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FOR SOCIAL POLICY STUDIES IN ISRAEL

Social Service Budgeting in Local Authorities

John Gal, Shavit Madhala and Haim Bleikh

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Center address: 15 Ha'ari Street, Jerusalem, Israel
Telephone: 02 5671818 Fax: 02 5671919
Email: info@taubcenter.org.il Website: www.taubcenter.org.il

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John Gal, Shavit Madhala and Haim Bleikh*

Abstract

This chapter looks at social service budgeting patterns among Israel's local authorities. The research findings presented in the chapter point to large disparities between local authorities in their per client expenditure. These disparities are even more marked when we compare the budgets of affluent and poor local authorities, and of Jewish and Arab Israeli localities. These gaps are related to differences in the types of client populations within the various localities, variations in the authority's service provision patterns, and the willingness of stronger localities to increase social welfare spending beyond the allocations provided by the Ministry of Labor and Social Welfare. The disparities also appear to be rooted in the weaker localities' inability to commit to funding their share of out-of-home services for their residents, and in a shortage of out-of-home institutions serving needy Arab Israelis. These gaps worsen already-existing inequalities in Israeli society, and harm the country's weakest population segments. The findings on geographic social welfare inequality and its causes underscore the need for change in Ministry policy regarding resource allocation for local authority social services. Such policy will have to ensure that those in need of service have equal access to it, regardless of where they live. Policy will also need to accommodate the varying amount and types of service needs in individual localities.

* Prof. John Gal, Principal Research and Chair, Welfare Policy Program, Taub Center; Paul Baerwald School of Social Work and Social Welfare. Shavit Madhala, Researcher, Taub Center. Haim Bleikh, Researcher, Taub Center.

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Introduction

Local social services, provided by Israel's local authorities, are the front line of the country's social welfare system. Social workers and other professionals employed in the local authority social service departments contend with the problems of some 464,000 households that receive services in the community and outside it (Ministry of Labor and Social Welfare, 2015). The myriad of services provided to this population are, in principle, funded by the Ministry of Labor and Social Welfare, in partnership with local authorities, by means of a "matching" system: the Ministry funds 75 percent of service costs, while the local authorities make up the remaining 25 percent.

Social service funding in Israel's local authorities has, over the years, been the subject of a number of studies and publications. All of the studies have found evidence of inequitable social welfare expenditure. That is, the amount spent on clients in the social welfare system varies from one locality to another. What this means is that Israelis in distress are not offered identical assistance; rather, the type and amount of service they receive depends on where they live.

A number of explanations for this phenomenon have been proposed. A pioneering Taub Center study conducted two decades ago by Yosef Katan, Uri Yanay and Moshe Sherer was the first to find disparities in local authority social welfare expenditure (Katan, Yanay and Sherer, 1996). The gaps were explained by differences in local authorities' willingness to allocate resources to social welfare, and a lack of uniform government policy in this area. Several State Comptroller's Office reports also examined the issue and found that social welfare spending rises along with locality socioeconomic level, and that gaps between Jewish and Arab Israeli local authorities "are unreasonable." The Comptroller demanded that the Ministry address these disparities by setting objective allocation parameters (State Comptroller's Office, 2007). A report by Sikkuy (the Association for the Advancement of Civil Equality) looked at differences between Ministry allocations for social service departments and social worker positions within Jewish and Arab Israeli local authorities and reached a similar conclusion. The report called attention to prevailing inequalities in resource allocation for those in need, with Arab Israeli localities receiving less funding (Belikoff and Abu-Saleh, 2011). The findings of a study submitted to the Federation of Local Authorities in Israel by Sened, Rosen-Zvi, Khamaisi, and Abou-Habla (2015) bring the issues into sharper relief and link social service inequity to the difficulty that Arab Israeli local authorities experience with the matching system. In the study, 75.2 percent of Arab Israeli local authority heads stated that the system, which applies to the areas of education and social services, and

obligates local authorities to participate in the funding of services in these areas as a condition of receiving government funding, is a central obstacle in obtaining resources for project implementation and service provision. Finally, a report on inequality in the level of social services offered by local authorities, submitted in the framework of a petition to Israel's Supreme Court, locates the source of the problem in the matching system, and in a lack of clear criteria for resource allocation (Kolker, 2016).

This chapter looks at local authority social welfare budgeting and its sources. Information obtained through a comprehensive analysis of data on local authority populations and social welfare spending patterns, as well as from conversations with local authority and social service department heads and key personnel in the Ministry of Labor and Social Welfare and the Federation of Local Authorities in Israel, will enable us to determine whether gaps in social service spending actually exist, estimate their size, and discover whether there is a correlation between them and the local authority sector. Following that, the chapter will focus on three possible explanations for the existing inequalities. Our assumption is that more accurate information on social service resource allocation disparities, and a better understanding of what causes gaps in local authority social service spending, will provide a solid foundation for policy making and ensure a more equitable response to the problems of those in need.

The first explanation to be examined relates to the matching system which, again, makes Ministry of Labor and Social Welfare social service allocations conditional on funding by the local authority. Critics of this method argue that it creates inequality between local authorities, due to the weaker authorities' inability to supply the required funding. This prevents them from obtaining the government funding that is crucial for social service activity, and hampers service provision to the neediest populations, those residing in the very localities whose budgetary capabilities are the most limited.

The second explanation focuses on the initial Ministry of Labor and Social Welfare allocation. The argument here is that the social welfare spending disparities between local authorities are not explained solely by gaps in the ability to match funding, but rather in the Ministry's allocation policy. Our assessment of this explanation will include a look at several disparity-producing factors that arise at the initial budgetary allocation stage. Beyond this, a multivariate analysis will help us understand the degree to which a variety of parameters produce allocation disparities.

The third explanation has to do with the financial resources available to the local authorities. According to this approach, the main reason for the social welfare gap is not the weaker local authorities' inability to obtain the initial

Ministry funding and allocate the matching funds, nor is it the Ministry's allocation practices, but rather the ability of wealthier local authorities to dedicate additional funding to social services. In other words, stronger local authorities are able to budget activity beyond the allocations earmarked by the Ministry of Labor and Social Welfare, while weaker authorities have to make do with what the Ministry offers.

Data, terminology and definitions

Data sources: the Central Bureau of Statistics' local authority files, and Ministry of Labor and Social Welfare data for 2014 (data obtained in the framework of the Freedom of Information Law).[1]

Client: a person registered in the Ministry of Labor and Social Welfare social service departments as having a defined area of need (a need that is not "standard"), as reported in the Ministry's data system.

Start-of-year per-client budget: the initial allocation designated for the local authority by the Ministry of Labor and Social Welfare, as it appears in the April 2014 budget data, divided by the number of clients in that local authority. The sum includes the co-funding required from the local authority according to the matching system (25 percent of the service cost).

End-of-year per-client budget: the actual allocation designated for the local authority by the Ministry of Labor and Social Welfare, as it appears in the December 2014 budget data, divided by the number of clients. The sum includes the co-funding required of the authority per the matching system (25 percent).

Total per-client expenditure: the local authority's total expenditure on social services, divided by the number of clients. The expenditure total includes the budget transferred at the end of the year from the Ministry of Labor and Social Welfare, the local authority's co-funding as required by the matching system (25 percent of the end-of-year budget), and any additional funding beyond the 25 percent that the local authority provides. The source data are from the Central Bureau of Statistics' (CBS) local authorities file.

1 When a family approaches the social service department, a file is created in which all areas of need are recorded; that is, the reasons for the service request. If the family members (all or some) do not need social services, the social worker assigned to the family is authorized to ascribe to them a "standard" level of need.

Haredi localities: localities with an absolute majority of Haredi (ultra-Orthodox) Jewish residents (Bnei Brak, Beitar Illit, Modi'in Illit, Immanuel, El'ad, Kiryat Ye'arim, Rekhasim).

Forum-15 localities: 15 localities that do not require central government development grants or balanced-budget grants and are managed as autonomous, closed economies. In 2014, these localities were home to 2.7 million Israelis (a third of the country's population). Forum-15 works to advance the goals of these cities vis-à-vis public entities such as the Knesset and the government.

Socioeconomic ranking: the Central Bureau of Statistics' socioeconomic index for 2013, according to which the local authorities are characterized and classified by their population's socioeconomic level. The extended index ranks the authorities continuously from 1 to 255, where 1 is the lowest socioeconomic ranking. Most of this chapter uses an index that combines authorities into 10 clusters where 1 is the lowest socioeconomic ranking and 10 the highest.

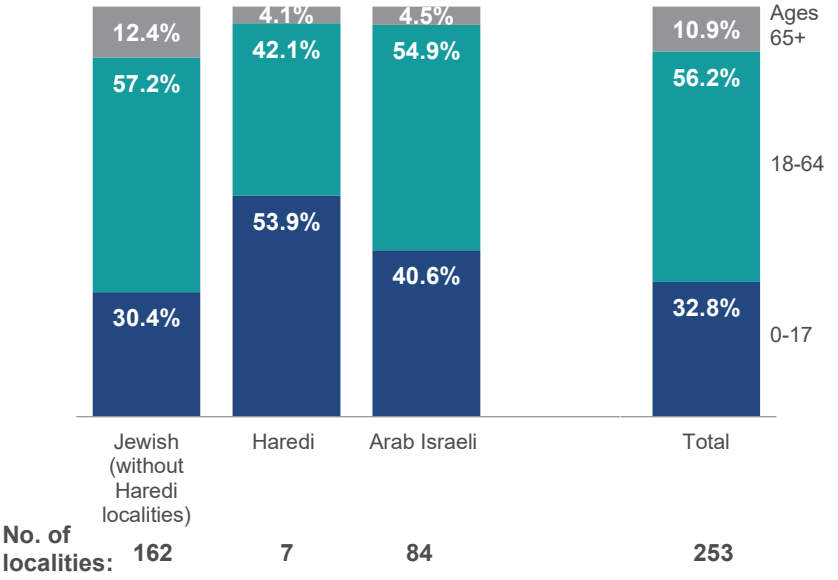
Out-of-home frameworks: frameworks that, in addition to care and services, also provide clients with living accommodations (residential facilities, foster families, sheltered housing, and the like).

1.Background: Israel's local authorities

This study looks at Israel's 253 local authorities: 162 Jewish local authorities (not including Haredi localities), 7 Haredi authorities, and 84 Arab Israeli authorities — that is, those with an absolute Arab Israeli majority (including Druze and Bedouin).[2] This breakdown calls attention to the heterogeneity of Israeli society, as reflected in the demographic characteristics presented in Figure 1. The figure shows that the Arab Israeli and Haredi populations have a higher percentage of children (ages 0-17) than do non-Haredi Jewish localities, and that the percentage of senior citizens (ages 65 and over) in these localities is much lower.

2 The Central Bureau of Statistics (CBS) local authorities file contains 255 localities, two of which (Kfar Tavor and Bustan al-Marj) were not included in the calculations due to a lack of data on them in the Ministry of Labor and Social Welfare files.

Figure 1. Population distribution by age groups, 2014
By locality grouping



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database

There are other differences between the population groups besides demographic composition (Table 1). Jewish residents (except in the Haredi localities) are concentrated in localities of middle and high socioeconomic rank, according to the socioeconomic index. By contrast, Arab Israeli and Haredi residents are concentrated mainly in localities of low socioeconomic standing. Moreover, the Arab Israeli localities are smaller, in terms of population, than most of the Jewish localities.

Table 1. Characteristics of local authority residents

	Jewish (not including Haredi localities)	Haredi	Arab Israeli	Total
Socioeconomic status				
Low (1-3)	16%	100%	88%	30%
Middle (4-7)	59%	0%	12%	50%
High (8-10)	25%	0%	0%	20%
Total	100%	100%	100%	100%
Locality size				
< 25,000	17%	5%	70%	24%
25,000-100,000	32%	44%	30%	33%
> 100,000	50%	51%	0%	43%
Total	100%	100%	100%	100%
Financial stability and management				
Strong	37%	0%	0%	31%
Stable	23%	0%	0%	19%
Middle-status	31%	36%	35%	32%
Streamlining	6%	64%	16%	10%
Recovering	2%	0%	49%	9%
Total	100%	100%	100%	100%

Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authority database

Key professionals with whom we spoke during the course of our research identified locality financial management as a factor behind the per-client budget gaps. This issue will be addressed later in this chapter. A Ministry of the Interior document from 2015 that aimed to lay the groundwork for municipal economic development (Lehavi and Romano, 2016) specified criteria for assessing local authority financial management. Accordingly, the local authorities were divided into five categories: strong local authorities; stable authorities; middle-status authorities; authorities included in a streamlining program; authorities included in a recovery program. Table 1 shows that 60 percent of the residents of Jewish localities (excluding Haredi localities) live in strong and stable local authorities, i.e., stronger authorities

by these criteria. In contrast, 49 percent of Arab Israeli residents live in local authorities that are included in a recovery program intended to ensure that the authorities have a balanced budget, i.e., authorities that, per this classification method, are weak. No Arab Israeli local authority is, in any case, classified as strong or stable.

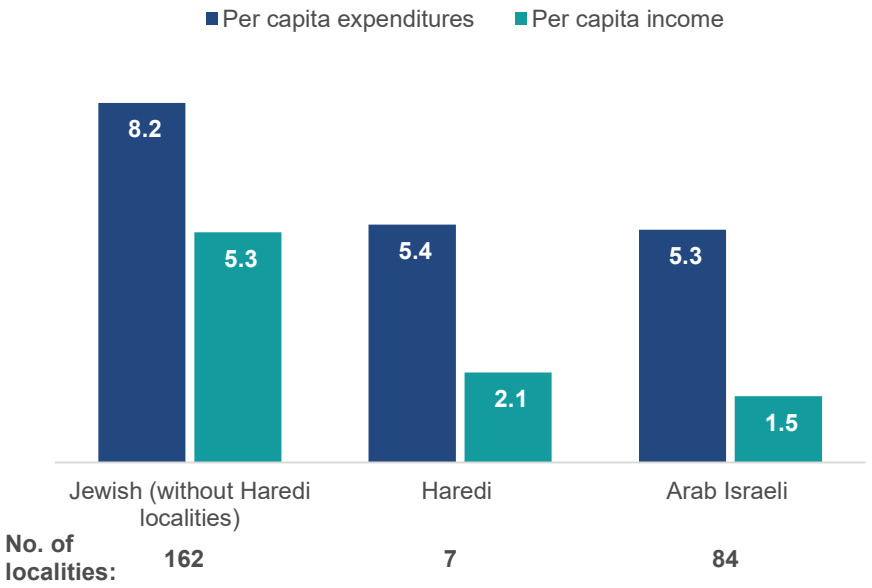
As we know, the strength of local authorities is reflected in their self-generated income and in their expenditures. In order to fund its expenditures (education, social services, infrastructure, recovery, loan repayment, local authority employee wages, etc.), the authority must plan its budget with regard to two major income sources: self-generated income and government budgets.

1. **Income (self-generated):** residential and non-residential property tax; municipal service fees (sports and cultural services, etc.); other fees (parking, sewage, etc.). The amount of self-generated revenue depends on two main factors: (A) the property tax rates that the authority charges its residents and business owners, based on tariffs set by law; (B) the rate at which potential revenue is collected.

2. **Government budgets:** Ministry of Labor and Social Welfare social service funding, matched by funding from the local authorities; funding of some education services through budget transfers from the Ministry of Education (e.g., preschool/kindergarten aides, school secretaries, a portion of the salaries paid to school psychologists, etc.); budget-balancing grants from the Ministry of the Interior, to bridge income-expense gaps and allow the provision of basic services, some of which are required by law.

Figure 2 suggests a positive relationship between a local authority's self-generated income and its expenditures (expenditures from the regular budget earmarked for current consumption, minus debt repayment). Additionally, the per-capita gap between expenditure and self-generated income is higher for Arab Israeli and Haredi local authorities, indicating that these authorities have a higher level of government participation. In other words, for every shekel of self-generated income per resident, the state's participation in the average expenditure per resident is estimated at NIS 2.5 for Arab Israeli localities, NIS 1.6 for Haredi localities, and NIS 0.55 for non-Haredi Jewish localities. Nevertheless, these data indicate that the level of service that a local authority can provide depends not only on government participation, but also on the authority's level of economic development.

Figure 2. Average income and expenditure per person, 2014
By locality grouping, NIS thousand



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database

Social welfare spending in the local authorities

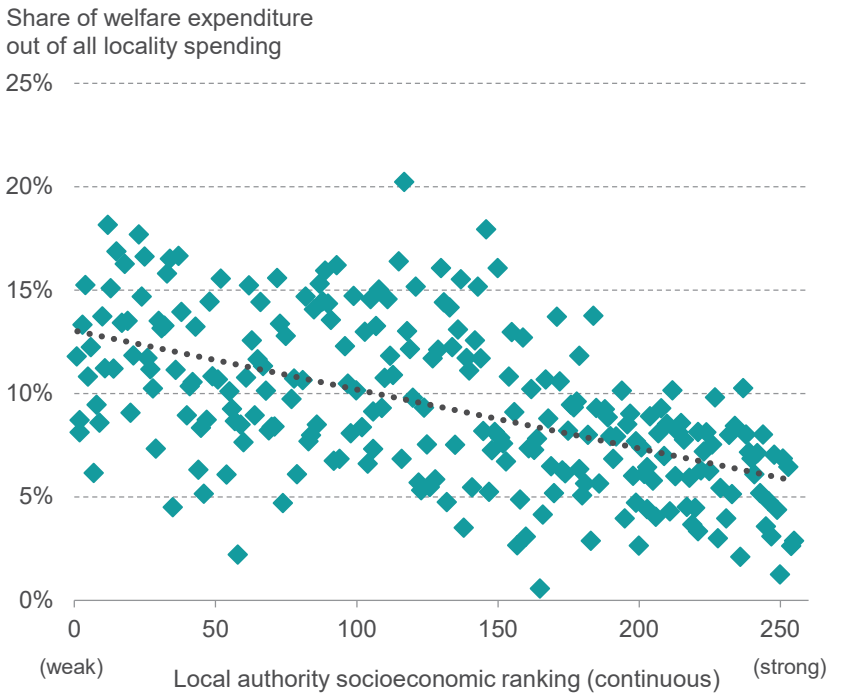
A major function of the local authorities is seeing to the welfare of their residents. This role, as set forth by the Welfare Law of 1958 and a set of laws and regulations referred to as the Social Work Regulations (SWR), places the primary responsibility for a variety of issues relating to individual, family and community welfare on the local authority. Social work departments operated by local authorities are in charge of social service provision within their locality, and refer residents to social welfare and care institutions outside the localities, as needed. The Ministry of Labor and Social Welfare is responsible for setting social welfare policy and for regulating this sphere. The Ministry is also the main source of funding for the social welfare activity provided by the local authorities.

An examination of social welfare spending in the local authorities indicates that social welfare accounts for a substantial portion of the authorities' budgetary expenditure, ranging from a few percentage points to 20 percent. Moreover, the data suggest that the share of social welfare spending in the

local authority budgets tends to decline as locality socioeconomic level rises (Figure 3). It is clear that this is also related to the greater needs of the population: the lower the socioeconomic cluster to which the local authority belongs, the greater the social welfare needs of its residents, and the more of its budget must be devoted to social welfare. For example, the client-to-population ratio declines as local authority socioeconomic ranking rises (see Appendix Figure 1). Indeed, in the local authorities belonging to the three lowest clusters, social welfare spending constitutes 11 percent of the budget on average, while in authorities belonging to the three highest clusters it accounts, on average, for only 6 percent of the budget.

Figure 3. Share of social welfare expenditure out of all local authority spending, 2014

By local authority socioeconomic ranking

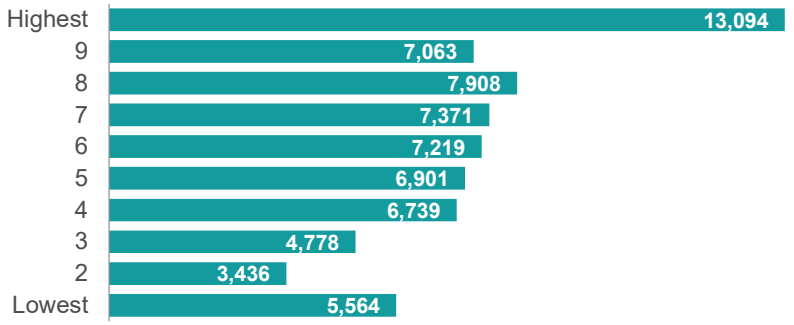


Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database; Ministry of Labor and Social Welfare

2. Inequality in local authority social service funding

While social welfare spending as a percentage of total budgetary expenditure tends to rise as locality socioeconomic status declines, the data on total spending per social service client in the localities point to an opposite trend. A look at total per-client expenditure in the local authorities for 2014 shows that spending was greater for localities of higher socioeconomic standing. As Figure 4 shows, the average social welfare expenditure per client in localities belonging to clusters 1-3 (most of the Arab Israeli authorities are concentrated in these lower socioeconomic clusters) is lower than the average expenditure in localities belonging to clusters 4-10.

Figure 4. Total annual expenditure per client, 2014
By socioeconomic cluster, NIS

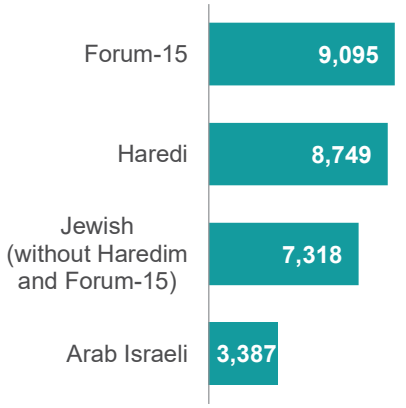


Notes: Cluster 10 includes only two local authorities.

Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database; Ministry of Labor and Social Welfare

A similar picture emerges when distinguishing between localities by population groups (Figure 5). While the average social welfare expenditure per client in the Forum-15 cities is NIS 9,095, the corresponding figure for the Arab Israeli population is NIS 3,414 per client — a gap of NIS 5,681 per client. Interestingly, the Haredi local authorities' average expenditure per client is higher than that of the other Jewish local authorities, despite their low socioeconomic ranking.

Figure 5. Total annual expenditure per client, 2014
By locality grouping, NIS



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities Database; Ministry of Labor and Social Welfare

The findings point to severe locality-based inequality — translating, in practical terms, to smaller allocations for people in need who reside in localities of low socioeconomic standing. Inequitable social welfare spending could thus increase the social inequality that already exists between different population groups in Israel. As noted, this locality-based inequality has several explanations which will be discussed later in this chapter.

Social welfare budgeting in the local authorities and the matching system

The past decade witnessed a significant increase in the Ministry of Labor and Social Welfare budget, which was NIS 5.5 billion in 2014. A major portion of the Ministry's budget is earmarked for social services in local authorities. In 2014, the Ministry allocated 77 percent of its budget (NIS 4.24 billion) to the funding of a myriad of social welfare activities provided or funded with additional money by the local authorities. These activities include services provided directly by local authority-employed social workers, and services provided in the community by the local authorities themselves or other, outsourced, agencies. These activities also include services provided by agencies outside the homes of local authority residents and funded by the authorities, such as transfer to long-term care facilities.

The Ministry budget is distributed to the local authorities on the basis of formulas that relate to the various expenditure areas and are calculated annually for all of the authorities. Information on a portion of the allocated sum, that which determines the number and funding of social worker positions, is published in the Social Work Regulations (SWR 16.2), and includes

data on the number of cases handled by the social service departments, locality type and size, locality socioeconomic status, and whether the locality is in a national priority area.[3] Another part of the allocation is based on laws and regulations that set eligibility conditions for those in need, while yet another portion is determined in accordance with principles that are not transparent to the public at large and are formulated by the Ministry of Labor and Social Welfare allocations committee and its bureaucrats.

Based on these formulas and principles, the Ministry determines the budget earmarked for each local authority at the start of the budget year. As noted, the Ministry of Labor and Social Welfare commits to funding 75 percent of this budget, while the local authorities are expected to provide the remaining 25 percent. Over the course of the budget year, the Ministry re-examines the budgeting and increases or cuts funding in accordance with new needs that may have arisen, or the local authority's willingness to provide its share of the funding. Toward the end of the year, the Ministry transfers remaining budget sums (some of which come from localities that did not utilize the sums that the Ministry had earmarked for them) to localities in need of additional budgeting that are able to match the additional levels of funding. The Ministry also transfers to the localities additional budgets to fund new social welfare programs that are operated during the year. In addition, local authorities are authorized to expand the social services provided within their area of jurisdiction through self-funding, whether based on independent sources or external funding (such as non-profit foundations).

A major argument raised by critics of the current funding method has to do with the inequality that the method engenders between local authorities. According to these critics, the system actually hurts residents in need of the local authorities' assistance by creating a situation where the authorities that are most strapped financially — those where the neediest populations reside — provide fewer social services because they cannot pay their share of funding costs. This criticism was central to a recent petition to the Supreme Court: "Residents of those local authorities whose populations are in the direst socioeconomic straits are the ones who receive the smallest segment of Israel's social welfare budgets" (Biton and Lankri, 2017). This seems to be especially true of the Arab Israeli local authorities, which rank lowest on the socioeconomic scale.

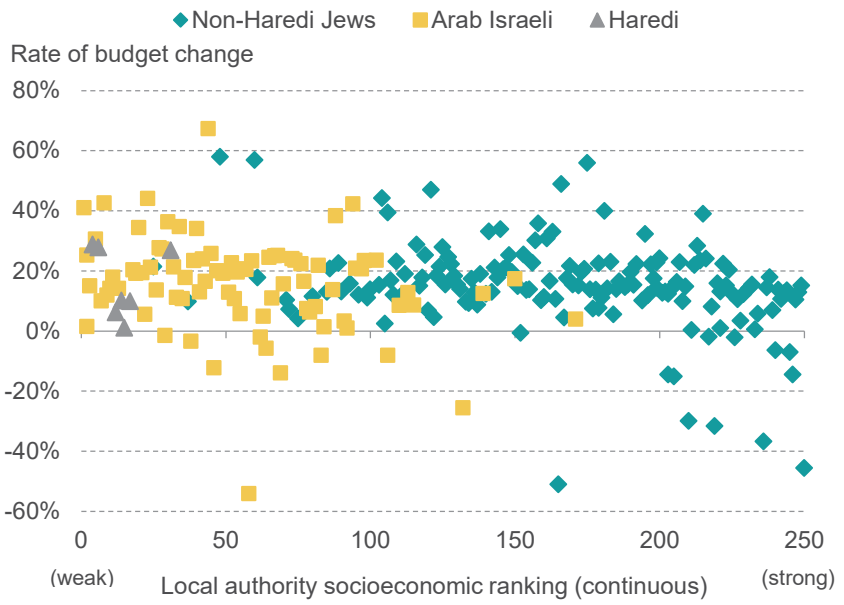
In order to test the validity of this argument, the rates of change in budget allocation by means of the matching system in the first and second budget

3 According to the Ministry of Labor and Social Welfare, changes were made to the allocation formula published in the SWR, and some of its components were altered or abandoned. However, the formula details have not been published and are not transparent.

cycle periods (start-of-year budget and end-of-year budget) were examined (Figure 6).[4] The examination revealed that most of the local authorities utilize the entire budget earmarked for them at the beginning of the year, and even receive additions to the initial allocations, subject to provision of matching funds. However, there are also local authorities that do not utilize the full budgets allocated to them (the gap between end-of-year and start-of-year is less than zero in the figure), including eight authorities of low socioeconomic ranking (13-87 in the extended ranking and clusters 2-3 in the 10-cluster index), all of them in the Arab Israeli sector. Presumably, this is due to the weaker local authorities' inability to provide the full matching funding required of them to meet their needs. Twelve other local authorities, ones that rank high on the socioeconomic scale (207-253 in the extended ranking and clusters 8-9 in the 10-cluster index), do not utilize their full budgets, apparently because the sums allocated for them exceed their social service needs.

Figure 6. Rate of budget change, 2014

End-of-year budget relative to start-of-year budget



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database; Ministry of Labor and Social Welfare

4 The percent change is measured by assessing the disparity between the end-of-year allocation and the start-of-year allocation, divided by the start-of-year allocation.

For 92 percent of Israel's local authorities, the Ministry of Labor and Social Welfare budget grows over the course of the year. In light of this finding, it does not appear that, as a whole, weaker authorities fail to utilize in full the allocations earmarked for them by the Ministry. Neither does it seem that, during the year, there is significant transfer to affluent local authorities of funds originally allocated to less-affluent authorities, due to the matching system. Nevertheless, it is entirely possible that the matching system is indirectly related to the gaps in local authority social welfare spending. Since a major portion of the local authorities' social welfare budget is based on the budgetary needs estimates made by the authority heads at the start of each year, it is likely that localities whose resources are limited seek smaller allocations from the Ministry of Labor and Social Welfare to begin with, in order to avoid having to make up their share of the funding over the year.

Based on conversations with professional staff in the Ministry of Labor and Social Welfare and local authority social service departments, this process of requesting allocations that fall short of existing needs, due to funding difficulties, is particularly striking with regard to the funding of out-of-home care frameworks. This is the funding that the local authority transfers to institutions providing residential services to their residents (e.g., children with autism or people with developmental cognitive disabilities). Such care is a very costly component of social welfare spending and, in order to supplement the funding provided by Ministry of Labor and Social Welfare, local authorities have to come up with large additional sums. The assumption is that local authorities of more limited means will prefer to offer community-based or family-based care to some of those in need, rather than more expensive out-of-home frameworks, even if out-of-home care would serve the clients better. By contrast, more affluent localities will be more generous in funding out-of-home placements.

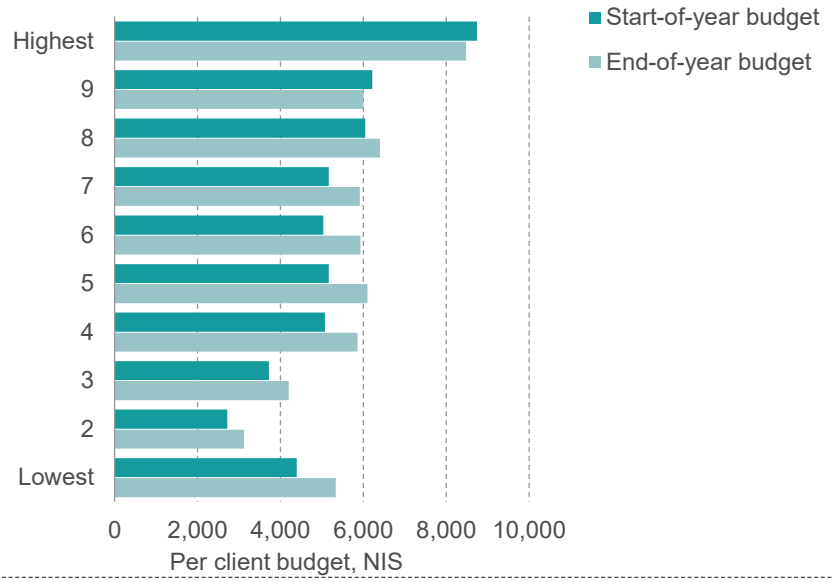
Budget allocation and criteria for budgeting

Another explanation for social welfare spending gaps between local authorities has to do with the initial allocation of social welfare funding. The argument is that the per-client expenditure gaps between stronger and weaker local authorities result from the way in which the funds allocated by Ministry of Labor and Social Welfare are distributed between authorities. In other words, administrative decisions about resource allocation are responsible, to some degree or other, for low per-client spending in the weaker local authorities.

Official Ministry of Labor and Social Welfare policy, as reflected in the Social Work Regulations, is the opposite. It demonstrates an effort to prioritize resource allocation precisely to weaker localities that have relatively large concentrations of needy people and more limited independent resources. In order to ensure preferential budget allocation to the weaker local authorities, the Ministry determined that one of the main parameters for setting the budget would be the local authority's socioeconomic level. The weight of this parameter in most of the budget items is indeed 25 percent (Agmon, 2016). However, as Figure 7 clearly shows, the Ministry of Labor and Social Welfare budget allocation distribution at the start of the budget year demonstrates a disparity to the disadvantage of the weakest local authorities even at this early stage, i.e., when the initial allocation is made. At the beginning of the year the average allocation per client is NIS 3,170 in the local authorities belonging to the three lowest clusters, and NIS 5,400 in the other authorities. Based on the end-of-year per-client budget data, this gap actually grows slightly; the budget per client in the local authorities belonging to the three weakest clusters is NIS 3,630 on average, versus an average of NIS 6,078 for the remaining localities.

Figure 7. Per client budget in the start-of-year and end-of-year budget, 2014

By socioeconomic cluster, NIS

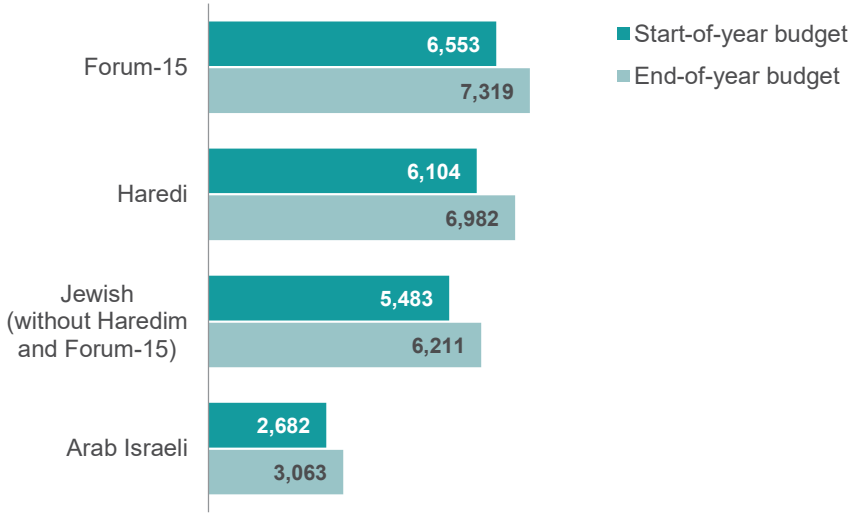


Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database; Ministry of Labor and Social Welfare

Figure 8 shows the start-of-year and end-of-year allocations in different localities, based on their demographic composition. The disparities are striking early on, with the average start-of-year allocation. This allocation amounted to NIS 2,680 in the Arab Israeli localities, a sum that is half of the NIS 5,480 allocated to the Jewish localities (excluding the Haredi and Forum-15 localities). The latter is even further surpassed by the Haredi and Forum-15 localities.

Figure 8. Per client budget in the start-of-year and end-of-year budget, 2014

By locality grouping, NIS



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities Database; Ministry of Labor and Social Welfare

How, then, can we explain the Ministry of Labor and Social Welfare allocation practice that seems to discriminate against the weakest local authorities? One way of doing so is to focus on the characteristics of clients' needs in the localities. Service costs vary by type of need, and the variation in average allocation per client in the local authorities is, therefore, the result of differing client and needs compositions.

Client composition in the local authority social service systems

In 2014, over 900,000 clients with defined needs were registered in social service departments — 11 percent of the total population, a figure comparable to earlier years (Ministry of Labor and Social Welfare, 2015). The Ministry of Labor and Social Welfare predefines fifty or so reasons for seeking assistance from social service departments, which may be grouped into six main categories (Central Bureau of Statistics, *Israeli Society*):

1. **Poverty and employment difficulties:** problems stemming from lack of income from labor, lack of employment stability, low income level, lack of training/vocational assessment, temporary unemployment, housing problems, poor functioning on the job, and chronic placement difficulties.

2. **Aging:** long-term nursing care, problems that arise from aging.

3. **Parental or child/youth dysfunction:** poor household management, maternal dysfunction, paternal dysfunction, marital problems, single parent, single person unable to care for him/herself, orphanhood, death in the family, abandoned child, education and behavioral problems, problems with parent-child and child-child relationships, unstable relationships, youth at risk, loneliness, social alienation, communication and integration problems, youth without a permanent framework.

4. **Medical issues and disability:** acute or chronic illness, handicap, developmental delay, diagnosed mental illness, behavioral disorders, autism.

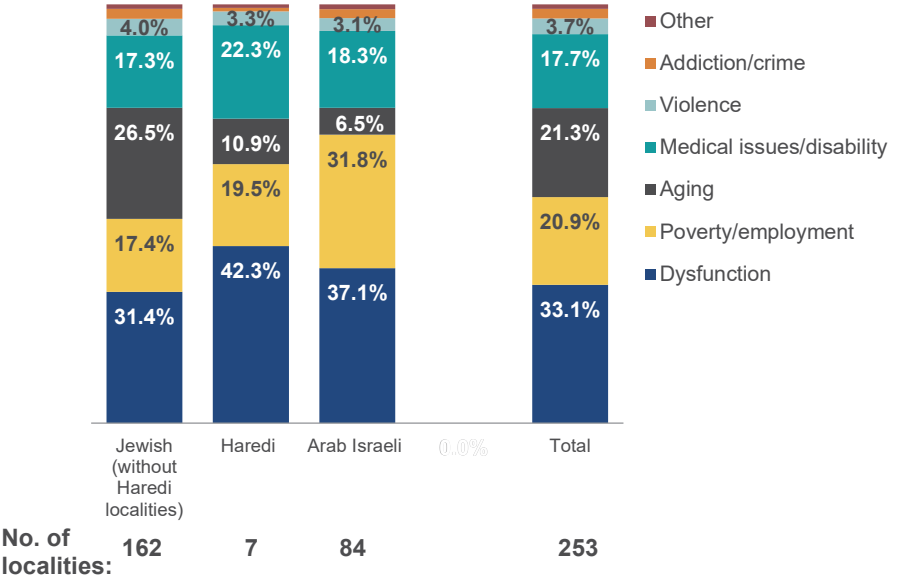
5. **Violence:** domestic violence, violence against women, violence against children, violence between siblings, sexual abuse.

6. **Addiction and crime:** alcoholism, gambling, drug addiction, prostitution, pimping, delinquency, arrest, or imprisonment.

We should add that the localities vary greatly in terms of the major needs of their populations (Figure 9). For example, parental and/or child dysfunction is especially marked in the Haredi local authorities, accounting for up to 42 percent of clients, while in the other local authority groups the prevalence of this dysfunction ranged from 31 percent to 37 percent. The share of clients

who seek assistance due to poverty and employment issues is particularly high in Arab Israeli localities. Major differences can also be found in the share of aged clients within the population. In the non-Haredi Jewish localities, the percentage is considerably higher than in the other locality types, largely reflecting demographic differences between the population groups. However, it should be emphasized that in all locality groups the share of older clients is higher than their share in the general population (Figure 1).

Figure 9. Distribution of clients by type of service need, 2014



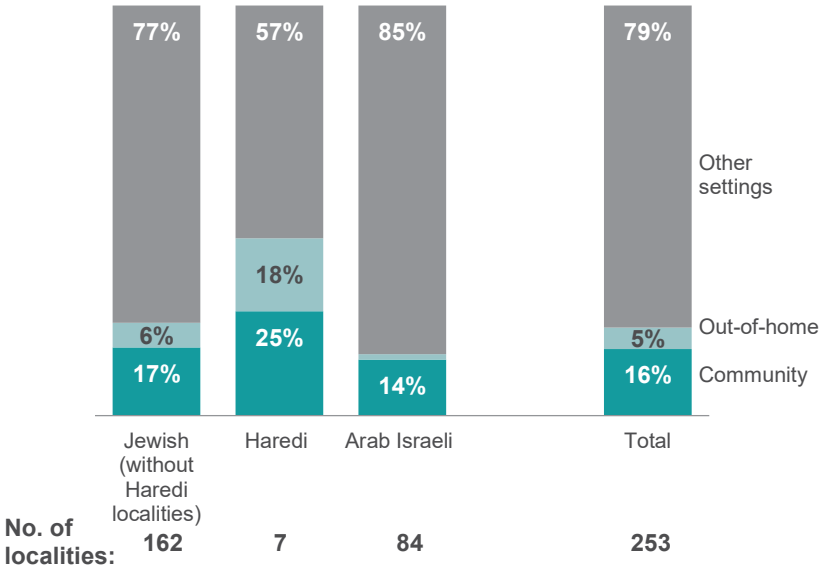
Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: Ministry of Labor and Social Welfare

Another issue is the types of service provided to clients. In general, we can divide these services into several types: direct services provided by social workers within the framework of the local authority social service departments; services of various kinds provided in the community (often by non-profit/voluntary associations); and institutions that provide out-of-home residential services, to which clients are sent (out-of-home frameworks). In all, the number of clients in community-based and out-of-home frameworks amounts to 200,000: 150,000 in the community and 50,000 in out-of-home frameworks. The cost of out-of-home care is high relative to direct care by social service department employees, and this is

true of community-based frameworks as well, though here the difference is more moderate. We should, therefore, expect that extensive use of such frameworks by a local authority would increase the authority's average expenditure per client.

Figure 10 shows that a fifth of all social service department clients are cared for in out-of-home frameworks and in the community. However, the local authorities differ greatly in the percentage of clients in community-based care and out-of-home frameworks. In Arab Israeli localities, these frameworks are utilized less than in the Jewish sector, while Haredi localities make significantly greater use of out-of-home and community-based frameworks than do other localities.

Figure 10. Distribution of clients by treatment setting, 2014

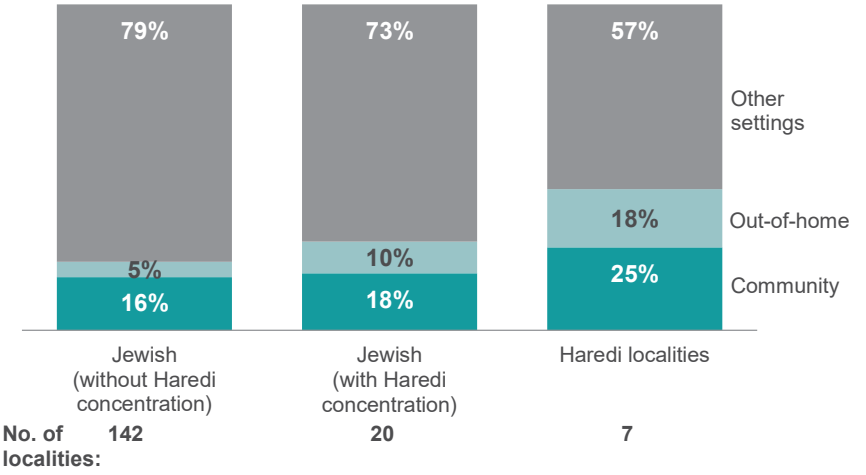


Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: Ministry of Labor and Social Welfare

As noted, significantly greater use is made of out-of-home and community-based care frameworks in Haredi localities than in other localities, but we must remember that this is a small group consisting of just seven localities. It is interesting to consider whether other localities with relatively large Haredi populations make such extensive use of these frameworks. In order to find out, the Jewish localities were divided into three groups. One

group consisted of the seven Haredi localities. Another group contained localities whose Haredi populations are small ("localities without Haredi concentration"). The third group, i.e., the intermediate group, contained localities with high concentrations of Haredim ("localities with Haredi concentration"). The indicator for the size of the Haredi populations in these localities is based on the share of Haredi pupils out of all first graders.[5] In order to arrive at an intermediate group of 20 localities, it was arbitrarily decided to choose a cut-off in which the share of Haredi first-graders in these localities would exceed 20 percent. As Figure 11 shows, the out-of-home and community-based framework utilization rate rises along with the share of Haredi residents in the localities, and the share of out-of-home frameworks in these localities increases very substantially.

Figure 11. Distribution of clients in Jewish localities by treatment setting, 2014



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center Data: CBS, Local Authorities Database; Ministry of Labor and Social Welfare

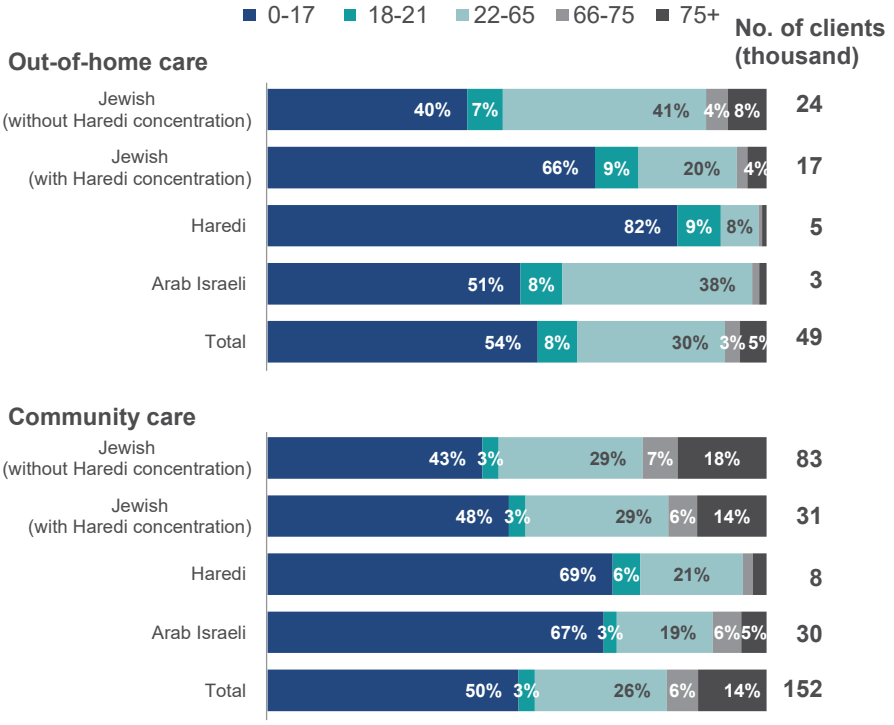
An in-depth look at the data by community-based and out-of-home framework client age groups highlights several major points (Figure 12). Half of the clients in these care frameworks are aged 0-17. This age group's population share in the Jewish localities rises along with Haredi population size. This is especially striking with regard to out-of-home frameworks.

5 Per Ministry of Education data.

Interestingly, the share of children in community-based frameworks within the Arab Israeli population is higher than that of children in out-of-home frameworks. By contrast, in localities with a high percentage of Haredim and in Haredi cities, the reverse is true; that is, the share of children cared for in out-of-home frameworks is higher than that of children receiving care in the community.

Another point of interest relates to the senior population. The figure shows that the most prevalent form of care for the elderly is community-based. As noted, this group's population share in the Jewish localities is particularly high.

Figure 12. Distribution of clients by treatment type and age group, 2014



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: Ministry of Labor and Social Welfare

Multivariate analysis

A multivariate regression analysis was performed for the 2014 data so that the correlation between size of end-of-year budget per client and socioeconomic/demographic locality variables could be examined in depth. The analysis results are presented in Appendix Table 1, which includes six columns, one for each model assessed.[6]

Model 1 (Column 1) contains only two sectoral dummy variables: (1) localities with large Haredi concentrations (the seven Haredi cities and 20 localities with high Haredi population shares); and (2) Arab Israeli localities. Jewish localities without Haredi concentrations are the reference group. The coefficients indicate that the total end-of-year per-client budget disparity between the Jewish localities without Haredi concentrations and the Arab Israeli localities is 72 percent, while the disparity between the localities with Haredi concentrations and the Arab Israeli localities is 87 percent.[7] The coefficient of determination (R^2) (bottom of the column), which represents the strength of the relationship between all of the tested variables to the explained variable, indicates, in this model, that the sectors explain 54 percent of the variation in size of end-of-year budget.[8]

In Model 2 (Column 2), variables reflecting out-of-home and community-based framework utilization patterns were added to the sector coefficients. Based on the estimation results, these added variables have a substantial impact on the model's explanatory level, which rose from 54 percent to 84 percent. The coefficients for client characteristics by care frameworks are positive and statistically significant, that is, there is a positive relationship between the end-of-year per-client budget and care frameworks. Additionally, the out-of-home framework coefficient is higher than the community-based framework coefficient, a finding that may reflect these frameworks' higher costs. At the same time, the sector coefficients became considerably smaller once the client characteristics were added to the model. Thus, the positive relationship between end-of-year per-client expenditure and sector affiliation is linked, to a great extent, in the care framework utilization patterns, as shown in Figures 11 and 12.

6 Since some of the relationships are not linear, adjustments were performed for certain variables, per common practice. For example, instead of end-of-year per-client budget, a natural logarithm of this variable was used instead. A similar adjustment was made for the share of clients in out-of-home or community-based frameworks.

7 Measured in log points.

8 Adjusted R^2 as in Appendix Table 1.

In Model 3 (Column 3) other variables were added to the sector and framework utilization pattern variables, ones that decision makers take into account when employing the budget distribution formulas. These include: population size (in thousands); the share of families with three or more children out of all families with children; the percent of the population that is aged 65 or over; the share of single-parent families out of the total population of families with children.[9] The estimation results show that the added variables are not statistically significant. Compared with Model 2, the care framework coefficients remained nearly unchanged, but the sector coefficients declined. For example, the gap between the Arab Israeli localities and the Jewish localities without Haredi concentrations declined to 20 percent. The gap between the Jewish localities with and without Haredi concentrations is no longer statistically significant.

Model 4 (Column 4) contains financial-management quality level in addition to all of the previous explanatory variables.[10] The estimation result indicates a non-significant correlation. Compared with Model 3, the disparity between the Arab Israeli localities and the Jewish localities without Haredi concentrations declined to 16 percent.

In addition to all the previous explanatory variables, Model 5 includes locality socioeconomic status. The estimation results indicate a positive correlation between socioeconomic status and end-of-year per-client budget. The reason for this may be that some of the socioeconomically weak localities request smaller budgets from Ministry of Labor and Social Welfare to begin with, in order to avoid having to make up the remainder of the funding during the course of the year (as put forth in the first explanation). In any case, controlling for locality socioeconomic status causes the sector coefficients to be non-significant. This shows that, when the effect of the other variables is removed, sector affiliation has no direct impact on the size of the per-client end-of-year expenditure. In other words, when Model 5 is estimated without the sector variables, as reflected in Model 6 (Column 6), the overall picture remains essentially unchanged with regard to the remaining explanatory variables.[11]

9 The data for single-parent families was taken from Toledano and Wasserstein (2014).

10 The financial management variable discussed above (see the *Introduction*) serves as a proxy in the model for authority management, hence the importance of introducing this variable and examining its impact.

11 A reexamination of the projected Model 6 value for each sector versus the actual average shows no statistical difference between the values. Thus, the end-of-year per-client budget does not deviate from the expected values derived from care framework utilization patterns, demographic characteristics, etc.

These findings raise the question of how much the variables contribute to the analysis' explanatory power. Column 7 shows the results of the statistical procedure that makes it possible to quantify the contribution of the explanatory factors to the variance explained in Model 6.[12] To simplify, variables that were added to Model 3 were grouped into a single group. Based on the estimation outcomes, taken together, care frameworks succeed in explaining 64 percent of the explanatory power (50 percent out-of-home frameworks and 14 percent community-based frameworks). A further 21 percent is explained by demographic characteristics and locality size; the remaining 15 percent can be explained by resident socioeconomic status (9 percent) and local authority financial management (6 percent).

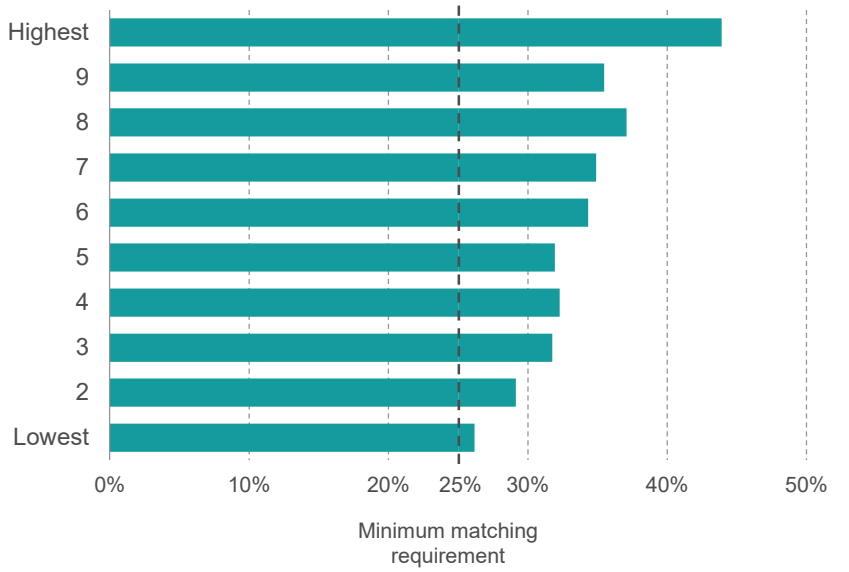
Added funding in wealthier local authorities

The third possible explanation for the gap between local authorities in total expenditure per client is the ability of localities to add to their social service budgets from sources beyond the Ministry of Labor and Social Welfare allocation and the required matching. These budgetary additions are funded from independent local authority sources, or from donations. Naturally, local authorities with higher self-generated income are better able to fund additional services (for a distribution of self-generated income levels by local authority characteristics, see Figure 2).

In a situation where the local authority's total social service spending matches the allocation earmarked for it by Ministry of Labor and Social Welfare, and where the authority provides no additional funding for these services, the authority's share of the total social welfare expenditure is expected to be 25 percent. In reality, the share of most local authorities is larger, sometimes reaching 40 percent. Moreover, the share rises as local authorities ascend the socioeconomic scale, as shown in Figure 13. That is, while most local authorities allocate additional resources to social welfare beyond the Ministry of Labor and Social Welfare allocation, more affluent localities tend to add funding at higher rates than do poor localities. Ultimately, the additional funding provided by Israeli local authorities for social services leads to a total of 34 percent funding, on average.

12 See Huettner and Sunder (2012).

Figure 13. Average authority expenditure on social welfare out of total welfare expenditure, 2014
By socioeconomic cluster



Notes: Cluster 10 includes only 2 local authorities.

Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database; Ministry of Labor and Social Welfare

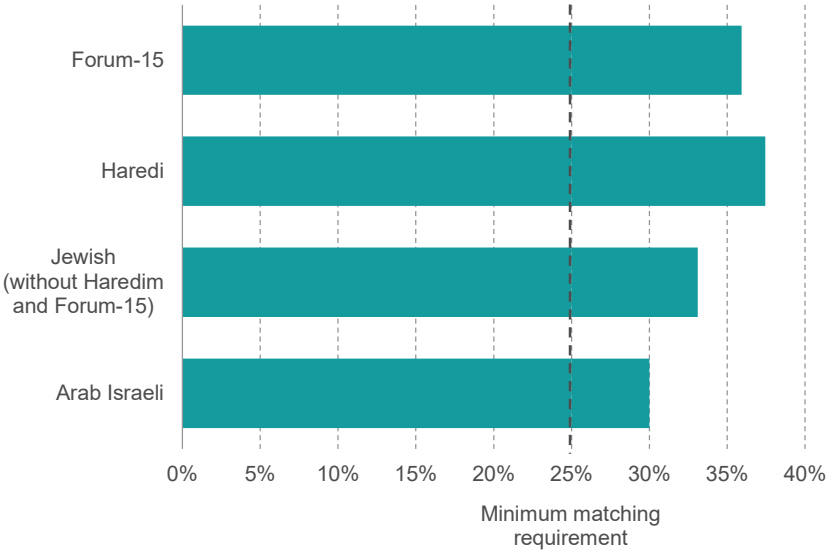
A look at the average share of self-expenditure broken down by locality characteristics (Figure 14) also reveals disparities between localities. For example, the Arab Israeli local authorities' additional expenditure (beyond the 25 percent) is 5 percent, on average, while the average for the Forum-15 cities is 11 percent and for the Haredi authorities — 12 percent. An interesting finding raised by this analysis is that the Haredi localities' rate of addition to social welfare spending is particularly high, despite the fact that these localities belong to lower socioeconomic clusters.

After the local authority funding additions, the total expenditure per client reveals gaps even larger than the gaps observed in allocation (Figure 15). For example, the Jewish local authorities' total per-client expenditure is NIS 7,318 — 2.2 times the Arab Israeli authorities' average expenditure.

We have seen that the Haredi local authorities exhibit a relatively high degree of additional municipal expenditure given their socioeconomic standing; their total per-client expenditure amounts to NIS 8,750 — NIS 2,500 more than the total average per-client expenditure for all local authorities. However, this disparity between the Haredi local authorities and all the others begins with the initial Ministry of Labor and Social Welfare allocation at the start of the year.

Figure 14. Average share of local authority expenditure on welfare out of total welfare expenditure, 2014

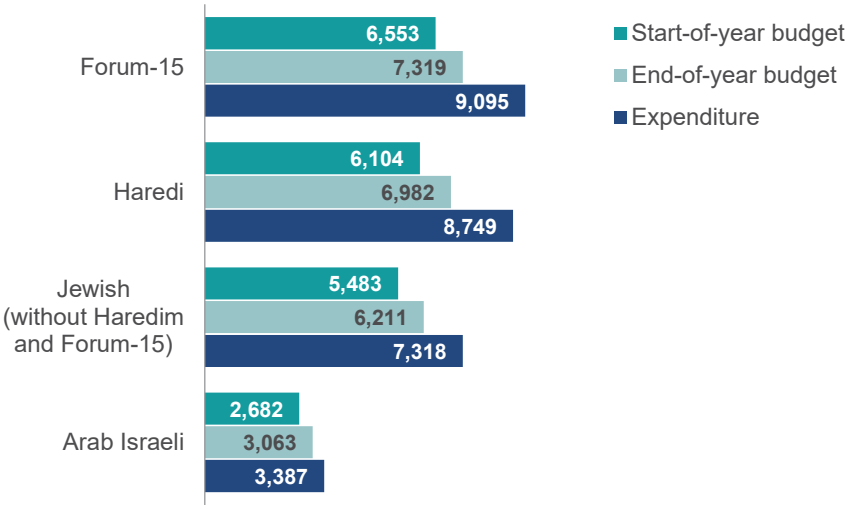
By locality grouping



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database; Ministry of Labor and Social Welfare

It should be noted that, based on an examination carried out by the Ministry of Labor and Social Welfare, there are no major price disparities for social services provided by local authorities around the country. Thus, this is not the reason for locality expenditure gaps.

Figure 15. Per client budget at start-of-year, end-of-year and actual expenditure, 2014
By locality grouping, NIS



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database; Ministry of Labor and Social Welfare

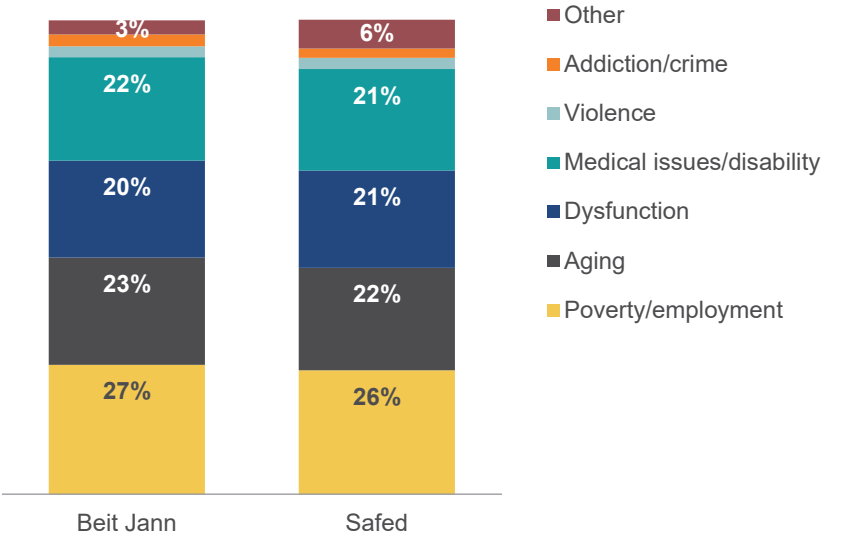
An example of disparities: Safed and Beit Jann

To illustrate the social welfare spending gaps that exist between different Israeli localities, and to learn about the factors associated with per-client expenditure disparities, two localities of similar characteristics were compared — Safed (Jewish with a high percentage of Haredim) and Beit Jann (Druze) (Table 3). Although these localities differ somewhat in population composition (percentages of single-parent families, elderly and large families), both are relatively small (although Safed's population is three times that of Beit Jann) and belong to a low socioeconomic cluster. The localities have an identical share of clients in the population total, and the characteristics of their social service department clients are similar (Figure 16). They also have the same local authority additional expenditure rate for social services — 29 percent.

An examination of the total per-client expenditure for the two localities indicates that Safed's expenditure is slightly more than twice that of Beit Jann. This disparity also appears in the initial Ministry of Labor and Social Welfare start-of-year allocation data, as well as in the end-of-year allocation data. A major factor that may explain the substantial per-client budget gaps between the localities is that of differences in client type. However, as noted, despite their differing population compositions, Safed and Beit Jann have very similar client distributions, making this explanation untenable.

Another explanation is the nature of the care provided to clients by the local authorities, and here the disparities are indeed substantial: in Safed the share of clients in out-of-home frameworks is 13 percent, while in Beit Jann — just 1 percent. Based on the parameters available to us and the impact that they exert on per-client budget, according to the results of the multivariate analysis above (Appendix Table 1, Column 7), the primary explanation for the gaps in total per-client spending between the two localities is a major difference in the percentage of clients in out-of-home frameworks, despite the localities' great similarity in client composition.

Figure 16. Distribution of clients by need, Beit Jann and Safed, 2014



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database; Ministry of Labor and Social Welfare

Table 2. Locality characteristics, Safed and Beit Jann

	Safed	Beit Jann
Start-of-year, per-client budget	NIS 8,321	NIS 3,879
End-of-year, per-client budget	NIS 9,140	NIS 4,124
Overall expenditure per client	NIS 9,626	NIS 4,302
Population	32,000	11,300
Number of clients	3,695	1,224
Socioeconomic cluster	4	2
Share of single-parent families	12%	4%
Share of population over age 65	9%	6%
Share of large households	50%	33%
Share of clients in community care	25%	24%
Share of clients in out-of-home care	13%	1%
Share of locality additional expenditure	29%	29%

Notes: Share of single-parent families is out of all families with children. Large households are those with 3 or more children out of all families with children.

Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authority database

Conclusion

This chapter looked at the social service budgeting patterns of various Israeli localities in 2014. It is the most comprehensive effort thus far to understand existing disparities in this area. The study findings show that local authorities of lower socioeconomic standing allocate a larger share of their budgets to social welfare. However, there are significant gaps between localities in per-client spending, and the expenditure inequities are particularly large between the least and most affluent local authorities, and between Jewish and Arab Israeli localities. In other words, weaker local authorities devote a larger share of their budgets to social welfare, but their expenditure on each client is substantially lower than that of the stronger authorities. The actual outcome is that the mode of care provided by the social services, and the expenditure on individuals with similar needs, may vary depending on one's place of residence; those who live in poorer localities may be expected to receive less care.

The study examines three explanations for unequal per-client social service expenditure in Israel's local authorities. The first explanation has to do with the matching system, which obliges local authorities to fund a quarter of the total cost of all social services funded by the Ministry of Labor and Social Welfare. No direct evidence was found that weaker local authorities are unable to utilize the full allocation earmarked for them. However, it is reasonable to assume the existence of an indirect link between the matching system and the social welfare spending levels of different local authorities — a link that stems from local authority decisions regarding the amount of initial funding requested from and subsequently provided by the Ministry. Since Ministry of Labor and Social Welfare funding is related to locality estimates of future social service activity, we may assume that local authorities whose resources are limited will tend, in advance, to request less funding than more affluent authorities in order to ensure that they will have the resources to provide their required share of the service funding. This is particularly relevant to the funding of out-of-home care for locality residents — a framework that is exceptionally costly.

The second explanation relates to patterns of initial Ministry of Labor and Social Welfare allocation. The Ministry claims that its allocation considerations are based on clear criteria, and that priority is given to less-affluent local authorities. However, due to a lack of transparency regarding the Ministry's allocation formulas, this claim could not be substantiated. In reality, the allocations to strong and weak local authorities are not equitable. The gap is to the disadvantage of weaker authorities, and is especially marked when comparing Jewish and Arab Israeli localities.

A look at different variables that affect the allocation gaps show that they are related mainly to locality care framework choices, and to the impact that these choices have on Ministry of Labor and Social Welfare initial allocation decisions. An analysis of care patterns by type of locality, regression analysis findings and a comparison between Safed and Beit Jann show that the allocation gaps are closely related to the degree to which residents are cared for in out-of-home frameworks: Arab Israeli local authorities make less use of such frameworks than do Jewish authorities (including Haredi authorities). The major gap between care patterns in Haredi localities (which rank low on the socioeconomic scale) and Arab Israeli localities indicates that budgetary limitations are not the sole factor in local authority decisions about the type of care to provide (as the "matching" explanation shows). Conversations with professional staff in the Ministry of Labor and Social Welfare, the Federation of Local Authorities in Israel, and the local authorities, revealed a number of explanations for this care framework utilization pattern. However, many link this phenomenon to the limited supply of institutions and systems that

are culturally suited to Arab Israeli clients, and to the care patterns that prevail in these localities. In contrast to the Haredi population, which has lately displayed a significant increase in culturally appropriate out-of-home services, and which has a tradition of out-of-home frameworks and external study institutions, the situation in Arab Israeli society is quite different. We may assume that the costs faced by financially strapped localities, a tradition of family-based care and locality-based frameworks, and a lack of culturally-sensitive care institutions all contribute to the low prevalence of out-of-home services to address this population's social welfare needs. These factors are supplemented by the types of client and the level of client need that characterize the Arab Israeli local authorities (Bass Spector, 2010; Ben-Arieh, 2010).

The third explanation for the geographic inequality in social welfare spending stresses the willingness (or ability) of more affluent local authorities to find and allocate their own funds for social welfare purposes, beyond the allocations needed to cover those services funded by the Ministry of Labor and Social Welfare. The study findings support this explanation. In general, local authorities tend to allocate more resources than those required by the matching system, and this allocation is much larger in the more affluent authorities. Moreover, there is a major gap between Jewish and Arab Israeli localities in terms of the additional funding they are able to provide.

This chapter clarifies the findings of earlier studies and reports that pointed to inequities in local social service budgets, and to the ramifications of this inequality in terms of appropriate and sufficient care for those in need. The study's findings on social service budgeting among Israeli local authorities and its examination of the factors underlying the budgeting system, underscore the need for a re-examination of the existing budgeting system and the adoption of policies that ensure a suitable service level and equal access to care across all of the country's local authorities.

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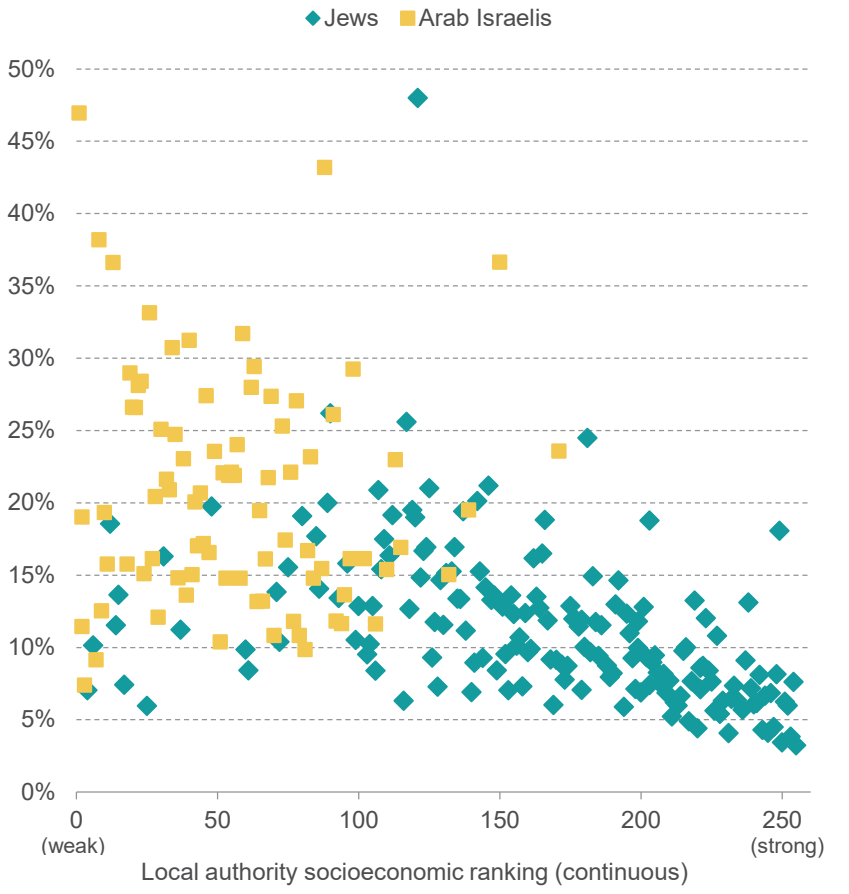
Appendix

Appendix Figure 1. Distribution of clients relative to the population, 2014



Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database; Ministry of Labor and Social Welfare

Appendix Table 1. Variables that influence the level of end-of-year per-client budget

	Model						Contribution to R^2 (%)
	1	2	3	4	5	6	
Haredim	0.143*	-0.108*	-0.0839	-0.0673	0.0187		
Arab Israeli	-0.717***	-0.250***	-0.202***	-0.162**	-0.00518		
Log Out-of-home care		0.359***	0.356***	0.359***	0.352***	0.356***	50%
Log Community care		0.170***	0.180***	0.178***	0.208***	0.207***	14%
Population size (thousands)			-0.00011	-0.00016	-0.0000575	-0.0000508	21%
Ages 65+ (%)			0.00588	0.00482	0.00175	0.00178	
Large households (%)			-0.00027	-0.00035	0.00301	0.00315	
Single-parents (%)			0.00151	0.00256	0.00946*	0.00982**	
Financial management				-0.0185	-0.0101	-0.0101	6%
Socioeconomic Index					0.0961***	0.0946***	9%
Intercept	8.686***	7.775***	7.682***	7.728***	7.379***	7.369***	
Number of observations	237	237	237	237	237	237	
Adjusted R^2	0.544	0.838	0.839	0.839	0.849	0.85	

Notes: The asterisks represent the statistical significance level; the lower the level, the greater the confidence level of a relationship between the dependent and the explanatory variable. The analysis includes only observations with complete data; two outliers were not included.

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: John Gal, Shavit Madhala and Haim Bleikh, Taub Center | Data: CBS, Local Authorities database; Ministry of Labor and Social Welfare