

Israel's Middle Class 1992–2010:

Who are we talking about?

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Executive Summary

This report examines Israel's middle stratum, defined as households headed by salaried workers whose income is 75-125% of the median income of such households, at three points in time: 1992, 2002, and 2010.

The middle stratum in Israel, as reflected in the data below, differs considerably from the portrait of the middle class that emerges from literature, sociology, and the western media (e.g., D. Birenbaum-Carmeli, 2001). Rather, it resembles, in many respects, the working class in the western world. Israelis who resemble the middle class in western countries are to be found higher on the Israeli income scale. This is a reflection of the high degree of inequality in the Israeli labor market, where approximately one third of salaried employees earn no more than the minimum wage (referred to in this report as the bottom stratum), another third or so earn between the minimum and the average wage (the middle stratum in this report), and fewer than the remaining third earn the average wage or more (the top stratum in this report).

During the course of the two decades reviewed in this report, the middle stratum contracted, while the top stratum grew and the bottom stratum expanded even more.

Steven Pressman, who conducts comparative research on the middle stratum, points out that in the mid-2000s, the size of the middle stratum in every country was largely a function of budget policies, the social safety net, and taxation. In Scandinavian countries, which provide a generous safety net and progressive taxation, about half the households fall into the middle stratum. By contrast, only about a third of households in English-speaking countries are in the middle stratum. The access to and size of child

allowances, paid maternity leave, unemployment and disability insurance, and pension funds particularly affect the size of the middle stratum. Pressman's findings (2009) about the size of the middle stratum in various countries, before and after transfer payments and taxation, support the claim that generous social policies and good public services have a significant effect on the size of the middle stratum.

Israel's labor market and social policies have not managed to expand the middle stratum; in fact, this layer has contracted. The shrinking of the middle stratum has been marked by a polarized distribution of income between the other two strata.

These findings are not surprising in light of the declining share of the national income enjoyed by workers vis-à-vis employers and the policy of reduced public spending, which led to across-the-board cuts in the social safety net in Israel over the past decade.

Main characteristics of the middle stratum in Israel

Distribution of income between strata

The income gap in Israel increased between 1992 and 2010: The proportion of households in the middle stratum declined from 30.8% to 27.8%, and its share of the national income declined by 3.4%. Disparities also widened between the median income of households in the three strata.

Home ownership

In 2010, more than 70% of families in the middle stratum (defined for purposes of this indicator as deciles 5-7 of household income) owned their own

home, with the price of their apartments ranging from an average of NIS 900,000 for households in the fifth income decile to NIS 1.2 million for households in the seventh income decile.

The gap between the middle and top deciles was more pronounced with respect to the value of these apartments than home ownership itself: An average apartment for a family in the highest decile costs twice as much as one owned by a family in the middle deciles.

It should be noted that home ownership in Israel declined between 1992 and 2010, the largest drop appearing for lower middle stratum households (the fifth decile).

Stratum and ethnic origin

In 2010, 28.5% of Jewish households in Israel belonged to the middle stratum, compared with 23.4% of Arab households. Whereas the decline of Jewish households in the middle stratum was accompanied by an increase in top-stratum households, the number of Arab households in the bottom stratum significantly increased.

Over time, the most striking change was in the top stratum: Households headed by Mizrahim or immigrants from the former Soviet Union doubled in this category: In 2010, 45.3% of households headed by Mizrahim and 27.2% of households headed by immigrants from the former Soviet Union belonged to the top stratum. Among households headed by a second generation Ashkenazi, about half were and remained in the top stratum.

Number of breadwinners

Most households in the middle stratum have two breadwinners, but there is a marked difference between the two sub-groups in this category: While 40.5% of the households in the lower-middle stratum

have one breadwinner, only 28.5% of the households in the upper-middle stratum make do with one. Between 1992 and 2010, the number of middle-stratum households with only one breadwinner declined by some 10%, and this decline was more evident in the lower-middle (13%) than the upper-middle (6%) sub-groups. Apparently more than one breadwinner was required to be part of the middle stratum in 2010 compared with 1992.

Occupation and economic sector¹

In 2010, the occupations most characteristic of the middle stratum were manufacturing, construction, and other skilled workers, as well as salespersons and service workers. In the lower-middle stratum, some 40% of all workers were employed in these categories of occupation combined. Another third were associate professionals², technicians, and clerical workers.

Academic professionals and managers can be found primarily in the top stratum, clearly distinguishing this group from the two lower strata.

The largest employer of household heads in the middle stratum is the public services sector, and this was true twenty years ago as well. On the other hand, the middle stratum (whether upper or lower) is particularly under-represented in the high-tech and financial professions, and this is true of the bottom stratum as well. Nevertheless, in high-tech, some 27% of all employees can be defined as belonging to the middle stratum.

Education

Regarding higher education, the middle stratum resembles the bottom stratum more than it does the top stratum. The proportion of those with an academic degree clearly divides the middle from the top stratum: In 2010, about a quarter of the household heads in the middle stratum had an academic

education, compared to roughly half of those in the top stratum.

In the middle and bottom strata, the largest category is of individuals having completed vocational or secondary school education – and this is constant through the last two decades.

From a gender perspective, the proportion of upper-middle strata households headed by men with non-academic schooling (post-secondary school or less) is higher than the proportion of these households headed by women; yet more than a third more women than men have an academic education. This means that men are more likely to reap the rewards of having an education than are women.

Place of residence

In a search for locales that typify the middle stratum, we can primarily point to Jewish development towns: The proportion of middle stratum households is higher there than in Arab towns or the more affluent Forum-15 cities³. Indeed, over the course of these years, the middle stratum expanded in development towns. On the other hand, the proportion of middle stratum households declined in Arab towns, while lower stratum households increased there.

Introduction: What is the Middle Class?

Why the middle class?

Ever since Aristotle, the middle class has been considered the foundation of a democratic society. In modern times, the middle class has grown as a result of the industrial revolution and the unprecedented expansion in the role of the state. A strong and broad-based middle class is considered vital for a stable and growing economy, as it both supplies workers for production and services and, on the other hand, is the primary consumer of these products and services. At the same time, the demographic size of the middle class and its share of the national income are measures of the equality of the society as a whole. Many scholars have pointed to the correlation between a strong middle class and economic development, growth, and the level of democracy in the state (see, for example, Acemoglu and Zilibotti, 1997; Landes, 1998; Barro, 1996; Easterly, 2001; Birdsall, Graham and Pettinato, 2000; Kharas, 2010; OECD, 2011).

The social protest movement in the summer and autumn of 2011 in Israel, the United States, and European countries raised public awareness about the distress of the middle class. Until then, protest about economic and social inequality in Israel had been the province of two main groups: Mizrahim from the lower strata (e.g., the Wadi Salib protests in the 1950s, the Black Panthers in the 1970s, the Tent Movement in the 1980s, and the Bread Protests in the 1990s), and Arab citizens of Israel, who have protested for years about economic and social inequality. The year 2011 was the first time that young people from Israel's middle class launched a protest that brought hundreds of thousands into the streets, most of them middle class citizens from the center of the country. At the heart of this protest was anger that the fruits of economic growth were being enjoyed primarily

by a small group of the affluent, while broad swathes of the Israeli public were finding it increasingly hard to access housing, education, and basic needs for themselves and their children.

In the 1980s, research began to show a trend of increased income disparities in many western countries and the shrinking of the middle class (Thurow, 1984, followed by others; see Swirski and Konor-Attias, 2007:5).

In recent years, studies conducted as part of the Luxembourg Income Study (LIS, LWS) paint a picture of declining income and property among the middle class⁴ in most European and North American countries – particularly with regard to income deciles three through six -- between the years 1980 and 2005 (Pressman, 2007, 2009). The countries where the middle class was least affected and remains large and stable are those that continue with generous transfer payments and a comprehensive public pension, such as the Scandinavian countries. In Britain and the United States, where transfer payments and public pensions are limited, the impact on the middle class has been particularly severe (Pressman, 2009; Mahler, Jesuit and Paradowski, 2010; Brandolini, 2010; Sierminski, Smeeding and Allegrezza, 2010). Similar findings emerged from studying the middle class after the 2008 economic crisis (Sierminski, Smeeding and Allegrezza, 2010).

What is the middle class?

The concept of class originates in nineteenth century Marxist thought. In the social-economic analysis of Marx, there are two classes in society, defined by their relationship to the means of production: The capitalist class, also called the bourgeoisie, controls the means of production, while the workers, the

productive class, provide labor. Twentieth century academic literature more commonly divides society into three social strata that differ from each other primarily with respect to their standard of living and patterns of consumption.

Based on this, statistical definitions were developed that relate to the middle class as a specific percentage of the population or define its size according to the income and property of the households.

This document reports on a statistical analysis of households headed by wage earners, and therefore the term “stratum” is used.

1. Statistical definitions

The middle stratum defined as approximately 60% of the households in Israel

Under this approach, households are divided into income deciles, and the middle stratum is defined as deciles 3 through 8, which comprise some 60% of households. This definition assigns the parameters of the middle stratum in advance and sets them very broadly. Research studies based on this definition show significant differences between deciles 3-6 and deciles 7-8 – in many respects the latter more closely resemble the top deciles (Dallinger, 2011; Mahler, Jesuit, and Paradowski 2010).

The middle stratum defined according to the median income of households

The most common definition sets the parameters of the middle stratum as 75% to 125% of the adjusted median income of households (e.g., Thurow, 1985; Birdsall, Graham, and Pettinato 2000; Pressman, 2007). This is the definition used in this document.

Critics claim that according to this definition, approximately one-third of the population – households with an income greater than 125% of the median income – belong to the top stratum, which is not reasonable. Therefore, they propose setting the

boundaries of the middle stratum at 75%-150% of the median household income, a definition that has also become common in the literature. Other researchers expand the middle stratum significantly by moving the upper limit to 200% and even 300% of the median household income (see the review in Brandolini, 2010:5).

The advantage to defining the middle stratum according to household income is that it enables tracking over time of changes in the size of the group and of its share of the income pie, and also allows for comparisons across countries.

The middle stratum defined according to property ownership

Other researchers claim that measuring the level of household income is insufficient, as one must also examine the ownership of assets, particularly liquid assets, which enable a household to cope with any wage crisis. This helps set boundaries between the middle and bottom strata, and also serves to indicate the status and stability of the middle stratum over time.

Research about property ownership in developed countries is based on a general examination of household assets according to a definition of “net worth” – assets after the deduction of liabilities. Others examine liquid assets, which enable a household to maintain the same standard of living during crisis periods, when wages are suspended for 3 or 6 months. What demarcates the middle stratum are assets or savings that protect the household from sinking into poverty immediately upon the onset of an income crisis for one of the wage earners (Sierminska, Smeeding and Allegrezza, 2010; Brandolini, 2010).

Research in five countries based on the Luxembourg Wealth Study (LWS) indicates that when the criterion of liquid assets is used – the existence of a sufficient amount of liquid assets to maintain a household at a time of crisis for at least three months – about half

the households in Germany and the United States currently classified as middle strata based on their earnings are actually asset poor. In all five countries, the middle stratum is significantly smaller when the criterion of liquid assets is used (Brandolini, 2010). In Israel, although information on property is collected by the Central Bureau of Statistics in its survey of family expenditures, the data are limited and do not allow for application of the criterion of liquid assets. To identify the middle stratum, researchers have used home- or car-ownership and the proportion of income spent on housing in addition to income. Other indicators used primarily in developing countries are the level of housing, daily purchasing power, the proportion of expenditures spent on food or health, and access to credit (Banerjee and Duflo, 2008).

Although assets and property ownership are important indicators for evaluating standard of living and wealth, the main drawback is the difficulty of collecting reliable data. Most of the data are based on surveys in which respondents estimate their property, and these reports can be unreliable. Furthermore, country comparisons are problematic because of differences in the cost of housing and the housing patterns. In any case, data collection about property is very limited in Israel and does not allow for the use of property as an indicator.

2. Sociological definitions

Sociological definitions of the middle class relate to values and the style of life: place of residence, occupation, an economic culture of saving and long-term planning, a limited number of children, financial investment in education, patterns of schooling, and the like (see, for example, Birenbaum-Carmeli, 2001). These definitions, however, are culture-bound and make it difficult to draw a clear line between the upper-middle class and the upper class.

A more measurable sociological definition is based on occupation – employment in specific occupations

or the level of professional skill of the head of the household (Brandolini, 2010). Others focus on the type of employment, distinguishing between day, seasonal, or contract workers versus full-time employees in a set place of work, which is characteristic of the middle class (Banerjee and Duflo, 2008). The problem with using these definitions in Israel is that educated workers with professional skills – social workers, teachers, and computer workers – are often employed via sub-contractors.

Definitions in this study

This paper examines in detail the characteristics of the middle stratum in Israel, comparing it to the other strata and surveying the changes over the past two decades. The analysis is based on household income data collected by the Central Bureau of Statistics for the years 1992, 2002, and 2010. We also made use of the surveys of household expenditures for home ownership.

The data relate to households headed by wage earners, which comprise an absolute majority of households. According to Bank of Israel data, only about 17% of households in the middle stratum are headed by self-employed persons (Bank of Israel, 13 March 2012).

We divided the households into three strata. The middle stratum was defined as households with gross median income amounting to 75%-125% of the total median income of households headed by wage earners. The bottom stratum included households with income under 75% of the median household income, and the top stratum included households with income of 125% or more of median household income.

The primary characteristics we examined were the size of the middle stratum and its share of the income pie, monthly income, home ownership, occupation, age, gender, ethnic origin, educational level, and place of residence.

1. The Size of the Middle Stratum and its Share of the National Income Pie

The middle stratum in Israel comprises slightly more than a quarter of households, after having shrunk over the past two decades.

Between 1992 and 2010, the proportion of households belonging to the middle stratum decreased by 9.7%. At the same time, the proportion of households in the bottom stratum increased by 5.5%, and in the top stratum, by 3.5%. Throughout this period, the middle stratum was the smallest of the three groups.

Table 1. Proportion of households in each stratum, 1992, 2002, and 2010

By gross median income of households headed by wage earners, in percentages

	1992	2002	2010
Bottom stratum	32.6	34.3	34.4
Middle stratum	30.8	28.1	27.8
Top stratum	36.5	37.6	37.8

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

International comparison

Steven Pressman published comparative data based on the Luxembourg Income Study defining the middle class as households with income amounting to 75%-150% of the adjusted gross median income. The data show clearly that Israel's middle class is among the smallest in western countries. Pressman notes that the greater the inequality in a given country, the smaller the middle class.

Table 2. Size of the middle stratum in selected countries – mid-2000s

Based on adjusted gross median income per household

Country	Proportion of Middle Stratum	Country	Proportion of Middle Stratum
Denmark (2004)	62.9%	Canada (2004)	46.2%
Sweden (2005)	61.1%	Greece (2004)	46.2%
Norway (2004)	59.7%	Britain (2004)	45.0%
Holland (2004)	58.5%	Spain (2004)	44.2%
Finland (2004)	55.8%	Ireland (2004)	42.9%
Belgium (2000)	55.0%	Australia (2003)	40.3%
Austria (2004)	54.6%	Russia (2000)	39.6%
Germany (2004)	52.1%	United States (2004)	38.6%
France (2005)	51.3%	Israel (2005)	36.0%
Switzerland (2004)	50.7%	Mexico (2004)	33.8%
Italy (2004)	46.8%	Brazil (2006)	33.5%

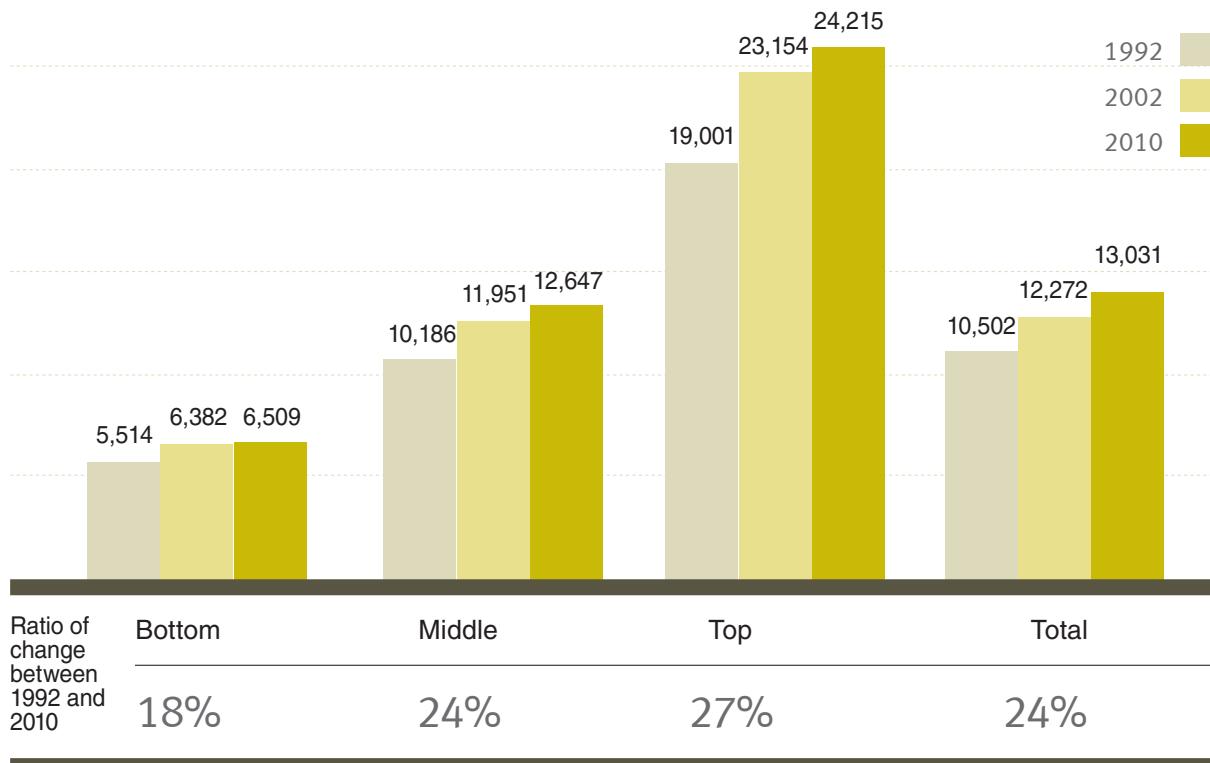
Source: Steven Pressman, 2007.

Income increased in all households – but particularly at the top

Between 1992 and 2010, the median income of households increased in all strata: The income increase in the top stratum was the largest, while the increase was more moderate in the bottom stratum. The gap slightly widened between the bottom and middle strata: In 1992, the median income of households in the bottom stratum was 54% that of the medium stratum, while this shrank to 51% in 2010.

Figure 1. Gross median income of households headed by wage earners, by stratum, 1992, 2002, and 2010

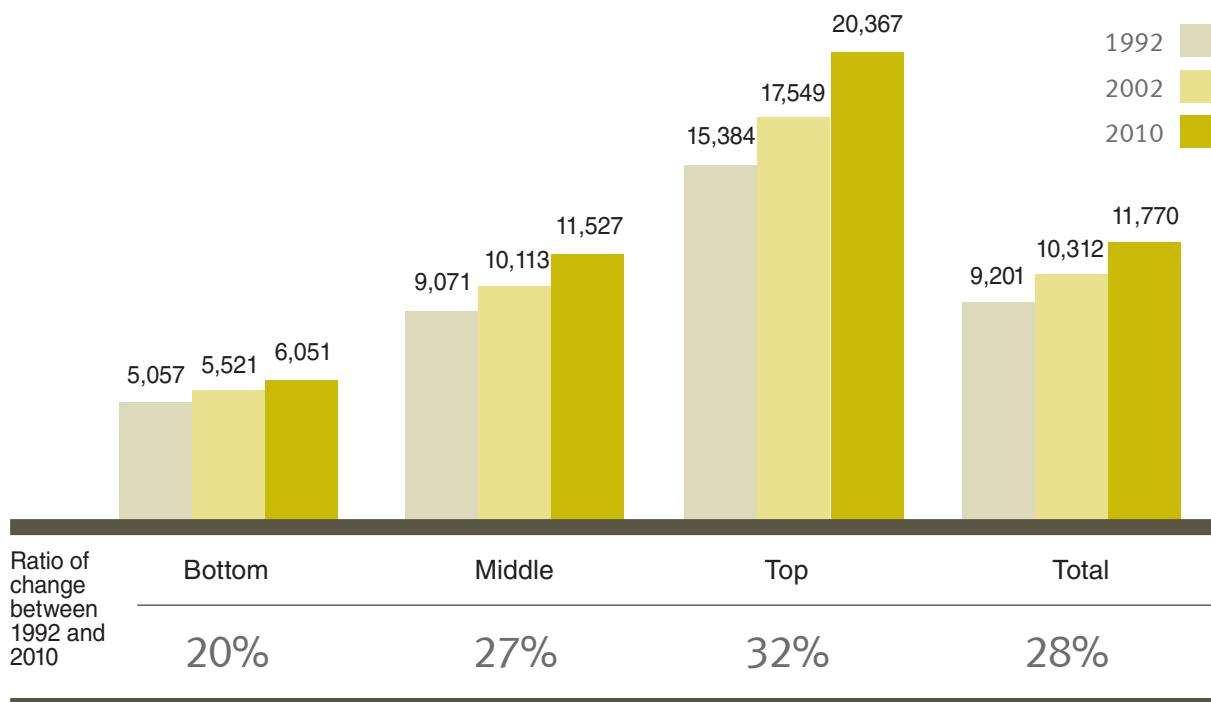
In NIS at 2010 prices



The increase in net median income per household is greater at all levels compared with the increase in gross income, particularly in the top stratum where net median income rose by 32%. This can be explained by the policy of reducing income taxes in the years 2003-2010, which primarily benefited those with higher salaries.⁵

Figure 2. Net median income of households headed by wage earners, by stratum, 1992, 2002, and 2010

In NIS at 2010 prices



Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

Polarized distribution of income and decreased share of the middle stratum

Between 1992 and 2010, the income distribution became more polarized: The share of the bottom stratum declined slightly while the share of the middle stratum dropped by about 14% – and the share of the top stratum grew by 6%.

Table 3. Share of each stratum in total household income – 1992, 2002, and 2010

Gross median income of households headed by wage earners, in percentages

	1992	2002	2010
Bottom stratum	13.5	13.3	13.2
Middle stratum	24.7	21.3	21.3
Top stratum	61.8	65.4	65.5

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

The income share of the upper-top stratum is 9 times that of the lower-bottom stratum

The analysis becomes more finely tuned when each stratum is divided into two sub-strata, based on the median income of households. This produces six strata: the upper-top, lower-top, upper-middle, lower-middle, upper-bottom, and lower-bottom strata.

The table below indicates a stable gap of some 30% between the two categories of the middle strata, while the entire stratum was shrinking over the years. A larger gap can be seen over the years between the upper-middle and lower-top strata. The largest internal gap can be found between the two parts of the top stratum. Throughout this period, the upper-top stratum enjoyed approximately 40% of the total income of households headed by wage earners in Israel.

Table 4. Share of each sub-stratum in total household income, 1992, 2002, and 2010

Gross median income of households headed by wage earners, in percentages

	1992	2002	2010
Lower-bottom stratum	5.0	4.8	4.9
Upper-bottom stratum	8.5	8.3	8.3
Lower-middle stratum	10.8	9.2	9.3
Upper-middle stratum	13.9	11.8	12.0
Lower-top stratum	22.2	21.8	22.4
Upper-top stratum	39.6	44.2	43.1
Total	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

Asset ownership

Data are not collected in Israel about asset ownership, either liquid or fixed, as was done in the Luxembourg Wealth Study, which accompanied the Luxembourg Income Study. The income surveys conducted by Israel's Central Bureau of Statistics collect data on the current capital income, but the data are estimates and do not include the value of assets.

An exception to this are the Household Expenditure Surveys conducted by the Central Bureau of Statistics, from which information can be gleaned about home ownership and home value by income decile. Based on these surveys, the middle stratum is defined as one third of households – deciles 5-7 – which is a different definition than the one used in this paper, but because these are the only reliable statistics about asset ownership, we chose to present them.

Decreased ownership and marked gaps in home value of the various strata

Between 1992 and 2010, home ownership dropped in all deciles except the highest, which showed an increase. The sharpest drop was in the 5th decile. The gap between the middle deciles and the top decile was more significant with respect to the value of the home than with respect to home ownership per se. The average value of a home in the top decile is twice as high as the average value of a home in the middle deciles. Furthermore, between 1992 and 2010, the value of a home in the top decile increased by 90% (and the value of a home in the bottom decile increased by 105%), while the value of a home in the 5th decile increased by just 45%.

Table 5. Home ownership and home value by selected income deciles, 1992, 2002, and 2010

Net income decile per standard person – in NIS at 2010 prices

		1992	2002	2010
Total population	Ownership (%)	71.2%	69.6%	69.2%
	Value (NIS)	736,100	959,600	1,237,000
1st Decile	Ownership (%)	43.3%	32.7%	41.2%
	Value (NIS)	334,900	611,200	688,000
5th Decile	Ownership (%)	76.1%	74.5%	65.9%
	Value (NIS)	631,500	777,800	918,000
6th Decile	Ownership (%)	73.8%	77.7%	73.0%
	Value (NIS)	675,400	873,900	1,085,000
7th Decile	Ownership (%)	80.7%	77.5%	77.4%
	Value (NIS)	753,600	932,900	1,196,000
10th Decile	Ownership (%)	83.9%	84.7%	84.5%
	Value (NIS)	1,163,100	1,641,300	2,205,000

Source: Adva Center analysis of CBS, Household Expenditures Survey, various years.

2. The Middle Stratum by Age, Ethnicity, and Gender

2.1 Age

From 1992 to 2010, all age groups in the middle stratum declined slightly, particularly 55-64 year olds.

The bottom stratum showed increased proportions of 35-44 and 45-54 year-olds, while the proportion of these age groups in the middle and top strata declined.

The top stratum showed a slight increase at the two ends: 25-34 year-olds and 55-64 year-olds.

In general, age correlates with economic stratum. At ages 25-34, the largest segment of households fall into the bottom stratum, while at ages 35-64, the largest segment of households are in the top stratum.

Table 6. Households by stratum and age group, 1992, 2002, and 2010

Percentage of age group in each stratum of households headed by wage earners

Age groups	Bottom Stratum			Middle Stratum			Top Stratum		
	1992	2002	2010	1992	2002	2010	1992	2002	2010
25-34	42.2	42.8	41.4	32.1	28.9	31.6	25.7	28.3	27.0
35-44	27.9	31.1	31.7	32.3	29.0	28.7	39.7	39.9	39.5
45-54	22.8	22.3	26.4	28.9	28.2	26.1	48.3	49.5	47.5
55-64	27.5	27.9	27.0	28.4	25.5	24.4	44.2	46.6	48.6

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

2.2 Ethnicity and Origin

To examine the relationship between economic stratum and ethnicity, we selected five social groups: Arabs, second-generation Mizrahi Jews (native Israelis whose fathers were born in Asia or Africa), second-generation Ashkenazi Jews (native Israelis whose fathers were born in Europe or the Americas), second-generation Jewish Israelis (native Jewish Israelis whose fathers were native Israelis), and immigrants from the former Soviet Union (FSU) who moved to Israel in the 1990s. We looked at how each group is distributed among the strata.

Table 7. Composition of the three strata by ethnic group, 1992, 2002, and 2010

Percentage of each ethnic group in each stratum for households headed by wage earners

	Bottom Stratum			Middle Stratum			Top Stratum		
	1992	2002	2010	1992	2002	2010	1992	2002	2010
Jews	31.2	31.3	29.9	31.1	28.0	28.5	37.7	40.7	41.6
FSU immigrants	56.7	46.6	38.7	32.7	32.0	34.0	10.6	21.4	27.2
2nd gen. Mizrahi Jews	39.2	28.9	24.6	35.8	32.0	30.0	24.9	39.1	45.3
2nd gen. Ashkenazi Jews	21.3	21.1	20.6	23.6	22.3	24.7	55.1	56.6	54.7
2nd gen. Israeli born Jews	31.0	33.5	33.7	26.1	22.7	25.6	42.9	43.8	40.7
Arabs	56.4	57.3	64.0	26.4	28.8	23.4	17.1	13.9	12.6

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

We begin by comparing the two large nationality groups, Jews and Arabs. In general, the economic situation of Arab citizens of Israel worsened over the period examined here, while the situation of Jews (on average) improved. In 2010, 41.6% of the Jews were in the top stratum – an increase of 10% compared with 1992; for Arabs, on the other hand, the most salient change was an increase of 13.5% in the bottom stratum – from 56.4% in 1992 to 64% in 2010. The Arab middle stratum also declined, more sharply so in the past decade – from 28.8% in 2002 to 23.4% in 2010. The middle stratum also declined among Jews, but more moderately.

Among households headed by a second-generation Mizrahi Jews, the middle stratum, which had been the largest in 1992, declined from 35.8% in 1992 to 32.0% in 2002 and 30% in 2010; the bottom stratum also decreased significantly. The other side of the coin is the 82% upsurge in the top stratum to 45.3% of the entire group – the most dramatic change among all the groups.

Households headed by immigrants from the former Soviet Union also became significantly better off: The middle stratum grew slightly while the bottom stratum significantly decreased – from 56.7% in 1992 to 38.7% in 2010. What's more, the top stratum showed a 2.5-fold increase – from 10.6% in 1992 to 27.2% in 2010.

It should be noted that both for households headed by Mizrahi Jews and households headed by immigrants from the former Soviet Union, the improvement took place primarily during the first period surveyed – from 1992 to 2002.

Among households headed by second-generation Ashkenazi Jews, more than 50% had been and remained in the top stratum; accordingly, they are less represented in the bottom and middle strata.

On the Link between Class and Ethnicity

To examine the link between class and ethnicity, we calculated the probability of each group falling into each of the strata during the given years. The probability for every household head was predicted by use of the primary variables used in survey research: ethnicity, gender, education, and occupation of the head of the household. The following tables show the mean probability of each ethnic group belonging to one of the following six strata: lower-bottom, upper-bottom, lower-middle, upper-middle, lower-top, and upper-top.

Clearly the situation of immigrants from the former Soviet Union has improved (since 1990) as has the situation of second-generation Mizrahi Jews. In parallel the probability of Arabs being in each stratum remains unchanged through the past two decades. The gaps between second generation Mizrahi Jews and second-generation Ashkenazi Jews have narrowed, although there is still a significant disparity in the upper-top stratum, where second-generation Ashkenazi Jews still hold sway.

It is important to note that the data in this paper do not examine assets or home ownership by ethnicity. Looking at property by ethnicity might reveal a larger gap between second-generation Ashkenazim and Mizrahim as a result of the very large disparity between first-generation ethnic groups – the disproportionate representation of Mizrahim in the bottom stratum and Ashkenazim in the top stratum. This historic disparity would also surely have affected the inheritance of assets or financial assistance in the acquisition of housing.

Figure 3A. Likelihood of being in each stratum, by ethnic group, 1992

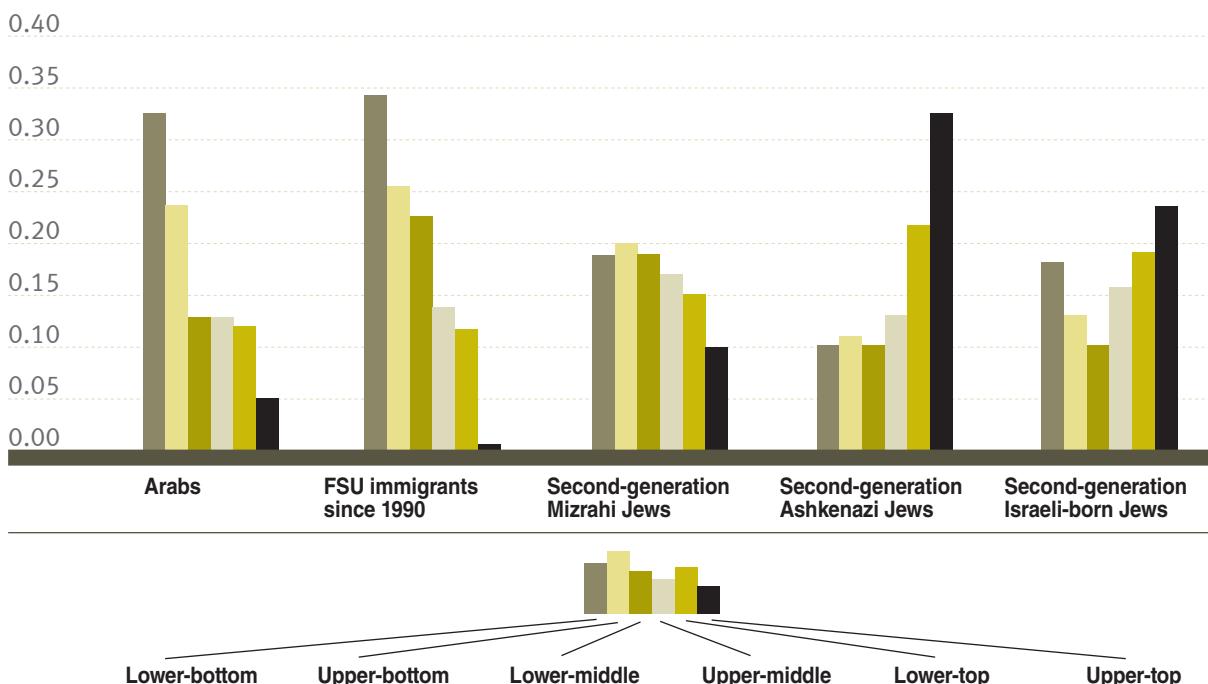
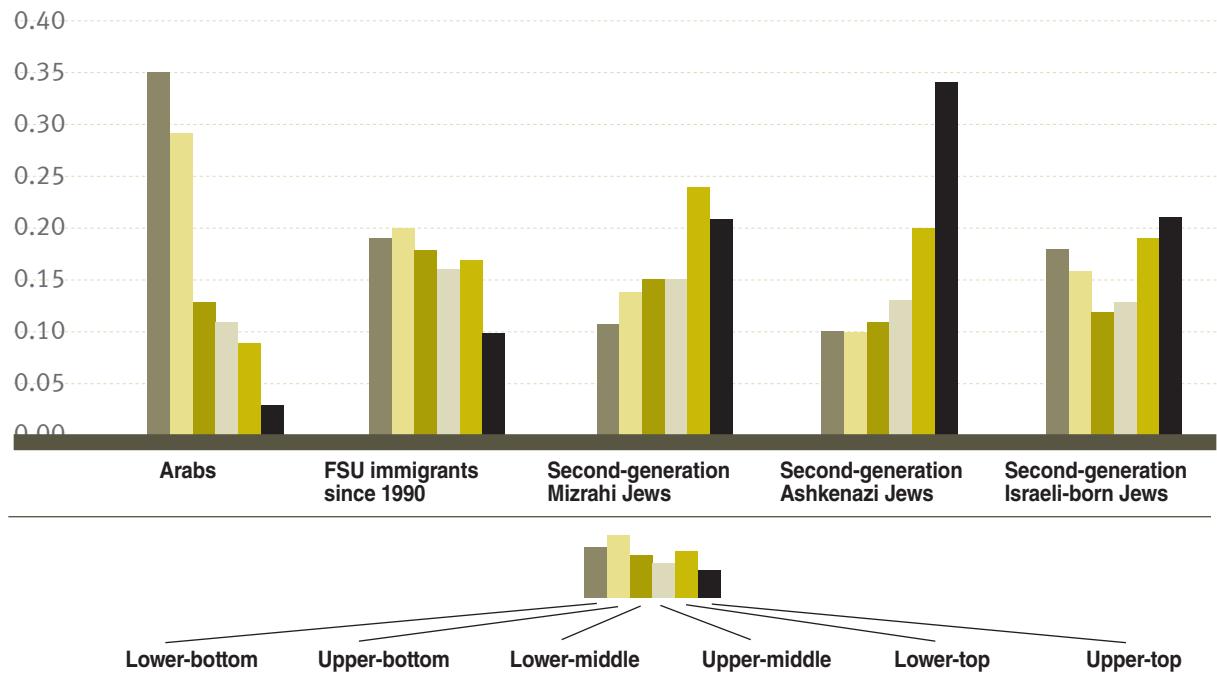


Figure 3B. Likelihood of being in each stratum, by ethnic group, 1992



Source: Adva Center analysis of CBS, Income Surveys, 1992.

2.3 The middle stratum – household head by gender

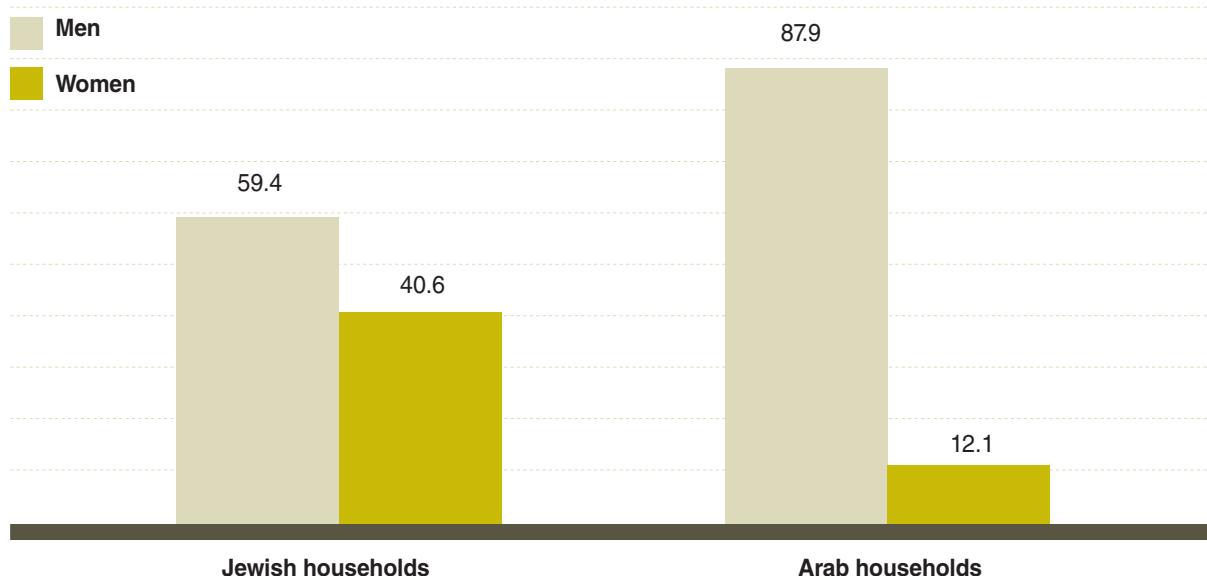
In the income surveys of the Central Bureau of Statistics, “household head” is defined as the adult in the household who works the longest number of hours.⁶ When both members of a couple work an equal number of hours, additional variables are examined, such as length of employment.

Most households in Israel are headed by men. Among Arab households, the proportion headed by men is even higher, as could be expected in light of the low participation of Arab women in the labor market – approximately 22% in 2010, compared with 62% of Jewish women (CBS, Labor Force Survey 2010).

The higher proportion of households headed by men is understandable in light of the higher proportion of women who have only part-time employment: In 2010, 40% of women held part-time jobs, compared with 19% of men (*ibid.*). Nevertheless, the fact that 40% of Jewish households are headed by women is surprising.⁷ As can be seen in Figure 5, this reflects the high proportion of women in the bottom stratum who head households.

Figure 4. Household heads by Jewish/Arab divide and gender, 2010

Households headed by wage earners, in percentages

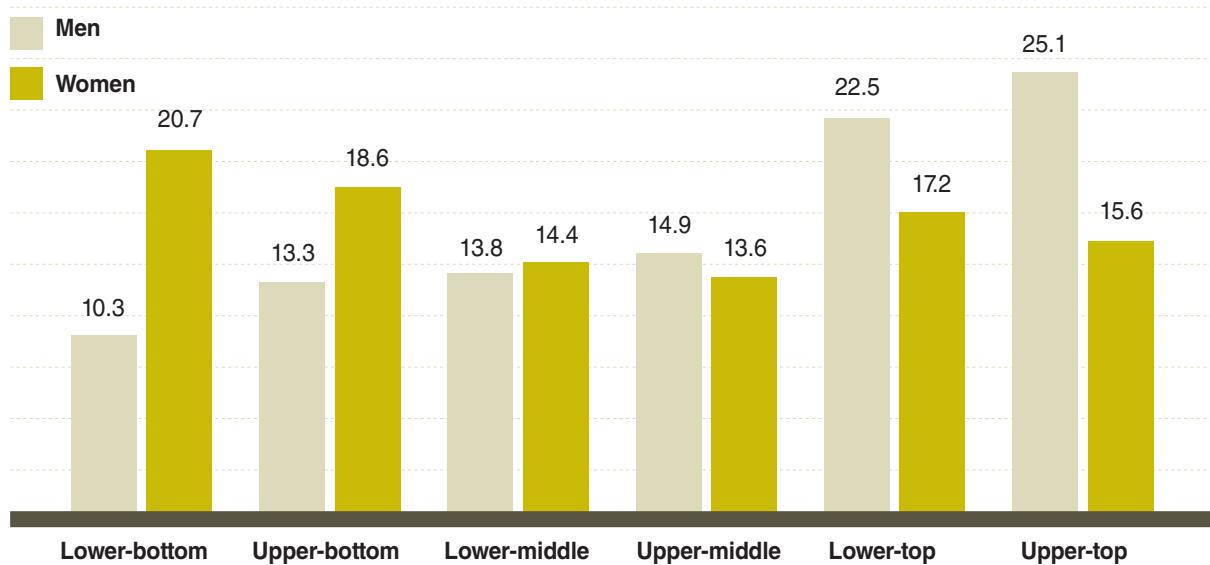


Source: Adva Center analysis of CBS, Income Surveys, 2010.

Interestingly, there is no significant difference in the gender identity of the head of household among Jewish households in the middle stratum: the proportion of households headed by men resembles the proportion of households headed by women. In the other two strata, on the other hand, very significant differences suggest a striking inequality: In the bottom stratum, particularly the lower-bottom stratum, twice as many households are headed by women than men. One explanation might be the relatively high proportion of single-parent households headed by women in the bottom stratum.⁸ The picture is completely reversed in the top stratum – the proportion of male-headed households is higher, particularly in the upper-top stratum. This finding is consistent with the fact that salary gaps widen between men and women as salaries grow larger (National Insurance Institute, *Average Wage and Income by Locality*, various years).

Figure 5. Jewish household heads, by stratum and gender, 2010

Percentage of households headed by women and men in each strata



Note: Due to the small number of Arab households headed by women, there are no figures for Arab households.

Source: Adva Center analysis of CBS, Income Surveys, 2010.

3. The Middle Stratum in the Workforce: Number of Breadwinners, Occupations, and Economic Sector

3.1 Number of breadwinners in the household

The great majority of households in the bottom stratum have only one breadwinner; this is particularly true of the lower-bottom, in which approximately 93% of the households have only one breadwinner. Households in the middle and top strata, on the other hand, often have two or more breadwinners. And yet when the middle stratum is divided into two parts, it becomes apparent that 40.5% of the households in the lower-middle stratum have only one breadwinner, compared with 28.5% of households in the upper-middle stratum.

Table 8. Number of breadwinners per household, by stratum, 2010

In percentages of number of breadwinners per stratum

Stratum	One breadwinner	Two breadwinners	Three or more breadwinners	Total
Lower-bottom	92.8	6.8	0.4	100
Upper-bottom	68.0	30.4	1.7	100
Lower-middle	40.5	53.5	6.0	100
Upper-middle	28.5	57.5	14.0	100
Lower-top	21.7	56.7	21.7	100
Upper-top	15.0	60.6	24.4	100

Source: Adva Center analysis of CBS, Income Surveys, 2010.

The principal change over the years examined here, 1992 and 2010, is the number of breadwinners per household in the lower-middle stratum – the proportion of households with two breadwinners rose from 43.2% to 53.5%. The upper-middle stratum shows a similar, though more moderate, increase of 2.6%. These findings suggest that in 2010, more breadwinners were needed in order to belong to the middle stratum.

Table 9. Number of breadwinners per household in the middle stratum, 1992 and 2010

In percentages of number of breadwinners per stratum

	Lower-middle stratum		Upper-middle stratum	
	1992	2010	1992	2010
One breadwinner	53.4	40.5	34.7	28.5
Two breadwinners	43.2	53.5	54.9	57.5
Three or more breadwinners	3.3	6.0	10.2	14.0
Total	100	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 1992 and 2010.

3.2 Occupation

A. Occupation and Stratum

With regard to occupation, the most significant disparities between strata relate to two fields: academic professionals and managers (for details, see Appendix “About the Data”), and, on the other hand, unskilled workers. Some two-thirds of academic professionals and three-quarters of managers fall into the top stratum. On the other hand, more than 60% of households headed by persons in unskilled jobs are in the bottom stratum. Sales and services have clearly become bottom stratum jobs: Between 1992 and 2010, the proportion of household heads employed in this field increased by 36% in the bottom stratum, while there was a similar decrease in the top stratum.

Household heads in the middle stratum work at a variety of occupations, and here the trends are less obvious than for other strata. Nevertheless, the middle stratum is the most likely category for skilled workers in manufacturing or agriculture, as well as those in sales or services and clerical jobs (for a list of the occupations in each category, see “About the Data” in the Appendix).

Table 10. **Occupation and stratum, 1992, 2002, and 2010**

Percentage of each occupation group in each stratum

	Bottom Stratum			Middle Stratum			Top Stratum		
	1992	2002	2010	1992	2002	2010	1992	2002	2010
Academic professionals	16.3	13.7	15.2	22.5	19.8	21.9	61.2	66.5	62.9
Associate professionals and technicians	25.8	31.3	31.2	32.9	28.9	27.2	41.3	39.8	41.6
Managers	6.3	6.9	6.1	18.2	16.4	19.7	75.5	76.7	74.3
Clerical workers	31.5	30.8	32.5	31.0	32.2	29.6	37.5	37.0	37.9
Agents, workers in sales and services	34.2	50.3	46.5	29.4	27.0	30.5	36.4	22.7	23.1
Manufacturing, construction, and other skilled workers	42.4	40.5	43.5	34.4	35.8	32.1	23.2	23.7	24.4
Unskilled workers	65.3	62.6	61.9	24.0	26.5	27.1	10.7	10.9	11.1

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

B. Occupations in the middle stratum

In 2010, the occupations most characteristic of the middle stratum were skilled workers in manufacturing, construction, and other industries as well as workers in sales and services. Almost half the wage earners in the lower-middle stratum – and some 40% in the upper-middle stratum – held a job in one of these two categories. Another third worked as associate professionals, technicians, or clerical workers. Only 12% of the wage earners in the middle stratum were academic professionals.

Table 11. Occupations in the middle stratum, 2010

Percentage breakdown by occupation of household heads in each sub-stratum

	Academic professionals	Associate professionals, technicians	Managers	Clerical workers	Workers in sales and services	Manufacturing, construction, and other skilled workers	Unskilled workers	Total
Lower middle	10.0	13.2	4.3	16.5	22.6	25.2	8.2	100
Upper middle	14.0	14.4	5.6	17.6	18.9	23.4	6.1	100

Source: Adva Center analysis of CBS, Income Surveys, 2010.

Between 1992 and 2010, there was a marked increase in the proportion of sales and services employees (see Appendix “About the Data”), affecting the bottom and middle strata more than the top.

During the same period, the number of household heads employed as skilled workers in manufacturing and construction decreased by about 50% in all the strata. One possible explanation is the entry of migrant workers and, during some periods, Palestinian workers into construction jobs and manufacturing, though to a lesser extent (Kampf and Raichman, 2008: Figure 1). It should be noted that the households of migrant workers and Palestinians are not included in the income surveys conducted by the Central Bureau of Statistics.

Table 12. Stratum and occupation, 1992, 2002, and 2010

Percentage breakdown by occupation of household heads in each stratum

	Bottom Stratum			Middle Stratum			Top Stratum		
	1992	2002	2010	1992	2002	2010	1992	2002	2010
Academic professionals	5.4	5.3	6.7	8.1	9.5	12.0	18.4	24.5	25.9
Associate professionals and technicians	10.6	12.6	12.6	14.8	14.4	13.8	15.6	15.2	15.8
Managers	1.5	1.6	1.2	4.7	4.8	5.0	16.4	17.3	14.1
Clerical workers	12.5	13.3	14.9	13.3	17.2	17.1	13.6	15.2	16.4
Agents, workers in sales and services	6.6	23.0	25.2	6.2	15.3	20.7	6.5	9.9	11.8
Manufacturing, construction, and other skilled workers	56.6	27.2	26.2	50.1	29.8	24.3	28.5	15.1	13.8
Unskilled workers	6.9	17.0	13.1	2.8	8.9	7.2	1.0	2.8	2.2

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

C. Occupation by ethnicity

The distribution of occupations by strata can also be examined within ethnic groups. To that end, we chose three occupations: academic professionals – jobs more characteristic of the top stratum – and skilled workers in manufacturing, construction, and agriculture as well as workers in sales and services – jobs more characteristic of the middle stratum.

Academic professionals

During the period under study here, the number of household heads who were academic professionals who were found in the top stratum rose sharply among all ethnic groups except second-generation Ashkenazi Jews (whose proportion decreased, but remained very high throughout these years). The most significant increase was among immigrants from the former Soviet Union: In 1992, 23.8% of all household heads who were academic professionals from the former Soviet Union were to be found in the top stratum, while in 2010, this rose to 58.5% – a leap of 145%. Concomitantly, these professionals markedly decreased in the bottom stratum, so that their profile by 2010 resembled that of other Jewish groups.

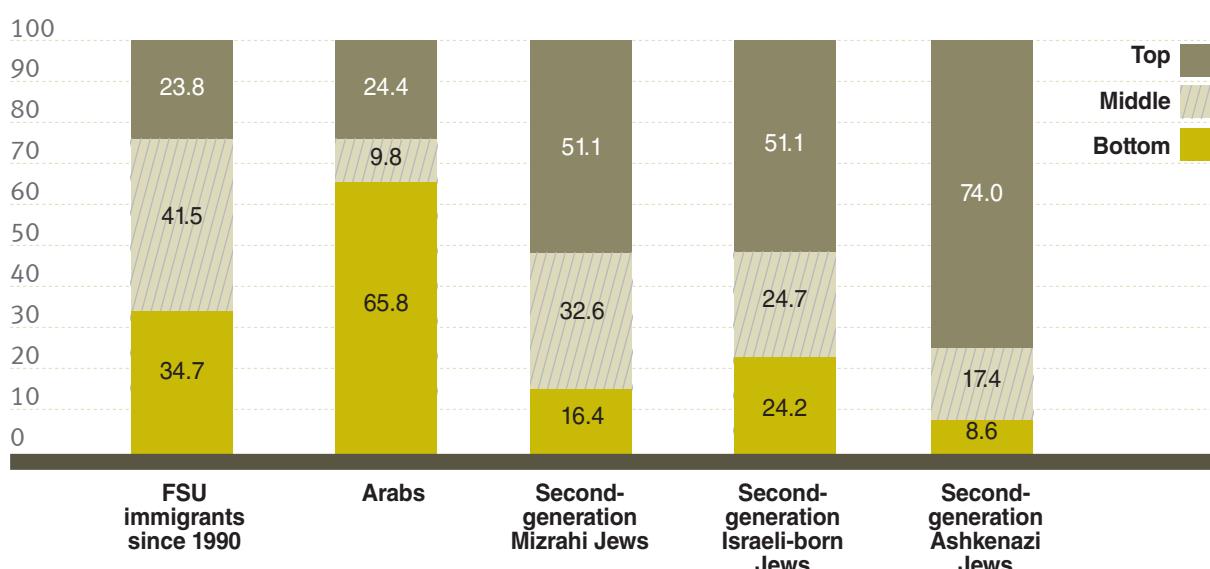
The proportion of Arab household heads who were academic professionals and whose income placed them in the top stratum also increased – a smaller rise, but still significant: from 24.4% in 1992 to 37.9% in 2010 – up by 55%. Nevertheless, the proportion of Arab household heads who are academic professionals located in the top stratum is the lowest among all the ethnic groups – 37.9%, compared with 58.5% of immigrants from the former Soviet Union, 67.1% of second-generation Mizrahi Jews, and 70.2% of second-generation Ashkenazi Jews. Furthermore, although the proportion of Arab academic professionals in the bottom stratum was virtually halved during this period, their numbers remain the highest among the ethnic groups studied – 34.3%.

The proportion of second-generation Mizrahi academic professionals also significantly increased in the top stratum – from 51.1% in 1992 to 67.1% in 2010 – a jump of 31%.

The proportion of Ashkenazi academics dropped slightly in the top stratum, remained stable in the middle stratum, and increased 1.5-fold in the bottom stratum. Nevertheless, some 70% of Ashkenazi academic professionals remained in the top stratum in 2010.

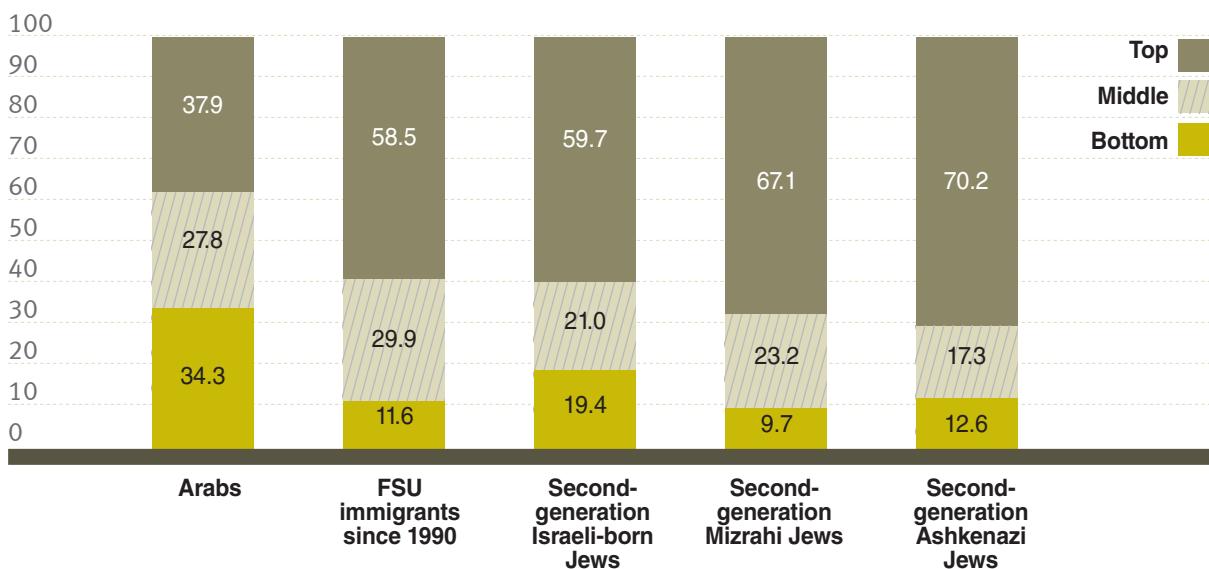
Figure 6A. Households headed by academic professionals by ethnic group and stratum – 1992

Percentage of ethnic group in each stratum



Source: Adva Center analysis of CBS, Income Surveys, 1992 and 2010.

Figure 6B. Households headed by academic professionals by ethnic group and stratum – 2010
 Percentage of ethnic group in each stratum



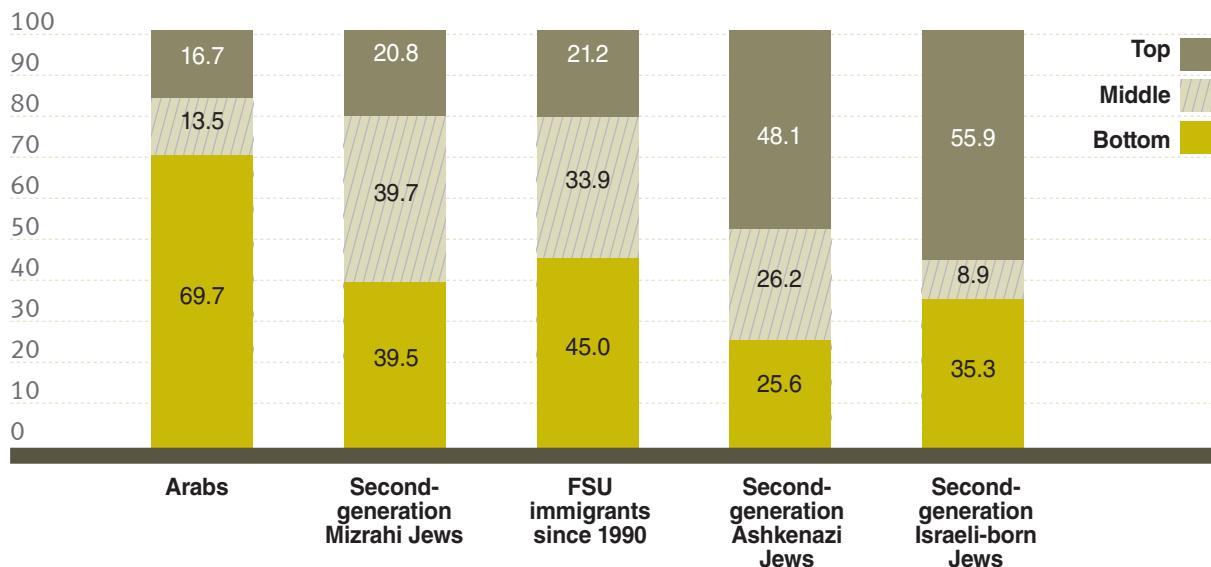
Source: Adva Center analysis of CBS, Income Surveys, 1992 and 2010.

Workers in sales and services

Between 1992 and 2010, for most ethnic groups the proportion of household heads employed in sales and services dropped appreciably in the top stratum and rose in the bottom stratum, with the exception of second-generation Mizrahi Jews. This suggests that new positions created in this occupation are primarily in low-paying jobs.

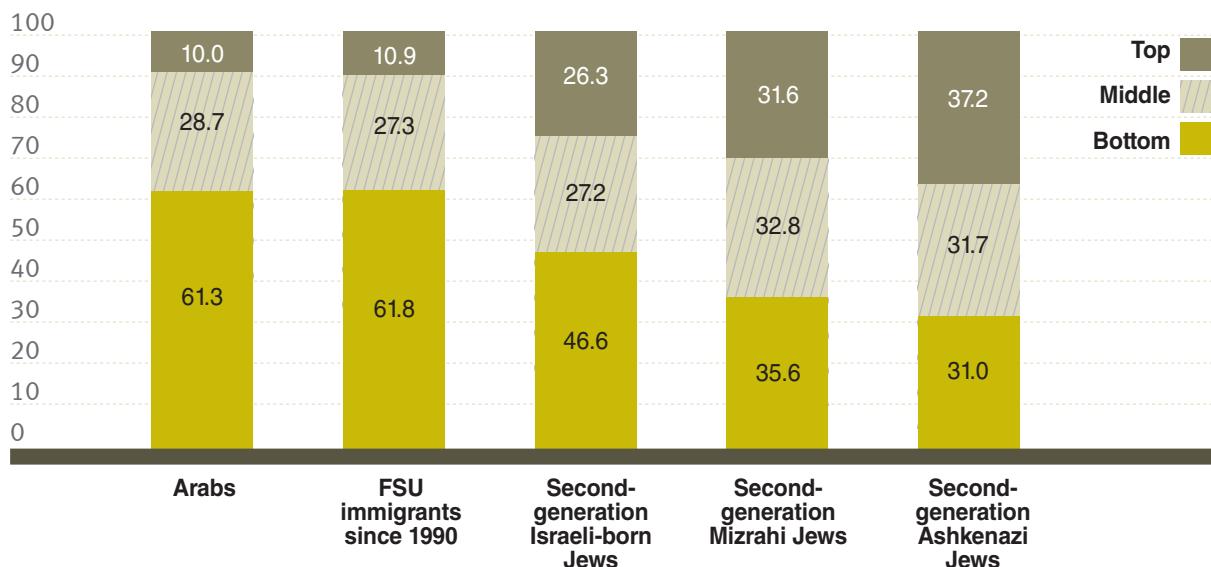
Some 60% of the Arabs and immigrants from the former Soviet Union who were employed in these jobs in 2010 were at the bottom of the pyramid of sales and services. Only among second-generation Ashkenazi Jews was the largest group of sales and service workers in the top stratum. Among second-generation Mizrahi Jews, the number of sales and service workers in the top stratum increased, which is consistent with the generally improved income in this group.

Figure 7A. Households headed by workers in sales and services, by ethnic group and stratum, 1992
 Percentage of ethnic group in each stratum



Source: Adva Center analysis of CBS, Income Surveys, 1992 and 2010.

Figure 7B. Households headed by workers in sales and services, by ethnic group and stratum, 2010
 Percentage of ethnic group in each stratum



Source: Adva Center analysis of CBS, Income Surveys, 1992 and 2010.

Skilled workers

Approximately three-quarters of Arab household heads who were skilled workers in 2010 were in the bottom stratum, compared with less than one-third of Jewish household heads who were skilled workers.

The proportion of household heads who were skilled workers among immigrants from the former Soviet Union in the bottom stratum, which had been 60% in 1992, declined considerably to 33.1% in 2010. About a quarter of the skilled workers from the former Soviet Union were in the top stratum in 2010 – swelling from some 8% in 1992. Their presence in the middle stratum also grew by approximately ten percentage points.

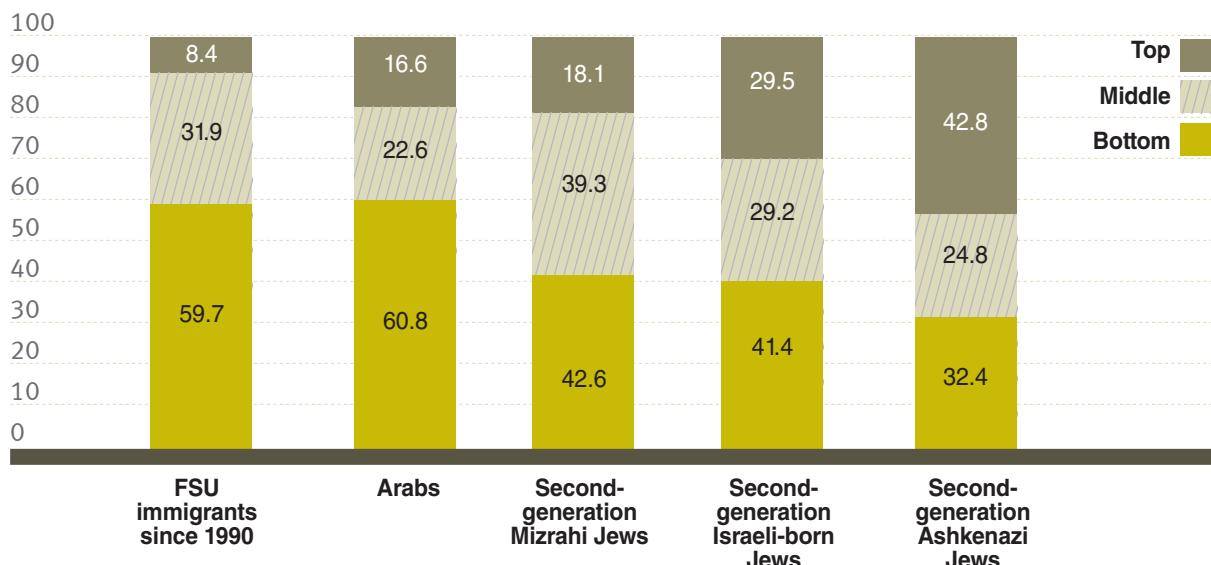
Among second-generation Mizrahi Jews as well, the proportion of household heads who were skilled workers in the top stratum rose from 18.1% in 1992 to 37.7% in 2010. Their presence in the middle stratum remained the same – just over one-third.

For household heads who were second-generation Ashkenazi Jews, the most significant changes with regard to household heads who were skilled workers were their shrinking percentage in the bottom stratum and their increase in the middle stratum. The proportion in the top stratum also increased, but only slightly.

While the proportion of skilled workers in the bottom stratum declined in all the Jewish ethnic groups between 1992 and 2010, the proportion actually rose among Arab household heads – from 60.8% in 1992 to 74.3% in 2010. This is consistent with the general increase of Arab households in the bottom stratum.

Figure 8A. Households headed by skilled workers in agriculture, manufacturing and construction, by ethnic group and stratum, 1992

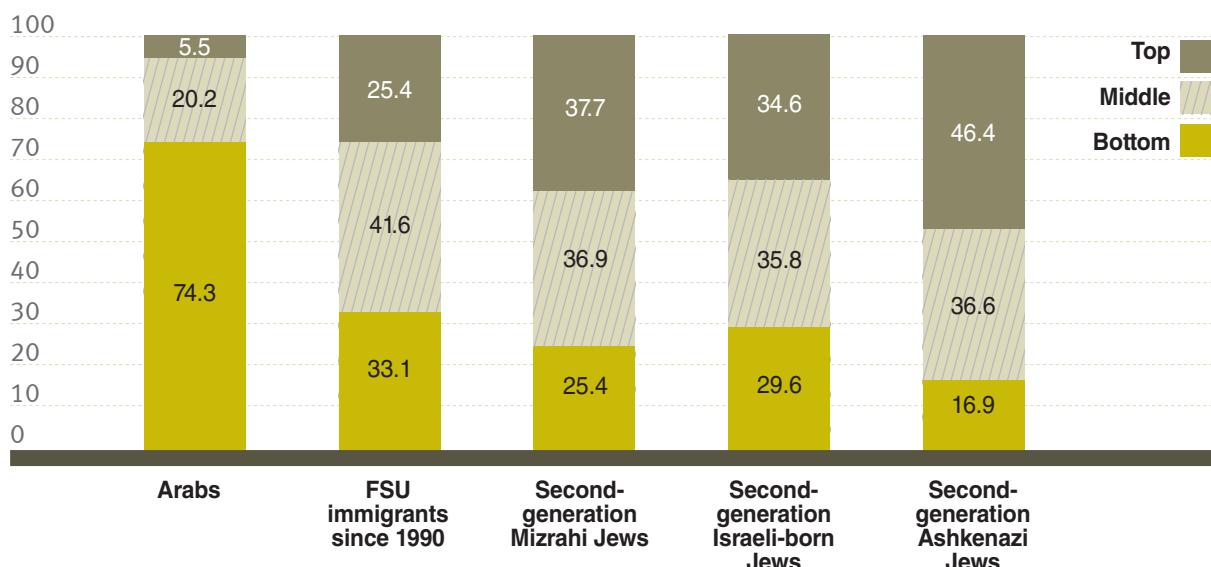
Percentage of ethnic group in each stratum



Source: Adva Center analysis of CBS, Income Surveys, 1992 and 2010.

Figure 8B. Households headed by skilled workers in agriculture, manufacturing and construction, by ethnic group and stratum, 2010

Percentage of ethnic group in each stratum



Source: Adva Center analysis of CBS, Income Surveys, 1992 and 2010.

D. A gender analysis by stratum and occupation

For all occupations – without exception – proportionately fewer households are headed by Jewish women than Jewish men in the top stratum, and more in the bottom stratum.

With respect to academic professionals, this no doubt reflects the fact that in some of the academic professions that primarily employ women – social work, education, and paramedical positions – the wages are relatively low. Prominent in the bottom stratum is the high proportion of households headed by women who are unskilled or who work in sales and services.

The differences between men and women are relatively small in the middle stratum. For those holding management, academic, or technical jobs, the proportion of women is higher than that of men, while for sales and services jobs, the proportion of men is higher.

Table 13. **Households by stratum, gender, and occupation, 2010**

Percentage of men and women in each stratum, by occupation

	Top stratum		Middle stratum		Bottom stratum	
	Men	Women	Men	Women	Men	Women
Academic	68.4	52.5	20.5	24.5	11.1	23.0
Technical	47.8	35.2	26.0	28.5	26.2	36.4
Management	77.1	63.0	17.9	26.4	4.9	10.6
Clerical	40.1	36.5	29.9	29.5	30.0	34.0
Sales & services	28.4	17.7	33.8	27.1	37.8	55.1
Manufacturing, construction, and other skilled workers	25.0	16.1	31.8	36.4	43.2	47.5
Unskilled	12.9	8.0	27.2	26.8	59.8	65.2

Source: Adva Center analysis of CBS, Income Surveys, 2010.

3.3 Economic Sector

In the middle stratum, the largest group of employed heads of households work in public services: This was true in 1992 and remains true in 2010.⁹

On the other hand, only a small proportion of household heads in the middle stratum (whether the upper or lower segments) work in high-tech or financial professions – similar to their proportion in the bottom class. Nevertheless, note that wage earners in the middle stratum constitute some 27% of all those employed in high-tech (see Table 16 below).

Between 1992 and 2010, the proportion of household heads in the middle stratum who worked in manufacturing declined, while the proportion employed in financial occupations, wholesale and retail trade, or the food industry increased. These trends are evident in both the upper and lower segments of the middle stratum.¹⁰

Table 14. Household heads in the lower-middle stratum by economic sector, 1992, 2002, and 2010
In percentage of household heads in each sector

Economic Sector	Lower-middle stratum 1992	Lower-middle stratum 2002	Lower-middle stratum 2010
High tech manufacturing	6.7	3.6	3.8
Mixed manufacturing	13.3	10.3	8.5
Traditional manufacturing	12.9	10.7	8.0
Infrastructure	8.8	7.0	6.2
Wholesale/retail trade and food	13.5	17.6	18.3
Transport and communications	6.3	6.9	7.4
Financial occupations	1.1	2.1	2.9
Business services	4.5	14.7	10.8
Public services	29.0	24.8	29.0
Personal household services	3.9	2.3	5.2
Total	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

Table 15. Household heads in the upper-middle stratum by economic sector, 1992, 2002, and 2010
 In percentages of household heads in each sector

Economic Sector	Upper-middle stratum 1992	Upper-middle stratum 2002	Upper-middle stratum 2010
High tech manufacturing	6.4	5.4	4.7
Mixed manufacturing	12.4	9.1	7.1
Traditional manufacturing	9.5	8.3	7.5
Infrastructure	9.6	7.3	6.0
Wholesale/retail trade and food	9.9	15.4	16.5
Transport and communications	7.8	7.8	9.0
Financial occupations	3.4	3.8	2.8
Business services	6.9	15.9	12.5
Public services	29.6	25.6	30.2
Personal household services	4.6	1.4	3.8
Total	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

The next table (Table 16) , which outlines the representation of each stratum in various economic sectors, reveals that employees of high-tech, financial professions, and business services are drawn primarily from household heads in the top stratum.

On the other hand, the middle stratum is over-represented (relative to its size) in traditional manufacturing, transport and communications, the wholesale/retail trade, and food, where their proportion exceeds the total of 30% employed in these fields.

The bottom stratum stands out for employment in household services, infrastructure, wholesale/retail trade and food, and traditional manufacturing.

Table 16. Household heads by stratum and economic sector – 2010

Percentage representation of strata in each sector

	High-tech	Mixed manufacturing	Traditional manufacturing	Infra-structure	Wholesale/retail, food	Transport, communication	Financial occupations	Business services	Public services	Household services
Bottom stratum	17.9	30.9	37.5	45.7	42.2	34.3	17.5	29.7	34.4	48.1
Middle stratum	27.1	28.5	36.0	25.1	30.6	30.8	19.1	24.9	26.6	28.1
Top stratum	54.9	40.6	26.4	29.2	27.2	34.9	63.5	45.3	39.0	23.8
Total	100	100	100	100	100	100	100	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

Table 17 shows the changes in the representation of the middle stratum in various economic sectors across the three points of time we are examining. In general, there were no dramatic changes in the share of the middle stratum in the various occupations. Declines of about 6% were recorded in mixed industry, financial occupations, business services, and public services.

Between 1992 and 2010, Israeli economic sectors witnessed some significant changes – fewer wage earners in traditional industry and more employed in mixed industry and high-tech (CBS, *Labor Force Survey*, various years). Nevertheless, the middle stratum's share of traditional industry remains relatively large. For public services, the 18% drop in the proportion of wage-earners from the middle stratum is larger than the drop in the proportion of all wage-earners in this industry, from 34.1% to 31.3% during the period 1992-2010.¹¹

Table 17. Household heads in the middle stratum by economic sector, 1992, 2002, and 2010

Percentage representation of strata in each sector

	High-tech	Mixed manufacturing	Traditional manufacturing	Infra-structure	Wholesale/retail, food	Transport, communication	Financial occupations	Business services	Public services	Household services
Middle stratum, 1992	26.7	32.8	35.4	30.3	29.7	27.5	21.4	30.0	32.6	25.5
Middle stratum, 2002	25.6	33.2	36.4	27.6	29.6	32.4	25.1	24.3	26.1	27.1
Middle stratum, 2010	27.1	28.5	36.0	25.1	30.6	30.8	19.1	24.9	26.6	28.1
Total	100	100	100	100	100	100	100	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

4. Education

A. Education by stratum

With regard to education, the middle stratum resembles the bottom more than the top stratum. An academic education is the clearest line of demarcation between the middle and the top strata. In both 2002 and 2010, approximately one quarter of the household heads in the middle stratum – and about half in the top – had an academic education.

Among those with little education, there are significant differences among the three strata.

Within the middle stratum, as within the bottom, the largest group throughout the period surveyed was the category of those with a vocational or secondary-school education; and yet the proportion of these had declined about 16% by the most recent period surveyed.

Nevertheless, between 1992 and 2010, the level of education rose for those in the middle stratum: 28% more had a post-secondary school education and 30% more had an academic education. The proportion of those in the middle stratum with little education decreased slightly (from 14.8% in 1992 to 12.5% in 2010).

Two changes are salient in the top stratum: a decline of 26% of those with a vocational or secondary school education, and an increase of 30% of those with an academic education.

The bottom stratum showed no significant changes; and yet in 1992 the proportion of those with an academic education was identical in the bottom and middle strata (20.6%), by 2010 this proportion had declined to 18.2% in the bottom strata and risen to 26.9% in the middle.

The significance of this development is a stronger correlation between the level of education of the household head and household income.

Table 18. Household heads by level of schooling, 1992, 2002, and 2010

Percentage of household heads in stratum, by level of schooling

	Bottom Stratum			Middle Stratum			Top Stratum		
	1992	2002	2010	1992	2002	2010	1992	2002	2010
Primary or middle school – no diploma	20.2	13.4	21.4	14.8	8.4	12.5	6.9	2.9	5.4
Secondary school	44.4	41.7	44.4	50.2	43.4	42.2	35.6	29.3	26.2
Yeshiva / post-secondary / other	14.9	22.1	16.0	14.4	21.2	18.4	17.3	19.1	16.2
Academic	20.5	22.8	18.2	20.6	27.0	26.9	40.2	48.7	52.2
Total	100	100	100	100	100	100	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 1992, 2002, 2010.

Note: Secondary school – secondary school education with or without matriculation. Includes diploma from a vocational school.

B. Middle stratum, education, and gender

Within the top stratum, there is a higher proportion of Jewish households headed by men with an academic education than Jewish households headed by similarly educated women. In the bottom stratum, on the other hand, there is a higher proportion of households headed by women with little education (fewer than 12 years of schooling) than men with little education.

Households headed by women whose educational level was secondary school without matriculation or fewer than 12 years of schooling – appear in the bottom stratum to a greater extent than households headed by men with the same level of education (52.3% of women with less than 12 years of schooling and 50.6% of women with 12 years of schooling, compared with 40.2% and 30.4% of men, respectively).

The largest group of households headed by women with an academic education is in the top stratum, though 28.9% of women with a BA and 21.6% of women with an MA or PhD are in the bottom stratum (versus 12.3% of men with a BA and 9.5% of men with an MA or PhD).

For men, academic education is more strongly correlated with income than for women: More than two-thirds of the male household heads with an academic education belong to the top stratum. This is also true with respect to post-secondary, non-academic schooling: Almost half the households headed by men at this educational level are in the top stratum, compared with one-quarter of the households headed by similarly educated women.

Some of this can be explained by the different pay scales for “male” or “female” academic occupations. Women are heavily concentrated in the fields of teaching, social work, the humanities, and professions that pay less; women lawyers are more likely to do public law than the more profitable commercial law; women physicians choose pediatrics over plastic surgery; etc. (CBS, *Labor Force Survey*, various years; Adva Center, *Women in the Labor Force of the Israeli Welfare State*, 2001).

In the middle stratum, there are more households headed by men with a non-academic education (post-secondary school or less) than of similarly educated women. However, the proportion of women with an academic education (any degree) in the middle class is greater than that of men.

Table 19. Jewish household heads by stratum and most recent diploma, 2010

Percentage of household heads holding diploma, by gender and stratum

	Primary or middle school, with or without diploma		Secondary school diploma, without matriculating		Matriculation certificate		Non-academic post-secondary school diploma		Academic degree – BA		Academic degree – MA or PhD	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Bottom stratum	40.2	52.3	30.4	50.6	33.0	43.9	19.8	44.8	12.3	28.9	9.5	21.6
Middle stratum	34.4	31.5	35.6	28.0	34.2	29.3	31.8	30.1	21.0	27.4	16.4	22.9
Top stratum	25.4	16.2	34.0	21.4	32.7	26.8	48.4	25.1	66.7	43.8	74.1	55.4
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 2010.

Note: Arab households were not included because of the small number of Arab women who head households.

5. Place of Residence

Households in the middle stratum are geographically spread through Israel, while households in the top and bottom strata are more characteristic of specific regions.

A more differentiated picture emerges from looking at the distribution of strata in categories of towns with a specific national or socio-economic character: “Forum-15 cities,” considered Israel’s wealthiest towns; Jewish development towns (with traditional Mizrahi majorities); and Arab towns (for the list of localities in each group, see Appendix “About the Data”).

In 2010, most households in Arab towns – 60.4% – were in the bottom stratum, almost 7 percentage points more than in 2002. Most of the households that entered the bottom stratum dropped out of the middle, which shrank by 5 percentage points between 2002 and 2010. 14.8% of the households in Arab towns belonged to the top stratum in 2010 – a slight decrease from 16.0% in 2002. Most of the Arab households in the top stratum are in the lower part of this stratum.

In Forum-15 cities, on the other hand, the largest stratum was and remains the top stratum, which even increased slightly, from 40.9% in 2002 to 41.9% in 2010.

Jewish development towns resemble Arab towns more than Forum-15 cities, for when the middle and bottom strata are combined, they amount to 73% in development towns (in 2010), compared to 85.3% in Arab towns. This is a far cry from their proportion in Forum-15 cities – 58.1%. Yet there is a difference: the top stratum is larger in development towns than in Arab towns, although it somewhat diminished between 2002 and 2010.

Table 20. **Household heads by stratum and type of locality, 2002 and 2010**

Percentage representation of stratum, by type of locality

	Forum-15 cities		Development towns		Arab towns	
	2002	2010	2002	2010	2002	2010
Bottom stratum	31.7	29.9	38.6	37.8	53.9	60.4
Middle stratum	27.4	28.2	32.3	35.2	30.1	24.9
Top stratum	40.9	41.9	29.1	27.0	16.0	14.8
Total	100	100	100	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 2002 and 2010.

Note: Arab towns do not include Arabs who live in mixed cities.

Appendices

Appendix 1 – Ethnicity and stratum

Probability of being in each stratum – 1992 and 2010

By social group

Probability in 1992						
	Lower-bottom	Upper-bottom	Lower-middle	Upper-middle	Lower-top	Upper-top
FSU immigrants since 1990	0.33	0.24	0.21	0.12	0.10	0.003
2 nd generation Mizrahi Jews	0.19	0.20	0.19	0.17	0.15	0.10
2 nd generation Ashkenazi Jews	0.10	0.11	0.10	0.13	0.22	0.33
2 nd generation Israeli-born Jews	0.18	0.13	0.10	0.16	0.19	0.24
Arabs	0.33	0.24	0.13	0.13	0.12	0.05
Probability in 2010						
	Lower-bottom	Upper-bottom	Lower-middle	Upper-middle	Lower-top	Upper-top
FSU immigrants since 1990	0.19	0.20	0.18	0.16	0.17	0.10
2 nd generation Mizrahi Jews	0.11	0.14	0.15	0.15	0.24	0.21
2 nd generation Ashkenazi Jews	0.10	0.10	0.11	0.13	0.20	0.34
2 nd generation Israeli-born Jews	0.18	0.16	0.12	0.13	0.19	0.21
Arabs	0.35	0.29	0.13	0.11	0.09	0.03

Source: Adva Center analysis of CBS, Income Surveys, 1992 and 2010.

Appendix 2. Economic sector and stratum

Household heads by stratum and economic sector, 1992

Percentage of household heads in stratum in each economic sector

	High-tech	Mixed manufacturing	Traditional manufacturing	Infra-structure	Wholesale/retail, food	Transport, communication	Financial occupations	Business services	Public services	Household services
Bottom stratum	17.1	28.3	40.5	38.7	41.7	23.5	14.3	32.4	31.5	54.3
Middle stratum	26.7	32.8	35.4	30.3	29.7	27.5	21.4	30.0	32.6	25.5
Top stratum	56.2	39.0	24.0	31.0	28.6	49.1	64.3	37.6	36.0	20.2
Total	100	100	100	100	100	100	100	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 1992.

Household heads by stratum and economic sector – 2002
 Percentage of household heads in stratum in each economic sector

	High-tech	Mixed manufacturing	Traditional manufacturing	Infra-structure	Wholesale/retail, food	Transport, communication	Financial occupations	Business services	Public services	Household services
Bottom stratum	19.6	26.7	38.4	40.8	41.6	27.1	19.5	23.7	40.2	59.6
Middle stratum	25.6	33.2	36.4	27.6	29.6	32.4	25.1	24.3	26.1	27.1
Top stratum	54.8	40.1	25.2	31.6	28.8	40.5	55.4	52.0	33.6	13.3
Total	100	100	100	100	100	100	100	100	100	100

Source: Adva Center analysis of CBS, Income Surveys, 2002.

Appendix 3. All wage earners by economic sector

Wage earners by economic sector, 1992 and 2010
 In percentages

Economic Sector	1992	2010
Industry	23.0	15.3
Thereof:	46.4	35.3
Traditional manufacturing	31.7	37.3
Mixed manufacturing	19.1	26.2
High-tech		
Infrastructure (water, electricity, and construction)	7.5	5.6
Wholesale/retail trade, accommodations, and food	12.0	17.6
Banking	10.1	4.2
Business services		13.6
Public services	34.1	31.3
Transport, storage and communication	5.7	6.6
Agriculture	1.5	1.2
Social services and household services by individuals	6.2	4.4
Total	100	100

Note: Does not include “unknown” and non-Israeli entities. In “industry,” does not include the diamond industry.
 Source: Adva Center analysis of CBS, Income Surveys, 1992 and 2010.

About the Data

Household Income Survey

Data on the size and wealth of the middle stratum are taken from the Household Income Survey conducted by the Central Bureau of Statistics (hereinafter “CBS”). This survey has been carried out regularly since 1965, but changes were introduced over the years, making retrospective comparisons difficult.

In 1992, the survey added Jewish families from towns with 2,000 or more inhabitants, and non-Jewish families from towns with over 10,000 residents. In 1995, the survey population was expanded to include households in Arab towns with 2,000-10,000 inhabitants. As of 1997, income estimates are based on income data integrated from two surveys: the Household Income Survey and the Household Expenditure Survey. This integrated survey covers most of the population in all types of localities, with the exception of cooperative moshavim, kibbutzim, unrecognized Bedouin villages, and the institutionalized. All told, it represents some 95% of the population of Israel.

The sample

Our analysis is based on data related to *households headed by wage earners*. Self-employed persons were not included both because the sample is small and the data would have a low level of reliability, and because of discrepancies between the data of the Household Income Survey and the Income Tax Authority (Ministry of Finance, 1999).

A wage earner’s household is defined as one that is headed by a wage-earner. Breaking this down:

Household – a group of people living together in a dwelling on a permanent basis and who have a joint budget for food;

Head of household – until 1995, defined as the oldest member of the household; since 1995, defined as the one who works the most hours, regardless of age or gender.

Wage earner – every respondent who had income from a wage or salary within the three months prior to the visit of the person conducting the survey.

Gross monetary household income (monthly) – all the current monetary income of a household before outlays on financial obligations (income tax, national insurance payments, and health insurance). The gross monetary income includes the income of all household members from work, property, interest, dividends, subsidies, allowances, pensions, and any other current income. Not included are one-time receipts such as an inheritance or a compensation payment.

Limitations of the data: The Income Survey does not reflect all household income

The Household Income Survey is based on the report of one individual in the household – generally the person defined as the “head of the household”; sometimes this is the adult who is at home when the CBS representative arrives. This individual reports on the income of all the members of the household from wages and other sources. Not everyone reports all their income for various reasons, including lack of knowledge or awareness. Note that households, unlike corporations, do not keep complete, ongoing records of all their financial transactions.

The higher the income, the greater the discrepancy in reporting. The largest discrepancy is among households in the highest decile, where income is not just from wages, but also from investments, real estate, etc. The State Revenue Administration in the Finance Ministry did a comparison of data from the

Household Expenditure Survey of the CBS (in which income data is also collected) and income data collected by the tax authorities. It was found for a series of variables that, based on the tax authority data, household income is 10% higher on average than income reported in the Household Expenditure Survey; the differences are particularly salient at higher levels of income (Ministry of Finance, 1999).

Furthermore, the Household Income Survey does not accurately reflect the two or three highest deciles. One reason is that these households have a relatively high proportion of people who refuse to cooperate with the CBS representatives when they come to their homes (*ibid.* 248).

In addition, the Integrated Income Survey, as of 2006, averages the data from the ten households with the highest income in the top decile to prevent identification of the individual or household (CBS, *Income Surveys*, various years).

Thus, when this report cites inequality, it should be borne in mind that the inequality is actually greater than what is reflected in the data presented here.

Occupations: Definitions

Occupations are classified according to the CBS categories established in 1994. For details, see CBS, *Standard Classification of Occupations 1994*, Technical Publication No. 64, August 1994.

Academic professionals – academics in the natural sciences, life sciences, engineering, law, humanities, and social sciences.

Associate professionals and technicians – engineering technicians, laboratory technicians, nurses, primary school teachers, journalists, auditors, accountants, religious professionals, and others.

Managers – legislators, local government executives, directors general, executives, and others.

Clerical workers – employees in taxation, accounting, licensing, or transport, bank or credit company clerks, postal workers, secretaries, receptionists, and others.

Agents, sales workers and service workers – financial and insurance agents, travel agents, advertising agents, appraisers, clearing and forwarding agents, employment agents, wholesalers, sales representatives, buyers, sellers, salespersons, tour guides, flight attendants, workers in lodging and restaurant services, cooks, waiters, child care workers, personal care workers, security service workers (police, firefighters, and prison guards), and others.

Skilled workers in agriculture, manufacturing, construction and other – crop growers, animal producers, production workers in plants and workshops, ship crews, drivers, construction workers, miners and quarry workers, and others.

Unskilled workers – cleaners, kitchen workers, laundry workers, security guards, porters, ushers, unskilled farm workers, packers, sorters, road and railway track workers, and others.

Economic Sectors: Definitions

Economic sectors are classified according to the CBS categories established in 1993. For details, see *Standard Industrial Classification of All Economic Activities 1993*, Technical Publication No. 63, 1993.

Traditional manufacturing – includes workers in food products, textiles, clothing, footwear, paper and paper products, and printing.

Mixed manufacturing – includes workers in mining and quarrying, plastic and rubber products, mineral and metal products, chemical products, machinery and equipment, electric engines, and transport vehicles.

High-tech – includes workers in electronic components and equipment, electric equipment, medical and scientific equipment, and chemicals (pharmaceuticals). Although high-tech includes aircraft manufacturing, this industry could not be included here because it cannot be distinguished from mixed industry (transport vehicles).

Financial occupations – banking and insurance.

Business services – real estate and brokerage, computer services, employment services, security guards, and maintenance workers.

Public services – employees of the civil service, local authorities, or national institutions, employees of the education, health, welfare, or community services.

Geographic distribution: Definitions

Forum-15 cities – Rishon LeZion, Tel-Aviv, Haifa, Ashdod, Holon, Netanya, Petah-Tikva, Ramat Gan, Beersheba, Herzliya, Hadera, Kfar Saba, Rehovot, Ra'anana, and Givatayim.

Development towns – Ofakim, Netivot, Migdal Ha'Emek, Nazareth Illit, Karmiel, Dimona, Arad, Eilat, Kiryat Gat, Yavneh, Kiryat Shmona, Tiberias, Acre, Afula, Safed, Ma'alot Tarshiha (2010), Beit Shemesh (2002).

Arab towns – Nazareth, Rahat, Umm al-Fahm, Taibeh, Sakhnin, Shfar'am, Tamra. In 2010, the following towns were added: Daliyat al-Karmel, Arabe, Majd al-Krum, Tira, and Baka-Jat.

Footnotes

1. For details of the occupations and economic sectors, see Appendix "About the Data."
2. A category that includes nurses, primary school teachers, journalists, auditors, accountants, religious professionals, and others.
3. The "Forum-15" cities are the more affluent cities in Israel whose budgets are balanced and thus are not in need of "balancing grants" from the central government.
4. Both when defined as 60% of the households – the 3-8 income deciles – or as households with an income 75% to 125% or 75% to 200% of the median income per household.
5. Those with higher income were the primary beneficiaries of the tax cuts in 2003-2010. In a study conducted for men earning twice the average wage, the Adva Center found that until 2010 (the last year of the tax cut), the cumulative annual supplement to their income was NIS 22,971. In contrast, the cumulative annual supplement for men earning 75% the average wage or less was estimated at only NIS 6,421 (Adva Center, The Proposed Budget and Arrangements Law for Fiscal 2011-2012: Tight-Fisted on Civilian Expenditures, November 2010, Tel Aviv).
6. Since 1995 – see "About the Data" at the end of this report.
7. The Central Bureau of Statistics defines "head of household" as the person who works the most hours.
8. In 2008, women headed 93% of single-parent families with children under the age of 17 (CBS, 12 August 2011, Households and Families, Demographic Characteristics, 2009-2010, based on labor force surveys). According to data from the National Insurance Institute, 30% of single-parent families are poor and 38% receive income support (National Insurance Institute, 14 February 2010, Press Release – Data on families and stipends with the approach of Family Day).
9. Historically, the largest employer in the Israeli economy has always been public services. See CBS, Labor Force Surveys, various years.
10. For details about the strata as a whole, see Appendix 2.
11. See Appendices 2 and 3 for data about wage earners in general by industry in 1992 and 2010, and details of changes in all the strata.

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