

א ד ו ה א ת מ
C E N T E R

INFORMATION ON EQUALITY AND SOCIAL JUSTICE IN ISRAEL
מידע על שוויון וצדק חברתי בישראל



Israel: A Social Report



2001



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Adva Center

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Israel: A Social Report - 2001 presents the major social and economic trends in Israel of the past two decades.

The past two decades were marked by significant economic growth. The fruits of this growth, however, were inequitably distributed. A relatively small percentage of Israelis enjoyed a sharp rise in income and standard of living, while the rest benefited far less. Today, the salaries of two-thirds of Israelis fall below the average wage, and two-thirds of young people still fail to graduate high school with diplomas that qualify them for university study.

The data reveal the need for long-term, stable, social-economic policies, geared to raising the levels of education and income of most Israelis. This need is not reflected by current governmental policies. On the contrary, every recent government, whether left or right, has relinquished social responsibility, cut taxes for the business sector, and increased the burden of individual households, most of which were already subsisting on small incomes.

This year, in the context of the ongoing military conflict and the worsening recession, the Cabinet decided to reduce the budgets for education, health, and social security payments in fiscal year 2002 to make room for increased allocations to security and the transportation infrastructure. In so doing, it chose not to consider other options for funding critical social needs, such as issuing special government bonds linked to income, or cutting the salary of senior management in government offices.

Those who justify these decisions claim that the conflict and recession necessitate a “time out” from attempts to cope with inequities. This claim, however, disregards the fact that no “time out” is taken by the economic and social processes that brought them about: There is no “time out” in the payment of salaries and no “time out” in school activity. As a result, the “time out” approach only deepens the inequities in Israeli society.

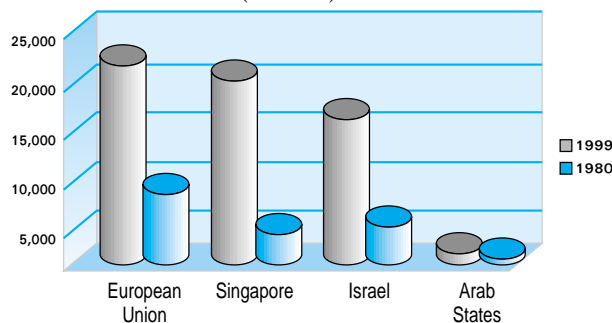
Economic Growth: International Comparisons

The Israeli economy showed significant growth over the past two decades, and Israel now ranks among those countries with high per capita Gross National Product.

In 1980, the GDP in Israel was \$5,612 per capita; by 1999, it totaled \$16,531, slightly higher than the GDP per capita of the previous year.

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

GDP Per Capita in Selected Countries, 1980 and 1999
(in US\$)



	Arab States	Israel	Singapore	European Union
1980	771	5,612	5,095	9,381
1999	1,403	16,531	21,236	22,321

Note: "Arab countries" includes Egypt, Jordan, and Syria.

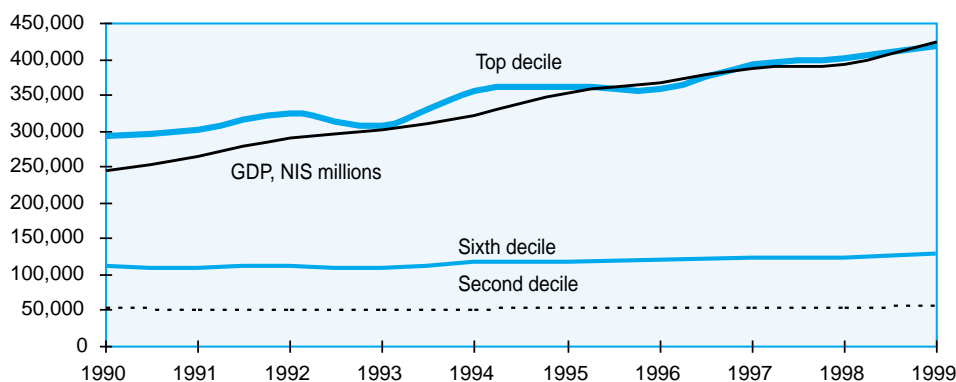
Source: Analysis of the Adva Center based on the World Bank publication *World Development Indicators, 2001*, Tables 2.1 and 4.2.

Economic Growth and Inequality: The Affluent are the Prime Beneficiaries

Growth is a good thing. But growth alone does not guarantee that everyone will benefit.

Over the past decade, the fruits of growth in the Israeli economy have not been enjoyed by all citizens: The income of the highest income decile has risen in tandem with the GDP, while the income of the middle and lower deciles has hardly changed.

GDP and Annual Household Income, 1990-1999
(in constant 2000 prices)



Notes:

“Household income” refers to the gross annual income of the household.

The GDP is presented in millions of shekels, while household income appears in shekels. The lines of the GDP and the top income decile intertwine, but are not identical, as the units of measurement differ.

GDP figures are usually presented per capita, rather than as the total GDP (as appears on the previous page). Here we present the total GDP to illustrate the overlap between economic growth and the income rise in the upper decile.

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

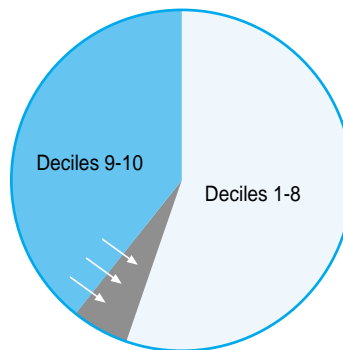
Economic Growth and Inequality: The Upper Crust Gets More of the Pie

In 1990, the income of the top decile was 8.9 times the income of the bottom decile. By 1999, the gap had widened: The income of the top decile was 11.8 times that of the bottom decile.

The two upper deciles increased their share of the pie, while the share of the rest of the population diminished.

Total Household Income, 1990-1999

The share of the two upper deciles grew, as others diminished.



Share of Decile in the National Income, 1990-1999

(households)

	1990	1999	% Change	Average Income for the Decile in 1999, NIS, in constant 2000 prices
Top decile	24.4%	27.8%	3.4%	34,853
9 th Decile	15.9%	16.5%	0.6%	20,684
8 th Decile	12.7%	12.7%	0%	15,905
7 th Decile	10.7%	10.3%	-0.4%	12,931
6 th Decile	9.2%	8.6%	-0.6%	10,729
5 th Decile	7.8%	7.2%	-0.6%	8,997
4 th Decile	6.6%	6.0%	-0.6%	7,489
3 rd Decile	5.5%	4.9%	-0.6%	6,102
2 nd Decile	4.4%	3.8%	-0.6%	4,756
Bottom decile	2.7%	2.4%	-0.3%	2,963

Notes: Deciles were calculated according to the average gross monthly income of households headed by a wage earner. Gross monthly income per household includes all regular gross monetary income of the household, before taxes.

Source: Analysis by the Adva Center based on CBS, *Statistical Abstract of Israel*, various years; and CBS, *Income Surveys*, various years.

Ethnic Inequality

Among Israelis of different ethnic origins, inequality is deeply entrenched.

The income of the Arab citizens of Israel is the lowest; in fact, relative to the average income, this income has been declining since 1995.

The income of Mizrahi Jews is somewhat higher: Their average income has increased over the past decade, and even distanced itself somewhat from the average income of Arabs, although the gap between the income of Mizrahi and Ashkenazi Jews remains constant.

The income of Ashkenazi Jews is the highest, well above the other two groups. In 1999, the salary of an Ashkenazi employee was, on average, 1.5 times that of a Mizrahi employee, and twice as much that of an Arab employee.

Monthly Income of Urban Ashkenazi, Mizrahi, and Arab Employees, 1990-1999

Based on 100 as the average

Year	Total employees	Native Israeli born to European or US-born father	Native Israeli born to Asia - 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

Notes:

"Employee" includes all respondents who had any work-related income during the three months prior to the survey.

"Income" refers to all wages earned by employed respondents.

Source: CBS, *Income Surveys*, various years.

Gender Inequality

Gender inequality in Israel is deeply rooted.

In 1999, women's monthly wages were, on average, 60% those of men.

Women's hourly wages were, on average, 81% those of men.

Monthly and Hourly Wages of Women and Men, 1990 and 1999

(in constant 2000 prices, in shekels)

	Year	Gender	Wage in Shekels	Women's wages as a % of Men's wages
Monthly	1990	Men's	6,618	
		Women's	3,758	57%
	1999	Men's	7,833	
		Women's	4,714	60%
Hourly	1990	Men's	35.1	
		Women's	27.6	79%
	1999	Men's	40.5	
		Women's	32.6	81%

This table shows the gender gap in monthly and hourly wages. The fact that many women work part time explains some of the gap (40%) in monthly earnings. The figures for hourly wages, however, demonstrate that even when the work-time unit is identical, there is still a 19% gap between women's and men's wages.

Notes:

"Gross monthly income" refers to income (including overtime) from all places of work in which the respondent was employed during the previous three months.

"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 Surveys* 1996, p. 46).

Source: Analysis of the Adva Center based on CBS, *Income Surveys*, various years.

Inequality: The Earnings of Senior Management Soar

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

The cost of employing a manager of one of the 580 companies listed on the Tel Aviv Stock Exchange came to an average of NIS 1.38 million a year, or NIS 115,000 a month in 2000.

The cost of employing a manager of one of the "Tel-Aviv 100" companies (the hundred largest companies on the Tel-Aviv Stock Exchange) was an average of NIS 3.26 million in 2000, or NIS 272,000 a month. In addition to this salary, the average manager of a Tel-Aviv 100 company held options worth NIS 10.2 million (in 1999). Thus, the compensation package for this manager came to approximately NIS 13.4 million a year.

The increase in the salaries of senior management in Stock Exchange companies has out-paced increases in both the average and the minimum wages in the Israeli economy:

In 1994, the wage costs of senior managers were 13 times higher than the average wage; in 2000, they were 17 times higher.

In 1994, the wage costs of senior management were 30 times higher than the minimum wage; in 2000, they were 40 times higher.

Wage Costs of Senior Management, 1994 and 2000

1994	2000
30 times the minimum wage	40 times the minimum wage
13 times the average wage	17 times the average wage

In 1998 the wage costs of Israeli senior management (of the Tel-Aviv 100 companies) were higher than in England, Japan, or Germany.

A company listed on the Tel-Aviv Stock Exchange is required by law to publish the wage costs of its five highest-paid employees.

Globes newspaper (in April 19, 2000 and May 3, 2001) published these figures based on the balance sheets of companies listed on the Stock Exchange.

Inequality: Welfare for Business

The recent governments of Israel have provided generous benefits for the well-to-do in the business sector.

For example, corporate tax — the income tax levied on corporate profits — decreased from 61% in 1986 to 36% in 1996. The tax cut reflects significant revenues foregone by the government, since proceeds from corporate income tax amounted to some NIS 20 billion in 2000, representing 14% of the total revenues from taxation.

Employer Taxes in Israel, 1986-2001

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996/2001
% Corporate tax on profits before payment of dividends	61	45	45	45	43.5	41	40	39	38	37	36
% Employers' Social Security contributions	15.65	10.85	10.85	10.85	9.35	7.35	7.35	7.35	7.35	4.93	4.93
% Employers' tax - private sector	7	4	4	4	4	3	0	0	0	0	0

Source: Report of State Revenues Authority, various years.

Israel's Finance Ministry contends that it had no choice but to reduce the corporate tax rate, in view of the fact that taxes were cut in the countries with which Israel trades. In practice, however, during the period in question, corporate taxes were higher in Germany, Canada, Japan, Italy, and France than in Israel.

The contribution of Israeli employers to Social Security and other employee benefits is low, compared with European Union countries (U.S. Department of Labor, Bureau of Labor Statistics, September 2001).

The contribution of Israeli employers to the Social Security of their employees is on the wane: In 1989, employers in the industrial sector paid out the equivalent of 23.9% of employees' salaries for "additional labor costs" (Social Security, pension funds, etc.), but this dropped to 19% in 2000 (CBS, Manufacturing Indices, various years).

Inequality: Most Israelis Earn Less than the Average Wage

While the salaries of senior management soar, most Israelis earn 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: In 1999, 72.8% of all Israelis earned the average wage or less; 63% earned less than 75% of the average wage.

In January 2001, the average wage in Israel was NIS 6,964 a month.

Employee Wages in Israel (annual average) Relative to the Average Wage, 1993-1999 (in percentages)

	Employees earning Less than the Minimum Wage	Employees earning under 50% of the average wage	Employees earning 50-74% of the average wage	Employees earning 75% or more of the average wage	Total employees earning average wage or less	Employees earning twice the average wage	Employees earning 3 times the average wage or more
1993	33.5	10.5	16.4	11.6	72.0%	19.1	8.9
1995	38.4	10.9	15.2	10.2	74.7%	17.0	8.3
1997	33.7	8.2	15.0	10.8	67.7%	20.4	11.8
1999	40.0	6.9	15.6	10.3	72.8%	17.5	9.7

Source: Jacques Bendelac, *Average Wages and Income, by Locality and Other Economic Variables, 1995-1996*, National Insurance Institute, various years. Data for 1999 were provided by Mr. Jacques Bendelac, National Insurance Institute.

Inequality: One-third of Israeli Families' Wages are on Poverty Level

For an increasing number of Israelis, the labor market no longer ensures a minimal standard of living. Over the past two decades, the income of more and more Israelis has reduced them to poverty level.

Between 1979 and 1999, the percentage of Israeli families with poverty-level income (before Social Security payments and direct taxes) increased from 27.9% to 32.2%.

Individuals with poverty-level income increased from 23.8% to 31.2%.

Children whose parents earn poverty-level income increased from 23.1% to 36.7%.

Percentage of Families, Individuals, and Children Living in Poverty, 1979-1999

(Before Social Security contributions and direct taxes)

Year	Families %	Individuals %	Children %
1979	27.9	23.8	23.1
1980	28.1	24.2	23.4
1981	28.8	24.1	22.2
1982	29.8	25.0	24.1
1983	29.5	24.0	21.7
1984	30.7	25.6	23.5
1985	31.3	26.3	24.3
1988	32.6	28.0	27.9
1989	33.0	28.0	27.8
1990	34.3	30.4	31.4
1991	35.1	31.2	30.9
1992	34.7	31.4	32.6
1993	34.6	31.2	33.0
1994	34.2	31.3	34.5
1995	33.8	31.1	35.2
1996	34.3	30.3	33.4
1997	33.2	31.4	35.5
1998	32.8	31.5	36.7
1999	32.2	31.2	36.7

Source: National Insurance Institute, *Annual Survey*, various years.

Note: "Poverty level" is defined in Israel as receiving an income equivalent to 50% or less than the median salary — the salary of which half the Israeli population earns more, and half earns less.

Among wage earners in Israel, the percentage of families defined as poor based on their income rose from 21.0% in 1989 to 34.8% in 1999 (National Insurance Institute, Annual Report, various years).

Inequality: Map of Unemployment

The economic stagnation that characterized most of the second half of the 1990s and the deep recession of last year swelled the ranks of the unemployed in Israel.

Unemployment primarily affects the weaker sectors of the population: It is higher in Arab than in Jewish localities, in Jewish development towns than in affluent Jewish communities, among women than among men, and among Arab women than among Jewish women. Unemployment disproportionately affects those for whom the school system failed to provide a decent education, as well as young people who have not yet managed to find a job.

The following table presents data from the Government Employment Office about jobseekers by locality in July 2001. 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 one, or for other reasons. Therefore, the numbers of the unemployed are actually higher than the number of jobseekers.

Percentage of Job Seekers, by Locality, July 2001
(in descending order)

Name Of Locality	Total Jobs	Name Of Locality	Total Jobs	Name Of Locality	Total Jobs	Name Of Locality	Total Jobs	Name Of Locality	Total Jobs	Name Of Locality	Total Jobs
Nat'l Average	6.4	Shlomi	12.4	Kiryat Arba	9.2	Kiryat Motzkin	7.4	Pardessiya	5.3	Hod Hasharon	3.8
'Ilut	26.8	Mashhed	12.2	Haizor Haglilit	9.1	Nesher	7.3	Yahud	5.1	Jerusalem	3.8
Ein Mahel	23.6	Bi'ne	11.9	Upper Nazareth	9.1	Yavneh	7.1	Ma'ale Adumim	5.1	Neve Efrayim	3.8
Kafar Manda	23.0	Acre	11.7	Katzrin	9.1	Fureidis	7.1	Tsur Yig'al	5.1	Ramat Gan	3.8
Laqiye	22.1	'Arrabe	11.7	Or Akiva	9.0	Rekhasim	7.1	Oranit	5.0	Azor	3.6
Bir al-Maksur	21.3	'Ar'ara	11.1	Beit Shean	9.0	Lod	7.0	Abu Ghosh	4.9	Givatayim	3.6
Aro'er	21.1	Kiryat Gat	10.9	Tur'an	9.0	Gedera	6.9	Buk'ata	4.9	Ganei Tikva	3.6
Kabul	20.8	Iksal	10.8	Nahef	9.0	Haifa	6.9	Sha'arei Tikva	4.9	Holon	3.5
'Assam	19.8	Mughar	10.8	Afula	9.0	Nahariya	6.9	Alfei Menashe	4.8	Kfar Saba	3.5
Kuseife	19.8	Kiryat Malakhi	10.8	Kiryat Ata	9.0	Pardes Hanna-Karkur	6.8	Upper Modi'in	4.8	Herzliya	3.4
Hura	19.7	Mitzpe Ramon	10.7	Kafar Qara'	8.8	Or Yehuda	6.7	Tel Mond	4.8	Ra'anana	3.3
Tamra	19.6	Ashdod	10.6	Jatt	8.7	Zarzir	6.7	Beit Dagan	4.7	Lehavim	3.2
Abu Rabi'at	19.3	Daburiyya	10.5	Kiryat Ekron	8.7	Yanuh-Jatt	6.7	Givat Ze'ev	4.7	Ramat Hasharon	3.0
Abu-Qrinat	18.6	Arad	10.5	Shibli	8.7	Netanya	6.7	Givat Shmuel	4.7	Omer	2.9
Bosmat Tivon	18.3	Baqa al-Gharbiyye	10.4	Deir al-Assad	8.6	Rosh Ha'ayin	6.7	Qalansuwa	4.7	Efrata	2.8
Bu'eine-Nujeidat	17.5	Ma'ale Eron	10.4	Upper Yokneam	8.6	Ariel	6.6	Even Yehuda	4.6	Kokhav Ya'ir	2.6
Deir Hanna	16.3	Umm al-Fahm	10.3	Hadera	8.5	Ramleh	6.6	Bat Yam	4.6	Beit El	2.4
Yafi'a	16.1	Basma	10.2	Tiberias	8.5	Beit Shemesh	6.4	Ramat Yishai	4.6	Majdal Shams	2.3
Shfar'am	15.4	Kafar Yassif	10.2	Carmiel	8.4	Yirka	6.4	Caesaria	4.5	Maccabim Re'ut	2.2
I'billin	15.2	'Illebun	10.0	Migdal Ha'emek	8.4	Peki'in	6.4	Rishon Letzion	4.5	Kafar Qasem	1.8
Jdeida-Makr	15.2	Kiryat Yam	9.9	Netivot	8.3	Kiryat Shemona	6.4	Shoham	4.5	Ramat Efal	1.8
Tel Sheva	15.2	Beersheba	9.8	Gan Yavneh	8.2	Modi'in	6.3	Tel Aviv-Jaffa	4.5	Savion	1.7
Nazareth	14.8	Rina	9.8	Bene Ayish	8.0	Tzoran	6.3	Kiryat Tivon	4.4	Tira	1.6
Tuba-Zangariya	14.6	Ofakim	9.7	Rammah	8.0	Kadima	6.2	Beitar Elite	4.3	JeJJulia	1.3
Mas'udin al-Azazma	14.4	Majd al-Kurum	9.7	Hurfeish	7.8	Rehovot	6.2	Zikhron Ya'akov	4.3	Karmeil Yosef	1.2
Rahat	14.4	Sederot	9.7	Bat Hefer	7.7	Be'er Ya'akov	6.1	Petah Tikva	4.3	Kfar Habad	1.0
Sakhnin	14.3	Kisra Smay'a	9.6	Atlit	7.7	Julis	6.1	Kiryat Ono	4.3	Kfar Shmaryahu	0.4
Yeruham	14.0	Abu Sinan	9.5	Jisr a-Zarka	7.6	Taibe	6.1	Elkana	4.1		
Dimona	13.9	'Usifiyya	9.5	Zemer	7.6	Nes Tsiyona	5.7	Bnei Brak	4.1		
Kafar Kanna	13.0	Elad	9.4	Kiryat Bialik	7.6	Binyamina	5.6	Kfar Vradim	4.1		
Ashkelon	12.8	Ma'alot Tarshiha	9.4	Ka'abiye-Tabash	7.5	Mazkeret Batia	5.6	Beit Jann	4.0		
Sha'ab	12.8	Tirat Hacarmel	9.3	Kfar Yona	7.4	Karnei Shomron	5.4	Meitar	4.0		
Abu Riqeik	12.5	Daliat al-Carmel	9.2	Safed	7.4	Eilat	5.3	Mevaseret Zion	3.9		

Source: Government Employment Service, data from July 2001.



Budget Cuts and the Growth of Inequality

The government, elected by citizens to act on their behalf, can do a great deal to halt growing inequality. The government can improve job prospects for young people by ensuring that they receive a decent education. It can initiate economic activity that will reduce unemployment. And it can enforce existing laws — such as those mandating a minimum wage or equal wages for men and women — to halt the widening income gaps. The government can see to it that all citizens have access to quality education, health, and housing services.

In recent years, however, the Israeli government has pursued an ideology that seeks to shift much of the responsibility for the provision of social services onto the shoulders of private companies or individual households. Key decision makers believe that the state must reduce spending so as to create more space for private business and individual choice.

This idea evolved in the United States and England, where in the early 1980s the wealthy were able to hold on to their own gains by persuading governments to cut taxes and dismantle part of the welfare apparatus that had developed after World War II. This new ideology reflected the immense growth in the wealth and power of multinationals - corporations that regard the entire world as their playground, setting up assembly lines wherever labor is cheap, eliminating trade barriers so as to expand the market for their products, and removing constraints against the return of profits to the mother country. Multinationals also aspire to eliminate local competition by buying out or undermining native enterprises — including government companies built with public funds.

Multinational corporations have pressured numerous governments to limit their activity, reduce their budgets, privatize government-owned corporations, and eliminate constraints on the movement of capital or workers. They have also had a profound effect on the policies of international financial institutions, such as the World Bank and the International Monetary Fund, which began to condition aid to emerging and developing economies on the adoption of these new policies.

In Israel, this approach dates back to 1985, the time of the emergency plan to stabilize the economy. The changes were effected without a full public airing of whether or not a policy intended to serve multinational corporations and capitalists in the United States would meet the needs of the Israeli economy. Ever since, economic policymakers in Israel have continued to push for budget cuts.

The problem is that the policy of “slimming down the budget” thwarts efforts to reduce inequality in several major public systems: education, healthcare, housing assistance, and pensions.

Education: Most Israeli Youth Fail to Graduate High School with Diplomas

One of the major ways that a state can address problems of inequality is through education. In Israel, however, the school system is rife with inequality, and thus, instead of serving as a tool to reduce socio-economic gaps, schools actually exacerbate the problem.

The inequality of the school system becomes clear when differences in the proportion of youth who graduate high school with diplomas in different localities are examined.

In 2000, 59.2% of 17-year olds failed to graduate high school with diplomas. Most of them were from Arab localities or poor Jewish neighborhoods and development towns. In a significant number of development towns and in all the Arab localities except one, the proportion of young people graduating with diplomas is lower than the national average.

High School Students Graduating with Diplomas, as a Percentage of all 17-Year Olds in the Locality, 2000

(in ascending order)

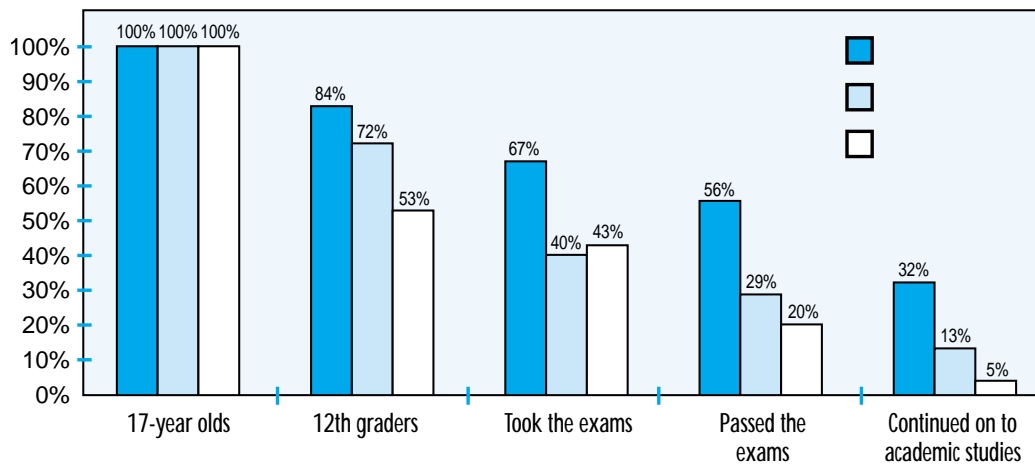
Nat'l Average	40.8	Netivot	34	Gezer RC	44	Carmiel	53
Beitar Elite	5	Beit Shemesh	35	Ma'ale Adumim	44	Rishon Letzion	53
Kafar Manda	8	Kafar Qasem	35	Arad	44	Ganei Tikva	54
Bnei Brak	11	Mateh Asher RC	35	Kiryat Malakhi	44	Drom Hasharon RC	54
Qalansuwa	13	Or Yehuda	36	Azor	45	Jezreel Valley RC	54
'Arrabe	18	Yafi'a	36	Ashdod	45	Kiryat Motzkin	54
Umm al-Fahm	21	Hevel Modi'in RC	36	Beit Shean	45	Rehovot	54
Rahat	21	Hagilboa RC	36	Hadera	45	Yavneh	56
Sakhnin	22	Pardes Hanna-Karkur	36	Netanya	45	Shoham	57
Kafar Kanna	23	Kiryat Ata	36	Tirat Hacarmel	46	Herzliya	59
Hof Hacarmel RC	26	Eilat	37	Shomron RC	46	Kfar Saba	59
Ma'alot Tarshiha	26	Kiryat Yam	37	Nahariya	47	Ramat Gan	60
Ofakim	27	'Ar'ara	38	Ramat Hasharon	47	Mateh Binyamin RC	61
Tamra	27	Nazareth	39	Ashkelon	48	Jordan Valley RC	61
Tira	28	Safed	39	Holon	48	Ra'anana	61
Baqa al-Gharbiyye	29	Tiberias	40	Nesher	48	Kiryat Ono	63
Mughar	29	Migdal Ha'emek	40	Lev Hasharon RC	49	Mevaseret Tzion	64
Or Akiva	30	Kiryat Gat	40	Nes Tsiyona	49	Givat Ze'ev	65
Jdeida-Makr	30	Upper Nazareth	41	Kiryat Shemona	49	Givatayim	65
Acre (Jews & Arabs)	30	Afula	41	Hod Hasharon	50	Eshkol RC	66
Jerusalem (Jews)	31	Beersheba	42	Kiryat Bialik	50	Kiryat Tivon	68
Shfar'am	32	Gedera	42	Rosh Ha'ayin	50	Givat Shmuel	74
Taibe	33	Dimona	42	Haifa (Jews & Arabs)	51	Bik'at Beit Shean RC	74
Lod (Jews & Arabs)	33	Upper Yokneam	42	Yahud	51	Upper Galilee RC	75
Emek Hefer RC	33	Be'er Tuvia RC	42	Mateh Yehuda RC	51	Maccabim Re'ut	87
Ramleh (Jews & Arabs)	33	Bat Yam	43	Tel Aviv-Jaffa (Jews & Arabs)	51	RC = Regional Council	
Sederot	33	Ariel	44	Golan RC	52	Source: Adva Center, <i>Students Graduating High School with Diplomas, by Locality, 1999-2000</i> , June 2001.	
Daliat al-Carmel	34	Kafar Qara'	44	Petah Tikva	52		

Education: Only a Few Reach the Finish Line

The inequality in the system is evident among 17-year olds. A significant number of young people drop out before 12th grade. Among those who make it to their senior year, many never attempt to sit for the matriculation exams, a prerequisite for diplomas. Among those who do take the exams, many fail. And at every stage, the differences among affluent Jewish towns, development towns, and Arab towns are obvious. Only a small number of young people ultimately embark upon academic studies.

A follow-up study of youngsters who were 17 years old in 1991 reveals that by 1998, 32% of those from affluent Jewish areas had entered college or university, compared to 13% of young people from development towns and only 5% of the Arab youth.

Percentage of 12th Graders Who Took the Matriculation Exams, Passed, and Continued on to Academic Studies, among 17-Year Olds in Affluent Towns, Development Towns, and Arab Towns, 1991



Notes:

Affluent towns — Givat Shmuel, Givatayim, Hod Hasharon, Herzliya, Kfar Saba, Mevaseret Tzion, Kiryat Ono, Kiryat Tivon, Rishon Letzion, Ramat Gan, Ramat Hasharon, Ra'anana, and Tel Aviv-Jaffa. These localities are included in Clusters 8-10 of the Central Bureau of Statistics.

Development towns — Ofakim, Eilat, Beersheba, Beit Shean, Beit Shemesh, Dimona, Tiberias, Yavneh, Carmiel, Migdal Ha'emek, Ma'alot-Tarshiha, Upper Nazareth, Netivot, Acre, Afula, Arad, Safed, Kiryat Gat, Kiryat Malakhi, Kiryat Shemona, and Sederot.

Arab towns — Umm al-Fahm, Baqa al-Gharbiyye, Jdeida Makr, Taibe, Tira, Tamra, Kafar Kanna, Mughar, Sakhnin, 'Arrabe, Qalansuwa, Rahat, and Shfar'am.

Source: Analysis by the Adva Center based on CBS, *Local Authorities in Israel, Physical Data*, various years. Data about 12th graders — those who took the exam, passed it, and continued on to academic studies — were provided by Mr. David Ma'agan, CBS, November 2000.

Education: Not all Diplomas Lead to University

Inequality among schools is evident not only with regard to the proportion of those who graduate high school with diplomas, but also in the quality of the diploma. Affluent schools with an experienced teaching staff and a full curriculum prepare their students for exams that will ensure full compliance with university entrance requirements. Students from schools with meager resources, less experienced teachers, and a sparse curriculum often graduate with a diploma that fails to meet these admission requirements.

The results are evident in the number of applicants from different towns who fail to gain entry to the university. Heading this list are Arab towns, followed by development towns.

Although the number of young people applying to private and regional colleges has increased significantly in recent years, figures are currently available only for university admission.

Percentage of University Applicants Who Were Rejected, by Locality, 1998/99

(Localities of 50+ applicants; in descending order)

Nat'l Average	21.5	'Arrabe	30.5	Hadera	19.0	Yahud	15.0
Baqa al-Gharbiyye	60.8	Ramleh	30.1	Netivot	19.0	Upper Yokneam	14.5
'Ar'ara	60.5	Shfar'am	28.7	Herzliya	18.6	Mevaseret Tzion	14.5
Sakhnin	58.7	Lod	27.5	Omer	18.6	Kiryat Ono	14.5
Umm al-Fahm	58.5	Migdal Ha'emek	27.4	Carmiel	18.2	Jerusalem	14.4
Qalansuwa	56.9	Or Yehuda	25.4	Petah Tikva	18.2	Haifa	14.3
Deir al-Assad	51.9	Acre	25.3	Safed	18.2	Ma'ale Adumim	14.3
Jdeida Makr	50.7	Rammah	24.6	Kiryat Ata	18.2	Kiryat Tivon	14.3
Tur'an	50.0	Ma'alot-Tarshiha	23.8	Ofakim	17.9	Kiryat Shemona	14.1
Tira	50.0	Maccabim Re'ut	22.6	Rishon Letzion	17.8	Tiberias	14.0
Daliat al-Carmel	49.3	Bat Yam	22.3	Givatayim	17.6	Nahariya	13.8
Nahef	49.1	Kiryat Malakhi	21.9	Eilat	17.5	Gedera	13.4
Abu Sinan	48.5	Tel Aviv-Jaffa	21.9	Meitar	17.2	Givat Shmuel	12.4
Taibe	48.0	Ramat Hasharon	21.4	Kokhav Ya'ir	17.1	Rehovot	11.9
Mughar	47.8	Beit Shean	21.3	Kiryat Motzkin	17.1	Even Yehuda	11.8
Tamra	47.7	Holon	21.3	Dimona	16.9	Ariel	11.8
Kfar Kanna	47.0	Hod Hasharon	21.1	Kfar Saba	16.9	Efrata	9.7
'Usifiyya	43.9	Upper Nazareth	21.1	Kiryat Yam	16.8	Ganei Tikva	9.2
Beit Jann	42.6	Pardes Hanna-Karkur	20.5	Ra'anana	16.7	Karnei Shomron	1.5
Nazareth	42.6	Kiryat Gat	20.5	Arad	16.2		
Kafar Yassif	41.2	Nesher	20.4	Elkana	16.0		
Majd al-Kurum	41.1	Netanya	20.3	Sederot	16.0		
Daburiyya	40.4	Afula	20.0	Ashkelon	15.6		
Jatt	38.0	Nes Tsiyona	19.7	Beersheba	15.4		
Kafar Qasem	37.7	Ramat Gan	19.4	Rosh Ha'ayin	15.4		
Hurfeish	36.2	Ashdod	19.0	Yavneh	15.2		
Kafar Qara'	32.1	Bnei Brak	19.0	Kiryat Bialik	15.2		

Note: Approximately 29% of all applicants applied to more than one university. Some of those above who were rejected at one university may have been accepted at another.
Source: CBS, *Candidates for First Degree Studies, Students and Degree Recipients in Universities, 1995/1996-1998/99: Demographic Characteristics and Geographic Dispersion*, Publication 1154.

Education: Blatant Inequality at the Universities

Differences in the quality of high school education across the country then translate into an unequal distribution of students at the university. The table below presents the proportion of university undergraduates from among 20-29 year olds, by locality.

We note again that the number of students in private and regional colleges has grown rapidly, but figures are currently available only for universities.

Percentage of University Undergraduates out of all 20-29-Year Olds, by Locality, 1998/99

(Localities with 50+ students; in descending order)

Omer	37.5	Oranit	9.6	Jatt	6.2	Nahef	4.0
Kokhav Ya'ir	25.8	Arad	9.5	Ma'alot Tarshiha	6.2	'Ar'ara	4.0
Lehavim	24.8	Nes Tsiyona	9.3	Kiryat Arba	6.2	Netivot	3.8
Har Adar	23.4	Rammah	9.2	Daburiyya	6.0	Daliat al-Carmel	3.5
Meitar	22.1	Ashkelon	9.1	Givat Ze'ev	5.9	Tirat Hacarmel	3.5
Elkana	21.5	'Illebung	9.0	Nazareth	5.7	Kabul	3.5
Savion	20.3	Ramat Gan	9.0	Bat Yam	5.5	Abu Sinan	3.4
Neve Efrayim	19.2	Safed	8.9	Dimona	5.5	Bnei Brak	3.3
Kiryat Tivon	18.9	Kiryat Yam	8.9	Afula	5.5	Yarka	3.3
Efrata	18.5	Ramat Yishai	8.9	'Arrabe	5.5	Yafi'a	3.2
Maccabim Re'ut	16.9	Nahariya	8.8	Rosh Ha'ayin	5.2	Kafar Manda	3.2
Karnei Shomron	16.9	Yavneh	8.7	Jerusalem	5.1	I'billin	3.1
Kedumim	14.7	Petah Tikva	8.5	Pardes Hanna-Karkur	5.1	Shfar'am	3.1
Ramat Hasharon	14.6	Hod Hasharon	8.4	Ofakim	5.0	Tira	3.0
Kiryat Ono	14.2	Beersheba	7.9	Ashdod	5.0	Sakhnin	3.0
Ra'anana	14.2	Rishon Letzion	7.8	Kafar Qara'	5.0	Jdeida Makr	2.9
M'iliya	14.0	Holon	7.4	Ma'ale Adumim	4.9	Taibe	2.8
Kiryat Bialik	13.3	Kiryat Ata	7.4	Be'er Ya'akov	4.8	Tamra	2.8
Rehovot	12.9	Yahud	7.3	Beit Shean	4.8	Ramleh	2.7
Even Yehuda	12.6	Carmiel	7.3	Tiberias	4.8	Or Yehuda	2.5
Haifa	12.6	Kafar Yassif	7.2	Upper Yokneam	4.8	Or Akiva	2.5
Givat Shmuel	11.8	Mitzpe Ramon	7.2	Mughar	4.8	Baqa al-Gharbiyye	2.4
Kiryat Motzkin	11.6	Binyamina	7.0	Majd al-Kurum	4.8	Beit Shemesh	2.4
Mevaseret Tzion	11.5	Nesher	7.0	Deir Hanna	4.6	Lod	2.4
Kfar Vradim	11.3	Kiryat Gat	7.0	Tur'an	4.6	Kafar Qasem	2.3
Alfei Menashe	10.8	Julis	6.7	Migdal Ha'emek	4.6	Umm al-Fahm	1.7
Givatayim	10.8	Ariel	6.6	Kiryat Malakhi	4.5	Rahat	1.4
Ganei Tikva	10.8	Beit Jann	6.6	Hatzor Haglilit	4.4		
Mazkeret Batia	10.8	Upper Nazareth	6.6	Azor	4.3		
Herzliya	10.7	Acre	6.6	Kiryat Ekron	4.3		
Hurfeish	10.6	Tel Aviv-Jaffa	6.6	Sederot	4.3		
Kfar Saba	10.6	Hadera	6.5	Kiryat Shemona	4.1		
Atlit	10.5	Netanya	6.3	Deir al-Assad	4.0		
Gedera	10.4	Eilat	6.2	Kafar Kanna	4.0		

Source: Analysis by the Adva Center based on CBS, *Candidates for First Degree Studies, Students and Degree Recipients in Universities, 1995/96-1998/99*, Publication 1154. Data for ages 20-29 were provided by Ms. Yela Heinel, Construction and Local Authorities Division, Central Bureau of Statistics.



Health:

Public Funding Diminishes and the Sick Pay More

The healthcare system in Israel compares favorably with other countries, but there is reason for concern about the future.

The National Health Law of 1994 provided for a very generous package of medical services. A short time after its enactment, however, the government began to cut back on funding for this package, 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 package, while others are available through the supplemental insurance policies sold by Health Funds and insurance companies. Those who have not purchased a supplemental policy, however, receive no discount on medicines not included in the package.

Patients are required to pay not only for medicines, but also for a variety of services — visits to specialists or laboratory tests performed outside a hospital.

As not everyone can afford supplemental health insurance, the decline in government funding for healthcare services increases inequality. Ultimately, the gap between the quality of services available to the rich and poor will result in differing levels of health for Israelis of different income levels.

The gaps are already evident. An ongoing study of the health insurance market in Israel conducted by Dr. Revital Gross and Ms. Shuli Brammli-Greenberg of the Brookdale Institute shows serious gaps in ownership of both kinds of supplemental medical insurance — commercial policies and those offered by the Health Funds.

According to this study, in 1999 some 60% of the Israeli population had some form of supplemental medical insurance, either commercial or Health Fund (or both). But there were significant differences among various population groups.

Supplemental insurance of the Health Funds: In 1999, only 32% of households in the bottom income quintile had supplemental insurance. By contrast, 72% of households in the top quintile had supplemental health insurance from one of the Health Funds.

Commercial health insurance: Only 11% of households in the bottom quintile had commercial health insurance policies, compared with 35% of the households in the top quintile. The table below shows the outcome of the ongoing governmental effort to transfer medical expenses onto the public's shoulders: In the four bottom quintiles, the proportion of those owning supplemental Health Fund insurance increased dramatically between 1997 and 1999, the period during which the state health budget steadily diminished. A similar, though more moderate, trend appears for the purchase of commercial insurance.

It can also be seen that in 1999 between 32% and 43% of Israelis in the three bottom quintiles (comprising 60% of the total population) had supplemental health insurance from one of the Health Funds, while 11-20% had commercial medical insurance.

Percentage of Interviewees Reporting Possession of Supplemental Medical Insurance from a Health Fund or a Commercial Firm, by Income Quintile, 1995, 1997, and 1999

	1995		1997		1999	
	Sick Fund supplemental insurance	Commercial medical insurance	Sick Fund supplemental insurance	Commercial medical insurance	Sick Fund supplemental insurance	Commercial medical insurance
Bottom quintile	18%	9%	18%	6%	32%	11%
Second and third quintiles	32%	15%	33%	15%	43%	20%
Fourth quintile	35%	19%	41%	20%	64%	32%
Top quintile	47%	21%	62%	33%	72%	35%

Note: The second and third quintiles are combined in the original research.

Source: Gross, R. and Shuli Brammli-Greenberg (2001), "Supplemental Health Insurance: Changes in Policy and Consumer Behavior," *Bitahon Sotzialit*, No. 61 (Hebrew, in press).

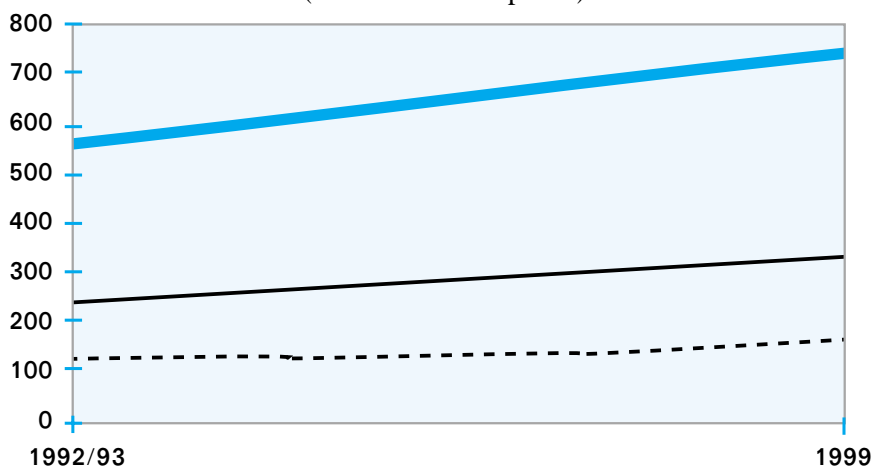
Health: The Relative Edge of the Wealthy Increases

The National Health Insurance Law enacted in 1994 enhanced equality in the healthcare system: Families in the top income decile now pay a higher health tax than they did in the past, while families in the bottom income decile pay less.

However, the new payments imposed on patients to make up for the reduction in state funding will have the effect of increasing the gaps. The top income deciles have no trouble meeting the new payments or purchasing supplemental insurance, not to mention seeking private medical treatment, while those in the middle and bottom deciles find the new payments a financial burden and make do with services provided as part of the state healthcare package.

The results of these cutbacks are already evident. Between 1992 and 1999, expenditures on health (not including the health tax) rose among Israeli families, with those in the top income decile spending a particularly large amount on health. In 1992, families in the top income decile spent 2.3 more on health than families in the fifth decile, and 4.6 more than families in the bottom decile. In 1999, families in the upper income decile spent 2.3 times more on health than those in the fifth decile, and five times more than those in the bottom decile.

Monthly Household Expenditures on Health (not including the health tax), 1992/93 and 1999, for the Bottom, Fifth, and Top Income Deciles
(at constant 2000 prices)



Source: Analysis by the Adva Center based on CBS, *Survey of Household Expenditures*, various years.



Housing: Diminishing Public Mortgage Assistance

Government assistance for housing is not as generous as it used to be. The value of a government mortgage has declined, and homebuyers have to supplement government aid with large bank loans at higher interest.

In 1994, government mortgages accounted for 38% of the total credit for home purchases (the rest coming from bank loans). By 1999, this had dropped to 26%. In other words, funding from a government mortgage is no longer as helpful in the purchase of a home.

As a result, home ownership has significantly dropped among those in the lower income deciles:

In the bottom decile, home ownership fell from 52.2% in 1987 to 43.3% in 1992 and 31.7% in 1999.

In the second lowest decile, home ownership fell from 58.0% in 1987 to 55.6% in 1992, and 56.1% in 1999.

Over the past two years, home ownership has slightly increased among the three lowest income deciles, possibly as a result of the special sales in public housing units.

Home Ownership, by Income Decile, 1987, 1992, and 1999 (percentages)

	Bottom decile	2th decile	3th decile	4th decile	5th decile	6th decile	7th decile	8th decile	9th decile	Top decile
1987	52.2	58.0	64.0	69.6	73.1	81.1	79.9	84.4	80.5	84.8
1992	43.3	55.6	65.5	67.3	76.1	73.8	80.7	79.2	86.8	83.9
1999	31.7	56.1	65.8	71.0	73.8	78.4	82.2	83.5	83.7	84.8

Source: CBS, *Survey of Household Expenditures*, various years.

Pension: Inequality Follows Israelis into Old Age

Inequality follows Israelis into old age.

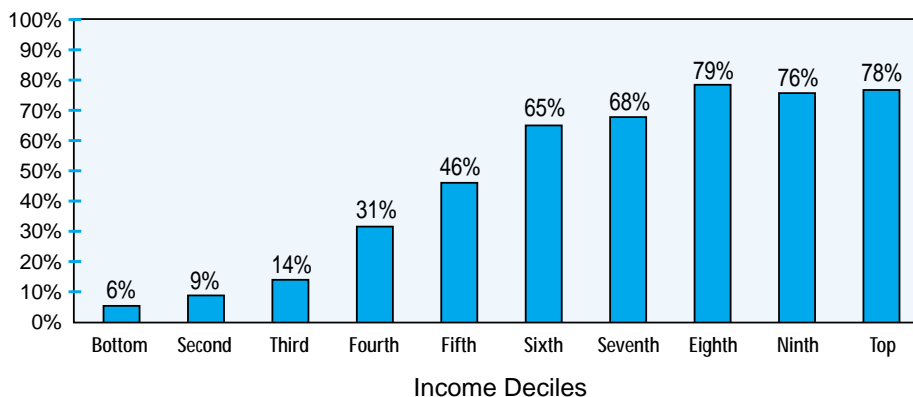
Today, approximately half the elderly in Israel do not have a pension from their former jobs. Israel still has no mandatory pension law, and therefore the main recipients of a monthly work pension are employees who benefited from collective wage agreements mandating that employer and employee make monthly payments into a pension plan for the employee. (Many civil servants enjoy a pension funded entirely by the state, with no payments made by either employer or employee.)

After retirement, Israelis lacking a work pension are dependent on their savings and the Social Security old age allowance. All residents of Israel are entitled to the allowance upon reaching retirement age, but the payments are low and hardly meet basic needs, even with income support payments to supplement them.

Beneficiaries of a monthly work pension, however, enjoy an average monthly income almost double that of persons who live only on an old age allowance from Social Security.

There are more elderly persons who receive pensions in the upper deciles than in the lower deciles.

Percentage of Households with Pensions, out of Total Households of Persons Aged 65+, by Income Decile, 1997



Source: Avia Spivack, "Mandatory Pension Law Now," Conference, 23 May 2000.

Pension: Perpetuating Inequality into the Coming Generations

Judging by the size of the payments to pension funds today, the proportion of pension recipients will be much higher among those in the top income deciles than in the bottom deciles when the current crop of employees retires.

In 1999, the average payment to a pension (or provident) fund of households in the upper income quintile was 26 times that of households in the bottom quintile. (Note that the average includes households in which none of those employed pay into a pension fund, as well as households in which payments are made.)

Monthly Payments to a Pension or Provident Fund, by Income Quintile, 1997-1999

(by standard net income per person, at constant 2000 prices, in shekels)

	Average Payment	Bottom Quintile	2nd Quintile	3rd Quintile	4th Quintile	Top Quintile
1997	204	24	77	157	248	514
1998	185	26	67	126	240	468
1999	200	18	75	160	275	471

Source: Analysis by the Adva Center based on CBS, *Survey of Household Expenditures*, various years.



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