

Israel: A Social Report 2020

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MAZON: A Jewish Response to Hunger

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Introduction: Bringing the Public Interest Back to Center-Stage*

The time has come for a socio-economic turnabout.

Thirty-five years ago, on July 1st, 1985, the National Unity Government, headed by the Labor and Likud parties, announced an emergency plan to stabilize the economy. The plan is remembered by the public as a move that reduced inflation from a 3-digit rate to a 2-digit one, [and eventually to single-digit annual rates comparable to those of other developed economies].

Inflation was halted within a few short years; however, the profound effect of the emergency plan on Israel remains with us to this day.

Professor Avi Ben Bassat, later to serve as Director General of the Finance Ministry, specified the three main pillars of that emergency plan: (a) Reducing the involvement of government in the economy; (b) Targeting economic growth as the main objective of economic policy; (c) Transferring responsibility for growth from the government to the business sector.¹

Businesspeople and senior economic bureaucrats saw the emergency plan as the beginning of a turn for the better in the economic history of Israel. Economists hailed "the basic shift in the economic perception of policymakers: From a market in which the government has significant involvement, whether direct or indirect, in nearly all spheres of economic activity... to an economy increasingly based on market forces and open to the

whole world."² Shai Talmon, Chief Financial Officer at the Ministry of Finance from 1995–1999, proclaimed July 1st, 1985 as "Israel's economic independence day."³

The data presented herein challenge the basic assumption regarding the supposedly self-evident advantages of an "economy based increasingly on market forces."

Since 1985, the relative size of government has shrunk a great deal. In the first decade, public expenditure dropped by 22 GDP percentage points.⁴ The sharp reduction in broad government expenditures continued in the following decade as well. From 50% of GDP in 1996, the share of government expenditures continued to decrease, till they reached 39% in 2014.⁵ The sharpest reduction was recorded in the years following the second Intifada, when the government adopted an explicit fiscal austerity policy. In other OECD countries, where government expenditure also decreased, broad governmental expenditures in 2014 stood at 45.75% of GDP on average.⁶

The practical meaning of low government expenditures is that governmental funding of various social services that were previously provided free of charge, or for a low fee, ceased to be sufficient – and citizens were required to make co-payments. Parents who wish to ensure that their children receive a quality education are nowadays required to pay schools extra fees totaling thousands of

* These opening lines were written before the outbreak of the Corona virus pandemic. Events since have only strengthened the arguments presented in this document.

shekels per year. Although all residents are members of health funds (Healthcare Management Organizations) that provide a generous basket of services, the majority of them now feel they need to purchase supplemental insurance from their funds, and sometimes even additional policies from insurance companies; housing prices have risen and public housing is unable to provide alternatives.

Above all, the social safety net has been depleted and can no longer provide significant aid in escaping poverty or proper protection from falling into it. This is particularly significant in light of the fact that many of the jobs provided by the "free" labor market place the workers and their families near or below the poverty line.

Economic growth has indeed become the main objective of economic policy. The collectivist goals of the first decades of statehood, which carried high-minded titles such as "Ingathering of the Exiles," "Immigrant Absorption," "Making the Desert Bloom," "Teaching the Language to Everyone," and "Eradicating Illiteracy" and involved an all-encompassing national message, were replaced by a single numerical goal, usually a single-digit one: The annual rate of economic growth. Questions of what exactly is growing (car imports, for instance) and who is growing (the answer to that one is obvious) – have been pushed aside.

The transfer of responsibility for economic growth to the business sector was manifested first and foremost in the fact that the business sector took over a large part of the governmental and Histadrut corporations, as well as a large number of public services. All these are now beholden to a regime that places profits at the top of its priorities, even if this comes at the expense of collective objectives and public goods. Today, this prime objective suits the interests of the business sector, which dictates policy on a wide array of issues, from taxation, through business regulation to subsidies.

The transfer of responsibility for economic growth into the hands of the market forces did not give birth to wondrous growth rates. The double-digit figures registered prior to 1985 have not been repeated. It is doubtful that they would have even had the responsibility remained with the State, but what is important to note is that the business sector did not work wonders. What has changed is the division of the national income between employers and workers – in favor of the employers.⁷

Economists promised that the "free market" would know how to allocate resources optimally. In practice, the allocation of resources mostly benefits the owners of capital, and not the majority of Israelis. The profits accumulated by business owners due to the enlargement of their share of the pie do not necessarily contribute to the expansion of the "Start-up Nation," the engine pulling the train of economic growth, beyond the narrow confines of the greater Tel Aviv region. Furthermore – while economists are fond of complaining, in the spirit of neo-liberal ideology, of the low productivity of the Israeli worker, data from the Aharon Institute point the accusing finger at the paucity of capital investment. In Israel, the amount of private capital per work hour in the business sector is significantly lower than the OECD average.⁸

Politicians have learned to boast of an increase of a percentage point or two in economic growth, or to promise such growth in the future. But today it is clear that economic growth of and by itself is not necessarily the sign of an improved standard of living for the general population. For most of the past three decades, the GDP per capita has increased faster than the increase of wages. In other words, the economy has grown, but most of the population has not enjoyed commensurate growth.

Thirty-five years after the emergency plan to stabilize the economy, a growing stratum of wealth is forming in Israel. At the same time, the middle stratum in Israel has become among the thinnest in the West, whereas the strata of poverty and near-poverty are among the largest in the West.

The time has come for a socio-economic turnabout. The public interest needs to return to center-stage.

The State needs to return to the frame and play a more central role. It needs to pick up the reins again. This does not mean limiting the business sector; it means fortifying the arms of the State.

The business sector, which holds the reins of Israel's economy, cannot guarantee growth that is beneficial to all. In practice, its very own prosperity is largely dependent on state assistance – on low taxation, especially for the largest corporations; on protection from competition; on the laying of transport and communications infrastructures; on investments in vocational training, education and higher learning, and more. The multi-na-

tional corporations, which operate over 300 R&D centers in Israel, reap the fruits of the Israeli education and security systems, but their contribution to the "Start-Up Nation" is not significant.

The State needs to invest in areas where the business sector does not invest. It needs to act to upgrade low-wage earners, first and foremost its own employees and those of businesses it contracts with. It needs to improve the education system and significantly raise the rate of those earning a matriculation diploma, the sine qua non of admission to academic institutions; on the same note, it needs to increase the rate of young people going on to college. It needs to deal with the growing needs of the healthcare system and halt the process of its privatization. It needs to develop a long-term public rental housing option. And it needs to strengthen the social safety net.

Regarding Wealth

Israel has known inequality from the day it was founded. In the first decades following 1948, the gaps between Ashkenazi and Mizrahi Jews drew most of the attention. Gaps between Jews and Arabs were, and still are, even larger, but these received less attention.

Nowadays, public attention is focused to a large degree upon a new social stratum, one of extremely wealthy Israelis: Millionaires ("the top one percent") and billionaires (the top one-thousandth). This stratum has formed over the last generation, with the growth of large family-based business groups,⁹ due among other things to the wave of privatizations in the 1980s and '90s, the Americanization of senior executive compensation in major corporations, and the proliferation of "exits," particularly in hi-tech.

The growth in wealth and its concentration in the hands of the few are not unique to Israel – they are a global phenomenon. This was expressed in particularly stark terms by the Oxfam organization, which in 2017 estimated that a mere eight (8) men held as much wealth as the less-wealthy half of the entire human race.¹⁰

French economist Thomas Picketty helped focus public attention on this phenomenon when he published a book titled "Capital in the 21st Century," in which he showed that wealth is growing faster than the rise in economic activity (GDP); the book deservedly became a best-seller.

In Israel there are no regularly published official data on wealth. Israel was not included in Picketty's research, which was based on taxation data. When Professor Momi Dahan asked him why, Picketty replied that when he requested the figures from the Israel Finance Ministry, he was turned down.¹¹

The Central Bureau of Statistics (CBS), the official body in charge of demographic, social and economic data, publishes regular surveys on incomes and expenditures of households and individuals, mostly from wages, allowances and various forms of income support.¹² But the CBS data cannot provide a reliable picture of wealth in Israel, due among other reasons to the fact that the CBS is in the habit of excising cases of exceptionally high incomes, in order to hide the identity of the exceptionally wealthy.

The banks and insurance companies hold data regarding capital, of course, but they are not obligated, and certainly do not wish, to be part of the official statistics.

Here we quote a statement by Shlomo Yitzhaki, formerly the National Statistician and Director of the CBS, upon leaving his position:

Prof. Yitzhaki: "The main lacuna in Israel's statistical data is to be found in the capital market. Crises come and go, and we have no data. There are also no data regarding the distribution of property in the State of Israel. Most OECD countries have capital data, the amount and distribution of capital per decile. How much stocks, bonds, etc. ..."

Globes: "Why don't you have information about the capital market?"

Prof. Yitzhaki: "The Bank of Israel doesn't give me access to such figures."

Globes: "Why not?"

Prof. Yitzhaki: "Because they prefer that no such data be available. It's more convenient when there's no data."¹³

In the absence of official data, the wealth figures published in the media from time to time are estimates by media organizations or international finance entities,

which have begun operating in Israel in the past two decades – evidence in and of itself of a growth in wealth, as these organizations make their living by handling the finances of the rich. The numbers published differ from source to source, most likely because of differences in definitions.

If we concentrate on the very rich – billionaires – Credit Suisse estimated that in 2016 there were 18 men and women in Israel who possessed assets (cash, property, securities) worth ILS one billion or more.¹⁴

The American magazine *Forbes* estimated in 2019 that there are 21 billionaires in Israel¹⁵, whereas in 2019, an Israeli financial newspaper published a list of 128 billionaires.¹⁶

On April 2nd, 2017 the Finance Ministry published a one-time set of data regarding the 400 highest earners in Israel in 2013, which the Ministry termed the "mega rich." The main characteristic of the "mega rich" is, of course, his or her high annual income – 36.8 million ILS. Most of the income of these mega rich – 86.6% – comes from capital gains, dividends and interest. The "mega rich" person is typically male, with an average age of 56, and resides in Tel Aviv.¹⁷

Another source of data regarding the rich in Israel is the annual financial reports of the major publicly traded corporations. An examination by the Adva Center, based on the reports for 2017, found that CEOs at the 100 largest companies traded at the Tel Aviv Stock Exchange (the "Tel Aviv 100" index in the years 2011–2016 and the "Tel Aviv 125" index for 2017) had, on average, an overall yearly compensation of 4.45 million ILS, or 371 million ILS per month. The average annual compensation of all five top office holders at these companies combined, stood at 3.15 million ILS, or 263 thousand ILS per month. The average compensation of the CEOs was 36 times the average wage in the economy in 2017 (10,303 ILS, Israeli workers only) and 74 times the minimum wage for that year (5,000 ILS).¹⁸

Some would see the wealth data as evidence of improvement in Israel's general economic status. And indeed, Israel's national income has grown significantly since the start of the current century.¹⁹ But this income has been divided unequally between workers and employers, between labor and capital. The workers' share, which in 1995 stood at 62%, has dropped over the years, reaching 59% in 2019, even as the share of the employers rose during those years from 21% to 27%.²⁰

Once the "mega rich" have obtained their wealth, it serves them as an implement to solidify their new status. Money begets money: Investment in rental properties becomes an income-yielding asset, investing in the stock market or in foreign currency can also lead to increased wealth. Furthermore, the "mega rich" are able to purchase the finest services and put them at the disposal of their offspring. American economist Joseph Stiglitz put it thus: "The top one percent have the best houses, the best educations, the best doctors and the best lifestyles."²¹

Wealth also translates to political power, which can also serve to assure one's position.

While the middle class must protest in the city square or erect tents along its boulevards in order to influence public policy, the wealthy stratum can simply hire a PR firm – or make a polite phone call to the Prime Minister.

In Israel, Too, Income is Becoming Concentrated in the Hands of the Few

In the absence of systematic official wealth data, we must go by Central Bureau of Statistics surveys of household incomes and expenses, which are published annually.

Following are the income data of households headed by a wage-earner in the top percentile, in the top decile (top 10 percent) excluding the top percentile, and in the fifth decile of the wage-earning population.

A look at the period 2012–2018 shows that first, the income of all three strata rose between 2012 and 2018.

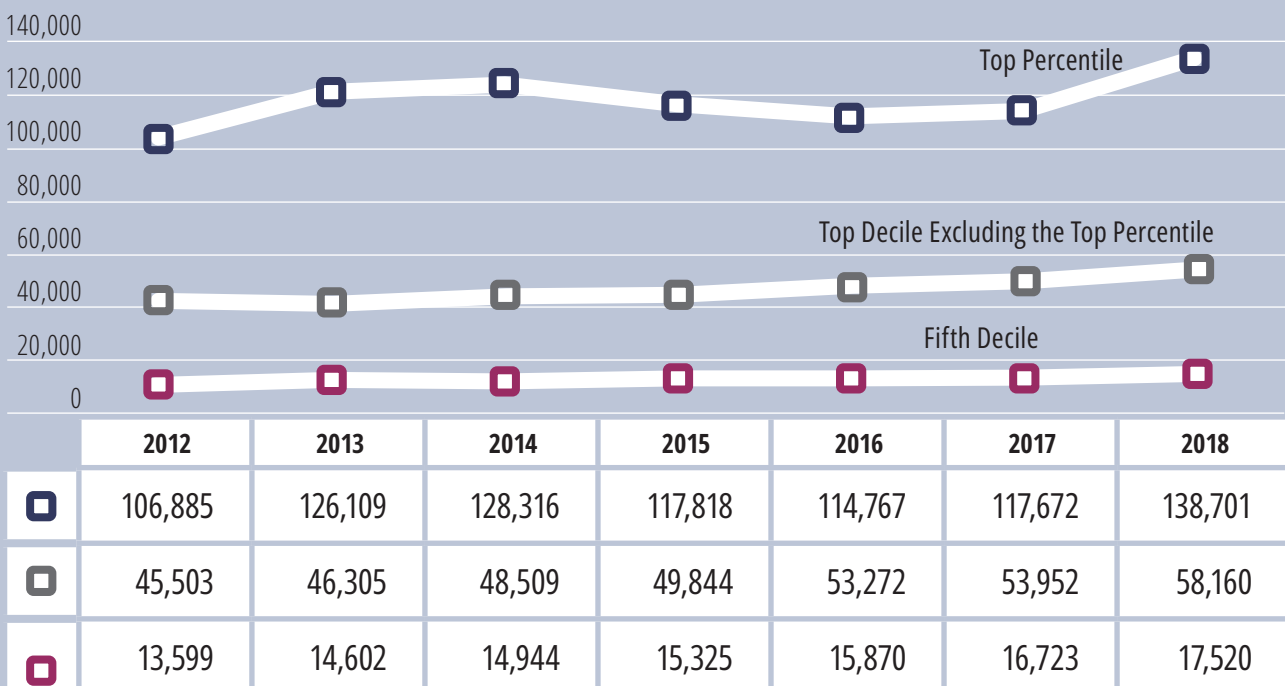
Secondly, the greatest oscillations were recorded in the top one percent, whose incomes rose in the years 2013–2014, followed by a decrease and another rise in

2018. These swings may reflect, among other things, the fact that in the top one percent, the weight of capital income is greater; income from capital is more volatile than wages. In the final three years of the measurement, while the income of the top one percent rose by 20%, that of the rest of the top decile and that of the fifth decile rose by only 10%.

The following diagram further shows that the gross monthly income of the top percentile of households is not only 8 times higher than that of the fifth income decile (in 2018), but is also significantly higher – by a factor of 2.4 – than the average of the nine remaining percentiles comprising the top decile.²²

Gross Monthly Income of Households Headed by a Wage-Earner: Top Percentile, Top Decile Excluding the Top Percentile, and Fifth Decile, 2012–2018

Per gross income deciles for wage-earning households, in ILS, in 2018 prices



Sources: Adva Center analysis of CBS household expenditure surveys, various years. Fifth decile data received courtesy of the Consumption and Finance Department, December 2019.

Four Sources of Household Income

The sources of household income are customarily divided into four: (1) Work (wages); (2) Capital; (3) Retirement pensions (4) Allowances and Assistance.

While the wealthy enjoy income from capital and property, the source of income for the vast majority of Israelis is wages.

Two official entities publish relevant data: The Central Bureau of Statistics (CBS) and the National Insurance Institute.

The CBS publishes overall data on household incomes. The data are based on a survey of household incomes and expenditures, which is conducted once a year among a sample of 8,792 households, representing the total 2.6 million households in Israel.²³ These are the data upon which most of the following tables are based.

The National Insurance Institute (NII) publishes wage data based on employer reports, not self-reporting. Therefore, the wage data of the two institutions are not identical. The reporting population of the NII includes all adults insured under the National Insurance Law and the National Health Insurance Law. The data of the National Insurance Institute will serve us to compare wage levels among municipalities.

According to the NII data, the average monthly wage for an employee in 2017 stood at ILS 10,593. The corresponding figure for 2018 published by the CBS for the average monthly income of wage-earners stood at ILS 10,584.²⁴

2000–2018: At the Top – Rise in Capital Income; At the Bottom – More Income from Work

Both of the following tables show the changes that have taken place in the past two decades, from 2000 to 2018, in the four sources of household income:

Income from Wages

As stated above, the bulk of income of most Israeli households comes from wages. Most have no significant capital income.

In 2018, income from wages constituted an average of 78% of the income of all households; 18 years prior, in the year 2000, the rate was similar – 79%.

The average conceals the fact that for a significant proportion of households, the portion of income from wages is lower than that average. In the bottom decile, it stood at 51.5%, in the second decile at 59.2% and in the third decile – at 71.1%. In these deciles, income from allowances and other support was relatively high, as we shall see below.

In the middle class as broadly defined – the 5th to 9th deciles – wages constituted over 80% of household income.

In the years 2000–2018, the proportion of income from wages grew in each of the 1st to 7th deciles, and particularly in the lowest two deciles; In the bottom decile the portion of income from wages rose from 31.7% to 51.5%, and in the 2nd decile from 47.9% to 59.2%. This increase, even if partially reflecting a rise in wages – such as the raise in the minimum wage and the impact of the earned income tax credits program – and various other programs designed to stimulate employment – reflects primarily an increase in the number of breadwinners in households.²⁵

Capital Income

In 2018, capital income constituted 9.9% of household incomes in the top decile: From property in Israel and abroad, from interest on deposits and bonds and from dividends on stocks.

Eighteen years earlier, in the year 2000, capital income constituted only 4.4% of the household income of those in the top decile. Thus, what we have is a doubling of household income from capital over two decades.

It should be noted that the level of capital income is impacted by developments such as stock market swings and the level of income from rents. In 2015 capital income had already reached 10.9%; in 2016 it dropped to 5.5%, among other factors due to drops in the stock market, mostly in pharma stocks; in 2017 the share of capital income in the top decile rose to 6.6%.²⁶

Households in the bottom deciles have low incomes from both work and capital, and they need to rely a great deal on allowances and other assistance.

Income from Allowances and Assistance

Over the past two decades, household incomes from allowances and other support have been greatly reduced. While in 2000 they constituted 14% of the average household income, in 2018 their portion dropped to 10.5%. This decrease reflects the major cuts made to National Insurance Institute allowances during the years of the second Intifada crisis, and the changes made to the updating mechanism of those allowances.

The main victims of those cuts were households in the two lowest deciles. In the bottom decile, for instance, the portion of allowances and assistance in all household incomes dropped from 66.6% to 45.5%, and in the second decile – from 50.4% to 37.0%.²⁷

In 2018, such income constituted less than half of all the income of households in the lowest decile, 37% of all the income of households in the 2nd decile and about a quarter of all the income in the 3rd decile. In the top four deciles it ranged from 7.6% in the seventh decile to 4.6% in the top decile.

Income from Pensions and Provident Funds

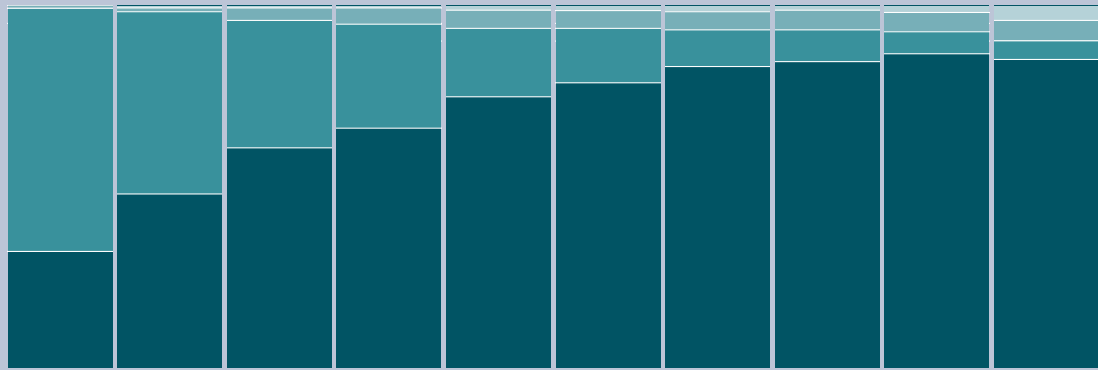
In 2018, income from pension and provident funds constituted a small portion of the incomes of the two lowest deciles – 0.8% and 1.4%, respectively (but one must remember that these data refer to all households, and not just those headed by a retiree). In these two deciles, the scope of pension insurance coverage is still low, despite the institution of mandatory pension insurance – 45% and 63%, respectively.

In higher decile households, the portion of income from retirement and provident funds is significantly higher, and it ranges from 5.9% in the seventh decile and 10.2% in the top decile.

Components of Household Income: Work, Allowances and Assistance, Pensions, and Capital

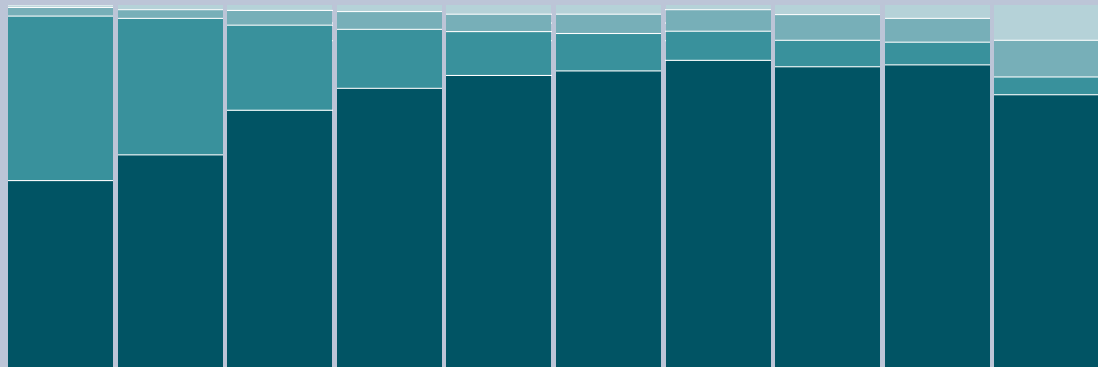
The portion of each component in the gross income of households, 2000 and 2018, by gross income deciles per standard person

2000



Decile	1	2	3	4	5	6	7	8	9	10
Capital		0.4	0.4	0.8	1.1	1.0	1.5	1.4	1.6	4.4
Pensions and Provident Funds	0.7	1.3	3.6	4.2	5.0	5.4	5.6	5.4	5.8	5.1
Allowances and Assistance	66.6	50.4	35.4	28.5	19.2	14.8	10.3	8.6	5.8	5.0
Work	31.7	47.9	60.6	66.5	74.6	78.9	82.5	84.5	86.7	85.5

2018



Decile	1	2	3	4	5	6	7	8	9	10
Capital	0.8	1.4	1.4	1.9	2.8	2.5	1.7	2.6	3.6	9.9
Pensions and Provident Funds	2.2	2.5	4.0	4.7	4.4	5.7	5.9	7.4	7.1	10.2
Allowances and Assistance	45.5	37.0	23.5	16.3	12.2	10.1	7.6	7.3	5.8	4.6
Work	51.5	59.2	71.1	77.1	80.6	81.6	84.8	82.7	83.6	75.3

Sources: CBS, Household Expenditures Survey for the Year 2000; Data for the year 2018 received courtesy of the Consumption and Finance Department, December 2019.

Summary: Total Household Incomes

In 2018, in the top decile of households headed by a **wage earner**, the average gross monthly income from all four income sources stood at ILS 66,584. This amount was 12 times the income of the lowest decile, which stood at ILS 5,501.

that among households headed by a **self-employed individual**, the gap between the top and bottom deciles was larger. The average income of the top decile – ILS 78,131 – was 15 times that of the bottom decile, which stood at ILS 5,167.

The top two deciles together took in 44% of the income pie of households headed by a wage earner. The remaining eight deciles together received 56%. It should be noted that this distribution has barely changed over the past two decades.

The following two tables show that the distribution of income in households headed by self-employed individuals is largely similar to that of households headed by wage earners. But as noted earlier, these data do not show the full picture of extremely high income individuals.

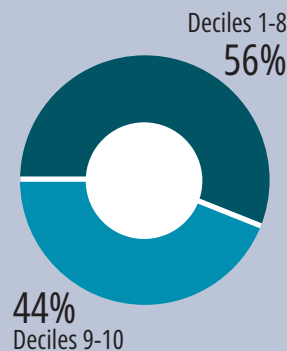
The data of the *Household Expenditures Survey* shows

Average Gross Monthly Income of Households Headed by Self-Employed Individuals

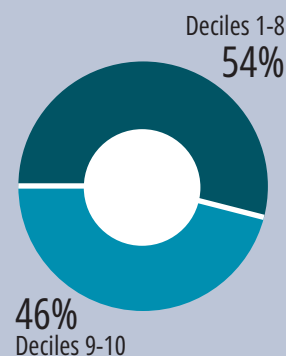
In ILS, in current prices

Decile	Gross income in ILS	The share of each decile in the income pie
1	5,167	2.1%
2	8,807	3.5%
3	11,702	4.7%
4	15,027	6.0%
5	17,877	7.1%
6	21,323	8.5%
7	25,294	10.1%
8	30,305	12.0%
9	37,868	15.1%
10	78,131	31.1%

Wage-Earners



Self-Employed



Average Gross Monthly Income of Households Headed by Wage-Earners, 2018

In ILS, in current prices

Decile	Gross income in ILS	The share of each decile in the income pie
1	5,501	2.3%
2	8,946	3.7%
3	11,813	4.9%
4	14,682	6.1%
5	17,520	7.3%
6	20,747	8.7%
7	24,736	10.3%
8	29,965	12.5%
9	38,552	16.1%
10	66,584	27.9%

Source: Adva Center analysis of CBS data received courtesy of the Consumption and Finance Department, December 2019.

Will Economic Growth Raise Everyone's Income?

Since the end of the second Intifada, which caused a severe economic crisis, the Israeli economy has resumed its growth.

Many politicians and economists tie growth to income, contending that growth in income – followed by reduction of inequality – is a product of economic growth. The solution they present to the problem of inequality is growth, growth, and more growth.

Well, in recent years real income has indeed grown – but it has grown at a considerably lower rate than the growth in GDP per capita.

In fact, as recently as three decades ago, economic growth – the increase in GDP per capita – became detached from the growth in average wages. Data from the National Insurance Institute presented in the following graph show that until then – during the two decades from 1968 to 1989 – growth in GDP per capita was in-

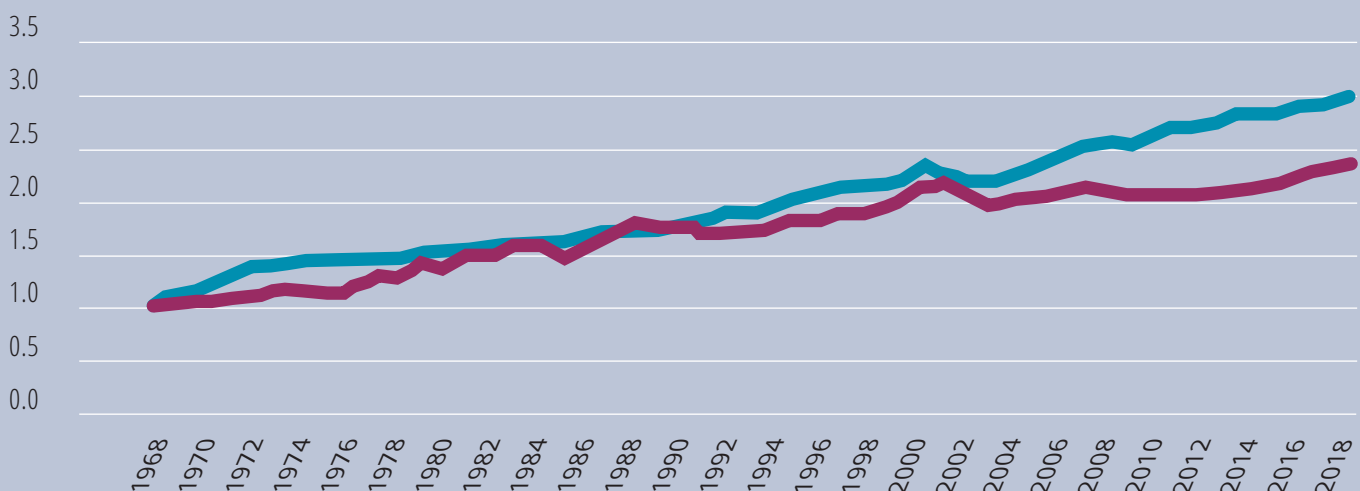
deed accompanied by a commensurate growth in real wages. But in the early 1990s a gap began to open up between the two, as GDP per capita increased faster than the average wage. For a few years the gap remained constant, until, during the second Intifada crisis, a real

separation took place between the two and GDP per capita continued to grow much faster than real wages. During 2013–2014, the gap between the growth rate of GDP per capita and the growth rate of real wages reached an apex.

Economic growth does not necessarily or automatically translate into a general rise in wages. The profits of growth may flow into the pockets of the rich more than into the pockets of ordinary workers. And indeed, we know that in recent decades, the share of workers in the national income has been shrinking while that of employers has been growing.

GDP per Capita and Real Wages, 1968–2018

Index 1968=1



- Real change in GDP per capita
- Change in real wages for employee positions

Source: Data provided courtesy of the Economics and Research Department at the National Insurance Institute, January 2019.

Low Wages

A great many workers earn low wages.

The OECD defines "low wages" as a wage not exceeding two thirds of the median wage in the labor market, and this definition includes only workers employed in full-time jobs. OECD data show that 22.6% of employees in Israel earn low wages. This figure places Israel in an unflatteringly place compared to most Western countries.²⁸

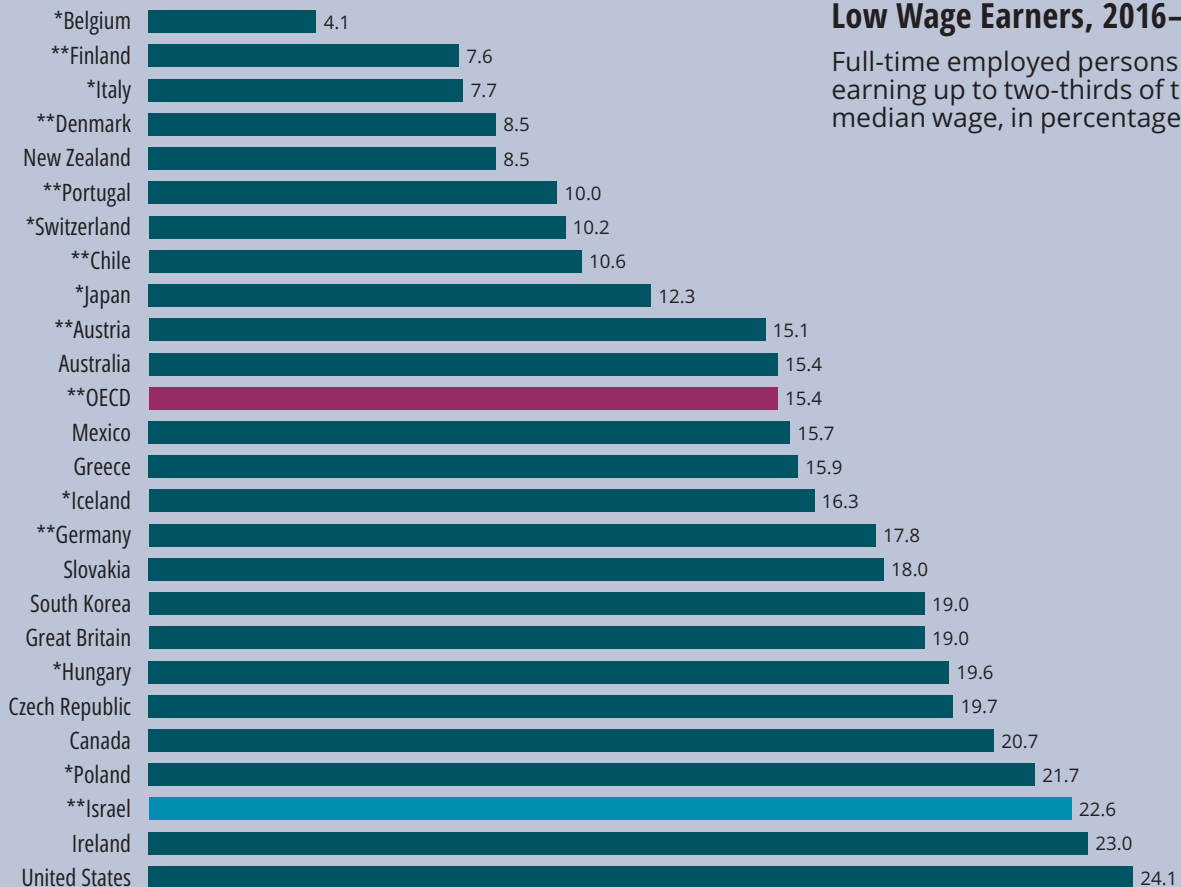
Low wages can mean that their recipients live below the poverty line. In 2018, the prevalence of poverty among working families in Israel stood at 12.6%.²⁹

Low wages do not allow their recipients to enjoy a normative standard of living. For instance:

Purchasing or renting an apartment, given the accepted definition of affordable housing – on which the expenditure does not exceed 30% of the household income.

Funding of parental payments – which are required nowadays at many schools, funding of private lessons and extracurricular activities – payments which may amount to thousands of shekels per year.

Purchasing a car: The rate of ownership of at least one vehicle was 42.8% in the bottom decile, 66.8% in the fourth decile, and more than 80% in the top four deciles.³⁰



* Figure for 2016
 **Figure for 2017

Source: OECD (2020), Wage levels (indicator). Doi: 10.1787/0a1c27bc-en (Accessed on 12 February 2020)

Wage Levels – By Type of Municipality

The National Insurance Institute publishes data that provide further insights into the high rate of low wage earners in Israel. The NII presents data on the proportion of residents earning the minimum wage or less. The most up-to-date data from the National Insurance Institute are from 2017, when the minimum wage was ILS 5,000; in December of 2017 it was updated, and since then it has amounted to ILS 5.300 per month for a full-time job.³¹

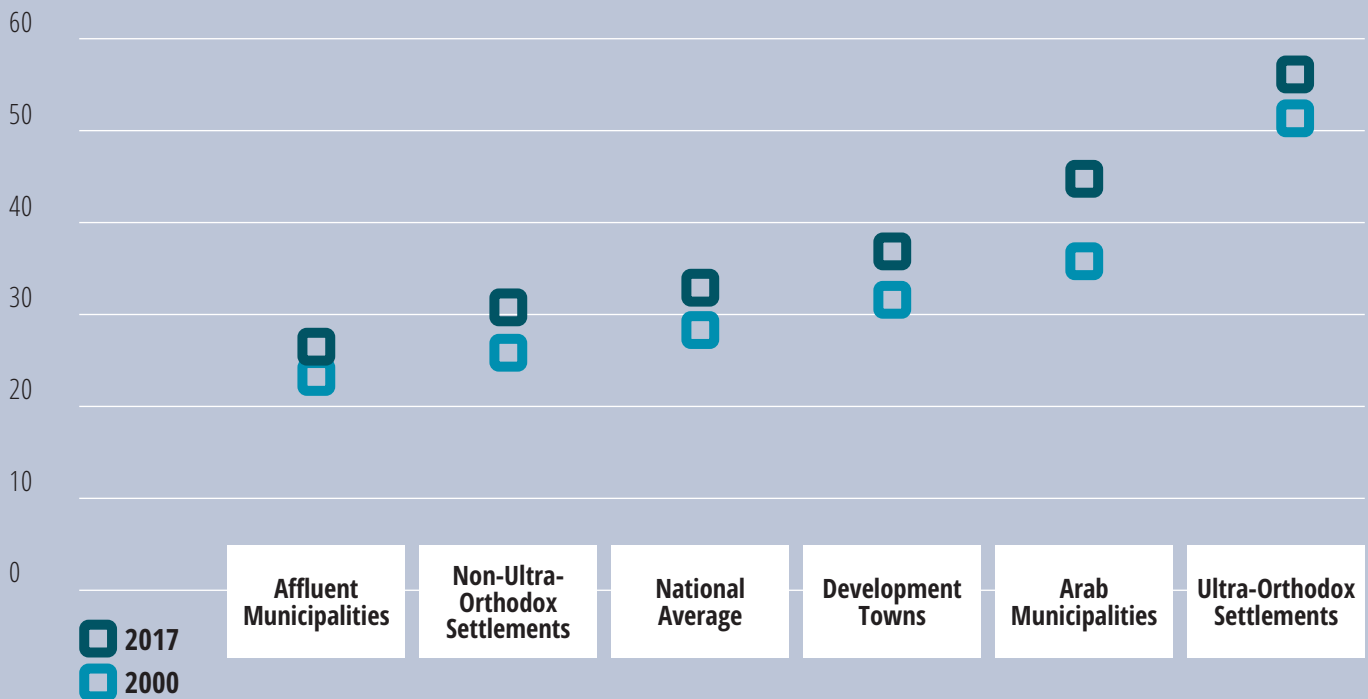
In 2017, the rate of persons earning up to the minimum wage stood at 33.6%. Two years prior, in 2015, it had been 30.8%. This is evidence that many of the new jobs added to the economy were minimum wage positions.

The following diagram shows that the rate of persons earning the minimum wage rose in selected types of municipality, but that the largest increase was registered in Arab municipalities.

Following are the rates of those earning up to the minimum wage by type of municipality in 2017, in descending order:

- Ultra-Orthodox Settlements – 55%
- Arab Municipalities – 45%
- Development Towns – 37%
- Non-Ultra-Orthodox Settlements – 31%
- Affluent Municipalities – 26%

Rate of Employees Earning up to the Minimum Wage, by Type of Municipality, 2000 and 2017



Sources: Adva Center analysis of Bendelac, J. (2000). *Wages and Income from Work by Municipality and Various Economic Variables 1999–2000*. Jerusalem: National Insurance Institute (Hebrew); Rosenberg, M. (2019). *Wages and Income from Work by Municipality and Various Economic Variables 2017*. Jerusalem: National Insurance Institute (Hebrew).

Wage Levels – by Ethnic Origin and Gender

The Central Bureau of Statistics publishes wage data that enable comparisons between wage-earners from different ethnic groups.

In 2018, the wage table was headed by first-generation Ashkenazi men who had immigrated to Israel no later than 1989, with an average monthly salary of ILS 18,772. Following were second-generation Ashkenazi men, with ILS 16,483 on average; second-generation Mizrahi men, with ILS 14,153; first-generation Mizrahi men who arrived no later than 1989, with ILS 13,578; Ashkenazi men who immigrated after 1990 (the absolute majority of whom came from the former Soviet Union), with ILS 13,179; and first-generation Ashkenazi women who arrived no later than 1989, with ILS 11,918.

The average wage of Israeli-born workers born to Israeli-born fathers is relatively low, due to their young age.

Their median age in 2018 stood at 30 years, compared to 45 and 42 for second-generation Mizrahi and second-generation Ashkenazi workers, respectively.

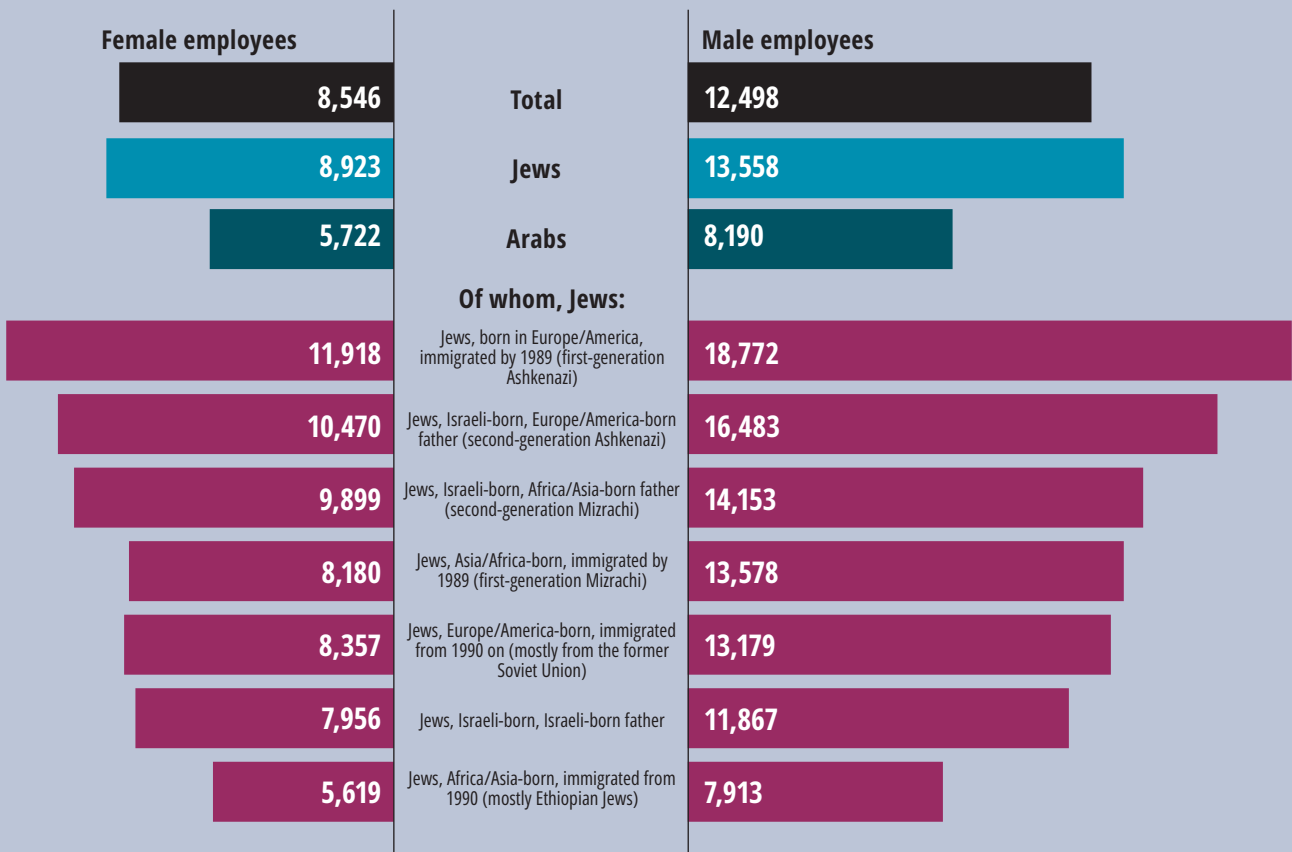
The monthly salary of Arab workers was significantly lower than that of most Jewish workers: In 2018, it stood at ILS 8,190 for men and ILS 5,722 for women.

Slightly lower wages were registered in the category of first-generation Jews of African or Asian origin who immigrated after 1990 – the vast majority of whom, we assume, are Ethiopian Jews; in 2018, the average salary of men among this group stood at ILS 7,913.

At the bottom of the wage table are Arab women and women of Ethiopian origin (Jews born in Afro-Asia who immigrated after 1990), with an average monthly salary of ILS 5,722 and ILS 5,619, respectively.

Average Gross Monthly Income for Wage Earners, from Wages and Salary, by Ethnic Origin and Gender, 2018

In ILS, in current figures, by descending order in the males column



Note: Does not include non-Arab Christians.

Source: Data provided courtesy of the Consumption and Finance Department at the CBS, December 2019.

Retirement Savings

Income and wage gaps become particularly problematic after retirement from the labor market, when salary is replaced by pensions – insofar as these exist. Following retirement, income is based on three main components: State old age pensions, workplace pensions, and personal savings.

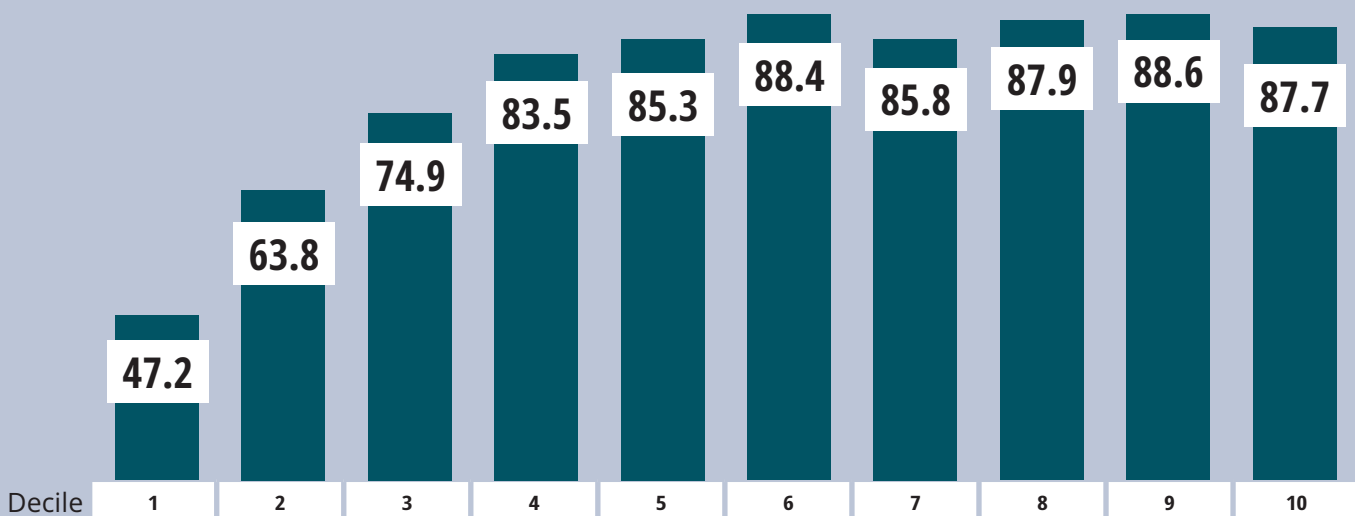
Over the past decade, the rate of households saving for retirement through pension and provident funds has risen, due, among other factors, to a law mandating saving for retirement by workers and their employers. The low rate of persons with retirement funds in the lower income deciles may be attributed to the fact that a large proportion of them are employed as contracted workers, hourly workers, or freelancers. These are per-

sons whose employers do not obey the law or self-employed persons to whom the law does not apply. Another lacuna is that the law does not provide a solution for the problem of gaps in employment.

In 2018, fewer than half the households in the bottom decile headed by an employee or self-employed worker were saving for retirement via pension or provident funds – 47.2%. In the second decile the rate was 63.8%, and in the third decile, 74.9%. From the fourth decile up the rate of retirement saving was in the range of 83%–88%. Overall, in 2018, 20.7% of households headed by an employee or self-employed worker reported no retirement savings at all.

Rate of Households Saving for Retirement via Pension or Provident Funds, by Decile, 2018

Households headed by an employee or a self-employed person by standard net income decile per standard person, in percentages and in ILS



Source: Adva Center analysis of CBS Household Incomes and Expenditures Survey file for 2018.

Incomes from Retirement Funds

Large Gaps among Persons Aged 67 and Up

We have seen that 20.7% of households headed by an employee or self-employed person have no retirement fund savings at all. The other side of the equation is that the low wages of many workers, mostly those in the lower income deciles or those who do not work full-time, do not provide a decent pension following retirement.

The result is that after retirement age, the income gaps from retirement pensions are larger than the gaps during working years.

In 2018, 44.7% of households headed by a senior citizen aged 67 and up had no retirement pension income at

all. The data show further that only about a fifth of households in the second income decile (19.3%) had monthly retirement pensions, which were, on average, only ILS 1,784. The rate of households receiving pensions remains low in the third decile as well (30.4%); their average monthly income amounted to ILS 1,935.

In the top deciles – 8–10 – the rate of households receiving pensions was on average about 80%, and their income ranged from an average of ILS 7,151 in the eighth decile to an average of ILS 14,517 in the top decile.

Rate of Households with Retirement Income and Average Amount of Income from Pensions, by Decile, 2018

By deciles of net income for households headed by an individual aged 67 and up in percentages and ILS

Decile	Rate of Pension Recipients	Average Pension Income in ILS
1	7.1*	1,362*
2	19.3	1,278
3	30.4	1,935
4	59.0	2,874
5	64.1	3,691
6	71.6	5,398
7	71.0	6,928
8	71.9	8,688
9	80.4	11,604
10	78.5	19,672

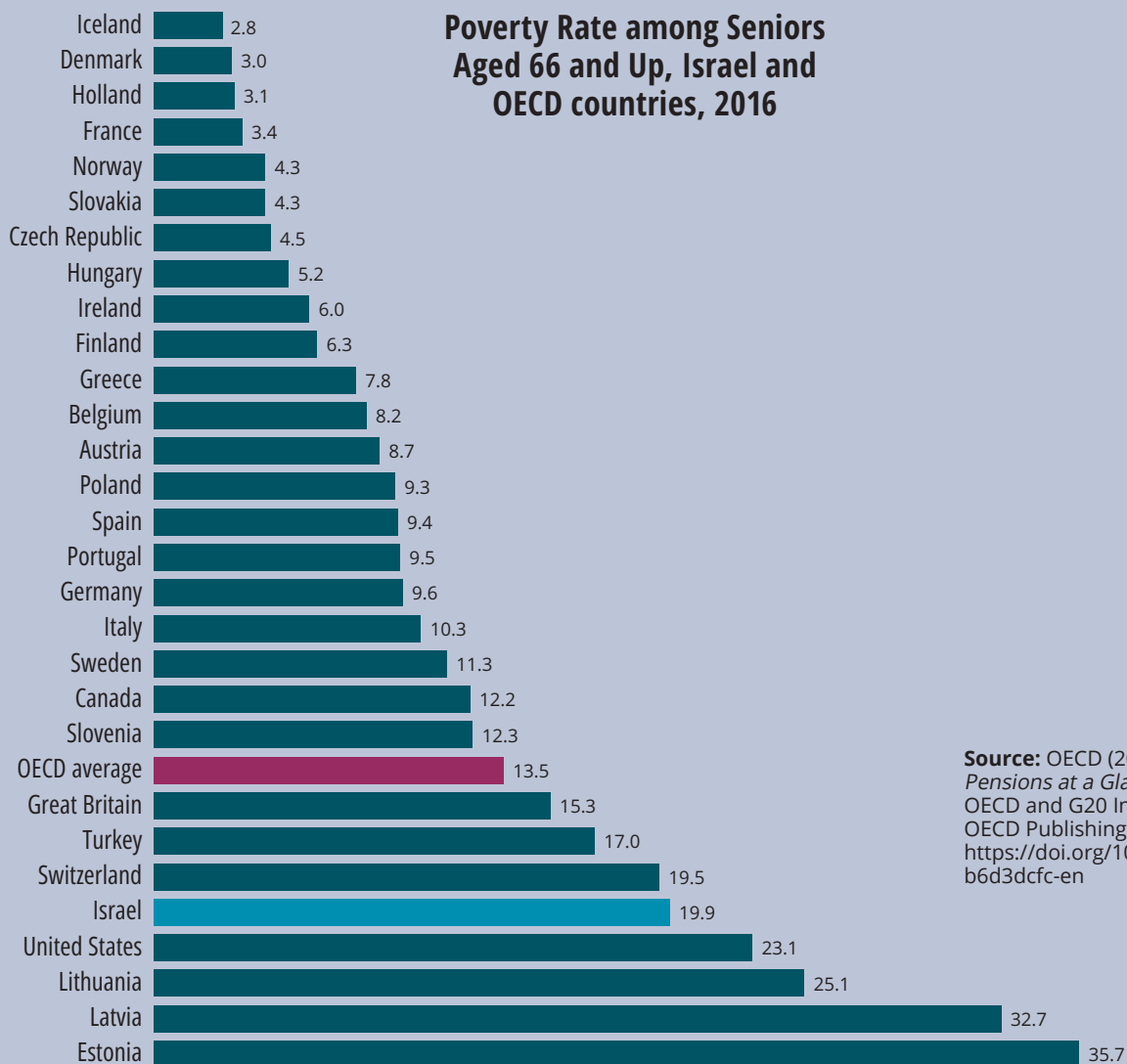
(*) Apart from the first decile, hardly any differences were registered between the years 2017 and 2018. The income of the first decile was significantly higher in 2018, more than 1.5 times the amount in 2017. It is assumed that this deviation is due to a biased sampling for East Jerusalem residents (who are mostly among the bottom deciles).

Source: Adva Center analysis of CBS data, 2018 Household Incomes and Expenditures survey file.

Poverty among Seniors at Retirement Age

One of the indicators of income gaps from retirement pensions is a high prevalence of poverty among seniors.

OECD data show that in Israel, the prevalence of poverty among seniors – 19.9% – is slightly higher than that among the general population – 18.0%. As income from capital in the lower deciles is negligible, this means dependence upon State old age pensions, which are low in Israel, compared to OECD countries.



Source: OECD (2019), *Pensions at a Glance 2019: OECD and G20 Indicators*, OECD Publishing, Paris, <https://doi.org/10.1787/b6d3dcfc-en>

Middle Class

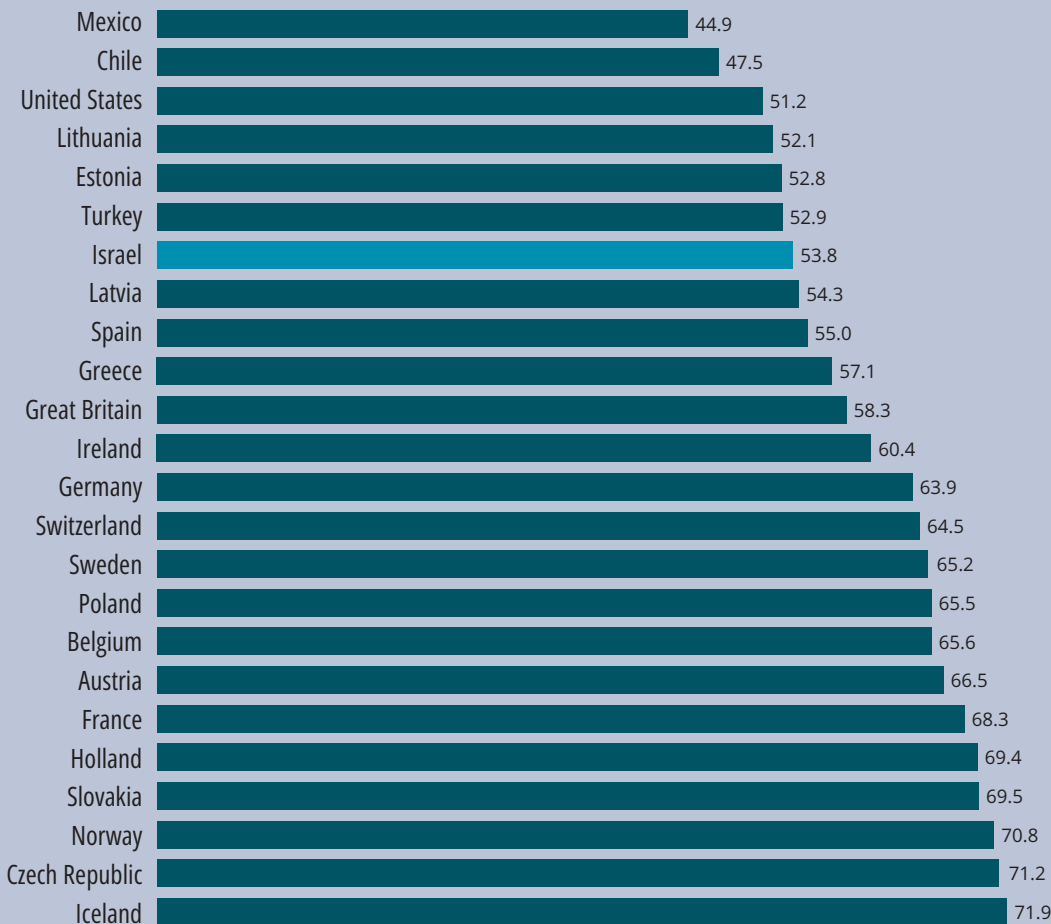
The maintenance of a broad middle class is a central objective of socio-economic policy in all Western countries. The middle class is the main component driving production, private consumption, state revenue from taxes, and the provision of social services.

But the policies prioritizing economic growth and requiring budgetary austerity did not help the middle class. On the contrary, Israel has one of the most depleted middle classes among OECD countries. Israel's middle class is smaller than that of all European countries in the

organization save for Estonia and Lithuania: Only 53.8% of Israeli households are categorized as belonging to the middle class.

OECD data further show that over the past two decades, most OECD member countries have experienced a decrease of their middle strata, but the decrease was particularly sharp in Sweden (11.2%), the United States (8.9%), and Israel (7.8%). Only Ireland, Switzerland, and France registered an increase in the relative size of their middle classes.

Percentage of Households Belonging to the Middle Class, OECD Countries, 2016



Note: The OECD defines the middle class as households whose income ranges from 75% to 200% of the median household income in the country.

Source: OECD. (2019). *Under Pressure: The Squeezed Middle Class*, DOI: <https://doi.org/10.1787/689afed1-en>

Poverty and Near-Poverty

The National Insurance Institute calculates poverty in Israel in relative terms. A household is defined as poor if its standard of living, defined by disposable income per capita, is lower than half the median household income.³² In 2018, the prevalence of poverty among Israeli households stood at 18% and the poverty line stood at ILS 2,875 per standard person.³³

The poverty line is a political and social convention; it does not mean that a household whose income is slightly above the line is doing well. Therefore, we have also examined the condition of households who are near poverty – households whose income, per standard person, ranges between the poverty line and 25% above it.³⁴

During the period between 2003, the year in which major cuts were made to the social safety net, and 2018, the last year for which the National Insurance Institute published data, the near-poverty population included 8% of Israeli households.

If we combine the households whose income places

them below the poverty line with the households that are near poverty, we find that in 2003 they constituted some 28% of all households. This rate remained constant until 2012. In 2016, a drop was registered in the prevalence of poverty so that the overall rate was reduced to 26.6%. In 2018 there was another drop in the official prevalence of poverty, and along with the near-poverty population, the overall rate stood at 26% of households – about one in four families.

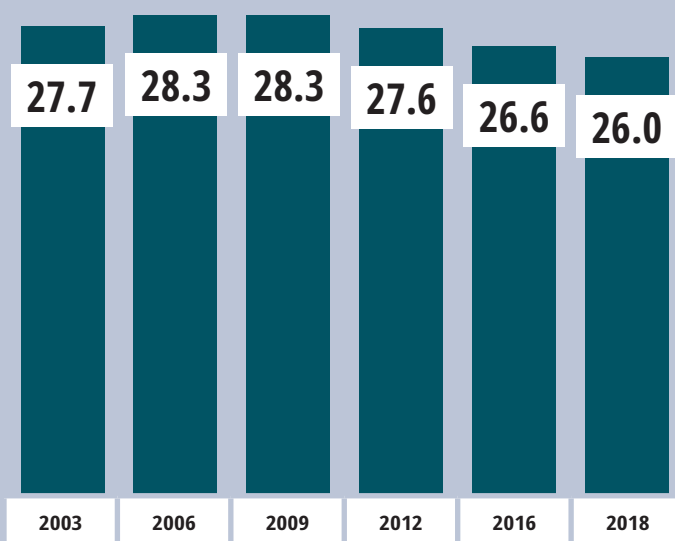
However, it should be noted that part of the drop in the official prevalence of poverty in 2018 is explained by under-sampling of the East Jerusalem population.³⁵

In 2018, some 60% of Arab households were living below or near the poverty line: Close to half of all (Arab) households were below the poverty line, and 14% of households were in the near-poverty stratum.

Among Jews, one fifth of households (20%) were below or near the poverty line.

Households Below or Near the Poverty Line, 2003–2018

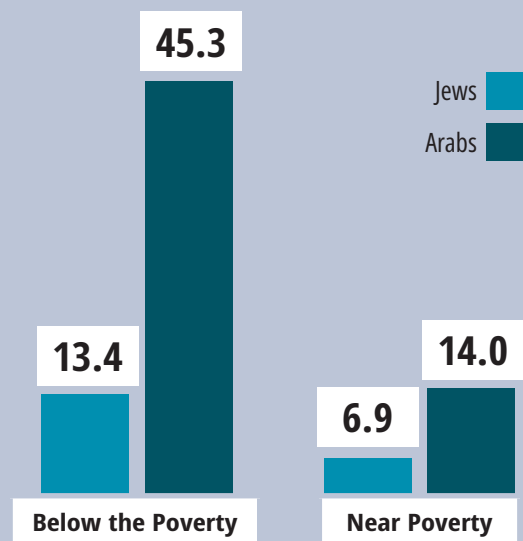
As a percentage of all households



Source: Adva Center analysis of CBS, data file of Household Income and Expenditure Surveys, various years.

Distribution of Households Living in Poverty and Near-Poverty by Ethnic Group, 2018

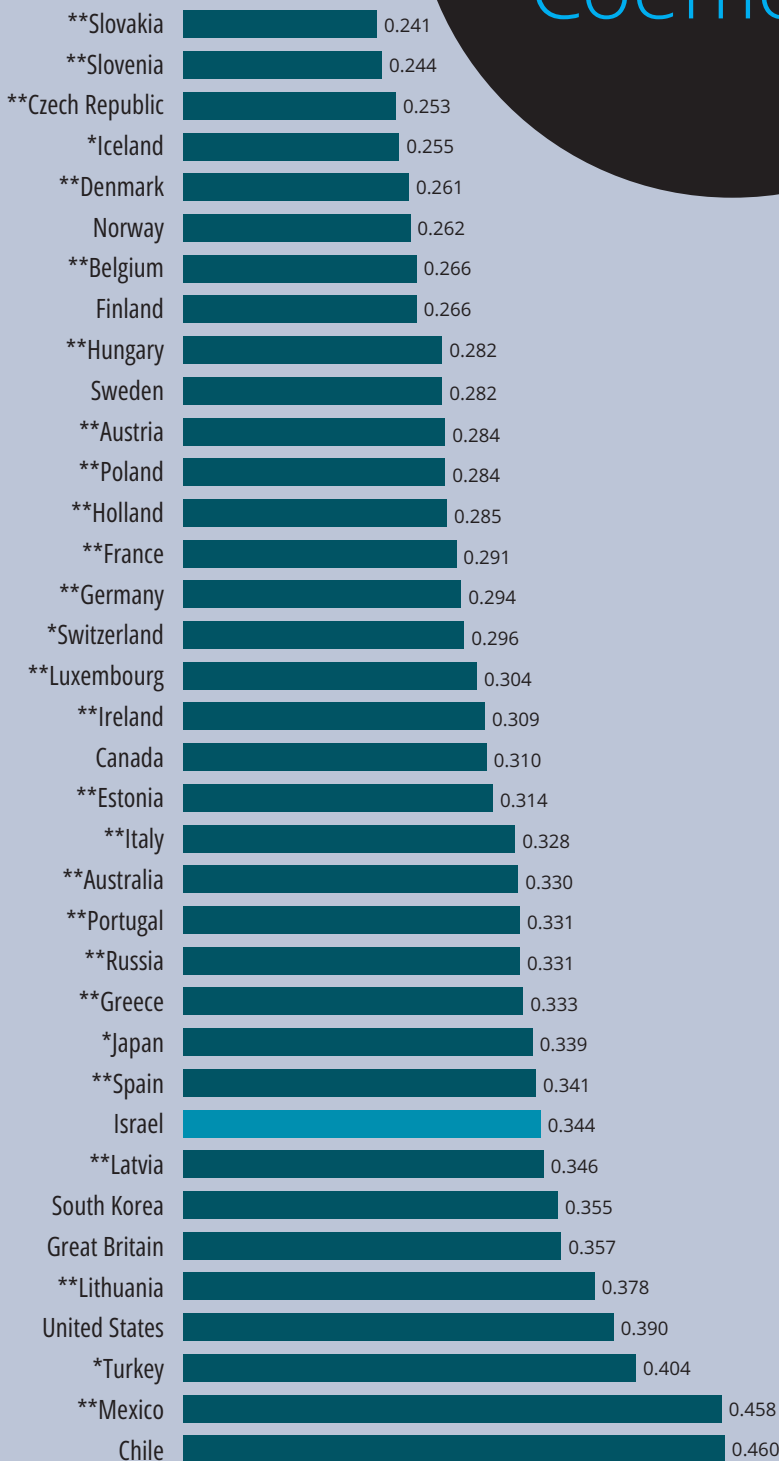
As percentage of ethnic group



Source: Adva Center analysis of the 2018 Household Income and Expenditure Survey file.

Gini Inequality Coefficient, Israel and OECD Countries, 2015–2017

Disposable income of individuals, after transfer payments and taxes



Inequality: The Gini Coefficient

The Gini coefficient is the accepted index of income inequality. The coefficient examines the location of a country on a scale from 0 to 1. The one end, valued at 0 (zero), signifies a situation in which available income is distributed equally among all citizens in the population. The other end, valued at 1 (one), signifies a situation in which all available income in the country is in the hands of one person. The closer the coefficient is to a value of 1, the larger is the inequality.

The most up-to-date Gini coefficient for Israel published by the National Insurance Institute is for 2018 – 0.3559. This is the lowest figure seen in about two decades.

Still, inequality in Israel is greater than that of almost all OECD member countries.

Prime Minister Binyamin Netanyahu prides himself on the fact that Israel's Gini coefficient has dropped in recent years, which is indeed true; but Israel has a long way to go until it achieves inequality levels resembling those of Western Europe.

In 2017, the last year for which the OECD published comparative data including Israel, the Gini coefficient in Israel stood at 0.344. Only seven OECD member countries registered higher levels of inequality. It should be noted that there is a difference between the Gini coefficient published by the National Insurance Institute and that of the OECD, due to differing measurement methods.³⁶

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* 2015
** 2016

Source: OECD (2020), *Income inequality (indicator)*. doi: 10.1787/459aa7f1-en (Accessed on 16 February 2020)

Schools and Higher Education

One of the keys to a more equitable society lies in the school and higher education systems. Unfortunately, these systems themselves are unequal.

The school and higher education systems assume a pyramid form, where the higher the climb, the smaller the number of climbers. Upon reaching the top, representing those beginning academic studies, we find that only about one third of the age group reach the summit.

This finding is the result of monitoring conducted by the Central Bureau of Statistics, which follows high school graduates 8 years after their graduation. The latest figures published by the CBS regarding the admission to academic studies are for individuals who graduated high school in 2010.

The Ministry of Education publishes data regarding the proportion of high school seniors graduating with a matriculation diploma from among all twelfth-graders. In contrast, the figure we use is the proportion of high school seniors graduating with a matriculation diploma from among the entire age cohort – all 17 year-olds. This figure takes into account young people who have dropped out of the school system, as well as those who never studied in a track leading to matriculation, such as some of the Ultra-Orthodox youth.

The pyramid data are shown on the next page. In 2010, only 82.3% of 17 year-olds were high school seniors studying in a track leading to a matriculation diploma. That year, a matriculation diploma was achieved by only 48.3% of the age group. Among those eligible for a diploma, some did not meet the minimum requirements for admission to institutes of higher learning. The result: The proportion of those eligible to apply for college/university was 41.1% of the age group.

By 2018, only 32.7% of the cohort of 17 year olds in 2010 had been admitted to one of the institutes of higher learning in Israel: Approximately one in three.

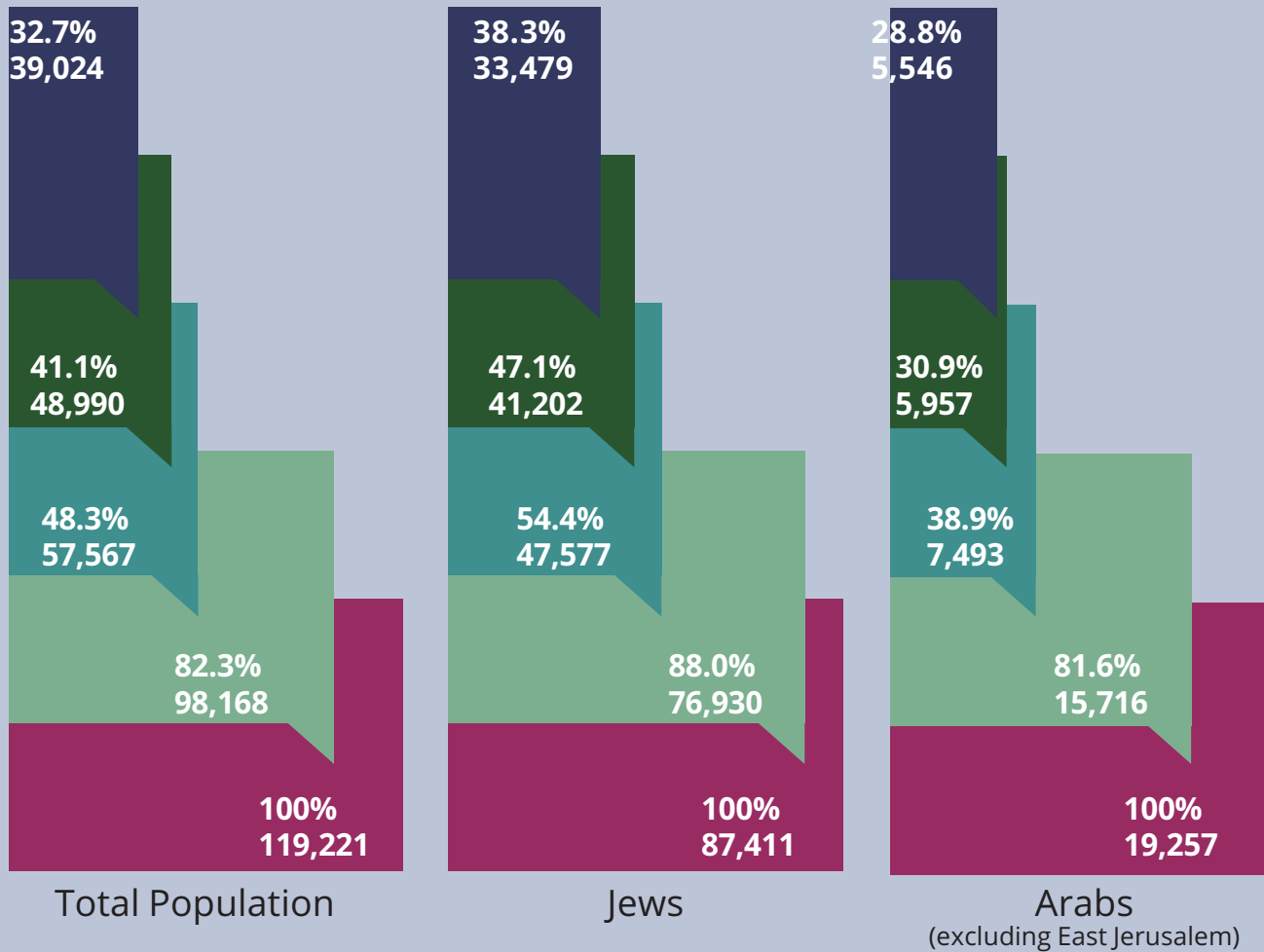
Among Jews, the rate of those admitted to a college or university in Israel was 38.3%; among Arabs – 28.8%. It should be noted that the data do not include the many Arab youths who turn to study abroad. Nowadays, a quarter of all Arab Israeli students choose to acquire a college education outside of Israel's borders, mostly in the Palestinian Authority and Jordan.³⁷

CBS data do not enable us to continue tracking students to the end of undergraduate studies. Thus, we do not know the rate of those who eventually earned an undergraduate degree.

The data regarding admissions to institutes of higher learning refer to institutions under the supervision of the Council for Higher Education (universities, academic colleges and academic teachers' seminaries) and are based on the admission requirements set by this Council. Therefore, they do not include the Open University. The Open University does not pose minimum admission requirements, and the age range of its students is very broad.

The Education Pyramid

17 year-olds in 2010 who were admitted to institutes of higher learning by 2018



- Number of those beginning academic studies within 8 years
- Number of those meeting minimal requirements of higher education institutions
- Number of those eligible for matriculation diplomas
- Number of those attending the twelfth grade
- Total number of 17 year-olds in 2010, including East Jerusalem

Notes:

Percentages are calculated out of the total number of 17 year-olds in each group.

Arabs – including Muslim and Christian students.

Higher Education – Students attending universities (excluding the Open University), public and private academic colleges (publicly funded or not), and academic teachers seminaries.

Sources: Adva Center analysis of Central Bureau of Statistics, *Israel Statistical Almanac*, various years; The Ministry of Education, Culture and Sports, Department of Exams, *Matriculation Exams Data*, various years (Hebrew).

Inequality in Informal Education³⁸

The formal education system is characterized by a high degree of inequality. This is reflected in the fact that only a third of the age cohort go on to college in Israel.

Inequality also characterizes *informal* education – that which takes place outside the school – mostly tutoring and various extra-curricular activities after official kindergarten and school hours. Researchers are unanimous in their opinion that such enrichment provides a significant contribution to the students’ scholarly achievements, as well as their personal and social empowerment.³⁹

Unlike formal education, from age three until the end of the twelfth grade, which is funded by the state pursuant to the **Compulsory Education Law, 5709-1949**, informal education is mostly funded privately.⁴⁰ This creates a high degree of inequality in the scope and quality of informal education among various population groups.

In 2018, the expenditure on tutoring and extra-curricular activities for children under the age of 18 rose with the

economic status of the household. Furthermore, there are gaps between the level of expenditure on tutoring and extra-curricular activities within each of the economic strata.⁴¹

In Jewish households, the highest expenditure per child for tutoring and extra-curricular activities was in the top stratum and stood at an average at ILS 401 per month – ten times that for a child below or near the poverty line.

In Arab households, the highest expenditure per child for tutoring and extra-curricular activities was in the middle stratum and stood on average at about ILS 100 – 5 times higher than for a child below the poverty line.

The gaps in expenditures between Jews and Arabs reflect low participation rates by children in the Arab sector at community centers, extra-curricular activities and youth movements, which is a result of lack of proper infrastructure.⁴²

Average Monthly Expenditure on Tutors and Extra-Curricular Activities, by Income Level and Ethnicity, 2018

In ILS, households with children under 18



Notes:

Informal education includes the following expenditures: Spending by households on activities not included in the compulsory education program, including private individual and group tuition, music, art, sports and fitness classes, dance, drama and performing arts classes and the like. It should be noted that there are discounts offered to students from disadvantaged families, but the eligibility for discounts differs on a case-by-case basis, and thus it is not possible to assess their impact.

The number of Arab households in the top income stratum within the sample was particularly low, and for this reason it is not included in this analysis.

Source: Adva Center analysis of CBS Household Income and Expenditures Survey file, 2018.

Definition of Household Strata for the Purpose of Examining Informal Education

Households were divided into five strata, by net income per standard person.

1. The poverty stratum – households whose income falls below the poverty line, as defined by the National Insurance Institute;
2. The near-poverty stratum – households whose incomes range from the poverty line to 25% above it.
3. The low income stratum (between near-poverty and the lower-middle class) – between 25% above the poverty line and 75% of median household income;
4. The middle class, defined as households whose incomes range from 75% of the median income per standard to 200% of the same. We divided the middle class into two sub-strata:
 - Lower-middle class – households whose incomes range from 75% to 125% of the median income per standard person;
 - Higher-middle class – households whose income range from 125% to 200% of the median income per standard person;
5. The top stratum – households whose income is above 200% of the median income per standard person:

Housing Ownership⁴³

The traditional housing model in Israel is apartment ownership. In the absence of a long-term public housing rental option, apartment ownership is seen as providing stability and family security. In addition, an apartment is also a financial asset – often the family’s main asset.

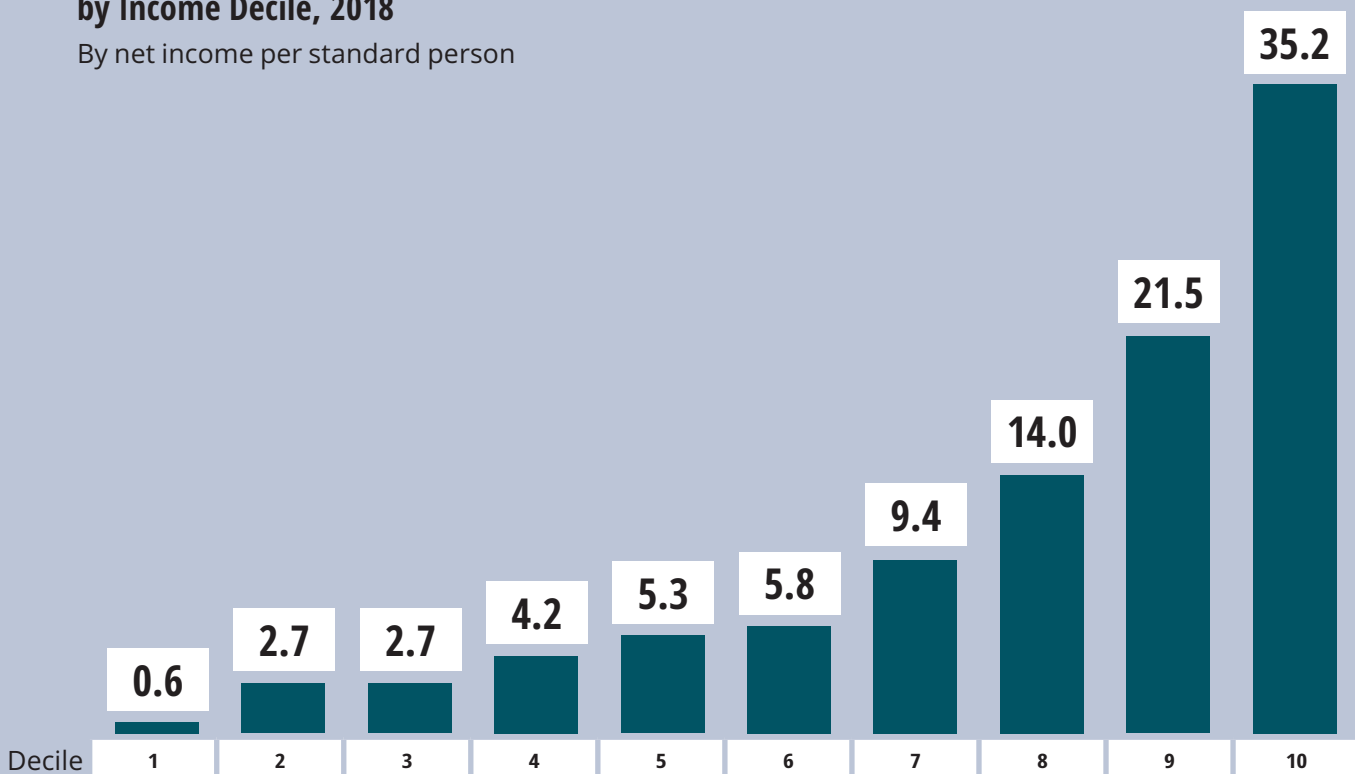
In 2018, 72.5% of households in Israel owned at least one apartment. However, the overall rate hides significant gaps among households. In the top two income deciles, 9 and 10, the rate of ownership of at least one apartment stood at 86.3% and 90.1% respectively. Lower

down the income ladder, the ownership rate decreased to 59.3% in the second decile and 42.7% in the lowest decile.

Quite a few Israeli families own more than one apartment. The ownership rates of two apartments or more rises the higher one climbs the income ladder: While in the lower income deciles the rates are negligible, in the top decile, more than one third of households own at least two apartments – 35.2%. Significant rates were also recorded in the 9th, 8th, and 7th deciles: 21.5%, 14%, and 9.4%, respectively.

Percentage of Households Owning Two Apartments or More, by Income Decile, 2018

By net income per standard person



Source: Adva Center analysis of CBS Household Income and Expenditures Survey file, 2018.

Household Income from Rent

An apartment is not only shelter and a family asset – it can be a financial asset as well. Some 10% of all households in Israel own two apartments or more [of which, some 80% belong to the top four deciles], where in most cases the extra apartment(s) yield income in the form of monthly rent, or appreciation in value.

"Financial apartments" are mostly found among the well-to-do. In 2018, 35.2% of households in the top income decile owned two apartments or more, as compared to 14% of households in the 8th decile and 5.3% of households in the fifth decile.

The other side of the coin: Those who do not purchase an apartment but rather depend upon the private rental market. The rate of renters among all households rose from 24.3% in 1997 to 28% in 2018. During this period, the increase in the rate of renters was particularly prominent among young married couples (aged 20–40) and middle income households (4th to 7th deciles).⁴⁴

Unlike many Western countries, where there exists a widespread option of public housing rentals or at least other rental alternatives (private companies, NGOs and cooperatives that rent apartments), in Israel families and young people who turn to the rental market have no choice but to rent from private individuals with "financial apartments."

Absent strong regulatory mechanisms, the private rental market becomes an arena in which power is distributed unevenly between owners and renters. For owners, a rental contract constitutes an agreement yielding income from a property. For the renters it is about assuring a roof over their heads.

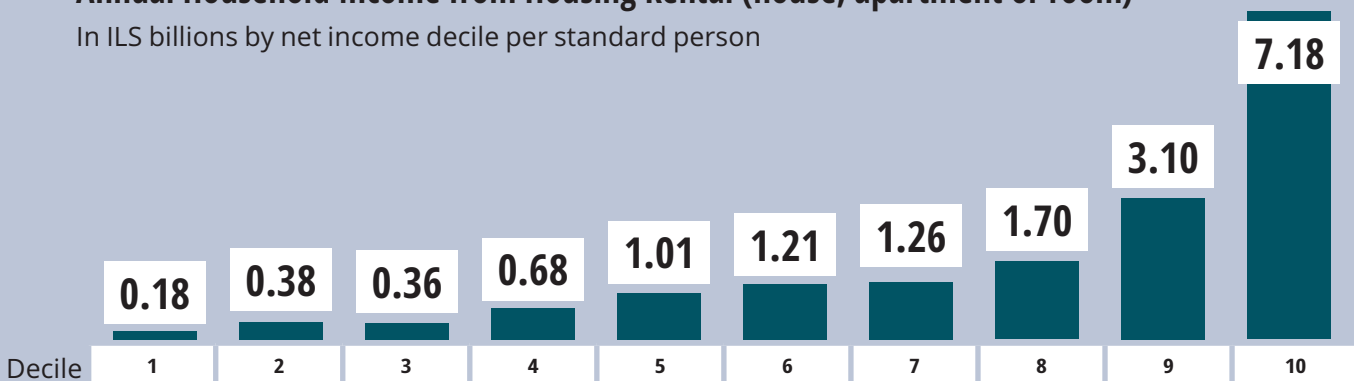
Under such conditions, private rentals are at base an arrangement to transfer capital from low-income households to affluent ones. Home owners become "rentiers" – families who enjoy a monthly rent paid by families unable to purchase an apartment. This rent becomes an important factor in the fashioning of wealth and the structuring of inequality in society.

By our calculations, based on the CBS 2018 Household Income and Expenditure Survey data, renters (not including public housing) paid owners a total of ILS 28.5 billion that year.⁴⁵

And who received the rent? In 2018, total income from rent stood at ILS 17.06 billion⁴⁶. Of this income, ILS 7.18 billion went to the top decile, 3.1 billion went to the 9th decile, and 1.7 billion went to the 8th decile. That is to say, the three highest income deciles together received 70% of all household incomes from rents, with the top decile alone sweeping up 42% of this income.

Annual Household Income from Housing Rental (house, apartment or room)

In ILS billions by net income decile per standard person



Source: Adva Center analysis of CBS Household Income and Expenditures Survey data, 2018.

Health

Health levels are associated with quality of life and therefore reflect class differences on a variety of issues: Nutritional profiles, environmental protection, housing quality, proximity to medical service centers, awareness of health risks, and more.

tered in Bedouin municipalities in the South: al-Qasum (17.5), Ksseife (13.1) Tel Sheva (11.7) Rahat and Houra (9.9 each).⁴⁹ The lowest rates were found among Jews in the Central and Tel Aviv Districts: 1.8 and 1.9, respectively.

The differences in quality of life are reflected in two main indices, which are used the world over to indicate gaps in health levels: Infant mortality and life expectancy.

As for life expectancy at birth: In 2017, the life expectancy of men in Israel – 80.6 years – placed the State in a high position among OECD countries. The life expectancy of women is higher – 84.6. Here, as well, this is the product of continuous improvement, in Israel as in the West in general.⁵⁰

In 2017 – the last year for which the OECD has published data – the rate of infant mortality in Israel stood at 3.1 deaths in the first year of life per 1,000 live births. This rate places Israel at a good spot among OECD countries, and it represents a multi-decade trajectory of improvement, among both Jews and Arabs.⁴⁷

Data for 2018 show that the life expectancy of Jewish men – 81.7 years – was higher than that of Arab men, which stood at 78.0 years, and the life expectancy of Jewish women was also higher than that of their Arab counterparts – 85.1 to 82.3, respectively.⁵¹

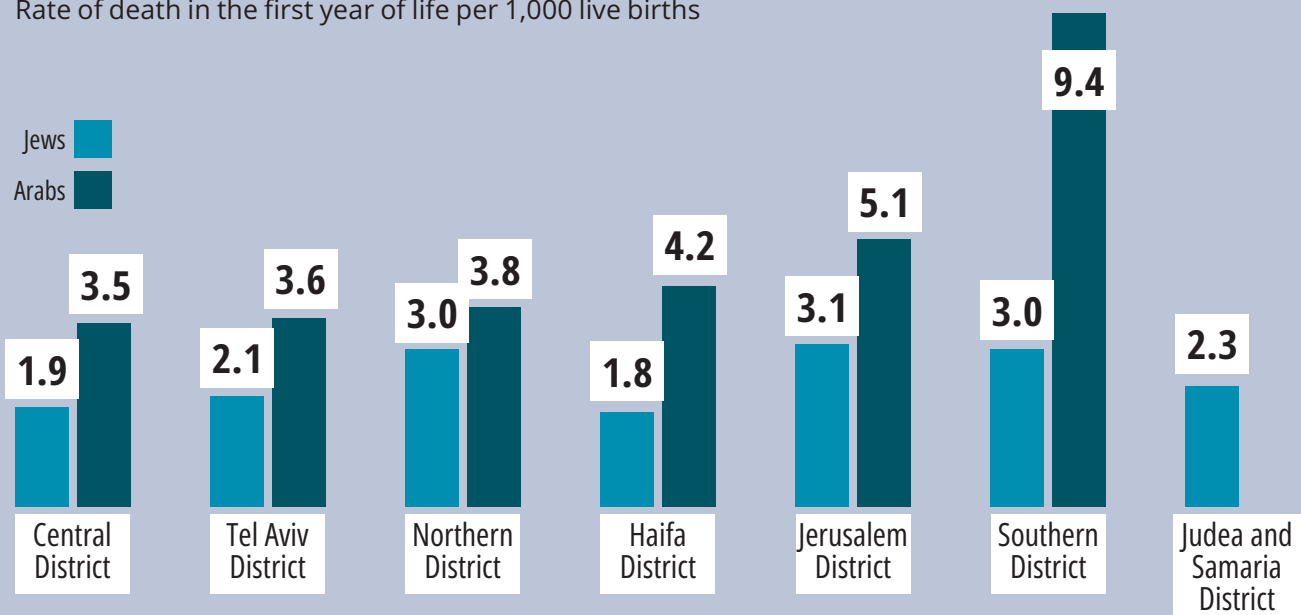
Over the past decade the infant mortality rate for Arab citizens of Israel has dropped from 6.6 to 4.8 per 1,000 live births, and among Jews from 2.9 to 2.5.⁴⁸

For men and women both, Israel places very well on both the life expectancy and healthy life years at birth expectancy scales (the number of years of life a person is expected to live without any function-impairing problem) for 2018, where it stood at 66.2 for women and 65.9 for men. Regrettably, data regarding the expectancy of healthy years of life at birth comparing Jews to Arabs has not been published.⁵²

An examination of the infant mortality rate by district (average for the period 2016–2018) shows that the highest rate is in the Southern District: Among Arabs in this district it stands at 9.4 (deaths in the first year of life per 1,000 live births). Especially high rates were regis-

Infant Mortality, by District and Population Group, Average for 2016–2018

Rate of death in the first year of life per 1,000 live births



Source: CBS, Israel Statistical Almanac 2019, p. 49.

Health Insurance

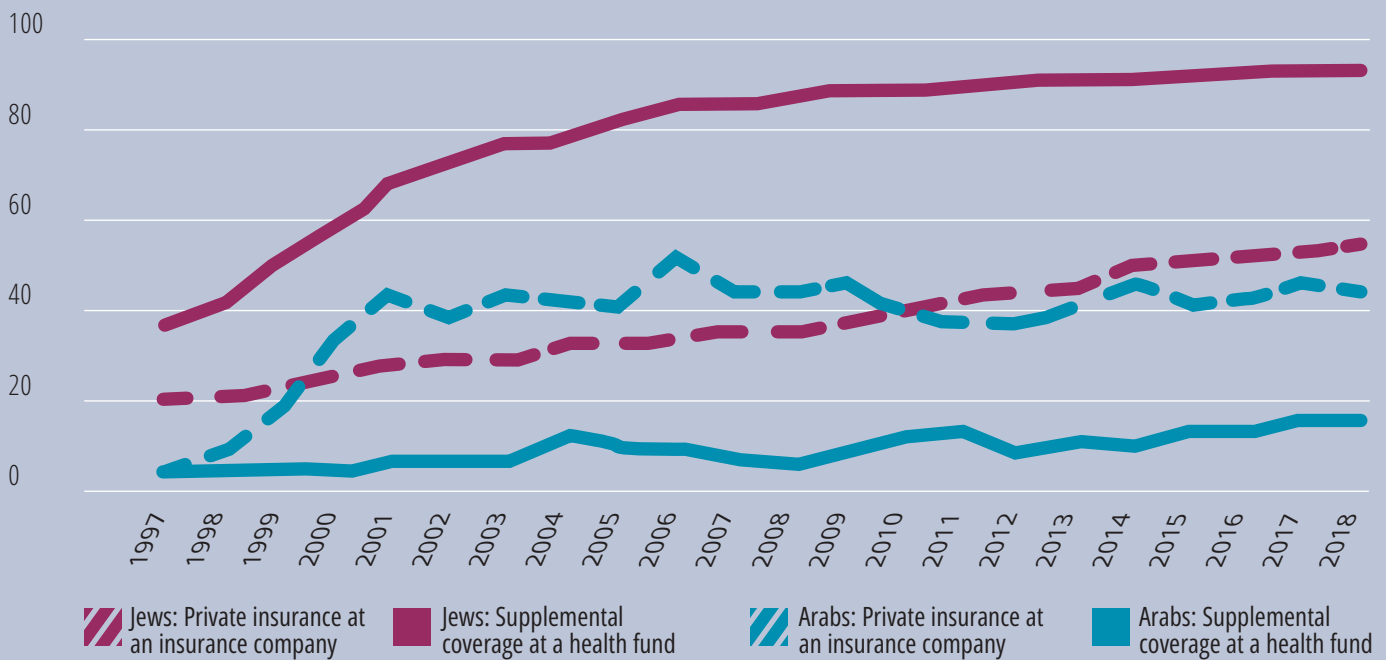
The 1994 National Health Insurance Law was intended to provide all Israeli residents with a package of healthcare services in exchange for the payment of a healthcare tax (and State supplementary funding). But the law failed to set a full updating mechanism for the cost of the healthcare package, and over the years gaps have formed between the funding – the healthcare tax paid by residents plus State supplementation – and the desirable cost of the healthcare package, or "basket," in Israeli parlance⁵³. Into this gap entered the health funds (HMOs), and with State approval began to market supplementary coverage ("Premium"/"Gold"/"Platinum" membership, as opposed to the basic package required by law), as did insurance companies, which began marketing private insurance policies.

This is where the economic gaps between households come into play: In the two decades from 1997 and 2018 there was an increase in the rate of households pur-

chasing supplemental healthcare coverage from the health funds, from 31.5% to 83.6%. During these years, the average coverage of households on private medical insurance policies purchased from insurance companies rose from 17.7% to 47.1%.

The economic gaps can be observed by comparing Jewish and Arab households. In 2018, the rate of Jewish households with supplemental HMO healthcare coverage was double that of Arab households – 91.5%, compared with 43.1%. That year a large gap – by a factor of 3.6 – was registered between Jewish and Arab households purchasing private healthcare insurance policies: 53.5% to 14.9%, respectively. It should be noted that in 2018, the rate of Jewish households with private insurance from insurance firms (which is costlier than supplemental coverage from the HMOs) was higher, at 53.5%, than the rate of Arab households with health fund supplemental coverage (43.1%).

Percentage of Households with Outlays on Medical Insurance Policies, by Type of Policy and Population Group, 1997–2018



Note: Private insurance includes specialized healthcare such as dental, heart condition home response, geriatric home response (including distress buttons). From 2011, private insurance also includes insurance for nursing care.

Source: Data provided courtesy of the Consumption and Finance Department at the CBS, January 2020.

These gaps are reflected in the data on monthly outlays on supplemental and private (insurance company) healthcare coverage. In 2018, the top decile spent an average of ILS 729 a month on additional coverage: ILS 319 on supplemental health fund coverage and another ILS 410 on private insurance (including nursing care insurance). In deciles 1 through 8, the expenditure on supplemental health fund coverage is higher than that on private insurance. In the lower deciles, expenditures on the purchase of private insurance are particularly low.

Supplemental and private healthcare insurance have become a huge business: In the year 2000, the expenditure by households on supplemental and private coverage, along with copays for medications and treatments, stood at ILS 4.6 billion; By 2018 it had grown to ILS 14.4 billion.

It can be argued that these coverages constitute additional taxes, on top of the payroll tax known as the "health fee," collected by the National Insurance Institute. For comparison, in 2018 the Institute collected a total of ILS

24 billion in health fees, but unlike the health fee, the additional insurance causes several forms of harm and bias to the system, such as:

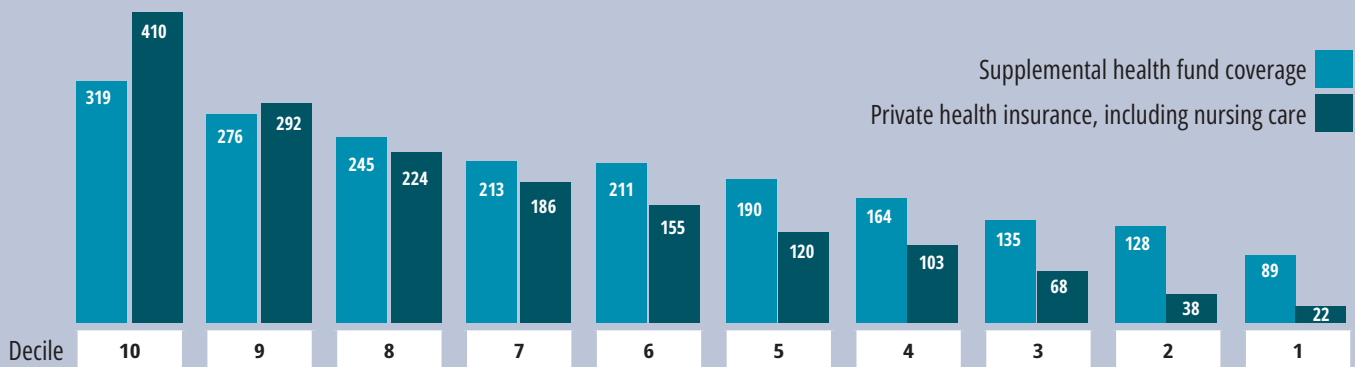
First, they harm the degree to which the healthcare system is public and universal. Those who hold extra insurance receive priority for surgeries and treatments – at the expense of Israelis who do not have additional insurance;

Second, they create a situation in which the most senior physicians leave the public hospitals in the afternoon, to perform private surgeries covered by the additional insurance. This causes long waiting lists for surgical procedures and consultations with expert physicians in the public system;

Unfortunately, there is no survey available regarding access of citizens to healthcare services by deciles, but it is very likely that the access gaps are very high.

Total Monthly Expenditure of Households on Supplemental and Private Health Insurance, 2018

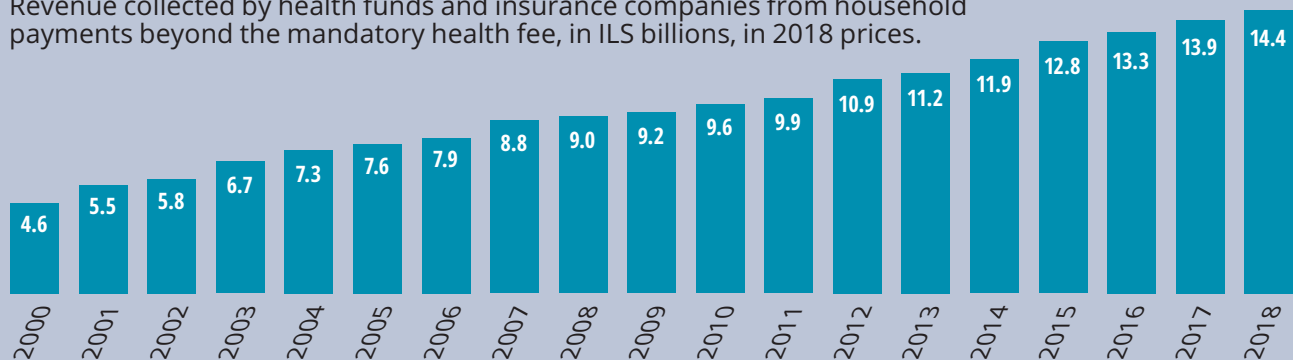
In ILS billions by net income decile per standard person



Source: Data provided courtesy of the CBS Consumption and Finance Department, December 2019.

Healthcare Fees Collected From the Total Population

Revenue collected by health funds and insurance companies from household payments beyond the mandatory health fee, in ILS billions, in 2018 prices.



Sources: Adva Center analysis of National Insurance Institute, *Statistical Quarterly*, Table 1.3.2, November 2019; Data received courtesy of the CBS Department of National Accounts, January 2020.

Footnotes

- 1 Ben Bassat, A. (2001) "The Obstacle Course Towards a Market Economy in Israel." In *From Government Involvement to a Market Economy* (Edited by Avi Ben Bassat). Tel Aviv: Am Oved and the Maurice Falk Institute for Economic Research in Israel, pp. 1-2 (Hebrew).
 - 2 Ibid..
 - 3 *Haaretz*, October 17th, 1999.
 - 4 Ben Bassat, A. (2001) "The Obstacle Course Towards a Market Economy in Israel." In *From Government Involvement to a Market Economy* (Edited by Avi Ben Bassat). Tel Aviv: Am Oved and the Maurice Falk Institute for Economic Research in Israel. pp. 1-2 (Hebrew).
 - 5 The broad government includes municipal authorities and national institutions..
 - 6 Ahdut, L., Ben Horin, G, Green, A. and Strawczynski, M. (2017) *Public Expenditure and Priorities in Allocations for Security, Education, Healthcare and Welfare*. Policy Studies 23, Jerusalem: Van Leer (Hebrew).
 - 7 Swirski, S., Konor-Attias, E. and Liberman, A. (various years). *Employees, Employers and the Division of National Income*. Tel Aviv: Adva Center (Hebrew).
 - 8 Eckstein, Z., Lifshitz, A., Menachem-Carmi, S., and Cogut, T. (2019). *Strategy for Economic Growth 2019*. Herzliya: The Interdisciplinary Center. p. 6 (Hebrew).
 - 9 Kosenko, K. (April 16, 2008) *The Formation of Business Groups in Israel and Their Effect on the Companies and the Economy*. Jerusalem: Bank of Israel(Hebrew).
 - 10 OXFAM. (January 15,,2017). "*Just 8 men own same wealth as half the world*".
 - 11 Dahan, M. (May 2018). Income Inequality in Israel: A Unique Development. To be published as a chapter in *Israel's Economy in the Past Twenty Years*. Am Oved Press (Hebrew).
 - 12 The National Insurance Institute also publishes data on the incomes of employees and self-employed individuals, but not by household. See chapter on wages below.
 - 13 <https://www.globes.co.il/news/article.aspx?did=1000812422>
 - 14 Ibid, ibid. See also: Shulman, S. (July 6, 2019) "In Israel, Millionaires is the New Normal." *CTech*.
 - 15 <https://www.forbes.com/billionaires/#36f9348e251c>
 - 16 Avriel, E. (June 10th, 2019) "The Big Money Club: Israel's Richest 500 – The Full Ranking." *The Marker* (Hebrew).
 - 17 Ministry of Finance, Department of the CFO (April 2nd, 2017). "Weekly Focus: The income and taxes of the 400 highest earners in Israel." *Weekly Economic Review* (Hebrew).
 - 18 Swirski, S.; Konor-Attias, E.; and Liberman, A. (March 2019) *Social Report 2018*. Tel Aviv. Adva Center. (Hebrew).
 - 19 According to the definition of the CBS, national income is composed of gross national product plus income (compensation for work and property) from abroad, plus taxes, minus transfers from abroad.
 - 20 The part of employers in the national income is called the operating excess. The figure presented above is the domestic operating excess minus owned apartments. Shechter, N. (December 31st, 2019). "*Conference: Annual Economic Summary*" PowerPoint Presentation. Tel Aviv: Central Bureau of Statistics (Hebrew).
- For further reading see: Swirski, S.; Konor-Attias, E. and Liberman, A. (various years) *Workers and Employers and Distribution of the National Income*. Tel Aviv: Adva Center (Hebrew).
- 21 Stiglitz, J. (March 31, 2011). "Of the 1%, by the 1%, for the 1%," *Vanity Fair*.
 - 22 For further details: Swirski, S., Konor-Attias, E., and Liberman, A. (January 2018) *Israel: A Social Report 2017*. Tel Aviv. Adva Center.
 - 23 Central Bureau of Statistics (November 26th, 2019) *Preliminary Findings from the Household Expenditures Survey of 2018*. Press release, Jerusalem (Hebrew).
 - 24 The data of the National Insurance Institute update later than those of the CBS, as can be seen in the following figures. Rosenberg, M. (November 2019). *Wages and Income from Work by Municipality and Different Economic Variables, 2017*. Periodical surveys 209. Jerusalem: National Insurance Institute (Hebrew); Central Bureau of Statistics. (December 9th, 2019). *Gross Incomes of Wage Earners from the Household Expenditure Survey of 2018*. Press release, Jerusalem (Hebrew).
 - 25 The increase in the number of breadwinners in households occurred mostly in the lower part of the income ladder. For further reading, see: Swirski, S.; Konor-Attias, E., and Liberman A. (2019). *Social Report 2018*. Tel Aviv: Adva Center.
 - 26 Swirski, S., Konor-Attias, E., and Liberman, A. (January 2018) *Israel: A Social Report 2017*. Tel Aviv: Adva Center.
 - 27 The growth in the number of breadwinners in the household took place mostly in the lower part of the income ladder. Between the years 2000 and 2018, the number of breadwinners in the lowest decile grew by 65%, in the second decile by 60% and in the third decile by 50%. Data provided courtesy of the Consumption and Finance Department at the Central Bureau of Statistics, December 2019.
 - 28 The OECD does not present data on the gender distribution of low wage earners.
 - 29 The National Insurance Institute (December 2019). *The Scope of Poverty and Social Gaps 2018*. Annual report. Jerusalem (Hebrew).
 - 30 Central Bureau of Statistics (Nov. 26th, 2019). "Preliminary findings from the Household Expenditures Survey of 2018." *Press release*. Jerusalem (Hebrew).
 - 31 National Insurance Institute website, February 2020. This year The National Insurance Institute did not publish data that would enable a gender analysis of wage levels.
 - 32 National Insurance Institute. *Annual Report 2017*. Chapter 2: "Poverty, Welfare, and Social Gaps." p.2 (Hebrew)

- 33 National Insurance Institute (December 2019). *Scope of Poverty and Social Gaps 2018. Annual Report*. Jerusalem (Hebrew).
- 34 Swirski, S., Liberman, A., Konor-Attias, E. (February 2019). *Near Poverty: Risk of Poverty, Chance of Joining the Middle Class*. Tel Aviv: Adva Center (Hebrew).
- 35 Some households were not sampled at all: These are Bedouin households in the unrecognized villages in the Negev. For further review: National Insurance Institute (December 2019). *Scope of Poverty and Social Gaps 2018. Annual Report*. Jerusalem (Hebrew).
- 36 The OECD uses a poverty line of 60% of the median income in the country and measures individuals and not households. The definition of income includes components which are not included in the National Insurance Institute's calculations, such as income from pensions from abroad. In addition, the number of people according to the OECD is determined by a different mathematical calculation and not the standard person as defined by the CBS.
- 37 Takhuaco, M. (December 2019). *The Arab Society as an Engine of Growth in the Israeli Economy*. Tel Aviv: The Interdisciplinary Center, The Aharon Institute for Economic Policy (Hebrew).
- 38 For further comparison for the years 2003–2016, see: Swirski, S., Liberman, A., Konor-Attias, E. (2019): *Near-poverty: Risk of Poverty, Chance of Joining the Middle Class*. Tel Aviv: Adva Center (Hebrew). In this document, the definition of informal education did not include dance, drama, and performing arts lessons and classes.
- 39 Weissblai, I. (2012). *Government involvement in provision of supplemental frameworks and informal education for youth – a comparative review*. Jerusalem: The Knesset Research and Information Center (Hebrew).
- 40 Ibid.
- 41 Apart from the top stratum, in which the number of Arab households sampled was particularly low, and therefore not included in this analysis.
- 42 Yaron, A. and Agmon, T. (2017). *Breakdown of the Ministry of Education Budget for Informal Education for Children and Youth in Municipalities*. Jerusalem: the Knesset Research and Information Center (Hebrew).
- 43 This chapter was written by Yaron Hoffman-Dishon
- 44 CBS, "Housing in Israel, Data from the Household Expenditures Surveys 1997–2015." Press Release. January 2018.
- 45 Adva Center analysis of CBS Household Income and Expenditures Survey file, 2018.
- 46 The amount reported as income from rent is significantly lower than the amount reported as expenditure on rent. There are several possible explanations for this. It is possible that the Israelis surveyed by the CBS are more assiduous at reporting their expenditures than their incomes; it is also possible that some of the beneficiaries of rents paid by Israelis are foreign residents who are not sampled by the CBS.
- 47 Central Bureau of Statistics. *Israel Statistical Almanac 2019 – No. 70*. Table 3.14
- 48 Central Bureau of Statistics. *Israel Statistical Almanac 2019 (New Edition)*, pp. 48.
- 49 Central Bureau of Statistics, Data file of municipalities for 2017.
- 50 Central Bureau of Statistics. *Israel Statistical Almanac 2019 – No. 70*. Table 3.14.
- 51 Ibid, table 3.5
- 52 Central Bureau of Statistics. *Israel Statistical Almanac 2019 (New Edition)* pp. 42.
- 53 For further reading on the way in which the healthcare package is calculated, see: The Adva Center (October 2015) *National Budget 2015–2016; Wanted: A Stronger Public Option*. Adva Center Comments on the 2015–2016 Budget Proposal. Tel Aviv (Hebrew).

