# ISRAEL'S SOCIAL SERVICES 2008

*The Herbert M. Singer Annual Report Series*

# ISRAEL'S SOCIAL SERVICES 2008

*Editors*
*Tuvia Horev, Yaakov Kop*

*With the participation of:*
*Roni Barzuri, Gabi Bennun, Joel Blankett,*
*Nachum Blass, Yulia Cogan, John Gal, Joseph Katan,*
*Marina Kunin, Dalit Nachshon-Sharon*

*Taub Center for Social Policy Studies in Israel*
*Jerusalem, May 2009*

# *Taub Center for Social Policy Studies in Israel*

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Editor: Dalit Nachshon-Sharon
Translation: Sagir Translations
English Editors: Joel Blankett, Laura Brass
Assistant: Ruti Lerner

Center address:
15 Ha’ari Street, Jerusalem, Israel
Tel: 972 2 567 1818 Fax: 972 2 567 1919
Email: info@taubcenter.org.il Website: www.taubcenter.org.il

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# *Executive Director's Remarks*

Israel is a remarkable country. Against all economic logic – not to mention military and diplomatic logic – it was founded under extremely difficult circumstances and against all odds. The country not only survived, it flourished beyond expectation. But along the way, our collective mindset began to reflect an apparent belief that no matter what we do or undergo, everything will always turn out fine in the end – as though we might be able to evade economic, military and diplomatic logic forever. During the past few decades, we have begun to pay the price for policies that have ignored the overall perspective – policies that not only failed to look ahead, but barely glanced sideways.

This is a nation that had, until 1973, substantially narrowed the gap between itself and the leading Western countries. But then, Israel moved to a new growth trajectory, one reflecting a steady decline – in relative terms – in its living standards vis-à-vis those same countries that Israel had been catching up with during the 1950s and 1960s. The country that was featured in the most important economics textbooks of the 1960s as an example of an equitable Western society is today distinguished by one of the highest rates of income inequality in the industrialized world. The country with an education system that gave rise to one of the world's leading high-tech sectors is now ranked at the bottom of the Western world in terms of pupil achievements in core subjects; its higher education system, once a jewel in its crown, is now in danger of following in the footsteps of its primary and secondary education systems.

What Israel has undergone since the 1970s is not divine destiny. It is the direct result of national priorities and of policies that reflected them. The better its policymakers and public understand Israel's current socioeconomic predicament and internalize its future implications, the easier it will be to explain and pass policies in the Knesset that will return the country to a path of rapid economic growth and of low rates of poverty and inequality. This objectives are still possible to implement – but will not remain so forever.

This is the Taub Center's realm. Since the early 1980s – initially under its first Director, Dr. Israel Katz, and later under the leadership of Prof. Yaakov Kop – the Center established a reputation as one of Israel's foremost professional and non-partisan research institutes. Each year, internationally-recognized scholars join together with leading practitioners and policymakers in the fields of economics, education, health and social welfare, to research and shed light on the source and implications of the major issues faced by the State of Israel, and to offer policy proposals to the country's senior policy makers.

Several months ago, when I was asked to head the Center, I saw before me one of Israel's most important independent research institutions, one whose findings and recommendations resonate across the country's political map and whose studies are quoted in the corridors of the Knesset and by cabinet ministers. It is an honor to follow in the footsteps of Prof. Yaakov Kop, who for so many years led the Taub Center, maintained and enhanced its professional status, and accompanied it to the beautiful facility that is now its home in central Jerusalem.

This report was completed prior to my joining the Center. It was edited by Prof. Yaakov Kop and by Dr. Tuvia Horev, who temporarily ran the Center between the time that Yaakov stepped down and I assumed my duties – and who assisted me tremendously to ensure the smoothest possible transition. This report could not have been produced without the efforts of the Center's researchers and staff members – a group of dedicated professionals that is among the finest that I have been privileged to know and work with.

I intend to continue and expand the Taub Center's areas of activity. The Center's role within the public sphere is likely to grow in importance in the near future, when the dark economic clouds cross our shores from the West. The period ahead of us is not expected to be easy – though it also provides a unique opportunity to implement broad systemic reforms that are not always possible during non-crisis periods. In the employment situation that may develop, the government should prepare and implement a comprehensive program that will enable adults to finish high school – and possibly college – and be better prepared to work in a modern, competitive economy. This is an opportunity to thoroughly reform Israel's primary and secondary school system. It is also an opportunity to bring talented Israelis back home – including recently minted Ph.Ds from leading universities abroad who are now faced with diminishing employment opportunities due to the economic crisis. It is an opportunity to develop not only the human capital infrastructure but also the physical infrastructures that have been neglected for years. It is an opportunity to begin using all of the cylinders of the national engine so that, once the recession ends, we will be able to surge forward and fulfill the tremendous potential that currently lies untapped within the State of Israel.

The Taub Center will play an active role in delineating the various possibilities, in highlighting the objectives, and in bringing them before the public and its leaders.

Dan Ben-David
Jerusalem, May 2009

# *Foreword*

From mid-2003 and up until the current slowdown, the Israeli economy grew vigorously. Numerous achievements point to the period's economic vitality at both the aggregate level – as reflected in a rise in both the total and per capita gross domestic product (GDP) – and with regard to other economic indicators such as increased foreign investment in Israel, a rise in the number and rate of employment and a concomitant decline in the unemployment rate, as well as an increase in real wages within both the private and the public-service sectors. This period of economic prosperity might have been a golden opportunity to work on reducing economic inequality – by, among other things, channeling resources to weaker populations on various planes. However, from the findings in this report, it seems that the opportunity has been missed and that the benefits of economic growth have failed to trickle down, at least not adequately, to all sectors of the population.

We are currently in the midst of a worldwide economic crisis, one that has not, unfortunately, spared the Israeli economy. As a result, one may expect that the circle of those dependent on the welfare networks will expand, the number of those eligible for wage-replacement benefits from the National Insurance Institute will increase, and the burden on Israel's social service system will grow heavier. The recent fighting in Gaza may, moreover, be expected to place a greater burden on Israel's security system during the current budget year. At times like this, concern for the socioeconomically weaker populations becomes an especially complex issue. It is, however, precisely at these times that social solidarity is put to the test and the government's social priorities are manifested in the practical sphere. To the constraints enumerated above one may add the fact that due to early elections, as of early 2009, no budget has been approved; in effect, the budget on which the government will be functioning during the early part of 2009 is based on the budget approved for 2008. What this means is that, during the first quarter of 2009, there will be no budgetary reflection of the needs relevant to this time period. One of the most important challenges that the incoming government will have to face is that of finding a way to address the needs of the weaker sectors and acting to narrow existing socioeconomic disparities – while also advancing an economic policy designed to place the Israeli economy on a path toward renewed growth.

* * * * *

This report reviews current trends within Israel's various social service systems, emphasizing their successes as well as the challenges that they still face. In light of the situation described above, there can be no doubt that the coming year will differ from previous ones. The findings presented for 2008 and the multi-year trends reflected in the report are useful for an understanding of the areas in which the state should be making an increased effort to promote the well-being of its citizens and to advance social economic issues.

The report was written during the period in which Prof. Yaakov Kop, the Center's longtime Executive Director and editor of the annual report from its first year of publication, stepped down from his post. Work began on the report while Prof. Kop was still Executive Director and continued during the transition period during which Dr. Tuvia Horev served as Acting Director – up until the recent assumption of director's duties by Prof. Dan Ben-David. The final report was jointly edited by the undersigned.

The report opens with a summary of the main findings, prepared by Dalit Nachshon-Sharon, who edited the chapters of the book, followed by an illustrated presentation of current socio-economic developments, prepared by Joel Blankett and Marina Kunin. This year's presentation[1] emphasizes indicators of inequity within the various social systems.

The chapter that follows analyzes government expenditure on social services, focusing on a breakdown of expenditures by service area (and not necessarily by government ministry); it also analyzes government expenditure trends in these areas over the past few years. The chapter was written jointly by Dr. Tuvia Horev and Prof. Yaakov Kop, based on an analysis of budget and final expenditure data prepared by Yulia Cogan under the guidance of Joel Blankett.

The report's final chapter presents the findings of the Center's Annual Social Survey, intended to elucidate public attitudes toward social issues, as well as the prevailing atmosphere and degree of the public's social confidence as measured by the Taub Index of Social Confidence. The survey was designed and analyzed by Center researchers Joel Blankett and Nachum Blass, with the participation of Roni Barzuri, Dalit Nachshon-Sharon, Yulia Cogan and Marina Kunin.

The report was produced, edited and readied for print under the direction of Dalit Nachshon-Sharon. Ruti Lerner provided assistance and prepared the final layout of the chapters. Joel Blankett and Laura Brass were responsible for the English version. Yehudit Agassi assisted the staff at all stages of the project and coordinated the administrative work.

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1 The Hebrew version of this report includes chapters on Trends and Developments in the Social Services: the Education System; the Health Care System; Personal Social Services; the Social Security System; Labor, Unemployment and Wages. These chapters are not presented in this English translation of the report.

We would like to thank all members of the Center staff for their dedication, and all those who served in the Center's policy program teams for their contribution toward illuminating the social issues at hand and promoting their public discussion.

Tuvia Horev, Yaakov Kop
*Jerusalem, May 2009*

# *Summary of Findings*

## *Economic Developments*

1. The onset of the current global economic crisis found Israel's economy in relatively good condition after four years that were characterized by impressive growth and dynamic activity. This was also reflected in various indicators relating to the labor force, for instance: the number of those employed increased annually at an average rate of 3.2 percent while the rate of unemployment fell to 6 percent.
2. The increase in tax revenues led to a decrease in the budget deficit and to a balanced budget in 2007, as well as to a significant decline in government debt as a share of GDP.
3. The average standard of living continued to rise in 2007 with an increase in both per capita income and consumption. However, the economic benefits of the past few years of growth were not enjoyed equally by all: real growth in per capita disposable income (adjusted for family size) during the period 2002-2007 was 18.6 percent in the upper quintile and 8.5 percent in the bottom quintile.
4. The rise in the percentage of households living in poverty leveled off in 2007, and the percentage of the overall population, and of children, living in poverty actually declined. At the same time the relative situation of the families under the poverty line worsened, as they fell further below the poverty line. Income inequality, as measured by the 2007 Gini index after transfer and direct tax payments, was 0.3834 – one of the highest rates amongst developed countries.

## *Employment, Unemployment and Wages*

1. With the rise in economic activity, Israel's labor force participation rate continued to rise over the last two years to over 56 percent in 2007 and the first half of 2008. However, large disparities exist between the labor force participation rates of different population groups, particularly with regard to factors such as levels of education, gender and place of residence (in the periphery or the center of the country). Among two specific population groups – *Haredi* ("ultra-Orthodox") men and Arab women – labor force participation rates are particularly low.
2. The number of those employed grew to 2.8 million during the second quarter of 2008, versus 2.3 million at the beginning of the decade. Most of this growth took place in the business sector, which expanded by some 110,000 workers during the period 2005-2007 – 2.5 times the increase in by the public sector. This trend was sparked by a government policy of slowing growth in the public sector and diminishing its relative share in the economy.
3. The rise in the number of employed persons occurred mainly within the sector that includes academic and associate professionals, technicians and managers, as well as the sector composed of clerical workers, agents and sales workers. These two groups accounted for 36 percent of the employed in Israel's economy in 2007. Two other sectors, those of skilled workers in industry, construction etc., and unskilled workers, contracted in 2007, accounting for only a quarter of all those employed. The rise in demand pertains mainly to professions requiring a high level of education, in contrast to a declining demand for skilled and unskilled workers who are employed mainly in traditional industries and whose overall share in the workforce has been diminishing.

4. The decline in unemployment continued both in absolute terms (fewer than 200,000 unemployed) and in terms of the unemployment rate, which fell to 6 percent during the third quarter of 2008. Israel's unemployment rate for 2007 was the lowest recorded since 1997 and approached the OECD average of 5.7 percent. The absolute number of those unemployed for over a year decreased in 2007 by some 25 percent compared to the previous year, and returned to the 2003 level. However, compared to the beginning of the decade, their percentage share, as well as their total number, has doubled. A high percentage of this chronically-unemployed population consists of people of limited education and Israeli Arabs, who find it difficult to integrate into the labor market in part due to the growing employment of foreign workers.
5. The number of non-Israeli workers (foreigners and workers from the West Bank and Gaza) employed in Israel, which had been declining since 2002, rose again in 2007. This appears to reflect an easing of the policy aimed at limiting their employment in general, and less stringent enforcement with regard to illegal foreign workers, in particular.

## *Government Expenditure on Social Services*

1. The resurgence of economic growth did not improve matters on the social front nor were the resources necessary to improve the situation allocated. The last few years have seen a continual decline in expenditure on social services as a percentage of the GDP, reaching a low of just 16 percent, while the share of social expenditure, out of total government disposable government (after debt servicing) declined to less than 51 percent. This was in spite of impressive economic growth and despite the fact that measurable social goals had been set by the

government for the period 2008-2010, attesting to an apparent rise in awareness of the importance of social issues.

2. Overall social expenditure per capita reached its lowest level in two decades, NIS 14-15,000, versus NIS 16-17,000 from the 1990s through the early 2000s (at constant 2007 prices). The decline in in-kind (direct) service provision, particularly in education and health, is substantial – from NIS 10,500 per capita at the beginning of the decade to NIS 8,800 in 2007 (at constant prices). Per capita spending on income-support and other National Insurance Benefits also declined as compared to the beginning of the decade, reaching less than NIS 6,000 (in 2007 prices).
3. The decline in expenditure in recent years has been accompanied by a reduction in the government's share in financing national education and health expenditure. This development has led to a major increase in household spending in these areas. It would seem to contribute to a widening of disparities in terms of service consumption, health outlays, and educational performance among the weaker populations, who are unable to privately finance the purchase of these services.
4. With regard to the composition of government expenditure on in-kind services, 2007 saw a relative rise in spending on education and personal social services, versus a decline in the share of health spending. This decade has also witnessed a decline in the share of other social services (including housing and immigrant absorption).
5. In 2007 there was a real-term increase in total expenditure for income-support programs, particularly in the areas of general disability and old age/survivors pensions. Unemployment benefits, income-support benefits and child allowances continued to decline.

6. Over the last few years there has been a cutback in the development budgets for education and health – budgets financing the maintenance and further development of the systems' physical infrastructures. Only 2 percent of total government expenditure on education is being channeled toward development, and only one percent of government health expenditure. In both of these areas, the very low level of investment is eroding the systems' physical infrastructures, which may translate into low service quality in the future.

## *The Education System*[1]

1. During the decade 1998-2007 national expenditure on education rose in constant prices by 17 percent, yet as a proportion of the gross domestic product it declined from 9.0 to 8.3 percent. This is still one of the highest expenditure rates in the world. It took place at a time of rapid economic growth. During the same period the relative education-expenditure disparity between Israel and the OECD countries grew significantly at all educational levels: Israel devotes to primary education less than 80 percent of the OECD countries' average allocation, while for post-primary education the figure is less than 70 percent.[2]
2. Government per-pupil expenditure dropped during this period by 8 percent on average (though it still remained significantly higher than per-pupil expenditure in the early 1990s, and similar to the average figure for the early 1980s). However,

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1 Detailed discussions of this and the following in-kind service sectors appear in the Hebrew version of this report. The complete Hebrew report is available on-line (www.taubcenter.org.il) or by request.

2 If the differences between the countries in terms of quality of life, as reflected in per capital GDP are taken into account, per-pupil expenditure in Israel is similar to that of most OECD countries.

these expenditures differ by education level. For example, early childhood education grew throughout the period due to a switch from private to public expenditure – the outcome of an extension of the Compulsory Education Law to the 3-4 year-olds. In post-primary education, however, the 2000s witnessed a steep 17 percent decline in per-pupil expenditure.

3. Israel's education system encompasses some 2.2 million pupils, a million and a half of whom are enrolled in grades 1-12. The entire system experienced relatively slow growth over the past decade, 20 percent overall. Education in the Jewish sector grew by just 13 percent, while education in the Arab sector grew by 61 percent. This reflects two processes: the rate of natural increase (which is working steadily to increase the proportion of "non-Jews" (Arabs, Bedouin, Druze and Circassians) in Israel's population overall and within the pupil population in particular; and a rise in school enrollment within the Arab sector, particularly with regard to post-primary and preschool education.
4. Patterns of natural increase lie behind yet another phenomenon that characterizes the past decade: a prominent increase in enrollment in *Haredi* educational frameworks, amounting, on average, to a quarter of all pupils in the Jewish sector.
5. The rate of matriculation-certificate eligibility within the relevant age cohort rose by 40 percent during the years 1997-2007, a clear indicator of success for the Israeli education system. If *Haredi* and East Jerusalem pupils, who choose for different ideological reasons not to take the matriculation exams, are excluded, an eligibility rate significantly higher than that reported is obtained.

## *The Health Care System*

1. National health expenditure remained relatively stable as a percentage of the GDP during the last decade, ranging from 7.7 to 8.2 percent; however, most of the OECD countries to which Israel has traditionally compared itself have experienced a gradual increase in this area, to an average of 8.9 percent of GDP in 2006.
2. Alongside the decline in health expenditure as a percentage of GDP, there has been a relative decline in the government's share in financing overall national health expenditure, from more than 70 percent during the 1990s to less than 65 percent in 2007 – one of the lowest figures among developed countries. At the same time, the rate of private household financing within the health system has increased from 25 percent of overall national health expenditure in 1995 to 36 percent in 2007.
3. The average household health expenditure (NIS 619 per month) doubled over the past decade (1997-2007), and its share of total household consumption outlays increased by 40 percent – from 3.8 percent to 5.3 percent of total consumption expenditure. The increase in private financing within the health system widens health disparities between the various population sectors due to differences in the ability to pay. This is illustrated in a comparison of private health expenditure between income quintiles which shows that the highest quintile spends three times more than the lowest quintile. This situation is liable to create an obstacle to service accessibility, not only when it comes to elective services but also with regard to essential health services.
4. 80 percent of Israelis do not rely solely on the basic national health service basket, but rather pay for some type of "supplemental" health insurance; however, 20 percent do not hold any supplemental health insurance offered by one of the

Sick Funds (The Israeli HMOs) or commercial providers, and some essential services provided by these programs are not accessible to them. The percentage of those not covered by supplemental health insurance is higher among the weaker populations, Arabs, new immigrants and low-income groups, as well as in localities of low socioeconomic ranking, and among the elderly.

5. Infant mortality rates declined to 3.9 per thousand live births, similar to that of most developed countries – despite the fact that the percentage of low birth-weight babies is considerably higher here than in Europe. While this is no doubt indicative of the high-level medical care provided on the whole by Israel's health system, notable disparities continue to exist between the Arab and Jewish populations.
6. Israel ranks high on the list of countries by life expectancy; this ranking is due in great part to the relatively high life expectancy of Israeli men (79 years), who top the list of countries along with Japan, Australia, Sweden and Switzerland. Israeli women fall into the second-highest category, with a life expectancy of 82 years – similar to that of women in Germany, Belgium, Portugal, the Netherlands and Ireland, but lower than that of Japan (86 years), France, Switzerland, Spain and Italy (84 years), Austria, Norway, Sweden, Canada and Finland (83 years).

## *Personal Social Services*

1. Government expenditure for personal social services, one of the smaller budget items within overall government expenditure for in-kind social services, increased its expenditure share to 10 percent in 2008. Expenditure also rose in real terms, to over NIS 6 billion. This increase was mainly due to a near-fivefold growth in expenditure for long-term care services between

1990 and 2007, thus increasing their relative share from a quarter to half of all outlays on personal social services.

2. Expenditures for other services also increased during this period (doubling since 1990); a particularly sharp rise occurred in outlays for youth correctional services (nearly fourfold), services for the mentally disabled (approximately 2.5-fold), services for the physically disabled (threefold), and for social service department personnel (twofold). However, this recent increase in all service areas only partly matched the rise in the number of those requiring service.
3. Central government allocations finance a major portion of the expenditure for personal social services, which in the vast majority of cases are provided by the social service departments of the local authorities. The local authorities are supposed to finance a quarter of overall expenditure in this area. However, some local authorities are in budgetary crisis and their ability to fund their share of the services is compromised. As a result, many of the local social service departments manage to reach only part – often a small part – of the population groups in need of their services, and the services, when provided, only partially meet the needs of the clients.
4. In mid-2008 the social service departments provided services, at varying levels of intensity, to some 480,000 families, comprising a million and a quarter individuals. This represents a considerable burden, one that often exceeds the limited financial and human resources available. In the local social service departments in 2008 there were 4,700 employee positions (most of them social workers), whose salaries were funded by the Ministry of Social Affairs and Social Services, and 700 additional positions funded by the local authorities themselves (primarily those local authorities on a stronger economic footing). Ministry of Social Affairs' estimates point to a shortage of 1,000 social worker positions – without taking

into account the heightened need for services anticipated in the wake of the economic slowdown that began in the last quarter of 2008 and that is expected to worsen.

5. The personal social service sphere is undergoing a comprehensive and rapid process of semi-privatization that is changing its pattern of activity: a significant number of the social welfare services that the central and local governments are either legally required or wish to provide to needy populations are financed by them but actually provided by non-governmental organizations.

## *The Social Security System*

1. Achievements towards reducing the number of the poor or narrowing socioeconomic disparities have not been significant: poverty rates remained stable at 20 percent throughout 2006-2007, while inequality of income distribution increased.
2. National Insurance benefit payments in 2007 amounted to NIS 42 billion (in current prices), and they are expected to approach NIS 44 billion in 2008. These sums still constitute a smaller share of the GDP than in any other year since the beginning of the decade.
3. The three main branches of social insurance – old age/survivor, general disability, and child allowances – account for two-thirds of all benefits. At 40 percent of total expenditure, old age benefits were the largest program of all National Insurance transfer payments. The next-largest expenditure, which over the past decade has taken on a high degree of importance, is disability benefits, whose share of the total National Insurance Institute budget is over 20 percent, greatly exceeding that of child allowances which, until the beginning of the current decade, had constituted the second most significant component of overall expenditure. This trend intensified during 2008.

4. The average old age pension (paid to 730,000 individuals), which has been adjusted several times over the last few years, reached a level of 29 percent of the national average wage in 2008 (individual pension – NIS 2,265). The increase in pension payments to the needy elderly has led to a decline in the incidence of poverty among the elderly over the past two years. Despite this, however, nearly a quarter of households headed by a senior were poor – a higher rate than the overall population average.
5. Nearly 200,000 people with physical disabilities received disability benefits in 2008. This group has witnessed a higher rate of growth than that of other beneficiary groups. Changes have recently (July 2008) been adopted regarding the employment of people with disabilities that are intended to prevent their benefits from being compromised should they enter the labor force, thus encouraging them to return to work.
6. About a million (993,000) families received child allowances in 2008; the number of children for whom these benefits are being paid is approaching 2.4 million. Total child allowance payments for 2008 will reach NIS 5 billion, but this program area has suffered more severe cutbacks due to the "emergency economic plans." The incidence of poverty among children and families has risen significantly (particularly in those instances where the head of the household does not participate in the labor force): 774,000 children lived in poverty in 2007, constituting 34 percent of all children in Israel.

## *The 2008 Social Survey*

1. The Israeli public's sense of well-being and social confidence deteriorated in 2008 in contrast to the trend toward improvement that had prevailed since 2003. The Taub Index of Social Confidence, which had reached a high of 62 in May

2007, fell to 58 a year later (on the Index scale of 0 to 100), and it appears that the Israeli public is beginning to feel the impact of the worldwide and local economic slowdown. The survey was conducted in the spring of 2008, and its findings indicate that, even before the slowdown began to affect standard of living levels, the Israeli public was already beginning to fear for the future. Not surprisingly, the survey found a higher level of fear among the weaker population groups, particularly those at the lower income levels.

2. The number of respondents reporting an improvement in their standard of living declined this year within the population as whole and at all education levels. However, the most negative results were obtained from those with low levels of education – among them the proportion of respondents in this category who reported a worsening in their living standard grew from a third to half, and the proportion of those reporting an improved standard of living declined. This deterioration among the low-education group is particularly worrisome as it points to a conspicuous marginalization of this population. To complete the picture: the percentage of those with an academic education who reported an improvement in their standard of living was nearly double that of the low-education group; and the percentage of low-education respondents who reported a worsening of their situation was more than double that of the high-education group.
3. The survey points to a broad consensus within the public: the issue of social disparities is Israeli society's number one problem, and efforts to contend with it should be at the top of any government's agenda. There appears to be broad agreement regarding the possibility of significantly lowering the level of inequity and narrowing the prevailing socioeconomic disparities. However, the government and its various agencies

are not working effectively to narrow these disparities and may actually contribute to their widening.

4. According to the survey findings, 61 percent of the population feels that there are great disparities between the health services provided to the various population groups. This is a significantly higher percentage than that found in 2007, when 53 percent of the respondents held this view. It is interesting to note that this sense of inequality is more pronounced among those belonging to the stronger population groups (in terms of income and education).

*Government Expenditure on Social Services*

# *Government Expenditure on Social Services*

The current global economic crisis has not spared Israel's economy, which is now in a state of transition from rapid growth to recession. The last three years were characterized by impressive economic expansion, following on the heels of a slowdown during the period 2001-2003, one to which the Israeli government itself contributed by implementing a severely restrictive fiscal policy that curbed public consumption. This curtailment of public consumption had ramifications for various sectors of the economy. During the following years, from mid-2003 on, there was a significant upturn, as reflected in several economic indicators. This change in direction included an awakening in the labor market: in 2002 the number of those employed grew at an annual average rate of 0.9 percent, and since then the rate rose to 3.2 percent. At the same time the rate of unemployment declined by 3.4 percentage points and 2008 is expected to end with an average unemployment rate of 6.3 percent. Employment rates for the 25-64 age group have been trending upward since 2003, reaching 70 percent in 2007. Wages have also been rising steadily in real terms since 2003, in both the private and public sectors.

This brisk economic activity led to a rise in tax revenues and to a consequent reduction in the deficit from a high of 5.3 percent in 2003 to one percent in 2006 and to a balanced budget in 2007, with a decline in public debt as a percentage of GDP. Unfortunately, this improvement in the economic situation was not nearly as extensive in the social realm. The various chapters of this year's *Report*[1] point to deficiencies in a number of areas of social concern and highlight the state budget's failure to adapt to changing social needs. The report proposes various options for improvement in the social arena while also encouraging economic growth – taking into account time constraints and difficulties posed by the global and local crises.

## 1. *Summary*

The allocation for social services as a percentage of the gross domestic product (GDP) reflects governmental priorities for resource allocation, in light of current economic developments. In recent years there has been a continued decline in social service expenditure as a percentage of GDP. During the last two years, social services expenditure as a percentage of disposable government expenditure (after debt servicing) has been the lowest since the early 1990s – this during a period of exceptional economic growth, when measurable goals have been set by the government for the first time in the social sphere (for 2008-2010).

The macroeconomic achievements of the last few years led to a rise in the average standard of living, both in terms of per capita income (adjusted for household size) and in terms of increased per capita consumption – as well as a rise in employment figures, a decline in unemployment and an increase in real wages. However, these developments have had only a minimal effect on the weaker segments of society, particularly those outside the labor force. For

[1] The chapters on trends and developments in the social services – the Education System, the Health System, Personal Social Services, The Income Security System, Employment, Unemployment and Wages – are not included in this English edition of Israel's Social Services 2008. The main findings are summarized in the Summary of Findings included in this English version of the report. The full Hebrew edition is available on-line (www.taubcenter.org.il) or by request.

example, the real increase in per capita disposable income (adjusted for household size) between 2002 and 2007 was 18.6 percent for the highest quintile of the population, versus 8.5 percent for the lowest quintile. In 2007 the rise in the incidence of households living in poverty leveled off, and a certain decline in the share of individuals and children living in poverty was registered. At the same time the relative situation of the families under the poverty line worsened, as they fell further below the poverty line. Also: while the disparity in income distribution narrowed slightly in 2007, inequality as measured by the Gini index continued to rise in 2008, reaching a level of 0.3834 – one of the highest figures in the Western world.

Despite the decline in unemployment, the disparity in unemployment rates between those with higher education levels and those with only basic education is widening. The poverty rate for two-wage-earner households held steady at four percent, while the incidence of poverty among households with five or more children reached 67 percent, even after accounting for the impact of transfer payments and taxes. The beneficial effect of social transfer payments, in terms of lowering poverty rates and narrowing disparities, is eroding; this highlights the need to address the problem's structural nature and to rely less on transfer payments.

Recent years have witnessed a decline in the government's share of funding for education and health care services. In the area of personal social services the trend toward increased expenditure continued and even intensified in 2007, due mainly to the funding of long-term care benefits.

Alongside the reduced share of social transfer payments as a percentage of total government expenditure for social services, 2007 witnessed a real increase in transfer payments, particularly in the area of general disability and old age and survivor pensions.

With regard to unemployment benefits and income support benefits, as well as child allowances, the decline continued.

Since 2004 the National Insurance Institute (NII) has had a budgetary surplus. Over the last few years there has been a rise in the government's share of funding for the National Insurance Institute budget, and a decline in direct public contributions to NII funding. This trend is promoting dependency on the state budget, and diminishing the fiscal autonomy of the National Insurance Institute.

Israel entered the global crisis in a relatively good macroeconomic state. However, forecasts predict a major downturn in growth. For example, in 2009 the GDP is expected to increase by only 1.5 percent (according to preliminary estimates), while the business sector product is expected to decline sharply, from 4.5 percent in 2008 to 1.8 percent in 2009. The government deficit is expected to rise to 2.3 percent of the GDP, while the unemployment rate is expected to increase to 7 percent. The situation as reflected in the data of the last few years indicated numerous difficulties for the weaker segments of society, even during periods of relative economic prosperity. In light of next year's projected decline in tax revenues and the anticipated increase in transfer payments resulting from the rise in unemployment, it would be desirable to let the budget deficit grow beyond the anticipated level. This increase will enable a relatively high level of allocation to the social ministries charged with coping on a day-to-day basis with poverty and its consequences – ministries whose activity both in the short term (as the crisis peaks) and in the long term may keep disparities from widening and poverty from intensifying.

The period of recession that is being predicted for Israel as elsewhere may prove to be an opportune moment for increasing investment in educational and health-service infrastructures that have long been neglected. This would be consistent with a much needed policy of increasing public investment in economic infrastructures and human capital. At a time like this, when the economy is expected to enter a recession, with rates of unemployment and poverty expected to rise, not only is there a need for preparation on the economic front, but also on the part of the social ministries themselves. The current crisis affords an opportunity for a re-assessment of current policy, for reorganization focused on the needs of the weaker populations, and for redoubled efforts to put available funds to optimal use. Preliminary proposals in this regard may be found in a separate document prepared by the Taub Center in 2008, in the framework of a Presidential Task Force on strategies to narrow socioeconomic disparities in Israel.

## 2. *The Benefits of Economic Growth and their Distribution*

### A. *Economic Developments*

Economic growth slowed in Israel during 2008 and is expected to continue decelerating significantly. In 2007 Israel's GDP rose by 5.4 percent while the business sector product rose by 6.2 percent; based on the first half of 2008, the rise in GDP is expected to level off at 4.3 percent, while forecasts for business sector product call for a 5.0 percent increase (see Table 1). Although it is too early to predict the degree to which recent developments in Israel and abroad will affect these indicators, a more recent (November 2008) Bank of Israel forecast estimates that Israel's GDP will rise by 1.5 percent in 2009.

In recent years economic growth was accompanied by an increase in Israel's economically-active population. The labor force participation rate rose steadily, while the unemployment rate fell from two-digit figures to about 6 percent. However, it should be emphasized that the decline in unemployment was experienced mainly by the more highly educated population, not by those with low educational levels.

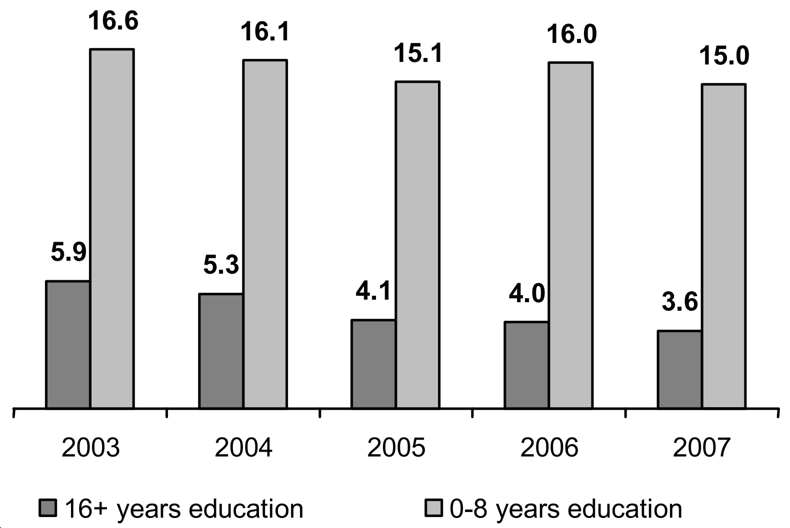
Table 1. **Economic Developments – Positive and Negative Indicators** (Percent)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| ***Economic growth*** | | | | | | |
| • GDP | 1.8 | 5.0 | 5.1 | 5.2 | 5.4 | 4.3[1] |
| • business sector product | 2.2 | 6.8 | 6.2 | 6.4 | 6.2 | 5.0[1] |
| ***Improvement in employment*** | | | | | | |
| • Labor force participation rate | 54.5 | 54.9 | 55.2 | 55.6 | 56.3 | 56.4[2] |
| • Unemployment rate | 10.7 | 10.4 | 9.0 | 8.4 | 7.3 | 6.3[3] |
| • Increase in employment | 2.0 | 3.0 | 3.9 | 3.2 | 4.2 | 4.0[4] |
| • Social expenditure as percentage of GDP | 18.8 | 17.3 | 16.4 | 15.9 | 15.7 | 16.1 |
| • Social expenditure per capita (NIS thousand, 2007 prices) | 16.2 | 15.2 | 14.8 | 14.6 | 14.7 | 15.3 |
| ***Rise in incomes and living standards*** | | | | | | |
| • Change in real wage per employee position | -3.0 | 2.5 | 1.8 | 1.6 | 1.6 | 0.0[3] |
| • Change in per capita private consumption | -1.5 | 3.5 | 2.0 | 2.1 | 4.8 | 2.5 |
| ***Economic disparities and poverty rates*** | | | | | | |
| • Unemployment rate among those with: | | | | | | |
| ▪ Higher education levels | 5.9 | 5.3 | 4.1 | 4.0 | 3.6 | – |
| ▪ Lower education levels | 16.6 | 16.1 | 15.1 | 16.0 | 15.0 | – |
| • Gini index before transfer payments & direct taxes | .5265 | .5234 | .5225 | .5237 | .5134 | – |
| • Gini index after transfer payments & direct taxes | .3685 | .3799 | .3878 | .3857 | .3834 | – |
| • Incidence of poverty among households | 19.3 | 20.3 | 20.6 | 20.0 | 19.9 | – |
| • Poverty gap | 30.5 | 33.3 | 33.1 | 33.8 | 34.0 | – |

1 Bank of Israel forecast.
2 Second quarter, seasonally-adjusted data.
3 Annual calculation based on data from the first half of the year.
4 First half, versus the same period the year before.

The unemployment rate differential between the two groups is still relatively large and has actually been increasing from year to year – in 2004 the low-education group's unemployment rate was three times that of the highly-educated group, and it rose to four times that of the highly-educated group over the past two years (Figure 1).

**Figure 1. Unemployed, by Education Level**
Percent

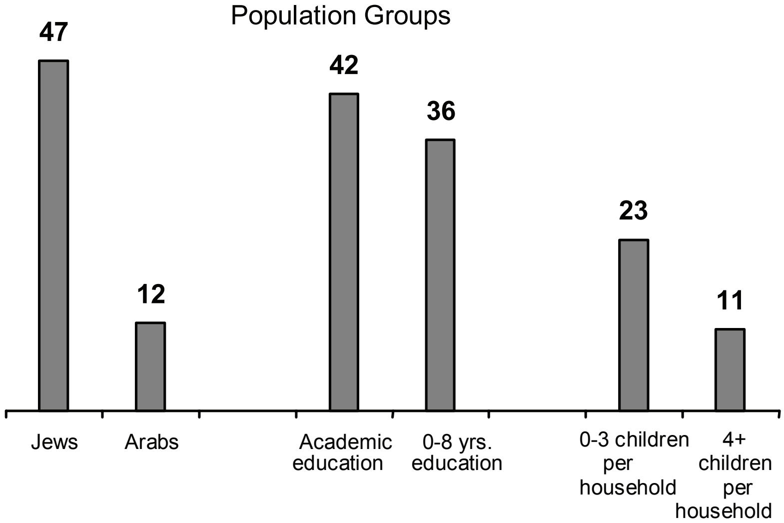



Data on income distribution indicate that the benefits of economic growth have not been enjoyed equally by all. Israel's poverty rate is high despite a certain improvement from 2006 on; the incidence of poverty, particularly among children, is exceedingly high compared with that of other developed countries. The situation is the same with regard to overall income distribution: the Gini index values used to measure inequality of income distribution are very high, while the overall impact of transfer payments and taxes on inequality has declined over the years – in 2002 the adjustment was 31.5 percent, while during the last two years it fell to just 25 percent.

Inequality of income distribution is also reflected in the ratio between the per capita income (adjusted for household size) of the highest quintile of the population and that of the lowest quintile, based on the quintiles' share of the total income. This ratio comes to 22.4 prior to transfer payments and direct taxes. After transfer payments the ratio declines to 9.7, while the impact of direct taxes brings it down still further to 7.8. It should be emphasized that in 2007, as in previous years, 4 percent of two-income households were under the poverty line, while half of households under the poverty line had at least one wage-earner.

**Figure 2. Percent Reduction in Poverty Rate after Transfer Payments and Taxes**

Population Groups



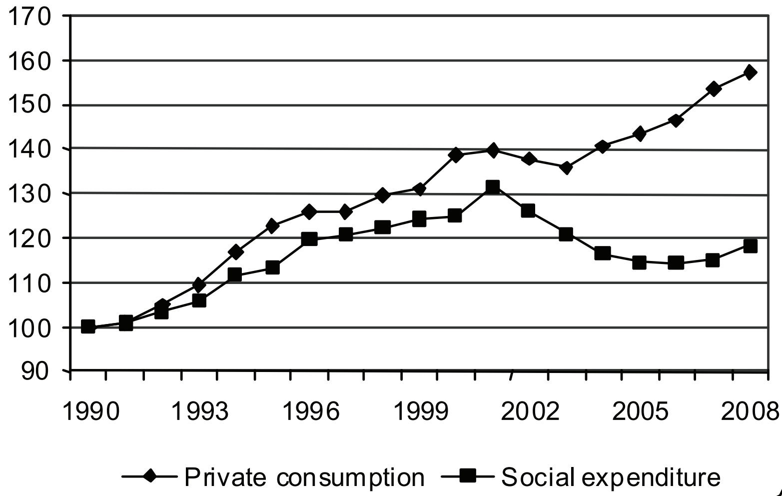
The fact that the poverty rate has stabilized at a high level, the trend toward intensification of poverty, and the declining power of transfer payments and direct taxes to ameliorate the situation, point to the existence of a structural problem requiring solutions that address its root causes. One cannot rely solely on transfer payments, which address the problem's consequences rather than preventing it – even though these payments, in certain years, have had an impact in terms of income distribution.

## B. *Income and Standard of Living*

In 2007 the standard of living rose in terms of per capita income (adjusted for household size) at a real rate of 3.6 percent. The median income per capita (adjusted for household size) rose by 4.6 percent. This rise mainly reflects an increase in work-based income, which in turn stemmed from an increase in the number of those employed and in real wages. National Insurance Institute data indicate that economic income – which includes income from work and capital markets only and does not include either government transfers or deduction of direct taxes – rose in real terms by 5 percent. This rise primarily reflects a rise in wage-based income, and a modest increase in income from self-employment, as well as a decline in pension and capital-based income. The period 2002-2007 witnessed a real, 17 percent increase in per capita disposable income (adjusted for household size), though the benefits of this increase were not enjoyed equally across the board: the lowest quintile experienced a rise of 8.5 percent, while the highest enjoyed a rise of 18.6 percent.

As noted above, the recent economic growth was characterized by an expansion of employment, a reduction in unemployment and a rise in real wages. The labor force appears to have been the prime factor in the rise in standard of living; thus the status of the population that participates in the labor force improved compared with that of the non-participatory population. Indeed, poverty rates among the non-participatory (working age) population rose from 67 to 70 percent over 2006-2007, while the incidence of poverty among working households remained stable at 12 percent.

**Figure 3. Social Expenditure and Private Consumption, Per Capita**
Index: 1990=100




In an additional breakdown by population group, between 2006 and 2007, per capita economic income (adjusted for household size), rose by 9 percent in the Arab population sector. This contributed to a decline in the incidence of poverty within this group – from 54 to 51 percent.

The unequal distribution of the benefits from economic growth and the decline in the impact of transfer payments are not coincidental; they can be explained by changes in policy. For example, in early 2006 several policy changes were instituted that had opposing effects: on the tax side, marginal tax rates were decreased, affecting primarily the middle and higher income levels; tax brackets were adjusted in accordance with rising prices, while the value of tax credit points remained unchanged and eroded in real terms. Changes were also made to National Insurance and health insurance contributions – changes intended to lower the burden on the lower and middle income wage-earner groups without, however, affecting the overall scope of payments. At the same time, on the transfer payment side, National Insurance benefits were updated by 2.7 percent (for the first time since 2002), reflecting the rise in prices.

## 3. *Government Expenditure – Policy and Priorities*

### A. *Restricting Government Expenditure*

In recent years, real increases in total government expenditure were constrained to a fixed rate. This restriction was intended to encourage economic growth by freeing up resources for use by the business sector. The outcome was a steady annual decline in the ratio of government expenditure to GDP. In 2001, disposable government expenditure after debt servicing amounted to 35.4 percent of the GDP. It fell to 30.8 percent by 2007, a decline of 13 percent (Table 2). This reduction in the share of government expenditure was achieved mainly by reducing the ratio of social spending to GDP by one fifth during the period in question.

Table 2. **Government Expenditure as a Percentage of GDP, 2001-2008** (Percent)

| | **Total Government expenditure** | **Government expenditure excluding debt servicing** | **Social expenditure** |
|---|---|---|---|
| 2001 | 50.7 | 35.4 | 19.8 |
| 2003 | 51.1 | 34.8 | 18.8 |
| 2005 | 46.5 | 31.8 | 16.4 |
| 2006 | 46.2 | 31.3 | 15.9 |
| 2007 | 45.6 | 30.8 | 15.7 |
| 2008 | 46.3 | 31.7 | 16.1 |

Social services delivered or funded by the government are meant to be an important factor in preventing poverty, narrowing socioeconomic disparities and coping with the consequences of these disparities. This policy of reducing the share of social expenditures in GDP is not compatible with the government's declared goal of advancing social objectives. It should be stressed that the estimate for 2008 given in this table and in those presented below was arrived at on the basis of figures for the first half of 2008. In light of the significant difference between the two halves of 2008, the estimate for this year should be treated as preliminary and with caution.

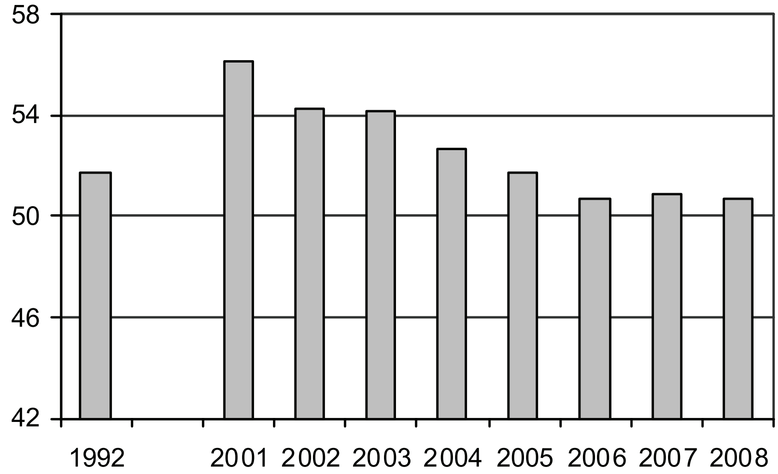
## B. *Priorities*

Data on the distribution of government expenditure by main areas indicate that a third of this expenditure is directed toward debt servicing, while the disposable budget (after debt servicing) is divided between social outlays (51 percent), defense (26 percent) and economy and administration (23 percent) (Table 3). 2001 was a watershed year with regard to the share of social spending as a percentage of disposable government expenditure. After two straight decades of a rise in its share it peaked in 2001 at 56 percent of total disposable expenditure. However, from this year on, the rate of social service expenditure declined as a percentage of the disposable budget, reaching a level below 51 percent. The figure for recent years is particularly low compared with that of the early 1990s (see Figure 4). By contrast, since 2002 there has been a rise in the share of defense spending, to 26 percent in the last two years. Outlays for economy and administration, which fund a wide variety of activities from incentives for investment, research and development, and exports to maintaining public order and environmental protection, have risen modestly since the beginning of the present decade (2001-2004) to a level of about 23 percent.

Table 3. **Distribution of Government Expenditure by Main Areas, 2001-2008**

| | Total | Debt servicing | Disposable expenditure | Social services | Defense | Economics and Administration |
|---|---|---|---|---|---|---|
| 2001 | 100.0 | 30.2 | 100.0 | 56.1 | 23.6 | 20.3 |
| 2002 | 100.0 | 29.2 | 100.0 | 54.2 | 25.4 | 20.4 |
| 2003 | 100.0 | 32.0 | 100.0 | 54.1 | 24.3 | 21.6 |
| 2004 | 100.0 | 29.1 | 100.0 | 52.6 | 24.6 | 22.8 |
| 2005 | 100.0 | 31.6 | 100.0 | 51.7 | 25.3 | 23.0 |
| 2006 | 100.0 | 32.1 | 100.0 | 50.7 | 25.7 | 23.6 |
| 2007 | 100.0 | 32.5 | 100.0 | 50.9 | 25.8 | 23.3 |
| 2008 | 100.0 | 31.6 | 100.0 | 50.7 | 26.0 | 23.3 |

**Figure 4. Social Services Expenditure as a Percentage of Total Government Disposable Expenditure**




## 4. *Government Social Expenditure – In-Kind Services and Transfer Payments*

In 2007 actual expenditure on social services came to NIS 105.4 billion, 95 percent of it in the current budget framework and the remainder from the development budget. In retrospect, the period 2002-2005 saw a steady erosion of the social expenditure level, and a real cumulative decline of 7.5 percent; however, in 2006 this decline halted. Between 2006 and 2007 there was an increase of 2.4 percent in social spending, with an additional 6 percent increase by 2008 (according to budget estimates) (Figure 5).

A more complete picture regarding the level of service provided is obtained when population size is taken into account and data presented in per capita terms and in constant (2007) prices.

Figure 6 shows that overall spending per capita rose during the early 1990s to a level of NIS 16-17 thousand, versus NIS 12 thousand during the 1980s. From 1992 the level remained stable until the early 2000s; since then there has been a gradual decline, to NIS 14-15 thousand.

Social spending can be divided into two basic types – in-kind services and transfer payments. In-kind services are delivered directly to the public by the government or by public and private institutions receiving full or partial state funding; government agencies are responsible for their delivery, and outlays for them are included in the state budget. The areas in which these services are provided include education, health, personal social services, public housing, and assistance to new immigrants. The second type of social spending, transfer payments falls mainly within the purview of the National Insurance Institute, whose responsibility for the social security of the population is embodied in a network of programs that address needs of various kinds. This network includes old age and survivor benefits, child allowances, disability pensions, and an array of unemployment and income-maintenance benefits intended to ease poverty, etc. Transfer payments are funded partially by public contribution (National Insurance payments), while the state budget makes up the difference between total transfer payment expenditure from the NII to the public and the insurance receipts obtained from the public.

In-kind services amounted to NIS 63.5 billion in 2007, 60 percent of the total social expenditure, while transfer payments came to NIS 42 billion. The relative share of in-kind services has, by and large, remained stable over the current decade at around 60 percent. When the period of comparison is extended, it can be seen that during most of the 1990s, the average share was 65 percent – except for the mass immigration years of 1991-1992, when the share of in-kind services jumped to 71 percent (due in great part to

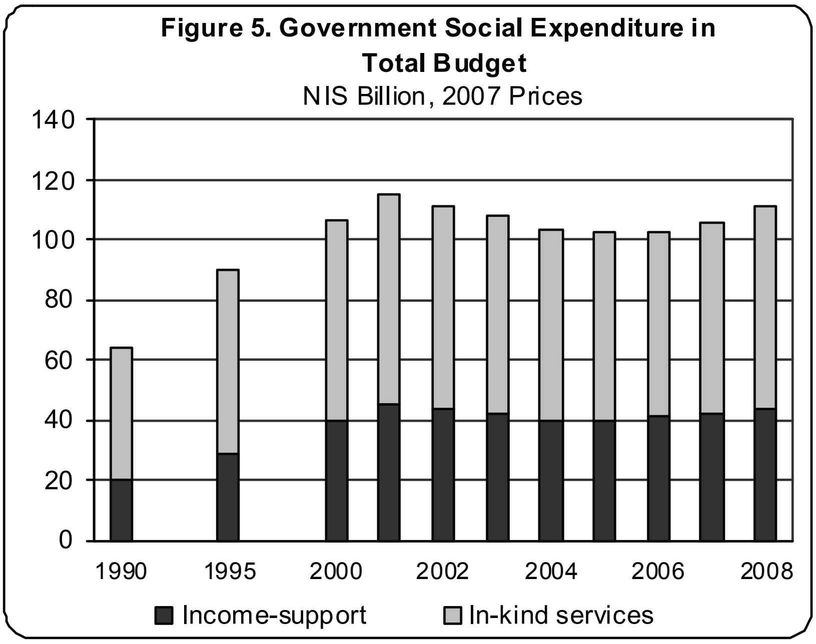


Figure 5. Government Social Expenditure in Total Budget
NIS Billion, 2007 Prices
140
120
100
80
60
40
20
0
1990
1995
2000
2002
2004
2006
2008
Income-support
In-kind services

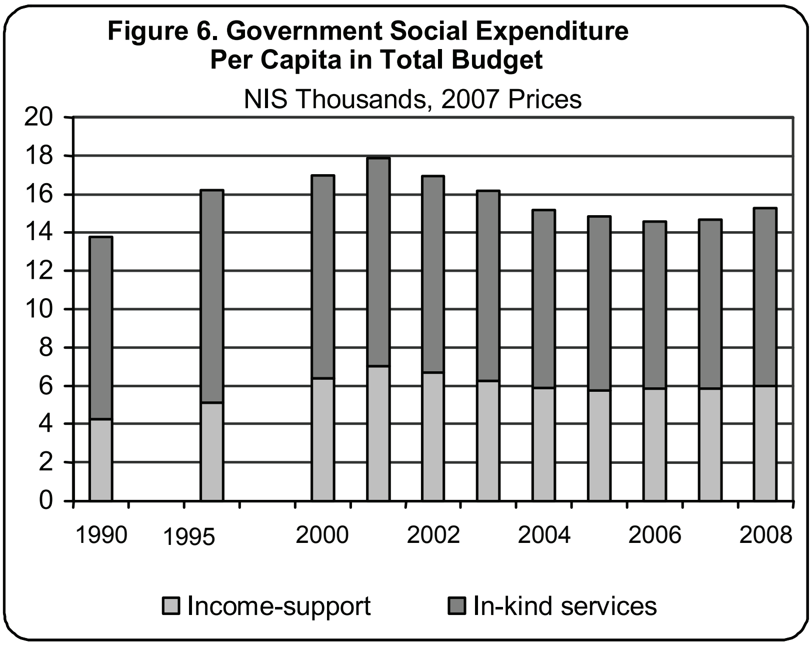


Figure 6. Government Social Expenditure Per Capita in Total Budget
NIS Thousands, 2007 Prices
20
18
16
14
12
10
8
6
4
2
0
1990
1995
2000
2002
2004
2006
2008
Income-support
In-kind services

the need to fund housing for immigrants from the FSU). If the comparison period is extended even further back, it shows that the 1970s were characterized by levels of 70 percent and higher which leveled off to 65 percent in the first half of the 1980s, and then to 60 percent during the second half of the 1980s.

Table 4. **Distribution of Social Expenditure, by Main Components, 1980-2008** (Percent)

| | Total | In-kind services | Transfer payments |
|---|---|---|---|
| 1980 | 100.0 | 69.3 | 30.7 |
| 1985 | 100.0 | 59.0 | 41.0 |
| 1990 | 100.0 | 64.0 | 36.0 |
| 1992 | 100.0 | 71.1 | 28.9 |
| 1995 | 100.0 | 65.9 | 34.1 |
| 2001 | 100.0 | 59.6 | 40.4 |
| 2007 | 100.0 | 60.2 | 39.8 |
| 2008 | 100.0 | 60.9 | 39.1 |

Data on average per capita expenditure for the two components – transfer payments and in-kind services – show that in-kind services (particularly in education and health) experienced a significant decline during the first decade of the 21$^{st}$ century, from NIS 10,500 per capita at the beginning of the decade to NIS 8,800 (in constant prices) by 2007. With regard to transfer payments, per capita expenditure has declined since the beginning of the decade. Taking a longer view, since the early 1980s, per capita spending rose, on average, from nearly NIS 3 thousand in 1980 to NIS 4 thousand in 1990 and NIS 7 thousand in 2001; from this point there has been a decline to less than NIS 6 thousand per capita in 2008 (see Appendix Table 4).

## 5. *In-Kind Social Services*

In 2007, expenditure on in-kind social services came to NIS 63.5 billion. This sum represents a real increase of 3 percent over 2006, after a continuous decline in real expenditure during the period 2001-2006, amounting to a cumulative decrease of 9 percent. Within the in-kind social services category, education accounts for the largest share – NIS 33.5 billion in 2007, or 53 percent of the overall expenditure on in-kind services.

### A. *Composition of Government Expenditure on In-Kind Social Services*

Over the years there have been changes in the way spending on in-kind social services has been distributed, and its composition was strongly affected by the immigration wave of the early 1990s (Table 5). The rise in spending on immigrant integration, particularly with regard to state investments in housing, was reflected in a concomitant rise in the relative share of "other social services" category – which includes, among others, the Ministry of Housing and Ministry of Immigrant Absorption budgets. In recent years the impact of immigrant integration has lessened. Education's relative share of in-kind services expenditure has been noteworthy over the years for its stability: it accounted for half of the total expenditure throughout the 1980s and the first half of the present decade.

In 2007 there was a discernible rise in the share of education and of personal social services, and a decline in the share of health. It should be noted that in the past (during the 1980s and early 1990s), health spending amounted to two-thirds of education spending. Since then, this ratio has fallen to half. With regard to "other services" (e.g., the Housing and Absorption ministry budgets), the current decade has witnessed a continuous decline, from 17 to 11-12 percent during the last two years. Utilization estimates for 2008 anticipate a rise in the relative share of personal social services and of "other social services," and a decline in that of education and health.

Table 5. **Development of Main Components of In-Kind Service Expenditure, 1985-2008**
(Percent, Current Prices)

| | Total | Education | Health | Personal social services | Other services |
|---|---|---|---|---|---|
| 1985 | 100.0 | 48.5 | 33.7 | 5.2 | 12.6 |
| 1989 | 100.0 | 49.4 | 33.1 | 6.8 | 10.7 |
| 1992 | 100.0 | 32.3 | 19.1 | 4.2 | 44.4 |
| 1995 | 100.0 | 43.5 | 26.3 | 5.8 | 24.4 |
| 2001 | 100.0 | 50.0 | 24.8 | 7.7 | 17.5 |
| 2002 | 100.0 | 49.8 | 25.4 | 8.7 | 16.1 |
| 2003 | 100.0 | 50.4 | 25.0 | 8.6 | 15.9 |
| 2004 | 100.0 | 50.2 | 27.3 | 8.9 | 13.6 |
| 2005 | 100.0 | 50.5 | 28.2 | 9.1 | 12.3 |
| 2006 | 100.0 | 51.0 | 28.9 | 9.4 | 10.7 |
| 2007 | 100.0 | 52.7 | 26.7 | 9.8 | 10.8 |
| 2008 | 100.0 | 51.2 | 26.6 | 10.1 | 12.1 |

## B. *The Government's Share in National Education and Health Spending* [2]

National education expenditure includes the outlays of all public and private institutions of education from pre-primary to higher education; household expenditure on private tutoring, textbooks, etc.; and expenditure for the construction and equipment of new educational institutions. National health care expenditure includes outlays for all health care services provided at clinics and hospitals, services of private physicians and dentists, outlays for medicines and medical instruments, government research and administration in the field of health, and investments in physical facilities and equipment. Funding of national expenditure for education and health care is divided between the public sector, including government municipal authorities, and households.[3]

According to Central Bureau of Statistics estimates, the share of national education and health care spending in gross national product hovered around 17 percent during the second half of the 1990s and declined during the 2000s to 16 percent in 2007. The government sector's share in financing national expenditure in these areas declined.

The decline in the government sector's share in financing of national education and health expenditure led to a significant rise in household spending in these areas. It appears to have contributed to a widening of social disparities, both in terms of service consumption and in terms of health outcomes, and influenced educational attainments among the weaker populations, those

[2] Figures in this section are based on Central Bureau of Statistics estimates.

[3] Donations covered about 1 percent of national education expenditure, mostly for universities. About 3 percent of national health care expenditure was not funded by government or households; in the main, this reflects the deficits of the Sick Funds (the Israeli HMOs) which, in the past, were largely covered by the government.

unable to afford privately-funded services. In the health sector, for example, the Taub Center's *Social Survey* as well as surveys carried out by the Brookdale Institute and other organizations indicate that a large segment of the Israeli public refrained from using essential medical services during the preceding year, due to their cost. Studies also point to undesirable health outcomes stemming from the failure of weaker populations to use medications. A portion of the private funding within the health system stems from the rise in number of holders of supplemental insurance. This phenomenon may be taken to indicate an erosion of faith in the public health system and the basic "basket" of health services. The education system is also experiencing a trend toward more parental spending. Part of this increase in private educational spending may be attributed to the higher education system's expansion (colleges, etc.). On the one hand, this reflects a widening of the circle of those pursuing higher education in Israeli society; on the other hand, it points to a trend toward increased private funding of basic education systems. It also emphasizes the fact that, as in the health sector, the more affluent population groups are able to purchase enhanced private education services for their children.

## C. *Government Expenditure on Education*

Education spending constitutes the largest portion of government spending on in-kind social services. In 2007 the government spent NIS 33.5 billion on education. Taking a long-term view, from the 1980s on education expenditure rose steadily, reaching a peak in 2001. Since 2001 there has been a decline in real terms; only in 2008 is education expenditure expected to slightly exceed its 2001 level.

The distribution of current expenditure between the education system's various components, and the changes that have occurred in distribution trends, could be expected to be indicative of priorities in government education spending. In fact, over the past decade and a half (including estimates for 2008) there have been no major changes in expenditure distribution. The most striking changes have been related to a rapid and consistent increase in the share of outlays for kindergartens. This change reflects an extension of the Compulsory Education Law to the 3-4 year old age group. Another notable change took place in the secondary education sphere: the rise in share of this sector that characterized the 1990s gave way to a decline during the first half of the present decade and continued through 2007. Another change, one reflecting a change in policy, is the decline in share of spending on *yeshivas* (non-State religious high schools) that began at the beginning of the current decade. This change appears to stem from an elimination of funding redundancies with the transfer of part of the budget from the Ministry of Religious Affairs to the Ministry of Education. The last two years have witnessed stability in the *yeshiva* expenditure share. At the same time there has been a rise in the share of primary education and a decline in spending on vocational training. Estimates for 2008 hint at a potential rise in the share of vocational training, which may have a major impact on work force participation.

When pupil population growth is factored into the analysis of governmental resource allocation it turns out that, during the course of the past decade (1998-2007), overall spending per pupil declined by about a tenth (in constant prices), although this outlay is still higher than what it was during the early 1990s. In 2007 the downward trend reversed to a slight increase, although the level is still 9 percent lower than in 1998. Regarding this development there is a clear distinction between various sectors of the education system: expenditure on pre-primary education grew by 12 percent during the past decade (1998-2007), while spending on primary education seemingly remained stable over most of this period, with one exceptional increase of 12 percent toward the end, in 2007.

Estimates for 2008 predict a continued rise in per pupil expenditure, though at a much lower rate. The stability of the period in question can be explained mainly by an increase in special education budgeting; budgeting for regular primary education actually declined. With regard to post-primary education the cutback is particularly striking; per pupil expenditures declined by 18 percent over the past decade. This decline was paralleled, during the same period, by a significant drop of nearly twenty percent in per-student spending in higher education. 2007 witnessed an increase relative to 2006 (in constant prices), but estimates for 2008 point to a spending level some 10 percent lower than at the beginning of the decade. The sharp drop in average outlays per higher-education student may reflect, in part, a rise in the number of students enrolled in Israel's academic colleges (within the overall higher-education population); state spending per student in these institutions is lower than the outlay per university student.

Another priority-related issue is that of how expenditure is distributed between the current and the development budgets. The development budget covers expenditures aimed at adapting the education system's physical infrastructures to anticipated needs of the coming years. In 2007 development expenditures came to NIS 600 million – an increase of 6 percent over 2006 in real terms. During the last few years the development budget has accounted for 2 percent of the total government expenditure for education, but a longer-term analysis shows that a period of relatively intensive investment in the early 1990s (due mainly to the need to integrate immigrant children) was followed, starting in the mid-1990s, by a downward trend.[4]

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[4] A more detailed discussion of the education system is presented in the Hebrew version of this report in "the Social Services and their Development" section.

## D. *Government Expenditure on Health*

In recent years current government expenditure on health has stood at NIS 17.5 billion. Estimates for 2008 foresee a similar level. During the years just preceding the National Health Insurance Law (the first half of the 1990s), there was a rapid rise in state spending on health. After the law was enacted there was a continued slight increase overall, though it should be remembered that the health service price index tends to rise more quickly than that of the price index for other public services. Moreover, the total expenditure data do not take population growth or aging into account (population aging is associated with increased utilization of health care services). Expressing outlays in terms of average per capita expenditure corrects for the second of the two deficiencies noted – the demographic impact – and it turns out that, during the period 1996-2006, there was a 15 percent erosion in real terms of average per capita government expenditure on health. This decline reflects a 20 percent drop in budget outlays for health insurance funding, alongside relative stability in spending on in-kind health services.

It should be emphasized that these findings refer to government spending on health care services funded by the state budget (not including the health tax); they do not reflect trends in national expenditure on health.

Government spending on the health system may be broken down into two main components: funding for the insurance system as mandated by the National Health Insurance Law (primarily payments to the Sick Funds (the Israeli HMOs)[5], and funding of services delivered directly by the Ministry of Health, as well as outlays for health service delivery by the National Insurance Institute (inpatient maternity care and treatment of workplace

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5 This does not include the portion of funding that is based on the health tax paid by the population and transferred to the Sick Funds by the National Insurance Institute.

injuries). Compared with past years, there has been a decline in the relative share of government health expenditure directed to health insurance funding, and a rise in the share of the expenditure on delivery of in-kind services (Table 6).

Changes have occurred in the composition of expenditure on services delivered directly by the government (primarily by the Health Ministry): there has been a decline in the share of expenditure on general inpatient care. With regard to long-term and psychiatric care there has been an increase over time, while expenditure on "other services" has been stable through most of the period in question, after a decline at its beginning.

Table 6. **Distribution of Current Government Health Care Expenditure – Main Components, 1990-2007** (Percent)

| | 1990 | 1995 | 2000 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|
| **Total** | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| • Participation in health insurance | 71.2 | 70.0 | 66.0 | 67.3 | 67.4 | 64.6 |
| • In-kind expenditure | 28.8 | 30.0 | 34.0 | 32.7 | 32.6 | 35.4 |
| **In-Kind expenditure - Total** | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| • General inpatient care | 10.0 | 11.9 | 3.4 | 3.1 | 3.1 | 2.3 |
| • Psychiatric care | 21.9 | 23.2 | 22.6 | 27.3 | 25.7 | 25.8 |
| • Long-term care | 17.1 | 17.2 | 20.8 | 21.8 | 22.6 | 21.8 |
| • Public health | 14.0 | 17.2 | 22.1 | 18.6 | 18.8 | 17.3 |
| • Other services* | 37.0 | 30.5 | 31.1 | 29.2 | 29.8 | 32.8 |

* Includes health care expenditure outside the Ministry of Health budget, mainly National Insurance outlays for inpatient maternity care, treatment of workplace casualties, etc.

Government health spending also encompasses investment in buildings and equipment, in addition to current expenditure. In recent years development outlays in the health system accounted for 1 percent of total government health expenditure – NIS 220 million per year, on average (in constant 2007 prices). The overall scope of investment in this area suffered a steep decline after the enactment of the National Health Insurance Law, a decline that continued until 2005. In 2006 there was a rise in investment expenditure, followed in 2007 by another decline in real investment in buildings and equipment, from NIS 260 million to NIS 211 million (constant prices).

These findings should be viewed in the context of certain trends that have characterized building and equipment investment in other social service systems – the education system, for example. From 2001 to 2007 there was a 53 percent decline in overall investment in buildings and equipment in these two areas. In the health system, as in the education system, insufficient investment is eroding the systems' physical infrastructures and threatening a deterioration of service quality in the future (see Figure 7).

## E. *Personal Social Services*

Government expenditure on personal social services may be divided into two main categories: long-term care benefits provided by the National Insurance Institute, whose share has risen over the years since the enactment of the Long-Term Care Insurance Law in 1988 (these benefits are translated into in-kind services). The other category includes all other service categories, including social services for children and youth, care of the elderly, special population groups (marginalized youth, persons with mental and physical disabilities), and personal and family welfare services in centralized locations and in the community.

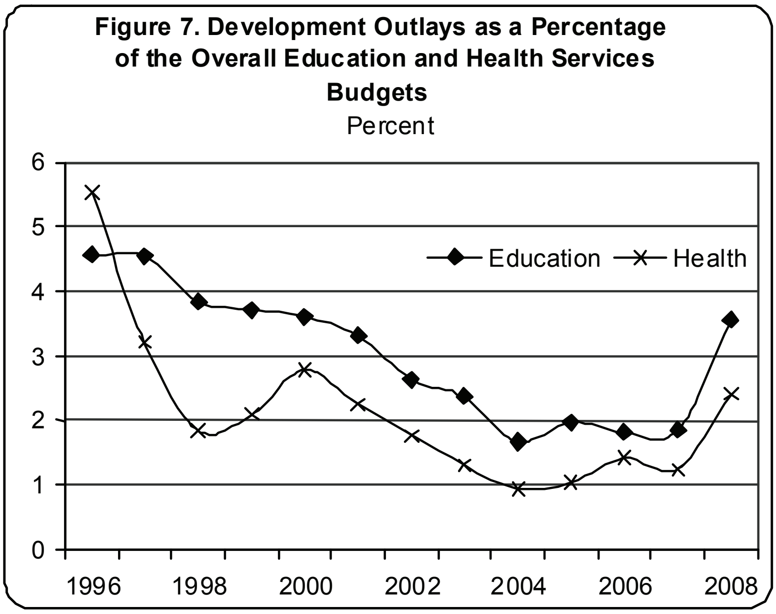
Figure 7. Development Outlays as a Percentage of the Overall Education and Health Services Budgets
Percent
Education
Health
0
1
2
3
4
5
6
1996
1998
2000
2002
2004
2006
2008

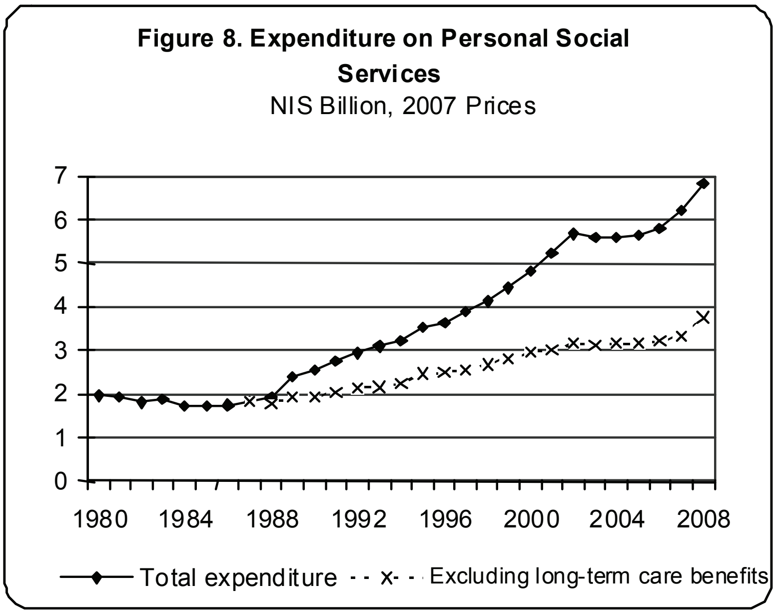
Figure 8. Expenditure on Personal Social Services
NIS Billion, 2007 Prices
0
1
2
3
4
5
6
7
1980
1984
1988
1992
1996
2000
2004
2008
Total expenditure
Excluding long-term care benefits

Personal social services are provided by the Ministry of Social Affairs and Social Services and by the social service bureaus of local authorities, or by service providers with whom they have contractual arrangements. In 2007 government expenditure for all personal social services, including long-term care, came to NIS 6.2 billion, constituting a real increase of 7.6 percent over 2006. This rise is particularly significant in light of the more modest increase of recent years that did not exceed 2 percent per year. The coming years will tell whether the accelerated growth of the last two years has been a one-time occurrence or a return to the trend of sharp increases that characterized the development of personal social service expenditure during the previous decade.

Outlays in the framework of the Long-Term Care Insurance Law amount to 45 percent of total expenditure on personal social services, and they also constitute the main factor affecting expenditure growth. As noted above, the Law provides benefits to people with functional disabilities who have been declared eligible for home-based long-term care or other services. Once the Long-Term Care Insurance Law was enacted and awareness of the rights provided under it grew, numerous requests for assistance were made. An increase in the proportion of the elderly in Israel's population, particularly those aged 75+, made its own contribution to the increase in those availing themselves of the benefits available. As a result, there has been a steep rise over the years in expenditure related to the Long-Term Care Insurance Law, and this has had an impact on overall government expenditure on personal social services.

Although outlays for personal social services account for only 6 percent of overall social spending and 10 percent of spending on all in-kind services, these services themselves are nevertheless highly important, inasmuch as they are intended for the weakest members of society – those who are helpless or unable to function independently.[6]

## 6. *Transfer Payments – The Social Security System*

For over two decades, until 2001, social transfer payments to the Israeli public via the National Insurance Institute increased steadily. In 2002 a decision was made to cut benefits, modify eligibility rules and tighten enforcement in payment execution – all of which led to a decline in payments. This trend continued through 2005; in 2006 there was a real increase of 3 percent, a trend that continued in 2007 as well. In 2007 transfer payments came to NIS 42 billion and are expected to reach nearly NIS 44 billion in 2008. In real terms there was a 2 percent rise relative to the previous year, but this still translates into an expenditure level 7 percent lower, in real terms, than that of the peak year of 2001. When calculating transfer payments as a percentage of overall government expenditure, a downward trend is discernible from 2002 on. The share of social transfers as a percentage of GDP has also dropped, from 8 percent in 2001-2002 to 6 percent in 2007.

The decline in expenditure on social transfer payments is particularly evident with regard to child allowances, unemployment compensation and income-support benefits. Since 2001, general disability benefits have increased significantly (35 percent). Old age benefits, which until 2005 were trending slightly downward, also increased in recent years, reaching, in 2007, a level 4 percent higher than that of 2001. Expenditure estimates for 2008 predict a halt to the downward trend in expenditure on income-support, unemployment and child allowances. With regard to general

[6] For a fuller discussion of this topic, see the Hebrew report chapters devoted to specific personal social service areas, their composition and target populations. See also the discussion of long-term care insurance in the chapter on the social security system.

disability and old-age/survivor benefits the growth trend is expected to continue.[7] Table 7 shows the development of social transfer payments in the aggregate and their breakdown by main areas. The following is a concise review of trends in the development of the National Insurance Institute's major transfer payment programs.

Table 7. **Distribution of Social Transfer Payments – Main Components** (Percent)

| | 1990 | 1995 | 2001 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|
| **Total** (NIS billion) | **20** | **28** | **45** | **40** | **41** | **42** | **44** |
| **Total** | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Old-age and survivor | 44.6 | 40.5 | 37.0 | 41.8 | 41.9 | 41.5 | 40.8 |
| Child allowances | 22.2 | 22.8 | 18.5 | 11.5 | 12.1 | 11.9 | 11.6 |
| General disability | 11.3 | 11.6 | 14.4 | 19.3 | 19.8 | 20.9 | 21.6 |
| Unemployment and income-support | 10.6 | 12.6 | 17.1 | 12.2 | 11.2 | 10.0 | 9.5 |
| *Thereof:* | | | | | | | |
| • Unemployment | 7.3 | 6.7 | 8.6 | 5.1 | 4.8 | 4.2 | 4.0 |
| • Income-support | 3.3 | 5.9 | 8.5 | 7.1 | 6.4 | 5.8 | 5.5 |
| Other | 11.3 | 12.5 | 13.0 | 15.2 | 15.0 | 15.7 | 16.5 |

## A. *Primary Social Transfer Payment Programs*

1) *Old-age and survivor benefits* are the largest component of the NII's transfer payments and are currently paid to some 730 thousand senior citizens. The proportion of these benefits in the transfer-payment total exceeds 40 percent; the size of the actual expenditure is dictated by the size of the elderly population that

[7] An in-depth discussion of benefits, recipient populations, eligibility and other changes in this area may be found in the Hebrew version of this annual report in the chapter on the social security system.

receives the universal pension and the proportion of those among them receiving low-income supplements. During the 1990s expenditure grew due to the arrival of elderly immigrants, many of whom were also in need of income supplements due to the lack of other old-age savings arrangements. However, in accordance with policies adopted in 2002, a decision was made to reduce pensions overall, to raise the age of eligibility for them, to make income testing more stringent and to link the pensions to the consumer price index, rather than to the average wage. In the wake of this decision, 2002-2003 witnessed a 4 percent decline in these payments as compared to 2001 – despite a rise in the number of pension recipients. In 2004, pension expenditures rose by 2 percent, in 2005 by another 2 percent, in 2006 by 3.3 percent, and in 2007 by just one percent. In 2005 contributing factors to the increase in pension spending were a rise in income supplement benefits, a drop in the overall pension reduction rate from 4 percent to 1.5 percent, and a CPI adjustment. In early 2006 another 1.8 upward adjustment was made to the pensions, while in mid-year the general reduction was rescinded. Taking an overall view, since 2000 old-age benefit spending has increased by 2 percent per year on average.

The basic individual old age benefit rose by 0.9 percent in 2007, while the individual benefit including income-support rose by 1.6 percent. The level of pensions relative to average wages remained stable at the 2006 level.

2) In most years, *child allowances* ranked second in terms of social transfer-payment expenditure. However, general disability benefits replaced them in this ranking. The child allowance cutbacks were striking compared to the overall array of changes in National Insurance benefits. In retrospect, child allowance expenditure rose during the 1990s due to three main factors: a repeal of the allowance freeze on first and second children; the extension of full eligibility to families whose parents did not serve in the IDF; and

the Large Family Law. However, government decisions since 2002 have included, among other things, a 15 percent allowance cutback, as well as phased equalization over seven years of the benefits for each child irrespective of birth order (and, for children born after 2003, immediately). Due to this, by 2005 child-allowance outlays had declined in real terms by 45 percent. At the beginning of 2006, the *ad hoc* provision concerning the fixed-sum cutback expired and the allowances were adjusted for inflation. However, the cutback under the policy of standardizing the benefit rate for all children remained in effect. As a result of these changes, payments in 2006 were 8.6 percent higher in real terms than in 2005.

In 2007 there was an additional half-percent drop in child allowance outlays, reflecting a continuation of the process of reducing child allowances that began in 2002 (in which a uniform allowance lower than the earlier one is paid for children born after June 2003 who are number three or above in the family birth order). These changes created a situation in which the child allowance paid to families with two children eroded between 2002 and 2007 by 22 percent, while the allowances paid to families with four and five children eroded by 48 and 50 percent, respectively. In 2007 the number of families eligible for child allowances rose by 1.2 percent, consistent with the natural growth rate.

3) *Disability pension* expenditures grew rapidly over the entire period under review, particularly from the mid-1990s. These pensions are currently paid to some 200,000 persons with disabilities and account for a significant share (over 20 percent) of the social transfer payment total, making them the second-largest component after old-age pensions. This is the only type of transfer payment that the 2002 cutback policy left untouched. In fact, a special benefit was added for persons with severe disabilities, another for disabled persons of especially low earning capability, another for disabled children, etc. Moreover, since 2005 expenditure for general disability payments has increased, due, in

part, to the rise in retirement age, which leaves persons with disabilities in the disability benefit system longer than before (until they reach the age of eligibility for an old-age pension). In 2007 disability expenditure increased in real terms by 7.7 percent relative to 2006; in recent years it has enjoyed an overall annual increase of 7 percent on average.

4) Expenditure on *unemployment compensation* and *income-support benefits* – programs intended for people of working age who do not participate in the labor force – has undergone a turnaround in recent years. During the 1990s spending in these areas grew more rapidly than did expenditure for the other major forms of transfer payment. The steep rise reflected not only the economic deterioration and spreading unemployment that characterized that period, but also greater public awareness of eligibility for these benefits. Unemployment expenditures increased during the 1990s despite various restrictions applied to eligibility. However, decisions taken from 2002 onward have reversed this trend and brought about a steep expenditure decline. The new policy lengthened the qualifying period for unemployment compensation, limited the maximum term of eligibility for younger unemployed persons, and reduced compensation for the chronically unemployed and for participants in vocational programs.

In 2007 there was an additional 9 percent decline in payments to the working-age population, including unemployment compensation; this was also reflected in a drop in the unemployment benefit/average wage ratio. The drop may be explained primarily as a continuation of the trend toward a decline in the share of unemployed persons receiving unemployment benefits at a level above half the average wage in the economy, and a rise in the share of those who received benefits lower than half the average wage. 2007 also saw a continuation of the trend toward declining numbers of unemployment benefit recipients – a drop of

11 percent versus the previous year. Since 2001 the number of unemployment-benefit recipients has dropped by 52 percent. The decline of the last two years may be attributed mainly to changes in the overall employment situation, while that of the period 2002-2003 is attributable primarily to a tightening of eligibility criteria. Income-support benefits were reduced by 4 percent, with additional maximum benefit reductions ranging from 10-23 percent, in accordance with household size. Moreover, eligibility for the higher benefit rate was eliminated for certain age groups of new applicants, the income-test parameters were modified, exemptions from the employment test were cancelled in certain cases, and various discounts (on municipal property tax, public transport fares, etc.) were reduced or cancelled for the newly unemployed. Taken together, these changes led to a cumulative expenditure decline of 21 percent by 2004, and an additional 20 percent decline during 2004-2007. The drop in expenditure seen during the last two years also reflects an improved employment situation, manifested in smaller numbers of income-support and unemployment benefit recipients, as well as shorter periods of participation in the unemployment compensation system.

## B. *Policy Changes and Their Significance*

The increase in transfer payments since the early 1980s may be traced to the enactment of the Income-Support Laws in 1982, to an increase in Israel's population size, to population aging, to a generous interpretation of eligibility parameters, and to growing public awareness of eligibility. One may also point to labor-market fluctuations that occurred over the years, as well as to changes in benefit policy. The cumulative outcome is that the share of social transfer payments in overall government expenditure rose from 7 percent in 1980 to 11 percent in 1990 and to 16 percent in 2001. A slowdown in economic growth and a decline in employment figures caused transfer payments to be regarded as a disincentive to work force participation, particularly within the low-income population. In light of this, a 2002 policy decision sought to trim the benefits, as a means of encouraging greater participation in the work force.

The Economic Recovery Program passed in 2003 stipulated that all benefits paid by the National Insurance Institute, except for old-age and survivor benefits, be frozen through December 2005, and that in 2006 they be linked to the consumer price index (rather than to the average national wage, as had been customary up to that time). Accordingly, the benefits were updated by just 2.7 percent in 2006. The impact of these measures may be seen in the fact that between 2002 and 2006 the average wage rose by 6 percent, while benefit recipients received 3.2 percent points less. During 2007 benefits were not updated at all, because the CPI dropped slightly. By contrast, had the benefits been adjusted in accordance with changes in the average national wage, benefit-recipients would have enjoyed a 3.4 percent increase. The cumulative loss to benefit recipients during these years amounted to 6 percent, and the erosion is expected to continue in the coming years. In addition, the across-the-board reduction of benefit levels at a rate of 4 percent enacted in June 2002 continued. The cutback was slated to end in 2006 but was extended to 2007 as well (again, excluding the old-age and long-term care benefits). National Insurance Institute data indicate that the burden of these reductions have not been distributed uniformly among the various populations. The data point to a steady decline since 2003 in the share of the lower-income deciles (first to third) in total transfer payments, and to a rise in the share of the middle-income deciles (fourth through seventh).

These policy changes have exacted a heavy socioeconomic price. As noted earlier, over the last few years taxes and transfer payments have had less and less of an impact on the incidence of poverty and on inequality of income distribution in Israel. In 2002 the contribution of transfer payments to reducing inequality, as measured by the Gini index, was 32 percent, while in 2007 it had dropped to only 25 percent. Similarly, the effectiveness of transfer payments in reducing the incidence of poverty has also waned – in 2002 the number of poor households as measured by disposable income (after adjustment for transfer payments) was 47 percent lower than the number of poor households as measured by economic income. In 2006 the discrepancy was just 39 percent, while in 2007 transfer payments succeeded in raising only 38 percent of those households defined as poor in terms of economic income out of poverty.

# *Appendix:*

# *Tables, Definitions and Sources*

**Table 1. Indicators of Social Service Expenditure: Total Budget and Current Budget**

| | Social service expenditure as percentage of: | | |
|---|---|---|---|
| | Government expenditure | | GDP |
| | Total | Excl. debt servicing | |
| **1. Total budget (**current and development**)** | | | |
| 1980 | 23.9 | 31.7 | 17.8 |
| 1985 | 18.2 | 32.1 | 15.5 |
| 1989 | 26.1 | 42.0 | 16.4 |
| 1996 | 36.8 | 53.2 | 19.9 |
| 2000 | 38.5 | 55.0 | 18.3 |
| 2001 | 39.2 | 56.1 | 19.8 |
| 2002 | 38.4 | 54.2 | 19.4 |
| 2003 | 36.8 | 54.1 | 18.8 |
| 2004 | 37.3 | 52.6 | 17.3 |
| 2005 | 35.4 | 51.7 | 16.4 |
| 2006 | 34.4 | 50.7 | 15.9 |
| 2007 | 34.3 | 50.9 | 15.7 |
| 2008 | 34.7 | 50.7 | 16.1 |
| **2. Current budget** | | | |
| 1980 | 26.4 | 30.4 | 15.1 |
| 1985 | 24.6 | 32.3 | 14.4 |
| 1989 | 34.0 | 42.8 | 15.6 |
| 1996 | 43.3 | 51.3 | 17.0 |
| 2000 | 46.0 | 54.3 | 16.6 |
| 2001 | 47.5 | 55.4 | 18.0 |
| 2002 | 46.4 | 54.0 | 17.8 |
| 2003 | 45.5 | 54.2 | 17.2 |
| 2004 | 44.9 | 53.3 | 16.2 |
| 2005 | 43.9 | 52.2 | 15.5 |
| 2006 | 43.4 | 51.4 | 15.1 |
| 2007 | 43.7 | 51.5 | 14.9 |
| 2008 | 44.6 | 51.7 | 15.1 |

**Table 2. Government Expenditure, by Use (percent)**

| | **Total** | Thereof: Debt servicing | **Total excl. debt servicing** Total | Social services | Defense | Other |
|---|---|---|---|---|---|---|
| **1. Total budget (current and development)** | | | | | | |
| 1980 | 100.0 | 24.5 | 100.0 | 31.7 | 39.5 | 28.8 |
| 1985 | 100.0 | 43.4 | 100.0 | 32.1 | 40.2 | 27.7 |
| 1989 | 100.0 | 37.8 | 100.0 | 42.0 | 33.1 | 24.9 |
| 1996 | 100.0 | 30.8 | 100.0 | 53.2 | 24.5 | 22.3 |
| 2000 | 100.0 | 30.0 | 100.0 | 55.0 | 24.0 | 21.0 |
| 2001 | 100.0 | 30.2 | 100.0 | 56.1 | 23.6 | 20.3 |
| 2002 | 100.0 | 29.2 | 100.0 | 54.2 | 25.4 | 20.4 |
| 2003 | 100.0 | 32.0 | 100.0 | 54.1 | 24.3 | 21.6 |
| 2004 | 100.0 | 29.1 | 100.0 | 52.6 | 24.6 | 22.8 |
| 2005 | 100.0 | 31.6 | 100.0 | 51.7 | 25.3 | 23.0 |
| 2006 | 100.0 | 32.1 | 100.0 | 50.7 | 25.7 | 23.6 |
| 2007 | 100.0 | 32.5 | 100.0 | 50.9 | 25.8 | 23.3 |
| 2008 | 100.0 | 31.6 | 100.0 | 50.7 | 23.3 | 26.0 |
| **2. Current budget** | | | | | | |
| 1980 | 100.0 | 13.3 | 100.0 | 30.4 | 44.5 | 25.0 |
| 1985 | 100.0 | 24.1 | 100.0 | 32.3 | 43.6 | 24.1 |
| 1989 | 100.0 | 20.6 | 100.0 | 42.8 | 35.4 | 21.8 |
| 1996 | 100.0 | 15.5 | 100.0 | 51.3 | 27.6 | 21.1 |
| 2000 | 100.0 | 15.3 | 100.0 | 54.3 | 26.1 | 19.6 |
| 2001 | 100.0 | 14.4 | 100.0 | 55.4 | 25.7 | 18.8 |
| 2002 | 100.0 | 14.2 | 100.0 | 54.0 | 27.6 | 18.3 |
| 2003 | 100.0 | 16.0 | 100.0 | 54.2 | 26.6 | 19.2 |
| 2004 | 100.0 | 15.7 | 100.0 | 53.3 | 26.7 | 20.0 |
| 2005 | 100.0 | 15.8 | 100.0 | 52.2 | 27.1 | 20.7 |
| 2006 | 100.0 | 15.7 | 100.0 | 51.4 | 27.4 | 21.2 |
| 2007 | 100.0 | 15.0 | 100.0 | 51.5 | 27.5 | 21.1 |
| 2008 | 100.0 | 13.8 | 100.0 | 51.7 | 25.3 | 23.0 |

**Table 3. Expenditure on Social Services, by Main Item**
(NIS million, 2007 prices)*

**1. Total budget (**current and development**)**

| | **Total** | **Income mainte-nance** | **In-kind services** Total | Educa-tion | Health | Personal social services | Em-ploy-ment | Immigrant integration | Housing |
|---|---|---|---|---|---|---|---|---|---|
| 1980 | 46,772 | 11,172 | 35,601 | 16,874 | 11,556 | 1,990 | 283 | 318 | 4,580 |
| 1985 | 47,082 | 14,570 | 32,512 | 16,245 | 11,262 | 1,741 | 272 | 357 | 2,634 |
| 1989 | 54,636 | 19,566 | 35,070 | 17,540 | 11,759 | 2,425 | 396 | 761 | 2,188 |
| 1996 | 98,292 | 30,254 | 68,038 | 30,524 | 17,641 | 3,695 | 510 | 2,061 | 13,607 |
| 2000 | 106,698 | 40,100 | 66,598 | 32,838 | 16,168 | 4,876 | 637 | 2,257 | 9,822 |
| 2001 | 115,086 | 45,215 | 69,871 | 34,221 | 16,952 | 5,272 | 667 | 1,968 | 10,792 |
| 2002 | 111,081 | 43,886 | 67,195 | 32,878 | 16,741 | 5,720 | 711 | 1,675 | 9,470 |
| 2003 | 108,329 | 41,770 | 66,559 | 33,118 | 16,428 | 5,615 | 735 | 1,371 | 9,293 |
| 2004 | 103,458 | 40,136 | 63,322 | 31,544 | 17,118 | 5,613 | 799 | 1,323 | 6,925 |
| 2005 | 102,806 | 39,937 | 62,869 | 31,609 | 17,633 | 5,668 | 820 | 1,283 | 5,857 |
| 2006 | 102,926 | 41,173 | 61,753 | 31,473 | 17,801 | 5,797 | 990 | 1,362 | 4,330 |
| 2007 | 105,422 | 41,908 | 63,514 | 33,501 | 16,956 | 6,229 | 1,056 | 1,189 | 4,583 |
| 2008 | 111,576 | 43,737 | 67,839 | 34,721 | 18,015 | 6,877 | 1,378 | 1,476 | 5,371 |
| **Average annual percent change** | | | | | | | | | |
| 1980-1985 | 0.1 | 5.5 | -1.8 | -0.8 | -0.5 | -2.6 | -0.8 | 2.4 | -10.5 |
| 1985-1989 | 3.8 | 7.6 | 1.9 | 1.9 | 1.1 | 8.6 | 9.9 | 20.8 | -4.5 |
| 1989-1996 | 8.8 | 6.4 | 9.9 | 8.2 | 6.0 | 6.2 | 3.7 | 15.3 | 29.8 |
| 1996-2000 | 2.1 | 7.3 | -0.5 | 1.8 | -2.2 | 7.2 | 5.7 | 2.3 | -7.8 |
| 2000-2005 | -0.7 | -0.1 | -1.1 | -0.8 | 1.7 | 3.1 | 5.2 | -10.7 | -9.8 |
| 2005-2008 | 2.8 | 3.1 | 2.6 | 3.2 | 0.7 | 6.7 | 18.9 | 4.8 | -2.8 |

* Income maintenance expenditure is deflated by the Consumer Price Index; all other expenditure in the current budget is deflated by the Public Civilian Consumption Price Index, and expenditure in the development budget is deflated by the Construction Price Index.

**Table 3.** (continued)

**2. Current budget**

| | **Total** | **Income maintenance** | **In-kind services** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Total | Education | Health | Personal social services | Employment | Immigrant integration | Housing |
| 1980 | 41,513 | 11,172 | 30,341 | 16,355 | 11,232 | 1,957 | 283 | 318 | 197 |
| 1985 | 44,113 | 14,570 | 29,543 | 15,975 | 11,052 | 1,716 | 272 | 357 | 171 |
| 1989 | 52,345 | 19,566 | 32,779 | 17,294 | 11,610 | 2,404 | 396 | 761 | 313 |
| 1996 | 82,436 | 30,254 | 52,182 | 29,022 | 16,588 | 3,647 | 510 | 2,061 | 355 |
| 2000 | 95,248 | 40,100 | 55,148 | 31,480 | 15,653 | 4,835 | 637 | 2,257 | 286 |
| 2001 | 102,797 | 45,215 | 57,582 | 32,901 | 16,509 | 5,226 | 667 | 1,968 | 311 |
| 2002 | 100,498 | 43,886 | 56,613 | 31,875 | 16,398 | 5,676 | 711 | 1,675 | 277 |
| 2003 | 98,130 | 41,770 | 56,361 | 32,242 | 16,187 | 5,577 | 735 | 1,371 | 249 |
| 2004 | 96,047 | 40,136 | 55,911 | 30,971 | 16,941 | 5,584 | 799 | 1,323 | 293 |
| 2005 | 96,302 | 39,937 | 56,365 | 30,956 | 17,439 | 5,650 | 820 | 1,283 | 217 |
| 2006 | 97,951 | 41,173 | 56,778 | 30,890 | 17,541 | 5,783 | 990 | 1,362 | 211 |
| 2007 | 100,200 | 41,908 | 58,292 | 32,882 | 16,745 | 6,220 | 1,056 | 1,189 | 200 |
| 2008 | 104,748 | 43,737 | 61,011 | 33,477 | 17,577 | 6,811 | 1,378 | 1,476 | 291 |
| **Average annual percent change** | | | | | | | | | |
| 1980-1985 | 1.2 | 5.5 | -0.5 | -0.5 | -0.3 | -2.6 | -0.8 | 2.4 | -2.7 |
| 1985-1989 | 4.4 | 7.6 | 2.6 | 2.0 | 1.2 | 8.8 | 9.9 | 20.8 | 16.2 |
| 1989-1996 | 6.7 | 6.4 | 6.9 | 7.7 | 5.2 | 6.1 | 3.7 | 15.3 | 1.8 |
| 1996-2000 | 3.7 | 7.3 | 1.4 | 2.1 | -1.4 | 7.3 | 5.7 | 2.3 | -5.3 |
| 2000-2005 | 0.2 | -0.1 | 0.4 | -0.3 | 2.2 | 3.2 | 5.2 | -10.7 | -5.4 |
| 2005-2008 | 2.8 | 3.1 | 2.7 | 2.6 | 0.3 | 6.4 | 18.9 | 4.8 | 10.3 |

**Table 4. Expenditure on Social Services per capita, by Main Item**
(NIS million, 2007 prices)*

**1. Total budget (**current and development**)**

| | **Total** | **Income mainte-nance** | **In-kind services** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Total | Educa-tion | Health | Personal social services | Em-ploy-ment | Immigrant integration | Housing |
| 1980 | 12,062 | 2,881 | 9,181 | 4,352 | 2,980 | 513 | 73 | 82 | 1,181 |
| 1985 | 11,123 | 3,442 | 7,681 | 3,838 | 2,661 | 411 | 64 | 84 | 622 |
| 1989 | 12,092 | 4,331 | 7,762 | 3,882 | 2,603 | 537 | 88 | 168 | 484 |
| 1996 | 17,289 | 5,322 | 11,968 | 5,369 | 3,103 | 650 | 90 | 362 | 2,393 |
| 2000 | 16,965 | 6,376 | 10,589 | 5,221 | 2,571 | 775 | 101 | 359 | 1,562 |
| 2001 | 17,873 | 7,022 | 10,851 | 5,315 | 2,633 | 819 | 104 | 306 | 1,676 |
| 2002 | 16,907 | 6,680 | 10,228 | 5,004 | 2,548 | 871 | 108 | 255 | 1,441 |
| 2003 | 16,193 | 6,244 | 9,949 | 4,951 | 2,456 | 839 | 110 | 205 | 1,389 |
| 2004 | 15,194 | 5,895 | 9,300 | 4,633 | 2,514 | 824 | 117 | 194 | 1,017 |
| 2005 | 14,835 | 5,763 | 9,072 | 4,561 | 2,544 | 818 | 118 | 185 | 845 |
| 2006 | 14,592 | 5,837 | 8,755 | 4,462 | 2,524 | 822 | 140 | 193 | 614 |
| 2007 | 14,683 | 5,837 | 8,846 | 4,666 | 2,362 | 867 | 147 | 166 | 638 |
| 2008 | 15,280 | 5,990 | 9,290 | 4,755 | 2,467 | 942 | 189 | 202 | 736 |
| **Average annual percent change** | | | | | | | | | |
| 1980-1985 | -1.6 | 3.6 | -3.5 | -2.5 | -2.2 | -4.3 | -2.5 | 0.6 | -12.0 |
| 1985-1989 | 2.1 | 5.9 | 0.3 | 0.3 | -0.5 | 6.9 | 8.1 | 18.9 | -6.1 |
| 1989-1996 | 5.2 | 3.0 | 6.4 | 4.7 | 2.5 | 2.8 | 0.3 | 11.6 | 25.6 |
| 1996-2000 | -0.5 | 4.6 | -3.0 | -0.7 | -4.6 | 4.5 | 3.1 | -0.2 | -10.1 |
| 2000-2005 | -2.6 | -2.0 | -3.0 | -2.7 | -0.2 | 1.1 | 3.1 | -12.4 | -11.6 |
| 2005-2008 | 1.0 | 1.3 | 0.8 | 1.4 | -1.0 | 4.8 | 16.8 | 3.0 | -4.5 |

* Income-maintenance expenditure is deflated by the Consumer Price Index; all other expenditure in the current budget is deflated by the Public Civilian Consumption Price Index, and expenditure in the development budget is deflated by the Construction Price Index.

**Table 4.** (per capita, continued)

**2. Current budget**

| | Total | Income mainte-nance | In-kind services Total | Educa-tion | Health | Personal social services | Em-ploy-ment | Immigrant integration | Housing |
|---|---|---|---|---|---|---|---|---|---|
| 1980 | 10,706 | 2,881 | 7,825 | 4,218 | 2,897 | 505 | 73 | 82 | 51 |
| 1985 | 10,421 | 3,442 | 6,979 | 3,774 | 2,611 | 405 | 64 | 84 | 40 |
| 1989 | 11,585 | 4,331 | 7,255 | 3,828 | 2,570 | 532 | 88 | 168 | 69 |
| 1996 | 14,500 | 5,322 | 9,179 | 5,105 | 2,918 | 641 | 90 | 362 | 62 |
| 2000 | 15,145 | 6,376 | 8,769 | 5,005 | 2,489 | 769 | 101 | 359 | 45 |
| 2001 | 15,965 | 7,022 | 8,943 | 5,110 | 2,564 | 812 | 104 | 306 | 48 |
| 2002 | 15,297 | 6,680 | 8,617 | 4,852 | 2,496 | 864 | 108 | 255 | 42 |
| 2003 | 14,669 | 6,244 | 8,425 | 4,820 | 2,420 | 834 | 110 | 205 | 37 |
| 2004 | 14,106 | 5,895 | 8,211 | 4,548 | 2,488 | 820 | 117 | 194 | 43 |
| 2005 | 13,896 | 5,763 | 8,133 | 4,467 | 2,516 | 815 | 118 | 185 | 31 |
| 2006 | 13,886 | 5,837 | 8,049 | 4,379 | 2,487 | 820 | 140 | 193 | 30 |
| 2007 | 13,955 | 5,837 | 8,119 | 4,580 | 2,332 | 866 | 147 | 166 | 28 |
| 2008 | 14,345 | 5,990 | 8,355 | 4,585 | 2,407 | 933 | 189 | 202 | 40 |
| **Average annual percent change** | | | | | | | | | |
| 1980-1985 | -0.5 | 3.6 | -2.3 | -2.2 | -2.1 | -4.3 | -2.5 | 0.6 | -4.4 |
| 1985-1989 | 2.7 | 5.9 | 1.0 | 0.4 | -0.4 | 7.0 | 8.1 | 18.9 | 14.4 |
| 1989-1996 | 3.3 | 3.0 | 3.4 | 4.2 | 1.8 | 2.7 | 0.3 | 11.6 | -1.5 |
| 1996-2000 | 1.1 | 4.6 | -1.1 | -0.5 | -3.9 | 4.6 | 3.1 | -0.2 | -7.6 |
| 2000-2005 | -1.7 | -2.0 | -1.5 | -2.3 | 0.2 | 1.2 | 3.1 | -12.4 | -7.2 |
| 2005-2008 | 1.1 | 1.3 | 0.9 | 0.9 | -1.5 | 4.6 | 16.8 | 3.0 | 8.4 |

**Table 5. Distribution of Expenditure on Social Services** (Percent)

| | Total | Income maintenance | In-kind services | | | |
|---|---|---|---|---|---|---|
| | | | Total | Education | Health | Other* |
| **1. Total budget (current and development)** | | | | | | |
| 1980 | 100.0 | 30.7 | 69.3 | 30.9 | 21.1 | 17.3 |
| 1985 | 100.0 | 41.0 | 59.0 | 28.6 | 19.9 | 10.5 |
| 1989 | 100.0 | 42.4 | 57.6 | 28.4 | 19.0 | 10.1 |
| 1996 | 100.0 | 33.3 | 66.7 | 30.3 | 17.5 | 18.8 |
| 2000 | 100.0 | 39.1 | 60.9 | 30.5 | 15.1 | 15.3 |
| 2001 | 100.0 | 40.4 | 59.6 | 29.8 | 14.8 | 15.0 |
| 2002 | 100.0 | 41.0 | 59.0 | 29.4 | 15.0 | 14.6 |
| 2003 | 100.0 | 39.9 | 60.1 | 30.3 | 15.0 | 14.7 |
| 2004 | 100.0 | 39.5 | 60.5 | 30.4 | 16.5 | 13.6 |
| 2005 | 100.0 | 39.6 | 60.4 | 30.5 | 17.0 | 12.9 |
| 2006 | 100.0 | 40.3 | 59.7 | 30.5 | 17.2 | 12.0 |
| 2007 | 100.0 | 39.8 | 60.2 | 31.8 | 16.1 | 12.4 |
| 2008 | 100.0 | 39.1 | 60.9 | 31.2 | 16.2 | 13.5 |
| **2. Current budget** | | | | | | |
| 1980 | 100.0 | 36.0 | 64.0 | 34.5 | 23.7 | 5.8 |
| 1985 | 100.0 | 44.2 | 55.8 | 30.2 | 20.9 | 4.8 |
| 1989 | 100.0 | 44.5 | 55.5 | 29.3 | 19.7 | 6.6 |
| 1996 | 100.0 | 39.0 | 61.0 | 33.9 | 19.4 | 7.7 |
| 2000 | 100.0 | 43.1 | 56.9 | 32.5 | 16.1 | 8.3 |
| 2001 | 100.0 | 44.5 | 55.5 | 31.7 | 15.9 | 7.9 |
| 2002 | 100.0 | 44.6 | 55.4 | 31.2 | 16.0 | 8.2 |
| 2003 | 100.0 | 43.6 | 56.4 | 32.3 | 16.2 | 7.9 |
| 2004 | 100.0 | 42.3 | 57.7 | 32.0 | 17.5 | 8.3 |
| 2005 | 100.0 | 42.1 | 57.9 | 31.8 | 17.9 | 8.2 |
| 2006 | 100.0 | 42.2 | 57.8 | 31.4 | 17.8 | 8.5 |
| 2007 | 100.0 | 41.8 | 58.2 | 32.8 | 16.7 | 8.6 |
| 2008 | 100.0 | 41.6 | 58.4 | 32.0 | 16.8 | 9.5 |

* Composed chiefly of personal social services, immigrant integration, and housing.

**Table 6. Expenditure on Income Maintenance, by Main Component**
(NIS million, 2007 prices)*

| | Total | Old-age and survivors | Child allowances | General disability | Un-employ-ment | Income support | Other NII | Victims of Nazis |
|---|---|---|---|---|---|---|---|---|
| 1980 | 11,172 | 5,021 | 3,374 | 1,228 | 203 | 0 | 992 | 354 |
| 1985 | 14,570 | 6,716 | 3,767 | 1,902 | 380 | 486 | 1,035 | 283 |
| 1989 | 19,566 | 8,531 | 4,508 | 2,274 | 1,459 | 595 | 1,751 | 449 |
| 1996 | 30,254 | 12,004 | 6,730 | 3,639 | 2,100 | 1,787 | 3,037 | 956 |
| 2000 | 40,100 | 15,022 | 7,734 | 5,527 | 3,296 | 3,203 | 4,032 | 1,286 |
| 2001 | 45,215 | 16,748 | 8,348 | 6,503 | 3,870 | 3,851 | 4,501 | 1,394 |
| 2002 | 43,886 | 16,110 | 7,007 | 7,095 | 3,684 | 3,857 | 4,671 | 1,461 |
| 2003 | 41,770 | 16,110 | 6,306 | 7,317 | 2,515 | 3,359 | 4,773 | 1,388 |
| 2004 | 40,136 | 16,412 | 4,986 | 7,392 | 2,203 | 3,045 | 4,773 | 1,325 |
| 2005 | 39,937 | 16,692 | 4,603 | 7,696 | 2,046 | 2,834 | 4,791 | 1,274 |
| 2006 | 41,173 | 17,251 | 4,998 | 8,141 | 1,967 | 2,636 | 4,872 | 1,308 |
| 2007 | 41,908 | 17,412 | 4,971 | 8,765 | 1,757 | 2,419 | 5,163 | 1,420 |
| 2008 | 43,737 | 17,847 | 4,939 | 9,330 | 1,856 | 2,440 | 5,479 | 1,845 |
| **Average annual percent change** | | | | | | | | |
| 1980-1985 | 5.5 | 6.0 | 2.2 | 9.1 | 13.3 | .. | 0.9 | -4.4 |
| 1985-1989 | 7.6 | 6.2 | 4.6 | 4.6 | 40.0 | 5.2 | 14.0 | 12.3 |
| 1989-1996 | 6.4 | 5.0 | 5.9 | 6.9 | 5.3 | 17.0 | 8.2 | 11.4 |
| 1996-2000 | 7.3 | 5.8 | 3.5 | 11.0 | 11.9 | 15.7 | 7.3 | 7.7 |
| 2000-2005 | -0.1 | 2.1 | -9.9 | 6.8 | -9.1 | -2.4 | 3.5 | -0.2 |
| 2005-2008 | 3.1 | 2.3 | 2.4 | 6.6 | -3.2 | -4.9 | 4.6 | 13.2 |

* Deflated by the Consumer Price Index.

**Table 7. Distribution of Expenditure on Income Maintenance** (Percent)

| | Total | Old-age and survivors | Child allowances | General disability | Un-employ-ment | Income support | Other NII | Victims of Nazis |
|---|---|---|---|---|---|---|---|---|
| 1980 | 100.0 | 44.9 | 30.2 | 11.0 | 1.8 | 0.0 | 8.9 | 3.2 |
| 1985 | 100.0 | 46.1 | 25.9 | 13.1 | 2.6 | 3.3 | 7.1 | 1.9 |
| 1989 | 100.0 | 43.6 | 23.0 | 11.6 | 7.5 | 3.0 | 8.9 | 2.3 |
| 1996 | 100.0 | 39.7 | 22.2 | 12.0 | 6.9 | 5.9 | 10.0 | 3.2 |
| 2000 | 100.0 | 37.5 | 19.3 | 13.8 | 8.2 | 8.0 | 10.1 | 3.2 |
| 2001 | 100.0 | 37.0 | 18.5 | 14.4 | 8.6 | 8.5 | 10.0 | 3.1 |
| 2002 | 100.0 | 36.7 | 16.0 | 16.2 | 8.4 | 8.8 | 10.6 | 3.3 |
| 2003 | 100.0 | 38.6 | 15.1 | 17.5 | 6.0 | 8.0 | 11.4 | 3.3 |
| 2004 | 100.0 | 40.9 | 12.4 | 18.4 | 5.5 | 7.6 | 11.9 | 3.3 |
| 2005 | 100.0 | 41.8 | 11.5 | 19.3 | 5.1 | 7.1 | 12.0 | 3.2 |
| 2006 | 100.0 | 41.9 | 12.1 | 19.8 | 4.8 | 6.4 | 11.8 | 3.2 |
| 2007 | 100.0 | 41.5 | 11.9 | 20.9 | 4.2 | 5.8 | 12.3 | 3.4 |
| 2008 | 100.0 | 40.8 | 11.3 | 21.3 | 4.2 | 5.6 | 12.5 | 4.2 |

**Table 8. Expenditure on Education, by Main Component, Current Budget**
(NIS million, 2007 prices)*

| | Total | General | Pre-schools | Pri-mary | Post-primary | Higher education | Vocational training | Yeshivot |
|---|---|---|---|---|---|---|---|---|
| 1980 | 16,355 | 1,708 | 634 | 4,652 | 4,845 | 3,666 | 564 | 286 |
| 1985 | 15,975 | 1,506 | 757 | 4,088 | 5,176 | 3,299 | 541 | 609 |
| 1989** | 17,294 | 1,308 | 873 | 4,552 | 6,064 | 3,136 | 534 | 828 |
| 1996 | 29,022 | 2,071 | 1,611 | 7,740 | 10,297 | 5,202 | 835 | 1,267 |
| 2000 | 31,480 | 2,216 | 1,936 | 8,305 | 11,180 | 5,756 | 809 | 1,279 |
| 2001 | 32,901 | 2,325 | 2,151 | 8,968 | 11,916 | 5,398 | 845 | 1,298 |
| 2002 | 31,875 | 2,297 | 2,175 | 8,781 | 11,431 | 5,133 | 870 | 1,187 |
| 2003 | 32,242 | 2,086 | 2,316 | 8,874 | 11,150 | 6,030 | 772 | 1,013 |
| 2004 | 30,971 | 2,117 | 2,374 | 8,889 | 11,131 | 5,152 | 671 | 638 |
| 2005 | 30,956 | 2,213 | 2,278 | 9,063 | 10,607 | 5,563 | 590 | 641 |
| 2006 | 30,890 | 2,041 | 2,386 | 9,315 | 10,453 | 5,470 | 525 | 700 |
| 2007 | 32,882 | 2,057 | 2,383 | 10,410 | 10,636 | 5,944 | 507 | 946 |
| 2008 | 33,477 | 2,164 | 2,386 | 10,695 | 11,205 | 5,264 | 832 | 932 |
| **Average annual percent change** | | | | | | | | |
| 1980-1985 | -0.5 | -2.5 | 3.6 | -2.6 | 1.3 | -2.1 | -0.8 | 16.3 |
| 1985-1989 | 2.0 | .. | .. | .. | .. | -1.3 | -0.3 | 8.0 |
| 1989-1996 | 7.7 | 6.8 | 9.1 | 7.9 | 7.9 | 7.5 | 6.6 | 6.3 |
| 1996-2000 | 2.1 | 1.7 | 4.7 | 1.8 | 2.1 | 2.6 | -0.8 | 0.2 |
| 2000-2005 | -0.3 | 0.0 | 3.3 | 1.8 | -1.0 | -0.7 | -6.1 | -12.9 |
| 2005-2008 | 2.6 | -0.8 | 1.6 | 5.7 | 1.8 | -1.8 | 12.1 | 13.3 |

* Deflated by the Public Civilian Consumption Price Index.
** Due to reclassification of items in the budget of the Ministry of Education as of 1987, figures in cols. 2-5 are not comparable to corresponding figures for earlier years.

**Table 9. Net Expenditure on Health, by Main Component, Current Budget** (NIS million, 2007 prices)*

| | Total | Gov't financing of health Insurance | | | Direct expenditure | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Parallel tax | Co-payments | Other transfers | General hospitals | Psychiatric care | Long-term care | Public health and other | Other ** |
| 1980 | 11,232 | 4,566 | .. | 1,808 | 1,274 | 882 | 480 | 683 | 1,539 |
| 1985 | 11,052 | 6,011 | 195 | 1,321 | 521 | 625 | 445 | 551 | 1,383 |
| 1989 | 11,610 | 7,450 | 853 | 324 | 157 | 702 | 576 | 484 | 1,064 |
| 1996 | 16,588 | 8,473 | 2,245 | 1,267 | 225 | 1,221 | 858 | 761 | 1,537 |
| 2000 | 15,653 | 0 | 9,734 | 597 | 183 | 1,205 | 1,105 | 1,174 | 1,653 |
| 2001 | 16,509 | 0 | 10,143 | 512 | 515 | 1,318 | 1,256 | 1,069 | 1,696 |
| 2002 | 16,398 | 0 | 10,098 | 719 | 279 | 1,375 | 1,246 | 1,020 | 1,662 |
| 2003 | 16,187 | 0 | 9,891 | 842 | 174 | 1,407 | 1,261 | 1,020 | 1,592 |
| 2004 | 16,941 | 0 | 10,419 | 966 | 195 | 1,405 | 1,363 | 1,031 | 1,563 |
| 2005 | 17,439 | 0 | 10,888 | 849 | 174 | 1,561 | 1,242 | 1,059 | 1,667 |
| 2006 | 17,541 | 0 | 11,146 | 682 | 177 | 1,468 | 1,289 | 1,077 | 1,701 |
| 2007 | 16,745 | 0 | 10,197 | 625 | 136 | 1,529 | 1,292 | 1,026 | 1,941 |
| 2008 | 17,577 | 0 | 11,288 | 738 | 77 | 698 | 1,367 | 1,111 | 2,298 |
| **Average annual percent change** | | | | | | | | | |
| 1985-1989 | 1.2 | 3.5 | .. | -29.6 | -25.9 | 3.0 | 6.7 | -3.2 | -6.3 |
| 1989-1996 | 5.2 | 4.8 | .. | 21.5 | 5.3 | 8.2 | 5.8 | 6.7 | 5.4 |
| 1996-2000 | -1.4 | -3.6 | 44.3 | -17.1 | -5.0 | -0.3 | 6.5 | 11.4 | 1.8 |
| 2000-2005 | 2.2 | .. | 2.3 | 7.3 | -1.0 | 5.3 | 2.4 | -2.0 | 0.2 |
| 2005-2008 | 0.3 | .. | 1.2 | -4.6 | -23.8 | -23.5 | 3.3 | 1.6 | 11.3 |

* Deflated by the Public Civilian Consumption Price Index.

** Includes government health outlays not recorded in the Ministry of Health budget.

**Table 10. Percent Investment Expenditure in Total Education and Health Budgets**

| | Total | Education | Health |
|---|---|---|---|
| 1980 | 4.5 | 4.7 | 4.3 |
| 1985 | 2.4 | 2.3 | 2.6 |
| 1989 | 1.7 | 1.8 | 1.6 |
| 1996 | 4.9 | 4.6 | 5.5 |
| 2000 | 3.3 | 3.6 | 2.8 |
| 2001 | 3.0 | 3.3 | 2.2 |
| 2002 | 2.3 | 2.6 | 1.8 |
| 2003 | 2.0 | 2.4 | 1.3 |
| 2004 | 1.4 | 1.7 | 0.9 |
| 2005 | 1.6 | 2.0 | 1.0 |
| 2006 | 1.7 | 1.8 | 1.4 |
| 2007 | 1.6 | 1.8 | 1.2 |
| 2008 | 3.2 | 3.6 | 2.4 |

# Definitions and Sources

## Definitions

Government expenditure on social services includes all expenditure by government ministries and agencies and by the National Insurance Institute for education, health, income-maintenance, personal social services, housing, employment, and immigrant integration. The analysis in this book includes all expenditure implemented through the current budget (current expenditure) and the development budget (investment). Government expenditure is treated in net terms, i.e., total expenditure less earmarked revenue from outside agencies (such as co-payments from recipients of services).

The analysis refers to total government expenditure on services provided in-kind by the government (public consumption) and on subsidies and transfers to other economic sectors, such as National Insurance allowances, government support of non-governmental health institutions and support of non-governmental schools. Thus, the data reflect the activity of the government as a funding agent for the various social services, irrespective of the agency that delivers them.

The financial data pertain to fiscal years that correspond to calendar years (January-December).[1]

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[1] Until 1990, the fiscal year began in April of the year at issue and ended at the end of the following March. For the transition period – fiscal 1991 – a nine-month budget (April-December) was approved. To facilitate comparison with data from previous years, the 1991 budget expenditure was “translated” into full-year terms by linear extrapolation.

Data are shown in constant 2007 prices. The absolute figures were deflated by the Consumer Price Index or by an implicit price index for Civilian Public Consumption, as the case may be. Investment expenditure, implemented through the development budget was deflated by the Construction Inputs Price Index.

## *Classification of Social Expenditures*

Social service expenditures were classified functionally by main fields (education, health, etc.) irrespective of the agency that delivers the service. This classification is different from that used conventionally in the state budget and the annual reports of the Accountant General, which categorize expenditures by administrative units (e.g., ministries and departments). Below is a detailed list of items included in each field.

***Education***: Education expenditure includes outlays by the Ministry of Education for school systems (preschool, primary, post-primary, post-secondary), general expenses for the education system, government participation in higher education budgets, and government expenditure for vocational training (Ministry of Industry, Trade and Labor). Transfers to post-primary schools from education levy receipts were also included until this was abolished in 1987.

***Health***: Health expenditure includes outlays of the Ministry of Health for health services (general inpatient, long-term, and psychiatric care; vocational training; public health services; government participation in the funding of National Health Insurance; and transfer payments to public medical institutions), including Defense Ministry participation in the Health Ministry budget. The health expenditures of the National Insurance Institute (inpatient maternity care, medical care for work accidents, health outlays under the Long-Term Care Insurance Law, and transfers to the health funds from Parallel Tax receipts until this tax was abolished in 1997) are also included as well as the health expenditure of the Unit for Care of Victims of Nazi Persecution. To facilitate comparison with previous years' data, the health tax that citizens pay through the State Health Insurance Law is treated as a substitute for the sick fund dues that households remitted directly to the sick funds in earlier years and thus not considered here government expenditure.

***Income maintenance***: Income maintenance expenditure includes all transfers from the National Insurance Institute (with the exception of reserve duty compensation and lines explicitly included in other social service fields) and benefits for victims of Nazi persecution.

***Other social services***: This item includes government outlays for personal social services (expenditure by the Ministry of Social Affairs and Social Services for the care of children, the elderly, the disabled, and the mentally disabled; community work; and, most expenditure by the National Insurance Institute on account of the Long-Term Care Insurance Law); housing (expenditure by the Ministry of Construction and Housing); employment (expenditure by the Ministry of Industry, Trade and Labor for labor relations, personnel planning and referral, and occupational safety); and immigrant integration (expenditure by the Ministry of Immigrant Absorption).

## *Sources*

The data on government expenditure for social services are based on the government’s financial statements, prepared by the Accountant General of the Finance Ministry (the 2008 data are budget data updated to the time the report was prepared), and on the Statistical Quarterlies of the National Insurance Institute (the 2008 data are estimates of final expenditure, as prepared by the

Research and Planning Division of the National Insurance Institute). The explanatory notes attached to the state budget and the Bank of Israel Annual Report for the years at issue were also used. To compute real expenditure, the appropriate price indices supplied by the Central Bureau of Statistics were used.

A detailed list of the sources of data:

Bank of Israel, *Report of the Bank of Israel*, various years.

Central Bureau of Statistics, Statistical Abstract of Israel, various years.

— *Income Survey*, various periods.

— *Monthly Bulletin of Statistics*, various periods.

— *Monthly Bulletin of Price Statistics*, various periods.

— *National Education Expenditure*, series on statistics of the National Accounts, various years.

— *National Health Expenditure*, series on statistics of the National Accounts, various years.

Ministry of Education and Culture, Economics and Budgeting Administration, Economics and Statistics Division, *The Education System in Numbers*, Jerusalem, various years.

Ministry of Finance, *Budget Proposal and Explanatory Notes*, various years.

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*The 2008 Social Survey*

# *The 2008 Social Survey*

The Taub Center's annual *Social Survey* gauges the Israeli public's sense of well-being and social confidence, as well as its attitudes toward a variety of selected timely social issues. The survey is a valuable component to the Taub Center's annual analysis of Israel's social services.[1] As in previous years, this year's survey included several questions that were phrased identically to those of earlier surveys to allow an analysis of changes in public attitudes over time. Some of the questions – those touching directly on the most fundamental aspects of social confidence – constitute the basis for calculating the Taub Index of Social Confidence, an index that quantifies the Israeli public's sense of social confidence and gives a fuller picture than individual responses to single questions. An index of this kind, which can be used for comparison purposes across time periods and population groups, expands and enriches the understanding of public attitudes and sentiments.

This year's survey findings point to two major trends:

- Firstly, the Israeli public's sense of well-being and social confidence eroded over the past year (2008). The Taub Index, which reached a high of 62 in May 2007, fell to 58 (on a scale of 0 to 100) in May 2008, indicating that Israelis are feeling the effects of the slowdown that has hit the local and global economies. Although the downturn has yet to affect the

[1] The Taub Center's *Social Survey* is a public opinion survey that has been conducted annually in a set format for the past nine years. The survey was conducted in May, 2008. Data collection was carried out by Smith Consulting and Research Ltd. The survey was administered to a representative sample of 1,000. The sampling error is 3.1 percent.

population's standard of living, it is already prompting fears for the future. As expected, these fears were found to be greater among the weaker population groups, particularly those with lower incomes.

- The second trend is reflected in a broad public consensus that social disparities are Israeli society's number one problem, and that efforts to address them should be high on the government's agenda. On the one hand, the public agrees that it is possible to significantly improve the situation of inequality and social economic disparity; on the other hand, there is a consensus that the state and its institutions are not currently working to narrow the disparities but are, in fact, contributing to their widening.

This year the survey questions addressed several issues that lie at the heart of Israeli public discourse with an emphasis on the social-disparity dimension. The first section of the chapter presents the Taub Index of Social Confidence. The following section discusses public opinions and attitudes regarding disparities and inequities, as well as preferences regarding the kind of policy needed to deal with the problem. The third section addresses standards of living and presents findings for both the population as a whole and for selected population groups. The final section focuses on changes in the public's sense of job security over the past year.

## 1. *The Taub Index of Social Confidence*

The index developed by the Taub Center uses a scale of 0-100, 100 being optimal and 0 indicating a total lack of social confidence. The index score enables an assessment of the degree of social confidence enjoyed by the Israeli public as a whole, and by specific groups within the population over time. The index data provide a coherent picture and supplement the information provided by responses to individual survey questions. The Taub Index provides an aggregate score for a set of questions, phrased identically in each survey, that directly address basic components of social well-being. The responses to these questions enable an assessment of public perceptions of changes in standard of living, exposure to criminal violence, basic economic security, and fear of unemployment.

In May 2008 the Taub Index for the population at large stood at 58, compared with 60 in September 2007.[2] The recent decline is particularly striking against the background of a continuous upward trend since 2003. It appears indicative of the degree to which recent economic developments have affected the Israeli public's sense of social confidence – even before they have had an impact in terms of concrete socioeconomic indicators (see Figure 1).

The overall index score, which represents the total survey population, conceals major differences in social confidence levels between specific population groups. The index arrived at for the population group that defines itself as "far above average" in terms of income was 73 in 2008, while the figure for the "far below average" income group was only 48. In 2007 the figures were 70 and 50, respectively. It should be noted that, although the gap

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2 The multi-year comparisons relate to years in which more than one survey was conducted and refer specifically to the surveys of July 2005, July 2006 and September 2007.

between the two groups widened this past year, it was already large in 2007 (see Figure 2 and Table 1).

The differences between population groups broken down by education level are considerably less marked, although the trends are similar. The results in Table 1 point to a continuous upward trend in social confidence among those of low education level during the period 2003-2007. This trend reversed itself in 2008 with a decline to 51 in the low-education group's sense of social confidence. Respondents with an academic education expressed higher confidence levels for all years, although a moderate decline was seen in 2008 for this group as well.

**Figure 1. The Taub Index of Social Confidence**

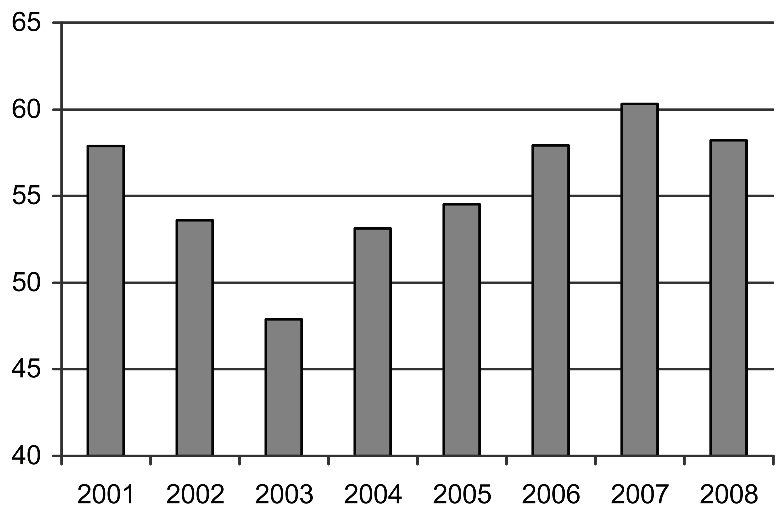

**Figure 2. The Taub Index, by Income Level**

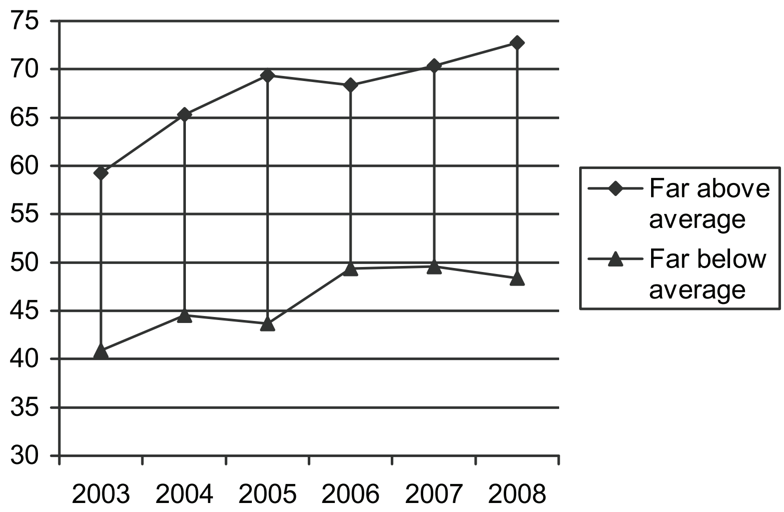


Table 1. **The Taub Index, by Education and Income Levels, 2003-3008**

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| ***Education Level*** | | | | | | |
| • Primary or partial-secondary | 43 | 45 | 46 | 50 | 53 | 51 |
| • Academic | 50 | 55 | 58 | 59 | 62 | 61 |
| • Score discrepancy | 7 | 10 | 12 | 9 | 9 | 10 |
| ***Income Level*** | | | | | | |
| • Far below average | 41 | 45 | 44 | 49 | 50 | 48 |
| • Far above average | 59 | 65 | 69 | 68 | 70 | 73 |
| • Score discrepancy | 18 | 20 | 25 | 19 | 21 | 24 |

The trend of recent years toward greater social confidence as measured by the Taub Index was particularly evident for the *Haredi*, or ultra-orthodox Jewish, population, and somewhat less so for the Arab population (see Table 2). For FSU immigrants a significant rise was seen over the years, although the trend recently reversed: this group's sense of social confidence, as reflected in a sharp decline in its Index score, appears to have eroded.

The decline in sense of well-being in 2008 is noteworthy among three population groups which will be discussed separately. The decline is particularly striking among immigrants and among *Haredim*, whose confidence level was higher at the outset. The score change for the Arabs was more moderate last year, although their confidence level over the last few years has been lower overall.

Table 2. **The Taub Index, by Selected Population Groups, 2003-2008**

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| *Haredim* | 50 | 58 | 58 | 57 | 64 | 60 |
| Arabs | 44 | 46 | 50 | 55 | 55 | 53 |
| FSU immigrants | 50 | 49 | 48 | 55 | 57 | 51 |

Last year a general question was added to the survey: *"Generally speaking, how would you define your and your family's sense of socioeconomic confidence?"* The question was asked again this year. The question was intended, to a certain degree, to assess the validity of the Index findings. Although the responses to the direct question place most of the Israeli public within the "moderate" to "good" categories in terms of confidence, the percentage of those attesting to a "very good" or "good" level of confidence dropped somewhat, from 42 to 39, while the percentage of respondents whose sense of socioeconomic confidence was "not so good" or "not good at all" rose from 15 to 19. However, despite the sense of an erosion of public confidence given by the survey, it should be noted that the percentage of those whose sense of socioeconomic confidence is "very good" still exceeds the percentage of those responding "not good at all." At the same time, the percentage of those responding "good" was three times higher in 2007 and 2.5 times higher in 2008 than that of interviewees responding "not so good."

Table 3. Responses to the question: ***"Generally speaking, how would you define your and your family's sense of socioeconomic confidence?"*** **– Total population** (Percent)

| | **2007** | **2008** |
|---|---|---|
| Very good | 9 | 8 |
| Good | 33 | 31 |
| Moderate | 43 | 42 |
| Not so good | 11 | 13 |
| Not good at all | 4 | 6 |

Thus, the survey findings for 2008 indicate (both in terms of the Taub Index and in terms of the responses to the more general, direct question) a change from the on-going trend of the years 2003-2007 of an improved sense of socioeconomic confidence. Not surprisingly, those with the strongest feeling of confidence are those who fall into the highest income category.

Immigrants from the FSU are noteworthy as a group for their low social confidence level. The survey findings point to a high percentage of immigrants with a low level of socioeconomic confidence, and this percentage exceeds that of the Arabs and of those with incomes far below average. The impression is that, despite on-going integration and absorption efforts, immigrants as a group have greater exposure than do other groups to fluctuations in the overall economic situation. It may well be that immigrants have greater awareness (due in part to their high education level) of the economic downturn's potentially negative effects on standard of living and job security.

In answer to the single direct question regarding perceived social confidence, the *Haredim*, who last year had been noteworthy for their high confidence level, expressed a decline in the most recent survey – as may also be seen in the Index score itself. By contrast, the answers of Arab respondents to the individual question indicated no change in their confidence level. The Index score for Arab respondents did not point to a particularly significant change, although a certain deviation from the previous trend was registered (see Table 4).

The Taub Index is composed of six different questions. Four of these questions had a greater influence on the drop in the Index. These questions had to do with the respondent's economic and occupational future, particularly with regard to their anticipated financial income. By contrast, questions oriented toward the present (e.g., the ability to manage with one's present income), contributed less to the decline in the aggregate Index score. The question regarding fear of criminal violence actually pointed to a certain degree of improvement.

Table 4. Responses to the question: ***"Generally speaking, how would you define your and your family's sense of socioeconomic confidence?"*** **By education and income levels and selected population group,** (Percent)*

| | **2007** | | **2008** | |
|---|---|---|---|---|
| | **Good** | **Not good** | **Good** | **Not good** |
| ***Education*** | | | | |
| • Academic degree | 44 | 15 | 43 | 17 |
| • Low education level | 27 | 21 | 30 | 30 |
| ***Income*** | | | | |
| • Far above average | 86 | 7 | 77 | 3 |
| • Far below average | 19 | 34 | 17 | 38 |
| ***Selected population groups*** | | | | |
| • FSU immigrants | 19 | 35 | 14 | 40 |
| • *Haredim* | 49 | 15 | 36 | 21 |
| • Arabs | 14 | 37 | 32 | 27 |

* The category defining the respondents' sense of socioeconomic confidence as "moderate", brings the total to 100.

## 2. *Social Disparities and Inequality*

Each year the survey addresses several ethical-ideological issues and respondents' opinions regarding government policy. This year the focus was on social disparities, a topic to which the Center has recently been paying special attention, both in the framework of a Presidential Task Force in cooperation with the Minister of Social Affairs and Social Services and Taub Center researchers,[3] and in the context of the Center's continuous monitoring of service development in the major welfare areas.

One striking trend highlighted by the survey is that of a broad public consensus that social disparities are Israeli society's most serious problem, and that contending with them should be a high-priority item for any Israeli government. It was, for example, found to be widely believed that income inequality and socioeconomic gaps could be reduced significantly. At the same time, there was a near consensus that the state and its institutions not only are not working to narrow the disparities but are actually contributing to widening them. The objective findings that indicate a widening of disparities (as reflected clearly in the data presented in other chapters of this book) have entered the public's social awareness.

### A. *Assessing the Current Socioeconomic Situation*

Several questions were asked that were intended to explore respondents' assessment of the current situation:

1. *In your opinion, have socioeconomic disparities widened, narrowed or remained unchanged over the past year?*

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[3] The Taub Center's Task Force report was submitted to the President and to the Minister of Social Affairs and Social Services in October 2008.

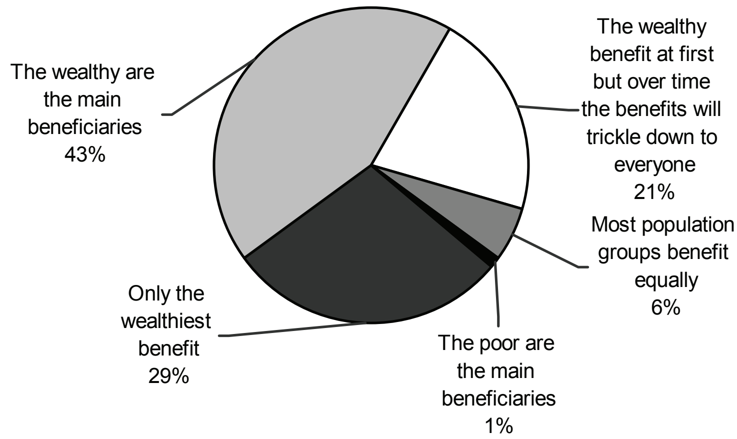
2. *How, in your opinion, are the benefits of the last few years' economic growth being distributed to the various population groups?*
3. *If you were to rank Israel's various population groups by socioeconomic status, which of them would, in your opinion, be at the bottom of the scale?*
4. *In your opinion, do all population groups benefit from a more or less equal level of health services?*

It turns out that, with regard to the first question, a clear majority of the public – 75 percent as compared to 61 percent last year – feels that disparities have grown. This high percentage is indicative both of the issue's significance and of a consensus regarding the direction of its development. Moreover, although differences in assessment exist between the various population groups, they are relatively small. For example, among two of the weaker population groups – FSU immigrants and those with low education levels – the percentage of those who feel that the situation has worsened is lower: in their opinion, things have not changed. Of course, they may well have thought that the situation was bad to begin with. By contrast, within the far-below-average income group there was a particularly high percentage of those who feel that disparities have widened greatly. Percentages are exceptionally high among those of prime working age (30-64), 81 percent of whom feel that the gaps have grown, versus 75 percent of the general population.

Regarding the question, *"Who is benefiting from the economic growth of the past few years?"* 73 percent feel that the wealthy are the principal beneficiaries of recent economic growth (according to some one-third of the public, the wealthy are actually the sole beneficiaries), while just one percent feel that the poor are the main beneficiaries (see Figure 3). Within different population groups, 83 percent of those with incomes far below average believe that the main beneficiaries of growth are the wealthy, while only half of those with high incomes hold this view. Similar differences were found between those with academic backgrounds and those with low education levels, between *Haredi* and secular Israelis, and between young and old.

Concerning expectations for the future, only a fifth of the respondents expressed a belief that ultimately the benefits of growth will trickle down to the entire population. Weaker groups stood out in particular for their lack of hope in this regard. Amongst these groups much lower percentages than the average expressed this optimism: Arabs (15 percent), those with far-below-average incomes (13 percent), and those with low education levels (12 percent). By contrast, nearly half of those with high incomes (46 percent) feel that the benefits of growth will ultimately reach all levels of the population.

**Figure 3. The Public's Assessment of the Way in Which the Benefits of Economic Growth Are Distributed Among Population Groups, 2008**



With regard to the following question: *"If you were to rate Israel's population groups by socioeconomic status, which do you think lies at the bottom of the scale?"* survey participants singled out several specific groups as having a low ranking on the socioeconomic scale: firstly, those with low incomes (30 percent of the participants feel that this is the weakest group); secondly, Arabs, the unemployed, residents of development towns and poor neighborhoods (13-16 percent of the survey participants identified these groups in particular); and thirdly, *Haredim* and immigrants (less than 10 percent felt that they were at the bottom of the scale).

Interestingly, the *Haredim* deviated from the general public in their rankings: 42 percent felt that they themselves were the weakest population group, compared with 10 percent of the population at large. However, only one percent of *Haredim* feel that the Arabs are the weakest group, versus 16 percent of the general population. On the other hand, and perhaps mirroring this last finding, nearly a third of Israeli Arabs feel that they are the weakest group, while only 6 percent ranked the *Haredim* in this category. Apart from the Arabs, it was found that those with post-secondary and academic education feel that the Arabs are worse off – the percentage of this group who hold this view is higher than that of the general population. Another interesting finding was that, among Jews, the percentage of those who place the Arabs at the bottom of the socioeconomic scale is three times higher than the percentage of those who assign this status to the *Haredim* (12 percent versus 4 percent).[4]

To complete the picture with regard to opinions on social disparities, the participants' opinions about inequality in health care was examined. Based on the responses, 61 percent of the public perceives large or very large differences in the level of health care services provided to different population groups. This

[4] See, in this context, the discussion later in this chapter regarding the public's support for affirmative action to aid the weaker sectors of society.

percentage rose significantly relative to 2007, when 53 percent of Israelis shared this view. It is interesting to note that the rise in this figure did not come from a change in the responses of the weaker groups, but was due to an increase in dissatisfaction in the stronger groups (income and education). For example, a fourth of those with low incomes feel that health care levels are entirely equitable compared with just 8 percent among those with academic education. On average, only 10 percent of the Jewish sector believes that service levels are equitable, versus nearly twice that percentage – a fifth – of Arabs and *Haredim*. Sixteen percent of those with low incomes feel that health care services are provided equitably, compared with just two percent of the high-income group. The question naturally arises: are these differences of opinion regarding equity in health-services provision rooted in the fact that the weaker groups encounter a different reality, and that they simply have no contact with the kind of health services offered privately to those able to pay for them? Answering this question will necessitate in-depth investigation beyond the bounds of the present survey.

## B. *Government Influence on the Current Situation*

Survey participants were asked, *"How, in your opinion, does the government's economic policy affect social disparities?"* Interview participants were also asked, *"To what degree, in your opinion, does the education system affect the narrowing of disparities in Israeli society?"*

The responses to these two questions place Israeli government policy in a singularly unflattering light. Sixty percent of the survey participants feel that the government's economic policy widens disparities "greatly" or "somewhat", while only 17 percent feel that it narrows them. However, compared with the responses to a similar question in the 2005 survey, public assessment of government policy appears to have improved. In 2005, 75 percent of the public felt that government policy was widening disparities, while just 14 percent felt that it was narrowing them. The differences in response to this question between the various population groups were not especially large.

Regarding the education system's efficacy in narrowing disparities, it was found the public can be divided into three equal groups, each of which chose one of the three following options: "narrows," "does not change," and "widens." Five years ago (in 2003) a similar question was asked: it was found that a fourth of the public believed that the education system widens gaps while 37 percent felt that it narrows them. The change in the distribution of responses to this question within the public may indicate a prevailing sense that the effort to narrow disparities has not been a high priority in the education system. Another notable finding was that 45 percent of FSU immigrants and *Haredim* feel that the education system widens disparities, while 40 percent of *Haredim* and a third of the immigrants feel that it has no effect at all in this regard.

## C. *Government Policy*

Survey participants were asked several questions intended to assess their views, criticism or support for government policy in several major areas of public concern. These questions focused on the issue of social and economic gaps and the effort to narrow them – both in terms of wages and in terms of services and their utilization.

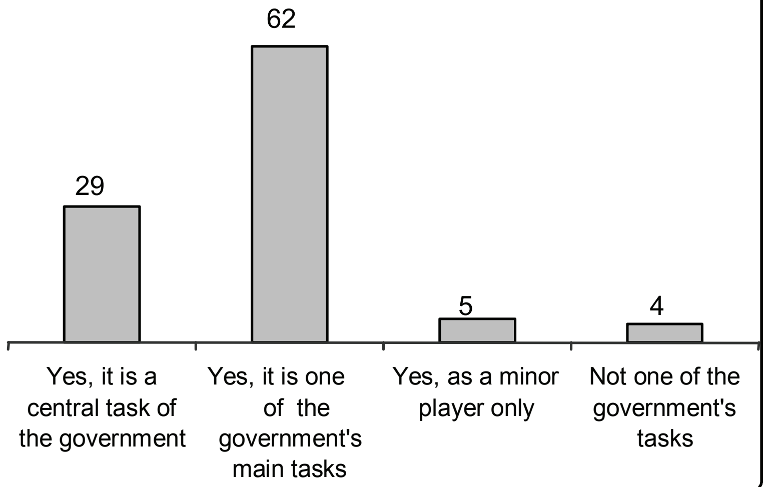
These questions related to the possibility of reducing inequalities, whether this is at all achievable, and whether it is the government's job to work toward such a goal. Separate questions addressed the degree of preference that should be given to weaker population groups in government resource allocation, and whether, and how, the tax system should be used to narrow income disparities. Questions regarding the public's opinion on levying an inheritance tax and about acceptable wage disparities between the lowest and highest incomes in the public sector were also asked.

The findings for the "ideological" or "value-oriented" questions point to public dissatisfaction with the widening of disparities in society. Despite this readily-expressed dissatisfaction with disparity, however, the public is unwilling to give meaningful priority in the allocation of (shared) resources to society's weaker groups – especially if they themselves were asked to bear the brunt of an increased tax burden.

Most of the public (57 percent) feels strongly that socioeconomic disparities can be significantly narrowed, while 30 percent agree with this statement to a moderate degree. That is, an overwhelming majority of Israelis – 85 percent – feel that socioeconomic disparities can be narrowed. Among FSU immigrants a higher level of pessimism was found than amongst the general population: nearly a quarter of the immigrants feel that the disparities cannot be narrowed, while only 40 percent agree that it is possible to narrow them. The remaining population groups answered similarly to the overall average, tending to express optimism regarding the possibility of narrowing disparities.

The survey found an overwhelming consensus regarding the government's central role in the effort to narrow social disparities (see Figure 4). Some 90 percent of the respondents feel that the government should play a role in this endeavor: one-third view it as the most central task of the government, while two-thirds see it as one of the government's primary jobs. Only 9 percent of the total respondent group feels that narrowing disparities is not one of the government's main tasks. Interestingly, FSU immigrants were notable for their opinion, expressed in higher percentages than by other groups, that it is not the government's job to narrow disparities, or that it should play only a minor role in this endeavor.

**Figure 4. Importance of the Government's Role in Reducing Inequity and Narrowing Disparities**
2008, Percent




In light of the survey participants' support for disparity-narrowing policies and government involvement in this area, it is interesting to note responses regarding affirmative action for the weaker population groups. It is worthwhile, in this context, to bear in mind the public's responses when asked to identify weaker groups (see the previous discussion of this subject). Half of all of the survey participants (49 percent) feel that preference should be given, first and foremost, to low-wage workers and 11 percent to residents of development towns and poor neighborhoods. These are complemented by the 17 percent who feel that no preference should be given to any group (the question offered the following options: low-wage workers, Arabs, *Haredim*, new immigrants, pensioners, residents of development towns and poor neighborhoods, the unemployed, no preference should be given to any group).

It was also found that each group gave itself a higher degree of preference than it did to other weak groups – yet every population group expressed a clear preference for the low-wage group. Although there is a high degree of overlap between weaker population groups and the low-wage group, no clear expression of support for giving preference to those groups defined as "weak" was found. It is interesting to note that when opinions regarding affirmative action were examined last year, the public was found to be divided about its necessity for weaker population groups. Half of the public expressed opposition to affirmative action for the two weakest sectors – Arabs and Haredim – with the rate of opposition being higher toward Haredim than toward Arabs.

The tax system is one of the mechanisms available to the government in its effort to address income-distribution disparities. Survey participants were asked several questions relating to government tax policy. Firstly: to the question of what kind of tax policy should be preferred, nearly half of the participants (46 percent) supported a policy that combines a tax reduction for the middle class and increased taxes for the affluent; another quarter of the public preferred a tax break for the middle class; and 15 percent responded that a tax hike should be imposed on the affluent. Only 16 percent of the participants responded that taxes are not a preferred means of narrowing disparities or that they should not be used at all for this purpose. It is also interesting to note that relative to the average, those with far-above-average incomes opposed the use of taxes as a means of narrowing income disparities – 22 percent compared with an average of 12 percent for the total respondent group.

In 2008 a question regarding a specific tax, an "inheritance tax," which could potentially be instrumental in curbing the intergenerational transmission of inequality was included in the survey. In general, the public tends to oppose the levying of a tax on inheritance. Most of the public (71 percent) responded negatively to the idea of such a tax, with 57 percent rejecting the proposal absolutely. High rates of opposition were found among those aged 50-64 and among those with far-above-average incomes – 80 percent of those belonging to the two latter groups expressed opposition to the proposal. Interestingly, Arabs expressed a relatively higher degree of support for the idea of an inheritance tax (17 percent supported it to a great degree while another 27 percent supported it somewhat, versus 10 percent and 16 percent respectively for Jews).

With regard to wage disparities: survey participants were asked for their opinion on imposing wage limits (minimum and maximum wage); and what kind of wage differentials they consider acceptable. The public was found to prefer support for the weaker population sectors as opposed to imposing limits on the wealthier sectors. Nearly 40 percent of the public feels that the minimum wage should be increased, versus just 7 percent who feel that public-sector wages should be restricted. However, another 40 percent feel that the two approaches should be combined. Only 5 percent feel that there is no need to reduce wage disparities.

On the issue of what wage differential is acceptable between the highest and lowest wages in the public sector, 28 percent of the public felt that a factor of two was desirable, while another 26 percent felt that the differential may reach five-fold. It is worth pointing out that 22 percent were comfortable with a differential of 10-fold or greater, while only 12 percent of respondents felt that there is no need to limit the differential at all. (Of further interest is the fact that a similar percentage of respondents hold the extreme view that there should be no wage differentials of any kind in the public sector.) Given that the difference between the lowest and highest wage-earners in the civil service is considerably greater than ten-fold, it may be important to bring the public's opinion to the attention of policy makers.

The final question in the "ideological" cluster focused on measures to narrow health care disparities. Survey participants were asked to choose which of several options would be their "first choice." Most of the respondents chose expanding the range of services provided by the public's "health basket" (48 percent) as their first choice. A fourth of the public would strengthen and augment services to the weaker population groups, while 15 percent of the public would do away with user co-payments for medications and medical services for the entire population. To complete the picture, only a small minority view imposing restrictions on private medicine as their first-choice option. Here as well one can discern a consensus on the part of the public, which is primarily interested in expanding services for everyone without committing to any sacrifice of its own. That is, the public does not want service expansion for all to come at the cost of restricting the continual development of disparity-driving phenomena such as private medicine. Here as well one should mention a striking finding with regard to FSU immigrants, who were noteworthy in their opposition to restrictions on private medicine (only one percent of immigrants chose the option of imposing such restrictions).

## 3. *Standard of Living*

Arriving at an understanding of the public's subjective rating of its standard of living is a regular component of the Taub Center surveys. Participants respond to questions regarding their perceived present standard of living compared with that of the recent past, and their expectations for the future.

### A. *The Population as a Whole*

With regard to their current standard of living, a clear majority (three-quarters) of respondents report that their income enables them to meet their basic needs at least to a reasonable degree. This rise over time to three-quarters of the respondent population (from two-thirds in the past) represents an improving overall trend. Since 2003 the percentage of families who feel that their income is "sufficient" to meet basic needs with little or no difficulty has risen – while at the same time the percentage of families who feel that their income "barely suffices" or is "insufficient", has declined. During the four years leading up to 2006, the percentage of families reporting economic distress was greater than that of families reporting economic well-being; however, over the past two years (2007-2008), the opposite has been the case: the percentage of families expressing a state of well-being is higher.

Table 5. Responses to the question: ***"To what extent does your income allow you and your family to meet basic needs?"*** – **Total population** (Percent)

| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|---|
| Insufficient or barely sufficient | 31 | 34 | 36 | 32 | 24 | 25 |
| Reasonably sufficient | 47 | 43 | 42 | 44 | 47 | 45 |
| Sufficient with little or no difficulty | 22 | 23 | 22 | 24 | 29 | 30 |

Satisfaction with the present situation does not appear in the responses to the other questions that relate to the past or future expectations. When asked to point to an improvement or deterioration in their standard of living relative to the recent past (the previous two or three years), the trend toward increased reporting of an improvement has slowed. While in 2007 the percentage of those who felt that their economic situation had improved was greater than that of those reporting a deterioration, in 2008 the percentage of those reporting a deterioration again rose above that of those reporting an improvement, although the discrepancy is still much smaller than it was during the period 2003-2006.

Table 6. Responses to the question: ***"If you compare your and your family's standard of living with that of two or three years ago, in your opinion has there been: …"*** – **Total population** (Percent)

| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|---|
| Significant or some improvement | 8 | 12 | 19 | 21 | 27 | 26 |
| No change whatsoever | 34 | 38 | 43 | 46 | 48 | 42 |
| Significant or some decline | 58 | 50 | 38 | 33 | 24 | 32 |

In terms of the public's expectations regarding future standard of living, the findings support the trend noted in 2007 toward increased fears of a worsening economic situation. The growth that characterized the Israeli economy over the past few years and can be seen in a number of objective measures, does not provide the survey respondents with sufficiently firm ground for optimism regarding their future standard of living.

Table 7. Responses to the question: ***"Do you expect your and your family's economic situation to change in the coming year?"*** – **Total population** (Percent)

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| There will be a significant or some worsening | 13 | 16 | 13 | 11 | 21 |
| There will be no change whatsoever | 58 | 58 | 47 | 61 | 54 |
| There will be a significant or some improvement | 29 | 26 | 40 | 28 | 25 |

Participant responses to yet another survey question, one relating to their economic future: "*Are you concerned about the possibility that you or your family may fall into poverty or economic distress*?" also indicate a certain dampening of the trend toward a sense of improvement that had characterized the public up to 2007. This year a higher percentage of people expressed concern regarding the possibility of falling into economic distress relative to the two previous years; and the percentage of those not concerned at all declined.

Table 8. Responses to the question: ***"Are you concerned about the possibility that you or your family may fall into poverty or economic distress"*** – **Total population** (Percent)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| Very concerned or greatly concerned | 31 | 27 | 20 | 20 | 18 | 20 |
| Slightly or somewhat concerned | 43 | 43 | 48 | 49 | 46 | 50 |
| Not concerned at all | 26 | 30 | 32 | 31 | 36 | 30 |

The 2008 Social Survey points to the existence of a population that is not seeing its standard of living improve compared with previous years – and whose expectations for the future consequently reflect fear and concern. Of course, one must ask whether this feeling is prevalent at similar levels in all groups of society, or whether it characterizes certain population subgroups only. This question will be examined with regard to selected population groups – those with low socioeconomic status in particular – both separately and compared to the population as a whole.

## B. *The Haredi Population*

The *Haredim* rate their standard of living as relatively lower than the general population rate theirs. This is evident from the percentage of those who feel that their income enables them to meet their basic needs with little difficulty, which is lower than that of the general population (25 versus 30 percent); it is also evident from the much higher percentage of respondents reporting that their income "barely" suffices for basic needs (38 versus 25 percent).

In recent years responses of the *Haredi* population to questions regarding standard of living indicate a fluctuating trend. Although the trend for the general population since 2003 is clearly toward a rise in the percentage of those reporting incomes that suffice with little difficulty for basic needs, findings for the *Haredim* have varied (see Table 9). It also appears that the rise in percentage of those responding "sufficient with no difficulty," is concurrent with a rise in the percentage of those stating that their income is "barely sufficient."

Table 9: Responses to the question: *“**To what extent does your income allow you and your family to meet basic needs?**”* – ***Haredim* and the total population** (Percent) *

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| ***Sufficient with little or no difficulty*** | | | | | | |
| • Total Population | 22 | 23 | 22 | 24 | 29 | 30 |
| • *Haredim* | 21 | 17 | 13 | 12 | 17 | 25 |
| ***Insufficient or barely sufficient*** | | | | | | |
| • Total population | 31 | 34 | 36 | 32 | 24 | 25 |
| • *Haredim* | 42 | 33 | 43 | 45 | 22 | 38 |

* The category “Income enables needs to be met to a reasonable degree” brings the total to 100 percent.

When the current situation is compared with the recent past, the impression that disparities have widened in the *Haredi* community is stronger. Firstly, the percentage of *Haredim* reporting that their situation worsened over the last two-three years is much higher than that of the general population. This percentage rose sharply in the current survey, more so than for the population as a whole. It should be noted, however, that in general from 2003-2007, the *Haredim* have trended upward in terms of the percentage of those reporting an improvement in their standard of living. Although the percentages have been lower than those of the general population, the trend has been steady and did not reverse itself in 2008. This may support the finding regarding a rise in the percentage of *Haredim* responding that their income enables them to meet their basic needs without difficulty.

Table 10. Responses to the question: ***"Compare your and your family's standard of living today with that of two to three years ago"* – *Haredim* and total population** (Percent) *

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| ***Situation has deteriorated relative to the recent past*** | | | | | | |
| • Total Population | 58 | 49 | 38 | 34 | 24 | 33 |
| • *Haredim* | 57 | 46 | 46 | 43 | 23 | 44 |
| ***Situation has improved relative to the recent past*** | | | | | | |
| • Total population | 8 | 13 | 19 | 21 | 27 | 26 |
| • *Haredim* | 9 | 13 | 13 | 16 | 18 | 21 |

* The category "No change whatsoever" brings the total to 100%.

*Haredi* expectations for the future continue to conform to the general trend toward fear of additional deterioration and of a future decline in standard of living. This is particularly evident in *Haredi* responses to the question regarding concern about the "*possibility of falling into economic distress or poverty."* While the percentage of *Haredim* who reported great concern in 2007 was slightly below the overall average (16 versus 18 percent) – a finding that reflected optimism in earlier years – in 2008 the trend reversed and the percentage of *Haredim* greatly concerned over their economic future rose sharply relative to the general population (26 versus 20 percent, respectively).

## C. *The Arab Population*

The Arab population's assessment of its present standard of living did not change significantly over the past year. The percentage of Arabs who responded that their income enables them to meet basic needs with little difficulty has been quite stable over the last few years, holding steady at about a sixth of the Arab population (with very small fluctuations). This is not, in itself, an encouraging finding – indicating as it does that more than 80 percent of Israeli Arabs report difficulties in meeting their basic needs. However, the percentage of Arabs reporting that their income is "insufficient" or "barely sufficient" which had been rising until 2006 and peaked at more than half of the Arab population (52 percent), has declined over the last two years to around 40 percent and continued to drop slightly in 2008. This percentage is still much higher than that of the general population (25 percent), and of the Jewish population (22 percent).

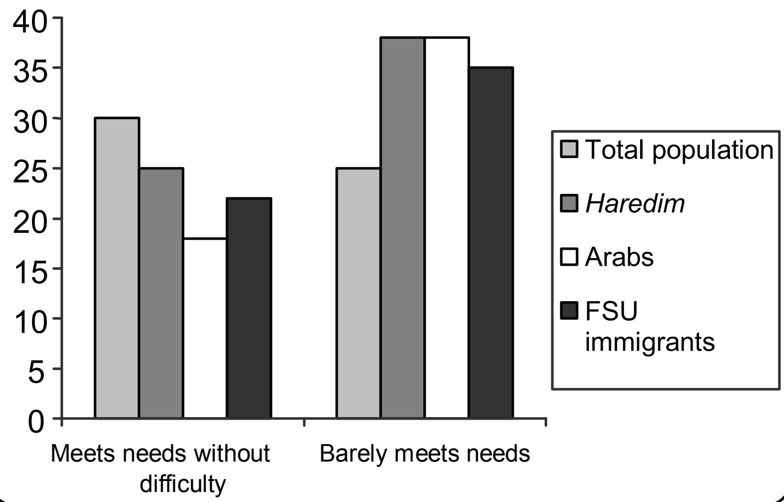
Table 11. Responses to the question: ***"To what extent does your income allow you and your family to meet basic needs?"*** – **Arabs and total population** (Percent)*

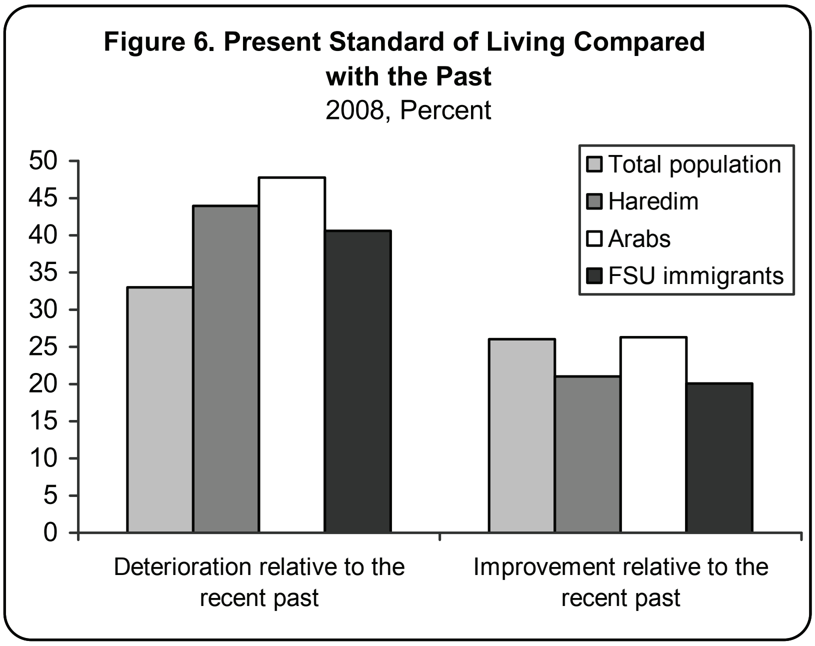
| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|---|
| ***Income sufficient with no difficulty*** | | | | | | |
| • Total Population | 22 | 23 | 22 | 24 | 29 | 30 |
| • Arabs | 17 | 16 | 19 | 15 | 18 | 18 |
| ***Income barely sufficient*** | | | | | | |
| • Total population | 31 | 34 | 36 | 32 | 24 | 25 |
| • Arabs | 44 | 46 | 55 | 52 | 41 | 38 |

* The category "Income enables needs to be met to a reasonable degree" brings the total to 100 percent.

A comparison of current living standard with the past indicates two opposing trends within the Arab population: on the one hand, there is a certain sense of change for the better as shown by the percentage of those reporting an improvement in their situation – a percentage that has risen steadily since 2003 and at a faster rate than that of the population at large. Although there was a change in the trend this past year, the decline was less than that for the total population. On the other hand, for those who reported a deterioration in their living standards, the downward trend that had characterized the years up to 2007 reversed – in a similar manner to that of the population at large. The high percentages are particularly striking – half of the Arab respondents report that their situation deteriorated in 2008, compared with a third of the general population and a quarter of the Arabs reported an improvement. This is, clearly, a high percentage of people who feel that their standard of living is deteriorating.

**Figure 5. Extent to Which the Family's Income Enables It to Meet Basic Needs**
2008, Percent






## D. *Immigrants from the FSU*

The immigrants' assessments of their standard of living improved over the years, peaking in 2006. This was reflected in the following trends: a rise that exceeded that of the general population in the percentage of immigrants reporting incomes sufficient to meet their needs "with no difficulty"; a narrowing of the discrepancy relative to the general population regarding "barely sufficient" incomes; with a disappearance of this discrepancy altogether in 2006. However, immigrants reported a subsequent decline in their standard of living over the last two years which was greater than that of the overall population average. Here as well, the change has occurred at both ends of the spectrum – a rise in the percentage of those whose income "barely" suffices, greater than the overall average for 2008, and a decline in the percentage of those whose incomes enable them to meet basic needs "without difficulty."

Table 12. Responses to the question: ***"To what extent does your income allow you and your family to meet basic needs?"*** – **FSU immigrants and total population** (Percent)*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| ***Income sufficient with no difficulty*** | | | | | | |
| • Total Population | 22 | 23 | 22 | 24 | 29 | 30 |
| • FSU immigrants | 18 | 13 | 18 | 30 | 24 | 22 |
| ***Income barely sufficient*** | | | | | | |
| • Total population | 31 | 34 | 36 | 32 | 24 | 25 |
| • FSU immigrants | 36 | 50 | 49 | 32 | 28 | 35 |

* The category "Income enables needs to be met to a reasonable degree" brings the total to 100 percent.

The survey findings regarding immigrant evaluations of their current standard of living relative to the past strengthens the overall impression of change. The percentage of immigrants reporting a decline in their standard of living over the past year is higher than that of the population at large, for the first time since 2003 (in some years the immigrant and general-population percentages were on a par). On the other hand, the percentage of immigrants reporting an improved situation, which had tended to be higher than that of the population as a whole, declined sharply last year from 32 to 20 percent, reaching a level lower than that of the population at large: 20 percent versus 26 percent, respectively.

Clearly, the immigrant population, some portion of which has actually reached "veteran Israeli" status (FSU immigrants began arriving in Israel in 1989), seems to express a feeling that their standard of living has deteriorated. This feeling is also reflected in the immigrants' expectations for the future and in the relatively high level of fear they expressed regarding the possibility of future economic distress: the percentage of those who responded that they are greatly concerned about falling into poverty or economic distress was higher in the current survey (2008) among immigrants than among the general population, while the percentage of those who were "not at all concerned" was lower than that of the general population. However, these figures represent no substantial worsening relative to 2007. That is, there has been no notable increase in levels of distress as indicated by the percentages of those reporting great concern about falling into poverty, but there has been a slight decrease in the percentage of those who are "not at all concerned."

Table 13. Responses to the question: ***"If you compare your and your family's standard of living today with that of two to three years ago …"*** **– FSU immigrants and total population** (Percent)*

| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|---|
| ***The standard of living has deteriorated*** | | | | | | |
| • Total Population | 58 | 49 | 38 | 34 | 24 | 33 |
| • FSU immigrants | 55 | 45 | 38 | 29 | 24 | 41 |
| ***The standard of living has improved*** | | | | | | |
| • Total population | 8 | 13 | 19 | 21 | 27 | 26 |
| • FSU immigrants | 9 | 18 | 19 | 24 | 32 | 20 |

* The category "No change whatsoever" brings the total to 100 percent.

Finally, it is interesting to note the differences in standard of living by education level. The groups presented, with their differing attitudes and evaluations of their respective situations, also differ from each other in terms of education and income. In this context it may be noted that the FSU immigrant population, for example, is relatively highly educated, in contrast to the Arab population which has a much higher percentage of those with low education levels.

Table 14. Responses to the question: ***"If you compare your and your family's standard of living today with that of two to three years ago …"*** **− Total population, by education** (Percent)*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| ***The standard of living has deteriorated*** | | | | | | |
| • Academic education | 62 | 47 | 35 | 31 | 22 | 27 |
| • Low education | 67 | 65 | 62 | 49 | 31 | 50 |
| ***The standard of living has improved*** | | | | | | |
| • Academic education | 8 | 13 | 21 | 23 | 32 | 31 |
| • Low education | 8 | 1 | 7 | 13 | 22 | 17 |

* The category "No change whatsoever" brings the total to 100 percent.

In general, the sense of an improvement in standard of living lessened this year both among those of higher (academic) education, and among those of low education. However, the low-education group was far more affected. Among them, the percentage of those reporting a decline in standard of living rose from a third to a half in 2008, while the percentage of those reporting an improvement in their standard of living fell. This development among the low-education group points to the group's increasing marginalization in Israeli society. By contrast, the percentage of those with an academic education who reported an improvement in their standard of living is nearly double that of those in the low-education group; and the percentage of low-education respondents reporting deterioration is more than double that of the academically-educated.

## 4. *The Population's Attitudes on Job Security*

Work is one of the most significant elements in the lives of most working-age people, and is also a source of economic and social security for most individuals and their families. It allows people to provide for themselves and their families, does much to determine their social status, and has an effect on quality of life and self-esteem. Employment is usually the first area to be affected by the onset of an economic crisis. However, when the state of the economy begins to improve, employment may be slow to recover. This year, as in previous years, survey participants were asked about the degree to which they fear losing their jobs and their level of concern about the prospect of not finding work and remaining unemployed.

Table 15. Responses to the question: ***"Do you, or does someone in your family, fear dismissal or fear that they will not find work and become unemployed?"*** **− Total population, by income** (Percent)*

| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|---|
| ***Greatly or very greatly concerned*** | | | | | | |
| • High income | 28 | 15 | 15 | 8 | 13 | 11 |
| • Low income | 56 | 46 | 52 | 39 | 34 | 35 |
| ***Slightly concerned or not concerned at all*** | | | | | | |
| • High income | 59 | 58 | 62 | 77 | 67 | 73 |
| • Low income | 25 | 30 | 29 | 37 | 41 | 41 |

* The category "Somewhat concerned" brings the total to 100 percent.

The changes in level of concern about losing one's job between 2008 and 2007 are small; there do not appear to have been significant changes in perception among the Israeli public. A fifth of the participants (22 percent) responded that they are greatly or very greatly concerned − a slightly higher percentage than in 2007 (18 percent). At the same time, over half of the participants (55 percent) responded that they are only slightly or not at all concerned about dismissal − a percentage similar to that of last year.

When specific population groups are examined, however, a rather different picture emerges. For example, the fear of dismissal is considerably (three times) greater among those with low incomes than among those with high incomes, while the percentage of those not at all (or only slightly) concerned is nearly twice as high among the high-income group. Since 2003 both of these groups have displayed similar trends toward lower percentages of those greatly concerned about dismissal and higher percentages of those not at all or only slightly concerned.

The level of concern regarding job security varies with education level; the highly-educated expressed a higher degree of confidence and their job security greatly improved over the last few years. The low-education group also experienced a certain improvement in job security over time, but the percentage among them who feared unemployment in 2008 was nearly twice as high as in the academically-educated group; and the percentage of the academically-educated who felt secure in their jobs was still much higher than among those with a low level of education.

Table 16. Responses to the question: ***"Do you, or does someone in your family, fear dismissal or fear that they will not find work and become unemployed?"* − Total population, by education** (Percent)*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| ***Greatly or very greatly concerned*** | | | | | | |
| • Academic education | 37 | 27 | 27 | 23 | 16 | 18 |
| • Low education | 42 | 49 | 51 | 50 | 48 | 34 |
| ***Slightly concerned or not concerned at all*** | | | | | | |
| • Academic education | 35 | 44 | 45 | 55 | 56 | 57 |
| • Low education | 39 | 29 | 35 | 36 | 31 | 47 |

* The category "Somewhat concerned" brings the total to 100 percent.

With regard to the economically weaker population groups, there was an eroding in their expressed sense of security, reversing the previous trend toward improvement. Levels of concern vary from group to group: Arab respondents showed a higher rate of "great concern" regarding the possibility of unemployment, compared with immigrants and *Haredim*. However, the percentage of those slightly (or not at all) concerned is lower among immigrants, who, as noted previously, tend to express considerable concern of losing their jobs.

Table 17. Responses to the question**: *"Do you, or does someone in your family, fear dismissal or fear that they will not find work and become unemployed?"* − Selected population groups** (Percent)*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| ***Greatly or very greatly concerned*** | | | | | | |
| • FSU immigrants | 42 | 39 | 45 | 26 | 19 | 22 |
| • Haredim | 39 | 23 | 20 | 18 | 10 | 18 |
| • Arabs | 48 | 44 | 45 | 38 | 22 | 29 |
| ***Slightly concerned or not concerned at all*** | | | | | | |
| • FSU immigrants | 33 | 40 | 27 | 36 | 57 | 42 |
| • Haredim | 36 | 48 | 52 | 54 | 67 | 53 |
| • Arabs | 27 | 32 | 36 | 51 | 43 | 48 |

* The category "Somewhat concerned" brings the total to 100 percent.