

National Insurance Institute
Research and Planning Administration



2017

Poverty
and Social Gaps

Annual Report



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Introduction

This is the eighth year in which the National Insurance Institute (NII) Poverty and Social Gaps Reports shows a trend of declining poverty rates. These decreased during this period among children, persons and households – by 0.8, 0.5, and 0.3 percentage points on average per year, respectively. This good news points to continued success in reducing the incidence of poverty among working families. However, this welcomed development has not yet been enough to improve the situation in an international comparison of poverty rates, as Israel remains at the top of the table of poverty rates among persons and in an unflattering position in child poverty indices.

This decline in poverty and inequality rates is impressive, among other things, because it occurred in the context of a welcomed increase in the standard of living, as reflected in a 4.6% increase in disposable income per standard person (i.e. adjusted for family size). The improvement is evident not only in the proportion of people living in poverty but also in the reduction of inequality in the income of the entire population according to the Gini index. It has been steadily declining since 2009 by approx. 1.2% per year.

But along with these improvements, there was also a deterioration in the socio-economic situation in 2017: the fact that NII benefits do not increase along with the increase in the standard of living, but increase according to Consumer Price Index ceilings, creates a gap between the increase in the overall standard of living and the standard of living of people in need of support and allowances. This gap is ultimately reflected in an increase in the severity and depth of poverty. The Poverty Severity Index (FGT) rose sharply in 2017 by 10%. Nevertheless, over the period since 2009 it has also fallen by 0.6% per year.

The fact that the improvement in the social situation has focused mainly on the increase in the employment rate and wages emphasizes the weakness in such a process for people who are unable to integrate into the labor market or for people who are not expected to be integrated: people with employment integration difficulties due to various disabilities, with large families, whose wages cannot cover their basic expenses, and low-income elderly. They are the main victims as a result of the lack of adequate updating of the subsistence allowances and universal allowances for the elderly and for children.

This time, the report also presents an additional analysis of the social situation – for the first time it includes a section on the development of the extent of the middle class and its economic development. According to an accepted index in OECD reports, the weight of the middle class increased in the years 2009 to 2017 from 47.9% of the population to 53.4%.

There was also another significant event related to the benefits in 2017 – after the child allowance was reduced in 2013 by approx. 14% in real terms, these resources were returned to the public following a coalition agreement, this time in the form of universal savings for each child, the fruits of which will be paid to the child at the age of 18 or 21. For technical reasons the international definitions according to which disposable family income and the poverty index are defined, savings accumulated over years and not included in the family's current income during the savings period are not included in family resources despite its great importance as an accumulated asset. This asset will enable families who are not used to saving, when the time comes, to finance important expenses, whether for the children's education, starting a business or any other beneficial use.



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Summary of Findings

- The **standard of living** in terms of disposable financial income per standard person **increased** in real terms in 2017 by **4.6%**, and accordingly, the poverty line derived from it rose.
- In 2017, the incidence of poverty among **families**¹ **decreased** slightly compared to 2016 – from 18.5% to **18.4%**.
- The incidence of poverty among **persons** and children also **decreased** between the two years, from 21.9% to **21.2%** and from 31.0% to **29.6%**, respectively. The rate of children living in poverty decreased for the first time to a level similar to that prevailing in 2002, before the 2003/4 cutbacks in the benefit system.
- In 2017, **466,400** families lived in poverty, including **1,780,500** individuals, of whom **814,800** were children. For the first time in many years, the absolute number of children living in poverty decreased (-23.7 thousand), even given an increase in the child population (47.9 thousand).
- The incidence of poverty among families measured by economic income (originating in the markets, less government intervention) **declined**, from 28.8% in 2016 to 28.4% in 2017. The decline reflects a slow and continuous process of declining economic poverty rates.
- The Gini index of disposable income inequality **decreased** by 1.6%, and the index of economic income inequality **decreased** by 1.3%. Since the beginning of the current millennium, the Gini Index, measured by economic income, has declined by a cumulative rate of approx. 11%. The rate of decline in the inequality index according to disposable financial income was similar but only began in 2007.
- In 2017, decreases were recorded in the incidence of poverty, mainly as a result of the increase in employment rates and as a result of the increase in wages. Mostly those who failed to integrate into the labor market were left behind and this is reflected in an increase in **indices of the depth and severity of poverty, which increased** in 2017 by 4.4% and 10%, respectively. Looking at the last seven years, there is some volatility in the indices of the depth and severity of poverty with no specific trend.
- The poverty rate of families with an elderly head of household rose from 20.8% in 2016 to 21.8% in 2017 and the poverty rate among the **elderly** rose slightly this year to 17.2% following a continuous decline of three years. The depth of poverty and the severity of poverty remained relatively stable. The relatively generous policy towards this population, and in particular the increase in the supplement to the old-age pension from the end of 2015 to 2018, contributed to the decrease and then the relative stability in the poverty level of the elderly population, since without the increase, the great increase in the standard of living of the general population in those years would have left the elderly population behind.
- For the first time since 2013, the incidence of poverty of the working population (self-employed and employees) decreased, as did the share of working families in the general poor population in 2017. A significant decrease was recorded among households with one wage earner. One possible explanation for this is the significant increase in the minimum wage by 6.1% between 2016 and 2017 which apparently had a positive effect on those with slightly higher wages as well.

¹ In the report the word family means Household as surveyed in the Household Expenditure Survey .

- However, the indicators of the **depth and severity of poverty among this population indicate a deterioration** in the situation of poor **working** families, especially among families with two or more wage earners.
- **The incidence of poverty of immigrants** (families who immigrated to Israel since 1990) increased from 17.0% in 2016 to 18.4% in 2017, thereby breaking the trend of continuous decline that was recorded over recent years. In contrast, the indices for the depth and severity of poverty are relatively low compared to those of other groups (Table 10).
- **The incidence of poverty among Arab families decreased from 49.2% in 2016 to 47.1% in 2017.** This decrease is attributed to the sharp decrease (approx. 9%) in the incidence of poverty of Arab families who are not part of East Jerusalem or from the Bedouin population in the south (since in both of these there was an increase in the incidence of poverty in 2017). Along with the decrease in the incidence of poverty **in the Arab population, the indices for the depth of poverty and the severity of poverty increased** significantly between the two years, at rates of 10% to 22%, respectively.
- **Among the Haredim, the incidence of poverty among families decreased** from 45.1% to 43.1%. The incidence of poverty among children also decreased by approx. 3 percentage points in 2017. **The proportion of poor Haredi families in the total number of poor families is 15%** – far higher than their share in the population of families.
- **In 2017, the incidence of poverty among the working age non-working population rose** to 76% (from 69% in 2016). The gap has increased between the dimensions of poverty of **this population group and the dimensions of poverty of the general population, which have decreased as aforementioned**, as this public has failed to integrate into the labor market and since the allowances designated for such living conditions become lower and lower relative to the general standard of living and its utilization rates are usually lower.
- An examination of the incidence of poverty **by gender shows that the gap in the incidence of poverty between women and men has narrowed. The incidence of poverty among women decreased by more than half a percent** between 2016 and 2017, while the incidence of poverty among men increased slightly. This result was due, among other things, to a relative improvement in the effect of the policy on the incidence of poverty by gender, since in 2017 the policy measures extricated 30.3% of men and 34.2% of women from poverty (compared with 31.9% and 33.4% in 2016, respectively).
- The data show that **without the payment of allowances by the National Insurance Institute**, the incidence of poverty would have been higher. The contribution of the allowances to the reduction in poverty increased in 2017, while their contribution to reducing the depth and severity of poverty decreased. The rate of children extricated from poverty rose by approx. 5% between 2016 and 2017 (Table 5).
- Despite the improvements in the dimensions of poverty and inequality in 2017 also in the calculation according to the OECD method, Israel continues to be at the top of the poverty scale of the OECD member countries. This is in view of the corresponding improvements in this area in the countries that are close to it's level (Mexico, USA, etc.). However, regarding inequality, its position in an international comparison is better and even improved considerably in recent years, and is closer this year to the Gini index of the average disposable income of OECD countries.

A. Dimensions of Poverty

1. The Poverty Line and Standard of Living

In 2017, the GDP continued to rise and the growth rate reached 3.5%. At the same time, the rate of employment continued to increase, as did the number of employees, which rose by an additional approx. 3% compared with 2016. Unemployment continued to decline and reached a low level in an historical comparison – 4.2% of the labor force in 2017. The expansion in employment was accompanied by a 3.2% increase in real wages in 2017 (and 3.9% according to the survey data) after a series of wage increases since 2010, and a wage stagnation in the first decade of the millennium. The cumulative real wage increase between 2009 and 2017 reached approx. 22.6% in real terms (according to the National Insurance Institute’s administrative wage data).

Table 1: Monthly Income per Household by Type of Income (NIS), 2015-2017

Type of Income	2015	2016	2017	The Real Change between 2016 and 2017 (Percentages)
Average Income				
Economic per family/household	16,558	16,912	17,773	4.8
Economic per standard person	6,303	6,454	6,680	3.3
Gross per household	18,674	19,137	20,028	4.4
Gross per standard person	7,253	7,448	7,692	3.0
Net per household	15,431	15,770	16,520	4.5
Net per standard person	6,023	6,160	6,385	3.4
Median Income				
Median net income per standard person	5,053	5,223	5,477	4.6
Poverty line per standard person	2,527	2,612	2,739	4.6

In view of these developments, even in 2017, the income of households of all kinds continued to rise at attractive rates. According to the data of the Household Expenditure Survey conducted by the Central Bureau of Statistics, on which the processing and analysis in this report are based, the increase in income occurred as a result of the increase in wages and in employment as noted above, mainly due to the increase in the minimum wage by 6.1% in 2017. Between 2015 and 2017, the minimum wage increased by a cumulative rate of approx. 10% (and is expected to increase in 2018) and the effects of this increase on the working population are noticeable in the current report (see below).

In 2017, the standard of living increased: The average disposable income per standard person increased by a rate of 3.4% and the economic income per standard person also increased at a similar rate. The median income per standard person² increased in 2017 by a higher rate of 4.6%, as did the poverty line derived from it. The faster increase in median income per standard person compared to the average income indicates that this year’s growth was inclusive, as it reduced the incidence of poverty and income inequality.

² Income per standard person takes into account the effect of the size of the family and its expenses, since family expenses grow more slowly than the size of the family.

Table 2: Poverty Line by Family Size, 2017

Number of Persons in the Family	Number of Standard Persons	NIS per Month	Marginal Addition in NIS
1	1.25	3,423	-
2	2.00	5,477	2,054
3	2.65	7,257	1,780
4	3.20	8,764	1,506
5	3.75	10,270	1,506
6	4.25	11,639	1,369
7	4.75	13,008	1,369
8	5.20	14,241	1,232
9	5.60	15,336	1,095

The poverty lines for families of different sizes are presented in Table 2 and they show that a single person with disposable financial income of less than NIS 3,423 per month is defined as poor according to the official definition, as are couples whose income is less than NIS 5,477 per month. A little more than NIS 10 thousand per month is required for a family of five in order to not live in poverty.³ The poverty lines of families with 6 or more persons indicate that in families with four or more children an income equal to the minimum wage of both spouses was no longer sufficient to live above the official poverty line.

Table 3 shows the extent to which at least one wage earner who earns the minimum wage, together with the allowances that every family with children are entitled to (the universal child allowance) is sufficient for minimum subsistence (i.e., covers the poverty line). A ratio of over 100% in this table is an indication that income from work and universal allowances at working age are sufficient to prevent a state of poverty in a family of the corresponding size. The table shows that according to the 2017 data, a single mother with one child lives in poverty even if she works full-time at the minimum wage⁴ (and receives a child allowance) – despite her particular improvement compared to previous years, an improvement mainly resulting from the increase of approx. 10% in the minimum wage between 2015 and 2017.⁵

However, an independent mother with two children working full-time at the minimum wage will not be able to extricate herself from poverty without finding additional resources amounting to approx. 40% of her income, and with more than two children, the required supplement is even higher. For couples in which both spouses work full-time at the minimum wage, the situation is slightly better but still indicates a serious problem of extricating themselves from poverty through work and universal allowances, since only families with up to two children will not live

³ Appendix 19 presents income of households of different sizes according to the deciles of disposable income.

⁴ The minimum wage was updated in January 2017 to NIS 5,000 and in December 2017 it was increased to NIS 5,300. The increase of 6% refers to the weighted average according to the changes in the minimum wage between 2017 compared to 2016. In 2018, a further increase is expected of close to 6% compared to 2017 (see also the last chapter, Forecasts for 2018).

⁵ We did not include income support allowances in this calculation, since the focus here is on whether full-time work succeeds in preventing a poverty situation.

in poverty. A couple in which both work at the minimum wage in one and a half positions will be situated 30% above the poverty line, with one child they will be situated near the poverty line, but a second child will already put them over the poverty line, and their situation will worsen as the number of children in the home increases. Even if two spouses work full-time at minimum wage, they will live in poverty if they have 3 children and each additional child in the home means a greater depth of poverty. Appendix 26 presents a similar table in which the work grant is also taken into account in addition to wages and child allowances. This calculation should be qualified because, as is known, the work grant is not automatically received and must be claimed actively (according to studies, it has been found to have a utilization rate of around 60% of the potential) and in addition, certain populations have been excluded from it.⁶

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

Household Composition	Disposable Income from Minimum Monthly Wage* for One Position as % of the Poverty Line	Disposable Income from Minimum Monthly Wage* for One and a Half Positions as % of the Poverty Line	Disposable Income from Minimum Monthly Wage* for Two Positions as % of the Poverty Line	Disposable Income from Average Monthly Wage* for One Position as % of the Poverty Line	Twice the Disposable Income from Average Monthly Wage* as % of the Poverty Line
Individual	141	-	-	265	-
Individual + child	91	-	-	172	-
Individual + 2 children	71	-	-	136	-
Individual + 3 children	61	-	-	117	-
Couple	88	132	177	166	333
Couple + child	69	102	135	127	257
Couple + 2 children	59	87	114	107	217
Couple + 3 children	52	76	99	93	189
Couple + 4 children	48	68	89	84	169
Couple + 5 children	44	62	81	76	152

* Calculated as the sum of the minimum wage or the average wage for 2016 plus the size of the child allowance, less mandatory payments. The average gross minimum wage for 2017 reached NIS 5,025 and the average wage was NIS 10,045 per month.

Note: See Appendix 26 for a similar table, which includes income from the work grant ("negative income tax") according to the entitlement rules. In view of the partial utilization of this benefit, it is not included in the income components in this table.

2017 is the first year in which the "Savings for Every Child" program began, according to which every child in Israel between the ages of 0 and 17 is entitled to a deposit of NIS 50 per month from the child allowance budget. Parents are entitled to decide on the investment path – through the bank, an investment company or in an investment scheme approved by the Jewish or Muslim religious institutions. The money is redeemable for the first time at the age of 18, with the possibility of deferral until the age of 21 while receiving an additional benefit. According to recording rules accepted for poverty reports in Israel and elsewhere in the world, interest receipts

⁶ The entitlement and the size of the work grant are influenced by the composition of the household and by demographic data such as age, as well as the income from work). Accordingly, single-parent working families who receive income support benefits will receive a higher allowance in return for a **waiver** of the work grant, according to a change in legislation enacted since January 2016.

have not yet been recorded in the family's income. As a result, these amounts are not included in this report and it can be argued that this fact distorts the dimensions of poverty and inequality of families with children. As the program progresses the distortion may increase.

In addition, in January 2017, a temporary order for two years began, according to which a relief was created in the test of income from work for self-employed parents who receive a benefit under the Income Support Law from the National Insurance Institute.⁷ The temporary order applies to self-employed parents (mostly women) who receive an income support allowance, alimony and survivors with the addition of an income supplement who have income from work. The temporary order refers to the manner of accounting for income from work exceeding the amount that is not taken into account. Prior to the temporary order, 60% of the income from work (above the disregard) that were deducted from the benefit was taken into account. The temporary order determined two offsetting rates: up to the amount of 33.81% of the average salary (NIS 3,270 as of 2017) 25% of the salary (above the disregard) is deducted from the benefit and beyond this amount the offsetting rate remains as it was - 60%. This move increases the family income of families who are entitled to the income support allowance and manage to exhaust it. However, this is a group of single-parent families that is getting smaller.

2. Dimensions of Poverty in 2017 and their Development in Recent Years

The incidence of poverty among families declined by a tenth of a percentage point, from 18.5% in 2016 to 18.4% in 2017. The incidence of poverty among individuals and children also decreased between the two years by approx. 0.7 percentage points and approx. 0.4 percentage points, respectively. In 2017, **466,400** families lived in poverty in Israel (an increase of 0.9%) or **1,780,500** individuals (a decrease of 1.2%), including **814,800** children (an increase of 2.8%).

Diagram1 presents the development of the incidence of poverty among families, individuals, children and the elderly – from 1998 to 2017. The incidence of poverty among individuals stabilized at a level of 21%, following a gradual and almost continuous decline that began in 2012.⁸

The incidence of poverty among elderly individuals (as distinct from families headed by elderly people) has declined consistently over the past three years, and amounts to 17.2%. The relatively generous policy towards this population, and in particular the increase in the supplement to the old-age pension from the end of 2015, contributed to the decrease and then the relative stability in the poverty level of the elderly population, since without the increase, the increase in the standard of living of the working population in those years would have left the elderly population behind. The old age allowance (including the income supplement) in 2017 to match the general increase in the standard of living so the indices of the depth of poverty

⁷ In this regard, see a follow-up report on the wages of self-employed parents on the National Insurance website.

⁸ Some of the changes for the better stem from changes in wages and employment, but some may be explained by the structural change in the database and the transition from an income survey to an expenditure survey. The break between the 2011 and 2012 data stems from a structural change in the survey on which the data are based: Until 2011, the poverty data were based on income surveys (which until then consisted of a combination of the Household Expenditure Survey and Labor Force Survey observations), and as of 2012 they are based on Household Expenditure Survey data only. For changes in the definitions of the survey, see details in the Poverty and Social Gaps Report of 2012.

measured by the distance of families from the poverty line, and the FGT poverty severity index⁹ giving a higher weight to the poorer, increased in 2017.

Table 4: Incidence of Poverty (Percentages) and Number of Poor, 2016-2017

	Before Transfer Payments and Direct Taxes	After Transfer Payments and Direct Taxes	Rate of Decline in Incidence of Poverty after Transfer Payments and Direct Taxes (Percentages)
2017			
Families	28.4	18.4	35.4
Individuals	28.0	21.2	24.3
Children	33.5	29.6	11.8
2016			
Families	28.8	18.5	35.8
Individuals	28.9	21.9	24.2
Children	34.9	31.0	11.2
	Before Transfer Payments and Direct Taxes	After Transfer Payments and Direct Taxes	Number Extricated from Poverty after Transfer Payments and Direct Taxes
2017			
Families	722,100	466,400	255,700
Individuals	2,352,900	1,780,500	572,400
Children	923,800	814,800	109,000
2016			
Families	719,700	462,100	257,600
Individuals	2,377,600	1,802,800	574,800
Children	944,100	838,500	105,600

⁹ From the poverty report for 2016, the FGT poverty severity index is calculated so that it corresponds with the calculation of the income gap ratio index (the poverty depth index), and it relates only to the poor population. According to the current form of presentation, in the event that all of the poor have no income at all, the income gap index will be the maximum (100%) as will be the FGT index, in contrast with the previous form of calculation according to which, in this situation the index is equal to the incidence of poverty. Technically, since 2016, the index is divided by the incidence of poverty (among individuals).

Diagram1: Incidence of Poverty among Families, Individuals, Children and the Elderly, 1998-2017

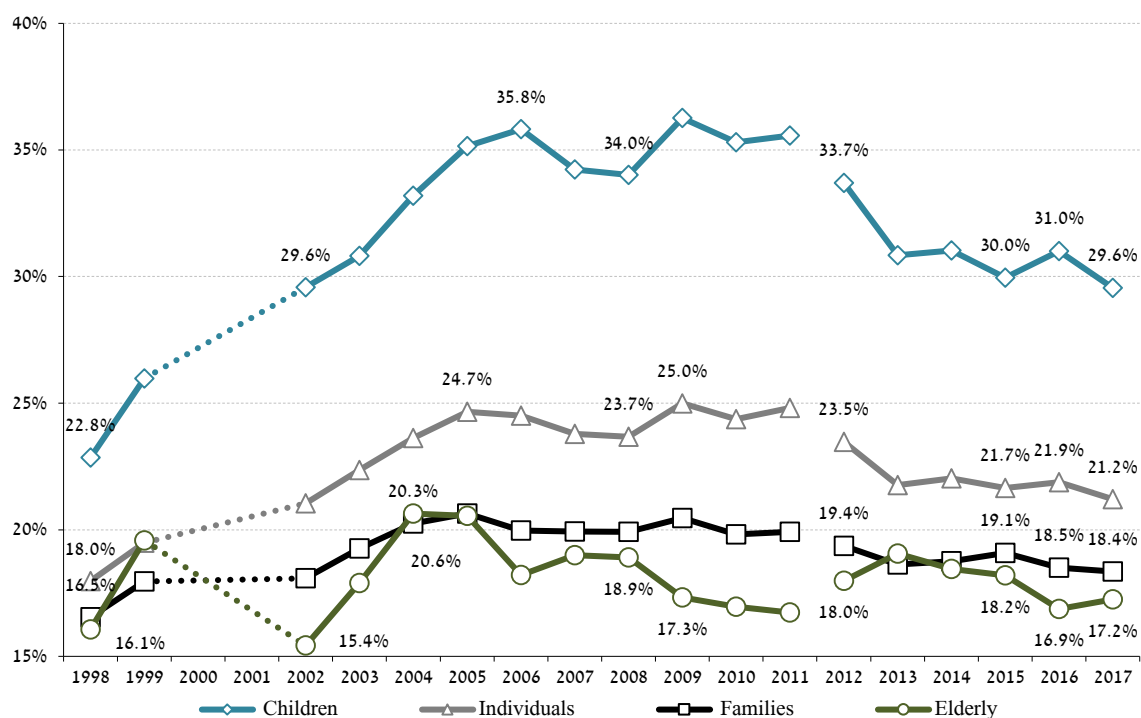
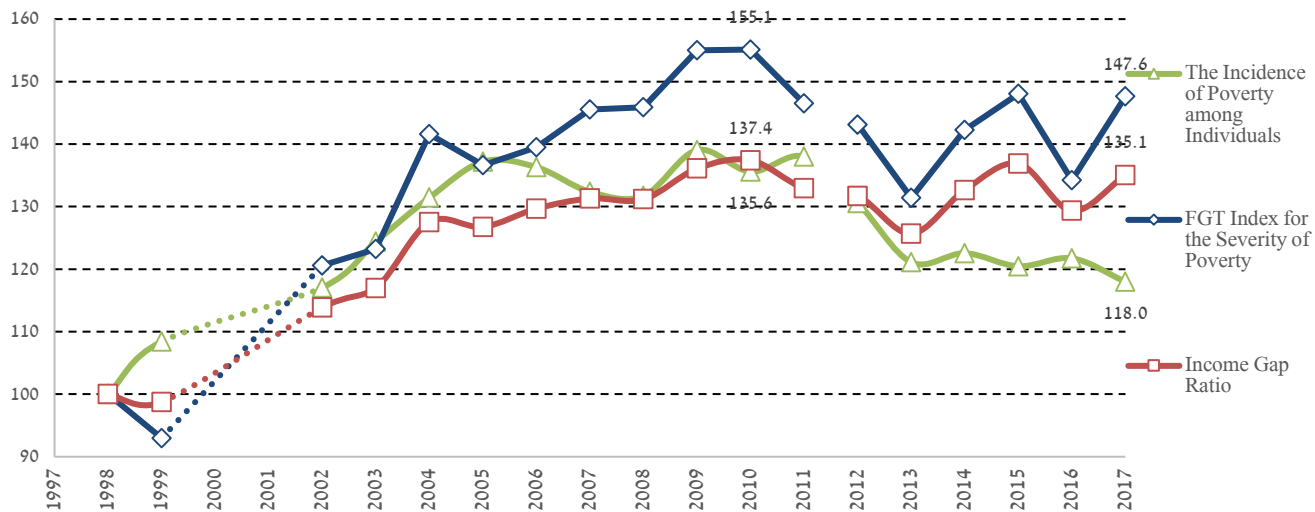


Diagram 2 presents the depth of poverty (income gap ratio), and the poverty severity index in the years 1998-2017 and also the need for a comparison with the incidence of poverty of individuals. The diagram data show that the depth of poverty increased by approx. 4% and amounted to 35.2% in 2017 and the FGT poverty severity index increased by approx. 10% and amounted to 17.8 in 2017. The increases in these two indices this year are mainly due to the fact that the increase in the general standard of living was led by the continued expansion of employment and wages that were inclusive, so that those who do not work (people of working age who do not work and most of the elderly) were left behind. The increases are similar in size to the declines recorded last year, i.e. the dimensions of poverty returned to the 2015 level. The increases in the income gap ratio and in the poverty severity index are due to the increase in these indices among families with children (see Table 10), which may be due, among other things, to the erosion of the value of National Insurance allowances compared to the increase in the standard of living, which increased as stated by 4.6% (the National Insurance allowances, particularly the child allowances, increased only slightly in view of the moderate price increases recorded this year). The opposite phenomenon occurred in 2016 with the return of the amounts cut from child allowances in 2013, including in the form of the “Savings for Every Child” (although the definition of the poverty line used in this report does not take into account the savings in calculating household income so that these savings do not have an effect on the poverty indices), which led to an increase in allowances at a higher rate than the increase in the standard of living and in the poverty line. The lack of a consistent policy on manner of updating the allowances causes fluctuations in the disposable income of the poor population, which relies heavily on the allowances.

Diagram 2: Indices of the Depth and Severity of Poverty* of the General Population, 1998-2017 (1998 = 100.0)



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

3. Impact of Policy Measures on the Dimensions of Poverty

The economic income stemming mainly from work and from pensions and from capital market income reflects the economic independence of the family. Table 5 shows that the incidence of poverty according to economic income (income before direct government intervention through taxation and allowances)¹⁰ decreased this year compared to last year: among families the incidence of poverty in the measurement according to economic income declined by 0.4 percentage points and reached 28.4%, among individuals it decreased by 0.9 percentage points to 28.0% and among children it decreased by 1.4 percentage points and reached 33.5%. The decrease in the incidence of economic poverty is due to an increase in employment rates, mainly of women, among the Arab and Haredi populations that are characterized by large families.¹¹

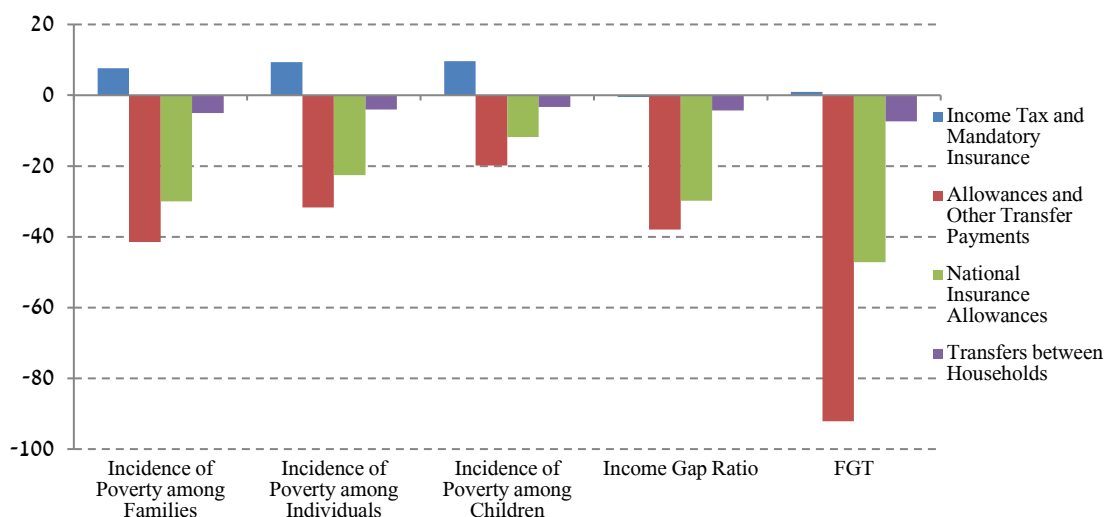
The gap between the incidence of economic poverty, the higher, and the net incidence reflects the effectiveness of the government intervention. The contribution of the policy measures to reducing poverty in 2017 remained almost unchanged. In 2017 the combined effect of allowances and direct taxes worked to extricate 35.4% of the families from poverty, compared with 35.8% in 2016; see Table 5). The rate of individuals extricated from poverty also remains at a similar level and amounts to 24.3%, and the rate of children extricated from poverty increased by approx. 5% and in 2017 amounted to 11.8% of poor children.

Despite the progressivity of the income tax system, the contribution of direct mandatory payments to reducing poverty is negative among working families since national insurance contributions and health insurance contributions are paid by the general public, including many in the low-income brackets. The effect of the direct mandatory payments increases the incidence of poverty among families, individuals and children, and even the severity of the poverty at similar rates (Diagram 3). The main factor effecting the reduction of poverty is that of the National Insurance allowances. There is also another reducing effect, albeit less, from the transfer payments from the government. National Insurance contributions constitute approx. 73% of the total contribution of transfer payments. The smallest is the effect of household support of others. The greatest effect is that of the National Insurance allowances: they sharply reduce the incidence of poverty among families and the severity of poverty by approx. 30% and approx. 47%, respectively.

¹⁰ The presentation of the gap in the incidence of economic poverty with the post-intervention implications requires caution in the analysis, since the effect of the policy in this case is biased upwards: it is reasonable to assume that without the existence of a financial support system, the individual would have been forced to make greater efforts to obtain economic income, and therefore the incidence of economic poverty would probably have been lower than that measured. It should be noted that in such an imaginary and asocial case of the absence of a welfare system, this level would also be similar to the “after intervention”, since in countries where the welfare system is limited, the dimensions of poverty are usually higher (see Diagram 12). At the same time, in those countries the incidence of poverty before intervention tends to be relatively low.

¹¹ In view of the activation of the “Savings for Every Child” program, it is possible that in the future the interest receipts for this savings plan that were first paid in 2017 will be taken into account in the calculations of family income, provided that they are included in the expenditure survey. Although the interest receipts are not accessible to the family for their current expenses, saving families can make a substitution and in that way increase current expenditure. Therefore, there are good economic reasons to take this income into account. However, one of the most notable phenomenon was that many families did not exercise the right to choose the savings scheme at all and therefore received the default plan, so they are also not likely to be aware of interest income due to the plan.

Diagram 3: Effect of Policy Instruments on Selected Poverty Dimensions in 2017



As of the 2014 Expenditure Survey, data are being collected regarding the work grant (“negative income tax”) received by families with low-wage workers. Appendix shows the data by population group. **The survey data on this subject are still very partial and lacking.** For example, according to the survey data, only approx. 54 thousand families received a work grant in 2017, while according to the Tax Authority for that year, the number of recipients was approx. 315 thousand workers (constituting approx. 70% of all those entitled). This phenomenon may indicate that it is difficult for recipients of the work grant to see the connection between it and the work effort of the previous year, a difficulty inherent in the method of payment of the grant.¹² Great differences also exist in the average grant amount. In other words, there is a lack in the reporting regarding the number of recipients, while there is an over-reporting of the average grant amount. It should be noted that in expenditure surveys of recent years there has been a gradual increase in the number of recipients, so there may be some improvement in the reporting. As in the two years prior to the current survey year, the expression of the work grant and its impact on the dimensions of poverty in the survey is therefore still lacking and biased downward, and therefore the assessment of the social status of work grant recipients in 2017 is inadequate. The grant has been in place for six years and it is hoped that over time these data will continue to improve in the survey until more can be learned from them regarding the contribution of the work grant (which is higher in reality) to reducing poverty and inequality.

The share of National Insurance allowances, which constitute the main part of transfer payments, is approx. 73% of the total contribution to the reduction of poverty, and the support components from other government institutions and support from other households (which also includes part of the alimony payments) constitute approx. 15% and approx. 12%, respectively, of the transfer payments contribution. Therefore, the overall share of the government in reducing poverty (including the National Insurance) amounts to approx. 85% of the total contribution of transfer payments to the reduction of poverty of families¹³.

¹² The grant for the current year is received in the following year, so the data refer to work in 2016.

¹³ There are additional transfers from the government to families, such as allowances in kind, which are not taken into account here. One of the most important is the long term care allowance. Subsidies given to various businesses under the Law for the Encouragement of Capital Investments and other laws, which increase profits and consequently increase the income of some households, are not taken into account here. According to estimates (since data are not published on this subject), the main beneficiaries of the tax benefits are the higher deciles, while the beneficiaries of the long term care nursing allowance (which will become part of the cash benefit from 2018) are the lower deciles, due to an income test for this insurance benefit.

Diagram 4 presents the development of the contribution to the reduction of poverty due to these three types of financial support over time. While the weight of the impact of National Insurance allowances declined gradually from approx. 80% in 2002 to approx. 73% in 2017, in parallel with the weight of payments by other government institutions and support from private households, which increased 1.5 times compared to 2002. It should be noted that the rent assistance of the Ministry of Housing included in "subsidies from other institutions" has increased significantly since 2002, especially that given to eligible families who have not yet received an apartment in public housing.

However, the real increase in National Insurance allowances in 2017 led to an increase of approx. 4 percentage points in the share of the National Insurance allowances in the contribution to reducing poverty, in parallel with a decrease of approx. 3 percentage points in the share of other household transfers (the decrease is mainly in Haredi and Arab families).

Diagram 4: Effect of Allowances on Reducing the Incidence of Poverty – by Institutional Source of Payment, 2002-2017

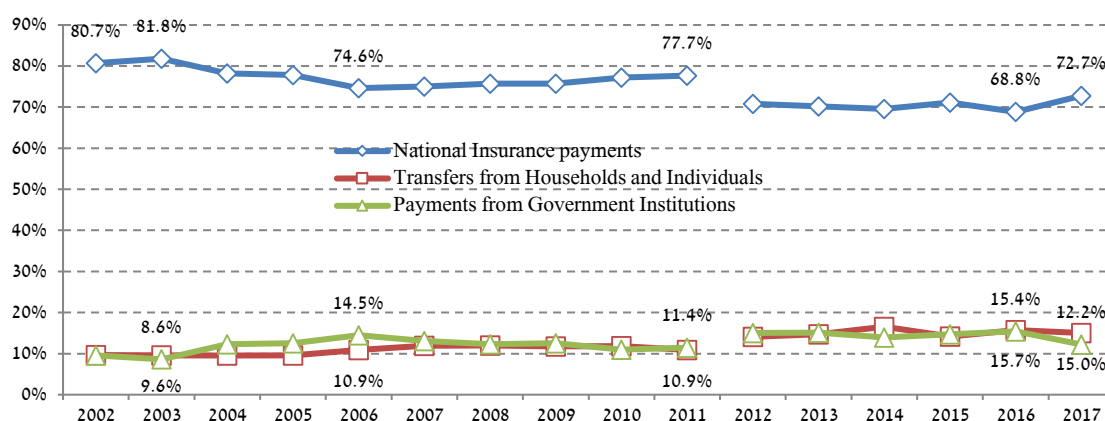


Table 5: Incidence of Poverty according to Various Definitions of Income, and Contribution of Direct Taxation and Various Types of Transfer Payments to the Reduction of Poverty, 2016 and 2017

	Incidence of Poverty							Impact of Policy Tools					
	Before Transfer Payments and Mandatory Payments	After Mandatory Payments Only	After Transfer Payments Only	After National Insurance Payments Only	After Payments from Government Institutions and National Insurance Payments Only	After Transfers from Households and Individuals Only	After Transfer Payments and Direct Taxes	Income Tax and Mandatory Insurance	Transfer Payments and Direct Taxes	Allowances and Other Transfer Payments	National Insurance Allowances	Transfer Payments by the Government and the National Insurance	Transfers between Households
2017													
Incidence of poverty among families	28.4%	30.8%	16.6%	19.9%	17.8%	27.0%	18.4%	7.7	35.4-	41.5-	30-	37.4-	5-
Incidence of poverty among individuals	28.0%	30.9%	19.1%	21.7%	20.2%	26.9%	21.2%	9.4	24.3-	31.7-	22.6-	28-	4-
Incidence of poverty among children	33.5%	37.1%	26.9%	29.5%	28.1%	32.4%	29.6%	9.7	11.8-	19.8-	11.8-	16.1-	3.3-
Income gap ratio	55.6%	55.3%	34.5%	39.0%	36.5%	53.2%	35.2%	0.5-	36.6-	38-	29.8-	34.4-	4.3-
FGT poverty severity index	41.9%	42.2%	3.3%	22.1%	19.3%	38.8%	17.8%	0.9	57.5-	92.1-	47.2-	53.8-	7.4-
2016													
Incidence of poverty among families	28.8%	31.4%	16.8%	20.3%	18.2%	27.0%	18.5%	8.2	35.8-	41.8-	29.5-	37-	6.3-
Incidence of poverty among individuals	28.9%	32.0%	19.6%	22.5%	20.9%	27.5%	21.9%	9.8	24.2-	31.9-	22-	27.6-	4.7-
Incidence of poverty among children	34.9%	39.1%	27.8%	31.1%	29.4%	33.5%	31.0%	10.7	11.2-	20.5-	11-	15.7-	4.2-
Income gap ratio	54.0%	53.8%	32.7%	36.5%	34.2%	52.1%	33.7%	0.3-	37.5-	39.4-	32.5-	36.7-	3.6-
FGT poverty severity index	40.1%	40.5%	3.0%	19.8%	17.2%	37.4%	16.2%	1.1	59.6-	92.4-	50.7-	57.2-	6.6-

4. Dimensions of Poverty by Population Group and Geographic Area

The poverty rate of elderly families increased from 20.8% in 2016 to **21.8% in 2017** and the poverty rate among **elderly individuals increased** by a more moderate rate, from 16.9% to **17.2%** between the two years. At the same time, the indices for the depth and severity of poverty **decreased** by 1.2% and 1.6%, respectively, (among families with an elderly head of household by law; among families with an elderly head of household according to the old definition, the indices for the depth and severity of poverty increased).

At the beginning of 2017, the addition to the income supplement for the elderly and survivors' allowances was increased, following the increases in these benefits at the end of 2015, with the aim of bringing the overall old-age pension closer to the poverty line (corresponding to family size) and to equate the situation of individuals and couples, each in relation to the relevant poverty line, in line with the recommendations of the Committee for the War on Poverty. So for example, from January 2017, the allowance for an individual without dependents plus an income supplement was increased according to the age groups in amounts between NIS 60-131, and the allowance for a couple was also increased according to the age groups in amounts between NIS 95-212. These additions to the disposable income of the elderly living in poverty have improved their situation even if they were not enough to raise the incomes of all the families of the elderly above the poverty line.

The moderate increases in the poverty rates of the elderly, despite these policy measures that benefit the elderly, are due to the positive changes in the labor market that the old-age pension, despite the changes therein (although not in the basic allowance, only in the allowance including the income supplement), did not achieve. The large increase in the standard of living of the working population, resulting from the real increase in wages and the increase in employment, distanced the non-working population (including the elderly population) from this growth and had it not been for the increases in the allowances to the poor elderly, it can be reasonably assumed that the situation would be much worse.

The incidence of poverty among Arab families decreased from 49.2% in 2016 to 47.1% in 2017. The incidence of poverty among individuals and children also decreased by 3% and 2%, respectively. This decrease is attributed to the sharp decrease (approx. 9%) in the incidence of poverty of Arab families who are not part of East Jerusalem or from the Bedouin population in the south (since in both of these there was an increase in the incidence of poverty in 2017). The decline among Arabs not living in the South or in East Jerusalem is explained not only by changes in the labor market (since the incidence of economic poverty decreased by one percent), but also by the transfer payments that, according to the survey, extricated 9.7% of Arab families from poverty in 2017 (compared with 6.1% in 2016). Regarding the effect on the allowances, it seems that most of the effect comes from the increase in the old-age pension, which was higher for this population due to the increase in the supplementary elderly allowance (elderly allowances increased by 5.3% among Arabs compared to 3.2% in the general population between the two years). At the same time, the share of Arab families in the total number of poor families decreased slightly in 2017 and reached 37.4%, compared to their share in the total family population of approx. 15%.

Along with the decrease in the incidence of poverty **in the Arab population, the indices for the depth of poverty and the severity of poverty increased** significantly between the two years, at rates of 10% to 22%, respectively.

As of 2014, interviewees are asked about their subjective definition of their degree of religiosity, information used to identify the Haredi population in this report ("Haredi according to subjective

definition”).¹⁴ The incidence of poverty among **Haredi families** decreased from 45.1% to 43.1%, in view of an increase of approx. 1.6% in the employment rates of Haredi households in 2017 (according to survey data) which also led to a decrease in economic poverty from 58.8% in 2016 to 57.1% in 2017. The incidence of poverty among children in Haredi families declined by approx. one percentage point. The income gap ratio of the (“depth of poverty”) and the poverty severity index remained almost unchanged this year compared to last year. According to the 2017 survey, the proportion of poor Haredi families in the total number of poor families is approx. 15% – more than 2 times higher than their relative share in the population of families, according to the Household Expenditure Survey.

The incidence of poverty among **families with children**, which account for more than half of the total number of poor families, decreased slightly between the two years from 23.0% to 21.6%. The depth and severity of poverty increased among families with children by 5.6% and 12.3%, respectively.¹⁵

The rate of poor single-parent families also decreased, from 26.0% in 2016 to 24.1% in 2017, mainly as a result of changes in the labor market, since the incidence of economic poverty also decreased among single-parent families from 40.9% to 38.2% between the two years. In 2017, the rate of employed single parents rose to approx. 90% as a result of an increase of 3.2 percentage points in the employment rate. It should be noted that the findings regarding this group, which is relatively small, tend to fluctuate in the survey, since in 2016 there was an opposite phenomenon of an increase in the incidence of poverty along with a decrease in employment rates compared to 2015, when the incidence of poverty was significantly lower. However, it seems that the reform carried out in 2016 and started in 2017, which reduced the offsetting rate of income from work from 60% to 25% for single-parent women receiving a subsistence allowance (income support or alimony) had an effect by increasing the viability of working for this population group, and this was also reflected in the dimensions of poverty. Despite the improvement, the poverty rate of families with 1-3 children still reaches 15.9% compared to 24.4% in single-parent families (the vast majority of which have no more than 3 children). This is a significant gap that exists despite the higher employment rates of single-parent families and originates in part-time work, largely as a result of necessity, a low subsistence allowance and a low work grant even if relatively high compared to other grant recipients.

For the first time since 2013, the poverty rate of **working families decreased**, from 13.5% to 12.6%, and the poverty rate of individuals and children in these families decreased between 2016 and 2017. This change reflects conflicting trends between two subgroups in the working population: the poverty rate of families with one wage earner decreased significantly, from 27.0% in 2016 to 24.9% in 2017, and the poverty rate of families with two wage earners increased from 5.2% in 2016 to 5.4% in 2017.¹⁶ On the other hand, the depth of poverty of working families increased in both groups, by a rate of approx. 5% for

¹⁴ According to this definition, belonging to a stream in Judaism is determined directly by self-identification of the respondents, so it is unnecessary to guess this identity according to other variables that are not always identical among all those belonging to the Haredi stream (or other stream) in Judaism. As of this year, the findings regarding the Haredi population according to the previous estimated definitions have been omitted from the report. However, they were left in the diagrams for the years in which there was no self-definition.

¹⁵ In 2017, the “Savings for Every Child” program began to be implemented. According to the current measurement method, which refers only to current income, this benefit is not reflected even though it generates current interest income, which according to the rules of the plan are realizable only at the end of the savings period. It is likely that this interest income and the very accumulation of the asset affects families’ behavior from an early stage, due to the fact that they feel that the savings will help children in the future and that the long-term poverty may decrease (see reference in this regard in both the chapter on long-term poverty and in the chapter on the causes of poverty).

¹⁶ It should be noted that for this group the incidence of poverty of individuals and children decreased, at least somewhat, and in any case the poor families with two wage earners are a relatively small group, so their number of observations is also small, which makes it particularly difficult to draw conclusions about the statistical significance of the phenomenon.

families with one wage earner and by approx. 8% for families with two wage earners (and the severity of poverty by double the rates). In 2017, the share of working families in the poor population decreased significantly – 55.1% of all poor families are working families – compared to 58.6% in 2016.

On the other hand, in 2017, **the incidence of poverty among working age non-working families continued to rise despite its enormous size** – from 69% to approx. 76%. That is, 3 out of 4 families of working age who are not working live in poverty. Due to the significance of the child allowance in the disposable income of this population group, and in view of the erosion of the allowance compared to the increase in the standard of living, compared to the increases in benefits for the elderly, which this group does not enjoy, the policy contribution to this group decreased by approx. 21%.¹⁷ Their share of the total poor population increased from 18% in 2016 to 19% in 2017 (measured by disposable income), and measured using the economic income it remained unchanged. In addition to the increase in the incidence of poverty, the severity of poverty of these families also increased by approx. 4% between the two years. These findings indicate the importance of having a plan to improve the income support allowance, as the National Insurance Institute recommended at the time in the Committee on the War on Poverty. A dynamic policy is needed to alleviate the dimensions of poverty among these families whose poor condition continues to deteriorate over the years alongside the increase in the standard of living of working families.

Table 6: Incidence of Poverty Among Adults* by Gender (%) 1999-2017

Year	Men			Women		
	Before Transfer Payments and Taxes	After Transfer Payments and Taxes	Rate of Decline in Incidence of Poverty resulting from Transfer Payments and Taxes	Before Transfer Payments and Taxes	After Transfer Payments and Taxes	Rate of Decline in Incidence of Poverty resulting from Transfer Payments and Taxes
1999	25.6	15.2	40.5	30.9	17.1	44.8
2002	27.0	16.2	40.0	31.5	16.9	46.3
2003	27.7	17.4	37.1	32.8	18.8	42.6
2004	27.6	18.0	34.7	32.2	19.7	38.8
2005	28.2	18.7	33.6	32.0	20.2	36.9
2006	26.8	18.2	32.2	32.1	19.6	38.9
2007	26.8	18.1	32.6	30.8	19.2	37.6
2008	26.3	17.6	33.1	31.4	19.5	38.0
2009	27.9	18.8	32.7	31.8	20.0	36.9
2010	26.7	18.2	31.8	31.3	19.9	36.4
2011	27.3	18.8	31.3	32.0	20.3	36.4
2012	25.2	17.3	31.4	30.2	19.7	34.7
2013	23.1	16.5	28.6	27.6	18.4	33.3
2014	24.3	17.1	29.6	28.1	18.3	34.7
2015	23.6	17.0	28.2	27.9	18.4	34.1
2016	23.8	16.2	31.9	27.9	18.6	33.4
2017	23.4	16.3	30.3	27.1	17.9	34.2

* Women and men aged 18 and older.

An examination of the incidence of poverty by gender group shows that the incidence of poverty among women decreased by more than half a percent between 2016 and 2017, while the incidence of poverty among men increased slightly. At the same time, the gaps widened in the effect of policy on the incidence of poverty by gender, and in 2017 the policy measures extricated 30.3% of men and 34.2% of women from poverty (compared with 31.9% and 33.4% in 2016, respectively). There were no real changes

¹⁷ As stated above, this calculation ignores the "Savings for Every Child" program.

in the gap between the economic poverty of men and women, and the gap remained at a fairly constant level of approx. 16% to the detriment of women.

The incidence of poverty among immigrants increased significantly in 2017 and reached 18.4% after a downward trend over recent years. However, the indices for the depth of poverty and the severity of poverty decreased significantly – 8% and 13%, respectively.¹⁸ It seems that a considerable part of the explanation for these changes stems from the decrease in the share of the working age population compared to the elderly population from all immigrants, and not from other significant changes.

Segmentation of the population **by head of household age** indicates an increase in poverty indices among young households, where the head of household is up to age 29, from 22.7% in 2016 to 24.7% in 2017, along with a decrease in the older ages - 30 to 44, from 19.3% in 2016 to 17.1% in 2017. The age group with the lowest poverty rate in Israel remains 45 to retirement age, with the incidence of poverty at a distance of approx. 5 percentage points from the general incidence of poverty – 13.3% in 2017.

¹⁸ It should also be noted that the immigrant population does not constitute a uniform group, both in terms of the country of origin of the immigration and in terms of years in Israel.

Table 7: Incidence of Poverty among Families by Population Group (Percentages), 2015-2017

	Income before Transfer Payments and Taxes			Income after Transfer Payments and Taxes			Rate of Decline in Incidence of Poverty after Transfer Payments and Taxes (Percentages)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total population	29.2	28.8	28.4	19.1	18.5	18.4	34.6	35.8	35.4
Population group of head of household:									
Jews	24.8	24.8	24.4	13.8	13.2	13.4	44.5	46.6	44.8
Haredim (according to subjective definition)*	58.5	58.8	57.1	44.6	45.1	43.1	23.8	23.2	24.5
Immigrant	36.3	36.1	37.3	17.7	17.0	18.4	51.2	53.0	50.7
Arabs	57.5	52.4	52.1	53.3	49.2	47.1	7.3	6.1	9.7
Families with children – total	27.2	27.2	25.9	22.3	23.0	21.6	18.2	15.5	16.7
1-3 children	22.2	21.5	20.4	17.0	17.4	15.9	23.2	19.2	22.1
4 or more children	53.7	54.4	52.8	49.7	49.8	49.3	7.4	8.4	6.6
5 or more children	68.5	66.5	64.9	61.8	63.8	61.2	9.8	4.1	5.7
Single parent families	38.3	40.9	38.2	21.7	26.0	24.4	43.4	36.4	36.0
Employment status of head of household:									
Working	18.9	19.2	18.5	13.3	13.5	12.6	29.8	29.4	31.8
Employee	19.0	19.6	18.9	13.1	13.4	12.6	30.9	31.7	33.5
Self-Employed	18.6	16.5	15.8	14.4	14.6	12.8	22.5	11.4	19.1
Working age non-working	92.2	91.3	93.3	73.0	69.4	75.7	20.8	24.0	18.9
One wage earner	36.9	38.2	37.6	25.9	27.0	24.9	29.6	29.4	33.7
Two or more wage earners	8.0	7.4	7.3	5.6	5.2	5.4	30.4	29.3	26.0
Age group of working age head of household:									
Up to 29	31.3	29.8	33.5	24.3	22.7	24.7	22.5	23.6	26.4
Age 30-44	23.7	24.3	21.9	18.1	19.3	17.1	23.9	20.6	22.1
Age 45 to retirement age	20.0	18.8	17.8	14.3	13.1	13.3	28.3	30.3	25.6
Age group of retired head of household:									
Elderly**	48.5	47.7	47.9	22.5	20.8	21.8	53.6	56.4	54.4
Legal retirement age***	51.0	50.6	50.5	23.5	21.6	22.8	53.8	57.3	54.8
Education groups of head of household:									
Up to 8 years of education	68.0	68.3	70.6	44.9	44.4	49.4	34.0	35.0	30.0
9-12 years of education	32.0	32.8	31.3	22.3	21.7	21.1	30.2	34.0	32.4
13 or more years of education	21.7	20.9	21.0	13.2	12.9	12.5	39.4	38.0	40.7

* By subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

** According to the definition that was applied until now: elderly families from age 60 for women and 65 for men.

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

Table 8: Incidence of Poverty among Families, Individuals, Children and the Elderly* by Population Group, 2016 and 2017**

	2016				2017			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	18.5	21.9	31.0	16.9	18.4	21.2	29.6	17.2
Population group of head of household:								
Jews	13.2	14.3	21.1	13.1	13.4	13.9	19.6	13.7
Haredim (according to subjective definition)*	45.1	52.6	58.7	16.7	43.1	48.7	55.4	19.9
Immigrants	17.0	16.6	24.0	20.2	18.4	17.2	23.9	20.6
Arabs	49.2	52.0	61.7	58.1	47.1	50.3	60.7	52.5
Families with children – total	23.0	27.0	31.0	27.0	21.6	25.6	29.6	21.6
1-3 children	17.4	17.7	18.8	20.7	15.9	16.5	17.6	16.7
4 or more children	49.8	52.8	53.3	79.1	49.3	51.9	52.3	70.7
5 or more children	63.8	65.7	65.4	93.2	61.2	62.2	62.8	81.6
Single-parent families	26.0	29.7	33.8	18.9	24.4	28.4	33.1	15.6
Employment status of head of household:								
Working	13.5	18.6	27.6	6.1	12.6	17.4	25.8	4.2
Employee	13.4	18.3	26.9	6.2	12.6	17.5	25.9	4.2
Self-Employed	14.6	20.6	31.2	5.4	12.8	17.2	25.5	4.4
Working age non-working	69.4	78.3	87.0	45.9	75.7	82.8	90.2	46.7
One wage earner	27.0	43.4	61.9	7.8	24.9	41.2	60.0	5.3
Two or more wage earners	5.2	7.9	11.5	3.5	5.4	7.8	10.7	2.8
Age group of working age head of household:								
Up to 29	22.7	25.1	40.6	15.7	24.7	25.9	40.3	11.9
Age 30-44	19.3	25.5	31.6	10.5	17.1	23.7	30.5	7.3
Age 45 to retirement age	13.1	15.5	23.9	6.2	13.3	14.9	21.0	6.6
Age group of retirement age head of household:								
Elderly head of household**	20.8	19.4	40.2	19.0	21.8	20.4	44.9	19.9
Head of household at legal retirement age***	21.6	20.4	54.6	19.4	22.8	21.6	54.7	20.4
Education groups of head of household:								
Up to 8 years of education	44.4	51.4	73.9	40.2	49.4	53.2	69.4	43.6
9-12 years of education	21.7	26.6	41.3	14.7	21.1	26.1	41.4	15.5
13 or more years of education	12.9	15.4	21.6	11.0	12.5	14.3	19.7	10.4

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

* By subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

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

Table 9: Percentage of Types of Families in the Total Population and in the Poor Population, by Demographic and Employment Characteristics, 2016-2017

	Total population		Poor population			
			Before Transfer Payments and Direct Taxes		After Transfer Payments and Direct Taxes	
	2016	2017	2016	2017	2016	2017
Population group of head of household:						
Jews	85.4	85.4	73.4	73.2	61.0	62.6
Haredim (according to subjective definition)*	6.1	6.6	12.5	13.2	14.9	15.5
Immigrant	19.7	19.6	24.6	25.8	18.0	19.7
Arabs	14.6	14.6	26.6	26.8	39.0	37.4
Families with children – total	44.9	45.2	42.4	41.2	55.8	53.2
1-3 children	37.1	37.5	27.7	26.9	34.8	32.5
4 or more children	7.8	7.7	14.8	14.3	21.0	20.7
5 or more children	3.6	3.5	8.4	7.9	12.5	11.5
Single parent families	5.7	5.7	8.1	7.7	8.0	7.6
Employment status of head of household:						
Working	80.3	80.3	53.3	52.2	58.7	55.1
Employee	69.7	69.2	47.3	46.0	50.4	47.3
Self-Employed	10.6	11.1	6.0	6.2	8.3	7.8
Working age non-working	4.8	4.6	15.3	15.2	18.1	19.1
One wage earner	30.6	29.7	40.6	39.3	44.7	40.3
Two or more wage earners	49.6	50.6	12.7	12.9	14.0	14.8
Age group of working age head of household:						
Up to 29	16.0	16.0	16.5	18.9	19.7	21.5
Age 30-44	34.9	34.4	29.5	26.5	36.5	32.0
Age 45 to retirement age	29.2	29.2	19.0	18.3	20.6	21.1
Age group of retired head of household:						
Elderly**	22.2	22.6	36.8	38.2	25.0	26.9
Legal retirement age***	19.9	20.4	35.0	36.3	23.2	25.4
Education groups of head of household:						
Up to 8 years of education	7.4	7.3	17.5	18.1	17.7	19.6
9-12 years of education	37.3	36.8	42.4	40.5	43.6	42.4
13 or more years of education	55.4	55.9	40.1	41.4	38.7	38.0

* By subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

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

Table 10: Assessment of the Depth and Severity of Poverty by Population Group and Selected Indices, Percentages, 2016 and 2017

	Income gap ratio		FGT Index		SEN Index	
	2016	2017	2016	2017	2016	2017
Total population	33.7	35.2	16.2%	17.8%	0.101	0.103
Population group of head of household:						
Jews	31.6	31.1	15.1%	14.7%	0.063	0.060
Haredim (according to subjective definition)*	33.5	33.7	15.7%	15.4%	0.239	0.220
Immigrants	31.3	28.7	15.7%	13.6%	0.074	0.071
Arabs	36.0	39.7	17.4%	21.2%	0.249	0.266
Families with children – total	34.0	35.9	16.1%	18.1%	0.124	0.125
1-3 children	30.8	31.5	14.0%	15.3%	0.075	0.073
4 or more children	36.9	39.8	18.2%	20.7%	0.259	0.272
5 or more children	37.9	42.3	19.0%	22.5%	0.330	0.339
Single-parent families	35.1	35.7	17.3%	17.7%	0.141	0.138
Employment status of head of household:						
Working	29.9	31.4	12.7%	14.1%	0.076	0.075
Employee	29.6	31.2	12.4%	13.9%	0.074	0.075
Self-Employed	31.0	32.8	14.4%	15.8%	0.089	0.078
Working age non-working	55.8	56.0	36.1%	37.4%	0.536	0.580
One wage earner	32.9	34.7	14.6%	16.3%	0.191	0.191
Two or more wage earners	22.6	24.4	8.0%	9.5%	0.025	0.027
Age group of working age head of household:						
Up to 29	32.1	34.8	15.1%	18.2%	0.111	0.126
Age 30-44	33.9	36.6	16.2%	18.6%	0.117	0.117
Age 45 to retirement age	37.4	36.4	19.2%	18.9%	0.078	0.074
Age group of retirement age head of household:						
Elderly**	28.6	29.1	11.8%	12.4%	0.076	0.082
Legal retirement age***	28.0	27.7	11.5%	11.3%	0.078	0.083
Education groups of head of household:						
Up to 8 years of education	37.0	41.6	18.1%	22.6%	0.252	0.292
9-12 years of education	35.4	35.2	17.1%	17.7%	0.126	0.126
13 or more years of education	30.5	32.7	14.4%	16.0%	0.066	0.065

* By subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

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

Table 11 presents the dimensions of poverty by district and nationality including data specific to large cities. In some categories, the results fluctuate due to the lack of observations and low statistical significance.

The incidence of poverty in the **Jerusalem District** is the highest, and it declined slightly in 2017. The incidence of poverty among children in the city of Jerusalem is 54.7%, after it declined from approx. 55.4% in 2016. The depth of poverty and the severity of poverty in the Jerusalem District, and in the city of Jerusalem in particular, are higher than in the general population. After the Jerusalem District, the **Northern District** is the next highest with poverty rates which are also higher than in the other districts. However, poverty rates have been on a continuous downward trend since 2012 in this district.

In the Haifa District, the incidence of poverty among families, individuals and children decreased by 12%, 22% and 24%, respectively, but the indices for the depth and severity of poverty increased by 15% and 35%, respectively. These trends stem from the weight of the Arab population in the city.

In the center of the country, the dimensions of poverty increased: the incidence of poverty among families and individuals in the center increased by 12% and 6%, respectively, between 2016 and 2017, and the incidence of child poverty also increased slightly between the two years. In Rishon Letzion the incidence of poverty among families and individuals declined from approx. 6% to approx. 4%, and the incidence of poverty among children increased.

The Tel Aviv and Central Districts, and particularly the city of Tel Aviv, continue to lead with lower poverty rates than other districts in both years. In 2017, the poverty rate of families in the Tel Aviv district rose from 10% to 11% and in the city of Tel Aviv it declined from 10% to 9%. The incidence of poverty among children in the city of Tel Aviv declined by 4 percentage points to 5.7%.

The depth of poverty increased between 2016 and 2017 by 3% in the Tel Aviv District and by 33% in the city of Aviv between the two years.

In the Southern District, the incidence of poverty among individuals decreased between 2016 and 2017 by approx. 2 percentage points (from 25.2% to 23.4%), and the incidence of poverty among children decreased from 35.7% to 29.8%. **In Ashdod**, the incidence of poverty among individuals and children increased and reached approx. 23% and approx. 33%, respectively.

Appendix and Appendix present the statistical significance of the data in this report by population group. Appendix shows that despite the many changes in the dimensions of poverty, the changes between 2016 and 2017 were statistically significant only for a small part of the population groups (for example: the increase in the income gap of Arabs and working families, and more). Appendix 30 demonstrates that also over time, except for the years 2003-2004, in which there was a jump in the dimensions of poverty, generally the changes in the dimensions of poverty (at least from then until 2011) were not significant. Even in the new series that began in 2012, after the crisis that occurred in that year following the cancellation of observations from the Labor Force Survey and the reliance on the Expenditure Survey observations only, it is difficult to find cases in which the changes from year to year are significant.

Table 11: Incidence of Poverty by District and Nationality, 2016-2017

	2016					2017				
	Incidence of Poverty			Income Gap Ratio	FGT	Incidence of Poverty			Income Gap Ratio	FGT
	Families	Individuals	Children			Families	Individuals	Children		
Total*	18.5	21.9	31.0	33.7	16.2	18.4	21.2	29.6	35.2	17.8
Jerusalem	36.7	44.0	53.4	35.9	17.4	34.0	42.2	52.2	36.4	17.9
Jerusalem City	38.4	46.0	55.4	36.7	18.0	36.5	44.8	54.7	37.8	18.8
North	27.4	28.2	36.5	31.7	14.0	27.0	29.1	38.4	33.3	16.2
Haifa	21.4	24.7	35.3	31.5	13.6	18.8	19.1	26.6	36.1	18.4
Haifa City	15.5	15.0	23.1	27.4	11.8	17.6	14.1	13.8	32.9	19.1
Center	8.8	9.7	14.0	31.7	15.5	9.9	10.3	14.2	31.2	14.9
Rishon Letzion City	5.6	5.3	6.4	22.6	8.9	4.3	4.4	7.8	22.4	8.3
Petach Tikva City	7.8	9.3	12.9	24.4	8.7	10.4	8.8	8.7	25.7	9.8
Tel Aviv	10.3	11.6	19.2	33.4	16.6	11.0	11.4	17.9	34.4	18.3
Tel Aviv City	10.1	8.5	9.8	37.1	20.5	9.1	6.6	5.7	49.5	33.0
South	22.1	25.2	35.7	35.8	18.6	22.7	23.4	29.8	39.6	22.3
Ashdod City	16.1	17.9	28.4	29.9	13.8	25.0	22.8	33.2	29.0	12.1
Jews*	13.2	14.3	21.1	31.6	15.1	13.4	13.9	19.6	31.1	14.7
Jerusalem	26.0	29.8	39.6	34.0	16.5	22.0	26.5	36.1	31.7	14.0
North	15.2	13.6	16.9	30.8	14.3	17.1	16.9	22.1	30.8	14.8
Haifa	12.6	12.8	17.8	26.5	10.9	13.2	10.7	12.2	27.9	14.3
Center	7.5	7.5	10.7	28.6	13.3	8.0	7.7	10.0	28.1	12.5
Tel Aviv	10.2	11.5	19.2	33.6	16.8	10.8	11.1	17.5	34.1	18.0
South	18.6	17.4	23.9	30.5	14.0	18.7	15.4	17.9	30.0	13.7
Arabs	49.2	52.0	61.7	36.0	17.4	47.1	50.3	60.7	39.7	21.2
Jerusalem	69.6	72.9	78.2	37.6	18.2	70.3	74.2	82.0	39.8	20.7
North	40.2	39.6	49.1	32.0	13.9	37.7	38.9	49.1	34.2	16.7
Haifa	61.6	62.2	74.0	34.8	15.3	45.2	45.3	57.7	42.1	21.4
Center	33.7	38.4	50.0	39.7	21.3	42.1	39.7	48.2	38.0	20.1
Tel Aviv**	-	-	-	-	-	-	-	-	-	-
South***	58.5	63.4	68.2	42.9	24.8	63.7	67.8	73.1	51.5	33.0

* Includes settlements in Judea and Samaria.

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

*** For 2015, no data exists due to the difficulties of responding to surveys among the Bedouin population since 2012, the Central Bureau of Statistics surveyed this group in the Household Expenditure Survey. In 2016, this group is again represented in the survey.

B. Inequality, Classes and Income Gaps, and their Causes

1. Inequality in 2017 and in Recent Years

Table 12 shows the Gini index of inequality in economic income and disposable income over time.¹⁹ The Gini index of inequality in disposable income was 0.3520 in 2017 and according to economic income it was 0.4585. Compared to 2016, inequality declined according to both indices, by rates of 1.3% and 1.6%, respectively. The trends in the Gini index of economic and disposable income did not always move together. While in economic income the trend has been uniform since 2002, in disposable income deteriorated from 2002 to 2006 due to changes in benefits and taxation. Since 2006, the declines in the Gini index have been more or less consistent in economic and disposable income.

Table 12: Gini Index of Income Inequality in the Population, by Economic and Disposable Income, 1998-2017

Year	Before Transfer Payments and Direct Taxes	After Transfer Payments and Direct Taxes	Percent Decline due to Transfer Payments and Taxes
2017	0.4585	0.3520	23.2
2016	0.4646	0.3577	23.0
2015	0.4719	0.3653	22.6
2014	0.4778	0.3712	22.3
2013	0.4766	0.3634	23.7
2012	0.4891	0.3770	22.9
2011	0.4973	0.3794	23.7
2010	0.5045	0.3841	23.9
2009	0.5099	0.3892	23.7
2008	0.5118	0.3853	24.7
2007	0.5134	0.3831	25.4
2006	0.5237	0.3923	25.1
2005	0.5225	0.3878	25.8
2004	0.5234	0.3799	27.4
2003	0.5265	0.3685	30.0
2002	0.5372	0.3679	31.5
Change in the Index (Percentages)			
2017 compared to 2016	1.3-	1.6-	
2017 compared to 2015	2.8-	3.7-	
2017 compared to 2002	14.7-	4.3-	
2017 compared to 1999	11.3-	2-	

¹⁹ The Gini index measures gaps in income between every two persons, taking into consideration all persons in the economy. Therefore, the lower the income, the greater the weight it is given. The index ranges from 0 to 1, where the value of 0 reflects absolute equality (“all persons have equal income”) and the value 1 reflects absolute inequality (“all income is in the hands of one individual and all other individuals have no income”).

Examining the long-term changes (Diagram 5) shows that from 1999 to 2006 the index rose, then stabilized over the next 3 years, and has since declined gradually, with a particularly large drop in 2013 and its correction in 2014. From 2002 (the year in which the cuts began, which were deepened during 2003 and 2004) until 2017, inequality according to economic income decreased by approx. 14.6%, compared to a relatively small decrease (4.3%) recorded in that period in inequality according to disposable income. While the increase between 2002 and 2006 was mainly due to government policy in the area of benefits, the subsequent decline in the Gini index of disposable income was mainly due to the positive changes in the area of inequality according to economic income,²⁰ i.e. the growth in employment (Diagram 11), and in later years also the growth in real wages, among other things as a result of the considerable increase in the minimum wage. The larger decline in the Gini index of disposable income compared to the index according to economic income in 2017 (1.6% and 1.3%, respectively), can be attributed, among other things, to changes in the benefit policy and especially to the relative increase in the standard of living of the low-income elderly. This is due to the continuous increase in old-age income supplement benefits since 2015.

Diagram 5: Inequality over Time in Israel – Gini Index by Economic and Disposable Income: 1998 to 2017

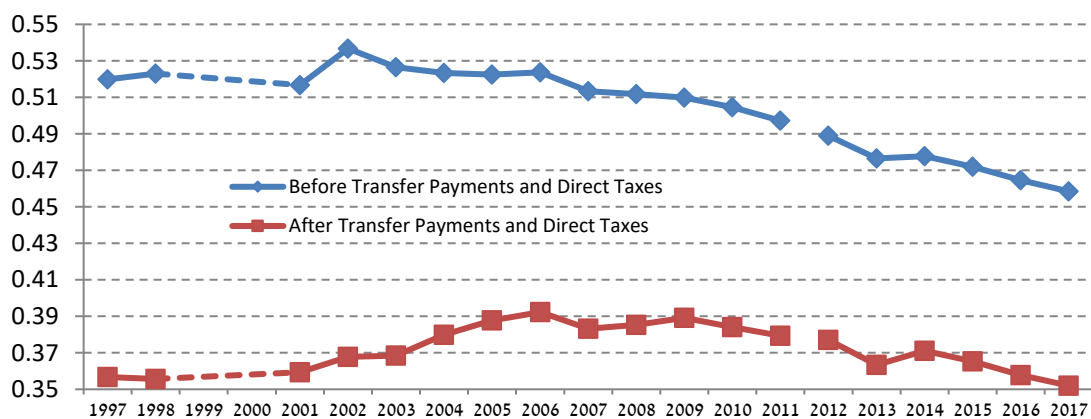
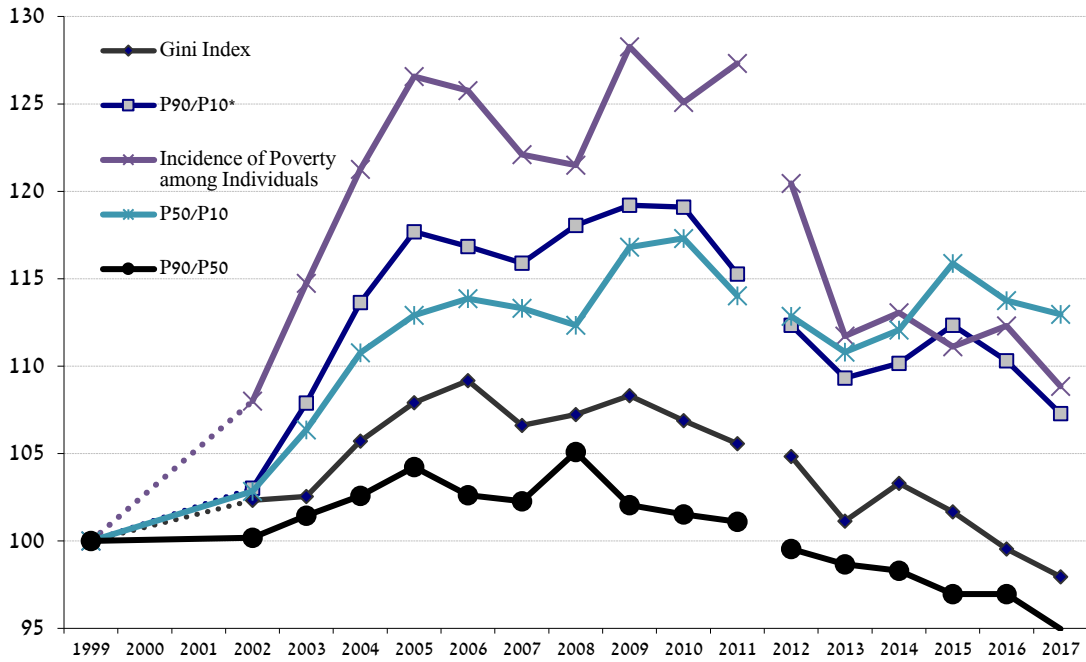


Diagram 6 presents several indicators of inequality, the Gini index and indices of the relationship between various income deciles, with the incidence of poverty among individuals. Each decile shows the upper threshold of income.²¹ Among the income gap indices in the various deciles, the P90/P50 index, which reflects income gaps among the high-income half of the population, decreased this year after recording a slight increase in 2016 and reached a level even lower than its level in 1999. The p90/p10 and p50/p10 indices, which respectively reflect the income gaps between high incomes and incomes at the bottom of the income scale and between median incomes and bottom incomes, indicate a continuation of the downward trend recorded last year, after rising in recent years. These changes are another aspect of the decrease in income inequality

²⁰ It may be that part of the decline in the inequality index is technical and related to the transition from the income survey to the expenditure survey, due to the difficulty in identifying the sources of the “break” between the two series of surveys.
²¹ For example, P90/P50 expresses the ratio between the highest wage in the ninth decile and the highest wage in the fifth decile.

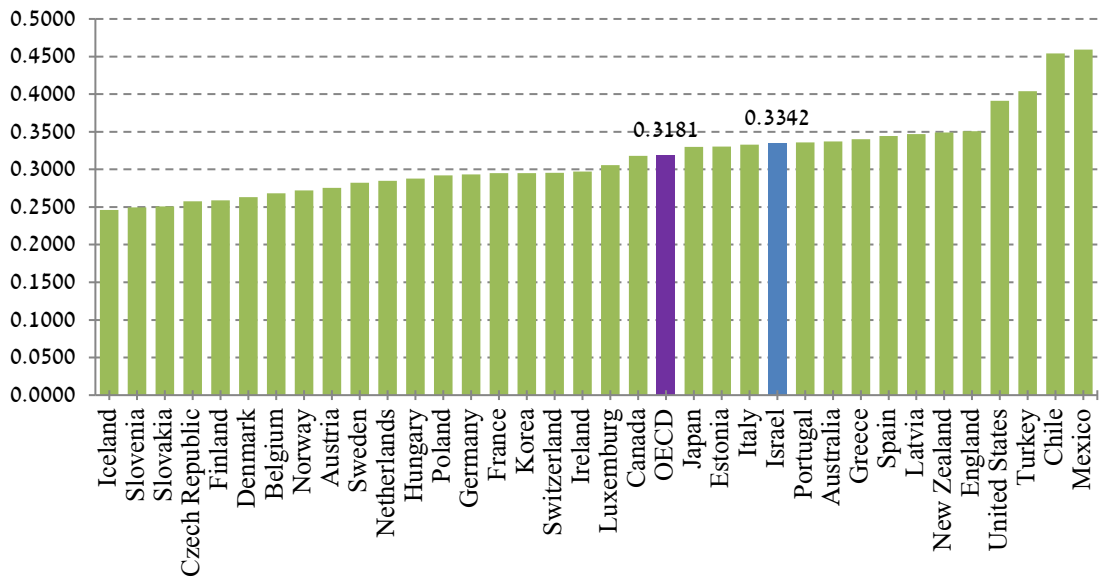
compared to 2016. The decreases were at a rate of 1.6% according to disposable income and at a rate of 1.3% according to economic income.

Diagram 6: Indices of Selected Gaps and Inequality, 1999-2017



For calculation purposes, the deciles were classified based on disposable income per standard person; each decile comprises 10% of the families.

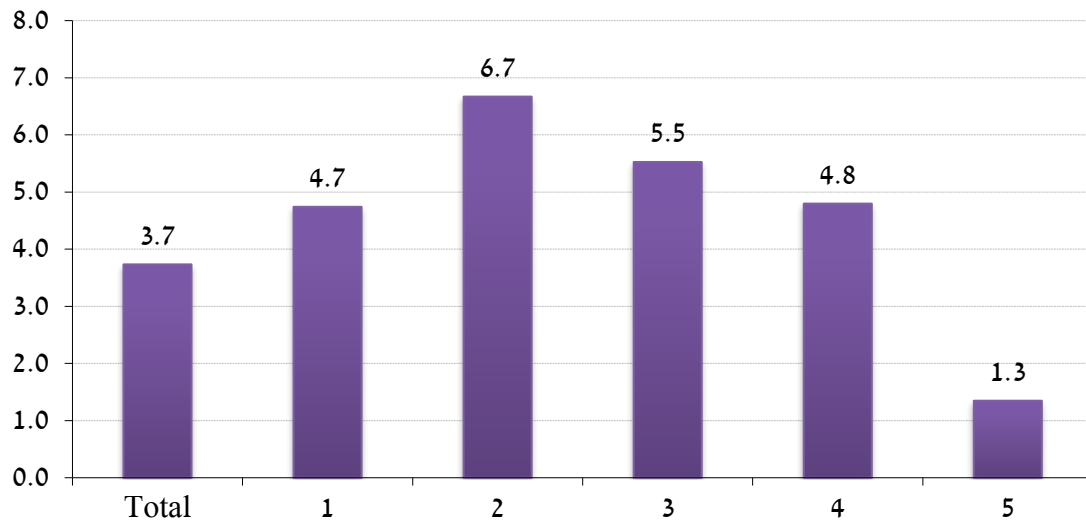
Diagram 7: Gini Index of Inequality of Disposable Income per Standard Person, OECD Countries and Israel, Various Years (2012-2016, Israel 2017), OECD Definition



Comparison of data on inequality of disposable income among developed countries, presented in

Diagram 7 shows that Israel's situation has improved in this area, and now has a Gini index that is only 5% higher than the average index in developed countries, compared with a distance of 11% in 2016. The diagram shows that only three countries (Japan, Estonia and Italy) are placed between the value of the Israeli index and the average value in developed countries.

Diagram 8: Real Change in Disposable Income per Standard Person in 2017 compared to 2016, by quintiles (Percentages)



Appendix 6 shows the share of each quintile in total income from various sources – work, pension, provident funds and capital, allowances and support, etc. The data indicate that the share of the highest quintile in income from work reaches approx. 42% of the total wage in the economy, a rate that is 9 times higher than the share of the lowest quintile in total income from work, which decreased slightly to approx. 4%. In contrast, larger gaps exist in the direct taxation due to the progressive structure of income tax and, to a lesser extent, National Insurance and health insurance contributions. Therefore, the total income from direct taxes from the lowest quintile is 0.5%, similar to 2016, compared with 66.3% in the upper quintile, which pays over 3 times more taxes than the next quintile. Due to the structure of direct taxes and benefits, which work to change the distribution of income, the disposable income in the economy is divided more evenly than the income from work: the lowest quintile receives 6.7% thereof compared to 37.9% received by the highest quintile in 2017.

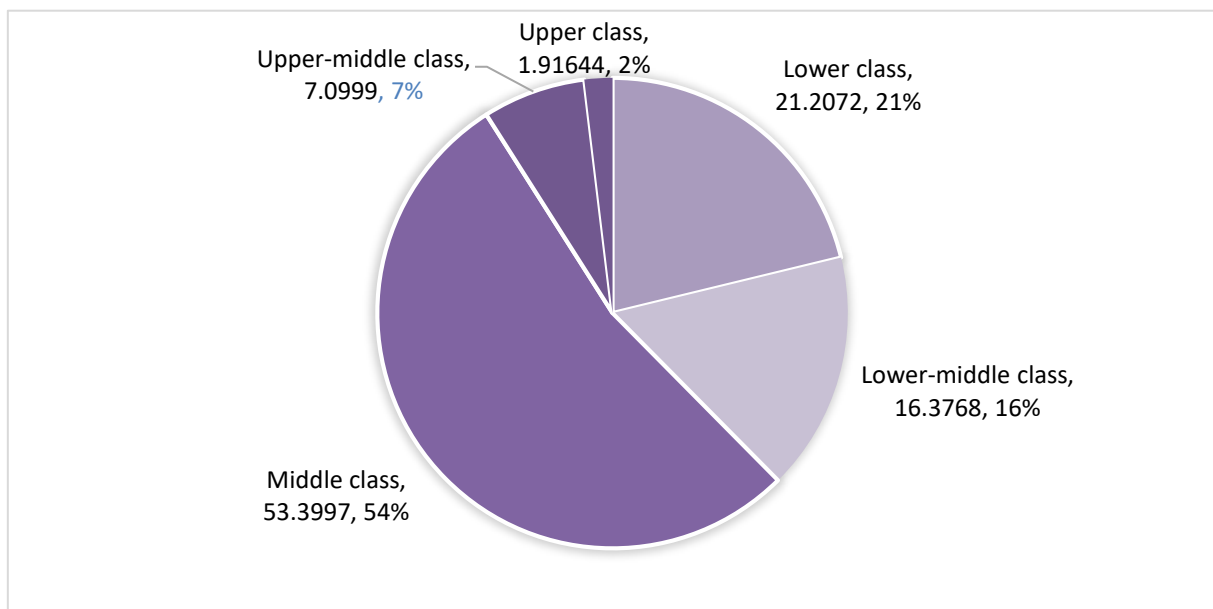
2. The Middle Class in Israel

In this report, for the first time, we will address economic classes in Israel with an emphasis on the middle class.²²

A large and strong middle class is considered an important factor in economic growth, political stability and increased trust in society and in state institutions. Its purchasing power, together with the ability to acquire education, lead to economic growth. The World Bank and the OECD define the middle class according to the disposable income of the household, with an income of between 75% and 200% of the net financial income per median standard person being considered average.²³ Those whose income is below the poverty line belong to the lower class; the lower-middle class is those whose income is between the poverty line (50% of the median) and 75% thereof, and the upper-middle class is those whose income is between 200% and 300%, while the upper class have incomes higher than 300% of the median disposable income per standard person.

In most OECD member states about half to two-thirds of the population belong to the middle class. Diagram 9, which shows the distribution of the classes in Israel (the rate of individuals in each economic class) according to the above definitions in 2017, shows that the rate of individuals living in middle-income households in Israel was approx. 53% of the population. Approx. 38% live in poverty or are at risk of poverty (lower class or lower-middle class) and approx. 9% are in the upper-middle or the upper class (from 200% of the median disposable income per standard person and above).

Diagram 9: Distribution of Classes in Israel according to the OECD Definition in 2017



From a broad perspective, when considering the middle class, including the lower-middle class (which is at "risk of poverty") and the upper-middle class, it is evident that the middle class includes the majority

²² This subject will be presented and discussed in the annual report of the National Insurance Institute for 2018 in Chapter 2.

²³ See the OECD report on the subject:

OECD. (2016). *The Squeezed Middle Class in OECD and Emerging Countries: Myth and Reality*. Paris: OECD.

of the population – approx. 77 in 2017. Approx. 21% are as stated in the lower class (this coincides with the rate of poor people) and approx. 2% are in the upper class.

An examination of the changes in the size of the middle class in Israel (in the narrow sense) since the beginning of the millennium).

Diagram 10) shows that at the same time as the implementation of the policy of cuts in the welfare system (2002 to 2006), the share of the middle class decreased. It remained low until 2011 and since then there has been a change and the middle class has started to strengthen and has gradually risen to a rate of approx. 53% in 2017.²⁴ The diagram also shows that the share of the middle class as a percentage of the population has risen from 50% to 53%. Its share of total income increased at a higher rate in the two decades between 1997 and 2017 from 54% to 61%.

Diagram 10: The Israeli Middle Class as a Percentage of the Income and as a Percentage of the Population, 1997-2017

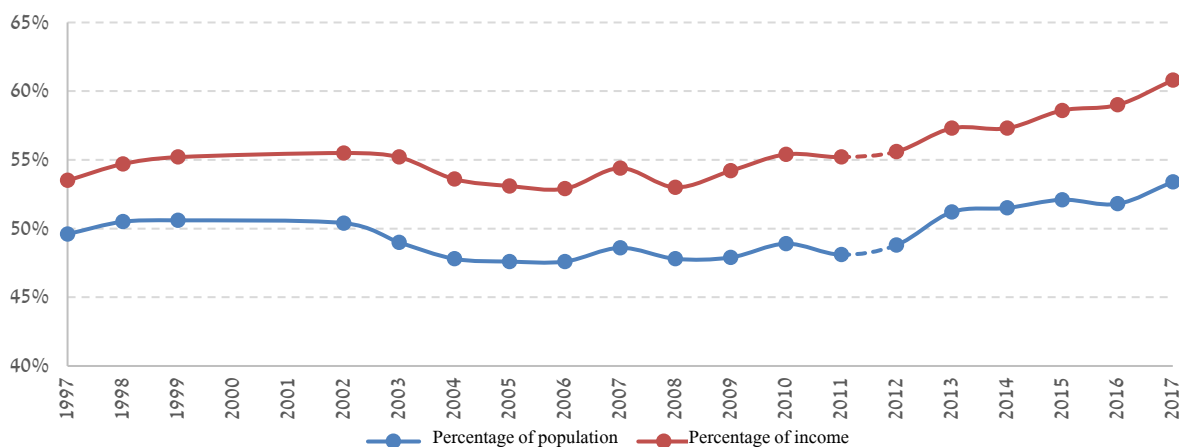


Table 13 shows the rate of belonging to each of the classes by population group in 2017 (rate of individuals in each class). As the table shows, the share of non-Haredi Jews and middle-class immigrants is almost twice as high as the share of Arabs and in some populations – Haredim, large families, working-age persons not working and low-educated (where there is overlapping) – the share of middle class families is even less than a third.

²⁴ It is interesting to note that the strengthening of the middle class according to this method began with the social protest in 2011 in Israel and elsewhere around the world.

Table 13: Distribution by Economic Class according to Population Group in 2017

	Lower Class (Poor)	Lower-Middle Class	Middle Class	Upper-Middle Class	Upper Class
Total population	21.2	16.4	53.4	7.1	1.9
Population group of head of household:					
Jews	13.9	14.9	60.2	8.7	2.4
Non-Haredi Jews, according to self-definition*	8.6	13.3	65.5	9.9	2.7
Haredi, according to self-definition*	48.7	25.1	24.8	1.0	0.4
Immigrant	17.2	20.3	56.1	5.3	1.0
Arabs	50.3	22.4	26.5	0.7	0.1
Families with children – total	25.6	18.3	50.7	4.6	0.8
1-3 children	16.5	17.4	59.1	6.0	1.0
4 or more children	51.9	20.7	26.7	0.5	0.2
5 or more children	62.2	20.2	17.2	0.0	0.4
Single-parent families	28.4	23.0	43.1	3.4	2.0
Employment status of head of household:					
Working	17.4	16.6	56.6	7.4	2.0
Employee	17.5	16.6	56.7	7.5	1.7
Self-Employed	17.2	16.5	55.7	6.6	4.0
Working age non-working	82.8	7.8	8.7	0.5	0.2
One wage earner	41.2	19.3	33.6	4.3	1.5
Two or more wage earners	7.8	15.5	65.9	8.7	2.2
Age group of working age head of household:					
Up to 29	25.9	19.2	49.4	4.7	0.8
Age 30-44	23.7	17.4	52.2	5.8	0.9
Age 45 to retirement age	19.8	15.5	53.8	8.4	2.4
Age group of retirement age head of household:					
Elderly**	20.4	15.9	48.1	10.8	4.7
Legal retirement age***	21.6	16.8	47.5	9.8	4.3
Education groups of head of household:					
Up to 8 years of education	53.2	19.6	25.7	1.5	0.0
9-12 years of education	26.1	19.3	50.3	3.6	0.7
13 or more years of education	14.3	14.0	58.6	10.2	3.0

* By subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

** According to the definition that was applied until now: elderly families from age 60 for women and 65 for men.

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

3. Factors that Affect Poverty and Inequality

The year 2017 was characterized by further economic growth – GDP rose by 3.5% (and GDP per capita by approx. 1.5%), and the rate of employees increased by approx. 3%. In addition, the survey data indicate high employment rates of 80.3% on average among households in 2017, similar to 2016 (see Appendix . When examining the changes among different groups in the population, it is evident that among the Haredim and single-parent families there was an increase in the employment rates, while among all Arab households, households with young heads of household and large families (there is an overlap between the groups) there was a decline. As for the Arabs, the data refer to all Arab households, of all ages (it should be noted that when referring to Arab households whose heads of household are of working age, the data show that the trend of an increase in the employment rate of these households continues, similar to the labor force survey of the Central Bureau of Statistics).

A particularly sharp decline in employment rates was recorded among those with low education. On the other hand, there was a relatively sharp increase in household employment in which the head of household is of retirement age. At the same time, in 2017, the unemployment rate reached an historically low level of 3.7% among those aged 25-64 (and 4.2% of the total labor force). It should be noted that despite the concerns, the decline in the level of unemployment in the last two years has coincided with the significant increase in the minimum wage.

The real wage increased by approx. 3% (and by approx. 4% according to the Expenditure Survey, .שגיאה! מקור ההפניה לא נמצא. Examination of wage increases by occupation in the survey shows that wage increases were recorded among all groups, albeit at differential rates. For academic professionals, managers, freelancers and technical professionals and professional workers, there has been a moderate increase in real wages. In contrast, the occupations in which wages rose significantly were clerical workers, sales and service workers, and unskilled workers. This is most likely a direct result of the increase in the minimum wage.

Diagram 11: Employment Rates in the Income/Expenditure Surveys vs. the Labor Force Survey, 1999-2017

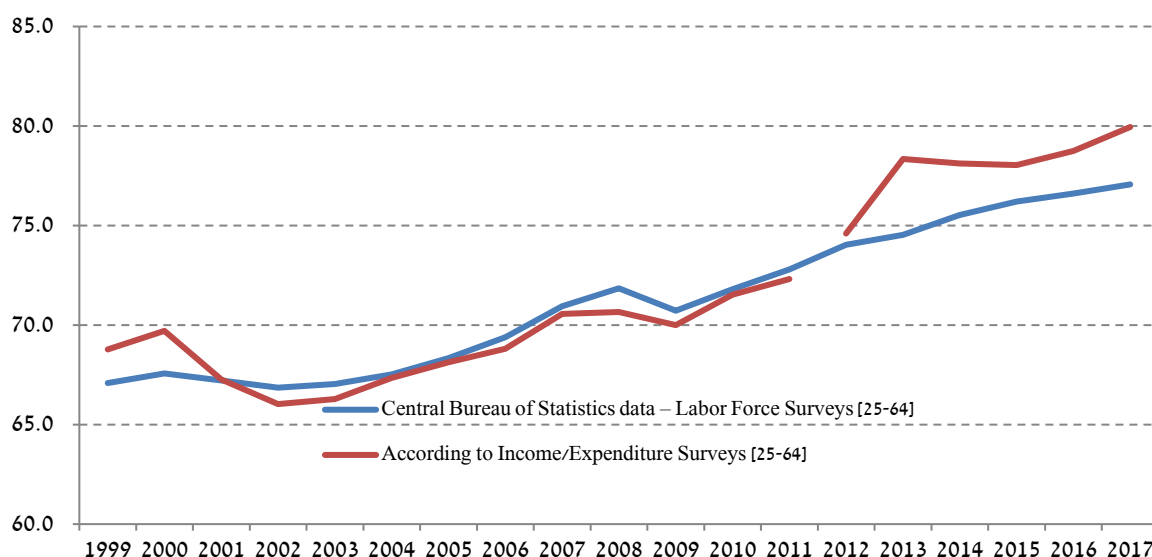


Diagram 11 shows that the employment rate increased according to both sources and in particular according to the Household Expenditure survey. The gap between employment rates in the two surveys increased slightly this year after "opening" in 2013 and after several years of similar growth. This development supports the explanation of the reduction in poverty as a result of the increase in employment and wages.

The second dimension that has a major impact on poverty is financial support. According to the administrative data, National Insurance allowances increased by approx. 9.6% in real terms between the two years, compared with a smaller increase of approx. 4.6%, according to the survey data. Part of the explanation for the gap stems from the Institute's payments for the "Savings for Every Child" program, which is not actually reflected in the survey and in poverty data.

The increase in benefits according to the two data sources hides the differences between them with regard to the breakdown of the benefits. Therefore, total payments for unemployment benefits decreased by a rate of 3.6% according to the survey, compared to an increase of 1.9% according to the administrative data. Due to the "Savings for Every Child" program as stated above, the sharp increase in the total payments for child benefits at a rate of approx. 60% was recorded in the administrative data, compared with a moderate increase of approx. 2% in the survey. Gaps between the survey and the administrative data can also be found in benefits with a low incidence in the population, and therefore they are not well represented in the survey: payments for income support benefits decreased by approx. 30% according to the survey data compared to a decrease of approx. 7% according to administrative data, etc.

Table 14: Wage Distribution of Employees and of Poor Employees, by Wage Level, 2017**

	Total (thousands)	Percentages	Up to Half the Minimum Wage	From Half to the Minimum Wage	From the Minimum Wage to the Average Wage	Above Average Wage
Total Employees	3,424	100.0	13.6	15.2	36.7	34.5
*Employees employed in full-time positions	2,659	100.0	9.0	9.6	40.2	41.3
Among the economically poor population						
Total employees	440	100.0	34.8	32.8	30.8	1.7
Employees employed in full-time positions	242	100.0	22.1	29.5	45.5	2.8
Among the net poor population						
Total employees	301	100.0	33.9	29.9	33.3	2.9
Employees employed in full-time positions	180	100.0	22.2	25.8	47.5	4.5
	Among Men					
Total employees	1,748	100.0	12.0	10.1	35.8	42.1
*Employees employed in full-time positions	1,522	100.0	8.8	6.6	37.6	47.0
Among the economically poor population						
Total employees	224	100.0	30.2	26.3	41.4	2.1
Employees employed in full-time positions	158	100.0	19.9	24.0	53.1	3.0
Among the net poor population						
Total employees	167	100.0	27.2	22.5	45.8	4.6
Employees employed in full-time positions	128	100.0	17.5	21.1	55.4	6.0
	Among Women					
Total employees	1,676	100.0	15.3	20.6	37.5	26.6
*Employees employed in full-time positions	1,137	100.0	9.2	13.5	43.7	33.7
Among the economically poor population						
Total employees	216	100.0	39.4	39.4	19.8	1.3
Employees employed in full-time positions	83	100.0	26.5	39.8	31.1	2.6
Among the net poor population						
Total employees	134	100.0	42.3	39.1	17.8	0.8
Employees employed in full-time positions	51	100.0	33.8	37.6	27.8	0.9

* 35 or more weekly work hours.

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

Table 14 presents the distribution of workers in poor families and in the general population according to wage level. The table shows that most employees, approx. 78%, work full-time. This average represents a high gender gap, with approx. 87% of male employees and approx. 68% of female employees working

full time. Among employees living in poor families, approx. 60% work in full-time positions. Almost one-third of employees, some of whom are not poor, are employed at salaries that are less than the minimum wage, where the rate among men is approx. 22%, compared with a rate of approx. 36% among women.

Of the poor population, even among full-time employees, there are approx. 48% whose income is low or does not exceed the minimum wage, of whom less than half have salaries that do not exceed half of the minimum wage despite the full-time work. It should be noted that despite the increase in the minimum wage, the percentage of employees who earn a lower full-time salary increased compared to 2016 (approx. 39%), and therefore those employees are apparently exposed to non-compliance with the law by their employers.²⁵

Among the poor population, approx. an additional 47.5% are employed at wages higher than the minimum wage, but lower than the average wage, and a low rate of less than 5% earns more than the average wage. In contrast, in the general population, most of those employed full-time, approx. 41%, earn more than the minimum wage.

The decrease observed in 2017 in the incidence of poverty and in the dimensions of inequality (but not in the dimensions of the depths of poverty and the severity of poverty) was due to changes that increased families' disposable income: higher wages and the minimum wage increase, higher benefits for the elderly and higher employment rates, which was partially affected by the reduction of the rate of offset of the income support allowance for self-employed mothers from 60 agorot per shekel to 25 agorot per shekel.

²⁵ This phenomenon is common in periods of significant increase in the minimum wage, among other things because the increase to the new minimum wage level may be an ongoing process.

C. Selected Issues in Measuring Poverty and Inequality

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

1. Persistent Poverty

The population living in poverty is not permanent. From time to time part of the population is extricated from poverty, and another part falls into living in poverty. The most worrisome situation from a human point of view and the most challenging in terms of policy forming is the treatment of families who continue to live in poverty for a long time and perhaps for generations. In the absence of longitudinal data for a fixed population, it is customary to estimate the size of the group living in persistent poverty as follows: those whose incomes and expenditures are below the poverty line are treated as living in persistent poverty, since consumption is affected mainly by the stable income rather than by temporary changes.²⁶ The assumption is that in the event of a sudden and one-time loss of current income (for example, due to unemployment), the families will try to maintain a stable standard of living at least in the short term, among other things by compensating for the loss of income by opening savings, taking loans, selling assets, etc. These are examples of families living in temporary poverty.²⁷ On the other hand, a family that estimates that its economic situation has worsened fundamentally will be forced to reduce its consumption expenditure, as its ability to exceed its income is limited in time. Therefore, we define families whose income and consumption are below the poverty line as families living in persistent poverty.²⁸

²⁶ According to Milton Friedman's Permanent Income Theory, a family tends to change its current consumption due to stable income changes, while temporary changes in income tend to mainly increase the savings and purchases of durable goods.

²⁷ This is also the reason that among many poor people consumption spending is higher than their income.

²⁸ In view of the absence in the Expenditure Survey of the of data of a follow-up survey type, which enable the monitoring of those families living in persistent ("permanent") poverty, Recommendation 2(a) in the "Report of the Team for the Development of Additional Poverty Indices" suggested that the following index be treated as a measure of persistent ("permanent") poverty: a particular family will be defined as permanently poor if both its income and its consumption expenditure are below the poverty line.

Table 15: Estimated Persistent Poverty – the Proportion of Families and Individuals in the Total Poor whose Financial Expenditure per Standard Person is Below the Poverty Line (Percentages) 2016 and 2017

Population Group	Families		Individuals	
	2016	2107	2016	2017
Total population	60	61	65	65
Population group of head of household:				
Jews	61	63	67	68
Haredim (according to subjective definition)*	75	76	76	78
Immigrants	69	66	68	68
Arabs	58	58	63	62
Families with children – total	64	64	67	67
1-3 children	57	58	58	59
4 or more children	75	72	76	74
5 or more children	76	76	77	77
Single-parent families	58	58	63	62
Employment status of head of household:				
Working	57	58	63	63
Employee	60	61	65	65
Self-Employed	44	39	54	45
Working age non-working	63	67	75	77
One wage earner	57	60	64	65
Two or more wage earners	58	53	61	57
Age group of working age head of household:				
Up to 29	57	64	67	71
Age 30-44	59	61	64	65
Age 45 to retirement age	62	56	66	59
Age group of retired head of household:				
Elderly**	62	64	64	64
Legal retirement age***	62	64	63	65
Education groups of head of household:				
Up to 8 years of education	67	64	72	69
9-12 years of education	60	60	65	63
13 or more years of education	56	61	62	66

* By subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

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

Table 15 presents the proportion of poor families and individuals, according to the definition of persistent poverty, from the total number of poor families. Overall, according to the findings, approx. two-thirds of poor families live in persistent poverty and that this rate is quite stable.

A look at the table shows that the proportion of families in persistent poverty out of all poor families has decreased this year only in relatively small groups such as the poor self-employed and poor families with two wage earners. The persistent poverty rate remains high in families with high dimensions of poverty (Haredim, large families, families without a wage earner of working age, families whose head of household has an education of up to 8 years of schooling). The rate of people living in persistent poverty is highest in families with 5 or more children, non-working families of working-age and Haredi families (there is an overlap between the groups) and it reaches rates nearing 80%. This means that most of the people living in poverty in these groups live in persistent poverty.

It should be noted that the examination of the data over time shows that there is an upward trend along with considerable fluctuation around the trend. It is likely that the fluctuation is a statistical problem. In most of the years it was found that the incidence of permanent poverty among families was around 60%.

The "Saving for Every Child" policy operated by the National Insurance Institute together with the government starting in 2017, is designed to reduce asset poverty. The lack of assets affects persistent poverty, in part because of the difficulty of investing in human capital such as the education and vocational training of young people from disadvantaged economic levels. The "Saving for Every Child" program as implemented in Israel does not include a direct intention to invest in human capital, but leaves the decision regarding the use of money in the hands of the parents and the child. In time it will be possible to examine to what extent this affects the use of the money.

2. Poverty in Israel by International Comparison

The method of calculating the dimensions of poverty of the OECD is similar to the method developed by the National Insurance Institute and implemented in Israel – both define the median disposable financial income as an indicator of the standard of living and define it as the poverty line. However, there are certain differences, which relate mainly to the calculation of the equivalence scale which differs between the two forms of calculation²⁹.

The source of the data for the calculation of poverty in all OECD countries, including Israel, is household surveys with data on income, which are usually conducted by the Central Bureaus of Statistics. Therefore, the OECD calculations for Israel are based on the same data as the National Insurance calculations.³⁰

Diagram 12 with its three parts presents the incidence of poverty among individuals by 50% of the median income per standard person, the most current available for each OECD member country (from 2012-2016; in Israel – from 2017). The first diagram shows the incidence of poverty of individuals according to disposable financial income, and the second diagram according to economic income. The third diagram shows the state of child poverty (according to disposable income).

In Israel's self-comparison to the previous year, the incidence of poverty of individuals calculated in the OECD method of calculation increased by 0.1 percentage point, from 17.8% in 2016 to 17.9% in 2017 (Appendix 11). Despite the ongoing improvement in recent years, when comparing the incidence of poverty as shown in the first diagram, Israel remains at the top of the scale: the decline in the incidence of poverty in Israel in recent years, due to a variety of factors, including an improvement in employment rates, a real increase in the average wage and in the minimum wage, and even an increase in old-age and child allowances, did not succeed in improving Israel's ranking in an international comparison.³¹ This is because in other countries changes have occurred that cannot be reviewed in this report. In Mexico, where in certain years Israel was placed below it the in the poverty level, between 2012 and 2014 there was a significant decline of 2.2 points in the number of poor individuals. In 2017, the incidence of poverty among children, which according to the OECD definition is 23.8%, is also situated at the upper end of the scale in this comparison, while only in Turkey is the incidence of poverty among children higher.

Compared with the calculation obtained according to disposable income (the first diagram), a comparison of the incidence of poverty among the OECD countries according to economic income (the second diagram), which stems from the labor market and the capital market, indicates low poverty in Israel compared to OECD countries – the incidence of poverty is 23.0%, approx. 5% less than the average among the countries in the comparison. This shows that the problem of poverty in Israel is first and foremost a problem of government intervention that is too small compared to the situation in OECD countries.

Diagram 12 with in its three parts shows therefore that in addition to the differences between the developed countries in the level of poverty prior to government intervention, there is considerable variation in the extent of their intervention in the distribution of income. The poverty diagrams by economic income and disposable income show an interesting segmentation of the countries on the two

²⁹ For further details, see the Appendix “Measuring Poverty and Data Sources”, which appears annually in the appendix to the annual report of the National Insurance Institute.

³⁰ In 2012, the OECD made a slight change to the definition of the calculation to include some of the income in kind in the disposable income, and mainly deducted forced savings components such as pension contributions and the payment of alimony to other families from the income. This year, unlike previous years, the calculation method of the dimensions of poverty was adjusted to the OECD's calculation method. Therefore, all tables including the OECD indices were calculated according to the new form of calculation. It should be noted that there is still a small difference between the data that appear here and those that appear in the OECD data and were calculated by the Central Bureau of Statistics.

³¹ The break in the series in Israel also did not affect Israel's ranking. It is possible that the change in the definition of disposable income in the OECD also affected the widening of the gap between Israel and the OECD countries in Israel's vicinity.

axes: the countries on the left-hand side of the diagram with low economic poverty rates fall into two categories: on the one hand, countries with a **generous** welfare system, fairness in labor relations, high rates of unionizing and fair wages, such as Iceland, the Netherlands, Denmark, Sweden and Norway. On the other hand, countries with a limited welfare system or low-level allowances, less fair labor relations, and lower rates of unionizing, with Israel belonging to the second category. In countries that have a generous welfare policy, the **dimensions of poverty** remain low **even after intervention**. On the other hand, in countries of the other type, poverty rates according to **disposable income** are among the highest, such as Turkey, Mexico, the United States and **Israel**. It can be concluded that the lower economic poverty rates in countries belonging to the second category reflect the economic insecurity of poor families due to the limited welfare system. Therefore, some of the responsibility for forcing families living in poverty to work at low wages is due to the lack of economic security derived from a very limited welfare policy. Other reasons for this situation are unfair (even if legal) employment patterns, such as employment based on hourly wages and not a monthly wage on a large scale, employment of workers at minimum wage even if they have education and skills in their profession, and low compliance with the minimum wage law, low unionization and more.

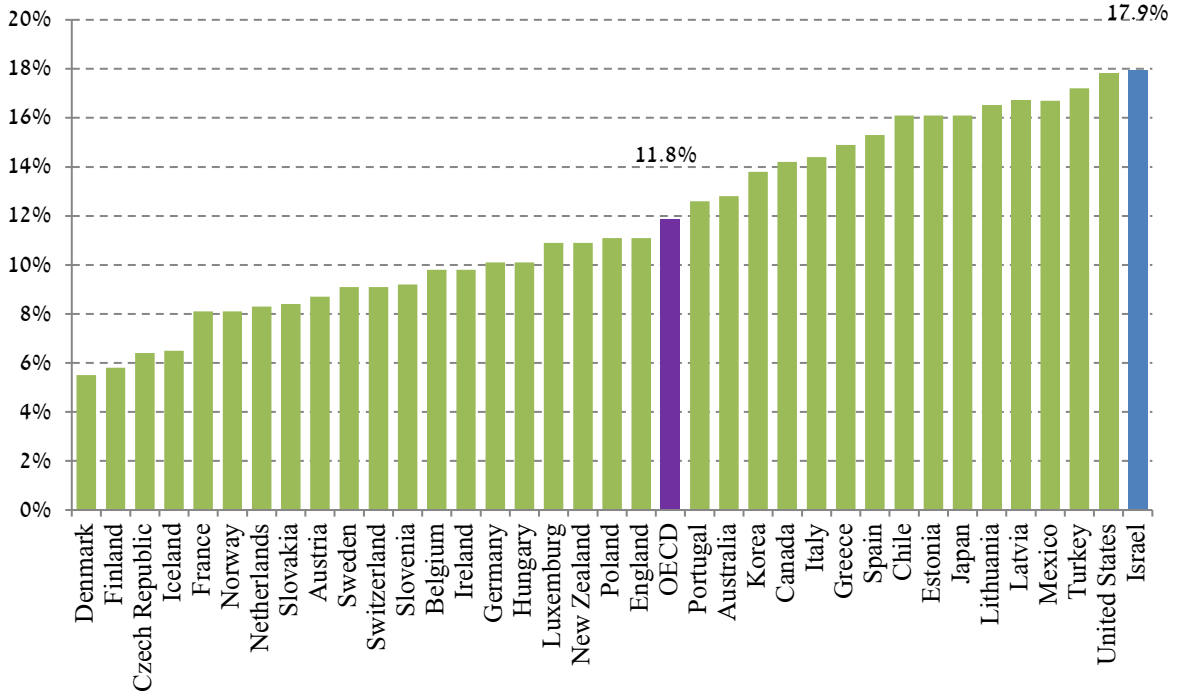
The incidence of poverty for various groups of families, individuals, children and the elderly according to the OECD calculation approach is presented in Appendix 11, **שגיאה! מקור ההפניה לא נמצא.** and Appendix 11 where the poverty line is defined as 50%, 40%, and 60% of the disposable income, respectively. According to this method of calculation, no significant change was recorded in the poverty rates this year among most population groups, similar to the official incidence of poverty presented in Table 8. Since the equivalence scale used in the OECD approach includes an advantage for large households compared to the Israeli scale, the incidence of poverty among large families is less compared to the official Israeli index. As a result, the dimensions of poverty among children are much lower than those according to the Israeli equivalence scale, but for the same reason, the dimensions of poverty among the elderly are higher. By the same logic, the incidence of poverty among population groups with a high proportion of large families (Arabs, Haredim and others) is lower in this method than in the official incidence of poverty. For example, the incidence of poverty according to the OECD definition (50% of the median) and according to the official definition among Haredi families is 36.2% and 43.1%, respectively; among families with children, the incidence of poverty is 17.3% and 21.6%, respectively.

Despite the differences in the calculation variance, **the general trends in the analysis by population groups remain** also according to this calculation: the poorest population groups relatively are the Arab families, the Haredi families and the large families (which overlap to a certain extent), families in which the head of the household has very low education (up to 8 years of education) and families with a working age non-working head of the household.

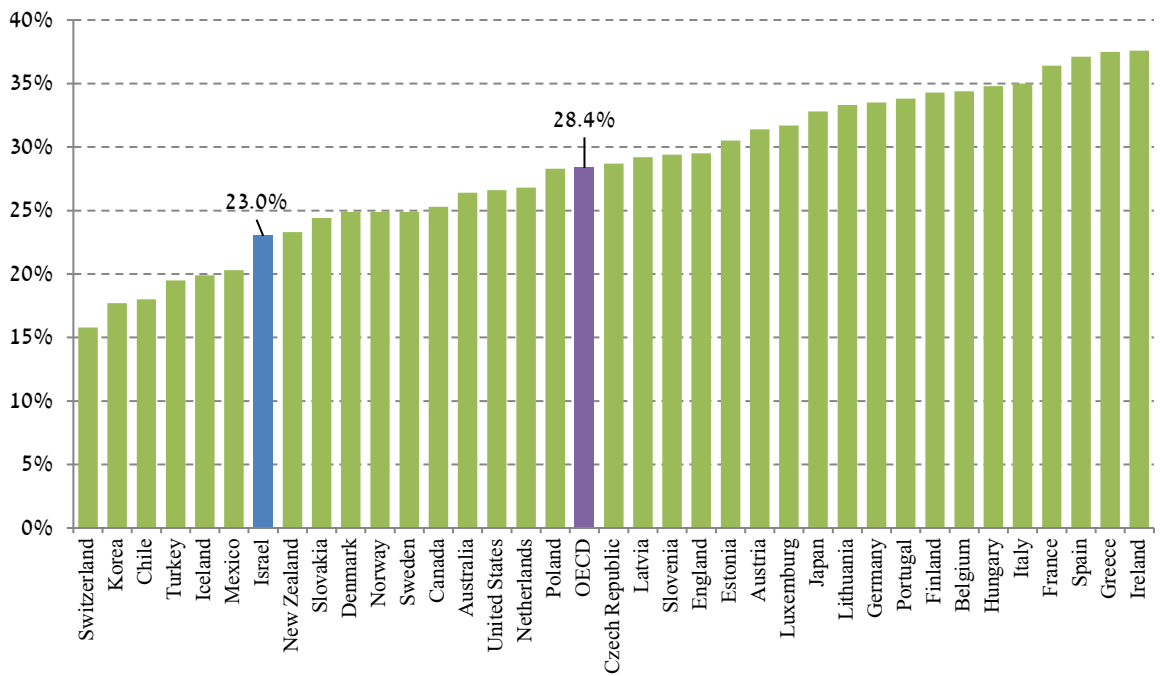
It should be noted that the worsening in the incidence of poverty according to the Israeli measurement, as opposed to **the improvement in the incidence according to the OECD method** of measurement, stems, among other things, from the fact that from 2012, the OECD equivalence scale gives a lower weight than the Israeli scale to large families and therefore reflects a lack of conformity to the conditions of the Israeli economy and society. This is because the rate of large families in Israel is significantly higher than in the OECD countries.³² Therefore, the worsening of the situation of families with children is given too low a weight according to the OECD's method of measurement compared with that obtained by the Israeli calculation method.

³² In the OECD method, the root of the family size is used as the number of standard persons – for example, a family of 9 will be considered a family of 3 standard persons, whereas in the Israeli scale the number of standard persons is 5.6 (see Table 2).

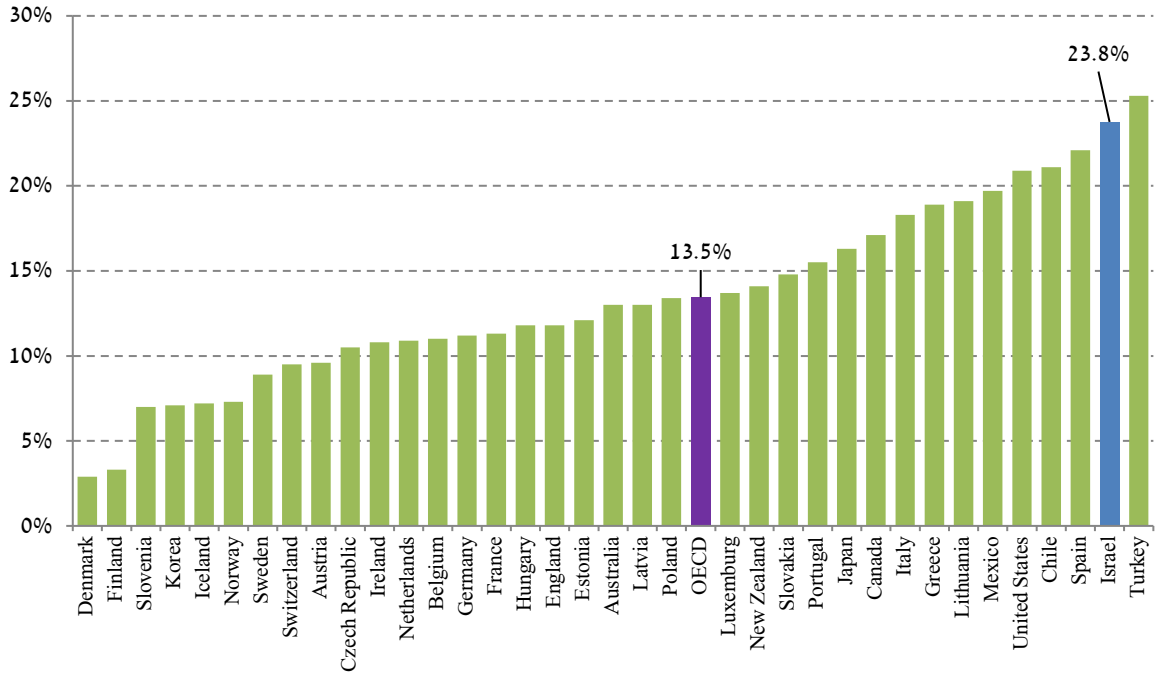
**Diagram 12: Poverty Rates among Individuals (50% of the Median Income), OECD countries and Israel, Various Years (2012-2016, Israel 2017), OECD Definition
By Disposable Income**



Incidence of Poverty of Individuals by Economic Income



Incidence of Poverty among Children by Disposable Income



3. Target for the Reduction of Poverty

The recommendation to set a target for the reduction of poverty has been brought to several governments in Israel on various occasions. For example, in 2003 the Bank of Israel emphasized the need to set a poverty target.³³ The government at the time did not respond to the proposal, but about 4 years later the Economic Council first repeated a similar recommendation, replacing it later with the multi-year poverty reduction target for 2008 to 2010, which was approved by the government in 2008. Towards 2010, when the target appeared to be unattainable, the government decided to extend the period for reaching the target to 2013. Between 2008 and 2013, we monitored the degree of achievement of the target in this report. The target set for the years 2008-2013 was ultimately achieved, mainly because of the significant decline in poverty rates in 2013. As described in the report for that year, the intensity of the decline in poverty in 2013 is questionable, and in any case the various governments did not take this goal seriously throughout the period.

In July 2014, the “Report of the Committee for the War on Poverty” was submitted to the government.³⁴ The report states that “the Committee’s goal is for **Israel to reach a poverty rate similar to the OECD average at that time (10.9%) within 10 years** and to reduce multidimensional aspects of the poverty”. The report also recommended that the goal of reducing poverty be addressed to the general population, and to the elderly and children in particular. With regard to the general population and to children, the Committee’s report recommended that this aim be determined in relation to the lower levels of poverty in the OECD countries and regarding the elderly, a target should be set in relation to “an adequate standard of living”. In addition, the Committee also recommended that the target also include the reduction of the depth and severity of poverty.

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

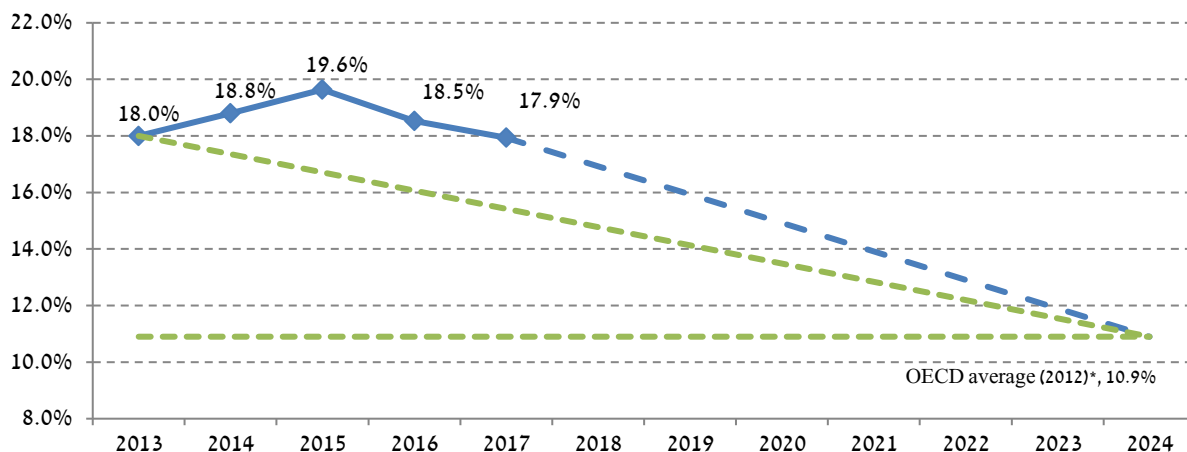
Diagram 13 presents the goal of the Committee for the War on Poverty: the average incidence of poverty among individuals in the OECD countries is 10.9% (as of 2012), and in order for this to be the incidence of poverty in Israel at the end of 10 years from the date the target was determined (2014), an average annual decline of less than one percentage point (approx. 0.6 percentage points) was required at the time, as shown with the broken line in the diagram that begins in 2013. The average incidence of poverty among children in the OECD countries is 13.0%, and in order for this to be the incidence of poverty in Israel at the end of 10 years, from 2014 an average annual decline of approx. 1 percentage point was required at the time.

The diagrams show that in the first two years since the publication of the Committee’s report, the incidence of poverty in Israel, according to the OECD definition, has strayed from the target path, but from 2016, the change was in the desired direction, albeit not at the desired intensity. Therefore, in order to meet the target a constant decline is required in the coming years as well, similar to 2016 and 2017. Regarding poverty among children, a more massive intervention is needed because it is necessary to increase the rate of decline in the incidence of poverty in order to achieve the target.

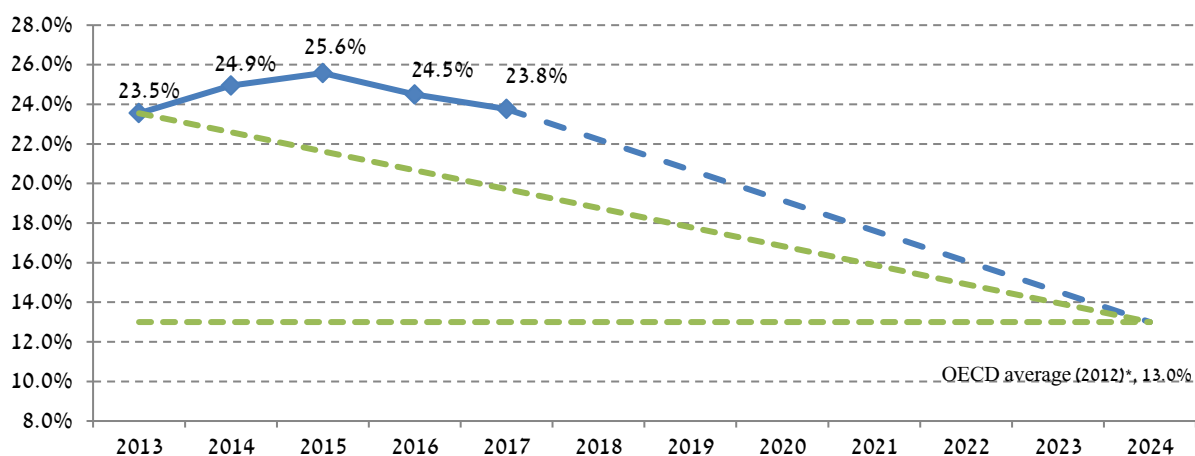
³³ See Gottlieb and Kasir (2003), p. 16, <http://www.boi.org.il/deptdata/papers/paper08h.pdf>.

³⁴ See Report of the Committee for the War on Poverty in Israel (“The Allalouf Committee”), Part 1, p. 9, <http://www.milhamabaoni.org>.

Diagram 13: Goals of the Committee for the War on Poverty, the Incidence of Poverty in Israel, and the Paths of Change Required to Achieve the Aspiration
 (Incidence of Poverty of Individuals according to the OECD Definition)



Incidence of Poverty of Children according to the OECD Definition



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

This report did not reflect changes in **policy measures made after 2017**. Therefore, the data do not yet reflect the impact of a number of policy measures taken in 2018 that are expected to lead to a reduction in the dimensions of poverty and inequality in the population in the coming years.

- In December 2017, another **increase in the minimum wage** was carried out by a rate of 6% to NIS 5,300 per month. This increase is expected to be reflected in 2018. That is, in 2018 the minimum wage will be raised by another approx. 5.5% in addition to increases of 6% on average in 2017 and 3.6% in 2016. This measure is expected to continue the trend of reducing the dimensions of poverty and inequality among the working population, of which more than a third earns less than the minimum wage.
- A series of policy measures to **improve the situation of the senior citizen (elderly) population** implemented between 2015 and 2018 is expected to affect the dimensions of poverty and inequality in 2018: the Arrangements Law for 2017-2018 stipulates that the benefit will be gradually increased over two years in various amounts according to family composition and age group. In 2018, the second phase of increasing the benefits of the elderly and survivors will begin for those who will be entitled to an additional income supplement. The supplement will be in amounts between NIS 31 and NIS 113 per family. In addition, the Income Support Law was changed, so that the amount not taken into account in the work income test (the “disregard”) was raised by 1.5% of the average wage to 21.5% for an individual and 25.5% for someone who is not an individual. In addition, **the seniority supplement was increased for each year of insurance for those receiving old-age allowances**, which may affect housewives who worked only a few years (less than 12 years), new immigrants and other groups for whom the mandatory pension law was enacted at a later stage of their professional careers or women who had not worked enough years. Finally, the conversion of the long-term care benefit into a cash benefit starting in mid-2018 is also expected to affect the families' current income.

Appendices

Appendix 1: Incidence of Poverty 1998-2017 With and Without East Jerusalem

Year	Incidence of Poverty (Percentages)					
	Including East Jerusalem			Jerusalem Not Including East		
	Families	Individuals	Children	Families	Individuals	Children
1998	17.4	17.5	21.8			
1999	18	19.5	26	17.8	18.8	24.9
2000				17.5	18.8	25.2
2001				17.7	19.6	26.9
2002	18.1	21	29.6	17.7	20	28
2003	19.3	22.4	30.8	19.2	21.5	29.4
2004	20.3	23.6	33.2	20.3	23.2	32.5
2005	20.6	24.7	35.2	20.3	23.7	33.8
2006	20	24.5	35.8	20.2	23.9	34.6
2007	19.9	23.8	34.2	19.5	22.8	33.2
2008	19.9	23.7	34	19.6	22.7	32.5
2009	20.5	25	36.3	20	23.8	34.4
2010	19.8	24.4	35.3	19.3	23.1	33.6
2011	19.9	24.8	35.6	19.3	23.2	33.4
2012	19.4	23.5	33.7	18.6	21.8	31.3
2013	18.6	21.8	30.8	17.9	20.2	28.4
2014	18.8	22	31	17.9	20.2	28.5
2015	19.1	21.7	30	18.1	19.9	27.6
2016	18.5	21.9	31	17.8	20.3	28.9
2017	18.4	21.2	29.6	17.4	19.4	27.1

Appendix 2: Number of Poor Families, Individuals and Children by Disposable Family Income, 2016 and 2017

	2016				2017			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	462,100	1,802,800	838,500	166,900	466,400	1,780,500	814,800	176,100
Population group of head of household:								
Jews	282,000	941,700	431,300	118,800	291,700	929,400	410,300	126,900
Haredim (according to subjective definition)**	68,800	430,800	268,500	-	72,100	426,900	265,800	-
Immigrants	83,300	222,600	82,600	51,100	91,900	231,900	81,200	55,300
Arab	180,100	861,200	407,100	48,100	174,600	851,100	404,500	49,100
Families with children – total	258,100	1,460,700	838,500	15,600	248,000	1,425,900	814,800	13,500
1-3 children	160,800	707,800	328,100	-	151,400	681,400	316,700	9,500
4 or more children	97,200	753,000	510,400	-	96,700	744,500	498,100	-
5 or more children	57,700	506,200	352,300	-	53,800	464,900	326,500	-
Single-parent families	36,900	156,300	84,500	-	35,500	150,600	80,600	-
Population groups of head of household:								
Working	271,100	1,362,500	701,300	28,100	256,900	1,299,700	671,300	20,600
Employee	232,700	1,165,300	589,100	24,100	220,600	1,117,100	572,100	16,800
Self-Employed	38,400	197,200	112,200	-	36,200	182,400	99,000	-
Working age non-working	83,800	275,900	129,100	-	88,900	291,700	136,800	-
One wage earner	206,400	958,500	502,500	21,500	187,900	889,100	477,700	14,600
Two or more wage earners	64,700	404,000	198,800	-	69,000	410,700	193,600	-
Age group of working age head of household:								
Head of household up to age 29	90,800	357,300	135,100	-	100,400	380,300	139,900	-
Head of household age 30-44	168,500	894,100	543,700	11,900	149,100	836,300	527,300	-
Head of household age 45 - retirement age	95,400	382,600	151,400	6,400	98,400	378,700	140,800	6,800
Age group of retirement age head of household:								
Elderly head of household**	115,400	185,500	-	143,200	125,600	201,600	7,600	157,600
Head of household at legal retirement age***	107,400	168,800	-	142,100	118,500	185,200	-	155,600
Education groups of head of household:								
Up to 8 years of education	81,700	246,100	83,200	61,000	91,600	262,200	82,300	68,100
9-12 years of education	201,600	863,100	409,900	53,300	197,700	855,400	407,200	55,300
13 or more years of education	178,800	693,600	345,400	52,600	177,000	663,000	325,300	52,700

* According to the classic approach: the type of school last attended by interviewee

** According to the subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

**** The definition was adjusted to the retirement age according to the Retirement Age Law. Therefore, this population is not fixed, until the process of raising the retirement age is completed.

Appendix 3: Incidence of Poverty of Individuals by Population Group, Percentages, 2016-2017

	Income before Transfer Payments and Taxes		Income after Transfer Payments and Taxes		Rate of Decline in Incidence of Poverty after Transfer Payments and Taxes (Percentages)	
	2016	2017	2016	2017	2016	2017
Total population	28.9	28	21.9	21.2	24.2	24.3
Population group of head of household:						
Jews	22.4	21.6	14.3	13.9	36	35.8
Haredim (according to subjective definition)**	62.5	60.4	52.6	48.7	15.9	19.4
Immigrants	30.8	30.3	16.6	17.2	46.2	43.2
Arab	54.7	53.5	52	50.3	4.9	6.1
Families with children – total	31	29.5	27	25.6	12.9	13.2
1-3 children	21.6	20.5	17.7	16.5	17.9	19.5
4 or more children	57.1	55.5	52.8	51.9	7.5	6.5
5 or more children	68.3	66	65.7	62.2	3.8	5.7
Single-parent families	43.5	41.8	29.7	28.4	31.8	31.9
Population groups of head of household:						
Working	23.3	22.2	18.6	17.4	20	21.4
Employee	23.5	22.6	18.3	17.5	22.1	22.6
Self-Employed	21.7	19.9	20.6	17.2	5	13.5
Working age non-working	93.7	96.1	78.3	82.8	16.4	13.8
One wage earner	53	52.3	43.4	41.2	18.1	21.2
Two or more wage earners	10.4	9.9	7.9	7.8	24.1	21.7
Age group of working age head of household:						
Up to 30	32.8	34.6	25.1	25.9	23.3	25
Age 31-45	29.6	27.9	25.5	23.7	14	15
Age 46 to retirement age	19.3	17.9	15.5	14.9	19.8	17
Age group of retirement age head of household:						
Elderly head of household**	44.2	44.1	19.4	20.4	56.1	53.7
Head of household at legal retirement age***	47.6	47.3	20.4	21.6	57.3	54.3
Education groups of head of household:						
Up to 8 years of education	66.3	67	51.4	53.2	22.5	20.6
9-12 years of education	34.3	32.8	26.6	26.1	22.5	20.4
13 or more years of education	21	20.5	15.4	14.3	26.8	30.1

* According to the classic approach: the type of school last attended by interviewee

** According to the subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

**** The definition was adjusted to the retirement age according to the Retirement Age Law. Therefore, this population is not fixed, until the process of raising the retirement age is completed.

Appendix 4: Income Gap Ratio among Families by Type of Family, 2016 and 2017 (Percentages)

	Income before Transfer Payments and Taxes		Income after Transfer Payments and Taxes		Impact on the Income Gap among Poor People Only	
	2016	2017	2016	2017	2016	2017
Total population	54	55.6	33.7	35.2	39.2	39.1
Population group of head of household:						
Jews	55.2	56	31.6	31.1	46.1	48.6
Haredim (according to subjective definition)**	54.4	53.9	33.5	33.7	39.8	41.2
Immigrants	61.3	64	31.3	28.7	52	56.2
Arab	52.1	54.9	36	39.7	30.7	27.6
Families with children – total	48.7	50.7	34	35.9	32.2	31.5
1-3 children	44.4	47	30.8	31.5	33.2	35.1
4 or more children	53.2	54.7	36.9	39.8	31.3	28.6
5 or more children	55.3	58.3	37.9	42.3	31.5	28.4
Single-parent families	54.7	56.8	35.1	35.7	44.3	46.6
Population groups of head of household:						
Working	40.1	41.3	29.9	31.4	28.7	27.4
Employee	40.1	41.5	29.6	31.2	30.2	29
Self-Employed	40.1	40.3	31	32.8	18.7	16.3
Working age non-working	95.9	96.6	55.8	56	42.8	42.6
One wage earner	45.2	46.2	32.9	34.7	29.3	28.5
Two or more wage earners	29.1	30.9	22.6	24.4	26.6	23.9
Age group of working age head of household:						
Up to 30	47.8	49.3	32.1	34.8	38.7	37
Age 31-45	48.3	51.2	33.9	36.6	31.1	30.5
Age 46 to retirement age	53.9	54.2	37.4	36.4	32.6	32.3
Age group of retirement age head of household:						
Elderly head of household**	75.3	75.4	28.6	29.1	69.2	68.8
Head of household at legal retirement age***	76.4	75.8	28	27.7	70.6	70.7
Education groups of head of household:						
Up to 8 years of education	68.4	71.4	37	41.6	47.8	45.1
9-12 years of education	51.1	50.6	35.4	35.2	33.1	32.5
13 or more years of education	52.6	55.8	30.5	32.7	42.7	43.5

Appendix 5: Effect of Transfer Payments³⁵ and Direct Taxes on Income Inequality, 2016 and 2017

* Decile	** The Share of Each Decile in Total Income (%)					
	Before Transfer Payments and Taxes		After Transfer Payments		After Transfer Payments and Taxes	
	2016	2017	2016	2017	2016	2017
Lower	0.3	0.3	1.9	1.8	2.2	2.1
2	2.2	2.2	3.3	3.3	3.7	3.8
3	3.7	3.8	4.5	4.6	5.1	5.2
4	5.2	5.4	5.8	6	6.4	6.6
5	6.9	7	7.2	7.3	7.8	7.9
6	8.5	8.8	8.7	8.8	9.3	9.4
7	10.7	10.8	10.4	10.6	11	11.1
8	13.4	13.5	12.8	12.9	13	13
9	17.6	17.4	16.5	16.3	15.9	15.8
Upper	31.6	30.9	29	28.4	25.6	25.1
Ratio between the Incomes of the Upper and Lower Quintiles	19.6	19.9	8.8	8.8	7.1	7

³⁵ This analysis is lacking because some of the transfer payments are not reported and therefore are not included here. For example, there is no reporting of tax benefits, especially in the area of savings. In addition, information regarding grants to the business sector under the Encouragement of Capital Investments Law is missing. The missing information, if it would have been accessible as part of the income or expenditure survey, would probably have altered the share of the highest deciles in the national income.

Appendix 6: Percentage of each Quintile in Total Income and Mandatory Payments, 2016-2017

Source/Type of Income	2016						2017					
	Total	1	2	3	4	5	Total	1	2	3	4	5
From work	100	4.6	10.7	17.2	25.6	42	100	4.3	11	17.4	25.3	42
From pension, provident funds and capital	100	9.2	11.9	16.5	22.9	39.6	100	8.9	11.9	16.9	22.6	39.7
From allowances and support	100	20.9	21.1	18	18.7	21.3	100	22	21.9	19.1	17.1	19.9
Payments from National Insurance Only	100	22.6	21.8	19.1	18.7	17.8	100	23	22.3	19.6	16.3	18.7
Payments from Government Institutions Only	100	19.4	19.3	14.3	18.9	28	100	21.4	24	16.8	18	19.7
Payments from Households and Individuals Only	100	12.4	19.8	16.7	19.6	31.5	100	16.4	17.2	18.5	21.7	26.1
Mandatory payments	100	2.4	5.7	11.1	22.7	58.1	100	2.3	5.8	11.6	22.7	57.6
Income Tax	100	0.5	3.1	8.4	21.1	66.9	100	0.5	3.1	9	21	66.3
National Insurance	100	3.2	7.5	13.7	25.4	50.3	100	2.7	7.4	14.1	25.6	50.2
Health Insurance	100	7.5	11.6	16.9	25.2	38.8	100	7.2	12.1	17.3	24.8	38.5
Net per family	100	6.9	12.6	18	24.8	37.8	100	6.7	13	18.2	24.3	37.9
Gross per family	100	6.1	11.3	16.8	24.4	41.4	100	5.9	11.7	17.1	24	41.3
Economic per family	100	4.2	10.1	16.6	25.2	44	100	3.9	10.4	16.8	24.9	43.9

* The quintiles were classified according to disposable income per standard person; each quintile consists of 20% of the families.

Appendix 7: Source and Type of Income and Mandatory Payments by Quintiles*, 2017 and the Real Change Compared to 2016

Source/Type of Income and Mandatory Payments	Income (NIS per Month)							Real Change Compared to 2016, Percentages					
	Average	1	2	3	4	5	Ratio between the Upper and Lower Quintiles	Average	1	2	3	4	5
From work	15,860	3,380	8,760	13,760	20,080	33,290	9.8	5.1	3-	8.7	6.3	4.1	5.1
From pension, provident funds and capital	2,010	150	600	1,280	2,190	5,850	39	2.3	28.1	2	4.5	0.8-	2.6
From total support and allowances	2,180	2,400	2,380	2,070	1,860	2,170	0.9	0.7	6.3	4.5	6.4	8-	-5.6
Payments from National Insurance Only	1,660	1,910	1,850	1,620	1,350	1,550	0.8	2.8	4.6	5.4	5.6	-10.2	8
Payments from Government Institutions Only	270	290	320	230	240	270	0.9	4.9-	4.7	17.9	12.4	9.7-	33.1-
Payments from Households and Individuals Only	250	200	210	230	270	320	1.6	3.2-	28	15.6-	7.1	6.8	19.8-
Total Mandatory Payments	3,510	400	1,010	2,040	3,980	10,110	25.3	4	1-	5.9	8.8	3.6	3.2
Income Tax	2,130	60	340	950	2,240	7,050	117.5	4	14.3	5.7	11.2	3.7	3.1
National Insurance	680	90	250	480	860	1,700	18.9	3.4	13.5-	2.4	6.3	4.1	3.2
Health Insurance	710	260	430	610	880	1,360	5.2	4.4	0.8	8.1	7.2	3.1	3.7
Net per family	16,520	5,510	10,700	15,020	20,100	31,260	5.7	4.5	1.5	7.8	5.9	2.5	4.6
Gross per family	20,030	5,910	11,720	17,070	24,080	41,370	7	4.4	1.2	7.7	6.2	2.7	4.3
Economic per family	17,770	3,480	9,290	14,910	22,130	39,040	11.2	4.8	2.3-	8.9	6.2	3.7	4.8
Net per standard person	6,390	1,900	3,790	5,500	7,580	13,160	6.9	3.4	4.6	6.3	5.3	4.5	1.1
Gross per standard person	7,690	2,030	4,100	6,180	8,920	17,220	8.5	3	4.3	6.1	5.6	4.5	0.6
Economic per standard person	6,680	980	3,010	5,230	8,050	16,130	16.5	3.3	1.2-	8.4	5.2	5.8	0.9

Appendix 8: Expenditures by Quintiles, Real Rates of Change and Distribution of Expenditures, 2016-2017

	Average	1	2	3	4	5
Expenditure per month in NIS, 2017						
Consumption expenditure per standard person	6,330	3,770	4,740	6,040	7,130	9,960
Financial expenditure per standard person	5,040	2,890	3,750	4,830	5,670	8,050
Family consumption expenditure	16,160	10,250	12,990	15,930	18,420	23,200
Family financial expenditure	13,010	8,100	10,520	12,850	14,760	18,800
Real Change Compared to 2016						
Consumption expenditure per standard person	2.1	3	3.4	4.8	1.5	0
Financial expenditure per standard person	1.5	3.4	3	4	0.7	0.8-
Family consumption expenditure	2.2	1.5	4	5.3	0.1	1.3
Family financial expenditure	1.7	2.2	3.9	4.8	0.9-	0.3
Share of the expenditure in total expenditures						
2016						
Family consumption expenditure	100	12.8	15.8	19.2	23.3	29
Family financial expenditure	100	12.4	15.8	19.2	23.3	29.3
2017						
Family consumption expenditure	100	12.7	16.1	19.7	22.8	28.7
Family financial expenditure	100	12.5	16.2	19.8	22.7	28.9

Appendix 9: Expenditures by Quintiles, Distribution of Expenditures and Real Rates of Change, 2016-2017

	Average	1	2	3	4	5
Expenditure per month in NIS, 2017						
Consumption expenditure per standard person	9,471	5,890	7,378	9,154	10,626	14,305
Financial expenditure per standard person	9,402	5,834	7,352	9,108	10,545	14,168
Family consumption expenditure	16,267	9,950	12,670	15,943	18,597	24,171
Family financial expenditure	16,154	9,885	12,635	15,865	18,449	23,930
Real Change Compared to 2016						
Consumption expenditure per standard person	2.9	2.4	5.7	5.9	1.8	0.9
Financial expenditure per standard person	2.7	2.1	5.6	5.6	1.6	0.7
Family consumption expenditure	2.7	2.5	3.2	5.4	1.9	1.3
Family financial expenditure	2.5	2.4	3.2	5.2	1.6	1.1
Share of the expenditure in total expenditures – 2016						
Family consumption expenditure	100	12.3	15.5	19.1	23	30.1
Family financial expenditure	100	12.2	15.5	19.1	23	30
Share of the expenditure in total expenditures – 2017						
Family consumption expenditure	100	12.2	15.6	19.6	22.9	29.7
Family financial expenditure	100	12.2	15.6	19.7	22.8	29.6

Appendix 10: Financial Data by Quintiles according to the OECD Equivalence Scale Income by Source and Type, 2017 and the Real Change compared to 2016

Source/Type of Income	Income (NIS per Month)						Change Compared to 2016, Percentages					
	Average	1	2	3	4	5	Average	1	2	3	4	5
From work	10,752	2,770	5,156	8,002	11,783	21,454	4	1.7	6.3	7	5.4	2.7
From pension, provident funds and capital	10,477	4,967	3,886	5,343	7,189	13,454	2-	14.1-	21.1-	0.4-	1.8	3.2
From allowances and support	1,570	1,641	1,634	1,386	1,399	1,793	1.7	9.3	3.6	0.8	-1.6	4.2-
Mandatory payments	1,981	251	552	1,006	1,952	5,840	1.9	3.8-	13.3	10.2	4.1	1.7
Net per family	14,983	4,598	9,038	13,262	17,883	28,933	4.4	3.9	7	6.3	4.2	5
Gross per family	18,498	5,051	9,989	15,133	21,474	39,130	4.3	3	7	6.8	4.2	5
Economic per family	19,190	4,764	8,913	14,365	21,351	39,488	4.6	0.2-	6.5	7.6	5.8	5.5
Net per standard person	8,640	2,675	5,207	7,488	10,179	16,941	3.7	5.6	7.6	6	4.5	3
Gross per standard person	10,618	2,924	5,759	8,495	12,131	22,780	3.3	4.6	8.1	6.5	4.5	2.7
Economic per standard person	10,844	2,392	4,954	7,943	11,927	22,862	3.6	0.5	8	7.5	6.1	3.1

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

In Israel, median income is calculated on the basis of household income. In the OECD, median income is calculated on a per person basis, for each family member the average family income is presented. Another difference is rooted in the calculation of the economies of scale of household size. The meaning of this concept is as follows: The family expenditure increases with the number of persons; however, the increase is not proportional, but the larger the family, the smaller the required addition per person. The method of translation of the number of persons in the family to the number of standard persons (the “equivalence scale”) is different. For many years, the National Insurance Institute has used an equivalence scale based on the old Engel method, according to which families whose size is different, but the rate of expenditure on food from the total expenditure on consumption is the same – are equivalent from the aspect of family wellbeing, while the equivalence scale of the OECD is based on the root of family size³⁶ as an estimate of the number of its standard persons. Another difference lies in the fact that the OECD calculates the median income by persons rather than by families, which reduces the poverty line slightly compared to the calculation of the National Insurance Institute. All of these factors cause the OECD's poverty lines to be higher, but the incidence of poverty derived from them is lower than according to the Israeli definition in the general population.³⁷

It should be noted that as of 2012, the monetary value of self-produced household products – a component that may be of importance in countries with moderate or lower income – has been added to disposable income. In Israel, the volume of these products is minimal, and therefore the change does not affect the calculation for Israel.³⁸

³⁶ For example, the number of standard persons of a family of 4 is 2, and of a family of 9 is 3, and so on. This means that the poverty among large families, which are common in Israel, is lower according to the OECD calculation method, and the opposite is true for small families, such as the elderly and individuals. Initial results of research on this subject indicate that an approach that assumes equality in the standard of living of families according to a consumption basket, which includes essential items in addition to food, such as housing, clothing and footwear, results in an equivalence scale very similar to that obtained by the OECD method.

³⁷ The OECD calculates the dimensions of poverty in two other ways: for 60% and 40% of the median financial income – see Appendix 11, שגיאה! מקור ההפניה לא נמצא. and שגיאה! מקור ההפניה לא נמצא.

³⁸ Therefore, this report presents the findings regarding comparisons to the OECD countries according to the new definition only.

Appendix 11: Incidence of Poverty according to a Poverty Line of 50% of the Median Income according to the OECD Definition, 2016 and 2017

	2016				2017			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	17.4	17.8	23.3	19	17.4	17.9	23.8	18.7
Population group of head of household:								
Jews	13.3	11.8	14.9	15.8	13.4	11.9	15.1	15.6
Haredim (according to subjective definition)*	17.8	20.3	23.3	21.4	36.2	39	44	23.9
Immigrants	41.6	41.7	49.4	53.5	19.4	15.2	16.5	24.1
Arab	36.1	39	42.5	-	40.8	42	50.9	49.5
Families with children – total	13.6	13.6	14.4	-	17.3	20.2	23.8	15.1
1-3 children	37.6	38.9	39.7	-	12.6	12.7	13.8	-
4 or more children	46.9	47	47.5	-	39.9	42.1	42.6	-
5 or more children	22.1	24.1	27.9	-	49.9	50.7	51.5	-
Single-parent families	11.4	14	19.7	5.9	20.8	24.3	28.5	-
Population groups of head of household:								
Working	11	13.6	19.2	6.1	10.9	13.8	20	4.3
Employee	14	16.7	22.8	-	10.9	13.8	20.1	4
Self-Employed	68	75.1	82.5	-	11.4	13.8	19.7	-
Working age non-working	24.5	35.9	49.2	8.5	72.3	78.2	84.8	-
One wage earner	3.3	4.5	5.9	-	23.4	35.5	50.1	6.2
Two or more wage earners	18.5	17.8	27.1	-	3.7	5	6.7	-
Age group of working age head of household:								
Head of household up to age 29	16.4	20.1	24.4	10.3	21.8	20.8	32.1	-
Head of household age 30-44	12.6	12.9	17.8	6.2	14.3	19	24.3	-
Head of household age 46 to retirement age	24.3	21.4	-	22.2	12.8	13	17.7	6.7
Age group of retirement age head of household:								
Elderly head of household**	18.8	15.5	18.6	26.1	24.6	22.1	42.5	22.1
Head of household at legal retirement age***	25.5	22.8	-	22.7	25.6	23.3	-	22.7
Education groups of head of household:								
Up to 8 years of education	44.5	45.9	62.7	42.4	49	50.2	63.4	44
9-12 years of education	19.9	21.9	32.4	16.3	19	21.3	33.2	16.6
13 or more years of education	12.2	12	15	13.5	12.2	12.1	15.3	12.3

* According to the subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

*** The definition was adjusted to the retirement age according to the Retirement Age Law. Therefore, this population is not fixed, until the process of raising the retirement age is completed.

Appendix 12: Incidence of Poverty according to a Poverty Line of 40% of the Median Income according to the OECD Definition, 2016 and 2017

	2016				2017			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	11.5	11.2	14.8	11.9	11.3	11.6	15.4	10.8
Population group of head of household:								
Jews	8.8	7.4	9	10.1	8.2	6.9	8.6	8.3
Haredim (according to subjective definition)**	22.9	23.9	25.6	-	22.1	22.9	25.6	-
Immigrants	11.2	9.4	12.6	13.4	10.9	8.4	10	11.1
Arab	27.4	26.6	32.6	31.5	29.6	30.1	36.5	36.2
Families with children – total	11.1	12.6	14.8	-	11	13	15.4	-
1-3 children	8.1	7.9	8.5	-	7.9	8	8.6	-
4 or more children	25	25.6	26.2	-	25.9	27.6	28.2	-
5 or more children	30.4	30	30.7	-	34.2	35.3	35.7	-
Single-parent families	14.4	15.3	18.6	-	12.5	14.2	17.6	-
Population groups of head of household:								
Working	6.3	7.6	11.1	2	6.2	7.9	11.5	-
Employee	6.1	7.4	10.8	2	6	7.7	11.2	-
Self-Employed	7.8	9.2	12.5	-	7.5	9.3	13	-
Working age non-working	62.7	67.5	73.7	-	64.1	70.6	78.1	-
One wage earner	14.4	21.4	30.5	2.9	14.3	21.9	31.2	-
Two or more wage earners	1.3	1.6	2	-	1.5	2.2	2.8	-
Age group of working age head of household:								
Head of household up to age 29	13	11.5	17.4	-	14.8	12.4	17.1	-
Head of household age 30-44	9.5	11.6	14.5	-	9.1	12.5	16.2	-
Head of household age 46 to retirement age	9.4	9.2	13.2	-	8.9	8.8	11.7	-
Age group of retirement age head of household:								
Elderly head of household**	16.3	14.6	-	14.7	15.2	14.1	-	13.2
Head of household at legal retirement age***	16.9	15.5	-	15	15.7	14.5	-	13.5
Education groups of head of household:								
Up to 8 years of education	32.6	33.5	46.8	30	34.8	35.8	46.4	29.9
9-12 years of education	12.9	13.8	21	10.2	12.1	14.2	23.1	8.4
13 or more years of education	7.8	7.1	8.6	7.5	7.7	7.1	8.5	6.7

* According to the subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

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

Appendix 13: Incidence of Poverty according to a Poverty Line of 60% of the Median Income according to the OECD Definition, 2016 and 2017

	2016				2017			
	Families	Individuals	Children	Elderly	Families	Individuals	Children	Elderly
Total population	23.7	24.3	31.3	26	23.3	23.9	30.8	24.8
Population group of head of household:								
Jews	18.9	17.3	21.8	22.7	18.7	16.9	21.3	21.7
Haredim (according to subjective definition)**	47.5	51.5	55.7	26.5	47.8	51.8	57.7	28.1
Immigrants	27.5	22.3	24.6	41.1	28.7	23.1	25.8	36.9
Arab	51.7	52.3	60.7	62.1	50	51.5	60.8	55
Families with children – total	24.8	27.7	31.3	27.8	23.3	26.8	30.8	19.9
1-3 children	19.9	19.7	20.8	21.6	18	18.1	19.5	15.1
4 or more children	47.6	50	50.5	-	49.4	51.9	52.3	-
5 or more children	60	61.5	61.1	-	61.3	62.3	62.8	-
Single-parent families	30	32.2	36.9	-	30.7	33	38.2	-
Population groups of head of household:								
Working	16.9	20.3	27.9	10.8	16	19.5	27.1	7.5
Employee	16.4	19.8	27.2	11.5	16.1	19.7	27.5	7.6
Self-Employed	20.3	23.4	32.1	-	15.5	18	25.1	-
Working age non-working	76.5	81.4	87.1	-	79.5	85	91.2	-
One wage earner	33.9	47.3	62.9	15	32.3	46.1	62.4	11.5
Two or more wage earners	6.4	8.6	11.5	4.7	6.5	8.6	11.5	-
Age group of working age head of household:								
Up to 30	25.9	26.3	40.1	-	29.4	28.3	41.7	-
Age 31-45	22.6	26.9	31.8	14.5	19.7	25.5	31.8	9.8
Age 46 to retirement age	16.7	17.4	24.8	8.4	16.8	16.9	22.4	8.9
Age group of retirement age head of household:								
Elderly head of household**	32.5	28.7	-	30.1	32.4	28.5	46.8	29.1
Head of household at legal retirement age***	34.2	30.7	-	30.8	33.9	30.3	-	29.9
Education groups of head of household:								
Up to 8 years of education	55	55.8	71.9	52.6	57.2	57	69.3	52.8
9-12 years of education	27.3	29.7	43	22.3	26.1	28.5	42.5	21.7
13 or more years of education	17.1	17.1	21.2	20.3	17	17	21.2	18.3

* According to the subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

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

Appendix 14: Incidence of Poverty of Individuals by Economic Income and Net Income and the Effect of Transfer Payments and Direct Taxes, according to the OECD (half-median), 2016 and 2017

	Income before Transfer Payments and Taxes		Income after Transfer Payments and Taxes		Rate of Decline in Incidence of Poverty after Transfer Payments and Taxes (Percentages)	
	2016	2017	2016	2017	2016	2017
Total population	22.8	23	17.8	17.9	21.9	22.2
Population group of head of household:						
Jews	17.3	17	11.8	11.9	31.8	30
Haredim (according to subjective definition)**	44.3	43.4	39	39	12	10.1
Immigrants	25.5	25.7	15.5	15.2	39.2	40.9
Arab	44.5	46.6	41.7	42	6.3	9.9
Families with children – total	22.5	22.8	20.3	20.2	9.8	11.4
1-3 children	15.2	15.2	13.6	12.7	10.5	16.4
4 or more children	43	44.7	38.9	42.1	9.5	5.8
5 or more children	52.6	54.4	47	50.7	10.6	6.8
Single-parent families	31.7	32.2	24.1	24.3	24	24.5
Population groups of head of household:						
Working	16.8	16.8	14	13.8	16.7	17.9
Employee	17	17.2	13.6	13.8	20	19.8
Self-Employed	15.3	14.2	16.7	13.8	-9.2	2.8
Working age non-working	88.3	91.6	75.1	78.2	14.9	14.6
One wage earner	42.5	44	35.9	35.5	15.5	19.3
Two or more wage earners	5.6	5.7	4.5	5	19.6	12.3
Age group of working age head of household:						
Up to 30	24.1	26.5	17.8	20.8	26.1	21.5
Age 31-45	22.1	21.5	20.1	19	9	11.6
Age 46 to retirement age	14.9	15.1	12.9	13	13.4	13.9
Age group of retirement age head of household:						
Elderly head of household**	42.9	43.5	21.4	22.1	50.1	49.2
Head of household at legal retirement age***	46.8	46.6	22.8	23.3	51.3	50
Education groups of head of household:						
Up to 8 years of education	60.2	63.4	45.9	50.2	23.8	20.8
9-12 years of education	27.8	27.4	21.9	21.3	21.2	22.3
13 or more years of education	15.2	15.6	12	12.1	21.1	22.4

* According to the subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

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

Appendix 15: Distribution of Employees and Growth Rates in Total Employment by Industry (Percentages), 2016 and 2017

Industry	Rate Employed in the Industry						Employment Growth Rates in the Branch between 2016 and 2017		
	2016			2017			Total	Poor	Not Poor
	Total	Poor	Not Poor	Total	Poor	Not Poor			
Total	100	100	100	100	100	100	1.4	2.4-	1.8
Agriculture	0.7	--	0.7	0.7	--	0.7	5.6	--	1.7
Industry (Mining and Manufacture)	12	9.3	12.3	11.5	8.7	11.8	3-	9.1-	2.5-
Electricity and Water	1	--	1	1	--	1	2.2	--	0.8-
Building and Construction	4.8	10.3	4.2	4.9	12.4	4.2	4.4	16.7	1.2
Wholesale and Retail Commerce	11.8	12.5	11.7	11.5	11.6	11.5	1.1-	9.5-	0.2-
Hospitality and Food Services	4.5	5.8	4.4	4.5	5.3	4.4	0.9	9.4-	2.3
Transportation, Storage and Communications	9.1	7.1	9.3	9.8	7	10	8.6	3.9-	9.5
Business, Banking and Insurance Services	15	10.9	15.4	15	10	15.4	1.4	-10.5	2.3
Public Administration	11.9	5.5	12.6	11.8	6	12.4	0.9	7.1	0.6
Education	13.5	18.9	12.9	13.4	19.3	12.9	1.2	0.2-	1.4
Health, Welfare and Nursing Services	11	11.4	10.9	11.1	12.9	10.9	2.6	10	1.8
Community, Social and Other Services	4.8	6.6	4.6	4.8	4.5	4.8	1.3	34.5-	6.7

-- including "unknown industry" that was omitted from the list limited number of observations, it is marked ,

Appendix 16: The Wage as a Percentage of the Average Wage and its Changes, by Industry (Percentages), 2016-2017

Industry	Wage as a Percentage of the Average Wage of the Workers*:			Real Rate of Change in Employees' Wages between and		
	Total	Poor	Not Poor	Total	Poor	Not Poor
Total	100	42.3	105.6	3.9	1	3.8
Agriculture	102.8	--	117.7	34.6	--	46.9
Industry (Mining and Manufacture)	125.9	58.1	130.8	3.3	7.2	2.9
Electricity and Water	169.7	--	176.6	-6.1	--	4.3-
Building and Construction	88.9	50.6	100	-1.9	-10.5	0.8
Wholesale and Retail Commerce	83.5	43.4	87.4	4.2	5.3	3.6
Hospitality and Food Services	56.8	37.3	59.1	4.7	-1.7	4.8
Transportation, Storage and Communications	143.2	64.1	148.6	3	23.5	1.9
Business, Banking and Insurance Services	120	39	125.1	1.6	6.8	0.9
Public Administration	82.8	--	85.6	4.5	--	4.8
Education	87.4	40.4	94.3	2.5	8.2-	3.2
Health, Welfare and Nursing Services	87.5	34.3	93.6	2.4	13.1	2.5
Community, Social and Other Services	71	36.4	74.1	17.5	8.5-	16.8

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

Appendix 13: Distribution of Employees and Growth Rates in Total Employment by Occupation (Percentages), 2016-2017

Occupation	Rate Employed in the Occupation					
	2016			2017		
	Total	Poor	Not Poor	Total	Poor	Not Poor
Total	100	100	100	100	100	100
Academic Professionals and Managers	24.3	17.1	25.1	24.1	14	25.1
Professionals and Technicians	9.3	1.9	10	9.6	2.8	10.3
Clerical Workers	11.9	5.8	12.5	11.9	7.5	12.4
Sales and Service Workers	7.8	6.4	8	7.3	6.6	7.4
Skilled Workers	31.8	49.3	30	31.4	49.7	29.6
Unskilled Workers	5.9	13.6	5.1	6.4	12.5	5.8

* Also includes those with an "unknown" occupation

Appendix 18: Wage Rates and Changes by Occupation (Percentages), 2016-2017

Occupation	Wage as a Percentage of the Average Wage of the Workers*:			Real Rate of Change in Employees' Wages between and		
	Total	Poor	Not Poor	Total	Poor	Not Poor
Total	100	42.3	105.6	3.9	1	3.8
Academic Professionals and Managers	140.1	44.6	145.2	1.7	-5	0.9
Professionals and Technicians	175	60.8	178	0.9	0.5-	1.3
Clerical Workers	104.9	42	108.6	5.4	22.3	5.9
Sales and Service Workers	78.2	40.4	81.4	9.7	14.8	9.8
Skilled Workers	68.6	45	72.5	1.4	0.6-	1.5
Unskilled Workers	45.6	35.9	47.7	9.6	3.2	9.7

* Also includes those with an "unknown" occupation

Appendix 19: Income Range by Decile and Family Size – 2017, according to the Israeli Equivalence Scale

Decile	Individual (19%)**	Two Persons (25%)	Three Persons (15%)	Four Persons (16%)	Five Persons (14%)
1	2,525	4,040	5,353	6,706	7,575
2	3,645	5,832	7,727	9,681	10,935
3	4,775	7,641	10,124	12,684	14,326
4	5,741	9,186	12,171	15,249	17,224
5	6,846	10,954	14,514	18,184	20,539
6	8,090	12,943	17,150	21,486	24,269
7	9,384	15,014	19,894	24,924	28,152
8	11,196	17,913	23,735	29,736	33,587
9	14,475	23,159	30,686	38,445	43,424
10	167,196	267,514	354,456	444,074	501,589

* Maximum values reported in the survey

** Rate of family size in the general population

Appendix 20: The Dimensions of Poverty according to Selected Indices, 1998-2017

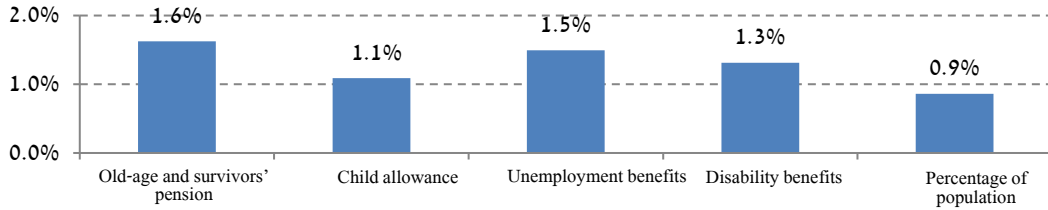
Index/ year	1998	1999	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
The Incidence of Poverty among Families	16.60%	18.00%	18.10%	19.30%	20.30%	20.60%	20.00%	19.90%	19.90%	20.50%	19.80%	19.90%	19.40%	18.60%	18.80%	19.10%	18.50%	18.40%	
The Incidence of Poverty among Individuals	18.00%	19.50%	21.00%	22.40%	23.60%	24.70%	24.50%	23.80%	23.70%	25.00%	24.40%	24.80%	23.50%	21.80%	22.00%	21.70%	21.90%	21.20%	
The Incidence of Poverty among Children	22.90%	26.00%	29.60%	30.80%	33.20%	35.20%	35.80%	34.20%	34.00%	36.30%	35.30%	35.60%	33.70%	30.80%	31.00%	30.00%	31.00%	29.60%	
The Incidence of Poverty among Elderly Individuals	16.10%	19.60%	15.50%	17.90%	20.20%	20.10%	17.90%	18.60%	18.50%	16.70%	16.50%	16.30%	17.10%	17.80%	17.80%	17.50%	16.30%	16.80%	
The Incidence of Poverty among Families whose Head is Elderly	18.70%	25.00%	17.00%	19.20%	25.60%	24.80%	21.70%	23.10%	23.10%	20.70%	19.90%	19.80%	24.10%	23.50%	24.10%	23.50%	21.60%	22.80%	
Income Gap Ratio	26.10%	25.80%	29.70%	30.50%	33.30%	33.10%	33.80%	34.30%	34.20%	35.50%	35.90%	34.70%	34.40%	32.80%	34.60%	35.70%	33.70%	35.20%	
Depth of Poverty in NIS*	NIS 407	435₪	NIS 500	NIS 517	NIS 579	NIS 597	NIS 637	NIS 675	NIS 671	NIS 702	NIS 734	NIS 711	NIS 782	NIS 779	842₪	NIS 897	881₪	NIS 962	
FGT Index for the Severity of Poverty	13.1	12.1	16.9	17.2	19.9	19.7	20.6	21	20.9	22.8	23	22	20.9	18.5	20.1	20.3	19.1	17.8	
Gini Index among the Poor	0.164	0.153	0.184	0.186	0.205	0.195	0.195	0.205	0.205	0.213	0.211	0.203	0.2	0.189	0.197	0.198	0.186	0.202	
SEN Index	0.069	0.072	0.09	0.097	0.111	0.114	0.115	0.114	0.097	0.113	0.123	0.12	0.119	0.111	0.099	0.105	0.105	0.101	0.103

* Distance between the poverty line and the average income of the poor per standard person at 2015 prices.

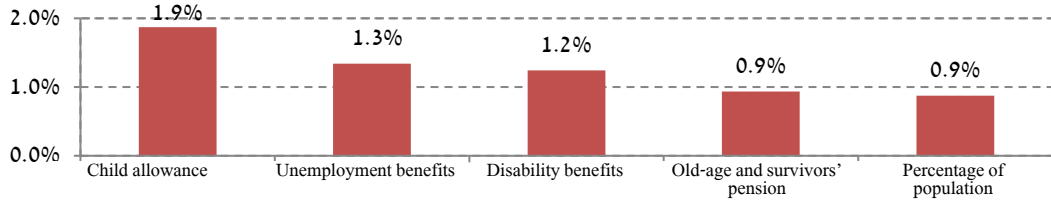
** Starting from 2016, the FGT index has been calculated for the severity of poverty for poor families only and not for all families as presented in the reports until now. In this way, the index reflects the severity of the poverty of the poor, similar to the depth of poverty index, by weighting according to the depth of poverty.

Appendix 21: Effect on the Incidence of Poverty of the Addition of Every NIS 100 Million to the Specific Allowance

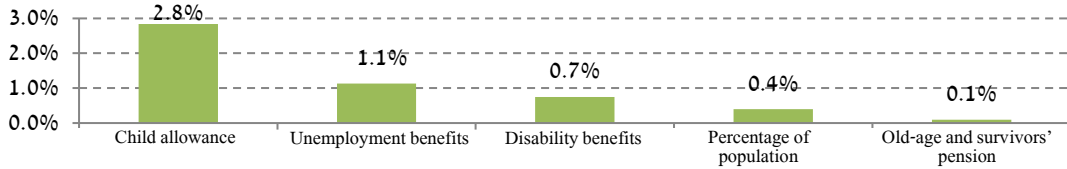
Effect on Poverty of Families



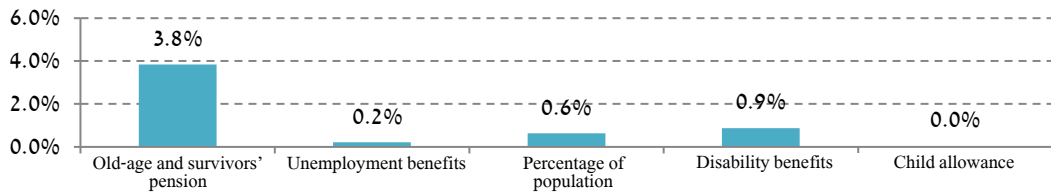
Effect on Poverty of Individuals



Effect on Poverty of Children

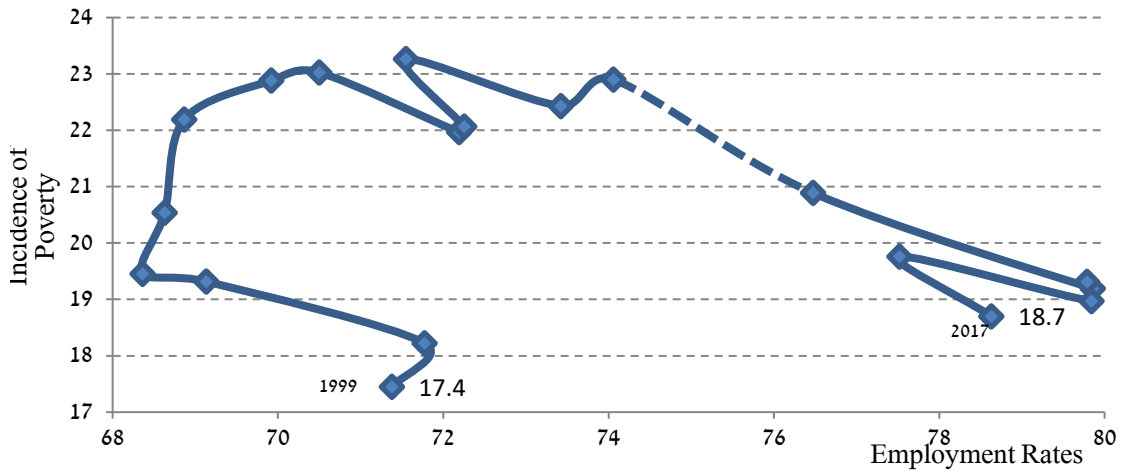


Effect on Poverty of the Elderly

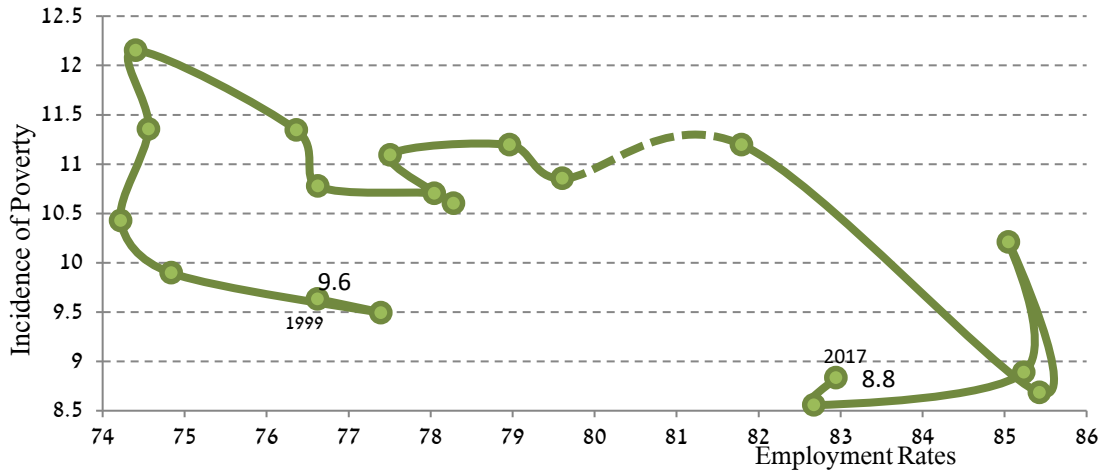


Appendix 22: Employment and Poverty Indices, 1999-2017

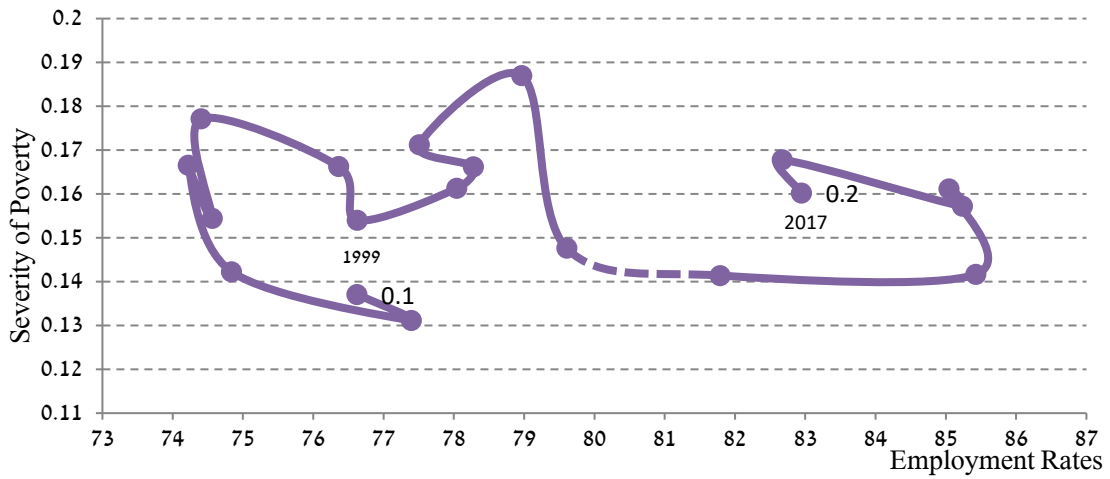
Employment and Incidence of Poverty – Total Population



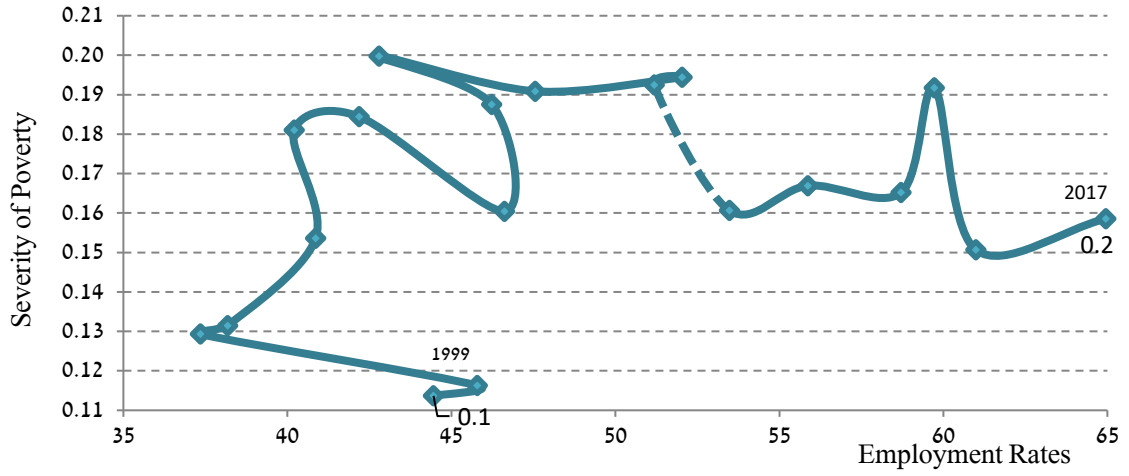
Employment and Incidence of Poverty – Non-Haredi Jews



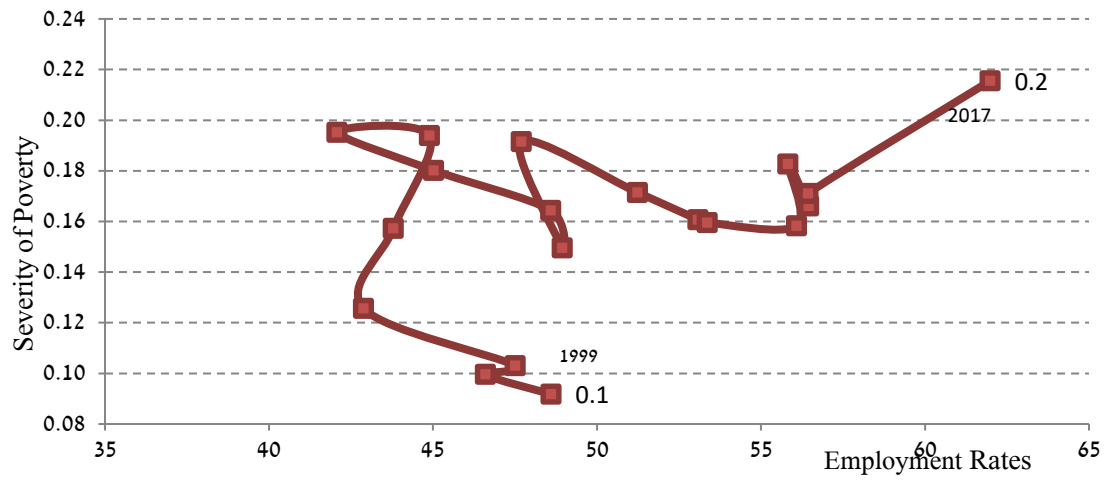
Employment and Severity of Poverty – Non-Haredi Jews



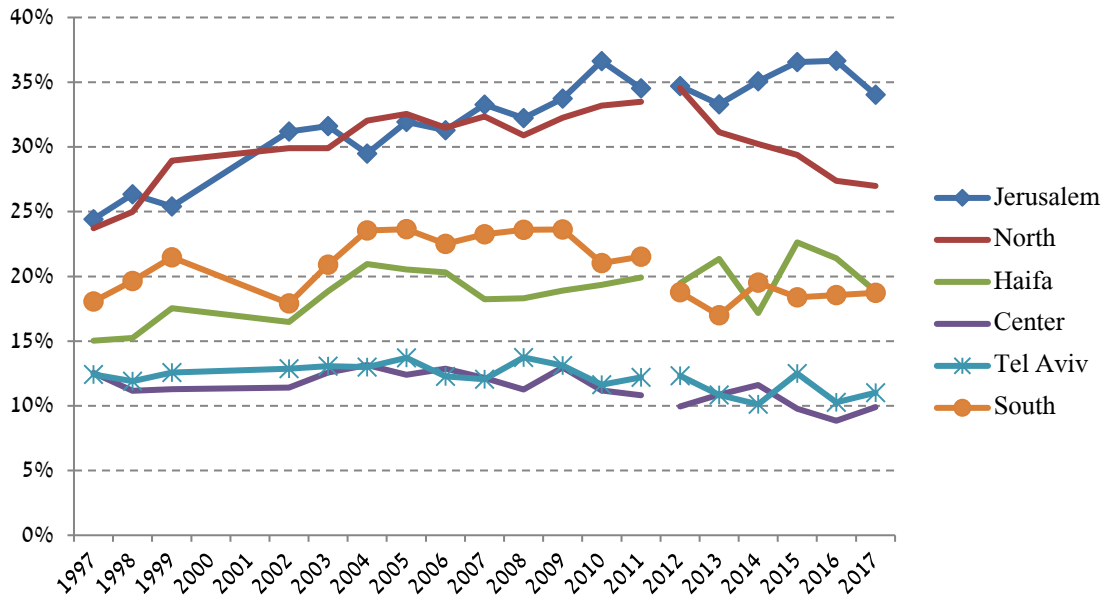
Employment and Severity of Poverty – Haredim



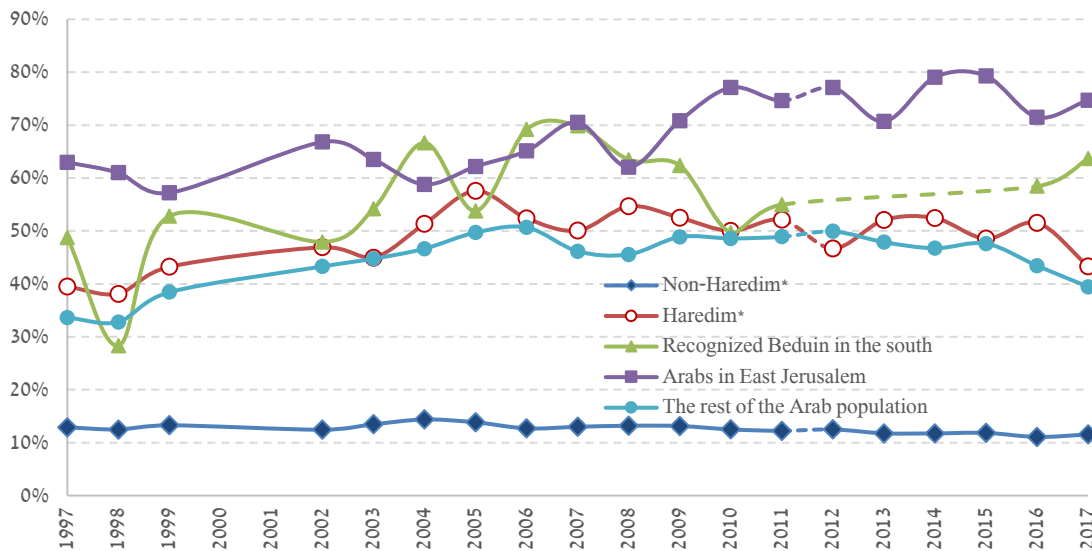
Employment and Severity of Poverty – Arabs



Appendix 23: Incidence of Poverty by District, 1997-2017



Appendix 24: Incidence of Poverty by Population Group, 1997-2017



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

Appendix 25: Rate and Scope of Households Receiving Work Grants (“Negative Income Tax”), by Population Group, 2017

Year		Households that Received a Work Grant			Average Amount of Income Grant	Rate of Decline in Poverty Indices (Percentages) as a Result of the Work Grant		
		Their Rate in the Population (Percentages)	Their Rate among Working Families (Percentages)	Absolute Number		Incidence of Poverty among Families	Depth of Poverty (among Poor Families)	FGT (among Poor Families)
2014	Total	2.61	1.9	37,537	827	0.2	0.7	0.8
	Jews	1.7	2	34,363	827	0.3	1.2	1.6
	Arabs	1	1.3	3,174	818	0	0.1	0.1
	Families with children	2.5	2.6	26,970	945	0.2	0.8	1
	Employee	2.1	2.1	33,924	740	0.4	1.1	1.3
	2015	Total	1.7	2.1	41,781	858	0.3	0.6
	Jews	1.8	2.2	37,244	862	0.5	0.9	1
	Arabs	1.4	1.7	4,537	833	0	0.2	0.4
	Families with children	2.8	3	30,335	897	0.5	0.6	0.7
	Employee	2.2	2.2	36,415	792	0.5	0.8	1
2016	Total	1.9	2.3	48,208	1,199	0.7	0.8	0.9
	Jews	1.9	2.3	41,023	1,022	0.9	1.4	1.6
	Arabs	2	2.3	7,185	2,209	0.4	0.3	0.2
	Families with children	3.3	3.4	36,971	1,194	1.1	1	1.1
	Employee	2.2	2.2	38,093	961	0.6	1.1	1.3
2017	Total	2.1	2.6	53,638	1,105	1	0.8	1
	Jews	2.1	2.6	45,396	1,152	1.3	1.5	1.9
	Arabs	2.2	2.8	8,241	849	0.4	0.2	0.3
	Families with children	3.7	3.8	42,413	1,229	1.7	1	1.2
	Employee	2.7	2.7	47,168	1,103	1.9	1.4	1.8

Appendix 26: Family Income as a Percentage of the Poverty Lines among Families who Exercise their Right to a Work Grant, 2017

Household Composition	Disposable Income from Minimum Monthly Wage* for One Position as % of the Poverty Line	Disposable Income from Minimum Monthly Wage* for One and a Half Positions as % of the Poverty Line	Disposable Income from Minimum Monthly Wage* for Two Positions as % of the Poverty Line
Individual (55+)	151	-	-
Individual (23+) + child	100	-	-
Individual (23+) + 2 children	78	-	-
Individual (23+) + 3 children	70	-	-
Couple (55+)	94	141	189
Couple (23+) + child	73	109	142
Couple (23+) + 2 children	63	92	120
Couple (23+) + 3 children	57	83	106
Couple (23+) + 4 children	52	75	95
Couple (23+) + 5 children	47	68	86

**Appendix 27: Employment Rates among Households by Type of Family, 2016-2017
(Percentages)**

Various Population Types	2016	2017
Total population	80.3	80.3
Population group of head of household:		
Jews	80	80.4
Haredim (according to subjective definition)	83.3	84.7
Immigrants since 1990	79.4	79.2
Arab	81.8	80.1
Families with children – total	95.2	95.4
Number of children 1-3	96.1	96.2
4+ children	91	91.6
Number of children 5+	89	88.5
Single-parent	86.6	89.7
Age group of working age head of household:		
Head of household up to age 29	95.1	93.5
Head of household age 30-44	95.1	95.7
Head of household age 45 - retirement age	90.5	91.2
Age group of retirement age head of household:		
Elderly, according to old definition	32.9	33.5
At legal retirement age	27.3	28.5
Education groups of head of household:		
Up to 8 Years of Education	40.6	38.1
9-12 years of education	81.5	82.5
13 or more years of education	84.7	84.4

Source: Household Expenditure Survey

* According to the subjective definition: level of religiosity as reported by the interviewee: secular, traditional, religious, Haredi, mixed.

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

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

Appendix 28: Calculation of the Incidence of Poverty among Arabs With and Without the Bedouin Population, 2002-2017

Year	Not Including Bedouins			Including Bedouins		
	Poverty of Families	Poverty of Individuals	Poverty of Children	Poverty of Families	Poverty of Individuals	Poverty of Children
2002	47.60%	49.50%	57.20%	47.60%	49.50%	56.80%
2003	48.10%	50.40%	57.40%	48.30%	50.90%	57.50%
2004	48.90%	50.20%	57.90%	49.90%	51.60%	59.20%
2005	52.00%	55.00%	64.00%	52.10%	55.40%	64.20%
2006	53.20%	56.20%	65.10%	54.00%	57.60%	66.80%
2007	50.50%	53.00%	60.70%	51.40%	54.50%	62.50%
2008	48.60%	51.90%	61.20%	49.40%	53.10%	62.10%
2009	52.90%	56.20%	65.30%	53.50%	57.40%	66.80%
2010	53.50%	56.10%	66.10%	53.20%	56.60%	65.80%
2011	53.30%	57.40%	65.90%	53.50%	58.00%	66.50%
2012	54.70%	58.20%	67.90%	54.40%	58.00%	67.90%
2013	52.00%	55.80%	66.50%	51.70%	55.70%	66.40%
2014	52.60%	54.10%	63.60%	52.60%	54.00%	63.50%
2015	53.70%	55.30%	66.20%	53.30%	54.80%	65.60%
2016	48.40%	50.50%	60.50%	49.20%	52.00%	61.70%
2017	45.60%	48.20%	59.00%	47.10%	50.30%	60.70%

Appendix 29: Statistical Significance of Changes in Selected Poverty Indices in Population Groups, 2017 compared to 2016

Population Groups	Incidence of Poverty among Families	Incidence of Poverty among Individuals	Incidence of Poverty among Children	Income Gap Ratio	FGT
Total population	No	No	No	No*	Yes
Population group of head of household:					
Jews	No	No	No	No	No
Haredim (according to subjective definition)***	No	No	No	No	No
Immigrants	No	No	No	No	No
Arab	No	No	No	Yes	Yes
Families with children – total	No	No	No	No*	Yes
1-3 children	No*	No	No	No	No
4 or more children	No	No	No	No*	No*
5 or more children	No	No	No	Yes	Yes
Single-parent families	No	No	No	No	No
Population groups of head of household:					
Working	No*	No*	No*	No*	Yes
Employee	No	No	No	No	Yes
Self-Employed	No	No*	Yes	No	No
Working age non-working	Yes	No*	No	No	No
One wage earner	No*	No	No	No	No*
Two or more wage earners	No	No	No	No	No
Age group of working age head of household:					
Up to 29	No	No	No	No	No*
Age 30-44	Yes	No	No	Yes	Yes
Age 45 to retirement age	No	No	No*	No	No
Age group of retirement age head of household:					
Elderly**	No	No	No	No	No
At legal retirement age***	No	No	No	No	No
Education groups of head of household:					
Up to 8 years of education	No*	No	No	Yes	Yes
9-12 years of education	No	No	No	No	No
13 or more years of education	No	No	No*	No*	No

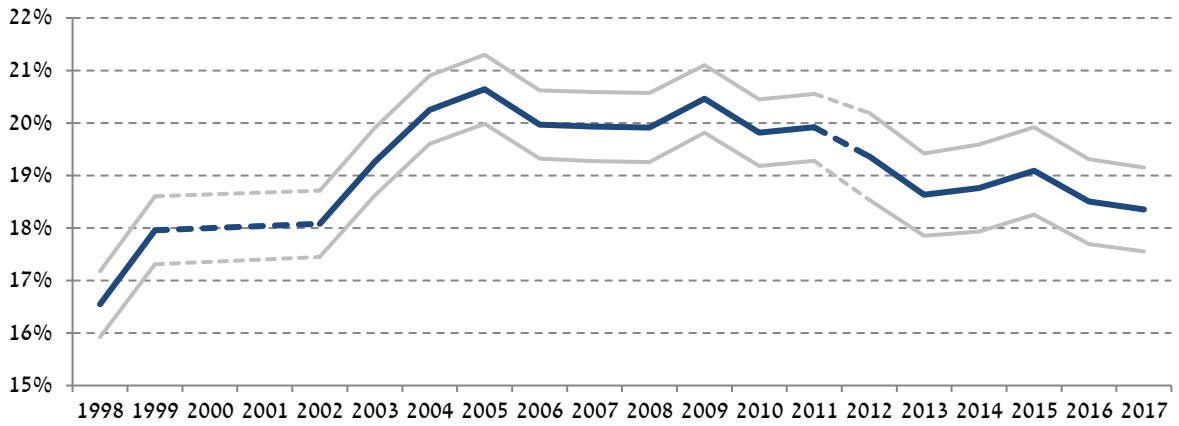
* The data were examined at a significance level of 5%. The “No*” sign means that the figure is not significant at a level of 5%, but significant at a level of 10%.

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

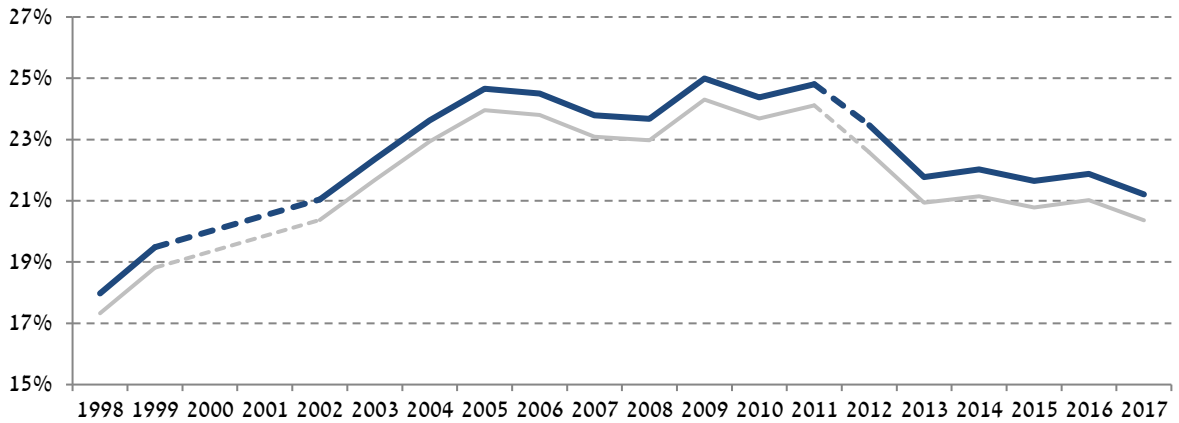
*** Due to fluctuations, a moving average of two years is presented. Definition of Haredim according to Gottlieb-Kushnir paper (2009).

**** The definition was adjusted to the retirement age according to the Retirement Age Law. Therefore, this population is not fixed, until the process of raising the retirement age is completed.

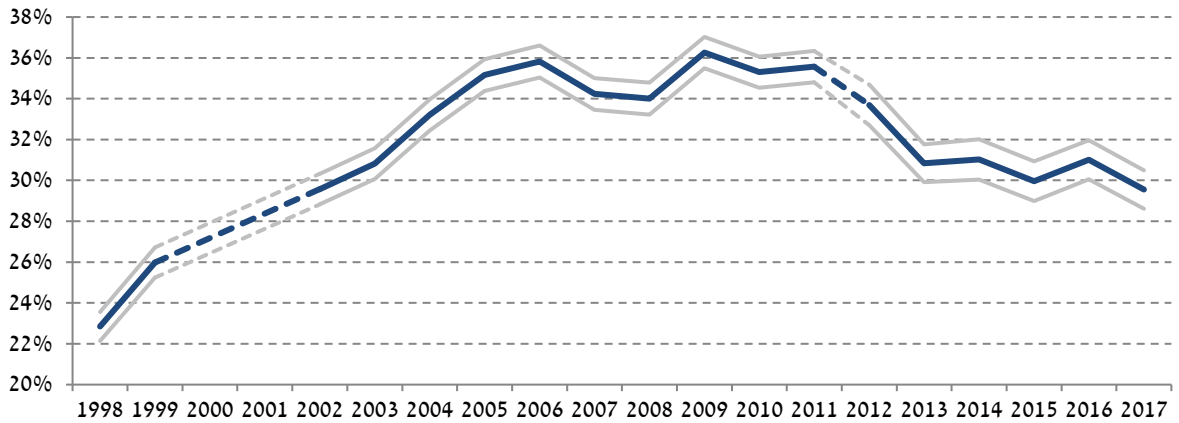
Appendix 30: Incidence of Poverty Over the Years and Confidence Intervals at a Significance Level of 5% Incidence of Poverty among Families



Incidence of Poverty among Individuals



Incidence of Poverty among Children



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