

The Adva Center annual report, **Israel: A Social Report – 2008/2008** was published today. Most of its data refers to 2008, the last quarter of which marked a global financial and economic crisis.

The report shows that 2008 was characterized by an increase in inequality in salaries, household income, and success rates in matriculation (bagrut) exams. High levels of inequality were also found in higher education, health and retirement savings.

The following are the main findings:

- In 2008, the average gross monthly income of households headed by salaried persons within the top income bracket (decile) **increased**, if only slightly; the average incomes of households in all other income brackets **decreased**.
- In 2008, the *share* of the top income bracket of households out of total household income **increased**, from 28.3% in 2007 to 28.6%; the *share* of households in most of the other income brackets **decreased**.
- In 2008, women's average monthly wage was NIS 6,077 – 63.1% of men's average monthly wage. Women's average hourly wage was NIS 41.2% - 82.7% of men's hourly wage.
- In 2008, number of households in the middle class decreased, from 27.7% in 2007 to 27.1% of total households in 2008; its share in the income pie of all households decreased from 21.0% to 20.7%. (The middle class is here defined as all households whose income is between 75% and 125% of median household income.)
- In 2008, the average monthly wage of urban salaried workers of **Ashkenazi** origin (Israeli-born to fathers from Europe or the Americas) **increased** relative to the average monthly wage of all urban salaried workers by one percentage point - from 37% above the average in 2007 to 38% above the average in 2008. In contrast, the average monthly wage of their **Mizrahi** counterparts (Israeli-born to fathers from Asia or Africa) **decreased** by six percentage points - from 6% above the average to the average. This is the first decrease in a decade which has seen a steady increase in the average wage of Mizrahi urban salaried workers. At the same time, the average monthly wage of **Arab** urban salaried workers **decreased** by four percentage points, from 71% of the average wage to 67%, thus returning to the 2000 wage level.
- In 2008, the annual salary bill of senior executives in companies included in the "Tel Aviv 25" list, (the 25 largest Israeli companies in the Stock Exchange) increased by 7%, rising to NIS 9.35 million – or NIS 770,000 per month, which is 95 times the average wage.

Inequality in Education

In 2008, only 44.4% of 17 year-olds passed the matriculation exams (including winter exams). This is the lowest success rate of the decade. In 2007, the success rate was 46.3%. While the success rate did increase during the first part of the decade (from 45.3% to 49.2% in 2004), the trend reversed thereafter.

- When the total success rate is disaggregated by locality, it turns out that the national average success rate obscures an increase in inequality. **Affluent localities** did not experience a reduction in success rates; their average success rate increased from 63.8% in 2004 to 67.1% in 2008. In contrast, the average success rate among **development towns** decreased from 54.2% in 2004 to 46.9% in 2008. In **Arab localities** (excluding East Jerusalem), the average success rate also decreased, from 42.2% to 32.4%.

Inequality in Access to Health Services

- In 2008, household expenditures on private and supplemental health insurance policies increased. The monthly outlay on these items of households in the highest income bracket

rose from NIS 327 to NIS 341 and that of households in the second lowest income bracket increased from NIS 73 to NIS 82.

· In 2008, the gap continued to widen between the **desired level of financing** of the basket of health services provided by the health funds and the **actual level of financing**. Had the financing of the basket of health services been fully indexed year after year, its cost would now be NIS 34.8 billion rather than NIS 26.6 billion.

Inequality in Pension Savings

· In 2008, households in the top income bracket deposited a monthly average of NIS 991 into retirement savings; households in the bottom income bracket deposited an average of NIS 33.

Israel: A Social Report contends that Israel's political leadership is putting all their eggs in the economic growth basket. However, economic growth alone will probably not decrease the level of inequality in Israeli society. Over the course of five years of economic growth - between 2004 and 2008 - no decrease in inequality occurred. One reason for this is that economic growth itself was uneven, with investments benefitting a small section of the economy and only some parts of the country.

The report states that Israel's economic development over the last decade was adversely affected by the absence of a political agreement with the Palestinians. While in East Asia and Eastern Europe, GDP per capita experienced high growth – an average of 9.3% per year in China and 4.3% in Poland - GDP per capita in Israel grew by only 1.8%. This was due to the fact that during the period of the second Intifadah, GDP per capita in Israel decreased. While the rich countries of the West also registered low growth rates, their GDP per capita were much higher than Israel's. For Israel to follow suit and replicate the experiences of countries like China and Poland, it needs to grow at a faster rate. Long-term, continuous, rapid economic growth requires economic stability.