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Table of Contents

Economic Growth: International Comparisons	5
Economic Growth and Inequality: The Affluent are the Prime Beneficiaries	6
Economic Growth and Inequality: Uneven Development	7
Economic Growth and Inequality: Uneven Investments	8
Economic Growth and Inequality: Hi-Tech Pays Highest Salaries	9
Economic Growth and Inequality: The Upper Crust Gets More of the Pie	10
Economic Growth and Inequality: The Share of the Upper Income Brackets Increases	11
The Shrinking of the Israeli Middle Class, 1988-2002	12
The Shrinking of the Middle Class' Share in the Income Pie, 1988-2002	13
Ethnic Inequality	14
Gender Inequality	15
The Earnings of Senior Management Soar	16
Welfare for Business	17
Most Israelis Earn Less than the Average Wage	18
Work is No Guarantee Against Poverty	19
Map of Unemployment	20
Education: Over Half of Israeli Youth Fail to Graduate High School With Diplomas	21
Higher Education: More About Inequality	22
Higher Education: Inequality by Locality	23
Health: Public Funding Diminishes and the Sick Pay More	24
Health: Out-of-Pocket Payments Increase	25
Health: The Burden Shifts to the Consumer	26
Upheaval in the Pension System Augurs Increasing Inequality	27
Workplace Pensions: Perpetuating Inequality	28

Israel: A Social Report – 2003

presents the major social and economic trends in Israel.

In the last two decades, Israel experienced periods of accelerated economic growth, and joined the ranks of the high-income nations. In the second half of the 1990s, there was a slow-down in economic growth. Following the outbreak of the second Intifada (October 2000), which occurred at the same time as the world economic recession, economic growth in Israel came to a halt. While most of the western world, along with several countries of Asia and South America, recovered quite quickly, Israel's recovery was slower, due to the continuation of the violent conflict and the fact that no serious attempt was made to find a political solution.

During the periods of accelerated economic growth, expansion was very uneven. Some economic sectors, first and foremost the hi-tech industries, experienced rapid growth, attracted the largest share of investments and compensated their employees generously.

In contrast, many other sectors of the economy experienced only moderate growth if any at all, did not manage to attract investments, and provided minimal compensation for their employees. As a result, the fruits of growth were unevenly distributed. There was a large increase in the income and standard of living of a relatively small percentage of Israelis, while for the majority, there was no noticeable benefit, and some experienced a relative decrease in their standard of living.

In the last four years, due to the Intifada, those tendencies have been exacerbated. Unemployment has increased, and the ranks of the poor have swollen.

Looking ahead, the government is pinning all hopes for improvement on the private sector. The government limits itself to aiding the private sector with tax reductions and cheaper capital, through successive budget cuts. In the draft budget for fiscal 2005, the Ministry of Finance declared that “only by steady growth of at least four percent per year until the end of the decade will Israel be able to close the gap in per capita income between itself and the OECD countries; reduce social gaps; and bring about the biggest social transformation – from unemployment to gainful employment.”

The figures presented in this report demonstrate that the present administration may be deluding itself and the public at large: in the last two decades, even during the periods in which economic growth exceeded four percent, inequality did not decrease, due to the fact that economic growth was concentrated in very limited sectors.

Unfortunately, the prevailing notion among much of Israel's political elite is that the government should adopt a policy of “hands off” towards economic and social processes, reduce the cost of labor, cut the budget, downsize public services, and reduce the safety net.

The figures shown here suggest that if economic growth depends on private initiative alone, it will be concentrated in the most lucrative sectors of the economy and in the central part of the country.

In contrast, we view the government as charged with the responsibility of encouraging economic growth throughout the country so that it reaches more parts of the society. We also view the government as charged with the responsibility for utilizing the fruits of economic growth to give the general population of Israel the wherewithal to participate in that growth.

Economic Growth: International Comparisons

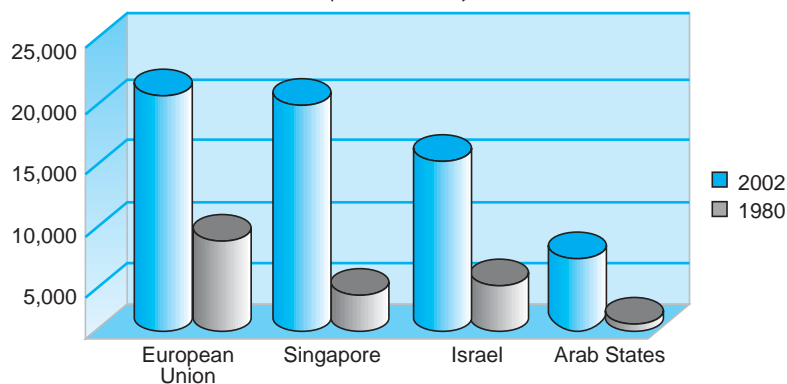
Israel now ranks among those countries with high per capita Gross Domestic Product (GDP).

In 1980, the GDP in Israel was \$5,612 per capita; in 2002, it totaled \$15,710.

In 2000, the GDP was higher - \$17,804. The intifada (2000) brought on a recession, during which per capita GDP decreased for three years in succession. In 2003, per capita GDP was \$16,500.

Although Israel's GDP per capita ranks it with the developed nations of the world, it is still low in comparison with the European Union countries that Israel would like to emulate. Although growth in Israel is very impressive compared to that of its neighbors – Egypt, Syria and Jordan – other countries, such as Singapore, show even more dramatic growth.

Per Capita GDP in Selected Countries, 1980 and 2002 (in US\$)



	Arab States	Israel	Singapore	European Union
1980	1,354	15,710	20,707	21,763
2002	771	5,612	4,883	9,381

Note: "Arab States" include Egypt, Jordan and Syria.

Source: Analysis of the Adva Center based on the World Bank publication, *World Development Indicators, 2004*, Tables 2.1 and 4.2.

Economic Growth and Inequality: The Affluent are the Prime Beneficiaries

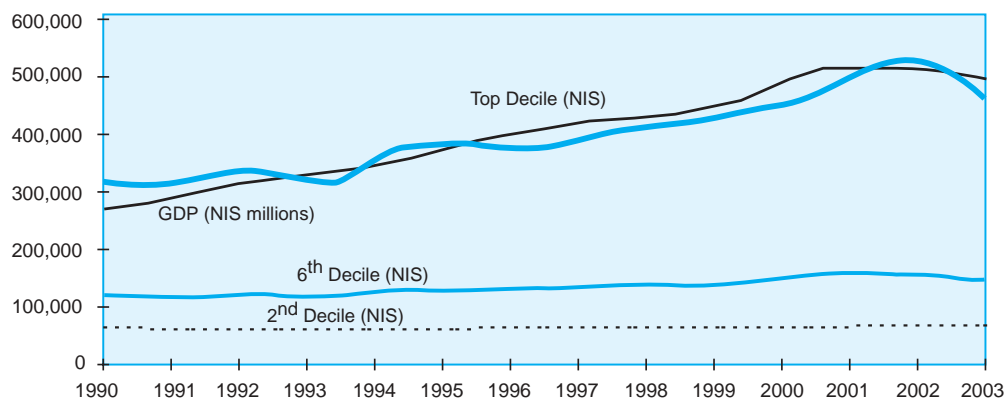
Of course, economic growth is a good thing. But growth alone does not guarantee general prosperity.

During the 1990s, the fruits of growth in the Israeli economy were unevenly distributed. The income of the highest income decile rose in tandem with GDP, while the income of the middle and lower deciles hardly changed.

The income of persons in the top income decile continued to grow during the first years of the second Intifada, 2001 and 2002, while most of the population experienced a drop in their standard of living. In the third year of violent conflict, 2003, the income of those in the top income decile also experienced a slight decline.

GDP and Annual Household Income, 1990-2003

In constant 2003 prices



Notes:

1. "Household income" refers to gross annual household income.
2. GDP is presented in millions of shekels, while household income appears in shekels. The lines of GDP and the income of the top decile intertwine, but are not identical, as the units of measurement differ.
3. GDP figures are usually presented per capita GDP (as on the previous page), rather than as total GDP. Here we present the total GDP to illustrate the overlap between economic growth and the income rise experienced by the upper income bracket.
4. The income figures presented here and on the next page are based on the household income surveys conducted annually by the Central Bureau of Statistics. The Central Bureau of Statistics asks heads of households to report on their income from all sources – wages, allowances, capital gains, rent and the like; however, in fact, reported income resembles the income from wages and allowances only, as reported by the State Revenues Authority. Thus, we know that income from other sources is greatly under-reported, especially in the case of the top income decile.

Sources: Analysis of the Adva Center based on the Central Bureau of Statistics (hereinafter CBS), *Statistical Abstract of Israel*, various years; and CBS, *Income Survey*, various years.

Economic Growth and Inequality: Uneven Development

Why is it that economic growth does not benefit everyone to the same degree?

The answer is, firstly, not all sectors of the economy grow at the same rate. The accepted indicator of economic growth, the GDP, is an average that conceals a more complex situation, in which some sectors experience rapid growth and others slow growth or no growth. In the following, we present a breakdown of what happened in Israel since 1995, according to CBS figures.

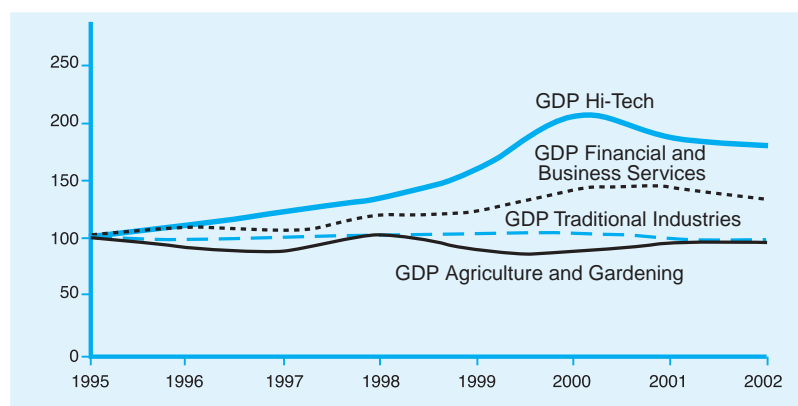
The highest growth rate was reported in the hi-tech industries (electronic elements, pharmaceuticals, medical and scientific equipment, communications equipment). Between 1995 and 2000, these industries grew by more than 100 percent. During the Intifada years, their GDP dropped by 25 percent from the high in 2000. Partial figures for 2004 indicate that hi-tech industries have begun to renew their growth.

Another sector that experienced high growth was financial and business services (banks, insurance, provident funds, real estate). Between 1995 and 2001, this economic sector grew by 50 percent. The Intifada had a more moderate effect here than on the hi-tech sector.

Low growth levels were experienced by traditional industries (food processing, textiles, leather, printing). Between 1995 and 2000, this sector of the economy grew by only 10 percent. As for agriculture, its GDP decreased by about 8 percent. In 2002, after a slight upward turn, its growth rate was the same as in 1995.

GDP by Selected Industries, 1995-2002

1995 = 100



Notes:

Hi-tech Industries include electronics, aircraft and pharmaceuticals;

Traditional Industries include food and beverage processing, tobacco, clothing, leather goods, paper, printing, wood and wood products (CBS, *Manufacturing Indices, Annual Summaries 2002*, September 2003).

Financial and Business Services include banks, insurance companies, provident funds, computer services and real estate (CBS, *Manpower Survey 2002*, April 2004).

Sources: CBS, *Statistical Abstract of Israel*, various years; figures received from the National Accounts Department at the CBS.

Economic Growth and Inequality: Uneven Investments

What accounts for the variations in economic growth? For one, investments are usually channeled into sectors of the economy considered more profitable. In the absence of government policy encouraging investment in a variety of economic sectors, in different areas of the country, investments tend to cluster in a few limited areas.

Bank of Israel figures show that between 1994 and 2003, the electronics industry attracted the biggest investments. In fact, investments in this sector of the economy grew by an average of 20 percent per year, including the Intifada years. In 2003, capital assets amounted to about three times what they had been in 1994.

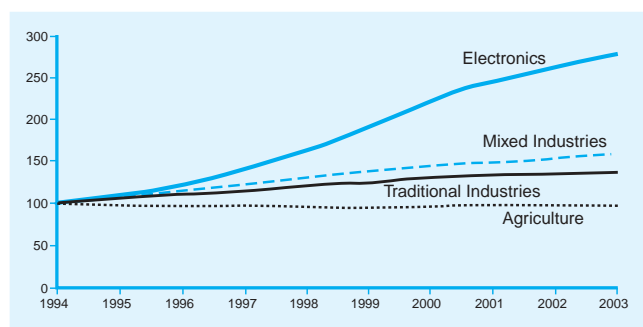
Investments were much lower in other sectors of the economy. In mixed industries (which include chemical and oil plants, mining and quarrying, plastic and rubber, machinery and equipment, transport vehicles, jewelry and decorative arts), investments grew by an average of 8 percent per year; during the Intifada years, the rate of growth slowed to 5 percent.

As for traditional industries (including foods, textiles, printing, leather, metals, motors and non-metallic minerals), the rate of growth was even slower – an average of 5 percent annually between 1994 and 2000. This trend came to a halt during the Intifada years.

In the agricultural sector of the economy, there was no increase in investments: in 2003 the value of capital assets was similar to that of 1994.

The following figure charts investment figures, following the percentage change of capital investments in each economic sector.

Gross Capital Investment in Various Economic Sectors, 1994-2003
1994 investment level = 100



Notes:

1. Capital investment = the total expenditures of businesses, government or non-profit organizations on capital equipment for civilian use, ongoing construction, investment in machines, equipment and transport vehicles.
2. According to the Bank of Israel, "mixed industries" includes those industries categorized as "mixed Hi-tech industries" or "mixed traditional industries" by the CBS. However, the Bank of Israel categorizes metals, motors and non-metal minerals as traditional industries while the CBS categorizes them as mixed Hi-tech or mixed traditional industries.

Sources: Adva Center analysis of Bank of Israel, Research Department, *Annual Report for 2003*.

Economic Growth and Inequality: Hi-Tech Pays Highest Salaries

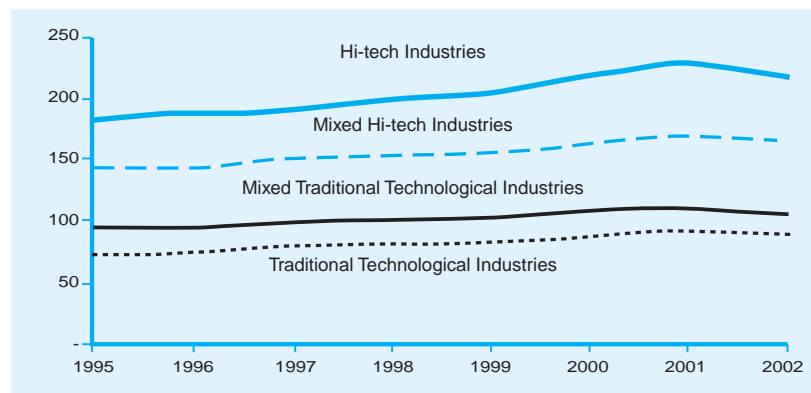
Why do the fruits of growth get distributed unevenly? Part of the answer can be found in the fact that those sectors of the economy that experience rapid economic growth and attract high levels of investment, pay higher salaries than industries experiencing sluggish economic growth and low levels of investment.

The data presented in the following figure concern the industrial sector of the economy, which the CBS divides into four categories: elite technological industries, mixed elite technological industries, mixed traditional technological industries and traditional technological industries (for definitions, see the notes below).

The highest salaries are paid in those industries categorized as elite technological: the average annual salary bill for employed persons in this category was in 2002 NIS 219,000 (the salary bill includes gross salary, fringe benefits and employer taxes). This sum was 1.3 times higher than the average annual salary bill in the industries in the category of mixed elite technological, double the average annual salary bill in the mixed traditional technological industries, and 2.4 times the average annual salary bill in the traditional technological industries.

Salary Bill of Employees, by Industrial Sector, 1995-2002

In NIS thousands, constant 2003 prices



Notes:

1. The salary bill includes taxes like social insurance payments and fringe benefits like sabbatical leaves, indemnities paid by employers, transpiration, and cafeteria maintenance.
2. Definitions: Hi-tech industries include electronics, aircraft and pharmaceuticals. Mixed Hi-tech industries include chemicals, machines electrical equipment and transport vehicles. Mixed traditional technological industries include mining and quarrying, non-metal minerals, rubber and plastics, basic metals and metal products. Traditional industries include food, beverage and tobacco processing, textiles, clothing, leather goods, paper, printing, wood and wood products (CBS, Manufacturing indices, Annual Summaries 2002, September 2003).

Sources: Adva analysis of CBS, *Manufacturing Surveys*, various years; CBS, *Manufacturing Indices, Annual Summaries*, various years.

Economic Growth and Inequality: The Upper Crust Gets More of the Pie

As economic growth, high investment levels and high salaries are concentrated in a very small part of the economy and the society in Israel, it is no wonder that the income pie gets divided up unevenly (the income pie is the sum of the gross income of all the households in Israel).

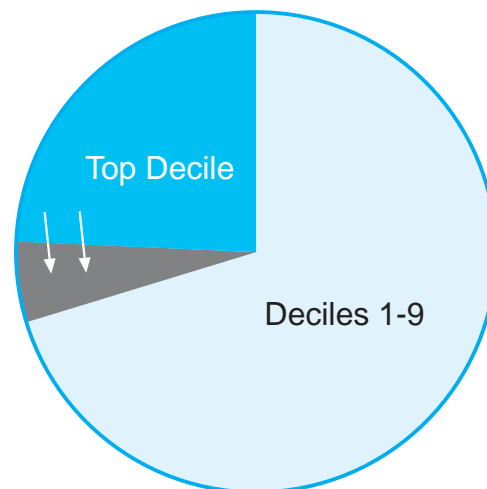
Between 1990 and 2003, the top income bracket increased its share of the total income; the share of the second highest income bracket remained stable; and the shares of the others decreased.

In 2003, the top income decile received about 28 percent of total income in Israel. The top quintile received 44 percent of the total income.

Between 1990 and 2000, the share of the 7 bottom deciles decreased. In 2001 and 2002, years characterized by economic recession and the shrinking of the GDP, the eighth and ninth income deciles lost part of their share; only the top decile continued to increase its share. In 2003 the share of the top decile decreased, and that of the other income brackets increased slightly.

Total Household Income, 1990-2003

The Top Gained, While the Others Lost



Sources: Adva Center analysis of CBS, *Income Surveys*, various years; the figure for 2003 was obtained courtesy of the Consumption Department at the CBS.

Economic Growth and Inequality: The Share of the Upper Income Brackets Increases

In 2003 persons in the top decile received 27.7 percent of the income pie. The same year, the average monthly income of households in this decile was NIS 36,845.

In contrast, the bottom decile received only 2.4 percent of the income pie, and the average monthly income of households in the bottom decile was NIS 3,193.

Share of Income Deciles in the Total Income of Households, 1990 and 2003 And Average Monthly Income of Households in Each Decile, 2003

	1990	2003	% Change	Average Monthly Income of Household in Each Decile in 2003
Top decile	24.4%	27.7%	3.4%	36,845
9th Decile	15.9%	16.2%	0.3%	21,485
8th Decile	12.7%	12.6%	-0.1%	16,725
7th Decile	10.7%	10.4%	-0.4%	13,784
6th Decile	9.2%	8.7%	-0.5%	11,530
5th Decile	7.8%	7.2%	-0.6%	9,624
4th Decile	6.6%	6.0%	-0.6%	8,009
3rd Decile	5.5%	4.9%	-0.6%	6,532
2nd Decile	4.4%	3.8%	-0.6%	5,076
Bottom decile	2.7%	2.4%	-0.3%	3,193

Notes:

1. The figures for income deciles were calculated according to the average gross monthly income of households headed by wage earners.
2. Gross monthly income per household includes all regular gross monetary income of households, before taxes.

Sources: Adva Center Analysis of CBS, *Income Surveys*, various years. The figure for 2003 was obtained courtesy of the Consumption Department of the CBS.

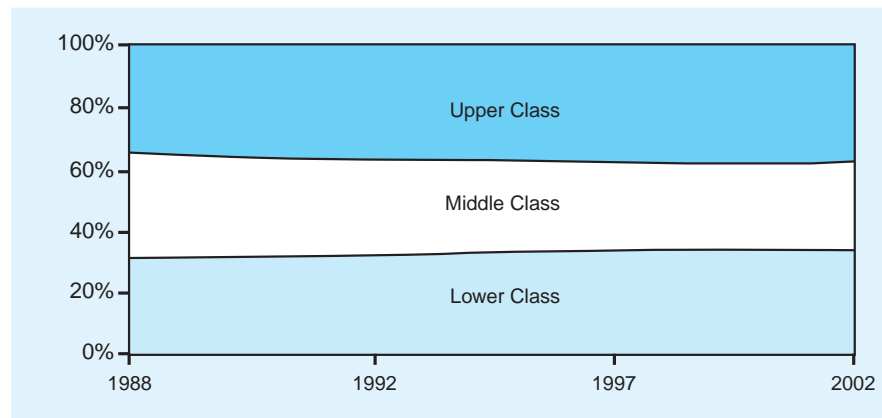
The Shrinking of the Israeli Middle Class, 1988-2002

The increasing inequality in Israeli society is also reflected in the shrinking of the middle class (defined as households whose income is between 75 and 125 percent of the median income of households headed by employed persons).

Good public policy should aspire to increase the size of the middle class, so that it encompasses a large part of society, leaving small minorities in the lower and upper classes. This is not what happened in Israel.

In 1988, a third of Israeli households were middle class; in 2002, their proportion dropped to 28.1 percent – a decrease of 15 percent. The middle class lost households to both the upper and lower classes.

Shrinking of the Israeli Middle Class, 1988-2002



	1988	1992	1997	2002
Upper Class	35.4%	36.5%	37.3%	37.6%
Middle Class	33.0%	30.9%	28.5%	28.1%
Lower Class	31.6%	32.6%	34.2%	34.3%

Note: The figures were calculated on the basis of the median income of households headed by employed persons.

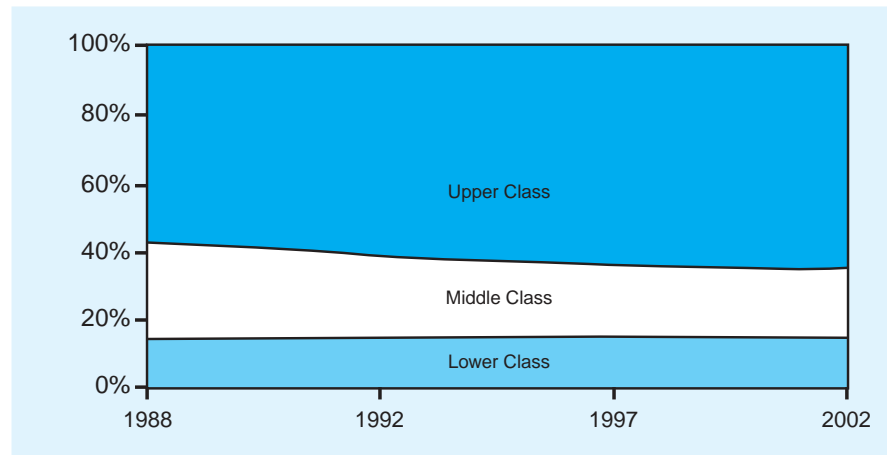
Source: Adva Center, *The Shrinking of the Middle Class, 1988-2002*, June 2004.

The Shrinking of the Middle Class' Share in the Income Pie, 1988-2002

Between 1988 and 2002, the share of the middle class in the income pie decreased.

In 1988, the middle class received 27.9 percent of the total income in Israel. In 2002, its share dropped to 21 percent – a 25 percent loss. Most of the lost income went to the upper class.

Shrinking of the Middle Class' Share in the Income Pie, 1988-2002



	1988	1992	1997	2002
Upper Class	58.2%	61.8%	64.3%	66.0%
Middle Class	27.9%	24.7%	22.1%	21.0%
Lower Class	13.9%	13.5%	13.6%	13.1%

Note: The figures were calculated on the basis of the median monthly income of households headed by employed persons.

Source: Adva Center, *The Shrinking of the Middle Class, 1988-2002*, June 2004.

Ethnic Inequality

Inequality in Israel has an ethnic face. This is reflected in the comparative salaries of urban wage earners from the major ethnic groups from 1990 on.

The incomes of Arab citizens of Israel are the lowest; towards the end of the 1990s, their incomes experienced a relative decrease. The income of Mizrahi Jews is somewhat higher; their incomes increased in the course of the last decade, relative to the national average. The incomes of Ashkenazi Jews are the highest.

During the economic recession following the second Intifada (October 2000), the average salary decreased, primarily due to the drop in salaries experienced by the upper income brackets – for example, persons employed in the hi-tech industries. Against this background, there was a certain closing of the salary gaps between the different groups. If Israel's development policy does not change, renewed growth will probably bring the gaps back to what they were prior to 2000.

Monthly Incomes of Urban Ashkenazi, Mizrahi and Arab Employees, 1990-2003

Based on 100 as the average

Year	Total Employees	Native Israeli born to European- or American-born Father	Native Israeli born to Asian- or African-born Father	Arabs and Others
1990	100	125	81	75
1991	100	125	85	77
1992	100	127	84	74
1993	100	129	89	75
1994	100	132	87	76
1995	100	140	89	72
1996	100	146	92	72
1997	100	137	91	72
1998	100	139	94	71
1999	100	139	92	66
¹ 2000	100	139	95	67
¹ 2001	100	138	95	70
¹ 2002	100	125	99	73
2002	100	126	100	71
2003	100	126	101	79

Notes:

1. Not including residents of East Jerusalem.
2. "Employee" includes all respondents who had any work-related income during the three months prior to the survey conducted by the CBS.
3. "Income" refers to all wages earned by employed respondents.

Sources: CBS, *Income Surveys*, various years; the figure for 2003 was obtained courtesy of the Consumption Department of the CBS.

Gender Inequality

Gender inequality in Israel also has a gender face.

*In 2003, women's **monthly** wages were, on average, 62% those of men.*

*Women's **hourly** wages were, on average, 83% those of men.*

Monthly and Hourly Wages of Women and Men, 1990 and 2003

Gross Wage Income of Employees
In constant 2003 prices

	Year	Gender	Wage in NIS	Women's Wages as a % of Men's Wages
Monthly	1990	Men's	7,118	
		Women's	4,042	57%
	2003	Men's	8,363	
		Women's	5,184	62%
Hourly	1990	Men's	37.7	
		Women's	29.7	79%
	2003	Men's	44.0	
		Women's	36.3	83%

Notes:

1. "Gross monthly income" refers to income (including for overtime) from all places of work in which the respondent was employed during the three months preceding the survey conducted by the CBS.
2. "Gross hourly income" refers to the gross income received during the three months preceding the survey, divided by the total number of hours worked (See CBS, *Income Survey 1996*, p. 46).

Sources: Adva Center analysis based on CBS, *Income Survey*, various years. The figure for 2003 was obtained courtesy of the Consumption Department of the CBS.

This table shows the gender gap in monthly and hourly wages. The fact that many women work part time explains some of the gap (38%) in monthly earnings. The figures for hourly wages, however, demonstrate that even when the time unit is identical, there is still a 17% gap between women's and men's wages.

The Earnings of Senior Management Soar

Israel's top earners receive an ever-increasing share of the nation's total income as a result of a sharp escalation in the earnings of senior management in the business sector.

In 2003, the annual cost of employing a manager in one of the 484 companies listed on the Tel Aviv Stock Exchange averaged NIS 1.45 million, or NIS 121,000 per month.



The same year, the annual cost of employing a manager in one of the "Tel Aviv 100" companies (the hundred largest companies on the Tel-Aviv Stock Exchange) averaged NIS 3.08 million, or NIS 257,000 per month. In addition to this salary, the average manager of a "Tel-Aviv 100" company received additional benefits, including stock options.

Compared to the average wage and the minimum wage, the wage costs of senior managers sky-rocketed in the course of the last decade, as can be seen by the following:

Wage Costs of Senior Management, 1994 and 2003

1994	2003
30 times the minimum wage	36 times the minimum wage
13 times the average wage	17 times the average wage

Sources: *Globes* newspaper, April 19, 2000; May 3, 2001; June 10, 2004.

Inequality: Welfare for Business

The business sector in Israel has benefited not only from an increase in the salaries of senior management, but also from significant tax cuts. Since 1986, successive governments have reduced the corporate tax, abolished the employers' tax, and reduced employers' share in financing the social safety net of their employees.

The corporate tax decreased from 61 percent in 1986 to 36 percent in 1996. Proceeds from the corporate income tax amounted to NIS 17 billion in 2002, representing about 11 percent of total tax revenues.

Israel's Finance Ministry contended that it had no choice but to reduce the corporate tax, in view of the fact that taxes were cut in the countries with which Israel trades. In practice, however, during a good part of the period in question, corporate taxes in Canada, Japan, Greece, Germany, the United States and Italy were higher than in Israel (State Revenues Authority, Annual Report 2002-2003, November 2003). Moreover, in some countries the corporate tax is raised or lowered in accordance with current needs. In Germany, for example, it was raised temporarily in 2002 in order to help finance rehabilitation efforts following flood damage.

In 2004, a decision was made to gradually lower the corporate tax in Israel to 30 percent. In January 2005, it will be reduced to 34 percent.

In August 2004, the Cabinet of Israel passed a resolution reducing the social insurance payments of employers on behalf of their employees by 1.5 percentage points. If the resolution is approved by the Knesset, it is to be implemented over a 3-year period. In 2005, employers' contributions are to be reduced from 5.93 percent of wages to 5.43 percent of wages. Then, in the following two years, they are to be reduced to 4.93 percent and 4.43 percent, respectively.

Employer Taxes in Israel, 1986-2005

Percentage of Wage or Profit

	1986	1987	1990	1991	1992	1995	2002	2003	2004	2005
					1994	2001				
% Corporate tax	61	45	43	41	38-40	36-37	36	36	36	34
% Employers' social security contributions	15.65	10.85	9.35	7.35	7.35	4.93	5.93	5.93	5.93	5.43
% Employers' tax – private sector	7	4	4	3	0	0	0	0	0	0

Note: The table shows only the years in which changes occurred.

Sources: State Revenues Authority, *Annual Report*, various years; National Insurance Institute website: www.btl.gov.il; *Budget Proposal for Fiscal 2005*, October 27, 2004.

Most Israelis Earn Less Than the Average Wage

While the salaries of senior management soar, most Israelis continue to take home less than the average wage.

The “average wage” may sound like an amount that most people earn, but in fact, most Israelis earn less than the average wage. The wages at the top “pull up” the average.

In 2002, about 72 percent of Israelis earned the average wage or less; 60 percent earned less than 75 percent of the average wage, and about 32 percent received what amounts to no more than the minimum wage.

Employee Wages in Israel Relative to the Average Wage, 1994-2002

In percentages

	Employees earning less than the minimum wage	Employees earning less than 50% of the average wage but at least minimum wage	Employees earning 50-74 % of the average wage	Employees earning 75% or more of the average wage	Total employees earning the average wage or less	Employees earning twice the average wage	Employees earning over twice the average wage
1994	27.3	14.7	19.4	11.2	72.6	18.6	8.8
1996	26.5	11.8	19.7	12.1	70.1	20.1	9.9
1998	28.8	9.8	19.8	11.9	70.3	19.6	10.1
2000	29.1	11.7	19.9	11.5	72.2	18.1	9.7
2002	31.7	7.6	20.3	12.3	71.9	18.8	9.3

Notes:

1. The average wage according to which the National Insurance Institute calculates the above figures has been frozen for the last three years; it amounts to NIS 6,964.
2. According to the Central Bureau of Statistics, the average wage in August 2004 was NIS 7,015.

Sources: Jacques Bendelac, *Average Wages and Income, by Locality and Other Economic Variables*, National Insurance Institute, various years.



Work is No Guarantee Against Poverty

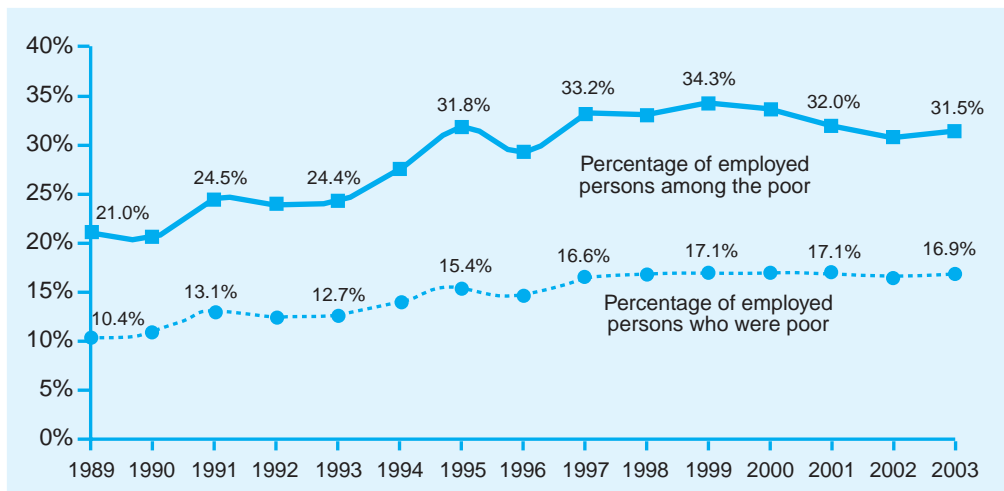
Lacking a consistent policy designed to distribute the fruits of economic growth more equitably, that growth is liable to be accompanied by an increase in the number of workers whose wages keep them in poverty.

In 1989, 21 percent of the poor were working people. Despite the economic growth of subsequent years, the percentage of working people among the poor rose to 31.5%.

In 1989, 10 percent of working people were poor. Again, despite the economic growth that followed, the proportion of working people who were poor rose to about 17 percent in 2003.

Increase in Poverty Among Working People, 1989-2003

Before social security transfers and direct taxes
In percentages



Note: The above figures do not include the residents of East Jerusalem.

Sources: National Insurance Institute, *Annual Survey*, various years. *Poverty and Income Inequality in 2003: Main Findings*, November 2004; Figures obtained courtesy of the National Insurance Institute.

In Israel, the poverty line is defined as an income at the level of 50 percent of the median wage or less.

Inequality: Map of Unemployment

In the second half of the 1990s, economic growth declined, swelling the ranks of the unemployed. The trend was exacerbated by the Intifada that followed.

Unemployment affects primarily the weaker sectors of the population: It is higher in Arab than in Jewish localities, higher in Jewish development towns than in affluent Jewish communities, higher among women than among men, and higher among Arab women than Jewish women. Unemployment disproportionately affects those for whom the public school system failed to provide a decent education, as well as young people just starting out.

The following table presents Government Employment Office figures on jobseekers, by locality. Jobseekers are defined as persons who registered with this office. Many people, however, do not even bother to register, either because they were not placed in a job in the past, because they do not believe they have a chance of finding a job, or for other reasons. Thus, the number of unemployed persons is actually higher than the number of jobseekers. Figures published by the Central Bureau of Statistics provide a more accurate picture of the scope of unemployment. Still, we chose to present data on jobseekers, since these are the only figures available by locality. As such, they allow a closer look at the differences between Arab and Jewish localities, as well as between Jewish development towns and more affluent Jewish communities.

Arab localities top the unemployment figures. Among Jewish localities, the highest unemployment rates were in development towns and peripheral communities.

Percentage of Jobseekers, by Locality, July 2004

In descending order

A'sam	36.7	Qiryat Gat	17.8	Nazerat Illit	12.3	Rehovot	8.4	Makkabim-Re'ut	4.0
Kuseife	36.1	Ma'ale Iron	17.7	Qiryat Yam	12.3	Kokhav Ya'aqov	8.0	Oranit	3.9
Aro'er	34.1	Ar'ara	17.7	Eilabun	12.1	Bet Shemesh	7.8	Azor	3.9
Abu Rubei'a	33.6	Meshhed	17.6	Ashdod	11.9	Nesher	7.7	Kefar Weradim	3.9
Laqye	31.0	Fassuta	17.6	Hurfeish	11.8	Ari'el	7.3	Qiryat Ono	3.9
Abu Ruqayyeq	29.8	Ofaqim	17.4	Tirat Karmel	11.7	Rekhasim	7.3	Ramat Yishay	3.9
Tel Sheva	29.6	Nahef	17.4	Migdal Haemeq	11.6	Kefar Yona	7.1	Qarne Shomeron	3.7
Rahat	29.2	Majd Al-Kurum	16.9	Kafar Qara	11.4	Nes Ziyvona	7.0	Ramat Gan	3.7
Hura	29.1	Shibli	16.7	Zemer	11.2	Bat Yam	6.7	Bet Arye	3.6
Aby Qureinat	28.8	Reine	16.6	Daliyat Al-Karmel	11.1	Mazkeret Batya	6.6	Kefar Sava	3.5
Sha'ab	28.6	Mughar	16.5	Karmi'el	11.0	Rosh Haayin	6.6	Hod Hasharon	3.4
Segev-Shalom	28.2	Nazareth	16.5	Qiryat Atta	11.0	Gan Yavne	6.3	Efrata	3.2
Ein Mahel	26.7	Iksal	16.4	Hadera	10.9	Bat Hefer	6.1	Giv'atayim	3.2
Tamra	26.5	Buq'ata	16.1	Zefat	10.9	Binyamina	5.8	Herzeliyya	3.2
Deir Hanna	25.0	Abu Ghosh	16.0	Jisr Az-Zarqa	10.5	Betar Illit	5.7	Shoham	3.2
Mas'udin Al-Azazme	25.0	Yafi	16.0	Qiryat Arba	10.3	Yehud	5.7	Ganne Tiqwa	3.1
Kafar Kanna	24.8	Ashqelon	15.7	Beit Jann	10.1	El'ad	5.6	Metar	3.1
Bu'eine-Nujeidat	24.2	Zarzir	15.3	Nahariyya	10.0	Jerusalem	5.6	Lehavim	3.0
Kabul	24.0	Mizpe Ramon	15.0	Qiryat Shemona	9.9	Rishon Leziyyon	5.6	Elqana	2.9
Judeide-maker	23.4	Dabburye	14.8	Yavne	9.8	Elat	5.3	Bet El	2.9
Tuba-Zangariyye	23.3	Kafar Yasif	14.8	Pardes Hanna-Karkur	9.7	Bene Beraq	5.3	Modi'in Illit	2.9
Illut	22.8	Netivot	14.7	Fureidis	9.7	Bet Dagan	5.2	Ra'anana	2.8
Sakhnin	22.3	Rame	14.5	Lod	9.6	Ma'ale Adummim	5.2	Qesariyya	2.7
Basmat Tab'un	22.2	Kisra-Sumei	14.4	Mas'ade	9.6	Qadima	5.2	Omer	2.5
Bir Al-Maksur	21.9	Shelomi	14.0	Majdal Shams	9.4	Tel Mond	5.2	Ramat Hasharon	2.5
Kafar Manda	21.3	Hazor Hagelilit	13.5	Peqi'in (Buqei'a)	9.3	Alfe Menashe	5.1	Kokhav Ya'ir	2.3
Shefar'am	21.3	Arad	13.5	Ramla	9.2	Tel Aviv - Yafo	4.9	Kafar Qasem	2.1
Arrabe	21.1	Bet She'an	13.4	Or Yehuda	9.1	Pardesiyya	4.6	Ramat Ef'al	2.1
Basma	20.9	Be'er Sheva	13.3	Atlit	9.1	Qiryat Tiv'on	4.6	Jaljulye	1.7
I'billin	20.1	Tiberias	13.2	Bene Ayish	8.9	Even Yehuda	4.4	Giv'at Brenner	1.5
Yeroham	20.0	Ma'alot-Tarshiha	13.2	Netanya	8.9	Tire	4.4	Har Adar	1.2
Umm Al-Fahm	19.0	Or Aqiva	13.1	Qiryat Bialik	8.8	Mevasseret Ziyvon	4.4	Savyon	1.2
Mazra'a	19.0	Tayibe	13.1	Qiryat Motzkin	8.8	Holon	4.3	Kefar Habad	1.0
Sederot	19.0	Qalansawe	12.9	Haifa	8.7	Sha'are Tiqwa	4.3	Kefar Shemaryahy	0.8
Qiryat Mal'akhi	18.9	Baqa Al-Gharbiyye	12.8	Yoqne'am Illit	8.6	Petah Tiqwa	4.2	Karme Yosef	0.8
Akko	18.6	Afula	12.8	Qazrin	8.6	Giv'at Shemu'el	4.1	Yagur	0.4
Tur'an	18.1	Qiryat Eqron	12.7	Gedera	8.5	Zikhron Ya'aqov	4.1	Ma'agan Mikha'el	0.4
Dimona	18.0	Ka'abiyye-Tabbash	12.6	Be'er Ya'aqov	8.4	Giv'at Ze'ev	4.0		

Source: Government Employment Service, *Labor Market Figures*, July 2004.

Education: Over Half of Israeli Youth Fail to Graduate High School With Diplomas

One of the major ways that nations address problems of inequality is through education. Education, and especially higher education, contributes both to the growth of the economy and to individual advancement. The sectors of the economy that experienced high growth in recent years require an educated work force. The problem is that over 50 percent of Israel's youth have no chance of joining them, because they fail to receive a quality education.

The inequality endemic to the Israeli school system is evident in the disparities in the proportion of youth graduating high school with diplomas in different localities. In the course of the last decade, the proportion of high school students successfully passing their matriculation exams increased; however, the inequalities between localities remained in force.

In 2003, 53.2 percent of 17 year-olds failed to earn high school diplomas (In Israel: matriculation certificates); most of them attended schools in Arab localities, poor Jewish urban neighborhoods and development towns.

The figures are calculated by dividing the number of students graduating with diplomas by the number of 17 year-olds residing in the locality.

High School Students Graduating With Diplomas, as a Percentage of all 17 Year-Olds in the Locality, 2003

In ascending order

National Average 46.8	Lod (jewish)	39	Zikhron Ya'aqov	51	Qiryat Bialik	58	
Betar Illit	6	Mughar	39	Hadera	51	Qiryat Motzkin	58
Bene Beraq	10	Pardes Hanna-Karkur	39	Kafar Qasem	51	Karmi'el	59
Yirka	19	Ramla (jewish)	39	Holon	52	Rishon Leziyyon	59
Tire	25	Tamra	41	Ashqelon	53	Tel Aviv - Yafo (jewish)	59
Arrabe	25	Sederot	41	Dimona	53	Ashdod	60
Rahat	27	Yafi	42	Qiryat Shemona	53	Hod Hasharon	60
Reine	29	Arad	42	Ari'el	54	Qiryat Gat	60
Shefar'am	29	Kafar Qara	43	Nahariyya	54	Ganne Tiqwa	61
Kafar Manda	31	Ma'ale Iron	43	Netanya	54	Herzeliyya	61
Sakhnin	31	Tiberias	44	Petah Tiqwa	54	Mevasseret Ziyyon	61
Umm Al-Fahm	32	Nazareth Illit	44	Rehovot	54	Nes Ziyyona	61
Majd Al-Kurum	32	Or Yehuda	45	Haifa (jewish)	55	Yavne	63
Tayibe	33	Qiryat Yam	45	Gedera	56	Yehud	63
Qalansawe	33	Netivot	46	Tirat Karmel	56	Qiryat Ono	63
Judeide-Maker	34	Elat	48	Yoqne'am Illit	56	Rosh Haayin	63
Jerusalem (jewish)	34	Be'er Sheva	49	Qiryat Atta	56	Nesher	64
Ofaqim	35	Migdal Haemeq	49	Or Aqiva	57	Ramat Gan	65
Daliyat Al-Karmel	35	Zefat	49	Beit She'an	57	Giv'atayim	66
Ma'alot-Tarshiha	35	Azor	50	Giv'at Ze'ev	57	Kefar Sava	66
Abu Sinan	36	Kafar Kanna	50	Ma'ale Adummim	57	Ra'anana	69
Baq'a Al-Gharbiyye	36	Nazareth	50	Afula	57	Qiryat Tiv'on	70
Bet Shemesh	37	Ar'ara	50	Ramat Hasharon	57	Shoham	71
Akko (jewish)	38	Bat Yam	51	Modi'in	58	Giv'at Shemu'el	72
						Makkabim-Re'ut	88

Source: Adva Center, *Students Graduating High School With Diplomas, by Locality, 2002-2003*, September 2004.



Higher Education: More About Inequality

The majority of Israeli youth do not go on to college.

The Central Bureau of Statistics has been monitoring youngsters who finish high school, in order to ascertain how many of them eventually enroll in institutions of higher learning. The following figures concern persons who were high school seniors in 1995 and began university study by the year 2003.

In 2003, eight years after graduating high school, only 20.3 percent of those who were high school seniors in 1995 had begun to study at a university; an additional 8.5 percent had begun study in an accredited college. These figures reflect first and foremost the fact that a good portion of high school seniors fail to graduate with diplomas, and that not all those who graduate with a diploma qualify for university admission due to the quality of their diplomas.

The proportion of high school graduates admitted to universities in 2003 – 20.3 percent – conceals significant disparities:

Among Jews, the percentage admitted to university study was 21.3; among “persons of other religions,” mostly Arabs, 11.5 percent;

Among Jews of European or American origin, the percentage admitted to university study was 28.2, compared to 15.5 percent of Jews of Asian or African origin (the origin groups include both persons born abroad and those born in Israel to foreign-born fathers).

Among students who had studied in academic tracks, the percentage admitted to university study was 29.3, compared to 7.5 percent of students who had studied in vocational tracks.

Among students from the localities with the highest socio-economic ranking, the percentage admitted to universities was 36.7, compared with 8.6 percent of students from localities with the lowest socio-economic ranking.

Gaps can be found at accredited colleges as well. This is especially significant, in view of the fact that one of the main arguments for the creation of these colleges, in the 1990s, was that they would provide opportunities for youth who did not come from affluent families to get a higher education. Among students hailing from localities with the highest socio-economic ranking, the percentage admitted to accredited colleges was 17.1 - ten times higher than the percentage of students hailing from localities with the lowest socio-economic ranking: 1.7.

***Students Graduating High School in 1995 Who Began University
or College Studies by 2003, by Various Characteristics***
In Percentages

Gender	University	Accredited College	Total
Men	16.9	9.2	26.1
Women	23.4	7.9	31.3

Ethnic Group	University	Accredited College	Total
Jews	21.5	8.0	29.5
Arab and Others	11.5	2.0	13.5

Origin	University	Accredited College	Total
Israel	23.6	11.6	35.2
Asia / Africa	15.5	7.7	23.2
Europe / America	28.2	10.0	38.2

Socio-Economic Ranking of Home Locality	University	Accredited College	Total
2 - 1	8.6	1.7	10.3
4 - 3	16.2	4.7	20.9
6 - 5	18.5	8.8	27.3
8 - 7	25.5	11.8	37.3
10 - 9	36.7	17.1	53.8

High School Track	University	Accredited College	Total
Academic Track	29.3	12.2	41.5
Vocational Track	7.5	4.8	12.3

Source: CBS, *Statistical Abstract of Israel 2004*, No. 55, Table 8.32.

Higher Education: Inequality by Locality

Where do most Israeli students come from?

The following table presents the percentage of students enrolled in bachelors' degree programs in universities and accredited colleges among 20-29 year-olds, by locality. It is easy to see that the highest percentages are to be found in affluent localities, while the middle and bottom places belong to Arab localities and Jewish development towns.

Percentage of University Undergraduates Among 20-29 Year-Olds, by Locality, 2002/2003

In percentages, in descending order

Name of Locality	Total: Percentage of Undergraduates	Of Total: Rate of University Students	Of Total: Rate of College Students
National Average	11.3	7.0	4.3
Lehavim	37.3	26.3	11.1
Omer	36.7	27.6	9.2
Kokhav Ya'ir	30.2	19.2	11.0
Metar	30.1	21.1	9.0
Kefar Weradim	28.8	19.7	9.1
Elqana	27.7	17.5	10.2
Makkabim-Re'ut	27.5	18.6	8.8
Qedumim	25.1	16.6	8.5
Qiryat Tiv'on	24.5	15.5	9.0
Efrata	23.9	19.4	4.6
Newe Efrayim	23.9	12.3	11.6
Har Adar	23.5	15.8	7.6
Ramat Hasharon	22.4	12.2	10.2
Ramat Ef'al	22.1	12.2	10.0
Ra'anana	20.6	12.1	8.6
Giv'at Shemu'el	20.6	15.5	5.2
Qiryat Ono	19.8	12.8	7.0
Oranit	19.4	9.5	9.9
Ganne Tiqwa	19.3	13.4	5.9
Mi'elya	19.3	15.7	3.6
Ramat Yishay	19.3	9.2	10.1
Even Yehuda	19.1	10.2	8.9
Mazkeret Batya	18.4	12.8	5.6
Giv'atayim	18.2	11.0	7.2
Herzeliyya	17.7	9.1	8.6
Shohame	17.6	10.2	7.4
Haifa	17.6	14.0	3.5
Mevasseret Ziyon	17.5	11.9	5.7
Qiryat Bialik	17.3	11.8	5.5
Pardesiyya	17.1	8.0	9.1
Qiryat Motzkin	17.0	11.1	5.9
Kefar Sava	16.7	9.8	7.0
Nesher	16.6	13.6	3.0
Hod Hasharon	16.5	9.0	7.5
Ari'el	16.0	5.4	10.6
Qarne Shomeron	16.0	10.8	5.2
Ramat-gan	15.2	9.2	6.0
Tel Aviv - Yafo	15.0	9.1	6.0
Zikhron Ya'aqov	14.9	9.3	5.6
Rehovot	14.9	10.5	4.4
Alfe Menashe	14.5	7.5	7.1
Be'er Sheva	14.4	9.1	5.3
Karmi'el	14.3	8.1	6.2
Nes Ziyvona	14.3	8.6	5.7
Rishon Leziyyon	14.0	7.4	6.7
Nahariyya	14.0	9.4	4.6
Petah Tiqwa	14.0	7.9	6.0
Ashqelon	13.9	9.9	3.9
Tel Mond	13.6	7.7	5.9
Arad	13.6	9.2	4.3
Yehud	13.3	7.4	5.9
Modi'in	13.2	7.9	5.3
Gan Yavne	13.1	9.5	3.7
Binyamina	13.1	7.8	5.2
Holon	12.7	5.9	6.8
Nazerat Illit	12.6	7.2	5.4
Yavne	12.5	8.6	3.9
Netanya	12.5	5.9	6.6
Gedera	12.4	9.1	3.4
Giv'at Ze'ev	12.3	7.5	4.8
Qiryat Atta	11.9	8.3	3.5
Rosh Haayin	11.8	6.4	5.5
Hadera	11.7	6.1	5.7
Azor	11.7	5.7	6.0
Qazrin	11.7	7.1	4.6

Name of Locality	Total: Percentage of Undergraduates	Of Total: Rate of University Students	Of Total: Rate of College Students
Atlit	11.7	8.0	3.7
Qiryat Yam	11.6	7.8	3.8
Peqi'in	11.5	9.7	1.8
Yoqne'am Illit	11.2	7.5	3.8
Zefat	11.1	7.9	3.2
Afula	11.0	5.5	5.5
Rame	11.0	7.5	3.5
Migdal Haemeq	10.9	5.5	5.4
Pardes Hanna-Karkur	10.8	5.9	4.9
Beit She'an	10.7	5.8	4.9
Qiryat Gat	10.6	6.9	3.8
Julis	10.5	7.5	3.0
Ma'ale Adummim	10.5	7.2	3.2
Nazareth	10.2	7.5	2.7
Kafar Yasif	10.1	7.6	2.5
Qiryat Shemona	10.1	4.2	5.9
Sederot	10.1	5.1	5.0
Dabburye	10.0	7.5	2.5
Qiryat Arba	9.7	6.3	3.4
Ma'alot-Tarshiha	9.6	7.1	2.5
Eilabun	9.6	7.3	2.3
Ashdod	9.5	6.4	3.2
Kefar Yona	9.2	4.1	5.1
Mizpe Ramon	9.2	6.4	2.8
Qiryat Eqron	8.8	5.0	3.8
Bat Yam	8.6	4.3	4.2
Akko	8.5	6.2	2.4
Tur'an	8.3	6.2	2.1
Deir Hanna	8.1	6.1	2.1
Tiberias	8.1	5.0	3.1
Ofaqim	8.0	4.7	3.4
Yafi	7.9	5.8	2.1
Kafar Qara	7.9	6.1	1.8
Dimona	7.8	4.8	3.0
Elat	7.7	4.5	3.2
Or Aqiva	7.7	4.2	3.5
Bene Ayish	7.5	6.0	1.5
Ar'ara	7.3	5.2	2.0
Jerusalem	7.3	4.9	2.4
Be'er Ya'aqov	7.2	4.2	3.1
Hazor Hagelilit	7.2	4.1	3.2
Deir Al-Asad	6.9	5.7	1.2
Lod	6.8	3.6	3.1
Isifya	6.7	5.8	0.8

Name of Locality	Total: Percentage of Undergraduates	Of Total: Rate of University Students	Of Total: Rate of College Students
Kabul	6.7	5.7	0.9
Shefar'am	6.6	5.5	1.2
Beit Jann	6.6	4.8	1.8
Qiryat Mal'akhi	6.6	4.2	2.3
Jatt	6.6	4.2	2.4
Abu Sinan	6.5	5.2	1.3
Daliyat Al-Karmel	6.4	5.5	0.9
Arrabe	6.3	5.2	1.1
Tirat Karmel	6.1	4.4	1.7
Netivot	6.1	3.0	3.1
Iksal	6.0	3.7	2.3
I'billin	6.0	5.0	1.0
Or Yehuda	5.9	2.9	3.0
Mughar	5.8	5.0	0.9
Majd Al-Kurum	5.7	5.0	0.7
Judeide-maker	5.5	4.9	0.6
Tire	5.3	3.4	1.9
Reine	5.2	3.8	1.4
Nahef	5.2	4.6	0.6
Tamra	5.2	4.3	0.9
Ramla	5.1	2.5	2.6
Tayibe	5.1	3.3	1.9
Kafar Kanna	5.1	3.9	1.3
Sakhnin	4.8	3.8	1.0
Yirka	4.8	3.9	0.9
Bet Shemesh	4.5	2.5	2.0
Baqa Al-Gharbiyye	4.4	2.8	1.6
Bene Beraq	4.1	2.2	1.9
Kafar Manda	3.6	3.6	-
Kafar Qasem	3.6	2.9	0.7
Umm Al-Fahm	3.6	2.3	1.3
Rahat	3.2	2.1	1.2
Qalansawe	2.7	2.1	0.5

Sources: Adva Center analysis of CBS, *Candidates for First Degree Studies, Students and Degree Recipients in Universities, 2002/2003*, Publication No. 1230, August 2004; CBS, *Statistical Abstract of Israel 2004*, No. 55; data on 20-29 year olds by locality were obtained courtesy of the Department of Construction and Local Authorities at the CBS; data on students in accredited colleges was obtained courtesy of the Department of Higher Education at the CBS.

Health: Public Funding Diminishes and the Sick Pay More

The public health care system in Israel compares favorably with public health systems in other countries. However, there is reason for concern about the future.

The National Health Insurance Law of 1994 provided a very generous package of medical services. However, the law did not provide a mechanism to update public financing of the package, in accordance with demographic, technological and cost changes. A short time after enactment of the law, the government began to cut back on funding, shifting the burden to the consumers of health services. Thus, for example, only some of the new medicines on the market were added to the benefits package, while others were made available through supplemental insurance policies sold by Health Funds and insurance companies. Those without supplemental policies, however, receive no discount on medicines not included in the package.

Co-payments are required not only for medicines, but also for visits to specialists or laboratory tests performed at neighborhood and hospital outpatient clinics.

As not everyone can afford supplemental health insurance, the outcome of the decline in public funding for health services is increased inequality in accessibility. Ultimately, the gap between the quality of services available to the rich and poor is expected to translate into differing levels of health for Israelis of different income levels.

And there is another danger: if the public health system continues to operate with insufficient funding, consumers will complain, and the government, instead of increasing the budget, will attribute the dissatisfaction to “inefficiency.” It will then propose its favorite solution – privatization. The Budget Arrangements Law for fiscal 2005 does just that. It includes a proposal to set up a for-profit Health Fund. If the proposal passes and a for-profit Health Fund is created, in all likelihood it will cater to the affluent. It is also possible that one or two of the existing non-profit Health Funds will take the route of privatization. If that happens, the health system in Israel will cease to be public and universal.



Health: Out-of-Pocket Payments Increase

The fact that household expenditures on health, above and beyond the health tax, are increasing, can be seen in the following table. The table shows the income of the Health Funds from the sale of supplemental insurance and from co-payments, along with the income of insurance companies from the sale of private health insurance.

Income of Health Funds and Insurance Companies from Payments of Households

NIS billions, constant 2003 prices

	1997	1999	2001	2002
Health fund income from sale of supplemental insurance	0.1	0.7	1.1	1.2
Health fund income from co-payments	1.6	2.0	2.5	2.8
Insurance companies' income from sale of private health insurance	0.8	1.1	1.4	1.5
Total	2.5	3.8	5.0	5.5

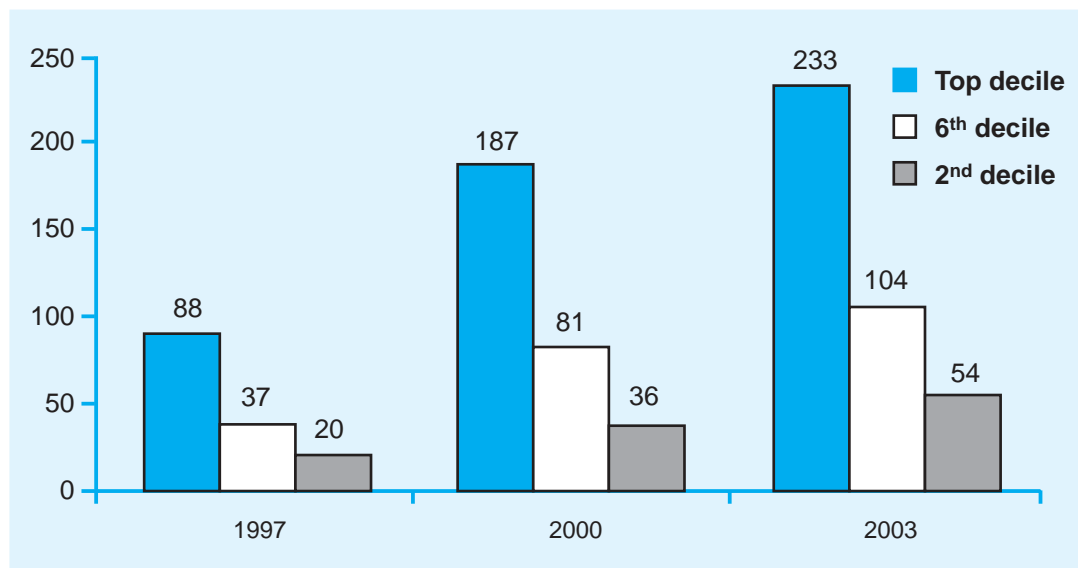
Sources: Wilkovsky, Abrahamson, Canaany and Associates, *Report on the Operations of the Health Funds*, various years; Habushy and Shif, *Comparative Report on the Operations of the Health Funds for the Year 2002*, October 2002; data received from the National Accounts Department of the CBS; Report of the Director of the Capital Market, Insurance and Savings at the Finance Ministry, various years.

Health: The Burden Shifts to the Consumer

The increasing burden in the consumer of health services is evident from the increase in the revenues of the health funds and insurance companies from the sale of insurance policies supplementing the national health insurance, and from the increase in the health funds' revenues from co-payments for medications and treatments. Together, these revenues grew from a total of NIS 2.5 billion in 1997 to NIS 5.5 billion in 2002.

Household Expenditures on Supplemental Health Insurance From Health Funds and Insurance Companies, 1997-2003

By Income (Disposable) Deciles of Households
In Shekels, constant 2003 prices



Source: Data obtained courtesy of the Consumption Department, CBS.



Upheaval in the Pension System Augurs Increasing Inequality

Work pensions – income insurance for retirement – is one of the mainstays of working life in a modern economy. In the framework of pension insurance, employees put aside part of their salaries every month and their employers put aside an additional sum, usually larger, in order to insure that upon retirement employees will not have to make drastic changes in their life styles and will not be dependent solely on social security payments – which in Israel are quite low.

The problem is that only about 60 percent of employees in Israel (according to the most optimistic figures) have pension insurance. These are persons who work in established firms or services, in which collective labor agreements apply. Others, especially employees in the lower income brackets, have no pension insurance, and for them retirement brings with it economic distress.

What needs to be done is to pass a compulsory pension law, one that will require all working people in Israel to join a pension fund and save for their retirement, to which employers will also contribute.

However, that in itself is not enough; the damages done to the pension system in the framework of the 2003 budget need to be redressed. Following are the main issues:

Several of the pension funds were nationalized, their connection with organized labor was severed, and some of them were sold to insurance companies.

Investment terms of the funds were changed, and 70 percent of the monies were directed to the capital market instead of being invested in special government bonds promising a fixed rate of return on savings.

The interest rate on special government bonds was reduced from 5.05 percent to 4.8 percent per annum.

Pension funds were allowed to double their management fees, thus reducing future pensions.

In order to limit the damages, the following steps need to be taken:

Management fees need to be lowered, so that the savings of working people provide income in old age and not easy profits for insurance companies.

A minimum return of 4 percent needs to be guaranteed on pension monies invested in the capital market, as is the practice in Switzerland and a number of other advanced countries.



Workplace Pensions: Perpetuating Inequality

Not only is pension insurance more common among employees in the middle and upper income brackets than among employees in the lower income brackets; even among insured workers, one finds considerable variation in the amounts of money put aside for retirement. This results in large disparities in the standard of living at retirement, differences that are the direct result of the polarization in salaries.

The following table presents the average expenditure of households on pension and provident funds. It should be noted that the average includes households in which no one saves for retirement and households in which one or more persons save for retirement.

In 2003, the average retirement savings of households in the top quintile through a pension or provident fund was 54 times higher than that of households in the bottom quintile, 8 times higher than that of households in the second quintile, 3.5 times higher than that of households in the third quintile, and about twice as high as that of households in the fourth quintile.

Monthly Savings Through Pension or Provident Funds, by Income Quintile, 1997-2003

By net income per standard person
In NIS, constant 2003 prices

	Average Saving	Bottom Quintile	Second Quintile	Third Quintile	Fourth Quintile	Top Quintile
1997	220	25	83	169	267	552
1998	215	19	81	173	296	507
2001	287	19	107	206	361	743
2003	272	13	85	199	354	700

Sources: Adva Center analysis of CBS, *Household Surveys*, various years; figures for 2003 were obtained courtesy of the Consumption Department of the CBS.



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