



National Insurance Institute

Israel

Research & Planning Administration

**Summary of Trends and
Developments in Social Security
2004**



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INTRODUCTION

In 2004, the National Insurance Institute of Israel (NII) continued its efforts to improve its service to the public, with the aim of reducing the number of visitors to the local branches, enabling faster and more thorough responses to those clients who still visit the branches and promoting take-up of rights in the various social security schemes. Among improvements in this sphere over the past year, worthy of mention are office renovations, staff training and particularly, the use of ever-changing technologies for client self-service. There are now 54 *kiosks* (self-service stations, offering a wide variety of authorizations and forms) dispersed all over the country, outside local branches as well as in municipality buildings, operating beyond reception hours – almost 24 hours a day.

Two nationwide *call centers* operate in central and in southern Israel. They may be reached almost 24 hours a day, and provide both general and personal information to callers. The secret code necessary for the latter has been distributed to most of the population and is available to all upon request. It is now possible to pay insurance contributions through the *call centers*, by means of credit cards.

This year the NII web site underwent particularly intensive development to provide more and better services and information to the public. Clients are now able to pay insurance contributions through the Internet, and will soon be able to make personal clarifications through the site. It should be noted that the site in English as well is constantly updated, and contains press releases and information on rates of benefits, rules of entitlement, and more. (The NII address on Internet: [HTTP://WWW.BTL.GOV.IL](http://www.btl.gov.il) The e-mail address: btlfeed@netvision.net.il).

The scope of changes that came into effect in the Israeli social security system in 2004, as in recent years, can be viewed as the result of a precarious balance between two forces: on the one hand, the strict measures entailed by the economic situation of the country and the need for budget cuts; and on the other hand, the continued efforts of the National Insurance Institute to ensure, insofar as possible, that the value of benefits is maintained and to improve the lot of the growing needy population.

A major change in the social security system that is presented in this report is the raising of the retirement age for both men and women, to be implemented gradually over the course of several years. This change automatically effects the (both conditional and absolute) age of entitlement to old-age pension, as well as the age of entitlement to a number of other social security benefits, as is detailed in the relevant chapters.

A new, small grant was introduced this year in the Old-age and Survivors' branch: an annual *heating grant* for elderly low-income persons who reside in cold areas of the country.

The scope of the population eligible for certain benefits was widened: in the Old-age and Survivors' branch, the *grant following decease* may now be paid to a person other than the widow, widower or young child, if both spouses passed away within a brief period, one after the other. In the Hostile Action Casualties branch, orphans of persons killed in a terrorist act may now receive a grant even if they are over aged 21 (and up to age 30). Finally, in the Unemployment branch, a new job – security guard in public transportation – was added to the list of *required jobs* entitling the demobilized soldiers who work at them to an unemployment grant.

In other programs, conditions of entitlement to benefits were made more stringent. In the Disability branch, the medical degree required for eligibility for disability pension was raised from 40% to 60%, in most cases, while in the Alimony program, a woman who goes abroad for a month or more forfeits her right to alimony payment from the NII for the period of her stay abroad.

The period of payment of a benefit was extended in the Maternity branch: a mother may extend her maternity leave – and her maternity allowance increases accordingly – in cases of the prolonged hospitalization of her newborn child. This extension is over and beyond the previously legislated extensions.

Levels of certain benefits were raised in 2004. In Maternity insurance, the sum of the maternity grant paid for second children in families was increased from 6% to 9% of the average wage, while in the Reserve Service program, the reservist's benefit is now calculated on the basis of the minimum wage – rather than on the basis of his real wages – for months during which the reservist earned less than this minimum, or no wages at all.

On the other hand, a gradual reduction of the monthly child allowance rates took place in the Children branch, eventually to reach a uniform rate of allowance for every child, regardless of his place in the family. This is a major blow to large families in Israel, who up till now received a greatly enlarged allowance for the third and fourth children in particular. Low-income families will be compensated for this loss of income by a new increment to the allowance for the third and fourth children.

Certain changes in the system were introduced this year in order to correct distortions that had existed. In Disability insurance, the *determining date* for a disabled housewife was equalized to that of a regular disabled person, and in the Maternity branch, the ceiling of payment of maternity allowance to fathers was equalized to that of mothers.

As in previous reports, the present report includes a chapter on the Rehabilitation Department, whose task is to provide vocational rehabilitation services to various population groups, such as the work injured, disabled and widows.

Aside from the granting of benefits and the provision of vocational rehabilitation, the National Insurance Institute allots a significant share of its budget each year to a number of Funds, responsible for developing services for various groups in the community. For example, the NII sponsors a wide range of *demonstration projects*, which set up services new in content, in method of operation or in target population. These projects are aimed at improving and expanding the variety of community services available to the Institute's beneficiaries, such as: senior citizens, families, mothers, children and youth, the disabled, widows, orphans, the unemployed and military reservists. About 250 demonstration projects were in operation in 2004 alone, and a sample of these is described in the chapter on the *Fund for Demonstration Projects*

Other Funds are devoted to services for the disabled (such as in the occupational, social and housing areas), described in a separate chapter on the *Fund for the Development of Services for the Disabled* – in which the goals and scope of the Fund are outlined, and the main types of services it has developed are briefly reviewed – long-term care services for the elderly (such as day centers and beds in institutions), and activities aimed at work safety and the prevention of work accidents, described in chapters on the *Fund for Development of*

Trends and Developments 2004

Long-Term Care Services and the Fund for Activities of Safety and Hygiene in the Workplace.

For the first time, this report includes a chapter on the new *Fund for Development of Services for Children at Risk*.

As in previous reports, this report also includes information on international Conventions, both bilateral and multilateral, to which Israel is signatory, along with various Western European countries. Israel is in the process of negotiation with additional countries in order to expand the scope of international cooperation by means of such Conventions.

The report includes a chapter on the *Counseling Service for the Elderly*, a professional service operating in all local branches of the NII, providing counseling and support to the elderly by means of elderly volunteers.

Changes covered in the chapter on *Future Changes* include linking of maximum income to price changes, continued cuts in child allowances, a change in the method of paying the maternity grant and a wide range of changes in the framework of the Economy Arrangements Law for 2005.

GENERAL

Non-adjustment of benefits

The Economy Recovery Law-2003 extends the temporary order of 2002 regarding the non-adjustment of benefits (regarding most benefits that are linked to the *average wage*¹ in addition to the child allowances) until the end of 2005. Benefit recipients shall not be compensated for the non-adjustment of their benefits upon renewal of the adjustment process in 2006.

Furthermore, the traditional method of linking social security benefits to the average wage was discarded, and as of 2006, benefits will be linked to price rises only. From this year onward, benefit rates will be expressed in terms of *basic amounts*, to be updated in accordance with price rises. The following exceptions were determined:

- Old-age and survivors' pensions, as well as dependents' pensions in the Work Injury branch, are updated in accordance with price rises as of January 2004.
- The other benefits are updated in the course of 2004-2005 only if the price index rises by at least 5% annually.

In addition, the temporary order regarding the 4% reduction of benefit rates has been extended until the end of 2006. This reduction does not apply to the work injury disability pension.

¹ The average wage as defined in the National Insurance Law for purposes of calculating benefits determined in the Law as percentages of the average wage. This is to be distinguished from the average wage in the economy.

OLD-AGE AND SURVIVORS

Retirement Age Law-2004

On January 5, 2004, the Knesset passed the Retirement Age Law-2004, under which the retirement age, and consequently, the age of entitlement to old-age pension, is gradually raised, beginning on July 1, 2004, as follows: the conditional age or *retirement age* (age of entitlement to old-age pension conditional on means test) will be gradually raised until it eventually reaches 67 for men and 64 for women and the absolute age or *pensionable age* (age of entitlement to old-age pension that is not conditional on a means test) is gradually raised for women until it eventually reaches 70 (the same as for men.)

Previous to the change, the conditional age of entitlement to old-age pension was 65 for men and 60 for women, while the absolute age was 70 for men and 65 for women.

The changes are to be implemented gradually over the course of several years. The changes in the conditional age will affect men born in July 1939 and thereafter, and women born in July 1944 and thereafter, and the change in the absolute age will affect women born in July 1939 and thereafter. The following tables show the new ages of entitlement to pension, in accordance with month and year of birth.

The new law has implications on the definition of insured person and on many other social security branches, such as Disability, Unemployment, Income Support, Mobility and Long-term Care – see the relevant chapters.

Conditional Age of Entitlement to Old-Age Pension (Retirement Age)

Men			Women		
Month and year of birth		Age of entitlement	Month and year of birth		Age of entitlement
from	to		from	to	
-	June 1939	65	-	June 1944	60
July 1939	August 1939	65 and 4 months	July 1944	August 1944	60 and 4 months
September 1939	April 1940	65 and 8 months	September 1944	April 1945	60 and 8 months
May 1940	December 1940	66	May 1945	December 1945	61
January 1941	August 1941	66 and 4 months	January 1946	August 1946	61 and 4 months
September 1941	April 1942	66 and 8 months	September 1946	April 1947	61 and 8 month
May 1942	Thereafter	67	May 1947	December 1949	62
			January 1950	August 1950	62 and 4 months
			September 1950	April 1951	62 and 8 months
			May 1951	December 1951	63
			January 1952	August 1952	63 and 4 months
			September 1952	April 1953	63 and 8 months
			May 1953	Thereafter	64

Non-conditional Age of Entitlement to Old-age Pension (Pensionable Age) – Women

Month and year of birth		Age of entitlement
From	to	
-	June 1939	65
July 1939	August 1939	65 and 4 months
September 1939	April 1940	65 and 8 months
May 1940	December 1940	66
January 1941	August 1941	66 and 4 months
September 1941	April 1942	66 and 8 months
May 1942	December 1944	67
January 1945	August 1945	67 and 4 months
September 1945	April 1946	67 and 8 months
May 1946	December 1946	68
January 1947	August 1947	68 and 4 months
September 1947	April 1948	68 and 8 months
May 1948	December 1948	69
January 1949	August 1949	69 and 4 months
September 1949	April 1950	69 and 8 months
May 1950	Thereafter	70

Grant following decease – when both spouses die within short period

Under Amendment no. 75 to the NI Law, the *grant following decease* may be paid to the person who bore most of the cost of the tombstone for the deceased – who had been entitled in his/her lifetime to an old-age or survivor's pension.

The *grant following decease* is paid to the widow/widower of a person, or in absence thereof, to his/her *child* (up to a certain age, as defined in the law) who had received an old-age or survivor's pension in his/her lifetime.

The change is meant to cover instances in which the widow/widower passes away a short time (within 100 days) after his/her spouse, and there is no surviving *child*. It is in effect as of September 1, 2004, and applies to persons who had received pension and who died on January 1, 2003 or thereof.

Heating grant

Under an amendment to the Income Support Law, a new *heating grant* shall be paid once a year, beginning in 2004, to elderly low-income persons who live in an area that has been defined as a "cold area". The grant is a family benefit, granted to couples, at a rate of 3.2% of the average wage – a sum of NIS 223 for 2004.

Conditions of eligibility to the grant are as follows: one member of the family has reached *retirement age*; he has received a benefit under the Income Support Law (an income supplement) for one of the months October, November or December of any year; he has lived in a "cold area" for one of the above months as well as for the preceding month.

When the income supplement is divided between the spouses, or when the spouse receives his/her share of the income supplement separately, the heating grant is divided equally

between the spouses. When the spouse is entitled to a separate income supplement, he/she receives a separate *heating grant*.

The new grant is paid together with the old-age pension, beginning in October 2004.

 The number of recipients of old-age and survivors' pension rose in 2004 by 1.8%, reaching 722,264 recipients as a monthly average.

The old-age and survivors' pension rates for 2004, basic and including income supplement, are shown below.

Old-Age and Survivors' Pension Rates
2004(NIS)¹

Old-Age	<i>Adult</i>	<i>Adult with one child</i>	<i>Adult with two or more children</i>	<i>Couple without children</i>	<i>Couple with one child</i>	<i>Couple with two or more children</i>
- <i>basic</i> ²	1,114	1,462	1,810	1,671	2,019	2,367
- <i>with income supplement</i>	1,863	2,996	3,394	2,795	3,540	4,284

Survivors	<i>Young widow/er</i>	<i>Widow/er</i>	<i>Widow/er with one child</i>	<i>Widow/er with two children</i>	<i>Orphan</i>	<i>Two orphans</i>
- <i>basic</i>	836	1,114	1,636	2,158	696	1,292
- <i>with income supplement</i>	1,863	1,863	2,996	3,741	1,570	2,270

¹ The rates in this and all other tables are given in Israeli new shekels. In 2004 the average exchange rate was approximately \$1 = NIS 4.48.

² As of July 2002, the actual sum of this benefit received by beneficiaries was reduced by 4%, in accordance with the Economy Arrangements Law.

LONG-TERM CARE

Retirement Age Law-2004: implications on long-term care insurance

The Retirement Age Law (see chapter on Old-Age and Survivors, above), by raising the *retirement age* for both men and women, has raised the age of entitlement to long-term care benefit and thereby diminished the scope of the population eligible for this benefit.

The minimum age of eligibility for this benefit, under the new law, is now defined as the *retirement age*, presently varying in accordance with the insured person's month of birth, up to age 67 for men and 62 for women. Prior to the law, this age was 65 for men and 60 for women (the conditional age of eligibility for old-age pension).

 The number of recipients of long-term care benefits rose in 2004 by about 0.4%, reaching about 113,500 recipients as a monthly average.

The long-term care benefit rates for 2004 are shown below.

Long-Term Care Benefit Rates 2004 (NIS)

Month	Partially dependent				Fully dependent			
	Eligible for full benefit		Eligible for half benefit ¹		Eligible for full benefit		Eligible for half benefit ¹	
	services	cash	services	cash	services	cash	services	cash
Jan - Dec. ²	1,574	1,259	787	630	2,538	2,030	1,269	1,015

¹ 50% reduction as a result of income test.

² The sums that appear here are after the reductions of 4% and 7% in accordance with the Economy Arrangements Laws.

GENERAL DISABILITY

Raising of medical disability degree required for eligibility for pension

In the framework of the Economy Arrangements Law-2004, Article 208 of the National Insurance Law was amended, so that as of February 1, 2004, a medical disability degree of 60% is required for eligibility for disability pension. This degree is determined by weighting the disability degrees from the various medical impairments. If the applicant has a disability degree of at least 25% from a single impairment, a total weighted degree of 40% is sufficient for eligibility.

Previous to the change, a medical disability degree of 40% was sufficient for eligibility for a disability pension, in all cases.

The medical disability degree required of a disabled housewife in order for her to be eligible for pension remains the same: 50%.

Period of retroactive payment of benefit for disabled child

Under Amendment 68 to the National Insurance Law in effect as of April 1, 2004, benefit for disabled child will not be paid retroactively for a period of longer than 12 months from the date of submission of claim, or from the date of request for re-examination of claim. The amendment applies to claims and requests submitted on April 1, 2004 or thereafter.

Previous to the change, the maximum period of retroactive payment of benefit for disabled child was 48 months.

It should be noted that the maximum period of retroactive payment of benefits was shortened for all benefits (to 12 months) in the framework of the Economy Arrangements Law for 2003, but benefit for disabled child was overlooked at the time.

Retirement Age Law-2004: implications on disability insurance

The Retirement Age Law (see chapter on Old-Age and Survivors, above) has widened the scope of persons eligible for the disability pension. Insured persons for purposes of disability insurance are now defined as "Israeli residents who are aged 18 or over but who have not yet reached the *retirement age*". This age is being gradually raised, as detailed above, to 67 for men and to 62 for women, and in the meantime varies in accordance with the person's month of birth. Previously, the definition of an insured person in disability insurance included residents up to age 65 for men and up to age 60 for women.

The change is in effect as of April 1, 2004; it applies to men who reached the age of 65 and to women who reach the age of 60 on or after July 1, 2004.

Determining date for disabled housewife

In accordance with a labor court decision, as of October 25, 2004, the earliest *determining date* for a disabled housewife is 15 months preceding the submission of claim, rather than 12 months as was the case previously.

The *determining date* is defined as the date on which, due to the impairment, the insured person suffered incapacity (to earn a living, for disabled persons, or to work in their households, for disabled housewives).

As a result of this change, the *determining date* for both disabled persons and housewives is presently set as not earlier than 15 months preceding the submission of claim.

 In the year 2004 the number of general disability allowance recipients grew by 3.2%, reaching about 162,382 as a monthly average. The number of attendance allowance recipients and recipients of benefit for disabled child rose by 4.8% and 6.4%, respectively.

The general disability benefit and attendance allowance rates for 2004 are shown in the following table.

General Disability Benefit and Attendance Allowance Rates
2004 (NIS)¹

General Disability	<i>Single person</i>	<i>Increment for spouse</i>	<i>Increment for child²</i>
	1,886	943	754
Attendance Allowance	<i>For performing most daily tasks most hours of the day</i>	<i>For performing all daily tasks most hours of the day</i>	<i>For performing all daily tasks all hours of the day</i>
	882	1,763	2,645

¹ The rates that appear here are of benefits to disabled persons with 100% disability. Benefits to persons with a lower degree of disability are percentages of the full benefit, according to the degree of disability.

² The increment is paid for each of the first two children only.

MOBILITY

Retirement Age Law-2004: implications on mobility benefits

The Retirement Age Law (see chapter on Old-Age and Survivors, above) has widened the scope of persons eligible for mobility benefits. As of July 1, 2004, when this Law came into effect, a *person with mobility limitation* is defined as a person – applying to both men and women – aged over 3 but not over the *retirement age* for men, in whose case a medical committee has determined a percentage of mobility limitation on account of impairment in the lower limbs, according to a specific list of impairments. One who has reached the (newly-defined) *retirement age* for men may continue to receive mobility benefits, if they had received benefits already before reaching this age.

Previous to the change, the definition of a *person with mobility limitation* included those aged over 3 but not over 65.

The number of recipients of mobility allowance grew in 2004 by 5.4%.

INCOME SUPPORT

Retirement Age Law-2004: implications on income support

The implication of the change in the *retirement age* – as legislated in the Retirement Age Law (see chapter on Old-age and Survivors, above) – on the income support system is that benefit claims of those who are under the *retirement age* will fall under the Income Support scheme of the NII, while the claims of those who have reached the *retirement age* will be under the jurisdiction of the Old-age and Survivors Department, with significant differences between the two as regarding conditions of entitlement to benefit.

 The number of income support benefit recipients decreased by about 7% in 2004, down to about 144,378 recipients as a monthly average.

The income support benefit rates for 2004 are shown in the following table.

Income Support Benefit Rates¹ 2004 (NIS)

Family composition	Under age 55		Aged 55 or over
	Regular rate ²	Increased rate ³	
<i>Single person</i>	1,393	1,567	1,741
<i>Single person with 1 child⁴</i>	2,089	2,333	2,441
<i>Single person with 2 or more children⁴</i>	2,333	2,612	2,858
<i>Couple</i>	1,915	2,089	2,612
<i>Couple with 1 child</i>	2,089	2,333	3,029
<i>Couple with 2 or more children</i>	2,333	2,716	3,447
<i>Single parent with 1 child</i>	2,333	2,333	2,789
<i>Single parent with 2 or more children</i>	2,716	2,716	3,485

¹ As of July 2002, the actual sum of this benefit received by beneficiaries was reduced by 4%, in accordance with the Economy Arrangements Law.

² Paid to persons who had been entitled to the regular rate of the benefit in December 2002 or who began receiving the benefit in January 2003.

³ Paid to persons who had been entitled to the increased rate of benefit in December 2002.

⁴ Not defined as a single parent in the Single-Parent Families Law.

ALIMONY

Non-payment of alimony to women abroad

Under the Economy Arrangements Law-2003, article 9A was added to the Alimony (Guarantee of Payment) Law, determining that the National Insurance Institute (NII) may withhold alimony payment to a woman who goes abroad, under the following circumstances:

- a) If she is abroad for an entire calendar month (from the first of any month to the last day of the month) or more, the NII will not pay her the alimony for the calendar months that she spends entirely abroad.
- b) If she goes abroad for the second or subsequent time within a calendar year, the NII will not pay her the alimony for the calendar months that she spends entirely abroad, or for the months of her exit from and entrance into Israel.
- c) If her trip abroad is for purposes of medical treatment for herself or her family, upon receipt of medical authorizations, the NII will pay her the alimony for the entire period of her trip abroad.

The new restriction is in effect as of January 1, 2004.

In 2004 an average of 24,595 women received alimony benefits from the National Insurance Institute every month.

The alimony rates for 2004 are shown in the following table.

Alimony Rates
2004 (NIS)

Family composition	<i>Woman under 55</i>	<i>Woman aged 55 or over</i>
<i>Single woman without children</i>		
<i>Previously entitled¹</i>	1,567	
<i>Newly entitled²</i>	1,393	1,741
<i>Single woman with children</i>		
<i>With one child</i>	2,333	2,789
<i>With 2 or more children</i>	2,716	3,485
<i>Woman who remarried</i>		
<i>With one child</i>	1,570	1,570
<i>With 2 or more children</i>	2,270	2,270
<i>Children alone</i>		
<i>One child alone</i>	1,570	
<i>2 children alone</i>	2,270	
<i>Each additional child</i>	696	

¹ Entitled to alimony before January 1, 2003.

² Entitled to alimony as of January 1, 2003.

CHILDREN

Reduction in child allowance rates

Under the Economy Arrangements Law-2004, the rate of the child allowance is reduced by NIS 24 for each child during the period February 2004 – June 2004. From July 2004 until the end of 2004, the rate of the allowance for the third and subsequent children (born before June 1, 2003) in families shall be further reduced as follows: the third child – by NIS 7; the fourth – by NIS 26; the fifth and subsequent children – by NIS 39 each. During this period, an allowance at a rate of NIS 120 shall be paid for every child born on June 1, 2003 or thereafter, regardless of his place in the family.

Increment to child allowance for low-income families

Under the Economy Policy Law-2004, Article 68 of the National Insurance Law was amended, and Article 68c was added, according to which a parent entitled to child allowance for three or more children who receives one of the following benefits: income support, alimony, survivors' pension with income supplement or old-age pension with income supplement, will receive a monthly increment to the child allowance at a rate of 0.59 of a credit point for each of the third and fourth children in the family (NIS 101 in July 2004).

This change, in effect as of July 1, 2004, was enacted following the reduction in the child allowance and the resulting drastic fall in the income of large families.

 In 2004, the number of families receiving child allowance grew by 0.7%, and about 945,600 families (as a monthly average) receive allowances for about 2.2 million children.

The child allowance rates for 2004 are shown below.

Child Allowance Rates (per family) **2004 (NIS)**

Month	<i>One child</i>	<i>Two children</i>	<i>Three children</i>	<i>Four children</i>	<i>Five children</i>	<i>Six children</i>
<i>January</i>	144	288	483	937	1,459	1,981
<i>February-June</i>	120	240	411	841	1,339	1,837
<i>July-December</i>	120	240	404	808	1,267	1,726

MATERNITY

Raise in maternity grant for second child in families

Under a new amendment, as of January 1, 2004, the sum of the maternity grant paid to mothers for the second child born in the family has been raised from 6% of the average wage to 9% thereof. The other rates of the grant remain the same: 20% of the average wage for the first child and 6% of the average wage for the third and subsequent children.

Extension of maternity allowance due to infant's lengthy hospitalization

Under an amendment to the Women's Work Law regarding the extension of maternity leave due to the newborn infant's hospitalization, the National Insurance Law has been changed, allowing for payment of the maternity allowance for a longer period, accordingly.

Under the change, aimed at compensating women for a particularly long hospitalization of their newborn child, a woman whose infant must be hospitalized for at least 12 consecutive weeks in the course of her maternity leave may extend her maternity leave for 4 additional weeks, and is entitled to additional maternity allowance accordingly. This applies both to women entitled to a full basic maternity allowance (for 12 weeks) and to those entitled to a partial basic maternity allowance (for 6 weeks). This extension is in addition to the previously legislated extension of maternity allowance due to the hospitalization of the mother and/or infant, during the maternity leave, for a period of over 2 weeks. This previously legislated extension is up to 4 weeks for women entitled to the full allowance and up to 2 weeks for women entitled to a partial allowance.

The change is in effect as of April 1, 2004.

Extension of temporary order regarding maternity allowance for fathers

The amendment to the Women's Work Law regarding maternity leave for eligible fathers – and thereof to the National Insurance Law regarding payment of maternity allowance to eligible fathers – has been extended for three more years, as of May 1, 2004. Furthermore, the ceiling of payment of maternity allowance to fathers has been raised to five times the average wage (the same as to mothers), from twice the average wage previously.

The number of recipients of the hospitalization grant went up in 2004 by 0.7%, and that of the maternity allowance – by about 4.8%.

The rates of the various maternity benefits for 2004 are shown in the following table.

Maternity Insurance Benefit Rates
2004 (NIS)

Month	<i>Hospital- ization grant</i>	<i>Maternity grant (for the first child)</i>	<i>Maximum daily maternity allowance (by law)</i>	<i>Average (actual) daily maternity allowance</i>
<i>January</i>	6,118	1,354	1,114.2	169.4
<i>February</i>	6,118	1,354	1,114.2	166.2
<i>March</i>	6,118	1,354	1,114.2	169.7
<i>April</i>	6,349	1,354	1,114.2	179.2
<i>May</i>	6,349	1,354	1,114.2	173.6
<i>June</i>	6,349	1,354	1,114.2	177.1
<i>July</i>	6,349	1,354	1,114.2	176.8
<i>August</i>	6,349	1,354	1,114.2	180.0
<i>September</i>	6,349	1,354	1,114.2	178.4
<i>October</i>	6,349	1,354	1,114.2	175.5
<i>November</i>	6,349	1,354	1,114.2	176.3
<i>December</i>	6,349	1,354	1,114.2	175.3

WORK INJURY

Under the National Insurance (Work Injuries) Law, all workers are insured against the risk of work accidents and occupational diseases.

It is compulsory for all employers to insure their employees (except for policemen, jailers, and defense employees) against the above risks. Such employees include those regularly or temporarily employed, for daily or monthly wages, full-time and part-time workers.

All employees working in Israel – as well as the self-employed – are insured, regardless of the age or nationality of the workers.

If an insured person who suffered a work injury (work accident or occupational disease) died as a result of this injury, his relatives – widow/widower, orphans, parents and any other relatives (hereinafter dependants) are entitled to work injury benefits.

No major changes in Work Injury Insurance took place in 2004.

In 2004, the number of recipients of work injury allowance increased by 6.9%. The number of recipients of permanent disability benefit (out of total work injured) grew by about 4.5%, while the number of recipients of dependents' benefit increased slightly – by 1.0%.

The maximum rates in 2004 for daily work injury allowance and monthly work disability benefit are shown below.

Maximum Work Injury Allowance and Work Disability Benefit Rates 2004 (NIS)

<i>Daily work injury</i> ¹	<i>Monthly work disability</i>
870.5	26,115

¹ As of July 2002, the actual sum of this benefit was reduced by 4% in accordance with the Economy Arrangements Law.

PRISONERS OF ZION

Under the Law of Benefits for Prisoners of Zion and their Families-1992, a resident citizen of Israel, recognized as a Prisoner of Zion by the competent authority in the Ministry of Absorption, is entitled to benefit from the National Insurance Institute.

Non-disabled Prisoners of Zion are also eligible for benefit, conditional on an income test. Furthermore, disabled Prisoners of Zion are eligible for an additional income-based benefit, in addition to their regular, basic benefit.

Disabled Prisoners of Zion are also entitled to in-kind benefits including medical care and vocational rehabilitation.

Relatives of Prisoners of Zion who are in jail, or who have passed away, may be entitled to various benefits.

No major changes in the Law took effect in 2004.

HOSTILE ACTION CASUALTIES

Grant to orphan of person killed in terrorist act

Under the amendment, a full orphan (orphaned from both parents), at least one of whose parents was killed in a terrorist act, is entitled to a grant at the same rate as that paid to a bereaved single parent in the Hostile Action Casualties branch – NIS 42,704 in June 2004 – on condition that the orphan was at least 21 years old and under 30 at the time of the terrorist act.

The grant is paid in two equal installments, the first right after the terrorist act and the second six months later.

The new grant is in addition to the grant that is paid to orphans up to age 21.

RESERVE SERVICE

Calculation of benefit

Under Amendment no. 70 to Article 273 to the National Insurance Law, the manner in which the benefit paid to persons who serve in the military reserves has been changed in certain cases, for the benefit of those reservists who did not accumulate a full income in the three months preceding their reserve duty.

The daily reservists' benefit is calculated on the basis of the reservist's gross income (liable for insurance contributions) in the three months' period preceding the month during which the reserve service began, including the cost-of-living increment, divided by 90.

In accordance with the amendment, in effect as of June 1, 2004, the months during which the reservist did not work, or worked but earned less than the minimum wage, will be considered as months during which he earned the minimum wage.

If the reservist worked less than 60 working days in the quarter-year preceding his service, he may choose the three highest-earning months out of the 6 months that preceded his service, while supplementing the income of any month during which he earned less than the minimum wage – or had no earnings – up to the monthly minimum wage.

Previous to the change, the benefit for such a reservist was calculated on the basis of his real income in three out of 6 months, without supplementing this income up to the minimum wage. Therefore, a person who earned less than the minimum wage for a certain month, or who did not work at all in a certain month, would receive a low benefit.

The minimum and maximum daily reserve service benefit rates for 2004 are shown below.

Reserve Service Benefit Rates – Per Day 2004 (NIS)

<i>Minimum</i>	<i>Maximum</i>
111.17	1,160.67

UNEMPLOYMENT

Holder of controlling interest – uninsured

An unemployed person whose determining date – beginning of unemployment period – is January 1, 2004 or thereof is no longer covered in unemployment insurance (or in insurance for bankruptcy or company dissolution) if he is a *holder of controlling interest* in a company controlled by up to five holders.

A *holder of controlling interest* is defined as a person holding at least 10% of the company's shares, or holding the right to appoint the company's director.

Retirement Age Law-2004: implications on unemployment insurance

As of July 2004, with the coming into effect of the Retirement Age Law, the maximum age of eligibility to unemployment benefit for both men and women is the new *retirement age* for men. Previously, men and women up to the age of 65 were eligible for benefit.

New category of required job: security guard in public transportation

A demobilized soldier who works at a job recognized as a *preferred* or *required* job, to which he was referred by the labor exchange, may be eligible for a full or partial employment grant, depending on the length of his work period.

The lists of *preferred* and *required* jobs are determined and detailed in the law.

Demobilized soldiers who had served in combat units and who began working as security officers in public transportation from October 1, 2003 to June 30, 2004 are now eligible for an unemployment grant.

The number of recipients of unemployment benefit decreased in 2004 by 18%, to a monthly average of about 57,640 recipients. The unemployment benefit rates for 2004 are shown below.

Unemployment Benefit Rates¹ 2004 (NIS)

<i>Maximum daily benefit to a single person</i>		<i>Demobilized soldier's benefit</i>	
<i>First period²</i>	<i>Second period³</i>	<i>Regular work (daily benefit)</i>	<i>Preferred/required work (one-time grant)</i>
268	179	102.46	7,379

¹ As of July 2002, the sums that appear here are after the reduction of 4% in accordance with the Economy Arrangements Law.

² During the space of 4 years, benefits are paid for a period of up to 180% of the "maximum period" to which the unemployed person is entitled.

³ For any additional period of unemployment within the space of 4 years, benefits are paid up to a rate of 85% of the sum to which the unemployed person is entitled.

REHABILITATION

The Rehabilitation Department of the National Insurance Institute was set up with the establishment of the Institute in 1954, the conception being that in addition to granting various cash benefits aimed at ensuring a basic level of income for subsistence, it is the task of the NII to provide vocational rehabilitation services to the work injured in order that they may successfully return to work. In the course of the years, with the passing of the General Disability Insurance Law, such services were provided to the general disabled as well, and at a later stage, to widows.

Every local branch of the NII has a rehabilitation department, staffed by rehabilitation officers who are professional social workers trained in the field of vocational rehabilitation. The rehabilitation officers maintain a wide range of contacts with the social services in the community – such as the rehabilitation centers of the Ministry of Labor and Social Affairs – which assist in the rehabilitative process.

Following are the conditions of entitlement to vocational rehabilitation:

- The disabled person has a permanent degree of medical disability of 10% or more (for work-injured persons), or of 20% or more (for general disabled);
- The disabled person is not capable of returning to his former place of work or is in need of vocational training in order to do so;
- The disabled person is suitable for vocational training; that is, he has a reasonable prospect of being integrated in the labor market after the rehabilitative process.

The rehabilitative process commences with the location of the candidates for rehabilitation. In the case of general disabled, every claimant for benefit whose medical condition allows the possibility of employment is referred to a rehabilitation officer. Work injured are referred to rehabilitation following their first appearance before a medical board, while persons injured in terrorist acts and their families are contacted immediately following the injury. Regarding widows, those of working age who submit a claim for dependents' or survivors' benefit are referred to the rehabilitation department.

Every rehabilitee undergoes diagnosis, after which an individual rehabilitation plan is built for him in accordance with his specific needs and capabilities. Implementation of the plan requires significant effort on the part of the rehabilitee, and encouragement on the part of the rehabilitation officer. In most cases it includes funding of: transportation to the place of the vocational course, the course itself, assistance in acquiring books and other necessities connected with the course, etc. The overall goal is to enable the rehabilitees to return to work, and for those who did not work previously, to provide the tools for them to be able to become integrated into the work market – either open or sheltered – successfully.

The Department of Rehabilitation cares for about 16,000 rehabilitees each year, the average period of treatment being a year and seven months. About 48% of rehabilitees complete treatment (and many of these find work), while the remainder cease treatment for medical or other reasons. About 2000 persons are placed by the Department in work every year, and this number is increasing steadily, despite the unemployment that has been growing in recent years.

COLLECTION OF CONTRIBUTIONS

The main source of financing of National Insurance activities is the collection of insurance premiums, or contributions, from the public. Other sources include government participation and interest on investments. Insurance contributions are compulsory payments collected regularly from employees (by means of their employers), from employers (directly), and from the self-employed, as well as from persons who are not working, at different rates imposed on income components liable for insurance contributions. That is, the system is based on the principle that while economically active, the insured person sets aside a part of his income as insurance contributions, and with these payments he in effect “buys” his entitlement to benefits, which serve to replace his wages when he finds himself in any one of the risk situations defined by law.

The rules of deducting national and health insurance contributions from early pensions (those paid to persons who retire before the official retirement age) have changed as of February 2004 as follows:

- Contributions are deducted from the full pension, up to the maximum income liable for contributions, rather than from half the pension, as previously;
- Two brackets of contributions were determined (instead of one bracket, as previously). Reduced rates of contributions are deducted from the share of the pension that is up to half the average wage, and the full rates of contributions are deducted from the share of the pension that is above the average wage.

The contribution rates for December 2004 for the various insurance branches, in addition to health insurance contributions, are shown in the following table.

Insurance Contribution Rates
December 2004 (percentages)

Insurance branch	<i>Employee</i>					<i>Self-employed</i>	
	<i>Total¹</i>		<i>On employee's account</i>		<i>On employer's account</i>		
	<i>full rate</i>	<i>reduced rate²</i>	<i>full rate</i>	<i>reduced rate²</i>		<i>full rate</i>	<i>reduced rate²</i>
<i>Old-age and Survivors</i>	5.30	3.00	3.07	0.77	2.23	4.93	3.09
<i>Long-term Care</i>	0.18	0.10	0.11	0.03	0.07	0.17	0.12
<i>General Disability</i>	1.94	0.83	1.48	0.37	0.46	1.76	1.11
<i>Accident Injury</i>	0.08	0.04	0.06	0.02	0.02	0.07	0.06
<i>Work Injury</i>	0.64	0.64	--	--	0.64	0.64	0.39
<i>Maternity</i>	0.87	0.35	0.69	0.17	0.18	0.78	0.56
<i>Children</i>	2.27	2.27	--	--	2.27	2.27	1.39
<i>Unemployment</i>	0.21	0.08	0.17	0.04	0.04	--	--
<i>Bankruptcy</i>	0.02	0.02	--	--	0.02	--	--
<i>Total Insurance Branches</i>	11.51	7.33	5.58	1.40	5.93	10.62	6.72
<i>Health</i>	4.80	3.10	4.80	3.10	--	4.80	3.10
<i>Total Contributions</i>	16.31	10.43	10.32	4.50	5.93	15.42	9.82

¹ These rates include the share of the employee and the employer in payment of insurance contributions. In addition, the government participates in the financing of the insurance branches instead of the employer and the self-employed at a rate of 0.64%.

² On income of up to half the average wage.

COUNSELING SERVICE FOR THE ELDERLY

The Counseling Service for the Elderly was set up in 1972 as a demonstration project of the National Insurance Institute, at the initiative of Mr. Leo Blumensohn. His idea was to have volunteer pensioners support other elderly persons and help them take up their rights at the NII and at other organizations.

The Service began modestly with a handful of volunteers working in three local branches. Over the years it expanded considerably, and today includes thousands of volunteers in all local branches throughout the country.

The Service is a professional one, managed by social workers whose expertise is in the fields of gerontology and volunteerism. Its aim is to provide support and assistance to the elderly living in the community, by means of existing resources. The basic perception underlying its work is that there should be a direct link between the elderly person and the volunteer – *elderly to elderly* – in order that the volunteer be able to reach the elderly person's inner feelings stemming from problems related to old age.

The volunteers are required to undergo a four-month training course, during which he learns about the perception of the Institute he represents, the special needs of the elderly, the changes that occur at this age, and the skills needed in work with the elderly.

The work of the Service includes:

- Preliminary home visits – hundreds of visits are conducted throughout the country to predefined population groups, in accordance with information from NII data banks. Groups targeted for these visits include: recipients of long-term care benefits, persons whose claim for this benefit was deferred, elderly widows, the very old (over 88), etc. In the course of the visits, conducted by specially-trained volunteers, questionnaires are filled out by means of which we may ascertain whether or not the elderly receive proper treatment, and then act accordingly.
- Regular home visits – a continued link to those elderly persons found to be in need. The volunteers assigned to these elderly become their main intermediaries and defendants.
- Counseling – elderly persons and members of their families visit the offices of the Service and are provided with counseling on all their problems, mediating services (both with the NII and other organizations), and above all, a listening ear.
- Support groups for widows/widowers – aimed at lifting the widows and widowers out of their loneliness and depression, and helping them get back to daily functioning and social involvement.
- Support groups for spouses of ill or handicapped elderly – aimed at easing the burden of intensive care.
- Joint projects in the community – in accordance with the specific needs of the town or community. The aim is to strengthen the elderly who live in the community, providing them assistance in a wide range of fields.

FUND FOR DEMONSTRATION PROJECTS

In 2004 the Department of Demonstration Projects of the National Insurance Institute dealt with about 250 *demonstration projects* and project proposals. The Department, which was established with the aim of encouraging organizations to develop new initiatives in the area of social services, assists the initiators of the projects in a number of ways: it helps to define the project's aims and to plan the project, it provides financial assistance during the initial experimental period (the participating organizations must commit themselves to continue financing the project on their own beyond the experimental stage); it carries out ongoing research for the project and it actively participates in the steering committee responsible for running the project.

Research evaluations of projects completed – and with reports published in 2004 – are described below.

Joint Sports Activities

The project, "Joint sports activities of students with moderate and severe physical disabilities and regular education students", demonstrated the way these two groups achieved mutual relationships.

Two groups of students without disabilities were included in the sports activities of a special sports center for persons with physical disabilities. One group was composed of primary education students from a nearby primary school named "Nizanim"; the second group was composed of high school students involved in a youth movement called "Youth to Youth". Inclusion usually means the preparation of students with disabilities towards integration in 'normal' schools or clubs. The special contribution of the current project was in demonstrating how students without disabilities can be prepared for joint activities with students with disabilities in the home-ground of the latter.

Several features singled this project out from other inclusive programs. One was the focus of the activities around joint sports activities between physically disabled and non-disabled peers. The second was the ongoing group discussions with the participants, run by a social worker and a sports rehabilitation expert.

The main conclusion drawn was that without a comprehensive change in attitudes towards students with disabilities, their inclusion in regular education will not succeed.

The project is an important model for running inclusive programs, it focused on an area that is the 'soft spot' of persons with physical disabilities: sports activities.

Volunteering works: volunteers and volunteering in youth drop-in centers

This research study examined volunteering in the network of informal drop-in centers run by the voluntary association for at-risk youth, *Elem*. Using an integrated form of quantitative research methodology (including numerous interviews and observations) and qualitative research methodology (including several hundred questionnaires), the research

examined seven centers over two and a half years, at two different points in time, with the focus on the volunteers in the centers.

Analysis of the data showed that *Elem* put together adult volunteers, professional paid staff and the youth who used the facilities, with young volunteers acting as a link between the adult volunteers and the young clients. Moreover, the network of centers maintains close links both with the central organization (*Elem*) and the communities in which they are situated.

It was found that volunteering had positive effects on all the aspects examined, and that it was possible to conclude, in this context, that volunteering “works”. The study emphasized the importance of inter-personal relationships between all the groups and factors identified above and the mutual relationships between them.

However, it was noted that *Elem* and the drop-in centers were still in an early stage of organizational development, and a comprehensive and orderly code of working with volunteers had still to be developed and applied. The absence of this code seems to be the source of high organizational and role ambiguity and the lack of organizational stability. Finally, a number of operative conclusions are put forward concerning the management of volunteers. It should be possible to learn from them, and to improve work with volunteers, both in *Elem* and in similar organizations.

“How Alike We Are / How Different We Are”

The overall goal laid down for this special project, “How Alike We Are / How Different We Are,” was to create a positive basis for the social integration of special children and their families within Israeli society.

To achieve this goal, the approach adopted was to conduct one-time workshops, designed to expose high school students in the State school system to information relating to special children – in order to generate among them greater openness toward and understanding of the special child and his needs.

This experimental program was initiated and run by “Sulam”, which operates a *haredi* (religious Orthodox) pre-school program for special children aged between 1 and 6, suffering from mild to moderate retardation. The program was designed as a continuation of an experimental program run by “Sulam” among *haredi* and religious high school girls, with appropriate modifications to adapt it to the present target population.

Satisfaction levels from the workshops, both among students and among school representatives who attended the program, were high. The research findings show that the workshop opens a window into the world of people with disabilities. For some students, this was their first exposure to this world. However, for this exposure to have long-term effects, it is recommended that the workshops be followed up with ongoing activities aimed at bringing students into contact with people with disabilities.

FUND FOR DEVELOPMENT OF SERVICES FOR PEOPLE WITH DISABILITIES

In addition to the provision of various benefits for the disabled, The National Insurance Institute provides funding for the development of new and enhancement of the existing network of services for the disabled in Israel, through the Fund for the Development of Services for People with Disabilities.

The Fund has for the past thirty years provided major assistance for new equipment, renovations and for new building to a multitude of governmental, municipal and voluntary non-profit service providers. In the year 2004 there were about 1,750 projects (including applications and projects in process); 152 of these approved in the course of that year.

The Fund draws its budget from the annual allocation earmarked for the General Disability Insurance branch (NIS 90 million in 2004), and it provides allocations for a very wide range of disabilities – including the developmentally disabled, emotionally disabled, blind, visually disabled, deaf and hearing-impaired, motor-function disabled, autistic, learning disabled and individuals with disease-related disabilities.

The Fund considers its main goal as one of fostering the integration of the disabled in the community at large. It provides assistance for the initiatives of only those service-providers who can provide proof of their ability to maintain and operate their services for an extended period. To date, it has provided funding for hundreds of services in virtually every town and city in the country. The main types of services developed by the Fund are community residences, vocational rehabilitation and sheltered workshops, leisure activities, and special education and early childhood intervention programs.

Community Residences – The Fund has been a primary catalyst in the development of residential services for the disabled, which have experienced an enormous expansion in the past five years. Funding is provided for a wide spectrum of different residential options, such as hostels and sheltered apartments.

Employment Services – the Fund has assisted in improving basic work conditions throughout the country. These workshops provide a basic work situation for individuals aged 18 or older who lack the basic skills for full employment in the work force. In the past several years the Fund has helped establish twenty new workshops, mostly located in outlying areas and in the Arab sector. The Fund is currently supporting the building of twenty additional workshop centers, some of which are intended to integrate individuals with various disabilities. The Fund also provides extensive assistance for establishing pre-employment therapeutic centers for individuals with severe cognitive, emotional and physical disabilities who are unable to function in a sheltered employment center. Assistance is also provided for the establishment of small businesses operated by individuals with disabilities such as catering services, direct-mail services and laundry services.

Special Education – the Fund has provided assistance to scores of special education programs for the purchase of equipment in the following areas: therapeutic programs, pre-work training programs, independent living training, specialized playground and group activities and specialized computer accessories and software. Increasingly in recent years, the Fund has become more involved with integrative and mainstreamed varieties of special

education, as these begin gradually to replace the more traditional segregated forms of education, especially for the more mildly disabled.

Early Intervention – Having recognized the importance of early detection and intervention of developmental disabilities in the 0-5 population, the Fund has been a primary mover in the establishment of community-based treatment centers. These centers provide physical occupational speech and psychological therapy under the guidance and supervision of the main Child Development Centers. With the passage of the Rehabilitative Nursery School Law, the Fund has expanded its assistance to establishing special nurseries throughout the country.

Recreational Activities – recognizing the importance of recreational activities as an essential component in the well-being of the developmentally-disabled individual, the NII has provided support for a multitude of both segregate and integrative recreational programs. These include afternoon community clubs for young adults, evening recreational social clubs for adults, sports facilities and music and drama centers.

Accessibility – In order to facilitate the full integration of the disabled in Israeli society, the Fund has expanded its traditional role of developing services that primarily serve the disabled. In 1998, the Fund embarked on a national program to ensure accessibility of the disabled to all public services. These include Government offices, municipal buildings, schools, universities, museums, theatres, and courts as well as outdoor recreational sites such as the National Parks' nature reserves and picnic areas. Assistance is provided for special adaptations required by the physically disabled, such as ramps, paths, elevators, chair-lifts and adapted restrooms. Additionally, special adaptations have been provided for the visually and hearing disabled such as Braille signs, "ringing" traffic lights, special 3-D models, audio guides and FM systems for screening background noises. The Fund intends through these efforts to enhance public awareness of the need for accessibility to all services and to serve as a catalyst for additional funding sources. During 2005 and 2006, the Fund will focus its efforts on expanding accessibility in schools, universities and colleges, as well as in informal education settings such as community centers and libraries.

Finally, in addition to its commitment to the development of community services, the Fund has since 1994 embarked on a massive program – together with the Ministry of Social Affairs – to improve the quality of life in twenty large governmental and public voluntary residences for the developmentally disabled. Efforts have been concentrated on refurbishing residential pavilions, building new housing to cope with chronic overcrowding, building day activity centers and improving basic infrastructure.

For the first time, the Fund has earmarked approximately 7% of its annual budget for 2005 and 2006 for renovations in privately owned and operated institutions and community residences for the developmentally disabled.

FUND FOR DEVELOPMENT OF LONG-TERM CARE SERVICES FOR DEPENDENT ELDERLY

Under Article 237A of the National Insurance Law, the National Insurance Institute finances the development of community and institutional services for frail elderly individuals who are limited in activities of daily living and require long-term care services.

The annual budget for service development projects under this Fund is NIS30 million. The Minister of Social Affairs and the Minister of the Treasury authorize projects approved by the NII, after consultation with the Public Council.

The Fund assists public bodies in the development of infrastructure and equipment for services, contingent on the commitment to finance operating expenses of the program for which assistance is requested.

The Fund supports service development in four primary areas: building, expanding and enhancing day centers for the elderly, including raising the standard of day centers by adding functions such as physiotherapy, health fitness equipment and therapeutic gardening; expanding and developing sheltered housing environments; additions and upgrading of beds and physical environment in nursing homes; developing training programs for geriatricians and courses for home care attendants who provide personal care for elderly eligible for Long-Term Care Insurance benefits.

In 2003 the Fund approved 60 new programs, which included 21 community and 39 institutional projects. During this year, a total of 308 projects received funding from the Fund.

FUND FOR ACTIVITIES OF SAFETY AND HYGIENE IN THE WORKPLACE

Under Article 149 of the National Insurance Law, the National Insurance Institute participates in the funding of activities aimed at safety and the prevention of work accidents in factories or in other workplaces (the Fund's current budget in 2004: about NIS 7 million, of which the Fund spent about NIS 6.8 million).

Such activities include:

- research in the area of safety and hygiene in the workplace, aimed at formulating conclusions which are widely applicable to prevent or reduce work accidents;
- examining the conclusions of the above research by means of their experimental application in a certain workplace, in order to examine the extent of their applicability and contribution to the promotion of work safety and hygiene;
- the survey, mapping and evaluation of existing and future risks in workplaces, and the proposal of solutions to remove these risks;
- activities of information, training and practice of behavior to prevent work accidents in workplaces;
- developing or improving means, tools and accessories aimed at increasing safety and hygiene in the workplace, in order to offer them to other employers;
- conducting nationwide information campaigns by means of the mass media and other means of publication, aimed at developing awareness concerning safety and hygiene at work.

In 2004, the Fund operated about 80 projects, some of them new and others carried on from previous years.

FUND FOR DEVELOPMENT OF SERVICES FOR CHILDREN AND YOUTH

The Fund for The Development of Services for Children and Youth was established in 2004 with the aim of developing services for children and youth at risk. In Israel there are well over 350,000 children whose functioning is impaired due to conditions of neglect, poverty or abuse (physical, sexual or emotional). All these factors affect the normal development of these children and leave them exposed and in distress. In these difficult times, children are often in the most sensitive position and their welfare is the most threatened.

There is no doubt that we are facing a social crisis, and the development of this Fund heralds a decision by the National Insurance Institute to put this important topic in the forefront of its agenda.

The strategic aims of the Fund as defined for the next three years are to develop programs in the following areas:

- a) *To provide a "second chance" to at-risk youth for matriculation exams, higher education and provision of job skills.*
- b) *To prevent and reduce violence among children and youth, by means of intervention in educational and community frameworks.*
- c) *To treat and support children who are victims of sexual abuse.*
- d) *To develop programs for at-risk youth and young girls in distress.*
- e) *To promote programs for enhancing parenting skills.*

The Fund will participate in welfare programs aimed at developing local, regional and nationwide services in the community by means of assistance in funding these programs for defined periods, with other bodies – the government, local authorities or public bodies – committing themselves to operate the program after this initial period.

INTERNATIONAL CONVENTIONS ON SOCIAL SECURITY

International social security Conventions, bilateral and multilateral, are designed to assure equality of treatment or reciprocal treatment, the right to export benefits, as well as to protect rights of persons and their families who move from one country to another for employment or other reasons. The need for such Conventions stems from the fact that social security programs do not usually give adequate consideration to the special needs of persons who are outside its jurisdiction. Israel, as an immigration country, is interested in such Conventions in order to assure each beneficiary an adequate benefit for prior social security credits in their country of origin.

Another dimension of these international Conventions is the need to avoid dual coverage and contributions for workers posted temporarily by their employer in another country, while assuring continuity of protection and adequate benefits under the social security legislation of their country of origin.

Bilateral conventions

Israel signed the first bilateral Convention in 1957. Since then, continuous efforts have been made to enlarge the scope of our international cooperation through bilateral Conventions. At the present time, fifteen such Conventions have been concluded and are in force.

No new bilateral Conventions came into force in 2004.

The bilateral Conventions presently in force between Israel and other countries are shown in the following table.

Bilateral Conventions

Country	<i>Date of Signature</i>	<i>Operative Date</i>	<i>Coverage</i>	<i>Insurance Branches</i>	<i>Competent Institution</i>
<i>United Kingdom</i>	April 29, 1957	Nov. 1, 1957 Amending protocol: April 1, 1984	British or Israeli citizens who are employees or self-employed and members of their families	Old-Age, Survivors, Maternity, Children, Work Injury and Occupational Diseases	The Pension Service, International Service, Newcastle upon Tyne, England NE98 1BA ¹
<i>Netherlands</i>	April 25, 1963	Nov. 1, 1963 New Agreement: Sept. 1, 1985	Dutch or Israeli citizens, refugees and stateless persons who are employees or self-employed, and members of their families	Old-Age, Survivors, Disability, Maternity ² , Children, Unemployment, Work Injury and Occupational Diseases	SVB Vestiging Roermond Postbus 1244 6040 KE Roermond Netherlands
<i>France</i>	December 17, 1965	October 1, 1966	French or Israeli citizens who are employees, and members of their families	Old-Age, Survivors, Maternity, Work Injury and Occupational Diseases	C.L.E.I.S.S. 11 rue de la Tour des Dames, 75436 Paris, Cedex 09, France
<i>Belgium</i>	July 5, 1971	May 1, 1973	Belgian or Israeli citizens who are employees, and members of their families	Old-Age, Survivors, Work Injury and Occupational Diseases	Office Nationale de Securite Sociale, Place Victor Horta 11, 1060 Bruxelles, Belgique
<i>Austria</i>	November 28, 1973	December 1, 1974	Austrian or Israeli citizens, refugees and stateless persons who are employees or self-employed, and members of their families	Old-Age, Survivors, Disability, Maternity, Children (Family Assistance), Unemployment, Work Injury and Occupational Diseases	Pensionsversicherungs-Anstalt Friedrich Hillegeist str 1, 1021 Wien, Postf 1000, Austria
<i>Germany</i>	December 17, 1973	May 1, 1975	German or Israeli citizens, refugees and stateless persons who are employees or self-employed, and members of their families	Old-Age, Survivors, Disability, Maternity, Work Injury and Occupational Diseases	BFA 10704 Berlin, Germany ----- LVA Rheinprovinz 40194 Dusseldorf 1 Germany
<i>Sweden</i>	June 30, 1982	July 1, 1983	Swedish or Israeli citizens, refugees and stateless persons who are employees or self-employed, and members of their families	Old-Age, Survivors, Disability, Maternity, Children, Unemployment, Work Injury and Occupational Diseases	Forsakringskassan Stockolms Lan Utlandsavdelningen S-105 11 Stockholm, Sweden

¹ An additional institution in UK: Inland Revenue, Centre for Non-Residents-BP1301, Benton Park View, Newcastle Upon Tyne, NE98 1ZZ, England.

² Cash benefits only (not hospitalization).

Bilateral Conventions
(cont'd)

Country	Date of Signature	Operative Date	Coverage	Insurance Branches	Competent Institution
<i>Switzerland</i>	March 23, 1984	October 1, 1985	Swiss or Israeli citizens, refugees and stateless persons who are employees or self-employed, and members of their families	Old-Age, Survivors and Disability	Caisse Suisse de Compensation, 18 Ave Ed Vaucher, CH-1211 Geneva 28, Switzerland
<i>Italy</i>	January 7, 1987	November 21, 1989	Italian or Israeli residents employed in the territory of the other country	None	Ministero del Lavorare e della Previdenza Sociale 17, Via della Trezza 00187 Roma, Italy
<i>Poland</i>	October 31, 1991	December 31, 1991	Polish or Israeli citizens entitled to work injury or occupational disease benefits	Work Injury and Occupational Diseases	Zaklad Ubezpieczen Spolecnych Biuro Rent Zagranicznych ul. Senatorska 10 00-082 Warszawa, Poland
<i>Denmark</i>	July 3, 1995	April 1, 1996	Danish or Israeli citizens, refugees and stateless persons who are employees or self-employed, and members of their families	Old-Age, Survivors, Disability, Work Injury and Occupational Diseases, Maternity and Children	Den Sociale Sikringsstyrelse, Landemaerket 11, 1119 Kobenhavn K, Denmark
<i>Finland</i>	September 15, 1996	September 1, 1999	Finnish or Israeli citizens, refugees and stateless persons who are employees or self-employed, and members of their families	Old-Age, Survivors, Disability, Work Injury, Maternity and Children	The Social Insurance Institution KELA Office for Int'l Affairs, P.O. Box 72 00381 Helsinki Finland ¹
<i>Uruguay</i>	March 31, 1998	November 1, 1999	Uruguan or Israeli citizens, employees or self-employed, and members of their families	Old-Age, Survivors, Disability, Work Injury, Maternity and Children	Banco de Prevision Social, Gerencia de Area de Investigacion, y Asuntos Internacionales, Calle Colonia 1921 Piso 1 Montevideo Rep.ublica Oriental del Uruguay
<i>The Czech Republic</i>	July 16, 2000	July 1, 2002	Czech or Israeli citizens, refugees and stateless persons and their dependants	Old-Age, Survivors, Disability, Work Injury, Maternity and Children	Caska sprava socialnino zabezpeceni, Krizova 25, 25 225 08 Praha 5 Czech Republic
<i>Canada</i>	April 9, 2000	September 1, 2003	Canadian or Israeli citizens, refugees and stateless persons who are employees or self-employed.	None	Canada Customs and Revenue Agency (CCRA) CPP/EI Eligibility Division 25 McArthur Rd, Tower C Room 764, 7th Floor Vanier, Ontario K1A 0L5 Canada

¹ An additional institution in Finland: Elaeketurvakeskus, 0065 Elaeketurvakeskus, Finland.

FUTURE CHANGES

Linking of maximum income to price changes

Under the Economy Arrangements Law-2004, the National Insurance Law was amended so that the maximum income liable for national and health insurance contributions will be adjusted, as of 2006, according to price rises rather than according to the average wage. This is in addition to the 2002-2005 freeze in the maximum income due to the non-adjustment of the average wage for purposes of benefits and collection. All the other collection parameters – level of income for reduced rates of insurance contributions, minimum income for the various types of insured persons and level of income for definition of a self-employed person – will be adjusted to changes in the average wage beginning in 2006, similarly to the situation up to 2002.

Continued cuts in child allowances

The government policy of drastic cuts in child allowances – the first stage of which was carried out in 2002-2004 – will continue in 2005 and subsequent years (up to 2009). The policy is expected to be partially implemented by means of temporary orders and partially as permanent legislation. By the end of the legislative process in 2009, the allowance will be a set amount for every child in all families, regardless of the child's place in the family, and this amount will be lower than the sum paid for each of the first two children in families prior to the implementation of the new policy.

Maternity grant directly to mothers

As of January 1, 2005, the NII will pay the maternity grant, paid to mothers after giving birth in order to help cover costs of a layette for the newborn child, directly to mothers. The payment will be transferred to the mother's bank account about a month after the date on which she gave birth.

Presently, the maternity grant is paid by means of a check given to the mothers in the hospitals in which the birth takes place.

Economy Arrangements Law-2005

The following future changes in the social security system of Israel are under the Economy Arrangements Law-2005, enacted by the Knesset.

Increment to income supplement

Recipients of old-age, survivors and dependents' pension who are entitled to income supplement (under the Income Support Law) will receive an increment to their income supplement in three stages in the course of 2005 – in January, July and December of that

year – so that by the end of the year the pension will be raised by NIS 170 for a single person and by NIS 230 for a couple.

Moreover, the payments of the old-age pensions (to those elderly not entitled to income supplement) will be reduced by 1.5%, instead of by 4% as presently.

Claims for work injury benefits due to deterioration in hearing or tinnitus

A number of conditions were added for the approval of new claims for work injury benefit due to deterioration in hearing or to tinnitus, when these impairments are caused by exposure to noise in the workplace.

The new conditions that must be met in order for deterioration in hearing to be recognized as a work injury are: the claimant was exposed to noise beyond the permissible level, in accordance with work safety regulations; his hearing deteriorated by at least 20 decibels in each ear; he submitted his claim within 12 months of the day that he first complained of the deterioration in his hearing, or 12 months elapsed since this deterioration according to a Medical Appeal Board decision.

The new conditions that must be met in order for tinnitus to be recognized as a work injury are: his hearing deteriorated by at least 25 decibels in each ear; he complained of the problem before he ceased working at the workplace in which he was exposed to the harmful noise; he made several attempts to treat the problem medically.

The change applies to claims submitted on or after April 1, 2005.

Financing of work injury allowance

The work injury allowance due to employees be financed by their employers for the first 12 days of entitlement. Self-employed workers will not be entitled to work injury allowance for the first 12 days.

At present, only the first 9 days of entitlement (of employees) are financed by employers, while the self-employed are not entitled to allowance for the first 9 days.

In practice, the NII pays the entire allowance directly to employees and collects the amount due from the employers.

Entitlement to work disability pension and grant

A work disability pension will be paid only to a work-injured person with a temporary disability degree of 9% or over. Persons for whom a permanent disability degree of 9% or over is determined will be paid a work disability grant. Persons with a lower disability degree will not be eligible for any benefit.

At present, a pension is paid to persons with a temporary disability degree of 5% or over, and those with a permanent disability degree of 5% or over are paid a grant.

Trends and Developments 2004

Persons with a permanent disability degree of 20% and over are paid a pension, and this will not change.

The change will be in effect regarding work accidents that occurred on or after April 1, 2006, and regarding occupational diseases – claims submitted on or after this date.

Changes in hospitalization grant

The hospitalization grant is paid by the National Insurance Institute to hospitals to help cover the hospitalization expenses of mothers giving birth and their babies. It is a set sum determined in the regulations and updated from time to time.

Due to the dire financial straits of the hospitals, the hospitalization grant paid for regular births will be increased by about 3% and for premature births (entailing particularly high costs) – by about 50% (a total annual increase of approximately NIS 114 million). This increase will be financed entirely by the Treasury, by means of the NII.

Change in contributions paid by employers

The rates of insurance contributions paid by employers for their employees will be gradually reduced from July 2005 to January 2009 (so that by January 2009 they will have been reduced by an average rate of 1.5 percentage points – from 5.93% to 4.43%). Furthermore, two brackets of contribution rates were determined for employers (instead of one bracket presently): reduced rates on employees' wages that are up to half the average wage, and full rates on employees' wages that are over half the average wage and up to the maximum income liable for contributions.