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Poverty and Social Gaps

Annual Report

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Foreword

The present report on poverty and social gaps is published after demonstrations were held during the summer demanding social justice – a demand which arose, inter alia, from the continued negative impact on the ability of young people to afford suitable housing, from the rising costs of education and from deep dissatisfaction with the increased inequality caused by policies of taxation and social benefits since the beginning of the decade. Even the impressive economic growth in the country during six of the last seven years failed to significantly improve the situation of the poor or the lower middle class. It is well known that growth is essential for improving the socio-economic situation of the population, but growth alone is not sufficient; for growth to help the disadvantaged sectors of the population, a tangible change of priorities is required. Budget cuts intended to raise the share of social expenditure are not enough, since this source is a limited one, given that the budget items to be cut are also of great importance to the welfare of the population. Consequently the reluctance of the Trachtenberg Committee to significantly increase taxation is what really limits the government's ability to bring about a real change in public welfare. Over recent years, the tax system's progressivity has been reduced and the tax base has decreased as a result of large-scale tax benefits bestowed on the established classes. This policy was mainly realized by means of the law of encouragement of capital investment. The government could reduce at least some of these benefits in order to supply resources to advance the social justice demanded by the public. Inheritance tax on the wealthy could be a further source of funding to improve the social situation.

Clearly, any policy trying to promote social justice while ignoring the needs of the poorest cannot be called a truly social policy. For instance, benefits to families with no breadwinner need to be significantly increased, because since 2003 (when the benefits were drastically cut), this population suffered a sharp increase in the severity of their poverty. As presented in reports of the National Insurance Institute (NII), the current levels of income support benefits cover less than half the minimum standard of living.

Since the beginning of the social protests, numerous suggestions for improving the situation have been made. It is important to adopt a rational rule for choosing between the different suggested programs: in a document dealing with the social protest, written by the Research and Planning Administration of the NII¹, we suggested a rule that favors those programs with the highest cost efficiency of reducing economic inequality. These programs include: an increase of progressivity in the tax system, strengthening enforcement of labor laws, the abolishment of education fees and other payments by families and their financing directly through the Ministry of Education's budget and an increase in subsidies for housing rent and the related means test.

The proposed changes require considerable resources, determination and courage on the part of policy makers. Yet I am convinced that this investment will bring significant social change and continued economic improvement.

Daniel Gottlieb
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¹ www.btl.gov.il/Publications/more_publications/Pages/hizuk.aspx

Table of Contents

	Page
Summary of Findings	1
I. The dimensions of poverty	4
1. The poverty line and standard of living	4
2. The dimensions of poverty in 2010 and their development in recent years	7
3. The effect of benefits and direct taxes on poverty	11
4. The social protest of summer 2011	18
5. Poverty by population group and geographical region	20
6. Persistent poverty	30
7. Israel compared internationally	33
8. The poverty objective	37
II. The dimensions of inequality	39
1. The inequality in 2010 and in recent years	39
2. Inequality by quintiles	
III. The causes of poverty and inequality	48
Tables	
Table 1: Monthly income per household by type of income (NIS), 2008-2010	4
Table 2: The poverty line by family size, 2010	5
Table 3: Family incomes relative to poverty lines, 2010	7
Table 4: Incidence of poverty (percentages and absolute numbers), 2009-2010	8
Table 5: Dimensions of poverty by selected indices, 1999-2010	10
Table 6: Incidence of poverty by various definitions of income, and the contribution of direct taxation and various transfer payments to reducing poverty, 2009 and 2010	14
Table 7: Incidence of poverty among persons by gender (percentages), 1999-2010	22
Table 8: Incidence of poverty among families by population group (percentages), 2009 and 2010	24
Table 9: The ratio of types of families in the overall population and the poor population by demographic and employment characteristics, 2009 and 2010	25
Table 10: Estimated degree of poverty among different population groups by selected indices,	

2009 and 2010	26
Table 11: Incidence of poverty by district and religion, 2009-2010	29
Table 12: Estimate of persistent poverty – weight of families and persons among the poor whose cash expenses per standard person are below the poverty line (percentages), 2009 and 2010	32
Table 13: Incidence of poverty of families, persons and children in selected population groups according to OECD definition, 2009 and 2010	36
Table 14: Real changes in the poverty objective and income of the lowest quintile 2002-2010	37
Table 15: Gini index of inequality in income distribution of the population, 1999-2010	40
Table 16: Source and type of income and mandatory payments by quintile, 2010, and real change compared to 2009	45
Table 17: Share of each quintile in total income and mandatory payments, 2009-2010	46
Table 18: Expenditures by quintile, real rates of change and distribution of expenditure, 2009-2010	47
Table 19: Distribution of wages for all employees and for poor employees, by wage level, 2010	51
Table 20: Distribution of employees and rates of growth in employment, by economic sector (percentages) 2009-2010	53
Table 21: Wages as a percentage of average wage and change therein, by economic sector (percentages), 2009-2010	53
Table 22: Distribution of employees and growth rates in employment by profession (percentages), 2009-2010	54
Table 23: Wage levels and changes therein, by profession (percentages), 2009-2010	55
 Charts	
Chart 1: Incidence of poverty among families, persons and children, 1998-2010	9
Chart 2: Selected indices of poverty severity, 1999-2010	11
Chart 3: Weight of benefits and transfer payments in reducing poverty in families by source	15
Chart 4: Rate of decrease in incidence of poverty in families receiving benefits after benefit payment	17
Chart 4A: Rate of decrease in incidence of poverty in families receiving benefits for every NIS 100 of benefit	17
Chart 5A: Rate of homeowners among households, by income quintile up to age 34, 1999-2009	19
Chart 5B: Share of young people (up to age 35) in each decile, 2009 as compared to 1999	19
Chart 6: Frequency of poor by population group compared to the frequency of the groups in the overall population	30
Chart 7A: Poverty rates for different poverty lines (40, 50 and 60 of income median),	

OECD countries and Israel, late 2000s (Israel 2010)	34
Chart 7B: GINI index of inequality of standard disposable income per capita OECD countries and Israel, late 2000s (Israel 2010)	34
Chart 8: Incidence of poverty among persons and selected inequality indices, 1999-2010	41
Chart 9: Real change in standard disposable income per standard person by quintiles (percentages)	42
Chart 10: Percentage of employed and percentage of poverty among persons, overall population 1999-2010	50
Chart 10A: Percentage of employed and percentage of poverty among persons, Jews, not including Ultra-Orthodox 1999-2010	50
Chart 10B: Percentage of employed and percentage of poverty among persons, Arabs and Ultra-Orthodox Jews 1999-2010	50
IV. Appendices	57
Appendix 1A: Incidence of poverty, 1998-2010, including East Jerusalem	59
Appendix 1B: Incidence of poverty, 1999-2010, not including East Jerusalem	59
Appendix 2: Number of poor families and poor persons after transfer payments and taxes, 2009-2010	60
Appendix 3: Incidence of poverty among persons by population group (percentages), 2009 and 2010	61
Appendix 4: Ratio of income gaps in families by family type, 2009-2010 (percentages)	62
Appendix 5: Effect of transfer payments and direct taxes on inequality in income distribution among the overall population, 2009-2010	63
Appendix 6: Monetary data by quintile, according to OECD equivalence scale	64-65
Appendix 7: Incidence of poverty, with the poverty line set at 40% of median income according to the OECD definition, 2009 and 2010	66
Appendix 8: Incidence of poverty, with the poverty line set at 60% of median income according to the OECD definition, 2009 and 2010	67
Appendix 9: Incidence of poverty among persons, by economic income and net income, and effect of transfer payments and direct taxes, according to the OECD approach (half median)	68
Appendix 10: Statistical significance of changes in selected poverty indices by population group	69

Summary of Findings

- In 2010 Israel continued to move out of the recession and began a rapid recovery in the labor market. The **standard of living rose** in terms of equivalized median disposable income per capita to a real degree of 3.6% and as a result, so did the poverty line derived from it. Also in terms of the alternate standard of living indicator, the standard average income per capita, the standard of living rose compared to the level in 2009 – by 3.1 %.
- Poverty among **families decreased** in 2010 from 20.5% in 2009 to 19.8% in 2010. Poverty measured by general income, that originating mainly in labor market, decreased from 33.2% to 32.6% between the two years.
- Between 2009 and 2010 the extent of persons and children in poor families decreased, from 25.0% to 24.4% and from 36.3% to 35.3% respectively. Therefore poverty among children returned to its 2005 level.
- In 2010 there were 433,300 poor families in Israel, making a total of 1,773,400 persons, of whom 837,000 are children.
- The decrease in poverty indicates a stabilization of the high level **and a return to the levels that existed in 2007-2008 (19.9%) following the temporary increase of 2009** as a result of the recession at the time. The decrease in poverty resulted from expanded employment. Poverty measured by economic income decreased from 33.2% to 32.6 % among families during the two years under review.
- The contribution of transfer payments to reduction of poverty among families **rose** from 38.4% in 2009 to 39.2% in 2010.
- In depth and severity of poverty indices, a relative stability was noted: the depth of poverty index rose from 35.5% to 35.9% and the severity of poverty index decreased from 0.047 to 0.046 between 2009 and 2010.
- In 2010 the **Gini index of inequality** decreased in economic income (by 1.0%) and disposable income (by 1.3%). Since 1999 the index of economic income decreased by 2.4%, however the index of disposable income rose during this period to a cumulative degree of 6.9%.
- The downward tendency that characterized 2010 in terms of the general incidence of poverty is reflected also in the long-term poverty data: between 2009 and 2010 the number of poor families continued to decrease, meaning that the number of poor families whose expenditures were lower than the poverty line went down from 59% to 57% and the number of persons of these families

decreased as well from 64% to 59%.

- The index of incidence of poverty of persons, estimated according to the OECD approach and which is used for international comparison between Israel and the rest of the world, remained almost without change between 2009 and 2010; it rose from 20.9% to 21%. Also according to 2020 data Israel is situated at the top of the list when compared to the OECD countries in the middle of the 2000s.
- An examination of the changes in the different population groups suggests that:
 - The trend of **improvement among the elderly** continues: their incidence of poverty decreased from 22.6% in 2008 to 20.1% in 2009 and to 19.6% in 2010, and this resulted mainly from an increase in old-age and survivors' pensions. At the same time the contribution of transfer payments in reducing poverty among families of the elderly increased from 59.4% in 2008 to 63.1% in 2009 and to 64.3% in 2020. Nevertheless the indices of depth and severity of poverty indicate a worsening of the average situation of those who remain poor.
 - In 2010 there was a partial **improvement** in the situation of **single-parent families**. The incidence of poverty among these families that jumped in 2009 because of the recession by 3.5 percentage points decreased by 2 points percentage in 2010 and reached 30.5%.
 - In 2010 **stability of a very high level** was predicted poverty among **Arab families**, more than half of whom are poor (53.2% in 2010). Indices of the depth and severity of poverty decreased a little.
 - Poverty among **large families** – those with four or more children – **decreased** from 59.9% to 57.2% possibly in light of the economic recovery of the labor market and increases in child allowances. Even so, this level is extremely high compared both to the past in Israel and internationally.
 - The trend of considerable growth continued among **working families** in the overall poor population. Their proportion within this category grew from 49.0% in 2009 to 50.6% in 2010 and the indices of the depth and severity of poverty also rose in 2010. The incidence of poverty among working families stands at 13.2%.
 - In 2010 the **proportion of families of working age that were unemployed** decreased in the general population, however the incidence of poverty among these families continued to increase in 2010, from 68.9% in 2009 to 70.1% in 2010. Since 1999 the incidence of poverty, already high among these families, rose from 64.5% to 70%.

- Between 2009 and 2010 poverty among **males** decreased from 18.8% to 18.2% and poverty among **females** remained unchanged. Poverty measured by economic income, higher among females than among males, decreased somewhat among females and considerably more among males in 2010.
- In the **youngest age group**, where the head of the household is up to 30 years of age, there was a worsening of the poverty situation, and that was a continuation of the deterioration that occurred in 2009: poverty among these families rose from 26.1% to 26.8% and constituted an accumulated worsening, in a period of two years, of 2.4 points percent. Severity and depth of poverty also rose within this group.

I. The Dimensions of Poverty

1. The Poverty Line and Standard of Living

In 2010 Israel continued to move out of the recession that had affected the economy from the latter part of 2008 and for part of 2009. The macro-economic data indicates a considerable recovery in the employment market during that period: employment rose by 3.7% and real wages rose by a moderate degree of one percent. Unemployment decreased from 7.5% in 2009 to 6.7% in 2010. The findings of the survey of income carried out by the Central Bureau of Statistics (hereafter: the survey)² indicate an increase of 5% among salaried employees and 10% among the self employed compared with 2009, and an increase in real terms of about 4% in income from work, influenced mainly by a sharp increase in income from self employment. Income from relief payments increased, albeit by a more modest amount (of 1.5%). Mandatory payments increased by about 4%.

Table 1: Monthly Income per Household by Type of Income (NIS), 2008-2010

Type of income	2008	2009	2010	Real change between 2008 and 2009 (percentages)
Averages				
Economic per family	11,680	11,776	12,527	3.6
Economic per standard person	4,416	4,431	4,719	3.7
Gross per family	13,346	13,599	14,397	3.1
Gross per standard person	5,159	5,241	5,559	3.3
Net per family	10,973	11,377	12,024	2.9
Net per standard person	4,261	4,404	4,665	3.1
by median				
Median net equivalized income	3,483	3,629	3,861	3.6
Poverty line per standard person	1,742	1,815	1,931	3.6

² In all instances where “survey” is mentioned, the intention is the survey of income of The Central Bureau of Statistics, and in those few instances in which results are based on a survey of expenditure, this fact is clearly stated. The entire report is based on compilations by the Research and Planning Administration of the NII of the household income and expenditure surveys, both of which were carried out by the Central Bureau of Statistics. To avoid unnecessary cumbersomeness this is not specifically stated under the many tables and charts included in this report.

These trends acted together to increase the disposable income of families in Israel, and in 2010 the standard of living rose in terms of standard³ median disposable income per capita, in real terms by 3.6%, as did the poverty line derived from it (table 1). Also in terms of the alternative indicator of the standard of living, the average standard income per capita, the standard of living rose compared to the level in 2009 by 3.1%.

The average economic income, which originates in the labor market and income from capital, increased to a similar degree, averaging about 3.6% per family (see Table 1). This increase reflects an acute increase in income from self-employment (about 19%), a possible result of the emergence of the economy from the recession in which it had been during the year prior to publication of the report. This increase was modified by a decrease of about one percent in income from pensions. The gross income per family, including transfer payments, increased by a relatively low degree of 3.1%, since the element of relief payments increased to a relatively modest degree of 1.5%.

The disposable income (average per family) increased to a lower degree than economic income—by 2.9%. This was because mandatory payments (income tax and compulsory insurances) increased more rapidly. This situation expressed, as mentioned, mainly the increase in employment figures in light of moving out of the recession.

Table 2: The Poverty Line by Family Size, 2010

Number of persons in the family	Number of standard persons	NIS per month	Marginal addition NIS
1	1.25	2,413	-
2	2.00	3,861	1,448
3	2.65	5,116	1,255
4	3.20	6,178	1,062
5	3.75	7,240	1,062
6	4.25	8,205	965
7	4.75	9,170	965
8	5.20	10,039	869
9	5.60	10,811	772

³ The standard number of persons in a family is lower than the number in reality. The imparity takes into consideration the savings of a large family in certain expenditures compared to smaller families, seeing that a considerable proportion of the expenditure increases slowly in relation to the size of the family: for instance, energy costs and rent.

Poverty lines for families of different sizes are presented in Table 2. Table 3 shows the minimum income and average income including universal child allowances⁴ as a proportion of the relevant poverty line. The poverty line for a standard⁵ person in 2010 stands at about NIS 1,930. For a person living alone the poverty line is higher because of higher living costs: about NIS 2,413. For a family of two persons the poverty line is twice the poverty line per standard person: NIS 3,861. The poverty line for larger families is a multiple of the poverty line per standard person according to the number of standard persons in the particular size of the family. For instance, for a family of five persons it would come to NIS 7,240 per month.

Table 3 shows to what extent the minimum wage, or average wage with the addition of universal child allowance, saves from poverty a family in which there is livelihood from a single job (first column), a job and a half (second column), two jobs (third column) or alternatively a single job at the average wage (last column). A proportion greater than 100% indicates that the income from employment and from universal benefits is enough to save the family from poverty.⁶

⁴ The minimal and average disposable income from employment and universal benefits is estimated as the sum of the minimum wage or the average wage and additional child allowances respectively, after deduction of mandatory payments.

⁵ Standard person is defined according to an official Israeli equivalence scale.

⁶ For the sake of presentation convenience this proportion is presented from this year as an opposite proportion to that in last years' publication.

Table 3: Family Incomes Relative to Poverty Lines, 2010

Composition of Household	Minimal disposable income for one job as a percentage of the poverty line	Minimal disposable income for one and a half jobs as a percentage of the poverty line	Minimal disposable income for two jobs as a percentage of the poverty line	Average disposable income for one job as a percentage of the poverty line	Twice the average disposable income as a percentage of the poverty line
Single	154	-	-	318	-
Single with a child	100	-	-	208	-
Single with 2 children	79	-	-	165	-
Single with 3 children	70	-	-	142	-
Couple	96	144	192	199	400
Couple with a child	76	112	148	153	309
Couple with 2 children	66	96	126	130	262
Couple with 3 children	59	85	111	114	227
Couple with 4 children	55	78	101	104	203
Couple with 5 children	51	72	92	94	184

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

The table shows that a single-parent with two children or more would have to find additional resources to the extent of at least one-fifth of her income to save her family from poverty. Couples with two to five children (and of course if they have a greater number of children) will not save themselves from poverty even if both parents are employed (one full-time and the other part-time) at minimum wages. In a family with 4 children, if both parents work full-time at minimum wages, the family can save itself from poverty with the addition of child allowances, however even a miniscule decrease in employment of either parent is sufficient to drag the family below the poverty line.

2. The Dimensions of Poverty in 2010 and their Development in Recent Years

The incidence of poverty among families, persons and children **decreased** in 2010. In this year there were **433,000** poor families, made up of **1,773,400** persons of whom **837,000** are children.

The incidence of poverty among families in 2010 was 19.8% compared to 20.5% in 2009 (Table 3). This decrease in the incidence of poverty marks stabilization at a high level and a return to the extent that existed in 2007-2008 (19.9%) following the temporary increase resulting from the recession in 2009. Between 2009 and 2010 the numbers of persons and children living in poor families decreased

from 25.0% to 24.4% and from 36.3% to 35.3% respectively⁷. Thus the incidence of poverty among children decreased to the level that existed in 2005 – a high level when seen in perspective (see Chart 1).

Table 4: Incidence of Poverty (Percentages and Absolute Numbers), 2009-2010

	Prior to transfer payments and direct taxes	After transfer payments and direct taxes	Extent of decrease in incidence of poverty after transfer payments and direct taxes
2010			
Families	32.6	19.8	39.2
Persons	32.8	24.4	25.6
Children	40.4	35.3	12.6
2009			
Families	33.2	20.5	38.4
Persons	33.9	25.0	26.2
Children	41.9	36.3	13.4

	Prior to transfer payments and direct taxes	After transfer payments and direct taxes	Extent of decrease in incidence of poverty after transfer payments and direct taxes
2010			
Families	712,300	433,300	279,000
Persons	2,383,800	1,773,400	610,400
Children	958,500	837,300	121,200
2009			
Families	706,100	435,100	271,000
Persons	2,405,400	1,774,800	630,600
Children	982,300	850,300	132,000

Chart 1 shows the development of incidence of poverty among families, persons and children in the years 1998 until 2010, with 1998 serving as a basis⁸. The degree of the decrease in the incidence of

⁷ The changes in the dimensions of poverty this year are usually not of statistical significance (significance level of 5%) – see Appendix 10 that gives detailed information concerning the significance of changes in the dimensions of poverty for all population groups included in the report.

⁸ The incidence of poverty in the period from 1998 until 2010 is reported in Appendix 1. In the past, 1997

poverty among families was high and its impact was similar to that felt between 2005 and 2006 – 3.3% – compared to a more moderate decrease in the incidence of poverty among persons and children.

Chart 1: Incidence of Poverty Among Families, Persons and Children, 1998-2010 (1998 = 100.0)

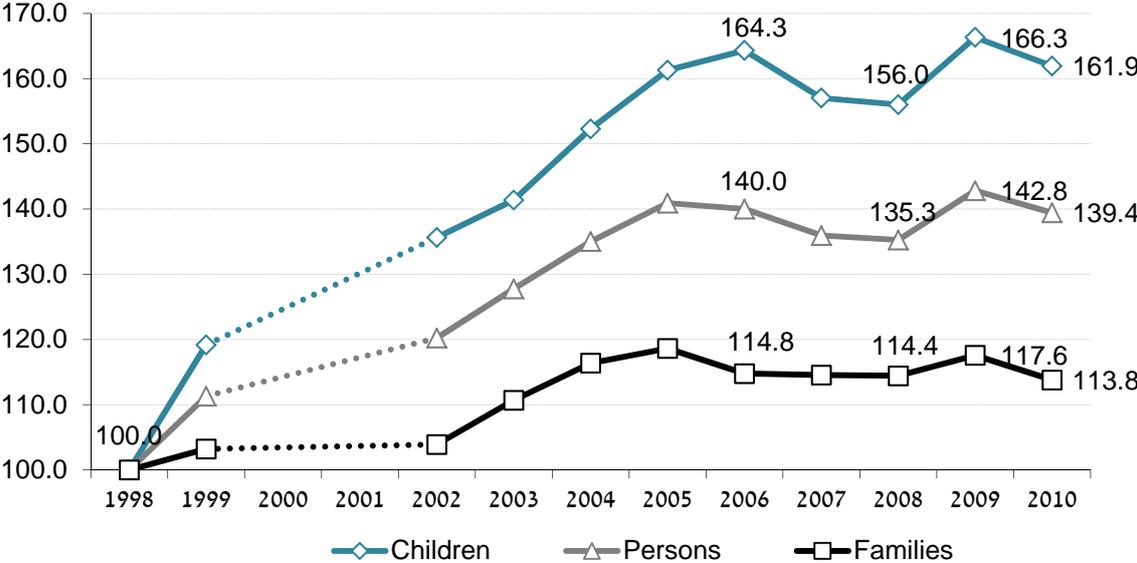


Table 5 below concentrates the findings regarding poverty among families, persons and children in the general population according to selected indices, in the years 1999 and 2002 until 2010, and the subsequent Chart 2 presents the dimensions of poverty according to selected indices.

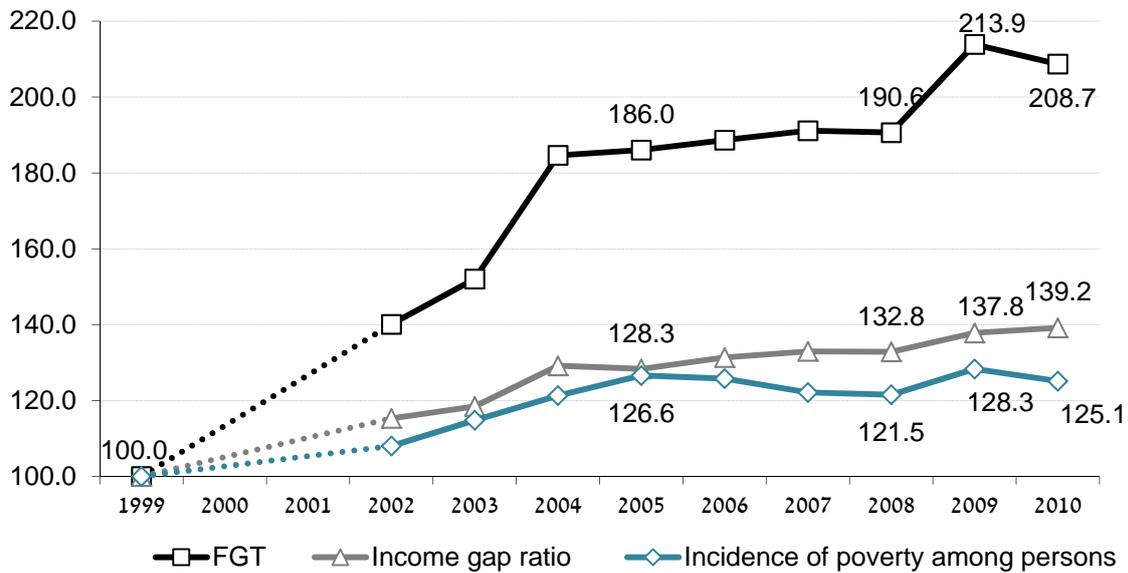
served as a basis, since that was the first year of a joint survey of income and expenditure. Nevertheless we discovered by means of different analyses that the quality of the data was inferior to that of later years. The dotted lines in the chart are because there was no collection of data in East Jerusalem during the years 2000 and 2001.

Table 5: Dimensions of Poverty by Selected Indices, 1999-2010

Index	1999	2002	2003	2004	2005	2006	2007	2008	2009	2010
Incidence of poverty among families	18.0%	18.1%	19.3%	20.3%	20.6%	20.0%	19.9%	19.9%	20.5%	19.8%
Incidence of poverty among persons	19.5%	21.0%	22.4%	23.6%	24.7%	24.5%	23.8%	23.7%	25.0%	24.4%
Incidence of poverty among children	26.0%	29.6%	30.8%	33.2%	35.2%	35.8%	34.2%	34.0%	36.3%	35.3%
Relative income gap	25.8%	29.7%	30.5%	33.3%	33.1%	33.8%	34.3%	34.2%	35.5%	35.9%
Depth of poverty in NIS*	410	471	487	546	562	601	636	632	ἄ662	ἄ692
FGT Index of severity of poverty	0.022	0.031	0.033	0.040	0.041	0.041	0.042	0.042	0.047	0.046
Gini Index among the poor	0.153	0.184	0.186	0.205	0.195	0.195	0.205	0.205	0.213	0.211
SEN Index	0.072	0.090	0.097	0.111	0.114	0.115	0.114	0.113	0.123	0.120

* The distance between the poverty line and the average wage of the poor per standard person at 2010 price levels.

Chart 2: Selected Indices of Poverty Severity, 1999-2010 (1999 = 100.0)



Contrary to the decreases predicted in the incidence of poverty, in 2010 poor families on an average became poorer: the income gap ratio, which expresses the depth of poverty of families (in other words the average distance of the income of the poor from the poverty line), increased from 35.5% in 2009 to 35.9% in 2010. The FGT Index that reflects the severity of the poverty and includes the influences of the incidence of poverty with the depth of poverty while placing a greater emphasis on the more poor, decreased by 2.4% compared to 2009, and similarly the SEN Index, which is the alternative index of the severity of poverty (see Appendix 10). However, as can be seen in Chart 2, despite the decrease in the severity of poverty, its level is still high compared to the beginning of the 2000s.

3. The Effect of Benefits and the Direct Taxes on Poverty

The economic independence of the poor is expressed in the measurement of poverty according to economic income – the numbers of poor prior to direct government intervention by means of taxes and benefits⁹⁹. Table 3 shows that when the measurement is according to economic income, the incidence of poverty decreases somewhat: in 2010 the incidence of poverty among families according to economic income stood at 32.6% compared to 33.2% in 2009 and returned to the level of the years 2006-2008. In parallel, the incidences of poverty among persons and children also decreased between

⁹⁹ The presentation of the gap between the incidence of economic poverty and the incidence after intervention necessitates caution in analysis because the effect of policy is upwardly biased according to this point of view. It is reasonable to suppose that without the system of financial supports, the individual would have to make a greater effort to earn economic income and thus the incidence of economic poverty would have been less than that in reality, although in this case this would have been the real incidence of poverty and it would have been a lot higher than the current incidence of poverty (after implementation of the policy).

2009 and 2010 according to that same definition. These decreases are indeed not statistically significant, but they hint that the improvement in the dimensions of poverty does not stem from direct policies to combat poverty, but are a result of the emergence from the recession. This derived mainly from the worldwide economic recovery and of course is supported by the general economic policies of the government.

In 2010 the number of families that were saved from poverty as a result of transfer payments and direct taxes stood at 39.2%, following a decreasing trend in the contribution of these resources to the reduction of poverty in recent years and their stabilization at a level of 38.4% in 2009. However, in an analysis according to persons and children, a decrease in their contribution to reducing poverty becomes apparent: in 2010 the transfer payments and direct taxes saved 25.6% of persons and 12.6% of children from poverty – compared to 26.2% of persons and 13.4% of children in 2009. In comparison, in 2002, in other words prior to the impact on transfer payments and prior to the regressive direct tax reform, these two instruments saved from poverty almost 40% of the persons and 30% of the children. The contribution of policy means to reduction of the income ratio gap is presented in Table 6, and it demonstrates that the effect of the NII benefits increased to some extent, while the influence of taxation on the income gap and on the severity of poverty is greater than on the incidence of poverty, since even for those not saved from poverty, the depth and severity of poverty decreased considerably.

In Table 6 the incidence of poverty is presented according to different definitions of income, and there is a breakdown of the contribution of various mandatory payments (from the NII, from government institutions and from households) to reducing poverty according to economic income. The incidence of poverty after transfer payments and direct taxes decreased, mainly due to the influence of benefits (seeing that the degree of change in the incidence of poverty following direct taxes was higher in 2010 than in 2009), although the main change was probably due to the composition of the poor population and its employment traits, which change each year. From the calculations it also emerges that despite the progressivity of the tax system, for the poor the direct taxes are regressive, because the incidence of poverty after transfer payments alone is lower than the incidence of poverty after both transfer payments and direct taxes together (for instance 17.5% compared to 19.8% in 2010). The reason for this is that the national and health insurance contributions (included under the heading of “direct taxes” for the sake of convenience, but which are in fact insurance contributions) are levied from almost the entire population and so they increase the incidence of poverty beyond that determined by the markets (economic poverty). Negative income tax, when it begins to be fully implemented, is supposed to reduce this effect¹⁰. The benefits are, therefore, necessary to compensate for the negative

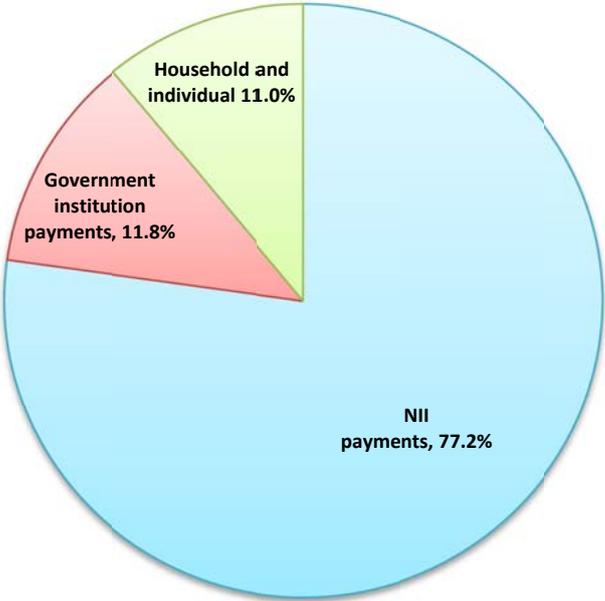
¹⁰ This example clarifies why the definition of the poverty objective of the government is problematic in reference to the choice of gross income, which neutralizes the effects of taxation. See the Annual Survey of the

influences on the poor. Another fact that emerges from the table is that the contribution of the NII benefits alone increased in 2010: 37.6% of the families would have been saved from poverty thanks to the NII payments (without any other compensating effect) compared to 36.7% in 2009.

Table 6: Incidence of Poverty by Various Definitions of Income, and the Contribution of Direct Taxation and Various Transfer Payments to Reducing Poverty, 2009 and 2010. (in all of the titles “after payments”)

	Incidence of Poverty							Degrees of Change in the Incidence of Poverty Following Government Intervention, Households and Individuals						
	Before transfer payments and mandatory payments	After mandatory payments only	After transfer payments only	After NII payments only	After payments of government bodies (not NII) only	After payments from household individuals only	After transfer payments and direct taxes	After mandatory payments only	After transfer payment and direct taxes	After transfer payments only	After NII payments only	After payments of government bodies (not NII) only	After payments from household individuals only	
2010														
Incidence of poverty among families	32.6%	35.1%	17.5%	20.3%	30.7%	30.8%	19.8%	7.1	-39.2	-46.3	-37.6	-5.8	-5.4	
Incidence of poverty among persons	32.8%	35.6%	22.0%	24.1%	31.6%	31.7%	24.4%	7.9	-25.6	-32.8	-26.3	-3.7	-3.3	
Incidence of poverty among children	40.4%	43.6%	32.8%	34.8%	39.7%	39.6%	35.3%	7.3	-12.6	-18.9	-13.8	-1.8	-2.0	
Relative income gap	60.0%	60.4%	35.3%	40.3%	56.3%	58.0%	35.8%	0.8	-40.2	-41.2	-32.8	-6.1	-3.3	
FGT	0.1561	0.1749	0.0399	0.0578	0.1349	0.1424	0.0456	10.7	-70.8	-74.4	-63.0	-13.6	-8.8	
2009														
Incidence of poverty among families	33.2%	35.5%	17.9%	21.0%	31.3%	31.2%	20.5%	6.5	-38.4	-46.1	-36.7	-5.7	-6.1	
Incidence of poverty among persons	33.9%	36.4%	22.4%	24.8%	32.5%	32.5%	25.0%	7.0	-26.2	-33.9	-26.8	-4.0	-3.9	
Incidence of poverty among children	41.9%	44.8%	33.3%	35.8%	40.8%	40.8%	36.3%	6.5	-13.4	-20.4	-14.6	-2.5	-2.6	
Relative income gap	60.3%	61.3%	35.2%	41.1%	55.8%	57.7%	35.5%	1.6	-41.1	-41.5	-31.9	-7.4	-4.2	
FGT	0.1636	0.1829	0.0410	0.0617	0.1374	0.1461	0.0467	10.6	-71.4	-74.9	-62.3	-16.0	-10.7	

Chart 3: Weight of Benefits and Transfer Payments in Reducing Poverty in Families by Source



In Chart 3, the effect of each of the different types of financial support in saving families from poverty is shown: the weight of the NII payments, which are the bulk of the transfer payments, constitute just over 77% of the total contribution to reduction of poverty, while the support from other government institutions and support from other households (including also some maintenance payments) each constitute a little more than a tenth of the total components of transfer payments. The total government (including the NII) contribution to the reduction of poverty among families¹¹ consists of 89% of all the transfer payments.

Allowance payments constitute a significant factor in the reduction of poverty. The following charts show the degree of decrease in the incidence of poverty of families among the groups receiving different benefits (Chart 4). Similarly to 2009, in 2010 the greatest influence is attributed to old-age

¹¹ There are other government transfers to families, such as benefits in kind (in lieu of money), which are not taken into account here. In addition there are financial supports given to different businesses in the framework of the Law to Encourage Capital Investments and other laws that contribute to increasing profitability and as a result raise the income of a number of households. The beneficiaries are mainly the uppermost tenth and possibly the uppermost hundredths. The Ministry of Finance does not publish information regarding distribution of different financial benefits according to tenths or hundredths, even though this information is essential to the formulation of social policies. According to the report of the State Revenue Administration the benefits budget of the Law to Encourage Capital Investments is about 5 NIS billion! Another important influence that was not considered despite its importance is the effect of the income tax exemption on income from capital, especially in the realm of provident funds and study funds. No information is published regarding the distributory effect of these funds even though many billion NIS are involved—more than 8 NIS billion. Here too the main beneficiaries are the non-poor and especially the upper tenth and to an ever-lessening degree the ninth to sixth tenths.

and survivors' pensions (57%)¹². The influence of the other benefits is less. For child allowances the influence is very small and is only about 6% because of the relatively low amount of the allowance.

Another interesting analysis is the examination of the influence using a “uniform yardstick” – in other words, what the influence of every NIS 100 of benefit (Chart 4A) on reducing the dimensions of poverty is, and it can be seen that the order of benefits changes. Nevertheless it is clear that the budgetary significance of NIS 100 in child allowance, for instance, is far greater than 100 NIS on the income support benefit, and the chart ignores this point, which is of great importance for policy. In addition a benefit that can be very effective in saving people from poverty may be far less effective in decreasing the depth or severity of poverty. Thus, for instance, it is clear that the status of the income support benefit would greatly improve when we check the influence on the depth and severity of poverty, because even if the amount of the benefit does not enable one to be saved from poverty, the benefit is still very effective in improving the situation of the poor¹³.

¹² After payment of benefit alone.

¹³ A wider-ranging more detailed comparison, which takes into account the budgetary significance of increase of a specific amount to each benefit, will be made later in a different framework.

Chart 4: Rate of Decrease in Incidence of Poverty in Families Receiving Benefits After Benefit Payment

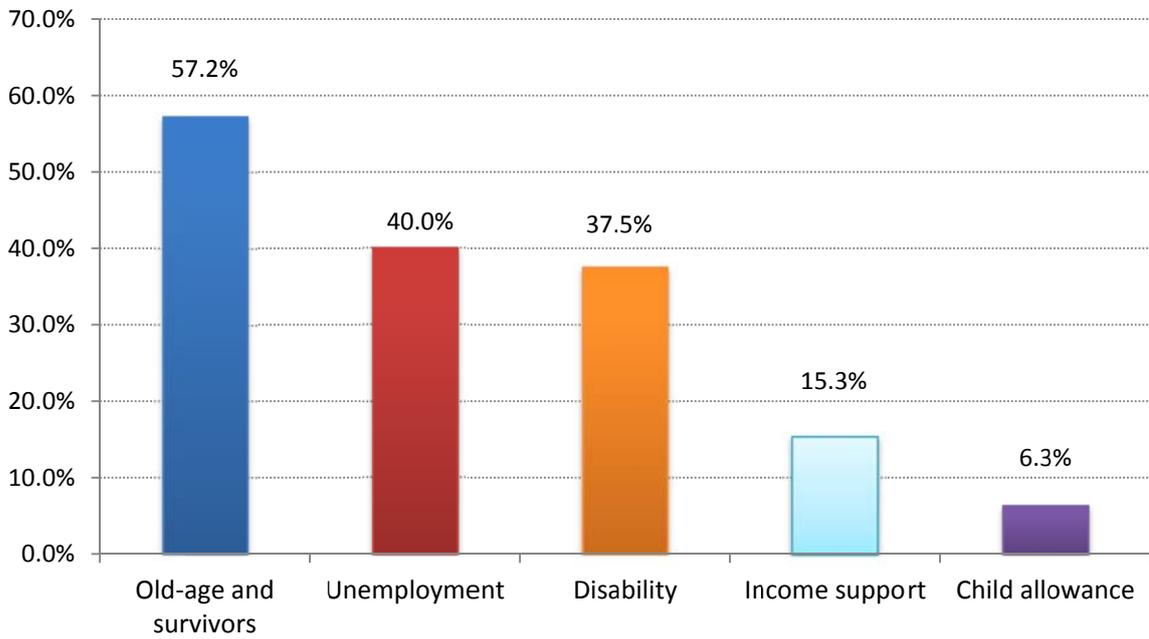
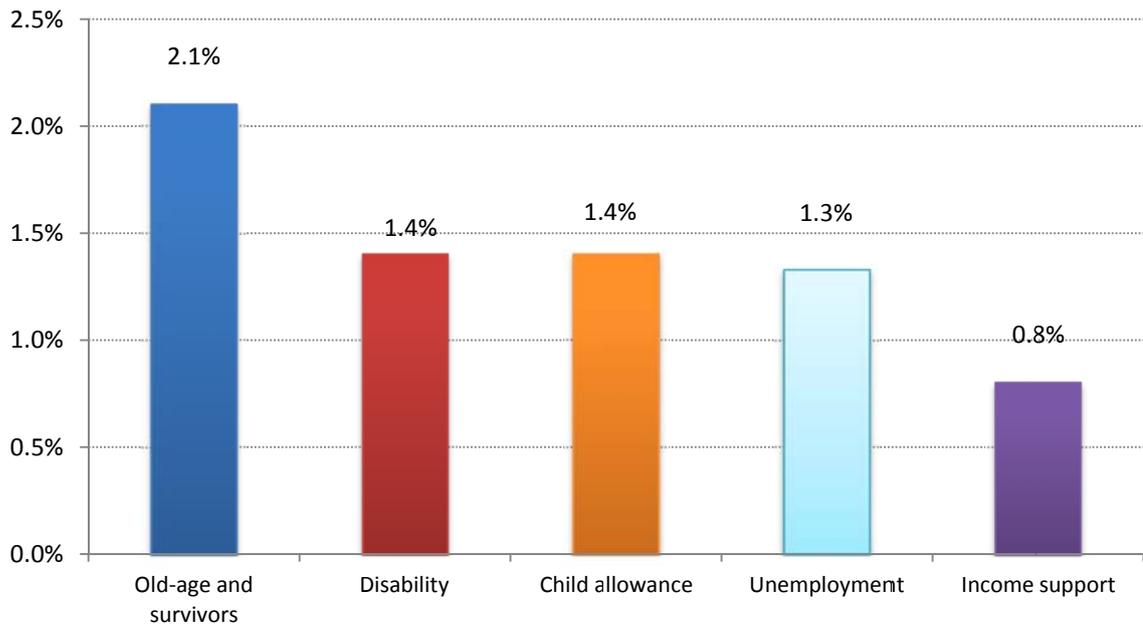


Chart 4A: Rate of Decrease in Incidence Poverty in Families Receiving Benefits for Each NIS 100 of Benefit



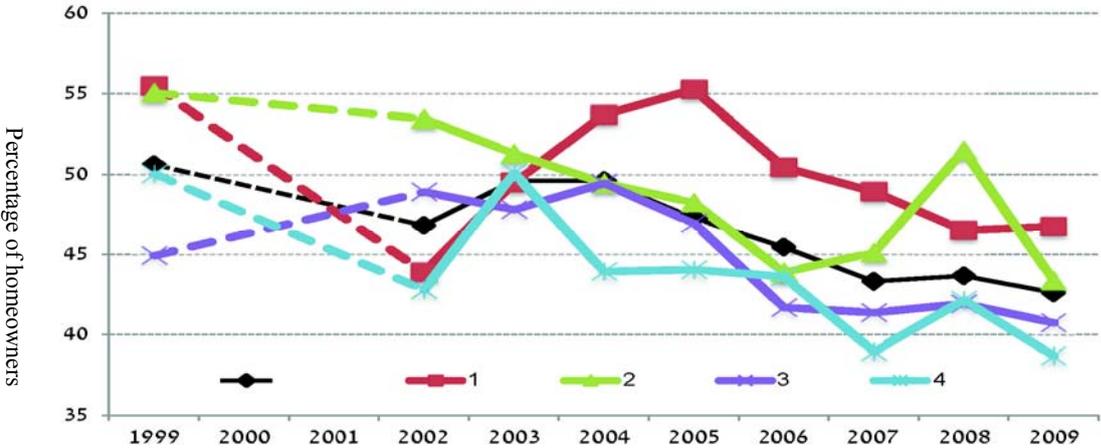
4. The Social Protest of Summer 2011

In the summer of 2011 we witnessed an unprecedented public and social mobilization demanding implementation of “social justice” in the State of Israel. The leaders of the social protest, it seems, were young people who for the most part did not belong to the weaker classes of society (even though disclosures of support also came from this population), but from the class essential to the efficient functioning of any democratic society – the middle class – which can be reasonably defined as the population belonging inclusively to the third to eighth tenths of society.

The reasons for the protest are probably varied and include elements such as: the high cost of living in Israel in recent years and especially the increases in housing expenses and the decrease in the ability of young people to purchase an apartment; economic growth figures that were not reflected in a corresponding increase in salary that remained for the last decade at the same real level; an increase in inequality of income, among other things because of the policy of reducing income tax, and tax perks that benefited the established classes; problematic employment practices and contraventions of the labor laws; increases in private expenditure on public services (education, health) and more. Both parts of Chart 5 demonstrate some of these developments. Chart 5A shows that the numbers of homeowners among young households has grown less over the past decade, from 50.6% of households to 43% of them. The decrease characterized all income quintiles. Chart 5B shows the changing number of young people (up to age 35) within the tenths of income over the decade: their proportion of the lower tenths increased as opposed to their proportion of the higher tenths¹⁴.

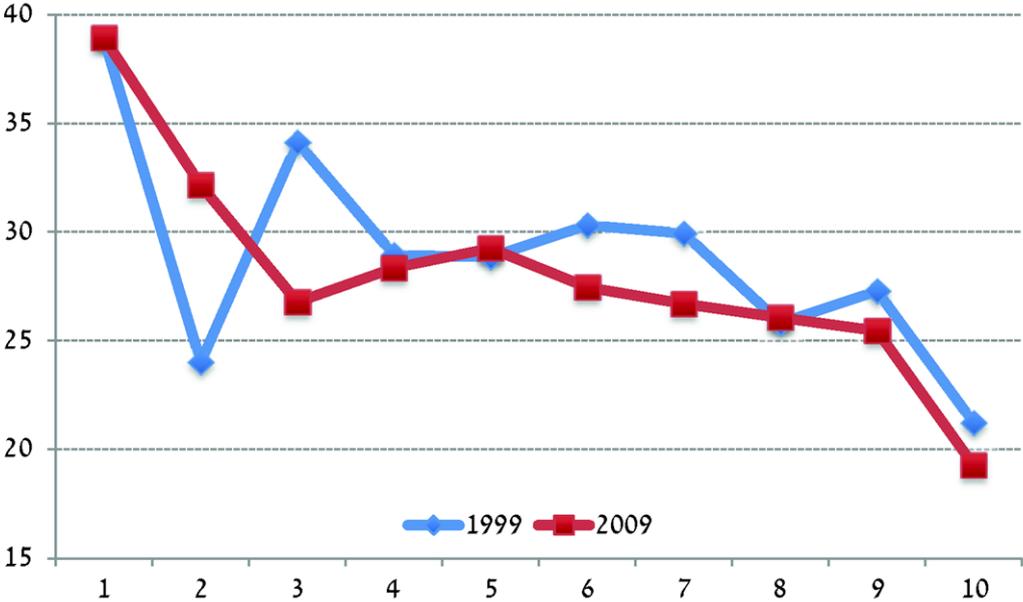
¹⁴ A detailed position paper of the Research and Planning Administration that presents possible reasons for the protest in a long-term analysis, and possible solutions to alleviate the situation of the middle class and the poor population in Israel, is available on the web-site of the NII:
www.btl.gov.il/Publications/more_publications/Pages/hizuk.aspx

Chart 5A: Rate of Homeowners among Households by Income Quintile up to Age 34*, 1999-2009



- Ownership is measured according to head of household. Income quintiles are according to disposable income per standard person. The dotted lines are an indication that in the years 2010-2011 it was not possible to implement the survey among East Jerusalem Arabs.

Chart 5B: Share of Young People (up to age 35) in each Decile, 2009 as Compared to 1999



The following is the data of the present report, relevant to the group leading the protest:

- When dividing the population according to age group, it appears that for the youngest age group, in which the head of the household is under 30, there was a worsening of the poverty situation, as a continuation of the deterioration noted in 2009: the incidence of poverty among families increased from 26.1% to 26.8% completing over a period of two years an accumulated deterioration of 2.4 percentage points. The severity of poverty and the depth of poverty also increased. The accumulated deterioration in the severity of poverty over the last two years reached

18%. The incidence of poverty among households, whose heads had **13 or more years of education**, decreased from 13.0% in 2009 to 11.8% in 2010. This decrease is statistically significant. The index of severity of poverty (FGT) also displayed a decrease of about 10% in this population group. Contrary to them, there was a slight increase in the incidence of poverty among people of less education (up to 8 years of schooling) from 42% to 42.6%.

5. Poverty by Population Group and Geographical Region

Table 7 below presents the dimensions of poverty divided according to gender over the years¹⁵. In Tables 8 to 10 select data is presented according to population groups. Table 8 presents the incidence of poverty among families according to income before and after transfer payments and mandatory payments, and the influence of transfer payment policy and mandatory payments on the incidence of poverty among different population groups (for similar tables according to persons, see Appendix 3). Table 9 presents the proportion of each group in the overall population and in the poor population, and Table 10 brings additional indices for estimating the dimensions of poverty among different groups such as the depth of poverty and severity of poverty.

Following are the main findings emerging from these tables:

- In 2010 the **trend of improvement** in the situation of the **elderly** continued. Their incidence of poverty stood at 19.6% in 2010 and marked a decrease of 5 points percent compared to 2009. The degree of poverty among the elderly is lower than that among the general population. These positive trends can be related mainly to an improvement in the pension system for the elderly in Israel in recent years. Another contribution to this trend was a rise in the age of retirement: as a result of which the income from employment of this group increased. Accordingly, the contribution of the direct policy to reduce poverty among elderly families increased from 59.4% in 2008 to 63.1% in 2009 and to 64.3% in 2010 and also their contribution to reducing the income gap among the elderly (appendix 4). Nevertheless the situation of the elderly who remain below the poverty line deteriorated: the depth of poverty increased from 24.8% in 2009 to 26.7% in 2010. Since it seems those who were saved from poverty had been close to the poverty line. The severity of their poverty also increased (according to the FGT index).
- After an acute increase in the incidence of poverty among **Arab families** in 2009, it stabilized in 2010 with a slight improvement in its **high level** (53.2%). The improvement resulted from an

¹⁵ Since this division was included in poverty and social gap reports only recently, the data is presented separately in the meanwhile from the other population groups.

increase in income from employment (5.8%). There was also an improvement in the benefits and support although it was partially set off by an increase in mandatory payments (6.1%). The income gap decreased from 38.3% in 2009 to 37.2% in 2010. The indications discernible in the considerable decrease in the severity of poverty (according to the FGT index) of about 9% are encouraging because this index of poverty is regarded as an index sensitive to the development of poverty. The sparse decrease in comparison to that in the Jewish population caused a proportionate increase of the Arabs in the poor population from 35.9% in 2009 to 37.8% in 2010. The contribution of the efforts of the policy for reducing poverty increased slightly among the Arabs in 2010, from 11.4% in 2009 to 12.3% in 2010. This degree is small compared to that of the Jews (about 49%). The explanation lies probably in the age composition of the Arab population in relation to the structure of benefits: old-age and survivors' pensions are the largest and most significant benefits, while the Arab population is relatively young, characterized by large families and therefore recipients mainly of child allowances and other benefits for those of working age, whose relative contribution to reducing poverty is relatively small.

- The incidence of poverty among families with children remains almost unchanged compared to 2009 (26.6% as opposed to 26.8%). Mainly as a result of the continued decrease in the degree of poverty among families with 4 children during these years, from 59.9% in 2009 to 57.2% in 2010, probably thanks to a recovery in the employment market and increase in child allowances.
- The decrease in the incidence of poverty among large families reflects, among other things, the decrease in incidence of poverty among the ultra-Orthodox population in Israel, which is characterized by large families¹⁶. From this analysis it emerges that the incidence of poverty of these families decreased from 56.9% in 2008/2009 to 55% in 2009/2010.
- In 2010 there was an improvement that constituted a partial correction in the incidence of poverty of single-parent families: after it had increased last year, probably because of the recession, by 3.5 points percent, it decreased in 2010 from 32.3% in 2009 to 30.5%. This improvement is a combined result of market forces and allowance payments. The incidence of poverty of economic income decreased considerably among single-parent families, from 49.3% to 46.9%, apparently mainly because of the return of single-mothers to the employment market and an increase in financial support from various sources. The latter increased in 2010 to the degree of about 7%. This development is expressed also in a certain increase in the contribution of transfer payments to reduce poverty. Although the proportion of the poverty gap increased from 35.3% to 37.1%, the

¹⁶ In surveys of income and household expenditure by the Central Bureau of Statistics, it is not possible to directly identify the ultra-Orthodox families. Because of the great fluctuations in the annual data, the incidence of poverty data is presented as a mobile average of two years.

severity of poverty (according to the FGT index) decreased somewhat between the two years.

- The data concerning poverty among persons divided according to gender (from age 18 up) as expressed in Table 7 indicates higher dimensions of poverty among women than among men: in 2010 the incidence of poverty among women stood at 19.9%, as opposed to 18.2% among men. Between 2009 and 2010 the incidence of poverty among men decreased from 18.8% to 18.2% and the incidence of poverty among women remained without change. According to measurement by economic income – income resulting mainly from employment – the gaps are even greater: 31.3% among women compared to 26.7% among men. The smaller gaps when measurement is according to disposable income indicate that the contribution of policy efforts (direct taxes and financial transfers) is higher among women: the degree of decrease in the incidence of poverty among women reaches 36.4% as opposed to 31.8% among men in 2010. In the long-term view this amount has steadily decreased over the last decade, in both gender groups.

Table 7: Incidence of Poverty among Persons* by Gender (percentages), 1999-2010

Year	Men			Women		
	Before transfer payments and taxes	After transfer payments and taxes	Degree of decrease in incidence of poverty resulting transfer from payments	Before transfer payments and taxes	After transfer payments and taxes	Degree of decrease in incidence of poverty resulting transfer from payments
1999	25.6	15.2	40.5	30.9	17.1	44.8
2002	27.0	16.2	40.0	31.5	16.9	46.3
2003	27.7	17.4	37.1	32.8	18.8	42.6
2004	27.6	18.0	34.7	32.2	19.7	38.8
2005	28.2	18.7	33.6	32.0	20.2	36.9
2006	26.8	18.2	32.2	32.1	19.6	38.9
2007	26.8	18.1	32.6	30.8	19.2	37.6
2008	26.3	17.6	33.1	31.4	19.5	38.0
2009	27.9	18.8	32.7	31.8	20.0	36.9
2010	26.7	18.2	31.8	31.3	19.9	36.4

* Women and men from age 18 up

- In 2010 the **proportion of working-age families that were not employed** in the general population decreased on the backdrop of resurgence in employment. This is a long-term trend that was only momentarily disturbed in 2009. Nevertheless the incidence of poverty among these families (that also include families of the unemployed) continued to rise also in 2010, from 68.9% in 2009 to 70.1% in 2010. It should be noted that in the last decade, and more precisely from 1999, the already high incidence of poverty of these families climbed from a rate of 64.5% to about 70%, as previously mentioned. The contribution of transfer payments to reducing poverty continued to

decrease, from 23.3% in 2009 to 22.6% in 2010. This population is the most compartmentalized, and the severity of poverty (according to the FGT index) **in 2010 was more than 6 times** that of the general poor population (see Table 8). The reason for this is the especially low level of income support allowance compared to the minimum requirement for subsistence as expressed in the poverty line.

- The incidence of poverty among immigrants continued to decrease from 18.0% in 2008 to 17.4% in 2009 and to 16.7% in 2010 and its level today is considerably lower compared to the general population. Under the definition of “immigrant” are included all who immigrated from 1999. However there is a noticeable difference between the situation of immigrants who arrived in the 90s and the situation of those who arrived after 2000. This is both because of the positive effect of seniority in the country and also because of differences in the composition of the immigrants, in terms of geographic origins and age groups. In the first group there were usually older immigrants from the former Soviet Union. In the second group of immigrants, there was apparently a significant component of foreign workers. These workers constitute a younger population with children, working for low wages. In the more senior group the incidence of poverty decreased between the two years from 16.4% to 15.1%, while in the less senior group the incidence of poverty increased, from 21.1% to 22.5%. However in both of these sub-groups the depth of poverty and severity of poverty increased to a large degree in the two years of the survey.

Table 8: Incidence of Poverty Among Families by Population Group (percentages), 2009 and 2010

	Income before transfer payments and taxes		Income after transfer payments and taxes		שיעור הירידה בתחולת העוני לאחר תשלומי העברה ומיסים (אחוזים)	
	2009	2010	2009	2010	2009	2010
Total population	33.2	32.6	20.5	19.8	38.4	39.2
Jews	28.9	28.0	15.2	14.3	47.4	48.7
Arabs	60.3	60.7	53.5	53.2	11.4	12.3
Elderly*	54.5	54.8	20.1	19.6	63.1	64.3
Immigrants	40.3	39.5	17.4	16.7	56.7	57.8
Ultra-Orthodox**	70.4	67.2	56.9	55.0	19.2	18.0
Families with children – total	32.6	32.0	26.8	26.6	17.9	17.0
1-3 children	26.0	25.6	20.2	20.1	22.5	21.5
4 or more children	65.5	62.4	59.9	57.2	8.6	8.3
5 or more children	75.9	75.7	69.4	69.5	8.5	8.2
Single-parent families	49.3	46.9	32.3	30.5	34.5	35.1
Employment situation of head of household						
Employed	19.5	19.4	13.4	13.2	31.6	31.9
Salaried	20.2	20.0	13.5	13.3	33.2	33.8
Self-employed	15.2	15.5	12.5	13.1	17.3	15.5
Working age unemployed	89.8	90.6	68.9	70.1	23.3	22.6
Single provider	36.4	37.8	24.9	25.6	31.4	32.2
Two or more providers	5.6	4.9	3.7	3.5	32.7	30.0
Age group of head of household						
Up to age 30	37.7	37.7	26.1	26.8	30.7	28.8
Ages 31-45	28.3	26.9	22.7	21.0	19.6	21.8
Ages 46 to pension age	22.3	21.6	14.5	14.8	35.0	31.5
At legal pension age***	57.6	57.8	20.7	19.9	64.1	65.6
Education group of head of household						
Up to 8 years of schooling	68.1	69.7	42.0	42.6	38.3	38.9
Between 9 and 12 years schooling	36.9	36.3	24.2	23.9	34.5	34.1
13 or more years schooling	22.9	21.7	13.0	11.8	43.1	45.7

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the retirement age law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

**Table 9: The Ratio of Types of Families in the Overall Population and the Poor Population
by Demographic and Employment Characteristics, 2009 and 2010**

	Overall population		Poor Population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	2009	2010	2009	2010	2009	2010
Jews	86.2	85.9	75.0	73.8	64.1	62.2
Arabs	13.8	14.1	25.0	26.2	35.9	37.8
Elderly*	19.7	20.4	32.4	34.3	19.4	20.1
Immigrants	19.1	18.2	23.2	22.1	16.3	15.3
Ultra-Orthodox**	4.8	4.6	9.8	9.5	12.8	12.9
Families with children – total	46.0	45.2	45.1	44.4	60.2	60.6
1-3 children	38.3	37.3	30.0	29.3	37.8	37.8
4 or more children	7.7	7.9	15.1	15.1	22.4	22.8
5 or more children	3.7	3.7	8.4	8.5	12.5	12.9
Single-parent families	5.7	5.7	8.4	8.3	8.9	8.8
Employment situation of head of household						
Employed	75.0	75.8	44.1	45.2	49.0	50.6
Salaried	65.6	65.8	39.8	40.4	43.2	44.0
Self-employed	9.4	10.0	4.3	4.8	5.8	6.6
Working age unemployed	9.6	8.5	25.9	23.6	32.2	30.0
Single provider	34.0	33.4	37.3	38.7	41.5	43.2
Two or more providers	41.0	42.4	6.8	6.4	7.5	7.4
Age group of head of household						
Up to age 30	17.2	16.1	19.5	18.6	22.0	21.7
Ages 31-45	35.1	34.9	29.9	28.8	39.0	37.0
Ages 46 to pension age	30.2	30.9	20.3	20.4	21.4	23.0
At legal pension age***	17.5	18.1	30.3	32.2	17.6	18.2
Education group of head of household						
Up to 8 years of schooling	11.1	11.2	22.7	23.9	22.7	24.0
Between 9 and 12 years schooling	37.9	38.0	42.1	42.3	44.8	45.8
13 or more years schooling	51.0	50.9	35.2	33.8	32.5	30.2

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the retirement age law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

Table 10: Estimated Degree of Poverty among Different Population Groups by Selected Indices, 2009 and 2010

	Income gap ratio		FGT index		SEN index	
	2009	2010	2009	2010	2009	2010
	Total population	35.5	35.8	0.0467	0.0456	0.123
Jews	33.1	34.6	0.0284	0.0295	0.079	0.079
Arabs	38.3	37.2	0.1204	0.1095	0.300	0.285
Elderly*	24.8	26.7	0.0236	0.0264	0.075	0.084
Immigrants	26.4	29.0	0.0207	0.0253	0.068	0.076
Ultra-Orthodox**	37.8	38.6	0.1125	0.1162	0.298	0.303
Families with children – total	36.5	36.7	0.0593	0.0579	0.155	0.152
1-3 children	34.7	35.5	0.0384	0.0392	0.101	0.102
4 or more children	38.1	37.9	0.1209	0.1104	0.315	0.293
5 or more children	39.0	38.9	0.1408	0.1374	0.364	0.356
Single-parent families	35.3	37.1	0.0636	0.0626	0.168	0.166
Employment situation of head of household						
Employed	28.4	29.5	0.0217	0.0230	0.072	0.074
Salaried	28.0	28.8	0.0211	0.0217	0.072	0.073
Self-employed	31.3	34.8	0.0258	0.0314	0.074	0.080
Working age unemployed	52.3	53.1	0.2731	0.2846	0.538	0.555
Single provider	29.7	30.8	0.0478	0.0527	0.156	0.166
Two or more providers	21.7	23.1	0.0047	0.0049	0.017	0.017
Age group of head of household						
Up to age 30	35.8	37.0	0.0609	0.0643	0.158	0.166
Ages 31-45	36.1	35.9	0.0545	0.0486	0.144	0.132
Ages 46 to pension age	38.3	38.5	0.0349	0.0380	0.086	0.092
At legal pension age***	23.0	25.3	0.0217	0.0243	0.073	0.082
Education group of head of household						
Up to 8 years of schooling	38.4	40.1	0.1073	0.1171	0.270	0.285
Between 9 and 12 years schooling	35.2	35.1	0.0561	0.0532	0.147	0.144
13 or more years schooling	34.2	34.1	0.0272	0.0255	0.074	0.069

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the Retirement Age Law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

- The incidence of poverty among working families was almost without change (13.2%). At the same time, the trend of considerable increase in the proportion of working families within the general poor population continued. Their proportion continued to increase from 49.0% in 2009 to 50.6% in 2010. The income gap ratio increased among these families from 28.4% in 2009 to 29.5% in 2010 and the FGT index of the severity of poverty increased by about 6%.

Table 11 presents poverty according to geographic districts, broken down into Jews and Arabs¹⁷. Despite the general downward trend in the dimensions of poverty between 2009 and 2010, the incidence of poverty in the Jerusalem, Haifa and the Northern districts increased. In the Northern district the incidence of poverty among families increased from 32.3% to 33.2% and in the Jerusalem district it increased from 33.7% to 36.6%. On the other hand, in the Tel Aviv district the incidence of poverty among families decreased from 13.1% to 11.6% and similarly in the Central district and Southern district there was a more acute decrease from 23.6% in 2009 to 21.0% in 2010. The trends of change in the incidence of poverty among persons and children in the different districts were similar.

The indices of the depth and severity of poverty show trends that are not necessarily similar: in all districts except for Haifa, the Center and the South, the poor are becoming poorer. In these three districts the indices indicate an improvement in the situation of the poor, while in the Tel Aviv district, Jerusalem and the North there was deterioration in these indices.

Similarly to previous years, in the Jerusalem district the dimensions of poverty, as expressed in the proportion of poor and the severity of their poverty were higher in 2010 both for Arabs and Jews. The incidence of poverty among families in this district reached 36.6% and among children, 57.7%. In the Central and Tel Aviv districts the incidence of poverty was the lowest of all districts, incidence of poverty among families stood at 11.2% and 11.6% respectively – almost half of the nationwide incidence of poverty. In 2010 there was a further deterioration in the situation of the Jews and Arabs in Jerusalem. The gap between the level of poverty between Arab and Jewish families in Jerusalem remained very high in 2010 and stood at 3 times, to the detriment of the Arab population. The number of poor Arab persons in the Jerusalem district continued to increase in 2010 and reached 78.4%, and 84.1% among children, as opposed to 31.9% and 43.5% (respectively) among Jewish persons and children, although these figures also increased compared to 2010.

The distance between the two nation groups diminishes when comparing the situation of poor families

¹⁷ Except for conditions in which it was not possible to calculate the indices owing to insufficient observations. One of the groups for which the observations were insufficient is the Bedouin population in the south, especially in the unrecognized settlements. According to the study by Abu-Bader and Gottlieb, 2008, "Poverty, Education and Employment in the Arab-Bedouin Society, a Comparative View", a series of policy studies, the Program for Economics and Society, Van Leer Institute, Jerusalem, the poverty of the Bedouin in the south is great especially in the unrecognized settlements.

alone: in all districts and national groups the income was about 29 – 37% distant from the poverty line, except for the Jerusalem district where the ratio of the average income gap of the poor reached about 41% from the poverty line for Jews and about 45% for Arabs.

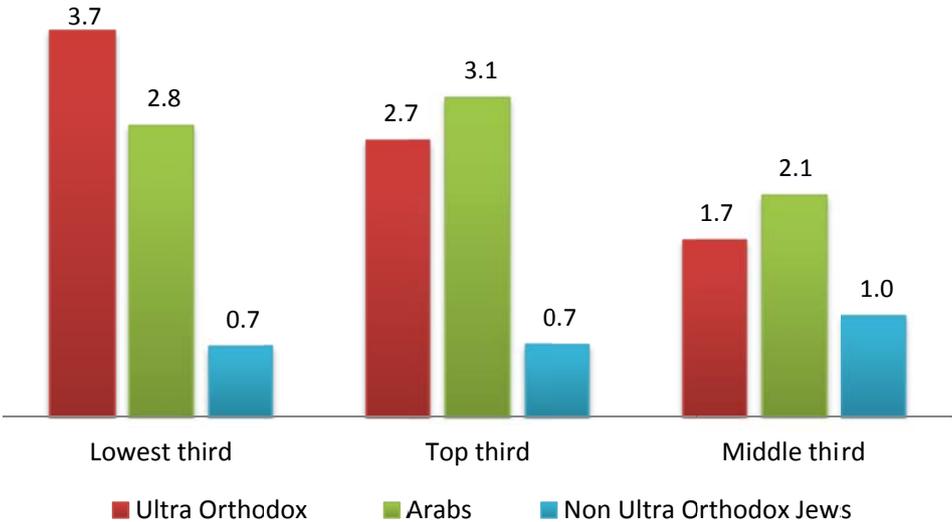
Table 11: Incidence of Poverty by District and Religion, 2009-2010

	2009					2010				
	Incidence of poverty			Income gap ratio	FGT	Incidence of poverty			Income gap ratio	FGT
	Families	Persons	Children			Families	Persons	Children		
Total*	20.5	25.0	36.3	35.5	0.047	19.8	24.4	35.3	35.9	0.046
Jerusalem	33.7	43.1	56.5	40.9	0.100	36.6	46.0	57.7	42.9	0.115
North	32.3	35.9	47.0	34.1	0.060	33.2	37.2	47.6	34.3	0.060
Haifa	18.9	22.3	33.5	33.8	0.040	19.3	22.3	34.9	31.2	0.034
Center	13.0	14.2	19.4	32.9	0.026	11.2	12.5	17.4	32.7	0.021
Tel Aviv	13.1	15.1	24.7	32.2	0.023	11.6	13.9	23.7	34.8	0.027
South	23.6	28.2	40.8	36.8	0.055	21.0	25.3	36.8	33.3	0.041
Jews*	15.2	16.9	25.1	33.1	0.028	14.3	16.2	24.1	34.6	0.029
Jerusalem	22.7	29.2	42.4	37.7	0.056	24.9	31.9	43.5	41.2	0.072
North	17.4	16.5	23.2	27.6	0.021	17.7	17.3	21.8	30.8	0.026
Haifa	13.6	14.1	20.5	33.0	0.024	13.5	12.8	18.0	28.8	0.018
Center	10.3	10.2	13.3	30.6	0.017	9.3	9.8	13.2	32.6	0.017
Tel Aviv	13.0	14.9	24.5	32.0	0.023	11.3	13.6	23.2	35.6	0.027
South	21.2	22.0	30.3	34.8	0.041	18.7	19.4	28.2	31.0	0.029
Arabs	53.5	57.4	66.8	38.3	0.120	53.2	56.6	65.8	37.2	0.110
Jerusalem	71.2	75.3	83.1	43.7	0.202	76.4	78.4	84.1	44.6	0.214
North	48.9	51.1	60.1	35.7	0.092	49.8	51.9	61.6	35.1	0.086
Haifa	45.7	47.6	57.1	34.6	0.088	47.6	50.6	64.9	33.0	0.082
Center	-	-	-	-	-	-	-	-	-	-
Tel Aviv	-	-	-	-	-	-	-	-	-	-
South	-	-	-	-	-	-	-	-	-	-

* Including settlements in Judea and Samaria.

Chart 6 shows the probability of a particular population group to find itself in one of the three thirds of the poor, in relation to the probability of that population group within the general population. Thus, for example, the relative weight of the ultra-Orthodox in the poorest population (the lowest third) is 3.7 times their relative weight in the general population. The chances of the Arabs also to be poor are also very high – almost 3 times that of the general population. It can be seen that the majority of the poor in these groups (ultra-Orthodox and Arabs) is found in the lowest third and the middle third, while the majority of Jews who are not ultra-Orthodox (especially immigrants) are to be found in the middle and top thirds. Also the chances of the Arabs in Jerusalem and the south to be included in the lowest third of income of the poor are high, despite the fact that the size of the sampling of these two populations is too small to calculate separate probabilities.

Chart 6: Frequency of Poor by Population Group Compared to the Frequency of the Groups in the Overall Population



*The poor were divided according to disposable income per standard person.

6. Persistent Poverty

The poor population does not remain constant from period to period: some of the poor are saved from poverty, while others join this population. There are some among the poor for whom living in poverty is a persistent situation. In professional literature it is accepted to relate to consumer expenditure as influenced mainly by stable income, as opposed to temporary changes in it¹⁸, thus expenditure

¹⁸ According to the theory of permanent income of the economist Milton Freedman, a family tends to change current consumption as a result of stable changes in income, while temporary changes in income tend to lead to increased savings and purchases of durable goods.

fluctuates less than current income. The assumption is that when there is a sudden loss of current income (for instance in the event of becoming unemployed), families attempt to maintain a stable standard of living, and in the short term will bridge the gaps by utilizing savings, loans and so on. Thus it does not contradict economic logic when we find many of the poor with consumer expenditure that is greater than their income. This indicates their belonging to the temporarily poor. On the other hand a family that estimates that its economic situation has permanently deteriorated will be obliged to reduce consumer expenditure in order not to exceed its income. In this report we define persistent poverty of a particular family as a condition in which both income and consumer expenditure are below the poverty line.

In Israel there is not yet a data base of follow-up surveys that would facilitate following up on those families to measure persistent poverty (“permanent”) among them, and thus the recommendation 2(A) of the “Report of the Team for Developing Additional Indices of Poverty” suggests relating to the index mentioned here as an index of persistent poverty.

Table 12 presents the proportion of poor families and persons according to definitions of temporary and persistent poverty. The conclusion that arises from the findings is that the tendency of decrease that characterized 2010 in terms of the general dimensions of poverty, is reflected also in the data of permanent poverty: between 2009 and 2010 the amount of poor families continually decreased, meaning that poor families whose financial expenditures were lower than the poverty line, from 59% to 57%, and the ratio of persons of these families decreased as well, from 64% to 59%¹⁹. This decrease followed an additional decrease that occurred between 2008 and 2009 and indicated that households had probably not changed their consumption and standard of living during the recession, which they saw as a temporary difficult period and so their long-term expenditures did not change, and the incidence of persistent poverty decreased. This decrease reflects an acute decrease in the Arab population, where persistent poverty decreased from 66% to 57% (for persons) and a slight decrease among Jews (from 62% in 2009 to 61% in 2010). Increases in estimated permanent poverty were found among single-parent families, families in which their heads, of working age, were not working, immigrants, families whose heads were aged 30 or less, or aged 46 to the age of pension.

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

Table 12: Estimate of Persistent Poverty – Weight of Families and Persons Among the Poor Whose Cash Expenses per Standard Person are Below the Poverty Line (percentages), 2009 and 2010

Population group	Families		Persons	
	2009	2010	2009	2010
Total populations	59	57	64	59
Jews	57	58	62	61
Arabs	62	56	66	57
Elderly*	64	61	68	58
Immigrants	61	64	64	68
Ultra-Orthodox**	74	73	75	74
Families with children – total	63	59	66	60
1-3 children	56	54	58	54
4 or more children	73	66	73	66
5 or more children	72	65	73	65
Single-parent families	52	57	57	64
Employment situation of head of household				
Employed	56	51	62	54
Salaried	58	53	64	55
Self-employed	41	33	48	37
Working age unemployed	58	65	68	73
Single provider	59	53	64	56
Two or more providers	47	41	52	44
Age group of head of household				
Up to age 30	51	55	60	61
Ages 31-45	63	58	68	61
Ages 46 to pension age	51	54	54	57
At legal pension age***	66	61	70	56
Education group of head of household				
Up to 8 years of schooling	68	63	70	65
Between 9 and 12 years schooling	57	60	62	59
13 or more years schooling	54	49	61	55

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

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the Retirement Age Law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

7. Israel Compared Internationally

The system of calculating the dimensions of poverty used by the OECD is similar to that developed by the National Insurance Institute and used in Israel; both define the median disposable financial income as the relevant indicator of standard of living and define the poverty line as half of that. However the system of translating the number of persons in a family to standard persons (“equivalence scale”) differs. The NII has, for many years, used a equivalence scale based on the venerable Angel System according to which families of a different size but whose food expenditure within the total consumer expenditure is identical, are equal in terms of family welfare, while the OECD equivalence scale is based on a square root of family size ²⁰as an estimate of its number of standard persons. Another difference is that the OECD calculates median income according to persons and not according to families, a fact that lowers the poverty line slightly compared to the calculation of the NII. All of these factors cause the poverty lines of the OECD to be higher, but the incidence of poverty deduced from them is lower than according to the Israeli definition relating to the general population²¹.

The source of the data for calculating poverty in any country is surveys of income or expenditure, carried out by the central bureaus of statistics in those countries. The OECD calculations relating to Israel are therefore based on the same data as the calculations of the NII.

Chart 7A presents the incidence of poverty among persons according to 50% of the median disposable financial income per standard person, at the end of the 2000s, in OECD countries and Chart 7B following it, presents the Gini Index of Inequality in disposable income in those countries during the same period. The updated data (until last year the data referred to the middle of the 2000s and not to the end of those years) does not bear good tidings regarding the position of Israel among the developed nations in the socio-economic realm: Chart 6A shows that Israel remains among the nations in which the dimensions of poverty are very high and together with Mexico heads the list, and is twice as high as the average among OECD countries. Also in the realm of inequality, Israel stands at the top of the scale, lower only than Chile (which recently joined the organization), Mexico and Turkey, and higher than the other countries in the organization.

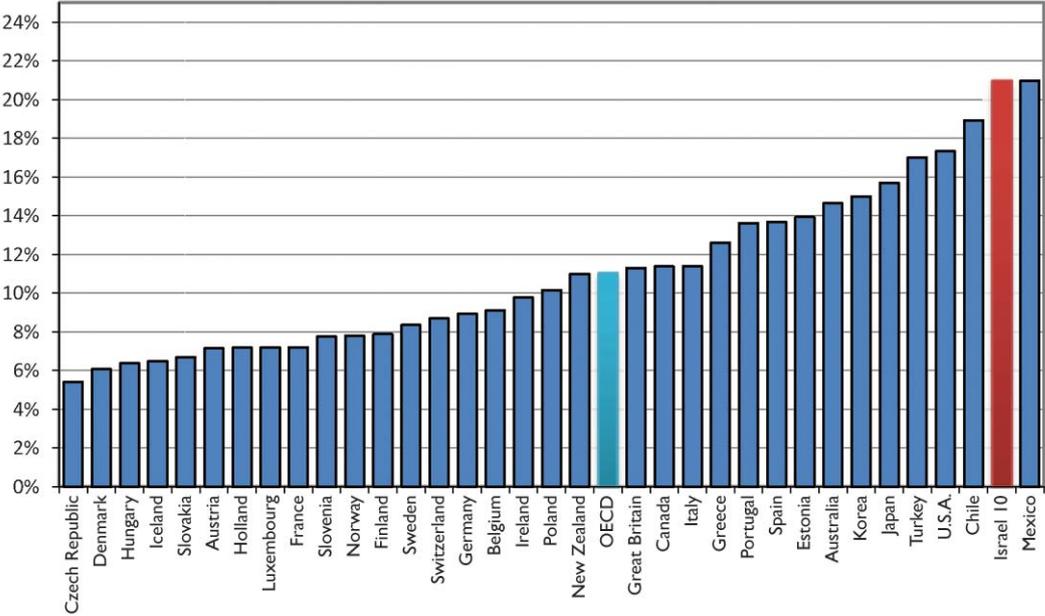
Table 13 presents the incidence of poverty among families, persons and children with the poverty line

²⁰ Thus for instance the number of standard persons for a family of 4 individuals is 2, and a family of 9 is 3 and so on. The significance of this is that poverty among large families, which are common in Israel, as is well known, is lower than according to the OECD calculations, and the opposite for small families, such as the elderly or individuals. The initial findings of the ongoing research on this subject indicate that the approach that assumes equality of standard of living of families according to a consumer bundle that includes essential items in addition to food, such as housing, clothing and footwear leads to an equivalence scale very similar to that resulting from the OECD system.

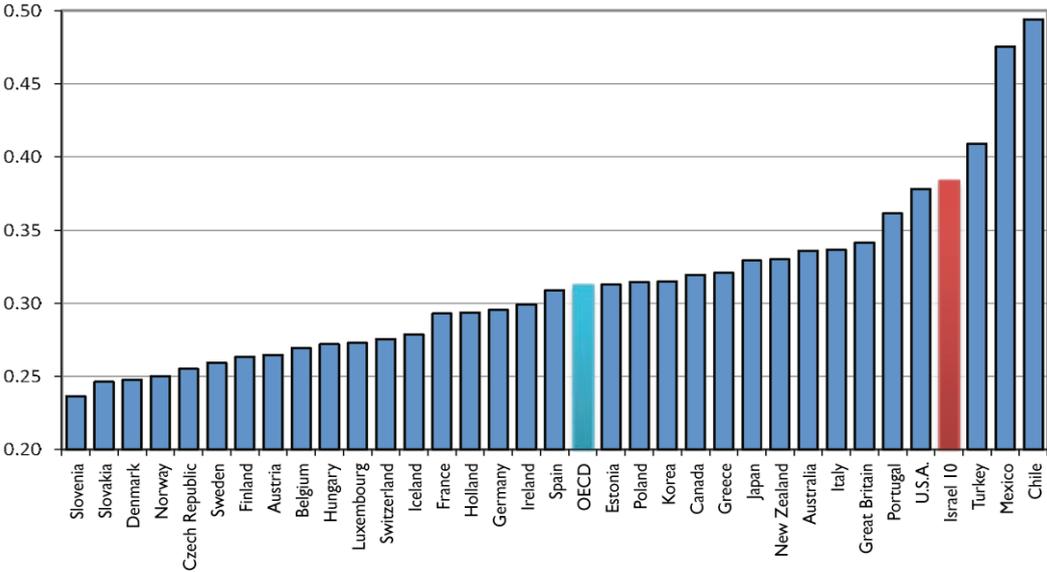
²¹ The OECD calculates the dimensions of poverty, in addition, according to 60% and 40% of the median disposable financial income – see Appendices 7-9.

calculated according to the OECD approach, for different population groups, in 2009 and 2010. The data for previous years and for rates of 40% and 60% of the median are presented in Appendices 7 and 8.

**Chart 7A: Poverty Rates for Different Poverty Lines (50% of Income Median):
OECD Countries and Israel, Late 2000s (Israel 2010)**



**Chart 7B: GINI Index of Inequality of Standard Disposable Income per Capita:
OECD Countries and Israel, Late 2000s (Israel 2010)**



Source: OECD, Society at a glance, 2010 and compiled by the Research and Planning Administration

The findings according to the calculations of the OECD **are not similar** in terms of direction and intensity to those of the NII. The incidence of poverty among families **remained stable at a high level** between the two periods of the survey and stands at 19.5%. Similarly, the incidence of poverty among persons also remained unchanged at a level of 21.0% and incidence of poverty among children decreased slightly from 28.7% to 28.5%. The differences are greater when comparing specific population groups.

Thus, for instance, the incidence of poverty among Arabs is lower when calculated according to the OECD definitions (and also among the ultra-Orthodox) and in 2010 reached 47.8% of the Arab families and 47.9% of Arab persons, and so according to the OECD approach, there was an increase in the incidence of poverty among Arabs between 2009 and 2010, whereas according to the Israeli approach there was stability and even a slight decrease.

Table 13: Incidence of Poverty of Families, Persons and Children in Selected Population Groups according to OECD Definition, 2009 and 2010

	2009			2010		
	Families	Persons	Children	Families	Persons	Children
Total populations	19.4	20.9	28.7	19.5	21.0	28.5
Jews	15.2	14.5	19.5	14.9	14.2	18.7
Arabs	45.7	46.8	54.2	47.8	47.9	55.1
Elderly*	25.1	23.1	54.3	25.8	24.7	49.0
Immigrants	18.7	16.3	22.0	18.7	16.5	22.1
Ultra-Orthodox**	47.2	49.1	52.3	46.5	48.2	51.7
Families with children – total	21.7	24.7	28.7	22.0	24.5	28.5
1-3 children	16.7	16.8	18.1	17.2	17.1	18.5
4 or more children	46.3	47.8	48.8	44.8	45.5	46.7
5 or more children	53.9	54.8	55.5	52.8	52.7	53.5
Single-parent families	28.9	30.6	36.3	28.3	29.8	36.3
Employment situation of head of household						
Employed	10.5	13.4	19.9	11.1	14.1	20.9
Salaried	10.7	13.7	20.5	11.1	14.4	21.5
Self-employed	9.8	11.9	16.3	10.9	12.3	16.9
Working age unemployed	69.4	77.8	87.1	71.0	80.0	89.3
Single provider	20.5	30.2	42.3	22.6	32.8	44.2
Two or more providers	2.2	2.5	2.9	2.1	2.6	3.5
Age group of head of household						
Up to age 30	23.4	25.8	38.7	25.0	27.9	41.6
Ages 31-45	19.0	23.4	28.3	18.0	22.2	27.4
Ages 46 to pension age	13.6	13.8	21.9	14.2	14.3	22.7
At legal pension age***	26.1	24.6	60.1	26.6	25.9	48.0
Education group of head of household						
Up to 8 years of schooling	43.5	47.5	63.6	46.3	50.3	69.4
Between 9 and 12 years schooling	21.6	24.4	35.2	22.2	25.2	35.8
13 or more years schooling	12.5	12.9	17.2	11.6	11.8	15.9

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the Retirement Age Law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

9. The Poverty Objective

As is well known, the government determined for itself, at the time, an accumulative poverty objective according to which the income of families in the lowest quintile would increase between 2008 and 2010, on an average, at a rate of at least 10% more rapidly than the growth of the gross domestic product (GDP) per capita, and all in real terms. If the GDP per capita were to grow in this period by 10% (for the sake of illustration), the objective would be achieved if the gross income of the families in the lowest quintile were to grow by 11% at least (in other words the growth rate {10%} per capita with the addition {10% * 10%}, namely an increase of one point percent). In the meantime, in the framework of the budget for 2009-2010, achievement of the objective has been postponed to 2013.

Table 14 presents a simulation over a period of years of the poverty objective opposite the changes in gross income of families in the lowest quintile, as required by the official objective. For the sake of comparison, the changes in net income per standard person in the same quintile are also presented.

Table 14: Real Changes in the Poverty Objective and Income of the Lowest Quintile 2002-2010

Year	GDP per capita + 10%	Real change in income of the lowest quintile by year		
		Gross income per family**	Gross income per standard person	Net income per standard person
2002	-2.6			
2003	-0.3	-1.8	-2.8	-2.3
2004	3.3	-1.8	-1.5	-1.6
2005	3.4	4.4	2.6	3.1
2006	4.1	5.4	4.1	4.8
2007	4.0	1.8	4.2	4.3
2008	2.4	-1.3	-0.6	-0.3
2009	-0.9	1.2	-2.1	-2.3
2010	3.2	3.9	3.5	3.5

In 2010 the GDP increased in real terms per capita after an increase of 10%, by 3.2%. This amount should be compared to the real increase in the gross income per family in the lowest quintile. The gross income (meaning with benefits included but not taxes) of the lowest quintile increased by a greater real amount, of 3.9% between 2009 and 2010²². In other words, the government achieved its objective. In fact it would have achieved the objective according to each of the income criteria that

²² This result was received after zeroing the negative income in the survey (for example of the self-employed). If the negative income had not been zeroed, the results would have been even lower.

appear in the table: if the objective had been determined according to disposable income per standard person, for instance, and thereby enable taking into account also the changes in direct taxation and also the changes in the size of families, the increase in income in the lowest quintile would have been 3.5% higher than 3.2%. Since the objective was determined only for years when there was growth in the economy, technically the years in which the objective was achieved are 2005, 2006 and 2010 – as opposed to the years 2004 and 2007 when the objective was not achieved according to the present definition. Nevertheless the limitations of the objective as chosen are more and more obvious as time passes: because the economy is characterized by cycles of high and low tides, it is fitting that the objective should also relate to years of recession. Additionally it would have been better if the objective were not affected by irrelevant changes such as the composition of families (since it is the family income referred to, there is no reference to the composition of the families in the lowest quintile) and if government policy were taken into account, especially on an important subject such as direct tax policy (since gross income is referred to, the object does not take into consideration direct tax at all).

II. The Dimensions of Inequality

1. The Inequality in 2010 and in Recent Years

Table 15 presents the Gini Indices of inequality in economic income and disposable income over the course of time. The index relating to disposable income shows a decrease of about 1.3 percent between 2009 and 2010²³ and its return to the level that existed prior to the crisis, and an accumulated decrease of about 2.1% in the four years between 2006 and 2010. Nevertheless the accumulated increase in the Gini index of inequality in disposable income in the past decade (compared to 1999) comes to about 7%. This increase, that cancelled the improvement that had occurred in parallel in the inequality index stemming from markets (see according to economic income), is related mainly to the decrease in financial support that happened at the beginning of the decade and to the deterioration in the degree of progressivity of the income tax system following reforms and tax reductions for the middle and upper classes.

The index referring to economic income (that was influenced mainly by the developments in the employment market and the capital market) **decreased** this year, similarly to previous years. Compared to the previous year, it decreased by one percent, a result of the increase in employment, and during the past decade the total decrease was about 2%. Despite the decrease in inequality resulting from market forces and the decrease in inequality following government intervention (tax collection and transfer payments) between the two years, the influence of policy on the inequality index remains more or less at its level (23.7% in 2009 compared with 2.9% in 2010).

²³ From 2006 a new system has been implemented in surveys of income in the framework of which an averaging of income was done for a given number of observations of people earning especially high salaries ("top coding"). This change may influence the indices of inequality. However from analyses of past data it appears that these changes are not great.

Table 15: Gini Index of Inequality in Income Distribution of the Population, 1999-2010

Year	Prior to transfer payments and direct taxes	After transfer payments and direct taxes	Percent of decrease resulting from transfer payments and taxes
2010	0.5045	0.3841	23.9
2009	0.5099	0.3892	23.7
2008	0.5118	0.3853	24.7
2007	0.5134	0.3831	25.4
2006	0.5237	0.3923	25.1
2005	0.5225	0.3878	25.8
2004	0.5234	0.3799	27.4
2003	0.5265	0.3685	30.0
2002	0.5372	0.3679	31.5
1999	0.5167	0.3593	30.5
Change in the index (percentages)			
2010 as opposed to 2009	-1.0	-1.3	
2010 as opposed to 2006	-3.7	-2.1	
2010 as opposed to 2002	-6.1	4.4	
2010 as opposed to 1999	-2.4	6.9	

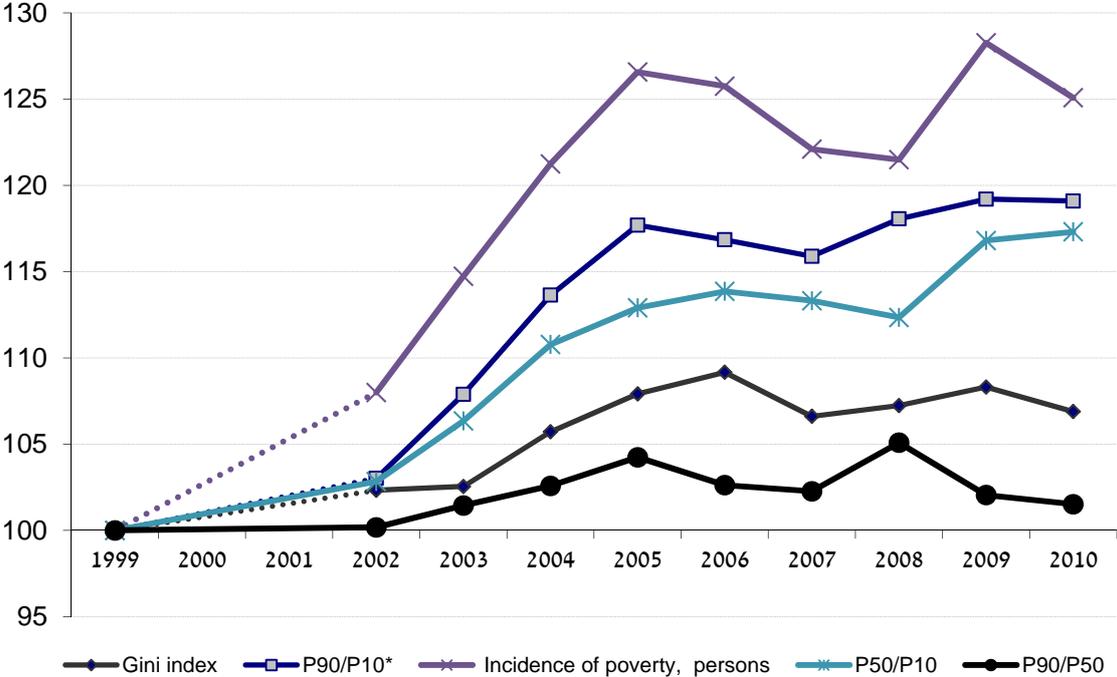
* Calculation of the Gini index is based on individual observations in terms of income per standard person, while the weight assigned to each family is equal to the total number of family members.

Chart 8 presents a number of indices of inequality: the Gini index of inequality and the ratio between the income tenths. Generally speaking the impression from all the indices is of an upward trend during the past decade, with the steep part of the increase happening usually in the years 2002 until 2005, following implementation of the economic program of 2002-2003. The P90/P50 index represents the development of the gap between incomes of the ninth tenth and the middle class, as it is reflected in the middle tenth, while the P90/P10 index represents the gap between the highest income below the top tenth and the income (highest²⁴) of the lowest tenth. While the first of the two indices increased by about 2% during the period presented in chart 6, the second index increased by a total of about 17%. From this it appears that during the past decade the upper class moved away from the division, but the inequality increased mainly between the highest wage earners and the lowest. However a longer term and broader view is needed concerning the different indicators within the economy (cost-of-living, social services, types of employment and so on) in order to explain the protest that erupted last

²⁴ It is accepted practice to choose the ratio between the highest incomes of the given tenths for the purpose of comparison.

summer, and which was lead mainly by the middle class²⁵.

Chart 8: Incidence of Poverty, Among Persons and Selected Inequality Indices, 1999-2010



For the purpose of the calculations, the deciles were divided according to the disposable income per standard person; each tenth consists of 10% of the families.

2. Inequality by Quintiles

This section presents selected data referring to the standard of living of the population by quintiles ²⁶ in 2009 and 2010.

Chart 9 shows the real growth of disposable income per standard person by quintiles in the short term (in 2010 as opposed to 2009) and accumulatively in the middle term (2002 until 2010): between 2009 and 2010 income increased by 3.1% in the general population. In the lowest quintile income increased to a relatively high degree (3.5%), however most of the increase is attributed to the second and third quintiles (4.9% and 3.9% respectively). On the other hand in the top two quintiles a more modest increase was noted than in the general population.

²⁵ For a detailed analysis and comprehensive policy recommendations of the Research and Planning Administration on this subject, please see "Outline for Strengthening the Middle Class and Reducing Poverty" on the web site of the Institute: www.btl.gov.il/Publications/more_publications/Pages/hizuk.aspx

²⁶ The quintiles were classified according to disposable income per standard person with each quintile comprising 20% of the families. This definition also matches the definition of the quintiles in the framework of the government’s poverty objective (see section 6 in chapter I).

In the longer-term view, since 2002 income has increased by a real accumulated amount of 20.7% in the general population. While in the upper four quintiles it increased by amounts similar to the average, between 19% and 22%, in the lowest quintile it increased by about half of that amount – 9.5%. This finding emphasizes how social policy missed its target, which is to bind the weaker strata to the growth process so that the benefits of that growth process will be divided more equally.

Chart 9: Real Change in Standard Disposable Income per Standard Person by Quintiles (percentages)

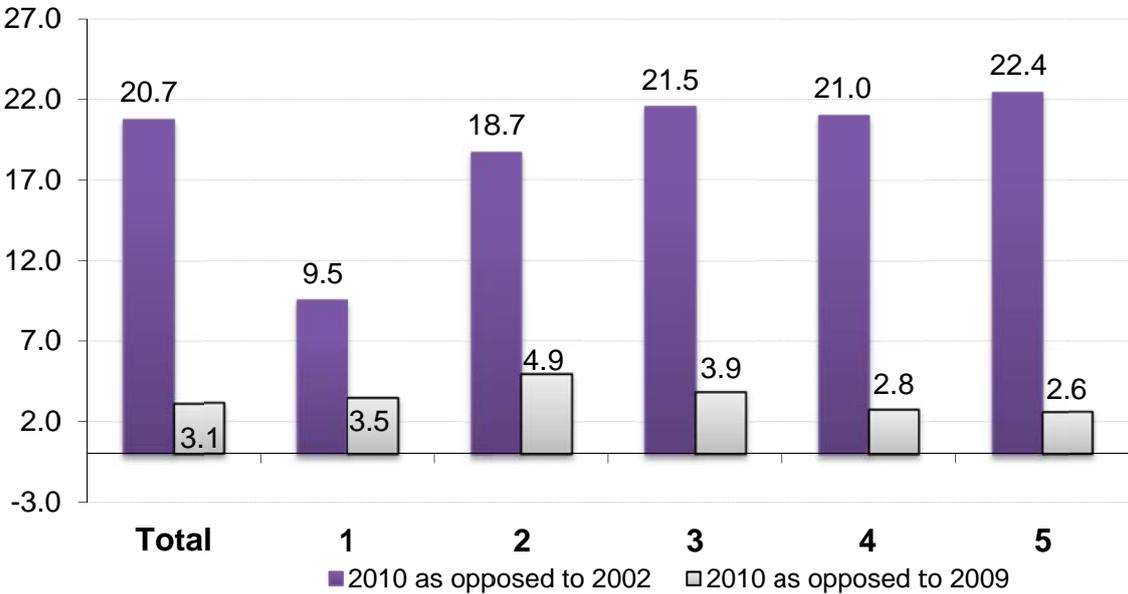


Table 16 below presents income in 2010 by source and type of income, in addition to the real change in percentages compared to 2009; Table 17 presents the distribution of income by different categories between the quintiles; and Table 18 presents the changes in family expenditure and division of the expenditure between the quintiles.

The findings of Table 16 show that the income from work increased by an average of about 4%, a result of the recovery of the employment market, and that this increase is common to all quintiles and even double in the lowest quintile and the third quintile. Income of the top quintile from work was 12.5 times higher than that of the lowest quintile. Unlike in 2009, when increases in income were noted from pensions and support, in 2010 a mixed trend in these sources of income was noted: income from pensions, provident funds and from capital decreased by an average of about 1%, and income from benefits and support increased by an average of about 1.5%. The increase in income from benefits and support resulted from an increase in NII payments (2.6%) and a substantial increase in

payments by other government institutions (9.7%). The sharp decrease in support from other households, of about 15.2%, was clearly evident. The average mandatory payments consisting of income tax, national and health insurance, increased by about 4%, and reflected an increase in the three components of taxation: collection of national insurance contributions (about 8%), health insurance contributions (about 4%) and income tax (2.4%).

The increases in income from work, from benefits, support and mandatory payments previously described, led to an increase of 3.1% in the gross income per standard person, and to increases of differing degrees in all the quintiles: in the lowest quintile and the third quintile, gross income increased by 3.9% and by 4.6% respectively and in the other quintiles the increase was of lower amounts. Disposable income per standard person increased in real terms by 3.1%. The ratio of adjusted disposable income of the top quintile and that of the lowest quintile remained stable and reached 7.9 in 2010.

Table 17 shows the portion of each quintile in the total income according to its different definitions. The data shows that the portion of the top quintile from work decreased from 46.5% in 2009 to 45.9% in 2010. Similarly to 2009, the two upper quintiles together have about 71% of income from work but only a third of the income from benefits and support. Compared to them the two lowest quintiles have about 13% of income from work and about 45% of income from benefits and support. In addition the table shows the degree of progressivity of the various types of direct taxation: in 2010 the top quintile paid almost 73% of income tax but only 56% of NII contributions and about 42% of health insurance contributions.

Almost half of the economic income (47.5%), whose source is in the employment and capital markets, is found in the hands of the top quintile as opposed to about 3.5% in the hands of the lowest quintile. The means of direct intervention of the government – direct taxes and transfer payments – reduce the portion of the top quintile to about 40% of total disposable income and increases the portion of the lowest quintile to 6,5% of it.

The findings presented in Table 18 show that the financial expenditure per standard person increased between the two years by about one percent and reached a level of about NIS 3,930. The real decrease in financial expenditure was mainly in the third and fourth quintiles (2.5% and 2.8% respectively). However in the other quintiles the expenditure remained at the level of 2009. The portion of the expenditure in the total financial expenditure decreased between 2009 and 2010 in the lowest quintile and the fourth quintile, and increased in the third quintile from 18.4% to 18.9%. The portions of the other quintiles remained almost without change.

An analysis of income and expenditure according to quintiles, using the OECD equivalence scale,

meaning the number of standard persons equals the square root of the number of people in the household²⁷ brings forth, as expected, slightly different findings, which are explained by the structure of the equivalence scale²⁸. Tables parallel to Tables 16 and 18, utilizing the equivalence scale of the OECD instead of the Israeli equivalence scale, are shown in the Appendix of Tables.

²⁷ Both for the sake of classification of the quintiles and for calculation of the income per standard person. See additional details in the chapter on international comparisons.

²⁸ Although both scales of equivalence assign equal weight to adults and children, the equivalence scale of “square root of the number of people” used by the OECD, assigns greater advantages to the size of families, and so the additional income/expenditure required per person in relation to that required by the Israeli scale, is smaller. As a result the makeup of the quintiles classified according to income per standard person in each of the scales is different: the Israeli scale tends to have a greater proportion of large families in the lower quintiles, since as previously mentioned, their advantage as a result of size is lessened, and accordingly the addition needed for income/expenditure is greater to maintain a stable standard-of-living.

Table 16: Source and Type of Income and Mandatory Payments by Quintile*, 2010, and Real Change Compared to 2009

Source/type of income and mandatory payments	Income (NIS per month)					Ratio between income of top quintile and lowest	Real Change Compared to 2009						
	Average	1	2	3	4		5	Average	1	2	3	4	5
Income from work	11,090	2,040	4,920	9,190	13,890	25,430	12.5	4.0	9.1	4.0	7.5	3.7	2.7
Income from pensions, provident funds & capital	1,490	80	450	940	1,530	4,470	55.9	-1.0	-12.0	2.5	-5.2	-6.7	1.9
Total income from support and benefits	1,800	2,010	2,060	1,710	1,600	1,610	0.8	1.5	2.3	2.4	-3.8	7.0	-0.1
NII benefits alone	1,420	1,650	1,720	1,390	1,190	1,120	0.7	2.6	4.3	3.7	-1.5	2.6	3.9
Payments from government institutions alone	220	210	200	160	210	300	1.4	9.7	-13.6	2.6	6.5	29.4	29.9
Payments from other households and individuals alone	170	150	150	150	200	190	1.3	-15.2	7.2	-11.4	-27.0	16.3	-37.2
Total mandatory payments	2,380	280	570	1,210	2,420	7,390	26.4	4.0	2.9	2.3	5.7	3.0	4.2
Income tax	1,340	20	140	470	1,210	4,870	243.5	2.4	-11.8	-1.4	2.4	0.9	3.0
NII	500	70	140	300	580	1,390	19.9	8.1	6.2	3.6	10.6	7.7	8.3
Health insurance	540	200	290	440	630	1,130	5.7	4.1	3.7	3.6	6.1	3.3	4.3
Net income per family	12,020	3,920	6,860	10,630	14,600	24,110	6.2	2.9	4.0	3.5	4.5	3.0	1.9
Gross income per family	14,400	4,200	7,430	11,840	17,010	31,500	7.5	3.1	3.9	3.4	4.6	3.0	2.4
Economic income per family	12,530	2,190	5,330	10,060	15,330	29,720	13.6	3.6	5.7	3.9	6.4	2.7	2.9
Net income per standard person	4,670	1,280	2,540	3,880	5,490	10,140	7.9	3.1	3.5	4.9	3.9	2.8	2.6
Gross income per standard person	5,560	1,370	2,730	4,280	6,320	13,100	9.6	3.3	3.5	4.8	3.9	2.6	3.1
Economic income per standard person	4,720	600	1,730	3,480	5,560	12,220	20.4	3.7	4.4	4.7	5.6	2.4	3.6

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

Table 17: Share of Each Quintile* in Total Income and Mandatory Payments, 2009-2010

Source/type of income	2009					2010						
	Total	1	2	3	4	5	Total	1	2	3	4	5
Income from work	100.0	3.5	8.9	16.0	25.1	46.5	100.0	3.7	8.9	16.6	25.0	45.9
Income from pensions, provident funds & capital	100.0	1.2	5.8	13.2	21.7	58.1	100.0	1.1	6.0	12.6	20.5	59.8
Total income from support and benefits	100.0	22.2	22.7	20.0	16.9	18.2	100.0	22.4	22.9	19.0	17.8	17.9
NII benefits alone	100.0	23.0	24.0	20.5	16.9	15.7	100.0	23.3	24.3	19.7	16.8	15.9
Payments from government institutions alone	100.0	24.8	19.6	15.7	16.3	23.6	100.0	19.5	18.3	15.2	19.3	27.8
Payments from other households and individuals alone	100.0	14.0	16.9	21.3	17.4	30.4	100.0	17.6	17.6	18.4	23.8	22.6
Total mandatory payments	100.0	2.4	4.9	10.0	20.5	62.1	100.0	2.4	4.8	10.2	20.3	62.3
Income tax	100.0	0.3	2.1	7.0	18.4	72.2	100.0	0.2	2.1	7.0	18.1	72.6
NII	100.0	2.8	6.0	11.9	23.3	55.9	100.0	2.8	5.8	12.2	23.2	56.1
Health insurance	100.0	7.4	10.9	16.0	23.6	42.1	100.0	7.4	10.9	16.3	23.3	42.1
Net income per family	100.0	6.5	11.3	17.4	24.3	40.5	100.0	6.5	11.4	17.7	24.3	40.1
Gross income per family	100.0	5.8	10.3	16.2	23.7	44.1	100.0	5.8	10.3	16.4	23.6	43.8
Economic income per family	100.0	3.4	8.5	15.6	24.7	47.8	100.0	3.5	8.5	16.1	24.5	47.5

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

Table 18: Expenditure by Quintile*, Real Rates of Change and Distribution of Expenditures, 2009-2010

	Average	1	2	3	4	5
Expenditure in NIS per month, 2010						
Consumer expenditure per standard person	5,250	2,870	3,720	4,680	5,930	9,080
Financial expenditure per standard person	3,930	2,090	2,770	3,510	4,480	6,820
Consumer expenditure per family	13,500	8,400	9,850	12,450	15,830	20,960
Financial expenditure per family	10,180	6,290	7,470	9,410	11,990	15,730
The real change as opposed to 2009						
Consumer expenditure per standard person	0.3	1.4	1.0	-2.0	-2.0	2.5
Financial expenditure per standard person	-1.0	-0.2	0.1	-2.5	-2.8	0.5
Consumer expenditure per family	3.7	7.0	4.6	1.2	4.7	3.0
Financial expenditure per family	2.7	6.3	4.2	0.4	4.1	0.9
The portion of the expenditure in the total expenditure – 2010						
Consumer expenditure per family	100.0	12.0	14.5	18.9	23.2	31.3
Financial expenditure per family	100.0	11.9	14.5	18.9	23.2	31.5
The portion of the expenditure in the total expenditure – 2009						
Consumer expenditure per family	100.0	12.4	14.6	18.4	23.5	31.1
Financial expenditure per family	100.0	12.3	14.7	18.5	23.6	30.9

* The source: compilation by the Research and Planning Administration of surveys of household expenditure from the Central Bureau of Statistics for the years mentioned in the table.

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

III. The Causes of Poverty and Inequality

The year 2010 was characterized by a recovery from the worldwide economic crisis that had affected Israel in the latter part of 2008 and part of 2009. General economic data shows that between 2009 and 2010 there was an improvement of compensation in the employment market: the number of employed increased by 3.7% after a stability in the number of employed between 2008 and 2009 together with a slight increase of one and a half percent in real wages. The percentage of unemployed decreased from 7.5% to 6.7% after a steady decrease from 2006, except for period of the crisis at the end of 2008 and part of 2009. The nominal wage relevant to the period of the survey increased by a nominal amount of 3.3% however the increase of prices by 2.7% between the two years of the survey, 2009 and 2010, led to a slight increase of only about a half percent in real wages.

The increase in the numbers of the employed and in salaries was not uniform in the different sectors: in the sectors of business services, banking and insurance, and in agriculture, the number of employed increased by close to 5%, while in the area of public administration, it increased by 1.5% only. In other sectors the number of employed increased by about 2.5% to 4%. In certain areas, especially in banking, industry and public administration, the real wage increased by an amount higher than the average (1%). In the health services, welfare and community services, the salaries remained unchanged, and in transport, storage and communications they decreased by more than 3%.

According to administrative data, the NII benefits increased between the two years by about 4% in real terms. The increases reflected mainly the increases in old-age and survivors' pensions by about 6% and in child allowances by about 8%.

The findings of the survey show trends similar to the macro data: the number of employed increased between the two years of the survey by about 5%. Income from work increased in real terms by about 4%, but the source of most of the increase was in independent income, and the income from salaried work increased modestly by 1.5%. While the increase was attributed to the third (or more) provider in the family, meaning it hints at an increase as a result of new workers entering the employment market. The findings of the survey also show a real increase of 2.6% in NII benefits, while child allowances increased between the two surveys in real terms of 5% and old-age pensions by about 4%.

Chart 10 depicts the outline of degrees of employment and poverty within the general population, and in the two following sections (10A and 10B) of non ultra-Orthodox Jews, and of Arabs and ultra-Orthodox Jews characterized by large families and the latter by especially low numbers of employed. The three sections of the chart demonstrate correlation between high rates of employment and low rates of poverty, especially in the non ultra-Orthodox Jewish population (Chart 10A). However, long term observation shows that an increase in the numbers of the employed alone, meaning an increase without a corresponding improvement in income from work for the entire population, does not

guarantee moving out of poverty. Thus the increase in the numbers of the employed both among Arabs and the ultra-Orthodox, from about 40% to about 50% in recent years, did not manage to change the degree of poverty in those populations. This finding is well reflected also in the first part of the chart that relates to the general population: the increase in rates of employment from about 69% to about 73% between 2004 and 2010, (in other words following the deterioration in the system of benefits) did not succeed in reducing their rate of poverty.

Chart 10: Percentage of Employed and Percentage of Poverty among Persons, Overall Population 1999-2010

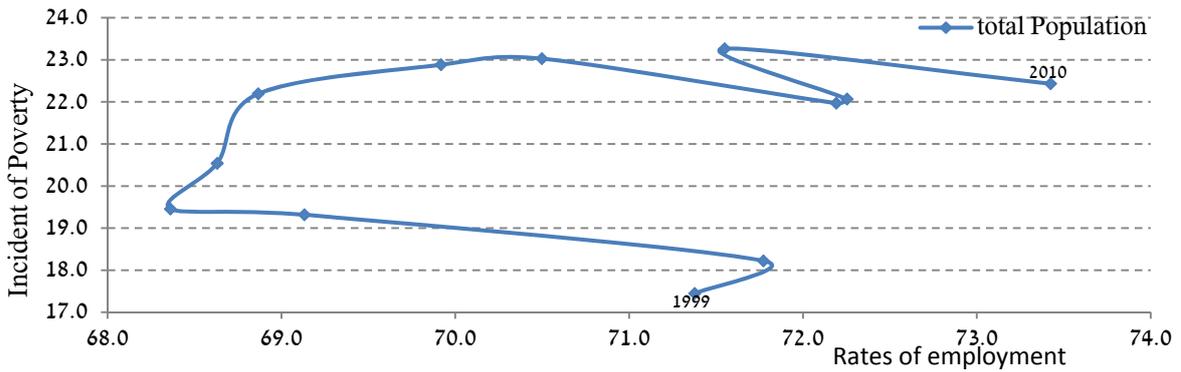


Chart 10A: Percentage of Employed and Percentage of Poverty among persons, Jews, not including ultra-Orthodox Jews, 1999-2010

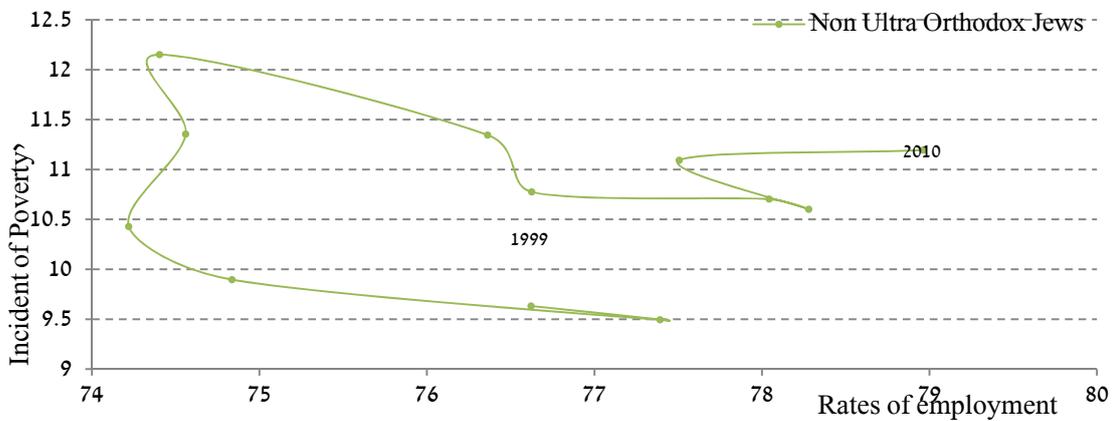
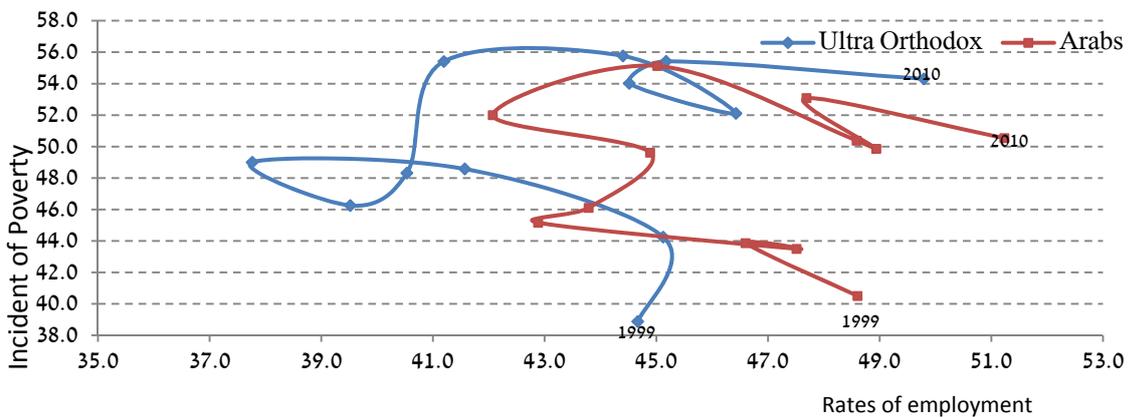


Chart 10B: Percentage of Employed and Percentage of Poverty among Persons, Arabs and ultra-Orthodox Jews, 1999-2010



Charts 10-10B, source: compilation by the Research and Planning Administration of surveys of income that do not include the East Jerusalem population for the years referred to in the chart; details were taken regarding persons aged 25 to legal pension age. In reference to the ultra-Orthodox, the definition is according to the study of Gottlieb-Kushnir. Due to fluctuations a mobile average of two years is shown.

The obvious conclusion from this is that increasing employment alone is not a guarantee of a withdrawal from poverty, and additional supporting tools connected to quality of employment, employment and salary conditions, and vocational training for the employees are needed for it to be effective in achieving the objective of eliminating or at least reducing poverty.

The following tables present a highly detailed analysis of trends in the employment market with a division into poor and non-poor workers. Table 19 presents the division of wages in the salaried population with a division into poor and non-poor workers in 2010. The findings show considerable gaps in the level of salaries of poor employees compared to employees in general: about 76% of employees in general in the economy are employed full-time, and about 11.6% of them are paid a salary lower than the minimum wage. All the other poor salaried employees working full time – about 70% – earn more than the minimum wage but less than the average wage. The proportion of poor employees earning more than minimum wages is negligible. It should be noted that in comparison to 2009 a decrease in the numbers of non-compliances with the minimum wage law was noted.

Table 19: Distribution of Wages* for all Employees and for Poor Employees, by Wage Level, 2010

	Total (thousands)	Percentages	Up to half minimum wage	From to half minimum wage	Minimum wage to average wage	Above the average wage
Total salaried employees	2,530	100.0	8.7	15.0	45.0	31.3
Full time** salaried employees	1,925	100.0	2.6	9.0	50.2	38.2
Among the economically poor employees						
Total salaried employees	334	100.0	28.7	29.6	41.0	0.7
Full time* salaried employees	187	100.0	9.8	25.2	64.1	0.9
Among the net poor population						
Total salaried employees	221	100.0	25.3	25.3	48.4	1.1
Full time* salaried employees	138	100.0	9.1	19.8	69.6	1.5

* Minimum wage and average wage were adjusted for the period of the 2010 income survey

** 35 hours or more of work per week

The data of Table 20, which presents the percentage of salaried employees in the years 2009 and 2010 according to professions, shows that the number of poor employees in industry decreased (from 15% to 12.5%) despite the fact that there was no change in the number of employed in this area. In agriculture, education and welfare there was a decrease in the number of poor employees in parallel to an increase among the non-poor. In the areas of electricity and water, hosting services and food, business services

and public administration, banking and insurance there were no significant changes during the two years in the numbers of poor and non-poor employees. In the building industry, transport, storage and communications, community, social services and others there was an increase in the number of poor employees together with an increase in their numbers in general among employees.

Table 21 presents the wages of workers in particular areas compared to the average wages during the period of the survey and also the change in real wages between 2009 and 2010 according to areas of employment. According to the findings, in 2010 wages of salaried employees did not change in real terms, while among the poor the wages increased in real terms by 5.6%, while among the non-poor the wages did not change. Wages of the poor employees come to 44.6% of the average wage and are somewhere around 31% of the average wage in health and welfare services, and about 56% of the average wage in the transport, storage and communications industries. The real wages of poor employees increased considerably in the areas of health and welfare services, and community, social and other services (10.9% and 15.1% respectively), and in other areas in which an increase of 2% to 10% was noted. A real decrease in salaries of poor employees occurred only in the area of commerce. On the other hand, the salaries of the non-poor employees in the areas of hosting and food decreased sharply between the years 2009 and 2010 (12.8%), and constitute just 55% of the average wage of employees in general. Also in the areas of agriculture, community, social and other services the salaries of the non-poor employees are low and come to about 25% of the average wage of employees.

Table 20: Distribution of Employees and Rates of Growth in Employment, by Economic Sector (percentages), 2009-2010

Economic sector	Number of employees in sector						Rates of growth in numbers of employees in sector between 2009 and 2010		
	2009			2010			Total	Poor	Non-poor
	Total	Poor	Non-poor	Total	Poor	Non-poor			
Total	100	100	100	100	100	100	5.2	1.1	5.6
Agriculture	1.0	2.4	0.8	1.1	1.7	1.0	19.9	--	35.0
Industry (mining and manufacturing)	15.5	13.0	15.8	14.9	12.0	15.2	0.7	-6.4	1.3
Electricity and water	0.8	0.2	0.8	0.7	0.2	0.7	-6.3	--	-7.3
Building and construction	4.1	12.1	3.3	4.7	13.4	3.8	19.3	11.6	22.1
Wholesale and retail commerce	12.5	15.0	12.3	12.0	12.5	11.9	0.6	-15.8	2.6
Hosting and food services	4.6	5.7	4.5	4.7	5.9	4.6	7.6	3.5	8.2
Transport, storage and communications	6.3	3.9	6.5	6.6	8.4	6.4	10.4	114.7	4.1
Business services, banking and insurance	17.4	8.9	18.3	17.6	9.0	18.4	6.1	2.1	6.3
Public administration	4.9	1.8	5.2	4.9	2.1	5.2	4.3	--	3.8
Education	13.3	19.4	12.7	13.4	18.1	12.9	5.6	-5.8	7.4
Health and welfare services	10.3	9.1	10.5	10.6	8.0	10.8	7.9	-10.8	9.5
Community, social and other services	6.0	6.5	6.0	6.0	7.7	5.8	4.7	19.9	3.1

* Average wage calculated according to data of the survey of income and including "unknown sector" that was removed; in the case of insufficient observations it is marked --.

Table 21: Wages as a Percentage of Average Wage and Change therein, by Economic Sector (percentages), 2009-2010

Economic sector	Wages as a percentage of average wage of workers*:			Rate of real change in wages of employees between 2009 and 2010		
	Total	Poor	Non-poor	Total	Poor	Non-poor
Total	100.0	44.6	105.3	0.0	5.6	-0.1
Agriculture	74.3	--	77.8	3.8	--	-1.4
Industry (mining and manufacturing)	116.4	55.2	121.1	-0.7	4.6	-1.2
Electricity and water	185.7	--	189.3	4.8	--	5.3
Building and construction	85.9	54.3	96.5	3.9	2.1	3.2
Wholesale and retail commerce	85.6	44.1	89.8	4.2	-3.9	3.6
Hosting and food services	52.8	42.1	54.1	-11.2	7.8	-12.8
Transport, storage and communications	98.9	56.0	104.2	-4.7	2.0	-2.3
Business services, banking and insurance	129.3	38.5	133.6	-4.3	9.7	-4.6
Public administration	140.6	--	143.8	8.0	--	8.2
Education	83.5	39.2	89.5	1.9	1.5	1.0
Health and welfare services	88.3	31.3	92.4	-0.3	10.9	-1.6
Community, social and other services	71.0	35.5	75.4	1.1	15.1	1.3

* Average wage calculated according to data of the survey of income and including "unknown sector" that was removed; in the case of insufficient observations it is marked --.

In Tables 22 and 23, data regarding employment and wages is presented according to sectors of employment. It is possible to see the increase of the numbers of poor employees who are “professional workers” and clerical workers, from 29.3% to 31.9% and from 10.1% to 11.2% respectively from 2009 to 2010 compared to a decrease in the numbers of sales staff and service workers, and the liberal professions and technicians from 24.6% to 22.0% and from 14.3% to 12.1% respectively between the two years. Deterioration was also noted in the situation of non-professional workers whose proportion of poor salaried employees increased despite the fact that there was no change in the number of non-poor employees in this sector (Table 22).

Real increases in wages characterized most professions among the poor employees (Table 23). The salaries of poor employees ranged from 37% among sales and service workers to 56% among professional workers relative to the average wage of employees in general. It should be noted that the wages of non-poor employees categorized as “non-professional workers” and “sales people and service workers” are lower than a third of the average wage (53.8% and 67.3%, respectively).

Table 22: Distribution Employees and Growth Rates in Total Employment, by Profession (percentages), 2009-2010

Profession	Number of employees in profession					
	2009			2010		
	Total	Poor	Non-poor	Total	Poor	Non-poor
Total*	100.0	100.0	100.0	100.0	100.0	100.0
Academic and administrative professions	19.2	5.8	20.6	19.6	6.0	20.9
Technical and liberal professions	15.4	14.3	15.6	14.9	12.1	15.2
Clerical staff	18.2	10.1	19.1	18.7	11.2	19.4
Sales and service workers	20.2	24.6	19.8	20.0	22.0	19.8
Professional workers	16.7	29.3	15.5	16.7	31.9	15.2
Non-professional workers	7.3	14.8	6.6	7.4	15.7	6.6

* Total includes “unknown”.

Table 23: Wage Levels and Changes Therein by Profession (percentages), 2009-2010

Profession	Wage as a percent of average wage of workers			Rate of real change in wages of workers from 2009 to 2010		
	Total	Poor	Non-poor	Total	Poor	Non-poor
Total*	100.0	44.6	105.3	-0.8	5.4	-1.3
Academic and administrative professions	174.0	46.2	177.5	-1.7	4.7	-1.8
Technical and liberal professions	103.4	40.4	108.2	-2.2	1.9	-3.2
Clerical staff	86.2	41.8	88.7	0.5	1.1	0.5
Sales and service workers	64.4	36.5	67.3	-0.1	8.2	-1.4
Professional workers	84.2	56.1	89.8	-2.4	5.0	-2.9
Non-professional workers	51.0	38.9	53.8	2.4	3.7	2.3

* Total includes "unknown".

Appendices

Appendix 1A: Incidence of Poverty, 1998-2010, including East Jerusalem

Year	Incidence of poverty (percentages)		
	Families	Persons	Children
1998	17.4	17.5	21.8
1999	18.0	19.5	26.0
2002	18.1	21.0	29.6
2003	19.3	22.4	30.8
2004	20.3	23.6	33.2
2005	20.6	24.7	35.2
2006	20.0	24.5	35.8
2007	19.9	23.8	34.2
2008	19.9	23.7	34.0
2009	20.5	25.0	36.3
2010	19.8	24.4	35.3

Appendix 1B: Incidence of Poverty, 1999-2010, not including East Jerusalem

Year	Incidence of poverty (percentages)		
	Families	Persons	Children
1999	17.8	18.8	24.9
2000	17.5	18.8	25.2
2001	17.7	19.6	26.9
2002	17.7	20.0	28.0
2003	19.2	21.5	29.4
2004	20.3	23.2	32.5
2005	20.3	23.7	33.8
2006	20.2	23.9	34.6
2007	19.5	22.8	33.2
2008	19.6	22.7	32.5
2009	20.0	23.8	34.4
2010	19.3	23.1	33.6

Appendix 2: Number of Poor Families and Poor Persons after Transfer Payments and Taxes, 2009-2010

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

	2009		2010		Change between 2009 to 2010	
	Families	Persons	Families	Persons	Families	Persons
Total population	435,100	1,774,800	433,300	1,773,400	-1,800	-1,400
Jews	278,800	961,300	269,600	943,100	-9,200	-18,200
Thereof: head of household of working age	210,600	854,000	205,200	837,900	-5,400	-16,100
Head of household elderly	68,200	107,300	64,400	105,200	-3,800	-2,100
Arabs	156,300	813,500	163,600	830,400	7,300	16,900
Thereof: head of household of working age	140,100	776,900	141,000	772,800	900	-4,100
Head of household elderly	16,200	36,600	22,600	57,600	6,400	21,000
Elderly*	84,400	143,900	87,100	162,900	2,700	19,000
Immigrants	70,800	208,100	66,500	204,300	-4,300	-3,800
Ultra-Orthodox**	57,500	360,800	55,700	344,400	-1,800	-16,400
Families with children – total	261,800	1,470,500	262,600	1,456,800	800	-13,700
1-3 children	164,300	727,100	163,800	722,600	-500	-4,500
4 or more children	97,400	743,400	98,800	734,200	1,400	-9,200
5 or more children	54,600	473,900	55,800	463,800	1,200	-10,100
Single-parent families	38,900	152,900	38,200	149,900	-700	-3,000
Employment situation of head of household						
Employed	213,000	1,085,500	219,200	1,122,300	6,200	36,800
Salaried	187,800	958,300	190,600	988,900	2,800	30,600
Self-employed	25,200	127,200	28,600	133,500	3,400	6,300
Working age unemployed	140,200	550,900	130,100	495,200	-10,100	-55,700
Single provider	180,500	901,000	187,100	931,600	6,600	30,600
Two or more providers	32,500	184,500	32,100	190,700	-400	6,200
Age group of head of household						
Up to age 30	95,500	385,200	94,200	378,700	-1,300	-6,500
Ages 31-45	169,700	904,300	160,400	855,300	-9,300	-49,000
Ages 46 to pension age	93,100	357,700	99,800	396,300	6,700	38,600
At legal pension age***	76,700	127,700	78,800	143,200	2,100	15,500
Education group of head of household						
Up to 8 years of schooling	98,900	352,400	104,000	365,100	5,100	12,700
Between 9 and 12 years schooling	194,800	874,900	198,500	891,800	3,700	16,900
13 or more years schooling	141,500	547,400	130,800	516,500	-10,700	-30,900

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the retirement age law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

Appendix 3: Incidence of Poverty among Persons by Population Group (percentages), 2009 and 2010

	Income before transfer payments and taxes		Income after transfer payments and taxes		Rate of decrease in poverty after transfer payments and taxes (percentages)	
	2009	2010	2009	2010	2009	2010
Total population	33.9	32.8	25.0	24.4	26.2	25.6
Jews	26.7	25.4	16.9	16.2	36.7	36.1
Arabs	62.7	61.9	57.4	56.6	8.4	8.6
Elderly*	51.0	52.3	20.3	21.5	60.2	58.8
Immigrants	35.2	34.1	18.0	18.2	48.7	46.8
Ultra-Orthodox**	73.8	70.3	61.3	59.7	16.9	15.1
Families with children – total	36.8	35.5	31.2	30.5	15.2	14.3
1-3 children	26.1	25.4	20.6	20.5	21.0	19.5
4 or more children	68.1	64.1	62.1	58.6	8.7	8.5
5 or more children	77.7	76.3	70.9	69.6	8.7	8.8
Single-parent families	50.3	48.3	34.8	33.2	30.8	31.2
Employment situation of head of household						
Employed	24.2	23.8	18.4	18.3	24.2	23.0
Salaried	25.1	24.6	18.7	18.7	25.7	24.0
Self-employed	18.5	18.9	16.6	16.1	10.3	14.6
Working age unemployed	93.8	94.5	80.2	82.1	14.5	13.2
Single provider	49.7	51.4	38.7	40.0	22.1	22.1
Two or more providers	7.7	6.9	5.2	5.0	32.8	27.2
Age group of head of household						
Up to age 30	43.7	43.1	31.6	32.5	27.7	24.7
Ages 31-45	34.3	32.3	29.3	27.2	14.5	15.7
Ages 46 to pension age	22.0	21.7	16.2	17.1	26.1	21.1
At legal pension age***	55.5	56.3	21.4	22.2	61.4	60.6
Education group of head of household						
Up to 8 years of schooling	67.7	68.8	51.9	52.7	23.3	23.4
Between 9 and 12 years schooling	39.0	38.1	30.0	29.9	23.1	21.7
13 or more years schooling	23.1	21.3	15.6	14.4	32.3	32.7

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the Retirement Age Law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

Appendix 4: Ratio of Income Gaps in Families by Family Type, 2009-2010 (percentages)

	Income before transfer payments and taxes		Income after transfer payments and taxes		Total influence on income gap	
	2009	2010	2009	2010	2009	2010
Total population	60.3	60.0	35.5	35.8	87.3	82.7
Jews	62.7	62.2	33.1	34.6	109.0	102.8
Arabs	56.0	56.3	38.3	37.2	48.1	48.3
Elderly*	80.4	80.0	24.8	26.7	144.2	135.3
Immigrants	65.1	67.1	26.4	29.0	123.5	111.8
Ultra-Orthodox**	66.1	65.4	38.2	38.6	70.3	64.4
Families with children – total	56.4	55.6	36.5	36.7	65.9	62.2
1-3 children	53.3	53.3	34.7	35.5	74.0	74.0
4 or more children	59.8	58.3	38.1	37.9	57.4	48.6
5 or more children	62.8	60.4	39.0	38.9	53.9	50.2
Single-parent families	63.5	65.9	35.3	37.1	92.6	99.9
Employment situation of head of household						
Employed	39.4	40.2	28.4	29.5	89.1	79.1
Salaried	39.5	40.0	28.0	28.8	91.4	80.3
Self-employed	39.1	42.0	31.3	34.8	70.1	71.2
Working age unemployed	94.6	95.5	52.3	53.1	63.7	61.4
Single provider	42.7	43.1	29.7	30.8	83.2	75.4
Two or more providers	25.7	27.4	21.7	23.1	116.6	101.4
Age group of head of household						
Up to age 30	54.6	55.1	35.8	37.0	89.2	77.7
Ages 31-45	55.8	54.1	36.1	35.9	68.3	66.8
Ages 46 to pension age	62.4	61.8	38.3	38.5	87.0	77.8
At legal pension age***	80.6	80.5	23.0	25.3	145.7	138.5
Education group of head of household						
Up to 8 years of schooling	68.9	71.0	38.4	40.1	79.0	78.3
Between 9 and 12 years schooling	55.4	55.2	35.2	35.1	83.4	76.1
13 or more years schooling	62.1	60.2	34.2	34.1	98.2	95.2

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the Retirement Age Law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

Appendix 5: Effect of Transfer Payments²⁹ and Direct Taxes on Inequality in Income Distribution among Overall Population, 2009-2010

Tenth*	Share of each decile in total income (*%) **					
	Before transfer payments and taxes		After transfer payments		After transfer payments and taxes	
	2009	2010	2009	2010	2009	2010
Lowest	0.0	0.0	1.6	1.6	1.8	1.8
2	1.3	1.4	3.0	3.0	3.4	3.4
3	3.0	3.1	4.1	4.1	4.5	4.6
4	4.5	4.7	5.3	5.4	5.9	6.0
5	6.3	6.4	6.8	6.9	7.4	7.6
6	8.3	8.4	8.4	8.5	9.1	9.2
7	10.7	10.6	10.4	10.3	11.0	11.0
8	13.6	13.4	12.8	12.7	13.2	13.1
9	18.2	17.8	16.8	16.5	16.4	16.3
Top	34.1	34.1	30.8	30.8	27.4	27.1
Ratio of the income of the top quintile to the income of the bottom quintile	41.6	36.4	10.4	10.2	8.5	8.3

* The families in each column were graded according to the level of income adjusted per standard person. Each tenth constitutes 10% of the persons.

** In terms of income per standard person.

²⁹ This analysis is lacking since some of the transfer payments were not reported and so were not included here. So, for instance there is no report of tax benefits, especially in the sector of savings. Furthermore information regarding grants to the business sector in the framework of the law to encourage capital investments is missing. If the missing information had been available in the framework of the survey of income and expenditure, it would probably have changed the proportion of the top tenths in national income.

Appendix 6: Monetary Data by Quintile, according to OECD Equivalence Scale

i. Income by Source and Type, 2010 and the Real Change as Opposed to 2009

Source/type of income	Income (NIS per month)					Change compared to 2009, percentages						
	Average	1	2	3	4	5	Average	1	2	3	4	5
From work	11,090	1,370	4,290	8,250	13,280	26,660	4.0	12.8	4.5	7.7	3.6	3.4
From pensions, provident funds & capital	1,490	80	470	970	1,530	4,160	-1.0	0.0	4.9	-4.9	-3.3	0.7
From benefits and support	1,800	2,020	2,120	1,670	1,640	1,580	1.5	1.8	4.6	-6.9	8.2	-0.1
Mandatory payments	2,380	240	490	1,020	2,150	7,540	4.0	2.6	5.7	4.3	2.4	4.9
Net per family	12,020	3,310	6,390	9,860	14,300	24,870	2.9	4.1	4.5	4.0	3.5	2.2
Gross per family	14,400	3,540	6,880	10,880	16,450	32,410	3.1	4.1	4.6	4.0	3.4	2.8
Economic per family	12,530	1,520	4,720	9,130	14,720	30,690	3.6	7.4	4.8	6.3	3.0	3.4
Net per standard person	6,960	1,880	3,660	5,680	8,110	14,660	3.1	3.9	5.0	4.4	3.3	2.5
Gross per standard person	8,310	2,010	3,930	6,240	9,270	19,020	3.2	3.8	5.0	4.3	3.1	3.1
Economic per standard person	7,110	740	2,510	5,110	8,190	17,900	3.6	6.5	4.8	6.6	2.6	3.7

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

ii. Expenditure by Quintiles, Distribution of Expenditure and Rates of Real Change, 2009-2010

	Average	1	2	3	4	5
Monthly expenditure in NIS, 2010						
Expenditure on consumption per standard person	7,830	4,400	5,520	7,080	8,930	13,190
Financial expenditure per standard person	5,870	3,160	4,160	5,340	6,770	9,920
Expenditure for family consumption	13,500	7,620	9,750	12,080	15,930	22,090
Financial family expenditure	10,180	5,610	7,410	9,150	12,120	16,600
Real change compared to 2009						
Expenditure on consumption per standard person	0.5	1.9	-0.2	-0.6	-2.9	3.4
Financial expenditure per standard person	-0.7	-0.3	0.0	-1.9	-4.2	1.9
Expenditure for family consumption	3.7	5.6	4.5	2.0	2.3	4.9
Financial family expenditure	2.7	4.1	4.7	0.8	1.3	3.3
Ratio of expenditure in total expenditure – 2009						
Expenditure for family consumption	100.0	11.1	14.3	18.2	24.0	32.4
Financial family expenditure	100.0	10.9	14.3	18.3	24.2	32.4
Ratio of expenditure in total expenditure – 2010						
Expenditure for family consumption	100.0	11.3	14.4	17.9	23.6	32.7
Financial family expenditure	100.0	11.0	14.5	18.0	23.8	32.6

* Source: surveys of household expenditure 2009 and 2010, Central Bureau of Statistics

Appendix 7: Incidence of Poverty, with the Poverty Line set at 40% of Median Income according to the OECD Definition, 2009 and 2010

	2009			2010		
	Families	Persons	Children	Families	Persons	Children
Total population	11.6	13.1	18.3	12.0	13.6	19.5
Jews	8.5	8.5	11.9	8.8	8.9	12.7
Arabs	31.1	31.6	35.8	31.4	32.2	38.2
Elderly*	11.1	11.0	42.8	12.1	12.6	38.8
Immigrants	8.0	7.7	12.2	8.7	9.2	16.2
Ultra-Orthodox**	32.8	33.6	35.9	32.4	33.1	35.3
Families with children – total	13.7	15.7	18.3	14.5	16.5	19.5
1-3 children	10.3	10.3	10.9	10.8	10.9	11.8
4 or more children	30.8	31.5	32.2	31.9	32.6	33.6
5 or more children	35.3	35.5	36.3	39.2	38.9	39.8
Single-parent families	18.7	19.1	23.3	20.0	21.2	26.5
Employment situation of head of household						
Employed	5.7	7.1	10.1	6.1	7.9	12.1
Salaried	5.7	7.1	10.2	6.0	8.0	12.4
Self-employed	5.9	6.9	9.1	6.6	7.3	10.0
Working age unemployed	54.4	63.9	72.9	59.0	68.5	78.8
Single provider	11.2	16.1	21.7	12.6	19.0	26.3
Two or more providers	1.2	1.2	1.2	1.0	1.2	1.6
Age group of head of household						
Up to age 30	16.0	16.6	23.2	16.5	17.9	27.0
Ages 31-45	11.9	14.8	18.0	11.9	15.0	18.8
Ages 46 to pension age	9.2	9.5	14.9	9.6	9.9	16.2
At legal pension age***	10.9	11.1	48.2	12.1	12.9	42.3
Education group of head of household						
Up to 8 years of schooling	27.2	33.2	47.7	30.0	36.6	56.2
Between 9 and 12 years schooling	13.0	14.9	21.4	13.7	16.0	23.7
13 or more years schooling	7.2	7.8	10.7	6.7	7.2	10.2

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the Retirement Age Law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

Appendix 8: Incidence of Poverty, with the Poverty Line set at 60% of Median Income according to the OECD Definition, 2009 and 2010

	2009			2010		
	Families	Persons	Children	Families	Persons	Children
Total population	25.7	27.4	36.5	26.0	27.5	36.5
Jews	20.6	19.5	25.6	20.7	19.6	25.4
Arabs	58.0	58.8	66.5	58.5	58.9	66.6
Elderly*	34.3	31.3	60.5	35.7	34.4	76.5
Immigrants	27.6	23.7	30.2	28.4	24.8	31.5
Ultra-Orthodox**	58.4	60.9	64.9	56.9	59.5	63.9
Families with children – total	28.5	31.8	36.5	28.7	31.8	36.5
1-3 children	22.9	22.8	24.4	22.8	22.7	24.2
4 or more children	57.0	58.4	59.4	56.4	57.6	58.9
5 or more children	64.6	65.4	66.2	67.3	67.3	68.1
Single-parent families	39.1	39.8	45.7	36.9	38.4	44.7
Employment situation of head of household						
Employed	15.8	19.5	28.1	16.4	20.2	29.2
Salaried	16.0	19.8	28.6	16.6	20.6	29.9
Self-employed	15.0	17.8	24.4	15.2	17.7	24.7
Working age unemployed	77.3	84.6	92.5	78.8	86.2	93.6
Single provider	29.9	41.7	56.5	31.9	44.2	58.2
Two or more providers	4.2	5.1	6.5	4.2	5.5	7.6
Age group of head of household						
Up to age 30	30.2	33.6	49.8	32.5	35.8	51.3
Ages 31-45	25.0	30.2	36.0	23.4	28.6	34.8
Ages 46 to pension age	18.4	18.3	27.6	19.0	19.5	30.8
At legal pension age***	35.7	33.3	68.6	37.2	36.3	79.8
Education group of head of household						
Up to 8 years of schooling	53.4	57.2	73.6	56.5	60.1	78.8
Between 9 and 12 years schooling	28.9	32.0	44.7	29.4	32.6	45.2
13 or more years schooling	17.4	17.7	23.2	16.8	17.1	22.5

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the Retirement Age Law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

Appendix 9: Incidence of Poverty among Persons, by Economic Income and Net Income, and Effect of Transfer Payments and Direct Taxes, according to the OECD Approach (half median)

	Income before transfer payments and taxes		Income after transfer payments and taxes		Decrease in incidence of poverty after transfer payments and taxes (percentages)	
	2009	2010	2009	2010	2009	2010
Total population	30.5	30.1	20.9	21.0	31.4	30.4
Jews	24.7	23.7	14.5	14.2	41.5	40.2
Arabs	53.6	55.5	46.8	47.9	12.7	13.8
Elderly*	51.9	53.5	23.1	24.7	55.4	53.9
Immigrants	32.7	31.7	16.3	16.5	50.3	48.0
Ultra-Orthodox**	67.6	65.0	49.1	48.2	27.5	25.9
Families with children – total	31.8	31.4	24.7	24.5	22.4	21.9
1-3 children	22.8	22.6	16.8	17.1	26.5	24.5
4 or more children	58.2	56.2	47.8	45.5	17.7	19.0
5 or more children	68.1	66.8	54.8	52.7	19.5	21.1
Single-parent families	48.0	44.9	30.6	29.8	36.4	33.6
Employment situation of head of household						
Employed	20.1	20.5	13.4	14.1	33.2	31.4
Salaried	20.9	21.3	13.7	14.4	34.6	32.7
Self-employed	14.7	15.4	11.9	12.3	19.3	20.1
Working age unemployed	93.6	94.3	77.8	80.0	16.9	15.1
Single provider	44.6	46.9	30.2	32.8	32.3	30.1
Two or more providers	4.2	4.4	2.5	2.6	39.1	40.0
Age group of head of household						
Up to age 30	38.4	39.7	25.8	27.9	32.7	29.6
Ages 31-45	30.0	28.7	23.4	22.2	22.2	22.4
Ages 46 to pension age	19.7	19.5	13.8	14.3	30.2	26.5
At legal pension age***	56.4	57.9	24.6	25.9	56.4	55.3
Education group of head of household						
Up to 8 years of schooling	64.0	66.3	47.5	50.3	25.7	24.0
Between 9 and 12 years schooling	34.1	34.5	24.4	25.2	28.5	27.0
13 or more years schooling	21.0	19.5	12.9	11.8	38.6	39.5

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

** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

*** The definition was adapted to the retirement from work age according to the Retirement Age Law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.

Appendix 10: Statistical Significance of Changes in Selected Poverty Indices by Population Group

Population groups	Incidence of poverty families	Incidence of poverty person	Incidence of poverty children	Ratio of income gap	FGT
Total population	No	No	No*	No	No
Jews	No*	No	No*	No*	No
Arabs	No	No	No	No	No*
Elderly*	No	No	-	No	No
Immigrants	No	No	No	No*	No*
Ultra-Orthodox**	No	No	No	No	No
Families with children – total	No	No	No	No	No
1-3 children	No	No	No	No	No
4 or more children	No	No*	No	No	No
5 or more children	No	No	No	No	No
Single-parent families	No	No	No	No	No
Employment situation of head of household					
Employed	No	No	No	No	No
Salaried	No	No	No	No	No
Self-employed	No	No	No	No	No
Working age unemployed	No	No	No*	No	No
Single provider	No	No	No	No	Yes
Two or more providers	No	No	No	No	No
Age group of head of household					
Up to age 30	No	No	No	No	No
Ages 31-45	Yes	Yes	Yes	No	Yes
Ages 46 to pension age	No	No	Yes	No	No
At legal pension age***	No	No	Yes	No*	No
Education group of head of household					
Up to 8 years of schooling	No	No	No*	No	No
Between 9 and 12 years schooling	No	No	No	No	No
13 or more years schooling	Yes	Yes	Yes	No	No

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

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

*** Because of the fluctuations a mobile average of two years is presented. Definition of ultra-Orthodox is according to the work of Gottlieb-Kushnir (2009).

**** The definition was adapted to the retirement from work age according to the Retirement Age Law. Accordingly this population is not consistent until the completion of the process of raising the retirement age.