



INFORMATION ON EQUALITY AND SOCIAL JUSTICE IN ISRAEL  
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## **How the Israel State Budget Bill for Fiscal 1999 Will Affect Women**

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At the end of October 1998, the Israeli Cabinet presented the Knesset with its proposed State Budget for fiscal 1999, along with the Budget Arrangements Bill. Israeli law requires the Knesset to pass the Budget Bill, along with the Budget Arrangements Bill, before March 31, 1999; failure to do so means the end of the incumbent government and new elections. Traditionally, the budget passes on the last day of the current fiscal year. Last year (1997), for the first time, the Knesset did not approve the Budget until the first week of January 1998.

Immediately after the proposed Budget was released, Adva Center analyzed the implications for Israeli women and summarized the findings in a short position paper for legislators. The following is a translation of that paper.

In cases in which the proposal was not approved, the fact is noted following the original text. The advocacy work of Adva Center contributed to some of the changes.

## **The Israel Budget Bill for Fiscal 1999 and The Budget Arrangements Bill**

### **STEPS IN THE DIRECTION OF GREATER EQUALITY**

#### **Changing the Pension System for Senior Public Officials**

At present, the highest-ranking officials in the public service—the President, Cabinet ministers, Members of the Knesset, judges, mayors, and Bank of Israel employees receive, upon retirement, generous pensions funded entirely by the State. The 1999 Budget Arrangements Bill includes a change in the pension system for these officials: it proposes changing over to accrual pensions—i.e., those involving monthly contributions by both employees and employers. The decision applies to employees whose employment begins after January 1, 1999.

State-financed pensions have created a privileged class, composed mainly of the highest-ranking officials, for whom a very high standard of living is assured upon retirement— at taxpayers' expense.

#### **Linking the Wages of Senior Officials to the Consumer Price Index**

The Budget Arrangements Bill stipulates that for the next two years (1999 and 2000) the salaries of senior officials be linked to the Consumer Price Index rather than to the national average wage, to which they are presently linked, and that they be adjusted only once a year.

In view of the fact that the salaries of senior officials are presently 3 to 4 times the average wage, this measure is a step forward, not only because it will slow down the meteoric increases in the salaries of high-ranking public officials, but also because it will free monies for raises for lower-ranking officials - many of whom are women.

In the higher echelons of the state apparatus, high salaries, state-financed pensions and other benefits are privileges that accrue almost exclusively to men. Thus the proposed policy will contribute to the narrowing of the salary gaps between men and women.

**Note: This proposal did not pass.**

## **STEPS THAT WILL INCREASE INEQUALITY**

### **A. ERODING THE ACHIEVEMENTS OF LABOR UNIONS**

**The Budget Arrangements Bill stipulates that Expansion Orders for collective agreements are to require two signatures: that of the Minister of Labor and Social Affairs (as is done today) and that of the Minister of Finance.**

Expansion orders allow the Minister of Labor and Social Affairs to apply terms obtained by labor in one industry to labor in another industry without requiring new negotiations in the latter industry. The Cabinet proposes amending the *1957 Collective Agreements Law* to require the Minister of Labor and Social Affairs to obtain the Minister of Finance's consent to issue such orders. The purpose of the proposal is to make it more difficult to apply labor achievements in one sector to other sectors.

If it is approved by the Knesset, this measure is liable to have an adverse effect on women employed in the service sector, in agriculture and in industry, where the unions are relatively weak. If approved, the proposal is liable to affect the chances of these women to reap the fruits of the stronger unions - including both those representing women, like the nurses, teachers and social workers unions, and those representing mainly men.

**Note: This proposal did not pass.**

### **Linking the Minimum Wage to the Consumer Price Index**

The Cabinet proposes to erode the minimum wage by linking it to the Consumer Price Index instead of the national average wage. The Finance Ministry has been trying to

lower the minimum wage for quite some time. The Ministry argues that its approach is "egalitarian" and cites as evidence its proposal to index the wages of senior public officials to the Consumer Price Index. However, there is no reason to treat these two groups the same, as (1) the wages of high-ranking personnel have seen steep increases over the past decade in both the private and the public sectors, while wages at the lower echelons have been falling; (2) senior officials benefit from various emoluments in addition to their wages.

**Note: This proposal did not pass.**

### **Neutralizing a Labor Achievement**

In September 1998, public sector workers were given a one-time salary increment of 30 percent of their basic monthly salary. This increase raised the "average wage per employee post," the indicator that the National Insurance Institute uses to set the level of its benefits. To keep the benefits from rising commensurably, the Cabinet proposes excluding the increment from the reckoning.

It should be borne in mind that the offer of a one-time increment was made by the Finance Ministry itself; the Histadrut had sought a permanent wage increase. Thus, the Finance Ministry seeks the "best of both worlds": it has awarded a nonrecurrent increment instead of a genuine wage increase and now wishes to exclude this increment in computing the average wage indicator that is used to adjust National Insurance benefits on January 1, 1999.

This proposal will adversely affect all women who receive allowances from the National Insurance Institute (Social Security), including those who receive unemployment compensation as well as those who receive old-age and survivors' pensions.

**Note: This proposal did not pass.**

## **B. ERODING THE ENTITLEMENTS OF THE UNEMPLOYED**

In 1997, women comprised 52% of the unemployed - while they comprised 44% of the civilian work force.

Unemployment is especially high in Jewish development towns and in Arab communities, especially among the unskilled. It should be noted that unemployment is also rising among women in white-collar occupations.

## **Reducing Unemployment Compensation**

A number of stipulations of the 1999 Budget Arrangements Bill are designed to reduce unemployment compensation:

Compensation is not to exceed the national average monthly wage.

Compensation in the fifth month is not to exceed two-thirds of the national average wage.

Compensation after the fifth month is not to exceed the minimum wage.

This proposal reflects a Social Darwinist position: those who survive in the labor market may aspire to the highest wage level; those ousted from the market forfeit the right to the standard of living they had attained and regress to a subsistence level.

## **Withholding Vocational Training Tuition from Unemployment Compensation**

According to the Finance Ministry, only 70 percent of unemployed persons who attend vocational training courses sponsored by the Ministry of Labor and Social Affairs actually pay for the courses. To assure full collection, the Finance Ministry proposes direct withholding of tuition from the trainees' unemployment compensation.

We find this proposal unacceptable from the standpoint of social justice. Unemployment compensation is a substitute for wage; the unemployed paid for this benefit before they lost their jobs. The Cabinet's proposal transforms unemployment compensation into an act of charity. Instead of the proposed measure, the collection mechanism for vocational training charges should be improved.

## **C. ERODING ENTITLEMENTS**

### **Fewer Adjustments for National Insurance (Social Security) Benefits**

According to the *National Insurance Law*, benefits are to be adjusted on January 1 of each year and again whenever a cost-of-living allowance is paid. Now the Cabinet proposes to eliminate adjustments triggered by the cost-of-living allowance mechanism, and to perform only one annual adjustment-on January 1-unless the Consumer Price Index rises by 4 percent or more during the first six months of 1999.

If this goes through, all National Insurance benefits-old age pensions, child allowances, income maintenance, etc.-will be eroded relative to the Consumer Price Index. In the estimation of Professor Yochanan Stessman, Director-General of the National Insurance Institute, had the Finance Ministry proposal been applied in 1998, the value of Social Security benefits would have declined by 5.6 percent, i.e., the rate of increase implemented in August 1998 (*Ha'aretz*, September 6, 1998).

In April 1998, about 98,000 women were receiving state survivors' pensions. About 275,000 women were receiving state old-age pensions, and they comprised 54% of all recipients.

### **Postponing Implementation of the Long School Day**

The *1990 Long School Day Law* offers pupils in disadvantaged urban neighborhoods and development towns some of the advantages that affluent pupils obtain by means of "gray" (parent-funded) education. The law has never been fully implemented.

In advance of the 1997 budget debates, Prime Minister Netanyahu promised to introduce the long school day but did not keep his word. In advance of the 1998 budget debates, Netanyahu repeated this intention, and once again failed to deliver. To spare the Prime Minister embarrassment, the Ministry of Education agreed to call some of the standard instruction hours that were restored-after the Finance Ministry sought to eliminate them-"long school day hours." Now the Cabinet has admitted in so many words that the 1990 legislation is not to be fully implemented until 2004 at the very earliest.

Although the purpose of the law was not to assist working women, but rather to narrow the educational gaps between affluent communities and development towns, it would help working mothers in development towns, and perhaps serve as a model for expansion to all schools.

### **Reducing the Entitlements of Senior Citizens**

The 1999 Budget Arrangements Bill includes two financial assaults on the elderly: lowering the rate of discount on the television tax from 50 percent to 25 percent, and reducing the discount on municipal property tax by restricting it to those who inhabit dwellings of no more than 70 square meters in area (instead of 100 square meters today). It is hard to understand why year after year, the Cabinet attempts -- unsuccessfully -- to save money at the expense of the elderly.

**Note: This proposal did not pass.**

### **Charging for Legal Aid and Public Defender Services**

Many Israelis who need legal protection cannot afford a lawyer. Thus far, they have been eligible for legal aid and public defender services at no charge. The Cabinet now proposes charging for these services. Those who apply for government legal aid because they cannot afford private counsel will no longer get free assistance.

## **Putting the Pressure on Persons Receiving Income Maintenance Benefits**

The Cabinet proposes that persons receiving income maintenance who turn down offers of what the government employment service considers "appropriate work" be ineligible for income maintenance benefits during the month of their refusal and the month after.

Income maintenance recipients are a vulnerable population group. Returning them to the ranks of the employed is a complex issue that should not be tackled by creating a budgetary sword that bureaucrats may wield arbitrarily.

The institution of more stringent controls over recipients of income maintenance will have an adverse effect on women: 56% of those who apply for these benefits are women.

## **D. ERODING THE MAJOR SOCIAL SERVICES**

### **Ministry of Education: Protracted Budget Freeze**

Women are directly affected by education cutbacks, both as *consumers* of education services and as *employees* in the education system.

In most families, it is the women who are responsible for children's education.

The education system is one of the largest employers of women: in 1996, some 182,000 women were employed in education, and they comprised three-fourths of all education employees. Twenty-one percent of working women were employed in education.

The 1999 Budget will be the fourth consecutive budget to freeze Education monies. The budget for instruction hours has been allowed to erode at every level—primary, junior high, and senior high. Cutbacks in instruction hours mean cutbacks in teaching jobs, most of which are women's jobs.

The budget freeze and the erosion are returning the education system to the 1980s, when prolonged budget cuts shifted the burden of funding to parents within the framework of "gray education." Gray education aggravated inequality between schools that could mobilize parents to replace the eliminated instruction hours at their

own expense and schools that could not. *The Long School Day Law*, meant to compensate the latter group, has never been fully implemented, and the Cabinet proposes postponing implementation until the year 2004.

The 1999 freeze in the education budget comes against the backdrop of a poor achievement record: in 1997, 63 percent of teenagers did not qualify for a matriculation certificate. Many of them dropped out before they reached twelfth grade: 42 percent in Arab localities, 21 percent in development towns, and 6 percent in affluent localities.

### **Ministry of Construction and Housing: Erosion in the Value of Government Housing Loans**

The 1999 housing budget augurs continuing erosion in the value of government housing loans. In 1992, a typical government mortgage for a young couple covered 33 percent of the cost of a 2-3 room dwelling in Tel Aviv; in 1996, it covered only 13.5 percent.

### **The Health System: Starved for Funds**

Cutbacks in health services affect women directly, both as *consumers* of health services and as *employees* in the health care delivery system.

In the majority of families, women are responsible for the health of family members.

The health care system is one of the biggest employers of women: in 1996, approximately 135,000 women were employed in health care - more than 15 percent of working women.

The 1999 Ministry of Health budget and the support budget for the *National Health Insurance Law* are similar in real terms to those of 1998. They provide no increment whatsoever for population growth, population aging, or technological changes.

The budget proposal augurs continued erosion of public funding for the health system and fails to offer a solution to the cumulative deficit of the four non-profit health funds (HMOs) that insure all Israelis. This deficit that was created, among other factors, by the Finance Ministry's refusal to honor its commitments in previous years. In September 1998, the Cabinet resolved to increase the cost of the benefits package by NIS 410 million. While this increase is larger than last year's, it amounts to no more than 2.5% and does not take into account all of the relevant factors: population

increase and aging, new medicines and treatments, and increases in medical costs. Consequently, the HMOs will have to downscale their services or impose further charges, or both.

### **Ministry of Labor and Social Affairs: Business as Usual amidst Rising Unemployment**

The Ministry budget for 1999 is identical to that of 1998. The budget of the Vocational Training Division, the agency in charge of wielding the Ministry's main anti-unemployment weapon, is unchanged from last year.

The budget for subsidies for daycare centers is the same as that for 1998. At present, existing day care centers provide for the needs of only 20% of mothers of small children. Although there is an alternative in the form of preschools, these are open only until noon, and as such they make it difficult for women to hold down full-time jobs or develop their careers.

Freezing the Labor Ministry budget is one facet of the Cabinet's policy in regard to unemployment. Another facet is the attempt to reduce the increase in unemployment payments, as outlined above.

Women are the first to suffer from the lack of an active program designed to cope with unemployment, as they constitute the majority of the unemployed.
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