

Through a Gender Lens

09/10

Looking at the National Budget Proposal
and the Budget Arrangements Law for
Fiscal Years 2009/2010

Barbara Swirski

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Israel Women's Budget Forum

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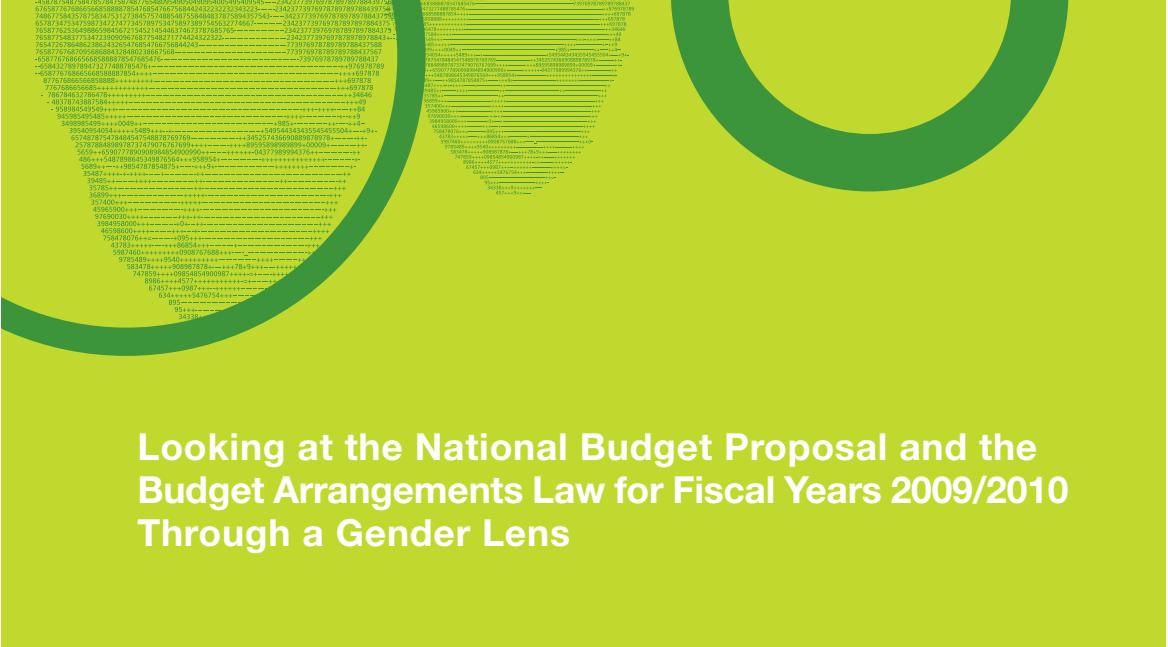
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Looking at the National Budget Proposal and the Budget Arrangements Law for Fiscal Years 2009/2010 Through a Gender Lens

Introduction

The budget proposal submitted to the Knesset in June 2009 is the first-ever budget proposal to include two fiscal years - 2009 and 2010. The budget proposal for fiscal 2009 was first submitted in October 2008. It included a large cut in the budget of the Ministry of Defense, along with an across-the-board cut of two percent in the base of the budgets of all other ministries, as a way of coping with the decrease in tax revenues following the global economic crisis.

Since that time, the government collapsed, new elections were called, and a new government coalition was formed. One of the consequences of the reshuffling that created a new center-right government coalition was the scrapping of Defense budget rollbacks, to be offset by larger across-the-board cuts in the bases of the budgets of civilian ministries.

The term "across-the-board" cut appears to be a gender-neutral term until it is recalled that two-thirds of public service employees are women. Since salaries are an important component of the budgets of government ministries, nearly every budget cut has a negative impact on women as public service employees.

Despite the across-the-board cut, the revised budget proposal for fiscal 2009 and 2010, submitted to the Knesset in June 2009, contains an increase in social service expenditures resulting from coalition concessions (for example, an increase in child allowances and state old-age pensions), from labor agreements (for example, "Ofek Hadash" - a collective wage agreement between the government and one of the teachers' unions) or from other types of agreements,

like that between the ministries of Health and Finance, which resulted in larger annual increments to the health benefits package for fiscal 2008, 2009, and 2010.

However, the budget figures for 2009 cannot be taken at face value, due to the fact that the 2009 budget is not scheduled for approval until July 15, 2009, nearly seven months after the beginning of the fiscal year. Past experience has shown that government ministries often have difficulty spending monies approved well into the fiscal year.

This position paper will touch upon both revenue and expenditure streams, that is, changes in the tax system and in selected budget lines in the Ministries of Health; Education; Industry, Trade and Employment; and Welfare and Social Services that are especially relevant to women.

Throughout the text of the paper we indicate whether or not budget stipulations were approved by the Knesset.

REVENUES

Extra Half Tax Credit for Women

As regards taxation, there is one piece of good news; the rest of the news is bad for women. The good news is that the proposal submitted in October 2008 to abolish the extra half tax credit to which women are entitled – amounting to about NIS 100 per month - was itself abolished. This half credit lowers the tax liability of employed women whose salaries are higher than the tax threshold. It serves as compensation, however small, for the salary gaps between women and men.

Income and Corporate Taxes

The Budget Arrangements Law includes a new program to cut income taxes even more than they were cut by the previous (2003-2010) tax-cutting program. The new program, which focuses on high-wage earners, is to be instituted between 2011 and 2016.

Sixty-five percent of employed women do not pay any income tax at all. Firstly, they do not have income liabilities because their salaries are so low that over one-third of employed women (36 percent) earn less than two-thirds of the median wage (in 2007, two-thirds of the median wage was NIS 3,676; this figure has hardly changed in recent years). Secondly, women's tax liabilities are reduced because tax credits for children are accredited to their accounts. In 2009, the tax threshold for a man is NIS 4,433, and for a woman without children, NIS 5,142. The tax threshold for women with children is higher: for a woman with two children, NIS 7,768 and for a woman with three children, NIS 8,761.

From the foregoing figures it follows that **women** benefit much less than men from income tax reductions. The main beneficiaries of the tax reduction plans of 2003-2010, as well as of the proposed plan for 2011-2016, are high-income persons.

**Annual Wage Increases for a Salaried Female Employee with Two Children
according to the New Plan to Cut Income Taxes, 2011-2016**

In NIS, in relation to the average wage in 2008

Monthly Wage	Annual Wage Increase
75 percent of average salary (6,056)	----
Average salary (men and women combined) (8,075)	----
Twice the average salary (16,150)	4,064
Four times the average salary (32,300)	14,444
Six times the average salary (48,450)	24,134

Notes: We assume that the value of a tax credit will remain NIS 197, and that a married woman with two children will be entitled to a total of 4.75 tax credits.
The table includes changes in income tax rates alone; it does not include changes in social security and health taxes.

Sources: Adva Center analysis of the Tax Authority's annual tax tables at the Ministry of Finance website; Budget Arrangements Law 2009; Central Bureau of Statistics, *Statistical Annual*., various years.

As the table illustrates, the new tax-cutting plan will not yield even one more shekel of take-home pay for persons earning less than NIS 8,000. It should be noted that over three-fourths of female employees earn less than this amount.

While new tax cuts were approved for the period 2011-2016, the Budget Arrangements Law actually approved by the Knesset slowed down their implementation.

The Budget Arrangements Law also specifies that the corporate tax is to be gradually reduced, from 26 percent in 2009 to 18 percent in 2015. Israel is trying to follow in the footsteps of countries like Ireland and those of Eastern Europe, which are vying to attract foreign investors by cutting corporate taxes. This proverbial "race to the bottom" is difficult to win.

It would be preferable to keep the corporate tax at its present level and to invest the proceeds in education and higher education, so that investors are attracted by educated man and womanpower. Israeli women would benefit far more from improved education services than from reduced corporate taxes.

The proposed cut in the corporate tax was approved by the Knesset. However, the corporate tax rate will be reduced at a slower rate than originally proposed.

Value-added taxes

Direct taxes are considered progressive, as the marginal tax rate increases as salaries go up. In contrast, indirect taxes are considered regressive, as everyone pays the same tax on the same goods – but the burden of that sum is greater for low-income persons.

While most women will not benefit from the proposed reduction of direct taxes (income and corporate taxes), they will all shoulder the burden of increased value-added taxes.

Due to the reduction of direct taxes begun in 2003, the state coffers are expected to collect NIS 4.2 billion less in tax revenues in 2009. In order to make up for the loss, it is proposed to increase value-added taxes by one percent, from 15.5 percent to 16.5 percent, which would yield about NIS 3.6 billion in tax revenues.

As a result of present tax policy – lowering direct taxes and raising indirect taxes - the Ministry of Finance anticipates that in 2010, revenues from indirect taxes (NIS 93.3 billion) will exceed revenues from direct taxes (NIS 85.1 billion).

The Knesset approved raising value-added taxes by one percent.

Value-added taxes on fruits and vegetables

The Budget Arrangements Law proposes to abolish the exemption of fruits and vegetables from value-added taxes. This proposal keeps popping up year after year. If it is approved, it will have an especially deleterious effect on low-income persons, whose diets are based on, among other things, inexpensive fruits and vegetables. If value-added taxes are imposed on fruits and vegetables, low and middle income persons will be twice hit: once by a larger food bill and once again by a poorer diet (as they substitute other food items for fruits and vegetables).

The Knesset rejected the imposition of value-added taxes on fruits and vegetables.

Childcare Expenses

The Budget Arrangements law includes a proposal to invalidate the National Labor Court's decision to recognize child-care expenses as tax-deductible. Widespread opposition to the above proposal resulted in a new bill, submitted by Minister of Finance Yuval Steinitz. The Steinitz bill annulled the National Labor Court decision but at the same time stipulated that working women would receive an additional tax credit for each child under the age of five, in lieu of recognition of child-care expenses as tax-deductible, beginning in 2012.

It should be borne in mind that the main beneficiaries of both these arrangements would be women with monthly salaries of at least NIS 10,000. The majority of women do not meet this threshold and would therefore be excluded.

Two better proposals are already on the table. One is an idea that originated with the Israel Women's Network that was translated into a bill by legislators Gideon Saar and Zahava Galon. The bill not only recognizes child-care expenses as tax deductible but also posits cash payments for women whose incomes are below the tax threshold. The other is a proposal submitted by Naamat - Pioneer Women - for full public subsidization of day care services.

The new (tax-credits) bill passed, and according to press reports, the Ministry of Finance agreed to allocate an additional NIS 500,000 for day care subsidies, beginning in 2010. Since the tax credits bill is not slated to come into effect until 2012, it could potentially be abolished or postponed in the 2011 budget proposal.

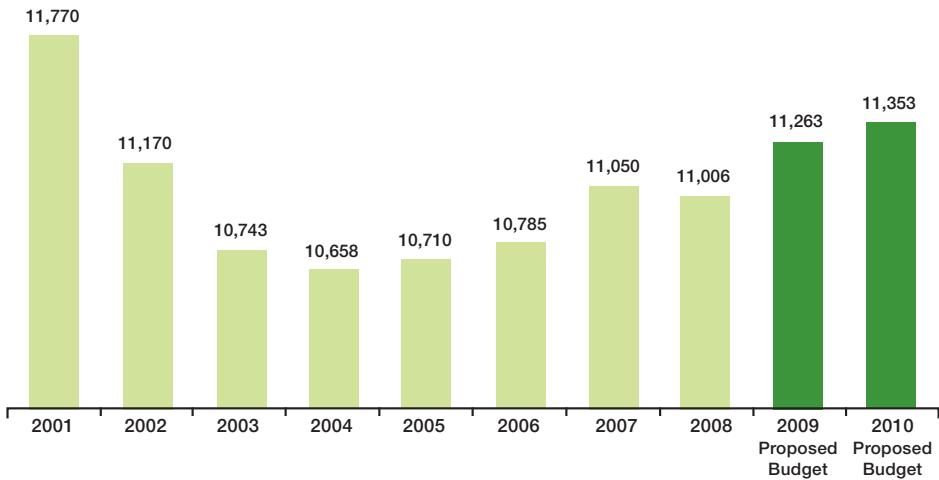
Regarding the additional monies allocated for day care subsidies, it is not at all clear that these monies will in fact be earmarked for day care subsidies.

EXPENDITURES

Defense Budgets vs. Social Service Budgets

Ever since the large budget cuts implemented in 2001-2003, Israel's social services have been undergoing a budgetary crisis. Today, social service outlays, per capita, are lower than they were in 2001. While the proposed budget for 2009 and 2010 includes an increase in spending for social services, the increments are not large enough to make up for past cuts.

Social Service Expenditures per Capita
In NIS, 2008 Prices



Notes:

1. The figures for 2001-2008 are actual expenditures, as reported by the Chief Accountant at the Finance Ministry. The figures for 2009 and 2010 are from the proposed budget.
 2. Social expenditures include the budgets of the following ministries: Education, Health, Higher Education, Welfare and Social Services, government transfers to the National Insurance Institute.
- Sources:** Adva Center analysis of the Chief Accountant, Ministry of Finance, *Annual Report*; various years; Ministry of Finance, *Proposed Budget and Explanations and Budget Summary*, June 2009.

The frequent cuts made in social service expenditures over the course of the last decade have caused damage that will be felt for a long time to come. To cope with budget cuts, the social service systems have had no other recourse than to adopt one or more of the following strategies:

- Service rollbacks – for example, reducing teaching hours in schools and purchasing fewer books and less equipment for university libraries and laboratories;
- Cutting expenditures - mainly by hiring personnel through perm-temp agencies and other intermediaries. This is what was done in the case of school nurses;
- Offering special services for persons of means - for example, "grey education" (paid by parents out of pocket) for affluent families and private medical services in public facilities, available to those who can pay. Such services threaten the universalistic nature of education, health and social security services in Israel.

Ministry of Health Budget

The proposed Ministry of Health budget for 2009 is about NIS 16 billion - 2.7 percent larger than the 2008 budget. The lion's share of the budget covers state participation in funding the National Health Insurance Law – about NIS 12 billion (current prices).

The budget of the Ministry of Health is very significant for women, for the following reasons:

- Over 70 percent of persons employed in health services are women;
- Women utilize health services more than men, due to their longer life expectancy, the fact that they suffer more from chronic illnesses, and the fact that they need health services for matters connected with reproduction;
- Women are the main caregivers in the family. When family members are ill, women care for and accompany them to doctors and other health services.

The 2009 and 2010 budgets contain both good and bad news for women with respect to health care.

Benefits Package Provided by Health Funds

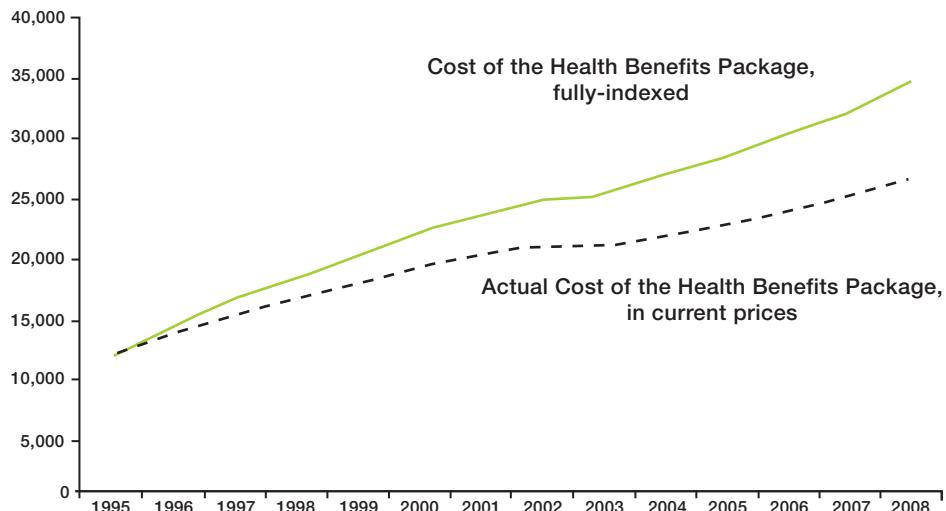
One piece of good news is a planned increase of 2.5 percent in the money allocated to the benefits package – the monies the health funds receive to cover the provision of health services in the benefits package. The cost of the benefits package in 2009 was set at NIS 28 billion, NIS 415 million of which is for new medications and technologies. This is the largest increment ever approved for new medications and technologies; the same sum is budgeted for 2010.

The above allocations are positive developments that help to close the gap between the actual cost of the benefits package and the cost of a fully-indexed benefits package.

As can be seen in the following graph, the benefits package has eroded considerably since 1995, when the National Health Insurance Law came into effect.

Cost of the Health Benefits Package, 1995-2008

Actual cost and fully-indexed cost (in NIS billions)



Notes: The fully-indexed cost was calculated using three indicators: demographic changes, technological changes and changes in the health expenditures index.

Sources: Adva Center analysis of National Institute for Research of Health Services and Health Policy, *A Decade Since the National Health Insurance Law, 1995-2004.*, edited by Gabi Ben-Nun and Gur Ofer; figures for 2005-2008 were obtained courtesy of the Department of Economics and Health Insurance, Ministry of Health, July 2009.

Fee for Well-Baby Stations

Another piece of good news for women is that in 2010 the one-time users' fee for family clinics (well-baby stations) is to be abolished and preventive services will be provided free of charge. The fee is presently about \$125 per child.

The Knesset abolished the fee.

Mechanism to Facilitate the Imposition of Health Taxes on Housewives

Now for the bad news.

At present, housewives are exempt from the health tax, as they have no income of their own.

The Budget Arrangements Law includes a proposal to restructure the health tax so that every adult pays a minimum head tax in the amount of NIS 90 per month. If it passes, this proposal will put in place a mechanism for imposing a health tax on housewives (defined by law as married women with no earned income) in the future. In recent years, proposals to tax housewives have come and gone, only to reappear at the next budget debate. In the past, the main obstacle to their passage was the lack of a structural mechanism for collecting health taxes from every adult. The present proposal provides just such a mechanism.

If it is approved, the head tax will also result in persons whose monthly wages are less than NIS 2800 (most of whom are women), and who are not entitled to income support payments, paying more in health taxes than they pay today.

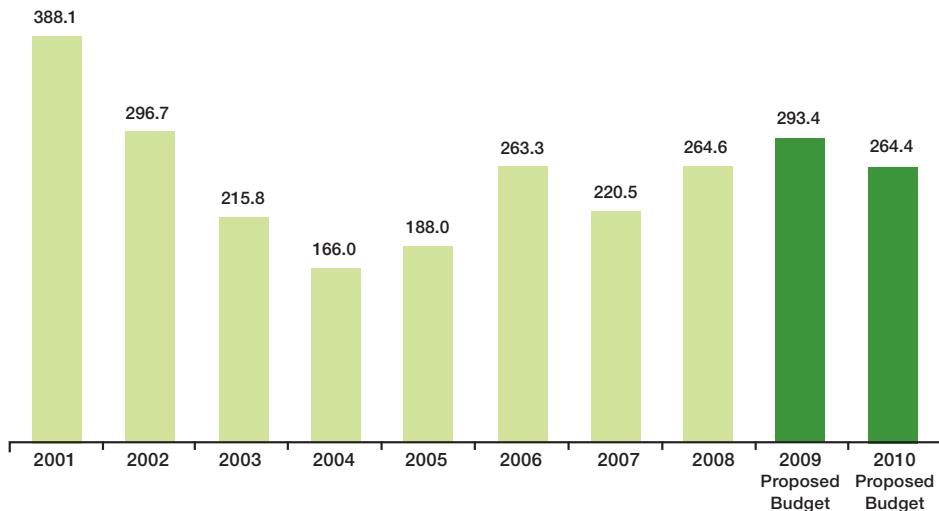
The Knesset rejected the above proposal, due to opposition arising from the increase in health taxes for low-income persons.

Investment Budget of the Ministry of Health

The investment budget of the Ministry of Health, like the budgets of other social ministries (education, social welfare), include two parts: *regular* budgets, for daily operating expenses, and *investment* budgets for renovations and new construction.

Between 2001 and 2008 the investment budget of the Ministry of Health was reduced by about one-third. Although the budget experienced small increments in recent years, it has yet to return to its 2001 level. The problem is that in certain regions, especially in the South, there is a shortage of hospitals and hospital beds, and the infrastructure of public facilities throughout the country is in need of repair and renovation.

Investment Budget of the Ministry of Health
In NIS millions, 2008 prices



Note: The figures for 2001-2008 are actual spending figures published by the Chief Auditor at the Ministry of Finance. The figures for 2009 and 2010 are from the budget proposal for those years.
Sources: Adva Center analysis of Ministry of Finance, Office of the Chief Auditor, *Annual Report*, various years; Ministry of Finance, *Proposed Budget and Explanations: Ministry of Health, 2009-2010*, June 2009.

Ministry of Education Budget

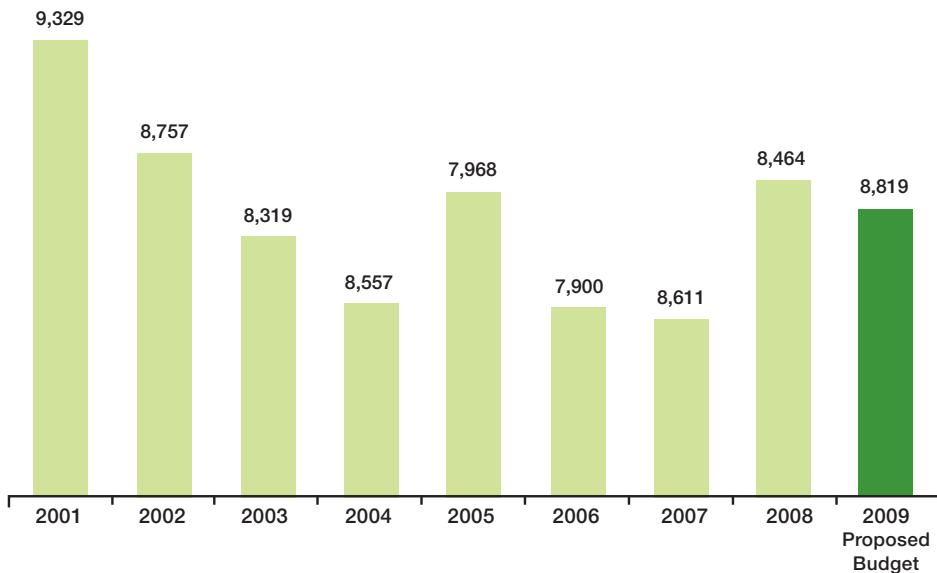
The proposed budget for the Ministry of Education is NIS 31 billion in 2009 and NIS 33 billion in 2010, in current prices. In real terms, the proposed budget for fiscal 2009 is 7.5 percent larger than that of 2008, and the proposed budget for 2010 is 5 percent larger than the proposed budget for 2009. Most of the increase is due to the "Ofek Hadash" wage agreement.

The Budget for Teaching Hours

Approximately 50 percent of the Ministry of Education budget is utilized to pay for "teaching hours" (the sum used for the payment of teachers' salaries.) The majority of the teachers are women.

Between 2001 and 2008, the annual budget for teaching hours, on a per pupil basis, shrank by 9 percent. In fiscal 2009, due to the implementation of the first stage of the "Ofek Hadash" wage agreement, the per-pupil budget is expected to increase to NIS 8,819. This sum is still NIS 510 short of that for 2001.

Annual Per-Pupil Budget for "Teaching Hours," 2001-2009
In NIS, 2008 prices



Note: The figures for 2001-2008 are actual spending figures published by the Chief Auditor at the Ministry of Finance. The figures for 2009 are from the budget proposal.

Sources: Adva Center analysis of the Office of the Chief Auditor, Ministry of Finance, *Annual Reports*, various years; Ministry of Finance, *Proposed Budget and Explanations for Fiscal 2009 and 2010, Ministry of Education*, July 2009.

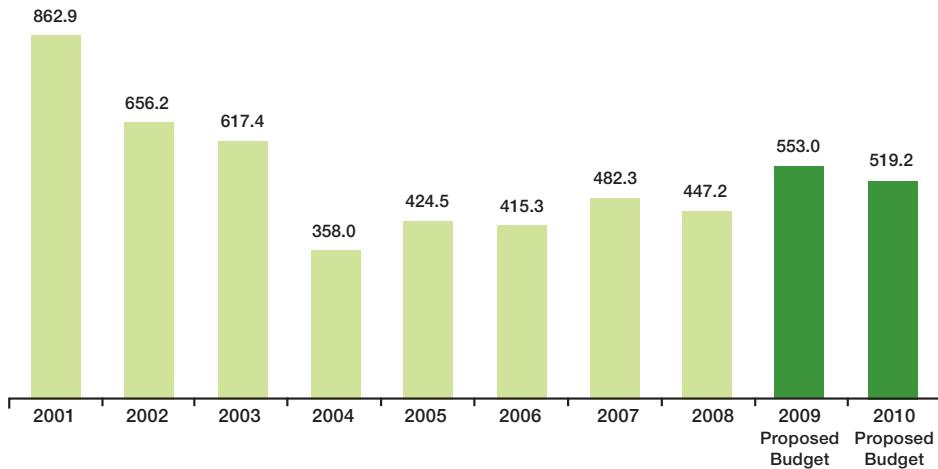
Investment Budget of the Ministry of Education

The investment budget of the Ministry of Education, which finances the renovation and construction of schools and classrooms, underwent considerable erosion in the course of the last decade. Between 2001 and 2008, it shrank by nearly half (48 percent).

For fiscal 2009 and 2010, the investment budget is slated to increase by 20 percent in real terms, to NIS 536.1 million on average (in 2008 prices). This budget is still much smaller than the sum budgeted in 2001.

The budget level remains low despite the fact that there is a shortage of thousands of classrooms, and despite the fact that schools have difficulty implementing the long school day and the "Ofek Hadash" agreement (one of the purposes of which is to reduce the number of students in each class) due to a lack of classroom space.

Investment Budget of the Ministry of Education
In NIS millions, 2008 prices



Note: The figures for 2001-2008 are actual spending figures published by the Chief Auditor at the Ministry of Finance. The figures for 2009 and 2010 are from the budget proposal for those years.

Sources: Adva Center analysis of Ministry of Finance, Office of the Chief Auditor, *Annual Report*, various years; Ministry of Finance, *Proposed Budget and Explanations: Ministry of Education, 2009-2010*, June 2009.

Compulsory Education Law

The Compulsory Education Law (1949) requires the school attendance of all children who are between the ages of five and sixteen. An amendment to the law, slated to come into effect in 2009, would make school attendance compulsory from age three.

The Budget Arrangements Law postpones implementation of the Compulsory Education Law for three and four-year-olds until 2019. According to the explanation provided, compulsory education currently holds for about 106,000 children – or about 35 percent of the age group.

In other words, in the foreseeable future, about 65 percent of mothers with small children will not enjoy the benefit of public education for those children; instead, they will need to rely on expensive private services, due to the lack of subsidized public facilities.

In the following pages, we will examine a number of allocations within the budgets of the Ministry of Industry, Trade and Employment and in the Ministry of Welfare and Social Services that are especially relevant to women.

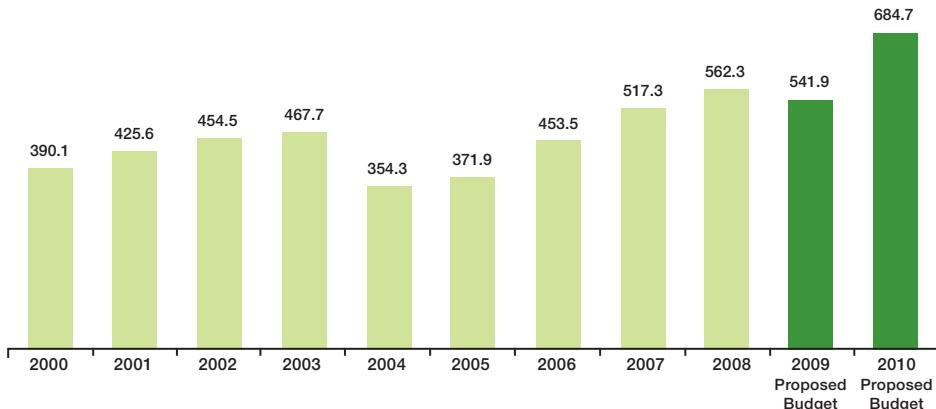
Ministry of Industry, Trade and Employment

Subsidization of Child Care

The budget proposal of the Ministry of Industry, Trade and Employment cites day care services as a focus for fiscal 2009 and 2010. Most day care services are provided by the large women's organizations in Israel such as Naamat, WIZO, and Emunah. Women's organizations cover 2.5 percent of the cost, government subsidies cover 37.5 percent of the cost and the rest (60 percent) is covered by users' fees. Fees are set on a sliding scale, according to family income. In 2008, the minimum monthly fee was NIS 443 per month – paid by families referred to day care by the social services and by single mothers. Full tuition was NIS 1,793 per month - for families with incomes of over NIS 5,500 per capita.

The proposed budget continues the trend of increasing day care subsidies, as a means of increasing the workforce participation of women with small children.

Annual Budget for Day Care Centers and Family Day Care, 2000-2010
In NIS millions, 2008 prices



Sources: Adva Center analysis of Ministry of Finance, Office of the Chief Auditor, *Annual Report*, various years; Ministry of Finance, *Proposed Budget and Explanations: Ministry of Industry, Trade and Employment 2009-2010*, June 2009.

Supervision of Day Care Centers and Family Day Care

A government resolution passed May 12, 2009 calls for privatizing the supervision of day care centers and family day care. These are jobs ordinarily held by women.

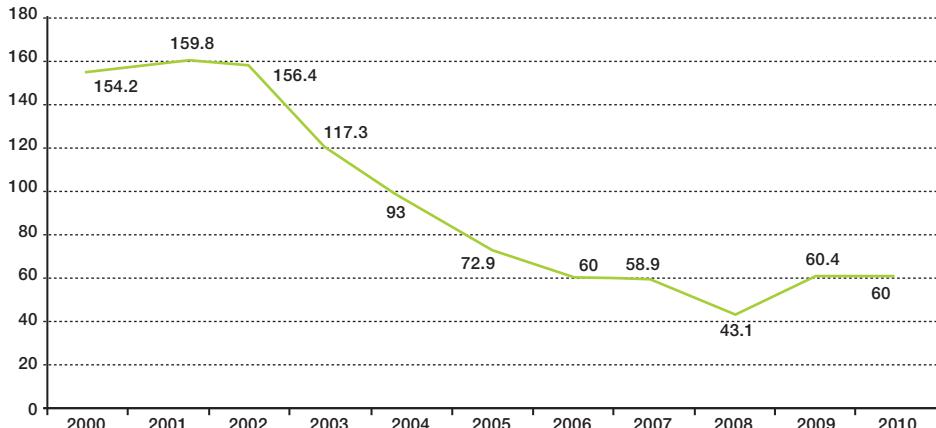
The meaning of this decision is that not only is the government abdicating its regulatory role, but it is also planning to change the employment status of supervisors, from that of state officials to persons hired by private, for-profit providers.

This decision stands, as it does not require Knesset approval.

Vocational Training Budget

The Vocational Training Department of the Ministry of Industry, Trade and Employment is responsible for the vocational training of young people and adults. Subsidized vocational training courses are one of the tools utilized to cope with unemployment. Despite the fact that every government deliberation on unemployment pays lip service to vocational training, vocational training budgets have been steadily decreasing. If we examine the number of persons benefiting from government-subsidized vocational training, we will find that their numbers have greatly diminished – from 38,000 in 2000 to only 6,755 in 2008, of which 3,104 (46 percent) were women.

**Budget for Subsidized Vocational Training Courses for Adults,
Vocational Training Department, 2000-2010**
In NIS millions, 2008 prices



Note: The figures for 2001-2008 are actual spending figures published by the Chief Auditor at the Ministry of Finance. The figures for 2009/2010 are from the budget proposal.

Sources: Adva Center analysis of the Office of the Chief Auditor, Ministry of Finance, *Annual Reports*, various years; Ministry of Finance, *Proposed Budget and Explanations for Fiscal 2009 and 2010*, *Ministry of Industry, Trade and Employment*, July 2009.

As can be seen from the above graph, the budget allocation for government-subsidized vocational training in 2000 was 3.5 higher than in 2008. The proposed budgets for 2009 and 2010 show an increase, compared to 2008, but it should be kept in mind that for this budget line, actual spending is often lower than the sum proposed. This is sure to be the case for 2009, due to the fact that the budget will not be approved until the middle of July.

In the near future, the number of **women** who will be able to increase their earning power by means of government-subsidized vocational training will be quite small.

Social Security Allowances

Social security allowances are especially important for women, as they constitute the majority of recipients for most allowances. Women constitute:

- Almost 100 percent of recipients of birth allowances and birth leaves;
- 71 percent of recipients of nursing care benefits;
- 65 percent of recipients of income maintenance payments;
- 56 percent of recipients of state old-age pensions.

Most of the proposed changes for 2009 and 2010 will benefit **women**.

Old-age Pensions

The Budget Arrangements Law includes a temporary order bestowing an additional annual allocation in the amount of NIS 400 million for government old-age pensions in the years 2009, 2010 and 2011.

The following table shows the increases that persons entitled to government old-age pensions are to receive during the next three fiscal years. The increases are for persons entitled to the minimum pension; persons entitled to larger pensions are entitled to increments that are somewhat larger.

Proposed Supplements to State Old-Age Pensions from 2009-2011
In NIS, 2009 prices

	Aug-Dec 2009	2010	2011	Total
Persons entitled to the basic old-age pension	38	31	31	100
Persons entitled to the basic old-age pension who are also entitled to income supplements	49	41	42	132

Source: Miriam Schmelzer, Old Age Department, National Insurance Institute.

The increase in government old-age pensions is a step in the right direction, even if the amounts are small.

Unfortunately, since 2003, social security allowances have been indexed to the Consumer's Price Index rather than to the average wage. The average wage usually increases more rapidly than the Consumer's Price Index.

The above supplements to old-age pensions were approved by the Knesset.

Child Allowances

The government coalition agreement stipulates that child allowances for the second, third and fourth child in a family are to increase gradually beginning in August 2009, until they reach NIS 259 per month in April 2010 (at present they are NIS 159 per month). After that, the allowances are to be indexed to the Consumer's Price Index.

This proposed budget change includes three reservations:

- Larger child allowances will not be paid for children who do not receive the required inoculations; this reservation is relevant mainly for the ultra-Orthodox community;
- Larger child allowances will not be paid for children who exhibit truancy; this reservation is relevant for Bedouins living in unrecognized settlements and for children in the ultra-Orthodox Jewish community;
- In polygamous families (relevant for some Bedouin families), the children are to be counted as the fathers' children; this reservation may have an adverse effect on Bedouin women (and their children) who are not first wives.

It should be remembered that child allowances are deposited directly into mothers' bank accounts.

The second reservation was rejected by the Knesset. The others were approved.

Other Allowances

- The original proposal (October 2008) to reduce paid birth leaves was deleted from the final proposal;
Eligibility rules for persons failing at attempts to start small businesses were eased somewhat.

Ministry of Welfare and Social Services

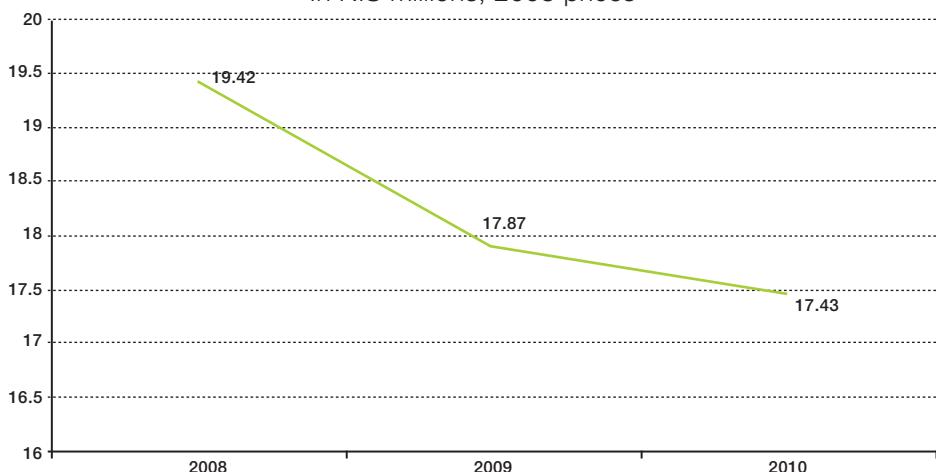
Institutions for Mentally Handicapped Persons

The original Budget Arrangements proposal, submitted in October 2008, stipulated that two government institutions for mentally handicapped persons were to be privatized. Such a step would have had a negative effect on the salaries and working conditions of institution employees. However, Minister of Welfare and Social Services Yitzhak Herzog declared that he would not allow it, and the proposal was deleted from the final bill.

Shelters for Battered Women

The proposed budget for the 13 shelters for battered women is 8 percent smaller in 2009 than in 2008 and 2 percent smaller in 2010 than the proposed budget for 2009. The figures are presented in the following table.

Government Funding of Shelters for Battered Women, 2008-2010
In NIS millions, 2008 prices



Note: The figure for 2008 is the actual spending figure published by the Chief Auditor at the Ministry of Finance. The figures for 2009 and 2010 are from the budget proposal.

Sources: Adva Center analysis of the Office of the Chief Auditor, Ministry of Finance, *Annual Report, 2008*; Ministry of Finance, *Proposed Budget and Explanations for Fiscal 2009 and 2010*, Ministry of Welfare and Social Services, July 2009.

Victims of Sexual Abuse

The 2009 budget for rape crisis intervention centers and other activities (assistance to victims and treatment programs) is 5 percent smaller than that for 2008; the 2010 budget is 9 percent smaller than the proposed budget for 2009.

Budget for Assistance to Victims of Sexual Abuse

In NIS thousands, 2008 prices

	2008	2009	2010
Rape Crisis Intervention Centers	156	429	421
Assistance to Victims	2,422	1,699	1,678
Treatment Programs	6,827	6,837	6,090
Total	9,404	8,965	8,189

Notes:

1. The 2008 figure represents actual spending. The 2009 and 2010 figures are from the budget proposal.
2. In 2008, the final budget for Treatment programs was nearly NIS 23 million. The budget approved by the Knesset at the beginning of the year was much smaller - NIS 10 million, and the actual outlay was only NIS 6.827 million.
3. In 2008, the final budget for Rape crisis intervention centers was NIS 310,000. This is smaller than the budget approved by Knesset at the beginning of the year - NIS 439,000. As can be seen above, the final outlay was much smaller - NIS 156,000.

Sources: Adva Center analysis of the Office of the Chief Auditor, Ministry of Finance, *Annual Report*, 2008; budget figures for 2009 and 2010 were received courtesy the CFO of the Ministry of Welfare and Social Services.

Employment and Work Relations

The Round Table Forum Understandings

In the framework of the deliberations of the 2009 and 2010 budget, a Round Table Forum was created whose participants included representatives of the Histadrut Labor Union, employers' associations, and the government. The understandings that emerged from Forum discussions include improvements in the rights of workers, some of which are especially relevant for women. The government promised to translate the understandings into legislation, to be approved along with the national budget for 2009 and 2010. Some of the improvements are listed below.

- Workers who fall ill are not to be dismissed as long as they have not used up all of the sick leave to which they are entitled;
- Workers are entitled to charge sixty absentee days due to the malignant illness of a spouse and up to 90 days for the malignant illness of a child (up to 110 days in the case of a single parent) to sick or vacation days they have coming to them;
- Not only temp agencies but all types of agencies that hire workers to work for third parties in the areas of cleaning, guarding and protection services are required to be registered;
- A sexual harassment complaint can be filed up to three years after the event, instead of up to one year after the event, as the situation is now.

Employees are to Foot the Bill for Assistance to Companies in Distress

Another Forum agreement was a stipulation that will not benefit women employees: an assistance fund is to be set up for companies suffering from the global financial crisis. The funding is to come from the equivalent of one vacation day for each employee not in the public service, half to be contributed by the employer and half by the employee; for public service employees, most of whom are women, the contribution is to amount to half the "Rest-and-Relaxation" pay for 2009 and 2010.

Rather than decreasing vacation and "Rest-and-Relaxation" pay of the rank and file of employees, it would have been preferable to postpone the proposed cuts in income tax, from which only persons earning more than the average wage are slated to benefit.

The Knesset approved the above stipulations connected with labor relations and the assistance fund.

Welfare Reform and Women

The main achievement of the Israeli welfare reform program, often referred to as "The Wisconsin Plan," has been to reduce the number of persons receiving income maintenance payments. While about 20 percent of participants found jobs, the work was mostly part-time, the wages were low, and participants were no better off economically than they were prior to their compulsory participation in the program.

Despite the high cost and the unimpressive results of the Israel welfare reform program, which is run by private corporations, and despite the many improvements made in the Government Employment Service in recent years, the Budget Arrangements Law proposes expanding the reach of the privately-run program.

This is a gender issue, as 65 percent of the recipients of income maintenance payments, and therefore most of the participants in the welfare reform program are women. This is happening against the background of the fact that the labor-force participation of Jewish women in Israel is higher than the OECD average. The current employment problems for Jewish women include low wages and poor working conditions - problems exacerbated by the welfare reform program. A recent survey conducted by the Research Department of the Ministry of Industry, Trade and Employment, focusing on mothers, shows that the work-force potential of Jewish mothers is not very large and that they usually return to work without intervention programs. In contrast, the potential of Arab mothers is very large indeed, but here intervention needs to focus on removing structural obstacles, like lack of employment opportunities in their own communities and lack of public transportation. However, such intervention does not constitute part of the welfare reform program.

The Knesset rejected broadening the welfare reform program at this time.

Pensions for Public Service Employees

Another agreement reached by the Round Table Forum was to index public service employees' pensions to the Consumer's Price Index, rather than to real wages. As mentioned above, two-thirds of public service workers are women. As the Consumer's Price Index rises more slowly than the average wage, the proposed change will decrease the pensions of public service employees and increase gender gaps in income after retirement.

This change was approved by the Knesset.

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Israel Women's Budget Forum

P.O.Box 36529 Tel Aviv 61364

Tel: 972-3-5608871

Fax: 972-3-5602205

www.wbf.org.il

yaeladva@bezeqint.net

valeria.seigelshifer@mail.huji.ac.il

maysoonbadawi@gmail.com