National Insurance Institute
Research and Planning Administration

2011

Poverty and Social Gaps

Annual Report

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Foreword

This Poverty Report covers the year in which the social protests, also known as the "tent protests," broke out in Israel.

Reading this report will show that there was no particular worsening of the country's socioeconomic situation that could explain why this wave of protest emerged specifically in 2011; on the contrary, income inequality actually dropped slightly. We must therefore deduce that the public frustration with its socioeconomic circumstances stems from the fact that poverty and inequality have remained stuck at a high level for nearly a decade and is showing few, if any, signs of regression.

This problematic situation is apparently not a temporary phenomenon; it has become rooted over the terms of several governments and is being exacerbated by unfair arrangements in the labor market that are increasingly weakening the status of employees. It is likely that the social protest will not continue steadily and continuously, but rather risk to erupt unexpectedly and possibly more forcefully at any time.

The exceptional persistence of poverty and inequality should be considered as the Achilles heel of Israeli society today, similar to the inflation and balance of payments crises that threatened Israeli stability in the early 1980s. In 1983, when the country's foreign debt was at a high point and risked getting out of control and a bit later, galloping inflation began to paralyze the economy, a courageous and comprehensive economic program was implemented that confronted these problems and due to the will power of the government at that time the huge problems were resolved decisively within a short period of time, even as other countries facing the same problems failed to deal with them adequately and ended up paying a heavy economic and social price.

Israel's success stemmed from the willingness of its leadership to acknowledge the problems and deal with them efficiently, methodically, and systematically. The successful plan included numerous tools that attacked the problems from various angles.

Today's problems of poverty and inequality demand a similar system-wide approach. In recent years there have been some steps in the right direction, such as the compulsory pension law, increased enforcement of labor laws, and the introduction of negative income tax throughout the country. But this doesn't seem to be enough to bring about a significant and steady improvement in the socioeconomic state of affairs. As this report shows, the primary challenge is to improve the incomes of those working at low salaries, since although policies to increase employment have succeeded, the conditions attached to these new jobs are inferior. Over the years the Minimum Wage Law has not been sufficiently enforced on the one hand, while on the other hand the minimum wage has become a salary guideline even for workers with professional training and an academic education, a fact which has perpetuated low paying jobs for people who deserve better.

As one can learn from this report, there are many options for improving the socioeconomic situation. The negative income tax plan can be enhanced, enforcement of labor laws can improve further, basic social security allowances (particularly income support) should be raised, and the social and employment security of employees and small business owners could be improved by, say, providing the self-employed unemployment insurance, among other things.

Such programs and others would require significant budget increases. The importance of preserving fiscal stability requires indentifying stable sources of financing for these programs; such sources can be found primarily in the realm of tax benefits, which in many cases are directed at the more established and even wealthy strata of society. Using this budget source could considerably reduce inequality.

Given the importance of examining the socioeconomic state of the entire population, a need that has come to the fore since the eruption of the social protests, we plan to broaden the socioeconomic analysis of the middle and upper classes in Israeli society starting with the next report.

Daniel Gottlieb

Deputy Director-General for Research and Planning

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Summary of Findings and Trends

- The economic recovery following the recession of 2008-2009 continued in 2011, manifesting itself in a broadening of employment and in a drop in the unemployment rate. With that, the **standard of living**, as expressed in the median disposable nominal income, **remained nearly unchanged (up 0.2%) in 2011 compared to 2010,** as did the poverty line derived from it. Average disposable income actually dropped a bit (-0.4%).
- The **overall incidence of poverty among families remained almost unchanged** in 2011 at 19.9% (compared to 19.8% in 2010). With that, among the poor there were shifts: There **was an increase in the incidence of poverty among individuals, children and employees, while the incidence of poverty among the elderly decreased**.
- In 2011 there were **442,200** poor families in Israel, representing **1,838,600** persons, of whom **860,900** were children. As a result of, inter alia, an increase in the population, the number of poor families grew by 2.1%, the number of poor persons by 3.7% and the number of poor children by 2.8%.
- The **long-term drop in poverty among the elderly continued in 2011, from a high of 25.1% in 2004 to 19.4% in 2011**. This achievement stems primarily from the gradual and ongoing increase in the benefits paid to the elderly in recent years. The increase in the retirement age, which allowed this population to increase its income from employment, may have also started to contribute to this trend. The condition of the elderly who remain below the poverty line, however, barely changed: Their depth of poverty remained at 26.8% in 2011, as did their severity of poverty, which gives greater weight to a poorer family's income gap.
- **The incidence of poverty among working families continued to increase in 2011**, from 19.4% to 20.0% by economic income and from 13.2% to 13.8% according to disposable income. This increase occurred despite the recovery in the employment market that characterized 2011 as expressed in the overall increase in employment. Thus the ratio of working poor families from among all working-age poor families **rose** from **62.4% in 2010 to 64.8% in 2011**.
- The higher incidence of poverty among working families affected families of **employees and the self-employed alike**, but was particularly evident among families headed by a **self-employed person**; among these families the incidence of poverty rose around 1 percentage point, from 13.1% in 2010 to 14% in 2011. It should be noted that in 1999 the incidence of poverty among such families stood at 7%, half what it is today.
- There was also a **sharp rise** in the incidence of poverty among **families with two or more breadwinners** from 3.5% in 2010 to 4.6% in 2011. For many years, such families were considered practically immune to poverty. At the start of the 2000s, the rate of poverty among such families was around 2%, less than half what it is today. At the same time, there were decreases in the indices measuring the depth and severity of poverty within this group.
- In 2011 there was a **drop in the proportion of unemployed families of working age** among the general population, the result of long-term government policies to encourage employment and even push people toward employment using various means, as well as due to the improvement in

the economy. This long-term trend was temporarily interrupted by the recession of 2009. With that, the incidence of poverty among unemployed families, which stood at 64.5% in 1999, continued to rise, from 70.1% in 2010 to 70.7% in 2011. Meanwhile, the contribution of transfer payments to reducing poverty continued to drop, from 22.6% in 2010 to 21.8% in 2011.

- The incidence of **poverty among immigrants continued to drop**, from 17.4% in 2009 to 16.7% in 2010 and to 16.3% in 2011, such that immigrants as a group now suffer significantly less poverty compared to the general population. There was also a drop in the incidence of poverty **among young families** (with a head of household younger than 30) from 26.8% in 2010 to 25.4% in 2011.
- The incidence of poverty by economic income, i.e., before state intervention, **went up a bit, from 32.6% in 2010 to 32.8% in 2011**. The contribution of benefits and direct taxes to reducing poverty remained at about the same level: 39.3% of families deemed poor by their economic income were extricated from poverty as a result of the payment of benefits and the collection of direct taxes and insurance contributions. With that, the influence of government intervention increased compared to 2010 with regard to individuals and children, for whom these policies extricated 26.4% of individuals from poverty in 2011 compared to 25.6% in 2010, and 15.1% of children out of poverty in 2011 compared to 12.6% in 2010.
- While the incidence of poverty remained at a high level and in some cases even went up, the **depth and severity of poverty** decreased in 2011. The depth of poverty (the average gap between the poverty line and the income of the poor), went down from 35.9% in 2010 to 34.7% in 2011, a drop of 3%, while the index measuring the severity of poverty, which gives increasing weight to families the poorer they are, went down by about 4%.
- Parallel to the worsening of the incidence of poverty among working families, 2011 showed **a slight improvement in the indices relating to the depth and severity** of poverty among such families, compared to 2010. This finding, however, is apparently explained by, inter alia, the addition of families to the higher strata of incomes below the poverty line.
- The incidence of poverty among **big families** – those with 4 or more children – **went down a bit** in 2011. This drop was recorded despite the slight rise in the incidence of poverty among Arab and ultra-Orthodox families, which are generally large. From this it's clear that the drop in poverty was primarily among large Jewish families that are not ultra-Orthodox.
- The weight of those **who have remained poor over time** as a proportion of all poor people is showing a long-term uptrend, albeit a fluctuating one.
- **In international comparisons Israel's dimensions of poverty continued to be exceptionally high** in 2011; in unified measurements of all the OECD countries, Israel's poverty rate is lower only than Mexico's and is almost twice as high as the average rate of the countries belonging to the organization.
- **In 2012** the minimum wage reached NIS 4,300 a month, an average rise of 4% nominally and 2% in real terms. The negative income tax program was also deployed nationally. In the realm of benefits, the old-age pensions and child allowances were raised in accordance with previously established guidelines. These developments are likely to influence poverty and inequality among employees and the entire population. On the other hand, the euro zone crisis is liable to negatively impact on Israeli economic activity.

A. The Dimensions of Poverty

1. The poverty line and standard of living

In 2011 Israel continued its recovery from the crisis of 2008/9, despite the euro zone crisis and the slowdown in the U.S. economy. Economic growth in 2011 reached 4.8%, similar to that of the previous year, and the workforce continued to grow. Unemployment dropped to a level of 5.6%[1] Prices rose by a yearly average of 3.5%. With that, in terms of the median nominal disposal income per standard person[2], the standard of living remained almost unchanged in 2011.

Table 1 shows that this income and the poverty line derived from it both went up by a moderate 0.2% between 2010 and 2011. Using an alternate indicator of living standards, the average net income per standard person, the standard of living actually went down slightly compared to 2010, by a rate of about half a percent.

This drop characterizes most of the types of income in the table: The average economic income, whose source is from the workforce and capital investments, went down by an average of 1.9% per family. This drop reflects a drop in income from employment (1.2%) that stemmed primarily from

Table 1
Monthly Income per Household by Type of Income (NIS) 2009-2011

Type of income	2009	2010	2011	Real change between 2010 and 2011 (percentages)
		Averages		
Economic per family	11,776	12,527	12,709	-1.9
Economic per standard person	4,431	4,719	4,808	-1.5
Gross per family	13,599	14,397	14,638	-1.7
Gross per standard person	5,241	5,559	5,671	-1.4
Net per family	11,377	12,024	12,356	-0.7
Net per standard person	4,404	4,665	4,805	-0.4
		By median		
Median net income per standard person	3,629	3,861	4,001	0.2
Poverty line per standard person	1,815	1,931	2,000	0.2

1 As explained in a document (2012) by the Central Bureau of Statistics entitled "Transitioning to a Monthly Workforce survey – Questions and Answers," there is no way to present consistent comparative data on unemployment between 2011 and 2012. The statistic cited above is according to the old method of calculating unemployment. Under the new method, unemployment in September 2012 reached 6.8%, similar to its rate in January 2012 (see CBS press release 295/2012 of October 31, 2012).

2 The equivalence scale used in Israel treats the first two people in a household as two standard persons, while in households of three or more the number of "standard persons" is less than their actual number, on the assumption that certain expenses per person go down as the number of people in the household increase. Thus, for example, a larger family expends less per person than a smaller family on housing, energy and other items.

sharp drops of 11% in income from self-employment, 14% in income from capital and 5% in pension income. These drops were almost fully offset by the rise of around half a percent in the income from salaried employment, since the latter affects a much larger population than the drops cited above.

Gross income per family, which includes transfer payments, also dropped by a similar amount (1.7%), after the monetary support component dropped in real terms by 0.7%. This drop in the real value of government benefits most likely stems, inter alia, from the differences between the relevant benefit updates for 2011 (2.3%, calculated on the basis of the indices in November of the previous year), and the average rise in prices during the calendar year (3.5%)[3]

Disposable income (average per family) went down because of the drop in monetary support, but this drop was partially offset by the drop in compulsory payments (income tax and National Insurance contributions) of some 7%, which is why the drop in disposable income was only 0.7% — less than the drop in economic income per family.

The poverty lines for families of different sizes are displayed in Table 2. The poverty line for a standard person in 2011 reached NIS 2,000 a month. For a person living alone, the poverty line is around NIS 2,500, and for a family of two it reaches around NIS 4,000. For a family of five, for example, the poverty line is NIS 7,500 a month.

Table 3 shows the degree to which working at minimum wage (columns 2, 3, and 4) or at the average wage (columns 5 and 6), in addition to the universal child allowance extricates a family whose livelihood comes from one full-time position (column 2), a position and a half (column 3) and two positions (column 4), or alternately from work at a full-time position at the average wage (the last

Table 2
The Poverty Line by Family Size, 2011

Number of persons in the family	Number of standard persons	NIS per month	Marginal addition in NIS
1	1.25	2,501	-
2	2.00	4,001	1,500
3	2.65	5,301	1,300
4	3.20	6,401	1,100
5	3.75	7,502	1,100
6	4.25	8,502	1,000
7	4.75	9,502	1,000
8	5.20	10,402	900
9	5.60	11,202	800

3 Over time the changes in the annual Consumer Price Index compared to the changes by Novembers (which are relevant to the benefits updates) even out.

Table 3
Family Incomes Relative to Poverty Lines, 2011

Composition of household	Disposable income from one job at the minimum wage per month* as a percentage of the poverty line	Disposable income from 1.5 jobs at the minimum wage per month* as a percentage of the poverty line	Disposable income from 2 jobs at the minimum wage per month* as a percentage of the poverty line	Disposable income from one job at the average wage per month* as a percentage of the poverty line	Twice the disposable income from the average wage per month* as a percentage of the poverty line
Individual	152	-	-	319	-
Individual + 1 child	99	-	-	209	-
Individual + 2 children	80	-	-	166	-
Individual + 3 children	70	-	-	143	-
Couple	95	143	191	199	401
Couple + 1 child	75	111	147	153	310
Couple + 2 children	66	96	125	131	263
Couple + 3 children	60	85	110	115	228
Couple + 4 children	56	78	100	104	205
Couple + 5 children	51	72	92	95	185

* Calculated as the sum of the minimum wage or average wage with the addition of the child allowance after deducting compulsory payments.

two columns). A ratio of more than 100% indicates that the income from employment and universal benefits are enough to extricate the family from poverty.

The table shows that a single mother with two or more children who works full-time at the minimum wage will need to find additional resources equivalent to at least a fifth of her income to rise out of poverty. Couples with two-five children (and certainly if they have more) cannot rise out of poverty even if both parents work (one full-time and one part-time) at the minimum wage. Only if both parents work full-time at minimum wage (or at one full-time and one part-time job at the average wage) will they succeed in extricating themselves from poverty, though this does not account for the expenses connected with going out to work.[4]

For a family with five children, only if both parents work full-time at the average wage can they keep their family out of poverty – and even that only with the addition of the child allowances.

4 If these expenses are accounted for, even two parents with 4 children working full-time at minimum wage cannot pull their family out of poverty.

2. The dimensions of poverty in 2011 and their development in recent years

The incidence of poverty among families remained almost unchanged in 2011, reaching 19.9%, compared to 19.8% in 2010 (Table 4). The percentage of persons and children living in poor families went up slightly from 24.4% to 24.8%, and from 35.3% to 35.6%, respectively.[5] A longer-term view shows that the incidence of poverty among children has stabilized at a high level for the past seven years (See Graph 1). A similar level of stability is evident in the incidence of poverty among families and individuals.

In 2011 there were 442,200 poor families in Israel, representing 1,838,600 individuals, of whom 860,900 were children.

Table 4
The Incidence of Poverty (percentages and absolute numbers) 2010–2011[6]

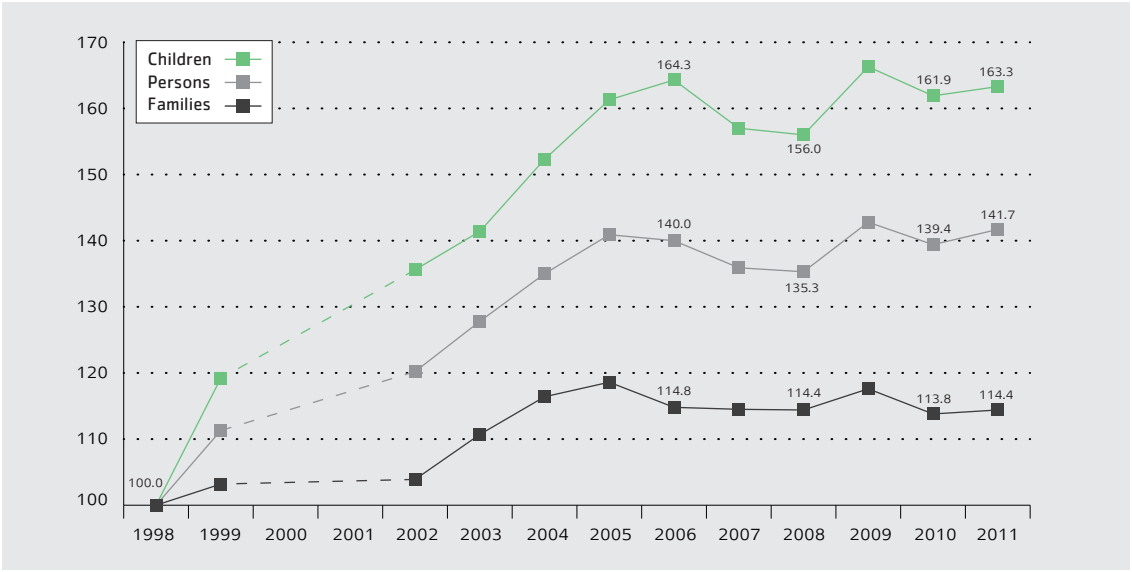
	Before transfer payments and direct taxes	After transfer payments and direct taxes	The rate of decrease in the incidence of poverty after transfer payments and direct taxes
2011			
Families	32.8	19.9	39.3
Persons	33.7	24.8	26.4
Children	41.9	35.6	15.1
2010			
Families	32.6	19.8	39.2
Persons	32.8	24.4	25.6
Children	40.4	35.3	12.6

	Before transfer payments and direct taxes	After transfer payments and direct taxes	The number of people saved from poverty after transfer payments and direct taxes
2011			
Families	728,000	442,200	285,800
Persons	2,499,100	1,838,600	660,500
Children	1,014,600	860,900	153,700
2010			
Families	712,300	433,300	279,000
Persons	2,383,800	1,773,400	610,400
Children	958,500	837,300	121,200

5 Many changes in the dimensions of poverty this year are not statistically significant (at a significance level of 5%). Looking at the changes over a longer period of time make them significant (see the tables in Appendices 10a and 10b, which give detailed information concerning the significance of changes in the dimensions of poverty for all population groups included in the report).

6 The upper table presents the rates of poverty and the lower table shows the numbers, which are also influenced by the growth of the population. Thus, for example, between 2010 and 2011 the number of families grew by 1.5%, the number of persons by 1.9% and the number of children by about 2%.

Graph 1
Incidence of Poverty Among Families, Persons and Children, 1998-2011 (1998 = 100.0)



Graph 1 shows the development of the incidence of poverty among families, persons and children between 1998 and 2011, with 1998 serving as the basis year.[7] What stands out is the drop in the incidence of poverty between 2006 and 2008, particularly among children, which dropped by some 4.5% in 2007 and by another half a percentage point in 2008, perhaps because of the fast growth during those two years. But this drop was short-lived, and the incidence of poverty has returned to 2006 levels over the past two years, according to the indices presented in the graph.

Table 5 below organizes the findings on poverty among families, individuals and children in the general population according to selected indices in the years 1999, and 2002-2011, while Graph 2 that follows it presents the incidence of poverty among individuals, depth of poverty (the income gap ratio) and the FGT Index[8] on the severity of poverty.

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7 The incidence of poverty in the period from 1998 until 2011 is reported in Appendix 1. In the past, 1997served the basis year, since that was the first year that a unified survey of income and expenditures was conducted. Nevertheless we discovered by means of different analyses that the quality of the data that year was inferior to that of later years. The dotted lines in the chart stem from the fact that there was no collection of data in east Jerusalem during the years 2000 and 2001.

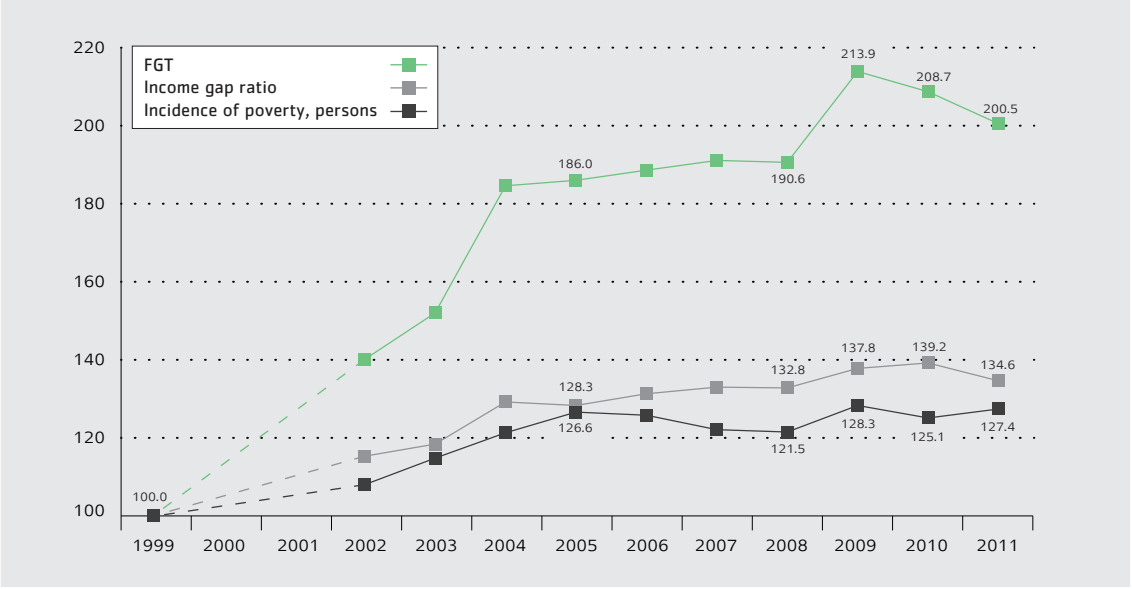
8 The FGT Index was developed by Foster, Greer and Thorbecke in 1989 (Econometrica, 1984) and in recent years has become the accepted index for expressing the depth and intensity of poverty in many official reports throughout the world. This index gives greater weight to those whose income is the farthest from the poverty line. The FGT index accepts values of between 0 (if the income of the poor is at the poverty line) and the incidence of poverty (if the income of the poor is zero). The index is calculated according to the following formula: $(1/n)^*\Sigma((z_i-y_i)/zi)^2$ where z_i is poverty-line income, y_i is the family's income, and n is the entire population.
The professional literature prefers this index because it is sensitive to the redistribution of resources between rich and poor, or between the less poor and the poorer, such that unfair transfers will point to a worsening of the index while other indices (such as incidence of poverty and the income gap ratio) aren't always sensitive to this. Thus, for example, if the negative income tax grant is increased but at the same time the income support payments for those who aren't working are cut, this will increase the severity of poverty, even though it might reduce the incidence of poverty.

Table 5
Dimensions of Poverty by Selected Indices, 1999, and 2002-2011

The Index	1999	2002	2003	2004	2007	2008	2009	2010	2011
Incidence of poverty among families	18.0%	18.1%	19.3%	20.3%	19.9%	19.9%	20.5%	19.8%	19.9%
Incidence of poverty among persons	19.5%	21.0%	22.4%	23.6%	23.8%	23.7%	25.0%	24.4%	24.8%
Incidence of poverty among children	26.0%	29.6%	30.8%	33.2%	34.2%	34.0%	36.3%	35.3%	35.6%
Income gap ratio	25.8%	29.7%	30.5%	33.3%	34.3%	34.2%	35.5%	35.9%	34.7%
Depth of poverty in NIS*	424	487	504	565	658	654	684	716	694
Severity of poverty index (FGT)	0.022	0.031	0.033	0.040	0.042	0.042	0.047	0.046	0.044
Gini Index among the poor	0.153	0.184	0.186	0.205	0.205	0.205	0.213	0.211	0.203
SEN Index	0.072	0.090	0.097	0.111	0.114	0.113	0.123	0.120	0.119

* The distance between the poverty and line and the average income of the poor per standard person in 2011 prices.

Graph 2
Selected Indices Showing the Severity of Poverty, 1999-2011 (1999 = 100.0)



In contrast to the mild rises in the incidence of poverty, in 2011 poor families were slightly less poor, on average: the income gap ratio, which expresses the depth of poverty among families (i.e., the average distance between the poor's income and the poverty line) dropped from 35.9% in 2010 to 34.7% in 2011 (a drop of 3.3%). The FGT Index, which reflects the severity of poverty and integrates in the influence of the incidence of poverty with the depth of poverty while giving greater weight to those who are poorer, also went down by about 4% compared to 2010.

Similar trends could also be seen in the SEN index, another aggregate index that combines the incidence of poverty, the income gap ration and Gini Index of inequality in the distribution of income. This index went down 1.2% in 2011 (See Table 5). As we can see in Graph 2, despite the drop in the severity of poverty, its level is still high compared to the start of the 2000s (although the depth of poverty seems to be consolidating at the level of the start of the 2000s).

3. The Effect of Benefits and Direct Taxes on Poverty

Measuring poverty by economic income imagines a situation in which there are no direct taxes or compulsory social insurance contributions and there are no state benefits: In such an imaginary scenario, the incidence of economic poverty would be close to the incidence of poverty in general.[9] The incidence of poverty among families based on economic income remained nearly unchanged in 2011 compared to 2010 (Table 4). Except for 2009, it is essentially at the same level it has been since 2006.

By contrast, the incidence of poverty among persons and children, according to the same parameter, went up significantly between 2010 and 2011: The incidence of economic poverty of persons rose from 32.8% in 2010 to 33.7% in 2011, while the incidence of economic poverty among children went up from 40.4% to 41.9%. These developments occurred despite the increase in workforce participation in 2011.

It should be noted that the more moderate increases in the incidence of poverty based on disposable income, as opposed to economic income, hints at the fact that government policies regarding direct taxes and benefits not only reduced the incidence of poverty based on disposable income but moderated the increase in poverty resulting from market forces during the year.

The percentage of families saved from poverty due to transfer payments and direct taxation policies stood at 39.3% in 2011, compared to 39.2% in 2010 and 38.4% in 2009. Analyzing the welfare policies' effect on individuals and children shows a rise in their contribution to reducing poverty: in 2011 transfer payments and direct taxes extricated 26.4% of the individuals and 15.1% of the children from poverty, compared to 25.6% of the individuals and 12.6% of the children in 2010.

With that, the influence of the state in reducing poverty is far less than it had been at the beginning of the 2000s, when the tax and benefits policies save 40% of the individuals and 30% of the children from poverty.

The contribution of government policies toward reducing the income gap ratio and the severity of poverty (according to the FGT Index) is shown in Table 6, and demonstrates that the influence of benefits granted through the National Insurance Institute has remained practically unchanged, while the influence of taxes on the income gap ratio has increased, such that even those who were not brought out of poverty saw its severity reduced significantly.

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9 Presenting the gap between the incidence of economic poverty with its incidence after government intervention requires careful analysis since the state has a powerful indirect influence on economic income, through regulatory action, privatization, distribution of import licenses and more. In many instances this influence negatively impacts on poverty and inequality. On the other hand, the influence of government policy is liable to be biased upward, since it's reasonable to assume that without the existence of a system of financial supports, the individual would be forced to make a greater effort to earn economic income, at a greater social and human price.

Table 6 provides the different definitions of the dimensions of poverty in accordance with different income criteria, along with a breakdown of the contribution compulsory payments and different types of transfer payments – from the NII, other government agencies and households – make toward reducing poverty according to economic income. The incidence of poverty after transfer payments and direct taxes went down more in 2011 than in 2010, both because the influence of benefits working to reduce poverty increased, while the influence of direct taxes, which work to raise the incidence of poverty, decreased.

The calculations stress that despite the progressivity of the tax system, from the poor's perspective direct taxes are regressive, since the incidence of poverty after transfer payments alone is lower than the incidence of poverty when transfer payments and direct taxes are taken together (for example, 17.3% compared to 19.9% in 2011). This is because national insurance contributions and health insurance contributions, which are included in the category of "direct taxes" for convenience' sake even though they are actually insurance premiums, are imposed on everyone, even those with very low incomes. As a result, they increase the incidence of poverty beyond that which is determined by market forces (economic poverty).

Once the negative income tax program is implemented on a national scale, this influence is expected to change. But it's clear that various government benefits are crucial for offsetting the negative influence of tax policies on the poor. It should be noted that while the effect of direct taxation (Table 6, sixth column from the left) toward reducing social gaps particularly worsens the poverty indices, particularly the severity of poverty index, it manifests itself most clearly in the inequality indices (see Chapter II below). The significance of this is that, at least within the existing parameters of the tax system and compulsory insurance payments, there is a contradiction between the goal of reducing poverty and the goal of reducing inequality.

Graph 3 presents the influence of each type of financial support payment on extricating families from poverty: The weight of NII benefits, which are the bulk of transfer payments, constitute 78% of the contribution to the reduction of poverty, while the support from other government agencies and other households (which include some parts of alimony and child-support payments) each constitute around a tenth of the contribution of transfer payments to poverty reduction. Thus the total government (including the NII) represents some 90% of the contribution toward reducing poverty among families via transfer payments.[10]

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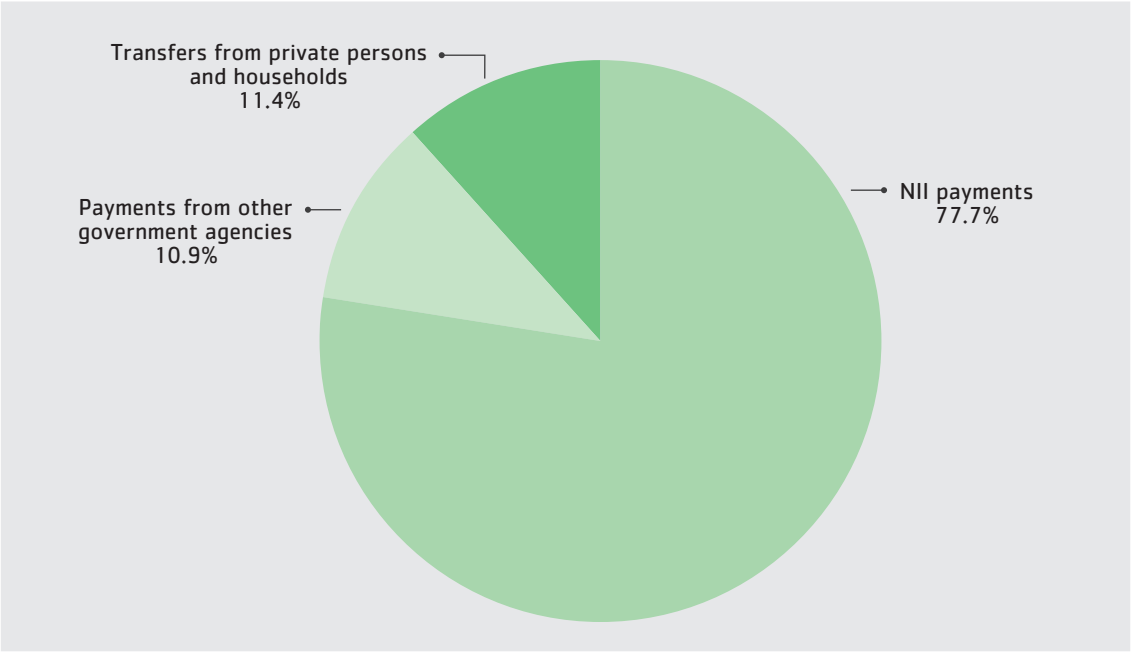
10 There are other government transfers to families, such as benefits in kind, rather than money, that are not accounted for here. There is also support given to various businesses via the Law to Encourage Capital Investments and other laws that contribute to increasing business profits and as a result raise the incomes of many households, although these tend to be in the top income decile or even the uppermost percentiles. The Finance Ministry does not publish information regarding the distribution of different financial benefits according to deciles or percentiles, even though this information is crucial to the formulation of social policies. According to the State Revenue Administration, the benefits accrued under the Law to Encourage Capital Investments reaches up to NIS 5 billion.
Another important influence not taken into account is the effect of income tax exemptions on income from capital investments, including provident and advanced training funds. No information is published regarding the distribution effect of these funds, even though more than NIS 8 billion is involved. Here, too, the primary beneficiaries are the population that is far from poor – primarily those in the top decile, though to a gradually lessening degree the ninth to sixth deciles also benefit. More details about these issues can be found in the first chapter of the NII's Annual Survey for 2011.

Table 6
Incidence of Poverty by Various Income Definitions And the Contribution of Direct Taxation and Various Transfer Payments to Reducing Poverty, 2010 and 2011

	Incidence of Poverty							Rate of Change in the Incidence of Poverty Following Government Intervention -- Households and Individuals					
	Before transfer payments and compulsory payments	After compulsory payments alone	After transfer payments alone	After NII payments alone	After payments from government agencies (other than the NII) alone	After payments from households and individuals alone	After all transfer payments and direct taxes	After compulsory payments alone	After all transfer payments and direct taxes	After transfer payments alone	After NII payments alone	After payments from government agencies (other than the NII) alone	After payments from households and individuals alone
2011													
Incidence of poverty, families	32.8%	35.0%	17.3%	20.3%	31.0%	30.9%	19.9%	6.4	-39.3	-47.2	-38.2	-5.4	-5.6
Incidence of poverty, persons	33.7%	36.1%	22.2%	24.5%	32.5%	32.4%	24.8%	6.6	-26.4	-34.1	-27.2	-3.6	-3.9
Incidence of poverty, children	41.9%	44.4%	32.9%	35.4%	41.1%	40.7%	35.6%	5.6	-15.1	-21.5	-15.5	-2.0	-2.9
Income gap ratio	58.3%	59.6%	34.2%	39.2%	54.6%	56.2%	34.7%	2.1	-40.5	-41.4	-32.7	-6.4	-3.7
FGT	0.1538	0.1726	0.0381	0.0562	0.1327	0.1386	0.0438	10.9	-71.5	-75.2	-63.4	-13.7	-9.9
2010													
Incidence of poverty, families	32.6%	35.1%	17.5%	20.3%	30.7%	30.8%	19.8%	7.1	-39.2	-46.3	-37.6	-5.8	-5.4
Incidence of poverty, persons	32.8%	35.6%	22.0%	24.1%	31.6%	31.7%	24.4%	7.9	-25.6	-32.8	-26.3	-3.7	-3.3
Incidence of poverty, children	40.4%	43.6%	32.8%	34.8%	39.7%	39.6%	35.3%	7.3	-12.6	-18.9	-13.8	-1.8	-2.0
Income gap ratio	60.0%	60.4%	35.3%	40.3%	56.3%	58.0%	35.8%	0.8	-40.2	-41.2	-32.8	-6.1	-3.3
FGT	0.1561	0.1749	0.0399	0.0578	0.1349	0.1424	0.0456	10.7	-70.8	-74.4	-63.0	-13.6	-8.8

Graph 3
Weight of Benefits and Transfer Payments In Reducing Poverty in Families by Source



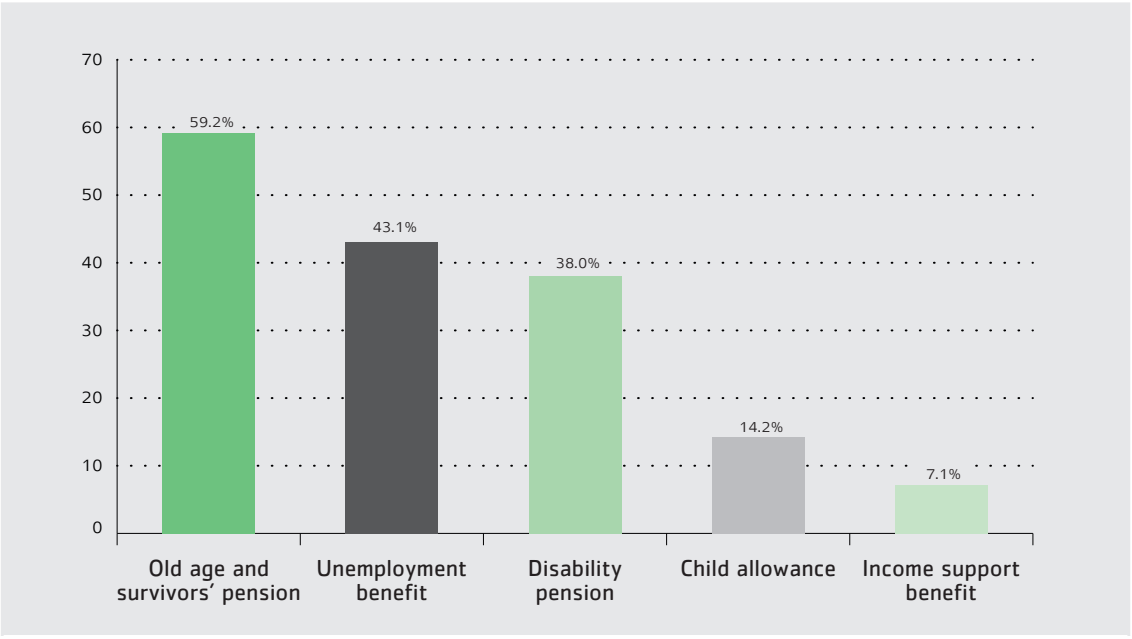
Benefits payments constitute a significant factor in reducing poverty. The graphs below present the rate of decrease in the incidence of poverty among groups receiving various types of benefits (Graph 4). The situation in 2011 was similar to that of previous years: The greatest influence was exerted by the old-age pensions and survivors benefits, which save some 60% of the relevant populations from poverty.[11] The influence of other benefits is less, and in the case of child allowances reaches only around 7%, because of the relatively low amount of the allowance and the marked depth of poverty among large families.

In Graph 5 the influence of every NIS 100 of benefit on reducing the dimensions of poverty is calculated, and we see that the ranking of benefits in terms of influence changes. Adding NIS 100 to the old-age or survivors benefits as well as to unemployment benefits is more effective than adding it to income support benefits or child allowances. With that, it's clear that the budgetary implications of NIS 100 in child allowances is much greater than that of NIS 100 in income support benefits, given that income support is a selective benefit given to a relatively small proportion of families. The graph, however, ignores this point, even though it's extremely important to policy planning.

In addition, a benefit liable to be extremely effective in saving people from poverty may be much less effective in reducing the depth or severity of poverty, and vice versa. Thus, for example, it's clear that the status of income support benefits improves significantly when its influence on the depth of

11 After payment of the benefit.

Graph 4
The Rate of Decrease in the Incidence of Poverty in Families Receiving Benefits, After the Benefit Payment



Graph 5
The Rate of Decrease in the Incidence of Poverty in Families Receiving Benefits for Each NIS 100 of Benefit

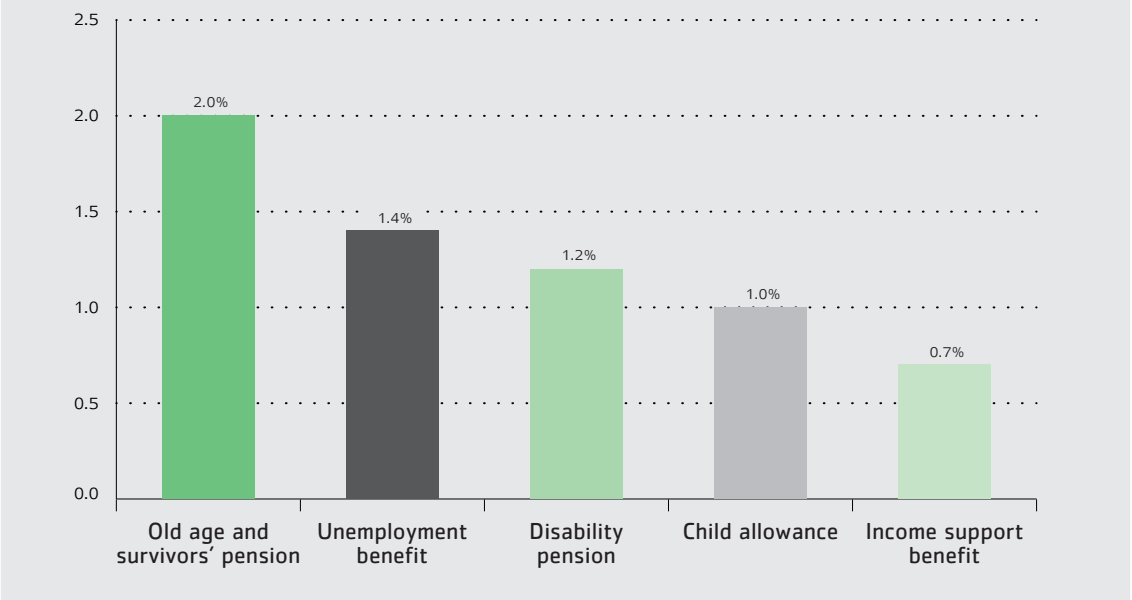


Table 7
The Budgetary Cost of Reducing the Indices of Poverty and Inequality by One Percentage Point

Ranking of the indices			Cost of a 1 percentage point reduction			
Cost of reducing incidence of poverty of families by 1 point	Cost of reducing 1 percentage point on the FGT	Cost of reducing 1 percentage point on the Gini Index	Benefit	Cost of reducing incidence of poverty of families by 1 point	Cost of reducing 1 percentage point on the FGT	Cost of reducing 1 percentage point on the Gini Index
4	2	4	Child allowance	153.8	94.6	273.4
3	4	3	Disability	66.3	176.9	265.3
5	3	2	Unemployment	--*	121.7	121.7
2	1	1	Income support	37.9	45.5	113.6
1	5	5	Old age/survivors	36.2	344.0	458.6

* The cost of reducing the incidence of poverty by adding NIS 250 to the unemployment benefit is close to infinity, since such an addition doesn't change the incidence of poverty at all.

poverty or severity is examined, since although the benefit may not be enough to pull a family over the poverty line, it very effectively improves the poor's financial situation.[12]

As a result, it's important to examine the possible increase of benefits by a uniform standard. Comparing the cost of improving the chosen social index statistic could provide an indication of the cost vs. benefit of benefits policies.[13]

The conclusion from this analysis is that given a state of poverty relative to the existing level of benefits in Israel, the preference for increasing benefits changes significantly in accordance with the social objective.

If our priority is to reduce the incidence of poverty, it's worth increasing the old-age and survivors' benefits, since the cost of bringing down poverty by one percentage point using that tool is the lowest from among the benefits examined – some NIS 36 million a year. The next preference would be the income support benefit, whose budgetary cost would be slightly higher – some NIS 38 million annually.

But if the social objective is to decrease inequality (as per the Gini Index), or alternately, to reduce the severity of poverty (as per the FGT Index), then the old-age pension drops to the bottom of our priorities. By contrast, Table 7 shows that if these two considerations – reducing inequality or the severity of poverty – are the focus, the preferred course of action would be increasing the income support benefit to those of working age, rather than increasing any of the other benefits, since the cost effectiveness of this is considerably higher than that provided by the other options. Even if we

12 A wider-ranging and more detailed comparison, which takes into account the budgetary implications of increasing each benefit by a specific amount, can be found in Chapter 2 of the NII's Annual Survey for 2011.

13 Such an analysis was done for the first time based on data from 2010 in Chapter 2 of the NII's Annual Survey for 2011.

were to make an adjusted calculation for all three goals at once, we would find that it would be most cost-effective to increase the income support payments to those of working age. Given the particularly low level of the income support benefit, the incentive to work will remain great, even if this benefit is increased somewhat.[14]

4. The dimensions of poverty by population groups and geographic areas

This chapter includes selected findings on the dimensions of poverty by population groups. Table 8 shows the dimensions of poverty by gender over time;[15] Table 9 shows the incidence of poverty among families by income before and after transfer payments and compulsory payments, and the influence of transfer payments and compulsory payment policies on the incidence of poverty among various population groups (similar tables showing incidence of poverty for individuals are in Appendix 3); Table 10 shows the ratio of each group among the overall population and the poor population, and Table 11 shows additional indices that estimate various dimensions of poverty among different groups, such as the depth of poverty and its severity.

Poverty and the workforce

The incidence of poverty among working families as measured by economic income went up from 19.4% to 20.0%, and as measured by disposable income from 13.2% to 13.8%. This rise occurred despite the ongoing recovery of the economy the characterized 2011 and expressed itself in an increase in employment. The data also point to an increase of 1.3% in the number of average breadwinners per family and a rise of 2.9% in the number of workers, with the rise being almost twice as high – 5.3% — among Arab workers, whose average wage is lower.

The rise in the incidence of poverty was seen among employed and self-employed families alike, but was higher among families whose head of household was self-employed – among such families the incidence of poverty went up nearly a full percentage point (from 13.1% in 2010 to 14% in 2011). In parallel, there was a drop in the contribution of policy means toward extricating working families from poverty, from 31.9% to 31.3%. Yet at the same time, there was a drop in the indices for depth and severity of poverty among working families between 2010 and 2011. An explanation consistent with this finding could be the addition of working families to the higher strata of incomes below the poverty line.

The above findings highlight the limits of increasing employment as a tool for reducing poverty, particularly in the short and near terms. Although over the long term increasing employment is a very important tool in the war against poverty, in the short term, a new employee entering the work force usually does so at a low salary, particularly if he's part of a population that has weak skills

14 One can implement such an increase in various ways – by increasing the actual payment; by raising the "disregarded" income (the income from employment not taken into account under the means test) or reducing the rate by which the benefit is offset against increased income from employment. Each method influences the incentive to work differently.

15 Because this distinction was included in the Poverty and Social Gaps reports only recently, this data is for now being presented separately and over a different time frame from that of other population groups.

and education. At the same time, in many cases the welfare benefit the new worker enjoyed before getting a job is reduced, such that his income may even be lower by virtue of the fact that he joined the workforce. This is why there is a need for strengthening policies that improve earnings, such as enforcing labor laws and expanding the negative income tax program.

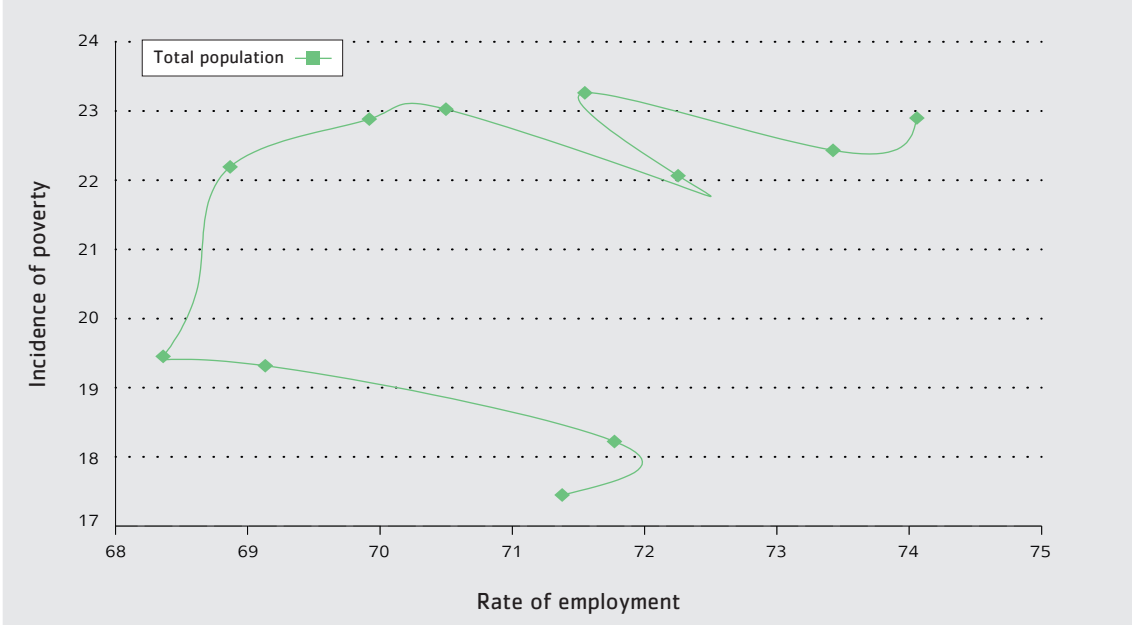
The graphs below document the phenomenon of a deteriorating economic situation of a weak, new worker who joins the workforce.

Graphs 6a and 6d demonstrate the success of the policies that increase employment. Employment has increased substantially since 2004: The rise in the rates of poverty in 2005 and 2006 (with the exception of non-Ultra-Orthodox Jews, Graph 6b) despite the increase in employment apparent reflects the blow to income resulting from the loss of government benefits, a blow that was not sufficiently offset by the additional income from work, even though employment increased markedly.

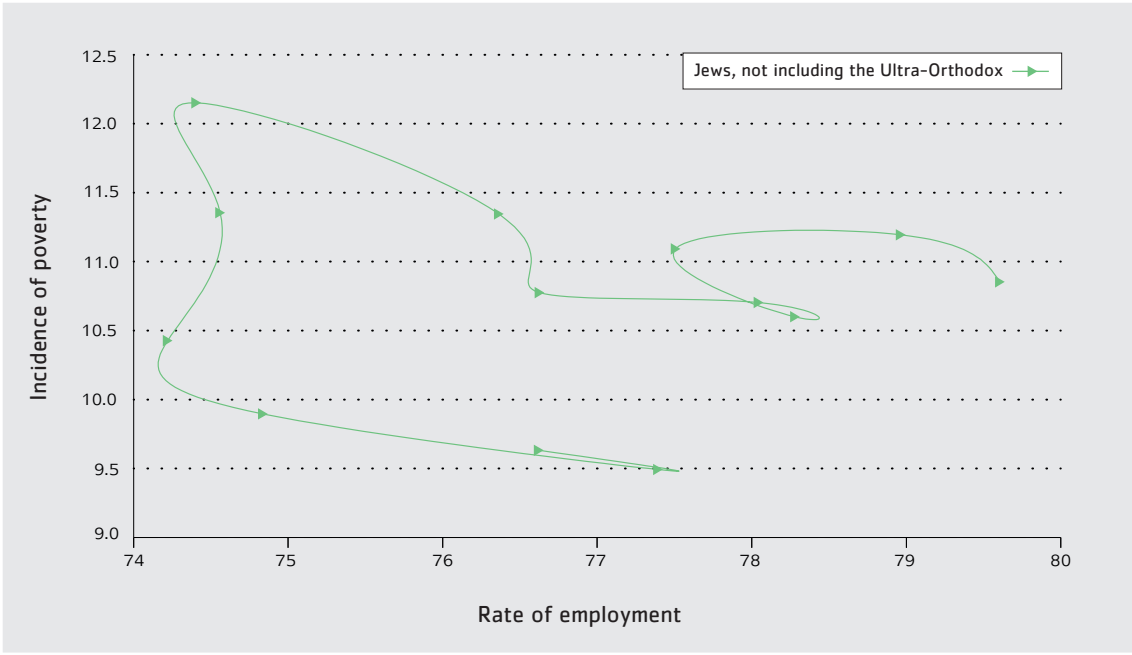
The subsequent two years saw an additional increase in employment, accompanied this time by an improvement in the incidence of poverty. The crisis of 2009 reduced employment and also raised the poverty levels, while 2010 saw another large boost in employment levels with somewhat of a reduction in the incidence of poverty.

It's reasonable to assume that one reason for the incidence of poverty's lack of response to the increase in employment is the depth of poverty, since if a working family is way under the poverty line, a salary increase may not pull the family over it, even if its poverty becomes less intense. That's the conclusion that can be drawn from Graphs 6c and 6d: The FGT Index, which measures the severity of poverty, substantially improved, although among Ultra-Orthodox workers there was almost no improvement.

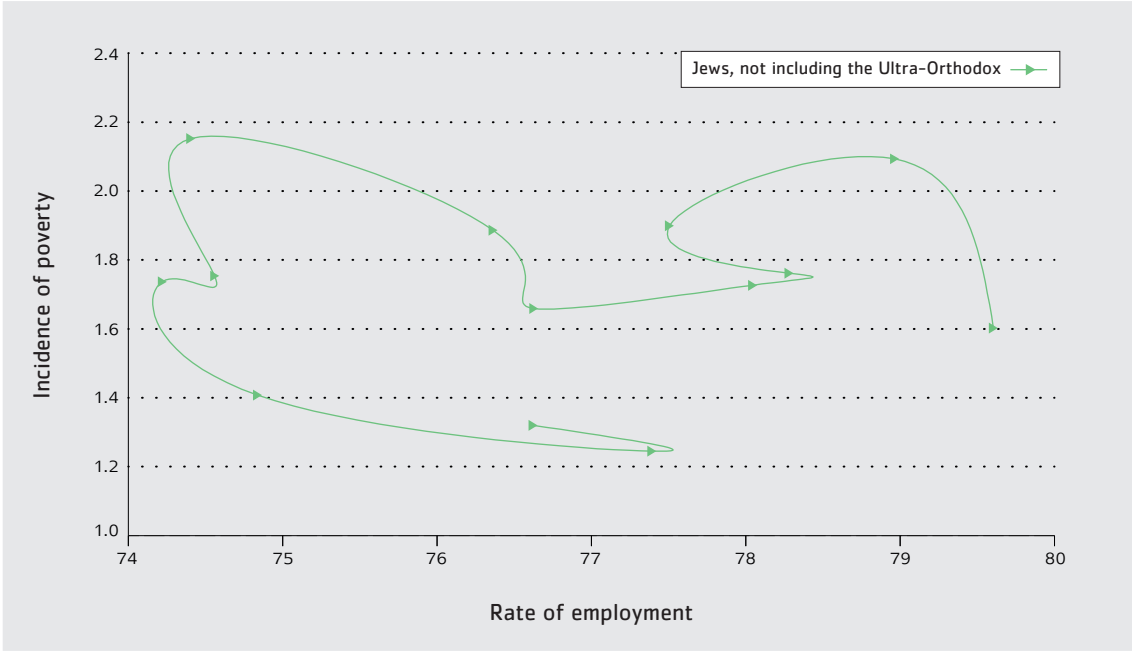
Graph 6a
Employment and Poverty – General Population



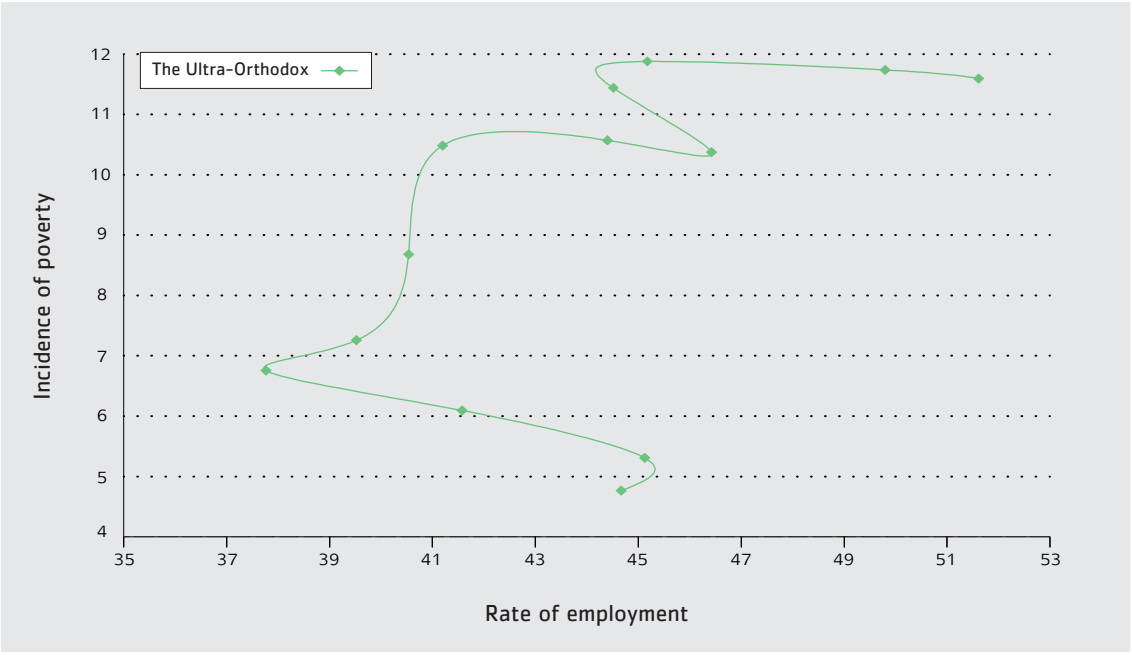
Graph 6b
Employment and Poverty – Jews, Not Including the Ultra-Orthodox



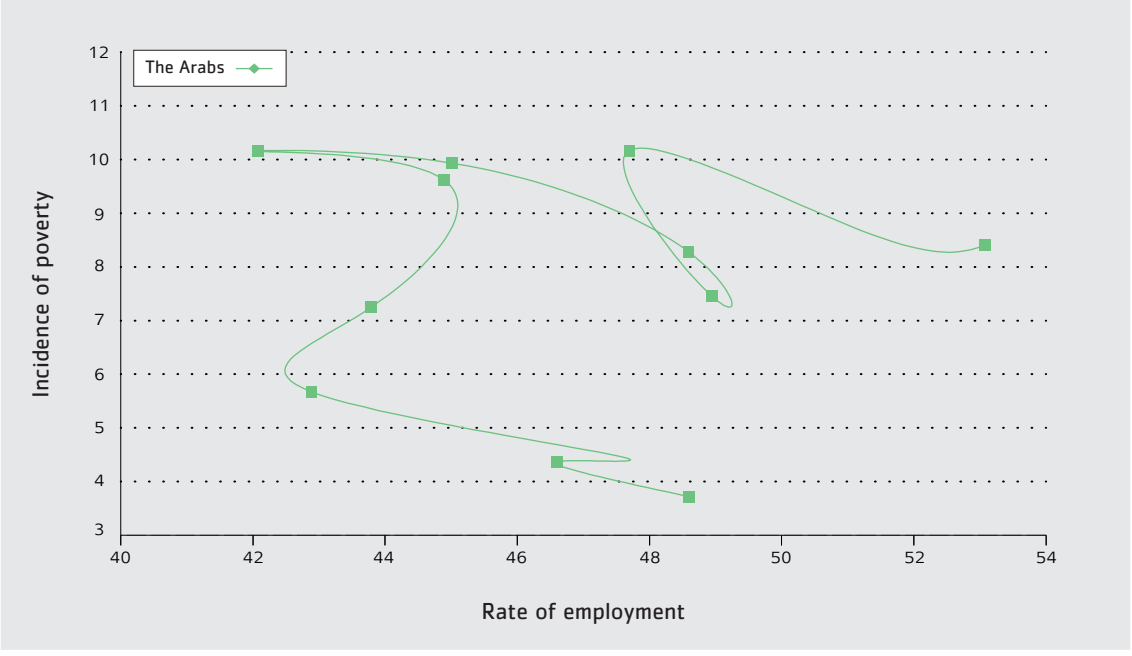
Graph 6c
Employment and the Severity of Poverty: Jews, Not Including the Ultra-Orthodox



Graph 6d
Employment and the Severity of Poverty – the Ultra-Orthodox



Graph 6e
Employment and the Severity of Poverty – the Arabs

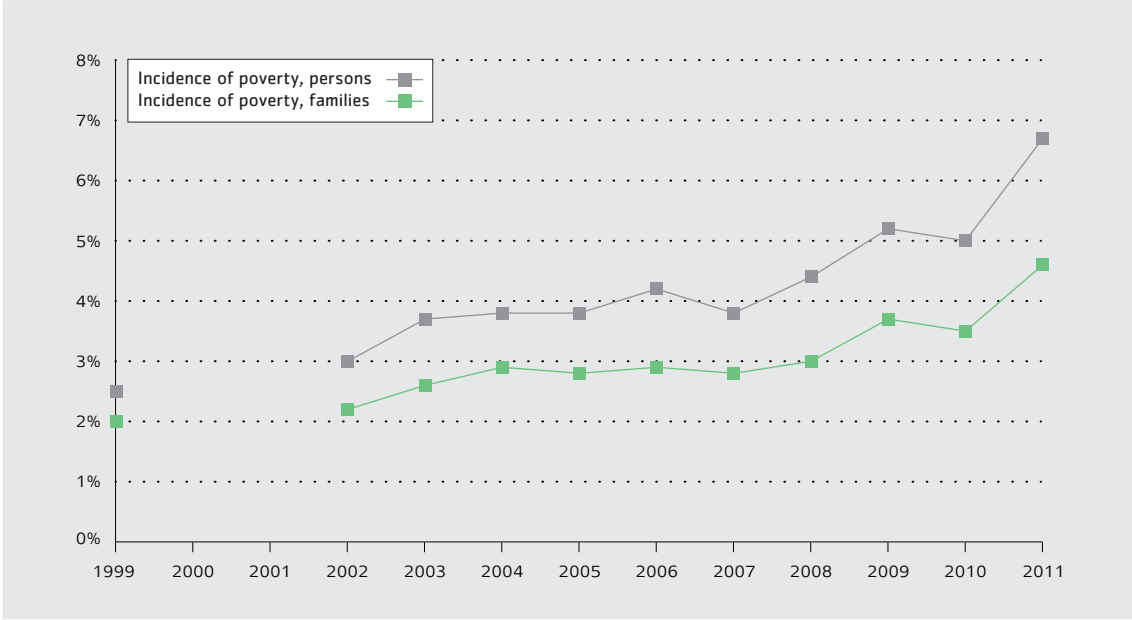


These statistics require a re-evaluation of socioeconomic policies, since they make it clear that increasing employment is not enough to reduce poverty; there is a need to increase the earnings of the newly employed, as well as long-time workers. The difficulty is particularly clear among the Ultra-Orthodox (Graph 6d). The customary tools for making this improvement are of course enforcing labor laws, raising the minimum wage and a substantial strengthening of the negative income tax program. Steps were taken to this effect during 2012 and it remains to be seen whether they were sufficient. These steps will not, however, be enough to reduce poverty in the short and medium term.

The proportion of working families from among all poor families also increased, from 50.6% in 2010 to 52.9% in 2011. It should be noted that among the poor families of working age alone – the proportion of working families went up from 62.4% in 2010 to 64.8% in 2011, i.e., nearly two-thirds of poor families of working age are working families. At the beginning of the first 2000s decade (1999), the incidence of poverty among working families was around 7% -- nearly half the current rate. The conclusion we draw from this is that the effort to get weak populations into the workforce is bearing fruit, but it has also generated a general worsening of the economic state of the working population, on average. Getting a job is not, in and of itself, enough to reduce poverty; apparently other supportive steps and more pro-active policies are needed to maximize the effect of this welcome trend toward meeting the objective of reducing poverty.

- There was also a sharp rise in the incidence of poverty among families with two or more breadwinners. The graph below shows the ongoing increase in the incidence of poverty in this population

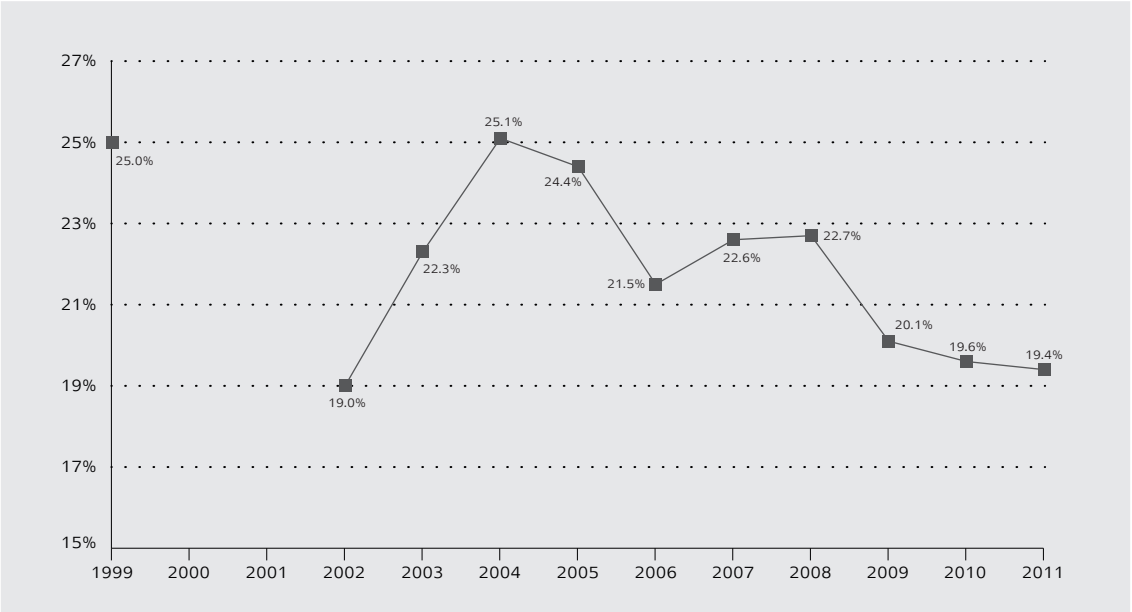
Graph 7
The Incidence of Poverty of Families and Persons in Families With Two or More Breadwinners, 1999-2011.



over the past decade, which somewhat undermines the common assumption that having both members of a couple working is a guarantee against falling into poverty.

- Government policy of the past few years has contributed to an ongoing improvement in the incidence of poverty among the elderly: In 2011, the incidence of poverty among the elderly continued to drop, albeit moderately, and it stood at 19.4% compared to 19.6% in the previous year. This latest downtrend in the incidence of poverty among the elderly began in 2008. Graph 8 presents this achievement in terms of incidence of poverty among the elderly over time. This result is explained primarily by the gradual, ongoing improvement in the array of benefits provided to the elderly in Israel in recent years. The rise in the retirement age, which has allowed this population to increase its income from employment, has also started to contribute to this welcome trend. The direct contribution of government policy to reducing poverty among the elderly remained unchanged (64.4%) but its contribution to reducing the depth and severity of poverty among the elderly dropped (Appendix 4). The state of the elderly who remained under the poverty line also remained practically unchanged: The depth of poverty among the elderly remained at a level of 26.8% in 2011, as did the severity of poverty among them according to the FGT Index.
- The incidence of poverty among Arab families went up slightly, from 53.2% in 2010 to 53.5% in 2011. By contrast, the incidence of poverty by economic income went down a bit, from 60.7% to 60.4%. At the same time, the contribution of government benefits toward reducing poverty in this group went down from 12.3% in 2010 to 11.5% in 2011. The depth of poverty also went up slightly, from 37.2% in 2010 to 37.8% in 2011, while the severity of poverty (according to the FGT Index) went up by a higher rate of about 5%. The worsening of the Arabs' economic situation also

Graph 8
The Incidence of Poverty Among the Elderly: Families, 1999–2011



expressed it self in a rise in their already high proportion of the impoverished population, from 37.8% in 2010 to 38.9% in 2011.

- The incidence of poverty among families with children remained almost unchanged compared to 2010 (26.8% compared to 25.6%), primarily because of the drop in the rate of poverty among large families between the two years, from 69.5% in 2010 to 67.4%in 2011, which offset the rise in the poverty rate among families with 1-3 children (which went from 20.1% in 2010 to 20.4% in 2011), and among single-parent families (from 30.5% to 30.8% between the two years). The state of poor families with five or more children also improved and the depth of poverty and severity of poverty indices showed a year-on-year drop. Despite the rise in the incidence of poverty among families with 1-3 children, the situation of these families improved, as expressed in the decrease in the depth and severity of poverty indices by 5%-6%.
- The incidence of poverty in the Ultra-Orthodox[16] population in Israel increased from 53.7% in 2010 to 54.3% in 2011, although its proportion of the poor population remained unchanged. With that, the position of poor Ultra-Orthodox families improved; their depth of poverty went down by about 1.5% and the severity of their poverty also dropped slightly.

Table 8
The Incidence of Poverty Among Adult Persons* By Gender (percentages), 1999-2011

Year	Men			Women		
	Before transfer payments and taxes	After transfer payments and taxes	Rate of decrease in the incidence of poverty resulting from transfer payments	Before transfer payments and taxes	After transfer payments and taxes	Rate of decrease in the incidence of poverty resulting from transfer payments
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

* Men and women aged 18 and up.

16 It is not possible to directly identify Ultra-Orthodox families in the household income and expenditure surveys conducted by the Central Bureau of Statistics. Because of the wide fluctuations in the annual data, the incidence of poverty in these families is presented as a moving two-year average.

- The incidence of poverty among single-parent families went up slightly from 30.5% in 2010 to 30.8% in 2011. One can see that the incidence of poverty by economic income also went up, while the contribution of transfer payments and compulsory payments toward reducing poverty in this group remained unchanged. Although their depth of poverty went down, from 37.1% to 36.3%, the severity of poverty among these families (the FGT Index) went up slightly year-on-year, meaning there was a change for the worse among the poorest families in this group.
- Poverty statistics for adult persons by gender (age 18 and up), as presented in Table 8, point to higher dimensions of poverty among women than among men: In 2011 the dimensions of poverty among women was 20.3% (up from 19.9% in 2010) compared to 18.8% for men (also up, from 18.2% the preceding year). When measured by economic income – income that comes primarily from employment – the gaps are even greater: 32.0% of women are poor compared to 27.3% of men. The smaller gaps in measures based on disposable income show that the influence of policy measures (transfer payments and direct taxes) in reducing poverty is higher for women: the rate by which they reduce the incidence of poverty among women is 36.4%, compared to 31.3% for men in 2010, although in 2011 we can see that the influence on men's poverty went down while the contribution of policy measure to reducing women's poverty stayed the same.
- In 2011 the proportion of unemployed families of working age in the general population went down as a result of the employment recovery. This is a long-term uptrend that was interrupted only in 2009. With that, the incidence of poverty among these families (which includes families of those officially unemployed) continued to rise, from 70.1% in 2010 to 70.7% in 2011. It should be noted that since 1999, the incidence of poverty among such families, which was always high, has climbed from 64.5%. The contribution of transfer payments to reducing poverty in this group continued to drop, from 22.6% in 2010 to 21.8% in 2011. However, the position of the poor families in this group improved: The depth of poverty among them dropped by around two percent and the severity of poverty decreased some 4%. The severity of this group's poverty, which does not attract the attention it deserves, given its seriousness, was 6 times greater in 2011 than that of the general needy population (see Table 11). The reason for this is the especially low level of income support payments compared to the minimum required for subsistence, as expressed by the official poverty line.
- The incidence of poverty among immigrants continued to drop, from 17.4% in 2009 to 16.7% in 2010 and to 16.3% in 2011, and its level has, over the years, become significantly lower than that of the general population. An immigrant is defined as anyone who arrived in Israel from 1990, but there is a marked difference between the financial state of immigrants who came during the 1990s and that of immigrants who came from 2000 and onward. This reflects the positive influence of being in the country longer, but is also because of differences in the makeup of the immigrants, from the perspective of geographic origin and the age mix. The earlier group generally comprises adult immigrants from the Former Soviet Union, while the second group of immigrants has a significant component of foreign workers – a younger population with children, working for low wages.
- The incidence of poverty among young families (where the head of household is up to 30 years old) went down, from 26.8% in 2010 to 25.4% in 2011. Among families headed by an elderly person the incidence of poverty remained about the same as in 2010, while in both of the age groups in between the incidence of poverty went up a bit in 2011.

Table 9
The Incidence of Poverty Among Families By Population Group (percentages), 2010 and 2011

	Income before transfer payments and taxes		Income after transfer payments and taxes		Rate of decrease in the incidence of poverty after the transfer payments	
	2010	2011	2010	2011	2010	2011
Total population	32.6	32.8	19.8	19.9	39.2	39.3
Jews	28.0	28.1	14.3	14.2	48.7	49.4
Arabs	60.7	60.4	53.2	53.5	12.3	11.5
Elderly*	54.8	54.4	19.6	19.4	64.3	64.4
Immigrants	39.5	40.4	16.7	16.3	57.8	59.6
Ultra-Orthodox**	65.6	66.9	53.7	54.3	18.2	18.8
Families with children – total	32.0	32.9	26.6	26.8	17.0	18.7
1-3 children	25.6	26.4	20.1	20.4	21.5	22.5
4 or more children	62.4	63.8	57.2	56.7	8.3	11.2
5 or more children	75.7	75.4	69.5	67.4	8.2	10.7
Single-parent families	46.9	47.5	30.5	30.8	35.1	35.2
Employment status of head of household						
Employed	19.4	20.0	13.2	13.8	31.9	31.3
Salaried	20.0	20.6	13.3	13.7	33.8	33.4
Self-employed	15.5	16.0	13.1	14.0	15.5	12.6
Working age but unemployed	90.6	90.4	70.1	70.7	22.6	21.8
One breadwinner	37.8	37.8	25.6	25.9	32.2	31.6
Two or more breadwinners	4.9	6.6	3.5	4.6	30.0	29.9
Age of head of household						
Up to 30	37.7	36.2	26.8	25.4	28.8	29.8
31-45	26.9	27.9	21.0	21.7	21.8	22.3
46-retirement age	21.6	21.5	14.8	15.1	31.5	29.6
At or beyond legal retirement age***	57.8	58.1	19.9	19.8	65.6	65.9
Education of head of household						
Up to 8 years of schooling	69.7	71.3	42.6	44.2	38.9	38.0
9-12 years of schooling	36.3	36.1	23.9	23.6	34.1	34.6
13 or more years of schooling	21.7	22.4	11.8	12.2	45.7	45.5

* According to the definition in use until today: from age 60 for women and 65 for men.
** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).
*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

Table 10
The Ratio of Types of Families in the Overall Population and the Poor Population by Demographic and Employment Characteristics, 2010 and 2011

	Total population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	2010	2011	2010	2011	2010	2011
Jews	85.9	85.5	73.8	73.3	62.2	61.1
Arabs	14.1	14.5	26.2	26.7	37.8	38.9
Elderly*	20.4	20.8	34.3	34.6	20.1	20.3
Immigrants	18.2	19.3	22.1	23.8	15.3	15.9
Ultra-Orthodox**	4.6	4.6	9.3	9.3	12.5	12.5
Families with children – total	45.2	45.3	44.4	45.5	60.6	60.9
1-3 children	37.3	37.4	29.3	30.1	37.8	38.4
4 or more children	7.9	7.9	15.1	15.4	22.8	22.5
5 or more children	3.7	3.7	8.5	8.4	12.9	12.4
Single parent families	5.7	5.5	8.3	8.0	8.8	8.5
Employment status of head of household						
Employed	75.8	76.5	45.2	46.7	50.6	52.9
Salaried	65.8	66.6	40.4	41.9	44.0	45.9
Self-employed	10.0	9.9	4.8	4.8	6.6	7.0
Working age but unemployed	8.5	7.9	23.6	21.8	30.0	28.1
One breadwinner	33.4	32.9	38.7	38.0	43.2	42.8
Two or more breadwinners	42.4	43.6	6.4	8.7	7.4	10.1
Age of head of household						
Up to 30	16.1	16.2	18.6	17.9	21.7	20.7
31-45	34.9	34.4	28.8	29.3	37.0	37.5
46-retirement age	30.9	31.1	20.4	20.4	23.0	23.6
At or beyond legal retirement age***	18.1	18.3	32.2	32.4	18.2	18.2
Education of head of household						
Up to 8 years of schooling	11.2	10.7	23.9	23.2	24.0	23.6
9-12 years of schooling	38.0	37.7	42.3	41.5	45.8	44.7
13 or more years of schooling	50.9	51.6	33.8	35.3	30.2	31.7

* According to the definition in use until today: from age 60 for women and 65 for men.
** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).
*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

Table 11
Estimated Degree of Poverty Among Different Population Groups By Selected Indices, 2010 and 2011

	Income gap ratio		Index FGT		Index SEN	
	2010	2011	2010	2011	2010	2011
Total population	35.8	34.7	0.0456	0.0438	0.120	0.119
Jews	34.6	31.8	0.0295	0.0256	0.079	0.073
Arabs	37.2	37.8	0.1095	0.1146	0.285	0.295
Elderly*	26.7	26.8	0.0264	0.0266	0.084	0.079
Immigrants	29.0	28.4	0.0253	0.0236	0.076	0.071
Ultra-Orthodox**	39.0	38.4	0.1156	0.1152	0.298	0.299
Families with children – total	36.7	35.8	0.0579	0.0567	0.152	0.152
1-3 children	35.5	33.5	0.0392	0.0373	0.102	0.101
4 or more children	37.9	38.3	0.1104	0.1108	0.293	0.293
5 or more children	38.9	38.8	0.1374	0.1291	0.356	0.341
Single-parent families	37.1	36.3	0.0626	0.0666	0.166	0.173
Employment status of head of household						
Employed	29.5	28.7	0.0230	0.0229	0.074	0.076
Salaried	28.8	28.3	0.0217	0.0221	0.073	0.075
Self-employed	34.8	31.0	0.0314	0.0279	0.080	0.081
Working age but unemployed	53.1	52.1	0.2846	0.2737	0.555	0.542
One breadwinner	30.8	30.9	0.0527	0.0540	0.166	0.171
Two or more breadwinners	23.1	20.8	0.0049	0.0047	0.017	0.020
Age of head of household						
Up to 30	37.0	35.6	0.0643	0.0600	0.166	0.157
31-45	35.9	35.1	0.0486	0.0497	0.132	0.137
46-retirement age	38.5	36.1	0.0380	0.0332	0.092	0.087
At or beyond legal retirement age***	25.3	24.7	0.0243	0.0242	0.082	0.076
Education of head of household						
Up to 8 years of schooling	40.1	39.9	0.1171	0.1209	0.285	0.294
9-12 years of schooling	35.1	33.5	0.0532	0.0486	0.144	0.137
13 or more years of schooling	34.1	33.2	0.0255	0.0261	0.069	0.072

* According to the definition in use until today: from age 60 for women and 65 for men.
** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).
*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

Table 11a shows the dimensions of poverty by geographic districts and nationality.[17] Despite the mild raise in the dimensions of poverty and in contrast to the trend of recent years, between 2010 and 2011 the incidence of poverty dropped in Jerusalem and the North. In the northern district the incidence of poverty among individuals dropped from 37.2% to 36.7% (and the incidence of poverty among children from 47.6% to 45.3%) and in the Jerusalem district the incidence of poverty among families dropped over 2 percentage points, from 36.6% in 2010 to 34.5% in 2011. The incidence of poverty of individuals and children also dropped. By contrast, in the Tel Aviv district the incidence of poverty among families rose slightly, from 11.6% to 12.2%. Similar trends of mild increases in the incidence of poverty were registered in the Haifa and Southern districts.

The indices for the depth of poverty and its severity also show trends that are not necessarily uniform: Only in the Jerusalem and Southern districts did the poor get poorer; in the Tel Aviv, Central, Haifa and Northern districts these indices showed improvement.

As in previous years, in the Jerusalem district the dimensions of poverty, as expressed in the proportion of poor and the severity of their poverty, were the highest in 2011 for both Arabs and Jews. The incidence of poverty among children in this district reached 57.3%. The dimensions of poverty were lowest in the Tel Aviv and Central districts, where they incidence of poverty among families stood at 12.2% and 10.8%, respectively, nearly half the national rate.

In 2011, however, there was some improvement in the situation among Jewish families in Jerusalem as can be seen in the incidence of poverty statistics for families, individuals and children (decreases of 7.4%, 7.5% and 4.9%, respectively). Among Arabs, however, the was an additional worsening of the incidence of poverty among individuals and children, as well as in their depth of poverty and its severity, but there was a drop in the incidence of poverty among families, from 76.4% in 2010 to 73.8% in 2011. The gap between the level of poverty between Arab and Jewish families in Jerusalem remained very high in 2011, with Arab families three times more likely to be poor.

The distance between the two national groups is reduced when comparing the situations of poor families alone: In all districts and among both groups the average income is 29%-37% below the poverty line, with the exception of Jerusalem, where the Jewish poor had an average income 37% below the poverty line (a drop compared to 2010), while for the Arab poor the gap is 49% (an increase over 2010).

Graph 9 shows the probability ratio of a population group being in the poorest third of the poor population, the middle third or the least poor of the poor, relative to their weight in the overall population. Thus, for example, the weight of the Ultra-Orthodox in the poorest population (bottom third) is 3.6 times their ratio in the total population. Chances of Arabs being poor are nearly three times that of the total population.

One can see that most of the poor in these groups (Ultra-Orthodox and Arabs) are found in the lowest and middle thirds, while most of the Jews who are not Ultra-Orthodox are found in the upper third of the poor population.

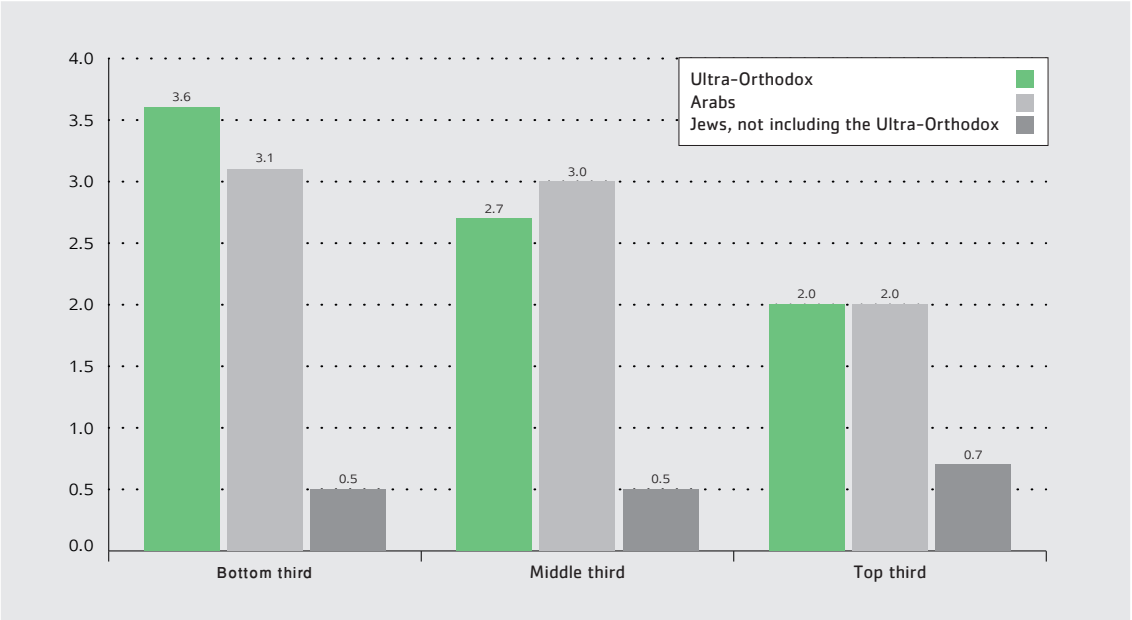
17 Such a survey is being developed by the Central Bureau of Statistics with the help of the NII and other bodies.

Table 11a
The Incidence of Poverty by District and Nationality

	2010					2011				
	Incidence of poverty			Income gap ratio	FGT	Incidence of poverty			Income gap ratio	FGT
	Families	Persons	Children			Families	Persons	Children		
Total*	19.8	24.4	35.3	35.9	0.046	19.9	24.8	35.6	34.7	0.044
Jerusalem	36.6	46.0	57.7	42.9	0.115	34.5	45.5	57.3	43.8	0.118
The north	33.2	37.2	47.6	34.3	0.060	33.5	36.7	45.3	32.3	0.055
Haifa	19.3	22.3	34.9	31.2	0.034	19.9	23.2	33.7	29.1	0.029
Central region	11.2	12.5	17.4	32.7	0.021	10.8	13.0	19.9	30.0	0.019
Tel Aviv	11.6	13.9	23.7	34.8	0.027	12.2	14.5	24.3	31.4	0.022
The south	21.0	25.3	36.8	33.3	0.041	21.5	25.9	37.4	34.0	0.044
Jews*	14.3	16.2	24.1	34.6	0.029	14.3	16.2	24.1	34.6	0.029
Jerusalem	24.9	31.9	43.5	41.2	0.072	23.1	29.5	41.3	37.4	0.058
The north	17.7	17.3	21.8	30.8	0.026	18.5	18.0	21.2	27.7	0.023
Haifa	13.5	12.8	18.0	28.8	0.018	13.9	13.4	18.5	25.9	0.015
Central region	9.3	9.8	13.2	32.6	0.017	8.2	9.4	14.2	27.5	0.012
Tel Aviv	11.3	13.6	23.2	35.6	0.027	12.0	14.4	24.4	31.7	0.023
The south	18.7	19.4	28.2	31.0	0.029	18.6	19.3	26.4	32.1	0.031
Arabs	53.2	56.6	65.8	37.2	0.110	53.2	56.6	65.8	37.2	0.110
Jerusalem	76.4	78.4	84.1	44.6	0.214	73.8	79.5	85.0	48.9	0.245
The north	49.8	51.9	61.6	35.1	0.086	49.4	51.0	58.9	33.5	0.080
Haifa	47.6	50.6	64.9	33.0	0.082	48.7	52.3	60.4	31.6	0.073
Central region	-	-	-	-	-	-	-	-	-	-
Tel Aviv	-	-	-	-	-	-	-	-	-	-
The south	-	-	-	-	-	-	-	-	-	-

* Including communities in Judea and Samaria.

Graph 9
The Probability of Population Groups being in one of the Three Strata of the Poor, Compared to Their Proportion of the Overall Population



* The poor were ranked by disposable income per standard person. Each third comprises 33% of the families.

5. Persistent poverty

Another problem that needs particular attention is the fact that the poor population is not consistent from period to period: Some of the poor are extricated from or succeed in pulling themselves out of poverty, while others fall below the poverty line. But for part of the poor population, poverty is an ongoing way of life. To calculate persistent poverty, there is a need for a survey that monitors it over time.[18] For now, we are making an estimate of persistent poverty based on the theory of permanent income.[19]

In the professional literature it is customary to relate to consumer expenditure as influenced primarily by the stable portion of a family's income, as opposed to temporary fluctuations in it. Thus, for example, when there's a sudden loss of ongoing income (as in the loss of a job), the family will, in the short term, try to maintain the standard of living it had been accustomed to, either by taking loans or selling assets. Only after it is clear to the family that the worsening of their economic situation is not temporary will it gradually reduce its consumption to a level in keeping with its lower income.

18 Under the theory of permanent income, developed by economist Milton Friedman, a family tends to change its current consumption as a result of stable changes in income, while temporary changes in income tend to lead to higher savings and the purchase of durable goods.

19 Accumulated experience with this calculation shows that the data received fluctuates a good deal and so the changes from year to year should be regarded with caution.

Table 12
Estimate of Persistent Poverty – Weight of Families and Persons Among the Poor Whose Expenditures per Standard Person Are Below the Poverty Line (percentages), 2010 and 2011

Population groups	Families		Persons	
	2010	2011	2010	2011
Total population	57	63	59	66
Jews	58	64	61	69
Arabs	56	59	57	63
Elderly*	61	67	58	74
Immigrants	64	67	68	70
Ultra-Orthodox**	73	76	74	79
Families with children – total	59	64	60	68
1-3 children	54	55	54	56
4 or more children	66	79	66	79
5 or more children	65	74	65	75
Single-parent families	57	67	64	69
Employment status of head of household				
Employed	51	59	54	65
Salaried	53	59	55	66
Self-employed	33	41	37	45
Working age but unemployed	65	67	73	71
One breadwinner	53	61	56	66
Two or more breadwinners	41	53	44	60
Age of head of household				
Up to 30	55	48	61	56
31-45	58	68	61	70
46-retirement age	54	60	57	62
At or beyond legal retirement age***	61	68	56	75
Education of head of household				
Up to 8 years of schooling	63	68	65	72
9-12 years of schooling	60	64	59	63
13 or more years of schooling	49	56	55	66

Source: Compiled by the Research and Planning Administration based on surveys of household expenditure carried out by the Central Bureau of Statistics for the years mentioned in the table.

* According to the definition that was in use until today: from age 60 for women and 65 for men.

** Because of the fluctuations a moving average of two years is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009)

*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

This provides a logical explanation for why the expenditure of many poor families is higher than their income; they consider themselves temporarily poor and have not yet adjust their consumption to their lower income. From this perspective, the definition of persistent poverty is a situation in which both a family's income and its expenditures are under the poverty line. That a family has reduced its spending reflects the fact that it has internalized the worsening of its economic situation. This definition is also consistent with recommendation 2(a) of the "Report of the Team for Developing Additional Indices of Poverty."

Table 12 presents the proportion of poor families and individuals, according to the definition of temporarily and persistently poor. The conclusion drawn from the findings is that the trend toward stability that characterized the general dimensions of poverty in 2011 is not reflected in the persistent poverty data: Between 2010 and 2011 the proportion of persistently poor families, i.e., those whose expenditures are below the poverty line, rose from 57% to 63%, and the number of persons in these families also rose from 59% of the poor to 66%.[20]

Graph 10
The Percentage of Individuals Living in Persistent Poverty Over Time From Among the Overall Poor Population, by Selected Groups, 1999-2011

20 Thus for instance the number of standard persons for a family of 4 is 2, and a family of 9 is 3 and so on. The significance of this is that poverty among large families, which are far more common in Israel than in the OECD countries, gets a lower estimate under the OECD calculations, while it's the opposite for small families and individuals. The initial findings of ongoing research on this subject indicate that the approach that assumes an equal standard of living of families according to a consumer basket that includes essential items in addition to food, such as housing, clothing and footwear, leads to an equivalence scale very similar to that resulting from the OECD method. See also Gottlieb and Fruman, 2011, page 21; at http://www.ecineq.org/milano/WP/ECINEQ2011-239.pdf. This study examines the quality of various poverty indices from the perspective described in the article. The index based on the equivalence scale of the OECD gets a particularly low score.

This rise comes after a drop in these statistics between 2008 and 2010, and indicates that apparently many households have adjusted their consumption and standard of living because they didn't see 2011 and future years as heralding much improvement in their financial situation, and as a result their expenditure over time changed and the incidence of persistent poverty rose. The incidence of persistent poverty rose among most population groups, except among those families whose heads were of working age but weren't working (whose incidence dropped from 73% to 71%), and families headed by someone up to age 30 (from 61% to 56%).

Examining the data over time shows that there is relatively high volatility in the measuring the proportion of families who meet the conditions that define persistent poverty. When one focuses on specific population groups, the fluctuations are even greater, as shown in Graph 10. With that, and despite the fluctuations, one can see in the graph an uptrend in persistent poverty as measured here in recent years.

Given the lack of observations the estimates of persistent poverty by group are to some degree volatile. Still one can discern the uptrend in persistent poverty. The significance of this is that the chance that the children living in these families will be extricated from poverty is small. Poverty patterns among the adults tend to become fixed, such that the likelihood such a family will break out of the cycle of poverty is reduced.

6. Israel compared internationally

The OECD method of calculating the dimensions of poverty is similar to the method developed by the NII and which is used in Israel. Both define the median disposable nominal income as the relevant indicator for the standard of living and define the poverty line as half of that. However, the system used to compare the socioeconomic situation of families by size (the equivalence scale) differs. The NII has for many years used the equivalence scale based on the widely used Engel method, under which families of different sizes but whose ratio of their food expenditure from their total expenditure is the same are equivalent in terms of family welfare, while the OECD equivalence scale is based on the square root of family size.[21] as an estimate of the number of the family's standard persons

Another difference is that the OECD calculates median income according to persons and not according to families, which lowers the poverty line slightly compared to the calculation of the NII. All of these factors cause the poverty lines of the OECD to be higher, but the incidence of poverty derived from them among the general population is lower than under the Israeli definition.[22]

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21 The OECD also calculates the dimensions of poverty according to 60% and 40% of the median disposable nominal income – see Appendices 7-9.

22 Except for instances in which it was not possible to calculate the indices owing to insufficient observations. One of the groups for which the observations were insufficient is the non-Jewish population in the South, particular the Bedouin population living in unrecognized communities. According to the study by Abu-Bader and Gottlieb, 2008, "Poverty, Education and Employment in Arab-Bedouin Society, a Comparative View", a series of policy papers for the Program for Economics and Society at the Van Leer Institute in Jerusalem, the poverty of the Bedouin in the south is great, especially in the unrecognized communities.

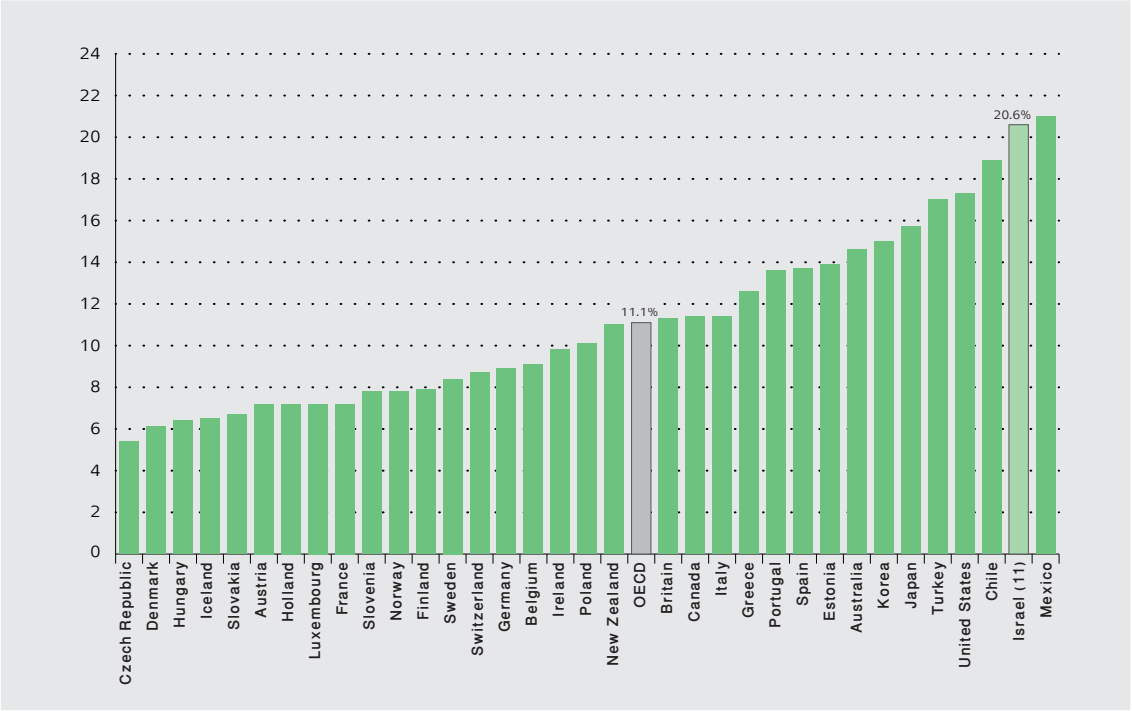
The source of the data for calculating poverty in any country is surveys of income or expenditures, which are conducted by the central statistics bureaus in the various countries. The OECD calculations for Israel are based, therefore, on the same data used for the NII calculations.

Graph 11 shows the incidence of poverty of persons, calculated as 50% of the median nominal disposable income per standard person at the end of the first decade of the 2000s in the OECD nations, and Graph 12 that follows it presents the Gini Index of inequality of disposable income among those same countries at the same time.

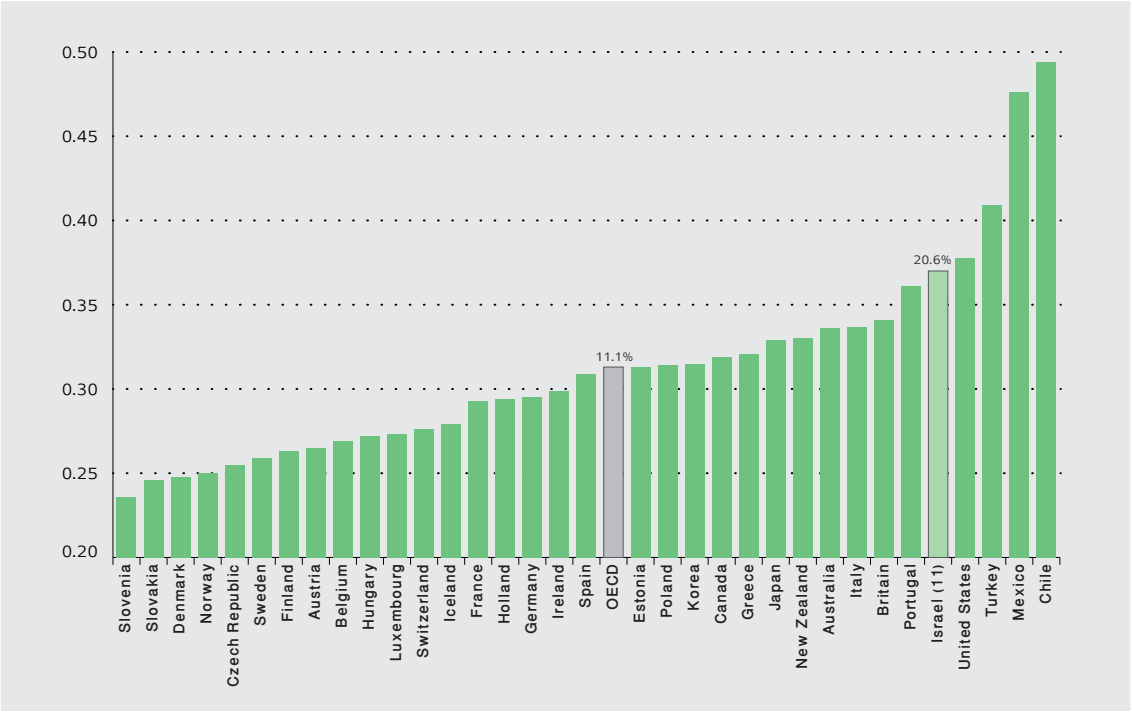
The more updated data (until last year available data related only to the middle of the decade and not the end) do not bring any new tidings regarding Israel's ranking among the developed nations in the socio-economic realm: Graph 11 shows that Israel remains among those countries with the highest dimensions of poverty, only slightly below that of Mexico, with the level of poverty twice as high as the average in the OECD states. In the realm of inequality Israel also ranks relatively high, lower only than Chile (which recently joined the organization), Mexico, Turkey and the United States.

Table 13 presents the incidence of poverty among families, persons and children when the poverty line is calculated according to the OECD approach, for various population groups, in 2010 and 2011. The data for earlier years, and the rates when the poverty line is calculated at 40% or 60% of the median nominal income are presented in Appendices 7 and 8.

Graph 11
Incidence of Poverty for Persons (OECD Definition
Among the OECD States and Israel, at the end of the 2000s (Israel – 2011)



Graph 12
The Gini Inequality Index for Disposable Income per Standard Person (as per the OECD Definition), OECD States and Israel, at the end of the 2000s (Israel – 2011)



Source: OECD, Society at a Glance 2011, and calculations by the Research and Planning Administration

The findings according to the OECD calculations are not similar this year to those of the NII in terms of direction: According to the OECD calculation, the incidence of poverty went down from 19.5% in 2010 to 19% in 2011. Similarly, the incidence of poverty of persons dropped from 21.0% to 20.6% and the incidence of poverty among children dropped from 28.5% to 28.0%.

The differences are even greater when comparing between specific population groups. For example, the incidence of poverty among immigrant families is higher when calculating it under the OECD definition, and in 2011 it went up according to the OECD, while it went down under the NII calculation. Similarly, under the OECD approach there was an increase in the incidence of poverty among families (as well as among persons and children) in families with 5 or more children between 2010 and 2011, while under the NII measurements there was a drop.

7. The official poverty reduction objective

A number of years ago the National Economic Council, together with other government bodies, formulated an official objective in the war on poverty. The council's recommendations were adopted by the cabinet (Decision No. 2167 from August 5, 2007).

Table 13
The Incidence of Poverty Among Families, Persons and Children in Selected Population Groups Under the Definition of the OECD, 2010 and 2011

	2010			2011		
	Families	Persons	Children	Families	Persons	Children
Total population	19.5	21.0	28.5	19.0	20.6	28.0
Jews	14.9	14.2	18.7	14.3	13.5	18.1
Arabs	47.8	47.9	55.1	46.5	48.3	55.0
Elderly*	25.8	24.7	-	25.3	23.3	-
Immigrants	18.7	16.5	22.1	19.1	16.0	20.5
Ultra-Orthodox**	45.7	47.0	50.5	45.0	46.6	50.1
Families with children – total	22.0	24.5	28.5	21.3	24.4	28.0
1-3 children	17.2	17.1	18.5	16.5	16.7	17.7
4 or more children	44.8	45.5	46.7	44.3	45.8	46.6
5 or more children	52.8	52.7	53.5	53.1	53.6	54.2
Single-parent families	28.3	29.8	36.3	27.1	29.3	34.3
Employment status of head of household						
Employed	11.1	14.1	20.9	10.8	14.1	20.8
Salaried	11.1	14.4	21.5	10.8	14.3	21.0
Self-employed	10.9	12.3	16.9	10.8	13.2	19.4
Working age but unemployed	71.0	80.0	89.3	72.0	79.6	87.0
One breadwinner	22.6	32.8	44.2	21.8	32.4	45.3
Two or more breadwinners	2.1	2.6	3.5	2.5	3.5	4.4
Age of head of household						
Up to 30	25.0	27.9	41.6	22.7	25.4	37.4
31-45	18.0	22.2	27.4	17.9	22.8	27.8
46-retirement age	14.2	14.3	22.7	13.9	14.3	22.0
At or beyond legal retirement age***	26.6	25.9	48.0	26.4	24.5	48.1
Education of head of household						
Up to 8 years of schooling	46.3	50.3	69.4	46.1	50.1	68.8
9-12 years of schooling	22.2	25.2	35.8	20.9	24.0	34.4
13 or more years of schooling	11.6	11.8	15.9	12.0	12.6	17.1

* According to the definition that was in use until today: from age 60 for women and 65 for men.
** Because of the fluctuations a moving average of two years is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009)
*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

The objective was defined as follows: The objective is achieved if gross incomes (i.e., not including taxes and other compulsory payments but including government benefits) of families in the lowest income quintile would increase between 2008 to 2010 at an average rate of at least 10% more than the growth in per capita Gross Domestic Product, all in real terms.

Thus, for example, if the GDP per capita would grow during this period by 9%, the objective would be reached if gross family income in the lowest income quintile would grow by at least 9.9% (the per capita growth [9%] per person, plus 10% of that [9% x 10%], i.e., slight less than one percentage point – 0.9%) In the framework of the 2009-2010 budget, when it was clear to the government that the economic situation was deteriorating, along with the poverty levels (in retrospect it emerged that indeed, the incidence of poverty went up in 2009 in an exceptional fashion), the government decided to expand the period set to meet the poverty object to from 2008-2013.

Since then, the government has basically ignored this poverty policy objective. But use of a poverty objective helps leverage policy goals and increases the chances of successfully reaching them, since when the public is aware of such policy efforts this knowledge creates expectations and is liable to enhance the government's efforts.

It should be noted that Israel has had successful experiences with setting economic objectives: (1) The inflation target has, since 1991, helped the government and the Bank of Israel bring down inflation in the economy – which at the time was 16% to 20% -- and stabilize it at between 1 and 3 percent. This is today considered one of the most important achievements of Israeli economic policy. (2) A plan to reduce the government deficit was also set in motion at the same time, and in retrospect, one can state that it imposed a considerable amount of fiscal discipline on the government. This helped reduce the public debt as a percentage of GDP and kept the economy strong in recent years, even as many of the major world economies become embroiled in serious economic difficulties.

Today, one can point to the dimensions of poverty as the economy's primary socioeconomic problem. It's reasonable to assume that setting a firm regime of objectives in this realm would boost

Table 14
Real Changes in the Poverty Objective and Income of the Lowest Quintile*, 2002-2011

Year	GDP per person + 10%	The real change in incomes for the lowest quintile from year to year		
		Gross income per family	Gross income per standard person**	Net income per standard person
2002	-2.6			
2003	-0.3	-1.8	-2.8	-2.3
2004	3.3	-1.8	-1.5	-1.6
2005	3.4	4.4	2.6	3.1
2006	4.1	5.4	4.1	4.8
2007	4.0	1.8	4.2	4.3
2008	2.4	-1.3	-0.6	-0.3
2009	-0.9	1.2	-2.1	-2.3
2010	3.2	3.9	3.5	3.5
2011	2.9	3.0	2.1	2.0
2008-2011	6.6	6.9	2.8	2.8

the chances of government success in tackling this area, since a framework of measurable objectives enhances rational discourse and improves the decision-making process.

Table 14 presents calculations of the poverty objective vs. results over time.[23]

In 2011 the per capita GDP, with an addition of 10%, rose 2.9%, while the gross income per family went up somewhat more than that. Cumulatively, between 2008 and 2011 the gross income per family went up faster than GDP + 10%, so that from this perspective the objective is being met at this stage.

However, we can see that when we calculate the gross income more pointedly (for individuals) and compare it with the objective (the last two columns), we find a large gap between the preferred rate of income growth compared to the growth rate of the GDP + 10%.

23 While the objective was defined as the accumulated change over the years 2008-2013, the year-on-year changes through 2011 give an indication of the degree to which the objective is being met.

B. The Dimensions of Inequality

1. Inequality in 2011 and in recent years

Table 15 shows the Gini Indices of inequality for economic income and disposable income over time. The index for disposable income went down 1.2% between 2010 and 2011,[1] and by a cumulative rate of 3.3% during the five years between 2006 and 2011.

The Gini Index of inequality for economic income, which is primarily influenced by market forces, went down in 2011 by a similar rate (1.4%) compared to 2010 and by a cumulative rate of 5% compared to 2006. The drop in the Gini Index for economic income apparently stems from the increase in employment and reduction in unemployment.

The Gini Index for disposable income developed in the opposite direction from the index for economic income. Since 1999, this index has risen gradually at a rate of 5.6%. This rise, which totally

Table 15
Gini Index of Inequality for Income Distribution in the Population, 1999–2011

Year	Before transfer payments and direct taxes	After transfer payments and direct taxes	Percentage of the reduction stemming from transfer payments and taxes
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
The change in the index (percentages)			
2011 compared to 2010	-1.4	-1.2	
2011 compared to 2006	-5.0	-3.3	
2011 compared to 2002	-7.4	3.1	
2011 compared to 1999	-3.8	5.6	

* Calculation of the Gini Index is based on individual observations of income per standard person, while the weight assigned to each family is equal to the total number of family members.

1 Starting in 2006 a new system was implemented in income surveys, in which income averaging was done for a given number of people earning especially high incomes ("top coding"). This change may influence the indices of inequality. However, from analyses of past data it appears that these changes are not great.

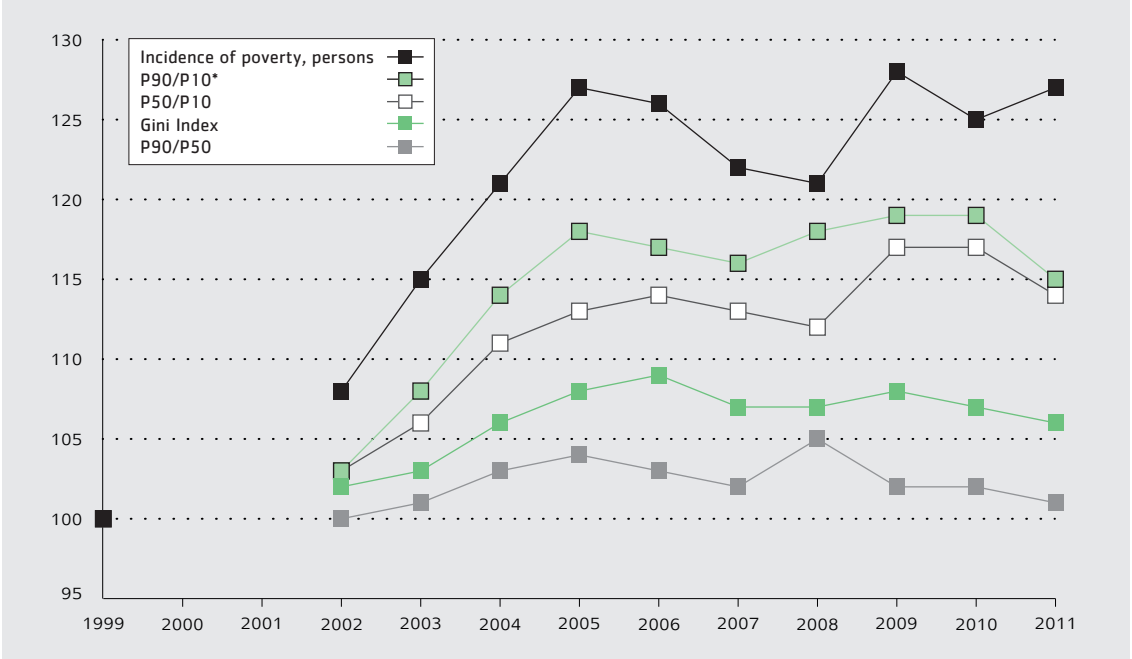
offset the improvement that had occurred in the index for economic income, stems primarily from the drop in government benefits at the beginning of the 2000s and from the income tax reform introduced starting in 2006.

Over the past two years, however, there was a parallel drop in both indices – for economic income and disposable income – such that the influence of government policies on inequality in incomes remained more or less stable: In 2011 it stood at 23.7% (compared to 23.9% in 2010). This means that government intervention via benefits and direct taxes contributed to reducing inequality by about a quarter of what it would have been without the intervention.

Graph 13 presents a number of indices of inequality, all of them for disposable income – the Gini Index and two ratios between income deciles – the P90/P50 index, which shows the development of the gap between the incomes of the ninth decile and the middle class, as represented by the fifth decile, and the P90/P10 index, which shows the gap between the highest income below the highest decile and the highest[2] income of the lowest decile.

The graph shows that between 2010 and 2011 there was an improvement in all the inequality indices shown. With that, this drop is more or less a correction of the worsening in the inequality

Graph 13
Incidence of Poverty Among Individuals and Selected Inequality Indices 1999-2011



* For the purpose of the calculations, the deciles were determined by disposable income per standard person; each decile comprises 10% of the families.

2 It is accepted practice to use the ratio between the highest incomes of the given deciles for the purpose of comparison.

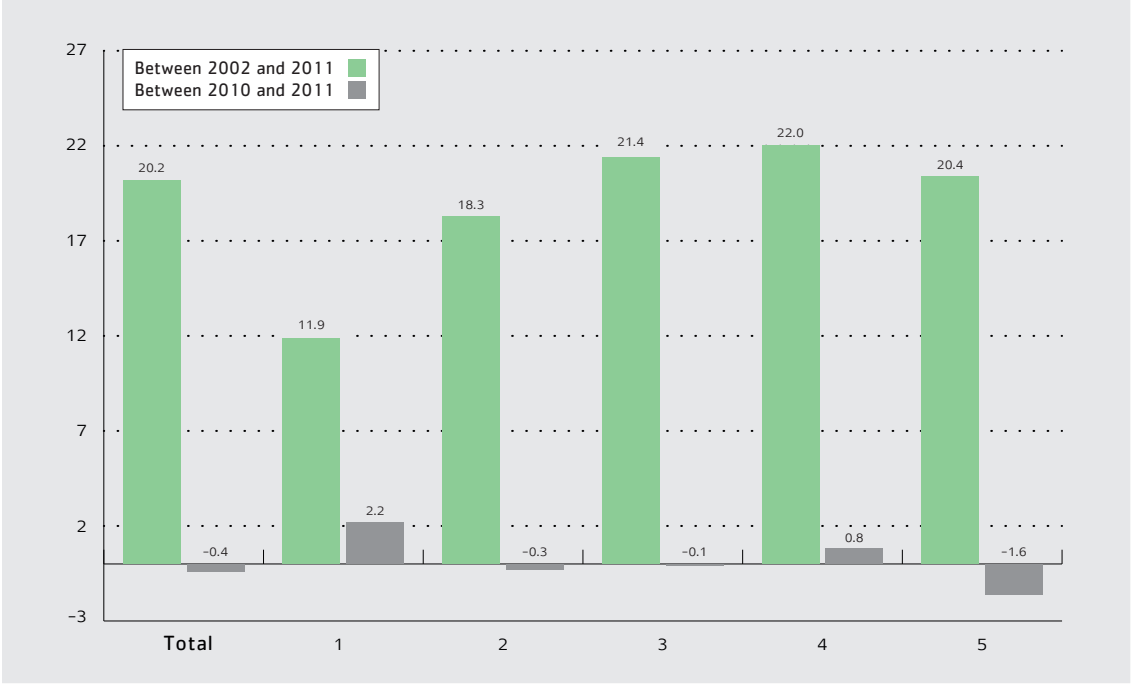
indices that occurred during the financial crisis of 2008/9, meaning that the worsening of inequality that stems from the economic retrenchment plan of 2002-2003 still prevails. While the P90/P50 index went up only 1% over the period, the second index went up at a cumulative rate of 15%. This shows that over the past 12 years the upper class moved further away from the distribution, but inequality grew primarily between the highest income earners and the lowest ones, with the highest decile representing the high incomes.[3]

2. Inequality by quintiles

This section presents selected data regarding the population's standard of living by quintiles[4] in 2010 and 2011.

Graph 14 shows the real increase in the disposable income per standard person by quintiles over the short term (in 2011 compared to 2010) and in a cumulative fashion over the medium term (2002 to 2011). Between 2010 and 2011 there was a slight drop of 0.4% among the overall population.

Graph 14
The Real Change in Disposable Income Per Standard Person by Quintiles (percentages)



3 It's possible that the findings would be different if the comparisons had been made between smaller groups of high-income earners, for example the top hundredth or thousandth, something not checked in this survey because of a low number of observations and their truncation.

4 The quintiles were determined by disposable income per standard person, such that each quintile comprises 20% of the families. This definition also applies to the quintiles used in reference to the government poverty objective (see above).

By contrast, in the lowest quintile disposable income went up by 2.2%, while in the highest quintile income went down by around 1.6%. These trends explain the drop in inequality in 2011 compared to 2010, as also reflected in the Gini Index and other indices.

Looking over the longer term, since 2002, real disposable income went up by a cumulative 20.2% among the overall population. But while the four upper quintiles saw similar average increases, of between 18% and 22%, in the lowest quintile income went up at the relatively low rate of 11.9%. This finding shows that the results of the markedly high growth during this period (1.7% per person per year) were not divided evenly enough.

Table 16 below presents income in 2011 by source and type of income, as well as the real change in percentages compared to 2010; Table 17 presents how the "pie" of variously defined incomes was divided among the quintiles, while Table 18 shows the changes in family expenditures and the division of the expenditure "pie" among the quintiles.

The findings in Table 16 show that income from employment dropped an average of 1.2% across the board. The reduction in inequality stemmed primarily from the rise in income from employment for the lowest quintile (of about 7%) and a drop in that of the highest quintile (3.5%). The highest quintile's income from employment was 11.2 times higher that that of the lowest quintile. Unlike in 2010, when the trends in changes in income from pensions, provident funds and capital were mixed, in 2011 there was a relatively large drop in income from these sources of 6.5% on average. The income from government benefits and support dropped by an average of 0.6%. Most prominent was a drop of some 10% in payments from government sources (other than the NII), while there was an increase in payments from households and private sources of some 9%.

The average of compulsory payments, comprising income tax, NII contributions and health insurance contributions, dropped by 7%, reflecting a drop in three tax components: Collection of NII contributions (of some 5%), health insurance contributions (some 4%) and income tax (9%). These changes most likely stem from the drop in income from employment experienced by the highest quintile.

The drop in income from employment, benefits and support payments described above led to a drop of 1.7% in gross income per standard person. Measuring by quintiles show the same trends – an increase in the lowest quintile of 2.1% and a drop in the highest quintile of 3.1%. Disposable income per standard person went down a bit in real terms (0.4%). The ratio between the adjusted disposable income of the highest quintile and that of the lowest quintile also went down a bit and reached 7.6 in 2011.

Table 17 shows the proportion each quintile received of the total of the various types of incomes. The data show that the highest quintile's proportion of income from employment went down from 45.9% in 2010 to 44.8% in 2011. As in 2009, the two top quintiles make 70% of the income from employment but receive only around a third of the total income from benefits and support payments. By contrast, the two lowest quintiles earn some 13% of the income from employment and receive 46% of the income from benefits and support payments.

Table 16
Source and Type of Income and Mandatory Payments by Quintile*, 2011 and Real Change Compared to 2010

Source/type of income and mandatory payments	Income (NIS per month)							Real change compared to 2010 (percentages)					
	Average	1	2	3	4	5	Ratio between incomes of the top and lowest quintiles	Average	1	2	3	4	5
Income from work	11,340	2,260	5,110	9,530	14,380	25,390	11.2	-1.2	7.1	0.5	0.3	0.1	-3.5
Income from pensions, provident funds and capital	1,450	80	420	920	1,610	4,200	52.5	-6.5	0.0	-9.9	-6.3	1.6	-9.1
Total income from support payments and benefits	1,850	2,080	2,210	1,740	1,590	1,620	0.8	-0.6	-0.2	3.4	-1.3	-3.6	-2.8
NII benefits alone	1,460	1,710	1,800	1,430	1,240	1,110	0.6	-0.4	0.1	1.5	-0.4	0.2	-4.6
Payments from government agencies alone	200	220	210	130	170	290	1.3	-9.9	-0.5	2.0	-23.1	-23.3	-8.1
Payments from other households and individuals alone	190	150	200	180	190	230	1.5	8.6	-2.6	28.8	13.8	-5.8	15.3
Total mandatory payments	2,280	300	560	1,200	2,430	6,930	23.1	-7.0	1.7	-4.9	-4.1	-2.9	-9.4
Income tax	1,260	20	130	460	1,230	4,470	223.5	-9.1	12.5	-6.3	-5.3	-2.5	-11.3
NII	490	70	140	310	570	1,350	19.3	-5.1	-1.4	-4.7	-1.9	-4.5	-6.5
Health insurance	540	210	290	430	630	1,110	5.3	-3.6	1.5	-4.0	-4.2	-2.0	-4.9
Net income per family	12,360	4,180	7,180	10,990	15,150	24,280	5.8	-0.7	3.1	1.1	0.0	0.3	-2.6
Gross income per family	14,640	4,470	7,740	12,190	17,580	31,210	7.0	-1.7	3.0	0.7	-0.4	-0.1	-4.2
Economic income per family	12,710	2,400	5,500	10,360	15,890	29,400	12.3	-1.9	6.0	-0.3	-0.5	0.2	-4.4
Net income per standard person	4,810	1,350	2,620	4,000	5,730	10,320	7.6	-0.4	2.2	-0.3	-0.1	0.8	-1.6
Gross income per standard person	5,670	1,450	2,800	4,410	6,560	13,130	9.1	-1.4	2.1	-0.8	-0.4	0.4	-3.1
Economic income per standard person	4,810	650	1,750	3,610	5,800	12,230	18.8	-1.5	5.8	-2.2	0.3	0.8	-3.3

* Quintiles are classified according to disposable income per standard person; each quintile comprises 20% of the families.

Table 17
Share of Each Quintile* in Total Income and Mandatory Payments, 2010-2011

Source/Type of Income	2010						2011					
	Total	1	2	3	4	5	Total	1	2	3	4	5
Income from work	100.0	3.7	8.9	16.6	25.0	45.9	100.0	4.0	9.0	16.8	25.4	44.8
Income from pensions, provident funds and capital	100.0	1.1	6.0	12.6	20.5	59.8	100.0	1.2	5.8	12.7	22.2	58.2
Total income from support payments and benefits	100.0	22.4	22.9	19.0	17.8	17.9	100.0	22.5	23.9	18.9	17.2	17.5
NII benefits alone	100.0	23.3	24.3	19.7	16.8	15.9	100.0	23.5	24.7	19.7	16.9	15.2
Payments from government agencies alone	100.0	19.5	18.3	15.2	19.3	27.8	100.0	21.5	20.7	13.0	16.4	28.4
Payments from other households and individuals alone	100.0	17.6	17.6	18.4	23.8	22.6	100.0	15.8	20.8	19.1	20.5	23.9
Total mandatory payments	100.0	2.4	4.8	10.2	20.3	62.3	100.0	2.6	4.9	10.5	21.3	60.7
Income tax	100.0	0.2	2.1	7.0	18.1	72.6	100.0	0.3	2.1	7.3	19.4	70.9
NII	100.0	2.8	5.8	12.2	23.2	56.1	100.0	2.9	5.8	12.6	23.3	55.3
Health insurance	100.0	7.4	10.9	16.3	23.3	42.1	100.0	7.8	10.8	16.2	23.7	41.5
Net income per standard person	100.0	6.5	11.4	17.7	24.3	40.1	100.0	6.8	11.6	17.8	24.5	39.3
Gross income per standard person	100.0	5.8	10.3	16.4	23.6	43.8	100.0	6.1	10.6	16.7	24.0	42.7
Economic income per standard person	100.0	3.5	8.5	16.1	24.5	47.5	100.0	3.8	8.7	16.3	25.0	46.3

* Quintiles are classified according to disposable income per standard person; each quintile comprises 20% of the families.

Table 18
Expenditure by Quintile*, Real Rates of Change and Distribution of Expenditures, 2010-2011

	Average	1	2	3	4	5
Expenditure in NIS per month, 2011						
Consumption expenditure per standard person	5,480	2,970	4,030	5,050	6,240	9,100
Nominal expenditure per standard person	4,100	2,150	3,000	3,780	4,690	6,860
Consumption expenditure per family	13,970	8,570	10,750	13,660	16,110	20,740
Nominal expenditure per family	10,540	6,410	8,210	10,310	12,160	15,620
Real change compared to 2010						
Consumption expenditure per standard person	0.8	-0.1	4.8	4.4	1.7	-3.1
Nominal expenditure per standard person	0.7	-0.4	4.7	4.2	1.2	-2.7
Consumption expenditure per family	3.5	2.0	9.1	9.7	1.8	-1.0
Nominal expenditure per family	3.6	2.0	9.9	9.5	1.4	-0.7
Expenditure as proportion of total expenditure – 2010						
Consumption expenditure per family	100.0	12.4	14.6	18.4	23.5	31.1
Nominal expenditure per family	100.0	12.3	14.7	18.5	23.6	30.9
Expenditure as proportion of total expenditure – 2011						
Consumption expenditure per family	100.0	12.3	15.4	19.6	23.1	29.7
Nominal expenditure per family	100.0	12.2	15.6	19.6	23.1	29.6

* The source: Compiled by the Research and Planning Administration from surveys of household expenditure from the Central Bureau of Statistics for the years cited in the table.
* The quintiles were classified according to disposable income per standard person; each quintile comprises 20% of the families.

This table also shows the degree of progressiveness of various direct taxes: In 2011 the upper quintile paid almost 71% of all income tax, but only 55% of the NII contributions and 42% of the health insurance contributions, demonstrating that the latter two payments are relatively regressive.

Almost half of the economic income, whose source is the labor market and capital investments, is in the hands of the upper quintile, compared to 3.8% held by the lowest quintile. Direct government means of intervention – direct taxes and transfer payments – lower the portion held by the upper quintile to 39% of the disposable income, and raise the proportion held by the lowest quintile to 6.8%.

The findings in Table 18 show that the nominal expenditure per standard person went up year on year by 0.7% in real terms and totaled NIS 4,100 a month. There was a real drop in the nominal

expenditure by the upper quintile (2.7%) while in the second and third quintiles expenditure was up by 4-5%.

A check of income and expenditure by quintiles, using the equivalence scale of the OECD, i.e., that the number of standards persons equals the square root of the number of household members[5], yields slightly different findings, explained by the structure of the equivalence scale.[6] Tables that parallel Tables 16-18, which use the OECD equivalence scale rather than the Israeli one, are included in the appendix of additional tables.

5 For both determining the quintiles and for calculating the income per standard person. See a more detailed explanation in the section on international comparisons.

6 Although both scales of equivalence assign equal weight to adults and children, the equivalence scale of "square root of the number of people" used by the OECD assigns greater advantages to family size, such that the change in income/expenditure required per person to maintain a given standard of living is smaller than that required by the Israeli scale. As a result, the makeup of the quintiles classified according to income per standard person in each of the scales is different: The Israeli scale tends to have a greater proportion of large families in the lower quintiles, since as previously mentioned, the advantages accruing from their size is less, and accordingly they need larger changes to their incomes/expenditures to maintain their standard of living.

C. The Causes of Poverty and Inequality

The year 2011 was characterized by an impressive economic recovery from the crisis of 2008-2009. The macro-economic data shows that between 2010 and 2011 the positive workforce trends continued: The number of employed rose by 3.9%. The unemployment rate went down from 6.7% to 5.6%, continuing a steady downtrend since 2006 that was interrupted by the crisis at the end of 2008 and part of 2009. The nominal income for the period of this survey went up by a nominal rate of 4%, but since consumer prices went up by 3.4% during the same period, between 2010 and 2011, real income went up only moderately, by around half a percent.

The increase in the number of employed and in wages were not uniform across the different sectors: In the business services, banking and insurance, hospitality and food and in agriculture the number of employed increased between 4% and 6%, while in the public administration and industrial sectors it went up by only 2%. In other sectors the number of employed went up by between 2.5% and 4%.

In certain sectors, primarily construction, banking hospitality and food, and business services, real income saw increases above the average. In health services, welfare and community services real income saw no change, while in public administration and industry real wages went down by more than 1%. The survey data show similar trends in these macro-economic statistics: The number of wage-earners went up between the two years by 3%. Income from employment went down in real terms by 1.2% but this drop stems primarily because income from self-employment went down by 11%, while income from employment went up by half a percent.

Table 19
Distribution of Income** Among Employed and Poor Employed Persons by Wage Level, 2011

	Total (thousands)	Percentages	Up to half the minimum wage	From half to full minimum wage	Minimum wage to average wage	Above the average wage
Total employed	2,598	100.0	8.1	14.9	46.1	30.9
Wage-earners employed full-time*	1,997	100.0	2.5	8.9	51.0	37.6
Among the economic poor						
Total employed	368	100.0	27.0	33.2	39.3	0.5
Wage-earners employed full-time*	203	100.0	9.9	28.7	60.5	0.8
Among the net poor						
Total employed	247	100.0	24.7	31.4	43.4	0.5
Wage-earners employed full-time*	147	100.0	9.0	26.4	63.8	0.8

* At least 35 hours a week
** The minimum wage and the average wage were adjusted to the period of the income survey for 2011

According to administrative data, NII benefits went up between the two years by about 4% in real terms. The increase reflects primarily the increase in old-age and survivors' pensions by about 6% and the hike in child allowance of around 8%. The survey data also show a real increase of 2.3% in all benefits payments, also attributable primarily to the rises in old age and child benefits. But in terms of sum of benefits per family, the survey shows the NII benefits went down around half a percent in 2011 compared to the prior year.

The tables below give a more detailed analysis of the trends in the workforce for poor and non-poor employees. Table 19 presents the distribution of income among the employed, distinguishing between the poor and non-poor in 2011. The findings point to significant gaps in the wage level among the poor employed compared to all those who are employed: Over 76% of all wage-earners in the economy are employed full-time, and 11.4% of them are earning less than the minimum wage. Among poor wage-earners who are working full-time – some 61% are earning salaries higher than the minimum wage but less than the average wage. The proportion of poor wage-earners who are earning more than the average wage is minuscule.

The data in Table 20, which presents the ratio of employed wage-earners for 2010 and 2011 by employment sector show that the sectors in which poor employees figure prominently are construction and educational services. The ratio of poor employees in the construction center from among all the poor employees is three times the parallel rate among non-poor employees. A similar phenomenon, albeit less severe, exists in the field of educational services: nearly 20% of all poor employees are employed in educational services, while among non-poor employees the proportion of education workers is only 13%.

In the transportation, storage and communication sectors, the percentage of poor employees dropped from 8.4% to 5.9%, though the percentage of people employed in those sectors remained stable. All told, the number of poor workers increased by 11.6%, compared to a much smaller increase in the number of non-poor workers (1.8%). This phenomenon is most obvious in the construction fields, where poor workers increased by 13.6%, wholesale and retail commerce (11.2%), hospitality and food (20.2%) public administration (21.9%) and health and welfare services (21.8%). This development apparently reflects the difficulty of new and relatively unskilled workers to find work at a salary and/or a reasonable number of hours that would help them extricate themselves from poverty.

Table 21 presents the salary of workers in a sector compared to the average salary for the survey period, as well as the changes in real income between 2010 and 2011 by employment sector. According to the findings, in 2011 the wages of salaried workers went down slightly in real terms (0.6%), with poor employee's wages going down 4.7% in real terms while the wages of non-poor workers remained unchanged. The wages of poor workers reached 42.8% of the average wage, ranging between 29% of the average wage in the health and welfare services sector, to some 54% of the average wage in the construction sector. The real wages of poor workers dropped sharply in the hospitality and food, and the transportation, storage and communications sectors (14.4% and 12.5%, respectively). In the industry, construction, business services, banking and insurance, health and welfare services, the real wages of the poor dropped between 1% and 8%. The only sectors in which poor workers saw a rise in real wages were in the commerce and education sectors.

Table 20
Ratios of Employment by Economic Sector (percentages), 2010-2011

Economic Sector	Proportion of those employed in the sector						Rate of growth in employment in the sector between 2010 and 2011		
	2010			2011					
	Total	Poor	Non-poor	Total	Poor	Non-poor	Total	Poor	Non-poor
Total	100.0	100.0	100.0	100.0	100.0	100.0	2.7	11.6	1.8
Agriculture	1.1	1.7	1.0	1.0	2.6	0.8	-5.4	--	-17.6
Industry (mining and manufacturing)	14.9	12.0	15.2	14.5	11.6	14.8	0.2	7.6	-0.3
Electricity and water	0.7	0.2	0.7	0.7	0.3	0.7	5.2	--	3.6
Construction	4.7	13.4	3.8	4.5	13.6	3.6	-0.5	13.6	-5.3
Wholesale and retail commerce	12.0	12.5	11.9	12.2	12.4	12.2	4.3	11.2	3.6
Hospitality and food services	4.7	5.9	4.6	4.5	6.3	4.3	-3.5	20.6	-6.4
Transportation, storage, communication	6.6	8.4	6.4	6.5	5.9	6.6	1.4	-21.2	4.3
Business services, banking and insurance	17.6	9.0	18.4	17.2	8.4	18.2	0.7	4.5	0.5
Public administration	4.9	2.1	5.2	5.1	1.5	5.5	8.1	--	9.2
Education	13.4	18.1	12.9	13.9	19.8	13.2	6.5	21.9	4.4
Health, welfare and nursing services	10.6	8.0	10.8	10.8	8.8	11.0	4.9	21.8	3.7
Community, social and other services	6.0	7.7	5.8	5.7	6.6	5.7	-1.6	-5.1	-1.1

Average wages were calculated according to income survey data and include "unknown sectors" that were removed; in instances of insufficient observations, columns are marked --.

By contrast, the wages of non-poor workers in the hospitality and food sector rose sharply (10.2%) yet reached only 60% of the average wage for all workers. In the agricultural and community and social service sectors the wages for non-poor workers are also low, coming to only 80% of the average wage.

In Tables 22 and 23 employment and salary data previously presented by employment sectors is broken down by occupations. One can see the drop in the proportion of poor employees categorized as "professional workers" from 31.9% to 29.1% from 2010 to 2011, compared to the their rise as a proportion of the non-professional workers from 15.7% to 18.2% from one year to the next.

Poor workers in most of the occupations saw marked drops in real wages in 2011. Only the academic and administrative professions, along with the free and technical professions saw the wages of poor workers increase (by 3.8% and 4.4%, respectively). The sharpest drop in wages (10.4%) was among the poor working in sales and services. Poor workers' salaries as a ratio of the average wage

Table 21
Wages as a Percentage of Average Wage* and Changes Therein, By Economic Sector (percentages), 2010-2011

Economic Sector	Wages as a percentage of the average wage*			Rate of real change in wages of employees between 2010 and 2011		
	Total	Poor	Non-poor	Total	Poor	Non-poor
Agriculture	100.0	42.8	106.0	-0.6	-4.7	0.0
Industry (mining and manufacturing)	73.2	--	83.7	-1.6	--	7.5
Electricity and water	115.1	52.7	120.2	-1.2	-4.6	-0.8
Construction	168.4	--	173.8	-9.4	--	-8.2
Wholesale and retail commerce	86.2	53.7	99.3	0.3	-1.1	2.8
Hospitality and food services	84.3	44.5	88.5	-1.7	0.8	-1.4
Transportation, storage, communication	56.4	36.1	59.6	6.9	-14.4	10.2
Business services, banking and insurance	98.1	49.0	102.8	-0.8	-12.5	-1.4
Public administration	129.4	35.7	134.0	0.0	-7.3	0.2
Education	130.5	--	132.8	-7.2	--	-7.7
Health, welfare and nursing services	84.8	40.3	91.8	1.5	2.8	2.5
Community, social and other services	85.8	28.6	90.6	-2.9	-8.4	-2.0
Agriculture	71.6	35.0	76.0	0.8	-1.6	0.7

* Average wage was calculated according to income survey data and includes "unknown sectors" that were removed; in instances of insufficient observations, columns are marked –.

Table 22
Distribution of Employees by Occupation, (Percentages), 2010-2011

Occupation	Percentage of those employed in each occupation					
	2010			2011		
	Total	Poor	Non-poor	Total	Poor	Non-poor
Total*	100.0	100.0	100.0	100.0	100.0	100.0
Academic and administrative professions	19.6	6.0	20.9	20.8	6.3	22.3
Free and technical professions	14.9	12.1	15.2	15.3	12.5	15.6
Clerical workers	18.7	11.2	19.4	18.0	11.4	18.7
Sales and services workers	20.0	22.0	19.8	19.2	21.5	19.0
Professional workers	16.7	31.9	15.2	15.5	29.1	14.1
Non-professional workers	7.4	15.7	6.6	8.0	18.2	7.0

* "Total" includes unknown.

of all employees were 33% among sales and service personnel, and up to 54% among professional workers. It should be noted that the wages of non-poor workers in the non-professional and sales and service workers categories were at least a third below the average wage (54.2% and 67.1%, respectively.

Table 23
Wage Levels and Changes Therein by Occupation (percentages), 2010-2011

Occupation	Salary as a percentage of the average wage for all workers*			Rate of real change in workers' wages from 2010 to 2011		
	Total	Poor	Non-poor	Total	Poor	Non-poor
Total	100.0	42.8	106.0	-0.6	-4.7	0.0
Academic and administrative professions	173.0	48.3	176.7	-1.2	3.8	-1.1
Free and technical professions	105.1	42.5	110.4	1.1	4.4	1.4
Clerical workers	81.8	38.1	84.6	-5.8	-9.4	-5.3
Sales and services workers	63.5	32.9	67.1	-2.0	-10.4	-0.9
Professional workers	83.6	54.1	90.1	-1.3	-4.1	-0.4
Non-professional workers	50.6	37.5	54.2	-1.3	-4.2	0.2

* "Total" includes unknown.

Appendices

Appendix 1a
Incidence of Poverty 1998-2011, including East Jerusalem

Year	Incidence of poverty (percentages)		
	Families	Persons	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

Appendix 1b
Incidence of Poverty 1999-2011, not including East Jerusalem

Year	Incidence of poverty (percentages)		
	Families	Persons	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

Appendix 2
Number of Poor Families and Poor Persons After Transfer Payments and Taxes, 2010–2011

Preliminary comment: The numbers are provided to give some notion of the size of the population and they are not an indicator of changes in the dimensions of poverty, since they reflect a combination of changes in the poverty and changes in the relative and absolute size of the population. Thus there could be a situation in which the incidence of poverty of a particular group decreased while the number of poor families increased from year to year (Arabs and the elderly, as of the year of the report) and vice versa.

	2010		2011		Change between 2010 and 2011	
	Families	Persons	Families	Persons	Families	Persons
Total population	433,300	1,773,400	442,200	1,838,600	8,900	65,200
Jews	269,600	943,100	270,200	956,500	600	13,400
Arabs	163,600	830,400	171,900	882,100	8,300	51,700
Elderly*	87,100	162,900	89,600	156,000	2,500	-6,900
Immigrants	66,500	204,300	70,100	207,900	3,600	3,600
Ultra-Orthodox**	53,900	327,900	55,200	342,700	1,300	14,800
Total families with children	262,600	1,456,800	269,200	1,524,000	6,600	67,200
1-3 children	163,800	722,600	169,700	769,500	5,900	46,900
4 or more children	98,800	734,200	99,500	754,500	700	20,300
5 or more children	55,800	463,800	54,900	472,500	-900	8,700
Single-parent families	38,200	149,900	37,700	157,200	-500	7,300
Employment status of head of household						
Working	219,200	1,122,300	233,800	1,214,300	14,600	92,000
Employed	190,600	988,900	203,000	1,060,400	12,400	71,500
Self-employed	28,600	133,500	30,700	154,000	2,100	20,500
Of working age but not working	130,100	495,200	124,100	481,700	-6,000	-13,500
One breadwinner	187,100	931,600	189,200	948,500	2,100	16,900
Two or more breadwinners	32,100	190,700	44,600	265,800	12,500	75,100
Age group of head of household						
Up to 30	94,200	378,700	91,500	381,100	-2,700	2,400
31-45	160,400	855,300	165,700	910,900	5,300	55,600
46 to retirement age	99,800	396,300	104,400	413,100	4,600	16,800
Above legal retirement age***	78,800	143,200	80,600	133,600	1,800	-9,600
Education level of head of household						
Up to 8 years of study	104,000	365,100	104,500	369,800	500	4,700
Between 9-12 years of study	198,500	891,800	197,600	885,700	-900	-6,100
13 or more years of study	130,800	516,500	140,100	583,100	9,300	66,600

* According to the definition in use until today: from age 60 for women and 65 for men.
** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).
*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

Appendix 3
Incidence of Poverty Among Persons by Population Groups (percentages), 2010 and 2011

	Income before transfer payments and taxes		Income after transfer payments and taxes		Rate of decrease in the incidence of poverty after transfer payments and taxes (percentages)	
	2010	2011	2010	2011	2010	2011
Total population	32.8	33.7	24.4	24.8	25.6	26.4
Jews	25.4	26.1	16.2	16.2	36.1	37.8
Arabs	61.9	63.2	56.6	58.0	8.6	8.2
Elderly*	52.3	50.5	21.5	19.8	58.8	60.8
Immigrants	34.1	34.6	18.2	17.3	46.8	50.1
Ultra-Orthodox**	70.3	70.0	59.7	58.8	15.1	16.1
Total families with children	35.5	37.2	30.5	31.2	14.3	16.2
1-3 children	25.4	26.9	20.5	21.4	19.5	20.7
4 or more children	64.1	66.0	58.6	58.6	8.5	11.1
5 or more children	76.3	76.5	69.6	68.2	8.8	10.8
Single-parent families	48.3	51.7	33.2	34.9	31.2	32.5
Education level of head of household						
Working	23.8	25.3	18.3	19.3	23.0	23.5
Employed	24.6	26.0	18.7	19.5	24.0	25.2
Self-employed	18.9	20.2	16.1	18.5	14.6	8.7
Of working age but not working	94.5	94.7	82.1	81.5	13.2	13.9
One breadwinner	51.4	52.7	40.0	40.9	22.1	22.3
Two or more breadwinners	6.9	9.2	5.0	6.7	27.2	27.5
Age group of head of household						
Up to 30	43.1	42.8	32.5	31.6	24.7	26.1
31-45	32.3	34.5	27.2	28.7	15.7	16.9
46 to retirement age	21.7	22.0	17.1	17.4	21.1	21.0
Above legal retirement age***	56.3	55.5	22.2	20.3	60.6	63.4
Education level of head of household						
Up to 8 years of study	68.8	70.9	52.7	54.5	23.4	23.2
Between 9-12 years of study	38.1	38.3	29.9	29.7	21.7	22.6
13 or more years of study	21.3	23.3	14.4	15.6	32.7	33.3

* According to the definition in use until today: from age 60 for women and 65 for men.
** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).
*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

Appendix 4
Income Gap Ratio Among Families by Type of Family, 2010–2011 (percentages)

	Income before transfer payments and taxes		Income after transfer payments and taxes		The influence on the income gap ratio among the poor	
	2010	2011	2010	2011	2010	2011
Total population	60.0	58.3	35.8	34.7	42.7	43.2
Jews	62.2	60.1	34.6	31.8	48.6	51.2
Arabs	56.3	55.4	37.2	37.8	34.9	33.3
Elderly*	80.0	79.5	26.7	26.8	72.2	71.4
Immigrants	67.1	65.3	29.0	28.4	58.0	58.5
Ultra-Orthodox**	65.4	63.1	38.6	38.4	43.1	44.1
Total families with children	55.6	53.8	36.7	35.8	37.4	37.6
1-3 children	53.3	50.3	35.5	33.5	37.6	37.6
4 or more children	58.3	57.7	37.9	38.3	37.2	37.6
5 or more children	60.4	59.5	38.9	38.8	38.2	38.8
Single-parent families	65.9	62.6	37.1	36.3	52.5	50.0
Employment status of head of household						
Working	40.2	39.6	29.5	28.7	30.4	32.5
Employed	40.0	39.8	28.8	28.3	31.9	34.3
Self-employed	42.0	37.7	34.8	31.0	19.1	18.2
Of working age but not working	95.5	95.6	53.1	52.1	45.5	46.2
One breadwinner	43.1	43.5	30.8	30.9	31.1	33.3
Two or more breadwinners	27.4	26.4	23.1	20.8	25.2	27.8
Age group of head of household						
Up to 30	55.1	54.6	37.0	35.6	39.7	41.0
31-45	54.1	52.6	35.9	35.1	36.7	37.4
46 to retirement age	61.8	58.7	38.5	36.1	39.8	40.8
Above legal retirement age***	80.5	80.2	25.3	24.7	74.0	74.5
Education level of head of household						
Up to 8 years of study	71.0	71.2	40.1	39.9	46.3	46.4
Between 9-12 years of study	55.2	53.8	35.1	33.5	39.3	40.5
13 or more years of study	60.2	57.1	34.1	33.2	45.2	44.5

* According to the definition in use until today: from age 60 for women and 65 for men.
** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).
*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

Appendix 5
The Influence of Transfer Payments and Direct Taxes on Inequality in Income Distribution in the Overall Population, 2010–2011

	Each decile as a proportion of the overall population					
	Before transfer payments and taxes		After transfer payments		After transfer payments and taxes	
Decile*	2010	2011	2010	2011	2010	2011
Top	0.0	0.0	1.6	1.7	1.8	1.9
2	1.4	1.6	3.0	3.1	3.4	3.4
3	3.1	3.1	4.1	4.2	4.6	4.6
4	4.7	4.7	5.4	5.5	6.0	6.1
5	6.4	6.4	6.9	6.9	7.6	7.5
6	8.4	8.5	8.5	8.6	9.2	9.2
7	10.6	10.8	10.3	10.5	11.0	11.0
8	13.4	13.7	12.7	13.0	13.1	13.3
9	17.8	18.2	16.5	16.8	16.3	16.5
Bottom	34.1	33.0	30.8	29.8	27.1	26.5
The ratio between the income of the highest quintile and the income of the lowest quintile	36.4	33.0	10.2	9.6	8.3	8.0

• The families in each column were graded according to the level of income adjusted per standard person. Each decile constitutes 10% of the people in the population.

** In terms of income per standard person.

Appendix 6
Monetary Date by Quintiles*, According to the OECD Equivalence Scale

A. Income by Source and Type, 2011, and the Real Change from 2010

Source/type of income	Income (NIS per month)						The change compared to 2010 (percentages)					
	Average	1	2	3	4	5	Average	1	2	3	4	5
From employment	11340	1530	4400	8480	13530	26590	-1.2	7.8	-0.8	-0.6	-1.5	-3.6
From pensions, provident funds and capital	1450	80	450	940	1600	3850	-6.5	-12.6	-7.9	-6.6	0.7	-10.5
Benefits and support payments	1850	2110	2180	1800	1640	1560	-0.6	0.9	-0.5	4.6	-3.2	-4.6
Compulsory payments	2280	250	460	1000	2100	7030	-7.0	2.0	-8.2	-4.7	-5.5	-9.8
Net income per family	12360	3520	6560	10210	14660	24970	-0.7	2.9	-0.7	0.1	-0.9	-3.0
Gross income per family	14640	3760	7030	11220	16770	32000	-1.7	2.8	-1.2	-0.4	-1.5	-4.6
Economic income per family	12710	1660	4800	9320	15040	30270	-1.9	5.5	-1.6	-1.4	-1.3	-4.7
Net income per standard person	7170	1980	3760	5830	8360	14820	-0.5	1.9	-0.9	-0.9	-0.4	-2.3
Gross income per standard person	8470	2120	4010	6380	9510	18910	-1.4	1.7	-1.4	-1.2	-0.9	-3.9
Economic income per standard person	7240	790	2560	5180	8430	17760	-1.6	3.1	-1.5	-2.0	-0.4	-4.1

- The quintiles were classified according to disposable income per standard person; each quintile comprises 20% of the families

B. Expenditure by Quintiles*, Distribution of Expenditure and Rates of Real Change, 2010-2011

	Average	1	2	3	4	5
Expenditure per month (NIS)						
Consumption expenditure per standard person	8,140	4,570	6,050	7,610	9,290	13,190
Nominal expenditure per standard person	6,110	3,320	4,540	5,710	7,020	9,950
Consumption expenditure per family	13,970	7,860	10,590	13,300	16,200	21,880
Nominal expenditure per family	10,540	5,850	8,080	10,040	12,270	16,480
Real change compared to 2010						
Consumption expenditure per standard person	0.6	0.3	6.0	3.9	0.6	-3.4
Nominal expenditure per standard person	0.6	1.4	5.6	3.3	0.3	-3.0
Consumption expenditure per family	3.5	3.1	8.7	10.1	1.6	-1.0
Nominal expenditure per family	3.6	4.2	9.0	9.7	1.2	-0.7
Expenditure as a ratio of total expenditure – 2010						
Consumption expenditure per family	100.0	11.3	14.4	17.9	23.6	32.7
Nominal expenditure per family	100.0	11.0	14.5	18.0	23.8	32.6
Expenditure as a ratio of total expenditure – 2011						
Consumption expenditure per family	100.0	11.3	15.2	19.0	23.2	31.3
Nominal expenditure per family	100.0	11.1	15.3	19.0	23.3	31.3

Source: Surveys of household expenditure 2010 and 2011, Central Bureau of Statistics
* The quintiles were classified according to disposable income per standard person; each quintile comprises 20% of the families.

C. Range of Incomes by Deciles and Family Size

Decile	Individual (18%)**	Two persons (24%)	Three persons (15%)	Four persons (17%)	Five persons (13%)
1	1,827	2,923	3,874	4,853	5,481
2	2,509	4,014	5,319	6,663	7,526
3	3,288	5,261	6,971	8,733	9,864
4	4,072	6,515	8,632	10,815	12,216
5	5,001	8,001	10,601	13,282	15,002
6	5,966	9,546	12,648	15,846	17,898
7	7,106	11,369	15,064	18,873	21,317
8	8,591	13,745	18,212	22,817	25,772
9	11,255	18,008	23,861	29,894	33,766
10*	77,423	123,877	164,137	205,636	232,269

* The highest values reported in the survey
** The rate of family size in the overall population (frequency)

Appendix 7
Incidence of Poverty, Using the Poverty Line of 40% of the Median Income, According to the OECD Definition, 2010 and 2011

	2010			2011		
	Families	Persons	Children	Families	Persons	Children
Total population	12.0	13.6	19.5	11.2	12.8	18.0
Jews	8.8	8.9	12.7	7.9	8.0	11.4
Arabs	31.4	32.2	38.2	30.3	31.6	36.0
Elderly*	12.1	12.6	38.8	11.5	11.7	44.9
Immigrants	8.7	9.2	16.2	7.8	7.7	12.3
Ultra-Orthodox**	32.4	33.1	35.3	31.4	32.4	34.5
Total families with children	14.5	16.5	19.5	13.5	15.6	18.0
1-3 children	10.8	10.9	11.8	9.9	10.0	10.4
4 or more children	31.9	32.6	33.6	30.4	31.2	31.8
5 or more children	39.2	38.9	39.8	35.1	35.5	36.0
Single-parent families	20.0	21.2	26.5	18.6	20.7	25.0
Employment status of head of household						
Working	6.1	7.9	12.1	5.7	7.5	11.1
Employed	6.0	8.0	12.4	5.6	7.5	11.1
Self-employed	6.6	7.3	10.0	6.1	7.4	10.8
Of working age but not working	59.0	68.5	78.8	57.9	66.8	74.3
One breadwinner	12.6	19.0	26.3	12.0	18.4	25.6
Two or more breadwinners	1.0	1.2	1.6	0.9	1.2	1.4
Age group of head of household						
Up to 30	16.5	17.9	27.0	14.8	16.3	24.0
31-45	11.9	15.0	18.8	10.9	13.9	17.4
46 to retirement age	9.6	9.9	16.2	9.4	9.9	15.6
Above legal retirement age***	12.1	12.9	42.3	11.5	11.5	42.7
Education level of head of household						
Up to 8 years of study	30.0	36.6	56.2	30.0	36.9	54.2
Between 9-12 years of study	13.7	16.0	23.7	12.2	14.4	21.3
13 or more years of study	6.7	7.2	10.2	6.5	7.2	10.2

* According to the definition in use until today: from age 60 for women and 65 for men.
** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).
*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

Appendix 8
Incidence of Poverty Using the Poverty Line of 60% of the Median Income, According to the OECD Definition, 2010 and 2011

	2010			2011		
	Families	Persons	Children	Families	Persons	Children
Total population	26.0	27.5	36.5	25.7	27.6	36.4
Jews	20.7	19.6	25.4	20.2	19.2	24.9
Arabs	58.5	58.9	66.6	58.7	60.3	67.5
Elderly*	35.7	34.4	76.5	35.2	32.0	50.8
Immigrants	28.4	24.8	31.5	28.4	23.8	28.0
Ultra-Orthodox**	56.9	59.5	63.9	56.6	59.1	63.5
Total families with children	28.7	31.8	36.5	28.7	32.2	36.4
1-3 children	22.8	22.7	24.2	23.0	23.3	24.5
4 or more children	56.4	57.6	58.9	55.5	57.0	57.7
5 or more children	67.3	67.3	68.1	65.1	65.6	65.8
Single-parent families	36.9	38.4	44.7	36.6	39.3	45.1
Employment status of head of household						
Working	16.4	20.2	29.2	16.5	20.9	29.6
Employed	16.6	20.6	29.9	16.6	21.1	29.8
Self-employed	15.2	17.7	24.7	15.8	19.6	28.3
Of working age but not working	78.8	86.2	93.6	79.0	85.6	92.1
One breadwinner	31.9	44.2	58.2	31.3	44.9	60.7
Two or more breadwinners	4.2	5.5	7.6	5.3	6.9	8.8
Age group of head of household						
Up to 30	32.5	35.8	51.3	30.1	34.4	49.5
31-45	23.4	28.6	34.8	24.2	30.0	35.9
46 to retirement age	19.0	19.5	30.8	18.5	19.2	29.1
Above legal retirement age***	37.2	36.3	79.8	36.9	34.1	50.4
Education level of head of household						
Up to 8 years of study	56.5	60.1	78.8	57.7	61.3	79.4
Between 9-12 years of study	29.4	32.6	45.2	28.8	32.5	45.2
13 or more years of study	16.8	17.1	22.5	16.9	17.7	23.3

* According to the definition in use until today: from age 60 for women and 65 for men.
** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).
*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

Appendix 9
Incidence of Poverty Among Persons by Economic Income and Net Income and the Influence of Transfer Payments and Direct Taxes Using the OECD Approach (Half-Median)

	Income before transfer payments and taxes		Income after transfer payments and taxes		Rate of the decrease in the incidence of poverty after transfer payments and taxes (percentages)	
	2010	2011	2010	2011	2010	2011
Total population	30.1	30.7	21.0	20.6	30.4	32.7
Jews	23.7	23.9	14.2	13.5	40.2	43.5
Arabs	55.5	56.7	47.9	48.3	13.8	14.9
Elderly*	53.5	51.5	24.7	23.3	53.9	54.7
Immigrants	31.7	32.5	16.5	16.0	48.0	50.7
Ultra-Orthodox**	65.0	63.6	48.2	46.6	25.9	26.8
Total families with children	31.4	32.5	24.5	24.4	21.9	24.9
1-3 children	22.6	23.5	17.1	16.7	24.5	28.8
4 or more children	56.2	57.5	45.5	45.8	19.0	20.5
5 or more children	66.8	67.6	52.7	53.6	21.1	20.7
Single-parent families	44.9	49.5	29.8	29.3	33.6	40.9
Employment status of head of household						
Working	20.5	21.5	14.1	14.1	31.4	34.4
Employed	21.3	22.4	14.4	14.3	32.7	36.2
Self-employed	15.4	16.2	12.3	13.2	20.1	18.3
Of working age but not working	94.3	94.5	80.0	79.6	15.1	15.8
One breadwinner	46.9	48.4	32.8	32.4	30.1	33.0
Two or more breadwinners	4.4	5.9	2.6	3.5	40.0	41.2
Age group of head of household						
Up to 30	39.7	39.0	27.9	25.4	29.6	34.9
31-45	28.7	30.1	22.2	22.8	22.4	24.4
46 to retirement age	19.5	19.9	14.3	14.3	26.5	28.3
Above legal retirement age***	57.9	56.6	25.9	24.5	55.3	56.7
Education level of head of household						
Up to 8 years of study	66.3	68.3	50.3	50.1	24.0	26.6
Between 9-12 years of study	34.5	34.8	25.2	24.0	27.0	31.1
13 or more years of study	19.5	20.5	11.8	12.6	39.5	38.5

*According to the definition in use until today: from age 60 for women and 65 for men.
** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).
*** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

Appendix 10a
Statistical Significance of Changes in Selected Poverty Indices by Population Group (2011 Compared to 2010)

Population group	Incidence of poverty among families	Incidence of poverty among persons	Incidence of poverty among children	Income gap ratio	FGT
Total population	No	No	No	No*	No
Jews	No	No	No	Yes	Yes
Arabs	No	No	No	No	No
Elderly**	No	No*	Yes	No	No
Immigrants	No	No	Yes	No	No
*Ultra-Orthodox**	No	No	No	No	No
Total families with children	No	No	No	No	No
1-3 children	No	No	No	No*	No
4 or more children	No	No	No	No	No
5 or more children	No	No	No	No	No
Single-parent families	No	No	No	No	No
Employment status of head of household					
Working	No	No*	No	No	No
Employed	No	No	No	No	No
Self-employed	No	No*	Yes	No	No
Of working age but not working	No	No	No	No	No
One breadwinner	No	No	Yes	No	No
Two or more breadwinners	Yes	Yes	Yes	No	No
Age group of head of household					
Up to 30	No	No	No	No	No
31-45	No	No	No	No	No
46 to retirement age	No	No	No	No*	No*
Above legal retirement age****	No	No*	Yes	No	No
Education level of head of household					
Up to 8 years of study	No	No	No	No	No
Between 9-12 years of study	No	No	No	No*	No*
13 or more years of study	No	Yes	Yes	No	No

* The data was checked to a significance level of 5%. The "no" indicates that the data is not significant at a level of 5% but significant at a level of 10%.
** According to the definition in use until today: from age 60 for women and 65 for men.
*** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).
**** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.

Appendix 10b
Statistical Significance of Changes in Selected Poverty Indices by Population Group (1999 Compared to 2011)

Population group	Incidence of poverty among families	Incidence of poverty among persons	Incidence of poverty among children	Income gap ratio	FGT
Total population	Yes	Yes	Yes	Yes	Yes
Jews	No	Yes	Yes	Yes	Yes
Arabs	Yes	Yes	Yes	Yes	Yes
Elderly**	Yes	Yes	Yes	Yes	Yes
Immigrants	No	No	Yes	Yes	Yes
Ultra-Orthodox***	Yes	Yes	Yes	Yes	Yes
Total families with children	Yes	Yes	Yes	Yes	Yes
1-3 children	Yes	Yes	Yes	Yes	Yes
4 or more children	Yes	Yes	Yes	Yes	Yes
5 or more children	Yes	Yes	Yes	Yes	Yes
Single-parent families	Yes	Yes	Yes	Yes	Yes
Employment status of head of household					
Working	Yes	Yes	Yes	Yes	Yes
Employed	Yes	Yes	Yes	Yes	Yes
Self-employed	Yes	Yes	Yes	Yes	Yes
Of working age but not working	Yes	Yes	Yes	Yes	Yes
One breadwinner	Yes	Yes	Yes	Yes	Yes
Two or more breadwinners	Yes	Yes	Yes	No	Yes
Age group of head of household					
Up to 30	Yes	Yes	Yes	Yes	Yes
31-45	Yes	Yes	Yes	Yes	Yes
46 to retirement age	Yes	Yes	Yes	Yes	Yes
Above legal retirement age****	Yes	Yes	Yes	Yes	Yes
Education level of head of household					
Up to 8 years of study	Yes	Yes	Yes	Yes	Yes
Between 9-12 years of study	Yes	Yes	Yes	Yes	Yes
13 or more years of study	Yes	Yes	Yes	Yes	Yes

* The data was checked to a significance level of 5%. The "no" indicates that the data is not significant at a level of 5%but significant at a level of 10%.

** According to the definition in use until today: from age 60 for women and 65 for men.

*** Because of fluctuations, a two-year average is presented. "Ultra-Orthodox" is as defined in the work of Gottlieb-Kushnir (2009).

**** This definition was adapted to the retirement age under the Retirement Age Law. As a result, this population is not consistent until the process of increasing the retirement age is completed.