



State Comptroller | Annual Report 72A - part One | 2021

The National Insurance Institute

Non-Exercise of Social Rights

Follow-up Audit



Non-Exercise of Social Rights - Follow-up Audit

Background

Many public entities grant citizens diverse rights under laws or regulations. The complexity of some of these rights makes it difficult for the ordinary citizen to know all his rights and the conditions for obtaining them. The guarantee of these rights depends not only on the fact that social rights are enshrined in laws and regulations, but also on the exercise of these rights and their granting to all those entitled to them in an open and accessible manner for all. Exercising rights means removing barriers, such as ignorance of the existence of these rights and bureaucratic hurdles that may cause the person entitled to give up on the procedure and waive his rights.



Key figures

**About NIS
670 million**

have not yet been paid by the National Insurance Institute (NII), the IDF and the Ministry of Defense to reservists and their employers for reserve duty performed by reserve soldiers in 2008-2012 since the previous State Comptroller's report was published in 2015, due to a dispute between them regarding the number of days of reserve duty performed and the amount of reserve compensation to be paid.

**About NIS
650 million**

According to NII estimates, is still left to be paid to reservists and their employers for days of reserve duty that have not yet been claimed for the years 2013 to 2019. During 2020, NII, the IDF and the Ministry of Defense paid NIS 19 million for non-salaried reservists for reserve duty for these years.

NIS 41.7 million

Reimbursed by NII to salaried employees who receive senior citizen benefits, for social security contributions deducted from their income in the years 2008-2017, because they did not notify the employer of receiving this benefit, and another NIS 15.9 million to the employers.

NIS 42 million

Reimbursed by NII to salaried employees employed by several employers in the years 2018-2019, for Social Security contributions paid in excess through Social Security fees coordination.



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The number of municipalities where empowerment centers for the exercise of rights have been established since the previous report was published. Analysis of the distribution of empowerment centers according to the socio-economic ranking shows that they were established mainly in municipalities where a majority of residents are at a low socio-economic level.

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Number of municipalities from the Arab sector, where citizen counseling service stations (CCS) have been established.


About 2%
submissions
of eligibility
applications

From the data that NII submitted to the Ministry of Construction in 2017 on 122,800 potential cases eligible for rent assistance, notifications were sent of possible eligibility to about 50,000 of them; about 2,200 of them (about 2%) submitted requests for rent assistance in 2017-2019.

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Municipalities

Started a pilot of NII for the use of an online interface, which may allow municipalities to view relevant information for the purpose of providing property tax rebates to eligible persons.

Audit actions

 In 2015, the Office of the State Comptroller published a report on the non-exercise of social rights (the previous report or the previous audit). From May to September 2020, the State Comptroller's Office conducted an audit of the correction of some of the deficiencies raised in the previous report, including to examine: what actions are taken by the NII, the Ministry of Defense and the IDF to ensure the rights of those entitled to reserve benefits are exercised; what actions are taken by the NII for reimbursement for the payment of excess social security contributions and for increasing the rates of exercise of rights; what the following bodies do to exercise the rights of recipients of benefits from the NII - the Ministry of Construction and Housing for the provision of rent assistance and the Ministry of the Interior and four municipalities for the granting of property tax rebates; what actions are undertaken by the Ministry of Labor, Welfare and Social Services to make information about social rights accessible to those entitled; and how the government acts to make information accessible to those eligible through the Internet, including through the Ministry of Cyber and Digital Matters.




Key findings

- 🔴 Execution of reserve benefit** - In the previous audit, it was found that in the years 2008-2012, reserve servicemen or their employers did not exercise their right to receive payments from the NII for a value of NIS 670 million for about one million reserve duty days. The follow-up audit revealed that the NII, the IDF and the Ministry of Defense have not yet reached agreements on the amounts of reserve benefits to be paid, as well as on the extent of non-exercise of reserve benefits and the number of reserve duty days not claimed in those years; as a result, the NII has not yet transferred payment to the eligible persons for the reserve days made during the said period. The follow-up audit also showed that as for the years 2013-2019, the NII, IDF and the Ministry of Defense paid in 2020 NIS 19 million to non-salaried reservists, but according to the NII's estimate, another NIS 650 million are still required to be paid for reserve days that the reservists or their employers have not yet claimed for this period.
- 🔴 Social Security contributions for salaried employees** - In the previous audit, it was found that the NII did not reimburse employees who worked in several jobs or received a senior citizen's pension, and were entitled to a reduced payment of social security contributions or exemption, an amount of NIS 164 million for years 2009- 2012. The follow-up audit found that the NII did not return all the social security contributions that were overcharged in 2009-2012 and that there are still social security contributions excesses that were not paid to salaried employees also with regard to the years 2013-2019.
- 🔴 Drafting letters in clear and simple language** - In the previous audit, it was found that every year, the NII sends more than 1,000 different versions of letters to policyholders, which may make it difficult for the insured to understand his duties, rights and what is required of him. The follow-up audit found that in 2019, the NII began work on written communication, and 128 letters were reworded, but in May 2021, the development of the project was not yet completed due to the COVID-19 crisis, and the new versions of the letters were not distributed.
- 🔴 Rent assistance** - In the previous audit, it was found that the Ministry of Construction does not have data from NII on the potential beneficiaries of rent assistance, and therefore it does not initiate contact with those who may be eligible. The follow-up audit revealed that the NII and the Ministry of Construction have not yet arranged a mechanism for transmitting information on potential beneficiaries.
- 🔴 Reducing the bureaucratic burden in regard to granting a local tax rebate** - In the previous audit, it was found that some local municipalities do not utilize the latest information transmitted to them by the NII on those entitled to the rebate and do not grant the rebate automatically; an inter-ministerial team set up in 2012 to regulate the transfer of information from the NII to public entities in order to alleviate the bureaucratic



burden on the citizen seeking to exercise his right to benefits, did not reach an agreement with the Federation of Local Authorities in Israel on file transfer methods, privacy issues and discount granting methods. The follow-up audit revealed that the Ministry of the Interior, the NII, the Federation of Local Authorities and the municipalities did not establish mechanisms for all authorities to reduce the bureaucratic burden involved in granting a tax rebate to eligible persons and automatically granting a rebate in appropriate cases, and that some municipalities do not yet grant an automatic tax rebate in cases where this can be done. The follow-up audit partially examined the rates of exercising the right to a tax rebate for NII eligible persons, in a number of municipalities; a survey conducted by one of the municipalities found that out of 2,800 eligible, about 4% do not actually receive the discount.

-  **Exercising rights by social workers and in counseling service stations (CSS)** - in the previous audit it was found that the Ministry of Welfare did not establish rules in the Social Work Regulations (SWR) or in general circulars nor methods that would guide the social workers in social services departments in the municipalities (SSD) regarding ways to help their patients exercise their rights; the follow-up audit revealed that the Ministry of Welfare did not add such guidelines to the SWR, and that except for materials incorporated in professional meetings with social workers, there are no circulars or guidelines on this subject; regarding Counselling Stations for the exercise of rights, the previous audit found that only 57 of the 257 local authorities operated such stations; the follow-up audit found that the number of stations increased by 26%, however, the stations were established mainly in authorities with a medium-high socio-economic ranking, while no station was established in the Arab sector.



Monthly report from employers on the salaries of the insured - In the previous audit it was found that despite the obligation imposed on employers by the National Insurance Law¹ (NII Law) and regulations² to report to the NII every month on the wages they pay to each of their employees, the NII did not require all employers to report monthly on each employee individually. As a result, the NII did not have up-to-date information on the wages of about 3 million employees, who were about 85% of the employees in Israel. The follow-up audit revealed that following the State Comptroller's report on the state's treatment of the unemployed and jobseekers during the COVID-19 crisis³, an amendment was published to the

- 1 National Insurance Law [combined version], 1995.
- 2 Regulation 8 (a) of the National Insurance (Collection of Insurance Contributions) Regulations, 1954.
- 3 State Comptroller, **Special Report - Interim Findings** (2020), "State Treatment of the Unemployed and Jobseekers during the COVID-19 Crisis - Receiving reliable monthly data from employers on the wages of their workers", pp. 5-8.



NII Law⁴, stipulating that, as of April 2021⁵, employers will be required to submit, at the time of payment of the insurance premiums, an online monthly report on the wages, wage data, classification and scope of employment of each employee for whom there is an obligation to pay social security contributions.

Systematic treatment regarding the exercise of rights - in the previous audit it was found that the activities of the NII regarding the exercise of rights are lacking in systematic treatment, when only from 2008 did the Research and Planning Administration at the NII begin to conduct research on the occurrence of the phenomenon⁶, and in 2011-2013 the Research and Planning Administration conducted 75 studies, but only one of them dealt with measuring the rate of exercise of rights⁷. The follow-up audit revealed that in the years 2005 to 2021, NII carried out a number of studies on the exercise of rights on targeted populations, acted to apply the findings and conclusions from those studies and integrate them into the work plan; in addition, NII stated that during 2021-2023 it plans to conduct further research in the area of exercising the rights of populations receiving income support benefits, senior citizens and maternity benefits.

Child allowance - In the previous audit, it was found that the NII required families returning from abroad to file a claim for child allowance upon their return to Israel, even though they had data that allowed them to pay the allowance automatically. The follow-up audit revealed that as of the end of the audit, the NII significantly improved the exercise of the child allowance rights of those returning from abroad.

Empowerment centers for the exercise of rights - in the previous audit it was found that the Ministry of Welfare operated empowerment centers in only 17 of the 257 local authorities; the follow-up audit found that the ministry has increased the number of empowerment centers almost fivefold since 2015 (from 26 centers to 123 in 2020), and the number of authorities where centers operated in 2020 has increased to 113 (an increase of almost seven times). However, in about 26% of the authorities with a low socio-economic rating (1-5) there are no empowerment centers.

Rights calculators - In the previous report, the State Comptroller's Office recommended to the ICT Authority, which currently operates in the Ministry of Cyber and Digital Matters, that it should work with government ministries to examine the integration of online calculators for the exercise of rights. The follow-up audit revealed that at the beginning of 2021, a National Rights engine was launched on a limited basis, relating to the rights of senior citizens.

4 Section 355 (a1) of the NII Law - Amendment No. 219 to the Law dated 19.11.20, published in the Book of Laws 2868, p. 89.






5 The amendment to the law applies to large employers with more than 180 employees as of April 2021 and to small employers with less than 180 employees as of October 2021.

6 And this also applies to five benefits - children, unemployment, income support, old age and maternity benefits.

7 Update on research on unemployment benefits in 2012.



Key recommendations

-  The Ministry of Defense and the IDF must reach an agreed assessment, in coordination with the NII, regarding the amount of unpaid payments to reservists and their employers for the years 2008-2012, and act to transfer them. In addition, the IDF and the Ministry of Defense must complete with the NII the actions to exercise the rights of the salaried reservists and their employers for the unclaimed reserve periods for the years 2013-2019; In order to bring an end to the situation in which reserve service periods are generated each year for which claims are not filed and the reserve benefits are not paid, it is recommended that the NII examine the simplification of the process of filing a claim for reserve benefits of employees and employers, computerization and mechanization, so that on the one hand, reporting to the NII on salaried reservists will be done online by the IDF, and on the other hand, the credit to employers for the reserve benefit of employees employed by them will be made automatically and online by the NII, subject to the consent of the reservist.
-  In view of the over-collected social security contributions, the NII should take the initiative to locate those from whom the insurance premiums were collected, whether he receives an old-age pension or other qualifying benefits such as a disability pension, or whether he receives income from several jobs, and will examine ways to automatically reimburse insurance premiums. It is also recommended that the NII examine the possibility of taking action that will prevent the collection of insurance premiums from employees who receive senior citizen benefits, which are exempt from this payment, and complete the development of the computerized system for updating employers regarding exemption from insurance fees for employees receiving senior citizens benefits, independently of receiving an update from the employee.
-  Following the said amendment to the NII Law, it is recommended that the NII use the monthly report to improve the exercise of the insured's rights, including initiating contact with those who are entitled to benefits contingent on income evaluations, initiating pension claims for insureds for whom information is available, and automatically paying benefits to beneficiaries when it is possible to do so.
-  In light of the importance of the project of simplification of the letters to the insured through a uniform template, it is recommended that the NII complete it and work to implement it.
-  It is recommended that the NII complete the organization of transfer of updated data files to the Ministry of Construction on citizens who may be eligible for rent assistance, and that these files include as up-to-date contact information as possible, without including information that infringes on their privacy. It is also recommended that the NII complete the production of letters to the population that may be eligible, in order to bring to their attention the possibility of contacting the Ministry of Construction for the purpose of checking eligibility for rent assistance. It is recommended that the Ministry of



Construction work online to locate up-to-date contact details of potential beneficiaries transferred to it in the NII files, initiate contact with the potential beneficiaries proactively and inform them of their possibility to contact them for eligibility according to housing thresholds.



It is recommended that the Ministry of the Interior, the Federation of Local Authorities, the NII and the municipalities draw lessons from the process carried out by municipalities that automatically grant the rebate and establish an effective and reliable mechanism for granting discounts to eligible persons, without infringing on their right to privacy, which will relieve the need for an application, and will ease the bureaucratic burden on those eligible. It is also recommended that each municipality carry out, from time to time, an individual cross-checking of the data obtained from NII with the data of eligible persons residing in its jurisdiction and will work to grant an automatic discount to residents who are entitled to it under the local tax rebate regulations.



It is recommended that the Ministry of Welfare expand the activities intended to provide the social workers in the social services departments with the "toolbox" that will allow them to help patients exercise their rights, include specific guidelines in the SWR and general circulars, and work to complete the development of a right exercising platform on the Internet ("Click for Welfare") and for its provision for the use by the public according to the milestones it has set. The ministry must work with local authorities to expand the deployment of CSS stations among populations from the social periphery, who especially need access to and receive assistance in the appropriate language, especially in the Arab sector, where there are currently no CSS stations.



It is recommended that the Ministry of Cyber and Digital Matters continue to work to expand technological innovation and complete the establishment of the National Rights Engine in a way that will allow all who apply to it full accessibility and ease of use for the purpose of exercising their rights.



Non-exercise of social rights - main findings of the follow-up audit

Audit chapter	The defect / finding in the previous audit report	The degree of correction of the defect as indicated in the follow-up audit			
		Not corrected	Corrected to a small extent	Corrected to a significant extent	Fully corrected
Non-exercise of reserve duty payments	The NII and the IDF have not yet paid reserve benefits in the amount of NIS 670 million for the years 2008-2012.				
Non-reimbursement of National Insurance contributions to salaried employees	The NII informs relevant parties regarding the need to coordinate social security contributions for employees employed by several employers, but does not cross-reference existing data in its databases for the purpose of locating employees who are entitled to a refund of social security contributions.				
	The NII did not reimburse the full amounts of social security contributions excessively collected from employees employed by several employers in the years 2009-2012				
	The NII did not act to locate employees who receive senior citizen benefits who have been deducted Social Security contributions, even though they are exempt from this payment, by cross-referencing data from its databases.				
	The NII did not reimburse all Social Security contributions collected in excess from employees who received senior citizen benefits in 2009-2012				



Audit chapter	The defect / finding in the previous audit report	The degree of correction of the defect as indicated in the follow-up audit			
		Not corrected	Corrected to a small extent	Corrected to a significant extent	Fully corrected
Deficiencies in actions to increase rates of exercise of rights in the NII	The NII actions regarding the exercise of the rights suffered from the absence of systematic treatment, including conducting up-to-date research.				
	The NII did not require all employers to submit a regular monthly report on each employee individually				
	The NII stated that the existing wording of the letters constituted a risk in light of ambiguity and inconsistency and that a project should be launched to simplify and unify the letters, but did not begin carrying out the said project.				
Exercising the right to child allowance	The NII demanded that families returning from abroad file a child benefit claim upon their return to Israel, even though it had data in his possession that allegedly allowed it to pay the families automatically.				
Rent assistance	The Ministry of Construction did not have up-to-date data on recipients of NII allowances who are entitled to rent assistance, and it does not initiate inquiries into who may be eligible.				
Reducing the bureaucratic burden in granting of a local tax rebate	No mechanisms have been put in place for all the municipalities to reduce the bureaucratic burden and to provide an automatic tax rebate in appropriate cases.				



Audit chapter	The defect / finding in the previous audit report	The degree of correction of the defect as indicated in the follow-up audit			
		Not corrected	Corrected to a small extent	Corrected to a significant extent	Fully corrected
	Although the NII transferred information files to the municipalities about those entitled to a local tax rebate several times a year, some municipalities did not grant the rebate automatically to eligible people:				
	Be'er Sheva; Acre;				
	Holon; Herzliya.				
Making information accessible through the Ministry of Welfare and municipalities	The Ministry of Welfare has not established rules and methods, nor has it developed computerized tools that will assist social workers in social services departments in municipalities, to help those who apply to them exercise their rights.				
	Only 57 of 257 municipalities operated citizen counseling service stations (CSS) for the exercise of rights.				
	Only 17 of the 257 local authorities had empowerment centers for the exercise of rights.				
Access to rights through the Internet	In Israel, there was no dedicated government website that centralized information to citizens about their rights				
	The ICT Authority (Ministry of Cyber and Digital Matters) did not act to integrate rights calculators in the scope of a unified government website.				



Summary

Failure to exercise rights, and especially the type of benefits provided by the NII, harms the entire population and especially the disadvantaged sectors. The findings of this follow-up report indicate that some of the deficiencies in the actions of the audited entities pointed out in the previous report have been corrected in full or significantly, but a considerable part have not been corrected at all or have been corrected to a small extent. The NII and the other audited bodies that this report deals with must act to correct the deficiencies it specifies. They must take all necessary steps to reduce the bureaucratic burden on the public and help those entitled to exercise their rights.