

# Media Release

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## National Expenditure on Welfare, 2021-2022

The expenditure on Welfare is designated to ensure the well-being and welfare for the entire population in Israel. The welfare expenditure includes supply of services, fixed capital formation and financial transfers (in the form of allowances to senior citizens, pensions, and allowances to people with disabilities and other eligible beneficiaries). According to the recommendations of the Advisory Committee of Welfare Statistics, the tables attached to this media release include pension transfers to employees in order to present a broad outlook on the welfare of the population in Israel.

- Preliminary estimates of the national expenditure on welfare (excluding transfers to households) amounted in 2022 to NIS 48.9 billion – 2.8% of the GDP, an increase of 5.9% in constant prices, compared to 2021 (NIS 42.3 billion) (Diag. 4).
- The national expenditure on welfare (including transfers to households, pensions and allowances) in 2021 amounted to NIS 208.3 billion – 13.2% of the GDP (Table A).
- As in previous years, 79.7% of the national expenditure on welfare was allocated directly to households through pensions (to senior citizens) and allowances (to people with disabilities and other beneficiaries) while the remainder – 20% was allocated to provision of welfare services (NIS 42.3 billion) (Table 2).
- 62.9% of the welfare expenditures were financed by the government sector (including public non-profit institutions – NPIs), and 20.8% came directly from households. Only 13.9% was financed by the business sector, 1.4% were donations from abroad and 1.0% by the private non-profit institutions (Diag. 2).
- About 48.9% of the welfare funding for senior citizens (including pensions and allowances) came from government ministries, similar to 2020 (Table 3).
- The national expenditure on welfare per capita in Israel (including transfers to households) amounted in 2021 to NIS 22,035 (Table A).

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- The business sector was responsible for the provision of about one third (NIS 15.4 billion – 36.4%) of the welfare services in Israel (excluding transfers to households). Their activities were focused mainly on senior citizens, i.e. operating homes for the elderly and supplying nursing services.

Services by private non-profit institutions amounted to 36.5% of the total expenditure on welfare (NIS 15.4 billion) with focus on services to people with disabilities .

The supply of welfare services by the government sector (excluding public non-profit institutions), amounted to NIS 9.9 billion – 23.6% of the total expenditure, and additional 3.5% were supplied by public non-profit institutions (Diags. 5-6).

## Definitions and Explanations

### **The National Expenditure on Welfare**

The following data contain basic division between tables presenting the national expenditure on welfare by the financing sector (Tables 1-3, Diagrams 1-3) and tables presenting the national expenditure on welfare by the operating sector (Tables 4-6, Diagrams 4-6).

The calculation of the national expenditure on welfare by financing sector is calculated by analyzing the expenditure and income of each sector separately. This calculation was done by summing up the expenditure of the sector for service production plus the transfers sent to all other sectors, minus the transfers received from all other sectors. Total funding (net) reflects the primary funding source.

The national expenditure on welfare (including transfers to households) amounted in 2021 to NIS 208.3 billion, and its share of the GDP was 13.2%. By comparison, the national expenditure on education and health amounted to 7.8% and 8.0% of the GDP, respectively.

The national expenditure on welfare (excluding transfers to households) amounted in 2021 to NIS 42.3 billion, and its share of the GDP was 2.7%.

The national expenditure on welfare (excluding transfers to households) reflects the total expenditure on the production of social services with itemization by the operating sector, whereas the expenditure including transfers to households reflects the total expenditure on welfare including transfers provided directly to households, among them are pensions and allowances to senior citizens, people with disabilities and other beneficiaries. These are presented in the tables attached to this media release, in separate lines, by type of service.

**Table A1 - Key Welfare Indicators**, National expenditure on welfare (**including** transfers to households), **2019–2021**

<b>years</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
National expenditure on welfare (NIS, millions)	208,293	227,409	186,705
National expenditure on welfare as % of GDP	13.2%	16.0%	13.0%
National expenditure on welfare as % of private & civic-public consumption	18.5%	22.3%	17.5%
National expenditure on welfare per capita (NIS)	22,035	24,479	20,426
National expenditure on welfare per capita in \$PPP <sup>1</sup>	5,762	6,377	5,277
Government sector financing as % of the national expenditure on welfare	20.8%	17.2%	22.1%
Households financing (incl. NPIs) as % of the national expenditure on welfare	62.9%	69.3%	61.4%

<sup>1</sup> PPP – Purchasing Power Parity – a special exchange rate with which it is possible to take into consideration differences of the level of prices among countries. With money exchanged through PPP it is possible to buy an identical basket of goods and services in the countries, i.e. it is possible to estimate the power of purchasing on an identical basis.

**Table A2 - Key Welfare Indicators, National expenditure on welfare (excluding transfers to households), 2019–2021**

<b>years</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
National expenditure on welfare (NIS, millions)	42,312	37,568	35,212
National expenditure on welfare as % of GDP	2.7%	2.6%	2.5%
National expenditure on welfare as % of private & civic-public consumption	3.8%	3.7%	3.3%
National expenditure on welfare per capita (NIS)	4,476	4,044	3,852
National expenditure on welfare per capita in \$PPP <sup>2</sup>	1,171	1,053	995
Government sector financing as % of the national expenditure on welfare	-	-	-
Households financing (incl. NPIs) as % of the national expenditure on welfare	-	-	-

The funding of welfare (including transfers to households) out of total private and civic-public consumption, amounted to 18.5%, and the welfare expenditure per capita amounted to NIS 22,035, which is equivalent to approximately \$5,762 in terms of PPP.

<sup>2</sup> PPP – Purchasing Power Parity – a special exchange rate with which it is possible to take into consideration differences of the level of prices among countries. With money exchanged through PPP it is possible to buy an identical basket of goods and services in the countries, i.e. it is possible to estimate the power of purchasing on an identical basis.

## The National Expenditure by Financing Sector

Funding of the national expenditure on welfare by the government sector (excluding public non-profit institutions) amounted in 2021 to NIS 127.3 billion, which constitutes 61.1% of total financing of the national expenditure on welfare (Table 1).

20.8% of the funding was derived from the households themselves, approximately 13.9% was derived from the business sector, and 1.8% was derived from public non-profit institutions. The share of funding from abroad and of private non-profit institutions was low, 1.4% and 1.0%, respectively.

**Diagram 1 - National Expenditure on Welfare (Including Transfers to Households), by Financing Sector, Percentages, 2021**

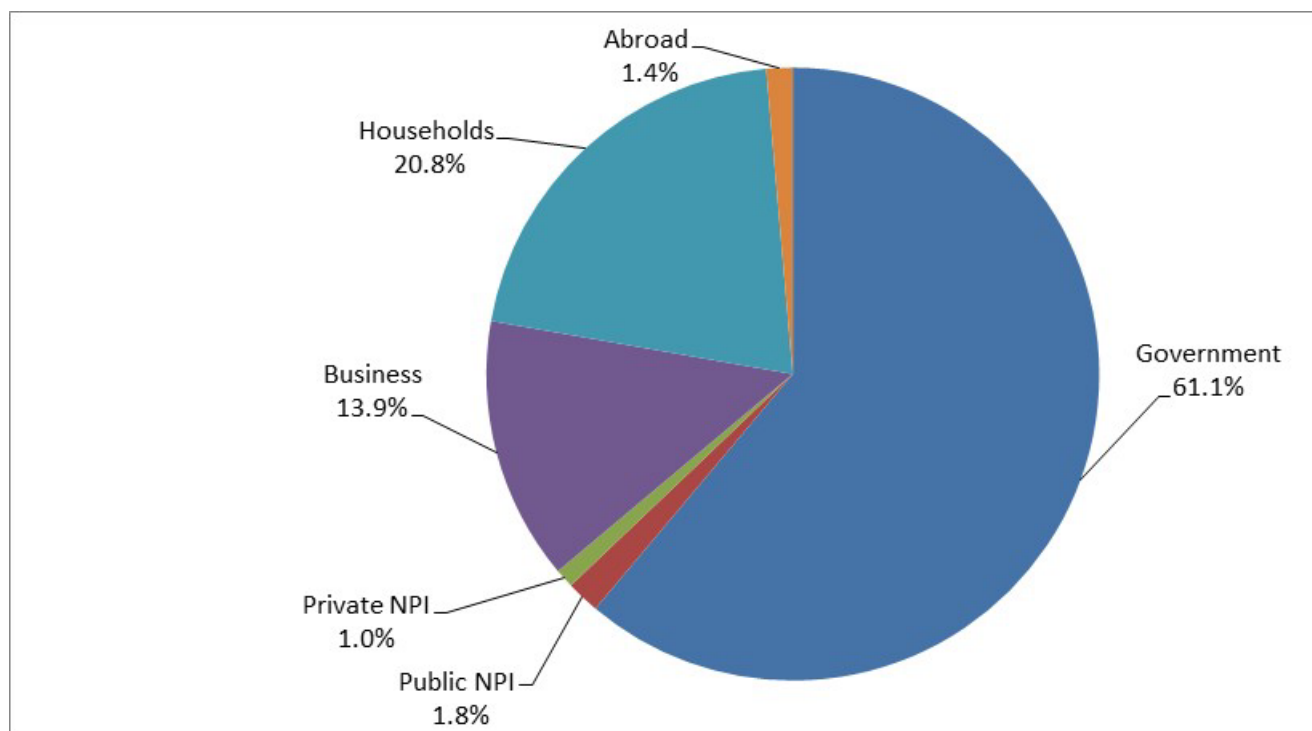


Diagram 2 indicates that the share of the government (including public non-profit institutions) in financing the national expenditure on welfare increased from 61.4% in 2019 to 62.9% in 2021, while the share of households in financing decreased from 22.1% to 20.8%, respectively.

**Diagram 2 - National Expenditure on Welfare (Including Transfers to Households), by Financing Sector, in NIS Billion, 2011-2021**

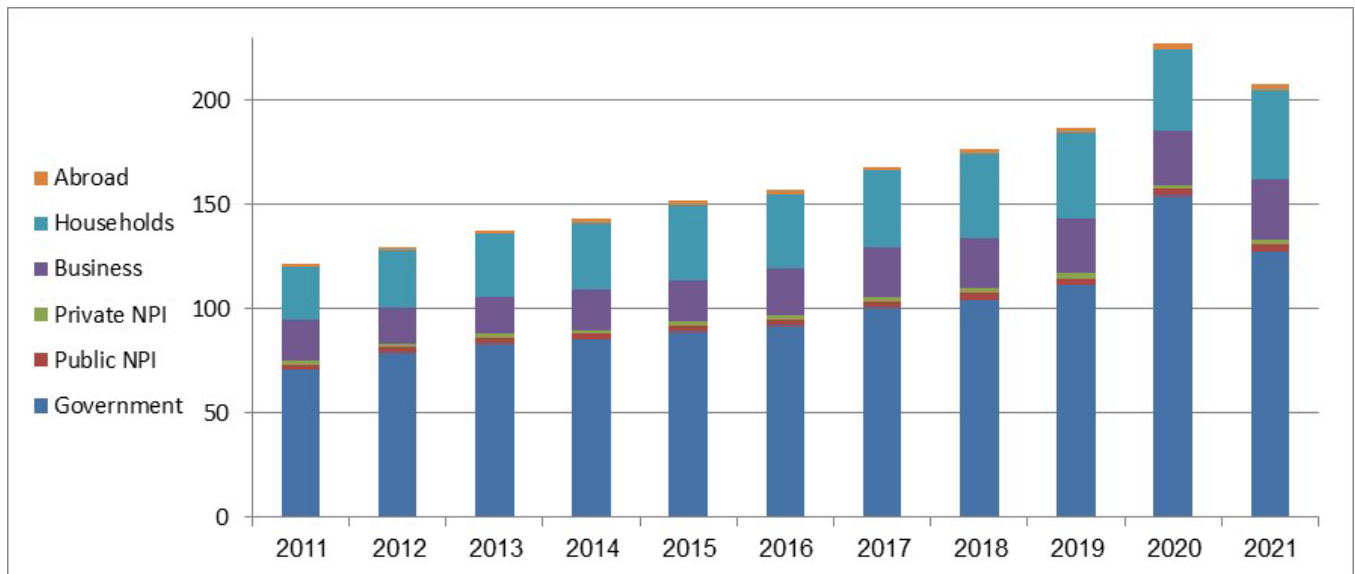


Table 3 indicates that the largest funding for senior citizens (including pension transfer) was provided by the government ministries, and amounted to 48.9%, and in the sub-category pensions – 61.7% came from government ministries. However, most of the finance of services of senior citizens in institutions was provided by the business sector (53.8%) while most of services for senior citizens in the community, was provided by the National Insurance Institute (87.1%).

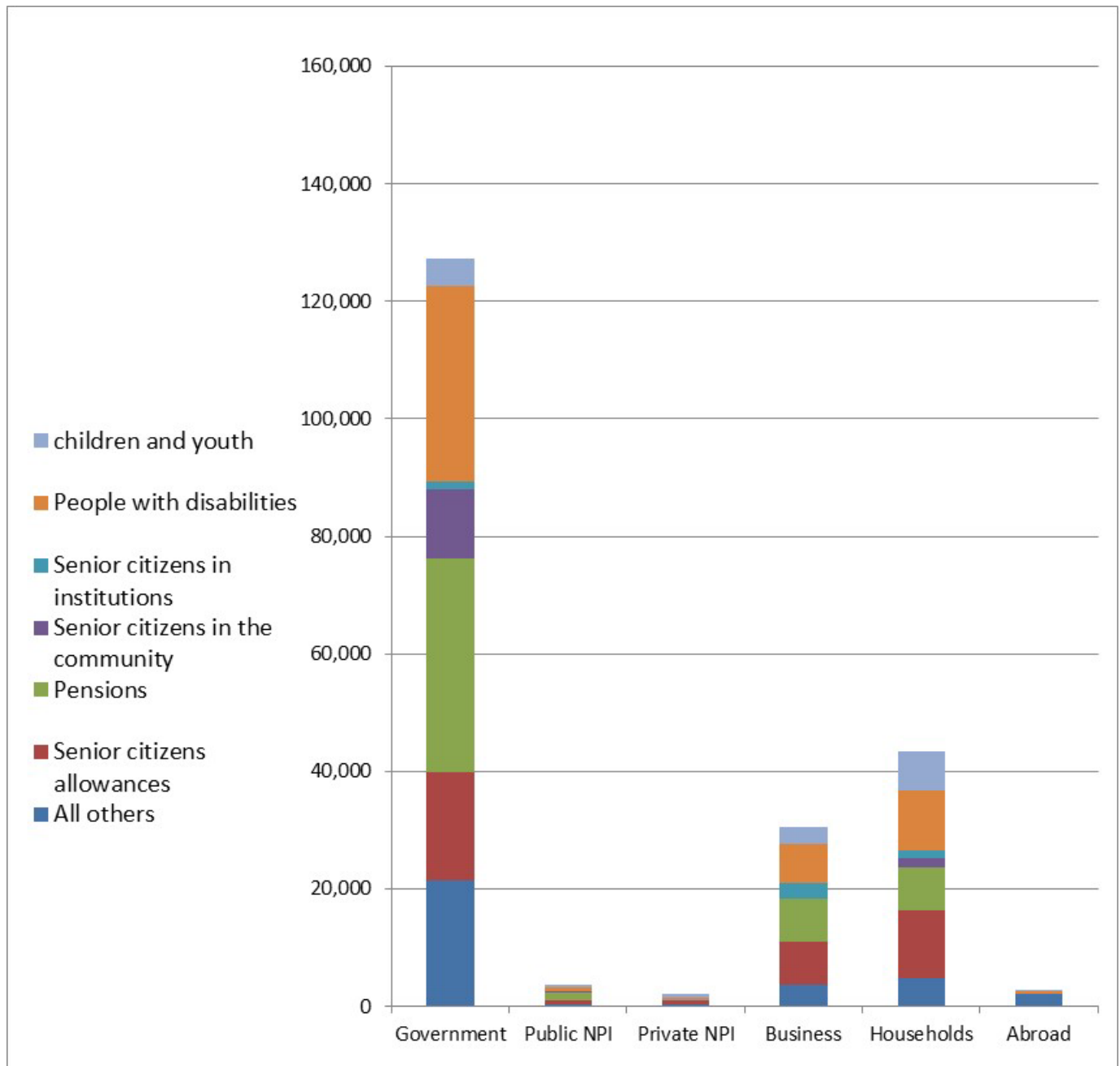
Services to children and youth, family, people with disabilities, populations in emergency situations, housing and unemployment and encouraging employment were also largely supported by government ministries (48%-182%). Households were the main funders of type of service benefits in kind – 41.9%.

Diagram 3 indicates that in the business sector, the government (especially the National Insurance Institute), the households and the public non-profit institutions, most of the funding was for the type of service senior citizens. In the public non-profit sector, 59.8% of the financing was for the type of service senior citizens, of which approximately 38.4% was for pensions, and approximately 19.2% was for senior citizens allowances. 53% of the total financing of the government (excluding public non-profit organizations) was for senior citizens, of which 28% was for pensions.

The main funding of households was also routed to services for senior citizens – 49.8%, and most of it for senior citizens allowances, approximately 26.5%.

In the private non-profit sector, most of the funding was directed to services for people with disabilities (27.9%), and children and youth (25.0%). 40.0% Of the funding from abroad was directed to other financial assistance.

**Diagram 3 - National Expenditure on Welfare by Financing Sector and Type of Service, NIS million, 2021**

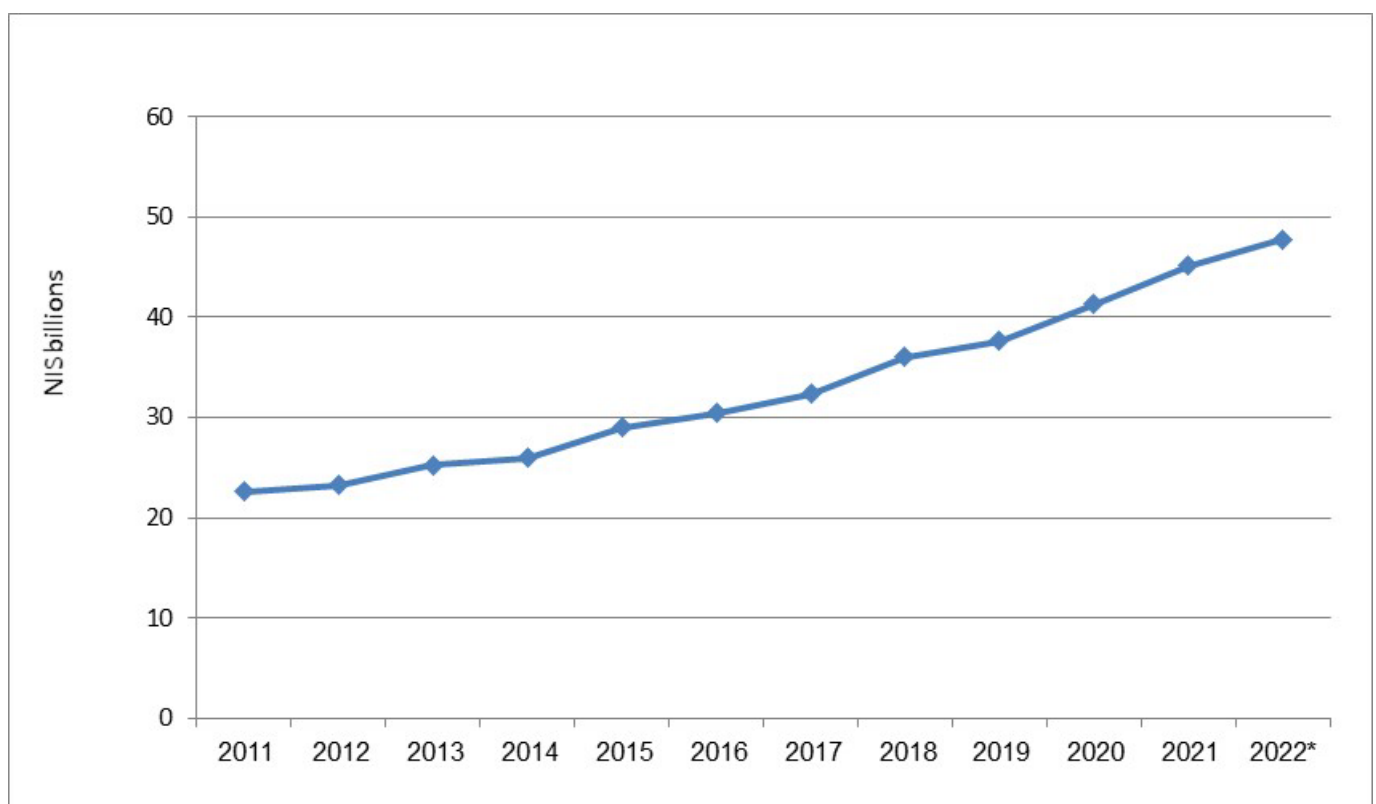


## The National Expenditure on Welfare, by Operating Sector

In order to examine the production of welfare services one has to examine the national expenditure on welfare excluding transfers to households. This expenditure, at current prices, amounted in 2021 to NIS 42.3 billion, NIS 37.6 billion in 2020 and NIS 35.2 billion in 2019.

According to preliminary estimates, in 2022 the national expenditure on welfare (excluding transfers to households) increased, at constant prices, by 5.9%, following an increase of 9.4% in 2021 and 9.7% in 2020 (Diag. 4).

**Diagram 4 - National Expenditure on Welfare (excluding transfers to households), at constant prices, 2011-2022**



\* Preliminary estimates

In 2021, the expenditure on welfare performed mostly by the private non-profit institutions sector which amounted to NIS 15.4 billion, representing 36.5% of the total national expenditure on welfare (excluding transfers to households) (Diag. 5) and by the business sector which amounted to NIS 15.4 billion, representing – 36.4%. The rest of welfare expenditure (excluding transfers to households) was performed by the government sector (excluding public NPIs) – 23.6%, and the public non-profit institutions sector – 3.5%. In 2020 the distribution was similar.

**Diagram 5 - National Expenditure on Welfare (Excluding Transfers to Households),  
by Operating Sector, Percentages, 2021**

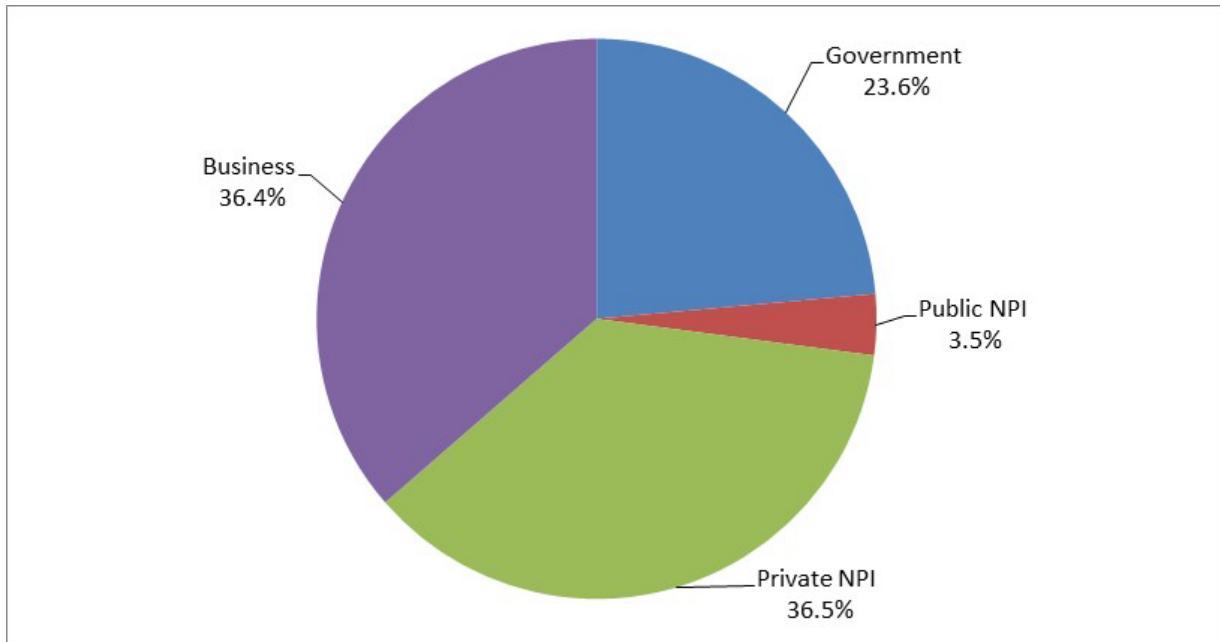


Diagram 6 indicates that the share of the government and the public non-profit institutions decreased from 28.8% in 2019 to 27.1% in 2021, while the share of the business sector increased during these years, from 33.8% to 36.4%, respectively.

**Diagram 6 - National Expenditure on Welfare (Excluding Transfers to Households),  
by Operating Sector, NIS billions, 2011-2021**

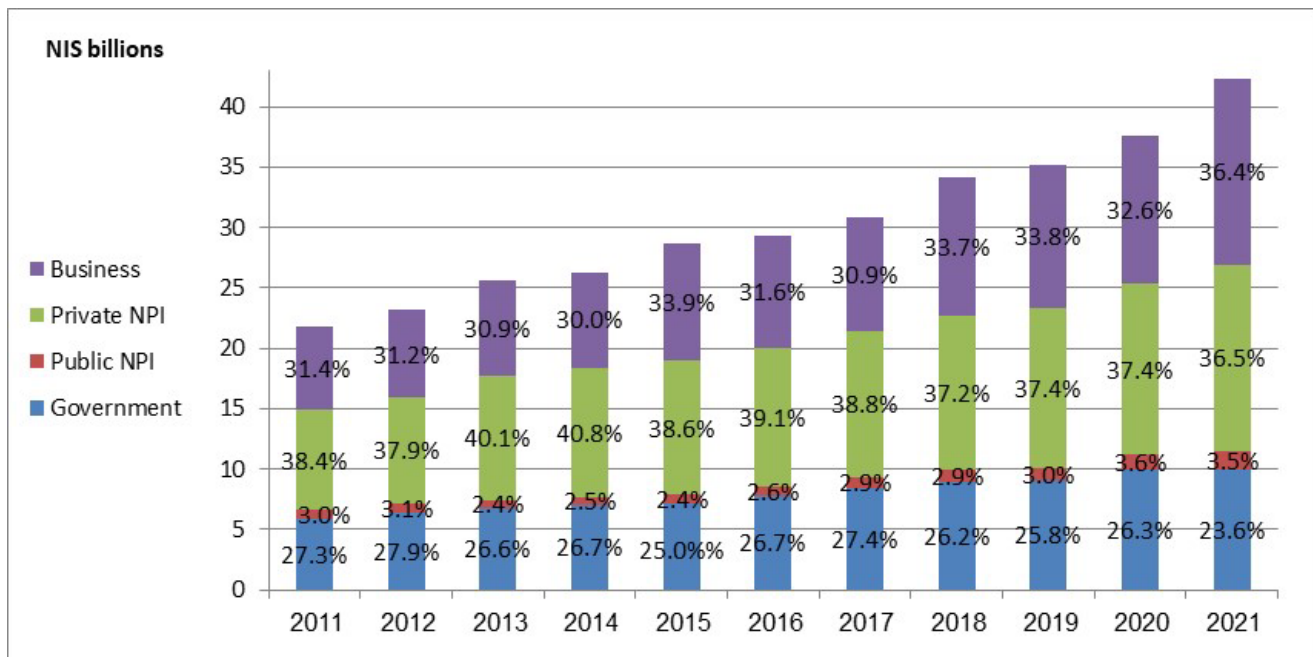


Table 4 indicates that most of the welfare services were provided to senior citizens – NIS 16.1 billion, excluding pensions and senior citizens allowances, 38.0% of total expenditure (excluding Transfers to households). The expenditure on people with disabilities and children and youth amounted to more than NIS 6.0 billion each, constituting 24.3% and 16.0% of the total expenditure, respectively. Only 21.7% of the expenditure was allocated to all other types of services.

About 36.4% of the total expenditure and mainly type of service Senior citizens in community was performed by the business sector. In the government ministries and the national institutions as a performing sector, most of the expenditure was for people with disabilities – 34.7%. In the National Insurance Institute, 38.3% of the expenditure was allocated to people with disabilities.

The expenditure on type of service children and youth in public non-profit institutions was 48.2% of total expenditure of the non-profit institutions.

Most of the expenditure of private non-profit institutions focused on the types of service: senior citizens– 25.5%, people with disabilities – 24.0%, children and youth – 22.1%, of the expenditure in this sector.

Table 5, which presents each welfare service separately by the performing sector, shows that most of the welfare services for senior citizens were provided by the business sector (69.9% of the total expenditure), whereas private non-profit institutions provided 24.5% of these services.

The percentage of services provided by the business sector to senior citizens in institutions was – 73.7%. It indicates that most of the institutions for senior citizens are operated by private entities.

The private non-profit sector was the main operating sector in the field of services for children and youth (approximately 50.6%).

The general government sector was the main operating sector in unemployment and encouraging employment (approximately 98.2%) mostly through government ministries, housing (approximately 86.0%), mostly through government ministries, family (approximately 72.7%) through local authorities and populations in emergency situations (approximately 50.5%).

In most of the sectors, the largest share of the expenditure was for labour cost (Table 6). In the business sector, approximately 68.8% of the total expenditure was for labour cost (the highest percentage of all sectors), compared with 65.3% in public non-profit institutions, approximately 48.9% in the private non-profit institutions and 47.9% in the government sector (58.2% in local authorities).

The share of the other operating costs out of total expenditures in the government sector was 42.6%, in the private non-profit sector – 42.6% and in the business sector only 19.9% of the total expenditure, similar to 2020 in which the other operating costs were the highest in the government sector – approximately 45.0%.

## Definitions and Explanations

Expenditures on welfare are defined by the OECD<sup>3</sup> as the provision of benefits and financial transfers from public and private institutions to households in order to ensure support in circumstances that negatively affect the welfare of households, given that the benefits and funds transferred are not a direct payment for goods or services, nor are they individual contracts or transfers.

### Classification by sector

A. Business: The business sector consists of all enterprises, both privately owned and publicly owned, including business entities which are not organized as companies. According to the Standard Classification of All Economic Activities, the welfare industry includes: Residential Care Activities (industry 87) and Social Activities without Accommodation (industry 88)<sup>4</sup>, as well as insurance companies (pension funds) that pay pension benefits of cumulative pensions. The expenditure on welfare in the business sector includes payments of employers to the National Insurance Institute.

B. Government: The broad definition includes: government ministries, local authorities, National institutions, the National Insurance Institute, and non-profit institutions financed mainly by the government (over 50% of their expenditure, excluding financing through the purchase of services and contracts). These non-profit institutions are presented in the tables as a separate sector within the government sector, known as "Public Non-Profit Institutions".

C. Private Non-Profit Institutions<sup>5</sup>: Includes non-profit institutions serving households, where the government sector is financing less than 50% of their total expenditures. Purchase of services by the government is not considered a direct finance.

D. Abroad: Consists of all non-resident state units that perform transactions with resident state units, or have other economic relationships with resident state units (e.g., claims between residents and non-residents). In addition, abroad includes certain institutional units that are located physically in the geographical area of the state (e.g., embassies, consulates or military

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<sup>3</sup> Indicators in the OECD social expenditure database (SOCX), OECD

<sup>4</sup> According to the Standard Industrial Classification of All Economic Activities 2011 published by the CBS (based on ISIC Rev. 4)

<sup>5</sup> Non-profit institutions in the satellite account can be classified to 12 types of service according to the international classification which is recommended by the UN (ICNPO) or to 9 types of service according to the SOCX system which is recommended by the OECD

bases, and international organizations). Abroad also includes transfers from abroad by private citizens or philanthropic foundations.

E. Households: Units consisting of one person or a group of persons living together in one dwelling on a permanent basis most of the week, who have a joint expense budget for food. Expenditures of households include purchase of social services e.g., purchase of home care services and social security contributions.

### **Sources of Data**

Business Sector – Survey of Trade and Services

Government Sector – Detailed reports of government budget execution, annual reports of local authorities and the National Insurance Institute.

Private and public non-profit institutions – Analysis of financial statements of non-profit institutions in a survey conducted by the CBS.

### **Classification by Type of Service**

In order to construct the welfare satellite account, it was decided to use a uniform classification of types of services, which will combine two classification sources (the SOCX classification, and the ICNPO classification).

1. Senior citizens – A system of social protection consisting of benefits in kind and allowances against risks faced by senior citizens (income loss, low income, lack of independence in carrying out activities of daily living, reduced participation in social and community life, etc.).

#### **This type of service includes four sub-categories:**

1.1 Senior citizens allowances – includes allowances paid by the National Insurance Institute as well as allowances that are not included in the National Insurance Law and are provided by the government. The old age allowance paid by the National Insurance Institute, is provided to Israel residents who have reached the eligibility age for this allowance, as long as they have been insured for the period of time required by law, and as long as they have paid insurance fees in accordance with the law. This section also includes additional payments to dependents which are paid to old age pension recipients with dependents under pension age. In addition, this type of service includes income supplements provided under the Income Supplement Law. Allowances for surviving relatives were included here.

1.2 Pensions – cash benefits for senior citizens, which provide income for retirees or guaranteed income when the individual reaches the standard retirement age. Early retirement pensions are

also included in this area. These pensions are paid before the beneficiary reaches the special standard retirement age for a specific plan. Also includes budgetary pension schemes for government employees, military personnel, and university staff and cumulative pension schemes.

1.3 Senior citizens in the community – This type of service includes nursing care allowances and expenditures for welfare services for the elderly in order to help them with activities of daily living (home care), as well as various goods and services provided to the elderly to enable them to participate in community life, and leisure and cultural activities. Also includes benefits such as: reductions on municipal taxes from local authorities, reductions on electricity and water, subsidies for public transportation, and an exemption from the television licence fee.

1.4 Senior citizens in institutions – This type of service includes benefits in kind, such as lodging, sometimes in special accommodation institutions. Also included are welfare expenditures on services for elderly people such as day care and rehabilitation services, nursing homes and assisted living services.

2. Children and youth – Social protection in the form of cash benefits and benefits in kind for children and youth. This type of service includes child allowances and expenditures such as day care centers and children's programs, pre-primary education and programs for children under 3 years of age, and programs for children and youth at risk. This type of service also includes: benefits in kind such as shelter and food provided to pre-school children for the entire day or part of the day; financial assistance with payment for a caregiver to look after children during the day; shelter and food provided to children on a permanent basis (orphans, etc.); goods and services provided at home to children or to those who care for them; and miscellaneous services and goods provided to children and adolescents in holiday and leisure centers.

3. Family – Social protection in the form of cash benefits and benefits in kind to families. This type of service includes: public support for families (including households with one person only); cash benefits such as maternity allowances; birth grants; maternity leave benefits; family allowances; and periodic or lump-sum payments to support households and help them provide for specific needs (e.g., for single parent or families with handicapped children).

Also includes benefits in kind such as: shelter and food provided to families on a permanent basis (foster families, etc.), as well as other services and goods provided to families.

4. People with disabilities – Social protection in the form of cash benefits or benefits in kind to persons who are fully or partially unable to engage in economic activity or lead a normal life due to a physical or mental impairment that is either permanent or long-term. Also includes: social

protection in the form of cash benefits or benefits in kind that fully or partially replace loss of earnings when a person is temporarily unable to work due to illness or injury.

Cash benefits, such as disability pensions paid to persons below the standard retirement age who encounter a disability which impairs their ability to work, early retirement benefits paid to older workers who retire before reaching the standard retirement age due to reduced capacity to work. Expenditures for work accidents and illness include all cash benefits such as sick pay, special allowances, and payments such as disability pensions for work accident casualties. In addition, welfare expenditures on services for people with disabilities include expenditures on day care and rehabilitation services, home care, and other benefits in kind. Benefits in kind also include: food and lodging for disabled persons in appropriate establishments; assistance for persons with disabilities in activities of daily living (home care, transportation facilities, etc.); specified allowances to people taking care of other people with disabilities; occupational and social rehabilitation programs for persons with disabilities; miscellaneous services and goods to enable persons with disabilities to participate in leisure and cultural activities.

5. Populations in emergency situations – Social protection in the form of cash benefits and benefits in kind for population groups at risk. This includes: expenditures for assistance to battered women, drug addicts, victims of violence, and criminals; expenditures for rehabilitation programs for youth from families in distress, refugees, and Holocaust survivors; and expenditures for immigrant absorption (cash benefits for new immigrants paid by the government and national institutions). The benefits in kind include: short-term and long-term shelter provided to destitute and vulnerable people; rehabilitation of alcohol and drug abusers; provision of services and goods to vulnerable persons.

6. Housing – Social protection in the form of allowances and benefits in kind, which are intended to help households (with no means) finance housing expenses (recipients of these benefits are means-tested). The allowances are provided on a regular or temporary basis, and include rent subsidies, payments to alleviate the current housing costs of owner-occupiers (that is to help with paying mortgages or interest), provision of low-rent or public housing, and other benefits to help with housing payments.

7. Unemployment and encouraging employment – Social protection in the form of cash benefits and benefits in kind for people who can work or who are capable of work, available for work but are unable to find suitable employment. Cash benefits include: full or partial unemployment allowance, early retirement allowance paid to older workers who retire before reaching the standard retirement age due to unemployment or job reduction caused by economic measures,

allowances for target groups in the labour market who participate in training programs to develop their potential for employment, severance pay, other periodic or lump-sum payments to unemployed persons, particularly the long-term unemployed, and negative income tax. Benefits in kind include: mobility and resettlement payments; professional training for unemployed persons or those at risk of losing their jobs with the aim of increasing the chances of those receiving the benefit to find work or otherwise improve their earning ability; assistance with sleeping accommodations, food, or clothing for unemployed persons and their family members.

8. Other financial assistance (n.e.c)<sup>6</sup> – Financial assistance that could not be classified in any other category. Mainly includes: non-profit institutions providing financial assistance to individuals (e.g., charitable institutions and other institutions whose main activity is provision of monetary stipends).

9. Benefits in kind – Support and assistance with goods and services other than money. This type of service includes NPIs such as "Ezer Mezion", "Lasova", and "Latet". These institutions mainly provide food for needy people.

10. Other – Expenditures for administration and other welfare services that were not classified elsewhere.

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<sup>5</sup> n.e.c. – not elsewhere classified