Transfer Payments – The National Insurance System

The National Insurance Institute is pivotal to Israel's social service system. Its role is based on a fundamental principle in Israel's welfare policy ever since the country was established that stresses the social functions of national insurance in creating a safety net and reinforcing collective responsibility and solidarity between citizens. In recent years, a move away from the policy of universal benefit payments has been gathering strength, largely due to the heavy and rapidly growing burden of expenditure for these benefits, and there has been a rise in demands to earmark the benefits solely for the population in need of them. The most recent arguments reflect an ongoing change in thinking about the nature of the welfare state in Israel. Today, national insurance is regarded mainly as an instrument for income redistribution and the attainment of economic goals (such as lowering labor cost and enhancing economic competitiveness in external markets). This approach has led to structural changes and significant cutbacks in the system of benefits and has left a clear imprint especially on Israelis of working age over the past three years. The shift in policy has stirred up much resistance, especially since the cutback in benefits has not been accompanied by the introduction of alternative assistance programs for the weak population groups who have been harmed the most by these changes in welfare policy.

The debate over developments in recent years and changes in the level of transfer payments and the number of benefit recipients has given rise to two types of explanations: exogenous ones, emanating from outside the social welfare and transfer payments system, and endogenous ones, hinging on social policy.[1]

The exogenous explanations include factors related to general and domestic demographic processes such as the rate of population increase, the aging process and increasing life expectancy, changes in family structure that correspond to higher education levels for women and norms involving postponement of marriage and childbearing, declining family size, and rising divorce rates coupled with an increase in the proportion of single parent families and single mothers. These developments affect the size of the population groups that receive benefits under the heading of old-age, long-term care, child, income maintenance, and others. Immigration processes also belong to this group of factors. During the past decade, Israel received immigrants from the former Soviet Union and Ethiopia, and in the current decade an influx of foreign workers has crowded weak population groups out of the domestic labor market and pushed them toward greater reliance on unemployment and income maintenance benefits. Another exogenous factor that affects the size of the benefit population is the economic system. Is the economy growing or slowing, and what does this situation mean in terms of the demand for labor and the level of unemployment? The recession that characterized Israel in the last few years brought about an increase in the unemployed population.

Endogenous factors include the policy on social transfer payments and its components. In determining eligibility for benefits, is the policy expansive or narrow? Is qualification for a benefit universal and automatic or subject to a means test? Does the system place obstacles in potential beneficiaries' way or does it employ mechanisms that encourage the use of benefits?

[1] The discussion does not address itself to changes in the general standard of living and fluctuations in the benefit levels derived from it.

Another factor is the benefit rate and increases or decreases in the level of the benefits at issue.

In the past two years, 2002–2003, the National Insurance Law has been amended in various ways that have affected the rules of eligibility for various benefits. Several of the amendments have caused the growth rate of the recipient population to slow:

1. A change in the index base for the benefits. Indexing to the national average wage was eliminated; from 2006 on, benefits will be indexed to increases in the Consumer Price Index only.
2. Suspension of the adjustment of benefits. Three acts – the Economic Arrangements Law 2002, the 2002 Emergency Economic Plan, and the 2003 Economic Recovery Plan – determined that the adjustment of most benefits would be suspended until the beginning of 2006 and that benefit recipients would receive no compensation for this. Exceptions in three allowances were made: old-age, survivors', and work-injured dependents' benefits have been adjusted to price increases since January 2004. The other benefits would have been adjusted in 2004–2005 only in the case that prices rose at a rate of at least 5 percent per year.
3. An across-the-board cutback in benefits. The 2002 Emergency Economic Plan and the 2003 Economic Recovery Plan lowered most types of benefits by up to 4 percent, in cumulative terms, until the end of 2006.

Beyond these general developments, most benefits were subject to specific changes that resulted in cutbacks at differential rates. Unemployment compensation and income maintenance recipients were hit the hardest. However, recipients of long-term-care benefits and, to a lesser extent, of old-age pensions were also affected. Recipients of disability benefits suffered the least.

Will the recent changes and limitations in the National Insurance Law succeed in establishing a balance between slowing the growth of the populations in distress and allowing them to continue living at a minimum level of dignity while encouraging them to rejoin the labor market? Should we not expect the changes to render some of this population ineligible for benefits without providing them with an alternative, or will the changes lead mainly to the recomposition of the population in distress and the replacement of one type of need with another (and, in turn, to the substitution of on type of benefit for another)? This matter deserves attention. It does seem that a lack of moderation in the force and severity of the cutbacks and in their application before an active employment policy was enacted caused a significant reduction in the standard of living of large groups within society. What is more, the transitions between employment and unemployment among weaker populations, are – and can be expected to remain – an integral feature of the current labor market conditions. This situation requires an income maintenance policy that will assure a subsistence level of income for a life with dignity not only for the working population but also for the temporarily unemployed, and for those whose abilities to fit into the labor market are limited.

Decisions about National Insurance benefits and their position in Israel's overall social welfare fabric, as well as the issue of universality versus selectivity in benefits should be the subject of systematic public debate. Decisions of such significance should not be made lightly or implemented by indirect means through the Economic Arrangements Law.

1. The Benefit Recipients

The growth of the benefit recipient population slowed in 2002–2004, but the slowdown was not uniform and varied by benefit type: the growth in the number of those receiving disability and old-age benefits was affected less than other allowances; the number of those receiving child allowances and long-term care benefits somewhat more; and most affected, were those receiving income maintenance and unemployment compensation. In this last group, the recipient population decreased by the first half of 2004 to less than half of its size in 2001. One would have expected the effect of exogenous factors related to the economic slowdown to raise the population eligible for unemployment compensation and/or income maintenance. This effect, however, was apparently canceled out by the toughening of policies of recent years and by the tightening of entitlements, in general, and the cutbacks in income maintenance and unemployment compensation, in particular.

Table 1. Recipients of National Insurance Benefits, 2002–2004* (main programs)

Year	Children **	Old-age/ survivors	Long-term care	Disability	Income maintenance	Unemployment compensation
1990	532.5	450.8	27.7	73.5	31.8	50.6
1995	814.7	553.8	59.0	94.0	75.3	61.5
2000	912.5	657.0	95.8	135.3	128.4	92.6
2001	928.2	677.0	105.4	142.4	142.0	104.7
2002	935.0	697.7	112.3	150.5	151.2	96.9
2003	939.1	719.8	113.0	157.3	155.5	70.8
2004*	944.3	734.5	113.3	160.9	***143.1	****58.9
Annual percent change						
2001	1.7	3.0	10.0	5.2	10.6	13.1
2002	0.7	3.1	6.5	5.7	6.5	–7.4
2003	0.4	3.2	0.5	4.5	2.8	–27.0
2004*	0.6	2.9	–0.1	3.3	***–7.8	****–19.7

* Data for the first half of 2004, percent of change against corresponding period in 2003.
** Households that receive child allowances
*** Average for the first three months of 2004
**** Average for the first five months of 2004

Source: National Insurance Institute, Research and Planning Administration (2004), *Statistical Quarterly*, Jerusalem, July 2004.

2. Benefits for Seniors

a. Old-Age and Survivors' Benefit

Since Israel still lacks a comprehensive pension law, this National Insurance benefit constitutes the first tier of a system that assures the retired elderly and their survivors a basic standard of living. It is also the second most prevalent National Insurance benefit surpassed only by the number of child allowance recipients. Old-age benefits also cover survivors' benefits and grants, a basic living allowance for orphans, and a burial allowance. Benefits are paid to seniors who are eligible under the National Insurance Law. Those who do not qualify under the law – mainly immigrants who came to Israel after the age of 60 – are eligible at identical rates contingent on a means test. The benefit level depends on household composition and number of dependents and is affected by increases for tenure at work or deferred retirement.

In the first half of 2004, a monthly average of 615,000 old-age benefits and 119,000 survivors' benefits were paid out. The growth rate in the number of old-age benefit recipients has been slowing in recent years, mainly because immigration, which in the 1990s was noted for a larger proportion of elderly than in Israel's nonimmigrant population, has been slowing down.

In the past two years, 2002–2004, adjustment of old-age and survivors' benefit levels was limited as part of the policy that suspended the adjustment of benefits indexed to the national average wage. Furthermore, the index base was changed from the average wage to the Consumer Price Index. In 2004, changes in retirement age – gradual increases from 60 to 64 for women and from 65 to 67 for men – also went into effect. Thus, the age of eligibility for old-age benefits was also changed – from 64 to 70 for women and from age 67 to 70 for men, subject to a means test, and from 70 (for both sexes) irrespective of income. Finally, the amount of the benefit was lowered (with the exception of those eligible for income maintenance) as part of the across-the-board reduction of benefits.

The amount of the benefit relative to the average standard of living level gives clear evidence of the cutbacks and points to the erosion of the old-age benefit in 2003 to 85 percent of its 1989 level.[2] The fluctuations in the past five years in the relative level of the old-age benefit as a percent of the average wage do not point to a consistent trend among all households receiving benefits. It appears, however, that the basic benefits for an elderly person shrank, from 15.6 percent of the average wage in 2003 to 15.1 percent in 2004. The benefit for an elderly couple with two or more children who also receive income maintenance fell from 62.5 percent of the average wage to 56 percent in the first four months of 2004. This drop relative to average wage may indicate an infringement of the National Insurance Law, in general, with respect to old-age and survivors' benefit recipients, and, in particular, with respect to elderly couples with two children or more. The law sets their benefit level at 61.5 percent of the average wage, as against an actual benefit of under 60 percent in the first few months of 2004. The matter requires follow-up and examination across the entire year since the change in the indexing base from the average wage to the CPI may also require that adjustments be made.

It seems that due to the changes in legislation affecting National Insurance allowances and pension eligibility alike, it is likely that the erosion in post-retirement income will increase. This is liable to influence the standard of living of the elderly as well as their ability to remain at home relying on community settings for support. These changes are also apt, at some further point, to renew the demand for long-term hospitalization in geriatric institutions, a phenomenon that was greatly diminished

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[2] See above, "Government Expenditure for Social Services."

in recent years by the Long-Term Care Law and the influx of nursing-care workers from abroad by personnel companies.

Table 2. Basic Monthly Old-Age Benefits, by Income Maintenance and Household Composition, as Percent of Average Wage, 1990–2004*

Year	Without income maintenance		With income maintenance	
	Single senior	Couple with 2 children	Single senior	Couple with 2 children
1990	15.9	33.8	24.9	47.4
1995	15.5	33.0	26.0	59.7
2000	15.0	31.8	25.0	57.5
2001	15.7	33.4	26.3	60.5
2002	15.6	33.1	26.5	61.5
2003	15.6	33.1	27.2	62.5
2004*	15.1	32.1	26.4	55.9

*Average for the first third of 2004

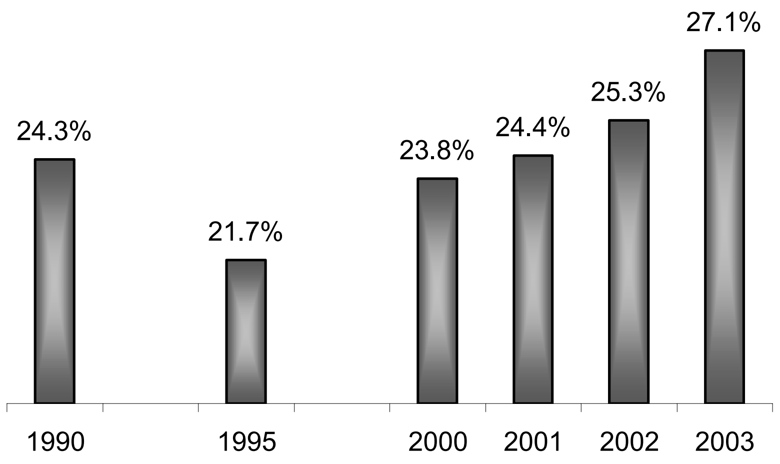
Source: National Insurance Institute, *Statistical Quarterly*, July 2004

b. Long-Term Care Benefit

The entitlement to this benefit was established under the National Insurance Law in April 1988 for those covered by old-age and survivors' insurance. The benefit is paid for seniors, dependent on a means test for the applicant and spouse, who live in the community and depend on others for daily living assistance. The benefit is given as a "basket" of services for which payment is forwarded to the service provider (and not directly to the benefit recipient). The services basket includes various types of assistance: home-help, supervision, care in day centers, meals, laundry, etc.

The level of eligibility is determined following a dependency test and a functional evaluation. There are two levels: a low level, set at 93 percent of the full disability benefit; and a high level, 150 percent of the full disability benefit.

Figure 1. Percent of High Level Recipients of Long-Term Care Benefits among Total Number of Recipients



Source: National Insurance Institute, *Annual Survey for 2004*, analyzed by The Taub Center.

Beginning in 2003 all benefit sums will be reduced gradually at a cumulative rate of up to 4 percent by the end of 2006. The sums at the low benefit level were cut by 7 percent and the number of caregiving hours for long-term elderly patients was reduced as well. The population of long-term care benefit recipients has almost stopped growing, at 113,000 in 2003 and 113,300 in early 2004, in contrast to the rapid increase seen in previous years. The change, brought on mainly by strict interpretation and toughening of the eligibility criteria, has been manifested recently in a decline in the number of claims and, especially, in the proportion of claims approved.

Most long-term care benefit recipients today, as in previous years, are women – almost three-fourths (72 percent) of the benefit recipients in 2003. The main reason is that women live longer than men. The number of benefit recipients among the "old-old," those aged 80+, is more than half of all long-term benefit recipients – a characteristic explained by the correlation between the decline in level of functioning and the increase in age.

Most recipients – about three-fourths of the total number – receive benefits at the low level. Over time, however, the number of those eligible who receive the high level benefit has been rising and came to 27 percent of total in 2003. A further analysis of the reasons for this rise, beyond the processes of normal aging and increasing longevity, is likely to help in predicting growing needs and in assessing the budget required to finance these benefits in the future.

3. Disability Benefit

Disability benefits are paid by the National Insurance Institute to those determined to be unable (permanently or temporarily) to earn an income as defined in the law (since April 1974). The level of the benefit varies according to the degree of disability and the number of dependents. It also includes a benefit for special services (since April 1979), benefits for the severely disabled (since November 2002), benefits for disabled children (since 1981), and a contribution towards vehicle expenses for the disabled driver. An agreement concluded after the first strike of the disabled in 1999 led to several legislative amendments and important changes in the levels of benefits for the severely disabled, in the mobility allowance, and the possibility of receiving double benefits.

The number of disability benefit recipients rose from 157,000 on monthly average in 2003 to 161,000 in the first months of

2004. Although the rate of increase in this population has slowed in the past two years, this is the fastest growing population among National Insurance benefit recipients. There are several possible explanations for this: developments in the early diagnosis of disabilities; greater awareness and willingness for disclosure including groups that had been reluctant to come forward and place claims in the past (amongst other things due to the public struggle of organizations of the disabled and the massive public and media support that it attracted). The increase in the unemployment rate may make it harder for members of this group to find work, forcing them for lack of choice to apply for disability benefits – a course of action that some of the disabled avoided as long as their income from employment had been assured.

The population of disability benefit recipients has several characteristics. First, the share of permanent recipients has been rising gradually in recent years, from 84 percent in 1990 to 90 percent in 2003. Thus, only 10 percent of benefits in 2003 were temporary. (These benefits are given for a limited period of time and extension of eligibility requires repeated appearance before a committee.) Second, most recipients are concentrated at the highest level of disability (the 100 percent disabled) and their proportion has been steadily rising in recent years; since 2000, this has increased to 82% of total disability benefit recipients. Third, most recipients of the general disability benefit are men. Their proportion has been stable in recent years at 57 percent of total recipients, but from a long-term perspective (since 1990), the proportion of women receiving such benefits has increased.

Disability benefits were the only National Insurance benefits that were not to have been cut in the implementation of the recent economic plans. They were exempted from the across-the-board 4 percent cutback and were adjusted in 2002 (although not in 2003) along with wage adjustments. Furthermore, they have been improved significantly in the past few years. The improvements include the expansion of a supplemental monthly benefit for persons with 75 percent working capacity disability and 50 percent or greater medical disability (since November 2002); an allowance for special services for the severely disabled (since November 2002), and a supplemental monthly allowance for severely disabled children (since November 2002). The old-age benefit for the disabled was also raised to the level of the disability benefit. On the other hand, in 2004 the minimum medical disability for benefit eligibility was increased from 40 percent to 60 percent (except in special cases). Notably, until the disabled mounted a strike in 1999, the level of disability benefit was exceptionally low. Benefits achieved from the strike were mainly for the most severely disabled.

The characteristics noted above, especially the growth of the two population groups – the permanently disabled and those at the highest disability level – deserve a closer examination in view of the welfare-to-work programs for various population groups, including the disabled. The government considered the possibility of referring even persons having high permanent disability rates to the labor force without reducing their benefits (as long as their earnings are not greater than the minimum wage). It also set itself the goal of encouraging the disabled to go to work after training in appropriate occupations. Finally, compulsory hiring of the disabled has been imposed on employers in various sectors of the economy. Even though the Equal Rights for Persons with Disabilities Law (1999) establishes that businesses that employ more than twenty-five people must act to increase the number of disabled workers, in practice there are no jobs reserved for the disabled and no wide-ranging requirement to employ them.

4. Child Allowances

Since 1959, the child allowance has been a universal benefit that is paid to the largest group of National Insurance benefit recipients, households with children. The level of the benefit and the number of recipients fluctuated until 1994; full universality has been achieved only in the past decade. Payment for the first child was revoked in 1985 and for the second child in 1990, and the payment was conditional on an income test. During the 1970–1996 period, the child allowance included an army veteran allowance that was paid to households with three or more children in which one member served in the Israel Defence Forces or one of the other security services. This benefit was phased out beginning in January 1994 and, since then, all households receive a standard child allowance based on family size.

Child allowances were seriously affected by a series of government measures in 2002–2004. The 2002 Economic Arrangements Law suspended the inflation adjustment of child allowances, and reduced the allowance by 12 percent. The Emergency Economic Plan of July 2002 increased that cutback to 15 percent. The Economic Recovery Plan of 2003 restructured the child allowances, standardizing the benefit at NIS 144 per month per child irrespective of the child's position in the family (a gradual decrease in seven phases from August 2003 to January 2009), and extended the period of non-adjustment of child allowances to the end of 2005. The 2004 Economic Policy Law further reduced the child allowance sums, including the benefits for large families. All of these decisions have led to a continued and significant decrease in child allowance payments for the years to come.

Some 939,000 households received a child allowance in 2003 (monthly average). The number climbed to 944,000 in the first half of 2004, up 0.6 percent, a slight increase relative to previous years. The number of children for whom allowances were paid in the first half of 2004 rose to 2.2 million.

The distribution of child allowances by number of children in the family shows that one-third of allowances were paid to single-parent families with one child and a similar proportion, about 30 percent, were paid to families with two children. About 35 percent of families with children have more than two children; this figure, valid for the past five years, is lower than in the previous decade. (As stated, universal eligibility for child allowances was reinstated in 1993.) Segmenting the data by the order of children in the family, there has been no change over the past decade. Most children for whom families received allowances were first and second children; their average share in total number of children over the past five years was 71 percent.

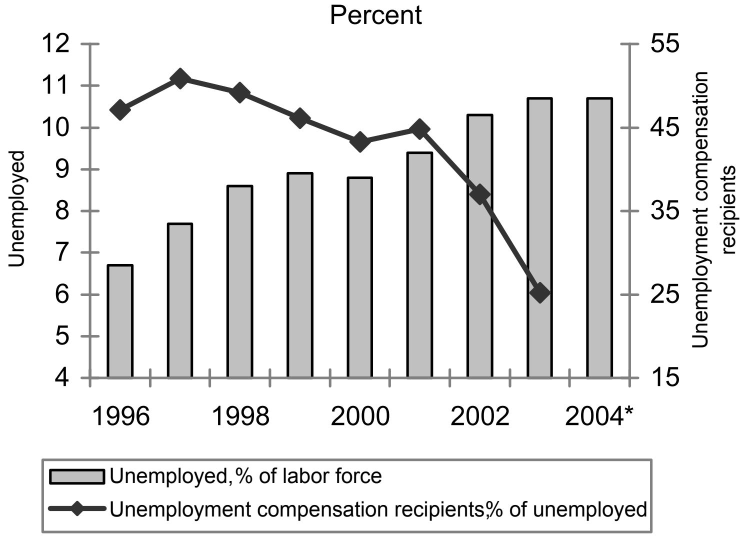
The serious decrease in child allowances due to the government's economic policies of the past three years has contributed to a rise in the proportion of children under the poverty line in Israel that climbed to 28 percent in 2004. This rise is expected to persist if the current policy is maintained. The government's policy of cutting back on support for families with children is also reflected in a reduction in maternity grants for the second child on and the elimination of the larger grant that had been paid for the fifth child and up. In this manner, the changes, cutbacks, and restrictions imposed on child allowances and other support for families with children have moved away from one of the underlying purposes of the benefit – the narrowing of income disparities to help large families raise the next generation in dignity.

It is worth noting that these cutbacks have not been accompanied by compensation to assure the delivery of supplementary services for children, and, so there are children in Israel whose most basic needs are not being met. The combination of the changes in the allocation rules and the cutback in resources by means of various budget and "arrangement" laws, should be the subject of extensive public debate focuses once more on the issue of the universality of child allowances, which are granted today without any means test. The debate should take place in light of the policy of continued cutbacks in social service budgets and the data presented here that shows that families with up to two children are the main beneficiaries of child allowances, rather than families with many children.

5. Unemployment Compensation

Unemployment compensation was originally conceived of as a way to provide workers who lost their jobs with a safety net and to help the unemployed meet their basic needs while searching for work suited to their skills. Israel's Unemployment Insurance Law, never overly generous in comparison with corresponding laws in other Western countries, became even tighter in 2002–2003. During those years, the qualifying period for entitlement to unemployment compensation was lengthened, the benefit was reduced, the period for its receipt was shortened, the criteria for receiving the benefits were tightened, and the period of payment of unemployment compensation to participants in vocational training was capped. The idea was to reduce expenditure on the unemployment compensation line of the National Insurance budget and to push the jobless back to the labor market. The policy change was prompted by the conviction among policy makers that in the period before the economic reform unemployment compensation was being rampantly abused. The changes enacted, however, did not take into account the economic slowdown that began in 1996 and the decrease in total demand for domestic labor due, in part, to the massive influx of foreign workers. Due to these policies, the number of unemployment compensation recipients fell by about a third – from 104,000 in 2001 to 70,000 in 2003 and 59,000 in the first few months of 2004 (monthly averages) despite the rise in the unemployment rate from 6.7 percent in 1996 to 10.7 percent in 2004. Accordingly, the proportion of unemployment compensation recipients among the jobless fell from 47 percent in 1996 to 25 percent in 2003. (In the estimation of the National Insurance Institute, the number of recipients would have climbed to 125,000 on monthly average in 2003 had it not been for the legislative changes.[3])

Figure 2. Changes in Unemployment Rate and Recipients of Unemployment Compensation

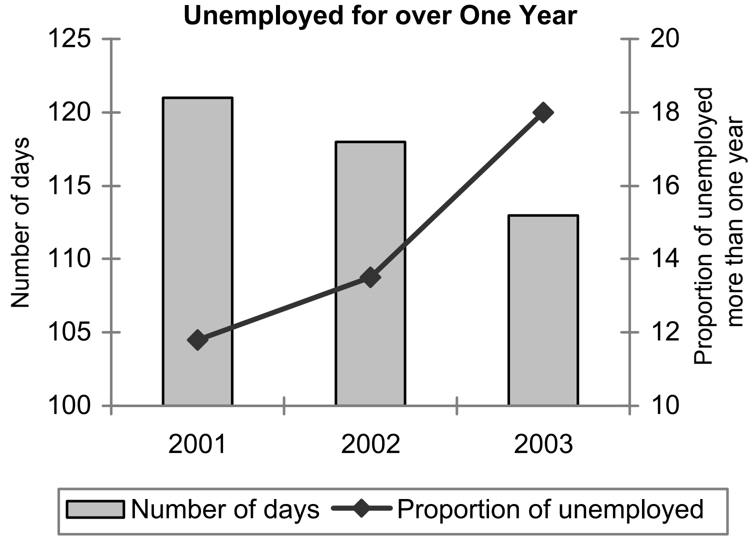


*In 2004: January–June.
Source: National Insurance Institute, *Annual Survey for 2004*

[3] National Insurance Institute, *Annual Survey for 2004*.

The period of allowance payment was also reduced. The average number of days for which a jobless person received unemployment compensation fell by 6.7 percent within three years, even though the average period of unemployment increased, and the population of long-term unemployed rose, by more than 50 percent between 2001 and 2003. Concurrently, the share of those jobless for more than one year increased to 18 percent of the unemployed in 2003.

Figure 3. Average Days of Unemployment Compensation Payment and Proportion of Those Unemployed for over One Year



Source: National Insurance Institute, *Annual Survey for 2004*

As for the distribution of unemployment compensation recipients by gender, there are slightly more recipients among men; the proportion of men among recipients decreased slightly in 2000–2003 but rose again in 2004. The proportion of young jobless among unemployment compensation recipients, defined as those under age thirty-five (who, since 1995, must accept any job offered), fell from 47 percent in 2000 to 36 percent in early 2004.[4] The more rigid provisions of the unemployment laws made no direct reference to the age of the unemployed (although the maximum compensation period for unemployed persons up to age twenty-five was cut back). However, the result of all of the legislative changes was a reduction in the share of the young among compensation recipients. Some of the young were perceived as "voluntarily unemployed" and as abusers of unemployment compensation. In this regard, the goal of reducing their numbers was attained.

In sum, the changes in the unemployment compensation law in 2002–2003 reduced the total expenditure for unemployment compensation by 30 percent. Until recently, decline (for There was no decline in the average unemployment benefit level, as a percentage of the average wage in the economy (partly as a result of the proportional increase in persons with higher education and higher incomes among compensation recipients). In the past three years, compensation has rested at about half of the average wage. However, a decline is foreseen during 2004, as the legislative changes and restrictions make their full impact. The tightening of rules concerning people who take vocational training during their qualifying period and collect unemployment compensation during their training will also be felt later on.

[4] On average during the first five months of 2004.

6. Income Maintenance Benefits

The income maintenance benefit reflects the state's duty to provide a minimum basic income for every resident aged twenty-five and over who has no source of income or whose income falls short of the minimum level stipulated in the law. Eligibility is anchored in the Income Maintenance Law of January 1982, which replaced the low-income benefit that the National Insurance Institute paid to the elderly and the welfare subsidies that the Ministry of Labor and Social Affairs paid to those without a source of livelihood. The intention was to provide monthly financial support for those who fell into temporary or long-term economic distress. There are two levels of benefits: a regular benefit for those of working age; and, a benefit for the elderly, widowers and widows who have children, and others of working-age who have been eligible for National Insurance benefits for a period of at least two years. The eligibility of members of the first group is conditioned on an employment test and a means test; those in the second category must qualify through a means test only.

One of the main goals of the current government is to reduce the number of income maintenance recipients and bring them back into the labor force. This is in response to the rapid increase in the numbers of recipients and in expenditure for this insurance program. To make progress toward the goal, the Knesset amended the Income Maintenance Law in January 2003. The changes, which went into effect in June 2003, reduced the benefit limited eligibility for the increased benefit level. The new legislation also included changes in the means test that was reflected in the disqualification of recipients at a lower income level than was previously the case. Practically speaking, the changes reduced the number of low wage earners who qualified for income supplement.

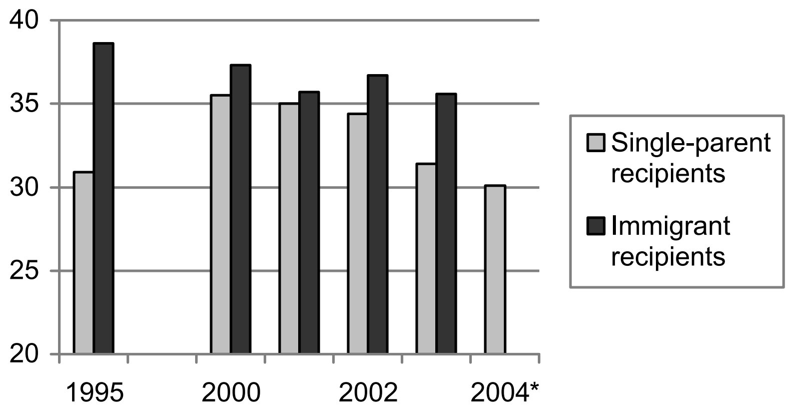
More rigid employment tests were put in place to reduce the number of claimants whom the Employment Service would define as "unplaceable." Additional regulations were especially rigid concerning mothers of young children, who had been exempt from this test in the past. The legislative changes, which went into effect in July 2002 (and included a 4 percent cutback in benefit payments), coupled with measures in the 2003 Economic Arrangements Law, lowered the maximum benefit level, toughened the income test, subjected more applicants to an employment test, and reduced entitlements to additional assistance in health care, housing, and public transport.

These changes slowed the growth of the income maintenance population in 2003 and reduced it in 2004. Some 143,000 people received these benefits in the first few months of 2004 (the toughened eligibility rules went into effect in July 2003), 8 percent fewer than the 155,000 who received them in 2003.

In the estimation of the National Insurance Institute, the legislative changes led to an immediate saving of NIS 800 million (in annual terms) in income maintenance expenditure and affected 103,000 households whose benefits were cut (including 5,000 single-parent households whose benefits were withdrawn).[5] One of the effects attributable to these legislative changes is the decrease in the absolute number of single parents among income maintenance recipients and in the proportion of such recipients among total recipients – from 36 percent in 2000 to 30 percent in the first few months of 2004. This is mainly due to the new requirement of having parents of young children pass an employment test. The share of immigrants among recipients also declined, although it remained disproportionate to immigrants' share in the overall population. Single-mother immigrant households accounted for an especially high proportion of households that lost their eligibility.

[5] National Insurance Institute, *Annual Survey for 2004*.

Figure 4. Proportion of Single Parents and Immigrants among Income Maintenance Recipients



*In 2004, January–March.
Source: National Insurance Institute, *Statistical Quarterly,* April–June 2004.

The amendments have eroded the Income Maintenance Law, which was originally meant to assure the basic needs of those who did not work and could not meet these needs in some other way. The changes preceded the implementation of an active employment policy and the implementation of "return to work" and "welfare to work" policies. Since these programs are meant to help some income maintenance recipients to join the labor market, the impact of changes in benefit terms and the reclassification of those subject to employment tests have not been fully reflected thus far. As stated, the number of income maintenance recipients has indeed been cut back, as the decision makers had intended. However, the measures that made this possible also harmed population groups that could not possibly join the labor market (the elderly and the disabled). Furthermore, the cutbacks in income maintenance and related benefits dealt a severe blow to the income of households with children, in general, and of single-parent households, in particular. The harm caused to these groups sparked a social protest that led to increases and incentives for families with more than three children and for single-parents who managed to find work.