# Chapter 2 Dimensions of Poverty and Social Gaps

## 1. Introduction

This chapter presents a survey of the socioeconomic situation in Israel with the emphasis on poverty and inequality in 2012 or 2011, according to available data. For the various dimensions shown, there is a comparison with previous years (Israel) as well as an international comparison.

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 to 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 (CBS)[1]. This year there is also a summary of the findings of dimensions of poverty and poverty lines obtained by three alternative poverty indices that are regularly calculated by the Research and Planning Administration and which refer also to expenditure and not just to income.

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 chapter continues with findings relating primarily to inequality of income distribution (Section 5). Finally (Section 6), as mentioned above there is for the first time a brief review of three additional measures of poverty developed by the Research and Planning Administration, and general findings on poverty revealed by these measures.

In this chapter there are three boxes: (1) **Weighting Scale** – presents a study to be published shortly on the Weighting Scale in Israel. (2) **Survey of Nutrition Security 2011** – presenting additional data to what has already been published regarding the national survey of nutritional security carried out by the Research and Planning Administration in 2011. (3) **Purchasing Power of the Minimum Wage in Israel from an International Perspective** – data about the minimum wage in Israel in international terms. There are two appendices to this Chapter: one contains a detailed description of the poverty measuring method and sources of data, and the other contains tables of poverty and inequality to supplement the findings on these subjects.

..............................................

1    Details and more information about the method of measurement and sources of data can be found in the appendix on Measuring Poverty and Sources of Data in this publication.
2    Growing unequal? Income distribution and poverty in OECD countries. (2008) OECD.

## 2. The Social Situation in Israel in an International Comparison

In 2012, public welfare expenditure constituted about 17 percentage points of the GDP, while more than half the expenditure – approximately 52% – was earmarked for monetary support and the remainder for support "in kind", mainly in the field of health

In 2012, public welfare expenditure constituted about 17 percentage points of the GDP, while more than half the expenditure – approximately 52% – was earmarked for monetary support and the remainder for support "in kind"; that is, support through services provided for citizens, in this case mainly in the field of health. This ratio has remained constant since 2011, continuing the stabilizing trend that began in 2009 (Table 1).

Dividing this expenditure into its different components (Graph 1) shows that both monetary and in-kind expenditure remained stable. However, one can see that the expenditure on working-age people decreased, while the expenditure on the elderly increased from 2009 (although in 2012 there was a slight decline in support for the elderly). The rate of increase in spending on the elderly was higher than the rate of decrease in spending on the working-age population, which is to be expected, given the relatively high increase in old-age and survivors' pensions in recent years.

To broaden the survey of poverty in Israel, below we give data on poverty in various segments compared to selected OECD countries, based on the calculation method used to measure poverty in that organization[3]. The data was calculated using the figures for

### Graph 1
### Public Welfare Expenditure as Percentage of GDP, Israel, 2000–2012
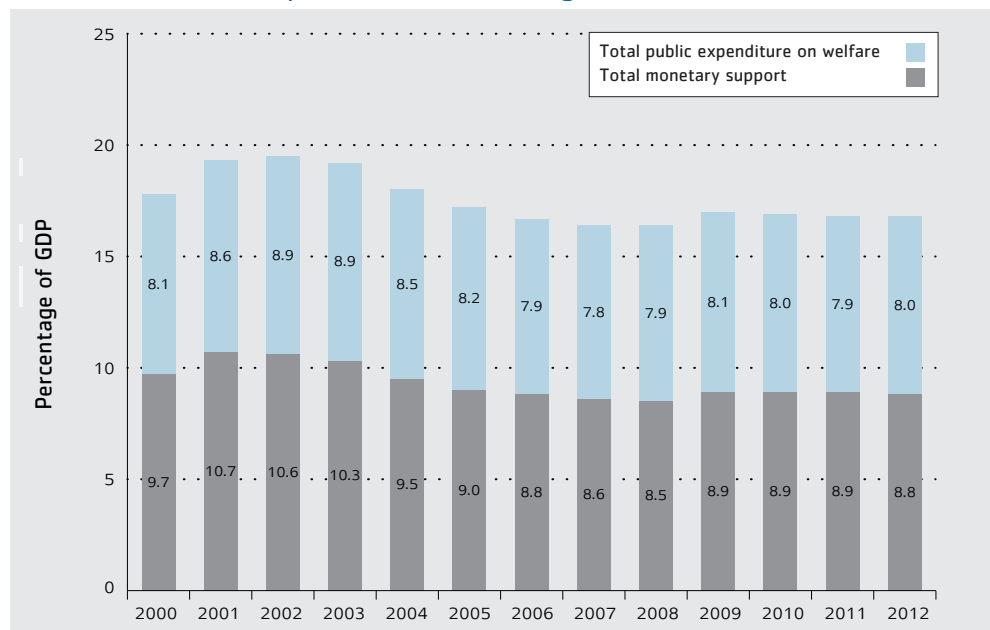


[3] Measuring poverty in OECD countries, as in Israel, is based on a poverty line calculated as half the median available income per standard individual, except that the mechanism for calculating income per standard individual – the weighting scale – differs in the two approaches, so that according to the OECD approach, the size advantage of the household is larger.

## Table 1
## Public Welfare Expenditure, 2000–2012

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total public welfare expenditure | 17.77 | 19.31 | 19.56 | 19.25 | 17.96 | 17.23 | 16.71 | 16.41 | 16.38 | 16.97 | 16.97 | 16.82 | 16.77 |
| Total monetary support | 9.68 | 10.69 | 10.62 | 10.33 | 9.46 | 9.02 | 8.77 | 8.57 | 8.50 | 8.87 | 8.94 | 8.87 | 8.78 |
| Support for working-age population | 5.14 | 5.67 | 5.61 | 5.15 | 4.54 | 4.28 | 4.15 | 4.00 | 4.05 | 4.24 | 4.19 | 4.12 | 4.06 |
| National Insurance Institute | 4.15 | 4.69 | 4.63 | 4.23 | 3.69 | 3.48 | 3.39 | 3.27 | 3.32 | 3.49 | 3.47 | 3.43 | 3.42 |
| War and hostilities | 0.47 | 0.53 | 0.54 | 0.55 | 0.53 | 0.50 | 0.49 | 0.48 | 0.46 | 0.50 | 0.47 | 0.45 | 0.40 |
| Other* | 0.51 | 0.46 | 0.44 | 0.37 | 0.32 | 0.29 | 0.27 | 0.25 | 0.26 | 0.25 | 0.25 | 0.24 | 0.23 |
| Support for the elderly | 4.55 | 5.01 | 5.00 | 5.18 | 4.92 | 4.75 | 4.63 | 4.57 | 4.45 | 4.63 | 4.75 | 4.75 | 4.72 |
| National Insurance Institute | 2.62 | 2.90 | 2.85 | 2.84 | 2.74 | 2.66 | 2.61 | 2.49 | 2.48 | 2.57 | 2.66 | 2.66 | 2.62 |
| Pension for State employees | 1.51 | 1.65 | 1.70 | 1.87 | 1.79 | 1.73 | 1.72 | 1.78 | 1.68 | 1.79 | 1.83 | 1.85 | 1.88 |
| Other** | 0.41 | 0.45 | 0.45 | 0.47 | 0.40 | 0.35 | 0.31 | 0.29 | 0.29 | 0.27 | 0.26 | 0.24 | 0.23 |
| Total in-kind support | 8.09 | 8.63 | 8.94 | 8.92 | 8.50 | 8.21 | 7.94 | 7.84 | 7.88 | 8.10 | 8.03 | 7.95 | 7.99 |
| Health and long-term care | 5.91 | 6.33 | 6.43 | 6.39 | 6.24 | 6.14 | 5.91 | 5.82 | 5.94 | 5.98 | 6.03 | 5.96 | 6.04 |
| Other*** | 2.18 | 2.30 | 2.50 | 2.54 | 2.26 | 2.07 | 2.02 | 2.02 | 1.95 | 2.11 | 2.00 | 1.99 | 1.95 |

**Source**: Figures from the NII and the CBS, processed by the Research and Planning Administration according to the OECD classification rules.
*    Including support for discharged soldiers, immigrant absorption basket, and monetary support to help with rent.
**   Including support for victims of the Nazis and monetary support to help with rent.
***  Including in-kind support from the National Insurance, Institute, local authorities, national institutions, government non-profit organizations and the Ministry of Labor and Welfare.

The incidence of poverty ranges from 5.5% in the Czech Republic to 21.0% in Mexico, and the average for all the countries is 11.1%. The incidence of poverty in Israel in 2011 was one of the highest – 20.6%

the end of the first decade of the century, and it is updated in nearly all the countries up to 2008. The figures for Israel given here are for 2008 and 2011.

The incidence of poverty ranges from 5.5% in the Czech Republic to 21.0% in Mexico, and the average for all the countries is 11.1%. The incidence of poverty in Israel in 2011 was one of the highest – 20.6% (Graph 2a). The Gini Inequality Index ranges from 0.236 in Slovenia, where it is an indication of the lowest inequality, to 0.494 in Chile, where it indicates the highest inequality. In Israel in 2011 the Gini Index was estimated at 0.368, a slight improvement compared to 2008, but still one of the highest among OECD countries (Graph 2b).
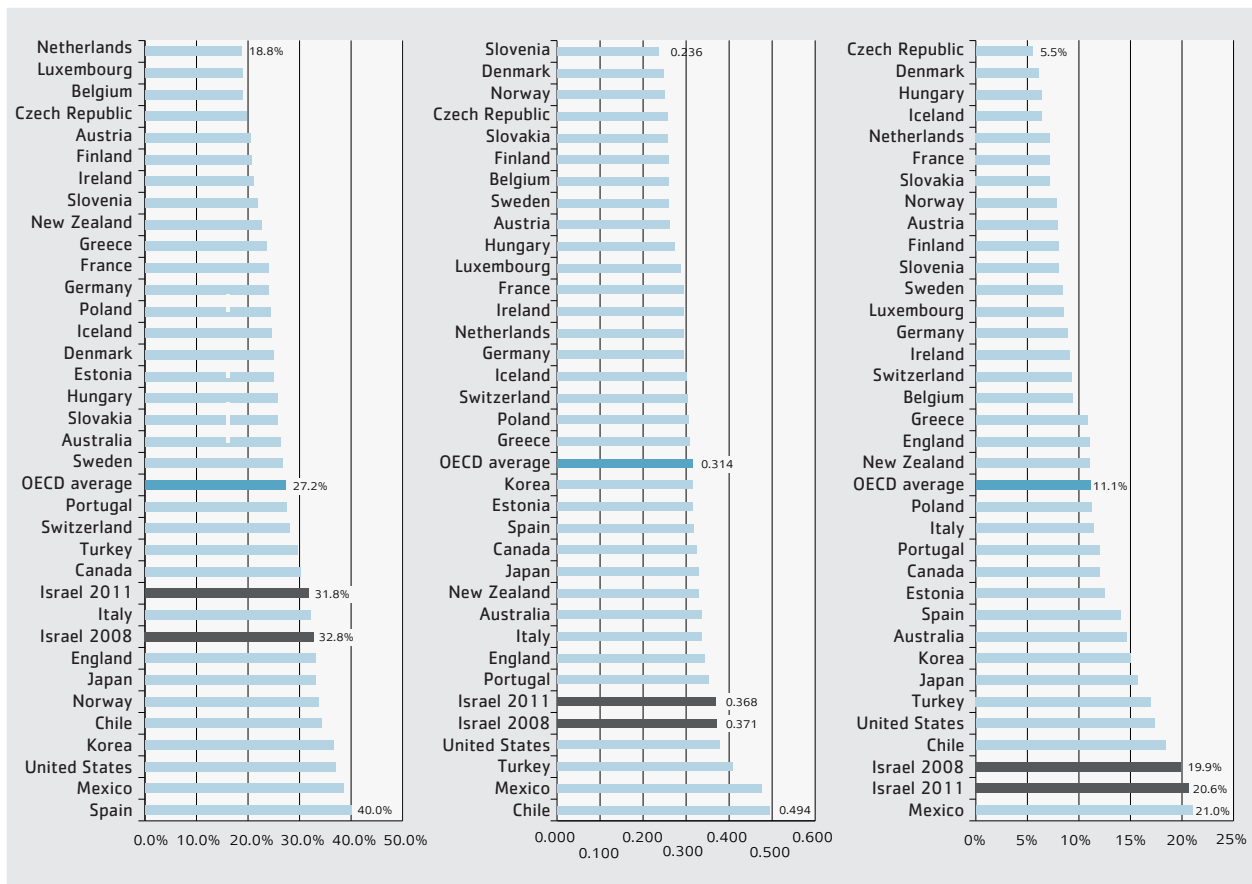
## Graph 2
## Indicators of Poverty and Inequality in the General Population in Israel, compared to OECD Countries

### 2a: Incidence of Poverty in OECD countries *

| Country | Value |
| --- | --- |
| Netherlands | 18.8% |
| Luxembourg | |
| Belgium | |
| Czech Republic | |
| Austria | |
| Finland | |
| Ireland | |
| Slovenia | |
| New Zealand | |
| Greece | |
| France | |
| Germany | |
| Poland | |
| Iceland | |
| Denmark | |
| Estonia | |
| Hungary | |
| Slovakia | |
| Australia | |
| Sweden | |
| OECD average | 27.2% |
| Portugal | |
| Switzerland | |
| Turkey | |
| Canada | |
| Israel 2011 | 31.8% |
| Italy | |
| Israel 2008 | 32.8% |
| England | |
| Japan | |
| Norway | |
| Chile | |
| Korea | |
| United States | |
| Mexico | |
| Spain | 40.0% |

### 2b: Gini Index of inequality in OECD countries

| Country | Value |
| --- | --- |
| Slovenia | 0.236 |
| Denmark | |
| Norway | |
| Czech Republic | |
| Slovakia | |
| Finland | |
| Belgium | |
| Sweden | |
| Austria | |
| Hungary | |
| Luxembourg | |
| France | |
| Ireland | |
| Netherlands | |
| Germany | |
| Iceland | |
| Switzerland | |
| Poland | |
| Greece | |
| OECD average | 0.314 |
| Korea | |
| Estonia | |
| Spain | |
| Canada | |
| Japan | |
| New Zealand | |
| Australia | |
| Italy | |
| England | |
| Portugal | |
| Israel 2011 | 0.368 |
| Israel 2008 | 0.371 |
| United States | |
| Turkey | |
| Mexico | |
| Chile | 0.494 |

### 2c: Ratio of gap in incomes in OECD countries

| Country | Value |
| --- | --- |
| Czech Republic | 5.5% |
| Denmark | |
| Hungary | |
| Iceland | |
| Netherlands | |
| France | |
| Slovakia | |
| Norway | |
| Austria | |
| Finland | |
| Slovenia | |
| Sweden | |
| Luxembourg | |
| Germany | |
| Ireland | |
| Switzerland | |
| Belgium | |
| Greece | |
| England | |
| New Zealand | |
| OECD average | 11.1% |
| Poland | |
| Italy | |
| Portugal | |
| Canada | |
| Estonia | |
| Spain | |
| Australia | |
| Korea | |
| Japan | |
| Turkey | |
| United States | |
| Chile | |
| Israel 2008 | 19.9% |
| Israel 2011 | 20.6% |
| Mexico | 21.0% |

\* Based on 2008 data for all countries except Denmark, Hungary and Turkey, whose figures are correct for 2007, and Chile and Japan, whose figures are correct for 2009 and 2006, respectively. This applies to the whole chapter.

One can explain the distance of Israel from the bottom of the list that presents the Gini Index as presented in Graph 2B as follows: the depth of poverty among the poor in Israel is not one of the highest (as opposed to the incidence of poverty, which is among the highest). A comparison of the income gap ratio among the poor in the various countries (Graph 2B) reflects the average distance of the income from the poverty line for all individuals defined as poor, and it constitutes an indicator of the severity of the poor persons' situation. This measure ranges between 18.8% in the Netherlands, in which the depth of poverty among the poor is the lowest, to 40.0% in Spain, where the depth of poverty is the highest. The poverty depth measure in Israel was 31.8% in 2011; this is a slight improvement relative to 2008. The significance of this is that the distance of the income of an average poor person in Israel from the poverty line is 31.8%, or 68.2% of the

*The depth of poverty among the poor in Israel is not one of the highest*

*The depth of poverty ranges between 18.8% in the Netherlands to 40.0% in Spain, where the depth of poverty is the highest*
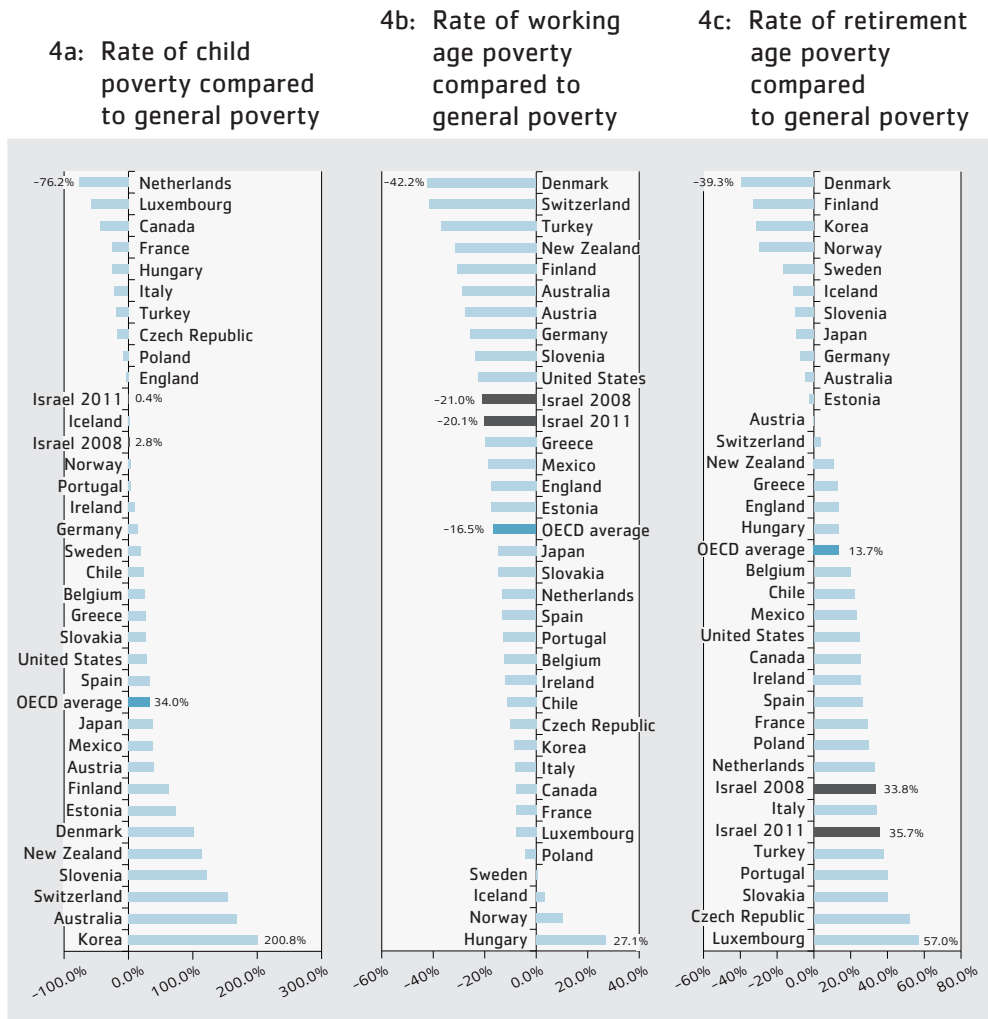
## Graph 3
### Incidence of Poverty Among Various Population Groups, Israel Compared to OECD Countries
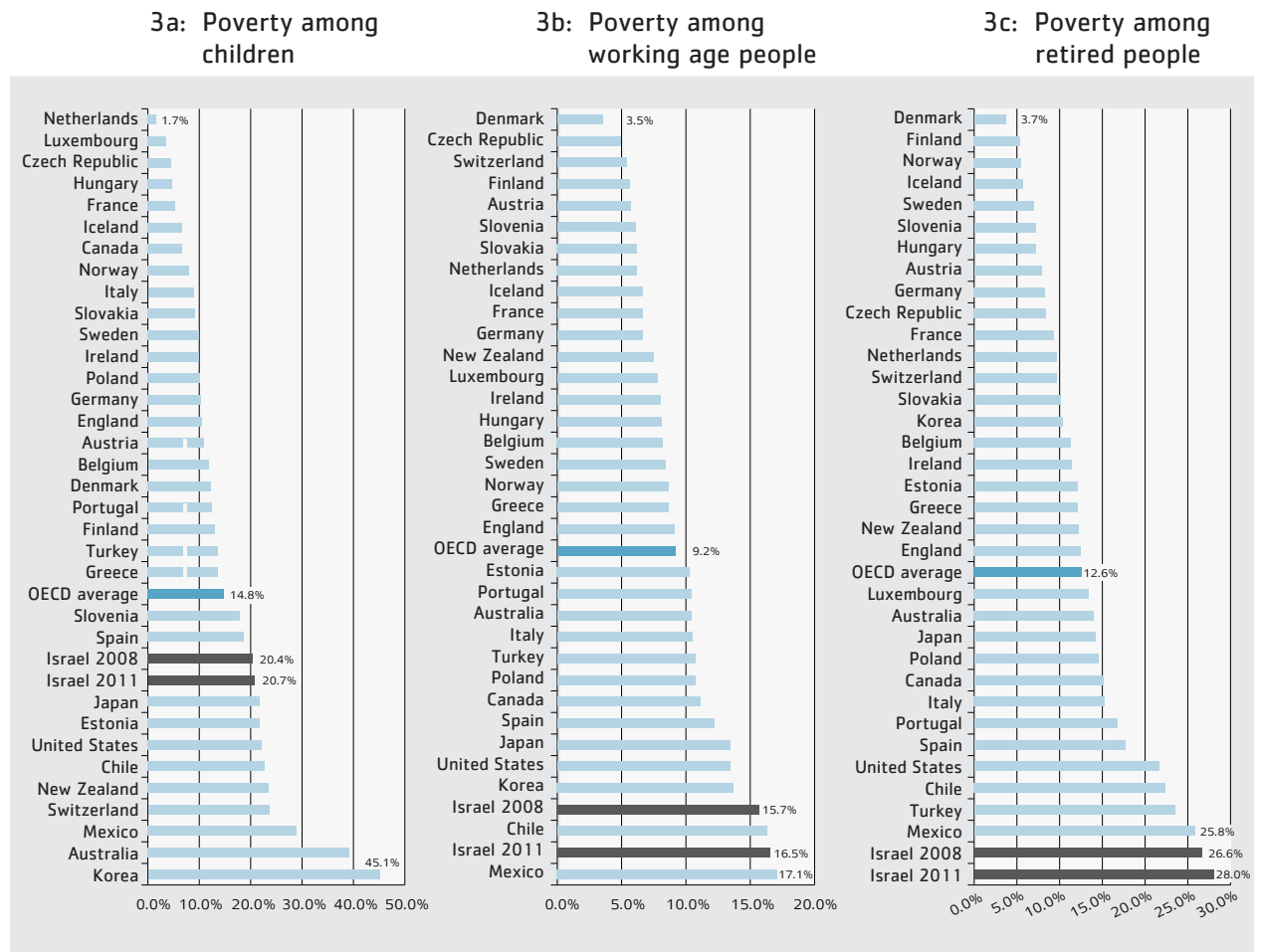
poverty line. The three parts of Graph 3 present the incidence of poverty among children, persons of working age (age 18 to 65) and persons of retirement age (age 66 and over). It can be seen that the incidence of poverty among children in Israel is the highest of all the OECD countries, and that its level in 2011 was 28.0%.

It is clear that there is a wide variance among countries in the incidence of poverty at retirement age – from 1.7% in Holland to 45.1% in Korea – and there are significant gaps in the way countries deal with the scope of poverty in this age group. There are countries where the incidence of general poverty is low alongside a high incidence of poverty at retirement age. In Israel the situation is different: the incidence of poverty at retirement age is similar to the incidence of general poverty.

## Graph 4

### Ratios between the Incidence of Poverty in Various Population Groups and the Incidence of Poverty in the General Population, Israel compared to OECD Countries



4a: Rate of child poverty compared to general poverty

4b: Rate of working age poverty compared to general poverty

4c: Rate of retirement age poverty compared to general poverty

It appears that in Israel, tackling the problem of poverty among the retired population group is relatively effective, and that poverty among children is a significant factor in the high incidence of general poverty. This fact indicates the need to tackle poverty among children and the working-age population.

A further comparison of poverty indices between countries, dealing with the ratio between the incidence of poverty in various groups and the incidence of overall poverty in each country is shown in Graphs 4a, 4b and 4c: incidence of child poverty, of working-age people and of retirement-age people, respectively, as a percentage of the incidence of poverty in the general population. This comparison does not refer to the absolute incidence of poverty but rather to the differences between groups. For example, Graph 4a shows that among children in Denmark, the incidence of child poverty is 39.3% lower than in the general population, while among children in Luxemburg it is 57.0% higher than in the general population.

The graphs show that in OECD countries, the incidence of childhood poverty is 13.7% higher than in the general population. In Israel this gap is much wider: the incidence of childhood poverty is 35.7% higher than in the general population. The ratio between the incidence of poverty in retirement and that in the general population in OECD countries is significantly large, with 34.0% higher incidence of poverty in retirement age. By contrast, this ratio for data in Israel is lower than among the OECD countries.

*In Israel, poverty among children is a significant factor in the high incidence of general poverty*

*In OECD countries, the incidence of childhood poverty is 13.7% higher than in the general population. In Israel this gap is 35.7%*

## 3. The main findings

In 2011 the economic recovery continued in Israel after the crisis of 2008-2009. The growth of the Israeli economy reached 4.6% in 2011 – a slight decrease over 2010, and the rate of unemployment fell from 8.3% in 2010 to 7% in 2011 (Table 2). This was also expressed by a rise in the standard of living: in 2011 there was a small increase of 0.2% in the median available income per standard person (Table 3), following the growth in 2009, indicating a rise in the standard of living of families (Table 3). The minimum wage remained 45.7% of the average wage, while real wages rose by 2.2%.

An examination of poverty data as a percentage of the average wage in 2010 and 2011 shows that there is no real difference between these years: in both years the poverty line for a family of 4 people, for example, was about 74% of the average wage, but for a family with 7 to 9 members the average salary of one earner in the household would not be enough to save them from poverty, and they would have to increase their earnings by 10% to 30%, respectively (Table 4)[4].

The SEN index reflects the combined effect of the incidence of poverty index, the poverty gap index and the position of the poor individual on the poverty rating, that is, the

...............................................

4    This calculation does not take into account allocations and direct taxation: the former increase the available income and the latter reduces it.

## Table 2
### Economic Indicators that Affect the Dimensions of Poverty (percentages), 2006–2012

| Influencing factor | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|
| Rate of growth of domestic product | 5.8 | 5.9 | 4.1 | 1.1 | 5.0 | 4.6 | 2.2 |
| Rate of change in level of prices in each surveyed period compared to the previous one | 2.1 | 0.5 | 4.6 | 3.3 | 2.7 | 2.0 | 3.2 |
| Real rate of change in average wage | 1.3 | 1.8 | -0.4 | -2.5 | 0.8 | 2.2 | -0.8 |
| Rate of unemployment | 10.5 | 9.1 | 7.6 | 9.4 | 8.3 | 7.0 | 6.9 |
| Rate of recipients of unemployment benefit among those unemployed | 17.4 | 17.3 | 19.6 | 23.2 | 20.7 | 23.5 | 25.0 |
| Minimum wage as a percentage of the average wage | 46.2 | 47.5 | 46.8 | 47.3 | 45.8 | 45.7 | 45.7 |

## Table 3
### Average and Medium Income Per Standard Person After Transfer Payments and Direct Taxes and the Poverty Line (NIS), 2009–2011

| | | | | Real rate of growth | |
|---|---|---|---|---|---|
| Income per standard person | 2009 | 2010 | 2011 | From 2009 to 2010 | From 2010 to 2011 |
| Average | 4,404 | 4,665 | 4,805 | 3.1 | -0.4 |
| Median | 3,629 | 3,861 | 4,001 | 3.6 | 0.2 |
| Poverty line | 1,815 | 1,931 | 2,000 | 3.6 | 0.2 |

## Table 4
### Number of Standard Persons and Poverty Line Per Family* by Number of Family Members , 2010–2011

| Number of family members | Number of Standard persons in family | Family poverty line in 2010 | | Family poverty line in 2011 | |
|---|---|---|---|---|---|
| | | Total (NIS per month) | Percent of average wage | Total (NIS per month) | Percent of average wage |
| 1 | 1.25 | 2,413 | 28.9 | 2,501 | 28.7 |
| 2 | 2 | 3,861 | 46.2 | 4,001 | 46.0 |
| 3 | 2.65 | 5,116 | 61.2 | 5,301 | 60.9 |
| 4 | 3.2 | 6,178 | 73.9 | 6,401 | 73.6 |
| 5 | 3.75 | 7,240 | 86.6 | 7,502 | 86.2 |
| 6 | 4.25 | 8,205 | 98.1 | 8,502 | 97.7 |
| 7 | 4.75 | 9,170 | 109.7 | 9,502 | 109.2 |
| 8 | 5.2 | 10,039 | 120.1 | 10,402 | 119.5 |
| **9 | 5.6 | 10,811 | 129.3 | 11,202 | 128.7 |

\*    The average wage calculated for 2010 and 2011 is the weighted average of the average wage for a salaried post (Israeli workers) in the appropriate period for each survey.
\*\*    The weight of each additional person is 0.40.  For example, in a family with 10 people there are 6 standard people.

## Box 1
## The Israeli Weighting Scale – Renewed Examination

The Israeli Weighting Scale that is used to compare the standard of living of families of different sizes in Israel was calculated as an Engel Scale by the National Insurance Institute (1971) based on data from the 1968/69 expenditure survey. Following a check made about twenty years ago it emerged that the patterns consumption by which the scale was calculated were still valid, or had not changed sufficiently to justify its replacement. A new study by the Research & Planning Administration to be published shortly looked at this subject again, to see if, more than 30 years after it was defined, the Weighting Scale used in research in the field of poverty, standard of living and welfare, was still sufficiently valid. The study also looked at a scale based only on food expenditure.

In the estimated Engel-type table, the basket of products examined is a basket of food items, but it also looks at other baskets such as clothing and footwear, housing and general consumption. For example, if we compare the 2011 scale for three components of consumption to the official scale used in Israel and the Weighting Scale used in the OECD, we find that when the scale is estimated using the same method as in the past, then even after three decades the changes are only slight. In other words, the ratio of food consumption between families of different sizes remains the same (see columns 2 and 3 in Table 1). Columns 4-6 of Table 1 contain estimates of the values of the Weighting Scale based on other calculation methods: column 4 refers to

*The Israeli Weighting Scale that is used to compare the standard of living of families of different sizes in Israel was calculated as an Engel Scale by the National Insurance Institute (1971) based on data from the 1968/69 expenditure survey*

## Table 1
## Weighting Scale according to Various Baskets of Consumption, 2011

| No. of people (1) | Official table (2) | Estimated weighting scale 2011 | | | Table used in OECD* (6) |
|---|---|---|---|---|---|
| | | By basket of food items (3) | By basket of food, clothing and housing (4) | By basket of total consumption (5) | |
| 1 | 1.25 | 1.22 | 1.61 | 1.39 | 1.41 |
| 2 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 3 | 2.65 | 2.67 | 2.27 | 2.47 | 2.45 |
| 4 | 3.20 | 3.28 | 2.48 | 2.87 | 2.83 |
| 5 | 3.75 | 3.85 | 2.66 | 3.23 | 3.16 |
| 6 | 4.25 | 4.38 | 2.82 | 3.55 | 3.46 |
| 7 | 4.75 | 4.89 | 2.96 | 3.85 | 3.74 |
| 8 | 5.20 | 5.38 | 3.09 | 4.13 | 4.00 |
| 9 | 5.60 | 5.78 | 3.49 | 4.53 | 4.24 |
| 10 | 6.00 | 6.18 | 3.89 | 4.93 | 4.47 |
| 11 | 6.40 | 6.58 | 4.29 | 5.33 | 4.69 |
| 12 | 6.80 | 6.98 | 4.69 | 5.73 | 4.90 |

\* The table used in the OECD is the root of the number of people, but the Table shows the Weighting Scale after standardization of persons, so that two standard persons are shown as two family members.

the Weighting Scale derived from a basket of products containing also clothing and housing, including the expense attributed to an owner-occupied apartment (and not just food products); column 5 estimates the scale derived from a basket referring to the total expenditure of a household on all the products and services consumed. Each of these calculation methods yields a different Weighting Scale, where the benefits of size are greater than in the existing Weighting Scale. The values of the scale are closer to the values of the fairly arbitrary scale used by the countries of the Organization for Economic Cooperation and Development (OECD) and other international organizations, where the number of standard persons is defined as the root of the number of family members.

*The incidence of poverty based on a weighting scale according to general consumption is very similar to the incidence according to the OECD over the years*

Table 2 shows the incidence of poverty of families over the years according to the different scales of weights that were examined. It can be seen that the incidence of poverty based on a weighting scale according to general consumption is very similar to the incidence according to the OECD over the years, and as expected, the incidence of poverty according to the scale based on food consumption only is very similar to the incidence according to the official scale used in Israel. The incidence of poverty according to the scale based on consumption of food, clothing and housing is in some years similar to the results obtained by the existing scale, and in other years it is closer to the results obtained according to the OECD scale. This fluctuation is due inter alia to the fact that the expenditure attributed to owner-occupied housing has undergone changes over the years that have reduced or increased its relative importance with respect to different populations.

To sum up, if we use the same method of estimating there appears to be no justification for changing the existing weighting scale. An examination of the value of

## Table 2
### Incidence of Poverty in Families* According to Different Scales of Weights, 1968, 1986/7 and 1998–2011

| Consumption basket used to calculate weighting scale | 1968 | 1986/7 | 1998 | 1999 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Food | 17.0 | 11.8 | 17.7 | 18.6 | 17.8 | 19.6 | 20.6 | 19.9 | 19.3 | 19.8 | 19.5 | 20.4 | 20.6 | 19.5 |
| Food, clothing and housing | 17.3 | 14.0 | 17.4 | 17.1 | 17.2 | 19.0 | 20.2 | 20.1 | 19.5 | 19.4 | 19.8 | 20.8 | 20.4 | 20.3 |
| Total consumption | 17.3 | 12.9 | 17.1 | 17.3 | 17.8 | 19.0 | 20.1 | 19.6 | 19.4 | 19.0 | 19.8 | 20.1 | 20.3 | 20.0 |
| OECD | 17.3 | 13.8 | 17.2 | 17.0 | 17.5 | 18.7 | 20.0 | 19.7 | 19.2 | 18.9 | 19.6 | 19.7 | 20.1 | 20.1 |
| Official table | 17.2 | 11.8 | 17.7 | 18.6 | 18.3 | 19.6 | 20.3 | 20.4 | 19.8 | 19.8 | 19.6 | 20.3 | 20.7 | 19.5 |

\* Source: Surveys of household expenditure by the CBS in the years indicated.

changing the weighting scale raises some questions, such as: are there any advantages to an estimate that does not deal only with expenditure on food but also with other items of consumption; is it correct to relate to all items of consumption (including "luxury items") or only to basic items; how important is it to base the weighting scale on clear and stable expenditure such as food compared to changing expenditure according to methods of estimating and availability of data, such as the expenditure attributed to owner-occupied housing; and others.

The SEN index reflects the combined effect of the incidence of poverty index, the poverty gap index and the position of the poor individual on the poverty rating, that is, the inequality of distribution of income among the poor. The SEN index of available income, which fell by about 2% from 2009 to 2010, continued to fall by about 1% in 2011.

An examination of the dimensions of poverty according to selected indices shows a trend towards a high level of stabilization in Israel and a return to the rates of 2007-2008 (19.9%), after a temporary increase in 2009 following the recession. The proportion of families whose available income fell below the poverty line remained almost unchanged in 2011 at 19.9%, and the proportion of people and children living in these families rose slightly, from 24.4% to 24.8% and from 35.3% to 35.6% respectively (Table 5).

The incidence of poverty measured by available income is the result of transfer payments and direct taxation that "correct" economic income, which is defined as the income from work and capital before taxes. Transfer payments, of which the main ones are NII benefits, increase the family income, while direct taxation reduces it. The smaller the amount of direct taxation paid by a poor family, the greater its available income and its chances of emerging from poverty. Table 5 shows the drop achieved in each of the years shown, when taking account of transfer payments only, and when adding the direct taxes to the government's policy measures. In some of the indices greater improvement is achieved following policy measures (the FGT indices, SEN index and Gini index for distribution of income among the poor all fall to half or less of their value), and in the indices of the incidence of poverty, particularly poverty of children, the improvement gained is more moderate.

It is possible to see that the improvement obtained without considering direct taxes is higher than that obtained when they are considered, since while it is true that direct taxes work towards reducing inequalities of income, they are not effective at reducing poverty since they reduce the available income of the poor. It should be noted that most poor people do not reach the income tax threshold and therefore pay no income tax, so the effect of taxation on their income is seen only in their health tax payments and national insurance contributions.

## Table 5
## Dimensions of Poverty in the General Population
## by Selected Indices, 2009–2011

| Poverty Index | Before transfer payments and direct taxation | After transfer payments only | After transfer payments and direct taxation |
|---|---|---|---|
| **2009** | | | |
| Incidence of poverty (%) | | | |
|   Families | 33.2 | 17.9 | 20.5 |
|   Individuals | 33.9 | 22.4 | 25.0 |
|   Children | 41.9 | 33.3 | 36.3 |
| Income gap ratio of the poor (%)* | 60.3 | 35.2 | 35.5 |
| FGT index* | 0.1636 | 0.0410 | 0.0467 |
| SEN index* | 0.270 | 0.109 | 0.123 |
| Gini index of inequality in the income distribution of the poor* | 0.4922 | 0.2089 | 0.2134 |
| **2010** | | | |
| Incidence of poverty (%) | | | |
|   Families | 32.6 | 17.5 | 19.8 |
|   Individuals | 32.8 | 22.0 | 24.4 |
|   Children | 40.4 | 32.8 | 35.3 |
| Income gap ratio of the poor (%)* | 60.0 | 35.3 | 35.8 |
| FGT index* | 0.1561 | 0.0399 | 0.0456 |
| SEN index* | 0.260 | 0.107 | 0.120 |
| Gini index of inequality in the income distribution of the poor* | 0.4838 | 0.2059 | 0.2111 |
| **2011** | | | |
| Incidence of poverty (%) | | | |
|   Families | 32.8 | 17.3 | 19.9 |
|   Individuals | 33.7 | 22.2 | 24.8 |
|   Children | 41.9 | 32.9 | 35.6 |
| Income gap ratio of the poor (%)* | 58.3 | 34.2 | 34.7 |
| FGT index* | 0.1538 | 0.0381 | 0.0438 |
| SEN index* | 0.262 | 0.105 | 0.199 |
| Gini index of inequality in the income distribution of the poor* | 0.4640 | 0.1978 | 0.2030 |

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

While the incidence of poverty remains high, the depth and severity of poverty fell in 2011: the poverty gap, which reflects the depth of poverty of families (that is, the average distance of their income from the poverty line), which was 35.8% in 2010, fell slightly to

34.7%. The FGT index, which reflects the severity of poverty and combines the effect of the incidence of poverty with depth of poverty by giving higher weighting to those who are poorer, fell between these two years, as did the SEN index. This finding is explained inter alia by the fact of working families joining the poor population in the upper part of its distribution of incomes. All the indices surveyed above – incidence, depth and severity of poverty – show a high level of stabilization since 2008. The Gini index of inequality of available income of poor people (Table 5) fell by about 4.0% from 2010 to 2011, after an additional drop of 1% in 2010, and the Gini index of economic income also continued to fall in 2011 (by approximately 4%).

### Table 6
### The Effect of Transfer Payments and Direct Taxation on Dimensions of Poverty in the General Population by Selected Poverty Indices, 2009–2011

| | Percentage drop due to transfer payments only | | | Percentage drop due to transfer payments and direct taxation | | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| Incidence of poverty (%) | | | | | | |
|   Families | 46.1 | 46.3 | 47.2 | 38.4 | 39.2 | 39.3 |
|   Individuals | 33.9 | 32.8 | 34.1 | 26.2 | 25.6 | 26.4 |
|   Children | 20.4 | 18.9 | 21.5 | 13.4 | 12.6 | 15.1 |
| Income gap ratio of the poor (%)* | 41.5 | 41.2 | 41.4 | 41.1 | 40.2 | 40.5 |
| FGT index* | 74.9 | 74.4 | 75.2 | 71.4 | 70.8 | 71.5 |

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

inequality of distribution of income among the poor. The SEN index of available income, which fell by about 2% from 2009 to 2010, continued to fall by about 1% in 2011.

Transfer payments and direct taxes during the 2011 survey period rescued 39% of poor families from the cycle of poverty, similarly to the case in the two preceding years (Table 6). For comparison purposes, in 2002 about half of poor families were rescued from poverty following government intervention. The contribution of direct taxation and transfer payments systems to rescuing individuals from poverty rose slightly in 2011 compared to 2010,but still remains at about 26%. For children this contribution rose slightly in the three years: about 15% of poor children were rescued from poverty as a result of government intervention in 2011, compared to 13% in 2009 and 2010. In 2002 the proportion of children rescued from poverty as a result of government intervention was approximately 25%.

The SEN index of available income, which fell by about 2% from 2009 to 2010, continued to fall by about 1% in 2011

Transfer payments and direct taxes during the 2011 survey period rescued 39% of poor families from the cycle of poverty, similarly to the case in the two preceding years

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

Various population groups are differentiated in terms of the trends and changes they exhibit in the dimensions of poverty in the years reviewed (Tables 7-11). Table 7 shows the incidence of poverty by economic income and available income in the various groups, and Tables 8 and 9 show the proportion of these groups in the poor population as a whole in 2010 and 2011 respectively. Table 10 presents the values of the income gap ratio by population group, and Table 11 shows the rates of reduction in dimensions of poverty as a result of transfer payments and direct taxes.

The trend of stabilization compared to 2010 was not shared by all population groups; some groups reduced their rates of poverty, but in others poverty increased.

The incidence of poverty among working families rose when measured by economic income – from 19.4% to 20.0% – and when measured by available income – from 13.2% to 13.8%. This increase occurred notwithstanding the recovery of the labor market in 2011 which was seen in the growth of the number of employed people. The incidence of poverty among working families, which has risen gradually over the last two decades, is more than twice as high as in the 1980s, when going to work was almost a guaranteed protection against poverty. The increase in the incidence of poverty is seen both in the families of salaried employees and in those of the self employed, but was higher among families headed by a self employed person – where the incidence of poverty rose by almost one percentage point (from 13.1% in 2010 to 14% in 2011). At the same time, in those years the contribution of government measures to rescuing working families from poverty fell from 31.9% to 31.3%, and the measures of poverty depth and severity in working families also fell. A consistent explanation for this finding is that working families have joined the upper levels of income distribution in the poor population. The proportion of working families among all poor families also increased, from 50.6% in 2010 to 52.9% in 2011. It should be noted that among families of working age only, the proportion of working families rose from 62.4% in 2010 to 64.8% in 2011; in other words, almost 2/3 of poor families of working age are working families.

After a slight improvement in the incidence of poverty among Arab families in 2010 and stabilization at a high level, it rose slightly, from 53.2% in 2010 to 53.5% in 2011. On the other hand, the incidence of poverty by economic income fell slightly, from 60.7% to 60.4%. The contribution of government policy to reducing the poverty among Arabs fell from 12.3% in 2010 to 11.5% in 2011, and both the depth and severity of poverty rose (poverty severity rose at the high rate of 5%). The worsening situation of the Arabs is also expressed by the rise of their proportion in the poor population, from 37.8% in 2010 to 38.9% in 2011. The concentration index presented in Table 7 shows that the situation of Arab families is also worse than that of the population as a whole, and that their incidence of poverty is 2.7 times higher than in the general population.

After a slight improvement in the incidence of poverty among Arab families in 2010 and stabilization at a high level, it rose slightly, from 53.2% in 2010 to 53.5% in 2011

In 2011, the incidence of poverty among the elderly continued to fall, albeit at a more moderate rate, and was 19.4%, compared to 19.6% in 2010. The last wave of the falling trend in poverty among the elderly began in 2008, largely due to the gradual and ongoing improvement in old-age pensions in recent years and to the rise of the retirement age, which increased the work income of the elderly. The direct contribution of government policy to reducing poverty among elderly families remained unchanged (64.4%). The situation of old people who remained under the poverty line was also practically unchanged; the depth of poverty remained at 26.8% in 2011, almost the same is in 2010 (26.6%), mainly because of the decline in poverty among large families in those years, from 69.5% in 2010 to 67.4% in 2011, which offset the increase in the rate of poverty among families with 1-3 children (from 20.1% in 2010 to 20.4% in 2011), and among single parent families (from 30.5% to 30.8%). The situation of poor families with 5 or more children also improved and measures of the depth and severity of poverty declined in those two years. Despite the increase in poverty among families with 1-3 children, the situation of poor families in this group improved, as can be seen in the drop in measures of the depth and severity of poverty, by 5%-6%. Notwithstanding the relative improvement in the situation of large families, the index of concentration shows that the incidence of poverty among families with 4 or more children is 3 times that among the population as a whole.

The incidence of poverty among single-parent families rose slightly, from 30.5% in 2010 to 30.8% in 2011. It is possible to see that the incidence of poverty by economic income also rose, but the contribution of transfer payments and mandatory payments to reducing poverty in this group remained unchanged. Although the depth of poverty fell from 37.1% to 36.3%, the severity of poverty (FGT index) rose slightly between the two years; that is, there was a deterioration among the poorest families in this group.

The incidence of poverty among immigrants continued to fall – from 17.4% in 2009 to 16.7% in 2010, and to 16.3% in 2011 – and over the years its level became considerably lower than that of the general population. An "immigrant" is anyone who arrived in Israel from 1990, but there is a significant difference between the situation of immigrants who arrived in the 1990s and that of those who arrived from 2000 onwards, both because of the positive effect of their time in Israel and because of differences in their characteristics – geographic origin and age. The first group were mainly older immigrants from the former Soviet Union, while the second group apparently includes a considerable element of foreign workers.

In 2011, in the background of a recovery in employment, the proportion of the population consisting of families of working age who were not working fell. This was a long-term trend that was breached only once, in 2009. However, the incidence of poverty among such families (including the families of the unemployed) continued to increase in 2011, from 70.1% in 2010 to 70.7% in 2011. In the last decade, and more precisely

## Table 7
## Incidence of Poverty in Specific Population Groups, 2010 and 2011

| Population group (families) | 2010 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Economic income | Available income | Concentration index* | Economic income | Available income | Concentration index* |
| Total population | 32.6 | 19.8 | 1.00 | 32.8 | 19.9 | 1.00 |
| Jews | 28.0 | 14.3 | 0.72 | 28.1 | 14.2 | 0.71 |
| Arabs | 60.7 | 53.2 | 2.69 | 60.4 | 53.5 | 2.68 |
| Elderly | 54.8 | 19.6 | 0.99 | 54.4 | 19.4 | 0.97 |
| Immigrants | 39.5 | 16.7 | 0.84 | 40.4 | 16.3 | 0.82 |
| Ultra Orthodox | 67.2 | 55.0 | 2.78 | 66.9 | 54.3 | |
| Families with children - total | 32.0 | 26.6 | 1.34 | 32.9 | 26.8 | 1.34 |
| 1-3 children | 25.6 | 20.1 | 1.01 | 26.4 | 20.4 | 1.03 |
| 4 or more children | 62.4 | 57.2 | 2.89 | 63.8 | 56.7 | 2.85 |
| 5 or more children | 75.7 | 69.5 | 3.51 | 75.4 | 67.4 | 3.38 |
| Single-parent families | 46.9 | 30.5 | 1.54 | 47.5 | 30.8 | 1.55 |
| Employment situation of head of household | | | | | | |
| Working | 19.4 | 13.2 | 0.67 | 20.0 | 13.8 | 0.69 |
| Wage earning | 20.0 | 13.3 | 0.67 | 20.6 | 13.7 | 0.69 |
| Self employed | 15.5 | 13.1 | 0.66 | 16.0 | 14.0 | 0.70 |
| Not working, of working age | 90.6 | 70.1 | 3.54 | 90.4 | 70.7 | 3.55 |
| One wage earner | 37.8 | 25.6 | 1.29 | 37.8 | 25.9 | 1.30 |
| 2 or more wage earners | 4.9 | 3.5 | 0.17 | 6.6 | 4.6 | 0.23 |
| Age of head of household | | | | | | |
| Up to 30 | 37.7 | 26.8 | 1.35 | 36.2 | 25.4 | 1.28 |
| 31-45 | 26.9 | 21.0 | 1.06 | 27.9 | 21.7 | 1.09 |
| 46 to pension age | 21.6 | 14.8 | 0.75 | 21.5 | 15.1 | 0.76 |
| Of legal pension age | 57.8 | 19.9 | 1.00 | 58.1 | 19.8 | 1.00 |
| Education of head of household | | | | | | |
| Up to 8 years of school | 69.7 | 42.6 | 2.15 | 71.3 | 44.2 | 2.22 |
| 9-12 years of school | 36.3 | 23.9 | 1.21 | 36.1 | 23.6 | 1.18 |
| 13 and more years of school | 21.7 | 11.8 | 0.59 | 22.4 | 12.2 | 0.61 |

\* The concentration index is the ratio between the incidence of poverty of a group and the incidence of poverty of the whole population (by available income) and reflects the degree of "closeness" of a particular group to the general population in terms of incidence of poverty.
\*\* Tables showing data on Jews: the Jewish population also includes non-Jews who are not Arabs.

The contribution of transfer payments to reducing poverty continued to fall: from 22.6% in 2020 to 21.8% in 2011

since 1999, the already high incidence of poverty among these families continued to rise: from 64.5% to 71% as stated. The contribution of transfer payments to reducing poverty continued to fall: from 22.6% in 2020 to 21.8% in 2011. However, the situation of poor families in this group improved. The depth of poverty fell by about 2% and the severity of poverty fell by about 4%. The severity of poverty in 2011 was more than 6 times that among all the poor because of the fairly low incidence of subsistence benefits and their low level compared to the minimum required for subsistence, as expressed by the poverty line.

## Table 8
## The Proportion of Specific Groups in the Total Population and in the Poor Population (percentages), 2010

| Population group (families) | Total population | | Poor Population | | | |
| --- | --- | --- | --- | --- | --- | --- |
| | | | Before transfer payments and direct taxes | | After transfer payments and direct taxes | |
| | Families | People | Families | People | Families | People |
| 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** | | | | | | |
| Working | 75.8 | 84.2 | 45.2 | 61.2 | 50.6 | 63.3 |
| Wage earning | 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 |
| Not working, of working age | 8.5 | 8.3 | 23.6 | 23.9 | 30.0 | 27.9 |
| One wage earner | 33.4 | 32.0 | 38.7 | 50.2 | 43.2 | 52.5 |
| 2 or more wage earners | 42.4 | 52.3 | 6.4 | 11.0 | 7.4 | 10.8 |
| **Age 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 to pension age | 30.9 | 31.9 | 20.4 | 21.1 | 23.0 | 22.3 |
| Of legal pension age | 18.1 | 8.9 | 32.2 | 15.2 | 18.2 | 8.1 |
| **Education of head of the household** | | | | | | |
| Up to 8 years of school | 11.2 | 9.5 | 23.9 | 20.0 | 24.0 | 20.6 |
| 9-12 years of school | 38.0 | 41.0 | 42.3 | 47.8 | 45.8 | 50.3 |
| 13 and more years of school | 50.9 | 49.4 | 33.8 | 32.2 | 30.2 | 29.1 |

\*    The weight given to each family when calculating the index equals the number of persons it contains.

An examination of the ratio of the income gap among the poor by economic and available income shows that the average distance of a poor family from the poverty line is about one third (Table 10).  As with the figures for the incidence of poverty, the poverty gap among families whose head is of working age and not working is the highest.  The effect of government policy – transfer payments and direct taxes – on the incidence of poverty and on its depth (Table 11) shows that from 2009 to 2011 their contribution to reducing the incidence of poverty increased.  However, with respect to their contribution to reducing the depth of poverty, it can be seen that after the fall in their contribution from 2009 to 2010 there is a slight rise, although not to the 2009 level.  A possible

*As with the figures for the incidence of poverty, the poverty gap among families whose head is of working age and not working is the highest*

Table 9
The Proportion of Specific Groups in the Total Population
and in the Poor Population (percentages), 2011

| Population group (families) | Total population | | Poor Population | | | |
| --- | --- | --- | --- | --- | --- | --- |
| | | | Before transfer payments and direct taxes | | After transfer payments and direct taxes | |
| | Families | People | Families | People | Families | People |
| Jews | 85.5 | 79.5 | 73.3 | 61.5 | 61.1 | 52.0 |
| Arabs | 14.5 | 20.5 | 26.7 | 38.5 | 38.9 | 48.0 |
| Elderly | 20.8 | 10.6 | 34.6 | 15.9 | 20.3 | 8.5 |
| Immigrants | 19.3 | 16.2 | 23.8 | 16.7 | 15.9 | 11.3 |
| Families with children - total | 45.3 | 66.0 | 45.5 | 72.8 | 60.9 | 82.9 |
| 1-3 children | 37.4 | 48.6 | 30.1 | 38.8 | 38.4 | 41.9 |
| 4 or more children | 7.9 | 17.4 | 15.4 | 34.0 | 22.5 | 41.0 |
| 5 or more children | 3.7 | 9.3 | 8.4 | 21.2 | 12.4 | 25.7 |
| Single-parent families | 5.5 | 6.1 | 8.0 | 9.3 | 8.5 | 8.6 |
| Employment situation of head of household | | | | | | |
| Working | 76.5 | 84.8 | 46.7 | 63.5 | 52.9 | 66.0 |
| Wage earning | 66.6 | 73.5 | 41.9 | 56.8 | 45.9 | 57.7 |
| Self employed | 9.9 | 11.3 | 4.8 | 6.8 | 7.0 | 8.4 |
| Not working, of working age | 7.9 | 8.0 | 21.8 | 22.4 | 28.1 | 26.2 |
| One wage earner | 32.9 | 31.3 | 38.0 | 48.8 | 42.8 | 51.6 |
| 2 or more wage earners | 43.6 | 53.5 | 8.7 | 14.7 | 10.1 | 14.5 |
| Age of head of household | | | | | | |
| Up to 30 | 16.2 | 16.3 | 17.9 | 20.6 | 20.7 | 20.7 |
| 31-45 | 34.4 | 42.8 | 29.3 | 43.8 | 37.5 | 49.5 |
| 46 to pension age | 31.1 | 32.0 | 20.4 | 20.9 | 23.6 | 22.5 |
| Of legal pension age | 18.3 | 8.9 | 32.4 | 14.6 | 18.2 | 7.3 |
| Education of head of the household | | | | | | |
| Up to 8 years of school | 10.7 | 9.2 | 23.2 | 19.3 | 23.6 | 20.1 |
| 9-12 years of school | 37.7 | 40.3 | 41.5 | 45.8 | 44.7 | 48.2 |
| 13 and more years of school | 51.6 | 50.6 | 35.3 | 35.0 | 31.7 | 31.7 |

\* The weight given to each family when calculating the index equals the number of persons it contains.

explanation for this is that in recent years the government was particularly generous with the elderly, many of whom are close to the poverty line, and therefore a tiny benefit can raise some of them above the poverty line, but it does not help to reduce the depth of poverty of families. And indeed, this development is striking among the elderly, for whom the contribution of government measures rose by about 2 percentage points from 2009 to 2011, but fell by about 4 percentage points in the same period with respect to reducing the depth of poverty.

## Table 10
## Ratio of Income Gap of Poor* in Specific Population Groups, 2010 and 2011

| Population group (families) | 2010 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Economic income | Available income | Concentration index** | Economic income | Available income | Concentration index** |
| **Total population** | **60.0** | **35.8** | **1.00** | **58.3** | **34.7** | **1.00** |
| Jews | 62.2 | 34.6 | 0.97 | 60.1 | 31.8 | 0.92 |
| Arabs | 56.3 | 37.2 | 1.04 | 55.4 | 37.8 | 1.09 |
| Elderly | 80.0 | 26.7 | 0.74 | 79.5 | 26.8 | 0.77 |
| Immigrants | 67.1 | 29.0 | 0.81 | 65.3 | 28.4 | 0.82 |
| **Families with children - total** | 55.6 | 36.7 | 1.02 | 53.8 | 35.8 | 1.03 |
| 1-3 children | 53.3 | 35.5 | 0.99 | 50.3 | 33.5 | 0.96 |
| 4 or more children | 58.3 | 37.9 | 1.06 | 57.7 | 38.3 | 1.10 |
| 5 or more children | 60.4 | 38.9 | 1.09 | 59.5 | 38.8 | 1.12 |
| Single-parent families | 65.9 | 37.1 | 1.04 | 62.6 | 36.3 | 1.05 |
| **Employment situation of head of household** | | | | | | |
| Working | 40.2 | 29.5 | 0.82 | 39.6 | 28.7 | 0.83 |
| Wage earning | 40.0 | 28.8 | 0.80 | 39.8 | 28.3 | 0.82 |
| Self employed | 42.0 | 34.8 | 0.97 | 37.7 | 31.0 | 0.90 |
| Not working, of working age | 95.5 | 53.1 | 1.48 | 95.6 | 52.1 | 1.50 |
| One wage earner | 43.1 | 30.8 | 0.86 | 43.5 | 30.9 | 0.89 |
| 2 or more wage earners | 27.4 | 23.1 | 0.64 | 26.4 | 20.8 | 0.60 |
| **Age of head of household** | | | | | | |
| Up to 30 | 55.1 | 37.0 | 1.03 | 54.6 | 35.6 | 1.03 |
| 31-45 | 54.1 | 35.9 | 1.00 | 52.6 | 35.1 | 1.01 |
| 46 to pension age | 61.8 | 38.5 | 1.07 | 58.7 | 36.1 | 1.04 |
| Of legal pension age | 80.5 | 25.3 | 0.70 | 80.2 | 24.7 | 0.71 |
| **Education of head of the household** | | | | | | |
| Up to 8 years of school | 71.0 | 40.1 | 1.12 | 71.2 | 39.9 | 1.15 |
| 9-12 years of school | 55.2 | 35.1 | 0.98 | 53.8 | 33.5 | 0.97 |
| 13 and more years of school | 60.2 | 34.1 | 0.95 | 57.1 | 33.2 | 0.96 |

\* The weight given to each family in calculating the index is the number of persons in the family.
\*\* The concentration index shows the ratio of gaps, and indicates the ratio between the depth of poverty in a specific group and its depth in the general population.

   One of the ways of defining severe poverty is to examine households whose income is far below the official poverty line of 50% of the median financial available income per standard person. For example, it is usual to refer to households whose income is lower than 40% of the median income as households living in severe poverty[5], and by the same logic, it is possible to refer to households whose income is above the official poverty line but below the threshold of 60% of the median income as households living at **risk**

...................................... .

5   A more widely accepted approach among poverty researchers is to define severe poverty using the FGT index, which usually expresses the square of income gaps as described elsewhere in this chapter. The approach in this table is much easier to understand.

### Table 11
### Effect of Transfer Payments and Direct Taxes on Dimensions of Poverty in Specific Population Groups, 2009–2011

| Population group (families) | Percentage drop due to Transfer Payments and Direct Taxes | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| | Incidence of Poverty | | | Gap Ratio of Income of the Poorz | | |
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| **Total population** | 38.4 | 39.2 | 39.3 | 41.1 | 40.2 | 40.5 |
| Jews | 47.4 | 48.7 | 49.4 | 47.2 | 44.4 | 47.1 |
| Arabs | 11.4 | 12.3 | 11.5 | 31.6 | 33.8 | 31.8 |
| Elderly | 63.1 | 64.3 | 64.4 | 69.2 | 66.7 | 66.3 |
| Immigrants | 56.7 | 57.8 | 59.6 | 59.5 | 56.8 | 56.6 |
| **Families with children - total** | 17.9 | 17.0 | 18.7 | 35.3 | 34.0 | 33.4 |
| 1-3 children | 22.5 | 21.5 | 22.5 | 34.9 | 33.4 | 33.5 |
| 4 or more children | 8.6 | 8.3 | 11.2 | 36.2 | 34.9 | 33.7 |
| 5 or more children | 8.5 | 8.2 | 10.7 | 37.8 | 35.5 | 34.9 |
| Single-parent families | 34.5 | 35.1 | 35.2 | 44.4 | 43.7 | 42.0 |
| **Employment situation of head of household** | | | | | | |
| Working | 31.6 | 31.9 | 31.3 | 28.1 | 26.7 | 27.5 |
| Wage earning | 33.2 | 33.8 | 33.4 | 29.2 | 28.2 | 28.8 |
| Self employed | 17.3 | 15.5 | 12.6 | 19.9 | 17.1 | 17.7 |
| Not working, of working age | 23.3 | 22.6 | 21.8 | 44.7 | 44.4 | 45.4 |
| One wage earner | 31.4 | 32.2 | 31.6 | 30.4 | 28.5 | 29.1 |
| 2 or more wage earners | 32.7 | 30.0 | 29.9 | 15.5 | 15.6 | 21.2 |
| **Age of head of household** | | | | | | |
| Up to 30 | 30.7 | 28.8 | 29.8 | 34.5 | 32.9 | 34.8 |
| 31-45 | 19.6 | 21.8 | 22.3 | 35.3 | 33.7 | 33.2 |
| 46 to pension age | 35.0 | 31.5 | 29.6 | 38.7 | 37.7 | 38.5 |
| Of legal pension age | 64.1 | 65.6 | 65.9 | 71.5 | 68.6 | 69.2 |
| **Education of head of the household** | | | | | | |
| Up to 8 years of school | 38.3 | 38.9 | 38.0 | 44.3 | 43.5 | 44.0 |
| 9-12 years of school | 34.5 | 34.1 | 34.6 | 36.6 | 36.3 | 37.8 |
| 13 and more years of school | 43.1 | 45.7 | 45.5 | 45.0 | 43.4 | 41.9 |

The percentage of the population living in severe poverty is about 17% on average, while in large families – most of which are ultra Orthodox and Arab families – this figure climbs above 40%

**of poverty**[6]. The percentage of the population living in severe poverty is about 17% on average, while in large families – most (approximately 2/3) of which are ultra Orthodox and Arab families – this figure climbs above 40% (Table 12).

About 80% of the individuals in poor families with five or more children, about 80% of the individuals in families headed by someone of working age who does not work, and more than 60% of individuals in poor working families, are living in severe poverty. By comparison, in certain groups the rates are far lower – about half of the poor elderly and families headed by someone of retirement age, and 45% of households with two earners are living in severe poverty (Table 12).

......................................................

6    The figure of 60% was defined by the European Union as the official poverty line for the risk of living in poverty. See: Poverty and Social Exclusion, at: /http://ec.europa.eu/social.

## Table 12
### Incidence of Poverty, Severe Poverty and Risk of Poverty among Various Population Groups, 2011

| Population group | Living in severe poverty – less than 40% of median income | Living in moderate poverty – 40%-50% of median income | Living below the official poverty line of 50% | Living above the official poverty line at risk of poverty |
|---|---|---|---|---|
| **Total population** | 16.8 | 8.0 | 24.8 | 6.3 |
| Jews | 9.9 | 6.3 | 16.2 | 5.6 |
| Arabs | 43.7 | 14.3 | 58.0 | 9.3 |
| Elderly | 9.8 | 10.0 | 19.8 | 9.1 |
| Immigrants | 9.4 | 7.9 | 17.3 | 8.1 |
| Ultra Orthodox* | 44.0 | 15.4 | 59.4 | 10.8 |
| **Families with children** | | | | |
| Total | 22.1 | 9.1 | 31.2 | 6.8 |
| 1-3 children | 13.9 | 7.5 | 21.4 | 6.2 |
| 4 or more children | 45.1 | 13.6 | 58.6 | 8.6 |
| 5 or more children | 54.0 | 14.2 | 68.2 | 8.9 |
| Single-parent families | 24.5 | 10.4 | 34.9 | 8.7 |
| **Employment situation of head of household** | | | | |
| Working | 12.0 | 7.3 | 19.3 | 5.9 |
| Wage earning | 12.1 | 7.3 | 19.5 | 6.0 |
| Self employed | 11.2 | 7.2 | 18.5 | 5.5 |
| Not working, of working age | 71.8 | 9.7 | 81.5 | 5.2 |
| One wage earner | 27.4 | 13.6 | 40.9 | 8.9 |
| 2 or more wage earners | 3.0 | 3.7 | 6.7 | 4.2 |
| **Age of head of household** | | | | |
| Up to 30 | 20.9 | 10.7 | 31.6 | 7.8 |
| 31-45 | 20.4 | 8.2 | 28.7 | 6.2 |
| 46 to pension age | 12.1 | 5.4 | 17.4 | 4.6 |
| Of legal pension age | 9.3 | 11.0 | 20.3 | 10.4 |
| **Education of head of the household** | | | | |
| Up to 8 years of school | 40.6 | 13.9 | 54.5 | 9.0 |
| 9-12 years of school | 19.9 | 9.8 | 29.7 | 7.1 |
| 13 and more years of school | 10.2 | 5.4 | 15.6 | 5.2 |

\* Ultra Orthodox defined according to the approach in the study by Gottlieb-Kushnir in 2009.

About 80% of the individuals in poor families with five or more children, about 80% of the individuals in families headed by someone of working age who does not work, and more than 60% of individuals in poor working families, are living in severe poverty

## Box 2
## Survey of Food Security, 2011

The survey of food security, which was first carried out by the Research and Planning Administration of the National Insurance Institute, was conducted by telephone during 2011, and covered approximately 5,600 representative families from all over the country[1]. This box presents additional data to the published data – data considered
………………………………………..

1   Endeweld M.,  Barkali N., Fruman A., Gealia A. and Gottlieb D. (2012), Food Security 2011 – Survey and Main Findings.

of interest to the public and not published – regarding rates of food security by town and the degree to which families living in food insecurity make use of various types of assistance.

According to the survey, 81.3% of residents of Israel live in food security and 18.7% live in food insecurity – and more than half of the latter **in significant food insecurity**. About 60% of families living in food insecurity are helped to various degrees by aid agencies, mostly organizations, to improve their food security.    The findings show a high correlation between rates of insecurity and rates of poverty calculated in the **Report on Poverty and Social Gaps** for various population groups. The data also show that food insecurity is prominent in large families (with 4 or more children), in Arab families and in single families, where the rate of insecurity is close to half in each of these groups.  However, in ultra-Orthodox Jewish families the level of food insecurity is low compared to their economic situation – most, about ¾, live with food security. The level of insecurity among the elderly is also quite low: 11.2%.

About 10% of the families in Jerusalem, Ashdod, Ashkelon and Beer Sheba are in a situation of mild food insecurity (Table 1), but when we examine the rate of families in significant food insecurity, in Jerusalem it is double (20%), in Ashdod and Beer Sheba it is lower, and in Ashkelon even less than 5%.  In Netanya, the rate of mild food insecurity is about 5%, but the rate of significant insecurity is high compared to other towns: about 10%.

## Table 1
## Rates of Food Insecurity by Selected Towns

| Place | Food security | Mild Food insecurity | Significant Food insecurity |
|---|---|---|---|
| Ashdod | 83.9 | 9.7 | 6.3 |
| Jerusalem | 69.0 | 11.2 | 19.9 |
| Haifa | 87.8 | 5.5 | 6.8 |
| Tel Aviv-Jaffa | 87.7 | 4.1 | 8.3 |
| Bat Yam | 84.3 | 7.9 | 7.7 |
| Holon | 86.0 | 5.6 | 8.3 |
| Ashkelon | 85.7 | 10.0 | 4.3 |
| Netanya | 84.7 | 5.1 | 10.2 |
| Petach Tikva | 84.8 | 7.9 | 7.4 |
| Rishon Letzion | 87.2 | 7.0 | 5.7 |
| Ramat Gan | 86.5 | 5.2 | 8.3 |
| Beer Sheba | 83.3 | 9.6 | 7.1 |

## Table 2
### Rate of Families with Food Security and Light and Severe Food Insecurity Seeking Help from Aid Organizations or Family Members, by Population Group

| Population Group | Food security | | Moderate or severe Food insecurity | |
|---|---|---|---|---|
| | Help from family or organizations | Intensive help from family or organizations | Help from family or organizations | Intensive help from family or organizations |
| **Total population** | **17.1** | **13.5** | **60.5** | **52.8** |
| Jews | 16.6 | 13.2 | 62.3 | 53.6 |
| Ultra Orthodox | 31.1 | 23.2 | 82.6 | 64.7 |
| Non Ultra Orthodox Jews | 15.9 | 12.7 | 60.0 | 52.4 |
| Arabs | 21.8 | 16.7 | 58.1 | 52.0 |
| Immigrants since 1990 | 16.7 | 12.7 | 54.3 | 46.6 |
| Elderly* | 15.0 | 12.4 | 52.7 | 45.6 |
| Single-parent families | 25.5 | 19.3 | 66.5 | 60.9 |
| **Age of head of household** | | | | |
| Up to 30 | 21.1 | 16.9 | 68.2 | 58.5 |
| 31-45 | 17.4 | 13.4 | 63.2 | 54.9 |
| 46 to retirement | 12.7 | 9.4 | 57.9 | 51.3 |
| 65+ | 16.9 | 14.6 | 44.1 | 38.8 |
| **Families with children** | 16.6 | 12.2 | 62.1 | 53.4 |
| 1-2 children | 15.8 | 11.7 | 59.5 | 50.6 |
| 1-3 children | 15.4 | 11.4 | 58.5 | 50.1 |
| 4 or more children | 27.0 | 19.4 | 70.7 | 61.3 |
| 5 or more children | 30.7 | 22.2 | 74.8 | 64.2 |
| Both parents | 16.1 | 11.8 | 60.9 | 51.7 |
| **Education of head of household** | | | | |
| Up to 8 years of school | 27.3 | 24.6 | 57.1 | 50.8 |
| 9-12 years of school | 17.2 | 12.7 | 59.5 | 52.0 |
| 13 or more years of school | 15.1 | 12.0 | 65.8 | 56.2 |
| **Employment situation of head of household** | | | | |
| Working | 15.0 | 11.5 | 59.7 | 50.8 |
| Working age, not working | 31.3 | 25.8 | 79.0 | 69.5 |
| One earner | 21.0 | 16.6 | 60.2 | 53.2 |
| Two or more earners | 11.0 | 8.1 | 58.8 | 46.7 |
| Receiving NI benefits | 19.3 | 15.8 | 56.7 | 49.9 |
| Receiving income supplement | 28.1 | 22.0 | 63.3 | 58.1 |
| Receiving disability benefit | 22.6 | 17.1 | 63.7 | 53.9 |
| **Areas** | | | | |
| Jerusalem | 20.2 | 17.5 | 63.7 | 53.8 |
| North | 19.5 | 15.0 | 56.2 | 51.6 |
| Haifa | 17.0 | 13.8 | 55.6 | 47.1 |
| Center | 15.6 | 12.5 | 65.3 | 57.7 |
| Tel Aviv | 16.1 | 12.3 | 58.0 | 51.0 |
| South | 16.1 | 12.6 | 63.1 | 55.0 |

* 60 for a woman, 65 for a man.

On the other hand, in Haifa, Tel Aviv, Holon and Ramat Gan the rate of families in a situation of mild or significant insecurity is low compared to the other places: about 5% and 7%-8% respectively.

The findings regarding the degree to which families turn to aid organizations or family members during the year show that there are families that sought no help at all, or only for a month or two over the year, while there are families that sought help for several months or almost all the year, and they are included in the category of intensive help (Table 2).

We can see that Arabs in a situation of mild food insecurity used aid agencies less frequently than do Jews, while ultra Orthodox sought aid at a rate of more than 30%, and some 2/3 of them were helped at an intensive level. 66% of single-parent families received light help, and about 61% of them received intensive help. Families with four or five children or more sought help more than did families with three or less children, and the rate of families with one earner who sought help was higher than that of families with two earners. About 63% of families on income support sought light help and 58% were helped intensively. In Jerusalem and in the central and southern regions, the rate of families receiving help was higher than in Haifa, Tel Aviv and the northern region.

We can also see that young people (up to the age of 45) sought more help from aid agencies than did older people and retirees: the rate of young families seeking help was over 60% while among those aged 65 and over the rate was only 44%.

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

The progressive structure of transfer payments and direct taxes reduces income gaps in the population. The rate of transfer payments relative to economic income decreases as economic income rises, while the rate of direct taxes increases with economic income. The more progressive the transfer payments and the direct taxes, the greater the share of income in the lower income deciles after transfer payments and direct taxes, and the smaller the share of the higher income deciles.

In the period 2004-2011, economic income rose at a rate of 10.3% and available income rose at a higher rate: 15.5% (Table 13). The increase in economic income is the result of increasing employment and the real growth in wages in the years 2003-2007, which ended in 2008. The greater increase of available income compared to economic income was the outcome of two changes with cumulative effect in the same direction: on one hand, transfer payments rose at a real rate of about 2%, and on the other hand direct taxes fell, following the tax reform, by about 16%. Since on average any reduction in taxation has more of an effect on available income than do transfer payments, the result is that available income rose at a higher rate than did economic income in the period 2004-2011.

*In the period 2004-2011, economic income rose at a rate of 10.3% and available income rose at a higher rate: 15.5%*

Table 13
### Average Income, Benefits and Taxes per Family (NIS Per Month, 2011 Prices), 2004–2011

|  | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2011 vs 2004 |
|---|---|---|---|---|---|---|---|---|---|
| Economic income | 11,520 | 11,880 | 12,350 | 12,980 | 12,820 | 12,510 | 12,960 | 12,710 | 10.3 |
| Total transfer payments | 1,890 | 1,880 | 1,900 | 1,870 | 1,830 | 1,940 | 1,930 | 1,930 | 2.1 |
| NI benefits | 1,410 | 1,380 | 1,390 | 1,370 | 1,350 | 1,430 | 1,460 | 1,460 | 3.5 |
| Direct taxes | 2,700 | 2,640 | 2,620 | 2,840 | 2,600 | 2,360 | 2,460 | 2,280 | -15.6 |
| Available income | 10,700 | 11,120 | 11,630 | 12,010 | 12,040 | 12,090 | 12,440 | 12,360 | 15.5 |

In 2011 there was a rise in transfer payments relative to economic income – from 14.9% in 2010 to 15.2% in 2011 – although the rate of transfer payments in 2011 relative to economic income was still lower than in 2009 (Table 14). However, there was a significant drop in direct taxes: from about 20% in the three previous years to about 18% of total economic income in 2011. The second decile shows the largest drop in transfer payments as part of economic income, while the fourth decile (representing the lower middle class) shows the largest increase in transfer payments and the largest decrease in direct taxes as a percentage of total economic income. In the remaining deciles of the middle class (3-8) there is a decrease in both transfer payments and direct taxes as part of total economic income; this characterizes all the years from 2003 (except for 2007) and is due to the reduction in tax rates as part of the multi-year reform of income tax. It is interesting to see that in both the top two deciles there is an almost identical increase in transfer payments and decrease in direct taxes as part of total economic income.

*In 2011 there was a rise in transfer payments relative to economic income – from 14.9% in 2010 to 15.2% in 2011 – although the rate of transfer payments in 2011 relative to economic income was still lower than in 2009*

Table 14
### The Rate of Transfer Payments and Direct Taxes Relative to Average Economic Income in Each Decile*, Total Population (percentages), 2009-2011

| Decile | Transfer payments | | | Direct taxes | | |
|---|---|---|---|---|---|---|
|  | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| Bottom | --** | --** | --** | --** | --** | --** |
| 2 | 204.2 | 157.1 | 133.2 | 16.1 | 14.5 | 12.7 |
| 3 | 55.8 | 52.3 | 51.6 | 8.8 | 8.8 | 8.6 |
| 4 | 34.4 | 34.6 | 38.0 | 9.0 | 9.3 | 8.5 |
| 5 | 22.9 | 23.4 | 22.2 | 9.7 | 9.6 | 9.1 |
| 6 | 15.3 | 14.9 | 14.7 | 10.8 | 10.3 | 10.4 |
| 7 | 9.8 | 9.5 | 9.8 | 12.2 | 12.3 | 11.5 |
| 8 | 6.6 | 6.7 | 6.5 | 14.5 | 14.6 | 14.1 |
| 9 | 4.8 | 4.7 | 4.9 | 18.9 | 18.6 | 17.9 |
| Top | 2.6 | 2.1 | 2.2 | 27.4 | 28.0 | 26.5 |
| Total | 15.5 | 14.9 | 15.2 | 18.9 | 18.9 | 18.0 |

* In order to determine deciles, the families were ranked by economic income per standard person; each decile contains 10% of individuals in the population.
** This ratio cannot be calculated, since families in the lowest decile have hardly any economic income and their only source of income is transfer payments.

## Table 15
### The Share of Each Decile* in the General Population in Total Transfer Payments and Direct Taxes (percentages), 2009–2011

| Decile | Transfer payments | | | Direct taxes | | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| Bottom | 24.8 | 25.2 | 26.7 | 1.0 | 1.0 | 1.1 |
| 2 | 14.8 | 13.5 | 12.1 | 1.0 | 1.0 | 1.0 |
| 3 | 10.0 | 10.0 | 9.7 | 1.3 | 1.3 | 1.4 |
| 4 | 9.5 | 10.3 | 10.9 | 2.0 | 2.2 | 2.1 |
| 5 | 9.0 | 9.8 | 9.0 | 3.1 | 3.2 | 3.1 |
| 6 | 8.0 | 8.1 | 8.0 | 4.6 | 4.4 | 4.8 |
| 7 | 6.6 | 6.6 | 6.8 | 6.8 | 6.7 | 6.8 |
| 8 | 5.7 | 5.9 | 5.9 | 10.3 | 10.2 | 10.7 |
| 9 | 5.6 | 5.5 | 5.8 | 18.3 | 17.4 | 18.1 |
| Top | 6.0 | 5.1 | 5.0 | 51.6 | 52.6 | 51.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

\* In order to determine deciles, the families were ranked by economic income per standard person; each decline contains 10% of individuals in the population.

## Table 16
### The Effect of Transfer Payments and Direct Taxes on Inequality of Income Distribution in the General Population (percentages), 2009–2011

| *Decile | **(%) Share of each decile in total income | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Before transfer payments and taxes | | | After transfer payments | | | After transfer payments and taxes | | |
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| Bottom | 0.0 | 0.0 | 0.0 | 1.6 | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 |
| 2 | 1.3 | 1.4 | 1.6 | 3.0 | 3.0 | 3.1 | 3.4 | 3.4 | 3.4 |
| 3 | 3.0 | 3.1 | 3.1 | 4.1 | 4.1 | 4.2 | 4.5 | 4.6 | 4.6 |
| 4 | 4.5 | 4.7 | 4.7 | 5.3 | 5.4 | 5.5 | 5.9 | 6.0 | 6.1 |
| 5 | 6.3 | 6.4 | 6.4 | 6.8 | 6.9 | 6.9 | 7.4 | 7.6 | 7.5 |
| 6 | 8.3 | 8.4 | 8.5 | 8.4 | 8.5 | 8.6 | 9.1 | 9.2 | 9.2 |
| 7 | 10.7 | 10.6 | 10.8 | 10.4 | 10.3 | 10.5 | 11.0 | 11.0 | 11.0 |
| 8 | 13.6 | 13.4 | 13.7 | 12.8 | 12.7 | 13.0 | 13.2 | 13.1 | 13.3 |
| 9 | 18.2 | 17.8 | 18.2 | 16.8 | 16.5 | 16.8 | 16.4 | 16.3 | 16.5 |
| Top | 34.1 | 34.1 | 33.0 | 30.8 | 30.8 | 29.8 | 27.4 | 27.1 | 26.5 |
| Ratio between income of the top and bottom quintiles | 41.6 | 36.4 | 33.0 | 10.4 | 10.2 | 9.6 | 8.5 | 8.3 | 8.0 |

\* Families in each column were ranked by the appropriate income per standard person; each decile contains 10% of individuals in the population.
\*\* In terms of income per standard individual.

Table 17
Gini Index of Inequality in Distribution of Incomes in the Population,
1999–2011

| Year | Before transfer payments and direct taxes | After transfer payments only | After transfer payments and direct taxes | % decrease due to transfer payments and taxes |
|------|---------|---------|---------|---------|
| 2011 | 0.4973 | 0.4179 | 0.3794 | 23.7 |
| 2010 | 0.5045 | 0.4260 | 0.3841 | 23.9 |
| 2009 | 0.5099 | 0.4293 | 0.3892 | 23.7 |
| 2008 | 0.5118 | 0.4318 | 0.3853 | 24.7 |
| 2007 | 0.5134 | 0.4323 | 0.3831 | 25.4 |
| 2006 | 0.5237 | 0.4379 | 0.3923 | 25.1 |
| 2005 | 0.5225 | 0.4343 | 0.3878 | 25.8 |
| 2004 | 0.5234 | 0.4300 | 0.3799 | 27.4 |
| 2003 | 0.5265 | 0.4241 | 0.3685 | 30.0 |
| 2002 | 0.5368 | 0.4309 | 0.3677 | 31.5 |
| 1999 | 0.5167 | 0.4214 | 0.3593 | 30.5 |
| **Change in COL Index (%)** | | | | |
| 2011 versus 2010 | -1.4 | -1.9 | -1.2 | |
| 2011 versus 2002 | -7.4 | -3.0 | 3.2 | |
| 2011 versus 1999 | -3.8 | -0.8 | 5.6 | |

In the rating of deciles by economic income, the lowest six deciles receive higher transfer payments than their total payments in direct taxes (Table 15). In the seventh decile, equality is achieved, and starting from the eighth decile the ratio is reversed: the top decile pays more than half of taxes and receives only about 5% of transfer payments. The patterns of distribution of various types of income in the overall population in 2009-2011[7] (Table 16) shows that in the two years compared, 2010 and 2011, there were no real changes in the distribution of available income between the deciles, except for the top decile, whose share of income fell slightly. The ratio between the income of the lowest quintile and the highest quintile fell slightly from 2009 to 2011, as expressed in the decrease in the Gini index of inequality of available income distribution between these years.

The contribution of transfer payments and direct taxes to reducing inequality due to the distribution of economic income fell slightly – from 23.9% in 2010 to 23.7% in 2011 – and returned to its 2009 level. It decreased by about 8 percentage points relative to 2002, when it was 31.5% (Table 17).

...................................................

7    The data on inequality in the distribution of income among the working population are presented in Tables 18-19 of the Appendix Poverty and Inequality Tables.

In the rating of deciles by economic income, the lowest six deciles receive higher transfer payments than their total payments in direct taxes. In the seventh decile, equality is achieved, and starting from the eighth decile the ratio is reversed

# 6. Poverty According to Expenditure

Since the early 1970s poverty in Israel has been defined using the relative approach, which is accepted by most researchers and social policy makers in the west. According to this approach, poverty is a phenomenon of relative distress, and a family is considered poor when its living conditions are significantly worse than those typical of society as a whole based on its income, and not when it is unable to purchase a basic basket of products necessary for survival.

For this edition of the Survey, this chapter presents findings from indices of poverty other than the existing official index. These indices were developed in the Research and Planning Administration and they take into account expenditure as well as income. First we shall look at the method of calculating each index, while referring the reader to the full text (if any), and then we shall present the comparative findings.

## a. Poverty index by expenditure, adjusted to the recommendations of the NRC (National Research Council)

In the 1990s a semi-relative approach to measuring poverty was developed in the USA, which defined a threshold expenditure on a **basic basket of products** (in this aspect, the approach is absolute), but the value of the basket was calculated as a percentage of the median expenditure on consumption of basic products. This method was recommended as a substitute for the official index of poverty in the US, and it was developed by a committee of experts from universities in the USA and Britain (NRC - National Research Council) following an initiative of the Economic Committee of the Congress, in order to study in depth the official measurement of poverty in the US, and to propose an alternative approach. The principles were finalized after years of comprehensive, in-depth theoretical and empirical research. The committee recommended basing the basket of products on actual consumption habits, as reflected in household expenditure surveys.

In a study published by the National Insurance Institute in 2004[8], an attempt was made to measure poverty in Israel using the NRC approach, based mainly on a calculation of the **threshold expenditure of a representative family** (consisting of two adults and two children), calculated using consumption data of the population itself, as reflected in CBS expenditure surveys. The basket that serves as the basis for calculating the threshold expenditure includes products and services in the areas of food, clothing and footwear and housing, plus other essential products. **The threshold expenditure** is adjusted for other family types using a weighting scale which takes in account the family composition in terms of the number of adults and children in the family. The income compared to the threshold expenditure is the income available to the household (gross income from

*In a study published by the National Insurance Institute in 2004[8], an attempt was made to measure poverty in Israel using the NRC approach, based mainly on a calculation of the threshold expenditure of a representative family, calculated using consumption data of the population itself*

---

8    M. Sabag- Endeweld and L. Achdut (2004), Developing an experimental index of poverty in Israel according to expenditure, Research & Planning Administration, National Insurance Institute.

all sources less direct taxes). Another element added to income is **income in kind** if the family receives public housing and pays reduced rent compared to market rents[9]. A poor family is one without available income to finance the purchase of this basket.

The study presented two alternatives for calculating threshold expenditure and the income compared to it for each type of family. The difference between them lies in the definition of housing expenditure: in the first option, housing expenditure is obtained from the total current payments on housing (loans and mortgages, rent etc.), and in the second option, it is calculated according to rent for people living in rented accommodation and according to the rent credited to the apartment for those who own their own housing. In the second option, a family living in its own house is compensated in terms of income. The element added to their income is the difference between the rent credited to the apartment and the total current expenditure on housing[10].

## b. The market basket measure (MBM/ NRC)

A few years after the study based on the NRC, another study was published[11], combining the Canadian approach of the basket of essential products with the American approach in the NRC index. The MBM/NRC (Market Basket Measure) as calculated for the Israeli economy is located on a continuum between the two extremes of an absolute and a relative index. It belongs to the group of poverty indices in which the poverty line is derived from an adequate standard of consumption of a basket of products reflecting a reasonable estimate of an adequate minimum required to live. Linking it to the minimum required for living enables the use of its poverty line to estimate the extent to which subsistence benefits (income support and income supplement), which are the last safety net for those who are unable to support themselves and their families, meet the needs for living. A major difference between the NRC index and the MBM index lies in their reference to food: in the expenditure-based index of poverty, the NRC described above, food expenditure is determined by patterns of consumption of the families themselves, while in the MBM index the basket of food is determined normatively and not actually – according to nutritional principles adjusted for the household composition in terms of gender and age. Another difference is that the second approach deducts essential health expenses from income.

> Another study combined the Canadian approach of the basket of essential products with the American approach in the NRC index. This approach is located on a continuum between the two extremes of an absolute and a relative index

............................................... .

9    In addition to direct taxes, on the recommendations of the American committee, expenditure on transport for work purposes and on nursery school and child carer fees for working families are also deducted from income.
10   In both options the calculation of income compared to threshold expenditure also takes account of the benefit embodied in public housing services. A family living in public housing (from one of the housing companies - Amidar, Amigur etc.) has their income increased by the difference between the rent on the free market and the rent that they actually pay.
11   D. Gottlieb and A. Fruman (2011). **Measurement of Poverty According to the Adequate Consumption Basket in Israel 1997-2009**, Research and Planning Administration, National Insurance Institute.

The current adequate consumption index is composed of the consumption of food and non-food items. The food basket is based on nutritional principles and the gender and age composition of the household, while the non-food items for the poverty line are determined according to the average consumption by the 30-35 percentiles of these products: housing, clothing and footwear. Various personal expenses and expenditure on transport are added using a small multiplier. The current poverty line also includes an average of individual health expenditure which, at least partly, is not covered by health insurance. The weighting scale (which takes account of size advantages in family expenses) gives extra weight to adults over children. The income compared to expenditure includes elements not included in available monetary income, such as the credited income for owner-occupied housing and a reduction in expenditure for going out to work.

### c. The FES index[12]

In the FES method, a unique poverty line is defined for each household according to the characteristics of the individuals comprising it

In the third method of estimating, the FES, a unique poverty line is defined for each household according to the characteristics of the individuals comprising it. A basket of **basic food** is adjusted to each household, defining the minimum essential monetary expenditure on food according to the definitions of Nitzan-Klusky (2003), adjusted for price levels. This method takes into account the fact that households have other essential expenses in addition to food, and the definition of the minimum household expenditure takes into account both food and other items. For that purpose, the model assumes that household expenditure on food rises with income and that the marginal expenditure on food falls with income. Thus, as income grows, expenditure on food grows such that its proportion out of total expenditure decreases and the proportion of other items increases.

With this method, for each household two levels of minimum income are indicated and their arithmetical average defines the poverty line

With this method, for each household two levels of minimum income are indicated and their arithmetical average defines the poverty line according to the FES: (a) income in which the household divides its expenses so that food expenditure equals the minimum expenditure on food defined for it; (b) income equal to the monetary cost of the minimum food consumption defined for that household plus the monetary cost of non-food items, that it would consume if its income were equal to the monetary cost of the minimum basket of food defined for it.

The different estimates in this method are made twice: once using the monetary income of the household, and the second time including income in kind. According to the data currently available, the current main source of income in kind is the result of owning one's housing.

### d. Poverty findings according to the three approaches

Table 18 presents the incidence of poverty and threshold expenditure for the three methods of estimation based on family composition in 2010 and 2011. It shows that

.................................................

12   The research is being prepared and is expected to be published shortly.

## Table 18
### Incidence of Poverty and Threshold Expenditure for Various Family Compositions Using the NRC, the FES and the MBM Approaches, 2010–2011

| Family Composition | NRC 2010 Threshold spending (NIS) | NRC 2010 Rate of poverty (%) | NRC 2011 Threshold spending (NIS) | NRC 2011 Rate of poverty (%) | FES 2010 Threshold spending (NIS) | FES 2010 Rate of poverty (%) | FES 2011 Threshold spending (NIS) | FES 2011 Rate of poverty (%) | MBM 2010 Threshold spending (NIS) | MBM 2010 Rate of poverty (%) | MBM 2011 Threshold spending (NIS) | MBM 2011 Rate of poverty (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **By monetary income** | | | | | | | | | | | | |
| One adult | 2,695 | 23.0 | 2,729 | 22.2 | 1,755 | 8.3 | 1,844 | 6.5 | | | | |
| 2 adults, no children | 4,378 | 15.7 | 4,434 | 14.8 | 3,541 | 8.9 | 3,723 | 7.7 | | | | |
| 2 adults + 1 child | 5,401 | 16.9 | 5,470 | 18.2 | 4,797 | 13.2 | 5,017 | 11.6 | | | | |
| 2 adults + 2 children | 6,347 | 16.8 | 6,428 | 17.0 | 6,525 | 14.8 | 6,789 | 15.7 | | | | |
| 2 adults + 3 children | 7,236 | 21.7 | 7,328 | 21.8 | 8,250 | 26.0 | 8,646 | 22.8 | | | | |
| 2 adults + 4 children | 8,080 | 44.0 | 8,183 | 43.1 | 9,864 | 52.5 | 10,594 | 47.7 | | | | |
| 2 adults + 5 children | 8,888 | 59.7 | 9,001 | 61.7 | 11,357 | 69.9 | 12,341 | 74.8 | | | | |
| 1 adult + 2 children | 4,974 | 31.6 | 5,037 | 33.8 | 5,276 | 33.6 | 5,572 | 40.0 | | | | |
| **By total income** | | | | | | | | | | | | |
| One adult | 3,323 | 15.6 | 3,361 | 14.0 | 2,268 | 6.2 | 2,386 | 5.0 | 2,997 | 15.1 | 3,187 | 14.6 |
| 2 adults, no children | 5,397 | 13.5 | 5,460 | 12.0 | 4,577 | 7.4 | 4,818 | 7.8 | 5,119 | 13.4 | 5,436 | 10.8 |
| 2 adults + 1 child | 6,659 | 17.0 | 6,737 | 16.5 | 6,201 | 12.4 | 6,492 | 12.8 | 6,471 | 16.4 | 6,858 | 20.9 |
| 2 adults + 2 children | 7,825 | 17.4 | 7,917 | 17.3 | 8,433 | 17.4 | 8,786 | 14.2 | 7,926 | 17.0 | 8,377 | 17.7 |
| 2 adults + 3 children | 8,921 | 21.2 | 9,025 | 20.7 | 10,662 | 24.0 | 11,189 | 23.8 | 9,330 | 24.0 | 9,874 | 23.4 |
| 2 adults + 4 children | 9,962 | 39.6 | 10,078 | 39.2 | 12,749 | 53.7 | 13,709 | 54.1 | 10,655 | 52.8 | 11,360 | 44.1 |
| 2 adults + 5 children | 10,958 | 60.7 | 11,086 | 60.2 | 14,679 | 69.7 | 15,971 | 80.1 | 11,904 | 70.5 | 12,742 | 76.7 |
| 1 adult + 2 children | 6,132 | 35.8 | 6,204 | 35.5 | 6,819 | 41.8 | 7,210 | 42.4 | 6,270 | 38.5 | 6,655 | 38.2 |

according to the NRC, the incidence of poverty that takes account of credited rent (Option B) is lower than the incidence when current payments are taken into account (Option A) for all types of family (except a couple with two children). For example, the incidence of poverty among individuals without children is more than 22% while under Option B it is only 14%. It is also possible to see that in both options, the incidence of poverty rises as the family size increases: for children with five children it reaches about 62% in the first option, and about 60% in the second option, compared to about 18% and 16.5% respectively for couples with one child.

According to the FES method, the incidence of poverty when taking income in kind into account is higher than the incidence based on monetary income, for nearly every family composition. For example, the incidence of poverty among single parent families with two children based on monetary income is 33.6%, compared to 42% based on income in kind. In this method, too, the larger the family, the greater the incidence of poverty.

According to the MBM method, the incidence of poverty among couples with four children is double and more that of couples with one child, and four times the incidence among couples with two children (which is less than 10%). About 75% of couples with five children are unable to finance the threshold expenditure.

---

### Box 3
### Purchasing Power of the Minimum Wage in Israel from an International Perspective

In this box we present a comparison of OECD countries with Israel on the subject of the minimum wage and its development over the years. Graph 1 shows the purchasing power of the minimum wage in OECD member countries in dollars (in terms of PPP1 in 2011 values).

(1) PPP (Purchasing Power Parity) – variables for the value of purchasing power representing the ratios between different countries, adjusting the exchange rates between countries so that purchasing power is the same in all of them.
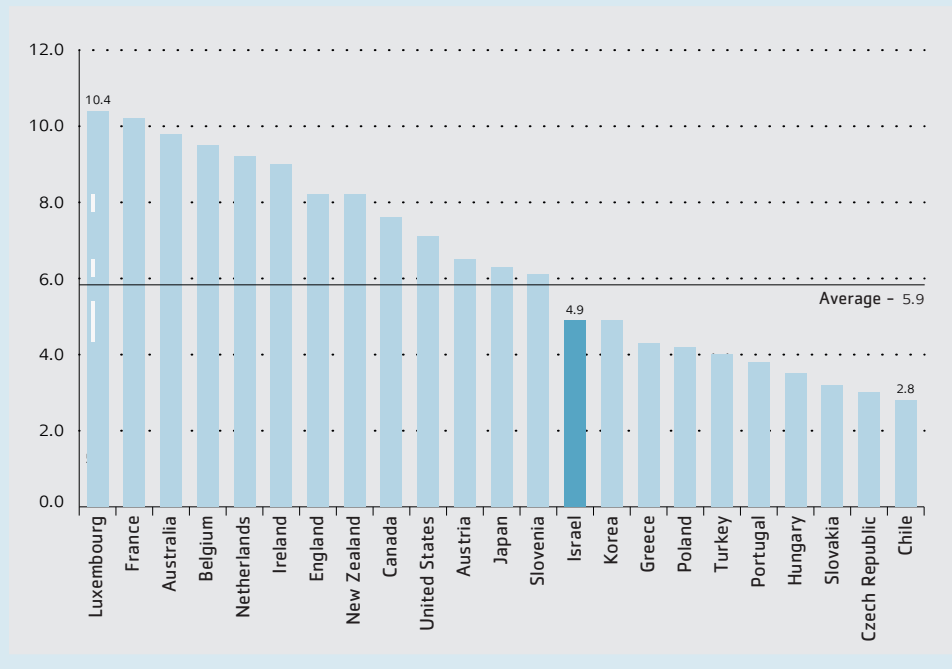
The purchasing power of the hourly minimum wage in OECD countries varies widely, from $2.8 in Estonia to $10.4 in Luxemburg. The leader Luxemburg is followed by France, Australia, Belgium, Holland and Ireland with the highest purchasing power for the minimum wage in effect in those countries. Israel is placed 14 out of the 23 countries compared. In 2012 the average wage was NIS 22.3, equivalent in purchasing power to $4.9. The purchasing power of the minimum wage in Israel is 17% lower than the purchasing power of the average minimum wage in OECD countries: $5.9.

Graph 2 shows the development of the purchasing power of the minimum hourly wage over the period 2000-2011 in Israel and in the United States, and the average for the OECD countries in the sample (in terms of PPP and 2011 prices).

Throughout the whole of the last decade, the purchasing power of the minimum wage in Israel was lower than the OECD average, and compared to the early 2000s, the gap between them more than doubled, to $1.2. Not only that: in the average for OECD countries there is a clear trend of a continual rise in the purchasing power of the minimum wage, from $5.1 in 2000 to $6.1 in 2012 – an average annual increase of 1.6%. Since all purchasing power figures have been adjusted to 2011 prices, the growth over the years is real.

In the USA, the minimum wage was eroded in the first seven years of the decade by $1, which is about 15%, but in the following years this trend was reversed, and the wage was gradually amended to the level of $7.5 ($7.25 in current prices) in 2010, and in the following years it was eroded by not being updated. It appears that there is growing recognition in the USA of the important role of the minimum wage: a decision is now taking shape on a further increase to $9 per hour, and automatic linkage to the COL index, which does not depend on the legislation.

## Graph 1
## Purchasing Power (PPP) of the Minimum Hourly Wage
## in OECD Countries (USD), 2012

The trend in the purchasing power of the minimum wage in Israel is less clear and intentional. Although it was increased over the years several times due to government decisions or agreements with the Federation of Labor (Histadrut) and employers, it in fact remained at the same level and was not adjusted to the rise in living standards. It appears that in order to improve the earning power of low earners in Israel, and thus to reduce the dimensions of poverty and social gaps, there must be more consistent and transparent policy on this issue.

The trend in the purchasing power of the minimum wage in Israel is less clear and intentional. Although it was increased over the years, it in fact remained at the same level and was not adjusted to the rise in living standards

### Graph 2
### Purchasing Power (PPP) of the Minimum Hourly Wage (NIS of 2011), 2000–2012