

Foreword

The proportion of families living in poverty rose slightly in 2014 after a considerable drop in 2013. This was against a background of a slowdown in growth, low rates of unemployment and inflation, and war in the middle of the year. The rise in house prices and rents increased, while the severity and depth of poverty worsened, partly due to the cuts in child allowances, which in 2014 for the first time affected family income for the whole year. On the other hand, this was the third year running of the continuing decrease in families living in **ongoing poverty** as a proportion of all poor families, particularly in the case of families with children. These improvements occurred during an expansion of employment which, according to the survey data, was fast in 2013 and stabilized in 2014. Other sources of data indicate a more moderate rise in employment rates, although faster in two groups characterized by relatively low rates of employment – Arab women and Haredi men. Employment stability this year was accompanied by a decrease in real wages for the low-paid compared to an increase for other workers. It appears therefore that over the last 5 years there was a reduction in poverty rates, in the severity of poverty, and in the proportion of families in long term poverty, with the leading factor being the growth in employment. Meanwhile developments in real wages for the low paid did not support this process.

This was also the year when the War on Poverty Committee submitted to the then Minister of Welfare a report with numerous and detailed recommendations for reducing poverty, including setting **poverty reduction targets**. A few of the recommendations have already been implemented, and others will be implemented starting in 2016. The Government increased the work grant to some low paid workers, mainly single mothers and families with children, and began to operate day care centers for working mothers. There are also plans for an increase in 2016 of the income supplement for the old and restoring child allowances to the level of two years ago, partly in cash and partly as a mandatory savings grant from 2017 onwards. Even after these steps, the child allowance in Israel is still lower than in OECD countries, particularly in view of the relatively high rates of child poverty in Israel.

For the first time, this year's survey of expenditure contained data on the work grant. However, analysis of the data shows that the survey does not yet tell us anything about trends, since the administrative data indicate far broader cover than expressed in the survey. It is possible that some of the gap between actual policy and partial take-up of the tax benefit derives from low public awareness of the work grant. It is paid in arrears of up to a year by the authority, while wages are paid monthly by the employer. This payment method was selected due to a concern that if employers made the payment, they would not transfer the full amount to the worker.

This year we have shortened the report on the dimensions of poverty and added a statistical appendix with many tables and diagrams. The appendix is available on the website, so that the information people were used to obtaining is still accessible.



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Report on the Dimensions of Poverty and Social Gaps, 2014¹

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¹ The data in this report were produced by the Central Bureau of Statistics as part of their Household Expenditure Survey and were analyzed by the National Insurance Research & Planning Administration.

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**The statistical appendix can be found on the National Insurance website:
http://www.btl.gov.il/Publications/oni_report/Pages/default.aspx**

Summary of Findings

- **In 2014 there was a slight increase from 2013 in the incidence of poverty of families, individuals and children:** the proportion of families living in poverty rose from 18.6% to 18.8%. Among individuals, the rate also rose slightly, from 21.8% to 22.0%, while the rate of children living in poor families rose from 30.8% to 31.0%.
- In 2014, **444,900** families and **1,709,300** individuals, of whom **776,500** children, were living in poverty.
- **The standard of living** in terms of median disposable monetary income per standard individual **rose in real terms by 2.4%** in 2014, and consequently also the poverty line which is derived from it.
- The incidence of poverty measured by **economic income**, originating in the labor market and the capital market, also rose from 28.5% in 2013 to 29.1% in 2014. That year, Government policy and the National Insurance rescued from poverty (through direct taxes, benefits and transfer payments) 35.5% of poor families. **The rate of children rescued from poverty fell** from 12.8% in 2013 to 11.3% in 2014. This decrease is largely attributed to the cut in child allowances, which was fully expressed in the 2014 survey.
- **In 2014 the poor became poorer:** while indices of the incidence of poverty rose moderately, measures of the depth and severity of poverty increased significantly. The depth of poverty index **rose by 6%** (from 32.8% to 34.6%), while the severity of poverty index, which gives a higher weighting to poorer population groups, **increased at the rate of about 10%** in the population as a whole.
- In the 2014 survey, for the first time Jewish families were asked for a subjective definition of their degree of religious observance, so there was no need for estimates to locate **the Haredi population**. The new definition shows that the dimensions of poverty among the Haredi population are similar to those obtained with the previous estimates (54.3% among families in 2014), but the scope of the Haredi population is far larger than previous estimates, at 9.6% of the population (compared to the 2013 estimate of 6.5%). **On the other hand, the share of Haredi families in total poor families was 17.5% in 2014.** Note that the comparison between the two years using a uniform definition shows that poverty increased slightly in the Haredi population, although the survey indicates a sharp rise in their participation in the labor market.
- Dimensions of poverty **among Arab families rose** from 51.7% in 2013 to 52.6% in 2014. Indices of the depth and severity of poverty in this population rose in these two years – by about **8% and 7%** respectively.
- The incidence of poverty among **elderly families rose** in 2014, from 22.1% to 23.1%. According to the survey, this was due to a drop in the income from work element in this population.

- The cut in child allowances, which began in August 2013 and continued into 2014, found full expression in this survey. The incidence of poverty among **families with children rose** slightly – from 23.0% in 2013 to 23.3% in 2014. On the other hand, in single parent families which are also affected by the cuts, the incidence of poverty **fell** from 27.5% in 2013 to 25.1% in 2014.
- Incidence of poverty among **working families rose** at a higher rate, reaching 13.1% (compared to 12.5% in 2013), even though for the first time this survey reflects the work grants (“negative income tax”) for low paid working families, and although the survey shows a decrease in poverty indices among families with two earners.
- The GINI index of inequality based on economic income **rose** moderately by 0.3% from 2013 to 2014. However, inequality measured by disposable income **rose at a fairly high rate** of 2%.
- Processes that occurred **after 2014** and affected poverty indices in 2015 and thereafter were: **increase of the minimum wage by about 8% in April 2015**, bringing it to NIS 4,650 per month (compared to NIS 4,300 in the three previous years). This increase is expected to reduce poverty indices among the working population, since over a quarter of them earn up to the minimum wage.
- One of the recommendations of the War on Poverty Committee to be implemented in the 2016 budget concerns the rise in old age pensions for recipients of income supplement by about NIS 560 for a couple (according to the age of the older spouse) and NIS 180 for a single person (by age). This increase should help to reduce the dimensions of poverty in elderly families.
- The intention is to gradually restore the full child allowances, whether in cash in the payments at the end of 2015, the end of 2016 and thereafter, or in savings grants – both retroactive and for the future – for every child, in 2017 to 2019.
- The specific impact of the main steps taken amounts to a decline in the incidence, depth and severity of poverty.

I. Dimensions of Poverty

1. The Poverty Line and Standard of Living

In 2014 the slowdown in economic growth of recent years continued. Employment broadened slightly more quickly than in 2013, especially among women². GDP rose by 2.6% after increases of 3.3% in 2013 and 2.9% in 2012. The number of Israeli workers rose by 3.0% in 2014, after a similar increase in each of the four preceding years. The expansion in employment in the last two years was accompanied by real increases in wages – 1.3% in 2014, after a rise of 1.1% the previous year. The cumulative rise in wages from 2010 to 2014 is approaching 4%. Unemployment fell in 2014 to 5.9%³, notwithstanding the war (“Protective Edge”) in July and August 2014). Macro-economic conditions were stable in terms of the structural government deficit and the rate of inflation that was low (0.5% on average in 2014).

As in the previous year, household income rose in 2014, apparently due to increased employment and wage increases according to the survey of household expenditure, and the rise in other components of income, such as pensions. The average disposable income per standard individual⁴ was about NIS 5,900. The net median income by that definition was about NIS 4,900 and the poverty line for a standard individual, derived from it, amounted to NIS 2,461 per month. Economic income – from work and capital, before tax and mandatory insurance payments – rose more moderately than in 2013, by about 3.0%. Disposable family income, after the deduction of direct taxes and national insurance and the addition of pensions and other benefits, rose on average by 3.1%, and median disposable income per standard individual, like the poverty line, rose by 2.4%.

² See Bank of Israel report, Table e-40-2.

³ The figures are taken from the CBS Manpower Survey and some were calculated based on tables in Appendix E of the Bank of Israel report. In recent years the Manpower Survey has undergone far reaching changes, partly due to the move from a quarterly to a monthly survey, enlarging the sample size particularly in peripheral areas, and by arrangement with the OECD, including soldiers on regular army service in the count of the labor force.

⁴ On the weighting scale used in Israel, two people in a family equal two standard individuals, and from the third person onwards, the number of standard individuals is lower than the actual number. The rationale is that the extra expense is smaller with each additional person for certain costs, for example, costs of housing, energy etc.

Table 1: Monthly Income per Household by Type of Income (NIS), 2012-2014

Averages					
Economic per family	14,516	15,682	16,202	2.8	11.6
Economic per standard individual	5,609	5,941	6,163	3.2	9.9
Gross per family	16,588	17,715	18,331	3.0	10.5
Gross per standard individual	6,519	6,854	7,125	3.5	9.3
Net per family	13,842	14,626	15,151	3.1	9.5
Net per standard individual	5,452	5,691	5,923	3.6	8.6
By median					
Median net income per standard individual	4,513	4,783	4,923	2.4	9.1
Poverty line for standard individual	2,256	2,392	2,461	2.4	9.1

The poverty lines for various size of family are shown in Table 2, showing that an individual with monthly disposable income of less than NIS 3,077 is deemed poor, as are a couple whose income is less than NIS 4,923 per month. A family of five whose monthly income in 2014 was less than NIS 9,230 was deemed poor⁵.

Table 2: : Poverty Line by Family Size, 2014

No. of people in family	No. of standard individuals	NIS per month	Marginal extra in NIS
1	1.25	3,077	-
2	2.00	4,923	1,846
3	2.65	6,522	1,600
4	3.20	7,876	1,354
5	3.75	9,230	1,354
6	4.25	10,461	1,231
7	4.75	11,691	1,231
8	5.20	12,799	1,108
9	5.60	13,783	985

Table 3 shows the extent to which full time work by at least one earner earning the minimum wage, together with the benefits to which all family members are entitled (universal child allowance) is sufficient for minimal subsistence (that is, it covers the poverty line). Since 2012 the work grant component has been added to disposable income and is the subject of a direct question starting with the current expenditure survey. Therefore it was included in Table 3 this year for the first time. As we know,

⁵ Appendix 13 shows the disposable income of various sizes of family by deciles.

the work grant is not received automatically and must be actively claimed. Its size depends on the household composition, the age of the earners, and their income from work. A ratio larger than 100% in this table indicates that income from work plus the work grant and universal benefits are sufficient to rescue a family of the relevant size from poverty. The table shows that by 2014⁶ figures, a single mother with two or more children working full time for the minimum wage would not be rescued from poverty without increasing her income by at least 25%. Couples with four or more children, both parents working the equivalent of 1.5 full time jobs at minimum wage and receiving the work grant, will still be below the poverty line, and their poverty will be deeper the more children they have. Even if both parents work full time for minimum wage (or one of the couple works for roughly the average wage and does not receive the work grant), they can only emerge from poverty if there are less than 4 children at home. The averages in this table show that notwithstanding the contribution of the work grant to disposable household income, it needs to be increased in order to effectively reduce poverty, particularly among families with children.

Table 3: Family income from work and universal benefits as a % of the poverty line, 2014

Household composition	Disposable income from min. monthly wage* for 1 job as % of poverty line	Disposable income from min. monthly wage* for 1.5 jobs as % of poverty line	Disposable income from min. monthly wage* for 2 jobs as % of poverty line	Disposable income from avg. monthly wage* for 1 job as % of poverty line**	Twice disposable income from avg. monthly wage* as % of poverty line**
Single person (55+)	146	-	-	277	-
Single (23+)+ child	97	-	-	181	-
Single (23+)+ 2 children	76	-	-	142	-
Single (23+) + 3 children	67	-	-	122	-
Couple (55+)	91	137	182	173	349
Couple (23+) with child	71	103	134	133	269
Couple (23+) + 2 children	63	87	113	112	227
Couple (23+)+ 3 children	55	77	100	97	196
Couple (23+) + 4 children	50	69	89	87	175
Couple (23+) + 5 children	46	63	81	79	157

* Calculated as the minimum wage or average wage for 2014 plus child allowance and work grant, less mandatory payments. The average minimum gross wage for 2014 was estimated at NIS 4,300 and the average wage as NIS 9,376 per month.

** At this level of pay there is no eligibility for the work grant, so this is excluded from disposable income. In addition, the wage-earner's age is not restricted to 23+ or 55+ as shown in the table.

⁶ As known, there was no rise in the minimum wage in 2014. In 2015 it rose to NIS 4,650 per month.

2. Dimensions of Poverty in 2014 and Development in Recent Years

In 2014 the incidence of poverty rose slightly over 2013 (Table 4). The incidence of family poverty was 18.8%, against 18.6% in 2013. Incidence of poverty per head rose from 21.8% in 2013 to 22.0% in 2014, while the rate of children living in poverty rose from 30.8% to 31.0%.

In 2013 there were 444,900 poor families in Israel (+2.8%) or 1,709,300 individuals (+3.1%), including 776,500 children (+2.6%).

Table 4: Incidence of Poverty (Percent) and Number of Poor, 2013-2014

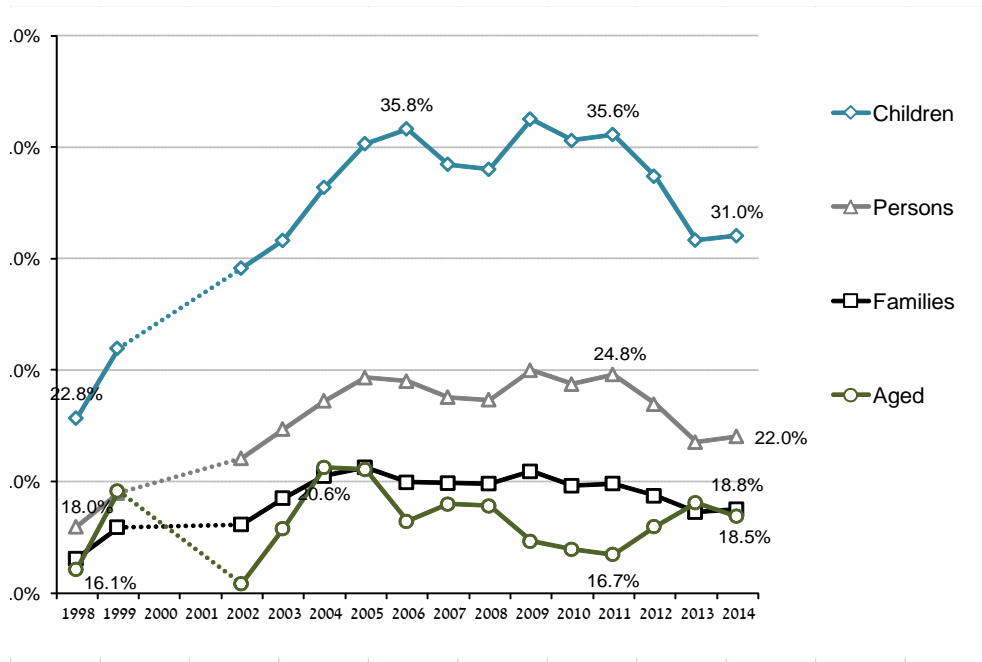
	Before transfer payments and direct taxes	After transfer payments and direct taxes	Drop in incidence of poverty after transfer payments and direct taxes (%)
2014			
Families	29.1	18.8	35.5
Individuals	29.1	22.0	24.2
Children	35.0	31.0	11.3
2013			
Families	28.5	18.6	34.6
Individuals	28.5	21.8	23.7
Children	35.3	30.8	12.8

	Before transfer payments and direct taxes	After transfer payments and direct taxes	Number rescued from poverty after transfer payments and direct taxes
2014			
Families	689,500	444,900	244,600
Individuals	2,255,600	1,709,300	546,300
Children	875,800	776,500	99,300
2013			
Families	661,700	432,600	229,100
Individuals	2,173,200	1,658,200	515,000
Children	867,700	756,900	110,800

Figure 1 shows the development of poverty in families, individuals, children and the old from 1998 to 2014. Family incidence of poverty reached its 2003 level of 19%, similar to the incidence among children and individuals, which stabilized at 31% and 22% respectively, after significant decrease in 2013. The incidence of poverty in the aged fell slightly in 2014, but its average level of 18.5% in the last three years is higher than in the years 2009-2011, when it was 17% on average.⁷

⁷ The break between the data for 2011 and 2012 is due to the structural change in the survey on which the data are based: until 2011 poverty data were based on income surveys (a combination of the family

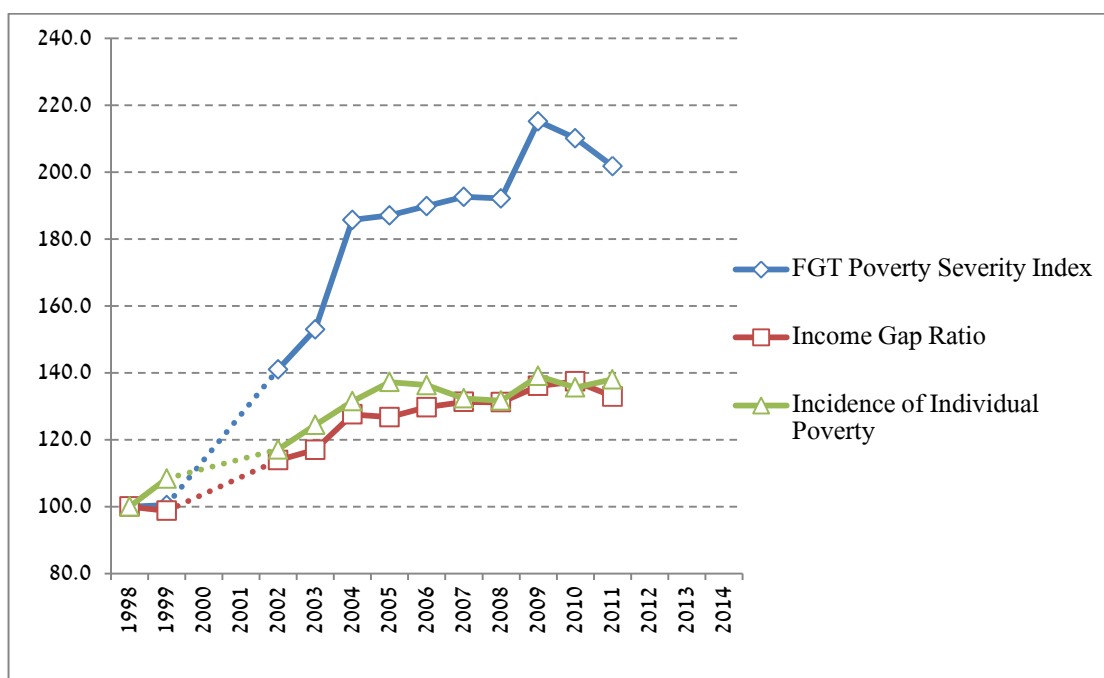
Figure 14 Incidence of poverty in families, individuals, children and the old, 1998-2014



Compared to indices of the incidence of poverty that rose moderately, indices of the depth and severity of poverty increased at high rights in 2014. Figure 2 shows the incidence of poverty in individuals, the depth of poverty (income gap ratio) and the FGT index of severity of poverty in 1998-2014. It appears that the depth of poverty measured by the distance of family incomes from the poverty line increased by 6% to 34.6% in 2014. Also the FGT poverty severity index, which gives more weight to the poorer, rose steeply by 10% between the two years. Nevertheless, the values of these poverty indices are similar (in absolute figures) to those that prevailed in the years 2004-2008, following the introduction of the 2003 economic plan, and lower than their values in 2009, when the economy was going through a recession, which was followed by a downward trend in these indices to their 2014 levels.

expenditure survey and observations from the manpower survey); since 2012 they are based on data from the household expenditure survey only. For more on the changes in the survey definitions, see the Poverty and Social Gaps Report for 2012.

Figure 2: Indices of the depth and severity of poverty in the general population, 1998-2014 (1998=100.0)



3. The effect of mandatory payments, benefits and work grant on the dimensions of poverty

Economic income derived from the labor market and the capital market expresses a family’s economic independence. Table 5 shows that in 2014 the incidence of poverty by economic income (before direct government intervention by means of taxation and allowances⁸) amounted to 29.1% of families and individuals, and 35.0% in children. In other words, without government intervention through transfer payments and direct taxes, the incidence of poverty would be higher. The increase in rates of poverty among working families, where it is measured by economic income, is due to the growing rate of families with one earner and a decline in families with two earners, according to the survey (see also below).

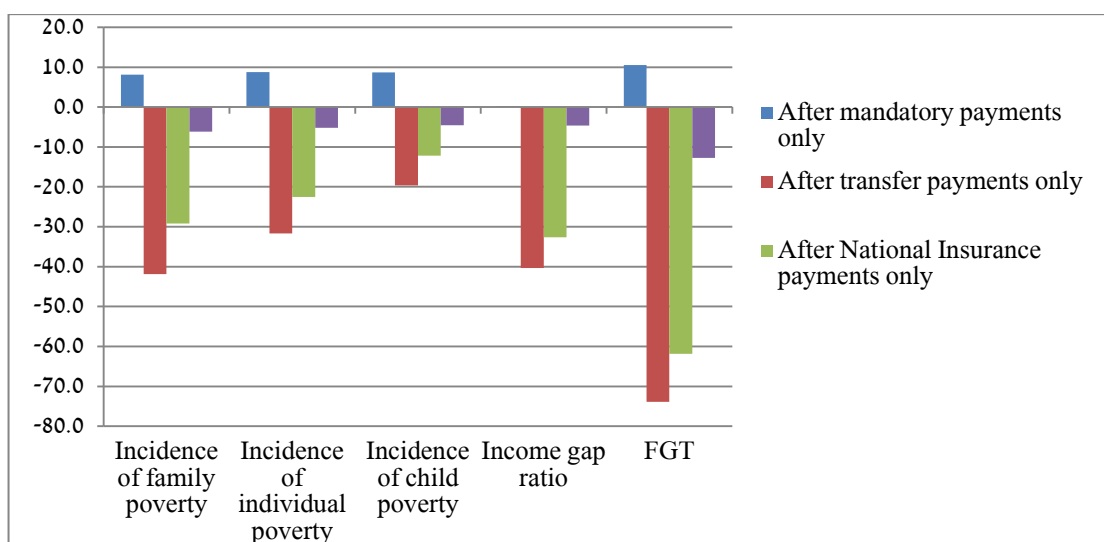
The figures show that the contribution of policy measures to reducing poverty increased by 2.5% in 2014. Benefits and direct taxes rescued 35.5% of families from poverty compared to 34.6% in 2013. The proportion of individuals rescued from poverty also increased, from 23.7% to 24.2% in the same period (Table 5). On the

⁸ Showing the incidence of economic poverty alongside the incidence after intervention requires caution, since according to this view the effect of policy is biased upwards: it is reasonable to assume that without a system of financial support, individuals would have to make more effort to obtain an economic income and therefore the incidence of economic poverty would be lower than it actually is. However, in the absence of a welfare system, this level would be similar to the incidence “after intervention”, since in countries that have very limited or no welfare system, dimensions of poverty are ultimately high. This is seen clearly in the comparison of economic poverty in different countries. In countries with clearly neo-liberal policy, poverty before intervention tends to be low and poverty after intervention tends to be high relative to other countries. Examples are the USA and also, to a lesser extent, Israel.

other hand, the proportion of children rescued from poverty fell by about 11% from 2013 to 2014, due to the cut of over 20% in child allowances starting in August 2013, which first affected a whole year in 2014. The explanation for the increase in the contribution of benefits and direct taxes to rescuing families from poverty lies in the increases in various payments such as unemployment benefit, disability allowance and old age pensions.⁹

Although the income tax system is progressive, the contribution of direct mandatory payments to reducing poverty is negative, since National Insurance and National Health contributions are paid by everyone, including those with low income. The effect of direct mandatory payments is to increase the incidence of family, individual and child poverty, and also the severity of poverty by similar rates (Figure 2a). The main impact on reducing the dimensions of poverty comes from the National Insurance payments. Other benefits do not have significant impact, and the smallest impact is that of support from other households. National Insurance benefits reduce the severity of poverty sharply – by about 62%.

Figure 2a: Effect of Policy Measures on Selected Dimensions of Poverty, 2014



⁹ The source of this improvement is not the rise in any of the benefits but may be due to demographic changes or problems with the statistical significance of some results (see the table in Appendix 14). This was also the first year when the survey included a question about the work grant, and therefore it was also possible to include this as a negative tax payment. Therefore it was supposed to strongly limit the negative impact of taxation (see Figure 2a and Table 5), but as described later, the actual payment was large bigger than described in the survey. Due to the low reliability of the reporting, we have at this stage refrained from including work grant data as a policy influence in the various tables.

The current survey for the first time collected data on the work grant (“negative income tax”) paid to families of low earners. Appendix 20 shows the data by various population groups. The current analysis indicates that these data are still partial and very incomplete. For example, according to the survey only 37,000 families received the grant in 2014, while the Tax Authority data show it was received by 247,000 workers!¹⁰ Also the size of the average grant shown in the survey, about NIS 800 monthly per recipient, does not represent its actual size, which according to the Tax Authorities amounted to some NIS 3,600 per recipient (annual payment)¹¹. So there is an under-reporting of the number of recipients, and over-reporting of the amount, and therefore the expression of the work grant and its impact on poverty in the survey cannot be used to assess the social situation of grant recipients in 2014. We hope that the data on the work grant will be optimized over time and show its contribution to reducing poverty and inequality.

The weight of NI benefits, which form the bulk of transfer payments - 70% of the total contribution to reducing family poverty, and support from other government institutions and from other households (including some child maintenance payments) each account for another 15% of the total contribution of transfer payments. The total share of the government in reducing poverty in families (including the National Insurance) is thus about 85% of the total contribution of transfer payments¹².

Figure 3 shows the development of these three types of financial supports from 2002 to 2014. While the weight of NI allowances gradually fell from 80% in 2002 to 70% in 2014, the weight of payments from other government institutions and private households increased 1.5 and 1.7 times (respectively) compared to 2002.

¹⁰ Thanks to Natalia Mironichev, senior researcher in the Tax Authority, for her cooperation.

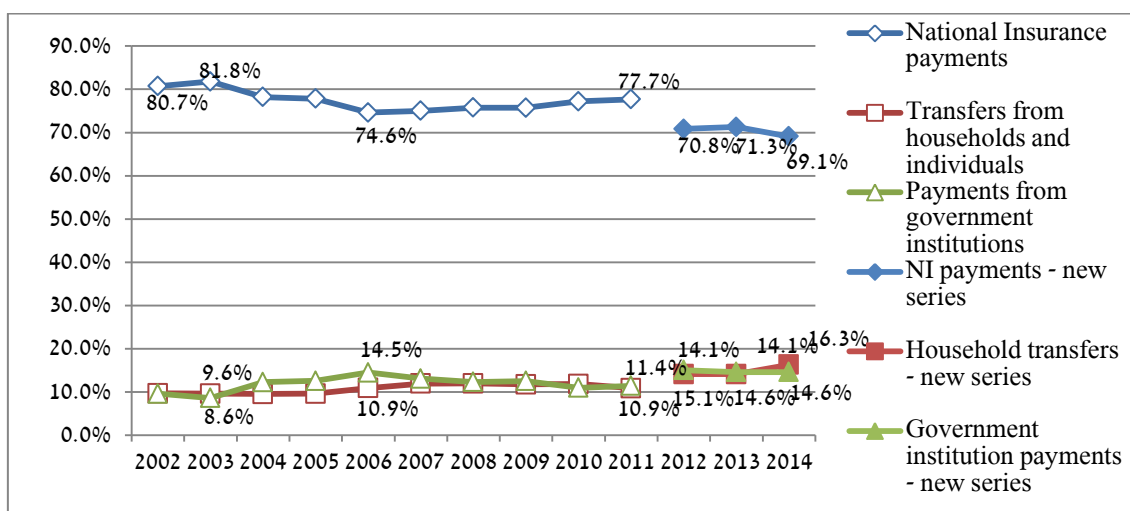
¹¹ It is possible that the low figures in the household expenditure survey express a more fundamental problem with the work grant structure: the gap between the annual payment and the corresponding work effort may be several months, so the recipients do not perceive it as payment for work and its incentive effect is reduced.

¹² There are other transfers from the government to families, such as benefits in kind, that are not taken into account here. One of the most important is nursing allowance. Support for businesses in the framework of the Capital Investment Encouragement Law and others, which helps to raise profits and thus raises the income of some households, is not included here, even though the main beneficiaries are in the top decile or even in the top few centiles. The Finance Ministry does not publish information on the distribution of such benefits by deciles or centiles although such information is essential for shaping social policy. A report from the State Incomes Director in the Finance Ministry states that the budget for the Capital Investment Encouragement Law amounted to about NIS 7.2bn in 2014! Another influence not taken into account despite its importance is the effect of exemption from income tax of income from capital, particularly in provident funds and training funds. Here too no information is published about its distributive effect, although this is the largest tax benefit – about NIS 13bn in 2014 and its main beneficiaries are the richest population groups. The lowest deciles, particularly those below the median, are already mostly unable to benefit from this exemption. The Arrangements Law of 2016 does reduce the benefit largely for the upper middle layer, while retaining the advantage for the richest layer. This is because the share of the benefit deriving from the reduced tax rate on capital income was not changed, and this benefit is mainly enjoyed by those with extensive income from capital, i.e. the top deciles. Another government decision was disproportionately affected by this situation. The decision was to accept the recommendations of the Yitzhaki Committee II Report - although it had not completed its work – stating that the poverty index should only include the part of benefits that did not derive from capital benefits.

Table 5 : Incidence of poverty according to various definitions of income, and the contribution of direct taxation and various types of transfer payments to reducing poverty, 2013 and 2014

	Incidence of poverty							Impact of policy tools					
	Before transfer payments and mandatory payments	After mandatory payments only	After transfer payments only	After NI payments only	After government payments (non NI) only	After transfers from other households only	After transfer payments and direct taxes	Income tax and mandatory insurance	Transfer payments and direct taxes	Benefits and other transfer payments	National Insurance allowances	Government transfer payments	Transfers between households
2014													
Family poverty	29.1%	31.6%	16.9%	20.6%	27.1%	27.3%	18.8%	8.1	-35.5	-41.8	-29.2	-6.9	-6.2
Individual poverty	29.1%	31.8%	19.9%	22.5%	27.5%	27.6%	22.0%	8.7	-24.2	-31.7	-22.5	-5.3	-5.2
Child poverty	35.0%	38.3%	28.1%	30.7%	33.8%	33.4%	31.0%	8.7	-11.3	-19.6	-12.2	-3.5	-4.6
Income gap ratio	56.3%	56.5%	33.6%	37.9%	52.4%	53.7%	34.6%	0.3	-38.5	-40.3	-32.7	-6.9	-4.7
FGT severity index	0.1249	0.1396	0.0326	0.0476	0.1041	0.1090	0.0378	10.5	-69.7	-73.9	-61.9	-16.7	-12.7
2013													
Family poverty	28.5%	31.0%	16.6%	20.3%	26.9%	26.8%	18.6%	8.1	-34.6	-41.9	-28.8	-5.7	-5.9
Individual poverty	28.5%	31.4%	19.1%	21.6%	27.5%	27.3%	21.8%	9.1	-23.7	-33.1	-24.3	-3.7	-4.2
Child poverty	35.3%	38.5%	27.6%	29.9%	34.7%	34.2%	30.8%	8.2	-12.8	-21.9	-15.4	-1.8	-3.3
Income gap ratio	55.9%	55.8%	32.8%	37.2%	52.1%	53.7%	32.8%	-0.3	-41.4	-41.3	-33.5	-6.8	-3.9
FGT severity index	0.1217	0.1358	0.0298	0.0441	0.1035	0.1085	0.0345	10.3	-71.7	-75.5	-63.8	-15.0	-10.9

Figure 3: Effect of benefits on reducing the incidence of poverty - by source of payment, 2002-2014



4. Dimensions of poverty by population groups and geographical areas

In the 2014 survey, for the first time interviewees from Jewish families were asked for a subjective definition of their degree of religious observance, and the variable “Self-defined Haredi” was added to the characteristics of the household head. This variable will replace the indirect definitions of the Haredi population from previous years. According to this definition, belonging to a particular stream of Judaism is determined directly by how the subjects identify themselves, eliminating the need to guess this identity based on other variables that may not always be reliable for this purpose¹³.

The comparison between this definition and the definition based on last school attended, used in surveys until now, shows that poverty rates among Haredi households are similar under both definitions, but the rate of Haredi families according to the previous definitions that were in fact estimates was found to be considerable biased downwards compared to the rate obtained from the subjective definition – around 6% of the population, compared to around 4% according to the estimate based on last school. Likewise, the number of Haredi individuals “increased” from 6.5% in 2013 under the previous estimate, to 9.6% of the total population as self identified. In other words Haredim account for about a tenth of the Israeli population.

¹³ For example, the definition used by most researchers in this survey until now was to determine Haredi identity according to the last school attended by anyone in the household. If it was a yeshiva, the family was defined as Haredi. This ignored Haredi families whose last educational institution was not a yeshiva (such as an academic institution), or who entered the Haredi population at a later stage, after finishing school, etc. This definition also ignores many Hassidim who go out to work without studying at a yeshiva. The Gottlieb & Kushnir method, that used an econometric process to translate subjective information from the social survey to the income survey (from 2003 to 2011) enabled poverty estimates that included, inter alia, the Haredi-Hassidic population.

In 2014, the incidence of poverty among Haredim rose slightly using the “last school” method from 52.1% to about 52.4%, although the survey data indicate an impressive growth in the population joining the job market from this sector. Note that according to the new subjective definition, the incidence of poverty was slightly higher, at 54%. However there was a slight improvement in the income gap ratio, which fell from 35.0% to 34.3% in 2014 (compared to the slightly lower 33.9% according to the subjective definition), while the severity of poverty remained at its 2013 level (compared to a high increase in the total population). The proportion of poor Haredi families among all poor families was about 17.5% in 2014.

The incidence of poverty among Arabs rose by 1% to 52.6% in 2014, but the incidence among individuals and children fell by about 4%¹⁴. The indices of depth and severity of poverty rose considerably between these two years – by 8% and 7% respectively.

The incidence of poverty among working families also increased, from 12.5% in 2013 to 13.1% in 2014, after a drop in 2013. The survey data indicate a drop in employment rates and also an increase in the rate of families with one earner – from 29.5% in 2013 to 30.2% in 2014, with a parallel reduction in the supplementary working population, of families with two earners. This may represent a “correction” of the 2013 survey figures, which showed a steep rise in the rate of one-earner families compared to previous years. Another explanation is as given above (see Figure 4).

Due to CBS sampling difficulties in the expenditure surveys of the Bedouin population, this group has been missing from the surveys since 2012, and therefore we have no up to date information about poverty among them. Administrative data show that the incidence of poverty among Bedouin families is twice as high as the general incidence¹⁵. This rate has been fairly stable over recent years, and consistent with the official poverty data regarding the Bedouin until 2011. This stability also reflects the growing participation of Bedouin women in the workforce.

In working families with one earner, the incidence of poverty rose from 24.1% in 2013 to 25.4% in 2014. However, among families with two earners it remained at the 2014 level – 5.6%. Figure 4 shows the incidence of poverty among families with two or more earners, among Arabs, Haredi and non-Haredi Jews. While the figures for non-Haredi Jewish families are fairly stable, there are large fluctuations, deriving inter alia from the difficulty of distinguishing between Haredi and non-Haredi Jews (until 2013) and the size of the samples corresponding to the two smallest population groups – Arabs and Haredim: the incidence of Haredi poverty increased from 2003 to its highest level (20%) in 2005. In 2008 there was a further increase, and in 2014 it reached the record

¹⁴ The decrease can be attributed to demographic changes linked to sampling for the survey. According to both surveys, the average number of individuals in Arab families fell from 5 in 2013 to 4.6 in 2014.

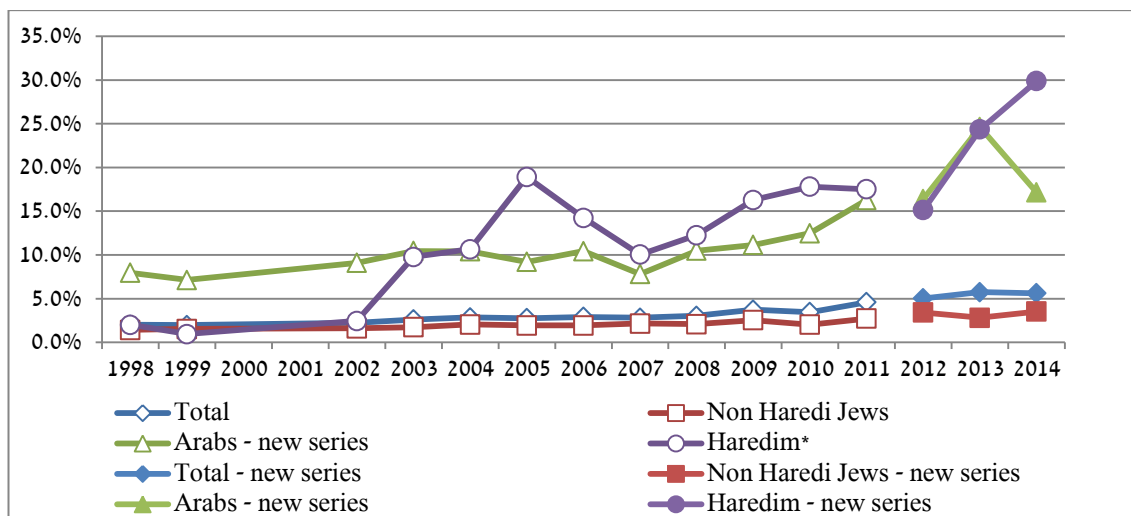
¹⁵ Research conducted by Miri Endewald and Oren Heller for the Research & Planning Administration, not yet published, estimates the dimensions of poverty and inequality using administrative data.

height of 30%. Among Arabs, the incidence of poverty in families with two earners stayed around 10% until 2009, when it began to rise to about 25% in 2013. In 2014 it fell considerably to about 17%.

The contribution of benefits and other transfer payments and direct taxes in this population group is the highest, rescuing about 52% of households from poverty. The situation of poor old people worsened slightly: the depth of poverty increased by about 2%, although the severity of poverty remained the same as in 2013.

The incidence of poverty among families with children, who account for over half of poor families, rose slightly from 23.0% in 2013 to 23.3% in 2014, apparently due to the reduction in child allowances, which began in August 2013 with effects that continued through 2014. Most of the increase was in small families (1-3 children). The incidence of poverty did rise among both small and large families, but while the proportion of smaller families in the population as a whole and in the poor population in particular increased, the share of larger families (4 or more children) decreased in both the general population and the poor population. The depth of poverty of families with children rose by 6% and the severity of poverty rose even more – by about 9%, while in families with 4 or more children the severity increased by 14% from 2013 to 2014.

Figure 4 Incidence of Poverty in Families with 2 Earners - by Population Group, 1998-2014



The incidence of poverty among single parent families fell in the last two years from 29% in 2012 to 25.1% in 2014. This drop according to the survey derives from policy measures¹⁶, since the incidence of poverty by economic income – deriving mainly from

¹⁶ The survey data indicate the drop in child benefits on one hand, but also, in a way that does not entirely match the administrative data, a sharp drop in income supplement. Perhaps this is partly due to the improvement in the work grant for single mothers, or perhaps to greater uptake of rights among them. This change began in 2012, and payment arrived in 2013, but did not find suitable expression in the survey of expenditure.

the labor market – rose during that period. Incidence of poverty among children in single parent families also fell considerably (by about 15%) as well as the depth and severity of poverty, which fell by 7% and 30% respectively from 2013 to 2014. Perhaps the improvement in the size of the work grant for single parents, and perhaps also the rise in uptake of rights, led to an increase in employment and income from work, which perhaps did not find full expression under the item “Economic income” as the income from the work grant was not satisfactorily identified in the survey.

Incidence of poverty among women remained almost unchanged – 18.3%, in spite of the rise in incidence according to economic income. By contrast, incidence of poverty among men rose from 16.5% to 17.1%, so that the gap between the genders narrowed slightly in 2014 to just over one percentage point. The incidence among immigrants fell from 18.5% in 2013 to 18.0% in 2014, continuing a long term downward trend except for a rise in 2013. The contribution of transfer payments to rescuing recipients from poverty is very high in this group (which partly overlaps with the aged population), and it continued to rise by 2.5% in the two years being compared, reaching 49% in 2014. At the same time, an increase of about 5% was recorded in the incidence of poverty among individuals and children.

Table 6: Incidence of Poverty Among Adults* by Gender (%) 1999-2014

Year	Men			Women		
	Before transfer payments and taxes	After transfer payments and taxes	Resulting decrease in incidence of (%) poverty	Before transfer payments and taxes	After transfer payments and taxes	Resulting decrease in incidence of (%) poverty
1999	25.6	15.2	40.5	30.9	17.1	44.8
2002	27.0	16.2	40.0	31.5	16.9	46.3
2003	27.7	17.4	37.1	32.8	18.8	42.6
2004	27.6	18.0	34.7	32.2	19.7	38.8
2005	28.2	18.7	33.6	32.0	20.2	36.9
2006	26.8	18.2	32.2	32.1	19.6	38.9
2007	26.8	18.1	32.6	30.8	19.2	37.6
2008	26.3	17.6	33.1	31.4	19.5	38.0
2009	27.9	18.8	32.7	31.8	20.0	36.9
2010	26.7	18.2	31.8	31.3	19.9	36.4
2011	27.3	18.8	31.3	32.0	20.3	36.4
2012	25.2	17.3	31.4	30.2	19.7	34.7
2013	23.0	16.5	28.3	27.5	18.4	33.1
2014	24.3	17.1	29.6	28.1	18.3	34.7

* Men and women aged 18 and over.

In 2014 the incidence of poverty in non-working families of working age fell by 7%, from 73% to 68%, after an increase according to economic income. The situation of the poor non-working families of working age improved slightly: the depth of poverty

remained almost unchanged compared to 2013, while the severity of poverty fell slightly. This is not statistically significant (see Appendix 14) and is probably due to the small number of observations of this group.

Table 7: Incidence of Poverty in Families by Population Groups (%), 2013-2014

	Before transfer payments and taxes		After transfer payments and taxes		Decrease in incidence of poverty after transfer payments and taxes	
	2013	2014	2013	2014	2013	2014
Total Population	28.5	29.1	18.6	18.8	34.6	35.5
Where the head of the household is:						
Jewish	24.4	24.7	13.7	13.6	44.0	45.2
Haredi (last school approach)*	63.6	66.7	52.1	52.4	18.1	21.4
Haredi (subjective definition)**		65.8		54.3		17.5
Immigrant	34.4	35.1	18.5	18.0	46.3	48.8
Arab	55.8	57.2	51.7	52.6	7.4	8.0
Families with children - total	27.2	28.0	23.0	23.3	15.5	16.7
1-3 children	21.4	22.8	17.4	17.9	18.9	21.5
4 or more children	57.3	56.2	52.3	52.7	8.8	6.2
5 or more children	65.4	62.7	60.0	60.7	8.2	3.2
Single parent families	41.5	41.9	27.5	25.1	33.7	40.0
Employment status of household head:						
Working	17.7	18.7	12.5	13.1	29.3	29.6
Salaried	17.7	19.0	12.3	12.8	30.6	32.7
Self employed	16.7	16.4	13.2	15.2	21.2	7.5
Working age not working	91.2	92.0	72.9	68.0	20.0	26.1
One earner	35.6	36.5	24.1	25.4	32.4	30.3
Two or more earners	7.2	7.7	5.7	5.6	20.3	27.5
Age of working age household head						
Up to 30	29.8	31.6	21.7	21.9	27.3	30.8
Aged 31-45						
From 46 to pension age	17.5	17.2	12.6	11.8	28.3	31.4
Age group of retired household head						
Old***	48.0	48.7	22.1	23.1	53.9	52.5
Pension age by law****	51.4	51.4	23.5	24.1	54.3	53.1
Education of household head						
Up to 8 years of school	68.7	68.6	46.1	46.8	33.0	31.8
9-12 years of school	30.7	32.1	21.0	21.2	31.4	34.1
13 or more years of school	20.9	21.2	12.8	13.0	38.7	38.7

* By last type of school attended by interviewee

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

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

**** Definition adjusted to the retirement age under the Retirement Age Law, therefore this population is not fixed until the process of raising the retirement age is complete.

Table 7a: Incidence of poverty in families, individuals and children by population groups (%), 2013-2014

2014			2013			
ילדים	נפשות	משפחות	ילדים	נפשות	משפחות	
31.0	22.0	18.8	30.8	21.8	18.6	כלל האוכלוסייה
						קבוצות אוכלוסייה של ראש משק הבית:
21.6	14.9	13.6	20.0	14.1	13.7	יהודים
67.3	59.0	52.4	66.8	57.8	52.1	חרדים (לפי גישת ביה"ס האחרון)*
66.1	59.7	54.3				חרדים (לפי הגדרה סובייקטיבית)**
23.5	17.3	18.0	22.4	16.6	18.5	עולים
63.5	54.0	52.6	66.4	55.7	51.7	ערבים
31.0	26.9	23.3	30.8	26.7	23.0	משפחות עם ילדים - סך הכול
19.4	18.4	17.9	19.0	18.0	17.4	1-3 ילדים
55.8	54.9	52.7	54.5	53.8	52.3	4 ילדים ויותר
64.2	63.1	60.7	61.6	60.8	60.0	5 ילדים ויותר
29.9	26.0	25.1	35.4	30.4	27.5	משפחות חד הוריות
						מצב תעסוקתי של ראש משק הבית:
26.7	18.1	13.1	26.4	17.4	12.5	עובד
26.2	17.8	12.8	26.3	17.2	12.3	שכיר
29.1	19.8	15.2	26.9	18.2	13.2	עצמאי
89.7	78.9	68.0	88.3	81.5	72.9	לא עובד בגיל עבודה
59.0	41.8	25.4	59.4	39.7	24.1	מפרנס אחד
10.5	7.6	5.6	12.1	8.4	5.7	שני מפרנסים ויותר
						קבוצות גיל של ראש משק בית בגיל עבודה:
39.7	25.5	21.9	40.7	25.0	21.7	עד 30
31.6	25.7	19.5	30.9	25.1	19.4	בגילאי 31 - 45
22.0	13.3	11.8	23.3	14.3	12.6	בגילאי 46 עד גיל הפנסיה
						קבוצות גיל של ראש משק בית בגיל פרישה:
	21.4	23.1		21.0	22.1	קשישים***
	22.6	24.1		22.8	23.5	בגיל הפנסיה לפי חוק****
						קבוצות השכלה של ראש משק הבית:
77.1	52.7	46.8	74.3	52.4	46.1	עד 8 שנות לימוד
39.1	25.6	21.2	37.6	24.9	21.0	בין 9 ל-12 שנות לימוד
22.5	15.8	13.0	22.3	15.5	12.8	13 ומעלה שנות לימוד

* By last type of school attended by interviewee

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

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

**** Definition adjusted to the retirement age under the Retirement Age Law, therefore this population is not fixed until the process of raising the retirement age is complete.

Table 8: Proportion of various family types in the general population and the poor population by demographic and employment characteristics, 2013-2014

	Total population		Poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	2013	2014	2013	2014	2013	2014
Where the head of the household is:						
Jewish	86.9	86.7	74.4	73.8	63.7	62.6
Haredi (classic approach)*	4.1	3.8	9.1	8.8	11.4	10.7
Haredi (subjective definition)**		6.0		13.7	100.0	17.5
Immigrant	19.8	19.8	24.0	23.9	19.7	19.0
Arab	13.1	13.3	25.6	26.2	36.3	37.4
Families with children - total	44.7	44.9	42.7	43.2	55.1	55.8
1-3 children	37.4	37.9	28.1	29.7	34.9	36.1
4 or more children	7.2	7.0	14.5	13.5	20.2	19.6
5 or more children	3.2	3.0	7.5	6.5	10.5	9.7
Single parent families	5.7	5.3	8.2	7.7	8.4	7.1
Employment status of household head:						
Working	79.5	79.5	49.4	51.0	53.5	55.7
Salaried	68.3	68.3	42.3	44.7	45.0	46.6
Self employed	10.9	11.2	6.4	6.3	7.7	9.1
Working age not working	5.6	5.4	18.0	17.2	22.0	19.7
One earner	29.5	30.2	36.8	37.9	38.0	41.0
Two or more earners	50.0	49.2	12.7	13.1	15.4	14.7
Age of working age household head						
Up to 30	17.9	18.7	18.7	20.3	20.8	21.8
Aged 31-45	34.5	34.9	29.4	29.6	35.9	36.4
From 46 to pension age	28.7	27.1	17.7	16.1	19.3	17.1
Age group of retired household head						
Old***	21.5	21.1	36.2	35.4	25.5	26.1
Pension age by law****	19.0	19.2	34.2	34.0	23.9	24.7
Education of household head						
Up to 8 years of school	8.2	7.8	19.7	18.4	20.2	19.5
9-12 years of school	38.0	37.9	40.9	42.0	42.9	42.9
13 or more years of school	53.9	54.2	39.5	39.6	37.0	37.7

* By last type of school attended by interviewee

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

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

**** Definition adjusted to the retirement age under the Retirement Age Law, therefore this population is not fixed until the process of raising the retirement age is complete.

Table 9: Estimate of depth and severity of poverty by population groups and selected indices

	Income gap ratio		FGT index		SEN index	
	2013	2014	2013	2014	2013	2014
Total population	32.8	34.603	0.034	0.0378	0.099	0.105
Where the head of the household is:						
Jewish	30.2	31.5	0.020	0.022	0.060	0.066
Haredi (classic approach)*	35.0	34.3	0.096	0.097	0.271	0.275
Haredi (subjective definition)**		33.9		0.096		0.275
Immigrant	27.1	25.9	0.020	0.020	0.064	0.065
Arab	35.6	38.4	0.100	0.106	0.270	0.276
Families with children - total	33.7	35.5	0.044	0.048	0.124	0.130
1-3 children	30.8	32.5	0.027	0.029	0.079	0.083
4 or more children	36.7	38.9	0.097	0.110	0.263	0.283
5 or more children	36.7	38.2	0.109	0.125	0.297	0.323
Single parent families	37.8	35.2	0.064	0.046	0.160	0.125
Employment status of household head:						
Working	28.8	31.7	0.021	0.026	0.139	0.079
Salaried	28.6	31.1	0.020	0.025		0.076
Self employed	29.9	35.4	0.027	0.035	0.076	0.095
Working age not working	51.3	51.1	0.263	0.255	0.073	0.516
One earner	32.6	35.0	0.057	0.070	0.089	0.196
Two or more earners	21.4	23.9	0.007	0.007	0.530	0.026
Age of working age household head						
Up to 30	33.4	35.7	0.042	0.046	0.117	0.124
Aged 31-45	34.4	35.1	0.042	0.044	0.118	0.123
From 46 to pension age	32.5	37.4	0.023	0.028	0.065	0.069
Age group of retired household head						
Old***	25.2	25.6	0.020	0.020	0.073	0.075
Pension age by law****	24.2	25.2	0.020	0.020	0.076	0.077
Education of household head						
Up to 8 years of school	34.3	36.8	0.082	0.094	0.238	0.256
9-12 years of school	33.4	34.9	0.041	0.045	0.116	0.123
13 or more years of school	31.4	33.4	0.023	0.026	0.069	0.073

* By last type of school attended by interviewee

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

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

**** Definition adjusted to the retirement age under the Retirement Age Law, therefore this population is not fixed until the process of raising the retirement age is complete.

Table 10 shows the dimensions of poverty by regions and nationality. In the current report we have added selected towns, and unlike previous reports which did not show the dimensions of poverty among Arabs in various regions due to lack of observations,

in this report they have been calculated based on the observations of this year and last year. Nevertheless, there are still very few observations of Arabs (particularly the Bedouin in the south), which explains the fluctuations in the data.

In the Jerusalem region, and particularly in the city of Jerusalem, there were increases in all poverty indices from 2013 to 2014. Incidence of poverty among individuals rose from 43.6% to 46.1% in the region, and from 45.6% to 48.6% in the city. The large families help to explain the high level of child poverty (60.6%), but only a small part of the increase in the dimensions of poverty, and the main increase in Jerusalem is due to greater incidence of poverty among East Jerusalem Arabs, from 75.4% in 2013 to 79.5% in 2014. Arab depth of poverty rose from 40.8% to 43.5% while among Jews it fell slightly. However, incidence of poverty among Jews increased slightly.

There were also increases in poverty in the center and the south of the country. Incidence of poverty among individuals and children in the center region rose from 11.4% to 12.7% and from 15.9% to 17.8% respectively from 2013 to 2014. In Rishon Lezion, for individuals the incidence rose from 5.6% to 8.8%, although there was also a drop of about 15% in the depth of poverty. In the south, individual incidence of poverty rose from 15.6% to 17.6%, and in the city of Ashdod it rose from 19.6% to 23.3%, while among children it rose from 31.6% to 38.6%. However, although the depth of poverty in the south increased by about 7%, in Ashdod the situation of poor families improved and their average distance below the poverty line fell by 14%.

In the northern region, and particularly in the Haifa city and region, all dimensions of poverty declined. Incidence among children in the Haifa region fell from 29% to 25%, and the incidence among families in the city fell from 22% to 16%. At the same time, the depth of poverty in the Haifa region rose by about 8%, although in the northern region as a whole it fell. These decreases in the north are mainly due to the decrease in the dimensions of poverty among Arabs, although also among Jews. For example, the incidence of poverty among Arab children in the Haifa region fell from 51.5% to 40.5%, while among Jews it remained at the 2013 level, and in the northern region as a whole, incidence among Arab children fell by about 6% but among Jews it rose by 3%.

The central and Tel Aviv regions, and particularly the city of Tel Aviv, have the lowest dimensions of poverty in both years. The incidence of family poverty in the Tel Aviv region fell slightly and in the central region it rose slightly, reaching 9.9% and 8.9% respectively in 2014. The incidence of child poverty in the Tel Aviv region fell from 20.3% to 18.3% and in the city of Tel Aviv from 11.1% to 7.1%. The depth and severity of poverty rose between 2013 to 2014 from 26.4% to 33.5% in the Tel Aviv region and from 28.8% to 33.6% in the city of Tel Aviv in those two years.

Figure 4a illustrates how the peripheral areas have led the central areas in the incidence of poverty for many years.

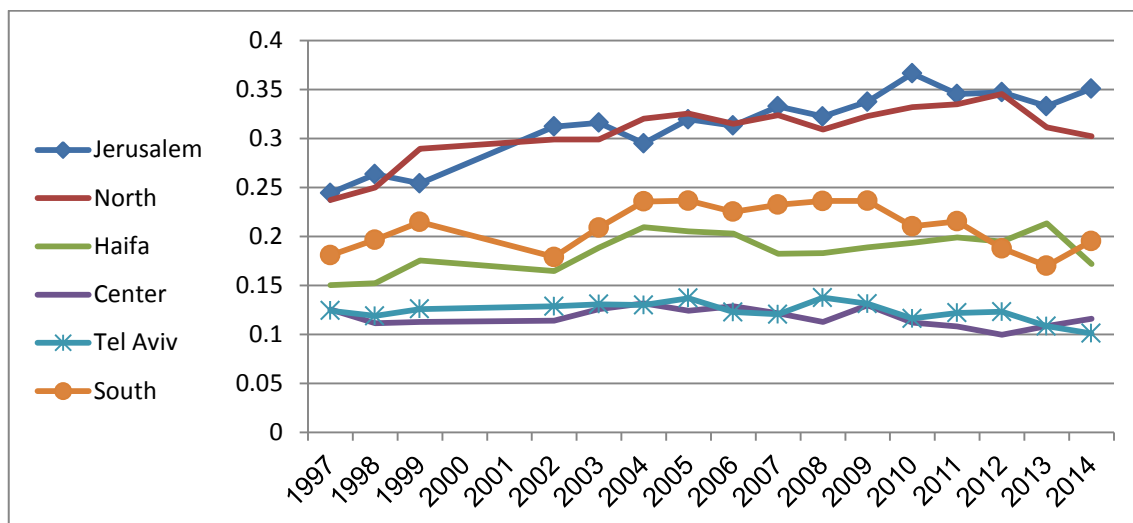
Table 10: Incidence of Poverty by Region and Nationality, 2013-2014

	2013					2014				
	Incidence of poverty			Income gap ratio	FGT	Incidence of poverty			Income gap ratio	FGT
	Families	Individuals	Children			Families	Individuals	Children		
Total*	18.6	21.8	30.8	32.8	0.034	18.8	22.0	31.0	34.6	0.038
Jerusalem	33.3	43.6	56.8	39.0	0.091	35.1	46.1	57.0	40.3	0.097
Jerusalem city	34.6	45.6	60.2	39.5	0.097	37.1	48.6	60.6	40.9	0.104
North	31.1	34.2	43.5	33.8	0.056	30.2	32.3	41.6	33.6	0.052
Haifa	21.3	21.6	28.9	28.4	0.028	17.2	18.4	25.1	30.7	0.027
Haifa city	22.1	17.2	18.0	31.9	0.029	16.2	15.0	17.0	30.7	0.024
Center	10.9	11.4	15.9	29.6	0.015	11.6	12.7	17.8	31.9	0.020
Rishon Lezion	7.8	5.6	3.1	26.4	0.006	9.0	8.8	9.5	22.5	0.007
Petach Tikva	7.3	7.5	9.8	24.4	0.007	10.3	10.0	14.9	25.8	0.010
Tel Aviv	10.8	12.6	20.3	26.4	0.013	10.1	11.6	18.3	33.5	0.020
Tel Aviv city	9.2	9.1	11.1	28.8	0.012	8.8	7.7	7.1	33.6	0.014
South	17.0	15.6	20.5	29.3	0.021	19.5	17.6	23.3	31.4	0.026
Ashdod	18.2	19.6	31.6	37.0	0.035	20.2	23.3	38.6	31.9	0.036
Jews*	13.6	14.1	20.1	30.1	0.019	13.4	14.8	21.7	31.7	0.023
Jerusalem	21.1	27.1	40.5	36.5	0.048	21.0	28.5	40.9	35.6	0.051
North	16.6	14.2	16.5	32.9	0.025	15.5	13.7	17.0	30.2	0.019
Haifa	17.3	14.1	15.7	27.0	0.018	11.8	11.8	15.6	25.6	0.014
Center	8.1	7.8	10.0	25.9	0.008	8.9	9.2	12.3	29.0	0.012
Tel Aviv	10.8	12.5	19.8	26.1	0.013	9.9	11.4	17.8	33.0	0.019
South	17.0	15.6	20.4	29.4	0.020	18.8	17.2	23.2	31.0	0.025
Arabs	47.4	52.4	64.3	35.6	0.094	48.1	50.6	60.7	37.9	0.098
Jerusalem	69.7	75.4	83.9	40.8	0.174	76.1	79.5	84.0	43.5	0.185
North	47.0	49.6	60.2	34.0	0.081	46.5	46.9	56.8	34.4	0.077
Haifa	37.8	40.9	51.5	29.6	0.054	37.7	34.4	40.5	35.0	0.058
Center	50.2	51.3	64.5	35.8	0.088	43.4	46.7	61.7	37.7	0.098
Tel Aviv**	12.2	15.1	30.5	34.7	0.024	15.7	18.4	38.9	38.9	0.040
South**	15.5	17.5	32.8	29.1	0.025	29.5	24.9	28.2	34.7	0.055

* Including places in Judea and Samaria

** Due to the paucity of relevant observations, these cells were calculated using data from the previous year.

Figure 4: a. Incidence of Poverty by Regions, 1997-2014



5. Persistent Poverty

The population living in poverty is not fixed from one period to the next: some manage to escape poverty, others become poor, while others continue to live in poverty for long periods. In order to estimate the numbers of long term poor, the professional literature usually defines the long term poor as those whose income and expenditure are both below the poverty line, since consumption is generally influenced by regular income rather than by temporary changes¹⁷. The assumption is that when regular income is suddenly lost (for example, becoming unemployed), the family tries to maintain its standard of living and in the short term will make up any gaps from savings, loans and so on. This does not contradict the economic logic of finding many poor people whose expenditure on consumer goods is higher than their income. It indicates that these families are **temporarily** part of the poor population. On the other hand, a family that estimates its economic situation will be worse for a long time must cut back its expenditure on consumer goods, since its ability to spend above its income is very limited.

Therefore for families living in long term poverty, both income and expenditure will be below the poverty line¹⁸.

Table 11 shows the proportion of permanently poor families and individuals, using the above definition, among all poor families. In general the findings show that two thirds of poor families are suffering permanent poverty, while the poverty of the remaining

¹⁷ According to Milton Friedman's Theory of Permanent Income, a family tends to change its regular consumption following stable changes in income, while temporary changes tend rather to increase savings and purchase of permanent items.

¹⁸ In view of the absence from the expenditure survey of follow up data, enabling the tracking of families living in permanent poverty, Recommendation 2(a) of the Report of the Team on Developing Additional Poverty Metrics suggests treating the next index as an index of permanent poverty: families will be defined as permanently poor if both their income and their consumer spending are below the poverty line.

third is temporary in nature, such as due to unemployment etc. In 2014 there was a slight decrease in the proportion of families in long term poverty compared to 2013.

The drop in the rate of families in permanent poverty from 62% of all poor families in 2013 to 58% in 2014 expresses a considerable decrease in long term poverty. The main groups where permanent poverty shrank in 2014 were families with children, who declined from the lower middle layer into poverty following the cut in child allowances, as well as Arabs, immigrants, single parent families, families with a non-working working-age household head (apparently unemployed), and families headed by someone with less than 8 years of school (of course some groups overlap).

Since the change in the incidence of family poverty from 2013 to 2014 is moderate, in the population as a whole and in groups with a large decrease in the incidence of permanent poverty, we can conclude that the expenditure of families in poverty increased (by about 10% between those years). This could have various explanations, such as (1) poor families taking on more debt to maintain their standard of living; (2) expectations of poor families of a future increase in income allowing greater expenditure in the present.

As stated, the rate of permanent poverty varies among different groups; thus for example, among families with two earners, 54% of all poor families are defined as living in permanent poverty, while in groups where the level of poverty is relatively high (Haredim, large families, families with no working-age earner) the rate of families defined as living in permanent poverty rises to 76%. The same holds for families with a relatively older head of the household (from 46 to pension age).

Note that an examination of the data over time shows that there is an upward trend, although with numerous fluctuations, even more so when we look at specific population groups (Appendix 29). However, for most of the years when this figure was calculated, permanent poverty in families was around 60%.

Table 11: Estimate of persistent poverty - weight of families and individuals out of total poor whose monetary expenditure per standard individual were under the poverty line (percent), 2013-2014

Population groups	Families		Individuals	
	2013	2014	2013	2014
Total population	62	58	66	61
Where the head of the household is:				
Jewish	61	62	66	67
Haredi (classic approach)*	78	76	78	79
Haredi (subjective definition)**	62	74	66	78
Immigrant	69	67	70	67
Arab	64	52	66	53
Families with children - total	65	61	67	63
1-3 children	59	54	60	55
4 or more children	74	73	75	72
5 or more children	81	75	81	74
Single parent families	71	54	74	58
Employment status of household head:				
Working	58	56	63	59
Salaried	61	57	65	60
Self employed	40	49	47	53
Working age not working	68	60	76	67
One earner	60	56	65	59
Two or more earners	54	54	58	59
Age of working age household head				
Up to 30	64	60	71	64
Aged 31-45	63	56	67	61
From 46 to pension age	54	54	56	57
Age group of retired household head				
Old***	65	61	66	61
Pension age by law****	66	62	68	62
Education of household head				
Up to 8 years of school	67	59	73	60
9-12 years of school	62	58	66	58
13 or more years of school	60	58	63	65

* According to the classical approach: the last school attended by the interviewee

** By subjective definition of degree of religious observance: secular, traditional, religious, Haredi, mixed

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

**** The definition adapted to the retirement age specified in the Retirement Age Law. Therefore this population is not fixed until the process of raising the retirement age is complete.

6. International comparison of poverty in Israel

The OECD method of calculation poverty is similar to the method developed by the National Insurance Institute and used in Israel – both define median disposal monetary income as the relevant indicator of standard of living, and half of this income is defined as the poverty line. However, there are certain differences, and these differences as well as the changes in the OECD's indices of poverty since 2012 are described in the appendices.

The sources of data for calculating poverty in each country are the surveys of income or expenditure carried out by the Central Bureau of Statistics in each country. Therefore the OECD calculations for Israel are based on the same data as used by the National Insurance.

The three parts of Figure 5 show the incidence of individual poverty in OECD countries based on 50% of the medium income per standard individual in the years 2011-2014, according to the latest figures available, where Figure 5a refers to disposable monetary income, 5b refers to **economic** income, and 5c refers to child poverty. According to Figure 5a, in recent years Israel is located near to or at the upper limit of the poverty comparison, although the break in the Israeli series in 2012 and the 2012 change in the OECD method of estimating described above led to slight changes in Israel's position among the OECD countries. The incidence of individual poverty in Israel at 18.8% is only lower than Mexico, with very similar incidence of 18.9%. Poverty among children, at 24.9%, also puts Israel in second place after Mexico. The aforesaid change in the method of estimation led to a drop in the incidence in Mexico, which is considered a medium income country, bringing it closer to the rate in Israel^{19,20}.

A look the incidence of poverty in OECD countries calculated by the economic income of households rather than by disposable income reveals that, before government intervention, poverty in Israel is relatively low at 26.8%, about 7% lower than the average in the countries compared. Figure 5 shows that in addition to the differences in poverty rates in developed countries before government intervention, there is considerable difference in the degree of intervention and redistribution of income. The diagrams based on economic income and disposable income show an interesting breakdown of countries along two axes: the countries at the left with low rates of economic poverty can be divided into two groups. On one hand are those with **generous** welfare systems and fair labor relations – high rates of worker organization and fair wages, such as Iceland, Holland, Denmark, Sweden and Norway. In these countries the dimensions of poverty remain low even after intervention. On the other

¹⁹ Apparently due to taking into account products made independently in the home.

²⁰ A number of countries are missing from the comparison due to lack of available data according to the new OECD definition of disposable income, which also takes into account income from self production. These countries are: Chile, Japan and Russia. They are absent from all comparisons, while Korea is absent from the comparison of child poverty.

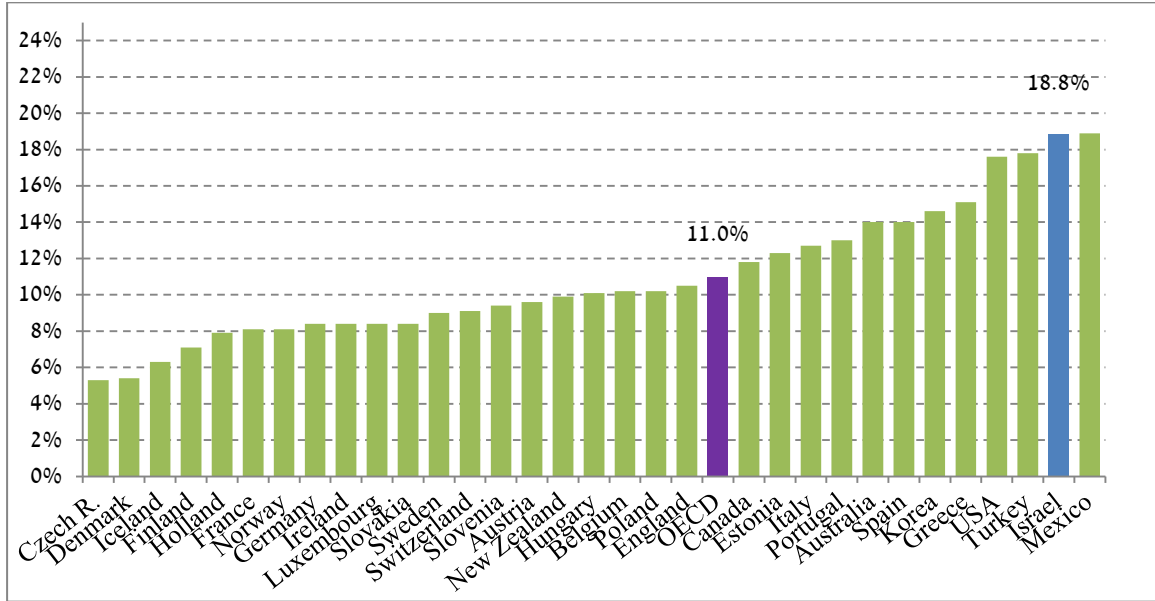
hand are countries where rates of poverty according to disposable income are among the highest, such as Turkey, Mexico, the USA, Korea and Israel, so their rates of economic poverty are actually lower **because of the ungenerous welfare systems in these countries. It is the meager welfare available that pushes poor families into work that is low paid because of unfairness, low compliance with minimum wage laws, low levels of worker organization, and so on.**

The incidence of poverty for various groups of families, individuals, children and old people according to the OEC approach is shown in Appendices 7a, 7b and 7c, where the poverty line is defined as 50%, 40% and 60% of median disposable income, respectively. According to this method, this year there was a slight increase in the incidence of poverty, similar to the official incidence shown in Table 7a. Since the scale of weightings used in the OECD approach embodies a greater size advantage than the Israeli scale, incidence of poverty among large families is less than the official index in Israel. As a result, while poverty rates among children are much lower than those obtained by the Israeli approach, the dimensions of poverty among the elderly are higher, as they live in smaller households. By the same logic, the incidence of poverty among groups including large families is lower in these estimates compared to the official incidence rates. For example, the poverty rates in Haredi families (based on subjective self identification) according to the OECD definition (50% of the median) and according to the official definition are 43.5% and 54.3% respectively, and among families with children the respective rates are 19.1% and 23.3%.

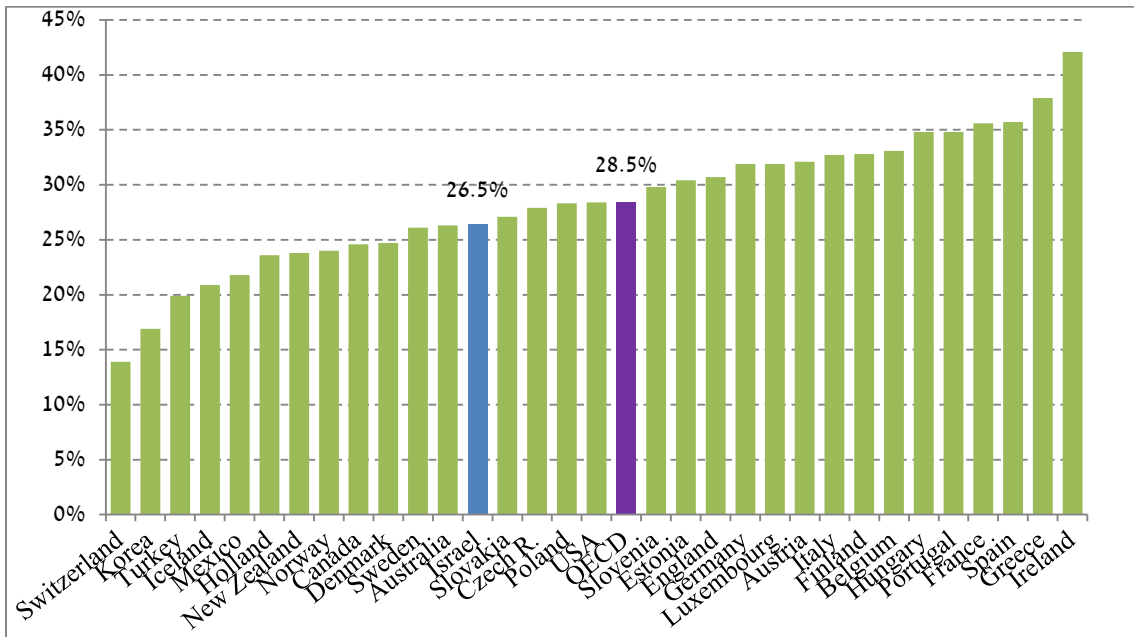
However the general trends in population groups remain the same: the relatively poorer groups are Arab, Haredi and large families (which overlap to some extent), families headed by someone with less than 8 years of school, and families headed by someone of working age who is not working.

Figure 5: Poverty rates in individuals (50% of median income), OECD countries and Israel, various years (2011-2014, Israel 2014), OECD definition

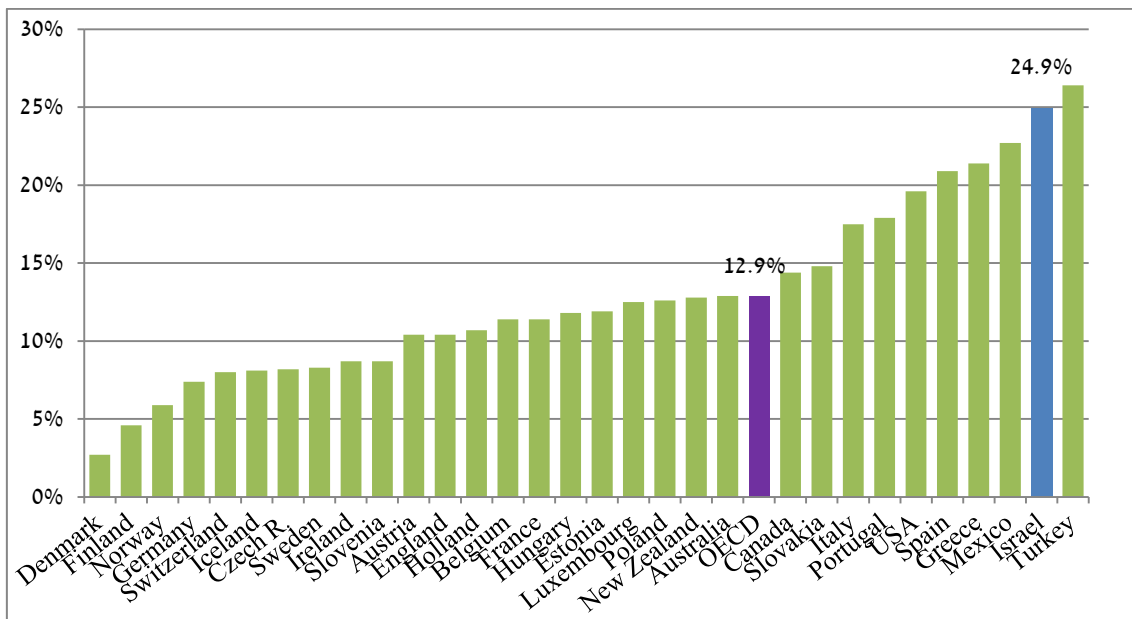
a. Incidence of poverty by disposable income



b. Incidence of poverty by economic income



c. Incidence of poverty in children



7. Poverty Targets

The recommendation to define poverty targets was put to several governments in Israel at various times. For example, back in 2003 the Bank of Israel stressed the need to set a target²¹. The government at the time accepted the proposal, but about 4 years later, the Economic Council returned with a similar recommendation, and later replaced it with a long term target of limiting poverty for the period 2008-2010, which was approved by the government in 2008. As 2010 approached and it appeared the target would not be achieved, the government decided to extend the period until 2013. The National Insurance Institute monitored how far the target was achieved in the years 2008 to 2013. Ultimately, according to the NI report on poverty for those years, the target was achieved, largely due to the large drop in poverty rates in the final year, 2013. As described in the 2013 report and in the current report, the strength of the 2013 drop in poverty is in doubt, and in any case various governments did not seriously relate to the target they set themselves during that period.

In July 2014 the War on Poverty Committee submitted a report, stating that “the Committee’s aspiration is **for Israel to achieve a poverty rate similar to the average in the OECD within 10 years** and to limit its multi-dimensional poverty”. The report recommended relating to the population as a whole, with particular emphasis on the old and on children. With respect to the general population and children, the Committee report recommended setting the target at the lowest poverty levels in OECD countries, and with respect to the old, with reference to a “suitable standard of living”. It also recommended restricting the depth and severity of poverty as part of the target²².

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

Figures 6a and 6b (on the aspiration regarding the incidence of poverty in general and among children) illustrate the Committee’s targets: the average rate of poverty among individuals in OECD countries is 10.9% (in 2012, the latest available data), and for Israel to achieve this target within 10 years requires an annual average decrease of 0.8%, as shown by the dotted line in the figure. The average incidence of poverty among children in OECD countries is 13%, and for Israel to achieve this target within 10 years requires an annual average decrease of 1.2%.

While having the Committee submit its recommendations in mid-2014 did limit the change that was possible during that year, the actual growth in the incidence of poverty

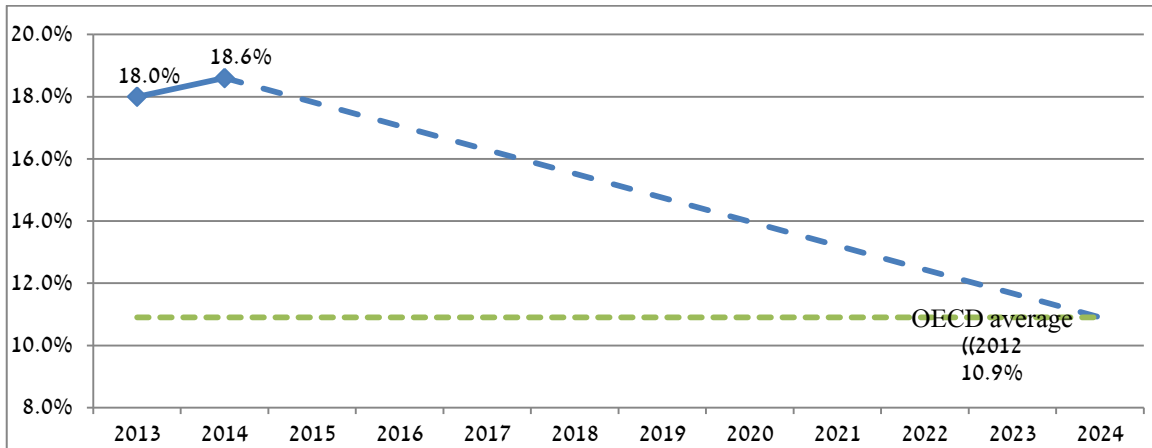
²¹ See Gottlieb & Ksir (2003), p. 16: <http://www.boi.org.il/deptdata/papers/paper08h.pdf>

²² See the Report of the War on Poverty Committee in Israel, Part 1, p. 9, <http://www.milhamabaoni.org>

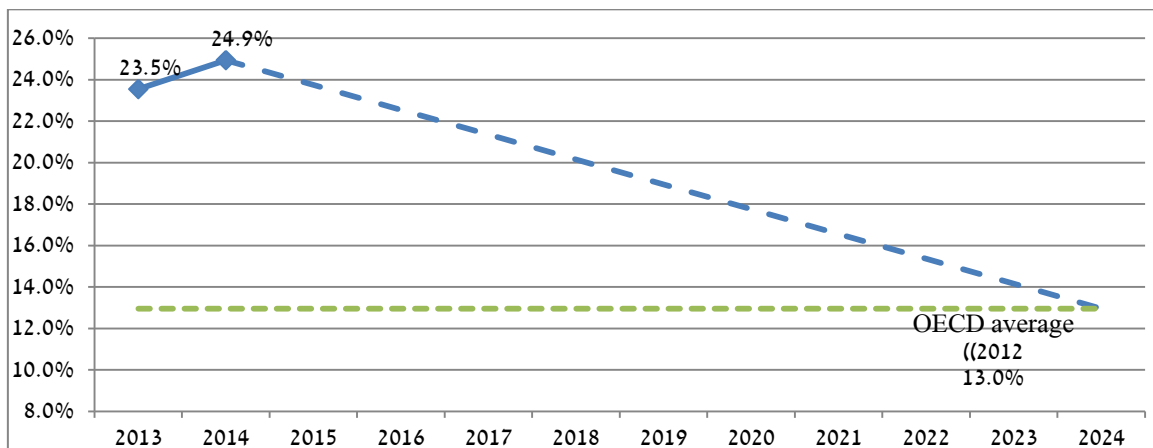
in 2014 moves the target further away, and increases the annual change needed over the next 10 years to meet that target.

Figure 6: Representation of War on Poverty Committee's aspiration - incidence of poverty in Israel and outline of changes needed to achieve this aspiration

a. Incidence of poverty in individuals by the OECD definition



b. Incidence of poverty in children by the OECD definition



II. Dimensions of inequality and income gaps

1. Inequality in 2014 and in recent years

Table 12 shows the Gini index of inequality of economic income and disposable income over time²³. In 2014 the Gini index of inequality in disposable income was 0.3706, and for economic income it was 0.4771. Compared to 2013 inequality rose according to both indices, at rates of 2.0% and 0.3% respectively. These rises include some correction of the falls in these indices recorded last year. As described in the 2013 report, the improvement in the dimensions of poverty and inequality that year was largely due to growth in employment and wages, although even then the strong growth in employment looked unusual. Therefore at least some of the rise in inequality in 2014 can be seen as a correction of the large drop in 2013. Taking the long term view (Figure 7), from 1999 to 2006 the index of inequality in disposable income per standard individual rose, was stable for 3 years and since then has continuously fallen, with a particularly large decrease in 2013, which together with the correction in 2004 forms a continuation of the downward trend. The increases in the years to 2006 and the stability thereafter were due inter alia to the high-tech slanted growth in the first decade of 2000, and to government policy - first the cuts in welfare policy followed by the reform in income tax. After 2010, when government policy was relatively neutral over redistribution of income, the downward trend in inequality reflected developments in the labor market (according to survey results), in both the inequality index of economic income and for net income. This analysis should be limited by the fact that high incomes are not usually measured with the same quality as low and medium incomes, since the rate of response by high earners to surveys is generally lower. Therefore it is possible that the data on inequality of income derived from the expenditure surveys are biased downwards. This claim mainly affects the level of inequality rather than any changes in it.²⁴

Rates of change in the Gini index for economic index in the last two years match the changes in rates of employment recorded in the expenditure survey. This year, in view of the stability in employment rates (according to the survey), a change in the Gini index for this income was recorded. However, in 2013 the index fell sharply by 7% due to the sharp increase in employment rates (measured by the survey). The relatively high increase this year in the Gini index by disposable income (about 2%) can be partly attributed to the cut in child allowances that started in 2013 and continued into 2014.

²³ The Gini index measures gaps in income between every two individuals for everyone in the economy. Therefore the lower the income, the greater its weighting. The index is a value from 0 to 1, where 0 reflects absolute equality (“everyone has the same income”) and 1 reflects absolute inequality (“all the income is held by one individual and everyone else has no income”).

²⁴ A simulation prepared to examine the effect of surtax indicates that it has little impact on income redistribution.

Table 12: Gini Index of Income Inequality in the population by economic and disposable income, 1998

Year	Before transfer payments and direct taxes	After transfer payments and direct taxes	Decrease due to transfer payments and direct taxes (%)
1998	0.5230	0.3556	32.0
1999	0.5167	0.3593	30.5
2002	0.5372	0.3679	31.5
2003	0.5265	0.3685	30.0
2004	0.5234	0.3799	27.4
2005	0.5225	0.3878	25.8
2006	0.5237	0.3923	25.1
2007	0.5134	0.3831	25.4
2008	0.5118	0.3853	24.7
2009	0.5099	0.3892	23.7
2010	0.5045	0.3841	23.9
2011	0.4973	0.3794	23.7
2012	0.4891	0.3770	22.9
2013	0.4755	0.3634	23.6
2014	0.4771	0.3706	22.3
Change in the index in 2014 (%)			
Compared to 2013	0.3	2.0	
Compared to 2012	-2.5	-1.7	
Compared to 2007	-7.1	-3.3	
Compared to 2002	-11.2	0.7	
Compared to 1998	-8.8	4.2	

Figure 7: Inequality over time in Israel - Gini index by disposable economic income, 1998-2014

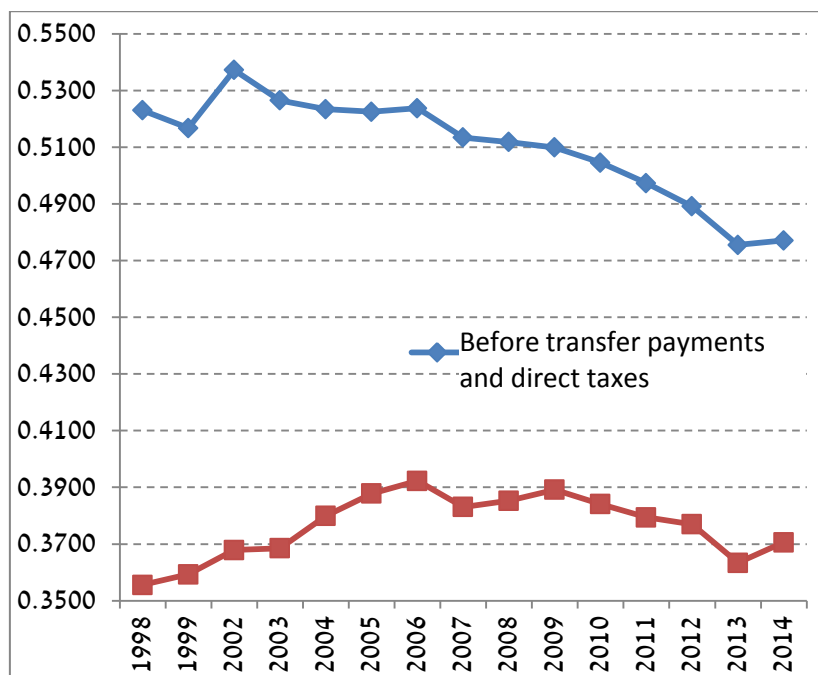


Figure 8 presents a number of indices of inequality and compares them to the incidence of poverty in individuals: the Gini index and indices of the ratio between various income deciles. For each decile we chose, as usual for these indices, the highest rate of pay in that decile²⁵. In most indices of inequality, the 2014 indices represent a slight correction of the sharp drops recorded in 2013. The only index that recorded a drop compared to last year was p90/p50, which is also the only index that is even lower than its level in 1999. This means that last year and cumulatively for the last 15 years, the gaps reflected in this index have narrowed for the higher earning half of the population. On the other hand, there has been a cumulative increase in the gaps according to the other indices, reflecting the gaps among the general population and the population whose income is in the lower half of the breakdown by deciles (particularly the incidence of individual poverty and the p50/p10 index). In other words, the gaps in income have widened for the lower middle and lowest deciles, while for the upper deciles and the richest, the cumulative gaps have narrowed.

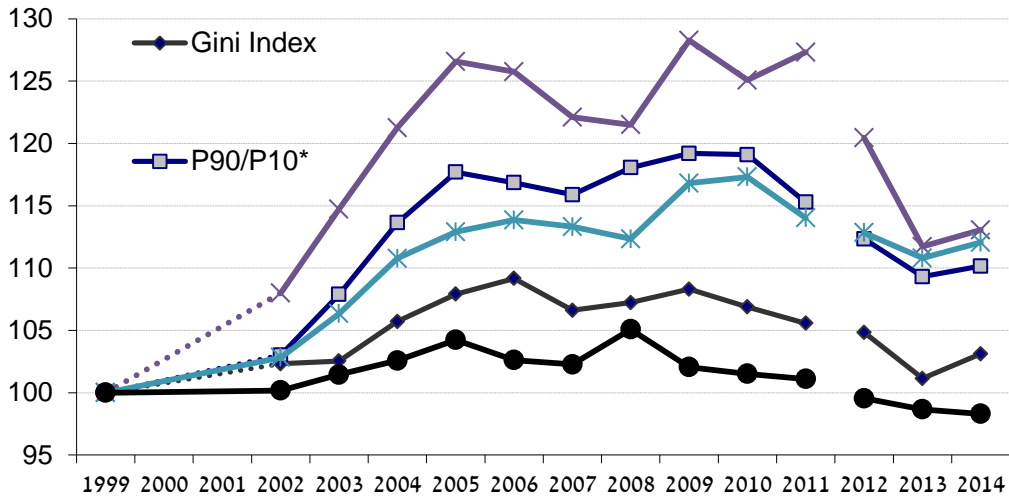
The figure also shows that in the last decade and a half, the main growth in inequality was the gap between people with median income and those with the lowest income, and similarly between people with the highest income²⁶ and those with the lowest income.

The comparison of inequality in disposable income between developed countries, shown in Figure 9, puts Israel, with a Gini index higher by about 17% than the average in the developed countries, in the range of countries with a high Gini index, fourth after Mexico, Turkey and the USA. However, Israel's position from the aspect of inequality is lower than its position on the scale of poverty in developed countries.

²⁵ For example, p90/p50 represents the ratio between the highest pay in the ninth decile divided by the highest pay in the fifth decile.

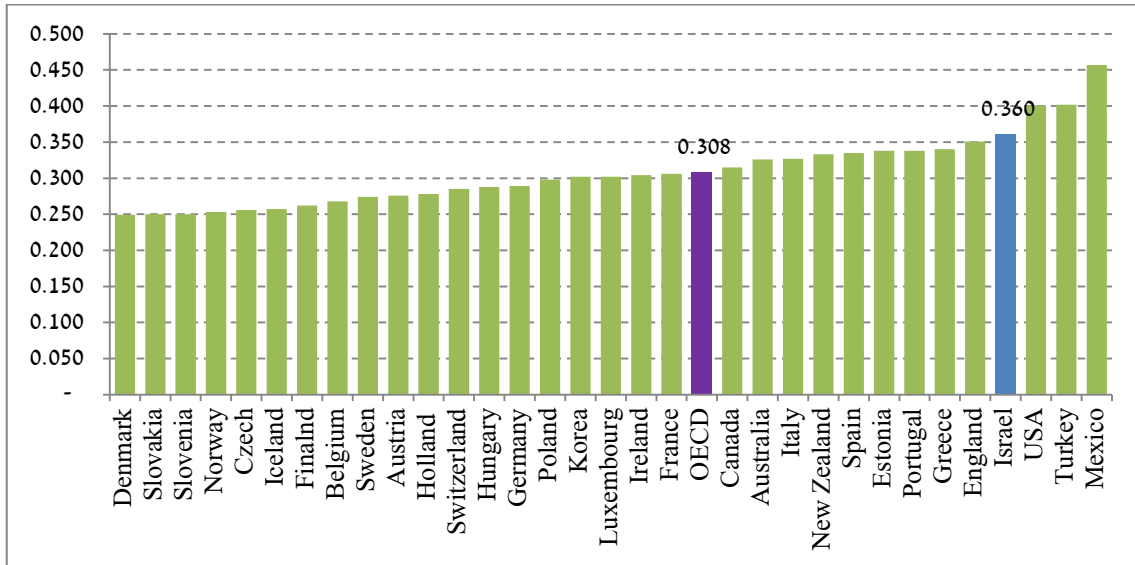
²⁶ The highest incomes are in the top decile. The findings might have been different for differences between smaller groups of people with high incomes, for example the top centile or top permille, but this was not examined for this survey due to the limited number of observations.

Figure 8: Selected indices of gaps and inequality, 1999-2014



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

Figure 9: Gini index of inequality of disposable income per standard individual, OECD countries and Israel, 2011-2014 (Israel 2014), OECD definition



2. Inequality by Quintiles

This part presents selected data on the general standard of living by quintiles²⁷ in 2014. The real change in disposable income per standard individual last year is presented in Figure 10, which shows that in 2014 it grew unequally across the quintiles: in the lowest quintile, disposable income increased at the lowest rate – about 0.4%, while in the top quintile it grew at the fastest rate of about 5.3%. In households in the second, third and fourth quintiles, there was growth of between 2.3% and 2.7%. These increases in disposable income per standard individual are yet another expression of the rise in inequality: in the last two years disposable income in the lowest quintile increased by less than half a percent, while in the intermediate quintiles the increases were 2%-3%, and in the top quintile close to 6%.

It should be noted that in 2013, the growth in income of the lowest quintile was very high (8.6% compared to 2012) while for the top quintile it was very low (0.2%). The very different rates of increase in income for the top and bottom quintiles this year could therefore be seen as something of a correction, either down or up, of the unusual rates in 2013. Here too the reasons for the correction derive from developments in employment found by the expenditure survey.

Another reason is of course the cut in child allowances, which was fully expressed in the 2014 survey data.

Table 14 shows the share of each quintile in total income by various sources of income – work, pensions, provident funds and capitals, benefits etc. The figures show that the top quintile's share of income from work is about 43% of all earnings in the economy, while the bottom quintile earn only about 4% of total wages. There are bigger gaps in direct taxation, due to the progressive structure of income tax, and to a lesser extent, national insurance and health insurance payments. Total income from direct taxes from the bottom quintile is about 2.2% of the total, compared to 61.4% from the top quintile, who pay 3 times more tax than the next highest quintile. Total disposable income in the economy is divided in a slightly more equal way than income from work: the lowest quintile have 6.8% while the top quintile have 38.9% in 2014.

Table 15 presents the breakdown of expenditure by quintiles, showing the known fact that the gaps in expenditure are smaller than in income: expenditure per standard individual in the top quintile is 2.8 times higher than in the bottom quintile (but 7.5 times higher in the case of disposable income per standard individual). The top quintile account for about 30% of all consumption of goods and services (about 10% more than their share of the population), while the bottom quintile consume about 13% - 7% less than their share of the population.

²⁷ The quintiles were sorted by disposable income per standard individual, and each quintile covers 20% of families.

Figure 10: Real change in disposable income per standard individual, 2014 compared to 2013, by quintiles (percent)

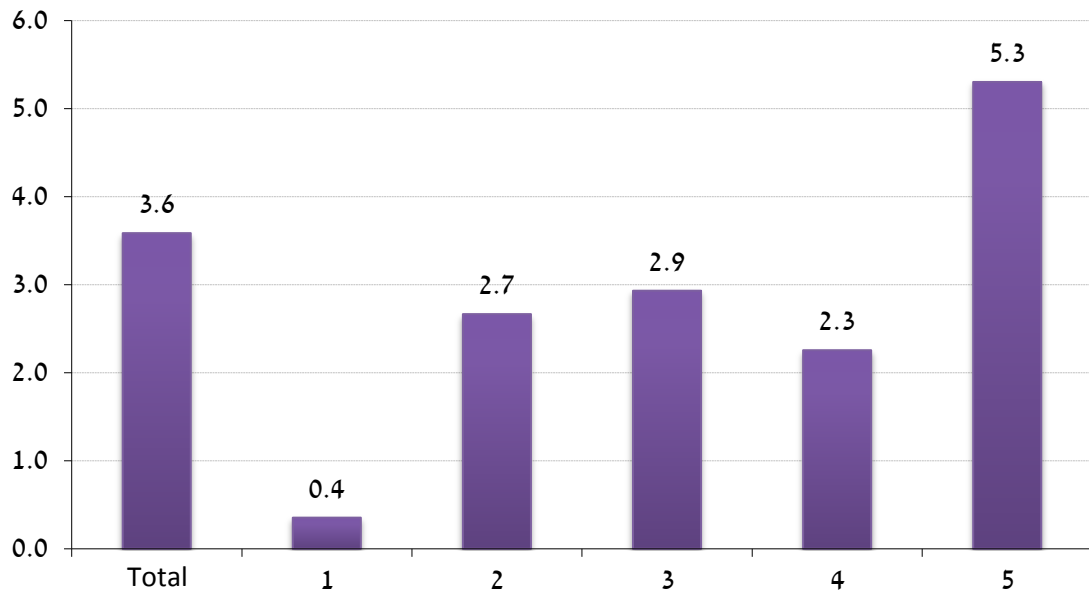


Table 13: Source and type of income and mandatory payments by quintile*, 2014, and the real change compared to 2013

Source/ type of income and mandatory payments	Income (NIS per month)							Real change compared to 2013 (%)					
	Average	1	2	3	4	5	Ratio between top and bottom quintile	Average	1	2	3	4	5
Work	14,190	3,010	7,390	12,110	18,070	30,370	10.1	2.2	4.7	2.2	0.5	4.2	1.5
Pensions, provident funds, capital	2,100	130	540	1,160	2,030	6,650	51.2	5.9	-30.8	-2.9	10.4	4.2	7.6
Total benefits and allowances	2,040	2,210	2,210	1,880	1,630	2,250	1.0	2.7	-2.3	6.3	5.9	-5.3	8.6
National Insurance payments only	1,520	1,790	1,710	1,440	1,200	1,460	0.8	1.1	-4.7	6.9	3.4	-3.2	3.8
Payments from government institutions only	240	230	230	200	240	310	1.3	3.8	7.4	-9.0	31.4	-7.1	8.0
Payments from other households and individuals only	260	180	250	220	190	470	2.6	6.1	3.5	11.6	-1.3	-15.7	21.5
Total mandatory payments	3,180	370	870	1,770	3,500	9,390	25.4	2.4	7.3	8.7	8.9	8.5	-1.4
Income tax	1,920	40	270	790	1,920	6,570	164.3	1.9	22.9	14.2	14.9	10.9	-2.3
National insurance	620	90	220	440	780	1,560	17.3	4.0	16.0	10.4	8.6	6.4	0.5
Health insurance	640	230	370	540	800	1,260	5.5	2.7	1.8	3.9	1.5	5.3	1.5
Net per family	15,150	4,980	9,280	13,380	18,230	29,880	6.0	3.1	0.2	2.6	1.2	2.9	4.7
Gross per family	18,330	5,340	10,150	15,150	21,730	39,270	7.4	3.0	0.7	3.1	2.1	3.8	3.2
Economic per family	16,200	3,120	7,880	13,190	19,970	36,850	11.8	2.8	2.7	2.0	1.3	4.5	2.7
Net per standard individual	5,920	1,710	3,330	4,940	6,880	12,750	7.5	3.6	0.4	2.7	2.9	2.3	5.3
Gross per standard individual	7,130	1,830	3,610	5,530	8,090	16,560	9.0	3.5	0.8	3.0	3.6	3.1	4.0
Economic per standard individual	6,160	880	2,570	4,660	7,300	15,400	17.5	3.2	3.4	1.3	2.8	3.9	3.4

* The quintiles were sorted by income per standard individual. Each quintile represents 20% of families.

Table 14: The share of each quintile in total income and mandatory payments, 2013-2014

Work	100	4.1	10.4	17.4	25.0	43.1	100	4.2	10.4	17.1	25.5	42.8
Pensions, provident funds, capital	100	1.8	5.6	10.6	19.6	62.3	100	1.2	5.2	11.0	19.3	63.3
Total benefits and allowances	100	22.8	21.0	17.9	17.4	21.0	100	21.7	21.8	18.4	16.0	22.1
National Insurance payments only	100	25.0	21.3	18.6	16.5	18.7	100	23.5	22.6	19.0	15.8	19.2
Payments from government institutions only	100	18.6	21.9	13.1	21.7	24.6	100	19.1	19.3	16.5	19.5	25.6
Payments from other households and individuals only	100	13.8	18.2	18.2	18.6	31.3	100	13.3	18.3	16.3	14.2	37.8
Total mandatory payments	100	2.2	5.1	10.5	20.8	61.4	100	2.3	5.5	11.1	22.0	59.1
Income tax	100	0.4	2.5	7.3	18.4	71.4	100	0.5	2.9	8.2	20.0	68.5
National insurance	100	2.7	6.8	13.7	24.7	52.1	100	3.0	7.2	14.3	25.2	50.3
Health insurance	100	7.3	11.4	17.1	24.3	39.9	100	7.2	11.6	16.9	24.9	39.4
Net per family	100	6.8	12.3	18.0	24.1	38.9	100	6.6	12.3	17.7	24.1	39.4
Gross per family	100	6.0	11.1	16.7	23.5	42.8	100	5.8	11.1	16.5	23.7	42.8
Economic per family	100	3.8	9.8	16.5	24.3	45.6	100	3.8	9.7	16.3	24.7	45.5

* The quintiles were sorted by income per standard individual. Each quintile represents 20% of families.

Table 15: Expenditure by quintiles, real rates of change and breakdown of expenditure, 2013-2014

	Average	1	2	3	4	5
Monthly expenditure 2014, NIS						
Expenditure on consumption per standard individual	5,920	3,470	4,330	5,500	6,690	9,610
Monetary expenditure per standard individual	4,710	2,650	3,430	4,370	5,340	7,760
Family expenditure on consumption	15,050	9,710	11,650	14,520	17,190	22,190
Family monetary expenditure	12,020	7,610	9,360	11,610	13,710	17,830
Real change compared to 2013						
Expenditure on consumption per standard individual	3.1	6.5	4.2	5.8	2.0	0.8
Monetary expenditure per standard individual	2.5	7.1	2.9	5.3	2.2	-0.3
Family expenditure on consumption	3.8	8.1	4.9	5.6	3.1	0.9
Family monetary expenditure	2.9	9.0	3.8	4.9	2.9	-1.1
As a proportion of total expenditure						
	2013					
Family expenditure on consumption	100.0	12.4	15.3	19.0	23.0	30.3
Family monetary expenditure	100.0	11.9	15.4	18.9	22.8	30.9
As a proportion of total expenditure						
	2014					
Family expenditure on consumption	100.0	12.9	15.5	19.3	22.8	29.5
Family monetary expenditure	100.0	12.6	15.6	19.3	22.8	29.7

* Source: processing by the Research & Planning Administration of data from the CBS survey of household expenditure for the years shown.

** The quintiles were sorted by disposable income per standard individual. Each quintile covers 20% of families.

III. Factors that affect Poverty and Inequality

2014 was characterized by continuing, although slower, growth – the economy grew by about 2.8% and employment continued to expand by about 3%. Real wages went up 2.7% (according to the expenditure survey), although for the lowest paid, wages declined in real terms by 0.7% (Appendix 12). However, there were differences between types of work. The sharpest drop was recorded among unskilled workers (-7.3%) and clerical workers (-9.5%), while professionals and employees in sales and services improved their pay by about 3%. The branches in which low paid workers improved their wages were in industry (9%), commerce (14.3%) and transport, storage and communications (18.7%). In the education branch, the wages of the lowest paid fell by 11% (Appendix 10).

Unemployment stood at the fairly low rate of 5.9%. Among the factors in the considerable drop in the incidence of poverty in 2013 was above all the sharp rise in rates of employment reported in the 2013 expenditure survey. The concern was already expressed in the 2013 report that the growth in employment found in the survey was biased upwards, since other sources of information for the CBS indicated lower rates of growth. Figure 11 shows that this rise was indeed halted according to the 2014 survey data and there was even a small decrease in employment rates (although not according to data from other sources, so it is possible that these data should be seen as a kind of correction). However, the employment rate remained high compared to other sources of information (the manpower survey, administrative data) – and dimensions of poverty both years were affected by it.

Figure 11: Rates of employment in Income/ Expenditure Surveys compared to the Manpower Survey, 1999-2014



According to administrative data and the survey on which the report is based, National Insurance benefits increased between these two years by about 3% in real terms. However, there is not always a match between two sources of data. Thus, payments for income assurance benefit fell by about 7% according to the survey, compared to a rise of half a percent from administrative data; in the survey, total payments for unemployment rose sharply by about 28% while administrative data showed a rise of 3% only. The steep fall in total child allowance payments (by 23%) is similar in both sources of data. For other benefits, the rates of increase shown in the survey are relatively moderate (from 2% to 6%). The gaps between the two sources of data were therefore offset, so that in aggregate payments of benefits increased in real terms by the aforesaid 3%, according to both sources.

Table 16 presents the breakdown of workers in poor families and in the general population by pay levels. The table shows that most salaried employees, about 78%, work full time. About 60% of workers living in poor families work full time. However, in the poor population, even among those who work full time there are about 43% who earn the minimum wage or less; and under half of these do not even reach half the minimum wage (and are therefore apparently victims of non-compliance with the law by their employees). Another 53% earn above the minimum but less than the average wage, while a small percentage earn more than the average. On the other hand, in the general population about 80% of full time workers earn more than the minimum wage (Table 16).

Table 16: Pay breakdown of salaried and poor salaried workers by pay level, 2014**

	Total (thousands)	%	Up to half the minimum wage	From half to the minimum wage	From minimum to average wage	Above average wage
Total salaried workers	3,115	100.0	13.2	14.5	39.1	33.3
Full time salaried workers	2,428	100.0	9.1	8.9	42.1	39.9
In the economically poor population						
Total salaried workers	404	100.0	32.5	29.8	36.3	1.4
Full time salaried workers	232	100.0	20.9	24.9	52.2	2.0
In the net poor population						
Total salaried workers	277	100.0	30.9	28.5	38.3	2.3
Full time salaried workers	166	100.0	20.8	22.3	53.3	3.6

* 35 and over hours per week

**The minimum wage and average wage were adjusted for the period of the 2014 expenditure survey.

Finally, this report does not give expression to changes in **policy measures used after 2014** and that are expected to reduce the dimensions of poverty in the coming years²⁸.

- In April 2015 the minimum wage was increased by 8% to NIS 4,650 per month (compared to NIS 4,300 during the preceding three years). This rise should reduce poverty among the working population, of whom more than a quarter earn the minimum or less.
- One of the recommendations of the War on Poverty Committee to be implemented in the 2016 budget concerns the increase in old age pensions for recipients of income supplement by about NIS 560 for a couple (depending on the age of the older spouse) and about NIS 180 for a single person (depending on age). This should help to reduce the dimensions of poverty among elderly families.
- The intention of gradually restoring the full cut in child allowances, whether in cash payments at the end of each year from 2015 onwards, and partly in the form of a savings grant – both retroactively and for future years – for each child, during the years 2017 to 2019. Various plans to reinforce the uptake of social rights (National Insurance, Ministry of Welfare, some Municipalities) including the right to allowances and negative income tax, should also have a positive effect on the income of families at the bottom of the income scale.

²⁸ It is stressed that this should not be seen as a forecast of the direction in social terms in the next few years, since there will still be unexpected influences which together with the processes indicated above will ultimately determine the direction of the social development.

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

Year	Incidence of poverty (%)		
	Families	Individuals	Children
1998	17.4	17.5	21.8
1999	18.0	19.5	26.0
2002	18.1	21.0	29.6
2003	19.3	22.4	30.8
2004	20.3	23.6	33.2
2005	20.6	24.7	35.2
2006	20.0	24.5	35.8
2007	19.9	23.8	34.2
2008	19.9	23.7	34.0
2009	20.5	25.0	36.3
2010	19.8	24.4	35.3
2011	19.9	24.8	35.6
2012	19.4	23.5	33.7
2013	18.6	21.8	30.8
2014	18.8	22.0	31.0

Appendix 1b: Incidence of poverty 1999-2014, excluding East Jerusalem

Year	Incidence of poverty (%)		
	Families	Individuals	Children
1999	17.8	18.8	24.9
2000	17.5	18.8	25.2
2001	17.7	19.6	26.9
2002	17.7	20.0	28.0
2003	19.2	21.5	29.4
2004	20.3	23.2	32.5
2005	20.3	23.7	33.8
2006	20.2	23.9	34.6
2007	19.5	22.8	33.2
2008	19.6	22.7	32.5
2009	20.0	23.8	34.4
2010	19.3	23.1	33.6
2011	19.3	23.2	33.4
2012	18.6	21.8	31.3
2013	17.9	20.2	28.4
2014	17.9	20.2	28.5

Appendix 2: Number of poor families, individuals and children after transfer payments and taxes, 2013-2014

Population group	2013				2014			
	Families	Individuals	Children	Elderlies	Families	Individuals	Children	Elderlies
Total population	432,600	1,658,200	756,900	166,500	444,900	1,709,300	776,500	167,400
Head of household's population group:								
Jews	275,600	872,400	377,000	131,700	278,500	941,100	420,100	120,400
Haredi Jews (classical approach)*	49,300	310,200	198,500	-	47,800	296,500	187,600	-
Haredi Jews (subjective approach)**					77,700	444,900	272,600	10,200
Immigrants	85,200	210,000	67,400	55,500	84,600	221,400	73,000	54,600
Arabs	157,100	785,700	379,900	34,800	166,400	768,200	356,400	47,000
Families with children - total	238,500	1,327,100	756,900	11,400	248,200	1,366,000	776,500	12,600
1-3 children	151,000	678,700	311,800	9,400	160,800	718,300	331,600	10,200
4 or more children	87,500	648,400	445,100	-	87,400	647,700	444,800	-
5 or more children	45,300	381,900	276,200	-	43,300	373,000	268,400	-
Single-parent families	36,100	141,400	75,700	-	31,700	115,600	62,400	-
Employment status of household head:								
Working	231,300	1,165,000	601,700	20,000	247,800	1,232,600	619,700	21,500
Waged	194,600	987,200	511,100	16,900	207,400	1,044,300	520,500	17,500
Self employed	33,400	168,500	90,000	-	40,400	188,300	99,200	-
Non-working of working age	95,100	321,600	150,100	-	87,500	308,100	152,400	-
One breadwinner	164,600	766,300	409,500	15,100	182,300	871,300	457,600	16,400
Two or more breadwinners	66,700	398,700	192,200	-	65,500	361,400	162,100	-
Age of household head:								
Up to 30	90,100	351,800	139,100	-	97,000	383,000	141,300	-
31-45	155,200	825,000	504,500	7,700	162,000	875,100	528,600	-
46 to pension age	83,700	314,000	109,000	8,600	76,000	280,100	101,700	-
Age of retired household head:								
Elderly***	110,500	180,800	-	147,400	116,000	182,500	-	148,800
Of legal pension age by law****	103,600	167,400	-	145,500	110,000	171,200	-	146,800
Education of household head:								
Up to 8 years of study	87,200	265,800	90,200	65,100	86,600	248,100	79,500	63,500
9-12 years of study	185,400	769,300	358,800	45,600	190,800	805,000	369,800	53,400
13 years and over of study	160,000	623,100	307,900	55,800	167,500	656,100	327,200	50,500

* According to last educational institute.

** According to subjective perception of the interviewed person

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

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

Appendix 3: Incidence of poverty in individuals by population group, percentages, 2013 and 2014

Population group	Income before transfer payments and taxes		Income after transfer payments and taxes		Drop in incidence of poverty after transfer payments and taxes (%)	
	2012	2013	2012	2013	2012	2013
Total population	28.5	29.1	21.8	22.0	23.7	24.2
Head of household's population group:						
Jews	21.5	22.8	14.1	14.9	34.7	34.8
Haredi Jews (classical approach)*	67.3	70.9	57.8	59.0	14.2	16.8
Haredi Jews (subjective approach)**		68.8		59.7		13.3
Immigrants	28.9	30.3	16.6	17.3	42.6	43.0
Arabs	59.3	57.2	55.7	54.0	6.2	5.5
Families with children - total	30.9	30.9	26.7	26.9	13.6	12.9
1-3 children	21.8	22.7	18.0	18.4	17.3	18.8
4 or more children	59.4	58.0	53.8	54.9	9.4	5.3
5 or more children	67.3	64.7	60.8	63.1	9.5	2.3
Single-parent families	43.5	41.7	30.4	26.0	30.0	37.8
Employment status of household head:						
Working	22.0	22.7	17.4	18.1	20.7	20.3
Waged	22.0	23.0	17.2	17.8	21.9	22.6
Self employed	20.7	20.8	18.2	19.8	12.1	4.5
Non-working of working age	93.9	95.0	81.5	78.9	13.2	17.0
One breadwinner	50.9	51.7	39.7	41.8	21.9	19.1
Two or more breadwinners	10.3	9.9	8.4	7.6	18.4	23.0
Age of household head:						
Up to 30	33.1	34.8	25.0	25.5	24.3	26.7
31-45	29.3	29.7	25.1	25.7	14.4	13.3
46 to pension age	17.8	17.1	14.3	13.3	19.6	21.8
Age of retired household head:						
Elderly***	44.0	45.1	21.0	21.4	52.3	52.6
Of legal pension age by law****	48.4	48.3	22.8	22.6	52.8	53.2
Education of household head:						
Up to 8 years of study	66.4	67.9	52.4	52.7	21.1	22.4
9-12 years of study	31.5	33.0	24.9	25.6	21.0	22.5
13 years and over of study	21.4	21.7	15.5	15.8	27.7	26.9

**Appendix 4: The income gap ratio among families by type of family, 2013-2014
(percentages)**

Population group	Income before transfer payments and taxes		Income after transfer payments and taxes		Drop in incidence of poverty after transfer payments and taxes (%)	
	2012	2013	2012	2013	2012	2013
Total population	55.9	56.3	32.8	34.6	42.9	40.2
Head of household's population group:						
Jews	58.6	57.6	30.2	31.5	51.6	48.2
Haredi Jews (classical approach)*	57.4	56.1	35.0	34.3	42.3	41.6
Haredi Jews (subjective approach)**		55.0		33.9		40.2
Immigrants	65.7	63.1	27.1	25.9	60.5	60.1
Arabs	51.5	54.0	35.6	38.4	31.2	29.2
Families with children - total	49.8	51.0	33.7	35.5	34.4	32.1
1-3 children	47.4	48.0	30.8	32.5	36.0	34.4
4 or more children	52.6	54.8	36.7	38.9	32.9	29.8
5 or more children	53.4	57.1	36.7	38.2	34.8	32.6
Single-parent families	65.2	58.6	37.8	35.2	49.4	50.5
Employment status of household head:						
Working	39.3	41.3	28.8	31.7	29.5	26.4
Waged	39.0	41.5	28.6	31.1	30.8	29.2
Self employed	38.3	40.5	29.9	35.4	15.4	8.4
Non-working of working age	94.9	94.8	51.3	51.1	46.5	46.7
One breadwinner	44.9	46.6	32.6	35.0	30.7	27.2
Two or more breadwinners	28.0	29.2	21.4	23.9	25.7	23.3
Age of household head:						
Up to 30	49.6	51.0	33.4	35.7	38.1	36.0
31-45	49.5	49.8	34.4	35.1	33.1	31.3
46 to pension age	55.9	58.7	32.5	37.4	42.0	37.4
Age of retired household head:						
Elderly***	81.5	78.5	25.2	25.6	73.8	72.4
Of legal pension age by law****	81.6	79.2	24.2	25.2	74.9	73.1
Education of household head:						
Up to 8 years of study	69.1	69.1	34.3	36.8	52.1	49.7
9-12 years of study	52.3	52.3	33.4	34.9	37.9	35.6
13 years and over of study	54.8	56.4	31.4	33.4	43.8	40.8

Appendix 5: The effect of transfer payments¹ and direct taxes on inequality of income in the whole population, 2013-2014

Decile*	Share of each decline in total income (%)**					
	Income before transfer payments and taxes		Income after transfer payments and taxes		Drop in incidence of poverty after transfer payments and taxes (%)	
	2012	2013	2012	2013	2012	2013
Lowest	0.2	0.2	1.9	1.8	2.1	2.0
2	2.1	2.0	3.3	3.2	3.7	3.6
3	3.7	3.6	4.5	4.4	5.0	4.9
4	5.2	5.1	5.7	5.7	6.4	6.3
5	6.7	6.8	7.0	7.1	7.7	7.7
6	8.5	8.6	8.5	8.6	9.2	9.2
7	10.5	10.6	10.2	10.4	10.8	10.9
8	13.2	13.2	12.6	12.6	12.9	12.8
9	17.2	17.3	16.2	16.2	15.9	15.8
Highest	32.8	32.7	30.1	30.1	26.2	26.7
Ratio between income of the highest quintile and that of the lowest quintile	22.0	23.1	9.0	9.3	7.2	7.6

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

** In terms of income per standard individual.

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

a. Income by source and type, 2014 and the real change compared to 2013

Source/ type of income	Income (NIS per month)						Change over 2013, percentages					
	Average	1	2	3	4	5	Average	1	2	3	4	5
From work	14,190	2,260	6,440	11,160	17,640	31,920	2.2	6.8	-1.3	-0.1	5.0	1.4
Pensions, provident funds, capital	2,100	130	640	1,220	1,970	6,210	-56.4	-93.9	-77.3	-66.7	-61.9	-38.0
Benefits and support	2,040	2,280	2,200	1,850	1,680	2,170	2.7	-2.5	8.0	2.9	-0.5	6.1
Mandatory payments	3,180	310	700	1,530	3,210	9,610	2.4	7.0	1.9	10.8	10.3	-1.4
Net per family	15,150	4,350	8,570	12,690	18,080	30,700	3.1	0.6	0.5	0.6	4.2	3.9
Gross per family	18,330	4,650	9,270	14,220	21,300	40,310	3.0	1.0	0.6	1.6	5.0	2.6
Economic per family	16,200	2,360	7,020	12,290	19,480	37,990	2.8	4.5	-1.7	1.2	5.3	2.3
Net per standard individual	8,830	2,540	4,930	7,310	10,190	18,320	3.5	-0.7	1.4	2.4	2.8	4.8
Gross per standard individual	10,630	2,710	5,320	8,150	11,930	23,920	3.4	-0.4	1.5	3.2	3.6	3.5
Economic per standard individual	9,260	1,160	3,860	6,920	10,800	22,420	3.2	1.9	-1.0	2.6	3.9	3.1

* The quintiles were classified according to disposable income per standard individual. Each quintile contains 20% of persons.

b. Expenditure by quintiles, breakdown of expenditure and real rates of change, 2013-2014

	Average	1	2	3	4	5
Monthly expenditure in NIS, 2014						
Expenditure on consumption per standard individual	8,530	4,880	6,340	7,800	9,770	13,840
Monetary expenditure per standard individual	6,840	3,700	5,070	6,260	7,820	11,330
Family expenditure on consumption	14,500	8,140	10,970	13,450	16,890	23,050
Family monetary expenditure	11,680	6,260	8,860	10,840	13,530	18,910
Real change compared to 2013						
Expenditure on consumption per standard individual	-3.1	-5.8	-3.6	-5.5	-2.1	-0.7
Monetary expenditure per standard individual	-2.4	-6.4	-3.2	-5.5	-2.7	1.3
Family expenditure on consumption	-3.2	-7.3	-2.8	-4.8	-3.2	-0.4
Family monetary expenditure	-2.8	-9.0	-2.9	-5.0	-4.0	1.6
Percentage of total expenditure, 2013						
Family expenditure on consumption	100.0	11.6	15.3	18.9	22.8	31.5
Family monetary expenditure	100.0	11.4	15.2	19.0	23.4	31.0
Percentage of total expenditure, 2014						
Family expenditure on consumption	100.0	11.2	15.1	18.6	23.3	31.8
Family monetary expenditure	100.0	10.7	15.2	18.6	23.1	32.4

Methodological Attachment: differences between Israel and the OECD in calculating poverty measures

In Israel, the median income poverty index is calculated from family income. In the OECD, median income is calculated on the basis of number of people, such that for each individual in the family, the average family income is shown. Another difference lies in the advantage of calculating family size. The significance of this concept is as follows: family expenditure rises with the number of family members, but the connection is not proportional; the bigger the family, the smaller the increase per person. The system of translating from number of family members to the standard number of individuals (equivalence scale) is different. For many years, the NII has used an equivalence scale based on the old Engel method, according to which families of different sizes but whose rate of expenditure on food as total expenditure on consumption is the same - are equivalent from the family welfare point of view, while the OECD's equivalence scale is based on the root size of families¹ as an estimate of the standard number of individuals in it. Another difference lies in the fact that the OECD calculates median income according to individuals and not according to families, which slightly lowers the poverty line compared to the NII's calculations. Therefore although the OECD's poverty line is higher, the incidence of poverty derived from its calculations is lower than that in the general population according to the Israeli definition².

It should be noted that from the beginning of 2012 the element of the monetary value of products made in the household has been added to disposable income. This might be a substantive element in medium to low income countries. In Israel the extent of such products is minimal, so the change does not influence calculation.³

¹ For example, the number of standard individuals in a family of 4 individuals is 2, and in a family of 9 individuals, it is 3, and so forth. The significance of this is that poverty in large families, which are plentiful in Israel, as is well known, is lower according to the OECD system of calculation, and the opposite for small families, such as the aged and singles. Initial results from ongoing research on this subject indicate that an approach assuming families' standard of living quality according to the basket of necessities that includes other essential goods besides food, such as housing and clothing, brings us to a very similar equivalence scale to the one used in the OECD's method.

² The OECD calculates poverty measures in two additional ways: both for 60% and 40% of median monetary income – see Attachments 7-9.

³ Accordingly the findings presented in this report about OECD comparisons are according to the new definitions only.

Appendix 7a: Incidence of poverty according to the OECD definition of the poverty line as 50% of median income, 2013 and 2014

Population group	2013				2014			
	Families	Individuals	Children	Elderlies	Families	Individuals	Children	Elderlies
Total population	18.0	18.0	23.5	21.2	18.3	18.8	24.9	20.6
Head of household's population group:								
Jews	14.1	11.9	14.6	19.2	13.8	12.6	16.2	17.1
Haredi Jews (classical approach)*	41.5	44.0	49.9	-	42.0	44.3	49.9	-
Haredi Jews (subjective approach)**					43.5	44.5	48.4	38.1
Immigrants	20.4	15.2	17.0	29.6	19.9	14.9	14.6	29.1
Arabs	43.9	44.4	52.9	46.7	47.7	46.6	55.2	59.6
Families with children - total	18.1	20.2	23.5	13.7	19.1	21.5	24.9	17.4
1-3 children	13.8	13.7	14.7	13.2	14.9	14.9	16.0	16.8
4 or more children	40.4	40.8	41.4	-	42.2	43.3	44.2	-
5 or more children	43.5	43.4	44.2	-	45.4	46.9	48.1	-
Single-parent families	25.7	26.6	31.5	-	23.3	23.4	27.7	-
Employment status of household head:								
Working	10.5	12.8	18.8	4.1	11.3	14.2	20.5	4.8
Waged	10.4	12.8	19.1	4.2	10.9	13.8	19.8	4.3
Self employed	10.2	12.6	17.4	-	13.9	16.9	24.6	-
Non-working of working age	74.2	79.7	84.6	-	71.1	76.9	84.5	-
One breadwinner	23.1	34.4	49.3	6.2	23.5	35.7	49.0	7.0
Two or more breadwinners	3.1	4.1	5.6	-	3.8	4.8	6.2	-
Age of household head:								
Up to 30	20.5	20.4	31.7	-	20.5	21.8	34.0	-
31-45	15.8	19.3	23.5	-	16.8	20.5	24.8	-
46 to pension age	12.0	11.6	17.5	7.0	11.4	11.5	18.2	-
Age of retired household head:								
Elderly***	26.7	24.0	-	25.7	27.5	24.3	-	25.1
Of legal pension age by law****	28.5	26.2	-	26.5	28.8	25.8	-	25.6
Education of household head:								
Up to 8 years of study	47.3	46.6	57.9	43.4	47.9	49.3	68.7	42.7
9-12 years of study	19.3	20.1	29.4	16.3	19.9	21.9	32.5	17.5
13 years and over of study	12.6	12.7	16.5	16.0	13.0	13.1	16.9	14.6

* According to last educational institute.

** According to subjective perception of the interviewed person

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

Appendix 7b: Incidence of poverty according to the OECD definition of the poverty line as 40% of median income, 2013 and 2014

Population group	2013				2014			
	Families	Individuals	Children	Elderlies	Families	Individuals	Children	Elderlies
Total population	11.7	11.8	16.0	13.1	12.4	12.9	17.4	13.7
Head of household's population group:								
Jews	8.7	7.2	9.0	11.0	9.0	8.1	10.7	10.8
Haredi Jews (classical approach)*	27.3	28.5	32.4	-	28.6	29.5	33.3	-
Haredi Jews (subjective approach)**					31.4	30.4	32.7	36.0
Immigrants	12.0	8.5	9.4	15.5	12.2	9.1	9.9	16.7
Arabs	31.5	32.1	39.1	39.3	34.6	34.0	40.6	47.5
Families with children - total	11.9	13.6	16.0	-	12.8	14.7	17.4	-
1-3 children	8.6	8.6	9.3	-	9.5	9.6	10.6	-
4 or more children	28.9	29.1	29.5	-	30.6	31.6	32.0	-
5 or more children	31.2	30.8	31.5	-	32.6	33.9	34.5	-
Single-parent families	17.0	18.8	23.0	-	15.6	16.4	20.7	-
Employment status of household head:								
Working	5.8	7.5	11.4	1.7	6.8	8.9	12.9	2.4
Waged	5.7	7.5	11.7	-	6.5	8.7	12.5	-
Self employed	5.7	7.0	9.8	-	8.6	10.2	14.8	-
Non-working of working age	61.7	68.9	76.2	-	58.3	66.5	78.0	-
One breadwinner	13.1	21.0	31.2	-	14.7	24.1	33.6	-
Two or more breadwinners	1.5	2.0	2.8	-	1.9	2.2	2.5	-
Age of household head:								
Up to 30	13.3	13.1	20.4	-	14.0	15.4	24.5	-
31-45	10.5	13.1	16.2	-	11.0	13.8	16.9	-
46 to pension age	7.7	7.5	11.8	-	7.8	7.9	13.2	-
Age of retired household head:								
Elderly***	17.3	15.3	-	16.2	19.0	16.3	-	16.9
Of legal pension age by law****	18.4	16.6	-	16.7	20.0	17.3	-	17.3
Education of household head:								
Up to 8 years of study	36.4	36.1	46.9	32.3	36.3	36.2	50.7	33.0
9-12 years of study	12.4	13.5	21.1	9.8	13.1	15.0	23.2	11.1
13 years and over of study	7.5	7.5	9.8	7.9	8.5	8.6	11.2	8.5

Appendix 7c: Incidence of poverty according to the OECD definition of the poverty line as 60% of median income, 2013 and 2014

Population group	2013				2014			
	Families	Individuals	Children	Elderlies	Families	Individuals	Children	Elderlies
Total population	24.5	24.7	31.6	28.7	24.5	25.1	32.5	27.2
Head of household's population group:								
Jews	19.6	17.1	20.9	26.0	19.4	17.9	22.8	23.7
Haredi Jews (classical approach)*	55.0	58.1	65.3	-	54.2	57.8	64.3	-
Haredi Jews (subjective approach)**					56.8	58.5	64.3	43.1
Immigrants	28.5	22.6	25.1	40.8	28.6	23.2	25.6	40.1
Arabs	56.9	57.8	66.9	62.4	57.8	57.2	66.1	67.6
Families with children - total	24.9	27.6	31.6	21.4	25.9	28.4	32.5	21.6
1-3 children	19.9	19.8	21.1	19.8	21.2	21.0	22.4	21.2
4 or more children	50.9	51.9	52.7	-	51.5	52.9	54.1	-
5 or more children	57.0	57.3	58.2	-	57.1	58.6	60.3	-
Single-parent families	34.6	35.1	40.0	-	33.0	31.7	36.8	-
Employment status of household head:								
Working	16.4	19.4	27.2	9.5	16.9	20.2	28.1	8.6
Waged	16.2	19.2	27.2	9.7	16.8	20.1	27.8	8.8
Self employed	16.7	19.8	27.1	-	17.5	21.0	29.9	-
Non-working of working age	80.7	85.4	89.6	-	79.8	84.6	91.1	-
One breadwinner	33.1	46.0	62.2	14.4	33.5	47.2	62.4	12.7
Two or more breadwinners	6.6	8.6	12.0	-	6.7	8.4	11.0	-
Age of household head:								
Up to 30	27.7	28.0	42.2	-	28.1	28.6	41.2	-
31-45	22.3	26.5	31.6	13.7	23.7	28.1	33.2	-
46 to pension age	16.8	16.7	23.9	11.4	14.6	14.9	22.9	9.5
Age of retired household head:								
Elderly***	34.6	31.1	39.1	33.4	35.0	31.5	-	32.6
Of legal pension age by law****	36.8	33.7	-	34.5	36.7	33.5	-	33.2
Education of household head:								
Up to 8 years of study	58.2	59.2	74.6	54.8	56.6	58.3	78.5	51.9
9-12 years of study	27.3	28.1	39.1	23.6	27.5	29.6	42.3	23.9
13 years and over of study	17.3	17.7	22.7	22.2	17.8	18.0	22.8	20.5

* According to last educational institute.

** According to subjective perception of the interviewed person

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

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

Appendix 8: Incidence of individual poverty by economic income and net income and the effect of transfer payments and direct taxes, according to the OECD approach (half the median)

Population group	Income before transfer payments and taxes		Income after transfer payments and taxes		Drop in incidence of poverty after transfer payments and taxes (%)	
	2013	2014	2013	2014	2013	2014
Total population	25.3	26.5	18.0	18.84	29.0	28.8
Head of household's population group:						
Jews	19.8	20.8	11.9	12.6	39.7	39.5
Haredi Jews (classical approach)*	59.7	62.3	44.0	44.3	26.2	28.8
Haredi Jews (subjective approach)**		59.0		44.5		24.6
Immigrants	26.9	28.1	15.2	14.9	43.3	46.9
Arabs	49.5	51.5	44.4	46.6	10.3	9.5
Families with children - total	25.8	26.9	20.2	21.5	21.6	20.2
1-3 children	18.3	20.2	13.7	14.9	25.3	26.0
4 or more children	49.4	49.3	40.8	43.3	17.4	12.3
5 or more children	53.8	54.8	43.4	46.9	19.4	14.3
Single-parent families	42.0	39.3	26.6	23.4	36.6	40.5
Employment status of household head:						
Working	18.1	19.8	12.8	14.2	29.2	28.0
Waged	18.4	20.1	12.8	13.8	30.5	31.3
Self employed	15.3	17.9	12.6	16.9	17.8	5.6
Non-working of working age	94.2	95.1	79.7	76.9	15.4	19.1
One breadwinner	47.1	48.4	34.4	35.7	27.1	26.2
Two or more breadwinners	6.4	7.2	4.1	4.8	35.4	33.5
Age of household head:						
Up to 30	29.6	32.2	20.4	21.8	30.9	32.3
31-45	24.4	25.9	19.3	20.5	20.9	20.8
46 to pension age	15.6	15.5	11.6	11.5	25.7	26.0
Age of retired household head:						
Elderly***	45.5	44.7	24.0	24.3	47.3	45.6
Of legal pension age by law****	50.0	47.8	26.2	25.8	47.6	46.0
Education of household head:						
Up to 8 years of study	63.3	66.4	46.6	49.3	26.3	25.9
9-12 years of study	27.5	29.8	20.1	21.9	26.8	26.7
13 years and over of study	18.8	19.4	12.7	13.1	32.6	32.3

* According to last educational institute.

** According to subjective perception of the interviewed person

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

**** The definition has been adapted to the definition in the Retirement Age Act, and therefore this population g

Appendix 9: Breakdown of workers and rates of increase in total employment by branches (percentages), 2013-2014

Economic branch	Rate of employed people in this branch						Increase in rate of employment 2013 to 2014		
	2013			2014			Total	Poor	Not poor
	Total	Poor	Not poor	Total	Poor	Not poor			
Total	100.0	100.0	100.0	100.0	100.0	100.0	1.2	4.4	0.9
Agriculture	0.9	--	0.8	1.1	--	1.0	24.0	--	37.8
(mining & manufacture)Industry	13.9	12.1	14.1	12.6	7.3	13.1	-8.4	-37.1	-6.0
Electricity and water	1.1	--	1.2	1.2	--	1.3	11.6	--	12.3
Building and construction	4.2	11.8	3.5	4.3	11.0	3.6	3.0	-2.8	4.9
Wholesale & retail trade	12.4	13.2	12.3	11.3	13.4	11.1	-7.8	5.4	-9.1
Hospitality and food	4.7	6.7	4.5	4.7	5.6	4.7	1.3	-12.8	3.3
Transport, storage & communications	8.8	4.4	9.2	9.2	5.5	9.6	5.9	30.3	4.8
Business services, banking & insurance	14.9	8.1	15.5	14.7	9.7	15.2	-0.2	24.5	-1.5
Public administration	11.3	7.4	11.7	12.5	8.6	12.9	11.7	21.2	11.1
Education	12.1	16.3	11.7	12.5	20.1	11.8	4.7	29.2	1.5
Health, welfare and social services	10.7	10.6	10.7	11.2	11.8	11.1	6.3	15.8	5.4
Community services and others	4.9	6.5	4.8	4.6	4.9	4.6	-5.9	-21.8	-3.8

Appendix 10: Pay as a percentage of the average wage and changes by branch of employment (percentages), 2013-2014

Economic branch	Pay as percent of average wage*			Real rate of change in wages 2012-2013		
	Total	Poor	Not poor	Total	Poor	Not poor
Total	100.0	41.1	105.8	2.7	-0.7	2.9
Agriculture	83.5	--	90.1	11.1	--	7.5
Industry (mining & manufacture)	122.9	54.9	126.7	6.4	9.0	4.8
Electricity and water	185.7	--	190.9	17.6	--	17.7
Building and construction	87.3	56.7	96.6	-3.6	-0.1	-4.9
Wholesale & retail trade	83.6	47.2	88.0	4.8	14.3	5.0
Hospitality and food	57.6	37.9	59.9	1.1	1.3	0.3
Transport, storage & communications	145.6	58.7	150.6	6.4	18.7	6.9
Business services, banking & insurance	113.7	36.5	118.6	-2.2	-7.7	-1.2
Public administration	82.9	--	87.2	-5.4	--	-5.0
Education	86.5	40.0	94.5	-3.1	-11.1	-0.8
Health, welfare and social services	97.3	29.7	104.5	13.7	-2.1	14.9
Community services and others	68.7	35.2	72.4	7.5	0.7	6.7

* Average wage according to expenditure survey (include unknown branch). Lack of observations is indicated by --.

Appendix 11: Breakdown of workers and rates of growth in employment by occupation (percentages), 2013-2014

Occupation	Percentage employed in this occupation					
	2013			2014		
	Total	Poor	Not poor	Total	Poor	Not poor
Total*	100.0	100.0	100.0	100.0	100.0	100.0
Academic and managerial workers	22.8	14.9	23.5	23.1	16.4	23.7
Professionals, technical workers	10.1	2.4	10.8	9.9	2.4	10.7
Clerical workers	12.2	5.6	12.8	12.5	5.9	13.1
Sales and service workers	8.4	6.1	8.6	8.1	6.2	8.2
Skilled workers	33.4	48.4	32.0	32.2	48.2	30.6
Unskilled workers	6.2	14.8	5.3	5.9	12.1	5.2

* Total includes "unknown occupation".

Appendix 12: Rates of pay and changes in them by occupation (percentages), 2013-2014

Occupation	Pay as a percentage of the average wage			Real rate of change in wages 2013 to 2014		
	Total	Poor	Not poor	Total	Poor	Not poor
Total*	100.0	41.1	105.8	2.7	-0.7	2.9
Academic and managerial workers	148.1	44.8	155.2	4.6	-4.0	5.3
Professionals, technical workers	178.2	64.0	180.7	0.2	6.7	0.2
Clerical workers	106.0	39.9	108.9	6.2	-9.5	6.7
Sales and service workers	74.2	38.7	76.8	-0.2	3.0	-0.1
Skilled workers	67.7	44.8	71.3	5.0	2.5	5.5
Unskilled workers	42.2	33.9	44.0	-1.7	-7.3	-1.2

* Total includes "unknown occupation".

Appendix 13: Range of income by deciles and family size, 2014, according to the Israeli weighting scale*

Decile	Single (19%)**	2 people (25%)	3 people (16%)	4 people (16%)	5 people (13%)
1	2,288	3,660	4,850	6,076	6,863
2	3,209	5,135	6,804	8,524	9,628
3	4,145	6,632	8,788	11,010	12,436
4	5,148	8,236	10,913	13,672	15,443
5	6,153	9,844	13,044	16,341	18,458
6	7,261	11,618	15,393	19,285	21,783
7	8,489	13,582	17,996	22,546	25,466
8	10,279	16,446	21,791	27,300	30,836
9	13,466	21,545	28,547	35,765	40,397
10	463,847	742,155	983,356	1,231,978	1,391,541

* Maximum reported values

** Rate of household size out of total population

Appendix 14: Statistical significance of changes in selected poverty indices in population groups, 2014 versus 2013

Population group	Incidence of family poverty	Incidence of individual poverty	Incidence of child poverty	Income gap ratio	FGT
Total population	No	No	No	Yes	No*
Head of household's population group:					
Jews	No	No	Yes	No	No*
Haredi Jews (classical approach)	No	No	No	No	No
Haredi Jews (subjective approach)	-	-	-	-	-
Immigrants	No	No	No	No	No
Arabs	No	No	No	Yes	No
Families with children - total	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	Yes
Employment status of household head:					
Working	No	No	No	Yes	Yes
Waged	No	No	No	Yes	Yes
Self employed	No	No	No	No*	No
Non-working of working age	No*	No	No	No	No
One breadwinner	No	No	No	Yes	Yes
Two or more breadwinners	No	No	Yes	No	No
Age of household head:					
Up to 30	No	No	No	No	No
31-45	No	No	No	No	No
46 to pension age	No	No	No	Yes	No
Age of retired household head:					
Elderly	No	No	Yes	No	No
Of legal pension age by law	No	No	Yes	No	No
Education of household head:					
Up to 8 years of study	No	No	No	No*	No
9-12 years of study	No	No	No	No	No
13 years and over of study	No	No	No	No	No

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

Appendix 15: Poverty by various indicators, 1998-2014

Index	1998	1999	2002	2003	2004	2007	2008	2009	2010	2011	2012	2013	2014
Incidence of poverty in families	16.6%	18.0%	18.1%	19.3%	20.3%	19.9%	19.9%	20.5%	19.8%	19.9%	19.4%	18.6%	18.8%
Incidence of poverty in individuals	18.0%	19.5%	21.0%	22.4%	23.6%	23.8%	23.7%	25.0%	24.4%	24.8%	23.5%	21.8%	22.0%
Incidence of poverty in children	22.9%	26.0%	29.6%	30.8%	33.2%	34.2%	34.0%	36.3%	35.3%	35.6%	33.7%	30.8%	31.0%
Incidence of poverty in the elderly (individuals)	16.1%	19.6%	15.4%	17.9%	20.6%	19.0%	18.9%	17.3%	17.0%	16.7%	18.0%	19.1%	18.5%
Incidence of poverty in the elderly (families)	18.7%	25.0%	19.0%	22.3%	25.1%	22.6%	22.7%	20.1%	19.6%	19.4%	22.7%	22.1%	23.1%
Income gap ratio	26.1%	25.8%	29.7%	30.5%	33.3%	34.3%	34.2%	35.5%	35.9%	34.7%	34.4%	32.8%	34.6%
Depth of poverty in NIS*	412	440	506	523	586	683	679	710	743	720	791	788	852
FGT index of severity of poverty	0.022	0.022	0.031	0.033	0.040	0.042	0.042	0.047	0.046	0.044	0.041	0.035	0.038
Gini index among the poor	0.164	0.153	0.184	0.186	0.205	0.205	0.205	0.213	0.211	0.203	0.200	0.189	0.197
SEN index	0.069	0.072	0.090	0.097	0.111	0.114	0.113	0.123	0.120	0.119	0.111	0.099	0.105

* The gap between the poverty line and average disposable income per standard individual among the poor, 2014 prices.

The share and numbers of household receiving work grant, by population groups, 2014

	Household received work grant		
	Share among total population (percent)	Share among working households (percent)	Absolute number
Total population	1.6	1.9	37,500
Jews	1.7	2.0	34,400
Haredi Jews (classical approach)	7.9	8.8	7,200
Haredi Jews (subjective approach)	7.0	8.2	10,000
Immigrants	-	-	-
Arabs	-	-	-
Families with children - total	2.5	2.6	27,000
1-3 children	2.2	2.4	20,200
4 or more children	4.1	4.1	6,800
5 or more children	-	-	-
Single-parent families	-	-	-
Working	2.0	2.0	36,800
Waged	2.1	2.1	33,900
Self employed	-	-	-
Non-working of working age	-	-	-
One breadwinner	1.8	1.8	13,100
Two or more breadwinners	2.0	2.0	23,700
Age of household head:			
Up to 30	1.6	1.6	7,200
31-45	2.0	2.2	16,300
46 to pension age	1.9	1.9	12,100
Age of retired household head:			
Elderly	-	-	-
Of legal pension age by law	-	-	-
Up to 8 years of study	-	-	-
9-12 years of study	2.1	2.6	18,600
13 years and over of study	1.4	1.5	18,400