

The Social Welfare System in Transition: An Overview

John Gal and Shavit Madhala

Introduction

The year 2021 was a year of transition in social welfare. This was primarily due to a shift from life under the Covid-19 pandemic to life alongside the pandemic, thanks to the vaccination campaign. This transition has major implications for the social security and social welfare systems in Israel. There was also a transition from a government functioning without an approved budget and under extreme political uncertainty to a new government whose efforts focused on passing a budget and stabilizing the functioning of the economic, healthcare, and social services. The implications of this transition period are still not fully known and it is unclear if indeed long-term stability will be achieved in the areas of public health, the economy, and society.

The data presented in this chapter enable us to describe the social welfare system during the height of the Covid pandemic and, to a lesser extent, the transition period that followed it. Specifically, the data reflect the central role played by the social security and social welfare systems in dealing with the crisis and its fallout. During the Covid pandemic, these systems served as a critical social safety net and, in particular, an important means of ensuring the standard of living for individuals outside of the labor market. The data, and in particular those related to the second half of 2021, enable us to identify trends in social welfare with a significant degree of clarity. On the one hand, these trends underscore efforts to deal with some of the social problems that were set aside during the Covid pandemic. This is particularly the case with regard to the elderly and groups with disabilities and also with respect to the financial resilience of the National Insurance Institute (NII). On the other hand,

* Prof. John Gal, Principal Researcher and Chair, Taub Center Social Welfare Policy Program; The Paul Baerwald School of Social Work and Social Welfare, The Hebrew University in Jerusalem. Shavit Madhala, Researcher, Taub Center for Social Policy Studies in Israel.

there remains a lack of overall policy in dealing with poverty and inequality and even a step backwards in ensuring the welfare of families with children, something that may lead to a greater incidence of poverty, inequality, and distress among marginalized groups in Israeli society.

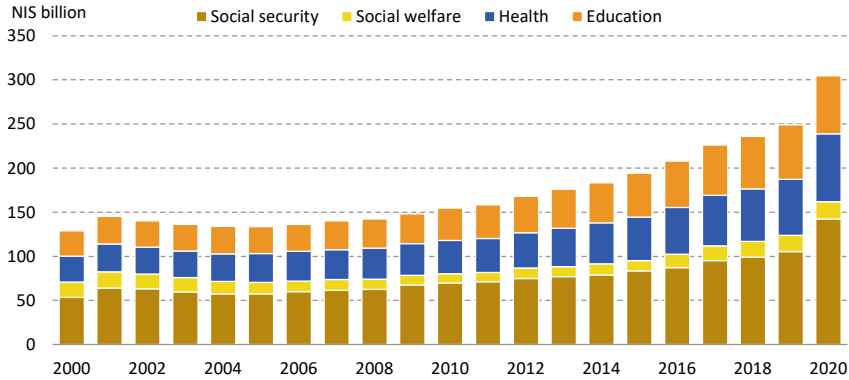
Social expenditure in 2020

In 2020, social expenditure in Israel reached NIS 304 billion, an increase of NIS 55 billion over the previous year (Figure 1). Social expenditure as a share of GDP in 2020 crossed the 20% threshold for the first time in two decades to reach 22% (Figure 2). About 69% of the growth in social expenditure was a consequence of the increase in welfare expenditure and about 24% was due to expenditure on healthcare. The growth in expenditure on welfare was largely the result of an increase in two main components: unemployment benefits and the payment of almost-universal grants by the NII during the course of the year. These two components alone contributed to an increase of about NIS 30 billion in NII expenditure in 2020 relative to the previous year. In contrast to the growth in social security expenditure, there was no major change in total expenditure on social welfare, i.e., social services (not including healthcare and education services). The expenditure on social welfare grew by about NIS 840 million in 2020, an annual rate of only 4.5%, which was lower than the rate of growth in the previous year.¹

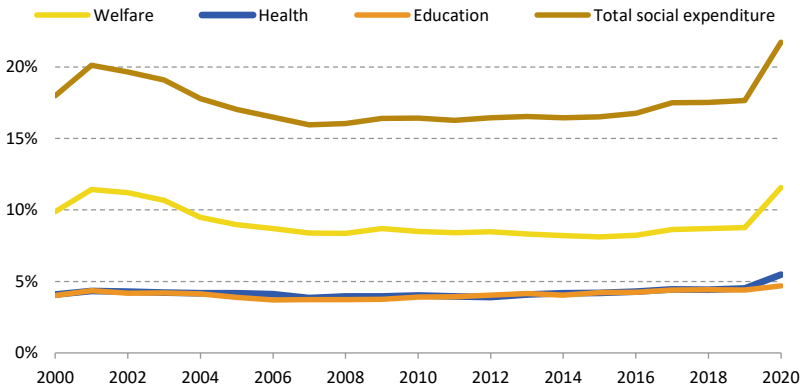
1 The expenditure on social security is measured as total expenditure of the NII, the Holocaust Survivors' Rights Authority, and the Ministry of Defense Bereaved Families and Rehabilitation Department, as well as expenditure on employment grants. The expenditure on social welfare is measured as the total spending of the Ministry of Welfare and Social Affairs, the Labor Division of the Ministry of Economy and Industry, the Ministry of Housing, the Ministry of Aliyah and Integration, and the Ministry of Social Equality.

Figure 1. Social expenditure by category

2020 prices

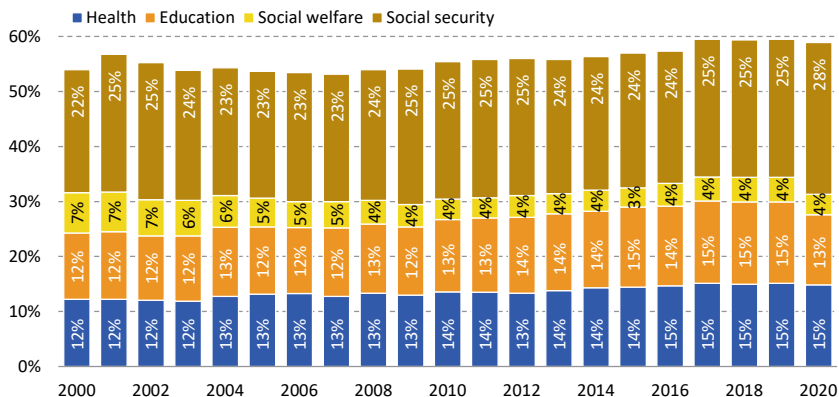


Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance, State Budget files; NII

Figure 2. Social expenditure by category, as a percent of GDP


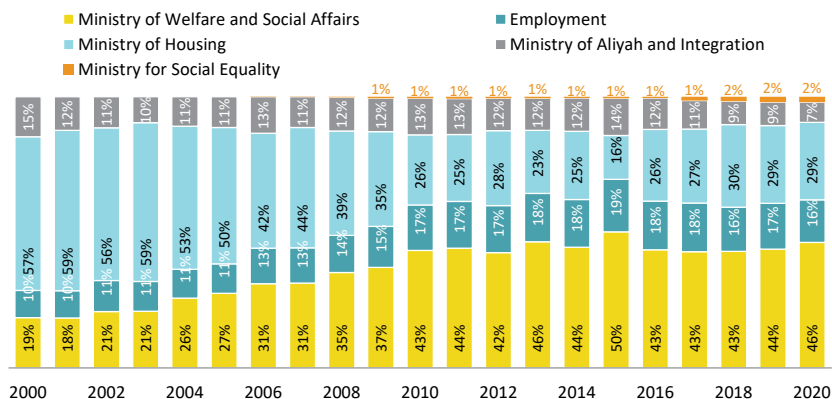
Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance, State Budget files; NII; CBS

A breakdown of social expenditure (social security, social welfare, healthcare, and education) by percent of government expenditure (Figure 3) shows that it remained similar to previous years, with a small drop in the share of education expenditure and an increase in the share of social security expenditure. The share of expenditure on social welfare contracted somewhat.

Figure 3. Breakdown of social expenditure, as a percent of government expenditure

Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance, State Budget files; NIL; CBS

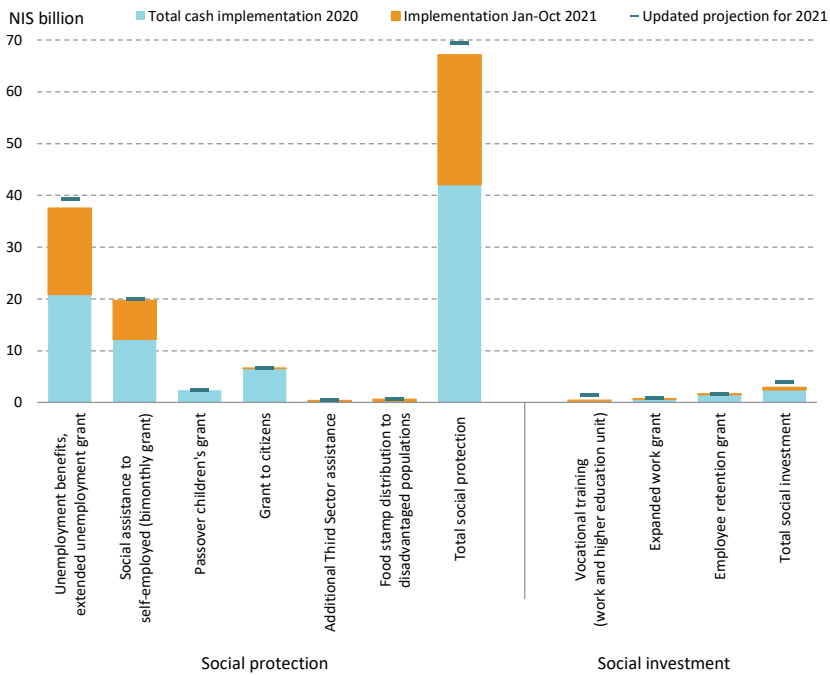
Social welfare expenditure in 2020 was NIS 19.5 billion. A breakdown of this expenditure (Figure 4) shows a slight increase in the share of the Ministry of Welfare and Social Affairs and a decline in the share of the Ministry of Aliyah and Integration, which apparently reflects a sharp drop (of 41%) in the number of immigrants in 2020 relative to 2019 (CBS, 2021).

Figure 4. Breakdown of social welfare expenditure

Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance, State Budget files

The large increase in welfare expenditure in 2020 was primarily due to the increase in resource allocation to deal with the Covid pandemic as part of the government assistance program. As shown in Figure 5, most of the resources were allocated to social protection programs for individuals whose income suffered due to the pandemic and the subsequent labor market contraction, while a very small share was allocated to social investment programs to develop human capital and facilitate workers' transition and integration into the labor market. The trend in welfare expenditure within the assistance program shows that up to October 2021 a large part of the allocated budget was utilized (about 96%).

Figure 5. Welfare expenditure within the government assistance program to deal with the Covid pandemic



Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance

Social security

The social security systems, which are operated primarily by the NII, played a key role in the State's effort to deal with the Covid pandemic's effect on the lives of Israel's citizens. During the pandemic, there was a dramatic increase in expenditure on social security which reached NIS 142 billion in 2020, of which about NIS 130 billion was allocated to NII benefit payouts. During the first half of 2021, NII expenditure on benefits totaled about NIS 66 billion, which was part of an upward trend relative to the pre-crisis period, during which the expenditure for the entire year stood at about NIS 94 billion.

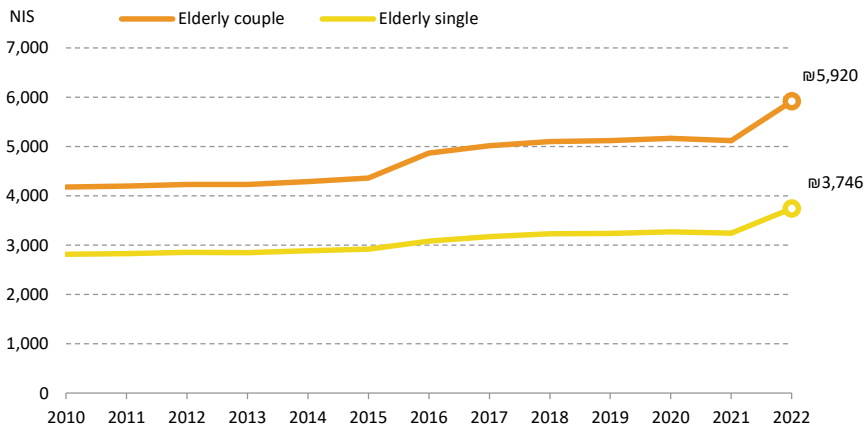
The transition in social security comprises conflicting trends. With respect to the elderly and people with disabilities, the government announced during the crisis year that it intends to complete measures to improve meeting their needs that began prior to the crisis. Completing the measures involves implementing an agreement with organizations representing people with disabilities to increase general disability pensions, in addition to implementing a recommendation by the Committee for the War on Poverty (the Elalouf Committee) to raise income support payments for elderly individuals with no additional sources of income. In parallel, and following a drawn-out public discussion, the measure to raise women's retirement age to 65 (which entails deferring eligibility for an old-age benefit) is likely, in the long term, to improve the financial situation of the NII. It is important, of course, that this measure be accompanied by steps to ease the situation for women living in poverty during this transition period through accompanying policy measures to augment the social safety net, unemployment insurance, and employment grants. In contrast, planned policy change for families with children is liable to worsen their situation and to increase the incidence of poverty among this population, due to the tightening of eligibility requirements for the unemployment insurance program and the lack of steps to deal with limitations of the income support program.

Income support for the elderly

One of the main recommendations of the Elalouf Committee was to increase the incomes of the elderly living in poverty by raising the level of income support for those whose only or main source of income is the old-age benefit. As can be seen in Figure 6, during the period since 2016, the year in which the gradual implementation of the Committee's recommendations began, there has been an increase in the old-age benefit paid to low-income earners

(the old-age benefit plus income support). However, even after the changes to this cash benefit, the incidence of poverty among the elderly in Israel was between 12.5% to 15.7% (Endeweld et al., 2020). The State budget for 2021–2022 includes a commitment to raise the benefit level and to complete the implementation process. The goal is to extract many of the elderly from poverty, even if the improvement of their economic welfare is not substantial (the addition for a couple is NIS 754 per month and for a single individual is NIS 477 per month relative to 2020).

Figure 6. The basic old-age benefit supplemented by income support for ages 70–80



Note: The data for 2021 are based on the total average benefit for the months January–July 2021; data for 2022 are based on a calculation by the Knesset Research and Information Center which was carried out on the basis of the rates in the proposed law (Bar, 2021).

Source: John Gal and Shavit Madhala, Taub Center | Data: NII; Bar, 2021

Raising the retirement age for women

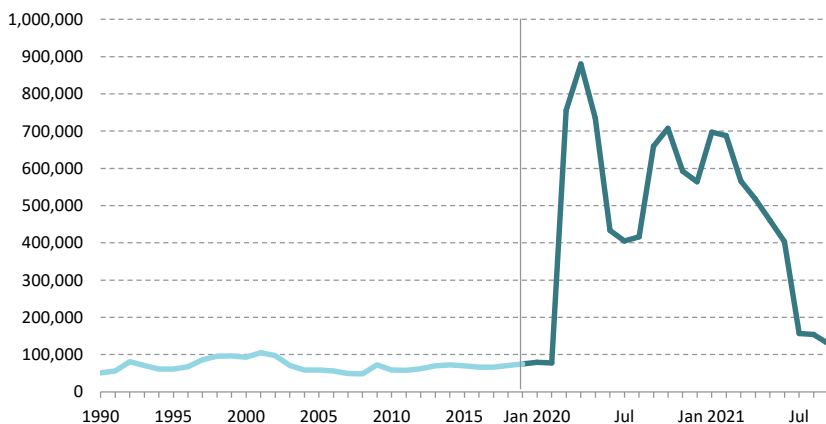
As in other welfare states, over the past two decades efforts have been made in Israel to change the age of retirement and old-age benefit pension eligibility (Bar, 2021). The expected change, which will raise the age of retirement, reflects both the rise in life expectancy and the effects of the current situation on the financial resilience of the social security systems, since they have significantly increased the period of payment for old-age benefits for a growing part of the

population. Up until now, due to efforts to change the policy in Israel, the age of retirement for receipt of the old-age benefit rose from 65 to 67 for men and from 60 to 62 for women. However, proposals to narrow the gap in retirement age between men and women were not adopted. The Economic Arrangements Law for 2021–2022 includes the plan for a gradual rise in the retirement age for women to 65. Women close to retirement are harmed by this as a result of both the difficulty in integrating into the labor market and the fact that they are not yet eligible for the old-age benefit. In order to mitigate this situation, the plan also includes several supplementary policy measures, including the extension of eligibility for unemployment insurance; an addition to income support and the possibility of receiving the selective old-age benefit at higher income levels; the payment of an acclimatization grant; and an increase in the amount of the employment grants that women aged 60 and over are eligible for.

Unemployment insurance

The main social security tool employed during the Covid crisis was the unemployment insurance program. Within a short period of time, the number of unemployment insurance recipients jumped from a monthly average of 75,000 during the pre-crisis period to about 880,000 in April 2020 (Figure 7).

Figure 7. Number of unemployment insurance recipients, monthly average



Note: The vertical line marks the beginning of the pandemic.

Source: John Gal and Shavit Madhala, Taub Center | Data: NII

During the pandemic, greater use was made of innovative technological tools, such as online applications for unemployment insurance and their approval, which improved the handling of those requests. Furthermore, changes were required in the structure of the program in order to include the many workers who had been laid off or furloughed as a result of the pandemic and who had not been in the labor market long enough to accrue benefits. One of the changes was the inclusion of furloughed individuals and the recipients of other benefits, such as an old-age benefit, within those eligible for assistance. Clearly, the limited supply of labor during the pandemic and the physical and health restrictions that prevented reporting to the Employment Service required modifications to the program structure.

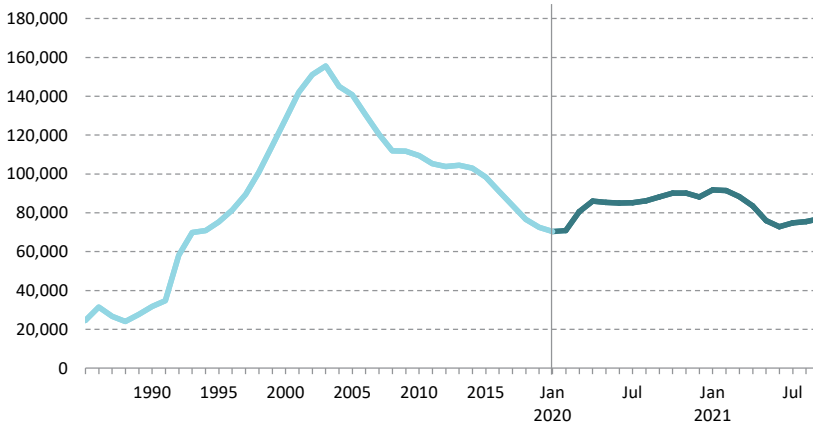
These structural changes were crucial due to the erosion of the generosity and accessibility of the Unemployment Insurance Law over the years. Specifically, prior to the Covid pandemic, unemployment insurance in Israel involved a disproportionate imbalance between ensuring reasonable protection of the standard of living for the jobless seeking to return to suitable employment, on the one hand, and efforts to encourage these individuals to return to the labor market in a timely manner, on the other hand. The emphasis on a rapid return to the labor market, particularly in the case of young workers, led to the adoption of draconian measures to modify the maximum period of eligibility, the level of unemployment benefits, and the qualification period (the seniority accumulated at work in order to be eligible for unemployment benefits). These steps, whether intentional or not, significantly increased the rate of benefit non-take-up (see below).

The return to normal functioning in the labor market during the second half of 2021 obviously required a modification of the unemployment insurance program to fit the new reality and an attempt to find a new balance between protection of the jobless, on the one hand, and the desire to encourage recipients of unemployment benefits to make a reasonable effort to re-enter the labor market, on the other hand. However, the planned changes may again limit the effectiveness of unemployment insurance in dealing with unemployment. Some of the planned changes, such as reducing the level of unemployment insurance for those in vocational training programs, run counter to the efforts to prepare the unemployed for a return to the labor market. The proposed steps (some of which were adopted during the second half of 2021 and some of which are expected to come into effect at the beginning of 2022) include, among other things, a reduction in unemployment insurance benefits

by varying degrees, the return of the qualifying period to what it was prior to the pandemic, cancellation of the extension of eligibility for individuals ages 45 and over, and a reinstatement of the 5-day waiting period after the first four months of receiving benefits. The measures that went into effect in the first half of 2021 had an immediate effect on the number of unemployment insurance recipients and already in July 2021, their numbers fell to about 156,000 (Figure 7).

Income support

The formal social safety net program in Israel's social security system consists of an income support program that is intended to provide a safety net for individuals with no income or for low-income earners of working age. Eligibility for this program is determined by a means test and an employment test and the benefits levels are low. The expansion of unemployment insurance during the Covid pandemic provided an alternate safety net for most of the individuals affected economically by the crisis. Consequently, the increase in the number of income support recipients during this period was relatively small. As can be seen in Figure 8, the average monthly number of recipients rose from 70,343 in January 2020 to 91,761 in January 2021. This number is dwarfed by the number of unemployment insurance recipients during the same period (about 700,000) and relative to the number of recipients of the income support benefit in the early 2000s, which was more than double. In contrast to unemployment insurance benefits, no major changes were made to the income support program during the Covid pandemic and recipients of income support continued to receive only a small sum. Despite the drop in the number of recipients during the second half of 2021, it can be assumed that the difficulty some groups experience in returning to the labor market, alongside the tightening of eligibility conditions and the shortening of the eligibility period in the unemployment insurance program, will lead to an increase in the number of income support recipients. The first evidence of this can be seen in the increased number of requests for income support submitted in July and August 2021 and the rise in the number of recipients from about 72,800 in June to about 77,000 in September. Furthermore, the particularly low level of the benefit and the scope of non-take-up by those eligible, which is about a third of those eligible (see the discussion on non-take-up of social rights below), are likely to reduce the effectivity of the solution provided by the income support benefit for those in need of a security net.

Figure 8. Number of income support benefit recipients, monthly average

Note: The vertical line marks the beginning of the pandemic.

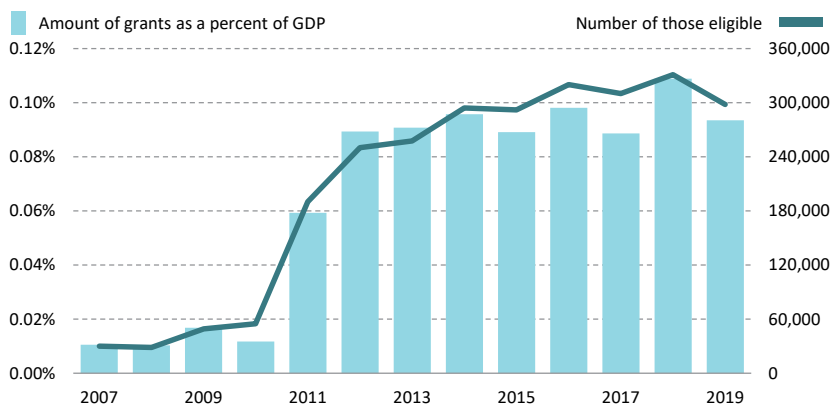
Source: John Gal and Shavit Madhala, Taub Center | Data: NII

Employment grant

The employment grant is paid to low-earning workers to boost their income. The average size of the grant is NIS 4,000 per year and it is provided to various population groups, on the basis of age, income level, and marital status. Requests are submitted at the post office and the grants are paid in several equal installments following the year for which the request was submitted. Unlike the other programs discussed here, which are operated by the NII, this program is operated by the Tax Authority. Over the years, changes were made that expanded the eligible population and improved accessibility. Nonetheless, the program still suffers from limited generosity, which reduces its effectiveness in dealing with poverty, and the rate of non-take-up is fairly high (about 30%, see below). During the Covid pandemic, a number of steps were taken to make the employment grant more accessible and to transform it into a tool for alleviating the distress of the jobless, such as paying the grant earlier and providing an option of submitting an online request instead of at the post office for those already in the system. As part of the assistance program to deal with the Covid pandemic, about NIS 900 million was allocated to pay the grant of 2021 earlier, and about NIS 650 million of that was actually utilized in 2020.

The data on the number of employment grant recipients and the expenditure on the program (Figure 9) show that in 2019 the expenditure stood at NIS 1.3 billion, which is about 0.1% of GDP. The number of eligible recipients who received the grant in that year was 298,000. The data show a small decline in the number of recipients and in expenditure on the program in 2019, but that may be because the data for that year are not yet final.

Figure 9. Expenditure on employment grants as a percent of GDP and the number of grant recipients



Note: The data in the graph are according to the year of work. The data for 2019 are not final since not all of the requests for that year have been processed.

Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance, Tax Authority 2020

SPOTLIGHT A

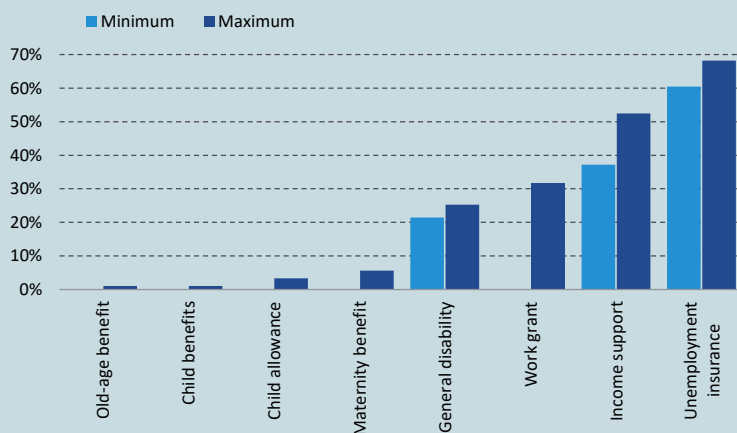
Non-Take-Up of Social Rights

The Israeli welfare state includes diverse programs intended to protect citizens from social risks, mitigate distress, and reduce inequality and poverty. Yet a report by the State Comptroller (2021) and the findings of recent studies indicate that, in many cases, the program target populations are unable to take-up their rights. This means that social programs do not achieve the goals for which they were created. Despite the increasing interest in the problem of non-take-up in recent years and the growth in government and non-government bodies that are seeking to deal with it, findings indicate that it is still a major problem and that these various agencies are not managing to reduce the distress of those who are the targets of assistance.

While clearly non-take-up of social rights in Israel is present in various segments of the welfare state, including healthcare, education, housing, and welfare services, there is no comprehensive information on the phenomenon. This is due to both the difficulty in gathering data and the lack of willingness of various agencies to examine the non-take-up of their programs. Empirical data exist primarily for the social security programs operated by the National Insurance Institute (NII) and for a few other government ministries. As can be seen in Figure 10, NII studies (Gottlieb, 2021) show that in universal programs — which do not condition eligibility on level of income and where eligibility is relatively simple — the extent of non-take-up is the lowest. Thus, for example, the take-up rate for child allowances and old-age benefits is 99%.

By contrast, when receipt of the allowance is conditional on completion of a complicated bureaucratic process and is intended only for individuals who can prove that their income is particularly low, the take-up rate is low. Existing data (most of which are based on data from the mid-2010s) show, for example, that the non-take-up rate of the general disability pension ranges from 21.5% to 25.3% of all potential recipients; in the case of income support it ranges from 37.2% to 52.5%; in the case of the employment grant, the rate is 31.6%; and in the case of unemployment insurance it ranges from 60.5% to 68.2%.

Figure 10. Rate of non-take-up of social rights, selected years



Note: Due to the complexity in measuring non-take-up, in some cases it is presented as a range, and the maximum and minimum levels are based on various basic assumptions. For further details, see Gottlieb, 2021.

Source: John Gal and Shavit Madhala, Taub Center | Data: Gottlieb, 2021; State Comptroller, 2021

The findings imply that members of the weakest and most marginalized populations in Israeli society are most likely to not utilize their rights to a social security benefit pension (and to a lesser extent those eligible for unemployment insurance). Most of them earn very low incomes and it is likely that they are under the poverty line. The high rate of non-take-up for these benefits means that they are not receiving the assistance they are eligible for, a situation that prevents the mitigation of their distress.

Current knowledge on non-take-up of rights indicates that it has a number of causes. In the past, it was assumed that the problem lies with the potential recipient due to a lack of information about the existence of the benefit or about eligibility conditions, and an unwillingness to apply for various reasons (such as, for example, a desire to avoid contact with the bureaucratic system or a feeling of stigmatization). However, it is now clear that there are other factors involved. Some of them are related to the structure of the programs, such as means tests that violate an individual's privacy, complex conditions of eligibility, overly broad discretion in the hands of the bureaucrat, and the low benefit value. Other factors include the way in which the bureaucratic system relates to applicants, such as problems of physical or language accessibility, the complexity of the forms required, the multiplicity of documents to be attached to the request, the lack of technological means to streamline a request, and sometimes even a humiliating attitude toward applicants (Holler, 2021).

A growing awareness of the problem has led civil society organizations, firms, and state agencies to attempt to address the various causes of the phenomenon. Thus, for example, the “Kol Zchut” website provides a popular platform for providing accessible information on social rights. Visitors to the site totaled about 4.5 million in 2020.² Moreover, “Manoa Zechuyot,” a new initiative by the government, is meant to improve the accessibility of information on rights. The Ministry of Welfare and Social Affairs has set up a designated department for the take-up of rights, and in many local authorities rights centers have been created and social workers have been given specialized training in rights take-up, with the goal of helping service users fully benefit from their rights (Benish & Weiss-Gal, 2021). This is intended to implement the idea of proactive rights take-up, which is pervasive today in the field of social work (Russo-Carmel et al., 2019).

As a result of the Elalouf Committee recommendations on the non-take-up of rights, the NII has invested a major effort in improving service to citizens. Although not all elements related to non-take-up of rights have been dealt with (State Comptroller, 2021), steps have been taken to make information more accessible, to facilitate the accessibility of programs, and to adopt a policy of proactive contact with potential customers, particularly those in marginalized groups (Tarshish & Gal, 2021). It appears that these efforts, alongside the increased use of technology to deal with requests, also helped the NII deal with the phenomenal growth in requests for unemployment benefits during the Covid period.

-
- 2 The data were provided by the Kol Zchut site and are based on the Google Analytics monitoring system. According to the data, the number of devices from which the site was visited was 9.4 million. On the basis of various measurements, it is estimated that this involves about 4.5 million individuals.

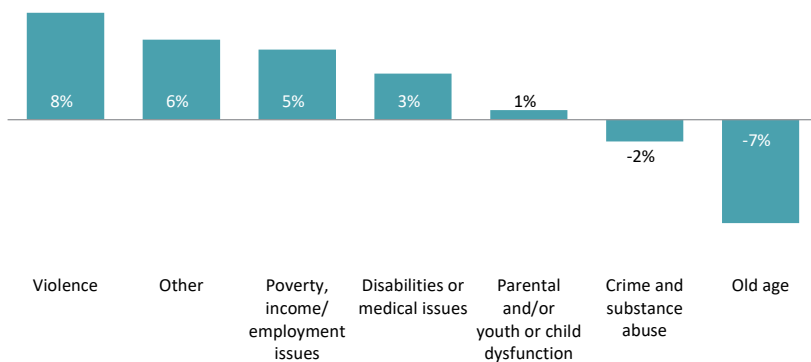
In the absence of long-term data on the non-take-up of rights, it is difficult to assess the contribution of the steps taken so far to increase take-up rates. Apart from limited data on the improvement in take-up among service users in specific Ministry of Social Welfare programs, there are no evaluative studies that look at the effect of the measures adopted. Moreover, in the absence of information on the scope of non-take-up of rights in some of the main segments of the welfare state, and in particular in healthcare and housing, there remains only anecdotal information, which indicates that the problem is still acute in these areas. Furthermore, there is a real concern that the achievements in dealing with the problem will dissipate when changes are made to the social security programs following the economy's return to normality and when the labor market fully recovers from the shock of the Covid pandemic. The most pervasive changes are, as mentioned, expected in the unemployment insurance program, in which — thanks to the major changes made in the structure of the program and the manner in which applicants were handled during the Covid crisis — there has been a significant increase in take-up. The planned return to the less-accessible structure that characterized the program prior to the crisis can be expected to lead to a significant drop in take-up rates.

The message that clearly emerges from the conclusions of the Committee for the War Against Poverty was that the take-up of rights is an essential component in dealing with the phenomena of poverty and distress. However, it appears that this message has only been partially internalized and that in many parts of the Israeli welfare state the problem and its causes are still acute.

The Ministry of Welfare and Social Affairs

Like other government ministries, the lack of an approved government budget made it difficult for the Ministry of Welfare and Social Affairs to function effectively during the Covid pandemic. The worsened economic distress of people living in poverty and members of marginalized population groups, the health risks and the difficulty in caring for individuals in need of assistance during the lockdowns, and the social distancing rules all created an exceptional burden on social workers in the local authorities, on the Ministry's systems, and on the non-profit organizations and agencies that provide outsourced welfare services. At the end of 2020, the total active files being dealt with by the welfare system numbered more than 450,000 which was similar to the number in the previous year (Ministry of Welfare and Social Affairs, 2021). In contrast, during the year of Covid, there was an increase in requests made to the local authority welfare services and in the number of new files (at an annual rate of 11% according to the Ministry's data). The changes that occurred in the reasons for requests to the welfare services can be seen in the growth of the number of active files due to poverty and economic distress and violence in the family (an increase of 5% and 8%, respectively) and a decline of 7% in the number of files due to old age (Figure 11).

Figure 11. The rate of change in number of active files dealt with by the welfare services by the main categories of need, November 2019 to November 2020



Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Welfare and Social Affairs, 2021

The establishment of the new government in June 2021 led to changes in the most senior positions in the Ministry of Welfare and Social Affairs and in the Ministry's structure. Alongside the appointment of a new minister and director general, the Labor Division — which was reattached to the Ministry in 2016 — was transferred to the Ministry of the Economy and Industry. The Daycare Center Branch was also transferred to that ministry, although pedagogic responsibility is expected to go to the Ministry of Education. These changes are also reflected in its new name: the Ministry of Welfare and Social Affairs. In addition, there are new initiatives coalescing as part of the Ministry's work plan, and, in particular, efforts to promote far-reaching legislative changes. This primarily involves the Welfare Services Law which will replace the Relief Services Law — the main legal framework for social welfare activity in Israel. It is also the intention of the Ministry to propose a Welfare Services Law for People with Disabilities. In parallel, Minister of Welfare and Social Affairs Meir Cohen has appointed an academic advisory forum that is expected to assist in the formulation of the Ministry's targets and its methods of operation in coming years. Finally, as part of the Ministry's budget for the next two years, an increase is expected in the resources to deal with nutritional security and the implementation of the agreement with the social workers that was signed in the summer of 2020.

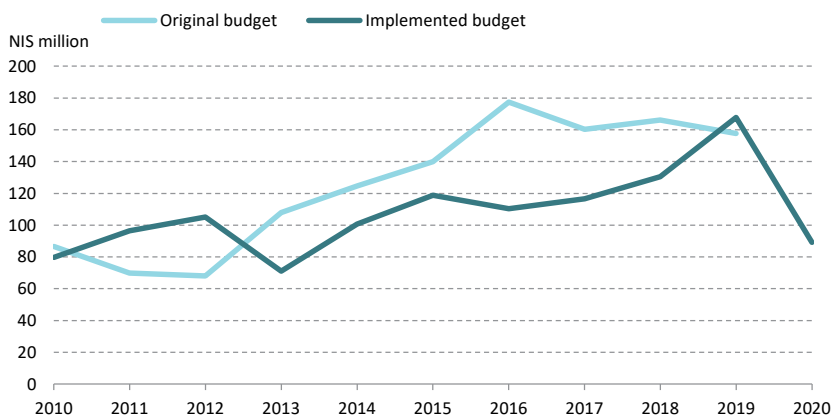
Employment

As part of the government's efforts to deal with the high unemployment that resulted from the Covid pandemic, steps have been taken to upgrade vocational training programs. These efforts are under the responsibility of the Labor Division, which was transferred from the Ministry of Welfare and Social Affairs to the Ministry of Economy and Industry in the second half of 2021. One of the steps taken by the Labor Division at the beginning of the year was to establish an Employers Administration in partnership with Business Roundtable Israel, part of the Economic Social Forum, in order to develop vocational training and to modify it to meet the actual needs of the labor market. Moreover, and as part of the government program to deal with the Covid crisis, an additional NIS 1.4 billion was allocated to vocational training under the auspices of the Labor Division and for the Council for Higher Education. However, only one-third of the amount allocated has actually been spent in these two areas (NIS 277 million in 2020 and another NIS 171 million up until October 2021) and it appears that only a small share of that was devoted to vocational training under the Labor Division.

Despite the critical importance of vocational training, particularly during a period in which many of the unemployed lack higher education, progress has been slow in this area and in the utilization of resources allocated to it. Apart from the low rate of usage of resources allocated in the Covid program, an examination of the expenditure on vocational training for adults within the current operating budget of the Labor Division shows that following an upward trend in recent years and after reaching NIS 168 million in 2019, expenditure dropped significantly in 2020 to only about NIS 90 million (Figure 12). Similarly, the number of participants in vocational training who are financed or subsidized by the Vocational Training Branch this year was only 7,000, as opposed to about 12,000 in 2019. Undoubtedly, social distancing restrictions and the lockdowns explain at least part of the drop in the scale of vocational training and in its budget this year. Nonetheless, it is clear that during the decade prior to the Covid pandemic and essentially up to 2019, the budget allocated to this area within the framework of the Labor Division was not fully spent in most cases.

Figure 12. Expenditure on vocational training for adults

2020 prices



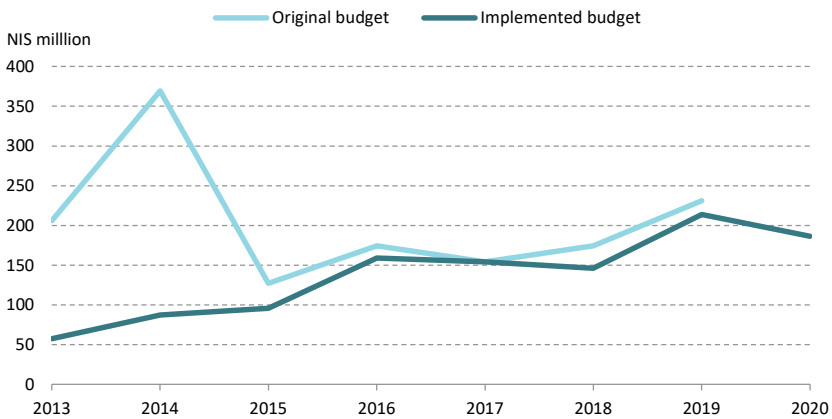
Note: Does not include the training of technicians or training as part of the programs to encourage employment in designated populations.

Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance, State Budget files

Apart from the vocational training budget, other training courses are provided to encourage employment in designated populations, including Haredim (ultra-Orthodox), single parents, Arabs, and people with disabilities. In 2020, there was a decline in this type of spending (about NIS 186 million), although it was smaller than the decline in general vocational training. As can be seen from Figure 13, during the five years prior to the pandemic, the allocation to these programs was spent almost in its entirety.

Figure 13. Budget of programs to encourage employment among designated populations

2020 prices



Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance, State Budget files

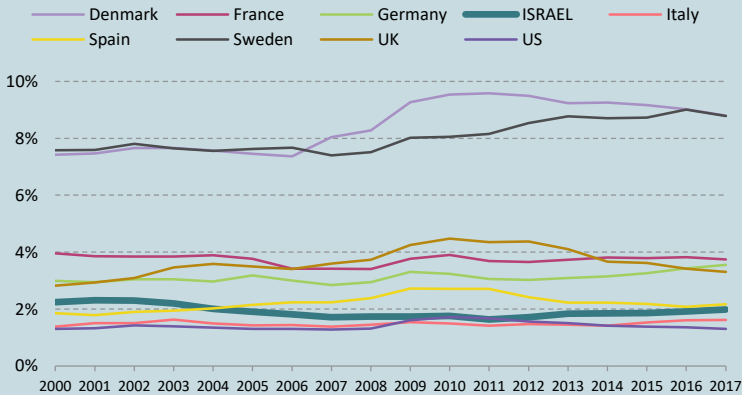
SPOTLIGHT B

An International Comparison of Spending on Social Welfare

A comparison of selected welfare states shows that the level of expenditure on social welfare services in Israel is relatively low. This is the case with respect to in-kind services, which include services for the elderly (not including expenditure on long-term care), people with disabilities, and families with children; services in housing and employment; and other assistance that is not included in these categories and is provided in-kind.³ As can be seen in Figure 14, expenditure on social welfare services in Israel in 2017 totaled 2% of GDP, which was similar to that in Spain and slightly higher than in Italy and the US. There were no dramatic changes in the level of expenditure in these countries over the years. In contrast, in the social democratic welfare states (Sweden and Denmark), there was a relative expansion of social welfare expenditure, primarily towards the end of the 2000s and following the financial crisis of 2008.

-
- 3 The comparison presents measured spending of *in-kind benefits*, i.e., services and not cash, for social welfare services as they appear in the SOCX survey. In order to allow comparison with other countries, it also includes items that are not usually included within expenditure on social welfare services when considering Israel alone. Therefore, the amount presented in this spotlight is not fully consistent with the amount defined earlier in this chapter as social welfare expenditure. For a description of the items included in the comparison, see the Appendix.

Figure 14. Expenditure on social welfare services, as a percentage of GDP



Note: Expenditure on in-kind benefits in welfare fields.

Source: John Gal and Shavit Madhala, Taub Center | Data: OECD

The expenditure on social welfare services can be divided according to the categories used by the OECD. Here we will focus on a comparison of expenditure of four main types: people with disabilities, the elderly, families, and active labor market policy (ALMP) (Figure 15).

An examination of expenditure on social welfare services aimed at people with disabilities shows that spending per capita for ages 20–64 in Israel has been close to 1% of GDP in recent years. This level is higher than in the Mediterranean welfare states (Italy and Spain), France, and the UK but lower than in Germany, and much lower than in the social democratic welfare states. Israel spends about 0.9% of GDP per capita on social welfare services for the elderly ages 65+ (not including long-term care), and it is almost the lowest ranked country.

Since the early 2000s this expenditure has been shrinking. Although the dependency ratio for the elderly in Israel (the size of the elderly population relative to the working-age population) remains low relative to other countries, over the past two decades there has been an increase in the share of the over 65-year-old age group within the total population while the spending on services for this population has been in decline.

Another major category of expenditure is social welfare services for families. Since the beginning of the decade, there has been an increase in expenditure devoted to this category and it is estimated to have accounted for about 3.4% of GDP per capita in 2017. Notwithstanding this increase, the expenditure per capita in Israel is still relatively low, as in other Mediterranean welfare states in recent years. The final category of expenditure is devoted to ALMP, i.e., programs to support the integration of individuals in the labor market. This expenditure is particularly limited relative to other countries. Moreover, during the period examined, there was a decline in expenditure per capita in the working-age population, and in 2017 it accounted for about 0.3% of GDP per capita, similar to the prevailing level in the liberal welfare states (the US and the UK), which are located at the bottom of the ranking.

Figure 15. Expenditure on social welfare services in selected categories in various countries

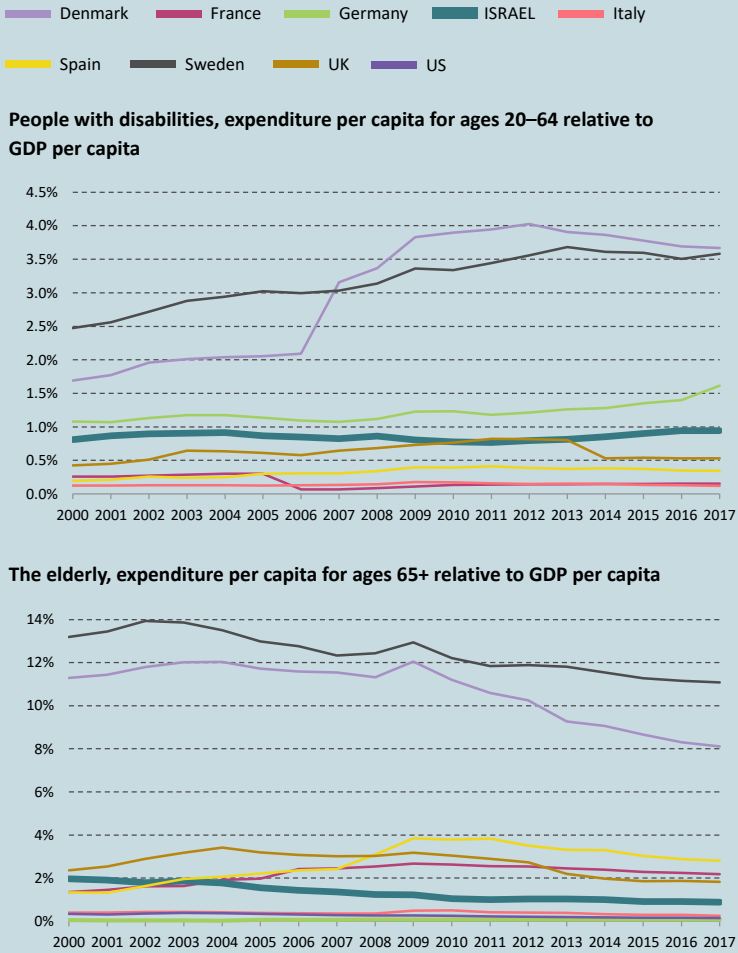
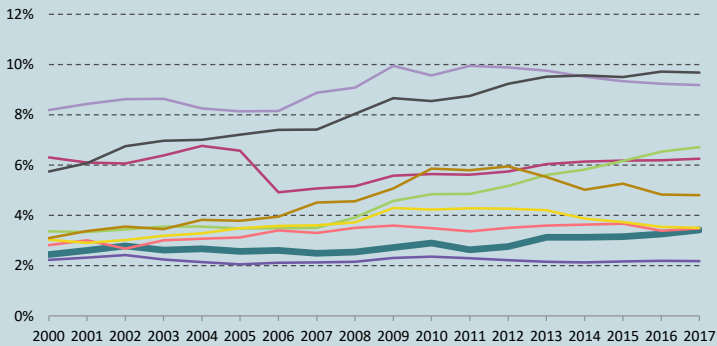


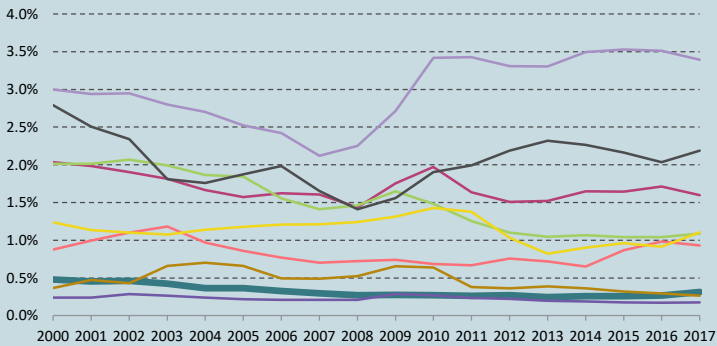
Figure 15 (continued). Expenditure on social welfare services in selected categories in various countries

Denmark France Germany ISRAEL Italy
Spain Sweden UK US

Welfare services for families, per capita expenditure for ages 0–19 relative to GDP per capita



Expenditure on ALMP programs, per capita expenditure for ages 20–64 relative to GDP per capita



Note: Expenditure on in-kind benefits related to the elderly does not include long-term care.

Source: John Gal and Shavit Madhala, Taub Center | Data: OECD

Implementation of the Elalouf Committee recommendations

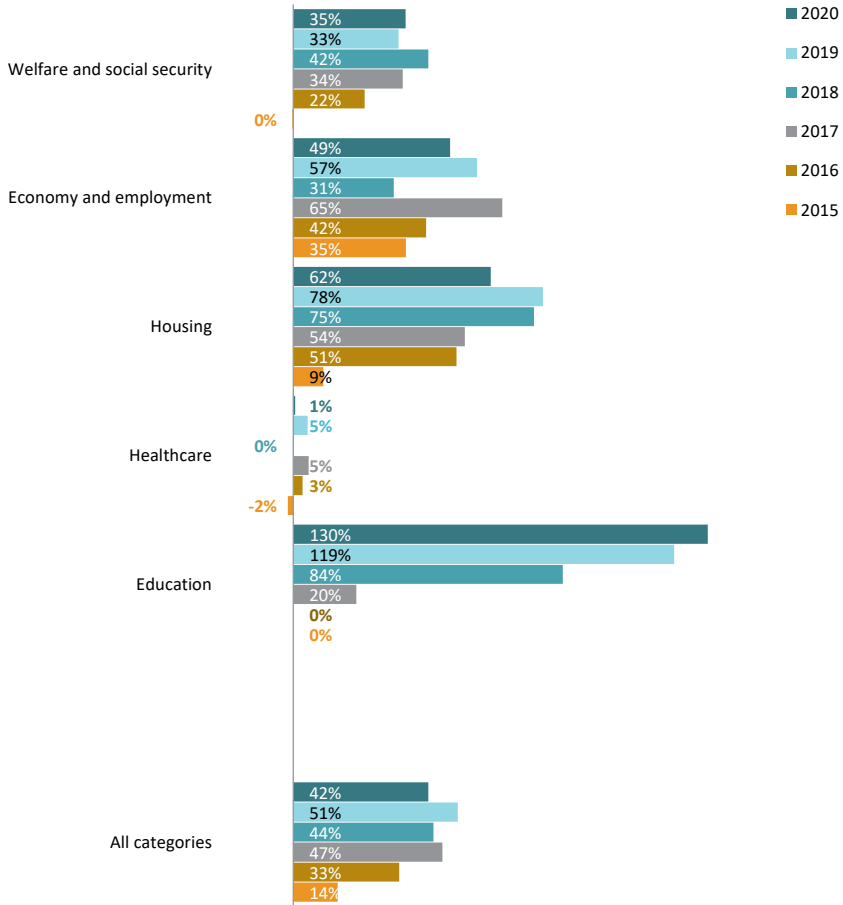
The recommendations of the Elalouf Committee for the War Against Poverty were submitted to the government in 2014 (Elalouf Committee Report, 2014). Since then, the Taub Center has been following their implementation. Figure 16 presents the budget additions since the adoption of the committee recommendations.

In 2020, there was no significant progress in the implementation of the Committee's recommendations in any area except in education. Moreover, in the areas of housing, the economy and employment, there were cutbacks in budget expenditures. For example, budgets for maintaining public housing and for vocational training and employment programs were reduced. Investment in programs related to welfare and social protection remained stable and account for about a third of the recommended addition. That is, alongside an increase in investment in budget lines related to the responsibility of family social workers and intervention programs there was a decrease in budgets for individual material support. Likewise, the recommendation to increase the income support benefit for working-age individuals living in poverty has yet to be adopted. There has been a positive development, though, with regard to the recommendation to allocate a budget addition to raise income support for elderly citizens. In August 2021, the government decided to increase this support beginning in January 2022.⁴ As a result, in the coming year, an increase in the addition for recommendation implementation can be expected in the welfare budget.

4 See Government Decision No. 283 from January 8, 2021, [Additional grants for income support to elderly citizens](#).

Figure 16. Addition to the expenditure for implementation of the Elalouf Committee for the War Against Poverty recommendations

As a percent of the additional funds recommended by the Committee



Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance, State budget for various years; Ministry of Education; Ministry of Health

Conclusion

The year 2021 was a year of transition in social welfare: from policies intended to offer social protection for groups detrimentally affected by the Covid pandemic to renewed efforts to deal with fundamental social problems that burden large parts of the population in Israel. After the social security system and the social welfare services provided a comprehensive security net and an immediate response to the needs of the Covid victims, and in particular the jobless, changes are now occurring in social welfare policy. These changes are reflected in the decision to improve the security net for elderly people living in poverty and distress and improving the social security system for people with disabilities. Following a drawn-out public debate, it was also decided to adopt significant steps toward shoring up the financial resilience of the main body providing social security, namely the NII, by raising the age of retirement for women. Finally, government initiatives have been adopted in order to anchor the social rights of the needy to receive the services provided by the Ministry of Welfare and Social Affairs.

Nonetheless, there are indications that the transitional trends in social welfare will not generate sufficient progress in mitigating social distress in Israel. Indeed, if the growth expected after the Covid crisis is not distributed in a more egalitarian way, inequality is expected to worsen. After a significant increase in social welfare expenditure in 2020, it can be expected that social welfare expenditure in Israel will contract in coming years. This will return Israel to the bottom of the ranking among welfare states for a number of reasons: the lack of an overall policy to deal with poverty and inequality; the intention to return the unemployment insurance program to its pre-crisis format; a lack of willingness to deal with the limitations of the income support program; and the lack of real steps to improve the employment support system and to deal with the problem of non-take-up of rights in healthcare and housing. It is doubtful whether a return to the pre-crisis social welfare expenditure patterns will enable Israeli social welfare policy to deal effectively with the social distress it faces.

References

English

- Benish, A., & Weiss-Gal, I. (2021). [Social right advocacy by social workers](#). *Social Security*, 113. (English summary)
- Gottlieb, D. (2021). [Take up of social benefits in Israel: research findings](#). *Social Security*, 113. (English summary)
- Report by the Elalouf Committee (2014). [Report by the Israel Committee for the War Against Poverty](#). Ministry of Welfare and Social Affairs.
- Tarshish, N., & Gal, J. (2021). [How does change occur? The emergence of the National Insurance Institute's benefit take-up policy](#). *Social Security*, 113. (English summary)

Hebrew

- Bar, A. (2021). [Proposal for a law for increasing economic efficiency \(amendments to regulations for achieving budgetary goals for 2021-2022 – increasing income assurance for recipients of old-age benefits\)](#). Knesset, Research and Information Center.
- CBS (2021). [Media Release \(5 September 2021\): Aliyah to Israel 2020](#). Central Bureau of Statistics.
- Endeweld, M., Heller, O., Karadi, L., Kasir (Kaliner), N. (2020). [Standard of living, poverty and inequality – 2018–2019 and estimates for 2020 \(by administrative data\)](#). National Insurance Institute.
- Holler, R., Benish, A., Gal, J., & Tarshish, N. (2021). Take up of rights in Israel: What we know and directions for future research. *Social Security*, 113, 6–16.
- Ministry of Finance (2021). *Supervisory report on the implementation of assistance programs*.
- Ministry of Finance (various years). *State budget files*. Ministry of Finance, Accountant General Division.
- Ministry of Welfare and Social Affairs (2021). [Statistical report for 2019–2020](#). Ministry of Welfare and Social Affairs.
- Russo-Carmel, S., Socolover-Yacobi, I. & Krumer-Nevo, M. (2019). [What is active in active realization of rights? Active realization of rights in MAPA program](#). *Social Security*, 106.
- State Comptroller of Israel. [Annual report 72A, first part. Non-take-up of social rights: Follow-up](#), pp. 865-915.
- Tax Authority, *Report of the Supervisor for Implementation of the Freedom of Information Law 2020*.

Appendix

An international comparison of social welfare expenditure

The comparison was carried out using OECD data according to the categories in the SOCX survey. It includes total recorded expenditure on in-kind benefits in the various categories of social welfare, excluding those on healthcare, survivors, and long-term care.

Following are the lines that were included in the comparison:

1. *The elderly* — housing services, home help, and other in-kind benefits provided to this population. Not including long-term care.
2. *People with disabilities* — housing services (day centers and rehabilitation), home help, rehabilitation services, and other in-kind benefits provided to people with disabilities.
3. *Families* — early childhood education and care (including preschool up to age 6), housing services for children, home help, and other in-kind benefits provided to families and children.
4. *ALMP* — employment services, training programs, and incentives.
5. *Housing* — housing assistance, public housing, and other in-kind benefits that are meant to help reduce housing expenditure.
6. *Other services* — social welfare assistance and in-kind benefits that are not included in the other categories, such as assistance to immigrants and food assistance for the needy.

For further details, see the methodology in [OECD, SOCX](#).