

CHAPTER XVI

NON-PROFIT INSTITUTIONS

NON-PROFIT INSTITUTIONS are institutions which provide households with services, principally in the fields of health, education, and social welfare.¹

The relative share of the non-profit institutions in the provision of such services is considerable compared with the public sector, but in 1962 there was some decline, which stemmed partly from the rapid expansion of the public sector's activity in the fields of health, education, and social welfare, and partly from the tendency which has prevailed for the past several years to transfer non-profit institutions in various fields, such as the fire brigade, hospitals, and schools, to the public sector.

Table XVI-1

EXPENDITURE OF NON-PROFIT INSTITUTIONS AND PUBLIC SECTOR, BY FIELD OF ACTIVITY, 1958 AND 1962

(IL million)

	Non-profit institutions ^a	Public sector ^b	Share of non-profit institutions in total (%)	
	1962		1962	1958
Health	160	134	54	64
Education	80	350	20	27
Welfare	50	132	28	60

^a Purchases on current account, less transfers from the public sector (defined as purchases of the public sector).

^b Purchases on current account, less transfers from non-profit institutions.

The rate of annual growth in the non-profit institutions' current transfers and transactions in goods and services has been on the decline since 1960 (see Table XVI-2): as against an increase of 9 per cent in 1960, there was an increase of only 2 per cent in 1962. Investment, in real terms, has been diminishing since 1959.

The expenditure of the non-profit institutions, in current prices, rose in 1962

¹ The structure of the non-profit institutions and the nature and fields of their activity were explained in Bank of Israel Bulletin No. 12, May 1960, and the Bank of Israel Annual Report for 1959, Chapter XVII.

by IL 58 million, or 13 per cent, to IL 503 million. This occurred in spite of smaller capital purchases following the reduced scope of building by the health institutions and institutions of higher learning. Purchases on current account were 16 per cent higher than in 1961; most of the increment took place in health and educational institutions, and was mainly due to the higher average wages paid per worker.

Table XVI-2
TRANSACTIONS OF NON-PROFIT INSTITUTIONS, 1958-62
(at 1958 prices^a)

Year	Purchases on current account and transfers		Purchases on capital account	
	IL million	Per cent increase or decrease (-) as against previous year	IL million	Per cent increase or decrease (-) as against previous year
1958	264		53	
1959	284	8	53	—
1960	311	9	51	-4
1961	334	7	48	-6
1962	341	2	38	-20

^a Purchases on current account and transfers have been valued at constant prices on the basis of the Central Bureau of Statistics' index of non-profit institution prices, and purchases on capital account according to the index of investment prices based on Bank of Israel data.

The growth in the non-profit institutions' receipts resulted primarily from the devaluation. Transfers from the rest of the world are one of the chief sources of income, and during the year reviewed they rose by 23 per cent in IL terms following the devaluation, although the dollar amount dropped from \$ 51 million in 1961 to \$ 47 million in 1962.

Proceeds from the sale of services went up 13 per cent, with the rise being accounted for mainly by educational institutions as a result of an increase in school fees and enrollment. Transfers from the public sector went up by 20 per cent, and those from households by 12 per cent, mostly in members' fees to the sick funds.

Transactions in financial claims, which are generally of limited volume, declined still further in 1962. Short-term credit from households and business enterprises expanded, but as against this, the sector reduced its liabilities to the banking system and financial institutions. This development was connected with the decreased investment in building on the one hand, and the increase in transfers on capital account from the rest of the world on the other. In 1962, 95 per cent of the sector's demand surplus was financed by transfer receipts

from abroad and 5 per cent by credit from other sectors, whereas from 1958 to 1961 the share of the former came to 85 per cent, and that of the latter to 15 per cent.

1. "BALANCE OF PAYMENTS", BY TYPE OF RECEIPT AND PAYMENT

The "balance of payments" of the non-profit institutions is composed primarily of transactions in goods and services (purchases and sales on current and capital account) and of unilateral transfers. The volume of financial transactions was fairly small—only 2 per cent of total transactions in 1962.

(a) *Receipts*

The bulk of the non-profit institutions' receipts are transfers from households, the public sector, and the rest of the world.¹

In 1961 and 1962 such transfers constituted 82 per cent of aggregate receipts, while the remaining 18 per cent was derived from sales of services and goods. In 1962 the non-profit institutions' receipts grew by IL 68 million, or 16 per cent, with the increase spread over every individual item.

1. *Sales on current account*

Income from sales² totalled IL 88.5 million in 1962—a rise of IL 10 million compared with 1961. The increment was accounted for mainly by the educational institutions, and was due to an increase in the number of pupils and in school fees. The relative share of school fees in total receipts of the educational institutions reached 30 per cent, which was higher than the percentage of sales in the other fields of activity—in the health and welfare institutions sales represented about 15 per cent of total receipts.

2. *Transfers from the public sector*

Transfers from the public sector amounted to IL 83 million, a growth of 20 per cent over 1961. More than half this sum—IL 44 million—went to educational institutions, and about a third—IL 26 million—to health institutions. The weight of such transfers in the sector's aggregate receipts came to 16 per cent.

3. *Transfers from the rest of the world*

Transfers from abroad accounted for 23 per cent of all receipts of the sector in 1962, as against 21 per cent the year before. As mentioned, the rise was due

¹ The composition of the transfers is as follows: transfers from households and businesses—donations and dues paid to labor unions and associations; transfers from the public sector—subsidies and budget participations; transfers from abroad—donations and German reparations.

² Sales of services and goods; does not include members' fees to sick fund.

"BALANCE OF PAYMENTS" OF NON-PROFIT INSTITUTIONS, BY TYPE OF RECEIPT AND PAYMENT, 1961-62

(IL million)

Receipts	1961	1962	Increase or decrease(-)	Payments	1961	1962	Increase or decrease(-)
Transfers and transactions in goods and services							
Sales on current account	78.2	88.4	10.2	Purchases on current account	369.9	429.0	59.1
Transfer payments:				Purchases on capital account	55.2	52.6	-2.6
From the public sector	69.4	83.3	13.9				
From the rest of the world	92.1	113.6	21.5	Total	425.1	481.6	56.5
From households and business enterprises	189.0	211.1	22.1	Transfer payments to public sector	6.1	6.0	-0.1
Total transfer payments	350.5	408.0	57.5	Transfer payments to households	14.3	15.4	1.1
Total	428.7	496.4	67.7	Total	445.5	503.0	57.5
Transfers in financial claims							
Credit from the banking system (net)	3.0	-2.0	-5.0	Miscellaneous securities	2.4	1.4	-1.0
Long-term loans:				Credit to households and business enterprises	5.5	5.7	0.2
From the public sector	2.4	2.6	0.2				
From financial institutions	4.6	-1.5	-6.1				
Total long-term loans	7.0	1.1	-5.9				
Short-term credit							
From the public sector	4.5	0.2	-4.3				
From households and business enterprises	10.2	14.4	4.2				
Total short-term credit	14.7	14.6	-0.1				
Total	24.7	13.7	-11.0	Total	7.9	7.1	-0.8
Transactions between the non-profit institutions							
Transfers	10.2	10.0	-0.2	Transfers	10.2	10.0	-0.2
				Errors and omissions			
Total receipts	463.6	520.1	56.5	Total payments	463.6	520.1	56.5

Table XVI-4

RECEIPTS OF NON-PROFIT INSTITUTIONS, BY FIELD OF ACTIVITY,
1961-62*

(IL million)

	1961	1962	Increase or decrease (-)	
			IL million	%
Health				
Transfers from households	103.2	120.9	17.7	
Transfers from the rest of the world	15.2	17.1	1.9	
Transfers from the public sector	19.3	25.7	6.4	
Sale of services	23.6	26.2	2.6	
Total	161.3	189.9	28.6	18
Education				
Transfers from households	15.3	15.8	0.5	
Transfers from the rest of the world	40.5	51.1	10.6	
Transfers from the public sector	38.9	44.0	5.1	
Sale of services	36.6	42.7	6.1	
Total	131.3	153.6	22.3	17
Welfare				
Transfers from households	15.8	16.1	0.3	
Transfers from the rest of the world	32.6	38.0	5.4	
Transfers from the public sector	10.7	12.5	1.8	
Sale of services	10.8	12.6	1.8	
Total	69.9	79.2	9.3	13
Others				
Transfers from households	54.7	55.3	0.6	
Transfers from the rest of the world	3.8	7.4	3.6	
Transfers from the public sector	0.5	1.0	0.5	
Sale of services	7.2	10.0	2.8	
Total	66.2	73.7	7.5	11
All non-profit institutions				
Transfers from households	189.0	211.1	22.1	
Transfers from the rest of the world	92.1	113.6	21.5	
Transfers from the public sector	69.4	83.3	13.9	
Sale of services	78.2	88.4	10.2	
Total	428.7	496.4	67.7	16

* Excluding intra-sector transactions.

to the devaluation, which increased the IL value of the transfers although the dollar amount was somewhat smaller.

Table XVI-5
TRANSFERS OF NON-PROFIT INSTITUTIONS
FROM ABROAD, 1958-62

Year	\$ million	Per cent of total receipts
1958	45	27
1959	47	24
1960	48	23
1961	51	21
1962	47	23

In 1962 transfers from the rest of the world aggregated IL 114 million. Of this sum, IL 51 million was received by educational institutions—primarily institutions of higher learning, research institutes, and Talmudic academies (*yeshivot*)—while IL 38 million was destined for welfare institutions, IL 17 million for health institutions, and the remainder for other institutions.

Of the transfers from abroad, 80 per cent were utilized for current purchases and 20 per cent were transfers on capital account earmarked for investment purposes.

4. Transfers from households and business enterprises

Transfers from households and businesses amounted to IL 211 million in 1962—a rise of IL 22 million, or 12 per cent—and accounted for 42 per cent of the sector's total receipts. The bulk of the increase—IL 18 million—occurred in health institutions. Members' Histadrut dues which were transferred to Kupat Holim (General Sick Fund) grew by 30 per cent during the year reviewed because of a 5 per cent increase in the number of dues-paying members and the raising, as from January 1962, of the ceiling on wages and salaries subject to a levy from IL 265 monthly to IL 500.

In the other non-profit institutions, the volume of transfers from households and businesses remained unchanged.

5. Credits

The balance of loans received by the non-profit institutions grew by IL 14 million in 1962, as compared with a rise of IL 25 million the previous year.

Credit from the banking system and financial institutions, including provident funds and insurance companies, was reduced considerably: as against an increase of IL 8 million in outstanding loans in 1961, there was a drop of IL 4 million the following year. No change took place in the balance of long-term loans from

the public sector, which are mainly Government loans to educational institutions. There was a rise in credit from the household and business sector, primarily supplier credit.

(b) *Payments*

Payments of the non-profit institutions in 1962 break down as follows: purchases on current account—85 per cent; purchases on capital account—11 per cent; transfers to households and the public sector—4 per cent.

Table XVI-6
PAYMENTS OF NON-PROFIT INSTITUTIONS,* BY FIELD OF ACTIVITY,
1961-62
(IL million)

	1961	1962	Increase or decrease (-)	
			IL million	%
Health				
Purchases on current account	148.6	181.5	32.9	
Purchases on capital account	17.5	14.6	-2.9	
Transfers	6.2	6.9	0.7	
Total	172.3	203.0	30.7	18
Education				
Purchases on current account	105.5	123.7	18.2	
Purchases on capital account	24.9	23.6	-1.3	
Transfers	6.6	6.5	-0.1	
Total	137.0	153.8	16.8	12
Welfare				
Purchases on current account	50.6	58.5	7.9	
Purchases on capital account	8.9	7.4	-1.5	
Transfers	6.8	7.3	0.5	
Total	66.3	73.2	6.9	10
Others				
Purchases on current account	65.2	65.3	0.1	
Purchases on capital account	3.9	7.0	3.1	
Transfers	0.8	0.7	-0.1	
Total	69.9	73.0	3.1	4
All non-profit institutions				
Purchases on current account	369.9	429.0	59.1	
Purchases on capital account	55.2	52.6	-2.6	
Transfers	20.4	21.4	1.0	
Total	445.5	503.0	57.5	13

* Excluding intra-sector transactions.

1. Purchases on current account

The wage bill, which accounts for nearly two-thirds of all expenditure of the non-profit institutions, came to IL 270 million during the year reviewed—a rise of IL 36 million, or 15 per cent, as compared with 1961. The growth in the number of workers was negligible, the increase in the wage bill being due predominantly to the higher average wages paid per employee. Most of the increment was accounted for by the health institutions (IL 15 million) and educational institutions (IL 11 million).

The remaining current payments, including purchases of goods and services, rent, taxes, and interest, amounted to IL 159 million. Interest payments declined from IL 6 million in 1961 to IL 5 million.

2. Purchases on capital account

The downward trend in the relative share of capital purchases¹ in total expenditure has continued since 1958. This is attributable to the completion of the basic building programs of several health and educational institutions which are the largest investors in this sector.

All non-profit institutions, apart from those of the Histadrut, showed a lower investment figure for 1962. Purchases on capital account declined from IL 55 million in 1961 to IL 52.5 million; the real decline was much larger owing to a 20 per cent rise in investment prices (see Table XVI-2).

The proportion of investment expenditure financed through foreign transfers on capital account went up from 40 per cent in 1960-61 to 45 per cent in 1962.

3. Transfers

Transfer payments from the non-profit institutions totalled IL 21 million in 1962; of this amount, IL 6 million was paid to the Government, mainly by the health institutions and Malben, for its participation in the provision of health services. Transfers to households, which include scholarships and literary and other prizes awarded by educational and religious institutions and relief payments by welfare institutions, aggregated IL 15 million.

4. Credits

Credit granted by the non-profit institutions consisted primarily of loans to households. The balance of outstanding loans rose in 1962 by the same amount as in the previous year—IL 5.5 million; the increase stemmed mainly from loans granted by various welfare funds.

¹ Investment in buildings and equipment, less sales.

2. DEMAND SURPLUS AND SAVING OF NON-PROFIT INSTITUTIONS

The demand surplus of this sector came to IL 120 million in 1962, as compared with IL 110 million the previous year, and represented about 24 per cent of all its purchases and transfers. About 95 per cent of the surplus was financed by transfers from abroad during the year reviewed, as against only 85 per cent in the years 1959-61. This change, as already stated, came in the wake of the devaluation.

Table XVI-7

DEMAND SURPLUS OF NON-PROFIT INSTITUTIONS, 1960-62

	1960	1961	1962
	IL million		
Demand surplus			
Purchases, less sales	316.0	346.9	393.2
Less: Net income from domestic transfers	212.8	238.0	273.0
Total	103.2	108.9	120.2
Financing of demand surplus			
Transfers from the rest of the world	86.6	92.1	113.6
Net credit from other domestic sectors	16.6	16.8	6.6
Total	103.2	108.9	120.2
	Per cent		
Transfers from the rest of the world	84	85	95
Net credit from other domestic sectors	16	15	5
Total	100	100	100

The saving of the non-profit institutions (See Table XVI-8) is defined as the difference between receipts and payments on current account, which here is measured in two ways:

(a) Saving arising from current domestic operations. According to this yardstick, which excludes transfers from abroad from total current receipts, there was a dissaving of IL 71 million in 1962 as compared with IL 57 million the year before.

Most of this dissaving can be attributed to those institutions whose current expenditures are largely financed through foreign transfer receipts. Among them are Hadassah, Malben, Ort, and institutes of research and higher education, which account for a third of all transactions of the sector. The remaining

institutions finance most of their current expenditure through domestic transfers, and their dissaving in 1962 amounted to only IL 9 million.

Table XVI-8
SAVING OF NON-PROFIT INSTITUTIONS, 1961-62
(IL million)

	1962			1961
	Group A ^a	Group B ^b	All non-profit institutions	
1. Domestic transfers on current account	51.2	218.8	270.0	235.0
Current purchases (net of sales)	112.9	227.7	340.6	291.7
Saving originating from current domestic operations	-61.7	-8.9	-70.6	-56.7
2. Transfers from the rest of the world on current account	71.7	18.4	90.1	70.8
Saving	10.0	9.5	19.5	14.1

^a Institutions whose transfer receipts from abroad constitute more than a third of their aggregate income.

^b Remaining non-profit institutions.

(b) Saving arising from all current operations. There is some justification for regarding part of the transfers from abroad as current transfers, since they are primarily intended to finance current operations. According to this yardstick, the non-profit institutions showed a positive saving in 1962 of IL 19.5 million, as against IL 14 million the previous year. The increase was due to the substantial rise, from IL 71 million to IL 90 million, in transfer receipts from abroad on current account.