

**A D V A** הַיְזָק הַכֹּהֵן הַגָּדוֹל  
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# **A Gender Perspective on the Proposed 2006 Budget for the State of Israel**

**Barbara Swirski**

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מרכז אדפה, ת.ד. 36529, תל-אביב 61364, טל. 03-5608871, פקס. 03-5602205  
Adva Center, POB 36529, Tel Aviv 61364, Tel. 03-5608871, Fax. 03-5602205  
web site: <http://www.adva.org> e-mail: [advainfo@bezeqint.net](mailto:advainfo@bezeqint.net)

## **A Gender Perspective on the 2006 Proposed Budget for the State of Israel**

The proposed government budget for 2006 is based on two strategies, neither of which is advantageous to women: reducing expenditures and cutting taxes.

Expenditure reductions will not only damage the livelihood of many women; they will also affect the social services – health, welfare, and social security – that are more vital to women than to men.

Income tax cuts will contribute little to women, since the salaries of most lie below the tax threshold – and salaries above this level hover very close to it.

### **Reducing Government Expenditures**

The latest amendment to the Deficit Reduction Law stipulates that government expenditures shall not increase by more than one percent annually between 2006 and 2010. The population, however, has been growing at an annual rate of 1.7 percent. The discrepancy between the increases in expenditures and population will lead to the erosion of budget allocations – in other words, to lower per capita government funding.

The projected erosion of the government expense budget comes on the heels of steep cuts made between 2001 and 2004. Social security benefits and education and health services bore the brunt of these cuts.

When the government spends less, it reduces the cost of capital. Women, clearly, are not prominent among Israel's wealthy. According to the neo-liberal ideology that has captured the hearts and minds of Israel's leaders, capital cost reductions will make the rich richer, and this wealth will eventually trickle down to the economic strata where most Israelis exist. The problem is that most of this wealth remains in the hands of the rich, and they do not necessarily invest it in businesses that create jobs.

### **Education Services**

From a gender perspective, public education services play two important roles – providing jobs for teachers and planting the seeds of social mobility for students. Between 2001 and 2010, however, the budget for teaching hours (taking into account the number of students) is projected to drop by 22 percent.

For Israel's teachers, 75 percent of whom are women, this cutback spells less employment and/or less favorable employment conditions. The figures are already startling, well before the cutbacks have been fully implemented: In 2003, the average monthly salary in the education, research, and science sector – comprised mainly of teachers – was NIS 5,769, well below the national average of NIS 7,000. A closer look at the data reveals that women in the education sector earn no more than NIS 5,065 monthly, on average, while the comparable figure for men stands at NIS 7,061.

The attractiveness of teaching as a profession is declining. In 1985, the education sector employed 40 percent of all working women with 13-15 years of education; by 2003, that figure dropped by half, to 20 percent. In 1985, 45.5 percent of working women with 16 or more years of education were employed in the field of teaching; by 2003, the percentage figure dropped to 36.3 (Central Bureau of Statistics, *2003 Labor Force Survey*).

Given these clear trends, reductions in government expenditures do not bode well for women in the teaching profession.

If one result of budgetary cuts for education services is fewer jobs for women – and fewer women are entering or remaining in the teaching profession – the prospects for social mobility bestowed on students by the education system will also decline. When all students are provided an equal number of teaching hours, they have a fairer chance of succeeding in their studies. When the number of teaching hours is determined by additional payments that schools demand from parents, academic success becomes highly dependent on the income level of the students' families. The losers in this race are low-income families, among them single-parent families headed by women.

### **Health Services**

Between 2001 and 2010, the per capita public health services budget (without the budget of the health maintenance organizations' benefits package), differentially calculated to account for the greater health service needs of infants and the elderly, is expected to shrink by 11 percent.

Recently, with public attention focused on the benefits package provided by the HMOs, we have tended to overlook other items in the public health system budget, such as school nurses, mental health treatment, and public health services (the most neglected item, yet the most important in the eyes of the World Health Organization). In Israel, public health services include Well-Baby Stations in peripheral areas that treat both mothers and infants, food

quality supervision, school nurses, health education (nutritional guidance, smoking avoidance programs), environmental quality, and prevention of diseases and contaminants (bird flu, for example). Recently, 200 public health jobs, most of them held by women, were eliminated.

The HMO benefits package has also had its share of budget problems. The National Health Insurance Law contains no cost-adjustment mechanism for the benefits package, despite the need for continuous updating prompted by demographic changes (population growth and aging) and increases in the health cost index. The lack of updating has created a 17% funding gap amounting to NIS 3.5 billion. As a result, not all services that women require (and their requirements exceed those of men) are universally available.

When service costs are not properly updated, the HMOs tend to save money at patients' expense. They do this by meeting National Health Insurance Law requirements in the least expensive way possible. Patients unable or unwilling to demand their rights receive even less.

Cost-adjustment mechanisms are also lacking for highly publicized technological updates, that is, the addition of new drugs and medical procedures, to the benefits package. As a result, there were years in which no funds were allocated for additional medications and other years in which relatively high sums (too high, according to some) were budgeted for new drugs. Given this situation, it is public pressure for particular types of medication, rather than a rational decision-making process, that determines which drugs will be added.

### **Vocational Training**

Between 2001 and 2006, the Ministry of Industry, Trade, and Labor budget for vocational training courses was cut by 63 percent. Between 2001 and 2004, the number of participants in these courses dropped by 60 percent. While the percentage of female participants rose from 47 to 57 percent, the number of women registered in the courses decreased, from 16,156 to 7,812.

In both 2003 and 2004, special funds were allocated for increasing the participation of single parents – particularly mothers – in vocational training courses. Only 47 percent of these funds were actually used. Fewer than 5,000 single parents (4,408) enrolled in courses. In 2006, no special funds were allocated for this purpose.

It appears that the very definition of “vocational training” has changed. In 2004, about a third of the participants in government-funded training courses were actually enrolled in

preparatory programs or “guidance activities.” This is consistent with a government decision to emphasize training for unemployed persons with less than a high-school education. The critical question, however, is whether these persons are being offered anything beyond preparatory programs or guidance frameworks. In the case of guidance frameworks, the answer is negative. Under the guise of “assistance to persons with low education,” the government has found a cheap replacement for vocational training courses.

The Israeli version of welfare reform – now operating in four locations in the country – also reflects the decline in funding for vocational training. The media carry stories of unemployed men and women being sent to do “community service work” as volunteers or at sub-minimum wage so that they can “acquire work habits.” Research has shown, however, that the unemployed gain little from such experiences. What they *do* benefit from are long-term jobs offering better-than-minimum salaries and conditions.

The 2006 Ministry of Industry, Trade and Labor budget contains no funding for microcredit programs for unemployed women with low education – programs aimed to encourage these women to start small businesses.

### **Lowering Direct Taxes: A Meaningless Bonus for Women**

The proposed government budget for 2006 includes three types of direct tax breaks. None of them are of any advantage to the majority of Israeli women.

One tax break: Corporate tax reductions. The corporate tax has been reduced from 36 to 34 percent of undistributed profits. Further reductions, down to 25 percent, are planned for the next few years. Needless to say, very few women are corporation heads.

A second tax break: Income tax reductions. According to an estimate based on Finance Ministry and Bank of Israel data on the scale of tax reductions, by 2010 (when tax reforms are due to be completed) individuals in the top decile will have gained nearly NIS 4 billion per year; those in the ninth decile will have gained NIS 1.2 billion; and those in the eighth decile will have gained NIS 0.95 billion. Individuals in the first through seventh deciles (70 percent of wage-earners) will have gained a combined total of only NIS 1.7 billion annually.

**Average Salaries of Wage Earners, Gross Income Distribution, and  
Income Tax Distribution, by Decile, 2004**

| Decile         | Gross Salary | Gross Salary<br>Income Distribution | Income Tax<br>Distribution |
|----------------|--------------|-------------------------------------|----------------------------|
| 1              | 2,030        | 1.1%                                | 0.0%                       |
| 2              | 2,483        | 2.1%                                | 0.0%                       |
| 3              | 3,072        | 3.4%                                | 0.0%                       |
| 4              | 3,645        | 4.7%                                | 0.0%                       |
| 5              | 4,323        | 6.0%                                | 0.1%                       |
| 6              | 5,232        | 7.5%                                | 1.4%                       |
| 7              | 6,495        | 9.5%                                | 3.8%                       |
| 8              | 8,333        | 12.4%                               | 8.2%                       |
| 9              | 11,687       | 17.5%                               | 18.9%                      |
| 10             | 23,514       | 39.9%                               | 67.5%                      |
| Top percentile | 50,611       | 7.9%                                | 18.8%                      |

**Note:** Income is adjusted.

**Source:** Ministry of Finance, State Revenues Administration, *Annual Report, 2004*, No. 53, January 2005:102.

The table indicates that in 2004, nearly 50 percent of Israeli wage earners did not pay income tax, because their salaries were below the tax threshold. The salaries of most women fall either below or slightly above this level: the average monthly salary of women in 2004 was NIS 5,457, while that of men was NIS 8,459. In other words, income tax reductions will benefit mainly men, particularly those in the top decile who have an average monthly salary of about NIS 23,000. Since, according to estimates, women pay only 18.5 percent of all income tax revenue (Brender, 2006), they do not benefit very much from income tax breaks, at least not directly.

A third tax break: Social security payment reductions. The present government appointed a commission charged with recommending tactics for a “war on poverty.” According to media reports, one of the resulting recommendations was to exempt low wage earners from social security payments. Under such an arrangement, the Finance Ministry would not compensate the National Insurance Institute for lost income. The commission’s recommendation appears to be social-minded, but its actual outcome would be to reduce social security revenues.

In the long term, most Israeli citizens would be hurt if the recommendation were to be adopted. The National Insurance Institute would have fewer funds to distribute as benefits – birth allowances, assistance to the disabled, old-age pensions, etc. Women would be more seriously affected than men, since they have a greater need for social security services: they give birth, live longer, and earn less.

According to National Insurance Institute data, total allowance payments in 2004 were lower by NIS 5.5 billion than in 2001. Per capita, the reduction came to 16 percent. In three years, child allowances plummeted by 40 percent, unemployment compensation by 43 percent, and income supplements by 20 percent.

Before these cuts were made, over half of all unemployment compensation recipients, about 65 percent of all income supplement recipients, and nearly 100 percent of child allowance recipients were women.

These figures clearly demonstrate that reductions in social security benefits are detrimental to women.

### **A Women-friendly Alternative**

We recommend that the government, in its 2006 budget, create an annual package of NIS 10 billion for the following:

- Significant upgrading of the education system, including extended-day learning at all schools and salary increases for teachers;
- Encouragement of investment and job creation in peripheral regions, particularly for Arab women;
- Creation of an updating mechanism for funding the public health system;
- Restructuring child allowances to include a compensation component for child care expenses of mothers who work outside the home, and restructuring of income maintenance.

Possible funding sources for the package:

- NIS 3-4 billion – from slowing down tax cuts and extending the period for national debt reduction;
- NIS 5 billion – from cuts in the defense budget. These cuts are made possible by the American military presence in Iraq, the I.D.F. exit from the Gaza Strip and northern Samaria, and the hope for successful implementation of the Road Map, which will prevent the renewal of violent clashes;
- NIS 2-3 billion – from accumulated savings in the settlements budget, following the evacuation of settlements in the Gaza Strip and northern Samaria and the dismantling of illegal outposts.