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**Social Policy and
Developmental Trends
in National Insurance**

1. Introduction

It is customary to classify social security benefits according to their basic purposes¹:

- **Universal Benefits** - to reduce poverty and inequality.
- **Benefit to Ensure Basic Functioning** - the importance of which intensifies with time because of population aging - paid to those whose basic functioning at home or outside it is impaired (for example the long-term care benefit and attendance allowance for the severely disabled).
- **Basic Subsistence Benefit** - for those without any income sources for their basic living expenses.
- **Wage Replacement/Income from Work Benefit** - where a person is temporarily unable to work due to injury, unemployment, birth and so forth.

In this chapter we will review benefits according to the above classification, evaluate their development in Israel in 2015, and present an analysis from 1997-2014 of welfare expenditure in Israel and around the world in line with a social security model in reviewed countries. We use Esping-Andersen's classification²: **Social-Democratic** - as practiced in Northern European countries, **Corporatist** - as developed by Central European countries, **Neo-Liberal** - as usually practiced in English-speaking countries (United States and England), and **Mediterranean Sea** states, primarily Italy, Greece, Spain and Portugal.

For comparison we will include public education expenditure which constitutes part of welfare costs, but is not included in the welfare expenses classification (SOCX) of the OECD (apart from education for children up to the age of 6).

1 For further information see the **2014 Annual Report**, Chapter 1, Section 5.

2 Esping-Andersen, G. (1990). **The Three Worlds of Welfare Capitalism**. Princeton University.

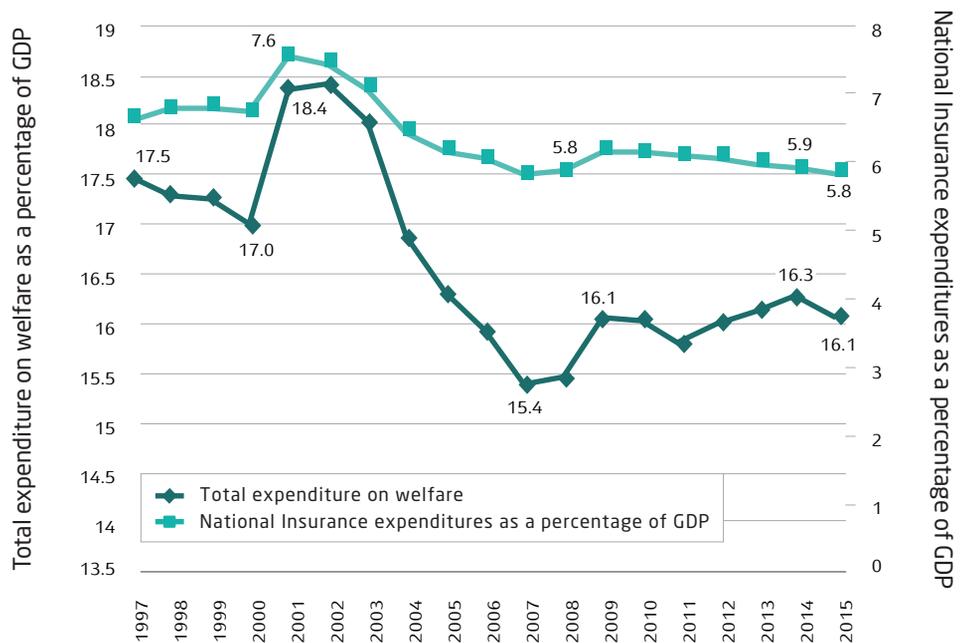
2. Benefits payments in 2015 and a historical overview

The NII, which is responsible for Israel's social security, fulfills two functions:

- Securing social insurance: the NII pays benefits to insurees according to National Insurance Law financed by insurance contributions and other proceeds (hereafter **social benefits**, and **benefits by law**). Eligibility for these benefits is granted mainly by paying insurance contributions.
- Providing, on the government's behalf and fully funded by the latter, payments to all residents, even those who are not insured according to Section 9 of the National Insurance Law and additional laws and agreements (hereafter also **non-insurance benefits**, **benefits other than by law**).

The purpose of NII as insurer is to reduce potential harm to insurees' livelihoods in times of temporary or extended distress as a result of basic life risks and this is also its primary expense: in 2015, it funded approximately 88% of all social security payments. Non-insurance expenditure - approximately 12% of all payments – is designed mainly to pay selective benefits, i.e. benefits conditional upon a means-test, other payments to

Chart 1
Welfare and National Insurance Expenses (Percentage of GDP), 1997-2015



those who have not managed to acquire insuree rights (mainly new immigrants) and compensation of various types. Selective payments constitute redistribution of tax receivables to the public according to social considerations – a clear government role.

The scope of payments to social security when measured as a percentage of GDP, that is, compared to the standard of living index, has stabilized in the last six years to a level of 16%-17%, following a continuous decline from 18.4% at the start of 2000 to 15.4% in 2007 (Chart 1). This trend is also expressed in the proportion of these payments to the GDP - 7.6% in 2001 and 5.9% from 2007 through to 2014³. This rate was affected by the recession of 2001-2003 and exiting the recession (which pushed the GDP rate upward in those years or moderated the decline).

3. The benefits according to their purposes

The purposes of social security are different from one another in terms of the relevant justice aspects for determining pension amounts and their funding principles, so it is important to comprehend the connection between them and the main insurance branches. Dividing pensions into clusters by branch with similar characteristics helps to determine rational eligibility conditions and funding⁴: benefits substituting income from work, universal benefits, benefits ensuring basic functioning (reflecting reimbursement of expenses to improve functioning), and basic subsistence benefits.

Benefits substituting income from work

These benefits are paid to employees who have stopped working following events such as birth, unemployment, work-injury or disability from work⁵ and as a result their income decreases. These benefits are designed to assist an individual and his/her family to maintain their accustomed lifestyle from the perspective of their consumption of products and services.

3 Current data for 2015 regarding welfare expenses as a percentage of GDP can be seen in Chapter 2.

4 The Financial Stability Committee defined clusters from the perspective of balancing benefits and receivables and did not address benefits' basic purposes and the differences in their risks.

5 Some view the basic old-age pension as a wage substitute, however we decided to classify it with universal benefits since it is distributed to all residents according to age and gender whether they worked or not, and is unrelated to their last income level. It is obvious that income-support for the elderly is classified with the basic subsistence benefits cluster.

Universal benefits

These benefits are paid **without a means-test**. The main ones are the child allowance and basic old-age and survivors' pensions⁶, and are paid according to insurees' age or that of their children (child allowance). These benefits reflect the solidarity of the social insurance system since variable (progressive) rates are achieved without operating a means-test. Since they are independent of income or occupation, but instead are related to age, these benefits operate to advance vertical justice while maintaining the system's simplicity and this leads to **a high** and almost full **uptake rate**.

Benefit to ensure basic functioning

These benefits are paid as a result of physical or mental impairment and therefore require the ADL (Activities of Daily Living) or IADL test (Instrumental Activities of Daily Living). Among these benefits are the long-term care benefit, special services allowance for the severely disabled (the attendance allowance), mobility allowance and disabled child allowance⁷. The general disability pension is a combination of a subsistence benefit (due to the earning capacity test) and a functioning pension (due to medical disability). The rehabilitation benefit is more preventative, which is also one of social security's purposes.

A central allowance in this cluster is the long-term care benefit, which for many years has been granted according to a means-test, although a crucial condition for receiving it is a test of functioning. Also, every insuree pays insurance contributions for it, however due to the unique progressive structure of the NII, those of medium to upper middle-class status (namely those who do not benefit from the insurance contributions cap) pay very high insurance contributions without accumulating rights to this important benefit, should they need it. On the contrary: should they want to live in an old-age home, they would have to fund it with other resources and therefore the means-test is particularly disturbing in these cases.

The insurance principle of this important benefit is therefore compromised, since it prevents a large section of the public from receiving it even though they paid insurance

6 Among which are the survivors' pension for widow/ers for example, which is subject to a means-test, and the old-age pension conditional upon age where a means-test is operated at relatively low wage levels. These do not appear here, but rather under the selective benefits addressed below.

7 According to the classification rules of the OECD in the SOCX questionnaire, the general disability pension includes the attendance allowance, mobility benefit and the benefit for a disabled child, and since the disability pension is considered a subsistence benefit, it was weighted at 50%, the same as the basic functioning benefits group and the subsistence benefits group.

contributions while they worked and would certainly want to be covered. The decision to use a means-test for this benefit, which is funded by insurance contributions, is therefore primarily budgetary, since introducing such a test leads to NII surpluses being deposited in the Treasury's current (deficit) budget. The State treasury is therefore automatically interested in reducing payment of the pension so that the NII should have a larger surplus, reducing the State budget's chronic deficit⁸. The long-term care benefit is therefore actually a selective and not a universal one.

Benefits to ensure basic subsistence (selective)

These benefits, whose payment is contingent upon a means test, are supposed to be based on the redistribution of resources principle even where insurance rights have not been accumulated. They constitute the last protective net for families or individuals whose income is lower than the minimum for subsistence after exhausting their eligibility for other benefits, or for those who never accumulated any rights (for example elderly new immigrants arriving in Israel without sufficient subsistence means). Since eligibility for these benefits is unrelated to insurance, they are funded by taxes and paid *de facto* by the NII in accordance with the order of preference in the State budget of that year.

4. Development of benefits in Israel

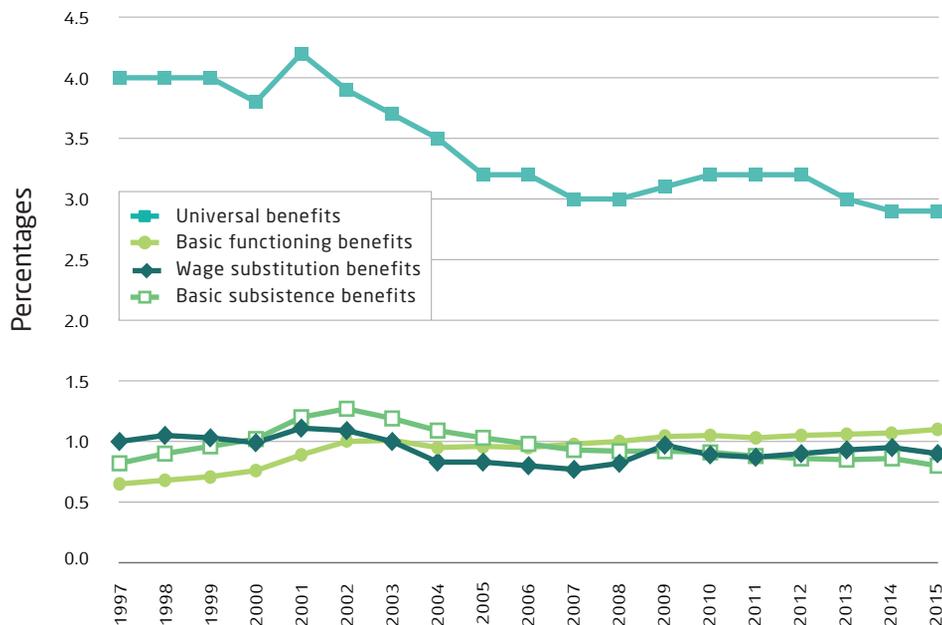
Over time means tests have become entrenched, in particular for basic functioning benefits, even though these are supposed to be based on accumulating insurance rights. This policy prejudices the notion of accumulated rights and thereby undermines the essence of social insurance, especially in reference to such an important benefit as long-term care, where the number of insurees interested in uptake is growing. An insurance right is prejudiced when insurees, already weakened by physical or mental ailments, find it difficult to insist upon their rights by virtue of the insurance contributions they have paid over their working years. Naturally means tests of this type "save" government resources, since the surplus of the NII is not deposited in a real reserve for the social security for future generations but rather in a government **current deficit** budget, constituting a kind

⁸ It should be noted that the NII has not had a budget deficit since the institution's establishment. Nonetheless, the NII has an **actuarial** deficit, meaning a future deficit deriving from the forecast of population aging - if the law is not amended.

of non-transparent reserve for the latter's lack of discipline regarding its budgetary affairs. For these reasons a distinction must be made between **selective benefits**, for example income support (funded completely by the State budget) and **selective budgetary benefits** that are foreign to the social security concept and weaken it.

Reviewing the development of the four clusters described above from 1997-2014 as a percentage of the GDP⁹, it is seen that subsistence, wage substitute and basic functioning constituted approximately 1% of the GDP of each cluster, whereas universal benefits were about 3.5% of GDP (Chart 2). Furthermore, until 2000, the portion of wage substitute benefits in the GDP was higher in comparison with the subsistence and function benefits. In 2001-2002, subsistence benefits as a proportion of GDP was higher than wage substitute and functioning benefits, and just after the start of 2000, and in particular from 2003 through 2014, their proportion decreased to 0.87%. Following the temporary decline in the proportion of wage substitute benefits in the GDP between 2002-2007, they stabilized at a level of approximately 0.8% of GDP from 2004-2008. Since 2009, their rate has increased slightly and gradually to approximately 0.9%

Chart 2
Benefit Payments According to the Four Clusters (Percentage of GDP),
1997-2015

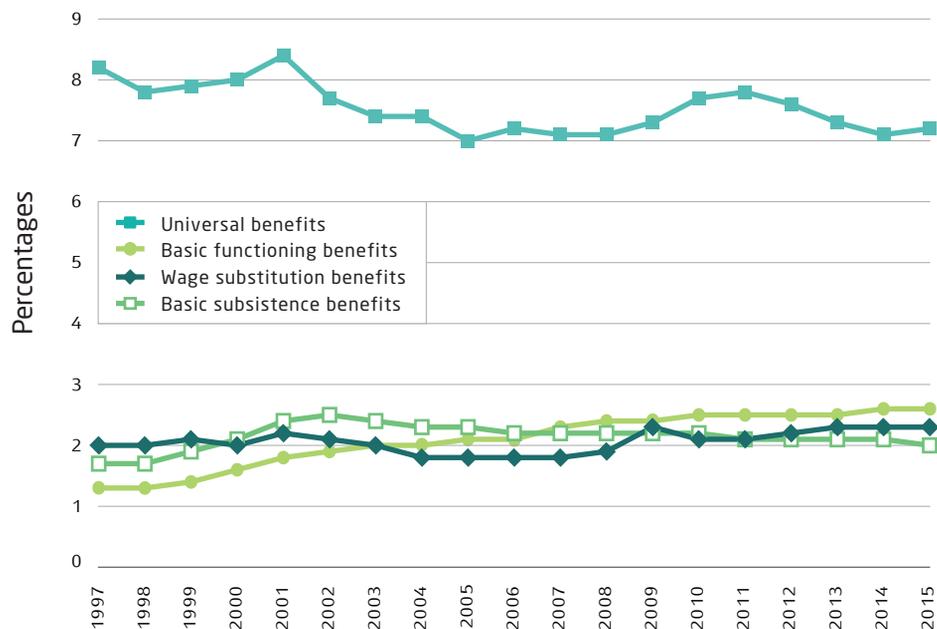


⁹ In the 2014 annual report, cluster analysis was done from 1985. This time the range of years was limited due to insufficient data for comparative purposes for 1985-1997.

The proportion of **basic functioning** benefits in the GDP increased gradually from 0.65% in 1997 to approximately 1.1% in 2014, and in practice since 2007, their portion is higher compared to wage substitute and subsistence benefits in the GDP. It is important to mention that the rising trend in the scope of long-term care benefit payments deriving from population aging, will cause an ever-increasing distortion in the purpose of insurance benefits if the means test is not cancelled. The cost of cancelling the means test is estimated at approximately one billion NIS.

A review of the four clusters as a percentage of public welfare expenditure (GG EXP) in this period shows that subsistence, wage substitution and basic functioning benefits constituted on average 2% of expenditure, while universal benefits constituted approximately 7.5% thereof (Chart 3). The trend of the four clusters over the years is similar to the trend in Chart 2, namely the wage substitution benefits rate of the total expense at the end of the nineties was higher than that of subsistence and basic functioning benefits. In 2000-2006, the rate of subsistence benefits was higher than the wage substitute and basic functioning benefits and since 2007, has dropped until it reached approximately 2% in 2014. The portion of the basic functioning benefit increased in this period, reaching 2.6% of total expenses in 2014, and the wage substitute reached 2% on average.

Chart 3
Benefit Payments According to the Four Clusters (Percentage of Total Expenditures for Welfare), 1997-2015



5. Development of benefits - international comparison

Countries according to their social security model

To compare social security principles in Israel with those of other countries, the countries were classified according to the socio-economic principle guiding their policy in general and their social security network in particular.

1. **Corporatist Countries** - Austria, Belgium, France, Germany, Luxembourg and Switzerland: these countries are based on an extensive system of benefits that is not universal but rather given according to status or employment situation. Social services in these countries are developed relative to the rest of the reviewed countries.
2. **Social-Democratic Countries** - Denmark, Finland, Holland, Norway and Sweden: These countries are based on the social rights concept, on the relatively equal pay model and upon maximum reduction of social and economic inequality. Benefits are universal and independent of status and are therefore higher than customary in other welfare states.
3. **Liberal Regime Countries** (primarily English-speaking countries) - USA, Britain, Canada, Australia, New Zealand and Ireland: neo-liberal countries based on the democratic value of individual liberty on the one hand and minimum state intervention where necessary on the other. Benefits are usually given to all citizens, with an additional tier of assistance to weaker groups. Health, like education or pension, is perceived as a product and not a social right, and the philanthropic system is encouraged by the government.
4. **Mediterranean Sea Basin Countries** - Italy, Greece, Spain, Portugal and Turkey: in these countries there is a special emphasis on family values, justifying a separate classification from the three groups above (Esping Andersen, 1999).¹⁰
5. **Former Soviet Bloc Countries**¹¹ - Czech Republic, Estonia, Hungary, Poland, Slovakia and Slovenia.
6. **Far East Countries:** Japan and South Korea.
7. **South and Central American Countries (Latin America):** Chile and Mexico.

¹⁰ Esping-Andersen, G. (1999). **Social Foundations of Postindustrial Societies**. Oxford: Oxford University Press.

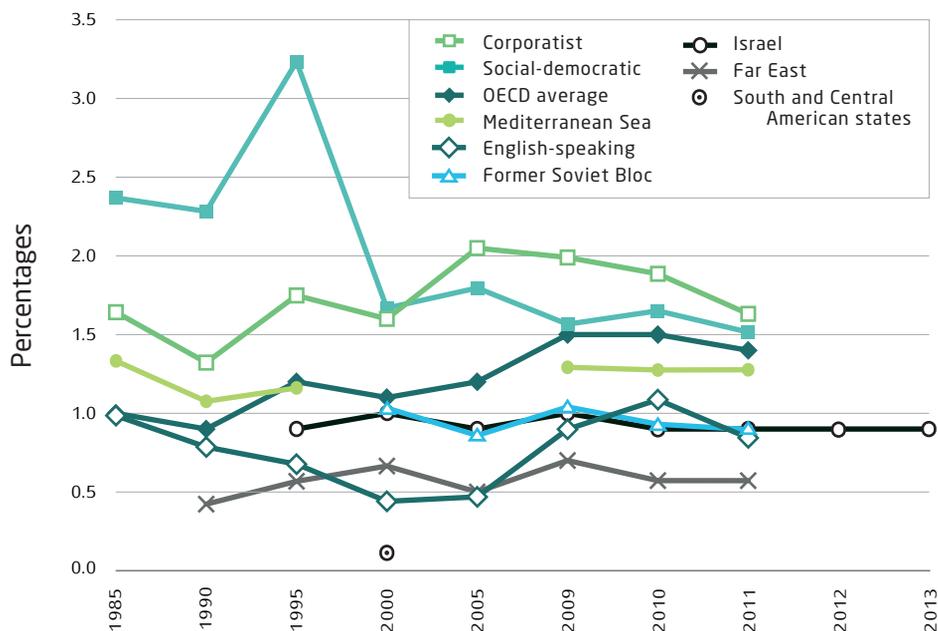
¹¹ Groups 5-7 are not discussed separately in Esping Andersen's classification.

Wage substitute benefits

Chart 4 presents the public expenditure rate on wage substitution benefits in each group of countries as a percentage of the GDP¹². At the beginning of the 90s, perhaps following the unemployment crisis at the time, the wage substitution benefit rate increased to 3.2% of GDP, and as a general rule in the eighties and nineties, social-democratic countries allocated on average 2.6% of GDP to these kinds of benefits. Since 2000 and for more than a decade, this rate declined sharply and stabilized at 1.6% on average, thereby equalling the average in corporatist countries, where wage substitution benefit expenditure was 1.6% on average until 2000. However, these countries changed their policies in the last decade and increased their spending by about 2% on average. One can see that the Mediterranean Sea Basin countries deemed it important to spend on this type of benefit and allocated approximately 1.2% of GDP over the years, the same as OECD countries at that time.

Chart 4

Wage Substitution Benefits According to Groups of Countries (Percentage of GDP), 1985-2013



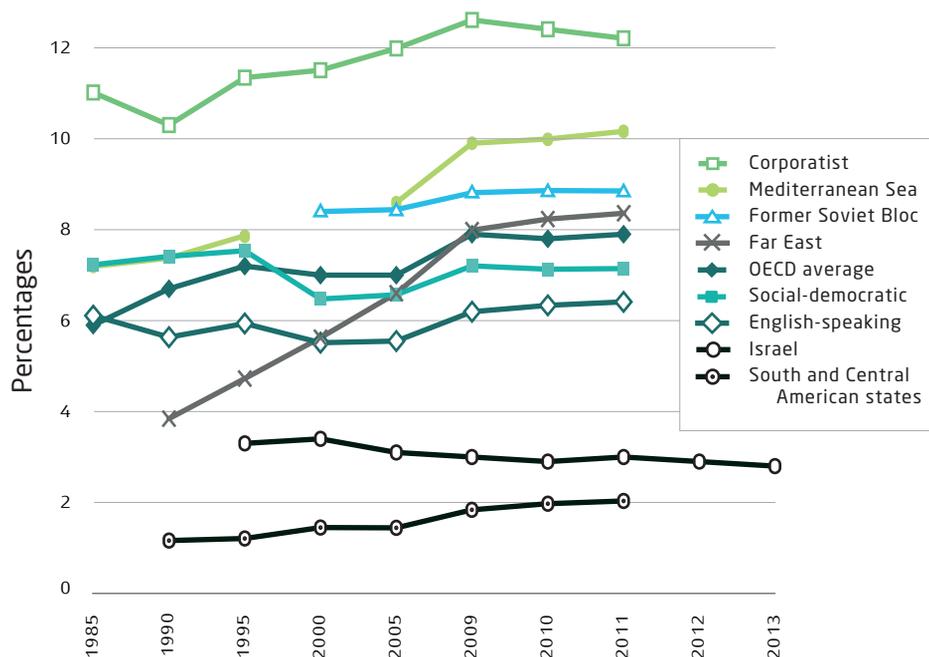
12 The actual calculation for each group of countries was done by reckoning the average of the countries in the group: the percentage of public expenditure on wage substitute benefits of GDP for that country, where the weight given to each country is according to its residents' rate among all residents in the group to which it belongs.

The expenditure rate in Israel on wage substitution benefits is the lowest and is similar to that in the former Soviet bloc countries - approximately 1% from the end of the 90's until 2013. This is not surprising because in the eighties, the USA and Britain led a neo-liberal policy that was characterized by cutting public and private services, reducing social security and limiting it only to the poor, and refrained from state intervention in economic activity. In the nineties with governmental change in some of the English-speaking countries, a **third way** was introduced, supporting assistance for the needy in the framework of the market economy: not to grant them pensions, but rather to attempt to incorporate them in the labor market by providing suitable tools.

Universal benefits

The situation differs with respect to universal benefits, constituting between 1985-2011 on average 12% of GDP in the corporatist countries, and approximately 9% in the Mediterranean and Former Soviet Bloc ones. It appears that the social-democratic countries, whose welfare system is based on granting universal benefits, allocated only 7% on average of GDP to these pensions over the years, similar to English-speaking

Chart 5
Universal Benefits According to Groups of Countries (Percentage of GDP), 1985-2013



countries. In the Far East, the proportion of these benefits of GDP rose significantly, thus in 2011 their rate doubled compared to 1990.

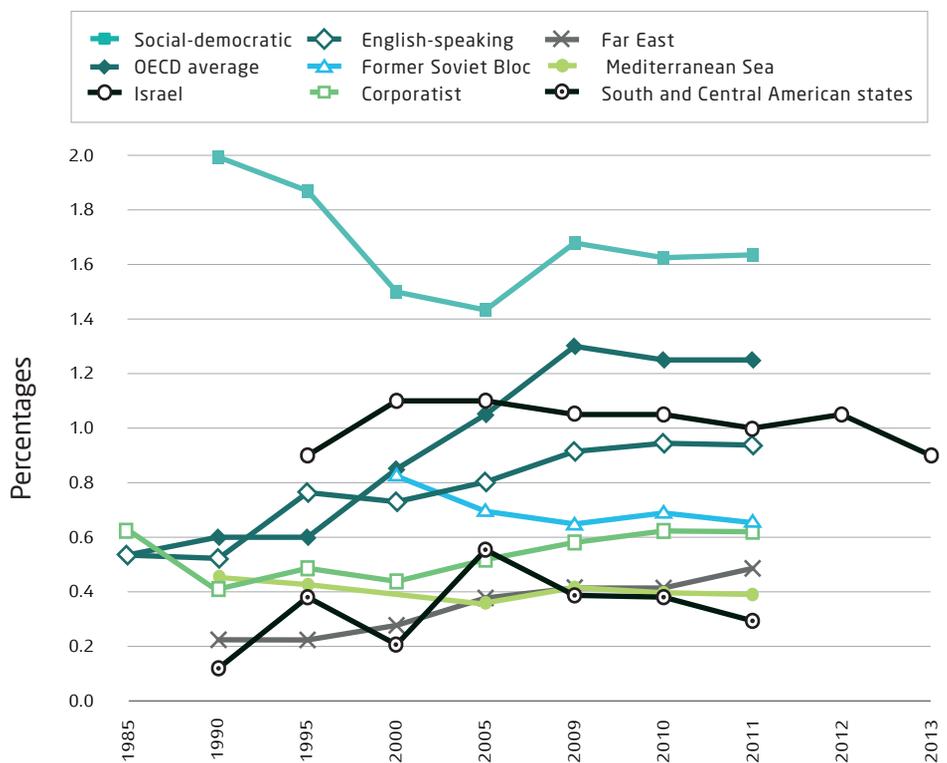
In Israel the universal benefits rate of the GDP is still low in comparison with other countries and the OECD average, and remained almost unchanged from 1998-2013 - about 3% on average in comparison with 7% in OECD countries. In South and Central American countries, although the rate increased from 1990-2011, it was low compared to the rest of the countries - approximately 1.5% of GDP on average.

In Israel, the low rate of universal benefits derives from the relatively small number of elderly and high number of children in comparison with many other countries; however since the level of child allowances in Israel is relatively low (even after their recent rise), the weight of universal benefits in the GDP remains fairly low.

Basic subsistence benefits

The benefits ensuring basic subsistence, which are the last safety net for the target population, constitute at the most 2% of GDP in all the groups of countries in Chart 6. In

Chart 6
Basic Subsistence Benefits According to Groups of Countries
(Percentage of GDP), 1985-2013



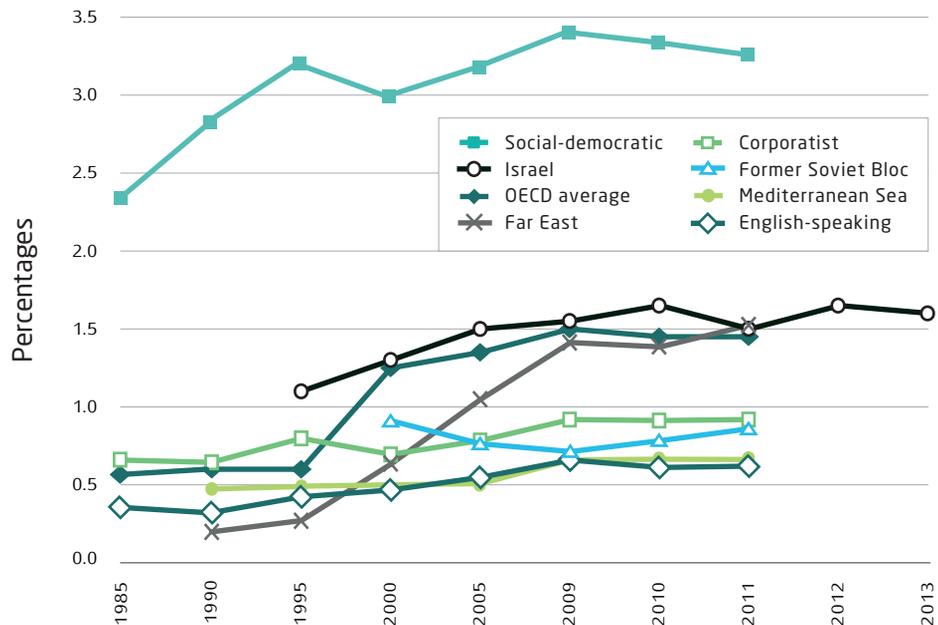
the social-democratic countries, there was a drop from approximately 2% in 1990 to 1.4% in 2005, and thereafter a slight increase to 1.6% in 2011. It can be seen that in comparison with the rest, Israel allocated a higher rate of GDP to subsistence benefits, although on average this rate was approximately 1% between 1995 and 2013. In OECD countries there was a considerable increase from the eighties until 2011 from approximately 0.5% to 1.25% of GDP. In the rest of the groups, the subsistence benefits rate ranged between 0.3% on average in Latin and Far East countries, to 0.5% in corporatist ones and 0.7% in the Former Soviet Bloc countries.

Notwithstanding the sharp cut in the income support benefit in Israel at the beginning of 2000 (some of which focused on reducing the disregard), this cut appears moderate in Chart 6, since in those years the economy was in recession and GDP declined.

Basic functioning benefits

Basic functioning benefits also constitute a small percentage of the GDP in all groups of countries. In the social-democratic group, there was an increase in the mid-eighties until 2011 from 2.4% to 3.2% on average in Israel. Their proportion gradually increased in

Chart 7
Basic Subsistence Benefits According to Groups of Countries
(Percentage of GDP), 1985-2013

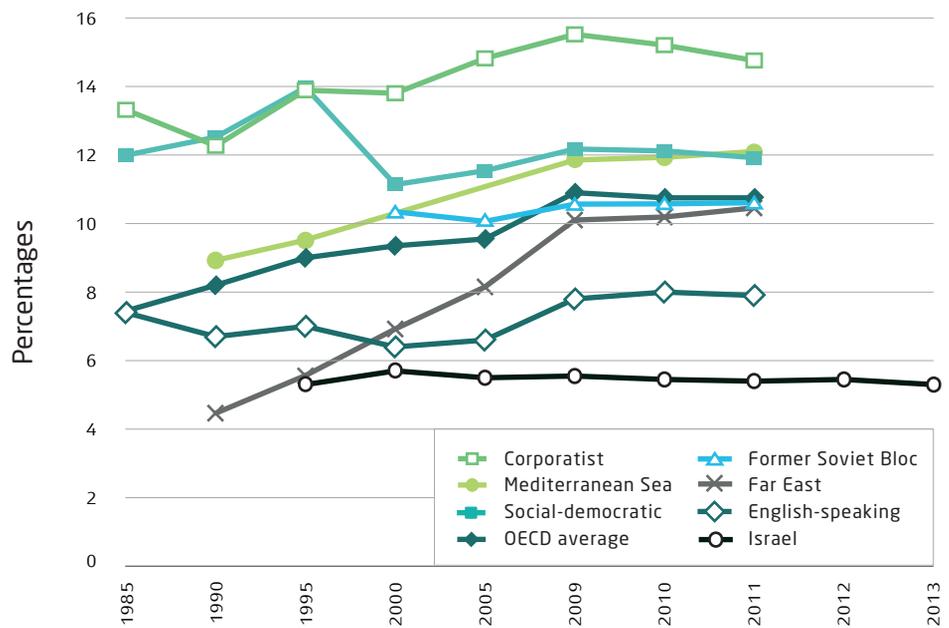


the last two decades from 1.1% in 1995 to 1.6% in 2013. In the OECD countries, their rate of GDP tripled from 1985-1995, during which it stood at approximately 0.5% on average. In the Far East group too, there was considerable improvement in allocation of GDP to functioning benefits, from 0.2% in 1985 to 1.5% in 2011, an improvement also observed in the English-speaking countries, although the rate is still only approximately 0.5% of GDP. In the Former Soviet Bloc countries, they constituted approximately 0.8% of GDP from 2000-2011 and in the Mediterranean Sea group - approximately 0.6% on average.

Insurance benefits

All benefits other than the basic subsistence ones are included in insurance benefits, funded directly by the State budget. Allocation to these benefits in Israel is low by international comparison, and if we add to this the fact that the basic functioning benefit in Israel is based on a means-test, the insurance rights situation becomes even more problematic. Since 1995 the insurance component in Israel (in GDP percentages) has been the lowest in comparison with the countries displayed in Chart 8. Moreover,

Chart 8
Insurance Benefits According to Groups of Countries
(Percentage of GDP), 1985-2013

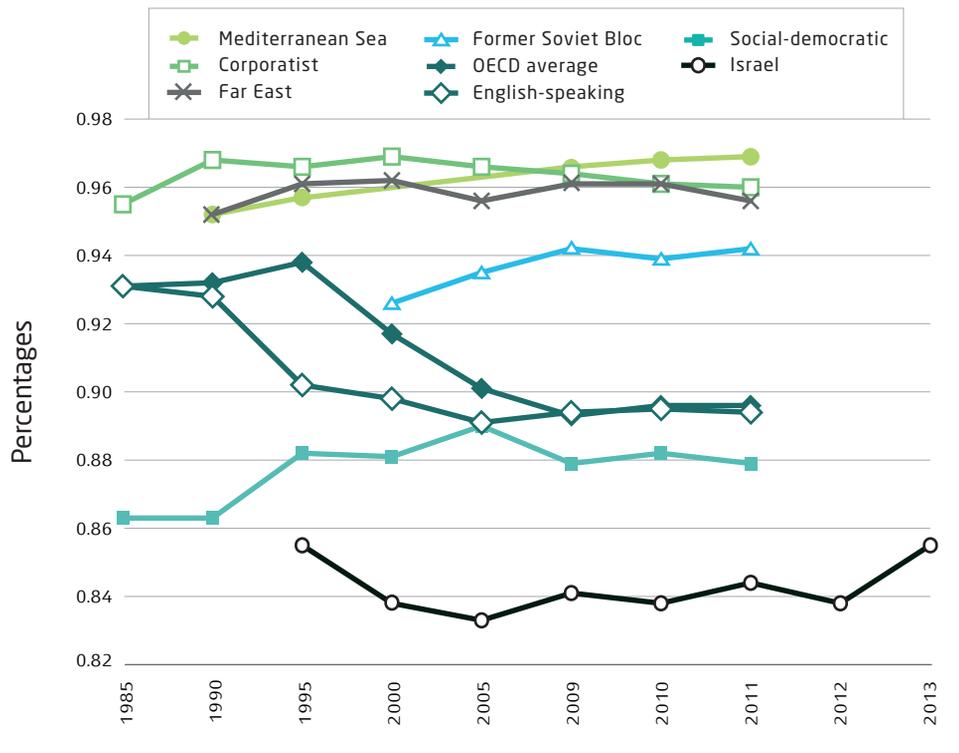


whereas in most groups the trend (at least until 2011) was an increase in the GDP rate, in Israel there was even a slight decline.

Like the global social security rate (which, as mentioned above, includes subsistence pensions), the rate of insurance benefit clusters, too, is the lowest in comparison with the averages of the other group of countries (Chart 9).

Chart 9

Insurance Benefits as a Percentage of all Benefits, According to Groups of Countries 1985-2013



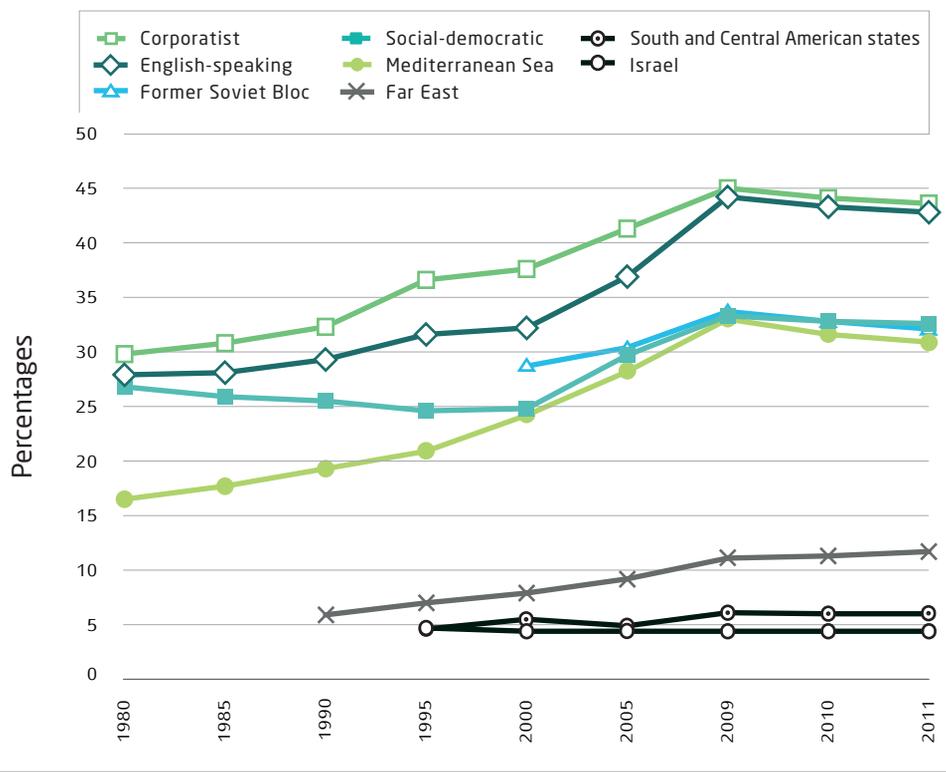
6. Israel public health expenditure and international comparison

From 1980 – 2011, a sustained increase began in the average cost of health in corporatist countries from approximately 30% in 1980 to about 45% in 2009 and 43% in 2011, and in English-speaking countries from about 28% to 44% and 43%. In social-democratic countries the health cost constituted 25% of GDP until 2000, and in 2005 – 2011 the rate increased slightly to approximately 32%. In the Mediterranean Sea Basin

countries health costs were 16.5% at the beginning of the eighties, but rose gradually and consistently to about 32% on average from 2009-2011. In most groups there was a sharp increase in health expenses in terms of GDP between the mid-nineties and 2010.

In Israel there was hardly any change in health expenses since the National Health Insurance Law of 1995 came into force, until 2013, approximately 4.5% of GDP on average, a lower level in comparison with the other groups of countries. In the Latin and Far Eastern countries, health expenses doubled in twenty years, from 6% in 1990 to approximately 12% in 2011.

Chart 10
Public Expenditure on Health According to Groups of Countries
(Percentage of GDP), 1980-2013



7. Scope of payments

NII cash and in-kind benefit payments – both contributory and non-contributory – amounted in 2015 to NIS 74.2 billion, as opposed to 71.6 billion in 2014. These amounts also included other payments that the institution defrays, primarily to Government

ministries for development of community services and national insurance system administrative and operational expenses in all of its fields (approximately NIS 1.5 billion).

The real increase in the Institute's payments in 2015 reached 4.4%, and derives primarily from an Increase in the number of recipients of all benefits, variable rates and changes in legislation, essentially the renewed increase in child allowances that were cut in 2014 (see below in the report). In January 2015, benefits paid by the NII were not revised because of the decline in the consumer price index between November 2013 and November 2014. Nonetheless, in terms of GDP a **decline** of 0.09 percentage points was recorded (Table 1). In terms of GDP, the benefit rate in recent years declined consistently from approximately 7 percent in 2009 to 6.31 in 2015, thereby reaching an all-time low in the preceding decade after a peak in 2002 - 8.7%.

On the other hand, the collection rate increased slightly in 2015 and reached 5.42 percent of GDP, approximately one-half a percentage point more than in 2014. The collection rate of national insurance contributions increased by half a percentage point - 3.6% of GDP. In 2015, benefit payments according to National Insurance Law increased by 5.8% in real terms overall, in comparison with benefit payments other than by law, which **decreased** by 4.3%. These benefits are paid by virtue of State laws or agreements with the Treasury, are fully funded by the latter, and include income support, mobility, alimony, old-age and survivors pensions for those who are not insured (primarily new immigrants), and reserve service benefits. In 2015 these payments amounted to approximately NIS 10 billion (without administrative expenses), constituting approximately 14% of all benefit payments.

Payments of old-age and survivors pensions increased in 2015¹³ by 4.1%, after an increase of 5.4% in 2014 (Table 2). From 2008-2011 payments for these benefits increased mainly due to changes in legislation: in April 2008 basic pensions increased from 16.2% to 16.5% of the basic amount¹⁴ and those 80 years old and older received a special supplement at a rate of one point percentage thereof; in August 2009 within the framework of the Economic Improvement Law, they again increased until 2011 to 17.7% of the basic amount - in total an increase of 7.3%.

In December 2015 the old-age and survivors pensions increased considerably, including income support, to bring them closer to the poverty line (according to type of family) and to make the situation of individuals and couples comparable. The distinction

13 There may be differences in rates of payment presented in this chapter in comparison with those presented further on in the benefits review, since the data upon which this chapter is based include administrative expenses and may also include additional small components that are added to the total benefit payment, such as the education grant in the child allowance.

14 The basic amount: the amount according to which most benefits from January 2006 are calculated. This amount is revised on the 1st of January each year according to the increase in the consumer prices index of the previous year. The basic amount has different tariffs for the different benefits. In 2015 the basic amount for most benefits was NIS 8,648. Until 2006 the benefits were revised according to the increase in the average wage.

Table 1

Benefit Payments and Collection from the Public (Without Administrative Costs) (Percentage of GDP), 1980-2015*

Year	Benefits payments		Collection	
	Total	Collectible 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	7.23	5.66	7.54	4.21
2000	7.65	6.09	6.00	4.08
2005	7.02	5.63	6.00	4.03
2006	6.87	5.53	5.80	3.75
2007	6.67	5.42	5.76	3.66
2008	6.73	5.51	5.86	3.64
2009	6.63	5.82	5.64	3.48
2010	6.61	5.93	5.46	3.60
2011	6.55	5.92	5.53	3.65
2012	6.54	5.53	5.32	3.49
2013	6.43	5.46	5.29	3.50
2014	6.40	5.44	5.37	3.56
2015	6.31	5.44	5.42	3.61

* General note for data as a percentage of GDP in the entire report: There may be differences compared to earlier years due to retroactive changes made by the Central Statistics Bureau.

** Including collection for the health system.

*** Includes Treasury indemnification for reducing national insurance contributions for employers.

between the three age groups has been maintained - up to 70, 70-80 and 80 or older. The supplement amounts ranged between NIS 155 and 542 per month according to family composition. The increase in payments therefore derived from a rise in the number of recipients and legislative change in that year.

The child allowance payments increased in real terms in 2015 by 14.3%. Within the framework of the Economic Improvement Law, in 2013 amounts were cut sharply and immediately for all children, so that aside of existing children who were the third and onwards in their families, a uniform amount was set for each child at NIS 140 per month. As a result, the child allowances were reduced by 13% in 2013 and by 23.2% in 2014. The 2015 increase constitutes a partial correction to the decision that was formulated in coalition agreements pursuant to which pension amounts would be increased again from May 2015 (and therefore the increase in pensions in 2015 would only be expressed in 2016).

Payments for the long-term care benefit increased quite considerably in 2015 – 6.8%. The increase derives both from an increase in the number of those entitled to the benefit in general and to those eligible for the highest benefit in particular, as well as from the increase in payments in-kind following the increase in minimum wage in April 2015. The general disability benefit also increased by a rate of 4.5% primarily because of leniency in eligibility conditions for attendance allowance and disabled child allowances, causing an increase of approximately 10% in the number of recipients and a more moderate rise in the number of recipients of other benefits. The payments in the work-injury and victims of terrorism branches also increased sharply by 9.6%, primarily because of terror that was influenced by security events in 2015.

Payments for unemployment decreased by approximately 5% in 2015 following consecutive increases between 2012-2014, deriving primarily from a change in legislation in 2013, when eligibility conditions and wage determination were compared to calculate the daily and monthly benefit. This decline mainly expresses a drop of approximately 1% in the number of recipients (Table 4) and conflicts with the increase in payments for other wage substitute benefits - maternity and work-injury - also affected by developments in the labor market. Payments for the maternity allowance increased by 4.9% mainly due to an increase in the allowance in light of continuing growth in the number of recipients and an increase in the average payment of the benefit - resulting from continuous growth in the rate of jobs and wages for women over time.

After two years of stability or increase in income support payments for the working age population, in 2015 payments were again decreased by 1.8%. The increase in payments in 2013-2014 derived primarily from changes in legislation (extending eligibility for those who also own a vehicle), while the decrease in 2015 was due to a 4.6% decline in the number of recipients.

The scope of payments for those serving in reserve service dropped sharply by 23.5% in 2015 after a similar increase in 2014 following Operation Protective Edge.

Following the legislative changes that were reviewed above, child allowances grew in proportion of the total benefits from 7.0% in 2014 to 7.6% in 2015. This rate is half the 2000 rate, when child allowances reached approximately 18% of total benefits.

Work-injury and victims of terrorism benefits increased their portion of total benefits from 7.3% to 7.7% as did long-term care, increasing from 0.2% to 8.3% of total benefits. The rest of the benefits remained at a similar level to that in 2014, and some even decreased: the largest, old-age and survivors' pensions, decreased slightly from 38.5% to 38.4%, unemployment from 4.7% to 4.5% and reserve payments from 9% to 1.4%. The proportion of the income support benefit dropped by 0.2% to 3.6%, thereby returning to its limited trend in recent years, after 2000 when its proportion was more than twice that in 2015.

Table 2
National Insurance Benefits Payments (Including Administrative Costs), 1995-2015

Year	Total payments	Old-age and survivors**	General disability	Work-injury and hostile actions	Maternity	Children	Unemployment	Reserve services	Income support***	Long-term care and other
Current prices (NIS millions)										
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
2005	43,305	16,457	7,792	3,192	2,857	4,548	2,044	713	2,859	2,842
2008	49,920	18,655	9,599	3,506	4,146	5,188	1,896	841	2,518	3,572
2009	55,394	20,180	10,295	3,811	4,604	5,650	3,089	1,169	2,613	3,984
2010	59,137	22,023	11,130	3,986	5,033	6,279	2,606	1,028	2,659	4,394
2011	62,666	23,531	11,664	4,281	5,357	6,974	2,582	1,068	2,617	4,592
2012	66,850	24,804	12,534	4,601	5,779	7,319	2,914	1,148	2,635	5,116
2013	69,321	25,980	13,137	4,961	6,168	6,465	3,252	1,133	2,728	5,498
2014	71,564	27,519	13,964	5,238	6,586	4,986	3,361	1,390	2,747	5,771
2015	74,215	28,479	14,502	5,702	6,868	5,661	3,319	1,056	2,680	6,125
Realistic annual increase (percentages)										
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
2005	-0.1	1.3	4.6	0.2	3.4	-8.1	-6.9	-0.6	-6.0	2.5
2008	1.4	1.3	1.6	0.6	10.0	1.5	0.0	5.8	-5.3	2.0
2009	7.4	4.7	3.8	5.2	7.5	5.4	57.7	34.5	0.4	7.9
2010	4.0	6.3	5.3	1.9	6.5	8.2	-17.8	-14.4	-0.9	7.4
2011	2.4	3.3	1.3	3.8	2.9	7.4	-4.2	0.4	-4.9	1.0
2012	4.9	3.6	5.7	5.7	6.1	3.2	11.0	5.7	-1.0	9.5
2013	2.2	3.2	3.3	6.2	5.2	-13.0	9.9	-2.8	2.0	5.9
2014	2.7	5.4	5.8	5.1	6.3	-23.2	2.9	22.1	0.2	4.5
2015	4.4	4.1	4.5	9.6	4.9	14.3	-0.6	-23.5	-1.8	6.8
Breakdown by branches (percentages)										
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
2005	100.0	38.0	18.0	7.4	6.6	10.5	4.7	1.6	6.6	6.6
2008	100.0	37.4	19.2	7.0	8.3	10.4	3.8	1.7	5.0	7.2
2009	100.0	36.4	18.6	6.9	8.3	10.2	5.6	2.1	4.7	7.2
2010	100.0	37.2	18.8	6.7	8.5	10.6	4.4	1.7	4.5	7.4
2011	100.0	37.6	18.6	6.8	8.5	11.1	4.1	1.7	4.2	7.3
2012	100.0	37.1	18.7	6.9	8.6	10.9	4.4	1.7	3.9	7.7
2013	100.0	37.5	19.0	7.2	8.9	9.3	4.7	1.6	3.9	7.9
2014	100.0	38.5	19.5	7.3	9.2	7.0	4.7	1.9	3.8	8.1
2015	100.0	38.4	19.5	7.7	9.3	7.6	4.5	1.4	3.6	8.3

* The data for 1995 does not include the amounts transferred to the Ministry of Defense as repayment of debt for saving the number of reserve duty days.

** Including payments for Income support.

*** For working age population.

8. Level of benefits

As stated above, in January 2015 benefits were not revised at all, since the consumer prices index, according to which they are revised on January 1 of each year, dropped from November 2014 to November 2015. Therefore, the basic amount¹⁵, pursuant to which most pensions have been revised since 2006, did not increase. The average wage, on the other hand, which was the basis for revision until 2006, increased during the same period by 2.3% nominally, and by 3.0% in real terms, thus in comparison to the average wage the real value of pensions eroded in 2015 by a rate of 3.0%.

Recently, higher wages following years of real stability reinstates the previously-known trend whereby the average wage, reflecting lifestyle and not only price changes, increases over time more than prices. Cumulatively from 2002 until 2015,¹⁶ the average wage increased by about 34% - a rate that is higher by approximately 10 percentage points than the consumer prices index rise in this period. Therefore, the cumulative erosion in pensions reached 10% after their revision according to the price index instead of wage changes.

Ending the trend of increasing old-age pensions and the difference between freezing pensions in 2015 and increasing the average wage left its mark, and old-age pensions decreased by about a percentage of the average wage (Table 3). In 2014 the pension rate for an individual under 80 was 16.7% of the average wage (after 2011, when the process to raise the basic pension for an individual was completed as determined in the 2009 Economic Improvement Law), and in 2015 the rate dropped to 16.4%. The pension for an 80 year-old or older reaching 17.7% of the basic amount in 2014, dropped to 17.3%, thus preserving the difference of a percentage of the basic amount in favor of these elderly persons in comparison with others under 80. Benefits for the rest of the family, including old-age and survivors' pensions along with income support also decreased accordingly.

Minimum assured income for the working-age population as a percentage of the average wage also eroded in comparison with 2014, due to the real value increase in the average wage as opposed to the revision rate of the basic amount and the benefits that remained the same (Table 4). The income support benefit for an individual up to age 55 and for an individual over 55, decreased from 23.6% of the average wage to 23.1%. In 2010, for example the rate for this type of family was 24.2% - a decrease of approximately one percentage point. The benefit for a single mother¹⁷ up to the age of

15 See Note 14.

16 The transition in revising pensions according to prices and not according to wages in 2006, was preceded by frozen pensions since 2002.

17 "Single mother" (also refers to single father). The feminine form is used since women are the ones who prevail in this type of family composition.

55 with two children dropped from 51.1% to 50.6% of the average wage between the two years. Nonetheless, these rates are similar to those at the beginning of 2000, before the deep cuts in income support benefits due to the many years of stagnant average wage during this period.

Table 3

Old-age and Survivors Pensions and Minimum Income Support for Elderly and Survivors (Fixed Prices and as a Percentage of the Average Wage*), Monthly Average, 1975-2015

Year	Age	Basic old-age and survivors pension				Minimum income support (including child allowances)			
		Individual		Widow/er with two children		Individual		Widow/er with two children	
		2015 Prices (NIS)	Percentage of the average wage	2015 Prices (NIS)	Percentage of the average wage	2015 Prices (NIS)	Percentage of the average wage	2015 Prices (NIS)	Percentage of the average wage
1975		757	14.9	1,259	24.8	1,297	25.5	2,521	49.6
1980		834	17.1	1,617	33.1	1,465	30.0	2,969	60.9
1985		941	18.2	1,823	35.3	1,877	36.4	3,767	73.0
1990		1,185	16.4	2,293	31.7	1,861	25.7	3,771	52.1
1995		1,200	15.5	2,325	30.1	2,008	26.0	4,436	57.3
2000		1,340	15.0	2,595	29.0	2,239	25.0	4,927	55.0
2005		1,333	15.2	2,646	30.2	2,425	27.6	5,068	57.8
2010	Up To 70**	1,476	16.8	2,854	32.4	2,722	30.9	5,598	63.6
	70-79	1,476	16.8			2,793	31.8		
	80+	1,560	17.8			2,921	33.2		
2011	Up To 70	1,489	16.9	2,885	32.7	2,727	30.9	5,654	64.0
	70-79	1,489	16.9			2,807	31.8		
	80+	1,573	16.9			2,934	33.2		
2012	Up To 70	1,501	16.9	2,910	32.7	2,751	30.9	5,716	64.2
	70-79	1,501	16.9			2,832	31.8		
	80+	1,586	17.9			2,960	33.2		
2013	Up To 70	1,500	16.7	2,905	32.4	2,748	30.6	5,655	63.0
	70-79	1,500	16.7			2,828	31.5		
	80+	1,584	17.7			2,956	32.9		
2014	Up To 70	1,521	16.7	2,948	32.4	2,785	30.6	5,665	62.2
	70-79	1,521	16.7			2,869	31.5		
	80+	1,607	17.7			2,997	32.9		
2015	Up To 70	1,531	16.4	2,967	31.7	2,803	29.9	5,759	61.5
	70-79	1,531	16.4			2,887	30.8		
	80+	1,617	17.3			3,016	32.2		

* As measured by the Central Bureau of Statistics.

** Since 2008 the pension has been paid according to age-groups.

Table 4
 Minimum Assured Income for Working Age Population (Fixed Prices in NIS and as a Percentage of the Average Wage*),
 Monthly Average, 2000-2015

Year	Individual		Self-employed mother** (Including child allowances)		Couple with two children (including child allowances)					
	Regular rate	Increased rate	Regular rate	Increased rate	Regular rate	Increased rate				
2015 Prices (NIS)	Percentage of average wage	2015 Prices (NIS)	Percentage of average wage	2015 Prices (NIS)	Percentage of average wage	2015 Prices (NIS)	Percentage of average wage			
2000	1,673	18.7	2,093	23.4	4,620	51.6	3,967	44.3	4,594	51.3
2005	1,624	18.5	1,827	20.8	3,458	39.4	3,013	34.4	3,458	39.4
2006	1,633	18.4	1,838	20.7	3,537	39.8	3,088	34.8	3,537	39.8
2007	1,625	18.0	1,829	20.3	3,519	39.0	3,073	34.0	3,519	39.0
2008	1,663	18.6	1,872	20.9	3,588	40.0	3,131	34.9	3,588	40.0
2009	1,683	19.3	1,894	21.7	3,630	41.6	3,167	36.3	3,630	41.6
2010	1,701	19.3	1,913	21.8	3,685	41.9	3,218	36.6	3,685	41.9
2011	1,683	19.1	1,893	21.4	3,700	41.9	3,237	36.7	3,700	41.9
2012	1,697	19.1	1,909	21.4	3,745	42.1	3,278	36.8	3,745	42.1
2013	1,694	18.9	1,907	21.2	3,676	41.0	3,210	35.8	3,676	41.0
2014	1,719	18.9	1,934	21.2	3,630	39.9	3,157	34.7	3,630	39.9
2015	1,730	18.5	1,946	20.8	3,711	39.7	3,235	34.6	3,711	39.7
2000	2,093	23.4	2,093	23.4	At least one member of family is 55 or older		4,594	51.3	5,594	51.3
2005	2,030	23.1	2,030	23.1	4,356	49.7	4,311	49.2	4,311	49.2
2006	2,041	23.0	2,041	23.0	4,472	50.3	4,395	49.5	4,395	49.5
2007	2,031	22.5	2,031	22.5	4,449	49.3	4,372	48.4	4,372	48.4
2008	2,080	23.2	2,080	23.2	4,540	50.6	4,462	49.8	4,462	49.8
2009	2,104	24.1	2,104	24.1	4,592	52.6	4,514	51.7	4,514	51.7
2010	2,127	24.2	2,127	24.2	4,657	53.0	4,579	52.1	4,579	52.1
2011	2,103	23.8	2,103	23.8	4,661	52.8	4,582	51.9	4,582	51.9
2012	2,122	23.8	2,122	23.8	4,715	53.0	4,636	52.1	4,636	52.1
2013	2,119	23.6	2,119	23.6	4,660	51.9	4,566	50.9	4,566	50.9
2014	2,148	23.6	2,148	23.6	4,650	51.1	4,532	49.8	4,532	49.8
2015	2,162	23.1	2,162	23.1	4,738	50.6	4,619	49.4	4,619	49.4

* As measured by the Central Bureau of Statistics.

** Refers also to self-employed father.

Table 5

Pension Point and Child Allowances (Fixed Prices and as Percentage of the Average Wage), Monthly Average, 1990-2015

Year	Pension point value		Pension for two children		Pension for four children		Pension for five children	
	2015 Prices (NIS)	Percentage of average wage	2015 Prices (NIS)	Percentage of average wage	2015 Prices (NIS)	Percentage of average wage	2015 Prices (NIS)	Percentage of average wage
1990	229	3.2	458	6.3	1,771	24.4	2,512	34.7
1995	221	2.9	443	5.8	1,779	23.0	2,530	32.7
2000	226	2.5	452	5.0	1,817	20.3	2,586	28.8
2005	146	1.7	291	3.3	919	10.5	1,407	16.0
2006	176	2.0	352	4.0	956	10.8	1,348	15.2
2007	175	1.9	351	3.9	951	10.5	1,341	14.8
2008	172	1.9	344	3.8	932	10.4	1,314	14.6
2009	174	2.0	349	4.0	1,029	11.8	1,416	16.2
2010 Existing	176	2.0	368	4.2	1,130	12.8	1,521	17.3
New	176	2.0	368	4.2	844	10.1	1,020	12.1
2011 Existing	174	2.0	420	4.8	1,173	13.3	1,561	17.7
New	174	2.0	420	4.8	931	10.6	1,105	12.6
2012 Existing	175	2.0	437	4.9	1,188	13.3	1,578	17.6
New	175	2.0	436	4.9	956	10.7	1,131	12.7
2013 Existing	160	1.8	372	4.2	1,040	11.4	1,414	15.6
New	160	1.8	372	4.2	796	9.0	956	10.8
2014 Existing	139	1.5	279	3.1	783	8.6	1,136	12.5
New	139	1.5	279	3.1	557	6.1	696	7.6
2015 Existing	147	1.6	319	3.4	837	9.0	1,191	12.7
New	147	1.6	319	3.4	663	7.1	809	8.7

Between 2014 and 2015, the value of a point in the child allowance rose from 1.5% of the average wage to 1.6% (Table 5). Declining rates varied between the various types of families and between existing and new-born children (those born after June 2003). The allowance for families with two children increased from 3.1% to 3.4% of the average wage, and for a family with four children increased by one percentage point from 6.1% to 7.1%. The disparity increases according to the increase in the number of children. These increases compensate for the decrease from cuts in these benefits from August 2013 until 2014, and are expected to continue in 2016 also, since the correction in level began in May 2015.

It is noted that notwithstanding the increase in child allowance compared to 2014, its level as a percentage of the average wage was much lower than at the start of the decade. In the case of families with five new children, it reaches approximately one-half of this level.

9. Recipients of benefits

The number of recipients of **old-age and survivors'** pensions increased in 2015 by 3.7 - approximately 900 thousand elderly and survivors on average per month (Table 6). This rate reflects an increase of 4.4% in the number of pension recipients according to the National Insurance Law and special pensions, and a drop of 1.1% in recipients of survivors' pensions. In the **children's** branch, as in recent years, the number of families receiving child allowances increased by a rate of 1.9% as a result of natural population growth. In 2015, child allowances were paid to approximately 2.7 million children living in about 1.1 million families in total.

In the general disability branch, the number of recipients of a **general disability pension** increased by a rate of 3.2% after a one-time stabilization in 2014. In other pensions in the branch, similar increases continued as in previous years: the number of recipients of an **attendance allowance** and a **disabled child benefit** increased by about 10% (as opposed to about 13% in 2014), and the number of recipients of a **mobility benefit** increased by 3.6%. The increase in the number of disabled child benefit recipients derives primarily from expanding the list of grounds entitling to the benefit, while an increase in the number of attendance allowance recipients is attributed to the IADL test being added following the Ben Yehudah Committee (see below Chapter 3, General Disability). In the work-injury branch, the number of recipients of a permanent disability benefit also increased considerably, 4.8% between 2014 and 2015, while the number of injury allowance recipients decreased slightly (by 0.3%) between the two years.

The number of women receiving a birth grant and maternity allowance increased in 2015 by 2.3% and 2.9% respectively, as a result of a natural growth and rise in the number of employed. The number of long-term care benefit recipients increased by a rate of approximately one-half percent. On the other hand, the number of unemployment benefit recipients decreased by 0.9%, and the number receiving income support while of working age dropped sharply by 4.6%. The decrease is attributed in part to a rise in the number of employed in the labor market and a drop in unemployment between 2014 and 2015. The drop in the number of income support recipients continues a long-standing trend that began with the 2003 deep cuts and continued intermittently until 2015. The moderate rise in 2013 seemingly derives from changes in legislation (ownership of a vehicle, see Chapter 3 below, income support), slightly expanding those eligible for the benefit.

Many fluctuations preceded the drop in the number of unemployment benefit recipients 2015. In the three years between 2012 and 2014 there were increases, some extensive, despite a decrease in the unemployment rate due to leniencies in eligibility conditions for day-workers, however in 2003-2008 the number of recipients decreased consistently due to the economic situation and changes in eligibility conditions. Following the financial crisis and rise in unemployment that began at the end of 2008, at the beginning of 2009 a temporary order was enacted designed to assist the unemployed

Table 6
Recipients of Benefits in Main Insurance Branches (Average Per Month) 1990-2015

Year	Old-age survivors and ***	General disability				Work-injury		Maternity		Children Families receiving child allowance***	Unemployment	Income support (for working age population)****	Long-term care
		General disability	Attendance allowance	Disabled child	Mobility	Injury allowance**	Permanent disability	Birth grant**	Maternity allowance**				
1990	442.6	73.5	6.5	5.8	11.4	59.1	11.8	107.7	43.7	532.5	50.6	30.8	25.0
1995	553.9	94.0	10.2	10.3	13.2	84.9	14.6	113.4	55.2	814.7	61.5	74.8	59.0
2001	677.0	142.4	18.9	16.4	19.3	59.5	20.8	127.2	71.2	928.2	104.7	141.8	105.4
2005	719.9	170.9	24.0	21.0	24.9	56.0	25.2	148.4	77.0	956.3	58.8	139.9	115.0
2008	735.8	195.0	29.4	25.3	28.9	58.1	29.2	152.0	93.6	994.8	48.0	111.8	131.1
2009	746.9	200.1	31.2	26.5	30.4	57.5	30.9	156.4	97.7	1012.0	73.0	111.8	136.6
2010	758.5	207.2	33.1	27.9	31.6	59.3	32.3	166.7	103.3	1030.1	57.7	109.4	141.4
2011	780.1	213.0	35.2	29.5	33.0	59.4	33.9	163.4	105.7	1048.7	57.4	105.3	145.6
2012	802.5	217.6	37.8	32.1	34.1	61.4	35.7	169.2	112.0	1068.1	62.4	103.8	152.8
2013	833.9	222.6	40.9	36.0	35.3	64.2	37.4	169.7	114.4	1088.3	69.6	104.4	156.5
2014	868.3	222.6	46.2	40.5	36.6	66.5	39.3	173.2	120.4	1107.5	72.0	103.0	159.5
2015	900.8	229.7	50.8	44.6	37.9	66.3	41.2	177.1	123.8	1128.3	68.2	98.3	160.5
Annual increase (percentages)													
1986-1990	2.6	3.4	7.2	7.7	1.5	-0.1	3.6	0.5	0.5	-0.5	20.9	8.6	17.4
1991-1995	4.6	5.0	9.4	12.2	3.0	8.4	4.4	1.8	4.8	8.9	4.0	19.4	18.7
1996-2000	3.5	7.6	10.2	8.2	4.9	-2.1	6.3	3.1	5.0	2.3	8.5	11.4	10.2
2001	3.0	5.2	13.9	7.2	14.9	-9.3	5.1	-3.6	0.8	1.7	13.1	10.6	10.1
2005	-0.3	5.2	5.9	7.2	5.9	-2.9	5.0	-	-0.6	1.1	0.7	-3.3	1.4
2008	0.9	4.0	7.3	6.3	5.9	3.8	5.0	3.3	8.8	1.4	-3.6	-6.8	4.7
2009	1.5	2.6	6.1	4.7	5.2	-1.0	5.8	3.7	4.4	1.7	52.1	0.0	4.2
2010	1.5	3.5	6.1	5.3	3.9	3.1	4.5	6.6	5.7	1.8	-21.0	-2.1	3.5
2011	2.8	2.8	6.4	5.7	4.3	0.2	5.0	-1.8	2.3	1.8	-0.5	-3.7	3.0
2012	2.9	2.2	7.4	8.8	3.3	3.4	5.3	3.5	6.0	1.8	7.7	-1.4	4.9
2013	3.9	2.3	8.1	12.2	3.6	4.6	4.9	0.3	2.1	1.9	11.6	0.6	2.4
2014	4.1	0.0	13.0	12.5	3.7	3.6	5.1	2.1	5.2	1.8	3.4	-1.3	1.9
2015	3.7	3.2	10.0	10.1	3.6	-0.3	4.8	2.3	2.8	1.9	-5.3	-4.6	0.6

* Since 2010 the number of recipients of old age and survivor's pensions who received split old-age and survivor's pensions are counted as one unit.
 ** Number of the different recipients during the year.
 *** The data for 1985 and 1990 include families where the allowances for the first and second child were paid through their employer. In 1993, the allowance became universal again.
 **** Upon calculating the data for 2004 and onwards, a pension that was split between several recipients was credited to only one recipient. The number of recipients for 2004, in the calculation of which all the split pension recipients were included, was 145.6 thousand on average per month.

who were not eligible for benefits according to National Insurance Law, and to pay them special benefits. As a result, many temporarily joined the recipients of the benefit and the rate increased by more than 50%. A partial offsetting of this sharp increase occurred in 2010 when the temporary order expired and the number of recipients dropped by 21%. An additional moderate decline occurred in 2011.

10. Collecting insurance contributions from the public and sources of benefit funding

NII benefits payments are funded from four sources: (a) collection of insurance contributions (directly from the public with indemnification by the Treasury due to employers' and self-employed insurees' contributions having been reduced). (b) Government participation in funding contributory benefits. (c) Government participation in funding non-contributory benefits. (d) Receivables from interest on investment of the fund balances, primarily in government bonds. In addition to collecting insurance contributions, the NII collects health insurance contributions and transfers them to the health funds.

In the last three years from 2013-2015, changes began in insurance contributions for employers. In 2013, insurance contributions gradually increased by a regular rate of 0.6 points percentage and applied to insurance branches in which the Treasury does not make contributions; for this reason the latter's contributions returned to 210% for collections for the children's branch. In 2014, the regular rate for an employer should have increased by 0.5 percentage points, however it rose by only 0.25 points and therefore the increase to 7.5% continued through to 2016 and not 2015 as first determined. In 2015, the regular rate continued to rise and reached 7.25%. The insurance rate for income higher than 60% of the average wage up to the cap (5 times the basic amount) also including the workers portion, was 14.25%.

Collecting insurance contributions from the public

The NII's receipts from insurance and health insurance contributions increased in real terms by 6.8% in 2015, as opposed to a more moderate rate of 4.6% in 2014. The receipts from NII branches increased by 7.4% - a higher rate than the increase in the health system, which was 5.7% (Table 7). The increase springs mainly from developments in the labor market - a rise in the number of employed and real increase in wages, as well as from an increase in employers' insurance contributions following legislative changes.

In 2015, the receipts from collection amounted to NIS 62.2 billion, constituting 38.8 billion for NII branches and 20.8 billion for the health system. Approximately NIS 2.7 billion was added to collection from the public that the State Treasury transferred as compensation for reduced contributions from employers and the self-employed (in accordance with Section 32 C1 of the Law).

In terms of percentage of GDP, total collection increased to a level of 5.2%, 3.4% of which was collected for NII branches (an increase of 0.1% compared to 2014) and 1.8% for the health system. In all the years presented in Table 7, the collection was 5% of GDP, lower than the rate at the beginning of the decade - 6.3% in 2003. Collection from the public in direct taxes for individuals dropped from 47.3% to 45.6% between the two years.

Collection from salaried and non-salaried insured

The increased collection rate for salaried workers is different from the increase for those who are not salaried. The real value of direct collection from salaried workers and

Table 7

Collection for National Insurance and the Health System, 2011-2015

	2011	2012	2013	2014	2015
Current prices (NIS millions)					
Total receipts from insurance contributions	51,150	52,701	55,891	58,720	62,272
Total collection from public	48,719	50,276	53,420	56,146	59,564
For national insurance branches	31,305	32,144	34,498	36,536	38,783
For health system	17,414	18,132	18,922	19,790	20,781
Treasury indemnification	2,431	2,425	2,471	2,574	2,708
Indicators for development in collection from the public					
Realistic change percentage					
Total collection from public	3.7	1.5	4.7	4.6	6.8
For national insurance branches	4.0	1.0	5.7	4.9	7.4
For health system	3.3	2.4	2.8	4.1	5.7
As a percentage of GDP					
Total collection from public	5.2	5.0	5.1	5.1	5.2
For national insurance branches	3.3	3.2	3.3	3.3	3.4
For health system	1.9	1.8	1.8	1.8	1.8
As a percentage of direct taxes for individuals					
Total collection from public	48.4	48.2	48.1	47.3	45.6
For national insurance branches	31.1	30.8	31.1	30.6	29.7
For health system	17.3	17.4	17.0	16.7	15.9
As a percentage of direct taxes					
Total collection from public	35.4	34.0	33.4	33.7	33.9
For national insurance branches	22.7	22.5	21.6	21.8	22.1
For health system	12.7	12.5	11.8	11.9	11.8

employers rose in 2015 by 7.4% compared to 4.8% in 2014, and was affected by the legislative changes discussed above in relation to employers and changes in the labor market: the average wage for a salaried worker increased nominally by 2.3% (and in real terms by 3%), and the number of jobs increased by 2.4% after similar increases the previous year. Direct collection from non-salaried insurees increased in real value between the two years by 7.00% (in comparison with 5.4% in 2014) and mainly (92.8%) constituted collection from the self-employed. Collection from the self-employed, based on 2013 assessments that were updated solely by the increase in prices, increased in real terms by 5.8%, the collection from non-salaried workers paying insurance contributions on the basis of the minimum income, constituting approximately 4.3% of all collection from the non-salaried, increased in real value by a higher rate of about 9%.

Sources for benefit funding

The NII's total receipts to fund its branches increased in 2015 by 6.1% in real terms and amounted to NIS 79.3 billion in current prices (Table 8). The increase derives from a rise in collection from the public¹⁸ - 7.2%, and a large increase in government participation according to Section 32(a) of the Law - 15% (deriving primarily from its decision to increase child allowances from May 2015 after the August 2013 decrease). The significance of the increase is that when child allowances were cut, the amount saved was transferred to the Treasury by reducing its contribution rate for the children's branch. When allowances returned to 2013 levels, the Treasury's contribution returned to the level preceding the cut - 210%. These increases were offset in part by a decrease in government benefit funding, of 7.6% compared to 2014, and a decrease in interest payments by about 1%, constituting one-tenth of the NII's total receipts.

Since 2010 receipts rose by about 17% in real value, mainly due to the increase from collecting national insurance contributions at a rate of approximately 24%. The government's contribution for both parts increased by one-half - a rate of approximately 10%, while the balance from interest increased by a very moderate rate of approximately 3%. The cumulative increase of all government contributions was therefore more moderate than insurance contributions in this period, since any additional collection due to legislative changes was not accompanied at the same time and deliberately, by an increase in State contribution as should have been foreseen. Therefore the collection portion of insurance contributions increased gradually from 49% in 2010 to 52.7% in 2015, thereby (almost) reaching the 1995 level at the expense of a certain decrease in government contribution and income from interest. This trend contradicts that of the previous five years (2010-2014).

18 This rate is slightly different from that in the previous section since the collection of national insurance contributions in this Table includes the Treasury indemnification.

Table 8
Funding Sources for NII Branches, 1995-2015

Year	National Insurance receipts*	National Insurance contributions	Government participation***	Government funding of benefits	Receipts from interest
Current prices (NIS millions)					
1995	23,581	12,171	4,222	4,650	2,504
2000	41,207	20,751	8,336	8,148	3,907
2005	49,705	24,299	11,700	8,616	4,850
2010	63,821	31,289	15,014	10,032	7,000
2011	68,976	33,736	17,304	10,203	7,304
2012	71,398	34,569	18,206	10,454	7,693
2013	74,017	36,969	18,115	10,539	7,748
2014	75,201	38,930	17,015	10,879	7,812
2015	79,309	41,491	19,453	9,994	7,681
Realistic annual increase (percentages)					
2000	7.6	9.8	1.6	10.8	3.6
2005	3.2	4.2	5.0	-0.5	3.7
2010	2.2	8.3	-6.4	-1.7	2.3
2011	4.5	4.2	11.4	-1.7	0.9
2012	1.8	0.7	3.4	0.7	3.6
2013	2.1	5.4	-2.0	-0.7	-0.8
2014	1.1	4.8	-6.5	2.7	0.3
2015	6.1	7.2	15.0	-7.6	-1.1
Breakdown (percentages)					
1995	100.0	51.6	17.9	19.7	10.6
2000	100.0	50.4	20.2	19.8	9.5
2005	100.0	48.9	23.5	17.3	9.8
2010	100.0	49.0	23.5	15.7	11.0
2011	100.0	48.9	25.1	14.8	10.6
2012	100.0	48.4	25.5	14.6	10.8
2013	100.0	49.9	24.5	14.2	10.5
2014	100.0	51.8	22.6	14.5	10.4
2015	100.0	52.7	24.7	12.8	9.8

* Including third party compensation.
 ** Including Treasury indemnification.
 *** Pursuant to Section 32 (a) of the Law.

Surpluses/deficits and monetary reserves

Disregarding the interest on the NII's investments, the institute's budgetary deficit decreased to NIS 2.2 billion in 2015 as opposed to approximately NIS 4 billion in 2014 and 3 billion in 2013 and 2014. The last year in which there was a budgetary surplus was 2008. The decline in deficit derives mainly from the decrease in deficit in the wage substitute benefits branches (work-injury and unemployment). In the children's

branch, the budgetary surplus continued to grow from 14.5 to 15.5 NIS billion in the two years.

If we take the interest receipts into account, the NII's monetary activity amounted in 2015 to a surplus (Table 9). The operating deficit became a surplus of NIS 5.5 billion as opposed to NIS 3.6 billion in 2014. Nonetheless, all the branches that were in a deficit without including the interest on the investments remained as such even after it was included.

Table 9
Surplus/ Deficits in NII Branches, Current Prices (NIS millions), 2011-2015

Insurance Branch	Without interest					Including interest				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Total	-994.2	-3,145	-3,053	-4,175	-2,214	6,310.0	4,548	4,696	3,637	5,467
Old-age and survivors	-2004.8	-2862	-3,374	-4,233	-4,520	692.0	-107	-692	-1,583	-2,031
General disability	-3,606.4	-4,168	-5,046	-5,043	-5,295	-3,407.0	-4,096	-4,349	-4,958	-5,188
Work injury	-1,252.2	-1,341	-857	-640	-22	-1,140.0	-1,266	-836	-640	-22
Maternity	-2,226.0	-2,579	-2,604	-2,771	-2,736	-2,226.3	-2,613	-2,549	-2,724	-2,684
Children	12,641.0	13,076	13,976	14,480	15,528	16,752.0	17,738	18,579	19,204	20,245
Unemployment	-1,881.7	-2,188	-2,456	-2,498	-1,491	-1,881.7	-2,188	-2,456	-2,498	-1,491
Long-term care	-2,786.2	-3,182	-3,428	-3,596	-3,823	-2,786.2	-3,228	-3,360	-3,530	-3,749
Other	123.0	99	134	126	145	307.0	307	358	365	387