

Prepared for the Knesset debates on:

- a. The 1998 Budget Bill
- b. The Budget Reconciliation Bill

HOW THE 1998 ISRAEL STATE BUDGET WILL AFFECT ARAB LOCALITIES

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HOW WILL THE 1998 BUDGET BILL AND THE BUDGET RECONCILIATION BILL AFFECT ARAB LOCALITIES?

In October 1997, the Cabinet presented the Knesset with two bills that will have far-reaching effects on Arab citizens:

1. The *State Budget Bill*, which itemizes the budgets of the various ministries.

For the third year consecutive year, the budgets of the ministries of Education and Culture, Labor and Social Affairs, Housing, and Immigrant Absorption will erode or stagnate, and the Health Ministry budget will fall far short of meeting the system's needs.

2. The *Budget Reconciliation Bill*. The Cabinet uses this bill to institute various changes and asks the Knesset to approve them *en bloc*, along with the budget bill.

This year, the Budget Reconciliation Bill includes a number of substantive changes in the National Health Insurance Law. The Cabinet proposes to revoke one of the major achievements of this law: a uniform, fully disclosed, and binding list of insured health services. It also proposes to reduce its financial support of the health services provided under the law.

If they were to be presented in the course of a public debate on the National Health Insurance Law, these proposals would no doubt encounter widespread resistance. This is the very reason they have been included in the Budget Reconciliation Bill, a bill usually debated under severe time pressure, on the last day of the fiscal year.

If approved by the Knesset without adjustments, the government's draft budget for 1998 will have an adverse effect on large groups of Israelis.

ARABS AND THE HEALTH SYSTEM

The National Health Insurance Law (1994) was beneficial to Arab citizens of Israel.

- * Until the law passed, the majority of Israelis who lacked health insurance were Arabs.
- * Until the law passed, most Arab localities were served by only one public health-service provider, the General Health Fund. Since then, other health funds have opened clinics in Arab communities.
- * According to a survey conducted by the Brookdale Institute nine months after the law went into effect, a higher proportion of Arabs than of Jews felt that an improvement occurred after the law went into effect (Farfel, et. al, *Arabs' and Jews' Perceptions and Use of the Health System Following Implementation of the National Health Insurance Law*, Brookdale Institute, June 1997).

The government proposes to modify the National Health Insurance Law fundamentally. Of all the detrimental effects of the 1998 budget, those pertaining to the health system will be the most severe. If the Knesset approves the government's

proposals, two systems may come into being in Israel: one for the affluent, another for the poor. Health services in Arab localities will suffer.

Below we review the government's main proposals for change in the health system.

Proposal 1: *Elimination of the uniform and binding package of insured health services.*

Today, the National Health Insurance Law assures all residents of the country, no matter where they live, a uniform, binding, and fully disclosed list of insured health services and medicines. Now the Cabinet proposes allowing each health fund to develop its own list. This will give the health funds an opportunity to offer differential packages of services and medications.

How this is harmful: The funds with the best packages of services may stop serving Arab localities.

Proposal 2: *The burden of funding the health services will revert to the health funds.*

The Finance Ministry is urging the health funds to charge fees in addition to the health tax: either payments for services presently delivered at no charge or a surtax (on the head of household, on all health-fund members, or on everyone-including children).

How this is harmful: Thus far, citizens have paid a health tax and have been given a generous package of health services. From now on, in addition to the health tax, they will have to pay more. Many residents of Arab localities will find the added burden unaffordable.

Proposal 3: *Each health fund will be encouraged to have its own "first-class fund."*

The health funds will be allowed to offer additional services by selling supplemental insurance in a separately managed system. This will result in the development of a first-class fund within each fund, which will provide relatively expensive services for the fund's more affluent members.

Proposal 4: *Business interests may operate private health funds.*

How this is harmful: Proposals 3 and 4 will hurt low-income people because they will lead to the formation of two separate health systems, one for the rich and one for the poor. Arab localities have a high proportion of the latter.

The Israeli health system, today relatively equitable and universal, will be transformed. The best personnel and equipment will gravitate to the affluent.

Proposal 5: *In localities with populations of 5,000 or more, only one clinic will operate, and in those with up to 10,000, no more than two clinics.*

How this is harmful: In the past few years, inhabitants of Arab localities have begun to benefit from a range of health services previously available only in the major cities. This new diversity will vanish.

Proposal 6: *Operation of Mother-and-Child clinics will be transferred to the health funds.*

How this is harmful: The network of Mother-and-Child clinics is the crowning achievement of Israel's preventive health services. Handing them over to the health funds will endanger their continued operation-especially when the Finance Ministry declares its intent to reduce its share in funding service providers.

Mother and Child clinics are the only medical service available in many Arab localities.

In the past few years, the Ministry of Health has been taking action to expand the network of such clinics in Arab localities-approving the construction of 81 new clinics in 1993-1996 and allocating NIS 32 million in the past two years (1996 and 1997) for the construction of clinics and the implementation of other programs to reduce disparities. The construction takes place in conjunction with municipal authorities, and its cost is covered two-thirds by the Health Ministry and one-third by municipal authorities.

Apart from the construction of new Mother-and-Child clinics, mobile clinics have been operating in unincorporated localities in the Bedouin sector.

The 1998 draft budget augurs continued investment. However, if the proposal to hand the Mother-and-Child clinics to the health funds is adopted, the development momentum may come to a halt.

THE EDUCATION SYSTEM

Schools in Arab localities are given the scantiest resources of any schools in the education system. This is reflected in poor scholastic achievements, as the table below shows.

Education budget cutbacks are harmful to the entire Israeli education system, but they cause particular detriment to the system's weakest link, where large-scale reinforcement is needed.

If the budget bill passes, the reinforcement will not be forthcoming and the disparities will widen.

Percentage Receiving Matriculation Certificates, and Percentage Studying for Bachelors Degrees in Universities, by Locality

Arab localities with population of 10,000 or more

Locality	Percent of 17-year-olds in locality who earned matriculation certificates in 1996*	Bachelors' degree students as percent of local population (1992/93)
Countrywide average	38.8	1.2
Rahat	6	0.1
Kalansawa	13	0.3
Yefia	16	0.5
Sakhnin	17	0.4
Arrabe	18	0.5
Umm al-Fahm	19	0.2
Baqa al-Gharbiyya	22	0.3
Kafr Qasm	23	0.2
Jedida Makr	23	0.2
Kafr Kana	24	0.4
Tamra	25	0.4
Kafr Manda	26	0.3
Shifr-'Amr	26	0.5
Daliyyat al-Karmil	27	0.7
Taibe	28	0.4
Arrara	29	0.4
Tira	29	0.4

Maghar	31	0.5
Kafr Qara	39	0.6

Source: Percent of students: Ministry of Education and Culture, *The Education System in Numbers, 1995*, Table 7, p. 139. Number of matriculation certificate eligibles: Ministry of Education and Culture, Office of the Spokesperson: "Data on Matriculation Examinations, 5756 (1996)," April 1997. The percent of eligibles among the age group was computed by Adva Center. The Central Bureau of Statistics provides data on residents of localities not by age year but by age cohort. To approximate the numbers of those aged 17, we divided the total for the 15-19 cohort by five. Thus, this is an approximation only.

THE EDUCATION BUDGET-GENERAL CUTBACKS

Cutback 1: Elimination of 30,000 instruction hours in 1998 and 1999, at a total budget saving of NIS 80 million-on the heels of a real cutback of 3 percent in the instruction-hours budget in 1997.

How this is harmful: It returns education to the level of the 1980s, when cutbacks prompted parents to introduce "gray education"-out-of-pocket payments to restore the instruction hours that had been eliminated.

Today, "gray education" exists principally in middle-class Jewish localities. In Jewish "development towns," most of which are on the socio-economic periphery, it is available with the help of donations from foundations. In Arab localities, it is rare.

The cutback in instruction hours will be across-the-board-but it will cause the most harm to Arab schools, in which larger - not smaller - resource allocations are needed.

Cutback 2: Remedial instruction hours. Since the 1960s, schools in urban working-class neighborhoods and "development towns" have been received earmarked budgets for remedial instruction. In 1994, the Ministry of Education began to extend these budgets to schools in Arab localities, although the index it applied for them was different and lower than that used for Jewish development towns.

The remedial budgets have been eroding steadily in the past few years, even though the population that needs them is growing. At the junior high level, for example, the share of remedial instruction hours decreased from 16 percent of total instruction hours in 1995 to 12.4 percent in 1997 and will fall to 11 percent in 1998.

How this is harmful: In addition to the overall cutback in instruction hours, Arab localities will suffer from erosion of the hours that, in part, have been earmarked especially for them.

Cutback 3: The Long School Day. In 1990, in response to the spread of "gray education" in middle-class Jewish neighborhoods, the Long School Day Law was passed to compensate the Jewish "development towns." The law has never been fully applied; this year, the Ministry of Education has promised partial implementation. Concurrently, however, it is cutting NIS 30 million from the budgets of remedial services currently available to the schools that are to implement the long school day.

How this is harmful: The main victims of the delay in implementing the Long School Day Law are the residents of Jewish urban working-class neighborhoods and development towns. However, since there has been a trend in the past few years of extending benefits reserved thus far for Jewish development towns to Arab localities, the future possibility of a long school day in Arab localities is at risk.

THE EDUCATION BUDGET-CUTBACKS IN BUDGETS EARMARKED FOR THE ARAB SECTOR

In addition to the overall cutback in the Education Ministry budget and the budgets of remedial programs, budgets meant specifically for Arab schools are being slashed.

Cutback 1: Programs for the advancement of education for minorities

The draft budget portends a 23 percent cut in the budget for this program in 1998, following a 19 percent reduction in 1997.

Cutback 2: Druze education activities

This budget is meant for purchase of publications and books for schools in the Druze sector. The 1998 budget on this account is 17 percent smaller in real terms than the 1997 budget, which was 16 percent smaller in real terms than the 1996 budget.

Cutback 3: Arab education activities

The Division for Arab Education and Culture deals with the linguistic, cultural, and religious traditions of Israel's Arab citizens. One of its major activities is the preparation of textbooks for Arab post-primary schools.

The Division budget will be 17 percent smaller in 1998 than in 1997, following a 17 percent cutback in 1997 relative to 1996.

MINISTRY OF LABOR AND SOCIAL AFFAIRS

The budget of the Vocational Training Division was cut in 1996 and again in 1997. In 1998, the budget will be 2 percent larger than in 1997—a rate of increase that does not compensate for the previous cutbacks. Consequently, more unemployed will have to compete for a smaller number of vacancies in training courses.

The division's courses are supposed to offer retraining for occupations in demand. A rather high proportion of persons in Arab localities are untrained in such occupations—mainly because their education system turns out low-achieving pupils. These citizens may be especially affected by the erosion in the division's budget.

Notably, the Unit for Advancement of Women and Girls, part of the Vocational Training Division, has recently been offering courses for Arab women with eleven years of schooling. Participants in these courses are trained as dental assistants, caregivers in daycare centers, sewing technologists, and managers of family care

centers. In 1996, enrollment was 750. At the present writing, the division has no information on attendance rates in 1997 or on expected enrollment in 1998.

MINISTRY OF CONSTRUCTION AND HOUSING

Many residents of Arab localities and Arab neighborhoods in mixed Jewish-Arab towns suffer from serious housing shortages.

The Government of Israel has never taken a concerted initiative to build housing for its Arab citizens, as it has done in Jewish development towns and immigrant localities.

The Ministry's housing assistance budget does not include earmarked allocations for Arab citizens, such as those set aside for other groups with special needs.

Harmful effects (1): The Ministry's housing loan budget for 1998 has been cut by 15 percent. The government justifies this action by explaining that the loan budget in 1997 was not fully utilized. It does not emphasize one of the reasons for this: many eligibles cannot raise the rest of the money they need to acquire a dwelling. Since 1992, the value of government housing loans for young couples in the central part of the country has eroded by about 60 percent. Thus, couples have to marshal more of their own resources today than in the past.

The government appointed a committee to examine the housing loan issue and asked it to present its recommendations by the end of 1997. In the meantime, the appointment of this committee has given the Finance Ministry an excuse to continue to cut the budget and to refrain from adjusting the loans.

The Housing Ministry budget does not include earmarked allocations for housing assistance for Arab citizens, such as those meant for other groups with special needs, like new immigrants, senior citizens and sole parents. Despite the housing shortage, Arab citizens are eligible for aid only under general criteria-but the sum they receive is one-third smaller than that given to Jews, because they are not eligible for the increment given to those who serve in the army.

The number of marriages in the Arab sector (Muslims, Druze, and Christian) is growing from year to year-from 7,850 in 1995 (23 percent of all marriages) to 9,160 in 1996 (24.6 percent). However, only 1,200 Arab eligibles exercised their right to housing loans in 1995-2.3 percent of the 51,889 citizens who used their entitlements that year. Our repeated requests to the ministry for updated information on Arab citizens' takeup of housing loans were met with the following reply: "Our ministry has no information on use of housing loans by Arabs, just as we have no such data on the ultra-Orthodox, the National-Religious, or any other sector (letter dated November 27, 1997). However, the Ministry gathers and publishes data on other groups with special needs: recent immigrants, single-parent families, and the elderly.

A 1991 survey by Professor Baruch Kipnis, commissioned by the Ministry of Construction and Housing, reported on the extent of Arab citizens' awareness of their entitlements to housing assistance. The survey found that only 39 percent of the respondents were familiar with the Ministry's assistance programs for eligibles and that only 19 percent of them had seen informational material. The corresponding

proportions for Druze respondents were higher (Kipnis, Aspis, and Barhad, *Housing in Arab Localities in Israel: Muslims and Christians*, and Kipnis and Barhad, *Housing in Druze and Circassian Villages in Israel*, Ministry of Construction and Housing, 1991).

Harmful effects (2): The map of national priority areas has been changed: the Office of the Prime Minister is compiling a new and as-yet undisclosed list of localities entitled to preferential treatment in government aid. The previous list (1993) included Arab localities. Judging from the map issued (without an accompanying list of localities), most of the Arab localities that were previously on the list have been dropped.

Harmful effects (3): Administration of the public housing system is to be privatized (according to a government resolution from early 1997).

The mixed Arab-Jewish towns have public housing that is tenanted by Arab citizens. These citizens do not hold title to their dwellings-but as long as the state was responsible for managing the properties, they had a public address to which to turn. Privatization will weaken their position.

CUTBACKS IN BUDGETS EARMARKED FOR THE ARAB SECTOR

Cutback: Development and infrastructure in Arab localities

The 1998 investment budget of the Ministry of Construction and Housing is NIS 1.824 billion. Of this sum, 7.6 percent is earmarked for the Arab sector-NIS 138 million in spending authorization (both sums in current prices).

This represents a 15 percent real decrease from the 1997 budget.

NATIONAL INSURANCE BENEFITS

Old-age pensions: A 50 percent cutback in the seniority supplement.

How this is harmful: The financial effects are substantial. The basic old-age pension is fixed at 16 percent of the national average wage. In September 1997, the basic pension was NIS 867 per month. Those who accrue a maximum seniority supplement are entitled to a 50 percent bonus, worth NIS 433.5 in September 1997. The government wishes to cut this in half, to only NIS 216.75.

One-third of the elderly in Israel-and 75 percent of Arab elderly (as of 1985)-get by on National Insurance benefits alone (see Hannah Wehl, *The Elderly in Israel*, Adva Center, 1997).

Child allowances: The government proposes to reduce *by one-third* the benefit for the first and second children of insured persons with up to three children whose income falls within the range of 130-170 percent of the national average wage, and to cut *by two-thirds* the benefit for the first and second children of insured persons with up to three children whose wages exceed 170 percent of the national average.

How this is harmful: The decision will affect the relatively small Arab middle class. Arab citizens whose income is low will continue receiving the full child allowance- but they will have to apply to their employers for it. In the past, when the allowance was reserved for the children of employed persons and was paid by employers, many workers did not receive it, either because they did not know they had to demand it or because they held irregular jobs.

Unemployment compensation: In its meeting of September 8, 1997, the Cabinet resolved to set up a team with representatives of the Ministry of Labor and Social Affairs, the National Insurance Institute, and the Ministry of Finance, to elaborate "further criteria in the matter of jobseekers' eligibility. . .in order to share the responsibility for finding work with the jobseekers themselves."

How this is harmful: The Cabinet is obviously well aware that the unemployment rate has been rising and that the unemployed cannot find work by themselves, especially in peripheral localities.

The goal is "to share responsibility for finding work with the jobseekers themselves [in order to] reduce the number of jobseekers who register at the labor exchanges and create savings in unemployment compensation and income-maintenance payments." In other words, unemployed persons who cannot find work will find it harder to obtain unemployment compensation.

WAGE AND PENSION TERMS

Proposal 1: formation of a team to consider *transferring teachers at the primary and junior-high levels to the status of employees of municipal authorities or of nongovernmental chains (such as ORT and Amal).*

How this is harmful: Today, teachers at the primary and junior-high levels are paid directly by the Ministry of Education, while high-school teachers are paid by municipal authorities. The wage comes from the Ministry in any case, but small and impoverished municipal authorities that have no budget sources of their own sometimes "play around" with the payroll money and pay salaries late.

Thus, the salaries and working conditions of teachers in Arab localities, which have scanty financial resources of their own, will probably take a turn for the worse.

Furthermore, teachers' wages are currently backed directly by the state. If this backing is withdrawn, their wages will be more vulnerable.

Proposal 2: *Worsening of the terms that pension funds offer middle-income workers, by:*

- a. Lowering the proportion of wage insured for pension.
- b. Reducing the extent of the government guarantee for the pension funds.

How this is harmful: The relatively affluent stratum of Arab wage-earners who hold jobs in organized workplaces will suffer from reduced pension terms.