



Looking at Israel's Proposed National Budget for 2008 Through a Gender Lens

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Israel Women's Budget Forum



Looking at Israel's Proposed National Budget for 2008 Through a Gender Lens

Introduction

Israel's 2008 budget proposal conforms in every detail to the prevailing ideology, according to which the government needs to exercise inflexible fiscal restraint in order to make way for the private sector. Fiscal restraint is to be achieved by reducing social expenditures, while defense expenditures continue to grow, in 2008 and beyond.

This fiscal policy involves budget decisions that are especially detrimental to women.

The proposed budget for 2008 calls for cutting back personnel in government ministries and agencies by one percent for each of the next four years – 2008, 2009, 2010 and 2011. The cutback will affect women more than men, as women constitute two-thirds of ministry employees.

The proposed budget reveals another trend – continuation of income tax cuts, which benefit mainly persons in the upper income bracket, and continuation of corporate tax cuts, which benefit mainly men. On the other hand, the budget proposal includes the imposition of a health tax on housewives, which amounts to a tax hike for families in the lower income brackets.

The above trends do not augur well for Israeli women: they do not stand to benefit from income and corporate tax reductions or from the increase in the defense budget; they are also the ones who stand to lose from the erosion in social service budgets.

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The Defense Budget

In this era of fiscal restraint, in which the government is permitted to increase spending by no more than 1.7% a year, every addition to the defense budget means a reduction in social service budgets.

Prior to the outbreak of the second Palestinian uprising, in October 2000, the trend was to reduce the defense budget. The outbreak of hostilities led to a sharp increase in defense spending. In 2005, with the waning of hostilities, the defense budget registered a decrease. However, in 2006, following the Second Lebanon War, the Defense Ministry requested a large increase in its budget. The government responded by appointing a commission to examine the request. The resulting recommendation: over the next ten years, to increase the defense budget by the accumulated sum of NIS 46 billion - an average of NIS 4.6 billion per year.

Due to this recommendation, subsequently approved by the government, it appears that during the next ten years, the annual increase in the defense budget is to account for a sizable proportion of the total annual increase in government spending.

Now, it is customary to think that the defense budget benefits everyone in equal measure. However, a gender-sensitive analysis reveals that in addition to serving to defend the country against external threats, the defense budget serves to finance the salaries of the standing army. And when the standing army is examined from a gender perspective, we find that women constitute but a small minority: in 2005, 18%. Women constitute 26% of the officer corps, in which there is a glass ceiling at the rank of major: Women constitute no more than 10.5% of lieutenant colonels and only 4.4% of colonels (Shahar, 2006: 394,397). It should be added that Arab women and Mizrahi Jewish women do not become commissioned officers. Arab women do not serve in the armed forces at all.

Increase in the Defense Budget as a Proportion of the Increase in Total Government Spending, 2008-2017

Based on the Recommendations of the Commission
Basis is the 2007 Budget

| Year | % increase over previous year |
|------|-------------------------------------|
| 2008 | 38% |
| 2009 | 31% |
| 2010 | 25% |
| 2011 | 20% |
| 2012 | 18% |
| 2013 | 16% |
| 2014 | 15% |
| 2015 | 15% |
| 2016 | 14% |
| 2017 | 14% |

Source: Adva analysis of State of Israel, *Report of the Commission to Examine the Defense Budget*, May 2007.

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Social Service Budgets

Between 2001 and 2003, large cuts were made in the social service budgets. Since that time, the social services in Israel have experienced fiscal crises. Recent teacher strikes in the public school system and universities are part of the same outcome.

Since 2001, the social service budgets in Israel have shrunk by 6%, on a per capita basis.

The fiscal crisis in the social services has had an adverse effect on women's employment opportunities and on their chances for promotion and decent wages. For a large proportion of working women, the public services served as a ticket to the labor market. Women have been adversely affected in three capacities: (1) as employees, (2) as recipients of services, and (3) as caregivers, since they are the ones responsible for providing the services curtailed by the government.

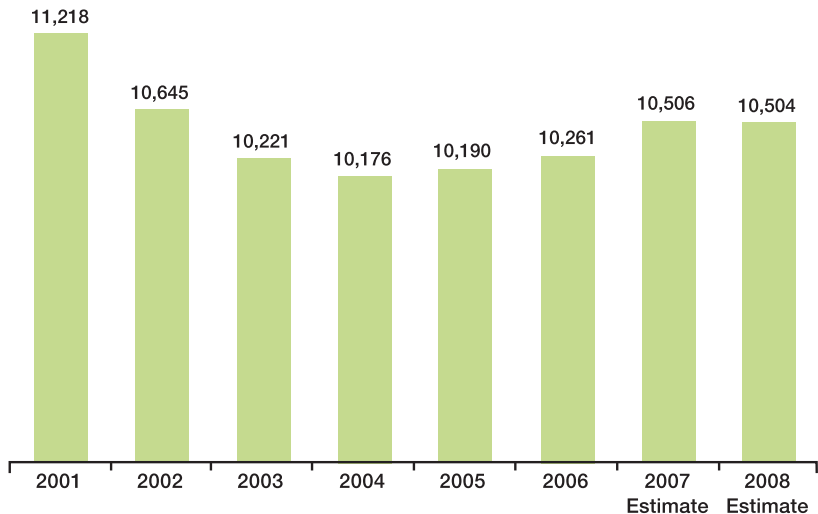
The importance of the social services for women can be understood from the following figures:

- Women comprise two-thirds of public service employees;
- Approximately 45% of women in the labor market are employed in the public services;
- Approximately 16% of women were caring for a sick or handicapped relative, according to an international survey on women's health (Gross and Bramli-Grinberg, 2000: 56).

Every budget cut in the public services means fewer jobs for women or a worsening of the working conditions for a large proportion of women. Every reduction in the social services – education, health or personal services - increases the burden on working women, as they are the main caregivers of family members in need of supervision or care. When one public service or another contracts, it is the women who increase their total hours of work (inside the home + outside the home) or decrease their working hours outside the home, along with everything else that entails.

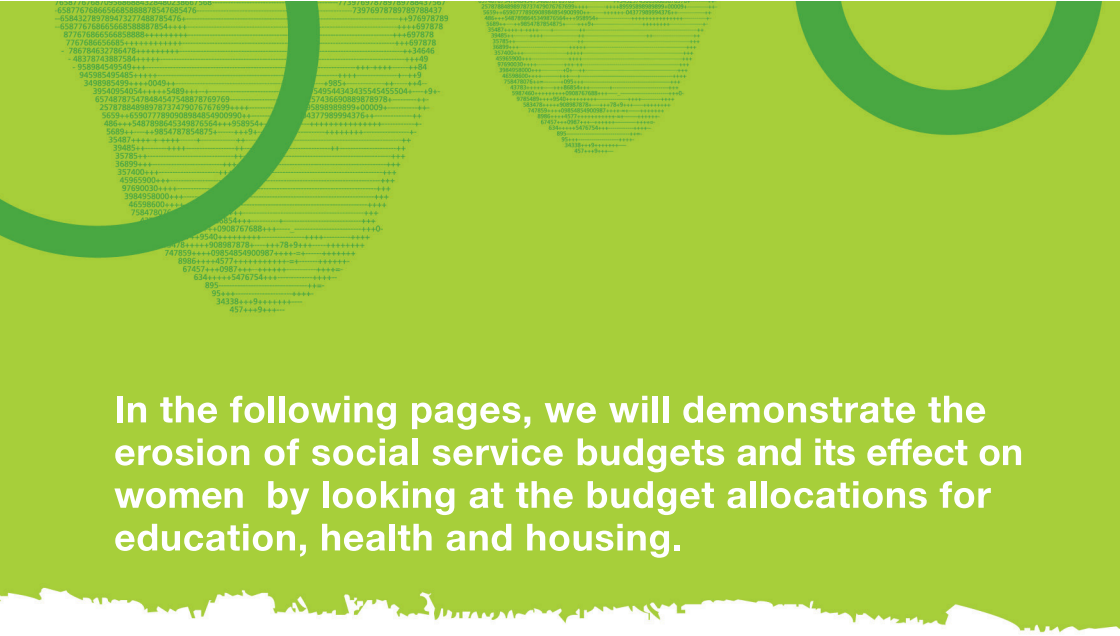
Social Service Budgets Per Capita, 2001-2008

NIS, 2006 Prices



Notes: Social service budgets include the following ministries: Education, Science, Culture and Sports, Health, Higher Education, National Insurance Institute transfer payments funded by general taxation, and Social Affairs.

Sources: Adva Center analysis of Ministry of Finance, Office of the CFO, *Financial Report*, various years; Ministry of Finance, *Budget Instructions for the Ministry of Education for 2007*; *Budget Instructions for the Ministry of Education*; *Budget Instructions for Higher Education*; *Budget Instructions for the Social Affairs Ministry*; *Budget Instructions for the Ministry of Science, Culture and Sports*, January 2007; Ministry of Finance, *The Proposed Budget for 2008: Budget Highlights*, October 2007; Central Bureau of Statistics, *Statistical Abstract of Israel 2007*, # 58, Table 2.26; Central Bureau of Statistics, *Population Forecast to 2025*, December 2004.

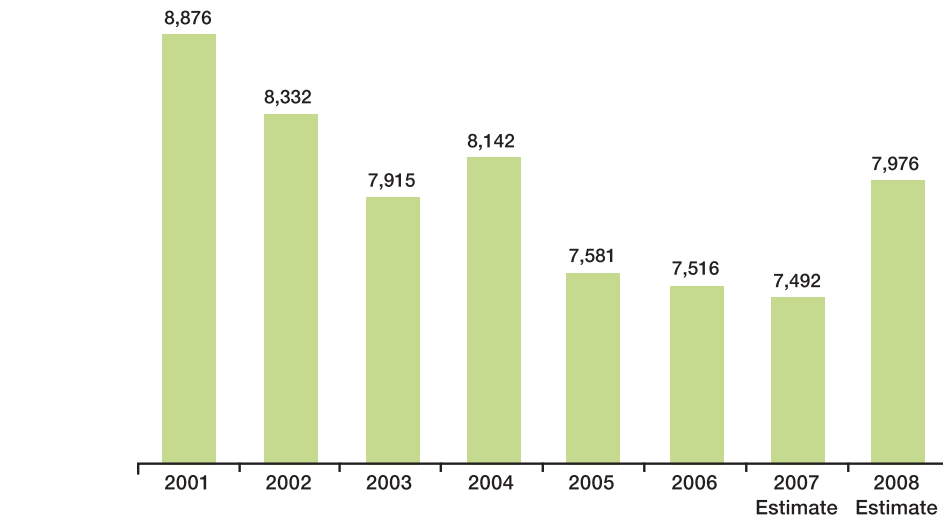


In the following pages, we will demonstrate the erosion of social service budgets and its effect on women by looking at the budget allocations for education, health and housing.

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The majority of the education budget is used for teaching hours. Between 2001 and 2007, the budget for teaching hours shrank by 16%. In 2008 the budget is to increase somewhat. If it does, the budget for teaching hours will return to its 2003-2004 level, but it will still be lower than it was in 2001.

Budget for Teaching Hours, 2001-2008
NIS, 2006 Prices

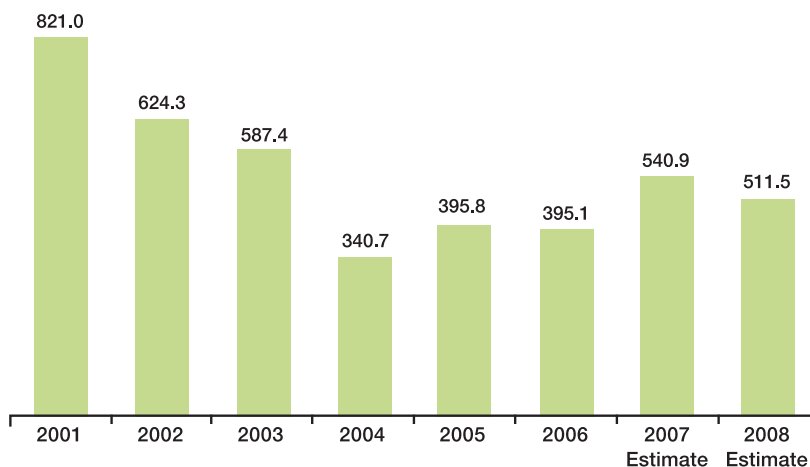


Sources: Adva analysis of Ministry of Finance, Office of the CFO, *Financial Report*, various years; Ministry of Finance, *Budget Instructions for the Ministry of Education for 2007*, January 2007; *Proposed Budget for the Ministry of Education for 2008*, October 2007; Central Bureau of Statistics, *Statistical Abstract of Israel*, various years.

Like other government ministries, the Education Ministry has a separate budget for investment. In the case of the Ministry of Education, most of the investment budget is used to build new classrooms. Arab localities in Israel suffer more than others from an inadequate number of classrooms. An examination of the investment budgets of the Ministry of Education reveals that they have decreased rather than increased in the course of the last decade. In 2008, after a slight increase, they will be 38% smaller than they were in 2001. The outcome is clear: a continuing lack of classrooms and the dilapidation of existing ones.

The lack of classrooms affects the working conditions of teachers, nearly 80% of whom are women. There is no way that class size can be reduced as long as there are not enough classrooms. Neither can the teaching profession become a full-time job (it is presently defined as part-time), with decent pay. And new classrooms cannot be built to meet the need unless the investment budget is increased.

Investment Budget of the Ministry of Education, 2001-2008
NIS millions, 2006 prices



Sources: Adva analysis of Ministry of Finance, Office of the CFO, *Financial Report*, various years; Ministry of Finance, *Budget Instructions for the Ministry of Education 2007*, January 2007; *Budget Proposal for the Ministry of Education for 2008*, October 2007.



Health Budgets

Like the budget for education, the budgets for health have undergone erosion since 2001. The Ministry of Health budget for fiscal 2008 is, on a per capita basis, only 88% of the budget of 2001.

This erosion is relevant to the health services provided directly by the Ministry of Health: preventive health services and services for long-term illnesses. The main reductions have been in programs for school children and well babies.

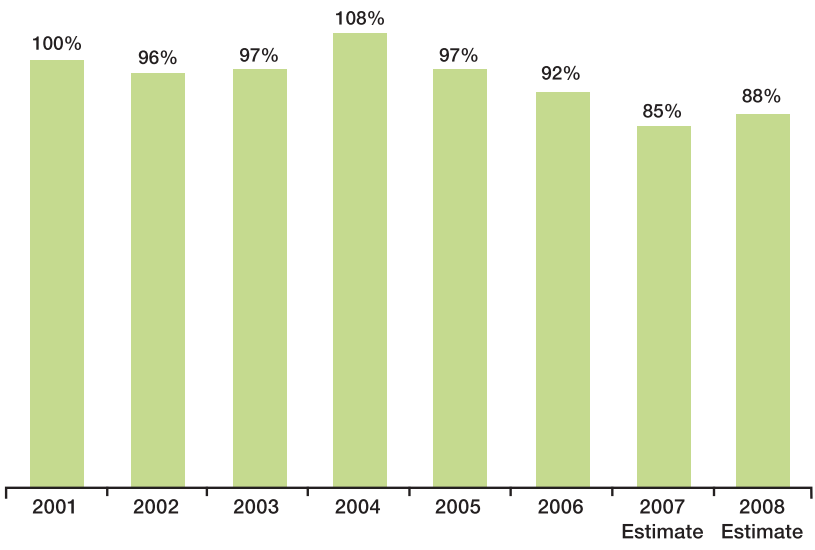
In 2007, the preventive health services for school children were privatized. The outcome for the national budget was "savings" - that is, a cheaper service. The outcome for school children was a reduction in the percentage receiving the required inoculations - and the absence of school nurses. The outcome for mothers - another reason for tension at the workplace, wondering when the school will call to ask them to take their kids home right away because they are not feeling well.

In 2007, the process of transferring the well baby services from the Ministry of Health to the health funds was halted by intervention of the Prime Minister. The transfer constitutes a direct threat to the jobs and working conditions of the public health nurses. It is also liable to have an adverse effect on infants and toddlers, especially in peripheral areas of the country, where there are fewer health services.

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Budget of the Ministry of Health, 2001-2008
Per capita, age-adjusted
(Exclusive of allocations for the National Health Insurance Law,
mental health services and investment)
2001 = 100%

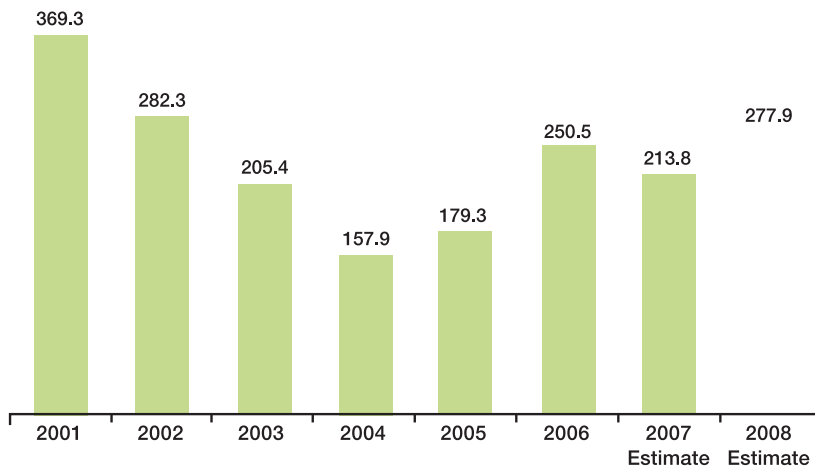


Sources: Adva analysis of Ministry of Finance, Office of the CFO, *Financial Report*, various years; Ministry of Finance, *Budget Instructions for the Ministry of Health 2007*, January 2007; *Proposed Budget for the Ministry of Health 2008*, October 2007; figures obtained from the Economics and Health Insurance Department of the Ministry of Health, July 2007.

The budget for health service investments also decreased between 2001 and 2008 - by approximately one-fourth. While the budget has increased somewhat during the last three years, it has yet to return to its 2001 level. Low investment budgets affect peripheral areas – the North and South of the country - where the ratio of hospital beds and specialists is much lower than in the center of the country.

Ministry of Health Investment Budgets, 2001-2008

NIS millions, 2006 prices



Sources: Adva Center analysis of Ministry of Finance, Office of the CFO, *Annual Report*, various years; Ministry of Finance, *Budget Instructions for the Ministry of Health 2007*, January 2007; *Budget Proposal for the Ministry of Health 2008*, October 2007.

Why Health Budgets are Important for Women

Health budgets affect women in three different ways: (1) as employees, (2) as consumers of health services, and (3) as the main caregivers for family members.

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Women as Employees

- Women constitute 73% of employees in the health services.

Women as Consumers of Health Services

Women use health services more than men, because they live longer, because of pregnancies and births, and because they suffer more from chronic illness. Below are a few examples:

- Women suffer more than men from the following chronic illnesses: lung diseases, neurological disorders, kidney disorders, cancer, thyroid gland disorders (Central Bureau of Statistics, *National Health Survey 2003/2004*, Table 9).
- Women suffer more than men from physical problems that cause great or very great difficulties in carrying out daily functions (*Ibid.*, Table 14).
- Women utilize health services more often than men (*Ibid.*, Table 19).
- Women are hospitalized more often than men (*Ibid.*, Table 20).
- Women visit family doctors more often than men (*Ibid.*, Table 21).
- Women take more medications than men (*Ibid.*, Table 25).

According to the most recent bi-annual health consumers' survey carried out by the Brookdale Institute:

- A higher percentage of women (29%) than men (25%) reported that co-payments constituted a very heavy financial burden (Gross, Bramli-Grinberg and Mazliah, 2007: Table 12-1);
- A higher percentage of women (10%) than men (5%) reported foregoing medical treatment due to the cost (*Ibid.*).



Women as Caregivers

A higher percentage of women (17%) than men (12%) report that they have a great deal of difficulty obtaining medical treatment. This finding may indicate a failure of accessibility in the public health care system that affects not only women, but also other family members, as women are usually responsible for obtaining health services not only for themselves but also for children and elderly persons in the family. Inaccessibility of health services also has an effect on the working hours and free time of women: the time devoted to obtaining health services is working time lost (for employers as well, of course) or free time lost. It is for this reason that the time survey literature describes women as "time poor."

Erosion of the Health Budget Under the National Health Insurance Law

The Budgets Arrangements Law for fiscal 2008, like that for preceding years, fixes the cost of the health benefits package provided by health funds in the framework of the National Health Insurance Law. This cost includes budget increases that are to take into account population changes and the availability of new medications.

It is our position that a mechanism needs to be created for increasing the budget for the health benefits package, so that these decisions will not be taken on a year-to-year basis and will not be influenced by political pressures. If, for example, a mechanism is legislated whereby the budget for medications and medical procedures is increased by 2% a year (the average increase in Western European countries), it will be to the benefit of women, who, as we have seen, live longer than men, suffer more from chronic illnesses and take more medications.

In order to demonstrate the importance of such a mechanism, we present the following table, which shows that since 1995, when the National Health Insurance Law came into effect, the budget for the health benefits package under the National Health Insurance Law has eroded by 44%.

Budget for the Health Benefits Package
Under the National Health Insurance Law, 1995-2008
Actual Cost Compared with Fully-Indexed Cost

| Year | Actual cost (NIS millions, current prices) | Fully indexed cost (NIS millions) |
|------|--|--------------------------------------|
| 1995 | 12,741 | 12,741 |
| 1996 | 14,439 | 15,062 |
| 1997 | 15,358 | 17,451 |
| 1998 | 16,614 | 19,364 |
| 1999 | 18,008 | 21,431 |
| 2000 | 19,269 | 23,454 |
| 2001 | 20,268 | 25,376 |
| 2002 | 21,118 | 26,642 |
| 2003 | 21,135 | 27,968 |
| 2004 | 22,008 | 30,016 |
| 2005 | 22,768 | 31,783 |
| 2006 | 24,041 | 34,588 |

Source: Adva analysis of Gabi Ben-Nun and Gur Ofer (editors), *A Decade for the National Health Insurance Law: 1995-2005*; National Health Institute; Figures received for the Economics and Research Department of the Ministry of Health.



Housing Budget

The Ministry of Construction and Housing has a double role: it stimulates the economy, firstly by financing infrastructure and development works in residential and industrial areas and secondly by giving mortgages and other types of housing assistance to households that do not own their own homes. Both activities give a push to the economy in general and the real estate sector in particular. Construction also increases banking activities, as building contractors and home purchasers borrow from the banks (Swirski, S. 2004: 155-156).

Housing assistance is provided by the Ministry of Construction and Housing in three different forms: government mortgages, rent subsidies and public housing. In all three cases, the assistance is especially important for women. In all three cases, assistance has declined significantly since 2001.

Government Mortgages

The largest decrease in assistance was in government mortgages. Between 2001 and 2006, the last year for which actual spending figures are available, the budget for government mortgages declined by approximately 60%, from NIS 5.45 billion in 2001 to NIS 2.12 billion in 2006. The proposed budget for 2008 is NIS 1.56 billion (in 2006 prices).

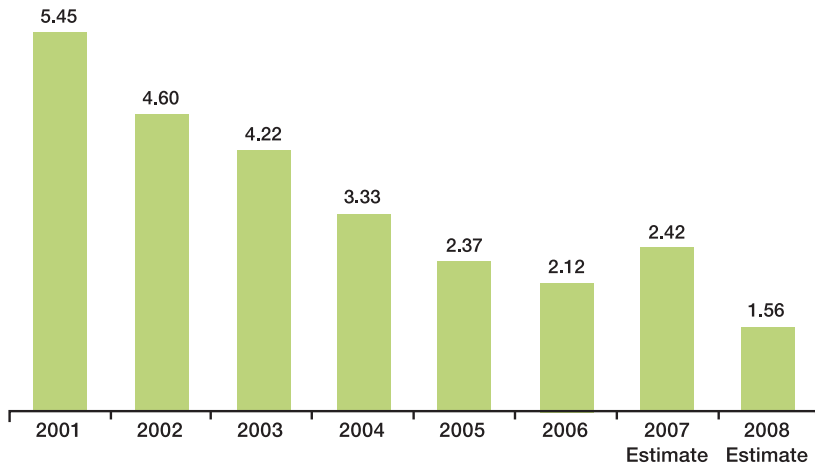
The number of households receiving government mortgages declined from 31,371 in 2001 to 14,295 in 2005 (Ministry of Construction and Housing, memorandum, October 31, 2007).

The number of one-parent households receiving government mortgages declined from 1,126 in 2001 to 754 in 2005.



Budgets for Government Mortgages, 2001-2008

NIS billions, 2006 prices



Source: Adva analysis of Ministry of Finance, Office of the CFO, *Annual Report*, various years; Ministry of Finance, *Budget Instructions for the Ministry of Construction and Housing 2007*, January 2007; *Proposed Budget for the Ministry of Construction and Housing 2008*, October 2007.

The decline in the budget for mortgages can be attributed to the size of the mortgage offered: government mortgages have not seen any significant increase since the 1980s. Today it is impossible to purchase a home without taking out a second mortgage and without having savings to begin with.

The budget proposal for fiscal 2008 "updates" mortgage loans by reducing them by 15% (Ministry of Finance, 2007, *Budget Proposal for Fiscal 2008 and Explanations: Ministry of Construction and Housing*: 35). However, the table shows that for 2008 the proposed budget for government mortgages is lower than that for 2007 by 35.5%. The fact is that the Ministry of Construction and Housing would like to cease providing mortgage loans. In the opinion of ministry officials, the conditions are ripe for turning over the task to the banks, as both interest rates and the cost of housing have declined.

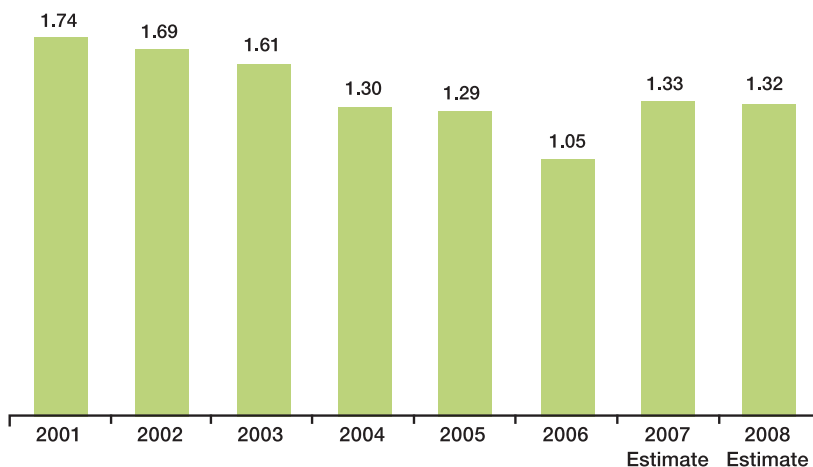
Housing assistance can include other options, of course; however, since the government began reducing its involvement in the mortgage market, it has not offered alternative housing assistance schemes.

One-parent households need housing assistance more than others, due to their low income in comparison with two-parent households. In 2005, the average wage of single mothers was NIS 5,120, and 64% of single mothers earned less than NIS 5,000 a month – the median wage (Ahdut, Sofer and Shelach, 2007: 14).

Rent Subsidies

Between 2001 and 2006, the budget for rent subsidies declined by 40%, from NIS 1.74 billion to NIS 1.05 billion (2006 prices). The decrease can be attributed to cuts in rent subsidies and to more stringent eligibility criteria.

Budget for Rent Subsidies, 2001-2008
NIS billions, 2006 prices



Sources: Adva analysis of Ministry of Finance, *Annual Report*, various years; Ministry of Finance, *Budget Instructions for the Ministry of Construction and Housing 2007*, January 2007; *Budget Proposal for the Ministry of Construction and Housing 2008*, October 2007.



Social Security and Social Assistance

Every budget decision connected with transfer payments is extremely relevant to women, as they constitute the majority of recipients. Women comprise:

- 58% of recipients of social security old age pensions;
- 65 of recipients of social assistance;
- 71% of recipients of public nursing care allocations;
- 100% (almost) of recipients child allowances;
- 100% (almost) of recipients of child support payments, birth allowances and birth leave payments.

The Budget Arrangements Law for fiscal 2008 contains several decisions affecting women receiving transfer payments:

- A decision to freeze most of the transfer payments during 2008. **This decision was not approved by the parliament, due in part to the work of the Women's Budget Forum;**
- A decision to postpone returning most of the transfer payments to their 2001 level – after they were cut by 4% in 2002. **This decision was not approved by the parliament, due in part to the work of the Women's Budget Forum.**

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Israel is in the midst of a process of cutting income and corporate taxes. With regard to income tax, the main beneficiaries of the tax cuts are persons in the highest income bracket, 88% of whom are men. Additional figures that demonstrate that tax cuts are more relevant to men than to women:

- Direct taxes constitute 26.4% of men's incomes but only 16.8% of women's incomes;
- Income tax constitutes 19% of men's incomes but only 10.4% of women's incomes (*State Revenues Authority Report 2006*: 91);
- Due to their low wages, 62.1% of working women do not pay income tax (*Ibid.*: 88);
- Women pay only about 18% of total income tax receipts (Brender, 2005).

Thus, it can be said that income tax breaks are not particularly beneficial to women, as wage-earners.



Housewives and Minimum Wage Earners vs Persons in the Top Income Bracket

Housewives

The other side of the coin of tax breaks for persons in the top income bracket is the imposition of new taxes on families in the bottom income brackets, by means of a proposal to impose social security and health taxes on housewives. In August 2007, the Cabinet decided on the imposition of these two taxes. As a result of negotiations, the intention to impose social security taxes was foregone, but the health tax remained. As, by definition, housewives are women without an income of their own, it was decided to subtract the health tax from their child allowances. If this decision is approved, it will constitute another blow for families with one bread earner - families with high poverty rates - and it will have an adverse effect on the children in those families. Worldwide, money that goes to mothers benefits children (child allowances go into the bank accounts of mothers). **This decision was not approved by the parliament, in large part due to the work of the Women's Budget Forum.**

Minimum Wage Earners

Another decision made in connection with the 2008 Budget that is especially detrimental to women: postponing raising the minimum wage for another seven months. In 2007, the raise was postponed for 6 months; this year it is to be postponed for another seven months. The meaning in cash terms for persons earning the minimum wage is a loss of NIS 1600 (\$400).

The postponement affects both women and men - but women constitute 65% of persons earning the minimum wage or less.

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