

מרכז אדפה מרכז אדפה
Adva Center
Information on Equality and Social Justice in Israel

**ISRAEL:
A SOCIAL
REPORT
2012**

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INTRODUCTION

This annual update of the *Social Report* appears at the height of the Israeli election season, held early because of government fears that it would not be able to mobilize a majority to pass a budget bill that called for harsh cuts in the social services.

Election campaigns tend to highlight the issues that capture media headlines. This annual *Social Report*, on the other hand, looks at long-term socio-economic processes: economic instability, one of whose sources is the absence of a political agreement with the Palestinians; the growth of financial capital, which serves the interests of a small minority; reduced investment in the real economy, in which most Israelis are employed, relative to other developed countries; deepening inequality between the income brackets, with a surge ahead by the highest percentile, the top one percent of earners; the inability to break the 50% barrier with regard to successful high school matriculation rates; greater household spending on health; and wide gaps in the standard of living for retired persons.

Most of the figures that appear in *Israel: A Social Report* are published by the Central Bureau of Statistics (hereinafter CBS) at a delay of one year; hence, the picture presented here relates primarily to 2011. However, most of the tables and figures also provide data for the previous decade, 2001-2011, which allows for the identification of long-range processes.

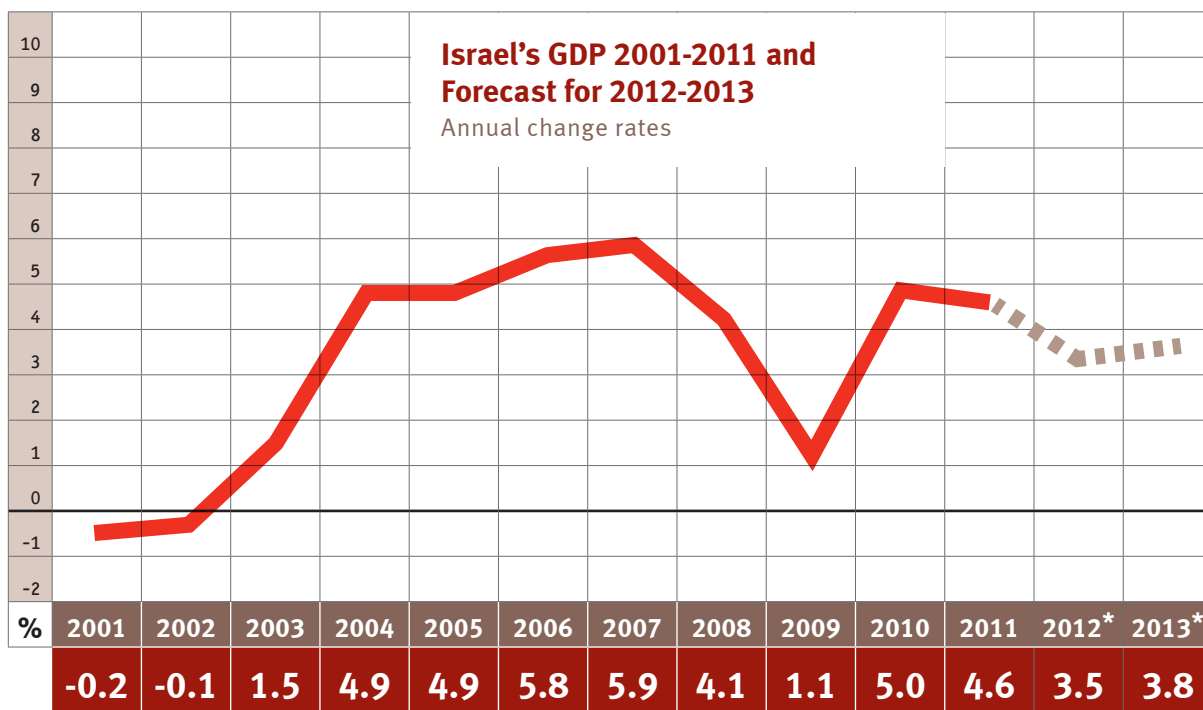
THE DOUBLE JEOPARDY OF THE ISRAELI ECONOMY

Israel's economy is subject to double jeopardy. Along with many other countries, it is exposed to the risk of global economic crises, such as the financial crisis in the United States and the debt crisis in Europe. But Israel is also vulnerable to the threat of violent political conflicts due to the volatile situation in this region, particularly the absence of a political solution to the Israeli-Palestinian conflict. Over the past two decades, Israel experienced two uprisings against its continuing occupation –

the first and second Intifadas. There have also been more limited flare-ups such as the Cast Lead Operation in the Gaza Strip in late 2008 and early 2009, and Operation Pillar of Defense in Gaza in November 2012.

The adverse effect of this political violence on economic stability is clearly demonstrated in the figure below, which presents growth data for the previous decade: The first crisis occurred at the beginning of the present decade and was rooted

primarily in the bursting of the high-tech bubble and the outbreak of the second Intifada; the second occurred toward the end of the decade with the onset of the global financial crisis. In between, Israel enjoyed five years of economic growth that averaged a healthy 5% per annum. This period of growth, however, did not compensate for the losses incurred during the two crises.



*Forecast

Notes:

1. Figures for 2012 are a CBS estimate; figures for 2013 are a Bank of Israel forecast.

2. On the assumption that gas from the Tamar field will begin flowing in 2013.

Source: Adva Center analysis of CBS, *Statistical Abstract of Israel*, various years; CBS, *Press Release: Initial Estimates of the Third Quarter of 2011*, 16 November 2011; Bank of Israel, *Update of the Macroeconomic Forecast for 2012-2013*, 24 September 2012, <http://www.bankisrael.gov.il>.

DOUBLE JEOPARDY RESULTS IN LOWER ECONOMIC GROWTH

Due to the double jeopardy, Israel registered lower economic growth rates than many other countries during the last decade.

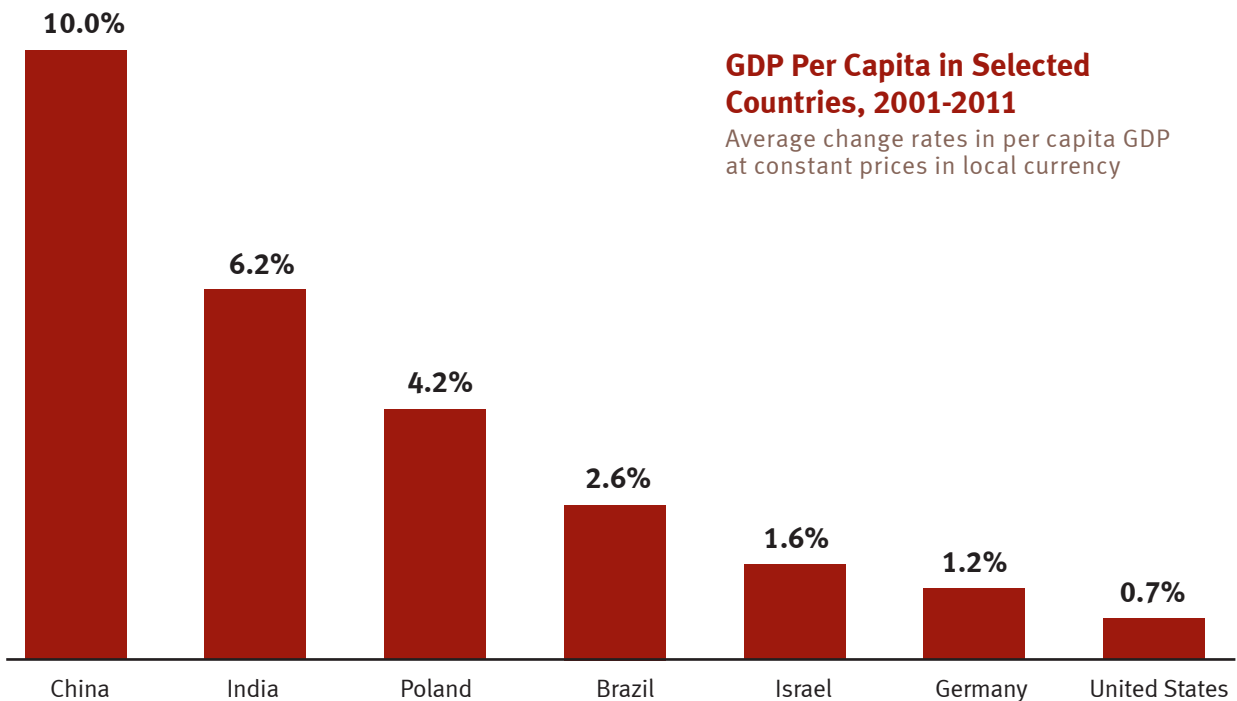
The graph below shows the change in the average annual GDP per capita for selected countries from the beginning of the decade through 2011, the last year for which we have complete figures.

China experienced the greatest economic growth: Its GDP per capita increased by an annual average rate of 10%. India, too, grew by leaps and bounds – an average annual rate of 6.2%. The economies of India and China are the most prominent in Southeast Asia, many of which experienced high growth rates.

Another region showing high growth was Eastern Europe, represented in this graph by Poland, with an average annual per capita GDP growth of 4.2%.

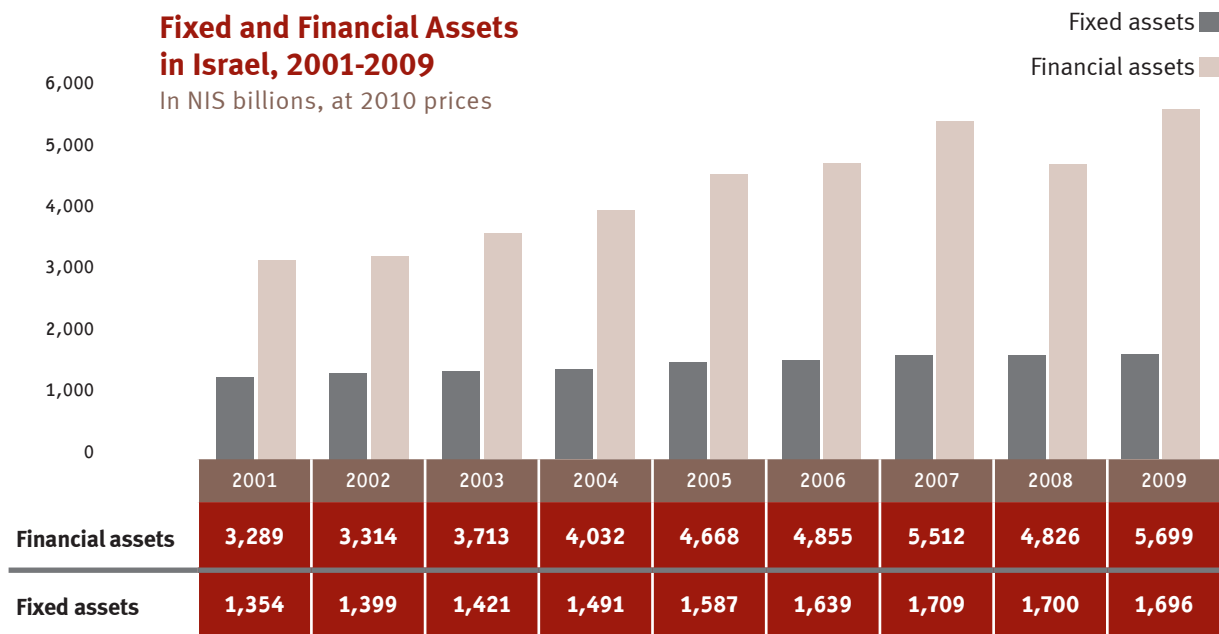
In contrast, Israel's average annual GDP per capita growth in the decade 2001-2011 amounted to 1.6%. Although this is higher than that of some of the world's richest countries – the United States with 0.7% and Germany with 1.2% – the per capita GDP in those countries was already much higher than that of Israel: approximately \$44,000 in Germany and \$48,000 in the United States, compared with \$31,000 in Israel (in 2011, at current prices).

If Israel aspires to a standard of living like that of Germany and the United States, as reflected in the per capita GDP, it needs to grow at a much faster pace over an extended period of time. It managed to do this in the years 2004-2008, when the per capita rate of economic growth was 2.8%. However, during the Intifada years, 2001-2003, instead of growing, per capita GDP decreased by an average annual rate of 1.3%, and in 2009, following the global economic crisis, it shrank again by 0.7%. As a result, Israel's average annual per capita growth over this decade was no more than 1.6%.



Source: Adva Center analysis of IMF, *World Economic Outlook*, October 2012.

THE PROBLEM IS NOT MONEY BUT INVESTMENTS



Notes:

1. Fixed assets – buildings (residential and non-residential), machinery, equipment, vehicles, and software.
2. Financial assets – total cash, deposits, tradable bonds, and stock owned by households, the business sector, government, Bank of Israel, commercial banks, and mortgage banks, as well as foreign investment.

Source: Adva Center, PowerPoint Presentation: *Israel is now richer, so why can't Israelis make ends meet?*, 29 August 2012 [Hebrew].

Growth begins with investments in fixed assets

– construction of a plant, acquisition of machinery and equipment, training of employees. Such investments create jobs and set the job conditions of the employees.

Yet the data reveal that investments in fixed assets in Israel are relatively lower than in wealthy countries even though there is currently no shortage of financial resources locally. Indeed, investments are distributed unevenly in Israel, and they are concentrated in a relatively small number of economic branches.

Over the last decade, investment in fixed assets in Israel amounted to 18.0% of the GDP, on average, while comparable investments in the European Union totaled 20.1%.¹ The

difference may not be big, but Israel, which aspires to a level of GDP per capita similar to that of European countries, should be investing more than these countries. Investments in China and India are double or more that of Israel, but even countries that had begun developing earlier, such as Taiwan or Korea – one of the twenty wealthiest nations in the world (a G20 member) – invest more than Israel.²

There are many reasons for the relatively low level of fixed asset investment in Israel, but the ongoing conflict with the Palestinians figures prominently among them. Another explanation might be a dearth of local resources, but the data show a significant rise in these: Between 1995 and 2010, the total financial assets held by the public (bank

deposits, securities, pension plans, and life insurance) actually tripled – from NIS 866 billion to NIS 2.6 trillion (at 2010 prices).

Furthermore, when all financial assets in Israel are taken into account – not just privately owned assets, but those controlled by the government and banks – what emerges is that these financial assets increased more than the fixed assets, i.e., more than the real economy in which most of us live and are employed: Between 2001 and 2009, the fixed assets (non-financial assets) of the entire Israeli economy grew by 25%, while the financial assets increased by 73% (and quickly recovered from the global financial crisis of 2008).

Where did this money go? Answer: to other money. In other words, rather

than being invested in growing the real economy, the one in which almost all of us make a living, profits were plowed into creating more money. The Israeli economy, like many other economies in the world, has undergone a process of financialization. This benefits a small segment of the population, but not most people. Furthermore, some of the capital accumulated in Israel is invested abroad: Over the past decade, foreign investments by Israelis exceeded the investments of foreigners in Israel.³ In recent years, public discourse about economic growth has focused on the low participation in the labor market of ultra-Orthodox men and Arab women, but there is almost no discussion of the fact that new wealth has failed to significantly expand investment in the real economy of Israel – which would

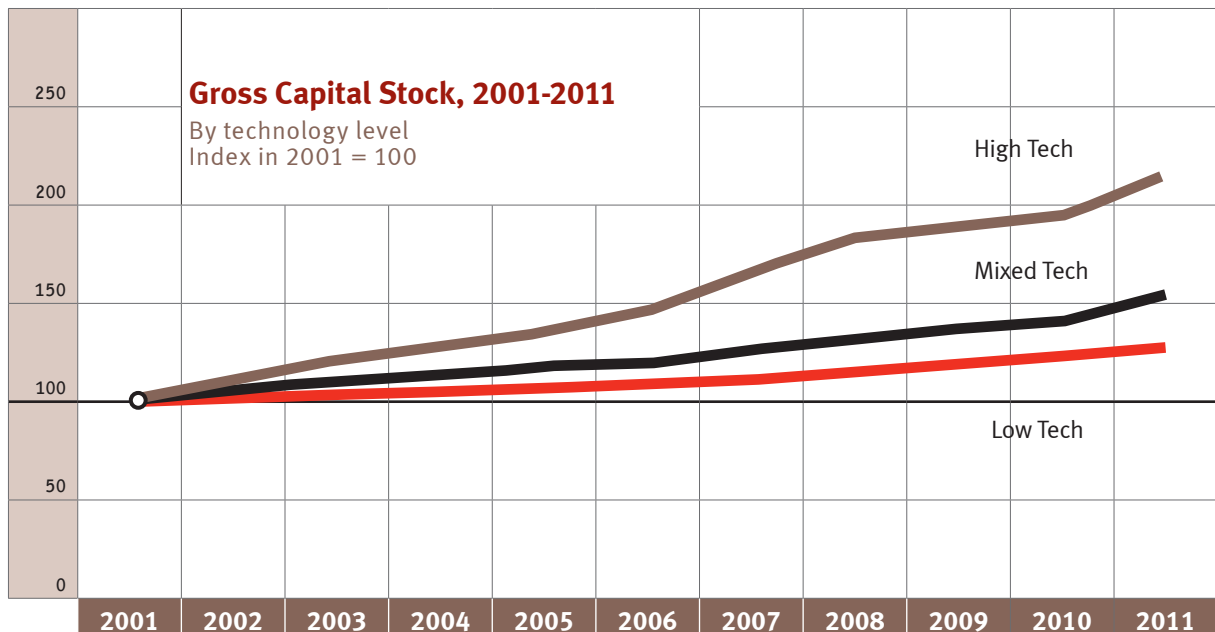
serve to enlarge the labor market.

These figures also raise questions about government policy, which focuses on fostering growth of the business sector. For example, the government reduced its outlays to avoid competition with business over sources of finance; it privatized retirement savings funds to put them at the disposal of big business; and it reduced corporate taxes to attract foreign corporations to Israel. These measures were taken on the assumption that growth stimulated by the business sector would be sufficient to respond to all the needs of Israeli society. It now appears that these policies may have further served to encourage financialization of the economy, rather than to stimulate economic growth, which would benefit all Israelis.

Another problem with fixed-asset investments in Israel is that they are concentrated in a small number of economic sectors, leaving others chronically unstable, with low profitability and wages.

Through the course of the decade 2001-2011, high-tech businesses registered the greatest investment growth: 8% per annum, on average, even during the Intifada years. In 2011, capital stock in this sector was double what it had been in 2001, and grew by 10% in 2011, the most recent year for which figures are available.

Investments grew less in other sectors. In mixed-technology industries, investment increased at an average annual rate of approximately 4%. In 2011, capital stock in this economic branch was one-and-a-half times greater than



Notes:

1. Capital stock – total outlays of fixed assets (buildings, machinery, equipment) in the industrial sector.
2. Mixed-tech industry includes chemical and petroleum plants, mining and quarries, plastics, rubber, machinery, equipment, vehicles, jewelry, and decorative products. In this graph, we include in mixed industry both sub-categories of mixed tech manufacturing: mixed high-tech and mixed low-tech.
3. For technical reasons, capital stock of mixed industry includes data for aircraft manufacturing, a high-tech industry.

Source: Adva Center analysis of figures provided courtesy of the Bank of Israel.

in 2001. In traditional, low-tech industries, the rate of investment was even lower – an average annual growth of about 2%. Between 2001 and 2011, capital stock in low-tech industries rose by approximately 20%.

High-tech is the pride and joy of Israeli business, and it accounts for about half of Israel’s manufacturing exports. However, the high-tech sector employs no more than 10% of the Israeli workforce. Moreover, most of the employees in this sector have college degrees, which most Israeli young people do not have. Salaries are high, but atypical of most wage earners. Finally, this sector is located in the center of the country. In other words, it does not represent the Israeli economy as a whole; it may in fact be characterized as an exception to it.

The graph below shows the rates of

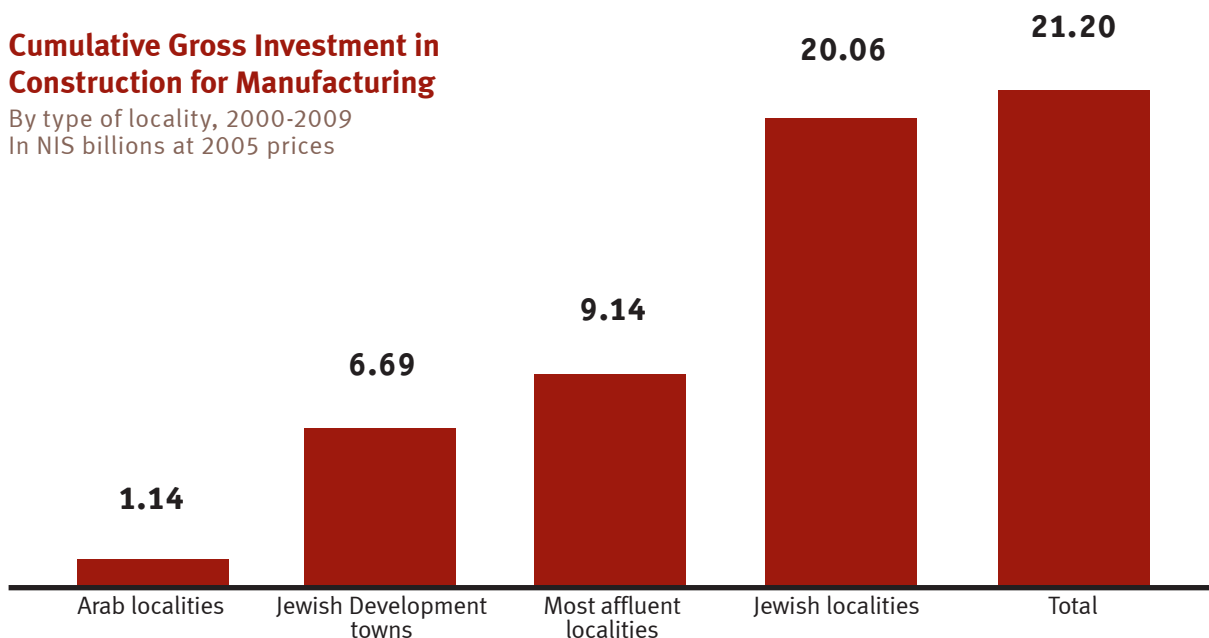
change in capital stock, indicating the level of investment in each economic branch.

Also characteristic of investment in Israel is its correlation with the location of these investments. The table below, showing the cumulative gross investment in construction for industry between 2000 and 2009, reveals that some 95% of the investment was in Jewish towns and only 5% in Arab towns. Indeed, Arab localities, for all practical purposes, are not part of the industrial economy of Israel. Jewish development towns, with their traditional industries, benefit from a heavy share of investment – 32%. This figure could reflect a more positive message, had the investment been used to upgrade local industry with new technologies.

In the context of these figures on growth and investment, it is clear that Israel’s economic leadership should not rest content with economic growth per se, and certainly not with economic growth that takes place mainly in the center of the country and benefits only a thin layer of workers. Rather, it should aspire to economic growth that benefits a broad spectrum of society. This can be achieved, on the one hand, by upgrading low-tech industries and, on the other, by the provision of continuing education and vocational training to broad swathes of the Israeli workforce. This requires a concerted effort on the part of the state. It cannot be left to the business sector, which is not motivated by long-term social concerns, but rather by short-term, profit-oriented considerations of corporations and financiers.

Cumulative Gross Investment in Construction for Manufacturing

By type of locality, 2000-2009
In NIS billions at 2005 prices



Notes:

1. The total includes investment in Israeli settlements in the West Bank.
2. The figures do not include regional councils.
3. "Jewish localities" includes Arabs who live in mixed cities.

Source: Shlomo Swirski and Safa Agbaria, *Israel's Unbalanced Economic Development: Investment in Construction of Industrial, Commercial, and Public Buildings by Region and Population Group, 2000-2009*. Tel Aviv: Adva Center, 2001 (Hebrew).

THE FRUITS OF GROWTH TRICKLE UP MORE THAN DOWN

The dominant macro-economic view contends that economic growth is good for everyone because its fruits ultimately trickle down to all strata of the population.

The figure below shows the relationship between economic growth (increase in the GDP) and change in the income of four income deciles in Israel during the years 2001-2011: the sixth decile, representing households with average income; the tenth decile excluding the top one percent; the top one percent; and the senior executives in stock-exchange traded companies, who represent here the top 0.1 percent.

It can be seen that in the past decade during which GDP increased

by a third, the income of the top decile (without the top 1%) barely increased at all (and even dropped by 5% in 2011), and the income of the sixth decile also remained stable (with the exception of the period during the second Intifada when it declined).

On the other hand, the income of households in the top percentile, which had severely declined during the second Intifada (when the income of the entire population dropped with the exception of senior executives) subsequently rose by 20% between 2003 and 2010, before dropping in 2011. Note that those in the top 1% – 15,000 households (of wage earners), much of whose earnings are derived

from capital gains – are particularly sensitive to fluctuations in capital markets. But economic growth primarily benefited those in the top 0.1% – some 1,500 households – represented in the graph by senior executives in “Tel Aviv 25” companies, whose salaries in 2010 cost their companies some 2.7 more than in 2001.

More generally, it can be said that the dynamics of the economy – local and global crises, fluctuations in growth – particularly affect the wealthy. During periods of economic growth, this group does better than the population at large; at times of crisis, their income declines, particularly that part deriving from capital gains.

GDP and the Average Annual Income of Households in Israel, 2001-2011

Households headed by wage-earners in select income brackets, and costs to the employer of executive wages in the 25 largest companies on the Tel Aviv Stock Exchange

Growth based on indicators, 2001-2011 2001 Index = 100

Top decile less the top 1%

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Sixth decile

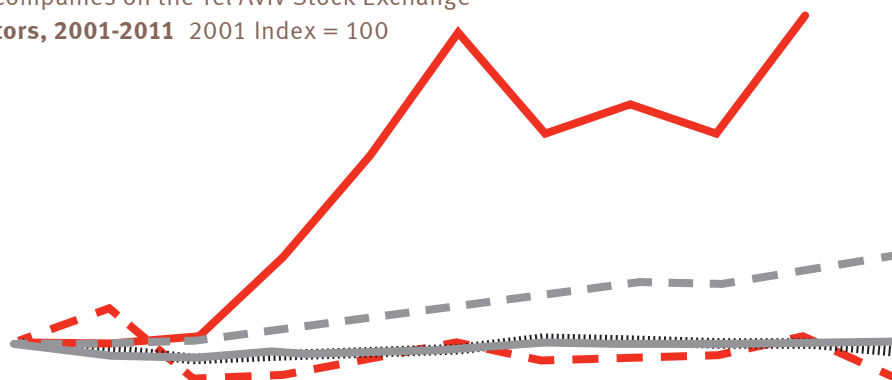
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Top 1%

GDP (in NIS millions)

Executive wages

—————



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Top decile less the top 1%	100	97	92	94	95	97	102	101	99	99	95
Sixth decile	100	94	93	95	96	97	100	100	99	101	100
Top 1%	100	117	80	83	92	100	92	93	94	102	81
GDP (in NIS millions)	100	100	101	106	112	118	125	130	132	138	145
Executive wages	100	100	103	145	197	261	210	224	208	269	-

Notes: 1. All data were calculated on an annual basis and at 2011 prices. 2. The top (tenth) decile: Data in the top decile were subdivided into ten groups of equal size, from which two variables were created. One was the top decile minus the top one percent. The other was the 1% – the top percentile of the top decile. 3. Income of the sixth decile and the top decile (minus the top 1%) reflects the gross monetary income of households headed by wage earners. 4. *Globes Supplement*, from which data for the years 2001-2010 were taken, stopped publishing this series in 2011.

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

WHAT HAPPENED IN 2011?

The year 2011 was characterized by stability – or a slight drop – in household income in most of the income deciles, but also by income drops in the two highest deciles: The average income of the ninth decile of households decreased by 1.3%, while that of the highest decile

decreased by 7.4%, on average.

A closer examination of the highest income decile reveals that the most significant decrease in income happened among the top 1% – a drop of 20.3% or, in monetary terms, NIS 21,652 fewer shekels per month. Note that in the top 1%,

a significant part of the income (even in households headed by wage earners) is from capital gains, and in 2011 significant losses were recorded in the Tel Aviv stock market. These declines also affected more households in the two top deciles, though to a lesser extent.

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

Changes between 2009/10 and 2010/11 in percentages and NIS, at 2011 prices

Decile	2009-2010		2010-2011	
	Change in %	Change in NIS per month	Change in %	Change in NIS per month
1	5.3%	202	1.7%	69
2	2.6%	161	0.4%	28
3	2.5%	202	-0.2%	-19
4	2.7%	265	-0.6%	-65
5	1.7%	204	0.1%	16
6	1.3%	197	-0.4%	-59
7	0.5%	84	-0.5%	-84
8	0.2%	49	-0.2%	-51
9	0.1%	30	-1.3%	-369
10	1.1%	518	-7.4%	-3,634
Tenth decile without top 1%	0.3%	130	-4.0%	-1,696
Top 1%	8.8%	8,650	-20.3%	-21,652

Sources: Adva Center analysis of CBS, *Income Survey*, various years; data for 2011 provided courtesy of the Consumption Department of the CBS.

AND WHAT HAPPENED TO HOUSEHOLD INCOME BETWEEN 2001 AND 2011?

The following picture emerges from examining the income of households by income decile in the years 2001 to 2011:

The income gaps between the deciles remained remarkably stable.

The second Intifada adversely affected income in all the deciles, particularly the top 1%; damage from the global economic crisis in 2008 was moderate.

For all deciles, the best years were

those early in the decade, particularly 2001. Over the course of the decade, the lowest five deciles did not manage to restore their income to the 2001 level, while deciles 6-9 recovered by 2007 or 2008.

Gross Average Monthly Income of Households Headed by Wage-Earners, 2001-2011

NIS at 2011 prices

Decile	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1	4,080	3,722	3,797	3,733	3,865	3,903	4,074	4,057	3,826	4,029	4,098
2	6,522	6,197	6,036	6,035	6,083	6,142	6,421	6,276	6,159	6,320	6,348
3	8,419	7,996	7,768	7,819	7,826	7,887	8,278	8,174	7,978	8,180	8,161
4	10,321	9,707	9,524	9,734	9,700	9,827	10,174	10,064	9,915	10,180	10,115
5	12,353	11,693	11,444	11,787	11,762	11,902	12,268	12,188	12,094	12,298	12,314
6	14,764	13,914	13,711	14,070	14,107	14,298	14,816	14,725	14,664	14,860	14,801
7	17,610	16,714	16,391	16,945	16,971	17,215	17,802	17,644	17,715	17,799	17,715
8	21,735	20,628	19,889	20,634	20,998	21,101	22,138	21,766	21,791	21,840	21,789
9	28,390	26,709	25,549	26,600	27,143	27,461	28,599	28,296	28,028	28,058	27,689
10	49,499	50,097	43,815	45,206	46,757	47,189	49,102	49,296	48,649	49,167	45,533
Tenth decile without top 1%	43,342	41,926	39,675	40,580	41,212	42,016	44,159	43,822	42,712	42,842	41,146
Top 1%	104,642	122,853	83,780	86,440	96,135	104,212	96,282	97,378	98,049	106,699	85,047

Sources: Adva Center analysis of CBS, *Income Survey*, various years; statistics for 2011 were provided courtesy of the Consumption Department of the CBS.

THE SHARE IN THE INCOME PIE OF HOUSEHOLDS IN THE TENTH DECILE DECLINED BY 1.5% IN 2011

Distribution of the income pie among the income deciles is quite stable, and no significant changes occurred over the last decade.

The five lowest deciles, 1-5, receive about 24% of the pie, while the five highest deciles receive about 76% of it. In 2011, the pie sliver lost by the top decile was divided up primarily among the four deciles just below it, 6-9.

Distribution of Income by Income Deciles, 2001-2011

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

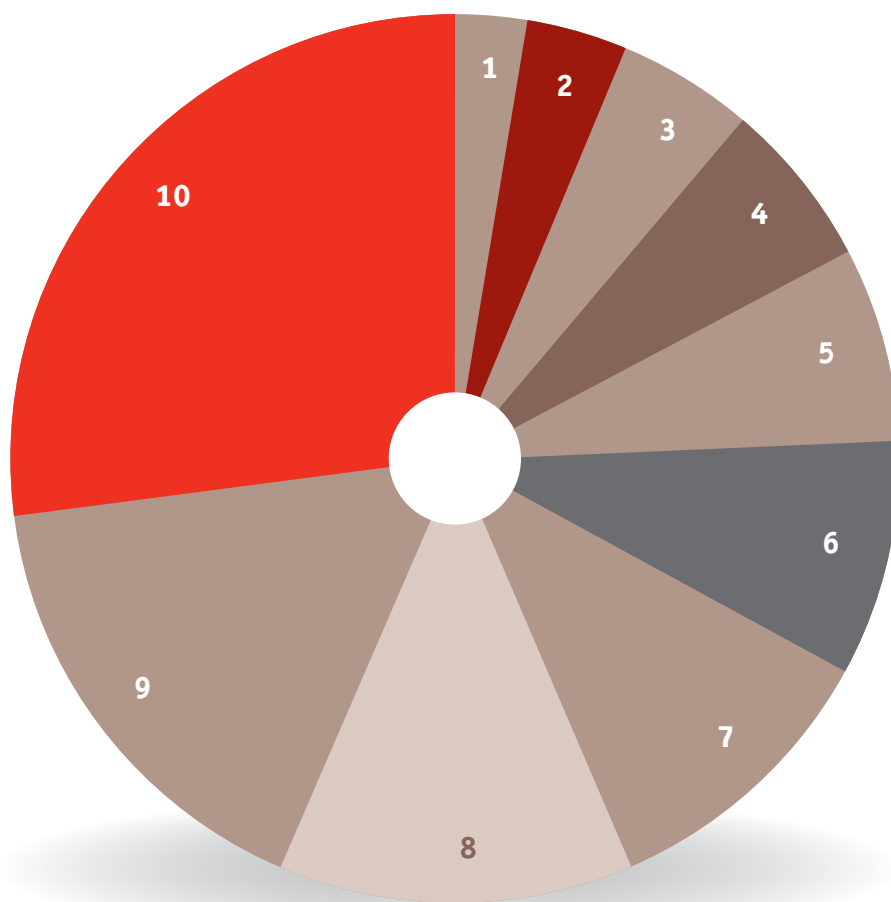
Decile	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1	2.3	2.2	2.4	2.3	2.3	2.3	2.3	2.4	2.2	2.3	2.4
2	3.8	3.7	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.7	3.8
3	4.8	4.8	4.9	4.8	4.7	4.7	4.8	4.7	4.7	4.7	4.8
4	5.9	5.8	6.0	6.0	5.9	5.9	5.9	5.8	5.8	5.9	6.0
5	7.1	7.0	7.2	7.3	7.1	7.1	7.1	7.1	7.1	7.1	7.3
6	8.5	8.3	8.7	8.7	8.5	8.6	8.5	8.5	8.6	8.6	8.8
7	10.1	10.0	10.4	10.4	10.3	10.3	10.3	10.2	10.4	10.3	10.5
8	12.5	12.3	12.6	12.7	12.7	12.6	12.7	12.6	12.8	12.6	12.9
9	16.3	16.0	16.2	16.4	16.4	16.5	16.5	16.4	16.4	16.2	16.4
10	28.5	29.9	27.7	27.8	28.3	28.3	28.3	28.6	28.5	28.5	27.0
Total	100	100	100	100	100	100	100	100	100	100	100
Deciles 1-4	16.9	16.5	17.2	16.8	16.6	16.6	16.7	16.6	16.3	16.6	17.0
Deciles 9-10	44.8	45.9	43.9	44.2	44.7	44.7	44.7	45.0	44.9	44.7	43.4

Note: Percentage changes were calculated from the original figures; thus, the table may show discrepancies up to a tenth of a percent.

Source: Adva Center analysis of CBS, *Income Survey*, various years; figures for 2011 were provided courtesy of the Consumption Department of the CBS.

Distribution of Income by Deciles, 2011

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



Sources: Adva Center analysis of CBS, *Income Survey*, various years; statistics for 2011 were provided courtesy of the Consumption Department of the CBS.

IN 2011, THE MIDDLE STRATUM SHRANK SLIGHTLY,

The degree of income inequality is also evident in the situation of the middle stratum in Israel.

What is the “middle stratum?” As is common in international research, we divided Israeli households into three groups: the middle stratum, containing all households whose incomes fall between 75% and 125% of the median household

income; the top stratum, containing all households whose incomes are higher than 125% of the median household income; and the bottom stratum, whose incomes fall below 75% of the median household income.

In 2011, the median (gross) income of all households was NIS 13,496, and the middle stratum was defined

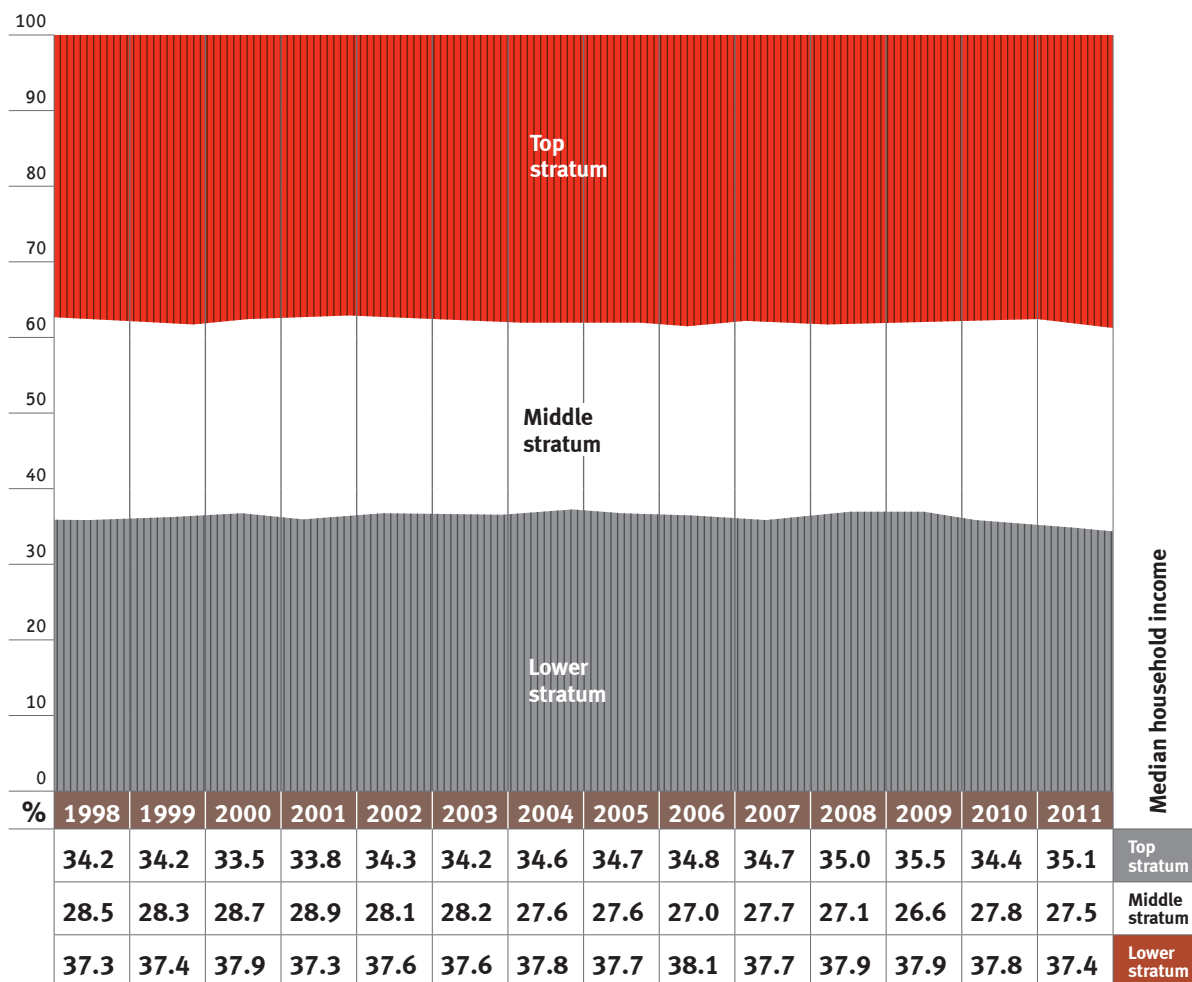
to include households with monthly incomes of between NIS 10,122 and NIS 16,870. In accordance with this definition, the middle stratum in Israel includes the fifth and sixth income deciles, as well as part of the fourth and seventh deciles.

In 2011, the middle stratum contracted slightly; as a proportion of all households in Israel, it



Percentage of Households in Each Stratum

1998-2011, by median income of households headed by wage earners



Note: The middle stratum is defined as those earning between 75% and 125% of the median gross income of households.

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

AFTER GROWING IN 2010

decreased from 27.8% to 27.5%. Its share of the total income pie, however, grew somewhat, from 21.3% to 21.7% (The income pie is calculated by totaling the gross income of all Israeli households.)

From a historical perspective, the dominant trend is the ongoing shrinking of the middle stratum. In 1988, the middle stratum

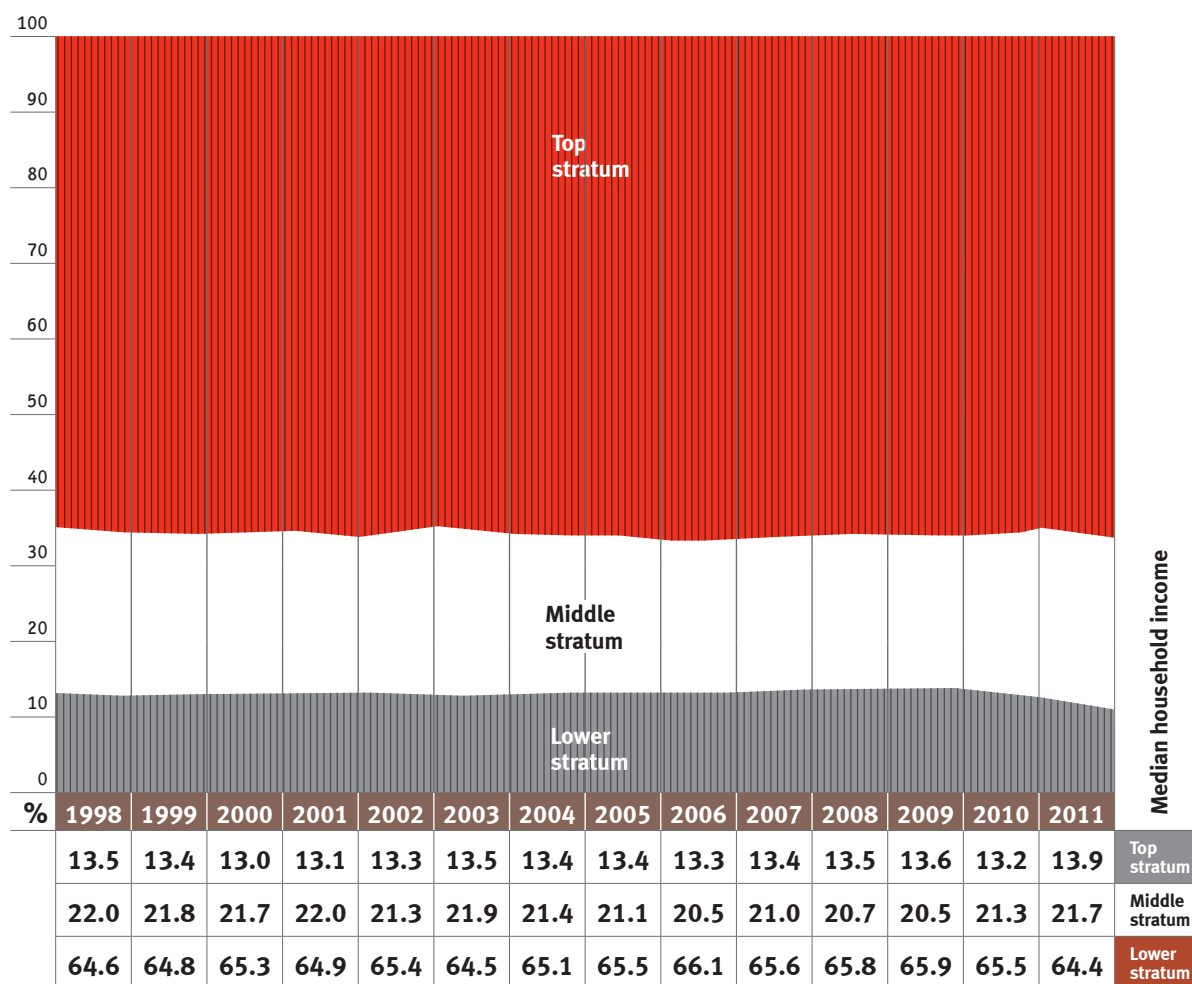
comprised 33% of all households, compared with 27.5% in 2011, and a 27.9% share of the income pie, compared with 21.7% in 2011.⁴ In most western European countries, the middle stratum is significantly broader.

As far back as Aristotle, it was considered to be a vital pillar of a democratic society.

A broad middle stratum is also considered the foundation on which an economy based on private consumption rests. The shrinking of the middle stratum in Israel is further evidence of the distancing between the two extremes – a narrow stratum of wealthy and very wealthy, and a broad stratum of those who earn no more than the minimum wage and are impoverished.

Share of Each Stratum in the Total Income

1998-2011, in percentages, by median income of households headed by wage earners



Note: The middle stratum is defined as those earning between 75% and 125% of the median gross income of households.

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

THE MIDDLE CLASS IN ISRAEL AND ELSEWHERE

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

The Middle Class as a Proportion of Total Households

Selected countries, mid-2000s

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

Note: Middle class is defined as households having income between 75% and 150% of the media income of households.

Source: Steven Pressman, "Cross-National Comparisons of Poverty and Income Inequality," *Journal of Economic Issues*, March 2007.

INEQUALITY IN ISRAEL – AMONG THE HIGHEST OF OECD COUNTRIES

Inequality in Israel is among the highest of member countries in the OECD, which Israel joined in 2010. Measured by the Gini coefficient, Israel ranks 5 out of 27 countries on income inequality.

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

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

The data in this table are from the late 2000s. Since then – and primarily since 2008 – some of these European countries, particularly Greece, experienced severe economic crises, which certainly would have exacerbated the inequality there.

Inequality in OECD Countries

Gini coefficient, late 2000s, after direct taxes and transfer payments

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

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

SLIGHTLY FEWER PEOPLE LIVING ON MINIMUM WAGE, BUT LEVELS STILL HIGH

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

The National Insurance Institute publishes data about wages at three levels: under the minimum wage, between the minimum and the average wage, and above the average wage. Unfortunately, these figures are published at a delay of two years, hence we are able to provide data only up to 2010.

During the economic crisis of the second intifada, the proportion of

those earning under the minimum wage increased: In 2001, they constituted 29.2% of wage earners; in 2003 they rose to 35.4%; and in 2006, the rate was similar. Since then, this rate has been declining and dropped to 31.4% in 2010.

In parallel, the proportion of wage earners who earn the average wage or better, which had been 28.6% in 2001, dropped to 26.1% in 2006. In the years 2009-2010, the proportion resembled what it had been at the beginning of the decade – 28%.

The proportion of Israelis who

earned the average wage or less was 71.9% in 2009, similar to the 72.2% it had been at the beginning of the decade, having decreased from 73.8% in 2006.

As with other data about the distribution of income, here too we see considerable stability. And despite widespread agreement that in Israel today it is hard to make a decent living from the minimum wage, the proportion of those earning the minimum has not significantly shrunk in the past decade – to 20% or 25%, for example.

Distribution of Wage Earners in Israel by Salary Level

2001-2010

In percentages

Wage earners who earn...	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Minimum wage or less	29.2	31.7	35.4	34.1	32.7	35.1	32.8	32.8	33.2	31.4
From just above the minimum wage to 50% of the average wage	10.0	7.6	5.8	6.4	8.2	5.0	5.9	6.8	5.6	8.1
From just above 50% to 75% of the average wage	20.3	20.3	20.3	20.2	20.4	21.3	20.9	20.8	20.7	20.3
From just above 75% of the average wage to the average wage	12.1	12.3	11.5	12.2	12.0	12.4	12.3	12.3	12.4	12.1
Total earning the average wage or less	71.6	71.9	73.0	72.9	73.3	73.8	71.9	72.7	71.9	71.9
From slightly above the average wage to twice the average wage	19.0	18.8	17.7	18.3	17.7	17.7	18.4	17.8	18.3	18.4
From slightly above twice the average wage or more	9.6	9.3	9.3	8.7	8.9	8.4	9.7	9.6	9.7	9.6

Note: The average monthly salary of a wage earner was NIS 9,013 in 2010 (at current prices). The minimum wage that year was NIS 3,850. Data from 2011 have yet to be published.

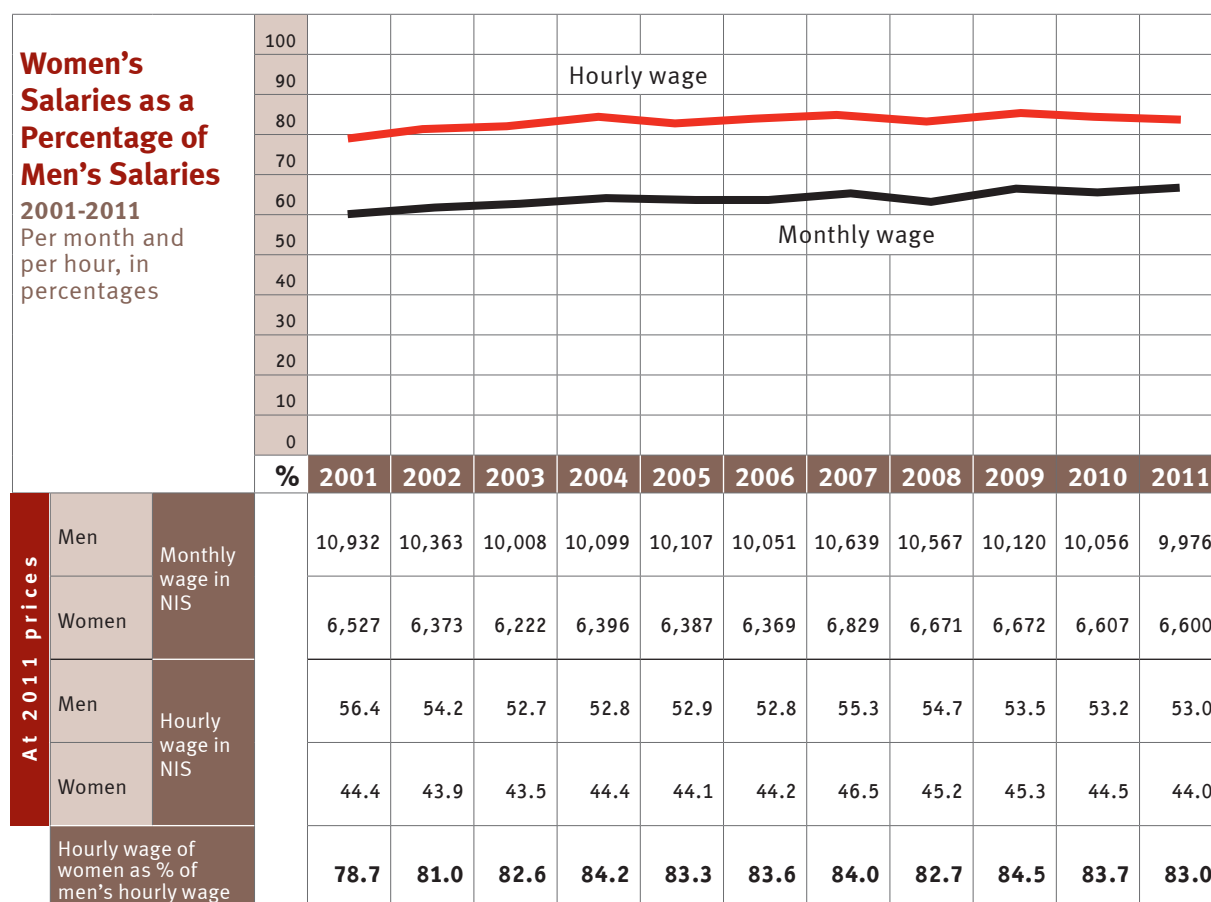
Source: Adva Center analysis of Jacques Bendelac, *Average Wage and Income by Locality and by Various Economic Variables*, National Insurance Institute, various years.

WAGE GAPS BETWEEN WOMEN AND MEN REMAIN STABLE

Presented here are monthly and hourly wage data. The large gap in monthly salaries reflects the fact that many women work part-time and/or on a temporary basis. In 2011, the average monthly wage for women was NIS 6,600 – approximately 66% of the average monthly salary of men. And this compares favorably with 2001, when the ratio was 60%.

The hourly wage provides a more equivalent basis for comparison. In 2011, the average hourly wage of women was NIS 44, or 83% of the hourly wage of men. The disparity between the hourly wages of women and men have remained quite stable over the past decade, with the hourly wage of women constituting approximately 83-84% that of men.

In the early years of the decade, between 2001 and 2004, the gap narrowed between men and women (for both monthly and hourly wages), primarily because of a decline in men's salaries. Later the gap stabilized until 2010, when the hourly wage gaps began to grow.



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

Hourly Wage Gaps between Men and Women

Selected countries, 2010, in percentages

Country	Gap between hourly wage of women and men
United States	12.3
Ireland	12.6
Canada	15.2
France	15.5
Sweden	16.0
Norway	16.7
Spain	16.7
Denmark	16.8
Israel	17.0
Hungary	17.1
Switzerland	18.4
Netherlands	19.2
Finland	20.1
Britain	20.6
Greece	22.0
Germany	23.2
Czech Republic	25.9

ASHKENAZIM, MIZRAHIM, AND ARABS

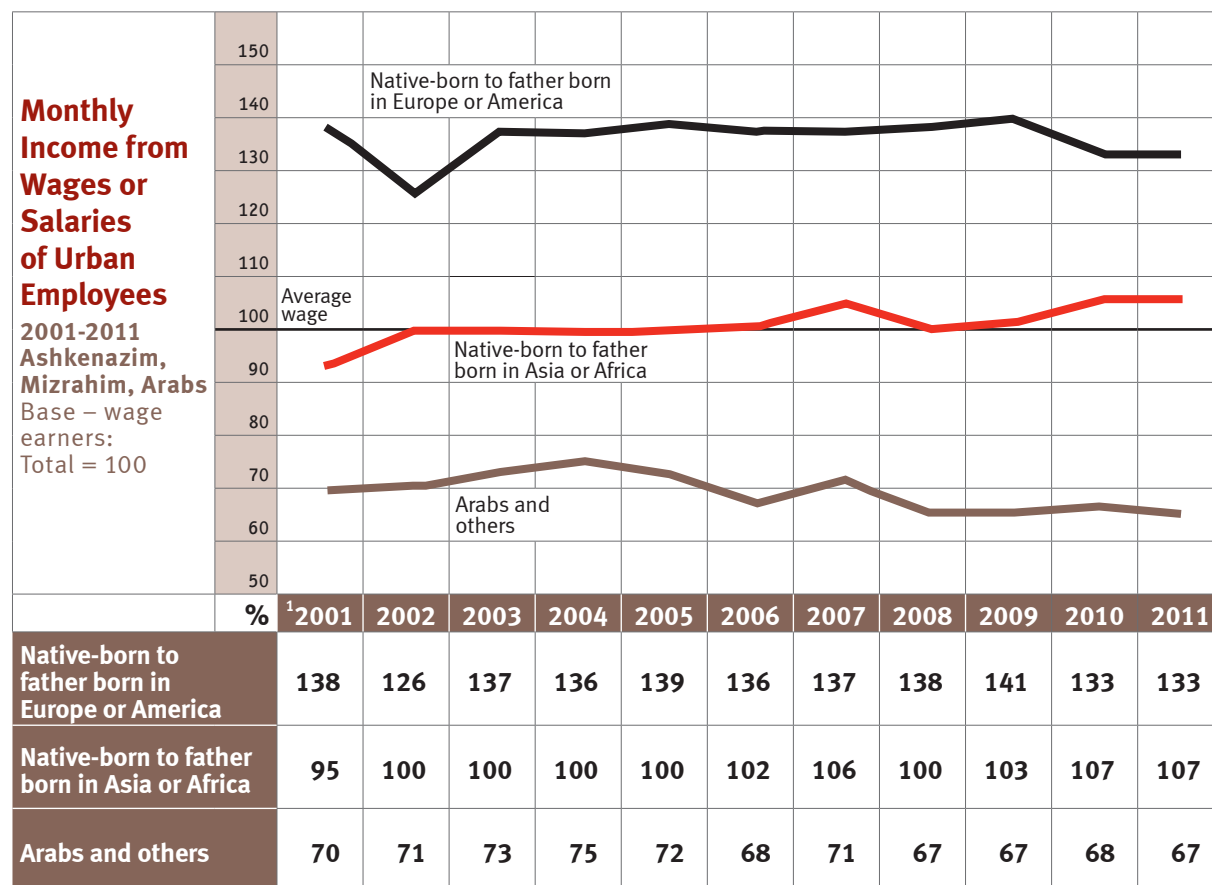
Salary gaps between Jews and Arabs and between Mizrahi Jews (Israeli-born Jews whose fathers were born in Asia or Africa) and Ashkenazi Jews (Israeli-born Jews whose fathers were born in Europe or America) are stable and deeply rooted.

In 2011, the average monthly salary of urban Ashkenazi Jews was 33%

higher than the average monthly salary of all urban wage earners.

The average salary of their Mizrahi counterparts remained unchanged in 2011 – 7% above the average; however, a glance at the entire decade reveals improved salaries – from 5% below the average to 7% above the average.

The average monthly salary of Arab urban employees is the lowest: 33% below the average. What's more, this group of wage earners experienced a continuous decline in recent years – after reaching a level of 25% below the average in 2004.



Notes:

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

Sources: Adva Center analysis of CBS, *Income Survey*, various years; the figure for 2011 courtesy of the Consumption Department of the CBS.

THE TOP 1%

Topping the salary table in Israel are wage earners and self-employed persons in the top 1%. Information about their salaries can be gleaned from two sources: The State Revenues Administration publishes data about the salaries of the top 1%, both wage earners and self-employed persons. And the Securities and Exchange Commission publishes data about the salaries of the five highest wage earners in each company traded on the Tel Aviv Stock Exchange.

Data from the State Revenues Administration about capital earnings of the top 1%

According to the most recent report of the State Revenues Administration, the average gross monthly earnings of the top 1% of taxpayers in Israel (both salaried and self-employed persons) was NIS 138,936 in 2010. Within this percentile, the average income of wage earners was NIS 77,897, while the average income of self-employed was NIS 509,076 – half a million shekel a month.

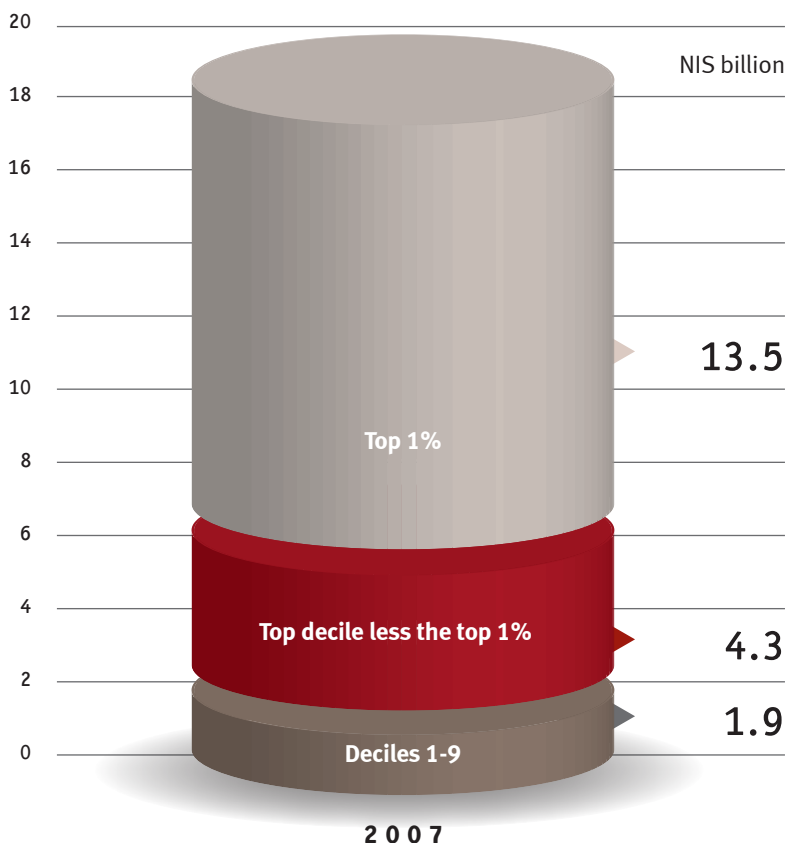
Most self-employed, however, do not do as well: Data from the State Revenues Administration for 2010

reveal that self-employed persons in the five lowest income deciles were earning less than the average wage.

The line dividing the self-employed is drawn along income from capital earnings: While low-earning self-employed persons make a living from their work, high-earning self-employed persons enjoy income from capital gains. Data for 2007 reveal that for the top income decile of self-employed persons, 39.2% of annual income came from capital gains, dividends, interest, and the like.⁵ And for an even smaller group – the top 1% of self-employed persons – two-thirds of all their income – 66.1% in 2007 – came from capital gains, dividends,

Distribution of Income of Self-Employed from Capital, Dividends, Interest, and other Holdings

By income deciles in 2007
In billions of NIS, at 2007 prices



Note: "Other holdings" includes income from real estate rentals and other items, which the State Revenues Administration does not distinguish from income from dividends or interest.
Source: Adva Center, PowerPoint Presentation: *Israel is now richer, so why can't Israelis make ends meet?*, 29 September 2012 [Hebrew].

interest, and the like.⁶

For this top 1% in 2007, the total capital income (not from wages or business) amounted to NIS 13.5 billion. In contrast, capital income for all the nine lower deciles combined amounted to NIS 1.9 billion.

In light of these data, it is superfluous to note that inequality in capital gains far exceeds inequality from salaried income.

Data from the Securities and Exchange Commission about executive salaries

A second source of information about the highest income earners is the Securities and Exchange Commission, due to the law that requires companies traded on the Tel Aviv Stock Exchange to publish the salaries of their five highest wage earners.

In 2011, a CEO of one of the “Tel Aviv 100” companies (one of the 100 largest traded on the stock exchange) received remuneration, on average, of a total of NIS 6.48 million per annum, or NIS 539,900 a month.

The annual average remuneration of all five senior executives – not just the CEOs – in these companies was NIS 4.06 million, or NIS 338,000 a month.

The average monthly compensation of the CEOs was approximately 60 times higher than the average wage in the Israeli economy in 2011 (NIS 8,741, Israeli workers only⁷) and 130 times higher than the minimum wage that year (NIS 4,100).

A study carried out by the Securities and Exchange Commission of the salaries of senior executives of companies traded on the stock exchange (“the Tel Aviv 100”) during the years 2003-2011 revealed that in 2011, the average salary of senior executives was the same as that in 2010.⁸

Executive Salaries in “Tel-Aviv 100” Companies, 2011

Main components of the average monthly remuneration in thousands of NIS, in 2011 at current prices

	CEO	Senior Executive in Tel-Aviv 100
Average monthly remuneration	539.9	338.4
Wage and/or management fee	221.0	159.8
Grants (bonuses)	183.4	104.9
Stock equity	249.4	123.5
Other	28.9	36.3

Notes:

1. The data presented above were taken from the financial reports of the companies in the Tel-Aviv 100 Index. This information is published under Amendment 21 of the Securities and Exchange Commission: “Remuneration of Interested Parties and Senior Executives”.
2. An analysis of the financial reports reveals that those holding senior positions in some companies are not among the five highest earning executives in the corporation or the company under its control, e.g., the Delek Group or Gazit-Globe.
3. Data are for the 2011 calendar year and for full-time employees (100%). The salaries of part-time employees were pro-rated to reflect a full-time position.
4. Data do not include the following dual-listed companies: Teva, Elbit Systems, and NICE Systems. These companies publish financial reports in the United States and are not obligated to publish the salaries of their senior executives by name either in Israel or in the U.S.
5. For the following dual-listed companies, only partial data exist: Perrigo Company, Partner, and Cellcom.
6. Delek Drilling, Avner Oil Exploration, and Isramco are in partnership searching for gas and oil and have no employees. They were not included in this analysis.
7. Salary components: salary including social benefits, grants (bonuses), stock equities, and other.
8. For some executives, remuneration is given as management fees.
9. “Senior Executive in Tel-Aviv 100 Index” – refers to the five senior office holders in the company.

Source: Adva Center analysis based on the Internet site of the Securities Authority from April 2011.
The data presented on this page were calculated and analyzed by the economist and accountant Safa Agbaria.

THE END POINTS – INCREASINGLY DIVERGENT

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

In 2011, the poverty rate rose slightly to 19.9% – two percentage points higher than the rate at the beginning of the decade.

In the course of the last decade, the most significant change in the poverty rate occurred when it grew from 17.7% to 20.3% in the wake of the large budget cuts to social security payments made during the crisis period of the second Intifada.

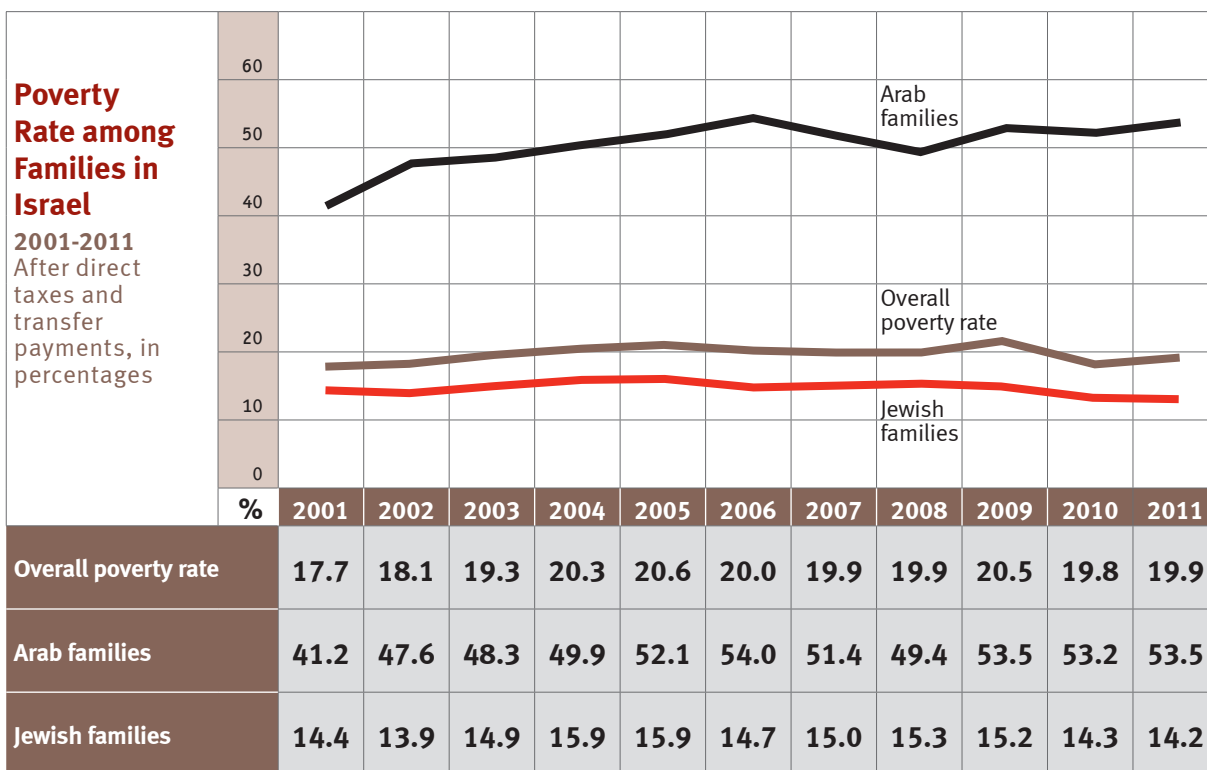
Since then, the rate has not returned to its level at the beginning of the decade, which was itself quite high.

The reasons are many, including the many new jobs that are only part-time, the increasing use of contract workers for services, the absence of investments in Arab localities, and the low workforce participation of Arab women and ultra-Orthodox men.

The wave of economic growth between the end of the second Intifada and the outbreak of the global economic crisis managed to halt the spread of poverty, but not reduce it.

An especially large increase occurred in the poverty rate of Arab families: from 41.2% in 2001 to 54.0% in 2006. In succeeding years, the rate decreased, but in 2009 it rose sharply to 53.5%, which continued into 2011. It should be borne in mind that even at the beginning of the decade, the picture was far from rosy; at that time, the poverty rate among Arabs was nearly 2.9 times that of Jews.

Among Jews, the highest poverty rate is among the ultra-Orthodox, a rate similar to that of the Arab population of Israel.



Notes:

1. The figure for 2001 does not include the population of East Jerusalem.

2. Data for Jewish families include non-Jews who are not Arab.

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

POVERTY RATE IN OECD COUNTRIES

End of the 2000s among households after direct taxes and transfer payments, in percentages

Country	Poverty Rate	Country	Poverty Rate
Mexico	21.0	Belgium	9.4
Israel	19.9	Switzerland	9.3
Chile	18.4	Ireland	9.1
United States	17.3	Germany	8.9
Turkey	17.0	Luxembourg	8.5
Japan	15.7	Sweden	8.4
Korea	15.2	Slovenia	8.0
Australia	14.6	Finland	8.0
Spain	14.0	Austria	7.9
Estonia	12.5	Norway	7.8
Canada	12.0	Slovakia	7.2
Portugal	12.0	France	7.2
Italy	11.4	Holland	7.2
Poland	11.2	Iceland	6.4
Average OECD	11.1	Hungary	6.4
New Zealand	11.0	Denmark	6.1
Britain	11.0	Czech Republic	5.5
Greece	10.8		

Source: OECD, *Statistical Abstracts*, <http://stats.oecd.org/> November 2012.

INEQUALITY: UNEMPLOYMENT MAP

One of the most painful consequences of economic crisis is the rise in unemployment – the laying off of workers and the difficulty of finding a new job. The global crisis that erupted in 2008 resulted in greater unemployment – from 5.9% in mid-2008 to 7.8% in mid-2009. One of the signs that Israel emerged from the crisis faster than many other countries was the fact that by 2010, the unemployment rate had dropped to 6.6% and in 2011 to 5.6%.⁹ However, the unemployment rate is again on the rise in Israel, from 6.7% in January to 7% in October 2012.¹⁰

Unemployment hits the weakest sectors of the population hardest; it is much higher in Arab than Jewish localities, higher in Jewish development towns than affluent towns, higher among women than

men, and higher among Arab women than Jewish women. Unemployment hurts most those for whom the school system failed to provide a decent education. It hurts young people who have not had time to establish themselves in the labor market, and adults who were laid off or have a hard time finding a job because of their age.

The following table presents figures on job seekers by locality from July 2012, as published on the website of the Government Employment Service of the Ministry of Industry, Trade and Labor. Job-seekers are persons registered with the Government Employment Service. However, many of the unemployed do not register, either because there is no employment office in their community, or because registering gained them nothing in the past, or

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

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

Percentage of Job Seekers

By locality of 20,000 residents or more, July 2012, as a percentage of the work force, in descending order

Locality	Proportion unemployed of estimated workforce in that locale	Locality	Proportion unemployed of estimated workforce in that locale	Locality	Proportion unemployed of estimated workforce in that locale
National Average	5.9	Ashdod	7.9	Bat Yam	4.5
Rahat	31.6	Beer Sheva	7.9	Or Yehuda	4.4
Umm al-Fahm	30.8	Migdal HaEmek	7.7	El'ad	4.2
Arrabe	25.0	Ashkelon	7.5	Jerusalem	4.1
Tamra	23.8	Afula	7.0	Petah Tiqwa	3.6
Sakhnin	23.5	Lod	6.9	Rishon LeZion	3.4
Mghar	23.1	Karmiel	6.8	Tel Aviv-Jaffa	3.3
Tayibe	21.2	Baqa al-Gharbiyye	6.7	Mevasseret Ziyyon	3.2
Shefar'am	17.9	Betar Illit	6.7	Ma'ale Adummim	3.2
Dimona	16.2	Qiryat Ata	6.7	Nesher	3.2
Akko	15.8	Arad	6.6	Rosh Ha'ayin	3.2
Ofakim	14.8	Modi'in Illit	6.4	Yehud	3.1
Majd al-Kurum	14.8	Hadera	5.7	Kafr Qasim	3.1
Nazareth	13.4	Bnei Brak	5.3	Holon	2.9
Safed	13.4	Bet Shemesh	5.2	Ramat Gan	2.6
Qiryat Malakhi	11.9	Qiryat Bialik	5.2	Kefar Saba	2.5
Qiryat Gat	11.8	Qiryat Shemona	5.2	Modi'in-Makkabim-Re'ut	2.4
Netivot	10.9	Ramla	5.2	Givat Shmuel	2.3
Sderot	10.9	Qiryat Motzkin	5.0	Giv'atayim	2.3
Tiberias	9.6	Haifa	4.9	Hod Hasharon	2.3
Nazareth Illit	9.2	Tira	4.9	Ra'anana	2.2
Daliyat al-Karmel	8.2	Eilat	4.8	Herzliyya	2.0
Nahariyya	8.2	Pardes Hanna-Karkur	4.8	Qiryat Ono	2.0
Ar'ara	8.1	Yavne	4.7	Ramat HaSharon	1.8
Qiryat Yam	8.0	Netanya	4.6		

Source: Website of the Government Employment Service <https://www.taasuka.gov.il/>.

ONLY A MINORITY GO ON TO COLLEGE

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

Only a minority get to the top: until 2010, only 28.8% of persons who were 17 years old in 2002 had gone on to higher education in Israel.

Following the climb of this age cohort, we find that in 2002, only 79.8% were enrolled in high school in a track leading to matriculation. The matriculation diploma was obtained by only 48.3% of the age cohort. And some of these diplomas were not up to the standards of college admission. The result:

only 40.5% of the age cohort held matriculation diplomas that qualified them to apply for college entrance.

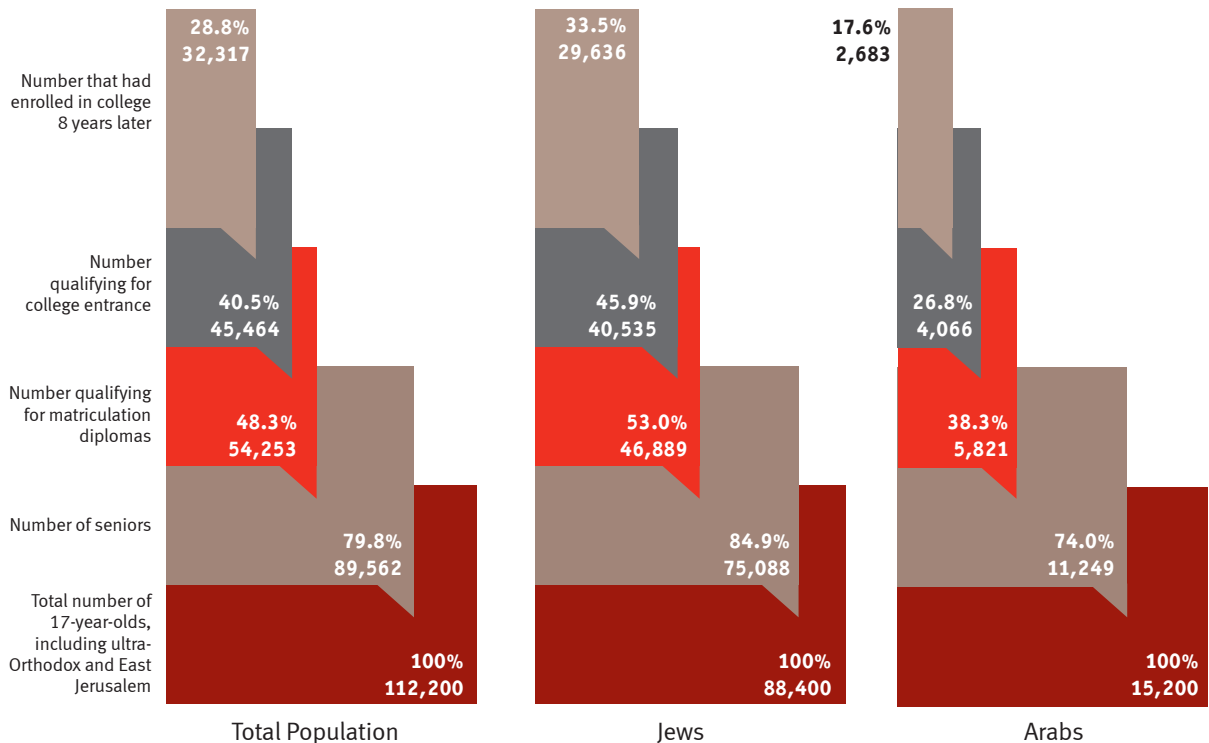
Among that group, not everyone had gone on to college in Israel by 2010: only 28.8% had – that is, slightly more than one out of four.

The proportion of Jewish youth entering college is double that of Arab youth. Nevertheless, many young Arabs attend colleges outside Israel, such as Jordan, where thousands of Arab Israeli students study.¹¹

These figures refer to institutions under the supervision of the Council for Higher Education, which apply

admissions criteria set by this Council; the figures do not include the Open University or teachers' seminaries. The Open University has no admissions requirements, and it boasts a broad age range of students. The teachers' seminaries are not under the aegis of the Council for Higher Education either, but rather under the Ministry of Education, and the entrance requirements to these institutions vary. In 2011, 46,303 students were enrolled in the Open University, most aged 25 and up; 3,643 students were awarded degrees that year. The academic teachers' seminaries had 30,009 students that same year, 90% of them studying for a first degree.¹²

Percentage of 17-Year-Olds Beginning College by 2010



SUCCESS IN MATRICULATION EXAMS

The proportion of Israelis who continue their education at college is relatively low, primarily because the proportion of youth who succeed at the matriculation exam is low.

In the 1980s and 1990s, the success rate at matriculation exams among all 17-year-olds rose 10 percentage points each decade: from 20% of 17-year olds in 1980 to 30% in 1990

and 40% in 2000. In the first decade of this century, the success rate has been uneven, but the school system has still not managed to break through the 50% barrier.

Success Rates in Matriculation Exams among 17-year-olds

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
45.3%	48.4%	48.3%	49.2%	46.4%	45.9%	46.3%	44.4%	46.1%	48.3%	48.1%

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

Source: Adva Center, *Success Rates in the Matriculation Exams by Locality, 200-2010*, August 2012; Ministry of Education, Press Release: *Matriculation Exams by Local Authority*, 8 August 2012.

WHO GOES TO COLLEGE?

Those who enter college are not a representative cross-section of Israeli society. The table below shows data for those who graduated high school in 2003 and entered a university or academic college within 8 years of completing high school, i.e., by 2011.

The highest figures for entering college were recorded for Jews who graduated from an academic track in a locality classified in a high socioeconomic cluster. The lowest figures were for Arabs from localities classified in a low socioeconomic cluster.

Additionally, a higher proportion of women than men started college, as did a higher proportion of graduates of high school academic tracks than graduates of technological tracks.

Notes to page 28:

1. This figure is based on data concerning eligibility for matriculation according to locality as published by the Ministry of Education. The data presented here are for 2010 because 2011 data have yet to be published.
2. Eligible for matriculation after the winter session.
3. Percentages are calculated based on the total 17-year olds in each group.
4. Arabs – includes Muslims and Christians, but not Druze or Negev Bedouins.
5. College – universities and academic colleges in Israel, both private and public, exclusive of the Open University.
6. Unlike the Adva published figures for success rates in the matriculation exams by locality, in which we present the percentage of those entering college out of all graduating seniors, here we show the percentage of those entering college out of all 17-year olds.

Sources to page 28: Adva Center analysis of Ministry of Education, Pedagogical Authority, Examinations Department, *Matriculation Examination Data*, various years; Adva Center, *Success Rates in the Matriculation Exams by Locality*, various years; CBS, *Statistical Abstract of Israel*, various years.

High School Graduates of 2003 Who Entered an Israeli University or Academic College by 2011

By various characteristics

Percentage of all who graduated high school in each row

Total	34.4%
Men	30.9%
Women	37.8%
Total Jewish sector schools	37.1%
Men	33.1%
Women	40.8%
Graduates of academic tracks	44.5%
Graduates of technological tracks	28.8%
Live in localities in socio-economic clusters 1-4	24.5%
Live in localities in socio-economic clusters 5-7	35.3%
Live in localities in socio-economic clusters 8-10	48.0%
Total Arab sector schools	19.2%
Men	17.0%
Women	21.2%
Graduates of academic tracks	20.8%
Graduates of technological tracks	17.0%
Live in localities in socio-economic clusters 1-2	16.0%
Live in localities in socio-economic clusters 3-4	20.4%
Live in localities in socio-economic clusters 5-10	29.3%

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

Source: CBS, *Statistical Abstract of Israel 2012*, No. 63, September 2012.

IN 2010/11 MOST UNDERGRADUATES CAME FROM AFFLUENT TOWNS

Other data that help explain the significant educational gaps are related to the distribution by locality of 20-29 year-olds who study in academic institutions.

In the 2010/11 school year, 19.6% of the 20-29 year-olds from affluent towns were enrolled as undergraduates in Israeli universities and academic colleges, about 2.5 times the proportion from Arab locales – 8.0%. The proportion in Jewish development towns was 13.8% – higher than undergraduates from Arab locales, but still well under the proportion of those from affluent Jewish locales.

Looking at universities alone, the proportion of undergraduates from affluent locales was 9.1%, compared with 6.2% from development towns and only 5.2% from Arab locales. The figures for academic colleges are 10.5%, 7.6%, and 2.8%, respectively.

The disparities in academic colleges are particularly striking in view of the fact that one of the aims of the public academic colleges is to provide opportunities for young people coming from the socio-economic periphery. Unfortunately, the figures published by the Central Bureau of Statistics do not allow us to differentiate between public and

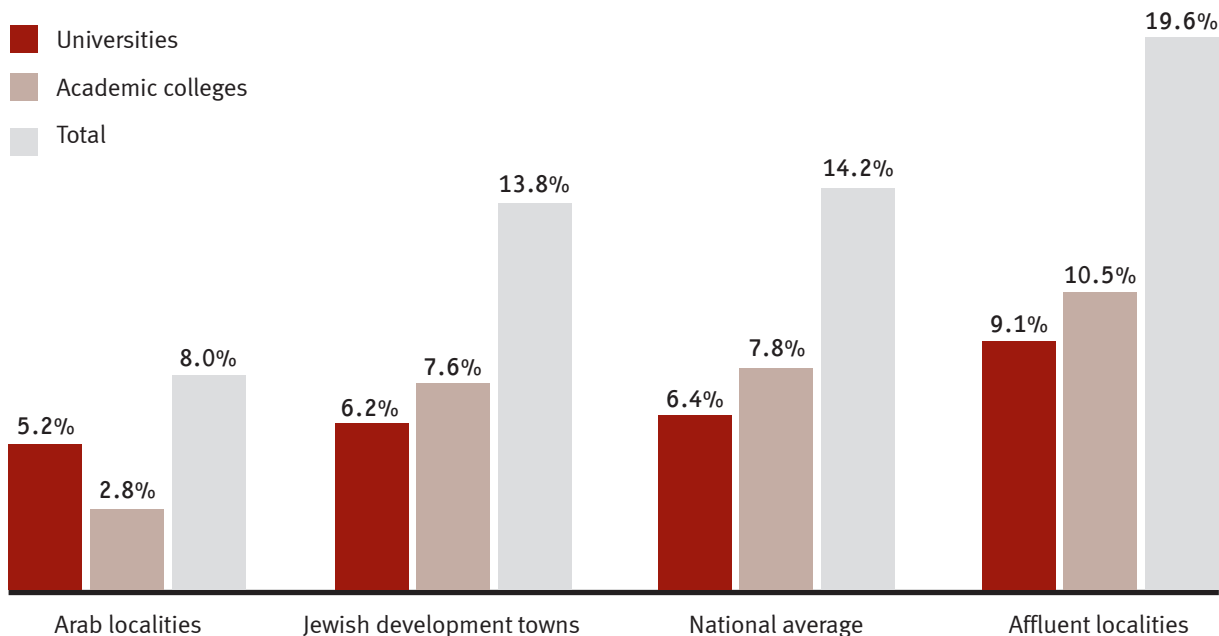
private academic colleges.

In the period between 2002/3 and 2010/11, the proportion of 20-29 year-olds enrolled in universities declined: from 7% in 2002/3 to 6.4% in 2010/11. In parallel, the proportion of those enrolled in academic colleges rose, from 4.4% to 7.8%.¹³

These figures do not include those studying in the Open University or in teachers' seminaries. Students in teachers' seminaries constitute 2.3% of the 20-29 age group. A similar calculation is not possible for the Open University, many of whose students are older.¹⁴

Undergraduates in Israeli Universities and Academic Colleges, 2010/11

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



Notes:

1. The CBS publishes data only for localities having at least 30 undergraduates. 2. Localities included in the table have at least 2,000 residents. The table does not include localities belonging to regional councils. 3. The national average includes all students in all localities. 4. Academic colleges do not include teachers' seminaries. 5. The data do not include students in the Open University. 6. Affluent localities are defined as those belonging to socio-economic clusters 8-10. 7. Arab localities do not include Arab students who reside in mixed cities. 8. The percentages in the table were calculated from the original data and therefore may show discrepancies up to a tenth of a percent.

Sources: Adva Center analysis of Central Bureau of Statistics, *Local Authorities in Israel – 2010*, data on the CBS website; data about undergraduates enrolled in universities and academic colleges provided courtesy of the CBS Higher Education Division.

Undergraduates in Israeli Universities and Academic Colleges, 2010/11

By locality, as a percentage of 20-29 year-olds in localities having 30 students or more, in descending order of total undergraduate students

Locality	Total undergraduates enrolled	Thereof: proportion in universities	Thereof: proportion in colleges (private or public)
Total	14.2	6.4	7.8
Kfar Shmaryahu	47.2	13.5	33.7
Savyon	47.2	20.5	26.6
Meitar	47.0	25.9	21.0
Omer	44.9	26.5	18.4
Kokhav Ya'ir	43.9	23.1	20.8
Efrat	39.2	19.4	19.8
Kfar Vradim	38.2	20.6	17.6
Shoham	35.6	16.7	18.9
Lehavim	33.9	20.3	13.6
Kfar Kama	29.9	12.4	17.5
Mazkeret Batya	29.4	17.3	12.1
Oranit	29.2	10.0	19.2
Yesud HaMa'ala	29.1	12.2	16.8
Elkana	28.9	11.5	17.4
Ra'anana	28.7	13.5	15.2
Pardesiya	27.8	12.1	15.7
Alfei Menashe	26.6	9.5	17.1
Ramat HaSharon	26.5	12.2	14.3
Har Adar	26.3	16.3	10.0
Ganei Tikva	26.3	13.3	12.9
Even Yehuda	26.1	11.2	15.0
Modi'in-Makkabim-Re'ut	25.2	11.9	13.3
Mi'ilya	24.8	17.3	7.5
Ramat Yishai	24.4	12.4	12.0
Tel Mond	23.6	8.1	15.5
Zikhron Ya'akov	23.1	12.5	10.6
Hod HaSharon	23.0	10.5	12.5
Mevasseret Ziyon	23.0	11.5	11.5
Kedumim	22.8	7.9	14.9
Kefar Saba	22.5	10.5	12.0
Givat Shmuel	22.4	13.7	8.7
Ness Ziona	22.3	9.6	12.7
Qiryat Tiv'on	22.3	13.1	9.2
Rosh Pinna	21.6	12.0	9.6
Qiryat Motzkin	21.4	12.5	8.9
Karmiel	21.0	10.0	11.0
Yehud	21.0	8.2	12.8
Herzliyya	20.7	8.0	12.7
Yokneam Illit	20.4	10.4	10.0
Jish (Gush Halav)	20.2	12.7	7.4
Nahariyya	20.0	11.3	8.7
Gan Yavne	20.0	8.1	11.8
Fassuta	19.9	12.3	7.6
Qiryat Bialik	19.6	11.4	8.2
Rishon LeZion	19.5	6.8	12.7
Qiryat Ono	19.4	8.6	10.7
Yavne	19.1	8.2	10.9
Beit El	18.8	5.7	13.1
Giv'atayim	18.8	8.8	10.0
Hurfeish	18.4	12.9	5.5
Kadima-Tzoran	18.4	8.5	9.9
Katzir-Harish	18.2	9.0	9.3
Beit Aryeh	18.2	8.8	9.4
Haifa	18.1	12.0	6.1
Qatzrin	18.1	7.3	10.7
Rameh	18.0	11.4	6.6
Ma'ale Adumim	17.8	6.9	10.9
Rosh HaAyin	17.7	6.8	10.9
Metula	17.5	4.5	13.1
Binyamina-Giv'at Ada	17.5	8.6	9.0
Giv'at Ze'ev	17.2	6.7	10.5
Nazareth Illit	17.1	7.9	9.3
Shlomi	17.1	9.3	7.8
Petah Tikva	17.0	6.7	10.3
Rehovot	16.9	8.7	8.2
Ashkelon	16.4	6.7	9.7
Ma'alot-Tarshiha	16.3	9.0	7.4
Qiryat Ata	16.3	8.6	7.7
Sajur	16.1	10.3	5.8
Kafr Yasif	16.1	12.6	3.5
Tel Aviv-Jaffa	15.8	7.2	8.5
Ramat Gan	15.7	7.0	8.7
Qiryat Shmona	15.5	4.4	11.1
Kfar Yona	15.5	4.9	10.6
Qiryat Gat	15.5	6.4	9.1
Ashdod	15.4	6.4	9.0
Arad	15.3	6.4	8.9
Migdal HaEmek	15.3	5.4	9.9
Peki'in (Buqei'a)	15.2	10.4	4.8
Holon	15.1	4.9	10.2
Qiryat Yam	15.0	8.5	6.5
Pardes Hanna-Karkur	14.9	6.0	8.8
Afula	14.7	5.2	9.5
Beit She'an	14.6	6.6	8.0
Netanya	14.6	5.1	9.5
Julis	14.5	9.0	5.6
Gedera	14.4	6.4	8.0
Hadera	14.4	5.2	9.2
Hazor HaGelilit	14.4	5.8	8.6
Ariel	14.2	2.6	11.6
Nesher	14.1	9.9	4.3
Bnei Ayish	14.1	5.9	8.2
Beer Sheva	13.8	6.1	7.7
Ma'ale Efrayim	13.8	3.0	10.8
Akko	13.7	8.8	4.9
Eilabun	13.6	9.8	3.8
Azor	13.3	4.6	8.8
Tiberias	13.1	7.3	5.8

Locality	Total undergraduates enrolled	Thereof, proportion in universities	Thereof, proportion in colleges (private or public)	Locality	Total undergraduates enrolled	Thereof, proportion in universities	Thereof, proportion in colleges (private or public)	Locality	Total undergraduates enrolled	Thereof, proportion in universities	Thereof, proportion in colleges (private or public)
Dimona	13.0	4.6	8.4	Yanuh-Jat	8.9	7.1	1.7	Ma'ale 'Iron	6.0	3.6	2.3
Daburiyya	12.6	7.1	5.5	Kaukab abu al-Hija	8.8	6.1	2.7	Ar'ara	5.8	3.4	2.4
Mitzpe Ramon	12.5	4.8	7.7	Abu Ghosh	8.7	4.8	4.0	Qalansawe	5.8	3.4	2.5
Safed	12.2	7.3	4.9	Sha'ab	8.5	5.4	3.1	Basma	5.8	4.1	1.7
Eilat	12.1	8.1	4.0	Tira	8.5	5.4	3.1	Umm al-Fahm	5.7	4.1	1.6
Nazareth	11.7	7.5	4.2	Tamra	8.5	6.9	1.6	Basmat Tab'un	5.6	3.8	1.8
Yafi'a	11.6	7.7	3.9	Yarka	8.3	6.6	1.7	Ein Mahil	5.4	4.3	1.2
Or Yehuda	11.4	2.8	8.6	Jerusalem	8.3	3.6	4.7	Emmanuel	5.4	2.3	3.2
Tirat Carmel	11.4	6.0	5.4	Reineh	8.3	5.6	2.7	Ka'abiyye-Tabbash-Hajajre	5.0	3.3	1.7
Sderot	11.3	2.6	8.7	Buq'ata	8.3	4.5	3.7	Majdal Shams	4.9	2.2	2.6
Beit Jann	11.1	5.9	5.2	Mizra	8.3	6.8	1.5	Fureidis	4.8	3.6	1.1
Qiryat Ekron	10.9	4.6	6.3	Tur'an	8.2	5.7	2.5	Tel Sheva	4.5	1.5	3.0
Bat Yam	10.7	3.7	7.0	Iksal	8.0	4.5	3.6	Bnei Brak	4.2	1.3	2.8
Or Akiva	10.7	4.0	6.7	Abu Snan	8.0	6.4	1.6	Kuseife	4.1	2.3	1.8
Ofakim	10.7	3.3	7.4	Shefar'am	8.0	5.8	2.2	Kafr Manda	3.9	2.4	1.5
Netivot	10.6	3.5	7.1	Kisra-Sumei	8.0	6.2	1.8	Illut	3.8	2.7	1.2
Qiryat Arba	10.4	3.3	7.1	Zemer	7.9	5.5	2.4	El'ad	3.7	0.9	2.8
Shibli-Umm al-Ghanam	10.2	6.1	4.1	Kafr Bara	7.9	4.6	3.2	Segev Shalom	3.3	0.7	2.7
Maghar	10.1	7.5	2.7	Lakiya	7.8	3.3	4.5	Rahat	3.3	1.4	1.9
Be'er Ya'aqov	10.1	3.8	6.3	Beit Shemesh	7.8	2.8	4.9	Rekhasim	3.1	1.3	1.8
Sakhnin	9.9	6.7	3.2	JalJulia	7.7	4.3	3.4	Tuba-Zangariyye	3.1	2.4	0.7
Kafr Qara	9.9	6.4	3.5	Baqa-Jat	7.7	5.5	2.2	Shagor	3.1	2.2	0.8
Kafr Kanna	9.7	6.7	3.0	Mashhad	7.4	4.7	2.7	Hura	3.0	1.8	1.3
Nataf	9.6	7.4	2.3	Ein Qiniyye	7.4	4.9	2.5	Zarzir	2.8	2.1	0.6
Lod	9.4	3.4	6.0	Jadeidi-Makr	7.2	5.6	1.6	Ar'ara BaNegev	2.4	1.1	1.3
Ramla	9.4	2.9	6.6	Kafr Qasim	7.1	4.6	2.5	Bir al-Maksur	2.3	1.6	0.7
Arrabe	9.3	6.5	2.8	Bu'eine Nujeidat	7.0	5.0	2.1	Betar Illit	2.2	0.3	1.9
Yeruham	9.3	3.2	6.0	Mas'ade	6.7	2.3	4.4	Modi'in Illit	1.4	0.3	1.1
Deir Hanna	9.2	6.4	2.9	Tayibe	6.7	3.8	2.9	Jisr az-Zarqa	1.1	0.6	0.4
Qiryat Malakhi	9.2	3.5	5.7	Kabul	6.6	4.8	1.7				
I'billin	9.2	6.9	2.2	Carmel City	6.0	4.6	1.5				

Notes:

1. The CBS publishes data only for localities having at least 30 undergraduates.
2. Localities included in the table have at least 2,000 residents. The table does not include localities belonging to regional councils.
3. The national average includes all students in all localities.
4. Academic colleges do not include teachers' seminaries.
5. The data do not include students in the Open University.
6. Percentages in the table were calculated from the original data and therefore may show discrepancies up to a tenth of a percent.

Sources: Adva Center analysis of Central Bureau of Statistics, *Local Authorities in Israel – 2010*, data on the CBS website; statistics about undergraduates enrolled in universities and academic colleges provided courtesy of the Higher Education Department of the CBS.

HEALTH CARE SYSTEM:

EROSION OF PUBLIC FINANCING AND INCREASED CO-PAYMENTS

In 2011, the gap continued to widen between the desirable and actual levels of funding for the basket of health services provided by the public health funds.

The desirable level of funding requires annual indexing of the cost of the basket of health services to keep pace with demographic and technological changes, as well as changes in the cost of health inputs. This has not happened, however, as the National Health Insurance Law of

1994 does not provide a mechanism for comprehensive and regular indexing of these changes.

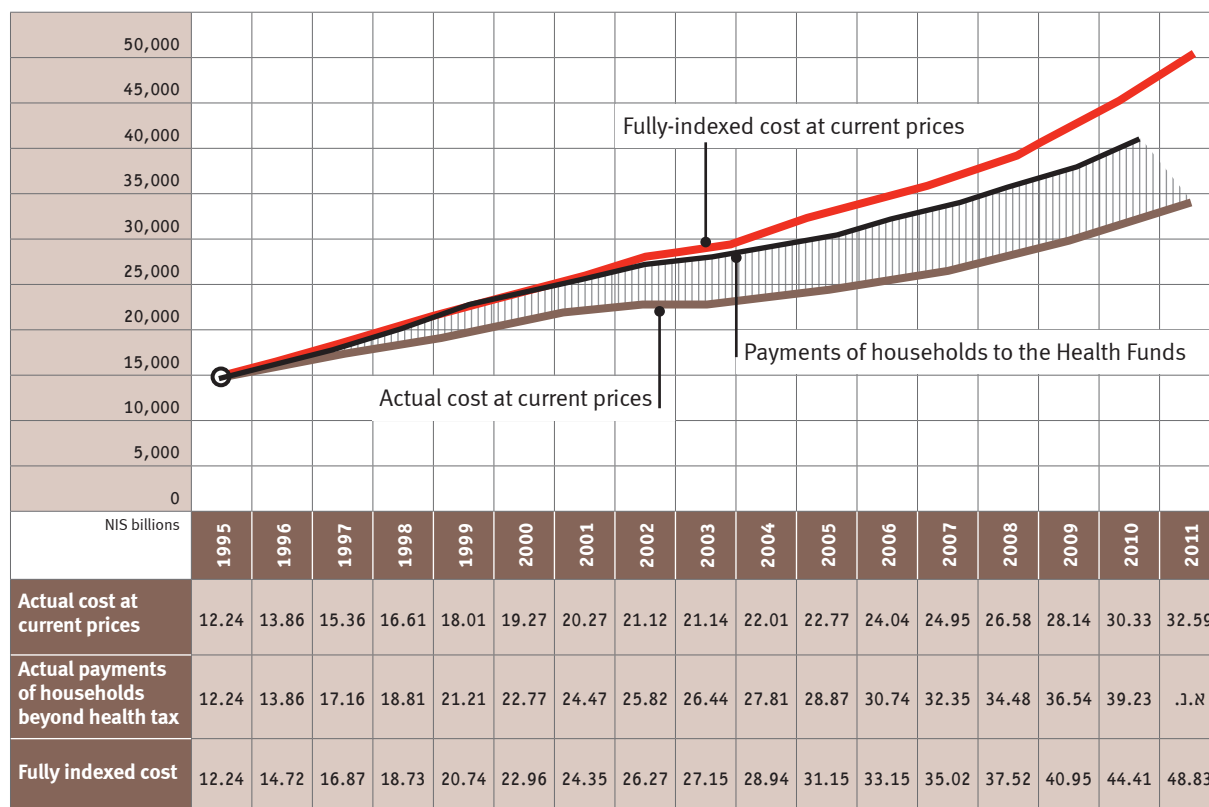
When indexing is not comprehensive, the health system has to raise funds from additional sources, first and foremost by imposing co-payments on patients to help pay for medications and medical services – above and beyond the monies they pay in health taxes.

Had the basket of services been fully indexed every year, it would have cost close to NIS 48.8 billion in 2011, whereas the actual budget for it was approximately NIS 32.6 billion.

In the graph below, the line representing payments of households to the Health Funds is an estimate, shown here for purposes of illustration. These payments also include over-the-counter medications.

Cost of the Basket of Health Services

1995-2011 in NIS billions



Note:

1. The fully indexed cost was calculated to reflect changes in demographics, technology, and health inputs. For each parameter, costs were calculated on a yearly basis.
2. The basket of health services also includes changes not reviewed here. These were not figured into the calculations.
3. The figure for the indexed cost of the health services basket indicates how much this basket would cost in comparison with the amount set in 1995, i.e., the required financial allocation in order to preserve the level set in 1995.
4. The fully-indexed basket should be compared with the amount actually allocated, at current prices, in order to see the gap between the current amount and what should have been budgeted had the above changes been taken into account.

Source: Adva Center analysis of Ministry of Health, *National Health Insurance Law 1995-2011: Statistical Data*, Daniella Arieli, Tuvia Horev, and Nir Kedar (eds.), January 2012, Ministry of Health website; data on household spending beyond the health tax were provided courtesy of the National Accounts Department of the CBS.

HEALTH CARE SYSTEM: THE BURDEN OF PAYMENTS DOUBLED

As a result of the erosion of government financing for the basket of health services, the burden of payments on health care consumers has grown. Thus, for example, only some of the new medications considered effective were included in the basket of services. Other medications were included in the supplemental insurance policies marketed by health funds and insurance companies. Persons who did not purchase the supplementary insurance do not receive discounts on the medications excluded from the basket of services.

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

In 2001, this burden amounted to NIS 5.3 billion shekels; in 2010, it had grown to NIS 9.2 billion.

How do we arrive at these figures? They represent the total income of

the health funds and commercial insurance companies from the sale of supplementary insurance and the co-payments (in the health funds) for medicines and treatment.

Some of the growth stems from a technical change: The source of the data presented here is the Capital Market, Insurance, and Savings Department of the Ministry of Finance, and these numbers are higher than those used in previous years from the Central Bureau of Statistics.

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

Beyond health taxes, 2001-2011, at 2011 prices, in NIS billions

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Health fund income from the sale of supplemental insurance	1.3	1.4	1.7	1.9	1.9	2.1	2.4	2.7	2.9	3.1	3.4
Health fund income from co-payments for medications and services	2.5	2.8	3.0	3.2	3.4	3.5	3.6	3.3	3.2	3.2	-
Insurance company income from the sale of health insurance	1.5	1.4	1.7	1.8	1.9	2.2	2.5	2.6	2.9	2.9	3.1
Total income of health funds (beyond health taxes) and insurance companies	5.3	5.6	6.3	6.9	7.2	7.7	8.5	8.7	8.9	9.2	-

In NIS billions at 2011 prices

Notes:

1. This includes health fund income from co-payments for items included in the basket of services (medications, payments to specialists, various quarterly payments) as well as items not included in the basket.
2. The above figures are exclusive of payments for nursing care insurance.
3. Figures for 2011 are estimated.

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

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

In 2011, expenditures by households in the top income decile on private and supplemental (health fund) insurance continued to rise. This was happening while household income in this decile declined. The average monthly outlay of households at this income level increased from NIS 457 to NIS 523, while the average outlay of households in the sixth income decile decreased slightly from NIS 227 to NIS 223. The outlay of households in the second income decile increased slightly, from NIS 103 to NIS 110.

In the course of 2001-2011, the share of extra health insurance in household expenditures on health tripled, from 10% to 30%. Everyone paid more for health, but households with high incomes could afford to purchase more insurance of various types, while those with low incomes could afford to buy much less.

The disparity between income deciles is most evident in the area of private health insurance. In 2011, households in the top income decile spent an average of NIS 276 per month on extra insurance policies,

while households in the second income decile spent only a fraction of that – NIS 21.

The main danger of this trend is that medications and health services are liable to be shunted from the basic basket of services available to all into the supplemental and private health care insurance policies, which would reduce their accessibility to the general public.

Note that these figures are averages for each decile, concealing the fact that in the lower income deciles, many households cannot afford to buy additional insurance at all.

Total Outlays of Households on Supplementary and Private Health Insurance Policies

In NIS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Decile 2											
Private	8	14	16	4	7	17	17	18	10	15	21
Supplemental	43	47	48	51	61	62	63	72	76	88	89
Total	50	61	64	55	69	80	80	90	87	103	110
Decile 6											
Private	23	32	35	38	45	54	60	47	49	81	63
Supplemental	81	85	88	101	109	109	127	129	143	146	160
Total	104	117	124	139	154	163	187	176	192	227	223
Decile 10											
Private	95	123	141	130	199	195	177	190	208	234	276
Supplemental	118	129	137	149	158	165	183	185	203	222	247
Total	213	253	278	279	357	359	359	374	411	457	523

Note:

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

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

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

RETIREMENT INCOME:

THE NEXT GENERATION OF SENIOR CITIZENS WILL EXPERIENCE LARGE INCOME GAPS

In 2011, households in the top income quintile saved an average of NIS 1,052 a month for their retirement years – seventeen times more than the savings of households in the bottom quintile – an average of NIS 62 a month.

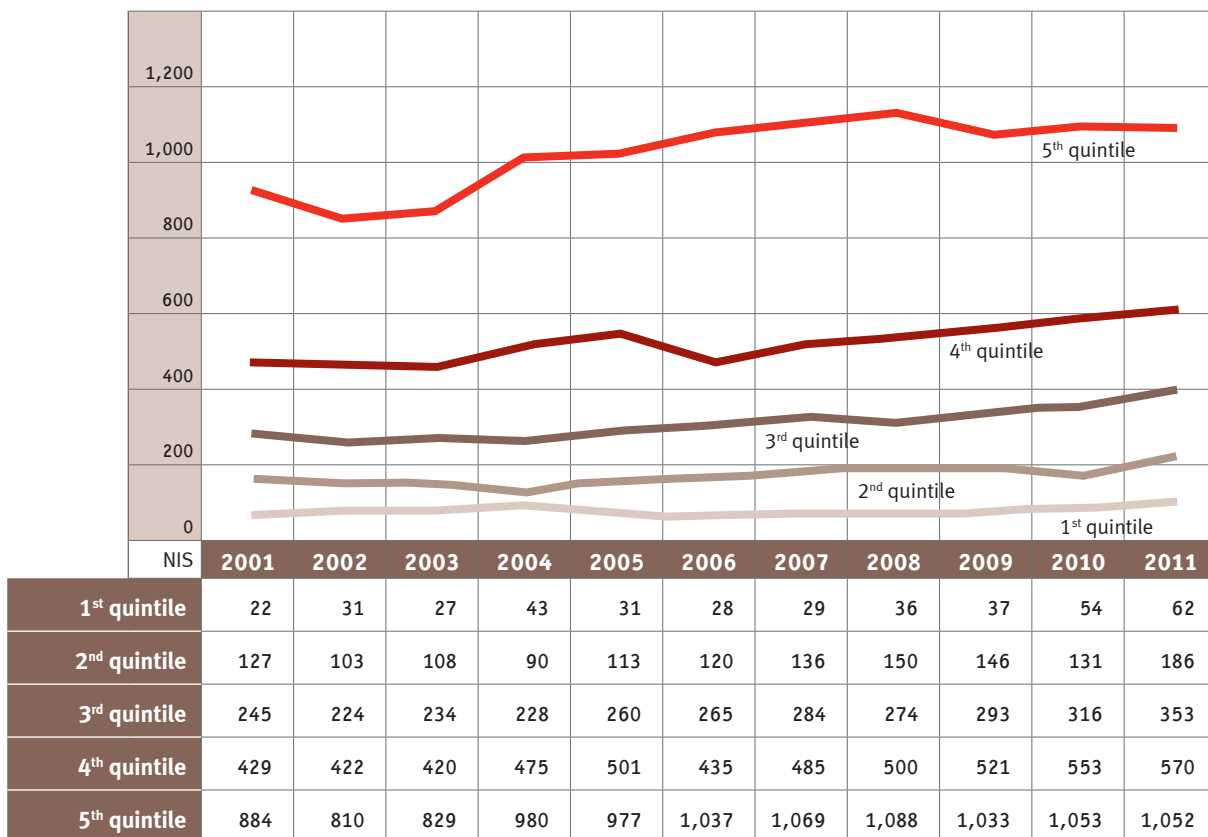
The standard of living of people in these two groups will clearly be quite different after retirement.

The table below also shows that over the course of the past decade, households in the top quintile increased their retirement savings by 19%. The relatively low growth in 2011 might be related to the decline in the income of households in the top decile in 2011. In contrast, households in the third and second quintiles increased their savings by 44% and 47%, respectively.

Note that averages include households in which no one saves for retirement along with households in which some do. Furthermore, pension savings are more common among wage earners in the middle and upper income strata than among those who earn less, even though the law now makes saving for retirement obligatory for wage earners.

Average Monthly Retirement Savings

By income quintile, 2001-2011
By net income per person in NIS, at 2011 prices



Sources: Adva Center analysis of CBS, *Household Income Survey*, various years; data for 2011 were provided courtesy of the Consumption Department of the CBS.

ENDNOTES

- 1 Adva Center analysis of data from IMF, *World Economic Outlook*, October 2012.
- 2 Ibid.
- 3 Bank of Israel, *Tables, Graphs and Series*, Bank of Israel website.
- 4 For more information, see Adva Center, *The Shrinking of the Middle Class 1988-2002*, June 2004 (Hebrew).
- 5 Such as income from key money, rentals, etc., which the State Revenues Administration does not calculate separately from dividends or interest income (see footnote 6).
- 6 State Revenues Administration, *Annual Report 2009-2010*, Table 17.
- 7 Average salary for Israeli wage earners only: CBS, *Statistical Abstract of Israel 2012*, Table 12.34.
- 8 Securities and Exchange Commission, Dr. Gitit Gur-Gershgoren, PowerPoint Presentation: "Executive Wages in Public Companies 2003-2011", May 2012 (Hebrew).
- 9 CBS, *Income Survey*, various years.
- 10 In January 2012, the CBS changed its method of calculating unemployment to conform to OECD requirements. Now data are collected monthly and include not just the civilian work force, but also persons serving in the military as conscripts or professionals. Hence, the unemployment figures are higher than those reported previously. CBS, Press Release, *Workforce Survey Data – October 2012*, 28 November 2012 (Hebrew).
- 11 See Khaled Arar and Kussai Haj Yehia, *Jordanization of Higher Education among Arabs in Israel*. Jerusalem: Floersheimer Institute, 2011 (Hebrew).
- 12 CBS, *Statistical Abstract of Israel 2012*, Tables 8.58, 5.59, and 8.6.
- 13 For details, see Adva Center, *Social Report*, various years.
- 14 Adva Center analysis of CBS, *Local Authorities in Israel –2010*, data on the CBS website; statistics about the number of undergraduate students were provided courtesy of the Higher Education Department of CBS.

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