

National Insurance Institute
Research and Planning Administration



2016

**Poverty
and Social Gaps**

Annual Report



2016

Poverty and Social Gaps

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Introduction

The Poverty and Social Gaps Reports of the National Insurance Institute of Israel show some progress in the struggle against poverty and inequality over the past five years. However, considerable portions of the public still live below a reasonable level of existence, so that much work remains to be done to improve the socioeconomic situation, both in the center of the country, particularly in Jerusalem, and in the northern and southern periphery of Israel (Figure 4a).

The Committee for the War Against Poverty, headed by MK Elie Elalouf which submitted two volumes of recommendations in 2014, offered various and important proposals for advancing the socioeconomic situation in Israel. Among the most important ones, there was a proposal for the government to adopt quantitative targets for reducing the poverty rate and its severity, particularly among children; as can be seen (Figure 11), the gap between the goals proposed by the Committee and the current situation remains very significant. This gap shows that much need to be done to improve the poverty situation and the social gaps. Many recommendations have yet to be implemented – among which is the improvement proposed in subsistence benefits, such as the linkage of the income supplement in old age and working-age income support to changes in the standard of living as reflected in the rate of increase in the net median income. (Regarding the working-age population, the recommendations also took into consideration the need to maintain an adequate incentive to work). Additional recommendations include improving the utilization of rights in many important benefits to recipients of subsistence benefits and to low-paid workers, such as in housing.

In recent years there has been a marked improvement in the increase in employment rates among population groups who have had difficulty in the past. This is not enough, however, because there is still a need to improve employment conditions that could further increase the rate of employment, including remuneration among disadvantaged populations.

Another example of a distortion that requires correction is the situation in which a single mother who works full-time at minimum wage, even if she has only one child, does not earn a decent living (Table 3). This distortion is not resolved even if she receives a work grant (Table 20b). This means that such a family actually needs an income support system, in order to avoid living in poverty. Such a state of affairs is unreasonable for a single mother who works full-time and receives the legal minimum wage. The correction of this distortion is achieved by a significant improvement in the work grant, making it more easily utilized and of a sufficient amount.

Another key path to improving the socioeconomic stability of the Israeli public is to restore the insurability of the National Insurance Institute insureds, an insurability that has been adversely affected in recent decades and has adversely affected income inequality in Israel, particularly in the areas of unemployment insurance (low number of entitlement days and low benefit relative to the last salary before dismissal, as well as income test in the long-term care allowance).

Above all, we must not forget the upcoming generation – in order to ensure long-term social protection through National Insurance benefits, one must look after inter-generational justice and social insurance sustainability, namely younger generation and future ones in general; something that, at the present time, is not secured.

Changes in these directions will ensure that the weakened population living in poverty in the State of Israel will also benefit significantly from the fruits of growth and economic prosperity enjoyed by the Israeli economy in recent years, and that economic growth will be an inclusive growth benefiting to the public as a whole.



Prof. Daniel Gottlieb

Deputy Director, Research and Planning

Report on the Dimensions of Poverty and Social Gaps, 2016

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General Remark to the 2016 Report

In 2016, after three years of unfruitful efforts, the Central Bureau of Statistics succeeded in gathering information regarding the socioeconomic situation of the Bedouin population in the south. Since this is a population with particularly high and severe poverty rates, even though its share of the general population is relatively small, this fact clouds the observation of the change in the poverty situation between 2015 and 2016, insofar as data for 2013 to 2015 are too low due to the lack of Bedouin socioeconomic data in statistics.

In order to enable a comparison of the dimensions of poverty and inequality in 2016 with previous years, general dimensions of poverty were therefore calculated twice, at first including the Bedouin population in the south (original data, Table 4), and then without that population (adjusted data, Table 4a), thereby allowing to compare 2016 data with data collected between 2013 and 2015¹.

The standard analysis indicates a decline in the poverty of families in 2016 compared to 2015, as well as a decrease in the depth and severity of poverty, and in the Gini index of inequality in the population. However, there is a slight increase in poverty among individuals and children, although the adjusted analysis (excluding the Bedouin population in both years) shows a decline in poverty in these aspects as well.

¹ It should be noted that due to the small share of the Bedouin population in the total population of Israel, the dimensions of poverty are quite similar whether or not the Bedouin are included in the calculation. Therefore, the inclusion of the Bedouin population in 2002-2011 only slightly changes the dimensions of poverty. In 2016, the dimensions of poverty, without the Bedouin population, are low to a considerable extent.

Summary of Findings

- The **standard of living** in terms of disposable monetary income per standard individual **increased in real terms by 3.8%** in 2016, and consequently also the poverty line which is derived from it.
- In 2016, the incidence of poverty among **families declined** in comparison with 2015 – from 19.1% to **18.5%**.
- The incidence of poverty among **individuals rose** from 21.7% in 2015 to **21.9%** in 2016 and the proportion of **children** living in poverty **increased** from 30.0% in 2015 to **31.0%** in 2016. **These increases, which are contrary to the positive trends observed in 2016 in the fields of poverty and inequality, stem mainly from a change in the composition of survey population in 2016 following the inclusion of the Bedouin population, after an absence of four years due to survey difficulties. When a similar population is included in both surveys, the incidence of poverty among families declines by one percentage point (to 18.0%), and the incidence of poverty among individuals and children also declines.**
- In 2016, **462,100** families and **1,802,800** individuals, of whom **838,500** children, were living in poverty.
- The incidence of poverty among families measured by economic income (originating in the markets even before government intervention) **declined by a more moderate rate**, from 29.2% in 2015 to 28.8% in 2016.
- The Gini index of inequality in disposable income and the index of inequality in economic income both decreased by 1.5% and 2.1%, respectively. Since the beginning of the current millennium, the Gini Index, measured by economic income, has experienced a drop of about 10% cumulatively.
- Similarly, the depth of poverty and the severity of poverty indices have dropped in 2016 by approximately 5%.
- **Improvements in inequality indices, as well as those achieved regarding the incidence of poverty, are the result of variations that were instrumental in increasing the disposable income** of families, the elderly and young people, mainly in the low and middle parts of income distribution: increasing the minimum wage by 6.8% in 2016, and raising child allowances and old-age pensions. A continued growth in employment rates also contributed to this positive trend.

- **The incidence of poverty among elderly families declined from 22.5% in 2015 to 20.8% in 2016. At the same time,** the incidence of poverty among **elderly individuals** fell to its lowest level in five years - 16.9%.
- **The incidence of poverty** among **Arab families declined significantly, from 53.3% in 2015 to 49.2% in 2016.** However, the incidence of poverty among individuals and children increased slightly, despite positive evolutions in the overall population of children, following the changes producing higher disposable income. The comparison of the two years with the exclusion of the Bedouin population, which was added this year, shows that poverty rate among the Arab population has also decreased significantly among individuals and children, and so did the indices of depth and severity of poverty.
- **The incidence of poverty among the Haredim increased slightly,** from 44.6% to 45.1%. This may reflect a correction to the sharp drop observed last year. However, the incidence of poverty among children declined by approximately 2 percentage points in 2016. **Poor Haredi families account for 15% of all poor families** – a proportion that is far higher than their share of the population of families as a whole.
- In 2016, too, despite the decline in incidences of poverty among most population groups, the incidence of poverty among the **working population** (self-employed and salaried) continued to increase slightly, as did the share of working families in the general poor population. Nevertheless, the depth of poverty index and the severity of poverty index indicate an improvement in the situation of poor working families – especially among families with a self-employed household head and those with two or more wage earners. It should also be noted that the number of work grant recipients is more than five times greater than that measured in the survey, which led to an upward distortion of the incidence of poverty among working families.
- For the first time in years, **the poverty rate of the working age non-working population** declined slightly, and its incidence of poverty, which reached approximately 73% in 2015, fell to approximately 70% in 2016. Nevertheless, the situation of the population remaining poor in this group worsened relative to the previous year.
- **An examination by gender shows that the incidence of poverty among men declined by more than half a percentage point between 2015 and 2016, while among women it increased slightly.** At the same time, there were less disparities regarding the effect of policy on the incidence of poverty by gender, and in 2016 policy measures pulled 31.9% of men and 33.4% of women out of poverty (in comparison with 28.2% and 34.1% in 2015, respectively).
- **Among immigrants, the incidence of poverty** continued its descend in 2016, from 17.7% in 2015 to 17.0%, maintaining a downward trend over recent years, with the exception of

an increase in 2013. On the other hand, depth and severity of poverty indices have surged – 9% and 20%, respectively.

- The data indicates that, **without government intervention** through transfer payments and direct taxes, incidence of poverty would be greater. The contribution of policy measures of poverty reduction increased by 3.4% in 2016. Benefits and direct taxes extricated 35.8% of families from poverty in 2016, compared with 34.6% in 2015. The rate of individuals brought out of poverty has slightly decreased, from 24.5% to 24.2%, between the two years (Table 5) and that of children dropped by approximately 18% between 2015 and 2016, despite the continued increase in child allowances.
- In spite of significant improvements in the dimensions of poverty and inequality in 2016 and nearly an entire percentage point drop, even according to the OECD calculation, in incidence of poverty among individuals between the two years, Israel's relative position by **international comparison** continues to be difficult. In the ranking of the OECD countries, Israel remains ranked at the top of the poverty scale. This is because Israel's relative position also depends on developments in other countries. However, in the area of inequality, its position has improved.

A. Dimensions of Poverty

1. The Poverty Line and Standard of Living

In 2016, GDP continued to rise as in the last four years. This time, the rate of growth even rose slightly to approximately 4% in real terms. In parallel, employment rate continued to increase, as did the number of employed persons, which rose by 3.2% compared with 2015. Over time, the unemployment rate continued to decline – from 5.3% of the workforce in 2015 to 4.8% in 2016. The increase in employment was accompanied by a 2.9% increase in the real wage in 2016, following a series of wage increases in recent years, although more moderate in the preceding year. Between 2010 and 2016, the overall wage increase reached approximately 9%.

In light of these developments, as in the two preceding years, the income of various types of households have increased in 2016. According to the data of the Household Expenditure Survey conducted by the Central Bureau of Statistics, on which the processing and analysis in this report are based, the increase in income occurred as a result of a raise in wages and in employment as noted above, mainly due to the increase in the minimum wage - by 3.8% in 2016 after a 6.8% increase between 2014 and 2015 - as well as in some government subsidies.

In 2016, the standard of living increased. The average disposable income per standard individual grew by 2.7%, and so did the economic income per standard individual at a similar rate. The median income per standard individual² increased in 2016 by a higher rate of 3.8%, as did the poverty line derived from it. The gap between average income and median income per standard individual shows a decline in income inequality, which is reflected in various dimensions, as presented below.

The real increase in average and median income reflects a higher standard of living in the economy, and the convergence between median income and average income reflects a favorable change to more equal distribution of income, for the benefit, among others, of the middle class.

² In contrast to *per capita* income, the income per standard individual takes into account the effect of the size of the family and its expenses, since family expenses grow more slowly than the size of the family.

Table 1: Monthly Income per Household by Type of Income (NIS), 2014-2016

Type of Income	2014	2015	2016	The Real Change between 2015 and 2016 (Percentages)
Average income				
Economic per family	16,202	16,558	16,912	2.7
Economic per standard individual	6,135	6,303	6,454	2.9
Gross per family	18,331	18,674	19,137	3.0
Gross per standard individual	7,099	7,253	7,448	3.3
Net per family	15,151	15,431	15,770	2.8
Net per standard individual	5,904	6,023	6,160	2.8
Median income				
Median net income per standard individual	4,923	5,053	5,223	3.9
Poverty line per standard individual	2,461	2,527	2,612	3.9

The poverty lines for various sizes of family are presented in Table 2 and show that an individual with monthly disposable financial income of less than NIS 3,264 is deemed poor according to the official definition, as are a couple whose income is less than NIS 5,223 per month. A little less than NIS 10,000 per month is required for a family of five in order to avoid living in poverty.³

Table 2: Poverty Line by Family Size, 2016

Number of people in Family	Number of Standard Individuals	NIS per Month	Marginal Addition in NIS
1	1.25	3,264	-
2	2.00	5,223	1,959
3	2.65	6,920	1,697
4	3.20	8,357	1,436
5	3.75	9,793	1,436
6	4.25	11,099	1,306
7	4.75	12,405	1,306
8	5.20	13,580	1,175
9	5.60	14,624	1,045

³ Appendix 13 shows the disposable income of various sizes of families by deciles.

Table 3 shows the extent to which at least one wage earner who earns the minimum wage, together with the benefits to which every family with children is entitled to (universal child allowance) is sufficient for minimum subsistence (i.e., it covers the poverty line). A ratio of over 100% in this table is an indication that income from work and universal benefits at working age are sufficient to rescue a family of the relevant size from poverty. The table shows that by 2016 figures, a single mother with a single child would live in poverty even if she works full-time for the minimum wage⁴ (and receives a child allowance) – despite a particular improvement of her situation in comparison with previous years, due to higher minimum wage and child allowance.

However, a single mother with two children working full-time for the minimum wage will not be able to pull herself out of poverty without finding additional resources amounting to approximately 40% of her income, and with more than two children, the required supplement is even higher. For couples in which both spouses work full-time at the minimum wage, the situation is slightly better but still indicates a serious difficulty of emerging from poverty through work and universal benefits, since only families with up to two children will not live in poverty. A couple in which both parents are working the equivalent of 1.5 full time jobs at minimum wage will be situated 30% above the poverty line, but a second child will already put them above poverty line, and their situation will be worse the more children they have. Even if both parents work full-time for minimum wage, they will live in poverty if they have three children and each additional child in the home means deeper poverty. Appendix 20 presents a similar table in which the work grant is also taken into account in addition to wages and child allowances. This calculation should be regarded with reservations because, as is known, the work grant is not automatically received and must be claimed actively (according to studies, its utilization rate is around 60% of the potential). Besides, certain populations are excluded from it (eligibility for the work grant, and its rate, are influenced by household composition and demographic data, such as age, as well as income from work)⁵. The findings in the table that includes the grant (Table Appendix 20b) show that notwithstanding the contribution of the work grant to disposable household income, it needs to be further increased in order to effectively reduce poverty, especially among families with children.

⁴ The minimum wage increased in July 2016 from NIS 4,650 to NIS 4,825, and therefore the weighted minimum wage is calculated according to the months of the year.

⁵ Accordingly, single-parent working families who receive income support benefits will receive a higher allowance in return of a work grant **waiver**, following an amendment to the law enacted since January 2016.

Table 3: Family Income from Work and Universal Benefits as a Percentage of the Poverty Lines, 2016 (%)

Household Composition	Disposable Income from Minimum Monthly Wage* for One Job as % of the Poverty Line	Disposable Income from Minimum Monthly Wage* for One and a Half Jobs as % of the Poverty Line	Disposable Income from Minimum Monthly Wage* for Two Jobs as % of the Poverty Line	Disposable Income from Average Monthly Wage* for One Job as % of the Poverty Line	Twice the Disposable Income from Average Monthly Wage* as % of the Poverty Line
Single person	140	-	-	270	-
Single + child	90	-	-	176	-
Single + 2 children	71	-	-	139	-
Single + 3 children	61	-	-	120	-
Couple	88	131	175	169	340
Couple + child	68	101	134	130	262
Couple + 2 children	59	86	113	110	221
Couple + 3 children	52	75	99	95	193
Couple + 4 children	48	68	89	86	172
Couple + 5 children	44	62	81	78	155

* Calculated as the sum of the minimum wage or the average wage for 2016 plus the size of the child allowance, less mandatory payments. The average minimum gross wage for 2016 was NIS 4,738 and the average wage was NIS 9,749 per month.

Note: See Appendix 20b for a similar table, which includes income from the work grant (“negative income tax”) according to entitlement rules. In view of its partial utilization, that benefit is not included in this table’s income components.

2. Dimensions of Poverty in 2016 and their Development in Recent Years (including Adjusted Analysis)

The incidence of poverty among families declined by approximately half a percent, from 19.1% in 2015 to 18.5% in 2016. However, according to an adjusted analysis (which subtracts the Bedouin population in 2016 in order to make the comparison with 2015) that is more relevant in order to estimate **changes** between 2015 and 2016 (Table 4a)⁶, it is apparent that the incidence of poverty among families declined by a full percentage point between the two years and that of individuals and children decreased as well, albeit at lower rates. The increase in the

⁶ It should be noted that similar to what is customary in simulations of this type, the calculation is performed on the same poverty line as is calculated for the general population. The calculation of a separate poverty line without the Bedouins would yield a result that is closer to the incidence of poverty among families in the general population (including the Bedouins) – 18.4%.

incidence of poverty among individuals and children, despite positive modifications in child allowances, is therefore due to a change **in the population composition in the survey** in view of the renewed addition of Bedouin population in 2016, following their absence from surveys in the previous four years. Table 4a, which was added this year due to this change in the survey, shows the differences in the incidence of poverty when referring to **the population excluding the Bedouins** in 2015 and 2016, revealing that without this change in the composition of the population, incidence of poverty among individuals and children also declined.⁷ In 2016, there were **462,100** poor families in Israel (+0.3%) or **1,802,800** individuals, including **838,800** children (+9.7%).

Table 4: Incidence of Poverty (Percentages) and Number of Poor, 2015-2016, Original Data

	Before Transfer Payments and Direct Taxes	After Transfer Payments and Direct Taxes	Drop in Incidence of Poverty after Transfer Payments and Direct Taxes (Percentages)
2016			
Families	28.8	18.5	35.8
Individuals	28.9	21.9	24.2
Children	34.9	31.0	11.2
2015			
Families	29.2	19.1	34.6
Individuals	28.7	21.7	24.5
Children	34.7	30.0	13.6

	Before Transfer Payments and Direct Taxes	After Transfer Payments and Direct Taxes	Number Rescued from Poverty after Transfer Payments and Direct Taxes
2016			
Families	719,700	462,100	257,600
Individuals	2,377,600	1,802,800	574,800
Children	944,100	838,500	105,600
2015			
Families	704,800	460,800	244,000
Individuals	2,269,700	1,712,900	556,800
Children	884,300	764,200	120,100

⁷ A long-term analysis shows that removing Bedouin population data in the years 2002-2011 did not significantly change the dimensions of poverty, due to their relatively low share in the Arab population, and because their level of poverty is close to that of Arabs in general. In 2016, however, it appears that excluding the Bedouin population would have reduced the poverty dimension to a greater extent (see Appendix 22).

Table 4a: Incidence of Poverty (Percentages) and Number of Poor, without Bedouin Population, 2015-2016, Adjusted Data

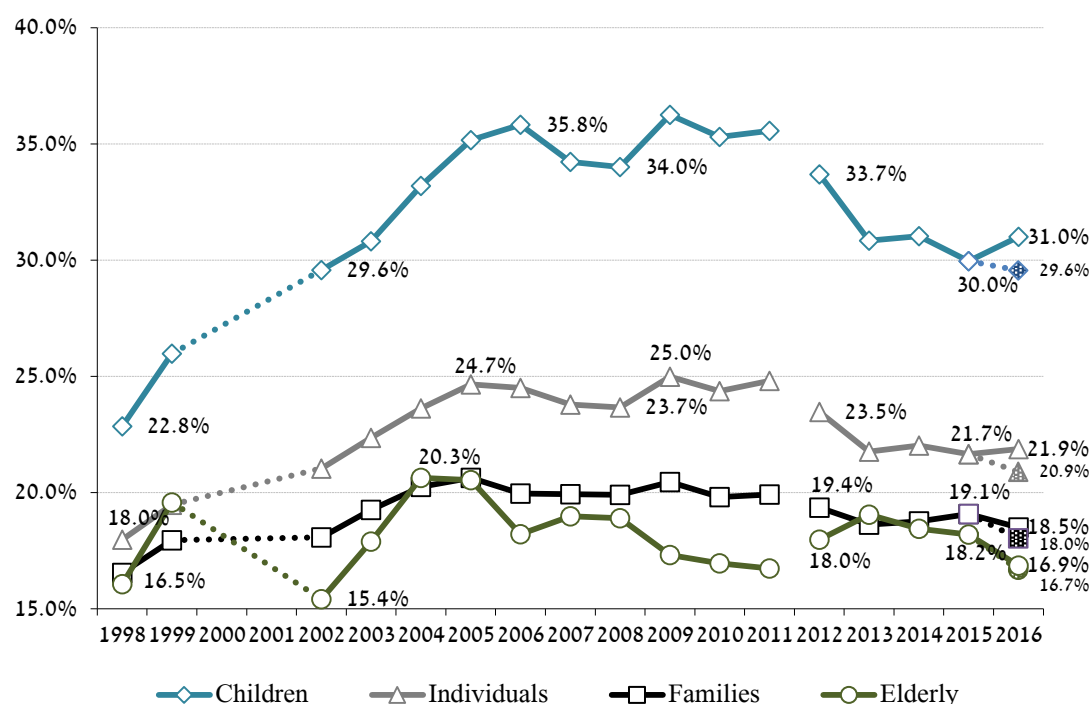
	Before Transfer Payments and Direct Taxes	After Transfer Payments and Direct Taxes	Drop in Incidence of Poverty after Transfer Payments and Direct Taxes (Percentages)
2016			
Families	28.4	18.0	36.6
Individuals	27.9	20.9	25.2
Children	33.5	29.6	11.8
2015			
Families	29.2	19.1	34.6
Individuals	28.7	21.7	24.4
Children	34.7	30.0	13.5
	Before Transfer Payments and Direct Taxes	After Transfer Payments and Direct Taxes	Number Rescued from Poverty after Transfer Payments and Direct Taxes
2016			
Families	701,200	444,900	256,300
Individuals	2,247,000	1,681,000	566,000
Children	871,800	769,200	102,600
2015			
Families	704,600	460,500	244,100
Individuals	2,268,300	1,711,500	556,800
Children	883,400	763,300	120,100

Going forward, the comparison between 2016 and 2015 will relate to the change resulting from the return of the Bedouin population to the survey after four years of absence, mainly with regard to findings that are largely affected by this.

Figure 1 shows the development of the incidence of poverty among families, individuals, children and the elderly – from 1998 to 2016. The incidence of poverty among families and individuals fell below 2003 levels, while that among children stabilized at a slightly higher level than in 2003, but still close. The incidence of poverty among individuals stabilized at a level of 22%, following a significant decline that began in 2012. In addition to an increase in employment and wage rates, especially among populations that have experienced difficulties in the labor market for many years, the structural change in the data base and the transition from income survey to expenditure survey should also be noted.⁸ The downward trend continued since then for two years, albeit at a more moderate rate, until 2015.

⁸ The break between the data for 2011 and 2012 stems from a structural change in the survey on which the data are based: Until 2011, the poverty data were based on income surveys (which until then consisted of a combination of the Family Expenditure Survey and observations from Manpower Survey): since 2012

Figure 1: Incidence of Poverty among Families, Individuals, Children and the Elderly, 1998-2016



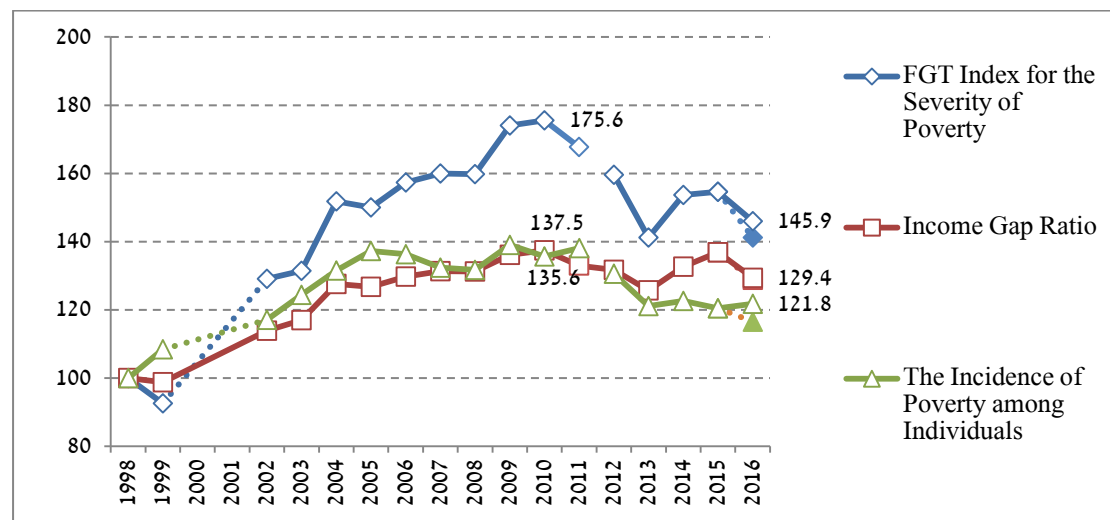
The incidence of poverty among elderly individuals (as distinct from families headed by elderly people) has decreased consistently over the past three years. The increase in old-age income supplement at the end of 2015 led to the lowest rate since 2012 – 16.9%. The indices for the depth of poverty and the FGT index for the severity of poverty⁹ (which gives a higher weight to those who are poorer) both declined in 2016. Figure 2 presents the incidence of poverty among individuals, the depth of poverty (income gap ratio), and the poverty severity index between 1998 and 2016. Figure’s data show that the depth of poverty measured by the distance of family income from poverty line, which rose in the past two years, has fallen by approximately 4% and stood at 34.3% in 2016. The FGT index of the severity of poverty fell

they are based on data from the Household Expenditure Survey only. For more on the changes in the survey definitions, see the Poverty and Social Gaps Report for 2012.

⁹ From this year, the FGT index for the severity of poverty is calculated in a slightly different way than so far in our reports, more intuitively, without changing the nature of the calculation. In this regard, it corresponds with the calculation of the income gap ratio index (the poverty depth index). As of the present report, it is divided into the incidence of poverty suitable for each aggregation. As a result, numbers in their absolute value are higher, and percentages of change derived therefrom are different, and usually more moderate than those presented in the past. According to the current form of presentation, assuming that all the poor had no income at all, and income gap index thus reached the maximum (100%), in that case, the FGT index would have a value of 1, whereas in the previous calculation form, in this situation the index would be equal to the incidence of poverty. On the other hand, assuming the income of all the poor was only one shekel away from the poverty line, the FGT index would be close to zero in both present and previous presentations.

by approximately 3% after a rise in the past two years. The decline in the income gap ratio and in the index of the severity of poverty is due to the decline in these indices among families with children (see Table 10); the increase in child allowances improved the situation of poor families. On the other hand, there was an increase in the income gap and in the severity of poverty among elderly families (see Table 10), since the addition to the income supplement for old age, which led to a decline in the incidence of poverty among this group, was smaller than the increase in the poverty line.

Figure 2: Indices of the Depth and Severity of Poverty* in the General Population, 1998-2016 (1998 = 100.0)



*See the above note on the poverty severity index, FGT.

3. The Effect of Mandatory Payments, Benefits and Work Grant on the Dimensions of Poverty

Economic income derived from the labor market income and the capital market income expresses a family's economic independence. Table 5 shows that the incidence of poverty by economic income (before direct government intervention by means of taxation and allowances¹⁰) remained at levels similar to last year: the incidence of poverty measured by

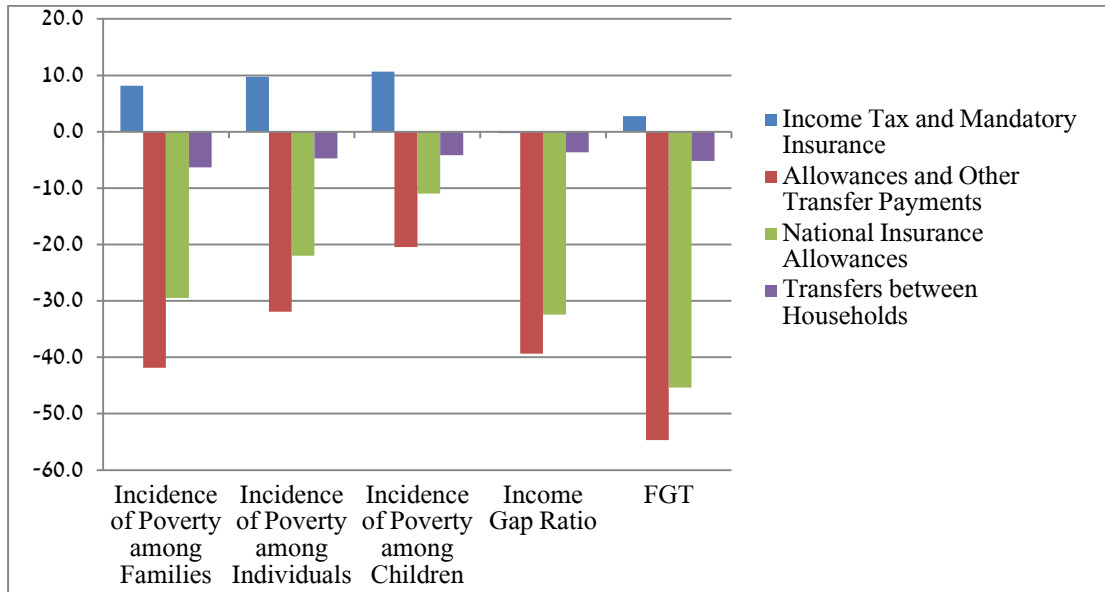
¹⁰ Showing the incidence of economic poverty alongside the incidence after intervention requires caution, since according to this view the effect of policy is biased upwards: it is reasonable to assume that without a system of financial support, individuals would have been forced to make greater efforts to obtain an economic income, and therefore the incidence of economic poverty would probably be lower than actually measured. It should be noted that in such an imaginary and asocial case of the absence of a welfare system, this level would also be similar to the incidence "after intervention", since in countries that have very limited or no welfare system for their citizens, dimensions of poverty are ultimately higher. This can be clearly seen in the comparison of economic poverty in different countries. In countries with a clear neoliberal policy, poverty before intervention tends to be low and poverty after intervention tend to be high relative to other countries. Examples include Mexico, Chile, the USA and Israel.

economic income decreased among families by 0.4% and reached 28.8%, increased among individuals by 0.2% to 28.9%, and increased among children by 0.2% reaching 34.9%.

The gap between a higher economic poverty incidence and net incidence reflects the effectiveness of the government intervention. The contribution of policy measures to reducing poverty increased by 3.4% in 2016. Benefits and direct taxes rescued 35.8% of families from poverty in comparison with 34.6% in 2015 (Table 5). In contrast to the increase in the number of families pulled out of poverty between the two years of the comparison, the proportion of individuals rescued from poverty declined slightly from 24.5% to 24.2% in the same period, and the proportion of children fell by approximately 18% between 2015 and 2016, despite this year's continued increase in child allowances. It should be noted that when one considers the fact that the Central Bureau of Statistics succeeded this year in adding a significant number of Bedouin families in the survey and refers to a population of similar composition, it becomes apparent that government policy did also reduce poverty among individuals at a higher rate than 2015.

Although the income tax system is progressive, the contribution of direct mandatory payments to reducing poverty is negative since national insurance and health insurance contributions are paid by the general public, including many in the low-income brackets. The effect of direct mandatory payments is to increase the incidence of family, individual and child poverty, and also the severity of the poverty by similar rates (Figure 2a). The main impact on the reduction of poverty comes from National Insurance benefits. Another yet less significant impact on reduction derives from government transfer payments. National Insurance contributions constitute approximately 71% of the total contribution of transfer payments. The smallest impact is that of households support to others. The greatest one is that of National Insurance benefits: they sharply reduce the severity of poverty by approximately 45%.

Figure 2a: Effect of Policy Measures on Selected Dimensions of Poverty, 2016



As of the 2014 Expenditure Survey, data are being collected regarding the work grant (“negative income tax”) paid to families of low earners. Appendix 20 shows the data by population groups. **The survey data on this subject are still very partial and incomplete.** For example, **according to the survey only approximately 48 thousand families received the grant in 2016, while the Tax Authority data show it was received by approximately 250 thousand workers.** This phenomenon may indicate that it is difficult for work grant recipients to see its connection with the work effort of the previous year, a difficulty inherent in the payment method of the grant.¹¹ Great differences also exist in the size of the average grant. In other words, there is an under-reporting of the number of recipients, and over-reporting of the amount. It should be noted that, according to the 2015 Expenditure Survey, only 42 thousand households received a work grant, indicating some potential improvement in reporting. As in the two years prior to the current survey year, the work grant’s expression and impact on poverty in the survey is therefore still incomplete and biased downward, and cannot be used to assess the social status of grant recipients in 2016. We hope that survey data on the work grant will be optimized over time and show its contribution to reducing poverty and inequality. It is therefore possible that a better measurement of this aspect would indicate lower poverty levels.

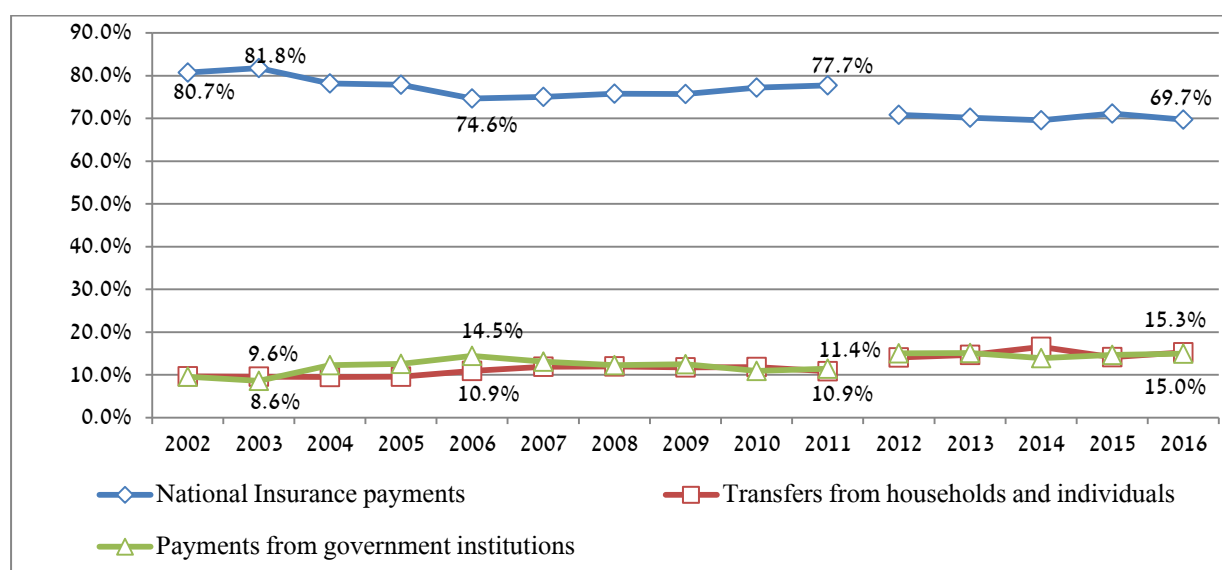
The weight of National Insurance benefits, which form the bulk of transfer payments – approximately 70% of the total contribution to the reduction of poverty, and the support components from other government institutions and from other households (including some

¹¹ The grant is received with a delay of more than one year, while wages are received at the end of each month.

child maintenance payments), each account for another 15%, approximately, of the transfer payments contribution. The overall share of the government in reducing poverty in families (including the National Insurance) is thus about 85% of the total contribution of transfer¹².

Figure 3 shows the development of these three types of financial support over time. While the weight of National Insurance allowances gradually fell from approximately 80% in 2002 to approximately 70% in 2016, the proportion of payments from other government institutions and private households increased by approximately 1.5 times compared to 2002.

Figure 3: Effect of Benefits on Reducing the Incidence of Poverty – by Institutional Source of Payment, 2002-2016



¹² There are additional transfers from the government to families, such as benefits in kind, that are not taken into account here. One of the most important is the nursing allowance. Subsidies given to various businesses under the Capital Investment Encouragement Law and others, which increase profits and consequently increase the income of some households, are not included here. According to estimates (since data are not published on this subject), main beneficiaries are in the highest deciles.

Table 5: Incidence of Poverty according to Various Definitions of Income, and Contribution of Direct Taxation and Various Types of Transfer Payments to the Reduction of Poverty, 2015 and 2016

	Incidence of Poverty							Impact of Policy Tools					
	Before Transfer Payments and Mandatory Payments	After Mandatory Payments Only	After Transfer Payments Only	After National Insurance Payments Only	After Payments from Government Institutions and National Insurance Payments Only	After Transfers from Households and Individuals Only	After Transfer Payments and Direct Taxes	Income Tax and Mandatory Insurance	Transfer Payments and Direct Taxes	Allowances and Other Transfer Payments	National Insurance Allowances	Transfer Payments by the Government and the National Insurance	Transfers between Households
2016													
Family Poverty	28.8%	31.4%	16.8%	20.3%	27.0%	27.0%	18.5%	8.2	-35.8	-41.8	-29.5	-6.5	-6.3
Individual Poverty	28.9%	32.0%	19.6%	22.5%	27.5%	27.5%	21.9%	9.8	-24.2	-31.9	-22.0	-4.6	-4.7
Child Poverty	34.9%	39.1%	27.8%	31.1%	34.0%	33.5%	31.0%	10.7	-11.2	-20.5	-11.0	-2.5	-4.2
Income Gap Ratio	54.0%	53.8%	32.7%	36.5%	49.9%	52.0%	33.7%	-0.3	-37.5	-39.4	-32.5	-7.5	-3.6
FGT Severity Index	40.1%	41.3%	18.2%	21.9%	35.8%	38.0%	19.1%	2.8	-52.3	-54.7	-45.4	-10.8	-5.2
2015													
Family Poverty	29.2%	31.7%	17.2%	20.6%	18.5%	27.4%	19.1%	7.8	-34.6	-41.2	-29.6	-36.6	-6.1
Individual Poverty	28.7%	31.6%	19.5%	21.8%	20.6%	27.3%	21.7%	9.1	-24.5	-32.0	-23.9	-28.2	-4.7
Child Poverty	34.7%	38.0%	27.5%	29.9%	28.9%	33.2%	30.0%	8.9	-13.6	-20.6	-13.8	-16.6	-4.1
Income Gap Ratio	56.2%	56.0%	35.0%	40.2%	37.4%	53.6%	35.7%	-0.3	-36.5	-37.6	-28.5	-33.5	-4.6
FGT Severity Index	41.9%	43.1%	19.6%	24.4%	22.0%	39.1%	20.3%	2.8	-51.6	-53.2	-41.7	-47.4	-6.7

4. Dimensions of Poverty by Population Groups and Geographical Areas

The incidence of poverty among elderly families fell from 22.5% in 2015 **to 20.8% in 2016**. At the same time, the incidence of poverty among **elderly individuals declined** from 18.2% **to 16.9%** between the two years. At the end of 2015, the addition to the income supplement for the elderly and survivors' pensions was increased with the aim of bringing the overall old-age pension closer to the poverty line (corresponding to family size) and to equalize the situation of individuals and couples, each in relation to the relevant poverty line, according to the recommendations of the Committee for the War Against Poverty. As of December 2015, the allowance paid to individuals without dependents, with income supplement, was increased according to age groups by amounts between NIS 135-178, and the allowance for a couple was also increased according to age groups by amounts between NIS 511-542. Since the change was implemented at the end of 2015, the impact of this action is mostly reflected in 2016, and made an evident difference with respect to the decline in the incidence of poverty among the elderly this year. Nevertheless, depth and severity of poverty indices rose by approximately 7% and 10%, respectively, in this group for two reasons. First, the increase in the poverty line was greater than the allowance increase rate. Second, the depth of poverty index relates to the average population remaining in poverty, and because those who were close under the poverty line were extricated thank to the increment payment, the poorer were left behind.

The incidence of poverty among Arabs fell significantly, from 53.3% in 2015 to 49.2% in 2016. However, the incidence of poverty among individuals and children rose slightly, despite positive changes in the overall population of children, following the increase in child allowances. The addition of a number of significant observations regarding Bedouin population, for the first time in four years, a population characterized by a high share of large families, caused differences in the incidence of poverty among families compared to individuals and children. When we deduct Bedouin population observations in the 2015-2016 comparison, we find that the incidence of poverty decreased both among families, by approximately 10%, and among individuals and children, by approximately 9% (Table 8a).¹³ Incidence of poverty measured by economic income declined even more sharply between the two years, as a result of the continued integration of the Arab population into the labor force, on one hand, and an additional increase of about 1.2% in

¹³ See also a general comment on this subject at the beginning of the report.

households' employment rates in this population according to survey data, on the other hand (Appendix 21)¹⁴.

Beside poverty **among the Arab population, indices for the depth of poverty and the severity of poverty did also decrease** considerably between the two years, at rates between 8% and 11%. The share of Arab families out of all poor families reached 39% in 2016, compared to their 15% share out of the total family population.

For the fourth year, interviewees from Jewish families were asked for a subjective definition of their degree of religious observance, and the variable "Self-defined Haredi" was added to the characteristics of the household head, a variable that replaced the indirect definitions of the Haredi population from previous years.¹⁵

There was a slight rise in incidence of poverty among Haredim, from 44.6% to 45.1%, notwithstanding the significant increase of about 4% in Haredi households employment rates in 2016 (according to Household Expenditure Survey). Child poverty in Haredi families declined by approximately 2 percentage points. As regard to economic poverty, there was a decline, apparently due to higher employment rate of Haredim, in general, and a rise in the number of Haredi families with two wage earners, in particular. It is estimated that the moderate increase in the incidence of poverty among families in 2016 constitutes a statistical correction of previous year's sharp drop in the incidence of poverty among Haredi families, and does not indicate a negative change in the poverty rate of Haredi families. However, the income gap ratio ("depth of poverty") and the FGT index for the severity of poverty increased by approximately 8% and 13%, respectively, between 2015 and 2016. According to the 2016 survey, the proportion of poor Haredi families in the total number of poor families is 15% – nearly 3 times higher than their relative share in the population of families, according to the Household Expenditure Survey.

Among single-parent families, the incidence of poverty rose sharply, from 21.7% in 2015 to 26.0% in 2016, and their proportion in the poor population increased by approximately 33%. This surge mainly appears to be a statistical correction to previous year's findings, insofar as it returned to the 2014 and earlier years level. It may also reflect an increase in the weight of single-parent families in all families. In the area of policy, nothing specific could indicate a change for

¹⁴ The sharp increase in the incidence of poverty among the elderly in the Arab population (by approximately 9%) stems from changes related to the composition of families in the survey. This year more large families headed by an elderly person in this population were sampled than in the previous year.

¹⁵ According to this definition, belonging to a particular stream of Judaism is determined directly by how the subjects identify themselves, eliminating the need to guess this identity based on other variables that are not always uniform among all those belonging to the Haredi stream (or other stream) in Judaism. As of this year, findings regarding the Haredi population according to former estimated definitions have been omitted from the report (for example, according to the last school attended by anyone in the household). However, they were left in the charts for the years in which there was no self-definition.

the worse (nor a change for the better in the previous year), but as noted above, it can be seen that single parent families have trouble to avoid or leave poverty in view of considerable wage gaps between men and women, part-time employment, mostly involuntarily, low subsistence benefit and work grant, even if the latter is higher in comparison with other grant recipients.

The incidence of poverty in working families increased moderately, as did individual and child poverty in these families between 2015 and 2016.

Their share in the poor population increased considerably – 58.7% of all poor families, including the elderly, are working families – compared to their lower share – 55.6% in 2015. When referring to the working population at working age only, without elderly families, working families appear to reach a 57.6% share.

The small changes in the incidence of poverty among working families reflect a modification in the composition of these families: in families with **one wage earner poverty** rose from 25.9% in 2015 to 27.0% in 2016, and in those with **two wage earners** it declined from 5.6% in 2015 to 5.2% in 2016. The depth of poverty of families with two or more wage earners fell sharply too, by approximately 19% (and twice that rate regarding the severity of poverty), whereas in families with one wage earner it declined by a lower rate (about half a percent).

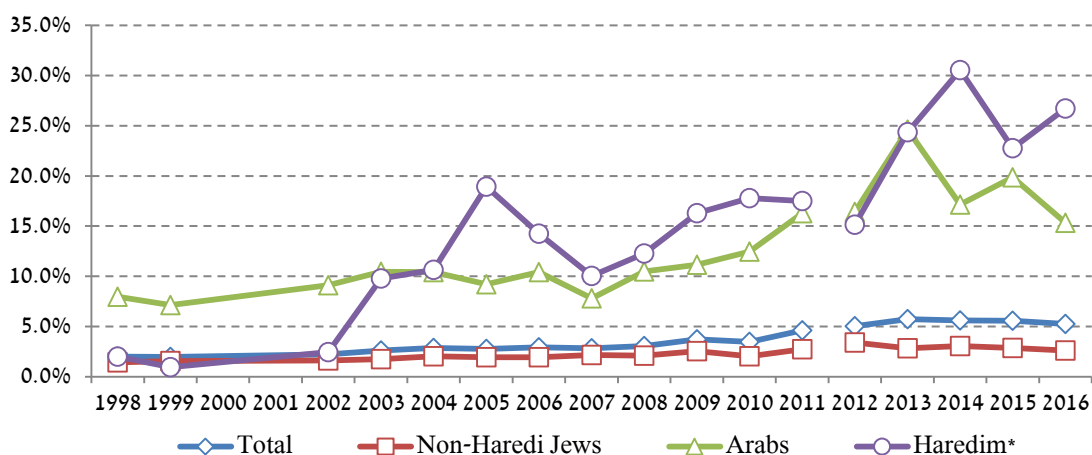
Figure 4 shows the incidence of poverty among families with **two or more wage earners**: in the total population, poverty declined moderately, with a relative stability among non-Haredi Jews, who constitute the largest group in general, and particularly in this group. The figures show differences in poverty trends between Haredim and the Arabs, despite the fact that the spouse joined the labor market in both populations (this year with considerable strength among the Haredi population): in 2016, **the poverty rate of Haredi families with two wage earners increased**, as opposed to a decline in Arab families with two wage earners, and a relatively stable rate in the general population. The relative stability of these families in the general population, as shown in findings, in comparison with many fluctuations among Arabs and especially among Haredim, may be attributed to sampling errors deriving from an undersized sample for specific populations (which points out the great importance of increasing the observation sample in the survey), and from modifications made in the definition of the Haredi population as of 2013.¹⁶

As regard to incidence of poverty among **families with children**, which account for more than half of all poor families, there was a slight increase between the two years, although it **remained**

¹⁶ These statistical problems are reflected in fluctuations of the incidence of poverty over time: the incidence of poverty among Haredim in this group rose from 2003 to its highest level (approximately 20%) in 2005. In 2008, the incidence of poverty began to rise again, in 2014, reaching a record level of approximately 30%, and in 2015 it fell significantly again to 23%. Among the Arabs, the incidence of poverty among families with two wage earners remained at a level of 10%, but from 2009 it began to rise to approximately 25% in 2013. In 2015, the incidence of poverty among these families reached about 20%.

unchanged in the adjusted observation (i.e., without including Bedouin population, characterized by families with a large number of children and a high poverty level). The depth and severity of poverty fell among families with children by 7% and 10%, respectively, and in the adjusted observation (excluding the Bedouin population), the rates of decline were higher – 10% and 15%, respectively. Due to the decrease in the poverty rates of the elderly and the addition of the Bedouin population to the sample, the proportion of families with children increased from approximately 52% to 56% between 2015 and 2016. **Young families** (with households head up to age 29), which overlap with families with children, were also characterized by a high decline in all poverty indices: incidence, depth and severity of poverty.

Figure 4: Incidence of Poverty in Families with Two Wage Earners – by Population Group, 1998-2016



* The Haredi group in this chart consists of two series: according to the last school attended between the years 1998-2013 and self-definition declaration beginning in 2014. The difference between the two groups can be seen in Table 7, which presents both.

An examination of the incidence of poverty by groups shows a drop above half a percentage point among men between 2015 and 2016 and, on the other hand, a slight rise among women. At the same time, policy effect gaps regarding incidence of poverty by gender narrowed, and in 2016 policy measures rescued 31.9% of men and 33.4% of women (compared with 28.2% and 34.1%, respectively, in 2015). There were no real changes with respect to the economic poverty gap between men and women, which remained at a fairly constant level of 17% to the detriment of women.

The incidence of poverty among immigrants continued to decline from 17.7% in 2015 to 17.0% in 2016, continuing a downward trend over recent years, with the exception of a one-time

increase in 2013. However, the indices for the depth of poverty and the severity of poverty rose significantly – by 9% and 20%, respectively.¹⁷

Table 6: Incidence of Poverty among Adults* by Gender (%) 1999-2016

Year	Men			Women		
	Before Transfer Payments and Taxes	After Transfer Payments and Taxes	Resulting Decrease in Incidence of Poverty (%)	Before Transfer Payments and Taxes	After Transfer Payments and Taxes	Resulting Decrease in Incidence of Poverty (%)
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
2014	24.3	17.1	29.6	28.1	18.3	34.7
2015	23.6	17.0	28.2	27.9	18.4	34.1
2016	23.8	16.2	31.9	27.9	18.6	33.4

* Women and men aged 18 and older.

In 2016, **the incidence of poverty in non-working families of working age fell** from 73% to approximately 69%. Due to the strong impact of child allowances raise on this population group, the contribution of policy measures to reducing poverty in this group increased by about 16%. In parallel, their share in the total poor population remained at about 18% (measured by disposable income), and measured using the economic income it declined slightly. Nevertheless, the situation of poor non-working families of working age worsened: the depth and severity of poverty increased by approximately 7% and 9%, respectively, between the two years. A segmentation of the population **by age of household head** indicates a decline in dimensions of poverty in the age group with the lowest poverty rate in Israel – from 46 years old to retirement age. The incidence

¹⁷ It should also be noted that the immigrant population does not constitute a uniform group, both in terms of the country of immigration origin and number of years in Israel.

of poverty among this group fell from 14.3% to 13.1%, a rate about 5 percentage points lower than the general incidence of poverty in the population.

Table 7: Incidence of Poverty among Families by Population Group (Percentages), 2014-2016

	Income before Transfer Payments and Taxes			Income after Transfer Payments and Taxes			Decrease in Incidence of Poverty after Transfer Payments and Taxes (Percentages)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Total population	29.1	29.2	28.8	18.8	19.1	18.5	35.5	34.6	35.8
Where the head of household is:									
Jewish	24.7	24.8	24.8	13.6	13.8	13.2	45.2	44.5	46.6
Haredi*	64.4	58.5	58.8	51.5	44.6	45.1	20.0	23.8	23.2
Immigrant	35.1	36.3	36.1	18.0	17.7	17.0	48.8	51.2	53.0
Arab	57.2	57.5	52.4	52.6	53.3	49.2	8.0	7.3	6.1
Families with children – total	28.0	27.2	27.2	23.3	22.3	23.0	16.7	18.2	15.5
1-3 children	22.8	22.2	21.5	17.9	17.0	17.4	21.5	23.2	19.2
4 or more children	56.2	53.7	54.4	52.7	49.7	49.8	6.2	7.4	8.4
5 or more children	62.7	68.5	66.5	60.7	61.8	63.8	3.2	9.8	4.1
Single parent families	41.9	38.3	40.9	25.1	21.7	26.0	40.0	43.4	36.4
Employment status of household head:									
Working	18.7	18.9	19.2	13.1	13.3	13.5	29.6	29.8	29.4
Salaried worker	19.0	19.0	19.6	12.8	13.1	13.4	32.7	30.9	31.7
Self-Employed	16.4	18.6	16.5	15.2	14.4	14.6	7.5	22.5	11.4
Working age non-working	92.0	92.2	91.3	68.0	73.0	69.4	26.1	20.8	24.0
One wage earner	36.5	36.9	38.2	25.4	25.9	27.0	30.3	29.6	29.4
Two or more wage earners	7.7	8.0	7.4	5.6	5.6	5.2	27.5	30.4	29.3
Age of working age household head:									
Up to 29	32.5	31.3	29.8	22.5	24.3	22.7	30.9	22.5	23.6
Aged 30-44	24.8	23.7	24.3	19.5	18.1	19.3	21.3	23.9	20.6
From 45 to retirement age	17.5	20.0	18.8	12.2	14.3	13.1	30.1	28.3	30.3
Age group of retired household head:									
Old**	48.7	48.5	47.7	23.1	22.5	20.8	52.5	53.6	56.4
Retirement age by law***	51.4	51.0	50.6	24.1	23.5	21.6	53.1	53.8	57.3
Education of household head:									
Up to 8 years of education	68.6	68.0	68.3	46.8	44.9	44.4	31.8	34.0	35.0
9-12 years of education	32.1	32.0	32.8	21.2	22.3	21.7	34.1	30.2	34.0
13 or more years of education	21.2	21.7	20.9	13.0	13.2	12.9	38.7	39.4	38.0

* By the interviewee's subjective definition of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: elderly families, women from age 60 and men from age 65.

*** Elderly families from age 62 for women and 67 for men.

Table 8: Incidence of Poverty among Families, Individuals, Children and the Elderly* by Population Group, 2015 and 2016 (Original Data)**

	2015				2016			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	19.1	21.7	30.0	18.2	18.5	21.9	31.0	16.9
Where the head of household is:								
Jewish	13.8	14.1	19.8	15.2	13.2	14.3	21.1	13.1
Haredi*	44.6	52.4	60.3	19.2	45.1	52.6	58.7	16.7
Immigrant	17.7	17.2	22.1	22.1	17.0	16.6	24.0	20.2
Arab	53.3	54.8	65.6	52.2	49.2	52.0	61.7	58.1
Families with children – total	22.3	25.8	30.0	15.9	23.0	27.0	31.0	27.0
1-3 children	17.0	17.4	18.6	11.7	17.4	17.7	18.8	20.7
4 or more children	49.7	52.4	53.1	-	49.8	52.8	53.3	.
5 or more children	61.8	63.8	64.0	-	63.8	65.7	65.4	.
Single parent families	21.7	24.3	29.8	11.1	26.0	29.7	33.8	18.9
Employment status of household head:								
Working	13.3	17.6	25.7	5.5	13.5	18.6	27.6	6.1
Salaried worker	13.1	17.4	25.4	5.2	13.4	18.3	26.9	6.2
Self-Employed	14.4	18.9	27.7	6.8	14.6	20.6	31.2	5.4
Working age non-working	73.0	81.6	89.2	50.1	69.4	78.3	87.0	.
One wage earner	25.9	41.0	60.0	6.9	27.0	43.4	61.9	7.8
Two or more wage earners	5.6	7.7	10.7	3.3	5.2	7.9	11.5	3.5
Age of working age household head:								
Up to 29	24.3	24.2	38.2	9.0	22.7	25.1	40.6	15.7
Age 30-44	18.1	24.1	30.2	8.8	19.3	25.5	31.6	10.5
From 45 to retirement age	14.3	16.4	24.7	9.0	13.1	15.5	23.9	6.2
Age group of retired household head:								
Old**	22.5	20.8	32.1	21.1	20.8	19.4	40.2	19.0
Retirement age by law***	23.5	22.3	24.8	21.6	21.6	20.4	54.6	19.4
Education of household head:								
Up to 8 years of education	44.9	47.9	66.3	39.9	44.4	51.4	73.9	40.2
9-12 years of education	22.3	25.9	39.5	15.7	21.7	26.6	41.3	14.7
13 or more years of education	13.2	15.6	21.5	11.9	12.9	15.4	21.6	11.0

Note: For empty cells marked with '-', the Expenditure Survey does not have enough observations to calculate a reliable figure.

* By the interviewee's subjective definition of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

Table 8a: Incidence of Poverty among Families, Individuals, Children and the Elderly* by Population Group, Excluding the Bedouin Population (Adjusted Data), 2015 and 2016**

	2015				2016			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	19.1	21.7	30.0	18.2	18.0	20.9	29.6	16.7
Where the head of household is:								
Jewish	13.8	14.1	19.8	15.2	13.2	14.3	21.1	13.1
Haredi*	44.6	52.4	60.3	19.2	45.1	52.6	58.7	16.7
Immigrant	17.7	17.2	22.2	22.1	16.9	16.5	24.0	20.2
Arab	53.7	55.3	66.2	52.5	48.4	50.5	60.5	57.5
Families with children – total	22.3	25.8	30.0	15.9	22.1	25.7	29.6	25.4
1-3 children	17.0	17.4	18.6	11.7	17.0	17.3	18.3	19.7
4 or more children	49.9	52.7	53.3	-	48.4	50.9	51.6	.
5 or more children	62.3	64.4	64.6	-	61.9	63.6	63.4	.
Single parent families	21.7	24.3	29.8	11.1	24.2	26.6	30.4	17.8
Employment status of household head:								
Working	13.3	17.6	25.8	5.5	13.1	17.8	26.4	5.9
Salaried worker	13.1	17.4	25.4	5.2	12.9	17.4	25.6	6.0
Self-Employed	14.4	18.9	27.7	6.8	14.6	20.7	31.4	5.4
Working age non-working	73.0	81.6	89.2	50.1	68.1	76.3	85.3	.
One wage earner	25.9	41.0	60.0	6.9	26.2	42.1	60.8	7.8
Two or more wage earners	5.6	7.8	10.7	3.3	5.0	7.4	10.7	3.2
Age of working age household head:								
Up to 29	24.4	24.4	38.8	9.0	22.1	23.3	37.5	13.7
Age 30-44	18.0	24.1	30.2	8.8	18.6	24.5	30.4	10.3
From 45 to retirement age	14.3	16.4	24.7	9.0	12.7	14.8	23.0	5.9
Age group of retired household head:								
Old**	22.5	20.8	32.1	21.1	20.7	19.1	37.1	18.9
Retirement age by law***	23.5	22.3	-	21.6	21.5	20.0	48.2	19.4
Education of household head:								
Up to 8 years of education	44.9	47.9	66.3	39.9	43.6	49.8	74.3	39.7
9-12 years of education	22.3	25.9	39.7	15.7	20.8	24.9	38.7	14.6
13 or more years of education	13.2	15.6	21.6	11.9	12.8	15.2	21.4	11.0

Note: For empty cells marked with '-', the Expenditure Survey does not have enough observations to calculate a reliable figure.

* By the interviewee's subjective definition of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

Table 9: Proportion of Various Family Types in the General Population and the Poor Population, by Demographic and Employment Characteristics, 2015-2016

	Total population		Poor population			
	2015	2016	Before Transfer Payments and Direct Taxes		After Transfer Payments and Direct Taxes	
	2015	2016	2015	2016	2015	2016
Total population	100.0	100.0	100.0	100.0	100.0	100.0
Where the head of household is:						
Jewish	86.6	85.4	73.5	73.4	62.4	61.0
Haredi*	5.9	6.1	11.8	12.5	13.7	14.9
Immigrant	19.7	19.7	24.5	24.6	18.3	18.0
Arab	13.4	14.6	26.5	26.6	37.6	39.0
Families with children – total	44.7	44.9	41.7	42.4	52.1	55.8
1-3 children	37.5	37.1	28.5	27.7	33.5	34.8
4 or more children	7.2	7.8	13.2	14.8	18.6	21.0
5 or more children	3.2	3.6	7.5	8.4	10.3	12.5
Single parent families	5.3	5.7	6.9	8.1	6.0	8.0
Employment status of household head:						
Working	79.9	80.3	51.8	53.3	55.6	58.7
Salaried worker	69.5	69.7	45.1	47.3	47.7	50.4
Self-Employed	10.4	10.6	6.6	6.0	7.8	8.3
Working age non-working	5.3	4.8	16.7	15.3	20.3	18.1
One wage earner	30.2	30.6	38.1	40.6	41.1	44.7
Two or more wage earners	49.7	49.6	13.6	12.7	14.5	14.0
Age of working age household head:						
Up to 29	17.0	16.0	18.3	16.5	21.7	19.7
Age 30-44	34.3	34.9	27.8	29.5	32.4	36.5
From 45 to retirement age	29.3	29.2	20.1	19.0	22.0	20.6
Age group of retired household head:						
Old**	21.8	22.2	36.1	36.8	25.6	25.0
Retirement age by law***	19.4	19.9	33.8	35.0	23.9	23.2
Education of household held:						
Up to 8 years of education	7.9	7.4	18.5	17.5	18.6	17.7
9-12 years of education	37.2	37.3	40.8	42.4	43.6	43.6
13 or more years of education	54.8	55.4	40.7	40.1	37.8	38.7

* By the interviewee's subjective definition of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

Table 10: Assessment of the Depth and Severity of Poverty by Population Groups and Selected Indices, Percentages, 2015 and 2016

	Income Gap Ratio		FGT Index		SEN Index	
	2015	2016	2015	2016	2015	2016
Total population	35.7	33.7	20.3%	19.1%	0.105	0.101
Where the head of household is:						
Jewish	32.6	31.6	16.4%	16.4%	0.064	0.063
Haredi (subjective definition)*	36.3	33.5	21.0%	18.3%	0.255	0.239
Immigrant	28.6	31.3	12.7%	15.3%	0.070	0.074
Arab	39.3	36.0	20.6%	18.3%	0.281	0.249
Families with children – total	36.9	34.0	21.1%	18.9%	0.126	0.124
1-3 children	33.7	30.8	16.4%	14.3%	0.080	0.075
4 or more children	40.2	36.9	21.5%	19.3%	0.272	0.259
5 or more children	41.3	37.9	21.6%	19.6%	0.335	0.330
Single parent families	35.3	35.1	19.0%	19.8%	0.115	0.141
Employment status of household head:						
Working	32.8	29.9	19.7%	17.5%	0.078	0.076
Salaried worker	31.9	29.6	18.6%	17.0%	0.075	0.074
Self-Employed	38.3	31.0	26.8%	20.3%	0.098	0.089
Working age non-working	52.0	55.8	37.3%	40.8%	0.542	0.536
One wage earner	34.8	32.9	25.1%	23.5%	0.188	0.191
Two or more wage earners	28.4	22.6	17.6%	12.2%	0.031	0.025
Age working age household head:						
Up to 29	36.0	32.1	19.1%	16.7%	0.121	0.111
Age 30-44	37.3	33.9	25.1%	21.3%	0.120	0.117
From 45 to retirement age	36.3	37.4	20.7%	22.7%	0.080	0.078
Age group of retired household head:						
Old**	26.8	28.6	10.0%	11.0%	0.077	0.076
Retirement age by law***	26.0	28.0	9.6%	10.8%	0.080	0.078
Education of household head:						
Up to 8 years of education	38.9	37.0	21.7%	20.9%	0.248	0.252
9-12 years of education	35.8	35.4	20.6%	21.0%	0.125	0.126
13 or more years of education	34.5	30.5	20.2%	17.1%	0.074	0.066

* By the interviewee's subjective definition of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

Table 11 presents the dimensions of poverty by districts, selected large cities, and nationality. In some categories, the results fluctuate due to the lack of observations.

The incidence of poverty in the **Jerusalem District** is the highest, and has continued to rise slightly in 2016. The incidence of poverty among children in the city of Jerusalem is 55.4%, although it declined from approximately 58% in 2015. The depth of poverty and the severity of poverty in the Jerusalem District, and in the city of Jerusalem in particular, are higher than in the general population. After the Jerusalem District, the **Northern District** is the next highest

with poverty rates also higher than other districts. However, poverty rates have been on a continuous downward trend since 2012 in this district.

In the Center of the country, dimensions of poverty have decreased: the incidence of poverty among families and individuals in the Center fell by 10% and 5%, respectively, between 2015 and 2016, and among children it increased during that period. In Rishon Lezion the incidence of poverty among families and individuals declined from 7% to 6% approximately, and also declined among children. However, there was a 50% increase in the depth of poverty.

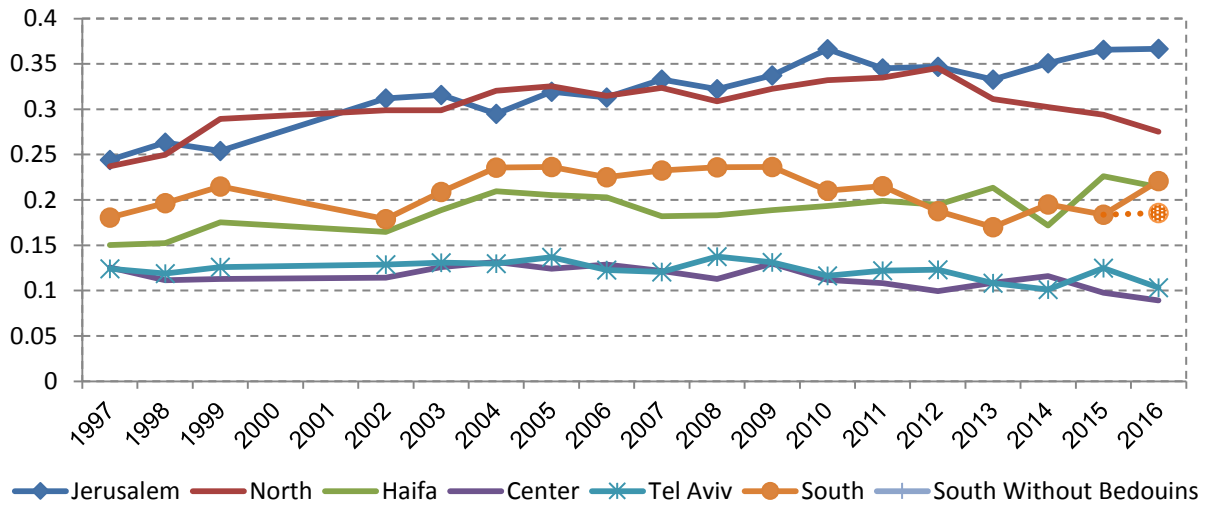
The Tel Aviv and Central Districts, and particularly the city of Tel Aviv, continue to lead with lower poverty rates than other districts in both years. In 2016, the incidence of poverty among families in the District and city of Tel Aviv District dropped from 12.5% to 10.3% and from 10.6% to 10.1%, respectively. In the city, incidence of poverty among children lowered by approximately one percentage point to 9.8%. Between 2015 and 2016, the depth of poverty increased from 32.2% to 33.4% in the Tel Aviv District and from 34.0% to 37.1% in the city of Tel Aviv. Figure 4a illustrates the stable gap in the incidence of poverty to the detriment of the periphery over the years.

The Haifa District knew a decrease in the incidence of poverty among families and an increase among individuals and children, as well as a rise in depth of poverty.

In the Southern District, the incidence of poverty among individuals increased between 2015 and 2016 by approximately 7 percentage points (from 18.5% to 25.2%), and among children increased from 25.0% to 35.7%. **In Ashdod**, the incidence of poverty among individuals and children declined by approximately 30%, reaching 18% and 28%, respectively. The situation of poor families in Ashdod improved and their average distance from the poverty line also decreased by about 14% and the severity of poverty declined by about 33%.

A jump in dimensions of poverty in the Southern District, such as the increase in the incidence of poverty among families by approximately 4 percentage points, is explained by the inclusion in the 2016 survey of the Bedouin population, whose incidence of poverty reaches approximately 58% (Arabs in the Southern District, Table 10). The child poverty in this population is close to 70%.

Figure 4a: Incidence of Poverty by Districts, 1997-2016



Appendix 14, with its two parts, presents the significance of this report statistical data by population groups. The table shows that despite numerous developments in dimensions of poverty, the changes between 2015 and 2016 were statistically significant only for a small part of the population groups (for example: decreases in poverty among Jewish children, in the income gap of Arabs and families with children, and more). Moreover, Appendix 14b demonstrates that over time, except for a jump in the dimensions of poverty in the years 2003-2004, transformations regarding the dimensions of poverty (at least since then until 2011) were generally insignificant. Even in the new series – starting from 2012 after that year’s crisis following the cancellation of the Income Survey and the reliance on the Expenditure Survey (which included fewer observations) – it is difficult to find cases of significant changes from year to year.

Table 11: Incidence of Poverty by District and Nationality, 2015-2016

	2015					2016				
	Incidence of Poverty			Income Gap Ratio	FGT	Incidence of Poverty			Income Gap Ratio	FGT
	Families	Individuals	Children			Families	Individuals	Children		
Total*	19.1	21.7	30.0	35.7	20.3	18.5	21.9	31.0	33.7	19.1
Jerusalem	36.6	43.9	56.1	42.7	27.9	36.7	44.0	53.4	35.9	20.9
Jerusalem City	39.0	46.5	58.2	43.0	28.2	38.4	46.0	55.4	36.7	21.6
North	29.4	31.9	42.7	33.6	16.9	27.4	28.2	36.5	31.7	14.4
Haifa	22.6	23.6	31.9	36.0	18.8	21.4	24.7	35.3	31.5	15.7
Haifa City	19.0	14.5	12.0	32.1	13.7	15.5	15.0	23.1	27.4	11.4
Center	9.8	10.2	12.7	29.0	14.4	8.8	9.7	14.0	31.7	17.0
Rishon Letzion City	7.2	7.5	9.6	15.2	4.9	5.6	5.3	6.4	22.6	8.5
Petach Tikva City	9.6	8.8	11.1	17.6	5.1	7.8	9.3	12.9	24.4	10.4
Tel Aviv	12.5	13.1	19.1	32.2	17.0	10.3	11.6	19.2	33.4	18.8
Tel Aviv City	10.6	9.9	10.9	34.0	17.1	10.1	8.5	9.8	37.1	17.1
South	18.4	18.5	25.0	33.5	15.9	22.1	25.2	35.7	35.8	21.2
Ashdod City	18.9	25.2	42.0	34.8	22.8	16.1	17.9	28.4	29.9	15.4
Jews*	13.8	14.1	19.8	32.6	16.4	13.2	14.3	21.1	31.6	16.4
Jerusalem	22.2	26.9	39.7	35.4	21.3	26.0	29.8	39.6	34.0	19.0
North	17.6	15.9	20.4	35.7	17.1	15.2	13.6	16.9	30.8	12.7
Haifa	15.2	11.7	11.5	28.1	10.2	12.6	12.8	17.8	26.5	11.1
Center	7.5	7.4	9.3	26.5	12.4	7.5	7.5	10.7	28.6	13.3
Tel Aviv	12.1	12.9	18.9	32.1	17.1	10.2	11.5	19.2	33.6	18.8
South	18.5	18.7	25.3	33.6	16.1	18.6	17.4	23.9	30.5	13.1
Arabs	53.3	54.8	65.6	39.3	20.6	49.2	52.0	61.7	36.0	18.3
Jerusalem	76.4	76.0	83.4	47.5	26.9	69.6	72.9	78.2	37.6	19.0
North	42.7	44.6	56.7	33.0	15.3	40.2	39.6	49.1	32.0	13.7
Haifa	58.2	59.4	71.9	40.7	21.3	61.6	62.2	74.0	34.8	15.5
Center	56.0	53.7	55.7	34.3	15.6	33.7	38.4	50.0	39.7	24.3
Tel Aviv**	-	-	-	-	-	-	-	-	-	-
South***	-	-	-	-	-	58.5	63.4	68.2	42.9	26.8

* Including settlements in Judea and Samaria.

** Does not exist due to lack of relevant observations.

*** For 2015, no data exists due to survey response issues encountered in the Bedouin population since 2012, a group surveyed by the Central Bureau of Statistics in the Household Expenditure Survey. In 2016, this group is again represented in the survey.

B. Dimensions of Inequality, Income Gaps and their Causes

1. Inequality in 2016 and in Recent Years

Table 12 shows the Gini index of inequality in economic income and disposable income over time.¹⁸ In 2016, the Gini index of inequality in disposable income was 0.3577, and for economic income it was 0.4646. Compared to 2015, inequality declined according to both indices – by rates of 1.5% and 201%, respectively. These declines continue a downward trend in the economic income inequality index recorded in recent years and place the index of inequality in disposable income at its lowest level since the end of the 1990s.

Employment rate, as reflected in expenditure survey data, remained stable since 2013 and even slightly rose this year, so that the divergence between the employment rates reported here and in other sources (see Figure 11) remained unchanged. Table 13 shows that the decline in the Gini index of income inequality is explained by a sharp increase in income from work in the lower quintile (18.8%), significantly higher than recorded in the other income quintiles. The higher increase in incomes of the lowest quintile compared to the other quintiles is also reflected in Figure 8, which shows the increase in disposable income per standard person by quintiles. This increase is partially explained by the significant rise in the minimum wage, and affects the second and even other quintiles of income as well. In comparison with the lowest quintile, where disposable income per standard person increased by 7.2%, income in the highest quintile increased by 1%.

In the long term view (Figure 5) – from 1999 to 2006, the index of inequality in disposable income per standard person increased then stabilized for the next three years, and has declined steadily ever since, with a particularly steep drop in 2013 and a correction in 2014. From 2002 (The year prior to the deep cuts in the 2002-2003 economic plan) and until 2015, inequality by economic income fell by a high rate of about 13%, compared with a relatively small decrease (2.4%) in inequality as recorded based on disposable income. Among other factors, the increase in the years up to 2006 and the subsequent stabilization derived from government policy – at first cuts in the welfare policy, followed by income tax reform – and from high-tech biased growth during the first decade of the 2000s. In the years since 2010, the downward trend in inequality

¹⁸ The Gini index measures gaps in income between every two persons, taking into consideration all persons in the economy. Therefore, the lower the income, the greater the weight it is given. The index ranges from 0 to 1, where the value of 0 reflects absolute equality (“all persons have equal income”) and the value 1 reflects absolute inequality (“all income is in the hands of one individual and all other individuals have no income”).

reflected developments in the labor market (according to the survey results) both in the Gini index according to both economic and disposable income^{19,20}

It appears that the decline in inequality indices in the past two years manifests changes in social policy with respect to benefits: there was a small increase in child allowance and a temporary increment at the end of 2015 (approximately NIS 10 in the universal allowance), and in the old-age pension an addition to the income supplement was granted, a benefit meant to the elderly living in poverty and not all senior citizens. Another important factor is the rise in minimum wage, whose effect on dimensions of poverty is partially offset by an increase in the median income itself, its effect being thereby expressed in indices of inequality as well.

Table 12: Gini Index of Income Inequality in the Population, by Economic and Disposable Income, 1998-2016

Year	Before Transfer Payments and Direct Taxes	After Transfer Payments and Direct Taxes	Decrease due to Transfer Payments and Taxes (Percentages)
2016	0.4646	0.3577	22.9
2015	0.4719	0.3653	22.6
2014	0.4778	0.3712	22.3
2013	0.4766	0.3634	23.7
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 the Index (Percentages)			
2016 compared to 2015	-1.5	-2.1	
2016 compared to 2014	-2.8	-3.6	
2016 compared to 2002	-13.5	-2.8	
2016 compared to 1999	-10.1	-0.4	

¹⁹ This analysis should be qualified in that the measurement of high incomes are not usually of the same quality as low incomes and those of the middle class, since the response rate of high-income earners is generally lower.

²⁰ Part of the decrease in the inequality index is apparently technical and related to the transition from income survey to expenditure survey, for reasons that have not yet been completely clarified due to the difficulty in identifying the sources of the “break” between the two series of surveys.

Figure 5: Inequality over Time in Israel – Gini Index by Economic and Disposable Income: 1998 to 2016

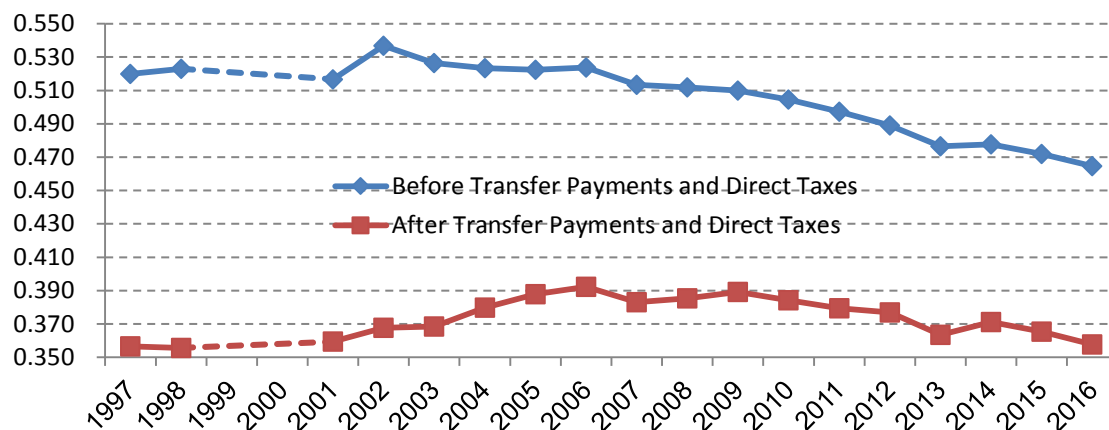
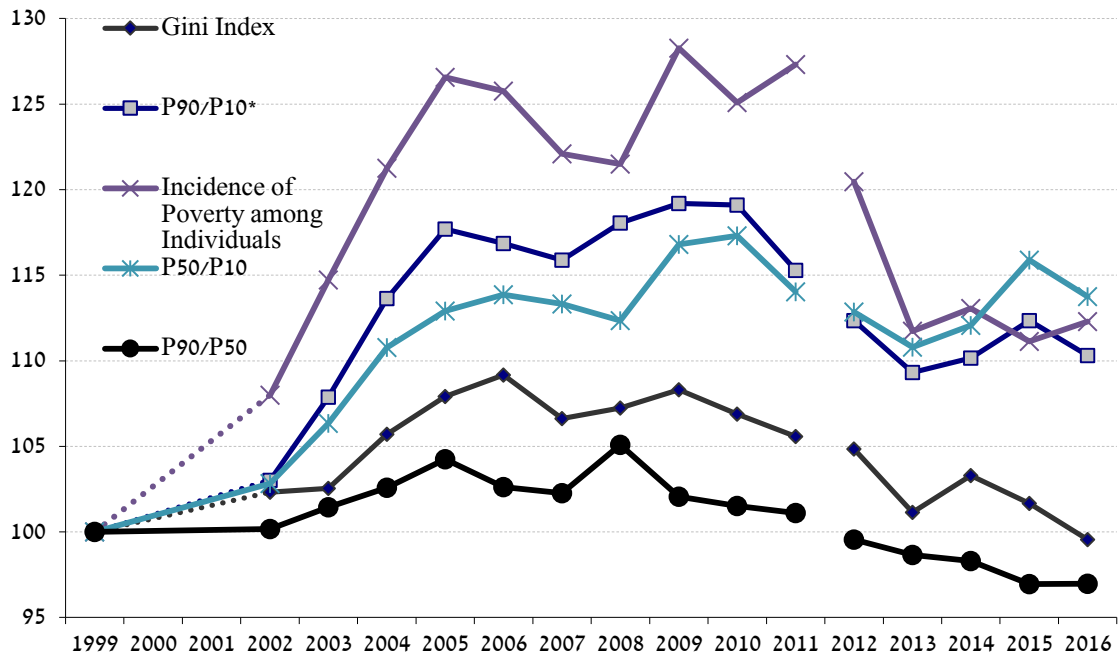


Figure 6 shows several indicators of inequality and compares them to the incidence of poverty among individuals: the Gini index and a number of indices of the ratio between various income deciles. In each decile we chose, as is the case with such indices, the highest wage in each decile.²¹ Among income gap indices in the various deciles, the P90/P50 index, which reflects income gaps within the high-income half of the population, increased slightly this year after having steadily decreased since 2008 and reached a level even lower than its 1999 level. This year, the P90/P10 and P50/P10 indices, showing respectively income gaps in the general population and in the low-income half of the population, declined after a rise in recent years, preceded by a long decrease in these indices since 2010. These changes add up to a drop in the Gini index of inequality of 2.1% by disposable income and of 1.5% by economic income, between the two years compared in this report.

²¹ For example, P90/P50 expresses the ratio between the highest wage in the ninth decile and the highest wage in the fifth decile.

Figure 6: Selected Indices of Gaps and Inequality, 1999-2016



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

Comparison of inequality by disposable income in developed countries, as shown in Figure 7, places Israel's Gini index approximately 10% above the average in developed countries. Israel's international rank has improved to some extent in comparison with the previous year.

Table 14 shows the share of each quintile in total income according to various sources of income – work, pension, provident funds and capital, benefits and subsidies, etc. Data indicate that the share of the highest quintile in income from work reaches approximately 42% of the total wage in the economy, as opposed to a ninefold lower rate in the lowest quintile, which earns about 5% of the total wage. Larger gaps exist in direct taxation due to the progressive structure of income tax and, to a lesser extent, national and health insurance contributions: the total income from direct taxes from the lowest quintile represents 0.5%, compared with 66.9% in the upper quintile, which pays over 3 times more taxes than the next quintile. Total disposable income in the economy is divided slightly more evenly than income from work: the lowest quintile receives 6.9% of it – compared to 37.8% received by the highest quintile in 2016.

Table 15 presents expenditures breakdown by quintile. The data displayed in the table indicate, as well known, that there are smaller gaps in expenditure than income: expenditure per standard individual in the upper quintile is 2.7 times higher than in the lowest quintile (compared to 7.2 times when relating to disposable income per standard person). The upper quintile consumes products and services at a rate of about 29% of total consumption (approximately 9 percentage

points more than its share in the population), while the lower quintile consumes approximately 13%, about 7 percentage points less than its share in the population.

Figure 7: Gini Index of Inequality of Disposable Income per Standard Individual, OECD Countries and Israel, Various Years (2012-2015, Israel 2016), OECD Definition

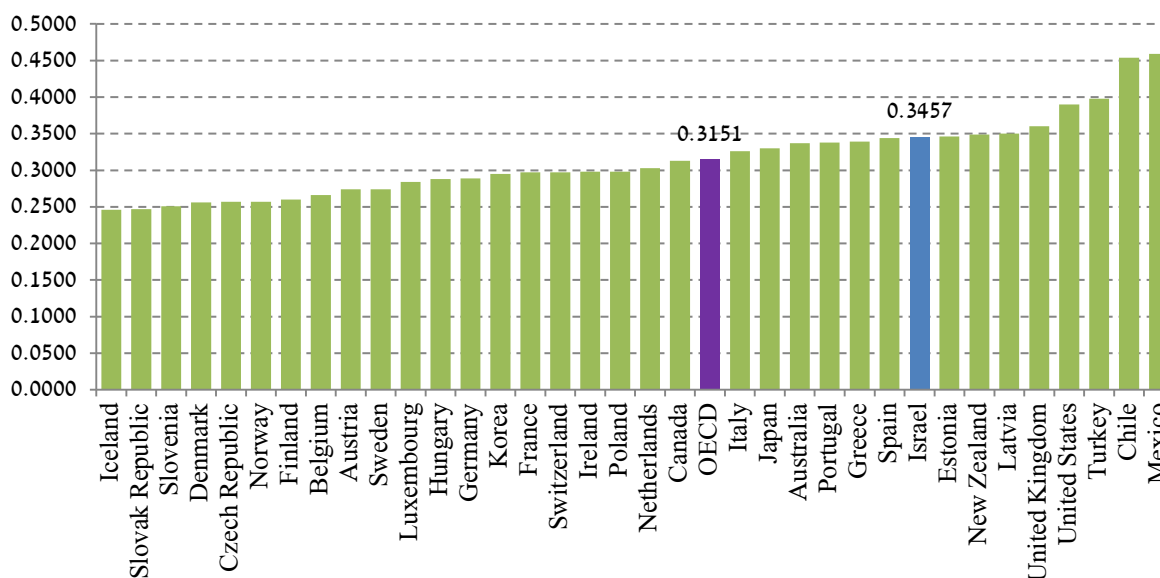


Figure 8: Real Change in Disposable Income per Standard Individual, 2016 compared to 2015, by Quintiles (Percentages)

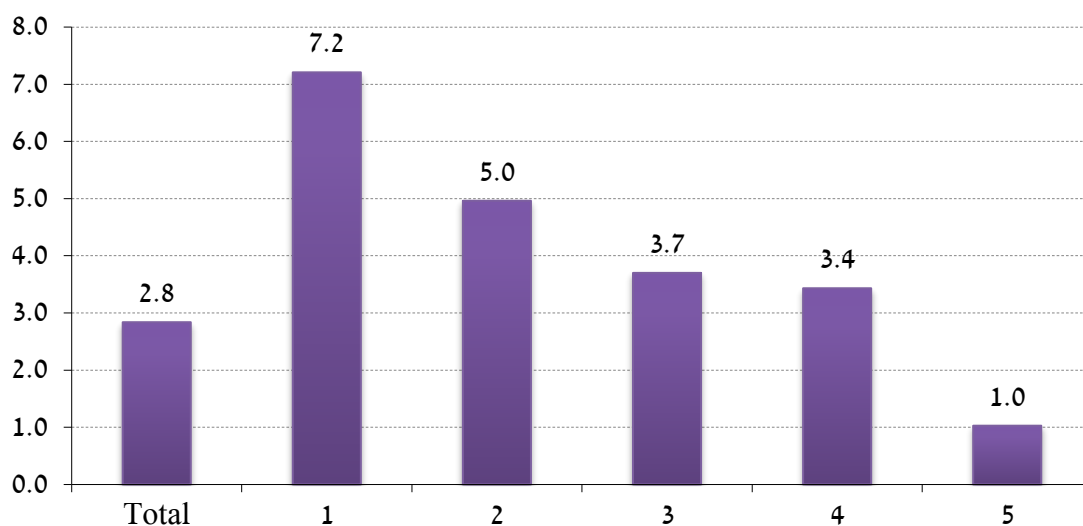


Table 13: Source and Type of Income and Mandatory Payments by Quintiles*, 2016, and the Real Change Compared to 2015

Source/Type of Income and Mandatory Payments	Average	Income (NIS per Month)					Ratio between the Upper and Lower Quintiles	Real Change Compared to 2015, Percentages					
		1	2	3	4	5		Average	1	2	3	4	5
Work	15,060	3,480	8,030	12,920	19,240	31,610	9.1	4.3	18.8	6.5	1.6	5.6	2.7
Pension, provident funds and capital	1,960	110	590	1,220	2,200	5,690	51.7	-8.4	-26.1	-7.1	0.2	4.7	-13.8
Total supports and allowances	2,150	2,250	2,270	1,940	2,020	2,290	1.0	6.3	3.2	1.5	4.8	4.5	18.6
Payments from National Insurance Only	1,610	1,820	1,750	1,530	1,500	1,430	0.8	3.6	5.1	-1.4	8.4	5.9	0.8
Payments from Government Institutions Only	280	270	270	200	270	400	1.5	12.8	10.0	4.6	5.2	-6.3	49.6
Payments from Households and Individuals Only	250	160	250	210	250	400	2.5	11.5	-22.4	22.5	-15.9	8.8	59.2
Total Mandatory Payments	3,370	400	950	1,870	3,830	9,780	24.5	4.3	14.1	7.9	-0.7	8.4	3.2
Income Tax	2,040	50	320	860	2,150	6,830	136.6	5.0	19.5	6.0	0.0	9.6	4.1
National Insurance	650	100	250	450	830	1,640	16.4	5.0	24.1	15.6	-3.2	7.8	3.4
Health Insurance	670	250	390	570	850	1,310	5.2	2.7	10.0	5.1	0.2	6.0	0.1
Net per family	15,770	5,420	9,900	14,160	19,560	29,810	5.5	2.8	11.0	4.2	2.2	4.9	-0.1
Gross per family	19,140	5,820	10,860	16,030	23,390	39,580	6.8	3.0	11.4	4.5	1.8	5.4	0.7
Economic per family	16,910	3,560	8,510	14,010	21,290	37,180	10.4	2.7	16.8	5.3	1.5	5.8	-0.2
Net per standard individual	6,160	1,810	3,550	5,210	7,230	12,990	7.2	2.8	7.2	5.0	3.7	3.4	1.0
Gross per standard individual	7,450	1,950	3,860	5,840	8,520	17,080	8.8	3.3	7.4	5.1	3.4	3.9	2.1
Economic per standard individual	6,450	990	2,770	4,970	7,590	15,950	16.1	3.0	14.0	5.4	3.4	4.0	1.3

* The quintiles were sorted by disposable income per standard individual; each quintile consists of 20% of families.

Table 14: Share of each Quintile in Total Income and Mandatory Payments, 2015-2016

Source/Type of Income	Total	2015					Total	2016				
		1	2	3	4	5		1	2	3	4	5
Work	100.0	4.0	10.5	17.6	25.2	42.6	100.0	4.6	10.7	17.2	25.6	42.0
Pension, provident funds and capital	100.0	8.7	11.8	15.9	21.4	42.2	100.0	9.2	11.9	16.5	22.9	39.6
Total supports and allowances	100.0	21.5	22.1	18.3	19.1	19.1	100.0	20.9	21.1	18.0	18.7	21.3
Payments from National Insurance Only	100.0	22.3	22.9	18.2	18.3	18.3	100.0	22.6	21.8	19.1	18.7	17.8
Payments from Government Institutions Only	100.0	19.9	20.9	15.3	22.8	21.2	100.0	19.4	19.3	14.3	18.9	28.0
Payments from Households and Individuals Only	100.0	17.7	18.0	22.1	20.1	22.1	100.0	12.4	19.8	16.7	19.6	31.5
Mandatory payments	100.0	2.2	5.5	11.7	21.9	58.7	100.0	2.4	5.7	11.1	22.7	58.1
Income Tax	100.0	0.4	3.1	8.8	20.2	67.5	100.0	0.5	3.1	8.4	21.1	66.9
National Insurance	100.0	2.7	6.8	14.8	24.7	51.0	100.0	3.2	7.5	13.7	25.4	50.3
Health Insurance	100.0	7.0	11.4	17.3	24.4	39.8	100.0	7.5	11.6	16.9	25.2	38.8
Net per family	100.0	6.3	12.4	18.1	24.3	38.9	100.0	6.9	12.6	18.0	24.8	37.8
Gross per family	100.0	5.6	11.2	16.9	23.9	42.3	100.0	6.1	11.3	16.8	24.4	41.4
Economic per family	100.0	3.7	9.8	16.8	24.5	45.3	100.0	4.2	10.1	16.6	25.2	44.0

* The quintiles were sorted by disposable income per standard individual; each quintile consists of 20% of the families.

Table 15: Expenditure by Quintiles, Real Rates of Change and Breakdown of Expenditure, 2015-2016

	Average	1	2	3	4	5
Monthly expenditure 2016, NIS						
Consumption expenditure per standard individual	6,180	3,650	4,570	5,740	7,010	9,940
Financial expenditure per standard individual	4,950	2,790	3,630	4,630	5,620	8,090
Family consumption expenditure	15,810	10,100	12,490	15,140	18,400	22,890
Family financial expenditure	12,790	7,930	10,120	12,260	14,900	18,740
Real Change Compared to 2015						
Consumption expenditure per standard individual	2.4	3.8	4.2	1.2	4.4	0.4
Financial expenditure per standard individual	3.3	4.7	5.8	1.9	5.3	1.3
Family consumption expenditure	2.6	5.2	4.2	0.1-	5.0	0.6
Family financial expenditure	3.8	5.9	6.0	0.5	6.2	2.2
As a portion of total expenditure 2015						
Family consumption expenditure	100.0	12.5	15.6	19.7	22.8	29.5
Family financial expenditure	100.0	12.1	15.5	19.8	22.8	29.8
As a portion of total expenditure 2016						
Family consumption expenditure	100.0	12.8	15.8	19.2	23.3	29.0
Family financial expenditure	100.0	12.4	15.8	19.2	23.3	29.3

* Source: processing by the Director of Research and Planning of data from the CBS Household Expenditure Survey for the years shown.

** The quintiles were sorted by disposable income per standard individual; each quintile consists of 20% of families.

2. Factors that Affect Poverty and Inequality

2016 was characterized by continuing growth – the economy grew by approximately 4% (and per capita GDP by approximately 2%), and employment grew by approximately 3%, according to labor force survey data (and by about 2% according to survey data). Survey data indicate a continuing upward trend in the households employment rate from 79.9% to 80.3% between 2015 and 2016 (see Appendix 21), while above average increases were recorded among Haredim, Arabs, young people and large families (there is an overlap of groups). At the same time, unemployment stood at a relatively low rate of 5.3% in 2016. It should be noted that the decline in unemployment occurred concurrently with the increase in the minimum wage.

Real wage increased by approximately 2.8% (according to the Expenditure Survey, Appendix 12). An examination of wages rise by occupation reveals that, whereas wages have actually decreased among professionals and technicians (-1.9%), among other professions there was an increase of 1.3% to 12.1%. Industries where poor workers improved their wages comprise health, welfare and nursing services (26.8%), education (20.0%), community services (19.8%), building and construction (12.7%), wholesale and retail trade (12%), industry (8.7%) and hospitality and food services (4.7%). Regarding business services, banking and insurance, wages of poor workers dropped by 7.7% (Appendix 10).

Figure 9: Employment Rates in Income/Expenditure Surveys Compared to the Manpower Survey, 1999-2016

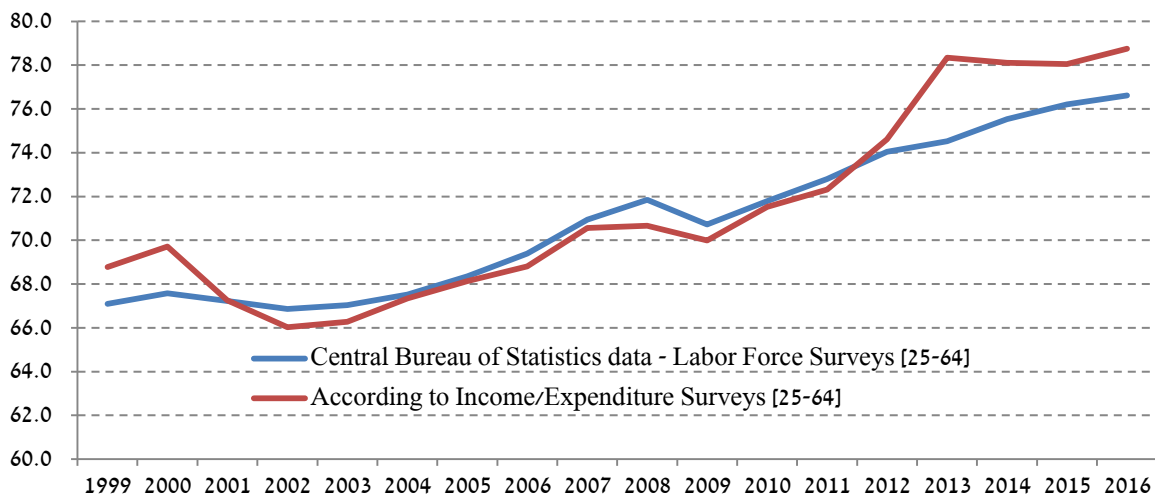


Figure 9 shows that the gap between employment rates expressed in the Expenditure Survey and the CBS Labor Force Surveys remained high after it “opened” in 2013, following long years in which the rates were similar. A higher rate of employment reduces poverty. There is no precise estimate of this correlation, but it is reasonable to assume that this gap continues to affect low dimensions of poverty compared with 2012 and earlier, also in 2016.

According to administrative data, National Insurance benefits increased by approximately 4.3% in real terms between the two years, compared with a relatively similar increase of approximately 5.1%, according to survey data. Total payments for unemployment benefits decreased by a comparable rate according to both data sources – by 1% according to the survey and 1.4% according to administrative data. The surge in total payments for child allowances (by about 14%) is also shared by both sources. However, evolutions are not always similar, especially as regard to benefits applying to a low population and therefore not well represented in the survey: payments related to income supplement benefit increased by approximately 8% as per survey data, compared with a decrease of approximately 3% as per administrative data.

Table 16 presents a distribution of workers in poor families and in the general population by wage level. Figures show that most salaried workers, approximately 78%, work full-time (about 88% of salaried men and 67% of salaried women). Most employed individuals living in poor families, approximately 61%, also work in full-time. Almost one-fifth of salaried workers, some of whom are not poor, are employed for remunerations that are below the minimum wage.

Approximately 39% of the poor population, even among full-time employees, have an income that is below or equal to the minimum wage, less than half of them receive salaries that do not exceed half of the minimum wage despite working in a full-time job. It should be noted that, notwithstanding the increase in minimum wage, the percentage of salaried employees who earn a lower full-time salary, and are therefore apparently exposed to employers non complying with the law, did not increase according to concerns raised by some economists, but decrease.

A further 57%, approximately, are employed for more than the minimum wage, but less than the average wage, and a marginal share earns more than the average wage. By contrast, in the general population, most of those employed full-time, approximately 82%, earn more than the minimum wage (Table 16).

As noted, the decrease in dimensions of poverty and inequality occurred in spite of the reinclusion into the survey of a group characterized by extreme poverty - the Bedouin population. However, the introduction of this population also has an effect in the opposite direction by the relative method – it lowers the poverty line, even though, as shown by data, raising poverty rate has been the stronger influence, so that, were Bedouins absent from the survey like previous years, findings would be even more positive. The improvements observed in 2016 in most poverty indices: incidence, depth and severity of poverty, as well as indices of inequality are the result of changes instrumental to increase the families' disposable income: the increase in government support for families with children and for the elderly, the increase in wages and in the minimum wage, as well as the increase in the employment rate, especially among weaker populations – Haredim and Arabs, young people and large families.

Table 16: Pay Breakdown of Salaried and Poor Salaried Workers, by Pay Level, 2016**

	Total (thousands)	Percentages	Up to Half the Minimum Wage	From Half to the Minimum Wage	Minimum Wage to the Average Wage	Above Average Wage
Total salaried workers	3,349	100.0	13.7	14.8	38.3	33.3
*Full-time salaried workers	2,614	100.0	8.9	9.2	42.1	39.8
In the Economically Poor Population						
Total salaried workers	444	100.0	33.2	29.8	35.4	1.6
Full-time salaried workers	253	100.0	18.3	26.2	53.1	2.4
In the Net Poor Population						
Total salaried workers	304	100.0	30.2	28.6	38.3	2.9
Full-time salaried workers	181	100.0	16.7	22.3	56.6	4.4
Among Men						
Total salaried workers	1,738	100.0	11.5	10.0	37.2	41.3
*Full-time salaried workers	1,523	100.0	8.2	6.6	39.6	45.7
In the Economically Poor Population						
Total salaried workers	238	100.0	26.1	24.8	46.8	2.3
Full-time salaried workers	168	100.0	14.0	21.4	61.4	3.2
In the Net Poor Population						
Total salaried workers	178	100.0	20.3	23.6	52.0	4.2
Full-time salaried workers	134	100.0	11.5	17.6	65.5	5.4
Among Women						
Total salaried workers	1,610	100.0	16.1	19.9	39.4	24.6
*Full-time salaried workers	1,090	100.0	9.9	12.8	45.6	31.7
In the Economically Poor Population						
Total salaried workers	206	100.0	41.3	35.7	22.3	0.7
Full-time salaried workers	84	100.0	26.8	35.8	36.3	1.0
In the Net Poor Population						
Total salaried workers	126	100.0	44.3	35.6	19.1	1.1
Full-time salaried workers	47	100.0	31.5	35.6	31.4	1.4

* 35 or more weekly work hours.

** The minimum wage and the average wage in the economy were adjusted for the period of the 2016 Expenditure Survey.

C. Selected Issues in Measuring Poverty and Inequality

In this section, we will present other important aspects related to measuring poverty and inequality in Israel. This will include presentation of international comparisons, persistent poverty, a target for the reduction of poverty, and finally assessments of the effect of changes occurred in 2017 on poverty and inequality.

1. Persistent Poverty

The population living in poverty is not immutable from one period to another: some are extricated from poverty, others join this population and some continue to live in poverty for a prolonged period. In the absence of longitudinal data for a fixed population, it is customary to estimate the size of the group living in persistent poverty as follows: those whose income and expenditure are below the poverty line are treated as living in persistent poverty, since consumption is affected mainly by stable income rather than temporary changes²². The assumption is that in the event of a sudden and one-time loss of current income (for example, due to unemployment), the families will try to maintain a stable standard of living, and in the short term will compensate for the loss of income by opening savings, taking loans, etc. These families are considered to be temporarily poor.²³ On the other hand, a family considering that its economic situation has worsened continuously will be forced to reduce consumption expenditure, as its ability to exceed its income is extremely limited. Therefore, families living in persistent poverty are those whose income and consumption are below the poverty line.²⁴

Table 17 shows the proportion of poor families and individuals, according to the definition of persistent poverty, from the total number of poor families. Overall, according to the findings, approximately two-thirds of poor families suffer from persistent poverty.

The proportion of families in persistent poverty remained unchanged compared to last year – 60% of the poor families. A sharp decline was recorded in the percentage of families in persistent poverty among families with four or more children, single-parent families, families whose head of household has up to eight years of education, and to a more moderate degree, among Arabs and the elderly, and of course, the groups may overlap.

The persistent poverty rate differs among the various population groups, so for example, the proportion of families suffering from persistent poverty in the group of families with two wage earners

²² According to Milton Friedman's Permanent Income Theory, a family tends to change its current consumption due to stable income changes, while temporary changes in income tend to mainly increase the savings and purchases of durable goods.

²³ Therefore, the fact that for many poor people consumption spending is higher than their income does not contradict economic logic.

²⁴ In view of the absence in the Expenditure Survey of follow-up survey type data, which enable the monitoring of those families living in persistent ("permanent") poverty, Recommendation 2(a) in the "Report of the Team for the Development of Additional Poverty Indices" suggested that the following index be treated as a measure of persistent ("permanent") poverty: a particular family will be defined as permanently poor if both its income and its consumption expenditure are below the poverty line.

reaches 58% of all poor families (compared with 56% in the previous year), while their proportion of families with a relatively high level of poverty (Haredim, large families, families with no working age wage earner, families whose heads of households have up to eight years of education) reaches 75% – and shows that most of the poor families in these groups are characterized by persistent and not only temporary poverty.

Table 17: Estimated Persistent Poverty –Proportion of Families and Individuals in the Total Poor Whose Financial Expenditure per Standard Individual is Below the Poverty Line (Percentages) 2015 and 2016

Population groups	Families		Individuals	
	2015	2016	2015	2016
Total population	60	60	65	65
Where the head of household is:				
Jewish	60	61	66	67
Haredi*	75	75	78	76
Immigrant	63	69	64	68
Arab	61	58	64	63
Families with children – total	63	64	68	67
1-3 children	54	57	55	58
4 or more children	81	75	82	76
5 or more children	84	76	84	77
Single parent families	63	58	71	63
Employment status of household head:				
Working	57	57	63	63
Salaried worker	59	60	65	65
Self-Employed	43	44	49	54
Working age non-working	62	63	73	75
One wage earner	57	57	63	64
Two or more wage earners	56	58	64	61
Age of working age household head:				
Up to 29	54	57	58	67
Age 30-44	62	59	69	64
From 45 to retirement age	59	62	62	66
Age group of retired household head:				
Old**	66	62	65	64
Retirement age by law***	66	62	65	63
Education of household head:				
Up to 8 years of education	73	67	78	72
9-12 years of education	57	60	62	65
13 or more years of education	58	56	64	62

* By the interviewee's subjective definition: level of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

It should be noted that data examination over time shows that there is an upward trend along with considerable fluctuation around the trend, and when looking at a specific population group, the

fluctuation is even greater (Appendix 17). However, in most of the years that this figure was calculated, the incidence of permanent poverty among families stood around 60%.

2. Poverty in Israel by International Comparison

The OECD's method of calculation of dimensions of poverty is similar to that developed and implemented in Israel by the National Insurance Institute – both regards median disposable financial income as an indicator of the standard of living, and define it as the line of poverty. However, there are certain differences mainly related to the equivalence scale, which differs between the two forms of calculation²⁵.

The source of the data for the calculation of poverty in each country is household surveys with data on income, which are usually conducted by the Central Bureaus of Statistics in the various countries. Therefore, the OECD calculations for Israel are based on the same data **as the National Insurance calculations**. In 2012, the OECD made a slight change to the definition of the calculation in order to include some in-kind remuneration into the disposable income, and mainly deducted from the income forced savings components, such as pension contributions and alimony payment to other families. It should be noted that these modifications do not significantly affect the calculation of dimensions of poverty in Israel.

Figure 10 (in its three parts) shows the incidence of poverty among individuals according to 50% of the median income per standard individual, the latest available (from 2012-2015; Israel – 2016) in OECD countries – Figure 10a refers to poverty of individuals according to the disposable financial income, Figure 10b according to **economic** income and Figure 10c refers to poverty among children (according to the disposable income).

In Israel's self-comparison to the previous year, incidence of poverty on individuals as calculated by OECD's method of calculation has declined by approximately an entire percentage point, from 19.6% in 2015 to 18.5% in 2016 (Appendix 8). However, when comparing the incidence of poverty as shown in Figure 10a, Israel is still at or near the top of the scale, and the recent years' decrease in the incidence of poverty in Israel, due to a variety of factors, including an improvement in employment rates, a real increase in the average and the minimum wage, and even an increase in old-age and child allowances, did not succeed in improving Israel's ranking in an international comparison²⁶. This is because changes have taken place in other countries that cannot be reviewed in this report. In Mexico, placed above Israel in terms of poverty level during certain years, between 2012 and 2014 there was a significant drop of 2.2 points in the number of poor individuals. In 2016, the incidence of poverty of individuals in Israel

²⁵ For further details, see the Appendix "Measuring Poverty and Data Sources", which appears annually in the appendix to the annual report of the National Insurance Institute.

²⁶ The break in the series in Israel also did not affect Israel's ranking. It is possible that the change in the definition of disposable income in the OECD also affected the widening of the gap between Israel and the OECD countries in Israel's vicinity.

reached 18.5%. The incidence of poverty among children, which stands at 24.5% by OECD definition, is also situated at the upper end of the scale in this comparison.

Compared with the calculation obtained by disposable income, a comparison of the incidence of poverty among the OECD countries according to the economic income of households, which derives from the labor market and the capital market, shows that prior to government intervention, the poverty situation in Israel is lower than that of developed countries – with a 26.1% incidence of poverty, about 2% less than the average among the countries in the comparison (Figure 10b).

Figure 10 (in its three parts) shows that in addition to the differences between the developed countries in the level of poverty prior to government intervention, there is considerable variation in the extent of their intervention in the distribution of income. Poverty charts by economic income and disposable income show an interesting segmentation of the countries on the two axes: the countries on the left-hand side of the chart with low economic poverty rates fall into two categories: on the one hand, countries with a **generous** welfare system, fair labor relations, high rates of unionizing and fair wages, such as Iceland, the Netherlands, Denmark, Sweden and Norway, and on the other hand, countries with a limited welfare system or low-level benefits, less fair labor relations, and lower rates of unionizing, with Israel belonging to the second category. In the socio-economically generous countries, the **dimensions of poverty** remain low **even after intervention**. On the other hand, in countries of the other type, poverty rates according to **disposable income** are among the highest, such as Turkey, Mexico, the United States, Korea and **Israel**. It can be concluded that the lower economic poverty rates in the second category reflect the economic insecurity of poor families due to the limited welfare system in these countries. Therefore, some of the responsibility for forcing families living in poverty to work at low wages is due to the lack of economic security caused by a very limited welfare policy. Other reasons for this situation are unfair (even if legal) employment patterns, such as employment based on hourly wages and not a monthly wage on a large scale, employment of workers at minimum wage even if they have education and skills in their profession, and low compliance with the minimum wage law, low unionization and more. An interesting conclusion from this analysis is that the fair and generous socio-economic approach does not at all contradict the pursuit of high and successful employment, and that there is no need for rigidity with respect to welfare in order to improve the economic independence of weakened populations.

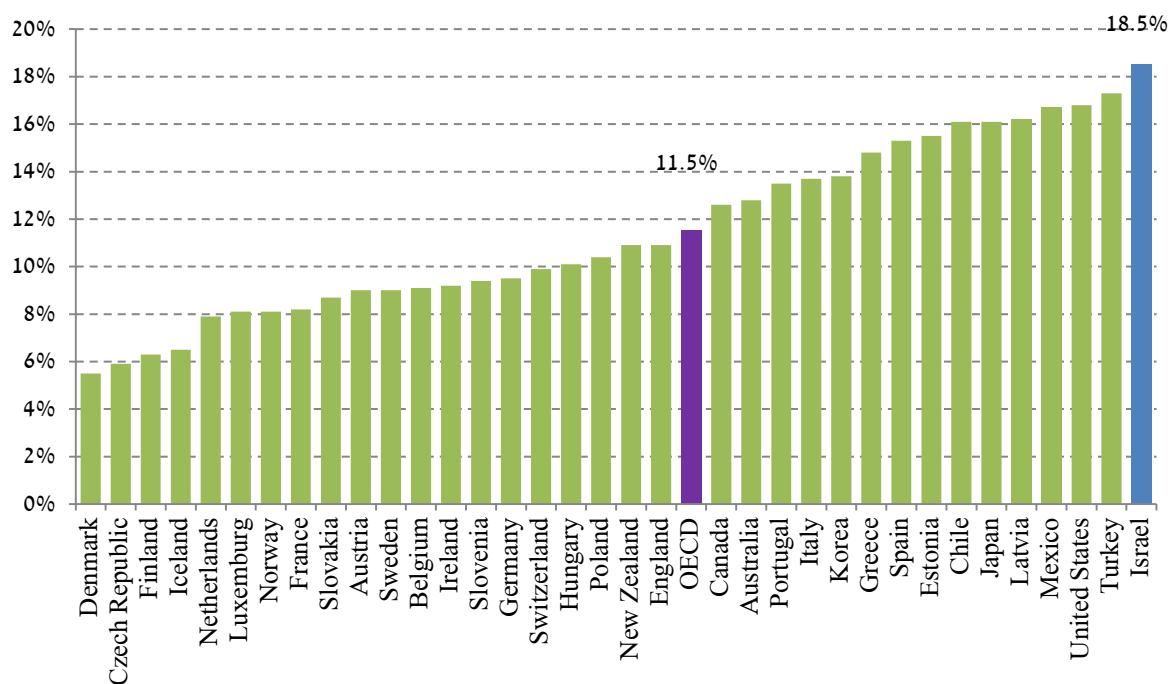
The incidence of poverty for various groups of families, individuals, children and the elderly according to the OECD approach is shown in Appendices 7a, 7b and 7c, where the poverty line is defined as 50%, 40%, and 60% of median disposable income, respectively. According to this method of calculation, there was a moderate increase in the incidence of poverty this year, similar to the official incidence shown in Table 8. Since the equivalence scale used in the OECD approach includes larger economies of scale than the Israeli scale, incidence of poverty among large families is less than the

official Israeli index. As a result, while poverty rates among children are much lower than those based on the Israeli approach, the dimensions of poverty among the elderly are higher, as they live in smaller households. By the same logic, the incidence of poverty among population groups with a high proportion of large families (Arabs, Haredim and others) is lower in these estimates than in the official incidence rates. For example, the incidence of poverty according to the OECD definition (50% of the median) and according to the official definition among Haredi families (according to a subjective definition) is 47.7% and 45.1%, respectively; among families with children, the incidence of poverty stands at 25.2% and 23.0%, respectively.

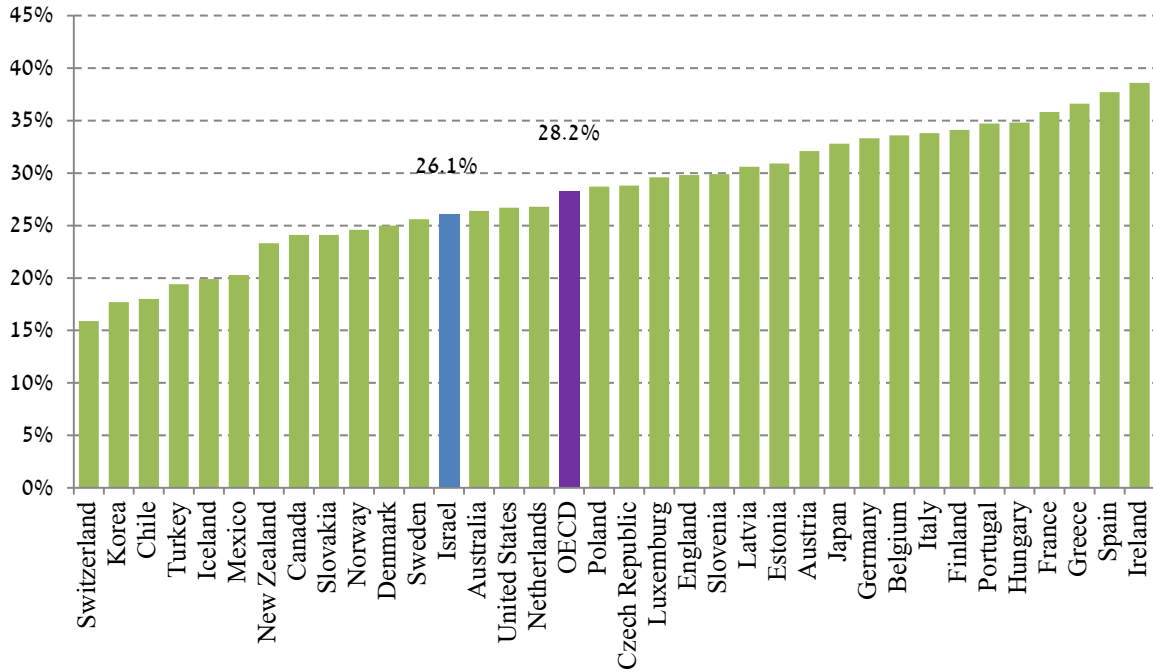
Despite the differences in the calculation variation, the general trends in the analysis by population groups remain the same also according to this calculation: the relatively poorer population groups are the Arab, Haredi and large families (which overlap to some extent), families headed by someone with very low education (up to 8 years of education) and those headed by someone of working age who is not working.

Figure 10: Poverty Rates Among Individuals (50% of Median Income), OECD Countries and Israel, Various Years (2012-2015, Israel 2016), OECD Definition

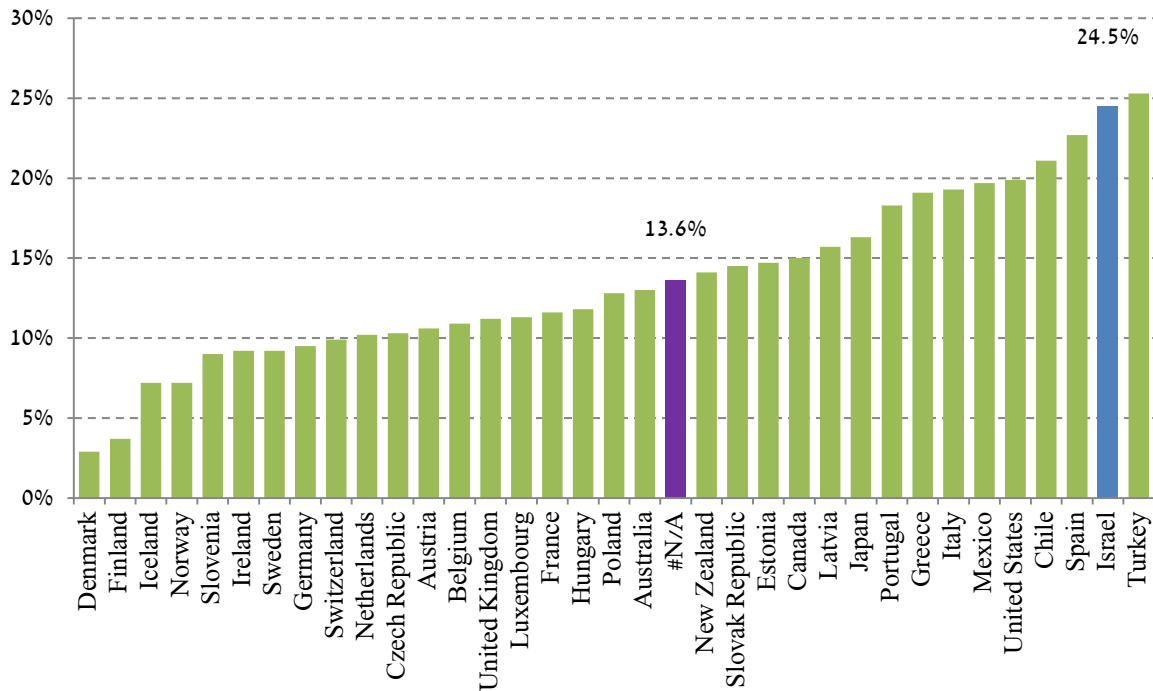
A. By Disposable Income



B. Incidence of Poverty of Individuals by Economic Income



C. Incidence of Poverty among Children by Disposable Income



3. Target for the Reduction of Poverty

The recommendation to set a target for the reduction of poverty has been brought to several governments in Israel on various occasions. For example, back in 2003 the Bank of Israel emphasized the need to set a poverty target.²⁷ The government at the time did not respond to the proposal, but about four years later the Economic Council first returned with a similar recommendation, replacing it later with a long-term poverty reduction target for the period 2008-2010, which was approved by the government in 2008. As 2010 and it appeared that the target would not be achieved, the government decided to extend the period until 2013. Between 2008 and 2013, the National Insurance Institute monitored the degree of achievement of the target in this report. The target was ultimately achieved over that period, largely due to the large drop in poverty rates in the final year, 2013. As described in the 2013 report, the intensity of the 2013 drop in poverty is questionable, and in any case the various governments did not seriously relate to the target they set themselves during that period.

In July 2014, the “Report of the Committee for the War Against Poverty” was submitted to the government²⁸. The report states that “the Committee's aspiration is for **Israel to achieve a poverty rate similar to the average in the OECD at that time (10.9%) within 10 years** and to limit its multidimensional poverty”. The report recommended addressing the goal of reducing poverty to the population as a whole, with particular emphasis on the elderly and children. With respect to the general population and children, the Committee report recommended setting the target at the lowest levels of poverty in the OECD countries, and regarding the elderly, with reference to “a suitable standard of living”. It also recommended restricting the depth and severity of poverty as part of the target.

This part of the report is devoted to an examination and long term survey of poverty in Israel compared to the contents of the Committee's report, as a substitute for the poverty target set by the National Economic Council in 2007, and examined in previous reports of the National Insurance Institute.

Figures 11a and 11b below show the Committee; target: the average incidence of poverty among individuals in the OECD countries is 10.9% (as of 2012), and for Israel to achieve this target within 10 years from the date the target was determined (2014), an average annual decrease of less than one percentage point (approximately 0.6 percentage points) would be required, as shown by the broken line in the figure that begins in 2013. The average incidence of poverty among children in OECD countries

²⁷ See Gottlieb & Kasir (2003), p. 16, <http://www.boi.org.il/deptdata/papers/paper08h.pdf>.

²⁸ See Report of the War Against Poverty Committee in Israel (“The Allalouf Committee”), Part 1, p. 9, <http://www.milhamabaoni.org>.

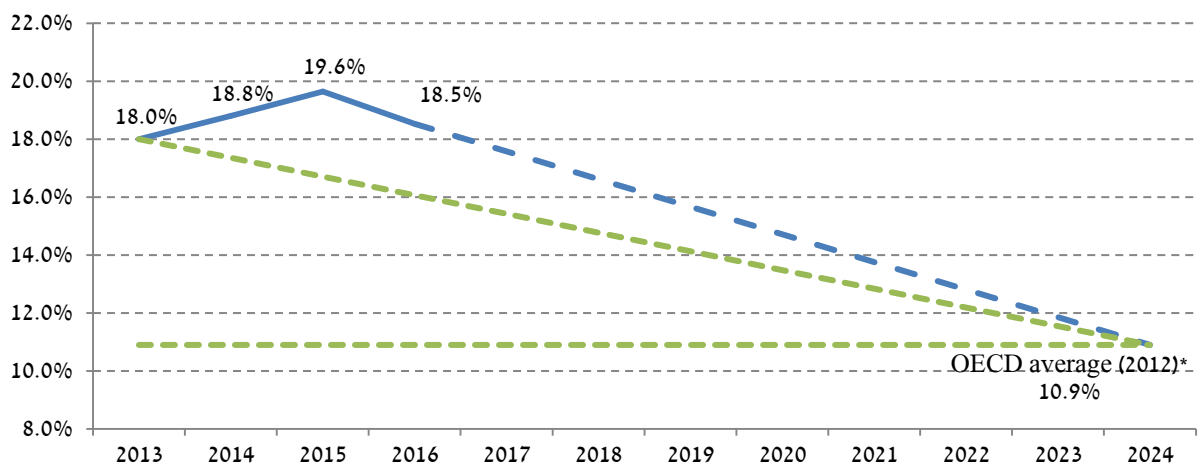
is 13.0%, and for Israel to achieve this target within 10 years requires an average annual decrease of approximately 1 percentage point.

These Figures show that in the first two years since the publication of the Committee's report, the incidence of poverty in Israel, according to the OECD definition, has strayed from the target track, and this year for the first time numbers evolved in the desired direction, albeit not at the desired intensity. Achieving the target thus requires persistence in last year's chosen direction, at a higher intensity.

It should be noted that the worsening incidence of poverty according to the Israeli measurement, contrasting with **its improvement in the incidence according to the OECD method**, derives from the fact, among others, that the equivalence scale of the OECD gives a lower weight than the Israeli scale to large families, and therefore reflects a lack of conformity to the conditions of the Israeli economy and society, since the proportion of large families is significantly higher in Israel in comparison with OECD countries²⁹. Therefore, the worsening situation of families with children is given too low a weight according to the OECD's method of measurement compared with that obtained according to the method used in Israel.

Figure 11: Aspiration of the Committee for the War Against Poverty, the Incidence of Poverty in Israel, and the Paths of Change Required to Achieve this Aspiration

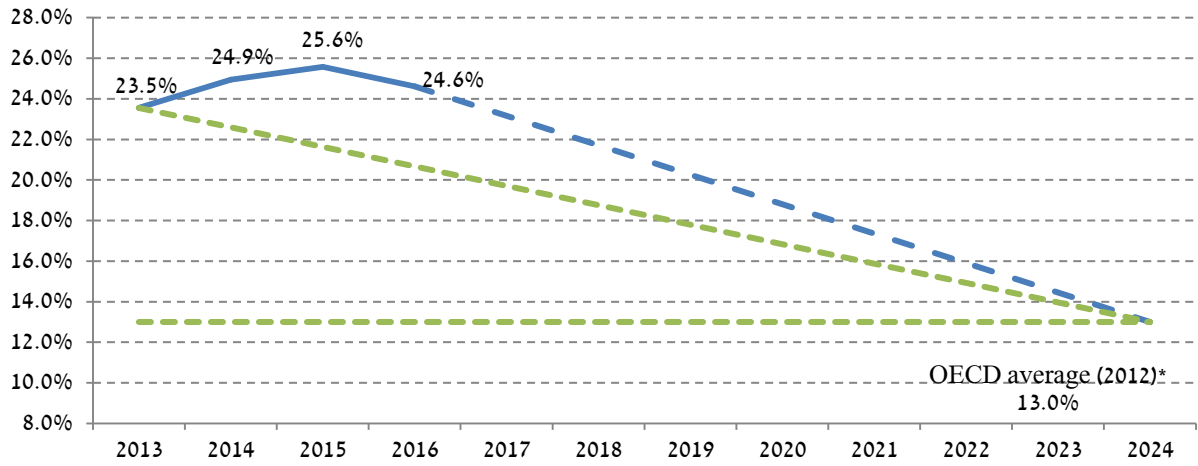
A. Incidence of Poverty Among Individuals by OECD Definition



²⁹ In the OECD method, the root of the family size is used as the number of standard individuals – for example, a family of nine will be considered a family of three standard individuals, whereas in the Israeli scale the number of standard individuals is 5.6 (see Table 2).

B. Incidence of Poverty Among Children by OECD Definition

* The OECD average was calculated using the earliest available data for each country between 2012 and 2014, while for most countries this figure is the year 2013.



4. Developments that will Affect the State of Poverty in the Coming Years

The present report does not formulate some changes in **policy measures implemented after 2016**. In 2017, a number of policy measures were taken that are expected to have an effect in the coming years towards reducing the dimensions of poverty and inequality in the population:

- In January 2017, another **increase in the minimum wage** was carried out, rising by 3.6% to NIS 5,000 per month. This increase is expected to lead to lowering dimensions of poverty and inequality among the working population, of which more than a quarter earns less than the minimum wage. A further increase is expected in 2018.
- In January 2017, **old-age and survivors' pensions were again increased**, with a substantial **income supplement**, in order to bring them closer to the poverty line (adapted to their family status) and to balance between the situation of individuals and couples in relation to the poverty line, in accordance with the recommendations of the War Against Poverty Committee. This is in addition to a previous significant increase introduced in December 2015. For an individual without dependents receiving an income supplement, the benefit was increased by between NIS 60-131 per month, according to the age group, and for a couple, too, it was increased according to the age group by between NIS 95-212. The above is expected to be fully expressed in the reduction of poverty among the elderly in 2017.
- **The seniority increment was increased for each year of insurance**, which may affect housewives who worked only a few years (less than 12 years), new immigrants and other groups for whom the mandatory pension law has been enacted at a later stage of their professional careers, or women who did not work enough years.
- **The "Net Family" program** came into effect during 2017 and applied retroactively from January 2017. The program is aimed at economic relief for working families, mainly in the middle class. In this context, labor grant was increased and tax burden on families with small children reduced by means of a credit points mechanism. These components of the program are expected to reduce the incidence of poverty among working families with children. Since poverty indices are measured by the households' financial income, other components of the program – subsidizing lunch and easing the tax burden – are not expected to influence them, although they are likely to improve the socio-economic situation of many families.

Appendices

Appendix 1a: Incidence of Poverty 1998-2016, Including East Jerusalem

Year	Incidence of Poverty (Percentages)		
	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
2014	18.8	22.0	31.0
2015	19.1	21.7	30.0
2016	18.5	21.9	31.0

Appendix 1b: Incidence of Poverty, 1999-2016, Excluding East Jerusalem

Year	Incidence of Poverty (Percentages)		
	Families	Individuals	Children
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
2014	17.9	20.2	28.5
2015	18.1	19.9	27.6
2016	17.8	20.3	28.9

Appendix 2: Number of Poor Families, Individuals and Children by Disposable Family Income, 2015 and 2016

	2015				2016			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	460,800	1,712,900	764,200	171,500	462,100	1,802,800	838,500	166,900
Where the head of household is:								
Jewish	287,700	912,200	392,700	132,300	282,000	941,700	431,300	118,800
Haredi*	53,200	321,700	201,300	-	58,400	378,200	238,400	-
Immigrant	63,300	389,400	247,600	-	68,800	430,800	268,500	-
Arab	84,100	228,200	76,600	52,400	83,300	222,600	82,600	51,100
Families with children – total	173,000	800,700	371,500	39,300	180,100	861,200	407,100	48,100
1-3 children	240,200	1,333,800	764,200	9,500	258,100	1,460,700	838,500	15,600
4 or more children	154,400	682,600	317,800	-	160,800	707,800	328,100	-
5 or more children	85,900	651,100	446,400	-	97,200	753,000	510,400	-
Single parent families	47,400	410,300	292,600	-	57,700	506,200	352,300	-
Employment status of household head:	27,700	112,500	61,300	-	36,900	156,300	84,500	-
Working								
Salaried worker	256,100	1,226,200	612,300	24,200	271,100	1,362,500	701,300	28,100
Self-Employed	219,700	1,058,200	526,500	18,800	232,700	1,165,300	589,100	24,100
Working age non-working	36,100	166,700	85,000	-	38,400	197,200	112,200	-
One wage earner	93,400	316,100	150,200	-	83,800	275,900	129,100	-
Two or more wage earners	189,200	846,000	436,200	18,400	206,400	958,500	502,500	21,500
Age of working age household head:	66,900	380,200	176,100	-	64,700	404,000	198,800	-
Up to age 29								
Age 30-44	99,800	352,900	127,900	-	90,800	357,300	135,100	-
From 45 to retirement age	149,400	800,900	489,800	-	168,500	894,100	543,700	11,900
Age group of retired household head:	101,500	389,400	144,800	9,700	95,400	382,600	151,400	6,400
Elderly**								
Retirement age by law***	118,200	185,400	-	151,400	115,400	185,500	-	143,200
Education of household head:	110,100	169,800	-	149,000	107,400	168,800	-	142,100
Up to 8 years of education								
9-12 years of education	85,900	233,300	68,400	66,400	81,700	246,100	83,200	61,000
13 or more years of education	200,700	809,900	370,100	51,800	201,600	863,100	409,900	53,300

* By the interviewee's subjective definition: level of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

Appendix 3: Incidence of Poverty in Individuals by Population Group, Percentages, 2015 and 2016

	Income before Transfer Payments and Taxes		Income after Transfer Payments and Taxes		Rate of Decline in Incidence of Poverty after Transfer Payments and Taxes (Percentages)	
	2015	2016	2015	2016	2015	2016
Total population	28.7	28.9	21.7	21.9	24.5	24.2
Where the head of household is:						
Jewish	22.1	22.4	14.1	14.3	35.9	36.0
Haredi*	65.0	68.5	53.7	58.2	17.5	15.0
Immigrant	63.7	62.5	52.4	52.6	17.8	15.9
Arab	31.0	30.8	17.2	16.6	44.7	46.2
Families with children – total	57.9	54.7	54.8	52.0	5.3	4.9
1-3 children	30.5	31.0	25.8	27.0	15.4	12.9
4 or more children	22.2	21.6	17.4	17.7	21.9	17.9
5 or more children	56.5	57.1	52.4	52.8	7.3	7.5
Single parent families	69.9	68.3	63.8	65.7	8.8	3.8
Employment status of household head:	40.9	43.5	24.3	29.7	40.6	31.8
Working						
Salaried worker	22.6	23.3	17.6	18.6	22.1	20.0
Self-Employed	22.6	23.5	17.4	18.3	23.0	22.1
Working age non-working	22.5	21.7	18.9	20.6	16.2	5.0
One wage earner	94.8	93.7	81.6	78.3	14.0	16.4
Two or more wage earners	51.5	53.0	41.0	43.4	20.5	18.1
Age working age household head:	10.4	10.4	7.7	7.9	25.6	24.1
Up to 30						
Age 31-45	31.7	32.8	24.2	25.1	23.4	23.3
From 46 to retirement age	28.9	29.6	24.1	25.5	16.4	14.0
Age of retired household head:	20.8	19.3	16.4	15.5	20.9	19.8
Elderly**						
Retirement age by law***	43.9	44.2	20.8	19.4	52.6	56.1
Education of household head:	46.9	47.6	22.3	20.4	52.5	57.3
Up to 8 years of education						
9-12 years of education	64.3	66.3	47.9	51.4	25.6	22.5
13 or more years of education	32.7	34.3	25.9	26.6	20.9	22.5

* By the interviewee's subjective definition: level of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

Appendix 4: Income Gap Ratio Among Families by Type of Family, 2015 and 2016 (Percentages)

	Income before Transfer Payments and Taxes		Income after Transfer Payments and Taxes		Impact on the Income Gap among Poor People Only	
	2015	2016	2015	2016	2014	2015
Total population	56.2	54.0	35.7	33.7	39.2	39.2
Where the head of household is:						
Jewish	58.0	55.2	32.6	31.6	48.8	46.1
Haredi*	61.1	53.7	37.7	32.6	42.0	41.4
Immigrant	58.7	54.4	36.3	33.5	41.6	39.8
Arab	63.9	61.3	28.6	31.3	57.5	52.0
Families with children – total	53.1	52.1	39.3	36.0	26.3	30.7
1-3 children	51.1	48.7	36.9	34.0	31.1	32.2
4 or more children	46.8	44.4	33.7	30.8	31.8	33.2
5 or more children	56.6	53.2	40.2	36.9	30.5	31.3
Single parent families	60.1	55.3	41.3	37.9	33.3	31.5
Employment status of household head:	54.2	54.7	35.3	35.1	48.4	44.3
Working						
Salaried worker	41.6	40.1	32.8	29.9	25.5	28.7
Self-Employed	41.2	40.1	31.9	29.6	27.2	30.2
Working age non-working	44.1	40.1	38.3	31.0	14.6	18.7
One wage earner	94.3	95.9	52.0	55.8	45.8	42.8
Two or more wage earners	46.0	45.2	34.8	32.9	27.6	29.3
Age of working age household head:	32.5	29.1	28.4	22.6	18.8	26.6
Up to 30						
Age 31-45	50.9	47.8	36.0	32.1	35.8	38.7
From 46 to retirement age	51.7	48.3	37.3	33.9	30.6	31.1
Age of retired household head:	53.7	53.9	36.3	37.4	34.9	32.6
Elderly**						
Retirement age by law***	77.2	75.3	26.8	28.6	71.3	69.2
Education of household head:	78.5	76.4	26.0	28.0	72.4	70.6
Up to 8 years of education						
9-12 years of education	65.3	68.4	38.9	37.0	45.1	47.8
13 or more years of education	52.8	51.1	35.8	35.4	34.9	33.1

+ This effect is composed of two groups: (a) families that remained poor, and (b) families that have emerged from the cycle of poverty. For the second group, the improvement in the income gap is at least equal to the gap before transfer payments. Therefore, the overall effect can be greater than 100%.

* By the interviewee's subjective definition: level of religious observance: secular, traditional, religious, Haredi, mixed.

*** According to the definition used until now: from age 60 for women and 65 for men.

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

Appendix 5: Effect of Transfer Payments³⁰ and Direct Taxes on Income Inequality, 2015 and 2016

Decile*	Share of Each Decile in Total Income (%)**					
	Before Transfer Payments and Taxes		After Transfer Payments		After Transfer Payments and Taxes	
	2015	2016	2015	2016	2015	2016
Lowest	0.2	0.3	1.8	1.9	2.0	2.2
2	2.0	2.2	3.2	3.3	3.6	3.7
3	3.6	3.7	4.5	4.5	5.0	5.1
4	5.2	5.2	5.8	5.8	6.4	6.4
5	6.9	6.9	7.2	7.2	7.8	7.8
6	8.6	8.5	8.6	8.7	9.3	9.3
7	10.6	10.7	10.4	10.4	10.8	11.0
8	13.2	13.4	12.6	12.8	12.9	13.0
9	17.4	17.6	16.4	16.5	15.9	15.9
Highest	32.2	31.6	29.6	29.0	26.2	25.6
Ratio between Incomes of the Highest and Lowest Quintiles	22.2	19.6	9.3	8.8	7.5	7.1

* The families in each column were ranked according to the appropriate income level per standard individual. Each decile comprises 10% of all individuals in the population.

** In terms of income per standard individual.

³⁰ This analysis is lacking because some transfer payments are not reported and thereby not included here. For example, there is no reporting of tax benefits, especially in the area of savings. Moreover, information regarding grants to the business sector under the Encouragement of Capital Investments Law is missing. Had it be accessible as part of the income or expenditure survey, this missing information would probably have altered the share of the highest deciles in the national income.

Appendix 6: Financial Data by Quintiles according to the OECD Equivalence Scale

A. Income by Source and Type, 2016 and the Real Change compared to 2015

Source/Type of Income	Income (NIS per Month)						Change Compared to 2015, Percentages					
	Average	1	2	3	4	5	Average	1	2	3	4	5
From work	14,980	2,520	7,120	11,640	18,350	33,120	4.1	15.5	5.3	-0.2	3.4	2.9
Pension, provident funds and capital	4,970	2,210	2,940	4,090	5,510	9,580	-4.5	4.4	-5.5	-2.6	2.9	-11.2
Benefits and support	2,150	2,270	2,270	2,000	1,950	2,280	6.3	1.8	2.5	8.7	3.1	16.0
Mandatory payments	3,370	330	800	1,590	3,410	9,960	4.3	13.0	6.1	-2.5	5.4	2.9
Net per family	15,770	4,690	9,230	13,340	18,960	30,820	2.8	9.1	3.4	1.2	3.1	0.2
Gross per family	19,140	5,020	10,020	14,930	22,380	40,780	3.0	9.5	3.6	0.8	3.5	0.9
Economic per family	16,910	2,730	7,660	12,860	20,340	38,430	2.7	16.2	3.9	-0.3	3.7	0.2
Net per standard individual	9,180	2,690	5,230	7,670	10,660	18,520	2.8	6.1	3.0	2.2	2.9	0.5
Gross per standard individual	11,110	2,870	5,650	8,530	12,500	24,420	3.2	6.4	3.1	1.8	3.2	1.4
Economic per standard individual	9,680	1,350	4,130	7,210	11,230	22,930	2.8	13.7	3.2	0.4	3.5	0.7

* The quintiles were classified according to disposable income per standard individual; each quintile consists of 20% of individuals.

B. Expenditure by Quintiles, Breakdown of Expenditure and Real Rates of Change, 2015-2016

	Average	1	2	3	4	5
Expenditure per month in NIS, 2016						
Consumption expenditure per standard individual	9,200	5,480	6,970	8,620	10,560	14,370
Financial expenditure per standard individual	7,390	4,170	5,590	6,900	8,560	11,740
Family consumption expenditure	15,810	9,310	12,240	14,760	18,590	24,120
Family financial expenditure	12,790	7,250	9,910	11,900	15,130	19,770
Real Change Compared to 2015						
Consumption expenditure per standard individual	2.6	5.4	3.0	1.2	5.5	0.1
Financial expenditure per standard individual	3.6	5.8	5.1	1.5	6.5	1.5
Family consumption expenditure	2.6	7.1	3.2	-0.4	5.4	0.5
Family financial expenditure	3.8	7.6	5.1	-0.1	6.4	2.3
Share of total expenditure – 2015						
Family consumption expenditure	100.0	11.3	15.4	19.2	22.9	31.2
Family financial expenditure	100.0	10.9	15.3	19.3	23.1	31.4
Share of total expenditure– 2016						
Family consumption expenditure	100.0	11.8	15.5	18.7	23.5	30.5
Family financial expenditure	100.0	11.3	15.5	18.6	23.7	30.9
* The quintiles were classified according to disposable income per standard individual; each quintile consists of 20% of the families.						

Methodological Appendix: Differences between Israel and the OECD in Calculating Poverty indices

In Israel, the median income is calculated from household income. In the OECD, median income is calculated on a per person basis, for each family member the average family income is presented. Another difference lies in the calculation of economies of scale by household size. The meaning of this concept is as follows: family expenditure rises with the number of family members, but the connection is not proportional; the bigger the family, the smaller the required increase per person. The method of translating from the number of family members to that of standard individuals (“equivalence scale”) is different. For many years, the National Insurance Institute has used an equivalence scale based on the old Engel method, according to which families of different sizes, but whose rate of expenditure on food as total expenditure on consumption is the same – are equivalent from the family welfare point of view, while the OECD’s equivalence scale is based on the root of family size³¹ as an estimate of the number of its standard individuals. Another difference lies in the fact that the OECD calculates median income according to individuals rather than according to families, which slightly lowers the poverty line compared to the NII’s calculations. Although all above factors cause OECD's poverty lines to be higher, the incidence of poverty derived from them is lower than that in the general population according to the Israeli definition³².

It should be noted that as of 2012, the element of monetary value of products made in the household has been added to disposable income – a component that might be significant in medium to low income countries. In Israel the extent of such products is minimal, so the change does not influence calculation³³.

³¹ For example, the number of standard individuals in a family of four is 2, and in a family of nine is 3, and so on. This means that poverty in large families, which are common in Israel, is lower according to the OECD system of calculation, and the opposite is true for small families, such as the elderly and singles. Initial results from ongoing research on this subject indicate that an approach that assumes equality in the standard of living of families according to a basket of necessities that includes other essential goods besides food, such as housing, clothing and footwear, bring us to a very similar equivalence scale to the one used in the OECD’s method.

³² The OECD calculates the dimensions of poverty in two other ways: for 60% and 40% of the median monetary income – see Appendices 7-9.

³³ Accordingly the findings presented in this report about OECD comparisons are according to the new definition only.

**Appendix 7a: Incidence of Poverty according to the OECD Definition of the Poverty Line as 50% of Median Income,
2015 and 2016**

	2015				2016			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	19.6	19.6	25.6	21.6	18.0	18.5	24.5	19.0
Where the head of household is:								
Jewish	15.0	12.9	15.9	18.9	13.6	12.1	15.6	15.8
Haredi*	38.5	43.1	48.8	-	36.6	40.4	44.1	-
Immigrant	22.0	17.6	19.0	30.9	19.7	15.7	18.9	26.0
Arab	49.6	49.3	59.5	52.5	44.0	44.2	52.0	54.5
Families with children – total	19.4	21.9	25.6	-	18.8	21.4	24.5	20.5
1-3 children	15.0	14.8	16.1	-	14.6	14.6	15.4	-
4 or more children	42.3	44.4	44.8	-	38.8	40.4	41.1	-
5 or more children	52.5	53.6	53.7	-	49.0	49.6	49.8	-
Single parent families	20.5	21.0	26.3	-	23.9	26.3	30.3	-
Employment status of household head:								
Working	12.2	14.8	21.3	5.7	11.6	14.6	20.7	5.1
Salaried worker	12.1	14.6	20.8	5.5	11.4	14.3	20.2	5.0
Self-Employed	13.1	16.6	24.5	-	12.9	16.6	24.2	-
Working age non-working	77.6	81.6	85.8	-	71.0	77.7	85.4	-
One wage earner	25.5	37.0	52.8	7.8	25.0	37.2	51.2	7.3
Two or more wage earners	4.2	5.5	7.4	-	3.4	4.8	6.5	-
Age of working age household head:								
Up to age 29	23.6	21.0	32.1	-	20.5	20.3	30.8	-
Age 30-44	16.6	21.0	25.9	-	16.6	20.7	25.3	-
From 46 to retirement age	14.3	14.7	21.0	11.0	12.4	12.9	18.4	-
Age of retired household head:								
Elderly**	28.0	24.5	-	25.5	25.6	22.0	-	22.6
Retirement age by law***	29.5	26.4	-	26.2	26.8	23.3	-	23.1
Education of household head:								
Up to 8 years of education	47.9	47.5	62.3	44.3	46.8	48.2	63.8	44.4
9-12 years of education	21.8	22.9	34.6	17.9	20.7	22.9	34.6	16.2
13 or more years of education	14.1	14.1	17.5	15.9	12.4	12.2	15.5	13.0

* By the interviewee's subjective definition: level of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

**Appendix 7b: Incidence of Poverty According to the OECD definition of the Poverty Line as 40% of Median Income,
2015 and 2016**

	2015				2016			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	13.4	13.6	18.4	13.7	11.9	11.8	15.7	12.1
Where the head of household is:								
Jewish	9.6	8.1	10.3	11.5	8.8	7.4	9.4	9.7
Haredi*	25.1	28.2	32.5	-	22.7	24.3	26.4	-
Immigrant	11.9	10.0	12.4	15.8	11.3	9.5	13.6	12.3
Arab	38.3	38.1	47.1	38.9	30.0	29.1	35.4	38.8
Families with children – total	13.6	15.6	18.4	-	11.8	13.4	15.7	-
1-3 children	10.0	9.8	10.8	-	8.7	8.4	9.0	-
4 or more children	32.3	33.7	33.9	-	26.6	27.3	27.9	-
5 or more children	39.3	40.1	40.1	-	32.9	32.6	33.2	-
Single parent families	14.9	15.7	20.1	-	16.4	17.8	20.9	-
Employment of household head:								
Working	7.7	9.8	14.5	2.4	6.5	8.2	12.1	2.3
Salaried worker	7.5	9.5	14.3	-	6.5	8.1	12.0	2.2
Self-Employed	8.9	11.2	15.7	-	6.6	8.8	12.3	-
Working age non-working	63.7	67.4	73.5	-	63.1	68.2	74.0	-
One wage earner	16.6	25.5	38.0	2.8	15.2	23.6	33.9	3.6
Two or more wage earners	2.3	3.2	4.2	-	1.2	1.5	1.9	-
Age of working age household head:								
Up to age 29	17.1	15.0	24.1	-	13.2	11.6	17.5	-
Age 30-44	11.1	14.6	18.5	-	10.3	12.9	16.3	-
From 46 to retirement age	9.8	10.1	15.2	-	9.2	9.0	12.5	-
Age of retired household head:								
Elderly**	18.9	16.4	-	16.8	17.0	14.9	-	14.6
Retirement age by law***	19.8	17.6	-	17.3	17.5	15.3	-	14.9
Education of household head:								
Up to 8 years of education	36.3	36.7	51.4	31.2	36.1	38.3	53.8	33.2
9-12 years of education	15.3	16.4	26.1	11.4	13.4	14.5	22.7	10.1
13 or more years of education	8.9	9.0	11.5	8.9	7.6	7.0	8.7	6.9

* By the interviewee's subjective definition: level of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

**Appendix 7c: Incidence of Poverty according to the OECD Definition of the Poverty Line as 60% of Median Income,
2015 and 2016**

	2015				2016			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	25.4	25.4	32.1	29.1	24.0	24.7	31.8	26.3
Where the head of household is:								
Jewish	20.3	17.8	21.7	26.3	18.8	17.1	21.5	22.8
Haredi*	49.4	53.9	60.1	34.7	47.7	51.7	56.1	25.9
Immigrant	29.0	23.7	24.6	42.4	27.7	22.9	25.8	39.6
Arab	58.8	58.9	68.7	60.6	54.2	55.3	63.7	64.6
Families with children – total	25.4	28.1	32.1	19.0	25.2	28.2	31.8	31.0
1-3 children	20.6	20.3	21.6	-	20.5	20.4	21.5	25.2
4 or more children	50.5	52.9	53.5	-	47.9	50.2	50.7	-
5 or more children	60.7	62.5	62.9	-	59.9	61.2	60.9	-
Single parent families	29.2	29.9	36.2	-	31.6	33.7	38.3	-
Employment status of household head:								
Working	17.3	20.4	27.9	11.2	17.1	20.6	28.2	11.2
Salaried worker	17.3	20.2	27.6	11.3	16.9	20.3	27.6	12.0
Self-Employed	17.6	21.6	29.8	-	18.3	22.8	32.1	-
Working age non-working	82.6	86.0	90.3	-	77.3	83.2	89.8	-
One wage earner	33.5	46.4	63.3	13.9	34.3	48.3	64.1	15.8
Two or more wage earners	7.5	9.4	12.3	6.9	6.5	8.6	11.4	4.6
Age of working age household head:								
Up to 30	30.0	27.9	41.6	-	27.0	27.6	41.3	18.2
Age 31-45	22.1	26.8	32.2	14.0	22.6	27.4	32.5	14.9
From 46 to retirement age	18.1	18.9	26.5	15.6	16.4	17.2	24.4	7.9
Age of retired household head:								
Elderly**	36.9	32.8	-	33.9	33.0	29.2	43.0	30.5
Retirement age by law***	38.6	34.9	-	34.6	34.8	31.4	-	31.2
Education of household head:								
Up to 8 years of education	57.2	55.7	69.1	54.6	57.0	58.8	75.6	55.7
9-12 years of education	28.5	29.9	43.1	25.6	27.7	30.3	43.3	23.5
13 or more years of education	18.8	18.7	22.8	22.1	17.1	17.2	21.6	19.1

* By the interviewee's subjective definition: level of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

Appendix 8: 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-median), 2015 and 2016

	Income before Transfer Payments and Taxes		Income after Transfer Payments and Taxes		Rate of Decline in Incidence of Poverty after Transfer Payments and Taxes (%)	
	2015	2016	2015	2016	2015	2016
Total population	26.8	26.1	19.6	18.50	26.9	29.1
Where the head of household is:						
Jewish	20.7	20.6	12.9	12.1	37.7	41.3
Haredi*	59.5	60.3	45.1	43.6	24.2	27.7
Immigrant	57.7	55.8	43.1	40.4	25.3	27.6
Arab	29.8	29.3	17.6	15.7	40.9	46.4
Families with children – total	53.9	47.9	49.3	44.2	8.5	7.7
1-3 children	27.2	26.5	21.9	21.4	19.5	19.2
4 or more children	19.3	18.4	14.8	14.6	23.3	20.7
5 or more children	52.1	49.1	44.4	40.4	14.8	17.7
Single parent families	65.6	59.5	53.6	49.6	18.3	16.6
Employment status of household head:	36.3	39.2	21.0	26.3	42.1	32.9
Working						
Salaried worker	20.3	20.1	14.8	14.6	27.1	27.4
Self-Employed	20.3	20.4	14.6	14.3	28.1	29.9
Working age non-working	20.5	18.1	16.6	16.6	19.0	8.3
One wage earner	95.0	93.9	81.6	77.7	14.1	17.3
Two or more wage earners	49.8	49.1	37.0	37.2	25.7	24.2
Age of working age household head:	7.9	7.5	5.5	4.8	30.4	36.0
Up to 30						
Age 31-45	29.0	29.4	21.0	20.3	27.6	31.0
From 46 to retirement age	26.6	25.8	21.0	20.7	21.1	19.8
Age of retired household head:	18.6	16.9	14.7	12.9	21.0	23.7
Elderly**						
Retirement age by law***	46.0	45.1	24.5	22.0	46.7	51.2
Education of household head:	49.3	48.9	26.4	23.3	46.5	52.4
Up to 8 years of education						
9-12 years of education	62.8	62.8	47.5	48.2	24.4	23.2
13 or more years of education	30.4	30.9	22.9	22.9	24.7	25.9

* By the interviewee's subjective definition: level of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

Appendix 9: Breakdown of Salaried Workers and Growth Rates in Total Employment by Industry (Percentages), 2015 and 2016

Economic Branch	Rate of People Employed in the Branch						Employment Growth Rates in the Branch between 2015 and 2016		
	2015			2016			Total	Poor	Not Poor
	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	3.2	5.3	3.0
Agriculture	0.7	--	0.8	0.7	--	0.7	-0.9	--	-12.0
Industry (Mining and Manufacture)	13.6	11.0	13.9	12.0	9.3	12.3	-9.1	-10.4	-9.0
Electricity and Water	0.8	--	0.9	1.0	--	1.0	19.4	--	23.6
Building and Construction	4.0	11.5	3.3	4.8	10.3	4.2	22.1	-5.7	31.9
Wholesale and Retail Trade	11.7	10.5	11.8	11.8	12.5	11.7	4.3	24.7	2.4
Hospitality and Food	4.4	6.6	4.2	4.5	5.8	4.4	5.3	-8.1	7.4
Transport, Storage and Communications	9.0	4.7	9.4	9.1	7.1	9.3	5.2	60.5	2.4
Business Services, Banking and Insurance	15.3	12.7	15.5	15.0	10.9	15.4	1.1	-9.5	2.0
Public Administration	11.9	7.1	12.4	11.9	5.5	12.6	3.0	-18.4	4.2
Education	13.2	19.9	12.5	13.5	18.9	12.9	5.6	0.2	6.5
Health, Welfare and Nursing Services	10.8	10.0	10.9	11.0	11.4	10.9	4.6	20.0	3.2
Community, Social and Other Services	4.5	4.9	4.4	4.8	6.6	4.6	10.0	43.6	6.3

* Average wages in calculation according to income survey data, including “unknown industry” that was omitted from the list; in the case of a limited number of observations, it is marked --.

Table 10: Wage as a Percentage of the Average Wage and its Changes, by Industry (Percentages), 2015-2016

Economic Branch	Wage as a Percentage of the Average Wage of the Employees*:			Real Rate of Change in Employees' Wages between 2015 and 2016		
	Total	Poor	Not Poor	Total	Poor	Not Poor
Total	100.0	43.5	105.7	2.8	11.5	2.5
Agriculture	78.9	--	82.9	-2.5	--	-2.3
Industry (Mining and Manufacture)	126.0	56.1	131.4	9.4	8.7	9.4
Electricity and Water	186.8	--	190.9	3.3	--	0.7
Building and Construction	93.7	58.5	102.6	0.0	12.7	-5.4
Wholesale and Retail Trade	82.9	42.6	87.2	-1.4	12.0	-1.1
Hospitality and Food Services	56.1	39.2	58.4	-4.9	4.7	-6.4
Transport, Storage and Communications	143.9	53.7	150.9	-1.0	0.4	0.7
Business Services, Banking and Insurance	122.1	37.7	128.2	5.9	-7.7	5.6
Public Administration	81.9	--	84.4	5.7	--	4.8
Education	88.1	45.5	94.5	4.9	20.0	3.5
Health, Welfare and Nursing Services	88.4	31.3	94.5	0.1	26.8	0.4
Community, Social and Other Services	62.4	41.1	65.6	-0.4	19.8	-0.3

* Average wages in calculation according to income survey data, including "unknown industry" that was omitted from the list; in the case of a limited number of observations, it is marked --.

Appendix 11: Breakdown of Salaried Workers and Growth Rates in Total Employment by Occupation (Percentages), 2015-2016

Occupation	Percentage Employed in the Occupation					
	2015			2016		
	Total	Poor	Not Poor	Total	Poor	Not Poor
Total	100.0	100.0	100.0	100.0	100.0	100.0
Academic Professionals and Managers	24.2	13.7	25.2	24.3	17.1	25.1
Professionals and Technicians	10.1	2.3	10.9	9.3	1.9	10.0
Clerical Workers	12.0	5.8	12.6	11.9	5.8	12.5
Sales and Service Workers	7.9	7.5	7.9	7.8	6.4	8.0
Skilled Workers	31.6	50.5	29.7	31.8	49.3	30.0
Unskilled Workers	5.9	12.4	5.2	5.9	13.6	5.1

* Total also includes those with an "unknown" occupation

Appendix 12: Wage Rates and Changes by Occupation (Percentages), 2015-2016

Occupation	Wage as a Percentage of the Average Wage of the Employees*:			Real Rate of Change in Employees' Wages between 2015 and 2016		
	Total	Poor	Not Poor	Total	Poor	Not Poor
Total	100.0	43.5	105.7	2.8	11.5	2.5
Academic Professionals and Managers	143.1	48.7	149.5	1.3	9.2	2.1
Professionals and Technicians	180.1	63.5	182.4	-1.9	9.6	-2.1
Clerical Workers	103.3	35.7	106.5	2.9	-15.5	3.3
Sales and Service Workers	74.0	36.5	77.0	3.3	1.7	2.7
Skilled Workers	70.3	47.0	74.2	8.6	15.0	7.8
Unskilled Workers	43.2	36.1	45.1	12.1	12.5	12.6

* Total also includes those with an "unknown" occupation

Appendix 13: Range of Income by Decile and Family Size – 2016, according to the Israeli Equivalence Scale

Decile	Single person (19%)**	Two Persons (25%)	Three Persons (15%)	Four Persons (16%)	Five Persons (13%)
1	2,369	3,790	5,022	6,292	7,107
2	3,427	5,483	7,265	9,102	10,281
3	4,438	7,101	9,409	11,787	13,314
4	5,445	8,712	11,543	14,462	16,335
5	6,519	10,431	13,821	17,315	19,557
6	7,612	12,179	16,137	20,216	22,835
7	8,932	14,291	18,936	23,723	26,796
8	10,781	17,249	22,855	28,633	32,342
9	14,093	22,549	29,877	37,431	42,279
10	133,045	212,871	282,055	353,367	399,134

* Maximum reported values

** Rate of family size out of total population

Appendix 14a: Statistical Significance of Changes in Selected Poverty Indices in Population Groups, 2016 vs. 2015

Population groups	Incidence of Poverty among Families	Incidence of Poverty among Individuals	Incidence of Poverty among Children	Income Gap Ratio	FGT
Total population	No	No	No*	No*	No
Where the head of household is:					
Jewish	No	No	Yes	No	No
Haredi**	No	No	No	No	No
Immigrant	No	No	No	No	No
Arab	No*	No	No*	Yes	Yes
Families with children – total					
1-3 children	No	No	No	Yes	No
4 or more children	No	No	No	No	No
5 or more children	No	No	No	No	No
Single parent families	No*	Yes	No	No	No
Employment status of household head:					
Working	No	No*	Yes	Yes	No
Salaried worker	No	No	Yes	No*	No
Self-Employed	No	No	No	Yes	No
Working age non-working	No	No	No	Yes	No
One wage earner	No	No*	No	No	No
Two or more wage earners	No	No	No	Yes	Yes
Age of working age household head:					
Up to 30	No	No	No	Yes	No
Age 31-45	No	No	No	Yes	No
From 45 to retirement age	No	No	No	No	No
Age of retired household head:					
Elderly***	No	No	No	No	No
Retirement age by law****	No	No	No	No	No
Education of household head:					
Up to 8 years of education	No	No	Yes	No	No
9-12 years of education	No	No	No*	No	No
13 or more years of education	No	No	No	Yes	Yes

* 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%

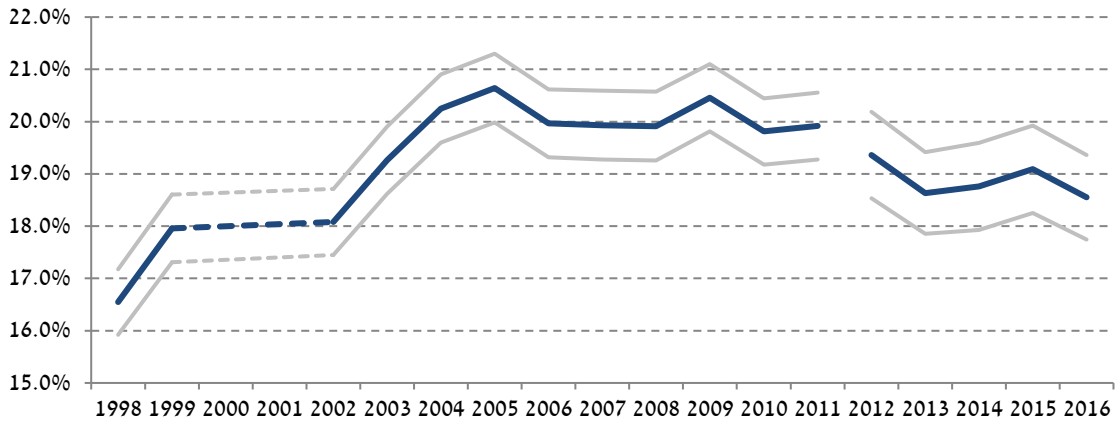
** According to the definition used until now: from age 60 for women and 65 for men.

*** Due to fluctuations, a moving average of two years is presented. Definition of Haredim according to Gottlieb-Kushnir paper (2009).

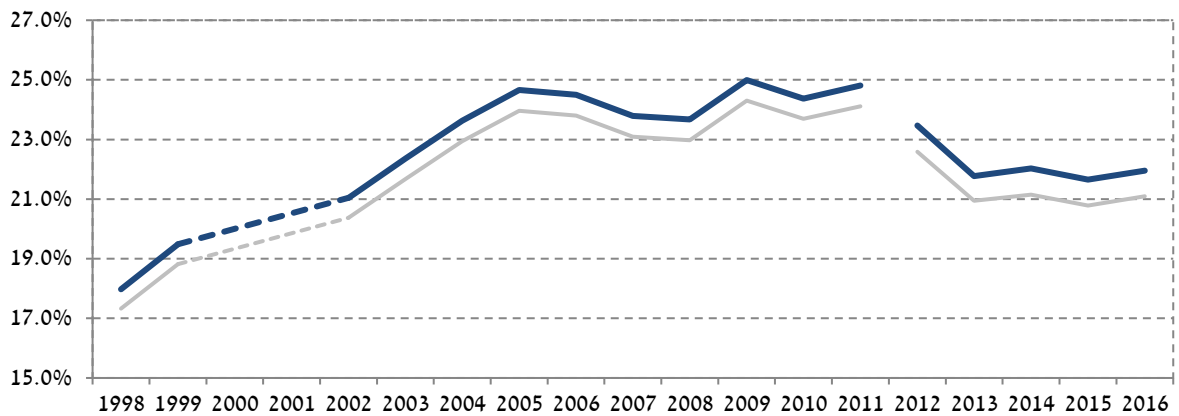
**** Age 62 for women and 67 for men.

Appendix 14b: Incidence of Poverty Over Years and Confidence Intervals at a Significance Level of 5%

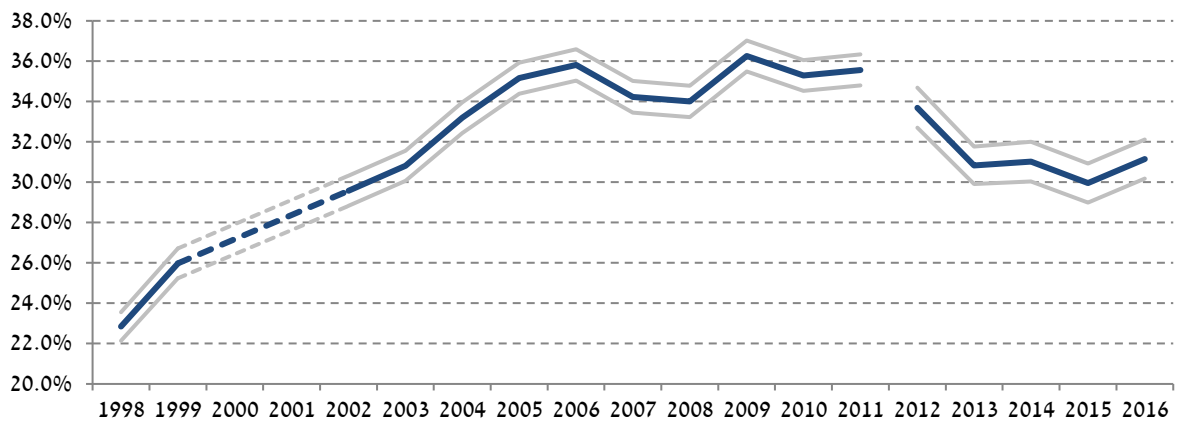
A. Incidence of Poverty among Families:



B. Incidence of Poverty among Individuals:



C. Incidence of Poverty among Children:



Appendix 15: The Dimensions of Poverty according to Selected Indices, 1998-2016

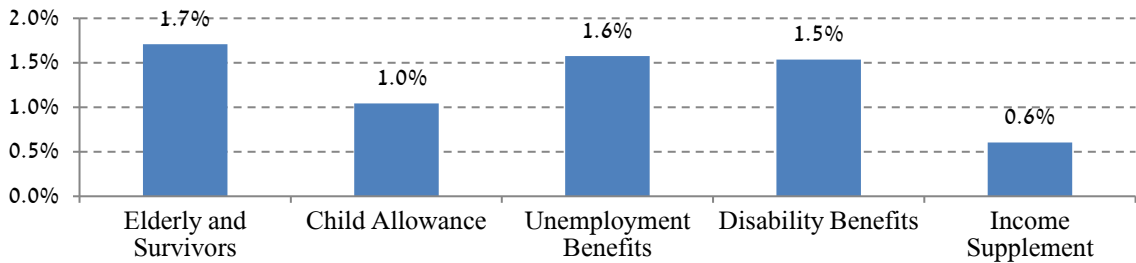
Index	1998	1999	2002	2003	2004	2008	2009	2010	2011	2012	2013	2014	2015	2016
Incidence of Poverty in Families	16.6%	18.0%	18.1%	19.3%	20.3%	19.9%	20.5%	19.8%	19.9%	19.4%	18.6%	18.8%	19.1%	18.5%
Incidence of Poverty in Individuals	18.0%	19.5%	21.0%	22.4%	23.6%	23.7%	25.0%	24.4%	24.8%	23.5%	21.8%	22.0%	21.7%	21.9%
Incidence of Poverty in Children	22.9%	26.0%	29.6%	30.8%	33.2%	34.0%	36.3%	35.3%	35.6%	33.7%	30.8%	31.0%	30.0%	31.0%
Incidence of Poverty in the Elderly Individuals	16.1%	19.6%	15.5%	17.9%	20.2%	18.5%	16.7%	16.5%	16.3%	17.1%	17.8%	17.8%	17.5%	16.3%
Incidence of Poverty in the Elderly Families	18.7%	25.0%	17.0%	19.2%	25.6%	23.1%	20.7%	19.9%	19.8%	24.1%	23.5%	24.1%	23.5%	21.6%
Income Gap Ratio	26.1%	25.8%	29.7%	30.5%	33.3%	34.2%	35.5%	35.9%	34.7%	34.4%	32.8%	34.6%	35.7%	33.7%
Depth of Poverty in NIS*	₪407	₪435	₪500	₪517	₪579	₪671	₪702	₪734	₪711	₪782	₪779	₪842	₪897	₪881
FGT Index of Severity of Poverty**	13.1	12.1	16.9	17.2	19.9	20.9	22.8	23.0	22.0	20.9	18.5	20.1	20.3	19.1
Gini Index among the Poor	0.164	0.153	0.184	0.186	0.205	0.205	0.213	0.211	0.203	0.200	0.189	0.197	0.198	0.186
SEN Index	0.069	0.072	0.090	0.097	0.111	0.113	0.123	0.120	0.119	0.111	0.099	0.105	0.105	0.101

* The gap between the poverty line and average disposable income per standard individual among the poor, 2016 prices.

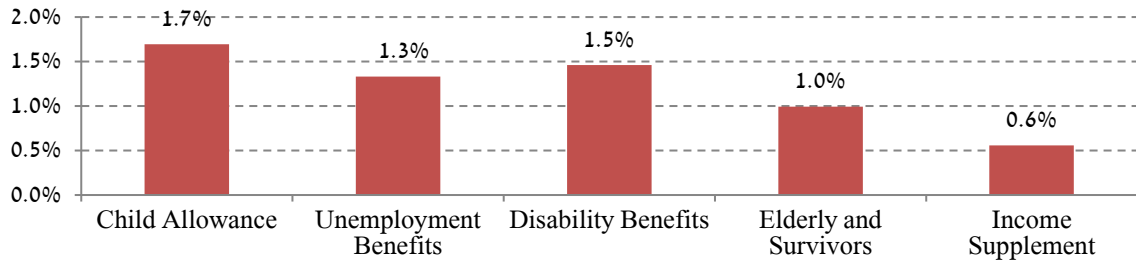
** Starting this year, the FGT index has been calculated regarding the severity of poverty in poor families only and not all families as presented in reports so far. The index thus reflects the severity of the poverty of the poor, like the depth of poverty index, by weighting according to the depth of poverty.

Appendix 16: Effect on the Incidence of Poverty of the Addition of Every NIS 100 Million to the Specific Allowance

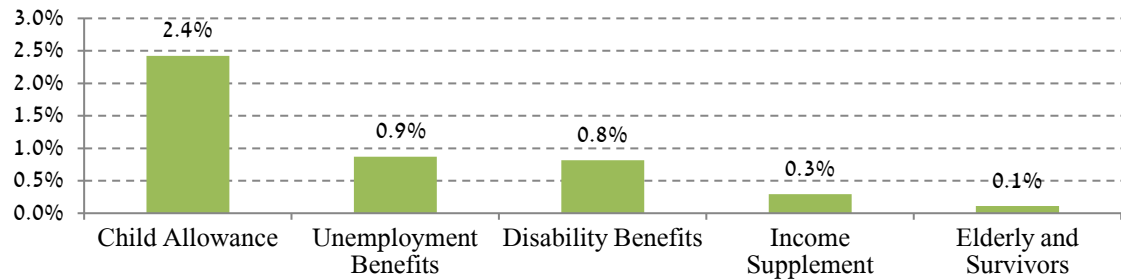
A. Effect on Poverty of Families



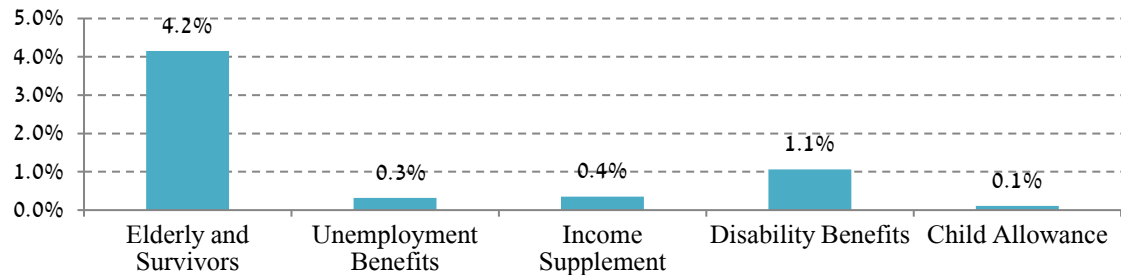
B. Effect on Poverty of Individuals



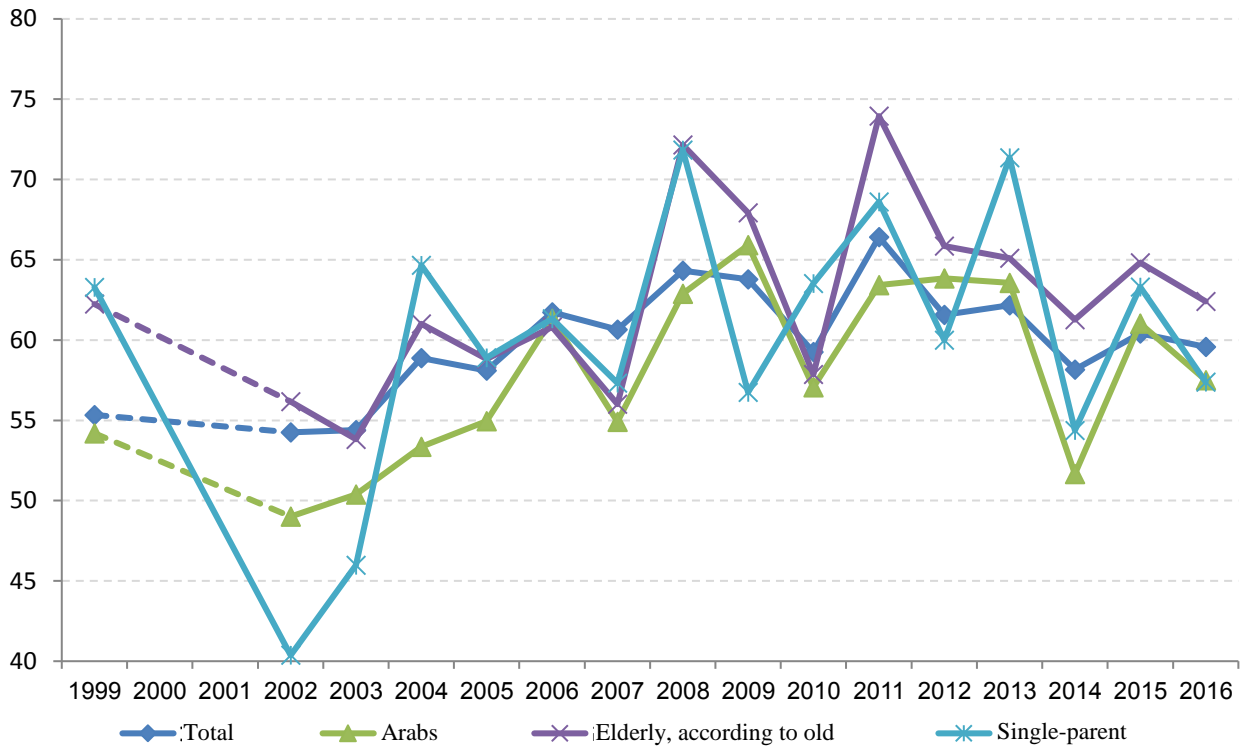
C. Effect on Poverty of Children



D. Effect on Poverty of the Elderly

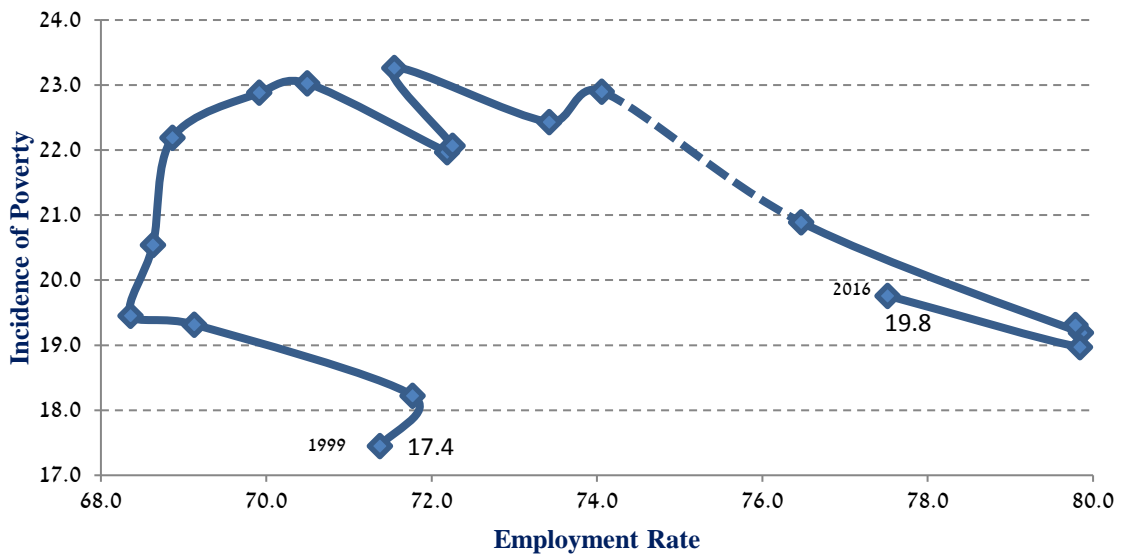


Appendix 17: Proportion of Persistently Poor Families Over Time out of the Total Poor, by Selected Groups, 1999-2016

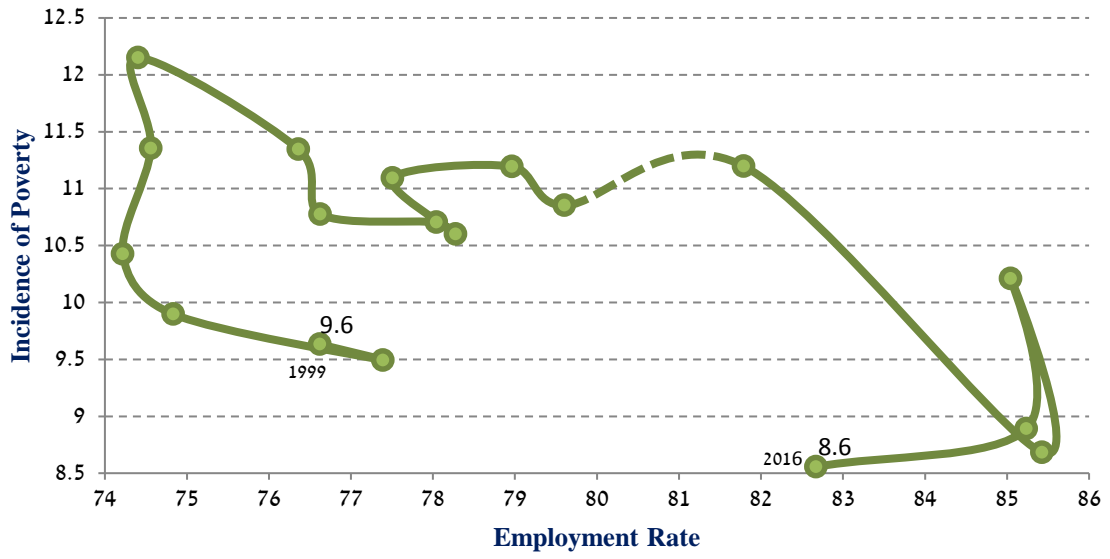


Appendix 18: Employment and Poverty Indices, 1999-2016

A. Employment and Incidence of Poverty – Total Population



B. Employment and Incidence of Poverty – Non-Haredi Jews



C. Employment and Severity of Poverty – Non-Haredi Jews



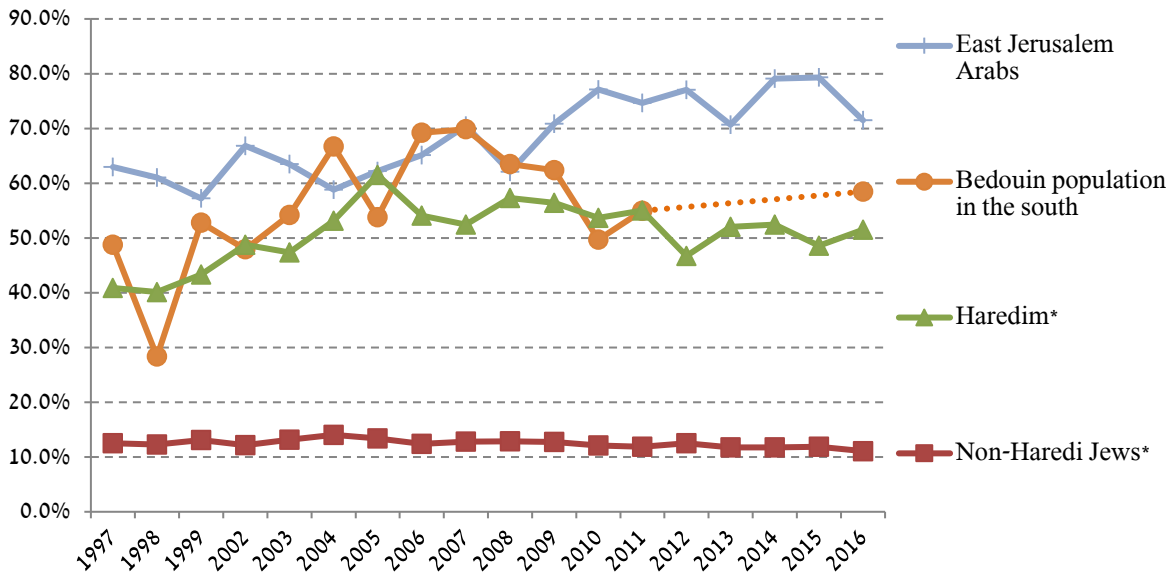
D. Employment and Severity of Poverty – Haredim



E. Employment and Severity of Poverty – Arabs



Appendix 19: Incidence of Poverty by Population Group, 1998-2016



* The Haredi population, and accordingly the Jewish population that is not Haredi, is defined in various years in several ways: until 2011, according to the Gottlieb-Kushnir approach; in 2012-2013 according to the last school attended (classical approach); and from 2014 onwards according to a subjective definition.

Appendix 20a: Rate and Scope of Households Receiving Work Grants (“Negative Income Tax”), by Population Group, 2016

	Households that Received a Work Grant			Average Amount of Income Grant	Rate of Decline in Poverty Indices (Percentages) as a Result of the Work Grant		
	Their Rate in the Population (Percentages)	Their Rate among Working Families (Percentages)	Absolute Number		Incidence of Poverty among Families	Depth of Poverty (among Poor Families)	FGT (among Poor Families)
Total	1.9	2.3	48,200	1,199	0.7	1.0	1.5
Jews	1.9	2.3	41,000	1,022	0.9	1.7	2.6
Haredim (according to subjective definition)	7.4	8.2	8,300	1,143	1.2	2.2	2.9
Immigrants since 1990	6.1	7.1	9,300	1,077	1.0	2.0	2.7
Arabs	2.0	2.5	9,900	875	0.8	1.1	2.2
Families with children	-	-	-	-	-	-	-
1-3 children	3.3	3.4	37,000	1,194	1.1	1.1	1.3
4+ children	3.1	3.1	28,300	1,267	1.5	1.1	1.3
5+ children	4.4	4.7	8,700	955	0.4	1.1	1.2
Single-parent	-	-	-	-	-	-	-
Working	-	-	-	-	-	-	-
Salaried worker	2.3	2.3	46,000	1,208	0.9	1.3	1.8
Self-Employed	2.2	2.2	38,100	961	0.6	1.1	1.3
Working age non-working	-	-	-	-	-	-	-
One wage earner	-	-	-	-	-	-	-
Two or more wage earners	2.4	2.4	18,400	1,345	0.6	1.1	1.6
Head of household up to age 30	2.2	2.2	27,600	1,117	2.1	2.0	2.7
Head of household age 31-45	2.1	2.2	8,500	1,487	0.3	1.3	1.8
Head of household age 46 - retirement age	2.7	2.8	23,800	1,136	0.9	1.1	1.5
Elderly, according to old definition	1.8	1.8	13,500	1,131	1.4	0.8	1.2
Retirement age by law	-	-	-	-	-	-	-
Up to 8 Years of Education	-	-	-	-	-	-	-
9-12 Years of Education	-	-	-	-	-	-	-
13 and More Years of Education	2.1	2.4	19,200	1,359	0.9	0.8	1.4

Appendix 20b: Family Income as a Percentage of the Poverty Lines Among Families who Exercise their Right to a Work Grant, 2016

Household Composition	Disposable Income from Minimum Monthly Wage* for One Position as % of the Poverty Line	Disposable Income from Minimum Monthly Wage* for One and a Half Positions as % of the Poverty Line	Disposable Income from Minimum Monthly Wage* for Two Positions as % of the Poverty Line
Single person (55+)	150	-	-
Single person (23+) + child	100	-	-
Single person (23+) + 2 children	78	-	-
Single person (23+) + 3 children	70	-	-
Couple (55+)	94	141	188
Couple (23+) + child	73	109	142
Couple (23+) + 2 children	63	92	120
Couple (23+) + 3 children	57	83	106
Couple (23+) + 4 children	52	75	95
Couple (23+) + 5 children	48	68	86

**Appendix 21: Employment Rates Among Households by Type of Family, 2015-2016
(Percentages)**

	2015	2016
Total population	79.9	80.3
Where the head of household is:	79.7	80.0
Jewish	81.0	86.6
Haredi*	79.9	83.3
Immigrant	78.9	79.4
Arabs	80.8	81.8
Families with children – total	94.7	95.2
1-3 children	95.6	96.1
4 or more children	89.8	91.0
5 or more children	84.9	89.0
Single parent families	88.0	86.6
Age of working age household head:	93.1	95.1
Up to 30	95.1	95.1
Age 31-45	89.7	90.5
From 46 to retirement age	31.9	32.9
Age of retired household head:	26.4	27.3
Elderly**	40.3	40.6
Retirement age by law***	82.1	81.5
Education of household head:	84.1	84.7
Up to 8 years of education	79.9	80.3
9-12 years of education	79.7	80.0
13 or more years of education	81.0	86.6

Source: Household Expenditure Survey

* By the interviewee's subjective definition: level of religious observance: secular, traditional, religious, Haredi, mixed.

** According to the definition used until now: from age 60 for women and 65 for men.

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

Appendix 22: Calculation of the Incidence of Poverty Among Arabs With and Without the Bedouin Population, 2002-2016

Year	Excluding Bedouins			Including Bedouins		
	Poverty of Families	Poverty of Individuals	Poverty of Children	Poverty of Families	Poverty of Individuals	Poverty of Children
2002	47.6%	49.5%	57.2%	47.6%	49.5%	56.8%
2003	48.1%	50.4%	57.4%	48.3%	50.9%	57.5%
2004	48.9%	50.2%	57.9%	49.9%	51.6%	59.2%
2005	52.0%	55.0%	64.0%	52.1%	55.4%	64.2%
2006	53.2%	56.2%	65.1%	54.0%	57.6%	66.8%
2007	50.5%	53.0%	60.7%	51.4%	54.5%	62.5%
2008	48.6%	51.9%	61.2%	49.4%	53.1%	62.1%
2009	52.9%	56.2%	65.3%	53.5%	57.4%	66.8%
2010	53.5%	56.1%	66.1%	53.2%	56.6%	65.8%
2011	53.3%	57.4%	65.9%	53.5%	58.0%	66.5%
2012	54.7%	58.2%	67.9%	54.4%	58.0%	67.9%
2013	52.0%	55.8%	66.5%	51.7%	55.7%	66.4%
2014	52.6%	54.1%	63.6%	52.6%	54.0%	63.5%
2015	53.7%	55.3%	66.2%	53.3%	54.8%	65.6%
2016	48.4%	50.5%	60.5%	49.2%	52.0%	61.7%

Authors (in alphabetical order):

Miri Endeweld

Daniel Gottlieb

Oren Heller

Lahav Karady



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