



Potential Impact of Cuts in Child Allowances on the Palestinian Minority in Israel

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Introduction

On 5 June 2002, the Knesset passed an amendment to article 68(a) of the National Insurance Law (1995) that would apply a 4% cut to all child allowance payments, and an additional 20% cut in the amounts paid to parents of children without a relative serving in the Israeli army. Analysis of the economic implications of this new law suggests that the cuts will push an additional 20,000 Israeli families, including approximately 100,000 children, below the poverty line.¹ Palestinian citizens of Israel, the majority of who are exempt from and do not serve in the army, would be most severely affected by the new law.

The Palestinian minority in Israel is the weakest and most disadvantaged group in terms of socio-economic conditions. The number of Palestinian citizens living in poverty is much higher than their proportion in the general population. The number of income-earners per family among Palestinian citizens is far fewer than in the general Israeli population. Unemployment is highest in Arab localities; according to August 2002 figures released by the Labor Office of the Ministry of Labor and Social Welfare, the 24 towns with the highest unemployment in the country are all Arab.

The damage caused by this new law to the Palestinian minority in Israel in general, and to Palestinian children in particular, would be especially severe. Statistics published recently by the National Insurance Institute, the State Comptroller and the Central Bureau of Statistics show clearly that Palestinian child citizens of Israel suffer from severe poverty; a much greater percentage of Palestinian children live below the poverty line than their proportion in the general population. While poverty rates have increased among all children in Israel between 1998 and 2000, the most dramatic increase has been among Palestinian children.

¹ National Insurance Institute, "The Economic Program: Implications for the Allowances and Money Collection of the National Insurance Institute," 2 June 2002.

General Statistics²

	Arab Community in Israel	Entire Israeli Population
0 – 19 age group ³	50.7%	37.2%
Only one working family member ⁴	48.08%	31.7%
Unemployment rate ⁵	11.9%	8.8%
Percentage earning minimum wage or less (1999) ⁶	53.8%	40.9%

Children and Poverty in Israel⁷

Year	Poverty Rate of Arab Children	Poverty Rate of Jewish Children	Poverty Rate of All Children in Israel
1998	42.9%	16.1%	21.8%
1999	51.4%	17.5%	24.9%
2000	52.8%	17.2%	25.1%

The Impact of Child Allowances on Lifting Children Out of Poverty

Child allowances, as well as other social benefits, play an important role in lifting people out of poverty. After taxes, social benefits served to raise 43.3% of poor Israelis above the poverty line in 2000; 44.2% were raised out of poverty by allowances in 1999. In 1997-1998, allowances also contributed to reducing the poverty rate.⁸

² Statistics are current to 2000.

³ State Comptroller's Annual Report for the Year 2001, p. 5.

⁴ *Id.*, p. 6.

⁵ *Id.*

⁶ *Id.*

⁷ National Insurance Institute, "Annual Report 2001," Tables 1,9,10.

⁸ *Id.*,p. 57.

Unemployment

The poverty rate among the Palestinian community in Israel in general, and among Palestinian child citizens in particular, can be understood from the unemployment rate within this community. All 24 of the localities with the highest unemployment rates are Arab.

List of Localities with the Highest Unemployment Rates in Israel⁹

Locality (Village, Town, City)	Unemployment Rate
1. Eilut	24.4%
2. Aro'ar	24.3%
3. Kufr Manda	23.6%
4. Abu Ruby'a	23.6%
5. Lagiyya	23.2%
6. Ein Mahal	23.1%
7. El-A'sam	23.0%
8. Tooba Zangaryia	22.8%
9. Tamra	22.6%
10. Beer el-Maksur	22.5%
11. Kesife	22.2%
12. Bua'yneh-N'jidat	21.9%
13. Kabul	20.8%
14. Basmat Tabaone	20.6%
15. Dier Hanna	20.5%
16. Hura	20.1%
17. Jedaide-Maker	19.7%
18. Kufr Kanna	19.4%
19. Ibilin	18.8%
20. Shafa'amr	18.8%
21. Segev Shalom	17.9%
22. Bina	17.5%
23. Rahat	17.5%
24. Tal el-Sabe	17.4%

⁹ Source: Ministry of Labour and Social Welfare, August 2002.

Economic Implications of the National Insurance Law Amendment

The effects of the new amendment on child allowance payments are clear. They are summarized in the following tables prepared by the National Insurance Institute.

Criteria for Child Allowance Credits¹⁰

Number of Children in Family	Child Allowance Credits June 2002-December 2003		Child Allowance Credits Starting January 2004	
	Family Members in Military	No Family Members in Military	Family Members in Military	No Family Members in Military
1	0.85	0.68	0.96	0.77
2	0.85	0.68	0.96	0.77
3	1.69	1.35	1.91	1.53
4	3.42	2.74	3.88	3.10
5	4.23	3.39	4.79	3.83
More than 5	4.23	3.39	4.79	3.83

Amount of Child Allowance (NIS)¹¹

Number of Children in Family	Amount to Be Paid Pre-Budget Cuts (NIS)	Post-Budget Cuts Amendment (NIS)		The Loss/Difference Between Pre- and Post Budget Cuts (NIS)	
		Family Members in Military	No Family Members in Military	Family Members in Military	No Family Members in Military
1	184	146	116	38	68
2	369	291	233	78	136
3	737	581	464	156	273
4	1482	1166	933	316	549
5	2402	1891	1514	511	888
6	3322	2615	2095	707	1227
7	4242	3340	2675	902	1567
8	5162	4065	3256	1097	1906
9	6082	4790	3837	1292	2245
10	7002	5515	4418	1487	2584

¹⁰ The National Insurance Institute, "The Economic Program: Implication for the Allowances and the Money Collection of the National Insurance Institute," 2 June 2002, p. 9.

¹¹ *Id.*, p. 10.

In October 2002, *Ha'aretz* reported that 375,000 Israeli families will be affected by the new amendment, 30% of whom are Palestinian citizens of the state. This figure comprises 40% of all families that are entitled to child allowances.¹² This new data has not yet been released by the National Insurance Institute.

The table below, which is based on earlier data, shows that the larger the family, the greater the likelihood that it will face reductions in child allowance payments under the new amendment. This further exacerbates the impact of the cuts on Palestinian citizens, who tend to have larger families than Jewish Israelis.

Affected Families According to Number of Children¹³

No. of Children per Family	Total Number of Families in Israel	Families Affected by the Cut	
		No. of Families	Percentage of Total
1	329,584	47,790	14.5
2	283,440	48,639	17.1
3	168,876	52,352	31.0
4	78,018	32,612	41.8
5	36,532	19,581	53.6
6	18,625	10,579	56.8
7 or more	21,130	11,812	55.9
TOTAL	936,205	223,634	23.8

¹² Ruth Sinai, "Lower Child Allowances Will Hit Over 40% of Young Families," *Ha'aretz* English Edition, 10 October 2002.

¹³ National Insurance Institute, "The Economic Program: Implications for the Allowances and Money Collection of the National Insurance Institute," 2 June 2002, p. 11.