

# ISRAEL: A SOCIAL REPORT – 2022

The Inequality  
Epidemic Still Rages

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May 2022



# ISRAEL: A SOCIAL REPORT – 2022

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# Introduction: The Corona Epidemic Was Enriching for the Rich

At present (April 2022), the socio-economic picture of the whole world is changing before our very eyes, against the background of the war raging in eastern Europe. Russia and the Ukraine, both major players in the world grain and energy markets, are fighting a war that will probably affect the economic activity and the public agenda in many countries. While Israel is not close to the battle arena, it is part of the international trade networks of the two combatants and as such, its economy cannot but feel the brunt; for example, fuel and food prices will be impacted, and with them, the size of households' disposable income.<sup>1</sup>

The nature of socio-economic data is that they become known with the passage of time – some after a few months and others after a year or two or more. In the meantime, the latest socio-economic data for Israel published by state institutions – the Bank

of Israel, the Central Bureau of Statistics (CBS) and the National Insurance Institute (NII) – are, at best, for 2021, while some are for 2020 and others for 2019.

And during those years, we were subject to another worldwide crisis with socio-economic implications – the Corona epidemic. That epidemic, which has yet to run its course, though it was shunted to the margins of the news by the sights and sounds of the Russian war against the Ukraine, caused the death of millions, the closure of numerous businesses, unemployment rates unknown since the 1929 crash, as well as huge government outlays for aid to individuals and businesses and, of course, on health.

At the same time there were individuals who not only were not adversely affected during the Corona crisis, but actually profited.

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<sup>1</sup> “The Ukraine war raised the price of oil and gas.” Ministry of Energy. February 22, 2022. “Update on the price of gas”. March 2022. **Yediot Aharonot** (Hebrew)

This was the case of the ten richest persons in the world, whose combined worth prior to the epidemic stood at 700 billion dollars, a sum that had doubled by 2022 to 1.5 trillion dollars.<sup>2</sup>

Israel's wealthy partake of the same phenomenon: according to the financial newspaper "The Marker," the wealth of the 500 richest persons in Israel quadrupled over the last four years and grew by 32% between 2020 and 2021.<sup>3</sup>

The figures presented below reflect the first chapters of the story of the epidemic, which is also a story of the widening of inequality in Israel and elsewhere. This, in hope that the war currently raging in eastern Europe ends quickly and will not become the main story of **Israel: A Social Report** next year.

**Israel's wealthy partake of the same phenomenon: according to the financial newspaper "The Marker," the wealth of the 500 richest persons in Israel quadrupled over the last four years and grew by 32% between 2020 and 2021.**

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2 "Ten richest men double their fortunes in pandemic while incomes of 99 percent of humanity fall". London: Oxfam, Press Release, 17<sup>th</sup> January 2022.

3 The figures include the value of Stock Market assets but do not reflect total financial assets. Avriel, A. June 7, 2021. "500 of Israel's richest are worth 326 billion dollars – and are tearing the country apart". **The Marker** (Hebrew)

# Increase in Wealth during the Corona Epidemic – Also in Israel

The data published in Israel on economic inequality concern household income and not household or individual wealth – that is, they do not refer to the money and assets that households have accumulated over the years.

The only consecutive figures on wealth in Israel that are published by the Central Bureau of Statistics (CBS) come under the rubric of “Financial Assets Owned by the Public,” mainly stocks and government and corporate bonds.<sup>4</sup> Unfortunately, the CBS neither collects nor publishes figures on the division of those assets among the various social strata in

Israeli society. The banks and insurance companies, of course, have figures on capital assets, but they have no obligation and certainly no interest in becoming part of official statistics.

It is reasonable to assume that the wealth share of individuals and households in the top income deciles and mainly the top income centile is much larger than their share in the population. We also know that two-thirds of employed persons earn no more than the average wage, an amount that is not sufficient for the accumulation of significant financial assets.<sup>5</sup>

**A change in the extent of financial assets held by the public – growth or decline – means first and foremost an increase or decrease in the assets of those Israelis owning a large amount of such assets to begin with.**

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<sup>4</sup> Includes cash, accounts (including savings accounts, foreign currency accounts, pension funds, provident funds); fungible bonds and stocks held by households and businesses. Does not include holdings of government, the Bank of Israel, commercial banks, mortgage banks and investments of foreign residents.

<sup>5</sup> As there are no figures on financial assets by income decile or economic status, we chose to present household deficits. In 2018, the two bottom income deciles had deficits, the income and expenditures of deciles 3-4 were even. Savings characterized only the upper deciles. CBS. **Survey of Household Income and Expenditures**; Rosenberg, M. 2021. **Salaries and Income from Work by Locality and by Various Economic Characteristics** 2019. NIL.

If so, a change in the extent of “financial assets held by the public” – growth or decline – means first and foremost an increase or decrease in the assets of those Israelis owning a large amount of such assets to begin with.

So, what happened during the first year of the Corona epidemic? As is well known, the epidemic caused a slowdown in economic activity, the lockdown of numerous businesses and a hike in unemployment.

At the same time, the financial assets held by the public grew. In 2019, the year before the epidemic, financial assets held by the public totaled NIS 4.061 billion – the highest amount ever, representing an increase of 10.3% in comparison with 2018. And then in 2020, the first year of the epidemic, the financial assets held by the public increased by 8.5%, to NIS 4,406 billion<sup>6</sup> (recall that the owners of these assets are in the upper income deciles and especially the upper income centiles). To understand the significance of the size of these assets, they can

be compared with the state budget: in 2019 Israel's budget amounted to NIS 489.2 billion; in 2020 it was higher due to additions earmarked to combat the Corona epidemic: NIS 563.1 billion – some 8 times smaller than the extent of the financial assets in the hands of the public.<sup>7</sup>

How could that happen? It's simple: the increase cannot be attributed to the owners of the assets increasing their workday by 8.5%, but mainly to the fact that the economic crisis resulted in individuals and institutions investing their money in the capital market and not in economic activity in the real world – for example in equipment, machines or industrial plants. The capital markets in Israel and the world were not adversely affected by the Corona epidemic; on the contrary: the leading stocks listed on the Tel Aviv Stock Exchange broke their 2019 record.<sup>8</sup> It should be noted that possession of financial assets is not limited to the top income deciles. Anyone who has a small savings account for their children or saves part of their salary in a pension fund owns

**The capital markets in Israel and the world were not adversely affected by the Corona epidemic; on the contrary: the leading stocks listed on the Tel Aviv Stock Exchange broke their 2019 record.**

6 2020 prices. Adva Center analysis of CBS, **Statistical Abstract of Israel**, various years.

7 Adva Center analysis of Ministry of Finance, CFO. **Financial Report**, various years; CBS, **Statistical Abstract of Israel**, various years.

8 Dror, G. December 31, 2021. **The Tel Aviv Stock Exchange Summarizes 2021**. Securities and Exchange Authority in Tel Aviv.

financial assets. Thus, one could say that most of the public benefits from the increase in the size of financial assets in Israel. However, here we need two reservations: firstly, a difference in amounts, for there is a huge difference between an increase of 8.5% in the value of a savings account for children in the family and an increase of 8.5% in the value of the millions that the wealthiest invest on the Stock Exchange. Secondly, the general public will benefit from the increase mainly via an increase in the value of their future pension, under the assumption that their pension savings will continue to increase in the future. In contrast, the wealthy benefit from an increase in the value of financial assets that can be capitalized in the short term. Finally, the increase in the value of assets generally held by the wealthy – stocks, for example, was higher than the increase of other types of assets.

### Is it possible for that increase in wealth to benefit all Israelis and not just a few?

The increase in wealth of Israel's rich could benefit the general public, if the taxes they paid grew at the same rate as their wealth. In this way, they would enable the State to invest in services available to all citizens. However, while the financial assets in the hands of the public grew between 2015 and 2020 by 31.6%, state revenues from taxation grew by only 14.5%.<sup>9</sup>

Of course, the wealthy pay a large proportion of total tax revenues, mainly income tax, whose rate increases with income. However, the level of taxes collected in Israel as a percentage of GDP is among the lowest among western and central European countries that are members of OECD, where the tax share is between 40% and 45% of GDP, in comparison with 29.7% for Israel. Moreover, Israel has no wealth tax and no inheritance tax.

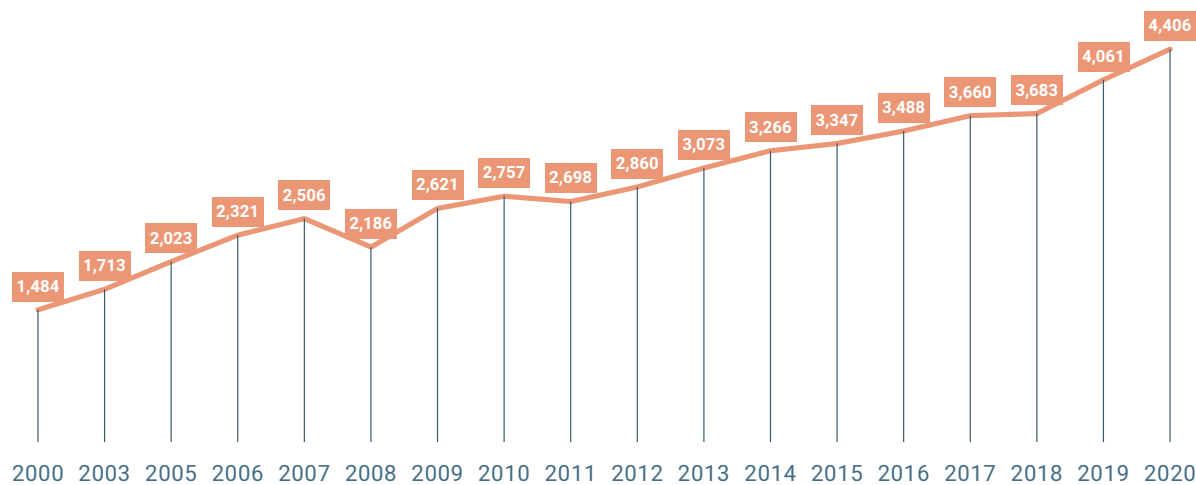
Neoliberal economists tend to argue that high taxation has an adverse effect on economic activity, as it leaves less money in the hands of the rich, who invest their money in the economy and

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<sup>9</sup> No up to date figures on financial assets for 2021 are available. However, figures on tax revenues for that year show that there was an increase of 29% over 2020 revenues. The most significant increase was listed for taxes on earnings made on the capital market. Adva Center analysis of Ministry of Finance. **Report of the State Revenues Authority**, various years; Ministry of Finance, Office of CFO, **Estimate of the Deficit for 2020**. November 1, 2021.

by so doing create economic growth and employment. The assumption that economic growth benefits everyone is not necessarily so; often investments do not create jobs, but rather are used for financial deals or the purchase of personal or family luxuries. Moreover, the decision to invest is affected by many considerations, first and foremost the expected gain and the confidence in the economy as a whole. For example, in 2020, the first year of the Corona epidemic, which was a crisis year, the total investment in fixed assets decreased by 2%, and of the same, the investment in machinery and equipment and means of transportation – investments traditionally considered job creators, decreased by 14.3%.<sup>10</sup> The wealthy resumed such investments only in 2021.

### Total Financial Assets in Israel Owned by the Public, 2000-2020



Source: Adva Analysis of CBS, Statistical Abstract of Israel, various years.

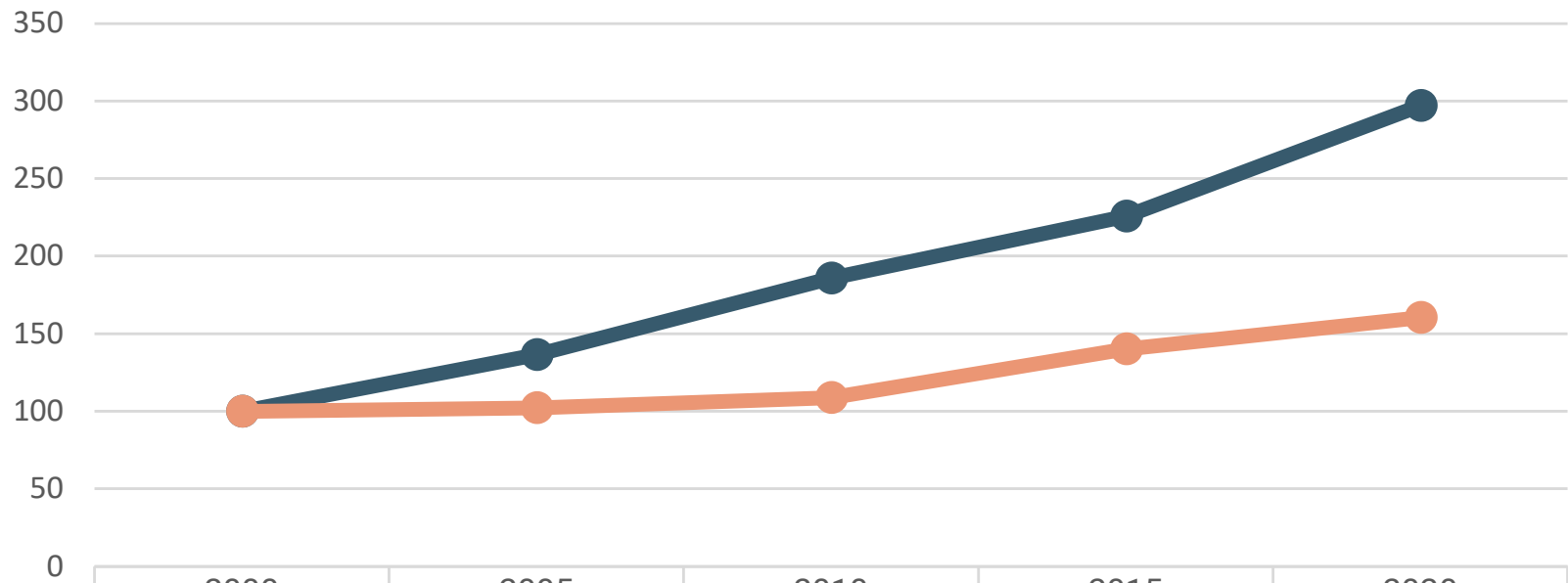
<sup>10</sup> Investments in fixed assets excluding housing. CBS. March 2022. "Gross investment in fixed assets and net working capital by economic sector", 1995-2020. Press Release; CBS. March 30, 2022. **Macro-Economic Statistical Quarterly, October-December 2021.**

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### Change in Financial Assets in Israel Owned by the Public and Change in State Revenues from Taxation, 2000-2020

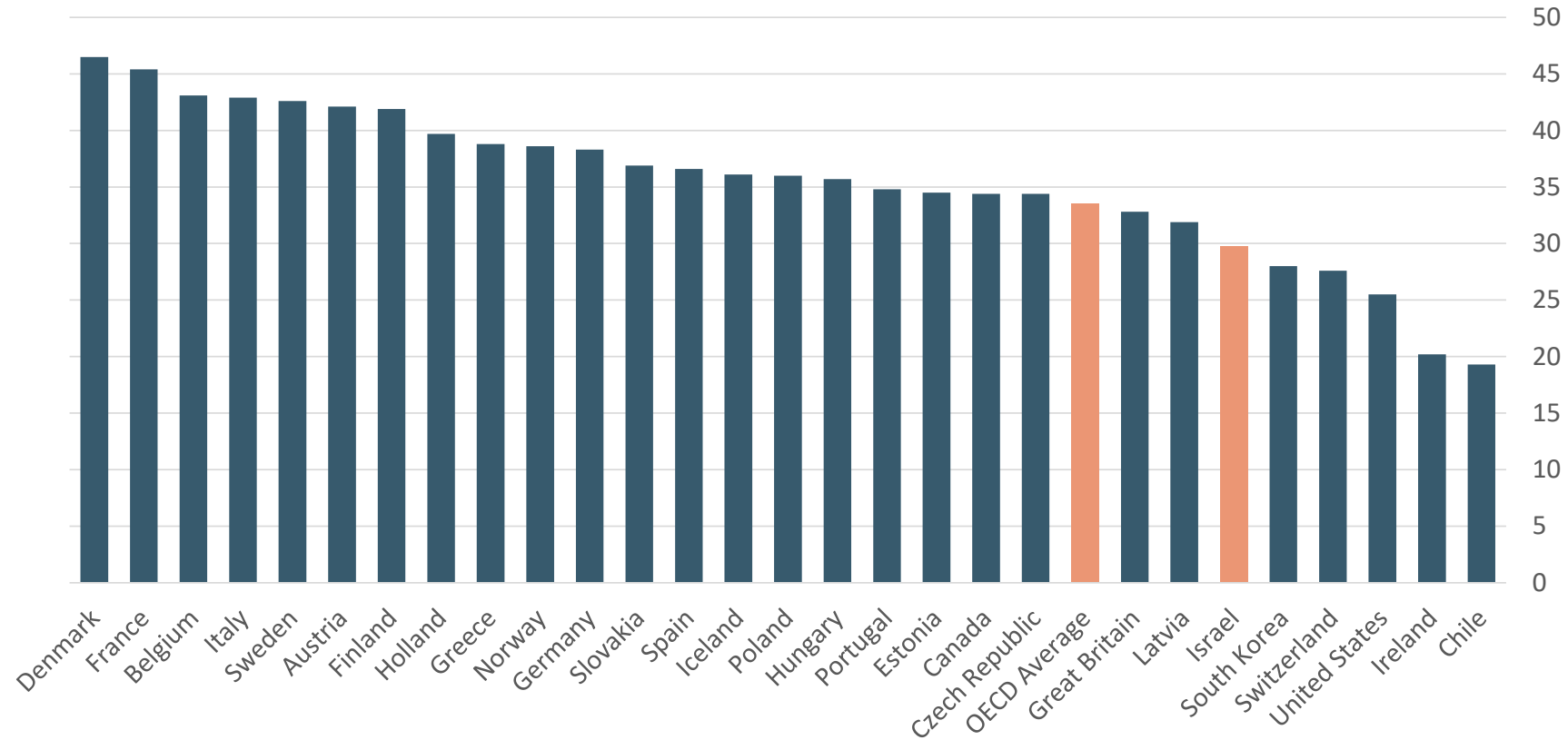
2000=100



	2000	2005	2010	2015	2020
Financial Assets	100	136	186	226	297
Tax Revenues	100	102	109	140	160

**Sources:** Adva analysis of CBS, **Statistical Abstract of Israel**, various years; Ministry of Finance, **State Revenues Authority, Annual Report**, various years; Ministry of Finance (January 11, 2021). "Initial Estimate of Implementation of Budget Outlays, Government Deficit and its Financing for the Year 2000". Press Release

### Tax Rate of the General Government as a Percentage of Gross Domestic Product, 2020



**Note:** "General Government" is comprised of the central government, the National Insurance Institute, local authorities, non-profit institutions (health funds, universities, yeshivas, etc) whose main sources of income are from the public coffers, as well as national institutions (Jewish Agency, National Fund and the World Zionist Congress). Its activity is measured in accordance with the definition of national accounts, which differs from the measurements utilized for the state budget. For further information see Bank of Israel, **Annual Financial Report**, various years.

**Source:** OECD. 2022. **Tax revenue (indicator)**. Doi: 10.1787/d98b8cf5 (Accessed on March 13, 2022).

**Education**



# Educational Pyramid – Fewer than One-Third of the Age Cohort Continue on to Higher Education

The outstanding success of the hi-tech sector in Israel – its centrality in economic growth and export, the exits that have created a stratum of *nouveau riche* with high salaries – have led to the adoption of a social vision on the part of numerous Israelis, including senior politicians, whose essence is to transfer more and more employees from other economic sectors to hi-tech.

This is a very problematic vision, for the economy requires activity on all fronts. However, if we ignore this truth for the moment and focus on hi-tech, we cannot ignore the fact that the hi-tech vision, incomplete as it is, requires first and foremost educated workers.

However, Israel's educational system is far from up to the challenge. Although over the past 15 years the number of students among the age cohort enrolled in twelfth grade has grown somewhat, and the percentage of seniors matriculating has also increased, at the same time, the percentage of high school graduates continuing on to academic studies has remained low.

This fact is based on a follow-up study of high school graduates eight years after graduation, carried out by the Central Bureau of Statistics. The last class for which data was published was the class of 2012.

**There is a social vision on the part of numerous Israelis, including senior politicians, whose essence is to transfer more and more employees from other economic sectors to hi-tech.**

The Ministry of Education regularly publishes the percentage of **seniors** graduating high school with a matriculation (bagrut) certificate. In contrast, we examine the percentage of the **age cohort** matriculating. This we do in order to take into account young people who have dropped out, as well as those not studying towards high school matriculation, like some of the Haredi youth.

Between 2000 and 2012, the percentage of 17 year olds enrolled in twelfth grade increased from 77.9% in 2000 to 79.7% in 2012. In the interim there were higher enrolments, for example 82.3% in 2004 and 2010.

During the same period – 2000 to 2012 - the percentage of the age cohort matriculating increased significantly, from 40.8% to 49.8%, although the period did see ups and downs.

In contrast, between 2008 and 2020, the proportion of students embarking on higher education (not including teachers' seminaries) within eight years of high school matriculation, hardly changed (from 26.3% to 26.6%) – we are talking about only slightly more than one-fourth of the age cohort. Adding students entering teachers' seminaries raised the percentage in 2020 to 31.1%, after it was somewhat higher in 2015 – 33.8%.<sup>11</sup>

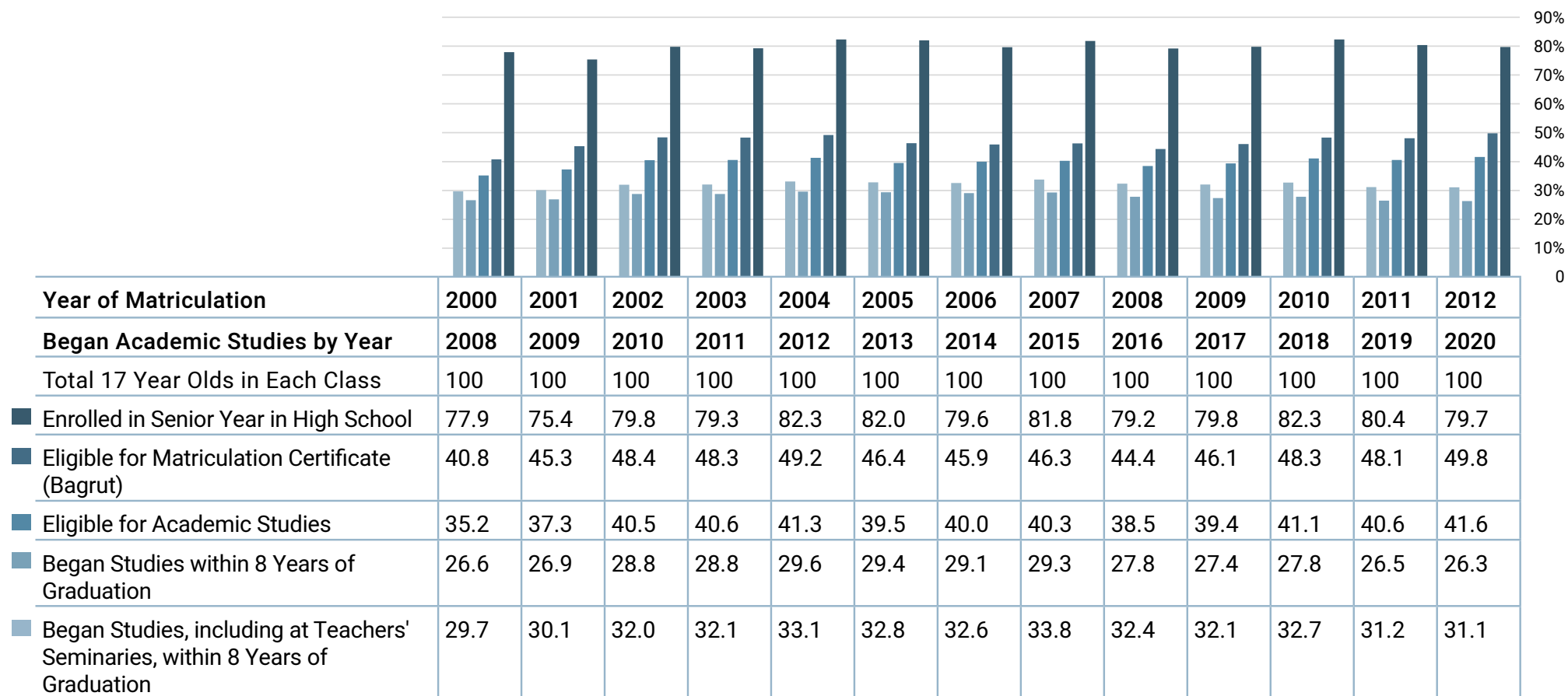
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11 As the references in this chapter are all in Hebrew, the Hebrew reader is herein referred to the original Hebrew document: [תמונת מצב חברתית 2022](#)

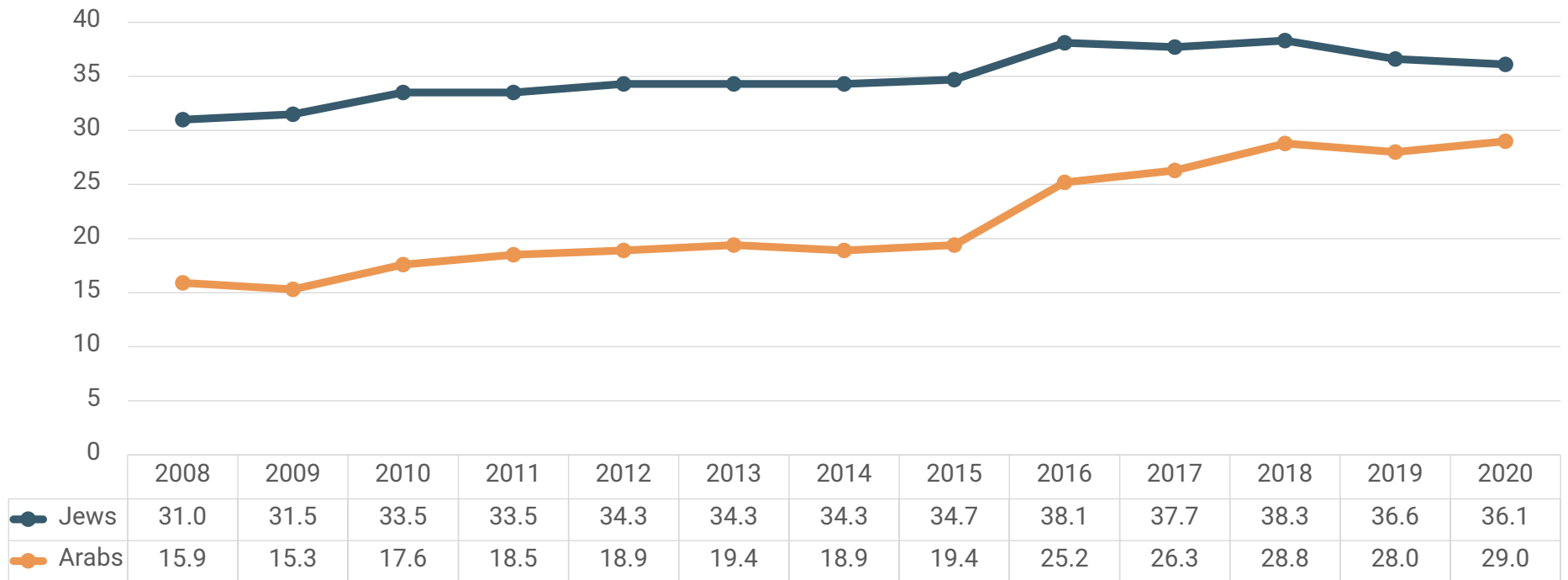
## Educational Pyramid: Students Who Were 17 Years Old between 2000 and 2012 and Were Admitted to Colleges and Universities in Israel between 2008 and 2020

Within 8 Years of High School Graduation



**Sources:** Adva Center analysis of Central Bureau of Statistics, **Statistical Abstract**, various years; Ministry of Education, Culture and Sports, Examinations Department, **Matriculation Figures**, various years.

### Educational Pyramid: Jewish and Arab Students Who Were 17 Years Old between 2000 and 2012 and Enrolled In Institutes of Higher Learning in Israel between 2008 and 2020



**Note:** Does not include students enrolled in the Open University.

**Sources:** Adva Center analysis of Central Bureau of Statistics, **Statistical Abstract**, various years; Ministry of Education, Culture and Sports, Examinations Department, **Matriculation Figures**, various years.

The percentage of Jews admitted to institutes of higher learning in Israel (including teachers' seminaries) within eight years of matriculation increased from 31% in 2008 to a high of 38.3% in 2018, then declined somewhat to 36.1% in 2020.

The percentage of Arabs enrolled in institutes of higher learning in Israel (including teachers' seminaries) within eight years of matriculation increased from 25.9% in 2008 to 29% in 2020. During the last decade, following targeted programs to increase the percentage of Arab students studying for academic degrees -- initiated by the Israel Council on Higher Education -- there was a significant change (especially since 2015). Within a decade, the number of Arab students grew by 122%. There was an increase of 106% in the percentage of Arab students studying for bachelors' degrees; in 2009/2010, Arab

students constituted only 10% of those studying for bachelors' degrees, and in 2020/2021 – 18%.

It should be noted that the above figures refer to Arab students enrolled in recognized institutions in Israel. According to a survey conducted by the Galilee Society, a non-profit organization, in 2017 some 24% of Arabs studying for first degrees were enrolled in institutions abroad.<sup>12</sup>

**During the last decade (2008/2010 to 2020/2021), following special programs designed to increase enrolment in higher education for Arab students, initiated by the Israel Council on Higher Education, there was an increase of 122% in Arab students attending institutes of higher learning in Israel.**

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<sup>12</sup> The figures presented in this chapter are for students admitted to colleges and universities in the 2019/2020 academic year and therefore were not affected by the Corona epidemic. It should be noted that the academic year 2020/2021 was characterized by an unusual increase in the number of students. The number of first-degree candidates increased by 16% -- from 54,563 to 63,304, an addition of 8,650 students. This increase can be explained by the increasing tendency of young people to register at institutes of higher learning following the Corona lockdowns and the labor market crisis. We will need to see if this becomes an ongoing trend.



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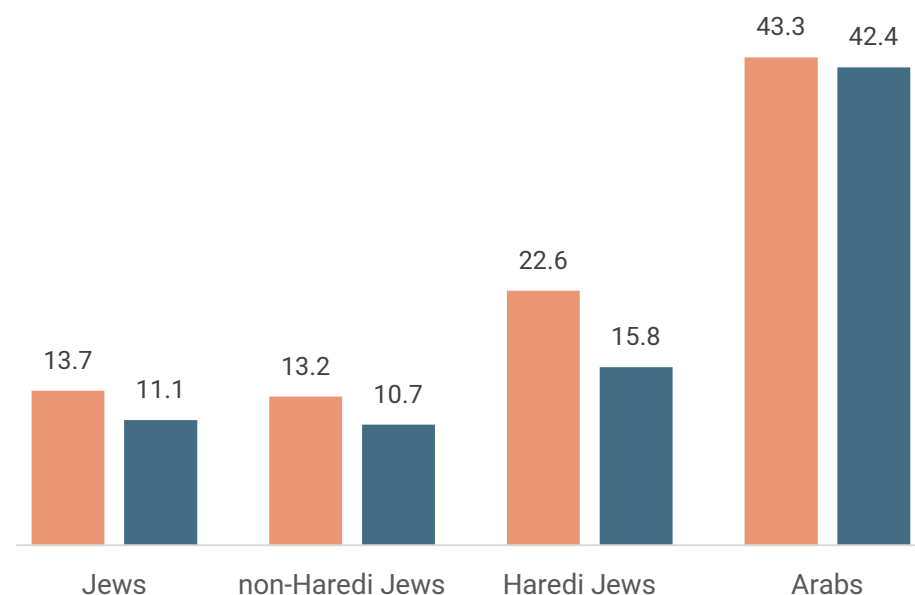
# Food Insecurity



Food security is commonly defined as a situation in which everyone has physical and economic access to food that is both nutritious and sufficient to answer their needs and to carry on an active, healthy life.<sup>13</sup> Thus, if the above conditions are not met, the situation is one of food insecurity, either temporary or ongoing.

In Israel, food insecurity has been studied by various institutions. Among others, the National Insurance Institute (NII) put out special publications dealing with food insecurity, the most recent in 2016. No equivalent updates are available. The NII reports show that food insecurity is associated with low income and dependency on income support payments. Figures published by the NII in another publication, the **Poverty and Social Gaps Report for 2020**, show a decline in food insecurity, without reference to income support payments. The Report shows that while food insecurity declined, the trend of inequality by social group continued; that is, there is still a dramatic gap between the food insecurity of non-Haredi Jews and that of Haredi Jews and Arabs. In general, the susceptibility of the Arab population of Israel to food insecurity is four times that of non-Haredi Jews. Another social group that is susceptible to food insecurity is solo-parent families, whose share in those needing assistance is three times their proportion of the population.

**Food Insecurity of Families by Social Group,**  
2016 and 2020, in Percentages. ■ 2016 ■ 2020



**Source:** Endeweld, M. et al. 2021. **Poverty and Social Gaps Report for 2020**. Jerusalem: NII. Table p. 14

The decline in food insecurity can be attributed to various assistance channels – food distribution, improving the nutritional value of the food acquired without paying more, raising the

<sup>13</sup> As all the references in this chapter are in Hebrew, the Hebrew reader is referred to the original report in Hebrew: [תמונת מצב חברתית 2022](#)

standard of living in general, and the provision of access to these channels. Israel reduces poverty by making transfer payments, by educating for a healthy and balanced diet, and by direct assistance with food to families and individuals in a variety of ways. Some of these responses are provided to the general population (like the food program for children in the first and second grades); others are provided differentially -- for example through the social services, in accordance with the socio-economic level of the locality, or through the Department for Children and Youth at Risk at the Ministry of Education. Research shows that the best response is a universal one; that is, one that affects the entire population. Studies conducted during the Corona epidemic revealed that some of the responses were cut back dramatically, especially during the first lockdown. Another finding of research conducted during the Corona epidemic revealed that in contrast to the prevailing assumption, not all those suffering from food insecurity are identified by social service and education authorities.

One of the sectors that do not receive sufficient attention are young people from 4th grade and up. For those young people, attention is not universal but rather focused on children and youth at risk. Professionals estimate that some 1,600 high schools in Israel provide no response to the phenomenon of food insecurity.

In order to provide a response that answers the needs, it is necessary to collect systematic data, something that is not being done, according to a study conducted by the Knesset Center for Information and Research: "One of the results of the absence of a national policy in the area of food security is that decision makers do not have ongoing and up to date figures on the extent of the phenomenon of food insecurity, of nutrition in general and among Israeli children in particular, and there is a dearth of complete and accessible information about their special needs."<sup>14</sup> This short chapter joins the urgent call to collect systematic figures, especially on food insecurity among young people.

**One of the sectors that do not receive sufficient attention are young people from 4th grade and up. For those young people, attention is not universal but rather focused on children and youth at risk. Professionals estimate that in some 1,600 high schools in Israel there is no response to the phenomenon of food insecurity.**

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14 Rabinovitz, M. and Weisblat, A. 2021. "Food Security Among Children in Israel: Routine Government Actions and During the Corona Epidemic". Jerusalem: Knesset Center for Information and Research, p. 6 (Hebrew).

## Proportion of Children up to Age 18 Suffering from Food Insecurity

In families from different social groups, 2016, in percentages

Social Groups	Total Food Insecurity	Of That: Severe Food Insecurity
Total	25.5	14.1
<b>Social Group</b>		
Jews	17.0	6.8
Arabs	50.6	35.3
Haredi Jews	26.3	10.4
<b>Recipients of Transfer Payments (not including child allowances)</b>		
Recipients of Income Support Payments	76.4	65.0
Recipients of Disability Pensions	43.6	25.9

**Source:** Endeweld, M. et al. 2018. **Survey of Food Security 2016: Major Socio-Economic Findings.** Jerusalem. NII. Research and Planning Department

From available figures it appears that young people in Israel are susceptible to considerable food insecurity. As is the case with the general population, the share of Arab and Haredi children and youth among individuals experiencing food insecurity is significantly higher than that of non-Haredi Jews.

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**Health**



# Equality in Health Care?

## The Law Promises, Reality Reneges on that Promise

The National Health Insurance Law of 1994 purports to provide all Israeli residents full access to health care services. In actuality, this access has been eroded by creeping privatization of the public health system, begun at the end of the 1990s and continuing to this day. Privatization is reflected in user payments for medications and medical care and in the marketing of private health insurance in addition to national health insurance. Private insurance is marketed by the public health funds (“supplemental insurance”) as well as by insurance companies (“commercial insurance”). Among others, these private insurance plans allow

queue skipping for specialist visits and surgical procedures, as well as the possibility of choosing one’s surgeon (an option not generally available in the public health system).

### More on Private Health Insurance

The Israel Central Bureau of Statistics publishes figures on owners of private health insurance; the latest figures, from 2019, show that the higher the income decile, the greater the household expenditure on private health insurance plans.

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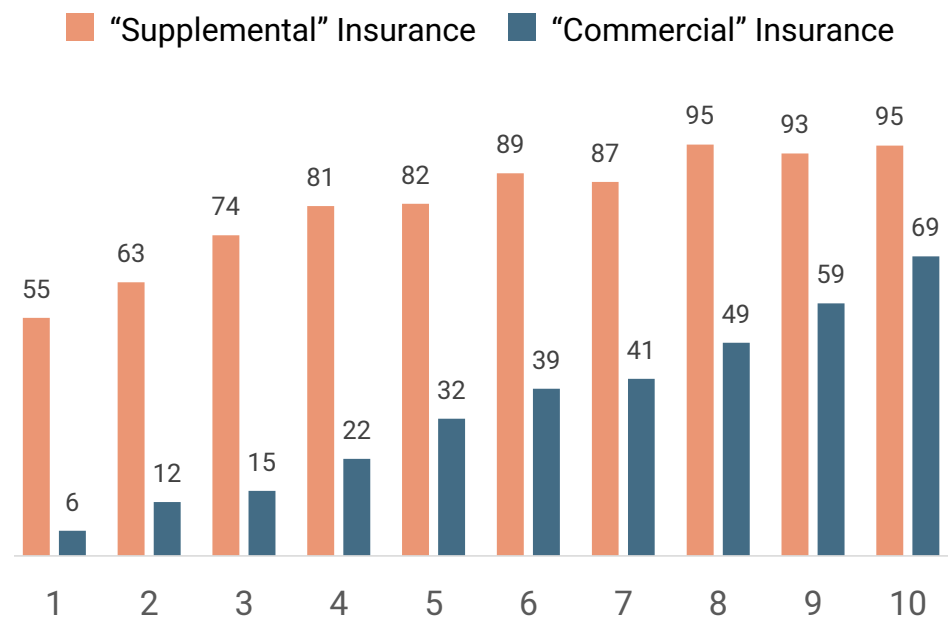
The result is that the health insurance of affluent families is more encompassing than that of low-income families, which is reflected in the quality of and access to health services enjoyed by the former. This fact does not go unnoticed and has led to a decline in the general confidence in Israel's public health system.

The proportion of households purchasing "supplemental" insurance via the health funds is quite high – 81% in 2019. That year, almost all households in the three top income deciles – 95% -- had supplemental health insurance. For households in income deciles 6-8 the proportion was around 90% and for households in income deciles 4-5, around 80%. In the bottom quintile, slightly more than half of households had supplemental health insurance.

As one would expect, private insurance purchased directly from insurance companies ("commercial health insurance") is common especially among households in the upper income deciles: in 2019, 69% of households in the top income decile and 59% of households in the second highest income decile had such insurance. The lower the income, the lower the proportion of households holding this type of private insurance.

### Proportion of Households with "Supplemental" and "Commercial" Private Health Insurance, 2019

By Net Income Decile Per Standard Person



Source: Adva Analysis of CBS file. 2022. **Survey of Household Income and Expenditures 2019.**

Research conducted by the Brookdale Institute noted that when it comes to private insurance, user fees can constitute an obstacle to the very use of these policies, especially among poor households: Thus the finding that the usage of commercial private insurance among the low-income population was only 6%, compared with 26% for others. Put another way, persons in the bottom quintile utilize the insurance they purchase less than others and in so doing subsidize the better-off.<sup>15</sup> It should be added that the general return on commercial private insurance is 40%, compared with 77% for supplemental insurance.<sup>16</sup>

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15 As most of the references for this chapter are in Hebrew, the Hebrew reader is referred to the original Hebrew report: [תמונת מצב חברתית 2022](#). The reference for the Brookdale report: Brammli-Greenberg et al. May 2020. **Public Opinion on the Level of Service and the Performance of the Health Care System, 2018**. Jerusalem: Myers-Joint-Brookdale. Information and Research, p. 6 (Hebrew).

16 Linder, R. March 3, 2022. "The Government is trying to deal with the cost of living at the expense of [private] health insurance companies". **The Marker**.



# Out of Pocket Health Payments for Health Services

In addition to the health tax for national health insurance and to premium payments for supplemental and commercial private insurance, households incur other expenditures on health. These expenditures are referred to as “out of pocket payments”; they include user fees for medications and visits to physicians, and payments for private care as a substitute for physicians in the public health system.

Thus, the figure that is considered an indicator of the inability of a universal public health system to provide financial protection for persons in need of health services is the proportion that out of pocket payments constitute of the national expenditure

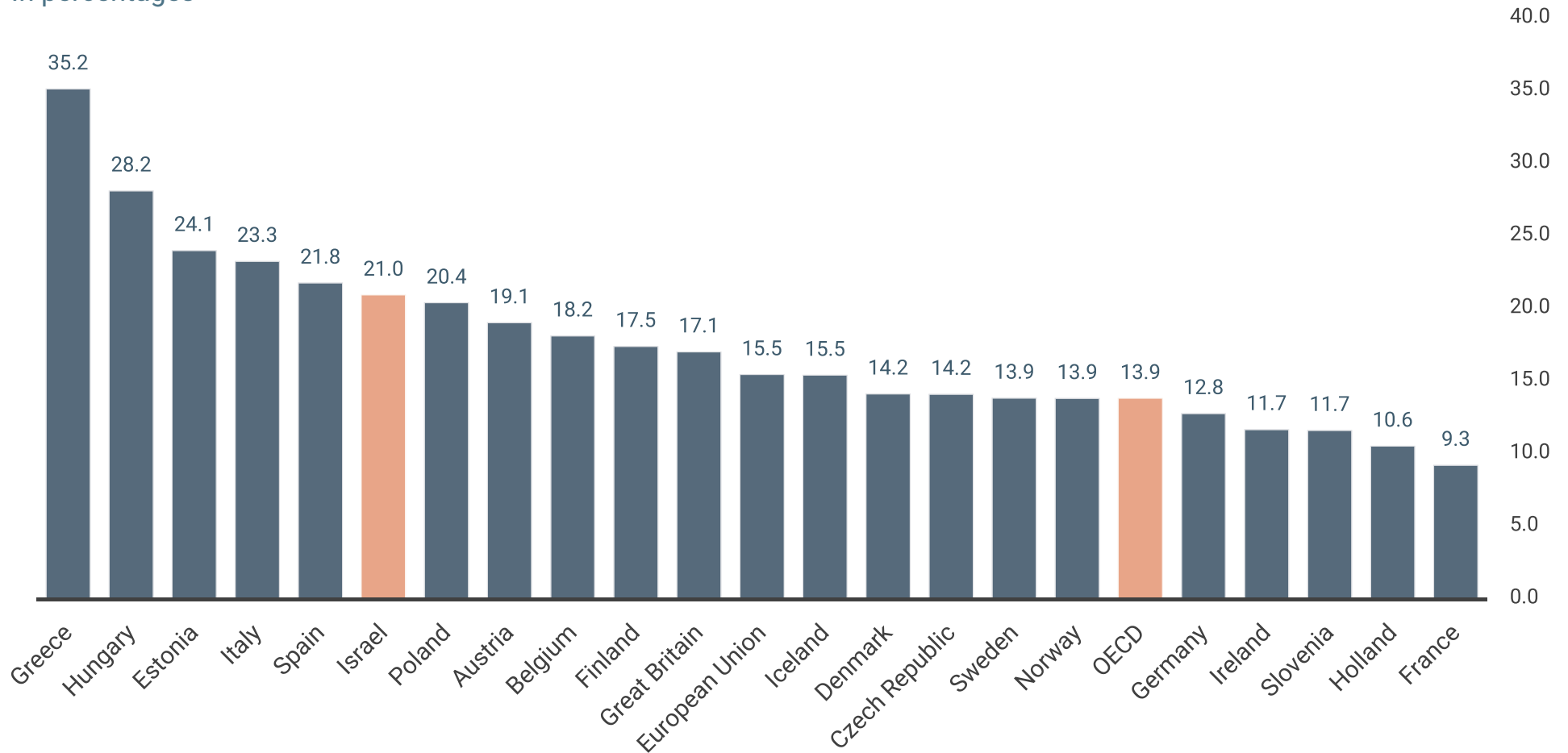
on health. The World Health Organization states that in countries in which the proportion of out of pocket payments is higher than 15% of the national expenditure on health, there is danger that these payments may lead to economic hardship for low-income persons.<sup>17</sup> High out of pocket payments for health products and services constitute evidence of the inability of the public health system to fulfill the needs of its insured. In Israel, the proportion is relatively high, at 21% (2019). This, in contrast with the average of 15.5% among countries of the European Union and the average of 13.9% among OECD countries.

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17 Thomson et al. 2019. **Can People Afford to Pay for Health Care?** World Health Organization.

### Out-of-Pocket Payments as a Percentage of the National Expenditure on Health, 2019

In percentages



Source: <https://data.worldbank.org/indicator/SH.XPD.OOPC.CH.Zs?end=2019&start=2000&view=chart>

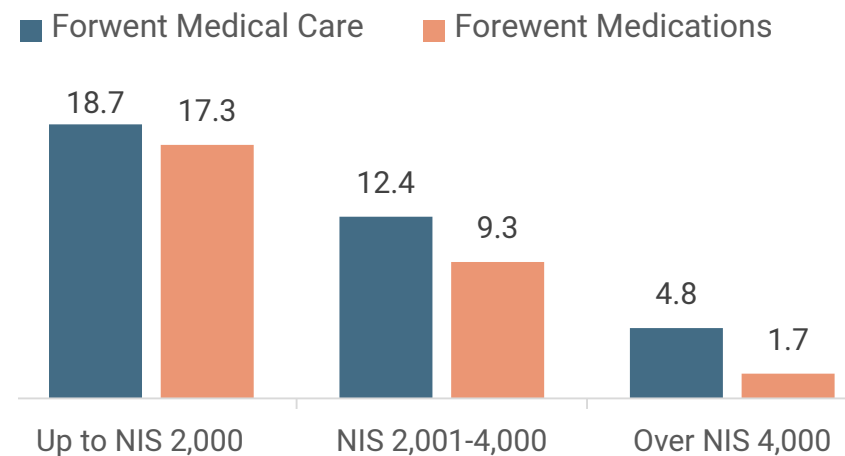
# Foregoing Medical Treatment

## Foregoing Medical Treatment due to Cost

Numerous studies indicate that low-income persons are liable to find themselves in a situation in which they do not have access to medical services. In 2019, the proportion of Israelis aged 20 and over reporting that they had given up on medical treatment or the purchase of medications for financial reasons was higher among households with low per capita (up to NIS 2,000 per month) income: 18.7% (medical care) and 17.3% (medications). In contrast, fewer households with a monthly per capita income of over NIS 4,000 reported foregoing medical treatment: 4.8% (medical care)<sup>18</sup> and 1.7%<sup>19</sup> (medications).

## Proportion of Persons Aged 20 and Over Reporting Foregoing Medical Care or Prescribed Medications “for financial reasons and the feeling of poverty,” 2019

By Average Gross Monthly Per Capita Income of Households



Source: CBS. July 2021. Social Survey 2019.

<sup>18</sup> This figure is based on a small number of cases and thus may have a high margin of error.

<sup>19</sup> This figure was calculated based on the number of all those needing medical treatment or prescription medicine at all income levels. CBS, Social Survey 2029. Basic questionnaire.

## Foregoing Medical Treatment due to Waiting Times

Long waiting times constitute another reason for foregoing the medical treatment of specialists. In recent years, waiting times in Israel have increased considerably. According to research conducted by the Brookdale Institute for 2018, 32% of persons in the lowest income quintile reported foregoing medical treatment due to long waiting times (compared with 20% in 2016). The proportion among the general population was somewhat lower – 29% (in comparison with 27% in 2016).<sup>20</sup> These figures indicate that many Israelis experience despair due to prolonged waiting times for medical care – which leads to about a third of them foregoing such care in the framework of the public health system. Persons with higher income have the option of turning to the private sector for medical care if waiting times are long in the public sector.

Here, too, persons with commercial private insurance may have shorter waiting times than persons with supplemental insurance. Thus, long waiting times lead not only to delays in the receipt of medical care but also to an increase in inequality in health.

**These figures indicate that many Israelis experience despair due to prolonged waiting times for medical care – which leads to about a third of them foregoing such care in the framework of the public health system**

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20 Brammli-Greenberg et al, *op cit.*

## The Budget for the Basket of Public Health Services:

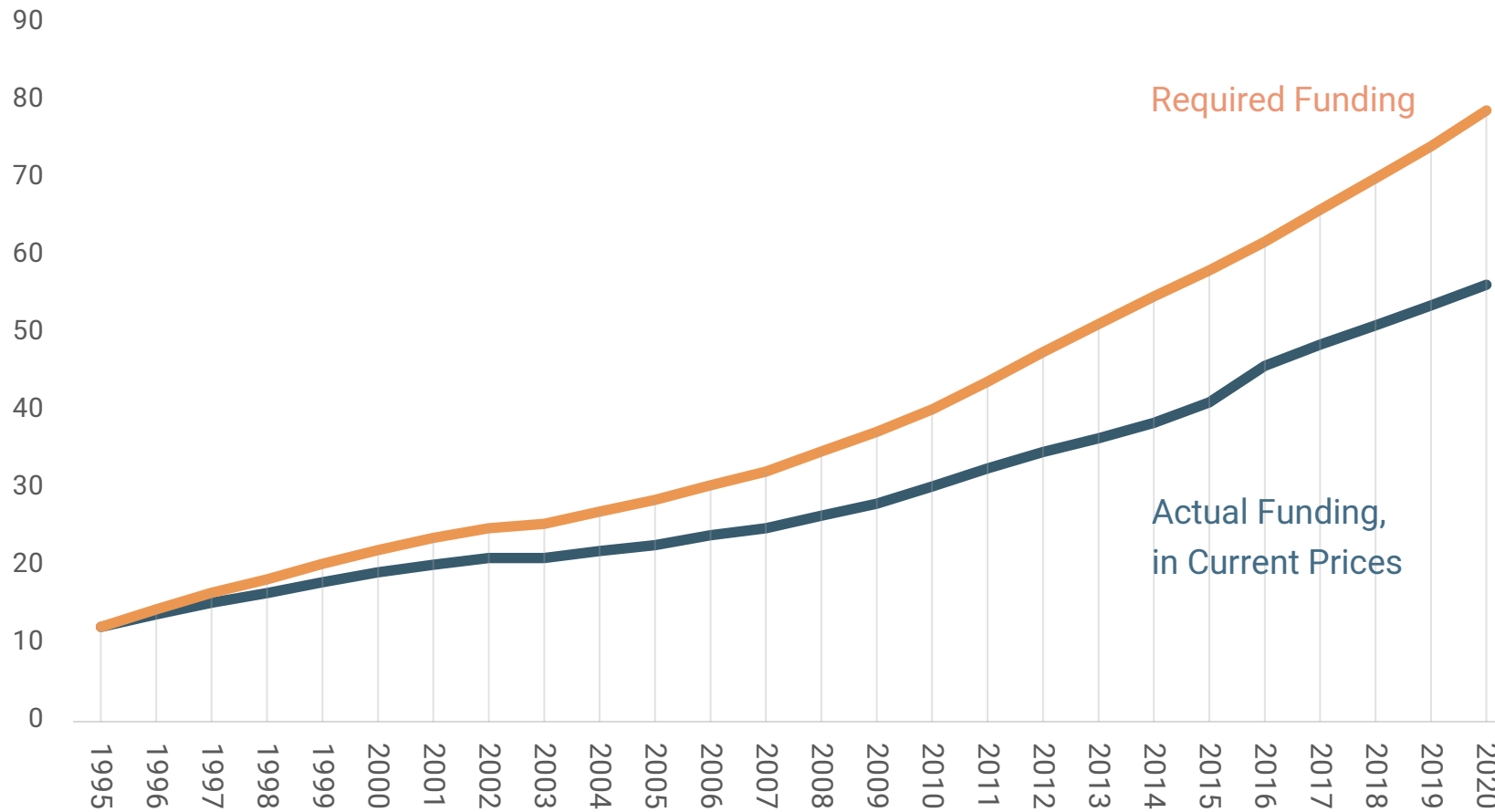
# The Gap between the Budget Required and the Actual Budget Has Been Growing

As mentioned above, the National Health Insurance Law of 1994 provided full medical insurance for all permanent residents of Israel. However, even before the ink was dry on the letter of the law, it began to undergo erosion – by an increase in user fees for prescription drugs and visits to physicians, and by the development of a private health insurance market for services not included in the law. These developments led, as shown above, to increasing household expenditure on health. They also led to the diversion of senior physicians from the public sector to the private one and to a sharp decline in the confidence of Israelis in the public health system that the Law had intended to bolster.

Additional expenditures were imposed on Israelis in lieu of full state funding. The gap in funding can be seen in the graph below: The top line represents full, updated funding of the basket of services provided by the public health funds, had the government increased its funding in accordance with changes over the years in the size of the population, in medical technologies, and in health outputs. The bottom line represents actual government funding.

### Cost of the Basket of Public Health Services Provided by the Health Funds, 1995-2020

Required Funding v. Actual Funding, in NIS Billions, in Current Prices



**Source:** Adva analysis of Ministry of Health. 2021. "Figures for the National Health Insurance Law for 2020." (Hebrew).

# Housing



For some three decades, and more so since the turn of the millennium, housing policy in Israel has been based on the ideology of “the private market”; that is, transferring responsibility for the provision of housing from the public to the private sector. This policy change exacerbated existing socio-economic disparities, as a growing stratum of Israelis found it more and more difficult to keep a stable roof over their heads. At the same time, a small stratum of affluent families was able to enrich itself and to invest a large amount of capital in the real estate market -- especially since the world financial crisis of 2008.

The latest figures on home ownership are from 2019, a time prior to the Corona outbreak. That year, 29.7% of Israeli households did not own a home (usually an apartment). In contrast, 9.1% of households owned two or more apartments. The rest – 61.2% -- owned one apartment.<sup>21</sup>

The average figures hide wide gaps among different households, on the basis of age, ethnic origin and income level.

As can be seen from the following graph, the proportion of young households – up to age 30 – not owning apartments was slightly smaller than half. This proportion decreased with age, but still remained rather high: 25% of households headed by 40-49 year-olds, and 20% of households headed by persons aged 50 and older. The graph also shows that possession of two or more apartments increases with age, reaching 15.4% among households headed by persons aged 60 and over.

Family status also affects home ownership. In 2019, 46.6% of households headed by unmarried persons and 42% of households headed by divorced persons did not own an apartment. In contrast, 21.4% of households headed by married persons did not own apartments.

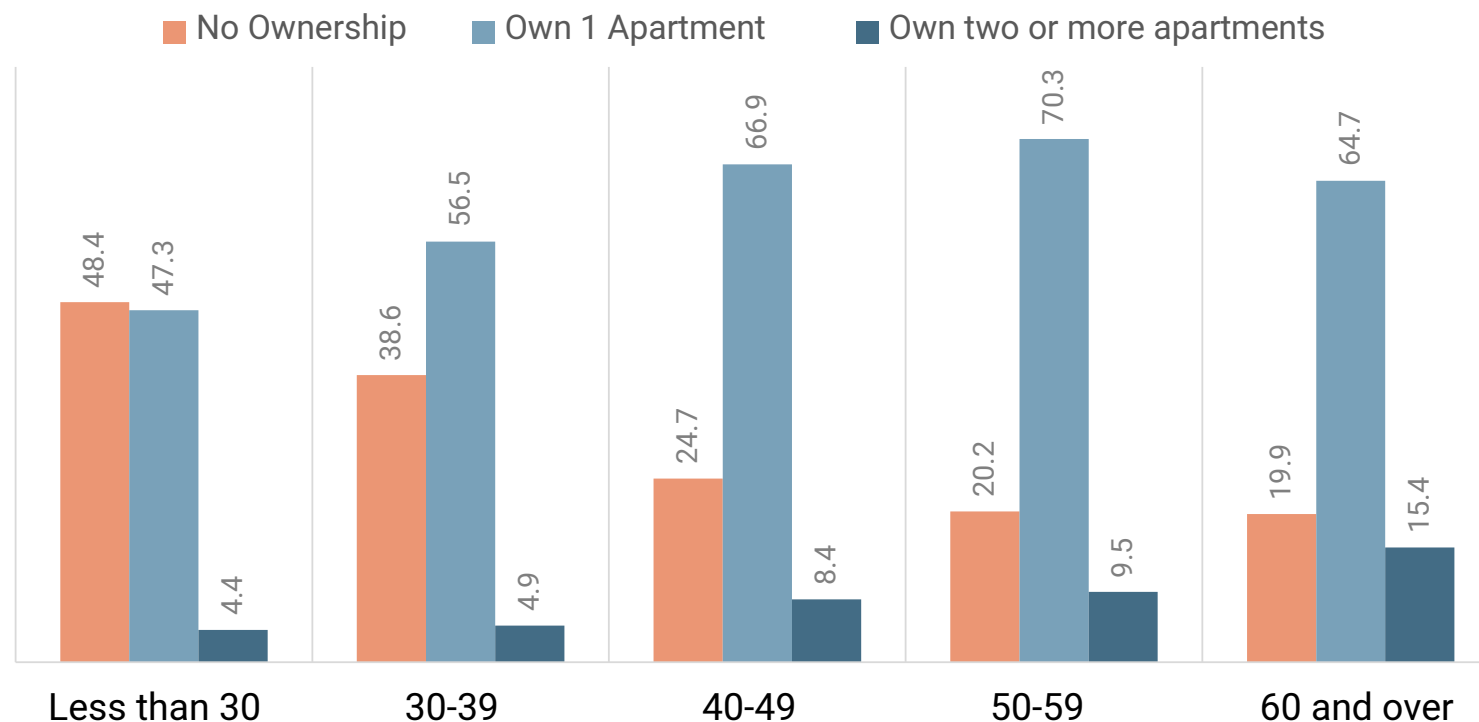
**The latest figures on home ownership are from 2019, a time prior to the Corona outbreak. That year, 29.7% of Israeli households did not own a home (usually an apartment). In contrast, 9.1% of households owned two or more apartments. The rest – 61.2% -- owned one apartment.**

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21 Most of the figures in this chapter are based on an Adva Center analysis of Central Bureau of Statistics data from the **Survey of Household Income and Expenditures 2019**. For other references in Hebrew, the Hebrew reader is referred to the Hebrew original of the report: [תמונת מצב חברתית 2022](#)



### Home Ownership, by Age Group, 2019



Source: Adva Center analysis of CBS data from **Survey of Income and Expenditures, 2019**.

Home ownership also varies by gender, ethnicity, and socio-economic status. Among Arab citizens of Israel, whose localities lack land for construction, home ownership is relatively high – 81%, as all private land is utilized for housing and structures often house more than one generation. The low socio-economic status of Arab citizens of Israel is reflected in the fact that the proportion of households among them owning two or more apartments is very low: 0.7 %, <sup>22</sup> compared with 11% among Jews (2019).

<sup>22</sup> This figure is based on a small number of instances and may therefore have a high margin of error.

As can be seen from the graph, the proportion of young households – up to age 30 – not owning apartments was slightly smaller than half. This proportion decreased with age, but still remained rather high: 25% of households headed by persons aged 40-49, and 20% among households headed by persons aged 50 and older.

Among Jews, the origin group with the highest percentage of households not owning their own homes is the group of immigrants from the former Soviet Union: 43%<sup>23</sup> Among households headed by persons of Ethiopian origin, the corresponding percentage is similar: 40.5%<sup>24</sup>. Among Ashkenazim and Mizrahim, the proportion of households not owning their own homes is similar: 25.4% and 23.3%, respectively.<sup>25</sup> The proportion of households headed by third-generation Israelis (born in Israel to fathers born in Israel) not owning their own homes was 34.4% in 2019. This relatively high figure reflects the fact that the median age for this age group is lower than that of the others.

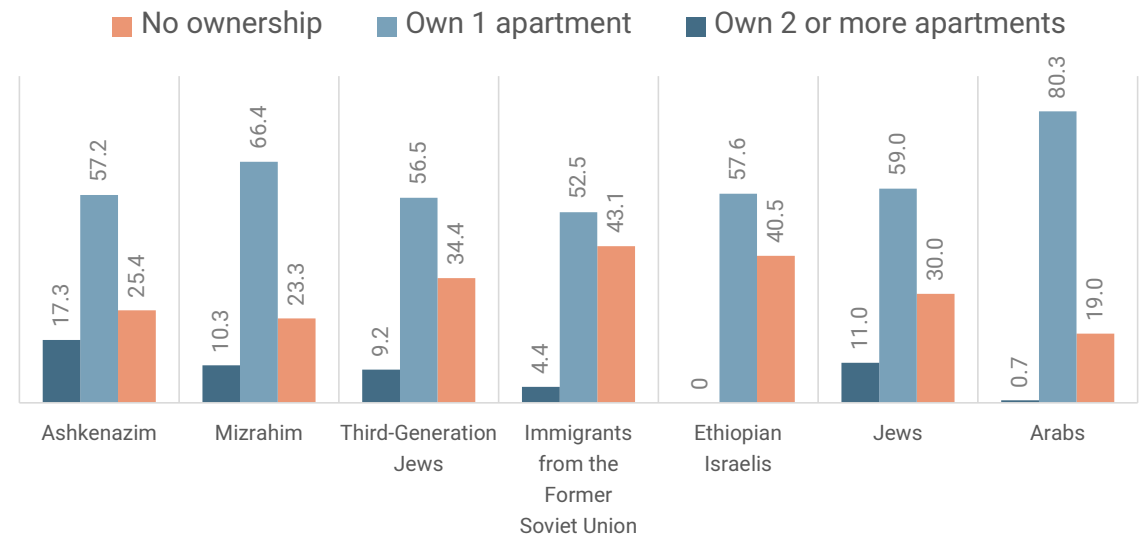
23 The reference is to immigrants who arrived in the country from 1990 onwards.

24 This group includes persons born in Asia or Africa who arrived in Israel from 1990 onwards, 85% of whom were born in Ethiopia.

25 Ashkenazim: Jews born in Europe or America who arrived in Israel prior to 1989 (first generation) and Jews born in Israel to a father born in Europe or America (second generation). Mizrahim: Jews born in Asia or Africa who arrived in Israel prior to 1989 (first generation) and Jews born in Israel to fathers born in Asia or Africa (second generation).

Wider gaps can be found among ethnic origin groups with regard to households owning two or more apartments. In 2019, 17.3% of households headed by Ashkenazim, 10.3% of households headed by Mizrahim, 9.2% of households headed by third-generation Jews and 4.4% of households headed by immigrants from the former Soviet Union owned two or more apartments.

### Home Ownership, by Origin Group



Source: Adva Analysis of CBS, **Survey of Income and Expenditures**, 2019.

As would be expected, home ownership also depends on the socio-economic status of the household.

In 2019, 58.5% of households in the bottom income decile did not own apartments. This percentage declined as household income increased. The lowest percentage of households not owning apartments was in the top income decile – 10.1%.

Most real estate investors<sup>26</sup> are to be found in the 7th income decile or higher. In 2019, the percentage

of investors was 9.9% in the 7th income decile, 12.1% in the 8th decile, 16% in the 9th decile and 33.6% in the top decile. Moreover, 11.9% of households in the top income decile owned three apartments or more.

Not surprisingly, the proportion of real estate investors was especially high in the top income centile: 45.8% owned two or more apartments and 21.4% owned three or more apartments.

### Apartment Ownership, by Income Level, 2019

By income decile per standard person

Decile	1	2	3	4	5	6	7	8	9	10	Of this: top centile	Total
No Ownership	58.5	44.5	40.5	31.8	28.2	27.7	23.3	17.5	14.9	10.1	*5.5	29.7
Own 1 Apartment	40.2	54.6	57.0	64.0	67.6	66.3	66.8	70.4	69.1	56.3	48.7	61.2
Own 2 Apartments or More	*1.3	*0.9	*2.6	4.2	4.3	6.0	9.9	12.1	16.0	33.6	45.8	9.1

Source: Adva Center analysis of **Survey of Income and Expenditures, 2019**.

<sup>26</sup> The term "real estate investors" refers to persons owning two apartments or more.

**Most real estate investors are to be found in the 7th income decile or higher. In 2019, the percentage of investors was 9.9% in the 7th income decile, 12.1% in the 8th decile, 16% in the 9th decile and 33.6% in the top decile. Moreover, 11.9% of households in the top income decile owned three apartments or more.**

The use of household resources for real estate investments – purchasing additional apartments – grew considerably during the last 15 years, especially since the financial crisis of 2008, in the wake of which earnings from other investments declined and interest on loans for the purchase of apartments became cheaper. In 2007, on the eve of the world financial crisis, 6.6% of households in the top income quintile owned two or more apartments. This proportion increased sharply, reaching 27.4% in 2017. In 2019 the proportion decreased slightly to 24.8%.

The decrease in the proportion of real estate investors among affluent households can be explained mainly by steps taken by the government, first and foremost, the increase of taxation on the purchase of apartments for the purpose of investment, in June 2015. According to the head economist at the Ministry of Finance, raising the tax contributed to a notable decline in the proportion of households purchasing apartments for investment purposes among all real estate deals during the years 2015-2019.

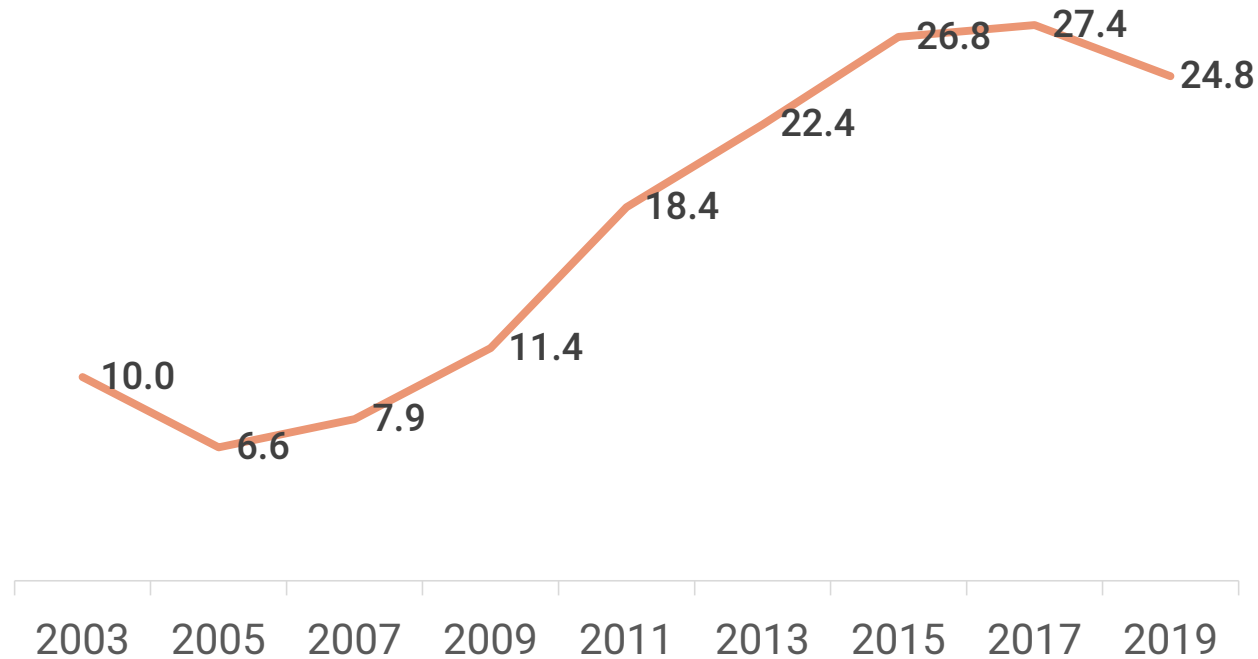
Following the outbreak of the Corona epidemic and against the background of the fear of a slow-down in real estate activity, the government decided in July 2020 to reduce the purchase tax on investment apartments to its pre-2015 level. According to the Finance Ministry's head economist, this tax reduction led to a renewed thrust in the purchase of investment apartments, reflected in the increase in the proportion of apartments purchased for investment from among all real estate deals, from 13% in 2019 to 24% in 2021, the highest level since 2015.<sup>27</sup>

In November 2021, the pendulum swung back once again, when against the background of rising housing prices, the Knesset approved a law to raise the purchase tax on real estate investments, in order to once again discourage the practice of apartment purchase for investment purposes.

**In 2007, on the eve of the world financial crisis, 6.6% of households in the top income quintile owned two or more apartments. This proportion increased sharply, reaching 27.4% in 2017. In 2019 the proportion decreased slightly to 24.8%.**

<sup>27</sup> Office of the CFO, Ministry of Finance. **Survey of the Real Estate Sector for Residences** December 2021. February 27, 2022 (Hebrew).

### Proportion of Households in the Top Income Quintile Owning Two or More Apartments, 2003-2019



**Sources:** Figures for 2003-2013 from CBS. January 2018. **Housing in Israel 2005-1997 – Data from the Survey of Household Expenditures**; figures for 2015-2019; Adva Center analysis of the files of **Surveys of Household Income and Expenditures**, various years.

The housing market in Israel is characterized by class distinctions, on one side of which are households whose income is high and whose abundant capital enables them to purchase two or more apartments that serve as a further source of income, thus increasing their capital even more. On the other side are households that do not own apartments and live in housing rented on the private market.

The housing market in Israel is characterized by class distinctions, on one side of which are households whose income is high and whose abundant capital enables them to purchase two or more apartments that serve as a further source of income, thus increasing their capital even more.

In contrast to the situation in many western countries, in which there exist the alternatives of public or social housing, in Israel most of the households not owning apartments have no choice but to rent on the private market – which is characterized by instability and the absence of rent control.<sup>28</sup>

In 2019, 71.5% of Israeli households that did not own an apartment rented their housing on the private market.<sup>29</sup> Most rented from private households, due to the paucity of “institutional” rentals – apartments rented out by commercial companies and investment funds.

This being the case, the private rental market in Israel is basically an arrangement by which capital is transferred from low-wage strata to affluent strata, and from young households to older households. Under this model of private rentals,

owners of investment apartments become rentiers – families that enjoy rent paid to them month by month by families that are unable to purchase their own homes – an arrangement that maintains and deepens social inequality.

In 2019, households renting on the private market paid a total of NIS 30.8 billion (current prices).

Who received those rent monies? In 2019, the total income from the rent of households amounted to NIS 18.1 billion.<sup>30</sup> Of this sum, NIS 7.4 billion went to the top income decile, NIS 3.5 billion to the 9th income decile, and NIS 2.2 billion to the 8th income decile. That is, persons in the three highest income deciles received, together, 71% of the total income from the rent paid by households, with the top decile alone receiving 40%.

**In 2019, the total income from the rent of households amounted to NIS 18.1 billion. Of this sum, NIS 7.4 billion went to the top income decile, NIS 3.5 billion to the 9th income decile, and NIS 2.2 billion to the 8th income decile.**

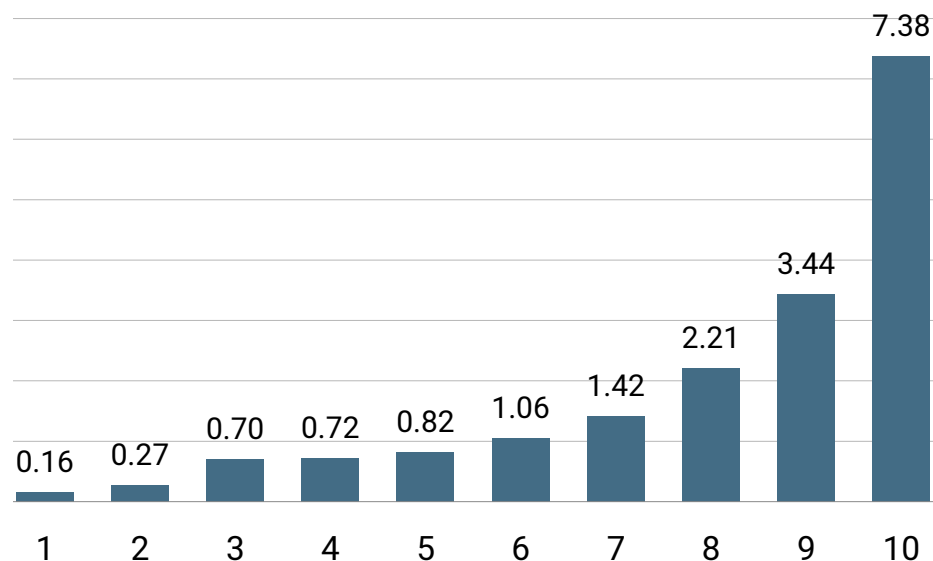
28 Swirski, S. and Hoffmann-Dishon, Y. November 2017. **Public Housing Option: Adva Center’s Response to the Housing Crisis in Israel.** Adva Center: <https://adva.org/wp-content/uploads/2018/01/HousingPublicOption-EN.pdf>

29 In addition to households renting their apartments on the private market, in 2019, 8.1% of households not owning apartments resided in public housing. The living arrangements of the remainder of households not owning apartments included student housing and assisted housing.

30 The figure reported for revenues from rent is significantly lower than the sum reported for expenditures on rental. There are a number of explanations for this discrepancy: Firstly, some households pay rent to business enterprises, investment funds or foreign residents, which are not included in the CBS **Survey of Household Income and Expenditures**. Secondly, it is possible that some of the rentiers do not report all their rent revenues.

## Annual Income of Households from Rent of Houses, Apartments or Rooms, by Income Decile, 2019

In current prices, In NIS Billions



**Source:** Adva Analysis of figures from the CBS, Date from **Survey of Income and Expenditures 2019**.

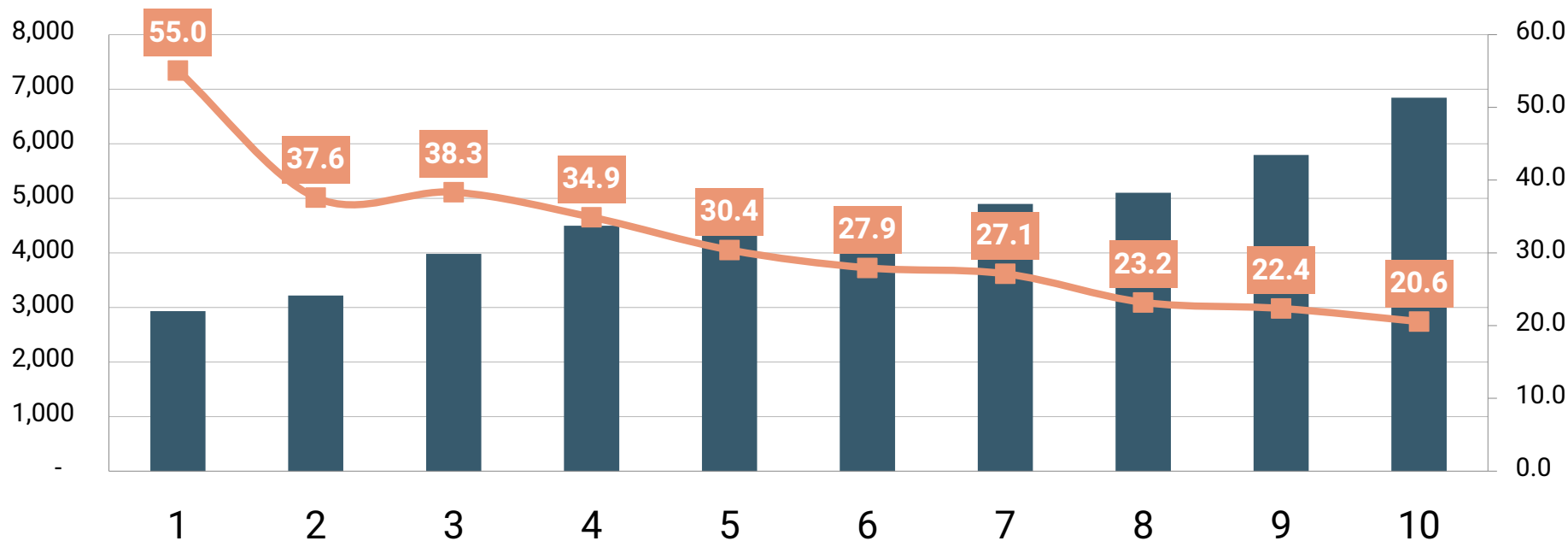
In the absence of a public option and against the background of lack of regulation of the private rental market, households that rent on the private market shoulder a heavy financial burden, which reduces their possibilities in other vital areas of life, like education and health.

The accepted benchmark is that households should not spend more than 30% of their income on housing, so as to maintain a reasonable standard of living. In Israel, many households – most of them in the lower income deciles – spend more. In 2019, households in the bottom income decile living in housing rented on the private market spent 55% of their income on rent and other outlays connected with housing. Households in income deciles 2-5 spent 37.6%, 38.3%, 34.9% and 30.4%, respectively. In other words, in all of the lower income deciles, households renting housing on the private market spent more than the accepted threshold of 30% of their income.

### Total Spent on Housing, and Percentage of Income Spent on Housing by Households Renting on the Private Market, 2019

By income decile per standard person

■ Total Spent on Housing ■ Percentage of Net Income Spent on Housing



**Note:** Expenditure on housing includes rent and the accompanying costs of water, electricity, gas, local taxes, maintenance and improvements, insurance, real estate agents, legal and assessment costs.

**Source:** Adva analysis of CBS data from **Survey of Income and Expenditures, 2019**.





**AFTERWARD**

The Corona crisis revealed that the Israeli public health system was capable of coping with the epidemic on a high professional level; however, it found itself acting constantly under the threat of reaching the saturation point, where it would no longer have the wherewithal to treat all those in need of care.

The public health system is not unique: Most of Israel's social services lack sufficient trained personnel, proper infrastructure and programs to assist the indigent. The public health system is in desperate need of additional physicians and nurses, and it imposes more and more costs on those requiring its services. The public education system has a legal obligation to provide a quality education to all Israeli children and youth; like the public health system it is short of key personnel – teachers. The percentage of young people eligible for admission to Israeli universities and colleges is not in sync with Israel's reputation as the "start-up nation"; and Israel's housing policy does not offer the option of long-term rental in public or social housing.

The ability of the state to cope with socio-economic inequality is on the decline, due to insufficient resources devoted to its social services.

A tight-fisted fiscal policy has characterized a good part of the world in recent decades, but the Israeli case is especially serious, as its social expenditure as a percentage of GDP lags behind the average of OECD countries by some 20%.

If we desire services that are more generous and more universal, we need to increase their level of funding. In other words, if we want a European standard of living, we need a European standard of taxation.

Since its creation, Israel has been characterized by a low level of taxation, in comparison with a good many western countries. Israel's major development projects were partly funded by external aid: from the US government, from Jews in the Diaspora, from German reparations. It was only during Israel's great wars – the Six Day War of

**The ability of the state to cope with socio-economic inequality is on the decline, due to insufficient resources devoted to its social services.**

1967 and the Yom Kippur War of 1973 – that high taxes were imposed.

Ever since, most of the tax reforms in Israel have reduced direct taxes, mainly income tax, most of which is collected from affluent citizens. And when the government finds it needs more money, it prefers to raise indirect taxes, mainly value added tax, which dips into the pockets of all, rich and poor. This leads to inequality in taxation: in 2018, the income decile that paid the second highest proportion of its income in taxes was the bottom income decile, whose households paid an average of 47% of their income to the tax authorities. Only households in the top income decile paid a higher percentage (not much higher) – 48%<sup>31</sup>.

Israel needs a new tax policy, not only in order to upgrade its social services but also in order to cope with social inequality.

Today, Israel is strong enough economically to mobilize funds from its own population. It has a well-off top income decile, a wealthy top income centile and even a mega-wealthy top 0.1 percent. The enrichment experienced by these Israelis could perhaps trickle down to the general population, if only the taxes they paid grew in tandem with the growth of their wealth. Such a development would enable the state to invest in services for all.

In this context, it should be noted that Israel has neither a wealth tax nor an inheritance tax.

The social picture that emerges from this report is a picture of poles moving further and further apart: one pole that enjoys financial, hi-tech and real estate wealth and a convenient tax policy, and an opposite pole whose members find that at an early stage of life they are on a path leading to closed gates.

It is high time to begin to reduce these disparities.

**Israel needs a new tax policy, not only in order to upgrade its social services but also in order to cope with social inequality.**

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31 Ministry of finance, Office of the CFO. February 2022. **Report of the State Revenues Authority for 2019-2020 and Preliminary Figures for 2021.**

