

Prepared for the Knesset debates on:

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

HOW THE PROPOSED 1998 ISRAEL STATE BUDGET WILL AFFECT WOMEN

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HOW WILL THE 1998 BUDGET BILL

AND THE BUDGET RECONCILIATION BILL AFFECT WOMEN?

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

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

For the third 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 series of substantive changes in the National Health Insurance Law. The Cabinet proposes to undo one of the major achievements of this law: a general, 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 it is approved by the Knesset without adjustments, the government's draft budget for 1998 will have an adverse effect on large groups of women in Israel.

WOMEN AND THE HEALTH SYSTEM

Women have a direct interest in all aspects of the health system, both as *consumers* of health services and as *workers* in the health system.

- * In most families, women are responsible for dealing with members' health.
- * The Israeli health system is one of the largest employers of women. In 1996, some 135,000 women worked for this system-more than 15 percent of working women countrywide.

The Cabinet's proposals for the health system will harm all Israelis, but the injury to women will be more pronounced.

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

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

Today, the National Health Insurance Law assures all residents of the country a general, binding, and fully disclosed list of insured health services and medicines. Now the Cabinet proposes allowing each health fund to develop its own list.

How this is harmful (A): The proposal will make consumerism impossible.

Today, women-as consumers and as those responsible for family health-know that all the health funds offer a similar list of services. The list is enshrined in law and is fully disclosed. If the Cabinet's proposal is implemented, consumers will be hard-pressed to know which services their families are entitled to receive. They will have to compare constantly the various health funds' lists.

Notably, the health funds *did not make their lists of services public* in the era preceding the National Health Insurance Law.

How this is harmful (B): The proposal will lead to the creation of different lists of services for different population groups.

The Cabinet also proposes to allow the health funds to levy further charges for health services (See proposals 2 and 3 below). Thus it is encouraging the health funds to differentiate. Some funds will focus on the affluent, whom they will attract by offering a package of prestigious, fashionable, and expensive services, while others will make do with a selection of basic services for the population at large.

The General Health Fund belongs to the second category. It serves most of the population and most localities countrywide. Its membership accounts for 60 percent of the population-but includes 80 percent of those aged 75+ and 76 percent of those aged 74-65. This fund also has a high concentration of residents of development towns, residents of Arab localities, and low-income families. Consequently, if the standard list of insured services is eliminated, the main victims will be women in low-income households, households in peripheral areas, and the elderly-especially elderly women.

The menace is that the "poor people's" health funds will delete costly items from their list of services.

The director-general of the General Health Fund has already warned that some funds will exclude new medications for cancer, AIDS, and diabetes patients-and add a supplementary membership fee (*Ha'aretz*, November 11, 1997).

The Meuhedet Health Fund advised that it had stopped supplying medicines that are not on the current insured list and for which it was not getting funding: Taxall for the

treatment of ovarian cancer, the AIDS "cocktail," and special diabetes drugs (*Ha'aretz*, October 7, 1997).

How this is harmful (C): All providers will leave some vital services off the list.

The list of insured services set forth when the National Health Insurance Law passed in 1994 does not cover all pharmaceuticals and treatments, of course. Long-term inpatient care for the elderly and preventive medicine are conspicuous in their absence.

Since the law passed, there has been public pressure to add long-term inpatient care for the elderly to the list. If the government's proposals are adopted, the likelihood of adding this item to the list of insured services will become practically nil.

Seventy percent of persons in nursing homes are women.

Another service excluded from the list is contraceptives for women. If the government's bill passes, the likelihood of adding this item to the compulsory list will also become nil.

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. *Single women, sole mothers, and women in low-income families will be adversely affected.*

Proposal 3: Each health fund will be encouraged to maintain 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 evolution of two parallel funds within each health fund:

* The regular fund, which will provide all members with basic services in return for the health tax.

* A "first-class" fund, which will provide expensive and prestigious services for the fund's affluent members, for an additional, monthly fee.

Proposal 4: Business interests may operate private health funds. These funds, if they are established, will be "first-class" funds-except that they will be privately owned.

How this is harmful: Both proposals will hurt people of low income. This includes most women. On average, women's monthly wage is 60 percent of men's. According

to data from the State Revenues Administration (Ministry of Finance), the average income of mothers of three and more children falls below the income-tax threshold (*Annual Report* No. 46, p. 177).

The Israeli health system, today relatively equitable and universal, will be transformed. The best personnel and equipment will gravitate to the affluent-single men or families in which the male or both spouses have high incomes.

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: Women in Jewish "development towns" (most on the geographical and socio-economic periphery) and Arab localities will be harmed both as consumers and as workers:

As consumers: In the past few years, inhabitants of localities in peripheral areas have begun to benefit from a range of health services previously available only in the major cities. This new diversity will vanish.

As workers: Clinics that opened in distant localities provided jobs for local women. Some of these jobs will be eliminated.

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 advertises its intent to reduce its share in funding service providers.

Women countrywide will be affected, both as consumers and as workers:

As consumers: women, especially young mothers, are the main users of these clinics.

As workers: Most employees of most of these clinics are women. The proposed measure may undermine their terms of employment.

Arab women will be especially affected. 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 acting to expand the network of such clinics in Arab localities. If the proposed change is adopted, this operation may not be completed.

THE EDUCATION SYSTEM

Women have a direct interest in anything that happens in the education system, both as *consumers* of education services and as *employees* of the education system.

* In most families, women are responsible for dealing with children's education.

* The education system is one of the largest employers of women: in 1996, it employed some 182,000 women-three-fourths of its personnel and 21 percent of all working women in Israel.

The Cabinet's proposals for the education system will be harmful to all Israelis, but women will be more directly affected than others.

Below we review the main adverse effects of these proposals on the education system.

The Long School Day

It is much in women's interest to have a long school day, as it would allow more working mothers to hold full-time jobs.

In Israel, the Long School Day Law (1990) is not meant to meet the general needs of women. Its purpose is to compensate schools in urban working-class neighborhoods and development towns for the spread of parent-financed "gray education" in affluent neighborhoods.

Even in this downsized format, the law has never been applied on a meaningful scale. This year, the Ministry of Education has promised to implement it partly, in selected development towns. Concurrently, however, it is cutting NIS 30 million off the budget of other services that are currently available to the schools that are to implement the long school day.

Cutbacks in Instruction Hours.

The Finance Ministry proposes a cumulative cutback of 30,000 instruction hours in 1998 and 1999, at a total budget saving of NIS 80 million-on the heels of a cutback of 3 percent in the instruction-hours budget in 1997.

How this is harmful: A cutback in hours of instruction not only impinges on the education service that pupils receive but has an adverse effect on teaching personnel-75 percent of whom are women. The main victims of any cutback in instruction hours are women who teach for a living.

When instruction hours were cut in the 1980s, "gray education" began to proliferate, as parents paid out of pocket to restore the instruction hours that had been eliminated. Parent-funded "gray education" exists principally in middle-class localities. In less affluent areas, it is available with the help of donations from foundations-and it is much less widespread.

Sole mothers or mothers in households that can barely afford "gray education" will be harmed financially by the cutback in instruction hours. Those who cannot afford it will be affected in two ways: they will find it hard to give their children a good education, and working mothers will have to make arrangements for their children more hours each week.

Cutbacks in Remedial Instruction Hours.

Since the 1960s, schools in urban working-class neighborhoods and Jewish "development towns" have been given 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 in the 1990s. 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.

Nor has the erosion been stanchd. In 1998, the proportion of remedial-instruction hours at the junior-high level will fall to 11 percent.

How this is harmful: In addition to the overall cutback in instruction hours, Jewish "development towns" and Arab localities - whose residents are mostly poor and working-class - are suffering from erosion of the hours that had been earmarked especially for them.

For women teachers and mothers in the affected localities, the general cutback in instruction hours is compounded by the slippage in the remedial instruction budget.

CHILD ALLOWANCES

Today, child allowances are paid for every child countrywide, irrespective of parents' income.

Since 1975, the allowance has been paid directly to mothers' bank accounts, thus acknowledging the primacy of mothers in childraising under current social conditions.

The government's proposed changes will return child allowances to the pre-universal era. Wage-earning women will have to request the allowance from their employers.

Cutbacks in child allowances. The Cabinet proposes to reduce the first and second child allowances of insured persons who have three children or fewer, and whose income exceeds 130 percent of the national average wage but is smaller than 170 percent, *by one third*; and to reduce the first and second child allowances of insured persons who have three children or fewer, and whose income exceeds 170 percent of the national average wage, *by two thirds*.

How this is harmful to women: The income test will be applied to the income of the father or the sole parent, and not to the income earned jointly by both spouses. This

represents an inexplicable retreat from the slow progress that Israel had been making toward an egalitarian approach toward two working spouses.

How this is harmful to children-and their mothers: The Cabinet proposes that wage-earning fathers (or sole mothers) receive child allowances for the first two children from their employers-in contrast to the situation today, in which the National Insurance Institute deposits all children's allowances directly in the mother's bank account.

This change undermines the status of child allowances as income meant directly for childraising-an earmarking assured to some extent by the transfer of payment to mothers, who in most families are the children's primary caregivers.

How this is harmful to family income: Today, all families are given one allowance point for their first child and another point for their second. Each allowance point was worth NIS 154 in September 1997.

Families with up to three children, in which the father or sole parent earns 130-170 percent of the national average wage (between NIS 7,000 and NIS 9,200 per month, gross) will receive about *NIS 50 per month less*, net, for each of the first two children.

Families with up to three children, in which the father or sole parent earns more than 170 percent of the national average wage (above NIS 9,200 per month, gross) will get *roughly NIS 100 per month less*, net, for each of the first two children.

How this will cause distortion and inequality: As the following table shows, families with similar income will be treated differently, some receiving full allowances and others getting downscaled allowances.

Number of working parents	Father's wage (gross) in NIS	Mother's wage (gross) in NIS	Income of both spouses in NIS	Number of children	Extent of cutback in NIS	Percent decrease in family net income (incl. National Insurance contributions)
1	8,000		8,000	3	100	1.7%
1	10,000		10,000	3	200	3.0%
2	7,000	7,000	14,000	3	0	0
2	10,000	4,000	14,000	3	200	2.3%
2	4,000	10,000	14,000	3	0	0

How this is harmful to take-up of child allowances: In 1965-1975, the child allowance was meant for the children of employed persons and was paid by employers. They proved to be an unreliable conduit; many workers did not receive the allowances to which they were lawfully entitled. The main casualties were breadwinners who held irregular jobs or whose employers lacked a credible reporting and payment mechanism. Temporary workers and the unemployed were also adversely affected.

OLD-AGE PENSIONS

The National Insurance old-age pension is an important source of income for Israel's elderly. One-third of seniors-including 75 percent of Arab elderly (as of 1985) and 45 percent of Mizrahi elderly-get by on National Insurance benefits alone (Adva Center, *The Elderly in Israel*, 1997).

Old-age pensions are universal today: every elderly man and woman in Israel qualifies upon reaching the age of retirement.

Until last year, homemakers were not entitled to pensions on their own account; their benefit was an appendage of their husbands' pensions. Since January 1, 1996, women homemakers who reached retirement age after that date have been eligible.

The Cabinet has proposed to reduce the seniority increment in the old-age pension by 50 percent.

The basic old-age pension is fixed at 16 percent of the national average wage. In a retired household with two former breadwinners, each spouse gets a full pension, giving the household 32 percent of the average wage. Where only one spouse worked, s/he is given an 8 percent supplement for the non-working spouse, resulting in 24 percent of the national average wage.

The *seniority increment* is a supplement to the basic old-age pension, set at 2 percent of the basic pension benefit for each year of National Insurance contributions, beyond the first ten years, to a maximum of twenty-five years or 50 percent of the basic benefit.

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 proposes cutting this in half, to only NIS 216.75.

Since most recipients of the seniority increment are men, they are the main casualties of the planned cutback. According to the National Insurance Institute, in January 1997, the average seniority increment earned by men was 39 percent of the basic old-age pension; the average increment for women was 24 percent of the basic pension.

Because women bear the brunt of childraising, they enter the labor market at more advanced age and accrue fewer years of seniority. However, as the labor-force participation rate of women rises and they accrue more years of labor, the seniority increment becomes more important for them, too.

It should be borne in mind that these pensions are not high. The basic pension in August 1997 was NIS 867 per month for individual retirees and NIS 1,300 for elderly couples with only one breadwinner (and in which the wife had retired before January 1, 1996).

1. This is too small to provide a minimum standard of living; in 1996, one-third of the Israeli elderly-151,000 people-had to apply to National Insurance for an *income-maintenance supplement*. The pension plus this added benefit, as of August 1997,

was NIS 1,400 per month for individuals and NIS 2,174 for retired couples with one former breadwinner, if the wife had retired before January 1, 1996. In other words, *reducing the old-age pension will cause detriment to a standard of living that is low to begin with.*

UNEMPLOYMENT COMPENSATION

In 1996, women accounted for 43.5 percent of the labor force-and 56.5 percent of the unemployed.

Unemployment is especially high in development towns and Arab localities, foremost among the unskilled. However, unemployment among white-collar workers is rising, too.

Women who cannot find work on their own will find it hard to collect unemployment compensation.

In its meeting on September 8, 1997, the Cabinet resolved to set up a team with representatives from 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."

The Cabinet explains this measure by stating that "There has been some difficulty in placing jobseekers in the past few years." The Finance Ministry officials are obviously well aware of the rising unemployment rate and have no illusions about the ability of the masses of unemployed to accomplish by themselves what the labor exchanges cannot-especially in peripheral localities. They have another goal in mind.

As the Cabinet resolution states, "Sharing responsibility for finding work with the jobseekers themselves...will 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 by themselves will lose their eligibility for unemployment compensation.

The resolution is more than an offense to the spirit and substance of the law; it also contravenes a basic principle of the welfare state. Unemployment benefits are not only meant precisely for economic-hardship situations such as the one afflicting Israel today; they are also an insurance entitlement of working people, for which they paid while on the job.

MINISTRY OF LABOR AND SOCIAL AFFAIRS

The Vocational Training Division is responsible for vocational training and retraining of adults and dropout youth. It is also in charge of training technicians and practical engineers in post-secondary settings.

Participants in the division's courses are paid at the level of unemployment compensation.

A review of the courses offered by the Division shows that men and women are given training under different terms, to the disadvantage of women (Adva Center, *Looking at the Budget 1997*).

Our inquiry showed that men are given *more hours*: 55.5 percent of classroom hours were allocated to "male" courses (those in which 80 percent or more of enrollment are men), 15.4 percent to "female," and 29.0 percent to "mixed" courses-which, practically speaking, provide training in occupations that are considered "male."

Differences are also evident in the average duration of these courses: 3.5 months for "female" courses and 6 months for "male" courses.

The division's budget was cut in 1996 and 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 course vacancies.

As we have seen, unemployment is more prevalent among working women than among working men. When the division's budget is frozen, the harm caused to women is especially severe.

The budget of the Ministry of Labor and Social Affairs contains several changes for the better:

- * A protracted real increase in the budget of the Service for Girls in Distress, which includes the budget for assistance for battered women's shelters.
- * A small decrease in daycare fees.

WAGE AND PENSION TERMS

Proposal 1: In its meeting on September 8, 1997, the Cabinet resolved to set up a team that would 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, which have no fiscal sources of their own, sometimes "play around" with the payroll money and pay salaries late.

In other words, the teachers' salary and working conditions will take a turn for the worse.

In fact, those mainly affected will be women teachers. According to the Central Bureau of Statistics, 63,600 (81 percent) of the 78,600 primary and junior-high teachers in 1996 were women.

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

Proposal 2: In its meeting on September 8, 1997, the government resolved to *worsen 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.

Today, only a minority of working women belong to the middle-income class. However, the proposed deterioration in terms will harm both the minority who are already in this class and those on the verge of attaining it.

Moreover, an assault on the middle class usually percolates downward. When benefits are taken from the middle class, women in lower wage brackets are deprived of them *even as a possibility for the future.*