



The National Insurance Institute

Poverty and Income Inequality -

2020

According to Administrative Data

Nitsa (Kaliner) Kasir, Miri Endeweld, Lahav Karadi and Rina Pines

Foreword

This is the second year in which the poverty and income inequality report is wholly based on administrative data in possession of the National Insurance Institute (NII) rather than figures derived from answers given by interviewees in a Central Bureau of Statistics (CBS) survey – owing to the delay in the delivery of the figures of the CBS's household expenses survey, according to which the reports are produced in all years.

The COVID-19 pandemic and the efforts to deal therewith led to a severe economic crisis in 2020. GDP decreased by 2.5% and the number of employed people dropped by 9.4%. A decrease has been recorded both in average and median economic income. Economic income erosion has involved most working populations, but those particularly impacted were the weak populations in the labor market whose wages were already low before the crisis began.

The poverty rate by economic income expanded and deepened, and inequality increased. In deciles 2-9, the lower the decile, the greater was the impact. By comparison, in the lowest decile, characterized by low employment rate, the average economic income did not decrease, and even somewhat grew in the upper decile (this is the only decile in which average economic income increased).

To reduce the economic impact in 2020, the state deployed on a large scale various policy tools focusing on the unemployed and businesses, combined with additional assistance for households. Essentially, many unprecedented actions were taken to maintain and strengthen the social safety net of the population, in general, and of benefit recipients, in particular, through the NII, including dispensations and changes in allowances, grants and special payments.

The prominent steps involved dispensations in unemployment benefit, including paying an allowance for unpaid leaves taken at the employee's or employer's initiative, reducing the qualifying period for unemployment benefit and extending its eligibility period, dispensation in preferential work conditions for discharged servicemen, and the possibility to recognize COVID-19 exposure at the workplace as deterioration in work conditions.

Regarding the grants, they were paid when the COVID-19 crisis broke out, in the Passover season of 2020, and in the summer of that year. A grant was paid to the general population, and an enlarged grant to parents. Grants were paid to special populations as well, such as to recipients of subsistence and disability allowances, a long unemployment grant, return to work encouragement, grant for birth-giving women ineligible for maternity allowance, and an adjustment grant for people aged 67 and older who stopped working. The NII also compensated employers for some of the quarantine days they had to pay to their employees and exempted them from paying insurance contributions for employees placed on unpaid leave.

The broad support provided by the government in 2020 yielded positive results: the dimensions of poverty and net income inequality decreased, as set forth compared to sharp increases according to economic income, which does not include government intervention. Net income increased in most populations, but the main beneficiaries of that difficult year were disadvantaged populations, those excluded from or merely active in the job market, such as the elderly. For example, the lower the decile, the greater the effect of government intervention: in the lower decile, average net income increased by approximately 12%, and although rises were also recorded in deciles 2-9, they declined the higher the deciles.

The improvement in the state of poverty in Israel in 2020, as expressed in income indices, is also reflected in and supported by additional supplementary indices of poverty that have been examined in this report and detailed in the boxes: improvement in food security in 2021 compared to 2016, and a decrease in the proportion of households unable to finance their own expenses and the numbers of people waiving vital expenses for economic reasons in 2020 compared to 2018-2019.

In 2021, an economic recovery was recorded and, in parallel, many benefit-related supports and relaxations that have been deployed as assistance in the crisis were repealed. Estimates calculated in 2021 indicate that despite the economic recovery, poverty and inequality (by net income) worsened.

These estimates emphasize the current need for the government to enact a policy supporting a both comprehensive and sustainable growth – i.e., a growth able to mitigate long-term damages caused by the crisis in employment, poverty, and inequality. Thus, one of the key challenges is integrating unemployed people into the labor market. To this end, investment is required in an active policy of employment promotion, which is subject in Israel to low expenditure in terms of GDP – a third of the average public expenditure made in developed countries. Among others, the steps needed include comprehensive assistance for the unemployed: assessment, direction and training programs adapted to the new job market – vocational training, learning English and providing basic skills and soft skills – combined with job recruitment assistance. The employment market has changed and both employers and employees must adjust to these changes.

Alongside the effort to help families achieve economic independence through the job market, it is important to remember that some people are unable to reach such independence and in need of assistance through the social benefits apparatus. The NII sustains its efforts to improve social security, for instance, by increasing the income support benefit that serves as the last safety net for low-income families. **Recently, benefits were also increased for recipients of old-age pension with income support supplement, but there is still room for great improvement toward people of working age.**

Nitsa (Kainer) Kasir

Deputy Director, Research and Planning

Summary of Findings

This report shows the dimensions of poverty in 2020 according to National Insurance Institute (NII) **administrative data**, in lieu of the CBS expenditure surveys on which these calculations are usually based. The previous report (and the first to be based on administrative data), compiled in 2019 and comprising **an estimate based on a 2020 simulation**, was published about a year ago. This year, we added estimates on the **missing income components** in administrative data (such as capital income) **so that the poverty line reflects all household incomes**.

- The standard of living in terms of median income per standard person and the poverty line derived therefrom have seen a real increase of 2.4% in 2020 – about a third less than real increases in previous years.
- Without government intervention, i.e., according to **economic income**, the median income per standard person **decreased** in 2020 by a **10.2%** real rate.
- From 2019 to 2020, the incidence of poverty among families decreased by about one percent, from 21.2% to 20.4%. The incidence of poverty among individuals declined from 21.6% to 21.0% and of children by a relatively low rate, from 29.2% to 28.7%.
- The sharpest decrease in incidence of poverty was recorded in elderly individuals – from 15.8% in 2019 to 13.5% in 2020.
- Without government intervention, i.e., according to economic income, the poverty incidence of families **increased** from 36.7% to 40.8%, on individuals from 32.2% to 36.3%, and on children from 36.5% to 40.9%.
- **Indices reflecting depth and severity of poverty**, which express the distance of poor families' income from the poverty line, also **decreased** in 2020 compared to 2019.
- Decreases in poverty incidence are characteristic of almost all population categories, particularly those not involved in the labor market. In contrast, in families with a **self-employed person**, the poverty incidence increased, from 12.6% to 13.7%.
- The Gini index of net income inequality also decreased by 1.5%, whereas by economic income terms it increased significantly from 2019 to 2020, by 4.2%.
- The decrease in net income inequality was also reflected in an income decile analysis. In 2020, the lower deciles, particularly the lowest one, benefited relatively speaking: the net income per standard person increased by 12% in the lowest decile and by 5.6% in the second one, alongside relatively low increases in deciles 3-10. In contrast, by

income before government intervention, the opposite situation applies: in deciles 2-9, the lower the decile, the more adversely impact was observed. There was no change in the lowest decile and the highest was the only one where economic income increased slightly.

- The primary influence of policy measures designed to lower poverty is imputed to unemployment benefits paid in 2020 to salaried employees on unpaid leaves and other forms of relief related to unemployment benefits, which contributed to curb down poverty by about three percent. However, grants (for families, the self-employed and the elderly) given over the year also had a significant contribution to reducing the poverty of working families and other families, estimated at about one percent.
- Government assistance in dealing with COVID-19 promoted an increase in income levels and a reduction of poverty and inequality. This contribution (as an addition to existing welfare expenses) is also supported by an international comparison – in 2020, Israel was listed in the middle of the distribution of developed countries in terms of **amount of additional government assistance in dealing with the crisis** (whereas, by comparison, it is ranked at lower places with respect to welfare expenditure).
- The improvement in the state of poverty in Israel in 2020, as expressed in income indices, is also reflected in and supported by additional supplementary poverty measurement indices that were examined in this report: **improvement in food security** in 2021 compared to 2016, a year when a similar survey was conducted, and an improvement regarding the number of people waiving vital expenses for economic reasons in 2020 (compared to the preceding two years). However, there was an increase in the proportion of respondents stating that they felt poor.
- Relative stability in the dimensions of poverty by economic income, but an **increase** in the different poverty dimensions measured by net income were recorded according to estimates derived from partial data and completed by simulation. These estimates were made for purpose of predicting **poverty trends in 2021**, a year in which economic growth was recorded and relief measures for the unemployed were canceled (in the second half of the year).
- **The poverty incidence of individuals and children decreased from 21.6% and 29.2%, in 2019, to 21.0% and 28.7% in 2020, respectively; and by estimate, they reached 22.7% and 31.2% in 2021, respectively. In other words, the measure of poverty was greater in 2021 than in 2019, before the crisis erupted.**

- The economic growth in 2021 did not benefit all populations equally, and inequality by economic income intensified. The government's policy did reduce inequality by net income (by 2.4%), but the cutback in assistance in 2021 led to higher inequality by net income over that year in comparison with 2020 (by 3.3%).

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Introduction

In January 2021, a poverty and income inequality report for 2018-2019, with an estimate for 2020 according to National Insurance Institute (NII) administrative data, was first published¹. The household expenses

¹ See: Nitsa (Kaliner) Kasir, Endeweld Miri, Heller Oren and Karadi Lahav, “Standard of Living, Poverty and Income Inequality 2018-2019 and estimate for 2020 (according to administrative data”), January 2021, under the Publications tab on the National Insurance’s website.

surveys (and previously the income surveys) by the Central Bureau of Statistics (CBS) served as the source of data for NII poverty reports for four decades, but at the time of writing this report, the 2020 survey data file hasn't been received yet, due to various logistic problems at the CBS. As a result, this year, the NII is publishing an additional report based on its own administrative data. However, it differs from the previous report, on account of the elapsed time and accumulated data.

This report is based mostly (beside half of self-employed people, see below) on true data rather than assessments and estimates according to a microsimulation of the situation that was run for 2020. At that time, data was not yet available.

Since we are dealing with **two different databases**, structured on different definitions, data collection method and scopes, it is thereby difficult to compare the results provided by each of the two databases. Therefore, **when comparing the findings from the two sources, each one must be considered on a standalone basis**, and compare the years surveyed in its respective framework.

The year of the report, 2020, was characterized by an exceptional shock wave throughout the economic and social sectors cause by the health crisis that affected Israel and the rest of the world, with the outbreak and spread of the COVID-19 virus. Following the crisis and the restrictions imposed in its wake – lockdowns and other activity restrictions – the broad unemployment rate² increased in March-December 2020 to 17.7%, in comparison with approximately 4% in the two years preceding 2020 (the overall 2020 rate reached 17.3%). The GDP decreased by 2.5%. The crisis impacted employees in many sectors, primarily those working in sectors characterized by physical proximity – tourism, hospitality and food services – and sectors with low work productivity and wages. However, an expedited growth was recorded in the high-tech sector (approximately 6%), which led to an increase in the income level of its workforce. The population with low involvement within the job market (such as elderly people) has been less affected and, on some occasions, even saw its situation improve in terms of income compared to the general population.

The estimates made in 2020 and published in the previous report (in January 2021) predicted declining trends in poverty and income inequality, as well as relative differences between population categories in 2020. The data added after the publication of the previous report indicates a more positive picture in the job market in 2020, meaning that according to true data, the income by annual view was higher than predicted.

In this report, data is based on existing employee income figures for the whole 2020 year and national insurance benefits figures. Assessments were made with respect to the self-employed for about half of the self-employed population. Since all assessments of income from grants are not transferred for national insurance purposes, the sums of grants for self-employed workers whose income dropped by 40% or more, compared to the previous year, were imputed³. Regarding the other half of self-employed workers, we have used 2019 evaluations prior to the consumer price index (which dropped by about half a percent). In this

https://www.btl.gov.il/Publications/oni_report/Pages/oni2019.aspx

² Unemployed persons, employees who were temporarily absent for work all week for reasons related to the COVID-19 virus and those not participating in the work force who stopped working due to layoffs or their workplace closure from March 2020.

³ The sum added to the self-employed income was the weighted sum (by number of recipients) of the five grants given to that population in 2020.

case, grants were not added, insofar as the income drop resulting from the crisis is not factored into the previous year's⁴ assessment. In this case, the assumption was that the income of the self-employed, for whom there was no current assessment for 2020, remained similar to their 2019 income when accounted in combination with grants.⁵

Net income figures⁶ for 2020 were compounded by **universal** grants given in 2020, affecting primarily families with children: a Passover grant, an August grant and grants for the working elderly – which do not exist in the regular administrative dataset.

Another innovation in the present report consists in expanding of the concept of income compared to previous practice, based on administrative data. This expansion has been made possible by a study conducted by the NII's Research Administration, within which missing income that did not exist in the administrative database has been estimated or imputed to various households, according to their characteristics⁷.

This report includes, in addition to a presentation of the dimensions of poverty and inequality in 2020 (in comparison with 2019 and sometimes for a longer period), two boxes: one shows initial findings from the food security survey conducted by the NII in 2021, and the other shows data on subjective poverty and households waiving various products, based on the CBS's 2018-2020 social survey.

The report also include a 2021 estimation, based on a microsimulation, within which we simulated the income for 2021 to get an initial estimate of the scale of poverty in 2021 – a year when most of provided unemployment benefit reliefs were discontinued during its second half⁸. The assumptions and methods used to run this simulation are detailed in Chapter 3.

⁴ It should be noted that CBS surveys also have limitations in relation to self-employed persons' assessments, and the figures for previous years are taken from assessments of past years.

⁵ The data relates to self-employed individuals who meet the definition of the National Insurance law.

⁶ The term "net income" does not refer to income after government intervention, i.e., less direct taxes and with the addition of financial benefits. This income mainly includes support other than from the National Insurance (other institutes and other families) and capital incomes. These two income components were added to the "true" income existing in the administrative database: income from work (employed and self-employed workers), pensions and National Insurance benefits. Thus, this report demonstrates an improvement arising from the family income evaluation all sources, not just sources existing in administrative data.

⁷ See Heller Oren and Endeweld Miri, "Imputation of Missing Income Components in Administrative Data" (2021), publication No. 138 in the "Working Papers" series on the National Insurance's website.

https://www.btl.gov.il/Publications/research/Documents/mechkar_138.pdf

⁸ The extension of additional eligibility days for people under the age of 45 was discontinued from July 2021. People aged 45 or older were given an addition of eligibility days until after the end of June 2021. For most, these days ended in October, but some are still entitled to additional days beyond this date.

Findings

A. The Poverty Line and Standard of Living

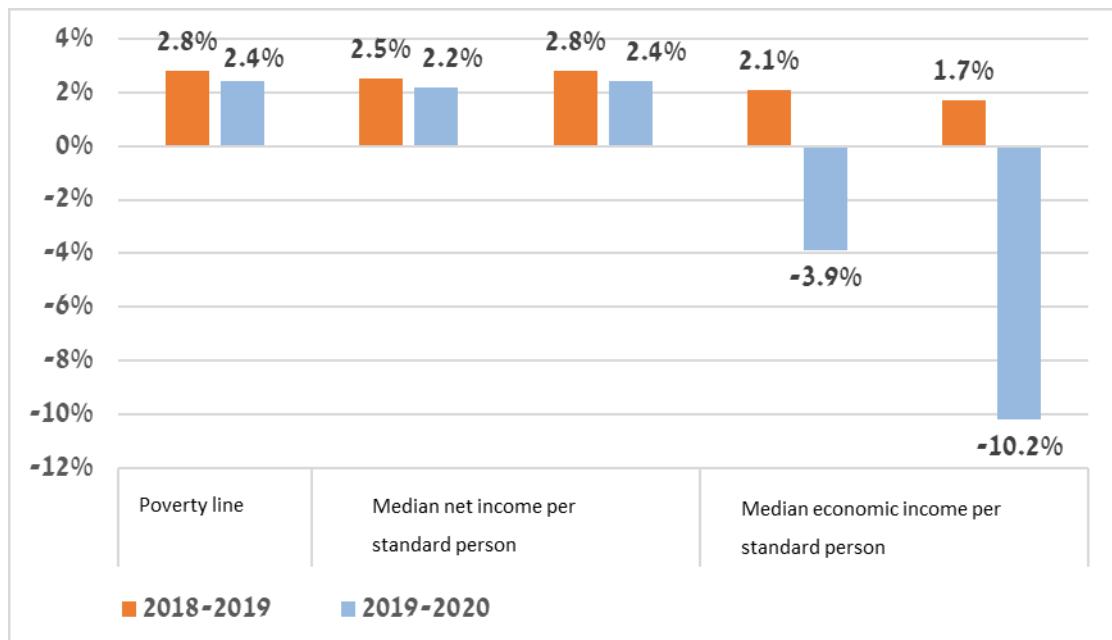
The median income in terms of economic income, which does not take into account government intervention, **decreased** by 10.2% (Table 1 and Figure 1). Nevertheless and despite exceptional developments that occurred in 2020, standard of living according to net median income per standard person increased by 2.4% (and by 2.2% according to the mean income). This is low rise in relation to the past, reaching 2/3 of real increases in recent years ranging from 3%-4% per year. However, it is surprisingly good compared to the prediction in the wake of the shock experienced by the economy that year.

The calculated estimates for 2020 achieved to properly predict poverty and income distribution trends, but were below the findings based on actual income data. Two main reasons explain these differences: first, in the previous simulation, we assumed an unemployment rate (of former employees) of 20% on average between March and December 2020, i.e., an average annual unemployment rate of approximately 17.7% in 2020. The actual average unemployment rate was 2 percent lower. As regard to self-employed people, we assumed a similar business closing rate from the crisis outbreak to the end of the year, whereas, in fact, businesses opened and closed intermittently throughout the year, depending on lockdowns situation.

Table 1: Poverty Line and Income for 2019-2020 (current NIS per months) and Real Change From Year to Year (Percentages)

| | 2019 | 2020 | Change rates |
|--|--------|--------|--------------|
| Poverty line | 2,762 | 2,811 | 2.4% |
| Average | | | |
| Economic income per family | 15,348 | 14,701 | -3.7% |
| Economic income per standard person | 6,228 | 5,951 | -3.9% |
| Net income per family | 15,081 | 15,353 | 2.4% |
| Net income per standard person | 6,511 | 6,621 | 2.2% |
| Median | | | |
| Economic income per family | 9,563 | 8,701 | -8.5% |
| Economic income per standard person | 4,448 | 3,974 | -10.2% |
| Net income per family | 11,701 | 11,947 | 2.7% |
| Net income per standard person | 5,523 | 5,623 | 2.4% |

Figure 1: Change in the Poverty Line, Economic Income and Net income, 2019 and 2020



The poverty line derived from half of the net median income per standard person reached NIS 2,811 per month in 2020. The addition of missing income components in the administrative data, income from capital and income from other supports than from the NII – raised the poverty line by approximately NIS 230⁹.

Poverty lines by family size for 2020 indicate that, to stay above the poverty line, a family of one needs according to calculation NIS 3,514 per month, whereas families composed by a couple with one child or a single mother with two children need an income of NIS 7,450 per month. A family of a couple with two children would have to earn approximately NIS 9,000 to stay above the poverty line in 2020 (Table 2).

Table 2: Poverty Line, by Family Size, 2020

| Family size | Number of standard persons | NIS per month | Additional margin in NIS |
|-------------|----------------------------|---------------|--------------------------|
| 1 | 1.25 | 3,514 | . |
| 2 | 2 | 5,623 | 2,109 |
| 3 | 2.65 | 7,450 | 1,827 |
| 4 | 3.2 | 8,996 | 1,546 |
| 5 | 3.75 | 10,543 | 1,546 |
| 6 | 4.25 | 11,948 | 1,406 |
| 7 | 4.75 | 13,354 | 1,406 |
| 8 | 5.2 | 14,619 | 1,265 |
| 9 | 5.6 | 15,744 | 1,125 |

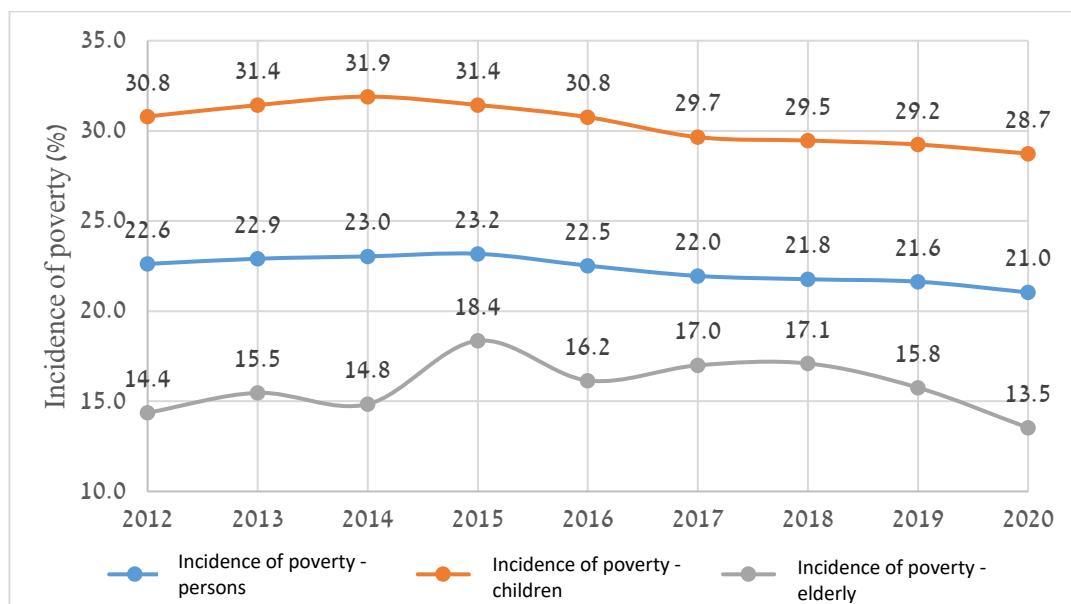
⁹ In 2018, the last survey in existence at the time of writing, the poverty line according to the expenses survey was NIS 2,875 per standard person, and since then the standard of living has increased by approximately 5% according to administrative data. One of the key causes for the discrepancies between the income surveys and administrative data, besides differences in sources and characteristics of the data, is the existing differences between the definition of a household in survey data compared to the definition of a family in administrative data. The latter identifies a family in a different way than by algorithm processing individual or couple living with or without children, without identifying other members of the household not belonging to the nuclear family. This difference means that the number of families according to administrative data is greater than the number of households according to CBS surveys.

B. Poverty Indices for the General Population

The measured poverty rates by economic income increased significantly from 2019 to 2020 (Table 3). Between the two years, the incidence of poverty increased among families from 36.7% to 40.8%, among individuals from 32.2% to 36.3%, and among children from 36.5% to 40.9%. The poverty depth index (poverty gap ratio) and the poverty severity index¹⁰ increased, albeit at milder rates, and the Gini index for economic income distribution inequality surged by 4.2%.

In comparison, the poverty rates measured by net income even decreased, let alone increase: the incidence of poverty among families declined by 0.8 percent to reach a rate of 20.4%. The incidence of poverty decreased among individuals from 21.6% to 21.0% and among children by a relatively low rate of nearly half a percent. The sharpest drop in incidence of poverty was recorded among the elderly – from 15.8% in 2019 to 13.5% in 2020. The improvement observed in 2020 in the incidence of poverty among individuals, children and elderly individuals has been a continuing trend since the middle of the previous decade (Figure 2).

Figure 2: Incidence of Poverty among Individuals, Children and Elderly Individuals, 2012-2020



The findings calculated according to administrative figure indicates the existence, in 2020, of 1.92 poor individuals living in Israel, of whom 864.6 thousand were children and 158.7 thousand individuals of retirement age (see also the table in Appendix 2).

The poverty gap ratio expressing the distance between the poor's income and the poverty line also increased by about a percent and a half, from 39.6% to 38.2%, between 2019 and 2020 (Table 3). Thus, poor families were on average less indigent compared to 2019.

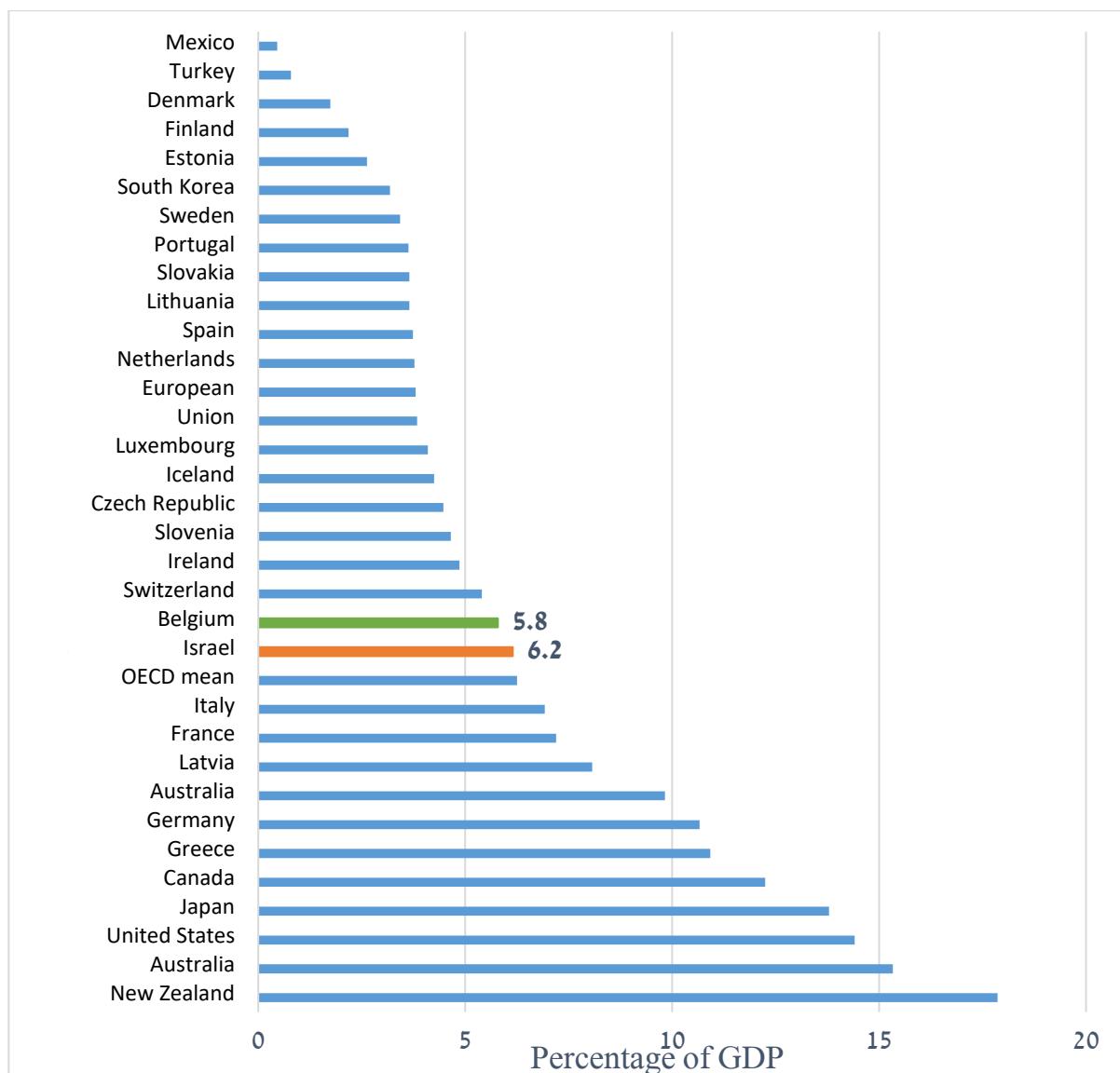
Table 3 also shows, in its bottom part, the direct effectiveness of government intervention in reducing poverty and reducing both poverty and inequality in 2020 in comparison with 2019. Whereas in 2019

¹⁰ Severity of poverty is calculated as the distance of the poor's income from the poverty line squared. Therefore, the weight given to poor people is greater than for the poverty depth index.

government intervention directly reduced the poverty rate by approximately 42% and 33% for families and individuals, respectively, these rates were surveyed in 2020 at approximately 50% and 42%, respectively. The assistance offered by the government, primarily following the relief given in unemployment benefits (see table in Appendix 3 for an estimate of the effect of each policy measure on the reduction of poverty rates) managed not just to neutralize rising poverty indices as a result of the economic crisis and its consequences on the labor market, but even to turn them down.

Another indication of the significance of the scope of additional aid provided by the government in Israel to deal with the socioeconomic consequences of the crisis, is also apparent from an international comparison (Figure 3): in terms of welfare expenses, Israel usually stands among the countries whose social expenditure relative to GDP is among the lowest for developed countries, but in 2020 the additional assistance given following the COVID-19 crisis was similar to that of average OECD countries.

Figure 3: Government Assistance in the COVID-19 Crisis Period, as a Percentage of GDP – International Comparison¹¹



¹¹ Source :

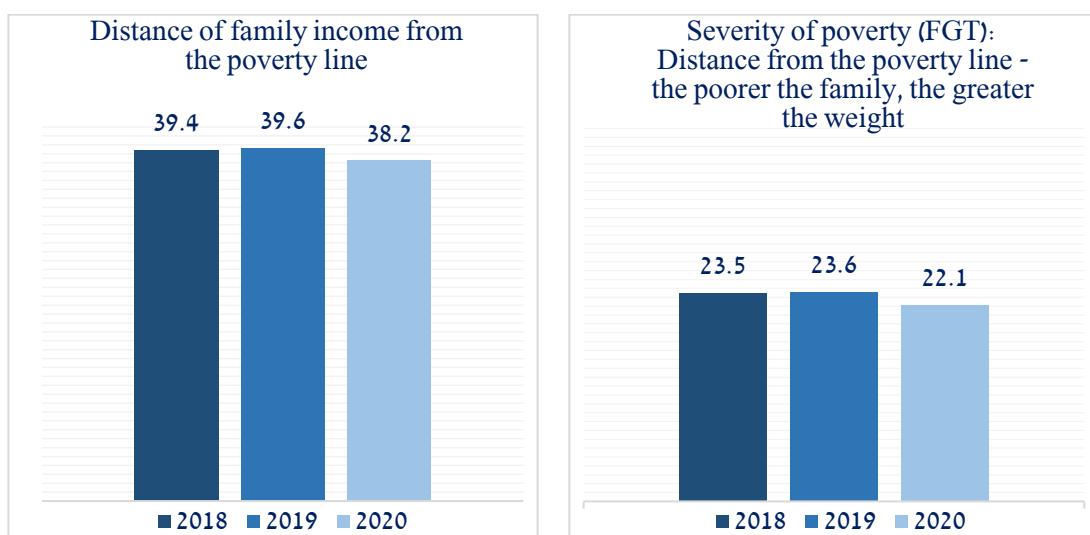
IMF - <https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19>

This comparison includes the total costs of policy means deployed by governments in the wake of the COVID19 crisis, which had a direct effect on the budgets of countries, not including healthcare expenditure. As of December 2020.

Table 3: Poverty Indices for the General Population (Percentages), 2019-2020

| | 2019 | 2020 |
|---|--------|--------|
| By economic income | | |
| Incidence of poverty among families | 36.7 | 40.8 |
| Incidence of poverty among individuals | 32.2 | 36.3 |
| Incidence of poverty among children | 36.5 | 40.9 |
| Incidence of poverty among the elderly | 49.0 | 50.3 |
| Poverty gap ratio | 60.9 | 61.6 |
| Severity of poverty index | 48.3 | 48.7 |
| Gini index (number) | 0.501 | 0.5221 |
| By net income | | |
| Incidence of poverty among families | 21.2 | 20.4 |
| Incidence of poverty among individuals | 21.6 | 21.0 |
| Incidence of poverty among children | 29.2 | 28.7 |
| Incidence of poverty among the elderly | 15.8 | 13.5 |
| Poverty gap ratio | 39.6 | 38.2 |
| Severity of poverty index | 23.7 | 22.1 |
| Gini index (number) | 0.3758 | 0.3703 |
| Direct decrease in scope of poverty as a result of government intervention | | |
| Incidence of poverty among families | 42.3 | 50.1 |
| Incidence of poverty among individuals | 32.8 | 42.0 |
| Incidence of poverty among children | 19.8 | 29.7 |
| Incidence of poverty among the elderly | 67.9 | 73.1 |
| Poverty gap ratio | 35.0 | 38.0 |
| Severity of poverty index | 51.0 | 54.6 |
| Gini index | 25.0 | 29.1 |

Figure 4: Depth and Severity of Poverty (FGT), by Net Income, 2018-2020



Box 1: Food Security Survey for 2021 - Initial Findings

In the first half of 2021, the Research and Planning Administration conducted a food security survey, the fourth since 2011. The survey saw the participation of 3,475 families (representing more than 3 million families, according to the calculated variance inflation factors), who have been asked about their food security according to a structured questionnaire, as well as their socioeconomic status.

In this box are shown the main findings in relation to the food security level of families, adults, children and families headed by an elderly person – in 2021 and compared to 2016 food security level – the last year in which a similar survey was conducted before 2021.

The findings (see table below) indicate, at the general population level, an improvement in food security in 2021 in comparison with 2016 – among families, individuals and children alike. 83.8% of families in 2021 knew a state of food security (high or reasonable) compared to 81.9% in 2016. Moreover, 16.2% of families were found in a state of food insecurity in 2021 (about half of whom in severe food insecurity), compared to an 18.1% rate (and 8.9% in a severe state) in 2016. The proportion of respondents reporting severe food insecurity represents half of those reporting foodal insecurity in both surveys. For adult individuals, there was a moderate improvement of 1.3 percent in the share of respondents reporting food security between the years, with a more significant improvement for children, at 5.2 percent. The food security state of families headed by an elderly individual is better than the general situation in the population in both years, and has even improved in 2021 compared to 2016. These positive changes therefore characterize all individuals, although they were only found statistically significant concerning the population of families and general individuals (see asterisks in the table).

Table: Food Security of Families, Adults, Children and Families Headed by an Elderly Individual – 2021 vs 2016¹

| | | Families | | Adults | | Children | | Families headed by an elderly individual | |
|------------------------|--------------------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|--|--|
| Food security status | Total (thousands) ² | Percentage of the population | Total (thousands) | Percentage of the population | Total (thousands) | Percentage of the population | Total (thousands) | Percentage of the population | |
| 2016 | | | | | | | | | |
| High | 2,130** | 74.9% | 3,853 | 74.4% | 1,603* | 65.8% | 675 | 81.4% | |
| Reasonable | 198 | 6.9% | 361 | 7.0% | 194 | 7.9% | 46 | 5.6% | |
| Shortage | 263* | 9.3% | 482 | 9.3% | 288 | 11.8% | 61 | 7.3% | |
| Severe shortage | 252 | 8.9% | 481 | 9.3% | 353** | 14.5% | 47 | 5.7% | |
| Total | 2,843 | | 5,177 | | 2,438 | | 829 | | |
| 2021 | | | | | | | | | |
| High | 2,498 | 77.5% | 4,232 | 75.7% | 2,234 | 70.8% | 836 | 82.9% | |
| Reasonable | 205 | 6.3% | 380 | 6.8% | 255 | 8.1% | 52 | 5.2% | |
| Shortage | 257 | 8.0% | 472 | 8.5% | 348 | 11.0% | 74 | 7.3% | |
| Severe shortage | 265 | 8.2% | 504 | 9.0% | 317 | 10.1% | 46 | 4.6% | |
| Total | 3,225 | | 5,588 | | 3,154 | | 1,008 | | |

¹ Findings from family surveys conducted by the Research and Planning Administration. The findings are not final and may vary slightly.

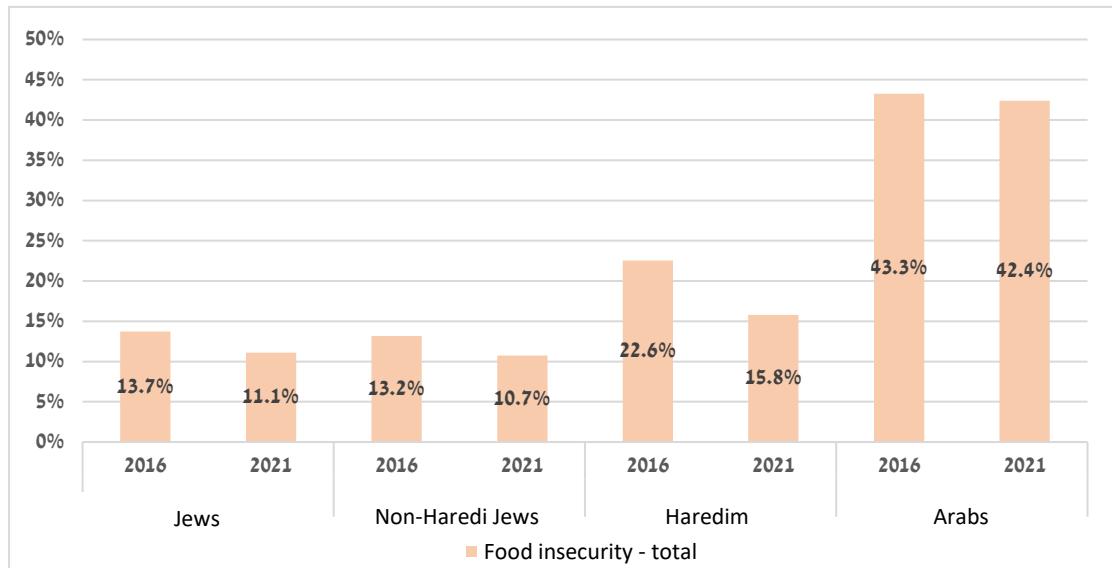
² Weighted results.

* The asterisks indicate the significance levels of changes: * $p \leq 0.05$ ** $p \leq 0.01$ *** $p \leq 0.001$

The figure below presents the food security of families by nation and religiousness level: Jews, Arabs, Non-Haredi Jews and Haredim. The figure shows the percentage of persons living in food insecurity (shortage or severe shortage). As demonstrated, for non-Haredi Jews, 10.7% live in food insecurity in 2021 compared to 13.2% in 2016. The food insecurity level in the Haredi population decreased sharply between the years. The food security of Arabs has remained high at 57%-58% at the two time points assessed (with a slight improvement in 2021), far behind the Jewish population. The findings related to food insecurity among Arabs are close to their poverty dimensions – around 42%-43% at the two time points. In the Haredi population, although the objective poverty rate, measured by income, reveals high poverty rates, the food insecurity rate is low. The reason for this difference

stems from, among other things, the common support system in Haredi society, as well as their community shopping reducing the cost of household consumption, unique worldviews and practices.

Figure: Food Insecurity of Families, by Population Category, 2021 vs 2016*



*The changes between the years among Jews, non-Haredi Jews and Haredim are significant.

C. Dimensions of Poverty by Population Categories

The poverty incidence measured by economic income demonstrated increases in all population categories, but with high variation between them. Thus, the poverty incidence by economic income in the working population rose sharply by approximately 20% (from 24.1% in 2019 to 28.8% in 2020). A similar augmentation was also recorded in families with children, most of whom are working families, families with a self-employed person and those with a salaried employee. The increases were milder in both the Arab population (from 50.9% to 56.6% between the two years reviewed) and Haredi population (from 57.5% to 61.3%) – two populations in which the number of breadwinners was low compared to the non-Haredi Jewish population. By comparison, stability was recorded for the nonworking population of working age, along with a slight increase in the number of families headed by an elderly person, many of whom were not part of labor market and, therefore, not impacted by the crisis.

Unlike the changes in poverty by economic income, in all population categories except for families with a self-employed person, the incidence of poverty measured by net income decreased. Differences between families in terms of the extent of decrease were quite small too. In households headed with a self-employed person, the poverty incidence increased, from 12.6% to 13.7%. Conversely, there was a decrease in the poverty incidence of families with salaried employees, who constitute the majority of the working population, from 15.3% to 14.5% between the two years, meaning that poverty among families with working people also decreased, from 15.6% in 2019 to 15.0% in 2020. The strength of the decline in poverty by net income in the population of families with one or two breadwinners was similar. The incidence of poverty in families headed by one parent (single-parent families) decreased mildly relative to the working population (as most of this population works too) from 23.7% to 23.1%.

These trending differences between poverty measured by economic income and poverty measured by net income are also apparent in the findings regarding the rate of direct reduction in poverty incidence as a result of government intervention (the third numbers column each year in Table 4 and Figure 4). First, as said, the rate of decrease in the number of poor people narrowed remarkably in 2020 and reached about 50%, i.e., without government intervention incidence of poverty among families would have been 50% higher than exhibited. In few populations, this rate was even lower, for example, in large families with 4 or 5 children or more, and in families headed by an individual between 18 and retirement with no workers or whose head was up to 29 years old.

This contrasts with families whose head was of retirement age. As a rule, in previous years too, the rate of decrease in the incidence of poverty is highest in the elderly population receiving a universal old-age and survivors' pension of an amount near the poverty line. Figure 5 shows that in 2020 this population category headed the groups in which poverty has been reduced because of government intervention. The significant effects of policy tools had a number of causes: first, the low impact in the labor market from the crisis due to low employment rate in that group; second, the universal grants that were given to them, improving their situation; third, the long-term care benefit, which in recent years has been converted in part from services into money¹² at increasing rates each year (see also Chapter 3, estimate for 2021). As a result, the effect of the policy means on reducing poverty exceeded 72% in 2020 (compared to 67% in 2019).

¹² The relative poverty index that is commonly used for calculations in world's developed countries and in international organizations does not take into account income in kind, i.e., income embodied in services provided by the government such as education and healthcare.

Table 4: Incidence of Poverty Among Families by Economic Income and Disposable Income, and (Direct) Decrease in the Rate of Poor Families Following Government Intervention (Percentages), 2019-2020

| Population types | | 2019 | | | 2020 | |
|---|----------------------------|-----------------------|-----------------------------------|----------------------------|-----------------------|-----------------------------------|
| | Poverty by economic income | Poverty by net income | Decrease in rate of poor families | Poverty by economic income | Poverty by net income | Decrease in rate of poor families |
| General population | 36.7 | 21.2 | 42.3 | 40.8 | 20.4 | 50.1 |
| Head of family's ethnicity | | | | | | |
| Jewish | 33.9 | 17.6 | 48.0 | 37.5 | 16.6 | 55.7 |
| Non-Haredi Jewish | 31.6 | 15.8 | 50.0 | 35.1 | 14.8 | 57.8 |
| Haredi | 57.5 | 36.2 | 37.0 | 61.3 | 34.9 | 43.1 |
| Arab | 50.9 | 38.9 | 23.5 | 56.6 | 38.2 | 32.4 |
| Family composition | | | | | | |
| With children | 29.5 | 22.3 | 24.2 | 34.2 | 22.0 | 35.5 |
| With 1-3 children | 24.4 | 17.5 | 28.3 | 29.3 | 17.4 | 40.7 |
| With 4 or more children | 53.3 | 45.2 | 15.2 | 57.2 | 44.1 | 23.0 |
| With 5 or more children | 65.5 | 55.6 | 15.0 | 68.8 | 54.2 | 21.2 |
| Families headed by one parent (single-parent family) | 44.2 | 23.7 | 46.5 | 49.6 | 23.1 | 53.3 |
| Labor market status (of at least one member of family) | | | | | | |
| Working | 24.1 | 15.6 | 35.2 | 28.8 | 15.0 | 48.0 |
| Employee | 23.6 | 15.3 | 35.1 | 28.2 | 14.5 | 48.7 |
| Self-employed | 18.2 | 12.6 | 30.8 | 23.3 | 13.7 | 41.1 |
| Head of Family Aged 18-Retirement Age and No Member is Employed | 96.5 | 68.8 | 28.7 | 96.8 | 67.4 | 30.3 |
| Number of breadwinners in the family | | | | | | |
| One breadwinner | 37.2 | 23.9 | 35.9 | 42.2 | 22.6 | 46.4 |
| Two or more breadwinners | 12.1 | 8.1 | 33.2 | 16.0 | 7.7 | 51.9 |
| Family head's age | | | | | | |
| Up to 29 | 52.7 | 42.7 | 19.0 | 59.3 | 42.9 | 27.6 |
| Aged 30-44 | 28.1 | 21.1 | 24.8 | 33.6 | 21.0 | 37.5 |
| Aged 45 up to retirement age | 23.5 | 14.1 | 40.0 | 27.6 | 14.0 | 49.2 |
| Retirement age (62 for women and 67 for men) | 55.6 | 18.4 | 67.0 | 56.6 | 15.8 | 72.1 |
| Family head's gender | | | | | | |
| Man | 28.1 | 18.5 | 34.3 | 32.3 | 18.2 | 43.8 |
| Woman | 47.9 | 24.7 | 48.4 | 51.4 | 23.1 | 55.0 |

The decrease in the poverty gap ratio, which denotes the distance of the family's income from its corresponding poverty line, as a result of government intervention, was more homogeneous in 2020 and similar in most population categories – around two percent (Table 5). Among non-working families whose head is between 18 to retirement, the poverty gap ratio is the highest, reaching approximately 62%, compared to approximately 40% in the overall population. The depth of poverty in the young population (head of family up to the age of 29) is also high compared to the depth of poverty of the general population, reaching approximately 45% in 2020. Trends in the poverty severity index that grants higher weight to poor people whose income is further from the poverty line are similar to those of the poverty gap.

Figure 5: Decrease in Dimensions of Poverty among Families Following Direct Government Intervention (Percentages), 2020 vs 2019

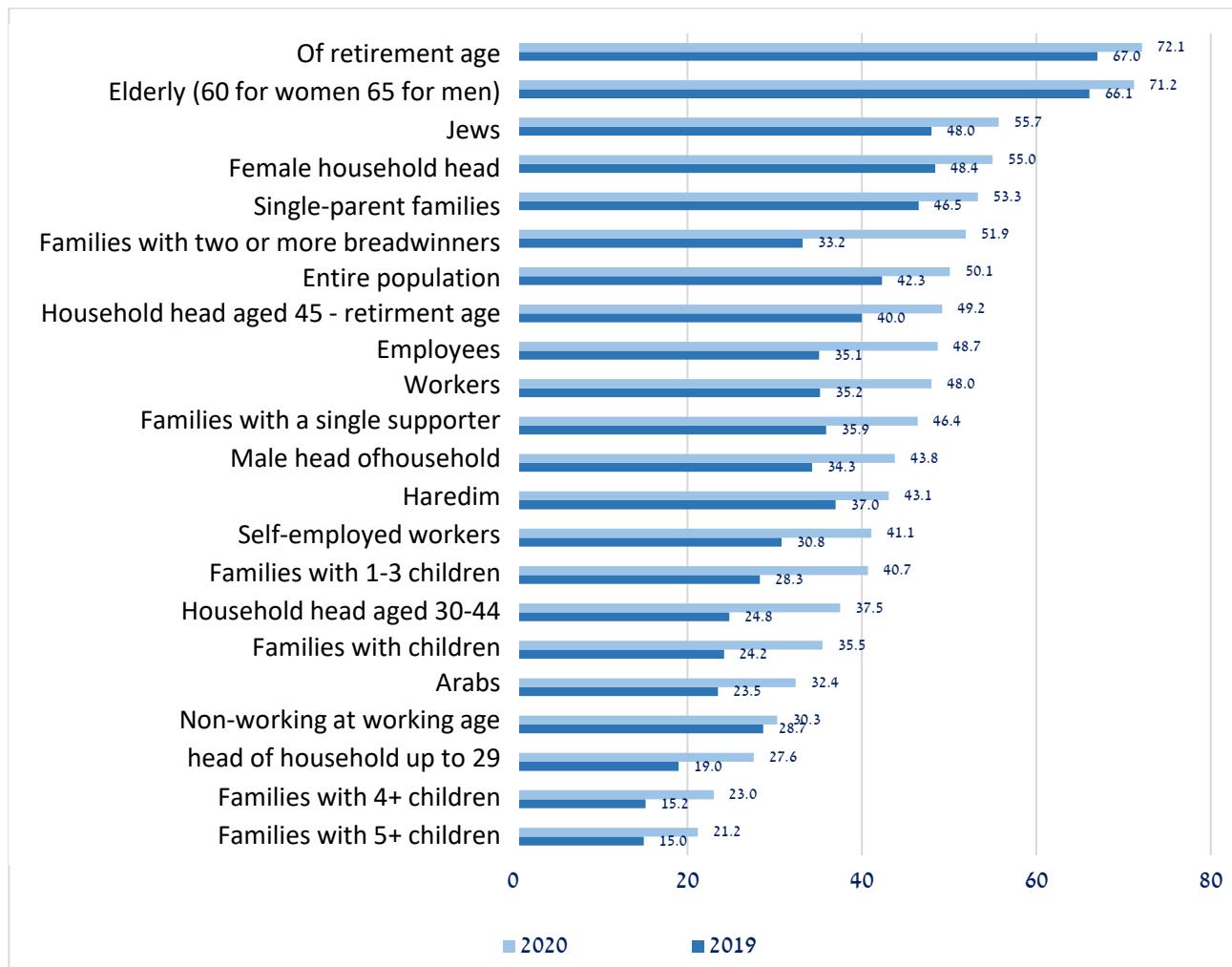


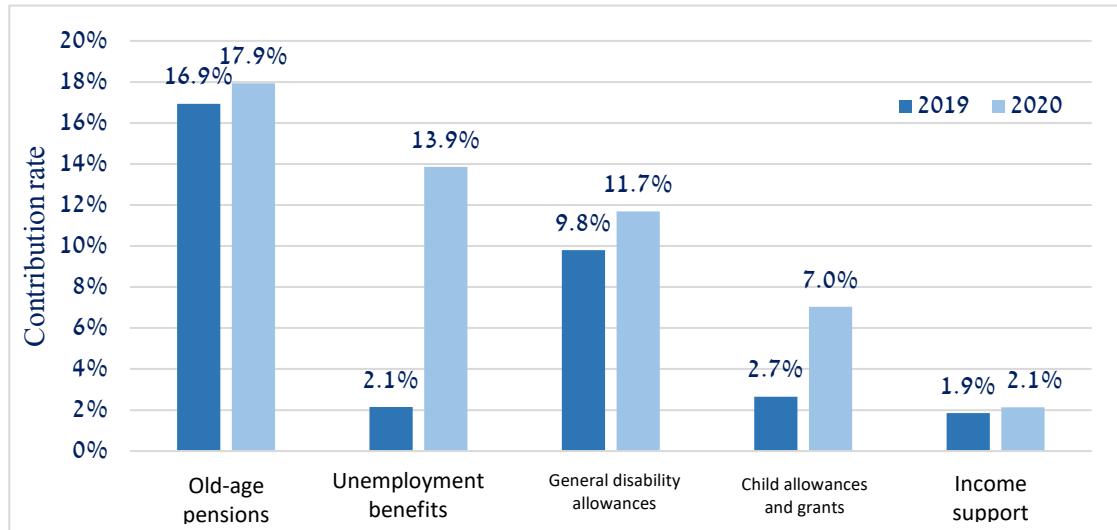
Table 5: Poverty Gap Ratio and Poverty Severity Index (FGT) of Net Income, by Population Group (Percentages), 2019-2020

| Population groups | 2019 | | 2020 | |
|--|-------------|---------------------|-------------|---------------------|
| | Poverty gap | Severity of poverty | Poverty gap | Severity of poverty |
| | 39.6 | 23.6 | 38.2 | 22.1 |
| Family head's ethnicity | | | | |
| Jewish | 38.5 | 23.1 | 36.7 | 21.2 |
| Non-Haredi Jew | 39.7 | 25.2 | 38.0 | 23.4 |
| Haredi | 36.5 | 19.3 | 34.6 | 17.5 |
| Arab | 41.2 | 24.5 | 40.3 | 23.4 |
| Family composition | | | | |
| With children | 38.4 | 21.4 | 36.7 | 19.7 |
| With 1-3 children | 36.6 | 20.4 | 35.4 | 19.1 |
| With 4 or more children | 40.1 | 22.3 | 38.1 | 20.3 |
| With 5 or more children | 40.8 | 22.8 | 38.7 | 20.7 |
| Families headed by one parent (single-parent family) | 35.8 | 19.6 | 34.3 | 18.0 |
| Labor market status (of at least one member of family) | | | | |
| Working | 35.3 | 18.3 | 33.5 | 16.6 |
| Employee | 35.0 | 18.0 | 33.0 | 16.2 |
| Self-employed | 32.5 | 15.7 | 32.1 | 15.1 |
| Head of Family Aged 18- Retirement Age and No Member is Employed | 62.3 | 49.1 | 59.5 | 45.0 |
| Number of wage earners in the family | | | | |
| One earner | 40.2 | 22.3 | 38.0 | 20.2 |
| Two or more earners | 28.1 | 12.1 | 26.5 | 10.9 |
| Family head's age | | | | |
| Up to age of 29 | 46.3 | 30.1 | 45.2 | 28.9 |
| Aged 30-44 | 39.1 | 22.2 | 37.4 | 20.4 |
| Aged 45- retirement age | 37.6 | 22.0 | 36.3 | 20.6 |
| Of retirement age (62 for women and 67 for men) | 32.6 | 21.1 | 31.2 | 19.9 |
| Family head's gender | | | | |
| Man | 38.1 | 22.0 | 36.9 | 20.7 |
| Woman | 41.2 | 25.4 | 39.5 | 23.6 |

Figure 6 shows the effects of 2020 policy steps by national insurance allowances. **As usual, the allowance given to the elderly has the highest impact in terms of effectiveness in reducing poverty, followed by disability allowance. The gap between 2019 and 2020 is clearly apparent in the case of unemployment benefit, given the policy implemented in 2020, with the expansion of its conditions of entitlement: the poverty rate contraction caused by the benefit soared from 2.1% in 2019 (which accurately expresses previous years too), to approximately 14% in 2020, thus putting unemployment benefits before the disability allowance in this respect. Child allowance, to which family grants were added, also indicate their high effectiveness in reducing poverty.** The effect of the various measures taken by the government in 2020 on the incidence of poverty – relaxing eligibility conditions for unemployment benefit, grants for

the self-employed, universal grants and grants for the elderly – was substantial (Table, Appendix 3). Relaxed unemployment benefit requirements had the most prominent impact, and by a noticeable margin over the other steps – being responsible for a decrease of approximately three percent compared to poverty by net income without that unemployment benefit. However, universal grants have also helped working families to a great extent and supplemented assistance by reducing poverty by another percent, besides the 3 percent related to relaxed unemployment benefit conditions¹³ – compared to net income without the 2020 specific intervention.

Figure 6: Contribution Rate of Transfer Payments to the Reduction of Poverty, 2020 Benefits



Findings regarding the geographical distribution of poverty show an above average extent of poverty among individuals living in the geographic periphery, primarily in the Southern District in which the incidence of poverty reaches approximately 25% (see table, Appendix 7). The table also presents poverty rates in a number of major cities, showing that despite the high poverty level in the Southern District, in Be'er Sheva, the poverty level is lower than the national average, as is the case in the North and in Haifa. In the Central District and Tel Aviv District, the incidence of poverty is much lower than the national average (14%-16%), compared to the Jerusalem District and the city of Jerusalem, in which the incidence of individuals' poverty is double that of the general population. The incidence of the poverty in the various districts and cities is of course affected by the composition of the population living therein.

D. Income Inequality

The Gini index for economic income and net income inequality¹⁴ based on administrative data calculation, is shown for 2015 to 2020 in Table 6 below. The findings generally support the global trends from the poverty Dimentions analysis from 2019 to 2020: the index by economic income surged by 4.2% – but plateaued considerably and even demonstrated a decline in the measurement by net income – by 1.5%. This

¹³ The income from the various grants in this table was added gradually, thereby each column in the table shows the poverty reduction rate compared to the preceding stage. The order of examination may alter the result slightly, but not significantly so.

¹⁴ The Gini index is a common index for measuring income and expenditure inequality. It ranges from 0 to 1, 0 indicating complete equality and 1 complete inequality.

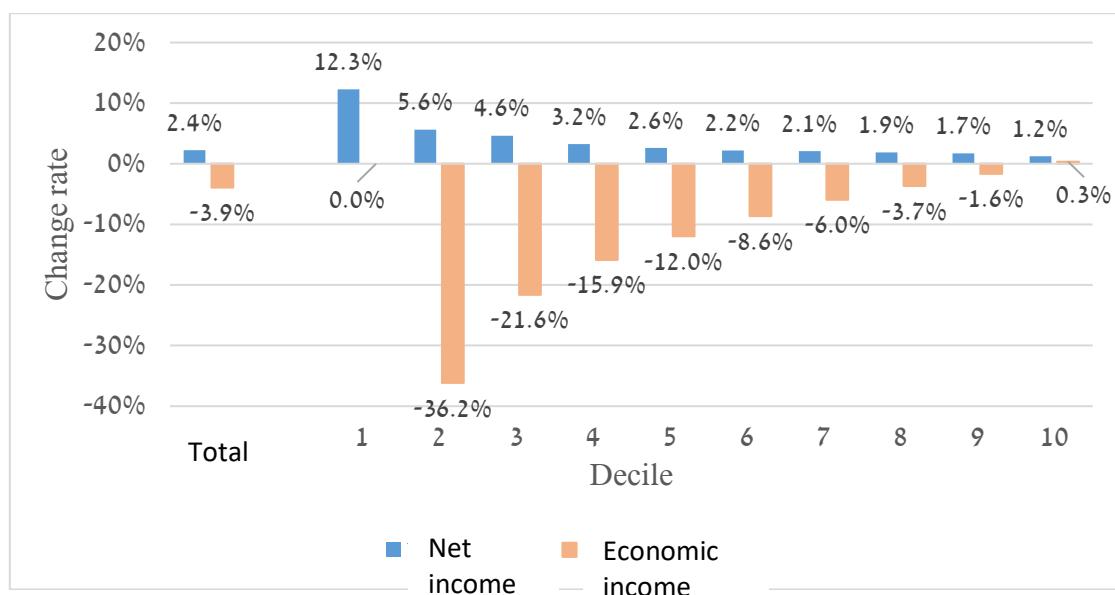
decrease continued a trend of income inequality contraction. From 2015, the Gini index by net income dropped by 6.2%. In contrast, regarding the index calculation by economic income, the increase recorded in 2020 was the sharpest ever recorded at any period since 2015 and totaled approximately 3.2%.

Table 6: Gini Index of Inequality in Economic Income and Net Income Per Standard Person, 2015-2020

| Year | By economic income | By net income |
|-----------------------------------|--------------------|---------------|
| 2020 | 0.5221 | 0.3704 |
| 2019 | 0.5010 | 0.3758 |
| 2018 | 0.5008 | 0.3771 |
| 2017 | 0.5048 | 0.3819 |
| 2016 | 0.5161 | 0.3835 |
| 2015 | 0.5057 | 0.3948 |
| Change percentages in 2020 | | |
| Relative to 2019 | 4.2% | -1.5% |
| Relative to 2018 | 4.3% | -1.8% |
| Relative to 2017 | 3.4% | -3.0% |
| Relative to 2016 | 1.2% | -3.4% |
| Relative to 2015 | 3.2% | -6.2% |

An examination of the economic income level by deciles shows that besides the lowest decile, whose economic income has not changed, the economic income decreased in deciles 2-9 and the extent of the reduction lessened over the deciles. The top decile was the only one whose economic income rose slightly. In contrast, by net income, the increase covered all deciles, but at gradually decreasing rates over the deciles. The lower deciles, particularly the lowest one, benefited relatively speaking in 2020 compared to the higher deciles: the net income in the lowest decile grew by 12% in the first quarter and by 5.6% in the second one, alongside relatively low rises in deciles 3 to 10. These differences shed additional light on the contraction of the Gini index for net income inequality, as described above (Figure 7 shows the [real] rates of change in net economic income per standard person by deciles from 2019 to 2020 and illustrates the opposite trends between the two income types).

Figure 7: Real Change in Economic Income and Net Income Per Standard Person, by Deciles (Percentages), 2020 vs 2019



Box 2: Subjective Poverty, Inability to Finance Expenses, Waiving Consumption and Treatments in 2020

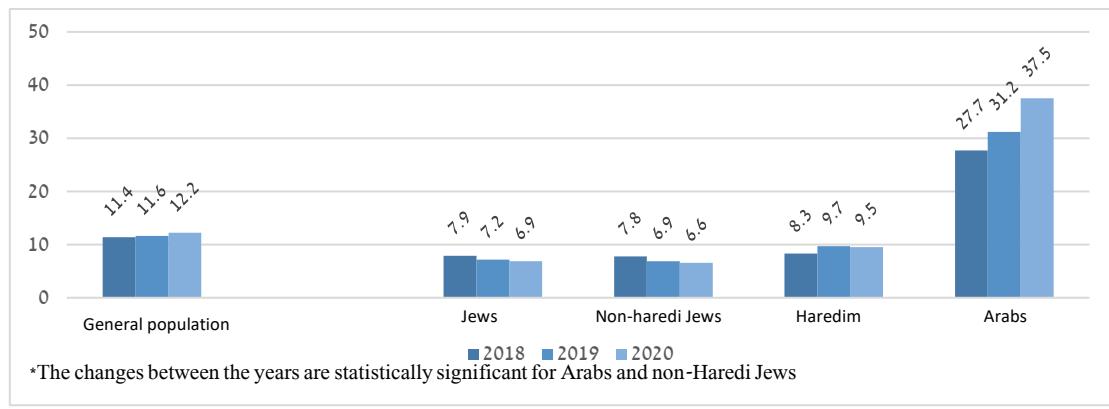
According to the definition commonly used in Israel, the poverty index is a relative index that examines the income level of each household in relation to the income of the general population. Underlying this approach, which is prominent in most western countries, lies the assumption that a person's lifestyle and attitudes are derived from and affected by the society in which he lives, therefore making it important to measure his economic abilities relative to the society around him.

Alongside this definition, it is common to examine in the literature other aspects of poverty, two of them being addressed in this box: perceived poverty (subjective poverty) and waiving consumption, services and treatments owing to economic difficulty, such as renouncing medical treatment or hot meals. Using data from the social survey conducted by the CBS in 2018 to 2020, the rates of persons answering affirmatively or negatively to questions related to their stances on their economic situation and standard of living were calculated.

Subjective Poverty

The proportion of respondents who felt poor in the 12 months preceding the survey increased slightly over the years throughout the population (see figure below). Segmentation by population categories shows a decrease among Jews as a whole, compared to a slight increase in the Haredim group from 2018 to 2019, and a slight decline in 2020. Among Arabs, by comparison, the rate of perceived poverty surged during the three years, particularly from 2019 to 2020. Thus, whereas the share of Arabs who felt poor in 2018 was 27.7%, in 2020 it increased to 37.5% – a growth of approximately 10 percent in three years. Therefore, perceived poverty in the Arab population is 3-4 times higher than the two Jewish populations. In other words, the mild increase in the subjective poverty rate in the general population reflects opposing trends between Jews and Arabs.

Figure: Proportion of Individuals Feeling Poor in the Last Year, by Ethnicity and Religiousness, 2018-2020*



Inability to Finance Expenses, Waiving Consumption and Treatments Due to Economic Difficulty

Only about 25% (compared to approximately 30% in the previous two years) positively answered the question of whether their household was unable to finance all its expenses in the compared years, in other words, there was an apparent trend of improvement (see table below). This is caused, among other things, by the fact that private consumption dropped by a significant rate in 2020, which is due in particular to lockdowns and restrictions on business activity. Moreover, in 2020, the country engaged in assisting needy populations both by raising transfer

payments and through food aid. In addition, **there was a slight decrease over the years in the proportion of people who had waived a hot meal (for economic reasons) – from 6.8% in 2018 to 6.4% in 2019, and to 5.4% in 2020** – similar to the rate of respondents who waived leisure activities and hobbies due to economic difficulties. The share of people who waived prescription drugs due to their economic situation also narrowed slightly from 2019 to 2020. The components related to the various expenses generally indicate stability and improvement in respondents' situations. They thereby support the trends arising from this report in relation to official poverty, which is measured by income, although they somewhat contradict general perceptions in relation to the slight increase in subjective poverty as shown by the figure above. The increase in subjective poverty may reflect uncertainty in relation to the duration and depth of the crisis.

Table 1: Proportion of People Waiving Consumption and Treatments Due to Economic Difficulties, 2018-2020¹

| | 2018 | 2019 | 2020 |
|---|------|------|------|
| The proportion of households unable to economic all monthly expenses | 30.2 | 30.2 | 25.8 |
| Waiving consumption and treatments | | | |
| The rate of individuals who waived medical treatment due to economic difficulties ² | 9.4 | 9.8 | 9.8 |
| The rate of individuals who waived prescription drugs due to economic difficulties ³ | 7.1 | 6.6 | 5.9 |
| The rate of individuals who waived hot meals at least once every two days due to financial economic | 6.8 | 6.4 | 5.4 |
| The rate of individuals who waived a hobby or leisure activity due to economic difficulties | 29.3 | 30.5 | 30.0 |

¹ Processing by the Research and Planning Administration for CBS's Social Surveys.

² Out of those needing medical treatment.

³ Out of those needing prescription drugs.

The findings divided by population categories (Figure 2) show that in 2020 most groups indicate an improvement from 2019 to 2020 in terms of the rate of people waiving vital products and services. Arabs are the exception, waiving medical treatment at a higher rate, although it decreased for prescription drugs and hot meals. The share of people waiving hobbies or leisure activities increased for Arabs and Haredim alike in 2020, although this may be due to restrictions imposed in the wake of the COVID-19 pandemic (despite being asked in the context of economic situation).

Table 2: Waiving of Products, by Ethnicity and Religiousness Categories, 2018-2020

| Ethnic group | Waiver | 2018 | 2019 | 2020 |
|-----------------|--------------------|------|------|------|
| Jews | Medical treatment | 7.9 | 8.7 | 8.5 |
| | Prescription drugs | 4.9 | 4.9 | 4.6 |
| | Hobbies | 27.9 | 27.5 | 26.2 |
| | Hot meal | 4.9 | 4.5 | 4.3 |
| Non-Haredi Jews | Medical treatment | 7.9 | 8.3 | 8.1 |
| | Prescription drugs | 4.9 | 4.9 | 4.4 |
| | Hobbies | 27.3 | 26.3 | 24.5 |
| | Hot meal | 4.6 | 4.0 | 4.0 |
| Haredim | Medical treatment | 8.1 | 14.5 | 13.5 |
| | Prescription drugs | 5.4 | 5.4 | 7.9 |
| | Hobbies | 33.2 | 38.4 | 41.6 |
| | Hot meal | 7.5 | 9.5 | 6.8 |
| Arabs | Medical treatment | 16.1 | 14.9 | 16.2 |
| | Prescription drugs | 16.7 | 14.0 | 12.3 |
| | Hobbies | 36.0 | 43.9 | 48.3 |
| | Hot meal | 15.6 | 14.8 | 10.7 |

Estimated Dimension of Poverty and Inequality in 2021

2021 was also affected to a great extent by the economic crisis and policy changes implemented during that year, primarily by the cancellation of relaxed conditions of entitlement to unemployment benefit in its second half. A microsimulation was conducted in order to estimate poverty and inequality trends that year, and the effect of government intervention on those parameters.

The estimates for 2021 are based on partial figures: wage data for employees exist until the end of June 2021, which is also the period after which unemployment benefit dispensations were canceled. Based on information gathered from various parties (CBS and Employment Service), it was assumed that half of workers up to the age of 45, who stopped receiving unemployment benefit after June 2021, found employment in the ensuing months, while the other half remained unemployed and without unemployment benefits¹⁵. A similar assumption was made in relation to workers above the age of 45, although in that case the unemployment benefit for unpaid leave could continue until the end of October 2021, meaning that estimates were made only for two months rather than for half a year. The wage imputed to employees who found employment corresponded to **the average wage during their months of work** from January 2020 to June 2021. For self-employed workers, their 2020 income was left unchanged, including added grants (see also the introduction chapter).

National insurance allowances, for which figures were available at the time of the simulation until end of October 2021, were estimated in November and December according to the average in the preceding three months. One-time benefits, such as work injury allowance, birth grants and maternity allowance, were excluded. Of course, this time the universal grants offered in 2020 were not given.

The findings show that whereas poverty measured by economic income decreased slightly in 2021 compared to 2020 following the national economic recovery (albeit remaining high compared to 2019, which was not affected by the crisis at all), the poverty estimated by net income including government intervention increased (Table 7). Thus, the incidence of poverty among families by net income increased from 20.4% to 21.5%, thus reverting more or less to the 2019 level. The incidence of poverty among individuals and children decreased from 21.6% and 29.2% **in 2019** to 21.0% and 28.7%, respectively, **in 2020**; and subsequently **increased, according to estimates, to 22.7% and 31.2%, respectively, in 2021** – i.e., they even rose above the 2019 figures prior to the crisis. Similarly, the poverty gap ratio increased from 38.2% to 40.9% between 2020 and 2021, to a level that was about one percent higher than in 2019.

¹⁵ According to the personnel survey data prior to the discontinuation of dispensations in unemployment benefits in June 2021, the number of people who were unemployed and outside the workforce for COVID-19 reasons was approximately 90 thousand lower than in the second half of October. According to Employment Service's estimates, after the relaxed conditions were canceled, the number of unemployment benefit recipients remaining unemployed was higher. According to the results of our simulation, about 130 thousand on average remained unemployed after the discontinuation of their unemployment benefit dispensations in the second half of 2021, a minor proportion (approximately 3%) also transitioned to other benefits systems (such as income support, general disability).

Table 7: Poverty and Inequality Indices for the General Population (Percentages), 2019-2020 and 2021 Estimate, Simulation Results

| | 2019 | 2020 | Estimate-2021 |
|--|--------|--------|---------------|
| By economic income | | | |
| Incidence of poverty among families | 36.7 | 40.8 | 40.0 |
| Incidence of poverty among individuals | 32.2 | 36.3 | 35.5 |
| Incidence of poverty among children | 36.5 | 40.9 | 39.9 |
| Incidence of poverty among the elderly | 49.0 | 50.3 | 49.6 |
| Poverty gap ratio | 60.9 | 61.6 | 65.0 |
| Severity of poverty index | 48.3 | 48.7 | 53.6 |
| Gini index (number) | 0.5010 | 0.5221 | 0.5344 |
| By net income | | | |
| Incidence of poverty among families | 21.2 | 20.4 | 21.5 |
| Incidence of poverty among individuals | 21.6 | 21.0 | 22.7 |
| Incidence of poverty among children | 29.2 | 28.7 | 31.2 |
| Incidence of poverty among the elderly | 15.8 | 13.5 | 13.1 |
| Poverty gap ratio | 39.6 | 38.2 | 40.9 |
| Severity of poverty index | 23.7 | 22.1 | 25.1 |
| Gini index (number) | 0.3758 | 0.3703 | 0.3824 |
| Decrease in dimensions of poverty and inequality as a result of government intervention | | | |
| Incidence of poverty among families | 42.3 | 50.1 | 46.4 |
| Incidence of poverty among individuals | 32.8 | 42.0 | 36.1 |
| Incidence of poverty among children | 19.8 | 29.7 | 21.8 |
| Incidence of poverty among the elderly | 67.9 | 73.1 | 73.5 |
| Poverty gap ratio | 35.0 | 38.0 | 37.0 |
| Severity of poverty index | 51.0 | 54.6 | 53.1 |
| Gini index | 25.0 | 29.1 | 28.4 |

The national economic growth in 2021 did not percolated evenly to all populations, resulting in increased economic income inequality. The government policy managed to reduce inequality from 0.5344 by economic income to 0.3824 by net income, yet because of the decrease in assistance in 2021, which was given as part of social security during the COVID-19 period, **inequality in 2021 according to net income was higher than in 2020 by over 3.3% - an increase from 0.3703 to 0.3824 between the two years, an even higher level than in 2019.**

The contraction rate of poverty following government intervention decreased slightly, and is comparable to its average between 2019 and 2020 (since policy changes occurred, as mentioned, in the second half of the year). Thus, for example, in 2021, government intervention reduced poverty by 36% among individuals and approximately 22% among children, in comparison with nearly 42% and 30%, respectively, in 2020.

This means that whereas in markets, which without government intervention, saw an improvement in their situation in 2020, government policy, primarily caused, most likely, by the cessation of relaxed eligibility conditions for unemployment benefits, led to a raise in poverty indices in the population in 2021 compared to the preceding year, which requires supplementary solutions in the labor market field.

Appendices

Table, Appendix 1: Family Economic Income and Net Income, by Year, 2020 Prices by Population Groups

| Population types | Economic income | | | Net income | | |
|---|-----------------|---------|-------------------------------------|------------|--------|-------------------------------------|
| | 2019 | 2020 | Change percentage from 2019 to 2020 | 2019 | 2020 | Change percentage from 2019 to 2020 |
| General population | 74,329 | 71,406 | -3.9% | 77,703 | 79,459 | 2.3% |
| Family head's ethnicity | | | | | | |
| Jews | 80,747 | 78,103 | -3.3% | 83,655 | 85,711 | 2.5% |
| Non-Haredi Jews | 84,710 | 82,072 | -3.1% | 86,613 | 88,784 | 2.5% |
| Haredim | 39,758 | 37,804 | -4.9% | 53,058 | 54,510 | 2.7% |
| Arabs | 42,851 | 39,579 | -7.6% | 48,512 | 49,747 | 2.5% |
| Family composition | | | | | | |
| Families with children | 75,340 | 72,184 | -4.2% | 67,121 | 68,309 | 1.8% |
| Families with 1-3 children | 82,175 | 78,752 | -4.2% | 72,290 | 73,427 | 1.6% |
| Families with 4 children or more | 42,950 | 41,165 | -4.2% | 42,629 | 44,138 | 3.5% |
| Families with 5 children or more | 31,022 | 29,734 | -4.2% | 34,785 | 36,346 | 4.5% |
| Single-parent families | 53,147 | 51,189 | -3.7% | 59,773 | 61,153 | 2.3% |
| Labor market status (of at least one member of family) | | | | | | |
| Working | 90,521 | 87,331 | -3.5% | 83,611 | 85,281 | 2.0% |
| Salaried employees | 90,919 | 87,973 | -3.2% | 83,569 | 85,482 | 2.3% |
| Self-employed | 104,455 | 98,274 | -5.9% | 91,654 | 90,676 | -1.1% |
| Head of Family Aged 18-Retirement Age and No Member is Employed | 3,567 | 3,490 | -2.2% | 31,283 | 32,495 | 3.9% |
| Number of breadwinners | | | | | | |
| Single breadwinner | 74,433 | 72,306 | -2.9% | 75,341 | 77,525 | 2.9% |
| Two or more breadwinners | 105,342 | 101,745 | -3.4% | 91,229 | 92,721 | 1.6% |
| Household head's age | | | | | | |
| Household head aged up to 29 | 42,001 | 38,850 | -7.5% | 46,384 | 47,235 | 1.8% |
| Household head aged 30-44 | 78,783 | 75,079 | -4.7% | 70,894 | 72,260 | 1.9% |
| Head of household aged 45-retirement age | 101,471 | 96,658 | -4.7% | 91,494 | 91,782 | 0.3% |
| At retirement age (62 for men and 67 for women) | 51,144 | 51,039 | -0.2% | 85,334 | 88,787 | 4.0% |
| Household head's gender | | | | | | |
| Male household head | 88,780 | 85,847 | -3.3% | 84,044 | 85,752 | 2.0% |
| Female household head | 55,604 | 53,383 | -4.0% | 69,486 | 71,605 | 3.0% |

Table, Appendix 2: Number of individuals, Children and Elderly, 2019-2020

| Number of individuals | 2019 | 2020 |
|---------------------------|-----------|-----------|
| General population | | |
| Individuals | 8,984,300 | 9,149,040 |
| Children | 2,966,180 | 3,008,940 |
| Elderly | 1,137,010 | 1,173,150 |
| Poor population | | |
| Individuals | 1,943,710 | 1,925,020 |
| Children | 867,320 | 864,630 |
| Elderly | 179,150 | 158,770 |

Table, Appendix 3: Direct Effect of Policy Measures to Deal with COVID-19 Crisis on the Incidence of Poverty among Individuals, by Population Groups (Percentages)

| Different population types | Economic poverty | If policy steps had not been taken | Ordinary unemployment benefits | Grants for the self-employed | First grant (livelihood allowance, old-age pension and child allowance recipients) | Grant for the general population (August) |
|--|------------------|------------------------------------|--------------------------------|------------------------------|--|---|
| General population | 36.3 | 25.6 | 22.2 | 22.2 | 21.8 | 21.0 |
| Family head's ethnicity | | | | | | |
| Jewish | 31.6 | 20.1 | 17.1 | 17.0 | 16.7 | 16.0 |
| Non-Haredi Jew | 26.0 | 15.4 | 12.6 | 12.5 | 12.3 | 11.8 |
| Haredi | 64.6 | 47.8 | 43.6 | 43.5 | 42.8 | 41.2 |
| Arab | 53.3 | 45.6 | 41.0 | 41.0 | 40.5 | 39.2 |
| Family composition | | | | | | |
| With children | 36.5 | 30.2 | 26.3 | 26.2 | 25.8 | 24.8 |
| With 1-3 children | 27.9 | 22.0 | 18.1 | 18.0 | 17.7 | 16.9 |
| With 4 or more children | 59.6 | 52.1 | 48.3 | 48.3 | 47.5 | 46.0 |
| With 5 or more children | 70.2 | 61.1 | 57.7 | 57.7 | 56.9 | 55.2 |
| Single-parent families | 51.9 | 32.1 | 27.3 | 27.3 | 26.6 | 25.4 |
| Labor market status (of at least one member of family) | | | | | | |
| Working | 29.9 | 22.7 | 19.0 | 18.9 | 18.6 | 17.8 |
| Employee | 29.1 | 22.0 | 18.1 | 18.1 | 17.8 | 17.0 |
| Self-employed | 25.2 | 20.4 | 18.0 | 17.7 | 17.4 | 16.6 |
| Head of Family Aged 18- Retirement Age and No Member is Employed | 97.3 | 76.9 | 74.7 | 74.7 | 74.5 | 73.8 |
| Number of breadwinners in the family | | | | | | |
| One wage breadwinner | 53.2 | 40.4 | 35.9 | 35.9 | 35.5 | 34.4 |
| Two or more wage breadwinners | 19.1 | 14.5 | 11.1 | 11.0 | 10.7 | 10.1 |
| Family head's age | | | | | | |
| Up to age of 29 | 61.3 | 51.0 | 45.6 | 45.6 | 45.2 | 44.0 |
| Aged 30-44 | 37.6 | 31.8 | 27.5 | 27.5 | 27.0 | 26.1 |
| Aged 45- retirement age | 24.1 | 17.2 | 14.2 | 14.1 | 13.9 | 13.3 |
| Of retirement age (62 for women and 67 for men) | 48.6 | 14.6 | 14.1 | 14.0 | 13.7 | 13.1 |
| Family head's gender | | | | | | |
| Man | 28.3 | 21.9 | 18.8 | 18.8 | 18.5 | 17.8 |
| Woman | 48.5 | 31.3 | 27.4 | 27.4 | 26.9 | 26.0 |

Table, Appendix 4: Poverty and Inequality Indices of the Population, 2012-2020

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| By economic income | | | | | | | | | |
| Incidence of poverty among families | 39.7 | 39.0 | 38.5 | 37.7 | 36.7 | 36.7 | 36.5 | 36.7 | 40.8 |
| Incidence of poverty among individuals | 35.2 | 34.7 | 34.3 | 33.5 | 32.8 | 32.2 | 32.0 | 32.2 | 36.3 |
| Incidence of poverty among children | 40.1 | 40.0 | 39.6 | 38.5 | 38.0 | 36.8 | 36.5 | 36.5 | 40.9 |
| Incidence of poverty among the elderly | 54.7 | 53.7 | 52.4 | 51.1 | 48.7 | 49.9 | 49.2 | 49.0 | 50.3 |
| Income gap ratio | 65.4 | 64.5 | 63.9 | 63.2 | 61.3 | 61.6 | 60.9 | 60.9 | 61.6 |
| Gini index for income inequality | 0.5356 | 0.5274 | 0.5246 | 0.5161 | 0.5057 | 0.5048 | 0.5009 | 0.5010 | 0.5221 |
| By net income | | | | | | | | | |
| Incidence of poverty among families | 21.8 | 21.8 | 21.7 | 22.6 | 21.7 | 21.6 | 21.4 | 21.2 | 20.4 |
| Incidence of poverty among individuals | 22.6 | 22.9 | 23.0 | 23.2 | 22.5 | 22.0 | 21.8 | 21.6 | 21.0 |
| Incidence of poverty among children | 30.8 | 31.4 | 31.9 | 31.4 | 30.8 | 29.7 | 29.5 | 29.2 | 28.7 |
| Incidence of poverty among the elderly | 14.4 | 15.5 | 14.8 | 18.4 | 16.2 | 17.0 | 17.1 | 15.8 | 13.5 |
| Income gap ratio | 42.5 | 41.5 | 41.8 | 41.0 | 40.4 | 40.1 | 39.4 | 39.6 | 38.2 |
| Gini index for inequality in income | 0.4030 | 0.3964 | 0.3971 | 0.3948 | 0.3835 | 0.3819 | 0.3773 | 0.3758 | 0.3703 |

Table, Appendix 5: Proportion of Selected Groups among General Population and Poor Population (Percentages), 2019

| Population category (families) | General population | | Poor population | | | |
|--|--------------------|-------------|---|-------------|--|-------------|
| | | | Before transfer payments and direct taxes | | After the transfer payments and direct taxes | |
| | Families | Individuals | Families | Individuals | Families | Individuals |
| Family head's ethnicity | | | | | | |
| Jewish | 83.1 | 78.6 | 76.6 | 68.3 | 68.9 | 60.5 |
| Non-Haredi Jew | 75.7 | 67.5 | 65.1 | 47.3 | 56.4 | 38.5 |
| Haredi | 7.3 | 11.1 | 11.5 | 21.0 | 12.5 | 22.0 |
| Arab | 16.9 | 21.4 | 23.4 | 31.7 | 31.1 | 39.5 |
| Family composition | | | | | | |
| With children | 37.3 | 63.1 | 29.9 | 62.7 | 39.3 | 73.4 |
| With 1-3 children | 30.8 | 46.0 | 20.5 | 33.1 | 25.4 | 36.2 |
| With 4 or more children | 6.5 | 17.1 | 9.4 | 29.6 | 13.8 | 37.2 |
| With 5 or more children | 3.2 | 9.6 | 5.6 | 20.0 | 8.3 | 25.2 |
| Families headed by a single parent | 5.2 | 5.7 | 6.3 | 8.4 | 5.8 | 6.9 |
| Labor market status (of at least one member of family) | | | | | | |
| Working | 77.9 | 88.1 | 51.1 | 70.1 | 57.4 | 75.0 |
| Employee | 73.9 | 84.7 | 47.5 | 65.6 | 53.4 | 69.8 |
| Self-employed | 14.4 | 18.5 | 7.1 | 11.5 | 8.6 | 13.3 |
| Head of Family Aged 18- Retirement Age and No Member is Employed | 7.1 | 4.7 | 18.8 | 14.3 | 23.2 | 16.4 |
| Number of breadwinners in the family | | | | | | |
| One breadwinner | 37.3 | 26.9 | 37.8 | 41.3 | 42.0 | 45.0 |
| Two or more breadwinners | 40.5 | 61.1 | 13.3 | 28.8 | 15.4 | 30.0 |
| Family head's age | | | | | | |
| Up to 29 | 14.3 | 9.9 | 20.5 | 16.8 | 28.8 | 20.1 |
| 30-44 | 28.4 | 38.5 | 21.7 | 38.9 | 28.2 | 46.8 |
| 45-retirement age | 33.1 | 37.6 | 21.1 | 23.7 | 22.0 | 23.3 |
| Of retirement age (62 for women and 67 for men) | 24.2 | 14.0 | 36.7 | 20.5 | 21.0 | 9.8 |
| Family head's gender | | | | | | |
| Man | 56.4 | 61.9 | 43.2 | 46.9 | 49.3 | 51.8 |
| Woman | 43.6 | 38.1 | 56.8 | 53.1 | 50.7 | 48.2 |

Table, Appendix 6: Proportion of Selected Groups among General Population and Poor Population (Percentages), 2020

| Population category (families) | Poor population | | | | | |
|---|--------------------|------|---|-------------|--|-------------|
| | General population | | Before transfer payments and direct taxes | | After the transfer payments and direct taxes | |
| | | | Families | Individuals | Families | Individuals |
| Family head's ethnicity | | | | | | |
| Jewish | 82.6 | 78.4 | 75.9 | 68.3 | 67.4 | 59.8 |
| Non-Haredi Jew | 75.2 | 67.0 | 64.7 | 48.1 | 54.7 | 37.5 |
| Haredi | 7.4 | 11.4 | 11.1 | 20.2 | 12.7 | 22.3 |
| Arab | 17.4 | 21.6 | 24.1 | 31.7 | 32.6 | 40.2 |
| Family composition | | | | | | |
| With children | 37.3 | 63.1 | 31.3 | 63.5 | 40.4 | 74.2 |
| With 1-3 children | 30.8 | 46.0 | 22.1 | 35.4 | 26.3 | 36.8 |
| With 4 or more children | 6.5 | 17.1 | 9.1 | 28.1 | 14.1 | 37.4 |
| With 5 or more children | 3.2 | 9.6 | 5.3 | 18.6 | 8.4 | 25.3 |
| Single-parent families | 5.3 | 5.9 | 6.5 | 8.4 | 6.0 | 7.1 |
| Labor market status (of at least one member of family) | | | | | | |
| Working | 77.1 | 87.6 | 54.5 | 72.3 | 56.7 | 74.1 |
| Employee | 72.9 | 84.0 | 50.4 | 67.3 | 51.7 | 67.8 |
| Self-employed | 14.6 | 18.8 | 8.3 | 13.0 | 9.8 | 14.8 |
| Head of Family Aged 18-Retirement Age and No Member is Employed | 7.8 | 5.2 | 18.4 | 13.9 | 25.7 | 18.2 |
| Number of breadwinners in the family | | | | | | |
| One wage breadwinner | 37.7 | 27.9 | 39.1 | 40.9 | 41.9 | 45.5 |
| Two or more breadwinners | 39.3 | 59.7 | 15.4 | 31.4 | 14.8 | 28.6 |
| Family head's age | | | | | | |
| Aged up to 29 | 13.6 | 9.5 | 19.8 | 16.1 | 28.7 | 19.9 |
| Aged 30-44 | 28.3 | 38.0 | 23.3 | 39.4 | 29.1 | 47.1 |
| Aged 45- retirement age | 33.4 | 38.2 | 22.6 | 25.4 | 23.0 | 24.1 |
| Of retirement age (62 for women and 67 for men) | 24.7 | 14.3 | 34.3 | 19.1 | 19.2 | 8.9 |
| Family head's gender | | | | | | |
| Man | 55.5 | 60.5 | 43.9 | 47.2 | 49.5 | 51.2 |
| Woman | 44.5 | 39.5 | 56.1 | 52.8 | 50.5 | 48.8 |

Table, Appendix 7: Incidence of Poverty, by District and Major Cities (Percentages), 2019-2020

| | 2019 | | | | | | | 2020 | | | | | | |
|--------------------------|----------------------|-------------|----------|---------|-------------------|---------------------|----------------------|-------------|----------|---------|-------------------|---------------------|--|--|
| | Incidence of poverty | | | | Poverty gap ratio | Severity of poverty | Incidence of poverty | | | | Poverty gap ratio | Severity of poverty | | |
| | Families | Individuals | Children | Elderly | | | Families | Individuals | Children | Elderly | | | | |
| Total | 21.2 | 21.6 | 29.2 | 15.8 | 39.6 | 23.7 | 20.4 | 21.0 | 28.7 | 13.5 | 38.2 | 22.1 | | |
| Jerusalem | 36.2 | 40.4 | 50.5 | 20.1 | 45.1 | 28.6 | 36.4 | 40.5 | 50.4 | 19.0 | 43.6 | 26.9 | | |
| Jerusalem City | 38.1 | 42.6 | 52.7 | 21.0 | 45.5 | 29.1 | 38.4 | 42.7 | 52.8 | 20.0 | 44.1 | 27.5 | | |
| North | 24.2 | 23.3 | 30.3 | 19.9 | 35.7 | 19.7 | 22.8 | 22.2 | 29.5 | 15.9 | 34.3 | 18.2 | | |
| Haifa | 19.6 | 17.8 | 23.0 | 16.3 | 36.9 | 21.7 | 18.4 | 16.9 | 22.1 | 13.4 | 35.4 | 20.1 | | |
| Haifa City | 19.4 | 15.7 | 18.3 | 17.6 | 37.9 | 23.8 | 18.6 | 15.2 | 18.0 | 15.3 | 36.0 | 21.8 | | |
| Center | 14.7 | 12.4 | 15.3 | 12.3 | 38.1 | 23.1 | 14.0 | 11.9 | 14.9 | 10.7 | 36.7 | 21.6 | | |
| Rishon Letzion City | 11.8 | 8.5 | 9.2 | 10.3 | 38.2 | 23.9 | 11.0 | 8.1 | 9.1 | 8.8 | 35.6 | 21.3 | | |
| Petach Tikva City | 13.1 | 9.8 | 10.5 | 12.2 | 35.4 | 21.3 | 12.4 | 9.3 | 10.1 | 10.4 | 33.8 | 19.8 | | |
| Tel Aviv | 16.0 | 15.6 | 21.1 | 12.8 | 37.6 | 22.3 | 15.5 | 15.2 | 20.8 | 11.7 | 36.4 | 21.2 | | |
| Tel Aviv City | 14.9 | 12.2 | 12.5 | 13.7 | 42.3 | 28.1 | 14.8 | 12.3 | 12.6 | 12.8 | 41.7 | 27.4 | | |
| The south | 24.5 | 25.9 | 35.3 | 19.8 | 40.3 | 24.0 | 23.4 | 25.1 | 34.6 | 16.2 | 38.8 | 22.3 | | |
| Ashdod City | 22.4 | 21.9 | 29.5 | 22.2 | 37.4 | 22.1 | 20.6 | 20.6 | 28.7 | 18.3 | 35.5 | 19.9 | | |
| Beer Sheva | 21.4 | 18.4 | 23.7 | 20.1 | 39.1 | 23.9 | 20.1 | 17.4 | 22.8 | 16.4 | 37.6 | 22.4 | | |
| Judea and Samaria | 23.3 | 26.3 | 33.0 | 13.0 | 36.9 | 19.8 | 22.8 | 25.8 | 32.5 | 11.4 | 34.8 | 18.0 | | |

