TAUB CENTER
FOR SOCIAL POLICY STUDIES IN ISRAEL

The Welfare System: An Overview

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Introduction

There were no new major social welfare initiatives in Israel between 2018 and 2019. While budgeting of social services did not decline, the ability of the welfare state to deal with the major challenges it faces in social security and welfare remain limited, a situation that is reflected in the incidence of poverty and inequality, which remain high despite a downward trend in recent years. Although economic growth continues and unemployment rates are low, a number of factors are contributing to stagnation in many areas of government activity and policy, in particular in the social domain. These factors include the increase in the budget deficit and, with that, fears of a recession, an unwillingness to increase taxes, a lack of clarity regarding the formation of a government, and the weak status of the social welfare ministries. To this can be added the two rounds of elections in 2019 and a third one in early 2020.

With the lack of new policy initiatives and the static situation of budgeting and the structure of the welfare and social security systems, the focus during this period has been on managing the programs initiated in previous periods, such as the increase in disability pensions and the "Saving for Every Child" program. Persistent problems remain unresolved, as do concerns regarding the ability of the social security system to meet its future targets. As shown in Figure 1, total social expenditure has grown in real terms over time (Weiss, 2018), although its share of the state budget in 2018 remained identical to that in 2017 (Figure 2). This is also the situation with respect to its various components, namely welfare, health, and education. In practice, out of the total government budget (not including debt servicing) of NIS 396 billion in 2018, NIS 235 billion, or about 59 percent, was devoted to social expenditure. Within that amount, NIS 116 billion was devoted specifically to social welfare, i.e., the social security system (National Insurance Institute

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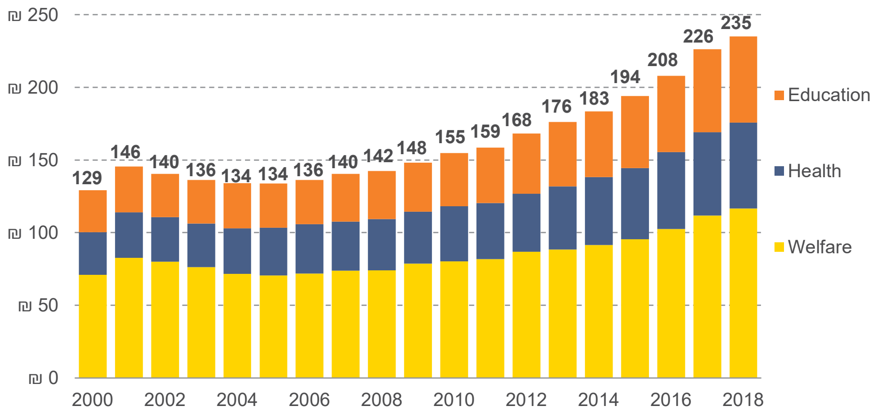
benefits and payments made by the Ministry of Defense and the Ministry of Finance) and to services provided by the Ministries of Labor and Social Affairs and Social Services, Construction, Immigration and Social Equality. This represents a real increase of 4.2 percent relative to 2017.

Figure 1. Real social expenditure by category

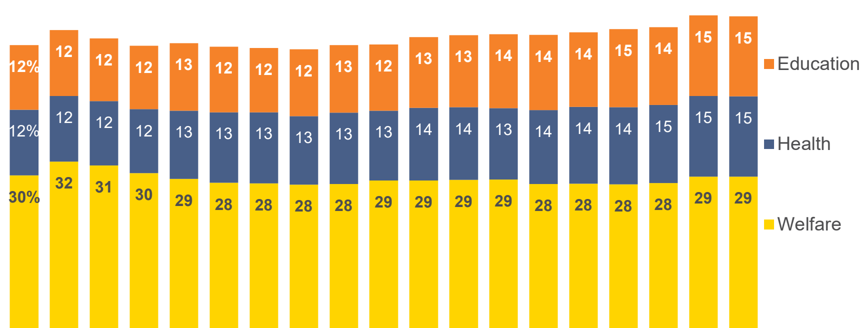
NIS billion, 2018 prices



Note: Social welfare expenditure includes spending by government ministries that deal with social issues. Overall government expenditure is government spending as described in the implementation budget, reduced by those expense lines on debt repayment, interest, and charges.

Figure 2. Social expenditure by category

As a percent of government expenditure

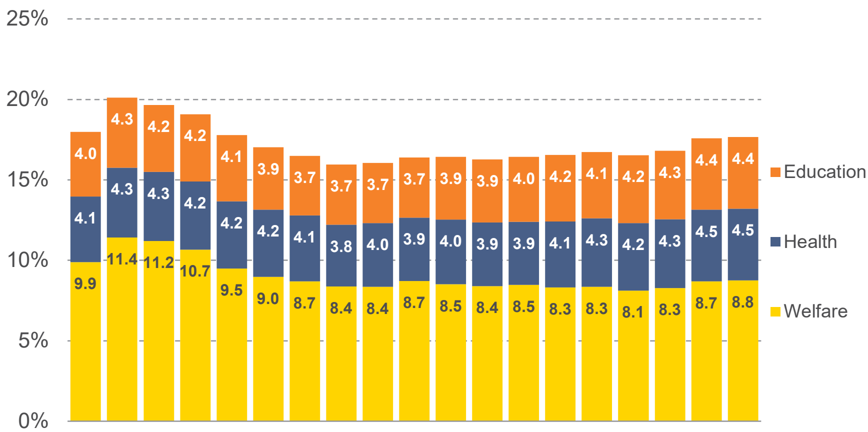


Source for Figures 1 and 2: John Gal and Haim Bleikh, Taub Center
Data for Figures 1 and 2: Ministry of Finance; NII; CBS

Nonetheless, public social expenditure totaled only about 17.7 percent of GDP in 2018 (Figure 3), a significantly lower rate than in the OECD average. Only four OECD countries (Turkey, Korea, Chile, and Mexico) spend a smaller share of GDP than Israel (OECD, 2019).

Figure 3. Social expenditure by category

As a percent of GDP



Source: John Gal and Haim Bleikh, Taub Center | Data: Ministry of Finance; NII; CBS

Social investment in Israel

Alongside the traditional division of social expenditure according to welfare, health, and education, another way of understanding how the welfare state deals with social distress is to distinguish between the main targets of the systems and between the programs that constitute the welfare state. During the past decade, researchers of the welfare states in Europe have tended to distinguish between programs providing social protection and those whose goal is social investment (Hemerijck, 2017).

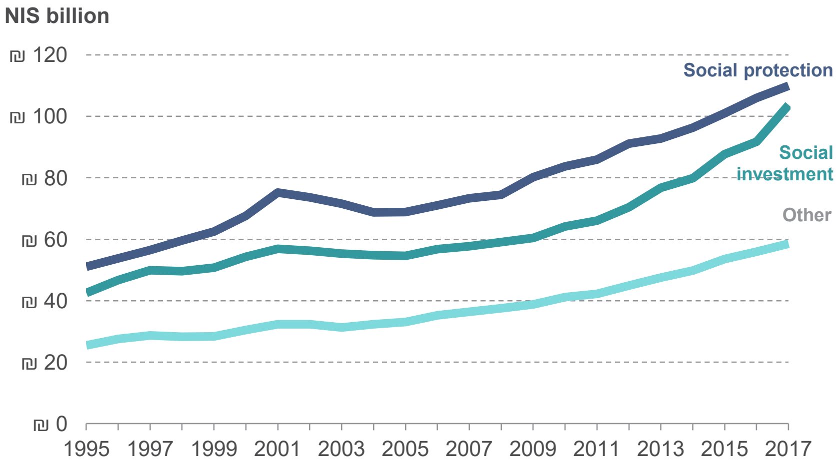
Social protection programs primarily consist of cash benefits for those whose earnings (or the lack of them) do not provide a sufficient standard of living. Examples include payments to ensure subsistence, such as income support and old age pensions, or payments to deal with specific needs such as childrearing (child allowances) or financing expenses due to disability (such as benefits based on the Long-Term Care Law) (Ronchi, 2016).

In contrast, social investment programs seek to strengthen the capacities of individuals, to promote social mobility, and to encourage the optimal integration of individuals in the labor market with the expectation that they will then contribute to future economic growth and development. Examples include investment in the education system, starting from preschool and ending with higher education; expenditure on research and development; programs to support labor force integration (vocational training and programs designated to facilitate the labor market integration of individuals from excluded population groups or those with disabilities); and programs that increase labor income (work grants or negative income tax).

Alongside these two categories, there are also social expenditures that are difficult to categorize. These will be referred to here as “other expenditures.” Expenditure on the health system is an example of this.

Distinguishing between these types of social expenditures sheds light on the preferences of policy makers and their decisions whether to invest in improving the situation of individuals in the present or investing in them and the economy with an eye to the future. Figure 4 indicates that the long-term trends in Israel are similar for all three categories of social expenditure. In shekel terms, there has been growth in all of the categories over the last two decades, with the gap between expenditure on social protection and social investment remaining small and to the advantage of social protection between 2000 and 2015. In recent years, this gap has narrowed and expenditure on social investment programs has increased more rapidly. This change is primarily the result of an increase in expenditure on preschool programs (daycare) and the “Saving for Every Child” program. In other words, there appears to be a government effort to increase spending on enhancing human capital over programs intended to address social distress and deprivation.

Figure 4. Expenditure on social investment, social protection, and other spending
2017 prices



Source: John Gal and Haim Bleikh, Taub Center | Data: OECD

A comparison of welfare states[1] shows that the small gap between expenditure on social protection and social investment in Israel is similar to that in social democratic countries (such as Sweden and Denmark), in which there is a major emphasis on social investment. The Israeli welfare state tends (more than many other welfare states) to support efforts to improve the skills of its citizens, with the aim of improving their future situations. There is a preference for this approach over providing assistance to overcome present deprivation.

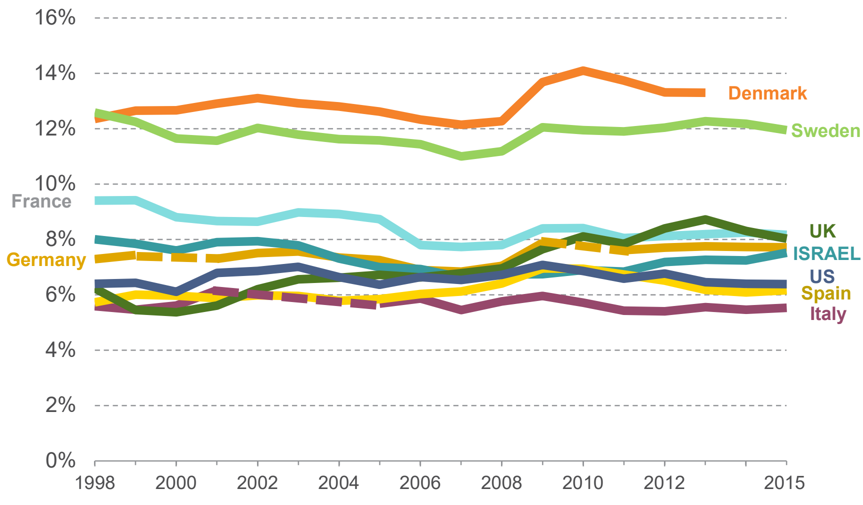
However, a comparison of social investment as a percentage of GDP paints a different picture. Although the division between social protection and social investment within total social expenditure in Israel is similar to that in social democratic countries, there is a marked gap between Israel and the social democratic welfare states with respect to total spending on social investment as a percentage of GDP. While Denmark and Sweden consistently spend more than 11 percent of their GDP on social investment, Israel's expenditure ranges between 6.7 and 8 percent of GDP. One of the main explanations for

1 Sweden and Denmark are social democratic welfare states; Germany and France are conservative welfare states; the US and Britain are liberal welfare states; and Spain and Italy are Mediterranean welfare states (for details of this categorization, see Tarshish, 2017).

this gap is the low level of total social expenditure in Israel, which is related to, among other things, the country's low rate of taxation, which leads to relatively low government expenditure, and its high expenditure on other types of necessities, primarily defense. Although it is true that the share of expenditure on social investment within total expenditure is relatively high in Israel, the total expenditure levels on social welfare are particularly low, so that based on social expenditure as a proportion of GDP, Israel ranks quite low (Figure 5). This is true for both expenditure on social protection and expenditure on social investment, which implies that although the Israeli welfare state has a relative preference for investment over protection (at least in part due to the unique age structure in Israel), in practice the resources it invests in both areas remain limited.

Figure 5. Social investment as a percent of GDP

Selected countries



Source: John Gal and Haim Bleikh, Taub Center | Data: OECD

Poverty in Israel from an international comparative perspective

A main objective of the welfare state is to deal with poverty or, in other words, to offer assistance to those citizens with inadequate incomes. The degree of a welfare state's success in dealing with poverty, whether through social investment or social protection, is an indicator of its effectiveness in relieving the material deprivation of its citizens. This issue has been at the center of public discourse in Israel during the past decade, as evidenced in the work of the Committee for the War Against Poverty (the Elalouf Committee), which the government convened to make policy recommendations on dealing with poverty in Israel (Gal & Madhala-Brik, 2016).

Israel's efforts to reduce the incidence of poverty have only been partially successful. An analysis of the state's attempts points to the reasons for this outcome. An examination of the incidence of poverty by market income,[2] that is, before transfer payments and taxes, shows that Israel appears to be in a good position relative to other OECD countries. The share of individuals defined as poor based on market income is low (23 percent) in contrast to an average of 28 percent in other OECD countries (Figure 6). However, data on the incidence of poverty in terms of disposable income, i.e., after the intervention of the welfare state, provides a radically different picture. The incidence of poverty based on disposable income in Israel is the highest among the OECD countries and stands at 18 percent of the population. Moreover, it appears that the success of the taxation and social security systems in Israel in reducing the incidence of poverty is far less than in most welfare states.

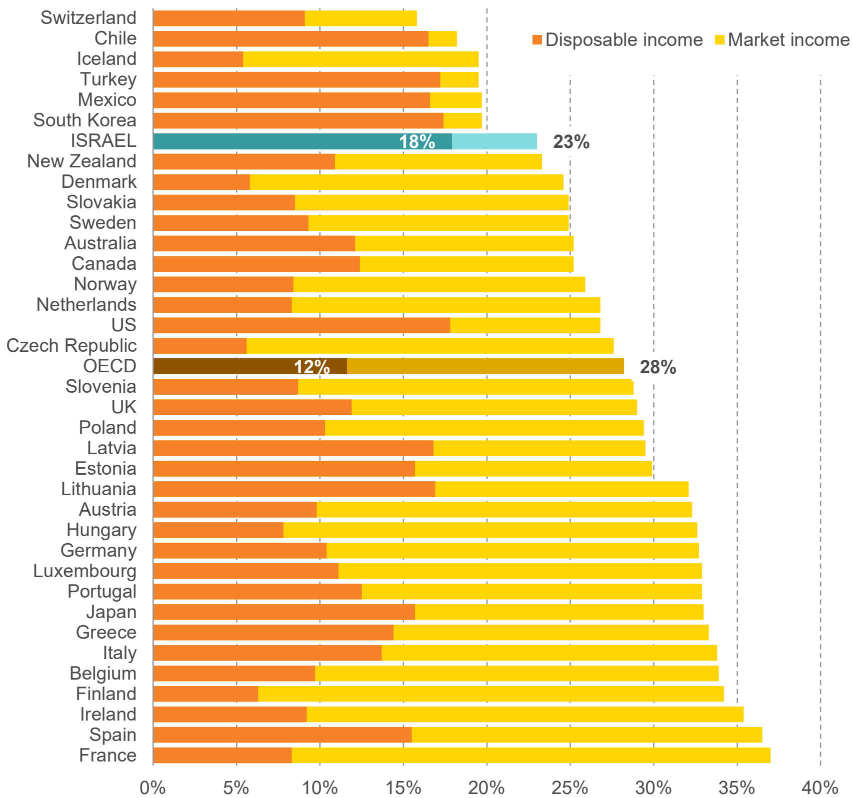
Why are the rates of poverty in terms of market income lower in Israel than in other OECD countries? One possible explanation is the income of the elderly population (65+) in the various countries. In many OECD countries, relatively generous old-age pensions constitute the main source of income for individuals after retirement, while the share of market income within total income is relatively low.[3] In contrast, income from occupational pensions and from labor (i.e., market income) constitutes a significant portion of income for the elderly in Israel. As a result, the share of market income within the elderly's total income is relatively high in Israel in comparison

2 Market income is composed of income from labor, occupational pensions, and capital, and before the deduction of obligatory payments.

3 The income of retired individuals from government transfer payments as a percentage of total income is estimated at about 60 percent on average in the developed countries as compared to about 30 percent in Israel. See OECD (2017), Chart 6.2, page 133.

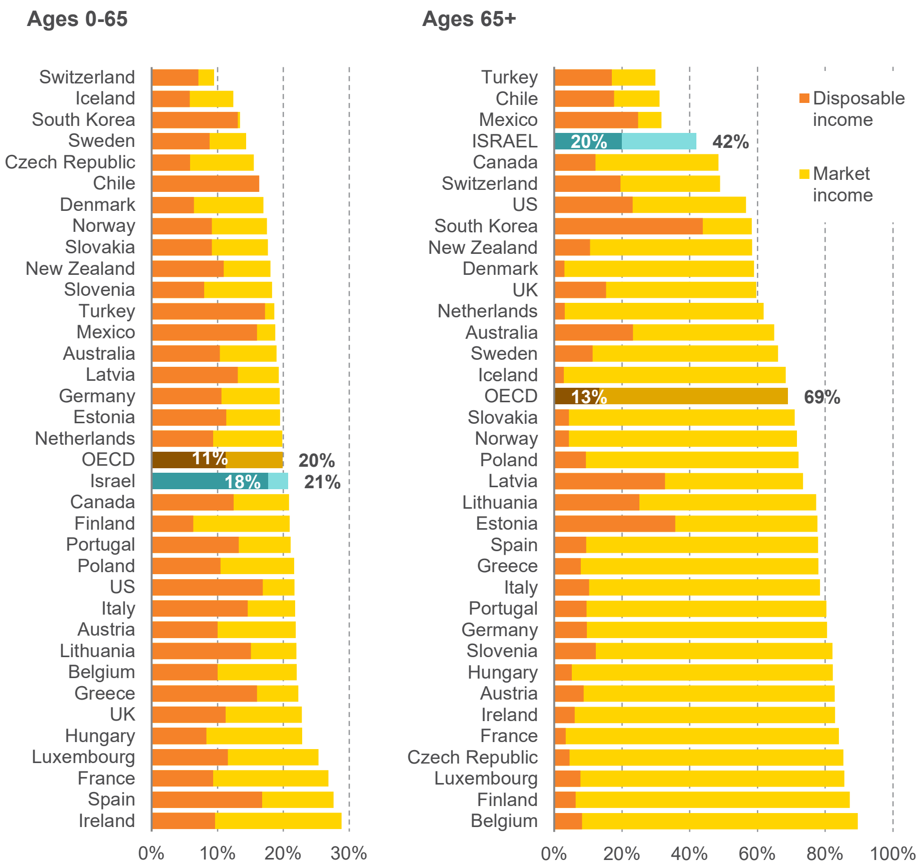
to other welfare states. This finding is in line with the high (effective) age of retirement, among both men and women in Israel (OECD, 2017). Therefore, it is not surprising that the incidence of poverty based on market income (before transfer payments and taxes) among the elderly population in other OECD countries is significantly higher than in Israel: 69 percent on average in the welfare states as compared to 42 percent in Israel (see Figure 7).

Figure 6. Share of individuals below the poverty line, 2015-2017
OECD countries



Source: John Gal and Haim Bleikh, Taub Center | Data: OECD

Figure 7. Share of individuals below the poverty line, 2015-2017
OECD countries



Source: John Gal and Haim Bleikh, Taub Center | Data: OECD

Second, the elderly population in Israel is small relative to that in other welfare states. The share of the 65+ age group in the population is estimated to be about 11 percent, as compared to an OECD average of about 16 percent. Therefore, the incidence of poverty based on market income for the total population is higher in the other developed countries and it is determined to a great extent by the high share of the poor within the elderly population. A closer look at the data shows significant variation in the composition of the poor population based on market income between Israel and the other welfare states. Only 20 percent of the population in Israel that live in poverty based on market income are elderly, as compared to an average of 40 percent in the welfare states.[4]

The difference in the composition of the poor population based on market income can, to some extent, explain the considerations and constraints facing policy makers with respect to reducing poverty. Thus, for example, a large number of welfare states have an aging population and are characterized by a historic social contract in which the state plays a central role in financing pensions for the elderly.[5] When taking into account the social security net, the incidence of poverty among the elderly population in the OECD drops from 69 percent on average (in terms of market income) to 13 percent on average (in terms of disposable income). As can be seen in Figure 7, the drop in the rate of poverty among the elderly in Israel is much smaller: from 42 to 20 percent.

The incidence of poverty based on market income among the working-age population in Israel (below age 65) is similar to the average in other welfare states (i.e., around 20 percent) but is significantly higher in terms of disposable income (18 percent as compared to 11 percent on average). These data emphasize the greater generosity of the social security system in welfare states with higher tax burdens.[6] Nonetheless, the data may indicate a concern among policy makers in Israel that overly generous benefits for families with a working-age head of household may serve as a disincentive to labor force participation. Specifically, in Israel, households with a working-age head of household, and in particular the poor households among them, are much larger than similar households in other developed countries and, therefore, the amount of assistance required to lift such a family out of poverty is much larger.[7]

The problematic nature of dealing with poverty among the non-elderly population in Israel is reflected in Figure 8. The figure illustrates the limits on the generosity of the two main social security programs aimed at providing a social security net to families with children who are living in poverty, i.e.,

4 Only in Turkey and Mexico is the share lower than in Israel.

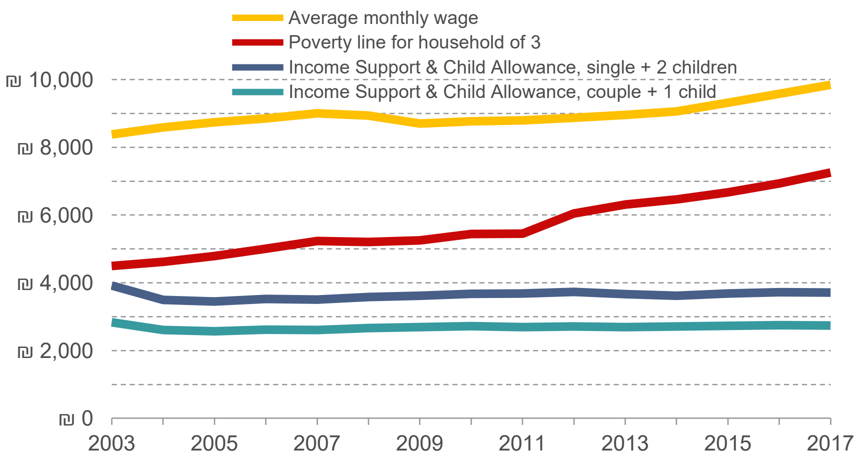
5 It can be assumed that cuts in publicly financed pensions are liable to be a cause of political pressure and social unrest.

6 On the positive connection between the tax burden and the size of civilian expenditure, see, for example, Weiss (2016), p. 13.

7 See Bleikh (2015), Appendix Figure 7, p. 398.

income support and child allowance. As the figure shows, despite the increase in the average monthly wage (which reflects the general standard of living) and in the level of the poverty line during the past decade, the total amount of income support and child allowance has remained relatively unchanged and its distance from the poverty line has increased. This stability indicates a growing gap between the standard of living among individuals living in poverty who receive government assistance and the general standard of living, as well as a declining likelihood that these families' disposable income will raise them above the poverty line.

Figure 8. Income Support and Child Allowance relative to the average wage and the poverty line



Source: Gal, Krumer-Nevo, Madhala, Yanay, 2019, Figure 5

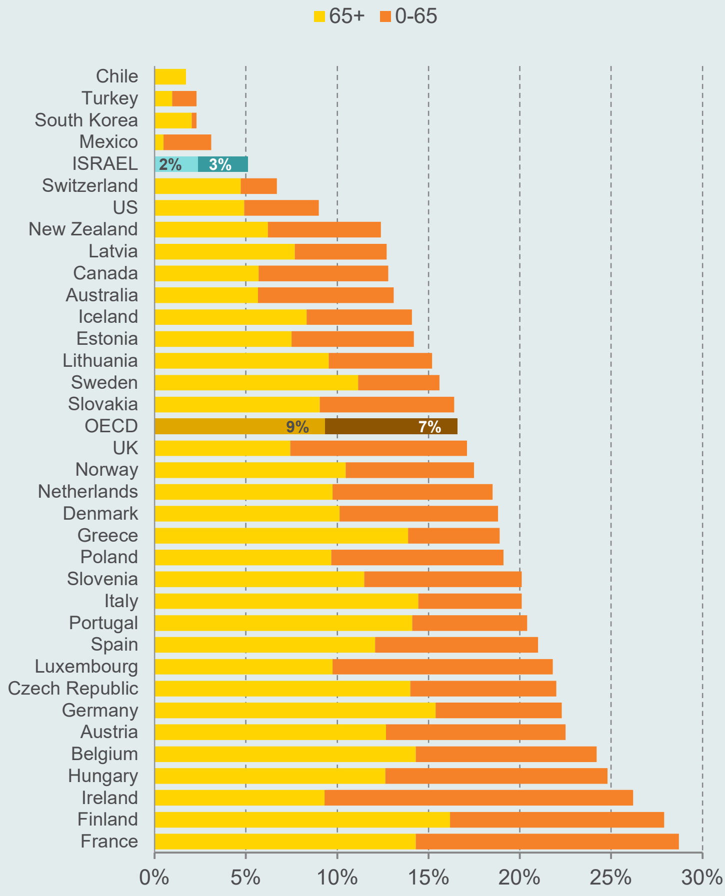
We now turn our attention to several central welfare issues that have been on the agenda of policy makers during the past year.

Spotlight

Poverty reduction by the state, by age group

When welfare states implement social security programs to reduce national rates of poverty, it is not surprising that most of them tend to focus on the elderly. This is due to the pension structure, which is dependent to a large extent on public financing, and to the high share of the elderly in the population. The pension structure in Israel differs from most other welfare states in that the income of the elderly includes public components alongside private ones (occupational pensions). In addition, the share of the 65+ age group in Israel is lower than among most of the OECD countries and, therefore, the effect of this population on the drop in poverty (in the transition from market income to disposable income) is smaller. Indeed, apart from the fact that the decrease in poverty among developed countries is larger than in Israel, a larger proportion of the drop is due to the elderly population, as can be seen from Figure 9. Primarily, the figure shows that in most of the countries more than 50 percent of the drop in poverty is due to the population of retirement age.

Figure 9. Reduction in the poverty rate in OECD countries by age group, 2015-2017

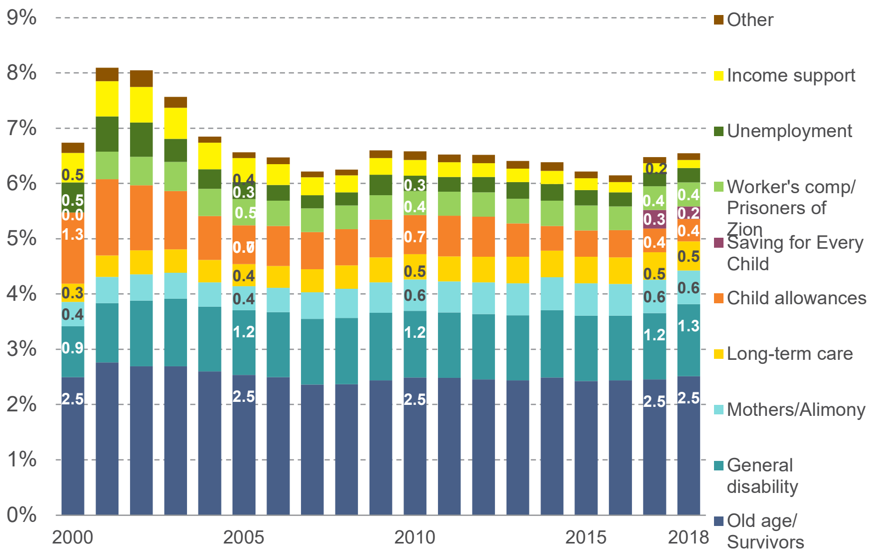


Source: John Gal and Haim Bleikh, Taub Center | Data: OECD

National Insurance Institute payments

Expenditure on social security payments accounts for 80 percent of welfare expenditure in Israel (Figure 10). Alongside Ministry of Defense cash benefits to disabled veterans, Ministry of Finance benefits to Holocaust survivors, and the negative income tax (which is also paid by the Ministry of Finance), National Insurance Institute (NII) benefits are the main component of this system. Spending on NII benefits was NIS 87 billion in 2018, an increase (in real terms) of 4.8 percent relative to the preceding year.[8]

Figure 10. Expenditure on NII allowances as a percent of GDP



Note: Other includes military reserve duty grants, bankruptcy aid, grants following accidents, and "compassion" grants (in cases where the benefit was denied because the individual failed to pay into the NII or they were registered as self-employed).

Source: John Gal and Haim Bleikh, Taub Center | Data: CBS; NII

As can be seen in Figure 10, the elderly and survivors are the largest beneficiaries of social security expenditure in Israel, as is the case in other welfare states. About 46 percent of NII benefits go toward the social protection of these populations through the old-age and survivors benefits

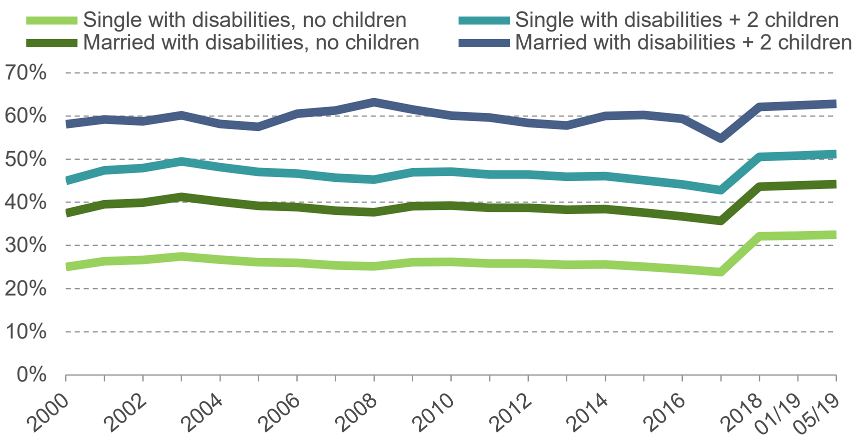
8 See the Statistical Abstract of the NII, Table 1.5.2.

program and expenditure on long-term care. People with disabilities are another major beneficiary in this system, primarily through the general disability benefit and support for those injured in work accidents and victims of terror. Support for children and families completes the picture.

The general disability benefit

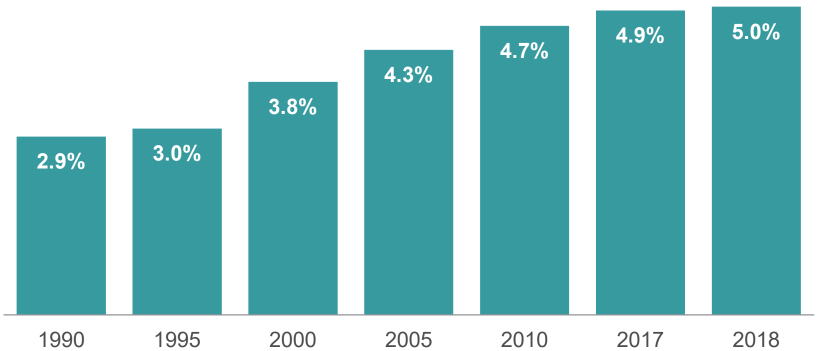
Over the last few years, individuals with disabilities have increasingly been a focus of public discourse and policy making, including major changes in the NII benefit system. For example, following public and political controversy in 2017 and 2018, the government agreed to raise the general disability benefit and change its structure. Although the implementation of the agreement is meant to be spread over several years and even though it does not focus exclusively on the level of the general disability benefit, an examination of the data for 2017 to 2019 shows a significant increase of about 8 percentage points in the ratio of the benefit to the average wage (Figure 11). While this change did not bring about a sharp increase in the number of the benefit's recipients (Figure 12), the spending on this benefit grew by 16.2 percent in real terms during 2018 to a total of about NIS 11 billion.

Figure 11. General disability allowance as a percent of the average market wage



Source: John Gal and Haim Bleikh, Taub Center | Data: NII

Figure 12. Share of those receiving disability allowance as a percent of the population ages 18-65



Source: John Gal and Haim Bleikh, Taub Center | Data: NII

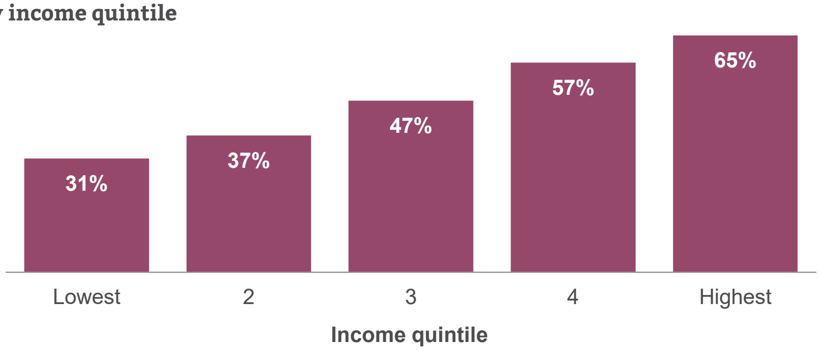
Saving for Every Child

Alongside the increase in the disability benefit, the second major change in the social security system in Israel in recent years was the introduction of the "Saving for Every Child" program. This program, which began at the beginning of 2017, ensures that a lump sum of money will be available to every child in Israel at the beginning of their adult life. From birth, an amount of NIS 51 is deposited monthly into the account of every child. The accumulated amount is available at the age of 18 or at the age of 21 (with a small additional accrual of funds if the withdrawal is deferred to this age). The parents of the child have the option of choosing the investment channel for the money from among a number of possibilities, whether in a bank or a provident fund. The management fee for the account is paid by the NII. The investment channels vary with respect to level of risk and expected return. If the parents do not choose a particular saving channel, the NII invests the money in a conservative saving channel at a bank as the default. Parents also have the possibility of matching the amount through an automatic deduction from their universal child allowance.

When the program's legislation was under discussion, concerns were raised that as a result of its universality (namely that all children of Israeli citizens would be eligible) — which was meant to ensure the full use of the program and broad public support — the lack of focus on the poor and on children from large families would weaken its contribution to future social mobility. As a result, the program would not be able to fully meet one of its main goals, namely improving the situation of young adults from disadvantaged socioeconomic backgrounds and their chances of successful integration into society (Gal, Madhala-Brik, Greenstein-Weiss, & Covington, 2016). A recent analysis of the patterns of usage in the Saving for Every Child program (Pinto & Gottlieb, 2019) shows that although the program is expected to provide an average amount of about NIS 24,000 for every participating child, there is some doubt as to its effect on the social mobility of large low-income families.

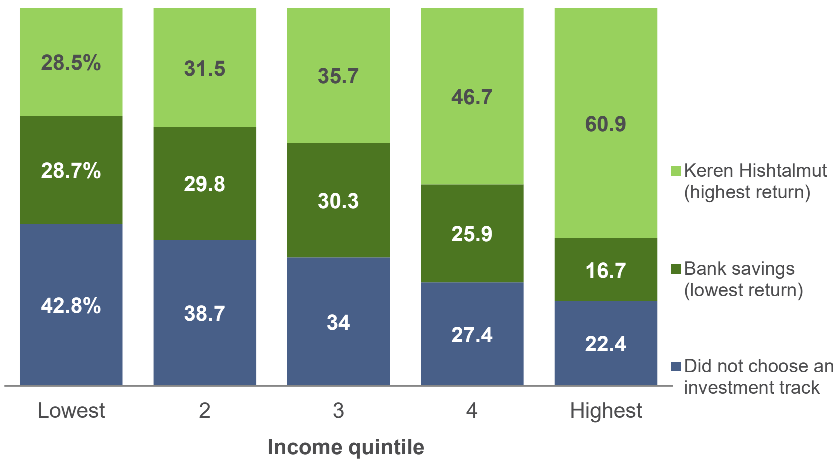
The data illustrate the limitation of the program, as the share of parents investing an additional 51 shekels every month from the child allowance and the share of parents choosing a non-default investment channel for their child declines with a decline in family income (even though larger families have greater needs). Thus, for example, Figure 13 shows that less than one-third of the parents in the lowest income quintile match the government's deposit for their children, while in the highest quintile the share is 65 percent. It can also be seen that parents who are wealthier were more likely to not choose the default bank investment channel, which is more conservative and has a lower return, but rather choose to invest in a provident fund with a higher expected return (though also a higher level of risk) (Figure 14). These findings indicate that alongside the maintenance of the program's universality — which is necessary for maximum accessibility — there is a need to adopt measures to increase the income of children who are particularly in need of assistance in early adulthood.

Figure 13. Share of families choosing to add NIS 51 to the monthly Saving for Every Child program, 2017
By income quintile



Source: John Gal and Haim Bleikh, Taub Center, based on Gottlieb, 2018, Figure 4

Figure 14. Share of families choosing a specific investment type, Saving for Every Child program, 2017
By income quintile



Source: John Gal and Haim Bleikh, Taub Center, based on Gottlieb, 2018, Figure 5

The financial stability of the NII

One of the issues facing many social security systems worldwide as a result of rising longevity and the aging of the population is to ensure their own financial stability and their ability to meet future commitments to beneficiaries. This issue has been at the center of discussions between policy makers in the Ministry of Finance, the NII, and the Ministry of Labor, Social Affairs and Social Services over the past two years. This discussion began following an actuarial report of the NII that warned that by 2045 the NII will have no remaining assets (NII, 2017). The report shows that up to this point the NII's income from insurance payments and budget transfers from the government (on the basis of legislation and compensation agreements) have exceeded its expenditure. This has given the NII an average annual surplus of between NIS 2 and NIS 4 billion which is transferred to the Ministry of Finance. This amount is invested by the Ministry of Finance in government bonds. The total worth of these assets stood at NIS 200 billion in 2017 (Gottlieb, 2017). However, it is expected that NII expenditure, i.e., its payment of benefits, will exceed its revenue by 2024.

The ensuing public discussion following the publication of this report focused on the need for the government to take measures to avoid the expected effects on the NII's financial stability. The discussion included disagreement as to the degree of the future risk and its timing and how to ensure the financial stability of the social security system in Israel. While the Ministry of Finance tended to downplay the risk, the Ministry of Labor, Social Affairs and Social Services and the NII insisted on the urgent need to take action to ensure its continued ability to finance benefits. It appears that the main concern of the NII is that the threat to its financial stability will lead to future demands for a sharp cut in benefits in order to achieve balance between the NII's expenditures and its revenues. Even the planned measures to raise the age of retirement and of eligibility for an old-age benefit are not expected to be sufficient to eliminate the threat to the financial stability of the social security system (Kimhi & Shraberman, 2013).

The debate over how to deal with the threat to the financial stability of the NII system and the reservations of the Ministry of Finance with respect to taking immediate action has led the Ministry of Labor, Social Affairs and Social Services and the Director General of the NII to cancel a 1980 agreement, according to which NII surpluses are transferred to the Ministry of Finance. The NII has asked that surpluses be left with it and that it will decide on how to invest them. The condition for leaving the NII surpluses in the hands of the Ministry of Finance is a commitment not to harm the rights of beneficiaries as long as there is a positive balance of the funds. It appears that the lack of a decision on this issue is also related to the paralysis of the government during the past year. However, due to the size of the surpluses and their relevance to all citizens, the continuing lack of agreement on this issue involves risks to the social security system and the economy as a whole.

The Ministry of Labor, Social Affairs and Social Services

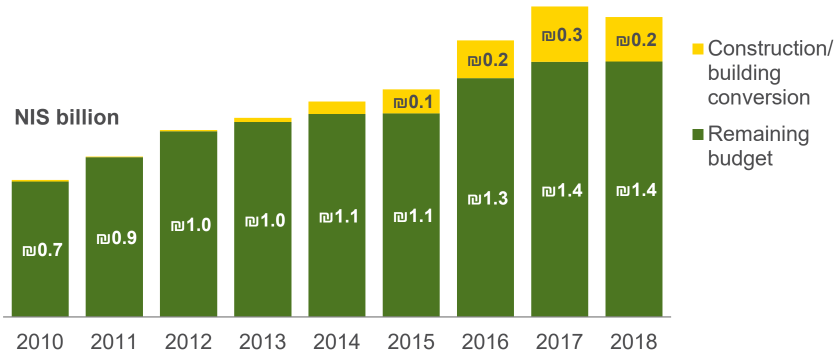
The Ministry of Labor, Social Affairs and Social Services is the main provider of social services. The last two years have been characterized by a stagnation in the activity of this ministry, reflected by the lack of major policy initiatives and its lack of ability to deal with the main issues on its current agenda. Prominent examples include the poor working conditions of social workers and their lack of physical security; the deficiencies in the youth shelter system, which provides solutions to youth at risk living outside their homes; and the inability of the Ministry to meet the needs of asylum seekers in Israel.

Daycare

During the past year, there appears to have been a reversal of progress in the daycare system, which is one of the main areas that has been moved to the responsibility of the Ministry of Labor, Social Affairs and Social Services. Daycare services, which are one of the main components in the efforts of the Israeli welfare state to expand social investment, received increased attention following the social protests in 2011 and the recommendations of the Trajtenberg Committee that followed them. Indeed, since then and until recently, there has been a major increase in the budgets allocated to preschool education in the daycare system. This investment is intended to improve the accessibility of the system. In parallel, initial steps were taken to improve the supervision of the daycare system and the quality of the service it provides. The efforts in this direction were accelerated following several incidents of physical injury of infants in the daycare centers. The Supervision of Daycare Centers Law, which was passed in October 2018 and is still in the early stages of implementation, establishes rules for licensing daycare centers with more than seven infants. Nonetheless, the conditions of eligibility for subsidization of daycare (which is limited to working mothers) and the limited supply of daycare centers leads to a restricted and differential accessibility to daycare. Evidence of this is the distribution of daycare users in the population in Israel. Thus, for example, only 8 percent of Arab Israeli households with children of the relevant ages use daycare services and among the Jewish population (not including the ultra-Orthodox) the rate is only 16 percent, while among Haredi (ultra-Orthodox Jewish) families the rate is 41 percent (Fichtelberg Barmatz, 2017).

Despite the low share of young children in supervised daycare, the expenditure figures for daycare are not encouraging and point to recent stagnation in this area as well. As seen in Figure 15, the expenditure on daycare and afternoon frameworks declined somewhat in 2018 as a result of a lower budget allocation for construction. The limited participation of children from various population groups in preschool education systems may ultimately have adverse effects on the development of their human capital and their future prospects for social mobility (Shavit, Friedman, Gal, & Vaknin, 2018).

Figure 15. Budget for daycare and after-school care
2018 prices



Source: John Gal and Haim Bleikh, Taub Center | Data: Ministry of Finance, Budget Implementation Data

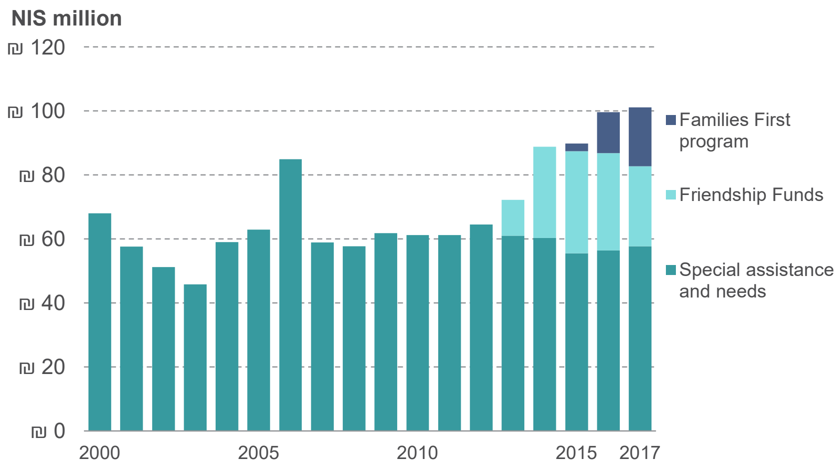
Flexible budgets

Despite the overall stagnation in the welfare system, there has been an interesting trend during the last few years in various programs of the Ministry of Labor, Social Affairs and Social Services that are intended to assist marginalized populations integrate into the labor market. A central component of this trend is the increasing use of flexible budgets. These budgets provide program participants with easy access to financing for their basic needs and for activities that facilitate their labor force integration.

In the past, the Ministry of Labor, Social Affairs and Social Services tended to limit material assistance to welfare service users to only emergency assistance (in addition to the payment of income support by the NII) and to limit the activity of the social services departments in this area. However, during the past decade there has been a noticeable change in approach. Currently, the trend among professional staff members and senior administrators in the Ministry is to view generous and (relatively) accessible material assistance as an important part of the process to support participants in the Ministry's main programs. Figure 16 shows that the budget for emergency assistance remained basically unchanged during the second half of the decade, but that there has been an increase in the expenditure on flexible budgets, whether as part of cooperation with the International Fellowship of Christians and Jews (by means of Friendship

Funds) or as part of Families First, the Ministry's flagship program. The use of flexible personal budgets has recently been extended to other programs that are under the aegis of the Ministry of Labor, Social Affairs and Social Services.

Figure 16. Amounts provided for material assistance
2017 prices

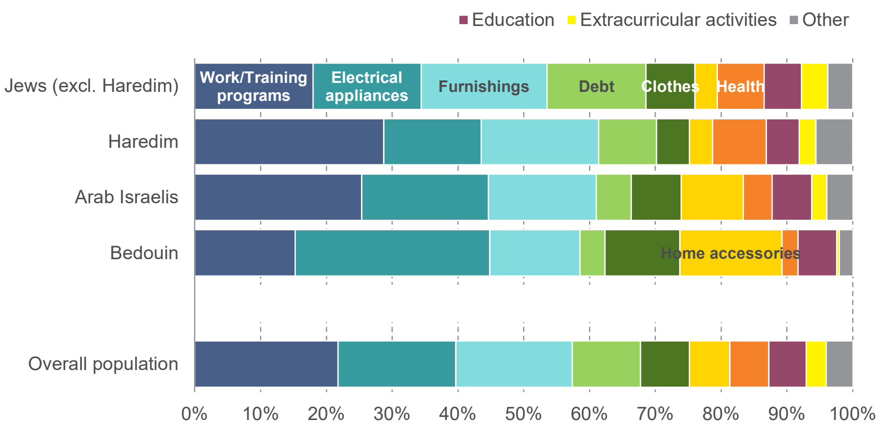


Source: Gal, Krumer-Nevo, Madhala, and Yanay, 2019, Figure 7

A recent Taub Center study (Gal, Krumer-Nevo, Madhala, & Yanay, 2019) examines the patterns of use of flexible budgets in the Families First program, which each year provides intensive support for 3,000 families in more than 100 cities in Israel. The great majority of these families live in poverty, half of them are single-parent families (49 percent) and a high percentage (41 percent) are families in the Arab Israeli sector (including Bedouins). Each family in the program receives a budget of NIS 15,000 for two years which is provided as a flexible basket of solutions. The use of the basket is decided on jointly by the family and the social worker assigned to it. The goal of the basket is to provide an additional component in the support of families and in the efforts to alleviate their economic and social distress.

The data on the use of the basket of solutions (Figure 17) show that the basket budgets are primarily used for household needs, the encouragement of employment through training courses and the acquisition of work tools and the payment of debt. The patterns of usage differ between population groups. Among Haredi and Arab Israeli families, there is greater use of the basket for employment purposes, the purchase of electric appliances and household improvements (particularly among Arab Israeli families). In contrast, among Jewish families (including the Haredi), it is common that the basket is used to repay debt. The differences in patterns of usage between the various groups is apparently related to their lifestyles and the existence (or absence) of other support networks in the community, such as the activity of other assistance organizations.

Figure 17. Distribution of relief basket use



Source: Gal, Krumer-Nevo, Madhala, and Yanay, 2019, Figure 13

One of the main concerns is that the flexible budget program will be abused. However, the data on the Families First program do not provide any evidence of this. Research has shown that although the families participating in the program have access to NIS 7,000 in the first year of participation, the number of families that join the program for a brief period, take advantage of all the assistance available to them and then leave the program is negligible (only 1 percent).

As of now, only a small percentage of the users of welfare services have had access to flexible budgets and there is still no solid empirical basis to support the use of these budgets. Nonetheless, among both social workers and welfare service users there is satisfaction with this component of the support provided. Policy makers are now faced with complex questions with regard to the future design of the policy. Is it worthwhile to expand the use of flexible budgets? If so, how does this program fit into the activities of the NII in the context of subsistence payments such as income support and disability benefits? On the assumption that the use of flexible budgets is indeed expanded, consideration should be given to the patterns of use of these budgets and a decision is needed as to whether it should only be material assistance or material assistance combined with financial assistance. Furthermore, the Ministry will need to establish eligibility requirements and to decide on the role of social workers in the implementation.

Conclusion

Despite the continued stability in social expenditure in Israel — measured as a percentage of the state budget — and despite the real increase in expenditure, an analysis of social policy in 2018 and 2019 points to the danger of stagnation in social welfare. Overall, social expenditure in Israel remains much lower than the levels observed in other welfare states. Although in recent years there has been a trend toward increasing expenditure devoted to social investment, which is likely to improve the human capital of marginalized populations, total expenditure on social investment and on social protection together is still low relative to needs. This level of expenditure contributes to the perpetuation of many social problems, which are manifested in a high incidence of poverty relative to other welfare states. Overall, this period was characterized by a lack of new welfare initiatives. This trend characterized the activity of the main entities involved in welfare and social security in Israel, such as the NII and the Ministry of Labor, Social Affairs and Social Services. Moreover, the new programs that have been adopted in recent years also suffer from various limitations that have not been dealt with (Saving for Every Child) or they are small in scope (Families First), and therefore their effect on large scale social problems is limited.

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