

## Children Insurance

### Child allowance

The 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 Law has undergone many revisions, designed to adapt the eligibility requirements for and amounts of the benefits to the fiscal policy changes in Israel<sup>1</sup>.

Table 1: Amount of Child Allowances by Child's Place in the Family (NIS), 2013 – 2018

| Child's place in family | Since August 2013 |                | 2015-2017 |                | 2018      |                |
|-------------------------|-------------------|----------------|-----------|----------------|-----------|----------------|
|                         | New child         | Existing child | New child | Existing child | New child | Existing child |
| First                   | 140               | 140            | 150       | 150            | 150       | 150            |
| Second                  | 140               | 140            | 188       | 188            | 189       | 189            |
| Third                   | 140               | 172            | 188       | 188            | 189       | 189            |
| Fourth                  | 140               | 336            | 188       | 336            | 189       | 336            |
| Fifth or more           | 140               | 354            | 150       | 354            | 150       | 354            |

In May 2015, with the establishment of a new government and following the coalition agreements, it was decided to increase the child allowances (after being reduced in August 2013). At the same time, it was decided to introduce a long-term savings plan for children as part of the allowance structure change, so that the total cost would reach the amount saved in August 2013. The allowance amounts, which are linked to the CPI2, did not change between May 2015 and the end of 2017, because the index

<sup>1</sup> A survey of changes is presented in the National Insurance Institute's annual reports ("Annual Survey").

<sup>2</sup> The November index in the past year compared to the November index in the preceding year.

did not increase during these years (Table 1). In 2018, the index rose by 0.3%, so the changes in the allowance according to the number of children are negligible to non-existent.

### Families receiving child allowance

The number of families who have been paid for child allowances reached approximately 1.186 million per month on average in 2018, an increase of 1.6% compared to 2017 (Table 2), and the number of children (up to 18 years of age) reached an average of about 2.88 million per month, an increase of 1.8% (Table 3). The number of families receiving an allowance for one child increased by 1.0%, reaching approximately 357,000, and for two children and three children increased by the same rate of 2.0%. The distribution of families by number of children per family remained unchanged from 2014: families with 1-2 children account for about 60% of families, and families with four or more children account for about 17% of all families.

Table 2: Families Receiving Child Allowance, by Number of Children in the Family (Monthly Average), 2014-2018

| Year                | Total number of families | Number of children in family |       |       |       |      |      |
|---------------------|--------------------------|------------------------------|-------|-------|-------|------|------|
|                     |                          | 1                            | 2     | 3     | 4     | 5    | 6+   |
| Numbers (thousands) |                          |                              |       |       |       |      |      |
| 2014                | 1,107.5                  | 340.8                        | 340.3 | 234.4 | 99.8  | 44.1 | 48.0 |
| 2015                | 1,128.3                  | 345.6                        | 346.9 | 240.3 | 101.9 | 44.9 | 48.7 |
| 2016                | 1,148.5                  | 350.1                        | 353.2 | 246.1 | 104.1 | 45.5 | 49.7 |
| 2017                | 1,166.9                  | 354.1                        | 359.6 | 251.0 | 105.5 | 46.2 | 50.5 |
| 2018                | 1,186.1                  | 357.3                        | 366.8 | 256.0 | 107.5 | 46.9 | 51.8 |
| Percentages         |                          |                              |       |       |       |      |      |
| 2014                | 100.0                    | 30.8                         | 30.7  | 21.2  | 9.0   | 4.0  | 4.3  |
| 2015                | 100.0                    | 30.6                         | 30.7  | 21.3  | 9.0   | 4.0  | 4.3  |
| 2016                | 100.0                    | 30.5                         | 30.7  | 21.4  | 9.1   | 4.0  | 4.3  |
| 2017                | 100.0                    | 30.3                         | 30.8  | 21.5  | 9.0   | 4.0  | 4.3  |
| 2018                | 100.0                    | 30.1                         | 30.9  | 21.6  | 9.1   | 4.0  | 4.4  |

### The children

Following the legislative amendments and the reduction of child allowances in the years 2003-2004<sup>3</sup>, a group of new children was defined – those born in June 2003 onwards. Until June 2009, these children received an allowance equal to the first two children allowance, regardless of their place in the family<sup>4</sup>. From August 2013 to the end of April 2015, the allowance for these children returned to be uniform, and from May 2015 it changed again according to the child's place in the family. About 30% (about 870,000) of all children in 2018 were third children or later, a similar proportion compared to 2017. The total number of "new children" reached about 2.5 million in 2018, which is about 85% of all children for whom an allowance was paid. As expected, this rate is increasing over the years, and by the end of the next three years it should include all children. At the same time, the number of "old" children is decreasing.

Table 3: Children Receiving Child Allowance, by their Place in the Family (Monthly Average), 2013-2018

| Year                       | Total number of children | Child's place in family |        |       |        |       |               |
|----------------------------|--------------------------|-------------------------|--------|-------|--------|-------|---------------|
|                            |                          | First                   | Second | Third | Fourth | Fifth | Sixth or more |
| <b>Numbers (thousands)</b> |                          |                         |        |       |        |       |               |
| 2014                       | 2,679.7                  | 1,107.5                 | 766.6  | 426.3 | 191.9  | 92.1  | 95.3          |
| 2015                       | 2,732.9                  | 1,128.3                 | 782.8  | 435.8 | 195.5  | 93.6  | 96.8          |
| 2016                       | 2,785.3                  | 1,148.5                 | 798.4  | 445.3 | 199.2  | 95.2  | 98.6          |
| 2017                       | 2,832.3                  | 1,166.9                 | 812.9  | 453.2 | 202.2  | 96.7  | 99.6          |
| 2018                       | 2,884.4                  | 1,186.1                 | 828.9  | 462.1 | 206.1  | 98.7  | 102.5         |
| <b>Percentages</b>         |                          |                         |        |       |        |       |               |
| 2014                       | 100.0                    | 41.3                    | 28.6   | 15.9  | 7.2    | 3.4   | 3.6           |
| 2015                       | 100.0                    | 41.3                    | 28.6   | 15.9  | 7.2    | 3.4   | 3.6           |
| 2016                       | 100.0                    | 41.2                    | 28.7   | 16.0  | 7.2    | 3.4   | 3.5           |
| 2017                       | 100.0                    | 41.2                    | 28.7   | 16.0  | 7.1    | 3.4   | 3.6           |
| 2018                       | 100.0                    | 41.1                    | 28.7   | 16.0  | 7.1    | 3.4   | 3.6           |

<sup>3</sup> See the Annual Surveys of these years.

<sup>4</sup> NIS 144 in 8/2013 to 1/2014; NIS 120 in 12/2005 to 2/2014; NIS 148 in 2006 and 2007; NIS 152 in 2008; NIS 159 in 2009; NIS 165 in 2010; NIS 169 in 2011; NIS 173 in 2012; NIS 140 in 8/2013 to 5/2015; NIS 150 from 5/2015.

## Study Grant

A study grant is paid before the beginning of the school year for children aged 6-18 in single-parent families or in families with four or more children that receive one of the following subsistence benefits: income support, alimony, disability pension, old-age pension and survivor's pension. The grant amount is 11.6% of the basic amount (NIS 1,006 in 2018).

In 2018, about 114,000 families received the study grant, which is about 10% of all families with children in Israel. Most families were single-parent families (85%, about 97,000) and the rest with four or more children (about 17,000). These families made up about 16% of all families in Israel. There were 223,000 children in the families that received the grant, which is about 8% of all Israeli children. The total amount paid for the grant was NIS 247 million.

In the years 1992-1998, the grant was paid only to single-parent families, and from August 1998 it was also paid to families with four or more children that received one of the subsistence benefits as mentioned above. Until 2016, the grant was paid for children aged 6 to 14, and from 2016 the eligibility was extended up to age 18.

## Family Increment

Family increment is paid to families with three children and more, for the third and the fourth children, if they also receive income support or alimony benefits from the National Insurance Institute ("NII"). The increment, paid from 2003, was intended to compensate for the double prejudice to these families caused by cuts in both child allowance and income support benefits under the 2003 economic plan.

Table 4: Families Receiving Family Increment, by Family Size (Percentages), 2014-2018

| Year | Total   |             | With 3 children | With 4 or more children |
|------|---------|-------------|-----------------|-------------------------|
|      | Numbers | Percentages |                 |                         |
| 2014 | 24,144  | 100.0       | 40.1            | 59.9                    |
| 2015 | 23,412  | 100.0       | 40.2            | 59.8                    |
| 2016 | 20,202  | 100.0       | 40.3            | 58.7                    |
| 2017 | 18,527  | 100.0       | 42.4            | 57.6                    |
| 2018 | 16,844  | 100.0       | 42.5            | 57.5                    |

The amounts of increment in 2018 are almost the same as in 2014: NIS 99 for the eligible children in families with three children, and NIS 198 for families with four children. In total, about 17,000 families received the increment in 2018 in a total of about NIS 31 million; most (about 58%) are families with four or more children (Table 4). From 2013, the proportion of families with three children shows a slight upward trend, and that of families with four children and more a slight decline.

### Scope of payments

In 2018, payments for child allowances (excluding "savings plan for each child" – see below) increased by 1.9% in real terms compared to 2017 as a result of increases in the number of children and in the allowances for the second to the fourth child (Table 5). The share of these payments reached 7.7% of total NII payments, in comparison with 8.1% in 2017.

In total, NIS 6.4 billion was paid in 2018 for child allowances (NIS 8.5 billion including the "savings plan for each child"), a real decrease of 13% compared to 2017 (about NIS 6.3 billion). As a result of this increase, payments for child allowances at the end of 2018 reached almost their levels on the eve of the Streamlining Law in August 2013 (Figure 1).

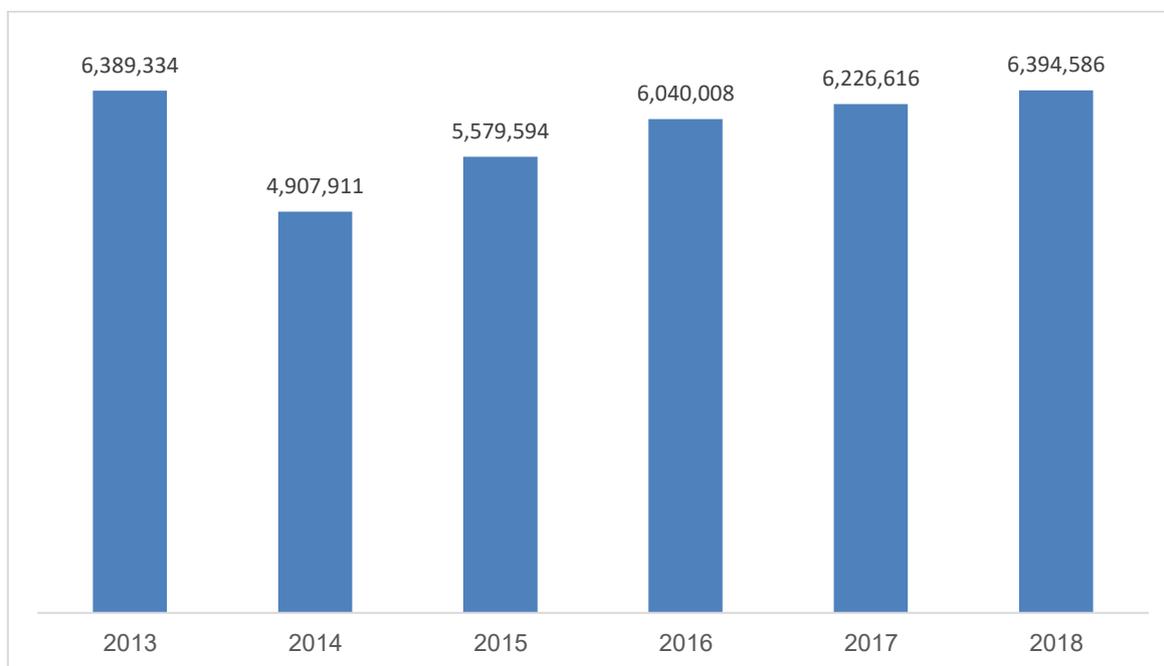
Table 5: Child Allowance and Study Grant Payments (Millions of NIS, Current and Fixed Prices, 2014–2018)

| Year | Total Amount*  |             | Child Allowance** |             | Study Grant    |             |
|------|----------------|-------------|-------------------|-------------|----------------|-------------|
|      | Current prices | 2018 prices | Current prices    | 2018 prices | Current prices | 2018 prices |
| 2014 | 4,884.6        | 4,901.3     | 4,683.8           | 4,676.7     | 200.8          | 196.7       |
| 2015 | 5,559.3        | 5,607.5     | 5,362.0           | 5,387.8     | 197.4          | 198.3       |
| 2016 | 6,040.0        | 6,103.5     | 5,770.5           | 5,381.1     | 247.5          | 250.1       |
| 2017 | 6,226.6        | 6,276.8     | 5,187.5           | 5,229.4     | 245.9          | 247.8       |
| 2018 | 6,394.6        | 6,394.6     | 5,169.4           | 5,169.4     | 246.9          | 246.9       |

\* Including administrative payments to external bodies.

\*\* Excluding "Savings plan for each child"

Figure 1: Child Allowance Payments (NIS, 2018 prices), 2013-2018



### Long-term savings (“Savings plan for each child”)

In January 2017, a savings plan was launched for all Israeli children, as a continuation of the NII’s child empowerment grant initiative: Long-term savings, which will serve the children when they reach the age of 18 or 21 and assist them early in their lives as adults. In this plan, the State deposits NIS 50 each month (in addition to the child allowance) into a bank savings plan account or a provident fund trust account<sup>5</sup>. Parents can deposit an additional NIS 50, which is deducted from the child allowance, thus doubling the savings amount. At the age of 18, the child will receive a grant of NIS 508 and will be able to withdraw the savings money, in whole or in part, **with the approval of his parents**. Those born on January 1<sup>st</sup>, 2017 and later will receive a split grant: NIS 254 at the age of 3, and NIS 254 at the age of 12 (girls) or 13 (boys). If the child doesn’t withdraw any of the savings at the age of 18, he will receive an additional grant of NIS 508 at the age of 21<sup>6</sup>.

<sup>5</sup> See also: [https://www.btl.gov.il/Publications/more\\_publications/Pages/haazama.aspx](https://www.btl.gov.il/Publications/more_publications/Pages/haazama.aspx)

<sup>6</sup> At the age of 18, one may withdraw part of the savings; however grant eligibility is revoked as a result. Until the age of 21, there is an exemption of payment of management fees, and later on, anyone who wants to continue savings in a specific track can do so by negotiating directly with the financial body.

In 2016, a tender was held in order to select the financial bodies to manage the savings, in which 9 banks and 13 provident funds were picked (in fact, 12 funds remained after one canceled its participation). For savings money management, the NII pays the banks an operating fee of NIS 0.06 per each reporting line, and provident funds a management fee of 0.23% per year of the monies they have accumulated.

As mentioned, there are two saving tracks for the monthly payments deposit – in the banks or provident funds selected through the tender. Parents (or a child who turns 18) can, over the years, move the savings between the selected provident funds or switch between the investment profiles in the same provident fund. Those who choose to deposit in banks can switch between different savings profiles in the same bank, but not between different banks.

According to the law, children who haven't turned 18 in May 2015 are eligible for this savings plan. Since the funds were opened only in January 2017, each child was to receive for these 20 months (the "retroactive" period) a total of NIS 1,000 which the State committed to deposit within the next three years, 2017-2019. However, these deposits to the banks and funds were made for the period between 5/2015 and 10/2016, for all children. The full amount was deposited for the retroactive period for the children who reached the age of 18, as well as a grant of NIS 500. The retroactive payment for the remaining months, November and December 2016, was deposited in July 2019.

There are two groups in the children's population: for those born before January 2017 a savings plan was opened in January 2017 and their parents were given six months to choose the track (until June 2017); those born from January 2017 joined the program right away, and their parents were given six months from the month of childbirth to choose the savings track.

As of December 2018, there were approximately 3.3 million savings plans, approximately 3.2 million operating and approximately 109,000 closed (due to withdrawals). For approximately 2.2 million children (66%), the savings plan was chosen by their parents<sup>7</sup>, and for 1.1 million (33%), whose parents did not choose a plan, the NII made a choice as follows: When parents already chose a bank for another child – the same bank was picked, otherwise a low-risk provident fund was chosen. 2.250 million of all plans (68%) were in provident funds and 1.075 million (32%) in banks. Parents deposited an additional NIS 50 for 1.5 million children.

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<sup>7</sup> Until January 2017, a random provident fund was chosen for children up to 14 years of age, and the bank where the child allowance is deposited was chosen for children between 15 and 18.

From January 2017 to the end of 2018, a total of NIS 7.036 billion was transferred to savings plans – NIS 5.543 billion to the NIS 50 deposit and NIS 1.494 billion from the parents' additional deposit, which is deducted from their child allowance (21%). Since the plan was launched, the overall profit from deposits in banks and provident funds reached NIS 17.8 million<sup>8</sup>.

### **Children born from January 2017**

The proportion of children whose parents chose an investment track (provident fund or bank) dropped from about 67% among those born in the first half of 2017, to 43% for those born in the second half; it rose slightly to about 48% in first-half of 2018, and stabilized at 47% (Figure 2). In terms of choice, provident funds are selected at a higher rate than banks, although in both options parental choice rates decreased and NII's selection rates increased, respectively (Figure 3). Overall, about 107,000 savings plans were opened for children born in 2018, compared to about 91,000 for children born in 2017.

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<sup>8</sup> The Ministry of Finance' Gemel-Net website presents the returns of various saving plans.  
<https://gemelnet.cma.gov.il/views/dafmakdim.aspx>

Figure 2: Long-Term Savings – Proportion of Children Whose Parents Chose an Investment Path, According to Month of Childbirth, 01/2017- 06/2018

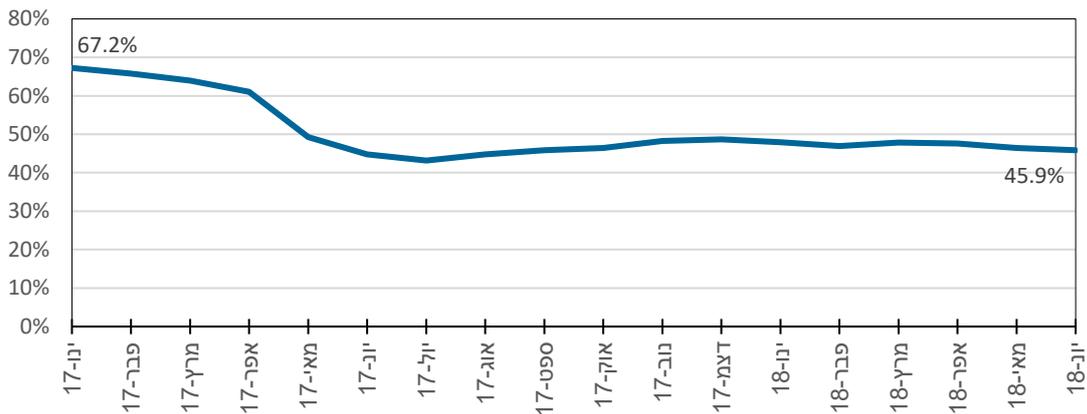


Figure 3: Long-Term Savings – Percentage of Children Whose Investment Tracks Were Chosen by the NII, According to Month of Childbirth, 01/2017 -06/2018

