

Foreword

The **Annual Report** (formerly “Annual Survey”) presents the activities of the National Insurance Institute in the framework of the socio-economic situation in Israel in 2012.

Chapter 1 discusses a concept that constitutes a central basic social right – the minimum income required for a decent living – and the extent to which this minimum is covered by national insurance (social security) and other benefits. It raises fundamental questions regarding this concept, such as the similarity between it and the various definitions of the poverty line in the professional literature. The chapter also discusses the different definitions of poverty using methods that take into account, in addition to monetary income (as in the official definition), household expenses as well. The analysis deals with the advantages and disadvantages of these methods, with reference to a High Court verdict in 2003. It is reasonable to assume that this subject will be relevant as long as poverty rates, and particularly the severity of poverty, remain high in Israel; therefore this chapter can provide a basis for an informed discussion of the issue. The main changes and trends in National Insurance activities in two main areas – payment of benefits and collection of contributions – are also reviewed in this chapter.

Chapter 2 presents the picture of poverty and social gaps in Israel in the year under survey, with an emphasis on international comparisons. The chapter also deals with nutritional security and other issues.

Chapter 3 describes the heart of National Insurance activity – the payment of benefits: developments in this field and the effects of legislative and other changes on the number of recipients and the size of the benefits.

Chapter 4 deals with developments in the NI collection system.

The report also discusses selected matters on the public agenda – including the weighting scale used to calculate poverty in Israel, an international comparison of the purchasing power of the minimum wage, an international comparison of maternity allowances, the effect of the **Laron Law** on recipients of the general disability pension, economic incentives to prevent work accidents from an international perspective, a comparison of eligibility for the long-term care benefit in Israel and in the OECD, and a comparison between Israel and countries of the European Union on the government's share of financing social security.

This year a new chapter has been added to the Report, Chapter 5, which presents the activities of the National Insurance Fundss, the research room, and the Counseling Service for the Elderly.

I would like to thank all employees of the Research and Planning Administration of the NII who participated in the preparation of the Report: Miri Endeweld for the scientific editing, Jacques Bendelac for administrative coordination, Maya Orev-Attal for linguistic editing, preparation for printing and producing the Arabic edition, Sarah

Gargi for producing the English edition and Nira Amir for typing the entire (Hebrew) publication.

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Dr. Daniel Gottlieb

Deputy General General for Research and Planning

Preface

From the desk of the Director General

The year 2012 reviewed in this Report was characterized by an economic slowdown relative to the rapid growth that had characterized the previous year. The number of persons employed increased by about 3% and unemployment remained stable at a low level. Contrary to these trends of growth and employment, which resembled and even exceeded those elsewhere in the world, the data in this Report and in other NII publications, as every year, indicate a difficult socio-economic situation in Israel: the poverty rates for 2011, which are those known at the time of this writing, remain high: about a fifth of families and a third of children were poor. These figures are not inevitable; rather, they are the direct result of ongoing economic and social processes in recent decades which have increased poverty and widened the gaps in the standard of living among families in Israel.

The social protest of 2011, whose echoes were still audible in 2012, increased awareness of social issues and added to the voices calling for more national resources to be devoted to alleviating social distress and reducing gaps.

Numerous reports – both from the National Insurance Institute and the OECD – showed that the socio-economic situation in Israel is a severe one, both in historical terms and by international comparison, particularly in the case of child poverty: the proportion of poor children in Israel is the highest of all OECD countries. Child poverty hurts prospects for accumulating human capital. In the estimation of the Research and Planning Administration of the NII, the situation has become even worse due to the 2013 cuts in child allowances (described in this Report), while what is actually needed is a thorough, multi-disciplinary and ongoing effort to reduce poverty. The National Insurance Institute has submitted a comprehensive document on this subject to the Minister of Welfare and Social Services, and we hope that improvements will be achieved with the active assistance of the NII.

In 2012 the National Insurance Institute paid cash and in-kind benefits amounting to some NIS 67 billion, compared to about NIS 63 billion in 2011. The real increase of about 4.9% is due to the rise in the number of recipients of nearly all NII benefits and to the updating of benefits following price rises. The NII's receipts from the collection of national and health insurance contributions also rose in real terms in 2012: by 1.6%.

Benefit payments, which have steadily risen in real terms in recent years, give protection against risks to income due to various life events, reduce economic and social distress, and help redistribute public income more fairly.

Economic constraints on one hand and the social emergency on the other hand oblige policy makers in Israel to adopt immediate, creative and brave solutions, making use of a range of tools and programs. The National Insurance Institute is continually working

on proposals for changes and reforms in benefits in order to achieve social objectives, which must be defined and measured by policy makers. However, as an institution at the forefront of social security, and taking a broad-based view of the social situation in Israel, the NII considers itself obligated to assist in improving this situation and also proposes tools from other fields, such as income grants through the tax system and assistance with housing and education. Currently, the Minister of Welfare and Social Services is working on the establishment of a committee and sub-committees charged with examining ways of dealing with poverty and increasing equality of opportunities.

A number of important matters promoted in the past year have produced real improvement to social security in Israel. The following are some examples:

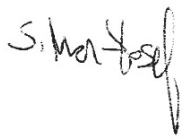
- **Old age:** The period of retroactive payment of the old-age pension was extended for those claiming pension after the age of entitlement. It is now possible to receive retroactive payments for up to 48 months at the age of entitlement, including up to 12 months at retirement age.
- **Long-term care:** A pilot program was introduced whereby those aged 80-89 may choose the geriatric specialist who assesses their dependency (a condition for receiving the long-term care benefit).
- **Income support:** Following a Supreme Court verdict, eligibility for income support and income supplement was significantly extended, to include owners of a vehicle whose value does not exceed NIS 40,000.
- **Disability:** By December 2012, the 2009 amendment to the law that allows disabled persons who start work to continue receiving the disability pension (Laron Law) had benefited some 9,000 recipients of this benefit.
- **Disabled children:** At the recommendation of the Or-Noy Committee, the rate of the benefit for disabled child has been increased.
- **Unemployment:** The method of calculating the qualifying period for the unemployment benefit was changed; it is now counted by months rather than by days, which increases the number of daily workers who are entitled to the benefit.
- **Collection of contributions:** The ceiling for insurance contributions was lowered, back to 5 times the basic amount as it was previously.

It is to be hoped that the promotion of social policy that seeks to bring about a more just and equal society, while improving the standard of service to the public, will improve the image of the NII in the eyes of the general public, as reflected in written and electronic communications. Although this image does not necessarily match the positive objective data obtained from those who need NII services, who report fairly good levels of satisfaction, we must not dismiss our obligation for improvement. The NII strives and will continue to strive tirelessly to implement the values of justice and equality, based on the principle of mutual responsibility.

In my capacity as Director General of the National Insurance Institute, for the second year I have made it my goal to improve the NII's image through its staff, whose

closeness and commitment to the social situation in Israel has deeply impressed me. This commitment, together with their skill, training and experience, are the decisive tools for improving service to the public. In combination with the advanced automated systems used by the NII, constantly upgraded and adapted for new needs, these qualities will enable our staff and directors to improve the standard of service and thus enhance our public standing.

This year we have changed the name of this report from **Annual Survey** – which was its name almost from its inception – to **Annual Report**. As the new name suggests, this publication gives a comprehensive and detailed report of the NII's activities during the year under review in various fields, and of the formulation of social policy and research.

A handwritten signature in black ink, appearing to read "Shlomo Mor-Yosef". The signature is written in a cursive, somewhat stylized script.

Prof Shlomo Mor-Yosef
Director General

