



**EU Twinning Project  
IS12/ENP-APFI/o8**

**Support to the Israeli Central Bureau of Statistics  
in the development of National Accounts, Education Statistics,  
Survey Methodology, ICBS Website and  
Coordination of Israel National Statistical System**

**Component A  
Welfare Accounts**

**Activity A.10  
Compiling welfare accounts**

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## List of Abbreviations

BC	Beneficiary Country (Israel)
BoI	Bank of Israel
CBS	Central Bureau of Statistics (Israel)
ESSPROS	European System of integrated Social Protection Statistics
HES	Household Expenditure Survey
LFS	Labour Force Survey
MS	Member State
MoF	Ministry of Finance
MoSP	Ministry of Social Protection
NII	National Insurance Institute
NIS	New Israeli Shekel
NPI	Non-Profit Institutions
SOCX	Social Expenditure Database (OECD)
USD	United States Dollar

## 1. General comments

The MS Expert mission A.10 was the third activity within the sub-component, to the general National Accounts component, on Welfare Accounts of the EU/Israel Twinning project on statistics.

The mission was implemented according to the agreed set of Terms of Reference and Agenda which are included in this report as Annex A10.1 and A10.2, respectively.

The MS Experts would like to thank the staff of the Central Bureau of Statistics for their hospitality, fruitful discussions and all the information provided during the mission. The MS Experts also wish to thank the partners of CBS who took part in this or the preceding A.9 activity, i.e. the MoF, MoSP, the NII, the BoI, the Hebrew University.

The views and observations stated in this report are those of the MS Experts and do not necessarily correspond to the views of EU or Statistics Denmark.

## 2. Assessment

The work carried out by ICBS since the A.9 mission in January 2014 was presented by ICBS. The progress was very significant and impressive. Both specific indicators and quite detailed and informative tables had been developed.

In the light of the documentation needs which was an important part of the Terms of Reference and agenda, a precise structure for the Welfare Accounts, was still needed. Accordingly, most of the meetings were used to discuss the structure and the relations to other statistics, such as the COFOG statistics and the SOCX reporting to OECD.

## 3. Conclusions and results

The MS Experts recommend that the structure of the Welfare Accounts, to be suggested to the Steering Committee, will be based on SOCX. This will give a well-documented framework as a starting point, from which well-defined deviations from the SOCX can be added or taken away, for example::

- In contrast to SOCX, the Welfare Accounts will also include the source of financing for the Welfare.
- The scope of the Welfare Accounts is broader than SOCX, primarily because of inclusion of benefits from expenditure “programmes” that are not redistributive and voluntary, primarily in the private sector (social domain in SOCX vs. welfare concepts of the Welfare Accounts).
- In the longer run, the Welfare Accounts will, besides the financial information to be published in 2015, also include information on personnel (staff) and clients (beneficiaries).

There are two major differences between SOCX and the Welfare Accounts. The Health sector and Old Age pensions are currently not included in the Welfare Accounts, but only in SOCX. Besides these major differences there are also minor adjustments between SOCX and the Welfare Accounts. That is:

- Administrative costs are included in the Welfare Accounts. SOCX generally excludes administration costs as these expenditures do not go directly to the beneficiary. However,

as an exception to this rule it is the case that administration costs under *Active Labour Market Programmes, childcare services and health* are included in the totals.

- Day-Care for 4-6 year olds are currently not planned to be included in the Welfare Accounts, but are included in the SOCX reporting.
- Use of sub-categories (type of services/risk or needs/policy areas) defined by the ICBS within the overall structure of SOCX to highlight expenses and financing for specific services in the Israeli welfare system.

The decisions of the final structure of the Welfare Accounts will be taken by the Steering Committee.

The MS experts suggest that the “other costs” (one of the four components of the total expenditure) should further be broken down, or, as a minimum, should be given another name, for example “Operating costs”.

The four indicators of the Welfare Accounts presented by ICBS are by the MS Experts considered good and meaningful:

- Expenditure on welfare as share of GDP;
- Expenditure on welfare as share of total public consumption;
- Expenditure on welfare per capita.

The MS experts suggested another indicator that would be interesting as well: “Households’ share of total financing”. Another indicator could be “Government share of total financing”.

The MS experts also suggest combining table 1 and 2 in the Welfare Accounts into a new table 3 where the sub-categories of types of services in table 2 are used in combination with the information on the financing sector from table 1.

In general, the use of administrative data as a data source for Israeli Welfare Accounts (WA) on personnel and beneficiary is encouraged. In order to get information on personnel the use of tax-data on pay-outs of wages was discussed. This possibility could be investigated – especially it should be explored whether the extent of private contractors will limit the direct use of the tax data. If the extent, as expected, is considerable, there may be a need to survey these agencies.

In the long term, this could be combined with register data on education levels to provide a proxy for the skills of the employees as well.

## 4. Recommendations

The MS Experts' recommendations on the future welfare accounts are included in the preceding sections, but can be summarized as follows:

- Use SOCX as the starting point for the Welfare Accounts;
- Investigate further the coverage of the SOCX reporting, in particular the private part of SOCX, in order to find out if there are any more data that could be extracted from SOCX into the Welfare Accounts;
- For reasons of international comparability and documentation (“user-friendliness”), the number of minor differences between SOCX and the Welfare Accounts should be kept at a minimum;
- Table 1 and 2 could be combined into a new table 3 – i.e., use the subcategories of types of services in table 2 in combination with the information on the financing (i.e. income or receipts) sector from table 1;
- Develop a thorough documentation – the documentation should include:
  - Comparative list of COFOG/SOCX/Welfare Accounts regarding the differences between the “classifications” – types of services, social domain vs. welfare domain, which sectors are included (i.e. public sector vs. private sector and mandatory vs. voluntary) and expenditures vs. financing (income or receipts)
  - Documentation on which parts of the Welfare Accounts that are within the SOCX definition, and which part of the Welfare Accounts that are an extension or a reduction compared to the SOCX definition
  - Documentation of the known differences between next year’s publishing of the COFOG level 2 data and the Welfare Accounts
  - A list of social/welfare risks or needs (the type of services)
  - Definition of social domain or welfare domain – i.e. social conditions that is included in the Welfare Accounts
- Continue co-operation with external partners, in particular the Hebrew University regarding the survey on the non-profit institutions;
- The Ben Gurion University’s research project on employees in the non-profit sector should be analyzed;
- Develop the ICBS questionnaire regarding the business sector, including thorough pre-testing – the pre-testing could be done by some face-to-face interviewing with 3-4 enterprises in order to test the quality and general understanding of the questions;
- The TAX information on employees’ salaries combined with information on business could be analyzed to estimate the number of persons (heads) working in the welfare sector – possibly an analysis of the amount and types of welfare services provided by contractors could be conducted;
- Other ICBS surveys such as the LFS, Income and expenditure and the Social Survey can in time become a valuable source for measuring the number of employees and beneficiaries of social services, transfers and subsidies. As well as using existing questions for example from the 2015 social survey module on social services it should be considered, if specific questions on for instance subsidies, negative taxes could be added to for instance the income and expenditure survey, if not already present there or some ad-hoc module questions could become a permanent part of the surveys for use in the Welfare Accounts.
- The documentation, including the definitions and the delimitation of the welfare concept, is important to have ready for the first publishing. Especially to carefully define and describe the differences between the Welfare Accounts and SOCX and COFOG level 2.

## Annex A10.1. Terms of Reference

**Component A:** National Accounts  
**Sub-component:** Welfare Accounts  
**Activity A.10:** Compiling welfare accounts

**24-26 November 2014**

<b>Mandatory result</b>	<b>Benchmark</b>
MR5. Definition of indicators on the provision of welfare services	Indicators on provision of welfare services prepared by 6th project quarter
MR6. Definition of the structure of a satellite account on welfare, presenting expenditure and financing of welfare by sector	Structure of satellite accounts on welfare (ESSPROS) defined by 6th project quarter

### **Subject / purpose of activity A.10**

The A.10 mission is a follow-up to the A.9 MS Expert mission to ICBS and the A.11 study visit from ICBS to Statistics Denmark. According to the Twinning contract, the subjects of the A.10 activity are:

- Presentation and discussions on how administrative sources could be used to improve scope and quality of welfare satellite accounts
- Consultations on how to adapt to international standards and definitions of concepts on welfare satellite accounts

The second of these two subjects more specifically will have to do with the coordination with the SOCX statistics. During the Twinning project, the work on the Welfare Accounts has progressed, and therefore focus, or supplementary subjects of the mission, will also be on what specific statistical indicators to publish from the Welfare Accounts, and what kind of documentation would be needed in order to clarify to the potential users of the statistics how to interpret and use the data correctly.

### **Expected output from activity A.10**

The expected output from the activity is a report with recommendations on

- Further work to utilize administrative sources
- How to adapt to international standards
- Definitions of concepts in welfare satellite accounts
- A list of possible indicators to choose between for publishing the results.

## Annex A10.2 Programme, 24-26 January 2014

Date	Place	Time	Event
Mon 24/11	CBS	09:00	Acquaintance and introduction to Welfare Accounts
		09:15	Summary from the A.9 and A.11 activities, and discussion of programme of the current A.10 activity
		09:30	ICBS: status of the work related to Welfare Accounts undertaken by ICBS and its partners <ul style="list-style-type: none"> <li>• Definitions, methodologies and assumptions, remaining challenges</li> <li>• Presentation of developed tables</li> </ul>
		10:30	Coffee break
		11:00	Statistics Denmark: <ul style="list-style-type: none"> <li>• Welfare Statistics in Statistics Denmark</li> <li>• ESSPROS and SOCS</li> </ul>
		12:00	Lunch break
		13:00	Discussion of methodology and assumptions
		14:00	Data collection and ICBS' co-operation with partners
		14:30	Statistics Denmark: <ul style="list-style-type: none"> <li>• Social statistics in Statistics Denmark - use of administrative registers and surveys</li> </ul>
		15:15	Preliminary conclusions
		15:30	End of day 1
Tue 25/11	CBS	09:00	Summary from day 1
		09:15	Discussion: What kind of external documentation is needed regarding ICBS' welfare accounts <ul style="list-style-type: none"> <li>• the purpose of the statistics</li> <li>• the concepts and definitions</li> <li>• the relation to (inclusion of) other statistics, e.g. health</li> </ul>
		10:30	Coffee break
		11:00	Further development of the Welfare Accounts <ul style="list-style-type: none"> <li>• Use of other data sources, including administrative data, and implications for the coverage, the methodology and the assumptions</li> </ul>
		12:30	Lunch break
		13:30	Discussion: Work plan for the coming years regarding the Welfare Accounts
		15:30	End of day 2
Wed 26/11	CBS	09:00	Ad-hoc meetings and preparation for debriefing
		11:30	Debriefing – conclusions and recommendations
		13:00	Lunch break
		13:30	Ad-hoc meetings and report writing
		15:30	End of meeting



## Annex A10.3 Persons met

### **ICBS partners**

Miri Bensimhoun, Ministry of Social Affairs, Statistician in Research Department  
Merav Nahir, Ministry of Social Affairs, Economist  
Miri Engelblad, National Insurance Institute, Economist in Research Department  
Netanela Barkai, National Insurance Institute, Economist in Research Department  
Dr. Itay Grennsman, Hebrew University, Researcher and Faculty member  
Sagit Azri-Vieasels, Taub Center and Tel Aviv University, Economist  
Prof. Hillel Schmid, Hebrew University of Jerusalem, Researcher and Faculty member  
Osnat Peled-Levi, Bank of Israel, Economist at Research Department

### **ICBS:**

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Oz Shimoni, Senior Director  
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Osnat Hazan, Lior El-al, Shiran Harari, Social Services Accounts Sector  
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#### *Demography and Census Department*

Carole Feldman, Shiran Levi, Welfare services and public order sector

#### *Chief Scientist Department*

Nurin Dovrin, Social survey sector

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