



What about the Working Woman? A Gender Perspective on the Budget Arrangements Law for Fiscal 2013-2014

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May 25, 2013

Why do we need a gender perspective?

Gender audits of national budgets contribute to better socio-economic policies because they

- Improve economic efficiency, as they point the way to a more effective use of economic resources;
- Improve the services received by residents of the country as their needs as consumers of such services become clearer and can be taken into account.

Without gender-responsive budgeting, resources may be allocated in a such a way that they fail to promote greater gender equality and fail to contribute to the breakdown of the gendered division of labor in society.

As far as we can judge from the present version of the Budget Arrangements Law for fiscal 2013/2014, the national budget will have an adverse effect on two groups of women: working mothers and low-income women. Thus, rather than serving to narrow the economic gaps between women and men, the budget in its present form is liable to widen them.

Taxation

Direct Taxes: Raising the income tax by 1.5% across the board and raising the corporate tax by 1.5%

The income tax cuts that began in 2003 and continued through the end of the decade resulted in an accumulated loss of over 50 billion shekels for state revenues. The main beneficiaries were individuals in the top income bracket (decile), 80% of whom were men. The great majority of women (some 68% in 2012: State Revenues Authority, 2013) did not benefit from the tax cuts due to their low salaries and the income tax credits to which they were entitled. The present budget proposal includes an across-the-board tax raise of 1.5%. This is a positive step, because raising income tax levels will result in reducing gender income gaps and will obviate the need to make larger budget cuts in the social services.

However, the tax hike could have been more progressive, requiring a larger increase for persons earning three times or more the average wage.

Regarding the corporate tax, it was reduced from 36% in 2003 to 25% in 2011. The 2014 budget will see a 1.5% rise in the corporate tax, putting it at 26.5%. This is a step in the right direction; however, the tax could have been raised in a progressive way, requiring a higher tax from corporations making larger profits. Moreover, the main problem appears to be tax collection: the largest corporations do not pay anywhere near the full tax.

Indirect taxes: raising VAT to 18%

The value added tax is regressive, because it constitutes a larger burden for low-income persons than for high-income ones, as a larger proportion of the formers' incomes are expended on consumer goods. Women are prominent among this group, as over a third of salaried women in Israel – 34.7% -- are low wage earners; that is, their monthly earnings are no higher than NIS 4,171 (2011 figures, 2012 prices) (In 2012, the minimum wage for a full-time job was NIS 4,300 per month). In contrast, only 17.3% of men were low wage earners (Swirski, Konor-Attias, and Ofir, 2013).

It would have been better not to raise the VAT tax, as Israel's indirect taxes, most prominent among them VAT, are quite high in international perspective: In Israel they constitute 16% of GDP, while their average percentage of GDP in OECD countries is only 10%. Moreover, in Israel the VAT is the same on all consumer goods, while in many countries this tax differs for different consumer goods. A small step was taken in the right direction with the raising of the luxury tax, but as long as a high tax is imposed on basic consumer goods, Israel's VAT will remain regressive.

Tax cuts in the public services: across-the-board cuts, personnel reductions and lowering salary expenses in government ministries and agencies

As mentioned above, the long-term tax cutting program led to a significant reduction in tax revenues, contributing to a growing deficit. As a result of the loss of tax revenues, the government now proposes cutting the budgets of the social services it provides. It should be noted that the growing cost of social services to citizens was one of the main reasons behind the social protest of 2011.

The budget plan includes reducing the number of regular positions and the salary bill of government ministries and agencies, including the National Insurance Institute, the Government Employment Service and the Office of the State Comptroller, by one percent in 2013 and by another one percent in 2014.

In a meeting held on May 14, 2013, after the above decision had been taken, the Cabinet decided on additional across-the-board cuts of 2% in 2013 and 3% in 2014, in all government ministries save Defense and Social Affairs (Ministry of Finance, Spokesperson, Press Release, May 14, 2013).

Across-the-board cuts have clear gender implications: the public services in Israel constitute the largest employer of women, who constitute 65% of employees (CBS, 2012). Since salaries constitute the largest expense in many ministries, women will bear the brunt of the budget cuts by losing their jobs or experiencing a loss of income or a decline in working conditions. In 2011 women constituted

- 77% of education workers;
- 73% of health workers;
- 86% of social welfare workers;

Thus, budget cuts in the salaries and in the bases of the budgets of government ministries mean mainly hurting the women employed in those ministries.

Likewise, women constitute the majority of the beneficiaries of health and social welfare services; thus reducing or privatizing these services harms women not only as employees but also as consumers of social services.

Finally, women, including women working full-time outside the home, still do much more work than men for the house and the children. As they are the persons responsible for the health and welfare of the whole family, reducing the quality and quantity of social services increases the amount of unpaid work done by women.

Reducing overtime in government ministries and agencies by 10%, by the end of 2015

The main factors in the gender wage gap in the public sector are overtime pay and reimbursement for expenses incurred on the job, which accrue mainly to men. The reduction of overtime pay is a positive step, in contrast to across-the-board budget cuts, which are harmful mainly to women. However, since overtime reductions are slated for 2015, they may not be carried through.

National Insurance Institute

Cuts in child allowances

The budget proposal includes a sharp cut in child allowances, reducing the allowance to NIS 140 per child, regardless of whether he or she is the first, second, third or fourth child in the family (presently there are differences). Thus, the child allowance for a family with five children is to decrease from NIS 1139 per month to NIS 700 per month. The child allowance for a family of four children is to decrease from NIS 864 to NIS 560. The allowance for three children is to decrease from NIS 701 to NIS 420, and that for two children, from NIS 438 to NIS 280.

A serious consideration of the issue of child allowances is long overdue. For example, while the present situation is that the first child receives the lowest allowance, it might be preferable to set a larger allowance for the first child, whose birth usually involves new expenses for the family, rather than for the fifth, who can make do with hand-me-downs.

The problem is that a serious public debate on the issue did not take place prior to the budget proposal. Moreover, the sharp decrease in the income of large families that will

result from the proposed cuts in child allowances will cause undue suffering for many, pushing them below the poverty line. That is what happened the last time child allowances were slashed, in 2003.

The rationale presented for this step in the budget document is that it is being done "in view of the government policy of broadening government services for children in Israel, among them free education from the age of three, increasing support for day care services and funding after-school services [for kindergarten and school-aged children]." However, this statement is far from accurate: the services mentioned do not replace child allowances, because child allowances are universal, but day care subsidies are not. Free education from the age of three is being instituted gradually, as at present there are not enough public facilities for all the children. Additional support for after-school services has been postponed as part of the present budget proposal, and such support is available only for families residing in localities in the four lowest socio-economic clusters. Furthermore, it is clear that school co-payments are about to be increased. Thus the argument does not hold water.

A salient gender aspect of the cut in child allowances is that these allowances are paid directly to the bank accounts of mothers. All relevant research points to the fact that money controlled by women is more likely to be utilized for the needs of the family and especially the children. Thus, the sharp cut proposed in child allowances will reduce the money controlled by women and reduce the money expended for the welfare of the family in general and children in particular.

Imposing health (NIS 101 per month) and social security (NIS 81 per month) taxes on housewives

The above taxes, if imposed, will increase the tax burden on low-income families. In the past, the Finance Ministry's proposals to impose the above taxes through the Budget Arrangements Law, the last of which was in 2008, were killed by the public pressure brought to bear by Israeli women's organizations. If the measure passes, it will be harmful especially to families with one breadwinner, among which the poverty rate is especially high and to women who are not in the labor force, especially Arab women. The measure not only shows contempt for the economic value of the housework and care work that women perform in the home, without pay, but also adds injury to insult by asking them to pay taxes from a non-existent income.

Health: Retreating from the plan to broaden publicly supported preventive dental care for children

Another measure that will have negative effects especially on low-income families is the decision to postpone extending public dental care for children from age 12 to age 14.

Employment

Conditioning day care subsidies on men's employment: This is a measure that is to begin in 2015 and reach full implementation in 2018. It stipulates employment tests not only for mothers, as is the case today, but also for fathers. The size of the stipend is to be determined by the parent with the shortest work week, and fathers will be required to work

at least as many hours as mothers. The employment test for fathers will allow yeshiva studies for a limited rather than for an unlimited period of time as the situation stands today.

In other words, an arrangement designed to encourage women to work outside the home – day care subsidies – is to become a whip or incentive for men to work – or to work longer hours -- and to thus create a situation in which women's chances of receiving work incentives depend on their husbands' actions. Moreover, this use of day care subsidies ignores the benefit of day care services for children.

The present proposal was put forward in order to encourage ultra-Orthodox men to work for a living, in view of their low workforce participation (37%). However, if passed, its effect is liable to make it harder for ultra-Orthodox women to work outside the home, thus increasing poverty among that sector of society. Alternatively, the measure may also lead to a search for cheaper solutions for child care – the use of private, unsupervised childcare frameworks for children at low cost and with low standards.

Partial cut of subsidies for after-school services for children aged 3-9

Prior to the recommendations of the Trachtenberg Committee, appointed in the wake of the 2011 wave of social protests, the Ministry of Industry, Trade and Employment subsidized after-school services for children up to age nine whose families reside in localities with low socio-economic status. In localities of middle and high socio-economic status, it subsidized services for children up to the age of five, conditioned on employment and income tests for mothers.

Following one of the recommendations of the Trachtenberg Committee, the previous government made a decision to increase its subsidization of after-school services for children aged 3-9, depending on the socio-economic status of the localities and to transfer responsibility for the services to the Ministry of Education. The decision was that localities in the three lowest socio-economic clusters would receive full subsidies, while for more affluent localities the subsidy would decrease as the localities' degree of affluence increased. The measure was designed to assist not only low-income families but also middle-class families. The government allocated a total of NIS 7 billion for this change: NIS 300 million for 2012 and one billion for 2013. In 2014, the budget was to be NIS 1.35 billion.

The present proposal is to scrap the above plan. Rather, from 2013 the program is to be budgeted at the level of NIS 605 million. Moreover, only families residing in localities belonging to the three lowest socio-economic clusters are to receive subsidies, and they are to be utilized for children up to the age of eight rather than nine.

In other words, the proposal not only abrogates the main achievement of the social protest of 2011, but also reduces the subsidy that existed prior to the protest.

Long school day postponed for another 5 years

A law creating a long school day was passed in 1997; since 1999, its implementation has been postponed time and time again in Budget Arrangement Laws. The situation today is

that it is partially implemented in localities belonging to the lowest socio-economic clusters. In 2011, about one-fourth of children in grades K through 6 benefitted from a long school day.

A universal long school day is long overdue: it has the potential to raise the status of working women by enabling them to hold down a full-time job.

The return of a failed welfare reform

The budget proposal includes reinstatement of the "Wisconsin Plan," Israel's failed welfare reform program, making a number of revisions and giving it a national spread. This measure is being proposed despite the fact that in May 2010 the Knesset decided to discontinue the program. The program, most of whose participants were women (67%), was operated in four locations by private, for-profit franchises. Their record was not impressive; the placement rate was only about 20%, most of the jobs (70%) were part-time, and the pay was low (average monthly pay: NIS 3,100: Naon and Fischman, 2011), and often without fringe benefits. The main beneficiaries of the program were the companies running the service.

The main revision proposed in the budget document is an attempt to increase public supervision of the program, in view of the supervisory failure during the pilot phase. However, the service providers are still to be for-profits, and the main service they are to provide is job placement.

Our recommendation is to transfer the resources planned for the "new and improved" welfare reform program to vocational training under the supervision of the Ministry of Industry, Trade and Employment, most of whose budget for training adults was cut over the past decade. In 2009, the government outlay on vocational training was only 0.08% of GDP, compared with an average of 0.14 in OECD countries. This recommendation has a much higher potential for assisting women than the welfare reform program that shunts most of them into unskilled jobs.

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