

Public Spending on Social Welfare

John Gal and Shavit Madhala-Brik*

Abstract

This chapter surveys developments in government social welfare services over the past fifteen years. Israeli public spending on social welfare services — spending that funds a variety of social benefits and services (alongside healthcare and education) — constituted one-fifth of Israeli governmental expenditure in 2015, and amounted to NIS 94 billion. Social security programs, most of which are operated by the National Insurance Institute, account for 80 percent of the total expenditure. Over the past year, expenditure on social security programs increased, and additional changes in this area are expected for 2017. Some other social welfare spheres also witnessed moderate spending increases in 2015, most notably expenditures on negative income tax, day care centers, and employment programs. By contrast, the Ministry of Construction and Housing budget showed a continued downturn in expenditure, amounting to a 70 percent decline since the early 2000s. However, overall, Israel's social welfare expenditure level remains low, relative both to other welfare states and to the needs of the target populations. This chapter also analyzes implementation of the Elalouf Committee (the War Against Poverty) recommendations. The findings indicate that, during the first two years after the Committee submitted its report, half of the recommendations were implemented in part or in full. During 2015 and 2016, the anti-poverty budget additions to all Israeli government ministries amounted to NIS 434 million and NIS 1.9 billion, respectively, relative to the NIS 7.4 billion per year that the Committee recommended. It is doubtful whether this addition, only a quarter of the recommended sum, will bring about the substantial reduction in Israeli poverty rates that was the overarching goal of the Elalouf Committee.

* Prof. John Gal, Principal Researcher and Chair, Taub Center Social Welfare Policy Program; Paul Baerwald School of Social Work and Social Welfare, the Hebrew University of Jerusalem. Shavit Madhala-Brik, Researcher, Taub Center.

Introduction

All welfare states provide social protection for their residents through a variety of social systems. This is true of the Israeli social welfare state as well. The present chapter focuses on the core system by which social protection is provided in Israel – the social welfare system. This system provides benefits meant to ensure the social security of all residents of the state, gives disadvantaged and vulnerable populations access to Israel's diverse array of social services, and is designed to address various situations of distress. The present chapter will survey social welfare expenditure trends between 2000 and 2015, as reflecting relevant government policy over that period.

The first section of the chapter will take a comprehensive view of social welfare expenditure. This will be followed by an examination of the expenditure broken down into two categories: social security programs (programs that mainly provide transfer allowances) and social services. Section 2 will look at Israel's social security system and the many programs that offer a safety net to those with low or no income from work, and those who face additional expenditures due to a variety of circumstances.

Section 3 will concentrate on social services programs intended to advance social objectives, such as assisting new immigrants or people with physical or mental disabilities, through an array of programs and services provided by the state, local authorities, or non-governmental agencies funded by the state or under state supervision.

Definitions and data

- **Governmental expenditure out of the state budget.** Net implementation budget data includes both regular and development budget line items; that is, total government expenditures after accounting for revenues received from external parties (e.g., local authorities).
- **Total government expenditure.** The net implemented state budget plus the Health Tax and the National Insurance Institute payments for transfer allowances (offset by transfers to the National Insurance Institute that are included in the implemented state budget).¹

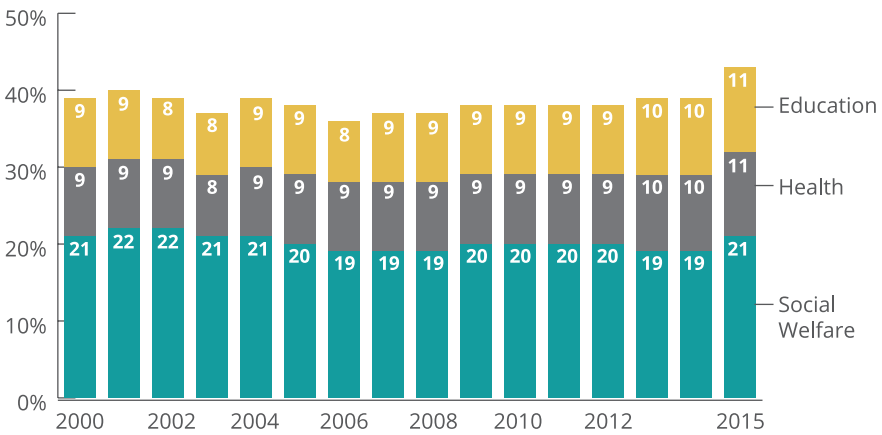
¹ The Health Tax is collected by the National Insurance Institute and transferred in totality to the health funds and for this reason, it is included in the total government expenditure.

1. Total social welfare expenditure

Israel's public expenditure on all social welfare components for 2015 amounted to NIS 94 billion (in 2015 prices). This sum constitutes 21 percent of total government expenditure (Figure 1), and half of Israel's social spending. The latter, which consists of government spending on education, health and social welfare combined, amounts to NIS 192 billion.

Figure 1. Social spending

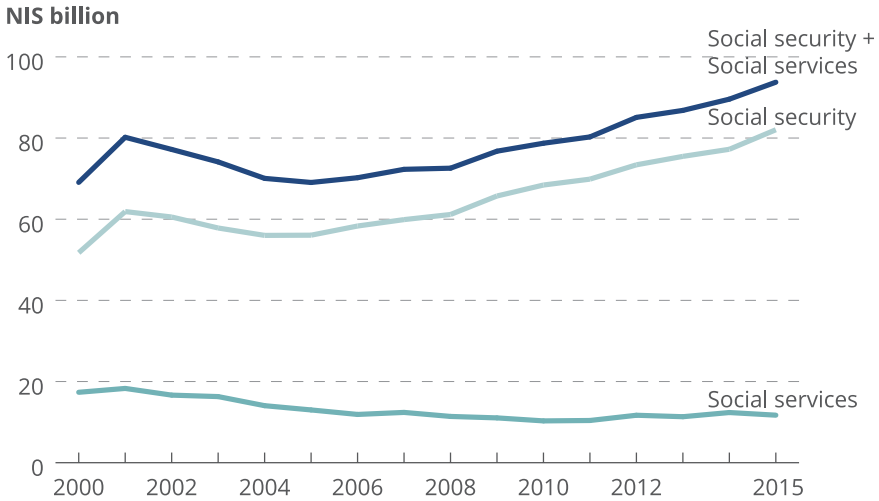
By area, as a percent of total government expenditure



Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*; Central Bureau of Statistics, *Statistical Abstract of Israel*.

Although total social welfare expenditure has been trending upward since the middle of the last decade, the growth in spending can be traced mainly to increases in old-age pensions provided through Israel's social security programs. By contrast, expenditure on social services (on services themselves and not including spending on social security) dropped slightly during the study period. (Figure 2).

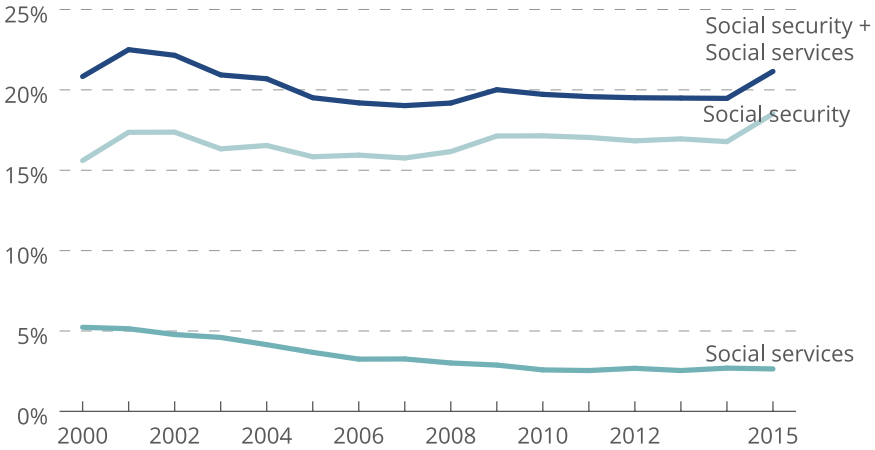
Figure 2. Expenditure on social welfare**2015 prices, NIS billions**

Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*; Central Bureau of Statistics, *Statistical Abstract of Israel*.

In contrast to the increase in shekel terms, when the share of social welfare spending out of total government expenditure (Figure 3) and as a percent of total GDP (Figure 4) is examined, a trend toward stability can be seen in recent years. However, this spending stability is at the lower level established during the middle of the 2000s.

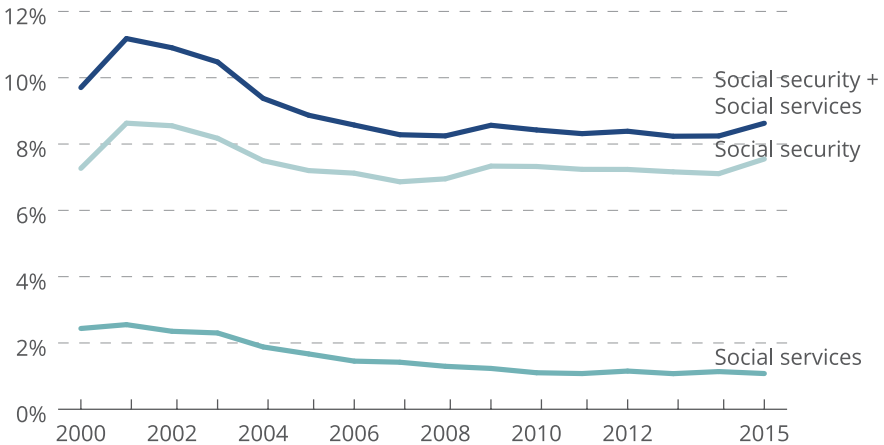
Figure 3. Expenditure on social welfare
As a percent of government expenditure



Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*; Central Bureau of Statistics, *Statistical Abstract of Israel*.

Figure 4. Expenditure on welfare
As a percent of GDP



Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*; Central Bureau of Statistics, *Statistical Abstract of Israel*.

As these figures clearly show, there is a substantial difference between the amount spent on social security programs and the amount channeled to social services, which is reflected in the different trends in these two areas. Over 80 percent of the total social welfare expenditure is devoted to social security programs, which has been increasing since 2005. As will be shown below, this process is affected by demographic changes (primarily aging of the population), and increased spending on specific target populations.

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

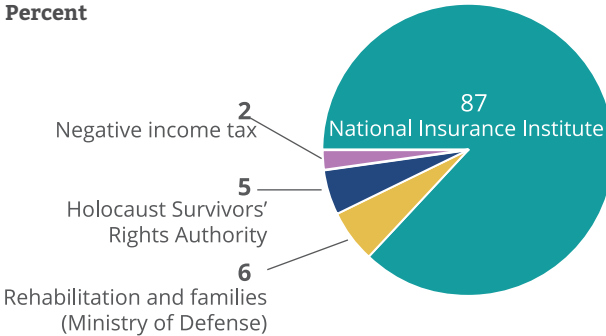
2. Social security expenditure

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

As can be seen in Figure 5, the vast majority – 90 percent – of social security expenditure is for National Insurance benefits. These benefits, both universal ones and those targeted to low income individuals (“selective” or “targeted” benefits), reach a very large percentage of Israelis. In fact, there is hardly anyone who is not eligible for some benefit or other during the course of their lifetime.

Figure 5. Distribution of social security expenditure, 2015

Percent



Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*.

In contrast, two other expenditure areas that lie within the social security sphere — benefits for those affected by war (disabled IDF veterans and bereaved families) and Holocaust survivor pensions — focus exclusively on populations whose eligibility stems from specific circumstances. Accordingly, their share in total expenditure is quite small. Another area included in this expenditure is negative income tax payments (“work grants”), which were instituted in 2008. Although this expenditure has grown over the years, it has remained very small, amounting to NIS 1.3 billion in 2015 — 1.6 percent of total social security spending.

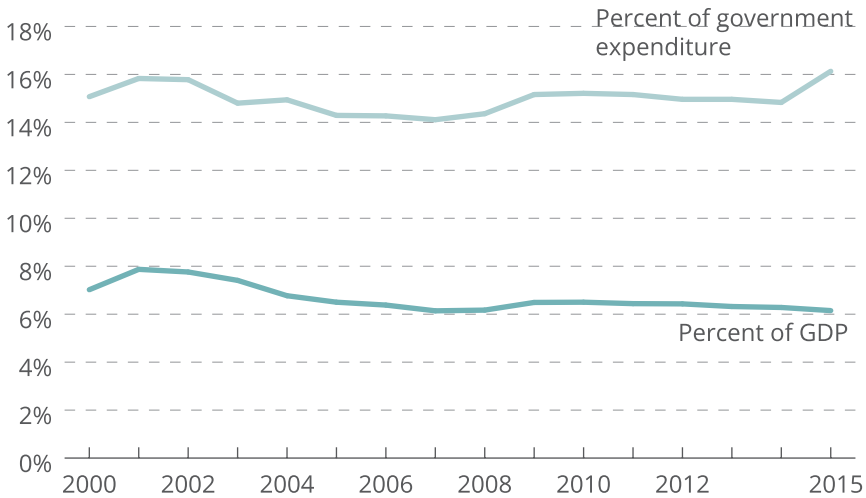
National Insurance Institute benefits

In 2015, expenditure on benefits paid by the National Insurance Institute amounted to NIS 72 billion. This expenditure is equivalent to 6 percent of Israel’s GDP and 16 percent of total government expenditure. At the end of that year, following the formation of a new government and in accordance with the Elalouf Committee (the War Against Poverty) recommendations, a number of measures were taken to increase National Insurance benefits. These increases targeted in particular poor families and were primarily comprised of increases in child allowances and pensions for the poverty-stricken elderly.

A look at trends in expenditure as a percentage of GDP shows stability over the past decade. Compared with the early 2000s, however, expenditure is relatively low. This decline is due primarily to a steep reduction in the share of National Insurance benefits in the early 2000s, as well as a change

in mechanisms for updating allowance amounts. In 2015, total government expenditure spending rose reflecting increased National Insurance benefits expenditure, and a decline in total government expenditure.

Figure 6. National Insurance Institute allowances
As a percent of GDP and government expenditure

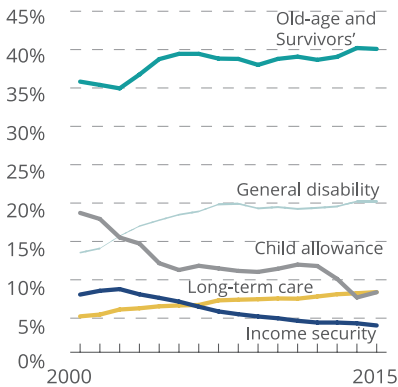


Source: John Gal and Shavit Madhala-Brik, Taub Center. Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*; Central Bureau of Statistics, *Statistical Abstract of Israel*.

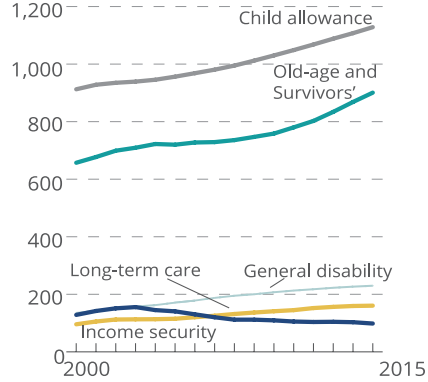
The stability seen in the National Insurance benefits conceals a number of different trends that are more visible when the benefit types are examined separately. As in all welfare states, benefits intended for the elderly — old-age and survivor pensions, and long-term nursing care funding — account for the largest share of the expenditure: 48 percent of the National Insurance Institute's total benefit expenditure in 2015 (Figure 7a). Moreover, there is a clear upward trend in the share of spending channeled to this population. This increase is a reflection of the aging of the population. The number of old-age and survivor pension recipients rose from 657,117 in 2000 to 900,789 in 2015 (a 37 percent increase). The number of long-term care benefit recipients rose during this period from 95,753 to 160,474 (a 68 percent increase) (Figure 7b). Beyond that, in December 2015, the government raised the level of income support provided as a means of increasing old-age pensions for the elderly living in poverty. This translates into an average increase of NIS 200 per month in the amount paid to elderly benefit recipients.

Figure 7. National Insurance Institute allowances by benefit type

a. As a percent of allowance payments



b. Number of benefit recipients



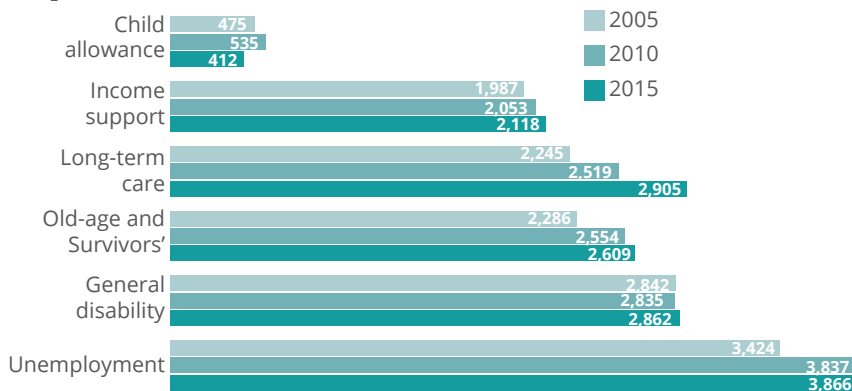
Child allowances and income security are per family.

Source: John Gal and Shavit Madhala-Brik, Taub Center. Data: NII, *Statistical Quarterly*.

In parallel with the rise in the number of old-age benefit recipients, the average monthly benefit paid to those eligible has increased by several hundred shekels (Figure 8). A similar picture emerges regarding general disability benefits, which showed a substantial increase both in recipient numbers and in the average amount paid per recipient.

Figure 8. National Insurance Institute allowances: Average monthly benefit per recipient

2015 prices, NIS



Child allowances are per family.

Source: John Gal and Shavit Madhala-Brik, Taub Center. Data: NII, *Statistical Quarterly*.

In contrast, a look at other National Insurance Institute activity areas indicates the opposite trend — fewer benefit recipients and lower benefits per recipient. One area where recipient numbers declined notably is in the income support program, which serves as a safety net of last resort for those who have no (or very low) income. This decline was due to changes in the program's eligibility criteria, which made it harder to obtain the benefit, along with a rise in the employment rate. The outcome is a drastic reduction in the number of income support recipients: from a peak of 155,000 families in 2003 to 98,350 families in 2015.

With regard to child allowances, the number of eligible families has risen substantially over time due to natural population increase, but the allowance's value decreased sharply between 2013 and 2014. The trend changed in mid-2015, after the newly-formed government decided to cancel the child allowance cutback that had been instituted in 2013. Some of the benefit cut was restored to the allowances, while a decision was made to deposit another portion into the Savings Plan for Every Child program slated for implementation in 2017 (on the Savings Plan for Every Child program see Gal, Madhala-Brik, Grinstein-Weiss, and Covington, 2016). Between 2014 and 2016, there was a 22 percent rise in the average child allowance paid per family (the allowance increase was awarded retroactively from May 2015).

Holocaust survivor pensions

Another component of the social security system is assistance to Holocaust survivors. The Holocaust Survivors' Rights Authority was established in the mid-1950s, but over the past decade, public outcry has resulted in greater efforts to ease the economic and social difficulties of this population (for an overview, see Kop, 2008).

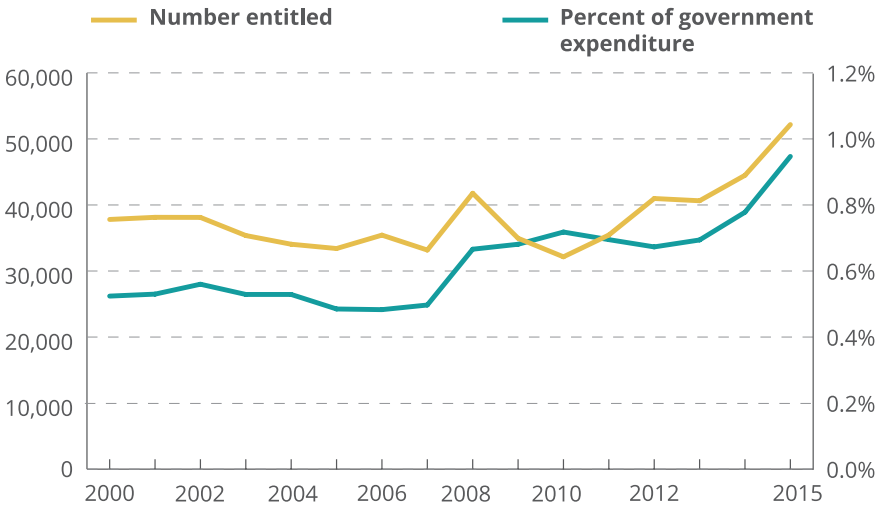
The Authority's budget includes government expenditures on a range of pensions and benefits that are set in several different laws: the Disabled Survivors of Nazi Persecution Law, the Disabled Veterans of the War Against the Nazis Law, and the Holocaust Survivors' Benefits Law.

As Figure 9 shows, 2008 ushered in a dramatic rise in spending on pensions and benefits for the Holocaust survivor population. The increase was sparked by amendments to the law that allowed disabled Holocaust survivors who had not filed claims in the past to do so, and expanded eligibility to include those who were affected by the deportations in countries under German influence during World War II (Rabinowitz and Koch Davidovich, 2011; Ministry of Finance, 2008). Due to these changes, the expenditure on Holocaust survivors rose from 0.5 percent of total government spending in 2000 to 0.7 percent in

2008. In the past two years, there have been more budget additions primarily in direct transfers; spending today is about 0.9 percent of total government expenditure and about 5 percent of all social security spending.

A look at expenditure per eligible person shows that, despite the larger number of those eligible, 2008 witnessed an increase in the Authority's budget per eligible person (Figure 9).² In contrast, in the following two years the budget per eligible person declined, due to the major addition of 28,000 new benefit-eligible people between 2008 and 2010.

Figure 9. Budget of the Holocaust Survivors' Rights Authority
Per recipient and as a percent of total government expenditure



Source: John Gal and Shavit Madhala-Brik, Taub Center. Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*; Central Bureau of Statistics, *Statistical Abstract of Israel*.

Benefits for disabled Israeli Defense Forces veterans and bereaved families

The third component of social security spending is payments to soldiers injured during their military service, and to bereaved families of soldiers who fell while serving in the Israeli Defense Forces (IDF). This has been an expenditure area since the late 1940s, administered and funded by the Ministry of Defense. Benefits and services provided to the disabled IDF veteran population differ

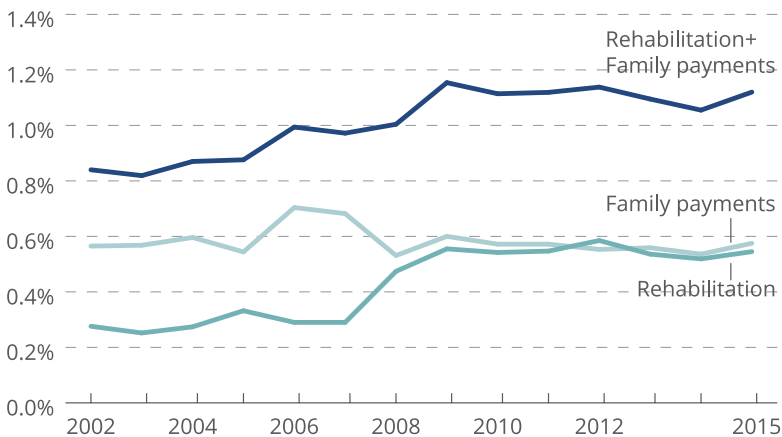
² The total ministry expenditure divided by the total number of those eligible.

from those awarded to individuals injured in other circumstances in terms of their scope and generosity as well as their eligibility criteria.

Ministry of Defense data regarding expenditures for rehabilitation of veterans with disabilities and for payments to bereaved families out of total government expenditure indicate a slight increase up to 2009, followed by general stability. In 2015, the expenditure amounted to about NIS 5 billion, 1.12 percent of all government spending (Figure 10). The decline in Ministry of Defense expenditures on payments to families in 2006 is explained by a reduction in the expenditure per eligible family, and by a drop in the number of eligible families. By contrast, the number of disabled veterans handled by the ministry showed a substantial rise, from 54,000 in 2006 to 107,000 in 2015 (Ministry of Defense, various years).

Figure 10. Ministry of Defense expenditure for rehabilitation and payment to families

As a percent of total government expenditure



Source: John Gal and Shavit Madhala-Brik, Taub Center. Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*; Central Bureau of Statistics, *Statistical Abstract of Israel*.

Negative income tax

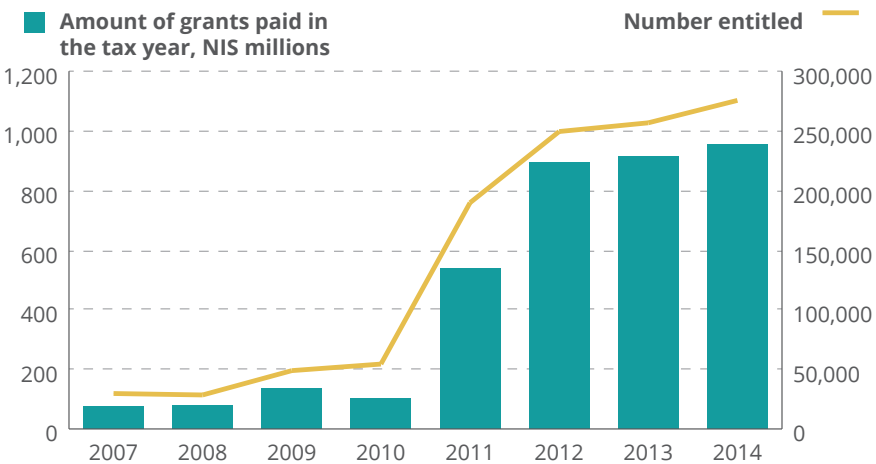
A negative income tax (work grant) has existed in Israel since 2007, and implemented nationally since 2011.³ The grant is paid four times a year to people with low income from work, especially those with families to support.

³ The grant was rolled out nationally in 2012 for the 2011 eligibility year.

The program is operated by the Tax Authority in the Ministry of Finance. Negative income tax is a tool used to fight poverty and assist low-income people without reducing the incentive to work. A special survey administered by the Bank of Israel to individuals eligible for the grant found that the work grant is targeted at working people with economic difficulties, and that it is an effective means of improving their economic situation. In accordance with this finding, the Bank advocated increasing the level of the grant as an effective measure to support low-income working families (Bank of Israel, 2016).

According to Tax Authority data (Tax Authority, 2015), utilization rates for work grants reached 70 percent in 2014.⁴ In that year the number of recipients of the work grant was 275,500 (Figure 11). It should be noted that the general utilization rate is not identical for all population groups: among eligible Arab Israelis the level of non-utilization remained high (Bank of Israel, 2016). Despite the overall high utilization rate, the amount of expenditure devoted to the negative income tax out of total government expenditure is still low, due to the level of the grant, amounting to less than half a percent.

Figure 11. Amounts of work grants paid in the tax years 2007 to 2014 and the number of recipients



Entitlement to a work grant is conditional on salary level in the entitlement year; the work grant is given the following year. Data are for the amounts and numbers of recipients in a given entitlement year.

Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: Tax Authority, 2015.

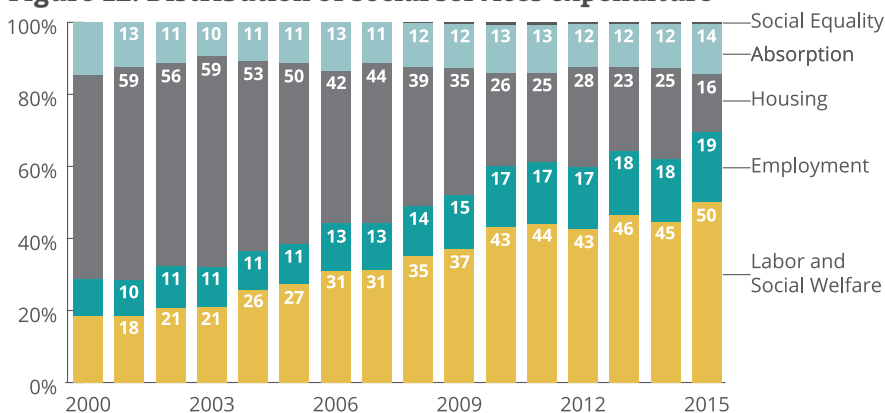
⁴ Utilization rates are calculated as the number of eligible individuals out of the estimated number of potentially eligible people.

3. Social services expenditure

Public expenditure on social services includes Ministry of Labor and Social Welfare expenditures, the Ministry of Construction and Housing budget, expenditures of the Ministry of Immigrant Absorption, Ministry of Social Equality activity, and Ministry of Economy expenditures in the areas of employment and early childhood education (though these activities came under the authority of the Ministry of Labor and Social Welfare during 2016).

In 2015, the largest share of Israeli public expenditure on social services (50 percent) was channeled to social services provided by the Ministry of Labor and Social Welfare, whether through local or national frameworks (Figure 12). This is due to a significant increase in the ministry's budget over the past decade, and a concurrent sharp decrease in the Ministry of Housing's budget.

Figure 12. Distribution of social services expenditure



Source: John Gal and Shavit Madhala-Brik, Taub Center. Data: Ministry of Finance, Implementation Budget.

Ministry of Labor and Social Welfare Expenditures

The Ministry of Labor and Social Welfare provides services that are sometimes referred to as “personal social services.” This includes services offered both in the community, by the local authority social service units, and through institutional frameworks under the responsibility and supervision of the Ministry of Labor and Social Welfare. Personal social services provide assistance to society's most vulnerable population groups: children, adolescents and young adults at risk, isolated elderly, families in crisis or distress — including

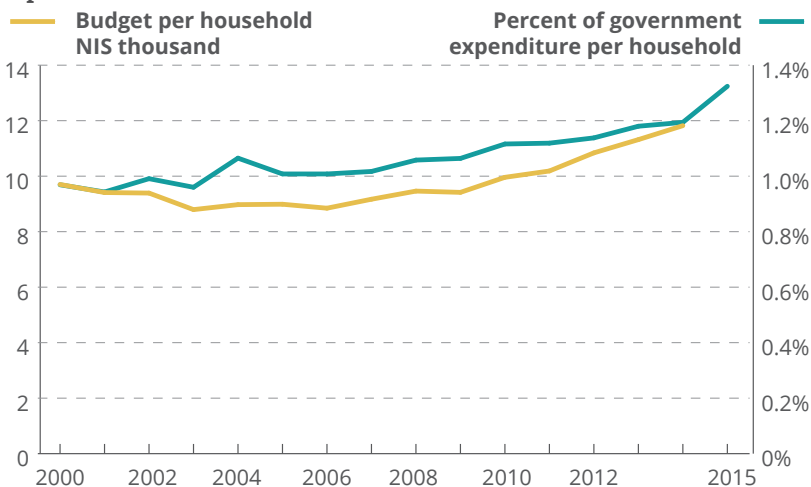
single-parent families and immigrants — people with physical or mental disabilities, people coping with addiction, and the homeless. A great number of these people live in poverty and suffer deprivation.

Although the total Ministry of Labor and Social Welfare expenditure accounts for just 1.32 percent of total government spending, this figure has been steadily rising in recent years (Figure 13). After a decline in the middle of the first decade of the 21st century, 2006 witnessed the start of an upward trend in the ratio of expenditure to social services recipient household, which is now at a higher level than it was in the early 2000s. This trend reflects a real increase in the ministry's budget, and also a substantial rise in the number of households served by the ministry: 464,000 in 2014, accounting for 20 percent of all Israeli households (Ministry of Labor and Social Welfare, Survey of Social Services).

An important attribute of the Ministry of Labor and Social Welfare's expenditure is its emphasis on outsourcing. Most of the ministry's spending is channeled to the payment of external service providers (nonprofit organizations or for-profit companies). The outsourcing trend dates to the 1980s, and over the past two decades it has intensified (for an in-depth analysis of outsourcing in the Ministry of Labor and Social Welfare, see Madhala-Brik and Gal, 2016, in this volume).

Figure 13. Ministry of Labor and Social Welfare budget

As a percent of total government expenditure and per entitled household, 2015 prices



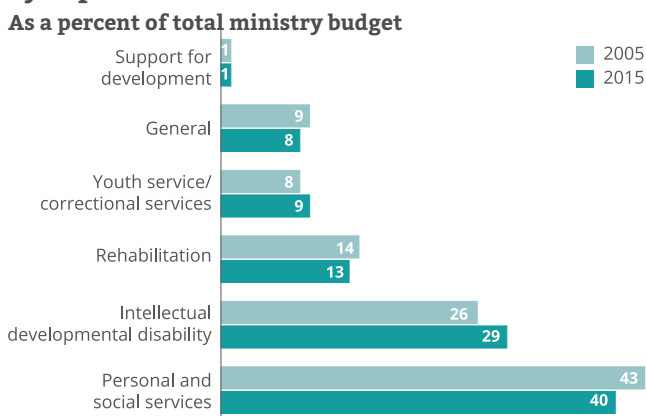
Source: John Gal and Shavit Madhala-Brik, Taub Center. Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*; Central Bureau of Statistics, *Statistical Abstract of Israel*.

Most ministry activity is conducted through its four main divisions: the Department of Rehabilitation, which assists in the operation of rehabilitation facilities for individuals with disabilities; the Department of Personal and Social Services, which meets the personal and social needs of individuals, families and communities; the Department for Intellectual Developmental Disabilities, which specializes in identifying, assessing and caring for people with developmental disabilities and their families; and the Department of Corrections, which provides care, social supervision, rehabilitation and preventive services to criminal offenders and to the victims of criminal activity.

A look at the distribution of the ministry's budget by activity area (Figure 14) shows that the ministry's largest expenditure is on personal and social services. As noted, these services are intended mainly for families, provided by local social service departments and by a variety of treatment settings.

A tenth of the ministry's budget is used to fund the employment of social workers who are active primarily in local social service departments. According to the current funding formula, the ministry funds 75 percent of the cost of social services, while local authorities cover the remaining 25 percent. The number of employees funded by the ministry in local social service departments in 2014 was 6,450 (including 5,000 social workers). This figure increased by about 50 workers since 2013 and by about 9 percent since 2009 (Ministry of Labor and Social Welfare, Survey of Social Services). Although the trend was positive, this increase only partly offsets the excessive workload that social workers in the local social service departments continually bear, due to the growing number of service users.

Figure 14. Ministry of Labor and Social Welfare budget by department



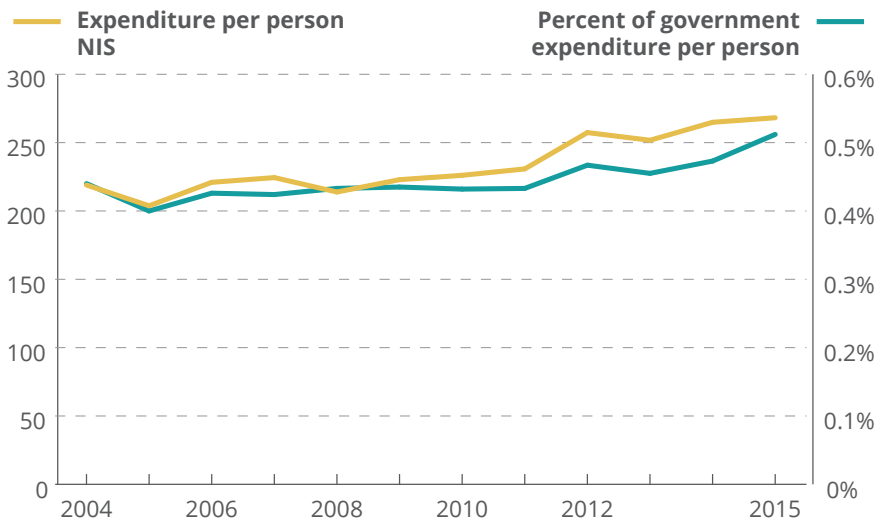
Source: John Gal and Shavit Madhala-Brik, Taub Center. Data: Ministry of Finance, Implementation Budget.

Ministry of Economy expenditures on employment and early childhood services

Following the reorganization of the Ministry of Labor and Social Affairs in 2003 and until mid-2016, employment and early childhood frameworks were under the Ministry of Economy. A government resolution returned these areas to the newly renamed Ministry of Labor and Social Welfare. In 2015, the Ministry of Economy was responsible for the state employment service, which mediates between potential employers and jobseekers, provides vocational training, and enforces labor laws. In recent years, the ministry also made efforts to bring target populations into the labor market – Arab Israelis, Haredim (ultra-Orthodox Jews), and individuals with disabilities. This activity was performed by the ministry's Employment Division.

The data point to a rise in labor force participation among some of these target groups. An examination of expenditure on Active Labor Market Policies (ALMP) for the population as a whole (Figure 15) indicate that the expenditure is small and has not risen much over the years. These data support the argument, raised in OECD reports on employment in Israel, that investment in this area is lower than in other welfare states (OECD, 2016).

Figure 15. Expenditure on active labor market policies as a percent of total government and per capita expenditure 2015 prices



Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*; Central Bureau of Statistics, *Statistical Abstract of Israel*.

Day care centers and early childhood education were also under the Ministry of Economy's authority until 2015. The ministry was responsible for regulating this sphere, for building day care centers and overseeing family child care frameworks, and for subsidizing children's enrollment in them. Early childhood education was a focus of the 2011 social justice protests in Israel, and subsequently became the subject of one of the principal recommendations of the Trajtenberg Committee established in the wake of the protests. As a consequence, spending in this area has risen in recent years.

As Table 1 shows, the expenditure for the Day Care Centers Division amounted to 1.2 billion shekels in 2015. In particular, the period 2010 to 2015 saw a 41 percent increase in expenditure related to tuition subsidies for afternoon programs for young children of working parents, in both day centers and in home settings (*mishpachtonim*). Moreover, this period also saw significant growth in spending on day care center construction and the repurposing of buildings as day care facilities. Total expenditure in these areas grew by 66 percent between 2010 and 2015.

Table 1. Budget of the day care and home setting care department in the Ministry of Economy
Implementation Budget, 2015 prices, NIS thousand

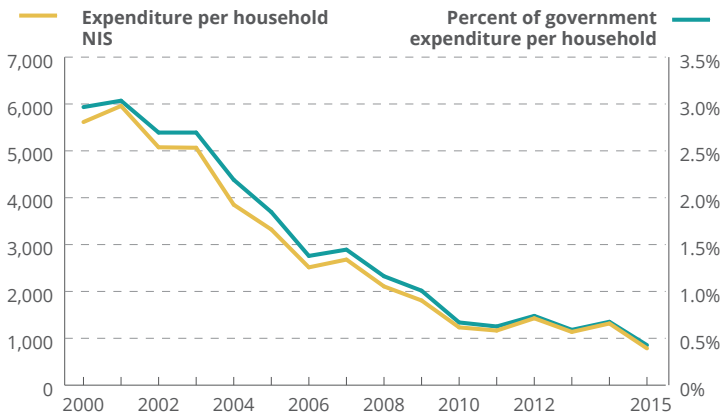
Year	Expenditure	Annual change
2010	726,809	—
2011	849,311	17%
2012	990,708	17%
2013	1,054,839	6%
2014	1,142,025	8%
2015	1,206,582	6%

Source: John Gal and Shavit Madhala-Brik, Taub Center.
Data: Ministry of Finance, Implementation Budget.

Ministry of Construction and Housing expenditures

In recent years there has been a major decline in government housing expenditure — as reflected in the Ministry of Construction and Housing's budget (Figure 16).⁵ In real terms, the ministry's implemented budget declined by 70 percent between 2000 and 2015: from NIS 9.8 billion to NIS 1.9 billion (2015 prices).

Figure 16. Expenditure on housing out of total government expenditure and per household
2015 prices



Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: Ministry of Finance, Implementation Budget; National Insurance Institute, *Statistical Quarterly*; Central Bureau of Statistics, *Statistical Abstract of Israel*.

The Ministry of Construction and Housing's main expenditure is housing assistance. A look at the housing assistance budget shows that this budget is divided into two main components: mortgages (credit, credit subsidy and grants), rent assistance, and fees paid to housing assistance companies (that provide subsidized rental properties in public housing). Total budgetary expenditure channeled to the three housing assistance components has diminished substantially since 2000. In particular, there has been a significant decline of 96 percent in the mortgage component since 2000 (Table 2). The

⁵ The Ministry of Construction and Housing budget includes the regular budget (the Ministry of Construction and Housing, construction grants and the Survey of Israel), and the development budget.

drop in mortgage assistance has several causes: (1) a number of policy changes instituted in 2003 whose main effect was to reduce the grants; (2) a decline in the market's interest rates, which made mortgages less costly for all residents and resulted in fewer eligible individuals choosing government mortgages; and (3) government decisions to subsidize land in other ways, not necessarily through the Ministry of Construction and Housing (i.e., Mechir Lamishtaken program to assist in first-time home purchases through the Israel Lands Authority). In the rent assistance sphere, most policy changes have affected the number of those eligible, which has declined since 2000. However, in the past two years there has been an increase in rent assistance, due to a rise in the number of individuals eligible and an increase in the monthly subsidy rate (see this chapter's Spotlight).

Table 2. Budget for housing assistance

	Year	Mortgages	Rent assistance	Commissions to assistance companies	Total housing assistance
2015 prices, NIS thousands	2000	5,933,363	1,893,521	507,831	8,334,715
	2005	2,898,878	1,528,177	407,550	4,834,605
	2010	465,897	1,354,230	253,830	2,073,957
	2015	234,800	1,546,219	140,009	1,921,028
Change from 2000, in percent	2005	-51%	-19%	-20%	-42%
	2010	-92%	-28%	-50%	-75%
	2015	-96%	-18%	-72%	-77%

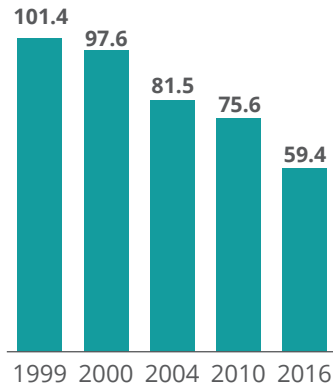
Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: Ministry of Finance, Implementation Budget.

One of the ministry's main activity areas is public housing. Total expenditure for this activity area in the state budget was negative in 2015, meaning that revenues for this expenditure item were registered in the amount of NIS 85 million. This budget line had income due to the high sales revenue⁶ recorded in that year, which surpassed the total expenditure on public housing purchases. According to the Public Housing Law (1999), revenues from housing sales must be used to buy new units for the public housing

⁶ The sale of public housing units at a discount to the residents living in them, by virtue of the Public Housing Law.

Figure 17. Housing supply in public housing



Source: John Gal and Shavit Madhala-Brik, Taub Center. Data: Ministry of Construction and Housing, 2016.

stock. In compliance with the law, as of August 2015, 3,450 units had been sold, and the revenues from their sale were used to purchase 120 apartments (Ministry of Finance, 2015).

From 1999 to 2016, there was a 40 percent decrease in the public housing supply (Figure 17). However, according to data from the Ministry of Construction and Housing, beginning in 2014, receipts from the sale of public housing units began to be used to purchase housing to add to the housing supply and reduce waiting times for public housing. From the beginning of 2015 until August 2016, some 806 housing units were purchased. Although this constitutes a substantial addition to the housing supply, it is not enough to address the needs of those

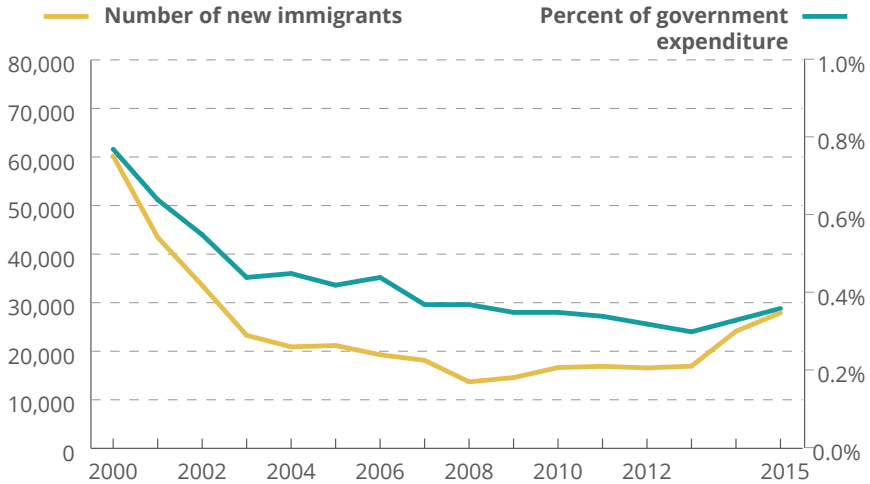
waiting for public housing, whose number has been rising in recent years, amounting to 3,000 as of 2016 (Ministry of Construction and Housing, 2016).

Ministry of Immigrant Absorption expenditures

Traditionally, the budget of the Ministry of Immigrant Absorption, which handles the needs of immigrants during their initial period of adjustment to life in Israel, has accounted for the smallest share of Israel's social welfare expenditure. This trend was reinforced over the past decade, when the number of immigrants who arrived in Israel declined sharply (Figure 18). However, the past two years have witnessed some growth in immigration, mainly from the former Soviet Union and France.

Figure 18. Number of immigrants and the budget of the Ministry of Immigrant Absorption

Ministry budget out of total government expenditure



Source: John Gal and Shavit Madhala-Brik, Taub Center.

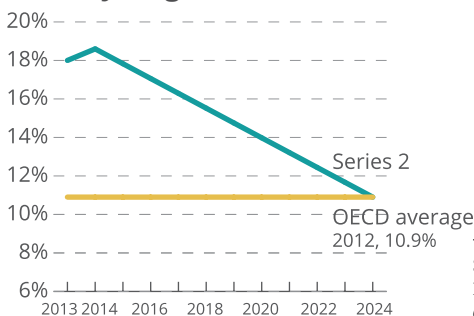
Data: Ministry of Finance, Implementation Budget; Central Bureau of Statistics, *Statistical Abstract of Israel*.

As noted, total social services expenditure includes Ministry of Social Equality expenditures. This ministry, created in 2006, was known until 2015 as the Ministry for Senior Citizens. The ministry's activity focuses on several areas: assisting the elderly, improving the status of women, economic development in the Arab Israeli sector, assisting young adults, and advancing the Digital Israel initiative (Ministry of Social Equality, 2016). The Ministry of Social Equality's expenditures came to NIS 66 million in 2015 — 1 percent of total social welfare expenditure. In recent years, the ministry's activity expenditure has stabilized around this sum and has not changed substantially since 2009.

Implementation of the Elalouf Committee Recommendations¹

The Committee to Fight Poverty in Israel (the Elalouf Committee) was founded in November 2013 at the initiative of the Minister of Social Affairs and Social Services, MK Meir Cohen. The Committee, headed by MK Eli Elalouf, sought to formulate a comprehensive, long-term plan to alleviate the economic distress that afflicts a substantial portion of the Israeli public. The committee constituted an unusual effort to examine Israel's poverty problem in a comprehensive manner, to propose clear objectives for dealing with it, and to draw up concrete recommendations for attaining the objectives. No attempt of this kind had been made since the early 1970s, when the Prime Minister's Commission on Children and Youth in Distress set the tone for Israeli welfare policy. Developments in welfare policy since that time, widening social gaps and a large increase in the incidence of poverty underscored the need for a new and broad-based approach to change the situation. Accordingly, the Committee to Fight Poverty set ambitious goals, among them a drastic decline in Israeli poverty figures within a decade. The aim was to bring Israeli poverty rates down to the OECD average — i.e., a 50 percent drop in the poverty rate, from one-fifth to one-tenth of Israeli families (Figure 1).

Poverty targets for the Elalouf Committee



Source: National Insurance Institute, *Poverty and Social Gaps Report*, 2014.

¹ We would like to thank Professor Varda Soskolne, Dr. Haim Fialkoff, Dr. Emily Silverman, Ayala Meir and Netanel Ben Porat for their assistance in the preparation of this document.

The committee was active for half a year. Most of its work took place in the plenum framework and in subcommittees devoted to specific topics: individual, family and community; employment; health; housing; and education. During this period the 50 committee members drew up a long list of recommendations at both the national and local levels. A major focus of the committee's cross-sectional recommendations was enabling citizens to exercise their rights and creating access mechanisms in areas of government activity to ensure that people living in poverty receive the services and benefits to which they are entitled. The committee sought to place the issue of poverty at the center of public debate and governmental effort, and emphasized the need to devote greater resources to it. Thus, some committee recommendations focused on making poverty a central area of Israeli government activity, and on creating a cross-ministerial system to advance programs for fighting poverty. The assumption was that administration of this system would be entrusted to a dedicated staff located in a major government ministry.

The committee formulated specific recommendations in several areas: social insurance, personal social services, housing, education and health.

The committee estimated the total annual cost of implementing its recommendations at NIS 7.4 billion (a small portion of the cost referred to existing programs or to programs already in the planning stage). This sum does not include small one-time expenditures on the establishment of advocacy centers, or already-budgeted expenditures on day care center construction. Nor does it encompass various other recommendations that appeared in the subcommittee reports but were not included in the plenum report. The sum included a 4 percent increase in total annual expenditure on social services (compared with 2014), and a 0.66 percent rise in GDP for 2014. The largest expenditure items were those of operating the empowerment grant program for children (A Savings Account for Every Child), increasing benefits, and supporting labor market participation via the negative income tax.

Two years have passed since the committee report was submitted to the Minister of Labor and Social Welfare, and this policy brief looks at the practical consequences of implementing its recommendations. It should be noted that, a short time after the recommendations were submitted, the Knesset was dissolved, which prevented creating a new budget. Some of the committee recommendations were indeed implemented in 2015, but only in August 2015 did the government decide to adopt policy measures for addressing poverty based on the committee's recommendations. The present government included some of the recommendations in its work plans, the budget, and in the Arrangements Law for 2016, as well as in the proposed budget for 2017-2018. This chapter focuses on budgetary expenditure and looks at the data in the state budget books and the proposed state budget for 2016 (meaning that proposals not entailing direct budgetary expenditure were not examined here).

Below is a review of implementation of the main recommendations included in the Committee's report.² Overall, about half of the recommendations were implemented, in part or in full. A few major recommendations, such as the Savings Account for Every Child program, are slated for implementation in early 2017. It should be noted that one of the Committee's most crucial recommendations — that of concentrating poverty-fighting efforts in a central body to be located in one of the major government ministries — has yet to be implemented, and it is highly doubtful whether it will be realized in the near future. Nevertheless, the Committee may be credited with making the issue of exercising rights a more pressing one in government discourse, and highlighting the need to relieve the distress of people living in poverty a more prominent concern of the Ministry of Labor and Social Welfare.

² In addition to the sources that appear in the text itself, the information presented in the review was provided to the authors via personal correspondence with Professor Varda Soskolne (Head of the Subcommittee on Health).

Welfare and social insurance

Recommendations implemented³

- **Develop an array of services to enable citizens to exercise their rights, and expand family social worker services** (reducing the number of families handled by each social worker): 150 family social worker job slots were created.
- **Introduce intervention programs:** multidimensional programs for families living in poverty, aimed at improving areas such as household financial management and employment: there was an increase in the relevant budgetary expenditure items in 2015 and in the proposed budget for 2016.
- **Increase income support in old age:** starting in January 2016 the benefit was increased by amounts ranging from NIS 130 to NIS 175 for individuals, and by NIS 510 to NIS 540 for couples. Per the proposed budget for the coming years, additional increases are expected in 2017 (increasing the expenditure by 350 million shekels) and in 2018 (200 million shekels).
- **Expanded flexible individual budget:** There was an overall increase for budget items intended to assist distressed families in the community (in the framework of the Noshmim Lirvacha (Breath of Relief) program) and seniors, both in 2015 and in the proposed budget for 2016.

Recommendations in the process of being implemented

- Find debt settlement solutions for people living in poverty
- Empowerment grant (A Savings Account for Every Child). Slated for inception in January 2017.

Recommendations not implemented

- Increase income support to the level of two-thirds of the poverty-line income (defined as half of the median disposable income per household).

³ In part or in full.

Economy and employment

Recommendations implemented

- **Expand work grants** (negative income tax), especially for single parents working at low wages: a bill was passed that expands grant eligibility for single-parent families, people with disabilities and self-employed persons. The change is expected to increase the number of those eligible by 55,000, at a cost of NIS 130 million.
- **Expand the array of occupational training courses:** the number of participants in training courses increased over the past year by 20 percent (Ministry of Economy, 2016). Accordingly, there was an increase in the relevant budgetary expenditure items in 2015, and an even more substantial increase in the budget proposal for 2016.
- **Increase the supply of publicly subsidized day care centers for the children of working parents:** there was a 6 percent increase in the relevant expenditure items in the 2015 budget and a 30 percent increase in the relevant items in the budget proposed for 2016.
- **Implement employment programs for populations that have difficulties participating in the labor market and for people with disabilities:** There was an increase in the relevant expenditure items in the 2015 budget, and a more substantial increase in the proposed budget for 2016 – twice the 2014 expenditure.

Recommendations not implemented

- Reduce the number of foreign workers
- Change the structure of pension funds to prevent pensioners from sliding into poverty.

Housing

The Committee identified housing as a major focal point in the effort to combat poverty. Accordingly, many of its recommendations on the topic had to do with public housing and with expenditures that would help vulnerable populations find adequate housing.

Recommendations implemented

- **Increase the amount of rental assistance provided:** the amount of rental assistance given to those eligible was increased by NIS 600-900 per month. Accordingly, there was an increase in the budgetary items related to rental assistance in the 2015 budget and in the proposed 2016 budget.
- **Assistance with long-term housing:**⁴ there was an increase in the relevant expenditure items in the 2015 budget, but not in the proposed budget for 2016.
- **Increase the supply of public housing:** as of August 2016, 806 residential units had been added to the public housing supply, and an agreement was signed with the Jewish Agency for the construction of 2,650 residential units for senior citizens (Ministry of Construction and Housing, 2016). Accordingly, the relevant expenditure items increased in the 2015 budget, and there was a substantial increase in the proposed 2016 budget.
- **Increase the public housing maintenance budget:** there was a small budgetary increase for the item in 2015, and in the budget proposal for 2016.

Recommendations not implemented

- Expand the circles of eligibility for rental assistance.
- Create an income scale for different levels of rental assistance.
- Assistance eligibility for seniors whose families provide them with support.
- “Equal Neighborhood” program: revitalization of underprivileged neighborhoods with available land, featuring improved infrastructures, investment in the public realm, social investment, educational programs, occupational investment and community organizing.

⁴ The long-term housing program is a supplementary program to public housing, in which increased rental assistance is provided for 10 years, for residential units not owned by the state.

Health

Recommendations implemented

- **Publicly subsidize dental treatments for seniors over the age of 75 who receive income support:** staff work has begun in cooperation with the Ministry for Social Equality.
- **Restore pupil health services:** pupil health services were returned to the authority of the Ministry of Health, Southern District. In the Northern District, services will be restored as of January 2017, while in the other districts an agreement was signed with Natali Healthcare Solutions for the provision of health care services for an additional four years. However, the recommendation to improve the nurse/pupil ratio of 1,500 was not implemented.
- **Publicly fund dental treatments for children up to age 14, and in subsequent years up to age 18:** as of January 2016, treatments are funded for children to age 14, while plans call for funding increases for an additional age cohort each year.

Recommendations under consideration

- Establish health promotion and disease prevention centers for the elderly: to be assessed as part of the health care system's preparation for population aging (in addition to measures such as the long-term care funding reform and expanding the array of home-based services).
- Create information centers in hospitals.
- Reduce copayments for medications and medical services.

Recommendations not implemented

- Finance travel for medical treatments for individuals living in poverty.

Education

Recommendations implemented

- **Increased differential budgeting:** NIS 100 million per year were added to the budget in order to add study hours in schools serving socioeconomically weak populations.

Recommendations not implemented

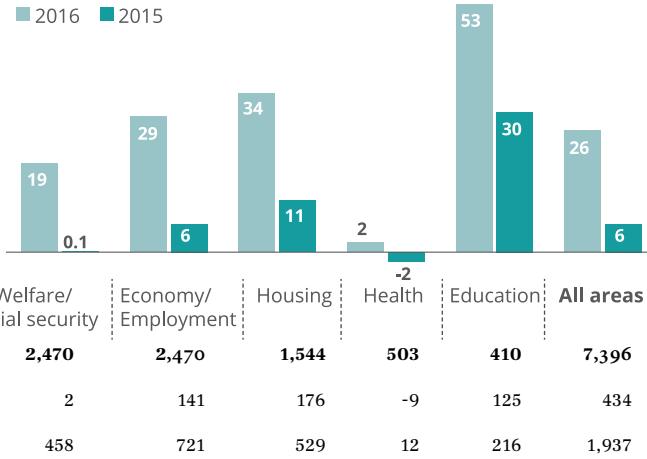
- Building and operating early-childhood centers.

Expenditures on implementing committee recommendations

Figure 2 shows the total budgetary expenditure on implementing recommendations of the Committee to Fight Poverty, by main expenditure areas and by expenditure year. The expenditure figures for 2014 refer to expenditure items that already existed when the committee recommendations were submitted, and for which the committee recommended increased funding. The 2015 expenditure is based on implementation data for these preexisting items and for new items that were introduced on the committee's recommendation. The data for 2016 refer to the proposed budget, but there are as yet no final implementation figures. The total added expenditure recorded in the budget items pertinent to the committee recommendations is NIS 300 million for 2015, and NIS 1.9 billion for 2016.

Additional expenditure for areas included in the recommendations of the Committee for the War Against Poverty

Increase relative to committee recommendations



Committee recommendations
Addition in 2015

Addition in 2016

	Welfare/ Social security	Economy/ Employment	Housing	Health	Education	All areas
Committee recommendations	2,470	2,470	1,544	503	410	7,396
Addition in 2015	2	141	176	-9	125	434
Addition in 2016	458	721	529	12	216	1,937

Additional
annual
expenditure
(in NIS
million)

Changes to the 2015 implemented budget and the 2016 proposed budget, relative to the 2014 implemented budget.

Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: National Insurance Institute; Ministry of Finance; Report of the Committee for the War Against Poverty (2014).

Conclusion

The study findings suggest that the Elaluof Committee has had an impact on Israeli social policy. The committee has succeeded in placing poverty on the public agenda; it has strengthened governmental involvement in the sphere of exercising rights, and has contributed to the development of new systems for addressing the problem. On the practical level, the committee generated change in an array of policy areas with potential for combating poverty, whether in the immediate or the long term. Based on committee recommendations, existing programs such as income support for senior citizens and work grants for single mothers were expanded, while new programs proposed by the committee, such as the Savings Plan for Every Child program (slated for implementation in January 2017), were adopted.

Despite implementation delays due to a governmental transition, this trend will clearly intensify in the coming years. Still, it is highly doubtful whether the measures taken to date, or those now in the planning stage, will suffice to attain the committee's objectives, especially its central one: a major reduction in the incidence of poverty in Israel. The doubt is due partly to the fact that the government has not created a special staff framework to handle the issue of poverty, making inter-ministerial activity in the war on poverty hard to coordinate. Furthermore, the actual addition to governmental anti-poverty expenditure so far amounts to NIS 1.9 billion (the difference between the 2016 and the 2014 budgets) – a sum that is far smaller than the expenditure increase recommended by the Elalouf Committee, which is NIS 7.4 billion. The gap is due to non-implementation of some of the committee's main recommendations, such as increasing income support, and to insufficient allocation for programs such as work grants, vocational training, and the recommendations, such as increasing income support, and to insufficient allocation for programs such as work grants, vocational training, and the purchase of new public housing units.

The Elalouf Committee recommendations have the potential to contribute meaningfully to Israel's anti-poverty effort. Unfortunately, the fact that these recommendations have yet to be fully implemented casts doubt on the government's willingness to regard substantially reduced poverty rates and alleviation of the distress suffered by people living in poverty as major policy objectives.

Conclusion and discussion

Expenditure for the overall social welfare sphere, including social security and social services, came to NIS 94 billion in 2015 — half of Israeli government social spending (social welfare, education and health) — and has been trending upward since the middle of the last decade. The main source of this increase is a rise in social security spending, particularly for National Insurance benefits (disability, long-term care and old-age pensions). At the same time, there has been a decline in sums allocated for child allowances and income support.

Social welfare spending declined by 30 percent in the early 2000s, then stabilized at relatively low levels relative to GDP and to total government expenditure. Among the components of social welfare spending, there was a major — 80 percent — drop in Ministry of Construction and Housing expenditure between 2000 and 2015. However, during that period the Ministry of Labor and Social Welfare expenditure per service-recipient-household and as a share of total government expenditure increased, as did Ministry of Economy expenditures on day care centers and home day care (mishpachtonim).

Social welfare expenditure data, as surveyed in this chapter, point to stability and moderate growth in government spending in the various spheres. Most of the growth reflects demographic changes, while a small portion stems from legislative developments (due to the social justice protests and the Elalouf Committee recommendations) and changing demand for services (exemplified by the declining number of new immigrants). When these trends are assessed in light of Israel's social problems — especially poverty and inequality — and when we compare Israel's social investment with that of other welfare states, it appears that the government has not made concentrated and concerted efforts over the past year to address the country's social issues.

References

English

Central Bureau of Statistics, *Annual Statistical Review*, various years.

Gal, John, Shavit Madhala-Brik, Michal Grinstein-Weiss, and Meredith Covington (2016), *Child Development Accounts in Israel: Background and Review of Options*, Policy Brief, Taub Center for Social Policy Studies in Israel.

Kop, Yaakov, "The Social Security System," in Yaakov Kop (ed.), *Israel's Social Services 2007*, Taub Center for Social Policy Studies in Israel, pp. 197-226.

Madhala-Brik, Shavit and John Gal (2016), "Outsourcing Social Services: Trends and Changes," in Avi Weiss (ed.), *State of the Nation Report: Society, Economy and Policy in Israel 2016*, Taub Center for Social Policy Studies in Israel.

Ministry of Finance (2008), *State Budget Proposal for the Fiscal Year 2007, Major Provisions of the Budget*, Budget Bureau.

Ministry of Finance (2015), *State Budget Proposal for the Fiscal Year 2015-2016, Major Provisions of the Budget*, Ministry of Construction and Housing.

OECD (2016), *OECD Employment Outlook 2016*, OECD Publishing.

Hebrew

Bank of Israel (2016), *Survey of Economic Developments, Number 140*.

National Insurance Institute, *Statistical Quarterly*, various years.

Ministry for Social Equality (2016), website, <http://www.shivyon.gov.il>.

Ministry of Finance, *Budget Implementation Reports*, Budget Bureau, various years.

Ministry of Defense, *Annual Report as Prescribed by the Freedom of Information Law*, various years.

Ministry of Construction and Housing (2016), *State of Affairs*, presentation to the Labor, Welfare and Health Committee.

Ministry of Health (2016), *Activities of the Ministry of Health in the Area of Poverty*, presentation to the Labor, Welfare and Health Committee.

Ministry of Economy and Industry (2016), *Implementation of the Committee for the War Against Poverty in Israel*, presentation to the Labor, Welfare and Health Committee

Ministry of Labor and Social Welfare (2016), *Ministry Policy for Dealing with Poverty*, presentation to the Labor, Welfare and Health Committee.

Ministry of Labor and Social Welfare, *Survey of Social Services*, various years.

Rabinowitz, Maria and Flora Koch Davidovich (2011), *Additional Compensation and Benefits for Holocaust Survivors in Israel*, Knesset Research and Information Center.

Tax Authority (2015), *Annual Report as Prescribed by the Freedom of Information Law*.

