Abstract

This chapter surveys developments in government allocations for social welfare since the beginning of the millennium, with an emphasis on the past year. Over the last year, housing and cost of living difficulties stood at the center of public political discourse. The Committee for the War on Poverty, established at the initiative of the previous government, released its recommendations, and these included a significant expansion of the social welfare system. Despite this, the government budget did not include the planned increase in social security and social services expenditures. In fact, recent years have seen either a continued decline in actual spending, or a stable low level of expenditure for a substantial portion of the social welfare system. Striking examples of this are National Insurance Institute expenditures for child allowances and income support, as well as the expenditure of the Ministry of Construction and Housing. In contrast, there has been a continuous increase in expenditures on social security for the elderly and for those with disabilities, on spending by the Ministry of Social Services and Social Affairs on households under its care, and on assistance to Holocaust survivors.
**Introduction**

Social welfare expenditures are intended to ensure the social security of all residents of the state, and to enable disadvantaged and vulnerable populations access to Israel’s diverse array of social services. This chapter will look at trends in government expenditure for the period 2000 to 2014, as a reflection of government social policy during those years.

The chapter’s first section considers total expenditures on social welfare. The expenditure is then broken down into its two components: social security programs and social welfare services. Section 2 considers the social security system, which includes a wide range of programs aimed at providing a safety net for those with no (or little) income from labor, or for those with additional expenses caused by a variety of circumstances. The main form of support provided by Israel’s social security programs is cash benefits.

Section 3 will focus on social services designed to further social objectives, such as assisting new immigrants or people with physical or mental disabilities. These programs offer diverse social services that are provided by the state, local authorities, or external entities, with state funding or supervision.

**Definitions**

**Total government expenditure.** The implemented state budget (regular and development) in net expenditure terms, including the Health Tax and National Insurance payments for transfer allowances (offset by budget transfers to the National Insurance Institute).

**Government expenditure out of the state budget.** Budget implementation data in net expenditure terms, that is, total government expenditures minus earmarked revenues from external sources.
1. Public Social Welfare Expenditure

Israel’s public expenditure on all social welfare components for 2014 amounted to NIS 86 billion (in 2011 prices, Figure 1). This sum is half of the government social expenditure, that is, government spending on education, health and social welfare combined. Although this figure has been trending upward since the middle of the last decade, the increased spending can be traced mainly to increases in state old-age pensions provided through Israel’s social security programs. By contrast, the expenditure on other programs dropped slightly during the study period.

Figure 1
Social welfare expenditure, 2000-2014
in million shekels, 2011 prices

Source: John Gal and Shavit Madhala-Brik, Taub Center
Data: Ministry of Finance
In contrast to the increase in shekel terms, when the share of social welfare spending out of total government expenditure (Figure 2) and as a percent of total GDP (Figure 3) is examined, a trend toward stability can be seen in recent years. However, the stability in social welfare spending is at the lower level established during the middle of the 2000s.

Figure 2
Social welfare expenditure as percent of government expenditure, 2000-2014

Source: John Gal and Shavit Madhala-Brik, Taub Center
Data: Ministry of Finance
As the above figures clearly show, there is a substantial difference between the amount spent on social security programs and the amount channeled to social services, which is reflected in different trends that characterize these two areas. Over 80 percent of the total social welfare expenditure is devoted to social security programs, which increased until 2005 and then stabilized. As will be shown below, this process is being affected by demographic changes (primarily the aging of the population), and increased spending on specific target populations.

In contrast, the expenditure on social services has remained low at only 20 percent of total social welfare spending, and has declined somewhat over the years.

Source: John Gal and Shavit Madhala-Brik, Taub Center
Data: National Insurance Institute; Central Bureau of Statistics
2. Social Security Expenditure

Social security is the biggest expenditure item in Israeli social spending (government expenditure on social welfare, education and health) – 43 percent. The source of this expenditure is the state budget and National Insurance payments collected from workers and employers. Public social security expenditure includes National Insurance Institute benefit payments in the following areas (listed by expenditure size): old-age and survivors (widow/er and orphan) pensions, general disability, maternity (maternity allowance and hospitalization payment), long-term care, children, work disability, unemployment, income support and alimony, benefits to victims of terror and former Prisoners of Zion. Social security spending also encompasses expenditures of the Holocaust Survivors’ Rights Authority (in the Ministry of Finance), as well as Ministry of Defense expenditures on the rehabilitation of disabled veterans and payments to bereaved families.

Figure 4 shows that the vast majority – 90 percent – of social security expenditure is for National Insurance benefits. These benefits, both the universal ones and those targeted to low income individuals, reach a very large percentage of Israelis. In fact, there is hardly anyone who is not eligible for some benefit or other during the course of his/her life.

In contrast, two other expenditure areas that lie within the social security sphere – benefits for those affected by war (disabled IDF veterans and bereaved families) and Holocaust survivor pensions – focus exclusively on populations whose eligibility stems from specific circumstances. Accordingly, their share in total expenditure is quite small. Another area included in this expenditure is negative income tax payments (“work grants”), which were instituted in 2008. Although this expenditure has grown over the years, it has remained very small, amounting to NIS 600 million in 2014 – only 1 percent of total social security spending.
As shown in Figure 5, expenditure on benefits paid by the National Insurance Institute amounted to 6 percent of GDP and 15 percent of total government expenditure in 2014. An examination of the expenditure trend reveals stability over the past decade; however, compared with the early 2000s, expenditure is relatively low. This decline is due primarily to a steep reduction in the share of National Insurance benefits in the early 2000s, as well as a change in mechanisms for updating allowance values.

**National Insurance Benefits**

As shown in Figure 5, expenditure on benefits paid by the National Insurance Institute amounted to 6 percent of GDP and 15 percent of total government expenditure in 2014. An examination of the expenditure trend reveals stability over the past decade; however, compared with the early 2000s, expenditure is relatively low. This decline is due primarily to a steep reduction in the share of National Insurance benefits in the early 2000s, as well as a change in mechanisms for updating allowance values.
The impression of stability that emerges from looking at the National Insurance Institute benefits conceals a number of different trends that can be seen when the benefit types are examined separately. As in all welfare states, benefits intended for the elderly – old-age and survivor pensions, and long-term nursing care funding – account for the largest share of the expenditure: 48 percent of the National Insurance Institute’s total benefit expenditure in 2014 (Figure 6). Moreover, there is a clear upward trend in the share of spending channeled to this population, as shown in Figure 7. This increase is a reflection of the aging of the population. The number of old-age and survivor pension recipients rose from 657,000 in 2000 to 868,000 in 2014 (a 32 percent increase), while the number of long-term care benefit recipients rose during this period from 96,000 to 159,000 (a 66 percent increase) (Figure 8).
Figure 6

Distribution of National Insurance Institute benefits, 2014

Figure 7

National Insurance Institute benefits, 2000-2014

by type of benefit, as percent of all benefit spending

Source for both: John Gal and Shavit Madhala-Brik, Taub Center
Data for both: National Insurance Institute
In parallel with the rise in the number of old-age benefit recipients, the average pension amount paid to those eligible has increased by several hundred shekels (Figure 9).

A similar picture emerges regarding general disability benefits, which showed an increase both in recipient numbers (a 67 percent rise during the period 2000 to 2014) and in the average amount paid per recipient.

In contrast, a look at other National Insurance Institute activity areas indicates the opposite trend – fewer benefit recipients and lower benefits per recipient. One area where recipient numbers declined notably is in the income support program, which serves as a safety net of last resort for
those who have no (or very low) income. Due to changes in the eligibility criteria for this program, along with a rise in the employment rate, the number of those receiving income support declined drastically: from a high of 158,000 families in 2003 to 103,000 families in 2014.

With regard to child allowances, the number of eligible families has risen substantially over time due to natural population increase, but the allowance’s value decreased sharply. The benefit cut has meant that for some families, the benefit they currently receive amounts to half the previous amount. This is especially true in the case of large families.

Figure 9

National Insurance Institute benefit levels, 2005 and 2014
average monthly benefit per recipient, 2011 prices, in shekels

* Child allowances are paid to the family
Source: John Gal and Shavit Madhala-Brik, Taub Center
Data: National Insurance Institute
**Holocaust Survivor Pensions**

Another component of the social security system is assistance to Holocaust survivors. The Holocaust Survivors’ Rights Authority was established in the mid-1950s, but over the past decade public outcry has resulted in greater efforts to ease the economic and social difficulties of this population (for an overview, see Kop, 2008). The Authority’s budget includes government expenditures on a range of pensions and benefits that are set in several different laws: the Disabled Survivors of Nazi Persecution Law, the Disabled Veterans of the War against the Nazis Law, and the Holocaust Survivors’ Benefits Law.

In 2008, a dramatic rise in spending on pensions and benefits for the Holocaust survivor population began (Figure 10). The increase was sparked by amendments to the law that allowed disabled Holocaust survivors who had not filed claims in the past to do so, and expanded eligibility to include those who were affected by the deportations in countries under German influence during World War II (Ministry of Finance, 2008; Knesset, 2011). Due to these changes, the expenditure on Holocaust survivors rose from 0.25 percent of GDP in 2000 to 0.33 percent in 2014, accounting today for 5 percent of all social security spending. From 2008 to 2010, the budget per eligible person decreased due to the substantial increase of 28,000 eligible survivors.
Benefits for Disabled IDF Veterans and Bereaved Families

The third component of social security spending is payments to soldiers injured during their military service, and to the bereaved families of soldiers who fell while serving in the IDF. This has been an expenditure area since the late 1940s that is administered and funded by the Ministry of Defense. Benefits and services provided to the disabled IDF veteran
population differ from those awarded to individuals injured in other circumstances, both in their scope and in the eligibility criteria.

Ministry of Defense data regarding expenditures for the rehabilitation of veterans with disabilities and on payments to bereaved families indicate an overall downturn in recent years: in 2013 the expenditure amounted to 0.44 percent of GDP in contrast to 0.51 percent in 2001 (Figure 11). At the same time, there has been a major increase in the number of veterans with disabilities who are being handled by the Ministry (Figure 12). These conflicting trends can be explained by a decline in Ministry of Defense spending on family payments – both a decrease in the number of eligible bereaved families and a reduction in the expenditure per eligible family.

Figure 11
Ministry of Defense expenditures on bereaved family payments
as percent of GDP, 2000-2014

Source: John Gal and Shavit Madhala-Brik, Taub Center
Data: Ministry of Finance
Spotlight A: *The War on Poverty*

The War on Poverty Committee was established at the initiative of Social Affairs and Social Services Minister Meir Cohen in November 2013. The aim of the Committee, headed by Elie Elalouf, was to formulate a broad and comprehensive long-term plan to deal with the economic plight that

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affects a large swath of Israel’s population, and to address growing inequality. The Committee’s objectives were ambitious: to bring about a steep decline in the poverty rate, aiming for a figure close to the OECD average, within a decade. It proposed a 50 percent reduction in the poverty rate – from one-fifth to one-tenth of Israeli families.

The Committee was active for half a year. During this period, the 50 committee members drew up a long list of recommendations to be implemented at both the national and local levels. The Committee’s across-the-board recommendations placed particular emphasis on the importance of enabling individuals to exercise their rights, and the need for accessibility mechanisms in state institutions to ensure that people living in poverty receive the services and benefits to which they are entitled. The Committee clearly sought to place the issue of poverty at the top of the public agenda and at the center of government activity, and to underscore the need for more extensive funding in this area. Some of the Committee recommendations were oriented toward making poverty a major focus of Israeli government efforts, and creating a cross-ministerial system for advancing poverty-related programs.

At the issue-specific level, the Committee formulated recommendations for each of the following areas: social security, social services, employment, housing, education, and health.

One of the Committee’s main social security recommendations was to increase the income support benefit to a level that would ensure a decent standard of living for recipients who do not participate in the labor market. In the Committee’s view, this level of support amounts to 67 percent of the poverty-line income (defined as half of the median household disposable income). Another proposal addressed the poverty trap that makes it difficult for benefit recipients to enter the labor market. It should be noted that the recommendation to raise the level of income
support benefits was supported by a majority of the Committee members, but opposed by the Committee chair and by representatives of several government ministries.

Among the other Committee recommendations was establishing an “Empowerment Grant” program to encourage families living in poverty to open savings accounts for their children. The subcommittee on social security also recommended increasing child allowances. Regarding the elderly population, it was recommended that the pension for elderly people with no other means of support be increased to the poverty line income level. In the personal social services area, the Committee recommended significantly increasing the number of social workers treating families living in poverty, to ensure that the number of families assigned to each social worker does not exceed a maximum of 60. Another recommendation was to establish advocacy centers within local social services to help citizens exercise their rights.

The Committee recommendations regarding the labor market focused on a major expansion of the negative income tax program, especially for low wage-earning single mothers. It proposed that vocational training programs be expanded significantly. It also recommended instituting a nationwide program that, by means of focused, individualized effort, would encourage families living in poverty to enter the labor market. The Committee also emphasized the need to substantially increase the number of day care centers and employment programs for populations that suffer disadvantages in the labor market, such as Arabs, Haredim (ultra-Orthodox Jews) and people with disabilities.

Housing was identified as a major focal point for addressing poverty. Accordingly, the Committee recommended increasing rent subsidies for those eligible and expanding the public housing supply, primarily through the purchase of second-hand apartments. Regarding education, the Committee focused mainly on young children, recommending the
establishment of early childhood centers and the institution of differential education budgeting. The Committee recommendations on health underscored the need to fund transportation to medical treatment for people living in poverty, and to increase state support for dental care.

The total annual cost of the Committee’s recommendations was estimated by the Committee as NIS 7.2 billion. The larger expenditure items are those linked to providing benefit increases and to supporting, through the negative income tax, people transitioning to labor market participation. The figure constitutes a 4 percent increase in total social spending and 0.66 percent of the GDP.

After the recommendations were submitted in June 2014, lengthy discussions were held regarding their implementation. In October 2014, Minister Cohen announced that in the coming year, NIS 1.7 billion would be allocated to implement the recommendations. The funds would primarily be for pension increases for poor elderly and for the operation of community-based programs encouraging entry into the labor force.

Shortly after that, the Knesset was dissolved and a new government formed. Funds have not been allocated to implement most of the Committee’s recommendations. However, some recommendations in the sphere of social services were adopted in the framework of the “Breathing Easy” program established by the Ministry of Social Affairs and Social Services (see Spotlight B). The current government has also featured some of the Committee’s recommendations in its work plans and in the state budget and Arrangements Law for 2015-2016. These include recommendations to increase the pensions of seniors lacking any other form of income; to increase child allowances and to institute savings plans for children (early 2017); to increase the supply of public housing; and to expand systems that care for families living in poverty and advocacy centers that help them exercise their rights.
3. Expenditure on Social Services

Public expenditure on social services encompasses Ministry of Social Affairs and Social Services expenditures, the Ministry of Construction and Housing budget, the Ministry of Immigrant Absorption budget, and those of the Ministry of Economy in the areas of employment and early childhood education.

In 2014, the largest portion of the public expenditure on social services (45 percent) was channeled to services provided by the Ministry of Social Affairs and Social Services, whether in local or nationwide frameworks (Figure 13). This is due to a significant increase in the Ministry’s budgeting over the past decade.

Figure 13

Distribution of expenditure on social services, 2000-2014
by area of expenditure

Source: John Gal and Shavit Madhala-Brik, Taub Center
Data: Ministry of Finance
Ministry of Social Affairs and Social Services Expenditures

The Ministry of Social Affairs and Social Services provides services that are sometimes referred to as “personal social services.” These are services offered both in the community, under the authority of the local social services, and through institutional frameworks under the responsibility and supervision of the Ministry of Social Affairs and Social Services. Personal social services provide assistance to the weakest and most vulnerable population groups in Israeli society: children, adolescents and youth at risk, isolated seniors, families in crisis and distress – including single-parent families and immigrants – people with physical or mental disabilities, people coping with addiction, and the homeless. A great number of these people live in poverty and distress.

Although the total Ministry of Social Affairs and Social Services expenditure accounts for just 1.2 percent of total government expenditure, the Ministry’s budget as a percentage of GDP has increased in recent years (Figure 14). During this period, the expenditure to social services-recipient household ratio increased, after declining during the 2000s. Today, it is higher than it was at the beginning of the 2000s. This trend reflects a major increase in the Ministry budget, due, in particular, to an increase in the number of households served by the Ministry: 331,000 households served in 2000 compared to 464,000 in 2014 – 20 percent of all Israeli households.
A look at the areas in which the Ministry of Social Affairs and Social Services is active (Figure 15) reveals that the Ministry’s largest expenditure is on personal and social services. These services are intended primarily for families and are supplied by local authority social services and by a wide array of institutions.

A large portion of this expenditure is the Ministry’s participation in funding social workers in the municipalities. According to the current funding formula, the Ministry funds 75 percent of the social services cost,
while municipalities cover the remaining 25 percent. The number of employees funded by the Ministry in local social services in 2014 was 6,450 (including 5,000 social workers). That is 50 more than the previous year and 9 percent more than in 2009 (Ministry of Welfare, Social Services Survey). Despite this positive trend, the increase constitutes only a partial response to ongoing demands to ease the burden borne by social workers whose caseloads are continually growing.

Figure 15
Ministry of Social Affairs and Social Services budget, 2005 and 2014
by area, as percent of total Ministry budget

Source: John Gal and Shavit Madhala-Brik, Taub Center
Data: Ministry of Finance; Ministry of Social Affairs and Social Services
Spotlight B: “The Breathing Easy and Otzma Advocacy Centers Program”¹

The flagship program of the Ministry of Social Affairs and Social Services in 2015 is the “Breathing Easy” program operated by local social services in cooperation with JDC-Israel, the Rashi Foundation and other organizations. It aims to relieve the distress and social exclusion suffered by families living in poverty, to improve the status of these families, and to enhance their social mobility, through one-on-one interactions with social workers and family mentors, as well as by making diverse intensive services accessible to them for a limited time.

The program is innovative in that it applies the principles of poverty-aware social work practice. This approach emphasizes intensive and participatory work on the part of social workers with families living in poverty, the need to ensure these families’ access to the services for which they are eligible, and the possibility of advancing their social mobility through labor market participation.

One of the program's salient features is that a social worker specializing in family issues is assigned to work with 50 families living in poverty – rather than the average 200 families for which a municipality-employed social worker is currently responsible. Each family is assigned a mentor – a non-professional who works intensively with 20 families at a time and helps them implement the intervention plan. Each family that participates in the program is also allocated a flexible basket of services in the form of NIS 8,000 per year that the program team is authorized to use toward the family’s concrete and immediate needs.

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¹ The authors are grateful to Ayala Meir and to Nurit Weissbrod of the Ministry of Social Affairs and Social Services for their assistance in the preparation of this Spotlight.
In addition to focused, individualized work with families, the program has another component: the establishment and operation of “Otzma” advocacy centers. These are centers specifically for people living in poverty who are clients of the participating municipality social services. The centers are managed by social workers who specialize in helping individuals exercise their rights, and they strive to ensure that services and benefits are accessible to those eligible. To this end, they offer programs and services, from information-provision to active advocacy, and operate a variety of programs to advance the rights of service recipients.

The centers also offer a range of group and community programs, with an emphasis on employment. Another major feature of the centers is their efforts to advance social policy change on behalf of their clients – what is referred to in social work as “policy practice.”

“Breathing Easy” was launched in March 2015, with a pilot program scheduled to run for a period of two years. It is being operated in 95 municipalities, with 3,020 families receiving intensive interventions. The Otzma centers will also be helping 12,000 families exercise their rights and participate in community-based programs.

As noted, the program targets families living in poverty, in municipalities ranked low on the socioeconomic scale and in disadvantaged big-city neighborhoods. Households participating in the program range in size from four to ten members and have all expressed a willingness to take part in the program.

“Breathing Easy” was allocated a budget of NIS 100 million for 2015-2016. Most of that money is being used to fund 109 new social work positions, to establish Otzma advocacy centers in 95 municipalities, to fund the flexible service basket, and to employ 250 family mentors.
Ministry of Economy Expenditures on Employment and Early Childhood

The Ministry of Economy administers the state employment service that mediates between potential employers and jobseekers, provides vocational training, and enforces labor laws. In recent years, the Ministry has also been making a special effort to bring specific target populations into the labor market – Arabs, Haredim and people with disabilities. This activity takes place within the framework of the Ministry’s employment department, which was created at the beginning of the current decade.

The data point to a substantial rise in labor force participation among some of these population groups. However, an examination of the labor market expenditure rates for the population as a whole (Figure 16) indicates that the expenditure is relatively small and has not risen significantly over the years. These data support the argument, raised in OECD reports on employment in Israel, that Israel’s investment in this area is lower than that of other welfare states.

Day care centers and early childhood education are also under the Ministry of Economy’s authority, reflecting a traditional view that the main goal of these services is to encourage women’s, and particularly mothers’, labor market participation. The Ministry is responsible for regulating this sphere, for building day care centers and overseeing family child care frameworks, and for subsidizing children’s enrollment in these frameworks. Early childhood education was a focus of the 2011 social justice protests in Israel, and subsequently became the subject of one of the Trajtenberg Committee’s principal recommendations (the committee was established in the wake of the social protests). Consequently, spending in this area has risen in recent years.
As Table 1 shows, the expenditure for the Day Care Centers Department amounted to a billion shekels in 2014. In particular, there was a 40 percent increase in expenditure related to subsidizing the fees paid by working parents for their children’s afternoon programs, day care centers and family child care. Moreover, this period also witnessed a significant increase of hundreds of percentage points in spending on day care center construction and the repurposing of buildings as day care facilities. Total expenditure in these areas grew by 30 percent from 2010 to 2012, and by 50 percent from 2010 to 2014.
Table 1. Ministry of Economy budget for day care centers and family child care for preschool children
implementation budget, in thousand shekels, in 2011 prices, 2010-2014

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Ministry of Construction and Housing Expenditures

Despite intensive public preoccupation with the issue of housing in recent years, government housing expenditures have declined. This can be seen in the Ministry of Housing budget and in its construction and housing grants budget line item (Figure 17). In real terms, the Ministry’s budget implementation declined by 70 percent between 2000 and 2014: from NIS 9.5 billion to NIS 2.9 billion.
A look at trends in specific items within this budget reveals that spending on rent subsidies dropped by 21 percent between 2000 and 2014. Similar trends are seen in the Ministry’s development budget. A dramatic contraction of the public housing supply (Bank of Israel, 2015), cutbacks in rent subsidies since the middle of the last decade, and the transfer of authority for planning and development measures to other agencies are all factors that may explain the downturn in this activity.
Ministry of Immigrant Absorption Expenditures

Traditionally, the budget of the Ministry of Immigrant Absorption, which is responsible for seeing to the needs of immigrants during their initial period of adjustment to life in Israel, has accounted for the smallest share of Israel’s social welfare expenditure. This trend was reinforced over the past decade, when the number of immigrants who arrived in Israel declined sharply (Figure 18). Another factor behind the spending reduction is the government’s decision to change the components of expenditure in this area.

Figure 18

Number of immigrants and Ministry of Immigrant Absorption budget, 2000-2014

per person and as percent of GDP

Source: John Gal and Shavit Madhala-Brik, Taub Center
Data: Ministry of Finance; Central Bureau of Statistics
4. Conclusion

Israel’s public expenditure on social welfare, which encompasses social security benefits and social services, amounted to NIS 86 billion in 2014 (in 2011 prices) – half of the government’s social expenditure. This amount has been growing since the middle of the last decade. The rise is due mainly to increased social security spending, especially in the form of National Insurance benefits (disability, long-term care and old-age pensions). At the same time, there have been cutbacks on child allowances and income support.

Social welfare spending declined in the early 2000s by 30 percent, and since then has stabilized at rates that are considered low relative to the GDP and to total government spending. Among the various components of the decline in social welfare expenditure was a significant decrease (70 percent) in Ministry of Construction and Housing expenditures during the years 2000 to 2014. However, the same period saw an increase in Ministry of Social Affairs and Social Spending per client household expenditure, and in Ministry of Economy expenditures on day care centers and family child care.

Social welfare expenditure data, as surveyed in this chapter, show a trend toward stability with a moderate increase of state expenditure in the various social welfare spheres. Most of the rise stems from demographic changes, while a small portion is due to legislative change (spurred in part by social justice protests) and changing demand for services (e.g., declining immigrant numbers). When these trends are examined against the background of Israel’s major social problems – beginning with poverty and inequality – and in comparison with the social investment made by other welfare states, the Israeli government does not appear to have made a concentrated effort over the past year to address the country’s social ills.
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