

The Welfare System and the Challenges of War

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The Welfare System and the Challenges of War

John Gal and Shavit Ben-Porat

Introduction

Over the past year, Israel's welfare and social security systems have operated against the backdrop of war, following the devastating events of October 7, 2023. At the center of these efforts was the need to address the severe repercussions of the massacre and the war for those directly affected, as well as for individuals whose relatives were abducted or harmed. At the same time, the system needed to provide assistance to a broader population that was evacuated from their homes or lost their livelihoods as a result of the conflict. The scale of the challenge faced by the Ministry of Welfare and Social Affairs, the National Insurance Institute (NII), and the Ministry of Defense, is evident in the sheer number of individuals affected. By mid-November 2024, 1,785 individuals, including soldiers, Israeli civilians, and foreign nationals residing in Israel, had been killed as a result of the massacre and war. During this time, 22,047 people sustained injuries. In the initial months of the war, approximately 143,000 residents of the Gaza border region and Northern border communities were displaced. Of these, 80,000 were relocated to hotels, while others were absorbed into host communities. Estimates suggest that an additional 120,000 evacuated on their own initiative. Over the following months, many returned to their homes near the Gaza border and the North, yet approximately 75,500 evacuees remained in hotels or in host communities, most of them from the North. From the localities evacuated, 32,000 individuals were already regular clients of the social services departments prior to the war.

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We estimate that at least 17,750 of these individuals were also evacuated from their homes (Gal et al., 2024). In addition, 93 abducted Israelis who were subsequently freed were provided with assistance by the social services.¹ During the first six months of the war, the costs of addressing the needs of these populations amounted to a total of NIS 9.5 billion. Most of the funds were directed toward financing evacuees' stays in hotels or their independent community accommodations and providing unemployment benefits and compensation under the Victims of Hostilities Law (Gal et al., 2024).

Alongside the response for those directly impacted by the massacre and the war, ongoing support for the welfare and social security needs of regular service users was maintained. This includes residents of localities that absorbed large groups of evacuees from the Gaza border and the North. Additionally, the policy development processes addressing longstanding social issues, such as poverty and disability, continued throughout 2024. This chapter examines these developments. It begins with an overview of social expenditure, proceeds to discuss the war's impact on affected populations, and concludes with an analysis of welfare-related issues that have seen significant progress over the past year.

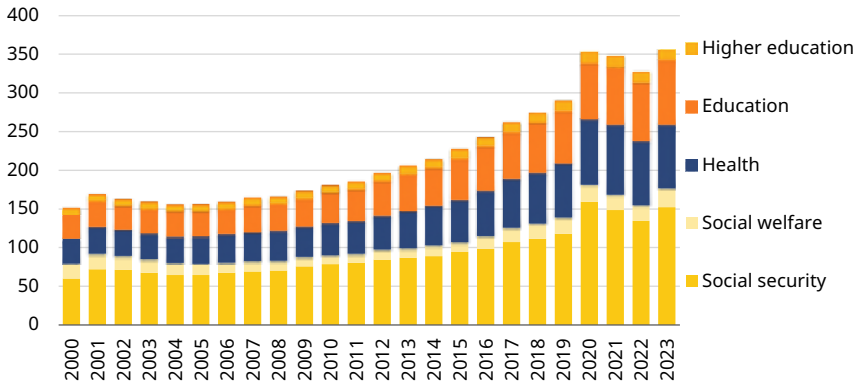
Social expenditure in Israel

Following two years of reduced social expenditure, which peaked during the Covid-19 pandemic response, 2023 saw an increase in social spending. That year, approximately NIS 355 billion was allocated to social issues from the total state budget of NIS 564 billion. Relative to 2022, this represents an increase of NIS 41.5 billion in nominal terms and approximately NIS 28.3 billion in real terms (adjusted for 2023 prices). As shown in Figure 1, the majority of the increase in social expenditure — encompassing allocations for social security, health, education, social welfare, and higher education — was directed toward social security and education. Later in this chapter, we relate to how the rise in social security expenditure was closely tied to the war and its consequences.

1 Data were taken from the Report on Knowledge and Information of the Israel National Digital Agency, November 14, 2024.

Figure 1. Social expenditure in Israel

NIS billions, 2023 prices



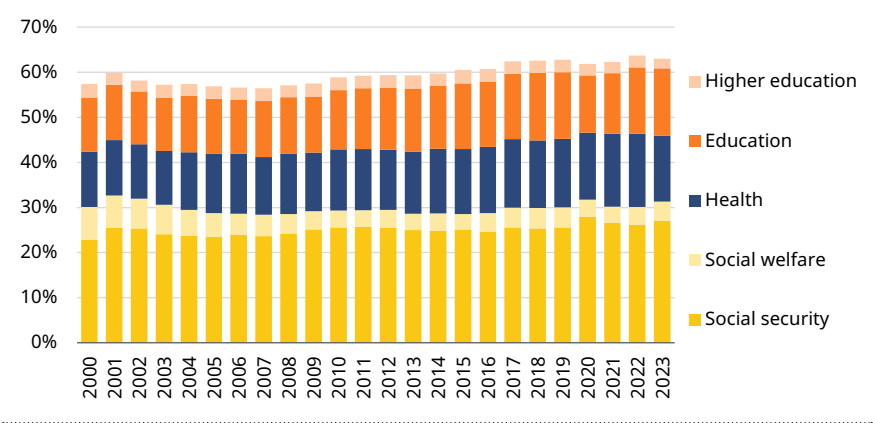
Note: Social expenditure includes allocations for the Ministry of Education, the Ministry of Health, and budget expenditure for higher education; expenditures on social security, which comprise National Insurance Institute benefits (e.g., reserve duty allowances); Ministry of Defense programs for rehabilitation and bereaved families; Tax Authority work grants for employment; allocations for Holocaust Survivors' Rights Authority; and expenditures on social welfare, including allocations from the Ministry of Welfare and Social Affairs, Ministry of Housing and Construction, Ministry of Immigration and Absorption, Ministry for Social Equality, Ministry for the Development of the Periphery, the Negev, and the Galilee, and employment programs under the Ministry of Economy.

Source: John Gal and Shavit Ben-Porat, Taub Center | Data: Ministry of Finance; NII

In 2023, social expenditure accounted for approximately 63% of total government spending, marking a slight decline from the previous year's 63.7%. Defense spending made up about 16% of the total, while other civilian expenditures constituted 21%. This compares to 13.8% and 22.5%, respectively, in 2022 (Figure 2).²

2 Defense expenditures include the following items: the Ministry of Defense (net of the Rehabilitation and Families Department), civilian emergency expenditures (Home Front Command and the National Emergency Management Authority), the Coordinator of Government Activities in the Territories (COGAT), various security-related expenditures, the Atomic Energy Commission, and the Discharged Soldiers Law.

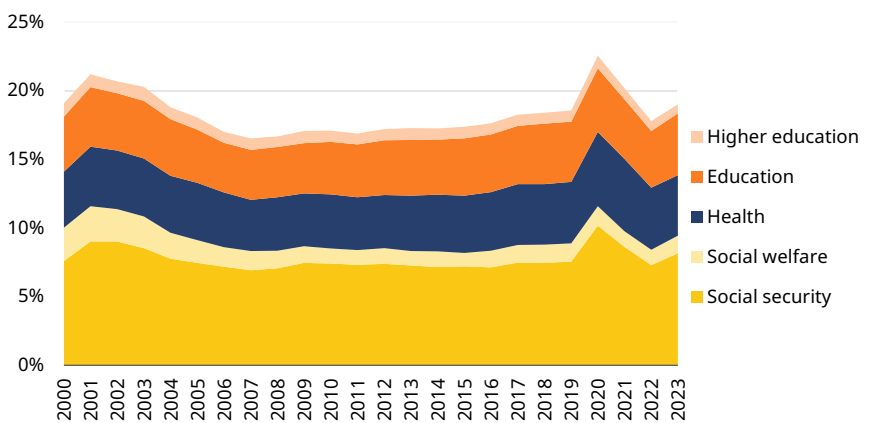
Figure 2. Social expenditure by category, as a share of total government expenditure



Source: John Gal and Shavit Ben-Porat, Taub Center | Data: Ministry of Finance; NII

When examined as a share of GDP (Figure 3), social expenditure in 2023 rose to approximately 19%, reflecting a return to pre-Covid-19 levels. Social security spending alone accounted for about 8% of GDP during the year.

Figure 3. Social expenditure by category, as a share of GDP

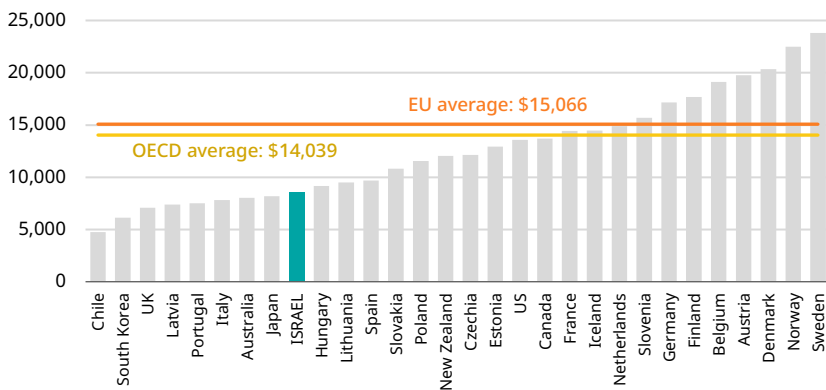


Source: John Gal and Shavit Ben-Porat, Taub Center | Data: Ministry of Finance; NII

One component of social expenditure is public spending on higher education, which totaled approximately NIS 12 billion in the 2023 budget, which is about 0.7% of GDP. Figure 4 compares public spending per student internationally. In 2020, this expenditure in Israel was \$8,526 (PPP-adjusted), significantly below the OECD average of \$14,039. This figure places Israel behind most comparable countries, including welfare states considered to be generous like Sweden, Norway, and Denmark, as well as conservative welfare states such as France and Germany. Even liberal welfare systems, such as that of the United States, invest more per student than Israel.

Figure 4. Public spending on higher education per student in OECD countries, 2020

USD, PPP-adjusted



Note: The figure represents spending on higher education for academic degree students. In the US, it includes post-secondary education (programs lasting two years or more).

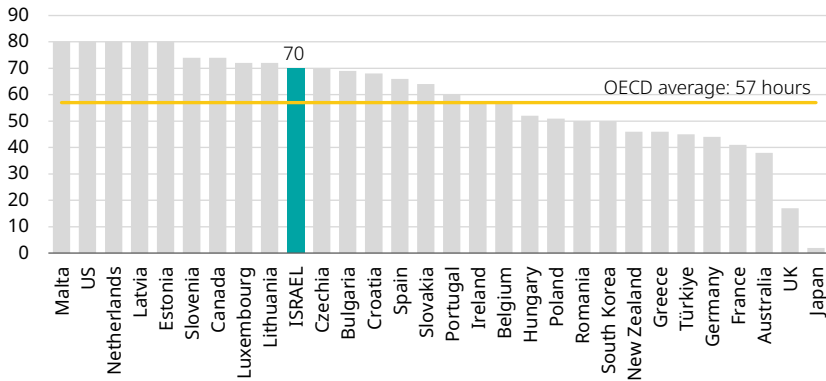
Source: John Gal and Shavit Ben-Porat, Taub Center | Data: OECD

Poverty, inequality, and a National Authority for the War Against Poverty

While comprehensive data on the war's broader impact on poverty and inequality are not yet available, existing statistics for 2024 provide a snapshot of the situation prior to the conflict. The 2023 Report on the Dimensions of Poverty and Income Inequality recently published by the National Insurance Institute reveals that between 2020 and 2023, the poverty rate remained stable at 20.7% of individuals in Israel. Among older adults, there was no change in the poverty rate, following a decline in 2022, likely due to an increase in income supplements for those whose primary income source is National Insurance benefits. The largest increase in the poverty rate was recorded among families headed by self-employed individuals. It appears that the assistance provided to these families was insufficient to compensate for the significant decline in their incomes. However, overall data indicate that, after increases in the previous two years, there was a reduction in the depth of poverty (the gap between the average income of those with income below the poverty line and the poverty line). Improvements were also observed in the effectiveness of NII allowances in addressing poverty, particularly due to the increase in disability benefits and the grants and relief measures provided at the beginning of the war. It should be noted, however, that the contribution of Israeli policy to poverty reduction remains especially low compared to OECD countries (Kasir [Kaliner] et al., 2024).

The high poverty rate in Israel highlights both the limitations of current policies and the challenges of escaping poverty. Comparative data from the OECD underscore some of these difficulties. For example, one measure examines the weekly work hours required by families earning an hourly minimum wage to achieve an income above the poverty threshold. This calculation assumes a two-child family with one working adult while the other is unemployed, factoring in eligibility for minimum income benefits (in — Israel income support) and family allowances (in Israel — child allowances and study grants). In Israel, 70 hours of work per week are needed, compared to an OECD average of 57 hours. This implies that a full-time job (approximately 40 hours per week) is insufficient for an Israeli household to rise above the poverty line.

Figure 5. Weekly work hours required to rise above the poverty line in OECD countries, 2022

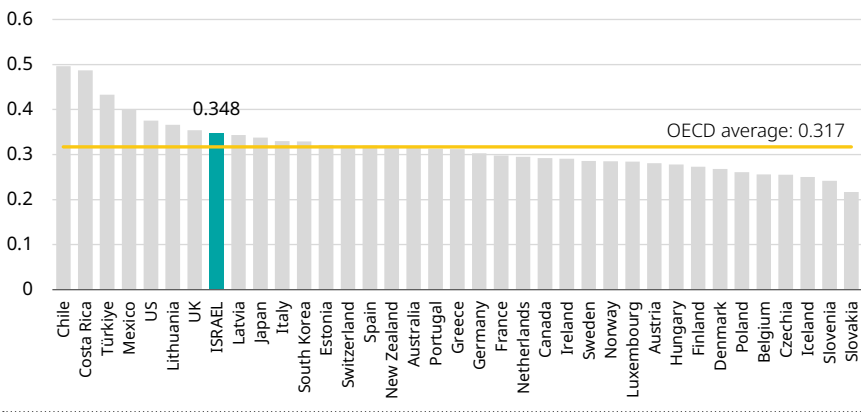


Note: For a family of two parents and two children aged 4 and 6.

Source: John Gal and Shavit Ben-Porat, Taub Center | Data: OECD

In parallel with the persistent poverty issue, inequality levels in Israel also remain high. Based on administrative data from the National Insurance Institute, the Gini coefficient for disposable income in Israel stood at 0.369 in 2023 — a slight decline relative to previous years. Despite this decrease, inequality has remained relatively stable over the past five years, suggesting that income disparities across population groups are not diminishing significantly. Figure 6 presents an international comparison of the Gini coefficient, calculated based on Household Expenditure Survey data for 2021 across various countries. It shows that income inequality in Israel is relatively high compared to most OECD countries, particularly in comparison to other welfare states (with the exception of the United States and the United Kingdom).

Figure 6. Gini coefficient of inequality for disposable income in OECD countries, 2021



Source: John Gal and Shavit Ben-Porat, Taub Center | Data: OECD

Evidence of the severity of inequality in Israel and the challenges faced by the welfare state is further demonstrated in a recent Tax Authority study of the top 1% of earners in Israel (Raz-Dror & Cohen, 2024). The combined annual income of this group amounts to NIS 100 billion, with an average yearly income of NIS 4 million. Comparisons with other countries show that the share of income held by Israel's top 1% is larger than in most welfare states and resembles levels in the US and Bulgaria. Researchers note that the effective tax rate paid by the top 1% is only 26%, a result of the substantial share of capital income in their total earnings, estimated at approximately two-thirds. The authors of the study summarize their analysis as follows: "In terms of the progressivity of its tax system for high-income earners, Israel is much closer to the Americas — tax systems characterized by high inequality and very low progressivity" (Raz-Dror & Cohen, 2024, p. 22).

The National Authority for the War Against Poverty

Efforts to establish a National Authority for the War Against Poverty gained momentum over the past year. The idea, first proposed by the Committee for the War Against Poverty (the Elalouf Committee) in the mid-2010s, has long been supported by civil society and academia (e.g., Krumer-Nevo, 2022). Despite this backing, the authority has yet to be formally established. Over the years, various private member bills have been submitted to the Knesset advocating for a government body to oversee anti-poverty measures across ministries and to advance research and policy in this area. In January 2023, a bill submitted by MK Naama Lazimi, with support from both opposition and coalition members, proposed that the authority sit within the Ministry of Welfare and Social Affairs.³ The authority's primary functions would include developing a multi-year national strategy and annual plans for poverty reduction, establishing a national center for information and research, coordinating inter-ministerial and local government efforts, and advising the government on anti-poverty strategies. Additionally, the authority would oversee a council responsible for setting policy and monitoring the implementation of these plans.

One central issue of deliberations on the bill within the Knesset Labor and Welfare Committee concerned the status of the National Food Security Council, established by law in 2011 under the Ministry of Welfare and Social Affairs. The proposed legislation calls for dissolving the council and replacing it with a food security committee under the new authority. This has drawn sharp criticism from members of the council and its academic advisory board.

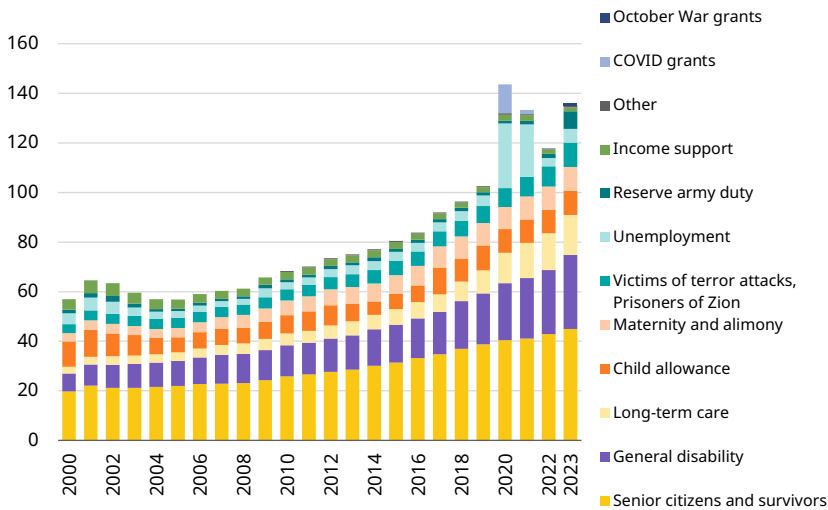
The bill passed its preliminary reading and was referred to the Knesset Labor and Welfare Committee for preparation for a first reading. In June 2024, it was approved in the first reading without opposition or abstentions. If implemented, the National Authority for the War Against Poverty will become the first government body explicitly dedicated to addressing poverty in Israel.

3 See the Knesset website, [National Authority for the War Against Poverty Bill, 2023](#).

Social security

After the Covid-19 pandemic, National Insurance Institute expenditure on benefits returned to its pre-crisis trajectory in 2022. However, 2023 saw a significant increase in spending, reaching approximately NIS 136 billion. This unusual growth was driven in part by wartime needs, including allowances for victims of hostilities, unemployment benefits, reserve duty stipends, and grants for displaced persons. Concurrently, spending on general disability benefits also saw a substantial rise. Figure 7 illustrates that expenditures on all National Insurance benefits increased in 2023, with one exception: income support. Spending in this category has steadily declined over the past decade, except during the pandemic. In 2023, income support expenditures stood at approximately NIS 1.65 billion, with the number of recipients remaining stable at around 60,800, compared to 80,700 in 2021.

Figure 7. National Insurance Institute benefit expenditures
NIS billions



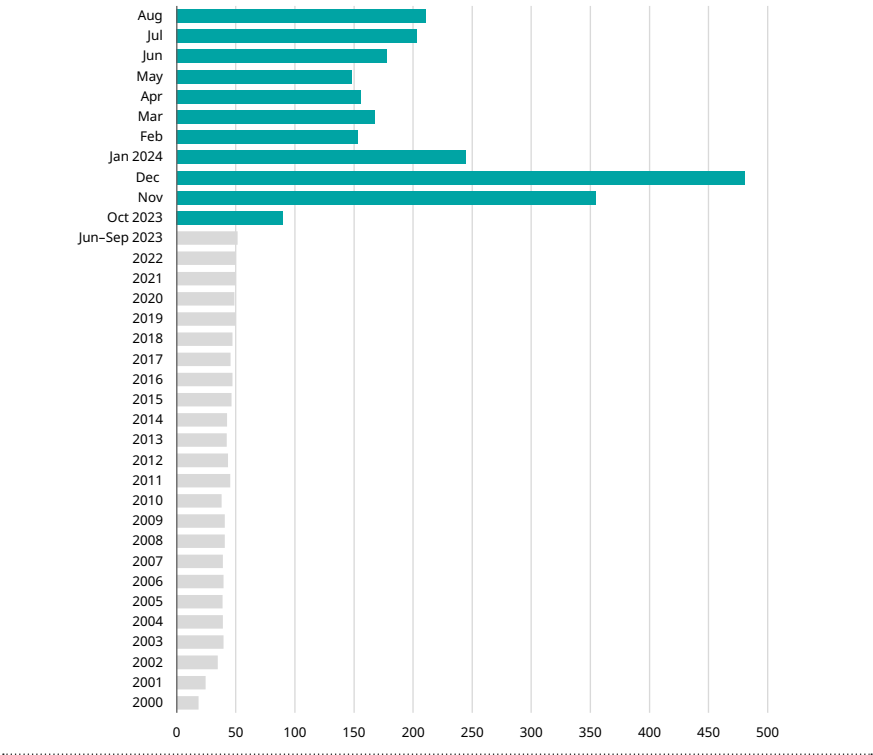
Source: John Gal and Shavit Ben-Porat, Taub Center | Data: NII

Victims of hostilities

One major factor behind the rise in social security expenditures in 2023 was the sharp increase in spending under the Victims of Hostilities Compensation Law. Enacted in 1970, this law provides for the treatment of individuals harmed in terrorist attacks. It ensures benefits and services for bereaved families, orphans, and those suffering physical or psychological injuries, offering nearly identical rights to those granted to soldiers injured or killed in the line of duty and their families (Yanay, 2024). Until last year, the number of recipients under this law was relatively small, averaging about 5,000 annually over the past decade. Following the October 7 massacre and subsequent conflict, the law was leveraged to provide financial aid and services to those affected. Amendments to the law and its regulations were introduced to expand eligibility and increase benefit uptake in response to the new circumstances. For example, the law was expanded to include abducted civilians and their families. Several groups of victims from the massacre and the war received automatic recognition under the law without the need to submit a formal application: individuals who were hospitalized for their injuries, fatalities, survivors of the Nova and Psyduck parties, and residents of communities where there was an immediate existential threat, such as those infiltrated by terrorists. Additionally, the claims process for recognition as a victim of hostilities was streamlined for those affected from October 7, 2023, onwards. Today, it is sufficient to present medical documents or a report from a counselor at a resilience center and complete a shortened questionnaire. As a result of these measures, the number of recipients of assistance under this law increased dramatically. More than 70,000 victims of hostilities have been identified, including individuals affected by the October 7 attacks, victims of terrorist attacks and rocket barrages in the North and South, abductees who have returned from captivity along with their families, and the families of abductees still held by Hamas. Figure 8 shows the significant increase in National Insurance expenditures resulting from these changes and the dramatic expansion of those eligible for assistance under the law. By the end of 2023, the monthly expenditure on compensation for victims of hostilities had risen to approximately NIS 480 million, nearly ten times the average monthly expenditure in 2022 (in 2023 prices). This expenditure included grants and initial payments provided by the National Insurance Institute without requiring supporting documentation, as part of the streamlined process for recognizing victims of hostilities. These payments included two medical care compensation

payments, adjusted according to family composition and age (the first ranging from NIS 2,883 to NIS 5,977, and the second from NIS 3,460 to NIS 8,972). Additionally, a one-time grant of NIS 3,500 and an advance payment of NIS 1,500 against medical care compensation were provided. Those recognized as victims of hostilities who sustained physical or emotional impairments may submit applications for disability recognition to receive a fixed monthly allowance. As of September 2024, the number of recognized victims of hostilities stood at 16,545.

Figure 8. Average monthly expenditure on compensation to hostile action casualties
NIS millions, 2023 prices



Note: The figure shows the average monthly expenditure for every year, except in the final columns that relate to specific months after October 2023.

Source: John Gal and Shavit Ben-Porat, Taub Center | Data: NII

Unemployment insurance

The war also impacted the number of individuals receiving unemployment benefits. During the conflict, particularly in the early months, unemployment benefits served as a safety net for those who were laid off or placed on unpaid furlough. To make this program more accessible, the minimum furlough period required to qualify for unemployment benefits was reduced from 30 days to 14 days, and the employment qualification period was shortened from 12 months to 6 months. Additionally, eligibility for unemployment benefits was extended to evacuees under certain conditions, and the benefit period for repeat claimants was extended until the end of December 2023.⁴ It was further established that professionals such as lecturers, artists, and tour guides whose workplaces ceased operations due to the war could qualify for unemployment benefits.⁵ As shown in Figure 9, the number of unemployment benefit recipients decreased significantly following the Covid-19 pandemic. Between January and September 2023, the average number of recipients was approximately 82,000 per month. However, with the onset of the war, this number surged two-and-a-half-fold, reaching approximately 206,000 by November 2023.

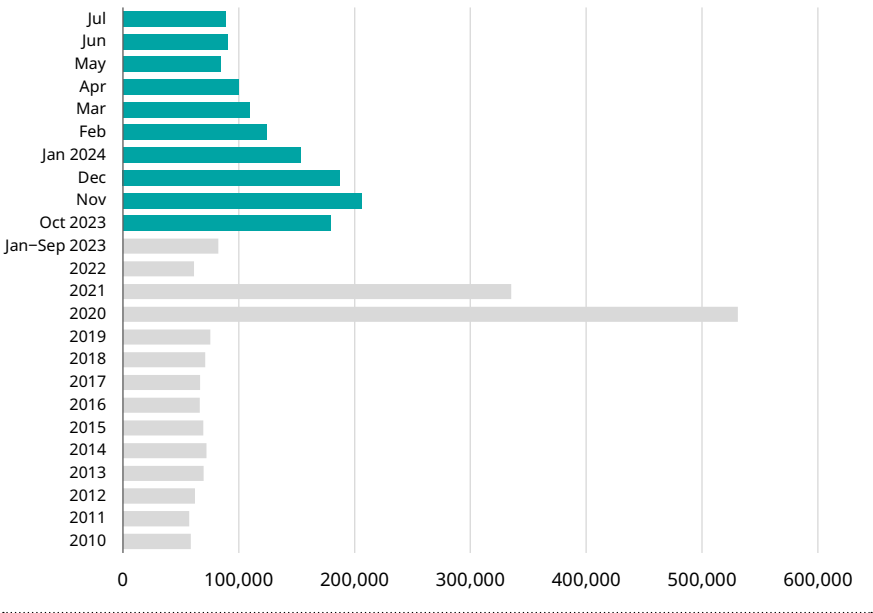
Subsequently, as the labor market gradually returned to full activity, the number of recipients began to decline. By June, the figure had nearly returned to pre-war levels. The increase in the number of unemployment benefit recipients led to a rise in National Insurance expenditures, adding approximately NIS 2 billion to costs during the first six months of the war.⁶

4 Residents of evacuated communities who are not working and have exhausted their eligibility for unemployment benefits may be entitled to an unemployment grant equal to the unemployment benefits they previously received. See the National Insurance Institute website, [Grants to Evacuees Who Are Not Working \(Unemployment Benefit Substitute\)](#).

5 See the NII website, [Counselors, Lecturers, Teachers, Artists, and Tour Guides](#).

6 Relative to the average expenditure in the previous year.

Figure 9. Number of recipients of unemployment benefit



Note: The figure shows the average monthly number of those receiving unemployment benefits in each year, except in the final columns that relate to specific months after October 2023.

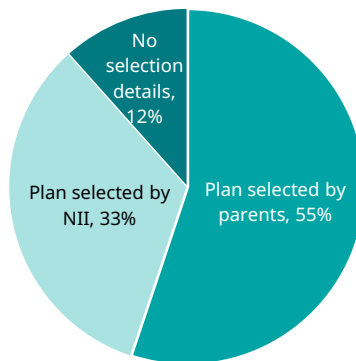
Source: John Gal and Shavit Ben-Porat, Taub Center | Data: NII

Savings for Every Child

The Savings for Every Child program is intended to ensure that every child in Israel has access to a sum of money to assist them at the beginning of adulthood. As part of this program, the National Insurance Institute deposits NIS 57 per month (as of 2024) for each child from birth until they reach the age of 18 or 21. Parents may also choose to add an additional NIS 57 from the child allowance, thereby doubling the monthly savings amount. Parents can choose where the child's savings will be managed from a range of options, including bank savings plans or provident funds (Rafaeli & Benish, 2022). The list of provident funds includes dozens of plans with varying levels of risk, managed by investment firms or insurance companies. In July 2024, two significant changes were made to the program's operation. The first change

is that the default option for depositing savings for children whose parents did not choose an investment track will now be a provident fund with a high-risk profile, expected to yield higher long-term returns.⁷ The second change allows savings managed in a bank account to be transferred to a provident fund, an option not previously available. A report recently published by the National Insurance Institute on the Savings for Every Child program indicates that in 2023, approximately 21% of the plans were managed in banks, while the remainder were managed in provident funds. The data also show that at least 33% of the plans were assigned to an investment track by default, as parents did not actively select one (Figure 10).⁸

Figure 10. Distribution of Savings for Every Child plans by agent or individual responsible for savings track selection



Note: Data are accurate to the end of 2022.

Source: John Gal and Shavit Ben-Porat, Taub Center | Data: NII

The changes to the Savings for Every Child program are expected to particularly impact disadvantaged populations. An analysis of program data for 2018–2019 revealed significant disparities across population groups regarding both participation in selecting an investment track and the choice of track itself.

7 Over the years, several changes have been made to the default option, including deposits into provident funds for some children. Following the change, the default is a deposit into a high-risk provident fund for all children.

8 See the NII website, [NII Report on the Savings for Every Child Program](#).

The analysis found that as parental income quintile increases, the likelihood of parents actively choosing an investment track also rises. Additionally, parents in the highest income quintile were 37 times more likely to choose a high-risk investment track compared to parents in the next to lowest (fourth quintile) and lowest quintile (Gottlieb, 2022). Therefore, the change designating a high-risk investment track — with potentially higher returns over the long term — as the default for plans where parents do not actively choose a track could help reduce inequality in the future.

However, the changes made to the program did not address the option of contributing an additional amount from the child allowance. As noted, parents may double the monthly savings by depositing an equivalent amount from the allowance they receive for their child. Data from May 2019 indicate disparities in this regard as well: only 22% of parents in the lowest income quintile made the additional contribution, compared to 65% of parents in the highest quintile (Gottlieb, 2022). The lack of attention to this issue undermines one of the program's primary goals, that of reducing inequality.

Work grant

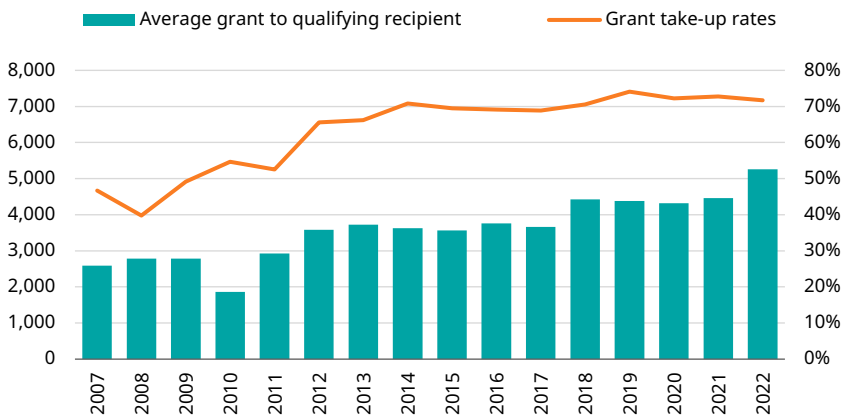
The work grant program aims to support low-income workers and encourage labor force participation. Initially launched as a pilot in 2008, it was expanded to the general population in 2012. Participation in the program requires an active application to receive the grant. In recent years, the number of eligible recipients has remained relatively stable. In 2020, approximately 325,000 individuals claimed the work grant. Similarly, the take-up rate has remained consistent, with about 72% of potential recipients utilizing the program (Figure 11). To increase the number of eligible recipients and improve take-up rates, various steps have been taken in recent years. These include expanding eligibility criteria, increasing benefits for specific population groups, simplifying the application process — including enabling online applications rather than through post offices — launching extensive media campaigns, and disseminating information in multiple languages. Despite these efforts, there has been no significant increase in the number of recipients or take-up rates. However, the annual expenditure on the program has grown. While expenditures remained steady at around NIS 1.4 billion from 2018, they rose to NIS 1.65 billion in 2022⁹

9 This figure is not final and is expected to increase somewhat.

following a decision to increase the grant amount. The average grant increased from approximately NIS 4,460 to NIS 5,260. This expenditure represents about 0.09% of GDP and 0.34% of total government spending.

This year brought an additional change to the grant program. The Assistance for Parents with Children Under Age Three Law, which came into effect in March 2024 (see details in the next section), stipulates that low-income parents with children under the age of three will be eligible for a supplement to the work grant starting in the 2024 tax year. In addition, due to the war, the deadline for submitting grant applications was extended.

Figure 11. Work grant: Average amount paid and take-up rates
NIS, annual average



Note: The grant amounts paid for the tax year. Data for 2022 are not final.

Source: John Gal and Shavit Ben-Porat, Taub Center | Data: Ministry of Finance, Tax Authority

Assistance for Parents of Children Under Age Three Law

In March 2024, the Assistance for Parents with Children Under Age Three Law came into effect. This law grants parents additional tax credit points and, as noted, provides working parents with low incomes an added benefit through the work grant starting in the 2024 tax year.

Tax credit points are allocated based on the child's age. For each child born during the tax year, one tax credit point is added per parent. For children who turn one or two during the tax year, two tax credit points are added per parent. For children who turn three during the tax year, one tax credit point is added per parent. Each tax credit point is worth NIS 2,904 annually (NIS 242 per month). This means that a household in which each parent is entitled to two additional tax credit points can receive up to NIS 11,616 annually, and even more in some cases where there are multiple children under age three. However, to benefit from the additional tax credit points, a parent's monthly income must exceed a certain threshold (the tax threshold). Table 1 presents examples of parents eligible for the additional benefit under the law. For example, prior to the Assistance Law, a married woman with two children aged two and five was entitled to 7.75 tax credit points, and her monthly income threshold for beginning to pay income tax was approximately NIS 13,800. With the implementation of the law, the income threshold for fully utilizing the additional tax credit points increased to approximately NIS 16,200 (the income threshold for paying taxes). For a married man with children of the same ages, the income threshold was about NIS 13,200 before the law and increased to approximately NIS 15,600 after the law. This threshold exceeds the average monthly wage for salaried employees (NIS 13,920 as of June 2024). In another example representing the lower income threshold (above which income tax is owed), parents of a single three-year-old child receive one additional tax credit point (per parent). The income threshold for beginning to benefit from this addition is NIS 10,775 for women and NIS 10,170 for men. To fully utilize the additional benefit, their monthly income would need to reach NIS 11,985 and NIS 11,380, respectively.

According to data from the 2022 Household Expenditure Survey, the median gross income from work for mothers of children under age five was NIS 8,240, while for fathers it was NIS 12,648. Based on the examples above, only a father of a three-year-old child with median income would benefit from the additional

monthly income due to the tax credit point, while in other cases, the additional points would not make a difference.

Table 1. Examples of parents eligible for additional benefits under the law

	Tax credits before the benefit	Tax credits after the benefit	Income limit before the benefit NIS	Income limit after the benefit NIS	Monthly addition for those over the income limit NIS	Monthly addition by median labor income NIS
Married woman with 2 children between ages 2 and 5	7.75	9.75	13,800	16,198	484	0
Married man with 2 children between ages 2 and 5	7.25	9.25	13,198	15,600	484	0
Married woman with 1 child age 3	5.25	6.25	10,775	11,985	242	0
Married man with 1 child age 3	4.75	5.75	10,170	11,380	242	242

Notes: The income threshold in this table represents the monthly income level above which income tax begins to be paid, considering only tax credit points related to family status and gender. Credit points for additional factors, such as immigrant status, completion of higher education, or tax benefits for living in periphery areas, are not included. According to the CBS Household Income Survey for 2022, the median income from work for mothers with children aged 0–4 was NIS 8,240, and for fathers, NIS 12,648.

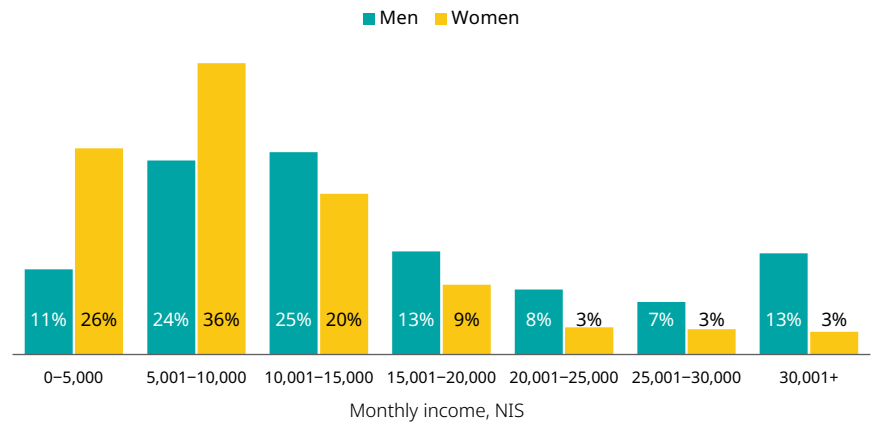
Source: John Gal and Shavit Ben-Porat, Taub Center | Data: [Tax Authority Simulator](#)

An analysis of the distribution of labor income for parents of young children in 2022 (Figure 12) shows that most mothers — about 62% — earned less than NIS 10,000. For women in this income range, the additional tax credit points are irrelevant, as a woman would need to earn more than NIS 10,775 to begin benefiting from the tax reduction and NIS 11,985 to fully utilize the benefit. Among fathers, about 35% earned less than NIS 10,000, meaning that a significant portion of them also would not benefit from the additional points. It should be noted that the average wage in the economy has risen since then,¹⁰ so it is likely that in 2024, the percentage of parents earning less than

10 According to CBS data for the first quarter of 2024, the average wage in the economy for salaried positions increased by approximately 12% since 2022. The income figures presented in the table refer to 2022 data, as these are the most up-to-date figures available.

NIS 10,000 was lower than in 2022. Additionally, the examples presented do not account for tax credit points granted for other parameters (e.g., additional children, immigrant status, academic graduation, etc.) that increase the income threshold for benefiting from the additional points.

Figure 12. Income from work among parents of children up to age 5, 2022



Source: John Gal and Shavit Ben-Porat, Taub Center | Data: CBS, Household Expenditure Survey 2022

As noted previously, the law also includes an addition to the work grant for low-income parents. The supplemental amount increases gradually within lower income brackets and decreases gradually within higher income brackets. The maximum monthly supplement for eligible parents is NIS 470 per child under age three.

The law also raised the income ceiling for eligibility for the work grant for parents of children under age three. For instance, in the 2023 tax year, the income ceiling for a parent with one or two children to qualify for the work grant was NIS 6,850. Starting in the 2024 tax year, for a parent with two children, one of whom is under age three, the ceiling increased to NIS 8,255. For a parent with two children under age three, it rose to NIS 9,531. This means that more families with children under age three will now be eligible for the work grant. However, because the

work grant requires an active application, some eligible individuals may not take advantage of the benefit (in 2022, the take-up rate for the work grant was 72%).

According to data from the Israel Tax Authority, the additional tax credit points are expected to result in a revenue loss of NIS 1.3 billion annually beginning in 2024. The supplemental work grant is projected to increase government expenditure on the program by approximately NIS 850 million annually starting in 2025.¹¹

Food vouchers

During the Covid-19 pandemic, a program was launched to address the economic consequences of the crisis among low-income families by distributing rechargeable food vouchers. This program was first implemented by the Ministry of Interior in 2021. Eligibility was primarily based on municipal tax (arnona) discounts granted due to low income. Under the program, 322,420 families received food vouchers worth an average of approximately NIS 2,180 per family, for a total value of about NIS 703 million. The actual redemption of the vouchers totaled NIS 684 million, representing a 97% take-up rate. A study conducted by the Taub Center (Gal et al., 2023) examined the gap between the percentage of families receiving assistance and the poverty rate among families in each locality. On average nationwide, the percentage of families receiving assistance was lower than the percentage of families living below the poverty line (a negative gap). The study also found that in some Haredi localities, the gap was either zero or positive. Even in Haredi localities with a negative gap, the disparity was smaller than the national average. In contrast, most Bedouin localities had a negative gap, often larger than the national average. Moreover, Bedouin localities recorded the largest negative gaps between the percentage of families receiving vouchers and the percentage of families living in poverty.

Following the publication of these findings and other critiques of the program's eligibility criteria, petitions were submitted to the High Court of Justice by the Movement for Quality Government and Hiddush — Freedom of Religion for Israel — demanding a review of the program's framework before it was renewed. In mid-2023, the Minister of Interior announced new eligibility criteria

11 See the Tax Authority website, [Approved for second and third readings: Additional tax credit points and work grant for parents of children under the age of three](#).

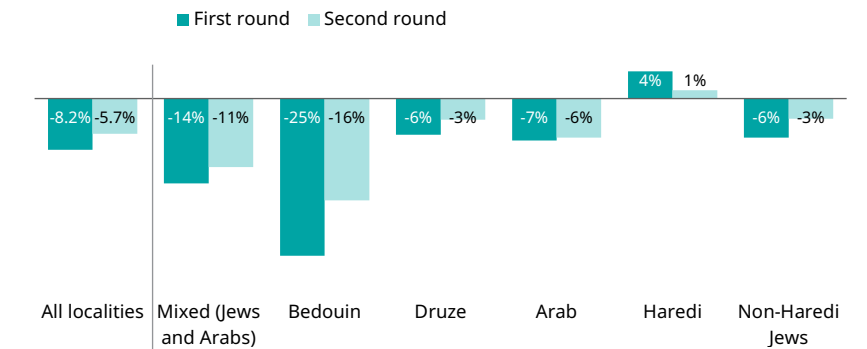
for the program's second round, budgeted at approximately NIS 400 million, to be distributed in two phases: by the end of 2023 and during 2024. Under the new criteria, automatic eligibility was granted not only to those receiving at least a 70% municipal tax discount for low income but also to senior citizens receiving income supplements alongside old-age benefits (i.e., individuals whose primary income is from benefits), individuals receiving income support or alimony payments from the National Insurance Institute, and Holocaust survivors receiving financial assistance. Additionally, low-income individuals not automatically eligible could apply for food vouchers. Eligibility amounts were determined based on the number of household members and capped at NIS 2,400 per family (Ministry of Interior, 2023).

An analysis conducted by the Taub Center using data from the Ministry of Interior and Eshel by Colel Chabad on the second round of voucher distribution and poverty data by locality from the National Insurance Institute produced the results presented in Figure 13. The findings indicate that the average gap between the percentage of families eligible for food vouchers and the percentage of families living in poverty decreased between the two rounds, from 8.2% to 5.7%. However, the changes in the gap across different groups of localities were not uniform. In Arab localities the gap narrowed the least, while in Bedouin localities it decreased significantly, although these localities still had the largest gap. In Haredi localities — the only ones with a positive gap in the first round — the gap narrowed, but it remained the only positive one (the share of entitled families was greater than the share of families in poverty).

In response to a High Court petition regarding the program's framework, the State reported that an inter-ministerial committee of director generals was established to examine the principles for determining eligibility criteria, the identity of the ministry responsible for implementing the program, and the methods of its execution. The committee recommended that of the NIS 300 million allocated for 2024, NIS 90 million should be directed toward strengthening the Ministry of Welfare and Social Affairs' Food Security Initiative, with one-third of this amount allocated specifically to bolster the initiative in Arab communities. The remaining NIS 210 million will be distributed according to the criteria established in 2023, subject to two adjustments: recipients of income support will receive full-value vouchers like other eligible groups, instead of half-value vouchers as previously stipulated; and the restriction limiting eligibility to two children for recipients of income support and alimony

payments will be removed. The committee further recommended that by 2025, all food security assistance initiatives should be consolidated under the Ministry of Welfare and Social Affairs.

Figure 13. The gap between the share of families eligible for food vouchers and the share of families living in poverty in the locality (adjusted)



Notes: The percentage of eligible families was calculated based on Ministry of Interior data regarding eligible families relative to the number of families in the locality, according to 2022 census data. The percentage of poor families was calculated based on the 2022 Poverty Report by the National Insurance Institute. The analysis did not include families from localities for which data on the number of families or poverty rates were unavailable (including many families from the Bedouin diaspora). In the first round, 14,572 families out of 347,883 eligible families were excluded from the analysis, and in the second round, 20,246 families out of 423,250 eligible families were excluded.

Source: John Gal and Shavit Ben-Porat, Taub Center | Data: NII

In light of the Taub Center's research findings, it is evident that significant revisions to the food voucher program are still required in order to ensure that it effectively targets the most vulnerable families. Alternatively, given doubts about the program's contribution to addressing food insecurity, consideration should be given to canceling the program entirely and reallocating its resources to the Ministry of Welfare and Social Affairs' Food Security Initiative, which specifically focuses on populations experiencing food insecurity. At the same time, efforts should be made to guarantee every family in Israel the basic right to live in dignity through all means available to the welfare system, particularly via the income support program.

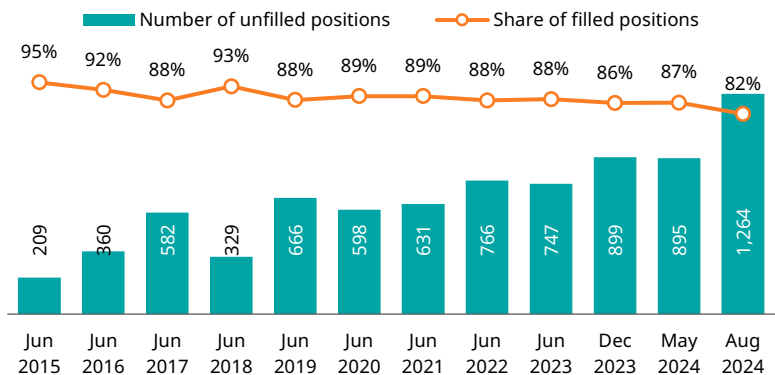
Ministry of Welfare and Social Affairs

In the weeks and months following October 7, 2023, the Ministry of Welfare and Social Affairs was required to address complex and unexpected situations, necessitating changes in work patterns for the ministry, its regional offices, and the social services departments in local authorities. According to a Taub Center study on the functioning of the welfare system during the first six months of the war (Gal et al., 2024), the ministry's new tasks included assisting victims of the massacre and their families, providing support to civilians harmed during the war, caring for children who were abducted and subsequently released, and offering aid to evacuees from communities near the Gaza border and the North. To assist evacuees, the ministry had to reinforce social services departments in both host communities receiving evacuees and evacuated communities, whose departments were expected to continue providing services to their dispersed populations throughout the country. At the same time, ministry teams and social services departments were required to maintain regular services for their permanent target populations and for welfare institutions under the ministry's responsibility.

To address these demands, the Ministry of Welfare and Social Affairs received budgetary supplements. At the start of the war, the ministry was allocated an additional NIS 247 million for the 2023 budget. In 2024, the welfare budget was increased by approximately NIS 178.5 million. An analysis of how the additional funds were used up to February 2024 shows that they were directed toward several key purposes: evacuating facilities and welfare populations; hiring additional staff and reinforcing workers in out-of-home care settings; assisting families following the closure of day programs; and establishing alternative day frameworks in hotels.

In response to the new needs created by the war, additional social worker positions were added to social services departments in local authorities. However, as shown in Figure 14, even during this period, the Ministry of Welfare and Social Affairs struggled to fill these positions. For example, in June 2023, there were 747 unfilled positions, with a staffing rate of 88%. By August 2024, the number of unfilled positions had increased to 1,264, and the staffing rate had fallen to 82%. The increase in unfilled positions primarily reflects the additional positions created in response to the significant rise in needs during the war. The difficulty in staffing social worker positions remains one of the major challenges currently facing the ministry.

Figure 14. Social work positions and staffing rates in social services departments



Note: The figure shows only positions funded by the Ministry of Welfare and Social Affairs, excluding those positions fully funded by the local authority.

Source: John Gal and Shavit Ben-Porat, Taub Center | Data: Ministry of Welfare and Social Affairs

Alongside the new responsibilities that emerged for the Ministry of Welfare and Social Affairs due to the war, especially as it continued, issues that had long preoccupied the ministry before the war returned to its agenda. Two of these are discussed here: care for individuals with disabilities and the process of decentralizing welfare authority.

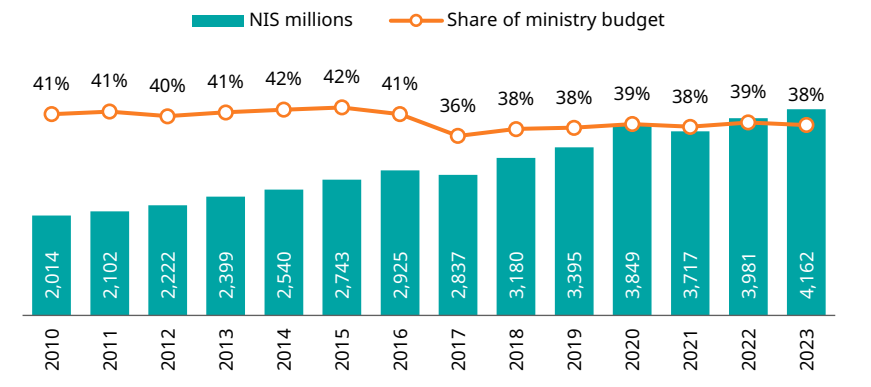
Individuals with disabilities

In 2017, the Ministry of Welfare and Social Affairs established the Disabilities Administration to consolidate various activities related to individuals with disabilities under one roof. Today, it is a central component of the ministry's operations. As shown in Figure 15, the budget allocated for services for individuals with disabilities has steadily increased over the years and consistently represents approximately 40% of the ministry's total expenditures. The primary target population of the Disabilities Administration includes adults with disabilities (excluding individuals with mental disabilities, who are under the care of the Ministry of Health), as well as infants and children up to age

six with developmental delays. According to the administration's data, in 2023, it served approximately 174,000 individuals with disabilities and their families (Ministry of Welfare and Social Affairs, 2024). The war that began on October 7 necessitated the evacuation of individuals with disabilities from communities near the Gaza border and the North, as well as residents of institutions located in areas near combat zones. Additionally, the administration had to respond to the needs of individuals with disabilities across the country who required assistance during the war (Gal et al., 2024).

Beyond addressing the war's effects and providing a variety of services to its target populations, a central focus of the administration's work has been the promotion of the Welfare Services for People with Disabilities Law, enacted in mid-2022 and taking effect in January 2024. The law is intended to ensure the rights of individuals with disabilities to live independent, autonomous, and active lives in society and in their communities. It also aims to establish mechanisms for community-based care and to guarantee their autonomy through a system of personal budgets (Gal et al., 2022). Since the law's adoption, the Disabilities Administration has been actively developing regulations and operational procedures to facilitate its implementation.

Figure 15. Budget of the Disabilities Administration and its share of the ministry's total budget



Note: From 2010 until 2019, the figure relates to the budget of the Rehabilitation Division and the Division for People with Intellectual and Development Disabilities, and from 2020, it relates to the budget of the Disabilities Administration.

Source: John Gal and Shavit Ben-Porat, Taub Center | Data: Ministry of Finance

Recently, two reports were published regarding the Ministry of Welfare and Social Affairs' treatment of individuals with disabilities, shedding light on the challenges facing the Disabilities Administration. The first report, by the UN Committee on the Rights of Persons with Disabilities (United Nations, 2023), was based on a report submitted to the committee by the Israeli government. This UN report addressed a wide range of issues, including the lack of adequate legislation on the rights of persons with disabilities, barriers to accessibility in various areas, violations of their rights in public spaces, and the absence of material assistance for asylum seekers with disabilities. The report explicitly emphasized the need for the Ministry of Welfare and Social Affairs to expedite the transition from institutional care for individuals with disabilities to community-based living arrangements that promote their autonomy. These were also the recommendations of the Dotan Committee, which examined the management and operation of institutions for individuals with disabilities under the ministry's purview. The committee's conclusions were adopted by the Minister of Welfare and Social Affairs (Holler, 2023).

The second report, focusing directly on the activities and performance of the Disabilities Administration, was published this year by the State Ombudsman (State Ombudsman, 2024). The report pointed to deficiencies in the systems managed by the administration, particularly in integrating young graduates of special education programs into the community, as well as in housing and employment services for individuals with disabilities. According to the report, the take-up rates of rights across these systems were notably low. For instance, only 57% of eligible young adults who graduated from special education programs accessed the services offered by the Disabilities Administration. Examination of autonomy and social integration among individuals with disabilities under the administration's care showed minimal progress. In the housing sector, the Ombudsman found that despite the ministry's commitment to promoting community-based living for individuals with disabilities, the percentage of those living in community residences remains low. Moreover, between 2016 and 2022, the number of individuals with disabilities living in institutional facilities outside the community increased. Contributing factors included a lack of suitable housing options in various regions, attitudes among professionals directly working with individuals with disabilities, and limitations in resources and time available to these professionals.

In employment, the Ombudsman's findings revealed that despite the ministry's stated preference for open-market employment over sheltered employment, most individuals with disabilities (70%) remain employed in sheltered settings, with only 30% working in open-market employment frameworks. Furthermore, the transition rate from sheltered employment to open-market employment has been minimal in recent years, standing at just 8%. Finally, the Ombudsman addressed oversight issues regarding housing and employment frameworks under the ministry's responsibility. The review found that due to insufficient staffing and a lack of oversight tools, the frequency of visits to supervised facilities was very low — once every 1.5 years for housing facilities and once every 3.5 years for employment facilities. The implementation of the Welfare Services for People with Disabilities Law is expected to help address these challenges and advance accessibility, integration, and independence for individuals with disabilities in Israel. It is hoped that this promise will indeed be realized.

Decentralization of responsibilities in the area of welfare

In 2022, a planned process to decentralize welfare authority to local authorities began. This initiative is part of a broader effort that followed a government decision in November 2021 to transfer powers in various areas to local governments,¹² based on recommendations from an inter-ministerial committee established to examine the issue (Prime Minister's Office and Ministry of Interior, 2022). Israel remains one of the most centralized democracies, and while decentralization processes have taken place in recent decades, they remain limited and cautious (Ivanyna & Shah, 2014; Yuval, 2015). However, in recent years, particularly during the Covid-19 pandemic and in response to the aftermath of the October 7 massacre and subsequent war, the importance of local authorities in addressing residents' needs has become increasingly evident.

The role of local authorities in shaping and implementing social policy has been a central topic in welfare state research in recent years (Hindy, 2024; Kazepov et al., 2022). This discourse highlights both the advantages and complexities of a localized approach to social policy in various welfare states. In Israel, too,

12 Government Resolution No 675 from November 21, 2021, [Decentralization of authority to local governments and reduction of excessive regulation](#).

there has been a growing trend of increased involvement by local authorities in designing welfare policies, often initiated by the localities themselves. This is particularly evident in localities with high self-generated revenues or those supported by philanthropic foundations willing to fund innovative welfare programs. Social workers are frequently the drivers of these changes (Gal, forthcoming).

The tension between localization and centralization has been a longstanding issue for the Ministry of Welfare and Social Affairs, which seems to be gradually moving away from the high level of centralization that has historically characterized the welfare sector. In recent years, the ministry has promoted several formal initiatives to decentralize authority to its regional offices and social services departments in local authorities. This was particularly evident in efforts to assist evacuees during the war, in both host and evacuated localities.

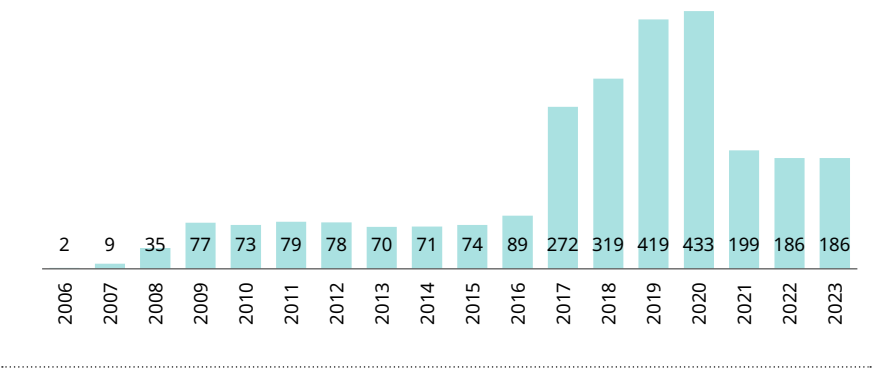
Following the government decision on decentralization to local authorities, the Ministry of Welfare and Social Affairs identified it as one of its central goals and began transferring authority in several areas, including defining the roles of social workers in social services departments (in positions funded by the ministry). Another significant step to advance decentralization has been in the area of services for senior citizens. This initiative, which began in 2022 and expanded in 2023, aims to allow greater flexibility in planning and managing budgets allocated for senior citizen services at the local level. Although no pilot program was conducted, nor was a systematic evaluation of the initiative's success undertaken after its first year, the ministry considers it an achievement. The 2023 Freedom of Information report states: "The decentralization process we led [...] improved efficiency and equity in the local authority's ability to provide professional, tailored, and flexible services, as they are the ones directly engaging with senior citizens and are best positioned to understand and address their needs firsthand" (Ministry of Welfare and Social Affairs, 2024, p. 265).

Ministry for Social Equality

The Ministry for Social Equality and the Advancement of Women was established to promote social equality in Israel. It began as a unit focused on senior citizens within the Prime Minister's Office in 2006. Over the years, new areas of activity were added, and existing responsibilities were reshaped. A significant change occurred in 2015 when several key functions were transferred to the ministry from the Prime Minister's Office, including the Authority for the Economic Development of the Minority Sector, the Authority for the Advancement of Women, and the Israel National Digital Agency. In addition, a youth division was established. In the past two years, further significant changes have been made: new areas of activity were added, others were transferred to different ministries, some returned to the ministry's jurisdiction, and in some cases, they were transferred again. Currently, the ministry oversees the Division for Senior Citizens, the Authority for the Economic Development of the Minority Sector, the Authority for the Advancement of Women, the Division for the Promotion of the LGBTQ+ Population, and the Division for Heritage and Projects.

In terms of resources, the ministry's budget is relatively small compared to other social ministries, amounting to approximately NIS 186 million in 2023 (Figure 16). The fluctuations in the budget shown in the figure reflect the changes in the ministry's areas of activity over the years. These frequent changes and instability in its scope of responsibility undermine the ministry's ability to achieve its social goals and meaningfully advance the populations under its care. Moreover, the ministry's areas of responsibility significantly overlap with those of other ministries, particularly the Ministry of Welfare and Social Affairs. These factors raise critical questions about the necessity and justification for the existence of such a ministry.

Figure 16. Budget of the Ministry for Social Equality
NIS millions, 2023 prices



Source: John Gal and Shavit Ben-Porat, Taub Center | Data: Ministry of Finance

Conclusion

Over the past year, responding to the victims of the October 7, 2023 massacre and the subsequent war has been at the forefront of Israel's welfare and social security systems. This effort spanned numerous areas of activity and required extensive resources, as well as widespread preparation at both local and national levels. Alongside addressing the consequences of the war, Israel's welfare systems have continued to grapple with longstanding unresolved issues of the welfare state: social challenges such as disability, poverty, and inequality; shortcomings in programs like Savings for Every Child, food vouchers, and the work grant; the centralization of policy making; and the lack of resources required for the proper functioning of the welfare system. As demonstrated throughout this chapter, steps have been taken to address some of these challenges. However, the path to achieving significant improvement in Israel's welfare system remains long.

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