

ISRAEL: A SOCIAL REPORT 2011



Board of Directors

Professor Yossi Dahan, Chair
Gilbert Finkel (M.A.), Treasurer
Professor Ismail Abu-Saad
Dr. Nitza Berkovitch
Professor Dani Filc
Professor Rachel Kallus
Professor Hubert Law-Yone
Professor Uri Ram
Dr. Yitzhak Saporta
Professor Rivka Savaiya
Professor Oren Yiftachel
Professor Yossi Yona

Audit Committee

Attorney Ovadia Golestany

Staff Members

Barbara Swirski, Executive Director
Shlomo Swirski, Academic Director
Etty Konor-Attias, Research Coordinator
Safa Agabaria, Economist
Attorney Noga Dagan-Buzaglo, Researcher
Yael Hasson, Researcher and Coordinator, Women's Budget Forum
Valeria Seigelshifer, Advocacy Director, Women's Budget Forum
Yaron Dishon, Outreach Coordinator
Mira Oppenheim, Office Manager

This report was made possible by generous grants from
 Ford Israel Foundation
 MAZON: A Jewish Response to Hunger

**FRIEDRICH
 EBERT
 STIFTUNG** Production of the report in Hebrew, English
 and Arabic was made possible by a generous
 grant from the Friedrich Ebert Stiftung

**The Adva Center is supported by the
 following individuals and foundations:**

Jacob & Hilda Blaustein Foundation
 Heinrich Boell Foundation
 Friedrich Ebert Stiftung
 Ford Israel Foundation
 Hadassah Foundation
 Mr. Howard Horowitz and Ms. Alisse Waterston
 Israel Delegation of the European Commission
 MAZON: A Jewish Response to Hunger
 Middle East Dialogue / Richard Goodwin
 National Council of Jewish Women
 New Israel Fund
 Rosa Luxemburg Foundation
 Tikkun Olam Women's Foundation
 of Greater Washington, DC

Translation: Gila Svirsky

INTRODUCTION

This annual edition of the **Social Report** appears after a summer in which almost all the issues raised over the years by the Adva Center became the focus of an unprecedented wave of social protest. Never before in Israel has such widespread public, political, and media attention been given to the issues of equality and social justice.

The protest movement spawned one significant government action – the appointment of the Trajtenberg Commission, whose mandate was to propose government actions that would address the demands raised by the protest movement.

As of December 2011, the government has shown no intention of implementing a large part of the Trajtenberg Commission's recommendations, particularly the proposed cuts to the security budget that would be used to reduce the cost of raising children.

Furthermore, the issues that the protesters sought to place at the top of the national agenda have been marginalized in recent months, giving way to two other concerns: fear of the development of nuclear weapons by Iran and fear of a deepening financial crisis in Europe. While trepidations about Iran ostensibly justify renegeing on the promise to cut the security budget and even enlarging it, concern about the European financial crisis is used to justify a reduction in government spending on the grounds that state tax revenues may diminish. In other words, the core demand of the protest movement – changing the order of priorities of the state budget – will apparently fail to gain traction.

It should be noted in this context that the issues raised in the annual **Social Report** are not confined to budget policy. Most of the data presented here reflect profound and far-reaching social and economic

dynamics in the areas of economic growth, investments, wages, education, higher education, health, and retirement income. These hold the key to deepening inequality, whether during periods of economic growth or economic or security crises. While the government is dragging its feet in dealing with poor working conditions under employment contractors, the salaries of company executives continue to climb, regardless of whether the country is experiencing economic growth or recession, security tension or quiet borders. The current report directs attention to the underlying dynamics: uneven economic growth, the concentration of investments in limited sectors of the economy, widening income disparities, large gaps in school achievements and college admissions, disparities in access to medical services, and widening gaps in retirement savings.

Demands made of the state should not be confined to budgets. The government is key: It alone has the authority and ability to put in place comprehensive social and economic policies that can shape a more equitable and just society – keep collective resources in the hands of the public and ensure their just distribution, work to stimulate full employment, ensure a living wage, reinstitute public control over long-term retirement savings, provide quality public education for all children, maintain public health services, and guarantee a reliable social safety net.

Most of the annual figures used to produce **Israel: A Social Report** are published by Israel's Central Bureau of Statistics (CBS) at a delay of one year. Hence the picture presented here relates primarily to 2010. However, most of the tables and figures also provide figures for the previous decade, 2000-2010, which allows for identification of long-term trends.

THE DOUBLE JEOPARDY OF THE ISRAELI ECONOMY

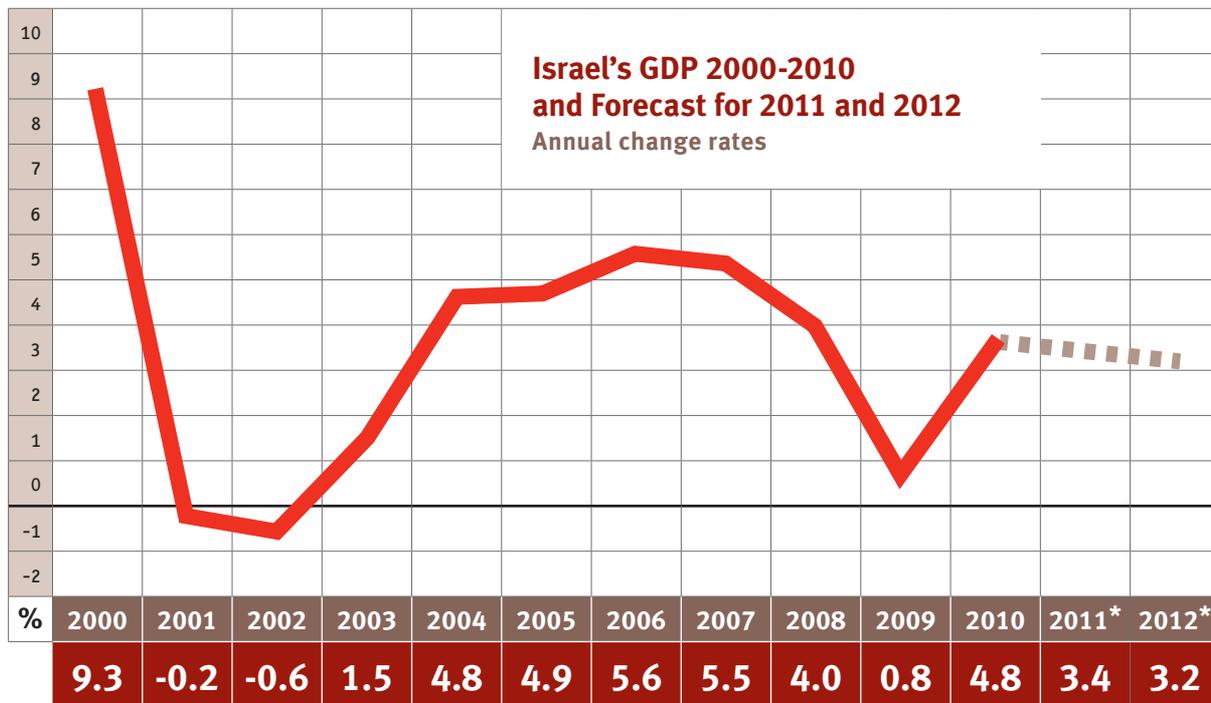
Israel's economy is subject to double jeopardy. Along with many other countries, it is exposed to the risk of global economic crises, such as the present one. But Israel is also subject to the threat of violent political conflicts due to the volatile situation in our region, and particularly the absence of a political settlement to the Israeli-Palestinian conflict. Over the past two decades, Israel experienced uprisings against its continuing occupation – the first and second

Intifadas.

The figure below clearly outlines the problem of double jeopardy. The first crisis occurred at the beginning of the present decade and was rooted primarily in the bursting of the high-tech bubble and the second Intifada; the second crisis occurred toward the end of the decade with the global financial crisis. Between these two, Israel enjoyed five years of economic growth that averaged a healthy 5%. However, this period

of growth did not compensate for the losses incurred during the two crises.

Israel currently faces two simultaneous threats: the financial crisis in Europe, one of Israel's two main trading partners, and the ongoing conflict with the Palestinians, encumbered by broader regional tensions. As a result, the forecast for the coming years is not at all clear.



*Forecast

Sources: Adva Center analysis of CBS, *Statistical Abstract of Israel*, various years; CBS, *Press Release: Initial Estimates of the Third Quarter of 2011*, 16 November 2011; Bank of Israel, *Update of the Macroeconomic Forecast for 2011-2012*, September 2011, <http://www.bankisrael.gov.il>.

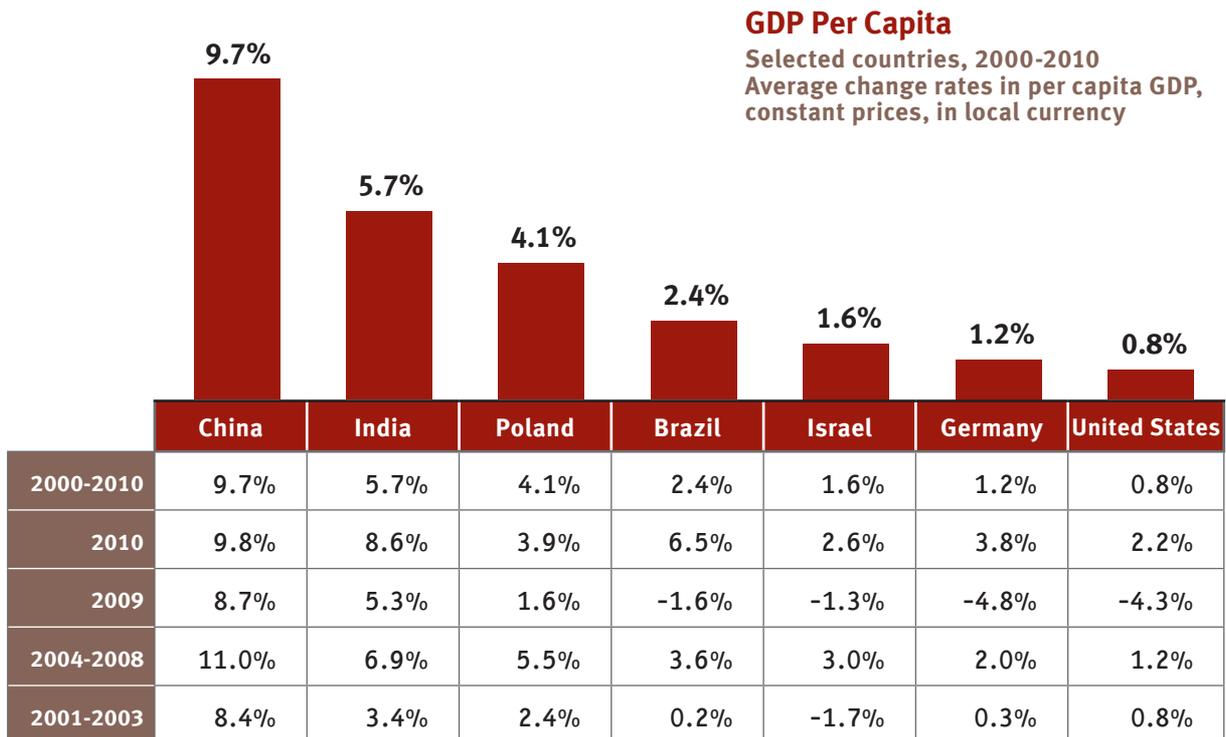
DOUBLE JEOPARDY RESULTS IN LOWER LONG-TERM ECONOMIC GROWTH

Due to the double jeopardy facing Israel, it registered lower economic growth rates than many other countries during the last decade. The graph below presents the annual average GDP per capita growth for selected countries from the beginning of the decade through 2010, the last year for which we have complete figures. China experienced the largest economic growth: Its GDP per capita increased by an annual average of 9.7%. India, too, grew by leaps and bounds – by an annual average of 5.7%. India and China are the most prominent countries of Southeast Asia, many of which experienced high growth rates. Another region that experienced high growth was Eastern Europe,

represented in this graph by Poland, with an average annual per capita GDP growth of 4.1%. In contrast, Israel's average annual rate of growth of per capita GDP in the decade 2000-2010 amounted to 1.6%. Although this is higher than some of the world's richest countries – the United States with 0.8% and Germany with 1.2% - the per capita GDP in these countries was already much higher than that of Israel: approximately \$40,000 in Germany and \$47,000 in the United States, compared with \$29,000 in Israel (in 2010, at current prices). If Israel aspires to a per capita GDP similar to that of Germany and the United States, it needs to grow at a much faster rate over a long period

of time. It managed to do this in the period 2004-2008, when the per capita rate of economic growth was 3.0%. However, during the Intifada years, 2001-2003, instead of growing, per capita GDP decreased by an average annual rate of 1.7%, and in 2009, following the global economic crisis, it shrank again by 1.4%. As a result, Israel's average annual per capita growth over this decade was only 1.6%.

Many countries pay a heavy price during periods of economic crisis: In 2009, the per capita GDP shrank in the United States, Germany, Brazil, and Israel. Israel is the only country in which the per capita GDP also shrank in 2001-2003, the years of the second Intifada.



Source: Adva Center analysis of IMF, *World Economic Outlook*, October 2011.

BUSINESS-LED GROWTH IS NOT ENOUGH

Israel's economic leadership puts all its eggs in the business basket. For example, it reduced government outlays to avoid competition with business over credit; it privatized retirement savings funds to put them at the disposal of big business; and it reduced corporate taxes to attract foreign corporations to Israel. These measures were taken on the assumption that growth stimulated by the business sector would be sufficient to respond to the major needs of Israeli society.

Although these measures did strengthen the business sector, they did not engender economic growth that benefited all of Israel's population. Big business is in search of profitability, and this can be found in only a small number of economic sectors.

To illustrate: During the past decade, the highest rate of economic growth was registered in the high-tech and banking-insurance-provident funds sectors. High-tech is the pride and joy of Israeli business, and accounts for about half of Israel's manufacturing exports. However, the high-tech sector, together with the banking-insurance-provident

funds sector, employs no more than 13% of the Israeli workforce. Moreover, most of the employees in those sectors of the economy have college degrees. This is at a time when most Israeli youngsters – almost three-fourths – do not go on to college (see page 28). Remuneration in both these sectors is high, but atypical of most wage earners. Finally, these sectors are located in the center of the country and in the case of banking-insurance-provident funds, in a limited area of Tel Aviv. In contrast, the lowest growth rates were registered in the traditional, low-tech industries. In fact, the activity of these industries shrank throughout the decade. In principle, one could view this as a positive indication that the Israeli economy is leaving low-tech behind in favor of the more profitable high-tech. In reality, the shrinking of traditional industries leaves numerous workers outside the job market, bereft of a source of livelihood. High-tech is not an option for them, either because it requires a college education or because it is located in the center of the country, while low-tech industries are concentrated in the Galilee and the Negev.

A similar picture emerges from the geographic distribution of investments in Israel. These are overly concentrated in two of Israel's six districts – the Tel Aviv and Central Districts. They are also more concentrated in the prosperous cities, rather than development towns or Arab localities. The Arab localities are, for all practical purposes, not part of the industrial economy of Israel. In the context of these figures, it is clear that Israel's leaders should not be content with economic growth per se and certainly not with economic growth that takes place mainly in the center of the country and benefits a relatively small segment of the labor market. Rather, they should aspire to economic growth that benefits a broad spectrum of society. This can be achieved, on the one hand, by upgrading low-tech industries and, on the other hand, by the provision of continuing education and vocational training to the relevant parts of the Israeli workforce. This requires a concerted effort on the part of the state. It cannot be left to the business sector, which is not motivated by broad social concerns, but rather by short-term profits.

INVESTMENTS CLUSTER IN A NARROW SECTOR OF THE ECONOMY

Investments are necessary to stimulate economic growth. To stimulate economic growth that will benefit more and more Israelis, investments are required in different sectors of the economy and in different parts of the country. During the past decade, investments were concentrated in very few economic sectors and in a limited area of the country. The graph below presents investment data for the manufacturing sectors of the economy. In 2010, the last year for which complete figures are available, high-tech industry

attracted the most investment, followed by mixed-high-and low-tech manufacturing.

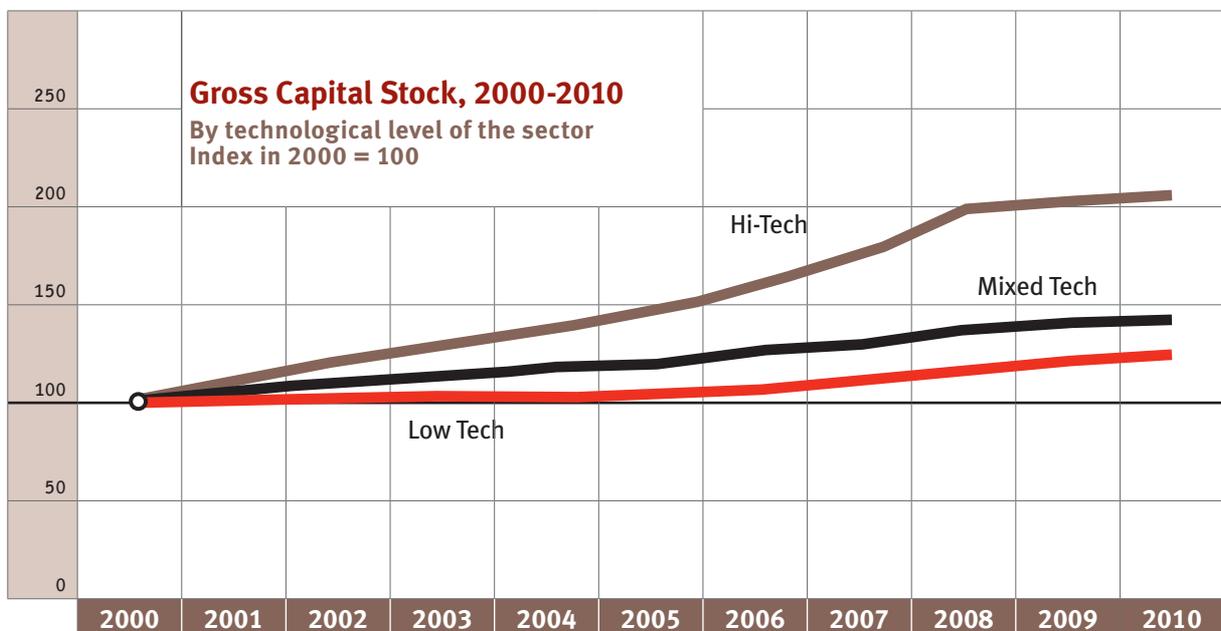
The picture was the same for the entire decade 2000-2010. High-tech attracted the largest investments, which grew by an average annual rate of some 8%, even during the Intifada years. In 2010, the capital stock of the high-tech sector was about double what it had been in 2000. Note that over the past two years, in 2009 and 2010, the capital stock in hi-tech sectors grew at an average annual rate of only 2.7%.

Investments in other sectors

were more modest. In the mixed technologies sector, investments grew at an average annual rate of approximately 3.7%; in 2010, the capital stock was about 1.4 times what it had been in 2000.

In the low-tech sector, the average annual rate of growth was even lower at 2%. Between 2000 and 2010, capital stock in this sector grew by only 20%.

The graph below presents changes in the rate of growth of capital stock for each technological level of the manufacturing sector.



Notes:

1. Capital stock – total outlays of factories, government, and non-profits on fixed assets for civilian use, construction in progress, investments in machinery, equipment and vehicles.
2. Mixed-tech manufacturing includes the processing of chemicals or petroleum, mining and quarries, plastics, rubber, machinery, equipment, vehicles, jewelry, and decorative ornaments. We include both categories: mixed high-tech and mixed low-tech manufacturing.

Source: Adva Center analysis of figures obtained from the Bank of Israel.

THE FRUITS OF GROWTH TRICKLE UP MORE THAN DOWN

The dominant macro-economic view contends that economic growth is good for everyone because its fruits ultimately trickle down to all strata of the population. The figure below shows the relationship between economic growth (increase in the GDP) and the change in the income of four strata in Israel during the years 2000-2010: the sixth decile, representing households with

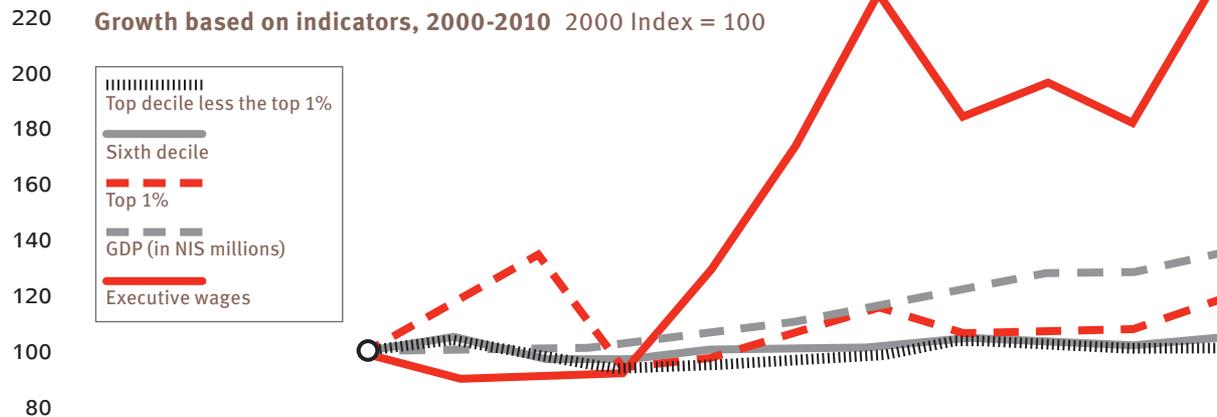
average income; the tenth decile excluding the top one percent; the top one percent; and the senior executives in stock-exchange traded companies, who represent here the top 0.1%.

It can be seen that in the past decade during which the GDP increased by a third, the income of the top decile (without the top 1%) did not increase at all, and the income of the sixth decile grew by

only 4%. On the other hand, the income of the top one percent was 19% higher in 2010 than in 2000. Since we know that the income of the top decile did increase, this means that all the increase was concentrated in the top one percentile. Growth was even better for the top executives of companies in the Tel Aviv 25 Index, whose wages cost their companies 142% more in 2010 than in 2000.

GDP and the Average Annual Income of Households in Israel, 2000-2010

Households headed by wage-earners in selected income groups at 2010 prices, And costs to the employer of senior executives' wages in the 25 largest companies on the Tel Aviv Stock Exchange.



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Top decile less the top 1%	100	102	98	93	95	97	98	103	103	100	100
Sixth decile	100	103	97	96	98	98	100	103	103	102	104
Top 1%	100	117	137	93	96	107	116	107	108	109	119
GDP (in NIS millions)	100	100	99	101	106	111	117	123	128	129	136
Executive wages	100	90	90	93	131	178	235	189	202	187	242

Notes:

- All data were calculated in annual terms and at 2010 prices.
- The top (tenth) decile – Data in the top decile were subdivided into ten groups of equal size, from which two variables were created: One was the top decile minus the top one percent. The other was the one percent – the top percentile of the tenth decile.
- Income of the sixth decile and the top decile (minus the top one percent) reflects the gross monetary income of the household by its wage earners.
- Executive wages – the gross cost of the wages to the company of the top executives of the 25 largest companies in the Tel Aviv Stock Exchange.
- The income of the top one percent is undoubtedly higher: Since 2006, the CBS does not include in its calculations the ten highest incomes of individuals and households, but rather uses their weighted average.

Source: Adva Center analysis of CBS, *Statistical Abstract of Israel*, various years; CBS, *Income Survey*, various years; Globes, *Supplement: Executive Salaries*, various years.

WHAT HAPPENED IN 2010?

The year 2010 saw an increase in the income of all households. The largest increase was recorded in the four lowest deciles: The average income of the lowest decile of households rose by 5.3%

in 2010, while the income of the second, third, and fourth deciles rose by an average of 2.6%. The increase in the other deciles was very small, particularly in the eighth and ninth deciles – 0.2%

and 0.1%, respectively. The increased income in 2010 restored the income of most deciles to their 2008 levels, just prior to the outbreak of the global financial crisis.

Percent Change of Average Gross Monthly Income of Households Headed by Wage-Earners

By deciles, in NIS and percentages

Decile	2008-2009			2009-2010		
	NIS per month	% change		NIS per month	% change	
1	-223	-5.7%		195	5.3%	
2	-113	-1.9%		155	2.6%	
3	-190	-2.4%		195	2.5%	
4	-145	-1.5%		256	2.7%	
5	-92	-0.8%		197	1.7%	
6	-60	-0.4%		190	1.3%	
7	68	0.4%		81	0.5%	
8	24	0.1%		47	0.2%	
9	-259	-0.9%		29	0.1%	
10	-626	-1.3%		501	1.1%	

AND WHAT HAPPENED TO HOUSEHOLD INCOME BETWEEN 2000 AND 2010?

The following picture emerges from examining the income of households by income decile in the years 2000 to 2010:

- For most deciles, the best years were at the beginning of the decade, particularly the year 2001. Nevertheless, the income

of most deciles was higher at the end of that decade than at the outset, with the exception of the second and third deciles.

- The second Intifada had an adverse effect on the income of all households. This decline lasted five years – from 2002 through 2006. During most

of those years, the average income of households in deciles one through nine was smaller than it had been in 2001. For households in the top decile, the decrease in household income began only in 2003 and continued for four years, through 2006.

Gross Average Monthly Income of Households Headed by Wage-Earners, 2000-2010

2010 prices

Decile	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1	3,866	3,943	3,597	3,670	3,609	3,736	3,772	3,938	3,921	3,699	3,894
2	6,218	6,304	5,990	5,835	5,834	5,880	5,937	6,206	6,067	5,954	6,109
3	7,990	8,137	7,729	7,508	7,558	7,565	7,624	8,002	7,901	7,712	7,907
4	9,760	9,976	9,383	9,206	9,409	9,376	9,499	9,834	9,728	9,584	9,840
5	11,656	11,940	11,303	11,062	11,394	11,369	11,505	11,858	11,781	11,690	11,887
6	13,873	14,271	13,449	13,253	13,600	13,636	13,821	14,321	14,233	14,174	14,364
7	16,750	17,022	16,156	15,844	16,379	16,404	16,640	17,207	17,055	17,123	17,204
8	20,727	21,009	19,939	19,224	19,945	20,297	20,396	21,399	21,039	21,063	21,110
9	26,924	27,442	25,817	24,696	25,712	26,236	26,544	27,644	27,350	27,092	27,121
10	45,843	47,846	48,423	42,351	43,696	45,195	45,613	47,462	47,650	47,024	47,525

Source: Adva Center analysis of CBS, *Income Survey*, various years.

- For most households (deciles one through nine), recovery from the Intifada began only in 2007 and lasted no more than a year: The global financial crisis that erupted in late 2008 had an adverse effect on households in all income deciles except the seventh and eighth. For households in deciles one through six, the decline in income began in 2008 and continued into 2009.
- In 2010, income rose in all deciles, especially the four lowest. This increase restored income to their 2008 levels.
- Income of households in the top decile dipped only twice during the decade, in 2003 and 2009, but even after this decline, their income in 2010 was still 4% higher than it had been in 2000.
- In the top decile, growth was experienced only in the top percentile.

	Decile	NIS per month	% change 2000-2010	
	1	28	0.7%	
	2	-109	-1.8%	
	3	-83	-1.0%	
	4	80	0.8%	
	5	231	2.0%	
	6	491	3.5%	
	7	454	2.7%	
	8	383	1.8%	
	9	197	0.7%	
	10	1,682	3.7%	

THE SHARE IN THE INCOME PIE OF HOUSEHOLDS IN THE FOUR LOWEST DECILES DECLINED; THE SHARE OF THE TOP DECILE INCREASED

In 2010, the share in the total income pie of households belonging to the four bottom income deciles was smaller than it had been at the beginning of the

decade. The share of households in the top decile was larger. The main impression conveyed by the table below is the unwavering stability of inequality in Israel: The

gaps between the deciles remain steadfast, and the tiny fraction of the income pie held by the lowest deciles declined ever further.

Distribution of Income by Income Deciles, 2000-2010

Calculated by the gross monthly income of households headed by wage-earners, in percentages

Decile	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1	2.4	2.3	2.2	2.4	2.3	2.3	2.3	2.3	2.4	2.2	2.3
2	3.8	3.8	3.7	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.7
3	4.9	4.8	4.8	4.9	4.8	4.7	4.7	4.8	4.7	4.7	4.7
4	6.0	5.9	5.8	6.0	6.0	5.9	5.9	5.9	5.8	5.8	5.9
5	7.1	7.1	7.0	7.2	7.3	7.1	7.1	7.1	7.1	7.1	7.1
6	8.5	8.5	8.3	8.7	8.7	8.5	8.6	8.5	8.5	8.6	8.6
7	10.2	10.1	10.0	10.4	10.4	10.3	10.3	10.3	10.2	10.4	10.3
8	12.7	12.5	12.3	12.6	12.7	12.7	12.6	12.7	12.6	12.8	12.6
9	16.5	16.3	16.0	16.2	16.4	16.4	16.5	16.5	16.4	16.4	16.2
10	28.0	28.5	29.9	27.7	27.8	28.3	28.3	28.3	28.6	28.5	28.5
Total Deciles 1-4	17.0	16.9	16.5	17.2	16.8	16.6	16.6	16.7	16.6	16.3	16.6
Total Deciles 9-10	44.5	44.8	45.9	43.9	44.2	44.7	44.7	44.7	45.0	44.9	44.7
Total	100	100	100	100	100	100	100	100	100	100	100

Note: Percentage changes were calculated from the original figures; thus there may be differences of a tenth of a percent in the table.

Source: Adva Center analysis of CBS, *Income Survey*, various years; figures for 2010 were received courtesy of the Consumption Department of the CBS.

INEQUALITY IN ISRAEL – AMONG THE HIGHEST OF OECD COUNTRIES

Inequality in Israel is among the highest of countries in the OECD, which Israel joined in 2010.

Measured by the Gini coefficient, Israel ranks 5 out of 27 countries on income inequality.

The Gini coefficient is a measure of income inequality that ranges from 0 (when everybody has identical incomes) to 1 (when all income goes to only one person).

Since the mid-1980s, inequality as measured by the Gini coefficient has increased by an average of 4.3% among many OECD countries. In Israel, the Gini coefficient increased by 13.8% - from 0.326 to 0.371.

*Source: OECD, *Divided We Stand: Why Inequality Keeps Rising*, Table A1.1, 23 November 2011.*

Inequality in OECD Countries

Country	Gini coefficient, late 2000s
Chile	0.494
Mexico	0.476
Turkey	0.409
United States	0.378
Israel	0.371
Portugal	0.353
United Kingdom	0.345
Italy	0.337
New Zealand	0.330
Japan	0.329
Canada	0.324
Spain	0.317
OECD (34)	0.314
Greece	0.307
Germany	0.295
Netherlands	0.294
Ireland	0.293
France	0.293
Luxemburg	0.288
Hungary	0.272
Austria	0.261
Belgium	0.259
Finland	0.259
Sweden	0.259
Czech Republic	0.256
Norway	0.250
Denmark	0.248

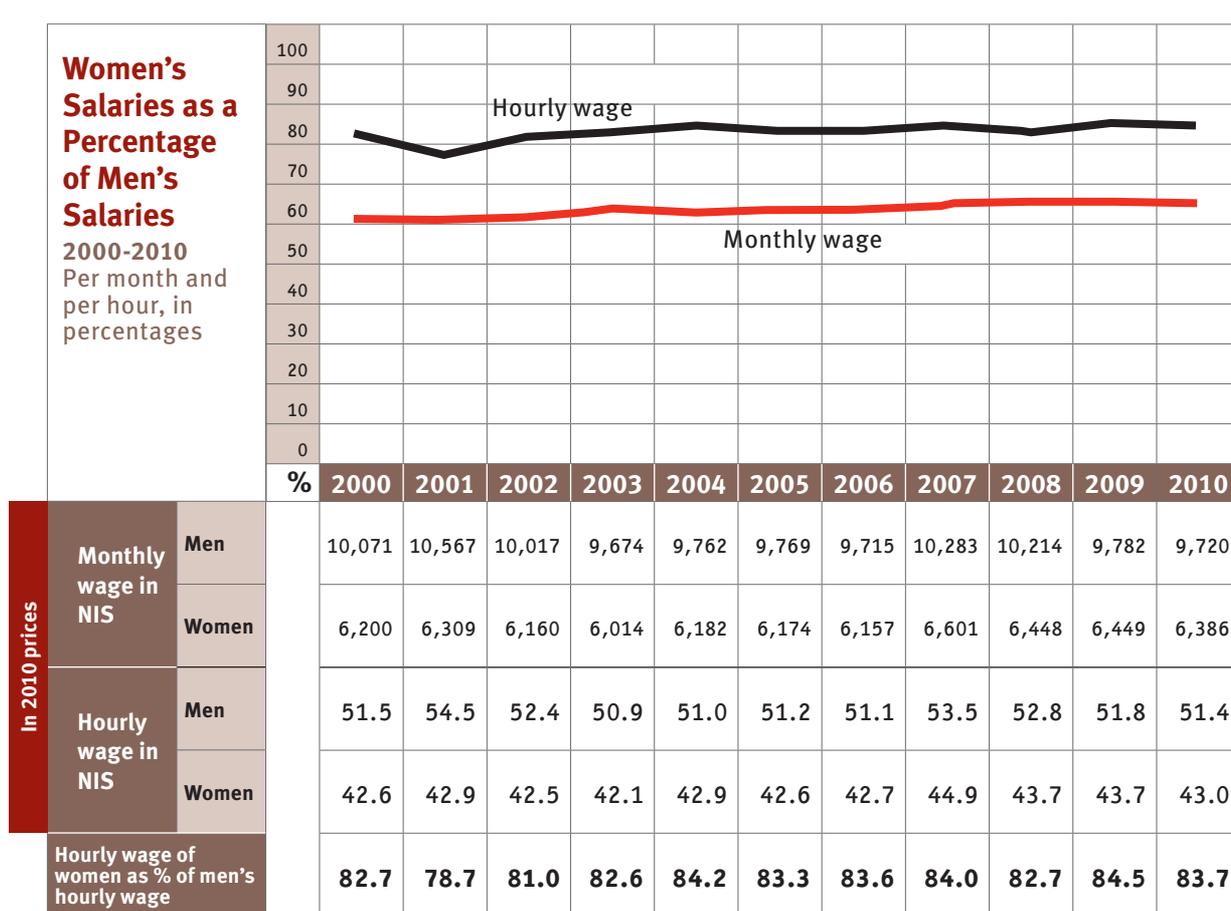
THE WAGE GAP BETWEEN WOMEN AND MEN REMAINED STABLE IN 2010

Wage disparities between women and men appear to be relatively stable.

Presented here are monthly and hourly wage data. Data about the monthly wage are less significant because many women work part-time and/or on a temporary basis. At any rate, the average monthly salary of women in 2010 was NIS 6,386 – approximately 66% of the average monthly salary of

men. This compares favorably with 2000, when the ratio was 61.6%. The hourly wage is a more meaningful measure. The average hourly wage of women was NIS 43.00 – 84% of the hourly wage of men. The disparity between the hourly wages of women and men remained fairly stable during the entire past decade, with the hourly wages of women constituting some 83-84% of those of men.

The gaps in hourly wages between men and women are not high in Israel compared with other countries. They resemble gaps in Scandinavia, and are lower than the gaps in many western European countries.



Source: Adva Center analysis of CBS, *Income Survey*, various years.

HOURLY WAGE GAPS BETWEEN MEN AND WOMEN

**Selected countries, 2008,
in percentages**

Country	Wage Gaps
Czech Republic	26.2
Germany	23.2
Greece	22.0
Britain	21.4
Netherlands	19.6
France	19.2
Israel	17.3
Norway	17.2
Denmark	17.1
Spain	17.1
Sweden	17.1
Canada	16.2
United States	12.7

Source: UNECE Statistical Division Database, November 2011.

MORE PEOPLE NOW EARNING UNDER THE MINIMUM WAGE THAN AT THE BEGINNING OF THE DECADE

So far we have been looking at wage gaps between households. Now we turn to the wage gaps between individuals.

The National Insurance Institute publishes data about wages at three levels: less than minimum wage, from minimum wage to average wage, and above the average wage. Unfortunately, these figures are published at a delay of two years, hence we are unable to

provide data from 2010.

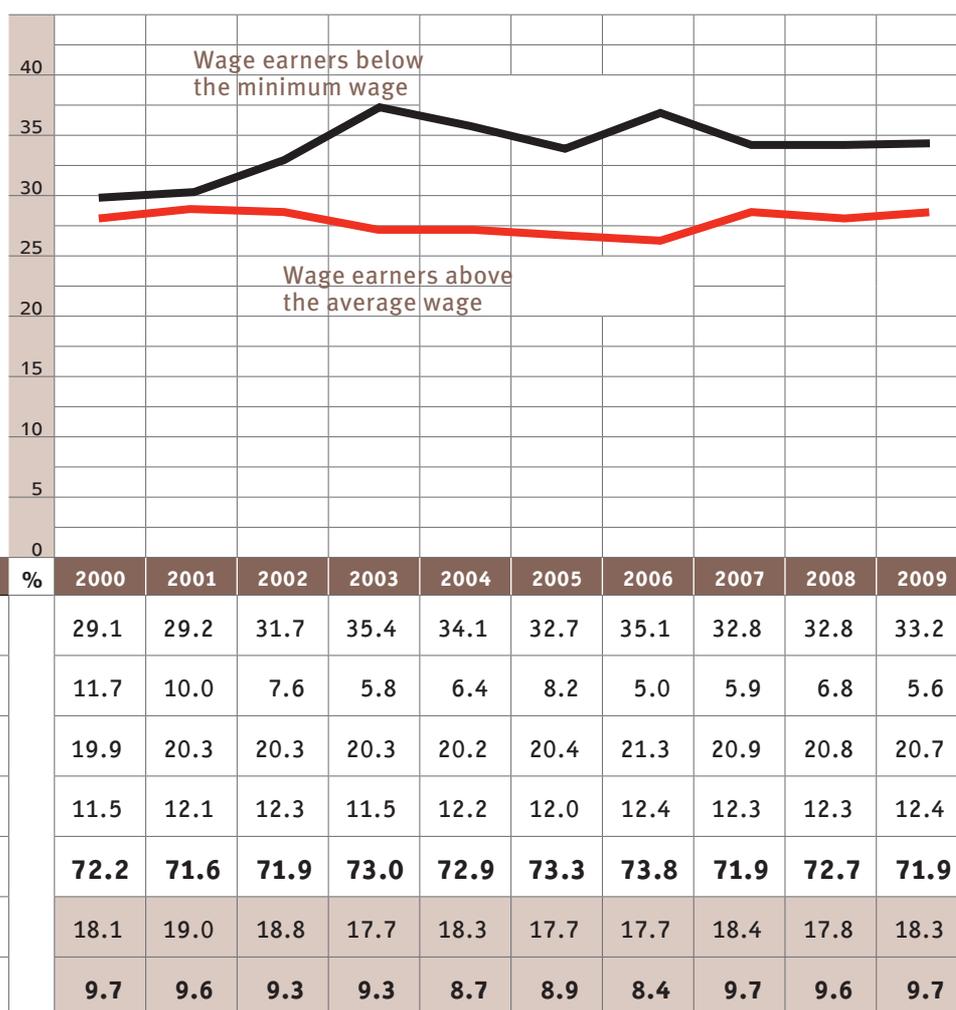
With regard to the decade 2000-2009, the data reveal increasing percentages of persons earning up to the minimum wage: In 2000, these persons constituted 29.1% of all wage earners; in 2009, they were 33.2% of all wage earners, and had reached 35.1% of the total in 2006.

On the other hand, the group of persons earning the average wage

or more, who had constituted 27.8% of all wage earners in 2000, fell to 26.1% by 2006, but regained its former level at the beginning of the current decade. The proportion of Israelis who earned the average wage or less was 71.9% in 2009, having decreased from 73.8% in 2006. At the beginning of the previous decade, it had been 72.2%.

Distribution of Wage Earners in Israel by Salary Level

2000-2009
(in percentages)



Note: The average monthly salary of a wage earner was NIS 8,562 in 2009 in current prices. Data from 2010 were not yet published.

Source: Adva Center analysis of Jacques Bendelac, *Average Wage and Income by Locality and by Various Economic Variables*, National Insurance Institute, various years.

IN 2010, URBAN MIZRAHI WORKERS EARNED MORE, ASHKENAZI WORKERS EARNED LESS, AND ARAB WORKERS EARNED THE SAME AS IN PREVIOUS YEARS

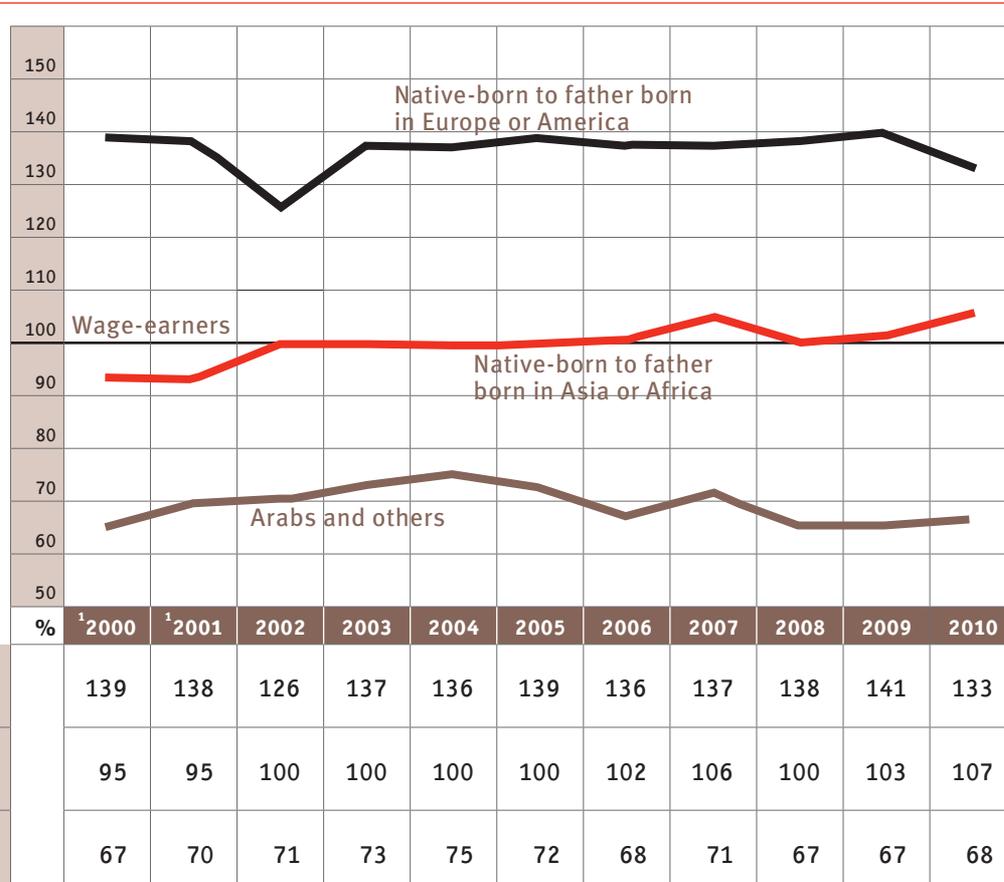
Salary gaps between Jews and Arabs and between Mizrahi Jews (Israeli-born Jews whose fathers were born in Asia or Africa) and Ashkenazi Jews (Israeli-born Jews whose fathers were born in Europe or America) are stable and deeply rooted – despite small changes. In 2010, the average monthly

salary of urban Ashkenazi Jews decreased relative to the average monthly salary of all urban employees – by eight percentage points – from 41% above the average in 2009 to 33% above the average in 2009. The average salary of their Mizrahi counterparts increased by four

percentage points, raising it to 3% above the average. This represents a slight improvement in the income of urban Mizrahi employees, following a decline in 2008. The average monthly salary of Arab urban employees remained the same – about a third below the national average.

Monthly Income from Wages or Salaries of Urban Employees 2000-2009

Ashkenazim, Mizrahim, Arabs
Base: National Average = 100



Notes:

- Does not include the population of East Jerusalem.
- Wage-earners – all persons having income from wages or a salary in the three months prior to the visit of the census taker.
- Wage – remuneration for work carried out during the defined period; salary – a set wage received for work, usually monthly.
- Income from wages or salaries – income from salaries of employed individuals.

Sources: Adva Center analysis of CBS, *Income Survey*, various years; the figure for 2010 courtesy of the Consumption Department of the CBS.

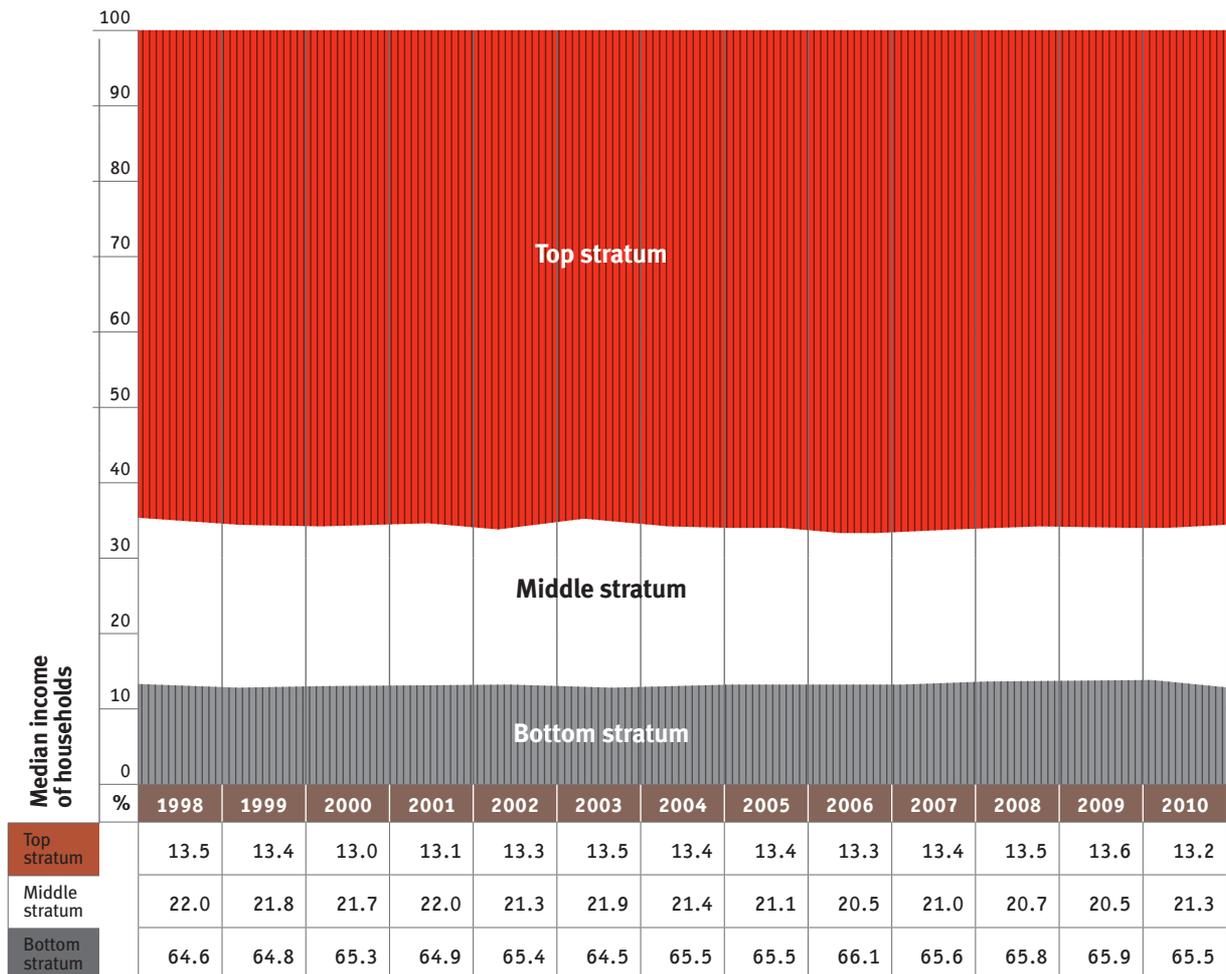
IN 2010, THE MIDDLE CLASS GREW SLIGHTLY, AFTER SHRINKING IN 2009

The degree of income inequality is also evident in the situation of the middle class in Israel. What is the “middle class?” As is common in international research, we divided Israeli households into three groups: the middle stratum, containing all households whose incomes fall between 75% and 125% of median household income; the top stratum, containing all households whose incomes are higher than 125% of the median household income; and the bottom stratum, whose incomes fall below 75% of the

median household income. (In 2010, the median income of all households was NIS 13,031, and the middle class was defined to include households with monthly incomes of between NIS 9,773 and NIS 16,289.) In accordance with this definition, the middle class in Israel includes the fifth and sixth income deciles, as well as part of the fourth and seventh deciles. In 2010, the middle class expanded slightly, after having experienced some shrinkage in 2009: As a proportion of all households in Israel,

Share of Each Stratum in the Total Income

1988-2010, in percentages, by median income of households headed by employed persons



Source: Adva Center analysis of CBS, *Income Survey*, various years. Figures for the middle class incomes were calculated by Luda Garmash.

it rose from 26.6% to 27.8%; and its share of the total income pie of all households also rose slightly, from 20.5% to 21.3%. (The total income pie is calculated by summing the gross incomes of all Israeli households.)

The figure below reveals that the income of households in deciles 4 through 7 regained what they had lost in 2009, the year of the financial crisis, and even surpassed it.

From a historical perspective, however, the dominant trend is the

ongoing shrinking of the middle class. Between 1998 and 2009, Israel's middle stratum shrank by approximately 7%, from 28.5% to 26.6% of all households. At the same time, the middle class's share of the total income pie decreased by 6.8%, from 22.0% to 20.5%. The entire amount lost by the middle class moved into the hands of the upper class.

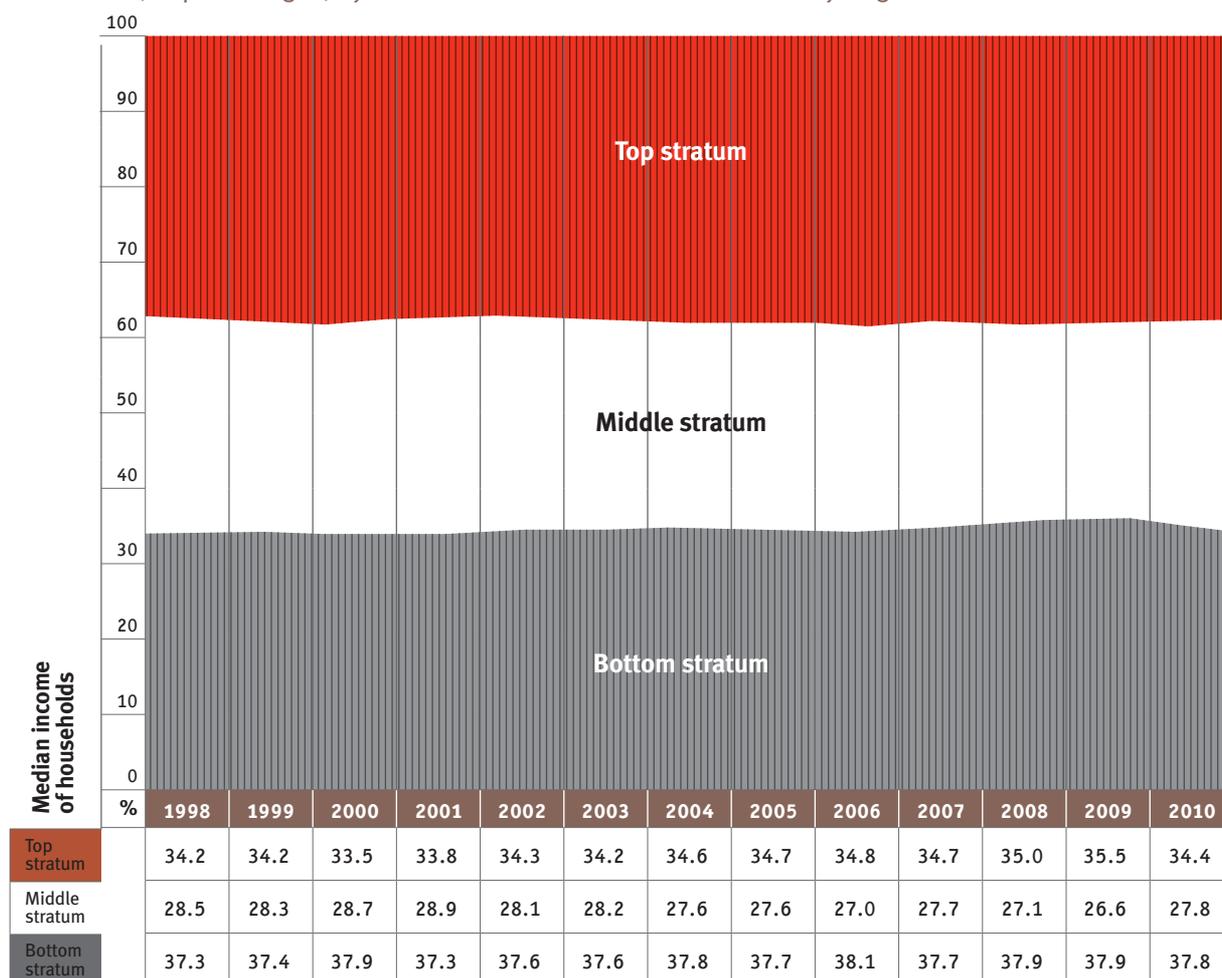
It should be noted that the upper stratum includes – based on how we define the middle stratum – some of the 7th decile as well as

deciles 8, 9, and 10, i.e., 35% of all households.

The shrinking of the middle class occurred during the recession following the second Intifada as well as during the wave of economic growth in the years 2004-2008. Between 2001 and 2003, the middle stratum shrank by 0.7%, from 28.9% of all households to 28.2% in 2003. During the five years of economic growth, 2004-2008, it continued to shrink, decreasing to 26.6% of all households in 2009 – the low of the decade.

Share of Each Stratum in the Total Income

1998-2010, in percentages, by median income of households headed by wage earners



Source: Adva Center analysis of CBS, *Income Survey*, various years. Figures for the middle class incomes were calculated by Luda Garmash.

The size of the middle class in Israel is among the smallest of western countries, as evident in the table opposite taken from an analysis of data from the Luxemburg Income Study by Steven Pressman. Pressman defined the middle class as earning between 75% and 150% of the median income of households, and therefore his figures for the middle class are higher than those we use, which only include households having 75% to 125% of the median income of households. Pressman notes that the greater the inequality in a given country, the smaller the middle class.

The Middle Class as a Proportion of Total Households

Selected countries, mid-2000s

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

Note: Middle class is defined as a household having income between 75% and 150% of the median income of households.
Source: Steven Pressman, "Cross-National Comparisons of Poverty and Income Inequality," in *Journal of Economic Issues*, March 2007.

SALARIES OF TOP EXECUTIVES INCREASED IN 2010 TO THEIR HIGHEST LEVEL OF THE DECADE

At the top of the salary scale are the chief executives of corporations traded on the Tel Aviv Stock Exchange. Still higher, of course, are the owners who employ them, but the CBS does not publish figures on their income – from profits, securities, currency deals, real estate, and so forth. Also unpublished are the salaries of the heads of corporations not traded on the stock exchange. In 2010, the annual cost of the average salary of the top executives of corporations in the “Tel Aviv 25 Index” (the 25 largest corporations on the Stock Exchange rose by 30% and stood

at NIS 11.97 million a year, or NIS 998,000 a month.

In parallel, the annual cost of the average salary of the top executives of corporations in the “Tel-Aviv 100 Index” (the 100 largest corporations on the Stock Exchange) also rose. This cost reached NIS 6.85 million, or NIS 571,000 a month, on average – an increase in real terms of approximately 15% in comparison with 2009.

These figures are typical of the trend over the entire decade – larger salaries for the senior executives of corporations traded on the Stock Exchange. Between

2000 and 2010, the salary bill of top executives in the 25 largest corporations on the Tel Aviv Stock Exchange increased by almost 250 percent – from NIS 4.94 million in 2000 (NIS 412,000 a month) to NIS 11.97 million in 2010 (NIS 998,000 a month).

In 2000, the cost to the company of the average monthly salary of its top executives for the 25 largest companies on the Tel Aviv Stock Exchange was 49 times higher than the average monthly wage in Israel; in 2010, it was 114 times higher.

In addition, many top executives receive perks like stock options.



Source: Globes Newspaper, 31 March 2011.

THE END POINTS – INCREASINGLY DIVERGENT

At the bottom of the salary scale are families with incomes so low they are beneath the poverty line (defined as equal to 50% or less of the median income of households in Israel).

In 2010, the poverty rate decreased slightly to 19.8%.

In the last decade, the most significant change in the poverty rate occurred between 2001 and 2004, when it grew from 17.7% to 20.3%, following the large budget cuts to social security payments made during the crisis period of the second Intifada. Since then, the rate has not returned to its

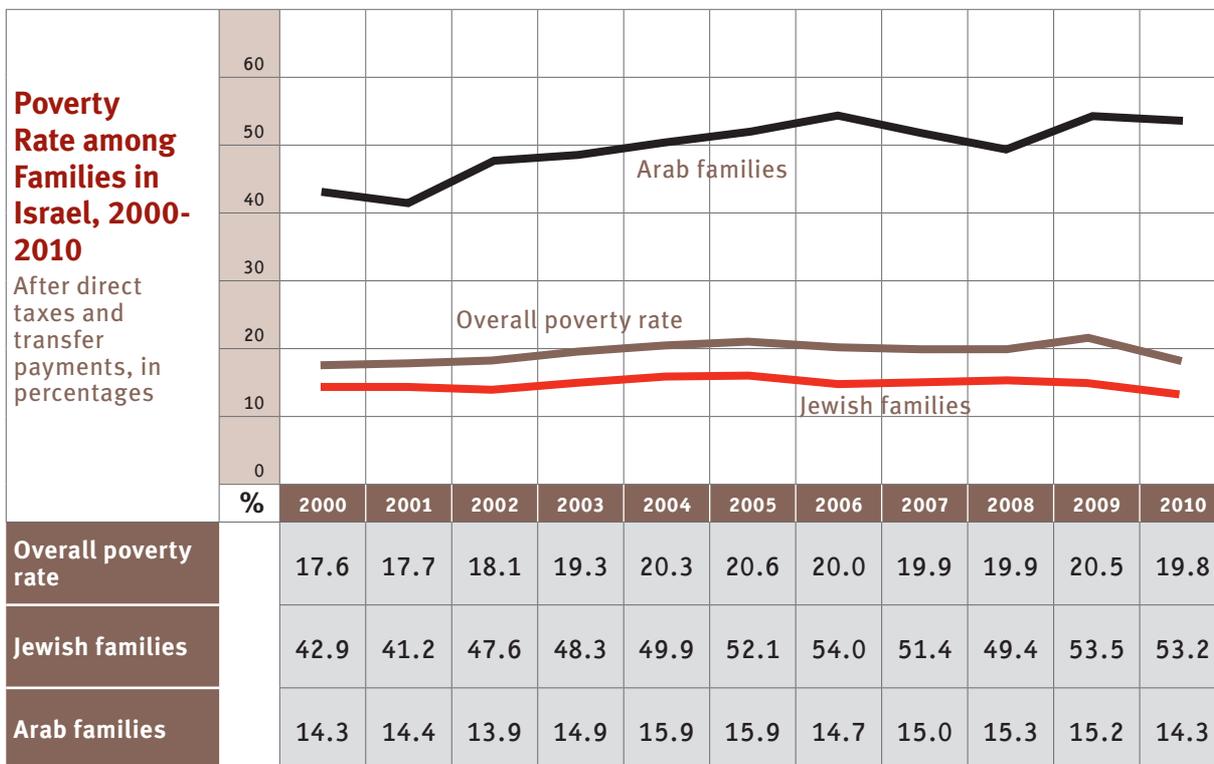
previous level, which was itself quite high.

The reasons are many – the absence of investments in Arab localities, the low workforce participation of Arab women and ultra-Orthodox men, the large number of new jobs that are only part-time, and the increasing use of perm-temp agencies for employment.

The wave of economic growth that occurred between the end of the second Intifada and the outbreak of the global economic and financial crisis managed to halt the spread of poverty, but not

reduce it.

An especially large increase occurred in the poverty rate of Arab families: from 41.2% in 2001 to 54.0% in 2006. In succeeding years, the rate decreased, but in 2009 it rose sharply to 53.5%. It should be borne in mind that even at the beginning of the decade, the picture was far from rosy; then the poverty rate among Arabs was nearly 2.9 times that of Jews. Among Jews, the highest poverty rate is among the ultra-Orthodox; their poverty rate is similar to that of the Arab population of Israel.



Notes:

1. Figures for 2000-2001 do not include the population of East Jerusalem.
2. The data for Jewish families include non-Jews who are not Arab.

Source: National Insurance Institute, *Annual Survey*, various years; National Insurance Institute, *Poverty and Social Gaps – Annual Report*, various years.

POVERTY RATE IN OECD COUNTRIES

Mid-2000s among households, after direct taxes and transfer payments

Country	Poverty Rate
Israel	20.6
Mexico	18.4
Turkey	17.5
United States	17.1
Japan	14.9
Ireland	14.8
Spain	14.1
Greece	12.6
Canada	11.7
Italy	11.4
Germany	11.0
New Zealand	10.8
Belgium	8.8
Luxemburg	8.1
Finland	7.3
France	7.1
Norway	6.8
Austria	6.6
Denmark	5.3
Sweden	5.3

Note: The poverty line is defined as 50% of the median income of a household.

Source: <http://stats.oecd.org/Index.aspx>.

INEQUALITY: UNEMPLOYMENT MAP

One of the most painful consequences of economic crisis is the rise in unemployment – the laying off of workers and the difficulty of finding a new job. The global crisis that erupted in 2008 resulted in increased unemployment – from 5.9% in the middle of 2008 to 7.8% in the middle of 2009. One of the signs that Israel emerged from the crisis faster than many other countries was the fact that by the middle of 2010, the unemployment rate dropped to 6.5%. In August 2011, the unemployment rate was 5.6% (CBS, *Press Release*, 26 October 2011). Should the current forecast for 2012 materialize, unemployment in Israel will again rise.

Unemployment hits mainly the weakest sectors of the population; it is higher in Arab localities than in Jewish ones (much higher, according to the table that follows),

higher in Jewish development towns than in affluent towns, higher among women than men, and higher among Arab women than among Jewish women. Unemployment hits those for whom the school system failed to provide a decent education. It also hits young people who have not had time to get established in the labor market, and adults who were laid off.

The following table presents figures from August 2011 on job seekers by locality, as published on the website of the Government Employment Service of the Ministry of Industry, Trade and Labor. Persons considered unemployed are those registered with the Government Employment Service. However, many of the unemployed do not register, either because there is no employment office in their community, or because they were turned away empty-

handed in the past, or because they believe it unlikely that they will find work there. Thus, the number of registered job seekers is lower than the actual number of unemployed. A more complete picture of the scope of unemployment can be obtained from figures published by the CBS, but these are not presented by locality. We chose to present the figures on job seekers, since they allow us to see differences among localities.

Heading the list of localities with the highest proportion of job seekers are several of the largest Arab towns, which have unemployment rates that are four or five times the national average. Among Jewish localities, the highest proportion of job seekers can be found in development towns and localities far from the center of the country.

Percentage of Job Seekers

By locality, August 2011, localities of 20,000 residents or more, as a percentage of the work force, in descending order

Locality	Proportion unemployed of estimated workforce in that locale	Locality	Proportion unemployed of estimated workforce in that locale	Locality	Proportion unemployed of estimated workforce in that locale
Rahat	37.9	Migdal Ha'emek	8.1	Pardes Hanna-Karkur	4.8
Umm Al-Fahm	32.2	Modi'in Illit	7.8	Eilat	4.8
Sakhnin	26.1	Betar Illit	7.8	Nesher	4.3
Arrabe	25.0	Nahariyya	7.6	Jerusalem	4.2
Tamra	24.9	Karmiel	7.4	Rosh Ha'ayin	4.0
Tayibe	24.5	Majd al-Kurum	7.2	Petah Tiqwa	3.9
Shefar'am	18.8	Lod	7.1	Rishon Leziyyon	3.4
Akko	16.7	Baqa al-Gharbiyye	6.8	Mevasseret Ziyon	3.3
Dimona	15.4	Bnei Brak	6.5	Ma'ale Adummim	3.3
Nazareth	15.0	National Average	6.2	Tel Aviv-Jaffa	3.3
Ofakim	14.8	Qiryat Shemona	6.2	Yehud	3.1
Netivot	11.9	Qiryat Bialik	5.9	Holon	3.0
Qiryat Gat	10.8	Hadera	5.8	Givat Shmuel	2.9
Safed	10.6	Bet Shemesh	5.7	Ramat Gan	2.7
Tiberias	9.7	Haifa	5.5	Modi'in Makkabim Re'ut	2.6
Arad	9.6	Ramla	5.5	Qiryat Ono	2.4
Nazareth Illit	8.9	Daliyat al-Karmel	5.5	Giv'atayim	2.3
Ma'alot-Tarshiha	8.8	Or Yehuda	5.4	Hod Hasharon	2.3
Qiryat Yam	8.7	Qiryat Motzkin	5.3	Herzliyya	2.2
Afula	8.5	Yavneh	5.3	Kefar Saba	2.2
Ashkelon	8.4	El'ad	5.2	Ra'anana	2.1
Beer Sheva	8.4	Netanya	5.1	Ramat Hasharon	1.7
Ashdod	8.2	Tira	4.9		
Qiryat Atta	8.2	Bat Yam	4.8		

ONLY A MINORITY GO ON TO COLLEGE

Higher education is a path to a better future. In Israel, this path resembles a pyramid: All schoolchildren start off at the same baseline, but the higher one climbs, the fewer make it to the next level.

Only a minority get to the top: Until 2009, only 26.9% of persons who were 17 years old in 2001 had gone on to higher education. Following the climb of this age cohort, we find that in 2001, only

75.4% were enrolled in high school in a track leading to matriculation. The matriculation diploma was obtained by no more than 45.3% of the age cohort. And some of these diplomas were not up to the standards of college admission: only 38.7% of the age cohort held matriculation diplomas that qualified them to apply for college entrance.

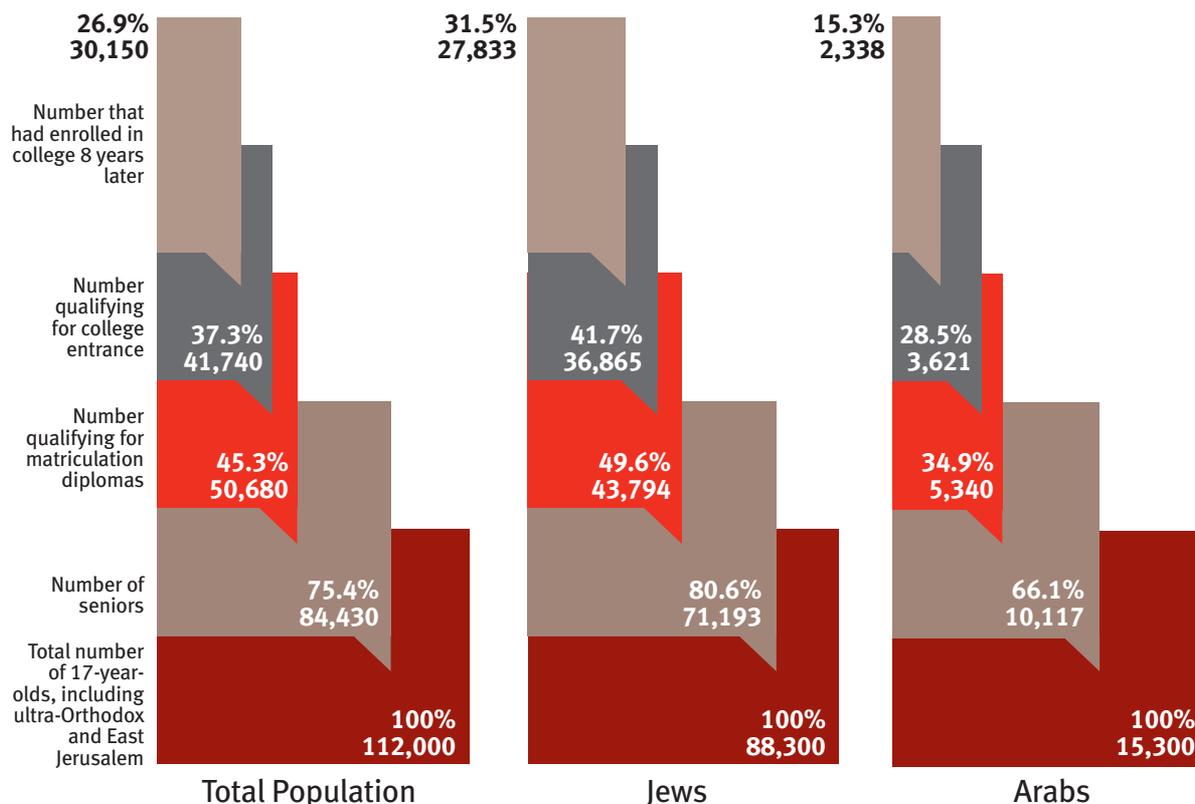
Among that group, not everyone had gone on to college in Israel by

2009: only 26.9% had done so – that is, slightly more than one out of four.

The proportion of Jewish youth entering college is double that of Arab youth. Nevertheless, many young Arabs attend colleges outside Israel, such as Jordan, where thousands of Israeli students study.*

* See Khalid Arar and Kussai Haj-Yihye, "Emigration for Higher Education: The Case of Palestinians Living in Israel Studying in Jordan," *Higher Education Policy* (2010) 23, 358-380.

Percentage of 17-Year-Olds Beginning College by 2009



Notes:

1. Eligible for matriculation after the winter session.
2. Percentages are calculated based on the total 17-year olds in each group.
3. Arabs – includes Moslems and Christians, but not Druze or Negev Bedouins.
4. College – universities and academic colleges in Israel, both private and public, exclusive of the Open University.
5. Unlike the Adva published figures for success rates in the matriculation exams by locality, in which we present the percentage of those entering college out of all graduating seniors, here we show the percentage of those entering college out of all 17-year-olds.
6. The data in this figure are not updated for the 2002 entry-level class (as in the table that follows) because the Ministry of Education has not yet published the data about eligibility for matriculation for the year 2010.

Sources: Adva Center analysis of Ministry of Education, Pedagogical Authority, Examinations Department, *Matriculation Examination Data*, various years; Adva Center, *Success Rates in the Matriculation Exams by Locality*, various years; CBS, *Statistical Abstract of Israel*, various years.

SUCCESS IN MATRICULATION EXAMS

The proportion of persons receiving a college education is low, primarily because the proportion of youth who succeed at the matriculation exam is low. In the 1980s and 1990s, the success rate at matriculation

exams among all 17-year-olds rose 10 percentage points each decade: from 20% of the 17-year-olds in 1980 to 30% in 1990 and 40% in 2000. In the first decade of this century, the success rate did not keep pace. A glance back

reveals that success rates were higher at the beginning of the decade, and dropped toward its close. The school system has still not managed to break through the 50% barrier.

Success Rates in Matriculation Exams among 17-year-olds

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
45.3%	48.4%	48.3%	49.2%	46.4%	45.9%	46.3%	44.4%	46.1%	48.3%

Note: The group of 17 year-olds includes the ultra-Orthodox and East Jerusalem.

Source: Adva Center, *Success Rates in the Matriculation Exams by Locality, 2008-2009*, November 2010; Ministry of Education, *Press Release: Matriculation Exams by Local Authority*, 16 May 2011.

WHO GOES TO COLLEGE?

Those who enter college are not a representative cross-section of Israeli society. The table opposite shows data for those who graduated high school in 2002 and entered a university or academic college within 8 years of completing high school, i.e., by 2010. The highest figures for entering college were recorded for Jews who graduated from an academic track in a locality classified as in a high socioeconomic cluster. The lowest figures were for Arabs from localities classified as in a low socioeconomic cluster. Additionally, a higher proportion of women than men started college, as did a higher proportion of graduates of the academic track than graduates of a technological track.

Total	33.8%
Men	30.0%
Women	36.7%
Total Jewish sector schools	36.4%
Men	31.9%
Women	40.8%
Graduates of academic tracks	44.9%
Graduates of technological tracks	27.4%
Live in localities in economic clusters 1-4	23.6%
Live in localities in economic clusters 5-7	34.9%
Live in localities in economic clusters 8-10	47.6%
Total Arab sector schools	18.9%
Men	18.2%
Women	19.5%
Graduates of academic tracks	20.8%
Graduates of technological tracks	15.3%
Live in localities in economic clusters 1-4	16.0%
Live in localities in economic clusters 5-7	20.4%
Live in localities in economic clusters 8-10	29.3%

Notes:

1. Most Arab municipalities are in clusters 1-4, three are in cluster 5, and only one is in cluster 6.

2. The figures do not include students enrolled in the Open University.

Source: CBS, *Statistical Abstract of Israel 2011*, No. 62, September 2011.

IN 2009/10 MOST UNDERGRADUATES CAME FROM AFFLUENT LOCALITIES

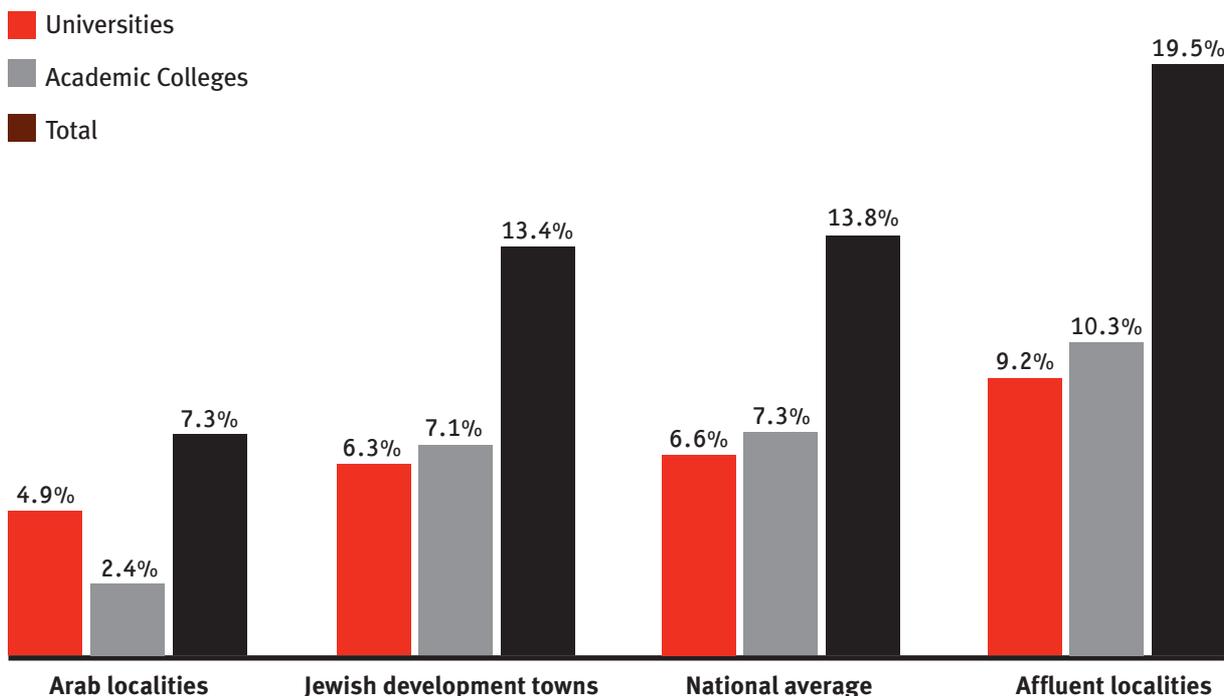
In the 2009/10 school year, the proportion of the 20-29 age group in affluent localities enrolled as undergraduates at Israeli universities and academic colleges was 19.5%, about three times the proportion in Arab localities – 7.3%. The proportion in Jewish development towns was 13.4% – higher than the proportion in Arab localities but still a long way from

that in affluent Jewish localities. Looking at universities alone, the proportion of undergraduates in affluent localities was 9.2%, compared with 6.3% in development towns and only 4.9% in Arab localities. The figures for academic colleges are 10.3%, 7.1%, and 2.4%, respectively. The disparities in academic colleges are especially

prominent in view of the fact that one of the aims of the public academic colleges was to provide opportunities for young people living in the socio-economic periphery. Unfortunately, the figures published by the Central Bureau of Statistics do not allow us to differentiate between public and private academic colleges.

Undergraduates in Universities and Academic Colleges, 2009/10

By type of locality, percentage of 20-29 age group



Notes:

1. Localities included in the table have at least 30 undergraduates.
2. Localities included in the table have at least 2000 residents. The table does not include localities belonging to Regional Councils.
3. The national average includes all students in all localities.
4. Academic colleges do not include Teachers' Seminaries.
5. Affluent localities: defined as those belonging to socio-economic clusters 8-10.

Sources: Adva Center analysis of statistics received from the Central Bureau of Statistics.

Undergraduates in Universities and Academic Colleges

Proportion of undergraduates among the 20-29 age group

Locality	Percentage of Undergraduates	Of that, Percentage of University Students	Of that, Percentage of Academic College Students
Total	13.8	6.6	7.3
Savyon	47.4	22.5	24.9
Omer	42.5	27.5	15.1
Kefar Weradim	39.0	20.1	18.8
Kefar Shemaryahu	37.7	13.9	23.8
Efrata	37.4	19.3	18.1
Kokhav Ya'ir	36.7	19.0	17.7
Shoham	33.4	16.2	17.2
Lehavim	33.4	20.1	13.3
Mazkeret Batya	29.1	13.9	15.2
Elqana	28.7	12.5	16.2
Kafar Kama	28.0	13.4	14.7
Yesud Hama'ala	27.9	11.5	16.4
Oranit	27.4	9.9	17.5
Har Adar	26.7	16.6	10.1
Pardesiyya	26.1	10.7	15.4
Alfe Menashe	26.1	9.1	16.9
Ramat Yishay	25.9	13.1	12.9
Ra'anana	25.8	12.1	13.7
Ramat Hasharon	24.8	11.7	13.1
Even Yehuda	24.8	9.8	15.0
Rosh Pinna	24.7	15.1	9.6
Tel Mond	23.6	8.1	15.5
Ganne Tiqwa	23.6	12.3	11.3
Giv'at Shemu'el	23.5	15.5	8.1
Modi'in-Makkabbim-Re'ut	22.8	11.4	11.4
Mevasseret Zion	22.4	10.7	11.7
Metula	22.3	4.7	17.5
Zikhron Ya'aqov	22.1	12.1	10.0
Mi'elya	22.0	17.6	4.5
Hod Hasharon	21.9	9.3	12.6
Qedumim	21.7	7.8	13.9
Qiryat Tiv'on	21.3	12.9	8.3
Nes Ziyona	21.0	9.1	11.9

Locality	Percentage of Undergraduates	Of that, Percentage of University Students	Of that, Percentage of Academic College Students
Qarne Shomeron	20.9	8.7	12.2
Qiryat Motzkin	20.9	12.7	8.2
Karmi'el	20.8	10.0	10.8
Kefar Sava	20.7	9.7	11.0
Jish (Gush Halav)	20.1	13.8	6.3
Herzliyya	20.1	7.5	12.6
Nahariyya	20.0	11.7	8.3
Yehud	20.0	8.2	11.8
Bet El	19.9	6.6	13.3
Yoqne'am Illit	19.5	10.6	8.9
Hurfeish	19.5	14.6	4.9
Qiryat Ono	19.4	8.6	10.7
Gan Yavne	19.2	7.7	11.5
Binyamina-Giv'at Ada	18.6	9.5	9.1
Rishon Leziyyon	18.6	6.7	11.9
Giv'atayim	18.6	8.6	10.0
Qiryat Bialik	18.3	10.8	7.5
Yavne	18.2	8.2	10.0
Haifa	18.1	12.7	5.4
Fassuta	18.0	11.0	7.1
Giv'at Ze'ev	17.8	7.1	10.7
Ma'ale Adummim	17.3	7.5	9.8
Bet Arye	17.2	7.1	10.1
Migdal	17.0	13.1	4.0
Tel Aviv - Yafo	17.0	8.0	8.9
Qadima-Zoran	16.9	7.4	9.5
Rame	16.8	11.1	5.8
Qazrin	16.7	7.1	9.6
Nazareth Illit	16.6	7.9	8.7
Rehovot	16.6	8.4	8.1
Rosh Haayin	16.5	6.2	10.3
Qiryat Shemona	16.3	4.6	11.7
Shelomi	16.3	9.4	6.9
Petah Tiqwa	16.1	6.4	9.7

Locality	Percentage of Undergraduates	Of that, Percentage of University Students	Of that, Percentage of Academic College Students
Ashqelon	15.9	6.7	9.2
Ma'a lot-Tarshiha	15.8	9.2	6.6
Qiryat Atta	15.6	8.5	7.0
Ramat Gan	15.4	7.2	8.1
Ari'el	15.1	2.4	12.7
Arad	15.1	6.3	8.8
Kefar Yona	15.0	5.0	10.0
Ashdod	14.9	6.4	8.5
Kfar Yasif	14.7	12.4	2.4
Julis	14.7	9.8	4.9
Bet Dagan	14.6	4.9	9.6
Qiryat Gat	14.5	6.3	8.1
Nesher	14.4	10.6	3.8
Netanya	14.4	5.1	9.3
Bet She'an	14.2	7.0	7.3
Ma'ale Efrayim	14.2	3.3	10.9
Gedera	14.2	6.9	7.3
Pardes Hanna-Karkur	14.1	5.6	8.4
Hadera	14.0	5.1	8.9
Afula	13.9	5.2	8.8
Holon	13.9	4.7	9.2
Hazor Hagelilit	13.9	6.2	7.7
Be'er Sheva	13.8	6.5	7.3
Bene Ayish	13.7	5.7	8.0
Qazir-Harish	13.6	7.6	6.0
Midgal Haemeq	13.5	5.3	8.2
Qiryat Yam	13.5	7.5	6.0
Peqi'in (Buqei'a)	13.5	9.0	4.4
Azor	13.3	5.0	8.4
Mizpe Ramon	13.1	6.0	7.1
Akko	13.1	8.6	4.5
Tiberias	12.7	7.4	5.2
Dimona	12.6	4.4	8.2
Daburiyya	12.5	7.0	5.5

Locality	Percentage of Undergraduates	Of that, Percentage of University Students	Of that, Percentage of Academic College Students
Yavne'el	12.2	6.0	6.2
Sajur	12.2	9.0	3.2
Zefat	12.1	7.4	4.7
Nazareth	11.5	7.5	4.0
Elyakhin	11.5	2.5	8.9
Tirat Karmel	11.3	6.5	4.7
Elat	11.2	8.5	2.8
Yeroham	11.2	4.3	6.9
Sederot	11.1	2.5	8.6
Shibli-Umm Al-Ghanam	11.1	6.8	4.3
Qiryat Eqron	10.8	5.0	5.8
Qiryat Ye'arim	10.8	3.3	7.5
Or Aqiva	10.8	4.1	6.7
Eilabun	10.8	8.0	2.8
Beit Jann	10.8	6.6	4.1
Or Yehuda	10.7	2.7	8.0
Be'er Ya'aqov	10.6	4.4	6.2
Ofaqim	10.6	3.4	7.2
Bat Yam	10.3	3.6	6.6
Zemer	9.7	6.7	3.1
Nahef	9.6	7.3	2.3
Qiryat Arba	9.6	3.2	6.4
Netivot	9.6	2.9	6.6
Kafar Qara	9.5	6.0	3.5
Mughar	9.4	7.3	2.0
Deir Hanna	9.3	6.2	3.1
Lod	9.3	3.6	5.7
Qiryat Mal'akhi	9.2	3.8	5.5
Yafi	9.2	5.8	3.3
Kafar Kanna	9.0	6.4	2.6
Sakhnin	9.0	6.3	2.8
I'billin	8.9	6.4	2.5

Locality	Percentage of Undergraduates	Of that, Percentage of University Students	Of that, Percentage of Academic College Students
Mazra'a	8.7	7.6	1.2
Iksal	8.7	4.4	4.4
Ramla	8.7	3.1	5.6
Tur'an	8.7	6.6	2.1
Jerusalem	8.7	4.0	4.7
Sha'ab	8.1	5.5	2.6
Tamra	8.0	6.6	1.4
Abu Ghosh	7.9	3.8	4.1
Reine	7.9	5.7	2.2
Yirka	7.9	6.4	1.5
Arrabe	7.8	5.8	2.0
Kisra-Sumei	7.7	6.1	1.6
Yanuh-Jat	7.7	6.1	1.6
Bu'eine-Nujeidat	7.6	5.6	2.0
Shefar'am	7.5	5.4	2.1
Tire	7.5	4.8	2.8
Bet Shemesh	7.4	2.8	4.6
Abu Sinan	7.4	5.6	1.8
Baqa-Jatt	7.3	5.0	2.3
Kafar Qasem	7.2	4.6	2.6
Laqye	7.2	3.3	3.9
Meshhed	7.1	5.4	1.8
Kafar Bara	6.8	4.8	2.0
Judeide-Maker	6.6	5.2	1.4
Buq'ata	6.2	2.8	3.5
Kabul	6.2	4.3	1.9
Jaljulye	6.1	3.8	2.3
Majdal Shams	6.1	2.8	3.3
Tayibe	6.1	3.3	2.8
Mas'ade	6.0	1.7	4.2
Ma'ale Iron	6.0	3.6	2.4
Kaokab Abu Al-Hija	5.9	5.9	0.0

Locality	Percentage of Undergraduates	Of that, Percentage of University Students	Of that, Percentage of Academic College Students
Basma	5.9	3.9	2.0
Ar'ara	5.8	3.5	2.2
Ein Mahel	5.7	4.0	1.6
Ka'abiyye-Tabbash-Hajajre	5.6	3.6	2.1
Qalansawe	5.6	3.3	2.4
Umm Al-Fahm	5.4	3.8	1.6
Daliyat Al-Karmel - Isfiya	5.4	4.3	1.0
Basmat Tab'un	5.1	3.4	1.7
Fureidis	5.0	3.6	1.4
Kafar Manda	4.2	2.8	1.5
Bene Beraq	4.1	1.5	2.6
Illut	3.7	2.3	1.4
Zarzir	3.7	2.4	1.3
Tel Sheva	3.5	1.3	2.2
El'ad	3.4	0.8	2.6
Kuseife	3.4	2.4	1.0
Rekhasim	3.3	1.3	2.0
Rahat	3.1	1.4	1.8
Segev-Shalom	3.0	0.7	2.3
Tuba-Zangariyye	3.0	3.0	0.0
Bir El-Maksur	2.7	2.2	0.5
Ghajar	2.7	0.0	2.7
Shagor	2.6	1.8	0.8
Ar'ara-Banegev	2.5	1.2	1.3
Hura	2.4	1.4	1.0
Betar Illit	2.1	0.2	1.9
Jist Az-Zarqa	1.2	0.6	0.7
Modi'in Illit	1.1	0.2	0.9

Notes:

1. Localities included in the table have at least 30 undergraduates.
2. Localities included in the table have at least 2000 residents. The table does not include localities belonging to Regional Councils.
3. The national average includes all students in all localities.
4. Academic colleges do not include Teachers' Seminaries.
5. The 20-29 age group (for 2009) is based on the 2008 Census.

Sources: Adva Center analysis of statistics received from the Central Bureau of Statistics.

HEALTH CARE SYSTEM: EROSION OF PUBLIC FINANCING AND INCREASED CO-PAYMENTS

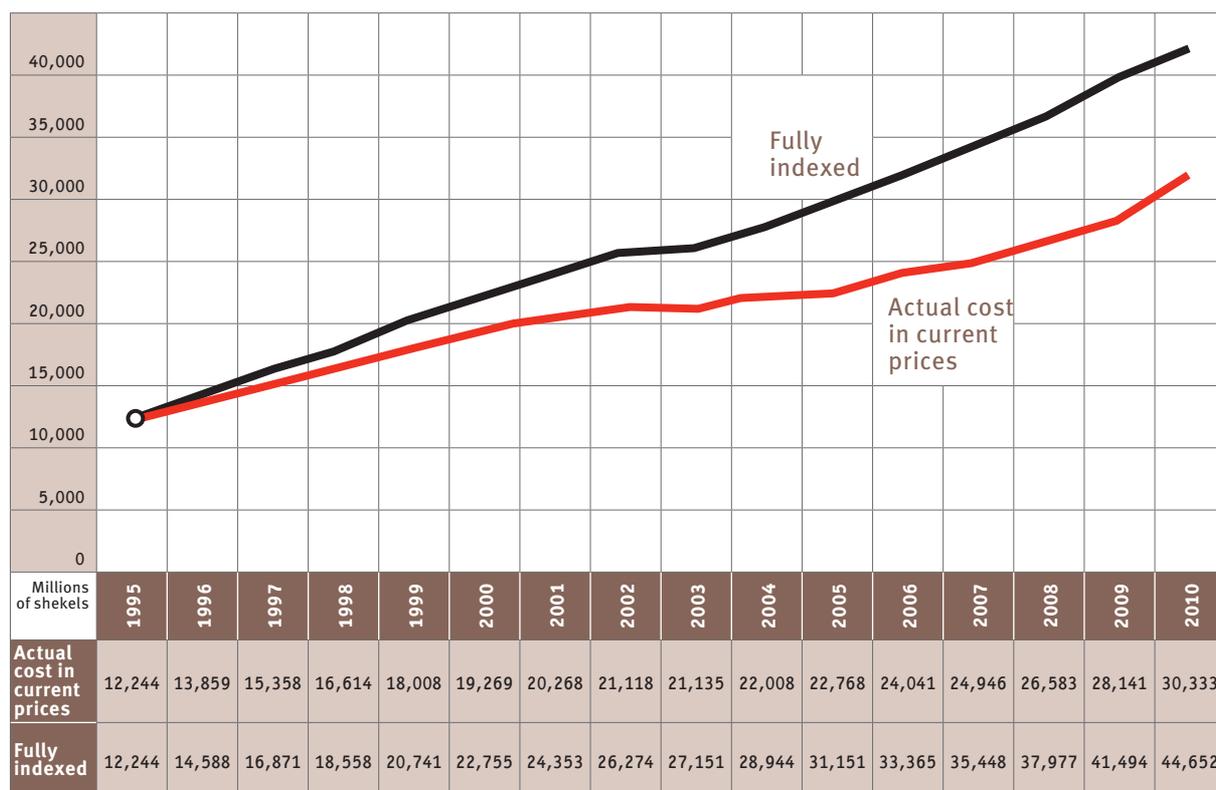
In 2010, the gap continued to widen between the desirable and actual levels of funding for the basket of health services provided by the public health funds. The desirable level of funding requires annual indexing of the cost of the basket of health services to keep pace with the demographic and technological changes, as well as changes in the

cost of health inputs. The gaps evolved because the National Health Insurance Law of 1994 does not provide a mechanism for comprehensive and regular indexing of these changes. When indexing is not comprehensive, the health system has to raise funds from additional sources, first and foremost by imposing co-payments on patients

to help pay for medications and medical services – above and beyond the monies they pay in health taxes. Had the basket of services been fully indexed every year, it would have cost close to NIS 44.65 billion in 2010, whereas the actual budget for it was approximately NIS 30.33 billion.

Cost of the Basket of Health Services

1995-2010 in NIS millions



Note:

1. The fully indexed cost was calculated to include demographic changes, technological changes, and changes in health inputs. For each parameter, costs were calculated on a yearly basis.
2. The basket of health services also includes changes not reviewed here. These were not figured into the calculations.
3. The index for health inputs in 2010 will be published in January 2012. The index for 2010 was calculated based on the average index the three previous years.
4. The figure for the indexed cost of the health services basket indicates how much this basket would cost in comparison with the amount set in 1995, i.e., the required financial change in order to preserve the level set in 1995.
5. The fully-indexed basket should be compared with the amount actually allocated, at current prices, to see the gap between the current amount and what should have been budgeted had the changes noted above been taken into account.

Source: Adva Center analysis of data provided by the Ministry of Health, November 2011.

THE BURDEN OF PAYMENTS DOUBLED

As a result of the erosion of government financing for the basket of health services, the burden of payments on health care consumers increased. Thus, for example, only some of the new medications considered effective were included in the basket of services. Other medications were included in the supplemental insurance policies marketed by health funds and insurance companies. Persons not purchasing extra insurance do

not receive discounts on the latter medications.

Consumers of health services are charged co-payments not only for medications, but also for various other services. For example, the health funds charge co-payments for visits to specialists and hospital outpatient services. All the above add to the financial burden of health services for persons who need them.

In 2000, this burden amounted to NIS 4.1 billion shekels; in 2009, it

had grown to NIS 7.8 billion – an increase of 90%. This, despite the fact that according to Ministry of Health data, the number of insured persons grew by only 24%. How are these figures accounted for? They represent the total income of the health funds and commercial insurance companies from the sale of supplementary insurance and the co-payments (in the health funds) for medicines and treatment.

Income of Health Funds and Insurance Companies from Payments Made by Households

Above and beyond health taxes, 2000-2010, at 2010 prices, in NIS billions

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Health fund income from the sale of supplemental insurance	1.0	1.2	1.4	1.6	1.8	1.8	2.0	2.3	2.7	2.8	2.8
Health fund income from co-payments for medications and services	2.2	2.4	2.7	2.9	3.1	3.3	3.3	3.4	3.2	3.2	-
Insurance company income from the sale of health insurance	0.9	0.9	0.9	1.0	1.2	1.5	1.6	1.7	1.7	2.0	2.1
Total income of health funds (above and beyond health taxes) and insurance companies	4.1	4.5	5.0	5.5	6.1	6.6	6.9	7.4	7.5	7.8	-

In NIS billions, at 2010 prices

Notes:

1. This includes health fund income from co-payments that are included in the basket of services (medications, payments to specialists, various quarterly payments) as well as services not included in the basket.
2. The above figures are exclusive of payments for nursing care insurance.
3. Figures for 2010 are estimated.

Source: Adva Center analysis of data received courtesy of the National Accounts Department of the CBS.

THE EROSION OF EQUALITY IN HEALTH CARE: THE HIGHER THE INCOME, THE MORE HEALTH INSURANCE

In 2010, household expenditures on private and supplemental (health fund) insurance continued to rise. The average monthly outlay of households in the top income decile increased from NIS 397 to NIS 441, and the average outlay of households in the sixth income decile rose from NIS 185 to NIS 219. The outlay of households in the second income decile also increased, from NIS 84 to NIS 99. In the course of 2000-2010, the share of extra health insurance in household expenditures on health

doubled, from 17% to 30%.

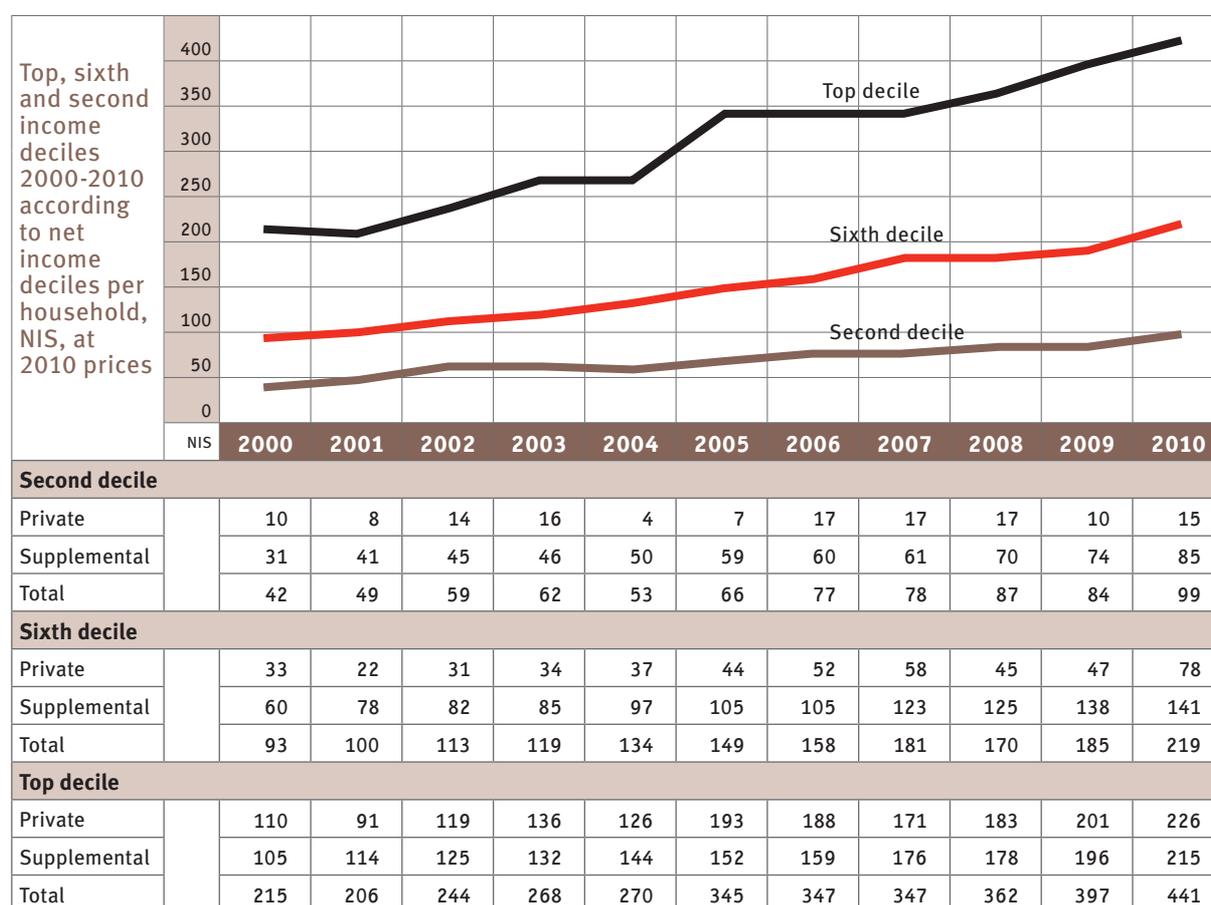
Everyone paid more for health – but households with high incomes purchased more and more, while those with low incomes could afford to buy much less.

The disparity between deciles is most apparent in the area of private health insurance. In 2010, households in the top income decile spent an average of NIS 226 per month on extra insurance policies, while households in the second income decile spent only a tenth of that – NIS 15.

The main danger of this

phenomenon is that medications and health services are liable to be shunted from the basic basket of services that are available to all into the supplemental and private health care insurance policies, which would reduce the accessibility of these medications and services to the general public. Note that these figures are averages for each decile, concealing the fact that in the lower income deciles, many households cannot afford to buy additional insurance at all.

Total Outlays of Households on Supplementary and Private Health Insurance Policies



Note:

1. Health insurance includes supplemental insurance in the health funds and private health insurance policies sold by insurance companies.

2. Figures are rounded to the nearest whole numbers, and may show a slight discrepancy in the totals.

Source: Adva Center analysis of data received courtesy of the National Accounts Department of the CBS.

RETIREMENT INCOME: THE NEXT GENERATION OF SENIOR CITIZENS WILL EXPERIENCE LARGE INCOME GAPS

In 2010, households in the top income quintile saved an average of NIS 1,018 a month for their old age – twenty times more, approximately, than savings in the bottom quintile – an average of NIS 52 a month.

The standard of living of people in these two groups will clearly not be

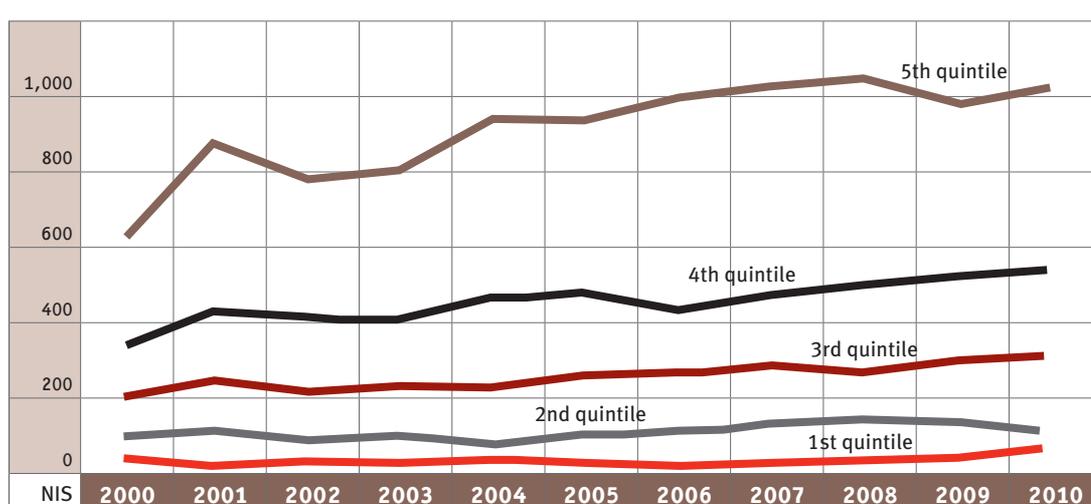
the same after retirement.

The table below also shows that in the course of the past decade, households in the top quintile increased their retirement savings by 65%; in contrast, households in the third and second quintiles increased their savings by 49% and 21%, respectively.

Note that averages include households in which no one saves for retirement along with those who do save. Furthermore, pension savings are common among wage-earners in the middle and upper classes, and less common among wage-earners who earn less.

Average Monthly Retirement Savings

By income quintile, 2000-2010
By net income per person in NIS, 2010 prices



NIS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1st quintile	32	22	30	26	42	30	27	28	35	36	52
2nd quintile	105	123	99	104	87	109	116	132	145	141	127
3rd quintile	204	236	216	226	220	252	256	274	265	283	305
4th quintile	360	415	408	406	459	484	421	469	483	503	535
5th quintile	616	855	783	802	947	944	1,003	1,033	1,052	998	1,018

Notes:

1. Quintile = two deciles

2. Note that the average reflects households where none of those employed set aside money in a pension plan together with households in which some do.

Sources: Adva Center analysis of CBS, *Household Income Survey*, various years; data for 2010

were received courtesy of the Consumption Department at the CBS.

**ISRAEL:
A SOCIAL
REPORT
2011**