Chapter 2 Dimensions of Poverty and Social Gaps

1. Introduction

Measuring poverty in Israel, as in most Western countries and international organizations, is based on the relative approach, whereby poverty is seen as a phenomenon of distress that should be evaluated relative to the characteristic standard of living in a given society. A family is defined as being poor if its standard of living, as reflected by its disposable income per standard person, drops below half of the median disposable income.

The findings presented in the reports on poverty and social gaps and in this chapter of the Survey – which are the result of data analysis by the National Insurance Institute's Research and Planning Administration – are based on the annual income and expenditure surveys published regularly by the Central Bureau of Statistics.[1]

Beginning with the report on 2007 (which was published in 2008), the annual findings regarding poverty for calendar years are published in a new and expanded format in the **Report on Poverty and Social Gaps**. The expanded report contained new indices and population groups not included in previous reports.

This chapter presents findings on the dimensions of poverty and social gaps in 2010 compared to 2009, as well as a multiyear comparison, while maintaining a balance between two objectives. The first is to elaborate on and add to the information in the **Report on Poverty and Social Gaps,** covering new areas that that report does not include, particularly international comparisons of poverty, inequality and economic welfare. The second aim is to maintain a continuity of reporting from the previous Annual Surveys. This Survey places a special emphasis on the contribution of government policy measures to lifting people out of poverty, both in comparison to other countries and by comparing different benefits and indices in Israel.

The chapter opens with Israel's ranking in terms of public expenditure on welfare, and includes findings and selected analyses relating to the dimensions of poverty and inequality[2] in Israel as compared to the OECD (Section 2 below). Later on we present the main findings on poverty and standard of living, according to the survey methods used in Israel (Section 3), and a survey of trends among different population groups. The last part of this chapter (Section 4) presents findings relating primarily to inequality of income distribution.

In this chapter there are three boxes: The first contains in-depth statistics on the influence of transfer payments on lifting people out of poverty in Israel; the second presents findings from the poverty index (Market Basket Measure) that was developed by the National Insurance Institute, which are primarily based on a "basic" or "adequate"

1 For more details about survey methods and data sources see the appendix **Measuring Poverty and Data Sources** in this publication.
2 See **Growing Unequal? Income Distribution and Poverty in OECD Countries**, 2008, OECD.

basket of goods and services and a comparison of what is spent on it to the disposable income of a household; and the third summarizes the most updated poverty statistics available as of the writing of this report, which relate to the period between July 2010 and June 2011.

The appendices to this chapter include a detailed description of the poverty survey methodology and the data sources, as well as tables (Appendix of Poverty and Inequality Tables) that elaborate on the findings regarding poverty and inequality.

2. Israel's Social Welfare Situation Compared to Other Countries

In 2011 public welfare expenditure was 16 % of the GDP, with more than have of this earmarked for monetary support and the rest for support "in kind"

Table 1 below and the graph after it present data on developments in public welfare expenditure in Israel over the past decade in terms of the GDP, in accordance with the OECD's classification rules. In 2011 public welfare expenditure in Israel was 16 percentage points of the GDP, with more than have of this expenditure – some 55% – earmarked for monetary support and the rest for support "in kind," i.e., support in the form of services offered to citizens, primarily in the realm of health care. This ratio was more or less the same as that of 2010 (with a slight decline) and continues the stabilizing trend that began in 2009.

Graph 1

Public Expenditure on Welfare as a Percentage of GDP, Israel, Selected Years

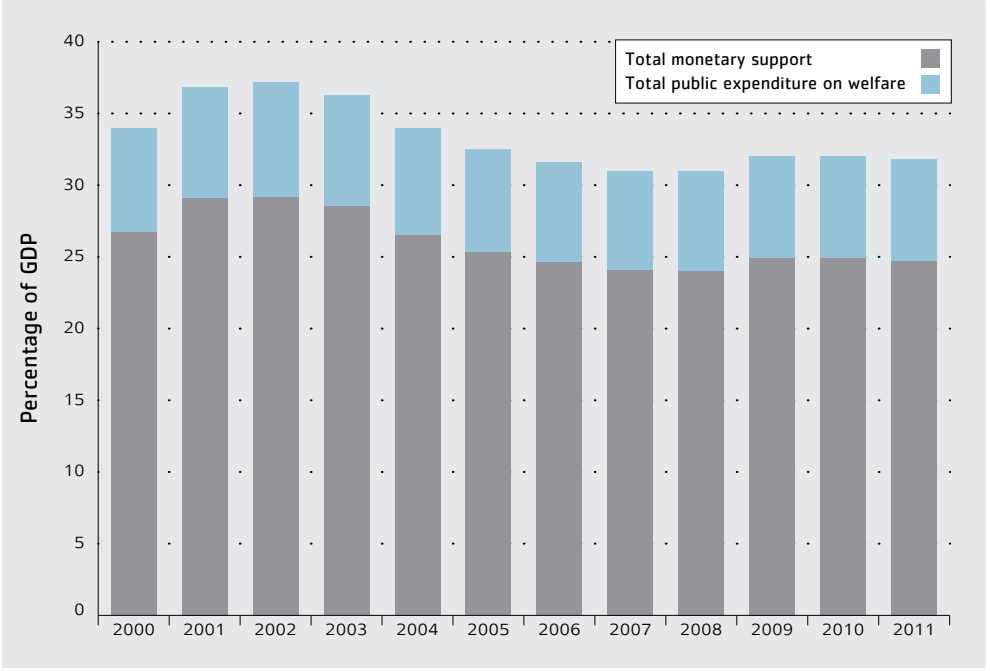


Table 1
Public Expenditure on Welfare as a Percentage of GDP, 2000–2011

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total public expenditure on welfare	**16.97**	**18.38**	**18.61**	**18.18**	**16.97**	**16.26**	**15.83**	**15.54**	**15.52**	**16.03**	**16.01**	**15.95**
Total monetary support	9.67	10.69	10.62	10.34	9.48	9.04	8.82	8.62	8.52	8.90	8.93	8.84
Support to the working-age population	5.13	5.67	5.62	5.15	4.55	4.28	4.17	4.03	4.06	4.25	4.18	4.11
National insurance	4.15	4.69	4.64	4.23	3.70	3.48	3.41	3.29	3.33	3.50	3.47	3.42
Hostile action victims	0.47	0.53	0.54	0.55	0.53	0.51	0.49	0.48	0.46	0.50	0.47	0.45
Other*	0.51	0.46	0.44	0.37	0.32	0.30	0.27	0.25	0.26	0.25	0.24	0.24
Support to the elderly	4.54	5.01	5.01	5.18	4.93	4.76	4.65	4.59	4.46	4.64	4.75	4.73
National insurance	2.62	2.90	2.85	2.84	2.75	2.67	2.62	2.51	2.49	2.58	2.66	2.66
State employee pensions	1.51	1.65	1.70	1.87	1.79	1.73	1.72	1.79	1.69	1.80	1.83	1.83
Other**	0.41	0.45	0.45	0.47	0.40	0.35	0.31	0.30	0.29	0.27	0.26	0.24
Total support in kind	7.30	7.70	7.99	7.84	7.49	7.22	7.01	6.93	7.00	7.13	7.08	7.11
Health and long-term care	5.12	5.43	5.52	5.32	5.21	5.11	4.96	4.90	5.05	5.10	5.07	5.15
Other***	2.19	2.26	2.47	2.52	2.28	2.11	2.05	2.02	1.95	2.03	2.01	1.95

Source: Data from the NII and Central Bureau of Statistics, processed by the Research and Planning Administration of the NII according to the classification rules of the OECD.

* Including support to demobilized soldiers, the absorption basket for immigrants and rent subsidies.

** Including support for Nazi victims and rent subsidies

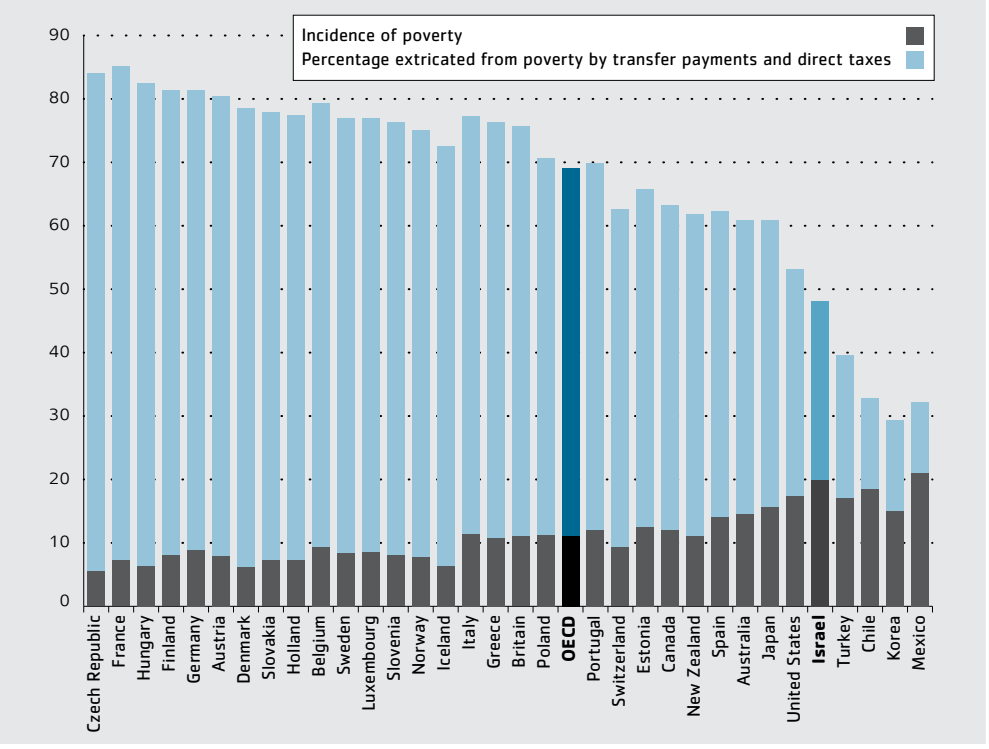
*** Including support in kind from the NII, local authorities, national institutions, government nonprofit institutions and the Welfare and Social Affairs Ministry.

Dividing this expenditure into its different components (Graph 1) shows that both monetary and in-kind expenditure remained stable. One can see that the expenditure on working-age people decreased, while the expenditure on the elderly increased, but the rate of the increased spending on the elderly was higher than the rate of the decreased spending on the working-age population. This development is expected, given the relatively high increase in old-age and survivors' pensions, which constitute around a third of the monetary support.

Transfer payments and direct taxes lift 28% of the poor out of poverty, compared to more than double that on average in the OECD countries

Graph 2 below shows the change in the incidence of poverty as a result of transfer payments and direct taxes in Israel and in the OECD countries at the end of the first decade of the 21st century. [3] The graph shows that in Israel, transfer payments and direct taxes lift some 28% of the poor out of poverty, compared to more than double that (58%) on average in the OECD countries. . The graph shows that there are significant

Graph 2
The Influence of Government Policy Measures (Transfer Payments and Direct Taxes) on the Dimensions of Poverty at the end of the First Decade of the 2000s, OECD Countries



3 The measure of poverty in the OECD, as in Israel, is based on a poverty line calculated at half the median disposable income per person, but there are certain differences between the two methods of calculating. Thus, for example, the mechanism that calculates the income per person – the equivalence scale – differs between the two approaches. The equivalence scale used by the OECD gives more of an advantage to size.

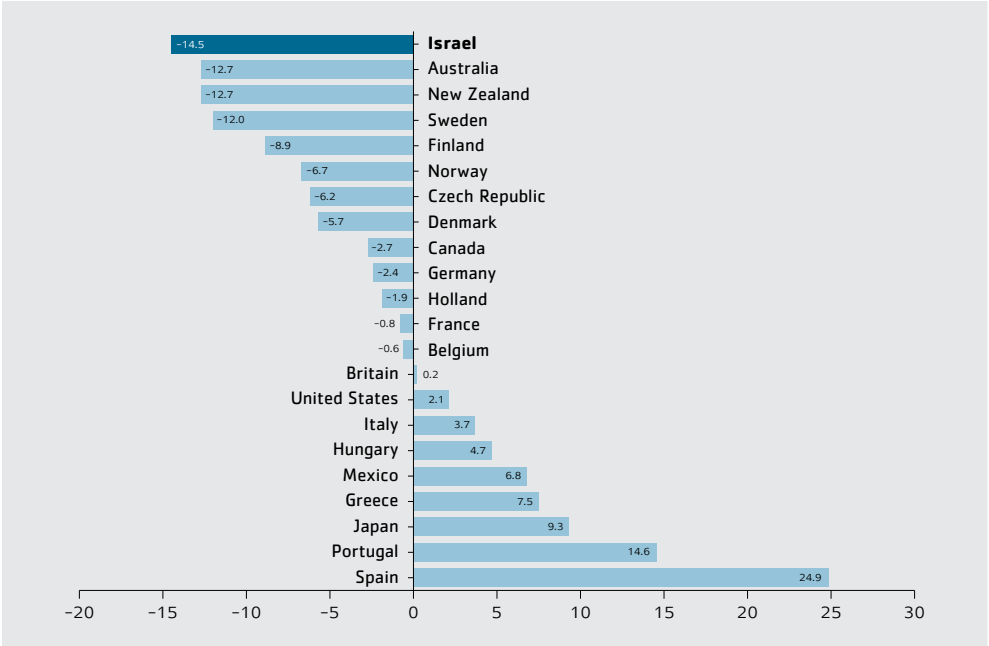
differences among the various countries in the respect, and the rates of extrication from poverty as a result of government policies range from 15%-20% in countries like Chile, Korea, Mexico and Turkey, to 70%-80% in countries like Denmark, Austria, Germany, Finland, Hungary, France and the Czech Republic. Graph 2 makes clear the negative correlation between the scope of poverty in a country and the rate of extrication from poverty as a result of government policy measures, i.e., the higher the rate of poverty, the lower the extrication rate.

Graph 3 shows the change in the influence of government policy measures during the decade between 2000 and 2010. One can see that several of the countries, among them Belgium, France, Holland and Britain, maintained a steady level of assistance to the poor, as expressed in the poverty extrication rate as the result of transfer payments and direct taxes.

By contrast, a few countries, primarily Spain and Portugal, significantly increased assistance to the poor (by 25% and 15%, respectively) while others – with Israel in the lead – reduced assistance to poor families and eroded the government contribution to helping lift people out of poverty. In Israel the proportion of families that were extricated from poverty as a result of government policy measures dropped by some 15%, the highest drop among the countries being compared. Australia, New Zealand and Sweden also show high drops – of some 12%.

Graph 3

The Change in the Influence of Government Policy Measures on Reducing Poverty Between 2000-2010, Selected OECD Countries

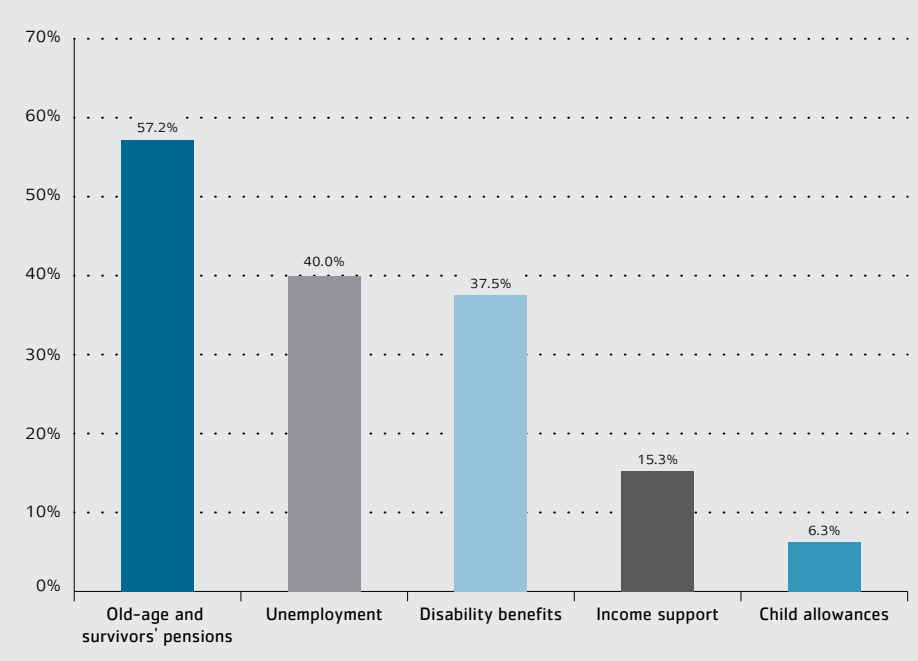


Box 1
The Influence of Benefits on Poverty

Benefit payments constitute one of the most important tools in reducing poverty. In 2010, the benefits were responsible for 77% of the total contribution to reducing poverty, i.e., of the total of transfer payments and other support payments given to households by the government and other sources. The rate of reduction in poverty among families as a result of benefit payments increased gradually and moderately: from 36.3% in 2008 to 36.7% in 2009 and to 37.6% in 2010.

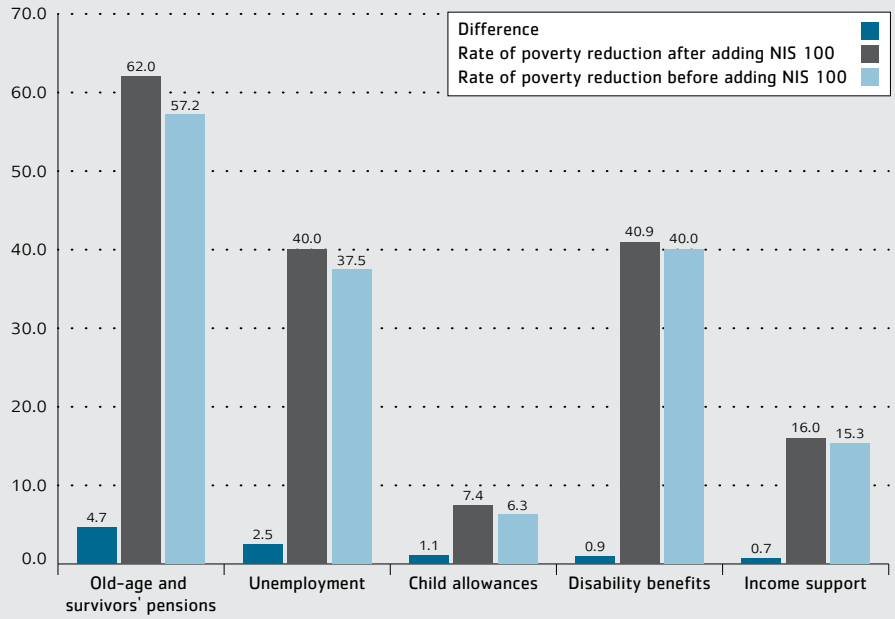
Graph 1 shows the contribution of the various benefits to the reduction of poverty among families. One can see that the payment of old-age and survivors' pensions reduced poverty by around 57%, while unemployment benefits contributed at a rate of 40%. Child allowances, which are now very low, have the least influence, contributing only 6%.

Graph 1
The Rate by which Poverty was Reduced Among Families Receiving Benefits, After Benefit Payment, 2010



Another interesting analysis is to examine the influence of benefits using a uniform bar: What is the influence of every NIS 100 of benefit on reducing the influence of poverty? Graph 2 presents the rate of reduced poverty among families getting a specific

Graph 2
The Rate of Reduction in Poverty Among Families Receiving Benefits for Every Additional NIS 100, 2010

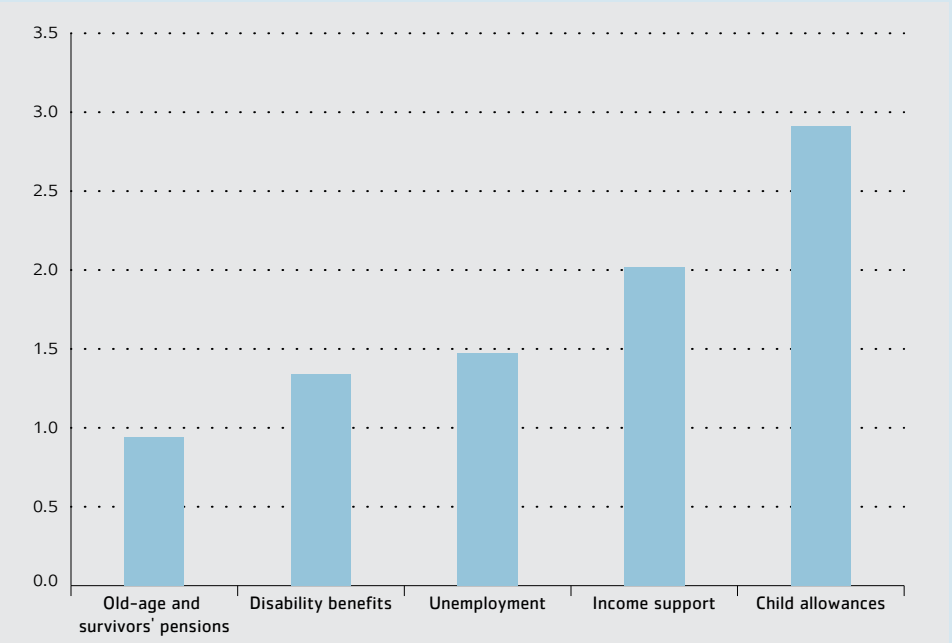


benefit, before and after the addition of NIS 100 of benefit, and the difference between them in percentage points. One can see that the order of the benefits changes, and it is clear that adding NIS 100 to a child allowance is very effective in reducing poverty while the identical addition to an old age or survivors' pension, which percentage-wise is a much smaller addition, is less effective in reducing poverty.

When the analysis is conducted to determine the influence of the additional NIS 100 on the severity of poverty (FGT), the results change significantly. While the NIS 100 added to the child allowances and the income support benefit has a strong effect on easing the severity of poverty, the fact that these benefits are low in the first place makes the addition less effective in lifting people out of poverty. By contrast, among those getting old age, survivors and disability pensions, whose level is already much closer to the poverty line, the additional NIS 100 has little effect on easing the severity of poverty.

When choosing a policy that will achieve the best results in reducing poverty, the budgetary cost of adding this NIS 100 to the benefits must be taken into account, and weighed together with the reduction in poverty in the entire population and not just among benefit recipients.

Graph 3
The Different Rates of Reduction in the Severity of Poverty (FGT) Among Families Receiving Benefits, Before and After the Addition of NIS 100, 2010



The table below presents the cost of reducing the poverty indices by one percent before and after adding NIS 250[1] to benefit recipients. The three indices that were examined were the incidence of poverty among families, the severity of poverty index (FGT) and the Gini index of inequality of income distribution.

One can see that when taking these three indices together, adding NIS 250 to the income support payment will bring about a 1% reduction at the lowest possible cost. This statistic lends weight to the importance of this minimum subsistence payment and the need to increase it. However, with regard to the incidence of poverty among families, the addition of NIS 250 to the old-age and survivors pensions will achieve the greatest influence at the lowest cost, while regarding the Gini inequality index and the FGT poverty severity index, the greatest influence is also achieved by adding NIS 250 to the child allowances. To sum up, the question of how effective various benefits are in lifting people out of poverty depends on the index chosen for reference and the desired objectives. In this

1 The reason that in the table the results for the addition of NIS 250 (and not NIS 100) are presented, is that in the addition of NIS 100 to the unemployment benefit there is no change in the Gini index, so that the cost is theoretically unlimited, whereas for the addition of NIS 250 one can present a numerical result. The results in the table are similar when the sum of the addition is NIS 100.

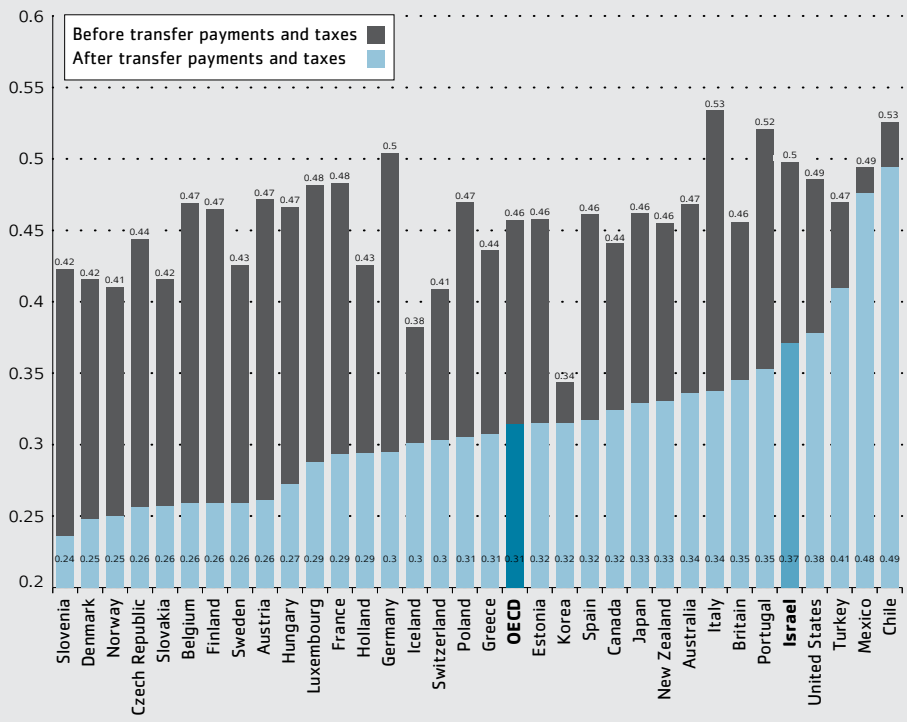
The Budgetary Cost of a One Percent Reduction in Poverty among Families, in FGT and in Gini Index , (NIS million), 2010

Rating of measures				Cost of 1% reduction		
incidence of poverty among families	FGT index	Gini inequality index	Benefit	in incidence of poverty among families	in FGT index	in Gini inequality index
5	2	2	Children	140.6	90.6	281.5
3	4	3	Disability	49.1	152.8	372.5
4	3	5	Unemployment	93.6	93.6	616.2
2	1	1	Income support	48.1	41.0	173.2
1	5	4	Old age and survivors	35.6	340.6	565.7

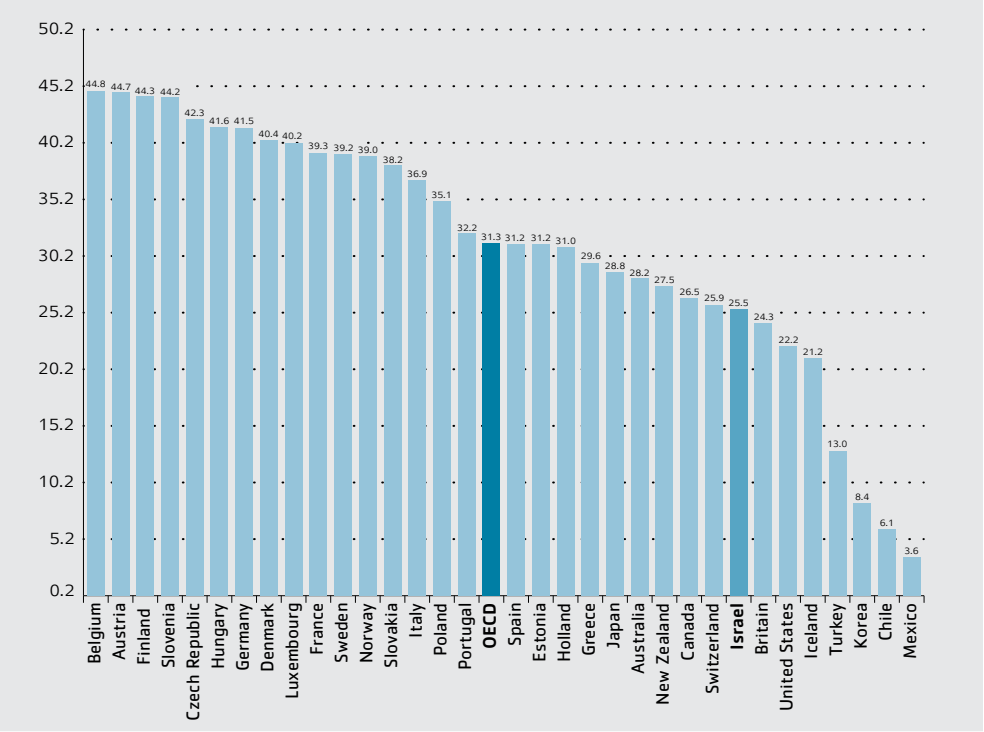
short survey we see that adding NIS 250 to the monthly subsistence benefits, whether long-term or short-term, yields the greatest influence on the incidence of poverty, the severity of poverty and the inequality index, as expressed in the change in the rate of decrease of these indices, while costing the least, as expressed by the budgetary cost of adding NIS 250 to the benefits surveyed.

Graph 4

The Gini Coefficient Before and After Transfer Payments and Direct Taxes at the end of the First Decade of the 2000s, OECD Countries



Graph 5
The Drop in the Gini Coefficient as a Result of Transfer Payments and Direct Taxes at the end of the First Decade of the 2000s, OECD Countries



Graph 4 shows the Gini Inequality Index applied to the income distribution before and after government intervention. One can see that in some of the countries in which the Gini coefficient for economic income is high, the coefficient for disposable income is also high (Chile, Mexico, Turkey, the United States and Portugal). In other words, government intervention in reducing inequality in income is limited. With that, in some of the other countries, like Germany, France, Luxembourg and Poland, the coefficient for economic income is high but the government has succeeded in significantly reducing inequality in disposable income.

Israel is ranked among those countries whose level of inequality is high with regard to both definitions of income, with government intervention reducing the inequality coefficient to about 75% of its actual level

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Graph 5 shows the change in the Gini coefficient as a result of government intervention at the end of the first decade of the 2000s in the OECD countries. Standing out is the group of countries in which the influence of transfer payments and direct taxes is quite small. Countries in this bloc are Turkey, Chile, Korea and Mexico, with changes of less than 20%.

At the other end of the spectrum are countries where government intervention had a particularly high influence (over 40%), led by Belgium, Austria, Finland and Slovenia.

Israel, with a reduction of about a quarter in the Gini coefficient for inequality in income distribution, is found in the company of Britain, the United States, Switzerland and Canada, whose rankings from this perspective are lower than the average of all the OECD's member countries (31.3%)

3. Main Poverty Findings

Table 2 presents some economic factors that help in understanding trends in the dimensions of poverty and social gaps. The recession and subsequent increase in unemployment from the end of 2008 until the middle of 2009 were accompanied by an increase in the incidence of poverty. By contrast, the renewed growth during 2009 and the beginning of 2010 (4.8%) which manifested itself, among other ways, in an increase of 3.7% in the number of employed and a drop in the unemployment rate from 7.6% in 2009 to 6.6% in 2010 (Table 2), led to a drop in the poverty rates in 2010.

The recession and subsequent increase in unemployment from the end of 2008 till mid- 2009 were accompanied by an increase in poverty. By contrast, the renewed growth in 2009 and early 2010 led to a drop in poverty rates in 2010

This was also expressed in a higher standard of living: in 2010, the median disposable income per standard person (Table 3) registered an increase of 3.6% (Table 3), over and beyond the increase in 2009, which points to families experiencing a higher standard of living.

Table 2
Economic Factors Affecting the Dimensions of Poverty (percentages), 2005-2011

Affecting factor	2005	2006	2007	2008	2009	2010	2011
Growth rate of the GDP	4.9	5.6	5.5	4.0	0.8	4.8	4.8
Rate of change in price levels in each survey period compared with the previous period	1.3	2.1	0.5	4.6	3.3	2.7	2.0
Rate of real change in the average wage in the economy	1.8	1.3	1.8	-0.4	-2.5	0.8	1.6
Unemployment rate	9.0	8.4	7.3	6.1	7.6	6.6	5.7
Percentage of the unemployed getting unemployment benefits	23.9	23.7	23.5	26.7	31.8	28.1	31.5
Minimum wage as a percentage of the average wage	45.5	46.2	47.5	46.8	47.3	45.8	45.7

Table 3
Average and Median Income Per Standard Person After Transfer Payments and Direct Taxes (NIS), 2008-2010

	Income per standard person			Rate of real growth	
	2008	2009	2010	From 2008 to 2009	From 2009 to 2010
Average	4,261	4,404	4,665	0.0	3.1
Median	3,483	3,629	3,861	0.8	3.6
Poverty line	1,742	1,815	1,931	0.8	3.6

Table 4
Number of Standard Persons and the Poverty Line for a Family* Based on the Number of Family Members, 2009-2010

Number of family members	Number of standard persons in the family	Poverty line for a family in 2009		Poverty line for a family in 2010	
		NIS per month	Percent of average wage	NIS per month	Percent of average wage
1	1.25	2,268	28.0	2,413	28.9
2	2	3,629	44.8	3,861	46.2
3	2.65	4,809	59.4	5,116	61.2
4	3.2	5,807	71.7	6,178	73.9
5	3.75	6,805	84.0	7,240	86.6
6	4.25	7,712	95.2	8,205	98.1
7	4.75	8,619	106.4	9,170	109.7
8	5.2	9,436	116.5	10,039	120.1
9**	5.6	10,162	125.5	10,811	129.3

* The average wage calculated for 2009 and 2010 is the weighted average of the average wage for a salaried position (Israeli workers) in the respective period of each survey.
** The weight of each addition person is 0.40. Thus, for example, in a family of 10 there are 6 standard persons.

During 2010 the minimum wage was eroded from 47.3% to 45.8% of the average wage, while real wages rose only by 1% – which did not improve the situation of working families

With that, during 2010 the minimum wage was eroded – from 47.3% of the average wage in 2009 to 45.8% of it, and real wages rose very modestly at a rate of less than 1% – which did not improve the situation of working families, as will be shown below. [4]

Table 4 presents the poverty line for 2009 and 2010, and the poverty line as a percentage of the average wage for the respective period of the survey. The poverty line for a family of four, for example, reaches 73% of the average wage, but for a family of seven the average wage by a single wage-earner is not enough for a household to stay out of poverty.[5]

Selected indices show stability in the scope of poverty at a high level, with a return to the proportions that prevailed in 2007-2008

In Table 5 the dimensions of poverty in the years 2008-2010 are presented in accordance with selected indices, which show a pattern of stability in the scope of poverty at a high level, with a return to the proportions that prevailed in 2007-2008 (19.9%) after a temporary increase in 2009 due to the recession. The proportion of families whose disposable income fell below the poverty line dropped from 20.5% in 2009 to 19.8% in 2010, as did the proportion of people and children living in poor families (from 25% to 24.4% and from 36.3% to 35.3%, respectively).

The incidence of poverty as measured by disposable income is the result of transfer payments and direct taxes, which "correct" the economic income, which is defined as pre-tax income from work and capital. Transfer payments, which are primarily NII benefits, increase family income, while direct taxes reduce it. As long as the sum of direct taxes that a family pays is small, its disposable income grows and its chances of being lifting out of

4 In 2011 the minimum wage was raised twice: by about 1% in April and by 5.4% more in July.
5 This calculation does not take into account the benefits or direct taxation; the first acts to increase disposable income while the second acts to reduce it.

poverty rise. The table shows the drop achieved in each of the years appearing in the table, when only transfer payments are considered, and then when the direct taxes are added to the government policy measures. Some of the indices show a significant improvement as a result of policy measures (the FGT and SEN indices and the Gini index of income distribution lose half or more of their value), but in measures of the incidence of poverty, in particular the incidence of poverty among children, the improvement achieved was much more moderate.

Table 5
Poverty in the Overall Population According to Selected Poverty Indices, 2008–2010

Poverty Index	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes
2008			
Incidence of poverty (%)			
Families	32.3	17.2	19.9
Persons	32.7	21.3	23.7
Children	40.4	31.4	34.0
The poor's income gap ratio (%)	59.6	33.5	34.2
FGT index	0.1561	0.0365	0.0417
SEN index	0.260	0.100	0.113
Gini inequality coefficient in distribution of income to the poor*	0.4882	0.2027	0.2051
2009			
Incidence of poverty (%)			
Families	33.2	17.9	20.5
Persons	33.9	22.4	25.0
Children	41.9	33.3	36.3
The poor's income gap ratio (%)	60.3	35.2	35.5
FGT index	0.1636	0.0410	0.0467
SEN index	0.270	0.109	0.123
Gini inequality coefficient in distribution of income to the poor*	0.4922	0.2089	0.2134
2010			
Incidence of poverty (%)			
Families	32.6	17.5	19.8
Persons	32.8	22.0	24.4
Children	40.4	32.8	35.3
The poor's income gap ratio (%)	60.0	35.3	35.8
FGT index	0.1561	0.0399	0.0456
SEN index	0.260	0.107	0.120
Gini inequality coefficient in distribution of income to the poor*	0.4838	0.2059	0.2111

* The weight given each family in calculating the index is equal to the number of people it includes.

One can see that the improvement achieved without taking into account direct taxes is greater than that achieved when accounting for them, since although direct taxes work to reduce the inequality between those earning different levels of income, as a means of reducing poverty they are not effective since they reduce the disposable income of the poor. It should be noted that most of the poor do not reach the income tax threshold and thus do not pay income tax; therefore, in the case of the poor, the influence of taxation on disposable income is seen only with regard to health and national insurance contributions.

Box 2
Measuring Poverty Using the Adequate Consumption Basket: The MBM/NRC Approach

The poverty line of the adequate consumption index according to the MBM/NRC method relates to the concept of a minimum for adequate sustenance, and it can be used to determine the level of subsistence benefits for different types of families.

At the end of the 1990s, the official poverty line was about half of the minimal level for adequate sustenance, but during the period surveyed these two lines started to converge somewhat, such that in 2010 the poverty line is now less than 50% of the level of adequate consumption (Graph 2). This means that the starting point of the poverty line in 1997 is significant higher than the official line, but its development was slower. It is impossible to relate to the gaps between these poverty lines separately from income sources, which we will deal with in the next section, but there is still great significance to the fact that the development of the poverty line as measured against adequate consumption develops more slowly over time than does the official poverty line.

Table 1
Sources of Financial Income, including in-kind Income, with Crucial Expenses Deducted

Deciles*	Disposable financial income per standard person	Disposable income from all sources (MBM/NRC)	Gap (percentages)
Total	5,105	7,647	50
Lowest	1,028	2,207	115
2	1,747	3,179	82
3	2,279	3,815	67
3.5	2,754	4,330	57
4	2,918	4,635	59
5	3,633	5,580	54
6	4,391	6,494	48
7	5,185	7,704	49
8	6,175	9,094	47
9	7,850	11,566	47
Highest	14,745	20,704	40

* The families were ranked according to the level of disposable income per standard person. Each decile represents 10% of the population.

This occurs because consumption changes more slowly over time than does income, since families generally do not change their consumption level (that is, ongoing standard of living) following every income change. Moreover, one would expect – based on prevailing economic theory –that a family would tend to increase its savings when its real income increases.

The comparative results in Table 1 between a family's net financial income and its net income from all sources show that including in-kind income (primarily from housing consumption) influences primarily the weaker population; in other words, in-kind income increases the disposable financial income of the lower half of the income distribution levels by more than half. The income of the lowest decile is doubled, while that of the second decile grows by some 80%. Moving up the deciles, this influence wanes, and after the median income level, incomes grow by less than half. This means that these in-kind incomes are critical in terms of assessing the welfare situations of households.

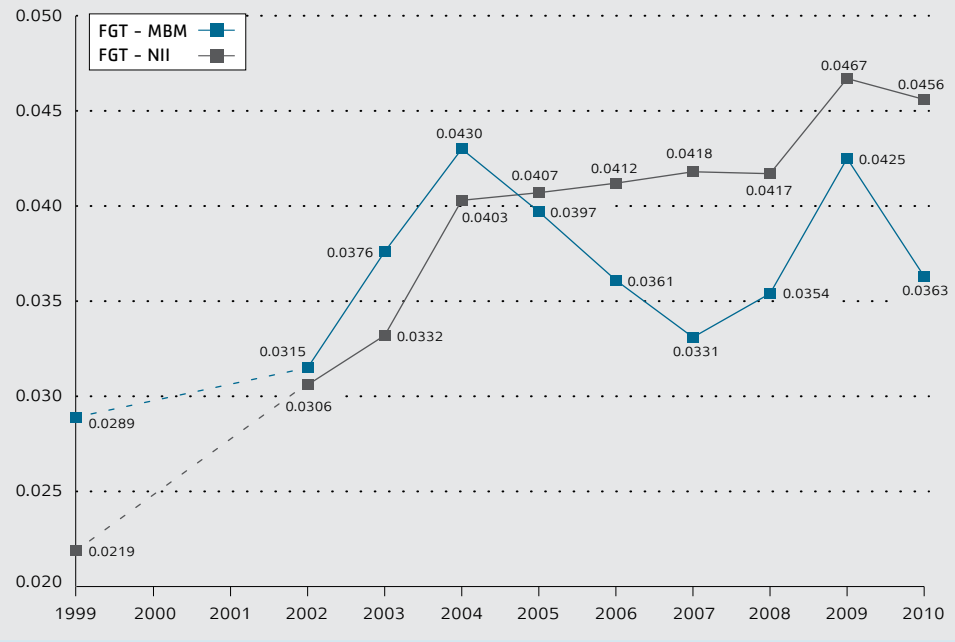
Results of the Survey

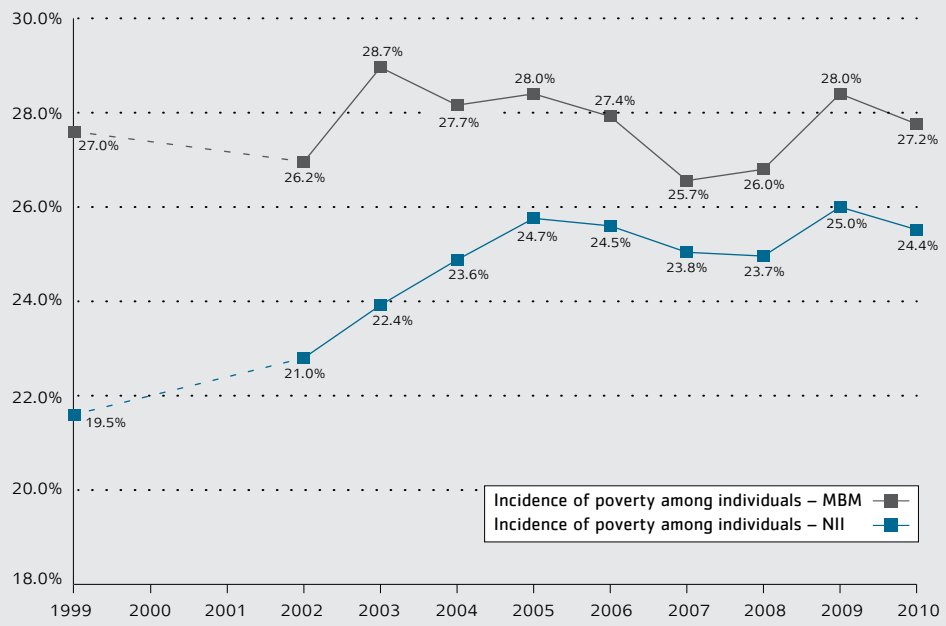
1. The Dimensions of Poverty Over Time

Throughout the 1990s and the early 2000s, the incidence of poverty and its severity were considerably higher when measured by the adequate consumption index than

Graph 1

The Incidence of Poverty and its Severity (FGT) for Individuals as Measured by the Adequate Consumption Index (MBM) and the NII Index (Half the Median)





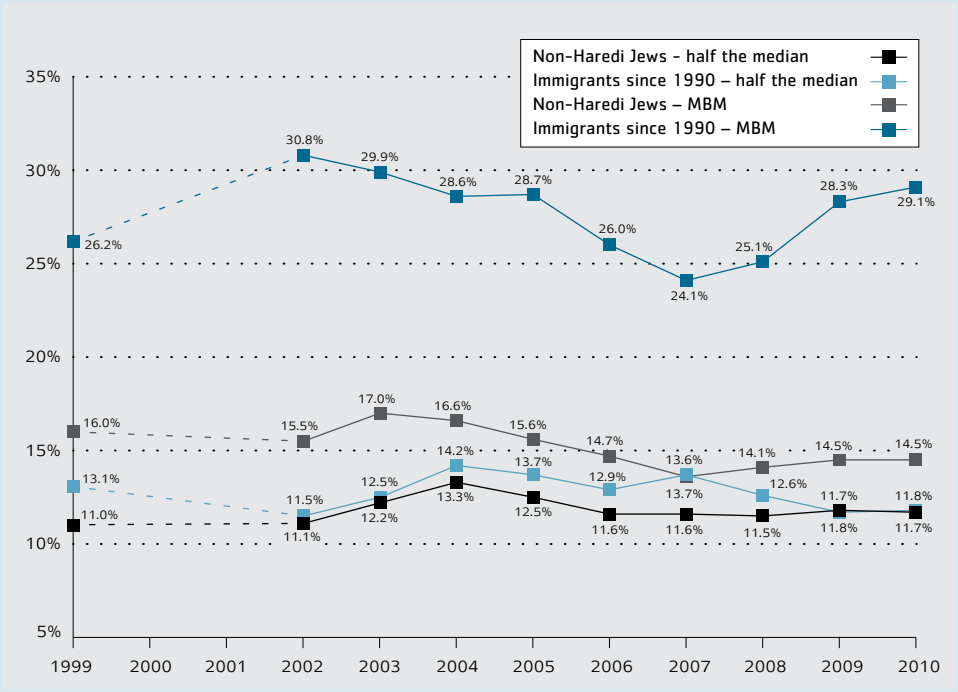
when measured by the official National Insurance Institute index. From around 2005 there was a sharp improvement in the dimensions of poverty as measured by the adequate consumption model, that is, a sharp drop in the incidence of poverty and its severity. Though the incidence of poverty remained higher throughout the period than as measured by the official measurements, it dropped significantly compared to the official poverty statistics.

It is interesting to note that poverty according to the MBM index reached its height in 2003, a result that is consistent with government welfare policies during 2002 and 2003, which caused substantial harm to the weaker sectors.

2. The Composition of the Poor Population

Of the 1.8 million people who are poor according to NII data, there is no disagreement among the two approaches regarding around 1.6 million of them (87%). Some 240,000 are not poor according to the consumption index. On the other hand, there are more people (some 400,000) that the consumption index, but not the NII index, identifies as poor. In other words, there are differences of opinion regarding some 640,000 people, or 8.8% of the entire population. This indicates that it is worth better identifying the poor, so as to make more effective use of the resources allocated to the war on poverty.

Graph 2
The Development of the Poverty Line Among Families, by Population Group, 2009–2010



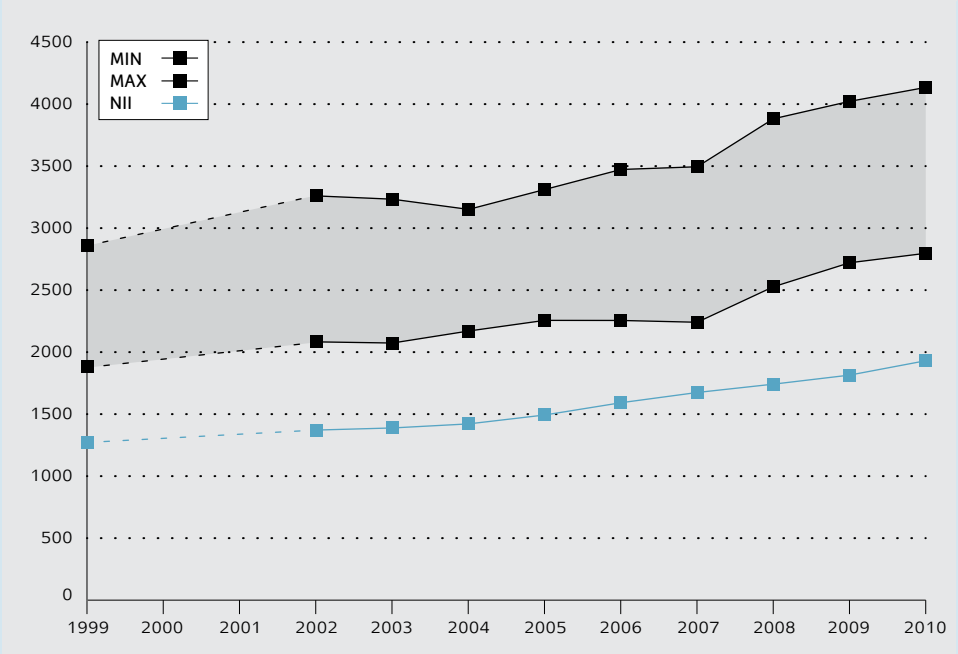


Table 2
The Consumption of the Poor Population Under the Different Approaches

		Not poor half of median	Poor half of median	Total
Not poor MBM	Number of people	5,053,400	242,300	5,295,700
	Percentage of total population	69.5	3.3	72.8
Poor MBM	Number of people	398,900	1,575,700	1,974,600
	Percentage of total population	5.5	21.7	27.2
Total	Number of people	5,452,300	1,818,000	7,270,300
	Percentage of total population	75.0	25.0	100.0

The income gap ratio that expresses families' depth of poverty (meaning the distance of the poor's average income from the poverty line), which was 35.5% in 2009, went up slightly: to 35.8%. The FGT index, which reflects the severity of poverty and integrates the influence of the incidence of poverty with the depth of poverty while giving more weight to those who are poorer, went down a bit between the two years, as did the SEN index. The SEN index reflects the combined influence of the incidence of poverty, the income gap ratio and the individual's position in the ranking of the poor, i.e., the inequality in the distribution of income among the poor. The SEN index of disposable income, which rose 9% between 2008 and 2009, dropped as well, by some 2% in 2010.

All the indexes surveyed above – the incidence of poverty, its depth and its severity – point to a slight decrease or stabilization at a high level between 2009 and 2010. The Gini coefficient for disposable income among the poor (Table 5) went down by a rate of 1.0%

Table 6
The Influence of Transfer Payments and Direct Taxes on the Dimensions of Poverty in the General Population According to Selected Poverty Indices, 2008–2010

	Percentage of drop in poverty stemming from transfer payments only			Percentage of drop in poverty stemming from transfer payments and direct taxes		
Poverty Indices	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**
Incidence of poverty						
Families	46.7	46.1	46.3	38.3	38.4	39.2
Persons	34.9	33.9	32.8	27.7	26.2	25.6
Children	22.3	20.4	18.9	15.9	13.4	12.6
Poor's income gap ratio	43.7	41.5	41.2	42.6	41.1	40.2
FGT index*	76.6	74.9	74.4	73.3	71.4	70.8

* The weight given each family in calculating the index is equal to the number of people it includes

between 2009 and 2010 after a rise of 4% in 2009, and the Gini coefficient for economic income continued to drop in 2010 (by 1.7%)

The Gini coefficient for disposable income among the poor went down by 1.0% between 2009 and 2010 after a 4% rise in 2009

Table 6 shows that the transfer payments and direct taxes during the period of the 2010 survey lifted 39% of poor families out of poverty, similar to the two previous years. By way of comparison, in 2002 government intervention kept around half of poor families out of poverty. The contribution of the direct taxation and transfer payments system to pulling individuals out of poverty is smaller: only some 28% of the individuals in 2008 and some 26% in 2009-2010. This contribution also went down over the three years in terms of lifting children out of poverty; some 13% of the children were extricated from poverty as a result of government intervention in 2009 and 2010 compared to 16% in 2008. In 2002 the rate of children saved from poverty as a result of government intervention was around 25%.

Transfer payments and direct taxes during the 2010 survey period lifted 39% of poor families out of poverty, similar to the two previous years

4. Poverty by Population Groups and the Composition of the Poor Population

Different population groups differ in terms of the trends and changes in the dimensions of poverty among them during the years surveyed. Tables 7-11 present the dimensions of poverty among the different population groups. Table 7 shows the incidence of poverty according to economic income and disposable income among different populations, and Tables 8 and 9 show the proportion of these groups of the general population and of the poor population in 2009 and 2010, respectively. Table 10 shows the income gap ratios according to population group, while Table 11 shows the rate at which the dimensions of poverty were reduced as a result of transfer payments and direct taxes.

The downward trend compared to 2009 was not common to all population groups. Although most groups saw their dimensions of poverty reduced, in some of them the situation of families deteriorated.

After a sharp increase in the incidence of poverty among Arab families in 2009, it stabilized in 2010 with a slight improvement at a high level (53.2%) that stemmed primarily from an increase in income from work: Between 2009 and 2010 their income from work went up by 5.8%. At the same time, the proportion of Arab families in the poor population went up – from 35.9% of the poor in 2009 to 37.8% in 2010. It should be noted that the proportion of poor Arabs is at least twice as high as their proportion of the population at large.

After a sharp increase in poverty among Arab families in 2009, it stabilized in 2010 with a slight improvement at a high level (53.2%) that stemmed primarily from an increase in income from work

The contribution of policy measures to reducing poverty went up a bit among the Arabs in 2010, from 11.4% in 2009 to 12.3% in 2010, but that is still a much lower level of effectiveness than among the Jewish population, where poverty was reduced by some 49%.

The explanation for the large gaps between Arabs and Jews stems primarily from the composition of the Arab population in view of the structure of the benefits: the amounts

of the old-age and survivors pensions are the highest amounts of benefits paid, while the Arab population is relatively young and characterized by families with many children, which are receiving child allowances and other benefits paid to working-age persons that make a relatively smaller contribution to reducing poverty.

In 2010 the situation of the elderly continued to improve, mainly due to the improvement in old-age and survivors pensions under the Economic Efficiency Law of 2009

In 2010 the situation of the elderly continued to improve, mainly due to the improvement in old-age and survivors pensions under the Economic Efficiency Law of 2009, under which the basic old-age and survivors pensions were gradually increased by 7.3% until 2011. The incidence of poverty was 19.6% in 2010, going down by 0.5 percentage points compared to 2009.

The rates of poverty among the elderly are lower than those in the overall population. Contributing to this positive trend was, as noted, the increase in the old-age and survivors pensions, but the increase in the retirement age also helped raise income from work among certain portions of this population. At the same time, government policies also made a direct contribution to reducing poverty among the families of the elderly, from 59.4% in 2008 to 63.1% in 2009 and 64.3% in 2010, and also served to reduce the income gap among the elderly.

With that, the situation of those elderly who remained below the poverty line deteriorated: the depth of poverty went up from 24.8% in 2009 to 26.7% in 2010, meaning that those who were lifted out of poverty had been very close to the poverty line. The severity of their poverty went up as well (according to the FGT index).

The incidence of poverty among families with children remained almost unchanged in 2010 compared to 2009 (26.6% compared to 26.8%). This was primarily because of the continued drop in the poverty rate among families with four children between these years – from 59.9% in 2009 to 57.2% in 2010 – as the labor market recovered and child allowances were raised. The drop in the incidence of poverty among large families is also reflected in the lower incidence of poverty among the ultra-Orthodox, who generally have large families.

In 2010, there was a partial improvement in the incidence of poverty among single-parent families: After it had gone up in 2009 by 3.5 percentage points, presumably due to the recession, it went down from 32.3% in 2009 to 30.5%. This improvement is the combined result of market forces and higher benefit payments. The incidence of poverty as per economic income went down significantly among single-parent families, from 49.3% to 46.9%, presumably due to the return of single mothers to the work force and the increase in monetary support from various sources.

The monetary support of single mothers went up in 2010 by a rate of some 7%, and this development is also expressed in the slight increase in the contribution of transfer payments to reducing poverty. Even though the income gap ratio went up from 35.3% to 37.1%, the severity of poverty (according to the FGT index) went down slightly year-on-year among this population.

The incidence of poverty among working families, which had been going up steadily over the past two decades, remained at 13.2%, a level at least twice as high as the incidence of poverty among such families during the 1980s, when going out to work was practically a guarantee against poverty. At the same time, the proportion of working families among the poor continued to increase, going up from 49% in 2009 to 50.6% in 2010. The income gap ratio went up among these families from 28.4% in 2009 to 29.5% in 2010 and the severity of poverty as measured by the FGT index went up by 6%.

Poverty among working families, which had gone up steadily in the past two decades, stayed at 13.2%, at least twice as high as in the 1980s

Table 7
The Incidence of Poverty Among Specific Populations, 2009 and 2010

	2009			2010		
Population groups (families)	Economic Income	Disposable Income	Concentration Index*	Economic Income	Disposable Income	Concentration Index*
Total population	33.2	20.5	1.00	32.6	19.8	1.00
Jews**	28.9	15.2	0.74	28.0	14.3	0.72
Arabs	60.3	53.5	2.61	60.7	53.2	2.69
Elderly	54.5	20.1	0.98	54.8	19.6	0.99
New immigrants	40.3	17.4	0.85	39.5	16.7	0.84
Ultra-Orthodox Jews	70.4	56.9	2.78	67.2	55.0	??
Families with children – total	32.6	26.8	1.31	32.0	26.6	1.34
1-3 children	26.0	20.2	0.99	25.6	20.1	1.01
4 or more children	65.5	59.9	2.93	62.4	57.2	2.89
5 or more children	75.9	69.4	3.39	75.7	69.5	3.51
Single-parent families	49.3	32.3	1.58	46.9	30.5	1.54
Employment situation of head of household						
Worker	19.5	13.4	0.65	19.4	13.2	0.67
Employee	20.2	13.5	0.66	20.0	13.3	0.67
Self-employed	15.2	12.5	0.61	15.5	13.1	0.66
Working age but not working	89.8	68.9	3.37	90.6	70.1	3.54
Sole wage-earner	36.4	24.9	1.22	37.8	25.6	1.29
Two or more wage-earners	5.6	3.7	0.18	4.9	3.5	0.17
Age group of head of household						
Up to 30	37.7	26.1	1.28	37.7	26.8	1.35
31-45	28.3	22.7	1.11	26.9	21.0	1.06
46-retirement age	22.3	14.5	0.71	21.6	14.8	0.75
Past legal retirement age	57.6	20.7	1.01	57.8	19.9	1.00
Education of head of household						
Up to eight years of study	68.1	42.0	2.05	69.7	42.6	2.15
9-12 years of study	36.9	24.2	1.18	36.3	23.9	1.21
13 or more years of study	22.9	13.0	0.64	21.7	11.8	0.59

* The Concentration Index is the ratio between the incidence of poverty in a group to the incidence of poverty of the population at large (as measured by disposable income), and reflects the degree of proximity of a specific group to the general population in terms of incidence of poverty.

** In all tables from this one thereafter, citing statistics about Jews, this includes also non-Jews who are not Arabs.

Box 3
The Dimensions of Poverty in 2010–2011

The emergence of the economy from the recession and the recovery of the job market and salaries started in 2010 and continued through the first half of 2011, as was expressed both in the 2010 Survey and the findings of the survey that started in July 2010 and ended in June 2011 (hereafter 2010/11). The latter survey also sheds light on trends expected in poverty and social gaps in 2011.

The findings of the survey were compared to the entire year 2010 and to the parallel period in 2009/10. Following are the major findings that emerge from analyzing the dimensions of poverty during this period:

- The standard of living, as reflected in the adjusted median disposable income from which the poverty line is derived, went down relative to 2010 (a real decrease of 0.5%). Compared to the parallel period (the period of the 2009/10 survey), the poverty line went up by 3.1% in real terms.
- The incidence of poverty among families dropped from 19.8% to 19.4% relative to 2010. The depth of poverty index (income gap ratio) remained the same: 35.9% in 2010 and 36.0% in 2010/11.
- The incidence of poverty among individuals and children remained at the same level in 2010 (24.3% and 35.3%, respectively), but relative to 2009/10 it decreased (from 24.7% and from 35.8%, respectively in 2009/10). The FGT index of the severity of poverty, which gives greater weight to those who are poorer, was stable compared to 2010 and to the parallel period.
- During the survey period of 2010/11 there were 429,300 poor families in Israel, constituting 1,786,700 people, among them 847,000 children.
- The poverty data measured by economic income show that even though there was a drop in the incidence of poverty among families between 2010 and 2010/11 from 32.6% to 32.3%, the incidence of poverty among individuals went up from 32.8% to 33%, and of children from 40.4% to 40.9%. When compared to the parallel survey period of the previous year, 2009/10, the drop in poverty among families was even greater, while among individuals and children there was almost no change.
- The incidence of poverty among the elderly went down by more than one percentage point, from 19.6% in 2010 to 18.3% in 2010/11. This decrease is explained by increases in the old age and survivors pensions as well as by the hike in the retirement age, which contributed to increased income from work among this population and an improvement in their situation relative to the overall population.
- The incidence of poverty among families with children decreased from 26.6% in 2010 to 26.2% in 2010/11. A similar picture emerged from the comparison with 2009/10. This improvement stemmed from a drop in the rates of poverty among

The Incidence of Poverty Among Families According to Various Characteristics (percentages), 2009/10, 2010 and 2010/11

	Income before transfer payments and taxes			Income after transfer payments and taxes			Rate of the decrease in the incidence of poverty after transfer payments and taxes (percentages)		
	2009/10	2010	2010/11	2009/10	2010	2010/11	2009/10	2010	2010/11
Total population	**33.1**	**32.6**	**32.3**	**20.1**	**19.8**	**19.4**	**39.1**	**39.2**	**39.9**
Jews	28.4	28.0	28.0	14.6	14.3	14.2	48.8	48.7	49.4
Arabs	61.2	60.7	58.5	54.1	53.2	51.6	11.7	12.3	11.9
Elderly*	54.4	54.8	53.2	18.8	19.6	18.3	65.5	64.3	65.6
Immigrants	39.3	39.5	39.8	16.4	16.7	15.6	58.4	57.8	60.8
Ultra-orthodox **	68.9	67.2	66.6	56.8	55.0	53.8	17.6	18.0	19.2
Families with children – total	32.2	32.0	31.9	26.8	26.6	26.2	16.6	17.0	18.0
1-3 children	25.8	25.6	25.3	20.5	20.1	19.5	20.7	21.5	22.7
4 or more children	62.8	62.4	63.5	57.4	57.2	57.7	8.5	8.3	9.1
5 or more children	74.8	75.7	75.0	67.2	69.5	69.8	10.2	8.2	7.0
Single-parent families	49.2	46.9	45.8	33.3	30.5	29.6	32.3	35.1	35.3
Employment situation of head of household									
Worker	19.3	19.4	19.4	13.4	13.2	13.3	30.7	31.9	31.5
Employee	20.1	20.0	19.8	13.6	13.3	13.2	32.4	33.8	33.5
Self-employed	13.9	15.5	16.8	12.0	13.1	14.1	13.6	15.5	16.0
Working age but not working	90.6	90.6	90.7	69.8	70.1	70.2	22.9	22.6	22.6
Sole wage-earner	37.5	37.8	36.9	26.0	25.6	25.2	30.7	32.2	31.7
Two or more wage-earners	4.6	4.9	5.6	3.2	3.5	3.9	30.4	30.0	30.9
Age group of head of household									
Up to 30	39.6	37.7	37.0	27.3	26.8	26.4	31.0	28.8	28.7
31-45	27.5	26.9	27.2	22.2	21.0	21.1	19.3	21.8	22.3
46-retirement age	21.5	21.6	21.1	14.9	14.8	14.6	31.0	31.5	30.9
Past legal retirement age***	57.8	57.8	56.7	19.0	19.9	18.7	67.0	65.6	67.0
Education of head of household									
Up to eight years of study	68.3	69.7	68.9	40.5	42.6	42.0	40.6	38.9	39.0
9-12 years of study	36.4	36.3	35.6	24.4	23.9	23.0	33.1	34.1	35.3
13 or more years of study	22.8	21.7	22.1	12.5	11.8	12.0	45.1	45.7	45.8

* Under the definition used until now: Over 60 for women, over 65 for men.
** Due to volatility, a moving average of two years was used. Ultra-Orthodox are defined as per the work of Gottlieb and Kushnir, 2009.
*** The definition was adjusted to the retirement age under the Retirement Age Law. Therefore, this population is not fixed, until the raise of the retirement age is completed.

families with 1-3 children, among which the incidence of poverty dropped from 20.1% in 2010 to 19.5% in 2010/11, and by the drop in the incidence of poverty among single-parent families from 30.5% to 29.6% between the two periods. Among larger families there was a mild increase in between the two periods.

- The incidence of poverty among working families remained stable at 13.3% during the survey period. At the same time, the proportion of working families among the entire poor population continued its uptrend, from 50.6% in 2010 to 52.2% in 2010/11. This increase stems both from families where there are two or more wage earners and from families with only one wage earner.
- The contribution of transfer payments and direct taxes to reducing poverty among the elderly went up, from 64.3% in 2010 to 65.6% in 2010/11, returning to the level of 2009/10.
- 26.2% of individuals and 13.6% of children were extricated from poverty as a result of government intervention by means of transfer payments and direct taxes. Here, too, there was an increase compared to 2010 and 2009/10.

In 2010, the proportion of working-age families in which no one is working went down as a result of the job market's recovery – a long-term trend broken only once, in 2009

The incidence of poverty among new immigrants continued to drop, from 17.4% in 2009 to 16.7% in 2010, and its level is significantly lower than that of the overall population.

A **new immigrant** is anyone who immigrated to Israel from 1990, but there is a substantial difference between the position of immigrants who arrived during the 1990s and those who arrived from 2000 and on, apparently including numerous foreign workers who are cannot be identified with certainty in the survey.

The situation of more veteran immigrants is better because the length of time spent in the country has a positive effect and there is also a difference in the composition of the immigrants in terms of geographic origin and age. The earlier group of immigrants were generally adults from the former Soviet Union, while in the later group the proportion of foreign workers is clear. The latter constitute a younger population with children who are working for lower wages. In the more veteran group the incidence of poverty went down from 16.4% in 2009 to 15.1% in 2010, while in the later group it went up: from 21.1% to 22.5%. With that, in both subgroups the depth and severity of poverty went up significantly between the two years of the survey.

The high distribution of families headed by an person around the poverty line is because the minimum income for sustenance to those with almost no income from any other source corresponds to the poverty line

In 2010, the proportion of families of working age in which no one is working went down as a result of the job market's recovery. This is actually a long-term trend that was broken only once, in 2009. However, the incidence of poverty among these families (which include families of the unemployed) continued to go up in 2010: from 68.9% in 2009 to 70.1% in 2010. It should be noted that in the past decade, more specifically from 1999, the already high incidence of poverty among these families has been climbing, from a ratio of 64.5% to around 70%, as noted. At the same time, the contribution of

Table 8
The Proportion of Specific Populations Among the Overall Population and the Poor Population (percentages), 2009

	Overall population		The poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
Population groups (families)	Families	Individuals	Families	Individuals	Families	Individuals
Jews	86.2	80.1	75.0	63.1	64.1	54.2
Arabs	13.8	19.9	25.0	36.9	35.9	45.8
Elderly	19.7	10.0	32.4	15.0	19.4	8.1
Immigrants	19.1	16.3	23.2	16.9	16.3	11.7
Families with children – total	46.0	66.5	45.1	72.1	60.2	82.9
1-3 children	38.3	49.6	30.0	38.3	37.8	41.0
4 or more children	7.7	16.8	15.1	33.9	22.4	41.9
5 or more children	3.7	9.4	8.4	21.6	12.5	26.7
Single-parent families	5.7	6.2	8.4	9.2	8.9	8.6
Employment situation of head of household						
Worker	75.0	83.1	44.1	59.5	49.0	61.2
Employee	65.6	72.3	39.8	53.6	43.2	54.0
Self-employed	9.4	10.8	4.3	5.9	5.8	7.2
Working age but not working	9.6	9.7	25.9	26.8	32.2	31.0
Sole wage-earner	34.0	32.8	37.3	48.1	41.5	50.8
Two or more wage-earners	41.0	50.4	6.8	11.4	7.5	10.4
Age group of head of household						
Up to 30	17.2	17.1	19.5	22.1	22.0	21.7
31-45	35.1	43.4	29.9	44.0	39.0	51.0
46-retirement age	30.2	31.0	20.3	20.1	21.4	20.2
Past legal retirement age	17.5	8.4	30.3	13.8	17.6	7.2
Education of head of household						
Up to eight years of study	11.1	9.6	22.7	19.1	22.7	19.9
9-12 years of study	37.9	41.0	42.1	47.3	44.8	49.3
13 or more years of study	51.0	49.4	35.2	33.6	32.5	30.8

transfer payments to reducing poverty in this group continued to drop, from 23.3% in 2009 to 22.6% in 2010.

The extent of the concentration of families around the poverty line is connected to the sources of their income. Table 10 shows the distribution of different population groups around the poverty line. The high distribution of families headed by an elderly person around the poverty line is because the minimum income for sustenance guaranteed by the Income Support Law to the elderly and survivors who have almost no income from any other source corresponds more or less to the poverty line. Thus any supplement, even

Table 9
The Proportion of Specific Populations Among the Overall Population and Among the Poor Population (percentages), 2010

Population groups (families)	Overall population		The poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Individuals	Families	Individuals	Families	Individuals
Jews	85.9	79.8	73.8	61.9	62.2	53.2
Arabs	14.1	20.2	26.2	38.1	37.8	46.8
Elderly	20.4	10.4	34.3	16.6	20.1	9.2
Immigrants	18.2	15.5	22.1	16.1	15.3	11.5
Families with children – total	45.2	65.7	44.4	71.3	60.6	82.1
1-3 children	37.3	48.5	29.3	37.6	37.8	40.7
4 or more children	7.9	17.2	15.1	33.7	22.8	41.4
5 or more children	3.7	9.2	8.5	21.3	12.9	26.2
Single-parent families	5.7	6.2	8.3	9.1	8.8	8.4
Employment situation of head of household						
Worker	75.8	84.2	45.2	61.2	50.6	63.3
Employee	65.8	72.9	40.4	54.6	44.0	55.8
Self-employed	10.0	11.4	4.8	6.6	6.6	7.5
Working age but not working	8.5	8.3	23.6	23.9	30.0	27.9
Sole wage-earner	33.4	32.0	38.7	50.2	43.2	52.5
Two or more wage-earners	42.4	52.3	6.4	11.0	7.4	10.8
Age group of head of household						
Up to 30	16.1	16.0	18.6	21.1	21.7	21.4
31-45	34.9	43.2	28.8	42.6	37.0	48.2
46-retirement age	30.9	31.9	20.4	21.1	23.0	22.3
Past legal retirement age	18.1	8.9	32.2	15.2	18.2	8.1
Education of head of household						
Up to eight years of study	11.2	9.5	23.9	20.0	24.0	20.6
9-12 years of study	38.0	41.0	42.3	47.8	45.8	50.3
13 or more years of study	50.9	49.4	33.8	32.2	30.2	29.1

if small, in the level of the minimum income, will bring about a significant decrease in the number of poor elderly households, since while their income will still be very close to the poverty line, it will nonetheless be above it. Conversely, an erosion, even a minor one, in the level of the minimum income would significantly increase the scope of the poor elderly.

Table 11 shows the influence of government policy measures – transfer payments and direct taxes – on both the incidence and the depth of poverty. It emerges that between 2008 and 2010 there was a small increase in the contribution of government measures toward reducing the incidence of poverty, while there was a drop in their contribution toward reducing the depth of poverty.

Table 10
The Income Gap Ratio of the Poor* Among Specific Populations, 2009 and 2010

Population group (families)	2009 Economic Income	2009 Disposable Income	2009 Concentration Index**	2010 Economic Income	2010 Disposable Income	2010 Concentration Index **
Total population	**60.3**	**35.5**	**1.00**	**60.0**	**35.8**	**1.00**
Jews	62.7	33.1	0.93	62.2	34.6	0.97
Arabs	56.0	38.3	1.08	56.3	37.2	1.04
Elderly	80.4	24.8	0.70	80.0	26.7	0.74
Immigrants	65.1	26.4	0.74	67.1	29.0	0.81
Families with children – total	56.4	36.5	1.03	55.6	36.7	1.02
1-3 children	53.3	34.7	0.98	53.3	35.5	0.99
4 or more children	59.8	38.1	1.07	58.3	37.9	1.06
5 or more children	62.8	39.0	1.10	60.4	38.9	1.09
Single-parent families	63.5	35.3	1.00	65.9	37.1	1.04
Employment situation of head of household						
Worker	39.4	28.4	0.80	40.2	29.5	0.82
Employee	39.5	28.0	0.79	40.0	28.8	0.80
Self-employed	39.1	31.3	0.88	42.0	34.8	0.97
Working age but not working	94.6	52.3	1.47	95.5	53.1	1.48
Sole wage-earner	42.7	29.7	0.84	43.1	30.8	0.86
Two or more wage-earners	25.7	21.7	0.61	27.4	23.1	0.64
Age group of head of household						
Up to 30	54.6	35.8	1.01	55.1	37.0	1.03
31-45	55.8	36.1	1.02	54.1	35.9	1.00
46-retirement age	62.4	38.3	1.08	61.8	38.5	1.07
Past legal retirement age	80.6	23.0	0.65	80.5	25.3	0.70
Education of head of household						
Up to eight years of study	68.9	38.4	1.08	71.0	40.1	1.12
9-12 years of study	55.4	35.2	0.99	55.2	35.1	0.98
13 years of study or more	62.1	34.2	0.96	60.2	34.1	0.95

* The weight given to each family in calculating the index is equal to the number of individuals in it.
** The Concentration Index is a gap ration, and reflects the ratio between the depth of poverty in a group and that of the general population.

One possible explanation for this is that the government in recent years has been increasing benefits primarily for the elderly population, a large portion of whom are very close to the poverty line. A small increase in benefit is thus liable to raise some of them over the poverty line, but it does not help reduce the depth of poverty of these families. And in fact, this development is particularly notable among the elderly, for whom the contribution of government measures to reducing poverty went up some 5 percentage points between 2008 and 2010, while their contribution to reducing the depth of poverty among the elderly went down some 4 percentage points during the same period.

Table 11
The Influence of Transfer Payments and Direct Taxes on Poverty in Specific Population Groups, 2008–2010

Population group (families)	Percentage drop stemming from transfer payments and direct taxes					
	Incidence of poverty			Income gap ratio of the poor		
	2008	2009	2010	2008	2009	2010
Total population	**38.3**	**38.4**	**39.2**	**42.6**	**41.1**	**40.2**
Jews	46.2	47.4	48.7	48.0	47.2	44.4
Arabs	13.5	11.4	12.3	32.8	31.6	33.8
Elderly	59.4	63.1	64.3	71.5	69.2	66.7
Immigrants	55.7	56.7	57.8	56.6	59.5	56.8
Families with children – total	20.6	17.9	17.0	35.2	35.3	34.0
1-3 children	25.8	22.5	21.5	34.7	34.9	33.4
4 or more children	11.1	8.6	8.3	36.0	36.2	34.9
5 or more children	11.4	8.5	8.2	37.4	37.8	35.5
Single-parent families	38.6	34.5	35.1	45.3	44.4	43.7
Employment situation of head of household						
Worker	34.8	31.6	31.9	29.5	28.1	26.7
Employee	36.8	33.2	33.8	30.0	29.2	28.2
Self-employed	17.3	17.3	15.5	26.3	19.9	17.1
Working age but not working	20.2	23.3	22.6	46.0	44.7	44.4
Sole wage-earner	34.7	31.4	32.2	31.7	30.4	28.5
Two or more wage-earners	35.9	32.7	30.0	15.6	15.5	15.6
Age group of head of household						
Up to 30	32.9	30.7	28.8	35.0	34.5	32.9
31-45	22.5	19.6	21.8	36.1	35.3	33.7
46-retirement age	31.9	35.0	31.5	39.4	38.7	37.7
Past legal retirement age	60.3	64.1	65.6	73.7	71.5	68.6
Education of head of household						
Up to eight years of study	35.1	38.3	38.9	46.8	44.3	43.5
9-12 years of study	34.2	34.5	34.1	38.7	36.6	36.3
13 years of study or more	44.9	43.1	45.7	44.5	45.0	43.4

It is accepted to relate to households that live on an income lower than 40% of the median income as households living in extreme poverty

One way to define extreme poverty is to check households whose income falls substantially below the official poverty line of 50% of the median disposable income per standard person. Thus, for example, it is accepted to relate to households that live on an income lower than 40% of the median income as households living in extreme poverty[6],

6 An approach more widely accepted by poverty researchers is to define extreme poverty with the help of the FGT index, which generally expresses the squared total of the income gaps as explained in other places in this chapter. The approach used in this table is easier to understand.

Table 12
The Incidence of Poverty, Extreme Poverty, and the Risk of Poverty Among Individuals in Different Population Groups, 2010

Population group	Living in extreme poverty: less than 40% of the median income	Living in moderate poverty: 40%-50% of the median income	Living under the official poverty line of 50%	Living above the poverty line but at risk of poverty
Total	**16.8**	**7.6**	**24.4**	**6.7**
Jews	10.4	5.8	16.2	5.8
Arabs	42.0	14.6	56.6	10.4
Elderly	11.4	10.1	21.5	9.2
Immigrants	10.1	8.0	18.2	8.3
Ultra-Orthodox Jews*	44.6	13.5	58.1	11.2
Families with children – Total	21.7	8.7	30.5	7.4
1-3 children	13.5	7.0	20.5	6.1
4 or more children	44.9	13.8	58.6	11.3
5 or more children	54.2	15.4	69.6	11.4
Single-parent families	24.2	9.1	33.2	8.9
Employment situation of head of household				
Worker	11.4	6.9	18.3	6.5
Employee	11.6	7.0	18.7	6.4
Self-employed	10.1	6.1	16.1	7.2
Working age but not working	73.1	9.0	82.1	4.6
Sole wage-earner	26.4	13.6	40.0	9.4
Two or more wage-earners	2.2	2.8	5.0	4.8
Age group of head of household				
Up to 30	22.5	10.0	32.5	7.8
31-45	19.3	7.9	27.2	6.9
46-retirement age	12.0	5.0	17.1	5.2
Past legal retirement age***	11.4	10.8	22.2	9.7
Education of head of household				
Up to eight years of study	40.2	12.5	52.7	11.5
9-12 years of study	20.8	9.1	29.9	7.7
13 years of study or more	9.0	5.3	14.4	5.0

* Definition of ultra-Orthodox Jews according to the research of Gottlieb and Kushnir of 2009.

and by the same logic to relate to households whose income, while over the poverty line, is less that 60% of the median income as a household living "at risk of poverty."[7] Table

7 The 60% factor was prescribed by the European Union as the official poverty line at risk of living in poverty. See "Poverty and Social Exclusion" at the website: http://ec.europa.eu/social/.

12 presents the poverty of individuals in different population groups according to this approach. In this table, data are also presented for the ultra-Orthodox, according to a specific method that was developed in a study by Gottlieb and Kushnir (2009) to identify them in the survey, since they cannot be directly identified from data obtained from surveys of income and household expenditure.

The table shows that extreme poverty among the entire population reaches some 17% of the individuals on average, but in large families, ultra-Orthodox families and Arab families, which largely correspond to one another, this rate shoots up to more than 40%.

As one can see from the table, those who live just above the poverty line from among the overall population are only a small percentage more than those who live in extreme poverty. The phenomenon of living at risk of one's situation deteriorating into poverty is very significant in terms of social stability and has the potential to undermine this stability. This is because it hints at a vulnerability to having one significant financial reversal or a series of small ones push a certain group of people into a state of poverty when they are not accustomed to it.

It is of course difficult to determine the degree of the risk of instability, and it is reasonable to assume that such instability is influenced by factors other than poverty. Still, proximity to the poverty line from above constitutes a risk. Some 5% of individuals in households with two wage-earners find themselves in the range of over-but-close-to the poverty line, which means that a sudden reduction in their income is liable to force them under the poverty line, although the likelihood of their falling into extreme poverty is marginal – only 2.2%.

80% of individuals in poor families with more than four children, 70% of individuals in single-parent families and 60% of individuals in working poor families – live in extreme poverty

One can also learn from the table that some 80% of individuals in poor families that have more than four children, some 70% of the individuals in single-parent families and some 60% of the individuals in working poor families live in extreme poverty. By contrast, in other groups those percentages are far lower – only half of poor elderly people or families whose head of household is past retirement age and about 40% of households in which there are two wage-earners live in extreme poverty.

5. Inequality in Income Distribution and the Influence of Government Measures

The progressive structure of transfer payments and direct taxes reduces income gaps in the population. The ratio of transfer payments to economic income diminishes as economic income increases while the ratio of direct taxes increases with economic income. The more progressive the transfer payments and direct taxes are, the greater the lower deciles' proportion of income is after transfer payments and direct taxes, while the proportion of income of the upper deciles diminishes.

Table 13 shows the change in average income, benefits and taxes for a family during the survey period. During the period between 2003 and 2010, economic income went

Table 13
Average Income, Benefits and Taxes per Family (NIS per month, 2010 prices), 2003-2010

	2003	2004	2005	2006	2007	2008	2009	2010	2010 vs. 2003
Economic income	10,790	11,130	11,490	11,940	12,540	12,390	12,090	12,530	16.1
Total transfer payments	1,880	1,820	1,820	1,830	1,810	1,770	1,870	1,870	-0.5
NII benefits	1,440	1,360	1,330	1,340	1,320	1,310	1,380	1,410	-2.1
Direct taxes	2,660	2,610	2,550	2,530	2,740	2,520	2,280	2,370	-10.9
Disposable income	10,020	10,340	10,750	11,240	11,610	11,640	11,680	12,020	20.0

up by 16.1%, while disposable income went up by an even higher rate of 20.0 percent. The increase in economic income is the result of broader employment and a real increase in wages between 2003 and 2007, that was halted in 2008. The even greater increase in disposable income relative to economic income is the result of two opposing factors, one of which overcame the other: On the one hand, the real value of transfer payments went down by 0.5%, while on the other, direct taxes also went down under the various tax reform adjustments, by 11%. Because tax reductions generally have a greater influence on disposable income than do transfer payments, disposable income went up slightly more than did economic income between 2003 and 2010.

Table 14 shows the average amounts of transfer payments and direct taxes as a percentage of the average economic income per family in each decile, while Table 15 shows the proportion of transfer payments and direct taxes that applied to each decile (ranked by economic income) in 2008, 2009 and 2010.

The table shows that in 2010 there was a drop in the transfer payments in relation to economic income – from 15.5% in 2009 to 14.9% in 2010 – although the ratio of transfer payments to economic income in 2010 was still higher than in 2008. However, there was barely any change with regard to the direct taxes in the three years and they remained about 20% of the economic income. The two lowest deciles show the largest drop in the ratio of transfer payments as a proportion of economic income. At the same time, the tax burden as a proportion of economic income went down between 2008 to 2010 – from 16% to 14.5% – in the second decile and showed almost no change in the third decile, remaining at 9%. This drop characterizes all the years since 2003 (except for 2007), and this stems from the decreased tax rates that were part of the multiyear income tax reform plan.

Table 15 shows that when ranking the deciles by economic income, the lowest through sixth deciles receive more in transfer payments than they pay in direct taxes. A balance is achieved at the seventh decile, while starting with the eighth decile the ratio

Table 14
The Ratio of Transfer Payments and Direct Taxes to Average Economic Income in Every Decile*, Overall Population (percentages), 2008-2010

	Proportion of Average Economic Income					
	Transfer payments			Direct taxes		
Decile*	2008	2009	2010	2008	2009	2010
Lowest	--**	--**	--**	--**	--**	--**
2	183.3	204.2	157.1	15.2	16.1	14.5
3	47.7	55.8	52.3	8.7	8.8	8.8
4	32.5	34.4	34.6	9.2	9.0	9.3
5	20.6	22.9	23.4	10.2	9.7	9.6
6	14.2	15.3	14.9	10.9	10.8	10.3
7	9.8	9.8	9.5	12.6	12.2	12.3
8	6.1	6.6	6.7	15.7	14.5	14.6
9	4.4	4.8	4.7	20.3	18.9	18.6
Highest	1.7	2.6	2.1	29.9	27.4	28.0
Total	14.3	15.5	14.9	20.3	18.9	18.9

* To determine the deciles, families were ranked by their economic income per standard person. Every decile constitutes 10% of all the persons in the population.

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

Table 15
The Share of Each Decile of the Overall Population in Transfer Payments and Direct Taxes (percentages), 2008-2010

	Total proportion (percentages)					
	Transfer payments			Direct taxes		
Decile*	2008	2009	2010	2008	2009	2010
Lowest	25.9	24.8	25.2	0.9	1.0	1.0
2	15.9	14.8	13.5	0.9	1.0	1.0
3	9.3	10.0	10.0	1.2	1.3	1.3
4	9.8	9.5	10.3	2.0	2.0	2.2
5	8.7	9.0	9.8	3.0	3.1	3.2
6	7.8	8.0	8.1	4.2	4.6	4.4
7	7.0	6.6	6.6	6.4	6.8	6.7
8	5.7	5.7	5.9	10.2	10.3	10.2
9	5.6	5.6	5.5	18.1	18.3	17.4
Highest	4.2	6.0	5.1	53.1	51.6	52.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

* To determine the deciles, families were ranked by their economic income per standard person. Every decile constitutes 10% of all the persons in the population.

Table 16
The Influence of Transfer Payments and Direct Taxes on Inequality of Income Distribution in the Overall Population (percentages), 2008-2010

	Each decile's portion of the total income (%)**								
	Before transfer payments and taxes			After transfer payments			After transfer payments and taxes		
Decile*	2008	2009	2010	2008	2009	2010	2008	2009	2010
Lowest	0.0	0.0	0.0	1.7	1.6	1.6	1.9	1.8	1.8
2	1.4	1.3	1.4	3.1	3.0	3.0	3.5	3.4	3.4
3	3.1	3.0	3.1	4.1	4.1	4.1	4.6	4.5	4.6
4	4.6	4.5	4.7	5.3	5.3	5.4	6.0	5.9	6.0
5	6.3	6.3	6.4	6.7	6.8	6.9	7.4	7.4	7.6
6	8.1	8.3	8.4	8.3	8.4	8.5	9.0	9.1	9.2
7	10.4	10.7	10.6	10.1	10.4	10.3	10.8	11.0	11.0
8	13.3	13.6	13.4	12.7	12.8	12.7	13.1	13.2	13.1
9	18.1	18.2	17.8	16.8	16.8	16.5	16.5	16.4	16.3
Highest	34.8	34.1	34.1	31.4	30.8	30.8	27.3	27.4	27.1
Ratio of the lowest quintile income to that of the highest quintile	38.9	41.6	36.4	10.2	10.4	10.2	8.1	8.5	8.3

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

Table 17
The Gini Inequality Index of Income Distribution in the Population, 1999-2010

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of reduction stemming from transfer payments and taxes
2010	0.5045	0.4260	0.3841	23.9
2009	0.5099	0.4293	0.3892	23.7
2008	0.5118	0.4318	0.3853	24.7
2007	0.5134	0.4323	0.3831	25.4
2006	0.5237	0.4379	0.3923	25.1
2005	0.5225	0.4343	0.3878	25.8
2004	0.5234	0.4300	0.3799	27.4
2003	0.5265	0.4241	0.3685	30.0
2002	0.5372	0.4312	0.3679	31.5
1999	0.5167	0.4214	0.3593	30.5
Change in the index (%)				
2009 vs. 2010	-1.0	-0.8	-1.3	
2002 vs. 2010	-6.1	-1.2	4.4	
1999 vs. 2010	-2.4	1.1	6.9	

reverses itself: The top decile, which pays more than half the direct taxes, receives only 5% of the transfer payments.

Table 16 shows the patterns of all income distribution in the overall population between 2008 and 2010. From the data in the table it emerges that between the two of the years compared, 2009 and 2010, there was no significant change in the distribution of disposable income among the deciles or in the ratio of the income of the lowest quintile of the population to that of the highest quintile (although there was a small decrease from 8.5% to 8.3% between the two years). With that, the Gini inequality index pointed to a worsening in the disposable income distribution between these two years.

The contribution of transfer payments and direct taxes to the reduction of inequality that stems from economic income distribution went up a bit, from 23.7% in 2009 to 23.9% in 2010, but is lower by 8 percentage points than in 2002, when the rate was 31.5% (Table 17).