

## **Chapter 2** | **Welfare, Poverty and Social Gaps**



## 1. Introduction

This chapter presents an overview of the socio-economic situation in Israel in 2013 with regard to welfare expenditure and in 2012, the last year for which there is data available pertaining to the dimensions of poverty and inequality. Among the various indices that will be presented, the status of Israel will be highlighted, both compared to previous years and by international comparison.

Poverty measurement in Israel, as in most Western countries and international organizations, is based on the relative approach, whereby poverty is a phenomenon of relative distress that should be evaluated in relation to the characteristic standard of living of a given society. A family is defined as poor if its standard of living, as reflected by its disposable income per standard person, is lower than half the median disposable income in the population. The findings presented in this chapter – the result of processing by the Research and Planning Administration of the National Insurance Institute – are based on the annual income and expenditure surveys conducted regularly<sup>1</sup> by the Central Bureau of Statistics (CBS). Nonetheless, as with last year, here also a summary will be provided of the poverty dimension and poverty line results obtained according to three alternative poverty indices calculated regularly by the Administration and addressing both the expenditure perspective and the income perspective of the families.

The chapter opens with the status of Israel in terms of public welfare expenditure and presents findings and select analyses pertaining to the dimensions of poverty and inequality<sup>2</sup> in Israel as compared to the OECD countries (Section 2 below). Later, the principal findings on the dimensions of poverty and the standard of living of the general population are provided, according to the measurement methods used in Israel (Section 3), as well as an overview of the trends among different groups and findings primarily pertaining to inequality in income distribution (Section 5). Finally, (Section 6), as stated, a brief overview is provided of three additional poverty indices developed by the Research and Planning Administration, as well as the poverty findings arising therefrom for 2011 and 2012.

The chapter contains three boxes: (a) **Food security by locality**, which presents data on the level of food security by locality according to special processing performed on two surveys conducted by the NII; (b) A summary of findings on **the effect of the income grant (negative income tax) on poverty**; (c) **Social assistance in housing** – the extent of social assistance in housing for poor and non-poor families.

This chapter has two appendices (in the last section of the Report): one contains a detailed description of the method for measuring poverty and the sources of data and the

1 Further details and explanations regarding the method of measurement and the sources of data may be found in the appendix Poverty Measurement and Sources of Data in this publication.

2 Growing unequal? Income distribution and poverty in OECD countries, OECD (2008).

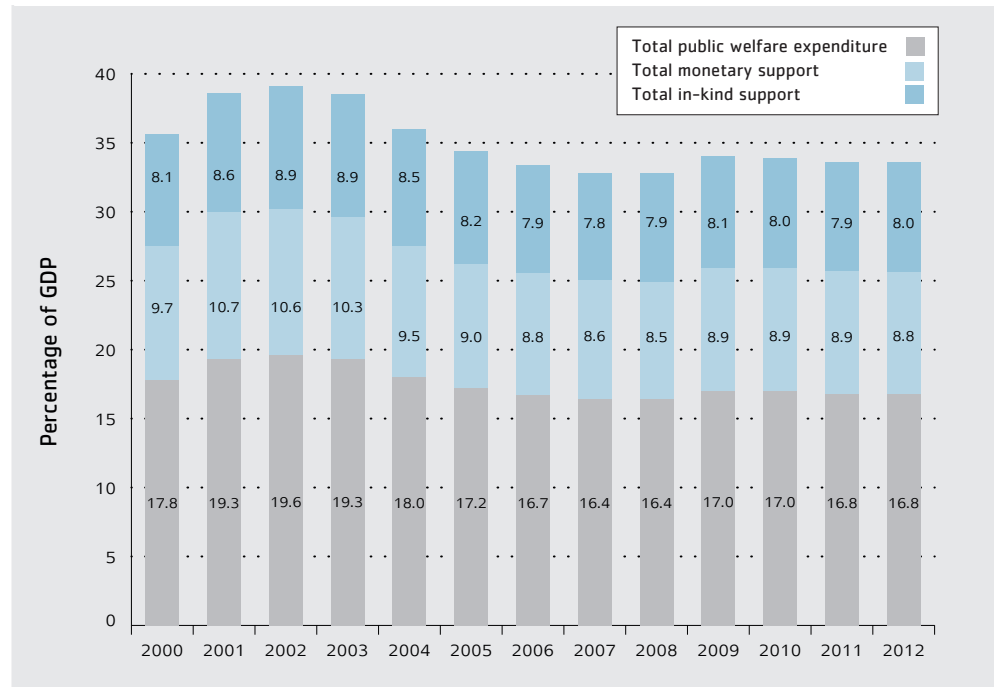
other contains poverty and inequality tables that elaborate on the information pertaining to the poverty and inequality findings.

## 2. An International Comparison of the Social Situation in Israel

In 2013, the public welfare expenditure constituted 16.2 percentage points of the GDP. This rate, which peaked in 2001 – 2002 (and was approximately 20% of the GDP), fell consistently until 2006 and halted at a level of 16% – 17% of the GDP since then up to 2013. In 2013, more than half the expenditure – approximately 54% – was earmarked for monetary support and the remainder for support in-kind

In 2013, the public welfare expenditure constituted 16.2 percentage points of the GDP. This rate, which peaked in 2001 – 2002 (and was approximately 20% of the GDP), fell consistently until 2006 and halted at a level of 16% – 17% of the GDP since then up to 2013. In 2013, more than half the expenditure – approximately 54% – was earmarked for monetary support and the remainder for support in-kind, i.e. support of services afforded to citizens, in this case primarily in the health care sector. The rate has remained similar in level to 2012 (Graph 1)<sup>3</sup>.

Graph 1  
Public Expenditures on Welfare as a Percentage of the GDP, Israel 2000-2013



\* Source of data on Israel: Central Bureau of Statistics.

3 Upon Israel joining the OECD, the CBS began to prepare detailed estimates of the various national welfare expenditure line items. As of 2013, the rates are to be based on these estimates (except for certain transfers of items from line to line according to the discretion of the writers of the chapter). Furthermore, this year the GDP data of the CBS was updated retroactively from 2006 in order to bring it to a uniform definition with the OECD countries. Accordingly, there may be changes compared to the publications in the annual statements of the NII in previous years in this regard.

A distribution of the expenditure by its various components (Table 1) shows that this stabilization is common to the monetary expenditure and to the in-kind expenditure. As may be observed, in 2000 a decrease began in the welfare expenditure for working-age families, but there was no real change in the size of the expenditure on the elderly in light of the gradual updating of old-age pensions in recent years. Also in the realm of support in-kind, which primarily consists of expenditure on health care and long-term care, a decrease of one percentage point was recorded during the course of the last decade.

As every year, we present here various aspects of the comparison of poverty and inequality in Israel to the developed countries (which are members of OECD ). The

**Table 1**  
**Public Welfare Expenditure by the Components Thereof, 2000-2013**

Component of the public welfare expenditure	2000	2001	2005	2006	2010	2011	2012	2013
<b>Total</b>	<b>18.5</b>	<b>20.1</b>	<b>17.8</b>	<b>16.5</b>	<b>16.4</b>	<b>16.3</b>	<b>16.2</b>	<b>16.2</b>
<b>Monetary support – total</b>	10.1	11.1	9.4	8.9	8.8	8.8	8.7	8.8
Support to working-age population	5.4	5.9	4.5	4.2	4.2	4.2	4.2	4.1
National Insurance	4.1	4.6	3.4	3.2	3.2	3.2	3.2	3.1
War and hostile actions	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Monetary and other benefits*	0.6	0.6	0.4	0.4	0.3	0.3	0.3	0.4
Support to elderly**	4.7	5.1	4.9	4.7	4.6	4.6	4.6	4.6
National Insurance	2.8	3.1	2.7	2.6	2.5	2.5	2.5	2.5
State employee pensions	1.9	2.0	2.1	2.1	2.0	2.0	2.0	2.1
Rental assistance	0.07	0.07	0.04	0.03	0.05	0.05	0.06	0.07
<b>Support in-kind – total</b>	8.2	8.8	8.2	7.4	7.5	7.3	7.3	7.3
Support to the elderly	0.19	0.20	0.17	0.16	0.12	0.12	0.11	0.12
Health and long-term care	6.0	6.4	6.2	5.6	5.7	5.6	5.6	5.5
Other ***	2.0	2.1	1.8	1.6	1.7	1.6	1.6	1.6
<b>Other ****</b>	0.2	0.3	0.2	0.2	0.1	0.1	0.1	0.1

Source: CBS data and processing of the Research and Planning Administration, according to the classification rules of the OECD in the SOCX questionnaire.

\* The rental assistance to working-age families is included in other monetary benefits under support to the working-age population. This line also includes income support allowances, the income grant (negative income tax), etc.

\*\* Survivors' pensions were transferred to "support to the elderly" although a small proportion thereof refers to the working-age population.

\*\*\* Benefits in-kind related to monetary benefits under survivors, incapacity to work, family, etc.

\*\*\*\* Mainly active intervention in the job market.

data is updated in all the countries for the years adjacent to 2010 (generally 2009, 2010 or 2011) as available and Israel's data is updated to 2012. The comparisons were made according to the definition of poverty, consistent with the definition used by the OECD<sup>4</sup>.

Graph 2 below – with all three of its sections – presents an international comparison of the incidence of poverty as measured by economic income and by disposable income

**Graph 2**  
**Incidence of Poverty in Families Before and After Taxes and Transfer Payments**  
**Compared With the OECD Countries**



\* Based on 2010 data for all the countries except for the following countries: Ireland, New Zealand, Japan and Switzerland, whose data is correct as at 2009, Korea and Chile are correct as at 2011 and Israel – whose data is correct as at 2012.

4 The measurement of poverty in the OECD countries, as in Israel, is based on the poverty line, which is calculated as half the median disposable income per standard person. However, there are minor differences primarily pertaining to the different equivalence scale component (the mechanism used for comparing the standard of living between families of different sizes).

and the gap between them – which reflects the contribution of policy to reducing poverty. The incidence of economic poverty in the OECD countries, i.e. by income before transfer payments and taxes, ranges between 14% in Switzerland to 44% in Ireland. Israel is in the middle, i.e. it is not exceptional compared to the other countries – with a rate of 28.8%. In contrast, by incidence of poverty after transfer payments and taxes (Graph 2b), Israel rises to second place from the top, so that only Chile has a higher level of poverty.

This gap between the incidence of economic poverty that is very close to the average of the developed countries and such a high ranking in the incidence of poverty after transfer payments and taxes originates in the degree of contribution of government intervention to the extrication from poverty through direct taxes and monetary support. In Israel, this support is limited compared to that of the developed countries: Graph 2C presents the relationship between the incidence of poverty before and after the transfer payments and taxes by international comparison and shows that the reduction in poverty using these policy measures ranges among the developed countries from 11.8% in Chile to 79.5% in Ireland and in Israel – 39.6%.

These graphs illustrate that even though Israel is not exceptional in the dimensions of economic poverty, which are primarily influenced by market forces, the rather limited intervention of the policy through conventional measures is what situates Israel in its high placement in terms of poverty among the developed countries.

In recent years, the child allowance has constituted a focus of public debate with regard to its necessity and its measure of justice, inter alia given the social identity of families who benefit more therefrom, proportionately. In most welfare countries, the allowance is paid universally (i.e. without means testing) and constitutes, together with additional measures (such as tax credits) a common tool among developed countries for income re-distribution and improvement of the status of families who are raising the next generation.

Graph 3 below, with all three of its sections, presents an international comparison of the incidence of poverty of families with children, before taxes and transfer payments (3A) and the contribution of child allowances to reducing poverty among families with children (3B) and among children (3C).

The incidence of economic poverty among families with children ranges between 12.8% in the Netherlands to 51.4% in South Africa and in Israel it is set at 26.4%, slightly higher than the average among developed countries – 24%.

As stated, Graphs 3B and 3C present the rate of decrease of the incidence of poverty in each country compared to the incidence of poverty without child allowances. In Columbia, the United States, Italy and Mexico, where there is no child allowance<sup>5</sup>, the effect of the allowance on the incidence of poverty is negligible. By contrast, in

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5 Or at least such was not found in the LIS database under the definition of child allowance.

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Finland the incidence of poverty among families with children is lower by 59.9% than it would have been if child allowances had not been paid and the incidence of poverty among children is lower by 68.9% than it would have been without the allowances. In Luxembourg, these rates are also higher, reaching 53.0% and 58.0% respectively. An average calculation of the countries affiliated with the organization and appearing in the graph leads to a diminishing rate in the poverty level due to the child allowances of about 23% among families with children and 26% among children.

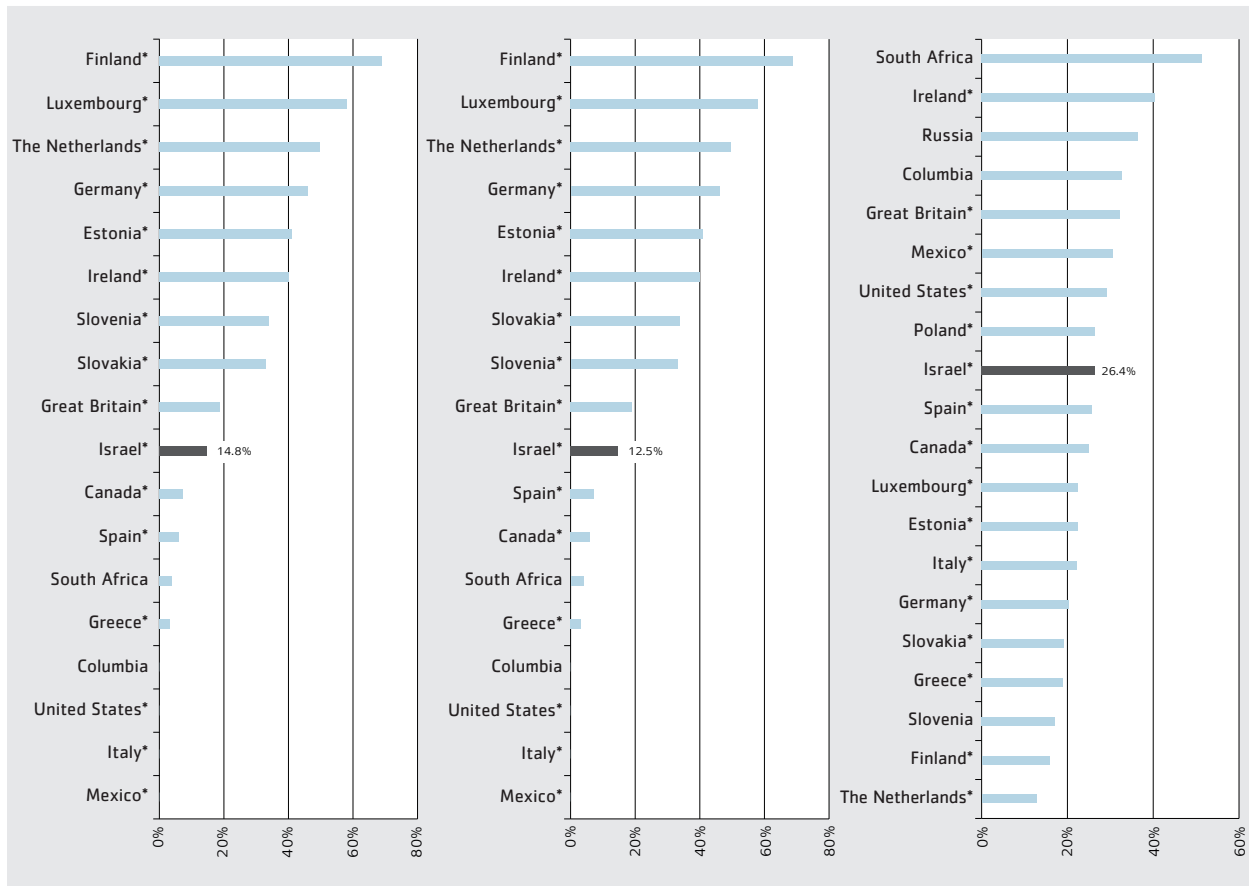
Graph 3

**Incidence of Economic Poverty among Families with Children and Rate of Reduction in Dimensions of Poverty Pursuant to the Granting of Universal Child and Family Allowances: an International Comparison**

3a: Rate of decrease in the incidence of poverty among children

3b: Rate of decrease in the incidence of poverty in families with children

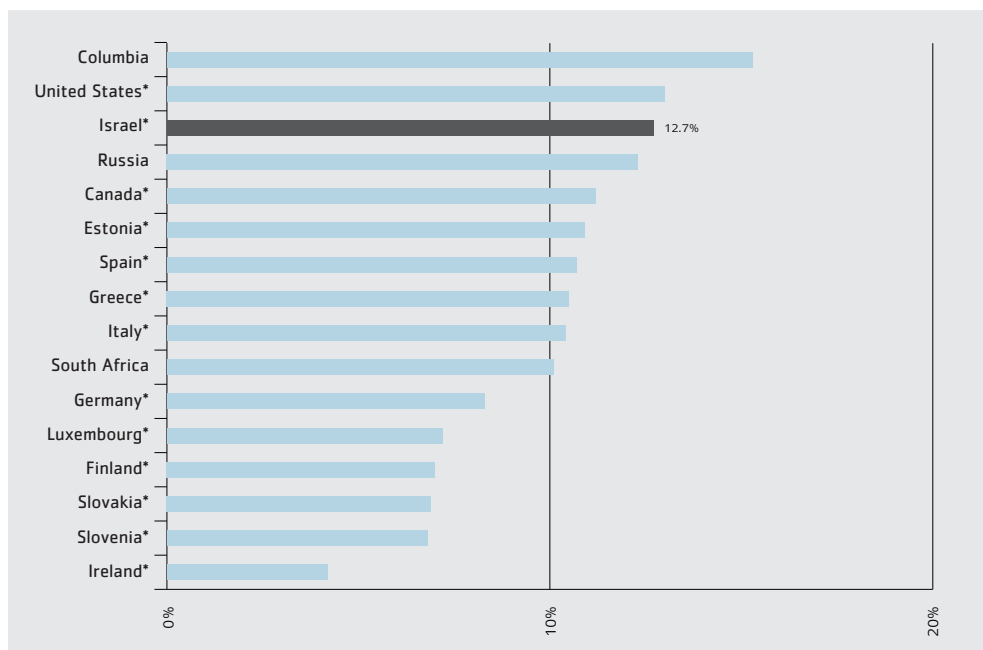
3c: Incidence of poverty in families with children, before taxes and transfer payments



\* OECD member countries. Source of data: Israel – CBS Household Expenditure Survey for 2012; other countries – processing of LIS data for surveys circa 2010.



**Graph 4**  
**Incidence of Poverty among Working-Age Families who Work\*\*:**  
**an International Comparison**



\* OECD member countries.

\*\* For the sake of uniformity of the comparison, households headed by persons between the ages of 18 – 60, with at least one working individual, were taken into account.

Source of data: Israel - CBS Household Expenditure Survey for 2012; other countries – processing of 2010 LIS data.

In Israel, where the incidence of economic poverty among families with children is similar to the average in the OECD member countries, the contribution of the child allowances to extrication from poverty is fairly low: the child allowances reduce the incidence of poverty among families by 6.7% and among children by 14.8%.

An international comparison of the incidence of poverty among working-age families who work<sup>6</sup> shows that the rate ranges between 4.2% in Ireland and 15.3% in Columbia (Graph 4). The incidence of poverty among working families in Israel reaches 12.7%, with only the incidence of poverty among working families in the United States being higher among developed countries.

The high incidence of poverty among working families suggests that work does not necessarily constitute a guarantee to exiting poverty. Government policy in the realm of taxation and transfers is known to be of great importance, particularly for low wage earners, as may be concluded from Graphs 2 and 3.

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6 A family that has at least one wage earner who worked during the polling survey is deemed a working family, according to the definitions of the International Labour Organization.

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### 3. Principal Findings

In 2012, there was solid economic growth in a stable macro-economic environment in terms of budgetary policy and price stability, apart from the rising housing and real estate prices, which are affected, inter alia, by interest levels in Israel and elsewhere. In 2012, the Israeli economy grew by 3.2% – a slight decrease compared to 2011 – and the unemployment rate stabilized at the lowest level of 2011 (6.9%) (Table 2).

Since 2012, the cancellation of the Combined Income Survey created a problem in direct comparison vis-à-vis 2011

Since 2012, with the cancellation of the Combined Income Survey performed by the Central Bureau of Statistics, the poverty and inequality calculations were transferred to the CBS Household Expenditure Survey. Furthermore, changes in how the data is calculated occurred in the Expenditure Survey itself compared to previous years. These changes created a problem in direct comparison vis-à-vis 2011 and therefore in most cases the comparisons made in this section are through the perspective of recent years. In general it should be noted that, the dimensions of poverty and social gaps do not indicate significant changes in 2012 compared to preceding years<sup>7</sup>.

The “rise” in the standard of living as reflected in Table 3 (in 2012, a significant increase, at a rate of 12%, was recorded in the median disposable income per standard

**Table 2**  
**Economic Indicators Affecting the Dimensions of Poverty**  
**(percentages), 2006–2013**

Affecting factor	2006	2007	2008	2009	2010	2011	2012	2013
Rate of growth of the GDP	5.8	5.9	4.1	1.1	5.0	4.6	3.4	3.3
Rate of change in price levels during each survey period compared to the preceding period	2.1	0.5	4.6	3.3	2.7	3.4	1.7	1.5
Rate of real change in the average wage in the economy	1.3	1.8	-0.4	-2.5	0.8	0.7	0.7	0.1
Unemployment rate	10.5	9.1	7.6	9.4	8.3	7.0	6.9	6.2
Rate of unemployment benefit recipients among the unemployed	17.4	17.3	19.6	23.2	20.7	23.5	25.0	30.4
Minimum wage as a percentage of the average wage	46.2	47.5	46.8	47.3	45.8	45.5	46.2	46.7

Source: CBS data and processing of the Research and Planning Administration, according to the classification rules of the OECD in the SOCX questionnaire.

\* The rental assistance to working-age families is included in other monetary benefits under support to the working-age population. This line also includes income support allowances, the income grant (negative income tax), etc.

\*\* Survivors' pensions were transferred to “support to the elderly” although a small proportion thereof refers to the working-age population.

\*\*\* Benefits in-kind related to monetary benefits under survivors, incapacity to work, family, etc.

\*\*\*\* Mainly active intervention in the job market.

7 For further details on the implications of this change, which as stated hinders direct comparison between 2011 and 2012, see the 2012 Poverty and Social Gaps Survey and the appendix Poverty Measurement and Sources of Data in this report.

person) also stems from the structural changes associated with the replacement of the survey used to calculate poverty and inequality and accordingly, in 2012 it is difficult to evaluate the change in the standard of living as measured every year as the real change between the median or average disposal income in the standard of living. The minimum wage rose in 2012 to 46.2% of the average wage and the real wage remained at its 2010 level (0.7%).

It may be seen from a review of the poverty data as a percentage of the average wage in 2012 that, as with the 2011 data, the poverty line for a family with 4 persons, for instance, reached approximately 80% of the average wage, but in a family with 6 or more persons a wage at the level of the average wage of a single wage earner in the household is insufficient to extricate from poverty and it must raise its wage from 10% (6 person family) to about 40% (9 person family) (Table 4)<sup>8</sup>.

The poverty line for a family with 4 persons, for instance, reached approximately 80% of the average wage

**Table 3**  
Average and Median Income per Standard Person after Transfer Payments and Direct Taxes and the Poverty Line (NIS), 2010–2012

Income per standard person	2010	2011	2012	Rate of real increase	
				From 2010 to 2011	From 2011 to 2012
Average	4,665	4,805	5,458	-0.4	11.7
Median	3,861	4,001	4,513	0.2	10.9
Poverty line	1,931	2,000	2,256	0.2	10.9

**Table 4**  
The Number of Standard Persons and the Poverty Line per Family\* by Number of Family Members, 2011–2012

Number of family members	Number of standard persons in the family	Poverty line per family			
		2011		2012	
		NIS per month	Percentage of the average wage	NIS per month	Percentage of the average wage
1	1.25	2,501	28.7	2,820	31.5
2	2	4,001	46.0	4,512	50.4
3	2.65	5,301	60.9	5,978	66.7
4	3.2	6,401	73.6	7,219	80.6
5	3.75	7,502	86.2	8,460	94.5
6	4.25	8,502	97.7	9,588	107.0
7	4.75	9,502	109.2	10,716	119.6
8	5.2	10,402	119.5	11,731	131.0
9	5.6	11,202	128.7	12,634	141.0

\* The average wage calculated for 2011 and for 2012 is a weighted average of the average wage per salaried position (Israeli workers) during the period applicable to each survey.

\*\* The weight of each additional person is 0.04. So, for instance, in a family with 10 persons there are 6 standard persons.

8 This calculation does not take into account the benefits and the direct taxation; the first acts to increase the disposable income and the second to reduce it.

There is a trend of stabilization at a high level in the dimensions of poverty in Israel and a return to the rates prevailing in 2007-2008

A review of the dimensions of poverty by select indices indicates a trend of stabilization at a high level in the dimensions of poverty in Israel and a return to the rates prevailing in 2007-2008 (19.9%), following a temporary increase in 2009 in the wake of the recession. Notwithstanding the difficulty in comparing with previous years<sup>9</sup>, there has been a certain moderation in the general incidence of poverty indices of families, persons and children, but they are not substantially similar to the rates that prevailed in recent years (mainly as of 2004). The rate of families whose disposable income fell below the poverty line was 19.4% in 2012 and the rate of persons and children living in these families was 23.5% and 33.7%, respectively (Table 5).

The incidence of poverty measured by the disposable income is a result of transfer payments and direct taxes, which “correct” the economic income, defined as the pre-tax income from work and from capital. Transfer payments, which are primarily NII benefits, increase family income, whereas direct taxes reduce it. Insofar as the direct tax amount paid by a poor family is small, its disposal income increases, as do its chances of escaping from poverty. Table 5 shows the decrease achieved in each one of the years appearing there when only the transfer payments are taken into account, as well as when direct taxes are added to government policy measures. In some of the indices a significant improvement is achieved pursuant to the policy measures (FGT indices, the SEN index and the Gini index of income distribution among the poor lose half or more of their value) while in the incidence of poverty, primarily among children, a more moderate improvement is achieved.

It may be observed that the improvement obtained without taking direct taxes into consideration is higher than that obtained when they are taken into consideration, since while direct taxes act to reduce the income inequality between those earning different levels of income, they are actually ineffective in reducing poverty since they lower the disposable income of the poor. Most poor people do not reach the income tax threshold and therefore they do not pay income tax, and thus the tax effect on their disposable income is evident only with regard to health and national insurance contributions.

The incidence of poverty has remained at its high level of recent years, as have the depth and severity of poverty. In retrospect, these values are slightly similar to those that prevailed in 2007-2008 (and generally rose slightly in subsequent years, apart from 2012).

Notwithstanding the structural changes in the databases, the Gini indices of inequality in income among the poor do not differ greatly from those that prevailed in recent years. The Gini index of economic income reached 0.4348 and the Gini index of inequality in disposable income distribution among the poor (Table 5) reached 0.1995 in 2012, i.e. decreased by 54%.

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<sup>9</sup> See also note 5 above.

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**Table 5**  
**Dimensions of Poverty In the General Population**  
**by Select Poverty Indices, 2010-2012**

Poverty index	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes
<b>2010</b>			
Incidence of poverty (%)			
Families	32.6	17.5	19.8
Persons	32.8	22.0	24.4
Children	40.4	32.8	35.3
Poor income gap ratio (%)*	60.0	35.3	35.8
FGT index*	0.1561	0.0399	0.0456
SEN index*	0.260	0.107	0.120
Gini index of inequality in income distribution among the poor*	0.4838	0.2059	0.2111
<b>2011</b>			
Incidence of poverty (%)			
Families	32.8	17.3	19.9
Persons	33.7	22.2	24.8
Children	41.9	32.9	35.6
Poor income gap ratio (%)*	58.3	34.2	34.7
FGT index*	0.1538	0.0381	0.0438
SEN index*	0.262	0.105	0.119
Gini index of inequality in income distribution among the poor*	0.4640	0.1978	0.2030
<b>2012</b>			
Incidence of poverty (%)			
Families	30.3	17.4	19.4
Persons	31.4	21.0	23.5
Children	39.0	30.8	33.7
Poor income gap ratio (%)*	56.3	33.7	34.4
FGT index*	0.1342	0.0351	0.0405
SEN index*	0.236	0.098	0.111
Gini index of inequality in income distribution among the poor*	0.4348	0.1957	0.1995

\* The weight given to each family in calculating the index equals the number of persons included therein.

The transfer payments and direct taxes during the 2012 survey period extricated 36% of the poor families from poverty (Table 6). For the sake of comparison, with the perspective of a decade, in 2002 about half of the poor families were extricated from poverty pursuant to government intervention. The contribution of the direct tax and

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transfer payment systems to extricating persons from poverty remained at nearly the same level during the last two years: 25%. Furthermore, 14% of poor children were extricated from poverty as a result of government intervention in 2012, compared to 25% in 2002.

**Table 6**  
**The Effect of Transfer Payments and Direct Taxes on the Dimensions of Poverty in the General Population, by Select Poverty Indices, 2010-2012**

Poverty index	Percentage of decrease stemming from transfer payments only			Percentage of decrease stemming from transfer payments and direct taxes		
	2010	2011	2012	2010	2011	2012
Incidence of poverty (%)						
Families	46.3	47.2	42.4	39.2	39.3	36.0
Persons	32.8	34.1	33.1	25.6	26.4	25.2
Children	18.9	21.5	21.1	12.6	15.1	13.6
Poor income gap ratio (%)*	41.2	41.4	40.1	40.2	40.5	39.0
FGT index*	74.4	75.2	73.8	70.8	71.5	69.8

\* The weight given to each family in calculating the index equals the number of person included therein.

### Box 1 2012 Food Security Survey

A food security survey was carried out by NII's Research and Planning Administration for the first time during the course of 2011 by telephone polling and approximately 5,600 representative families all over the country<sup>1</sup> participated therein. The second survey in this regard was conducted during the course of 2012 by the same method and approximately 6,300 families participated therein<sup>2</sup>. This box will present additional data to the published data, which is based on a combination of two surveys<sup>3</sup>, whose large number of forecasts enabled to produce the estimates not published in the annual reports of the surveys. The data here will be on the rates of food security and on the degree that families living with food insecurity receive aid from different aid entities, and it will be presented by locality.

- .....
- 1 Endeweld M, Barkali N. Fruman A. Gealia A. and Gottlieb D. (2012). **Food Security 2011 –Course of the Survey and Principal Findings.**
  - 2 Endeweld M., Barkali N. Avrahamov V., Gealia A. Gottlieb D. (2014). **Food Security 2012 – Principal Socio-economic Findings.**
  - 3 The 2011 and 2012 surveys were consolidated into one survey, which comprises approximately 12,000 families. The new weights were defined as half the weights of the original surveys, for the sake of maintaining consistency in the weighting of forecasts between the separate surveys and the consolidated survey.

According to the findings of the 2012 survey, 81.2% of Israeli residents live with food security (compared to 80.9% in 2011) and 18.7% live with food insecurity (19.1% in 2011) – 45% of them (53% in 2011) with severe food insecurity. Approximately 54% of the families living with food insecurity are assisted at various levels by aid entities, a majority of them by organizations, in order to improve their situation. The findings indicate a high correlation between insecurity rates and the poverty rates calculated in the Poverty and Social Gaps Survey for different population groups. It further emerges from the data that the phenomenon of food insecurity is prominent in large families (which have 4 or more children), in Arab families and in single

**Table 1**  
**Food Insecurity Rates – Select Localities (percentages), 2012**

Locality	Food security	Food insecurity	
		Total	Thereof: severe food insecurity
Ashdod	80.7	19.4	9.3
Modi'in	96.0	4.1	1.7
Jerusalem	70.5	29.5	14.8
Haifa	89.9	10.1	4.8
Tel Aviv – Jaffa	88.0	12.0	6.9
Bnei Brak	80.0	20.0	7.5
Bat Yam	83.3	16.7	6.8
Giva'tayim	88.8	11.2	2.3
Herzliya	87.2	12.7	8.1
Hadera	77.9	22.1	7.6
Holon	86.0	14.0	8.5
Kiryat Ata	79.6	20.4	9.0
Kfar Saba	92.5	7.5	1.7
Lod	75.3	24.7	17.7
Ashkelon	84.2	15.8	7.0
Netanya	84.8	15.2	8.2
Petah Tikva	86.0	14.0	6.4
Rishon LeZion	88.4	11.6	5.4
Rehovot	90.7	9.3	4.8
Ramla	68.7	31.4	19.3
Ramat Gan	85.1	14.8	7.2
Ra'anana	93.1	6.9	6.3
Be'er Sheva	85.5	14.5	4.6
Nahariya	81.8	18.2	8.1
Shfaram – Tamra	51.2	48.8	26.1
Umm El Fahm and Baka El Garbiya	50.8	49.3	23.9
Tira – Taibeh	46.3	53.7	30.6

Table 2  
Food Insecurity Rates – Select Localities (percentages), 2012

Locality	Total		Food security		Food insecurity		
	Assistance from family or from organizations	Thereof: Assistance from organizations	Assistance from family or from organizations	Thereof: Assistance from organizations	Mild food insecurity	Severe food insecurity	Thereof: Assistance from organizations
Ashdod	28.1	25.7	20.2	18.3	64.9	54.8	53.2
Modi'in	8.4	7.6	7.7	6.9	0	62.8	62.8
Jerusalem	32.1	29.2	19.8	18	58.8	60.4	56.9
Haifa	19.9	19	13.5	12.9	61.3	71.1	65.1
Tel Aviv – Jaffa	22.6	21.4	17.5	16.9	48.1	55.9	48.9
Bnei Brak	37.9	33.4	27.6	25.7	66.8	67	51.7
Bat Yam	23.5	23.1	18	18	55.1	53.1	49.4
Givatayim	21	21	18.3	18.3	18.6	100	100
Herzliya	17	14.6	9	9	64.5	69.4	45
Hadera	25.2	25.2	18.7	18.7	42.2	50.9	50.9
Holon	21.6	21.1	14.4	14	75.9	5.7	54.2
Kiryat Ata	30.7	29.6	19.2	19.2	50.8	92.7	92.7
Kfar Saba	16.7	15.7	12.5	12	54.1	44.6	44.6
Lod	26.5	25.7	15.1	14	43.1	57.9	57.9
Ashkelon	25.6	23.5	18.4	17.8	62	46.4	46.4
Netanya	24.3	21.6	17.1	14.8	70.2	60.3	55.9
Petah Tikva	23.3	21.7	16.8	15.2	51.3	69.5	65.9
Rishon LeZion	23.1	21.3	18.6	17.5	45.2	68.9	59.8
Rehovot	16.1	15.7	14.1	13.7	28	25.6	25.6
Ramla	28.2	27.1	16.1	16.1	43.2	54.5	51.5
Ramat Gan	21.7	21.2	13.4	13.4	56.4	75.8	69.4
Raanana	14.9	13.6	10.5	10.5	0	72.6	50.4
Be'er Sheva	25.6	24.5	18.8	17.8	56.9	77.3	77.3
Nahariya	30.7	29.2	17.5	17.5	81.9	79.2	79.2
Shfaram – Tamra	32.7	32.7	11.2	11.2	58.2	49.6	49.6
Umm El Fahm and Baka El Garbiya	41.2	41.2	19.1	19.1	34.1	82.0	82.0
Tira – Taibeh	37.1	37.1	14.9	14.9	52.2	72.6	72.6



parent families: the insecurity rates in each one of these groups is close to about half. However, in Jewish ultra-Orthodox families the level of insecurity is low compared to their economic status – a majority of them, approximately 3/4, live with food security. Among the elderly there is a fairly low level of food insecurity – 11.0% – as well.

An examination of the food insecurity rates by select localities (Table 1) indicates that alongside localities such as Modi-in and Ra'anana, where proportionately very low food insecurity rates were found (4% and 7% respectively), the food insecurity rates in the Arab localities, such as Umm El Fahm and Baka El Garbiya (Haifa district), Tira and Taibeh (Central district) and Shfaram and Tamra (Northern district) reach 49% - 54%. Also in mixed localities, such as Lod and Ramla, these rates are high and reach approximately 25% - 31%. Additional localities where the food insecurity rates are high include Jerusalem, Bnei Brak, Hadera and Kiryat Ata (20% - 30%). In most of these cities, one third to half of the families living with food insecurity is experiencing severe food insecurity.

The findings with regard to the level of aid received by families from aid organizations or from family during the course of the year (Table 2) reveal that the aid received from organizations or from family is particularly prevalent in Jewish localities, such as Jerusalem, Ashdod, Haifa, Bnei Brak, Herzliya, Holon, Ashkelon, Netanya and Nahariya: more than half the families there that are experiencing some form of food insecurity receive aid from aid organizations (and a minority of them from families) in order to improve their food security situation.

Among families who are experiencing severe food insecurity, it may be seen that the rate of aid received from aid entities and family is also high in Arab localities, such as Tira and Taibeh (approximately 73%) and Umm El Fahm and Baka El Garbiya (82%). These findings indicate higher assistance rates in cities characterized by a high level of food insecurity and it cannot be known from the data how much worse the situation of the families would have been had they not received aid from the aid entities.

Among the elderly there is a fairly low level of food insecurity – 11.0%

The food insecurity rates in the Arab localities reach 49% - 54%

#### 4. Poverty by Population Group and Composition of the Poor Population

The various population groups differ from one another in terms of the trends and the changes in their dimensions of poverty in 2011-2012 (Tables 7-11). Table 7 presents the incidence of poverty by economic income and disposable income of different population groups and Tables 8 and 9 present the proportion of these groups out of the general population and the poor population in 2011 and in 2012, respectively. Table 10 presents the values of the income gap ratio by population group and Table 11 presents the diminishing rates of the dimensions of poverty as a result of transfer payments and direct taxes.

In general, the indices obtained according to the 2012 Expenditure Survey are lower than those calculated from the Combined Income Survey in recent years. In our assessment, the changes in the sample size, counting methods, the sample composition, etc. explain some of these changes in the income distribution of households and in their poverty rates. As stated, at this stage we have no good indication in order to decide with regard to the intensity of the effects of the processes among the two factors – the changes in the way the survey is conducted and the economic changes.

**The incidence of poverty among working families before transfer payments and taxes reaches 19.7% and drops to 13.7% when measured by disposable income.** The differences between the incidence of poverty among households headed by a salaried employee compared to those headed by a self-employed person – are negligible. A review of past years shows that the dimensions of poverty among working families have been on a gradual and continuous upward trend. For the sake of comparison, in 1999 the incidence of poverty among working families was approximately half of that which prevails today – 7%. Unduly disadvantaged populations joining the job market indeed enlarge the employment cycle and the participation rates, but also act to raise the poverty rates among the working population and increasingly undermine the assumption that work per se constitutes a guarantee for escaping poverty.

**The incidence of poverty among Arab families remains at a high level – 54.3% in 2012,** 2.8 times the incidence of poverty in the general population. The Arab population constitutes approximately 37% of all poor families even though its proportion out of the general population is much lower (13% according to the current survey data, which, as stated, does not include the Bedouin in the south, not counted by the CBS in 2013). Also, the other indices for evaluating poverty, such as the depth and severity of poverty, indicate a higher level of distress among the Arab population than in the general poor population. Thus, for instance, the depth of poverty among Arabs reaches 39.6% and is 15% higher than the index for all poor individuals (34.4%).

**The incidence of poverty among the elderly reached 22.7% in 2012.** This rate is high relative to the decrease that typified this group in recent years achieved due to the gradual and ongoing improvement of the elderly benefit system in Israel in recent years. The apparent surge in the dimensions of poverty among the elderly in 2012 may be explained by the benefit level being very close to poverty, compared to the increase in the standard of living (by 12%), as reflected in 2013 in the comparison between the Expenditure Survey and the previous Income Survey (which, as stated, is problematic).

The contribution of transfer payments and direct taxes to the level of income support benefits among the elderly is the highest, reaching approximately 55% of those escaping poverty as a result thereof. It should be noted that 2012 is the first year that benefits were updated only according to changes in the applicable price index and were not increased by legislation (as in 2009-2011).

The differences between the incidence of poverty among households headed by a salaried employee compared to those headed by a self-employed person – are negligible

The incidence of poverty among Arab families is 2.8 times the incidence of poverty in the general population

The contribution of transfer payments and direct taxes to the level of income support benefits among the elderly is the highest, reaching approximately 55% of those escaping poverty as a result thereof

**Table 7**  
**Incidence of Poverty among Select Population Groups, 2011 and 2012**

Population group (families)	2011			2012		
	Economic income	Disposable income	Concentration index*	Economic income	Disposable income	Concentration index*
<b>Total population</b>	<b>32.8</b>	<b>19.9</b>	<b>1.00</b>	<b>30.3</b>	<b>19.4</b>	<b>1.00</b>
Jews	28.1	14.2	0.71	25.9	14.1	0.73
Arabs	60.4	53.5	2.68	59.2	54.3	2.80
Elderly	54.4	19.4	0.97	50.5	22.7	1.17
New immigrants	40.4	16.3	0.82	34.8	17.3	0.90
Ultra-Orthodox Jews	66.9	54.3	2.73	68.0	53.2	
<b>Families with children – total</b>	<b>32.9</b>	<b>26.8</b>	<b>1.34</b>	<b>30.5</b>	<b>24.8</b>	<b>1.28</b>
1-3 children	26.4	20.4	1.03	24.5	18.5	0.95
4 or more children	63.8	56.7	2.85	60.7	56.6	2.92
5 or more children	75.4	67.4	3.38	71.1	67.1	3.46
Single parent families	47.5	30.8	1.55	45.1	29.0	1.50
<b>Employment status of head of household</b>						
Working	20.0	13.8	0.69	19.7	13.7	0.71
Salaried employee	20.6	13.7	0.69	20.1	13.7	0.71
Self-employed person	16.0	14.0	0.70	16.5	13.4	0.69
Working age but not working	90.4	70.7	3.55	89.1	66.1	3.41
One wage earner	37.8	25.9	1.30	36.0	24.6	1.27
Two or more wage earners	6.6	4.6	0.23	6.8	5.0	0.26
<b>Age of head of household</b>						
Up to 30	36.2	25.4	1.28	32.2	22.4	1.16
31-45	27.9	21.7	1.09	26.1	20.1	1.04
46 to retirement age	21.5	15.1	0.76	20.2	14.1	0.73
Statutory retirement age	58.1	19.8	1.00	54.0	24.1	1.24
<b>Education of head of household</b>						
Up to 8 years of schooling	71.3	44.2	2.22	69.1	45.2	2.33
9-12 years of schooling	36.1	23.6	1.18	33.2	22.3	1.15
13 or more years of schooling	22.4	12.2	0.61	21.4	12.8	0.66

\* The concentration index is the ratio of the incidence of poverty in the group to the incidence of poverty in the general population (by disposable income) and reflects the degree of “proximity” of a certain group to the general population in terms of the incidence of poverty.

\*\* Tables presenting data on Jews: The Jewish population includes also non-Jews other than Arabs.

**The incidence of poverty among families with children, which constitute more than half of the poor families, was 24.8% in 2012.** While the incidence of poverty among families with 1-3 children is lower than the national average and reaches 18.5%, the incidence of poverty among families with 4 or more children reaches 56.6% (and 2/3 when referring to larger families, with 5 or more children) and is 3 times greater than the national average. The contribution of transfer payments to extricating small families from poverty is much higher than that of families with 4 or more children – 24.6% compared to only 6.7% – due to the structure of child allowances and subsistence allowances that do not give preference to large families and in many cases even worsen their situation.

**The incidence of poverty among single-parent families is 50% higher than the national average and was 29% in 2012.** The contribution of transfer payments and direct taxes to these families is higher than to other families with children; approximately 36% of them escape poverty due to them. Also, the depth of poverty is higher among them – approximately 36% compared to 34.4% in the general population.

**The incidence of poverty among new immigrants, which recorded decreases over the years, reached 17.3% in 2012** – and it is lower than that which prevails in the general population. The contribution of transfer payments to the extrication from poverty is very high among this population (partially overlapping the elderly population) and it reached about half of them in 2012.

**In 2012, the incidence of poverty among working-age families who do not work continued to be the highest of all population groups and reached 66.1% – 3.4 times the national average.** Without transfer payments and direct taxes their incidence of poverty would have been 89.1%, so that their contribution to extrication from poverty reaches about one quarter of them. Against the background of these families joining the job market, their proportion among the poor population diminished concurrently with the rise in their proportion of working families, hence their entry into the job market has not always been helpful in extricating them from poverty. Since 1999, the already high incidence of poverty of these families rose sharply – from 64.5% to approximately 71% in 2011; however, the structural changes in the current survey lead to slightly lower poverty rates, which, as stated, reach about 66%,. The depth of poverty of this population, which seemingly does not gain a response commensurate with the severity of their situation, was 60% higher than that of all poor persons in 2012. The reason therefor stems from non-participation in the job market, the fairly low incidence of minimum subsistence benefits and their low rate compared with the minimum for adequate sustenance as reflected by the poverty line and in the low level of the child allowances, which were again reduced in 2013<sup>10</sup>.

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 10 The changes in the dimensions of poverty following the most recent reduction in child allowances will only be fully reflected in the 2014 survey, since they only occurred in August of 2013, so that in 2013 they will only be partially reflected.

A review of the income gap ratio of the poor by economic and disposable income reveals that the average distance of a poor family from the poverty line reaches approximately one third (Table 10). As with the incidence of poverty data, the poverty gap among

**Table 8**  
The Proportion of Select Groups among the General Population and the Poor Population (percentages), 2011

Population group (families)	General population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Persons	Families	Persons	Persons	Persons
Jews	85.5	79.5	73.3	61.5	61.1	52.0
Arabs	14.5	20.5	26.7	38.5	38.9	48.0
Elderly	20.8	10.6	34.6	15.9	20.3	8.5
New immigrants	19.3	16.2	23.8	16.7	15.9	11.3
<b>Families with children – total</b>	<b>45.3</b>	<b>66.0</b>	<b>45.5</b>	<b>72.8</b>	<b>60.9</b>	<b>82.9</b>
1-3 children	37.4	48.6	30.1	38.8	38.4	41.9
4 or more children	7.9	17.4	15.4	34.0	22.5	41.0
5 or more children	3.7	9.3	8.4	21.2	12.4	25.7
Single parent families	5.5	6.1	8.0	9.3	8.5	8.6
<b>Employment status of head of household</b>						
Working	76.5	84.8	46.7	63.5	52.9	66.0
Salaried employee	66.6	73.5	41.9	56.8	45.9	57.7
Self-employed person	9.9	11.3	4.8	6.8	7.0	8.4
Working age but not working	7.9	8.0	21.8	22.4	28.1	26.2
One wage earner	32.9	31.3	38.0	48.8	42.8	51.6
Two or more wage earners	43.6	53.5	8.7	14.7	10.1	14.5
<b>Age groups of head of household</b>						
Up to 30	16.2	16.3	17.9	20.6	20.7	20.7
31-45	34.4	42.8	29.3	43.8	37.5	49.5
46 to retirement age	31.1	32.0	20.4	20.9	23.6	22.5
Statutory retirement age	18.3	8.9	32.4	14.6	18.2	7.3
<b>Education of head of household</b>						
Up to 8 years of schooling	10.7	9.2	23.2	19.3	23.6	20.1
9-12 years of schooling	37.7	40.3	41.5	45.8	44.7	48.2
13 or more years of schooling	51.6	50.6	35.3	35.0	31.7	31.7

\* The weight given to each family in calculating the index equals the number of persons included therein.

As with the incidence of poverty data, the poverty gap among families headed by working-age persons who are not working is the highest

families headed by working-age persons who are not working is the highest, and among families with two or more wage earners it is the lowest. A review of the contribution of the government policy measures – transfer payments and direct taxes – to the incidence

**Table 9**  
**The Proportion of Population Groups among the General Population and the Poor Population (percentages), 2012**

Population group (families)	General population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Persons	Families	Persons	Families	Persons
Jews	87.0	81.2	74.5	63.2	63.4	53.7
Arabs	13.0	18.8	25.5	36.8	36.6	46.3
Elderly	20.4	10.7	34.0	16.7	23.8	10.6
New immigrants	20.3	17.5	23.3	17.0	18.1	12.9
<b>Families with children – total</b>	<b>45.0</b>	<b>65.7</b>	<b>45.3</b>	<b>71.9</b>	<b>57.6</b>	<b>81.3</b>
1-3 children	37.5	49.2	30.4	39.0	35.8	40.2
4 or more children	7.4	16.5	14.9	32.8	21.7	41.1
5 or more children	3.5	9.0	8.3	20.5	12.3	25.9
Single-parent families	6.0	6.9	9.0	10.1	9.0	9.1
<b>Employment status of head of household</b>						
Working	79.4	86.8	51.7	67.3	56.0	69.5
Salaried employee	69.3	75.6	46.1	59.4	49.0	60.0
Self-employed person	10.1	11.1	5.5	7.8	7.0	9.3
Working age but not working	6.3	6.3	18.6	18.6	21.6	20.7
One wage earner	35.0	31.9	41.7	51.3	44.5	53.0
Two or more wage earners	44.4	54.9	10.0	15.9	11.5	16.5
<b>Age of head of household</b>						
Up to 30	17.4	17.3	18.5	19.6	20.1	18.6
31-45	34.5	43.0	29.8	43.9	35.9	49.7
46 to retirement age	30.5	30.8	20.3	21.5	22.2	22.3
Statutory retirement age	17.6	8.9	31.4	15.0	21.8	9.4
<b>Education of head of household</b>						
Up to 8 years of schooling	9.2	7.5	20.9	16.7	21.4	17.1
9-12 years of schooling	38.0	41.0	41.7	46.7	43.7	48.6
13 or more years of schooling	52.9	51.5	37.4	36.6	35.0	34.3

\* The weight given to each family in calculating the index equals the number of persons included therein.

of poverty and to the depth of poverty (Table 11) reveals that this has remained as it has been during the last two years.

**Table 10**  
**The Income Gap Ratio of the Poor\* among Select Population Groups, 2001 and 2012**

Population group (families)	2011			2012		
	Economic income	Disposable income	Concentration index*	Economic income	Disposable income	Concentration index*
<b>Total population</b>	<b>58.3</b>	<b>34.7</b>	<b>1.00</b>	<b>56.3</b>	<b>34.4</b>	<b>1.00</b>
Jews	60.1	31.8	0.92	56.2	29.8	0.87
Arabs	55.4	37.8	1.09	56.5	39.6	1.15
Elderly	79.5	26.8	0.77	78.0	28.1	0.82
New immigrants	65.3	28.4	0.82	61.1	25.1	0.73
<b>Families with children – total</b>	<b>53.8</b>	<b>35.8</b>	<b>1.03</b>	<b>52.0</b>	<b>35.4</b>	<b>1.03</b>
1-3 children	50.3	33.5	0.96	47.3	31.4	0.91
4 or more children	57.7	38.3	1.10	57.6	39.4	1.15
5 or more children	59.5	38.8	1.12	59.1	40.6	1.18
Single- parent families	62.6	36.3	1.05	61.4	36.0	1.05
<b>Employment status of head of household</b>						
Working	39.6	28.7	0.83	40.1	29.2	0.85
Salaried employee	39.8	28.3	0.82	40.0	28.7	0.83
Self-employed person	37.7	31.0	0.90	40.7	33.1	0.96
Working age but not working	95.6	52.1	1.50	94.2	54.2	1.58
One wage earner	43.5	30.9	0.89	43.5	31.4	0.91
Two or more wage earners	26.4	20.8	0.60	29.1	22.3	0.65
<b>Age of head of household</b>						
Up to 30	54.6	35.6	1.03	50.6	33.0	0.96
31-45	52.6	35.1	1.01	51.4	35.1	1.02
46 to retirement age	58.7	36.1	1.04	55.9	36.9	1.07
Statutory retirement age	80.2	24.7	0.71	78.4	27.2	0.79
<b>Education of head of household</b>						
Up to 8 years of schooling	71.2	39.9	1.15	72.1	37.0	1.08
9-12 years of schooling	53.8	33.5	0.97	51.0	34.2	1.00
13 or more years of schooling	57.1	33.2	0.96	55.9	33.2	0.97

\* The weight given to each family in calculating the index equals the number of persons included therein.

\*\* The concentration index is the gap ratio and it indicates the ratio of the depth of poverty in the group to that in the general population.



**Table 11**  
**The Effect of Transfer Payments and Direct Taxes on the Dimensions of Poverty**  
**among Select Population Groups, 2010-2012**

Population group (families)	Percentage of decrease stemming from transfer payments and direct taxes					
	Incidence of poverty			Income gap ratio of the poor		
	2010	2011	2012	2010	2011	2012
<b>Total population</b>	<b>39.2</b>	<b>39.3</b>	<b>36.0</b>	<b>40.2</b>	<b>20.5</b>	<b>39.0</b>
Jews	48.7	49.4	45.5	44.4	47.1	46.9
Arabs	12.3	11.5	8.4	33.8	31.8	29.9
Elderly	64.3	64.4	55.1	66.7	66.3	64.0
New immigrants	57.8	59.6	50.1	56.8	56.6	59.0
<b>Families with children – total</b>	<b>17.0</b>	<b>18.7</b>	<b>18.7</b>	<b>34.0</b>	<b>33.4</b>	<b>31.9</b>
1-3 children	21.5	22.5	24.6	33.4	33.5	33.6
4 or more children	8.3	11.2	6.7	34.9	33.7	31.6
5 or more children	8.2	10.7	5.6	35.5	34.9	31.2
Single parent families	35.1	35.2	35.8	43.7	42.0	41.3
<b>Employment status of head of household</b>						
Working	31.9	31.3	30.6	26.7	27.5	27.1
Salaried employee	33.8	33.4	32.0	28.2	28.8	28.3
Self-employed person	15.5	12.6	19.2	17.1	17.7	18.7
Working age but not working	22.6	21.8	25.8	44.4	45.4	42.4
One wage earner	32.2	31.6	31.7	28.5	29.1	27.8
Two or more wage earners	30.0	29.9	26.2	15.6	21.2	23.6
<b>Age of head of household</b>						
Up to 30	28.8	29.8	30.4	32.9	34.8	34.9
31-45	21.8	22.3	22.9	33.7	33.2	31.7
46 to retirement age	31.5	29.6	30.3	37.7	38.5	34.0
Statutory retirement age	65.6	65.9	55.4	68.6	69.2	65.3
<b>Education of head of household</b>						
Up to 8 years of schooling	38.9	38.0	34.7	43.5	44.0	48.7
9-12 years of schooling	34.1	34.6	32.9	36.3	37.8	32.9
13 or more years of schooling	45.7	45.5	40.2	43.4	41.9	40.5

### Box 2

#### Effect of the Work Grant on the Income and Poverty Level of Families

As part of a study on the work grant program (negative income tax<sup>1</sup>), the effect of the grant on the income changes in general and on the dimensions of poverty in

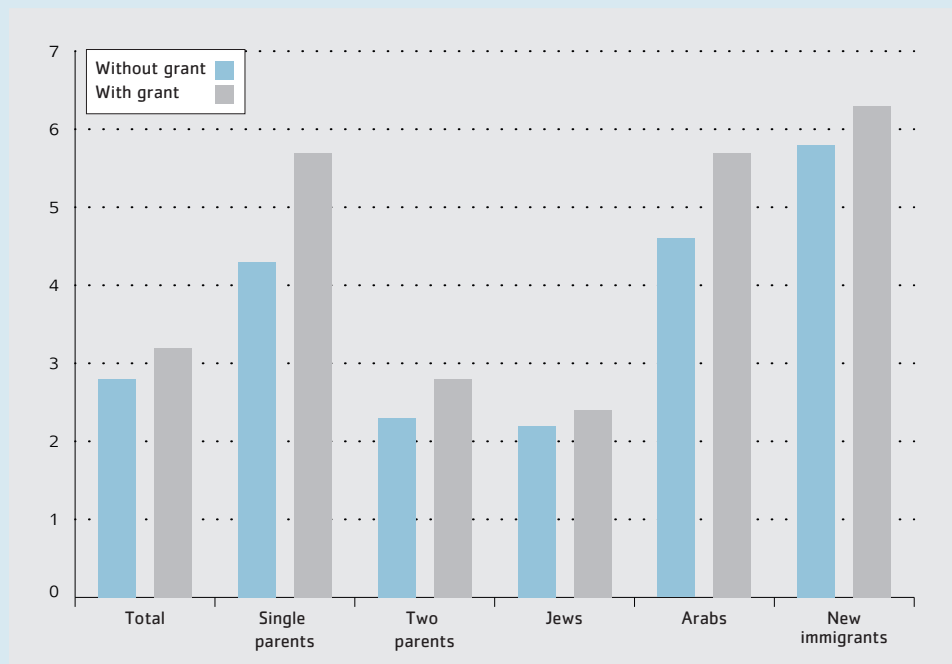
1 The negative income tax study was carried out by a team of investigators from the Bank of Israel, the National Insurance Institute, the Brookdale Institute and the Tax Authority. The full and detailed report on the effect of the work grant on poverty and other areas will be published soon.



particular, of the families that were entitled thereto, was examined. The follow-up study of the potential population entitled to the work grant was carried out by a joint research group, in which representatives from the NII and from additional institutions (Bank of Israel, Brookdale Institute, etc.) took part. The study examined the changes in the situation of the families according to various attributes related, inter alia, to their income and their poverty level, using an experimental group and a control group (the control group was composed of similar families that did not receive a work grant), at three points in time and while returning to those families.

This box will present a summary of the findings that will be presented in the full report, which pertain to the effect of the work grant on the poverty level of families in Israel according to the analysis performed at two points in time: the first date of the interviews at the beginning of the program (t0) and the third date of the interviews (t2)<sup>2</sup>. The findings will be presented by cross-sections of principal groups in the entitled populations (families with 1-2 children, families with 3 or more children and persons aged 55+) as well as by cross-sections of population groups (new immigrant, Arab, single parent, etc.).

**The Decrease in the Incidence of Poverty in the Experimental and Control Groups Between T0 To T2 with and without the Work Grant, Average and Among Select Population Groups**



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 2 The full report on this researched aspect will be published soon as part of the comprehensive report of the inter-office research group.

**Incidence of Poverty of Families in the Experimental and Control Groups,  
by Population Group (percentages)**

	t0		Experimental		Control		t2		Difference in differences	
	Experimental	Control	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Excluding work grant (percentage points)	Including work grant (percentage points)
Population group	Income after transfer payments	Income after transfer payments	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Income after transfer payments, excluding work grant	Income after transfer payments, including work grant	Excluding work grant (percentage points)	Including work grant (percentage points)
Total	41.4	40.2	38.4	38.0	40.1	40.1	40.1	40.1	-2.8	-3.2
Single parent	52.7	48.7	49.3	47.9	49.6	49.6	49.6	49.6	-4.3	-5.7
Two parent	48.5	41.5	44.4	43.9	39.8	39.8	39.8	39.8	-2.3	-2.8
Jews	40.3	37.9	37.7	37.6	37.6	37.6	37.6	37.6	-2.2	-2.4
Arabs	56.1	61.2	53.1	52.0	62.8	62.8	62.8	62.8	-4.6	-5.7
New immigrants	43.7	28.8	40.5	40.0	31.3	31.3	31.3	31.3	-5.8	-6.3

The incidence of poverty of families in the experimental group decreased from 41.4% at t) to 38.4% at t2 (see table). However, the work grant increment at t2 contributed to a further decrease in the incidence of poverty to a level of 38.0%, i.e. by about half a percentage point more. The incidence of poverty of families in the control group, which as stated were not included in the work grant program, decreased from 40.2% at t0 to 40.1% at t2.

An examination of the effect of the income grant by the difference in differences (i.e. when we calculate the difference between the incidence of poverty between t2 and t0 in the experimental and control groups and then we calculate the difference between these two differences) indicates that the incidence of poverty in the experimental group decreased between t0 to t2 by 2.8 percentage points more than did the incidence of poverty in the control group between the two points in time. The work grant had a further effect in that it increased the gap of decrease in the incidence of poverty between the experimental group and the control group to 3.2 percentage points (the last column in the table). These findings are compiled and illustrated in the above graph.

When examining the effect of the work grant on the incidence of poverty of families in select population groups, it may be seen that the effect thereof was greatest among new immigrant families: the grant increased the decrease in the incidence of poverty in the experimental group by about 6 percentage points compared to the decrease in the incidence of poverty in the control group. The effect of the work grant is evident also among the single-parent families and Arab families: the decrease in the incidence of poverty for them in the experimental group was 5.7 percentage points higher than the decrease in the corresponding control group. The smallest effect of the work grant was among Jews: for them as well the decrease in the incidence of poverty in the experimental group between t0 and t2 was greater than the decrease in the control group, but by a fairly moderate rate of 2.4 percentage points.

The work grant increment at t2 contributed to a further decrease in the incidence of poverty to a level of 38.0%

The effect of the work grant was greatest among new immigrant families

One way to define extreme poverty is to examine households whose income falls well below the official poverty line of 50% of the median income of the disposable monetary income per standard person. Thus, for instance, it is customary to regard households whose income level is lower than 40% of the median income as households living in extreme poverty<sup>11</sup> and by the same logic, households whose income is indeed above the official poverty line, but lower than 60% of the median income may be regarded as households living at risk of poverty<sup>12</sup>. The rate of persons living in extreme poverty in the general population reaches an average of approximately 15% of the people; however,

11 An approach more widely accepted among poverty researchers is to define extreme poverty using the FGT index, which generally expresses the sum of squares of the income gaps as described elsewhere in this chapter. The approach in this table is easier to understand.

12 The 60% measure was set by the European Union as the official poverty line for risk of living in poverty. See Poverty and Social Exclusion on the website: /http://ec.europa.eu/social.

**Table 12**  
**Incidence of Poverty, Extreme Poverty and Risk of Poverty**  
**among Persons, Select Population Groups, 2012**

Population group	Living in extreme poverty – below 40% of the median income	Living in moderate poverty – 40% - 50% of the median income	Living below the official poverty line of 50%	Living above the official poverty line, but at risk of poverty
<b>Total population</b>	15.4	8.1	23.5	7.2
Jews	8.8	6.7	15.5	6.3
Arabs	44.2	13.8	57.9	10.8
Elderly	12.6	10.7	23.3	7.7
New immigrants	7.5	9.8	17.3	8.6
Ultra-Orthodox Jews*	38.3	20.0	58.3	12.2
<b>Families with children – total</b>	19.8	9.3	29.1	7.8
1-3 children	11.4	7.8	19.2	7.2
4 or more children	44.8	13.6	58.4	9.6
5 or more children	51.9	15.4	67.3	10.9
Single-parent families	20.9	10.2	31.0	10.3
<b>Employment status of head of household</b>				
Working	11.4	7.4	18.8	7.0
Salaried employee	11.1	7.5	18.6	7.1
Self-employed person	13.1	6.6	19.7	6.3
Working age but not working	68.2	9.3	77.5	7.5
One wage earner	25.9	13.1	39.0	8.8
Two or more wage earners	2.9	4.1	7.0	5.9
<b>Age of head of household</b>				
Up to 30	15.8	9.4	25.2	10.0
31-45	18.5	8.6	27.1	6.8
46 to retirement age	11.6	5.4	17.0	6.0
Statutory retirement age	13.0	11.9	24.9	7.9
<b>Education of head of household</b>				
Up to 8 years of schooling	37.4	16.1	53.5	10.8
9-12 years of schooling	18.8	9.0	27.8	9.0
13 or more years of schooling	9.5	6.1	15.6	5.2

\* Ultra-Orthodox Jews are defined according to the approach of the Gottlieb – Kushnir study of 2009.

in large families – most of which (approximately 2/3 of them) are families of Ultra-orthodox Jews and Arab families – this rate rises to more than 40% (Table 12).

Some 80% of the persons in poor families that have four or more children, 90% of the persons in families headed by working age persons who are not working and more than 60% of the persons in poor working families live in extreme poverty. By contrast, in other groups the rate of those living in extreme poverty is much lower – about half of the poor elderly and the families headed by persons of retirement age, 43% of new immigrant families and 45% of households with two wage earners live in extreme poverty (Table 12).

## 5. The Inequality in Income Distribution and the Effect of Policy Measures

The progressive structure of transfer payments and direct taxes minimizes income gaps in the population. The rate of the transfer payments relative to the economic income diminishes as the economic income rises, whereas the rate of the direct taxes rises with economic income. The more progressive the transfer payments and the direct taxes, the higher the proportion of the lower decile income out of the income after transfer payments and direct taxes and the lower the proportion of the upper decile income.

As stated, the data presented below differs, from that of previous years in light of the structural changes in the database: the significance with regard to this unique year is a break in the statistical series, because of which it is impossible to directly compare the data of 2011 and 2012. However, as is presented below, looking over a range of many years back illustrates that generally the values of the indices and the principal trends as calculated in recent years have remained unchanged.

In 2004- 2012 economic income rose by 24.0% and disposable income by a higher rate: 27.2% (Table 13). The increase in economic income is a result of expanding employment and the real wage increase of 2003-2007, halted in 2008. The highest increase in the

**Table 13**  
**Average Income, Benefits and Taxes per Family (NIS per month, 2012 prices), 2004-2012**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012 vs. 2007 (percentages)
Economic income	11,720	12,080	12,560	13,200	13,040	12,720	13,180	12,930	14,530	24.0
Total transfer payments	1,920	1,920	1,930	1,910	1,860	1,970	1,970	1,960	2,060	7.3
National insurance benefits	1,440	1,400	1,410	1,390	1,380	1,450	1,490	1,480	1,510	4.9
Direct taxes	2,750	2,690	2,660	2,890	2,650	2,400	2,500	2,320	2,750	0.0
Disposable income	10,880	11,320	11,830	12,220	12,250	12,290	12,650	12,570	13,840	27.2

The highest increase in the disposable income relative to the economic income is a result of two changes

disposable income relative to the economic income is a result of two changes with a cumulative effect in the same direction: on the one hand, transfer payments rose by 2% in real terms, and on the other hand direct taxes also decreased, in the wake of the tax reform, by about 16%. Since, on average, tax reduction has a greater effect on disposable income than do transfer payments, it stands to reason that disposable income rose by a higher rate than did economic income in 2004–2012.

Transfer payments rose by 2% in real terms, and direct taxes decreased, in the wake of the tax reform, by about 16%

In 2012, there was a decrease in transfer payments relative to economic income – from 15.2% in 2011 to 14.2% in 2012 – so that this rate was even lower than its level in 2009 (Table 14). The significant differences in the transfer payment rates relative to the economic income of the various deciles, primarily the lower deciles, between 2011 and 2012 – as presented in Table 14 – are not explained by real changes in these years, but most likely stem from the technical differences between the databases. There is an increase in the proportion of direct taxes out of total economic income from 18% in 2011 to 18.9% in 2012. This change embodies a degree of progressiveness, where the second decile presents a drop of 2 percentage points in the direct tax rate as a proportion of total economic income, while the other deciles present a rise in this rate, which increases with the deciles.

The lowest to the seventh decile receive higher transfer payments than their total direct tax payment and starting with the eighth decile, the ratio reverses

When ranking deciles by economic income, the lowest to the seventh decile receive higher transfer payments than their total direct tax payment (Table 15) and starting with the eighth decile, the ratio reverses: the upper decile pays more than half the taxes and

**Table 14**  
**Rates of Transfer Payments and Direct Taxes Relative to the Average Economic Income in Each Decile\*, General Population (percentages), 2010–2012**

Decile	Transfer payments			Direct taxes		
	2010	2011	2012	2010	2011	2012
Lowest	—**	—**	—**	—**	—**	—**
2	157.1	133.2	96.4	14.5	12.7	10.8
3	52.3	51.6	46.9	8.8	8.6	8.7
4	34.6	38.0	30.2	9.3	8.5	9.1
5	23.4	22.2	21.1	9.6	9.1	10.0
6	14.9	14.7	13.7	10.3	10.4	11.1
7	9.5	9.8	11.0	12.3	11.5	12.5
8	6.7	6.5	7.7	14.6	14.1	15.2
9	4.7	4.9	4.4	18.6	17.9	19.2
Highest	2.1	2.2	2.4	28.0	26.5	27.6
<b>Total</b>	<b>14.9</b>	<b>15.2</b>	<b>14.2</b>	<b>18.9</b>	<b>18.0</b>	<b>18.9</b>

\* For the purpose of establishing the deciles, the families were ranked by economic income per standard person. Each decile represents 10% of all persons in the population.

\*\* This ratio cannot be calculated since families in the lowest decile have almost no economic income and their sole source of income is transfer payments.

**Table 15**  
**The Proportion of Each Decile\* of the General Population in Total Transfer Payments and Direct Taxes (percentages), 2010-2012**

Decile	Transfer payments			Direct taxes		
	2010	2011	2012	2010	2011	2012
Lowest	25.2	26.7	25.0	1.0	1.1	0.9
2	13.5	12.1	11.4	1.0	1.0	1.0
3	10.0	9.7	10.2	1.3	1.4	1.4
4	10.3	10.9	9.7	2.2	2.1	2.2
5	9.8	9.0	9.3	3.2	3.1	3.3
6	8.1	8.0	7.9	4.4	4.8	4.8
7	6.6	6.8	8.0	6.7	6.8	6.8
8	5.9	5.9	7.1	10.2	10.7	10.6
9	5.5	5.8	5.4	17.4	18.1	17.9
Highest	5.1	5.0	5.9	52.6	51.1	51.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* For the purpose of establishing the deciles, the families were ranked by economic income per standard person. Each decile represents 10% of all persons in the population.

**Table 16**  
**The Effect of Transfer Payments and Direct Taxes on Inequality in Income Distribution among the General Population (percentages), 2010-2012**

Decile*	The proportion of each decile of total income (%)**								
	Before transfer payments and taxes			After transfer payments			After transfer payments and taxes		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Lowest	0.0	0.0	0.1	0.6	0.7	0.8	1.8	1.9	2.0
2	1.4	1.6	1.9	3.0	3.1	3.2	3.4	3.4	3.6
3	3.1	3.1	3.4	4.1	4.2	4.3	4.6	4.6	4.8
4	4.7	4.7	4.9	5.4	5.5	5.5	6.0	6.1	6.1
5	6.4	6.4	6.5	6.9	6.9	6.9	7.6	7.5	7.6
6	8.4	8.5	8.4	8.5	8.6	8.5	9.2	9.2	9.1
7	10.6	10.8	10.5	10.3	10.5	10.3	11.0	11.0	10.8
8	13.4	13.7	13.3	12.7	13.0	12.7	13.1	13.3	13.0
9	17.8	18.2	17.8	16.5	16.8	16.6	16.3	16.5	16.2
Highest	34.1	33.0	33.3	30.8	29.8	30.2	27.1	26.5	26.8
The ratio of the income of the highest to the lowest quintile	36.4	33.0	25.5	10.2	9.6	9.5	8.3	8.0	7.8

\* The families in each column were ranked according to the level of income corresponding to a standard person. Each decile represents 10% of all persons in the population.

\*\* In terms of income per standard person

**Table 17**  
**Gini Index of Inequality in Income Distribution among the Population, 1999-2012**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease stemming from transfer payments and taxes
2012	0.4885	0.4170	0.3767	22.9
2011	0.4973	0.4179	0.3794	23.7
2010	0.5045	0.4260	0.3841	23.9
2009	0.5099	0.4293	0.3892	23.7
2008	0.5118	0.4318	0.3853	24.7
2007	0.5134	0.4323	0.3831	25.4
2006	0.5237	0.4379	0.3923	25.1
2005	0.5225	0.4343	0.3878	25.8
2004	0.5234	0.4300	0.3799	27.4
2003	0.5265	0.4241	0.3685	30.0
2002	0.5368	0.4309	0.3677	31.5
1999	0.5167	0.4214	0.3593	30.5
Change in the index (%)				
2012 vs. 2011	-1.8	-0.2	-0.7	
2012 vs. 2002	-9.0	-3.2	2.5	
2012 vs. 1999	-5.5	-1.0	4.8	

receives about 6% of total transfer payments. The patterns of all income distribution in the general population during 2010 – 2012<sup>13</sup> (Table 16), illustrate that there were no substantial changes in the distribution of disposable income among the deciles between the two years compared, 2011 and 2012. The ratio of the income of the lowest quintile to that of the highest quintile, before transfer payments and taxes, decreased considerably between the two years, similar to the Gini index of income before transfer payments and direct taxes (Table 17). In the absence of real changes occurring during these years, which may explain this, we assume that this stems from technical differences between the databases.

The Gini index of income before transfer payments and taxes decreased to 0.4885 in 2012, compared to 0.4973 in 2011 (Table 17), as stated, with no sufficient real cause for such a sharp decrease. This, while the Gini index of the other income categories remained without considerable change. This being the case, the contribution of transfer payments and direct taxes to the reduction of inequality was apparently greatly reduced as well.

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 13 The data on inequality in income distribution among the working population is presented in tables 18 – 19 in the appendix Poverty and Inequality Tables.



### Box 3 Social Assistance in Housing

Housing assistance to disadvantaged populations generally focuses on two principal measures – public housing and rental assistance – and in many countries worldwide, among them Israel, there is generally some combination of these two measures.

In recent decades, diminishing government intervention in the housing market has become apparent in Israel, while when choosing between the two above measures a reduction in the proportion of public housing and an increase in that of rental assistance has become evident.

In this box we will present an initial review of government housing assistance and of its effect on poverty, based on the 2012 Household Expenditure Survey (This year it has become possible, for the first time, to obtain the rental assistance as a separate line item in the framework of the Survey).

The Survey data shows that 63% of the poor families own an apartment, 9% of the poor families are supported by government assistance (7.7% live in public housing and 1.4% receive rental assistance), so that 28% of the poor families are not in possession of an apartment owned by them and are not supported by any housing assistance (Table 1). The public housing assistance is indeed granted primarily to families who are poor or on the verge of poverty, compared to the much lower rate (less than 2%) for families not defined as such.

The rate of the beneficiaries of both measures is significantly higher among families living in poverty or on the verge of poverty (whose income is up to 125% of the poverty line) (Table 2). Many households were above the poverty line, but in proximity thereto – which may allude to the efficacy of these measures in extricating from poverty.

The degree of efficacy of rental assistance in extricating from poverty is detailed below in Table 3, which presents the incidence of poverty of different groups, the incidence of poverty were it not for the rental assistance and the ratio between the incidences of poverty, which indicates the degree of contribution of the assistance to reducing the incidence of poverty. The data shows that rental assistance reduced the incidence of poverty in the general population by 4.2%, while the new immigrants are the primary beneficiaries of this assistance – the incidence of poverty among them diminished by 16.2%. This is also the case among the elderly, single parents and disability pension recipients (some of which overlap with the new immigrants); the incidence of poverty among these groups diminished at rates of 10.4%, 7.9% and 7.5%, respectively.

63% of the poor families own an apartment, 9% of the poor families are supported by government assistance

Rental assistance reduced the incidence of poverty in the general population by 4.2%

**Table 1**  
**Various Housing Solutions among Poor Families, Families in Near Poverty and Non-Poor Families (percentages), 2012**

	Rate of those living in owned apartments	Rate of those living in public housing	Rate of beneficiaries of rental assistance	No housing solution
Poor families	63.0	7.7	1.4	27.8
Families whose income is 25% or less above the poverty line	62.2	7.1	4.0	26.7
Non-poor families	69.1	1.8	2.8	26.4

**Table 2**  
**Proportion of Public Housing and Rental Assistance of Poor Families, Families in Near Poverty and Non-Poor Families (percentages), 2012**

	Proportion of public housing	Proportion of total rental assistance
Poor families	50.9	11.2
Families whose income is 25% or less above the poverty line	66.7	44.1
Non-poor families	49.1	88.8

**Table 3**  
**The Incidence of Poverty with and without Rental Assistance and the Contribution of the Assistance to Reducing the Incidence of Poverty, Select Groups (percentages), 2012**

Population group	Incidence of poverty		Rate of decrease in the incidence of poverty
	Total	Incidence of poverty without rental assistance	
Total	19.4	20.2	4.2
Elderly	19.5	21.8	10.4
New immigrants from 1990	18.7	22.3	16.2
Families with children	24.8	25.1	1.4
Number of children: 1-3	18.5	18.9	2.2
Single parents	28.4	30.8	7.9
Disability pension recipients	20.0	21.6	7.5
Income support recipients	64.9	67.8	4.3

## 6. Poverty from the Perspective of Expenditure

From early 1970s, poverty in Israel has been defined according to a relative approach, accepted by most researchers and social policy makers in the Western world. Under

this approach, poverty is a phenomenon of relative distress and a family is deemed poor when its living conditions are substantially inferior to those characteristic of the society as a whole – and not when it is unable to purchase some basic basket of goods that it requires for its subsistence.

In the 1990s, a semi-relative approach for measuring poverty was developed in the United States, whereby a threshold expenditure was set for a **basic basket of goods** (and in this respect the approach is absolute), but the value of this basket is calculated as a percentage of the median expenditure on consumption of basic goods. This method has been recommended as an alternative to the official poverty index existing in the United States and it was developed by a committee of experts from academia in the United States and in Great Britain (National Research Council – NRC), pursuant to an initiative of the Congressional Economic Committee, with the aim of thoroughly reviewing the official poverty measurement in the United States and proposing an alternative measurement. Its principles were formulated following years of thorough and comprehensive theoretical and empirical research. The committee recommended that the basket of goods be based on actual consumption habits, as they are reflected in household expenditure surveys.

This section presents a brief review of alternatives to the existing poverty index, which were developed by the Research and Planning Administration and are calculated according to the above approach, which is based on the expenditures of households and not on their income.

In a study published by the National Insurance Institute in 2004<sup>14</sup>, an attempt was made to measure poverty in Israel according to the NRC approach, primarily based on a calculation of a **threshold expenditure of a representative family** (which is comprised of two adults and two children), calculated from the consumption data of the population itself, as reflected in the expenditure surveys of the Central Bureau of Statistics. The basket, used as a basis for calculating the **threshold expenditure**, includes goods and services in the areas of food, clothing and footwear and housing, together with essential related goods. The threshold expenditure is adjusted for other family compositions using an equivalence scale that takes the family composition into account in terms of the number of adults and children that it comprises. The income that is compared to the threshold expenditure is the disposable income available to the household (the gross income from all sources less direct taxes). A component of **in-kind income** is added to the income if the family receives public housing and pays a reduced rent payment relative to the market prices<sup>15</sup>. A poor family is one whose disposable income cannot fund the expenditure on this basket.

A brief review of alternatives to the existing poverty index, which were developed by the Research and Planning Administration is based on the expenditures of households and not on their income

14 M. Sabag-Endeweld and L. Achdut (2004). **Development of an Experimental Poverty Index from the Perspective of Expenditures in Israel**. Research and Planning Administration, National Insurance Institute.

15 In accordance with the recommendations of the American committee, in addition to the direct taxes, also transportation expenses for work purposes and expenses of maintaining children in dormitories, kindergartens as well as caregivers for working families are deducted from income.

The study presented two alternatives for calculating threshold expenditure and the comparative income for each family category, where the difference between the two alternatives lies in the definition of housing expenditure. Under the first alternative, housing expenditure is obtained according to total current payments for living in an apartment (loans and mortgages, rent, etc.) and under the second alternative housing expenditure is calculated according to rent for whoever lives in a rented apartment and according to the rent imputed to the apartment for whoever owns an apartment. Under the second alternative, a family living in an apartment that it owns is compensated on the income side. The component that is added to the income side is the difference between the rent imputed to the apartment and the total current expenditure on the apartment<sup>16</sup>.

In another study published by the NII in 2011<sup>17</sup>, a poverty index that combines a Canadian approach and an American approach was calculated. The Market Basket Measure (MBM) index, as calculated for the Israeli economy, is on a continuum between two endpoints of an absolute and a relative index and it belongs to the family of poverty indices whose poverty line is derived from an adequate level of consumption of a basket of goods that reflects a reasonable estimate of a minimum for adequate sustenance. Its connection to a minimum for sustenance allows its poverty line to be used for evaluating the suitability of the level of subsistence benefits, i.e. income support and income supplement benefits, which constitute a last safety net for those who cannot support themselves or their families. A key difference between the NRC index and the MBM index lies in the treatment of the food component; while under NRC food expenditures is treated by means of the actual data, similar to the treatment of other expenditures of the adequate basket, which also includes clothing, housing and various supplements using an expenditure multiplier, under the MBM index, the food basket is set in nominal and not actual terms – according to nutritional principles based on the household composition by gender and age.

Under the third calculation method, FES, a unique poverty line is defined for each household according to the characteristics of the individuals of which it is composed. A **basic food** basket is tailored to each household, which defines the minimum necessary monetary expenditure on food, in accordance with the definitions of Nitzan-Kaluski (2003) and their correlation to the price level. This method takes into account that a household has necessary expenditures, additional to food expenditure, and when defining its minimum expenditure it takes into account both the minimum expenditure on food and that on additional goods. For this purpose, we assume under this model

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16 Under both alternatives, the calculation of the income compared to the threshold expenditure also takes into account the benefit inherent in the public housing services: a family living in public housing (of housing companies such as Amidar, Amigour, etc.) is compensated on the income side by the amount of the difference between the rent in the free market and the rent that is actually pays.

17 D. Gottlieb and A. Fruman (2011). *Measuring Poverty According to an Adequate Consumption Basket in Israel, 1997-2009*. Research and Planning Administration, National Insurance Institute.

that the household expenditure on food increases insofar as income increases and that the marginal cost food decreases insofar as income increases. Thus, insofar as income increases, food expenditure increases, so that its rate out of total expenditures diminishes and the rate of expenditure on other goods increases.

Under this method, we indicate for each household two sizes of minimum income, whose accounting average is defined as the poverty line: (a) income at which the households' distribution of its expenditures is such that food expenditure is identical to the minimum food expenditure defined for it. (b) Income identical to the monetary cost of the minimum food consumption defined for said household together with the monetary cost of goods other than food that the household would have consumed had its income been identical to the monetary cost of the minimum food basket defined for this household.

The various calculations under this method were done twice: once when using the monetary income of the household and a second time by inclusion of in-kind income as part of the income, while within the framework of the data currently available to us most of in-kind income is a result of ownership of the residential apartment.

Table 18 below presents the incidence of poverty and the threshold expenditure – the minimum expenditure required so as not to be deemed poor under any one of the methods, in accordance with the three calculation methods by different family compositions in 2011 and 2012. It may be seen that under the NRC method, the incidence of poverty when imputed rent is taken into account (alternative “B”) is lower than the incidence of poverty when current payments are taken into account (alternative “A”) under all the family compositions (apart from a couple with two children or an adult with two children). Thus, for instance, the incidence of poverty of an individual without children is set at 22%, while under alternative “B” it is set at only 14.3%. By contrast, under both the FES measurement methods, with and without the inclusion of income in-kind, a similar incidence of poverty is yielded among the different family categories.

Under all the methods presented for measuring poverty from the perspective of expenditure, the incidence of poverty rises insofar as the number of children increases, among families with two or more children. Thus, for instance, the incidence of poverty among couples with five children under the NRC method reaches 60.2% by monetary income and 58.7% by aggregate income. Under the FES method, this incidence of poverty reaches 67.9% by monetary income and 66.4% by aggregate income and under the MBM method, it reaches 62.5%.

According to the data presented, the threshold expenditure values for small families under the NRC and the MBM methods are higher than the threshold expenditure values under the FES method and in large families there is an inverse ratio. Accordingly, there is an identical ratio to the incidence of poverty. This difference stems from the equivalence scale under the NRC and MBM methods, which treats children and adults differently, unlike the calculation under the FES method.

The incidence of poverty when imputed rent is taken into account is lower than the incidence of poverty when current payments are taken into account

According to the data presented, the threshold expenditure values for small families under the NRC and the MBM methods are higher than the threshold expenditure values under the FES method

**Table 18**  
**Incidence of Poverty and Threshold Expenditure of Different Family Compositions, Under the NRC, FES and MBM Approaches, 2011-2012**

Family composition	NRC		FES		MBM		
	2011	2012	2011	2012	2011	2012	
	Threshold expenditure (NIS)	Incidence of poverty (%)	Threshold expenditure (NIS)	Incidence of poverty (%)	Threshold expenditure (NIS)	Incidence of poverty (%)	
Single adult	2,729	22.2	2,859	22.0	1,861	9.3	
Two adults	4,434	14.8	4,645	13.8	3,711	6.2	
Two adults + one child	5,470	18.2	5,730	16.9	5,062	9.2	
Two adults + two children	6,428	17.0	6,734	14.7	6,810	11.9	
Two adults + three children	7,328	21.8	7,677	21.9	8,758	22.3	
Two adults + four children	8,183	43.1	8,572	41.5	10,379	43.8	
Two adults + five children	9,001	61.7	9,429	60.2	12,221	67.9	
One adult + two children	5,037	33.8	5,277	34.1	5,480	35.3	
			<b>By monetary income</b>				
Single adult	3,361	14.0	2,386	14.3	2,394	6.8	
Two adults	5,460	12.0	5,706	10.9	4,773	5.2	
Two adults + one child	6,737	16.5	7,040	15.7	6,511	9.5	
Two adults + two children	7,917	17.4	8,273	15.1	8,760	11.7	
Two adults + three children	9,025	20.7	9,431	21.2	11,265	22.7	
Two adults + four children	10,078	39.2	10,531	39.6	13,349	45.1	
Two adults + five children	11,086	60.2	11,584	58.7	15,720	66.4	
One adult + two children	6,204	35.5	6,483	35.3	7,049	35.4	
			<b>By aggregate income</b>				
Single adult	3,361	14.6	3,187	14.6	3,368	16.3	
Two adults	5,460	10.8	5,436	10.8	5,717	10.1	
Two adults + one child	6,737	20.9	6,858	20.9	7,226	15.8	
Two adults + two children	7,917	19.3	8,377	19.3	8,804	17.4	
Two adults + three children	9,025	23.4	9,874	23.4	10,397	25.2	
Two adults + four children	10,078	44.1	11,360	44.1	11,821	49.2	
Two adults + five children	11,086	76.7	12,742	76.7	13,278	62.5	
One adult + two children	6,204	38.2	6,655	38.2	6,961	38.1	