

2008

Annual Survey



National Insurance Institute of Israel
Research and Planning Administration

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2008

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Preface

by the Director-General

The year 2008, to which this Survey refers, marks the end of five consecutive years of growth, manifested by expanded employment, a decrease in unemployment and an increase in wages. These positive developments were reflected in the scope of benefit payments and collection through the National Insurance Institute of Israel, even after taking into account the effects of legislation that reduced these payments.

The year under survey passed under the shadow of recession cast over the entire global economy, including the Israeli economy. The signs of an economic crisis, expected to intensify during 2009 and 2010, were recognized already by the second half of 2008, with the accelerated rise in the number of unemployed and of families claiming income support. The social situation is affected both by the government's economic strategy and by the state of the social safety net. During such times, the role of the National Insurance Institute as a partner in shaping the character of the Israeli welfare state and as the provider of a safety net to its citizens becomes doubly important. Chapter 1 of this Survey raises key issues regarding economic and social policy, in light of the known starting point of a tense social situation, as revealed in historical and international comparisons of poverty and inequality in Israel.

The comparison of Israel with developed countries around the world in terms of socio-economic indicators of welfare expenditure for and the dimensions of poverty and inequality (expanded upon in Chapter 2), indicates Israel's relatively low position compared with the OECD countries (which, for the most part, are developed countries), and shows that the state of Israel's starting point as it entered the present crisis did not leave it with any "surpluses" for coping with a further exacerbation of the situation. The findings for 2007 and for the first half of 2008 (published previously) indicated an improvement in the poor population's situation and a downward trickling of profits from growth – for the first time since the last growth wave– even to the weak strata of society. The findings also showed a trend of expansion of employment and an increase in the earnings of disadvantaged population groups in general, and of large families in particular, to an extent that helped some of them extricate themselves from poverty.

These initial signs of improvement are likely to be short-lived, due to the present crisis and the anticipated shortage of jobs. However, if the government implements a macro-economic policy that temporarily expands demand – as the International Monetary Fund has recommended – and supports weak population groups and those harmed by the crisis by strengthening the social safety net for the long run as well, then the period of crisis may be transformed into an opportunity to improve the economy and benefit society when the crisis is over. To this end, it is advisable to make use of a variety of supporting tools: the social safety system will serve as a bridge between the two growth periods (before and after the crisis) for the working-age population, while a pro-active policy in the labor market and an improvement in unemployment insurance will benefit the situation of the working population, which is not getting fair compensation, and will benefit those not presently working but who have the potential to enter the labor market when growth resumes.

The National Insurance Institute has recently been working on a strategic action plan, addressing both the benefits aspect and the financing aspect of its activities. In the course of the year, memoranda and position papers were prepared, addressing the Institute's benefits, its financial

infrastructure for financing these benefits and the socio-economic situation. These documents include, for the most part, proposals and recommendations relating to the various insurance schemes for which the National Insurance Institute is responsible, in order to adapt them to the changing times and to the challenges facing Israeli society. A summary of these proposals is presented in Chapter 1 (Section 2) of this Survey. Some of the proposals have already been accepted by policy makers. Improvements to unemployment insurance – which, in 2001, provided cover for nearly half of the unemployed in the economy, and, in recent years, fell so far that it covered only a quarter of the unemployed – are expected to come into effect in 2009. These improvements will shorten the qualification period required for receipt of unemployment benefits and extend the entitlement period, thus expanding coverage in this branch. Old-age pensions were increased in 2009, as part of ongoing efforts to increase their rates relative to the average wage, and thus provide a reasonable standard of living to those outside of the labor market. We hope that other recommendations proposed in this Survey and submitted during the course of the National Insurance Institute's routine activities will be seriously considered by the decision makers in Israel entrusted with social affairs.

In 2008, a negative income tax plan began to be implemented in pilot areas. It is still too early to assess the extent of the plan's impact, which is to be scrutinized by a research team of which the National Insurance Institute is a member. However, the plan could be an important tool for increasing the compensation that weak populations will receive for their labor. On various occasions, the National Insurance Institute has proposed that more intensive use be made of this tool – in terms of improving the benefits it provides – so that the additional income for families working for low wages would be more significant and would provide a greater incentive to draw new populations into the labor market. The pro-active employment policy required from the government at this time does not end just with financial support: this crisis may also present an opportunity to increase the earning capacity of population groups lacking necessary skills in the labor market, so that, when the crisis passes and growth resumes, they will be able to integrate into the labor market and extricate themselves from their economic hardship. Investment in physical infrastructure is also needed, in order to increase the accessibility of various population groups to the labor market, as well as to increase their welfare.

At the same time, and as an integral part of the National Insurance Institute's concerted efforts to enhance the welfare of the state's citizens, we are striving to formulate new plans to improve the quality, efficiency and accessibility of the spectrum of services available for citizens. This work is being supported by the skilled employees of the National Insurance Institute and by its computerized systems, which we also plan to upgrade and adapt to the new requirements.

This Survey provides an opportunity for me to commend the professional work of all those involved in social security in Israel, in all its local branches throughout the country, and to express the hope that we will win the support of the government and of the public at large in proceeding with the tasks we are facing in all spheres.

Esther Dominissini
Director-General

Foreword

This Survey presents the activities of the National Insurance Institute during 2008, and is the latest edition in the series of annual surveys published by the Institute. As usual, Chapter 1 opens with a summary of the social situation. However, this year, there are two innovations: firstly, emphasis has been placed on the response of macro-economic policy to the turning point in the socio-economic situation that began at the end of 2008, since this policy is likely to have substantial repercussions on the social situation, particularly in light of the distressing starting point of poverty, the severity of poverty and the widening inequality in Israel, compared with the past and with the international situation. The response of the macro-economic policy being formulated in Israel, whose key component is the continued reduction of taxes, while demanding cutbacks in public and social expenditure – runs contrary to the recommendations published in recent months by the central global economic organization, the International Monetary Fund (IMF), whose *raison d'être* is to monitor global economic stability and to take action to reinforce that stability. The IMF explicitly recommended that increasing public and social expenditure is preferable to reducing taxes (by a given deficit). The IMF also recommended that restraints on the deficit and therefore, on the public debt, should be relaxed for a limited period during the peak of the crisis.

The second innovation in Chapter 1 is that it presents, for the first time, abstracts of a number of position papers written during the year by Research and Planning Administration researchers. Some of these papers were written in response to proposals by the Ministry of Finance in the framework of the Economic Arrangements Act, some as initiated policy proposals of the Research and Planning Administration, and others were written as part of the brainstorming process on major issues faced by the National Insurance Institute.

Chapter 1 also addresses the main changes and trends in the Institute's two fields of activity – benefits and collection – as well as the immediate and long-term implications of the changes instituted in the Institute's plans.

Chapter 2 presents the situation of poverty and social gaps in Israel. This year, emphasis is placed on an international comparison between the social situation in OECD countries and in Israel, as reflected in various indices, such as government welfare expenditure divided between cash and in-kind benefits, and benefits directed to the working-age population and to the elderly. Emphasis is also placed on poverty and inequality in income distribution in all population groups (such as elderly persons and children). Later on in this chapter, the findings on the dimensions of poverty and the social situation for 2007 are summarized. Chapter 3 addresses the developments in the National Insurance Institute's collection system, while Chapter 4 presents the Institute's core activities and expounds on the main developments that occurred in the benefits in each of the various branches.

In order to ensure maximum access to the information contained in this Survey by the general public in Israel and abroad, the Survey has been translated in its entirety into English, while a condensed version has been translated into Arabic, and it has been published on the Internet and in a printed edition, as in 2007. The Survey also contains a number of appendices: abstracts of research and survey reports published in 2008 by the Research and Planning Administration (in

Hebrew only), abstracts of evaluation studies conducted by the Fund for Demonstration Projects (in Hebrew only), tables of the insurance branches, a survey measuring poverty and summarizing the data sources, and tables of poverty and inequality.

I wish to extend my thanks and appreciation to the Research and Planning Administration staff, who participated in the preparation and print production of the Survey; special thanks to Miri Endeweld, who coordinated the professional editing of the Survey; to Maya Orev-HaTal, the Hebrew language editor and coordinator of print production; to Sarah Gargi, the English language editor; and to Nira Amir, who undertook the task of typesetting.

Dr. Daniel Gottlieb
Deputy Director-General
for Research and Planning

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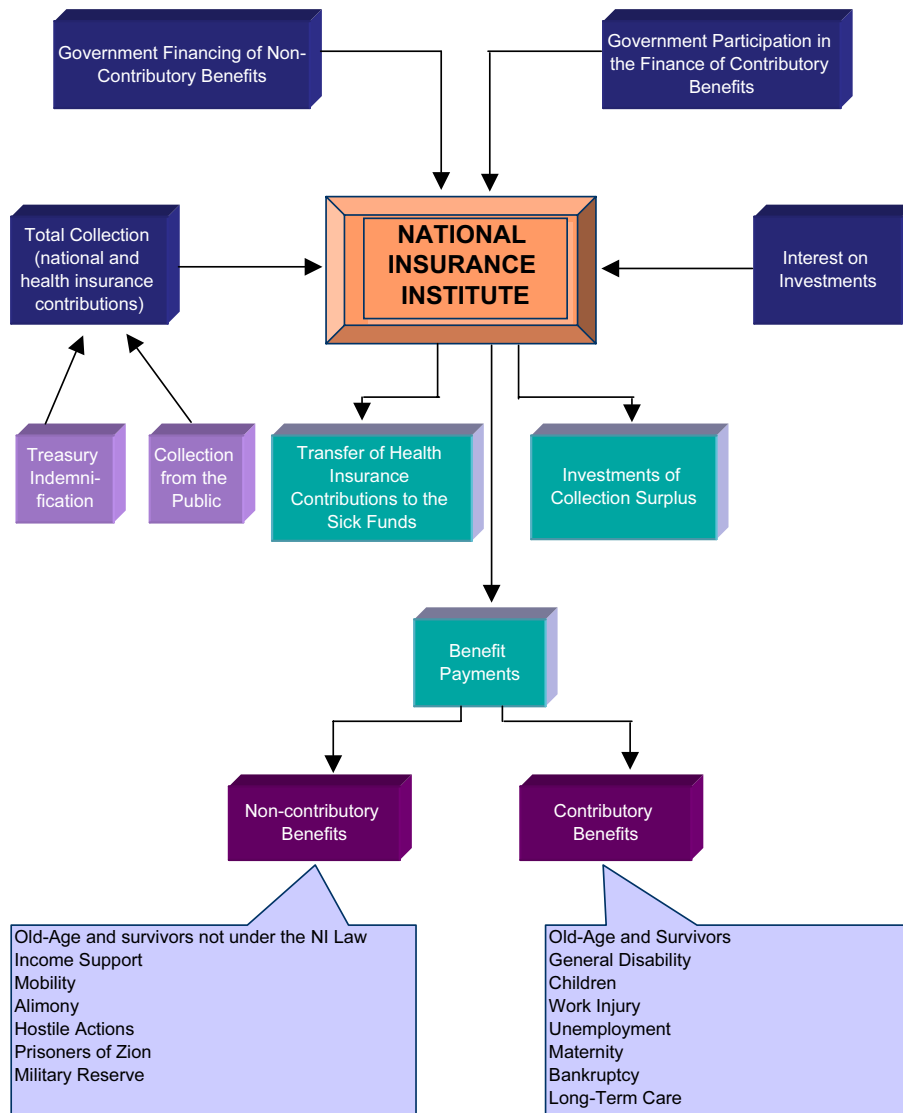


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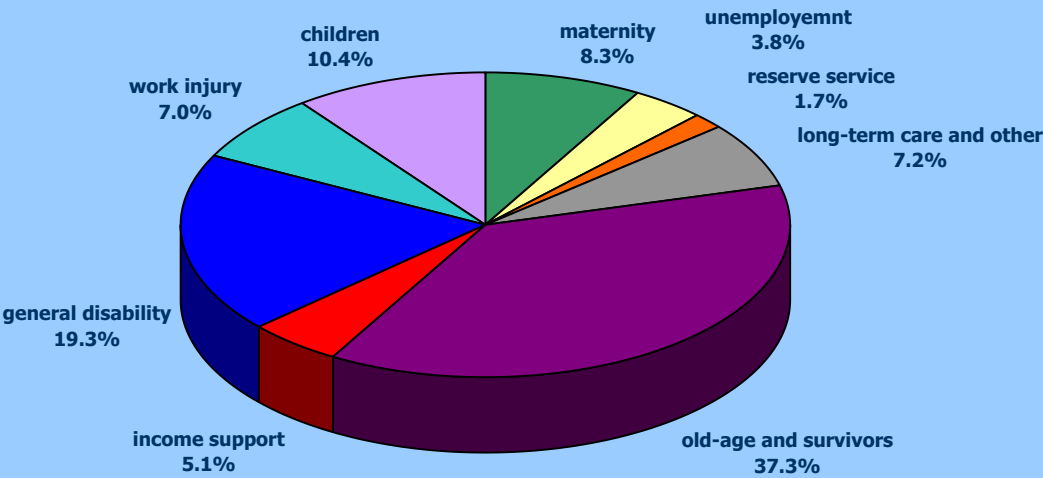


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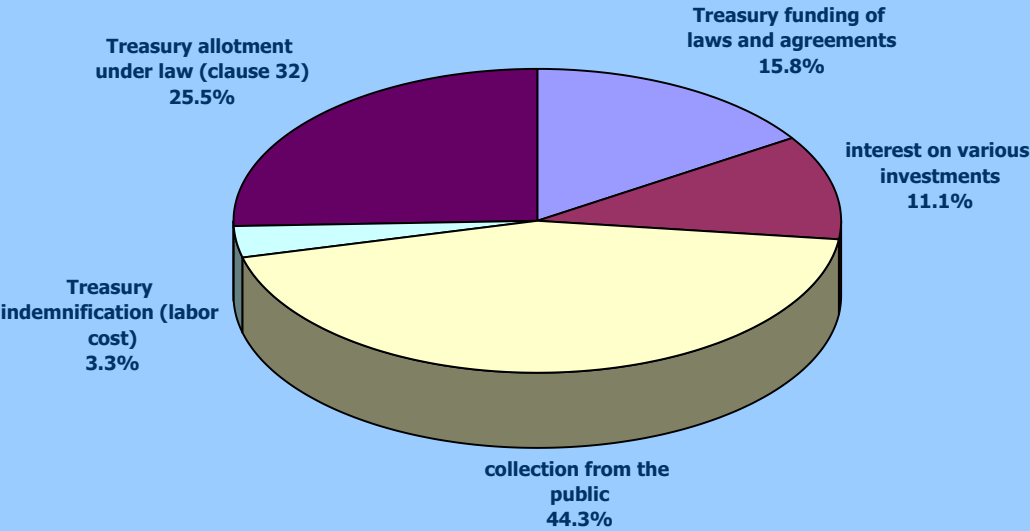


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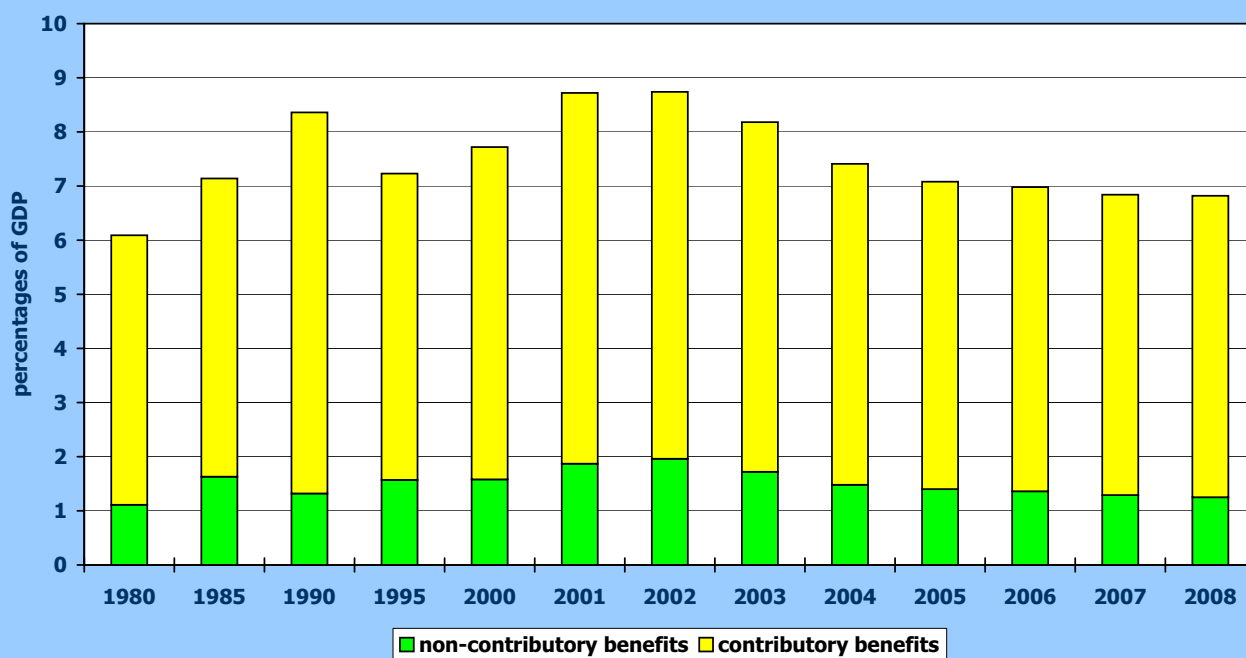


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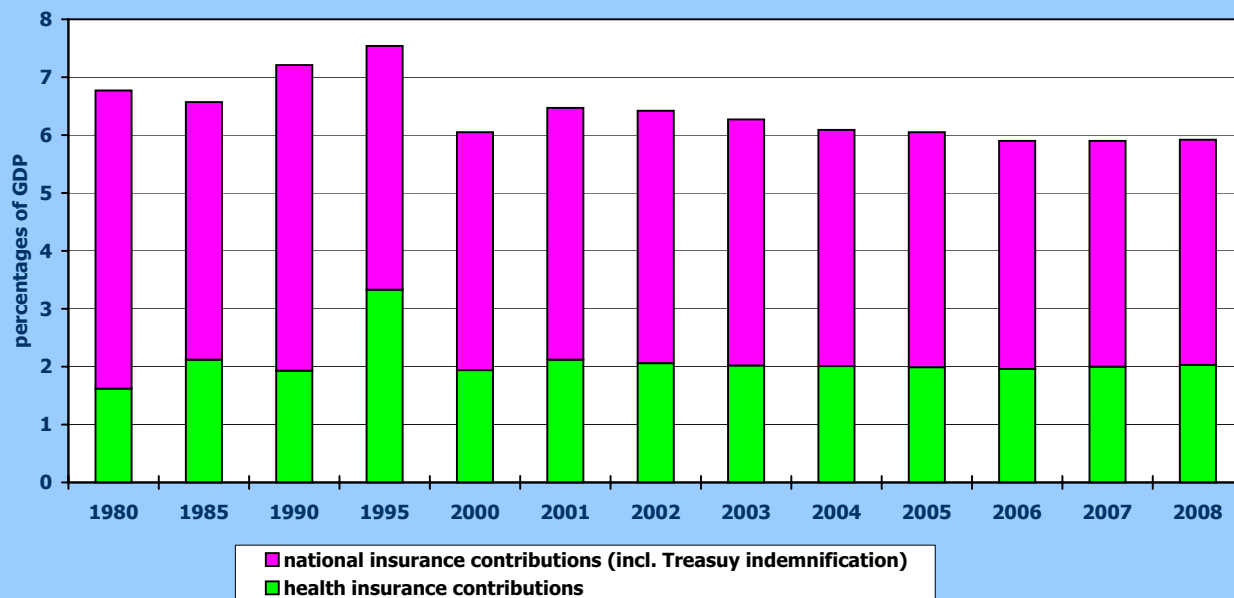
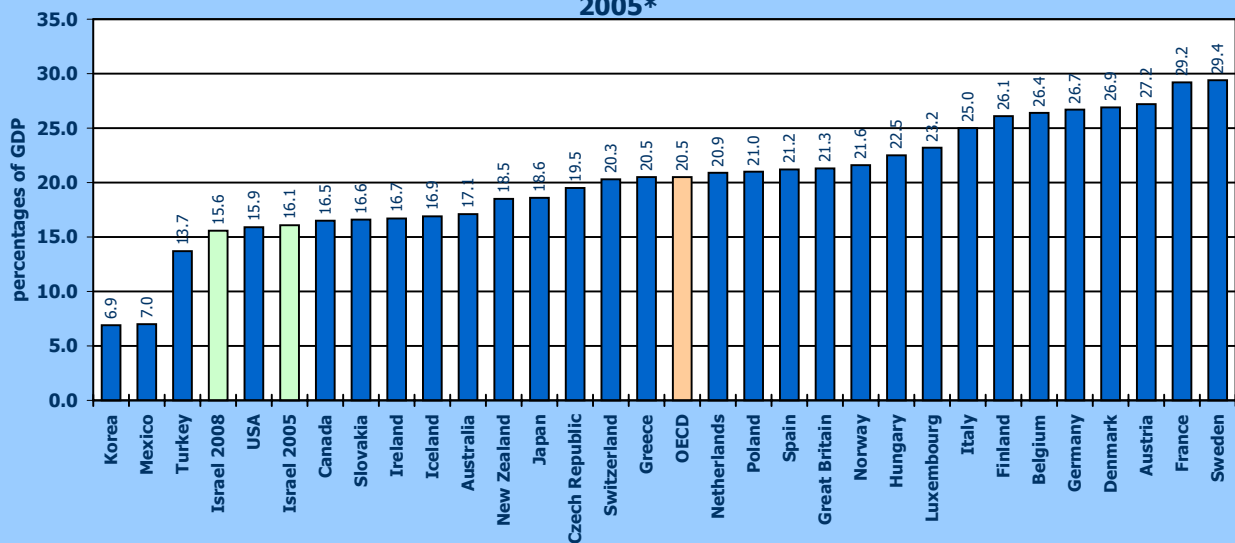


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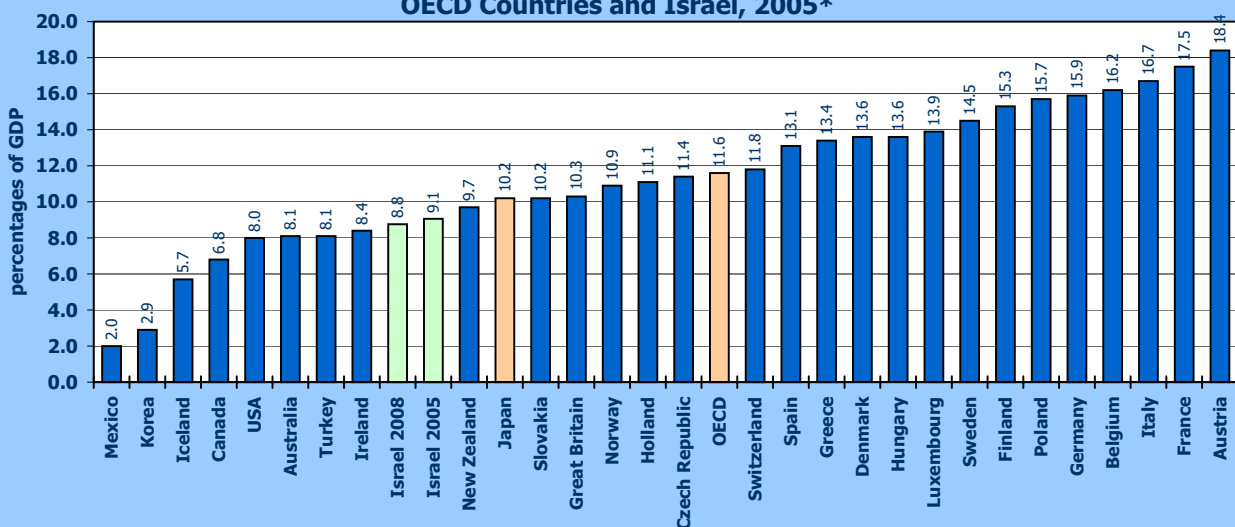
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* The source of the international data: OECD; the source of the data for Israel: the National Insurance Institute and the Central Bureau of Statistics

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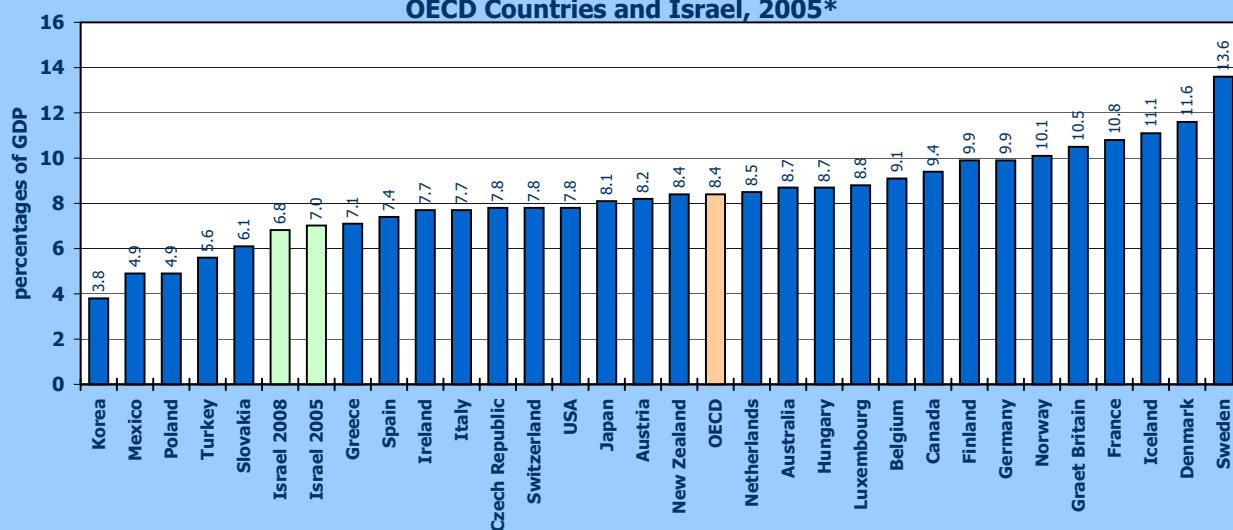
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* The source of the international data: OECD; the source of the data for Israel: the National Insurance Institute and the Central Bureau of Statistics

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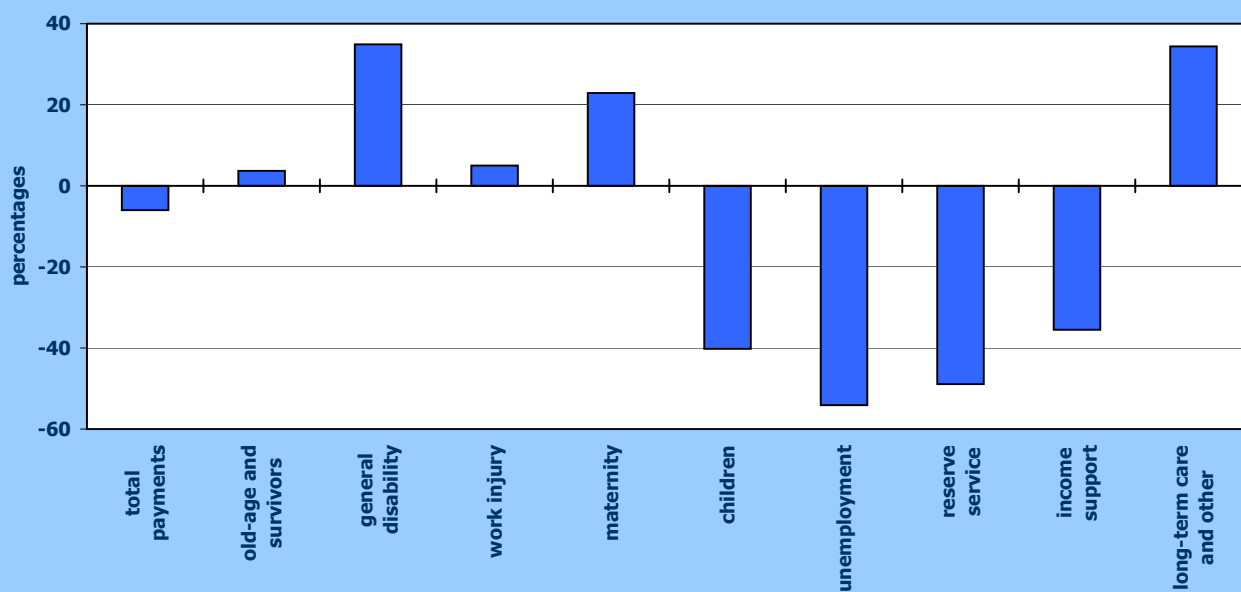


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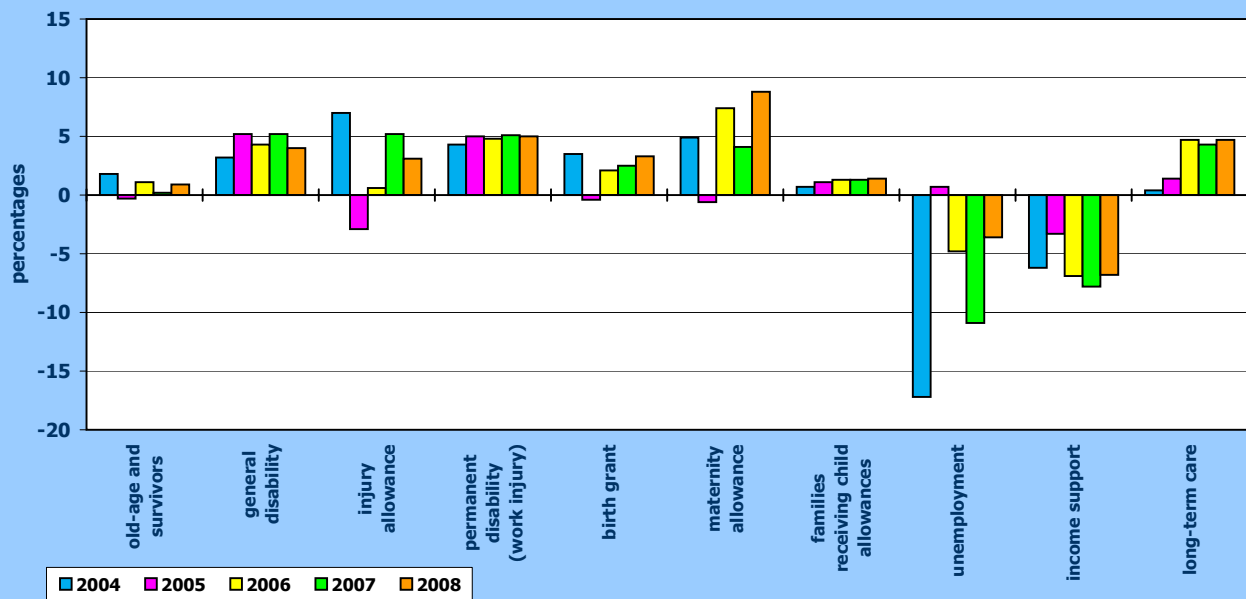


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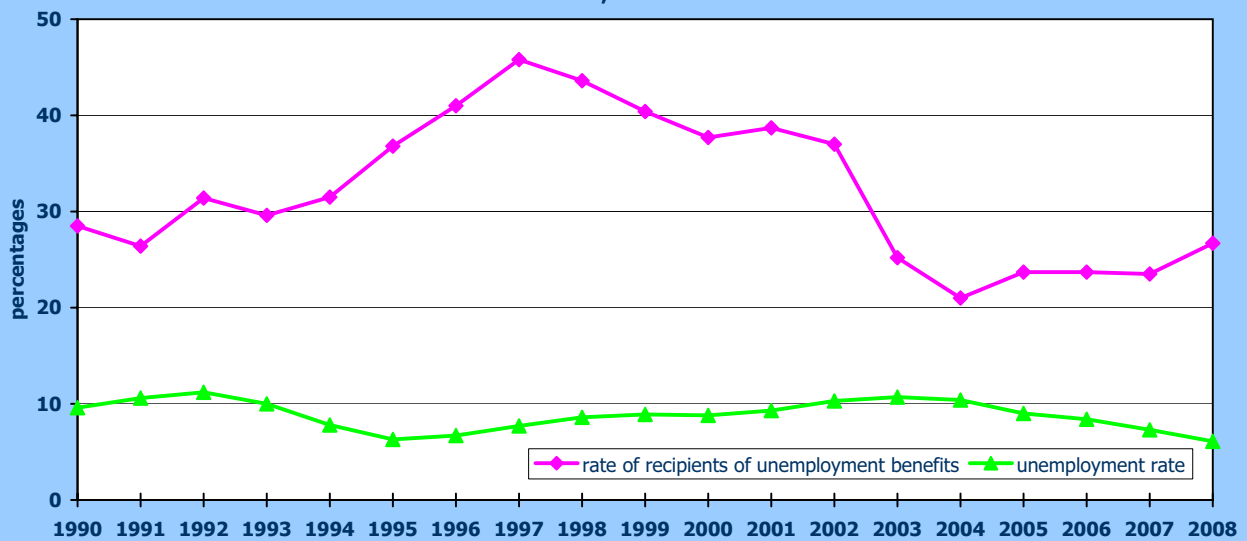


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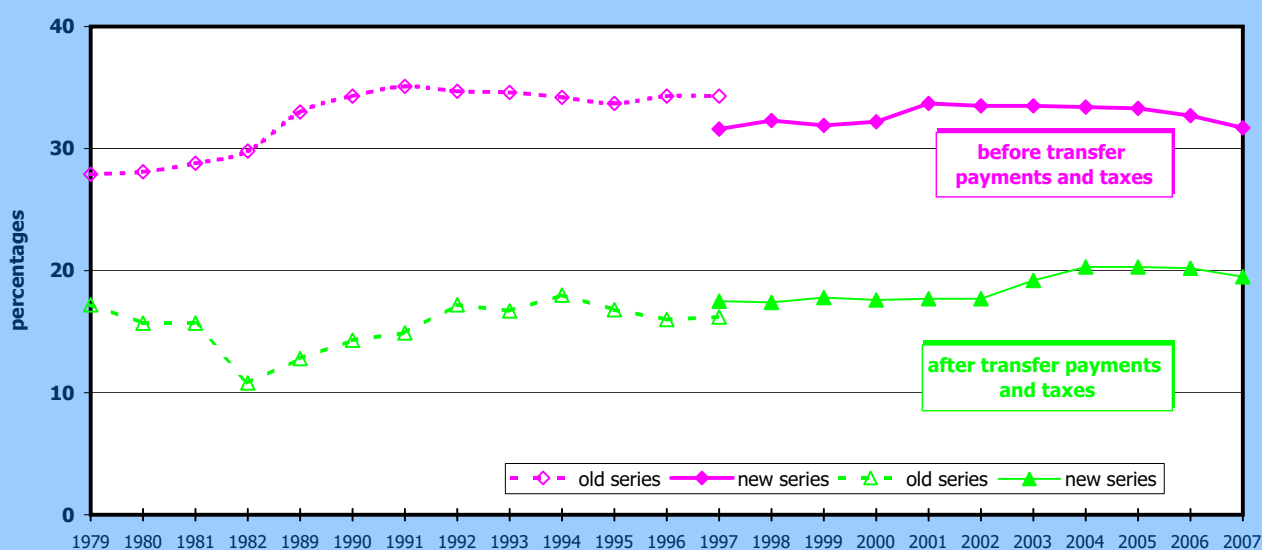


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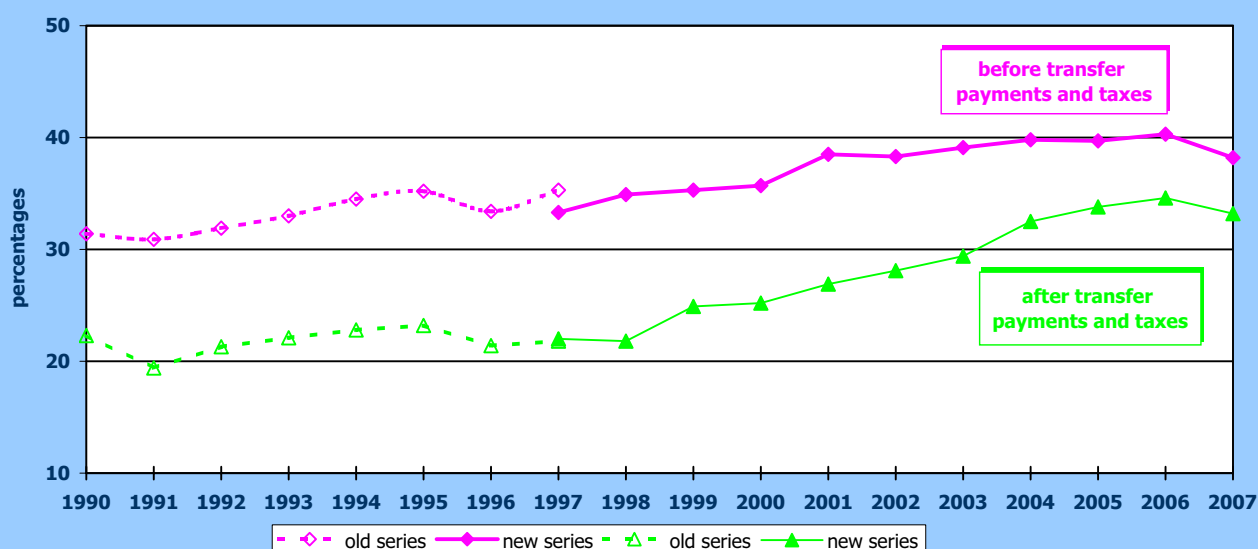
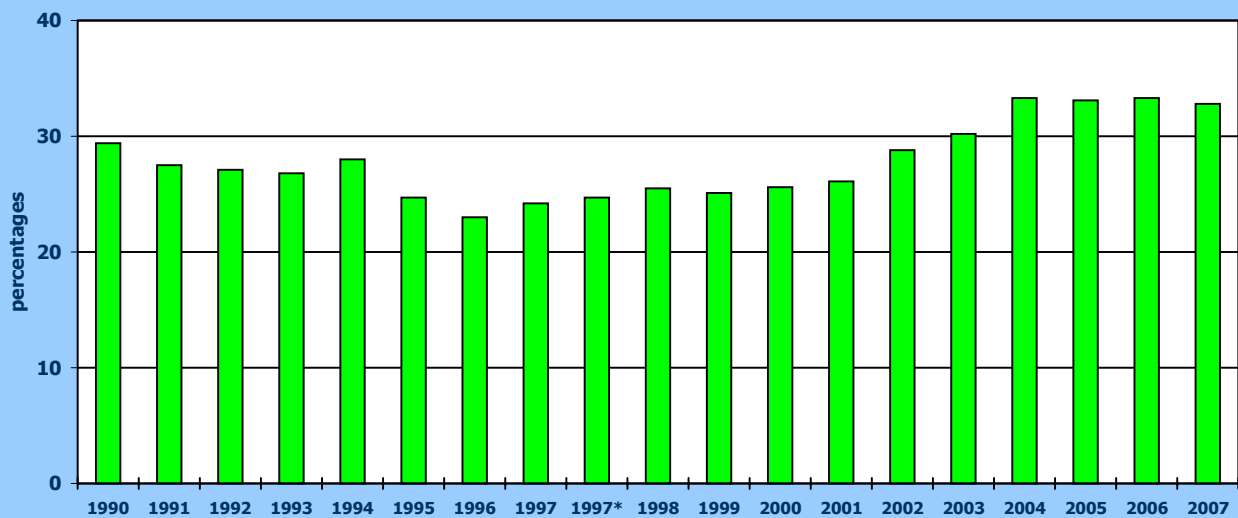


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* As of 1997, a new series.

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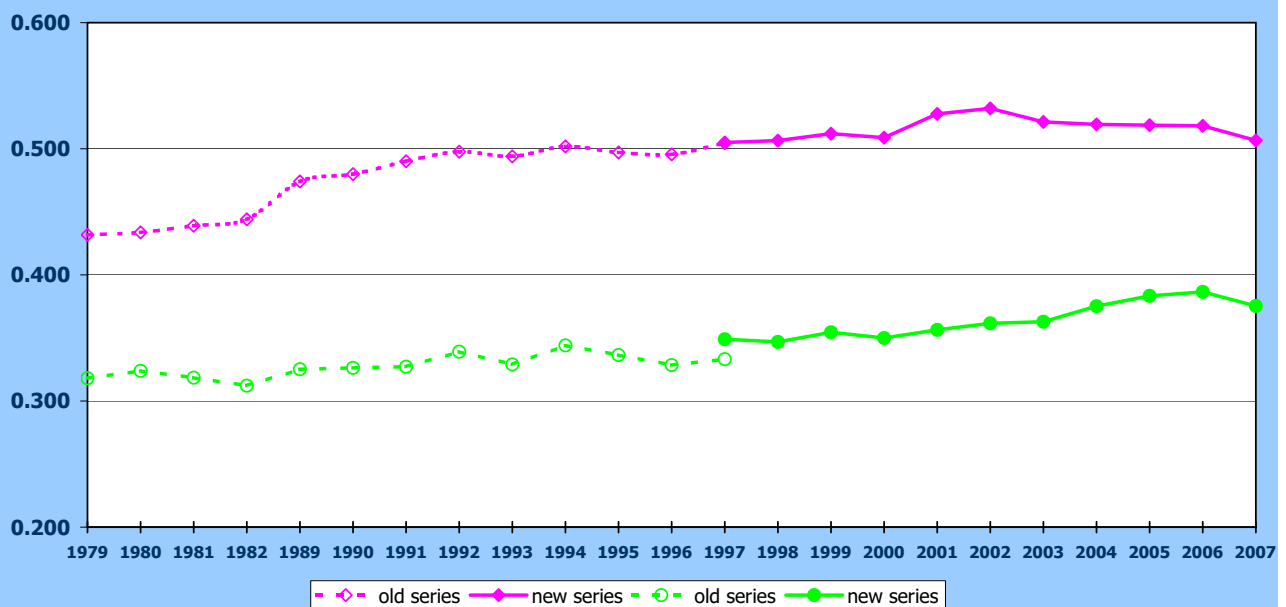


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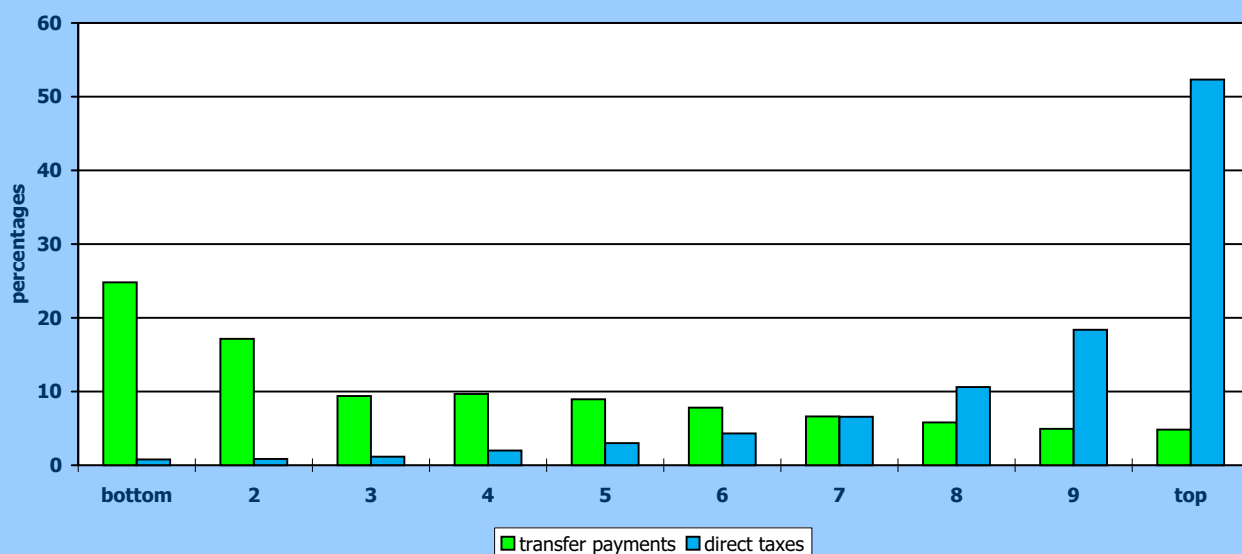
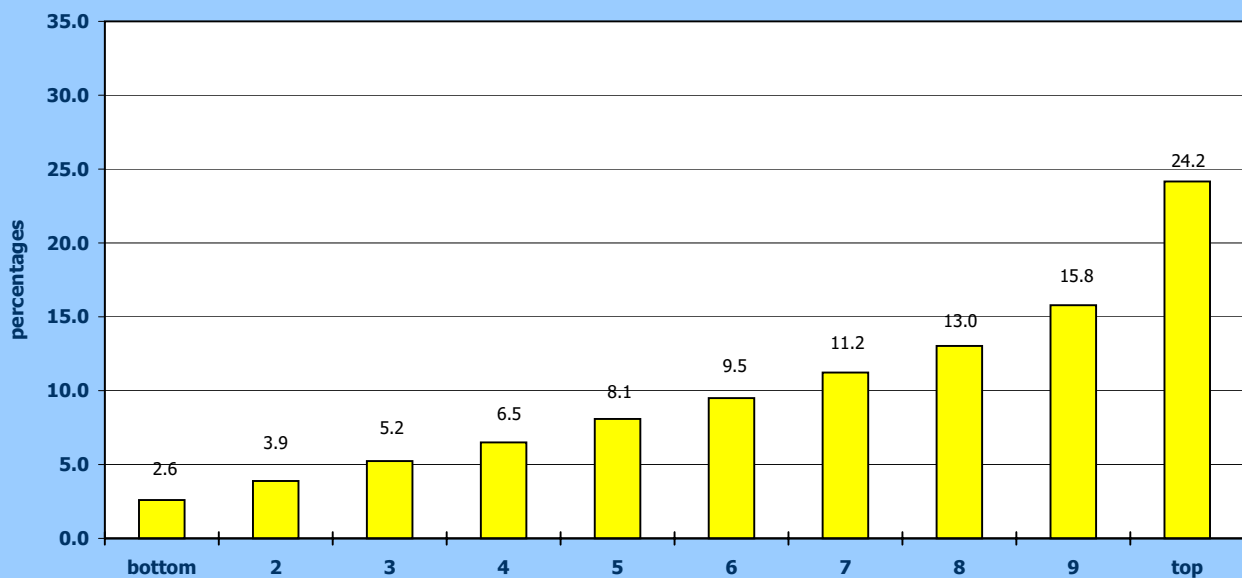


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Chapter 1

Social Policy and Developments in National Insurance

Introduction

This chapter opens with a survey of the economic crisis that began to affect Israel's social situation at the end of 2008, and presents the policies required in order to mitigate the social damage caused by the crisis (Section 1). Later on, a brief summary is given of some of the position papers written by the Research and Planning Administration on various issues on the social policy agenda during the year under survey (Section 2). The other sections of this chapter (3-6) present findings on the activities of the National Insurance Institute during 2008 in the fields of collection and benefits: the volume and level of benefit payments, the number of benefit recipients and the sources of financing the benefits.

1. The macro-economic policy necessary during the global economic crisis

The end of 2008 apparently marked the end of half a decade of the significantly high growth which had characterized the Israeli economy. In the nature of things, there is usually a gap in up-to-date information concerning official statistics on the economic and social situation in Israel. Unlike during other crises, when it wasn't completely clear whether the economy had entered a recession or a slow-down, as regards the current crisis, there is without doubt a sense of certainty regarding its severity. The only uncertainty that does exist concerns the ending of the crisis, since the end is still not in sight. Therefore, businesses want to prepare themselves more quickly than in the past to lay off employees in order to reduce losses. This explains, at least partially, the rapid rise in the unemployment rate in the United States, for example, and it appears that this is also a reasonable assumption in relation to the Israeli economy. In other words, it is highly probable that the unemployment rate will increase faster than it did at the onset of previous crises. At the same time, it is reasonable to assume that the uncertainty regarding the end of the crisis will delay the re-recruitment of employees at a later stage. This means that unemployment will increase at a faster rate than the rate at which it will decrease.

A. The economy's starting point

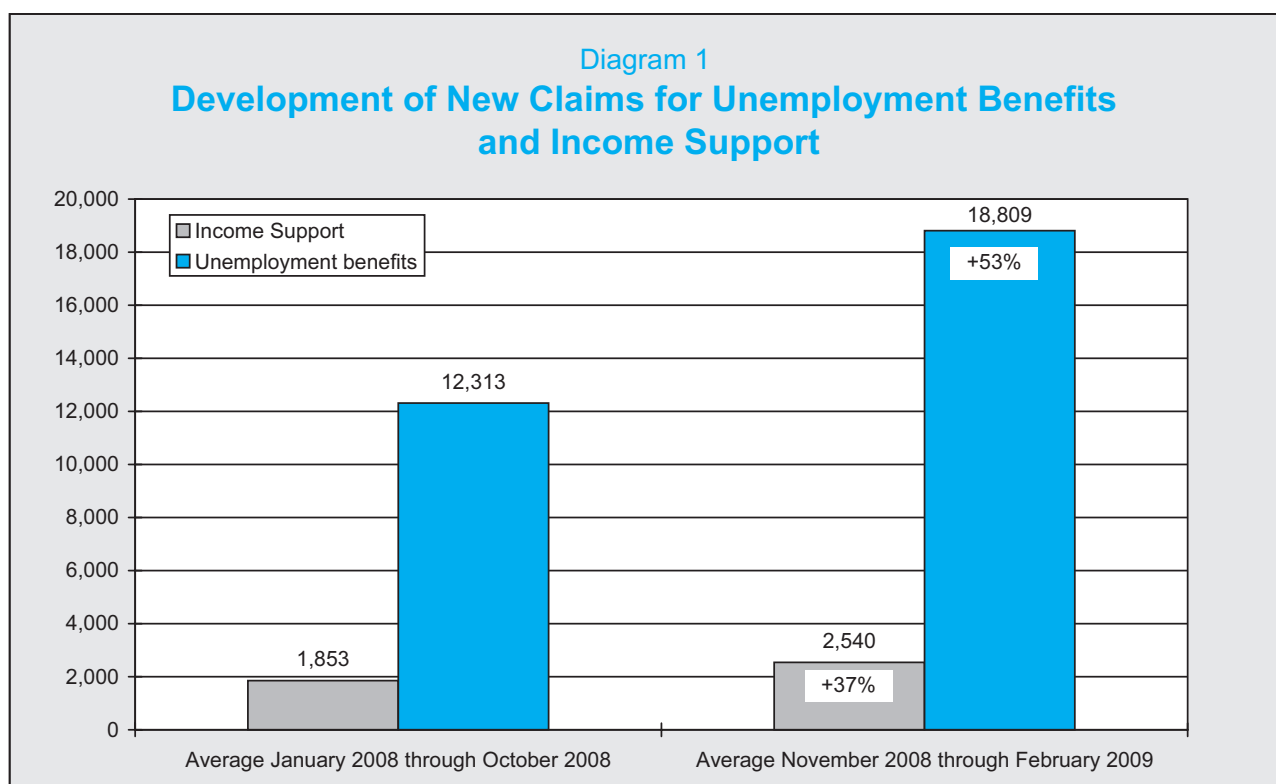
The Israeli economy experienced high rates of unemployment during the last decade. During 2003, the unemployment rate rose to more than 11%, and between 2001 and 2005, it hovered around the 10% mark. At the same time, the Unemployment Insurance Law has undergone many modifications since 2002, which have changed it for the worse to the point that, today, the law's contents are no longer consistent with its original objectives. The harsh amendments to unemployment insurance included extending the qualification period, reducing the days of entitlement to benefit, and reducing the level of payments for young people under age 28. As a result of these many drastic amendments, the percentage of unemployed persons who receive unemployment benefits dropped over the years by some 50%: it was 45% in 2001, and dropped to a low point of some 25% in recent years. Among young and vulnerable unemployed persons,

mainly daily workers, very few succeeded in accumulating the requisite qualification period, so that the drop in the rate of those receiving unemployment benefit was actually even steeper.

Already at the onset of the crisis, the National Insurance Institute's Research and Planning Administration submitted a proposal for differentiating between cyclical and structural unemployment. According to this proposal, when unemployment derives from a cyclical problem, the unemployment insurance will be more generous as the rate of unemployment increases, since the greater and more widespread the adverse affect on demand, the harder it is to find employment. Therefore, unemployment benefits as a safeguard of a minimum standard of living are especially important during periods of recession. On the other hand, when the economy is undergoing structural changes, vocational training becomes more important for integration into the structural change. It was on the basis of this logic that the Research and Planning Administration proposed easing the conditions of entitlement, in order to increase the take-up of unemployment insurance during periods of cyclical unemployment. The proposal includes another improvement: out of concern for the financial stability of unemployment insurance, coupled with consideration of the state of the economy, it was proposed to increase the collection rate for unemployment insurance when the economy is booming. A change in this direction is critical in order to ensure the insurance character of the branch and its financial strength in the long run.

After negotiations with the Treasury and the authorities involved, it appears that, in the final analysis, a "temporary order" will come into effect, within the framework of which certain dispensations will be given when the unemployment rate goes up to 7.5%. (For additional details, see section 2 below and Chapter 4, section 10 – Unemployment Insurance.) For example, the qualification period for unemployment benefits will be reduced – from 12 of the last 18 months today, to 9 of the last 18 months. An unemployed person who has accumulated such a qualification period will be entitled to unemployment benefits, although only for half of the maximum period prescribed by law. This temporary order is applied only with regard to unemployed persons over age 25. The cost of the plan that was implemented is less than NIS 100 million, compared with the Research and Planning Administration's proposal, which would have cost some NIS 600 million, assuming that the unemployment rate will increase to 8%. The number of additional unemployed persons who will be entitled to unemployment benefits following the change is assessed at some 2,500 per month.

It appears that a sharp change occurred at the end of 2008 in the public's need for a social safety net. The monthly statistics on new claims for unemployment benefits and for income support for working-age families are quite a sensitive indicator of the change in the trend among the unemployed. Diagram 1 indeed indicates a sharp increase in claims since November 2008, compared with the average of the preceding months in 2008, when there was a steady decrease in claims, following the continuous growth that had characterized recent years.



The deterioration in the employment situation, which is indicated, at this stage, by the sharp increase in the number of claims in recent months, is particularly severe in light of the increase in the incidence of poverty in recent years (in spite of the modest achievement of a slight decrease between 2005-2007¹), and in light of the sharp deterioration that is expected in the standard of living in the course of 2009. According to a Bank of Israel forecast, a decrease in the gross domestic product per capita is expected, after it had risen continuously for about half a decade (Diagram 2). Concurrently, the increased poverty indicates a lack of success in sharing the economic growth achievements with many: after the striking change in poverty dimensions resulting from the policy of cutting back subsistence benefits in 2002-2004, the years of growth and prosperity did not succeed in rectifying this deterioration.² It should be noted that the severity of poverty, which attributes greater weight to families the poorer they are, also increased during the years when poverty remained stable or even slightly decreased. This phenomenon derives, inter alia, from the fact that it is more difficult to extricate the abject poor from poverty – one of the most important challenges of an ethical society.³

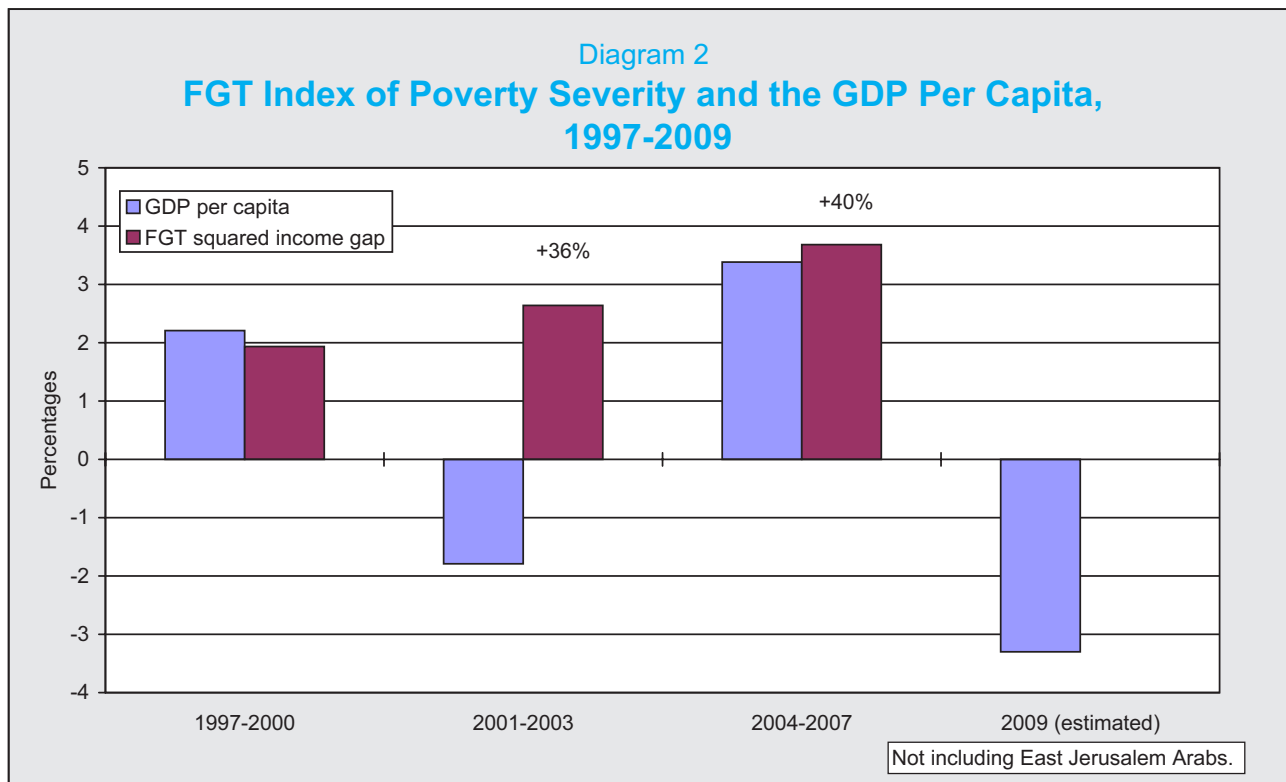
Israeli society was therefore forced to contend with the growing crisis from the starting point of a high rate of poverty. The policies worked mainly in favor of families that were less poor, while leaving weaker families trapped in the cycle of poverty. As can be understood from Chapter 2 of

1 See details in Chapter 2, Section 2.

2 For an explanation of the FGT Index, see Chapter 2 (Footnote 3 in Box 2), and the 2007 Survey, Footnote 5 on page 27.

3 So asserted, for example, one of the leading philosophers of ethics of the 20th century: John Rawls (1971), *A Theory of Justice*; Harvard University Press.

this Survey, the poverty situation in Israel is severe even compared with international figures, and not only in relation to the general statistics, but also among the elderly and children specifically. One can conclude that Israeli society is not well prepared for the anticipated exacerbation of the economic and social situation. Therefore, it is essential to be well prepared, in order to make immediate improvements in the social safety net, which is especially critical in the areas of unemployment benefit and income support for people of working age. As stated, a certain improvement has occurred in the area of unemployment (see also Chapter 4, section 3, which addresses unemployment insurance); however, according to the assessment of the Research and Planning Administration, the changes that have been made are insufficient to restore the coverage to the levels that prevailed prior to 2002/3. In the area of income support, no attempt has been made to date to mend the safety net. These holes in the safety net adversely affect the strength of society, especially when seen against the background of a social situation that wasn't normal even before the crisis started.



B. The preferred macro-economic policy

The preceding section discussed the issue of strengthening the safety net, but there is another important question: are policy-makers capable of mitigating or averting the adverse impact on employment and the subsequent need for a social safety net? The debate among the various economic schools regarding the degree to which economic policy is capable of regulating demand without prejudicing supply in the longer run has been concerning economists for at least eight decades, since John Maynard Keynes challenged the classic approach to comprehending

economic reality. When considering the ability to bring about rapid results, the discussion focuses mainly on two tools for handling the aggregate demand – the monetary policy and the budgetary policy (also known as the fiscal policy). Even if disagreements are not resolved, many will agree that, under the current situation, when the central banks' interest rate approaches zero, the main tool in times of a real crisis of the present type becomes, first and foremost, the budgetary tool, since the monetary tool is restricted at such time, due to the problem known as the "liquidity trap."⁴

The economists of the International Monetary Fund have also reached this conclusion, notwithstanding the prudent and conservative approach towards macro-economic policy which has characterized the Fund since its establishment in 1944.⁵ Following are the Monetary Fund's conclusions regarding the criteria that the set of fiscal measures should meet:

- It must be carried out immediately, in light of the urgent need for action.
- It must be wide scale, because the collapse of the aggregate demand is pervasive.
- It must be implemented for a period that is not too short, since the authors consider that the recession will not end quickly.
- It is crucial that the set of measures be diverse, because there is insufficient information about the efficacy of each measure, and it must be contingent upon additional measures, because there is great concern that the intensity of this crisis is similar to that of the "Great Depression" of the early 1920s.
- It must be shared by as many countries as possible, because in the age of globalization, reciprocal effects are important considerations.
- It must be viable, in order to prevent a loss of control over the public debt and over the financial markets.

Researchers at the International Monetary Fund were asked another important question: in the budgetary policy, what is the advisable ratio between increasing the government's expenditure and cutting taxes? They recommend that the ratio should be selected according to the consideration of achieving a maximum employment multiplier; that is to say, choosing the ratio that has the greatest influence on creating jobs and safeguarding them. This issue is particularly pertinent to the ongoing public debate in Israel in recent years, because, since the early 1990s, the government has been consistently and persistently espousing a reduction in the weight of public debt, the budget deficit, the public expenditure and taxation on the GDP. Moreover, a few years ago, the government

4 The accepted policy of central banks during periods of economic recession is reduction of the central bank interest. This operation of reducing the sources of financing encourages investment demand and consumption, and thus motivates demand. When the nominal interest nears zero, the central bank reaches the limit of its ability to reduce its sources of financing. For additional details, see: Paul Krugman, *Thinking about the Liquidity Trap*; <http://web.mit.edu/krugman/www/trioshrt.html>.

5 See the article by Spilimbergo Antonio, S. Symansky, O., Blanchard & C. Cottarelli (2008). *Fiscal Policy for the Crisis*, December 29, International Monetary Fund, 1-38.

began a tax reform, whose main objective was to reduce direct taxation, a policy that, by its nature, benefits the more affluent strata at the expense of the weaker strata of society. Coupled with the damage to the social safety net, these steps certainly constitute a significant reason for the severe repercussions on inequality and poverty in Israel.

The researchers' conclusions overturn the principles that were rooted for many years in the typical policies of many western countries, including Israel of the 1990s:

- Instead of the government reducing its expenditure, it should be obliged to increase it.
- Increasing expenditure should be preferred to cutting taxes, since then, the multiplier⁶ has greater influence.
- Cutting expenses for the purpose of reducing the government's deficit should be avoided, as an initial measure. The express recommendation is to operate in a clear departure from such deficit rules.
- It is worthwhile to proceed with expenditure and implement investment plans that had been postponed due to the shortage of financing. The recommendation is to implement plans that have a positive long-range impact.
- Be wary of tax-cutting policies, since their contribution to increasing consumption is likely to be very low during this period of economic uncertainty, when consumers mainly tend to increase their savings.
- Reducing VAT is less effective than increasing expenditure, since it is likely that it will only be partially passed on to consumers.
- Automatic stabilizers,⁷ such as raising unemployment benefits, are of particular importance.
- It is recommended to expand public works that are effective in the long run, such as, for example, ecological ("green") investments.
- A particularly interesting proposal of the International Monetary Fund is **insurance from the government in respect of a deep recession**: a business or household will be able to purchase insurance against a deep recession; payment of the premium will buy purchasers a benefit depending upon the insurance contributions that they paid. This is similar in nature to unemployment insurance and constitutes a strong automatic stabilizer. In order for the insurance to be credible, the government should budget it.

Some of the measures planned in Israel according to previous decisions substantially contradict the recommendations of the International Monetary Fund. The government has also not created

6 The intention is to influence the policy on the GDP and on employment beyond the **initial** effect of increased demand.

7 An automatic stabilizer is an expense (income) that automatically increases (decreases) with the economic slowdown or recession (and vice versa during an economic boom).

budgetary tools of sufficiently significant scope as other countries have done, for example, the United States, Great Britain and Germany, which have allocated substantial budgets for reducing damage caused by the economic crisis. However, the Bank of Israel has proposed in its new policy recommendations to the government, dated May 2009, that it would be advisable to deviate temporarily (it is unclear for how long) from the previous target of an annual increase in government expenditure of 1.7%, using an expenditure package of some NIS 4.4 billion in 2009. In this way, the annual rate of government expenditure (the governmental civil consumption) would increase by 3.5%, instead of being limited to 1.7% as in recent years. The Bank of Israel, therefore, is proposing a temporary and controlled waiver of the deficit target for one year. This is a certain achievement compared with the basic scenario whereby government consumption would only increase by 1.4%.⁸

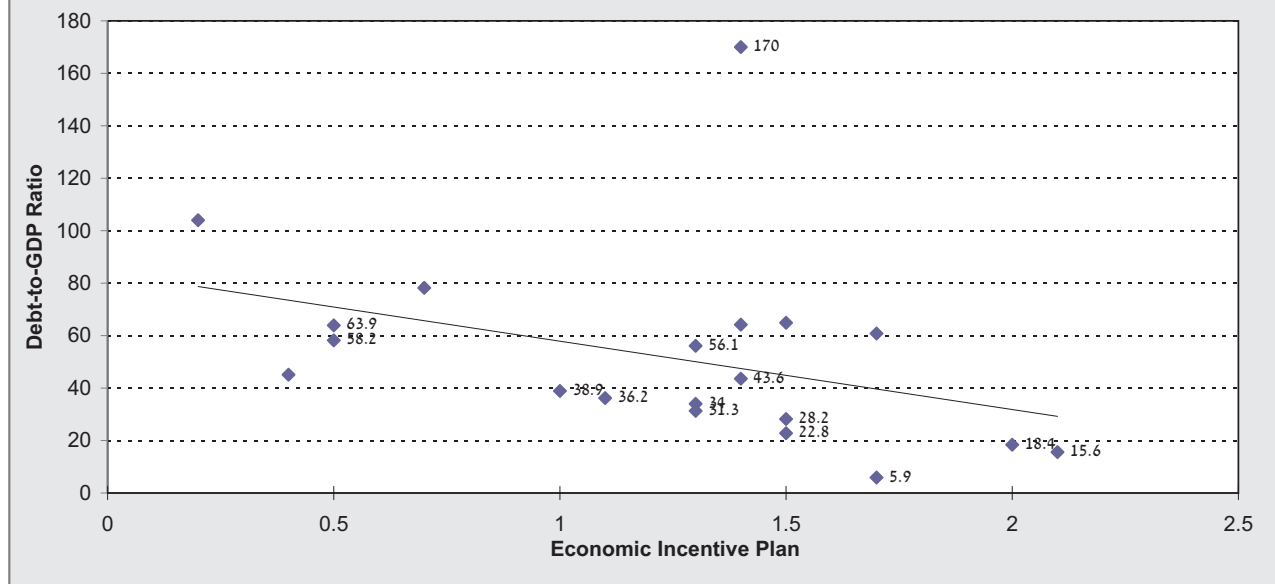
Compared with the mobilization in other countries, the expanded Israeli plan of the Bank of Israel is quite modest. The NIS 4.4 billion package constitutes about 0.6%, in terms of the gross domestic product of 2008, compared with the corresponding but more expansive plans in other countries. Thus, for example, in Germany, an encouragement plan of some 2% of the GDP has been discussed, while the United States has gone further – there, the plan is on a far larger scale (some 10%).

It is indeed possible to differentiate between the real and the financial components of the plans. This differentiation has significance for Israel, because, according to the existing assessments, the need for the financial component does not have to include rehabilitation of the financial system, as in other economies. Diagram 3 compares the various real plans.⁹

8 See *Israel and the Global Crisis: Policy Recommendations to the Government*, March 2009, Bank of Israel, 1-62.

9 Source: data processed by the National Insurance Institute's Research Administration, based on data from the Bank of Israel, www.bankisrael.gov.il.

Diagram 3
Comparison Among the Plans of Various Countries for
Coping with Economic Crisis



It can be seen that the real plan that the Bank of Israel is proposing is realistic in terms of its scale in relation to the public debt (percentages of GDP). Nonetheless, the question remains: are there budgetary sources for the plan of more significant volume than those proposed by the Bank of Israel, without jeopardizing financial stability, as indicated in the debt-to-GDP ratio? The answer is found in Chapter 4 of the 2007 Annual Report of the State Revenue Administration,¹⁰ which states that the forecast tax benefits for 2009 are likely to reach some NIS 39 billion. According to the cautious assessment of the survey authors, some NIS 5 to 10 billion of these sources could potentially be diverted to other needs. The report also indicates another option for increasing the expense budget from the budget sources, and that is postponing the tax reform for 2009 and 2010 (such a proposal is also consistent with the recommendations of the International Monetary Fund, as described in the aforesaid report), which would save some NIS 19 billion at 2005 prices.¹¹ At 2008 prices, this sum is assessed at some NIS 20.5 billion. The two sums together total some 3.5% to 4.3% of the GDP. If we assume that a portion of the tax reform for 2009 has already been implemented, and that only a portion of the reform can be postponed, the volume of sources is still impressive. Therefore, the government's expenditure can be significantly increased beyond what was planned, while curbing the decline in revenue in the next two years (due to the postponement of the tax reform). Thus, it will be possible to implement a plan offering a more significant increase in expenditure in the short term and, concurrently, to curb the volume of the government deficit and

¹⁰ See pages 63–86.

¹¹ See *Committee Report on the Multiyear Tax Plan*, June 2005; *State Revenue Administration Report*, 2005, page 583.

safeguard the financial strength of the economy. The employment multiplier of such a plan is significantly higher than that of the tax-cutting multiplier.¹²

In this context, it is important to reiterate that the natural safety net that must be available to the public in order to partly alleviate the damage deriving from the economic crisis is unemployment insurance; as stated above, the National Insurance Institute is proposing to make substantial modifications in unemployment insurance, in order to increase its ability to handle the present crisis.¹³ The alternative proposal of the Ministry of Finance is extremely parsimonious, apparently due to the government's view that it will in this way increase the financial stability of the economy during this sensitive time. Yet it is important to understand that the opposite phenomenon could occur: the failure to institute adequate measures to counteract the effects that are stifling economic activity is likely to jeopardize not only the public welfare, but also economic stability in light of a deep recession.

2. Status, proposals for changes in the social security system and in social policy in 2008: position papers of the Research and Planning Administration

This year, for the first time, a summary is being presented of the position papers written by the Research and Planning Administration in the previous year. Some of these position papers, which address various socio-economic issues, were written in order to provide a real-time response to changes that occurred in the economic and social situation, or as a response to draft legislation and government initiatives. In this way, position papers were written that addressed: 1) the wave of price increases in food and fuel products that occurred in Israel and internationally during part of 2008; 2) improvements and changes in unemployment insurance in light of the economic crisis that developed at the end of 2008; and 3) the effectiveness of a VAT reduction in improving the welfare of families in general, and of weak families in particular.

Other working papers were written with a comprehensive view of the welfare situation in Israel, of the status of the National Insurance Institute and of social needs in a changing world. Today, we are witnesses to changes, some far-reaching, in various spheres of life, including changes in the world of labor, in the family, in the field of health, and more. All of these have a significant impact on social welfare and social security. New employment patterns have been created and have spread throughout the world of labor in some of the western countries, including in Israel, while organized labor's influence has diminished; many workers are employed by manpower companies, are working on an hourly basis or in partial shifts. In the sphere of the family, the influence of the

12 We emphasize here that cutting taxes is also likely to influence an increase in the demand, but it is customary to think that, in any situation, the employment multiplier of increasing expenditure is larger than a tax-cutting multiplier, all the more so during a recession, when the public tends to behave prudently and save their increased income due to the tax cut.

13 See Chapter 4 – Unemployment insurance, and the position paper on unemployment insurance of November 2008, on the National Insurance Institute's website, <http://www.btl.gov.il>, under the "Publications" tab.

traditional nuclear family has waned, while other types of families have gained a greater importance: single-parent families, single parenting, same-gender couples, and more. Technological and other improvements in the field of health have led to an increase in the number of multiple births and in the number of premature babies, to a decrease in the duration of post-natal hospitalization and in infant mortality rates, to aging of the population and to an improved quality of life for the elderly.

The increase in life expectancy, which added an average of about 20 years by the second half of the 20th century, added another generation to the cycle of human life – "the Third Age."¹⁴ The increase in life expectancy has additional implications, including an increase in the percentage of senior citizens in the population, an increase in the percentage of people aged 80+ among the elderly population, and an extension of the post-retirement period of life. All of these have repercussions for the social security system, inter alia, in terms of entitlement to benefits, the length of time that benefits are paid, and the financial ability to pay benefits over a more protracted period. Naturally, these changing times create a built-in need to rethink those components of the social security system that are now in place, to examine their compatibility with the current situation, and to attempt to adjust those components of the current system that no longer meet the new needs.

We briefly review below some of the proposals, initiatives and responses raised by the Research and Planning Administration of the NII last year, according to the principal fields.¹⁵

A. Work and pension

1. **Unemployment** – in light of the worsening economic situation and the recession in the Israeli economy, the Research and Planning Administration has proposed a plan for revising unemployment insurance, in order to provide a response to the rapidly increasing number of employees who are being forced out of the labor market due to the extreme economic crisis that is reverberating throughout the world at this time.

The legislative amendments that were introduced mainly in 2002-2003 led to a weaker connection between the unemployed and those covered in unemployment insurance, in that only a small percentage of unemployed persons are eligible for unemployment benefits. (The situation today is that **only about one quarter of the unemployed** succeeds in receiving unemployment benefits, compared with about half of the unemployed prior to 2002.) Furthermore, the current unemployment insurance covers almost exclusively those workers who are not temporary, and who meet the eligibility criteria that were made more stringent during those years (2002-2003), while, in recent years, the phenomenon of employing

14 See R. Ben Israel (2006), *Social Security*, volume 3, Open University Publishing.

15 For details of some of the position papers, see the National Insurance Institute website: <http://www.btl.gov.il>, under the "Publications" tab.

temporary workers and workers paid per day has been proliferating in the Israeli labor market at an accelerated pace.

The need to reduce the present high level of parsimony in unemployment insurance in Israel, coupled with the current global economic crisis which is threatening to cause a sharp increase in unemployment rates, presents an opportunity to introduce improvements in unemployment insurance. In light of the above, the following recommendations have been proposed:

Within the framework of strengthening the role of unemployment insurance as a safety net for scenarios of massive failure in the overall employment situation, it is proposed to create an inverse link between the business turnover, and the labor market and unemployment insurance. During times of extreme crisis, it is crucial that unemployment insurance be stronger than normal, so that it will be capable of curbing deterioration of the welfare of the unemployed at a time when the objective chances of finding a job are particularly slim. When the employment situation stabilizes to dimensions of frictional (long-term) unemployment, unemployment insurance should revert to its previous smaller dimensions ("exit policy"). The linking of benefits to developments in business turnover was intended exactly for this purpose.

Nonetheless, the level of openhandedness of unemployment insurance – as described above – is so low that this insurance needs a permanent improvement today, not just in times of crisis. The Research and Planning Administration's plan proposes automatically adjusting the eligibility criteria concurrent with the changes in unemployment rates and the level of growth in the economy, while the qualification period must be shortened, regardless of the business turnover. The improvement expected from these measures should increase the rate by which the unemployed are covered by unemployment insurance, from about 25% today to about 50%, as in the past.

It is further proposed that the percentage of cyclical unemployment be changed, by examining the change in the monthly trend relative to the average of the preceding quarter.¹⁶ With a drop in the percentage of cyclical unemployment, the eligibility criteria would again be reduced to the lower prescribed level. The Research and Planning Administration believes that the basic conditions must be improved compared with the situation in 2008. This stipulation will be defined in legislation and will be implemented automatically.

The proposal also includes an increase in the insurance contribution rate, with this being implemented only after the economy recovers from the recession. The financial stability of unemployment insurance is thus guaranteed to improve, while taking the state of the economy into consideration. This proposal will be implemented only when the growth process resumes. These changes are essential, in order to ensure the insurance character of the branch and its financial strength in the long run. The cost of the proposal for an unemployment rate of 6% is some NIS 450 million. Each additional percentage point in the unemployment rate will increase the cost by some NIS 75 million.

16 This, even though other proposals are currently being examined.

2. **Employing Israeli workers in long-term care** – The proposals were intended to reduce the number of those of working age who are entitled to income support, while maintaining the quality of care of the population needing long-term care. To achieve this aim, people who may be suitable for this type of work should be encouraged to enter the long-term care market as full-time caregivers, despite their poor education and limited skills, since this market is expected to grow rapidly in coming years. It is important to create job opportunities for workers of this type, since they account for a significant percentage of the Israeli population compared with other economies in the west, and their numbers are expected to grow rapidly.

Increasing the competitive capacity of Israeli workers with few skills constitutes a central tool for reducing poverty among working-age persons and **for helping them leave the income support system and enter the labor market**. The high percentage of non-Israeli workers and the particularly low cost of employing them, which derives, for the most part, from violations of the labor laws by employers of foreign workers, have pushed many poorly educated Israelis out of the work force since 1993 and have increased their poverty. This is the rationale that should constitute the foundation of the guiding policy towards foreign workers.

In order to encourage the employment of Israelis in long-term care in the home, **it is advisable to give a long-term care benefit to needy entitled people who cannot afford to finance a long-term caregiver**. Increasing the awareness of employers of foreign workers of their obligations and of their employees' rights, and tightening enforcement of the labor laws will make it more expensive to hire a foreign worker, and, in any case, would almost fully equate the labor cost between foreign and Israeli workers. Thus, Israeli workers would receive a fair chance at employment in the field of long-term care.

However, from the perspective of those needing long-term assistance in the home, this strategy would create a situation where it would become more expensive to employ an Israeli worker as a long-term caregiver. This situation is liable to cause many elderly people, who need long-term care and assistance every day, and who, until now, were helped by cheap foreign labor in their homes, to find it difficult to pay for the same scope of assistance. On the other hand, they won't be able to afford institutional solutions, which are also very expensive.¹⁷ Thus, a quite extensive population of the elderly and the disabled will be left without essential long-term care service. It is proposed to resolve this problem by providing long-term care benefits to eligible persons who could not otherwise afford a long-term caregiver.

It is also proposed to give an **incentive to Israeli workers who are willing to care for an elderly person in the home** nearly around the clock, or in shifts. The grant will be larger at the outset, in order to encourage the necessary structural change, and will gradually be reduced as Israelis enter this market.

17 Today, discounts at long-term care institutions are given to particularly weak groups.

3. Mandatory pension¹⁸

Israel is counted among a small group of western countries, like Holland and Ireland, which guarantees every resident only a basic layer of pension upon reaching old age, within the scope of the national social insurance. In Israel, the pension is paid universally to every insured person, and without a means test at the determining age. For elderly people with little or no income, an income supplement is paid, up to the sum defined by law as the minimum for subsistence. In Israel, at the second level in the pension system, a pension from work is paid to every retiree who has accumulated rights to a pension during his working life. At the third level, which is voluntary (and negligible), a pension or income from capital is paid to every person who saves for retirement on an individual basis. Data from the Central Bureau of Statistics' Income Survey shows that only about one third of the elderly in Israel receive a pension from work. Among certain groups of the elderly, the percentage receiving such a pension is very low (Arabs, women, new immigrants, etc.). Furthermore, data from the Central Bureau of Statistics Social Survey for 2007 shows that about 36% of working-age employees are not covered by any pension arrangement.

The second level, a pension from work, plays a central role in ensuring an adequate standard of living to retirees in Israel, although the expected result from implementing a compulsory pension agreement, which was started in 2008, will fully mature only in about another 45 years. In the meantime, the accumulated pension of retirees who joined this arrangement at an advanced age will be small. Those joining the elderly population will be composed basically of two groups. The first group consists of elderly people who had worked and were insured under a pension arrangement, including a compulsory pension arrangement, and who are entitled to a pension from work, in addition to the old-age pension, and including elderly people who had worked for short and interrupted periods and who were not insured under a compulsory pension arrangement or other pension arrangement.

The second group consists of elderly people who never worked and who are entitled to an old-age pension only, for the most part, with an income supplement. With the hoped-for increase in the percentage of employment (according to the government target), the relative weight of the elderly being supported by national insurance will decrease, and in this way, the volume of income supplement payments will also decrease. Until the compulsory pension arrangement fully matures, some of the elderly in the first group, who joined this arrangement at an advanced age, will benefit from a small pension in addition to the old-age pension with income supplement, and it is important that the policy-makers take this group into consideration. An analysis of the expected income of low-wage workers from the old-age pension and from a pension from work reveals the following insights:

- In relation to workers who are 36 years old or over today and are earning the minimum wage, the expected pension under a compulsory pension arrangement will not prejudice

18 See **2007 Annual Survey**, Box 9.

their entitlement to the full old-age pension with income supplement, and they will continue to receive their pension, similarly to the previous situation before the arrangement.

- In relation to a representative family, comprised of a couple with a single wage earner earning the minimum wage, the expected income from the two levels when the arrangement fully matures will double, compared with the previous situation before the arrangement. It will total some 80% of the average wage today, compared with about 47.5% of the average wage before the arrangement.
- During the interim period (until the arrangement reaches full maturity), the financial situation of retirees who work for the minimum wage will improve to a certain extent; they will have an incentive to work and save towards a pension; however, their financial situation will improve much more significantly when the pension arrangement fully matures.

The situation of the older generation during the interim period, which is also known as the "desert generation," is inferior, as stated, compared with the situation of the younger generations, who will benefit from a full pension. In terms of the principle of horizontal justice, the desert generation will be at a disadvantage in two ways: firstly, in comparison with young people in their level of accumulated pension, and secondly, many of them will be at a disadvantage because they are earning a low wage (along with some of the young people), and will not be able to enjoy the benefit of an income tax credit on the pension allocation, compared with those earning above the tax threshold, who are able to take advantage of this benefit.

In order to rectify the second disadvantage, the benefit of an income tax credit on the pension allocation should be expanded to include low-wage workers.

As for the first disadvantage, we should encourage the "desert generation" to increase their allocation for compulsory pension during the interim period (in inter-generational terms – for example, workers who are aged 45 or over today, compared with younger workers) to more than 5%, by the government depositing, for example, a sum similar to the sum deposited by the individual in his or her pension fund. True, this proposal would cause a drop, at the present time, in the worker's current disposable income, which is already low, but it would improve the level of accumulated pension to a certain extent. It is proposed to encourage the increase of the allocation to compulsory pension differentially, according to age; the increase would be more significant the older the worker is. Thus, for example, the cost of increasing the allocation up to 8% **for employees aged 45 and over**, who are earning a minimum wage today **is estimated at some NIS 80 million** per annum, while the cost of granting a 35% income tax credit to these employees on the allocation to pension savings is estimated at some **NIS 100 million**.

B. Family allowances

1. **Single-parent families** – As in the rest of the western world, in recent decades the phenomenon of living in single-parent families has been increasing in Israel, due both to the increasing divorce rate and to the significant increase in the birthrate by unmarried women, who choose to have a child without a regular partner. Since the earning capacity in a single-parent family is limited to a single wage earner, for the most part their economic situation is more difficult, and their percentage among poor families is far higher than their percentage of the entire population. Thus, the poverty rate among single-parent families stands at some 30%, compared with about 25% among traditional families, despite the fact that 80% of the poor single-parent families are working families. Moreover, in most single-parent families, the head of the household is a woman; this puts the family's livelihood at an even lower level, due to the gap between men's and women's wages. These are the reasons why the social policy-makers in Israel and worldwide are focusing their attention on this group and on finding solutions for its particular situation.

The Research and Planning Administration has proposed improving the situation of single-parent families by encouraging employment, mainly through NII benefits, such as increasing the disregard of employment in the means test for whoever is receiving a benefit for income support or maintenance; by equating the conditions of single-parent families whose head of household is a divorcee or single woman to those of a widow who receives a survivors' benefit; by providing vocational rehabilitation for single-parent mothers (similarly to the rehabilitation for widows); by separating the maintenance payments from the income support benefits, so that, for women earning up to the average wage, the maintenance payments will be added in their entirety to her earnings, a measure that will encourage single-parent mothers to join the labor market. It was also proposed to strengthen the earning capacity of single-parent mothers by increasing negative income tax.

Some of these proposals entail a sometimes far-reaching change in perception, but, nonetheless, they also contain an answer to the desire and the need to improve the situation of single-parent families and their children, both during this period (by extricating them from the cycle of poverty in which they have become entangled, due to difficult or unforeseen circumstances), and as a long-term investment, derived from the belief that children growing up in poverty and deprivation will have a hard time extricating themselves from this situation later, when they reach adulthood.

2. **Child allowances** – Poverty among children has reached such dimensions that it requires policies that will relieve the economic situation of their families. It is imperative that the assistance to poor children today be effective also in extricating them from the permanent cycle of poverty. Handling this problem solely via the current children's allowance is expensive. Therefore, the children's situation should also be improved also by increasing the earning capacity of wage earners in large families and of their children as future wage earners.

A proposal has been drafted that includes a component of an **empowerment grant** to children, similar to the existing model in England, where a program is being run today that

helps young people to leave the cycle of poverty when they become adults, by way of a split grant, a portion of which is received for the newborn child and a portion of which is received when the child reaches the age of 7. This grant is given to the entire population; however, a larger grant is given to the needy population.

According to this proposal, the government will deposit a lump-sum grant for every child born in a poor family – for example, the sum of NIS 3,500. This grant will be deposited with preferred interest (such as, 2.5% above the intergovernmental interest rate) for 21 years, at which time it will be available to the adult for the needs specified above. It is also feasible to consider an option of splitting the grant into two stages, similar to the English model. According to our calculations, this grant, together with the income from compound interest, will total some NIS 11,000, at 2008 prices, after 21 years.¹⁹

- 3. Maternity benefits** – It was proposed to re-examine the payment of the hospitalization grant through the National Insurance Institute. The payment to hospitals for hospitalization of women giving birth was one of the first payments that the National Insurance Institute made, in 1954. At that time, when the National Insurance Law came into effect, two benefits were paid within the scope of maternity insurance, one of which was the birth grant.²⁰ The birth grant included financing for the purchase of initial equipment for the newborn and financing for hospitalization of the mother and newborn.²¹ The receipt of the grant was conditional upon the mother giving birth in a hospital.

The legislation enacted, as stated, at the beginning of the 1950s, was introduced in the newly created State of Israel, against a background of massive immigration, a relatively high birth rate accompanied by an increase in the mortality rate for infants,²² and a lack of medical insurance for the entire population. The objectives of the legislation at that time were to encourage women to deliver in hospitals, as a means for promoting the health of the mother and the newborn and for reducing their mortality rates, as well as to lay an important cornerstone for the welfare state and to reduce social gaps. Prior to the enactment of the Maternity Insurance Law, hospitalization for women giving birth had been arranged through medical insurance that the Sick Funds (now called the Health Funds) and other public funds provided.

Since the enactment of the National Health Insurance Law in 1995, all residents of Israel are insured and are entitled to receive medical care, according to what is defined in the Basket of Health. Therefore, it is proposed to delegate the responsibility for the hospitalization of women giving birth, newborns and premature babies to the health system, with financing from the

19 It is possible to shorten the payment period by combining the sinking fund method with the pay-as-you-go method.

20 The second benefit that was paid was a maternity allowance.

21 In 1986, the birth grant payable to the mother for the purchase of equipment for the newborn was separated from the hospitalization grant payable to the hospital where the delivery took place.

22 Data published in the Kanav Committee Report show that the infant mortality rate increased from 29.2 per 1000 live births in 1947 to 35.2 in 1948 and to 51.9 in 1949. For the sake of comparison, the infant mortality rate in Israel in 2007 was 4.6 per 1000 births.

Health Tax. It is possible that, in special cases, such as deliveries that take place abroad, or women who give birth in Israel but have no medical insurance, the hospitalization will continue to be financed under the responsibility of the National Insurance Institute. Transfer of responsibility for the hospitalization of mothers giving birth from the National Insurance Institute to the health system will completely change the financial position of the Maternity branch and will enable the allocation and development of resources for a welfare policy for working women.

Alternatively, if the National Insurance Institute continues to pay a hospitalization grant, all its components as well as its updating method should be re-examined. Major changes have occurred in recent decades in the Israeli economy, in the standard of medicine and in consumer habits. For example, the components of the basket for determining the consumer price index vary from time to time, according to changes in consumption by the population in Israel, but the components of the formula for calculating the hospitalization grant, in which many changes have also occurred, have not been re-examined. It appears that the number of days of hospitalization have decreased over the years; the special costs for maternity wards (which today are expressed in the coefficient in the formula for calculating the grant) are already included in the high price per day of hospitalization. Thus, the method for updating the grant should also be considered; this depends, almost exclusively, on the updating of the price per day of hospitalization, over which the National Insurance Institute has no influence. The Ministries of Health and Finance are the authorities that determine the rate of the update, while the National Insurance Institute is required to provide the financing for it without any possibility of input or control.

4. **Survivors' benefit** – Proposals have been presented to improve widowers' terms of eligibility for survivors' benefits, and to equate the terms to those of widows. According to the National Insurance Law, a widower is any man who was the spouse of an insured woman who died, whether he has a child still living with him, or not, but whose income from all sources does not exceed 57% of the average wage (some NIS 4,000 per month in 2008). On the other hand, a widow is entitled to a survivors' benefit without any means test, even if she has no children living with her.

The guiding principles used when formulating these proposals are as follows:

- A widow's rights are based on her spouse working and paying insurance contributions, which constitute the basis for her survivors' benefit. As opposed to this, today, the woman's employment does not confer a similar right on her spouse. Thus, the woman's contribution to accumulating rights through her employment is discriminated against. The outcome therefore, is that improving the situation of widowers will not be at the expense of prejudicing widows' rights.
- The rules of the survivors' benefits will be revised, while avoiding the creation of broad affects on other benefits, by adopting the rules that are applied to old-age pensions.

Following are the proposals:

- a. The means test will be cancelled for all widowers. This change will lead to full equation of the widowers' terms of eligibility with those of widows.
- b. Partial improvement by canceling the means test only for elderly widowers.
- c. Partial improvement by making allowances in the means test through these measures: increasing the income threshold from 57% to 100% of the average wage; instituting a proportionate survivors' benefit as is practiced with the old-age pension at the conditional age; and eliminating the components of income from the pension and from the old-age pension from the income that is taken into account in the survivors' benefit.

Alongside this, there is the option of improving the widowers' terms of eligibility **while prejudicing the widows' terms of eligibility**. This would involve, of course, reducing the benefits to widows by using the means test to reduce the percentage of eligible widows. **This solution, as stated, is definitely not recommended.**

C. Financial strength

1. **Financial strength of the old-age and survivors' branch** – The issue of increasing the old-age pension has implications on the financial strength of the National Insurance Institute and on social value, such as reducing poverty among the elderly. These implications have been examined in selected scenarios in a preliminary manner, and the findings are based on a complete set of assumptions that is described in detail in the position paper. The analysis shows that continuation of the present situation is liable to create a high and ongoing current deficit in the old-age and survivors' branch in less than ten years, when financing the deficit through the use of the branch assets would involve reducing these assets and reducing the interest receipts on them gradually until they are reduced to zero in about another 30 years from today. If the basic rate of the old-age pension is increased to 19%, regardless of the method of updating the pension, a high current deficit would be created immediately, and the total elimination of the branch assets would occur earlier: about 10 to 15 years from today. Even leaving the pension rate without change, while switching to updating it according to the average wage, would involve a high and persistent current deficit in the branch, which is expected to begin in about another four years. According to this scenario, the result of elimination of the branch assets would be felt in about another 15 years from today. Nonetheless, the analysis shows that increasing the rate of the basic pension to 19% would involve the social benefit of an expected sharp reduction in the incidence of poverty among elderly families (from about 24% to about 10%). The assessment of cost versus benefit depends, of course, on priorities. In any event, in light of the discouraging picture of the financial strength of the old-age and survivors' branch, appropriate solutions are necessary, while examining the financial strength of the National Insurance Institute in its entirety, when the majority of its branches are already in deficit today, even after taking into account the income from interest on the assets of these branches. In light of the demographic and other

changes expected in the future, such as the aging of the population and a decline in fertility, it appears necessary to give renewed and ongoing consideration to methods of contending with the developments in the National Insurance Institute's financial strength.

2. **Financial strength of the disability branch** – Up until the mid-1990s, the Disability branch operated without a deficit; i.e., receipts were higher than payments. Since 1990, the ratio between payments and receipts has steadily diminished. In 2000, collection of insurance contributions constituted some 70% of the payments. In 2008, the current deficit is expected to reach some NIS 3.3 billion, which is some 40% of the payments. In 1997, transfers from the Children branch to the Disability branch were made for the first time, in order to increase the balances in this branch and to maintain the necessary years of coverage. Since then, three more transfers have been made (in 1999, 2007 and 2008), at an aggregate total of NIS 21.5 billion at current prices.

The position paper presents calculations concerning financial strength. Two scenarios were designed, which are differentiated by the basic assumptions of future receipts²³ (the rates of change in wages and in employees) and of payments (number of recipients of the disability pension). A comprehensive analysis was not performed in this position paper to explain the increase in the percentage of the disabled among the working-age population. In the first scenario, the percentage of recipients of disability pension relative to the population remained at the 2006 level, and the receipts are high. In the second scenario, the percentage of disability pension recipients relative to the population continues to increase, and receipts are low.

According to the first alternative, the current deficit in this branch will reach some NIS 3.65 billion in 2010, and will then steadily decrease, so that by 2030, it will drop to about NIS 1.69 billion. The cumulative deficit will reach some NIS 90 billion by 2030; an addition of about one percentage point for collection in favor of the Disability branch as of 2010 would cover the current deficit in the branch and would accrue surpluses in subsequent years.

According to the second alternative, the current deficit in the branch will reach some NIS 4.07 billion in 2010, and some NIS 8.23 billion by 2030. The cumulative deficit will reach some NIS 178 billion by 2030, double that in the first scenario: in order to cover the current deficit in the branch, a collection increment in favor of the Disability branch will be necessary, ranging between about 1.2 percentage points and about 1.4 percentage points between the years 2010 and 2025.

23 In light of the continually growing economic crisis, it will be necessary to adjust and adapt the calculations.

D. Socio-economic policy

1. Price rises and a mechanism for compensating benefit recipients

The rises in the prices of fuel and food have a harsher short-term impact on the weak populations, since the ratio of these products, along with other basic products in their consumption basket, is higher than their ratio in the consumption basket of stronger populations. However, past experience has showed that the price indices for different population groups (quintiles, deciles) are similar over time, while there may be differences between them for short periods. And indeed, during the first four months of 2008, the general consumer price index rose by 1.6%, compared with an increase of 1.9% in the lower quintile's "basket" index, while, last year (April 2008 compared with April 2007), the indices rose by 4.7% and 5.6%, respectively.

The position paper proposes that in order to provide relief to the weak population to help in coping with the price increases, an interim update should be performed, so that, when there is a cumulative increase of 2% in the general index by mid-year since the last update, the benefits will be updated at this rate, and the balance will be added at the scheduled time for the update (January of each year). In the case where the interim update exceeds the annual update, the benefits will not be reduced, but rather an adjustment will be made in subsequent annual updates. Alternatively, a scheduled update could be instituted twice a year instead of once a year, regardless of the rates of change in the index.

2. The effectiveness of reducing value-added tax

In the position paper addressing the efficacy of reducing the VAT on the welfare of families, it was stated that, since the VAT, as a general rule, is a regressive tax by its very nature, reducing it would have a progressive influence on the tax system. Nonetheless, from the perspective of Israeli society as a whole, reduction of the VAT on food products, for example, without a parallel adjustment of direct taxation, might lead to a loss of tax revenue, which is liable to lead to measures that, in the final analysis, would adversely affect equality in the distribution of income in the economy.

The document analyzes the advantages and disadvantages of differentiation in the VAT rate. In Israel, the VAT rate is usually uniform for all products and services, whereas in some European countries there is differentiation. Increased use of differentiation weakens one of the prominent advantages of indirect taxation – the efficiency of collection. Nonetheless, differentiation is very much justified when its purpose is to encourage a change in the allocation of the resources of the **majority** of the public, in favor of a particular pattern of consumption. When the objective of differentiation is to cut down expenditure on a basic product for the weak population, there is indeed an impact, but the focus of this tool is weak compared with other existing tools, such as direct taxes or transfer payments. These are infinitely preferable to the differential VAT method. Furthermore, excessive use of differential VAT is liable to lead, in the final analysis, to increased pressure to cut back on social

expenditure, due to the decline in tax revenue – an outcome that is certainly the opposite of the initial intention.

A simulation that was performed in relation to elimination of VAT on food products and apartment maintenance (water, electricity and home heating fuel) shows that such a measure would cause the government an annual loss of tax revenue of NIS 11 billion. The analysis shows that the additional income (or the decrease in expenses) of the bottom quintile would come to about 7% of the quintile's total family income, compared with a far lower percentage of the upper quintile's income (about 2%). The explanation for this lies in the high percentage of expenditure on food (as part of the expenditure or income) by the bottom quintile, not in the absolute size of the expenditure. According to this scenario, the bottom quintile would only benefit from a tenth of the government expenditure (or decline in state revenue) as a result of this measure, while the upper quintile would benefit from more than one third of the benefit inherent in the decline in state revenue. However, in another simulation, when the benefit (reduction of VAT) was focused solely on controlled products (as of the current date), we find that the cost is substantially lower (less than half) and the result is more progressive in its nature.

To summarize this section, the selected position papers presented above describe the efforts of the Research and Planning Administration to supply policy requirements in real time, while taking into account the overview of the entire system and the long-range view. It should be noted that the production of position papers has been part of the routine work of the Research and Planning Administration for many years; however, as of this year, the level of transparency will be augmented and the contents will be disclosed to the general public.

3. Scope of payments

The National Insurance Institute's payments of benefits, in cash and in kind – both contributory and non-contributory benefits – totaled NIS 49.9 billion in 2008, compared with NIS 47.1 billion in 2007. These sums also include other payments that the Institute makes, mainly to government ministries, for expenses for developing services in the community. Also included are the administrative and operating expenses of the national insurance system, including all its diverse fields (totaling some NIS 1.2 billion). The real increase in the Institute's total payments reached 1.2%, which derives mainly from an increase in the number of recipients of the benefits. In terms of the benefits-to-GDP ratio, the benefits remained almost without change (Table 1). The benefits-to-GDP ratio, which reached a record of 8.7% in 2001–2002, has steadily declined, to 6.8% in 2007 and in 2008. A similar trend, of a gradual decline in terms of the GDP, also characterizes collection by the Institute, mainly as a result of a decrease in the collection rates from employers in a gradual process that began in 2005. In 2008, as in the preceding year, the collection rate of National Insurance contributions was some 3.9% – half of the benefits-to-GDP ratio.

The data in Table 2 shows the main trends in benefit payments by branches. The increase of 1.2% in benefit payments is explained by increases in all benefit branches, except for Income Support and Children. A particularly high increase, of 10%, occurred in the payments to the Maternity branch, following a legislative amendment in May 2007, according to which, the maternity allowance is paid for seven or 14 weeks of the mother's work (instead of six or 12 previously), but it is also due to the increase in the number of recipients. As a result, this branch increased its share in the volume of payments from 7.7% in 2007 to 8.3% in 2008. Quite a large increase was also recorded in the Reserve Service branch (5.8%). Similar increases in the average in all benefits were recorded in the Old-age and Survivors (1.3%) and Disability (1.6%) branches. For the first time since 2005, benefit payments to the Disability branch increased at a moderate rate, after the increase in this branch had reached an average of 6% in 2005 through 2007. In the "Long-Term Care and other" branches, the payments increased by 2%, mainly due to an increase in the number of recipients of long-term care benefit. The payments to the unemployment branch remained without change in real terms, even though the number of recipients of unemployment benefit declined in 2008. This finding is explained by the fact that the people who were unemployed in 2008 had a higher wage level than those unemployed in previous years. It should be noted that the more stringent terms laid down in the economic benefit plan of 2002-2003 regarding eligibility for unemployment benefits, and in particular the extension of the qualification period, adversely affected all groups of unemployed, but particularly the weaker links in the labor market, who earn a lower wage: young people, the less well-educated, and those living in areas suffering from high unemployment rates.²⁴

There were declines in the volumes of benefit payments, as stated, in the income support branch (5.3%), and in the children's branch (1.5%). The decline in payments to the income support branch is explained by the positive developments in the labor market, which continued throughout 2008 as well (even though there was a change in the trend during the second half of 2008), and by the implementation of the "Prospects of Employment" plan and its expansion to additional regions in Israel. The decline in payments to the children's branch indicates the continued process of reducing the payments for child allowances, which began in 2002, whereby a uniform allowance – lower than the previous one – is gradually being paid for "new" children (born after June 2003), who are at least the third child in the family. An estimate that was carried out shows that the process of replacing the "veteran" children with "new" children will be completed by 2012, when most of the children will be considered "new" children. The effect of the exit of "veteran" children and the entry of "new" children into the system is a gradual reduction in the payments for child allowances.

24 See Box 5.9.a. in the "Unemployment" chapter in the National Insurance Institute's 2005 Annual Survey.

Table 1
**Benefit Payments and Collection from Public (excluding administrative expenses)
as Percentage of GDP, 1980-2008**

Year	Benefit payments		Total collection	
	Total	Contributory benefits	Total*	National insurance contributions**
1980	6.09	4.98	6.77	5.15
1985	7.14	5.51	6.57	4.45
1990	8.36	7.04	7.21	5.28
1995	7.23	5.66	7.54	4.21
2000	7.72	6.14	6.05	4.11
2001	8.72	6.85	6.41	4.35
2002	8.74	6.78	6.42	4.36
2003	8.18	6.46	6.27	4.25
2004	7.41	5.93	6.09	4.08
2005	7.08	5.68	6.05	4.06
2006	6.98	5.62	5.90	3.94
2007	6.84	5.55	5.90	3.90
2008	6.82	5.57	5.92	3.89

* Including collection for the Health Funds.

** Including indemnification of the Treasury in respect of a reduction in the national insurance contributions from employers.

In total, the payments of contributory benefits pursuant to the National Insurance Law increased by 2% in 2008 in real terms. The payments of non-contributory benefits – which are payable by virtue of state laws or by virtue of agreements with the Treasury that are fully financed by the state Treasury (such as income support, mobility, maintenance, old-age and survivors, to people who are not insured (mainly new immigrants), and reserve service benefits) – declined at a rate of 0.8%. In 2008, the non-contributory benefits, including administrative expenses, totaled NIS 9 billion, which is some 18% of all benefit payments.

Table 2 also presents the segmentation of the total benefit payments by branches. As in 2007, the Old-age and Survivors' branch, the largest in size, constitutes 37.4% of the total benefits paid in 2008. The Disability branch, the second largest branch, also retained its share of the total payments, and reached 19.2% of the payments in 2008. The Children branch, which reduced its share by nearly 50% compared with 1995, continued to reduce its share, from 10.7% in 2007 to 10.4% in 2008. Two thirds of all benefit payments in 2008 are concentrated in the three largest branches – Old-age and Survivors, General Disability and Children.

The Maternity branch increased its share by 0.6 percentage points in 2008 and cumulatively by 1.5 percentage points in 2007 and 2008 – due to the aforesaid legislative amendment of mid-2007, which reached full implementation in 2008.

Like the Children branch, the Income Support branch also continued to reduce its share of the total payments in 2008, and declined from 5.4% in 2007 to 5.0% in 2008. At its peak in 2002, its share

had been 8% of the total payments. In the Unemployment branch, the decline in the branch's share was halted at 3.8% in 2008 – compared with its rate in 2000 and in 2002, which was more than twice as high, 7.6%. This steep fall is attributed mainly to the more stringent terms of eligibility for unemployment benefits, mainly in 2002 – 2003, and also is due to the positive changes in the labor market in subsequent years and up until the year under survey. The rest of the benefit branches remained more or less at the same level as in 2007, in terms of their share of the total payments.

Table 2

Payments of National Insurance Benefits (including administrative expenses), 1995-2008

Year	Total payments*	Old-age and survivors**	General disability	Work injury, and border and hostile casualties	Maternity	Children	Unemployment	Reserve service*	Income support***	Long-term care and other
NIS million (current prices)										
1995	21,188	7,675	2,254	1,487	1,206	4,287	1,280	1,053	1,149	798
2000	39,706	13,670	5,128	2,569	2,423	7,000	3,023	1,039	2,957	1,897
2004	42,759	16,032	7,355	3,145	2,727	4,887	2,166	708	3,003	2,735
2005	43,305	16,457	7,792	3,192	2,857	4,548	2,044	713	2,859	2,842
2006	45,760	17,376	8,392	3,306	3,103	5,038	2,013	860	2,730	2,941
2007	47,089	17,615	9,034	3,332	3,605	5,038	1,812	760	2,543	3,350
2008	49,920	18,655	9,599	3,506	4,146	5,188	1,896	841	2,518	3,572
Real annual increase (percentages)										
1995	10.1	8.6	16.1	14.6	20.8	4.5	16.2	2.9	13.7	13.5
2000	8.1	8.4	14.8	11.4	10.8	1.5	-0.9	-7.4	18.1	18.2
2004	-4.2	2.2	0.8	-0.3	0.2	-20.3	-12.3	-38.1	-9.5	1.2
2005	-0.1	1.3	4.6	0.2	3.4	-8.1	-6.9	-0.6	-6.0	2.5
2006	3.5	3.4	5.5	1.4	6.4	8.5	-3.6	18.1	-6.5	1.4
2007	2.4	0.8	7.1	0.2	15.6	-0.5	-10.5	-12.1	-7.3	13.3
2008	1.4	1.3	1.6	0.6	10.0	-1.5	0.0	5.8	-5.3	2.0
Distribution by sector (percentages)										
1995	100.0	36.2	10.6	7.0	5.7	20.2	6.0	5.0	5.4	3.8
2000	100.0	34.4	12.9	6.5	6.1	17.6	7.6	2.6	7.4	4.8
2004	100.0	37.5	17.2	7.4	6.4	11.4	5.1	1.7	7.0	6.4
2005	100.0	38.0	18.0	7.4	6.6	10.5	4.7	1.6	6.6	6.6
2006	100.0	38.0	18.3	7.2	6.8	11.0	4.4	1.9	6.0	6.4
2007	100.0	37.4	19.2	7.1	7.7	10.7	3.8	1.6	5.4	7.1
2008	100.0	37.4	11.2	7.0	8.3	10.4	3.8	1.7	5.0	7.2

* The data for 1995 do not include the sums transferred to the Ministry of Defense as a repayment of a debt in respect of the savings in the number of days of reserve duty.

** Including payments for income support.

*** For the working-age population.

4. Benefit levels

Following the change in the method of adjusting benefits in the Economic Recovery Law of June 2003, the sections defining the calculation of the sum of the benefits were amended, as well as the method for updating them according to the average wage; since January 2006, the calculation has been performed according to the *basic amount*.²⁵ This sum is adjusted in January of each year according to the increase that occurred in the consumer price index between the November index that preceded the month of the update, and the November index for the preceding year.

Accordingly, in January 2008, the benefits were updated at the rate of increase in the consumer price index during the period from November 2006 through November 2007, at a rate of 2.8%. During that period, the average wage, which was previously used for updating the benefits, increased at a lower rate – 1.7%. However, cumulatively, from 2002 to 2008, the average wage increased at a rate of about 10% – compared with an increase of 5.6% in prices. The cumulative loss to recipients of the benefits in both years totaled about 4.5%, which, in budgetary terms, is some NIS 2 billion. Even though in the past two years (2008 and 2009), the benefits have been updated at the rate of the rise in prices, which was higher than the rate of the rise in wages²⁶, past experience shows that the trend of erosion of the benefits relative to wages will persist, since the **real** wage (i.e., after the rise in prices is deducted) is increasing at an average rate of approximately 2% per annum.

The data in Table 3 shows that in 2008 the basic old-age pension for an individual declined slightly, at a rate of 0.3%, after four years of a real consecutive increase, while the old-age pension for a couple declined at double that rate. The old-age pension, which includes an income supplement for an individual, decreased by a higher rate, of about one percent. The guaranteed income for a widow with two children also declined by a similar rate. On the other hand, the various types of old-age pensions and survivors' benefits, as a percentage of the average wage, remained at the same level as in 2007.

The data in Table 4 shows that in 2008 the guaranteed minimum income for the working-age population increased at varying rates of about 2%, according to the various family compositions. Also as a percentage of the average wage in the economy, the benefit increased by one half of one percent and more, and thus returned, more or less, to its level in 2005. This increase comes after the temporary 4% cut in the benefit (which began in July 2002 and was extended, beyond the original planning, until the end of 2007) was returned to the recipients of the benefit in January 2008. The deep erosion of the benefit guaranteed to the working-age population occurred between 2002 and 2005. A simple calculation shows that the guaranteed minimum income for a single parent with two children, for example, decreased by a real rate of 22% between 2002 and 2008.

25 The *basic amount* is the sum according to which most of the benefits have been calculated since January 2006. This amount is updated on the first of January of each year by the rate of the rise in the consumer price index that applied in the preceding year. The basic amount has different rates for the purpose of updating the various benefits. In 2008, the basic amount for most benefits was NIS 7,443.

26 In January 2009 also, the benefits were updated by a rate higher than the increase in wages: the prices for the determining period increased by 4.5% – compared with an increase of 3.5% in wages during that same period.

Table 3

Old-age and Survivors' Pension and Minimum Income Guaranteed to Elderly and Survivors (at fixed prices and percentage of average wage in economy*), monthly average, 1975-2007

Year	Basic old-age and survivors' pension				Guaranteed minimum income (including child allowances)			
	Elderly individual		Widow/er with two children		Elderly individual		Widow/er with two children	
	2008 prices (NIS)	% of average wage	2008 prices (NIS)	% of average wage	2008 prices (NIS)	% of average wage	2008 prices (NIS)	% of average wage
1975	669	14.9	1,113	24.8	1,146	25.5	2,228	49.6
1980	737	17.1	1,429	33.1	1,294	30.0	2,621	60.9
1985	831	15.2	1,612	29.5	1,658	30.5	3,182	58.3
1990	1,047	15.9	2,027	30.7	1,645	24.9	3,025	45.9
1995	1,061	15.5	2,055	30.1	1,774	26.0	3,921	57.3
2000	1,184	15.0	2,293	29.0	1,979	25.0	4,353	55.0
2001	1,284	15.7	2,487	30.5	2,147	26.3	4,705	57.7
2002	1,193	15.6	2,358	30.8	2,035	26.5	4,420	56.4
2003	1,158	15.6	2,337	31.5	2,018	27.2	4,366	58.7
2004	1,163	15.2	2,347	30.6	2,026	26.4	4,334	56.7
2005	1,179	15.2	2,337	30.2	2,143	27.6	4,480	57.8
2006	1,202	15.3	2,346	29.9	2,244	28.6	4,698	59.6
2007	1,212	15.1	2,350	29.5	2,281	28.6	4,741	59.4
2008	1,208	15.2	2,336	29.5	2,259	28.5	4,689	59.2
2008**	1,263	15.9			2,377	30.0		

* As measured by the Central Bureau of Statistics

** Age 80 and over

The average disability pension was eroded by 1.9% in 2007 and 2008, while, as a percentage of the average wage for a salaried position, it decreased from 31.4% of the average wage to 31.0%. Since 2003, this pension was eroded in terms of a percentage of the average wage, by about 2 percentage points. Similar trends also characterized the benefits deriving from the general disability pension: the benefit for a disabled child declined in real terms by 1.7%, and the average attendance allowance declined by 1.3% between 2007 and 2008, after it was eroded in the previous year in terms of a percentage of the average wage, by about one half of one percentage point. On the other hand, the average mobility allowance increased by 2.8% in real terms, compared with 2007.

The average long-term care benefit granted to the elderly (the sum of which is translated into hours of care) increased in real terms in 2008 by some 4.2% compared with 2007, after an increase at a similar rate between 2006 and 2007. This increase indicates the impact of the rise in the average rate per hour of care, and the changes in the composition of the recipients of the long-term care benefit.

Table 5 shows the amount of the child allowance payable to the various family compositions at 2008 prices, and as a percentage of the average wage. The allowance relative to the average wage usually remained at the same level as in 2007. The nature of the persistent cutback in the child allowances since 2001, within the scope of the plan to equate the allowance to every child, led to differential cumulative rates of change for various family compositions: while the child allowance for families with two children was eroded at a rate of about 23% between 2001 and 2008, the allowance for families with four and five children was eroded at a rate of 48% and 55% (respectively) during the same period.

Table 4
Guaranteed Minimum Income for Working-age Population
(Fixed prices and percentage of the average wage in economy*) Monthly Average, 1990-2008

Year	Individual			Single parent with two children (including child allowances)			Couple with two children (including child allowances)		
	Regular rate		Increased rate	2008 prices (NIS)	% of average wage	2008 prices (NIS)	Regular rate		Increased rate
	2008 prices (NIS)	% of average wage					2008 prices (NIS)	% of average wage	
1990	1,316	20.0	24.9	1,645	50.5	3,033	3,528	46.0	53.5
1995	1,326	19.4	24.3	1,658	53.9	3,180	3,677	46.6	53.8
2000	1,479	18.7	23.4	1,849	51.2	3,506	4,059	44.0	51.0
2001	1,605	19.7	24.6	2,007	54.1	3,765	4,366	46.2	53.6
2002	1,492	19.5	24.3	1,865	53.4	3,465	4,065	45.5	53.4
2003***	1,448	19.5	22.9	1,705	42.5	2,998	3,455	40.3	46.6
2003****	1,810	24.4	24.4	1,810	53.0	3,833	3,899	52.4	52.4
2004***	1,454	19.0	21.3	1,637	40.5	2,701	3,101	35.3	40.5
2004****	1,818	23.7	23.7	1,818	51.0	3,864	3,821	50.5	50.5
2005***	1,435	18.5	20.8	1,615	39.4	2,662	3,057	34.3	39.4
2005****	1,794	23.1	23.1	1,794	49.6	3,810	3,810	49.1	49.1
2006***	1,443	18.4	20.7	1,624	39.7	2,730	3,126	34.7	39.7
2006****	1,804	23.0	22.9	1,804	50.2	3,884	3,884	49.3	49.3
2007***	1,436	18.0	20.3	1,616	39.0	2,715	3,110	34.0	39.0
2007****	1,795	22.5	22.5	1,795	49.3	3,863	3,863	48.4	48.4
2008***	1,470	18.6	20.9	1,655	40.0	2,767	3,171	34.9	40.0
2008****	1,838	23.2	23.2	1,838	50.7	3,943	3,943	49.8	49.8

* As measured by the Central Bureau of Statistics.

** Data for 1985 and 1990 relates to a widow with two children who was entitled to an income support benefit.

*** Per adult in the family under the age of 55.

**** At least one of the members of the family is over 55.

In branches paying wage-replacing benefits, a real increase was observed in benefit levels: the average injury allowance per day for employees and for the self-employed increased by 4.4% and 13.4%, respectively. The increase for employees mainly reflects the cancellation of the temporary 4% cutback instituted from 2002 to 2007. The increase in the injury allowance for the self-employed reflects, apart from this change, an increase in their income and a structured component of fluctuation that is due to the low numbers of recipients. The average maternity allowance per day increased at a real rate of 4.5%, due to a change in the composition of the recipients (an increase in the earnings rate above the average wage), while the birth grant increased at a real rate of about 2%. In 2008, the average unemployment benefit per day increased by some 5% in real terms, because the recipients of unemployment benefits in 2008 earned higher wages relative to the average wage, compared with recipients during the preceding year.

Table 5

Allowance Point and Child Allowances* (fixed prices and percentage of average wage in economy, monthly average), 1990-2008

Year	Value of allowance point		Allowance for two children**		Allowance for four children		Allowance for five children	
	2008 prices (NIS)	% of average wage	2008 prices (NIS)	% of average wage	2008 prices (NIS)	% of average wage	2008 prices (NIS)	% of average wage
1990	200	2.9	96	1.5	1,563	23.4	2,217	33.2
1995	195	2.8	390	5.8	1,570	23.4	2,233	33.4
2000	199	2.5	399	5.0	1,605	20.2	2,283	28.7
2001	197	2.4	394	4.8	1,589	19.5	2,576	31.6
2002	188	2.4	332	4.3	1,331	17.3	2,158	28.1
2003	186	2.5	314	4.2	1,160	15.6	1,853	24.9
2004	187	2.4	265	3.5	906	11.8	1,428	18.7
2005	185	2.4	258	3.3	812	10.5	1,242	16.0
2006***	156	2.0	311	4.0	844	10.7	1,190	15.1
2007****	155	1.9	310	3.8	840	10.5	1,184	14.8
2008	152	1.9	304	3.8	823	10.4	1,110	14.6

* Up until 1995, including the discharged soldier's benefit.

** The level of the allowance in 1985 and in 1990 relates to a family (with up to three children) that had not been entitled to the first-child allowance, and, as of October 1990, was also not entitled to the second-child allowance. In March 1993, the universal payment of child allowances was resumed.

*** As of 2006, the child allowances are calculated according to the basic amount, which, in January 2006, was NIS 148.

**** In January 2007, the basic amount was not updated, and therefore the child allowances according to their current value remained without change.

5. Benefit recipients

In 2008, the number of recipients of old-age pension increased by about 2%, while the number of recipients of survivors' pension alone declined by 0.3%. Overall, the number of recipients of old-

age pensions and survivors' pensions increased by 0.9%; this is the largest branch of all of the national insurance branches in size. The National Insurance Institute paid benefits to 735,800 elderly and survivors on average per month (Table 6). In the Children branch, the number of families receiving child allowances increased by 1.4%, after a similar rise in 2007, as a result of the natural increase in the population. In 2008, child allowances were paid to about 2.4 million children, living in 995,000 families.

In the second largest branch in size, General Disability, an increase of 4% in the number of recipients was recorded. This upward trend, which has characterized this branch for many years, is continuing also in relation to the benefits deriving from the general disability pension: the number of recipients of attendance allowance increased by 7.3%, while the number of recipients of mobility allowance increased by 5.9%. The number of recipients of benefit for disabled child increased by 6.3%.

Fairly large increases were also recorded in the Maternity branch and in the Work Injury branch – branches that are influenced mainly by the trend of expanding employment. In the Maternity branch, the number of recipients of maternity allowance skyrocketed by 8.8%, while the number of recipients of birth grant increased by some 3%. In the Work Injury branch, the number of recipients of injury allowance also increased by some 3%, while the number of recipients of permanent disability pension increased by some 5%. In the Long-term Care branch, which grants in-kind benefits (hours of care) to elderly persons impaired in their daily functioning, there was an increase of about 5% in the number of benefit recipients.

The downtrend in the number of recipients of unemployment benefits is continuing, and in 2008, their numbers continued to decline, by 3.6% – after a sharp drop of 11% in 2007. The decrease in the number of recipients of unemployment benefits from 2001 until today totaled 55%. This decrease is partially explained by the positive changes in employment during the last three years, and partially it derives from the stringent amendments enacted in the law in 2002 and 2003, mainly an extension of the qualification period for receiving unemployment benefits.

Table 6

Number of Benefit Recipients in Main Insurance Branches (monthly average), 1990-2008

Year	Old-age and survivors	General disability				Work injured			Maternity		Children	Unemploy-ment benefits	Income support (for working-age population)***	Long-term care	
		General disability pension	Attendance allowance	Allowance for disabled child	Mobility allowance	Injury allowance	Permanent disability allowance	Birth grant*	Maternity allowance						
Number of recipients (thousands)															
1990	442.6	73.5	6.5	5.8	11.4	56.7	11.8	103.6	43.7	532.5	50.6	30.8	25.0		
1995	553.9	94.0	10.2	10.3	13.2	84.9	14.6	113.1	55.2	814.7	61.5	74.8	59.0		
2001	677.0	142.4	18.9	16.4	19.3	69.1	20.8	127.1	71.2	928.2	104.7	141.8	105.4		
2003	709.2	157.3	21.7	18.4	22.3	61.5	23.0	136.4	73.9	939.1	70.5	155.2	113.0		
2004	722.3	162.4	22.7	19.5	23.5	65.8	24.0	141.2	77.5	945.6	58.4	144.7	113.4		
2005	719.9	170.9	24.0	21.0	24.9	63.9	25.2	142.9	77.0	956.3	58.8	139.9	115.0		
2006	727.5	178.3	25.6	22.2	26.1	64.3	26.4	143.6	82.7	968.3	56.0	130.3	120.4		
2007	728.9	187.5	27.4	23.8	27.3	67.6	27.8	147.2	86.0	980.6	49.8	120.2	125.6		
2008	735.8	195.0	29.4	25.3	28.9	69.7	29.2	152.0	93.6	994.8	48.0	112.0	131.5		
Annual increase (percentage)															
1986-1990	2.6	3.4	7.2	7.7	1.5	-0.1	3.6	0.5	0.5	-0.5	20.9	8.6	17.4		
1991-1995	4.6	5.0	9.4	12.2	3.0	8.4	4.4	1.8	4.8	8.9	4.0	19.4	18.7		
1996-2000	3.5	7.6	10.2	8.2	4.9	-2.1	6.3	3.1	5.0	2.3	8.5	11.4	10.2		
2001	3.0	5.2	13.9	7.2	14.9	-9.3	5.1	-3.6	0.8	1.7	13.1	10.6	10.1		
2003	2.4	4.5	5.3	5.1	6.7	-12.1	5.5	6.1	3.5	0.4	-27.4	2.6	0.7		
2004	1.8	3.2	4.6	6.0	5.4	7.0	4.3	3.5	4.9	0.7	-17.2	-6.2	0.4		
2005	-0.3	5.2	5.9	7.2	5.9	-2.9	5.0	-	-0.6	1.1	0.7	-3.3	1.4		
2006	1.1	4.3	6.7	6.0	4.7	0.6	4.8	0.5	7.3	1.3	-4.9	-6.9	4.7		
2007	0.2	5.2	6.9	7.2	4.7	5.2	5.1	2.5	4.1	1.3	-10.9	-7.7	4.3		
2008	0.9	4.0	7.3	6.3	5.9	3.1	5.0	3.3	8.8	1.4	-3.6	-6.8	4.7		

* The number of different recipients during the year.

** The data for 1985 and 1990 include those families whose allowances for the first and second child were reimbursed through the employers. In 1993, the allowances again became being universal.

*** When calculating the data for 2004 and thereafter, a benefit that was split between a number of recipients was allocated to only one recipient. The number of recipients for 2004, when all recipients of a split benefit were taken into account in the calculation, was 145,600 thousand on average per month.

A sharp drop of 6.8% was also recorded in the number of recipients of income support benefit. This decrease is an additional link in a series of decreases that began in 2004, which totaled some 28% between 2004 and 2008. The sharp drop is a result of three main factors: the positive changes in the fields of employment and unemployment, the stringent amendments to the law in 2003, and the implementation of the law pertaining to integrating recipients of benefits into the work force.

6. Collection of insurance contributions from public and sources of financing benefits

The National Insurance Institute's benefit payments are financed from four sources: collection of national insurance contributions (direct collection from the public and indemnification by the Treasury in respect of reductions in the national insurance contributions from employers and from the self-employed), the government's participation in financing the contributory benefits, government financing of non-contributory benefits, and receipts from interest on investments of the monetary balances, mainly in government bonds. In addition to collecting national insurance contributions, the Institute collects the health insurance contributions and transfers them to the Health Funds.

In August 2005, the first stage in the process was activated, whereby the national insurance contributions imposed on employers were reduced. This process is gradual and will continue until 2009, at which time, the insurance contributions from the employer will be reduced at a rate of 1.5 percentage points. Concurrently, two insurance contribution rates were instituted – reduced and regular – in place of the uniform rate, at all levels of income for which insurance contributions must be made. This measure is part of a more comprehensive policy, which began in the 1980s, to reduce employers' labor costs. It should be noted that the National Insurance Institute voiced its opposition to this measure: reducing receipts from collection from the public increases the national insurance system's dependence on the Treasury budgets, and is also liable to indirectly cause a further reduction in expenditure on benefits.

At the beginning of 2006, another reform was implemented relating to the field of Institute collection, according to which the reduced rate of the insurance contributions imposed on **the employee** was decreased from 1.4% of his earnings to 0.4%. The regular rate was increased from 5.58% to 7%; and the bracket for the reduced rate was increased from 50% of the average wage to 60%. These changes were made in a zero budget.

Like the policy with regard to benefits, between 2002 and 2005, the average wage was not adjusted by law, and therefore, the brackets for insurance contributions and the minimum income liable for the payment of insurance contributions for the various categories of insured persons were also not adjusted. The freeze on the average wage continued until the end of 2005, and, since 2006, the ceiling has been adjusted only at the rate of the rise in the index. On the other hand, the reduced rate bracket and the minimum income liable for the payment of insurance contributions for the various categories of insured persons will continue to be adjusted according to the changes in the average wage even after 2006. The change in the method for updating the ceiling will lead,

over time, to relieving the burden on those with very high wages, and they will receive preferential treatment compared with those paying insurance contributions at the minimum level (such as the unemployed and students). On the other hand, the continued linkage of the reduced rate bracket to the average wage will prevent the imposition of a heavy burden of insurance contributions on those with low wages.

A. Collection of insurance contributions from public

The National Insurance Institute's receipts from the collection of national and health insurance contributions totaled NIS 42.4 billion in 2008: NIS 25.87 billion for the National Insurance branches and NIS 14.57 billion for the health system. Added to the collection from the public is NIS 1.95 billion that the state Treasury transferred as indemnification for the reduction of the national insurance contributions from employers and the self-employed (pursuant to section 32.C of the law).

Table 7 shows that, in 2008, direct collection from the public increased by 2.0% in real terms: collection of national insurance contributions increased by 1.1% and collection of health insurance contributions increased by 3.6%. These increases derive mainly from the positive economic developments in the areas of employment and wages. It should be noted that the estimates that were made show that the direct collection from the public in 2008 would have risen at a higher rate, about 7% in real terms, were it not for the legislated amendment pertaining to the reduction of the national insurance contribution rates for employers, which were enacted in 2005 and 2006, and which will continue to have a gradual effect until 2009. These amendments did not affect the collection of health insurance contributions.

The downtrend that characterized the volume of collection in terms of the ratio of the GDP was halted in 2008, after collection decreased in terms of the GDP from 6.0% in 2003 to 5.6% in 2007. As a ratio of the GDP, the volume of collection of national and health insurance contributions are the same as the rates in 2007. The percentage of collection from the public out of total direct taxes gradually climbed from 40.2% in 2003 to 49.3% in 2008, as a result of the tax reduction within the framework of the income tax reform implemented in 2003.

The changes in collection rates differ between employees and non-employees. While collection from employees increased at a moderate rate of one half of one percent in 2008 (similar to the rise in real wages), the corresponding collection rate from the non-employed increased by some 10%, after rises at similar rates in the two years preceding 2008. Cumulatively since 2005, real collection from employees increased by some 5%, compared with a corresponding increase of about 30% in collection from the self-employed. These differences derived from the plan for reducing insurance contributions from employers between 2005 and 2009, whereby, had the plan not been implemented, the collection from employees would have risen at higher rates too; this also explains the higher collection from non-employees in recent years.

Table 7
Collection for National and Health Insurance Systems, 2003-2008

	2003	2004	2005	2006	2007	2008
Current prices (NIS million)						
Total receipts from insurance contributions	33,660	34,331	36,137	37,792	39,740	42,394
Total collection from public	32,275	32,971	34,597	36,112	37,910	40,444
For National Insurance branches	21,424	21,661	22,759	23,554	24,454	25,869
For the health system	10,851	11,310	11,838	12,558	13,456	14,575
Total indemnification from the Treasury	1,385	1,360	1,540	1,680	1,830	1,950
Indicators for development of collection from public						
A. Percentage of real change						
Total collection from public	2.2	2.6	3.6	2.2	4.4	2.0
For National Insurance branches	3.8	1.5	3.7	1.4	3.3	1.1
For the health system	-1.0	4.6	3.3	4.0	6.6	3.6
B. As a percentage of GDP						
Total collection from public	6.0	5.8	5.8	5.7	5.6	5.6
For National Insurance branches	4.0	3.8	3.8	3.7	3.6	3.6
For health system	2.0	2.0	2.0	2.0	2.0	2.0
C. As percentage of direct taxes on individuals						
Total collection from public	40.2	41.9	42.2	44.0	46.2	49.3
For National Insurance branches	26.7	27.5	27.8	28.7	29.8	31.5
For health system	13.5	14.4	14.4	15.3	16.4	17.8
D. As percentage of direct taxes						
Total collection from public	32.5	32.0	31.4	28.8	28.6	31.1
For National Insurance branches	21.6	21.0	20.7	18.8	18.5	19.9
For health system	10.9	11.0	10.7	10.0	10.1	11.2

B. The sources for financing benefits

Table 8 shows that the National Insurance Institute's total receipts for financing the National Insurance branches totaled NIS 58.7 billion in 2008 at current prices. This is a real increase of 2.1%, compared with the preceding year. Contrary to the previous three years, the source is not in the Treasury financing component, which declined in 2008 in real terms by about one percent, after a cumulative increase of some 10% during the three years prior to 2008, but rather, originated in collection and in receipts of interest, which increased by 1.4% and by 5% respectively.

Table 8
Sources of Financing National Insurance Branches, 1995-2008

Year	Total receipts	Collection of national insurance contributions*	Government participation**	Government financing of benefits	Interest receipts
NIS million, current prices					
1995	23,581	12,171	4,222	4,650	2,504
2000	41,207	20,751	8,336	8,148	3,907
2004	47,513	23,021	10,996	8,548	4,617
2005	49,705	24,299	11,700	8,616	4,850
2006	52,344	25,234	12,600	8,982	5,290
2007	54,974	26,284	13,888	9,459	5,600
2008	58,678	27,819	14,928	9,245	6,150
Real annual increase (percentages)					
2000	7.6	9.8	1.6	10.8	3.6
2004	-0.6	1.3	2.2	-8.9	4.1
2005	3.2	4.2	5.0	-0.5	3.7
2006	3.1	1.7	5.5	2.1	6.8
2007	4.5	3.6	9.6	4.7	5.3
2008	2.1	1.4	2.8	-6.5	5.0
Distribution (percentages)					
1995	100.0	51.6	17.9	19.7	10.6
2000	100.0	50.4	20.2	19.8	9.5
2004	100.0	48.5	23.1	18.0	9.7
2005	100.0	48.9	23.5	17.3	9.8
2006	100.0	48.2	24.1	17.2	10.1
2007	100.0	47.8	25.3	17.2	10.2
2008	100.0	47.4	25.5	15.8	10.5

* Including indemnification from the Treasury.

** Pursuant to section 32(a) of the Law.

Since 2005, receipts have risen by some 10%, an increase indicating a rise in all financing components due to the real rise in wages and to legislated amendments that increased government participation in NII activities. However, the components of the government's participation increased during that period at a higher than average rate – some 14%. The cumulative increase in participation indicates the increased share in collection resulting from its obligation to indemnify the National Insurance Institute for lost revenue due to the reduction in national insurance contributions

from employers pursuant to section 32 of the Law.²⁷ The trends therefore indicate the National Insurance Institute's increasing dependence on government financing of benefits, which means that its independence is being eroded.

C. Surpluses/deficits and capital reserves

Disregarding the income from interest on the Institute's investments, the budgetary surplus in 2008 amounted to about NIS 2.4 billion, compared with NIS 2.3 billion in the preceding year (Table 9). The Institute's budget changed from a current deficit to a current surplus in 2004, and the surplus has grown from year to year since then. The moderate increase in collection from the public as a result of the continued growth in 2008 was balanced by the decrease in Treasury participation and by the adjustment of benefits in 2008. The Children branch – which has been characterized throughout the years by a large current surplus, and which is, in effect, the main contributor to the current surplus – recorded an additional increase of about NIS 1 billion.

An examination of the remainder of the components of the current surplus shows that, between 2007 and 2008, the deficit increased in all other branches, which had been operating at a deficit in any case. An increase in the current deficit of the Maternity branch was recorded, of close to 30%, stemming from the legislation that increased the number of weeks for which the maternity allowance is paid. Another substantial increase in those two years was recorded in the Old-age, Survivors and Long-term Care branches. In the Unemployment branch, whose deficit has been entirely financed from funds from the Children branch since 1999, remained at the same level of deficit, as was the case in the General Disability and Work Injury branches.

The inclusion of the income from interest from past surpluses shows an improvement in the financial situation of NII branches: the surplus including interest increased from about NIS 7.9 billion in 2007 to NIS 8.6 billion in 2008. However, apart from the Old-age and Survivors branch, all branches remained at a deficit even after inclusion of interest on investments. The elimination of the current deficit in the Institute's budget, and the change to a current surplus since 2004 indicates, of course, the reduction of the deficit in the State budget.

In 2008, the Institute's Finance Committee approved a transfer of sums from the balance of the assets of the Children branch to the Maternity and Long-term Care branches, which were operating at a deficit, and to two other branches operating at a deficit (General Disability and Work Injury), in a manner guaranteeing their continued functioning.

27 The National Insurance Institute reached an agreement with the Treasury that the Treasury's allocations pursuant to section 32 of the law would not be prejudiced due to the reduction in insurance contributions; accordingly, adjustments prescribed by the law were made.

Table 9
Surpluses/Deficits in National Insurance Institute Branches
(NIS million, current prices), 2001, 2006-2008

Insurance branch	Surplus/deficit, excluding interest on investments				Surplus/deficit including interest on investments			
	2001	2006	2007	2008	2001	2006	2007	2008
Total	-3,420	1,293	2,285	2,430	657	6,583	7,885	8,580
Old age and survivors	-633	-762	-366	-499	1,019	1,389	1,844	1,871
General disability	-1,762	-2,890	-2,927	-2,985	-912	-2,455	-2,507	-2,445
Work injury	-1,193	-1,213	-1,104	-1,128	-821	-1,013	-914	-888
Maternity	-852	-1,019	-1,239	-1,637	-674	-1,044	-1,229	-1,587
Children	5,338	10,333	11,161	-12,056	5,890	12,748	13,791	14,776
Unemployment	-3,090	-1,543	-1,312	-1,320	-3,090	-1,573	-1,342	-1,320
Long-term care	-1,410	-1,730	-2,000	-2,170	-1,049	-1,695	-1,970	-2,070
Other	182	117	73	114	294	227	213	264

Chapter 2

Poverty and Social Gaps

1. Introduction

The year 2007 was characterized by stability and even a decline in the dimensions of poverty and inequality compared with 2006. For the first time in about a decade, the incidence of child poverty decreased, after a continuous, steep rise in this index. The inequality indices in the various types of income also showed a decrease. Similarly, in 2007, the fruits of growth, which had been unequally distributed during the three years of growth (from mid-2003 to 2006) – began to benefit **all** population groups, including the weaker segments. These positive developments were the outcome of positive changes in the labor market – the increase in employment and in real wages – from which even the weaker groups benefited. Nevertheless, even after four continuous years of growth, the dimensions of poverty and inequality were still high. About one fifth of the families in Israel were defined as poor – a statistic that has not changed significantly since 2004. Indices of the severity and depth of poverty show that the situation of the poor has deteriorated. From an international perspective, Israel is usually placed high in the poverty scale, alongside countries whose levels of poverty and inequality are higher than those of developed countries, as the findings presented below in Section 2 show.

The measurement of poverty in Israel is based on the relative approach, which sees poverty as a state of relative hardship, which must be assessed with reference to the typical standard of living in this society. A family is defined as poor if its standard of living, as reflected by its income, is significantly inferior to that of society as a whole, and specifically: if its disposable income per standard person is less than half the median value for such income. The findings presented in the reports and in this chapter of the survey – which were produced by the Research and Planning Administration of the National Insurance Institute (NII) – are based on the Annual Surveys of income and expenditure that are prepared regularly by the Central Bureau of Statistics.¹

Since 2008, the annual findings concerning the extent of poverty per calendar year are published in a new, expanded format in the **Report on Poverty and Social Gaps**. The first edition of this report in its new format was published in relation to data for 2007². The expanded report contains additional indices and new population groups that were not included in previous reports. In addition to findings on poverty and social gaps using the relative measurement method adopted by the National Insurance Institute, the report includes a chapter presenting additional indices, as formulated in the report of the Development Team for Additional Poverty Indices³ – those indices that were recommended for immediate implementation. The same chapter of the report presents a broad analysis of the standard of living by quintiles, a calculation of poverty indices using the OECD approach, a presentation of data on Israel compared with international data, and a calculation of the proportion of poor families and persons (family members) whose consumption is below the poverty line from the perspective of its income, as an indication of persistent

1 For further details of the system of measurement and the data sources, see the **Appendix: Poverty Measurement and Data Sources** in this publication.

2 See **Report on Poverty and Social Gaps for 2007** – on the National Insurance Institute website, under the "Publications" tab – www.btl.gov.il.

3 **Report of the Development Team for Additional Poverty Indices**, headed by Shlomo Yitzhaki (2008), Israel Central Bureau of Statistics.

("permanent") poverty. A separate chapter in the report in its new format is devoted to an analysis of the issue of the causes of poverty⁴ and poverty-reduction policies⁵.

This chapter presents the findings on the dimensions of poverty and social gaps in 2007, compared with 2006 and previous years, while maintaining a balance between two, sometimes conflicting, aims: (1) maintaining the continuity of publication as in the previous Annual Surveys; (2) amplifying the existing information in the Report on Poverty and Social Gaps and covering new areas that had not previously been included. Therefore, although there is a partial overlap between the information in the annual Report on Poverty and Social Gaps and the contents of this chapter, there is no repetition of whole distinct sections that were provided in the report (such as: "Additional poverty indices" and "The factors affecting poverty and the policy for reducing it"); although we are here amplifying the information included in the report, as specified below.

The chapter begins with Israel's status in terms of public expenditure on welfare, and the dimensions of poverty and inequality⁶ compared with OECD countries (Section 2), in light of the findings presented recently by the Organization concerning these issues, referring to the mid-2000s. Section 3 of the chapter presents the main findings on the dimensions of poverty and the standard of living of the population as a whole, and Section 4 surveys the trends in the various population groups. In Section 5 (and later in Box 5) there are details of the findings on poverty measured from the aspect of expenditure for the year 2007, according to an approach developed by the National Insurance Institute⁷, which was based on the recommendations of an American committee of experts from the 1990s. Section 6 concludes with the findings concerning inequality in the distribution of income, dividing the population into deciles (rather than into quintiles as in the annual report).

Three boxes are included in this chapter: Box 3 amplifies the view of the focuses of poverty in Israel, using innovative data mining software tools; Box 4 presents a summary of data on poverty for the second half of 2007 and the first half of 2008 (July 2007 – June 2008)⁸. Box 5 presents, as mentioned above, the dimensions of poverty measured from the aspect of expenditure. The tables given in the Poverty and Inequality Table Appendix add to the information concerning the findings on poverty and inequality.

4 Such as workers earning less than the minimum wage, family size, etc.

5 Through benefits, proactive labor market programs, and more.

6 See **Growing Unequal? Income Distribution and Poverty in OECD Countries**, OECD, 2008.

7 M. Sabag-Endweld and L. Achdut (2004), **An Experimental Poverty Measure from the Perspective of Expenditure in Israel**, publication No. 82, Research and Planning Administration, the National Insurance Institute.

8 For more details on the data for 2007/8, see **Dimensions of Poverty and Social Gaps 2007/8 – Interim Report**, on the National Insurance Institute's website (www.btl.gov.il). See also the **Poverty Measurement and Data Sources** appendix in this publication.

2. The social indices in Israel compared with international indices

The data on public expenditure on welfare and its components, and the data on poverty and inequality in the mid-2000s, published in detail recently by the OECD, enable us to place Israel in relationship to the OECD countries during the corresponding period⁹.

The three diagrams presented at the start of the survey show Israel's relative position in the international comparison in terms of the total support, and its two components: outlay in cash and outlay in kind.

The ratios of expenditure on welfare as a proportion of the GDP divide the developed countries into three blocs: countries whose welfare expenditure is higher than the average, countries close to the average, and countries that are below the average. At the top end, we find most of the countries in Western Europe, headed by Sweden and France; in the middle bloc are European countries, such as Switzerland, Great Britain, the Netherlands and Poland, along with Japan and New Zealand. Ranked in the lowest bloc are countries whose welfare expenditure is 17% of their GDP, or less. This bloc includes the largest English-speaking countries (the United States, Canada, Australia), Ireland, Iceland and Turkey, Israel, and also Mexico and Korea, which are ranked at the bottom, considerably below even the other countries in this bloc, with some 7% of their GDP allocated to public expenditure on welfare.

Israel, in the third bloc of countries, slipped even further down the list in 2005-2008, from seventh from the bottom to fourth from the bottom. In the ranking according to the element of monetary support, which is the main welfare expenditure in all the countries, Israel improved its position and (in the two years shown in the diagram) is at the top of the third bloc of countries (in ninth and tenth place respectively), ahead of the largest English-speaking countries (the United States, Canada, Australia), Ireland and Turkey. Table 1 below and Diagram 1 that follows show the development of public expenditure on welfare in Israel by its various components, between 2000-2008, as a percentage of the GDP.

9 See footnote 6 to this chapter.

Table 1
Public Expenditure on Welfare, 2000-2008 (percentage of GDP)*

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total public expenditure on welfare	16.90	18.29	18.52	18.11	16.81	16.08	15.59	15.48	15.58
Total financial support	9.76	10.80	10.73	10.41	9.54	9.06	8.90	8.77	8.76
Support for working-age population	5.18	5.73	5.67	5.19	4.58	4.28	4.20	4.08	4.10
National Insurance	4.19	4.74	4.68	4.26	3.72	3.47	3.43	3.34	3.36
War and hostilities	0.47	0.53	0.55	0.56	0.54	0.51	0.50	0.49	0.48
Other **	0.52	0.46	0.44	0.37	0.32	0.30	0.27	0.26	0.26
Support for the elderly	4.58	5.07	5.06	5.22	4.96	4.78	4.70	4.68	4.66
National Insurance	2.64	2.94	2.88	2.86	2.77	2.69	2.65	2.55	2.51
Civil servants' pension	1.52	1.67	1.72	1.88	1.80	1.74	1.74	1.83	1.86
Other ***	0.42	0.46	0.46	0.48	0.40	0.35	0.31	0.30	0.29
Total in-kind support	7.13	7.49	7.79	7.70	7.27	7.02	6.69	6.71	6.82
Health and long-term care	5.05	5.28	5.39	5.25	5.06	4.95	4.74	4.80	4.93
Other ****	2.09	2.20	2.39	2.45	2.21	2.08	1.95	1.91	1.89

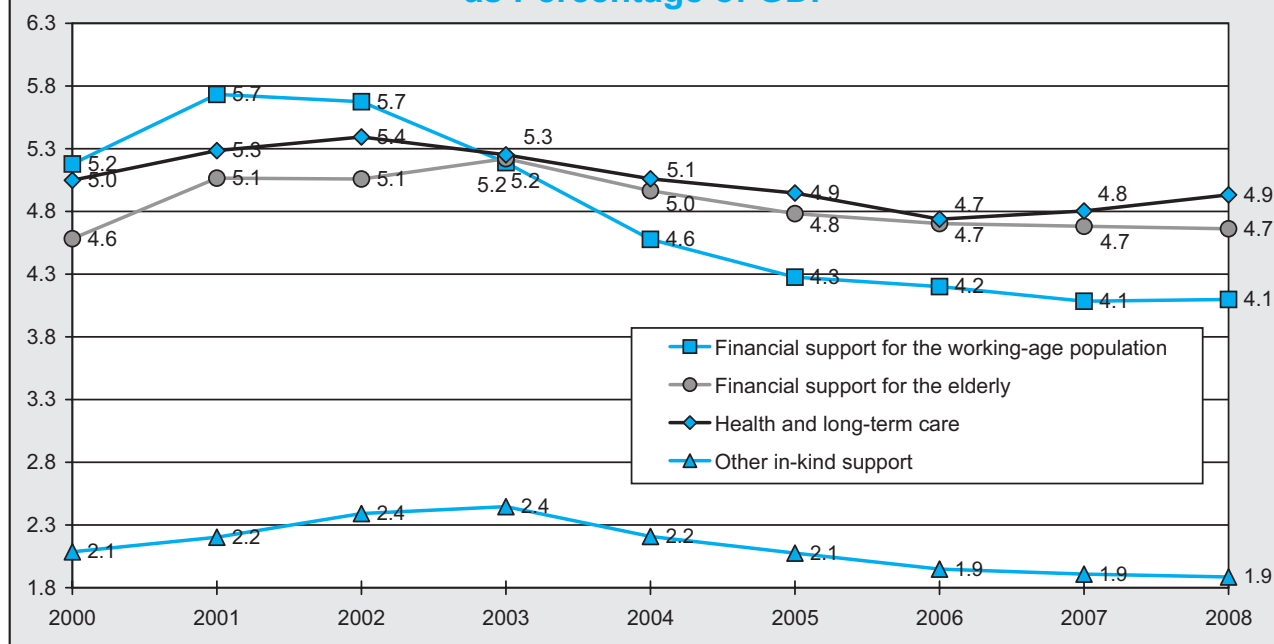
* Source: data from the National Insurance Institute of Israel and the Israel Central Bureau of Statistics, processed by the Research and Planning Administration according to the OECD rules of classification.

** Including support for discharged soldiers, the immigrant absorption basket and financial support to assist with rent.

*** Including support for victims of the Nazis, and financial support to assist with rent.

**** Including in-kind support from the National Insurance Institute, local authorities, national institutions, government non-profit organizations and the Ministry of Labor and Social Affairs.

Diagram 1
Components of Public Expenditure on Welfare
as Percentage of GDP

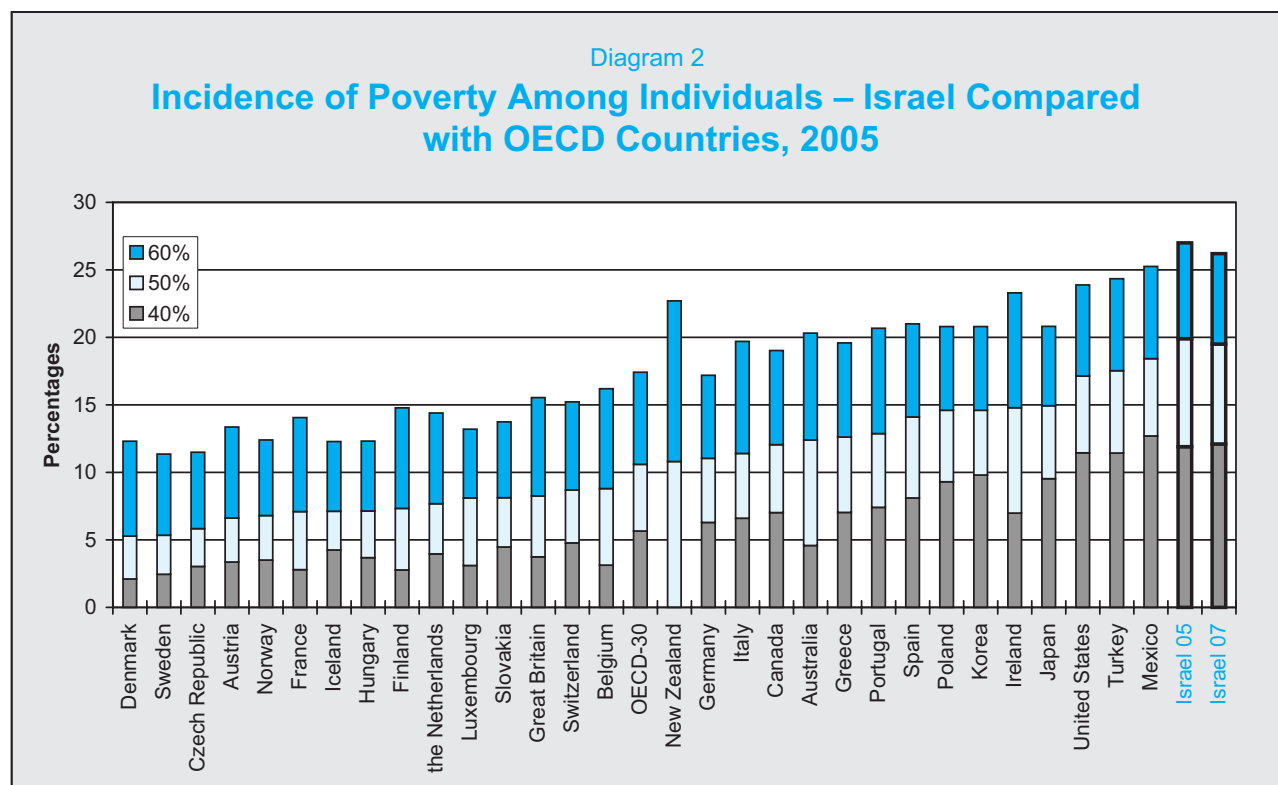


The findings for Israel show that, during 2002-2006, there was a consistent decline in total welfare expenditure as a percentage of the GDP, and that, since 2006, the rate has more or less stabilized at the same level (15.5%-15.6% of the GDP). In 2003-2005, all of the components of public expenditure on welfare declined; however, the steepest drop during these years was in financial support for the working-age population, a downtrend that had already started in 2002. As of 2006, all components shown in the diagram began to stabilize, with the "health and long-term care" component even showing a slight upward trend.

Israel's position, in terms of welfare expenditure, after expenditure per capita is corrected in partial population groups (the elderly, working age) is improving vis-à-vis the countries under comparison. This is due to Israel's unique demographic composition, which is characterized by a relatively low percentage of the elderly, which also influences the ratio between the elderly and those of working age. A particularly significant improvement is obtained in relation to support for the elderly, where Israel ranks close to average among OECD countries.

In relation to the dimensions of poverty and inequality, an examination of Israel's position from an international perspective shows similar results. In OECD countries, as in Israel, poverty is calculated using a relative approach, with a family being defined as poor when its disposable income per standard person falls below half of the median disposable income per standard person of the entire population. The equivalence scale used is the scale whereby the number of standard persons in each family is equivalent to the square root of the number of persons in the family.

Diagram 2 below shows the incidence of poverty among individuals in Israel in 2005 and in Israel in 2007, compared with OECD countries in the mid-2000s (usually 2004 or 2005). The data presented relates to three poverty lines: 40%, 50% and 60% of the median disposable income per standard person. Israel is at the top of the scale in terms of the ratio of poor individuals, calculated according to 50% of the median, at quite a distance even from other countries placed at the top of the scale (other than Israel): Mexico, Turkey and the United States. The percentage of poor individuals in Israel reached 19.9% in 2005, compared with 18.4% in Mexico, 17.5% in Turkey and 17.1% in the United States. Compared with the average percentage in OECD countries (10.6%), the poverty levels in Israel were nearly twice as high. The diagram also shows that there was a moderate change in Israel's poverty figures, albeit in a positive direction, which started in 2005–2007. The findings for 2007 showed a certain improvement, although still insufficient to change the picture of Israel's poverty ranking.



Diagrams 3.A-3.C present a comparative view of the incidence of poverty among the elderly (according to households consisting of elderly persons)¹⁰. Diagram 3.A shows that, in terms of poverty among the elderly, although Israel is indeed ranked high, it does not lead the list. Korea is in the lead, with an incidence of poverty among the elderly of 45%, followed by Ireland and Mexico, with incidences of poverty of 31% and 28%, respectively. At the next stage, Israel 2005 is positioned, along with Australia, with an incidence of poverty of 27% among the elderly – at twice the average in OECD countries, which is 13%. In 2007, Israel dropped a rung to a percentage of 23% and was placed with Greece, lower than the United States. Diagrams 3.B and 3.C show the situation in relation to elderly individuals who are the only members of a household, and elderly couples who maintain a household together. The data also shows that, on average among the countries under comparison (not including Israel), the incidence of poverty among elderly people living alone was nearly three times higher than among elderly couples living together. In Israel, this ratio was lower: the incidence of poverty among elderly people living alone was some 50% higher than the incidence of poverty among elderly people living as couples.

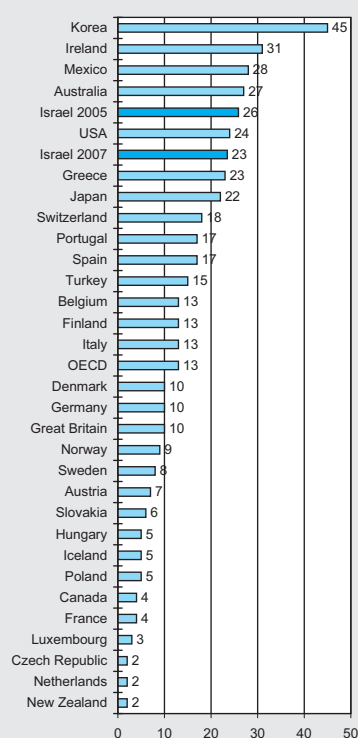
In the ranking of countries showing the incidence of poverty among elderly couples, Israel is positioned high (although a long way away from Mexico, which leads the list). On the other hand, in the ranking relating to elderly individuals, Israel is situated in the middle of the list and not at the top, with an incidence of poverty that is less than half that of Mexico and Ireland, which lead the list. One may conclude from this that the welfare policy concerning extrication from poverty is more efficient in its handling of elderly individuals than in its handling of other populations.

¹⁰ The calculation for Israel was prepared according to the OECD calculation rules.

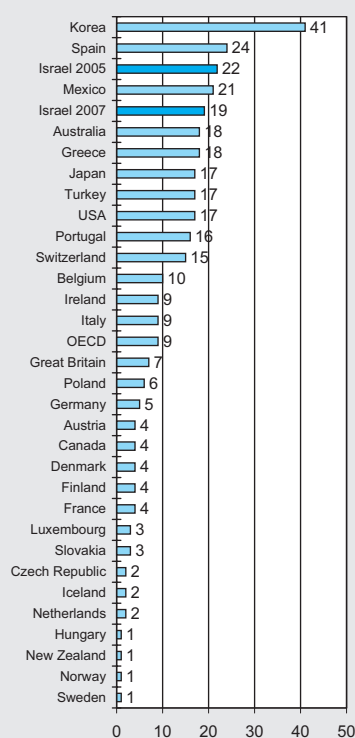
The situation after comparing the Gini Indices for inequality in disposable income (Diagram 4) in the various countries shows three main blocs: countries in which inequality is significantly lower than average, countries close to the average, and countries in which the inequality is significantly higher than the average. Among the countries in the first group are Denmark and Sweden (25% under the average), and other countries from northern and central Europe, including France, Switzerland and Belgium – for all of these, the Gini Index is lower than the average in OECD countries by 10% or more. The second bloc (those countries whose index level is quite close to the average) includes some of the Western European countries (Germany, Spain) as well as Australia, Canada, Japan and others. In the third bloc are those countries whose level of inequality is higher than the average by more than 10%. Leading this bracket is Mexico, with an index that is more than 50% higher than the Gini Index of the average in OECD countries, followed by Turkey (some 40% higher than the average), and, placed at quite a distance in descending order are Portugal, the United States, Israel and Poland, with an index level that is higher than the average by some 20%.

Diagram 3 (A-C)
Incidence of Poverty Among Elderly (Persons),
Segmented by Couples and Individuals, Israel and OECD Countries, 2005

A. All Elderly



B. Elderly – Couples



C. Elderly – Individuals



Diagram 4
Gini Index of Inequality in Disposable OECD Countries, 2005

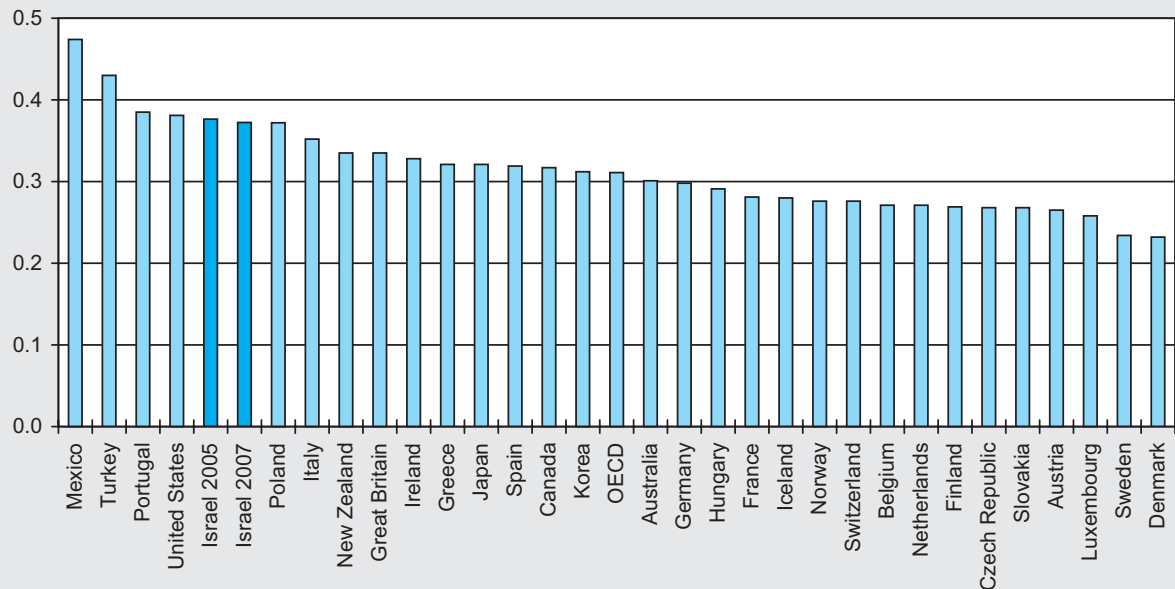


Diagram 5
Incidence of Poverty Among Children, Israel, and Disposable Income, Israel and OECD Countries, 2005

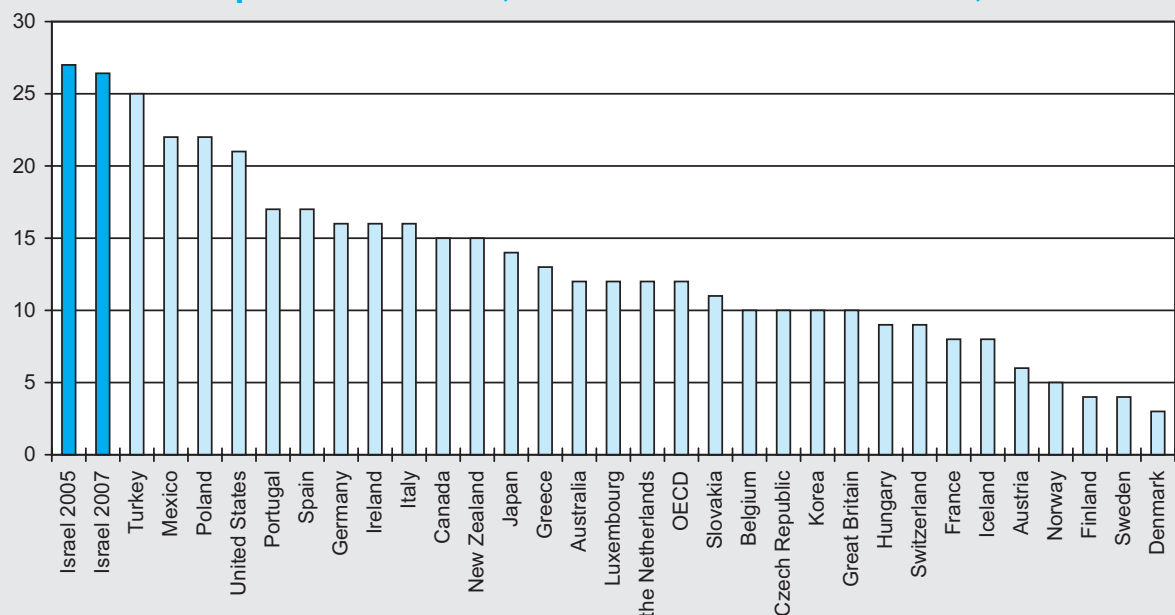
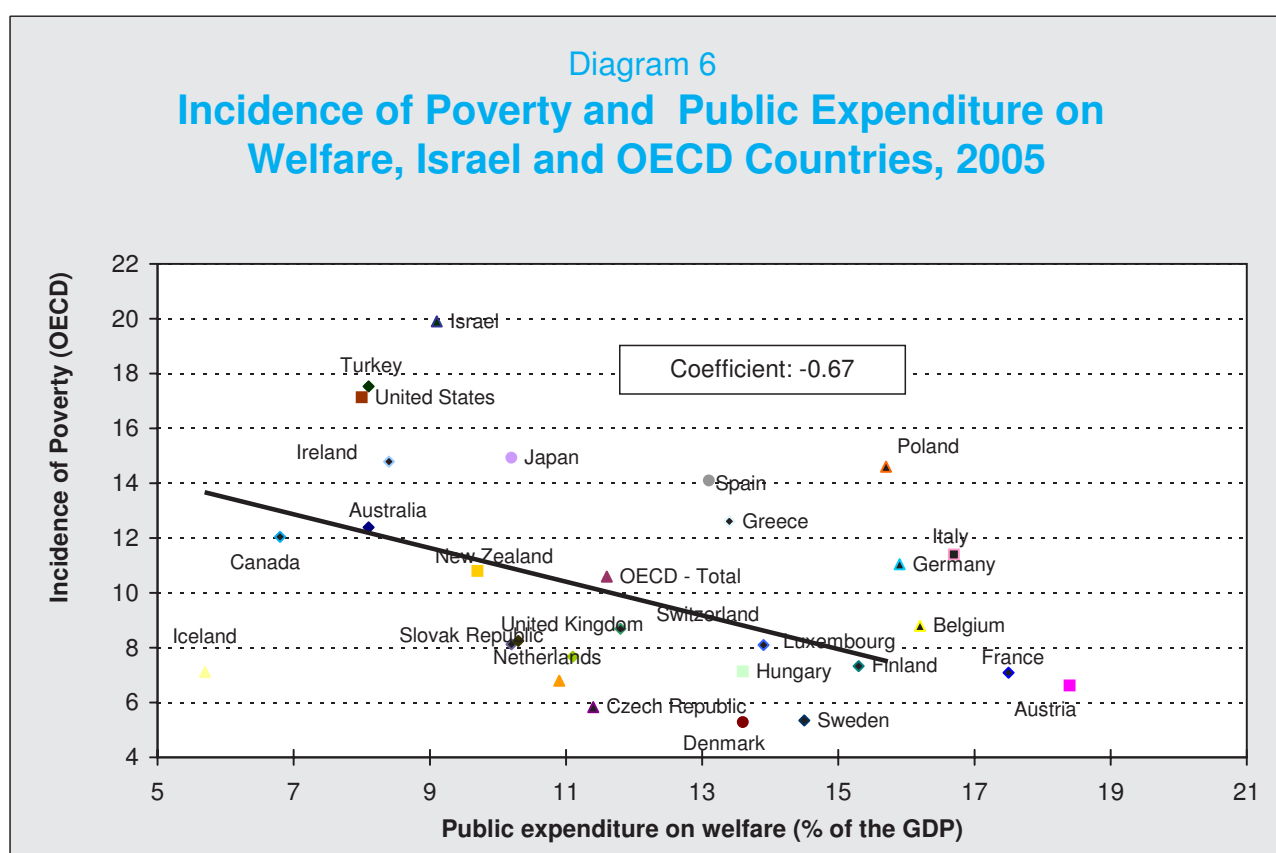


Diagram 5 shows the percentages of poverty among children in the various countries. In relation to this population segment, Israel once again tops the table, with an incidence of poverty among 27% of Israel's children (in 2006), compared with 12% on average in the countries under comparison

(other than Israel). There are a number of reasons why Israel is placed so high in the poverty scale, particularly regarding children. One reason relates to the demographic structure of Israeli society, which is characterized by quite a high percentage of large families. Thus, for example, about one third of the families in Israel have at least three children, compared with one fifth and less in most of the developed countries. Another reason lies in the extent of public support being provided to families, which is lower than in most western countries. Another possible reason could be related to the high level of cultural heterogeneity in Israel.

To summarize this section, the dispersion diagram below (Diagram 6) shows the link between the public expenditure on welfare and the dimensions of poverty in OECD countries in 2005. The correlation between the two factors indicates an inverse correlation of high intensity – nearly 70%.



3. The main findings on poverty

Since mid-2003, and up until the period of the last Annual Survey, in 2007, the Israeli economy benefited from economic growth. The standard of living rose between 2006 and 2007 – in terms of disposable income per standard person on average for a family – at the real rate of 3.6%, and, since 2005, there was a real rise of some 8%. As Table 2 shows, the median of disposable income per standard person, from which the poverty line is derived, rose between 2006 and 2007 at a rate of 4.6% (about 9% cumulatively since 2005).

The rise in disposable income in 2007 is attributed more to the positive developments in the labor market and less to the other factors affecting disposable income (transfer payments and direct taxes): the data for all households shows that, between 2006 and 2007, the number of salaried positions rose on average by a rate of some 5%, after a rise of 4% in the preceding year. The wage for a salaried position rose between the two periods of the survey by 2.3% in nominal terms and by 1.8% in real terms. The 2007 income survey data also reflects the boom in the labor market and attests to a picture that is similar to that depicted by the employment statistics for all households: earnings from salaried employment per household rose at a real rate of 8.5%. This sharp rise is explained by the combination of the rise in the real wages of salaried employees and the expansion of employment, which was also reflected in the survey statistics: the number of salaried employees rose by some 5% between the two surveys.

Table 2
**Average and Median Income per Standard Person After Transfer Payments
and Direct Taxes, and Poverty Line (NIS), 2005-2007**

	2005	2006	2007	Real growth rates	
				From 2005 to 2006	From 2006 to 2007
Average	3,666.0	3,914.0	4,078.0	4.6	3.6
Median	2,986.0	3,184.0	3,349.0	4.4	4.6
Poverty line	1,493.1	1,592.0	1,674.5	4.4	4.6

As stated, the transfer payments and direct taxes slightly offset the real rise in disposable income. The survey data indicates a real rise of some 9% in the total payments payable by the National Insurance Institute in 2007 (compared with a rise of 2.4% according to the administrative data of the Institute). When the demographic growth in the population is taken into account, it shows that the average income per family from National Insurance benefits declined slightly in 2007. And indeed, the survey data shows that the National Insurance benefits to households decreased on average by 1.2% in 2007, compared with 2006. This decrease is the combined result of the real decrease of 1.2% in the child allowance and the sharp drop (some 11%) in income support payable to families of working age, vis-à-vis the rise in the payments for old-age pensions, survivors' pensions and disability pensions. Similarly to the trends indicated in the administrative data, the total payments for old-age pensions and survivors' benefits rose at a real rate of about 2%, while the number of recipients remained almost unchanged; in other words, the average pension for an elderly person also rose at a real rate of about 2% (a lower rate than the rise in the general standard of living). The total payments of disability pensions rose by some 3%, as a result of an increase of some 7% in the number of recipients of this pension.

According to the survey data, the direct taxes increased on average per family, at a rate of some 8% between 2006 and 2007. (The data from the State Revenue Administration shows a rise of some 7% between these two years.) The payments to the Income Tax Authority rose at a rate of some 9%, while the national and health insurance contributions rose at an average rate of some 7%. This rise in collection of direct taxes, which is explained by the expansion of employment and

the rise in wages, curbed the growth rate in the net income of households, relative to gross income.

Table 3 shows the poverty line for 2006 and 2007, as well as the poverty line as a percentage of the average wage for the corresponding survey period. The poverty line for a family of four, for example, is just below 70% of the average wage. A family of six, with one wage earner who is earning a wage equivalent to the average wage, is above the poverty line.

Tables 4 and 5 show the dimensions of poverty during the years 2005-2007 in absolute numbers and according to selected indices, which show a trend of continued stability in the dimensions of poverty in Israel. The percentage of families whose disposable income fell below the poverty line reached 19.9% in 2007 (compared with 20% in 2006), while the percentage of persons living in poor families decreased from 24.5% to 23.8%¹¹. A marked drop was recorded, for the first time in recent years, in the incidence of poverty among children: from 35.8% in 2006, to 34.3% in 2007.

Table 3
**Number of Standard Persons and Poverty Line per Family*,
by Number of Persons in Family, 2006-2007**

Number of persons in family	Number of standard persons in family	Poverty line for family in 2006		Poverty line for family in 2007	
		NIS per month	Percent of average wage	NIS per month	Percent of average wage
1	1.25	1,990	26.4	2,093	27.1
2	2	3,184	42.3	3,349	43.4
3	2.65	4,219	56.0	4,437	57.5
4	3.2	5,094	67.6	5,358	69.4
5	3.75	5,970	79.2	6,279	81.3
6	4.25	6,766	89.8	7,117	92.1
7	4.75	7,562	100.4	7,954	103.0
8	5.2	8,278	109.9	8,707	112.7
9**	5.6	8,915	118.3	9,377	121.4

* The average wage that was calculated for 2006 and 2007 is the weighted average of the average wage for a salaried employee (Israeli employees) during the period adjusted to the period of each survey.

** The weighting of each additional person is 0.40. Thus, for example, in a family of 10, there are 6 standard persons.

The incidence of poverty, which is measured according to disposable income, is an outcome of the transfer payments and direct taxes that "correct" the economic income, which is defined as earnings from employment and from capital before taxes. The transfer payments, the majority of which are the National Insurance benefits, increase the family income, while the direct taxes reduce it. The lower the amount of direct tax that a poor family pays, the higher is its disposable income and the better are its chances of escaping from poverty.

11 The change in the incidence of poverty among persons and children was found to be statistically significant.

Table 4
Dimensions of Poverty in Total Population
(absolute numbers), 2005-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes
2005			
Poor population			
Families	668,200	340,400	410,700
Persons	2,235,800	1,411,700	1,631,500
Children	899,600	686,500	768,800
2006			
Poor population			
Families	665,800	345,700	404,400
Persons	2,254,800	1,455,700	1,649,800
Children	921,900	718,600	796,100
2007			
Poor population			
Families	669,100	353,800	412,900
Persons	2,225,700	1,434,600	1,630,400
Children	901,000	697,000	773,900

The data from the tables shows the continuing gradual downtrend in the incidence of poverty among families and persons (family members) according to economic income. This trend is a result of the developments in the labor market – increased employment and a rise in the real wages of employees, even in the traditional sectors. In Table 6, it can be seen that the transfer payments and direct taxes during the 2007 survey period extricated 38% of the poor families from the cycle of poverty¹². For the sake of comparison, in 2002, about half of the poor families were extricated from poverty thanks to government intervention. The contribution of the systems of direct taxation and transfer payments towards extricating persons (family members) from poverty was lower, only some 27% of persons, and was even lower for children: only about 14% of the poor children were extracted from poverty as a result of the government's intervention (compared with about 25% of the children in 2002).

12 It is reasonable to assume that, were it not for the existence of the system of financial support and direct taxation, the behavior of individuals would have been different. Therefore, the contribution of these systems to their extrication from poverty may be upwardly biased.

Table 5
**Dimensions of Poverty in Total Population,
 by Selected Poverty Indices, 2005-2007**

Poverty Index	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes
2005			
Incidence of poverty (%)			
Families	33.6	17.1	20.6
Persons	33.8	21.3	24.7
Children	41.1	31.4	35.2
Income gap ratio of the poor (%)*	62.5	32.8	33.1
FGT Index*	0.1739	0.0345	0.0407
SEN Index*	0.278	0.098	0.114
Gini Index of inequality in the income distribution of the poor*	0.5246	0.1923	0.1953
2006			
Incidence of poverty (%)			
Families	32.9	17.1	20.0
Persons	33.5	21.6	24.5
Children	41.5	32.3	35.8
Income gap ratio of the poor (%)*	61.8	33.5	33.8
FGT Index*	0.1682	0.0354	0.0412
SEN Index*	0.272	0.100	0.115
Gini Index of inequality in the income distribution of the poor*	0.5106	0.1895	0.1952
2007			
Incidence of poverty (%)			
Families	32.3	17.1	19.9
Persons	32.5	20.9	23.8
Children	39.9	30.8	34.2
Income gap ratio of the poor (%)*	60.7	34.1	34.3
FGT Index*	0.1591	0.0363	0.0418
SEN Index*	0.261	0.099	0.113
Gini Index for inequality in the income distribution of the poor*	0.5000	0.2021	0.2045

* The weight assigned to each family when calculating the index is equivalent to the number of persons in the family.

The income gap ratio of the poor ("the poverty gap ratio.")(which expresses the depth of poverty) continued to rise, from 33.8% in 2006 to 34.3% in 2007. This means that the disposable income per standard person in a poor family has decreased below the poverty line by more than one third, on average. For the sake of comparison, in 1999, the poverty gap ratio was about 26%. Similarly, the FGT Index (see footnote 3 in Box 2) of the severity of poverty (which is calculated so that the depth of poverty of poorer families receives greater weight than that of families who are less impoverished) also indicates a continuous gradual upward trend. Concurrent with this trend of

increasing depth and severity of poverty, the impact of the transfer payments in reducing the depth of poverty has diminished. In relation to the income gap ratio, for example, this impact decreased from 47.1% in 2005 to 45.2% in 2006, and to 43.6% in 2007.

The Gini Index of inequality in the distribution of disposable income among the poor (Table 5) also indicates a slight increase between 2006 and 2007. On the other hand, the Gini Index of inequality in the distribution of the economic income is continuing the downtrend that began in 2004. Between 2004 and 2007, the decline in this index totalled some 8%, and is explained mainly by the positive developments in the labor market, from which even the poor population benefited.

Table 6
**Impact of Transfer Payments and Direct Taxes on Dimensions of Poverty
in Total Population, by Selected Poverty Indices, 2005-2007**

Poverty index	Percentage of decline deriving from transfer payments only			Percentage of decline deriving from transfer payments and direct taxes		
	2005	2006	2007	2005	2006	2007
Incidence of poverty (%)						
Families	49.1	48.1	47.1	38.5	39.3	38.3
Persons	36.9	35.4	35.5	27.0	26.8	26.7
Children	23.7	22.1	22.6	14.5	13.6	14.1
FGT Index*	80.2	78.9	77.2	76.6	75.5	73.8
Income gap ratio of the poor (%)*	47.5	45.7	43.8	47.1	45.2	43.6

* The weight given to each family when calculating the index is equivalent to the number of persons included in the family.

The SEN Index reflects the combined impact of the incidence of poverty index, the poverty gap index and the position of the poor individual in the poverty scale; that is, the inequality in the income distribution among the poor. The SEN Index according to disposable income, which increased slightly between 2005 and 2006, recorded a decline of some 2% between 2006 and 2007. This decline was influenced mainly by the decline in the incidence of poverty among persons (family members).

4. The dimensions of poverty by population groups, and the composition of the poor population

The various population groups are differentiated in terms of the trends and changes in the dimensions of their poverty during the years surveyed. Tables 7-11 describe the dimensions of poverty by various population groups. Tables 7 and 8 show the incidence of poverty according to the economic income and disposable income in various population groups in 2006 and 2007, respectively, while Table 9 shows the percentage of these groups in the entire population and in the poor population. Table 10 shows the values of the income gap ratio of the poor by population

groups, while Table 11 shows the percentages by which the dimensions of poverty were reduced as a result of the transfer payments and direct taxes.

The trend towards stability in the incidence of poverty was not shared by all population groups. Certain groups reduced the dimensions of their poverty, while for others, the incidence of poverty increased (Table 7). The incidence of poverty among families with children decreased slightly, from 25.5% to 24.8%. This reduction was more significant among large families: from 60% in 2006 to 56.5% in 2007. The incidence of poverty among Arabs, a population that largely overlaps the population of large families, decreased by 2.6 percentage points, from 54% in 2006 to 51.4% in 2007. This significant decrease is explained by the significant rise in the economic income of Arab households: the economic income per standard person of working age in the Arab population skyrocketed by some 9% between 2006 and 2007. On the other hand, among families with up to three children, there was no change in the incidence of poverty measured by disposable income, and the downtrend in the impact of the transfer payments on extrication from poverty continued also in 2007.

The incidence of poverty among the elderly increased by about one percentage point, from 21.5% in 2006 to 22.6% in 2007. This rise (which is not statistically significant) is explained by the fact that the rise in the standard of living among the elderly did not keep abreast with the rise in the overall standard of living, which derived for the most part from developments in the labor market.

The incidence of poverty among working families remained stable, at a level of 12.2%¹³. Poor working families comprise some 46% of all poor families, and some 60% of poor families of working age.

The exceedingly high percentages of poverty among the unemployed population of working age continued to rise in 2007: in 2006, 89% of these families were considered poor according to their economic income, and 66% of them were considered poor according to their disposable income. In 2007, the percentages continued to rise, to 91% and 70%, respectively. Since the rise in the standard of living in recent years derived from changes that occurred in the labor market, the relative situation of families that did not participate in the work force continued to deteriorate. These families comprise less than one tenth of all families in Israel, but they comprise one third of all poor families.

As would be expected, the education of the head of the household and the incidence of poverty are inversely related. Measured according to economic income, the incidence of poverty among the poorly educated (8 years of education or less) reached nearly 70% – a finding that indicates their wage-earning difficulties. Measured according to disposable income, the incidence of poverty among this group reached some 44% – compared with 13% among those with higher education (13 years of education and more). The incidence of poverty among the poorly educated and the

13 For more detailed information on the situation of poor working families, see the **Report on Poverty and Social Gaps for 2007**, Chapter 4 – **The causes of poverty and policies to reduce it**, on the National Insurance Institute's website (www.btl.gov.il).

highly educated increased between 2006 and 2007. On the other hand, the percentage of poor families with a medium-length (high school) education (9 to 12 years of education) decreased.

The reduction in the incidence of poverty among Arabs was also expressed by the reduction in this population's share of the poor population, from 46.6% of persons (members of families) in 2006 to 45.2% in 2007 (Tables 8 and 9). This reduction expresses a slight improvement in the situation of Arab families, but does not suffice to change the overall picture, whereby there is a large, almost threefold gap between the Arab families' share of the entire population and their share of the poor population. Concurrently, the Jewish population's share of the poor population increased slightly. The percentage of families whose working-age head of household did not work continued to drop between 2006 and 2007, from 34.5% to 31.9% of these families; the main reason for this is the relative reduction in the percentage of these families in the population – from some 10.8% in 2006 to 9.5% in 2007.

Table 7
**Incidence of Poverty in Specific Population Groups,
 2006 and 2007**

Population group (families)	2006			2007		
	Economic income	Disposable income	Incidence ratio*	Economic income	Disposable income	Incidence ratio*
Total population	32.9	20.0	1.00	32.3	19.9	1.00
Jews**	28.8	14.7	0.74	28.3	15.0	0.75
Arabs	59.5	54.0	2.71	58.3	51.4	2.58
Elderly	56.1	21.5	1.08	55.9	22.6	1.14
New immigrants	39.9	18.1	0.90	40.2	18.8	0.94
Families with children – total	31.6	25.5	1.28	30.5	24.8	1.25
1-3 children	24.7	18.3	0.92	23.8	18.4	0.92
4 + children	65.2	60.0	3.00	63.2	56.5	2.84
5 + children	74.4	68.1	3.41	74.9	66.7	3.35
Single-parent families	51.1	29.5	1.48	46.9	29.8	1.50
Employment status of the head of household						
Employed	18.6	12.4	0.62	18.2	12.2	0.61
Salaried	19.1	12.3	0.62	18.8	12.2	0.61
Self-employed	16.3	13.9	0.69	15.4	12.4	0.62
Unemployed (of working age)	88.9	66.6	3.33	91.2	69.8	3.50
Sole wage earner	35.0	23.4	1.17	35.2	23.5	1.18
Two + wage earners	4.4	2.9	0.15	4.1	2.8	0.14
Age group of the head of household						
Up to 30	35.1	23.7	1.19	35.7	25.7	1.29
31-45	27.7	22.0	1.10	26.6	20.5	1.03
46 to retirement age	23.1	14.3	0.72	22.0	14.1	0.71
Retirement age by law	58.3	22.0	1.10	59.3	23.5	1.18
Years of education of the head of household						
Up to 8 years of education	68.0	41.3	2.07	69.4	44.3	2.22
9 -12 years of education	33.9	22.2	1.11	32.6	20.9	1.05
13 and more years of education	23.0	12.7	0.64	23.2	13.4	0.67

* The incidence ratio relates to disposable income, and indicates the ratio between the incidence of poverty of the group and the incidence of poverty in the overall population.

** Tables that present data on Jews: Non-Jews who are not Arabs are also included in the Jewish population.

Table 8
**Share of Specific Groups in Total Population and in Poor Population
 (percentages), 2006**

Population group (families)	Total population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Persons	Families	Persons	Families	Persons
Jews	86.6	80.2	75.8	63.1	68.8	53.4
Arabs	13.4	19.8	24.2	36.9	36.2	46.6
Elderly	19.4	9.6	33.1	15.4	20.9	8.6
New immigrants	19.0	16.3	23.1	16.8	17.2	12.0
Families with children – total	46.2	66.7	44.5	71.6	59.0	82.1
1-3 children	38.2	49.1	28.7	36.3	35.1	38.0
4 or more children	8.0	17.7	15.8	35.3	23.9	44.0
5 or more children	3.9	10.0	8.8	22.4	13.2	27.7
Single-parent families	5.6	6.0	8.7	9.5	8.3	7.8
Employment status of head of household						
Employed	73.8	81.7	41.7	55.8	45.9	57.2
Salaried employee	62.8	69.2	36.6	48.7	38.8	48.2
Self-employed	10.0	11.5	5.0	6.9	7.0	8.7
Unemployed (of working age)	10.1	10.8	27.2	30.0	33.6	34.5
Sole wage earner	34.2	33.3	36.4	46.8	40.1	48.8
Two or more wage earners	39.6	48.4	5.3	9.0	5.8	8.3
Age group of the head of household						
Up to 30	19.0	18.8	20.3	22.6	22.6	21.7
45-31	33.6	42.1	28.3	42.5	37.0	49.4
46 to retirement age	29.3	30.5	19.8	20.4	20.8	21.0
Retirement age by law	18.1	8.7	31.6	14.5	19.6	7.9
Years of education of head of household						
Up to 8 years of education	12.5	11.0	25.9	22.7	25.9	23.2
9-12 years of education	38.8	42.1	40.0	45.1	43.1	47.5
13 or more years of education	48.7	46.8	34.1	32.3	31.0	29.3

Table 9
**Share of Specific Groups in Total Population and in Poor Population
 (percentages), 2007**

Population group (families)	Total population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Persons	Families	Persons	Families	Persons
Jews	86.6	80.3	75.8	63.6	65.4	54.8
Arabs	13.4	19.7	24.2	36.4	34.6	45.2
Elderly	19.6	9.8	34.0	16.4	22.3	9.5
New immigrants	19.0	16.2	23.6	16.9	17.9	12.3
Families with children – total	46.1	66.9	43.5	70.6	57.5	81.2
1-3 children	38.3	49.6	28.2	36.2	35.3	39.1
4 or more children	7.8	17.3	15.3	34.4	22.2	42.1
5 or more children	3.9	9.8	9.0	22.5	12.9	27.4
Single-parent families	5.4	5.9	7.8	9.0	8.0	8.2
Employment status of head of household						
Employed	74.7	82.9	42.1	57.7	45.7	58.9
Salaried employee	64.1	70.9	37.2	50.9	39.4	51.2
Self-employed	9.5	10.9	4.5	6.2	5.9	7.2
Unemployed (of working age)	9.3	9.5	26.3	27.5	32.6	31.9
Sole wage earner	33.9	33.2	37.0	49.4	39.9	50.9
2 or more wage earners	40.8	49.7	5.1	8.3	5.8	8.0
Age group of head of household						
Up to 30	18.1	18.0	20.0	23.0	23.3	23.9
31-45	34.3	42.9	28.2	43.1	35.3	48.6
46 to retirement age	29.9	30.5	19.8	18.8	21.0	19.0
Retirement age by law	17.7	8.6	32.0	15.1	20.5	8.5
Years of education of head of household						
Up to 8 years of education	11.9	10.6	25.6	23.0	26.5	24.1
9-12 years of education	38.4	41.1	38.7	43.0	40.2	44.7
13 or more years of education	49.7	48.3	35.7	34.0	33.3	31.2

In the segmentation by level of education, it transpires that the population group that reduced its share of the poor population actually consisted of heads of household with moderate-length (high-school) education – from 47.5% in 2006, to 44.7% in 2007. The other two groups – heads of household with particularly low education (up to 8 years of study) and those with higher education – increased their share in the poor population slightly.

The income gap ratio of the poor, which continued its gradual rise of recent years in the entire poor population, rose especially among households whose head of household was age 46 and over, including the elderly, and whose head of household was of working age but was unemployed. On the other hand, this ratio dropped significantly among single-parent families – from 35.2% in 2006,

to 32.8% in 2007. The other population groups usually experienced moderate fluctuations in the depth of poverty among families.

The impact of the transfer payments on extrication from poverty (Table 11) continued to decrease, from 39.3% in 2006, to 38.3% in 2007. On the other hand, this effect increased among Arab families: in 2006, 9% of Arab families were extricated from poverty due to transfer payments, and, in 2007, this percentage rose to some 12%. Since there was no real increase in financial support from government sources in 2007, there is a different reason for this finding: the decrease in the incidence of poverty among Arab families was accompanied by a change in the composition of the poor Arab population. For example, the percentage of poor families whose head of household was elderly increased (from 10.6% in 2006, to 11.9% in 2007), and at the same time there was a reduction in the percentage of the poor population of working age. The poor Arab families in 2007 were those families in which the financial support component was larger than in 2006.

The degree of concentration of families around the poverty line related to the sources of their income. Table 12 shows the dispersion of the various population groups around the poverty line. The largest concentration around the poverty line, of families whose head of household is elderly, derives from the fact that the minimum subsistence income, which is guaranteed under the Income Support Law to the elderly and to survivors having almost no income from another source, more or less coincides with the poverty line. Therefore, an increment, even a small one, in the level of minimum income would significantly reduce the number of poor families with an elderly head of household, whose income would indeed remain very close to the poverty line, but, nonetheless, would be above it. On the other hand, even a slight erosion in the level of minimum income would significantly expand the number of poor families with an elderly head of household. Lowering the poverty line to 95% of the present line would reduce the ratio of poor families by a quarter, compared with a corresponding reduction of one tenth in the entire population.

Table 10
Income Gap Ratio of the Poor* in Specific Population Groups, 2006- 2007

Population group (families)	2006			2007		
	Economic income	Disposable income	Incidence ratio**	Economic income	Disposable income	Incidence ratio**
Total population	61.8	33.8	1.00	60.7	34.3	1.01
Jews	63.6	31.3	0.93	63.6	32.0	0.94
Arabs	58.6	36.7	1.09	55.6	37.0	1.09
Elderly	81.2	21.8	0.64	80.4	23.4	0.69
New immigrants	70.2	26.2	0.77	71.4	27.6	0.82
Families with children – total	57.9	34.9	1.03	55.9	35.2	1.04
1-3 children	55.2	34.0	1.01	53.3	33.2	0.98
4 or more children	60.6	35.6	1.05	58.7	37.1	1.10
5 or more children	62.8	36.4	1.08	61.6	37.6	1.11
Single-parent families	67.8	35.2	1.04	69.1	32.8	0.97
Employment status of head of household						
Employed	39.2	27.2	0.81	38.9	26.9	0.80
Salaried employee	38.6	25.8	0.76	39.4	26.6	0.79
Self-employed	43.1	35.0	1.04	36.5	30.4	0.90
Unemployed (of working age)	93.1	47.8	1.41	93.9	50.9	1.50
Sole wage earner	41.1	28.1	0.83	40.8	27.8	0.82
2 or more wage earners	29.5	22.2	0.66	27.8	21.3	0.63
Age group of head of household						
Up to 30	55.7	35.5	1.05	56.7	34.9	1.03
31-45	58.1	35.1	1.04	54.3	35.1	1.04
46 to retirement age	62.2	34.0	1.00	64.1	37.0	1.09
Retirement age by law	81.5	20.6	0.61	80.7	21.6	0.64
Years of education of the head of household						
Up to 8 years of study	70.5	34.9	1.03	70.2	38.6	1.14
9-12 years of study	56.5	34.4	1.02	54.5	33.1	0.98
13 or more years of study	63.0	32.1	0.95	62.0	32.5	0.96

* The weight given to each family when calculating the index is equivalent to the number of persons in the family.

** The incidence ratio relates to the disposable income, and indicates the ratio between the incidence of poverty in the group and that of the entire population.

Table 11
**Impact of Transfer Payments and Direct Taxes on Dimensions of Poverty
in Specific Population Groups, 2005-2007**

Population group (families)	Percentage of poverty reduction deriving from transfer payments and direct taxes					
	Incidence of poverty			Income gap ratio of the poor		
	2005	2006	2007	2005	2006	2007
Total population	38.5	39.3	38.3	47.1	45.2	43.6
Jews	46.8	48.9	46.8	51.6	50.8	49.7
Arabs	11.0	9.2	11.8	39.8	37.4	33.4
Elderly	57.1	61.7	59.5	76.3	73.2	70.9
New immigrants	52.8	54.7	53.2	62.0	62.7	61.3
Families with children – total	19.1	19.4	18.5	41.3	39.7	37.0
1-3 children	23.5	25.7	22.9	40.6	38.3	37.6
4 or more children	9.6	8.0	10.5	42.2	41.2	36.8
5 or more children	11.3	8.5	10.9	43.6	42.1	38.9
Single-parent families	39.0	42.2	36.5	52.7	48.1	52.5
Employment status of head of household						
Employed	33.6	33.1	33.1	32.5	30.5	30.8
Salaried employee	35.8	35.6	34.7	34.9	33.2	32.5
Self-employed	15.4	15.2	19.3	21.1	18.6	16.6
Unemployed (of working age)	27.3	25.1	23.5	48.8	48.7	45.8
Sole wage earner	33.7	33.0	33.4	34.8	31.6	31.8
2 or more wage earners	32.4	33.7	30.9	13.0	24.8	23.5
Age group of head of household						
Up to 30	32.5	32.5	28.1	38.5	36.2	38.4
31-45	21.5	20.5	23.0	41.3	39.6	35.4
46 to retirement age	38.0	36.3	34.5	44.0	45.4	42.3
Retirement age by law	57.6	62.2	60.5	77.0	74.7	73.3
Years of education of head of household						
Up to 8 years of education	37.4	39.3	36.2	51.9	50.4	45.1
9-12 years of education	35.1	34.6	35.9	43.7	39.2	39.2
13 + years of education	43.5	44.7	42.4	47.5	49.1	47.6

Table 12
**Percentage of Families Whose Disposable Income does not Exceed Given Income
(in Terms of Poverty Line), 2007**

Population group (families)	75%	90%	95%	100%	105%	110%	125%	150%
Total population	10.4	15.4	17.6	19.9	21.7	22.8	27.6	35.8
Jews	7.2	10.9	12.9	15.0	16.5	17.5	21.8	29.8
Arabs	31.1	44.1	47.8	51.4	54.7	56.9	64.8	74.7
Elderly	6.3	12.4	17.3	22.6	24.9	26.2	32.6	43.1
New immigrants	6.8	11.4	14.6	18.8	21.1	22.4	28.6	40.8
Families with children – total	14.5	21.1	23.0	24.8	27.1	28.5	33.8	42.9
1-3 children	10.0	15.3	16.7	18.4	20.1	21.5	26.7	35.8
4 or more children	36.4	49.7	53.9	56.5	61.1	62.6	68.3	77.7
5 or more children	45.0	59.0	63.2	66.7	71.0	72.2	78.9	86.4
Single-parent families	16.5	25.4	27.2	29.8	32.0	34.7	42.8	54.9
Employment status of head of household								
Employed	5.7	9.6	10.8	12.2	13.7	14.7	19.1	27.0
Salaried employee	5.6	9.6	10.8	12.2	13.6	14.7	19.0	27.2
Self-employed	6.5	10.5	11.3	12.4	14.7	15.6	20.5	27.5
Unemployed (of working age)	53.3	62.8	66.5	69.8	71.7	72.8	77.2	83.3
Sole wage earner	11.4	18.8	21.0	23.5	25.9	27.8	34.5	45.3
2 or more wage earners	0.9	2.0	2.4	2.8	3.5	3.8	6.3	11.8
Age group of head of household								
Up to 30	15.7	21.2	23.1	25.7	27.5	28.8	34.6	44.1
31-45	11.9	17.5	19.0	20.5	22.3	23.4	27.8	35.6
46 to retirement age	8.2	11.3	12.7	14.0	15.2	16.1	19.5	26.0
Retirement age by law	5.8	12.2	17.4	23.1	25.4	26.8	33.6	44.5
Years of education of head of household								
Up to 8 years of education	23.3	34.8	39.8	44.3	46.9	48.6	55.8	66.3
9-12 years of education	11.1	16.4	18.4	20.9	22.8	24.1	30.0	39.9
13 or more years of education	6.8	9.9	11.6	13.4	14.7	15.6	19.0	25.4

Box 1

Focuses of Poverty in Israel – Findings, Using the Data Mining Method

In this box, we will review the main focuses of poverty in Israeli society, which were processed using advanced software for examining the characteristic differences between population groups, using the Data Mining method. The analysis is based on the index of the incidence of poverty in families¹.

In general, there is a high correlation between poverty and geographical areas, on the one hand, and between poverty and distinct groups in Israeli society, on the other hand. The analysis selected by the researcher in this box is based on population groups and not on geographical areas (although within the groups, reference is made to certain areas). The four main population groups are: Israeli Arabs, Ultra-Orthodox², new immigrants and veteran Jewish Israelis.

The main focuses of poverty in Israeli society as found by this process are:

a. Focuses of poverty among the veteran Jewish population (excluding the Ultra-Orthodox):

- Families headed by an individual of working age (31 to pension age) with less than 8 years of schooling: in this group, about 30% of families were defined as poor in 2007. When the head of the family does not work, this percentage jumps to 61%.
- Young families headed by an individual who is aged 30 or less: there is a clear gap between the Jerusalem area (26.6%) and the center of the country (11.5%) and the remaining regions (20.4%). Further analysis leads to the conclusion that the most significant factor contributing to poverty is the number of children in the family. In families with two or more children, the incidence of poverty reaches 33%, compared with 13.6% in other families. (It is possible that some of these families are in fact Ultra-Orthodox who were not identified as such by the definition used in the study.)³
- The elderly: there is a difference between the incidence of poverty among old people living in the south of the country – 25.7% – and those in other areas – 14.5%.

b. Ultra-Orthodox

- Among the Ultra-Orthodox population there is a big gap, which is the reverse of that in other populations, between families headed by an old person (poverty incidence of 19.2%) and other families (poverty incidence of 51.4%).

1 Obviously, the data could also be analyzed on the basis of other poverty indices.

2 The "Ultra-Orthodox" are defined as families in which one member studied in a yeshiva as the last place of study. This definition does not precisely define the Ultra-Orthodox population in the survey, but comes close to it.

3 See note 2, above.

- In Ultra-Orthodox families headed by a person of working age, a significant factor in extricating themselves from poverty is participation in the work force. 88.9% of families without an earner are classified as poor, compared with 48.6% of families with one earner, and 11.2% of families with two or more earners.
- As would be expected, in large families with one earner, the incidence of poverty among those with two and three children is 52% and with four or more children 71.3%, compared with 26.2% of families with one or no children.

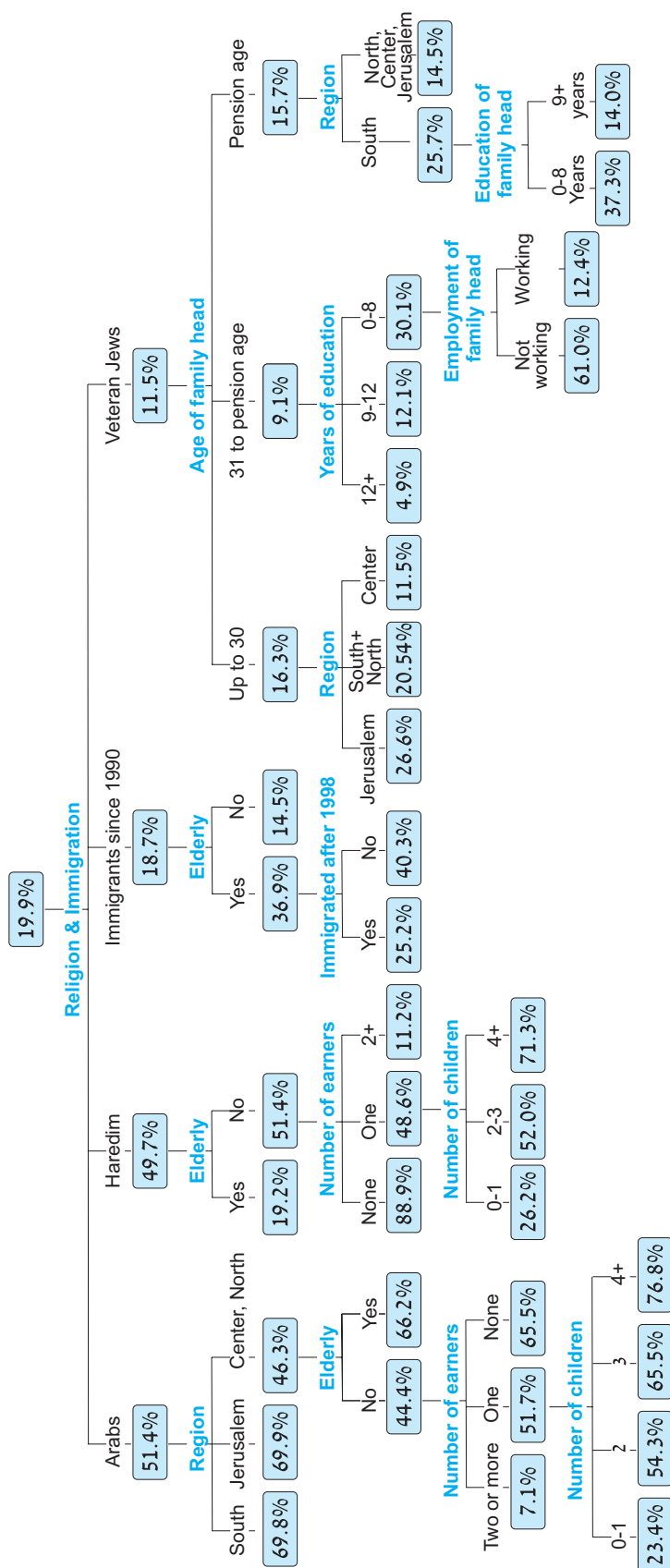
c. Israeli Arabs

- In the southern and Jerusalem regions, the incidence of poverty is higher (69.8% and 69.9% respectively) compared with 46.3% in other regions.
- In the central and northern regions, there is a difference between families headed by an old person (66.2%) and other families (44.4%), where in other regions incidence of poverty ranges from 88.4% in families without earners, to 51.7% of families with one earner and 7.1% in families with two earners.
- There is a fairly high correlation between poverty and area of residence: the incidence of poverty among the total population of the southern region is 33.3%, but it is particularly high among the Arabs.

d. Immigrants

- Among immigrants who arrived in Israel after 1990, the most striking focus of poverty is the elderly population (36.6% compared with 14.4% among other immigrants), with a clear difference between those who immigrated from 1998 onwards (25.2%) and those who immigrated before 1998 (40.3%).

Segmentation of Population, by Incidence of Poverty Using the "Data Mining" Method (Dafa), 2007



Box 2

Dimensions of Poverty and Income Gaps in 2007/8¹

The growth in the economy continued during the first half of 2008 as well, and was expressed in the expansion of employment and in a real rise in wages. The macro-economic data shows that, between 2007 and 2007/8, the number of employed increased by an average of about 2%, while the wage paid to a salaried employee increased by less than one percent in real terms. The minimum wage increased at a nominal rate close to one percent; however, in real terms, it decreased by a similar percent. The survey data shows that, compared with 2007, the total payments of National Insurance Institute benefits per family decreased by about half of one percent and by an average of 1.4% in real terms, while a family's compulsory payments decreased on average by a rate of 1.4%, between the two periods being surveyed.

Following are the key findings arising from the 2007/8 survey, compared with the 2007 survey:

- The standard of living, as reflected in the adjusted median disposable income, from which the poverty line is also derived, improved in real terms by about half of one percent compared with 2007. The average disposable income per family and per standard individual increased by a real rate of one percent (in annual terms, the net income per family increased by some 4%).
- The incidence of poverty among families is 20% (compared with 19.9% in 2007). The income gap ratio of the poor², which expresses the distance of the poor family's income from the poverty line, continued to rise, from 34.4% in 2007, to 34.8% in 2007/8.
- The incidence of poverty per capita remained stable between the two periods: the ratio of poor persons went up from 23.6% in 2007, to 23.8% in 2007/8. The incidence of poverty among children also remained at a high level – 34.1% (compared with 34.2% in 2007). The index of the severity of poverty, the FGT Index³, increased by some 2%. Between 2005 and 2007/8 – years when the incidence of poverty among families remained more or less stable and the incidence of poverty among persons (members of families) and children even declined slightly – the indices of the depth and severity of poverty increased at rates of between 5% and 6%; in other words, the population that was not extricated from poverty became poorer.
- During the period of the survey, 2007/8, there were 418,000 poor families in Israel, consisting of 1,631,000 persons, of whom 777,400 were children.

1 This box presents the findings during the period that includes the second half of 2007 and the first half of 2008 (2007/8).

2 Formerly known as "the poverty gap ratio."

3 The FGT Index was developed by Thorbecke, Foster and Greer in 1989. In recent years, it has become the most accepted index of the severity of poverty. This index can obtain values between zero (when the income of the poor is very close to the poverty line) and the incidence of poverty (when the income of the poor is zero). The index is calculated according to the following formula: $(n \cdot \sum ((z_i - y_i)/z_i)^2) / 2$, where z_i is poverty-line income and y_i is the income of the family.

- The incidence of poverty according to economic income indicates that the downtrend that has characterized recent years is continuing. The incidence of poverty according to economic income declined from 33% in 2006/7 to 32.3% in 2007 and to 31.8% in 2007/8.
- The incidence of poverty among the elderly decreased, from 22.6% in 2007 to 22.2% in 2007/8. This decline was anticipated, since the slowdown in the growth of earned income versus the increase in the old-age pension improved the relative situation of the elderly.
- The incidence of poverty among families with children remained stable (24.7%); however, while the incidence of poverty among families with up to three children decreased slightly, the incidence of poverty among large families (with 4 or more children), increased, from 56.5% to 58.1%.
- The incidence of poverty among working families remained more or less at the same level as in 2007. The share of working families in the poor population increased slightly, from 45.7% in 2007 to 46.4% in 2007/8.
- The share of transfer payments and direct taxes in the reduction of poverty decreased, from 38.3% in 2007, to 37.2% in 2007/8. 26.5% of the persons (members of families) and 14.4% of the children were extricated from poverty subsequent to government intervention in the field of transfer payments and direct taxes.

**Incidence of Poverty in Families, by Various Characteristics (percentages),
2006/7, 2007 and 2007/8**

	Income before transfer payments and taxes		Income after transfer payments and taxes		Rate of decrease in the incidence of poverty after transfer payments and direct taxes (percentage)	
	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8
Total population	33.0	31.8	20.5	20.0	38.0	37.2
Jews	28.7	27.9	15.2	15.2	47.0	45.5
Arabs	61.3	56.5	54.8	50.1	10.6	11.3
Elderly	56.4	53.1	23.5	22.2	58.4	58.1
New immigrants	40.7	39.5	19.0	19.0	53.2	52.0
Families with children	31.6	30.6	25.9	24.7	18.1	19.2
1-3 children	24.7	23.7	18.8	18.0	23.9	24.2
4 or more children	65.0	64.5	60.0	58.1	7.7	10.0
5 or more children	75.8	76.1	69.0	67.9	9.0	10.8
Single-parent families	47.6	48.4	28.9	30.3	39.3	37.3
Employment status of head of household						
Working	18.8	18.4	12.6	12.3	32.9	33.2
Salaried employee	19.2	19.1	12.5	12.3	35.2	35.3
Self-employed	17.1	15.6	14.2	13.0	16.6	16.9
Not working (of working age)	90.6	90.6	68.9	71.4	24.0	21.1
Sole wage earner	35.5	35.1	23.9	23.6	32.9	32.8
2 or more wage earners	4.3	4.6	2.9	2.9	32.9	35.8
Age group of head of household						
Up to 30	35.6	37.4	24.5	26.1	31.3	30.2
31-45	27.6	26.5	22.0	20.5	20.4	22.4
46 to retirement age	23.4	21.1	14.6	14.2	37.4	32.9
Retirement age by law	59.1	56.7	24.1	23.2	59.3	59.0
Years of education of head of household						
Up to 8 years of study	69.2	66.9	43.2	44.1	37.6	34.1
9-12 years of study	33.8	32.8	22.3	21.3	34.0	35.1
13 + years of study	23.5	22.8	13.4	13.3	42.8	41.7

5. Measuring poverty from the perspective of expenditure, 2006-2007

In a study published by the National Insurance Institute in 2004¹⁴, an attempt was made to measure poverty according to the approach developed by a U.S. committee of experts, established in the 1990s (the National Research Council – NRC). This committee proposed the approach of creating an alternative index to the official poverty index in the United States. This approach is based mainly on a calculation of a "threshold expenditure" for a "representative family" (consisting of two adults and two children), which is calculated using the consumption data of the population itself, as reflected in the expenditure surveys performed by the Central Bureau of Statistics. The basket, which serves as the basis for calculating the "threshold expenditure," includes products and services pertaining to food, clothing and footwear and housing, plus associated essential products. The threshold expenditure is adjusted to other family compositions using an equivalence scale, which takes into account the composition of the family, in terms of the number of adults and the number of children. The income compared with the threshold expenditure is the disposable income available to the household (the gross income from all sources, net of direct taxes). If the family receives public housing and pays reduced rent relative to the market price, then the component of "in-kind income" is added to this income. At the recommendation of the NRC, in addition to the deduction of direct taxes, work-related transportation expenses and the expenses for working families of sending children to day-care centers, kindergartens and child-minders are also deducted from the income. A family is defined as poor if its disposable income is insufficient to finance the expenditure on this basket.

In the study, two alternatives were presented for calculating the threshold expenditure and the income to which it is compared per family category, when the difference between the two alternatives is the definition of expenditure for housing. In the first alternative, the expenditure for housing is obtained according to the total current payments for accommodation in an apartment (loans and mortgages, rent, etc.); in the second alternative, the expenditure for housing is calculated according to the actual rent for a person living in a rented apartment, and according to the rent credited in favor of a person who owns an apartment. In the second alternative, a family residing in an apartment that they own is compensated on the income side. The component added to the income side is the difference between the rent credited to the apartment and the total current expenditure on the apartment ("the net rent"); in the majority of families who own an apartment, this difference is positive. In both alternatives, the calculation of the income that is being compared with the threshold expenditure also takes into account the benefit inherent in public housing services – a family living in public housing (such as the Amidar, Amigur housing companies) is compensated on its income side, to the level of the difference between the rent on the open market (which is credited to the apartment according to its characteristics¹⁵) and the rent that the family actually pays.

As stated above, the basket that is used to calculate a family's "threshold expenditure" is based on

14 See footnote 7 in this chapter.

15 An estimate of the "free" rent that is credited to public housing was made by the researchers, on the basis of the characteristics of the apartments (size and geographic district), as received from the housing companies.

products and services relating to food, clothing, footwear and housing. The representative family's median expenditure on the basic basket is multiplied by two multiplication coefficients: (a) the median multiplication coefficient, whose value ranges between 0 and 1, which represents the viewpoint that the standard of living of a poor family is lower than that of the median family; (b) an additional multiplier, which represents the value of a supplementary basket of essential products and services from the areas of education, health and transportation (not including work-related transportation, which was deducted from the income side). The multiplication coefficients, which the NRC recommends updating about once every decade, were left at the same level as prescribed in the study. The multiplication coefficient of the median stands at 80% and 85% for alternatives (a) and (b), respectively, while the multiplier representing the increment for the accompanying basket of products and services stands at 1.35 and 1.25 for alternatives (a) and (b), respectively.

It is clear that the findings are influenced by the macro-economic developments and changes in the social policy over the three years of the survey, which are at the basis of the moving average for each of the years in respect of which the dimensions of poverty were calculated. It should be emphasized that the poverty and inequality indices, which are calculated in relation to household income (like the Gini Index and the SEC Index) were calculated on the basis of the income defined for the purposes of calculation according to this approach; i.e., the income, net of direct taxes and work expenses, and with the addition of an in-kind transfer component that is inherent in public housing. For alternative (b), the credited rent component is also added to the income.

Box 5 below shows findings on the dimensions of poverty during 2006-2007, according to the two alternatives specified above. It should be emphasized that, according to the recommendations of the NRC, the poverty indices are not based on the consumption and income data of a single year, but rather on a moving average of three years. The findings for 2006 relate to data on the household expenditure surveys for the years 2004–2006 (at 2006 prices), while the data for 2007 relates to the expenditure surveys for the years 2005-2007 (at 2007 prices)¹⁶. For the sake of simplicity of presentation, we will refer below to the data of those three years at 2006 prices as "the year 2006," and similarly, as "the year 2007."

16 The surveys' income data used for processing the data for the year 2002 was adjusted by the rise in the general index. On the other hand, the relevant expenses (and the credited income added for apartment owners) were differentially adjusted according to the relevant price index. Corresponding data processing was performed for 2003 and 2004.

Box 3

The Dimensions of Poverty from the Perspective of Expenditure: Updated Findings for 2007

The findings concerning the incidence of poverty indicate stability in the scope of poverty among families in 2007 compared with 2006 (Table 1) according to the first calculation alternative, and a slight rise – mainly among families and children – according to the second alternative. (For an explanation of the difference between the two approaches, see section 5 of this chapter.)

The income gap ratio among the poor, which expresses the degree of distance of the threshold expenditure from the relevant income, according to both the calculation alternatives, reached 32% in 2007 according to the first calculation alternative and 28% according to the second alternative. These ratios express a slight decrease compared with the corresponding figure in 2006 – contrary to the slight upward trend in the incidence of poverty among poor families and persons (members of families). The Gini Indices of inequality in income rose slightly (0.2% according to the first alternative and 0.4% according to the second alternative). On the other hand, the SEN Index rose at a higher rate, of 2% and 3% in both alternatives.

Table 1
**Incidence of Poverty among Families, Persons and Children,
2003-2007**

Alternative	2003	2004	2005	2006	2007
Alternative A: Housing by the payments approach					
Families	23.9	22.6	22.6	21.2	21.4
Persons	27.0	26.2	26.6	25.4	25.5
Children*	34.9	35.0	35.8	35.0	35.3
Alternative B: Housing by the credited rent approach					
Families	19.9	19.6	19.7	18.4	18.9
Persons	24.1	24.6	24.9	23.7	23.9
Children	32.5	34.0	34.8	33.9	34.5

The poverty lines deriving from both alternatives are, in essence, the “threshold expenditures” of the families for the basic consumption components; that is to say, a family is considered poor if its disposable income is insufficient to cover these expenses. The results of the threshold expenditures and the incidence of poverty for the various family compositions according to Alternative A and Alternative B of the calculation are shown in Table 2. The poverty lines according to Alternative B are higher than those of Alternative A, since they include an additional component that isn't present in Alternative A – a credited expense for housing owned by the residents. Therefore, the threshold expenditure per capita, for example, was some NIS 2,300 in 2007 – nearly NIS 500 less than the threshold expenditure according to Alternative B.

Table 2
Threshold Expenditure and Incidence of Poverty Among Families, for Selected Family Compositions, Alternatives A and B, 2006-2007

Family Composition *	2006		2007	
	Threshold expenditure (NIS)	Incidence of poverty (%)	Threshold expenditure (NIS)	Incidence of poverty (%)
Alternative A				
Single adult	2,214	22.0	2,299	22.0
Two adults	3,597	15.3	3,735	16.3
Two adults + 1 child	4,438	16.4	4,608	15.6
Two adults + 2 children	5,215	18.0	5,415	18.9
Two adults + 3 children	5,946	24.6	6,174	25.9
Two adults + 4 children	6,639	49.9	6,894	49.5
Two adults + 5 children	7,302	63.6	7,583	65.8
Adult + 2 children	4,086	34.1	4,244	30.8
Alternative B				
Single adult	2,580	12.6	2,678	13.8
Two adults	4,192	12.6	4,350	13.3
Two adults + 1 child	5,172	15.5	5,367	15.5
Two adults + 2 children	6,078	18.2	6,307	19.6
Two adults + 3 children	6,928	24.5	7,190	25.6
Two adults + 4 children	7,737	46.9	8,029	45.8
Two adults + 5 children	8,510	61.9	8,831	64.2
Adult + 2 children	4,762	34.4	4,924	31.4

* Although the calculation is based on three survey years, due to the small number of observations, it was not possible to calculate the data for single-parent families except for one adult with two children; the data on families of this type also suffer from quite substantial fluctuations.

The relevant income, for the calculation according to both alternatives, increased by about 3% in real terms, while the threshold expenditure increased by slightly more. It is for this reason that the dimensions of poverty increased slightly. Among most families, the incidence of poverty remained more or less stable between the two years according to Alternative A. On the other hand, in the calculation according to Alternative B, there were usually increases in the incidence of poverty. Prominent is the decrease in the incidence of poverty among single-parent families in both calculation alternatives. This decrease derives from the rise in earned income among these families, and not from an exceptional decline in their expenses.

6. Inequality in income distribution and the impact of policy measures

The progressive structure of transfer payments and direct taxes narrows income gaps in the population. The rate of transfer payments relative to economic income decreases with the rise in economic income, while the rate of direct taxes increases with the rise in economic income. The higher the progressive rate of transfer payments and direct taxes, the larger is the lower deciles' share of income subsequent to transfer payments and direct taxes, and the smaller is the upper deciles' share of the income.

Table 13 shows the average change in income, benefits and taxes per family during the survey periods. During the period 2002-2007, economic income increased at a rate of 12.5%, while disposable income increased at a higher rate, of 14.7%. The increase in economic income is a result of the expansion of employment and the real increase in wages between 2004 and 2007, which prevailed over the impact of the recession in 2001-2003. The higher growth in disposable income relative to economic income is a result of the tax reform, which, on the one hand, led to the sharp drop in direct taxes, by some 11%, while, on the other hand, led to a reduction of National Insurance benefits at a similar rate. However, since the weight of the taxes on the disposable income is more significant than the weight of the transfer payments on it, the impact of the reduction in taxes is more significant than the impact of the reduction in transfer payments.

Table 13
**Average Income, Benefits and Taxes per Family
(NIS per month, at 2007 prices), 2002-2007**

	2002	2003	2004	2005	2006	2007	2007 versus 2002
Economic income	10,040	9,720	10,030	10,350	10,760	11,300	12.5
Total transfer payments	1,840	1,700	1,640	1,640	1,650	1,630	-11.4
National Insurance benefits	1,410	1,300	1,230	1,200	1,210	1,190	-15.6
Direct taxes	2,760	2,390	2,360	2,300	2,280	2,470	-10.5
Disposable income	9,120	9,030	9,320	9,690	10,130	10,460	14.7

Table 14 shows the average sums of transfer payments and direct taxes as a percentage of the average economic income per family in each decile, while Table 15 shows each decile's share (ranked according to economic income) in all transfer payments and in all direct taxes, in 2005, 2006 and 2007.

Table 14 shows that the reduction in transfer payments relative to economic income continued in 2007 as well – concurrent with the continuing trend of reducing direct taxes. Transfer payments as a share of average economic income decreased from 15.9% in 2005 to 14.4% in 2007. This reduction was reflected in all the deciles except for the top decile, but is particularly noticeable in the four lowest deciles, due to the erosion of transfer payments relative to increase in wages, and to new employees from these deciles joining the labor market, and the resulting increase in their economic income. Concurrently, the tax burden was increased slightly between 2006 and 2007: from 21.2% of the economic income of the entire population to 21.9%, and at variable rates in all

deciles (except for the second decile). This occurred after a continuous reduction of the tax burden between 2003 and 2006.

Table 14

Rates of Transfer Payments and Direct Taxes Relative to Average Economic Income in Each Decile*, Total Population (Percentages), 2005-2007

Decile	Rate relative to average economic income					
	Transfer payments			Direct taxes		
	2005	2006	2007	2005	2006	2007
Bottom	--	--	--	--	--	--
2	317.5	246.2	213.0	24.6	18.8	16.1
3	58.0	52.4	49.3	10.5	9.1	9.2
4	38.0	39.4	32.1	10.8	9.9	10.0
5	23.5	23.2	21.6	11.7	10.9	10.9
6	15.0	15.7	14.2	12.9	11.8	11.9
7	10.0	11.5	9.4	14.7	13.3	14.1
8	7.6	6.7	6.4	17.7	17.0	17.6
9	4.8	4.2	3.9	22.4	21.3	22.1
Top	2.1	1.9	1.9	31.2	30.2	31.5
Total	15.9	15.3	14.4	22.2	21.2	21.9

* For the purpose of determining the deciles, families were ranked according to the economic income per standard person. Each decile constitutes 10% of all persons in the population.

Table 15

Share of Each Decile* of Total Population in Total Transfer Payments and Direct Taxes (Percentages), 2005-2007

Decile	Transfer payments			Direct taxes		
	2005	2006	2007	2005	2006	2007
Bottom	23.9	24.5	24.8	0.9	0.9	0.8
2	17.4	16.0	17.2	1.0	0.9	0.9
3	9.4	8.9	9.4	1.2	1.1	1.2
4	9.9	10.7	9.7	2.0	1.9	2.0
5	8.8	9.0	9.0	3.1	3.1	3.0
6	7.5	8.0	7.8	4.6	4.4	4.3
7	6.5	7.6	6.6	6.8	6.3	6.6
8	6.5	5.8	5.8	10.8	10.6	10.6
9	5.5	5.0	4.9	18.5	18.3	18.4
Top	4.8	4.6	4.8	51.2	52.5	52.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

* For the purpose of determining the deciles, families were ranked according to **economic income** per standard person. Each decile constitutes 10% of all persons in the population.

Table 15 shows that, when ranking the deciles according to economic income, the deciles from the bottom to the sixth decile receive transfer payments that are higher than their total payment for direct taxes. In the seventh decile, parity is obtained, and, as of the eighth decile, the ratio is inverted: the top decile pays more than half of the total taxes and receives about 5% of the total transfer payments. Table 16 shows the patterns of distribution of the various types of income in the entire population in 2005-2007¹⁷. The data in the table shows that, during these years, the share of the second to sixth deciles in the total disposable income increased, the share of the other deciles (except for the top decile) remained more or less the same, while the top decile's share declined from 28% of all disposable income to 27.2% of it. The ratio between the upper quintile's income to the bottom quintile's income slightly decreased, from 8.3% in 2006 to 8.0% in 2007. These developments, which point to more equality in income distribution in 2007, were also reflected in the Gini Index of disposable income, which declined by 2.3% between 2006 and 2007 (Table 17).

Table 16
Impact of Transfer Payments and Direct Taxes on Inequality in Income Distribution in Total Population (Percentages), 2005- 2007

Decile*	Share of each quintile in the total income (%)**								
	Before transfer payments and direct taxes			After transfer payments			After transfer payments and direct taxes		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Bottom	0.0	0.0	0.0	1.7	1.7	1.7	1.9	1.9	1.9
2	0.9	1.1	1.3	3.0	2.9	3.0	3.5	3.4	3.5
3	2.9	2.9	3.0	4.0	4.0	4.1	4.5	4.5	4.7
4	4.4	4.4	4.6	5.2	5.2	5.3	5.9	5.8	6.0
5	6.2	6.2	6.3	6.6	6.6	6.7	7.3	7.3	7.4
6	8.2	8.1	8.1	8.2	8.2	8.2	9.0	8.9	9.0
7	10.5	10.3	10.4	10.2	10.1	10.1	10.8	10.8	10.8
8	13.6	13.4	13.4	12.8	12.7	12.7	13.1	13.0	13.1
9	18.4	18.2	18.2	16.9	16.8	16.8	16.5	16.3	16.3
Top	35.0	35.5	34.8	31.3	31.8	31.4	27.4	28.0	27.2
Ratio between the income of the top quintile and the bottom quintile	56.7	49.2	41.5	10.3	10.5	10.3	8.1	8.3	8.0

* The families in each row were ranked according to the level of income corresponding to a standard person. Each decile represents 10% of the persons in the population.

** In terms of income per standard person.

The contribution of the transfer payments and direct taxes to reducing inequality, which derives from the distribution of the economic income, increased slightly, from 25.1% in 2006 to 25.4% in 2007, and it declined by about 6 percentage points relative to 2002, when the rate was 31.5%.

17 The data on inequality in income distribution among the working population is presented in Tables 18-19 in the Poverty and Inequality Tables appendix.

The picture of the socio-economic situation in 2007 attests, as a rule, to continued stability, which characterized the three preceding years, with a slight tendency towards a reduction in the dimensions of poverty and inequality, mainly in the population groups identified with focuses of poverty – Arabs and large families – and a parallel decline in the incidence of poverty among children, after many years of stability or rises. These developments in 2007 are attributed mainly to developments in the labor market.

Table 17
Gini Indices of Inequality in Income Distribution, 1999-2007

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of the decline in inequality deriving from transfer payments and direct taxes
2007	0.5134	0.4323	0.3831	25.4
2006	0.5237	0.4379	0.3923	25.1
2005	0.5225	0.4343	0.3878	25.8
2004	0.5234	0.4300	0.3799	27.4
2003	0.5265	0.4241	0.3685	30.0
2002	0.5372	0.4312	0.3679	31.5
1999	0.5167	0.4214	0.3593	30.5
Change in index (%)				
2007 versus 2006	-2.0	-1.3	-2.3	
2007 versus 2002	-4.4	0.3	4.1	
2007 versus 1999	-0.6	2.6	6.6	

Chapter 3

Collection of Insurance Contributions

1. Introduction

The National Insurance Institute is responsible for collecting national insurance contributions in order to fund the benefits paid under the National Insurance Law, and for collecting health insurance contributions to fund the health system. National and health insurance contributions are collected from both working (self-employed and salaried) and non-working residents of the country, at various rates based on income from which insurance contributions are deductible. In addition, since 1986, the government has compensated the National Insurance Institute for the loss of collected revenues due to the reduction in insurance contributions for employers and the self-employed. This compensation is called *Treasury indemnification*, and it forms part of the Institute's revenues from national insurance contributions¹.

In 2008, as in previous years, collection from the public was also affected by fluctuations due to economic developments in the economy as a whole, by the average wage, by the number of employed individuals (details below) and also by the legislative process – that commenced in 2005 with the tax reform of that year and that will continue to the end of 2009 – that included the gradual reduction of insurance contributions from employers. In 2006, two rates of contributions – reduced and regular – were introduced for employers instead of the flat rate at all levels of income from which insurance contributions are deductible, similar to the rate structure for salaried and non-salaried workers. Before the Law was changed, the employer paid 5.93% of the employee's salary, up to a ceiling of income from which the contributions are deductible. Following the amendment, for the period January-December 2008, employers paid 3.85% at the reduced rate (up to 60% of the average wage) and 5.43% at the regular rate. The tax reform also affected collection of National Insurance contributions: the reduced rate for insurance contributions paid by employees was reduced from 1.4% of income to 0.4%; the regular rate was increased from 5.58% to 7%; and the reduced rate bracket was increased from 50% of the average wage to 60%. These changes were made with a zero budget, that is, with no change to the overall size of the Institute's revenues. The increase in the reduced rate bracket also applies to the employer's share, to avoid a loss in collection of contributions. A summary of the changes in the period 2005-2009 is given later in this chapter (Tables 2 and 3).

The combined result of the Economy Arrangements Law, 2005 and of the reform introduced in 2006 is that the reduced and regular rates of insurance contributions paid by employers in 2009 will be 3.45% and 5.43% respectively. Compared with the situation before August 2005, this is a reduction of 1.5 percentage points in the average rate for the employer (4.43% compared with 5.93%). The cumulative loss of revenues from the start of this process (2005) to the end of 2008 amounts to NIS 8 billion, and this policy is expected to lead to a loss of a further NIS 3.9 billion approximately, in 2009. In accordance with the legislation, the National Insurance Institute will **not** be compensated by the Finance Ministry for this loss. However, the rates of government participation, based on section 32 of the Law, have been increased, so that the Finance Ministry

¹ The rate of insurance contributions that is imposed on the government instead of on employers appears in the table of payment rates, but is also based on Section 32 of the Law, which deals with all government participation in funding the various branches of national insurance.

allocation for funding benefits under the Law will not be reduced as a result of the loss of revenue from insurance contributions collected from employers.

Table 1 shows collection from the public in 2007 and 2008, and the effect of changes in legislation on the amounts collected. In 2008, National Insurance Institute revenues from collection of national and health insurance contributions amounted to NIS 42.4 billion. NIS 40.4 billion was collected directly from the public, and NIS 2 billion was transferred by the Finance Ministry, pursuant to section 32(c) of the Act, which compensates the NII for the reduction in national insurance contributions by employers and self-employed individuals. In that year, direct collection from the public rose by 2% in real terms, compared with a growth of 4.4% in 2007. Without the change in the legislation introduced in 2006, direct collection from the public in 2008 would have risen by an estimated 3.9% in real terms.

National Insurance contributions collected from the public in 2008 rose by 1.1% (compared with 3.3% in 2007), and health insurance contributions increased by 3.6% (compared with an increase of 6.6% in 2007). Health insurance payments as a proportion of total amounts collected from the public increased from 35.5% in 2007 to 36.5% in 2008, due to the continuing process of reducing national insurance contributions from employers as described above – a process that reduces the weighting of national insurance contributions from the public and consequently increases the weighting of health insurance payments. The rate of collection from the public in relation to GDP did not change in 2008, and remained at 5.6%. The percentage of revenues from the public as a total of all direct taxes² collected from individuals increased from 46.2% in 2007 to 49.3% in 2008, as a result of the drop in income tax from individuals at the nominal rate of 2.5% and an increase of 6.1% in national insurance collection.

2 Direct taxes collected from individuals include income tax (from salaried employees, the self-employed, and company directors), national insurance and health insurance. Total direct taxes include, in addition to taxes collected from individuals, company tax.

Table 1
**Collection from Public and Estimated Effect of Legislative Changes on Revenues
 (NIS million), 2007-2008**

	2007			2008			Percentage change 2008 compared with 2007			
							Nominal		Real	
	Less legislative change	Legislative change	Actual	Less legislative change	Legislative change	Actual	Less legislative change	Actual	Less legislative change	Actual
Total	40,310	-2,400	37,910	43,814	-3,370	40,444	8.7	6.7	3.9	2.0
National Insurance	26,854	-2,400	24,454	29,239	-3,370	25,869	8.9	5.8	4.1	1.1
Health Insurance	13,456	-	13,456	14,575	-	14,575	8.3	8.3	3.6	3.6

2. Collection of national insurance contributions

A. Rates of national insurance contributions

In 1995, two rates of insurance contribution were instituted – reduced and regular – for all types of insured individuals. Starting in 2006, the reduced rate has been applied to that part of the income from which national insurance contributions are deductible, which is no more than 60% of the *average wage*³. The regular rate applied to the remaining income up to a ceiling – on the salaried employee's share, on the employer's share, and also on the self-employed, without distinction between their share as an employee or as an employer. As Table 2 shows, the reduced rate applied to all insured individuals – salaried and non-salaried – and, from August 2005, it has also been extended to employers.

3 The average wage as defined in the National Insurance Law was NIS 7,663 per month in 2008.

Table 2
**Rates of National and Health Insurance Contributions, by Type of Insured
 (percentages), 2007-2008**

Type of insured	National insurance payments				Health insurance	
	Regular rate		Reduced rate		Regular rate	Reduced rate
	2007	2008	2007	2008		
Salaried – total	13.37	13.10	5.23	4.92	5.0	3.1
Thereof - Employee's share	7.00	7.00	0.40	0.40	5.0	3.1
- Employer's share	5.68	5.43	4.14	3.85	-	-
- Government share	0.69	0.67	0.69	0.67	-	-
Self-employed – total	11.84	11.82	7.33	7.31	5.0	3.1
- Worker	11.23	11.23	6.72	6.72	5.0	3.1
- Government	0.61	0.59	0.61	0.59	-	-
Insured who is not working and not self-employed	11.05	7.00	4.61	4.61	5.0	5.0

Table 2 shows the rates of various types of insurance contributions, and Table 3 shows the expected rates of insurance contributions from employers in 2008-2009, following the reduction of the employer's contribution starting in July 2005.

Table 3
**Rates of National Insurance Contributions from Employers (percentages),
 2008-2009***

Year	Reduced rate		Regular rate	
	2005	2006	2005	2006
2008	3.63	3.85	5.43	5.43
2009	3.19	3.45	5.43	5.43

* These rates reflect the legislative situation from January 2006, compared with the legislation that was in force in 2005.

Table 4 shows the number of insured individuals who are required to make insurance contributions, by type of insured. In 2008, about 2.67 million salaried insured individuals paid national insurance contributions. That year, the number of salaried insureds increased by 6.1%. It should be noted that this group does not include workers from the Palestinian Authority, foreign workers, or insured Israeli residents with unique characteristics, such as kibbutz members, early retirees, home cleaners, persons in vocational training, and employees of the Ministry of Defense⁴.

In the case of non-salaried insured individuals, we generally distinguish between two groups: those who pay insurance contributions based on their income (57.3% of all non-salaried insured individuals), and those who have no income and pay national insurance according to the minimum income (42.7%). The first group consists mainly of the self-employed (91.3%), but following changes in the Economic Arrangements Law for 2008, insured individuals with passive income (dividends and income from capital) at a rate that is more than 25% of the average wage, whether or not they have income as employees or as self-employed, must pay contributions at the rate of an insured individual who does not work and is not self-employed. This amendment, introduced at the end of 2008, added about 23,000 insured individuals to this group (an increase of 263.3%).

4 Section 5 of this chapter gives brief information on these population groups.

Table 4

Employers (by Size) and Insured Individuals Required to Make National Insurance Contributions, by Type of Insured, 2007 and 2008

Type of insured	2007	2008	% change
Salaried insured*			
Total	2,520,000	2,670,000	6.1
Employers**			
Total	220,651	226,765	2.8
With 1-5 employees	161,841	166,817	3.1
With 6-20 employees	40,920	41,800	2.2
With 21-99 employees	14,295	14,509	1.5
With 100-499 employees	3,036	3,047	0.4
With 500+ employees	559	592	5.9
Non-salaried insured**			
Total	625,048	662,182	5.9
Liable to pay from their income (total)	344,064	379,329	10.2
From work (self-employed)	334,964	346,272	3.4
Not from work	9,100	33,057	263.3
Pay minimum insurance – total***	280,984	282,853	0.7
Not working and not self-employed (minimum 15%)	175,247	181,096	3.3
Pupils and students (minimum 5%)	45,506	36,942	-18.8
Yeshiva students (minimum 5%)	60,231	64,815	7.6

* Number of salaried insured individuals reported by employers (Form 102). The figure is the monthly average.

** Figures relate to the year-end.

*** The income basis is a percentage of the average wage.

The second group, of insured individuals who pay the minimum level of contribution, is divided between those who are not working and have no income from which insurance payments are deductible (about 64%), and pupils and students (36%). The figures show a rise of about 0.7% in the number of insured who paid the minimum contribution in 2008; the proportion of these who were not working as salaried employees or self-employed increased by 3.3%. The proportion of students continued to decline by about 18.8%, apparently due to their entering employment. The number of yeshiva students increased by 7.6% on average.

Table 4 also shows data on the number of employers who pay national insurance for their employees, and the breakdown by number of employees. In 2008, the number of employers increased by about 2.8%; the increase was particularly striking among the larger employees (with over 500 employees).

B. Scope of revenue from national insurance payments

Table 5 shows the amounts collected for national insurance in the years 2005-2008. In 2008, revenues from national insurance contributions totaled some NIS 27.8 billion. About NIS 25.9 billion were collected from the public, and about NIS 1.95 billion were transferred by the Finance Ministry, as compensation for the reduction in payments by employers and the self-employed. That year, the NII's revenues from national insurance contributions increased by 1.2% in real terms. Collection from the public in 2008 increased by 1.1% in real terms. Without the legislative changes introduced in 2005 and 2006, direct collection from the public would have increased by an estimated 3.9% in real terms. In addition, the amounts transferred by the Ministry of Finance as indemnification for the reduction in payments by employers and the self-employed increased by 1.9% in real terms. The increase in the transferred amounts, above the rate by which collection increased, derives from the increase in government participation, due to the reduction in employer contributions according to the tax reform legislated in March 2005, according to which Treasury allocations would not be affected, even though there was a reduction of 0.2% in the Economic Arrangements Law for 2008. In 2008, direct collection from the public accounted for 93.0% of all national insurance revenue, similar to the previous year.

Table 5
**Collection of National Insurance Contributions from Various Sectors,
by Type of Insured, current prices (NIS million), 2005-2008**

Type of insured	2005	2006	2007	2008	Percentage of real change			
					2005	2006	2007	2008
Total collected	24,299	25,234	26,284	27,820	4.2	1.7	3.6	1.2
Salaried & employers	22,406	23,113	23,944	25,132	4.0	1.0	3.1	0.4
Non-salaried	1,893	2,121	2,340	2,688	6.4	9.7	9.8	9.8
Total collection from the public	22,759	23,554	24,454	25,870	3.7	1.4	3.3	1.1
Salaried & employers	20,962	21,541	22,234	23,320	3.5	0.6	2.7	0.3
Non-salaried	1,797	2,013	2,220	2,550	6.1	9.7	9.7	9.8
Total government indemnification	1,540	1,680	1,830	1,950	11.7	6.8	8.4	1.9
For employers	1,444	1,572	1,710	1,812	11.6	6.6	8.2	1.3
For non-salaried	96	108	120	138	14.1	10.2	10.5	10.0

In 2008, direct collection from salaried workers increased by 0.3% in real terms, compared with 2.7% in 2007. Direct collection from salaried workers and their employers was affected by changes in the labor market; average pay for a full-time salaried worker in the period from December 2007 to November 2008, for which insurance contributions were collected in 2008, increased by 4.4% (compared with 2.4% in 2007). The number of employed individuals increased by 4% in 2008 (compared with 4.5% in 2007), and salaried positions increased by 3.5% (compared with 4.2% in 2007). The reduction in the employers' contribution was mitigated by the increase in collection.

In 2008, direct collection from non-salaried insured persons increased in real terms by 9.8%, in addition to the real increase of 9.7% in 2007. National insurance revenues from salaried workers

(including the share of the employee, the employer and the Treasury), as a part of all revenues, declined slightly (from 91.1% to 90.3% in 2007), because of the reduction in insurance contributions from employers, on the one hand, and the increase in income of the self-employed, on the other hand. Collection from non-salaried individuals for the various branches of national insurance consists mainly of collection from the self-employed (about 94%). In 2008, collection from the self-employed – based on tax assessments from 2006 that were updated by price rises only – increased by 11.2% in real terms. Collection from non-salaried insured individuals who pay minimum contributions and account for 5% of all funds collected, to the insurance branches from the non-salaried, decreased by 5.4% in real terms. Examination of the payment ethics of the self-employed, and those who are not working and are not self-employed, emphasizes the difference between them; while collection from the self-employed as a proportion of their potential for collection, including the balance of debt, was about 92.8% in 2008, among those insured at minimum level, this proportion amounted to only about 45.6%.

3. Collection for health system

A. Health insurance contributions

The National Health Insurance Law came into force in January 1995. The Law ensures the right of every resident of Israel to health insurance and defines a uniform basket of health services for all, where the responsibility for funding rests with the government. The Law specifies the sources of funding for the basket, the method of updating its cost, and the formula for allocating resources between the health funds. Israeli residents are entitled to choose one of the health funds recognized by the Ministry of Health, and the health fund must accept any resident, without any limitations, conditions or payment whatsoever.

Health fund payments, one of the main sources of funding for the basket of health services, are collected by the National Insurance Institute and divided among the health funds. For this purpose, the NII keeps a file of everyone who is covered by health insurance, which is regularly updated and provides information on membership of the health funds.

According to the Law, every resident of Israel must pay health insurance contributions, even if he does not work, apart from a few exempt groups. The health insurance contribution from salaried and non-salaried insured is collected in the same way as the national insurance contributions, while the insurance contributions from recipients of NII benefits (who have no additional income) are deducted at source from the benefit.

Employees are charged for health insurance contributions at two levels: a reduced rate of 3.1% on that part of their income that is no more than 60% of the average wage, and a regular rate of 5.0% on the balance of their income above 60% of the average wage, up to the ceiling of income subject

to insurance contributions, which is 5 times the *basic amount*⁵. Here too, updates are based on price rises.

Those who do not work and those who receive benefits from the NII are in most cases entitled to special rates of contributions according to their financial situation. Table 6 specifies the amounts of insurance contributions that are deducted from benefits, by type of benefit, as follows:

- Health insurance contributions for recipients of wage-replacing benefits (such as maternity payments, hostile action injury benefit, reserve duty compensation and unemployment pay) are deducted from the benefit at the same rate as from income from work.
- Health insurance contributions for working-age benefit recipients who do not work are deducted from their benefit at the minimum amount specified in the Law.
- Health insurance contributions for recipients of old-age and survivors' pensions who don't receive income supplement are deducted from the pension at the amounts stipulated for individuals and couples as applicable.
- Health insurance contributions for recipients of old-age and survivors' pensions who also receive income supplement are deducted from their pension at the minimum rate, whatever the family composition.
- Health insurance contributions for working-age recipients of benefits who have income from work are applied only to their income from work, and not to the benefit.

Since January 2006, the amounts of benefits are updated according to the rate of increase in the consumer price index in the previous year (that is, the index for the previous November compared with the November before that), and therefore the minimum amounts are also updated by this rate. Anyone who is not salaried or self-employed and who does not receive any benefit pays the minimum health insurance contribution (NIS 88 per month since January 2008). Many groups are exempt from payment of health insurance contributions, such as housewives, new immigrants in the first six months following their arrival in Israel, workers under the age of 18, insured individuals under the age of 21 who are not working and who then enlist in the army, and detainees and prisoners who have been sentenced to more than 12 months in prison and receive health services from the Prison Service.

5 See note 25 in Chapter 1.

Table 6
Health Insurance Contributions, by Type of Benefit, 2008

Type of benefit	Monthly health insurance payment
Wage-replacing benefits	
Maternity payments	3.1% of the benefit up to 60% of the average wage; 5% of the balance over 60% of the average wage up to the ceiling
Hostile action injury benefit	
Unemployment benefit	
Reserve service compensation	
Work accident payments	
Old-age and survivors	
With income supplement	NIS 88
Without income supplement	
For an individual	NIS 166
For a couple	NIS 240
Other benefits	
Income support	NIS 88
Maintenance (Alimony)	
Work disability, with dependents	
Survivors of working age	

B. Health insurance revenues and their distribution among the Health Funds

Until the beginning of 1997, the National Insurance Institute collected the parallel tax and health insurance contributions for the health system. When the Economics Arrangements Law-1997 was approved, collection of the parallel tax was abolished, and funding for the basket of health services from the state budget was increased accordingly. Table 7 shows the amounts of health insurance contributions collected by the NII from salaried and non-salaried individuals and benefit recipients. In 2008, the NII collected some NIS 14.6 billion for health insurance. This is an increase of 3.6% in real terms, further to the increase of 6.6% in 2007. In 2008, 80.6% of all revenues for health insurance were collected from salaried employees; about 9.8% came from non-salaried individuals and about 9.6% from recipients of NII benefits. Health insurance payments collected from the non-salaried are broken down as follows: 70% from the self-employed and 30% from insured who are not employed and are not self-employed, and who pay the minimum level of health insurance contributions.

Table 7
Collection of Health Insurance Contributions (NIS million), 2005-2008

Year	Total	Salaried	Non-salaried	Benefit recipients	Real rate of change (%)
2005	11,838	9,437	1,080	1,321	3.3
2006	12,558	10,021	1,185	1,352	4.0
2007	13,456	10,820	1,288	1,348	6.6
2008	14,575	11,755	1,427	1,394	3.6

Table 8 shows the health insurance contributions collected from recipients of NII benefits. In 2008, a total of NIS 1,394 million was deducted from benefits for health insurance, and in real terms this represents a decrease of 1.1% compared with the previous year. Particularly noticeable is the decrease in health insurance contributions deducted from hostile action injury payments and from income support (10% each). About 72% of the health insurance contributions deducted from benefits were paid by recipients of old-age and survivors' pensions (including those who receive the pension with income supplement. It should be noted that health insurance contributions are only deducted from benefits on condition that the benefit recipient has no income from work, or that his only other income is exempt from insurance contributions. Married women who only work in their homes (housewives) are also exempt from payment of health insurance contributions, even if they receive a benefit in their own right from the NII, on condition that this benefit is not a wage-replacing benefit.

Table 8
Health Insurance Payments from Benefits, by Type of Benefit (NIS million), 2007 and 2008

Benefit	2007	2008	Real annual growth (%)
Total	1,348	1,394	-1.1
Old age and survivors	975	1,001	-1.9
Work disability	27	28	1.2
General disability	135	141	0.3
Income support	79	74	-10.1
Army reserve duty	1	1	-8.1
Maternity payment	63	81	23.3
Unemployment	37	38	-0.8
Hostile action injury payment	11	10	-10.9
Maintenance	8	8	-9.1
Bankruptcy	3	3	-11.6

The National Health Insurance Law states that the money to fund the basket of health is transferred to the health funds directly by the National Insurance Institute. The principle for dividing this money is based on the "capitation formula", which mainly takes into account the number of insured persons in each health fund, weighted by the age of each insured individual. Table 9

shows that the capitation method works in favor of the Clalit Health Fund, because its members tend to be older. For example, about 74% of the very old insured individuals (aged 85 plus) are insured in the Clalit Health Fund. At the end of 2008, the Clalit Health Fund accounted for 57% of all insured individuals, but its share of the health insurance moneys was about 58%. On the other hand, this method reduces the amounts transferred to Maccabi and Meuchedet Health Funds, whose members are generally younger. It should be noted that, in July 2005, a change was made to the formula for allocation to the various Health Funds, and two new age groups were added (up to 1 year and over 85 years), which reflects the consumption of health services by those age groups. This change has slightly improved the share of Clalit Health Fund in the distribution of the funds. Since August 1, 2006, the capitation rates are calculated each month, instead of once every three months, as was the case previously. The monthly capitation makes it possible to reduce the gap between the number of insured individuals at the beginning of each quarter, and the actual number of insured in each of the three months of that quarter.

Table 9
**Breakdown of Number of Insured and Key for Distribution of Health Insurance
Revenues, by Health Fund (percentages),
December 2007 and December 2008**

Health Fund	December 2007		December 2008	
	Total insured	Allocation key	Total insured	Allocation key
Total	100.0	100.0	100.0	100.0
Clalit	53.18	57.81	53.07	57.30
Leumit	9.47	8.82	9.36	8.71
Meuchedet	13.06	11.13	13.27	11.40
Maccabi	24.29	22.24	24.30	22.59

The sources of funding for the Health Services, under the National Health Insurance Law, are as follows:

- Health insurance payments, collected by the NII;
- Direct receipts collected by the Health Funds for health services given for payment (such as medicines, visits to doctor, etc.);
- Other amounts from the state budget intended to supplement the various health expenses, up to cover for the cost of the basket of health services.

The estimate for 2008 is that the cost of the health basket increased by about NIS 1.6 billion in nominal terms, reaching about NIS 26.6 billion (Table 10) in real terms, an increase of 2% compared with the previous year.

In 2008, the state's share of funding for the basket (39.9%) fell to the lowest level since the introduction of the National Health Insurance Law. On the other hand, the share of income from health insurance contributions increased to about 53.6%, in 2008. It should be noted that the

Economic Arrangements Law for 2008 states that the revenues of the Health Funds from direct payments by their members will be 6.45% of the cost of the Basket (instead of 5.4% until 2007). This amendment explains the reduction of about 1% in the state's participation from 2008.

Table 10
Cost and Sources of Health Services Basket, 2005-2008

Source	2005	2006	2007	2008*
Cost (NIS million)	22,768	24,041	24,946	26,599
Sources (%):				
Total	100.0	100.0	100.0	100.0
Health insurance payments	51.7	51.5	53.4	53.61
State budget	42.9	43.1	41.2	39.94
Own income	5.4	5.4	5.4	6.45

* Estimate.

The adjusted cost of the health basket per head allows an examination of the impact of the insured's age on the health fund's costs (Table 11). The cost per head of the basket is calculated for the basket's sources divided between the health funds according to the capitation formula, and does not include amounts that are not distributed according to capitation, such as expenses for serious illnesses, administration costs, allocations to the Health Council and Magen David Adom (MDA) ("Red Shield of David" in Hebrew). In 2008, the weighted cost per head of the basket of health was NIS 3,211, compared with NIS 3,106 in 2007 – a real decrease of about 1%. The basket's cost reflects the relative costs for different age groups: the cost of "younger" age groups is lower than that for the older groups. For example, in 2008, the cost of the basket of health for the oldest group (aged 85 plus) was 4.1 times higher than the average cost for all insured, and 10.2 times the cost of the basket for the 15-24 age group.

Table 11
**Adjusted Cost Per Head of Health Basket, by Age Group
(NIS per annum), 2007-2008**

Age group	2007	2008*
Total	3,106	3,211
Up to 1 year	4,815	4,977
1-4 years	2,982	3,083
5-14	1,460	1,509
15-24	1,243	1,284
25-34	1,771	1,830
35-44	2,112	2,183
45-54	3,324	3,436
55-64	5,250	5,427
65-74	8,884	9,184
75-84	11,058	11,431
85+	12,611	13,037

* Estimate.

4. Sharing burden of payment of national and health contributions

The national insurance system, like any insurance system, in most cases makes eligibility for benefits conditional on payment of fees (contributions). Accordingly, every insured person, irrespective of his employment status, must pay national insurance contributions. The parameters of the national insurance payments indicated at the beginning of this chapter – minimum and maximum for income subject to national insurance contributions and the rates of contributions for various types of insured individuals – are typical of most social security systems in western countries.

There is no disagreement on the fact that setting a floor and ceiling for income subject to national insurance contributions is a regressive element in the collection system. The reform introduced in the NII collection system in 1995 – broadening the income base from which national insurance contributions are deductible, and introducing a reduced rate for part of the income that is no greater than half the average wage, and raising the income ceiling in January 2000 – was intended to mitigate the regressive nature of the distribution of the burden of national insurance payments that is imposed on insured individuals. The decision to make the National Insurance Institute responsible for collection of health insurance contributions from 1995, alongside the perception that every resident is insured and that the majority of the insured must pay contributions, led policy makers to apply the elements of the function of national insurance contributions to that of health insurance contributions.

Table 12
**Salaried Employees: Income (average per month of work)
 and Burden of National Insurance Contributions, by Decile, 2006**

Decile	Average income per month of work	Payment of insurance contributions					
		Total	NIS		Percentage of income		
			National Ins.	Health Ins.	Total	National Ins.	Health Ins.
1	720	25	3	22	3.5	0.4	3.1
2	1,753	61	7	54	3.5	0.4	3.1
3	2,668	93	11	83	3.5	0.4	3.1
4	3,459	121	14	107	3.5	0.4	3.1
5	4,154	145	17	129	3.5	0.4	3.1
6	5,026	227	59	167	4.5	1.2	3.3
7	6,173	364	140	224	5.9	2.3	3.6
8	7,877	569	259	310	7.2	3.3	3.9
9	11,057	950	482	469	8.6	4.4	4.2
10	24,857	2,606	1,448	1,159	10.5	5.8	4.7
Average	6,774	436	182	255	6.4	2.7	3.8

The latest figures available to us refer to 2006. The data in Tables 12 and 13 refer to the legal situation in 2006, that is, taking into account the rate of insurance payments for that year and the maximum income subject to national and health insurance contributions (up to 5 times the *basic amount*). The steps taken in the framework of the tax reform introduced in 2006 (such as lowering the reduced rate applying to workers from 1.4% to 0.4%, increasing the regular rate from 5.58% to 7.0% and increasing the reduced rate bracket from 50% of the average wage to 60%) is also reflected in the rate of insurance payments calculated on the salary and income data for 2006.

Table 12 presents data on income subject to insurance contributions (average per month of work), national insurance contributions (the employee's share only) and health insurance contributions, as the average per decile of the salaried population. Salaried employees are graded by income subject to insurance contributions (average per month of work), so that each decile covers 10% of the salaried individuals⁶. The data shows that each of the five first deciles pays national insurance contributions at the rate of 0.4% of income, and the rate gradually increases up to 5.8% in the top decile. A similar picture arises from the rates of health insurance contributions by deciles, but the lowest rate in the five first deciles is 3.1%.

Table 13 shows the rates of insurance contributions by deciles among the self-employed in 2006. It should be pointed out that, in the first and second deciles, the burden of national insurance

6 In April 1999, an Amendment to the Law was passed, by which the minimum income for calculating insurance contributions for salaried employees was put on a par with the minimum wage in the economy, taking part-time jobs into account. When calculating the insurance contribution, we have assumed full compliance by employers with the minimum pay regulations, and that any reported pay that is below the minimum wage is for part-time work. The bias in the average rate of insurance contributions as a portion of income in the lower deciles is negligible.

contributions is striking, due to the existence of a minimum payment (2.5% of the average wage), which highlights the regressive nature of the system at low income levels. The rate of national insurance contributions paid by the self-employed (whether as workers or employers) is 7.0% in the third decile, and rises gradually to 10.4% in the tenth decile. The effect of the maximum income subject to national insurance contributions is more striking among the self-employed, because a larger part of their income is higher than this maximum. A similar picture emerges from an analysis of the changes in the rates of health insurance contributions in the various deciles.

It should be noted that, unlike the case of the salaried workers, the income of the self-employed in each decile is given in terms of monthly average for the year (and not per month of work), because collection from them is based on their annual reported income. This is the reason why the income of the salaried workers in Table 12 cannot be compared with the income of the self-employed in Table 13.

Table 13
**Self-Employed Individuals – Income (as Monthly Average for the Year)
and National Insurance Burden, by Decile, 2008**

Decile	Average monthly income for the year	National insurance contributions					
		NIS			Percentage of income		
		Total	National Ins.	Health Ins.	Total	National Ins.	Health Ins.
1	604	196	134	62	32.5	22.2	10.2
2	1,391	196	134	62	14.1	9.6	4.4
3	1,922	196	134	62	10.2	7.0	3.2
4	2,678	263	180	83	9.8	6.7	3.1
5	3,594	253	242	111	9.8	6.7	3.1
6	4,601	462	317	146	10.1	6.9	3.2
7	6,020	690	473	217	11.5	7.9	3.6
8	8,067	1,019	700	319	12.6	8.7	4.0
9	11,807	1,619	1,113	509	13.7	9.4	4.3
10	28,590	4,313	2,967	1,345	15.1	10.4	4.7
Average	6,928	836	574	262	12.1	8.3	3.8

5. Special populations defined as salaried workers

The data on salaried workers given in this chapter refer to the number of salaried workers reported by employers on form 102. The salaried population as defined by the NII includes other groups.

The main groups included in this population are the following:

Kibbutz members: Kibbutz members are defined in the Law as salaried employees of the kibbutz (the employer), which has the duty and responsibility to register them as salaried employees and to pay their national insurance contributions. Kibbutz members are insured for all branches of national

insurance except for the unemployment branch. In 2008, on average about 55,000 kibbutz members were reported each month (aged 18 and over), and the national insurance contributions paid for them amounted to about NIS 9 million per month on average.

Domestic workers: The status and rights of people employed in private households are the same as those of other salaried workers, although the contributions paid for them are set at different rates. At the end of 2008, about 162,000 employers reported people employed in their homes, and about NIS 77 million was collected from them as national insurance contributions.

Workers from the territories and from the Palestinian Authority: Workers from the territories and the Palestinian Authority employed by Israeli employers owe national insurance contributions for three types of insurance: work accidents, maternity and bankruptcy. National insurance contributions for them are collected by the Payments Section of the Employment Service. In 2008, about 19,000 such workers were reported on average each month, and the national insurance contributions paid for them amounted to about NIS 350,000 per month. The average monthly wage per worker, as the basis for payment of national insurance contributions, was about NIS 3,300.

Foreign workers: This group includes workers who are not Israeli residents and who are employed by Israeli employers. As in the case of workers from the territories and the Palestinian Authority, foreign workers are insured in the sections for maternity, work accidents and bankruptcy, and the rate of contributions applying to them is based on special regulations. In 2008, an average of about 77,000 foreign workers were employed in Israel each month. Their average monthly wage was about NIS 4,550 and their national insurance contributions amounted to a monthly average of NIS 2.8 million.

Workers who took early retirement: These workers are charged national insurance and health insurance contributions on their early pension. In 2008, an average of about 49,000 pensioners paid contributions each month, amounting to about NIS 52 million per month.

Vocational training: This group includes people who are undergoing vocational training arranged by the Ministry of Industry, Trade and Employment (both working and not working) or by places approved for this purpose by the National Insurance Regulations. The national insurance contributions imposed on the employer and the trainee are for two sections only: work accidents and maternity. In most cases the Ministry of Industry, Trade & Labor is the employer, unless the trainee is sent for training by his employer. The number of insured who were undergoing vocational training (and who paid national insurance) was about 32,000 on average per month in 2008, and the contributions paid for them amounted to about NIS 1 million per month.

Chapter 4

Benefits: Activities and Trends

1. Income Support¹

A. General

As in previous years, in 2008, the number of recipients of income support continued to decrease, to 110,000 families by the end of the year, compared with 114,000 at the end of 2007, and a record 159,000 in the second quarter of 2003. The developments in 2008 were influenced by the continuing impact of the strict legislation introduced in mid-2003 in the income support system, and by the implementation of the Integration of Benefit Recipients in Employment Law (temporary order), in August 2005.

The operation of the Integration of Benefit Recipients in Employment Law, which was approved in 2004, is still undergoing changes and adjustments following public debate and the conclusions derived from its implementation. It should be noted that the Law is based on an experimental "From Welfare to Work" program (which was originally entitled the "From Income Support to Secure Employment" program). In 2007, the Law underwent modifications and its title was changed to "Prospects of Employment." The purpose of the program is "to promote the integration of benefit recipients in employment that will utilize their earning ability, while making them share responsibility, thus facilitating the transition from dependence on benefits to social and economic independence."

The Integration of Benefit Recipients in Employment Law aroused controversy when it was enacted and when it was implemented. It reflects the transfer of responsibility for performing the employment test – which is an essential condition of eligibility to receive a benefit that is intended to ensure the minimum income necessary for existence – from the State to private organizations. When the program was put into operation, the main controversy centered on the method of compensation and implementation, particularly for special groups in the population. It is difficult to integrate some groups into employment or into a personal plan, due to barriers such as age and mental state, and because of other situations, such as single parenthood, or having a sick/hospitalized child.

When the program commenced, a number of committees were set up, which recommended changes in the program – the first Dinur Committee, the Tamir Committee and the second Dinur Committee. In 2007, another committee submitted its recommendations – the Public-Scientific Committee Concerning the Integration of Income Support Benefit Recipients in Employment. The recommended changes included reducing the number of hours of participation at the employment center for defined groups, such as those close to retirement age, or those for whom the National Insurance Institute had defined specific percentages of earnings incapacity, and single-parent families, and carrying out vocational evaluation and occupational rehabilitation for those who need it. Another recommendation was to change the method of compensation, so that high-quality and long-term placings are rewarded (for the participant and the occupation center) and the compensation paid for bringing about a decrease in benefits is reduced.

1 Including child maintenance.

In August 2007, the "Prospects of Employment" program commenced operation, after integration of the various committee recommendations. For example, those aged 45 or over were referred to the Employment Service (unless they chose to participate in the program). The hours of participation were reduced for selected population groups, until vocational evaluations could be performed and appropriate processes defined for this purpose. Also, appropriate programs were defined for four groups: immigrants, long-term recipients of income support, academics and the disabled. (The process of defining appropriate programs was completed in early 2009.) In addition, the compensation method was changed, and now it relies less on reducing benefits and includes new elements, such as rewards for placements. There is also a process for paying a perseverance grant to participants who are placed in jobs, and at the same time, rules have been set for paying a placement grant to operators as well.

In December 2007, the geographical area covered by the compensation was expanded, so that it now includes all the inhabitants of Ashkelon, Sderot, Jerusalem, Hadera, Netanya, Basma², Nazareth, Upper Nazareth and Ein-Mahel.

2 The towns of Berta'a, Muawiye and Ein A-Sahle, which were united into a single local council.

Box 4

Findings of Evaluation Study of "Prospects for Employment" Program

"Prospects for Employment" is an experimental program for integrating recipients of income support into the workforce. In August 2007, it replaced the "From Income Support to Secure Employment" program in the areas in which it was operated, and in December 2007, it was extended to selected adjoining areas, which were chosen according to the law. Recipients of income support who were required to take an employment test and new claimants in these areas were referred to the program.

Operation of the program was accompanied by an evaluation study by the National Insurance Institute and Myers-Joint-Brookdale Institute, which looked at the impact of the program on employment status, eligibility for income support and income from work and other sources, and also examined the services provided to the program participants at the occupation centers. This box presents some of the findings concerning participants in the experiment, taken from the evaluation report to be published shortly. The findings show how the program affected benefit recipients, both immediately prior to the start of the program and eight months after its implementation.

Changes in the program compared with the "From Income Support to Secure Employment" program

- a. The definition of the population referred to the employment test in the program framework: claimants under age 45 are required to participate; claimants aged 45-50 are required to participate for two months, after which they can choose whether to continue to present themselves for the employment test in the framework of the program or to report to the Employment Service; claimants aged over 50 are exempt from participation in the program and they report to the Employment Service.
- b. Perseverance grant: a bonus is paid to participants who start work and whose gross monthly wage is more than NIS 850, as well as to employed participants who increase their monthly wage by at least NIS 850. The grant is paid in installments, and the maximum (cumulative) amount after a year is NIS 4,200.
- c. Change in the financial model of the operating companies: the profits of the companies are mainly determined on the basis of quality placements (that is, in jobs with higher wages for longer periods) and less according to the saving in benefit payments.
- d. The operators were given the task of constructing special tracks for 4 groups: immigrants, academics, those with medical disabilities, and veterans in the income support system. The operation of these special tracks was subject to the approval of the program administration. During the period when the study was conducted, no special tracks were in operation, and individuals in these four groups were not required to participate in activities in the program framework, except for one hour a week.

The study design

The study was designed to monitor two groups: the experimental group, including a sample of participants from four regions, and the control group, which included benefit recipients who live in comparable areas and have similar characteristics to the recipients in the experimental areas¹.

The effect of the program was assessed using the "difference in the differences" method – calculating the difference between the changes that occurred in the experimental group between the two points in time that were studied, before referral to the program and eight months later, and the changes in the control group between the same points in time.

Main findings

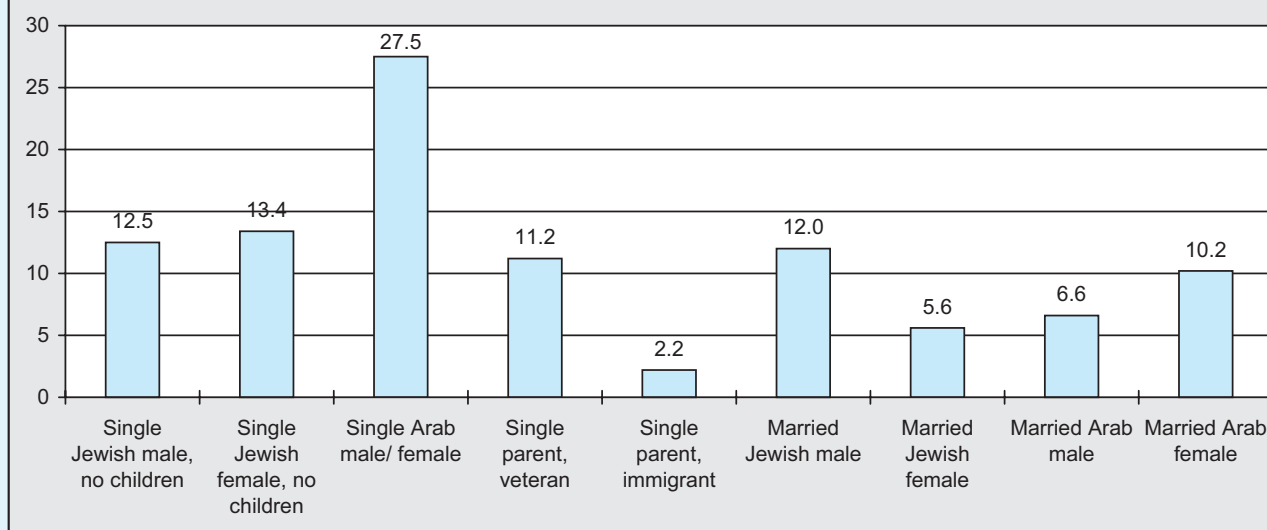
A. Changes in employment from November 2007 to July 2008

- At the time of referral to the program, 41.4% of members in both the experimental group and the control group were employed. Over the next 8 months, the proportion of employed in the experimental group increased by 10.5 percentage points and in the control group by 1.4 points. Thus, the effect of the program on the proportion of employed was positive and estimated at 9.1 percentage points.
- Of those who were employed eight months after their referral to the program, 68% were employed also at the time of the referral ("continuing employment") while 32% of them were not employed at the time of referral ("joining the workforce").

¹ Due to the difficulty in locating a control region similar to the neighborhoods of East Jerusalem, it was decided to match the control group to Jewish residents of Jerusalem only.

Diagram 1

Effect of Program on Changes in Proportion of Employed about Seven Months after Date of Submitting Claim, in Total, and by Demographic Profile of those Referred to Program, Individuals (percentage points)



- The most striking impact on the rate of employment was found among single Arabs (27.5 percentage points). Among single Jews, men and women, veteran single parents, married Jewish men and married Arab women, the effect of the program was more moderate (about 12 percentage points), while among single-parent immigrants, married Jewish women and married Arab men, no effect was found.
- The program had a positive effect on employment in the 25-34 age group (about 14 percentage points), and a more moderate effect on the 18-24 and 35-44 age groups (about 7 percentage points). The program had a strong effect on participants with 12 years' education (12.6 percentage points), and a more moderate impact on those with 9-11 years' education (9.8 percentage points). The program had no effect on those with 13 years' education or more, or on those with 0-8 years' education.

B. Changes in average monthly wages

- The program had a significant effect on average pay for work, assessed at NIS 332.
- There were no differences in average salaries between the experimental group and the control group for those who were in full-time work. The wages of those who recently joined the work force, from both groups, were about NIS 3,670, which was slightly higher than the average wage of "continuing workers" from both groups, about NIS 3,470.

- There was a difference of about NIS 240-300 between the experimental and control groups, in the average wage of people in part-time work, both newly employed and continuing workers.
- For all demographic groups, except for single Jewish males, the program had a significant positive effect on average pay for work.
- The program was found to have a significant positive effect on average wages for all age groups.
- The effect on the average wages of claimants with disabilities was similar to the effect on claimants without disabilities, and was assessed at NIS 341.

C. Changes in receipt of income support benefit

- The proportion of families who were reported to be receiving income support eight months after the claim was 59% in the experimental group, compared with 78% in the control group. The program can therefore be credited with a decrease of about 19 percentage points in the proportion of families receiving the benefit.
- Differences were found in the reasons given by families for why they were not receiving the benefit eight months after referral: a higher proportion of families in the experimental group had renounced the benefit (22% compared with 13% in the control group) or had been refused the benefit (17% compared with 11%), while in the control group a higher proportion of families reported being ineligible for the benefit (46% versus 31% in the experimental group), while 22% of the control group reported bureaucratic reasons for not receiving the benefit, compared with 12% in the experimental group.
- 88% of the families in the experimental group who reported that they were not receiving income support after eight months in the program had income from work at the start of the program, compared with 96% of the families in the control group who did not receive the benefit.
- 12% of families in the experimental group who were not receiving income support after eight months in the program were receiving other benefits from the National Insurance Institute, compared with 4% of those in the control group.

Impact of program on family income

- The program was found to have a positive impact on family income from work – total income of both spouses – some seven months after having submitted a claim. The program's effect on the average monthly income from work is assessed at NIS 441.

- In accordance with the decrease in the proportion of families who reported receiving the benefit, the program had a negative effect on income from income support. The average monthly income from the benefit decreased by NIS 447.
- The positive effect on income from work can be offset against the negative effect on income from income support. Therefore, the program had no effect on the overall monthly income of families referred to the program.
- No significant positive effect from the program was found on the total income of families in any of the demographic groups. (See Diagram 2.) The effect of the program on the decrease in income from income support is greatest among Arab couples (NIS 879) and Jewish couples (NIS 720), but it is largely balanced by the positive impact on income from work (NIS 801) among Arab couples, and on income from work (NIS 754) and disability pension (NIS 210) among Jewish couples. The program was also found to have a negative effect on income from income support benefit among individuals without children (Jewish and Arab), but this effect is balanced by the program's positive effect on income from work. Among veteran single parents, there was also a significant negative effect (NIS 265).

B. Main points of the Income Support Law in its 2003 version

The new legislation, which was basically anchored in the Economic Arrangements Law of 2003, introduced far-reaching changes in the elements of the Income Support Law regarding the working age population – in the maximum level of benefit, in the income test and in the employment test. The amendments to the Income Support Law also affected the Alimony (Guarantee of Payment) Law. The new legislation came into effect in January 2003, but was implemented only in June 2003 with respect to reductions in benefits and changes in the income test.

In its current version, the Income Support Law permits, for the long term, two rates of benefit – the regular rate and the increased rate – but in fact it sets three levels of benefit for the transition period³. The Law distinguishes between those eligible for benefit aged 55 and over⁴ and those under 55 years of age. The benefit for members of the former group remained unchanged for all family compositions – they are entitled to the increased rate of benefit, as they were before January 2003, without distinction between new participants and those previously eligible⁵.

The distinction between new participants and those who were previously eligible is only relevant for those who have not yet reached the age of 55. Regarding this age group, for **all** new participants, and for all those previously eligible for the increased rate, benefit will be paid at the regular, but now reduced rate, while for those previously eligible for the increased rate, benefit will be paid at the reduced rate.

The significance of these changes is that eventually – at the end of the transition period – all those not yet aged 55 will be eligible for the benefit at the regular reduced rate only.

Since January 2003, the Employment Service is no longer entitled to define a claimant for income support as temporarily or permanently implacable in work. Persons not required to report to the Employment Service were defined in the Income Support Law in its new version. The main amendment concerns mothers of young children; prior to the amendment, they were exempt from the employment test if their youngest child was under the age of 7. After the amendment, they are exempt only until their child reaches the age of 2. The situation of a widow regarding the employment test was given parity with that of a mother of small children: until 2003, widows with children up to the age of 18 were exempt from reporting to the Employment Service, irrespective of their children's ages. There is no change in the situation of women eligible for maintenance (alimony) payments, and they are exempt from the employment test under the new legislation as well. As stated, in 2004, the Integration of Benefit Recipients in Employment Law (temporary order) was approved, and in August 2005, the responsibility for administering the employment test in the regions of the experiment was transferred from the Employment Service to the private occupation

3 The changes in benefit levels and in the income test are described in detail in the NII Annual Survey for the years 2002-2003.

4 The rates of income support benefit for recipients of old age and survivors' pensions remained unchanged. Those eligible for benefits from the Work Injury branch will be eligible for an income support benefit at the same level as that of survivors in the old age and survivors branch, regardless of their age.

5 A person who is "previously eligible" is one who began receiving the benefit before January 1, 2003, including anyone whose benefit was stopped for a period of no more than six months.

centers. Participants in the program are recipients of income support benefits who are eligible on the basis of "unemployment" or "low wages."

From January 2007, ownership of a car by a benefit claimant does not automatically exclude him/her from eligibility for payment of income support (which was the case previously, except for very special needs such as medical needs), if the claimant's car has an engine volume of no more than 1300 cc, and at least 7 years have elapsed since the end of its year of production or it has an engine volume of up to 1600 cc and at least 12 years have elapsed since the end of its year of production. A car owner is eligible for benefit only if the claimant (or his/her spouse) has an income from work that exceeds 25% of the *average wage* (in the case of a claimant of retirement age – 17% of the average wage). The Law also applies to persons who were dismissed from their job.

In addition, the situation was improved for those eligible for a benefit who travel abroad and who (themselves or their spouses) have reached retirement age. Traveling abroad 3 times a year for no more than 72 days will not affect their eligibility for benefit. Traveling abroad for a fourth time or exceeding the framework of 72 days will exclude the claimant from eligibility during the whole period that they were out of the country in the same calendar year. Before the amendment, a second or subsequent trip abroad in the same calendar year excluded the claimant from eligibility.

In addition, in July 2008, an amendment to the Law was passed, in which single parents can receive income support benefit even if they are studying in an institute of education above secondary level or taking a course lasting more than 12 months. The purpose of the amendment is to assist single parents to acquire a suitable education, to help them to integrate into the labor force and to improve their work skills, so that they can earn more and break out of the cycle of unemployment. Eligibility for the benefit is granted in such situations only if the claimant meets all these conditions:

- Single parent, eligible for benefit by cause;
- Income support has been paid for 16 out of the 20 months prior to the month when studies commence;
- The syllabus does not grant a master's or doctoral degree;
- Benefit is paid during a period of studies of no more than 36 months;
- For the unemployed – the studies take place in the evening.

C. Developments in number of income support recipients

The period June 2003- December 2008 shows a continuous downward trend in the number of recipients of income support benefit. This trend began with the implementation of the strict legislation in June 2003 – when the benefit was denied to about 5,000 families and the obligation to pass the employment test as a condition for eligibility was expanded to other population groups – and continued, due to the ongoing impact of the reduction in the maximum income qualifying a person to income support, and to the improvement in the employment situation in the country, from 2004 to mid 2008. The operation of employment centers in the framework of the "From Income Support to Secure Employment" program in August 2005, and the "Prospects of Employment" program in 2007 accelerated this trend.

Table 1
Number of Families Receiving Income Support, by Seniority in Israel*, 2000-2008

Year	Total		Veterans		New immigrants	
	Absolute number	% change	Absolute number	% change	Absolute number	% change
2000	128,364	12.4	80,476	14.9	47,889	8.5
2001	141,840	10.5	91,264	13.4	50,576	5.6
2002	151,600	6.9	96,000	5.2	55,600	9.9
2003	155,178	2.4	99,953	4.1	55,225	-0.7
1-5/2003	158,528	--	101,211	--	57,317	--
6-12/2003	151,254	--	97,549	--	53,704	--
2004	145,550	-6.9	94,830	-5.1	50,720	-8.1
2004**	144,661	--	94,139	--	50,522	--
1-7/2004	145,312	--	94,071	--	51,241	--
8-12/2004	143,749	--	94,234	--	49,515	--
2005	139,940	-3.3	93,037	-1.2	46,903	-7.2
1-7/2005***	142,321	-2.1	94,302	0.2	48,019	-6.3
8-12/2005***	136,606	-5.0	91,267	-3.1	45,339	-8.4
2006	130,337	-6.9	88,144	-5.3	42,193	-10.0
1-7/2006***	132,380	-7.5	89,084	-5.9	43,296	-10.9
8-12/2006***	127,477	-7.2	86,829	-5.1	40,648	-11.5
2007	120,218	-7.8	82,488	-6.4	37,730	-10.6
1-7/2007***	122,748	-7.3	83,931	-5.8	38,817	-10.3
8-12/2007***	116,677	-8.5	80,469	-7.3	36,208	-10.9
2008	111,808	-7.0	78,011	-5.4	33,798	-10.4
1-7/2008***	113,073	-7.9	78,454	-6.5	34,619	-10.8
8-12/2008***	110,037	-5.7	77,390	-3.8	32,647	-9.8

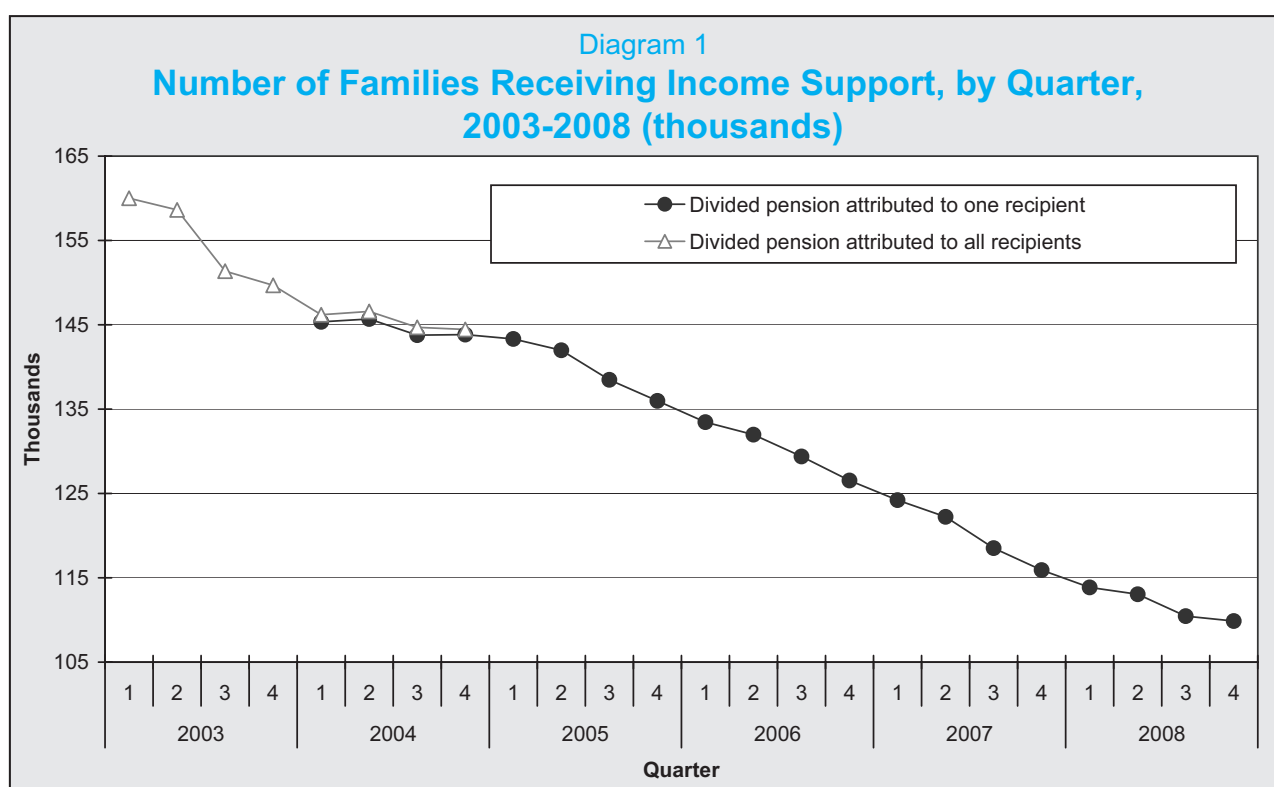
* Seniority in Israel is determined by the seniority of the benefit claimant.

** In calculating this figure and the figures after it in the series, a benefit that is divided between a number of recipients is credited to only one recipient. When calculating the previous figures in the series, all recipients of the divided benefit are counted in the total number of recipients. The two figures for 2004 show the difference between the two series.

*** Compared with the parallel period in the previous year.

The implementation of the Economic Arrangements Law 2003 led to a reduction in the number of recipients, from a peak of about 160,000 (monthly average) at the beginning of 2003, to 145,300 in the first half of 2004. The ongoing effect of this law, combined with the improvement in the employment situation led to a further – though more moderate – reduction in recipients, to about 142,000 in the second quarter of 2005. The introduction of the "From Income Support to Secure Employment" program (in August 2005) reinforced the downward trend, and the number of recipients dropped to a monthly average of about 130,300 families in 2006, and continued to drop to a monthly average of about 120,200 families in 2007, and 111,800 in 2008 (Table 1). The reduction in 2008 is the result of operating the "Prospects of Employment" program, and also the result of the clear and steady reduction in the number of benefit recipients on corresponding grounds (unemployment and low wages) who reported to the Employment Service, and in the number of recipients on other grounds (Table 2).

A summary of developments from June 2003 to 2008 shows a continuing reduction in the number of income support benefit recipients (as a monthly average), at a cumulative rate of about 29%. During a period of 5.5 years, the number of recipients decreased by about 41,000 families. Table 1 and Diagram 1 clearly illustrate this development.



A focused look at the period during which the "From Income Support to Secure Employment" program was operated (Table 2) shows that about 139,300 families⁶ were receiving a benefit just before the program was introduced (July 2005) – about 14,900 were living in the regions of the experiment and received benefit on the grounds of "unemployment" and "low wages", and therefore were required to participate in the program and were referred to occupation centers from August 2005 onwards. The remaining 124,400 families who were receiving a benefit lived in other parts of the country. Table 2 shows the developments in July and December, for the years 2005-2008.

The number of recipients of benefit in the "From Income Support to Secure Employment" program was reduced by 68%, from 14,900 families just before the program started, to 4,800 in November 2008. In the first eighteen months, there was an impressive reduction of 49.1%. In the period January-July 2007, the number of families receiving a benefit through the program stabilized. In January 2008, there was an increase of 3.0% following the expansion of the regions of the experiment in December 2007. In March 2008, there was a significant reduction of 12.2%, due to the transfer of those aged 45+ to the Employment Service (those aged 45-50 who had participated in the first months of the program before this transfer). From March 2008 to December 2008, there was a cumulative decrease of 13.0%. In total, the number of families in the program decreased from January to December 2008 at a cumulative rate of 24.2%. On grounds that are comparable with the rest of the country, the number of recipients decreased at a cumulative rate of 1.7% from January to December 2008, and the number of families receiving the benefit on other grounds decreased at a cumulative rate of 9.1% in the same period. In all, the number of benefit recipients in 2008 decreased at a cumulative rate of 4.1% (from 113,852 in January 2008 to 109,572 in December 2008), with 32% of this reduction attributed to the "From Income Support to Secure Employment" program.

6 The figures for July 2005 are slightly different from those published in the 2005 Survey, in order to reflect more recent rates of change. (These figures are also shown in the follow-up reports that we published after implementation of the program.)

Table 2

**Families who Received Income Support Benefit* through the
"From Income Support to Secure Employment" Program, and Other Recipients,
July 2005 – December 2008**

Date	Total	Outside the "From Income Support to Secure Employment" / "Prospects of Employment" program			"From Income Support to Secure Employment" / "Prospects of Employment" program
		Total	On grounds of unemployment or low wages	On other grounds	
2005					
July	139,271	124,394	100,743	23,651	14,877
December	134,224	122,915	100,871	22,044	11,309
2006					
July	130,370	121,770	100,306	21,464	8,600
December	125,559	117,986	96,949	21,037	7,573
2007					
July	119,918	112,437	92,639	19,798	7,481
December	114,969	109,031	90,142	18,889	5,938
2008					
January	113,852	107,733	89,305	18,428	6,119
February	114,132	107,990	89,674	18,316	6,142
March	113,593	108,198	89,834	18,364	5,395
April	113,937	108,655	89,979	18,676	5,282
May	113,310	108,113	89,994	18,119	5,197
June	111,890	106,733	88,861	17,872	5,157
July	110,795	105,719	87,944	17,775	5,076
August	110,897	105,835	88,425	17,410	5,062
September	109,673	104,760	87,316	17,444	4,913
October	109,948	105,057	87,892	17,165	4,891
November	110,097	105,295	88,119	17,176	4,802
December	109,572	104,823	87,939	16,884	4,749

* A family is counted among the participants in the "From Income Support to Secure Employment"/ "Prospects of Employment" program if at least one spouse is required to participate.

As stated above, at the beginning of the "Prospects of Employment" program (August 2007), 7,500 families participated. The number decreased to 5,900 by the end of 2007 (a decrease of 21%), due to the transfer of those aged 45+ to the Employment Service in October 2007. In December 2007, the regions covered by the program were expanded ("full take-up of regions") and the number of benefit recipients in the program areas increased to 6,100 families in January 2008. At the same time, the number of families receiving benefit on grounds parallel to those in the rest of the country decreased from 90,100 to 89,300.

Table 3 shows the development in the number of families in the "Prospects of Employment" program, starting from the stage of expansion of the program regions⁷. In all regions of the program, before and after full utilization, and particularly afterwards, the number of families receiving benefit declined. The most outstanding reductions were in the Jerusalem region and the Hadera region (including Netanya), where the cumulative rate of decline from January 2008 to December 2008 in the original program areas was 23.6% and 22.3% respectively, and after full utilization, the rate was 45.4% and 40.9% respectively.

Table 3
Families Receiving Income Support who are in "Prospects of Employment"
Program, by Program Regions Before and After Region Expansion,
January 2008-December 2008

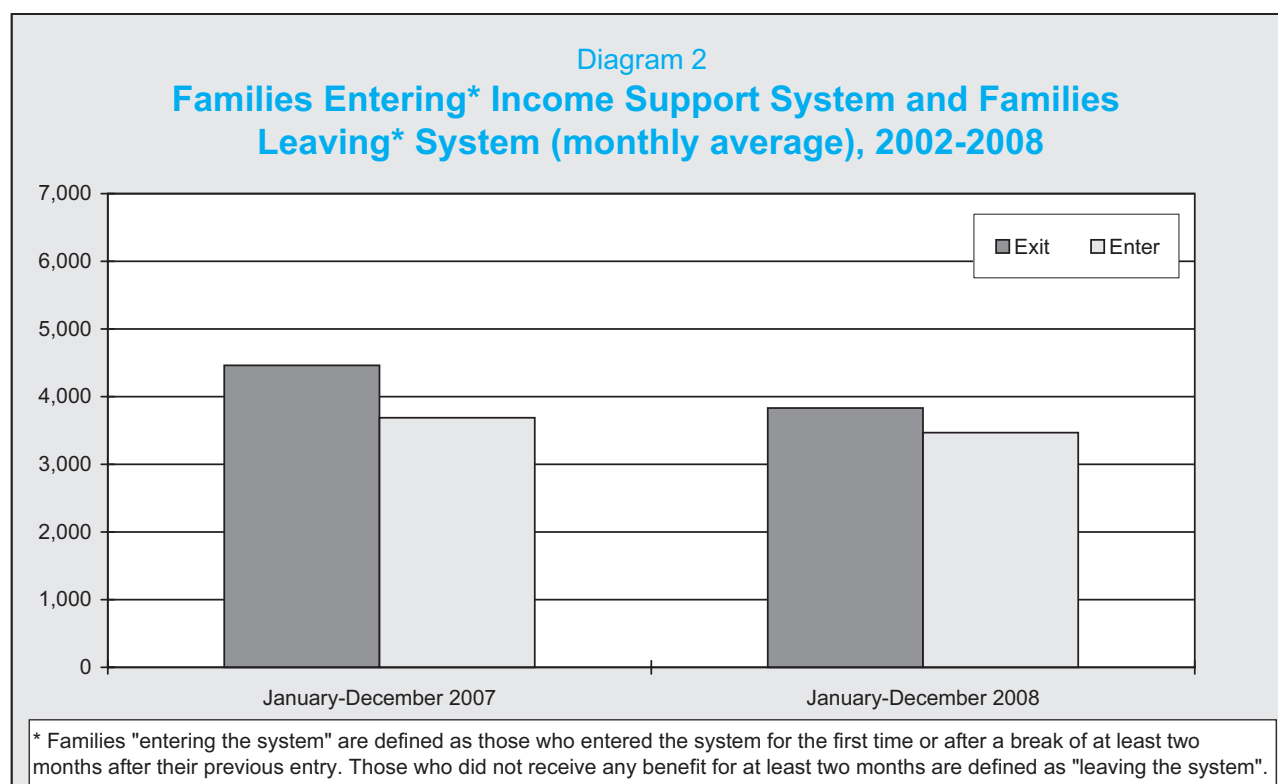
Month	Ashkelon		Jerusalem		Hadera		Nazareth	
	Before expansion ⁸	After expansion ⁹	Before expansion ⁷	After expansion ⁸	Before expansion ⁷	After expansion ⁸	Before expansion ⁷	After expansion ⁸
January	778	293	772	1,048	635	1,272	1,202	568
February	794	303	752	1,025	628	1,297	1,218	572
March	776	254	750	685	605	999	1,190	439
April	774	256	704	663	597	952	1,180	434
May	763	247	691	652	585	919	1,179	428
June	760	249	698	652	560	908	1,169	427
July	743	244	701	636	549	869	1,159	437
August	727	254	677	639	544	866	1,172	447
September	708	254	650	616	526	818	1,155	446
October	708	257	645	612	530	804	1,135	441
November	700	253	622	618	525	789	1,120	415
December	685	256	603	602	504	786	1,127	423
Cumul. % change	-13.0%	-13.7%	-23.6%	-45.4%	-22.3%	-40.9%	-6.8%	-27.5%

An analysis of the flows of entering and exiting the system in 2007-2008, as illustrated in Diagram 2, shows that in 2008 the numbers entering and leaving decreased in comparison with 2007, and the gap between the numbers leaving and entering narrowed, from about 800 to about 400. These changes explain the low rate of decrease in the number of recipients in 2008 (7.0%), compared with the rate in 2007 (7.8%), and also the continued reduction in the number of recipients of income support benefit, due mainly to the continuing slowdown in entries to the system.

7 The program was expanded to cover all of Jerusalem and all of Ashkelon, while Netanya was added to the Hadera region, plus Ein Mahel and the whole of Upper Nazareth was added to Nazareth.

8 Only includes the original regions of the program.

9 Includes both the original and the expanded program regions.



D. Characteristics of income support recipients

1. Family composition and seniority in Israel

The reduction in the number of benefit recipients since mid-2003 was accompanied by a change in the family composition of recipients. The impact of legislative changes affecting benefit levels, the income test and the employment test, which also manifested itself in 2004-2007, was not uniform in its extent among the various population groups. Apart from the effect of changes in the law, it is possible that not all individuals had a greater number of employment opportunities following the growth in the economy, and these differences could also have an effect on the composition of the population of income support recipients. In order to illustrate the changes in population composition, we have chosen to show the following data:

- For the beginning of 2003 (prior to the legislative changes);
- For 2004 (in which the full short-term effect of the legislative changes could be seen);
- For 2005, in respect of two periods – January-July, and August-December (before and after the implementation of the "From Income Support to Secure Employment" program);
- For 2006 (in which the program was in full operation);

- For 2007 (termination of the "From Income Support to Secure Employment" program and commencement of the "Prospects of Employment" program);
- For 2008 (in which the "Prospects of Employment" program was in full operation).

The data presented in Table 4 indicates two main developments: the reduction in the number of income support recipients among single-parent families and couples with children, and the moderate growth rate in the number of individuals receiving the benefit until mid-2005, when this number began to drop. The number of single-parent families decreased from a monthly average of 53,200 at the beginning of 2003, to 42,000 in 2004, and to 29,400 in 2008. The number of couples with children, 39,000 in the first quarter of 2003, declined steadily to a monthly average of 23,600 in 2008. On the other hand, the number of individuals receiving the benefit increased from 58,300 in the first quarter of 2003, to a monthly average of 60,900 in the first half of 2005. When the "From Income Support to Secure Employment" program was introduced, the number began to drop, to a monthly average of 53,500 in 2007. As the "Prospects of Employment" program continued and expanded to other regions in December 2007, the number of individual recipients continued to decrease to a monthly average of 50,700 in 2008.

These developments reflected changes in the composition of the population – the share of single-parent families in the total number of recipients decreased to 26.3% in 2008 (compared with 33.2% at the beginning of 2003) and the share of couples with children decreased slightly – from 24.4% to 21.1%. At the same time, the share of individuals increased considerably – from 36.5% to 45.3%, respectively. In other words, the data show a sharp reduction in the proportion and number of families with children, from 2003 to mid-2005, and a moderate reduction until 2008.

Table 4

Recipients of Income support Benefit, by Family Composition and Seniority in Israel (Veterans/Immigrants), 2003-2008

Family composition	Numbers			Percentages		
	Total	Veterans	Immigrants	Total	Veterans	Immigrants
January-March 2003						
Total	160,006	102,194	57,812	100.0	100.0	100.0
Individual	58,331	38,000	20,331	36.5	37.2	35.2
Single + children	53,191	25,662	27,529	33.2	25.1	47.6
Couple	9,468	5,070	4,398	5.9	4.7	7.6
Couple + children	39,016	33,462	5,554	24.4	32.7	9.6
Average 2004						
Total	144,661	94,139	50,522	100.0	100.0	100.0
Individual	60,105	39,480	20,624	41.5	41.9	40.8
Single + children	42,003	20,350	21,653	29.0	21.6	42.9
Couple	8,826	4,758	4,068	6.1	5.1	8.1
Couple + children	33,727	29,550	4,177	23.3	31.4	8.3
January-July 2005						
Total	142,321	94,302	48,019	100.0	100.0	100.0
Individual	60,953	40,448	20,505	42.8	42.9	42.7
Single + children	39,628	19,836	19,792	27.8	21.0	41.2
Couple	9,260	5,129	4,131	6.5	5.4	8.6
Couple + children	32,480	28,889	3,590	22.8	30.6	7.5
August-December 2005						
Total	136,606	91,267	45,339	100.0	100.0	100.0
Individual	59,299	39,324	19,975	43.4	43.1	44.1
Single + children	37,727	19,409	18,319	27.6	21.3	40.4
Couple	9,091	5,145	3,945	6.7	5.6	8.7
Couple + children	30,489	27,389	3,100	22.3	30.0	6.8
Average 2007						
Total	120,218	82,488	37,730	100.0	100.0	100.0
Individual	53,539	35,703	17,836	44.5	43.3	47.2
Single + children	32,470	17,961	14,510	27.0	21.8	38.5
Couple	8,411	5,065	3,346	7.0	6.1	8.9
Couple + children	25,798	23,760	2,038	21.5	28.8	5.4
Average 2008						
Total	111,808	78,011	33,798	100.0	100.0	100.0
Individual	50,683	33,843	16,840	45.3	43.4	49.8
Single + children	29,401	17,024	12,377	26.3	21.8	36.6
Couple	8,145	5,179	2,967	7.3	6.6	8.8
Couple + children	23,579	21,965	1,614	21.1	28.2	4.8

2. Grounds for eligibility

Table 5 shows the breakdown of individuals who received the benefit in the period 2005-2008 by grounds for eligibility. Following the trend that became apparent in 2003, the increase in the proportion of the unemployed in the total number of benefit recipients continued to rise in the first part of 2005. At the same time, there were signs of a reduction in the proportion of mothers of young children, and of those claimants aged 55 and over who could not be placed in work. The trend that characterized the latter two groups continued into 2006 and 2007. As already stated, in August 2005, new grounds for eligibility were added – the "From Income Support to Secure Employment" grounds, which included both the unemployed and low-wage earners. Therefore, the comparison in Table 5 in respect of periods prior to August 2005 should be made for all three grounds requiring an employment test – the unemployed, those in the "From Income Support to Secure Employment" ("Prospects of Employment") program, and those receiving low wages. The data indicates that, in 2008, the proportion of recipients on grounds requiring an employment test was 78.9% of all recipients, compared with 78.1% in 2007.

The reduction in the "From Income Support to Secure Employment" grounds for receiving benefit, from 8.3% at the start of the program (August 2005 –December 2005), to 3.8% in 2008, in spite of the expansion of the program, has two main causes – the success of the program in helping recipients of income support benefit to leave the system, and the transfer of those aged 45+ to the Employment Service (in October 2007) on the grounds of unemployment. (The increase in the rate of unemployed from 60.8% in 2007 to 63.4% in 2008 is also explained by this move).

Table 5

Recipients of Income Support Benefit – Claimants and their Spouses, by Grounds for Eligibility, 2005-2008

Grounds	January-July 2005		August-September 2005		Average 2007		Average 2008	
	Numbers	Percentage	Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
Total	184,061	100.0	176,187	100.0	154,427	100.0	143,640	100.0
Unemployed	113,584	61.7	99,647	56.6	93,817	60.8	90,970	63.4
In training or under evaluation	4,666	2.5	2,748	1.6	2,291	1.5	1,636	1.1
The "From Income Support to Secure Employment"/ "Prospects of Employment" program	-	-	14,696	8.3	7,486	4.8	5,526	3.8
Low wages	26,647	14.5	21,956	12.5	19,268	12.5	16,723	11.6
Addicts	3,974	2.2	3,932	2.2	3,788	2.5	3,619	2.5
Cannot be placed in work (aged 55+)	9,856	5.4	8,914	5.1	5,778	3.7	4,053	2.8
Mother/father	17,046	9.3	15,813	9.0	12,682	8.2	11,434	8.0
Other	8,281	4.5	8,472	4.8	9,318	6.0	9,570	6.7

3. Benefit rates

Following the legislation introduced in 2002-2003 regarding the various benefit levels, there was a significant change in the composition of recipients at the three levels. The proportion of recipients of benefit at the regular rate increased from 36% in 2004, to 40% in 2008, the proportion of recipients of increased rate of benefit for those aged under 55 ("previously eligible") decreased from 22% to 13%, and the proportion of recipients of increased rate of benefit for the 55+ age group increased from 21% in 2004 to 28% in 2008.

On the basis of the family compositions shown in Table 6, we can see that the proportion of couples with children and of individuals who receive the benefit at the regular rate increased in the years 2004-2008, by a cumulative rate of 16% and 4.9%, respectively. The proportion of "previously eligible" – recipients of the increased rate aged under 55 – decreased both among couples with children (by a cumulative rate of 46.9%) and among individuals (cumulative rate of 44.3%). The proportion of individuals receiving the increased rate for those aged 55 or over increased during this period by a cumulative rate of 61%, and the proportion of couples (with or without children) receiving the increased rate for the 55+ age group increased by a cumulative rate of about 24%. The proportion of single parents (aged 55 or less) decreased from 20.0% at the end of 2004 to 17.7% at the end of 2008.

Table 6

Recipients of Income Support Benefit, by Family Composition and Length of Time in Israel, 2004-2008

Family composition	December				
	2004	2005	2006	2007	2008
Individuals receiving regular rate	17.8	18.7	18.5	18.3	18.6
Single persons receiving increased rate (aged 55 or less, "previously eligible")	6.5	5.5	4.8	4.4	3.8
Individuals receiving increased rate (aged 55+).	8.4	9.6	11.0	12.3	13.0
Single parents (aged 55 or less)	20.0	19.3	18.7	18.2	17.7
Couples receiving increased rate (aged 55+)	7.4	7.7	8.5	8.9	8.9
Couples with children receiving regular rate	16.5	17.1	17.8	18.1	18.9
Couples with children receiving increased rate (aged 55 or less, "previously eligible")	14.3	12.2	10.4	9.2	8.0
Couples with children receiving increased rate (aged 55+),	4.8	5.1	5.5	5.7	5.9

4. Income from work

From Table 7, which shows families with income from work by family composition and income level, can be seen that the reduction that had characterized the number of benefit recipients since 2004 was accompanied by a slight increase in the proportion of working families. In 2007, 28.1% of families receiving benefit had income from work, and in 2008 the figure was 28.6% (compared with 25.5% in 2004). The main increase occurred between 2006 and 2008 (although the **number** of working families decreased over the years 2006-2008). The data on level of income shows that in

2006 the share of families with low income remained stable compared with 2005. In 2007 it decreased slightly and in 2008 it continued to decrease. In 2008, 62.6% of the families had income from work of no more than NIS 2,000, compared with 65.3% in 2006. Together with the increase in the proportion of working families in 2008, the proportion of families earning up to NIS 2,000 increased (that is, the income level did not improve).

Table 7
**Recipients of Income Support (Families) with Income from Work,
by Family Composition and Income Level, 2005-2008**

Family composition	Total		Income level (NIS)					
	Absolute numbers	% of all families	1-1,000	1,000-1,000	1,500-2,000	2,000-3,000	3,000-3,500	3,500+
January-July 2005								
Total	37,240	26.2	22.5	21.9	21.1	19.2	7.8	7.5
Single person	9,261	15.2	44.9	28.0	19.0	8.0	0.1	0.0
Single parent + children	17,313	43.7	15.5	20.0	21.8	22.7	9.5	10.5
Couple	2,327	25.1	30.3	35.3	15.8	14.2	3.2	1.2
Couple + children	8,340	25.7	10.1	15.6	23.4	25.6	14.2	11.2
August-December 2005								
Total	35,227	25.8	22.9	22.1	21.2	19.5	7.4	6.9
Single person	9,109	15.4	44.4	28.1	19.0	8.4	0.1	0.0
Single parent + children	16,163	42.8	15.6	19.7	21.8	23.5	9.2	10.1
Couple	2,253	24.8	30.0	36.1	15.7	13.9	3.4	0.9
Couple + children	7,702	25.3	10.6	16.1	24.2	25.6	13.5	10.0
Average 2006								
Total	34,681	26.6	22.2	21.9	21.2	20.3	6.8	7.7
Single person	9,321	16.3	43.0	28.4	18.9	9.6	0.1	0.0
Single parent + children	15,625	43.8	14.5	18.6	21.8	24.8	8.8	11.5
Couple	2,296	26.4	27.2	37.6	15.9	13.8	3.8	1.6
Couple + children	7,439	26.0	10.5	15.6	24.6	26.1	12.1	11.0
Average 2007								
Total	33,784	28.1	20.7	21.7	21.8	21.8	5.8	8.1
Single person	9,413	17.6	39.7	29.5	19.6	11.1	0.1	0.0
Single parent + children	14,843	45.7	13.3	17.4	21.8	27.2	7.9	12.4
Couple	2,265	26.9	24.5	37.5	18.2	13.8	3.8	2.2
Couple + children	7,263	28.2	10.2	15.5	25.9	27.3	9.5	11.6
Average 2008								
Total	31,993	28.6	18.9	21.7	22.0	23.7	5.6	8.2
Single person	9,383	18.5	35.3	32.0	20.2	12.4	0.0	0.0
Single parent + children	13,505	45.9	12.1	15.7	21.4	29.6	8.1	13.1
Couple	2,182	26.8	21.4	36.3	20.1	15.3	3.7	3.1
Couple + children	6,923	29.4	9.1	14.7	26.1	30.0	8.6	11.5

E. Implementation of Integration of Benefit Recipients in Employment Law, August 2005 - December 2008

1. Participants in the "From Income Support to Secure Employment"/ "Prospects of Employment" program

As stated, in August 2005, the "From Income Support to Secure Employment" program went into operation in an experimental format run by overseas corporations that joined forces with Israeli companies and were selected by tender. The program is run in four regions of Israel, and in each region at least one occupation center was set up. These centers are responsible for conducting the employment tests in the regions of the experiment (instead of the Employment Service) and deal with income support benefit recipients and benefit claimants **who reside** in the regions of the experiment and who are **required** to pass the employment test as a condition for receiving the benefit. The grounds for eligibility for those who are required to take the employment test (the unemployed and low-wage earners) in the regions of the experiment are named after the program – the "From Income Support to Secure Employment"/ "Prospects of Employment" grounds.

The planners of employment objectives, who are stationed in the employment centers, are responsible for work placements and for providing any assistance required, and also for preparing a personal plan for each participant (accordance with the recommendations of the professional committees in cases referred for special evaluation). The personal plan is based on weekly activity of 30-40 hours, which includes – in addition to part-time work for fewer hours – various activities intended to promote the individual's integration into the labor force. The plan may include vocational training, further education, workshops on job hunting, plus practical work experience to inculcate work habits, and recently also employment evaluation. The part-time work may be work in the community (without pay) for a limited period – but only for non-profit organizations or in special projects run by public bodies. In appropriate cases, the hours of the personal plan may be reduced by half or even more, according to the participant's limitations.

In order to promote integration into work, the occupation centers should assist in removing any other barriers that may prevent participants from going out to work, by providing work-support services – help with child care and baby sitting, reimbursement of traveling expenses to and from the work place, etc.

Eligibility for income support benefit is still determined by the National Insurance Institute, but is subject to confirmation from the employment objectives planner that the participant has indeed followed the plan prepared for him. Failure to follow all or part of the plan can lead to suspension of the benefit for a month, and refusal to take an offered job – for two months. The Law also protects benefit recipients, and anyone who considers himself adversely affected by the planner's decision is entitled to appeal to the Appeals Committee.

The "Prospects of Employment" program was introduced in August 2007, following a number of changes to the "From Income Support to Secure Employment" program – changes in the definition of groups referred for employment tests in the framework of the program, awarding a perseverance grant for participants who start work or increase the scope of their job, changes in the economic

model, and handling immigrants, academics, the disabled and long-time benefit recipients according to their particular needs (for more details, see box in this chapter). In December 2007, the population of the program was expanded to include additional towns (Netanya, Ein-Mahel and Basma) and the entire population of Nazareth, Jerusalem and Ashkelon.

2. Demographic features

Before the centers were opened, the benefit recipients who were obligated to participate in the experimental "Prospects of Employment" program were found to be similar in their characteristics to other recipients of benefits on the grounds of unemployment and low wages. The proportion of women in both these groups was about 63% and the proportion of immigrants was about 32%. Participants at the start of the program were slightly older than non-participants, but the proportion of single parents and the proportion of couples with children were similar in both groups.

In a comparison of the changes that occurred among participants in the program with the changes among those who did not participate at the end of 3 years (2008), the following developments are striking:

- The proportion of women among participants in the "Prospects of Employment" program increased, while in the rest of the country it remained unchanged.
- The proportion of older people among participants decreased considerably, and increased in the non-participating population, mainly due to the transfer of the 45+ age group from the occupation centers to the Employment Service.
- Changes in the proportion of individuals, single parents and immigrants show opposite trends in the two groups – the proportion of immigrants and single-parent families increased quite considerably among participants in the program and decreased in the population outside the program. In the case of individuals, the situation is reversed.

Table 8

Characteristics of Income Support Recipients in the "From Income Support to Secure Employment"/ "Prospects of Employment" program and in the Rest of the Country, December 2005, November 2007 and December 2008

Characteristic	Participants in the program			Non-participants (required to take the employment test)		
	Dec. 2005	Nov. 2007	Dec. 2008	Dec. 2005	Nov. 2007	Dec. 2008
Women	66.2	73.9	76.1	63.3	64.0	63.1
Immigrants	34.8	34.0	35.9	30.4	28.5	25.8
Young people (under 30)	12.0	17.8	17.0	17.2	12.1	12.2
Elderly (over 50)	34.0	5.8	3.2	31.0	40.0	39.6
Individuals*	39.9	23.1	21.2	41.9	44.2	45.1
Single parents*	28.9	50.4	52.9	25.6	23.5	22.2
Couples with children*	23.3	25.0	24.7	25.6	24.2	24.8

* Out of all families. The other rates were calculated as a proportion of all individuals.

2. Old-Age and Survivors' Insurance

A. General

Old-age and survivors' insurance constitutes the first tier of the pension system in Israel, and ensure a basic income for the elderly who have retired from active work and for the survivors of an insured person after his or her death. Pension from work is the second tier of the pension system, and, together with old-age and survivors' insurance, is intended to provide the elderly and retired with a reasonable minimum standard of living. The application of the agreement on compulsory comprehensive pensions in Israel entered its second year in January 2009, and a description of the agreement and issues to be considered regarding its implications are specified in the Annual Survey of the National Insurance Institute for 2007.

An old-age pension is paid to every insured person on a universal basis with no means test of income (from work and capital), at a fixed age – 65 for women and 70 for men – and at a conditional age for those who meet the means test. Until June 2004, the conditional age was 60-64 for women and 65-69 for men. In mid-2004, implementation began of the Retirement Age Law, in which the age of eligibility for old-age pensions was raised gradually for both men and women: the conditional age for the pension for men was raised from 65 to 67, and therefore their eligibility when aged 67-69 is conditional on a means test. The fixed age for men did not change. The age of conditional eligibility for women was raised from 60 to 64, in two stages: first to 62, and after a break of 3 years, to 64. The fixed age of eligibility for women was raised gradually from 65 to 70, and therefore eligibility between the ages of 62 (or 64) and 69 is conditional on a means test.

Pursuant to the Retirement Age Law, during 2008, men and women aged 66/61 and eight months respectively in that year could receive an old-age pension. In practice, this group includes men and women who reached the age of 65/60 in September 2006 to April 2007, and became eligible for the pension in September to December 2008. Housewives who reached the age of 66 years and 8 months in 2008 (the fixed age) could also receive their old-age pension in that year.

In 2009, the process of gradually raising the conditional age of eligibility for men to 67 and the first stage of gradually raising the conditional age of eligibility for women to 62 will be completed¹.

Increments are added to the basic old-age pension for a spouse and children, plus a seniority increment and a pension deferral increment. In addition, starting in April 2008, a special increment is paid for an insured aged 80 or over. The seniority increment is paid to anyone who has been insured for more than ten years, and is equal to 2% of the pension for each year above the first ten years, but no more than 50%. The pension deferral increment is granted to those who postpone taking their pension during the years when there is a means test for income from work or capital (from the conditional age to the fixed age), due to their earnings. This increment is equal to 5% of the pension for each year of postponement. The special increment for those aged 80 and over is 1% of the *basic amount*.

¹ The process of postponing the age of eligibility for the old-age pension is described in the Annual Survey of the National Insurance Institute for the years 2002-2003.

Survivors' Insurance is paid to the survivors of an insured after his or her death. Increments for children and seniority increments are added to the basic pension, and since April 2008, there is also an increment for survivors aged 80 or over, as stated above. A widower is eligible for a survivors' pension if he still has dependent children or meets the criteria of the means test required by law.

Income support for the elderly and survivors is paid to recipients of old age and survivors' pensions on low incomes, up to the minimum living income as defined in the Income Support Law for this population².

Benefits not under the National Insurance Law – the National Insurance Institute pays special benefits, which are fully funded by the Government, to elderly persons and survivors who are not eligible for a pension under the National Insurance Law.

Eligibility for these special benefits applies mostly to new immigrants who are over the retirement age when they arrive in Israel (according to the Retirement Age Law), and are therefore not insured under the National Insurance Law. The rates of the basic pension paid to them are the same as the pension rates under the law, and eligibility is usually conditional on a means test. No seniority increment or pension deferral increment is added to these benefits; however, since April 2008, those aged 80 or over receive the increment mentioned above. The maximum income support benefit paid to the recipients of these pensions is equal to the amount paid under the Law. The changes to the age of eligibility under the Law also apply to recipients of pensions that are not according to the Law.

In April 2008, the rates of basic old-age and survivors' pensions were increased by about 1.9%. The basic pension for an individual rose from 16.2% of the *basic amount* to 16.5%, and for other family combinations it rose accordingly. In addition, a special increment equal to 1% of the *basic amount* was paid to eligible recipients aged 80 or over. This increment is defined in the Law as the difference between 17.5% and the basic rate for an individual – 16.5%. Not only that: old-age and survivors' pensions with income supplement were increased according to the recipient's age: by about NIS 29 on average for eligible pensioners under the age of 80 and by about NIS 200 on average for eligible pensioners aged 80 or over.

In January 2009, the old-age and survivors' pensions were updated at the rate of 4.5%, in line with price changes during 2008. This was a continuation of the increase of 2.8% that was applied in January 2008.

2 Since March 2008, income from work that is more than 20% of the basic amount (for an individual) or 24% (for a couple), and pension income that is more than 13% of the basic amount (for an individual) or 20.5% (for a couple) is deducted from the income support supplement. Income from work that is greater than these amounts is deducted at the rate of only 60%; income from a pension that is greater than these amounts is deducted in full; income from other sources, including old age and survivors' pensions, and income from capital, is fully deducted from the income support supplement from the first shekel, with no exemptions whatsoever.

Counseling Service for the Elderly – since the early 1970s, a service offering advice to the elderly has been operating within the National Insurance Institute, based on voluntary activity by the elderly to provide support for other old people. The service is part of the Institute's work in the community and of the activity of the funds for development of services for a range of population groups in Israeli society. A description of the Counseling Service for the Elderly, its objectives and its various activities, was given in the Annual Survey of the National Insurance Institute for 2005. In 2008, about 4,500 volunteers were active in this Service, and there were about 414,000 home visits to the elderly. The Service handled about 128,000 requests for advice.

B. Recipients of old-age and survivors' pensions

In 2008, the National Insurance Institute paid old-age pensions pursuant to the National Insurance Law and special old-age benefits to about 630,900 elderly people, and survivors' pensions to about 104,900 survivors, on average each month. The recipients of old-age pensions include some 85,400 elderly people (in December 2008) who receive a full old-age pension and half the survivors' pension, and about 24,500 disabled elderly people who receive the disability supplement (see section (5) below). The number of recipients of old-age pensions under the National Insurance Law increased in 2008 by about 2% and the number of recipients who received survivors' pensions only decreased by 0.3%.

Table 1
**Recipients of Old Age and Survivors' Insurance,
by Type of Pension and Basis in Law (average per month) 2006-2008**

	Number of recipients (average)			Annual rate of growth		
	2006	2007	2008	2006	2007	2008
Total	727,516	728,891	735,916	1.1	0.2	0.9
Old Age						
Total	622,335	623,692	630,904	1.2	0.2	1.2
Under the NI Law	539,266	544,631	555,507	2.1	1.0	2.0
Not under the NI Law	83,069	79,061	75,397	-4.1	-4.8	-4.6
Survivors						
Total	105,181	105,199	104,892	0.1	0.0	-0.3
Under the NI Law	104,623	104,659	104,378	0.2	0.0	-0.3
Not under the NI Law	558	540	514	-3.3	-3.2	-4.8

The number of people receiving special benefits continued to fall in 2008 at a rate of 4.6%, after a decrease of 4.8% in 2007. This development follows the trend of a slowdown in the rate of growth of this population from the second half of the 1990s. These trends are the result of a decrease in the number of elderly immigrants to Israel and of the mortality rate among elderly immigrants.

Because of the limited rates of immigration, this population will in fact continue to decrease in size as the years pass. The proportion of recipients of special benefits among all recipients of old-age pensions increased from 8.4% in 1990 to 18.7% in 1996. From 1997, this proportion gradually declined to 12% in 2008. The total number of recipients of old-age pensions under the National Insurance Law, and not under the Law, increased by 1.2% in 2008, and the total number of recipients of old-age and survivors' pensions increased by 0.9%.

C. Recipients of old-age and survivors' pensions plus income supplement

Recipients of old-age and survivors' pensions who have no other sources of income or whose income from other sources is extremely low are eligible for a supplement to their pension by virtue of the Income Support Law. The number of people receiving income supplement increased continuously between 1990 and 2001, following the addition of many new immigrants to the system, but then began to fall gradually (see Diagram 1), mainly as a result of the decrease in the number of immigrants eligible for special benefits.

Table 2 shows the percentage of recipients of the income supplement by type of pension and number of dependants (which is the basis for determining the level of pension) in December 2008. The percentage of those eligible for income supplement among all recipients of old age and survivors' pensions in December 2008 reached 25.5%, compared with 25.9% in December 2007. The percentage of those receiving income support among all recipients of old-age pensions under the Law rose slightly to 15.9%, and, among recipients of survivors' pensions under the Law, it fell to 27.8%. The percentage of those receiving income support was higher among the recipients of old-age and survivors' benefits not under the National Insurance Law, who consist mainly of new immigrants: 95.1% of these old-age pensioners and 74.5% of these recipients of survivors' pensions were eligible for income support in December 2008.

Diagram 1
Recipients of Old-Age and Survivors Pensions Plus Income Support (monthly average and in thousands), 1990-2008

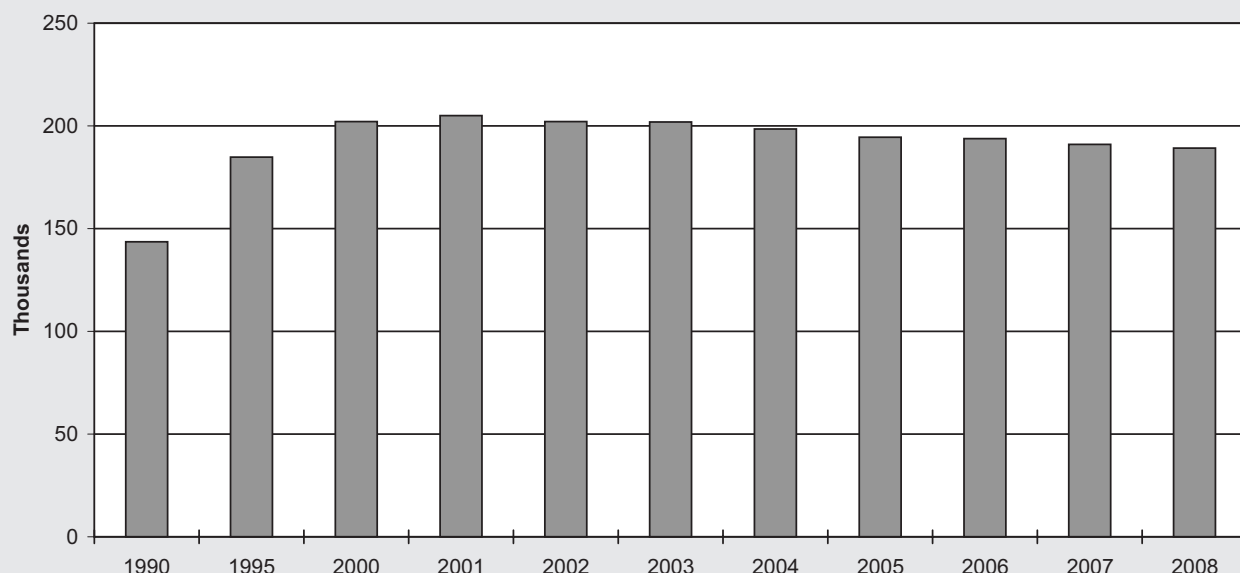


Table 2
Recipients of Old-Age and Survivors' Pensions, by Type of Pension and Number of Dependents, December 2008

Type of Pension	Total	Number of dependents*			
		None	1	2	3 plus
Old-age and survivors – total	740,689	653,179	76,030	6,847	4,633
% receiving income support	25.5	23.1	46.6	22.0	23.9
Old-age pensions under the NI Law	562,396	511,459	47,996	1,930	1,011
% receiving income support	15.9	13.5	39.5	35.2	53.7
Old-age benefits not under the NI Law	73,801	56,574	16,704	257	266
% receiving income support	95.1	96.4	90.8	88.3	97.4
Survivors' pensions under the NI Law	103,995	84,762	11,267	4,632	3,334
% receiving income support	27.8	31.6	11.1	12.6	8.8
Survivor's pensions not under the NI Law	497	384	63	28	22
% receiving income support	74.5	80.5	49.2	57.1	63.6

* Includes spouse and/or children in old-age pensions and children in survivors' pensions.

D. Recipients of old-age pension and half the survivors' pension

Among the recipients of old-age and survivors' pensions are some who receive both types of benefit – old-age and survivors (hereinafter: *both pensions*). The old-age pension is paid by virtue of the insurance of the insured person himself/herself, while the survivors' pension is paid by virtue of the spouse's insurance for his/her survivors. Irrespective of which pension an individual was first eligible for, anyone who is entitled to *both pensions* will receive the full old-age pension to which he/she is entitled and half the survivors' pension to which he/she is entitled. Only those receiving the pension **under the NI Law** are eligible for *both pensions*. Recipients of a benefit **not under the NI Law** receive their benefit by virtue of an agreement, and not by virtue of insurance rights in the Old-Age and Survivors' branch.

In December 2008, 85,410 widows and widowers were entitled to *both pensions*, about 94.5% of them women (Table 3), representing about 15.2% of recipients of old-age pensions under the NI Law. The high proportion of women receiving two pensions is not surprising, and there are a number of reasons for this. The first reason is that the number of insured men is higher than the number of insured women: only women insured as working women can grant their spouses the right to a survivors' pension (housewives cannot grant their spouses any insurance rights), while all men grant their wives the right to the insurance. The second reason is that the right to a survivors' pension for a widower without children depends on a means test, and the third reason is that women generally marry older men, while their life expectancy is longer than that of men. For all these reasons, there are more women entitled to *both pensions*.

In December 2008, the average level of *both pensions* together was NIS 2,444, about a third of which was the survivors' pension. The average level of both pensions to which men are entitled is higher than the pensions of women, since the men's old-age pensions are larger, due to the higher seniority increment and pension deferral increment. As expected, the proportion of recipients of income support among recipients of both pensions is not high – only 7.2%, since the total of *both pensions* in itself is usually higher than the amount of a pension with income support. The proportion of men receiving income support is double the proportion of women, since widowers have to meet the means test for eligibility for a survivors' pension, while widows are exempt from the test. Not only that, women are generally eligible for a higher survivors' pension than men (NIS 842 compared with NIS 723), because of the longer seniority periods accumulated by their husbands.

The average age of recipients of *both pensions* is higher than the age of all those eligible for old-age pensions under the NI Law. The average for men is 79.5 years, compared with 76.0 for all recipients, while for women it is 77.1 compared with 72.3, respectively.

Table 3
Characteristics of Recipients of Both Pensions, by Gender, December 2008

	Total	Men	Women
Number of recipients	85,410	4,761	80,649
% recipients of income support	7.2	14.0	6.9
Average pension (NIS)	2,444	2,534	2,438
Thereof: recipients of half of the survivors' pension (NIS)	836	723	842
Average age	77.2	79.5	77.1

E. Recipients of old-age pension to disabled

The National Insurance Institute disability pension is paid to disabled persons until they reach retirement age, after which they are paid the old-age pension. Following amendments to the law that were passed in 2002 to improve benefits for the disabled, the old-age pension for the elderly disabled who reached retirement age after 1.1.2002 is equal to their disability pension, including the *additional monthly pension* (see the chapter on disability), which was paid before they reached retirement age. The additional monthly pension is paid to people with at least 50% medical disability and at least 75% work incapacity, and currently ranges between NIS 214 and NIS 316 per month, according to the percentage of medical disability. When changing over to the old-age pension, the disabled person effectively receives a supplement up to the amount of the disability pension and the *additional monthly pension*, if he/she is entitled to it in addition to the old-age pension.

In December 2008, some 24,459 disabled elderly people received an old-age pension with the disability supplement, about 45% of them women (Table 4). Some 81% of these disabled elderly people also received the additional monthly pension. The average amount of the old-age pension for disabled elderly persons in December 2008 was NIS 2,379, of which about a quarter represents the supplement for disability and the additional monthly pension.

Table 4
Characteristics of Recipients of Old-Age Pension for the Disabled, by Gender, December 2008

	Total	Men	Women
All recipients	24,459	13,516	10,943
Thereof: recipients of the additional monthly pension	19,698	11,161	8,537
Average pension (NIS)	2,379	2,446	2,297
Thereof: recipients of the supplement for disability and additional monthly pension (NIS)	592	546	650
Average age	67.0	69.4	64.1

F. Seniority increment

The seniority increment to the old-age pension is granted to elderly persons who were insured by the National Insurance Institute for more than ten years. It is equivalent to 2% of the basic old-age pension for each additional insured year above the first ten years, and no more than 50% of the pension. In 2008, the percentage of women receiving the seniority increment continued to rise, and reached 71.5%, while the percentage of men receiving this increment remained steady at 92.9% for the last three years. The average seniority increment paid to pensioners under the NI Law was also unchanged in 2008, at 29.4% of the basic pension. (The average rate of the seniority increment paid to those eligible is 36.6%.) The average increment received by men was double the increment received by women – 41.0% compared with only 21.3%, respectively. (The average rate of seniority increment paid to those eligible is 44.1% and 29.8%, respectively.)

The percentage of men and women who received the seniority increment among newly eligible recipients in 2008 remained stable at 94.4% and 77.7%, respectively. These percentages were higher than the percentage of men and women in the population as a whole who received this increment. The average seniority increment paid to the newly eligible in 2008 continued to fall among both women and men, and the gap in this increment between the genders remained large: 39.3% for men and 24.6% for women. With the increase in the participation of women in the labor force and the continued rise in the retirement age, an increase in the percentage of women eligible for seniority increment is expected, in particular the maximum seniority increment, as well as an increase in the average seniority increment.

Table 5
**Recipients of Old-Age Pensions under NI Law,
 by Percentage Receiving Seniority Increment and Pension Deferral Increment and
 Average Rate of Increment (percentages and averages) 2003-2008 (December)**

Year	Percentage receiving increment*			Average increment for recipients of pension		
	Total	Men	Women	Total	Men	Women
Seniority Increment						
2003	79.1	93.2	68.1	28.4	40.4	19.0
2003**	80.0	90.1	70.6	31.2	38.9	24.0
2004	79.4	93.1	68.8	28.7	40.6	19.6
2004**	82.6	92.1	73.9	32.1	40.5	24.5
2005	79.5	93.0	69.3	28.8	40.6	20.0
2005**	81.9	91.5	73.4	31.2	38.8	24.6
2006	79.8	92.9	70.0	29.1	40.8	20.4
2006**	84.2	92.9	76.5	32.0	39.8	25.0
2007	80.1	92.9	70.8	29.4	44.0	20.8
2007**	85.7	94.4	78.0	31.6	41.0	25.2
2008	80.4	92.9	71.5	29.4	41.0	21.3
2008**	83.7	94.4	77.7	29.9	39.3	24.6
Pension deferral increment						
2003	13.7	14.6	13.0	2.3	2.4	2.2
2003**	12.3	9.4	15.0	2.1	1.6	2.5
2004	13.7	14.5	13.1	2.3	2.4	2.2
2004**	11.4	11.4	11.5	2.0	2.0	1.9
2005	13.7	14.5	13.1	2.3	2.4	2.2
2005**	13.2	14.3	12.2	2.3	2.6	2.1
2006	13.7	14.5	13.1	2.3	2.5	2.2
2006**	12.6	14.7	10.7	2.4	2.8	2.0
2007	13.5	14.4	12.9	2.3	2.4	2.2
2007**	10.4	13.2	8.4	2.0	2.5	2.6
2008	13.5	14.6	12.8	2.3	2.5	2.2
2008**	12.8	18.5	9.6	2.5	3.6	1.9

* All recipients.

** Newly eligible.

G. Pension Deferral Increment

The pension deferral increment is paid to those who have reached retirement age for each year in which they do not receive the old-age pension because of their income from work, and it is equal to 5% of the basic pension for each year. This increment is less significant than the seniority increment, both in terms of the number of recipients and in terms of the rate.

The percentage of men who received the pension deferral increment in 2008 increased slightly to 14.6%, after three years without change, and the percentage of women who received this increment continued to fall slightly, to 12.8%. The percentage of men and women among the newly eligible who received this increment increased to 18.5% and 9.6%, respectively. The average

increment paid to recipients in 2008 remained stable: 2.5% for men and 2.2% for women, and the average increment for those receiving this increment was 17%, that is to say, for an average postponement of 3.4 years. The increment paid to all newly eligible recipients for postponing the pension in 2008 was slightly higher than the increment paid to all recipients, 2.5% and 2.3% respectively. In addition, in 2008 there was an increase in the rate of the average increment paid to newly eligible men and a certain decrease among the women. This increment is also higher on average among the newly eligible than among all recipients – 19.5% against 17%. Thus new retirees are working slightly more years beyond retirement age than are recipients in general. Following the Retirement Age Law, the rate of the increment among women is expected to increase, since the number of years by which they can postpone their retirement will increase to 6 years on completion of the process of raising their age of conditional eligibility to 64 and their fixed age to 70, compared with 5 years before application of the Law.

H. Level of pensions

In 2008, the basic old-age pension decreased by 0.4% in real terms, after steady increases in the four previous years, in spite of the increase in the pension in April 2008 (above the regular update), since in fact the increase in prices in 2008 was higher. However, the basic old-age pension as a percentage of the average salary remained unchanged – 15.2%. The old-age pension with income supplement also decreased in 2008, by 1% in real terms, after steady increases during the previous four years.

The basic survivors' pension continued to increase in real terms in 2008, but by negligible amounts, while the survivors' pension with income supplement decreased by 1% in real terms, after steady increases in the four years before 2008.

Table 6
**Summary – Basic Old-Age and Survivors' Pensions,
by Selected Family Compositions, 2002-2008**

Year	individual		Couple		Widow + 2 children**	
	2008 prices (NIS)	% of average wage	2008 prices (NIS)	% of average wage	2008 prices (NIS)	% of average wage
2002	1,193	15.6	1,789	23.3	2,358	30.8
2003	1,158	15.6	1,738	23.4	2,338	31.5
2004	1,163	15.2	1,745	22.8	2,347	30.6
2005	1,178	15.2	1,768	22.8	2,338	30.2
2006	1,202	15.3	1,802	23.0	2,346	29.9
2007	1,212	15.2	1,818	22.8	2,350	29.5
2008	1,208	15.2	1,814	22.9	2,336	29.5
2008 – eligible persons aged 80+	1,263	15.9	1,888	23.9		

* After the reduction introduced in the old-age pension between July 2002 and June 2006.

** Excluding the child allowance.

I. Scope of payments

In 2008, the total payments of the Old-Age and Survivors branch (without administrative costs) increased in fixed terms by 0.9%. Pension payments under the National Insurance Law increased in real terms by 2%, and pension payments not under the Law fell by 3.2% in real terms. The share of benefit payments not under the Law (which also include payments of income supplement for recipients of pensions under the NI Law), out of all old-age and survivors' pension payments, reached 19.4% in 2008. The total of all payments for National Insurance benefits in 2008 (without administrative costs) increased by 1.4% in real terms, which was greater than the rate of growth in payments in the Old-Age and Survivors branch. Therefore, the proportion of old age and survivors' pensions in National Insurance payments for 2008 decreased to 37.7%.

Table 7
**Payments of Old-Age and Survivors' Pensions (without administrative costs),
current prices and 2008 prices, 2003-2008**

Type of pension	2003	2004	2005	2006	2007	2008
Current prices (NIS million)						
Total payments	15,551	15,780	16,257	17,165	17,461	18,425
Under the NI Law	12,296	12,615	12,910	13,628	13,920	14,842
Not under the NI Law	3,255	3,165	3,347	3,537	3,541	3,583
2008 prices (NIS million)						
Total payments	16,843	17,160	17,451	18,049	18,261	18,425
Under the NI Law	13,318	13,718	13,859	14,330	14,558	14,842
Not under the NI Law	3,525	3,442	3,592	3,719	3,703	3,583

3. Long-term Care Insurance

A. General

The Long-Term Care Insurance Law was approved by the Knesset in 1980, and came into force in April 1988. The Law was designed to keep the elderly in a community framework for as long as possible, by providing personal care for those who need assistance with daily living and by helping their families to care for them. The Law applies to everyone who is covered by old-age and survivors' insurance, to *housewives* (married women who do not work outside the home), and to new immigrants who are not covered by old-age and survivors' insurance. Eligibility for the benefit applies to all elderly residents of Israel who have limited ability to carry out everyday activities and who meet the income test and the test of dependency on others for the performance of their daily activities, on condition that they are living in the community. Anyone living in a nursing home or in a nursing ward of an old-age home is not entitled to this benefit.

The means test, the rules for which are laid down in the regulations of the Law, is a personal test. As a condition for receiving the benefit in kind – that is, the long-term care service – only the income of the elderly person and of his/her spouse is examined. As a condition for receiving a monetary benefit, the income of any family member who cares for the elderly person and lives with him/her is also examined. The means test is conducted by the claims officer, and the test of dependency on others is performed by professional evaluators. The evaluators include nurses, occupational therapists and physiotherapists, who undergo appropriate training. Since July 2008, following the approval of a private bill in the Knesset, a person who reaches the age of 90 can have the dependency test conducted by a geriatric specialist in a hospital, clinic or public institution.

The long-term care benefit is not paid in cash, but is rather awarded to eligible persons as services, provided by organizations that are paid by the National Insurance Institute. The basket of long-term care services covered by the benefit includes personal care in the elderly person's home or at a day care center, supervision, transport to day care centers, provision of absorbent padding products, laundry services and use of distress transmitter services. A cash benefit is only given to those for whom no services are available, or where services cannot be provided at the times specified in the Law. However, in March 2008, the National Insurance Institute embarked on a pilot program for providing a cash benefit in three areas of the country. The experiment will last for two years. During that time, elderly people living in the pilot areas can elect to receive a cash payment for long-term care, on condition that they score at least 6 points in the dependency test and that they are actually receiving long-term care services from a caregiver who is not a family member, for most of the day, and for six days a week¹.

In January 2007, three levels of long-term care benefit were defined, according to three levels of dependency: a benefit of 91% of the full disability pension for an individual, of 150%, or of 168% of the full disability pension. In January 2008, these benefits were updated by 2.8%, in line with the

¹ Note that arrangements giving elderly people a choice of long-term benefits exist in a number of western countries; they were described in the 2005 Annual Survey.

increase in the *basic amount*² (following price rises during 2007) from which the benefits are derived. In January 2009, the long-term care benefit was increased by 4.5%, in line with price rises during 2008.

The Law stipulates that the Minister of Welfare and Social Services must appoint local professional committees, consisting of a social worker, a nurse and an employee of the National Insurance Institute. These committees must determine the treatment plan for elderly people who are entitled to the benefit: what services they require and who will provide them. The committees must also ensure that the services are indeed provided, or alternatively state explicitly that no services are available for that individual.

B. Claims and eligibility for long-term care benefit

In 2008, the number of claims for long-term care benefit declined by 1.7%, after continual increases in the four previous years, and totaled about 74, 100. The number of first claims in 2008 decreased by 3.7% compared with 2007, and the number of repeat claims (second or more) fell by almost 0.26%. As a result, the number of repeat claims as a percentage of all claims rose to 59.1% in 2008.

Table 1
**Claims, Percentage of Approved Claims and Percentage of Repeat Claims,
2002-2008**

Year	Number of claims	Annual rate of growth	% of repeat claims	% of approved claims*
2002	71,007	4.3	51.8	44.3
2003	63,928	-10.0	55.7	43.2
2004	71,246	11.4	58.6	43.5
2005	71,568	0.5	59.9	46.7
2006	72,257	1.0	58.2	49.2
2007	75,375	4.3	58.2	47.3
2008	74,085	-1.7	59.1	47.4

* Claims approved in the first eligibility decision. The calculation does not include claims by people who submitted claims and died, or by people whose eligibility was delayed.

In 2008, the percentage of approved claims rose slightly, to 47.4%. The percentage of approved claims among first time claims in 2008 reached 54.3%, compared with 53.7% in 2007, and the percentage of approved repeat claims remained unchanged at 42.7%. The rise in the rate of approved first time claims in 2008 is expressed by some decline in the percentage of inadmissible claims – claims by people who received 0 or 0.5 points in the ADL test³ – and an increase in the

2 See note 25 in Chapter 1.

3 Activities of Daily Living – the test examines limitations in every day activities (such as eating, dressing, washing, mobility in the home, excreting).

size of the cluster of parameters around 2.5 points – the threshold for benefit eligibility. In 2008, the percentage of inadmissible claims reached 28.3% compared with 28.8% in 2007, and the percentage of claims for people with 2.5 points in the ADL test reached 16.3%, compared with 15.7% in the previous year. It should be noted that the analysis of the percentages of approved claims, of inadmissible claims and of claimants in the cluster around the threshold of points for eligibility also includes claims for which no assessment of dependency was carried out, and which were not approved because of preliminary conditions, such as age.

The numbers eligible for long-term care benefit continued to rise in 2008 by about 4.9%, and reached a monthly average of 131,500. The number of people eligible for the benefit rose by 309%, from 1991 to 2008, a rate five times higher than the rate of increase of the number of elderly in that period. The numbers eligible for the benefit, out of all elderly people, increased considerably, from about 6% in the first years of implementation of the Law, to a record of 15.3% in 2008.

Table 2
Eligibility for Long-Term Care Benefit and Elderly in Israel, 2002-2008

Year	Eligible for long-term care*		Elderly people in Israel**		Rate of cover***
	Numbers (thousands)	Annual growth (%)	Numbers (thousands)	Annual growth (%)	
2002	112.3	6.5	758.1	1.8	14.8
2003	113.0	0.6	769.3	1.5	14.7
2004	113.4	0.4	780.5	1.5	14.5
2005	115.0	1.4	794.9	1.8	14.5
2006	120.3	4.6	813.8	2.4	14.8
2007	125.5	4.3	836.5	2.8	15.1
2008	131.5	4.9	860.0	2.8	15.3

* Monthly average.

** Average population of men aged 65+ and women aged 60+, according to figures from the Central Bureau of Statistics. The figure for 2008 is an estimate.

*** Numbers eligible for benefit as a percentage of the number of elderly people. From mid-2004, the retirement age rose gradually from 65 to 67 for men and from 60 to 64 (in 2 stages) for women. Therefore, the number of elderly according to the former retirement age was larger and the coverage rate was smaller.

Table 3
**Eligibility for Long-Term Care Benefit, by Demographic Characteristics and
 Benefit Level (monthly average, percentages), 2008**

	Absolute numbers	Percentage
Total (absolute numbers)	131,460	100.0
Gender		
Men	38,296	29.1
Women	93,164	70.9
Age		
Up to 64*	1,270	1.0
65-69	6,368	4.8
70-74	16,340	12.4
75-79	27,658	21.0
80-84	36,816	28.0
85+	43,008	32.7
Family composition		
Live alone	61,782	47.0
Live with spouse	52,340	39.8
Live with children or others	17,338	13.2
Seniority in Israel		
Veterans	99,459	75.7
Immigrants** – total	32,001	24.3
Thereof: those who immigrated after 1999	3,378	2.6
Benefit level		
Low (91%)	75,556	57.4
High (150%)	32,824	25.0
Very high (168%)	23,080	17.6

* Age group includes women only.

** People who immigrated to Israel after 1989.

An examination of the demographic features of eligible persons in 2008 shows that almost a quarter (24.3%) were immigrants who came to Israel after 1989, of whom 2.6% immigrated after 1999, and the rest are veterans in the country. The number of women is almost three times higher than the number of men. In the breakdown by age, almost a third of the eligible persons are aged 85 and over, and more than half (60.7%) are aged 80 and over. Only 4.8% of the eligible persons are aged 65-69. In the area of family composition, only two out of five (39.8%) live with a spouse, while almost half (47.0%) live alone, and one in seven (13.2%) live with someone else – usually a son or daughter (Table 3).

For 57.4% of eligible claimants, a low level of entitlement was approved – 91% of the full disability allowance for a single person) (including those whose benefit was reduced by half following a means test). A higher level of entitlement – 150% – was approved for a quarter of claimants, while the remaining claimants – about 17.6% – were approved a very high level of entitlement – 168%.

C. Organizations providing long-term care services and services provided

The services provided under the Long-Term Care Insurance Law are given through official organizations recognized by the Ministry of Welfare and Social Services as providers of authorized services, under a contract between these organizations and the National Insurance Institute. In recent years, the Institute has published a number of tenders, with the aim of setting up a pool of providers of long-term care services; however, every time, the companies and associations appealed against the tenders that were published, and they were not implemented, for various reasons, including strong pressure from the providers, who prefer to act in the framework of individual contracts. Recently, the Court rejected the appeals against the last tender published in 2008, in which the long-term care companies were required, among other things, to improve the rights of their caregivers, and at the beginning of 2009 the tender was published again. A service provider can be a not-for-profit public organization, such as Matav (the acronym for Home Caregivers), a day care center, or a private organization operating as a business.

Table 4 below describes the breakdown of hours of personal care at home provided in December 2008, by type of service provider. In all, in December 2008, service providers supplied about 6.8 million hours of personal care at the home of people eligible for long-term care benefit. About 4.8 million hours (70.5%) were provided by private organizations, about 1.1 million hours were provided by Matav organizations (16.2%), and the remaining 0.9 million hours (13.3%) were provided by public associations.

Table 4
**Number of Personal Care Hours at Home, by Type of Service Provider,
December 2008**

Type of service provider	No. of hours of personal care in the home	
	Numbers (thousands)	Percentage
Total	6,855	100.0
Private organization	4,833	70.5
Matav (home caregiver)	1,111	16.2
Not-for-profit public organization	912	13.3

Table 5 shows the breakdown of recipients of long-term care services in December 2008, by type of service provided. It must be remembered that persons eligible for the benefit can receive more

than one type of service, and therefore the total of all recipients of long-term care services is greater than the number of persons who are eligible for the benefit.

The vast majority (98.1%) of recipients of long-term care services in December 2008 received personal care at home from a local or foreign caregiver. 7.1% received care at a day care center, 18.3% received absorbent padding products, and 12.4% received a distress transmitter. 70.1% of those receiving personal care at home received no other services from the basket of services. Only 9% of recipients who received personal care at day care centers received no other services, and the rest combined personal care with other services.

Table 5
**Recipients of Long-Term Care Services, by Type of Service,
December 2008**

Type of service	Number of recipients	Percentage receiving the service	
		Of total eligible for benefit	As sole item, out of all recipients of this service
Total*	182,967	-	-
Personal care at home	131,630	98.1	70.1
Personal care at day center	9,505	7.1	9.0
Absorbent padding products	24,526	18.3	0.3
Distress transmitter	16,701	12.4	0.4
Laundry services	605	0.5	0.8

* A person eligible for the benefit can receive more than one type of service. Therefore, the total of all recipients in the table is greater than the number of those eligible for the benefit – about 134,200.

D. Scope of payments

In addition to direct payment of benefits, the Long-Term Care Insurance Law requires payment for other items connected to long-term care insurance. 15% of annual receipts are allocated to the Ministry of Health and the Ministry of Welfare and Social Services, in order to increase the number of people admitted to institutions. In practice, the Ministry of Health usually uses the full allocation, while the Ministry of Welfare and Social Services only uses part of it. Money is also allocated to the fund for the development of communal and institutional services for the elderly.

In 2008, the total of all payments transferred to finance the Long-Term Care Insurance Law amounted to about NIS 3.3 billion (in 2008 prices): about NIS 3.1 billion to provide services to those eligible, and the rest to develop services in institutions and in the community and to conduct dependency tests. The sum of NIS 78 million was transferred to the Ministry of Welfare and Social Services and the Ministry of Health, in order to increase the number of elderly people in long-term care institutions (Table 6). In addition, the sum of NIS 79.1 million was transferred to the Ministry of

Welfare and Social Services, to Clalit Health Services and to assessors, to prepare a program for treating the eligible and conducting dependency tests.

Table 6
**Total Payments under Long-Term Care Insurance Law,
by Type of Payment (NIS thousand, 2008 prices), 2003-2008**

Year	Total	Long-term care benefits	Transfers to external bodies*	Development of services	Patients in long-term institutions	On account of agreements with the Ministry of Finance
2003	2,665.6	2,467.9	62.5	24.9	107.1	3.2
2004	2,687.4	2,480.8	66.4	37.5	99.9	2.7
2005	2,734.6	2,522.2	74.6	39.9	95.4	2.5
2006	2,856.9	2,665.7	64.8	31.5	92.4	2.4
2007	3,212.9	3,012.1	73.9	37.3	87.2	2.4
2008	3,300.3	3,120.2	79.1	20.7	78.0	2.3

* Transfers to the Ministry of Welfare and Social Services and Clalit Health Services for preparation of a program for treating the eligible recipients, and transfers for conducting dependency tests.

In 2008, the extent of payments made under the Long-Term Care Insurance Law increased by about 2.7% in fixed amounts (2008 prices). Payments of benefits increased by 3.6% as a result of the rise in the number of people eligible for long-term care benefit, particularly those eligible at the higher level. The average level of benefit in fixed prices fell by 0.3% in 2008.

4. Children Insurance

A. General

Child allowance – A child allowance is paid each month to every family with children in Israel, for the purpose of assisting with the expense of raising children. Over the years, child allowances have undergone many changes; from 2002, they declined sharply as a result of various economic plans.

In 2008, child allowances rose in comparison with 2007, because they were updated in line with the increase in the consumer price index of the previous year. Nevertheless, the ongoing decrease in child allowances which, as stated, began with large cutbacks in 2002, continued in 2008. This continuing decline is also and perhaps mainly due to the decision to pay a uniform allowance for children born after June 2003 (*new children*), who are the third or subsequent child in their families. These children receive an allowance equal to the allowances for the first two children, compared with the higher allowance paid for third and subsequent children born before June 2003 (*veteran children*).

The entry of *new children* into the system and the exit of *veteran children* from it continued to reduce the amounts paid in child allowances in 2008 compared with 2007. In 2008, child allowance payments amounted to some NIS 4.84 billion, compared with NIS 4.94 billion in 2007 (in fixed prices) – a decrease of about NIS 100 million. Apart from the change in payments for third and subsequent *new children*, the decrease this year was also due to a reduction in the increment to the child allowance. (See below under "Increment to child allowance.")

The cumulative erosion of child allowances in the last six months has led to a considerable gap in child allowance payments over this period, from NIS 8.3 billion in 2001 to NIS 4.8 billion in 2008, a real decrease of about 42%. In comparison with 2007, the number of families who received child allowances in 2008 increased by 1.4%, and the number of children for whom allowances were paid increased by 1.7%.

Study grant: In addition to child allowances paid to every family with children, a study grant is also paid to single-parent families and families with four or more children, who receive income support. The grant is paid for children aged 6-14, and the purpose is to help with the purchase of school books before the start of the school year. In 2008, about 145,000 children received the study grant. The cost of the grant in 2008 amounted to about NIS 147 million.

Increment to child allowance: In July 2004, the increment to the child allowance was introduced for families with three or more children receiving income support or maintenance (alimony) payments from the NII. The increment, paid for the third and fourth child only, was NIS 101 per child until December 2005, and in January 2006, it was raised to NIS 104. It is intended to compensate the families for the double erosion of their other benefits – child allowances and income support. In 2008, the increment was paid to about 22,000 families (covering about 35,000 third and fourth children). In 2008, the increment payments amounted to approximately NIS 45 million, compared with NIS 58 million in 2007, and NIS 62 million in 2006. The decrease was the

result of the decrease in the number of recipients of income support or child maintenance in that year – a decrease of 2.3% compared with 2007, similar to the last two years.

B. Changes in the child allowance system in 2002-2008

The range of cutbacks in child allowances in the period 2002-2006 was derived from four economic plans. Two of them were implemented in 2002: the Economic Arrangements Law of 2002 and the Emergency Economic Plan Law. These acts stipulated that the allowance point would not be updated, and that child allowances would be cut by 15% across the board. This was the first time that child allowances were paid on the basis of a 0.88 allowance and not on the basis of a full allowance point.

The series of changes in child allowances continued with greater severity in the framework of the Economic Recovery Plan Law (June 2003) and the Economic Policy Law for fiscal 2004. In 2003, a structural change was introduced into the child allowance system, based on the principle that child allowances should be on the same level for all children, irrespective of their position in the family. From August 2003, children who were born in and after June 2003 received a uniform allowance of NIS 144 (0.84 of an allowance point), irrespective of their position in the family. The Economic Recovery Plan Law stipulated that equalizing the allowances for all children would not be done with a zero budget, but by reducing the allowances for the third and subsequent children to the level paid for the first and second child. The policy of reducing the allowances was therefore driven primarily by considerations of cutting public expenditure, since otherwise it would have been possible to set a uniform allowance of about NIS 250 per month for every child. The Economic Recovery Plan also stated that the process of equalization and reduction of allowances for third and subsequent children would be implemented in stages between August 2003 and January 2009.

The Economic Recovery Plan also affected the updating of child allowances, as part of the overall policy of updating NII benefits: child allowances were not updated according to price rises until the end of 2005.

The policy of cutbacks continued also in the framework of the Economic Policy Law for 2004. In the Emergency Provisions for 2004-2005, allowances were reduced as follows: NIS 24 per month from the allowance for the first to third child from February 2004 to the end of 2005; NIS 24 in the period February-June 2004 and NIS 4 in the period July 2004-December 2005 from the allowance from the fourth and subsequent children. This emergency provision expired in January 2006, as did the provision not to update the child allowances in line with the consumer price index. In January 2006, the child allowance was updated, like other benefits, according to the *basic amount*¹, and after it was updated according to the consumer price index, the allowance for one child was set at NIS 148. Not only that: in 2006, the gradual cutback in allowances for *veteran children* was halted, and therefore, the rate of allowances was frozen at their 2006 level, from 2007 to 2009. In January

1 See note 25 in Chapter 1.

2007, the basic amounts were not updated, due to a negative index, and allowances that year remained at their 2006 level. In 2008, the child allowances were updated in line with the increase in the index the previous year. The allowance for one child was updated to NIS 152.

C. Level of child allowances in 2002-2008

Until 2005, the child allowance was calculated according to allowance points that were determined by law according to the child's position in the family. From 1987 to 2001, the allowance point was updated in line with the full increase in the consumer price index at the start of each calendar year, and each time a cost of living increment was paid to all salaried workers in the economy. From January 2001 to December 2005, the allowance point was not updated and remained fixed at NIS 171.3 (in 2005 prices). Since January 2006, the child allowance has been calculated according to the "basic amount", which is updated according to the increase in the consumer price index. In 2008, this amount was NIS 152, compared with NIS 148 in 2007. Allowances for the first two children therefore rose to NIS 152 per child, and the allowance for the third child rose from NIS 178 in 2007 to NIS 182 in 2008. The allowances for the fourth and subsequent children rose from NIS 329 to NIS 337. The increase in child allowances came after a decrease in the years 2002-2004, as part of the cutbacks in child allowances described above. The allowance for *new children*, born after June 2003, irrespective of their position in the family, is the same as that for the first two children – NIS 152.

Diagram 1 shows the average allowance per child in the period 1993-2008². From 1993, the child allowance was once again universal, and, until 2001, the average allowance per child rose gradually by 13.3% – from NIS 283.3 to NIS 321. The "Halpert Law," implemented in 2001, brought the child allowance to a record high that year, but from 2002, the allowance began to fall very sharply, until it became relatively stable in 2005. The series of cutbacks in National Insurance benefits in general, and in child allowances in particular, reduced the average allowance per child in 2002-2005 by about 50%.

2 The average allowance per child is calculated by dividing the total of all child allowance payments in a particular year by the number of eligible children that year.

Diagram 1
Average Monthly Allowance per Child
(NIS, 2008 prices), 1994-2008

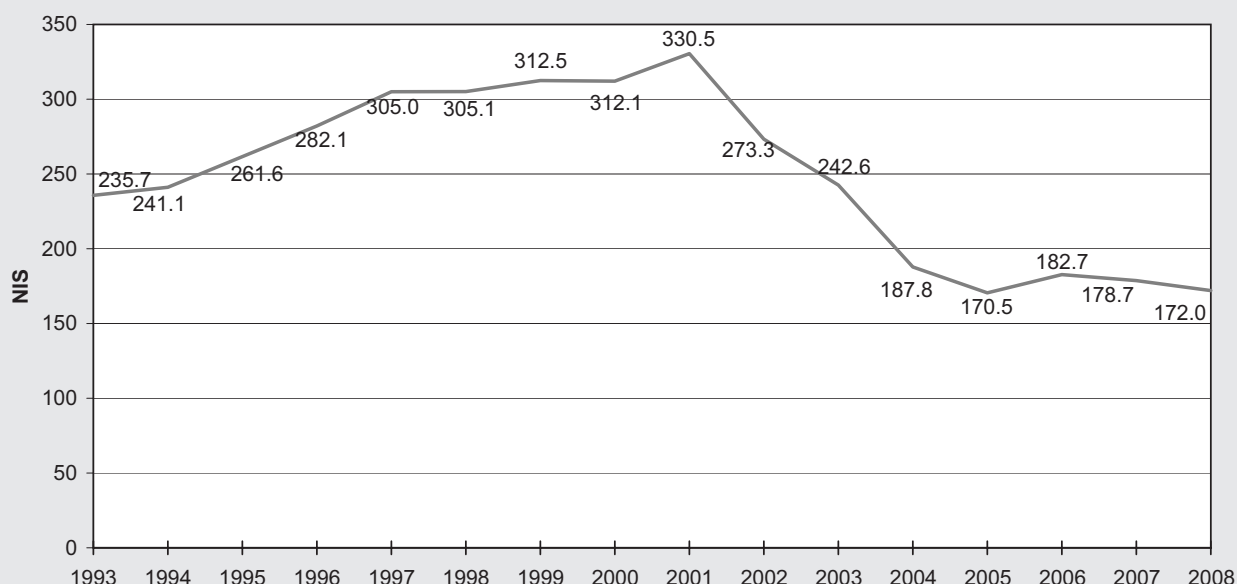


Table 1 shows the allowance points per family in the period 2002-2005 and the rates in terms of the basic amount in the years 2006-2008. Table 2 shows the amounts of allowance per child and per family for those years.

Table 1
Allowance Points per Family 2002-2005 and in Terms
of Basic Amount in 2006-2008, by Number of Children

Date	1	2	3	4	5	6
January 2002	1.00	2.00	3.96	8.00	13.00	18.00
March 2002	0.88	1.76	3.52	7.08	11.48	15.88
July 2002	0.85	1.70	3.39	6.81	11.04	15.27
August 2003*	0.84	1.68	2.82	5.48	8.53	11.58
February 2004	0.70	1.40	2.40	4.91	7.82	10.73
July 2004	0.70	1.40	2.36	4.72	7.40	10.08
January 2006	0.70	1.40	2.31	4.41	6.76	9.10
2006-2008	1.00	2.00	3.20	5.42	7.64	9.86

* All children born after 1.06.03 receive the same allowance as the first child, irrespective of their position in the family.

Tables 1 and 2 show the cumulative impact of the Economic Recovery Plan Law of June 2003 and the Economic Policy Law for 2004.

Table 2, which shows the allowance amounts in 2002-2008 by number of children in the family, reveals several facts:

- The allowance for a family with one child decreased from January 2002 to January 2005, by 31%. At the start of 2006 it increased by about 20%³. In 2007, the allowance for a family with one child dropped slightly, by less than 1%. In 2008, the decrease was larger – 2% compared with 2007.
- In 2005, a family with 3 children received 57% of the amount that they received in January 2002. In 2006, the real allowance per family with three children rose by about 17%, and in 2008, there was once again a decrease of about 2%.
- In 2005, a family with 5 children received about half the total allowance that they had received in January 2002.

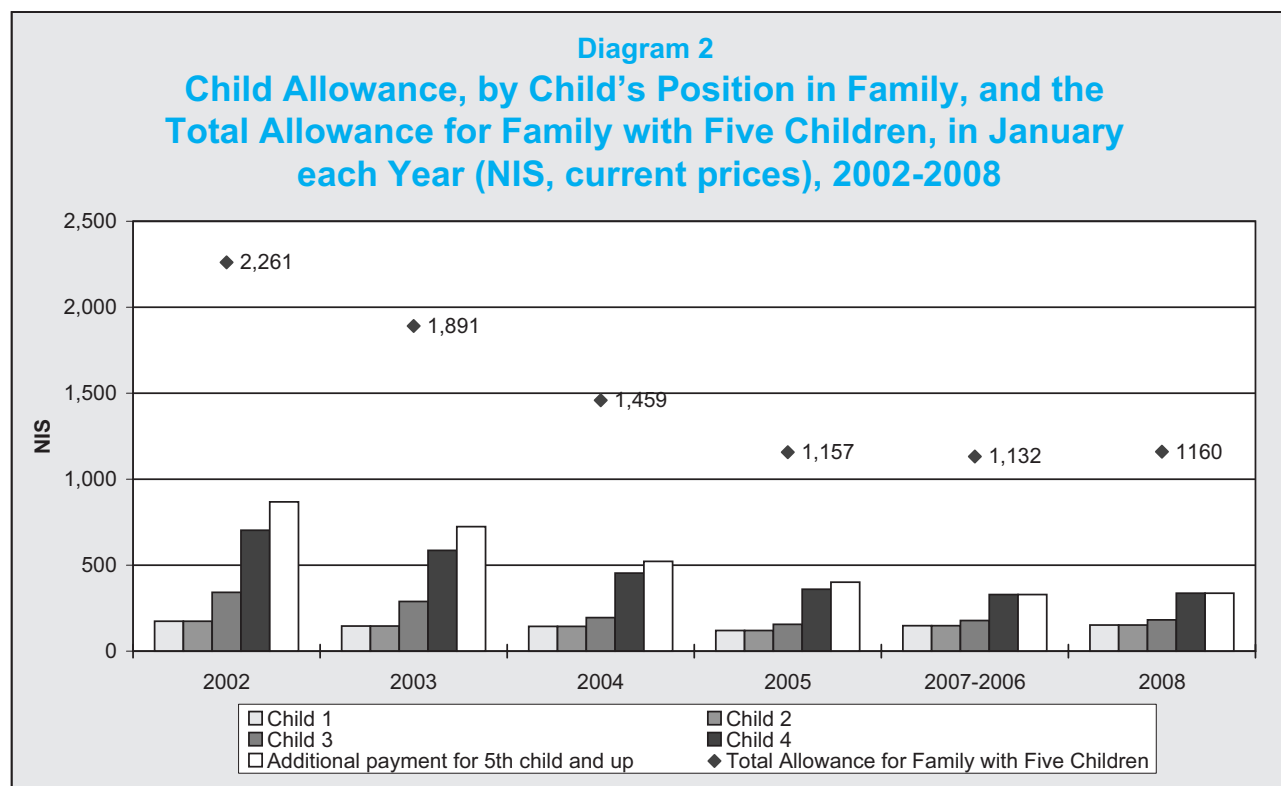
Table 2
**Child Allowance by Order of Child and Allowance per Family,
 by Number of Children (NIS, current prices), 2002-2008**

Date	1	2	3	4	5	Increment for each additional child
January 2002						
Per child	174	174	342	703	868	868
Per family	174	348	690	1,393	2,261	868
March 2002						
Per child	151	151	301	610	754	754
Per family	151	302	603	1,213	1,967	754
July 2002						
Per child	146	146	289	586	724	724
Per family	146	292	581	1,167	1,891	724
August 2003*						
Per child	144	144	195	454	522	522
Per family	144	288	483	937	1,459	522
February 2004						
Per child	120	120	171	430	498	498
Per family	120	240	411	841	1,339	498
July 2004						
Per child	120	120	164	404	459	459
Per family	120	240	404	808	1,267	459
January 2005						
Per child	120	120	156	360	401	401
Per family	120	240	396	756	1,157	401
2006-2007						
Per child	148	148	178	329	329	329
Per family	148	296	474	803	1,132	329
2008						
Per child	152	152	182	337	337	337
Per family	152	304	486	823	1,160	337

* All children born after 1.06.03 receive the same allowance as the first child, irrespective of their place in the family.

3 All rates are calculated in real terms.

Diagram 2 shows the severe effect of the cutbacks stipulated in the Economic Plans on families with five children in the period 2002-2008. The total family allowance for these families dropped by about 37% from 2003 to 2008, going down to a mere NIS 1,160.



D. Child allowance recipients

Tables 3 and 4 show the breakdown of families receiving child allowance by family size and the breakdown of children for whom allowances were paid by their position in the family. The number of families in which children were born after June 2003, and the number of children born after that date are presented in detail in section (e) below.

In 2008, the number of families receiving child allowance increased to about 995,000 on average per month – an increase of about 1.4% compared with 2007, and similar to the growth observed from 2006 to 2007. The increase in the number of families was higher in the last two years than the more moderate increase in the years 2001-2004, at a rate of 0.4%-0.7%. The number of children for whom allowances were paid in 2008 amounted to about 2,372,000 on average per month. The increase in the number of children this year is similar to the increase in 2007 – about 1.6%. The annual average of families with one child increased at a lower rate (0.3%) than in 2007, to about 323,000, but the number of families with 2 or more children increased by about 2%.

Table 3
**Families Receiving Child Allowance,
 by Number of Children in Family (monthly average), 2000-2008**

Year	Total	Number of children in family						
		1	2	3	4	5	6+	
Numbers (thousands)	2000	912.5	321.0	276.9	165.7	76.3	34.5	38.1
	2001	928.2	327.8	280.9	167.6	77.4	35.6	39.0
	2002	935.0	327.9	283.4	169.1	78.1	36.6	39.9
	2003*	939.1	324.9	285.6	171.3	78.9	37.4	40.8
	2004	945.6	323.2	288.5	174.4	79.9	37.9	41.7
	2005	956.3	322.7	292.8	178.6	81.3	38.5	42.4
	2006	968.3	321.8	298.3	183.2	82.7	39.3	43.0
	2007	980.6	321.8	303.0	188.5	84.4	39.8	43.1
	2008	994.8	322.9	307.5	194.4	86.2	40.3	43.5
	Percentages	2000	100.0	35.2	30.3	18.1	8.4	3.8
2001		100.0	35.3	30.3	18.1	8.3	3.8	4.2
2002		100.0	35.1	30.3	18.1	8.3	3.9	4.3
2003*		100.0	34.6	30.4	18.2	8.4	4.0	4.4
2004		100.0	34.2	30.5	18.5	8.4	4.0	4.4
2005		100.0	33.8	30.6	18.7	8.5	4.0	4.4
2006		100.0	33.2	30.8	18.9	8.6	4.1	4.4
2007		100.0	32.8	30.9	19.2	8.6	4.1	4.4
2008		100.0	32.5	30.9	19.5	8.7	4.1	4.4

* Owing to a technical fault in the administrative children's files for the months of June to October 2003, the number of children has been estimated by retrieving data from the Children's Branch system from the beginning of these months.

Table 4
**Children Receiving Child Allowance,
 by their Position in Family (monthly average), 2000-2008**

Year	Total of all children	Child's position in the family					
		First	Second	Third	Fourth	Fifth	Sixth +
	Numbers (thousands)						
2000	2,118.8	912.5	591.5	314.6	148.9	72.6	78.7
2001	2,154.7	928.1	600.4	319.5	152.0	74.6	80.1
2002	2,178.8	935.0	607.1	323.7	154.6	76.5	81.9
2003*	2,201.1	939.1	614.1	328.6	157.3	78.3	83.7
2004	2,226.4	945.6	622.4	333.9	159.5	79.6	85.3
2005	2,260.6	956.3	633.6	340.8	162.3	80.9	86.7
2006	2,297.3	968.3	646.5	348.1	164.9	82.2	87.3
2007	2,333.1	980.6	658.9	355.8	167.4	82.9	87.5
2008	2,372.5	994.8	671.8	364.4	170.0	83.8	87.8
	Percentages						
2000	100.0	43.1	27.9	14.9	7.0	3.4	3.7
2001	100.0	43.1	27.8	14.8	7.1	3.5	3.7
2002	100.0	42.9	27.9	14.8	7.1	3.5	3.8
2003*	100.0	42.7	27.9	14.9	7.1	3.6	3.8
2004	100.0	42.5	27.9	15.0	7.2	3.6	3.8
2005	100.0	42.3	28.0	15.1	7.2	3.6	3.8
2006	100.0	42.1	28.1	15.2	7.2	3.6	3.8
2007	100.0	42.0	28.2	15.3	7.2	3.6	3.7
2008	100.0	41.9	28.3	15.4	7.2	3.5	3.7

* See note to Table 3.

E. New children

Following amendments to legislation in 2003-2004, the group of *new children* was defined to cover children born from June 2003 onwards. These children receive the same allowance as do the first two children, irrespective of their position in the family⁴. This policy naturally led to a gap in the level of allowances paid to families of the same size. For example, in 2008, the difference in allowances between two families each with four children, where the fourth child in one family was born before June 2003 and in the other family after this date, was NIS 185.

In the second half of 2003 about 62,000 *new children* were born, in 2005 about 146,000, in 2007 about 145,000 and in 2008 about 155,000. The overall number of *new children* amounted to about 726,000 in December 2008 – 30% of about 2.4 million children for whom allowances were paid at

⁴ NIS 144 from August 2003 to January 2004, NIS 120 from February 2004 to December 2005, NIS 148 in 2006 and 2007, and NIS 152 in 2008.

that time. Of all *new children* at the end of 2008, about 42% (some 306,000) were third or subsequent children, who received a lower allowance than did the third and subsequent children born before June 2003. These are the children who are adversely affected by the equalization of allowances for all children.

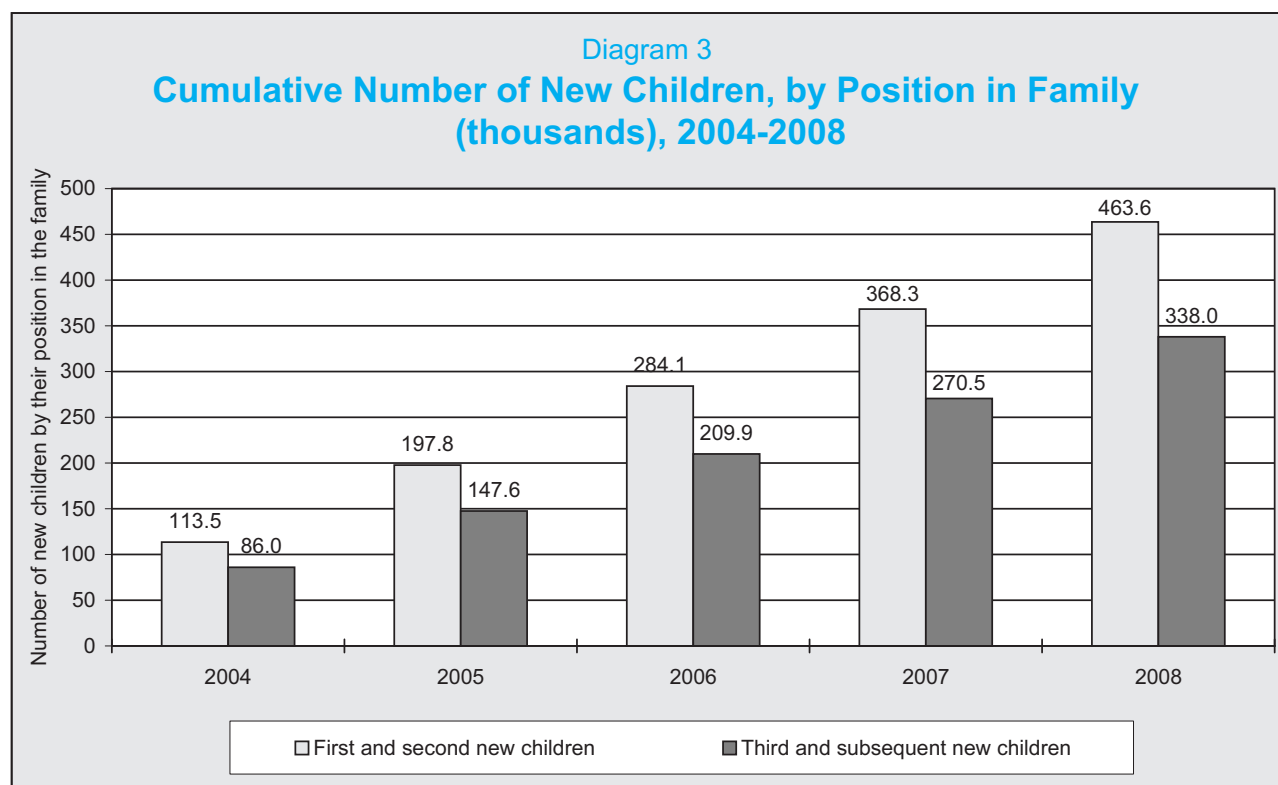


Diagram 3 shows the cumulative number of *new children* by their position in the family, from 2004 to 2008. From this diagram, we can see that, in 2005-2007, about 62,000 third or subsequent children were added each year, and, in 2008, about 64,000 third or subsequent children were added. At the end of 2008, their total number amounted to about 306,300.

The average number of *new children* each month in 2008 was about 726,000, of which about 420,000 were the first or second child in their families (representing about 58% of all *new children*). Until 2008, the number of families in which *new children* were born was about 504,600, but the number of *new children* was 726,000. The difference is due, among other things, to multiple births or several births in the same family.

F. Study grant

Since 1992, payments in the Children branch have included a study grant for single-parent families for children aged 6-14. Since August 1998, the grant is also paid to families with four or more children who receive one of the following National Insurance benefits: income support, maintenance (alimony) payments, disability allowance, old-age pension or survivors' pension. The grant is given as a one-time payment just before the start of the school year, to help eligible

families with the purchase of school supplies. For children aged 6-11, the grant is 18% of the basic amount (NIS 1,323 in 2008), and for those aged 12-14, 10% of this amount (NIS 735).

In 2008, the National Insurance Institute paid study grants to about 80,400 families, of which about 56,000 were single-parent families, and the others were families with four or more children, who were receiving subsistence benefits. The number of children for whom the grant was paid increased from 141,000 in 2007 to 145,500, in 2008. Of all children who received the study grant, about 58% (some 85,000 children) received the increased grant.

G. Scope of payments

The data in Table 7 show that in 2008 payments of child allowances decreased in real terms by about 2%, compared with 2007. There were two reasons for this decrease: firstly, the entry of *new children* into the system, for whom a lower rate of allowance was paid than for *veteran children* who are leaving the system. (This of course refers to the third and subsequent children in the families.) The second reason is the real decline of 22% in payments of the increment to the child allowance, from about NIS 58 million in 2007 to about NIS 45 million in 2008.

The decrease in the scope of payments of child allowance is reflected also in the relative share of payments by this branch as a proportion of all payments by the National Insurance Institute. This share decreased from about 16.8% in 2001 to 11.4% in 2004, and then to 10.5% in 2008. The share of child allowance payments in 2008 remained similar to that of 2007.

Table 7
Child Allowance Payments (NIS million, 2008 prices), 2000-2008

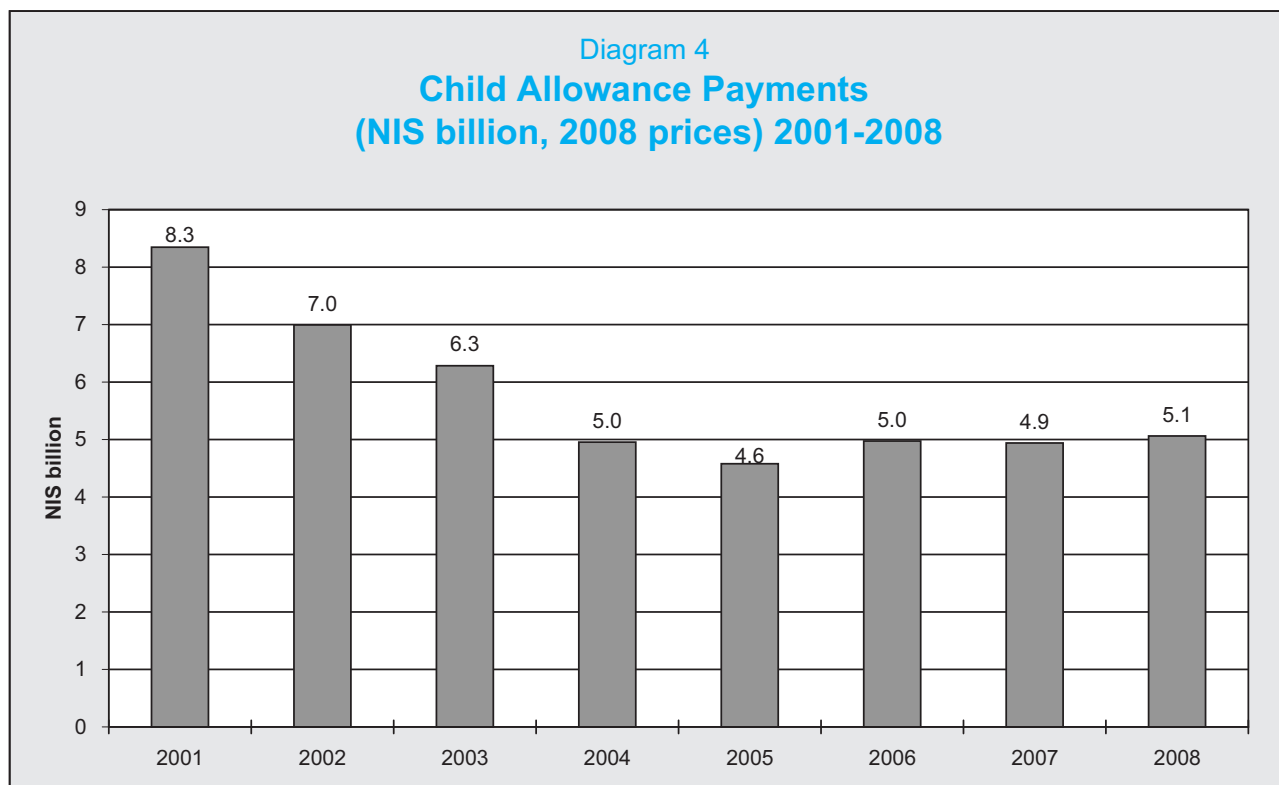
Year	Overall total		Child allowance		Study grant	
	Current prices	2008 prices	Current prices	2008 prices	Current prices	2008 prices
2000	6,937.6	8,085.1	6,808.7	7,934.9	128.8	150.1
2001	7,571.3	8,726.2	7,415.5	8,546.6	155.8	179.5
2002	6,705.7	7,312.6	6,553.7	7,146.9	151.9	165.7
2003	6,067.8	6,572.1	5,914.4	6,406.9	152.6	165.3
2004*	4,764.9	5,183.1	4,612.2	5,017.0	152.7	166.1
2005	4,460.7	4,788.5	4,308.2	4,624.9	152.4	163.6
2006	4,947.0	5,201.0	4,791.2	5,037.1	155.8	163.8
2007	4,940.5	5,167.4	4,783.3	5,003.0	157.1	164.3
2008	5,062.2	5,062.2	4,896.7	4,896.7	165.5	165.4

* From 2004, payments include, in addition to child allowances and study grants, also payments for increment to child allowance.

Diagram 4 shows annual payments for child allowances in 2001-2008, in fixed prices. The changes in the scope of these payments reflect the series of cutbacks carried out in the period 2002-2005. The sharpest decline was in 2004, as a result of which the scope of payments fell by over 20%. In

2006, payments increased by about NIS 400 million, due to the increase in the allowance for the first three children.

Without the cutbacks in economic programs in recent years, the forecast expenditure on child allowances in 2008 would have been more than NIS 8 billion, double the actual figure.



5. Maternity Insurance

A. General

In the framework of maternity insurance, new mothers receive the following benefits:

Hospitalization grant – This grant is intended to cover the costs of the birth and the hospitalization for mother and child, and it is paid directly to the hospital. Since December 1993, the grant has been larger in the case of a premature birth. In the first two years following the introduction of the National Health Insurance Law (in January 1995), hospital fees for new mothers and their babies, including premature babies, were included in the basket of health services defined in the Law. The National Insurance Institute paid these fees out of the amounts collected by the Maternity branch, which were then transferred to the Ministry of Health. Since January 1997, the hospitalization grant has again been paid directly to the hospitals. When the birth occurs overseas, the hospitalization grant is paid directly to the mother who submits a claim.

The amount of the hospitalization grant changes as follows:

1. In January each year, it is updated according to the formula defined in the Law, so that the amount paid for normal births, plus the supplement for premature births, is equal to the amount that would have been paid for these births if there were no difference in the grant for normal and premature births.
2. Whenever the Ministry of Health changes the price of a general hospitalization day, the amount of the grant changes accordingly.

Since April 2005, in the framework of the Economy Arrangements Law, the grant for a premature birth has been increased by about 50%. The additional cost amounts to about NIS 115 million per annum; it is fully financed by the Ministry of Finance.

Since January 2007, in the framework of the Economy Arrangements Law, the hospitalization grant has been increased by 12.1%. The additional cost amounts to NIS 151.6 million per annum, and it is fully financed by the Ministry of Finance.

Cost of transport to the hospital – The National Insurance Institute also participates in the cost of transporting the pregnant woman to hospital for the birth. In 2008, the conditions of eligibility for this assistance were relaxed. Before that, women about to give birth were only entitled to transport if they lived a long way from the hospital. Since March 16, 2008, every pregnant woman is entitled to transportation to the hospital nearest to her place of residence.

Birth grant – The grant is intended for the purchase of initial equipment for the newborn, and is paid directly to the mother. Until July 2002, the rate of the grant was uniform, irrespective of the number of previous births, and was equal to 20% of the average wage under the NI Law. From August 2003, there was a change in the grant for the second and subsequent births, and it was equal to 6% of the average wage. In January 2004, the grant, for the second child only, was increased to 9% of the average wage. When two or more infants are born together, the birth grant

is higher: for twins – an amount equal to the average wage, and for each additional child – another 50% of the average wage. Since January 2006, the amount of the birth grant has been calculated according to the *basic amount*.

Maternity allowance – This benefit is intended to compensate working women for their loss of earnings during maternity leave, which they must take in accordance with the Employment of Women Law. Any new mother, whether salaried, self-employed or in vocational training, is entitled to the grant if, in the period prior to the birth, insurance contributions were paid for her for the time periods stipulated in the Law. The maternity allowance is paid for 7 or 14 weeks, depending on the qualifying period the mother has accumulated by the date stipulated in the Law (before the amendment of May 2007, maternity allowance was paid for 6 or 12 weeks). Since November 1994, the daily maternity allowance replaces the full salary or the average daily income of the mother in the three months before she stopped working (on or before the date of giving birth), and no more than the maximum stipulated in the Law. Income tax at source and national and health insurance contributions are deducted from the maternity allowance. The mother can start to receive the maternity allowance before the estimated date of birth, but for no more than half the period of her entitlement. In certain circumstances, the maternity leave can be extended by four weeks at the most. Since 1998, men who share the maternity leave with their spouses can receive the maternity allowance, on condition that the mother has returned to work. Foreign residents are also entitled to the maternity allowance; however, the Economy Arrangements Law of 2003 stipulates that if they are not in Israel legally they are not entitled to a maternity allowance or a birth grant while they are in Israel.

Childbirth allowance – The allowance is paid to a woman who, in one birth, bears three or more children who survive for the period specified in the Act; it is intended to assist her with expenses. The allowance is paid each month for 20 months. The allowance is derived from the *basic amount*, and it decreases during the period of eligibility.

High-risk pregnancy benefit – This benefit is paid to a working woman who, for medical reasons relating to her pregnancy, is obliged to stop working for at least 30 days and for that time she receives no income from her employer or any other source. The qualifying period for eligibility for this benefit is the same as for maternity payment. From the start of 1995, the benefit was equal to the woman's average earnings in the three months prior to stopping work, and no more than 70% of the average wage. In 2000, the Law was amended and the maximum amount was specified as the full average wage; it is currently the full *basic amount*.

Special monthly allowance and special benefit – These benefits are paid if the mother dies in childbirth or within a year of the birth: a monthly allowance is paid for each infant born in that birth, equal to 30% of the average wage for 24 months. If a child is paid a survivor's or dependent's benefit, the allowance is paid for 12 months only. A special benefit is paid to the spouse of the deceased, if he has stopped working to care for the child, at the rate of injury benefit for up to 12 months. In 2008, this allowance was paid in 10 cases.

B. Main trends

In 2008, there was a further increase in the number of births per women of child-bearing age: birth grants were paid to almost 152,000 new mothers (Table 1) – an increase of 3% compared with 2007. In those years, the number of women of child-bearing age (15-44 years) increased by less than 2%. These figures match the report from the Central Bureau of Statistics, showing that the fertility rate, which had been continuously declining since the 1960s, first started to increase in 2006, from 2.84% in 2005 to 2.88% in 2006, and continues to increase.

Some 45,500 of the births in 2008 were the mother's first birth, some 42,300 were the second birth, and some 64,200 were the third or subsequent birth, as shown in Table 2. In addition, there were about 3,500 twin births, and 100 births of three or more children.

Of the hospitalization grants paid in 2008, about 2,500 were for premature births. The decrease in the hospitalization grants for premature births, which began in 2004, was halted, and their numbers increased by about 2.5% in 2007 and about 5% in 2008.

In 2008, about 94,000 women received a maternity allowance, compared with about 86,000 women in 2007 – an increase of 9%, compared with an increase of 3% in birth grants, as stated above. In other words, the proportion of women who received a maternity allowance, out of all women who received birth grants, increased from 58% in 2007 to about 62% in 2008. The average age of women receiving a maternity allowance continued to increase, to about 31 in 2008 (compared with 30 in 2007 and 28.7 in 1988), and it is similar to the average age of women giving birth in the general population. About 96% of the women who received a maternity allowance were salaried (compared with 91% of all women employed in the economy), and the remaining 4% were self-employed, members of kibbutzim, or members of a collective moshav.

Table 1
**Women Who Received Hospitalization Grant and Maternity Allowance
(monthly average) in numbers and percentages, 2000-2008**

Year	Received hospitalization grant		Received maternity allowance		
	Absolute numbers	Percent change	Total	Percentage of all women who received hospitalization grant	Percentage of all employed women*
2000	134,720	8.5	70,641	52.4	70.0
2001	132,044	-2.0	71,176	53.9	68.8
2002	134,187	1.6	71,317	53.2	68.2
2003	142,363	6.1	73,948	51.9	69.3
2004	143,387	0.7	77,505	54.1	70.6
2005	142,890	-0.3	77,025	53.9	66.8
2006	143,599	0.5	83,285	57.6	70.0
2007	147,245	2.5	88,285	58.4	69.5
2008	152,319	3.5	93,630	61.5	69.4

* Per 1,000 women. Source for the number of employed women: Statistical yearbooks of the Central Bureau of Statistics.

Table 2
Distribution of Live Births, by Order of Birth, 2000-2008

Year	Total	Order of birth (percentage)			
		1	2	3	4+
2000	100.0	30.1	25.8	18.0	26.0
2001	100.0	29.7	26.2	18.1	26.0
2002	100.0	29.5	26.2	18.1	26.3
2003	100.0	29.6	26.6	18.2	25.6
2004	100.0	29.9	26.8	18.4	25.0
2005	100.0	29.5	27.1	18.6	24.9
2006	100.0	29.2	27.4	19.0	24.4
2007	100.0	28.6	27.3	19.6	24.6
2008	100.0	29.9	27.8	19.8	22.5

During 2008, the hospitalization grant was updated twice: in January, according to the formula stipulated in the NI Law, plus an update of the hospitalization daily allowance, and in August, following the increase in the cost of a day in hospital.

In 2008, there was a nominal increase of 1.8% on average in the hospitalization grant for a normal birth and a premature birth compared with 2007, and there was an increase in the birth grant of about 7% in nominal terms and about 2% in real terms.

Table 3 shows that more than a third of the women received a daily maternity allowance of no more than half the average wage in the economy, and about a fifth of them received a maternity allowance that was higher than the average wage.

Table 3
**Women Receiving Maternity Allowance,
 by Rate of Daily Allowance as Percentage of Average Daily Wage
 (absolute numbers and percentages) 2000-2008**

Year	Total recipients (numbers)	Rate of daily maternity allowance (percentages)				
		Up to ¼ of average wage	¼ - ½ of average wage	½ - ¾ of average wage	¾ to full average wage	Above average wage
2000	70,641	7.4	29.9	28.5	16.1	18.1
2001	71,176	7.1	28.4	28.4	16.4	19.7
2002	71,377	6.9	26.5	28.6	17.1	21.0
2003	73,948	6.8	25.1	29.6	17.2	21.3
2004	77,505	7.9	26.6	29.0	16.6	19.8
2005	77,025	7.8	26.2	28.3	17.0	20.7
2006	83,285	8.7	28.2	28.1	15.4	19.6
2007	88,285	8.5	27.3	28.4	15.9	20.0
2008	93,630	7.5	25.5	27.4	16.8	22.8

From 1995, the daily maternity allowance increased from 75% of the mother's salary to her full salary. Therefore, the benefit reflects the pay of working women of child-bearing age, and the distribution of maternity allowance as a percentage of the average salary in the economy matches the distribution of salary for women of this age.

The amount of maternity allowance, like salaries, varies in accordance with demographic and employment characteristics:

- The amount of maternity allowance increases as the woman's age increases. The average maternity allowance in 2008 was NIS 212 per day, which is 80% of the average wage. For women up to the age of 24, the maternity allowance represented some 44% of the average daily wage in the economy, while for women aged over 35 it was slightly higher than the average wage.
- The maternity allowance paid in places in the center of the country was higher than the benefit paid in outlying places. In the branches in Tel Aviv, Ramat Gan and Kfar Saba, for example, the average daily maternity allowance paid was higher than the average wage, while in the branches in Bnei Brak and Nazareth it was about half the average wage.

C. Scope of payments

Table 4 shows the scope of benefits paid under the National Insurance Law in the Maternity branch by type of benefit. The figures show that, in 2008 also, there was also a steep increase in payments in this branch, particularly in maternity allowances, following the amendment to the Law that came into force in May 2007, which increased the period for payment of maternity allowances

from 12 weeks to 14 weeks, as stated above. The increase of about 7% in the number of women who received a maternity allowance also affected the scope of payments.

The share of payments by the Maternity branch in all National Insurance payments increased from 6.3% in 2006 to 7.2% in 2007 and to 8% in 2008.

Table 4
Maternity Allowance Payments in 2008 Prices (NIS million), 2000-2008

Year	Total benefit payments	Hospitalization	Layette for newborn	Maternity allowance	High risk pregnancy
2000	2,466,423	1,033,491	219,134	1,147,350	56,300
2001	2,682,643	1,109,974	267,408	1,234,119	61,830
2002	2,648,919	1,076,950	259,161	1,242,985	60,314
2003	2,623,795	1,130,945	192,705	1,232,400	58,278
2004	2,635,075	1,146,956	136,509	1,283,160	58,280
2005	2,755,835	1,274,770	131,730	1,274,275	62,845
2006	2,962,167	1,339,508	143,576	1,389,318	77,449
2007	3,470,976	1,573,787	143,466	1,651,821	88,807
2008	3,849,178	1,557,442	150,754	2,017,307	113,368

6. General Disability Insurance

A. Benefits

The following benefits are payable by law within the framework of general disability insurance:

- a. Disability pension, which is intended to guarantee a minimum income for subsistence to persons with disabilities;
- b. Attendance allowance, which is intended to assist such persons with their functioning in the home;
- c. Benefit for a disabled child, which is intended to assist families who care for their disabled child at home;
- d. Mobility allowance – to assist persons with impeded mobility outside the home.

In addition to these benefits, the law grants eligibility for rehabilitation to those disabled persons who have rehabilitative potential, in order to help them integrate into the labor market. Within the framework of the Disability branch, benefits have also been paid since 1994 by virtue of the Israel Tinea Capitis Compensation Law, and, since 2007, compensation for persons affected by poliomyelitis as well.

1. Disability Pension

Under disability insurance, a distinction is made between two major categories: "disabled wage earners" and "disabled housewives." The benefit eligibility test is different for each category.

Disabled wage earner: an insured person, who, as a result of a physical, cognitive, or mental impairment deriving from an illness, accident, or congenital defect, meets one of the following conditions: (a) He/she is incapable of earning a living from employment or an occupation, and earns no more than 25% of the "average wage," as this term is defined in the National Insurance Law; or (b) his/her capacity to earn a living from employment or from an occupation, and his/her actual earnings, were reduced by at least 50% as a result of the impairment.

Housewife: a married woman who has not worked outside her household during periods defined by law and who, as a result of a physical, cognitive or mental impairment deriving from an illness, accident, or congenital defect, lacks the capacity to function and to perform customary chores in an ordinary household, or whose capacity to perform these chores has been reduced by at least 50%.

The process of determining a wage earner's or housewife's entitlement to a disability pension includes two stages. During the first stage, a physician working on behalf of the National Insurance Institute determines the degree of medical disability. A disabled wage earner's entitlement to a pension is examined if he/she has been determined to have a medical disability of at least 60%. If the disabled person has one impairment, for which the degree of medical disability is at least 25%,

then the requisite degree of medical disability is 40%. The threshold of medical disability for a housewife is 50%. A claim submitted by a person whose degree of medical disability was determined to be lower than the said threshold is rejected forthwith and his/her earning capacity/household functioning is not examined.

Once the degree of medical disability has been determined, the claims officer determines the degree of incapacity to earn/function, after consulting with the authorized physician and the rehabilitation officer. When determining the degree of incapacity, under certain conditions, the judgment of the rehabilitation officer may be influenced by other factors, such as the unemployment rate in the area where the disabled person lives. The pension rate payable to a disabled person with 100% incapacity is prescribed by law at 26.75% of the *basic amount*.¹

In 2002, as a result of a nationwide strike by persons with disabilities, an additional monthly pension was added for disabled persons with at least 75% incapacity who are not hospitalized and whose degree of medical disability is at least 50%. The rate of this payment varies according to the degree of medical disability. In 2008, it ranged between NIS 214 and NIS 316 per month.

2. Attendance allowance

Pursuant to the Attendance Allowance for the Disabled Regulations, a special allowance is paid to recipients of a disability pension whose medical disability is at least 60% and who are dependent to a great extent on the help of others in order to perform daily activities. The allowance has three levels, depending upon the degree of dependency on others: 50%, 100%, and 150% of the full disability pension for a single individual, which is 25% of the *basic amount*.

In 2002, as a result of the nationwide strike by persons with disabilities, an additional monthly pension was added under the General Disability Law for those who are entitled to an attendance allowance and who suffer from particularly severe disabilities. This benefit, too, varies according to the degree of dependency on others, and, in 2008, it ranged between about NIS 261 and NIS 791 per month.

3. Benefit for disabled child

This benefit is intended to assist families, who are caring for their disabled child, to bear the difficult burden of nursing or any other treatment intended to improve the child's functional capacity, as well as to encourage families to care for their children within the home and the community.

1 See footnote 25 in Chapter 1.

A child is entitled to benefit for disabled child if he/she meets all of the following conditions:

- a. He/she is dependent upon the help of others or needs constant supervision, or suffers from a particular impairment (such as a hearing impairment, visual impairment, Down syndrome, etc.), or needs medical treatment as specified in the regulations (detailed below).
- b. He/she is the child of an insured person who is a resident of Israel (or of an insured resident who has died), or he/she is a new immigrant who immigrated to Israel without his/her parents.
- c. He/she lives in Israel.
- d. He/she has not been placed with a foster family or in an institution.

Five groups of children are entitled to benefit for disabled child:

- a. **A child between the ages of 91 days and 3 years who suffers from a severe developmental delay:** he/she does not perform most of the actions or movements of the head, limbs and back that children of the same age are capable of performing;
- b. **A child between the ages of 91 days and 18 years who requires constant supervision** in order to prevent a life-threatening situation to him/herself or to others;
- c. **A child between the ages of 3 and 18 who is more dependent upon the help of others than other children of the same age** in order to perform daily activities (dressing, eating, bathing, mobility in the home and continence), or who requires the constant attendance of others due to an impairment or disease, or due to impaired comprehension of immediate risk factors;
- d. **A child up to the age of 18 who suffers from one of the following impairments:** hearing impairment (since the day of birth); visual impairment (since the age of 90 days); psychosis; autism or similar psychiatric conditions (since the age of 90 days); Down syndrome (since the day of birth);
- e. **A child between the ages of 91 days and 18 years who requires medical treatment** at the frequency prescribed in the regulations, due to a severe chronic disease.

The sum of the allowance is determined as a percentage of the full disability pension for a single individual for all types of impairment. This allowance includes a benefit for special arrangements and a benefit for assistance with studies or for developmental treatment, which varies according to the child's age and the type of treatment or supervision that he/she receives. (In August 2002, the regulations were amended, so that the benefit is no longer reduced simply as a result of the child's maturation. Until then, there were situations where the benefit was reduced just because of the change in the child's age, without considering whether a change had occurred in the disabled child's state of health.)

A family with two or more disabled children is entitled to a 50% higher payment for each of its disabled children. This payment continues even if one of the children stops receiving the benefit

because he/she has reached the age of 18. As of November 1999, a disabled child who has at least an 80% mobility impediment or who requires and uses a wheelchair is entitled to receive the benefit for disabled child and the mobility allowance simultaneously.

In 2002, as a result of the strike by persons with disabilities, an additional monthly benefit was added for disabled children who are receiving a benefit at the rate of 100%. In 2008, this additional benefit was about NIS 316 per month.

4. Allowance for persons with limited mobility

The following payments are made within the framework of assistance to disabled persons with limited mobility: (a) a mobility allowance for both vehicle-owners and non-vehicle-owners, which is provided as participation in travel expenses; (b) a standing loan for financing taxes on a vehicle purchased by the disabled person. For first-time purchasers of a vehicle, additional assistance is provided – a loan or grant for partial financing of the purchase of a vehicle, subject to a means test.

The mobility allowance is calculated on the basis of a "vehicle maintenance basket," which consists of the cost of insurance, fuel, servicing (hourly labor rates in garages), and vehicle repairs according to the repair index of the Central Bureau of Statistics. The mobility allowance is updated on the basis of the actual change in the cost of these components in the basket. As of October 2000, additional components were added to the "vehicle maintenance basket," such as protective devices and repair to special accessories. In January 2001, the decision was reached to update the allowance according to price increases as reflected in the General Price Index in January of each year, and whenever the rate of increase goes up to 4% or more.

5. Compensation for radiation-affected persons

In 1994, the Israel Tinea Capitis Compensation Law was passed in the Government; it is intended to compensate persons who contracted Tinea Capitis – ringworm of the scalp) and were given radiation treatment by the state, the Jewish Agency, the Health Funds, or the Hadassah Medical Organization, or by parties acting on their behalf, during the period January 1, 1946 through December 31, 1960.

Pursuant to this law, if a board of experts determines that a person was given radiation treatment, and a medical board or an appellate medical board determines that that person contracted an illness as a result, then that person is entitled to payments of benefits through the National Insurance Institute. The illnesses specified in the addendum to this law are various types of cancer in the head and neck, benign tumors in the brain, leukemia, and lack of hair in areas of scar tissue on the scalp.

Persons affected by radiation – and the surviving relatives of those who died as a result – are entitled to the following payments:

Payments to affected persons:

- a. A lump-sum compensation: In December 2008, the sum of NIS 165,910 was paid to persons with a disability degree of 75%-100%, while the sum of NIS 82,955 was paid to persons with a disability degree of 40%-74%.
- b. A monthly pension: In addition to the lump-sum compensation, any person with a certified disability of at least 40% is entitled to a monthly pension. For persons whose degree of disability is 100%, the amount of this pension is 25% of the average wage under the NI Law (NIS 1,916).
- c. A grant in lieu of a pension: any person with a certified disability of 5% to 40% receives a lump-sum grant, which is calculated as a percentage of the monthly pension (according to his/her certified degree of disability), multiplied by 70.

Grants to survivors:

- a. Spouse with children – 36 pension payments at a rate of 25% of the average wage under the NI Law (total grant: NIS 68,976)
- b. Spouse without children with him/her, or a child without an eligible parent – 60% of 36 pension payments at a rate of 25% of the average wage under the NI Law (total grant: NIS 41,386)

6. Compensation for polio victims

In March 2007, the government passed the Polio Victims Compensation Law to compensate persons who contracted poliomyelitis in Israel, and thus to affirm the state's responsibility towards them.

This law defines a polio victim as an Israeli resident who contracted poliomyelitis in Israel, and who has incurred a disability as a result of the disease, as determined by an authorized physician or appellate medical board. Poliomyelitis also includes post-poliomyelitis deterioration. The outbreak of the disease in Israel occurred in the early 1950s, but additional isolated cases are known to have occurred in later years.

The compensation to be granted to polio victims pursuant to this law will not reduce the rights of polio victims to receive any other benefit from the National Insurance Institute.

Payments to polio victims:

- a. Lump-sum compensation of the following sums (for 2008): NIS 51,400 to those polio victims whose degree of disability is less than 75%; NIS 102,800 to those whose degree of medical disability is between 75% and 94%; NIS 123,360 to those whose degree of medical disability is 95% or higher.

- b. Monthly pension or grant in lieu of a pension – In addition to the lump-sum compensation, any person for whom a medical disability of least 20% has been determined is entitled to a monthly pension. Any person for whom a disability of less than 20% has been determined is entitled to a grant instead of a pension.

In December 2008, the sum of the full pension was NIS 3,832 (50% of the average wage under law). The rate of the pension for a polio victim whose medical disability is less than 100% but more than 20% is calculated as a percentage of the full pension. The sum of the lump-sum grant is calculated as a percentage of the monthly pension (according to the degree of medical disability that has been determined), multiplied by 70.

In addition to these payments, the state participates in the financing of medical treatment, medical accessories and medical devices that polio victims need as a result of their illness, but that are not included in the Basket of Health. The Ministry of Finance covers this expenditure by virtue of the law and the National Insurance Institute makes the payments.

B. Recipients of benefits in the Disability branch

In 2008, the number of recipients of a general disability pension amounted to some 195,000 on average per month, which is estimated to be about 4.6% of the population of eligible age for a disability pension (18 until retirement age). This year, there was a 4% increase in the number of recipients of a disability pension. This increase is indeed lower than that of previous years, but it is higher than the increase in the relevant general population (18 to retirement age), which is estimated at about 2.5%. It should be remembered that the increase in the number of recipients derives, inter alia, from the rise in the retirement age – which is 66 and eight months for men, and 61 and eight months for women in 2008. At the end of 2008, about 7,100 women aged 60 and over and about 6,200 men aged 65 and over received a disability pension (totaling about 6.7% of all recipients of the disability pension at that time). The new recipients in 2008 composed about 7% of the disabled over age 60/65.

Table 1
**Recipients of General Disability Pension, Attendance Allowance,
 Benefit for Disabled Child or Mobility Allowance (monthly average), 2002-2008**

Year	Disability	Attendance	Disabled child	Mobility
Absolute numbers				
2002	150,512	20,614	17,510	20,901
2003	157,287	21,660	18,360	22,310
2004	162,382	22,701	19,540	23,524
2005	170,861	24,044	20,955	24,903
2006	178,263	25,648	22,208	26,078
2007	187,525	27,424	23,810	27,306
2008	194,988	29,390	25,255	28,915
Rate of change				
2002	5.7	9.2	6.5	8.2
2003	4.5	5.1	4.9	6.7
2004	3.2	4.8	6.4	5.4
2005	5.2	5.9	7.2	5.9
2006	4.3	6.7	6.0	4.7
2007	5.2	6.9	7.2	4.7
2008	4.0	7.2	6.1	5.9

The rate of increase in the number of recipients of the benefit for disabled child was lower than last year's rate of increase, but it similar to the rates of increase of the 2000s. In 2008, the number of recipients increased by 6.1% compared with 2007, and amounted to some 25,000 recipients. On the other hand, the rate of increase in the recipients of attendance and mobility allowance was higher than the rate of increase in 2007: the number of recipients of attendance allowance came to some 29,000 (an increase of about 7.2% compared with 2007), while the number of recipients of mobility allowance amounted to some 29,000 (an increase of 5.9%).

Table 2
Benefit Recipients, by Benefit Category, December 2008

Number of benefits	Benefit category	Number of recipients
Total	General Disability	197,229
One benefit only	Attendance allowance*	30,133
	Mobility allowance	29,672
	Disabled child's benefit	25,554
	Disability only	166,460
	Attendance only	5,388
Two benefits	Mobility only	10,690
	Disabled child only	21,892
	Disability and attendance	16,603
	Disability and mobility	7,275
	Attendance and mobility	1,319
Three benefits**	Disabled child and mobility	3,662
	Disability + attendance + mobility	6,823

* Attendance allowance.

** Not including payments by virtue of the Israel Tinea Capitis Compensation Law, or pursuant to the. Polio Victims Compensation Law.

Since November 1999, a disabled person who fulfills all statutory and regulatory definitions and criteria can receive more than one benefit during the same period. In December 2008, a total of 6,823 disabled persons received three benefits simultaneously –disability pension, attendance allowance and mobility allowance – while 28,859 disabled persons received two benefits. (See possible combinations in Table 2 above.)

C. General disability pension

In December 2008, the number of recipients of disability pension amounted to 197,229 – an increase of about 4.3% compared with December 2007. This rate of increase is in the average range of recent years, and is higher than the increase in the general population of the relevant ages. The percentage of recipients of general disability pension came to about 4.6% of the population.

Table 3, which gives the distribution of recipients by gender and marital status, shows that nearly 49% of recipients of disability pension are married, and that, among the men, the percentage of married men is higher than among women who receive a disability pension as wage earners (about 52% compared with 32%, respectively). It is important to point out that more than 20% of the women are receiving disability pension as housewives; that is to say, their eligibility is contingent upon their being married.

Table 3
**Recipients of General Disability Pension,
 by Gender and Marital Status, December 2008**

	Total		Percentage Married
	Number	Percentage	
Total	197,229	100.0	48.7
Men	112,842	57.2	51.7
Wage-earning women	66,987	34.0	32.0
Housewives	17,400	8.8	100.0

Table 4 shows all recipients of disability pensions by category of impairment. When determining the degree of medical disability, all of the disabled person's impairments are taken into account. The impairment that causes a person the highest degree of disability is defined as the primary impairment. When examining primary impairments among the disabled, it was found that mental impairments are the most common primary impairment. Mental impairments can be divided into two categories according to the existing impairment categories: category 33 – psychotic disorders, and category 34 – psychoneurotic disorders. In general, it can be said that psychotic disorders are usually severe disorders in terms of functioning, and range from protracted to chronic in nature. Among those suffering from a mental impairment, this is the largest group. After mental impairments, internal impairments are the next most frequent.

Distribution of the impairments by gender shows that the percentage of housewives suffering from mental retardation is lower than average (2.9% compared with 13.4% among wage-earning women, and compared with 10.3% among men). The percentage of married women suffering from an internal impairment is higher, relative to all recipients of the disability benefit – 28.9% compared with 24.9%, respectively. There is quite a high incidence of locomotoric impairment among housewives (14.3% compared with about 6.4% among men).

Table 4
Recipients of Disability Pension, by Gender and Primary Impairment
(absolute numbers and percentages), December 2008

Primary impairment	Total		Gender		
			Men	Wage-earning women	Housewives
Absolute numbers	197,229		112,842	66,987	17,400
Percentages		100.0	100.0	100.0	100.0
	Absolute numbers		Percentages		
Mental	62,686	31.8	32.5	32.0	26.6
Psychotic disorders	39,350	20.0	21.0	18.8	17.7
Psycho-neurotic disorders	23,336	11.8	11.5	13.2	8.9
Internal	49,166	24.9	27.2	20.0	28.9
Mental retardation	21,042	10.7	10.3	13.4	2.9
Neurological	24,680	12.5	12.5	12.5	13.2
Visual	10,603	5.4	5.2	5.2	7.1
Locomotoric	16,044	8.1	6.4	9.4	14.3
Urogenital	6,364	3.2	2.7	3.7	4.9
Hearing	3,892	1.9	1.8	2.4	1.4
Other	2,752	1.4	1.4	1.6	0.9

Table 5 shows the distribution of recipients of disability pension by degree of incapacity and by primary impairment. The majority of the disabled (about 81%) have a full degree of incapacity, while about 11% have a degree of incapacity of 60%.

An examination of the impairments by degree of incapacity shows that, among those who are 100% incapacitated, about 36% are those with mental impairments, while among those with low degrees of incapacity, about 12% have a degree of incapacity of 60%, and about 20% have a degree of incapacity of 65%. On the other hand, persons with locomotoric impairment only comprise about 6% of all disabled persons with 100% incapacity, and about 16% of the disabled persons with lower degrees of incapacity. These differences reflect the ability of those with various disabilities to integrate in the labor market. It is important to note that, in relation to those with internal impairments, only about 21% are 100% incapacitated, while about 45% have a degree of incapacity of 60%.

Table 5
**Recipients of Disability Pension, by Degree of Incapacity
 and by Primary Impairment (number and percentage), December 2008**

Impairment	Total	Degree of incapacity			
		60	65	74	100
Absolute numbers – total	197,229	22,679	11,375	2,487	160,688
Percentages – total	100.0	100.0	100.0	100.0	100.0
Mental – psychotic disorders	20.0	3.7	10.1	14.9	23.1
Mental – psychoneurotic disorders	11.8	7.9	9.7	10.1	12.6
Internal	24.9	45.2	39.0	30.5	21.0
Mental retardation	10.7	1.4	1.9	2.7	12.7
Neurological	12.5	9.3	10.3	13.8	13.1
Visual	5.4	5.4	5.2	7.5	5.4
Locomotoric	8.1	16.0	15.9	14.2	6.4
Urogenital	3.2	5.6	4.5	3.8	2.8
Hearing	1.9	4.3	2.4	1.2	1.6
Other	1.4	1.4	1.2	1.3	1.4

The average disability pension in 2008 was NIS 2,457 per month – a slight decline in real terms (about 1.9%) compared with 2007 (Table 6).

Table 6
**Average Monthly Disability Benefit at current prices,
 at fixed prices and as a percentage of the average wage, 2002-2008**

Year	Disability pension		
	Current prices	2008 prices	Percentage of average wage
2002	2,219.0	2,420.2	31.5
2003*	2,325.0	2,518.3	33.9
2004	2,352.0	2,557.7	33.4
2005	2,340.0	2,512.0	32.4
2006	2,398.0	2,521.3	32.1
2007	2,394.0	2,503.6	31.4
2008	2,457.0	2,457.0	31.0

* As of 2003, the payments include the sums paid for an additional monthly pension that was instituted following the statutory amendment that was enacted after the nationwide strike by the disabled.

D. Attendance allowance

In December 2008, a total of 30,133 disabled persons received an attendance allowance – about 6.7% more than the number of recipients in December 2007. About 78% of them were entitled also to a disability pension; about 4% were not entitled to a disability pension due to their earnings (special attendance allowance); while about another 18% did not receive a disability pension due to their being beyond the eligible age (61 and eight months for women and 66 and eight months for men) (attendance allowance for the elderly). A total of 6,823 disabled persons received a mobility allowance, in addition to their disability pension and the attendance allowance.

Table 7, which shows the distribution of recipients of attendance allowance according to category of recipient and eligibility level, shows that there are hardly any differences between the various categories of eligible persons in terms of levels of entitlement to the allowance, with the exception of those not eligible for a disability pension due to their income from work. In this group, those with a level of eligibility of 50% carry a greater weight.

Table 7
**Recipients of Attendance Allowance, by Category of Recipient
and Entitlement Level (absolute numbers and percentages), December 2008**

	Total		Entitlement level		
	Numbers	Percentages	50%	100%	150%
Total recipients of attendance allowance	30,133	100.0	52.0	27.5	20.5
Recipients of attendance allowance and general disability pension	23,426	100.0	51.6	27.2	21.2
Recipients of special attendance allowance	1,385	100.0	57.2	25.8	17.0
Recipients of attendance allowance for elderly	5,322	100.0	52.2	29.4	18.4

Table 8 shows the distribution of recipients of a disability pension and an attendance allowance, and, among these, the recipients of attendance allowances coupled with a mobility allowance, by category of primary impairment. By examining this distribution, differences in impairments among the various categories can be discerned. For example, persons with a neurological impairment comprise some 13% of the recipients of a disability pension, about 36% of the recipients of an attendance allowance, and about 71% of the recipients of both attendance and mobility allowances. Persons with internal impairments, who comprise about one quarter of the recipients of the disability pension and about 22% of the recipients of the attendance allowance, comprise only about 10% of those receiving both the attendance allowance and the mobility allowance. A similar trend, albeit sharper, was observed among persons with mental impairments – 32% of the recipients of a disability pension compared with about 1.5% of the recipients of both the attendance and mobility allowances.

Table 8
**Recipients of Disability Pension, Attendance Allowance, or
Attendance Allowance + Mobility Allowance,
by Primary Impairment, December 2008**

Primary impairment	Total recipients of disability pension	Recipients of attendance allowance	Recipients of attendance allowance and mobility allowance
Absolute numbers	197,229	30,133	8,142
Percentages	100.0	100.0	100.0
Internal	24.9	22.0	9.5
Urogenital	3.2	8.0	1.5
Neurological	12.5	35.7	71.4
Mental	31.8	7.6	1.5
Locomotoric	8.1	8.4	9.6
Visual	5.4	8.2	1.8
Mental retardation	10.7	9.6	4.6
Hearing	1.9	0.3	0.1
Other	1.4	0.3	0.1

Table 9
**Attendance Allowance (monthly average) at current prices,
at 2008 prices and as percentage of average wage, 2002-2008**

Year	Attendance allowance		
	Current prices	2008 prices	% of average wage
2002	1,533.0	1,672.1	21.8
2003	1,853.0	2,007.1	27.0
2004	1,855.7	1,953.6	26.4
2005	1,869.1	2,006.2	25.9
2006	1,932.7	2,032.1	25.9
2007	1,947.0	2,036.2	25.5
2008	2,010.0	2,010.0	25.4

In 2008, the average attendance allowance (including the special benefit for persons suffering from particularly severe impediments), was NIS 2,010 per month – a 1.3% decline in real terms compared with 2007. On the other hand, as a percentage of the average wage, the allowance remained stable, due to the 0.7% decline in the average wage in real terms, compared with 2007.

E. Benefit for disabled child

In 2008, an average of 25,555 children received benefit for disabled child every month – an increase of about 6.1% compared with 2007. This increase is much higher than the increase in the

children's population – which is estimated at about 1.6%. Table 10 shows that the majority of these children (about 67%) are over the age of 8, while about 8% are under age 3. About 72% of the children received a benefit at the level of 100% (a benefit equivalent to the full disability pension for a single individual) or over 100%, while about 18% received a benefit at the level of 50%. Among the children who received a benefit in December 2008, a total of 3,795 received the additional monthly benefit, because their families have more than one disabled child.

Table 10
Recipients of Benefit for Disabled Child (monthly average), by Age, 2002-2008

Year	Total	Age		
		Up to 3	8-3	18-8
2002	17,510	1,545	4,290	11,675
2003	18,360	1,465	4,576	12,672
2004	19,540	1,584	4,863	13,093
2005	20,955	1,708	5,202	14,045
2006	22,208	1,812	5,478	14,918
2007	23,810	1,898	5,847	16,065
2008	25,555	1,970	6,174	17,111

Entitlement to benefit for disabled child, unlike the entitlement to a disability pension or a mobility allowance, is not determined according to impairment categories, but rather takes into account all aspects of the child's functional capacity. Table F/4 in the Appendix of Tables details the recipients of benefit for disabled child in December 2008 by category of entitlement and by age of the child, while distinguishing between children who are studying and those who are not. In this table, we see that 43% of the children who are entitled to the benefit are eligible due to their dependence on the help of others, that about 20% are suffering from PDDs (Pervasive Development Disorders), and that about 19% are entitled to the benefit due to a sensory disability (hearing or visual).

The benefit for disabled child is calculated as a percentage of the full disability pension for a single individual. In 2008, the average payment was NIS 2,030 per month – a 1.7% decline in real terms compared with 2007.

Table 11

**Average Monthly Benefit for Disabled Child, at current prices,
at 2008 prices, and as a percentage of the average wage**

Year	Benefit for disabled child		
	Current prices	2007 prices	% of average wage
2002	1,488.5	1,623.1	21.1
2003	1,912.7	1,862.6	26.2
2004	1,929.2	2,071.7	25.7
2005	1,925.8	2,097.9	25.6
2006	1,973.3	2,067.5	24.6
2007	1,974.5	2,065.5	24.1
2008	2,030.0	2,030.0	25.6

As of 2003, the benefit includes the additional monthly benefit that was instituted by law following the nationwide strike by members of the disabled population.

F. Mobility Allowance

The average number of recipients of mobility allowance per month rose from 27,311 in 2007 to 28,917 in 2008 – an increase of about 5.9%. Table 12 shows the distribution of recipients of mobility allowance in December 2008, by age and earnings. A person with limited mobility is defined as a "wage-earner" if he/she earns a sum exceeding 25% of the average wage in the economy. About 16% are adults over the age of 65 (the majority of whom are not earning a wage) and about 13% are children under age 18. The ratio of wage earners to those not earning a wage remained the same as in 2007; i.e., 20% of all recipients of a mobility allowance are wage earners, while 80% are not earning a wage.

Table 12

Recipients of Mobility Allowance, by Earnings and by Age, December 2008

Age group	Total		Wage earner		Not earning a wage	
	Number	%	Number	%	Number	%
Total	29,672	100.0	5,899	100.0	23,773	100.0
3-18	3,879	13.1	0	0	3,879	16.3
19-34	4,247	14.3	522	8.8	3,725	15.7
35-44	3,149	10.6	786	13.3	2,369	9.9
45-54	5,141	17.3	1,662	28.2	3,479	14.6
55-64	8,551	28.8	2,420	41.0	6,131	25.8
65+	4,705	15.9	509	8.6	4,196	17.7

Table 13 shows the distribution of recipients of mobility allowance by age, by whether or not they drive a vehicle and by vehicle ownership. Also shown are recipients who receive their allowance

and have no vehicle. The table shows that about 37% of those with no vehicle and about 31% of those who do not drive are children up to age 18. Among those who are drivers themselves, the 45 to 64 year olds are the largest categories. The percentage of recipients age 65 or over is about 16% (22% of the drivers and about 10% of the non-drivers). In this context, it should be noted that, since 2002, the entitlement to continued assistance for those who reached age 65 is no longer contingent upon their holding a valid driver's license, so that the category of recipients of age 65 and over who have no vehicle and no driver's license is fairly new.

Table 13
**Recipients of Mobility Allowance, by Driving and by Age
(absolute numbers and percentages), December 2008**

Age group	All recipients		Drivers		Non-drivers		No vehicle	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Total	29,672	100.0	18,060	100.0	6,034	100.0	5,578	100.0
3-18	3,879	13.1	2	0.0	1,839	30.5	2,038	36.5
19-34	4,247	14.3	1,794	10.0	1,413	23.4	1,040	18.6
35-44	3,169	10.6	2,134	11.8	469	7.8	546	9.8
45-54	5,141	17.3	3,878	21.5	597	9.9	666	11.9
55-64	8,551	28.8	6,410	35.5	1,139	18.9	1,002	18.0
65 +	4,705	15.9	3,842	21.3	577	9.6	286	5.1

Table 14 shows the distribution of recipients of mobility allowance by characteristics of their driving between 2003 and 2008. This table shows that the non-driver category makes up about 39% of all recipients of a mobility allowance, while the driver category comprises about 61%. This ratio between drivers and non-drivers has not changed since 2007. The percentage of recipients with no vehicle has also remained the same in 2008, after the rapid increase that characterized this category in the early 2000s.

About 53% of the drivers have a medium-sized vehicle (1,300 to 1,799 cc); about 40% have a small vehicle, while the remainder have large vehicles. It should be noted that a significant increase has occurred in the percentage of owners of vehicles whose volume exceeds 2,000 cc, mainly due to the increased use of van-type vehicles. The number of recipients of the mobility allowance who have a van was 219 in 1999; the number rose to about 640 in 2001, and by December 2008, the number of recipients of mobility allowance who own a van amounted to 3,808.

Table 14
**Recipients of Mobility Allowance, by Driving
 (absolute numbers), 2003–2008**

	2003	2004	2005	2006	2007	2008
Total	22,313	23,523	24,901	26,080	27,311	28,917
Drivers	14,883	15,435	15,851	16,319	16,858	17,668
Non-drivers	7,427	8,089	9,501	9,759	10,449	11,248
thereof: Don't own a vehicle	4,090	4,284	4,610	4,892	5,109	5,448

The average mobility allowance in 2008 was NIS 1,648, an increase of 2.8% in real terms compared with 2007.

Table 15
**Average Monthly Mobility Allowance,
 at current prices and at 2008 prices, 2002-2008**

Year	Mobility allowance	
	Current prices	2008 prices
2002	1,353.4	1,476.1
2003	1,440.9	1,560.4
2004	1,461.0	1,588.8
2005	1,481.0	1,589.9
2006	1,513.3	1,591.2
2007	1,533.6	1,603.8
2008	1,648.6	1,648.6

G. Benefit for radiation-affected persons

In December 2008, the number of recipients of benefit for radiation-affected persons amounted to 3,543: 5.7% higher than the number of recipients of this benefit in December 2007. Table 16 shows that all recipients of this benefit are at least 45 years old. Women comprise some 62% of the recipients, while the men are slightly older than the women.

Table 16
**Recipients of Benefit for Radiation-affected Persons,
 by Gender and Age, December 2008**

Gender	Total	Age		
		45-55	55-60	+60
Numbers – total	3,543	192	904	2,447
Percentage of whom are women	61.5	66.7	67.0	59.1

Table 17
**Recipients of Benefit for Radiation-affected Persons,
 by Primary Impairment and Degree of Medical Disability, December 2008**

Primary impairment	Total	Degree of Medical Disability (%)					
		40-49	50-59	60-69	70-79	80-89	90-100
Numbers – total	3,543	1,545	737	500	311	203	247
Percentages	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Internal	13.7	3.8	11.1	21.4	25.4	24.6	44.1
Neurological	10.9	2.8	9.0	15.6	19.3	31.0	30.8
Mental	26.9	29.9	32.7	24.6	22.2	14.7	7.3
Scars, diseases and skin injuries	32.2	42.1	35.3	29.2	17.7	11.8	2.2
Other*	16.3	21.4	11.9	9.2	15.4	12.9	15.6

* Including locomotoric impairments, visual and hearing impairments, mental retardation, etc.

Table 17 shows that 44% of the recipients of this benefit have a medical disability of 40%-49%, while another 21% of the recipients have a medical disability of about 50%-59%. Approximately 32% suffer from skin problems, while another 27% suffer from mental problems. Among the most severely disabled (with a degree of medical disability of 90%-100%), about 75% suffer from internal or neurological problems.

About 25% of the recipients of the benefit to radiation-affected persons receive at least one additional benefit, as shown in Table 18.

Table 18
**Recipients of Benefit for Radiation-affected Persons,
 by Category of Additional Benefit, December 2008**

Number of additional benefits	Benefit category	Number of recipients
Total	Radiation-affected persons	3,543
No other benefit		2,663
One additional benefit only	General disability pension	600
	Attendance allowance	63
	Mobility allowance	34
Two additional benefits	General disability and attendance	98
	General disability and mobility	33
	Attendance and mobility	11
Three additional benefits	General disability, attendance and mobility	41

The average benefit in December 2008 was about NIS 1,103 – a decline of about 2.7% in real terms compared with 2007. The total payments for radiation-affected persons amounted to some NIS 101 million in 2008.

H. Polio victims' benefit

In December 2008, the number of recipients of the polio victims' benefit amounted to 2,954. As expected, the majority of the recipients (64%) are at least 55 years old. About 62% of the recipients have a certified degree of medical disability of at least 80%. Some 78% of the recipients of this benefit receive at least one additional benefit. As Table 19 shows, the most common additional benefit is the mobility allowance (70% receive the mobility allowance).

Table 19
**Recipients of Polio Victims' Benefit,
 by Category of Additional Benefit, December 2008**

Number of additional benefits	Benefit category	Number of recipients
Total	Polio victims	2,954
No additional benefit		535
One additional benefit only	General disability pension	301
	Attendance allowance	6
	Mobility allowance	973
Two additional benefits	General disability and attendance	46
	General disability and mobility	553
	Attendance and mobility	154
Three additional benefits	General disability, attendance and mobility	386

In December 2008, the average benefit totaled NIS 2,801, which is 35.4% of the average wage in the economy. In 2008, the total payments for polio victims reached some NIS 207 million.

I. Scope of Payments

In 2008, payments of some NIS 9.3 billion were made in the Disability branch, a sum that, in real terms, is 1.8% higher than that paid in 2007.

Table 20
**Total Payments in Disability Branch,
and Percentage of All National Insurance Benefits, 2002-2008**

Year	NIS million (2008 prices)	Annual growth rate in real terms (percentage)	Ratio of Disability branch payments to all benefit payments
2002	7,427.6	8.9	14.9
2003	7,656.9	3.1	16.4
2004	7,799.2	0.9	17.2
2005	8,050.5	4.2	18.0
2006	8,517.3	5.8	18.3
2007	9,166.9	7.6	19.2
2008	9,329.0	1.8	19.2

Table 20 shows that the percentage of benefit payments in the Disability branch out of all benefit payments has steadily increased since 2002 and amounted to 19.2% in 2008. The reason for this growth is that this branch's benefits were not reduced during this period, and they even increased as a result of the additional benefits granted to the disabled following their strike. As opposed to this, substantial cutbacks have been made in recent years in some of the other benefit branches (Children, Unemployment, Income Support, etc). The increase in the number of recipients also contributed to some extent to the increase in payments. For example, the number of recipients of disability pension increased by about 29% between 2002 and 2008, and the number of recipients of benefit for disabled child increased by 44% during the same period.

Table 21
Disability Branch Payments, by Type of Payment (percentages), 2002-2008

Year	Total	Disability and rehabilitation	Mobility	Attendance	Disabled child	Fund for the Development of Services
2002	100.0	75.9	9.2	7.1	6.4	1.4
2003	100.0	75.0	9.1	7.3	7.3	1.3
2004	100.0	74.2	9.5	7.5	7.4	1.4
2005	100.0	73.9	9.5	7.6	7.6	1.4
2006	100.0	72.8	10.5	7.9	7.6	1.2
2007	100.0	73.4	10.2	8.0	7.5	0.9
2008	100.0	72.4	10.9	8.3	7.6	0.8

A review of the distribution of expenditure in the Disability branch by category shows that the payments of disability and rehabilitation pensions declined in 2008 compared with 2007, reaching some 72.4% of the branch's total expenditure. The downtrend that began many years ago – but took an exceptional upward swing in 2007 – resumed in 2008.

7. Work Injury Insurance

A. General

Work injury insurance grants an insured person who is injured at work the right to an allowance or other defined assistance, according to the nature of the injury. The allowances and assistance are:

- a. **Injury allowance** – paid to a salaried or self-employed worker who as a result of a work accident is unable to engage in his occupation or other suitable work. The worker – whether salaried or self-employed – is entitled to injury allowance for one injury for 91 days (13 weeks) at the most. Until January 31, 2002, anyone who was injured was entitled to injury allowance for a maximum period of 26 weeks. The injury allowance is equal to 75% of the injured person's income in the three months prior to the injury.

In 2005, the law was amended, and the period of eligibility for injury allowance at the employer's expense was increased from 9 days to 12 days. Anyone without an employer, such as a self-employed person, is not entitled to payment for the first 12 days.

During the period 2002-2007, injury allowance was reduced by 4%. On December 31, 2007, this reduction order expired.

- b. **Disability pension** – paid to work accident disabled persons whose injury renders them disabled for a defined period or permanently. Disability pensions are: a temporary disability pension, paid to work accident disabled persons who are defined as having a temporary disability degree of at least 9%; a permanent disability pension, paid to work accident disabled persons who are defined as having a permanent disability degree of at least 20%; disability grant, paid to anyone who is defined as having a permanent disability degree of 9%-19%; a special pension and grant for one-time arrangements, paid to work accident disabled persons (in addition to their monthly pension) whose disability degree is 75% or more. The amount of the temporary or permanent disability pension is determined on the basis of the disabled person's income in the three months prior to the injury: the full disability pension for a disabled person whose disability degree is 100% is 75% of his earnings in the determining period; the pension of a disabled person whose disability degree is less than 100% is calculated on a pro rata basis.

Payments of **disability grants** for work injuries have undergone far-reaching changes in recent years. Until 2003, the grant was equal to 70 pension payments. Anyone injured on or after July, 1, 2003 receives a grant equal to 45 pension payments (special rules were defined regarding the application to victims of occupational diseases). In 2005, the law was amended and the work disability grant and the temporary disability pension became payable starting with a disability degree of 9% instead of 5% – for work accidents and occupational diseases.

In May 2008, an amendment was made to the list of tests, and items were added dealing with impairment due to AIDS, low blood pressure, overweight and obesity, pancreatic deficiency and impotence.

- c. **Dependents' benefits** – paid to the family of an insured person who is killed in a work accident or dies later as a direct result of the accident, if the family members were dependent on him for their living expenses. The full amount of the dependents' benefit is 75% of the deceased's salary in the determining period. A partial allowance is determined according to the eligibility degree. The eligibility degree for dependents' benefits is determined according to the number of dependents (for example, a widow without children is entitled to receive 60% of the full disability allowance, while a widow with three children is eligible to receive 100% of this allowance).
- d. **Medical costs (including hospitalization and medical rehabilitation)** – medical treatment is given to disabled persons through their Health Fund. The Institute, according to an agreement, pays the Health Funds for this treatment. The treatment also includes, as necessary, medical rehabilitation, recuperation, nursing, etc.
- e. **Vocational rehabilitation** – is given to a disabled person with a degree of 10% or more permanent disability, who as a result of a work accident is unable to return to his previous occupation or other work.

On January 1, 2006, the method of updating allowances for disabled persons of work accidents was changed, and they are now updated on January 1 each year:

- a. A new value was added to the definitions, the *basic amount*¹, which replaces the average wage for calculating allowances. The original basic amount is the average wage that was the basis for calculating various benefits before they were frozen in 2002-2003, and amounted to NIS 7,050. On January 1st of each year, the *basic amount* is updated according to the rate of rise in the index. In January 2008, the *basic amounts* were increased by 2.8%, which was the rate of increase in the consumer price index for the period from November 2006 to November 2007. As of January 2008, the *basic amount* is NIS 7,443.
- b. The ceiling for the daily injury allowance is calculated according to 75% of the *basic amount*, times 5 and divided by 30.
- c. In April 2008, the basis for old-age and survivors' pensions was increased (to 16.5% of the *basic amount*) and the basic old-age pension for pensioners aged 80+ was increased (to 17.5% of the *basic amount*). Changes in old-age pensions have implications for recipients of disability allowance for disabled persons of work accidents that are equal to these pensions (128 disabled persons) and recipients of dependents' benefit (72 families).

1 See footnote 25 in Chapter 1.

B. Injury allowance

In 2008, the number of people receiving an injury allowance increased to 69,740 – an increase of 3.1% compared with 2007 (Table 1).

It should be noted that, among the 63,584 salaried employees who received an injury allowance in 2008, 19,272 were employed by *authorized employees* according to Regulation 22, so that the National Insurance Institute does not reimburse the employer for the injury allowance paid for the first 12 days of eligibility. According to this Regulation, the NII may permit an employer to pay injury allowance on behalf of the Institute, and he must pay it on the dates when he usually pays wages. The employer must submit a claim to the NII for the work accident in which the employee was injured, and the NII reimburses him for any amounts paid (for the 13th day onwards) plus a commission of 2.5% of the injury allowance. If the Institute rejects the claim, the employer is not reimbursed for any payments to the employee.

In 2000, recipients of injury allowances represented 3% of all employed persons, while in 2005-2008 they represented 2.3%. The gradual decrease that began in 1996 and continued until 2008 (Table 2) occurred alongside changes in legislation – payment for the first days at the employer's expense and elimination of eligibility for this payment for anyone without an employer (in 1997 and 2005). In other words, the proportion of recipients of injury allowance among all employees fell with the decrease in the number of recipients of injury allowances and the increase in the number of employed people. The average number of days of work incapacity reached a peak in 2001 (40 days). Since then, there has been a sharp decrease (Table 1), due in part to a change in legislation (reducing the maximum period for injury allowance from 26 to 13 weeks, from February 1, 2002). The decrease in average incapacity days stopped in 2003, and from then until 2008 the average remained 34 days.

Table 1
**Employed, Recipients of Injury Allowance and Days of Work Incapacity,
2000-2008**

Year	Number of employed	Recipients of injury allowance**	Days of work incapacity	Average days of work incapacity
2000	2,519,800	76,185	2,863,296	37.6
2001	2,559,000	69,087	2,765,654	40.0
2002	2,569,200	70,025	2,594,111	37.0
2003	2,589,600	61,539	2,084,364	33.9
2004	2,634,000	65,776	2,204,345	33.5
2005	2,722,600	63,856	2,109,993	33.0
2006	2,801,000*	64,296	2,170,751	33.8
2007	2,925,100*	67,657	2,291,149	33.9
2008	3,041,000*	69,734	2,408,514	34.5

* According to CBS figures for 2008 – National Accounts. "Employed" include Israeli workers, foreign workers (reported and non-reported) and residents of Judea & Samaria and Gaza.

** Starting in 1997, includes injured workers who did not in fact receive any payment from the National Insurance Institute, due to changes in the law that year, but were approved and would have been eligible for payment had it not been for these changes. (The actual number of recipients of payment from the NII in 2008 was 58,165.)

Table 2
**Percentage Change in Recipients of Injury Allowance
 and Days of Work Incapacity, 2000-2008**

Year	Recipients of injury allowance as a percentage of all employed	Percentage change in annual average		
		Employed	Recipients of injury allowance	Average days of incapacity
2000	3.0	2.1	3.39	0.80
2001	2.7	1.6	-9.32	6.38
2002	2.7	0.4	1.36	-7.50
2003	2.4	0.8	-12.12	-19.65
2004	2.5	1.7	6.90	-0.10
2005	2.3	3.4	-2.90	-1.40
2006	2.3	2.9	0.70	2.40
2007	2.3	4.4	5.20	0.30
2008	2.3	4.0	3.07	1.77

Table 3
Recipients of Injury Allowance, by Duration of Incapacity, 1996, 2000-2008

Year	Employed under permit	Incapacity days	Injury allowance recipients	Number of incapacity days								
				0	14-1	30-15	45-31	60-46	75-61	90-76	91	92+
	Absolute numbers											
1996	2,133,800	2,990,363	92,274	72	45,401	21,862	8,228	4,643	2,941	1,889		7,528
2000	2,388,800	2,863,296	76,185	52	31,683	17,964	7,691	4,677	3,050	2,136		8,932
2001	2,398,000	2,765,654	69,087	50	26,546	16,371	7,677	4,518	3,005	2,013		8,907
2002	2,402,200	2,594,111	70,025	48	26,634	16,733	7,746	4,587	3,158	3,081	3,281	*4,757
2003	2,435,600	2,084,364	61,539	30	22,677	14,897	6,965	4,236	3,019	4,159	5,094	*462
2004	2,496,000	2,204,345	65,776	38	24,536	15,841	7,293	4,405	3,259	4,750	5,456	*198
2005	2,600,600	2,109,993	63,856	36	23,892	15,480	7,210	4,366	3,069	4,919	4,768	*116
2006	2,685,000	2,170,751	64,296	37	23,432	15,469	7,245	4,547	3,218	5,182	5,101	*65
2007	2,807,100	2,291,149	67,657	42	24,582	16,298	7,695	4,673	3,432	5,424	5,476	*35
2008	**2,916,800	2,408,514	69,734	35	24,831	16,606	7,981	4,931	3,569	5,837	5,933	*11
	Percentages											
1996			100.0	0.1	49.0	23.6	8.9	5.0	3.2	2.0		8.1
2000			100.0	0.1	41.6	23.6	10.1	6.1	4.0	2.8		11.7
2001			100.0	0.1	38.4	23.7	11.1	6.5	4.3	2.9		12.9
2002			100.0	0.1	38.0	23.9	11.1	6.6	4.5	4.4	4.7	6.8
2003			100.0	0.0	36.8	24.2	11.3	6.9	4.9	6.8	8.3	0.8
2004			100.0	0.1	37.3	24.1	11.1	6.7	5.0	7.2	8.3	0.3
2005			100.0	0.1	37.4	24.2	11.3	6.8	4.8	7.7	7.5	0.2
2006			100.0	0.1	36.4	24.1	11.3	7.1	5.0	8.1	7.9	0.1
2007			100.0	0.1	36.3	24.1	11.3	6.9	5.1	8.0	8.1	0.1
2008			100.0	0.1	35.6	23.8	11.4	7.1	5.1	8.4	8.5	0

* Individuals injured before 31.01.02 who received injury payment after that date

** From the National Accounts, Central Bureau of Statistics

Over the years, the number of "serious" injuries for which claims were submitted to the NII has increased (Table 3): in 1996, 13.4% of recipients had 61 or more days of work incapacity, while from 2001 to 2008, this applied to some 20%-22% of recipients, with a trend towards a steady increase.

Table 4 presents data about employees (source: CBS National Accounts) and recipients of injury allowances among residents of Israel, residents of the Palestinian territories and foreign workers in the years 2000-2008. The proportion of recipients of injury allowances among foreign employees and residents of the Palestinian territories was low in all those years. It might have been expected that the rate of injury allowance recipients in those groups, taking into account the relatively dangerous economic branches (agriculture and construction) in which they work, would be at least similar to that of Israeli residents. The low rate apparently reflects the under-reporting by this population of injuries at work, probably deriving from ignorance of their rights, fear of losing their jobs if they are absent following an accident, their illegal status and fear of their fate if their illegal presence in Israel becomes known. In the case of serious accidents, they have no choice but to seek medical treatment and submit claims for injury and disability allowances. The NII directly pays the one-time emergency room treatment costs for foreign workers, and, since April 2008, also for workers from the Palestinian territories injured in work accidents, who have not submitted claims for injury allowances. From this source alone, we know that in 2008 about 2,280 foreign workers were treated in hospital emergency rooms, more than three times the number of foreign workers who received injury allowances in 2008. It should be noted that among residents of Israel who seek medical treatment, the ratio between those who submit claims to the NII and those who do not submit claims is about 1:1.

From April 1, 2008,, the same rules have applied to medical treatment by Clalit Health Services for work accident disabled persons from the Palestinian territories and foreign workers. Since April 2008, about 390 residents of the territories have been treated in hospital emergency rooms.

Foreign workers are covered by work injury insurance, even if they are illegally in Israel. Until February 28, 2003, foreign workers and residents of the territories who were injured at work were eligible for the full benefits given to all disabled persons of work accidents, whether or not they had work permits. Since March 1, 2003, the benefit has been denied to unreported foreign workers: once they leave the country, they are paid any benefit for which they are found eligible starting from the date of leaving, but excluding the period for which the benefit was denied. The gradual decline in the number of foreign workers in the years 2002-2006 was expected, following amendments to the legislation and the activities of the Immigration Police. In 2007, an increase was again observed, which continued to the end of 2008. The number of workers from the Palestinian territories has gradually increased since 2002, with an increase of about 24% in 2008, compared with 2007.

In 2005, a clause was added to the National Insurance Law, applying work accident insurance to foreign workers and residents of the territories working for an Israeli employer in the Judea & Samaria region. (Until the change in the Law, these workers were not insured for work accidents.)

Table 4
**Employees, Recipients of Injury Allowance and Days of Work Incapacity,
 by Type of Residency, 2000-2008**

	Total	Israeli residents	Residents of the territories	Foreign workers
2000				
Employees*	2,519,800	2,217,900	95,900	206,000
Recipients of injury allowance	76,185	73,680	1,552	953
Recipients of injury allowance as % of all employees	3.0	3.3	1.6	0.5
Average days of incapacity	37.6	37.4	46.5	33.7
2001				
Employees*	2,559,000	2,264,900	47,800	246,300
Recipients of injury allowance	69,087	67,847	290	950
Recipients of injury allowance as % of all employees	2.7	3.0	0.6	0.4
Average days of incapacity	40.0	40.0	56.1	37.3
2002				
Employees*	2,569,200	2,284,400	30,300	254,500
Recipients of injury allowance	70,025	68,900	146	979
Recipients of injury allowance as % of all employees	2.7	3.0	0.5	0.4
Average days of incapacity	37.0	37.0	63.4	36.8
2004				
Employees*	2,634,000	2,400,800	37,400	195,800
Recipients of injury allowance	65,776	65,142	262	372
Recipients of injury allowance as % of all employees	2.5	2.7	0.7	0.2
Average days of incapacity	33.5	33.4	53.1	34.5
2005				
Employees*	2,722,600	2,493,600	46,300	182,700
Recipients of injury allowance	63,856	63,267	178	411
Recipients of injury allowance as % of all employees	2.3	2.5	0.4	0.2
Average days of incapacity	33.0	33.0	52.1	33.3
2006				
Employees*	2,801,000	2,573,600	47,100	180,300
Recipients of injury allowance	64,296	63,522	175	599
Recipients of injury allowance as % of all employees	2.3	2.5	0.4	0.3
Average days of incapacity	33.8	33.8	44.8	28.4
2007				
Employees*	2,925,700	2,682,000	50,500	193,200
Recipients of injury allowance	67,657	66,868	246	543
Recipients of injury allowance as % of all employees	2.3	2.5	0.5	0.3
Average days of incapacity	33.9	33.9	42.5	27.8
2008				
Employees*	3,041,000	2,777,100	62,600	201,300
Recipients of injury allowance	69,734	68,709	354	671
Recipients of injury allowance as % of all employees	2.3	2.5	0.6	0.3
Average days of incapacity	34.5	34.5	50.7	27.6

* Source: National Accounts – Central Bureau of Statistics.

In 2008, the average number of days of work incapacity among foreign workers was lower than that of Israeli residents, although it might have been expected to be higher, because of the types of work they are engaged in. The average number of incapacity days among residents of the Palestinian territories (Judea and Samaria) remained quite high, although their occupations are similar to those of foreign workers.

Another population group for which it is hard to obtain data regarding safety at work are the employees of manpower companies and manpower contractors. Manpower surveys by the Central Bureau of Statistics identify these employees by the question "Who pays your wages?". In the work injury system of the NII, manpower companies are not identified by a special code (the employer's economic branch or legal status), and we are therefore unable to check whether these employees are exposed to the same risks as are employees who are paid by their workplace, or whether the fact that they are "outsiders" for the employer leads to a reduction in the employer's responsibility for their safety. The figures from the Central Bureau of Statistics² show that the number of people receiving their wages from manpower companies increased from 41,500 in 2004 to 50,000 in 2007 (an increase of 20.5%). These are employees who are placed in a workplace and receive their wages from a manpower company or manpower contractor, while the workplace is responsible for the performance of their work and their safety. About a quarter of the people employed by manpower companies work in industry. There is also a problem with contracting companies that provide services rather than workers, and therefore the obligations applying to manpower companies, particularly the obligation to obtain a license, do not apply to them. The condition for obtaining and renewing a license is compliance with the laws relating to employment and safety at work.

The definition of workers who receive their wages from manpower companies does not include employees of sub-contractors, since the contractor is responsible for the performance of their work and for their safety. These are workers who are mainly employed in two secondary economic fields: security, guarding and cleaning, and home care-giving services. In 2007, 112,000 people were employed in these fields.

Table 5 distinguishes between salaried and self-employed recipients of injury allowances. From 1997, the number of self-employed who received injury allowances decreased from 9,483, to 6,150 in 2008 (a decrease of about 35%), and the percentage of self-employed among all recipients of injury allowances decreased from 11.3% to 8.8%. This decrease was apparently influenced by changes in the law regarding the first nine days and the first 12 days, and also by a wave of small business closures in periods of economic recession. The average number of days of work incapacity among the self-employed is about 47% higher than among salaried workers (48 days compared with 33, respectively). This difference is also apparently due to the fact that the self-employed tend not to submit claims to the National Insurance for short absences (less than 12 days).

2 From Table 2.50: Annual Civilian Workforce, Central Bureau of Statistics, and "New at the CBS", Manpower Survey 2007.

Table 5

Recipients of Injury Allowance, by Work Status and Days of Work Incapacity, 2008

Type of insured	Recipients of injury allowances		Average days of work incapacity
	Absolute numbers	Percentage	
All recipients	69,734	100.0	34.5
Salaried	63,584	91.2	33.2
Self-employed	6,150	8.8	48.6

Between 1997 and 2008, no significant changes were observed in the distribution of salaried work accident disabled persons among different economic branches. About 22% of the injured worked in industry, 14% in commerce and workshops, 12% in business services (including recruitment and provision of manpower services, as well as security, guarding and cleaning activities) and 10% in construction. In terms of the severity of the injury (measured here by the number of days of work incapacity), the construction industry takes first place (45 days), followed by community services, which include professional sports activities (38 days), transport and storage (about 36 days), commerce and workshops (35 days), business services and agriculture (33 days each) and industry (29 days).

Table 6
**Recipients of Injury Allowance, by Work Status and Economic Branch,
 December 2007 and December 2008**

Economic branch	December 2007				December 2008			
	Recipients		Incapacity days		Recipients		Incapacity days	
	Number	%	Number	%	Number	%	Number	%
Total	67,657		2,291,149		69,734		2,408,514	
Total salaried	61,661	100.0	2,007,784	100.0	63,584	100.0	2,109,484	100.0
Agriculture	2,025	3.3	65,631	3.3	2,142	3.4	69,749	3.3
Industry	13,948	22.6	412,168	20.5	14,254	22.4	416,722	19.8
Electricity and water	631	1.0	18,865	0.9	663	1.0	19,952	0.9
Construction	6,286	10.2	269,732	13.4	6,406	10.1	289,055	13.7
Commerce, repairs, vehicles	8,303	13.5	282,935	14.1	8,800	13.8	305,985	14.5
Hospitality, food	3,533	5.7	103,830	5.2	3,549	5.6	101,754	4.8
Transport, storage	4,453	7.2	158,947	7.9	4,635	7.3	165,529	7.8
Banking, insurance	901	1.5	26,626	1.3	1,030	1.6	28,015	1.3
Real estate, business services	7,444	12.1	241,229	12.0	7,701	12.1	257,757	12.2
Public service	5,580	9.0	154,665	7.7	6,004	9.4	173,102	8.2
Education	2,317	3.7	68,600	3.4	2,135	3.4	68,838	3.3
Community service	1,666	2.7	63,383	3.2	1,780	2.8	68,328	3.2
Health, welfare	4,049	6.6	120,019	6.0	4,120	6.5	129,137	6.1
Other and unknown	525	0.9	20,954	1.0	366	0.6	15,561	0.7
Self-employed	5,996		283,365		6,150		299,030	

With the increase in the number of women participating in the civilian workforce, which characterized the last two decades (from 39.2% to 46.6%), there was a parallel increase in the proportion of women among all recipients of injury allowances. The data for the second half of the 1990s and the beginning of the 2000s show that the proportion of women among all recipients increased gradually and steadily from 19.8% in 1995 to 29.6% in 2008 (Table G/2 in the Tables appendix). The median age of women receiving injury allowances is 44, while the medium age for men is 39. An examination of the distribution of men and women by age groups shows that in the younger groups (up to age 34), men account for 76%, while in the older groups (45-59 years) they account for only 64%. The average number of incapacity days is lower for women than for men: 30.9 versus 36.1. (See Table 7.)

Road accidents (during work, on the way to and from work) accounted for some 14.8% of all work accidents in 1996, while in 2008 they accounted for 21.2%. The number of road accidents on the way to work rose from about 9% of all work injuries in 1996 to 14.6% in 2008

(Table 8). On the other hand, **the number of road accidents in the course of work** remained stable (about 6%). Road accidents in general cause more severe injuries, shown by the greater number of days of incapacity than for other accidents. Also, the number of incapacity days resulting from road accidents **at work** is considerably higher than for other road accidents (39 versus 32 days). This difference is apparently due to the differences in severity of accidents on inter-urban and urban roads.

Table 7
Recipients of Injury Allowance and Employed Persons, by Age and Gender, 2008

Age	Recipients of injury allowance – numbers			Israeli employed* – numbers			Recipients of injury allowance as percentage of all employed persons		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Total	69,734	49,067	20,667	2,573,596	1,383,623	1,189,973	2.7	3.5	1.7
To 17	242	206	36	24,079	14,746	9,333	1.0	1.4	0.4
18-24	7,519	5,881	1,638	279,422	131,990	147,431	2.7	4.5	1.1
25-34	17,328	12,970	4,358	739,144	399,005	340,139	2.3	3.3	1.3
35-44	15,855	11,547	4,308	614,209	331,980	282,230	2.6	3.5	1.5
45-54	15,644	9,928	5,716	538,113	282,091	256,022	2.9	3.5	2.2
55-59	7,003	4,237	2,766	215,857	117,339	98,518	3.2	3.6	2.8
60-64	4,217	2,779	1,438	95,045	58,994	36,051	4.4	4.7	4.0
65+	1,926	1,519	407	67,726	47,477	20,249	2.8	3.2	2.0

* Source: Microdata Under Contract files, Manpower Surveys, Central Bureau of Statistics, 2006.

Table 8
**Recipients of Injury Allowance, by Location of Accident
 and Days of Work Incapacity, 1996, 2002-2008**

Year	Accidents at work			Accidents on the way to and from work		
	Total	During work*	Road accidents at work	Accidents on the way to work	On the way to work, without a vehicle	Other
1996						
Numbers	92,274	75,341	5,361	8,310	2,880	382
Percentage	100.0	81.7	5.8	9.0	3.1	0.4
2002						
Numbers	70,025	50,529	4,327	10,645	3,671	853
Percentage	100.0	72.2	6.2	15.2	5.2	1.2
Ave. incapacity days	37.0	35.9	47.1	38.5	36.0	39.3
2004						
Numbers	65,776	46,888	4,638	9,655	3,455	1,140
Percentage	100.0	71.3	7.0	14.7	5.3	1.7
Ave. incapacity days	33.5	32.8	40.6	33.3	33.9	36.7
2006						
Numbers	64,296	45,374	3,833	9,339	3,575	2,175
Percentage	100.0	70.6	6.0	14.4	5.6	3.4
Ave. incapacity days	33.8	33.4	39.1	32.3	33.9	37.5
2007						
Numbers	67,657	47,757	4,092	9,571	3,991	2,246
Percentage	100.0	70.6	6.0	14.2	5.9	3.3
Ave. incapacity days	33.9	33.4	38.9	32.9	35.4	37.0
2008						
Numbers	69,734	48,472	4,627	10,170	4,180	2,285
Percentage	100.0	69.5	6.6	14.6	6.0	3.3
Ave. incapacity days	34.5	34.3	39.1	32.2	36.1	37.7

* Injuries from work accidents other than road accidents.

Since 2003, the average number of days of work incapacity has remained stable, at about 33-34 days, after decreasing from 40 days in 2001 (following the change in legislation in February 2002, which defined the maximum period for receiving injury allowances as 13 weeks).

The average injury allowance per day for the self-employed and salaried rose in 2008, partly due to a non-reduction of 4%, and the gap between them widened in favor of the self-employed, after remaining unchanged in the years 2005-2007. In 2007, injury allowances increased in real terms and as a percentage of the average salary.

Table 9
Average Injury Allowance per Day, by Work Status, 2000-2008

Year	Salaried employees			Self-employed		
	Current prices (NIS)	2008 prices (NIS)	% of average salary	Current prices (NIS)	2008 prices (NIS)	% of average salary
2000	147.4	171.9	65.1	161.6	188.5	71.4
2001	155.8	179.6	68.0	165.0	190.2	72.0
2002	157.7	172.1	65.2	170.5	185.9	70.4
2003	153.0	165.8	62.8	167.6	181.6	68.8
2004	151.6	164.8	62.4	174.2	189.5	71.8
2005	152.6	163.8	62.0	159.7	171.5	65.0
2006	153.5	161.4	61.1	161.5	169.8	64.3
2007	159.9	167.2	63.3	167.9	175.6	66.5
2008	174.6	174.6	66.1	199.2	199.2	75.5

C. Recipients of work disability pension

The number of recipients of permanent disability pension has been increasing steadily by more than 1,000 each year, and in 2008 reached 29,249. Most recipients of permanent disability pensions have low disability degrees, and this is even more noticeable among women: 64% of them have a disability degree of 20-39%, compared with 58% of the men, and only 9% of the men and 7% of the women have a disability degree higher than 80%. About 21% of the men receiving permanent disability pension are aged 65 and over, and 28% of the women are aged 60 and over (Table G/4 in the Tables appendix). Recipients of a disability pension from work can – when they reach the age of eligibility for an old-age pension – choose whether to continue receiving the work disability pension or to receive the old-age pension. According to the law, if the old-age pension is larger than the work disability pension, the individual can either have the disability pension capitalized and receive the old-age pension, or continue receiving a work disability pension equal to the old-age pension. In 2008, 234 disabled persons of work accidents capitalized their disability pension and began to receive the old-age pension.

Table 10
Recipients of Permanent Disability Pension, by Work Status, 2000-2008

Year	Total		Salaried employees	Self-employed
	Numbers	Annual % change		
2000	19,813	6.5	17,445	2,371
2001	20,810	5.0	18,309	2,501
2002	21,772	4.6	19,140	2,633
2003	22,960	5.5	20,176	2,784
2004	24,003	4.5	21,083	2,920
2005	25,179	4.9	22,120	3,059
2006	26,442	5.0	23,216	3,227
2007	27,799	5.1	24,406	3,393
2008	29,249	5.2	25,665	3,584

The average permanent disability pension in 2008 was NIS 2,895 for salaried employees and NIS 3,204 for self-employed. In real terms and as a percentage of the average salary, the pension rose for the self-employed and fell for the salaried employees. As in previous years, in 2008 the pensions for the self-employed were higher than for the salaried employees.

Table 11
**Amount of Permanent Disability Pension,
by Work Status (monthly average), 2000-2008**

Year	Salaried employees			Self-employed		
	Current prices (NIS)	2008 prices (NIS)	% of average wage	Current prices (NIS)	2008 prices (NIS)	% of average wage
2000	2,416.7	2,817.0	35.6	2,715.1	3,164.7	40.0
2001	2,667.1	3,074.8	38.8	3,019.3	3,480.8	43.9
2002	2,686.5	2,930.1	37.0	3,028.6	3,303.4	41.7
2003	2,743.0	2,971.0	37.5	3,074.7	3,330.2	42.0
2004	2,752.3	2,993.2	37.8	3,086.0	3,356.0	42.4
2005	2,740.6	2,942.1	37.1	3,086.4	3,313.3	41.8
2006	2,817.4	2,962.3	37.4	3,144.4	3,306.2	41.7
2007	2,823.0	2,952.3	37.3	3,131.1	2,994.0	37.8
2008	2,894.8	2,894.8	36.6	3,204.1	3,204.1	40.5

D. Recipients of disability grants

The disability grant is paid to disabled persons of work accidents whose disability degree is stable and less than 20%, but not less than 9%. The amounts of the grants and eligibility for them have undergone far-reaching changes in recent years. Until the enactment of the Recovery Plan for the Economy Law in June 2003, the grant was equal to 70 monthly pension payments. The Law stipulated that anyone injured from July 1, 2003 onwards would receive a grant equal to 43 pension payments. As a result of this legislative change, there has been a steep decline in the average disability grant. In 2008, 8,522 grants were paid for various injuries – 7,453 to salaried employees and 1,069 to the self-employed. The average disability grant paid to salaried employees in 2008 was about NIS 31,000, compared with NIS 29,230 in 2007, and to the self-employed it was NIS 28,825 compared with 27,385 in 2007. While the median disability degree is the same for salaried and self-employed (10%), the salary in the three months preceding the accident was 12-13% higher for salaried employees than for the self-employed.

This Law was amended in the Economy Arrangements Law for 2005, and the work disability grant is paid starting with a disability degree of 9% instead of 5%. Most individuals with a disability degree of 5%-9% suffer primarily from locomotive disability – 83%; 3% of them have an internal injury, 11% have hearing or vision defects, and 3% have skin defects and scars. Thus the number of grants is reduced: in 2008, 8,522 grants were paid, compared with 9,995 in 2007; 87.5% of them were paid to salaried employees in both years. The number of grants will continue to fall until the Law has fully matured. The amendment came into force for work accidents that occurred on or

after April 1, 2006, and in the case of occupational diseases – for claims submitted on or after that date.

E. Recipients of special disability pension

Victims of work accidents with a disability degree of 75% or more and those with walking difficulties whose disability degree is 65%-74% are entitled, in addition to any other benefit, to financial assistance for personal assistance and travel, and also to a grant for one-time arrangements such as purchase of a car, solving housing problems and purchasing special equipment relating to their disability.

In December 2008, about 2,770 individuals who were disabled following a work accident received the special grant, for an average amount of NIS 3,125, in addition to their monthly disability pension from work. In 2008, 171 rehabilitation grants were paid, for an average amount of NIS 29,300.

F. Recipients of dependents' benefit

The number of people receiving dependents' benefits gradually increased, from 3,286 in 1985 to 4,518 in 2008. The rate of growth is about 0.8%-1.5% annually (Table 13).

Table 12
Recipients of Dependents' Benefit,, by Work Status, 2000-2008

Year	Total		Salaried employees	Self-employed
	Numbers	% annual change		
2000	4,158	1.4	3,564	594
2001	4,199	1.0	3,601	598
2002	4,253	1.3	3,647	606
2003	4,306	1.2	3,698	608
2004	4,349	1.0	3,740	609
2005	4,399	1.1	3,792	607
2006	4,446	1.1	3,834	613
2007	4,482	0.8	3,868	614
2008	4,518	0.8	3,907	611

The average monthly dependents' benefit was NIS 5,342 in 2008 for salaried employees and NIS 5,585 for the self-employed. The dependents' benefit has been eroded in real terms and as a percentage of the average salaries of the self-employed and salaried employees.

Table 13
Average Monthly Dependents' Benefit, by Work Status, 2000-2008

Year	Salaried employees			Self-employed		
	Current prices (NIS)	2008 prices (NIS)	% of average salary	Current prices (NIS)	2008 prices (NIS)	% of average salary
2000	4,446.6	5,182.9	65.4	4,826.6	5,625.7	71.0
2001	4,889.8	5,648.9	71.3	5,269.3	6,074.9	76.7
2002	4,976.5	5,427.8	68.5	5,359.0	5,845.1	73.8
2003	4,964.4	5,377.1	67.9	5,362.4	5,808.2	73.3
2004	4,955.7	5,389.2	68.0	5,353.1	5,819.2	73.5
2005	5,007.5	5,375.7	67.9	5,395.5	5,792.2	73.1
2006	5,126.7	5,390.5	68.1	5,449.8	5,730.1	72.4
2007	5,185.3	5,422.8	68.5	5,451.1	5,700.8	72.0
2008	5,342.4	5,342.4	67.5	5,585.2	5,585.2	70.5

G. Scope of payments

The total amount of payments to disabled persons of work accidents and their dependents was NIS 2.89 billion in 2008. Table 15 shows that this amount represents an increase of 0.35% in real terms, compared with 2007.

Table 14
Total Payments* to Disabled Persons of Work Accidents and Dependents (NIS thousand), 2000-2008

Year	Current prices (NIS)	2008 prices (NIS)	Real rate of change (percentage)
2000	2,212,449	2,578,931	17.60
2001	2,457,869	2,833,266	9.90
2002	2,572,500	2,805,866	-1.00
2003	2,590,000	2,805,316	-0.02
2004	2,639,114	2,869,993	2.30
2005	2,649,630	2,844,451	-0.90
2006	2,742,931	2,884,048	1.40
2007	2,753,714	2,879,834	-0.15
2008	2,889,942	2,889,942	0.35

* Includes injury allowances, disability pensions, dependents' benefits, medical expenses and rehabilitation expenses.

Table 16 shows the distribution of all payments made by the Work Injury branch by their main components: injury allowances, disability pensions, dependents' benefit, medical expenses and rehabilitation expenses. Disability pensions account for the majority of the branch's payments – 62.6% in 2008, a small increase compared with 2007. Payments of dependents' benefits remained almost unchanged in 2008, compared with 2007. Disability pensions and dependents' benefits are

the component that is paid long term (until old age and sometimes after that, as explained in section 2 above). There was a continuing decrease in injury allowances as a percentage of all payments, from 1996 (21.9%) to 2006 (9.1%), apparently due to changes in legislation mentioned in this chapter, but in 2007-2008 there was a slight increase, to 10.6%, perhaps due to the cessation of the 4% reduction in these payments. Medical expenses gradually increased from 2001 to 2005, and since then have gradually declined. In 2008, rehabilitation expenses were about 5.1% of the branch's total expenses, compared with less than 1% in 1985.

Table 15

Total Payments* in Work Injury Branch, by Type of Benefit (percentages), 2000-2008

Year	Total	Injury allowances	Disability pensions	Dependents' benefit	Medical expenses	Rehabilitation expenses
2000	100.0	17.7	53.9	11.2	13.1	4.1
2001	100.0	15.6	57.0	11.0	11.9	4.5
2002	100.0	14.4	57.5	10.9	12.4	4.8
2003	100.0	10.8	61.0	11.1	12.4	4.7
2004	100.0	10.2	62.0	10.9	12.6	4.2
2005	100.0	9.5	60.3	11.6	14.2	4.4
2006	100.0	9.1	61.6	11.2	13.4	4.7
2007	100.0	9.6	62.4	11.2	11.6	5.2
2008	100.0	10.6	62.6	11.1	10.6	5.1

* Excluding payments for accident prevention activities, safety at work activity, research, special projects, legal assistance, medical committees and opinions.

8. Insurance for Victims of Hostile Actions

A. General

The Benefits for Victims of Hostile Actions Law was enacted by the Government of Israel with the aim of ensuring social benefits for the victims of hostilities and their families. The benefits granted under this Law (and its accompanying regulations) are paid by the National Insurance Institute and funded by the Ministry of Finance. The Law is intended to bring the rights of victims of hostilities in the civilian population into line with the rights and services granted to wounded IDF soldiers and bereaved families who are handled by the Ministry of Defense. The Law went through several stages until it acquired its present format¹. The innovations that the Law introduced are expressed in the definition of a "hostile incident," the establishment of an Approval Authority to determine which incidents are to be classified as hostile incidents, the definition of the main rights provided by the Act, full state funding for these benefits, the inclusion of past victims of hostile action in the Law, and the transfer of handling to the National Insurance Institute.

A **hostile action injury** is one of the following:

- Injury due to a hostile incident by enemy forces hostile to Israel, including actions outside of Israel intended to harm Jewish people;
- Unintentional injury caused in the aftermath of hostile actions by enemy forces, or unintentional injury in circumstances where there were reasonable grounds to fear a hostile incident;
- Injury caused by a weapon intended for use in a hostile incident by enemy forces, or injury by a weapon that was intended to combat such action, even if it was not activated, except for injury to a person aged 18 or over, who is perpetrating a crime or other offense involving malice or criminal negligence;
- Injury caused by violence, whose main aim is to harm a person because of their national-ethnic origin, providing that it is related to the Israeli-Arab conflict;
- Injury caused by violence, whose main aim is to harm a person because of their national-ethnic origin, carried out by a terrorist organization declared as such by the Israeli Government, pursuant to section 8 of the Prevention of Terror Orders 5708-1948, except for an organization that is an enemy force, or violence that is carried out on the orders of, or on behalf of, such an organization.

¹ The Benefits for Victims of Hostile Actions Law was approved by the Knesset in 1970, retroactively to June 1967 for anyone injured by hostilities since February 25, 1949. In March 1977, the Law was broadened to apply also to anyone injured between May 14, 1948 and February 24, 1949. From March 1982, anyone injured between November 29, 1947 to May 13, 1948 is also eligible for this benefit.

The following are eligible for the benefit:

- An Israeli citizen who is injured in Israel or in Judea, Samaria or the Gaza Strip, or outside Israel, if a year has not yet elapsed since he/she ceased to be a resident;
- Anyone who entered Israel legally;
- A foreign resident working for an approved Israeli employer overseas and injured by a hostile incident overseas during the normal course of their work;
- A resident of the Palestinian territories who has an Israeli identity card and who was injured within the Green Line boundary;
- A resident of the territories who had an entry visa from the commander of the military force in the area and who was injured within the Green Line boundary.

B. Amendments to Benefits for Victims of Hostile Actions Law

The amendments to the Benefits for Victims of Hostile Actions Law, 1970, since its enactment show a trend towards extending the rights to benefits and additional and supplementary services, towards recognizing the eligibility of other family members and towards extending the definition of hostile incidents covered by the law. Unlike the population of injured individuals affected by the Invalids Law and the Families of Fallen Soldiers Law, victims of hostilities include children, old people and mothers of young children, and sometimes hostile acts harm several members of one family. In view of this, the solutions proposed in the Invalids Law and the Families of Fallen Soldiers Law do not always answer the needs of the families of victims of hostile incidents. In 2004, the Minister of Labor and Social Services appointed a committee to examine the rights of victims of hostile incidents and their families, in order to propose solutions to the special problems of this population. The deliberations of this committee showed that the main area that was not properly addressed in the existing legislation related to the special problems faced by children (minors and adult children) who had lost both parents, and the family members who took on the care of these orphans. In 2005, two amendments to the Law were passed concerning orphans, both of whose parents died in hostile incidents, and in 2008, a further amendment to the Law was passed on this matter. (For details, see section d. below).

In 2006, the definition of a *hostile action injury* was extended to include also injury caused by an action whose main purpose was to harm the Jewish people (section 18a of the Law). However, this extension only applies to residents of Israel.

The definition of *hostile action injury* was further extended to include injury resulting from an act of violence whose main purpose was to harm a person because of their national-ethnic origin, if such purpose derives from the Israeli-Arab conflict (section 4 of the definition) or the violent action is carried out by a terror organization (section 5 of the definition).

C. Initial handling of victims and other family members

Unlike other benefits paid by the National Insurance Institute, in which the process begins when the insured submits a claim, in the case of mass hostile incidents the initiative comes from the NII. When a terror incident is reported, the Institute contacts the national HQ of the Police and the Approval Authority in the Ministry of Defense, to obtain confirmation that the incident is considered a hostile incident. The hospitals and Magen David Adom immediately send a list of casualties to the NII, and the departments of Benefits and Rehabilitation prepare for swift intervention to deal with casualties and their families.

Preliminary assistance: The first step includes visiting hospitals and making contact with the injured and their families, collecting claims, locating urgent needs and making payments to hospitals, including covering expenses of the families of the casualties.

Medical treatment for the injured is deemed a benefit in kind, and includes hospitalization, surgery, tests, therapy, psychiatric and psychological treatment, medication, recuperation, medical rehabilitation, instruments and devices.

Treatment for victims of trauma: During the Second Lebanon War, an innovative procedure was introduced for treating people suffering from trauma. The purpose was to provide initial treatment before they were recognized as victims of hostile actions and eligible for benefits and treatments by virtue of the law. The NII initiated this procedure, which was formulated together with the Ministry of Health. (For details of the procedure for dealing with victims of trauma, see the chapter on Victims of Hostile Actions in the 2007 Annual Survey.) In 2008, the procedure for treating victims of trauma was carried out at four Hosen trauma centers in the western Negev – Sderot, Eshkol, Sha'ar Hanegev and Sdot Hanegev – and at the stress center in Barzilai Hospital in Ashkelon. In December 2008, the procedure was also introduced in Beer Sheba. In Jerusalem, the procedure was introduced in mental health clinics after the tractor attacks.

Initial assistance to the families of fatalities: The first contact with the bereaved families focuses on funeral arrangements, transport for accompanying family members, home visits to mourners and mental support. The rehabilitation and benefit representatives in the local branch give the family information about their basic legal rights. A widow is also entitled to a special grant, which is intended to provide for her immediate needs in the first period of her widowhood, until her rights to benefits can be exercised.

Branches of the Institute make contact with **essential services in the community**, such as emergency HQ of local authorities, social services in hospitals, mental health clinics, trauma centers and psychological-educational advice centers, for joint action.

D. Types of benefits

1. **Medical treatment payment** – People who are unable to work or function while receiving medical treatment (according to a medical certificate) and with the approval of the NII's doctor,

are eligible for a special payment during the treatment, on condition that they are not being paid a salary or compensation during this period, or, in the case of the self-employed – on condition that they are not engaged in their occupation. This payment is in fact short-term compensation for a limited period, until disability is determined by a medical committee.

2. **Disability benefits** – Anyone who is given a disability degree of at least 20% by a medical committee is eligible for a monthly disability benefit. The amount of the benefit or allowance is determined according to the disability degree, and is equivalent to the benefits paid to disabled IDF veterans under the Invalids Law (Compensation and Rehabilitation). Persons disabled by a hostile incident and subsequently injured in a further hostile incident, have their disability degree reassessed, and all their injuries are deemed to have been caused by a single hostile incident (combined disabilities). If necessary, other benefits and grants are added to pay for help, mobility allowance, monthly and annual benefits, and grants.

In addition to the standard benefits, **special increments** are paid to **certain groups**, such as the additional benefit for the severely disabled and the age increment, as well as special benefits at increased rates, for which eligibility is determined by disability degree, plus the individual's earning ability and rehabilitation potential. Special benefits:

- **Benefit for the needy disabled:** paid to individuals with a permanent disability degree of 50% or more who meet the criteria regarding income and earning ability. The benefit for the needy disabled is paid instead of the disability benefit, and eligibility is determined by a committee for one year at the most.
- **Benefit for the disabled with no income** – paid to the disabled with a temporary or permanent disability degree of 10% or more, who meet certain criteria of income and job seeking. Eligibility is determined by a special committee, and the benefit is paid instead of the disability benefit (according to the disability degree) for a limited period only.
- **Benefit for a disabled victim of hostilities who is no longer living** – gives eligibility for continued payment of the benefit for three years, to a relative as instructed by the disabled person.
- **Lump-sum disability grant** – paid to anyone who is given a permanent disability degree of 10%-19% by a medical committee. The grant amount is calculated by multiplying the amount deriving from the disability degree by a certain number of months. The grant calculation table shows the number of months used for each disability degree. For example, for someone with a disability degree of 10%, the grant is calculated for 108 months, and for someone with a disability degree of 19%, the grant is calculated according to 215 months.

3. **Medical treatment** – Medical treatment includes hospitalization, clinical treatment including dental treatment for damage caused by the hostile incident, medication, auxiliary medical devices, recuperation and medical rehabilitation. Treatment is given according to confirmation from the NII that the incident has been recognized as a hostile incident and according to a monetary obligation from the Institute.

Treatment is given by means of the State's qualified medical services, which are the government health services and the recognized Health Funds. First aid is given to the injured by Magen David Adom and any doctor or medical institution close to the place where the incident occurred. Medical treatment for individuals with a disability degree of up to 19% is given by the Health Funds, according to the National Health Insurance Law.

4. **Vocational and economic rehabilitation** – intended to assist in the rehabilitation of disabled persons without a profession or who need vocational retraining due to their disability or cutbacks at their workplace. Anyone with a disability degree of 20% or more who has not received funding for studies from the NII can receive assistance from the NII in setting up their own business or strengthening an existing business. The business must be realistic in economic terms and be suited to the individual's ability, knowledge and physical limitations.
5. **Dependents' allowance** – paid to the survivors of an individual who was killed in a hostile incident.

Widows/widowers, and children who have lost one or more of their parents are eligible for a monthly allowance. The amount is calculated as a percentage of the salary of state employees, plus social benefits as a grossed-up monthly payment. The rate for widows/widowers depends on their age and, if they have children – on the ages of the children. The supplement for orphaned children is paid until each child completes his/her national service in the IDF, even if he/she has reached the age of 21. Once the children have completed their national service, the widow/widower receives the allowance paid to parents with adult children. Orphans in special situations receive increased rates.

Orphans who have lost both parents, at least one of whom died in a hostile incident, are eligible for a grant providing that they were over 21 and under 30 years of age when their parent died. (In 2008, this grant was about NIS 43,000.)

In 2008, the law was amended and it was determined that orphans both of whose parents died in a hostile incident will be eligible for a full monthly allowance until they reach the age of 27, and if they are orphaned after this age, they will be eligible for 80% of the allowance until they reach the age of 37. Orphans under the age of 37 are entitled to an arrangement grant, to be paid on the day they lose both parents or when they reach the age of 18, whichever is the later. If the orphans are under 21, they are entitled to a mobility grant as well. The eligibility for a marriage grant for orphans who have lost both parents in a hostile incident applies until they reach the age of 37, and if they were married before their parents were killed, they are eligible to 80% of the grant, provided that no more than two years elapsed between the marriage and the parents' deaths. Eligibility for this grant applies on account of each parent. (Double grants are permitted.) The aforesaid amendment applies to people who lost both parents in a hostile incident on or after October 1, 2000.

Bereaved parents are also entitled to a monthly allowance. The amount is calculated as a percentage of the salary of state employees and takes account of the family composition. The

means test for calculating the allowance for bereaved parents was canceled on January 1, 2008 (Amendment No. 28 to the Families of Fallen Soldiers Law).

In addition to the monthly allowances, dependent families are entitled to additional **rehabilitation, grants and benefits**, such as payment for assistance with daily activities due to medical limitations, help in purchasing a car, loans and grants for housing, mobility assistance, help with housing and a marriage grant for orphans, and other grants and benefits.

Grants to cover mourning expenses – paid to widows/widowers and bereaved parents, and in their absence, another blood relative will be eligible for assistance with the costs involved in mourning.

The data given in this chapter affect only civilians who were injured by hostile actions, and not soldiers or police officers who were injured in such actions. The tables showing recipients of benefits do not include injured persons who received benefits in the past and ceased to be eligible, or who did not receive any benefit from the start.

E. Hostile actions

Hostile incidents have occurred throughout the existence of the State of Israel. The NII began to collect data only recently, and therefore it is possible that the figures for the early years of the State are incomplete. Apart from the period of the War of Independence (1948), in which many civilians were injured or killed, the years 1946-1966, the first years of the State, were characterized by a fairly small number of hostile incidents. The ratio between the number of attacks and the number of casualties in that period was close to 1:1. Immediately after the Six Day War, there was a perceptible rise in the number of hostile incidents, then a gradual decline until the start of the first Intifada (1988). Although the years 1994-98 were marked by a large number of both hostile incidents and casualties in each incident, from then until September 2000 and the outbreak of the second Intifada, there was a decrease in numbers. At the end of 2000, and particularly in the years 2001-2002, the number of hostile incidents and their severity reached a peak. The ratio between the number of casualties and the number of attacks in 2002 was 14:1. In the years 2003-2005, there was a decrease in the number of attacks (see Table 1). In 2006, there was a steep rise in the number of casualties, both dead and wounded, due to the Second Lebanon War. Casualties defined as wounded include the lightly injured who only required medical treatment, the injured who recovered after a fairly short period and those who became disabled. Of about 4,500 casualties of the Second Lebanon War, 37% suffered from some mental trauma without any physical injury.

In 2008, there were 147 confirmed hostile incidents. (Each day of rocket attacks on the area around the Gaza Strip from 19.11.08 is counted as an incident.) The number of rockets that were fired skyrocketed compared with the previous year: more than 2,000 in 2008, compared with 1,271 in 2007 (based on figures from the security division of the National Insurance Institute). In Jerusalem, there was a rise in the involvement of East Jerusalem residents in attacks, and the phenomenon of the lone attacker was prominent.

Of 31 fatalities in 2008, 27 were recognized as casualties of hostile actions, while no claims have been submitted to the Approval Authority for recognition of the remaining four. Of 982 injured in 2008, 317 have had their applications approved, by the beginning of February 2009, as victims of hostile actions, 143 are waiting (for a decision by the Approval Authority or by a doctor), 64 have had their applications rejected, and in 458 cases claims have not yet been submitted.

Table 1
Number of Hostile Actions Confirmed by Approval Authority and Victims of Hostile Actions, by Year, 1947-2008

Year of attack*	No of incidents	Total casualties	Wounded		Killed	
		Approved	Total	Thereof: approved	Total	Thereof: approved
Total	3,362	10,780	18,259	9,148	1,721	1,632
1957-1947	152	189	150	142	50	47
1976-1958	357	633	477	451	199	182
1993-1977	689	1,066	848	744	349	322
1998-1994	611	1,763	1,767	1,575	193	188
1999	53	103	125	97	7	6
2000	191	376	450	351	25	25
2001	308	1,240	1,885	1,063	179	177
2002	185	1,603	2,888	1,305	303	298
2003	126	690	1,172	537	154	153
2004	135	533	843	447	87	86
2005	94	320	613	276	48	44
2006	**192	1,733	5,781	1,664	87	69
2007	122	187	278	179	9	8
2008	** 147	344	982	317	31	27

* The division of years shown here is a continuation of the data presented in the study, Victims of Hostile Actions in Israel: Injuries, Needs, Legislation, and Provision of Treatment and Assistance, (2005), by A. Yanai, R. Prior and S. Bar, published by the National Insurance Institute, where attacks were divided into periods by the nature of the action.

** Each day when a rocket is fired at the area around the Gaza Strip and in the Second Lebanon War is defined as a separate incident.

F. Recipients in the Victims of Hostile Actions branch

1. Recipients of the medical treatment benefit

Immediately after an attack, casualties are entitled to an allowance for medical treatment, paid as compensation for their loss of fitness. About 24% of the victims of hostilities who received a medical treatment benefit in 2008 were unable to work or function for more than three months as a result of the attack. A further 29% were unable to work or function for from one to three months. The average period of incapacity (to work or function fully) in 2008 was about 77 days. In some cases (government employers, for example), the employer pays the victim his/her full salary and the Institute reimburses the employer. Table 2 shows recipients of medical treatment benefit and the number of employers by duration of the period of incapacity. The average payment for the whole period of eligibility is about NIS 13,941 (NIS 180 per day).

The amount of the medical treatment benefit is determined according to the recipient's occupational status before the incident:

- Anyone who worked before the attack is entitled to an allowance equal to their average income in the three months prior to the attack (after tax deduction) up to the maximum paid to someone serving in the army reserves (five times the average salary).
- Anyone who was not working before the attack is entitled to an allowance calculated according to their family situation and number of children. The allowance is calculated as a percentage of a state employee's salary.
- Children up to the age of 14 are not entitled to the medical treatment benefit in any circumstances. Youths aged 14-18 are only entitled to the allowance if they were working.

Table 2
**Recipients of Medical Treatment Benefits,
by Number of Incapacity Days, 2008**

Incapacity days	Total	Injured	Employers
Total	314	251	63
1-30 days	148	115	33
31-90 days	92	76	16
91 days & over	74	60	14

2. Disabled recipients of benefits

In 2008, on average, 3,564 disabled people who were injured in hostile incidents received benefits each month. Table 3 shows the number of people disabled in hostile incidents who received monthly benefits in the years 2000-2008. The figure for December 2008 also includes 1,032 recipients with a disability degree of 10%-19%, who received a one-time grant. Until the beginning of 1996, victims with a disability degree of 10%-19% received a monthly allowance, and from 1996 they receive only one-time grants.

Table 3
**Victims of Hostilities Receiving Monthly Disability Benefit (yearly average),
 by Disability Degree, 2001-2008**

Degree	2001	2002	2003	2004	2005	2006	2007	2008
Total	1,720	1,807	2,195	2,500	2,753	3,022	3,274	3,564
Up to 39	1,176	1,207	1,539	1,799	1,986	2,185	2,376	2,625
40-49	126	139	152	168	196	203	209	219
50-59	163	170	185	198	213	238	256	272
60-79	153	153	168	181	192	216	234	247
80-99	41	51	56	66	76	89	101	102
100	61	87	95	88	90	91	98	99

Table 4
**Disabled Victims of Hostilities Who Received Benefits in December 2008,
 by Gender and Age at Time of Attack**

Age at time of attack	Total	Men	Women
Total – numbers	3,721	2,022	1,699
percentages	100.0	100.0	100.0
Up to 19	23.5	25.3	21.4
20-29	20.5	21.4	19.5
30-44	26.6	26.6	26.5
45-64	23.6	21.6	26.1
65+	5.8	5.1	6.5

Tables 4 and 5 show the demographic and economic characteristics of disabled victims receiving monthly benefits. 54% of recipients are men. The disabled victims are also differentiated by their economic situation after the incident. Most (65%) are classified as normal and a minority is classified as in need (3.9%) or without income (2.5%). Eligibility for benefit due to need or lack of income is for a limited period only, and recipients' circumstances must be re-examined from time to time. The number of disabled by status and the average benefits paid for the different types of disabled victims are shown in Table 5.

Table 5

Disabled Victims of Hostilities who Received Benefits in December 2008, by Status (normal, in need, without income) and Payments Made to Them (2008 prices)

Status	Numbers	Average actual monthly benefit*
Total	3,721	2,694
Normal	2,420	2,344
In need	146	12,118
Without income	94	6,803
Benefit for deceased disabled victim (36 months)	29	6,417
Disabled with a rating of 10%-19%	1,032	**

* Includes monthly benefits and does not include annual benefits.

** Receive a lump-sum payment and no monthly benefit.

3. Recipients of dependents' benefits

A widow or widower, children and parents of an individual killed in a hostile attack are entitled to dependents' benefits. Table 1 shows the number of hostile incidents each year and the numbers killed in those attacks. Table 7 shows the number of fatalities whose families are paid survivors' benefits.

Table 6

Fatalities from Hostile Actions for whom Benefits were Paid in December 2008, by Year of Death

Year of death	Fatalities
Total	1,483
Up to 1957	25
1958-1966	6
1967-1976	168
1977-1986	123
1987-1999	388
2000	22
2001	163
2002	240
2003	137
2004	73
2005	44
2006	61
2007	10
2008	23

Table 7
**Fatalities from Hostile Actions for whom Benefits were Paid in December 2008,
 by Gender and Age at Time of Attack**

Age at time of attack	Total	Men	Women
Total – numbers	1,483	1,012	471
percentages	100.0	100.0	100.0
Up to 18	18.3	14.2	27.0
19-29	21.2	19.4	25.0
30-49	36.5	41.0	27.0
50-64	16.7	17.4	15.3
65+	7.3	8.0	5.7

In December 2008, benefits were paid to 1,904 family units on account of 1,483 fatalities, of which about 54% were paid to bereaved parents and about 39% to widow/widowers with or without children. The highest rate of benefit is paid to a widow or widower with a child under the age of 21.

Table 8 shows the average monthly benefits by family composition.

Table 8
**Families of Fatalities who Received Benefits in December 2008,
 by Family Composition and Monthly Benefit (2008 prices)**

Family composition	Numbers	Monthly benefit* (average)
Total	1,904	6,880
Widow/widower with no children	24	6,266
Widow/widower with adult children	452	7,281
Widow/widower with children	323	9,430
Independent orphans	51	5,899
Bereaved parents	975	6,462
Other	79	-

* Includes balance, grossed-up payment, incorporation of health insurance and age supplement.

Table 9
Scope of Benefits in Victims of Hostile Actions Branch, 2000-2008
(NIS thousand)

Year	Current prices	2008 prices	Real growth from year to year
2000	151,824	176,995	-
2001	202,567	233,537	31.9%
2002	302,000	329,396	41.0%
2003	348,536	377,511	14.6%
2004	339,000	368,657	-2.3%
2005	350,000	370,367	0.5%
2006	360,000	378,521	2.2%
2007	356,000	372,305	-1.64%
2008	399,500	399,500	7.3%

When the Second Intifada broke out in 2001, there was a sharp rise – of 32% – in the amounts paid out by the Victims of Hostile Actions branch. In 2002, benefits rose by an even higher proportion (41%), and in 2003 there was a further increase, of 15%. From 2004 to 2007, benefits were stable at the level of NIS 350-360 million. In 2008, victims of hostilities were paid a total of about NIS 400 million for various benefits, in money and in kind, an increase of 7.3% compared with 2007.

Box 5

Experimental Rehabilitation Club for Victims of Hostile Actions in Jerusalem

In February 2008, a rehabilitation club for victims of hostile activities, the first of its kind, was opened in Yad Sarah House in Jerusalem. The club is based on the model of rehabilitation clubs for IDF disabled veterans operated by the Ministry of Defense all over the country, and is another element in the basket of services that the National Insurance Institute provides for the victims of hostile activities. The club is intended to offer social rehabilitation for the victims of hostile activities (bereaved parents, widows, disabled victims), who do not work or who have not integrated into other communal frameworks, by providing them with activities outside their homes, expanding their social contacts, and providing enrichment, with the aim of helping them ease their daily burden with pleasurable activities. The club was made possible thanks to cooperation between the NII and the Yad Sarah Association.

Referrals to the club come from staff of the NII Rehabilitation Department (Jerusalem branch), and it is operated by the Yad Sarah Association. The club's director is a social worker who is employed by Yad Sarah (a part-time position); she is assisted by four permanent volunteers as well as alternating volunteers.

Activities take place twice a week from 8.30-13.00, and include regular groups (creativity, drama and movement), a series of lectures, courses and workshops, group discussions, outings and lunches. The physical framework of the club (a single room in Yad Sarah House) means that, at this stage, there is room for no more than 25 people. In fact, since July 2008, about 16 people on average have participated in each session, and efforts are being made to encourage them to commit themselves to regular attendance.

The club's activities are funded by the State via the NII Rehabilitation Department, as part of the rehabilitation plan for each participant, based on Ministry of Defense instructions for running a rehabilitation club.

The club's steering committee, which meets every three months, consists of a representative of Yad Sarah management, the club's director and representatives of the National Insurance Institute (from the Rehabilitation Department, Jerusalem branch, and the Research and Planning Administration).

Research accompanying the project

The National Insurance Council requires the operation of the club to be accompanied by research, in the nature of an assessment (tailored) study. Information is collected using tools that are both qualitative (observations and interviews) and quantitative (attendance reports, questionnaire, administrative data), and is based on a variety of sources:

- The researcher's participation in the steering committee and the club's regular activities;

- Monitoring the register of attendance to identify regular and new attendees, dropouts and level of participation;
- Retrieving background data on those participating from administrative files:
 - Status (bereaved parents, widow/er, disabled)
 - Age and gender
 - Disability degree
 - Duration of disability
 - Residential neighborhood
 - Date and place of attack
 - Family status and number of children
- Work with the Rehabilitation Department:
 - Documentation of lessons learned from the experimental operation;
 - Interviews with rehabilitation staff who deal with victims on an individual basis;
- Interviews with participants, candidates, dropouts, program operators in Yad Sarah and the club staff (paid and volunteer);
- Questionnaire for participants;
- Location of all interested parties (such as victims' families, organizations that help victims of hostilities) and what are their wishes/needs in order to be involved.

Evaluators must be aware of biases and inbuilt causes of failure in the evaluation process and how to minimize them, since the researcher can consciously or subconsciously affect his research results, whether through a biased view of the data or by communicating his expectations to the research subjects.

The purposes of the research are:

1. To monitor and review the activities of the club in order to adapt content and management to the needs of the participants;
2. To see whether participants have widened their social networks both at the club and outside it, as assessed by the participant and by the rehabilitation worker;
3. To examine the background factors (age, family status, household composition, disability degree, number of years of disability or bereavement) that correlate with regular participation, partial participation or lack of participation in club activities, and the reasons for dropping out;

4. To examine the factors that attract participants to the club: content, meals, outings, transportation;
5. To examine the factors that contribute to or interfere with activity (heterogeneity of participants, limitations of the location, changes in counselors, changes in participants);
6. To check whether the club is also meeting the needs of the families of participants.

The objectives of the rehabilitation club as it enters its second year of operation are:

- To expand the club's activity space in order to expand its activity – depending on the willingness of Yad Sarah;
- To provide basic training for the volunteer team;
- To stabilize the group and strengthen the cohesion and interaction between members;
- To establish fixed procedures:
 - Acceptance form for the group
 - Club approval of a candidate
 - Reasons for rejecting a candidate
 - Procedure for joining the club (assigning a new member to a veteran member, presenting the new member to the group)
- To check the subject of transportation. (Transport is provided on the instructions of the Ministry of Defense);
- To look into the option of collecting a nominal membership fee;
- To enlarge the budget framework in order to increase the work hours of the club director.

9. Rehabilitation – People with Disabilities and Widows/Widowers

A. General

People with disabilities who were injured at work or in hostile actions or in other circumstances (*general disabled persons*), and widows/widowers (excluding IDF disabled persons and widows) are eligible for vocational rehabilitation – a therapeutic process intended to guide them and qualify them for work that suits their skills and functional ability. The services provided in rehabilitation are generally in kind: vocational evaluation and guidance, advice on choosing a career, vocational training or studies. They are also eligible for funding of the basic costs associated with the rehabilitation, such as funding of studies and for the evaluation process. Some are also eligible for a rehabilitation allowance and for housing, food and traveling expenses associated with their studies.

The following are eligible for vocational rehabilitation:

General disabled persons: people with a physical, mental and/or emotional impairment, provided that they are resident in Israel and meet the following conditions:

- They have been defined with at least 20% medical disability according to appropriate tests;
- They are unable to engage in their previous occupation or in other suitable work;
- As a result of the impairment, according to the assessment of the rehabilitation instructor, they require vocational training and other services to enable them to return to their previous occupation or to find other suitable work.

Work-injured persons: people who have been injured at work, if they are defined with at least 10% medical disability, and because of the injury they are unable to engage in their previous occupation or other suitable work, and they require and are suitable for vocational rehabilitation. A *work injury* means an injury due to a work accident that occurred during and because of the person's work, including on the way to and from work, or by an occupational disease according to the list of diseases defined in the Work Injury Regulations.

Hostile Action Casualties: anyone who has been injured in a hostile action, if their medical disability is at least 10%. A hostile action casualty is someone who is injured by military or paramilitary forces, and anyone who is injured by the irregular forces of a country or organization that is hostile to Israel, or anyone injured in circumstances in which there was a reasonable fear of hostile action, and anyone injured in actions taken to assist such military forces or organizations or at their instigation.

Widow/Widower: since 1968, a widow/widower receiving a pension, and meeting one of the following conditions: they have no profession, they cannot earn enough to live on, they need vocational retraining as a result of their being widowed, and a rehabilitation instructor considers that they are suitable for vocational training.

B. Characteristics of applicants for rehabilitation

The number of first-time applicants for rehabilitation increased in 2008 compared with 2007, amounting to some 12,400 disabled and widowed persons (Diagram 1). The number of applicants for rehabilitation decreased in 2003 in comparison with the previous two years, and, in those years, there was a large increase in hostile action casualties. The burden placed on the rehabilitation services as a result of handling hostile action casualties reduced the resources for handling people in the general disabled and work injured groups. The relatively large proportion of general disabled persons led overall to a decrease in the numbers applying for rehabilitation. Table 1 shows that most applicants for rehabilitation in each of the years reviewed in the table were therefore members of the general disabled group; that is, those who have suffered a physical, mental and/or emotional impairment as a result of a congenital defect or an illness in childhood or later.

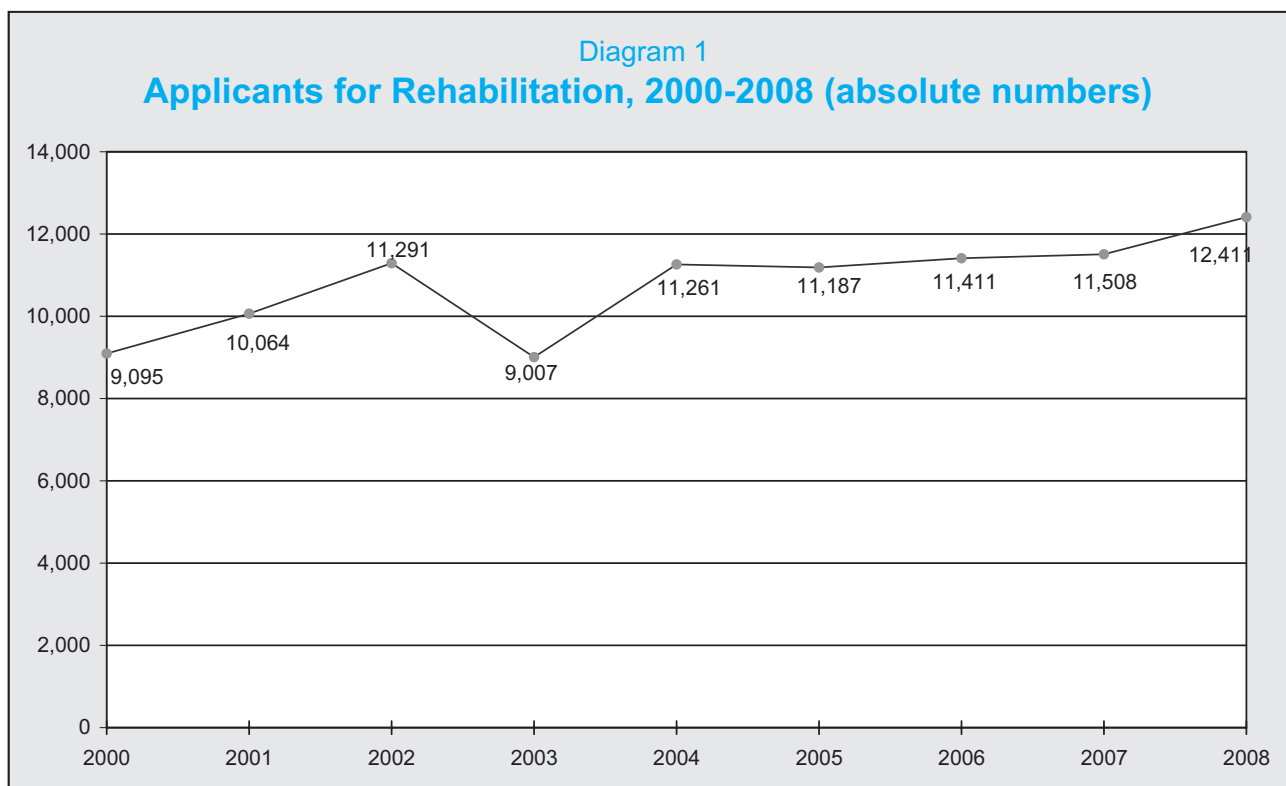


Table 1
Applicants for Rehabilitation, by Branch
(absolute numbers and percentages), 2000-2008

Year	Total		General disabled	Work injured	Hostile action casualties	Widows/ Widowers
	Number	%				
2000	9,095	100.0	70.1	16.8	4.9	8.2
2001	10,064	100.0	61.7	14.6	16.1	7.7
2002	11,291	100.0	61.2	13.3	18.9	6.9
2003	9,007	100.0	68.0	13.3	12.3	6.4
2004	11,261	100.0	67.8	16.2	7.4	8.6
2005	11,187	100.0	70.6	14.5	6.0	9.3
2006	11,411	100.0	68.1	13.9	10.1	7.9
2007	11,508	100.0	69.4	17.2	5.0	8.4
2008	12,411	100.0	71.3	16.1	5.5	7.0

Of those applying for rehabilitation in 2008, 57% were men. They accounted for the majority (87%) of the work injured group (see Diagram 2), because the proportion of men in the workforce is higher than the proportion of women and because men are more exposed to risks at work due to the nature of their occupations. It should be noted that widowers only form a small proportion (10%) of the applicants. The husbands of women who are housewives are not eligible for survivors' pension and the consequent right to rehabilitation, whereas even if men do not work, their wives are eligible for survivors' pension. In addition, the eligibility of a childless widower for rehabilitation is dependent on a means test.

Diagram 2
Applications for Rehabilitation, by Gender and Branch

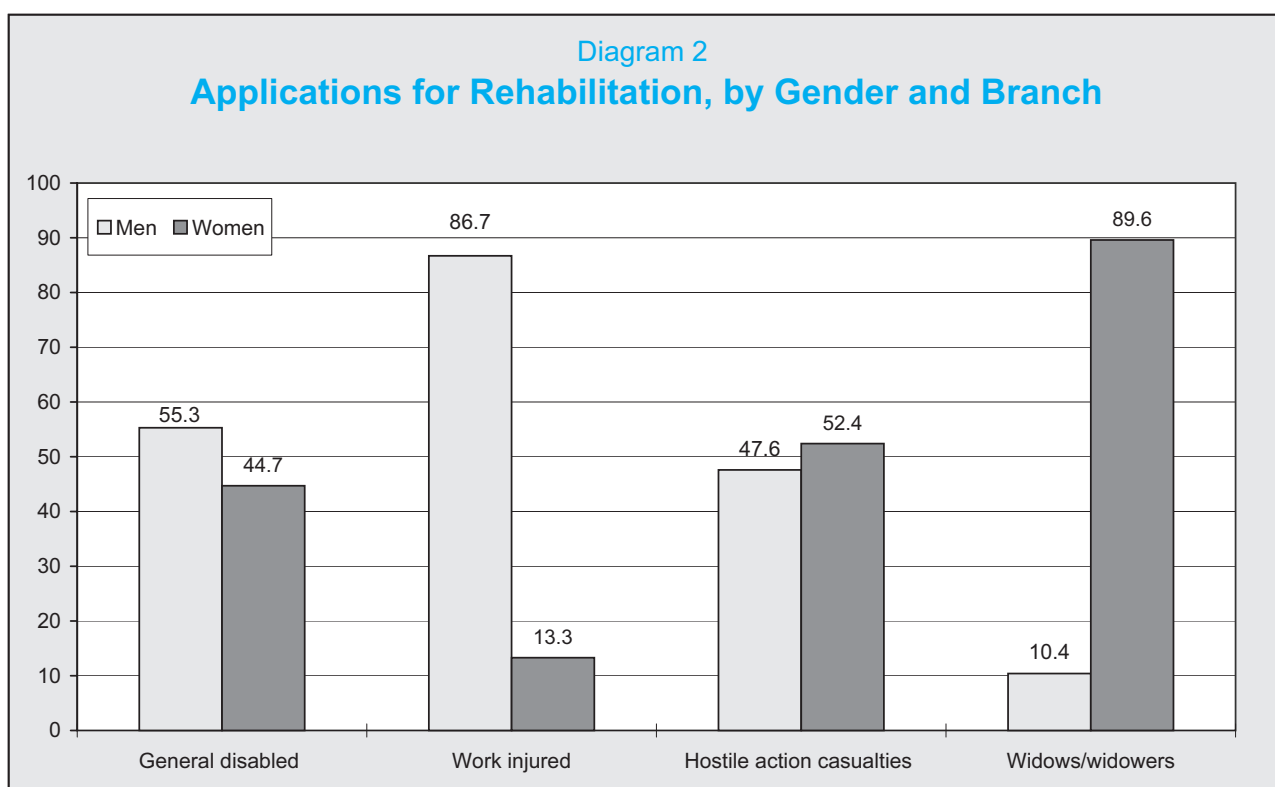


Table 2 shows that most applicants for rehabilitation were of working age, which is not surprising, since rehabilitation is aimed mainly at integrating applicants in work. The general disabled group was the youngest (average age 36), since this category includes people with congenital or childhood impairments, and they exercise their right to apply for rehabilitation when they reach the age of 18. On the other hand, the widows and widowers were the oldest group, since their eligibility does not depend on age, unlike the eligibility of people with other impairments, and it includes eligibility for other services in addition to vocational rehabilitation.

Table 2
Applicants for Rehabilitation, by Age and Branch
(absolute numbers and percentages), 2008

Age	Total	General disabled	Work injured	Hostile action casualties	Widows/ widowers
Total	12,411	71.3	16.1	5.5	7.0
Up to 17	0.8	-	-	14.0	-
18-25	18.4	23.6	5.0	14.0	1.7
26-35	21.4	23.6	18.3	16.8	10.6
36-45	22.2	21.7	25.3	14.5	26.9
46-64	35.0	30.9	44.3	26.8	60.2
65 and over	2.2	0.3	7.0	14.2	0.6
Average age (years)	36	36	43	39	43

C. Completion of Rehabilitation Treatment

In the period 2000-2008, there was an increase of about two thirds in the number of people completing rehabilitation (from 8,207 to 14,461 respectively) (Table 3). It should be noted that the breakdown of those completing rehabilitation by type of impairment (branch) remained largely stable from year to year, apart from changes in the proportion of hostile action casualties. In 2007, the proportion of hostile action casualties among all those completing rehabilitation declined in comparison with 2006.

Table 3
Completion of Rehabilitation, by Branch
(absolute numbers and percentages), 2000-2008

Year	Total			General disabled	Work injured	Hostile action casualties	Widows/ widowers
	Numbers	%	% increase				
2000	8,207	100.0	11.0	71.0	16.8	3.3	8.9
2001	8,135	100.0	-1.0	67.8	16.2	7.1	8.9
2002	9,462	100.0	16.3	68.1	14.9	9.4	7.6
2003	9,937	100.0	5.0	67.8	13.8	10.5	7.8
2004	9,857	100.0	-1.0	70.2	14.3	7.8	7.7
2005	10,525	100.0	6.8	69.2	14.5	7.9	8.4
2006	11,530	100.0	9.5	68.3	13.5	9.5	8.7
2007	12,396	100.0	7.5	69.5	15.5	6.9	8.1
2008	14,461	100.0	14.3	70.3	15.5	7.3	7.0

According to the mandate under which the National Insurance Rehabilitation Department operates, the main rehabilitation program aims to help participants to find work on the open market. 72% of participants were prepared for work in the open market or in sheltered frameworks through one or more of these rehabilitation programs. (See Table 4.):

- Pre-vocational training, including completion of education or acquisition of work habits at rehabilitation centers, in preparation for vocational training. Participants must be suitable for work in the open job market. In 2007, 15% of all recipients of rehabilitation took part in this program.
- Vocational training, including study courses, individual training or studies at institutions of higher education, is provided for people with disabilities but with work habits, motivation, ability and willingness to learn and readiness for change. 23% of participants in 2008 took part in various types of vocational training. The vocations studied were mainly in the fields of clerical work, computer programming and book-keeping.
- Assistance in placement, which means locating jobs by referring participants to the Employment Service or special placement services, giving support and monitoring their progress. About a fifth of the recipients of rehabilitation treatment were helped by placement services in 2008 – the general disabled group more than the work injured group (19% versus 8%, respectively).
- Monitoring and reinforcement, including activities designed to prevent participants dropping out of work. In 2007, about a third of the recipients of rehabilitation treatment received these services.
- Assistance in the area of welfare, with the aim of improving the quality of life and ability to function of the recipients of rehabilitation treatment. This includes, for example, financial help for special expenses relating to their disabilities, help in acquiring housing, a vehicle and various auxiliary aids, as specified in the provisions and regulations. In 2008, 10% of the

rehabilitation treatment recipients received welfare assistance, particularly hostile action casualties (50%) and persons with work injuries (26%).

- Work in sheltered frameworks, intended for people with disabilities, who are unable to compete on the open job market; that is, their ability to work is reduced and their productivity is low. In 2008, 2% of the rehabilitation treatment recipients were referred to sheltered workshops and their absorption in the framework was monitored (for up to 6 months).
- Individual psychological treatment, given to about a third of the hostile action casualties, and only to them, to help them cope with their trauma and bereavement.
- Evaluation for the purpose of finding a specific rehabilitation program for the individual – given to about two-thirds of the people referred for rehabilitation in 2008.

Table 4
Completion of Rehabilitation, by Treatment Program and Branch
(absolute numbers and percentages), 2008

Treatment program	Total*	General disability	Work injured	Hostile action casualties	Widows/ Widowers
Total completing treatment	14,461	10,162	2,244	1,049	1,006
Percentages					
Pre-vocational training	15.4	16.5	9.3	5.9	11.1
Vocational training	23.0	17.1	18.6	10.4	27.8
Assistance in placement	15.4	18.9	8.2	1.8	10.0
Referral to sheltered employment	2.0	2.7	0.5	-	-
Psychological treatment	2.2	-	-	31.8	-
Monitoring and reinforcement	38.1	37.4	33.3	65.6	28.9
Financial assistance	10.1	3.3	25.6	50.5	5.4
Evaluation	63.1	68.9	60.4	20.8	53.1
Short-term advice only	18.2	17.0	18.9	7.2	36.5

* Since some of those completing rehabilitation participated in more than one program, the percentages in each column add up to more than 100%.

The success of rehabilitation is measured mainly by participants' integration into work. Diagram 3 shows that in 2008, a higher proportion of the work-injured group found work in the open job market with the help of the rehabilitation service than did the general disabled group (50% compared with 32%). This is not surprising, since the former group originally came from a work environment.

Diagram 3
Integration into Work of People who Complete Rehabilitation, by Branch (percentages), 2008



D. Payments associated with rehabilitation

In many cases, rehabilitation involves funding associated expenses: studies and vocational training, vocational evaluation expenses, living expenses for students on a full-time program, housing, food and traveling expenses associated with studies. Tables 5 and 6 show the scope of such associated payments by branch and by type of payment. The total amount of associated payments decreased slightly – by less than 1% – from 2007 to 2008.

The highest payments were for study fees and rehabilitation payments. Study fees cover the costs of vocational training. Rehabilitation payments are intended to cover living costs while studying or during evaluation. Study fees made up the greatest share of the increase.

Table 5
**Associated Payments for Rehabilitation, by Branch, 2008 prices
 (NIS thousand), 2001-2008**

Year	Total	Real % change – total	General disability	Work injured	Hostile action casualties	Widows/ Widowers
2001	140,548	5.2	87,825	28,606	12,982	10,134
2002	167,979	19.5	101,981	30,601	24,387	10,938
2003	158,567	-5.7	98,277	27,039	23,276	9,871
2004	190,929	20.0	113,635	24,610	44,089	8,561
2005	207,972	8.9	122,221	27,196	47,573	10,880
2006	189,679	9.1	121,195	24,460	32,080	11,587
2007	188,660	-1.0	120,544	24,329	31,908	11,525
2008	187,151	-0.8	122,182	23,639	30,439	10,840

In all, the average cost of rehabilitation expenses for people in the work injured group in 2008 was greater than this cost for people in the general disabled group, as can be seen from Table 7 (NIS 17,000 compared with NIS 12,000, respectively). The costs differ because of the decisive contribution of rehabilitation payments in the total amounts paid to people in the work-injured group (NIS 21,000 on average). This is higher than for the general disabled group, since the allowance on which the calculation of the rehabilitation payment for the work-injured group is based is higher than that for the general disabled. Table 7 also shows that the amounts paid for rent to hostile action casualties were on average higher than those paid to the other groups.

Table 6
**Total Associated Payments for Rehabilitation, by Main Type of Payment*
 (percentages), 2001-2008**

Year	Total (NIS)	Study fees	Rehab. payment	Travel	Mobility device	Rent	Other costs
2001	140,548	85,280	35,680	12,000	6,912	2,669	9,140
2002	167,979	93,921	39,871	11,830	6,535	3,322	16,293
2003	158,567	96,429	41,361	11,670	6,516	2,922	16,217
2004	190,929	89,816	37,750	10,920	5,629	2,966	15,364
2005	207,972	99,256	43,153	10,940	5,613	2,994	14,915
2006	189,689	103,167	45,590	11,230	6,752	3,737	17,709
2007	188,660	96,791	41,100	10,920	6,621	4,072	20,547
2008	187,151	96,743	44,646	12,100	6,272	4,681	16,506

* Refers to the main payments, so the total is larger than the sum of the payments.

Table 7
Average Payments* for Rehabilitation in 2008, by Branch and Main Type of Payment (NIS)

Total main payment	Total average payment (NIS)	General disability	Work injured	Hostile action casualties	Widows/ Widowers
Total	12,743	11,905	16,897	13,433	14,262
Study fees	7,426	7,465	7,465	7,728	6,824
Rehabilitation fees/Living costs	12,960	10,867	20,965	17,598	10,867
Travel	1,320	1,308	1,502	1,314	1,115
Mobility devices	2,091	2,334	1,514	312	847
Rent	6,824	6,779	5,789	11,031	7,700
Other expenses**	11,070	561	409	12,420	7,272

* The averages are calculated on the basis of payments made to people in rehabilitation in 2008.

** For example, the cost of help in the home, medication, etc.

10. Unemployment Insurance

A. General

Unemployment Insurance is intended to guarantee workers an income when they are unemployed and to prevent a sharp decline in their standard of living. Like every insurance system, the unemployment benefit scheme provides an essential safety net to help the unemployed maximize their earning potential by seeking work that matches their skills. Following the strict legislation introduced in 2002-2003 in the Unemployment Insurance scheme, unemployment benefit and grants are paid under the terms shown below.

Unemployment benefit is paid to unemployed persons who had previously worked and completed the qualifying period specified under the Law – 12 months out of the 18 months preceding their unemployment¹. Eligibility for unemployment benefit is granted immediately (after a 5-day wait) to anyone who is dismissed from his job and shows willingness to accept alternative work from the Employment Bureau. The work offered to unemployed persons over the age of 35 must be *suitable work* as regards the profession, salary and distance from home. For other unemployed persons, any work offered by the Employment Service is deemed suitable in terms of profession and salary.

Unemployment benefit is paid for a maximum period of 50-175 days, depending on the individual's age and family status². Unemployed persons who take part in vocational training and have at least 12 years' education are entitled to unemployment benefit for the maximum period. Unemployed persons with less than 12 years' education who take part in vocational training are entitled to unemployment benefit for a maximum of 138 days, even if their eligibility without vocational training was 50-100 days.

Unemployment benefit is calculated according to the individual's wage³ before he/she became unemployed, but it is limited: in the first five months of unemployment – to no more than the *average wage*, and from the sixth month onwards – to up to 2/3 of the *average wage*. An

1 In the case of a daily worker, the qualifying period is 300 days of work out of the 540 days preceding the unemployment.

2 The maximum period for payment is calculated according to the following terms:

- 50 days: for claimants aged 25 or less, with less than 3 dependants
- 67 days: for claimants aged 25-28 with less than 3 dependants
- 70 days: for discharged soldiers (as defined on the next page)
- 100 days: for claimants aged 28-35 with less than 3 dependants
- 138 days: for claimants aged up to 35 with at least 3 dependants, or claimants aged 35-45 with fewer than 3 dependants
- 175 days: for claimants aged 35-45 with at least 3 dependants, or claimants aged over 45.

3

Portion of unemployed person's wage	To age 28	Over age 28
Portion of wage up to half the average wage	60%	80%
Portion of wage between ½ and ¾ of average wage	40%	50%
Portion of wage between ¾ and full average wage	35%	45%
Portion of wage equal to the average wage, up to the maximum insured wage	25%	30%

unemployed individual in vocational training receives 70% of the unemployment benefit due to him were it not for such vocational training.

Unemployment benefit for discharged soldiers: Until June 2007, soldiers discharged from compulsory service were exempt from the qualifying period and eligible for unemployment benefit from the first year following their release from the army. From July 2007, discharged soldiers must complete a qualifying period of six months of work in the first year following their military service, in order to be eligible for unemployment pay. The benefit is 80% of the minimum wage, for a maximum period of 70 days.

Grant for discharged soldiers: a soldier who worked in a "priority/essential" job, within the meaning of the Law, in the first two years following his release from the army, is entitled to a grant of NIS 8,144 (in 2008 prices). A soldier who has received all the unemployment pay for which he is eligible is not eligible for a grant.

B. Amendments to National Insurance Law regarding unemployment insurance

Following the economic crisis and recession in the economy, and the increase in the rate of unemployment from the end of 2008, at the beginning of 2009 an agreement was signed with the Government, designed to help the unemployed who are not entitled to unemployment benefit under the National Insurance Law, and to pay them special benefits. According to the agreement, unemployed persons aged 25 or more who are dismissed from their job and who worked for 9 months out of the 18 months prior to their dismissal, will be eligible for an National Insurance Institute benefit equal to the unemployment benefit they would have been entitled to had they been eligible for benefit, for a period no longer than the maximum period in which unemployment benefit is paid.

In all, it is expected that 2,500-3,000 unemployed persons will be entitled to the benefit under this agreement, at a total cost of no more than NIS 100 million. Application of the agreement is conditional on unemployment in the economy reaching at least 7.5%.

C. Figures and trends

In the first nine months of 2008, the decline in the extent of unemployment that started in 2004 continued. In 2003, unemployment reached a peak of 10.7%, and from 2004 onwards, it decreased consistently, to a level of 5.9% in the third quarter of 2008. In the last quarter, this trend was reversed, and there was an increase, though moderate, in unemployment, although the economic indicators point to a recession that began in the third quarter of the year. It can be assumed that the slowdown in growth will find expression in a steeper increase in unemployment during 2009.

The increase in the rate of unemployment in the last quarter of 2008 was accompanied by a decrease of 4.1% in the number of people employed full time (35 hours or more), and an increase

of 7.8% in the number of people employed part time (less than 35 hours). Overall, the rate of employment in 2008 was 6.1% on average per month, compared with 7.3% in 2007.

The trend among recipients of unemployment benefit was identical. In the first half of 2008, there was a continuous decrease – the number of recipients of unemployment benefit fell from about 49,000 in January to about 44,000 in June. In the second half of the year, this trend was reversed and the number of recipients reached 56,000 in December 2008. Overall, in 2008 there were 48,045 recipients of unemployment benefit on average each month – a decrease of 4% compared with 2007.

The drop in the number of unemployed in 2008 was steeper than the drop in the number of recipients of unemployment benefit. The proportion of these recipients among all unemployed rose from 23.5% in 2007 to 26.7% in 2008. Table 1 shows the number of recipients of unemployment benefit and their proportion among all unemployed people during 2008, and Table 2 shows these figures for the years from 2000 onwards.

Table 1
**Unemployed Persons and Recipients of Unemployment Benefit
(monthly average), 2008**

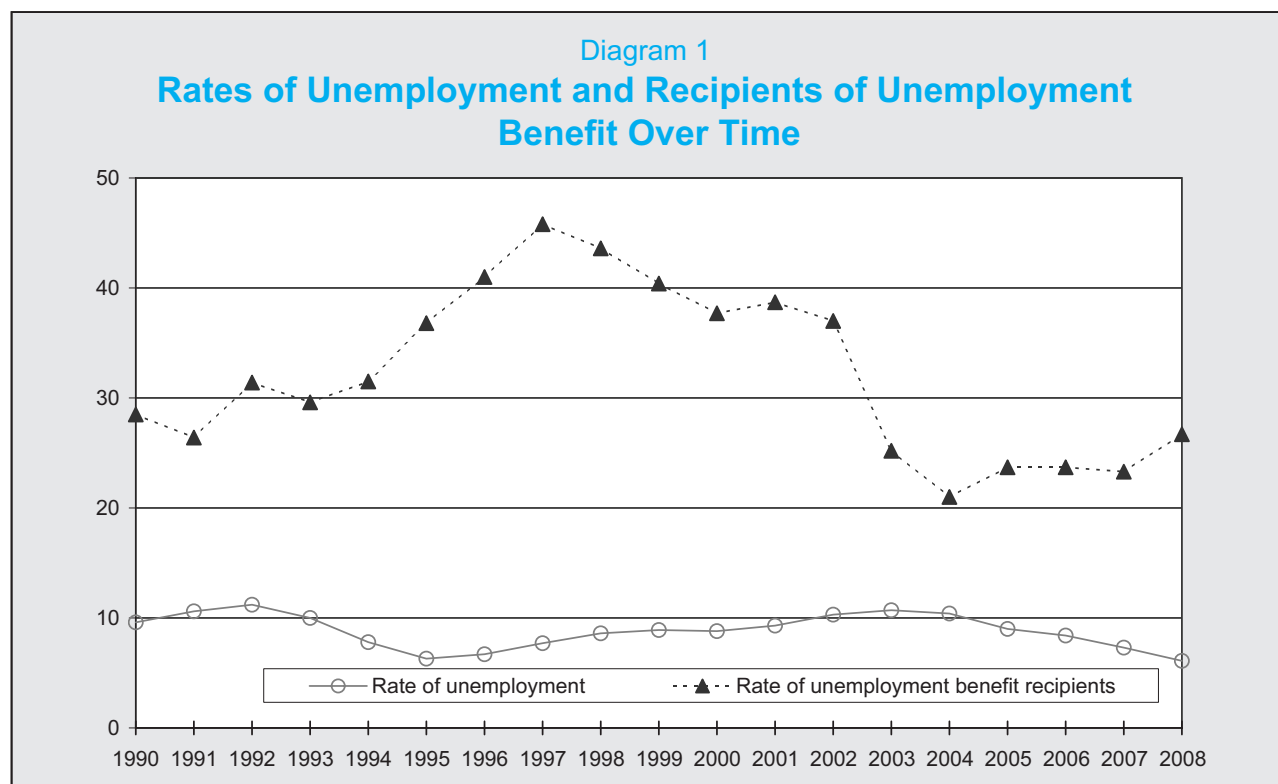
Period	Receiving unemployment benefit	Unemployment rate		Not working	% of unemployed receiving unemployment benefit
		Original	Seasonally adjusted		
Q.1	45,183	5.9	6.2	173,000	26.1
Q.2	44,356	5.7	6.0	167,000	26.6
Q.3	50,339	6.4	5.9	191,000	26.4
Q.4	52,301	6.4	6.3	189,000	27.7

Table 2
**Unemployed Persons and Recipients of Unemployment Benefit
(monthly average), 2000-2008**

Year	Unemployed		Thereof: receiving unemployment pay			
	Absolute numbers	% of labor force	Absolute numbers	% of unemployed	Absolute numbers	% of unemployed
2000	213,800	8.8	92,596	43.3	80,650	37.7
2001	233,900	9.4	104,707	44.8	90,623	38.7
2002	262,400	10.3	97,000	37.0	83,130	31.7
2003	279,700	10.7	70,450	25.2	65,683	23.5
2004	277,700	10.4	58,350	21.0	57,572	20.7
2005	246,400	9.0	58,830	23.9	58,176	23.6
2006	236,100	8.4	55,941	23.7	55,294	23.4
2007	211,800	7.3	49,817	23.5	49,348	23.3
2008	180,000	6.1	48,045	26.7	47,647	26.5

* Does not include unemployed persons who are in vocational training.

Figure 1 shows the trends from the start of the 1990s in the number of recipients of unemployment benefit as a proportion of all the unemployed in the economy, against trends in the unemployment rate. It shows the steep drop in the numbers receiving unemployment benefit between 2002 and 2004 (compared with the relative stability in the rate of unemployment), due to the stricter legislation that was introduced in unemployment insurance in this period.



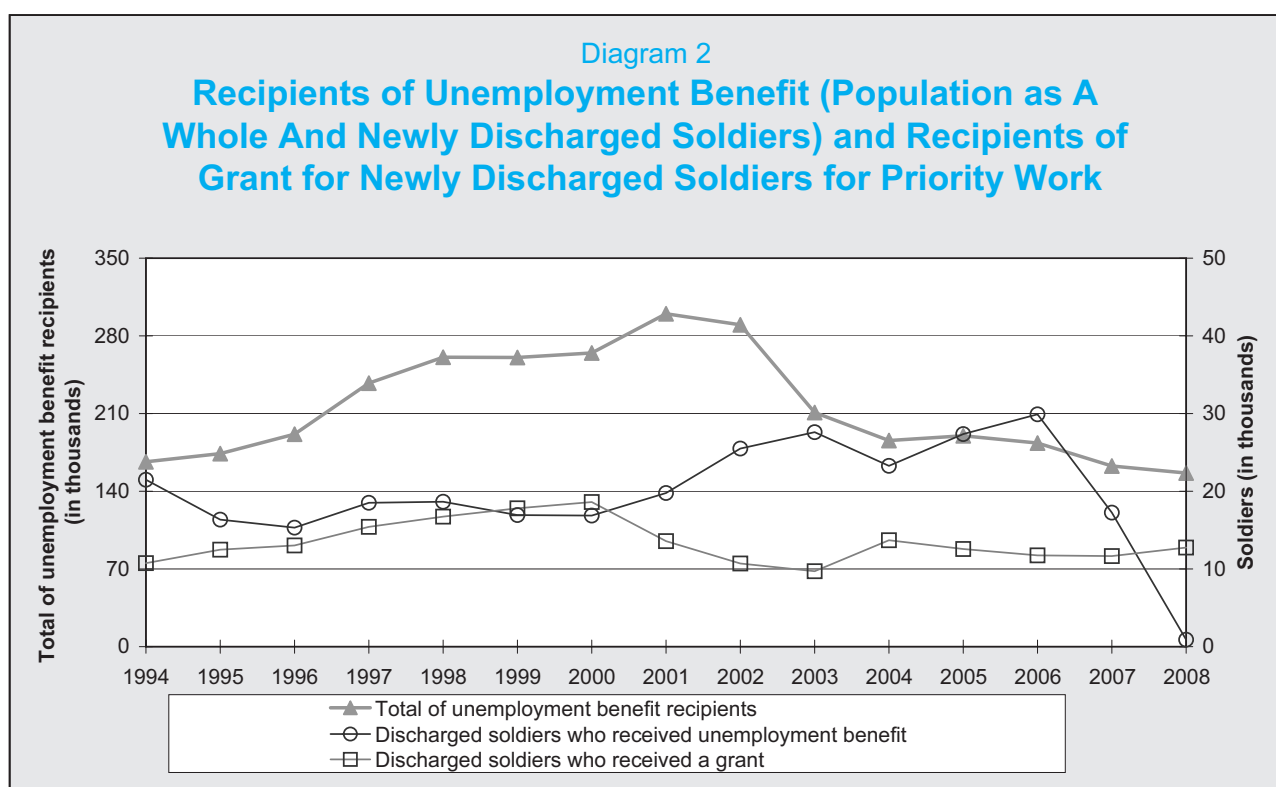
D. Recipients of unemployment benefit

The unemployed population receiving benefits is usually divided into two main groups: recently discharged soldiers and people who were employed before becoming unemployed. The discharged soldiers should be further grouped into two different periods: before and after July 2007. Before July 2007, discharged soldiers were exempt from the qualification period in the first year after leaving the army, and subject only to the employment test.

Following the change in legislation in July 2007⁴, the number of discharged soldiers eligible for unemployment benefit dropped from 6,650 in 2006 to 3,880 in 2007, and almost reached zero in 2008, when 174 soldiers received the benefit. Their percentage of all recipients of unemployment benefit shrank to a third of a percent, compared with about 12% in the years prior to the legislation.

4 See the chapter on unemployment in the Annual Survey for 2007.

Figure 2 shows clearly the inverse ratio between the change in the number of discharged soldiers receiving unemployment benefit and the change in the number of discharged soldiers receiving a grant. In 2007 and 2008, the reason for this inverse ratio was the sharp drop in the number of discharged soldiers receiving unemployment benefit, following the change in legislation, which almost ended the eligibility of newly discharged soldiers to receive this benefit.



In spite of the drop in the rate of unemployment and in the total number of recipients of unemployment benefit, there was an increase of about 4% in the number of recipients of benefit **who had been employed previously**, compared with 2007. This increase is partly explained by the fact that some of the discharged soldiers moved from this category to the "employed" category. Apparently, they were absorbed into the labor market, and dismissed later. Their eligibility for unemployment benefit was the same as that of any unemployed person who had worked for 12 out of the previous 18 months.

Table 3 shows that in 2008 there were on average about 48,000 unemployed persons each month who received unemployment benefit (a decrease of about 4% compared with 2007); about 47,900 of them had been employed in the work force (an increase of about 4%), and only 174 were discharged soldiers – a drop of 96% compared with 2007.

Table 3
Recipients of Unemployment Benefit, by Year, 2000-2008

Year	Total		Recipients of benefit who were employed			Discharged soldiers		
	Number	% change over previous year	Total (numbers)	Percentage of all recipients	% change over previous year	Total (numbers)	Percentage of all recipients	% change over previous year
Total								
2000	264,598	1.6	247,726	93.6	1.8	16,872	6.4	-1.6
2001	299,896	13.3	280,120	93.4	13.1	19,776	6.6	17.2
2002	277,418	-7.5	252,093	90.9	-10.0	25,325	9.1	28.1
2003	210,957	-24.0	183,350	86.9	-27.3	27,607	13.1	9.0
2004	186,246	-11.7	161,940	86.9	-11.7	24,306	13.1	-12.0
2005	189,812	1.9	160,658	84.6	-0.8	29,154	15.4	19.9
2006	183,439	-3.4	153,538	83.7	-4.4	29,901	16.3	2.6
2007	162,759	-11.3	145,506	89.4	-5.2	17,253	10.6	-42.3
2008	156,450	-3.9	155,485	99.4	6.9	965	0.6	-94.4
Monthly average								
2000	92,596	-3.6	88,109	95.2	-3.6	4,187	4.8	-2.8
2001	104,707	13.1	99,703	95.2	13.2	5,004	4.8	11.5
2002	97,000	-7.4	90,700	93.5	-9.0	6,300	6.5	25.9
2003	70,450	-27.4	63,450	90.1	-30.2	7,000	9.9	13.3
2004	58,350	-17.2	52,852	90.6	-16.7	5,498	9.4	-21.5
2005	58,830	0.8	52,334	89.0	-1.0	6,496	11.0	18.2
2006	55,941	-4.9	49,294	88.1	-5.8	6,647	11.9	2.3
2007	49,817	-11.0	45,936	92.2	-6.8	3,881	7.8	-41.6
2008	48,045	-3.4	47,871	99.6	4.2	174	0.4	-95.5

Table 4
Recipients of Unemployment Benefit who were Employed by Type of Unemployed Persons, and Job Seekers by Type of Employment Bureau (percentages), 2000-2008

Year	Recipients of benefit			Job seekers		
	Total	Job seekers	In vocational training	Total	Academic	Non academic
2000	100.0	87.1	12.9	100.0	17.7	82.3
2001	100.0	86.7	13.3	100.0	20.7	79.3
2002	100.0	85.7	14.3	100.0	21.8	78.2
2003	100.0	93.3	6.7	100.0	23.4	75.6
2004	100.0	98.7	1.3	100.0	24.8	75.2
2005	100.0	98.9	1.1	100.0	24.9	75.1
2006	100.0	98.8	1.2	100.0	26.1	73.9
2007	100.0	99.1	0.9	100.0	26.8	73.2
2008	100.0	99.2	0.8	100.0	28.3	71.7

The data in Table 4 shows the continuing and consistent rise in the number of academics among all recipients of unemployment benefit who worked before becoming unemployed, from about 18% in 2000 to 28% in 2008, and the negligible percentage of unemployed taking vocational courses – less than 1%. Tightening the conditions of eligibility for unemployment benefit in the economic plan of 2002-2003 effectively destroyed vocational training for recipients of the benefit.

E. Duration of payment of unemployment benefit

Unemployment benefit is paid for a maximum of 70 days to soldiers who left the army less than a year previously⁵, and for 50 days, 67 days, 100 days, 138 days or 175 days for other unemployed persons, according to age and number of dependents⁶. Take-up of entitlement to the benefit is limited to a period of one year from the first day of unemployment⁷.

Table 5, which shows the take-up rates of the payment period in relation to the possible eligibility period under the Law, indicates that the rates of take-up of eligibility for 175 days of payment and for 50 days of payment are higher than for the other groups. These rates reflect the distress of groups of older unemployed persons, who have a lower chance of returning to the job market, and for the youngest group, who do not manage to find work during the period for which unemployment benefit is paid. It must be emphasized that, in comparison with 2007, there is a slight decrease in the average number of days of payment as a percentage of the maximum period – for all the groups except for those who are entitled to the maximum period of 175 days (the older unemployed group), where there is a slight rise in utilization of the days available to them.

5 To obtain a grant for priority work, a discharged soldier is allowed to submit a claim within two years after the date of his discharge.

6 See note 2 in this Chapter.

7 Until January 2003, this restriction did not apply to those who attended vocational training courses.

Table 5

Recipients of Unemployment Benefit Seeking Work who Completed their Entitlement in 2007 and 2008, by Number of Days for which they Received Unemployment Benefits (as Percentage of Maximum Period of Entitlement) and by Maximum Period of Entitlement

Period of entitlement	Number of payment days as a percentage of the Maximum period of entitlement (percentages)					Average no. of days as a % of the maximum period of entitlement
	Up to 25	25-50	51-75	76-100	100	
2007						
Total	8.6	12.2	12.5	22.9	42.8	77.8
50 days	5.4	8.7	9.7	23.3	52.9	89.6
70 days	11.7	12.6	13.6	21.6	40.5	74.3
100 days	9.3	14.0	15.6	28.3	32.8	75.5
138 days	10.5	13.9	12.4	21.5	41.7	76.4
175 days	9.2	10.6	10.0	20.0	50.2	79.7
2008						
Total	9.6	12.0	12.9	21.0	44.5	77.9
50 days	6.0	10.2	10.9	21.1	51.8	84.1
67 days	6.8	11.9	14.2	19.2	47.9	82.5
70 days	14.2	15.1	15.0	20.4	35.3	69.9
100 days	9.9	13.9	16.1	26.0	34.1	75.1
138 days	11.3	13.5	13.2	19.9	42.3	75.7
175 days	8.4	9.2	10.5	19.2	52.0	80.8

F. Amount of unemployment benefit and scope of payments

As stated, the unemployment benefit in Israel is calculated according to a progressive formula, which ensures that the replacement rate (unemployment benefit as a proportion of wages prior to unemployment) is reduced, as in other social insurance schemes. This formula combines two considerations: the insurance consideration – insurance against unemployment, where the compensation paid to maintain the living standard of the unemployed person and his/her family is not a full replacement for his/her wages prior to becoming unemployed – and the consideration of distribution of income: higher compensation for low-wage earners than for high-wage earners.

Table 6
**Recipients of Unemployment Benefit who were Employed, by Daily Payment
 Compared with Average Daily Wage in Economy (percentages), 2000-2008**

Year	Total	Daily unemployment benefit compared with the average daily wage					Average unemployment benefit as a percentage of the average wage in the economy
		Up to ¼ of average wage	¼ to ⅓ of average wage	⅓ to ½ of average wage	½ to ⅔ of average wage	⅔ to 100% of average wage	
2000	100.0	6.2	8.0	48.8	29.8	7.2	46.5
2001	100.0	5.0	5.8	44.8	32.9	11.5	50.2
2002	100.0	4.9	6.6	43.4	33.1	12.0	50.4
2003	100.0	5.2	6.6	39.0	33.7	15.6	52.0
2004	100.0	6.3	6.1	38.6	32.5	16.5	50.6
2005	100.0	6.5	7.2	43.1	30.1	13.1	49.3
2006	100.0	6.5	8.3	44.2	28.5	12.5	48.7
2007	100.0	7.6	10.6	43.7	25.6	12.5	46.9
2008	100.0	6.7	9.9	40.4	27.3	15.7	49.9

The figures in Table 6 show that in 2008 there was a change in the trend. For the first time since 2004, the average unemployment payment rose as a percentage of the average wage – from 46.9% in 2007 to 49.9% in 2008. In addition, the percentage of unemployed who received a benefit equal to **more than half** the average wage rose from 38% in 2007 to 42% in 2008, and at the same time there was a decrease in the number of unemployed who received a benefit lower than half the average wage – from about 62% in 2007 to 58% in 2008.

Table 7
Unemployment Benefit Payments (NIS million), 2000-2008

Year	Current prices (NIS thousands)	Fixed prices (2008)	Real rate of increase
2000	2,953	3,448	-0.3
2001	3,503	4,048	17.4
2002	3,524	3,853	-5.1
2003	2,410	2,630	-29.9
2004	2,100	2,340	-12.9
2005	1,993	2,139	-6.3
2006	1,957	2,058	-3.8
2007	1,757	1,838	-10.7
2008	1,840	1,840	0.1

The decrease in the number of persons receiving unemployment benefit was set off against the increase in the average amount of the benefit, and the total cost of paying unemployment benefit stabilized in 2008: the total paid out was NIS 1.8 billion (compared with NIS 4 billion in 2001, at

2008 prices). The stability in the extent of payments in 2008 in spite of the drop in the number of unemployed receiving benefit is largely explained by the entry of unemployed people who had previously earned higher wages.

As in 2007, in 2008 the total expenditure for payment of unemployment benefit constituted 3.8% of the total expenditure for National Insurance benefits, compared with 4.4% in 2006, 5.8% in 2005, and 7.9% in 2001.

11. Workers' rights in bankruptcy and corporate liquidation

A. General

The department that handles the rights of employees in cases of bankruptcy was set up in 1975, against the background of the impact on many employees following the collapse of businesses that began bankruptcy and liquidation proceedings. These employees lost not only their jobs and salaries but also their severance pay as required by employment agreements; their social benefits were also affected. This was because, in most cases, the employers were left without the financial resources or realizable assets to pay their debts to their employees and the pension funds.

The purpose of the department that deals with the rights of employees in cases of bankruptcy and corporate liquidation is to pay the employer's debt to the employees for salaries and severance pay, by means of benefits, and to maintain the continuity of their social rights in pension funds.

The department's payments to employees and to pension funds are funded by employers' insurance contributions (in 2008, at the rate of 0.02% of the employee's monthly salary up to the ceiling of income that is subject to insurance payments), and also through the Government's participation at a similar rate (in 2008 – 0.02%) in the framework of Treasury indemnification.

Operation of this department makes it possible to have a full separation between making payments to employees and to pension funds, and realizing the assets of employees in bankruptcy and liquidation proceedings. In addition, the payments to employees and pension funds are linked to changes in the *basic amount*¹ under its definition in the National Insurance Law.

B. Some definitions in the Law

1. **An employer in bankruptcy or liquidation:** any type of corporation against which a bankruptcy or liquidation order has been issued, and whose employees or pension funds have not received their due: self-employed workers, limited companies, partnerships, cooperative associations and friendly societies
2. **Employee:** anyone who was working for an employer when the bankruptcy or liquidation order was issued, and who has not yet received the remainder of his salary or severance pay. This definition covers residents of Israel, foreign residents and residents of the Palestinian territories employed by virtue of a valid employment agreement.
3. **Pension fund:** any entity to which, pursuant to the provisions of a collective agreement, employment contract or other agreement between the employee and the employer, and with the consent of that entity, the employer is obligated to transfer contributions from the

¹ See note 25 in chapter 1.

employer's funds or from the employee's salary in order to add to or secure the employee's rights in relation to his work, termination of his work, his retirement or his social security

C. Benefits paid in the framework of the Law

1. Payments to employees

Salary: amounts not yet paid to the employee for his work – salary, overtime, recuperation allowance, redemption of unused holiday days, payment for festivals and clothing – including an amount deducted from the employee's salary not pursuant to the Law and not yet transferred to its intended destination. If the salary is no greater than the minimum wage (in July 2008 – NIS 3,850 per month), the employee is entitled to receive the minimum wage defined in the Law.

Severance pay: compensation to which the employee is entitled up to the last day of his work, for the seniority accumulated during his time working for the employer. In 2008, a ceiling for salary and severance pay was defined, of up to 10 times the *basic amount* (NIS 73,520).

2. Payments to pension funds

To ensure the continuity of employees' rights. Payments are limited to a maximum of twice the *basic amount* (NIS 14,704 in 2008).

D. Problems with implementation of the Law

In spite of the considerable progress that has been achieved in protecting the salaries and rights of employees, several problems remain to be resolved:

1. The Law requires the issue of a liquidation/bankruptcy order. This process is generally very long and in many cases holds up payment of the debt to the employee.
2. The high legal costs involved in the employer's liquidation proceedings could be greater than the amount owed to employees, and therefore the employee has no reason to start such proceedings and he is unable to exercise his rights in this Department.
3. Employees who have accumulated long periods of seniority in most cases receive the maximum payment, which is smaller than the employer's debt to them.

E. Employers in bankruptcy or liquidation proceedings

The data in Table 1 show the impact of the economic recession in the years 2003-2005, and the change in the direction of activity in 2006 on the extent of activity in this Department. The recession in the Israeli economy in the second half of 2008 has not yet found expression in the activity of the Employees' Rights and Bankruptcy Department in 2008.

In 2008, there were 405 new cases of employers in bankruptcy and liquidation proceedings, whose liquidators filed claims to this department in the name of their employees and pension funds – a decrease of 10% compared with 2007. This year, 6,800 employees' claims were approved – a decrease of 20% compared with the previous year. It should be remembered that in 2007 an effort was made to reduce the backlog of claims that had accumulated in this department during that year.

The number of employees for whom pension fund claims were approved in 2008 was 1,610 – an increase of 9.4% compared with 2007.

Table 1

New Employers in Bankruptcy and Liquidation Proceedings who were Accepted for Handling, Number of Employee Claims Received and Approved and Number of Approved Pension Fund Claims, 2004-2008

Year	New employers accepted for handling	New employee claims		New claims from pension funds		
		Received	Approved*	Received	Approved*	No. of employees for whom contributions to pension funds were paid
2004	425	7,500	8,400	220	190	1,440
2005	520	9,000	7,600	330	310	3,220
2006	440	7,500	6,400	330	290	3,470
2007	450	7,000	8,400	180	190	1,060
2008	405	6,000	6,800	155	205	1,610

* Including approvals of claims received in previous years.

Table 2 shows that in over half the employer files received for handling in this Department in 2007-2008, 1-5 claims were approved per file. However, it should be remembered that further approvals of claims in the same employer files in the coming years could change the distribution of employers by the number of employee claims in their files.

Table 2
**New Employers, by Number of Claims Handled in Each File
(excluding claims from pension funds), 2004-2008**

Year file received	Total number of employers	No. of claims per employer as % of all claims		
		5-1	25-6	+26
2004	410	44.3	39.1	16.6
2005	505	49.8	37.4	12.8
2006	430	53.0	35.3	11.7
2007	330	60.8	31.9	7.3
2008	370	64.4	27.2	8.4

In 2008, these employers were concentrated in the following economic sectors: commerce (32.7%), services (28.8%), construction and infrastructure (15.7%). That year, service employees whose claims were approved constituted 41.8% of all employees whose claims were approved (as shown in Table 4).

Table 3
**New Employers Handled by the Employees' Rights and Bankruptcy Department,
by Economic Sector, 2004-2008**

Year	Total in absolute numbers	Thereof: by sector as a percentage of the total						
		Textiles	Metals and electricity	Various industries	Construction, infrastructures	Commerce	Transport	Services*
2004	425	4.0	9.2	11.5	14.1	29.9	4.7	26.6
2005	520	4.4	6.9	11.5	17.5	29.8	3.9	26.0
2006	440	1.4	7.3	14.8	15.2	31.6	3.2	26.5
2007	450	2.9	5.8	8.7	15.1	34.2	3.3	30.0
2008	405	2.5	6.1	10.3	15.7	32.7	3.9	28.8

* Includes business, public and personal services.

Table 4
Employee Claims Approved as Percentage of Total, by Economic Sector, 2004-2008

Year	Total in absolute numbers	Thereof: by sector as percentage of the total						
		Textiles	Metals and electricity	Various industries	Construction, infrastructures	Commerce	Transport	Services*
2004	8,400	6.4	5.5	10.5	17.8	15.4	2.2	42.2
2005	7,600	4.0	8.5	13.2	13.7	24.3	2.8	33.5
2006	6,400	4.4	7.1	8.9	12.3	28.9	2.7	35.7
2007	8,400	5.1	5.0	9.9	8.2	24.4	1.7	45.7
2008	6,800	9.2	5.1	11.9	12.2	18.6	1.2	41.8

* Includes business, public and personal services.

F. Payments to employees and pension funds

In 2008, NIS 197.2 million were paid to employees and pension funds – a drop of 9.6% compared with 2007. Of the amounts paid to employees in 2008, 79.2% was for salaries and severance pay, 16.8% for salaries only, and 4% for severance pay only (Table 5).

Table 5
**Payments to Employees and Pension Funds, and Payment by Type of Benefit,
as Percentage of All Payments, 2004-2008**

Year	Total payments (NIS million)			Payment by type of benefit as a percentage of the total		
	Total	Employees	Pension funds	Salary and severance pay	Salary	Severance pay
2004	199.3	192.1	7.2	75.0	19.0	6.0
2005	227.2	209.8	17.4	76.4	17.3	6.3
2006	152.2	139.6	12.6	73.0	23.7	3.3
2007	218.1	212.7	5.4	79.7	16.9	3.4
2008	197.2	189.0	8.2	79.2	16.8	4.0

In 2008, 170 employees, accounting for 2.5% of all new employees whose claims were approved, received the maximum benefit due to them. 15.5% of employees in whose names pension fund claims were submitted, received the maximum benefit. It should be noted that these numbers are likely to increase, due to payment of benefit differentials in the coming years (Table 6).

Table 6
**Employees and Pension Funds that Received Maximum Payments,
as Percentage of all Employee and Pension Fund Claims, 2004-2008**

Year	Employees who received the maximum benefit		Employees for whom maximum benefit was paid to pension funds	
	Total	As % of all approved claims	Total	As % of the total
2004	320	3.8	210	14.6
2005	150	2.0	480	14.9
2006	140	2.1	1,170	33.8
2007	105	1.2	290	27.2
2008	170	2.5	250	15.5

G. Collecting debts of employers to the Workers' Rights in Bankruptcy Department

According to the law, the department may demand from the employer's liquidators the amounts of benefits paid to every employee by right of priority², for an amount no greater than the amount determined by the Companies Order – Bankruptcy, regulations of collective associations, etc.. In 2008, the amount by right of priority for an employee was NIS 8,701 for salary only, and NIS 13,052 for salary and severance pay. There is no right of priority on amounts paid to pension funds. As for the balance of the debt, the department is deemed a normal creditor. It should be noted that, if an employee is paid the maximum amount (NIS 73,520 in 2008), the amount paid by the liquidators to the department by right of priority will be transferred to the employee to cover part of the liquidators' debt to the employee. In this case, the department becomes a normal creditor from the first shekel onwards

According to the same law, the department is not entitled to collect from the liquidator the linkage differentials paid to the eligible employee for the period following the date on which the receivership order or liquidation order was issued, unless the liquidator decides to pay interest, linkage differentials or both for the aforesaid period to the remaining creditors in a bankruptcy or liquidation proceeding. For example, if the employee has been paid salary and compensation in the amount of NIS 35,000, of which NIS 2,000 is linkage differential for the period following the issue of the receivership order or the liquidation order, the remaining amount – NIS 33,000 – is divided into NIS 13,052, which has the right of priority, and the balance – NIS 19,948 – is a normal debt.

The foregoing shows that the law restricts the ability of the department to collect (if this is possible) from liquidators partial amounts on account of the benefits paid to employees and pension funds that have been eroded over time. Table 7 shows the amounts of debt with right of priority and their share of the benefits paid in the years 2004-2008, as well as the amounts collected from liquidators and their share of the total debt with right of priority in those years. From this table, we can see that, in 2008, the Department for the Workers' Rights in Bankruptcy and Corporate Liquidation was entitled to receive under the right of priority 35% of the amount of benefits paid to employees and pension funds that year.

In 2008, the Institute succeeded in collecting NIS 10 million on account of benefits that were paid in the past, representing 14.5% of the debt under right of priority that year.

2 Debts by right of priority are debts that have priority over other debts, where such priority refers to normal creditors and not secured creditors, who are entitled to all their money in the bankruptcy/liquidation process. According to existing laws on this subject, there are types of debts that have the right of priority and they are ranked as follows: 1. Work pay 2. Debts for deductions at source for income tax 3. Other debts, such as maintenance, rent, local taxes.

Table 7

Debt Under Right of Priority as Percentage of All Benefits Paid to Employees and Pension Funds and Collection from Liquidators as Percentage of Debt Under Right of Priority, 2004-2008

Year	Current debt with right of priority		Collection from liquidators on account of the past	
	Amount in NIS millions	As a % of total payments	Amount in NIS millions	As a % of the debt under right of priority
2004	74.3	37.3	4.4	5.9
2005	73.6	32.4	5.0	6.8
2006	56.3	37.0	5.9	10.5
2007	83.0	38.0	6.1	7.4
2008	69.0	35.0	10.0	14.5

Appendices

Insurance Branch Table

A. General

Table A/1
Receipts and Payments (at Current Prices)¹, NIS Million

	2002	2005	2006	2007	2008
Total receipts	59,295.2	61,317.0	64,665.7	68,192.9	72,834.7
Thereof: to N.I. branches	48,411.9	49,479.1	52,107.4	54,737.1	58,260.2
Contributions to N.I. branches	23,113.5	24,299.1	25,233.9	26,283.7	27,819.3
Government participation under National Insurance Law	10,506.2	11,699.7	12,600.2	13,888.3	14,937.9
Interest	4,265.8	4,850.1	5,290	5,600	6,150.0
Miscellaneous	166.1	240	237.5	296.3	365.0
Government allocation for non-contributory payments ¹	10,360.3	8,390.2	8,745.8	8,668.8	8,988.0
Contributions under other laws	10,883.3	11,837.9	12,558.3	13,455.8	14,574.5
Total payments of N.I. branches¹	46,290.8	42,326.0	44,741.4	46,062.1	48,839.7
For contributory benefits	35,930.5	33,935.8	35,995.9	37,393.3	39,851.7
For non-contributory benefits	10,360.3	8,390.2	8,745.8	8,668.8	8,988.0
Current surplus	-2,870.8	1,549.9	1,293.4	2,285.3	2,446.7
Assets at end of year	89,223.8	105,098.1	111,322.5	121,792.3	

1. Not including administrative expenses.

Table A/2
Receipts and Payments (at 2008 Prices)¹, NIS Million

	2002	2005	2006	2007	2008
Total receipts	64,693.4	65,825.5	67,992.6	71,316.1	72,834.7
Thereof: to N.I. branches	52,819.3	53,117.2	54,788.2	57,244.1	58,260.2
Contributions to N.I. branches	25,217.7	26,085.8	26,532.1	27,487.5	27,819.3
Government participation under National Insurance Law	11,462.7	12,560.0	13,248.4	14,524.4	14,937.9
Interest	181.2	257.6	249.7	309.9	365.0
Miscellaneous	11,303.5	9,007.1	9,195.7	9,065.8	8,988.0
Government allocation for non-contributory payments ¹	11,874.1	12,708.3	13,204.4	14,072.1	14,574.5
Total payments of N.I. branches¹	50,505.0	45,438.1	47,043.5	48,171.7	48,839.7
For contributory benefits	39,201.6	36,431.0	37,847.8	39,105.9	39,851.7
For non-contributory benefits	11,303.5	9,007.1	9,195.7	9,065.8	8,988.0
Current surplus	-3,132.2	1,663.9	1,359.9	2,390.0	2,446.7

1. Not including administrative expenses.

Table A/3
Contributions and Benefits – Old-Age and Survivors Branch¹, NIS Million

	2002	2005	2006	2007	2008
At current prices					
Total benefits	15,447.2	16,256.9	17,165.4	17,465.4	18,425.4
Thereof: under N.I. Law	12,136.6	12,909.7	13,627.9	13,927.9	14,842.4
Total contributions from the public	10,302.4	10,632.8	11,263.7	11,803.8	12,559.8
Government participation under N.I. Law	1,694.1	1,603.5	1,740	1,911.1	2,054.2
Interest	1,821.2	2,010	2,150	2,210.0	2,370.0
Current surplus	-301.4	-725	-762.2	-356.9	-412.6
Surplus including interest	1,519.8	1,285	1,387.8	1,844.1	1,957.4
Assets at end of year	38,863.9	43,293.5	44,551.6	47,593.1	
At 2008 prices					
Total benefits	16,853.5	17,452.2	18,048.5	18,265.3	18,425.4
Thereof: under N.I. Law	13,241.5	13,858.9	14,329.0	14,565.8	14,842.4
Total contributions from the public	11,240.3	11,414.6	11,843.2	12,344.4	12,559.8
Government participation under N.I. Law	1,848.3	1,721.4	1,829.5	1,998.6	2,054.2
Current surplus	-328.8	-778.3	-801.4	-373.2	-412.6

1. Not including administrative expenses.

Table A/4
Contributions and Benefits – General Disability Branch¹, NIS Million

	2002	2005	2006	2007	2008
	At current prices				
Total benefits	6,809.9	7,499.1	8,100.7	8,472.8	9,328.9
Thereof: under N.I. Law	6,032.1	6,702.7	7,155.9	7,528.0	7,983.1
Total contributions from the public	3,579.5	3,634.3	3,955.6	4,229.4	4,558.7
Government participation under N.I. Law	63.3	482.0	526.3	564.0	607.0
Interest	834.0	534.0	435.0	420.0	540.0
Current surplus	-2,562.1	-2,777.2	-2,890	-2,927.2	2,934.3
Surplus including interest	-1,728.1	-2,243.2	-2,455	-2,507.2	2,394.3
Assets at end of year	15,777.0	9,711.4	7,160.8	8,792.9	
	At 2008 prices				
Total benefits	7,429.9	8,050.5	8,517.5	8,860.9	9,328.9
Thereof: under N.I. Law	6,581.3	7,195.5	7,524.1	7,872.8	7,983.1
Total contributions from the public	3,905.4	3,901.5	4,159.1	4,423.1	4,558.7
Government participation under N.I. Law	69.1	517.4	553.4	589.8	607.0
Current surplus	-2,795.3	-2,981.4	-3,038.7	-3,061.3	2,934.3

1. Not including administrative expenses.

Table A/5
Contributions and Benefits – Work Injury Branch¹, NIS Million

	2002	2005	2006	2007	2008
At current prices					
Total benefits	2,980.9	3,044.7	3,142.5	3,152.0	3,320.9
Thereof: under N.I. Law	2,644.5	2,659.1	2,747.4	2,759.1	2,895.3
Total contributions from the public	1,467.3	1,665.9	1,519.8	1,593.8	1,680.8
Interest	334.2	230.0	200.0	190.0	240.0
Current surplus	-1,184.2	-987.0	-1,213.4	-1,103.5	-1,142.0
Surplus including interest	-850.0	-757.0	-1,013.4	-913.5	-902.0
Assets at end of year	6,313.3	4,314.8	3,249.2	3,805.9	
At 2008 prices					
Total benefits	3,252.3	3,268.6	3,304.2	3,296.4	3,320.9
Thereof: under N.I. Law	2,885.3	2,854.6	2,888.7	2,885.5	2,895.3
Total contributions from the public	1,600.9	1,788.4	1,598.0	1,666.8	1,680.8
Current surplus	-1,292.0	-1,059.6	-1,275.8	-1,154.0	-1,142.0

1. Not including administrative expenses.

Table A/6
Contributions and Benefits – Maternity Branch¹, NIS Million

	2002	2005	2006	2007	2008
	At current prices				
Total benefits	2,741.3	2,807.7	3,047.2	3,544.2	4,080.6
Thereof: under N.I. Law	2,431.8	2,569.3	2,820.5	3,323.4	3,853.1
Government participation	0	0	0	151.6	160.0
Total contributions from the public	1,566.0	1,683.2	1,846.8	1,980.9	2,139.3
Interest	142.8	20.0	-25.0	10.0	50.0
Current surplus	-907.9	-925.4	-1,018.7	-1,239.3	1,606.7
Surplus including interest	-765.1	-905.4	-1,043.7	-1,229.3	1,556.7
Assets at end of year	2,523.2	-102.1	-1,154.8	305.9	
	At 2008 prices				
Total benefits	2,990.9	3,014.1	3,204.0	3,706.5	4,080.6
Thereof: under N.I. Law	2,653.2	2,758.2	2,965.6	3,475.6	3,853.1
Total contributions from the public	1,708.6	1,807.0	1,941.8	2,071.6	2,139.3
Current surplus	-990.6	-993.4	-1,071.1	-1,296.1	-1,606.7

1. Not including administrative expenses.

Table A/7
Contributions and Benefits – Children Branch¹, NIS Million

	2002	2005	2006	2007	2008
	At current prices				
Total benefits	6,710.1	4,483.4	4,972.8	4,971.3	5,109.4
Thereof: under N.I. Law	6,556.9	4,330.4	4,816.3	4,813.7	4,931.7
Total contributions from the public	5,103.3	5,483.9	5,486.7	5,446.9	5,557.0
Government participation under N.I. Law	8,082.5	9,036.0	9,725.7	10,592.0	11,405.4
Interest	767.2	1,848.9	2,415.0	2,630.0	2,700.0
Current surplus	6,556.5	10,126.2	10,332.8	11,160.5	11,954.2
Surplus including interest	7,323.7	11,975.1	12,747.8	13,790.5	14,654.2
Assets at end of year	17,741.4	44,227.3	55,193.3	57,745.0	
	At 2008 prices				
Total benefits	7,321.0	4,813.1	5,228.6	5,199.0	5,109.4
Thereof: under N.I. Law	7,153.8	4,648.8	5,064.1	5,034.2	4,931.7
Total contributions from the public	5,567.9	5,887.1	5,769.0	5,696.4	5,557.0
Government participation under N.I. Law	8,818.3	9,700.4	10,226.1	11,077.1	11,405.4
Current surplus	7,153.4	10,870.8	10,864.4	11,671.7	11,954.2

1. Not including administrative expenses.

Table A/8
Contributions and Benefits – Unemployment Branch¹, NIS Million

	2002	2005	2006	2007	2008
	At current prices				
Total benefits	3,533.2	1,992.7	1,957.1	1,757.3	1,840.2
Thereof: under N.I. Law	3,513.9	1,973.6	1,937.3	1,741.3	1,826.2
Total contributions from the public	455.7	434.7	450.3	483.2	525.9
Interest	-63.7	-30	-30	-30	0.0
Current surplus	-3,123.2	-1,590.6	-1,542.7	-1,312.4	1,355.7
Surplus including interest	-3,186.9	-1,620.6	-1,572.7	-1,342.4	1,355.7
Assets at end of year ²	0.0	0.0	0.0	0.0	0.0
	At 2008 prices				
Total benefits	3,854.9	2,139.2	2,057.8	1,837.8	1,840.2
Thereof: under N.I. Law	3,833.8	2,118.7	2,037.0	1,821.1	1,826.2
Total contributions from the public	497.2	466.7	473.5	505.3	525.9
Current surplus	-3,407.5	-1,707.6	-1,622.1	-1,372.5	-1,355.7

1. Not including administrative expenses.

2. The deficit in the Unemployment branch is covered by the transfer of money from the reserves of the Children branch.

Table A/9
Contributions and Benefits – Long-term Care Branch, NIS Million

	2002	2005	2006	2007	2008
	At current prices				
Total benefits	2,505.8	2,549.6	2,720.5	3,074.3	3,302.3
Thereof: under N.I. Law	2,500.9	2,547.2	2,718.2	3,072.0	3,300.0
Total contributions from the public	372.8	391.5	419.7	442.7	468.4
Government participation under N.I. Law	664.7	570.0	600.0	660.0	701.4
Interest	315.2	125.0	35.0	30.0	100.0
Current surplus	-1,494.9	-1,611.8	-1,729.5	-1,999.9	-2,163.3
Surplus including interest	-1,179.7	-1,486.8	-1,694.5	-1,969.9	-2,063.3
Assets at end of year	5,711.6	1,383.1	-319.6	561.4	
	At 2008 prices				
Total benefits	2,733.9	2,737.1	2,860.5	3,215.1	3,302.3
Thereof: under N.I. Law	2,728.6	2,734.5	2,858.0	3,212.7	3,300.0
Total contributions from the public	406.7	420.3	441.3	463.0	468.4
Current surplus	-1,631.0	-1,730.3	-1,818.5	-2,091.5	-2,163.3

B. Old Age and Survivors

Table B/1
Recipients of Old Age and Survivors' Pensions, Monthly Average

Year	Grand Total	Old Age			Survivors			
		Total	Under N.I. Law	Not Under N.I. Law	Total ¹	Not Under N.I. Law		Under N.I. Law
						Total	Thereof: Maintenance Allowance for Orphans ²	Survivors (New Immigrants)
All pension recipients								
2000	657,117	552,072	454,531	97,541	105,045	104,404	5,837	641
2001	677,018	571,200	472,761	98,439	105,818	105,188	6,079	630
2002 ³	698,995	594,376	498,353	96,023	104,619	104,012	6,539	607
2003	709,279	604,786	510,779	94,008	104,493	103,813	6,060	592
2004	722,264	617,832	527,364	90,469	104,431	103,859	6,170	572
2005	719,921	614,886	528,273	86,613	105,035	104,457	6,397	577
2006	727,517	622,335	539,266	83,069	105,182	104,623	6,392	558
2007	728,891	623,691	544,631	78,061	105,199	104,659	6,233	540
2008	735,796	630,904	555,507	75,397	104,892	104,378	6,228	515
Recipients of income supplement as percentage of total								
2000	30.8	30.4	16.5	95.1	32.8	32.5	-	84.4
2001	30.3	30.0	16.4	95.1	32.0	31.4	-	84.1
2002 ³	29.2	28.9	16.1	95.1	31.4	31.1	-	80.1
2003	28.5	28.1	15.8	95.0	30.8	30.5	-	78.5
2004	27.5	27.1	15.4	95.0	30.0	29.8	-	78.3
2005	27.0	26.6	15.4	95.0	29.4	29.2	-	79.4
2006	26.6	26.2	15.6	95.1	29.1	28.8	-	77.4
2007	26.2	25.8	15.8	95.1	28.5	28.3	-	76.1
2008	25.7	25.3	15.8	95.1	28.1	27.9	-	75.5

1. As of January 2002, the series was amended: recipients of survivors' pensions include only those entitled to a full survivors' pension.
2. The annual number of recipients of maintenance allowance for orphans refers to August of every year.
3. The 2002 data refer to December 2002.

Table B/2
Recipients of Old Age and Survivors' Pensions, by Type of Family, Monthly Average

Year	Total	Single Elderly Person ¹	Elderly Couple			Widow/er ²					Children Only			
			Without Children	With One Child	With 2 or More Children	Without Children	With One Child	With 2 Children	With 3 or 4 Children	With 5 or More Children	One Child	2 Children ³	3 or 4 Children	5 or More Children
1990	450,829	261,817	85,740	3,453	2,021	81,838	6,029	6,438	-	-	2,225	1,268	-	-
1995	553,890	345,200	101,600	3,300	1,950	85,600	5,870	3,420	2,300	480	2,730	930	440	70
2000	657,117	450,712	96,413	3,041	1,905	87,135	6,510	3,559	2,340	556	3,244	1,067	514	121
2001	677,018	471,205	95,055	3,044	1,895	87,374	6,585	3,547	2,301	551	3,683	1,133	518	127
2002 ⁴	698,995	501,836	88,488	2,212	1,840	85,902	6,707	3,436	2,163	529	4,110	1,136	500	136
2003	709,279	512,121	87,778	3,028	1,859	85,405	6,694	3,467	2,215	517	4,319	1,134	515	137
2004	722,264	533,588	80,313	2,206	1,725	85,127	6,753	3,476	2,225	498	4,501	1,151	559	143
2005	719,921	531,629	78,845	2,840	1,572	85,359	6,816	3,481	2,202	496	4,710	1,227	596	148
2006	727,513	542,888	75,241	2,721	1,484	85,489	6,800	3,446	2,209	500	4,703	1,263	622	147
2007	728,891	548,968	70,901	2,466	1,356	85,486	6,747	3,351	2,191	498	4,801	1,340	630	154
2008	735,796	560,180	67,101	2,314	1,310	85,183	6,619	3,342	2,166	487	4,928	1,369	641	158

1. Including elderly persons without spouses and with or without children.

2. See note 1 to Table B/1.

3. Until August 1994, increments were paid only for the first two children. As of this date, an increment is paid for every child, and data have been therefore broken down according to number of children.

4. See note 3 to Table B/1.

Table B/3

Recipients of Old Age and Survivors' Pensions Plus Income Supplement, Monthly Average

Year	Total	Single Elderly Person ¹	Elderly Couple			Widow/er ²					Children Only			
			Without Children	With One Child	With 2 or More Children	Without Children	With One Child	With 2 Children	With 3 or 4 Children	With 5 or More Children	One Child	2 Children ³	3 or 4 Children	5 or More Children
	Number of recipients													
1990	143,588	72,339	26,942	1,129	1,005	38,127	1,587	2,199	-	-	125	75	-	-
1995	184,780	104,990	38,800	1,230	1,160	35,250	1,400	880	770	240	120	40	15	5
2000	202,128	120,799	44,498	1,167	1,183	31,160	1,480	898	576	97	201	41	27	1
2001	204,985	123,372	45,354	1,225	1,211	30,552	1,480	922	527	84	194	42	20	1
2002 ⁴	204,324	125,655	43,802	888	1,159	29,599	1,476	941	479	63	211	35	13	3
2003	201,947	124,478	43,039	1,130	1,138	29,019	1,464	906	463	55	203	39	10	3
2004	198,542	123,773	41,244	1,124	1,039	28,390	1,429	839	416	41	198	36	12	1
2005	194,537	121,944	39,578	1,105	978	28,041	1,444	778	374	34	218	32	11	-
2006	193,763	122,765	38,383	1,081	922	27,831	1,416	727	354	30	210	31	12	1
2007	191,018	122,404	36,730	1,025	865	27,533	1,263	617	312	27	193	37	10	1
2008	189,225	122,913	35,019	971	830	27,226	1,159	565	290	19	181	43	8	1

Table B/3 (Cont.)

Recipients of Old Age and Survivors' Pensions Plus Income Supplement, Monthly Average

Year	Total	Single Elderly Person ¹	Elderly Couple			Widow/er ²					Children Only			
			Without Children	With One Child	With 2 or More Children	Without Children	With One Child	With 2 Children	With 3 or 4 Children	With 5 or More Children	One Child	2 Children ³	3 or 4 Children	5 or More Children
	As percentage of total old age and survivors' pension recipients													
1990	31.8	27.6	31.4	32.7	54.7	46.6	26.3	34.2	-	-	5.6	5.9	-	-
1995	33.5	30.7	38.1	36.5	58.3	41.1	23.9	25.6	36.2	49.0	3.9	4.2	3.5	5.7
2000	30.8	26.8	46.2	38.4	62.1	35.8	22.7	25.2	24.6	17.4	6.2	3.8	5.3	0.8
2001	30.3	26.2	47.7	40.2	63.9	35.0	22.5	26.0	22.9	15.2	5.3	3.7	3.9	0.8
2002 ⁴	29.2	25.0	49.5	40.1	63.0	34.5	22.0	27.4	22.1	11.9	5.1	3.1	2.6	2.2
2003	28.5	24.3	49.0	37.3	61.2	34.0	21.9	26.1	20.9	10.6	4.7	3.4	1.9	2.2
2004	27.5	23.2	51.4	51.0	60.2	33.4	21.2	24.1	18.7	8.2	4.4	3.1	2.1	0.7
2005	27.0	22.9	50.2	38.9	62.2	32.9	21.2	22.3	17.0	6.9	4.6	2.6	1.8	-
2006	26.6	22.6	51.0	39.7	62.1	32.6	20.8	21.1	16.0	6.0	4.5	2.5	1.9	0.7
2007	26.2	22.3	51.8	41.6	63.8	32.2	18.7	18.4	14.2	5.4	4.0	2.8	1.6	0.6
2008	25.7	21.9	52.2	42.0	63.4	32.0	17.5	16.9	13.4	3.9	3.7	3.1	1.2	0.6

1. See note 1 to Table B/2.

2. See note 1 to Table B/1.

3. See note 3 to Table B/2.

4. See note 3 to Table B/1.

C. Long-Term Care

Table C/1

LTCI Coverage Rates by Age in Selected Localities, December 2008¹ (Percentages)

Locality	Number of LTCI Beneficiaries	Age			
		Total	מתחת ל-70	70-79	80+
Total nationwide	134,151	17.8	3.3	13.5	42.1
Taybeh	435	26.7	11.0	33.5	65.5
Qiryat Malache	578	33.3	8.9	36.8	69.9
Sderot	685	32.0	8.7	30.2	75.9
Beit Shemesh	633	21.6	3.0	18.8	56.7
Or Yehudah	890	29.1	7.1	30.5	63.1
Hadera	2,394	22.4	3.9	18.0	53.1
Tiberias	970	20.7	4.5	19.1	49.0
Rahat	189	19.2	6.6	22.0	57.1
Ramle	1,294	19.3	3.8	16.4	47.0
Qiryat Ono	696	17.9	2.4	10.7	46.2
Nazareth	752	16.3	4.8	16.8	46.6
Kfar Saba	1,272	12.3	1.0	7.3	31.1
Eilat	306	10.4	2.5	8.2	42.1
Ramat HaSharon	486	7.8	0.9	4.3	23.4
Ma'alot Tarshiha	262	10.9	1.1	7.1	33.5

1. LTCI coverage rates from total number of old-age and survivors' pension beneficiaries and their elderly dependents. An elderly person is defined as a man over 66 and a woman over 61.

D. Children

Table D/1
Families Receiving Child Allowance, by Number of Children

Period	Total	Number of Children in Family							
		1 ¹	2 ¹	3	4	5	6	7+	
IV	1975	402,877	205,000		86,731	44,387	24,436	16,497	25,826
	1980	579,247	156,793	182,805	120,094	54,370	26,078	16,000	23,107
	1985 ²	531,283	64,758	202,935	144,026	59,675	26,170	14,896	18,823
	1990	493,505	44,965	168,189	154,660	66,217	27,797	14,719	16,958
	1995	814,652	268,323	251,039	158,201	72,172	30,819	16,230	17,868
	2000	912,481	320,956	276,949	165,702	76,293	34,507	17,882	20,192
	2005 ³	956,294	322,671	292,772	178,588	81,311	38,495	20,095	22,363
	2006	968,282	321,819	298,313	183,241	82,707	39,290	20,262	22,651
	2007	980,632	321,777	303,034	188,468	84,429	39,807	20,332	22,785
	2008	994,753	322,927	307,467	194,345	86,161	40,312	20,599	22,894
	Percentages								
	1980	100.0	50.9		21.5	11.0	6.1	4.1	6.4
	1985	100.0	26.5	32.1	22.4	9.3	4.2	2.4	3.1
	1990	100.0	12.2	38.2	27.1	11.2	4.9	2.8	3.5
	1995	100.0	33.3	30.8	19.1	8.8	3.8	2.0	2.2
	2000	100.0	35.2	30.4	18.2	8.4	3.8	2.0	2.2
	2005	100.0	33.8	30.6	18.7	8.5	4.0	2.1	2.3
	2006	100.0	33.2	30.8	18.9	8.6	4.1	2.1	2.3
	2007	100.0	32.8	30.9	19.2	8.6	4.1	2.1	2.3
2008	100.0	32.5	30.9	19.5	8.7	4.1	2.1	2.3	

1. From 1965 until 1975, the allowance for the first and second child was paid only to employee families, and for this period there is no breakdown for the first and second child separately.
2. From July 1985 and from October 1990, families having 1-3 children received allowance for the first and second child, respectively, according to income test. (The data do not include families of employees and of unemployed to whom the allowance was reimbursed.) As of March 1993 the allowance is again paid to all families without income test.
3. From August 2003 and thereafter, a uniform child allowance is paid for every child born on or after June 1, 2003, regardless of his place in the family.

Table D/2
Children for Whom Allowances are Paid

Year	Total	Place of Child in Family					
		First ¹	Second ²	Third	Fourth	Fifth	Sixth and Subsequent
	Numbers (thousands)						
1980	1,512.9	579.3	422.4	239.6	119.6	65.2	86.8
1985	1,334.6	354.3	466.5	263.6	119.6	59.9	70.7
1990	1,306.5	331.0	443.8	281.1	126.0	59.5	65.1
1995	1,927.6	814.7	546.3	295.3	137.1	64.9	69.3
1999	2,076.0	891.5	581.6	309.8	146.0	70.8	76.2
2000	2,118.8	912.5	591.5	314.6	148.9	72.6	78.7
2005 ³	2,260.6	956.3	633.6	340.8	162.3	80.9	86.7
2006	2,297.3	968.3	646.5	348.1	164.9	82.2	87.3
2007	2,333.1	980.6	658.9	355.9	167.4	82.9	87.5
2008	2,372.5	994.8	671.8	364.4	170.0	83.8	87.8
	Percentages						
1980	100.0	38.3	27.9	15.9	7.9	4.3	5.7
1985	100.0	26.6	35.0	19.8	9.0	4.5	5.1
1990	100.0	25.4	34.0	21.5	9.6	4.5	5.0
1995	100.0	42.2	28.4	15.3	7.1	3.4	3.6
1999	100.0	42.9	28.0	15.0	7.0	3.4	3.7
2000	100.0	43.1	27.9	14.9	7.0	3.4	3.7
2005	100.0	42.3	28.0	15.1	7.2	3.6	3.8
2006	100.0	42.1	28.1	15.2	7.2	3.6	3.8
2007	100.0	42.0	28.2	15.3	7.2	3.6	3.7
2008	100.0	41.9	28.3	15.4	7.2	3.5	3.7

1. See note 1 to Table D/1.

2. See note 2 to Table D/1.

3. See note 3 to Table D/1.

E. Maternity

Table E/1
Number of Recipients of Maternity Benefits

Year	Hospitalization Grant	Maternity Allowance	
		Number of Recipients	As Percentage of Total Number of Women who Gave Birth
1955	44,500	8,735	19.6
1960	51,500	13,118	25.5
1965	60,550	17,225	28.4
1970	79,335	24,843	31.3
1975	96,966	34,918	36.0
1980	96,687	39,785	41.1
1985	101,329	42,688	42.1
1990	105,373	43,711	41.5
1995 ¹	113,892	55,597	48.8
1996	118,051	58,097	49.2
1997	115,067	60,416	52.2
1998	127,526	64,205	50.3
1999	124,168	65,858	53.0
2000	135,785	70,641	52.4
2001	132,044	71,176	53.9
2002	134,187	71,377	53.2
2003	142,363	73,948	51.9
2004	143,387	77,505	54.1
2005	142,890	77,025	53.9
2006	143,599	82,676	57.6
2007	147,245	86,042	58.4
2008	152,319	93,630	61.5

1. In 1995 the figure refers to the birth grants paid for a layette for the newborn.

F. Disability

Table F/1
Recipients of General Disability Benefits, by Number of Dependants¹

Year	Total	Single Disabled	Disabled with One Dependant	Disabled with Two Dependants	Disabled with Three or More Dependants
1975	4,685	2,453	996	382	854
1980	42,871	25,030	7,061	5,272	5,508
1985	62,132	41,487	11,414	6,252	2,978
1990	73,148	45,450	13,498	8,800	5,400
1995	94,038	57,139	16,930	11,760	8,208
1996	104,540	63,621	18,697	13,220	9,002
1997	111,957	67,870	20,085	14,308	9,695
1998	119,800	72,625	21,490	15,310	10,375
1999	127,211	76,717	22,874	16,468	11,152
2000	135,348	81,475	24,263	17,697	11,913
2001	142,440	85,713	25,727	18,521	12,480
2002	150,512	90,890	26,997	19,462	13,163
2003	157,287	95,993	27,793	19,992	13,509
2004	162,382	100,100	28,198	20,332	13,753
2005	170,861	106,423	29,741	20,677	14,020
2006	178,264	111,786	30,660	21,228	14,590
2007	187,525	118,856	31,733	21,911	15,025
2008	194,988	124,671	32,448	22,538	15,332

1. From July 1975 to March 1984, the dependants' allowance was paid for spouse, for parents and for the first two children. In April 1984 the increment for parents was abolished.

Table F/2
**Recipients of General Disability Benefits, by Degree of Disability
 and Percentage of Medical Disability, December 2008**

Medical Disability Percentages	Degree of Disability				
	Total	60%	65%	74%	100%
Total	197,229	22,679	11,375	2,485	160,688
35-49	28,124	5,496	1,886	279	20,463
50-59	55,290	8,063	4,179	706	42,342
60-69	33,358	4,990	2,722	566	25,080
70-79	27,776	2,516	1,443	414	23,403
89-80	18,053	1,198	716	270	15,869
90-100	34,628	416	429	252	33,531

Table F/3

Recipients of General Disability Benefits, by Number of Children, Marital Status and Sex (numbers, percentages), December 2008

	Total		Number of Children						
	Numbers	Percentages	0	1	2	3	4	5	6+
Total	197,229	100.0	64.4	13.8	9.2	5.6	3.3	1.7	2.0
Men	112,842	100.0	64.5	12.8	8.7	5.8	3.7	2.1	2.6
Insured women	66,987	100.0	70.7	14.2	8.3	4.1	1.7	0.7	0.4
Housewives	17,400	100.0	39.8	19.2	15.9	10.8	6.5	3.7	4.1
Married – total	97,190	100.0	44.3	19.2	14.0	9.6	5.9	3.2	3.8
Men	58,341	100.0	43.7	18.5	13.2	9.7	6.6	3.7	4.7
Insured women	21,449	100.0	49.7	21.5	14.7	8.2	3.5	1.4	0.9
Housewives	17,400	100.0	39.3	19.0	15.9	11.0	6.7	3.7	4.2
Not married – total	100,039	100.0	83.5	8.7	4.5	1.9	0.8	0.3	0.3
Men	54,501	100.0	86.6	6.7	3.8	1.5	0.7	0.3	0.3
Insured women	45,538	100.0	80.6	10.7	5.2	2.1	0.8	0.3	0.2

Table F/4
Recipients of Benefit for Disabled Child, by Category of Entitlement¹, Age and Whether Studying, December 2008

Category of Entitlement and Age		Total	Not Studying	Studying
Total				
Dependent on others				
- totally dependent	3-14	3,487	537	2,950
	14-18	1,422	108	1,314
- needs much help	3-14	4,563	300	4,263
	14-18	1,437	15	1,422
Down`s syndrome	Up to 14	1,544	120	1,424
	14-18	316	62	314
Hearing deterioration	Up to 14	2,803	62	2,741
	14-18	957	6	951
Sight impairment	Up to 14	712	142	570
	14-18	300	26	274
Retardation	Up to 3	424	72	352
Autism	Up to 14	4,136	2,042	2,094
	14-18	955	103	852
Medical treatments				
- monthly transfusion	Up to 14	286	194	92
	14-18	97	17	67
- dialysis/catheterization	Up to 14	220	116	104
	14-18	71	8	63
- transplantations	Up to 14	34	27	7
	14-18	4	3	7
- other treatments	Up to 14	2,440	1,634	806
	14-18	51.1	92	419
- supervision	Up to 14	1,950	304	1,646
	14-18	478	18	460

1. A child suffering from more than one problem may be included in two categories; thus the discrepancy between the numbers in the various categories and the total number of benefit recipients.

G. Work Injury

Table G/1
Recipients of Work Injury Benefits¹

Period	Work Injury Benefits				Permanent Disability Pensions		Dependants' Pensions	
	Number of Injured		Number of Paid-For Days					
	Em- ployees	Self- employed	Em- ployees	Self- employed	Em- ployees	Self- employed	Em- ployees	Self- employed
IV 1965	54,852	6,455	747,803	132,948	1,766	150	891	-
IV 1975	65,291	10,819	1,067,250	237,112	4,183	508	2,134	-
1980 ²	63,234	10,679	1,017,877	235,617	6,592	950	2,477	382
1990	51,367	5,346	1,159,645	248,234	10,183	1,412	3,022	490
1995	75,284	9,600	2,340,717	370,817	12,600	1,760	3,260	570
1997	74,586	9,483	2,203,184	319,963	13,745	1,887	3,364	574
1998	73,239	9,272	2,256,143	323,803	15,584	2,127	3,445	576
1999	66,008	7,977	2,104,592	294,229	16,362	2,250	3,508	593
2000	57,785	7,180	2,419,266	374,165	17,442	2,371	3,564	594
2001	52,991	6,509	2,378,497	347,133	18,309	2,501	3,601	598
2002	53,373	6,781	2,194,914	351,520	19,140	2,633	3,647	606
2003	46,850	5,943	1,667,332	256,862	20,176	2,784	3,698	608
2004	51,639	5,844	1,789,878	252,287	21,083	2,920	3,740	609
2005	50,059	5,482	1,726,788	230,934	22,120	3,059	3,792	607
2006	50,316	5,372	1,707,724	214,053	23,216	3,227	3,834	613
2007	52,880	5,308	1,780,131	211,411	24,406	3,393	3,868	614
2008	52,745	5,382	1,867,424	224,471	25,603	3,573	3,905	611

1. For disability and dependants' pension, the annual figure is the number of recipients in April of each year. For injury benefits it is the total number of recipients during the year.
2. As of 1980, the annual figure given under permanent disability pensions is a monthly average of recipients.

Table G/2
Recipients of Work Injury Allowance, by Sex, 1995-2008

	1995	1996	1997	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Numbers												
Total	88,343	92,274	84,069	73,684	76,185	69,087	70,025	61,539	65,776	63,856	64,296	67,657	69,734
Men	70,810	73,599	66,185	56,312	56,823	51,369	51,844	45,165	48,274	46,296	46,044	47,928	49,067
Women	17,531	18,675	17,884	17,372	19,362	17,718	18,181	16,374	17,502	17,560	18,252	19,729	20,667
	Percentages												
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men	80.2	79.8	78.7	76.4	74.6	74.4	74.0	73.4	73.4	72.5	71.6	70.8	70.4
Women	19.8	20.2	21.3	23.6	25.4	25.6	26.0	26.6	26.6	27.5	28.4	29.2	29.6

Table G/3
**Recipients of Permanent Disability Pension in December 2008,
 by Sex, Age and Degree of Disability**

Age	Total	Degree of Disability					
		Up to 19 ¹	20-39	40-59	60-79	80-99	100
	Total Population						
Numbers	29,308	1,245	17,150	5,888	2,373	1,179	1,473
Percentages	100.0	4.2	58.5	20.1	8.1	4.0	5.0
Up to 21	43	0	26	11	1	1	4
22-29	798	22	434	166	68	43	65
30-39	3,494	193	1,909	719	276	177	220
40-49	6,135	396	3,502	1,218	480	261	278
50-59	8,647	450	5,223	1,645	634	308	387
60-64	4,191	141	2,626	770	319	139	196
65+	6,000	43	3,430	1,359	595	250	323
	Men						
Numbers	26,019	1,176	15,038	5,229	2,157	1,080	1,339
Percentages	100.0	4.5	57.8	20.1	8.3	4.2	5.1
Up to 21	38	0	22	10	1	1	4
22-29	721	21	382	152	65	38	63
30-39	3,119	182	1,674	651	258	156	198
40-49	5,444	363	3,069	1,086	432	245	249
50-59	7,428	429	4,402	1,407	562	280	348
60-64	3,710	138	2,313	664	284	128	183
65+	5,559	43	3,176	1,259	555	232	294
	Women						
Numbers	3,289	69	2,112	659	216	99	134
Percentages	100.0	2.1	64.2	20.0	6.6	3.0	4.1
Up to 21	5	0	4	1	0	0	0
22-29	77	1	52	14	3	5	2
30-39	375	11	235	68	18	21	22
40-49	691	33	433	132	48	16	29
50-59	1,219	21	821	238	72	28	39
60-64	481	3	313	106	35	11	13
65+	441	0	254	100	40	18	29

1. Pension recipients who have a partial capitalization.

Table G/4

**Recipients of Dependants' Pension, by Year of Decease and Family Composition
(Absolute Numbers), December 2008**

Year of Decease	Total	Young Widow	Child Only or Widow without Children	Two Children Only or Widow with One Child	Three Children Only or Widow with Two Children	Four Children Only or Widow with 3 Children	Other
Total	4,549	175	3,361	465	273	220	55
Until 1965	214	0	210	0	0	0	4
1966-1970	249	0	247	2	0	0	2
1971-1975	470	0	468	2	0	0	0
1976-1980	512	3	505	1	1	0	2
1981-1985	457	11	440	0	0	0	6
1986-1990	434	50	357	18	4	1	4
1991-1995	714	39	458	132	61	14	10
1996-2000	732	37	385	145	90	61	14
2001-2005	564	24	237	117	78	95	13
2006 ¹	93	7	32	19	14	21	0
2007 ¹	73	1	19	24	13	16	0
2008 ¹	37	3	3	7	12	12	0

1. The processing of these claims has not yet been completed, and more families will receive dependants' pension for these years.

H. Hostile Action Casualties

Table H/1

Recipients of Benefits due to Hostile Actions: Disabled by Status and Dependents by Family Composition

Year	Recipients of Disability Benefits					Recipients of Dependents Benefits				
	Total	Regular	Destitute	Needy	Widow/er of Disabled	Total	Widow/ers without Children	Widow/ers with Children	Bereaved Parents	Other
2000	1,688	1,576	24	63	25	962	301	129	485	47
2001	1,721	1,589	35	72	25	997	303	138	507	49
2002	1,807	1,678	36	71	22	1,287	340	199	668	80
2003	2,195	1,753	49	81	24	1,583	383	248	846	106
2004	2,502	1,905	51	88	23	1,713	416	263	917	117
2005	2,753	2,041	54	98	25	1,767	424	267	946	131
2006	3,022	2,164	66	121	22	1,851	447	267	999	138
2007	3,274	2,283	81	125	21	1,902	463	271	1,029	139
2008	¹ 3,721	2,420	94	146	29	1,904	476	323	975	130

1. Including 1,032 recipients of lump-sum grant who receive bonuses.

I. Unemployment

Table I/1

Recipients of Unemployment Benefits Who were Employed, by Type of Unemployment and Type of Labor Exchange, (Percentages)

Year	Total	Looking for Work	In Vocational Training	Looking for Work		
				Total	Academic	Non-academic
	Absolute Numbers					
1995	57,240	49,627	7,613	49,627	10,174	39,454
1998	90,746	80,401	10,345	80,401	14,955	65,446
1999	91,449	80,201	11,248	80,201	14,597	65,604
2000	88,109	77,906	10,203	77,906	13,789	64,117
2001	99,703	86,434	13,269	86,434	17,928	68,507
2002	90,875	77,790	13,085	77,790	17,121	60,669
2003	63,450	59,208	4,242	59,208	14,444	44,764
2004	52,852	52,186	666	52,186	12,968	39,218
2005	52,433	51,863	570	51,863	12,891	38,972
2006	49,294	48,728	566	48,728	12,816	36,478
	Percentages					
1995	100.0	86.7	13.3	100.0	20.5	79.5
1998	100.0	88.6	11.4	100.0	18.6	81.4
1999	100.0	87.7	12.3	100.0	18.2	81.8
2000	100.0	88.4	11.6	100.0	17.7	82.3
2001	100.0	86.7	13.3	100.0	20.7	79.3
2002	100.0	85.6	14.4	100.0	22.0	78.0
2003	100.0	93.3	6.7	100.0	24.1	75.9
2004	100.0	98.7	1.3	100.0	24.8	75.2
2005	100.0	98.9	1.1	100.0	24.9	75.1
2006	100.0	98.9	1.1	100.0	26.1	73.9

Measuring Poverty and Data Sources

Within the scope of the research activities performed in Israel on the issue of poverty and income distribution, a relative approach to measuring poverty was formulated in the early 1970s, which is accepted by the majority of researchers and social policy makers in the Western world. According to the relative approach, poverty is a phenomenon of relative hardship, which must be assessed in connection with the standard of living that is characteristic of the specific society: a family is considered poor not when it cannot afford to buy a certain basic basket of products required for its subsistence, but rather when its living conditions are significantly inferior to the typical living conditions of the society as a whole. The relative approach also recognizes that hardship is not manifested merely by low income, but also by the level of property, housing conditions, education and public services available. Nonetheless, since there is no agreed index that reflects all aspects of hardship, and since the National Insurance Institute has data available only on the current economic income of households in Israel (the source of which is the Central Bureau of Statistics' income surveys), the measurement of poverty is limited solely to the economic income aspect.

The relative approach offers a few practical methodologies for measuring poverty according to economic income level, with the common denominator being a comparison between the income level of families who are at the bottom of the income scale and the income level of all other families. At the basis of each methodology is the determination of a "poverty line" as a percentage of the income that is representative of the society's standard of living. A family whose income is below the poverty line is considered a poor family, without this necessarily implying that its members are living under conditions of hunger or malnutrition, in worn-out clothes or in ramshackle housing. A poor family is, therefore, simply a family whose income is substantially less than the "representative income."

In Israel, the methodology for measuring poverty is based on three principles:

- a. The first principle states that a family's disposable income should be deemed the relevant income for ascertaining poverty. "Disposable income" is defined as the family's economic income (derived from employment and from ownership of physical means of production and from financial assets), plus transfer payments (payments made other than in return for economic activity, such as national insurance benefits, support from institutions and individuals in Israel and abroad) from which direct taxes (income tax, national insurance contributions and health insurance contributions) are deducted.
- b. The second principle states that the population's median disposable income should be deemed the representative income of that society.¹ "Median income" is defined as the level of income that divides the income distribution into two equal groups; half the families have income above that amount, and half have income below or equal to that amount. The "poverty line" is defined as the level of income equivalent to 50% of the median disposable income. A family whose disposable income is less than half of the median disposable income is therefore considered a poor family. Economic growth, which leads to a rise in the level of the median

¹ The median income is preferable to the average income as representing the typical standard of living, since the average income is affected by the extreme values in income distribution (i.e., very high or very low income).

disposable income, also raises the poverty line. A family that is not poor, but whose disposable income is growing at a lower rate than the rate of the rise in the poverty line, is likely to become a poor family.

- c. The third principle states that the poverty line should be adjusted according to the size of the family. The assumption is that family size gives advantages in terms of consumption; the requirements of a family that grows by one member do not increase at a similar rate, but rather at a lower rate, so that the additional income that a family requires in order to maintain a constant standard of living is reduced with the increase in the number of family members. An "equivalence scale" was developed, in order to be able to compare living standards in families of different sizes, which makes it possible to measure the requirements of these families by comparing them with the requirements of a family of a given basic size. Specifically, the equivalence scale translates the number of family members into the "standard" number of persons (or "standard" adults) in a family. The basis of the scale is a family of two persons, which is assigned a value of two standard persons. According to this scale, a family with one member has a value of 1.25 standard persons. That is, the requirements of a one-member family are not assessed as being equal to half of the requirements of a two-member family, but rather as being more than half. Similarly, the requirements of a four-member family (which is assigned a value of 3.2 standard persons) are not double the requirements of a two-member family (which is assigned a value of two standard persons), but are less than double (only 1.6 times greater.)

According to these principles, the poverty line per standard person in Israel was defined as the level equal to 50% of the median disposable income for a standard person. A family in Israel is attributed to the poor population when its disposable income, divided by the number of standard persons in the family, is under the poverty line per standard person. The poverty line for a family may be calculated in a similar manner – by multiplying the poverty line per standard person by the number of standard persons in the family.

As in many Western countries, the analysis of the dimensions of poverty in Israel is based mainly on the two aggregate poverty indices that are the most accepted in empirical studies – the incidence of poverty, and the depth and severity of poverty (reflected in the income gap index of the poor and the FGT Index). The incidence of poverty index indicates the extent of poverty in terms of the percentage of poor families in the total population. The income gap index of the poor reflects the depth of poverty; the poverty gap of any poor family is defined as the difference between the poverty line (adjusted to family size) and the actual income of the family, while the poverty gap of the population as a whole is defined as the sum of the poverty gaps of all poor families. The poverty gap index may be standardized and defined as the ratio between the average income gap for a poor family and the poverty line (hereinafter referred to as the "income gap ratio of the poor"). The FGT Index (also called the "Foster Index") was developed by Foster, Greer and Thorbecke in 1989, and became the most accepted index for showing the depth and severity of poverty – see also Chapter 2 and Box 2. Contrary to the income gap index of the poor, the FGT Index assigns a higher severity weighting, the further a person's income falls below the poverty

line.² Another aggregate index is the SEN Index, which combines both these indices with a component of inequality in the distribution of income among the poor – see also Chapter 2 and Box 3.

The Data Sources

The data on income that is used as a basis for calculating the dimensions of poverty and income distribution in Israel is taken from the annual income surveys carried out by the Central Bureau of Statistics (hereinafter: the "CBS"). Up until 1997 (inclusively), the population that was surveyed only included those households headed by a salaried employee or an unemployed person, in urban communities with at least 2,000 residents and excluding East Jerusalem.³ In 1998, the CBS decided to produce an integrated income survey, based on the data from the current income survey and from the family expenditure survey. This integrated income survey has been produced since 1997, when the CBS began preparing surveys of families' current expenditure, in addition to the current income survey.

The integrated survey is based on a larger sampling (1.8 times larger than the previous sampling), and includes 95% of all households in Israel in most types of communities. In addition to salaried employees and unemployed people who live in urban communities, the integrated survey also includes the self-employed, residents of moshavim and rural communities and small urban communities, and in principle, includes also the residents of East Jerusalem. The populations still excluded from the survey are mainly kibbutz members and Bedouin not living in permanent communities. Residents of East Jerusalem were included in the integrated survey for 1997-1999⁴, but not in 2000 – due to the difficulties in conducting a survey in East Jerusalem stemming from the security situation. With the objective of presenting comparisons for the years 1997–2000, the data on poverty and inequality for the years 1997–1999 were produced again, excluding residents of East Jerusalem.⁵ A household (defined as a group of people living together most days of the week and having a common household budget) is used as the study unit in the surveys of income and expenses.⁶ For the sake of convenience, it is acceptable to use the term "family" in lieu of "household," despite the fact that these terms have different definitions.

When using the historical data presented in the Poverty and Inequality Tables Appendix, one must take into account the following major milestones in the CBS's income surveys and in the National

2 The FGT Index can obtain values between zero (if the income of the poor is close to the poverty line) and the incidence of poverty (if the income of the poor is zero). The index is calculated according to the following formula: $1/n \sum (z_i - y_i)^2 / z_i^2$, where z_i is poverty-line income and y_i is the family's income.

3 Up until 1994 (inclusively) income in non-Jewish communities of at least 10,000 residents was included in the income surveys (apart from east Jerusalem). As of 1995, the income survey was expanded to non-Jewish communities of between 2,000 and 10,000 residents.

4 The sampling of the integrated income survey includes the residents of East Jerusalem in 1998-1999 fully, but only partially (about 65%) in 1997.

5 Data on the dimensions of poverty in 1997–1999 in the population including East Jerusalem, is presented in the Annual Survey for 1999.

6 Since 1995, the "head of household" has been defined as the member of a household with the greatest "degree" of participation in the household's labor power, regardless of age or gender.

Insurance Institute's calculations of the poverty line and dimensions of poverty and inequality over the years:

1. In the poverty calculations that the National Insurance Institute published up until 1985 on the basis of income surveys, the poverty line was defined as an income level equivalent to 40% of the gross median income (after making transfer payments but before deducting direct taxes). Since 1988, the definition has been revised to 50% of the median disposable income.
2. The income surveys performed since 1985 use different study and evaluation methodologies than those used in previous income surveys, in terms of the duration of the study period.
3. Up until 1997 (inclusively), the population surveyed in the CBS's income surveys only included those households headed by a salaried employee or an unemployed person (i.e., households headed by a self-employed person, about 10% of the families, were not included), in urban communities of at least 2,000 residents, and excluding East Jerusalem.
4. Up until 1994 (inclusively), non-Jewish communities of at least 10,000 residents (except for East Jerusalem) were included in the income surveys. Since 1995, the income survey has been expanded to include non-Jewish communities of 2,000-10,000 residents.
5. Since 1998, the CBS has produced income surveys based on data from the current income survey and on data from the family expenditure surveys. The integrated survey is based on a larger sampling (1.8 times larger than the previous sampling), and includes 95% of all households in Israel in most types of communities.
6. Regarding the new series since 1997: in 2000 and 2001, the residents of East Jerusalem were not surveyed. The sampling for the integrated income survey included East Jerusalem residents fully in 1998–1999, and from 2002 onwards, but only partially (about 65%) in 1997.

As a result of a National Insurance Institute initiative, the CBS performed a feasibility study, which showed that it is possible to produce findings on poverty and income distribution twice a year. Therefore, since 2004, in addition to calendar year data, findings are published that refer to the second half of the previous year and the first half of the current year. For example, in addition to the 2007 Survey, a survey is published for the period 2007/8, which includes the second half of the 2007 Survey and the first half of the 2008 Survey. A special survey with its own sampling framework was not performed for these interim periods, in order to study poverty and income distribution, but rather, a database was built that comprises half of each of two annual surveys. Accordingly, the poverty report for these periods is more condensed in nature, and is intended primarily to show the trends in poverty and social gaps that are expected in the next calendar year.

Poverty and Inequality Table

Table 1
Poverty in Total Population, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	656,800	320,600	394,200		
Persons	2,184,100	1,308,500	1,534,300		
Children	881,600	632,100	713,600		
Incidence of poverty (%)					
Families	33.7	16.5	20.3	51.2	40.0
Persons	33.6	20.1	23.6	40.1	29.8
Children	41.0	29.4	33.2	28.3	19.1
	2005				
The poor population					
Families	668,200	340,400	410,700		
Persons	2,235,800	1,411,700	1,631,500		
Children	899,600	686,500	768,800		
Incidence of poverty (%)					
Families	33.6	17.1	20.6	49.1	38.5
Persons	33.8	21.3	24.7	36.9	27.0
Children	41.1	31.4	35.2	23.7	14.5
	2006				
The poor population					
Families	665,800	345,700	404,400		
Persons	2,254,800	1,455,700	1,649,800		
Children	921,900	718,600	796,100		
Incidence of poverty (%)					
Families	32.9	17.1	20.0	48.1	39.3
Persons	33.5	21.6	24.5	35.4	26.8
Children	41.5	32.3	35.8	22.1	13.6
	2007				
The poor population					
Families	669,100	353,800	412,900		
Persons	2,225,700	1,434,600	1,630,400		
Children	901,000	697,000	773,900		
Incidence of poverty (%)					
Families	32.3	17.1	19.9	47.1	38.3
Persons	32.5	20.9	23.8	35.5	26.7
Children	39.9	30.8	34.2	22.6	14.1

Table 2
Poverty Among Jews, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	514,400	213,100	270,700		
Persons	1,458,000	749,100	901,600		
Children	509,100	330,100	378,100		
Incidence of poverty (%)					
Families	30.3	12.5	15.9	58.6	47.4
Persons	27.7	14.2	17.1	48.6	38.2
Children	32.2	20.9	23.9	35.2	25.7
	2005				
The poor population					
Families	514,100	218,000	273,600		
Persons	1,442,200	768,400	913,300		
Children	502,300	344,600	389,600		
Incidence of poverty (%)					
Families	29.8	12.6	15.8	57.6	46.8
Persons	27.1	14.4	17.2	46.7	36.7
Children	31.5	21.6	24.4	31.4	22.4
	2006				
The poor population					
Families	504,700	216,300	258,000		
Persons	1,423,700	773,800	880,900		
Children	503,900	356,900	392,600		
Incidence of poverty (%)					
Families	28.8	12.3	14.7	57.1	48.9
Persons	26.4	14.3	16.3	45.6	38.1
Children	31.1	22.1	24.3	29.2	22.1
	2007				
The poor population					
Families	506,900	225,800	269,900		
Persons	1,414,400	768,800	893,400		
Children	498,500	349,300	392,500		
Incidence of poverty (%)					
Families	28.3	12.6	15.0	55.5	46.8
Persons	25.7	14.0	16.2	45.6	36.8
Children	30.2	21.2	23.8	29.9	21.3

Table 3
Poverty Among Immigrants (since 1990), 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	159,500	52,300	69,800		
Persons	395,200	158,600	195,100		
Children	103,400	58,800	66,200		
Incidence of poverty (%)					
Families	43.0	14.1	18.8	67.2	56.2
Persons	37.2	14.9	18.4	59.9	50.6
Children	39.8	22.6	25.5	43.1	35.9
	2005				
The poor population					
Families	167,100	59,800	78,800		
Persons	413,700	182,000	220,500		
Children	110,200	69,100	77,300		
Incidence of poverty (%)					
Families	42.4	15.2	20.0	64.2	52.8
Persons	37.0	16.3	19.7	56.0	46.7
Children	40.5	25.4	28.4	37.3	29.9
	2006				
The poor population					
Families	153,600	53,400	69,600		
Persons	378,200	166,400	198,500		
Children	98,500	65,900	73,300		
Incidence of poverty (%)					
Families	39.9	13.9	18.1	65.2	54.7
Persons	34.4	15.2	18.1	56.0	47.5
Children	36.8	24.6	27.3	33.1	25.7
	2007				
The poor population					
Families	158,100	58,400	73,900		
Persons	376,400	170,500	200,600		
Children	93,200	63,500	68,900		
Incidence of poverty (%)					
Families	40.2	14.9	18.8	63.0	53.2
Persons	33.8	15.3	18.0	54.7	46.7
Children	34.2	23.3	25.3	31.9	26.0

Table 4
Poverty Among non-Jews, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	142,400	107,500	123,500		
Persons	726,100	559,400	632,700		
Children	372,500	302,000	335,500		
Incidence of poverty (%)					
Families	57.5	43.4	49.9	24.5	13.3
Persons	59.3	45.7	51.6	23.0	12.9
Children	65.8	53.3	59.2	18.9	9.9
	2005				
The poor population					
Families	154,100	122,400	137,000		
Persons	793,600	643,300	718,200		
Children	397,300	341,900	379,200		
Incidence of poverty (%)					
Families	58.6	46.6	52.1	20.5	11.0
Persons	61.2	49.6	55.4	18.9	9.5
Children	67.3	57.9	64.2	14.0	4.6
	2006				
The poor population					
Families	161,200	129,300	146,300		
Persons	831,100	681,900	769,000		
Children	418,100	361,700	403,500		
Incidence of poverty (%)					
Families	59.5	47.8	54.0	19.7	9.2
Persons	62.3	51.1	57.6	17.9	7.5
Children	69.2	59.8	66.8	13.5	3.5
	2007				
The poor population					
Families	162,200	127,900	143,000		
Persons	811,200	665,800	737,000		
Children	402,500	347,600	381,500		
Incidence of poverty (%)					
Families	58.3	46.0	51.4	21.1	11.8
Persons	60.0	49.3	54.5	17.9	9.2
Children	65.9	56.9	62.5	13.6	5.2

Table 5
Poverty in Families Headed by an Elderly Person, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	225,400	60,300	95,400		
Persons	361,500	107,200	156,800		
Children	9,400	6,900	7,800		
Incidence of poverty (%)					
Families	59.2	15.8	25.1	73.3	57.6
Persons	57.7	17.1	25.0	70.4	56.6
Children	83.7	61.4	69.8	26.6	16.6
	2005				
The poor population					
Families	219,900	62,100	94,300		
Persons	360,900	118,700	163,100		
Children	12,500	9,400	10,000		
Incidence of poverty (%)					
Families	57.0	16.1	24.4	71.8	57.1
Persons	55.8	18.3	25.2	67.1	54.8
Children	86.4	64.7	68.6	25.2	20.6
	2006				
The poor population					
Families	220,600	62,000	84,500		
Persons	347,000	109,900	141,700		
Children	7,400	4,800	4,800		
Incidence of poverty (%)					
Families	56.1	15.8	21.5	71.9	61.7
Persons	53.7	17.0	21.9	68.3	59.2
Children	68.2	44.2	44.2	35.2	35.2
	2007				
The poor population					
Families	227,600	67,900	92,100		
Persons	365,700	122,400	155,600		
Children	8,400	5,800	6,300		
Incidence of poverty (%)					
Families	55.9	16.7	22.6	70.2	59.5
Persons	54.3	18.2	23.1	66.5	57.5
Children	77.8	53.4	58.3	31.3	25.1

Table 6
Poverty in Families with Children, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	290,000	196,900	223,900		
Persons	1,544,800	1,082,900	1,230,500		
Children	881,600	632,100	713,600		
Incidence of poverty (%)					
Families	31.8	21.6	24.5	32.1	22.8
Persons	35.4	24.8	28.2	29.9	20.3
Children	41.0	29.4	33.2	28.3	19.1
	2005				
The poor population					
Families	303,100	216,500	245,300		
Persons	1,606,700	1,185,500	1,339,800		
Children	899,600	686,500	768,800		
Incidence of poverty (%)					
Families	32.4	23.1	26.2	28.6	19.1
Persons	36.2	26.7	30.2	26.2	16.6
Children	41.1	31.4	35.2	23.7	14.5
	2006				
The poor population					
Families	296,000	213,400	238,600		
Persons	1,615,400	1,213,600	1,353,900		
Children	921,900	718,600	796,100		
Incidence of poverty (%)					
Families	31.6	22.8	25.5	27.9	19.4
Persons	36.0	27.0	30.1	24.9	16.2
Children	41.5	32.3	35.8	22.1	13.6
	2007				
The poor population					
Families	291,300	212,000	237,300		
Persons	1,572,400	1,185,500	1,324,100		
Children	901,000	697,000	773,900		
Incidence of poverty (%)					
Families	30.5	22.2	24.8	27.2	18.5
Persons	34.3	25.9	28.9	24.6	15.8
Children	39.9	30.8	34.2	22.6	14.1

Table 7
Poverty in Families with 1-3 Children, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	191,500	121,900	140,700		
Persons	806,800	525,800	611,900		
Children	373,900	248,300	288,000		
Incidence of poverty (%)					
Families	25.2	16.0	18.5	36.4	26.5
Persons	24.9	16.2	18.9	34.8	24.2
Children	26.8	17.8	20.6	33.6	23.0
	2005				
The poor population					
Families	206,600	137,700	158,000		
Persons	877,200	597,400	688,500		
Children	398,300	278,300	318,900		
Incidence of poverty (%)					
Families	26.3	17.5	20.1	33.4	23.5
Persons	26.3	17.9	20.6	31.9	21.5
Children	27.7	19.3	22.2	30.1	19.9
	2006				
The poor population					
Families	190,900	125,900	141,900		
Persons	818,700	554,300	627,300		
Children	375,400	261,600	294,700		
Incidence of poverty (%)					
Families	24.7	16.3	18.3	34.1	25.7
Persons	24.8	16.8	19.0	32.3	23.4
Children	26.5	18.4	20.8	30.3	21.5
	2007				
The poor population					
Families	189,000	128,700	145,800		
Persons	806,500	561,300	637,800		
Children	370,700	264,900	299,400		
Incidence of poverty (%)					
Families	23.8	16.2	18.4	31.9	22.9
Persons	23.7	16.5	18.8	30.4	20.9
Children	25.4	18.2	20.5	28.5	19.2

Table 8
Poverty in Families with 4 or More Children, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	98,500	75,000	83,200		
Persons	738,000	557,100	618,600		
Children	507,700	383,800	425,600		
Incidence of poverty (%)					
Families	64.8	49.3	54.7	23.9	15.5
Persons	66.3	50.1	55.6	24.5	16.2
Children	67.4	50.9	56.5	24.4	16.2
	2005				
The poor population					
Families	96,500	78,800	87,300		
Persons	729,400	588,100	651,400		
Children	501,300	408,200	449,900		
Incidence of poverty (%)					
Families	64.2	52.5	58.1	18.3	9.6
Persons	66.2	53.3	59.1	19.4	10.7
Children	67.1	54.6	60.2	18.6	10.2
	2006				
The poor population					
Families	105,100	87,600	96,700		
Persons	796,700	659,300	726,600		
Children	546,500	457,000	501,400		
Incidence of poverty (%)					
Families	65.2	54.4	60.0	16.7	8.0
Persons	67.0	55.5	61.1	17.2	8.8
Children	67.9	56.8	62.3	16.4	8.2
	2007				
The poor population					
Families	102,300	83,400	91,500		
Persons	765,900	624,200	686,200		
Children	530,200	432,000	474,500		
Incidence of poverty (%)					
Families	63.2	51.5	56.5	18.4	10.5
Persons	64.6	52.7	57.9	18.5	10.4
Children	66.0	53.8	59.1	18.5	10.5

Table 9
Poverty in Single-Parent Families, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	57,700	31,700	34,900		
Persons	213,300	123,900	135,800		
Children	120,300	73,100	79,100		
Incidence of poverty (%)					
Families	51.9	28.5	31.4	45.2	39.5
Persons	54.0	31.4	34.4	41.9	36.3
Children	60.5	36.7	39.8	39.2	34.2
	2005				
The poor population					
Families	58,200	32,200	35,500		
Persons	210,000	124,300	135,900		
Children	111,700	69,500	74,600		
Incidence of poverty (%)					
Families	53.3	29.5	32.5	44.7	39.0
Persons	54.6	32.3	35.3	40.8	35.3
Children	59.3	36.9	39.6	37.8	33.2
	2006				
The poor population					
Families	58,200	31,700	33,600		
Persons	214,300	121,500	128,200		
Children	113,400	71,400	74,400		
Incidence of poverty (%)					
Families	51.1	27.8	29.5	45.5	42.2
Persons	53.1	30.1	31.8	43.3	40.2
Children	57.7	36.3	37.9	37.0	34.4
	2007				
The poor population					
Families	52,200	30,800	33,100		
Persons	200,000	126,300	134,000		
Children	110,900	74,200	77,800		
Incidence of poverty (%)					
Families	46.9	27.7	29.8	41.0	36.5
Persons	49.4	31.2	33.1	36.9	33.0
Children	54.8	36.7	38.5	33.0	29.8

Table 10
Poverty in Families whose Head has up to 8 Years of Schooling, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	177,300	84,800	109,100		
Persons	507,900	318,600	368,400		
Children	167,200	139,700	147,800		
Incidence of poverty (%)					
Families	67.2	32.1	41.3	52.2	38.5
Persons	65.6	41.1	47.6	37.3	27.5
Children	76.7	64.1	67.8	16.4	11.6
	2005				
The poor population					
Families	181,900	94,100	113,900		
Persons	532,600	364,500	411,700		
Children	180,800	162,500	173,400		
Incidence of poverty (%)					
Families	68.4	35.4	42.8	48.3	37.4
Persons	68.8	47.1	53.2	31.6	22.7
Children	81.0	72.8	77.6	10.2	4.1
	2006				
The poor population					
Families	172,500	89,700	104,600		
Persons	511,200	346,600	383,000		
Children	171,800	149,600	159,500		
Incidence of poverty (%)					
Families	68.0	35.4	41.3	48.0	39.3
Persons	68.7	46.6	51.5	32.2	25.1
Children	79.4	69.2	73.7	12.9	7.2
	2007				
The poor population					
Families	171,600	95,300	109,400		
Persons	512,400	359,900	393,500		
Children	175,500	155,600	164,500		
Incidence of poverty (%)					
Families	69.4	38.6	44.3	44.5	36.2
Persons	70.4	49.5	54.1	29.7	23.2
Children	80.1	71.0	75.1	11.3	6.3

Table 11
Poverty in Families whose Head has 9-12 Years of Schooling, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	265,500	146,200	173,900		
Persons	1,001,300	640,600	747,700		
Children	438,800	318,700	365,600		
Incidence of poverty (%)					
Families	35.1	19.3	23.0	44.9	34.5
Persons	36.6	23.4	27.3	36.0	25.3
Children	45.7	33.2	38.1	27.4	16.7
	2005				
The poor population					
Families	260,600	141,200	169,100		
Persons	985,900	634,400	739,200		
Children	425,400	322,100	366,100		
Incidence of poverty (%)					
Families	34.9	18.9	22.6	45.8	35.1
Persons	36.5	23.5	27.3	35.7	25.0
Children	45.2	34.2	38.9	24.3	13.9
	2006				
The poor population					
Families	266,400	150,800	174,300		
Persons	1,016,300	682,000	783,000		
Children	451,300	352,500	399,800		
Incidence of poverty (%)					
Families	33.9	19.2	22.2	43.4	34.6
Persons	35.8	24.0	27.6	32.9	23.0
Children	46.2	36.1	41.0	21.9	11.4
	2007				
The poor population					
Families	258,700	142,000	165,900		
Persons	956,500	634,600	729,000		
Children	408,400	321,000	360,200		
Incidence of poverty (%)					
Families	32.6	17.9	20.9	45.1	35.8
Persons	34.0	22.5	25.9	33.6	23.8
Children	43.5	34.2	38.4	21.4	11.8

Table 12
Poverty in Families whose Head has 13 or More Years of Schooling. 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	214,000	89,600	111,200		
Persons	674,900	349,400	418,300		
Children	275,700	173,700	200,200		
Incidence of poverty (%)					
Families	23.1	9.7	12.0	58.1	48.1
Persons	22.6	11.7	14.0	48.2	38.0
Children	28.4	17.9	20.6	37.0	27.4
	2005				
The poor population					
Families	225,700	105,100	127,600		
Persons	717,300	412,800	480,600		
Children	293,400	202,000	229,400		
Incidence of poverty (%)					
Families	23.1	10.8	13.1	53.4	43.5
Persons	22.9	13.2	15.3	42.4	33.0
Children	28.7	19.8	22.5	31.2	21.8
	2006				
The poor population					
Families	226,900	105,200	125,400		
Persons	727,300	427,100	483,800		
Children	298,800	216,500	236,900		
Incidence of poverty (%)					
Families	23.0	10.7	12.7	53.7	44.7
Persons	23.1	13.6	15.3	41.3	33.5
Children	29.0	21.0	23.0	27.5	20.7
	2007				
The poor population					
Families	238,900	116,400	137,600		
Persons	756,800	440,000	507,900		
Children	317,100	220,300	249,200		
Incidence of poverty (%)					
Families	23.2	11.3	13.4	51.3	42.4
Persons	22.9	13.3	15.3	41.9	32.9
Children	28.8	20.0	22.6	30.5	21.4

Table 13
Poverty in Working Population, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	247,700	127,900	160,300		
Persons	1,130,400	648,100	807,300		
Children	535,100	336,300	412,700		
Incidence of poverty (%)					
Families	17.6	9.1	11.4	48.4	35.3
Persons	21.6	12.4	15.4	42.7	28.6
Children	29.8	18.7	23.0	37.2	22.9
	2005				
The poor population					
Families	266,700	144,700	177,200		
Persons	1,204,800	730,700	891,600		
Children	569,700	389,300	468,000		
Incidence of poverty (%)					
Families	18.4	10.0	12.2	45.7	33.6
Persons	22.5	13.6	16.6	39.4	26.0
Children	30.8	21.0	25.3	31.7	17.9
	2006				
The poor population					
Families	277,400	155,300	185,600		
Persons	1,257,200	793,200	943,000		
Children	596,100	426,800	501,800		
Incidence of poverty (%)					
Families	18.6	10.4	12.4	44.0	33.1
Persons	22.8	14.4	17.1	36.9	25.0
Children	31.5	22.6	26.6	28.4	15.8
	2007				
The poor population					
Families	281,800	157,900	188,700		
Persons	1,283,100	809,600	960,300		
Children	617,000	440,000	512,800		
Incidence of poverty (%)					
Families	18.2	10.2	12.2	44.0	33.1
Persons	22.6	14.3	16.9	36.9	25.2
Children	31.4	22.4	26.1	28.7	16.9

Table 14
Poverty in Families of Employees, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	215,300	106,800	132,000		
Persons	971,900	540,400	663,000		
Children	453,700	280,500	339,100		
Incidence of poverty (%)					
Families	17.8	8.8	10.9	50.4	38.7
Persons	21.8	12.1	14.9	44.4	31.8
Children	29.8	18.5	22.3	38.2	25.3
	2005				
The poor population					
Families	237,200	126,300	152,200		
Persons	1,070,000	643,200	771,000		
Children	506,300	346,100	408,300		
Incidence of poverty (%)					
Families	19.0	10.1	12.2	46.7	35.8
Persons	23.3	14.0	16.8	39.9	27.9
Children	32.0	21.8	25.8	31.6	19.4
	2006				
The poor population					
Families	243,600	132,900	156,800		
Persons	1,097,600	678,500	795,900		
Children	516,700	364,900	422,500		
Incidence of poverty (%)					
Families	19.1	10.4	12.3	45.4	35.6
Persons	23.6	14.6	17.1	38.2	27.5
Children	32.7	23.1	26.7	29.4	18.2
	2007				
The poor population					
Families	249,200	136,900	162,600		
Persons	1,133,600	709,700	834,400		
Children	541,700	388,300	446,500		
Incidence of poverty (%)					
Families	18.8	10.3	12.2	45.1	34.7
Persons	23.3	14.6	17.2	37.4	26.4
Children	32.5	23.3	26.8	28.3	17.6

Table 15
Poverty in Families of Self-Employed, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	31,300	20,500	27,400		
Persons	151,100	103,500	138,000		
Children	76,600	53,100	69,400		
Incidence of poverty (%)					
Families	17.8	11.6	15.6	34.7	12.4
Persons	21.9	15.0	20.0	31.5	8.6
Children	30.7	21.3	27.8	30.7	9.4
	2005				
The poor population					
Families	27,900	17,100	23,600		
Persons	128,800	82,700	115,800		
Children	60,500	40,900	57,400		
Incidence of poverty (%)					
Families	15.3	9.4	13.0	38.8	15.4
Persons	18.7	12.0	16.8	35.8	10.1
Children	24.9	16.9	23.6	32.4	5.1
	2006				
The poor population					
Families	33,100	21,700	28,100		
Persons	156,600	111,700	144,200		
Children	77,500	59,900	77,500		
Incidence of poverty (%)					
Families	16.3	10.7	13.9	34.4	15.2
Persons	20.2	14.4	18.6	28.7	7.9
Children	27.4	21.2	27.4	22.7	0.1
	2007				
The poor population					
Families	30,300	19,500	24,400		
Persons	137,700	92,300	117,300		
Children	69,200	47,600	61,500		
Incidence of poverty (%)					
Families	15.4	9.9	12.4	35.5	19.3
Persons	18.4	12.3	15.7	33.0	14.8
Children	25.4	17.5	22.6	31.2	11.1

Table 16
Poverty Among Persons of Working Age Who Are Not Working, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	196,700	133,600	139,800		
Persons	717,600	556,600	574,500		
Children	337,900	289,200	293,700		
Incidence of poverty (%)					
Families	91.2	61.9	64.8	32.1	28.9
Persons	94.4	73.2	75.6	22.4	20.0
Children	98.2	84.0	85.3	14.4	13.1
	2005				
The poor population					
Families	193,900	134,800	141,000		
Persons	695,200	565,400	580,800		
Children	318,900	288,400	291,500		
Incidence of poverty (%)					
Families	90.5	62.9	65.8	30.5	27.3
Persons	93.6	76.1	78.2	18.7	16.5
Children	98.4	89.0	90.0	9.6	8.6
	2006				
The poor population					
Families	181,200	129,700	135,800		
Persons	677,000	556,100	569,000		
Children	319,000	287,100	289,600		
Incidence of poverty (%)					
Families	88.9	63.6	66.6	28.4	25.1
Persons	93.2	76.6	78.4	17.9	16.0
Children	98.1	88.3	89.0	10.0	9.2
	2007				
The poor population					
Families	176,000	130,000	134,700		
Persons	611,400	507,100	520,000		
Children	276,400	251,300	254,900		
Incidence of poverty (%)					
Families	91.2	67.4	69.8	26.1	23.5
Persons	93.6	77.7	79.7	17.1	14.9
Children	96.7	87.9	89.2	9.1	7.8

Table 17
Poverty in Families with One Earner, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
	2004				
The poor population					
Families	217,600	112,900	139,100		
Persons	965,000	566,100	692,900		
Children	466,800	300,900	364,900		
Incidence of poverty (%)					
Families	32.6	16.9	20.8	48.1	36.1
Persons	43.6	25.6	31.3	41.3	28.2
Children	55.0	35.4	43.0	35.5	21.8
	2005				
The poor population					
Families	234,800	129,000	155,600		
Persons	1,028,600	644,800	772,600		
Children	498,300	350,800	416,500		
Incidence of poverty (%)					
Families	34.8	19.1	23.1	45.1	33.7
Persons	45.9	28.8	34.5	37.3	24.9
Children	57.1	40.2	47.7	29.6	16.4
	2006				
The poor population					
Families	242,100	138,200	162,200		
Persons	1,054,200	691,200	805,800		
Children	508,900	378,700	439,100		
Incidence of poverty (%)					
Families	35.0	20.0	23.4	42.9	33.0
Persons	47.0	30.8	35.9	34.4	23.6
Children	59.0	43.9	50.9	25.6	13.7
	2007				
The poor population					
Families	247,400	139,900	164,900		
Persons	1,098,500	713,400	830,300		
Children	537,300	395,300	454,100		
Incidence of poverty (%)					
Families	35.2	19.9	23.5	43.4	33.4
Persons	48.4	31.4	36.5	35.1	24.4
Children	60.9	44.8	51.5	26.4	15.5

Table 18
Poverty in Families with Two Earners, 2004-2007

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
			2004		
The poor population					
Families	30,100	14,900	21,200		
Persons	165,400	82,000	114,400		
Children	68,300	35,400	47,800		
Incidence of poverty (%)					
Families	4.1	2.0	2.9	50.4	29.6
Persons	5.5	2.7	3.8	50.4	30.8
Children	7.2	3.7	5.0	48.2	30.0
			2005		
The poor population					
Families	31,900	15,700	21,600		
Persons	176,200	85,900	119,100		
Children	71,400	38,400	51,500		
Incidence of poverty (%)					
Families	4.1	2.0	2.8	50.7	32.4
Persons	5.7	2.8	3.8	51.3	32.4
Children	7.3	3.9	5.3	46.2	27.9
			2006		
The poor population					
Families	35,300	17,100	23,400		
Persons	203,000	102,000	137,200		
Children	87,200	48,100	62,700		
Incidence of poverty (%)					
Families	4.4	2.1	2.9	51.6	33.7
Persons	6.2	3.1	4.2	49.8	32.4
Children	8.5	4.7	6.1	44.9	28.1
			2007		
The poor population					
Families	34,400	18,000	23,800		
Persons	184,600	96,200	130,000		
Children	79,700	44,700	58,700		
Incidence of poverty (%)					
Families	4.1	2.1	2.8	47.7	30.8
Persons	5.4	2.8	3.8	47.9	29.6
Children	7.4	4.1	5.4	44.0	26.4

Table 19
**Average Family Income in Various Population Groups,
 by Income Source and Share of Income Source in Average Income Before Tax, 2007**

Population group		Income source*							
		Work	Total transfer payments	Thereof:			Other income (property, pension)	Income before tax	Net income
				NII benefits	State support	Support from abroad			
Total	NIS (%)	10,087 78.0	1,632 12.6	1,192 9.2	165 1.3	275 2.1	1,177 9.1	12,935 100.0	10,465 80.9
Jewish family	NIS (%)	10,662 77.8	1,666 12.2	1,171 8.5	188 1.4	307 2.2	1,326 9.7	13,697 100.0	11,012 80.4
Non-Jewish family	NIS (%)	6,384 79.6	1,415 17.6	1,333 16.6	15 0.2	67 0.8	216 2.7	8,023 100.0	6,935 86.4
Family headed by elderly person	NIS (%)	1,792 23.2	2,999 38.8	2,382 30.8	232 3.0	385 5.0	2,887 37.3	7,730 100.0	6,842 88.5
New immigrant family	NIS (%)	7,799 77.7	1,944 19.4	1,389 13.8	222 2.2	334 3.3	275 2.7	10,034 100.0	8,551 85.2
Family with children	NIS (%)	12,939 86.8	1,372 9.2	996 6.7	149 1.0	227 1.5	560 3.8	14,915 100.0	11,898 79.8
Family with 1-3 children	NIS (%)	13,815 88.1	1,214 7.7	869 5.5	120 0.8	225 1.4	617 3.9	15,685 100.0	12,419 79.2
Family with 4 or more children	NIS (%)	8,644 77.6	2,147 19.3	1,619 14.5	293 2.6	236 2.1	275 2.5	11,137 100.0	9,339 83.9

Table 19 (Cont.)

**Average Family Income in Various Population Groups,
by Income Source and Share of Income Source in Average Income Before Tax, 2007**

Population group		Income source*							
		Work	Total transfer payments	Thereof:			Other income (property, pension)	Income before tax	Net income
				NII benefits	State support	Support from abroad			
Family with 5 or more children	NIS (%)	7,084 70.3	2,741 27.2	2,011 19.9	436 4.3	294 2.9	240 2.4	10,081 100.0	8,708 86.4
Single-parent family	NIS (%)	6,918 70.4	2,404 24.5	1,535 15.6	150 1.5	721 7.3	505 5.1	9,827 100.0	8,447 86.0
Work status of household head									
Working	NIS (%)	13,478 86.8	1,134 7.3	834 5.4	108 0.7	192 1.2	873 5.6	15,524 100.0	12,334 79.5
Employee	NIS (%)	13,047 87.0	1,150 7.7	852 5.7	113 0.8	185 1.2	748 5.0	14,991 100.0	12,042 80.3
Self-employed	NIS (%)	15,358 85.0	1,059 5.9	752 4.2	68 0.4	241 1.3	1,664 9.2	18,070 100.0	13,718 75.9
Family whose head is of working age but is not working	NIS (%)	198 4.8	3,044 73.8	1,873 45.4	471 11.4	701 17.0	865 21.0	4,123 100.0	3,899 94.6
Family with one earner	NIS (%)	7,695 75.5	1,525 15.0	1,096 10.8	164 1.6	267 2.6	926 9.1	10,189 100.0	8,319 81.6
Family with two earners	NIS (%)	18,289 91.6	807 4.0	616 3.1	61 0.3	130 0.7	828 4.2	19,962 100.0	15,674 78.5

Table 19 (Cont.)

**Average Family Income in Various Population Groups,
by Income Source and Share of Income Source in Average Income Before Tax, 2007**

Population group		Income source*							
		Work	Total transfer payments	Thereof:			Other income (property, pension)	Income before tax	Net income
				NII benefits	State support	Support from abroad			
Education group of household head									
up to 8 years of schooling	NIS (%)	2,464 42.6	2,393 41.3	2,094 36.2	117 2.0	183 3.2	924 16.0	5,791 100.0	5,236 90.4
9-12 years of schooling	NIS (%)	8,242 76.6	1,566 14.5	1,227 11.4	135 1.3	205 1.9	946 8.8	10,766 100.0	9,195 85.4
+13years of schooling	NIS (%)	13,340 81.7	1,501 9.2	949 5.8	200 1.2	351 2.2	1,415 8.7	16,324 100.0	12,699 77.8

* Prices from mid-period of Income Survey 2005, for population including East Jerusalem residents.

Table 20

**The Effect of Transfer Payments and Direct Taxes on Inequality of Income
Distribution Among Working Families (percentages), 2006-2007**

Share of each decile in total income**	Decile*					
	Market income		Income before tax		Net income	
	2006	2007	2006	2007	2006	2007
Lower	4.0	4.0	5.5	5.6	6.3	6.5
2	8.9	9.1	10.1	10.2	11.3	11.6
3	14.7	14.8	15.1	15.2	16.6	16.8
4	22.9	23.0	22.5	22.6	23.3	23.4
Upper	49.5	49.0	46.9	46.5	42.5	41.8
Ratio of upper to lower quintile income	12.5	12.1	8.6	8.4	6.7	6.5
Gini index***	0.4538	0.4473	0.4116	0.4066	0.3627	0.3537
% of decrease in Gini index	-	-	9.3	9.1	20.1	20.9

* The families in each column were graded by the income level appropriate for standard person. Every decile includes 10% of the persons in the population.

** In terms of income per standard person.

*** The Gini index for inequality in income distribution was calculated on the base of individual observations, and not on the base of deciles.

Table 21
**Average Monthly Income per Family,
 by Decile, 2006-2007 (total population) in 2007 Survey Prices**

Decile*	Befor transfer payments and direct taxes			After transfer payments and direct taxes		
	2006	2007	Real change	2006	2007	Real change
Lower	490	595	21.4	3,155	0	-100.0
2	4,329	4,719	9.0	5,052	0	-100.0
3	7,804	8,308	6.5	8,033	0	-100.0
4	12,428	13,376	7.6	11,276	0	-100.0
Upper	26,960	27,708	2.8	19,560	0	-100.0
Total	10,761	11,303	5.0	10,130	0	-100.0

* The families were scaled according to appropriate income per standard person, in order to determine the deciles. Each decile constitutes 10% of all persons in the population.

Table 22
**Incidence of Poverty in All Families, Before and After Transfer Payments
 and Direct Taxes (percentages), 1979-2007**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
1979	27.9	16.4	17.2	41.1	38.4
1980	28.1	13.9	15.7	50.6	44.1
1981	28.8	14.2	15.7	50.8	45.4
1982	29.8	9.1	10.8	69.5	64.0
1983	29.5	11.1	12.5	62.4	57.7
1984	30.7	12.9	14.6	58.0	52.5
1985	31.3	10.3	11.4	67.1	63.5
1988	32.6	13.3	14.3	59.2	56.0
1989	33.0	11.7	12.8	64.5	61.2
1990	34.3	13.4	14.3	60.9	58.2
1991	35.1	14.2	14.9	59.5	57.5
1992	34.7	16.4	17.2	52.7	50.4
1993	34.6	16.0	16.7	53.8	51.7
1994	34.2	17.6	18.0	48.5	47.2
1995	33.7	14.7	16.8	56.4	50.1
1996	34.3	13.6	16.0	60.4	53.3
1997	34.3	13.6	16.2	60.5	52.7
1997*	32.0	14.9	17.7	53.4	44.6
1998	32.8	14.3	17.5	56.4	46.6
1999	32.2	15.1	18.0	53.1	44.1
2002	33.9	14.5	18.1	57.2	46.6
2003	33.9	15.4	19.3	54.6	43.1
2004	33.7	16.5	20.3	51.2	39.9
2005	33.6	17.1	20.6	49.1	38.5
2006	32.9	17.1	20.0	48.0	39.2
2007	32.3	17.1	19.9	47.0	38.3

* Including East Jerusalem. From here on - new sample.

Table 23

**Gini Index for Inequality in Income Distribution Among Families,
Before and After Transfer Payments and Direct Taxes, 1979-2007**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
1979	0.4318	0.3662	0.3181	15.2	26.3
1980	0.4337	0.3690	0.3239	14.9	25.3
1981	0.4390	0.3716	0.3185	15.4	27.4
1982	0.4441	0.3673	0.3122	17.3	29.7
1983	0.4392	0.3604	0.3005	17.9	31.6
1984	0.4723	0.3979	0.3267	15.8	30.8
1985	0.4678	0.3733	0.3119	20.2	33.3
1988	0.4574	0.3699	0.3221	19.1	29.6
1989	0.4741	0.3780	0.3252	20.3	31.4
1990	0.4799	0.3756	0.3263	21.7	32.0
1991	0.4901	0.3771	0.3272	23.1	33.2
1992	0.4977	0.3926	0.3391	21.1	31.9
1993	0.4940	0.3829	0.3290	22.5	33.4
1994	0.5019	0.3994	0.3441	20.4	31.4
1995	0.4971	0.3965	0.3365	20.2	32.3
1996	0.4956	0.3868	0.3285	22.0	33.7
1997	0.5045	0.3946	0.3332	21.8	34.0
1997*	0.5085	0.4137	0.3531	18.6	30.6
1998	0.5119	0.4134	0.3523	19.2	46.6
1999	0.5167	0.4214	0.3593	18.4	44.1
2002	0.5372	0.4312	0.3679	19.7	31.5
2003	0.5265	0.4241	0.3685	19.3	30.0
2004	0.5234	0.4300	0.3799	17.8	27.4
2005	0.5255	0.4343	0.3878	17.4	26.2
2006	0.5134	0.4323	0.3831	15.8	25.4
2007	0.5237	0.4379	0.3923	16.4	25.1

* Including East Jerusalem. From here on - new sample.

Table 24

**Incidence of Poverty and Gini Index for Inequality in Income Distribution
in All Families in Population not Including East Jerusalem,
Before and After Transfer Payments and Direct Taxes (percentages), 2000-2007**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				From transfer payments only	From transfer payments and direct taxes
Incidence of poverty in families					
2000	32.2	14.7	17.6	54.3	45.3
2001	33.7	14.3	17.7	57.0	47.2
2002	33.5	14.4	17.7	57.0	47.2
2003	33.5	15.4	19.2	54.0	42.7
2004	33.4	16.5	20.3	50.6	39.2
2005	33.3	17.2	20.3	48.4	39.0
2006	32.7	17.4	20.2	46.9	38.4
2007	31.7	16.9	19.5	46.6	38.4
Gini Index for inequality					
2000	0.5090	0.4110	0.3500	19.3	31.2
2001	0.5277	0.4196	0.3567	25.9	32.4
2002	0.5320	0.4256	0.3616	20.0	32.0
2003	0.5213	0.4189	0.3629	19.6	30.4
2004	0.5193	0.4258	0.3752	18.0	27.7
2005	0.5187	0.4300	0.3834	17.1	26.1
2006	0.5182	0.4325	0.3865	16.5	25.4
2007	0.5066	0.4251	0.3754	16.1	25.9

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