

4. Children Insurance

A. General

Child allowance – The child allowance is paid monthly to every family with children in Israel to help defray the expenses of raising children. The Children's Insurance Law came into effect in 1959 and prescribed a fixed payment to families with many children. Over the years, the child allowances have been subject to frequent revisions, which were intended to respond to changes in fiscal policy in Israel. The revisions in the child allowances focused, inter alia, on the amounts the eligibility criteria for receiving the allowance.

In 2011, the child allowances rose relative to their level in 2010, for two reasons:

1. The allowance was updated by 2.4%, in line with the rise in the consumer price index of the previous year.
2. In April 2011, the allowance for the second child was increased by NIS 57 compared to the previous year – as the second stage in the plan approved under the Economic Arrangements Law for 2009 - 2010.

Table 1
Changes in Child Allowances under the Economic Arrangements Law, 2009-2010*

Order of birth	June 2009	After Stage A 7/2009 through 6/2010	Stage B 7/2010 through 3/2011	Stage C 4/2011 through 3/2012	As of 4/2012
Amount of the allowance					
New fourth child	159	252	252	252	259
Older fourth	353	446	446	446	453
New third child	159	219	252	252	259
Older third child	191	251	284	284	291
Second child	159	159	195	252	259
The increment over the allowance paid in June 2009					
New fourth child		93	93	93	100
Older fourth child		93	93	93	100
New third child		60	93	93	100
Older third child		60	93	93	100
Second child		0	36	93	100
Estimated annual cost of the increment in NIS compared with 2008 (cumulative cost)		240,000,000	700,000,000	1,280,000,000	1,500,000,000

* No changes have been made to the allowances paid for the first child or for the fifth and subsequent children.

In July 2009, under the Economic Arrangements Law for 2009 - 2010, the decision was made to gradually revise the amounts of the child allowances

The additional expenditure in 2010 to cover the cost of this plan is estimated at about NIS 700 million

In July 2009, within the scope of the Economic Arrangements Law for 2009 - 2010, the decision was made to gradually revise the amounts of the child allowances through a plan that had originated in coalition agreements. Within the scope of the plan, the allowance for the second, third and fourth child born in a family will be gradually increased so that in 2012, an increment of NIS 100 will be paid for each of these children. This increment is based on the amount of the allowance actually paid in June 2009; i.e., the child allowance for the second child to the fourth child in the family will not be updated during 2010 and 2011 according to the index, as is customary every January, and therefore, the increment will be purely nominal and will be eroded over the years.

During Stage A, beginning in July 2009, the fourth child received an increment of NIS 93, while the third child received an increment of NIS 60. The second child received an increment of NIS 36 only in Stage B, as of July 2010 (Table 1). The additional expenditure in 2010 to cover the cost of this plan is estimated at about NIS 700 million. The cumulative cost of the plan is expected to reach about NIS 1,500 million in 2012.

Study grant – In addition to the child allowances paid to every family with children, a study grant is also paid to single-parent families and to families with four or more children who receive a subsistence benefit. The grant is paid for children between the ages of 6 and 14, and its purpose is to help families purchase school supplies prior to the start of the school year. In 2011, approximately 147,000 children received a study grant. The cost of the grant in 2011 totaled approximately NIS 181 million.

Family increment – In July 2004, families with three or more children who receive an income support benefit or a maintenance payment from the NII began receiving a family increment. The family increment is paid only for the third and fourth child. From NIS 116 per month per child in January 2010, the allowance was raised to NIS 118 per month in January 2011 – in other words, it retained its value in real terms. The objective of this increment is to compensate families for the double blow, of cuts in both the child allowances and the income support benefit resulting from the economic plan of 2003. In 2011, this increment was paid to approximately 25,000 families (representing approximately 39,000 children in the third and fourth order of birth) and reached the aggregate total of approximately NIS 55 million, compared with NIS 57 million in 2010.

Total Fertility in the Last Two Decades

A study carried out in 2009 by the Research and Planning Administration of the NII in collaboration with the Research Division of the Bank of Israel looked, inter alia, at changes in total fertility up to 2007¹. Total fertility in a given year is defined as the

1 Effect of Child Allowances on Fertility, Esther Toledano, Roni Frisch, Noam Zussman and Daniel Gottlieb, Working papers. 101, 2009.

average number of children a woman is expected to give birth to during her lifetime, assuming her childbirth patterns are identical to those of all women of childbearing age that year.

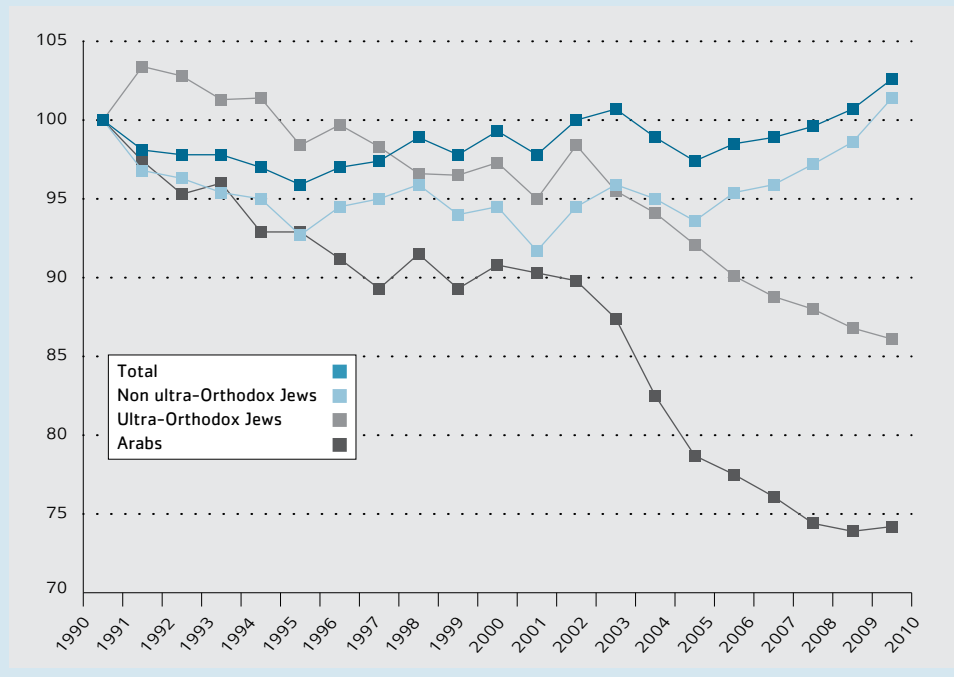
The study looked at changes in birth rates in the last two decades, in various population groups – non-Ultra Orthodox Jews, Ultra Orthodox Jews, and Arabs. It found that among non-Ultra Orthodox Jews the trend was for a rise in total fertility that grew stronger in the last five years, contrary to the falling trend among the Ultra Orthodox and Arabs, where the decrease was steeper among Arabs.

This box presents the data according to the latest databases for 2008-2010.

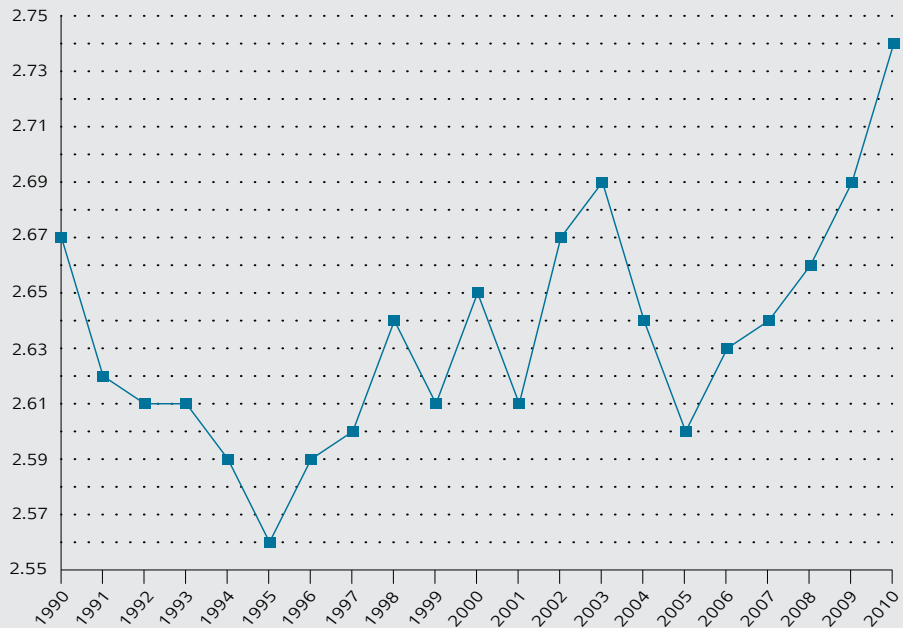
Total fertility of all women of childbearing age (15-40 years) rose steadily from an average of 2.6 children per woman in 2005 to 2.74 in 2010 – an increase of 5.4%. This increase is made up of a rise of 8% in the fertility of non-Ultra Orthodox Jewish women and a drop of 6% in the fertility of Orthodox women and Arab women.

In the years 2005-2009, there was a downward though fluctuating trend in total fertility among **non Ultra Orthodox Jewish women** – from an average of 2.18 children per woman down to 2.05. After 2005 there was a constant rise in fertility, which reached 2.21 in 2010 – slightly higher than the fertility of these women at the start of the 1990s.

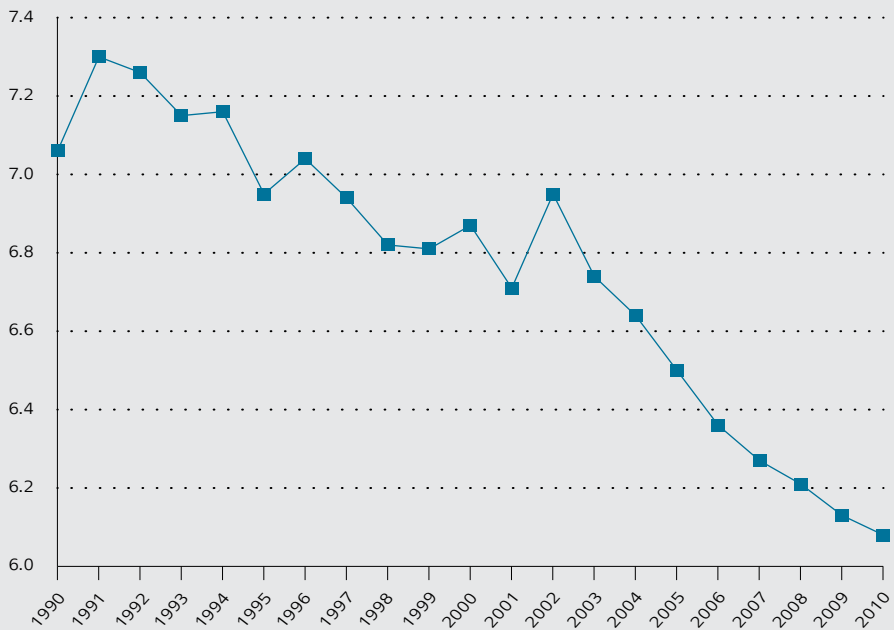
Graph 1
Fertility Index (base 1990), by Population Group, 1990-2010



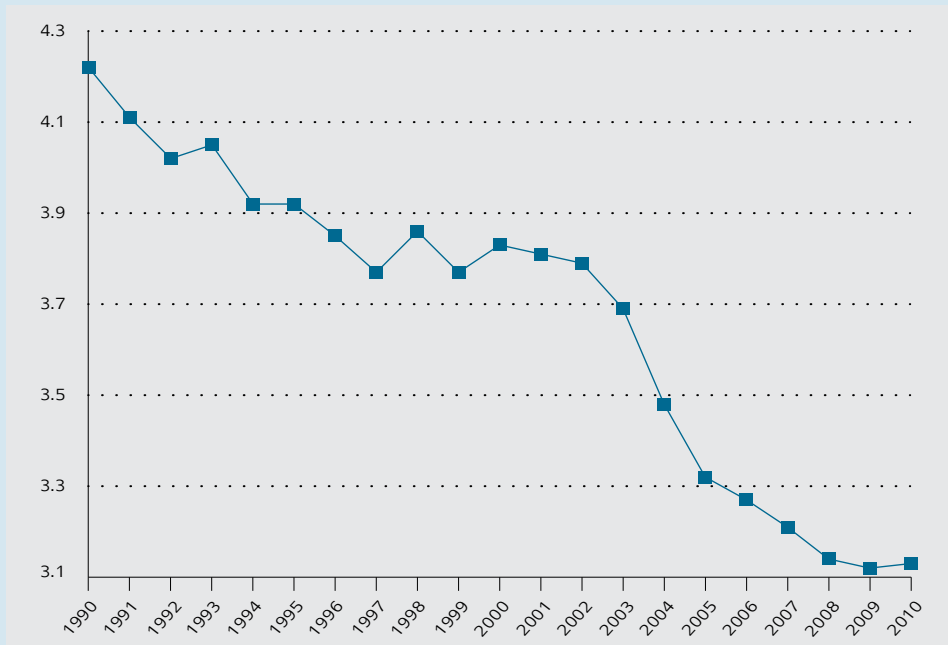
Graph 2
Total Fertility in the Non Ultra Orthodox Population, 1990-2010



Graph 3
Total Fertility in the Ultra Orthodox Population, 1990-2010



Graph 4
Total Fertility in the Arab Population, 1990–2010



The total fertility of **Ultra Orthodox women** has been on a downward trend since the start of the last two decades. In the early part of the period there were some fluctuations, but since 2003 there has been a continuous drop in the birth rate. The average number of children per Ultra Orthodox woman reached 7.3 at the start of the 1990s, then plunged to about 6 in 2010. From the start of the 1990s to 2010 there was some fluctuation in the fertility of Ultra Orthodox woman around the 7 children mark, but in the last two decades the total fertility of this group fell by about 14%.

The total fertility of **Arab women** fell by more than 25% in the last two decades – from an average of 4.2 children per woman in 1990 to 3.1 in 2010. Unlike the other two groups presented, the downward trend in the fertility of Arab woman was continuous and uniform throughout the period.

B. Allowance recipients

1. Recipients of child allowances

Tables 2 and 3 present the distribution of families receiving a child allowance by size of the family, and the distribution of the children for whom the child allowance was paid based on their order of birth. The number of families with children who were born after June 2003 and the number of children born after that date are presented in detail below in the section “New Children.”

Table 2
Families Receiving a Child Allowance, By Number of Children in the Family (monthly average), 2007-2011

Year	Total	Number of children in the family					
		1	2	3	4	5	6+
Numbers (thousands)							
2007	980.6	321.8	303.0	188.5	84.4	39.8	43.1
2008	994.8	322.9	307.5	194.4	86.2	40.3	43.5
2009	1,012.0	326.7	311.9	200.6	88.2	40.7	44.0
2010	1,030.0	329.8	316.5	207.3	90.7	41.4	44.5
2011	1,048.7	331.5	322.3	214.2	93.2	42.2	45.2
Percentages							
2007	100.0	32.8	30.9	19.2	8.6	4.1	4.4
2008	100.0	32.5	30.9	19.5	8.7	4.1	4.4
2009	100.0	32.3	30.8	19.8	8.7	4.0	4.3
2010	100.0	32.0	30.7	20.1	8.8	4.0	4.3
2011	100.0	31.6	30.7	20.4	8.9	4.0	4.3

Table 3
Children for Whom a Child Allowance was Paid, by Order of Birth in the Family (monthly average), 2007-2011

Year	Total children	Child's order of birth in the family					
		First born	Second child	Third child	Fourth child	Fifth child	Sixth & subsequent children
Numbers (thousands)							
2007	2,333.1	980.6	658.9	355.8	167.4	82.9	87.5
2008	2,372.5	994.8	671.8	364.4	170.0	83.8	87.8
2009	2,417.0	1,012.0	685.3	373.5	172.9	84.6	88.4
2010	2,466.0	1,030.0	700.2	383.8	176.5	85.9	89.1
2011	2,519.1	1,048.7	717.1	394.8	180.6	87.4	90.4
Percentages							
2007	100.0	42.0	28.2	15.3	7.2	3.6	3.7
2008	100.0	41.9	28.3	15.4	7.2	3.5	3.7
2009	100.0	41.9	28.4	15.5	7.2	3.5	3.7
2010	100.0	41.8	28.4	15.6	7.2	3.5	3.6
2011	100.0	41.7	28.5	15.7	7.2	3.4	3.6

In 2011, the number of families who were paid child allowances reached an average of one million families a month – an increase of about 1.8% compared with 2010

In 2011, the number of families who were paid child allowances reached an average of approximately one million families a month – an increase of about 1.8% compared with 2010. The number of children for whom allowances were paid in 2011 reached a monthly average of approximately 2.5 million children, an increase of about 2.0% over the previous year, compared to 2% between 2009 and 2010. The number of families who received a child allowance for one child increased by 0.5% relative to 2010 and

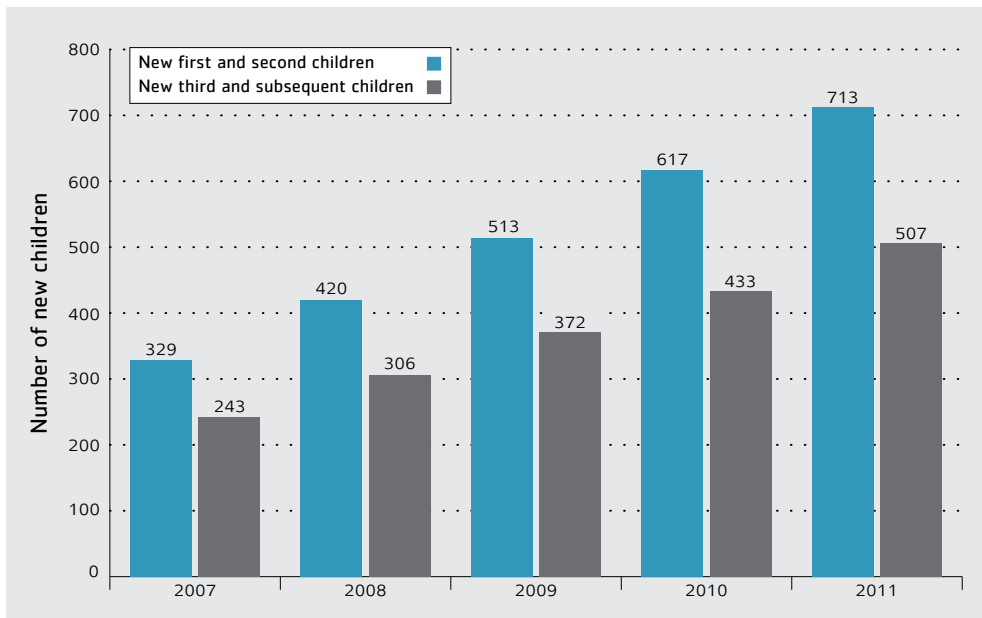
reached approximately 332,000 families. The number of families who received a child allowance for two and more children increased by 1.8% relative to 2010. Concurrently, the percentage of families with three and four children rose relative to other family sizes.

2. “New children”

Subsequent to the legislative amendments during 2003 and 2004, a category of “new children” was defined, which includes children born since June 2003. Up until June 2009, these children received an allowance that was equivalent to the allowance for the first two children in the family, regardless of their order of birth in the family.¹ This policy inherently led to disparity in the level of allowances among families of equal size.

The total number of “new children” in December 2011 was approximately 1.2 million children – 48% of the nearly 2.5 million children for whom an allowance was paid at that time. As expected, the ratio of “new children” to total children for whom an allowance was paid has been steadily increasing over the years and should encompass all children by the end of the next decade. Approximately 42% (some 507,000) are the third or subsequent child in the family, and are, in effect, those children whose allowances had been adversely affected in the past as a result of equating allowances for all the children,

Graph 1
Cumulative Number of “New Children” by Order of Birth in Family (thousands), 2007-2011



¹ NIS 144 between August 2003 and January 2004; NIS 120 between February 2004 and December 2005, NIS 148 in 2006 and in 2007, NIS 152 in 2008, NIS 159 in 2009, NIS 165 in 2010 and NIS 169 in 2011.

and the amendment made within the scope of the Arrangements Law was intended to rectify this disparity.

Graph 1 shows the cumulative number of new children according to their order of birth in the family from 2007 to 2011. In 2011, the aggregate total was approximately 1.2 million children.

3. Recipients of study grants

Since 1992, study grants have also been paid within the scope of children's insurance, to single-parent families for children between the ages of 6 and 14. Since August 1998, the grant has also been paid to families with four and more children, who are receiving one of the following subsistence benefits from the NII: income support benefit, maintenance payments, a disability pension, an old-age pension or a survivors' benefit. The grant is a one-time payment that is paid just prior to the start of the school year and its purpose is to help the families eligible for this grant to purchase school supplies. The amount of the grant for children between the ages of 6 and 11 is 18% of the basic amount² (NIS 1,468 in 2011) and for children between the ages of 12 –14 – 10% of the basic amount (NIS 816).

In 2011, the NII provided study grants to approximately 83,000 families, of whom approximately 61,000 were single-parent families, and the rest were families with four or more children who are receiving subsistence benefits. The grant was paid for approximately 147,000 children, compared with 157,000 children in 2010, a decrease of approximately 6% between the two years. Approximately 58% of all children who received the study grant (about 86,000 children) received the increased grant.

C. Payments

1. Level of the child allowance

Since January 2006, the child allowance has been calculated according to the "basic amount," which is updated according to the rate of the rise in the consumer price index. Accordingly, between 2010 and 2011, the child allowances increased as follows: firstborn child – from NIS 165 to NIS 169, and for the second child – from NIS 195 to NIS 252. The levels of the child allowance for the third and subsequent child remained without change at their nominal values.

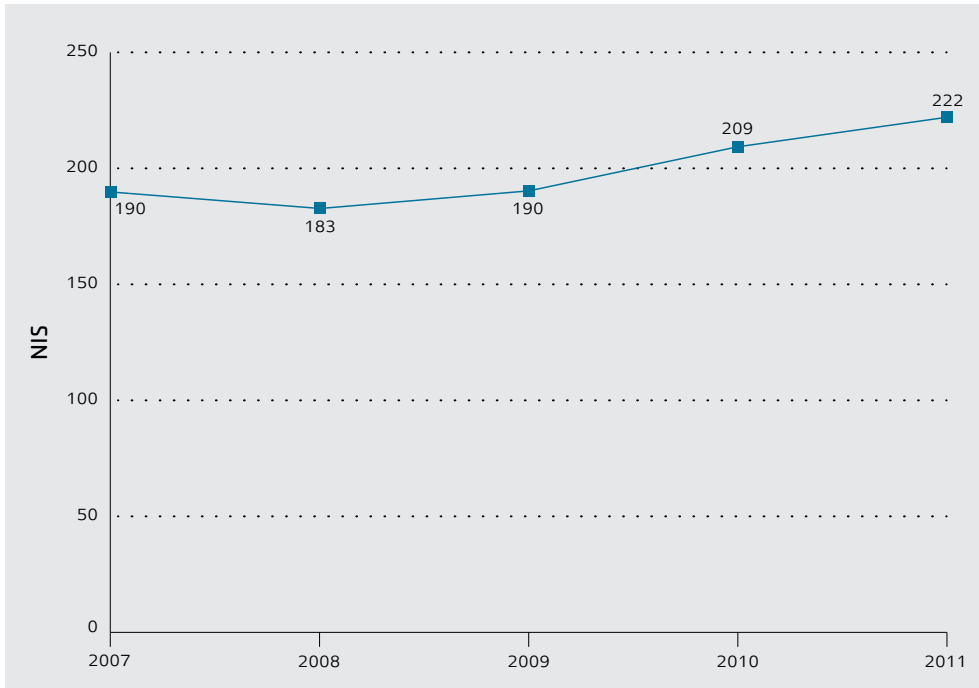
Graph 2 presents the average allowance per child between 2007 and 2011.³ In 2011, the average allowance per child rose by approximately 6.1% in real terms compared with 2010.

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² See note 23 in Chapter 1.

³ The average allowance per child was calculated by dividing the total payments for child allowances in a given year by the number of eligible children during that same year.

Graph 2
Average Monthly Child Allowance per Child
(NIS, 2011 prices), 2007-2011



Graph 3
Allowances for Children Born Prior to 1.6.2003,
by Order of Birth in the Family, and Total Allowance to a Family with Five
Children (NIS, 2011 prices), 2007-2011

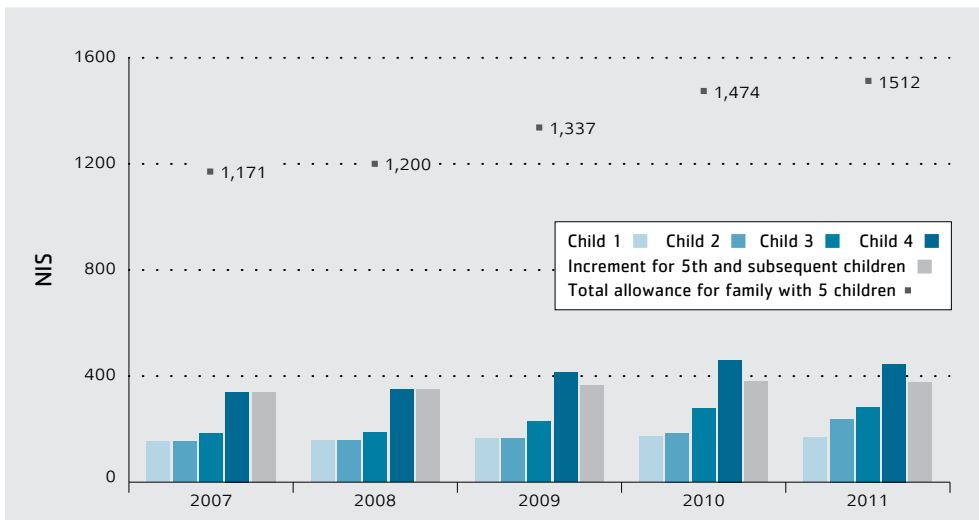


Table 4
Child Allowance, by Order of Birth, and the Allowance to the Family,
by Number of Children (NIS, current prices), 2007-2011

Date	1	2	3	4	5	Increment per additional child
2007						
For the child	148	148	178	329	329	329
To the family	148	296	474	803	1,132	329
2008						
For the child	152	152	182	337	337	337
To the family	152	304	486	823	1,160	337
January 2009						
For the child	159	159	191	353	353	353
To the family	159	318	509	862	1,215	353
July 2009						
For the child	159	159	251	446	353	353
To the family	159	318	569	1,015	1,368	353
January 2010						
For the child	165	165	251	446	366	366
To the family	165	330	581	1,027	1,393	366
July 2010						
For the child	165	195	284	446	366	366
To the family	165	360	644	1,090	1,456	366
January 2011						
For the child	169	195	284	446	375	375
To the family	169	364	648	1,094	1,469	375
April 2011						
For the child	169	252	284	446	375	375
To the family	169	421	705	1,151	1,526	375

Table 4 shows the development of child allowances during the last five years relative to the number of children in the family, revealing a number of facts:

- In 2007, the allowance for a family with one child declined slightly in real terms at the rate of less than 1% compared with 2006, and, in 2008, at the rate of 2% compared with 2007. In 2009, the child allowance rose again slightly at the rate of 1.3%, in 2010 it continued to rise by about 1.1%, and in 2011 it fell by about 1% compared with 2010.
- In 2011, the average allowance per family with three children rose by approximately 9% in real terms compared with 2010, in addition to its rise in 2010 relative to 2009 (real increase of approximately 11%). It should be kept in mind that the amendment to the Economic Arrangements Law which increased the child allowance for the third and fourth child took effect in 2009.

Graph 3 below illustrates the effect of the amendment to the Economic Arrangements Law starting in 2009, and emphasizes the fact that allowances for the third and subsequent children once again increased. For example, the average family allowance for a family with five children increased by approximately 7.8% in real terms in 2009, and continued to rise by 7.4% in 2010, and 1.7% in 2011. In 2011, the average family allowance for a family with five children reached NIS 1,512 per month. However, the allowance is 3.6% less in real terms than in its 2002 level.

2. Volume of payments

Table 5 shows that in 2011, the volume of child allowance payments rose by approximately 8.4% in real terms compared with 2010. On the one hand, this rise is comprised of a moderate increase in the number of children for whom the allowance is paid and from the increase in the rate of the allowance for the second child, and, on the other hand, a decrease in the number of children for whom a high allowance was paid since they were born prior to June 2003.

The changes in the volume of child allowance payments are also reflected in the ratio of payments of the children's insurance branch to all NII payments. The ratio of children's insurance payments to total volume of NII payments rose from approximately 10.7% in 2010 to approximately 11.2% in 2011. It should be noted that 2010 was the first year in the last decade that the payments for child allowances have increased relative to the preceding year.

Allowances for the third and subsequent children once again increased. However, the allowance is 3.6% less in real terms than in its 2002 level

Graph 4
Total Volume of Payments for Child Allowances
(NIS billion, 2011 prices), 2007-2011

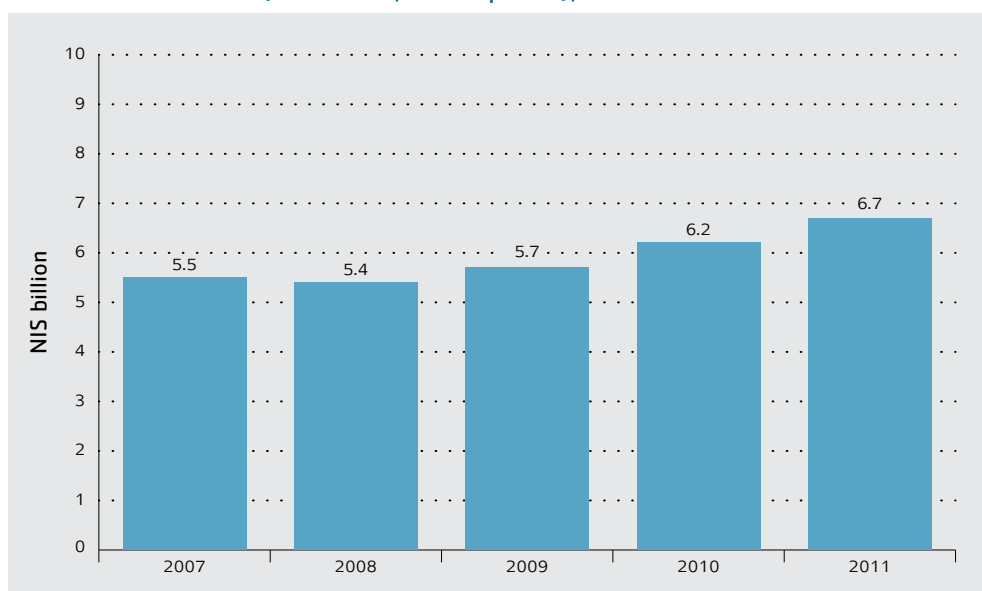


Table 5
Volume of Payments for Child Allowances
(NIS million, 2011 prices), 2007-2011

Year	Total		Child allowance		Study grant	
	Current prices	2011 prices	Current prices	2011 prices	Current prices	2011 prices
2007	4,940.5	5,671.7	4,783.3	5,491.4	157.1	180.4
2008	5,062.2	5,556.2	4,896.7	5,374.6	165.5	181.7
2009	5,537.3	5,882.5	5,365.9	5,700.3	171.4	182.1
2010	6,164.5	6,377.2	5,984.5	6,191.0	180.0	186.2
2011	6,892.0	6,892.0	6,711.0	6,711.0	181.0	181.0

Graph 4 presents the annual payments for child allowances from 2007 – 2011 at fixed prices. In 2011, the total annual payments for the child allowance reached approximately NIS 6.9 billion, and thus rose by approximately 8.1% in real terms, relative to 2010.