

4. Children Insurance

A. Child Allowance

1. General

A child allowance is paid every month to all families with children in Israel in order to help defray the expenses of raising children. Under the original Children Insurance Law that came into force in 1959, the allowance was a fixed payment to large families only. Over the years the allowances have undergone many revisions, designed to adapt them to fiscal policy changes in Israel. These revisions were made, inter alia, in the amounts and in the entitlement conditions of the allowance recipients.

In 2013 the child allowances decreased by 13.6% in real terms compared to their levels in 2012, following application of the Economic Efficiency Law in August 2013.

In July 2013, in the framework of the Economic Efficiency Law, it was decided to institute a sharp and immediate cutback of the child allowance amounts for all children, so that except for the allowance for **older children** (children born before 1.6.2003), whose sequential number in the family is third or subsequent born, the allowance amount for all children was uniformly set. For the “older children”, the allowance was cutback in a manner identical to the that of the allowance of the “**new children**” (children born subsequent to June 1, 2003) who are third or subsequent born. The change began to be applied in August 2013.

The number of families who were paid child allowances reached approximately 1.1 million on average per month in 2013 – an increase of about 1.9% over 2012 (Table 2) and the number of children included therein reached some 2.6 million on average per month – an increase of 2.1% compared to 2012 (3). The number of families who received an allowance for one child increased by 0.9%, reaching 337 thousand and for two or more children it increased by 2.3%. Concurrently, the proportion of families with three children or four children among all families with children increased, compared to the proportion of other families.

Table 1
Level of Child Allowances by Child's Order of Birth in Family Prior and Subsequent to Application of Economy Arrangements Law (NIS), 2013

Child's order of birth in the family	Allowance amount				Cutback amount	
	Up to July 2013		As of August 2013		New child	Older child
	New child	Older child	New child	Older child		
First child	175	175	140	140	35	35
Second child	263	263	140	140	123	123
Third child	263	295	140	172	123	123
Fourth child	263	459	140	336	123	123
Fifth or subsequent child	175	389	140	354	35	35

Table 2
Families Receiving Child Allowance,
by Number of Children in Family (monthly average), 2009-2013

Year	Total families	Number of children in family					
		1	2	3	4	5	6+
Numbers (thousands)							
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
2012	1,068.1	334.3	328.4	220.7	95.7	42.7	46.2
2013	1,088.3	337.5	334.2	228.0	97.9	43.5	47.2
Percentages							
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
2012	100.0	31.3	30.7	20.7	9.0	4.0	4.3
2013	100.0	31.0	30.7	20.9	9.0	4.0	4.3

Table 3
Children Receiving Child Allowance,
by Order of Birth In the Family (monthly average), 2009-2013

Year	Total children	Child's order of birth in the family					
		First	Second	Third	Fourth	Fifth	Sixth and subsequent
Numbers (thousands)							
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
2012	2,572.9	1,068.1	733.8	405.4	184.6	88.9	92.1
2013	2,628.5	1,088.3	750.8	416.5	188.5	90.7	93.7
Percentages							
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
2012	100.0	41.5	28.5	15.8	7.2	3.5	3.6
2013	100.0	41.4	28.6	15.8	7.2	3.4	3.6

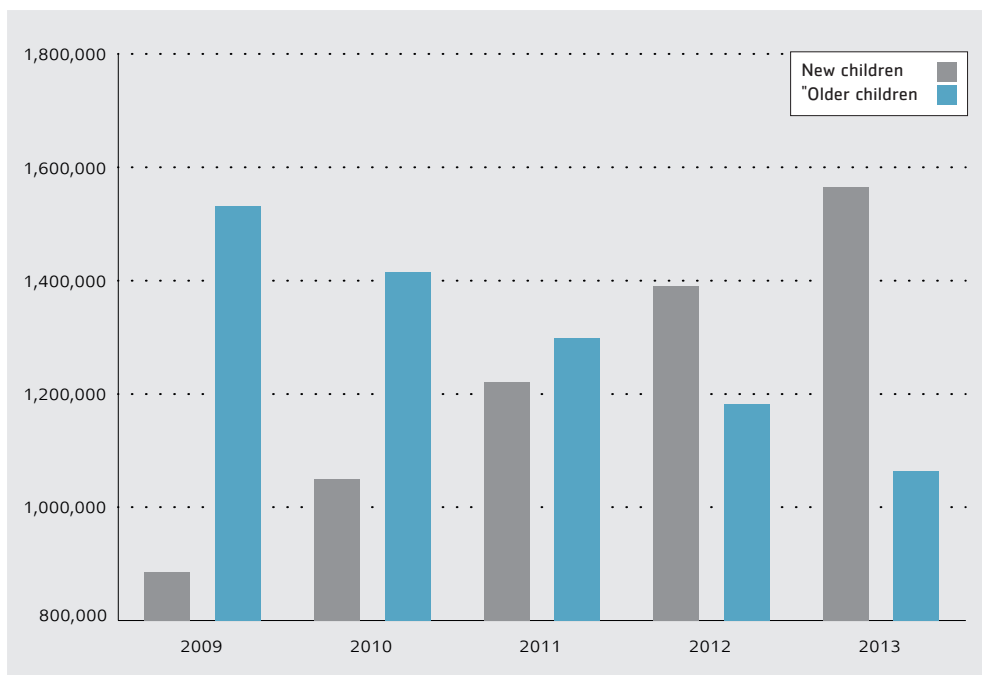
2. "New children"

Pursuant to the legislative amendments in 2003 – 2004, a category of "new children" was defined – children born from June 2008 onward. Up to June 2009, these children had received an allowance equivalent to that of the first two children, regardless of their

order of birth in the family¹. Under the Economic Efficiency Law of August 2013, the allowance of these children reverted to being a uniform allowance.

In 2013, the aggregate number of new children reached some 1.6 million, constituting 60% of all children for whom an allowance is paid. As expected, the proportion of “new children” out of all children in respect of whom an allowance is paid has been increasing over the years and it should encompass all children by the end of the next decade. Approximately 41% (636 thousand) are third and subsequent born children. The number of “older children” is diminishing (Graph 1).

Graph 1
Number of “New Children” Compared with “Older Children”, 2009–2013



3. Volume of Payments

In 2013, the amount of child allowance payments decreased sharply, by 13.6% in real terms, compared to 2012 (Table 4). This decrease stems from the application of the Economic Efficiency Law in July 2013, under which the level of the “basic amount” from which the allowance level is derived was cut by 20% and the allowance became uniform for most children.

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, NIS 169 in 2011, NIS 173 in 2012 and NIS 140 in 2013.

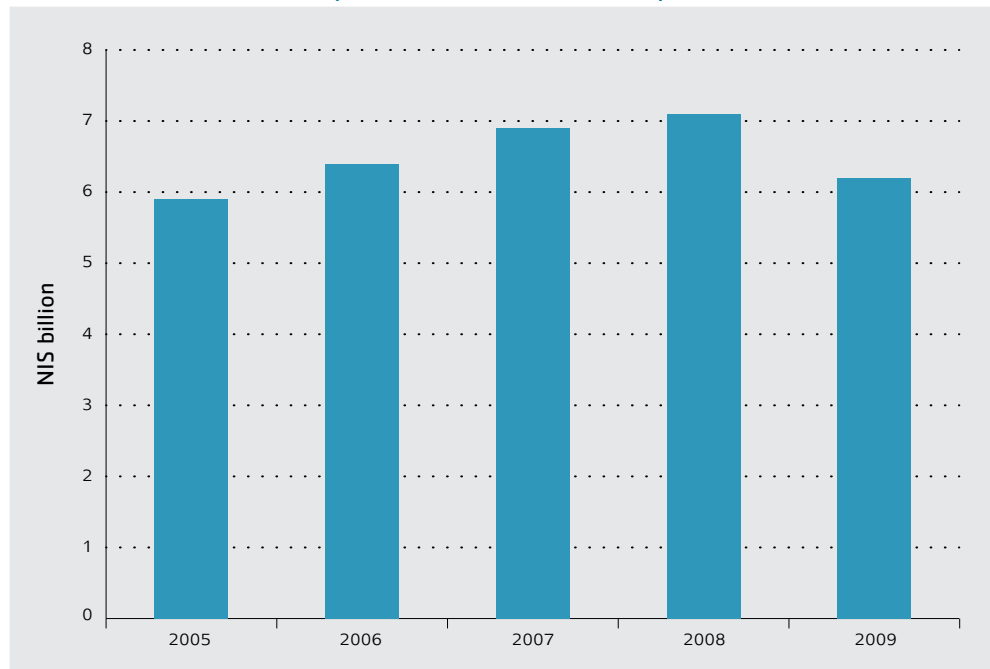
The changes in the volume of child allowance payments are reflected also in the proportionate part of the branch payments out of all NII payments, which decreased from approximately 11.8% in 2012 to 9.4% in 2013.

In 2013, total annual payments for child allowances were about NIS 6.3 billion – a decrease of 13.2% in real terms compared to 2012 (Graph 2).

Table 4
Child Allowance Payments
(NIS million, current and fixed prices), 2009-2013

Year	Aggregate amount		Child allowance		Study grant	
	Current prices	2013 prices	Current prices	2013 prices	Current prices	2013 prices
2009	5,537.3	6,074.4	5,365.9	5,886.4	171.4	188.0
2010	6,164.5	6,585.0	5,984.5	6,392.8	180.0	192.2
2011	6,892.0	7,111.6	6,711.0	6,930.0	181.0	186.9
2012	7,197.4	7,307.2	7,010.8	7,117.8	186.6	189.4
2013	6,344.0	6,344.0	6,153.3	6,153.3	190.7	190.7

Graph 2
Child Allowance Payments (NIS billion, 2013 prices), 2009-2013



B. Study Grant

A study grant is paid to single parent families and to families who have four or more children and who receive one of the following subsistence benefits from the National

Insurance Institute: an income support benefit, maintenance (alimony) payment, disability pension, old-age pension or survivors' pension. The grant is paid for children aged 6-14 and its purpose is to assist with the purchase of school supplies before the start of the school year. In 2013, about 149 thousand children received a study grant and its cost amounted to NIS 191 million.

In 1992 – 1998 the grant was paid to single-parent families only. As of August 1998 it is paid also to families who have four or more children and who receive one of the aforesaid subsistence benefits from the NII. The level of the grant for children aged 6-11 is 18% of the "basic amount" (NIS 1,528 in 2013) and for children aged 12-14 – 10% of the "basic amount" (NIS 849).

In 2013, the number of families who received a study grant reached 84 thousand, constituting some 8% of all families with children in Israel, most of them single-parent families (74% – 63 thousand) and the remainder large families (about 22 thousand). The proportion of families who have four or more children is 11% of all large families in Israel. The families who received a grant have 149 thousand children, constituting some 6% of all Israeli children. Approximately 87 thousand children (aged 6- 11) were entitled to the increased amount (NIS 1,528) and 62 thousand (aged 12-14) were entitled to the regular amount (NIS 849).

C. Family Increment

In July 2004, a family increment began to be paid to families with three or more children who receive an income support benefit or maintenance payments from the NII. The increment is paid for the third and fourth child only and it is intended to compensate the families for the double cut to them (under the 2003 Economic Plan), both in the child allowances and in the income support benefit.

In January 2013, the increment amount for families with three children was NIS 123 and it decreased to NIS 98 in August 2013 and for families with four children – from NIS 246 to NIS 196. In 2013, this increment was paid to some 24 thousand families

Table 5
Families Receiving a Family Increment
by Family Size, 2009-2013 (percentages)

Year	Total		With 3 children	With 4 or more children
	Numbers	Percentages		
2009	25,179	100.0	39.9	60.1
2010	24,847	100.0	40.0	60.0
2011	24,304	100.0	39.9	60.1
2012	24,120	100.0	39.6	60.4
2013	24,241	100.0	40.0	60.0

(which include 39 thousand third and fourth born children) in an aggregate amount of about NIS 53 million, compared to NIS 56 million in 2012.

In 2013, the number of families receiving a family increment reached about 24 thousand – a rise of 0.5% compared to 2012. It should be noted that until now the number of recipient families has been on a downward trend and this is the first time that their number has risen compared to the previous year (Table 5). Most of the families (some 60%) have four or more children and the ratio of the proportion of families with three children out of all families receiving a family increment to the proportion of families with four or more children – is stable over the years.

Child Allowances – Historical Developments

Child allowances have been paid since 1959 to families with children. Over the years the child allowances have undergone many revisions, inter alia, in the amounts and in the entitlement conditions of its recipients, which were designed to adapt them to fiscal policy changes in Israel.

As of July 1974, pursuant to the institution of the tax reforms and according to recommendations of the Ben Shachar Committee, a universal child allowance has been paid to all families in Israel with children up to the age of 18, according to a child allowance index updated at the beginning of each calendar year and whenever a cost of living increment was paid at the rate of increase in the CPI. From April 1984 until February 1993, the allowance was conditioned on means testing, and taxes were imposed on the allowances of the first three children at varying rates over the years. In March 1993 the child allowance reverted to being universal and the payments to all families with children were resumed without means testing.

During 1970-1996, in addition to the basic child allowance, a veterans' increment was paid to families one of whose members had served in the IDF or in a security service as defined by law. This increment was paid to families by size, according to an allowance point index in respect of the third and subsequent child. From 1994 the increment was gradually eliminated and transferred to the amount of the child allowance so that the level of child allowances for all families ceased to be dependent on military service. Since 1997, all families of equal size have been receiving an allowance of equal level. In 2001, the Halpert Law was passed, under which the allowances for the fifth and subsequent children were increased.

During 2002-2004 four economic plans were implemented, which cutback the child allowances immensely, and they were based on the principle of a uniform allowance for every child irrespective of his order of birth in the family. The Law was already applied in August 2003 to children born subsequent to June 2003; these children began to receive a uniform allowance regardless of their order of birth in the

family (new children). The level of the allowance was set to be the same as that of the allowance for the first two children. Under the economic plans, gradual cutbacks were prescribed in the allowances for “older children” as well during the next seven years, up to a uniform allowance in 2009. It was further prescribed that during 2002–2005 the child allowance would not be updated according to the increase in the CPI.

As of January 2006, the child allowance has been derived from the “basic amount” updated according to the consumer price index on that date. In June 2006 the continued cutback in child allowances planned for 2007–2009 was cancelled and the allowance levels remained as they were in 2006. They were later updated according to the consumer price index.

In July 2009, in the framework of the Economic Efficiency Law, it was decided to gradually revise the allowance amounts for the second, third and fourth children in the family, until by the end of the process in 2012, these children received an increment of NIS 100 each, comparable to the payment they received at the beginning of 2009. The increment was given comparable to the level of the allowance actually paid in June 2009. In other words, the allowance of the children whose order of birth is second to fourth was not updated in 2010–2011 according to the CPI as was the case every year in the month of January, so that the increment was nominal and eroded over the years.

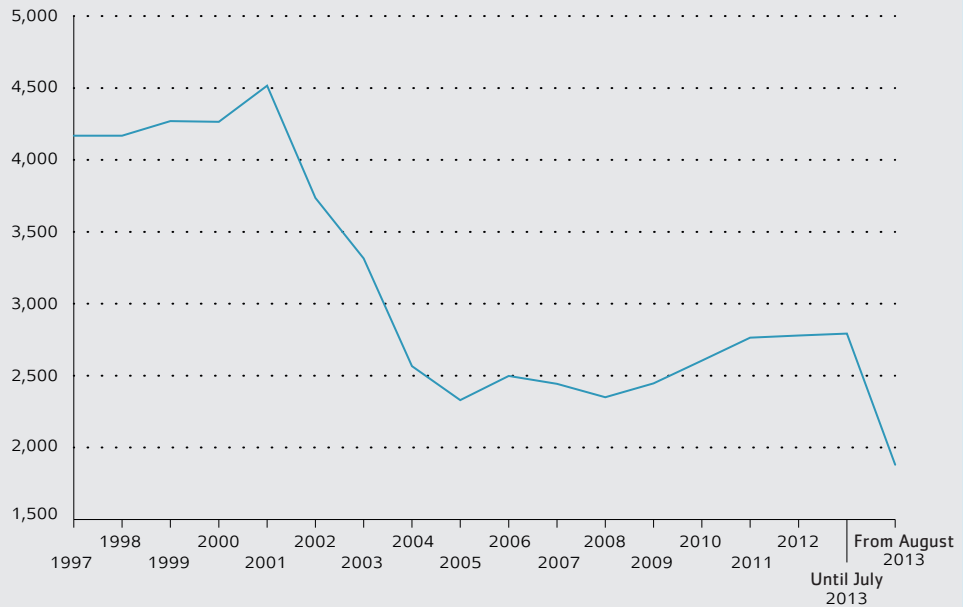
During Phase I, from July 2009, the fourth child received an increment of NIS 93 and the third – NIS 60. Only during Phase II, from July 2010, did the second child receive an increment of NIS 36 (Table E). The cost of the plan was estimated at approximately NIS 700 million in 2010 more than the expenditure of 2008, and the cumulative cost reached NIS 1,500 million.

In 2011, the allowance amount for a first child was NIS 169 per month both for a child born up to May 31, 2003 and for a child born subsequent to June 1, 2003. The allowance amount for a fifth child and for each additional child was NIS 375 per month for a child born up to May 31, 2003 and NIS 169 for a child born subsequent to June 1, 2003.

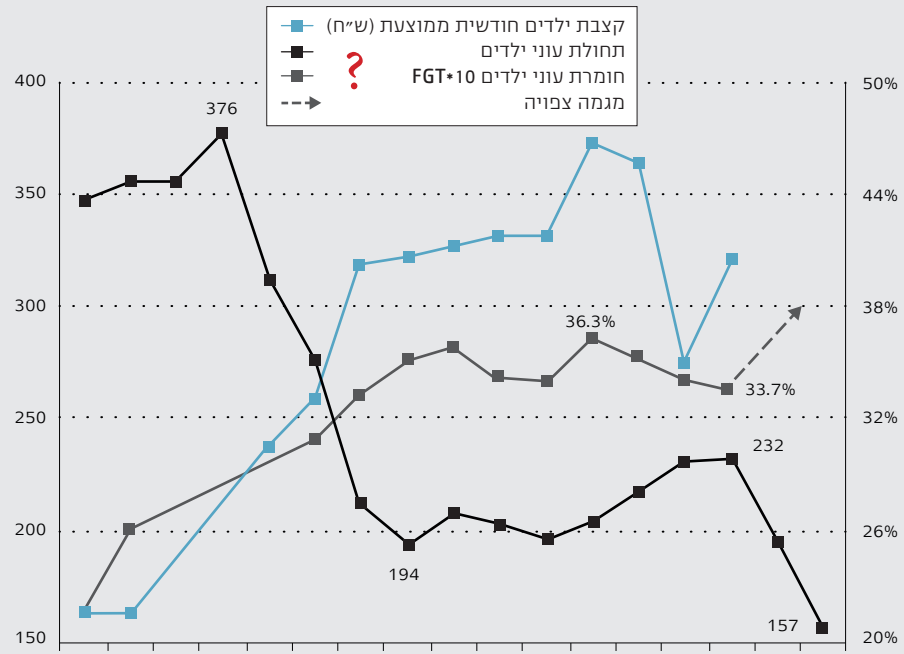
In July 2013, in the framework of the Economic Efficiency Law, it was decided to institute a sharp and immediate cutback for all children, so that except for the allowance for “older children” (children born before June 1, 2003), whose sequential number in the family is third or subsequent born, the allowance amount for all children would be uniform (NIS 140 per month). The allowance amount for “older children” was set at NIS 172 for third children, NIS 336 for fourth children and NIS 354 for fifth and subsequent children in the family. The change was already applied in August 2013.

Graph 1 presents the average allowance level per child over the course of the years: Since 2002 the child allowances were reduced and since August 2013 they have been at its lowest point of the last twenty years.

Graph 1
Average Annual Allowance per Child (NIS, 2013 prices), 1997-2013



Graph 2
Average Monthly Child Allowance (NIS) and Poverty Indicators among Children, 1998-2014



Source of data: Poverty Indicators – Annual Surveys.

Graph 2 highlights the close relationship between the level of the child allowance and the severity of poverty and incidence of poverty among children – insofar as the lower the allowance, the higher the severity of poverty and the incidence of poverty. The impact of the last cutback is not yet reflected in the measured data ; it will be felt with about a one-year lag.

An international comparison shows that the child allowances in Israel are almost at the bottom of the scale (Graph 3): The allowance level for the second child in Israel is lower than the average level in the European Union. The 2013 Economy Arrangements Law lowers Israel to the second to last place in a comparison with the OECD countries.

Graph 3

Second Child Allowances as a Percentage of GDP per Capita, in Israel and in Select European Union Countries – Impact of the 2013 Economy Arrangements Law on the Position of Israel

