

National Insurance Institute
Research and Planning Administration



2013

**Poverty
and Social Gaps**

Annual Report



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Foreword

For many years the central message in reports on the dimensions of poverty was that social gaps continue to cast a shadow over Israeli society, and that there has been no easing of poverty and inequality. This time, the report indicates an improvement – the dimensions of poverty and inequality are falling. However, notwithstanding the improvement, poverty rates are still higher than in other countries.

The main factors leading the change are the growth in employment, particularly among families that were isolated from the labor market, and increases in wages, albeit modest. This process can be seen more clearly from the cumulative perspective of several years rather than by looking at a single year. As described later, there is still some doubt over the degree of the improvement, when the change is compared with other sources of information – a manpower survey from the Central Bureau of Statistics, the paid jobs file and the pay file (for the whole population) from the Tax Authority. This professional hesitation over the intensity of the change in employment, which is the main factor this year, is explained in the report.

It is important to note that one of the main moral tests of proper social policy is the concern for everyone – including the weakest, who need economic assistance from the state because for various reasons they are unable to participate fully in employment. This section of the population needs proportionate subsistence benefits that will provide a decent standard of living while preserving a reasonable incentive to find employment.

In spite of the need to increase income support and child allowances, as the National Insurance Institute has stated on various occasions, the Government decided in mid 2013 to cut child allowances, while leaving income support at its low level. It would have been better to improve this central subsistence benefit in tandem with the universal child benefit, in order to minimize any negative effect on the incentive to work.

As the welfare system shrinks and family welfare becomes solely dependent on income from work, the failure to raise benefits to a more reasonable level increases the risk of creating an undesirable situation of the spread of damaging work, that is, work "at any price" – young people working instead of studying, old people forced to work past retirement age, employees who are obliged to accept unfair conditions.

Better enforcement of the minimum wage and improved utilization of the work grant continue to be vital goals, and the chances of success are better since the Government and the Histadrut agreed on a significant increase in the resources of the Enforcement Unit of the Economic Ministry. As for increasing the minimum wage, this should be done wisely to ensure that workers with proven skills earn **above** the minimum wage.



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Summary of Findings

- In 2013, **432,600** families, representing **1,658,200** people including **756,900** children, were living in poverty, compared to 439,500 families, representing 1,754,700 people including 817,200 children, in 2012.
- The rate of families living in poverty (incidence of poverty) **fell** from 19.4% in 2012 to **18.6%** in 2013. The incidence of individual poverty **fell** from 23.5% in 2012 to **21.8%** in 2013, and the **percentage of children** living in poor families fell from **33.7%** in 2012 to **30.8%** in 2013.
- The reason for the drop in the extent of poverty is the improvement in the earnings of low paid workers, due to **the sharp growth in employment rates and as a result of pay rises**. This growth overshadowed the effect of cuts in child allowances which would increase poverty. **The strength of the growth** as reported in the survey of household expenditure by the Central Bureau of Statistics **does not match the data from the manpower survey**, also from the CBS. This subject is discussed in the Report (see Figures A to D, Tables A and B, and Appendices 19 and 20). The growth in employment reflected in the household expenditure for 2013 was sharp. In the last 4 years some increase in real pay has also been recorded, amounting to about 2%-2.5% (according to the expenditure survey and the Bank of Israel report for 2013, respectively).
- The depth of poverty measured by the income gap ratio, that is, the average gap between the income of poor families and the poverty line, fell by 5% in 2013, from 34.4% in 2012 to 32.8%. **The decline in the severity of poverty reached 15%**. The 2013 data therefore show not only a drop in the size of the poor population, but also an improvement in the situation of people living in poverty.
- The dimensions of poverty in families headed by someone of working age who is unable to find employment have deteriorated: the incidence of poverty in these cases rose from 66.1% to 72.9% while the severity of their poverty in 2013 (according to the FGT index) was more than 12 times that of working families.
- In 2013 **the incidence of poverty by economic income** (from work, pensions and capital) amounted to 28.1% for families, 28.3% for individuals, and 35.3% for (parents in families with) children.
- **The ongoing decrease in the dimensions of poverty occurred simultaneously with the cuts in child allowances** introduced in August 2013, and therefore they only affected the living standards of families in the last 5 months of that year. The effects of the cuts can therefore only be fully expressed by a comparison between 2014 and 2012, two years in which there were other important economic processes, mainly the increase in employment. The expansion of employment in 2013 was particularly prominent, particularly among population groups that were traditionally less integrated into the labor market. This

expansion has now been recorded for a number of years, and has helped to reduce poverty and offset the poverty-increasing effect of cuts in child allowances.

- Due to state intervention in the form of benefits and direct taxation, 34% of families, 23% of individuals and about 13% of children were rescued from poverty. In 2013, the contribution of benefits to rescuing people from poverty was about 4% less than in 2012, due to increased in economic income and cuts in child benefits.
- The incidence of poverty among **Arab families decreased** from 54.3% in 2012 to 47.4% in 2013. This occurred in spite of the cuts in child allowances, whose specific effect is an increase in poverty in this population, which is characterized by a high proportion of large families. The decrease is attributed to increased employment, particularly among women (employment among Arab women rose by about 18% according to the expenditure survey of the CBS) with a parallel increase in the economic income of Arab families, leading to a drop in poverty rates measured by economic income, that is, before state intervention through transfer payments and taxes (from 59% in 2012 to 52% in 2013). This year, as in the previous year, the Bedouin population in the south was not included in the CBS survey for practical reasons.
- Incidence of poverty among elderly families fell from 22.7% in 2012 to 22.1% in 2013, approaching the levels of the years prior to 2012. This may be linked to the rising trend of employment among the elderly. The contribution of transfer payments and direct taxes to rescuing the elderly from poverty, which is the highest of all population groups surveyed, also fell from 55% in 2012 to about 53% in 2013.
- **Incidence of poverty among working families also fell**, from 13.8% in 2012 to 12.5% in 2013, due to the considerable increase in the proportion of families with two breadwinners, from 45.7% in 2012 to 50% in 2013.
- In **working families with one breadwinner**, the incidence of poverty fell from 24.9% in 2012 to 24.1% in 2013. By contrast, **the incidence of poverty in families with two breadwinners continued to rise**, from 5.5% to 5.7% in those two years (Figure 5). These findings reflect a large divergence between Arabs and Haredi (ultra-Orthodox) Jews on one hand, and the rest of the population on the other. This is because many of the newly employed are joining the labor market for the first time, so their wages are low. The rate of families with two or more breadwinners rose by about 10%, against a similar decrease in the rate of families with a single breadwinner. As stated, the rise in newly employed second breadwinners was mainly in Haredi and Arab families, where the rate of poor families with two breadwinners rose to 24.4% and 21.1% respectively. Among non-Haredi Jews the incidence of poverty in families with two breadwinners is negligible, and fell this year to 2.8%.
- As in previous years, **the highest rates of poverty – over 30%** are found in **Jerusalem and the northern region**. In these areas the incidence of poverty also declined from 2012 to 2013 due to the large increase in employment. On the other hand, the dimensions of family poverty increased in Haifa and the central region.

- Inequality in **available income** fell at a high rate this year (on average at twice the rate of the last decade); changes are measured by the Gini Index of Inequality that ranges from 0 (full equality) to 1 (absolute inequality). In 2013 this index reached 0.3634, and 0.4788 according to economic income.
- **It is estimated that in 2013 about 66% of poor families were living in persistent poverty**, since both the income and consumer expenditure of these families are below the poverty line.
- The drop in rates of poverty and inequality of income in 2013 improved the situation in Israel in international comparisons. However, there is still a long way to go to reach the average levels of poverty and inequality in the OECD.

I. Dimensions of Poverty

1. The Poverty Line and Standard of Living

In 2013 economic growth continued, accompanied by increased employment. GDP grew by 3.3% after a similar rise the previous year. The number of paid Israeli employees increased by 2.7% in 2013, after an increase of 3% each year in the three previous years (estimate less statistical changes). Over the last two years the expansion of employment corresponded with a rise in real wages – by 1.1% in 2013, after a rise of 0.6% the previous year. The cumulative increase in wages from 2010 to 2013 was 2.8%. Unemployment fell to 6.2% in 2013¹. These favorable economic data are particularly striking against the background of fairly weak economic performance in many other economies worldwide in that period, particularly in the euro zone, which showed negative growth (-0.4%)². Unlike Israel's rapid growth in the period from 2004 to 2008, this time the growth benefited not only the high tech sectors, but also industries that employ more low-skilled people ("pro-poor growth"). All these factors supported the decrease in the dimensions of poverty presented in this Report.

Data from the CBS expenditure survey show a sharp rise in the rate of employment, which exceeds the data from the manpower survey (see below).

As a result of the significant increase in employment, according to data from the household expenditure survey, there was a sharp rise in household incomes, particularly the income from work (and capital). Average standard available per capita income³ was about NIS 5,700. The median income by the same definition was about NIS 4,800 and the standard per capita poverty line derived from this was NIS 2,392 per month. Economic income per family and economic income per individual grew by 6.1% and 4.1% respectively. Available family income, after taxes, mandatory insurance payments and benefits, rose by 4.1% and the median available income per standard individual and the poverty line rose by 4.4%.

¹ The figures are taken from the CBS manpower survey and some were calculated according to the tables in Appendix E of the Bank of Israel report. In recent years the manpower survey has undergone far-reaching changes, inter alia following the transition from quarterly to monthly surveys, expansion of the sample particularly in outlying areas, and by arrangement with the OECD, counting regular soldiers as part of the workforce.

² Economist, Economic and Financial Indicators, various copies.

³ In the weighting scale generally accepted in Israel, two people equal two standard individuals, and from 3 onwards, the number of standard individuals in a family is lower than the actual number of people, based on the rationale that marginal expenditure decreases as the number of people increases, because of the relative savings available to larger families, for example in housing and energy costs.

Table 1: Monthly Household Income by Type (NIS), 2011-2013

Type of income	2011	2012	2013	Real change (%) 2012-2013
Averages				
Economic per family	12,709	14,529	15,742	6.7
Economic per standard individual	4,808	5,622	5,973	4.7
Gross per family	14,638	16,587	17,715	5.2
Gross per standard individual	5,671	6,526	6,854	3.4
Net per family	12,356	13,842	14,626	4.1
Net per standard individual	4,805	5,458	5,691	2.7
By median				
Median net per standard	4,001	4,513	4,783	4.4
Poverty line per standard	2,000	2,256	2,392	4.4

The poverty lines for families of various sizes are presented in Table 2, which show that an individual with available monthly income of less than NIS 2,989 is considered poor, and the same applies to a couple with a monthly income of less than NIS 4,783. In 2013, a family of five needed monetary income of about NIS 9,000 per month not to be considered poor.

Table 2: Poverty Line by Family Size

Number of people in family	No. of standard individuals	NIS per month	Marginal extra in NIS
1	1.25	2,989	-
2	2.00	4,783	1,794
3	2.65	6,338	1,554
4	3.20	7,653	1,315
5	3.75	8,968	1,315
6	4.25	10,164	1,196
7	4.75	11,360	1,196
8	5.20	12,436	1,076
9	5.60	13,393	957

Table 3 shows the extent to which full time work of at least one breadwinner on minimum wage together with benefits to which everyone is entitled (universal child allowance) is sufficient for minimum existence (that is, cover the poverty line). The other columns are variants of the same

question and demonstrate, for example, the problematic situation of families with 4 or more children. According to this calculation, such a family is currently unable to maintain a decent standard of living even if both parents are working full time for the minimum wage. In other words, in order to support the family they need other sources – such as the work grant or income supplement, which require a means test that many families will fail and thus continue to live in poverty. A ratio greater than 100% in this table is an indication that income from work and from universal benefits is sufficient for the family not to live in poverty. The table shows that a single mother with two or more children working full time at the minimum wage will not be able to escape poverty without finding additional sources equal to at least a quarter of her income. Couples with two children who are together working the equivalent of 1.5 jobs on minimum wage will be under the poverty line and the depth of their poverty will increase as the number of children increases. Even couples where both are working full time on minimum wage (or with one earning the average wage) will only be able to escape poverty if there are less than 4 children in the household.

Table 3: Family Income from Work and Universal Benefits as a Percentage of the Poverty Line, 2013 (%)

Composition of household	Available income from minimum monthly wage* for 1 job as a % of poverty line (1)	Available income from minimum monthly wage* for 1.5 jobs as a % of poverty line (2)	Available income from minimum monthly wage* for 2 jobs as a % of poverty line (3)	Available income from average monthly wage* for 1 job as a % of poverty line (4)	Twice available income from average monthly wage* as a % of the poverty line. (5)
Single person	139	-	-	281	-
Single + child	90	-	-	184	-
Single + 2 children	72	-	-	146	-
Single + 3 children	63	-	-	127	-
Couple	87	130	174	176	354
Couple + child	68	101	134	135	273
Couple + 2 children	60	87	114	115	232
Couple + 3 children	54	77	100	101	202
Couple + 4 children	50	71	91	92	181
Couple + 5 children	46	65	83	84	163

* Calculated as the minimum wage or average wage for 2013 plus child allowance, less mandatory payments. The gross average minimum wage for 2013 was estimated as NIS 4,300 and the average wage as about NIS 9,212 per month.

2. Dimensions of Poverty in 2013 and Developments in Recent Years

In 2013 the dimensions of poverty fell compared to 2012 (Table 4). The incidence of poverty in families stood at 18.6%, compared to 19.4% in 2012. The incidence of poverty per capita fell from 23.5% in 2012 to 21.8% in 2013 (a drop of about 7%), and the proportion of children living in poverty fell by about 9%, from 33.7% in 2012 to 30.8% in 2013.

The absolute numbers of people living in poverty in Israel also fell compared to 2012: in 2013 there were **432,000** poor families (-1.6%) or **1,658,200** individuals (-5.5%), including **756,900** children (-7.4%).

Table 4: Incidence of Poverty (%) and Number of Poor People, 2012-2013

	Before transfer payments and direct taxes, %	After transfer payments and direct taxes, %	Drop in incidence of poverty after transfer payments & direct taxes, %
2013			
Families	28.6	18.6	34.9
Individuals	28.7	21.8	24.2
Children	35.7	30.8	13.6
2012			
Families	30.3	19.4	36.2
Individuals	31.4	23.5	25.3
Children	39.0	33.7	13.6

	Before transfer payments and direct taxes	After transfer payments and direct taxes	Numbers rescued from poverty after transfer payments & direct taxes
2013			
Families	664300.0	432600.0	231700.0
Individuals	2187100	1658200	528900
Children	875600.0	756900.0	118700.0
2012			
Families	688600.0	439500.0	249100.0
Individuals	2350400	1754700	595700
Children	945900.0	817200.0	128700.0

a. The main reasons for the drop in poverty in 2013 – developments in employment and pay

Growth in employment has characterized the Israeli economy every year since 2000, and particularly since 2004, with a short relapse in 2009. This relapse derived from the deep global financial crisis that broke out in the USA in 2007 following a crisis in the American mortgage market. Until 2008, growth in Israel was positively affected by demand from overseas, particularly in the field of high tech, and as a result of the rapid growth of global trade (over 5% annually⁴). From 2004 to 2008 this demand hardly trickled down to population groups that are traditionally less integrated into employment. According to the expenditure survey and non-final data from the Tax Authority's pay files, it appears that this situation has changed, with growth in Israel continuing from 2010 through to 2013, particularly relative to the economic slowdown that hit many world economies, especially in the euro zone. It appears that during this period more economic growth in Israel did reach the weaker sectors: employment rates among Haredi men and Arab women, for example, increased in strength (Figure A), and gradually influenced the real pay of poor workers (Figure B)⁵. In the period 2001 to 2003, when there were cuts in the welfare system and in unemployment pay during the economic recession, real pay fell for both poor workers and non-poor workers. During the first period of growth (2004 to 2008) which was led by the high tech industry, the pay of non-poor workers rose 5 times more than that of poor workers, in other words, growth hardly trickled down. In the recession of 2009 the damage to the pay of non-poor workers was greater than for poor workers (since the recession in Israel was largely affected by the drop in demand for Israeli exports). This trend was reinforced among other things by the introduction of the work grant, which has been operating at national level since 2011, and apparently also by an improvement in its take-up rate⁶. When the incidence of poverty declined slightly in 2011, it appeared to reflect a year of stagnation. In 2012 it was hard to perceive trends due to technical changes due to the move from income surveys to expenditure surveys (see general note, p. 4 of the Poverty Report of 2012). The 2013 results raise the question more strongly: do they indicate a break in the stagnation that was hard to discern in recent years, each time for different reasons? The long term view suggests looking at developments since 2008 in another way – as breaking a situation of stagnation in poverty. Figure A stresses the convergence of employment rates among weak groups and in the population as a whole⁷.

⁴ See: Table A1, Summary of World Output, World Economic Outlook, Oct. 2014, IMF.

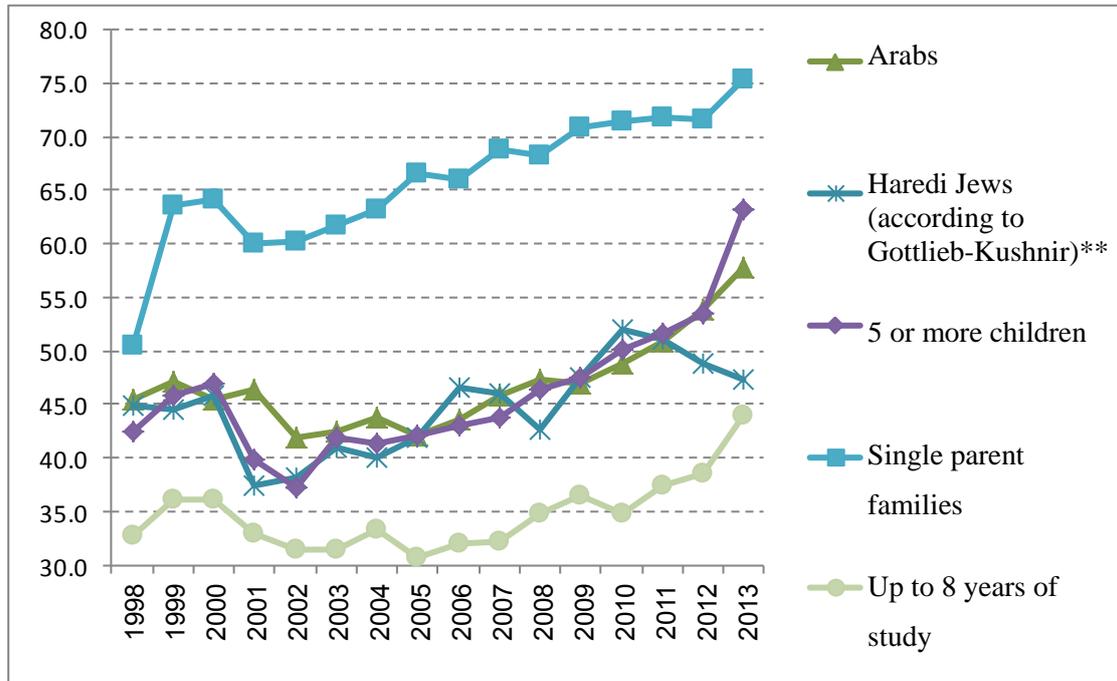
⁵ Some support for this can be found in the table in Appendix 19 and the figure in Appendix 20.

⁶ The household expenditure survey has only included an explicit question about the work grant since 2014. Therefore its effect should be clearer from next year. However, some of the effect may be perceived in 2013 under the heading "Other income". Payments are made in the following year, so that the national payment was first recorded (if at all) in 2012. Regarding improvement in take-up, see the report of the sub-committees of the War on Poverty Commission, p. 191.

⁷ Among Haredim the picture is less clear; results vary according to the model used to identify Haredim. From the 2014 expenditure survey, Haredim will be identified by their own declaration.

Support for this picture can be found in temporary data from the Tax Authority's pay file that support the findings of the expenditure survey regarding the rate of change in employment (see the table in Appendix 19 and the figure in Appendix 20).

Figure A: Development of Employment Rates by Population Group, Ages 25-64, 1999-2013



The survey's reliability increases with the number of observations. This is the first year in which the expenditure survey has almost doubled in size compared to previous years: this year the sample included about 9,500 observations, so that it is far more representative and consistent than in previous years.

Table a: Annual Rates of Change in Employment Rates (%) for the 25-64 Age Group

	1999-2001	2002-2003	2004-2008	2010-2013	2009	2010	2011	2012	2013
Total population	1.7	-1.4	1.6	4.1	-1.3	2.5	0.7	3.6	9.6
Jews	1.7	-0.6	1.6	3.9	-1.0	2.3	0.6	3.5	9.5
Arabs	1.4	-5.0	2.2	6.2	-3.0	4.9	2.6	7.0	10.5
Immigrants	2.0	0.4	1.9	2.8	0.8	0.9	1.1	3.7	5.6
Haredim (according to Gottlieb-Kushnir)**	-4.2	3.2	1.4	1.3	7.6	8.8	-2.6	-1.5	0.9
Haredim (classical approach)	-4.2	5.3	0.7	5.1	9.3	6.8	-0.3	6.4	7.6
Families with children - total	1.8	-1.8	1.5	4.0	-0.9	2.5	0.4	3.1	10.4
1-3 children	1.9	-1.7	1.4	3.6	-1.1	2.1	0.1	3.2	9.2
4 or more children	-0.1	-0.7	2.2	6.8	0.0	6.6	2.6	1.1	17.8
5 or more children	-1.8	2.6	2.5	9.2	-1.8	7.2	1.0	6.0	24.1
Single parent families	4.7	1.2	1.9	3.3	3.0	2.9	-1.6	1.9	10.6
Families by age of household head									
Up to 30	2.8	-2.9	1.8	7.1	-4.4	4.2	-0.7	3.7	22.6
Age 31-46	1.5	-0.7	1.2	2.2	-0.3	1.1	0.8	2.2	5.0
Age 46-64	0.7	-1.1	1.0	3.3	0.0	2.9	1.5	4.4	4.3
Families by education of household head									
Up to 8 years of school	0.3	-2.3	2.0	5.7	3.8	-3.2	5.1	5.9	15.9
From 9-12 years of school	1.5	-2.4	1.8	5.7	-2.8	3.1	0.8	3.2	16.5
13 and over years of school	0.9	-0.5	0.9	2.3	-1.4	2.2	0.3	2.6	4.1

Table b: Rate of Employment of Men and Women by Population Group

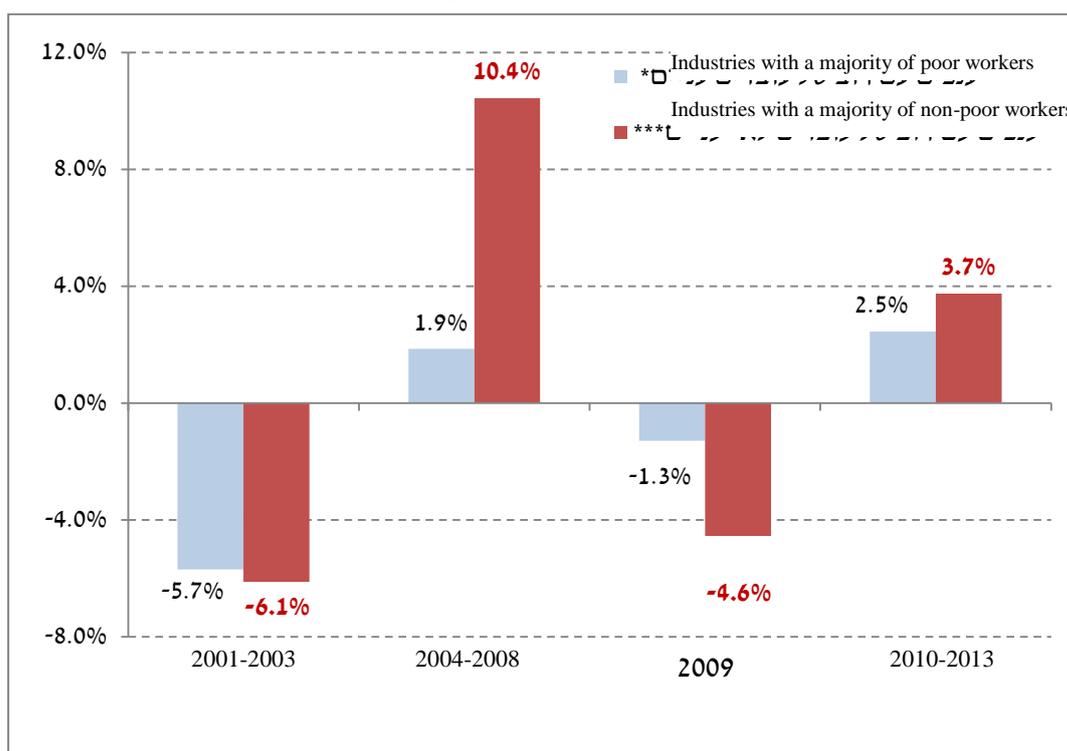
Population group	Men		Women		2013	
	2012	2013	2012	2013	Men	Women
	Rate of employment				% change	
Total population	72.4	79.6	64.6	70.3	10.0	8.9
Jews	73.6	81.0	72.9	79.1	10.1	8.4
Arabs	67.5	73.8	30.6	34.7	9.4	13.5
Elderly*	68.8	74.7	34.7	40.0	8.6	15.2
Immigrants	44.5	53.3	47.4	54.3	19.9	14.6
Haredim (Gottlieb-Kushnir approach)**	77.2	83.1	75.2	79.1	7.6	5.1
Haredim (classical approach)	29.4	31.7	60.2	61.1	8.0	1.5
Families with children - total	33.9	39.4	60.9	63.1	16.2	3.6
1-3 children	74.7	82.0	62.3	69.2	9.8	11.1
4 or more children	77.0	83.6	65.1	71.6	8.6	9.9
5 or more children	62.9	73.4	47.4	56.1	16.6	18.3
Single parent families	58.0	67.8	42.0	55.5	16.9	32.0
Employment status of household head						
Working	64.4	76.1	64.5	69.8	18.2	8.2
Salaried	78.1	85.0	69.7	75.5	8.8	8.4
Self employed	77.9	84.6	70.6	75.8	8.6	7.4
Unemployed of working age	82.6	88.0	64.7	74.4	6.6	14.9
2 or more breadwinners	67.4	72.4	45.8	48.4	7.5	5.7
Age of household head						
Up to 30	82.8	89.1	80.8	85.1	7.5	5.3
Aged 31-45	71.5	75.9	66.2	67.0	6.2	1.3
Aged 46 to pension age	82.4	86.8	68.8	75.2	5.4	9.4
Of legal retirement age***	67.4	78.1	61.7	69.3	16.0	12.5
Education of household head						
Up to 8 years of school	26.8	37.6	31.2	43.3	40.1	38.8
9-12 years of school	50.8	59.0	29.0	38.9	16.2	34.0
13 or more years of school	72.2	79.6	59.7	66.0	10.2	10.6

* According to the definition until now: from 60 for a woman and from 65 for a man

** Figure for current year (and not cloating average as in previous years).

*** The definition is adjusted for the retirement age under the Retirement Act. Therefore this figure is not fixed until the process of raising the retirement age is complete.

Figure B: Development of Real Pay by Industry⁸



Note: In this diagram, the increase of real pay of poorer workers was calculated by combining Table 7-e-50 of the Bank of Israel report and Table 10-50 of the Dimensions of Poverty and Social Gaps report for 2013: it was assumed that the rise in real pay of poor workers equals the average rise of pay in industries where the rate of poor workers is higher, or equal to that of non-poor workers (according to Table 10-50).

b. Intensity of growth in employment

Figure C indicates a smaller change in employment according to the manpower survey than reported in the expenditure survey. It is true that the two surveys have different definitions of employment, which could produce different results⁹. The diagram also shows that the difference in the rates of growth in employment in the two surveys was very small, which is not surprising in view of the fact that until 2011 the income survey covered about 60% of the number of observations in the manpower survey, and it is only in the last two years when the expenditure survey no longer includes observations from the manpower survey that it shows a faster rate of growth in employment than the manpower survey.

Further evidence is obtained from processing by the CBS of the Form 102 reports from the National Insurance, from which they calculate the number of paid jobs and the average pay

⁸ This diagram represents a combination of Table 7-e-50 in the 2013 Bank of Israel report and Table 10-50 in the current report.

⁹ The manpower survey asks about work during the last week, while the expenditure survey asks about work in the last quarter, so that the results are not necessarily consistent with each other.

for such jobs (Figure D)¹⁰. It is possible that this information indicates a smaller rate of change in employment than is reported in the expenditure survey, something that could hint at a smaller decline in the dimensions of poverty¹¹.

Figure C: Comparison of Employment Rates – Manpower Survey versus Household Income and Expenditure Surveys , 2002-2013

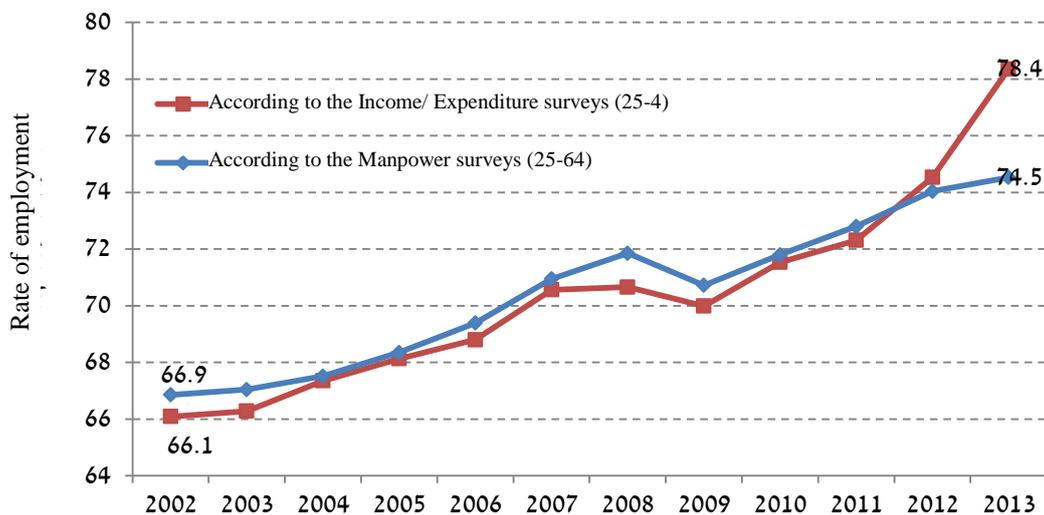
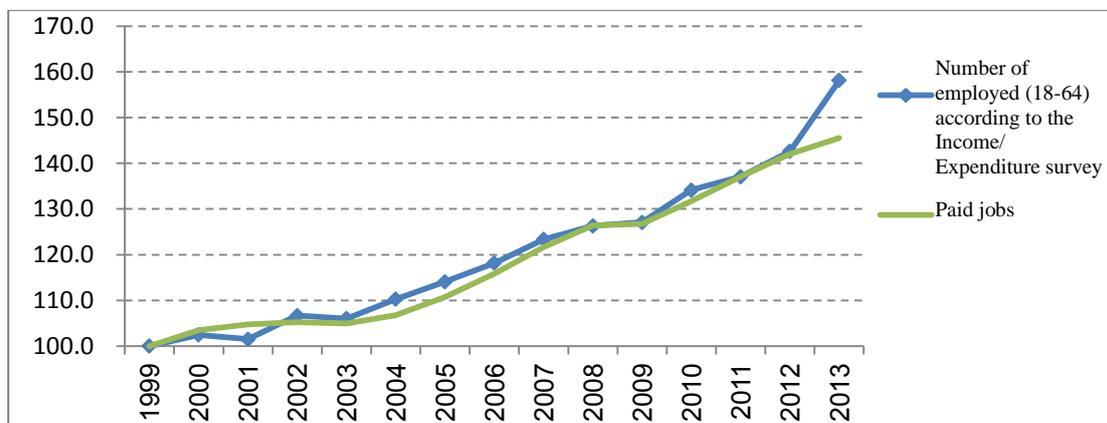


Figure D: Change in Number of Paid Workers (Expenditure Survey) and in the Number of Paid Jobs Over Time



¹⁰ The basis for this report is the reporting from all employers with 100 or more positions and a sample of smaller businesses. Since the proportion of weaker employees is higher in smaller businesses and the rate of workers with multiple jobs is higher among the weaker ones, this comparison is also not simple, since the result of the expenditure survey is that the main increase is among workers from weak population groups. Therefore the gap in the intensity of the growth does not negate the conclusions from the expenditure survey.

¹¹ It is noted that the administrative pay file (which will be fully available only around May 2015) indicates – like the report from the expenditure survey – a considerable growth in employment among weaker population groups (see Appendices 19, 20).

c. Severity of poverty among those who fail to find employment

The decrease in the dimensions of poverty due to the growth in employment and in wages is welcome. However, it is important to remember those who are unable to join the workforce. This is the purpose of the welfare system. Following cuts in child allowances and in view of the low level of subsistence benefits, the economic situation of families that fail to find employment is particularly serious, and in fact the success of 2013 emphasizes the gap in how the welfare system deals with families that are unable to work (Table A). This gap is particularly wide among population groups where most people work. In groups where there are widespread employment problems, the difference between working and non-working families is small. This indicates apparent failures in the area of wages, and the necessity of improving not only the welfare system but also the enforcement of labor laws.

Table c: Incidence of Poverty and Severity of Poverty – Working Families Compared to Non-Working Families, 2012-2013

Population group	Working				Not working of working age				Working, 2013
	Incidence of poverty		- Severity of poverty FGT		Incidence of poverty		- Severity of poverty FGT		
	2012	2013	2012	2013	2012	2013	2012	2013	
Total population	13.8	12.5	0.023	0.021	66.1	72.9	0.276	0.263	12
Jews	9.5	7.9	0.013	0.012	56.8	63.9	0.195	0.187	15
Arabs	38.8	38.5	0.066	0.059	87.5	95.1	0.390	0.376	6
Immigrants	9.4	8.9	0.011	0.012	58.6	71.7	0.145	0.173	15
Haredim (Gottlieb-Kushnir)**	53.5	65.2	0.061	0.088	80.4	89.0	0.269	0.287	3
Haredim (by last school)	41.3	46.2	0.047	0.062	77.7	82.1	0.263	0.269	4
Families with children - total	20.4	19.0	0.030	0.027	82.0	85.1	0.320	0.304	11
Single parent families	19.7	16.4	0.030	0.018	74.5	78.7	0.161	0.294	16
Age of household head:									
Up to 30	19.2	17.2	0.029	0.028	72.2	83.6	0.269	0.304	11
31-45	16.5	15.9	0.027	0.027	71.1	76.6	0.318	0.309	12
46 to retirement age	8.5	7.1	0.017	0.011	59.8	64.5	0.227	0.182	16

* By the definition used until now: 60 for women and 65 for men.

** Shown as a figure for the current year (not a floating average as in previous years)

*** The definition has been adjusted for the retirement age under the Retirement Age Act. Therefore this population is not fixed until the process of raising the retirement age is complete

Figure 1 shows the development of the incidence of poverty in families, individuals, children and the elderly from 1999 to 2013. It clearly shows that in all groups there is a sharp drop in 2013 and that in most cases the dimensions of poverty fell below their 2003 levels¹².

Figure 1: Incidence of Poverty of Families, Individuals, Children and the Elderly, 1999-2013

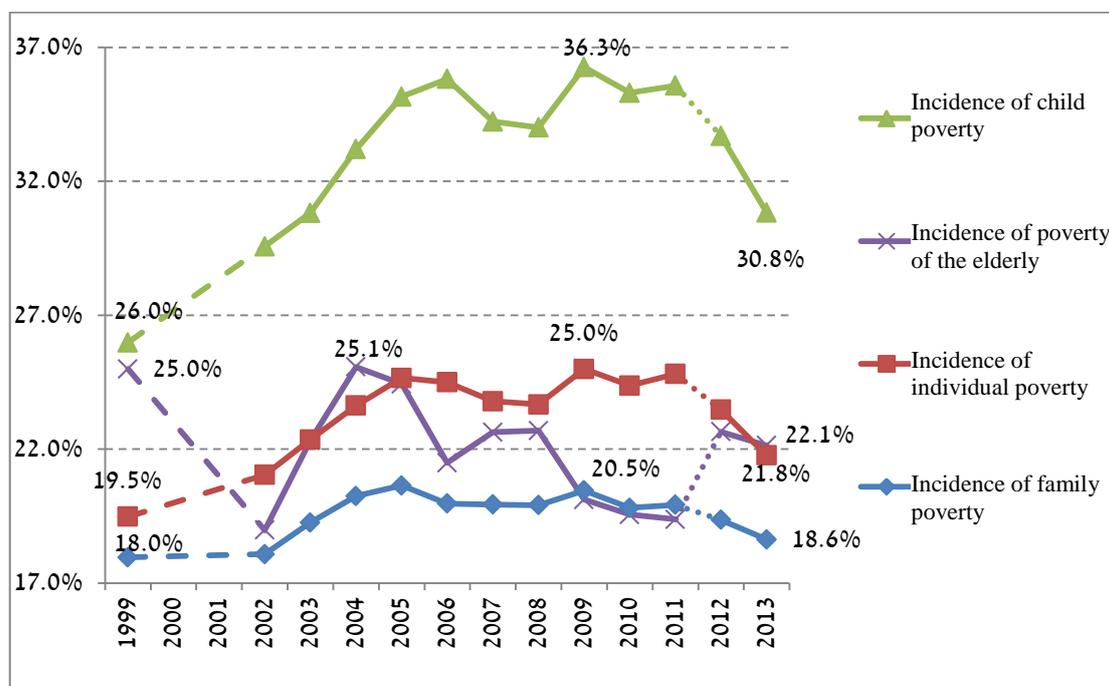


Diagram 2 below shows the incidence of individual poverty, the depth of poverty (the income gap ratio) and the poverty severity index (FGT), and Table 5 summarizes the findings on poverty among families, individuals and children in the population as a whole by selected indices, in 1999 and 2002¹³ to 2013.

These indices also show an improvement in measures of poverty and that the situation of poor families has improved considerably compared to the previous year, as well as when talking a long term view: the depth of poverty measured by the distance of family income from the poverty line fell by about 5%, reaching 32.8% in 2013. The FGT index of the severity of

¹² The break between the data for 2011 and 2012 is due to the change in the survey on which they are based: until 2011 data on poverty were based on surveys of income (which consisted of a combination of the family expenditure survey and observations from the manpower survey), and since 2012 they have been based on data from the expenditure survey only. For more on the changes in the survey definitions, see the 2012 report on poverty and social gaps. On the issue of what can be learned about changes in poverty between 2011 and 2012 there is no single reply, and it is discussed in the report for 2012 and in more detail in Appendix 10 to that report.

¹³ The figures for 2000 and 2001 did not include residents of East Jerusalem and are therefore shown as a dotted line in the diagram.

poverty, which gives greater weight to the poorest, fell at the steep rate of about 15% between these two years. The SEN index, which combines the incidence of poverty, the poverty gap ratio, and the Gini index of the poor – also fell by about 11%. These values express a decrease in the various measures of poverty similar in size (in their absolute value) to the findings in 2004, after the introduction of the 2003 economic plan, and in 2009, the year when the economy was in recession and the rate of unemployment rose.

Figure 2: Selected Indices of Poverty Severity 1999-2013 (1999 = 100.0)

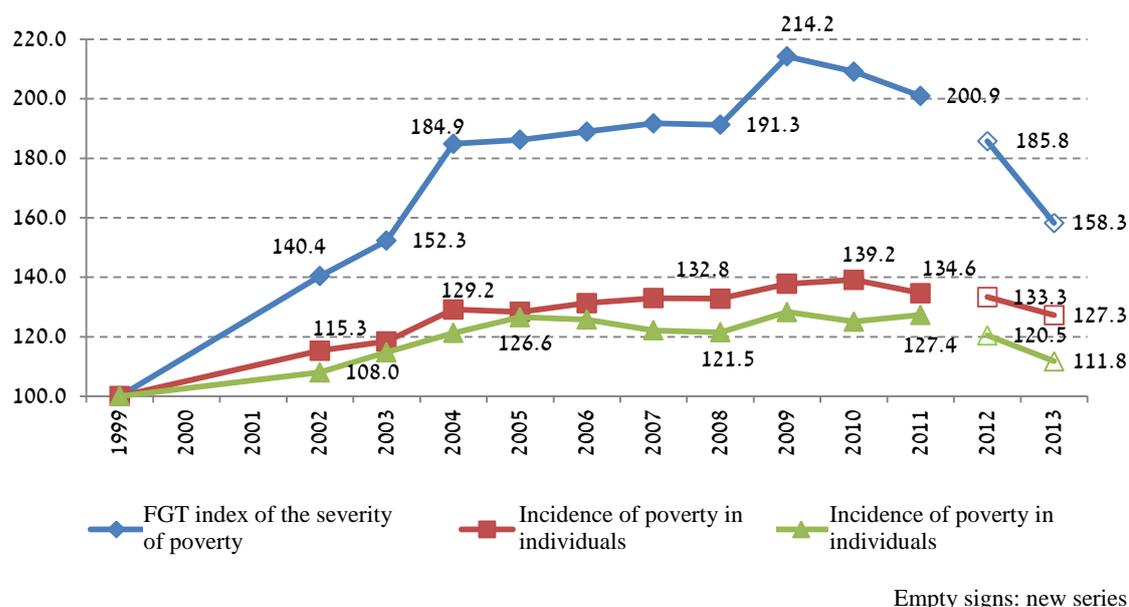


Table 5: Dimensions of Poverty by Selected Indices, 1999-2013

Index	1999	2002	2003	2004	2007	2008	2009	2010	2011	2012	2013
Incidence of poverty in families	18.0%	18.1%	19.3%	20.3%	19.9%	19.9%	20.5%	19.8%	19.9%	19.4%	18.6%
Incidence of poverty in individuals	19.5%	21.0%	22.4%	23.6%	23.8%	23.7%	25.0%	24.4%	24.8%	23.5%	21.8%
Incidence of poverty in children	26.0%	29.6%	30.8%	33.2%	34.2%	34.0%	36.3%	35.3%	35.6%	33.7%	30.8%
Incidence of poverty in the elderly	25.0%	19.0%	22.3%	25.1%	22.6%	22.7%	20.1%	19.6%	19.4%	22.7%	22.1%
Income gap ratio	25.8%	29.7%	30.5%	33.3%	34.3%	34.2%	35.5%	35.9%	34.7%	34.4%	32.8%
Depth of poverty in NIS	NIS 438	NIS 503	NIS 520	NIS 583	NIS 680	NIS 676	NIS 707	NIS 739	NIS 716	NIS 787	NIS 784
FGT index of severity of poverty	0.022	0.031	0.033	0.040	0.042	0.042	0.047	0.046	0.044	0.041	0.035
Gini index among the poor	0.153	0.184	0.186	0.205	0.205	0.205	0.213	0.211	0.203	0.200	0.189
SEN index	0.072	0.090	0.097	0.111	0.114	0.113	0.123	0.120	0.119	0.111	0.099

* The distance between the poverty line and the average of the poor per standard individual in 2013 prices.

3. The Effect of Benefits and Direct Mandatory Payments on Dimensions of Poverty

Economic income derived from the labor market and the capital market expresses a population's economic independence. Table 4 shows that the incidence of poverty in 2013, based on economic income (income before any direct government intervention through taxes and benefits¹⁴), amounted to 28.6% for families, 28.7% for individuals, and 35.7% for children. In other words, without state assistance through transfer payments and direct taxes, the incidence of poverty would be higher.

The data show that the contribution of policy measures to reducing poverty shrank by 4% in 2013. Benefits and direct taxes rescued 36.2% of families from poverty in 2012, compared to 34.9% in 2013. The percentage of individuals lifted out of poverty also fell, from 25.3% to 24.2% in those two years. The explanation for the decrease in the contribution of benefits and direct taxes lies in the leap forward indicated by the survey of employment rates and the consequent reduction in poverty measured by economic income, and also in the cuts in benefits, particularly in child allowances, which began in August 2013 and are expected to continue leaving their mark in 2014.

In spite of the progressive nature of the income tax system, the contribution of direct mandatory payments to reducing poverty is negative, since national insurance and health insurance are paid by everyone, including people on low income. Direct mandatory payments increased the incidence of poverty in families, for instance, by 8.1% in 2013, compared to the net contribution of transfer payments to reducing poverty (without the effect of mandatory payments) which amounted to 42%. Breaking down the contribution of various kinds of transfer payments – from the National Insurance, from other government institutions and from other households – shows that transfers from households and other individuals to poor households removes about 6.3% of family poverty; transfers from government agencies apart from the National Insurance remove another 8.1%, and benefits from the National Insurance remove 29% of that 42%.

¹⁴ Presenting the gap in the incidence of economic poverty and the incidence after intervention must be done with caution, since the effect of policy according to this view is biased upwards: it is probable that without the existence of the financial support system, individuals would have to make more effort to obtain economic income, and so the incidence of economic poverty would apparently be lower than it actually is, although such a case would also be looking at the incidence of poverty "after intervention", and it would therefore also be much higher than the incidence after policy.

Table 6: Incidence of Poverty by Different Definitions of Income, and the Contribution of Direct Taxes and Transfer Payments to Reducing Poverty, 2012 and 2013

	Incidence of poverty							Change in incidence of poverty after intervention by government, households and individuals					
	Before transfer payments and mandatory payments	After mandatory payments only	After transfer payments only	After NI payments only	After government payments (not NII) only	After transfers from households/ individuals only	After transfer payments and direct taxes	After mandatory payments only	After transfer payments and direct taxes	After transfer payments only	After NI payments only	After government payments (not NII) only	After transfers from households/ individuals only
2013													
Family poverty incidence	28.6%	31.1%	16.6%	20.3%	26.9%	26.8%	18.6%	8.1	-34.9	-42.1	-29.1	-6.1	-6.3
Individual poverty incidence	28.7%	31.5%	19.1%	21.6%	27.5%	27.3%	21.8%	8.9	-24.2	-33.5	-24.8	-4.3	-4.9
Child poverty incidence	35.7%	38.8%	27.6%	29.9%	34.7%	34.2%	30.8%	8.0	-13.6	-22.6	-16.2	-2.6	-4.1
Income gap ratio	57.4%	57.2%	32.8%	37.2%	52.1%	53.7%	32.8%	-0.3	-42.9	-42.8	-35.3	-9.3	-6.4
FGT	0.1371	0.1516	0.0298	0.0441	0.1035	0.1085	0.0345	9.6	-74.8	-78.3	-67.9	-24.5	-20.9
2012													
Family poverty incidence	30.3%	32.9%	17.4%	20.9%	28.5%	28.3%	19.4%	7.8	-36.2	-42.6	-31.1	-6.2	-6.6
Individual poverty incidence	31.4%	34.7%	21.0%	23.6%	30.0%	30.0%	23.5%	9.5	-25.3	-33.3	-24.9	-4.5	-4.5
Child poverty incidence	39.0%	42.6%	30.8%	33.4%	38.0%	37.7%	33.7%	8.4	-13.6	-21.1	-14.4	-2.6	-3.3
Income gap ratio	56.3%	56.2%	33.7%	37.8%	53.2%	54.0%	34.4%	-0.2	-38.9	-40.1	-32.8	-5.4	-4.0
FGT	0.1344	0.1516	0.0351	0.0499	0.1164	0.1193	0.0405	11.4	-69.9	-73.9	-62.8	-13.4	-11.2

Figure 3: The Weight of Benefits and Transfer Payments by Source in the Reduction of the Incidence of Family Poverty

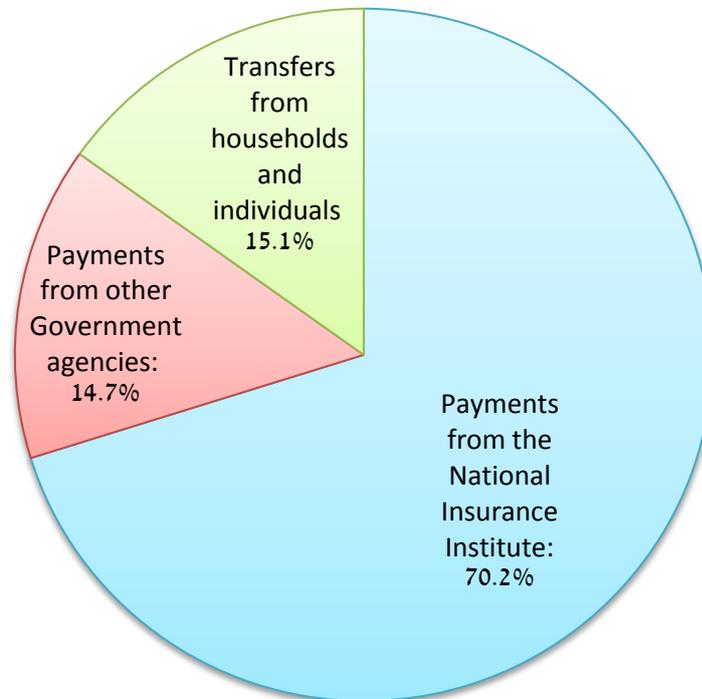
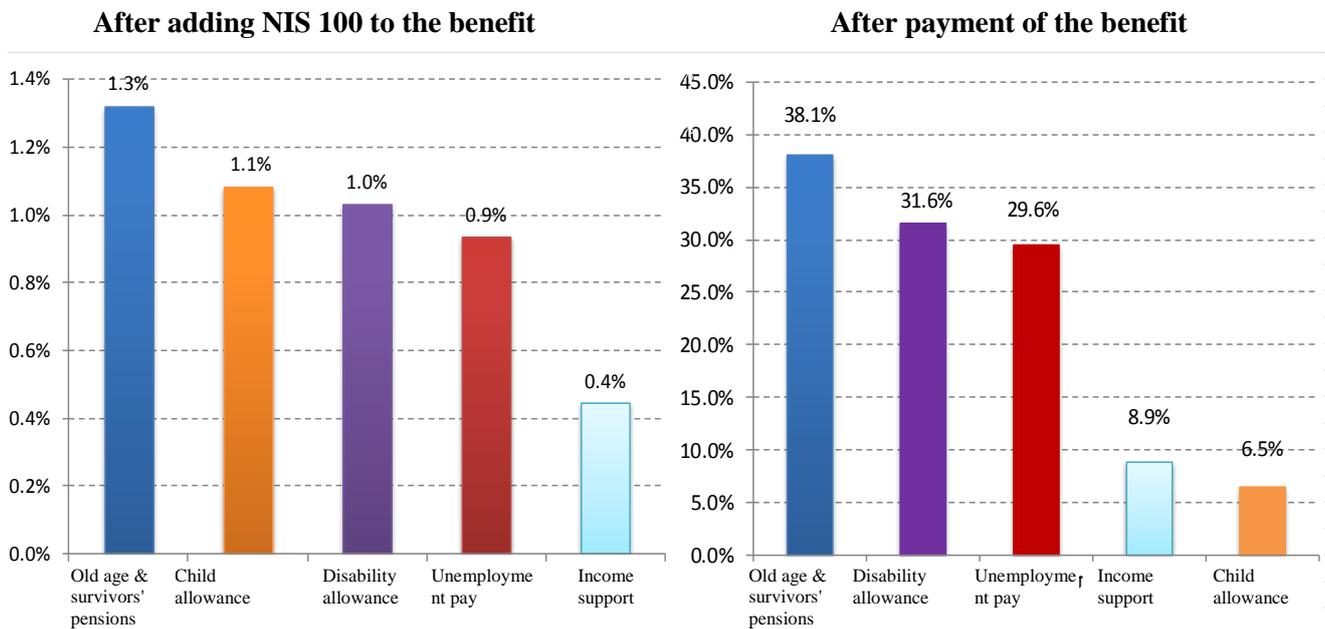


Figure 3 shows the contribution of each type of financial support to rescuing families from poverty: NI benefits, which are the bulk of transfer payments, account for about 70% of the reduction in poverty, while support from other government agencies and from other households (including some alimony and maintenance payments) each account for a further 15% of the total contribution of transfer payments. Therefore the State as a whole (including the NII) accounts for about 85% of the total contribution of transfer payments to reducing family poverty¹⁵.

¹⁵ There are other State transfers, such as benefits in kind, that are not considered here. There are also various benefits to businesses under the Capital Investment Encouragement Act and other laws, which increase profits and thus raise household incomes. The beneficiaries are mainly in the highest decile or even highest centiles. The Finance Ministry does not publish information about the distribution of benefits by deciles or centiles, although such information is essential for shaping social policy. According to a report from the State Revenues Director, the budget for benefits under the Capital Investment Encouragement Act amounts to some NIS 5bn! Another important influence not taken into account in spite of its importance is the tax exemption for capital income, mainly affecting pension funds and training funds. Here too there is no published information about the distribution effect although it involves over NIS 8bn and again, the beneficiaries are not the poor, but mainly from the highest decile, and to a decreasing extent, the ninth to sixth deciles. The current survey makes an attempt to quantify some of these transfers and the relevant estimates will be prepared later.

Benefit payments are a significant factor in reducing poverty. The following diagrams present the drop in family poverty rates for the recipients of various benefits (Figure 4). The 2013 data show that the largest effect is attributed to old age and survivors' pensions, which rescue about 36% from poverty. The disability pension and unemployment benefit also rescue a large proportion of families from poverty (31.5% and 29.6% respectively). The other benefits have a smaller effect, and for child allowances the figure is only about 7%, due to their relatively low level. Their effect is expected to continue declining next year, with the deep cuts in child allowances made in 2013, which took effect during the year of the survey.

Figure 4: Drop in Incidence of Poverty among Families who Receive a Benefit



Another analysis of this aspect is the test using the "uniform ruler" – that is, what is the effect of each NIS 100 of a benefit (Figure 4) in reducing poverty. The diagram shows that an extra NIS 100 is more effective in the case of old age & survivors' pensions and child allowances than for income support and unemployment pay, if the purpose is to reduce the incidence of poverty. Of course, this conclusion changes if the purpose is to reduce the severity of poverty for example, which is a very worthy goal in the struggle against poverty. However, it is clear that the budgetary significance of an extra NIS 100 on child allowances for example is far higher than an extra NIS 100 on income support, since the latter is a selective benefit given to a relatively low number of families. Such an analysis ignores this point, which is extremely important for policy. In addition, a benefit that may be very effective at rescuing people from poverty might be far less effective in reducing the depth or severity of poverty. Thus for example, it is clear that the status of income support will improve a great deal when we examine

its effect on the depth and severity of poverty, since even if it is not sufficient to lift people out of poverty, it is very effective in improving the situation of the poor¹⁶.

4. Dimensions of Poverty by Population Group and Geographical Region

The following tables present the dimensions of poverty by gender (Table 7) over the years, by various population groups and other criteria (Tables 8 to 10), and by geographical region (Table 11). Table 8 shows the incidence of poverty in families according to income before and after transfer payments and mandatory payments, and the effect of relevant policy on the incidence (for similar tables regarding individuals see Appendix 3). Table 9 shows the share of each group in the total population and the poor population. Table 10 presents other measures for assessing the dimensions of poverty, such as depth and severity, in the various groups.

Most of the findings in the tables indicate a sharp dichotomy between the development of poverty in working families and non-working families. The drops reflect the (steep and ongoing) growth in employment rates and increases in real wages for working families, changes that offset the effect of cuts in child allowances. The only groups that recorded an increase in poverty in 2013 were Haredi families, immigrant families, and non-working families of working age – in these cases the dimensions of poverty were large even before the additional increase in 2013. These trends – a rise in economic income against cuts in child allowances – reduced the effect of policy measures (direct taxes and benefits) on rescuing most groups from poverty.

Incidence of poverty among Arabs fell by about 7% to 47.4% in 2013, compared to a much higher rate of 54.4% in 2012. This drop is mainly attributed to a sharp change in employment found by the current survey compared to the previous year.

Incidence of poverty among working families also fell from 13.8% in 2012 to 12.5% in 2013, mainly due to increased rates of employment and higher real wages. The survey data show a considerable demographic rise in the proportion of families with two breadwinners – from 45.7% in 2012 to 50% in 2013 (with a corresponding reduction in the rate of families with up to one breadwinner).

In working families with one breadwinner, the incidence of poverty fell from 24.9% in 2012 to 24.1% in 2013. At the same time, the incidence of poverty among families with 2 breadwinners rose from 5.5% to 5.7% (Figure 5), mainly among Arabs and Haredi Jews, while the rate of poor non-Haredi families with 2 breadwinners declined¹⁷.

¹⁶ For a broader and more detailed comparison, also taking into account the budgetary implications of adding a specific amount to every benefit for other measures, such as the severity of poverty, see Table 7 of the 2011 Poverty Report, and Chapter 2 of the 2011 NII Annual Survey.

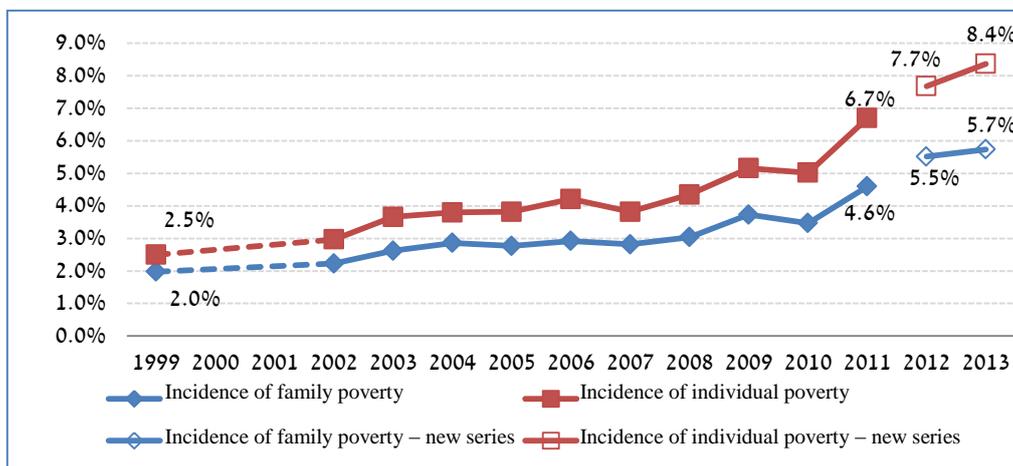
¹⁷ A separate examination of Jews and Arabs, and of Haredi and non-Haredi Jews found the following: among Jewish families the incidence of poverty was 3.6% for families and 5% for individuals, rates that were lower than for 2012. For Arabs and Haredi Jews the rates were much higher: 21% and 27% respectively for Arabs, and 24% and 30% for Haredi Jews. In both groups, rates rose sharply from 2012 to 2013.

These findings reflect the **steep rise in employment and the fact that for Arabs and Haredi Jews, this increased employment was not accompanied by growth in wages**, so that in 2013 the rate of families in these groups with two or more breadwinners rose sharply, alongside a similar decline in the rate of poor families with one breadwinner. The significance is that in 2013 several second breadwinners entered the labor market, a fact that as already stated is not supported by the manpower survey but is apparently supported by the temporary administrative data held by the National Insurance.

The entry to the labor market of low paid second breadwinners increased the household income, as expected, but also increased the incidence of poverty, particularly among Arabs and Haredi Jews. Apparently the low pay of the second breadwinners together with the cuts in child allowances means that the average income of large families has declined.

The incidence of poverty among old people fell in 2013 from 22.7% to 22.1%. It will be remembered that in 2012 there was a breakthrough in the rates of poverty in this group, following a fairly long period of improvements in old age pensions. This trend stopped in 2011, when the increment to the pension was first withdrawn after 3 consecutive years of increments in excess of the rise in the cost of living. It is possible that the decrease in the incidence of poverty in 2013 is due to the additional heating payment for pensioners in colder areas who receive income support. Apart from that, it is possible that some of the 2012 increase reflects technical changes in the survey (that were described in the previous report). The contribution of transfer payments and direct taxes in this group is the highest of all, lifting about 52% of the households from poverty.

Figure 5: Incidence of Poverty of Families and Individuals in Families With Two or More Breadwinners, 1999-2013



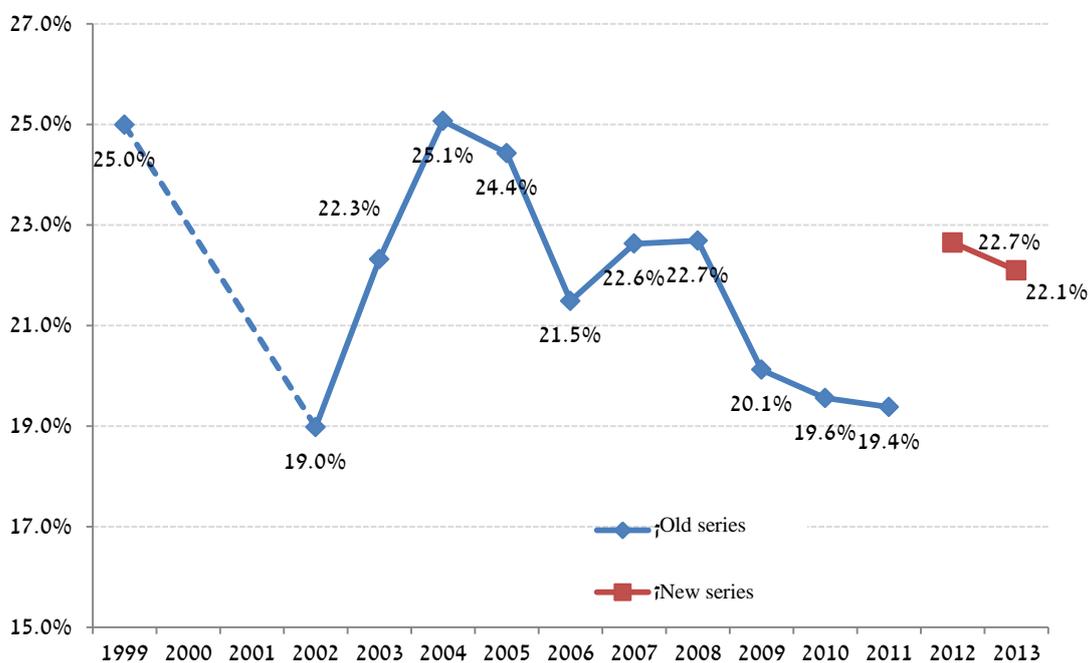
The incidence of poverty among **families with children**, who constitute over half of all poor families, fell from 24.8% in 2012 to 23.0% in 2013. The main decrease was in large families. For example, the incidence of poverty among families with 5 or more children fell from 67% to 60% in that period. The decrease in the proportion of large families in the total population, as shown by the survey, is also a factor in the reduction of poverty in the general population. This

finding is surprising, especially since past experience showed that the cut in child allowances, certainly in the short term, increased the dimensions of poverty among all families with children, and particularly among larger families. It is reasonable to suppose that without these cuts, the trend towards reducing the dimensions of poverty would have been even stronger, since employment has been developing for a number of years with no connection to this allowance, which did not change over all those years.

The incidence of poverty among families with 1-3 children is lower than the national average at 17.4%. By contrast the incidence of poverty among **large families** with 4 or more children goes down to 52.3%, and 60% in the case of families with 5 or more children (Table 8) – three or more times that of smaller families. The contribution of transfer payments to lifting small families out of poverty is much higher than for large families of 4 or more children – 18.8% compared to only 8.8%, due to the structure of child allowances and subsistence benefits, which give no preference to large families, and the reverse is often the case.

Among **Haredi Jews**, who often have large families, the incidence of poverty rose in 2013 from 60% to 66%, separating this group from the downward trend in other groups. Since the survey did not indicate much growth in employment (unlike the Arab population, for example), the increased poverty can certainly be explained by the cuts in child allowance, as well as by the low wages Haredi men generally receive when they join the workforce.

Figure 6: Incidence of Poverty among Elderly Families, 1999-2013



The incidence of poverty in single parent families fell from 29% in 2012 to 27.5% in 2013. This was largely due to the drop in the incidence of poverty defined by economic income, deriving largely from work, which fell from 45% to 41% in that period. The growth in economic income, together with the cut in child allowance, contributed to a decrease in the

contribution of policy measures to reducing poverty in this group, from 35.8% in 2012 to 33.6% in 2013. Indices of the depth of poverty and of its severity also showed a decline, of about 7% and 31% respectively, between these two years.

The incidence of poverty among adult **women** fell from 19.7% to 18.4% between 2012 and 2013. The decrease in the incidence of poverty among adult **men** was more moderate – from 17.3% to 16.5% in the same period, so that the gap between the genders rose slightly, to about 2% in 2013.

The incidence of poverty among **immigrants**, which has decreased for several years, rose from 17.3% in 2012 to 18.5% in 2013. Immigrants plus Haredi Jews and non-working people of working age (see below) are the only groups that recorded increases in the dimensions of poverty in 2013, which was generally characterized by considerable decreases in rates of poverty and inequality. The contribution of transfer payments to lifting immigrants (a group that partly overlaps with pensioners) out of poverty is very high, but in fact decreased by about 5% to 45% in 2013.

Table 7: Incidence of Poverty in Adult Individuals*, by Gender (%), 1999-2013

Year	Men			Women		
	Before transfer payments & taxes	After transfer payments & taxes	Decrease in incidence of poverty due to transfer payments & taxes	Before transfer payments & taxes	After transfer payments & taxes	Decrease in incidence of poverty due to transfer payments & taxes
1999	25.6	15.2	40.5	30.9	17.1	44.8
2002	27.0	16.2	40.0	31.5	16.9	46.3
2003	27.7	17.4	37.1	32.8	18.8	42.6
2004	27.6	18.0	34.7	32.2	19.7	38.8
2005	28.2	18.7	33.6	32.0	20.2	36.9
2006	26.8	18.2	32.2	32.1	19.6	38.9
2007	26.8	18.1	32.6	30.8	19.2	37.6
2008	26.3	17.6	33.1	31.4	19.5	38.0
2009	27.9	18.8	32.7	31.8	20.0	36.9
2010	26.7	18.2	31.8	31.3	19.9	36.4
2011	27.3	18.8	31.3	32.0	20.3	36.4
2012	25.2	17.3	31.4	30.2	19.7	34.7
2013	23.1	16.5	28.6	27.6	18.4	33.3

* Men and women aged 18 and over.

Like the Haredi Jews and the immigrants, in 2013 the **incidence of poverty among working age families that were not working continued to rise, reaching 72.9%**. Without transfer payments and direct taxes, the figure would be 91.2% for this group, so that such measures

contribute to lifting about a fifth of these families from poverty. As non working families joined the labor market over the years, their share of the poor population steadily declined – alongside the increase in the share of working families. The already high incidence of poverty in non-working families, which was 64.5% in 2012, rose to almost 73% in 2013, while the severity of poverty in this group was almost **8 times higher in 2013** than for the poor population as a whole (Table 10). The reasons for this are their non-participation in the workforce, the relatively low application of subsistence benefits and their low levels compared to the minimum required for decent living, as expressed by the poverty line, and the low level of child allowances, which became more acute following the cuts in 2013.

Table 8: Incidence of Family Poverty by Population Group (%), 2012 and 2013

Population group	Income before transfer payments and taxes		Income after transfer payments and taxes		Drop in poverty after transfer payments and taxes (%)	
	2012	2013	2012	2013	2012	2013
Total population	30.3	28.6	19.4	18.6	36.0	34.9
Jews	25.9	24.4	14.1	13.6	45.5	44.5
Arabs	59.2	52.4	54.3	47.4	8.4	9.5
Elderly*	50.5	48.0	22.7	22.1	55.1	53.9
Immigrants	34.8	34.5	17.3	18.5	50.1	46.4
Haredi Jews**	77.0	82.1	58.8	70.7	23.7	13.8
Families with children - total	30.5	27.4	24.8	23.0	18.7	16.1
1-3 children	24.5	21.5	18.5	17.4	24.6	19.3
4 or more children	60.7	58.0	56.6	52.3	6.7	9.9
5 or more children	71.1	66.6	67.1	60.0	5.6	9.8
Single-parent families	45.1	41.8	29.0	27.5	35.8	34.2
Employment status of household head:						
Working	19.9	17.9	13.8	12.5	30.9	29.9
Waged	20.2	17.8	13.7	12.3	32.2	31.0
Self employed	16.5	17.0	13.4	13.2	19.2	22.8
Non-working of working age	89.3	91.2	66.1	72.9	26.0	20.0
One breadwinner	36.6	35.7	24.9	24.1	32.0	32.5
Two or more breadwinners	7.5	7.4	5.5	5.7	26.8	22.3
Age of household head:						
Up to 30	32.2	29.9	22.4	21.7	30.4	27.4
31-45	26.1	24.4	20.1	19.4	22.9	20.7
46 to pension age	20.2	17.7	14.1	12.6	30.3	29.1
Of legal pension age by law	54.0	51.4	24.1	23.5	55.4	54.3
Education of household head:						
Up to 8 years of study	69.1	68.7	45.2	46.1	34.7	33.0
9-12 years of study	33.2	30.8	22.3	21.0	32.9	31.6
13 years and over of study	21.4	21.0	12.8	12.8	40.2	39.2

* From 60 for a woman and 65 for a man

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys

*** From 62 for women and 67 for men.

Table 8a: Incidence of Family Poverty by Population Group and Employment Status (%), 2012 and 2013

Population group	Employment Status	Income before transfer payments and taxes		Income after transfer payments and taxes		Drop in poverty after transfer payments and taxes (%)	
		2012	2013	2012	2013	2012	2013
Total population	Working	19.9	17.9	13.8	12.5	30.9	29.9
	Non-working working age	89.3	91.2	66.1	72.9	26.0	20.0
Jews	Working	16.0	13.7	9.5	7.9	40.9	42.2
	Non-working working age	85.8	88.5	56.8	63.9	33.9	27.8
Arabs	Working	42.6	41.3	38.8	38.5	9.0	6.9
	Non-working working age	97.2	97.8	87.5	95.1	9.9	2.8
Immigrants	Working	19.5	18.0	9.4	8.9	51.6	50.7
	Non-working working age	93.3	95.5	58.6	71.7	37.2	24.9
Haredi Jews (Gottlieb-Kushnir)*	Working	71.9	75.9	53.5	65.2	25.6	14.1
	Non-working working age	97.6	98.6	80.4	89.0	17.6	9.7
Haredi Jews (classical approach)	Working	56.5	57.4	41.3	46.2	26.9	19.6
	Non-working working age	95.4	96.9	77.7	82.1	18.6	15.2

* According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys.

Table 8b: Severity of Family Poverty by Population Group and Employment Status (%), 2012 and 2013

Population group	Working				Non-working of working age			
	2010	2011	2012	2013	2010	2011	2012	2013
Total population	0.021	0.022	0.023	0.021	0.221	0.186	0.276	0.263
Jews	0.013	0.012	0.013	0.012	0.188	0.163	0.195	0.187
Arabs	0.051	0.058	0.066	0.059	0.277	0.228	0.390	0.376
Immigrants	0.015	0.010	0.011	0.012	0.149	0.141	0.145	0.173
Haredi Jews (Gottlieb-Kushnir)*	0.072	0.108	0.061	0.088	0.277	0.233	0.269	0.287
Haredi Jews (classical approach)	0.042	0.059	0.047	0.062	0.279	0.209	0.263	0.269
Families with children	0.027	0.028	0.030	0.027	0.255	0.207	0.320	0.304
1-3 children	0.017	0.014	0.018	0.016	0.243	0.183	0.243	0.259
4 or more children	0.055	0.073	0.069	0.066	0.269	0.230	0.392	0.363
5 or more children	0.060	0.101	0.080	0.071	0.293	0.248	0.431	0.366
Single-parent families	0.021	0.015	0.030	0.018	0.170	0.112	0.161	0.294
Age group of household head								
Up to 30	0.023	0.028	0.029	0.028	0.279	0.256	0.269	0.304
31 to 45	0.028	0.024	0.027	0.027	0.256	0.205	0.318	0.309
46 to pension age	0.014	0.017	0.017	0.011	0.163	0.128	0.227	0.182

* According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys

Table 9: Family Types as a Proportion of the Whole Population and of the Poor Population, by Demographic and Employment Features, 2012-2013

Population group	Total population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	2012	2013	2012	2013	2012	2013
Jews	87.0	85.0	74.5	72.6	63.4	61.9
Arabs	13.0	15.0	25.5	27.4	36.6	38.1
Elderly*	20.4	21.5	34.0	36.1	23.8	25.5
Immigrants	20.3	19.8	23.3	23.9	18.1	19.7
Haredi Jews**	3.3	2.5	8.5	7.1	10.1	9.4
Families with children - total	45.0	44.7	45.3	42.8	57.6	55.1
1-3 children	37.5	37.4	30.4	28.2	35.8	34.9
4 or more children	7.4	7.2	14.9	14.6	21.7	20.2
5 or more children	3.5	3.2	8.3	7.6	12.3	10.5
Single-parent families	6.0	5.7	9.0	8.3	9.0	8.4
Employment status of household head:						
Working	79.7	79.5	52.4	49.6	56.7	53.5
Paid	69.3	68.3	46.2	42.5	49.0	45.0
Self employed	10.1	10.9	5.5	6.5	7.0	7.7
Non-working of working age	6.3	5.6	18.6	17.9	21.6	22.0
One breadwinner	34.0	29.5	41.0	36.7	43.7	38.0
2 or more breadwinners	45.7	50.0	11.4	12.9	13.0	15.4
Age of household head						
Up to 30	17.4	17.9	18.5	18.7	20.1	20.8
31-45	34.5	34.5	29.8	29.4	35.9	35.9
46 to pension age	30.5	28.7	20.3	17.8	22.2	19.3
Of lawful pension age***	17.6	19.0	31.4	34.1	21.8	23.9
Education of household head:						
Up to 8 years of study	9.2	8.2	20.9	19.6	21.4	20.2
9-12 years of study	38.0	38.0	41.7	40.8	43.7	42.9
13 or more years of study	52.9	53.9	37.4	39.6	35.0	37.0

* From 60 for women and from 65 for men.

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys.

*** From 62 for women and from 67 for men.

Table 10: Estimate of Dimensions of Poverty in Various Population Groups by Selected Indices, 2012 and 2013

Population group	Income gap ratio		FGT Index		SEN Index	
	2012	2013	2012	2013	2012	2013
Total population	34.4	32.8	0.041	0.034	0.111	0.099
Jews	30.0	30.1	0.022	0.019	0.066	0.059
Arabs	39.2	35.6	0.113	0.094	0.283	0.255
Elderly*	28.1	25.2	0.030	0.020	0.093	0.073
Immigrants	25.1	27.1	0.018	0.020	0.062	0.064
Haredi Jews**	34.2	37.1	0.107	0.128	0.308	0.345
Families with children - total	35.4	33.7	0.052	0.044	0.141	0.124
1-3 children	31.4	30.8	0.029	0.027	0.085	0.079
4 or more children	39.4	36.7	0.120	0.097	0.304	0.263
5 or more children	40.6	36.7	0.146	0.109	0.360	0.297
Single-parent families	35.2	37.8	0.050	0.064	0.139	0.160
Employment status of household head:						
Working	29.3	28.8	0.023	0.021	0.076	0.070
Paid	28.7	28.6	0.022	0.020	0.073	0.068
Self employed	33.1	29.9	0.031	0.027	0.089	0.079
Non-working of working age	54.2	51.3	0.276	0.263	0.530	0.531
One breadwinner	31.7	32.6	0.054	0.057	0.168	0.173
2 or more breadwinners	22.5	21.4	0.007	0.007	0.025	0.027
Age of household head						
Up to 30	33.0	33.4	0.041	0.042	0.117	0.117
31-45	35.1	34.4	0.047	0.042	0.129	0.118
46 to pension age	36.9	32.5	0.034	0.023	0.087	0.065
Of lawful pension age***	27.2	24.2	0.030	0.020	0.096	0.076
Education of household head:						
Up to 8 years of study	37.3	34.3	0.104	0.082	0.274	0.238
9-12 years of study	34.1	33.4	0.047	0.041	0.131	0.116
13 or more years of study	33.2	31.4	0.026	0.023	0.072	0.069

* From 60 for women and from 65 for men.

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys.

*** From 62 for women and from 67 for men.

Table 11 shows the dimensions of poverty by geographical region and nationality.¹⁸

In most regions there was a drop in the incidence of family poverty from 2012 to 2013, except in Haifa and the Central Region. In Jerusalem and the Northern Regions, where there is the most poverty, the incidence of family poverty fell from 34.7% to 33.3% in Jerusalem and from 34.5% to 31.1% in Haifa Region. On the other hand, in Haifa and the Central Region the dimensions of poverty rose by about 9%-10%. In the Tel Aviv region, which is characterized by low rates of poverty, the incidence of poverty fell even more, from 12.3% in 2012 to 10.8% in 2013. Both the increases and the decreases are influenced by the very great changes in employment, which vary across the regions. For example, the figures show that in Jerusalem employment rose steeply by about 20%, and by as much as 30% among the Arabs in this region. By contrast, employment in Tel Aviv rose by 5%, which in normal times would be considered a large increase.

The indices showing the depth and severity of poverty also fell in 2013 – in all geographical regions except the Central Region, and particularly in Jerusalem, Tel Aviv and the Southern Region, where the severity of poverty decreased at rates ranging from 20% to 35%.

The decrease in the incidence of poverty was characteristic of Arab families in all the regions where this population was surveyed, while among Jews there was an increase in the dimensions of poverty in Haifa and the Central Region. In spite of the considerable improvement in the situation of the Arabs as reflected by the current survey, poverty among Arab families in the country as a whole remains at almost 3.5 times the rate among Jewish families.

¹⁸ Except where it was not possible to calculate the indices this year for groups that were not included in the survey.

Table 11: Incidence of Poverty by Region and Nationality, 2012-2013

Region	2012					2013				
	Incidence of poverty			Income gap ratio	FGT	Incidence of poverty			Income gap ratio	FGT
	Families	Individuals	Children			Families	Individuals	Children		
Total*	19.4	23.5	33.7	34.4	0.041	18.6	21.8	30.8	32.8	0.034
Jerusalem	34.7	46.5	59.4	43.0	0.118	33.3	43.6	56.8	39.0	0.091
North	34.5	38.3	49.4	33.3	0.059	31.1	34.2	43.5	33.8	0.056
Haifa	19.5	21.4	29.4	31.9	0.031	21.3	21.6	28.9	28.4	0.028
Central Region	9.9	10.9	15.9	29.9	0.015	10.9	11.4	15.9	29.6	0.015
Tel Aviv	12.3	14.1	23.7	30.4	0.021	10.8	12.6	20.3	26.4	0.013
South	18.8	18.4	24.7	29.5	0.025	17.0	15.6	20.5	29.3	0.021
Jews*	14.2	15.6	23.1	30.0	0.022	13.6	14.1	20.1	30.1	0.019
Jerusalem	22.2	31.4	45.4	34.3	0.053	21.1	27.1	40.5	36.5	0.048
North	21.0	19.5	25.5	28.0	0.024	16.6	14.2	16.5	32.9	0.025
Haifa	13.3	11.4	13.5	27.4	0.014	17.3	14.1	15.7	27.0	0.018
Central Region	7.6	7.6	10.3	27.1	0.009	8.1	7.8	10.0	25.9	0.008
Tel Aviv	12.3	14.1	23.7	30.3	0.020	10.8	12.5	19.8	26.1	0.013
South	19.0	18.5	24.3	29.5	0.026	17.0	15.6	20.4	29.4	0.020
Arabs	48.6	54.0	65.3	39.2	0.113	47.4	52.4	64.3	35.6	0.094
Jerusalem	73.7	74.6	81.9	49.9	0.240	69.7	75.4	83.9	40.8	0.174
North	50.1	53.1	63.4	34.8	0.087	47.0	49.6	60.2	34.0	0.081
Haifa	45.5	48.9	57.2	34.7	0.078	37.8	40.9	51.5	29.6	0.054
Central Region	-	-	-	-	-	-	-	-	-	-
Tel Aviv	-	-	-	-	-	-	-	-	-	-
South	-	-	-	-	-	-	-	-	-	-

* Including Jewish settlements in Judea and Samaria.

5. Permanent Poverty

The poor population is not fixed from one period to the next: some people manage to escape poverty, others join this group. There are also people for whom living in poverty is an ongoing situation. In the professional literature, expenditure on consumption is generally regarded as being largely influenced by steady income, as distinct from temporary variations¹⁹, so that expenditure fluctuates less than income. The assumption is that at times of a sudden loss of regular income (for example, when becoming unemployed), families try to maintain a stable standard of living, and in the short term cover any shortfalls from savings, loans etc. So there is no conflict with economic logic if we find many poor families whose expenditure on consumption is higher than their income. This indicates that such families belong to the group of the temporary poor. On the other hand, families who feel that their economic situation has declined permanently, will feel the need to reduce their expenditure on consumption, since their ability to deviate from their income is very limited.

In the absence of a database of follow-up surveys in Israel, which would enable the same families to be tracked as a means of measuring the persistence of poverty, Recommendation 2(a) of the Report from the Team to Develop Additional Poverty Indices²⁰ suggested treating the next index as a measure of permanent poverty: a family will be defined as permanently poor if both its income and its expenditure on consumption are below the poverty line.

Table 12 shows permanently poor families and individuals, according to this definition of permanent poverty, as a proportion of the total poor population. In general, the findings show that two thirds of poor families suffer from permanent poverty, while for the remaining third the poverty is temporary in nature, for example due to unemployment of one of the breadwinners. There was no change in this proportion between 2012 and 2013.

However, the proportion of the permanently poor varies between different population groups. For example, 55% of all poor families with two breadwinners are defined as permanently poor, while the proportion in groups where poverty levels are relatively high (Haredi Jews, large families, working age families without a breadwinner, and the unskilled) is up to 67%, showing that most poor families in these groups suffer from permanent rather than temporary poverty.

It should be noted that the long term data show a rising trend, with a great deal of fluctuation around the trend, and in certain groups the rate of fluctuation is very high (Figure 7).

¹⁹ According to the Theory of Permanent Income proposed by the economist Milton Friedman, families tend to change their consumption habits following stable changes in income, while temporary changes are mainly used for savings and the purchase of lasting goods.

²⁰ The Committee headed by Prof. Shlomo Yitzhaki and with members drawn from various ministries and the National Insurance, submitted its recommendations in 2008. The Committee's report was published on the NII website.

Table 12: Estimate of Permanent Poverty – Proportion of Families and Individuals in the Total Poor Population whose Expenditure per Standard Individual is Below the Poverty Line (%), 2012 and 2013

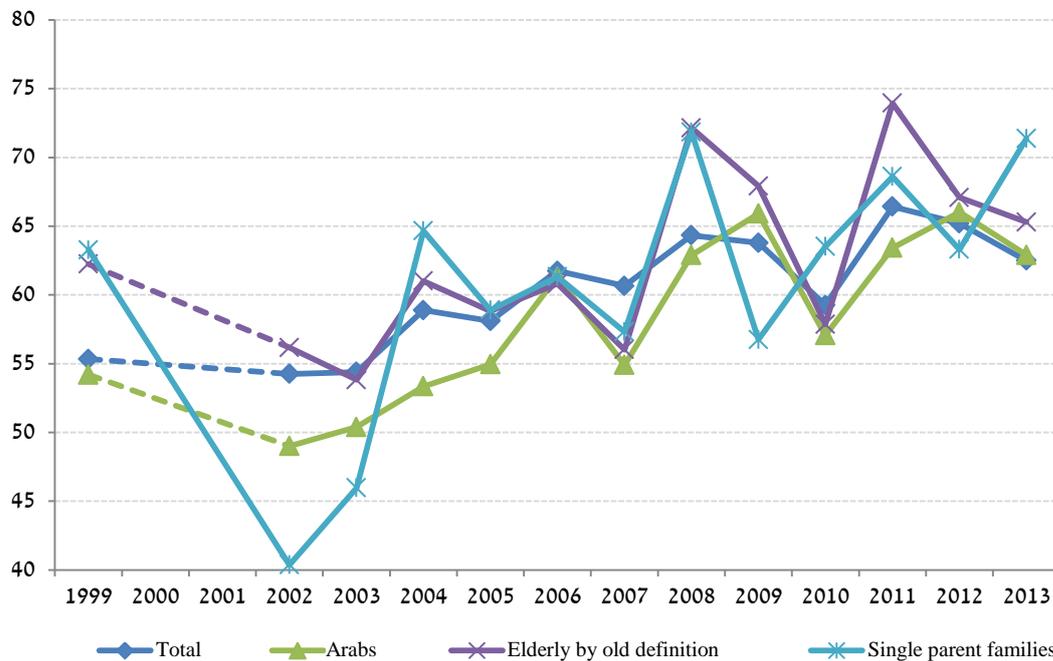
Population group	Families		Individuals	
	2012	2013	2012	2013
Total population	62	62	65	66
Jews	60	62	65	66
Arabs	64	63	66	66
Elderly*	66	65	67	67
Immigrants	62	69	63	70
Haredi Jews**	77	81	78	80
Families with children - total	64	65	67	68
1-3 children	60	60	62	61
4 or more children	71	74	72	75
5 or more children	78	81	79	81
Single-parent families	60	71	63	74
Employment status of household head:				
Working	57	59	61	63
Paid	58	61	63	66
Self employed	44	40	48	47
Non-working of working age	69	68	77	76
One breadwinner	57	60	63	66
2 or more breadwinners	55	55	57	59
Age of household head				
Up to 30	59	64	67	71
31-45	63	63	67	68
46 to pension age	56	54	59	57
Of lawful pension age***	67	67	68	69
Education of household head:				
Up to 8 years of study	72	67	75	73
9-12 years of study	59	63	61	66
13 or more years of study	59	60	66	64

* From 60 for women and from 65 for men.

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys.

*** From 62 for women and from 67 for men.

Figure 7: Permanently Poor Families Over Time as a Proportion of the General Poor Population, by Selected Groups, 1999-2013



6. Poverty and Inequality in Israel by International Comparison

The OECD method of calculating the dimensions of poverty is similar to the system developed by the National Insurance and used in Israel – both methods define the median monetary available income as the relevant indicator of the standard of living, and define half this income as the poverty line. However, the method of translating the number of individuals in a family into standard individuals ("the weighting scale") is different. For many years the NII has used a weighting scale based on the long-standing Engel method, whereby families of different sizes but with the same expenditure on food as a proportion of total expenditure on consumption – are considered equal in terms of family welfare, while the OECD weighting scale is based on the square root of the family size²¹ as an estimate of the number of standard individuals it contains. Another difference lies in the fact that the OECD calculates median income by individuals and not by families, which lowers the poverty line slightly in comparison to the National Insurance

²¹ For example, the number of standard individuals in a family of 4 is 2, and in a family of 9 it is 3 and so on. This means that poverty in large families, which are known to be common in Israel, is lower using the OECD method, and vice versa for small families, such as the elderly and single people. The initial findings of an ongoing study of this subject shows that the approach that assumes equality in the standard of living of families according to a basket of consumption that includes other essentials apart from food, such as housing, clothing and footwear, leads to a weighting scale very similar to the one obtained using the OECD method.

calculation. Due to all these factors, while the poverty lines of the OECD are higher, the poverty rates derived from them are lower than the rates based on the Israeli definition in the general population²².

The sources of data for calculating poverty in all the countries are surveys of income or expenditure conducted by their central bureaus of statistics. The OECD calculations for Israel are therefore based on the same data as the National Insurance calculations.

Figure 8a shows the incidence of poverty in individuals based on 50% of the median available monetary income per standard individual, at the end of the first decade of the millennium (around 2010) in OECD countries. Figure 8b which follows it shows the index for the incidence of poverty in children. While last year Israel was positioned at the high end of the band, this year its situation has improved, although there is still a long way to go. Figure 8c shows the Gini index of inequality of available income for the same countries in the same period. The later figures (until last year the data referred to the middle of the decade rather than the end) indicate that, according to the 2013 expenditure survey, the dimensions of poverty in Israel are continuing the downward trend that began in 2012, in comparison with other countries. The incidence of individual poverty continued to decrease, from 18.8% in 2012 to 18% in 2013, taking Israel to a slightly better position than it held in 2009, for example, when the incidence of individual poverty as measured by the OECD amounted to 20.9% (Figure 8a).

Notwithstanding these improvements, Israel still has a long way to go to achieve lower rates of poverty. In the area of inequality Israel's position has also improved, and according to the 2013 data it is positioned fourth from the top, between Portugal and the USA, with inequality rates lower than those of Mexico, Chile and Turkey.

Table 13, which presents the incidence of poverty in families, individuals and children in various population groups when the poverty line is calculated using the OECD approach, also shows a significant decrease in the dimensions of child poverty: from about 26% in 2012 according to the OECD method to 23.5% in 2013. It should be noted that the weighting scale used to calculate the amended number of individuals in the OECD approach gives a greater advantage to size than the Israeli scale and thus works to reduce poverty among large families and vice versa for small families (compared to the Israeli weighting scale). As a result, the dimensions of child poverty are much lower than the figures obtained using the Israeli approach, but the dimensions of poverty in the elderly, for example, are higher. In 2013, the incidence of poverty in elderly families rises from 22.1% by the Israeli method to 26.7% by the OECD method.

However, the general trends in the analysis by population groups remain valid when calculating using the data from the current survey. This survey also produces results showing that the

²² The OECD calculates the dimensions of poverty in two more ways: using 60% and 40% of the median income – see Appendices 7-9.

relatively poorest groups in the population are Arab families and large families (which overlap to some extent), families headed by someone of very low education (up to 8 years of school), and families where the head of the family is of working age and does not work.

The data for previous years and for rates based on poverty lines equal to 40% of the median and 60% of it (the approach used in the European Union) are given in Appendices 7 and 8.

Figure 8a: Poverty Rates in Individuals (50% of Median Income), OECD Countries and Israel, Around 2010 (2013 in Israel), OECD Definition

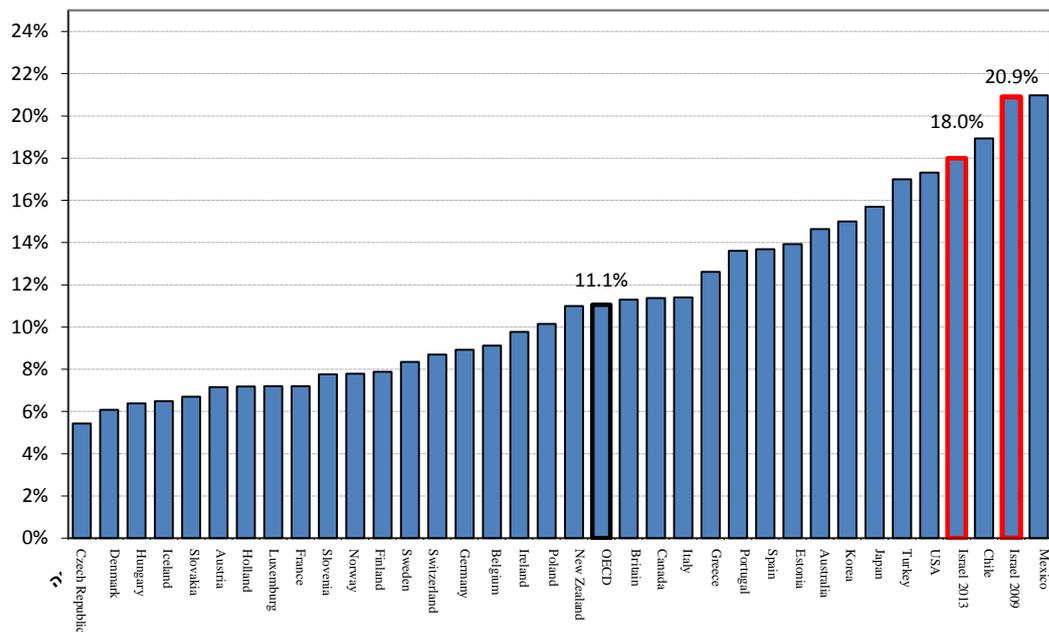


Figure 8b: Poverty Rates in Children (50% of Median Income), OECD Countries* and Israel, After 2010 (2011 or 2012 in the OECD, 2013 in Israel), OECD Definition

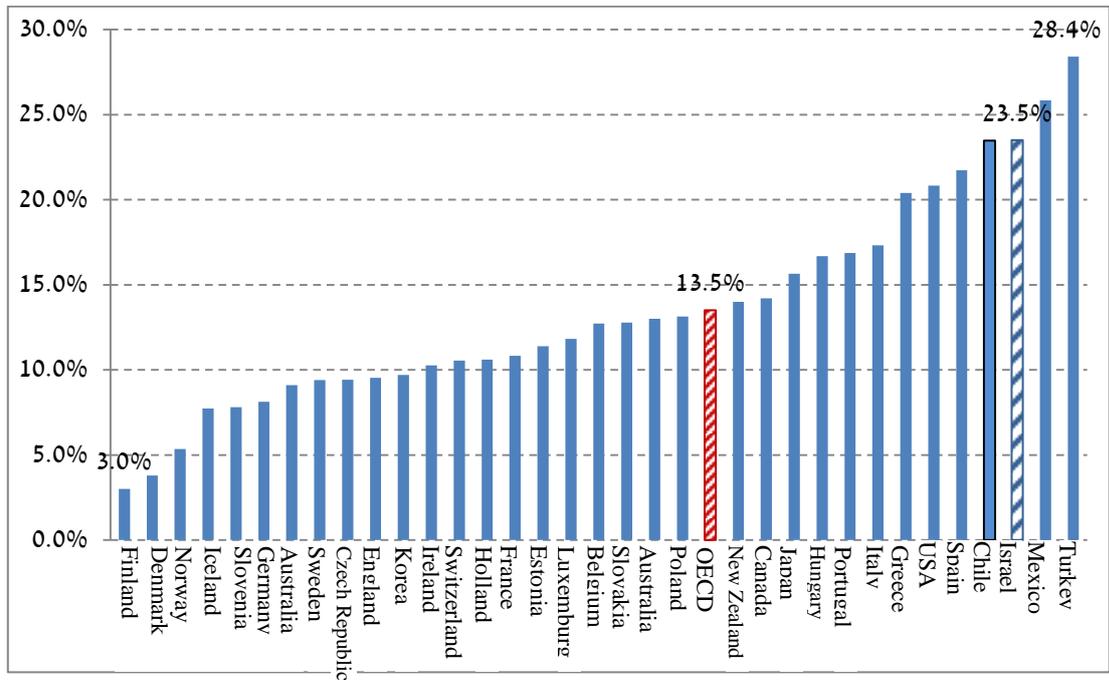


Table 13: Incidence of Poverty Among Families, Individuals and Children in Selected Population Groups Using the OECD Definition, 2012 and 2013

Population group	2012			2013		
	Families	Individuals	Children	Families	Individuals	Children
Total population	17.4	18.8	25.7	18	18	23.5
Jews	13.2	12.1	15.7	14	11.9	14.7
Arabs	41.4	44.7	55.3	40.7	42	51.1
Elderly*	24.2	23.6	-	26.7	24	-
Immigrants	16.9	14	17.9	20.4	15.2	17
Haredi Jews (Gottlieb-Kushnir)**	42.5	45.7	48.9	53.6	54.7	56.3
Haredi Jews (Classical approach)	34.3	37.4	43.5	41.5	44	49.9
Families with children - total	19.3	22.1	25.7	18.1	20.2	23.5
1-3 children	14.6	14.8	16.2	13.8	13.7	14.7
4 or more children	42.7	43.7	44	40.4	40.8	41.4
5 or more children	48	48.4	48.5	43.5	43.4	44.2
Single parent families	26.3	26.5	31.5	25.7	26.6	31.5
Employment status of household head						
Working	10.8	13.5	19.6	10.5	12.8	18.8
Salaried	10.6	13.2	19.3	10.4	12.8	19.1
Self-employed	11	15	21.4	10.2	12.6	17.4
Non-working of working age	68.1	75.7	84.6	74.2	79.7	84.6
One breadwinner	21	31.4	43.6	23.1	34.4	49.3
Two or more breadwinners	3.2	3.9	5	3.1	4.1	5.6
Age group of household head						
Up to 30	18.9	18.8	29.6	20.5	20.4	31.7
31-45	16.4	20.9	25.6	15.8	19.3	23.5
46 to pension age	12.9	13.8	21.7	12	11.6	17.5
Of legal pension age***	25.8	25.8	85.5	28.5	26.2	36.2
Education of household head						
Up to 8 years of study	44.6	49	70.4	47.3	46.6	57.9
9-12 years of study	19.2	21.8	32.4	19.3	20.1	29.4
13 or more years of study	11.5	12.1	16.4	12.6	12.7	16.5

* From 60 for women and from 65 for men.

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys.

*** From 62 for women and from 67 for men.

7. Poverty Target

A number of years ago the National Economic Council together with the relevant Government Ministries drew up a poverty target that the Government adopted, whereby from 2008 to 2010 the income of families in the lowest quintile would grow at an average rate exceeding the growth in per capita product by at least 10%, all in real terms. If per capita product were to grow by 10% during that period (for illustration only), the target would be achieved if the gross income of families in the lowest quintile grew by at least 11% (that is, the per capita rate of growth – 10% - plus 10% of that rate, i.e. 1%). Fearing that the target would not be achieved in time, the Government extended the period to 2008-2013 in the framework of its budget.

Since 2013 has now ended, it is possible to see whether the Government has met the target it set for itself, even if it has in fact ignored this target and does not now consider it part of its economic/ social policy.

Table 14 presents the poverty target by year, and in the lower part of the table, cumulatively (as required in terms of achieving the target). For purposes of comparison, changes in the net income per standard individual in the same quintile are also shown, since such a comparison is preferable in practical terms (see the NII Annual Review for 2007, pages 23-40).

The upper part of the table shows a situation whereby the target was not achieved in each year from 2008²³. The lower part of the table shows the cumulative situation year on year. It is clear that from 2008 to 2011 the target was not achieved, although the gap between the target and the actual results narrowed in 2010 and 2011. In 2012 and 2013 there was a sharp difference, particularly due to the expansion of employment to population groups that were cut off from the labor market for many years. As stated above, it is possible that some of the positive results shown in this table can be linked to methodological changes introduced by the Central Bureau of Statistics in the preparation of the survey that is the basis for the National Insurance report on poverty. Some of the improvement can be explained by technical changes in how the survey is prepared. The fact that the improvement has continued for a number of years makes it more probable that it is real and not technical.

In public terms, the War on Poverty Committee that was appointed in 2014 by the Minister of Welfare and Social Services recommended that the Government adopt a more ambitious target for reducing the dimensions of poverty - the achievement of an incidence of poverty similar to the average incidence of poverty in OECD countries, particularly among children. The rate of child poverty in the OECD is about half the rate in Israel. That is why the Committee recognized the great importance of setting targets – not just for economic issues such as inflation, public debt and government deficits, but also for social issues. However, the Government did not pass a resolution formally adopting the War on Poverty Committee Report or the target it proposed²⁴.

²³ The years prior to that are given for purposes of comparison.

²⁴ See also Gottlieb, 2014: "Social Targets – are they needed in Israel?", Economic Social Magazine, Van Leer Institute, Issue 15.

Table 14: Real Changes in the Poverty Target and Income of the Lowest Quintile, 2002-2013

Year	Per capita product + 10%	Real change in income of lowest quintile year on		
		Gross family income**	Gross income per standard individual	Net income per standard individual
2002	-2.6			
2003	-0.3	-1.8	-2.8	-2.3
2004	3.3	-1.8	-1.5	-1.6
2005	3.4	4.4	2.6	3.1
2006	4.1	5.4	4.1	4.8
2007	4.0	1.8	4.2	4.3
2008	2.4	-1.3	-0.6	-0.3
2009	-0.9	1.2	-2.1	-2.3
2010	3.2	3.9	3.5	3.5
2011	3.0	3.0	2.1	2.0
2012	1.6	9.2	11.7	12.0
2013	1.5	4.7	8.3	8.6
2008	2.4	-1.3	-0.6	-0.3
2008 - 2009	1.4	-0.1	-2.7	-2.6
2008 - 2010	4.7	3.8	0.7	0.9
2008 - 2011	7.8	6.9	2.8	2.8
2008 - 2012	9.5	16.7	14.8	15.2
2008 - 2013	11.2	22.2	24.4	25.1

II. Dimensions of Inequality and Gaps in Income

1. Inequality in 2013 and Recent Years

Table 15 presents the Gini Index of inequality in economic income and in available income over time. The Gini Index of inequality in available income was 0.3634 in 2013 and for economic income the index was 0.4788. These values reflect steep annual decreases of 3.6% and 2.1% respectively, compared with 2012. These are the largest decreases in absolute values over the past decade and a half. When taking the long view, from 1999 to 2006 the index of inequality in available income per standard individual rose, then was stable for 3 years, and since then has decreased steadily, with a particularly large drop in 2013. The increase in the years to 2006 and the subsequent stability were due to Government policy – first the cuts in welfare, and then the reform of income tax. Since 2010, a period when the Government has been relatively neutral regarding the distribution of income, the downward trend in inequality that was dictated by developments in the labor market (according to the survey results) influenced inequality in net income, which also dropped. There is a reservation regarding this analysis, since high incomes are not generally measured with the same accuracy as low and medium incomes, because the proportion of rich people is usually very low. Therefore it is possible that the data on inequality in income derived from the survey of expenditure is biased downwards. This claim apparently mainly affects the level of inequality rather than changes in it²⁵.

The steep decline of the Gini Index for economic income in 2013, from which the drop in the index for available income was derived, was due to the ongoing increase in the rate of employment in Israel, in recent years generally, and particularly the sharp rise recorded by the survey on which the poverty data for that year are based.

²⁵ A simulation that was prepared to examine the effect of surtax shows that this step had little effect on the distribution of income.

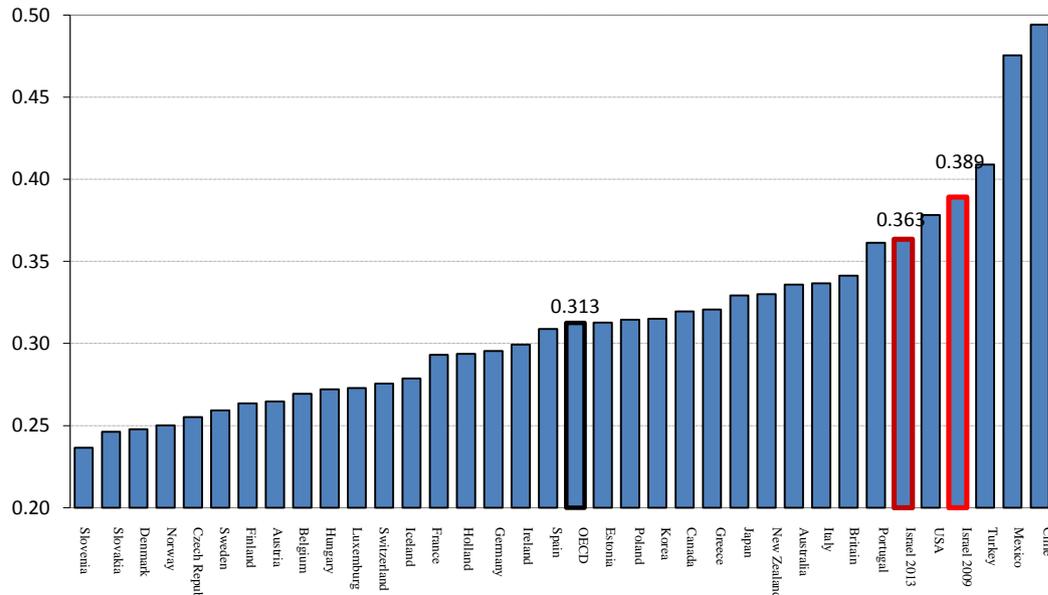
Table 15: Gini Index of Inequality of Income Distribution, 1999-2013

Year	Before transfer payments and direct taxes	After transfer payments and direct taxes	Percentage drop due to transfer payments and direct taxes
2013	0.4788	0.3634	24.1
2012	0.4891	0.3770	22.9
2011	0.4973	0.3794	23.7
2010	0.5045	0.3841	23.9
2009	0.5099	0.3892	23.7
2008	0.5118	0.3853	24.7
2007	0.5134	0.3831	25.4
2006	0.5237	0.3923	25.1
2005	0.5225	0.3878	25.8
2004	0.5234	0.3799	27.4
2003	0.5265	0.3685	30.0
2002	0.5372	0.3679	31.5
1999	0.5167	0.3593	30.5
Change in Index (percentages)			
2013 versus 2012	-2.1	-3.6	
2013 versus 2007	-6.7	-5.1	
2013 versus 2002	-10.9	-1.2	
2013 versus 1999	-7.3	1.2	

Figure 9 shows some indices of inequality – the Gini index and the ratio between income deciles. In all measures of inequality, the 2013 indices show a continuation of the downward trend that began in 2009. The only case where the index is lower than the one in 1999 is the P90/P50 index – the 2013 point is located under the base point in 1999, meaning that the inequality between the ninth decile and the median did not increase, and perhaps even decreased during the 14 years in the diagram. By contrast, the gaps between median income and income of the lowest decile increased, as shown in the P50/P10 index over the years, as did the gaps between the ninth decile and the lowest decile as reflected in the P90/P10 index, which shows

the gap between the highest income level in the top decile and the (highest²⁶) income level in the bottom decile.

Figure 8c: The Gini Index of Inequality in Available Income Per Standard Individual in OECD Countries and Israel, at the end of the 2000 decade (Israel 2012), OECD Definition

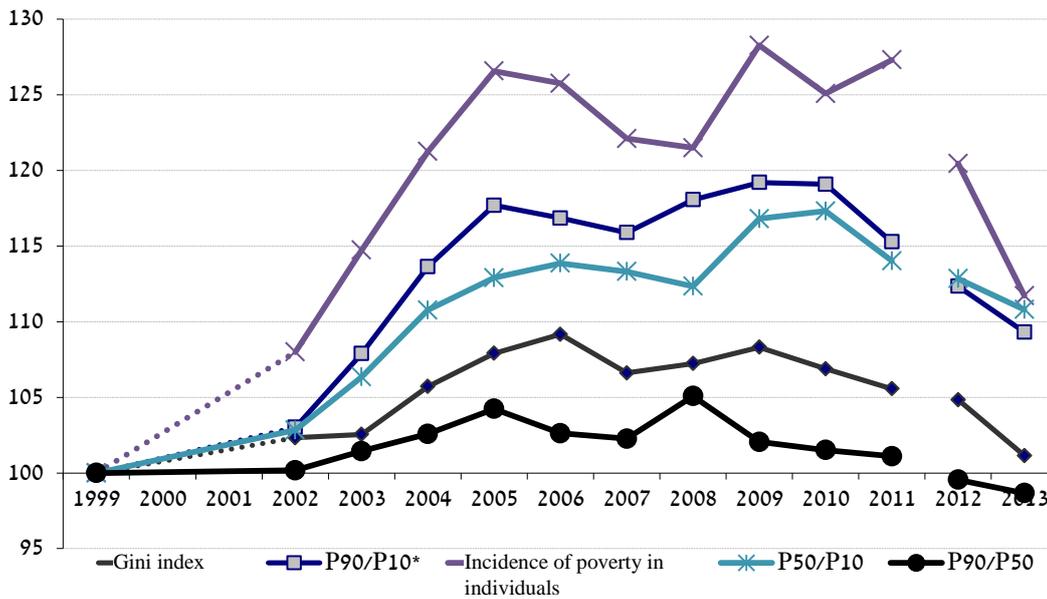


It follows that in the almost decade and a half shown in the diagram, inequality increased particularly between the people with the highest incomes and those with the lowest incomes, where the highest incomes are represented by the top decile²⁷.

²⁶ The accepted practice is to take the ratio between the highest incomes in each decile for comparison.

²⁷ It is possible that the findings would have been different if the gap was examined between smaller groups of people with high income, for example the top percentile or top thousandth, which was not examined in this survey due to the restricted number of observations.

Figure 9: Selected Indices of Gaps and Inequality, 1999-2013



For calculation purposes the deciles were sorted by available income per standard individual; each decile consists of 10% of the families.

2. Inequality by Quintiles

This section presents selected data regarding the general standard of living analyzed by quintiles²⁸ in 2013.

The real change in available income per standard individual in the last year is shown in Figure 10, which indicates that the available income per standard individual of households in the lowest income quintile grew by 8.6% in 2013, the highest rate of all the quintiles and 3 times the average rate of change. The available income in the fourth income quintile grew by a real rate of 5.5%, while the third and second income quintiles recorded growth of about 4%. In the highest quintile real growth was zero. These changes in available income per standard individual reveal a significantly progressive transformation.

This progressive change is unusual in view of the annual rates of change in available income per standard individual among the various quintiles between 2002 and 2011, as shown in Figure 10a, which indicates the average change in each year of that decade. Table 16 shows income in 2012, by source and type of income; Table 17 shows the division of the various types of income "pie" among the quintiles; and Table 18 shows the changes in family expenditure and the division of the expenditure "pie" among the quintiles.

²⁸ The quintiles were sorted by available income per standard individual, where each quintile consists of 20% of the families. This definition also matches the definition of quintiles given in the Government's poverty target (see above).

The findings of Table 16 indicate big changes in the various types of income and taxes. It is true that National Insurance benefits rose on average by 2%, according to the administrative data, and by about 1% according to the survey data, although there are differences in the changes within the various benefits which do not point to similar trends, but the other income data indicate considerable gaps compared to the macro data.

In spite of these changes, which reflect a drop in inequality by income segments, the income of the highest quintile is 7.1 times higher than the income of the lowest quintile in terms of available income per standard individual, and 17.5 times higher with regard to economic income, deriving from market forces (income from work, pensions and capital).

Table 17 presents the share of each quintile in total income according to various definitions. The figures show that the share of the top quintile in income from work is about 44% of the total pay in the economy, compared to the share of the lowest quintile, which is only about 4% of the total. Bigger gaps are found in direct taxation, due to the progressive structure of income tax, and to a lesser degree of National Insurance and health insurance payments: total income from direct taxes from the lowest quintile amounts to 2.5%, compared to 60.4% from the highest quintile, where families pay 3 times more in tax than the next lowest quintile. Total available income in the economy is divided slightly more equally than income from work: the lowest quintile receive 6.7% of it, compared to 39.5% received by the highest quintile in 2013. Over the long term, these findings match the trends found in previous income surveys.

Table 18 presents the breakdown of expenditure by quintiles. As expected, the data in the table show smaller gaps in expenditure than in income: expenditure per standard individual in the top quintile is 2.5 times higher than in the lowest quintile (compared to 7.7 times higher available income per standard individual). The top quintile accounts for about 30% of total consumption of products and services (about ten percent more than its share of the population), while the lowest quintile accounts for about 12% of total consumption – some 8 percentage points less than its share of the population.

Figure 10: The Real Change in Available Income Per Standard Individual in 2013 Compared to 2012, by Quintiles (Percentages)

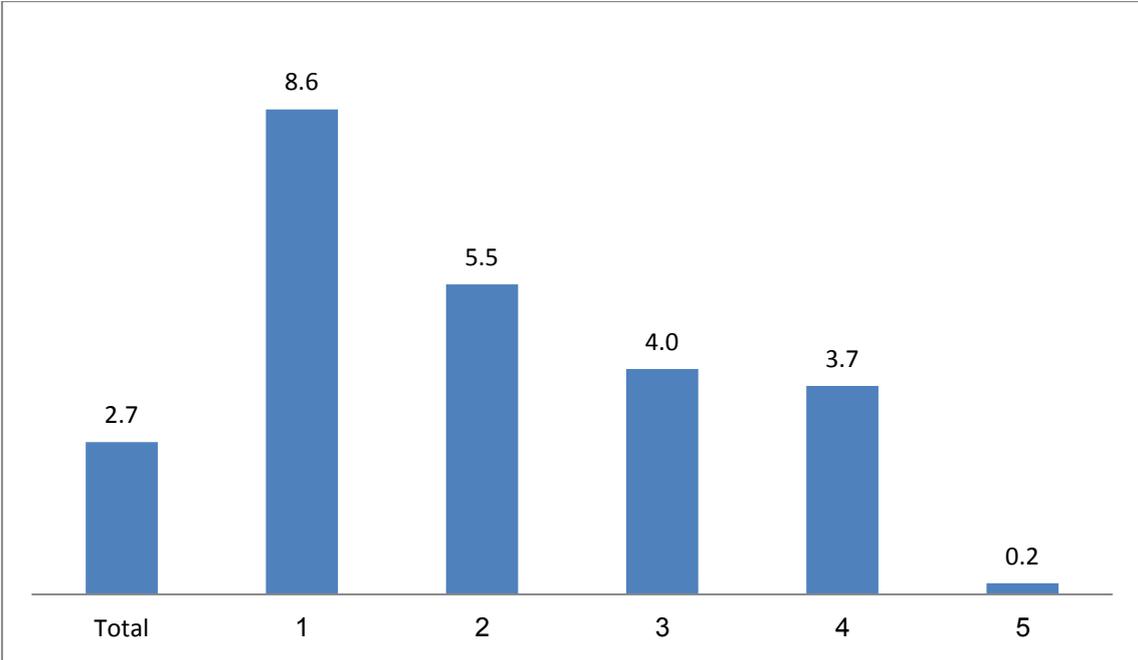


Figure 10a: The Average Real Annual Change in Available Income Per Standard Individual Between 2002 and 2011, by Quintiles (Percentages)

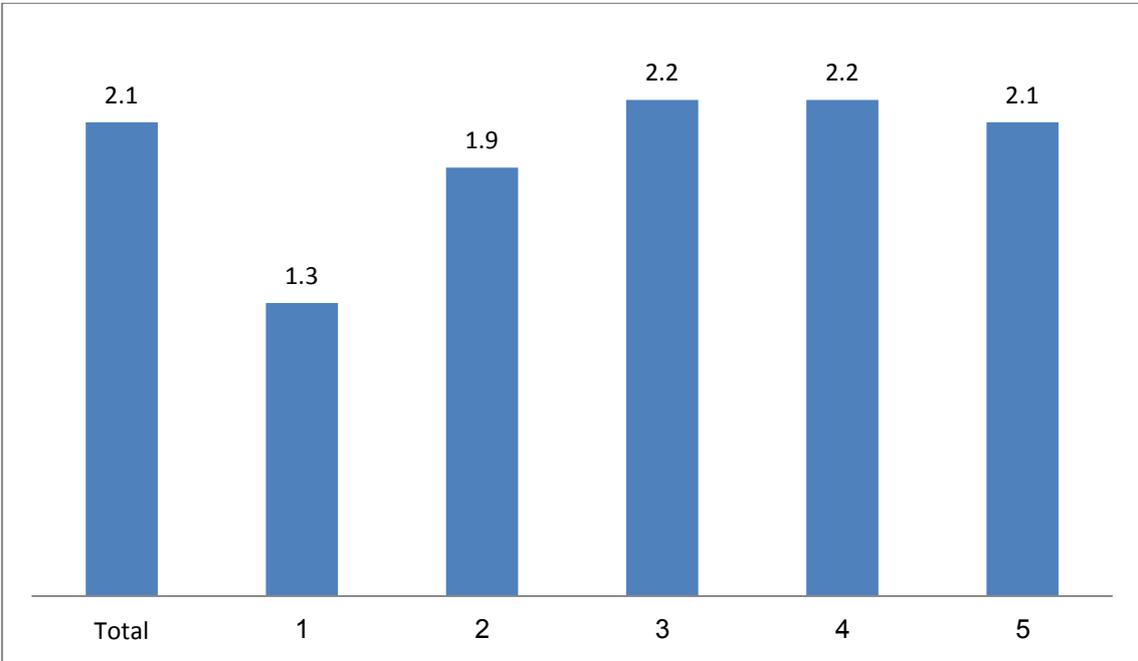


Table 16: Source and Type of Income and Mandatory Payments by Quintiles*, 2013, and the Real Change from 2012

Source/ type of income and mandatory payments	Income (NIS per month)							Real Change over 2012, Percentages					
	Avg.	1	2	3	4	5	Ratio between top & bottom quintiles	Avg.	1	2	3	4	5
From work	13,770	2,850	7,170	11,960	17,190	29,650	10.4	5.1	2.2	8.5	10.5	5.7	2.3
From pensions, provident funds & capital	1,980	180	560	1,050	1,940	6,150	34.2	9.8	63.1	7.5	-6.8	3.5	14.4
From all benefits and allowances	1,970	2,250	2,070	1,770	1,710	2,070	0.9	-1.7	3.6	-10.4	-4.6	-3	6.3
National Insurance payments only	1,500	1,870	1,590	1,390	1,230	1,400	0.7	-3.5	3	-13.3	-2.2	-6.7	2.9
Government agency payments only	230	220	260	150	250	290	1.3	12	4.9	12.3	-17.7	16.6	40.9
Payments from households and individuals only	250	170	220	220	230	380	2.2	-2.4	8.3	-9.7	-9	-0.9	-0.3
Total mandatory payments	3,090	340	790	1,620	3,210	9,480	27.9	10.7	-2	4.2	9.1	9.4	12.6
Income tax	1,880	40	240	680	1,720	6,700	167.5	16.1	-2.8	9.1	8.6	12.8	18.2
National Insurance	590	80	200	410	730	1,550	19.4	3.7	-5.9	3.1	10.9	6.4	1.2
Health Insurance	620	230	350	530	760	1,240	5.4	3	-0.4	2	8.4	5.1	0.7
Net per family	14,630	4,940	9,000	13,150	17,630	28,400	5.7	4.1	5	4.1	7.2	4.4	2.3
Gross per family	17,720	5,280	9,800	14,770	20,840	37,880	7.2	5.2	4.7	4.1	7.4	5.1	4.7
Economic income per family	15,640	2,980	7,650	12,920	18,990	35,640	12	6.1	4.1	8.5	9.4	5.8	4.8
Net per standard individual	5,690	1,700	3,230	4,780	6,700	12,050	7.1	2.8	8.6	5.6	4	3.7	0.4
Gross per standard individual	6,850	1,810	3,490	5,310	7,810	15,850	8.8	3.6	8.3	5.6	4.3	4.3	2
Economic income per standard individual	5,930	830	2,520	4,500	6,980	14,790	17.8	4.1	3.4	10.9	6.1	4.8	2.1

* The quintiles were sorted by available income per standard individual: each quintile includes 20% of the families.

Table 17: The Share of Each Quintile in Total Income and Mandatory Payments, 2012-2013

Source / type of income	2012						2013					
	Total	1	2	3	4	5	Total	1	2	3	4	5
From work	100.0	4.3	10.1	16.5	24.8	44.3	100.0	4.1	10.4	17.4	25.0	43.1
From pensions, provident funds & capital	100.0	1.2	5.7	12.5	20.8	59.8	100.0	1.8	5.6	10.6	19.6	62.3
From all benefits and allowances	100.0	21.7	23.0	18.4	17.6	19.4	100.0	22.8	21.0	17.9	17.4	21.0
National Insurance payments only	100.0	23.4	23.7	18.3	17.0	17.5	100.0	25.0	21.3	18.6	16.5	18.7
Government agency payments only	100.0	19.8	21.8	17.9	20.9	19.5	100.0	18.6	21.9	13.1	21.7	24.6
Payments from households and individuals only	100.0	12.3	19.6	19.4	18.2	30.5	100.0	12.7	18.4	18.6	18.7	31.6
Mandatory payments	100.0	2.5	5.5	10.6	21.0	60.4	100.0	2.2	5.1	10.5	20.8	61.4
Income tax	100.0	0.4	2.7	7.8	18.9	70.2	100.0	0.4	2.5	7.3	18.4	71.4
National Insurance	100.0	3.0	6.8	12.8	24.0	53.4	100.0	2.7	6.8	13.7	24.7	52.1
Health Insurance	100.0	7.5	11.5	16.2	23.9	40.8	100.0	7.3	11.4	17.1	24.3	39.9
Net per family	100.0	6.7	12.3	17.5	24.0	39.5	100.0	6.8	12.3	18.0	24.1	38.9
Gross per family	100.0	6.0	11.2	16.3	23.5	43.0	100.0	6.0	11.1	16.7	23.5	42.8
Economic income per family	100.0	3.9	9.6	16.0	24.4	46.1	100.0	3.8	9.8	16.5	24.3	45.6

* The quintiles were sorted by available income per standard individual: each quintile includes 20% of the families.

Table 18: Expenditure by Quintiles, Real Rates of Change and Breakdown of Expenditure, 2012-2013

	Average	1	2	3	4	5
Monthly expenditure in NIS, 2013		Quintiles				
Expenditure on consumption per standard individual	5,670	3,230	4,100	5,130	6,470	9,430
Monetary expenditure per standard individual	4,540	2,450	3,300	4,100	5,150	7,690
Family expenditure on consumption	14,400	8,920	11,010	13,640	16,550	21,850
Family monetary expenditure	11,590	6,940	8,950	10,970	13,210	17,890
Real change compared to 2012						
Expenditure on consumption per standard individual	-1.2	0.7	-2.7	-2.7	-1.4	-0.3
Monetary expenditure per standard individual	5.8	5.3	4.1	3.6	5.1	8.3
Family expenditure on consumption	0.9	1.1	-3.3	0.6	1	3.1
Family monetary expenditure	7.8	5.3	3.2	6.7	7.6	12.3
Share of expenditure in total expenditure, 2012						
Family expenditure on consumption	100	12.4	16.0	19.0	23.0	29.7
Family monetary expenditure	100	12.3	16.1	19.1	22.8	29.6
Share of expenditure in total expenditure, 2013						
Family expenditure on consumption	100	12.4	15.3	18.9	23	30.4
Family monetary expenditure	100	12.0	15.4	18.9	22.8	30.9

* Source: data processed by the Research & Planning Administration from CBS Surveys of Household Expenditure for the years indicated.

** The quintiles were sorted by available income per standard individual: each quintile includes 20% of the families.

III. Causes of Poverty and Inequality

2013 was characterized by continuing growth – the economy grew by 3% and the circle of employment expanded by 2.5%. Real pay rose by about one percent for the second year running, and employment stood at 6.2%. As stated, the sweeping rise in employment indicated by the 2013 Expenditure Survey, which is the basis for calculating data on poverty in this Report, does not match some other sources of information, although the trend of continuing growth in employment is found in all the sources.

According to administrative data, in these two years National Insurance benefits rose about 2% in real terms. Increases ranging from 2% to 6% were shared by most benefits paid by the National Insurance Institute, except for income support which fell by about one percent, and unemployment benefit which increased in real terms by about 11% (although there were no changes in rates of unemployment or legislation that could explain this increase). The survey findings do not always match trends in taxation and benefits. While child allowances did decrease by about 14% according to the survey data (similar to the administrative data which indicate a drop of about 13%), nevertheless other benefits, such as the old age and survivors' pension, disability benefit and unemployment pay recorded a decrease in the survey data, compared to rises of 3%-4% in the administrative data. For that reason, overall National Insurance benefits decreased by about 4% in real terms, compared to an increase of about 2% according to the administrative sources.

On the other hand, according to the survey, payments to income tax increased sharply by 17%, and payments to National Insurance and health insurance also increased by similar rates to those shown in the administrative sources.

As the result of the huge growth in employment indicated by the survey, household income rose by various indicators. Available family income, after taxes and transfer payments, increased by about 4.1%, while the median available income per standard individual, from which the poverty line is derived, rose by 4.4%.

Due to the importance of employment data this year in explaining the reduction in poverty, **many new tables have been added to the Appendices**, with details of the employment and wage situation and their development over time. Appendices 10 to 18 include a wide range of historical data and comparisons between population groups, regarding the breakdown of the poor and non-poor working population between various occupations and industries, rates of employment and levels of hourly pay. All these analyses have been used in this Report.

Table 19 presents the breakdown of pay in the paid population, divided into poor and not poor in 2013. The findings demonstrate the considerable gaps in wage levels between the working poor and the paid population in general: about 78% of the total paid population are employed full time, and about 17% of them are paid less than the minimum wage. By comparison, 62% of poor workers are employed full time, but the proportion of them who earn below the minimum wage is about 40%. At the same time, the rate of people employed full time and earning above

the average wage amounts to 38.5%, compared to only 2.5% among wage earners in poor families.

Figures 11a to 11d illustrate the success of the policy to increase employment. There has been an ongoing trend of rising employment since 2004, with a corresponding drop in the incidence of poverty in various groups, especially since 2010. These diagrams therefore match the description of the change to growth after 2008 in favor of the poor. In 2009 poor workers were less harmed than non-poor workers, and since then the % improvement in pay has been similar for poor and non-poor workers, with most of the increase in employment actually affecting low paid workers. However, the severity of poverty among Arabs hardly declined in spite of the higher rate of employment, and among the Haredi Jews it even increased in 2013. (See the discussion above regarding the strength of employment between the Expenditure Survey and other sources of information). The continued existence of large dimensions of poverty in spite of increased employment calls for an examination of pay policy, since growth in employment is a necessary but not sufficient condition for reducing poverty.

Figure 11a: Employment and Poverty – Total Population

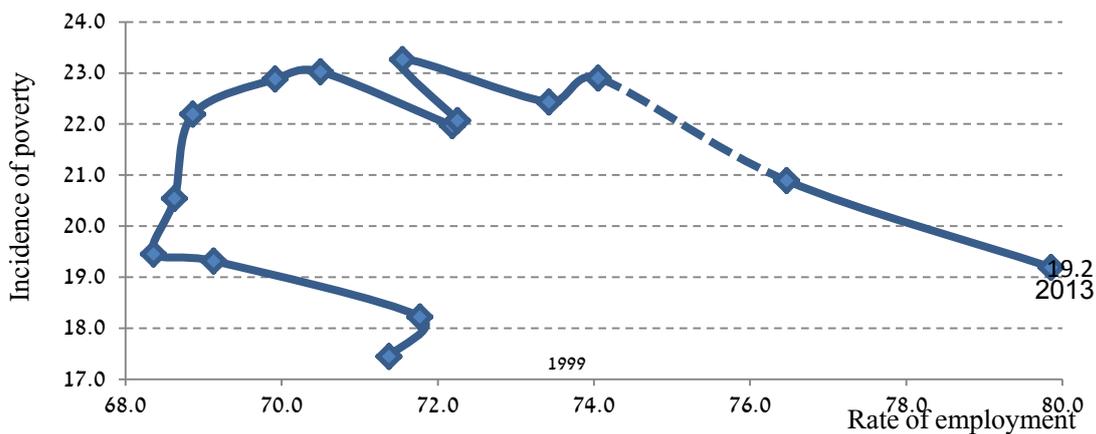


Figure 11b: Employment and Poverty – Non-Haredi Jews

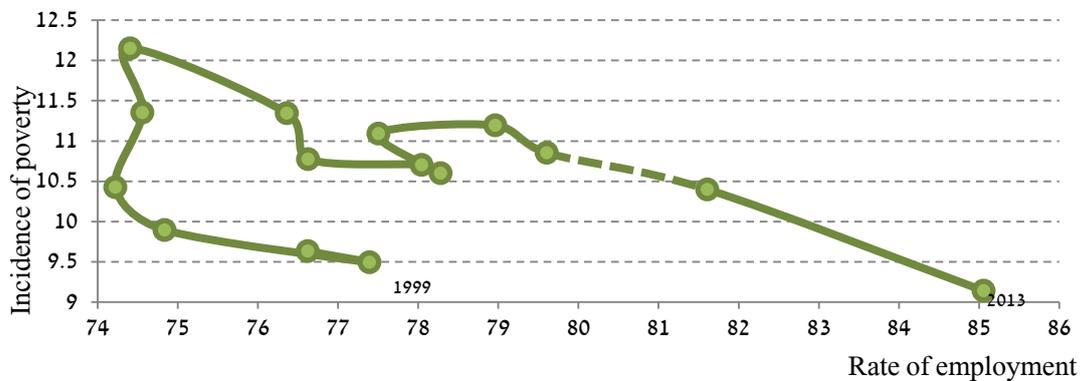


Figure 11c: Employment and Severity of Poverty – Non-Haredi Jews

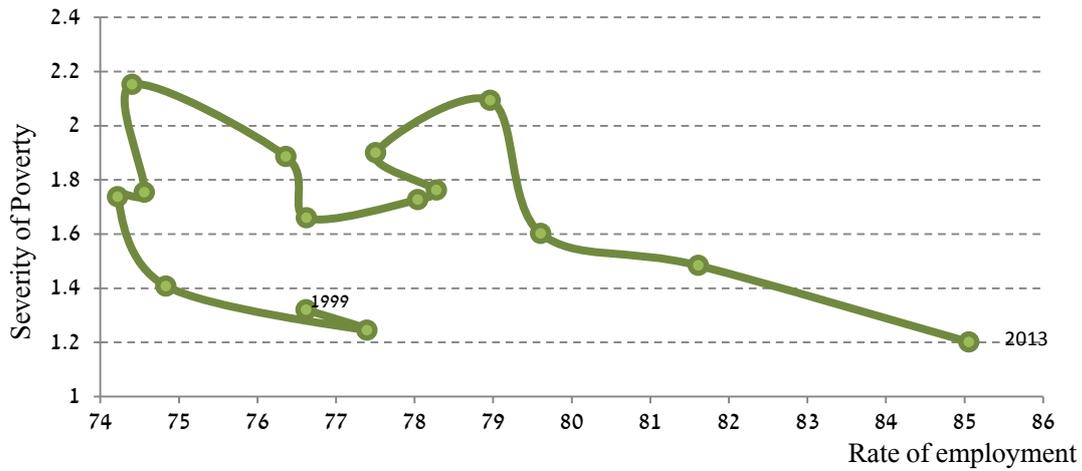


Figure 11d: Employment and Severity of Poverty – Haredi Jews

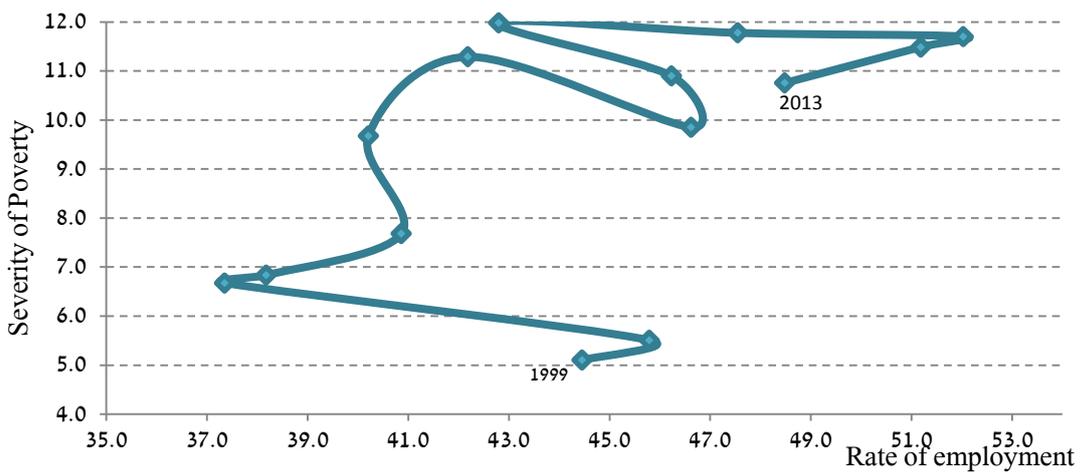


Figure 11e: Employment and Severity of Poverty – Arabs

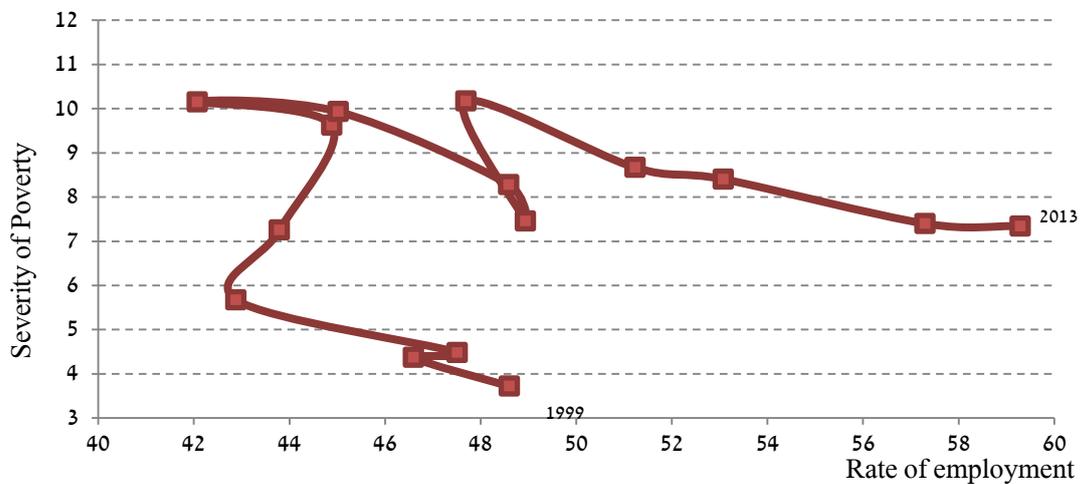


Table 19 presents the breakdown of workers in poor families and in the whole population by pay level. The table shows that most paid workers, 78%, work full time. The same is true for paid workers in poor families, of whom some 62% work full time. However, even among full time workers from poor families, there are about 40% whose earnings are equal to or even less than the minimum wage, and less than half do not even earn half the minimum wage (and are therefore exposed to non-compliance with the law by their employers). Another 55% of them earn more than the minimum wage but less than the average wage, while the remainder earn more than the average. By contrast, in the population as a whole about 90% of workers are employed full time and earn more than the minimum wage.

Table 19: Breakdown of Pay of Poor and Non-Poor Paid Workers by Levels of Pay, 2013**

	Total (thousands)	Percent	Up to half minimum wage	Half to minimum wage	Minimum to average wage	Above average wage
Total paid workers	3,053	100.0	12.1	15.0	40.6	32.4
Full time paid workers*	2,387	100.0	7.9	9.5	44.1	38.5
Among the economically poor:						
Total paid workers	369	100.0	30.8	29.5	38.3	1.4
Full time paid workers	215	100.0	17.5	24.8	55.5	2.1
Among the net poor population:						
Total paid workers	267	100.0	29.4	27.3	41.6	1.7
Full time paid workers	165	100.0	17.7	22.3	57.5	2.5

* 35 or more hours per week.

** The minimum wage and average wage have been adjusted to the period of the 2011 Income Survey.

IV. Appendices

Appendix 1a: Incidence of poverty 1998-2013, including East Jerusalem

Year	Incidence of poverty (%)		
	Families	Individuals	Children
1998	17.4	17.5	21.8
1999	18.0	19.5	26.0
2002	18.1	21.0	29.6
2003	19.3	22.4	30.8
2004	20.3	23.6	33.2
2005	20.6	24.7	35.2
2006	20.0	24.5	35.8
2007	19.9	23.8	34.2
2008	19.9	23.7	34.0
2009	20.5	25.0	36.3
2010	19.8	24.4	35.3
2011	19.9	24.8	35.6
2012	19.4	23.5	33.7
2013	18.6	21.8	30.8

Appendix 1b: Incidence of poverty 1999-2012, excluding East Jerusalem

Year	Incidence of poverty (%)		
	Families	Individuals	Children
1998	N/A#	N/A#	N/A#
1999	17.8	18.8	24.9
2000	17.5	18.8	25.2
2001	17.7	19.6	26.9
2002	17.7	20.0	28.0
2003	19.2	21.5	29.4
2004	20.3	23.2	32.5
2005	20.3	23.7	33.8
2006	20.2	23.9	34.6
2007	19.5	22.8	33.2
2008	19.6	22.7	32.5
2009	20.0	23.8	34.4
2010	19.3	23.1	33.6
2011	19.3	23.2	33.4
2012	18.6	21.8	31.3
2013	17.9	20.2	28.4

Appendix 2: Number of poor families, individuals and children after transfer payments and taxes, 2012-2013

Note: The numbers reflect the size of the population and are not an indication of changes in the dimensions of poverty, since the dimensions of poverty express the difference between changes in the number of poor people and changes in population size, so that the incidence of poverty in a particular group might decrease even if the number of poor families grows, and vice versa.

Population group	2012			2013		
	Families	Individuals	Children	Families	Individuals	Children
Total population	439,500	1,754,700	817,200	432,600	1,658,200	756,900
Jews	273,400	927,400	418,300	267,800	856,200	374,400
Arabs	166,100	827,200	398,900	164,900	801,900	382,600
Elderly*	104,800	186,700	13,500	110,500	180,800	5,500
Immigrants	79,800	225,700	85,600	85,200	210,000	67,400
Haredi Jews**	44,400	300,600	202,200	40,600	270,900	179,400
Families with children - total	253,000	1,426,100	817,200	238,500	1,327,100	756,900
1-3 children	157,400	705,700	326,900	151,000	678,700	311,800
4 or more children	95,600	720,400	490,300	87,500	648,400	445,100
5 or more children	53,900	455,100	323,600	45,300	381,900	276,200
Single-parent families	37,800	145,600	80,900	36,100	141,400	75,700
Employment status of household head:						
Working	249,200	1,230,300	619,000	231,300	1,165,000	601,700
Waged	215,300	1,053,700	528,300	194,600	987,200	511,100
Self employed	30,700	163,800	86,900	33,400	168,500	90,000
Non-working of working age	94,800	363,300	188,500	95,100	321,600	150,100
One breadwinner	192,000	905,800	473,500	164,600	766,300	409,500
Two or more breadwinners	57,300	324,500	145,500	66,700	398,700	192,200
Age of household head:						
Up to 30	88,400	326,500	131,700	90,100	351,800	139,100
31-45	157,600	871,600	539,500	155,200	825,000	504,500
46 to pension age	97,400	391,400	134,200	83,700	314,000	109,000
Of legal pension age by law***	96,000	165,200	11,900	103,600	167,400	4,400
Education of household head:						
Up to 8 years of study	93,000	296,100	97,500	87,200	265,800	90,200
9-12 years of study	192,900	856,200	414,500	185,400	769,300	358,800
13 years and over of study	153,700	602,400	305,200	160,000	623,100	307,900

* According to the definition used until now: from 60 for a woman and from 65 for a man.

** Due to fluctuations, a floating average of two years is shown. The definition of Haredi Jews is according to the work of Gottlieb-Kushnir (2009).

*** The definition has been adapted to the definition in the Retirement Age Act, and therefore this population group is not fixed until the process of raising the retirement age is complete.

Appendix 3: Incidence of poverty in individuals by population group, percentages, 2012 and 2013

Population group	Income before transfer payments and taxes		Income after transfer payments and taxes		Drop in incidence of poverty after transfer payments and taxes (%)	
	2012	2013	2012	2013	2012	2013
Total population	31.4	28.7	23.5	21.8	25.3	24.2
Jews	24.6	21.7	15.6	14.1	36.7	35.3
Arabs	57.8	56.4	54.0	52.4	6.6	7.1
Elderly*	49.0	44.0	23.3	21.0	52.4	52.3
Immigrants	30.7	28.9	17.3	16.6	43.7	42.7
Haredi Jews**	80.1	83.6	65.4	74.4	18.3	11.0
Families with children - total	34.3	31.1	29.1	26.7	15.4	14.3
1-3 children	24.9	21.9	19.2	18.0	23.0	17.6
4 or more children	62.5	60.2	58.4	53.8	6.5	10.6
5 or more children	71.3	68.5	67.3	60.8	5.6	11.2
Single-parent families	45.9	43.7	29.4	30.4	36.0	30.3
Employment status of household head:						
Working	24.5	22.2	18.9	17.4	23.0	21.5
Waged	24.7	22.2	18.6	17.2	24.5	22.4
Self employed	22.0	21.3	19.7	18.2	10.6	14.6
Non-working of working age	93.1	93.9	77.5	81.5	16.8	13.2
One breadwinner	51.4	50.9	39.5	39.7	23.0	22.0
Two or more breadwinners	10.0	10.5	7.7	8.4	22.8	20.4
Age of household head:						
Up to 30	35.6	33.1	25.2	25.0	29.2	24.4
31-45	32.1	29.5	27.1	25.1	15.5	15.0
46 to pension age	21.9	18.1	17.0	14.3	22.4	20.9
Of legal pension age by law***	53.3	48.4	24.9	22.8	53.3	52.8
Education of household head:						
Up to 8 years of study	71.3	66.4	54.2	52.4	23.9	21.1
9-12 years of study	35.9	31.6	27.9	24.9	22.3	21.2
13 years and over of study	22.3	21.7	15.6	15.5	29.9	28.7

* According to the definition used until now: from 60 for a woman and from 65 for a man.

** Due to fluctuations, a floating average of two years is shown. The definition of Haredi Jews is according to the work of Gottlieb-Kushnir (2009).

*** The definition has been adapted to the definition in the Retirement Age Act, and therefore this population group is not fixed until the process of raising the retirement age is complete.

**Appendix 4: The income gap ratio among families by type of family, 2012-2013
(percentages)**

Population group	Income before transfer payments and taxes		Income after transfer payments and taxes		Effect on income gap among the poor only	
	2012	2013	2012	2013	2012	2013
Total population	56.3	57.4	34.4	32.8	41.6	43.4
Jews	56.1	60.9	30.0	30.1	50.4	52.3
Arabs	56.6	52.1	39.2	35.6	31.2	31.8
Elderly*	77.9	82.3	28.1	25.2	69.8	73.9
Immigrants	61.0	71.1	25.1	27.1	59.8	61.4
Haredi Jews**	58.7	66.4	34.3	37.2	46.1	44.3
Families with children - total	52.0	51.5	35.4	33.7	35.4	35.1
1-3 children	47.3	48.8	31.4	30.8	37.5	36.4
4 or more children	57.6	54.6	39.4	36.7	33.7	33.8
5 or more children	59.1	55.4	40.6	36.7	33.2	36.1
Single-parent families	62.1	65.1	35.2	37.8	53.1	49.5
Employment status of household head:						
Working	40.3	40.4	29.2	28.8	31.5	30.0
Waged	39.9	40.1	28.7	28.6	32.9	31.2
Self employed	40.7	38.5	33.1	29.9	17.7	17.0
Non-working of working age	94.3	99.2	54.2	51.3	43.5	47.2
One breadwinner	44.0	46.3	31.7	32.6	31.9	31.3
Two or more breadwinners	30.2	28.8	22.5	21.4	29.8	26.1
Age of household head:						
Up to 30	50.6	52.1	33.0	33.4	41.3	39.1
31-45	51.4	51.1	35.1	34.4	34.4	33.8
46 to pension age	56.0	56.7	36.9	32.5	36.7	42.2
Of legal pension age by law***	78.3	82.4	27.2	24.2	71.0	75.0
Education of household head:						
Up to 8 years of study	72.5	69.1	37.3	34.3	51.0	52.1
9-12 years of study	50.9	53.3	34.1	33.4	35.9	38.3
13 years and over of study	55.9	57.5	33.2	31.4	43.0	44.7

* From 60 for a woman and 65 for a man

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys

*** From 62 for women and 67 for men.

Appendix 5: The effect of transfer payments²⁹ and direct taxes on inequality of income in the whole population, 2012-2013

Decile*	Share of each decline in total income (%)**					
	Income before transfer payments and taxes		Income after transfer payments and taxes		Drop in incidence of poverty after transfer payments and taxes (%)	
	2012	2013	2012	2013	2012	2013
Lowest	0.1	0.0	1.8	1.9	2.0	2.1
2	1.9	2.1	3.2	3.3	3.6	3.7
3	3.4	3.7	4.3	4.5	4.8	5.0
4	4.8	5.2	5.5	5.7	6.1	6.4
5	6.5	6.7	6.9	7.0	7.6	7.7
6	8.4	8.5	8.5	8.5	9.1	9.2
7	10.5	10.5	10.3	10.2	10.8	10.8
8	13.2	13.2	12.7	12.6	13.0	12.9
9	17.8	17.3	16.6	16.2	16.2	15.9
Highest	33.3	32.9	30.2	30.1	26.8	26.2
Ratio between income of the highest quintile and that of the lowest quintile	25.6	24.3	9.5	9.0	7.8	7.2

* The families in each column were ranked according to the level of income suitable for a standard individual. Each decile consists of 10% of individuals.

** In terms of income per standard individual.

²⁹ This analysis is incomplete because some transfer payments are not reported and therefore not included here. For example, there is no reporting of tax benefits, particularly in the area of savings, and there is also a lack of information about grants to the business sector pursuant to the Capital Investment Encouragement Act. If the missing information were available in the income or expenditure surveys, it would apparently change the share of the upper deciles in the national income.

Appendix 6: Financial data by quintiles according to the OECD weighting scale

a. Income by source and type, 2013 and the real change compared to 2012

Source/ type of income	Income (NIS per month)						Change over 2012, percentages					
	Average	1	2	3	4	5	Average	1	2	3	4	5
From work	13,770	2,090	6,480	11,070	16,660	31,220	5.1	0.6	15.1	14.3	7.6	4
Pensions, provident funds, capital	1,980	170	680	1,070	1,840	5,840	9.8	75.5	23.3	-4.5	1.5	17.2
Benefits and support	1,970	2,330	2,020	1,790	1,680	2,040	-1.7	5.7	-11	-6.2	-4.9	5.4
Mandatory payments	3,090	280	690	1,380	2,900	9,690	10.7	-3.7	12.8	13.1	11.1	14.4
Net per family	14,630	4,300	8,490	12,550	17,280	29,400	4.1	5.8	8.7	9.6	5.5	3.8
Gross per family	17,720	4,580	9,180	13,930	20,180	39,100	5.2	5.4	9	9.9	6.3	6.3
Economic per family	15,640	2,210	7,060	12,050	18,380	36,900	6.1	3.4	16	12.9	7.4	6.5
Net per standard individual	8,490	2,540	4,840	7,110	9,870	17,410	3.2	11.2	9.6	7.4	5.1	2.1
Gross per standard individual	10,240	2,710	5,210	7,860	11,460	23,000	4	10.8	10	7.8	5.9	4
Economic per standard individual	8,910	1,120	3,850	6,690	10,320	21,610	4.7	6.6	18.4	10.9	6.9	4.1

b. Expenditure by quintiles, breakdown of expenditure and real rates of change, 2012-2013

	Average	1	2	3	4	5
Monthly expenditure in NIS, 2013						
Expenditure on consumption per standard individual	8,520	4,780	6,450	7,890	9,860	13,590
Monetary expenditure per standard individual	6,380	3,490	4,820	5,930	7,420	10,230
Family expenditure on consumption	14,270	8,100	11,130	13,310	16,670	22,150
Family monetary expenditure	10,750	6,020	8,410	10,090	12,550	16,680
Real change compared to 2012						
Expenditure on consumption per standard individual	1.1	-1	3.2	2.5	2.1	-0.7
Monetary expenditure per standard individual	-5.6	-4.8	-3.9	-4	-3.9	-8.6
Family expenditure on consumption	-0.9	0.2	2.3	-0.3	-0.6	-3.3
Family monetary expenditure	-7.3	-3.4	-4.3	-6.1	-6.5	-11.1
Percentage of total expenditure, 2012						
Family expenditure on consumption	100	11.2	15.1	18.5	23.2	31.9
Family monetary expenditure	100	10.7	15.2	18.5	23.1	32.4
Percentage of total expenditure, 2013						
Family expenditure on consumption	100	11.4	15.6	18.6	23.4	31.1
Family monetary expenditure	100	11.2	15.7	18.8	23.3	31

Appendix 7: Incidence of poverty according to the OECD definition of the poverty line as 40% of median income, 2012 and 2013

Population group	2012			2013		
	Families	Individuals	Children	Families	Individuals	Children
Total population	11.4	12.2	17.1	11.7	11.8	16.0
Jews	8.2	7.1	9.4	8.7	7.2	9.0
Arabs	29.6	32.1	39.7	29.0	30.2	37.8
Elderly*	15.6	15.0	58.9	17.3	15.3	28.3
Immigrants	8.9	7.4	10.3	12.0	8.5	9.4
Haredi Jews**	27.4	30.1	32.8	41.1	40.0	40.4
Families with children - total	12.2	14.5	17.1	11.9	13.6	16.0
1-3 children	8.5	8.6	9.2	8.6	8.6	9.3
4 or more children	31.0	31.9	32.0	28.9	29.1	29.5
5 or more children	36.7	37.0	36.7	31.2	30.8	31.5
Single-parent families	16.2	17.4	20.9	17.0	18.8	23.0
Employment status of household head:						
Working	6.1	7.7	11.1	5.8	7.5	11.4
Waged	5.8	7.2	10.5	5.7	7.5	11.7
Self employed	7.5	10.6	14.9	5.7	7.0	9.8
Non-working of working age	56.0	65.0	74.9	61.7	68.9	76.2
One breadwinner	12.4	18.4	25.4	13.1	21.0	31.2
Two or more breadwinners	1.5	1.8	2.4	1.5	2.0	2.8
Age of household head:						
Up to 30	13.8	12.7	19.8	13.3	13.1	20.4
31-45	9.9	13.2	16.6	10.5	13.1	16.2
46 to pension age	8.7	9.4	15.2	7.7	7.5	11.8
Of legal pension age by law***	16.7	16.2	69.7	18.4	16.6	26.5
Education of household head:						
Up to 8 years of study	31.7	35.9	55.7	36.4	36.1	46.9
9-12 years of study	12.3	14.2	21.8	12.4	13.5	21.1
13 years and over of study	7.3	7.3	9.8	7.5	7.5	9.8

* From 60 for a woman and 65 for a man

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys

*** From 62 for women and 67 for men.

Appendix 8: Incidence of poverty according to the OECD definition of the poverty line as 60% of median income, 2012 and 2013

Population group	2012			2013		
	Families	Individuals	Children	Families	Individuals	Children
Total population	24.4	26.1	34.6	24.5	24.7	31.6
Jews	19.3	18.3	23.8	19.4	17.0	21.0
Arabs	52.9	56.3	66.6	53.4	55.0	64.9
Elderly*	34.4	33.0	73.6	34.6	31.1	39.1
Immigrants	26.8	23.0	28.8	28.5	22.6	25.1
Haredi Jews**	57.9	63.0	68.5	70.9	72.4	74.5
Families with children - total	26.8	30.1	34.6	24.9	27.6	31.6
1-3 children	21.2	21.4	23.0	19.9	19.8	21.1
4 or more children	54.7	56.1	56.8	50.9	51.9	52.7
5 or more children	64.1	64.3	64.7	57.0	57.3	58.2
Single-parent families	35.0	33.8	39.6	34.6	35.1	40.0
Employment status of household head:						
Working	16.7	20.5	28.9	16.4	19.4	27.2
Waged	16.8	20.5	28.9	16.2	19.2	27.2
Self employed	15.3	19.9	27.8	16.7	19.8	27.1
Non-working of working age	77.5	83.1	90.2	80.7	85.4	89.6
One breadwinner	30.4	43.2	58.4	33.1	46.0	62.2
Two or more breadwinners	6.5	8.3	10.9	6.6	8.6	12.0
Age of household head:						
Up to 30	26.5	27.8	43.2	27.7	28.0	42.2
31-45	22.8	28.5	34.4	22.3	26.5	31.6
46 to pension age	18.2	19.1	28.0	16.8	16.7	23.9
Of legal pension age by law***	36.2	35.3	88.1	36.8	33.7	37.3
Education of household head:						
Up to 8 years of study	56.7	60.7	80.9	58.2	59.2	74.6
9-12 years of study	27.7	30.9	43.6	27.3	28.1	39.1
13 years and over of study	16.5	17.4	23.4	17.3	17.7	22.7

* From 60 for a woman and 65 for a man

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys

*** From 62 for women and 67 for men.

Appendix 9: Incidence of individual poverty by economic income and net income and the effect of transfer payments and direct taxes, according to the OECD approach (half the median)

Population group	Income before transfer payments and taxes		Income after transfer payments and taxes		Drop in incidence of poverty after transfer payments and taxes (%)	
	2012	2013	2012	2013	2012	2013
Total population	28.3	25.4	18.8	18.0	33.6	29.4
Jews	22.2	19.9	12.1	11.9	45.6	40.1
Arabs	51.8	47.3	44.7	42.0	13.8	11.3
Elderly*	49.7	45.5	23.6	24.0	52.5	47.3
Immigrants	27.2	27.2	14.0	15.2	48.5	43.9
Haredi Jews**	73.5	76.4	44.3	58.0	39.7	24.1
Families with children - total						
1-3 children	29.5	26.0	22.1	20.2	25.1	22.0
4 or more children	20.8	18.4	14.8	13.7	28.7	25.7
5 or more children	55.3	49.7	43.7	40.8	21.1	17.8
Single-parent families	63.9	54.3	48.4	43.4	24.1	20.1
Employment status of household head:						
Working	20.8	18.3	13.5	12.8	34.9	29.7
Waged	20.9	18.6	13.2	12.8	36.8	31.2
Self employed	18.6	15.4	15.0	12.6	19.5	18.0
Non-working of working age	92.6	94.2	75.7	79.7	18.3	15.4
One breadwinner	46.6	47.2	31.4	34.4	32.6	27.2
Two or more breadwinners	6.9	6.5	3.9	4.1	43.5	37.1
Age of household head:						
Up to 30	32.5	29.8	18.8	20.4	42.3	31.4
31-45	28.2	24.5	20.9	19.3	25.9	21.2
46 to pension age	18.5	15.7	13.8	11.6	25.4	26.4
Of legal pension age by law***	54.4	50.1	25.8	26.2	52.6	47.6
Education of household head:						
Up to 8 years of study	66.3	63.3	49.0	46.6	26.1	26.4
9-12 years of study	31.2	27.5	21.8	20.1	30.3	27.0
13 years and over of study	20.5	19.0	12.1	12.7	41.2	33.3

* From 60 for a woman and 65 for a man

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys

*** From 62 for women and 67 for men.

Appendix 10: Breakdown of workers and rates of increase in total employment by branches (percentages), 2012-2013

Economic branch	Rate of employed people in this branch						Increase in rate of employment 2012 to 2013		
	2012			2013			Total	Poor	Not poor
	Total	Poor	Not poor	Total	Poor	Not poor			
Total	100.0	100.0	100.0	100.0	100.0	100.0	14.3	1.3	15.8
Agriculture	1.3	1.7	1.3	0.9	2.1	0.8	-23.0	--	-30.0
Industry (mining & manufacture)	15.1	10.5	15.6	13.9	12.1	14.1	5.7	16.3	4.9
Electricity and water	0.8	0.3	0.9	1.1	0.7	1.2	53.6	--	50.0
Building and construction	5.0	12.7	4.2	4.2	11.8	3.5	-4.5	-5.8	-4.1
Wholesale & retail trade	12.3	12.9	12.2	12.4	13.2	12.3	15.6	4.3	16.9
Hospitality and food	4.5	5.6	4.4	4.7	6.7	4.5	19.4	20.8	19.2
Transport, storage & communications	7.0	6.9	7.0	8.8	4.4	9.3	43.9	-35.3	52.5
Business services, banking & insurance	18.0	8.6	19.0	14.9	8.1	15.5	-5.4	-5.0	-5.5
Public administration	4.4	1.5	4b.7	11.3	7.3	11.7	195.9	--	188.5
Education	14.2	20.4	13.6	12.1	16.3	11.7	-2.7	-19.3	0.1
Health, welfare and social services	10.9	9.4	11.0	10.7	10.7	10.7	12.1	15.0	11.8
Community services and others	6.5	9.4	6.1	4.9	6.5	4.8	-12.9	-29.7	-10.0

Appendix 11: Pay as a percentage of the average wage and changes by branch of employment (percentages), 2012-2013

Economic branch	Pay as percent of average wage*			Real rate of change in wages 2012-2013		
	Total	Poor	Not poor	Total	Poor	Not poor
Total	100.0	42.5	105.5	-2.8	-0.4	-3.5
Agriculture	77.3	--	86.1	-8.8	--	-4.0
Industry (mining & manufacture)	118.7	51.7	124.3	-5.4	10.1	-5.5
Electricity and water	162.2	--	166.7	-22.9	--	-22.4
Building and construction	93.0	58.4	104.5	7.0	10.9	6.1
Wholesale & retail trade	82.0	42.4	86.1	-1.0	-6.8	-1.2
Hospitality and food	58.5	38.4	61.4	2.4	12.6	1.7
Transport, storage & communications	140.7	50.8	144.8	39.5	-2.7	36.4
Business services, banking & insurance	119.5	40.6	123.4	-8.9	-8.0	-8.8
Public administration	90.2	--	94.5	-35.1	--	-33.5
Education	91.8	46.3	97.9	6.3	11.7	4.4
Health, welfare and social services	87.9	31.1	93.4	-6.1	3.3	-6.2
Community services and others	65.7	35.9	69.7	1.6	10.8	-0.7

Appendix 12: Breakdown of workers and rates of growth in employment by occupation (percentages), 2012-2013

Occupation	Percentage employed in this occupation					
	2012			2013		
	Total	Poor	Not poor	Total	Poor	Not poor
Total	100.0	100.0	100.0	100.0	100.0	100.0
Academic and managerial workers	22.2	5.2	24.0	22.8	14.9	23.5
Professionals, technical workers	15.4	16.6	15.2	10.1	2.4	10.8
Clerical workers	16.5	12.0	17.0	12.2	5.6	12.8
Sales and service workers	19.0	20.6	18.8	8.4	6.1	8.6
Skilled workers	15.7	24.4	14.7	33.4	48.4	32.0
Unskilled workers	8.2	18.6	7.1	6.2	14.8	5.3

**Appendix 13: Rates of pay and changes in them by occupation (percentages),
2012-2013**

Occupation	Pay as a percentage of the average wage*			Real rate of change in wages 2012 to 2013		
	Total	Poor	Not poor	Total	Poor	Not poor
Total	100.0	42.5	105.5	-2.8	-0.3	-3.5
Academic and managerial workers	145.4	47.9	151.3	-19.4	-19.1	-17.4
Professionals, technical workers	182.6	61.6	185.2	75.4	55.3	65.9
Clerical workers	102.4	45.3	104.8	21.6	6.9	19.9
Sales and service workers	76.4	38.6	78.9	25.4	23.4	22.5
Skilled workers	66.2	44.9	69.4	-23.7	-19.1	-25.0
Unskilled workers	44.0	37.6	45.8	-16.2	1.8	-19.7

Appendix 14: Average income from paid work, by population group, 1999-2013, 2013 prices

Population group	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total population	8,520	6,562	6,698	6,334	6,105	6,177	6,318	6,277	6,799	6,731	6,513	6,458	6,474	7,485	7,584
Jews	8,976	6,856	7,019	6,684	6,445	6,473	6,667	6,663	7,175	7,107	6,911	6,865	6,903	7,995	8,092
Arabs	5,402	4,302	4,405	3,905	3,829	4,147	4,024	3,774	4,372	4,346	4,015	3,972	3,941	4,612	4,698
Elderly*	2,621	915	906	767	842	767	883	918	1,219	1,233	1,374	1,395	1,630	2,219	2,244
Immigrants	5,365	4,470	4,956	4,599	4,780	4,569	4,709	5,062	5,387	5,524	5,466	5,389	5,323	5,992	6,347
Haredi Jews (Gottlieb-Kushnir approach)**	5,738	3,935	3,400	3,651	3,727	3,660	3,468	4,014	4,131	3,908	3,816	4,094	4,277	4,334	3,825
Haredi Jews (classical approach)	5,023	3,422	3,170	3,373	3,574	3,389	3,224	3,657	4,103	3,781	3,805	3,932	4,215	5,097	5,529
Families with children - total	9,825	8,421	8,467	8,089	7,703	7,851	7,967	7,921	8,510	8,471	8,154	8,218	7,995	9,206	9,622
1-3 children	10,187	8,849	8,996	8,654	8,119	8,342	8,454	8,454	8,987	8,992	8,731	8,625	8,467	9,699	10,077
4 or more children	7,920	6,136	5,569	5,169	5,648	5,392	5,419	5,357	6,167	5,899	5,260	6,294	5,768	6,723	7,260
5 or more children	6,651	5,719	4,303	4,059	4,545	4,466	4,577	4,603	5,166	5,225	4,641	4,944	4,826	6,189	6,435
Single-parent families	6,193	4,589	4,524	4,131	4,419	4,814	4,601	4,909	5,264	5,301	5,444	5,356	5,713	6,171	6,563
Employment status of household head:															
Working	9,847	8,855	9,359	8,858	8,522	8,525	8,658	8,500	9,104	8,932	8,682	8,523	8,459	9,392	9,544
Waged	9,880	10,291	10,671	10,101	9,775	9,746	9,892	9,809	10,395	10,169	9,918	9,798	9,675	10,753	11,068
One breadwinner	7,797	7,209	7,457	7,120	6,986	6,896	6,985	6,847	7,586	7,353	7,186	7,034	7,003	7,756	7,831
Two or more breadwinners	11,555	10,194	11,018	10,440	9,954	9,991	10,109	9,926	10,368	10,272	9,925	9,694	9,560	10,608	10,554
Age of household head:															
Up to 30	5,891	5,421	6,020	5,031	5,231	5,273	5,206	5,365	5,595	5,436	4,981	5,150	5,132	5,766	5,717
31-45	9,851	8,748	8,495	8,370	7,927	8,016	8,470	8,071	8,855	8,631	8,453	8,243	8,339	9,468	9,747
46 to pension age	11,313	8,732	9,206	8,792	8,311	8,212	8,175	8,299	8,761	8,727	8,399	8,371	8,305	9,675	10,084
Education of household head:															
Up to 8 years of study	3,565	1,600	1,629	1,669	1,539	1,567	1,484	1,514	1,728	1,744	1,731	1,500	1,540	1,645	1,761
9-12 years of study	6,913	5,376	5,259	5,058	4,744	4,851	4,773	4,747	5,288	5,050	4,730	4,792	4,775	5,457	5,162
13 years and over of study	11,120	9,582	9,597	8,972	8,674	8,573	8,816	8,721	9,182	9,105	8,874	8,788	8,735	9,940	10,170

* From 60 for a woman and 65 for a man

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys

*** From 62 for women and 67 for men.

Appendix 15: Average income from paid work in working families, by population group, 1999-2013, 2013 prices

Population group	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	9,865	10,264	10,671	10,101	9,775	9,746	9,880	9,798	10,398	10,175	9,910	9,799	9,686	10,709	11,027
Jews	10,448	10,801	11,172	10,545	10,201	10,144	10,325	10,291	10,922	10,733	10,442	10,325	10,249	11,388	11,786
Arabs	6,040	6,378	7,061	6,737	6,651	6,867	6,727	6,331	6,898	6,612	6,392	6,367	6,177	6,763	6,770
Elderly*	8,774	7,782	8,295	6,809	7,727	6,655	7,694	7,470	8,392	7,829	8,063	7,676	8,084	9,251	9,766
Immigrants	6,330	6,574	7,282	6,767	7,002	6,701	6,825	7,174	7,776	7,895	7,587	7,548	7,598	8,105	8,605
Haredi Jews (Gottlieb Kushnir approach)**	7,089	6,164	6,366	6,730	6,305	6,493	5,812	6,175	6,331	6,311	5,883	5,900	6,126	6,010	5,578
Haredi Jews (classical approach)	6,464	5,808	6,185	6,618	6,213	6,362	5,594	5,928	6,382	6,197	5,987	5,909	6,022	7,158	7,697
Families with children - total	10,395	10,855	11,241	10,853	10,332	10,354	10,368	10,383	10,916	10,706	10,492	10,431	10,109	11,331	11,830
1-3 children	10,672	11,181	11,515	11,199	10,545	10,678	10,676	10,739	11,239	11,037	10,957	10,770	10,526	11,663	12,200
4 or more children	8,843	8,862	9,288	8,558	9,036	8,384	8,390	8,297	9,060	8,738	7,759	8,661	7,930	9,386	9,709
5 or more children	7,721	8,543	8,080	7,322	7,779	7,577	7,476	7,454	8,026	8,047	7,035	7,124	6,855	8,979	8,741
Single parent families	7,283	6,928	6,962	6,570	6,564	7,083	6,469	6,955	7,471	7,263	7,342	7,485	7,650	8,064	8,890
Employment status of head of household															
Working	9,865	10,264	10,671	10,101	9,775	9,746	9,880	9,798	10,398	10,175	9,909	9,799	9,686	10,709	11,027
Waged	9,880	10,291	10,671	10,101	9,775	9,746	9,892	9,809	10,395	10,169	9,918	9,800	9,675	10,753	11,068
One breadwinner	7,803	8,341	8,540	8,139	8,003	7,907	7,987	7,943	8,631	8,416	8,165	8,059	8,027	8,986	9,043
Two or more breadwinners	11,587	11,832	12,515	11,880	11,430	11,394	11,516	11,380	11,878	11,657	11,368	11,175	10,937	11,955	12,197
Age of head of household															
Up to 30	6,272	6,757	7,421	6,471	6,505	6,517	6,464	6,433	6,705	6,583	6,100	6,183	6,004	6,499	6,502
31 to 45	10,390	11,020	11,159	10,906	10,491	10,404	10,747	10,450	11,130	10,783	10,684	10,303	10,336	11,408	11,946
45 to pension age	12,243	12,240	12,990	12,293	11,717	11,724	11,612	11,858	12,397	12,100	11,657	11,681	11,455	13,002	13,428
Education of head of household															
Up to 8 years of study	5,820	5,395	5,926	5,855	5,606	5,502	5,301	5,339	6,047	5,520	5,522	5,146	4,950	5,183	5,827
9 to 12 years of study	7,801	8,160	8,072	7,863	7,542	7,559	7,353	7,360	7,863	7,542	7,162	7,244	7,093	7,675	7,444
13 and more years of study	12,299	12,848	13,288	12,407	11,941	11,797	12,078	11,963	12,615	12,420	12,168	11,910	11,825	13,160	13,705

* From 60 for a woman and 65 for a man

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys

Appendix 16: Rate of employed people of working age, by population group, percentages, 2012-2013

Population group	Men		Women	
	2012	2013	2012	2013
Total population	72.4	79.6	64.6	70.3
Jews	73.6	81.0	72.9	79.1
Arabs	67.5	73.8	30.6	34.7
Elderly*	68.8	74.7	34.7	40.0
Immigrants	44.5	53.3	47.4	54.3
Haredi Jews (Gottlieb-Kushnir approach)**	77.2	83.1	75.2	79.1
Haredi Jews (classical approach)	29.4	31.7	60.2	61.1
Families with children - total	33.9	39.4	60.9	63.1
1-3 children	74.7	82.0	62.3	69.2
4 or more children	77.0	83.6	65.1	71.6
5 or more children	62.9	73.4	47.4	56.1
Single-parent families	58.0	67.8	42.0	55.5
Employment status of household head:				
Working	64.4	76.1	64.5	69.8
Paid	78.1	85.0	69.7	75.5
Self employed	77.9	84.6	70.6	75.8
Non-working of working age	82.6	88.0	64.7	74.4
One breadwinner	0.0	0.0	0.0	0.0
Two or more breadwinners	67.4	72.4	45.8	48.4
Age of household head:				
Up to 30	82.8	89.1	80.8	85.1
31-45	71.5	75.9	66.2	67.0
46 to pension age	82.4	86.8	68.8	75.2
Of legal pension age by law	67.4	78.1	61.7	69.3
Education of household head:				
Up to 8 years of study	26.8	37.6	31.2	43.3
9-12 years of study	50.8	59.0	29.0	38.9
13 years and over of study	72.2	79.6	59.7	66.0

* From 60 for a woman and 65 for a man

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys

Appendix 17: Average hourly wage, shekels, 1999-2013, 2013 prices

Population group	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total population	49.3	51.3	55.1	53.3	54.2	51.9	51.4	51.4	52.7	51.9	50.8	50.4	50.2	56.2	51.7
Jews	51.6	53.2	57.0	54.8	55.5	53.4	53.0	53.4	54.6	54.0	52.8	52.5	52.6	59.3	54.2
Arabs	32.0	33.9	39.6	40.0	43.5	39.9	38.0	35.1	38.0	35.7	35.6	34.7	34.6	37.2	36.3
Elderly (households headed by an elderly person)*	56.8	61.0	64.2	52.5	59.4	61.2	58.9	56.9	63.7	55.9	56.9	55.4	58.1	60.8	61.9
Immigrants	34.6	35.7	42.1	39.2	39.1	37.3	38.8	39.3	41.0	41.3	40.8	40.1	41.0	44.4	42.6
Haredi Jews (Gottlieb-Kushnir approach)	49.1	44.9	54.1	53.5	58.6	52.5	48.0	47.4	46.8	46.7	42.7	44.7	42.5	47.4	45.1
Non-Haredi Jews (Gottlieb-Kushnir approach)**	49.3	51.4	55.1	53.3	54.0	51.9	51.5	51.6	53.0	52.0	51.1	50.6	50.6	56.4	51.9
Haredi Jews (classical approach)	50.6	45.1	56.3	55.2	59.6	49.7	47.6	46.9	47.9	46.5	42.8	46.0	43.7	51.7	50.4
Non-Haredi Jews (classical approach)	49.3	51.4	55.1	53.2	54.0	52.0	51.5	51.6	52.9	52.0	51.1	50.5	50.5	56.3	51.8
Age of household head:															
Up to 30	35.7	37.7	42.2	39.1	40.6	38.8	37.5	37.7	37.4	38.1	35.4	35.5	35.2	37.8	31.4
31-45	51.8	54.9	58.2	57.8	59.1	54.8	55.3	54.1	57.2	54.6	55.1	53.4	53.8	61.3	58.6
46 to pension age	61.1	61.0	65.8	64.2	62.1	61.8	60.8	62.6	62.2	61.8	59.3	60.4	59.3	65.4	62.9
Of legal pension age by law***	54.6	57.8	58.5	53.6	60.5	62.3	56.9	57.4	61.8	54.6	54.6	52.1	56.2	60.7	66.0
Education:															
Up to 8 years of study	32.9	31.3	33.5	33.8	33.8	33.8	32.3	32.5	34.2	31.0	31.7	29.4	28.1	31.6	31.2
9-12 years of study	37.9	39.6	43.0	39.6	41.9	38.9	37.6	39.1	39.4	38.4	36.7	37.0	36.5	39.4	34.4
13 years and over of study	61.5	64.3	67.0	66.6	65.5	63.1	62.9	61.9	63.7	63.2	61.9	61.0	61.3	69.2	66.1

* From 60 for a woman and 65 for a man

** According to the approach developed by Gottlieb-Kushnir for identifying Haredi Jews in the expenditure and income surveys

*** From 62 for women and 67 for men.

Appendix 18: Average hourly wage, shekels, 1999-2013, by gender, 2013 prices

Population group	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Men														
Total men	53.4	54.7	60.1	57.5	59.5	55.8	55.5	55.9	57.0	55.7	54.7	54.3	54.8	62.2	55.1
Jews	57.6	58.2	63.5	61.0	62.2	58.9	58.9	60.0	61.0	60.0	58.8	58.5	59.2	68.1	59.3
Arabs	32.6	34.3	40.5	37.8	44.3	38.9	37.4	34.4	37.0	35.0	34.8	34.2	34.1	36.5	36.1
Haredi Jews (Gottlieb-Kushnir approach)	49.4	49.0	48.2	53.0	60.6	62.3	48.6	52.4	50.2	47.2	44.8	44.1	45.6	44.6	43.5
Non-Haredi Jews (Gottlieb-Kushnir approach)	53.5	54.8	60.3	57.6	59.5	55.6	55.6	56.0	57.2	55.9	55.0	54.7	55.1	62.5	55.2
Haredi Jews (classical approach)	51.7	48.0	49.1	56.3	60.7	55.7	46.4	50.5	50.3	48.6	45.9	45.6	47.2	52.9	53.8
Non-Haredi Jews (classical approach)	53.4	54.8	60.3	57.5	59.5	55.8	55.6	56.0	57.2	55.8	54.9	54.6	55.0	62.5	55.1
	Women														
Total women	44.7	47.4	49.7	48.6	48.3	47.8	47.0	46.6	48.2	47.7	46.6	46.2	45.4	49.7	48.2
Jews	45.5	48.3	50.5	48.7	48.7	48.0	47.4	47.1	48.6	48.3	47.2	46.9	46.3	50.9	49.4
Arabs	30.1	32.7	37.6	46.7	40.9	43.1	39.9	37.4	40.8	38.1	37.8	36.0	35.6	38.5	36.6
Haredi Jews (Gottlieb-Kushnir approach)	49.0	42.4	58.3	54.0	57.4	46.6	47.6	44.1	44.9	46.4	41.5	45.0	40.6	48.7	45.9
Non-Haredi Jews (Gottlieb-Kushnir approach)	44.5	47.6	49.4	48.5	47.9	47.8	47.0	46.8	48.3	47.8	46.9	46.2	45.7	49.8	48.2
Haredi Jews (classical approach)	50.1	43.6	60.7	54.6	59.1	46.8	48.2	44.8	46.5	45.6	41.1	46.2	41.8	51.1	48.3
Non-Haredi Jews (classical approach)	44.5	47.5	49.4	48.5	47.8	47.8	47.0	46.7	48.2	47.8	46.9	46.2	45.6	49.7	48.2

Appendix 19: Changes in rates of employment, number of employed and population (aged 20 to 67), by selected groups

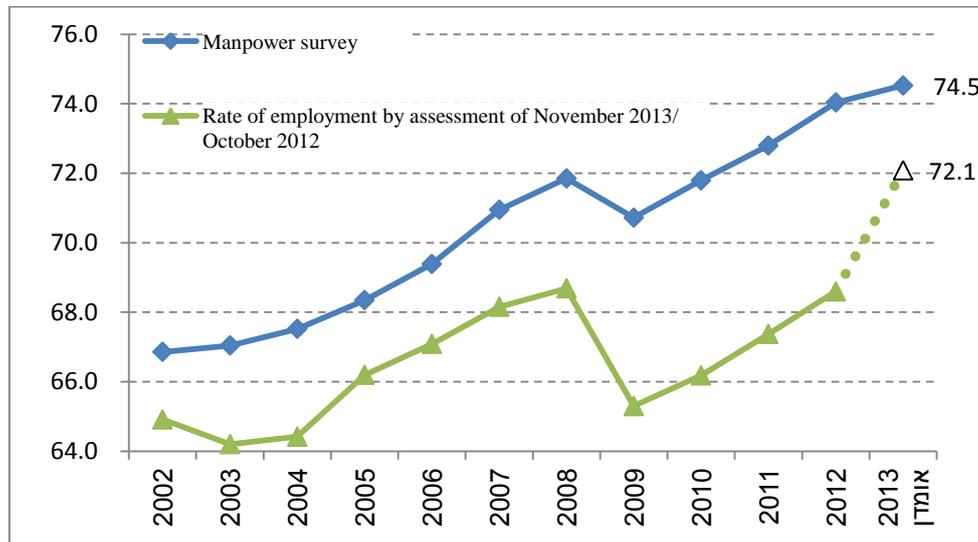
Based on non-final wage files, November 2014 vs October 2013	Change in employment rate			Rate of change in number of employed			Rate of change in number of working age people			Change in no. of employed above change in no. of working age people*		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
Total	9.0%	9.8%	8.2%	10.9%	11.8%	10.0%	1.7%	1.8%	1.6%	9.2%	10.0%	8.3%
Non-Haredi Jews	9.4%	10.5%	8.3%	10.4%	11.5%	9.4%	1.0%	0.9%	1.0%	9.4%	10.6%	8.4%
Haredi Jews	8.1%	9.9%	7.2%	12.5%	15.0%	10.8%	4.0%	4.6%	3.4%	8.4%	10.3%	7.4%
Ethiopians	12.0%	15.6%	8.6%	17.6%	21.8%	13.7%	5.0%	5.4%	4.7%	12.6%	16.4%	9.0%
Northern Bedouin	9.1%	7.1%	11.9%	13.0%	11.8%	15.0%	3.5%	4.4%	2.8%	9.4%	7.4%	12.3%
Southern Bedouin	6.7%	5.5%	9.7%	12.1%	10.8%	15.2%	5.1%	5.0%	5.1%	7.0%	5.7%	10.1%
in unrecognized villages	6.0%	5.2%	6.4%	11.9%	12.0%	11.4%	5.5%	6.5%	4.7%	6.3%	5.5%	6.7%
Other Arabs	8.6%	7.7%	10.2%	12.0%	11.2%	13.5%	3.1%	3.2%	3.0%	8.9%	8.0%	10.5%

Combination of insured files and wage files, NII, Tax Authority; processed by NI Research & Planning Administration

* This rate represents the excess growth in the number of employed above the growth of the working age population

(Data from the pay file of 2013 versus 2012 – non-final data)

Appendix 20: Rates of employment in the 25-64 age group, by manpower survey and by administrative files from the National Insurance Institute



Source of data – Total for 2013.

Administrative files from National Insurance for November 2014 versus October 2013.

- The growth in employment reflects a continuation of the growth trend since the early 2000s, as reported by the various sources of information – the Manpower Survey ("MPS"), the Tax Authority wages file, and Form 102 reports by businesses to the National Insurance.
- An increased rate of employment was also found by the MPS of the CBS, **although far less than the rate reported in the Family Expenditure Survey (FES).**
- **The growth in the rate of employment according to the FES is significantly higher than the rate reported by the MPS for the same year.** The survey sample this year was particularly large (9,500 observations), making it more reliable.
- A further temporary indication of growth in the rate of employment was obtained by comparing the not yet finalized pay file from the Tax Authority (which in the estimate of the NI Research Administration currently includes about 90% of all paid workers) with the corresponding non-final file from 2012 (although of course there is already a final file for that year). Final data for the 2013 pay file, required to confirm the employment issue in the FES will only be available around May 2015.
- Another source for estimating the increase in employment is the monthly NI report to the CBS (Form 102). This report also shows an increase in employment, although as in the MPS, in this source as well the growth in employment is more moderate than the rate reported in the FES. It should be noted that this report **does not measure growth in the number of employed**, as in the FES and the MPS, but the change in the number of "salaried posts", where clearly there is not necessarily a simple link between a change in the number of employed people and the number of salaried posts, since many of the posts are not full time and many people hold more than one job. Therefore it is hard to deduce from

employers' reports to the National Insurance (on Form 102 any change in the number of people employed. It should also be noted that the Form 102 report covers all businesses with more than 100 posts, but only a sample of smaller businesses. Other analyses of the pay file from the Research Administration shows that many lower paid workers are in smaller businesses or apparently part-time jobs, since many of them are forced to hold more than one low-paid job to survive economically. Therefore this variable does not tell us anything about the growth rate in the number of employed people found in the FES.

Appendix 21: Range of income by deciles and family size, 2013, according to the Israeli weighting scale*

Decile	Single person** (18%)	2 people (24%)	3 people (15%)	4 people (17%)	5 people (13%)
1	2,083	3,332	4,415	5,531	6,248
2	2,868	4,589	6,080	7,618	8,604
3	3,734	5,975	7,917	9,919	11,203
4	4,709	7,534	9,983	12,507	14,127
5	5,641	9,025	11,958	14,982	16,922
6	6,624	10,598	14,043	17,593	19,872
7	7,904	12,646	16,756	20,992	23,711
8	9,539	15,262	20,222	25,335	28,616
9	12,501	20,002	26,503	33,203	37,504
10	143,285	229,256	303,764	380,565	429,855

* Maximum values reported in the survey.

** Each family size as a percentage of the total population.

Appendix 22: Statistical significance of changes in selected poverty indices in population groups, 2013 versus 2012

Population group	Incidence of family poverty	Incidence of individual	Incidence of child poverty	Income gap ratio	FGT
Total population	No	Yes	Yes	Yes	Yes
Jews	No	Yes	Yes	No	No*
Arabs	No	No	No	Yes	Yes
Elderly**	No	No*	Yes	Yes	Yes
Immigrants	No	No	Yes	No	No
Haredi Jews***	Yes	Yes	No*	No	Yes
Families with children - total	No*	Yes	Yes	No*	Yes
1-3 children	No	No	No	No	No
4 or more children	No	No*	No*	No	Yes
5 or more children	No*	No*	No	No*	Yes
Single parent families	No	No	No	No	No*
Employment status of household head:					
Working	Yes	Yes	Yes	No	No
Salaried	Yes	Yes	No*	No	No
Self employed	No	No	No	No	No
Not working of working age	Yes	No	No	No	No
One breadwinner	No	No	Yes	No	No
Two or more breadwinners	No	No	Yes	No	No
Age group of household head:					
Up to 30	No	No	No	No	No
31-45	No	No*	Yes	No	No
45 to pension age	No*	Yes	Yes	Yes	Yes
Of legal retirement age****	No	No	Yes	Yes	Yes
Education of household head					
Up to 4 years of study	No	No	Yes	Yes	Yes
9-12 years of study	No	Yes	Yes	No	Yes
13 and over years of study	No	No	No	No	No

* The data were examined for statistical significance of 5%. "No*" means that the data did not show 5% significance but did show significance of 10%.

** According to the definition used until now: from 60 for a woman and from 65 for a man.

*** Due to fluctuations, a floating average of two years is shown. The definition of Haredi Jews is according to the work of Gottlieb-Kushnir (2009).

**** The definition has been adapted to the definition in the Retirement Age Act, and therefore this population group is not fixed until the process of raising the retirement age is complete.

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