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**WELFARE BUDGETS FOR ISRAEL'S
ELDERLY POPULATION**

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Welfare Budgets for Israel's Elderly Population

Sagit Azary-Viesel and Haya Stier*

Abstract

This chapter reviews the budgets allocated to the care of Israel's elderly population and the various allowances and services intended for them. The review points to an increase in the allowances provided by the National Insurance Institute and the success of these benefits in distancing the elderly from the poverty line. Yet, the level of transfer allowances has deteriorated over time in relation to the rise in the standard of living in the economy. Along with the allowances, many services are provided for the elderly, some of which serve a large portion of the elderly population (i.e., long-term care benefits), while others, such as assistance with housing, are intended for more specific groups. The dispersion of budgets and services intended for the elderly among different government ministries adversely affects the ability to follow up on the implementation of funding, leads to wasted resources and causes incomplete utilization of benefits by the intended beneficiaries of the allowances and services.

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Introduction

Israel is a country characterized by a relatively young population, with the elderly constituting about 10 percent of the overall population (Central Bureau of Statistics, 2013). Yet, in Israel, too, this population group is on the rise. The aging population and growing share of the elderly in the population, typical of the Western world, has broad implications for social policy. These processes require greater allocation of resources for the elderly, sometimes coming at the expense of budgets for other populations that are also in need of assistance (Brooks and Manza, 2006). Various welfare policies in many countries are even perceived as biased to the benefit of the elderly population, due to diverse political and ideological reasons (Tepe and Vanhuysse, 2010). The aging of the population thus has important implications for the manner in which public resources are allocated and the need for long-term strategic planning for the elderly population.

This chapter presents a survey of the overall public resources invested by Israel in its elderly population, as well as trends over time in this regard. There are two major goals for this study: (1) to examine the extent of assistance provided to the elderly by the country's support network, with particular attention to its efficacy in maintaining the elderly above the poverty line. In this regard, allowances from the National Insurance Institute (NII) and changes in them over time will be reviewed; (2) to map out the services and benefits for the elderly population provided by government ministries. This topic raises questions regarding the manner of budgeting, its necessity, and mainly the extent to which the benefits and services offered are actually utilized by the target population. The chapter concludes with an analysis of most of the public budgets allocated to Israel's elderly population on two levels: budgets distributed as monetary benefits and budgets allocated as in-kind services (non-cash social services such as community-based services). These budgets include old-age benefits, income supplement and long-term care benefits paid by the NII; the expenditures of government ministries, including the Ministry of Social Affairs and Social Services, the Ministry for Pensioner

Affairs, the Ministry of Construction and Housing; construction and housing grants; and other subsidies and transfer allowances.

1. National Insurance Institute Benefits

The National Insurance Institute provides Israel's elderly population, upon reaching the official retirement age, with a variety of allowances whose purpose is to ensure a basic income for those who have retired from active employment. The old-age benefit and survivor insurance are the major components of the social security allowances, and constitute about 37 percent of the total allowance payments of the NII. The old-age benefit alone constitutes about 26 percent of the total allowances paid out by the NII, and it is expected that the share of old-age and survivor insurance will increase as the population continues to age.

Old-Age Benefits

The old-age benefit in Israel is the most basic level of allowance at retirement and is universally granted to each insured person. This allowance guarantees a set monthly income at retirement age and is determined by the age of the applicant, his employment status and whether he was insured by the National Insurance Institute for the required time period set by law. The law differentiates between "absolute age," in which the allowance is paid to every insured person regardless of income, and "conditional age," which is based on meeting the minimum retirement age and is means-tested. In defining the retirement age, some changes have been introduced since June 2004. Until June 30, 2004, the retirement age was 65 for men and 60 for women. As of July 1, 2004, the retirement age began increasing by annually by four-month increments, and currently is 67 for men and 62 for women. For men, the absolute age of eligibility for the old-age benefit, regardless of income or employment status, has remained constant at age 70. For women, the absolute age of

retirement is increasing gradually, with the age ultimately set to increase from 65 to 70 for all those born after May 1950 (NII, 2013).

Every insured person who reaches the official retirement age is thus entitled to the basic allowance, but this entitlement is conditional upon a means test.¹ An insured person who continues to work past retirement age and whose income is higher than the official upper limit for allowance eligibility, or, a person with a high income from sources other than the allowance is entitled to the old-age benefit at the absolute age. In addition to the basic old-age benefit, payments are made for one's spouse and children as well as for seniority supplements to those who have received an old-age allowance and survivor insurance for over ten years. There is also a postponement supplement for those who postpone receiving an allowance until they reach the absolute age for retirement, due to work or high income. An individual who lives solely from the old-age benefit or on a very low income is eligible under certain circumstances to receive an additional income supplement.² By special arrangement with the Ministry of Finance, an old-age benefit is granted to new immigrants who came to Israel at retirement age and were unable to accumulate insurance benefits with the NII.³

Figure 1 shows the changes in the average old-age benefit per capita and the average elderly income supplement per capita (without burial allowance and without survivor insurance) over the last 30 years. That is,

¹ According to the means test, an individual whose earnings from work (not including allowance payments from his workplace) total no more than NIS 5,032 per month and no more than NIS 10,064 per month from non-employment-based income (interest, rental income, etc.) is entitled to an allowance at retirement age. Not included in the means test is income from German reparation payments, differences due to indexing of loans, deposits, or savings plans provided they are exempt from income tax.

² The income supplement is given to an individual, yet takes into consideration the spouse's income. For the complete criteria of entitlement see the NII website: btl.gov.il/benefits/old_age/hashHachZ/Pages/tnaiZakautTosefet.aspx

³ An Israeli resident who is ineligible for the old-age benefit because he came to Israel past the age of 60-62, receives a special allowance from the National Insurance Institute, funded by the Ministry of Finance.

it shows the total old-age benefits payments and the total income supplement payments divided by the number of recipients of each type of benefit.

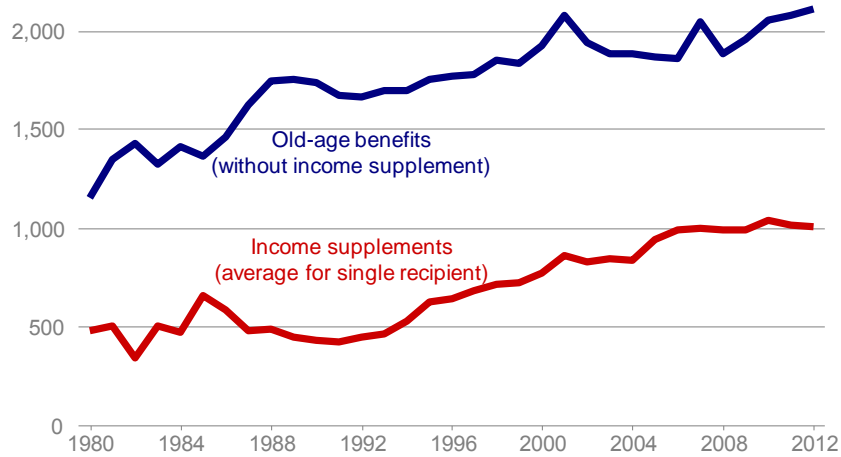
In 2013, the basic old-age benefit for an individual beneficiary who had not yet reached the age of 70 was about NIS 1,500 per month. The basic elderly income supplement for a single eligible beneficiary totaled about NIS 1,200 per month. As previously noted, in addition to the basic allowance, there are supplements based on seniority, age and children. Since the 1980s, there has been a clear upward trend in the allowance levels. There are some notable landmarks in this regard. The start of the 21st century saw a substantial increase in the allowance levels, but this increase later eroded following changes in economic policy and in the allowance linkage mechanism (i.e., until 2003 allowances were linked to the average earnings in the market; since 2003 they have been linked to the consumer price index). According to data from the National Insurance Institute (NII, 2007), old-age benefits were not updated between 2002 and 2004 and were even lowered in 2004. Altogether, the basic old-age benefit lost about 10 percent of its real value between 2001 and 2004. The elderly income supplement level was not harmed by these changes, as can be seen from the figure.

In 2004, it was decided to gradually increase the age of entitlement for an allowance over a six-year period – from 2004 to 2009. In accordance with the Economic Efficiency Law (2009), it was determined that the basic old-age and survivor insurance benefit would gradually rise by 7.3 percent by 2011. Indeed, in 2009 the old-age and survivor insurance benefit had already increased by 3 percent, and in line with the plan, in January 2011, the 7.3 percent increase was completed (Horev, Keidar and Hershkovich, 2011).

Figure 1 also presents changes in the elderly income supplement, which is paid to those retirees of limited means as an additional supplement. Analysis of the data in real terms (Figure 1) shows that this supplement increased substantially between 2004 and 2006 (17 percent), whereas from 2006 to 2012, there was only a 1.8 percent increase.

Figure 1
**Old-age benefits and income supplements
 for the elderly, 1980-2012**

in 2012 shekels



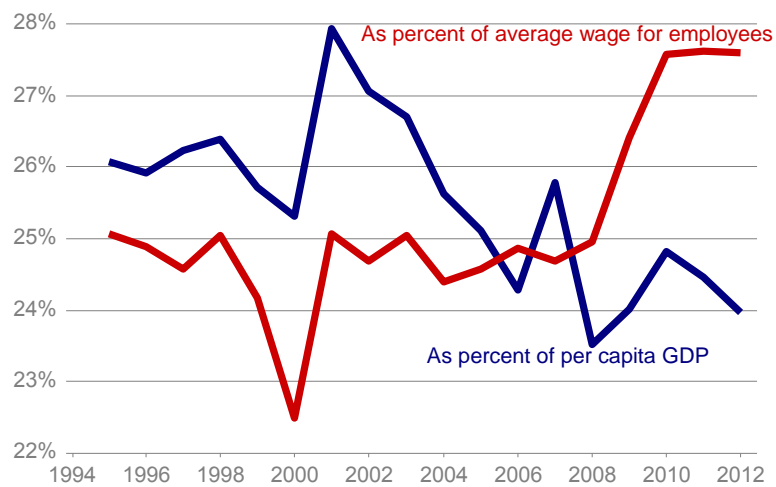
Source: Sagit Azary-Viesel and Haya Stier, Taub Center

Data: National Insurance Institute

Figure 2 presents changes in the size of the old-age allowance during the past two decades (1995-2012), relative to the per capita income and the average wage in the economy. Generally, from 1995 to 2008, some stability is evident in the size of the allowance as a percent of average earnings, except for a sharp decline in 2000. In 2009, however, there was substantial improvement and the size of the allowance increased from 25 percent of average earnings in 2008 to 27.6 percent in 2010, and has since remained stable at that level. In contrast, when measuring the average allowance as a percent of per capita income for the same time period, a reverse trend is noted from 2002 onward. Assuming that per capita income serves as a standard-of-living index, it can be argued that the old-age benefit does not succeed in staying consistent with the population's average standard of living. In this sense, the elderly population's

condition has worsened since 2002, especially for those whose major source of income is the allowance from the NII. In that year, the allowance stood at 27.1 percent of per capita income, and by 2012, it had declined to about 24 percent. The data clearly show that, relative to the increase in the standard of living in the economy, the allowance has been continually eroding.

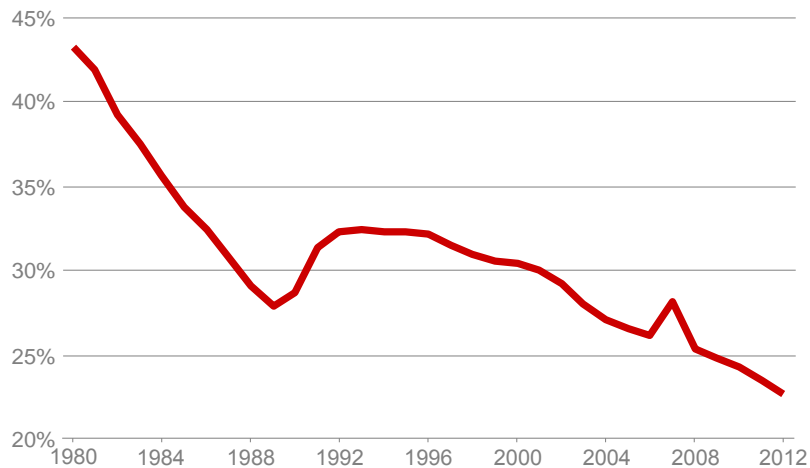
Figure 2
Old-age benefits
as percent of per capita GDP and of the average
market wage for employees, 1995-2012



Source: Sagit Azary-Viesel and Haya Stier, Taub Center
Data: National Insurance Institute, Central Bureau of Statistics

Figure 3 presents the percent of actual recipients of the elderly income supplement out of the population of old-age benefit recipients. The figure reflects a downward trend – from about 45 percent in 1980 to about 23 percent in 2012 – explained by an increase in the number of the elderly still employed along with an increase in their incomes from allowances and other sources (Kimhi and Shraberman, 2013). At the same time, there was a decline in the number of immigrants who received the elderly income supplement, which is provided outside of the National Insurance law through an agreement with the Ministry of Finance (NII, 2007). In general, it can be concluded that the decline in the number of recipients of the elderly income supplement was the result of changes within the elderly population itself and did not reflect a change in eligibility conditions.

Figure 3
Recipients of income supplements
 as percent of old-age benefit recipients, 1980-2012



Source: Sagit Azary-Viesel and Haya Stier, Taub Center

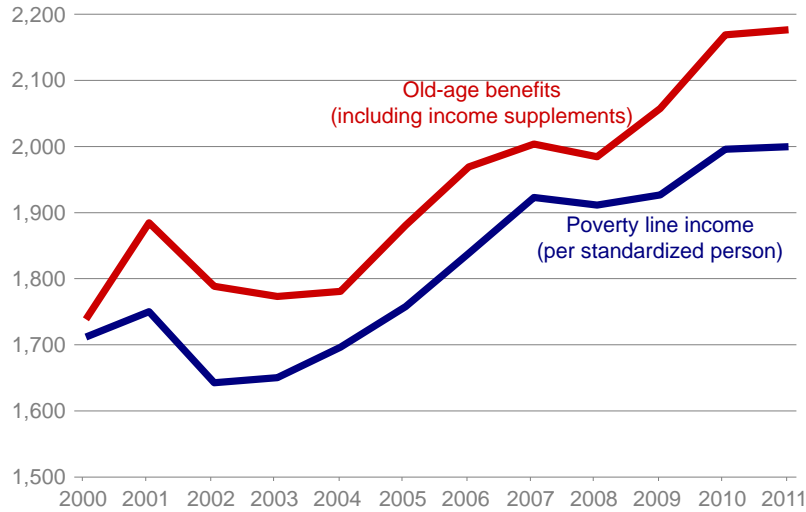
Data: National Insurance Institute

One of the goals of the old-age benefit and the elderly income supplement is to guarantee a minimum standard of living for the population of retirees (Cohen and Antler, 1985). Therefore, one of the important questions is to what extent the old-age benefit in fact succeeds in preventing poverty among its target population. Figure 4 shows the level of old-age benefits for a single elderly person over a ten-year period as compared to the per capita poverty line income.

The figure illustrates the degree of success of government policy in rescuing from poverty those elderly individuals who have no income other than the old-age benefit or the income supplement. Nevertheless, the allowances cannot save this entire population from poverty, as is evidenced by the fact that about 17 percent of elderly households live under the poverty line (Stier and Bleikh, 2014). The poverty line is based on per capita income adjusted to the size of the household. It is important to note that some of the elderly live with their spouses or with other family members, and the allowance itself is insufficient to fully prevent poverty in every existing household structure. Over the years, old-age benefits have increased, widening the gap between these benefits and the per capita poverty line income – which confirms that the allowance has succeeded in distancing the elderly from the poverty line. Although extrication from poverty does not indicate the general standard of living of the elderly, it does constitute an important dimension in the support of the elderly. Further on, this chapter will survey additional benefits provided for this population, including expenditures on in-kind services that offer a solution for a variety of the elderly population's needs.

Figure 4
**Poverty line income and old-age benefits
 for the elderly, 2000-2011**

monthly figures, in 2011 shekels



Source: Sagit Azary-Viesel and Haya Stier, Taub Center

Data: National Insurance Institute

Long-Term Care Benefits

Beyond the universal old-age benefit and support for those of limited means, the NII provides additional help to the elderly who have difficulty with daily functioning and living skills and require supervisory care. The Long-Term Care Law, passed in 1980, was designed to provide individual care for the elderly population within the community framework and applies to all old-age benefit and survivor insurance recipients, and not necessarily to those who are needy. Residents of Israel who have reached retirement age and are dependent upon others for their daily activities or need supervisory care are entitled to the long-term care

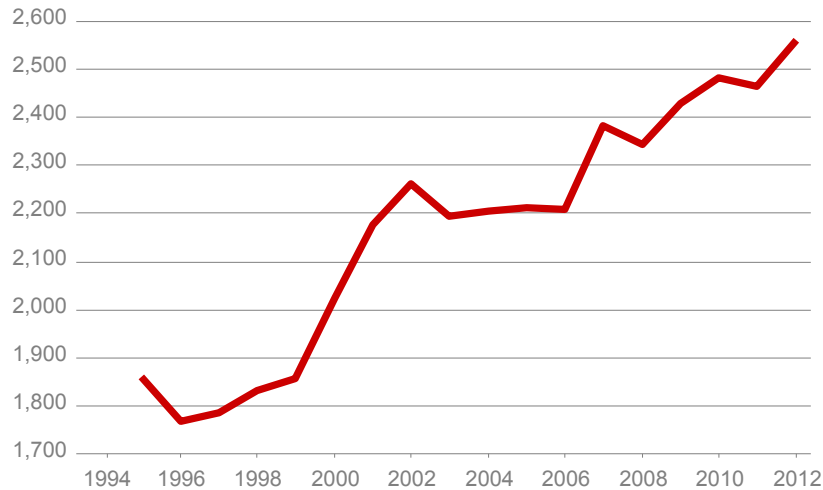
benefits of the NII, as determined by law and according to certain conditions and basic principles. Entitlement to this benefit is determined through administration of a test to ascertain the level of independent functioning on activities of daily living, carried out by a NII representative (a nurse or physiotherapist) during a home visit (Reut Eshel, 2014). The long-term care benefit is intended solely for the elderly who live at home or in assisted living, and by definition, its purpose is to provide assistance for the elderly within the community and not those residing in institutions. The benefit is also conditional upon a means test, and the entitlement and amount are determined by the NII. In the event that an elderly person's income is above the determined upper limit, taking into consideration the spouse's income as well, only half the benefit is approved, or it is not granted at all.⁴ Moreover, entitlement to this benefit is limited to the elderly who are not receiving special service benefits from the NII or general assistance allowances from the Ministry of Defense.

The total spending on long-term care benefits stands at about 0.5 percent of GDP per year, and in 2012 was estimated at NIS 4.6 billion. Figure 5 shows the average per capita expenditure for long-term care benefits, that is, the total expenditure of the National Insurance Institute for long-term care benefits for all recipients from 1990-2012 (in 2012 prices) divided by the number of recipients. The figure clearly shows that the long-term care benefit is on the rise – from NIS 1,859 per month at the beginning of the period to NIS 2,561 in 2012.

⁴ For example, an individual with an income of up to NIS 9,000 receives the full benefit, whereas one with an income between NIS 9,000 and NIS 13,600 receives half the benefit.

Figure 5
**Average expenditure on long-term care benefits for
 a single elderly recipient, 1995-2012**

monthly figures, in 2012 shekels



Source: Sagit Azary-Viesel and Haya Stier, Taub Center

Data: National Insurance Institute

The number of those eligible for the long-term care benefit has also increased over the years, despite the rise in the entitlement age. From 1991 to 2012, this number increased nearly five-fold – a dramatic increase, even in relation to the rise in the size of the elderly population during that time. The proportion of those in the over-65 population receiving the long-term care benefit stood at 21 percent in 2012, compared to 8.3 percent in 1991. There are several reasons for this increase. First, there has been a significant increase in the life expectancy of the elderly. For example, the portion of the over-65 population who were 85 and older was 8.6 percent in 1996, whereas it had increased to approximately 13.3 percent by 2012 (according to the data of the Central Bureau of Statistics). Moreover, the availability of the long-term care

benefit seems to have influenced the preference of the elderly to receive home care and remain in the community rather than moving to institutional care. Some changes in legislation, such as concessions in the dependency evaluation process, have also contributed to the increase in the number of entitled elderly persons. Since 2012, a “temporary fast track” of the evaluation process has also been offered, with the degree of dependency determined on the basis of medical documents. This is intended for those who, due to a sudden medical event, become temporarily dependent on others for a period of up to two months, and require assistance in carrying out basic every-day functions (NII, 2012). An additional legislative change has enabled those who have reached the age of 90 to receive the benefit, based on the opinion of a doctor of their choosing who specializes in geriatrics, without the dependency test administered by the inspectors of the NII. At the same time, perhaps the increased utilization of the entitlement is also the result of a growing awareness among the public of its existence in recent years.

A 2008 study by the NII regarding the share of the elderly population in Israel entitled to a public subsidy for long-term care services relative to 17 OECD countries revealed that Israel was first in its support of the elderly population in nearly all the categories reviewed, or shared first place with another country or countries. One possible conclusion is that the conditions for entitlement to the long-term care benefit in Israel enable the inclusion of a significant share of the elderly within its framework (NII, 2012). In this regard, it is noteworthy that over the years, due to the increase in the life expectancy, there has also been an increase in the length of time for which individuals receive the long-term care benefit. It is estimated that the average life span of an elderly person, from the moment that long-term care is required, has increased two-fold in the past two decades – from 18 months during the 1990’s to about 36 months today (Horev, Keider, and Hershkovich, 2011).

In addition to the direct subsidies offered to the elderly population in Israel through the NII, many other services are available to the elderly, most of which include public expenditures for “in-kind services” and are mainly financed by various government ministries including the Ministry

of Social Affairs and Social Services, the Ministry of Finance, the Ministry for Pensioner Affairs, and the Ministry of Construction and Housing. The next section reviews the ministry budgets allocations to the elderly population. For this purpose, several concepts should be differentiated:

- A. Net budget versus gross budget:** The net budget represents the total financial resources allocated by the government to the ministry (the original budget), whereas the “gross budget” also includes the “income-dependent expenditure,” that is, the total financial resources at the ministry’s disposal – which includes funding from national resources and funding from external bodies, especially the local authorities and public institutions such as day care centers and rehabilitation centers.
- B. The original budget, the amended budget and the final budget:** The original budget is the basic budget (the budget prepared by the Ministry of Finance along with all the other ministries) brought to the Knesset for approval. In contrast, the amended budget is dynamic and changes throughout the year in accordance with legislation, revisions approved by the Knesset Finance Committee, the transfer of budget surplus, and other factors. At the year’s end, the budget includes all the modifications carried out throughout the year. The final budget refers to funds that were actually spent.

2. The Ministry of Social Affairs and Social Services – The Service for the Elderly

The Unit of Service to the Elderly operates under the auspices of the Division for Individual and Social Services of the Ministry of Social Affairs and Social Services. Its purpose is to provide personal and social services to the elderly in the community and in community centers, along with supervision of these services.

An analysis of the unit's budget reveals several trends over the years 2005-2012 (Figure 6).

A. A decline in the original budget and the approved budget as compared to an increase in the final budget. A significant decline is evident in the original budget and in the approved budget of the unit throughout the time period, as compared to a rather consistent increase of 23 percent cumulatively in the period between 2005 and 2012 in the final budget.

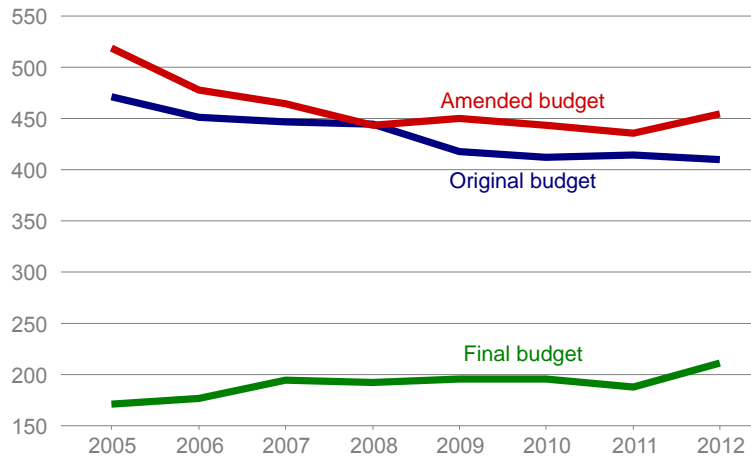
In 2012, the Ministry's original budget was estimated at NIS 409 million, as compared to NIS 471 million in 2005. The approved budget was estimated at NIS 454 million as opposed to NIS 519 million in 2005, whereas the final budget showed a clear upward trend – from NIS 172 million in 2005 to NIS 211 million in 2012.

B. A gap of tens of percentage points between the original and approved budgets and the spending in practice. There is a gap of tens of percentage points between the basic budget (the original budget and the approved budget) and actual spending, although an upward trend in the final budget is clear (as discussed in paragraph A). The budget that was actually utilized in 2012 was estimated at 46 percent of the approved budget at the disposal of the Division for Social and Individual Services that year; in 2005, 33 percent was utilized.

There are several possible explanations for the low level of utilization of the budget over the years. (1) The manner of transferring funds through the local authorities: the budget for services for the elderly is managed by the Division for Individual and Social Services, and nearly all of it is transferred to the local authorities. However, because the local authorities are then required to finance 25 percent of their welfare budgets, those local authorities that are financially weak often lack the means to match their portion of the expenditures and, for that reason, may not fully utilize the allocation in each of the budget items (State Comptroller's Report, 2001). (2) The manner of decision making and

budget approval: there are years in which the budget is not approved on time, such that the fiscal year begins without an approved budget and spending for each month is based on the previous year's budget, which in most cases is lower than the final approved budget. An alternative explanation is that many changes are introduced during the course of the fiscal year, and by year's end, there are resources in the ministry's budget that can no longer be utilized and thus budget surpluses remain. Therefore, in many cases the final budget reported at the end of the year is lower than the original and approved budgets.

Figure 6
Ministry budget for the Service for the Elderly, 2005-2012
 in 2012 million shekels, by type of budget



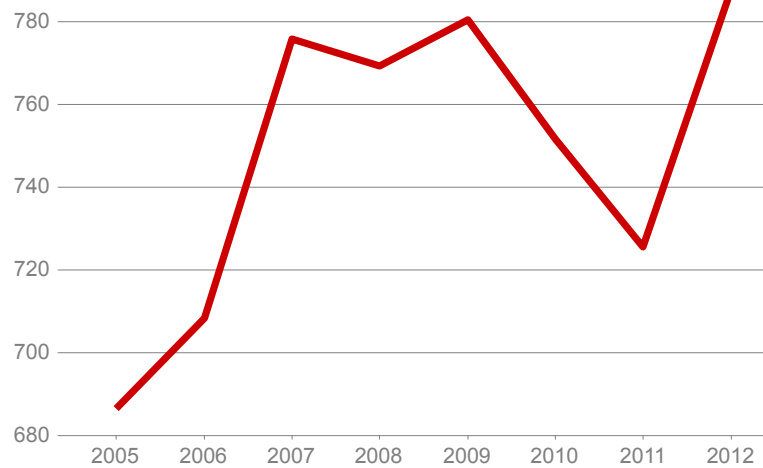
Source: Sagit Azary-Viesel and Haya Stier, Taub Center
 Data: Budget Department, Ministry of Finance

Figure 7 presents a general upward trend in actual spending (final budget) on services for the elderly for the years 2005 to 2012, adjusted to the size of the assisted population (that is, the budget divided by the total number of benefit recipients). Thus, the per capita budget increased in real prices from NIS 680 in 2005 to NIS 788 in 2012, despite the dramatic drop in the per capita budget in the years 2010-2011. The increase is explained mainly by a greater allocation of resources to those services provided mostly within the community framework: day care centers, clubs and supportive communities, some of which enjoy financial support from the Ministry and are under its supervision. Thus, during the past decade, a sharp upward trend was noted in the number of supportive communities⁵ from 28 in 1998 to 253 in 2011; from 6,400 households that were part of these communities at the beginning of the previous decade to 37,097 towards the end of the decade.

Additionally, a substantial increase was noted in the number of the elderly who attended day care centers, corresponding with the increase in the number of new day care centers built for this population. In the early 1990s, there were 53 centers that served about 3,700 elderly people, and by the end of 2008, the centers numbered 172 and served about 15,400 elderly people.

⁵ The growth of supportive communities, located in areas where there is a high proportion of elderly, is an interesting development in the field of elderly services over the past decade. Within the framework of the supportive community, elderly members of the community receive a variety of services: distress buttons, help from the community's housefather, emergency medical services as needed, and participation in social activities. These communities were developed through the initiative of the Reut Eshel Organization in the years 1995-1996 (Tyne, 2008).

Figure 7
Final Ministry budget for the Service for the Elderly, 2005-2012
per person allocation, in 2012 shekels



Source: Sagit Azary-Viesel and Haya Stier, Taub Center
Data: Budget Department, Ministry of Finance

3. Additional Services for the Elderly Provided by Government Ministries

The Prime Minister's Office - The Bureau for Senior Citizens

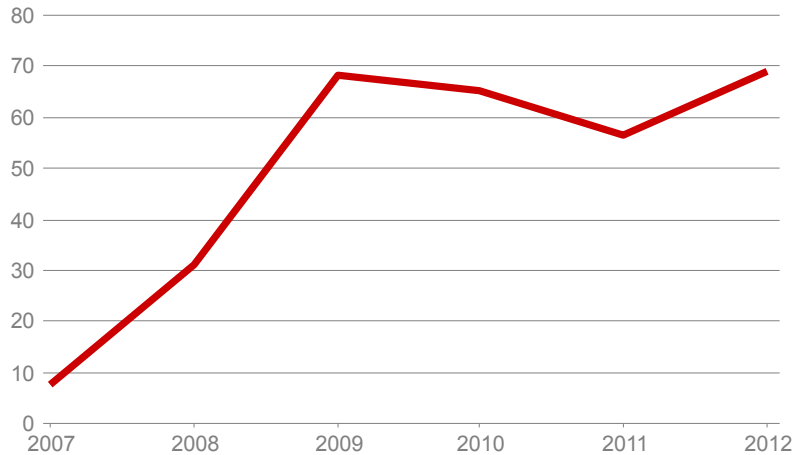
The Bureau for Senior Citizens was established in 2007 to serve as government headquarters for developing programs and services for the elderly population. Its purpose is to lead and implement projects, legislation and changes in the public agenda, with its main objective being to improve the quality of life of Israel's senior citizens. Since its inception, this government office has worked to strengthen and promote

the status of senior citizens through empowerment as well as through enhancing their influence and prominence in society. The data indicate that about 830,000 senior citizens living today in Israel enjoy the programs developed by this office and benefit from the services it provides.

Among the fields of activity and programs under the auspices of the Bureau are: a national hotline for senior citizen inquiries; a government information center for Holocaust survivors; projects for Holocaust survivors; the "Tehila" program – completing elementary education for adults; lecture series and continuing education courses; the government program to fight violence towards the elderly; "The Elderly in Movement" – activities of youth movements in cooperation with senior citizens; students on behalf of senior citizens; a research fund; and a prevention program addressing suicidal tendencies and suicide.

The Bureau's final budget, as presented in Figure 8, indicates an increase in the resources allocated to senior citizens. Yet, there are no details of the services provided by the Bureau at the individual or program level, nor is it possible to know how many senior citizens enjoy each program.

Figure 8
**Ministry of Pensioner Affairs budget –
 final budget figures, 2007-2012**
 in 2012 million shekels



Source: Sagit Azary-Viesel and Haya Stier, Taub Center
 Data: Budget Department, Ministry of Finance

The Ministry of Communications - Discounts on "Bezek" Phone Line Fees

The Ministry of Communications provides a discount on the fixed usage charges of the "Bezek" phone company for recipients of both the old-age benefit and of either the elderly income supplement or the additional disability allowance. Eligible recipients are entitled to a 50 percent discount on their telephone (landline) fees. Figure 9 presents the trend in the budget that finances this discount for the years 2005-2012, showing a clear decline in financing for this discount, from nearly NIS 400,000 in 2005 to less than a quarter of that amount today.

Figure 9
Budget for discounts on landline telephone charges, 2005-2012
in 2012 thousand shekels



Source: Sagit Azary-Viesel and Haya Stier, Taub Center
Data: Budget Department, Ministry of Finance

The decline in the actual financing of the discount stems from the substantial decline in the number of people receiving this benefit due to two reasons. First, the expansion of competition within the communications sector has served to lower the user fees for Bezek lines by tens of percentage points, and has even led some customers to switch to less expensive Bezek packages or to competing companies offering lower prices, without the need for this discount. Second, there has been a decline in the number of recipients eligible for the elderly income supplement, from 194,000 in 2005 to 186,000 in 2012, and since this is the population that is automatically eligible for the discount, the budget for discounts naturally declined.⁶ No data is available, however, for the

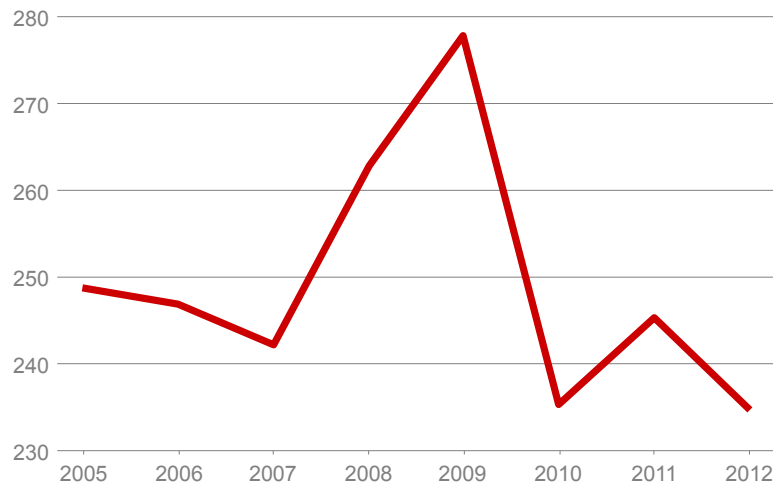
⁶ Discounts are granted by Bezek according to lists of beneficiaries that the company receives from the National Insurance Institute.

number of recipients of the old-age benefit who are also recipients of a disability allowance and are therefore eligible for the Bezek discount.

The Ministry of Transport and Road Safety – Various Budget Line Subsidies

One of the benefits that every senior citizen is eligible to receive is a “senior citizen card,” that provides a 50 percent discount on public transportation. According to data from the “Or Yarok” organization (a non-profit organizations whose name means Green Light), about 33 percent of Israel’s elderly population uses public transportation. Figure 10 illustrates the cost of this public transportation subsidy, showing a decline in the total subsidy in real terms. In 2005, the subsidy cost was estimated at NIS 250 million, whereas in 2012, the cost declined to about NIS 235 million (in 2012 prices). It could be asked whether the expenditure declined due to a decrease in the number of beneficiaries, a change in the amount of the subsidy or for some other reason. An examination of the data indicates that the subsidy remained constant at 50 percent for the years 2005-2012. There is no direct data regarding the percentage of elderly who receive the subsidy on public transportation, although it may be assumed that the level of public transportation use by seniors would correspond to the general increase among all public transportation users (about 3 percent annually, according to data of the Knesset Research and Information Center). It seems, therefore, that the decline in the total expenditure on public transportation subsidies was apparently not the result of a drop in the subsidy or in the percentage of users, but was the result of the reform in public transportation that contributed to a 37-50 percent savings on operational costs, thereby allowing for a drop in the level of subsidies required (Ida and Talit, 2014).

Figure 10
**Amount of subsidies for public transportation
for elderly citizens, 2005-2012**
in 2012 million shekels



Source: Sagit Azary-Viesel and Haya Stier, Taub Center
Data: Budget Department, Ministry of Finance

The Ministry of Construction and Housing

Budgets for support and assistance

The Ministry of Construction and Housing also allocates part of its budget to the elderly population. In Israel, the homeownership rate among the elderly is quite high. In 2012, 79 percent of elderly households owned a home, compared to an average of 76 percent in the OECD countries (OECD, 2013). It follows then that among households headed by the elderly, about 21 percent do not own a home and are in need of other housing solutions: rentals in public housing, private rentals or

assisted living. The Housing Ministry's assistance is aimed at both those who purchase a home and those who rent, and development budgets are also available for those residing in assisted living frameworks, as will be described in further detail.

The Ministry of Construction and Housing support budgets are divided into three major tracks:

A. Help with mortgage payments for the elderly of up to NIS 300 per month. This support went into effect in April 2010 in accordance with several conditions.⁷

B. Rental payment assistance grants. This program is intended to assist the elderly who live on the NII's old-age benefit and income supplement, and is part of a general rental assistance program for Israel's population. The elderly population constitutes about 40 percent of the recipients of this benefit, with the level of assistance based on the individual's age, physical condition, and place of residence, as well as other special considerations for certain recipients including Holocaust survivors and disabled war veterans. Thus, for example, an elderly couple 70-74 years of age who lives alone in a small locality outside of a national priority area is entitled to receive about NIS 1,200 per month, compared to a single elderly man with the same profile who is entitled to NIS 890.⁸

Figure 11 shows the level of the average rental assistance given to an eligible recipient, relative to average rental costs in the market. Since no long-term series data on the average assistance to

⁷ Assistance is limited to those elderly who receive the old-age benefit, including the income supplement or the allowance for victims of Nazi persecution, and who obtained a mortgage for residential purposes up until November 4, 2007, with restrictions on the price of the apartment.

⁸ Within this program, rental assistance is also provided for elderly new immigrants living with their families. Elderly Holocaust survivors, World War II veterans and Chernobyl reactor neutralizers are entitled to an additional assistance of 10 percent on top of the amounts quoted above.

the entitled elderly population is available, average assistance was calculated for all entitled recipients, including new immigrants and other specific populations.⁹ From 2005 to 2012, it is clear that the level of assistance decreased significantly, from 40 percent of the average rent costs in 2005 to 25 percent of the average rent costs in 2012. The sharp decline in 2006 stems from an increase in entitlement, which was amended in 2007. The overall decline stems mainly from a significant increase in rent costs, at an average of about 5 percent per year, as compared to a very moderate increase, even at times a decline, in the rate of assistance – an average of about 0.3 percent per year, in real terms (according to data from the Ministry of Construction and Housing).

Figure 11
Average rent assistance
as percent of average rental price, 2005-2012



Source: Sagit Azary-Viesel and Haya Stier, Taub Center

Data: Ministry of Construction and Housing; Budget Department, Ministry of Finance

⁹ In this section, in addition to the budget data, data from the population division of the Ministry of Construction and Housing was used.

Eligibility for Public Housing. Elderly individuals who do not own a home and whose only source of income is an old-age benefit and income supplement from the NII, or those who have exhausted their earning capacity and have very low income, are eligible for public housing with rent subsidies. Figure 12 shows the share of the over-65 population residing in public housing. There is a clear general downward trend – from 13.6 percent in 2003 to 11.4 percent in 2011 – although, during this time period, increases have also been noted from time to time in the share of the elderly population who reside in public housing with rent subsidies.

Figure 12
Elderly living in public rental housing
 as percent of all those aged 65 and over, 2003-2011



Source: Sagit Azary-Viesel and Haya Stier, Taub Center

Data: Central Bureau of Statistics, *Household Expenditure Survey*

The Development Budget

Budget for housing for the elderly. The Ministry of Construction and Housing also budgets for constructing housing units for the elderly, operating assisted living for the elderly, and maintaining and renovating assisted living facilities for the elderly. The development budget for public assisted living is earmarked mainly for the elderly population with a low income who have no other permanent housing solution. This budget line does not include about 3 percent of all those aged 65 and older who reside in long-term care centers, mostly nursing homes¹⁰ and long-term care units or hospitals for the chronically ill. All of these are financed by the Ministry of Health's budget. Financial assistance is given on the basis of the individual's financial status as well as on the basis of unique needs (Reut Eshel, 2012).

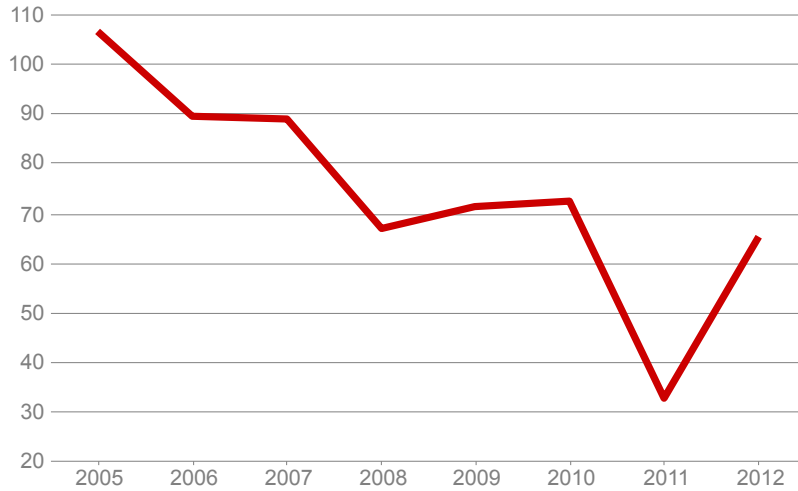
Figure 13 indicates that the development budget for assisted living using public funds has declined, although there was some improvement in 2012 – from about NIS 106 million in 2005 to about NIS 65 million (in 2012 prices).

In this section, no adjustment was made for the number of elderly recipients supported by the budgetary clause under discussion since the data refer to the elderly in all assisted living frameworks – both private and public.¹¹ Due to a lack of detailed data, it is problematic to analyze public policies for the elderly population in Israel, and the need to collect data from all assisted living facilities must be emphasized.

¹⁰ Nursing homes operate under the auspices of the Ministry of Welfare or the Ministry of Health, and offer services targeted at elderly individuals that need assistance in managing their daily lives.

¹¹ About 4.3 percent of those 65 years old and older reside in assisted living facilities, both public and private. Nearly half of them (48 percent) are subsidized. There has been an increase in the number of elderly living in assisted living facilities – from 21,315 in 2004 to 23,043 in 2012 (Central Bureau of Statistics, 2011).

Figure 13
**Government budget for elderly assisted
 living housing, 2005-2012**
 in 2012 million shekels



Source: Sagit Azary-Viesel and Haya Stier, Taub Center

Data: Budget Department, Ministry of Finance

Additional General Benefits

In addition to the defined budgets presented in this chapter, the elderly are also entitled to discounts on municipal taxes, electricity bills, water bills from the Water Authority, and medications, and they are exempt from the requirement to obtain a public television license.¹² No data were found detailing the total amount of these entitlements and their total cost to the various ministries. In an attempt to estimate the benefits package to

¹² These discounts are intended for the elderly who receive the old-age benefit along with the income supplement or disability allowance, although some elderly people receiving the old-age allowance alone are entitled to a partial discount on municipal taxes.

which the elderly are entitled, an evaluation was undertaken, which included the old-age benefit, elderly income supplement, long-term care benefit, municipal tax discount, discounts on electricity and water payments, exemption from the television license, discounts from Bezek, discounts on public transportation, and rental assistance for those eligible. The benefits package was calculated in order to clarify the extent of government support, as shown in Table 1. Calculations are based on the comparison between three different elderly populations, based on their socioeconomic characteristics: (1) the over-75 population who are not dependent at all on government assistance, who have income from a pension and own a home, and are not in need of long-term care benefits; (2) the over-75 population who own a home, do not have income from a pension and are not in need of long-term care benefits; and (3) the over-75 population who are fully dependent on government assistance, have no income from a pension, do not own a home and are eligible for long-term care benefits.

The table shows a substantial gap between the independent elderly person who is not dependent on NII allowances and the elderly person who is fully dependent upon the system. For example, a single elderly person, 75 years or older, who lives alone, owns a home and receives income from a pension, will receive a benefits package with an average value of NIS 2,454 a month. In contrast, a single elderly person in the same age bracket who owns a home and has no income from a pension or other sources will receive a benefits package with an average value of NIS 3,324. A single elderly person in the same age bracket who is in need of full support from the government – who has disabilities and is eligible for long-term care benefits, who has no income from a pension or other sources and who does not own a home – will receive a benefits package with an average value of NIS 6,908.

Table 1. **Monthly basket of benefits to the elderly divided into three socioeconomic groups, for those aged 75 and over living alone (in shekels)**

	Independent, apartment owner, with pension	Independent, apartment owner, without pension or other income source	Non-apartment owner, no pension, in need of long-term-care benefit
Old-age benefits* (including seniority supplement)	2,296	2,887	2,887
Income supplement	–	Included in old- age benefits	Included in old- age benefits
Long-term care	–	–	2,561
Municipal tax discount (monthly calculation)**	74	88-294***	206
Electricity discount	–	120	120
Water discount	–	–	19
Television license exemption	30	30	30
Telephone landline discount	–	30	30
Public transportation discount	55	55	55
Rent assistance	–	–	1,000****
Total	2,454	3,324	6,908

* Includes an additional of 50 percent for the maximum seniority level, on the assumption that the elderly individual was insured for at least 35 years. ** Based on the average municipal tax payment per elderly person, according to the Central Bureau of Statistics *Household Expenditure Survey*. *** Dependent on the local authority and the amount of discount. **** Large residential area.

Source: Sagit Azary-Viesel and Haya Stier, Taub Center

Data: Kol Zchut website; various government ministry websites; Central Bureau of Statistics, *Household Expenditure Survey 2012*

The review indicates a policy of increasing the allowances received by Israel's elderly population from the National Insurance Institute. For example, in 2005, an elderly person subsisting on NII allowances – the old-age benefit, elderly income supplement and long-term care benefit – received allowances and services equivalent to an average of NIS 5,015 per month as compared to NIS 5,677 per month in 2012 (in 2012 prices). This policy has resulted in successfully raising the elderly living on government allowances above the poverty line (Stier and Bleikh, 2014). The rate of poverty among the elderly population has declined over time, and it is safe to assume that, to some extent, this can be explained by the improvement in the allowances and budgets allocated to them.

The poverty and inequality indices relate to the income variable only, and so are not adjusted for the level of services provided to Israel's elderly. However, an increase in the total budget allocated to the elderly population is noted – from about NIS 19.8 billion in 2005 to about NIS 25.9 billion in 2012 (in 2012 prices). A more detailed examination of the assistance provided through various programs indicates a measure of budgetary erosion in some, as in housing, for example. The amount of rental assistance for the eligible elderly population has deteriorated relative to the average rent costs in the economy. Additionally, budgets for assisted living have declined with time, even though the population is increasingly growing older and this is the group for which this assistance is intended. Therefore, thought should be given to housing arrangements and the changing needs of this population group. Housing support is of major importance in old age even though it does not guarantee the continued ability of an elderly individual to live at home, or cope with changes resulting from disability and the resulting need for assistance or care, and cannot prevent the need to perhaps even move to an assisted living facility or institution.

An additional issue that the analysis reveals is the lack of data on the number of the elderly entitled to assistance, especially with regards to housing. This raises difficulties in the attempt to conduct an analysis of policies in this area.

An analysis of the budgets for assisting Israel's elderly population raises some important points. First of all, services are provided under the auspices of several ministries. This situation is not unique to Israel; in Australia, for example, all the services for the elderly population are provided via a large number of government programs on a federal, national and regional scale. In contrast, in Ireland, a complete benefits package is provided, contingent upon a means test for those aged 65-69 and available to all those aged 70 and over (OECD, 2013). The diffusion among the ministries in Israel makes it difficult to carry out any follow-up, especially on a long-term basis, of the services provided to various population groups. This situation may hamper the complete utilization and maximization of these benefits among the relevant populations. Therefore, it is important to unite all the services under the umbrella of one ministry that will be responsible for budget allocations for the various activities, for informing the eligible public and for increasing the target population's ability to maximize its use of entitlements. The dispersion of budgets on the one hand and the various methods of assistance on the other hand leads to duplication and waste of resources, especially with regards to eligibility assessments. It makes the process of receiving assistance difficult and can lead to a lack of information and to confusion, resulting in diminished use of the elderly population's entitlements.

Except for the budgets of the National Insurance Institute, there is a clear under-performance in budget expenditure for elderly services. This is partially due to diminished use of services that are less relevant today, such as discounts for phone services, and partially due to bureaucratic issues that should be addressed within the various ministries. Implications on the level of services provided for the elderly population and the manner in which budgets are managed should be studied. There is also the need for renewed thinking about the needs of the elderly population and ways of reaching those who have difficulty in maximizing their entitlements. The issues of services and benefits carry implications of great importance, as their erosion or lack of use mainly harm the poor, who are more dependent than others on the benefits to which they are entitled.

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