8
1996	118,051	58,097	49.2
1997	115,067	60,416	52.2
1998	127,526	64,205	50.3
1999	124,168	65,858	53.0
2000	135,785	70,641	52.4
2001	132,044	71,176	53.9
2002	134,187	71,377	53.2
2003	142,363	73,948	51.9
2004	143,387	77,505	54.1
2005	142,890	77,025	53.9
2006	143,688	83,285	58.0
2007	147,767	88,285	59.7

1. In 1995 the figure refers to the birth grants paid for a layette for the newborn.





## F. Disability

Table F/1  
**Recipients of General Disability Benefits, by Number of Dependants<sup>1</sup>**

Year	Total	Single Disabled	Disabled with One Dependant	Disabled with Two Dependants	Disabled with Three or More Dependants
1975	4,685	2,453	996	382	854
1980	42,871	25,030	7,061	5,272	5,508
1985	62,132	41,487	11,414	6,252	2,978
1990	73,148	45,450	13,498	8,800	5,400
1995	94,038	57,139	16,930	11,760	8,208
1996	104,540	63,621	18,697	13,220	9,002
1997	111,957	67,870	20,085	14,308	9,695
1998	119,800	72,625	21,490	15,310	10,375
1999	127,211	76,717	22,874	16,468	11,152
2000	135,348	81,475	24,263	17,697	11,913
2001	142,440	85,713	25,727	18,521	12,480
2002	150,512	90,890	26,997	19,462	13,163
2003	157,287	95,993	27,793	19,992	13,509
2004	162,382	100,100	28,198	20,332	13,753
2005	170,861	106,423	29,741	20,677	14,020
2006	178,264	111,786	30,660	21,228	14,590
2007	187,525	118,856	31,733	21,911	15,025

1. From July 1975 to March 1984, the dependants' allowance was paid for spouse, for parents and for the first two children. In April 1984 the increment for parents was abolished.

Table F/2  
**Recipients of General Disability Benefits, by Degree of Disability  
 and Percentage of Medical Disability, December 2007**

Medical Disability Percentages	Degree of Disability				
	Total	60%	65%	74%	100%
<b>Total</b>	<b>189,146</b>	<b>21,526</b>	<b>10,908</b>	<b>2,521</b>	<b>154,191</b>
35-49	27,151	5,334	1,868	289	19,660
50-59	53,515	7,741	4,080	762	40,932
60-69	31,921	4,615	2,599	552	24,195
70-79	26,649	2,347	1,322	420	22,560
89-80	16,874	1,102	656	265	14,851
90-100	33,036	387	423	233	31,993

Table F/3

**Recipients of General Disability Benefits, by Number of Children, Marital Status and Sex (numbers, percentages), December 2007**

	Total		Number of Children						
	Numbers	Percentages	0	1	2	3	4	5	6+
<b>Total</b>	<b>189,146</b>	<b>100.0</b>	<b>63.8</b>	<b>14.1</b>	<b>9.4</b>	<b>5.7</b>	<b>3.3</b>	<b>1.7</b>	<b>2.0</b>
Men	108,197	100.0	63.9	12.9	8.9	5.9	3.8	2.1	2.6
Insured women	64,132	100.0	70.3	14.6	8.4	4.0	1.7	0.7	0.5
Housewives	16,817	100.0	38.4	20.0	16.2	10.9	6.8	3.7	4.0
Married – total	92,877	100.0	43.0	19.8	14.5	9.7	6.0	3.3	3.8
Men	55,671	100.0	42.4	18.8	13.7	9.9	6.7	3.8	4.7
Insured women	20,389	100.0	48.4	22.4	15.2	8.2	3.4	1.5	0.9
Housewives	16,817	100.0	37.9	19.8	16.2	11.0	7.0	3.8	4.2
Not married – total	96,269	100.0	83.4	8.8	4.5	1.9	0.8	0.3	0.3
Men	52,526	100.0	86.6	6.7	3.7	1.6	0.7	0.3	0.3
Insured women	43,743	100.0	80.5	10.9	5.2	2.1	0.9	0.3	0.2

Table F/4  
**Recipients of Benefit for Disabled Child, by Category of Entitlement<sup>1</sup>, Age and Whether Studying, December 2007**

Category of Entitlement and Age		Total	Not Studying	Studying
<b>Total</b>				
Dependent on others				
- totally dependent	3-14	3,581	581	3,000
	14-18	1,382	97	1,285
- needs much help	3-14	4,332	265	4,067
	14-18	1,349	23	1,326
Down`s syndrome	Up to 14	1,514	124	1,390
	14-18	296	2	294
Hearing deterioration	Up to 14	2,808	67	2,741
	14-18	972	7	965
Sight impairment	Up to 14	703	132	571
	14-18	290	30	260
Retardation	Up to 3	434	63	371
Autistism	Up to 14	3,617	1,728	1,889
	14-18	748	92	840
<b>Medical treatments</b>				
- monthly transfusion	Up to 14	283	188	95
	14-18	87	20	67
- dialysis/catheterization	Up to 14	229	123	106
	14-18	72	7	65
- transplantations	Up to 14	27	24	3
	14-18	8	4	4
- other treatments	Up to 14	2,331	1,590	741
	14-18	467	90	377
- supervision	Up to 14	1,621	284	1,337
	14-18	374	15	359

1. A child suffering from more than one problem may be included in two categories; thus the discrepancy between the numbers in the various categories and the total number of benefit recipients.

## G. Work Injury

Table G/1  
**Recipients of Work Injury Benefits<sup>1</sup>**

Period	Work Injury Benefits				Permanent Disability Pensions		Dependants' Pensions	
	Number of Injured		Number of Paid-For Days		Em- ployees	Self- employed	Em- ployees	Self- employed
	Em- ployees	Self- employed	Em- ployees	Self- employed				
IV 1965	54,852	6,455	747,803	132,948	1,766	150	891	-
IV 1975	65,291	10,819	1,067,250	237,112	4,183	508	2,134	-
1980 <sup>2</sup>	63,234	10,679	1,017,877	235,617	6,592	950	2,477	382
1990	51,367	5,346	1,159,645	248,234	10,183	1,412	3,022	490
1995	75,284	9,600	2,340,717	370,817	12,600	1,760	3,260	570
1997	74,586	9,483	2,203,184	319,963	13,745	1,887	3,364	574
1998	73,239	9,272	2,256,143	323,803	15,584	2,127	3,445	576
1999	66,008	7,977	2,104,592	294,229	16,362	2,250	3,508	593
2000	57,785	7,180	2,419,266	374,165	17,442	2,371	3,564	594
2001	52,991	6,509	2,378,497	347,133	18,309	2,501	3,601	598
2002	53,373	6,781	2,194,914	351,520	19,140	2,633	3,647	606
2003	46,850	5,943	1,667,332	256,862	20,176	2,784	3,698	608
2004	51,639	5,844	1,789,878	252,287	21,083	2,920	3,740	609
2005	50,059	5,482	1,726,788	230,934	22,120	3,059	3,792	607
2006	50,316	5,372	1,707,724	214,053	23,216	3,227	3,834	613
2007	52,880	5,308	1,780,131	211,411	24,406	3,393	3,868	614

1. For disability and dependants' pension, the annual figure is the number of recipients in April of each year. For injury benefits it is the total number of recipients during the year.
2. As of 1980, the annual figure given under permanent disability pensions is a monthly average of recipients.

Table G/2  
**Recipients of Work Injury Allowance, by Sex, 1995-2006**

	1995	1996	1997	1999	2000	2001	2002	2003	2004	2005	2006	2007
	<b>Numbers</b>											
<b>Total</b>	<b>88,343</b>	<b>92,274</b>	<b>84,069</b>	<b>73,684</b>	<b>76,185</b>	<b>69,087</b>	<b>70,025</b>	<b>61,539</b>	<b>65,776</b>	<b>63,856</b>	<b>64,296</b>	<b>67,657</b>
Men	70,810	73,599	66,185	56,312	56,823	51,369	51,844	45,165	48,274	46,296	46,044	47,928
Women	17,531	18,675	17,884	17,372	19,362	17,718	18,181	16,374	17,502	17,560	18,252	19,729
	<b>Percentages</b>											
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Men	80.2	79.8	78.7	76.4	74.6	74.4	74.0	73.4	73.4	72.5	71.6	70.8
Women	19.8	20.2	21.3	23.6	25.4	25.6	26.0	26.6	26.6	27.5	28.4	29.2

Table G/3

## Recipients of Work Injury Allowance and Days of Incapacity, by Nature of Injury, 2006

Nature of Injury	Numbers	Percentages	Average Days of Incapacity
<b>Total</b>	<b>64,831</b>	<b>100.0</b>	<b>34.2</b>
Contusion	15,018	23.2	33.6
Crushing injury	14,754	22.8	33.7
Sprain	12,757	19.7	31.5
Laceration in upper limb	6,098	9.4	27.7
Muscoskeletal injury	4,118	6.4	36.3
Fracture in upper limb	2,731	4.2	56.4
Fracture in lower limb	1,843	2.8	63.2
Symptoms without clear diagnosis	603	0.9	33.2
Laceration in lower limb	936	1.4	26.5
Effect of foreign body	693	1.1	14.0
Laceration in head, neck or trunk	953	1.5	24.4
Burn	1,037	1.6	22.1
Fracture of skull, trunk, vertebral column	644	1.0	53.2
Toxic effect	532	0.8	19.6
Dislocation	250	0.4	55.1
Circulatory system disorder	188	0.3	63.6
Superficial injury	67	0.1	24.4
Other	601	0.9	40.0
Unknown	1,008	1.6	32.6



Table G/4  
**Recipients of Permanent Disability Pension in December 2007,  
 by Sex, Age and Degree of Disability**

Age	Total	Degree of Disability					
		Up to 19 <sup>1</sup>	20-39	40-59	60-79	80-99	100
<b>Total Population</b>							
<b>Numbers</b>	<b>27,819</b>	<b>1,134</b>	<b>16,299</b>	<b>5,578</b>	<b>2,291</b>	<b>1,109</b>	<b>1,408</b>
<b>Percentages</b>	<b>100.0</b>	<b>4.1</b>	<b>58.6</b>	<b>20.0</b>	<b>8.2</b>	<b>4.0</b>	<b>5.1</b>
Up to 21	34	0	18	6	3	2	5
22-29	748	21	389	167	63	31	77
30-39	3,409	182	1,873	690	282	180	202
40-49	5,860	359	3,337	1,179	460	246	279
50-59	8,246	400	5,020	1,556	615	286	369
60-64	3,906	138	2,462	698	289	136	183
65+	5,616	34	3,200	1,282	579	228	293
<b>Men</b>							
<b>Numbers</b>	<b>24,787</b>	<b>1,074</b>	<b>14,331</b>	<b>4,997</b>	<b>2,079</b>	<b>1,026</b>	<b>1,280</b>
<b>Percentages</b>	<b>100.0</b>	<b>4.3</b>	<b>57.8</b>	<b>20.2</b>	<b>8.4</b>	<b>4.1</b>	<b>5.2</b>
Up to 21	32	0	16	6	3	2	5
22-29	685	19	348	157	60	17	74
30-39	3,050	173	1,642	631	259	162	183
40-49	5,223	330	2,940	1,052	419	232	250
50-59	7,102	383	4,228	1,351	546	261	333
60-64	3,491	135	2,193	612	252	130	169
65+	5,204	34	2,964	1,188	540	212	266
<b>Women</b>							
<b>Numbers</b>	<b>3,032</b>	<b>60</b>	<b>1,968</b>	<b>581</b>	<b>212</b>	<b>83</b>	<b>128</b>
<b>Percentages</b>	<b>100.0</b>	<b>2.0</b>	<b>64.9</b>	<b>19.2</b>	<b>7</b>	<b>2.7</b>	<b>4.2</b>
Up to 21	2	0	2	0	0	0	0
22-29	63	2	41	10	3	4	3
30-39	359	9	231	59	23	18	19
40-49	637	29	397	127	41	14	29
50-59	1,144	17	792	205	69	25	36
60-64	415	3	269	86	37	6	14
65+	412	0	236	94	39	16	27

1. Pension recipients who have a partial capitalization.

Table G/5  
**Recipients of Dependants' Pension, by Year of Decease and Family Composition  
(Absolute Numbers, December 2007)**

Year of Decease	Total	Young Widow	Child Only or Widow without Children	Two Children Only or Widow with One Child	Three Children Only or Widow with Two Children	Four Children Only or Widow with 3 Children	Other
<b>Total</b>	<b>4,507</b>	<b>186</b>	<b>3,298</b>	<b>469</b>	<b>262</b>	<b>224</b>	<b>68</b>
Until 1965	231	0	227	0	0	0	4
1966-1970	259	0	257	0	0	0	2
1971-1975	484	0	482	2	0	0	0
1976-1980	530	6	520	1	1	0	2
1981-1985	462	16	438	1	0	0	7
1986-1990	446	49	357	32	2	1	5
1991-1995	725	34	425	153	71	28	14
1996-2000	730	40	355	148	93	75	19
2001-2005	538	32	206	111	78	97	14
2006 <sup>1</sup>	70	5	24	14	10	16	1
2007 <sup>1</sup>	32	4	7	7	7	7	0

1. The processing of these claims has not yet been completed, and more families will receive dependants' pension for these years.



## H. Hostile Action Casualties

Table H/1

### Recipients of Benefits due to Hostile Actions: Disabled by Status and Dependents by Family Composition

Year	Recipients of Disability Benefits					Recipients of Dependents Benefits				
	Total	Regular	Destitute	Needy	Widow/er of Disabled	Total	Widow/ers without Children	Widow/ers with Children	Bereaved Parents	Other
2000	1,688	1,576	24	63	25	962	301	129	485	47
2001	1,721	1,589	35	72	25	997	303	138	507	49
2002	1,807	1,678	36	71	22	1,287	340	199	668	80
2003	2,195	1,753	49	81	24	1,583	383	248	846	106
2004	2,502	1,905	51	88	23	1,713	416	263	917	117
2005	2,753	2,041	54	98	25	1,767	424	267	946	131
2006	3,022	2,164	66	121	22	1,851	447	267	999	138
2007	<sup>1</sup> 3,274	2,283	81	125	21	1,902	463	271	1,029	139

1. Including 766 recipients of lump-sum grant who receive bonuses.



## I. Unemployment

Table I/1

**Recipients of Unemployment Benefits Who were Employed,  
by Type of Unemployment and Type of Labor Exchange, (Percentages)**

Year	Total	Looking for Work	In Vocational Training	Looking for Work		
				Total	Academic	Non-academic
<b>Absolute Numbers</b>						
1995	57,240	49,627	7,613	49,627	10,174	39,454
1998	90,746	80,401	10,345	80,401	14,955	65,446
1999	91,449	80,201	11,248	80,201	14,597	65,604
2000	88,109	77,906	10,203	77,906	13,789	64,117
2001	99,703	86,434	13,269	86,434	17,928	68,507
2002	90,875	77,790	13,085	77,790	17,121	60,669
2003	63,450	59,208	4,242	59,208	14,444	44,764
2004	52,852	52,186	666	52,186	12,968	39,218
2005	52,433	51,863	570	51,863	12,891	38,972
2006	49,294	48,728	566	48,728	12,816	36,478
<b>Percentages</b>						
1995	100.0	86.7	13.3	100.0	20.5	79.5
1998	100.0	88.6	11.4	100.0	18.6	81.4
1999	100.0	87.7	12.3	100.0	18.2	81.8
2000	100.0	88.4	11.6	100.0	17.7	82.3
2001	100.0	86.7	13.3	100.0	20.7	79.3
2002	100.0	85.6	14.4	100.0	22.0	78.0
2003	100.0	93.3	6.7	100.0	24.1	75.9
2004	100.0	98.7	1.3	100.0	24.8	75.2
2005	100.0	98.9	1.1	100.0	24.9	75.1
2006	100.0	98.9	1.1	100.0	26.1	73.9



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## Poverty and Inequality Table Appendix

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Table 1  
Poverty in the Total Population, 2003-2006

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	645,300	292,800	366,300		
Persons	2,156,200	1,199,700	1,426,800		
Children	862,200	565,600	652,400		
Incidence of poverty (%)					
Families	33.9	15.4	19.3	54.6	43.1
Persons	33.8	18.8	22.4	44.4	33.7
Children	40.7	26.7	30.8	34.4	24.3
<b>2004</b>					
The poor population					
Families	656,800	320,600	394,200		
Persons	2,184,100	1,308,500	1,534,300		
Children	881,600	632,100	713,600		
Incidence of poverty (%)					
Families	33.7	16.5	20.3	51.2	40.0
Persons	33.6	20.2	23.6	40.1	29.8
Children	41.0	29.4	33.2	28.3	19.1
<b>2005</b>					
The poor population					
Families	668,200	340,400	410,700		
Persons	2,235,800	1,411,700	1,631,500		
Children	899,600	686,500	768,800		
Incidence of poverty (%)					
Families	33.6	17.1	20.6	49.1	38.5
Persons	33.8	21.3	24.7	36.9	27.0
Children	41.1	31.4	35.2	23.7	14.5
<b>2006</b>					
The poor population					
Families	665,800	345,500	404,400		
Persons	2,254,800	1,455,500	1,649,800		
Children	921,900	718,600	796,100		
Incidence of poverty (%)					
Families	32.9	17.1	20.0	48.1	39.3
Persons	33.5	21.6	24.5	35.4	26.8
Children	41.5	32.3	35.9	22.1	13.6

Table 2  
**Poverty in Families Headed by an Elderly Person, 2003-2006**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	222,700	50,700	83,900		
Persons	361,600	95,800	143,300		
Incidence of poverty (%)					
Families	59.3	13.5	22.3	77.2	62.4
Persons	58.0	15.4	23.0	73.4	60.3
<b>2004</b>					
The poor population					
Families	225,400	60,300	95,400		
Persons	361,500	107,200	156,800		
Incidence of poverty (%)					
Families	59.2	15.8	25.1	73.2	57.7
Persons	57.7	17.1	25.0	70.3	56.6
<b>2005</b>					
The poor population					
Families	219,900	62,100	94,300		
Persons	360,900	118,700	163,100		
Incidence of poverty (%)					
Families	57.0	16.1	24.4	71.8	57.1
Persons	55.8	18.4	25.2	67.1	54.8
<b>2006</b>					
The poor population					
Families	220,600	61,700	84,500		
Persons	347,000	109,600	141,700		
Incidence of poverty (%)					
Families	56.2	15.7	21.4	72.0	61.7
Persons	53.7	17.0	21.9	68.4	59.2

Table 3  
**Poverty Among Persons of Working Age Who Are Not Working, 2003-2006**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	199,600	134,400	144,100		
Persons	735,400	566,700	591,900		
Children	341,000	291,000	298,100		
Incidence of poverty (%)					
Families	91.1	61.3	65.8	32.7	27.8
Persons	94.4	72.7	76.0	23.0	19.5
Children	98.4	84.0	86.0	14.6	12.6
<b>2004</b>					
The poor population					
Families	196,900	133,700	140,000		
Persons	719,200	557,700	575,600		
Children	338,900	289,900	294,300		
Incidence of poverty (%)					
Families	91.2	61.9	64.8	32.1	28.9
Persons	94.4	73.2	75.6	22.5	20.0
Children	98.2	84.0	85.3	14.5	13.0
<b>2005</b>					
The poor population					
Families	194,000	134,900	141,100		
Persons	695,400	565,600	581,000		
Children	318,900	288,400	291,500		
Incidence of poverty (%)					
Families	90.4	62.9	65.8	30.5	27.3
Persons	93.5	76.1	78.2	18.7	16.4
Children	98.4	89.0	90.0	9.6	8.6
<b>2006</b>					
The poor population					
Families	181,300	129,900	135,900		
Persons	677,500	556,500	569,400		
Children	319,400	287,500	289,900		
Incidence of poverty (%)					
Families	93.3	76.6	78.4	28.4	25.1
Persons	88.9	63.6	66.6	17.9	15.9
Children	98.1	88.3	89.0	10.0	9.2

Table 4  
Poverty in the Working Population, 2003-2006

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	234,800	108,900	140,000		
Persons	1,083,200	539,600	696,200		
Children	512,400	268,600	348,800		
Incidence of poverty (%)					
Families	17.2	8.0	10.3	53.5	40.1
Persons	21.3	10.6	13.7	50.2	35.7
Children	29.1	15.3	19.8	47.4	32.0
<b>2004</b>					
The poor population					
Families	247,500	127,700	160,200		
Persons	1,128,800	647,000	806,200		
Children	534,200	335,600	412,000		
Incidence of poverty (%)					
Families	17.6	9.1	11.4	48.4	35.3
Persons	21.6	12.4	15.4	42.7	28.6
Children	29.8	18.7	22.9	37.2	22.9
<b>2005</b>					
The poor population					
Families	266,500	144,600	177,100		
Persons	1,204,600	730,500	891,400		
Children	569,700	389,300	468,000		
Incidence of poverty (%)					
Families	18.4	10.0	12.2	45.7	33.6
Persons	22.5	13.6	16.6	39.4	26.0
Children	30.8	21.0	25.3	31.7	17.9
<b>2006</b>					
The poor population					
Families	277,300	155,200	185,500		
Persons	1,256,700	792,700	942,600		
Children	595,800	426,400	501,500		
Incidence of poverty (%)					
Families	18.6	10.4	12.4	44.0	33.1
Persons	22.8	14.4	17.1	36.9	25.0
Children	31.5	22.6	26.5	28.4	15.8

Table 5  
Poverty in Families of Employees, 2003-2006

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	205,000	89,900	114,500		
Persons	928,800	440,300	562,800		
Children	436,600	221,300	282,600		
Incidence of poverty (%)					
Families	17.3	7.6	9.6	56.1	44.5
Persons	21.1	10.0	12.8	52.6	39.3
Children	29.2	14.8	18.9	49.3	35.3
<b>2004</b>					
The poor population					
Families	216,200	107,300	132,700		
Persons	977,800	534,500	668,200		
Children	457,600	282,500	342,600		
Incidence of poverty (%)					
Families	17.5	8.7	10.8	50.4	38.6
Persons	21.6	12.0	14.7	45.3	31.7
Children	29.6	18.3	22.2	38.3	25.1
<b>2005</b>					
The poor population					
Families	238,600	127,500	153,400		
Persons	1,075,700	647,800	775,600		
Children	509,200	348,300	410,500		
Incidence of poverty (%)					
Families	18.8	10.1	12.1	46.6	35.7
Persons	23.1	13.9	16.6	39.8	27.9
Children	31.7	21.7	25.5	31.6	19.4
<b>2006</b>					
The poor population					
Families	244,100	133,400	157,400		
Persons	1,100,100	681,000	798,400		
Children	518,300	366,500	424,000		
Incidence of poverty (%)					
Families	18.9	10.3	12.1	45.3	35.5
Persons	23.3	14.4	16.9	38.1	27.4
Children	32.3	22.8	26.4	29.3	18.2

Table 6  
**Poverty in Families of Self-Employed, 2003-2006**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	29,800	19,000	25,500		
Persons	154,300	99,200	133,400		
Children	75,900	47,300	65,400		
Incidence of poverty (%)					
Families	17.1	10.9	14.6	36.3	14.6
Persons	22.1	14.2	19.1	35.7	13.6
Children	28.7	17.9	24.8	37.6	13.6
<b>2004</b>					
The poor population					
Families	31,300	20,500	27,400		
Persons	151,100	103,500	138,000		
Children	76,600	53,100	69,400		
Incidence of poverty (%)					
Families	17.8	11.6	15.6	34.5	12.5
Persons	21.9	15.0	20.0	31.5	8.7
Children	30.7	21.3	27.9	30.7	9.4
<b>2005</b>					
The poor population					
Families	27,900	17,100	23,600		
Persons	128,800	82,700	115,800		
Children	60,500	40,900	57,400		
Incidence of poverty (%)					
Families	15.3	9.4	13.0	38.8	15.4
Persons	18.7	12.0	16.8	35.8	10.1
Children	24.9	16.9	23.7	32.4	5.1
<b>2006</b>					
The poor population					
Families	33,100	21,700	28,100		
Persons	156,600	111,700	144,200		
Children	77,500	59,900	77,500		
Incidence of poverty (%)					
Families	16.3	10.7	13.9	34.5	15.2
Persons	20.2	14.7	18.6	28.7	7.9
Children	27.4	21.2	27.4	22.7	0.1

Table 7  
**Poverty in Families with One Earner, 2003-2006**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	209,200	96,500	122,000		
Persons	934,600	463,800	591,900		
Children	449,100	236,500	304,000		
Incidence of poverty (%)					
Families	31.9	14.7	18.6	53.9	41.7
Persons	42.7	21.2	27.0	50.4	36.8
Children	53.3	28.1	36.1	47.3	32.3
<b>2004</b>					
The poor population					
Families	217,600	112,900	139,100		
Persons	965,000	566,100	692,900		
Children	466,800	300,900	364,900		
Incidence of poverty (%)					
Families	32.6	16.9	20.8	48.1	36.1
Persons	43.6	25.6	31.3	41.3	28.2
Children	55.0	35.4	43.0	35.5	21.8
<b>2005</b>					
The poor population					
Families	234,800	129,900	155,600		
Persons	1,028,600	644,800	772,600		
Children	498,300	350,800	416,500		
Incidence of poverty (%)					
Families	34.8	19.1	23.1	45.1	33.7
Persons	45.9	28.8	34.5	37.3	24.9
Children	57.1	40.2	47.7	29.6	16.4
<b>2006</b>					
The poor population					
Families	242,100	138,200	162,200		
Persons	1,054,200	691,200	805,800		
Children	508,900	378,700	439,100		
Incidence of poverty (%)					
Families	35.0	20.0	23.4	42.9	33.0
Persons	47.0	30.8	35.9	34.4	23.6
Children	59.02	43.9	50.9	25.6	13.7



Table 8  
Poverty in Families with Two Earners, 2003-2006

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	24,400	11,900	17,000		
Persons	138,900	71,500	96,800		
Children	59,600	30,700	41,900		
Incidence of poverty (%)					
Families	4.3	2.1	3.0	51.2	30.2
Persons	6.2	3.2	4.3	48.4	30.6
Children	7.3	3.8	5.2	47.9	28.8
<b>2004</b>					
The poor population					
Families	28,100	14,200	19,800		
Persons	151,800	77,900	106,300		
Children	64,800	34,600	45,800		
Incidence of poverty (%)					
Families	4.7	2.4	3.3	49.5	29.5
Persons	6.5	3.3	4.6	48.7	30.3
Children	7.8	4.2	5.5	46.6	29.3
<b>2005</b>					
The poor population					
Families	29,600	14,600	19,600		
Persons	156,300	78,400	106,300		
Children	63,000	35,300	47,100		
Incidence of poverty (%)					
Families	4.7	2.3	3.1	50.8	33.7
Persons	6.4	3.2	4.4	49.9	32.0
Children	7.3	4.1	5.5	43.9	25.2
<b>2006</b>					
The poor population					
Families	32,700	16,200	21,800		
Persons	184,100	95,700	126,300		
Children	79,400	45,700	58,200		
Incidence of poverty (%)					
Families	5.1	2.5	3.4	50.4	33.2
Persons	7.4	3.9	5.1	48.0	31.3
Children	9.0	5.1	6.5	42.5	26.7

Table 9  
Poverty Among non-Jews, 2003-2006

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	140,800	100,400	119,700		
Persons	722,600	527,200	623,200		
Children	363,000	270,800	322,300		
Incidence of poverty (%)					
Families	56.9	40.6	48.3	28.6	15.1
Persons	59.0	43.1	50.9	26.9	13.7
Children	64.8	48.3	57.5	25.5	11.3
<b>2004</b>					
The poor population					
Families	142,400	107,500	123,500		
Persons	726,100	559,500	632,700		
Children	372,500	302,000	335,500		
Incidence of poverty (%)					
Families	107,500	123,500	142,400	107,500	123,500
Persons	559,500	632,700	726,100	559,500	632,700
Children	302,000	335,500	372,500	302,000	335,500
<b>2005</b>					
The poor population					
Families	154,100	122,400	137,000		
Persons	793,600	643,300	718,200		
Children	397,300	341,900	379,200		
Incidence of poverty (%)					
Families	58.6	46.6	52.1	20.5	11.0
Persons	61.2	49.6	55.4	18.9	9.5
Children	67.3	57.9	64.2	14.0	4.6
<b>2006</b>					
The poor population					
Families	161,200	129,300	146,400		
Persons	831,100	681,900	769,000		
Children	418,100	361,700	403,500		
Incidence of poverty (%)					
Families	59.5	47.76	54.03	19.7	9.2
Persons	62.26	51.08	57.6	18.0	7.5
Children	69.17	59.84	66.76	13.5	3.5

Table 10  
Poverty Among Jews, 2003-2006

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	504,500	192,400	246,700		
Persons	1,433,600	672,400	803,600		
Children	499,200	294,700	330,100		
Incidence of poverty (%)					
Families	30.5	11.6	14.9	62.0	51.5
Persons	27.8	13.0	15.6	53.2	43.9
Children	32.1	18.9	21.2	41.1	34.0
<b>2004</b>					
The poor population					
Families	514,400	213,100	270,700		
Persons	1,458,000	749,100	901,600		
Children	509,100	330,100	378,100		
Incidence of poverty (%)					
Families	30.3	12.5	15.9	58.6	47.4
Persons	27.7	14.2	17.1	48.6	38.2
Children	32.2	20.9	23.9	35.2	25.7
<b>2005</b>					
The poor population					
Families	514,100	218,000	273,600		
Persons	1,442,200	768,400	913,300		
Children	502,300	344,600	389,600		
Incidence of poverty (%)					
Families	29.8	12.6	15.9	57.6	46.8
Persons	27.1	14.5	17.2	46.7	36.7
Children	31.5	21.6	24.4	31.4	22.4
<b>2006</b>					
The poor population					
Families	504,700	216,100	258,000		
Persons	1,423,700	773,500	880,900		
Children	503,900	356,900	392,600		
Incidence of poverty (%)					
Families	28.8	12.3	14.7	57.2	48.9
Persons	26.4	14.3	16.3	45.7	38.1
Children	31.1	22.1	24.3	29.2	22.1

Table 11  
**Poverty Among Immigrants (since 1990), 2003-2006**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	155,900	48,000	64,400		
Persons	396,700	150,500	185,600		
Children	110,000	61,700	68,400		
Incidence of poverty (%)					
Families	42.9	13.2	17.7	69.2	58.7
Persons	37.2	14.1	17.4	62.1	53.2
Children	40.6	22.8	25.2	43.8	37.9
<b>2004</b>					
The poor population					
Families	159,500	52,300	69,800		
Persons	395,200	158,600	195,100		
Children	103,400	58,800	66,200		
Incidence of poverty (%)					
Families	43.0	14.1	18.8	67.2	56.2
Persons	37.2	14.9	18.4	59.9	50.6
Children	39.8	22.6	25.5	43.1	36.0
<b>2005</b>					
The poor population					
Families	167,100	59,800	78,800		
Persons	413,700	182,000	220,500		
Children	110,200	69,100	77,300		
Incidence of poverty (%)					
Families	42.4	15.2	20.0	64.2	52.8
Persons	37.0	16.3	19.7	56.0	46.7
Children	40.5	25.4	28.4	37.3	29.9
<b>2006</b>					
The poor population					
Families	153,700	53,200	69,600		
Persons	378,200	166,200	198,500		
Children	98,500	65,900	73,300		
Incidence of poverty (%)					
Families	39.9	14.0	18.1	65.4	54.7
Persons	34.4	15.1	18.1	56.0	47.5
Children	36.8	24.6	27.3	33.1	25.7

Table 12  
Poverty in Single-Parent Families, 2003-2006

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	56,600	26,000	29,600		
Persons	206,700	102,000	114,200		
Children	114,200	61,500	67,600		
Incidence of poverty (%)					
Families	52.9	24.3	27.6	54.1	47.8
Persons	54.2	26.8	30.0	50.6	44.6
Children	60.5	32.6	35.8	46.1	40.8
<b>2004</b>					
The poor population					
Families	57,700	31,700	34,900		
Persons	213,300	123,900	135,800		
Children	120,300	73,100	79,100		
Incidence of poverty (%)					
Families	51.9	28.5	31.4	45.1	39.5
Persons	54.0	31.4	34.4	41.9	36.3
Children	60.5	36.7	39.8	39.2	34.2
<b>2005</b>					
The poor population					
Families	58,200	32,200	35,500		
Persons	210,000	124,300	135,900		
Children	111,700	69,500	74,600		
Incidence of poverty (%)					
Families	53.3	29.5	32.5	44.7	39.0
Persons	54.6	32.3	35.3	40.8	35.3
Children	59.3	36.9	39.6	37.8	33.2
<b>2006</b>					
The poor population					
Families	58,200	31,700	33,600		
Persons	214,300	121,500	128,200		
Children	113,400	71,400	74,400		
Incidence of poverty (%)					
Families	51.1	27.9	29.5	45.5	42.2
Persons	53.1	30.1	31.8	43.3	40.2
Children	57.7	36.3	37.9	37.0	34.4

Table 13  
Poverty in Families with Children, 2003-2006

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	283,300	178,500	206,300		
Persons	1,520,500	984,300	1,136,700		
Children	862,200	565,600	652,400		
Incidence of poverty (%)					
Families	31.6	19.9	23.0	37.0	27.2
Persons	35.3	22.9	26.4	35.1	25.2
Children	40.7	26.7	30.8	34.4	24.3
<b>2004</b>					
The poor population					
Families	290,000	196,900	223,900		
Persons	1,544,800	1,082,900	1,230,500		
Children	881,600	632,100	713,600		
Incidence of poverty (%)					
Families	31.8	21.6	24.5	32.1	22.8
Persons	35.5	24.9	28.2	29.9	20.3
Children	41.0	29.4	33.2	28.3	19.1
<b>2005</b>					
The poor population					
Families	303,100	216,500	245,300		
Persons	1,606,700	1,185,500	1,339,800		
Children	899,600	686,500	768,800		
Incidence of poverty (%)					
Families	32.4	23.1	26.2	28.6	19.1
Persons	36.2	26.7	30.2	26.2	16.6
Children	41.1	31.4	35.2	23.7	14.5
<b>2006</b>					
The poor population					
Families	296,000	213,400	238,600		
Persons	1,615,400	1,213,600	1,353,900		
Children	921,900	718,600	796,100		
Incidence of poverty (%)					
Families	31.7	22.8	25.5	27.9	19.4
Persons	36.0	27.0	30.1	24.9	16.2
Children	41.5	32.3	35.8	22.1	13.6

Table 14  
Poverty in Families with 1-3 Children, 2003-2006

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	189,200	114,700	132,500		
Persons	803,800	501,400	583,600		
Children	370,500	236,000	274,900		
Incidence of poverty (%)					
Families	25.3	15.4	17.7	39.1	30.0
Persons	25.2	15.7	18.3	37.7	27.4
Children	27.2	17.3	20.2	36.4	25.7
<b>2004</b>					
The poor population					
Families	191,500	121,900	140,700		
Persons	806,800	525,800	611,900		
Children	373,900	248,300	288,000		
Incidence of poverty (%)					
Families	25.2	16.0	18.5	36.6	26.5
Persons	24.9	16.2	18.9	34.8	24.2
Children	26.8	17.8	20.6	33.6	23.0
<b>2005</b>					
The poor population					
Families	206,600	137,700	158,000		
Persons	877,200	597,400	688,500		
Children	398,300	278,300	318,900		
Incidence of poverty (%)					
Families	26.3	17.5	20.1	33.4	23.5
Persons	26.3	17.9	20.6	31.9	21.5
Children	27.7	19.3	22.2	30.1	19.9
<b>2006</b>					
The poor population					
Families	190,900	125,900	141,900		
Persons	818,700	554,300	627,300		
Children	375,400	261,600	294,700		
Incidence of poverty (%)					
Families	24.7	16.3	18.3	34.1	25.7
Persons	24.8	16.8	19.0	32.3	23.4
Children	26.5	18.5	20.9	30.3	21.5

Table 15  
Poverty in Families with 4 or More Children, 2003-2006

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
<b>2003</b>					
The poor population					
Families	94,100	63,800	73,800		
Persons	716,700	483,000	553,100		
Children	491,700	329,600	377,500		
Incidence of poverty (%)					
Families	62.4	42.3	48.9	32.2	21.6
Persons	64.4	43.4	49.7	32.6	22.8
Children	65.3	43.7	50.1	33.1	23.3
<b>2004</b>					
The poor population					
Families	98,500	75,000	83,200		
Persons	738,000	557,100	618,600		
Children	507,700	383,800	425,600		
Incidence of poverty (%)					
Families	64.8	49.3	54.7	23.9	15.5
Persons	66.3	50.1	55.6	24.5	16.2
Children	67.4	50.9	56.5	24.4	16.2
<b>2005</b>					
The poor population					
Families	96,500	78,800	87,300		
Persons	729,400	588,100	651,400		
Children	501,300	408,200	449,900		
Incidence of poverty (%)					
Families	64.2	52.5	58.1	18.3	9.6
Persons	66.2	53.4	59.1	19.4	10.7
Children	67.1	54.6	60.2	18.6	10.2
<b>2006</b>					
The poor population					
Families	105,100	87,600	96,700		
Persons	796,700	659,300	726,600		
Children	546,500	457,000	501,400		
Incidence of poverty (%)					
Families	65.2	54.4	60.0	16.7	8.0
Persons	67.0	55.5	61.1	17.2	8.8
Children	67.9	56.8	62.3	16.4	8.2



Table 16  
**Average Family Income in Various Population Groups,  
 by Income Source and Share of Income Source in Average Income Before Tax, 2005**

Population group		Income source*							
		Work	Total transfer payments	Thereof:			Other income	Income before tax	Net income
				NII benefits	State support	Support from abroad			
<b>Total</b>	NIS (%)	<b>9,331</b> <b>75.6</b>	<b>1,643</b> <b>13.3</b>	<b>1,201</b> <b>9.7</b>	<b>156</b> <b>1.3</b>	<b>287</b> <b>2.3</b>	<b>1,326</b> <b>10.7</b>	<b>12,347</b> <b>100.0</b>	<b>10,077</b> <b>81.6</b>
Family headed by elderly person	NIS (%)	1,452 20.0	2,932 40.3	2,343 32.2	212 2.9	378 5.2	2,851 39.2	7,278 100.0	6,515 89.5
Family headed by non-working person of working age	NIS (%)	148 3.5	2,981 70.1	1,989 46.7	360 8.5	632 14.8	1,080 25.4	4,255 100.0	4,004 94.1
Family headed by worker	NIS (%)	12,615 84.6	1,162 7.8	832 5.6	113 0.8	218 1.5	1,084 7.3	14,908 100.0	11,954 80.2
Family headed by employee	NIS (%)	12,403 85.1	1,177 8.1	841 5.8	122 0.8	214 1.5	937 6.4	14,566 100.0	11,765 80.8
Family headed by self-employed person	NIS (%)	13,968 81.7	1,068 6.2	775 4.5	54 0.3	239 1.4	2,017 11.8	17,086 100.0	13,155 77.0
Family with one earner	NIS (%)	7,220 73.3	1,546 15.7	1,067 10.8	161 1.6	318 3.2	1,052; 10.7	9,854 100.0	8,131 82.5
Family with two earners	NIS (%)	16,310 88.9	841 4.6	634 3.5	64 0.3	143 0.8	1,127 6.1	18,340 100.0	14,424 78.6

Table 16 (Cont.)  
**Average Family Income in Various Population Groups,  
 by Income Source and Share of Income Source in Average Income Before Tax, 2005**

Population group		Income source*							
		Work	Total transfer payments	Thereof:			Other income	Income before tax	Net income
				Nil benefits	State support	Support from abroad			
New immigrant family	NIS (%)	7,156 74.7	1,964 20.5	1,427 14.9	226 2.4	311 3.2	434 4.5	9,583 100.0	8,261 86.2
Single-parent family	NIS (%)	6,256 67.4	2,550 27.5	1,580 17.0	223 2.4	747 8.1	468 5.0	9,278 100.0	8,096 87.3
Family with children	NIS (%)	7,089 65.5	1,817 16.8	1,358 12.6	154 1.4	305 2.8	1,866 17.3	10,820 100.0	8,964 82.8
Family with 1-3 children	NIS (%)	12,842 86.6	1,268 8.5	865 5.8	134 0.9	269 1.8	680 4.6	14,835 100.0	11,853 79.9
Family with 4 or more children	NIS (%)	7,628 71.1	2,274 21.2	1,748 16.3	275 2.6	251 2.3	776 7.2	10,726 100.0	9,069 84.6
Jewish family	NIS (%)	9,898 75.6	1,664 12.7	1,167 8.9	176 1.3	321 2.5	1,474 11.3	13,090 100.0	10,616 81.1
Non-Jewish family	NIS (%)	5,661 75.1	1,509 20.0	1,422 18.9	23 0.3	63 0.8	366 4.9	7,536 100.0	6,586 87.4

1. Prices from mid-period of Income Survey 2005, for population including East Jerusalem residents.

Table 17  
**The Effect of Transfer Payments and Direct Taxes on Inequality of Income  
 Distribution Among Working Families (percentages), 2005-2006**

Decile*	Share of each decile in total income (%)**					
	Market income		Income before tax		Net income	
	2005	2006	2005	2006	2005	2006
Lower	1.4	1.4	2.2	2.1	2.6	2.5
2	2.7	2.6	3.4	3.3	3.9	3.8
3	3.8	3.8	4.5	4.4	5.1	5.0
4	5.2	5.1	5.7	5.6	6.4	6.3
5	6.6	6.6	6.9	6.9	7.7	7.6
6	8.3	8.1	8.4	8.3	9.1	9.0
7	10.3	10.1	10.1	10.1	10.7	10.6
8	12.9	12.8	12.5	12.4	12.7	12.6
9	17.1	17.0	16.4	16.2	15.8	15.6
Upper	31.8	32.6	30.0	30.6	26.1	26.6
Ratio of upper to lower quintile income	11.9	12.5	8.3	10.4	6.4	8.3
Gini index***	0.4468	0.5109	0.4046	0.4116	0.3549	0.3923
% of decrease in Gini index	-	-	9.4	19.4	20.6	23.2

\* The families in each column were graded by the income level appropriate for standard person. Every decile includes 10% of the persons in the population.

\*\* In terms of income per standard person.

\*\*\* The Gini index for inequality in income distribution was calculated on the base of individual observations, and not on the base of deciles.

Table 18  
**Average Monthly Income per Family, by Decile, 2005-2006 (total population) in 2006 Survey Prices**

Decile*	Befor transfer payments and direct taxes			After transfer payments and direct taxes		
	2005	2006	Real change	2005	2006	Real change
Lower	--	--		2,206	2,335	5.8
2	932	1,156	24.0	3,670	3,868	5.4
3	3,390	3,607	6.4	4,178	4,313	3.2
4	4,763	4,900	2.9	5,451	5,770	5.9
5	6,540	6,806	4.1	7,103	7,226	1.7
6	8,590	8,685	1.1	8,474	8,743	3.2
7	10,742	10,752	0.1	9,845	10,197	3.6
8	13,661	13,956	2.2	11,892	12,219	2.8
9	18,333	18,735	2.2	14,427	14,992	3.9
Upper	32,261	34,074	5.6	22,026	23,334	5.9
<b>Total</b>	<b>10,296</b>	<b>10,705</b>	<b>4.0</b>	<b>9,640</b>	<b>10,077</b>	<b>4.5</b>

\* The families were scaled according to appropriate income per standard person, in order to determine the deciles. Each decile constitutes 10% of all persons in the population. Every family was given equal weight in the calculation of the average income in each decile.

Table 19  
**Incidence of Poverty in All Families, Before and After Transfer Payments  
 and Direct Taxes (percentages), 1979-2006**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
1979	27.9	16.4	17.2	41.1	38.4
1980	28.1	13.9	15.7	50.6	44.1
1981	28.8	14.2	15.7	50.8	45.4
1982	29.8	9.1	10.8	69.5	64.0
1983	29.5	11.1	12.5	62.4	57.7
1984	30.7	12.9	14.6	58.0	52.5
1985	31.3	10.3	11.4	67.1	63.5
1988	32.6	13.3	14.3	59.2	56.0
1989	33.0	11.7	12.8	64.5	61.2
1990	34.3	13.4	14.3	60.9	58.2
1991	35.1	14.2	14.9	59.5	57.5
1992	34.7	16.4	17.2	52.7	50.4
1993	34.6	16.0	16.7	53.8	51.7
1994	34.2	17.6	18.0	48.5	47.2
1995	33.7	14.7	16.8	56.4	50.1
1996	34.3	13.6	16.0	60.4	53.3
1997	34.3	13.6	16.2	60.5	52.7
1997*	32.0	14.9	17.7	53.4	44.6
1998	32.8	14.3	17.5	56.4	46.6
1999	32.2	15.1	18.0	53.1	44.1
2002	33.9	14.5	18.1	57.2	46.6
2003	33.9	15.4	19.3	54.6	43.1
2004	33.7	16.5	20.3	51.2	39.9
2005	33.6	17.1	20.6	49.1	38.5
2006	32.9	17.1	20.0	48.0	39.2

\* New sample.

Table 20  
**Gini Index for Inequality in Income Distribution Among Families,  
 Before and After Transfer Payments and Direct Taxes, 1979-2006**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
1979	0.4318	0.3662	0.3181	15.2	26.3
1980	0.4337	0.3690	0.3239	14.9	25.3
1981	0.4390	0.3716	0.3185	15.4	27.4
1982	0.4441	0.3673	0.3122	17.3	29.7
1983	0.4392	0.3604	0.3005	17.9	31.6
1984	0.4723	0.3979	0.3267	15.8	30.8
1985	0.4678	0.3733	0.3119	20.2	33.3
1988	0.4574	0.3699	0.3221	19.1	29.6
1989	0.4741	0.3780	0.3252	20.3	31.4
1990	0.4799	0.3756	0.3263	21.7	32.0
1991	0.4901	0.3771	0.3272	23.1	33.2
1992	0.4977	0.3926	0.3391	21.1	31.9
1993	0.4940	0.3829	0.3290	22.5	33.4
1994	0.5019	0.3994	0.3441	20.4	31.4
1995	0.4971	0.3965	0.3365	20.2	32.3
1996	0.4956	0.3868	0.3285	22.0	33.7
1997	0.5045	0.3946	0.3332	21.8	34.0
1997*	0.5085	0.4137	0.3531	18.6	30.6
1998	0.5119	0.4134	0.3523	19.2	46.6
1999	0.5167	0.4214	0.3593	18.4	44.1
2002	0.5372	0.4312	0.3679	19.7	31.5
2003	0.5265	0.4241	0.3685	19.3	30.0
2004	0.5234	0.4300	0.3799	17.8	27.4
2005	0.5255	0.4343	0.3878	17.4	26.2
2006	0.5394	0.4320	0.3857	19.9	28.5

\* New sample. Including East Jerusalem.

Table 21

**Incidence of Poverty and Gini Index for Inequality in Income Distribution  
in All Families, Before and After Transfer Payments and Direct Taxes (percentages),  
2000-2006**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
Incidence of poverty in families					
2000	32.2	14.7	17.6	54.3	45.3
2001	33.7	14.3	17.7	57.0	47.2
2002	33.5	14.4	17.7	57.0	47.2
2003	33.5	15.4	19.2	54.0	42.7
2004	33.4	16.5	20.3	50.6	39.2
2005	33.3	17.2	20.3	48.4	39.0
2006	32.7	17.4	20.2	46.9	38.4
Gini Index for inequality					
2000	0.5090	0.4110	0.3500	19.3	31.2
2001	0.5277	0.4196	0.3567	25.9	32.4
2002	0.5320	0.4256	0.3616	20.0	32.0
2003	0.5213	0.4189	0.3629	19.6	30.4
2004	0.5193	0.4258	0.3752	18.0	27.7
2005	0.5187	0.4300	0.3834	17.1	26.1
2006	0.5182	0.4325	0.3865	16.5	25.4

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