



**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.9
Improve data scope and quality of welfare accounts
(expenses and financing of welfare measures)**

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Table of contents

1. General comments	4
2. Assessment.....	4
3. Conclusions and results	5
4. Recommendations	8
5. Road map and time plan.....	9

Annexes

Annex A9.1 Terms of Reference	10
Annex A9.2 Agenda (meeting programme)	11
Annex A9.3 Persons met	12

External annexes

Annex A9.4 Presentation of Statistics Denmark (Preben Etwil)	
Annex A9.5 Social issues (Preben Etwil)	
Annex A9.6 Integrated Government Accounts Database (Jesper Feddersen)	
Annex A9.7 Danish Experience with ESSPROS (Preben Etwil)	
Annex A9.8 Danish Documentation Projects (Preben Etwil)	
Annex A9.9 Danish ESSPROS statistics for 2012 – manual (pdf)	
Annex A9.10 A.9 Debriefing (Thomas Bie)	
Annex A9.11 Budget, Indicators and Data Sources ((Miri Bensimhoun, Yekutieli Sabah)	
Annex A9.12 Welfare statistics - Data and Needs (Carole Feldmann)	
Annex A9.10 Investigating Welfare on the Income and Expenditure Survey (Yafit Alfandari)	
Annex A9.14 Satellite Accounts in Israel (Nava Brenner)	
Annex A9.15 Satellite Account on welfare (Nava Brenner)	
Annex A9.16 Satellite Account on welfare- Present Situation and Needs (Nava Brenner)	
Annex A9.17 Business Survey (Nissenboim Ronit)	
Annex A9.18 General government Social Expenditure in Israel (Galina Braverman)	

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.9 was the first 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 A9.1 and A9.2, 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, 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

During the mission, the fundamental principles of the statistical manuals on the topic of welfare statistics were discussed between the staff of ICBS and the MS Experts as equal partners. Thus, the activity from the beginning was a chance for both sides to exchange ideas in order to produce a plan for the development of the Israeli welfare accounts.

The Government part of the existing statistics is well-covered, and the reporting to OECD (the SOCX reporting) by Israel is adequate. The current statistical treatment of the basic material (COFOG coding etc.) done in the ICBS seems to be very well-organized.

The discussions which included external partners of ICBS indicated that there may be some need for harmonization of definitions – or rather the interpretation/understanding of these definitions.

It was from both ICBS and external partners (Bank of Israel, Ministry of Social Protection, National Insurance Institute, the Hebrew University) agreed that the share of the welfare services provided and financed by the private sector is big and increasing in Israel.

So, while the coverage of the already existing welfare statistics is basically good and in accordance with international standards and requirements, a satellite account on welfare could include additional information. Such accounts would, as compared to the current system, first of all include the following elements:

1. Welfare services not organized through collective schemes by government and/or collective agreements, in particular welfare services provided by the private sector;
2. Physical information, first of all employees in the welfare sector (both Government and private) by type and beneficiaries (clients) by type.

The explicit distinction between expenditures and financing could also be introduced in the welfare accounts, as it is the case with the ESSPROS system of the EU.

During the meetings it was clear that there is a general interest in Israel to develop such accounts, i.e. all partners who participated in the meetings indicated willingness to take part in the needed work and also sharing their potential data sources (first of all, administrative data) that could be crucial for the further development of the system.

3. Conclusions and results

The MS Experts' single most important recommendation is to work on the definitions and the delimitation of the welfare concept.

Not only social protection in a narrow manual meaning of the word, but probably also other kinds of insurance, assistance etc. related to social welfare. In practice, this could imply the development of a "positive list" – i.e. a list of all the "areas" that are positively going to be included within the satellite accounting framework. This implies, that "areas" that are not included in this list, could not be part of the system.

An example of this is constituted by the paragraphs 9 and 10 from the ESSPROS manual:

§9. The risks or needs of social protection refer to the ESSPROS functions that are comprehensive, but do not include education unless it is a support to indigent families with children. The functions are disability, sickness/health care, old age, survivors, family/children, unemployment, housing and social exclusion.

§10. Social benefits are made through collectively organised schemes by government and/or collective agreements. The schemes do not necessarily refer to institutions, although they are in many cases. These schemes can be defined solely for ESSPROS as a classification of schemes exists, where schemes are grouped by criteria. All schemes that are solely based on individual arrangements or where simultaneous reciprocal agreements exist are not regarded as social protection.

Parallel definitions (criteria) are described in SNA2008, Chapter 8, paragraphs 8.17 and 8.65
8.17. Social benefits are current transfers received by households intended to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education or family circumstances. Social benefits may be provided under social insurance schemes or by social assistance.

8.65 A social insurance scheme is an insurance scheme where the following two conditions are satisfied:

- a. the benefits received are conditional on participation in the scheme and constitute social benefits as this term is used in the SNA; and*
- b. at least one of the three conditions following is met:*
 - i. Participation in the scheme is obligatory either by law or under the terms and conditions of employment of an employee, or group of employees;*
 - ii. The scheme is a collective one operated for the benefit of a designated group of workers, whether employed or non-employed, participation being restricted to members of that group;*
 - iii. An employer makes a contribution (actual or imputed) to the scheme on behalf of an employee, whether or not the employee also makes a contribution.*

Social insurance schemes may be organized privately or by government units. Social insurance benefits may be provided in cash or in kind. They become payable when certain events occur, or certain circumstances exist, that may adversely affect the welfare of the households concerned either by imposing additional demands on their resources or reducing their incomes. The contingencies covered are liable to vary from scheme to scheme. However, the identification of certain receivables as social insurance benefits depends not just on the contingencies covered but also the way in which coverage is provided.

More on social protection can be found in SNA2008, Chapter 8, Section D on Social Insurance Schemes and in Chapter 17, Part 2 on Social Insurance Schemes.

Using SOCX as a starting point for the development of satellite accounts on welfare for Israel seems very sensible, but the MS Experts recommend that the delimitation of the more comprehensive (i.e. extended) welfare accounts for Israel is carefully considered.

The reason is that SOCX includes both the health and the social schemes that are *collectively organized* in a given country. Adding to this the non-collective and privately financed schemes (services, enterprises) that are otherwise equivalent to the collective schemes would be interesting in its own right.

But it could add to the possible confusion (among users) if the health part was omitted from the welfare accounts. Instead, two suitable building blocks (health and social) with further breakdown (collective and non-collective) could be a user-friendly and recommended way to go.

The MS Experts strongly recommend that a Steering Committee (coordination forum) is established in Israel with the ICBS as the organizer and driving force. The group could consist of representatives from the following institutions: MoSP, MoF, NII, BoI, Hebrew University, The Brookdale Institute, and from the CBS the following departments: Macro-Economics Dept., Education Dept., Business Economics Dept., Demography Dept., Micro-Economics Dept., and the Government Statistician.

Among the topics for discussion would be the following:

1. The needs for welfare statistics / accounts
2. Framework for the accounts
3. Concept of welfare and definitions
4. Identifying administrative sources for welfare statistics
5. Data transmission

As for the development of the welfare accounts, the level of detail (breakdown) with respect to sectors and types of beneficiaries (clients) could be inspired by the EU/ESSPROS methodology. In particular, it is recommended to consider the financing dimension of the ESSPROS system.

In addition, the SNA 2008 provides valuable recommendations regarding supplementary information for welfare satellite accounts, in particular regarding non-monetary information. It is the MS Experts' recommendation that these suggestions are considered by the working group/coordination forum who must, at the same time, be seen as representatives from the (potential) users of the statistics.

Possible experience with satellite accounts on welfare from other countries (France, Sweden, the Netherlands) or organisations (Eurostat, OECD) could be asked for.

Data sources

An analysis of the data sources was carried through during the third day of the activity, resulting in the below table which indicates the present coverage:

Known data sources

Source	Expenditure	Income (financing)	Type of employees	Type of beneficiary
Business Sector	Trade & Services survey (CBS)	Trade & Services survey (CBS) SOCX (CBS,MoF)	LFS (CBS) Business Register (CBS)	HES (CBS)
Government Sector (Central, Local, Government NPIs, NII)	SOCX (CBS, MoF)	SOCX (CBS, MoF)	LFS	HES (CBS)
Private NPIs	NPI survey (CBS)	NPI survey (CBS)	NPI survey (CBS) LFS (CBS) Hebrew University	HES (CBS)
Households	HES (CBS)	HES (CBS)		HES (CBS)

Besides, the known and potential data sources of the partners were listed in a very preliminary version which would be discussed and further developed and detailed among the partners.

Non-ICBS sources

Ministry of Social Protection data

1. Number of clients by welfare group
2. Expenditure by welfare group and by receiving sector
3. More?

National Insurance Institute data

1. Number of clients by welfare group
2. More?

Ministry of Finance

1. ?

Bank of Israel

1. ?

ICBS sources

A. Present (known) ICBS sources

1. Household Expenditure Survey (HES)
 - a. contributions to pension schemes (both from households and from the employer)
 - b. payments from the pension funds
 - c. number and types of clients by sector
 - d. contributions and payments by welfare categories (purpose)
2. Trade and Services Survey in the non-financial sector
 - a. expenditure by types
 - b. turnover and number of employees
 - c. all 6,500 broken down by ISIC rev.4 digit level and size groups
3. Labour Force Survey (LFS)

- a. number of employees by sector
4. Social Survey
 - a. number of volunteers and hours produced
5. NPI survey (private and governmental)
 - a. expenditure by type and by welfare group
 - b. income by type and by welfare group
 - c. number of employees by welfare group
6. NPI employees and clients (collaboration with the Hebrew University)
 - a. number of employees by type (skilled, non-skilled) and number of clients by welfare group
7. Employment data from NII
 - a. number of employees by ISIC rev.4
8. Central and local government sector (administrative data)
 - a. expenditure by type
 - b. income by type
 - c. number of employees

B. Additional possible data collection by ICBS

Survey on welfare services (Business Economics Dept.)

1. Overview tables (Business Register)
2. Pre-test (pilot)
 - a. Big, Medium, Small companies
 - b. design of questionnaire
 - c. income by type
 - d. number of employees by type (education; skilled vs non-skilled)
 - e. number of clients

As general recommendations, it is the MS Experts' view that the sharing of data between the partners should be optimized in the development of the satellite accounts on welfare for Israel, but use of many data sources could increase the risk of double- or under-counting considerably.

4. Recommendations

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

- CBS (and its partners) starts to develop a concrete positive list which both defines social risks of needs as well as other social conditions to be included in the welfare statistics;
- CBS (together with its partners) clarifies which parts of the above-mentioned is within the SOCX definition, and which parts would be an extension (or reduction) as compared with the SOCX definition;
- Mutually exclusive building blocks of the total system, i.e. *collective vs. non-collective* as well as separate *social vs. health parts* of the accounts, could prove useful, in particular with respect to an understandable and user-friendly dissemination;
- When designing the Welfare Accounts, the ESSPROS could show useful as an inspirational source, in particular as regards explicit distinction between financing and expenditures, but also with respect to the break-down by sectors etc.;
- A joint Steering Committee (discussion forum) with participants from all relevant user and/or data providers would discuss the conceptual/definitorial questions, and later on co-ordinate the necessary exchange and flow of data.

5. Road map and time plan

The next activities are planned to take place on the 28-30 April 2014 (A.11 study visit to Statistics Denmark) and, tentatively dates, in June 2014 (MS Expert mission to ICBS, A.10).

Before A.11 (28-30 April 2014)

First meeting of joint discussion group.

Agreement of Terms of Reference.

Working definition of the welfare concept established.

Preliminary needs for additional welfare statistics established

Before A.10 (tentatively suggested to take place in June 2014)

Draft questionnaire for private enterprises in the welfare sector developed.

Overview of all private enterprises, ISIC rev. 4 groups 87 and 88 established at four-digit level and grouped according to size-level (small, medium, and large enterprises).

Pilot study (10-15 enterprises in ISIC rev.4, groups 87 and 88) contacted.

Two weeks before the A.10 mission, written documentation of the obtained (preliminary) results and analysis should be sent to the MS Experts.

Annex A9.1. Terms of Reference

Component A: National Accounts

Sub-component: Social Accounts

**Activity A.9: Improve data scope and quality of welfare accounts
(expenses and financing of welfare measures)**

Mandatory result of the sub-component

Mandatory result	Benchmark
Definition of indicators on the provision of welfare services	Indicators on provision of welfare services prepared by 6 th project quarter
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 6 th project quarter

Terms of Reference for activity A.9: 13-16 January 2014

Subject / purpose

Assessment of the present situation, identification of problems and how to solve these.
Presentation on the EU / ESSPROS standard and the development of satellite accounts on social protection.

Analysis of possible data sources, especially as regards private households and enterprises participating in the production of welfare services/social protection services.

Expected output

Mission report with recommendations for data sources, on the structure of welfare accounts and on indicators.

Annex A9.2 Programme, 13-16 January 2014

Date	Place	Time	Event
Mon 13/1	CBS	09:00	Introduction to the Welfare Accounts component
		09:15	CBS: Status – Present scope and coverage of the social accounts in Israel (Nava Brenner)
		10:30	Coffee break
		11:00	Ministry of Social Protection: The Ministry's role as a data supplier and as a user of welfare statistics
		11:30	Statistics Denmark: EU and other international recommendations and trends on Welfare statistics and Welfare accounts
		12:30	Lunch
		13:30	CBS: Welfare in the Government Accounts (Galina Braverman) CBS: Data on Welfare Services (Nava Brenner)
		14:30	Coffee break
		14:45	Discussion: Preliminary conclusions regarding status and relevant, new indicators on welfare statistics
Tue 14/1	CBS	09:00	Summary from Monday
		09:15	CBS :Expenditure and Income - Households Survey – Welfare data (Yafit Alfandari) CBS : Welfare and Public Order- data and needs (Carol Feldman)
		10:30	Coffee break
		11:00	The need for additional data collection for improved Welfare statistics in Israel (Nava Brenner)
		12:30	Lunch
		13:30	Statistics Denmark: Welfare statistics in Denmark
		14:30	Coffee break
		14:45	Discussion: What additional indicators are relevant to include in the social statistics of ICBS?
Wed 15/1	CBS	09:00	Summary from Tuesday
		09:15	CBS: Survey of Trade and Services (Ronit Nissenboim) CBS: Welfare Accounts Structure and needs in ICBS (Nava Brenner)
		10:30	Coffee break
		11:00	Discussion (Statistics Denmark): the way forward – drafting a work plan
		12:30	Lunch
		13:30	Discussion (<i>continued</i>): work plan
		15:00	Conclusions:
Thu 16/1	CBS	09:00	Discussion of preliminary recommendations
		10:00	Planning the study visit and ad-hoc meetings
		12:15	Lunch
		13:30	Drafting of mission report and preparation for debriefing
		15:00	Debriefing: Recommendations and implications for CBS work programme

Annex A9.3 Persons met

CBS partners

Ministry of Welfare and Social Services

Yekutiel Sabah, Director, Department of Research, Planning and Training

Miri Bensimhoun; Statistician; Department of Budgeting and Pricing

Merav Nahir; Department of Budgeting and Pricing

National Insurance Institute

Miri Endeweld, Head of Economic Research Department, Research and Planning Administration

Hebrew University of Jerusalem

Prof. Hillel Schmidt, Director of the Israeli Center of Philanthropy

Bank of Israel, R&D Department, Macroeconomics and Policy Division

Osna Peled-Levy, Economist, Labor Market and Welfare

CBS:

Olivia Blum, Twinning Project Leader

Batia Attali, RTA Counterpart

Macro Economic Statistics Department

Oz Shimoni, Senior Director, Macroeconomic Statistics Department

Nava Brenner, Director of Social Services Accounts Sector

Galina Braverman, Director of the Government Accounts Sector

Tali Shalem, Director of GDP and Uses of Resources Sector

Osna Hazan

Lior Elal

Yulia Levinger

Shiran Harari

Education Department

Yossi Gidanian, Director of Education Department

Micro Economics Department

Yafit Alfandari, Director of the Consumption and Finance Sector

Demography and Census Department

Carole Feldman, Director of Welfare and Public Order Sector

Business-Economics Department

Ronit Nissenboim, Deputy Senior Director, Department of Business-Economics Statistics

Government Statistician Office

Tom Caplan, Director of Economic Research Sector