

Report by the Israel Committee for the War against Poverty

**Submitted to the Minister of Social Affairs and Social Services –
Member of Knesset Meir Cohen**

Part 1 – Plenary Report

(Second Version – July 2014)

22.3.2015

*In memory of Gustave Leven, the founder of the Rashi Foundation, who
invested all his energy, thought and resources for the benefit of those
living in poverty in Israel*

June, 2014

**This report is dedicated to those living in
poverty in Israel**

Contents

Preliminary Documents

Letter of Appointment from the Minister

List of Committee Members

Message from the Committee Chairman

Words of Thanks

Chapter 1: The Committee's Vision and Goals	1
1.1 The Committee's Vision	3
1.2 Goals and Targets	4
Chapter 2: The Committee's Recommendations	7
2.1 Crosscutting Recommendations	9
2.2 Recommendations According to Dimensions of Poverty (Areas)	15
Individual, Family and Community	15
Housing	25
Employment and Earnings	33
Education	44
Health	52
Chapter 3: Additional Topics Related to Poverty Not Discussed by the Committee	59
3.1 Transportation	61
3.2 Food Security	61
3.3 Correlation between Violence and Poverty	62
3.4 Israel Defense Forces (IDF)	62
3.5 Sectorial Approach to Different Populations	63
3.6 Single Mothers	63
3.7 Social Impact Bonds	63
3.8 Activities of the Third Sector	64
Chapter 4: Background to the Establishment of the Committee, its Structure and its Procedures	65
4.1 Committee Membership	67
4.2 The Committee's Organizational Structure and Procedures	67
4.3 Public Involvement in the Committee's Work	68
4.4 Process of Prioritizing the Recommendations	69
Chapter 5: Official and Multidimensional Definitions of Poverty	71
5.1 Official Definition	73
5.2 Multidimensional Definition	75
Chapter 6: Poverty in Israel and the Influence of Taxes and Benefits on the Reduction of Poverty – Current Situation	79
6.1 Extent and Depth of Poverty in Israel – 2012	81
6.2 Trends Since 1999	82
6.3 International Comparisons with Developed Countries	85
6.4 Subgroups Representation	86
6.5 Representation of Each Group among the Poor by Disposable Income	89

6.6 Summary	91
Chapter 7: Indicators of Multidimensional Poverty	93
7.1 Data Sources	95
7.2 Financial Difficulties-Dimension	96
7.3 Emotional Dimension	98
7.4 Social Dimension	99
7.5 Health Dimension	100
7.6 Education Dimension: Achievements (Children)	100
7.7 Summary	101
Chapter 8: Poverty from the Macroeconomic Perspective	103
8.1 Long-Term Per Capita Income	105
8.2 Development of Poverty in Israel and Implications for the Future	107
8.3 Social Expenditure as a Percentage of GNP and in the Government Budget	107
8.4 Summary	108



The Heart Is Wide
Open

State of Israel
Ministry of Social Affairs and Social Services
Bureau of the Minister

2nd of Kislev,
5754
November 5th,
2013
2013-0041-857

To:
Mr. Eli Alaluf
Committee Chairman

Re: The Israel Committee for the War against Poverty

Dear Sir,

As the Minister of Social Affairs and Social Services responsible for social policy in Israel, I came to the decision that the Ministry should adopt as its most important priority the effort to address the painful and severe problem of poverty in Israel. The dimensions of poverty and of the social gaps in Israel impose extreme hardship on many Israeli citizens and have a very negative impact on the society's cohesion and solidarity. I believe that the war against poverty and the efforts to create equal opportunity should have a central position in the work of the Ministry and of the government as a whole.

Socio-economic policy in Israel is under the purview of multiple government ministries, as well as many other public and social bodies. Poverty and the social gaps present a complex and multi-faceted challenge, which have occupied the attention of successive Israeli governments since the establishment of the State.

I am hereby honored to appoint you as Chairman of the Public Committee, which is charged with developing recommendations to reduce poverty and enhance equal opportunity.



State of Israel
Ministry of Social Affairs and Social Services
Bureau of the Minister

The Committee's tasks are as follows:

- To examine the strategies and programs to address poverty in Israel and around the world
- To recommend a set of priority actions to enhance Israel's efforts to address poverty
- To include those actions that my Ministry should undertake in addressing those in need of the assistance of the social services.
- To recommend a national organizational infrastructure that will make it possible to implement a comprehensive national effort to reduce poverty.

Mr. Albert Asaf, my senior advisor, shall serve as a liaison with the work of the Committee.

I look forward to receiving the Committee's recommendations, and will bring them to the Prime Minister, the Minister of Finance and the government as a whole. I thank you for your willingness to head this important Committee.

Yours sincerely,

Meir Cohen

Minister of Social Affairs and Social Services

List of Committee Members (in Hebrew alphabetical order)

Mr. Eli Alaluf – Committee Chairman – Holder of the Israel Prize for his life's work

Ms. Shlomit Avni – Representing the Ministry of Health

Mr. Amos Edevie – Chairman of the Jaffa D quarter Residents Committee; Education and Young Leadership Coordinator

Professor Audrey Addi-Raccah; Head of the Educational Policy and Administration Department at Tel Aviv University

Mr. Avigdor Ohana – Previously Director General at the Ministry of Religion

Mr. Yehuda Eliraz – Economist and initiator of vocational and employment programs for the ultra-Orthodox community

Mr. Eli Elezra – The owner and president of the Elezra Group

Dr. Majid Elatawne – Director of the Social Services Department at the Neve Midbar Regional Council

Ms. Miri Endeweld – Representing the National Insurance Institute (Israel's Social Security Administration)

Professor Tzvi Eckstein – Dean of the School of Economics at the Interdisciplinary Center, Herzliya

Mr. Aryeh Bibi – Member of Knesset and previously, Commissioner of the Israel Prison Service

Mr. Haim Bibas – Chairman of the Union of Local Authorities in Israel and Mayor of the town of Modi'in

Ms. Irit Biran – Representing the Ministry of Education

Mr. Tzion Gabai – Director of the International Fellowship of Christians and Jews

Dr. Daniel Gottlieb – Representing the National Insurance Institute (Israel's Social Security Administration)

Professor Johnny Gal – Dean of the School of Social Work and Social Welfare at the Hebrew University of Jerusalem

Attorney Ayal Globus – Representing the Ministry of Justice

Social Worker Tzipporah Dueck – Chairperson of the Social Workers Union

Mr. Gilles Darmon – Chairperson of the Latet Organization

Mr. Dudi Zilbershlag – Writer, social activist

Professor Yossi Zeira – The Economics Faculty at the Hebrew University of Jerusalem

Mr. Meir Cheli – Representing the Ministry for the Development of the Negev and the Galilee

Mr. Mordechai Cohen – Representing the Ministry of the Interior

Mr. Ronald Cohen – Representing the Social Finance Israel Organization

Mr. Ronen Cohen – Representing the Ministry of Housing

Rabbi Dr. Benny Lau – Rabbi of the Ramban Congregation and a Research Fellow at the Israel Democracy Institute

Ms. Rivka Laufer – Representing the Ministry of Finance

Dr. Yehiel Lasri – Mayor of the city of Ashdod

Ms. Arlette Moyal – Director of the Welfare Department – the city of Bnei Brak

Prof. Menachem Monnickendam – The School of Social Work at Bar Ilan University

Mr. Avi Naor – Founder of Green Light and the Oren Foundation; holder of the Israel Prize for his life's work and his contributions to the community and society

Professor Orit Nuttman-Shwartz, Chairperson of the Social Work Council

Mr. Yaron Neudorfer – Founder and CEO at Social Finance Israel

Professor Varda Soskolne – Head of the BA Program and Deputy Head of the School of Social Work at Bar Ilan University

Dr. Emily Silverman – Head of the Urban Clinic; the Department of Geography at the Hebrew University of Jerusalem

Brigadier General (Reserves) Yossi Silman – Director General at the Ministry of Social Affairs and Social Services

Professor Faisal Azaiza – Head of the School of Social Work, Haifa University and Deputy Chairman of the Planning and Budgetary Committee at the Council for Higher Education

Attorney Daniel Azriel – Azriel & Co. Attorney's Office; previously Deputy CEO at the National Insurance Institute and previously Mayor of the Mevaseret Zion Municipal Council

Ms. Esther Amar – Head of the Department of Welfare, Beersheba Municipality

Dr. Haim Fialkoff – Planning and Economics Advisor and External Lecturer at the Hebrew University of Jerusalem

Mr. Ehud Praver – Representing the Prime Minister's Office

Mr. Yekutiel Sabah – Representing the Ministry of Social Affairs and Social Services

Ms. Michal Tzuk – Representing the Economy Ministry

Ms. Nitza Kasir (Kaliner) – Representing the Bank of Israel

Professor Michal Krumer-Nevo – Associate Professor at the Spitzer Department of Social Work; Director, The Israeli Center for Qualitative Research of People and Societies at Ben Gurion University of the Negev

Rabbi Mordechai Karlitz – Previously Mayor of the city of Bnei Brak

Dr. Besora Regev – Representing the Ministry of Public Security

Professor Jona M. Rosenfeld – Senior Advisor at the Myers-JDC-Brookdale Institute; Professor (Emeritus) at the School of Social Work and Social Policy at the Hebrew University of Jerusalem

Dr. Yehiel Shilo – Previously Head of the Rural Education and Youth Aliya Administration at the Ministry of Education

Ms. Roni Schnitzer – Representing the Ministry of Economy

Representatives from various ministries of the government participated in the deliberations of both the Plenary and the sub-committees, in which they expressed their professional opinions on the various recommendations. As to be expected sometimes their opinions were accepted and sometimes not. Furthermore, the Committee did not relate in its recommendations to the question of the sources of finance. The representatives of the government asked for it to be clearly stated that their participation in the committees should not be considered as signifying the prior agreement of the government with the recommendations of the committee.

Message from the Chairman of the Committee

I trembled when I answered the call to head the committee charged with making recommendations on the war on poverty in Israel. My story is the story of hundreds of thousands of penniless families and young people who emigrated to Israel and who like myself, dreamed of fulfilling the Israeli dream. Throughout Israel's history, there have been millions of immigrants that came as children, youth, adults and elderly.. Some came on their own without their families, most without any or limited understanding of the language and most without any material resources. Resolutely and with faith, they have displayed their incredible ability to start anew, deal with the difficulties and hurdles and build new lives. I also walked that path. At the age of 22, I came to Israel alone from Fez in Morocco. I was the son of a young widow with ten children. I had no source of economic support, but I was full of hope and dreams. To my joy, they came to fruition.

I believe that if everyone is given an appropriate opportunity, many will be able to fulfill their dreams as I have done.

My experience has led me to realize that, success to a great extent requires immense personal effort, but it also depends on society's and the State's ability to open the gates of opportunity. Based on my belief in every individual's potential, I spent decades working intensively to promote education and social welfare in Israel, placing special emphasis on those living in the geographic peripheral areas and the weakest elements in our society.

The Minister of Social Affairs and Social Services, Meir Cohen, took the bold decision to establish a Public Committee on the War against Poverty. I agreed to lead that committee with the understanding that the war against poverty is a national objective of the highest imperative and urgently needed.

Israel as a nation faces many, immense challenges. Without belittling any of these challenges, helping people escape from the depths of poverty and hardship is a supreme value. In Over the years, despair and dejection have entered the lives of hundreds of thousands of Israelis and we cannot allow it to continue.

The Committee on the War against Poverty was established with the firm conviction that poverty must be re-positioned at the center of the public discussion. Indeed, the very establishment of the committee and its ongoing deliberations have already made a major step towards putting poverty on the public agenda, making it a major focus of public discussion and encouraging the pursuit of solutions. Thus, even before this report was issued, the Committee succeeded in placing a mirror before Israeli society and forced society to take a long look at the reflection in that mirror. Most of those who find themselves on the edges of society have been sidelined due to circumstances beyond their control.

Poverty is not a sentence decreed by fate or a stone that cannot be unturned. Poverty is not created out of nothing. Whereas it is true that some decline into poverty due to the decisions they have made during their lives, most of those currently living in poverty were born into that reality, without any real chance of changing it. We as a society must offer all those in danger of falling into poverty a worthy safety net. This is not just a matter of income support, even though this is of course essential. The safety net has to include accompaniment, guidance, services to address social needs educational opportunities, an appropriate living environment, a sympathetic and warm attitude from others and much more.

Thus, providing the individual with the possibility of emerging from poverty means not only enhancing their material wellbeing but also restoring their self-esteem. A poor individual in need is not a number or a file in a Ministry. Each individual is a world unto themselves. Every one of us has a responsibility, to work together to help every individual escape from poverty.

I can say with every confidence that we as a society are not doing enough for the weaker segments in our society and far more can be done. Solidarity, mutual support and love of our fellow man are fundamental values on which the State of Israel was founded and which we must continue to make every effort to maintain and to strengthen.

In its recommendations, the Committee has proposed strategies for fundamental change in the way in which we assist the weak populations in our midst. The recommendations represent concrete and implementable steps, which will instill new hope and provide real support for those living in poverty. In assuming the position as chairman of the Committee, I saw an opportunity to address a major social problem and to promote real equality of opportunity for all Israel's citizens, so as to redress the many years of neglect and its consequences.

I have always strongly believed that real change can only come about through combined and concentrated effort. This has guided all of my previous work as well as my efforts as chairman of the Committee. All of Israeli society's sectors and institutions must join with its citizens living in poverty and with all Israeli citizens in a common struggle to significantly reduce the extent of poverty and its consequences in Israel.

I would like to express my deeply felt appreciation for the dozens of people who served as members of the various forms of the Committee who took on this task without hesitation: representatives of the public, experts from academia and representatives from government ministries. All considered themselves committed to the task as if their own fate hung in the balance. I am deeply grateful for the immense amount of time and effort of all the members of the Committee who, as I, worked entirely on a voluntary basis and out of our love for all of Israel's people. The effort invested finds expression in every clause and sentence in this report.

There are many who followed the Committee's work throughout the process and expressed their very high expectations in terms of its contribution to alleviating poverty and its consequences. Many approached us with their concerns and thoughts, and there were those who appeared before the Committee and others expressed their skepticism.

I am aware of the expectations and the high hopes that with its submission, this document will receive the consideration it deserves. It is the responsibility of the political leadership and first and foremost the Prime Minister to make the decisions with respect to the Committee's recommendations and their acceptance of the vision that the Committee has set forth. The key to winning the war on poverty is in their hands. It is within their grasp to offer hope to the significant numbers in our society that are living in poverty and dealing with such difficult day-to-day hardships. It is my strong belief that they will embrace this report and see this as an opportunity to significantly reinforce our society's efforts to address this challenge.

As citizens, each and every one of us bears the responsibility to do their part in fulfilling the vision and successfully address the challenge. In doing so, all of us will benefit from being part of a better society which is true to its values and provides a decent life for all of its members.

I would like to end with a quotation from the Bible:

“For the poor shall not cease to exist within the Land; therefore I command you, saying, “You shall surely open your hand to your brother, to your poor, and to your destitute in your Land.” (Deuteronomy, 15:11)

Or in the words of the Founding Declaration of the State of Israel: It shall be a country “based on freedom, justice and peace as envisaged by the prophets of Israel.”

Eli Alaluf – Holder of the Israel Prize
and Chairman of the Israel Committee
for the War against Poverty

Words of Thanks

I would like to thank all those who took part in the Committee's work. The work of the Committee, as detailed in this report was divided between the deliberations of the plenum and of the five sub-committees that addressed major issues in much greater depth. I would like to thank all those who participated in the plenum and the sub-committees as well as those who presented to these committees and who submitted background materials. Each and all of them gave of their time and experience and were our partners throughout the effort to achieve the objectives of the committee.

MK Binyamin Netanyahu, Prime Minister of Israel; MK Meir Cohen, Minister of Social Affairs and Social Services; MK Yair Lapid, Minister of Finance; MK Shai Piron, Minister of Education and his Ministry team; MK Yael German Minister of Health and her Ministry team; MK Naftali Bennett, Minister of Economy and his Ministry team; Major General Orna Barbivai, Commander of the IDF's Manpower Directorate and her team; Mr. Harel Locker, Director of the Prime Minister's Office; Brigadier General (Reserves) Yossi Silman, Director General of the Ministry of Social Affairs and Social Services and the Ministry team; Professor Shlomo Mor-Yosef, Director General at the National Insurance Institute and the Institute's team; Mr. Shlomo Ben Eliyahu, Director General at the Ministry of Housing and the Ministry team; Mr. Ehud Prower, Deputy Director General for Government and Society at the Prime Minister's Office and the Office team; Mr. Amir Levi, Director of Budgets at the Ministry of Finance and the Ministry team; and the members of the Committee's Plenum.

The sub-committee chairpersons: Professor Audrey Addi-Raccah; Professor Johnny Gal; Professor Varda Soskolne; Dr. Emily Silverman; Dr. Chaim Pialkof and Ms. Nitza Kasir (Kaliner).

The members of the sub-committees.

Experts and witnesses who appeared before the Committee and the sub-committees; the Mikve Yisrael Youth Village and the team at Alliance Israelite Universelle; the McKinsey Company Israel, who helped pro bono; and the Debby Communications Company.

The Committee's Headquarters Team:

Attorney Lili Weinstein-Yaffe, Committee coordinator.

The sub-committee coordinators: Roni Ayal-Lubling; Benny Hakak; Roi Laizer; Yael Amar-Tulov; Reut Peretz; Ido Roimi, Hadas Shapira.

Secretarial team: Hedva Baram; Yardena Yifrach, Esti Mor-Axelrod.

Finally, we would like to thank Professor Jack Habib, Director of the Myers-JDC-Brookdale Institute, and the staff of the Institute, for their contribution throughout the Committee's work and for their enormous assistance in preparing the final report.

Chapter 1:
The Committee's Vision and Goals

1. The Committee's Vision and Goals

1.1 The Committee's Vision

Poverty is a multidimensional social phenomenon, which has extensive and significant effects on the individuals, families and communities suffering from poverty and on society as a whole. Families living in poverty experience many different types of difficulties in every aspect of their lives – from providing their most basic needs, to providing the appropriate conditions for their children's development to the fulfillment of their potential and to their integration in the workplace.

Poverty is detrimental to the national strength of Israeli society both in terms of its economic and social strength and ability to address its major security challenges.

In a manner similar to the practice in all western nations, the measurement of poverty in Israel focuses on the economic dimensions and it is determined according to the disposable income available to families or individuals. The disposable income includes all sources of income from wage earnings or property, as well as all forms of cash transfer payments (cash assistance) received from the government or other households and with the deduction of tax payments. This represents the actual amount available to the family to spend on meeting its various needs.

Using that definition, poverty rates in Israel are very high, when compared with western countries (OECD). Reducing the extent of poverty according to this definition can be accomplished in two ways: through assistance designed to help the family achieve economic independence based on income from employment; and through the provision of cash assistance that enhances the family's overall level of disposable income.

Many criticize defining poverty solely according to income, as a much too narrow perspective. Instead, they propose a multidimensional view of poverty, which emphasizes the importance of looking beyond family incomes and the inclusion of a number of additional parameters, including:

- Financial capital, such as property or savings on the one hand and debts on the other
- The various dimensions of the standard of living, such as nutrition, adequacy of housing or the neighborhood environment
- Problems and hardships such as health or social problems
- The existence of a social network and of social support
- Knowledge of and opportunities to realize their rights and eligibility for assistance
- The family's capacity to cope actively and deal effectively with its problems

Examining these dimensions and the mutually reinforcing interactions among them makes it possible to view poverty as a broader phenomenon that includes a range of life situations. For example, poverty can result from a health crisis or poverty can lead to a health crisis. These dimensions not only serve as sources of poverty, they serve to deepen and sustain and make it much more difficult for the individual to fight their way out of poverty. The commitment to deal with poverty arises from society's fundamental values. As is true for most developed nations, the State of Israel defines itself as a social welfare state, integrating the principles of a free economy with the commitment to direct intervention aimed at reducing inequality and both preventing and reducing poverty. A welfare state aims to ensure its inhabitants' social security and reinforce the feeling of social solidarity. The continued development of the State of Israel depends upon the successful fulfillment of these goals. The fundamental tenets of Judaism also view helping the poor as a value of highest importance and emphasize the moral responsibility to attend to the needs of those living in poverty and provide them with real opportunity to escape from that poverty. Those values are common to all the religions that make up Israeli society.

Addressing poverty and inequality reflects a concern for the continued growth of the Israeli economy and economic growth. At the same time, it also means that there must be a significant, coordinated investment of resources, in order to include those not currently benefiting in the fruits of this growth. Over the years, Israel has developed a comprehensive social service system, with both universal programs that serve the entire population and programs that are targeted to providing assistance for those living in poverty. Nevertheless, over the past decade, the welfare state in Israel has not succeeded in preventing the expansion of the economic gaps and of poverty.

The Israel Committee for the War against Poverty was established by the Minister of Social Affairs and Social Services, MK Meir Cohen, with the aim of enhancing the efforts to address poverty by placing them at the center of the public agenda and by examining and recommending the most appropriate ways to address this challenge.

1.2 Goals and Targets

The Committee's goal was to offer Israeli society a road map, which will lead to a consistent reduction in the extent and depth of poverty and expand equality of opportunity. The Committee established a target for Israel to reach levels of poverty similar to the average in OECD countries within 10 years and to reduce the multidimensional aspects of poverty.

The Committee places ultimate importance on raising the awareness among policy makers and service professionals, including its implications of poverty and the possible strategies to address. To create this awareness, the Committee has emphasized the need to implement a poverty awareness policy in every

public system and to coordinate among the various systems in order to create an integrated and coherent effort. Only in this way will it be possible to fully realize the full contribution of each of the separate efforts. We seek to include all sectors in society – public, private and civil – in the combined effort to meet this challenge.

The Committee defined a number of specific objectives as described below:

- Reduction of poverty according to disposable income among the elderly – the number of poor and the depth of poverty. Determination of the level of social security pension that will bring most of the elderly poor to an income level above the poverty line.
- Reduction of poverty according to disposable income among families with children – the number of poor and the depth of poverty: Enabling many families to emerge from poverty and reduction of the depth of poverty suffered by other families remaining in poverty. To achieve this aim, it is necessary to support the promotion of the economic independence of families through employment: promoting stable employment and strengthening earnings capacity. In addition, working families not earning enough to reach the poverty line will be eligible for enhanced, supplementary support. Families without a member who can support the family through work will be eligible for support that will allow them to reach an adequate standard of living.
- Reduction of multidimensional poverty – Adopting a broader view of poverty as a multidimensional phenomenon and strengthening the abilities of the service system to deal with the range of problems arising from poverty in an integrated manner. To reach this goal, it is necessary to expand the range of services available to deal with the multiple needs (such as poor health, social difficulties, inadequate housing, limited education and lack of employment skills).
- Reduction of inter-generational poverty - Reducing the links between the family's economic resources and the children's educational achievements, with the aim of strengthening the quality of life of children living in poverty and increasing their chances of fulfilling their personal potential and emerging from poverty in the future. This will entail improving scholastic achievements and preventing the development of risk behaviors.

The detailed recommendations laid out in this report spell out the need for a broad range of efforts: the expansion of assistance to address the multiple dimensions of poverty, reforming existing intervention strategies and system-wide coordination at the national and local levels.

To make all this possible, it will be necessary for the State of Israel to allocate considerable additional resources to the war on poverty. It will also require significant partnerships between all sectors of society. It will most certainly require the full involvement of those living in poverty. In sum, a successful war on poverty will require the positioning of this issue as a national goal of the highest priority and a conscious ongoing and focused effort by the government and all parts of Israeli society.

We are fully aware of the difficulties involved in adopting and implementing the recommendations proposed here and easy, immediate results cannot be expected. However, implementation of the Committee's recommendations will allow many to be extricated from poverty, will prevent many others from sinking into poverty and will improve the situation of many living in poverty.

Chapter 2:
The Committee's Recommendations

2. The Committee's Recommendations

The recommendations of the Committee are based on a broad, integrated view of all the various dimensions influencing and influenced by life in poverty. The recommendations of the Committee took into account a number of considerations including effectiveness, feasibility and costs.

Furthermore, the report includes recommendations that attempt to address the multiple dimensions of poverty. Thus the recommendations reflect the principle of a comprehensive and multidimensional strategy for addressing poverty, based on coordinated efforts across the system.

These include crosscutting recommendations and recommendations that address the major specific issues that were the focus of the five sub-committees. The sub-committees formulated a broad range of recommendations from which the plenum prioritized those to be included in the overall report of the Committee.

The full report and recommendations of the sub-committees have been published in a separate volume (available only in Hebrew).

Timetables for the Implementation of the Recommendations

The Committee's established target is for Israel to reach poverty levels similar to the average in OECD countries within 10 years and to reduce multidimensional aspects of poverty. In the view of the committee, the goal can only be achieved if the Committee's recommendations are implemented in full within a period of some 3 to 5 years.

The work program should indicate the starting date for the full implementation of each individual recommendation. The first stage in the implementation of at least some of the recommendations should begin in the 2015 budget year.

2.1 Crosscutting Recommendations

The crosscutting recommendations refer to all aspects of life, and they are based on an overall perspective of the needs of those living in poverty and the organizational framework required for the implementation of the recommendations.

The crosscutting recommendations constitute the infrastructure for the successful mobilization of the public system to address poverty in Israel, as laid out in the recommendations of this report.

1. Preparations for the Implementation of the Report, Monitoring and the Removal of Barriers

- A. Poverty reduction requires a multidimensional and inter-ministerial perspective. An integrated, comprehensive program is required as a pre-condition for an effective effort to address poverty. This report defines the actions that must be taken in order to increase coordination, cooperation and the multi-disciplinary, inter-ministerial perspective.
- B. The Committee's recommendations require significant changes in the way the government addresses poverty; in terms of inter-ministerial coordination, the way the government functions vis-a-vis the local authorities and in terms of strengthening elements of coordination in existing and new initiatives. The committee's recommendations must be translated into detailed, measurable work plans of the various ministries. The translation work could take considerable time, but is essential.
- C. It is proposed that the Prime Minister's Office shall coordinate the effort to implement the national program on poverty with all the key ministries: Social Affairs and Social Services, Economy, Housing, Education, Health, Interior; as well as with the National Insurance Institute and the Union of Local Authorities and with support from the Ministry of Finance. This process should not of course prevent the various ministries from beginning to initiate efforts to implement the report.
- D. In the process of translating the report into a detailed work program, the required organizational structure for its implementation will also become clearer. Furthermore, as part of the translation process, mechanisms for the removal of barriers and resolving differences of opinion at the professional level and the ministerial level will be developed.
- E. The Committee emphasizes that the implementation of the recommendations that will be approved by the government is predicated on the allocation of a stable, guaranteed budget for at least the first five years of the program. Without such a budget guarantee, it will not be feasible to initiate significant change.

Along with the efforts to plan for the implementation at the national level, we recommend that similar efforts to be made at the municipal level. To this end, the Committee recommends:

- 1. The establishment of a local organizational platform to address poverty, led by a municipal coordinator responsible to the Mayor or Council Chairperson.
- 2. The establishment of local "round tables" to address poverty, with the participation of all the relevant sectors and led by the municipal coordinator and local social services department.

2. Raising Awareness and Focusing the Work of Government Ministries on the Population Living in Poverty

The Committee recommends that poverty should be a core issue of the utmost significance in the work of every government ministry. Each ministry should develop a focused program with defined targets and appoint a ministry official responsible for the war on poverty. This will require the training of specific individuals entrusted with the implementation of tasks at varying levels in each ministry, and it will also require each ministry to train the broader professional staff on creating poverty awareness. The implementation of these changes shall be the responsibility of each ministry adapted based on its particular organizational structure and human resources.

The Ministry of Social Affairs and Social Services shall serve as the central address and the professional guide on implementing "poverty awareness" throughout the government. This also requires the ministry itself to continue to develop its own expertise.

3. Simplifying and Raising the Efficiency of the Processes for the Utilization of Rights and Reduction of the Bureaucratic Burden

Many of those living in poverty fail to realize all the benefits for which they are eligible and therefore do not receive the services, which could help alleviate their situation.

This is a serious barrier to achieving the goal of reducing multidimensional poverty. Furthermore, having to deal with a deterring bureaucratic process intensifies feelings of alienation among those living in poverty and forces them to invest resources and a great deal of time in their efforts to realize their rights and benefits. Non-realization of rights (non-receipt of services, the receipt of partial service or the receipt of services with a delay) is linked to a number of factors:

- Lack of knowledge of those rights
- The bureaucratic complexities associated with accessing the services
- The fragmentation of the services among multiple providers
- Lack of consideration for the special characteristics of the populations and families living in poverty

There must be a proactive effort to advance the fuller realization of the rights of the poor in all areas of need such as health, social welfare, education and housing.

- A. Identification of system wide barriers and efforts to address them at both municipal and national levels

- B. Simplification of the processes within the various systems and between them
- C. Promoting cultural sensitivity and appropriateness of the various service systems
- D. Provision of effective personal assistance for those finding it difficult to realize their rights
- E. Strengthening the role of the social service system's in providing comprehensive case management for families in poverty
- F. The publication of an annual report on the realization of rights by those living in poverty
- G. Establishment of Centers for Information and the Realization of Rights –This is the cornerstone of the effort to enable the poor to fully realize their rights and access to services. The Committee recommends the establishment of a network of local and regional information centers. These centers will provide the information required as well as active assistance in accessing the support they need in all relevant areas. In addition, the centers will also be a focal point for obtaining the legal advice that is provided by the Ministry of Justice.

Functions of the centers:

- Collation of all the information on the rights and services available to those living in poverty including the establishment of a website
- Collation of the information on both formal and informal sources of assistance such as available from non-governmental agencies and on a volunteer basis with attention to specific sources of assistance available to the local community
- Provision of information and active assistance to the individual in realizing the support they need
- Dissemination of the information, not only to clients but also to all professionals and organizations involved in assisting the poor. It will work closely with the social work teams in the local social service departments

For more details with respect to the centers, see section 2.2 (Individual, Family and Community).

4. A Sliding Scale for Local Authorities' Participation in the Supplementary Funding of Social Services

Many government services provided through local authorities are funded principally by the government but do require supplementary funding by the local authorities. As a result, weak local authorities find it difficult to provide services for populations living in poverty and thus gaps emerge among localities in terms of the accessibility of services and programs.

In order to equalize the access to services, the Committee recommends the creation of a system of differential budgetary participation of the local authorities. In other words, it recommends introducing a sliding scale for the rate of participation in accordance with the local authority's financial status.

5. Review of the Major Existing Antipoverty Programs

There exist many different anti-poverty programs. It is important to expand and deepen the available knowledge on the activities taking place in the different ministries.

Recommendations:

1. Ongoing collation of information on the core programs for dealing with poverty in the various systems
2. Determination of the principles, objectives and the activities to be undertaken by each of the government ministries with families living in poverty
3. Determination of targets and the ways to measure the programs
4. Develop systems to examine the effectiveness of the various programs in meeting their targets. This will provide a basis for and encourage the dissemination of successful programs and best practices.
5. Expansion of the activities undertaken by successful programs

6. Accumulation of Wealth as a Foundation for the Future

A family's economic status is expressed not only in terms of its regular income. It is also a function of savings, including accumulated pension rights; home ownership and the extent to which the family has debts that must be repaid. The Committee recommends that consideration be given to the accumulation of wealth by poor families through help in acquiring ownership of an apartment and the accumulation of pension rights. Young people who have grown up in poor families begin their lives with little capital and that means the transition to independent living is all the more difficult. It is proposed to implement an empowerment grant program "Savings for children in poor families", designated for pre-defined uses on a pilot basis. The empowerment grant will encourage families living in poverty to save for their children's future. The savings shall provide an initial economic foundation for young adults as they transition to adult life.

7. Measuring Poverty Using Additional Yardsticks

Today, the measurement of poverty is based on the measurement of monetary income available to the family and family size. Referred to as disposable income, this includes income from employment, property and income support and the deduction of direct taxes. As noted, this is the method used all across the western world and adopted by the OECD. Nevertheless, there are additional components that define the resources of the family that are not taken into account. In 2010, the National Commission headed by Professor Shlomo Yitzchaki recommended expansion of the measurement of family resources in order to include the value to services and discounts provided to families through various services (such as health, education, housing and special tax exemptions).

This definition would provide a broader picture of the family's resources and of the differences in economic wellbeing among families. It would also provide a broader base for monitoring the extent of families living in poverty. The Committee recommends that the broader definition be implemented. Furthermore, the Committee recommends the additional broadening of the approach to measurement to include the multidimensional perspective as has been defined and illustrated in this report. It must be emphasized that these additional measures are not intended to replace the existing poverty measure but to complement it.

2.2 Recommendations According to Dimensions of Poverty

Individual, Family and Community

The combination of the social security safety net and the programs for focused intervention dealing with the individual, the family and the community operated by social services departments, constitute the principal infrastructure for dealing with poverty today. However, those systems are not effective enough in dealing with the hardships suffered by those living in poverty. Providing the best possible assistance for those living in poverty requires significant changes in those systems in order to expand their contribution to poverty alleviation and reduction.

1. Personal Social Services

The Ministry of Social Affairs and Social Services fulfills a central role in the determination of social policy in Israel. The local authorities have the responsibility for implementing the social services. The social workers in local social services departments are the connecting links between the ministry and those living in poverty. For historical and structural reasons, until now there has not been a central emphasis on dealing with poverty through these departments. Therefore, in order to ensure focused treatment for the population living in poverty, it is necessary to promote the work done by the social services and enhance their awareness and orientation to addressing the needs of the poor.

The social services department shall map the local population according to three categories that define their situation in relation to with poverty: Prevention, emergence and rehabilitation and further progress to improve their living standards.

Creating poverty awareness positions the family at the center of the intervention as an overall unit with complex needs. This intervention should be implemented in cooperation with those living in poverty. The social workers and the recipients should define the objectives in collaboration with a focus on outcome-oriented intervention.

Social services departments shall employ a multidimensional approach that combines individual, family, group and community intervention. The departments should aim for both change in the personal wellbeing of those receiving the services and in the social environments in which they live.

Recommendations:

1. **The Family Social Worker's Responsibility:** Defining poverty as a category of need and as a core focus in social services departments imposes upon the family social worker the professional responsibility for addressing poverty. The family shall be defined as the focus for intervention for the social worker, based on a comprehensive assessment of the entire range of needs in all the different aspects of life, such as housing, education, health, etc. The social worker shall serve as the integrator for the treatment process, in coordination and cooperation with all the other professionals involved. The family social worker shall deal with some 50 – 60 families in accordance with the recommendations of the committee for reform in the social services departments.

This recommendation will affect some 130,000 – 320,000 recipients of services. Cost of the recommendation: some ILS 200 – 400 million annually.

2. **Enhancing the funding for focused intervention programs:** To enable effective treatment of families living in poverty by the family social worker, there needs to be opportunities for their participation in targeted multidimensional intervention programs focused on promoting employment and financial management of the family. Special budgets need to be allocated to the social service departments to finance these programs. The Committee recommends expanding the availability of such programs in communities with lower socio-economic rankings.

This recommendation will affect some 20,000 families. Its cost will be some ILS 200 million annually.

3. **Expansion of the flexible, individual budget:** The day to day exigencies that impact on the lives of the poor and the instability of their income sources negatively affect their day to day functioning. On a daily basis, those living in poverty are forced to deal with a lack of ability to meet their basic needs and an inability to maintain a stable routine. Often, a crisis can evolve that leave families in a state of total helplessness. The social services departments have a special flexible fund at their disposal, which they can use to help the poor meet urgent needs on a short-term basis. However, the committee views the budget for this fund to be very inadequate and we therefore recommend that it be increased significantly. This will enable it to serve more adequately as a means of flexible intervention at the disposal of the family social worker. Given that this budget funds a range of needs that are under the responsibility of different government ministries, it is important that an inter-ministerial group is involved in reviewing the purposes of the fund and avoiding overlap or duplication with other sources.

This recommendation will affect some 130,000 – 320,000 families. It will cost some ILS 200 – 500 million annually.

4. **Debts held by those living in poverty:** The accumulation of debt is one of the most difficult hardships faced by those living in poverty. In order to address these difficulties it is necessary to adopt a range of special measures related to the repayment of debt and the enforcement of debt payments.

Finding agreed solutions for debt settlement is a shared interest of creditors, debtors and the collection agencies. The Committee recommends that there be a special examination of the problem of debt among the poor including debts to public utilities (electricity, water) that often lead to threats or actual cut off of these basic services to the poor.

Recommendations:

We make three recommendations for addressing this issue.

- a. Significant groups be protected from the disruption of basic utilities, as they constitute essential elements of a dignified life. This would include the following groups: recipients of minimum income benefits from the National Insurance Institute (including general income support, general disability and work injury benefits); debtors with limited means; individuals going through a bankruptcy process; households with young children; the chronically ill and individuals with official recognition as being financially incapacitated.

These are groups that also receive special consideration in determining their level of municipal taxes.

Alternatives need to be found to the policy of disruption of services. These could include government subsidy of basic utility costs at some threshold level and the utilization of legal rather than administrative processes for the collection of debts related to public utilities.

- b. Arrangements through the courts should be made to freeze the accumulation of interest on debts and for the return only of the capital and the accumulated interest up to the point at which a settlement is reached.
- c. The establishment of a no interest government loan fund, which will be used to make credit more easily available for those living in poverty. Families living in poverty have access only to very expensive credit arrangements because they are considered high-risk borrowers. A government guarantee fund should be established to help credit companies grant easier credit terms (a similar model exists in the UK). That fund will provide loans at no interest to those living in poverty facing critical situations and who need help to avoid entering into a situation of spiraling debt.

5. **Empowerment Grant:** There is a very high chance that a child growing up in poverty will remain in poverty when reaching adulthood. This is in part due to the harm caused to that child's ability to build up personal and financial capital. Poverty thus creates long term, negative implications for

children living in poverty. The Committee recommends consideration of a model designed to encourage poor families to save and bring about the creation of financial capital, which will be at the disposal of a child growing up in a poor family when that child reaches adulthood.

The Committee recommends a pilot savings program in the form of an “Empowerment Grant” for children graduating from residential facilities for youth at risk. These children begin their adult lives facing many challenges without any significant family or economic backing.

- 6. Establishment of Centers for Information and the Realization of Rights** This is the cornerstone of the effort to enable the poor to fully realize their rights and access to services. The Committee recommends the establishment of a network of local and regional information centers adjacent to the local social service departments. These centers will provide the information required as well as active assistance in accessing the support they need in all relevant areas. In addition, the centers will also be a focal point for obtaining the legal advice that is provided by the Ministry of Justice. They will deal with the full range of government ministries and authorities. The center will provide services to all citizens while paying special attention to those living in poverty.

We recommend that centers shall be established in 10 large municipal authorities where no such center already exists and in 64 medium-sized authorities with lower socio-economic level. In addition, 36 mobile centers will be established to serve clusters of small communities.

The cost of establishing these centers is estimated at some ILS 35 million.

Annual operating running costs for the centers are estimated at some ILS 70 million.

2. Social Security System

Israel has a comprehensive social security system designed to secure against a loss of income due to a range of contingencies and life events (such as work injury disability, unemployment, births, bringing up children and more). In addition, it provides a minimum income benefit designed to ensure basic social protection for individuals and families without other means of support.

One of the core objectives is to help individuals and families in financial distress deal with the poverty they face and escape from that poverty or avoid sinking into poverty. This is based on the fact that some of the population finds it difficult to integrate into the labor force, either temporarily or over the long term; while for others, their earnings capacity through employment does not provide a standard of living above the poverty line.

3. Minimum Income Benefit Program

In the social security system, the core program for the alleviation of poverty is the minimum income support program. The Income Support Law is designed to ensure minimum income for those population segments facing temporary or permanent financial difficulties. This benefit is designated for those who cannot work or do not have the ability to work and earn enough to reach the designated minimum income standard to live on.

It is recognized that the working assumption is that, on their own, cash benefits cannot fully address the problem of poverty and they must be part of a larger system of services including employment and vocational training, education, health, social services and other community services.

The eligibility is determined through a “means test”, which examines the total means at the disposal of a family seeking benefits and through a work test which examines their ability to find a job. Thus, the entitlement to income support is conditional upon making an effort to earn a living through work. Anyone claiming an income support benefit must prove that they have done everything within their power to find work. Currently, registration at the local public employment office serves as proof that an individual has made that effort. Only those for whom the employment service cannot find work are eligible to income support benefit¹. If someone is not willing to accept the jobs offered to them through the employment service, they shall be considered a “claimant refusing to work” and consequently, they shall be denied entitlement to benefits. Therefore, application of an effective employment test is an important component of this program. Over the past decade, a great deal of effort has been invested in improving the employment test and in the creation of better mechanisms for the integration of income support beneficiaries in the labor market.

- The structure of the income support benefit and means test provides for incentives to integrate into the labor market. The amount of the full benefit paid through the program is designed to ensure a reasonable standard of living. In setting this level an additional concern is the creation of a disincentive to make efforts to integrate into employment. Therefore, as is true in other countries, Israel takes into account the level of minimum wage when determining the level of the benefit. An expression of that concern can be seen in the economic programs of 2002/2003, in which there was a significant reduction of income support benefit levels – an average drop of some 30% for about 70% of those eligible to the benefit. That change in policy had two objectives: to reduce government expenditure on transfer payments and to reduce the level of benefits, relative to potential income from work in order to reduce negative work incentives. Due to that change, there

1 However, the Law does determine specific categories of people to which the condition of earning from work does not apply, or they are not required to prove their willing to work as a condition to the receipt of benefits: Single mothers with children up to the age of two; widows, people giving most of their time to the care of their ill partners or children in need of constant attention.

was a significant drop in the number of those receiving income support. In 2013, 105,000 families received income support benefit. However, the significant reduction in benefit levels in the eyes of many caused real harm to the program's primary objective – the provision of a reasonable, minimum` standard of living. The effects of that change found expression in terms of the large gap that was created in the level of benefit paid (especially to families with children) and the income level defined as the poverty line.

A second way in which the program addresses the concern about work incentives is to provide for the earning opportunities without the full loss of benefits.

- This is achieved through the mechanisms of an earned income disregard and a partial benefit reduction rate as earnings increase. Up to the disregard earnings level, the recipient continues to receive a benefit, which is not reduced, despite additional income from work. When earnings from work rise above that sum, a gradual benefit reduction process sets in according to a predetermined benefit reduction rate.

Recommendations:

1. An increase in the basic benefit level in the income support program, which will reduce the gap with the poverty line.

The Committee proposes that the basic benefit level be set at 67% of the poverty line for all family structures.

2. The disregard should be set at 85% of the poverty line for all family structures.
3. Efforts should be made to strengthen the employment test and make it more effective.

The cost of these recommendations is estimated to reach some ILS 1.2 billion per year.

A number of the members of the Committee have opposed the income support recommendations, as set out below.

The opinion of the Poverty Committee Chairman, of the representatives from the Bank of Israel, the Prime Minister's Office, the Ministry of Finance and the Ministry of Economy:

The essential purpose for the Committee's recommendations is to help those living in poverty. The goal of poverty reduction is critical for the future of Israeli society. Most of the population living in poverty is not employed or is under-employed. Thus, the central themes for the support given are to help those living in poverty escape the circle of poverty and to influence their income levels. That means integration in employment for those living in poverty. One of Israel's principal growth engines over the past decade has been the steep rise in employment levels. To a great extent, that rise has been

due to improvements in education, but it is also due to structural changes in the benefits system and incentives granted by the government, which made going out to work more financially worthwhile.

The new policies were of great importance in terms of improving the lives of those living in poverty and in terms of realizing the economy's potential for growth. In real terms, the income level constituting the poverty line has risen by more than 21% over the past decade. While the incidence of poverty in families without an income earner is at 66%, in families with two incomes from full time employment that incidence has dropped to just 1%. The relationship between employment and poverty is inter-generational and will also affect poverty in the future.

Research has well established the link between parents' earning potential and their children's achievements. Thus there is a high likelihood that children of low income earners shall earn at a similar level in the future.

Therefore, it is important to invest in the educational and social services that will help poor children to be better prepared for entry into the labor force beginning from early childhood.

The proposal to increase income support benefit returns government income support to the levels of over a decade ago, when employment levels were low and economic inequality was higher.

There were very high rates of growth in the number receiving support benefits and employment rates were very low. The income support benefits created negative incentive to work by reducing the economic gain from work, compared with the receipt of the benefit, and a culture of dependency was developing.

Thus, returning income support benefits to the levels of the past could create a poverty trap that serve to keep low income earners within the benefits system – instead of encouraging their rehabilitation and exit from poverty.

Therefore, the preferred option to improve the status of income support recipients is not to increase benefit levels. We rather propose a policy that has the following elements:

- Focus support on those who clearly need it based on an effective employment test
- Implementation of an incentives system to encourage employment
- The provision of services for parents and their children that support employment
- Investment in education for those living in poverty to increase their employability and earnings potential
- The provision of social services that address their social and emotional difficulties

The minimum income benefit has an important role as the final safety net provided by the State. The design of this benefit requires a delicate balance between the provision of a safety net and the creation of permanent dependence on the system. Increasing the income support benefit, as proposed, will disrupt the balance and will create a permanent poverty trap that will keep the poor within the benefits system, without a significant incentive to escape from poverty and support themselves with dignity over time.

4. Income Support in Old Age

The current social security system for the elderly in Israel includes a universal and uniform old age pension “old age insurance” which increases with the number of years the insured pays premiums. In addition, there is a supplementary benefit for the elderly whose total income from all sources is below a certain minimum.

The pension system in Israel is structured so that the primary pension is provided through the employer. However, until 2008 when such a pension became compulsory, there was a significant group of workers who did not have a work-related pension or did not accrue significant benefits to ensure a pension beyond the poverty line even in combination with the social security benefit.

The combination of a universal pension from old age insurance and income from a pension fund, which the old person has accumulated during his or her period of work, is designed to ensure that there will not be a drastic fall in old people’s income after they retire from work.

Thus the social security system also provides a supplementary benefit to those with low incomes. The supplementary benefit,² together with the universal old age pension, seek to ensure an income that provides a reasonable minimum standard of living.

However, an examination of the economic status of the elderly in 2012 indicates that notwithstanding the existing benefits system, 22.7% of households headed by old people have disposable incomes below the poverty line.

At the end of 2013, the number of old people and survivors receiving supplementary benefits reached 188,000.

2 After the introduction of the obligatory pension scheme in 2008, it is expected that over the coming years, the number of old people without pension income would gradually drop. However, it is doubtful that the level of pension income reached by those earning low incomes during their time in the labor market, will be sufficient to raise them above the poverty line.

Recommendation:

To increase the supplementary supplement benefit for the elderly to a level that together with the universal benefit will guarantee an income level above the poverty line. This will require an income of some ILS 200 per month.

The cost of this recommendation is some ILS 600 million per year.

Individual, Family and Community – Summary of Recommendations

Recommendations:	Annual Cost (in ILS Millions)
Responsibility of the family social worker	200-400
Budget for intervention programs	200
Flexible individual budget	200-500
Realization of rights centers – establishment	35 (one time cost)
Realization of rights centers – running costs	70
Expansion of the income support program	1,200
Expansion of the income support benefit for the elderly	600
Recommendations without pricing:	
Debts – Protection from water and electricity disconnection, interest payment freezing, government loan fund	A thorough examination of the calculation of the cost of the recommendation must be made
Empowerment Grant	A pilot program shall be planned by the Ministry of Social Affairs and Social Services
The overall cost of the recommendations for the individual, the family and the community – some ILS 2.5 – 3 billion per year. (One time cost for the establishment of the centers – some ILS 35 million in a year.)	

Housing

A decent roof over your head is a basic condition for dignified living. A person's living conditions affect the quality and the nature of their lives and the opportunities available to that person.

Recognition of the strong link between housing and poverty constitutes the basis for the work carried out by the Sub-committee on Housing. It is clear that the State must ensure the creation of the conditions for adequate housing for families living in poverty.

Housing costs are a heavy economic burden on the population as a whole and all the more so for those living in poverty. Over each of the first five deciles, the level of housing costs was higher than the average. It is impossible to ignore the fact that the poorest population is in the lowest income decile and must deal with direct housing costs reaching almost 40% of their total consumption. The excessive burden of expenditure on housing means relatively less investment in education, health and other needs.

The dimensions of the burden are much greater if one excludes from the calculation those currently living in poverty, who have significant housing support: Those living in public housing, adults who have already repaid their mortgage and the like. The expenditure on housing of those living in poverty and renting accommodation in the center of the country is, on average, some 61% of their income – an immense burden. When we add associated household costs such as water, electricity and municipal taxes, this rises to 74%.

The State of Israel is failing to fulfill its responsibility to ensure that its poor citizens have appropriate housing at a reasonable cost. It needs to enhance the principal tools at its disposal – public housing, rent subsidies and support for home ownership.

Currently, the inventory of public housing is significantly lower than in other western nations. Rent subsidies have been eroded over the years and now cover only a small fraction of the rent for most of those eligible. To make matters worse, the subsidies are not linked to the changes in market prices. The grant component of mortgages for the eligible has been cancelled and mortgages have been reduced and eroded, relative to housing prices.

To ensure the best utilization of the recommended tools, the Committee recommends a review of the eligibility rules for public housing and long-term rent subsidies, and proposes that they be expanded to include additional population groups that are not covered by the existing eligibility criteria.

Furthermore, the Committee recommends a comprehensive re-examination of the housing purchase support programs, including partial home ownership and support for those unable to pay off their mortgage. We believe that as part of this process, it is important to focus on eligible populations that are unable to take advantage of the existing options and to introduce new creative programs including

a range of construction and tendering methods designed to lower the cost of housing for those populations.

A basic pre-condition for eligibility for assistance with a mortgage, a rent subsidy, or public housing today is that applicants meet the definition of "homeless," as defined almost 45 years ago, in 1971, which has not been updated significantly since.

Recommendations:

- 1. Amendment of the definition "homeless":** To amend the definition of "homeless" by extending eligibility to those who have not fully or partially owned a home (including a key money apartment) during the past five years.

Rent Subsidies

- 2. To increase the amount of subsidy:** To gradually increase the sum available to those eligible for support and to link that sum to actual rental prices while also adjusting support in cases of long-term leases. The new amounts will be defined in accordance with the eligibility groups and the average increase in support will be between NIS 700 and 1,300 per month, per household. The amount of subsidy will be calculated on the basis of the average rent paid by eligible recipients in the neighborhood and as befits the size of home required. The overall extent of the support offered after granting addition will be between 40% and 90% of the average rent. **This recommendation will help some 96,000 households and cost approximately NIS 950 million annually.**

- 3. To broaden the eligibility for rent subsidies:**

- To provide subsidies to individuals without an age limit: Today, subsidies are provided to individuals aged 55+ who are living on income support benefit. The Committee believes that there is no good reason to limit the age of eligibility. **This recommendation will help some 1,600 households and cost approximately NIS 9 million annually.**

- Wage-earning ability of the head of the household: Currently, support is provided only to families in which one of the heads is in full time work. There are many heads of families who would like to work full time, but have only managed to find part-time jobs.

The Committee recommends granting subsidies to families in which the two heads of household together accumulate the hours of full-time weekly employment, in order to encourage both parents to seek employment. **This recommendation will help some 900 households and cost approximately NIS 11 million per year.**

- c. Expanding the consideration of family size in the income test based on the number of children: The amount of rent subsidy currently granted to families is not adjusted for family size after the second child. It is recommended to add two additional levels of support for families with three, and with four or more children. **This recommendation will help some 500 households and cost an estimated NIS 7 million per year.**
 - d. Granting more rent subsidies to those eligible for public housing, when no public housing is available where they live. **This recommendation will affect some 2,500 households, among them, residents in the Arab and rural sectors. Its cost is estimated at approximately NIS 50 million annually (that cost is included in the long-term rent program – see below: “Long Term Housing Support”).**
- 4. To determine a sliding income scale for subsidy levels:** Currently, a person is eligible for a subsidy as long as their income does not exceed the 125% earned-income ceiling. This serves as a disincentive to families to increase their incomes. The committee recommends the creation of a sliding scale for reducing rent subsidies beyond this ceiling. **This recommendation will help some 1,500 households and cost approximately NIS 9 million per year.**
- 5. To extend eligibility to elderly individuals who are supported by their families:** Currently, elderly immigrants receive basic rent subsidies even if they live with their families. This policy has proven effective because on the one hand, it reduces demand for apartments and on the other, it benefits the old people receiving close support from their families.
- The Committee recommends applying the same rule to non-immigrant elderly citizens, who are not home owners, who receive a supplementary income benefit. **This recommendation will help some 1,500 eligible recipients and cost approximately NIS 15 million per year.**

Public housing

The stock of public housing has fallen dramatically in recent years. In 1988, the number of public housing units, including in special housing complexes for independent elderly, stood at some 108,000; today there are only some 70,000. It must be emphasized that public housing is essential for certain populations, for whom a lack of housing stability (due to the nature of renting on the private market) would be catastrophic.

Recommendation:

1. To increase the supply of public housing: To determine as a strategic, long-term goal that public housing should account for at least 5% of the entire stock of housing in the country (a still low percentage relative to other OECD countries). Accordingly, we recommend increasing the supply of housing by some 700–1,000 residential units each year for the next 15 years, by purchasing second-hand and new apartments at construction cost, through special construction contracts issued by the Ministry of Construction and Housing (MOCH) and the Israel Lands Authority. At the same time, there is a need to introduce a number of improvements in the management of public housing.

A. Improvements in the management of the public housing inventory:

- Efficiently utilizing existing housing units: Currently, hundreds of apartments designated for public housing are being used for non-residential public purposes (municipal offices, clubs, synagogues, associations). The Committee recommends a re-examination of all the apartments leased to organizations and institutions and balancing the lack of public housing available for those eligible and the importance of having such facilities in residential units.
- Combining the waiting lists for public housing: Currently, when apartments are vacated, they are made available to eligible clients of the Ministry of Immigration and Absorption and the-MOCH. The Committee recommends transferring responsibility for the public housing inventory to a single government agency.
- Matching the size of the apartment to the size of the family. In a large proportion of public housing units, there is currently no match between the size of the household and the size of the apartment. Large families are forced to live in small apartments, while singles and couples live in large apartments that they received at an earlier date when their families were large. The Committee recommends continuation of the MOCH program to better match apartment size and family size. It is proposed that a gradual increase in rent be allowed for "over utilization" of housing services by families that refuse to move to smaller homes or homes for the elderly.

- B. Designating additional housing units in homes for the elderly: Some of those waiting for public housing, among them a considerable number of long-time tenants in public housing, are elderly. The Committee recommends designating 15%–20% of the additional housing stock for new homes for the elderly to be used by those currently occupying public housing.
- C. Preventing tenants from purchasing homes that will be added to the housing stock after the date on which the recommendation is approved. The Committee decided not to address the purchasing rights of existing tenants because these rights were only recently extended by the Knesset.

However, most of the Committee members were of the opinion that it would be appropriate to limit purchasing rights for residential units that are added to the inventory in the future. Given the high cost for increasing the stock and of management and maintenance, allowing newly eligible tenants to purchase the newly acquired units at a reduced price is too great a benefit and the budgetary burden will be difficult to bear in the long term. Implementation of this recommendation will require a change in the Public Housing Rights (Purchasing Rights) Law, 1998.

- D. Increasing the inventory of public housing by purchasing second-hand apartments and through requests for bids (tenders) issued by the MOCH and the Israel Lands Authority. The Committee recommends diversifying the methods by which the state purchases apartments for public housing. This could, on the one hand, reduce property prices and, on the other, reduce the concentration of poor families in certain areas and ensure a more balanced geographic social mix. The proposed new methods include:
- Granting the state the right of first refusal for the purchase of up to 5%–7% of the housing units through special contracts issued by the Ministry of Housing
 - Purchasing apartments at cost price
 - Earmarking 4% of all housing units built through all land tenders for public housing

This recommendation will affect some 700 – 1,000 households each year and will cost some ILS 450 million each year.

2. **Long term housing assistance:** The Committee believes that along with the increase in public housing stocks, a supplementary public housing assistance program should be developed, which would provide an augmented rent subsidy of 95% of the average rent in the relevant geographic area for a 10-year period for apartments not owned by the state. Public housing would be allocated to those who are expected to remain eligible and for whom long-term continuity in the same residence is particularly important.

3. Increase in the Maintenance Budget: The current budget for the maintenance of public housing apartments is NIS 750 per year per family. That sum is not enough to guarantee decent housing conditions nor to maintain the value of the property. The Committee recommends that the maintenance budget be gradually increased over three years to NIS 1,500 per apartment per year.

The cost of this recommendation, which will affect some 70,000 public housing apartments, is estimated at about NIS 53 million per year.

Application of the “Right of Exchange” program to additional households.

Among the programs for those eligible for public housing, there is a special program for wheelchair-bound people with disabilities, allowing them to exchange eligibility for an apartment into a highly subsidized mortgage. The Committee recommends extending this program to additional groups of people eligible for public housing and rent subsidies.

This recommendation will help some 160 – 200 households and will cost NIS 100 million annually.

The Good Neighborhood Program

Adequate housing is not just a matter of having a roof over one's head. It also involves the characteristics of the neighborhood and the area in which people live. There are three main reasons why people living in poverty attribute special importance to the neighborhood where they live: They spend more time in the neighborhood; social supports are more important in managing their day to day life; and they make greater use of local services. In neighborhoods with a high poverty rate, poor surroundings can have an unquestionably negative effect on the poor, particularly on the children growing up in poverty. Many countries invest in renewal programs for disadvantaged neighborhoods, which includes investment in physical infrastructures and new construction to attract a new population with a range of income levels and investment in appropriate social services.

In Israel, the national Project Renewal initiative (in the 80s) made a very significant effort in this direction, but it did not always succeed in changing the image of those neighborhoods and young people making their way in the world still chose to leave. Their places were taken by others looking for inexpensive housing – people living in poverty and new immigrants with limited resources. We recommend launching a new national initiative to be named the Good Neighborhood. It will focus on disadvantaged neighborhoods with available land on which new apartments can be built. The project will incorporate physical rehabilitation, investment in public spaces, investment in social and educational programs, investment in employment and community organization. The new construction

is designed to create a more mixed population in the neighborhood and discourage the young and stronger population from leaving.

The project would rely on a mixed financing model combining private investment by local authorities, long-term loans from Diaspora communities, and earmarked government funding during the initial stages of the project.

This is to be implemented as a pilot project encompassing 10 neighborhoods over a period of three years. Overall project cost will be ILS 225 million (about ILS 75 million each year).

Housing – Summary of Recommendations

Recommendations:	Annual Cost (in ILS Millions)
Increased allocation for rent subsidies	950
Broadening the eligibility criteria for rent subsidies	27
Long-term housing support	50
Creation of a graduated scale of income for support levels	9
Eligibility for elderly persons supported by their families	15
Increase in the stock of public housing	450
Increase in the maintenance budget for public housing	*53
The Good Neighborhood program (pilot project in 10 neighborhoods over three years)	75
Recommendations without pricing:	
Re-definition of "homeless"	Budgeted through the rent subsidy budget
Expansion of the Right to Exchange program	Alternative solution for those eligible for public housing
<p>The overall cost of the housing recommendations – some ILS 1.63 billion per year.</p> <p>*The public housing maintenance budget shall be increased gradually over a period of three years, until it reaches the sum stipulated in the table.</p>	

Employment and Earnings

“There are eight levels of charity, each level surpassing the other. The highest level beyond which there is none is a person who supports a Jew who has fallen into poverty [by] giving him a present or a loan, entering into partnership with him, or finding him work so that his hand will be fortified so that he will not have to ask others [for alms].” (Maimonides, Mishne Torah, Rules for Gifts for the Poor)

Maimonides tells us that the greatest act of charity and the most important assistance that can be given to a poor person is the gift of employment – the gift that makes it possible to cease reliance upon others. Thus, the efforts to encourage employment and provide assistance to those seeking employment are among the most important components of the war on poverty. Integration into the labor market enables a family to increase its income, improve its social status and self-esteem and emerge from the cycle of poverty.

The higher the number of earners in a household, the lower the probability of living below the poverty line. When the head of a household is of employment age (25–64), but there are no wage earners in that household, the incidence of poverty reaches 78%, but it drops to 41.5% when there is one income earner in the family and to 6.3% when both spouses are earning. When both wage earners are working full time (more than 30 hours a week), the incidence of poverty is 3.7%. Therefore, it is important to integrate all family members with employment potential into the labor market, even in unskilled and low-wage jobs. However, integration into the labor market is not enough and it is vital at the same time to provide the poor with the opportunity and the tools to improve their professional skills and upgrade their employment status. This requires a range of efforts related to placement, training and the enforcement of the labor laws and in particular, the Minimum Wage Law.

In light of the above, government policies aimed at reducing poverty levels, preventing decline into poverty and increasing the labor force participation rate must be based on the following principles:

1. All heads of households must be integrated into employment. The emphasis should be on groups most likely to be unemployed
2. Every effort should be made to make work pay
3. At the same time, it is essential to fully ensure the employees' rights as reflected in the labor laws

The recommendations reflect the importance of changing the order of priorities while, at the same time, taking into account the budgetary implications.

Wage Subsidies (Earned Income Tax Credit)

Background

Wage subsidies serve to increase return to work and reduce poverty among the working poor. In Israel, the sum currently provided in our work program is significantly lower than in comparable programs elsewhere. An analysis of those eligible for the subsidies grant shows that this tool successfully targets the most disadvantaged groups. The advantage of work subsidies, compared with other types of transfer payments such as cash support that is not linked to employment, lies in the fact that it is an incentive to participate in the labor market and increases the reward for work, without detriment to employers' demand for labor. Furthermore, wage subsidies reduce the dependence on direct cash benefits among low wage earners. Research examining the implementation of the law in Israel has found that the wage subsidies contribute towards reducing poverty among the employed and preventing low-wage employees from falling into poverty.

Recommendations:

In view of the effectiveness of the wage subsidy program in helping the weaker segments of society, the Committee recommends expanding the grant, while maintaining the marginal tax bracket at its current level of no more than 49.5% paid on the increase in the extent of earnings and employment. We recommend the following:

- 1. Increasing the wage subsidies for single mothers receiving income support:** The way in which the grant is provided today means that single mothers who start working face a drop in their income after they receive the grant, because it is more than offset by the other benefits that are lost. It is therefore recommended that the grant be increased, so as to ensure that they still have an incentive to work.

It is estimated that this will cost NIS 90 million per year and help some 35,000 households.

- 2. Increasing the wage subsidy for people with disabilities who earn an adjusted minimum wage (lower than the regular minimum wage), so that they will not also incur a loss.**

The cost of this recommendation is estimated at NIS 5 million per year.

- 3. Increasing the wage subsidy for all other eligible recipients:** The Committee recommends maintaining the basic current wage subsidies structure, in which the amount of the subsidy increases at the lower end of the wage scale, in order to encourage a greater number of weekly hours. It declines gradually as income increases to minimize the incentive to reduce or not to increase income. It is further recommended that the subsidy be increased differentially according to the number of children due to the positive association between the incidence of poverty and the

number of children in the family. Moreover, men and women should receive the same subsidy (currently, the grant for women is higher than the grant for men).

Four alternatives were examined as shown in the following table. We recommend Scenario 4.

Scenarios	The required addition to the budget – NIS Billions	Poverty rate reduction – Percentage points	The number of working families removed from poverty	The number of family members in working families removed from poverty
Scenario 1	0.26	-0.8%	-2,000	-11,400
Scenario 2	0.4	-1.3%	-2,700	-15,390
Scenario 3	0.6	-2.0%	-4,600	-26,220
Scenario 4	0.8	-2.6%	-5,400	-30,780

Estimated cost of the recommendation is NIS 800 million annually. This recommendation will help some 30,000 people emerge from poverty. It will reduce the depth of poverty among those remaining in poverty as well as the risk of decline into poverty among low-wage earners.

4. **Payment continuity:** We recommend an automatic eligibility check in any given year for all those who were eligible in the previous year. This will increase the utilization rate of the grant and ensure uninterrupted payment to those eligible.
5. **Marketing the grant:** Action must be taken to continue raising awareness of the program and thereby achieve higher levels of utilization among those eligible.

The Establishment of Employment Centers to Integrate Income Support Recipients into the Labor Market and to Implement Effective Employment Tests

The goal of the centers is to promote the integration of income support recipients into employment. The key objective is to provide incentives to enter the labor market for those referred to the centers and provide them with a personal program designed to meet their specific needs. The centers will focus on the poorest individuals, who, for various reasons, have not worked for many months, sometimes years, and are living on benefits. These individuals would be required to participate in a range of employment promotion activities. This requirement constitutes, in practical terms, an effective employment test and will make it possible for every benefit recipient to be given the assistance that is most appropriate for them.

The current employment test used to determine eligibility for benefits is inadequate. Consequently, it may be that benefit recipients include not only those who are not able to work and support themselves,

but also those who do have the ability to increase their earning potential and can be helped by the state to integrate into the labor market.

The demand for an effective employment test is based on the legal and moral principle that the state on the one hand is obligated to provide its citizens with a safety net. However, at the same time, the obligation is conditional upon the citizen making a concerted effort to become self-supporting. Accordingly, the Income Support Law, 1980, stipulates that eligibility for income support is subject to income and employment testing. The same principle underlies the Active Labor Market Policies (ALMP) that are common today in all modern welfare states.

Recommendations

- 1. "The Going to Work" program:** We recommend the national implementation of the Going to Work program whose goal is to integrate income support recipients into the workplace, while implementing effective employment testing for all benefit recipients, which was approved by the government in May, 2013. Previous efforts to implement similar programs (From Welfare to Employment; Lights to Employment), were subject to a great deal of public criticism and controversy. The program stipulates that all relevant governmental authority should remain in the hands of civil servants. However, private contractors will provide the actual employment-related services as defined by the government, tailoring them to each specific client.
- 2. Full use of resources and knowledge:** The large investment of resources in employment centers can be expected to provide a high quality, effective employment placement infrastructure. It is important to consider whether this infrastructure and the knowledge that has been accumulated in the pilot phases can be used to improve employment placement programs to other target populations.
- 3. Effective employment test:** It must be emphasized that it is very important that the Income Support Law, 1980, be fully implemented in the spirit and letter of the law by means of a real and effective employment test to determine eligibility for benefits. This is in order to concentrate support only on the population segments in need of it and to encourage those able to work to participate more in the labor market.

Vocational Training

Vocational training is the key foundation for the development of human capital among jobseekers. It is highly important for employees, especially those who have not acquired the relevant skills sought by the labor market as well as for employers seeking skilled labor. Furthermore, vocational training makes it possible for workers to improve their on the job status and increase their earnings. The vocational training system in Israel is underdeveloped. Quality training for unskilled workers, in

coordination with employers and sensitive to market demand, can be expected to have a significant impact on wages and productivity. Recently, efforts have been made to improve the available training programs, make them more accessible and adapt them to the changing needs of the economy.

Today, vocational training programs for adults are implemented in several ways, among them:

1. **Publically Funded Training Courses** for population groups currently not in the labor market
2. **Vouchers for training**, which provides job seekers with vouchers that they can use to access a range of training programs from public and private sources
3. **OJT (On the Job Training)**, which is conducted in cooperation with employers, and is designed to meet their priority needs and smoothen the integration into employment

Recommendations:

The following recommendations are designed to strengthen the system of vocational training:

1. **Existing programs:** Continue to improve and expand OJT programs and in particular to simplify procedures and reduce bureaucratic barriers
2. **Employer involvement:** We recommend that a wider range of forms of cooperation with employers be introduced. Specifically, the possibility of promoting training programs with an apprenticeship component should be examined. Such programs are not only in line with the needs of employers but have the additional advantage of allowing the participant to accumulate experience during their training.
3. **Voucher scheme:** Expand the voucher program and find ways to encourage jobseekers to utilize this opportunity
4. **A designated fund for workers in stressful occupations who are unemployed**
5. **Existing training programs:** Expand the existing training programs that address real needs within the economy

The estimated cost of these recommendations is NIS 120 million and can be expected to affect some 12,000 households.

Reduction in the Number of Foreign Workers

Israel has one of the highest percentages of foreign workers in the labor force in the world – approximately 9% of the total labor force. The relatively high standard of living in Israel creates high demand for work among citizens of developing countries. This often comes at the expense of local Israeli workers. An increased pool of unskilled workers creates immediate pressure to lower wages. Local residents lose or cannot find jobs as a result. Reliance upon cheap labor is also harmful to the economy in another way: The availability of cheap labor slows down the development of capital and therefore has a negative effect on productivity. This is particularly true in the construction industry. When the foreign labor force in this industry was reduced, the Israeli labor force grew, demonstrating that Israeli workers are willing to work in this industry if given the opportunity. The downsizing of the foreign labor force also resulted in higher wages and productivity.

Recommendations:

We recommend a number of steps in order to reduce the number of foreign workers:

1. **Setting government targets for the reduction of the number of non-Israeli workers:** It is proposed to further reduce the current quotas in the construction and agriculture industries.
 - a. **Construction:** There is no special need for foreign workers in this industry. Therefore, we recommend discontinuing all employment of foreign workers in this industry.
 - b. **Agriculture:** There is a seasonal need for foreign workers in the peripheral areas, where the supply of Israeli workers is limited as a result of which, agriculture cannot rely solely on Israeli workers. We recommend allowing several thousand workers to be employed in the areas of high need.

During the interim period until the full implementation of the above recommendations, it is recommended that agriculture be given priority for the employment of foreign workers in the periphery and in occupations contributing to the environment.

- c. **Long-term non-professional care for the elderly:** There is a special need for foreign workers in this sector. The greatest difficulty lies with those elderly requiring 24-hour care. Given the intensive nature of this work, the supply of Israeli workers in this field is far smaller than the demand. We recommend enhancing incentives for Israelis and thereby reduce the number of foreign workers without detriment to the patients and their families. There is an existing incentive that has proven effective and has resulted in an increase in the number of Israelis employed and their percentage of the total caregivers.

We recommend doubling the present incentives. **The estimated cost of this recommendation is NIS 80 million per year.**

2. **Enforcement of the labor laws governing employment of foreign workers:** In many instances, foreign workers are employed under conditions beyond that permitted by law. Moreover, some foreign workers are employed without permits. Therefore, enforcement should be enhanced to ensure the rights of these workers as well as the efforts to prevent employment of foreign workers without permits.
3. **Ensuring that foreign workers receive all benefits for which they are eligible:** To ensure that pension and severance payments are set aside for employees, employers should be required to establish a fund in which they deposit pension and compensation payments for the workers. The monies in that fund should be transferred to the worker at the end of his/her employment in Israel. This will be ensured and at the same time provide an incentive for the worker to leave Israel when the work permit expires.
4. **Encouraging Israelis to work** in sectors where foreign workers are currently employed through joint initiatives by the government and employers.
5. **Encouraging the employment of discharged soldiers in the construction, agriculture and long-term care sectors:** In Israel, there are special grants to discharged soldiers who work in preferred sectors. Preferred wage subsidies for discharged soldiers should focus on the construction, agriculture and long-term care sectors and the grant increased. Grants for those working in other sectors should be more limited.

More Intensive Enforcement of the Labor Laws

Effective and significant enforcement of the labor laws, in particular those governing minimum wage, overtime hours and the employment of foreign workers is another important step to reduce the number of workers living below the poverty line, the majority of whom are unskilled and have minimum leverage in negotiations with their employers. It has been estimated that over 30% of the poor are subject to a breach of minimum wage legislation. Improvements in enforcement could raise income and improve conditions for poor workers. Moreover, when the laws are enforced, it is more worthwhile for individuals with low earning potential to join the labor market, rather than relying upon the transfer payments system.

In recent years, legislation to increase enforcement has led to significant change. There has been a hundreds-of-percent increase in the number of inspectors in the Regulation and Enforcement Administration of the Ministry of Economy. Nevertheless much more needs to be done.

Therefore, we recommend further efforts to enhance enforcement measures:

- The enforcement of existing labor laws for low-wage earners
- The enhancement of cooperation and exchange of information among the authorities involved

Change in the Structure of Pension Funds to Prevent Pensioners Declining into Poverty

Israel has a two-tier pension system:

- A flat rate benefit through social security with an income-related supplement
- A compulsory income-related pension linked to employers that is managed through private pension funds

Despite these two systems, some 20% of the elderly in Israel are poor, compared to 15% in OECD countries.

The employer-based system in Israel is vulnerable to financial risks. Designated government bonds are an important tool that helps reduce the risks inherent in investment in the capital market. These bonds have an effective, annual real interest rate of 4.86%, but fund managers are authorized to purchase them up to a limit of just 30% of the total holdings of the fund. Thus, a financial crisis could lead savers into poverty when they reach pension age.

Recommendations:

A crisis in the capital markets will cause particular harm to savers close to pension age, because they have less time to rectify the damage caused by market fluctuations. Therefore, we recommend that risk levels must be reduced for these savers by changes in the allocation of designated bonds. We recommend:

- 1. Differential allocation according to the age of the saver.** The allocation of designated government bonds will increase with age.
- 2. Fixing an upper limit for capital invested in designated bonds as pension age approaches:** An upper limit will ensure that government subsidy through designated bonds will benefit those individuals with lower pension savings.
- 3. Abolishment of management fees for designated bonds: Currently, pension and insurance funds** charge management fees even on designated government bonds.

As these recommendations do not increase the total of designated bonds no additional cost is incurred.

Construction of Daycare Centers for Children Ages 0-3

Daycare centers play an important role in encouraging employment, principally for women earning low wages (the subject of daycare was discussed by two subcommittees – see also the recommendations on Education). Currently the demand for daycare far exceeds the supply. Daycare centers reduce the cost of going out to work, making work more worthwhile and increases the net income of the family. A significant budget has already been allocated by the government. However, the pace of construction is slow relative to the sums allocated, due to operational and bureaucratic barriers. Steps are now being taken to reduce these barriers.

We recommend that daycare centers be established in areas where demand is high, with priority for those areas in which there is a concentration of people living in poverty. Furthermore, consideration must be given to the establishment of centers for infants alongside daycare centers.

We recommend the establishment of 210 daycare centers, based on the existing, unused budget of some NIS 600 million, over a period of three years. Those daycare centers will help some 15,000 families

Employment Programs to Integrate the Ultra-Orthodox, Minorities, Recipients of Benefits and People with Disabilities into the Labor Market

Over the years, government ministries have developed a range of programs to encourage employment among populations with low rates of labor employment despite having particularly high poverty rates, such as the ultra-Orthodox, Arabs, recipients of income support and people with disabilities.

Individuals in these groups face specific barriers when they enter the labor market, which make their participation more difficult and their wage earning ability lower than that of the rest of the population.

There is a need to expand current efforts with a focus on Arab women, ultra-Orthodox men, recipients of benefits and people with disabilities. This requires the expansion of placement and training programs and intensive activity with employers aimed at increasing the demand for workers from these groups.

Employment programs will help integrate tens of thousands of people into the labor market. The estimated cost of the employment programs is approximately 1.17 billion per year, but some of the budget has already been allocated.

Synchronization and Cooperation among Employment Programs

The programs to promote employment are currently implemented by a large number of public agencies including government ministries (Economy; Social Affairs and Services; and Immigrant

Absorption), the National Insurance Institute, the Employment Service, the Civic Service Authority as well as private and voluntary sectors. This has a number of consequences in terms of the ability to establish priorities, to use resources effectively and to engage in shared learning across the system. Until now there have not been significant efforts to synchronize and coordinate.

We recommend that a mechanism should be created to synchronize all active employment programs, so as to provide an integrated crosscutting perspective on the effort to promote employment policy and to prevent duplication and the inefficient use of resources. Furthermore, a framework to assess the relative efficiency of the various efforts should be developed and applied to the various efforts taking into account their cost, their socio-economic benefits and their long-term impacts.

Employment and Earnings– Summary of Recommendations

Recommendations:	Annual Cost (in ILS Millions)
Increase in the work subsidies (for single mothers, people with disabilities and all those eligible).	900
Vocational training	120
Reduction in the number of foreign workers and incentives for Israelis to work in the long-term care sector	80
Increased availability of daycare centers for preschool age children	Based on the existing budget, NIS 600 million over three years
Targeted employment programs for selected populations	1,170 Some of the budget has already been allocated
Recommendations without pricing:	
Employment centers focusing on income support recipients and effective employment testing by those centers	To be determined later
More extensive and focused enforcement of labor laws	Based on the existing budget
Structural change in pension funds to reduce risks	No additional cost
Synchronization and cooperation among employment programs	No additional cost
The estimated budget required to implement the above recommendations is approximately NIS 2.3 billion per year, but some of the budget for employment programs for selected populations and for daycare centers has been allocated.	

Education

Israel has one of the highest levels of social inequality in the world. The high number of children living below the poverty line – some 817,000 children – accounts for approximately 38% of all the children in Israel and is indisputable dramatic expression of that inequality.

The economic status of a family significantly affects the child's development, educational success, mental and physical health, and social status. Children living in poverty fail to fulfill their potential in the same way as children in well-established families, and they enjoy fewer educational and social opportunities. In the long term, education is the key to enabling children to escape a life of poverty.

The educational gaps in Israel by socio-economic group are very high, as reflected in the results of the GEMS tests administered by the Ministry of Education in elementary school and junior high schools. They are among the highest internationally as reflected in the PISA (Program for International Student Assessment) examinations of the OECD at the high school level.

Educational and developmental gaps appear at the very youngest ages. Educational investment at a young age will help reduce these gaps, but there is a need to continue the investment in disadvantaged children throughout the child's development. An integrated view of the child's environment, including the family and neighborhood, and an ecological and holistic approach that takes into account the different needs of every child is critical. The education system must continue to serve as the focal point for this broader approach.

A high quality education system, from a child's first year through age of 18, should provide appropriate educational opportunity for all students and it should reduce the association between a child's scholastic achievements and his socio-economic background. This will facilitate the reduction of social gaps in education in the short term and economic gaps in the long term.

To address educational gaps, the education system today takes action on two levels:

- **Budget:** The Ministry of Education budgets additional funds (differentially) for socio-economically weak population segments. However, the Ministry of Education does not publish official budget information in a fully transparent manner and therefore, it is difficult to form an opinion about the extent of this different funding.
- **Intervention programs:** In Israel, there is a range of programs for populations in the lower socio-economic levels, but they do not necessarily sufficiently target children living in poverty.

Israel has two measures that may be used to implement differential allocations by socio-economic level. One is an index of the socio-economic level of communities and the second, referred to as the

deprivation index, is used for the differential budgeting of schools. Thus, it is important to focus activities on communities in the lower socio-economic clusters and on schools with the lowest deprivation scores. Moreover, it is important to include early-childhood frameworks in the index as at present they are not included.

Recommendations:

- 1. Transparency** The low level of transparency in education system data makes it difficult to obtain and analyze a reliable, up-to-date picture of the allocation of its resources. Each year, the Ministry of Education should publish a detailed, official report on the allocation of resources to subgroups in the education system, with specific reference to socio-economic differences.
- 2. Examination of Intervention Programs** The intervention programs implemented by the Ministry should be examined in terms of their suitability to the needs of children living in poverty.
- 3. Differential Budget** A plan should be developed to intensify the extent of differential budgeting based on an in-depth analysis of all the barriers that have prevented it from happening more until now. It is recommended:

- The differential budget formula must take into account all the characteristics in the student's background and all the components of the budget. However, the goal is to implement strategies to moderate the gaps that arise from the differential capability of localities to add resources to their education budget. There are a number of ways to accomplish this and an examination of their relative effectiveness is therefore recommended.
- It is necessary to increase the extent of differential allocations for families living in poverty, while at the same time assuring that all schools have an appropriate basic allocation to fulfil their obligations within the school system.

The Ministry of Education is currently taking steps in this direction and is now examining and updating the deprivation index used to allocate funds to the schools. We support this step.

- 4. Training for Educational Staff** Teachers and educational staff must receive special training about the multidimensional implications that poverty has for the functioning of children and adolescents in various aspects of life.

Training for educational staff and teachers does not currently focus specifically on working with populations living in poverty. Educational personnel should receive such training as part of their overall professional training. To achieve that goal, the Committee recommends:

- Developing advanced interdisciplinary in-service training on the subject of poverty and its implications for a selected group of facilitators, who will provide the leadership required to implement this change

- Developing modules adapted to the various age groups, population sub-groups and dimensions of poverty
- Including these modules in the professional development processes for all educational staff working in formal and informal systems. In the initial phase, they should be implemented at all levels. The goal is to provide educational staff with the knowledge and interdisciplinary tools they need to work with populations in the cities and schools with the lower socio-economic profiles. At a later stage, it will be expanded to encompass all schools. The training will contribute to early identification of children with difficulties arising from their situation at home and to finding practical solutions for them.
- Providing in-service training for all educational staff within the existing in-service training frameworks. Such training should be an integral part of professional development for educational staff working in preschools and schools and be recognized for the purposes of remuneration.

Early Childhood

As noted, early childhood development is a key factor in subsequent educational achievement. Intervention in education from birth is critical in the effort to reduce educational gaps. Early childhood education is currently under the auspices of several different government ministries (Health, Economy and Education). It is recommended that responsibility for all the early childhood programs should be transferred to the Ministry of Education, which will coordinate for the entire range of services provided to the children and their families.

1. **Early childhood centers:** Early childhood centers have been established in a number of locations in Israel in order to pool resources at the local level. They provide integrated services that include: health, education and enrichment, and social services. The center allows for a comprehensive assessment of the needs and continuity of care. Today, there are 37 early childhood centers, but only 10 of them are located in the lowest socio-economic areas. Consequently, the service is not accessible to most of the population living in poverty. It is therefore recommended that 29 more early childhood centers be established in these areas.

This recommendation will affect some 116,000 families. The cost of establishing early childhood centers will be approximately NIS 150 million and their operating costs will be approximately NIS 50 million per year.

2. **Daycare centers:** Daycare centers, for which the Ministry of the Economy is responsible, serve children ages 0-3 and operate all over the country. They were established mainly for parents wanting to enter the labor market. Given the impact of early childhood education on children's development,

daycare centers should not only respond to the needs of working parents; they should provide, above all, an educational environment that contributes to the children's development.

At present, there is a considerable lack of supervised, subsidized daycare centers relative to the demand and only a quarter of the children of the relevant ages are in daycare centers or in supervised, subsidized home-based childcare centers.

Accordingly, in the coming years, efforts should focus on a substantial and rapid expansion of new early childhood centers, to allow more children to participate, particularly in disadvantaged areas. This will of course also make it easier for families to cope with childcare costs and encourage their integration into employment.

Furthermore, daycare centers are not accessible to families living in poverty because of the relatively high co-payment imposed on the parents. For this reason, many children do not attend any educational framework.

We therefore recommend:

- Transferring responsibility for daycare centers to the Ministry of Education. Until that process is completed, we recommend strengthening the educational components currently provided in the centers.
- Increasing subsidies for daycare centers for families living below the poverty line and changing the co-payments made by families living in poverty
- Strengthening training and education for care and educational staff
- Substantially increasing the availability of daycare centers, by using a new and more efficient budgeting system and establishing some 210 daycare centers in areas with high concentrations of people living in poverty. This can be spread over 3 years. To promote service integration the integration approach, the daycare centers should be built in proximity to early childhood centers and cooperate with them.

This recommendation will affect some 15,000 families. The cost of establishing daycare centers is approximately NIS 600 million.

Addition of Differential Hours of Scholastic Assistance and Treatment of Learning Disabilities and Attention Deficit Disorders in Schools.

Learning and attention deficit disorders in schools are key factors that hinder the acquisition of the skills required to learn and realize one's full potential. Early identification, diagnosis and intervention are vital for the child's further integration in the education system and for his normative emotional and social development. Among the middle and upper socio-economic strata, parents are aware of the need for diagnosis, and initiate steps to identify children with learning disorders. However, among disadvantaged families, knowledge of this subject is limited and fewer children are identified and treated in the early stages. Another barrier for families living in poverty are the co-payments required for diagnosis, which wealthier families can afford. They can also avoid waiting lists by going to a private source. These gaps are found throughout all the years of schooling, including post-elementary schools.

Therefore, at as young an age as possible – at the pre-school stage - there should be interventions to help underachieving children acquire basic skills.

The Committee recommends:

- 1. Providing additional hours of scholastic assistance** to address the needs of children who have difficulties acquiring the basic skills
- 2. Assisting an information-flow continuum** as needed by students when they transfer to a new school
- 3. Subsidizing the funding** diagnostic testing for children living in poverty

In every age cohort, a total of 40,000 children live in poverty. According to our estimate, psycho-didactic diagnosis is required for approximately 10%-15% of these children (4,000 to 6,000 in each grade from second through twelfth grade).

Cost of diagnosis per child: Approximately NIS 2,500. Total cost of the recommendation (based on diagnostic testing in 11 grades): NIS 100-150 million (one-time cost). The annual cost from the second year will be reduced to NIS 10-15 million.

Reduction of Overt and Hidden Dropouts - Reducing Disengagement from School

To reduce the phenomenon of overt, and especially hidden, dropouts from school, it is necessary to commit to provide opportunities to all students with the opportunity of completing 12 years of schooling with a certificate that enables them to continue studying and integrate in the labor market.

The Committee recommends:

- 1. Increasing eligibility for matriculation certificates among low-achieving students:** The Ministry of Education and external agencies currently implement a variety of programs (about 56) aimed at increasing the percentage of students eligible for matriculation certificates. The following principles that characterize successful programs should be broadly applied in implementing these programs:
 - Early detection (starting with grades 8 and 9) of students who are potential dropouts (the lowest-achieving third in each grade)
 - Ongoing monitoring and support of these students identified through twelfth grade
 - Expansion of successful programs to improve eligibility for matriculation certificates in the localities and schools with high concentrations of poor and disadvantaged children
- 2. Re-evaluating technological/vocational education and alternatives to the academic track** that offer students a quality diploma appropriate for the labor market, which could help them emerge from poverty. However, the discussion of the war against poverty should be separated from the discussion of technological/vocational education. Accordingly, technological and vocational educational tracks in which all students can participate, regardless of their status and social background, should be developed.

Long School Day

Today, there are programs that extend the school day through the afternoon. Their goal is to provide a supportive framework for the children, including a meal and informal education activities. However, they do not provide a satisfactory response and are not necessarily targeted on the populations that need them the most.

The Committee recommends:

- 1. Focusing on children living in poverty:** Implementing the long school day in localities and regions with high concentrations of children living in poverty
- 2. Assessing the delivery system:** The three major existing frameworks for long school days need to be evaluated for their effectiveness and impact on the children that participate in them. This will make it possible to determine the most effective principles and strategies.
- 3. Reviewing the criteria for long school days:** There are a number of lessons that we can point to, based on the experience acquired by the program implementers and the partial findings from evaluations:

- A. The frameworks should be implemented from the end of the school day until 4:00 p.m., with the option of extending them for working parents
- B. The frameworks should operate five days a week, from Sunday through Thursday, during the school year and vacations
- C. The number of groups will be according to the requirements of the parents; participants will be charged a nominal fee
- D. The frameworks should be suitable for children aged 3-12 in preschools and in first to sixth grades. It should be possible to extend them to age 15 (ninth grade) if needed
- E. The frameworks should be for children in the regular and special education systems, and transportation should be provided for special education children
- F. Staff hired to manage and implement the programs should be adequately qualified and trained.

4. It is recommended that long school day programs include the following elements:

- A. A meal
- B. Educational and social activities
- C. Scholastic assistance in small groups, to provide a response to individual needs
- D. Individual/group support therapy for emotional/social/behavioral difficulties
- E. Activities including both students and parents
- F. Employment of skilled personnel

Education – Summary of Recommendations

Recommendations:	Annual Cost (in ILS Millions)
Centers for preschoolers – establishment	150
Centers for preschoolers – operation	50
Establishment of daycare centers	(NIS 600 million for three years) 200 Based on the existing budget with the Ministry of Economy
Diagnoses – first year	100-150
Diagnoses – ongoing annual cost	10-15
Recommendations without pricing	
Evaluation of the suitability of existing intervention programs for the needs of children living in poverty	Based on the existing budget
Transfer of responsibility for preschoolers, including daycare centers, to the Ministry of Education	In the framework of structural changes at the Ministry of Education
Increased subsidies for daycare centers	According to the outline to be determined
Addition of differential hours for scholastic assistance	As required by children identified to be in need
Transfer of information in the transfer between schools	No additional cost
Efforts to promote transparency of Ministry of Education data	Based on the existing budget
Development of a program to intensify the differential budget	According to the outline to be determined
Qualification of educational personnel to work with people living in poverty	In the framework of the budget of advanced studies programs
Extension of the school day	According to the decision about the future of the program
Reduction of overt and hidden dropouts from school 1. Increase in the rate of eligibility for matriculation 2. Reevaluation of the place of technological education and alternative study tracks	1. In the framework of the existing budget 2. According to the conclusions to be drawn
Total cost, external to the existing budget of education recommendations: approximately NIS 300-350 million (there is a distinction between one-time costs and fixed annual costs).	
*Many of the changes that arise from the recommendations are based on existing infrastructures and budgets.	

Health

Health is a basic existential need and an essential resource for the development and growth for individuals and society as a whole. Health status is determined not only by biological and individual characteristics, but also by environmental, social and economic factors. Recognition of the effect of these factors on health, the relationship between poverty and health problems, evidence of the growing gaps in access to health services, and the increased socio-economic gaps in Israel underlined the development of the recommendations. The recommendations are designed to reduce poverty-related health risks, promote the health of people living in poverty, and prevent people falling into poverty or more severe poverty due to health problems and illness.

The health services have a key impact on health status. In Israel, the right to health services is anchored in the National Health Insurance Law, 1995, which ensures equality in terms of accessibility, availability and quality of health services, and is based on "principles of justice, equality and mutual assistance." However, many factors impede the full realization of the principles of the law. The committee's recommendations set out below address ways to overcome them.

Regulation of the Right to Health Services

The system of health rights is complex, and responsibility for an individual's eligibility for health services is divided among various government, public and volunteer agencies. This makes it difficult to obtain information, and leads to a high rate of unexercised rights and failure among people living in poverty to exercise the rights to the services for which they are eligible. Furthermore, there are difficulties of access among those living in the periphery where the poverty rate is higher.

The Committee recommends:

- 1. Creating centers in the community for Information and the Realization of Rights:** These centers, to be located in local authorities, should provide information in the appropriate languages about all rights to health services and help applicants to complete forms. These centers will be part of the rights centers described in the section on crosscutting recommendations
- 2. Creating information centers in all hospitals,** in cooperation with the information centers of the Ministry for Senior Citizens

The estimated cost of this recommendation is NIS 200,000 per year for each hospital. The committee recommends starting with six hospitals in the geographical periphery. Total cost of the recommendation: NIS 1.2 million per year.

- 3. Choice of health fund provider in small peripheral communities:** Promoting an agreement between all the health plans to enable members who live in localities with a population below 10,000

(especially in the periphery) to receive medical services from any of the health funds regardless of their formal affiliation

Co-Payments, Transportation Costs, and Expenditure on Services not in the Basic Package of Health Services

Government policy over the past two decades and the growth in private medicine and insurance exacerbating the gaps has led to a reduction in the percentage of public funding on health – from approximately 70% to 60% of total national health expenditure (from the state budget and the health tax), a rate lower than the average of 75% in OECD countries.

Deducting health expenditure out of pocket from household income increases the number of families living in poverty, especially among the elderly. The co-payments for medications, treatments and medical equipment that are included in the basic healthcare package, and direct expenditure on services that are not included, lead to a regressive pattern private expenditure on medical services: families in the lowest quintile of income spend a higher percentage (6%) of their disposable income on health services than households in the highest quintile (3.6%). The percentage of individuals who forego medications because of co-payments is much higher in the lowest quintile. The same applies to foregoing other medical services. Travel costs that may be incurred among those who need multiple treatments or live at greater distances from the medical care they need also pose a significant barrier for the poor.

Discounts or exemptions from co-payments are limited and do not include a large proportion of people living in poverty. All the above clearly contribute to the deterioration of the health of people living in poverty and to the failure to prevent health problems.

Focus on Children and the Elderly

Due to the high incidence of poverty among children and the elderly, and the multiple health needs of the elderly, it was decided to focus on these two population groups. In formulating its recommendations, the Committee was influenced by the growing international emphasis on the need for an integrative approach to health care needs, especially among poor populations.

Among the elderly, the need for health services and medications is much higher than in other groups. Co-payments for medications and treatments included in the basic health insurance package therefore constitute significant barriers. The expenses on dental treatments that are not even included in the benefits package also represent a heavy burden.

The Committee recommends:

1. Co-payments

- A. **Medications:** The Committee believes that it is necessary to increase the discounts or provide full exemption from co-payment for medications to all chronically ill patients. However, due to budget limitations, the Committee recommends, at this stage, that the reduction in co-payments be granted to families of chronically ill patients living in poverty with priority to those receiving minimum income benefits support.

The estimated cost of this recommendation is NIS 70 million per year.

- B. **Medical services:** Increase the discount or extend exemptions from co-payments for visits to specialists, tests, treatments and acquisition of medical aids. This initially should be granted for [TO?] people in poverty who receive income support.

This recommendation will affect some 130,000 people and is estimated at NIS 26-52 million per year.

2. **Refund of travel expenses:** Travel expenses incurred by dialysis and oncology patients for treatment and follow-up visits should be refunded. Other patients with severe diseases should also receive refunds. A full refund should be granted for the entire cost of one journey by public transport per week, or for half the cost of a taxi/private vehicle for patients who cannot travel by public transport. The program should be implemented in the framework of an income test for the first years.

The cost of this recommendation is estimated at NIS 90-120 million per year.

3. **Extend the inclusion of dental health services in national health insurance for children from 12 to 14 years of age (and thereafter to age 18), and to elderly ages 75+, who receive income support.**

The cost of extending the services to children ages 13-14 (255,000 children) is estimated to be NIS 90 million, and the expansion of dental health care for the elderly - NIS 200 million/year.

- 4. Extending the jurisdiction of family health centers (Tipat Halav) up to age 6:** The centers should also work closely with the network of early childhood centers.

The recommendation is included in the recommendations for early childhood centers described in the section on education [above].

- 5.** Returning responsibility for health services for pupils in elementary and high school to the Ministry of Health in cooperation with the local authorities. The committee is aware that a budget has already been allocated to this program and recommends that it be implemented first in schools and localities with low social-economic status (schools that participate in the hot lunch program), while maintaining a ratio of one nurse for no more than 1,500 children.

The implementation of this recommendation will affect almost 200,000 children. Cost of the recommendation: NIS 24 million per year.

- 6.** Promoting health promotion for the elderly in localities with very low social-economic status. Activities should include health promotion, health screening tests to identify physical problems (e.g., vision, hearing) and emotional distress (depression), in existing daycare and social centers. An initial pilot should be implemented in 100 day centers. **Cost of the recommendation (pilot): NIS 3.6 million per year.**

Poverty Awareness among Health Professionals and Caregivers

The health system does not have a dedicated training program on working with people living in poverty. Professionals in the health system have to recognize poverty-engendered health risks and be aware of the difficult situations that their patients have to contend with, so that they can assist and respond to their needs appropriately.

Recommendation:

To broaden training about the relationships between poverty and health in the training of health personnel, both in higher education and in in-service training.

Reduction of Health Inequality as a Strategic Objective

At the initiative of the Ministry of Health, health organizations have been working since 2010 to reduce health gaps between socio-economic groups. A range of measures has been implemented. Evaluations of several intervention programs for populations living in poverty indicate positive outcomes in access to services and improvement in health status.

We recommend that these efforts be expanded and strengthened to reduce the barriers that prevent the poorer populations from obtaining adequate health services and maintaining good health. This is not an objective of the health system alone. It requires a multisystem effort by all government agencies, local authorities, civil society, and the business sector.

Recommendation:

The government and its allied institutions should recognize the social factors (poverty) that affect health and declare the reduction of inequality in health services to be a strategic objective of the government. Indeed, this recommendation has already been implemented by the MOH.

Health – Summary of Recommendations

Recommendations:	Annual Cost (in NIS millions)
Information centers at hospitals	1.2
Reduction of co-payments for medications	68
Reduction of co-payments for medical services	26-52
Refund of travel expenses	90-120
Public dental healthcare for children up to age 14	90
Public dental health care for people age 75+ who receive income support	200
Reinstatement of student health services	24
Centers for the elderly for health promotion (pilot)	3.6
Recommendations without pricing:	
Establishment of rights centers in the community	As part of the general recommendations and the recommendations of the subcommittee on Individuals, Families and Community
"Choice arrangement" for the provision of medical services in small localities	In the framework of the existing budget
Family health centers up to age 6	As part of the family health centers, in the framework of the recommendations of the Subcommittee on Education
Qualification of health system personnel to work with people living in poverty	In the framework of the existing budget
Setting a government strategic objective to reduce health inequality	No cost
Total cost of health recommendations: approximately 500-560 million per year.	

Chapter 3:
Additional Topics Related to Poverty Not Discussed
by the Committee

3. Additional Topics Related to Poverty Not Discussed by the Committee

In view of the Committee's very limited timetable, we were unable to address many important issues that significantly affect the lives of those in poverty and the ability to assist them. In this section, we relate briefly to a number of these issues that we feel are particularly important to bring to public attention. These issues should be taken into account as the implementation plans for the committee's recommendations are developed.

3.1 Transportation

An efficient transportation system is a prerequisite for access to local services and employment. A frequent problem among those living in poverty, especially in areas with high concentration of poverty, is the lack of access to transportation. Where a private vehicle is not available, people are absolutely dependent on public transportation. Public transportation is often not adapted to the needs of the residents, impeding access to places of work, educational institutions, health services, low-cost shopping centers and cultural frameworks. In many cases, the routes of public transportation are limited and do not reach all locations, the hours in which transportation is available are limited, the frequency is low and the price high.

3.2 Food Security

Food insecurity is the most severe indication of poverty. It is manifested by the lack of economic capacity and regular access to the basic, quality food required for a balanced and adequate nutrition. The problem lies in the lack of financial resources that allow the individual to purchase food in the amount and quality required for meeting basic nutritional needs. Food insecurity affects the functioning of all members of the family – adults and children – and can have very significant harmful effects on health and development.

To obligate the government of Israel to take responsibility for food security of Israeli citizens, the Latet organization petitioned the High Court of Justice. After the petition was submitted, the Itzkovich Committee was appointed and, for the first time, the government's responsibility for addressing this issue was recognized.

In light of the recommendations of the Itzkovich Committee and the work of the National Council for Food Security, the Committee decided not to submit detailed recommendations regarding food security. Notwithstanding the above, there is no doubt that food insecurity is a significant expression of severe poverty that needs to be addressed.

3.3 Correlation between Violence and Poverty

Studies have documented that many adolescents living in areas with high rates of poverty have been exposed to violence in the community either directly (as victims), or indirectly (as witnesses), and that there is a correlation between neighborhoods with concentrations of poverty and high levels of violence.

An examination of Ministry of Public Security data regarding offenses in Israel shows that most offenses involving "mild violence" (which account for most offenses reported in the criminal statistics of the Israel Police) take place in local authorities in the middle socio-economic level (4-5). "Severely violent" offenses take place, in authorities with the lowest socio-economic.

The City without Violence national program was selected as the flagship program of the government of Israel and the Ministry of Public Security for coping with antisocial behavior, violence, delinquency and crime. This is a system-wide, multidisciplinary program that addresses all types and cases of violence, crime and antisocial behavior in the city. In local authorities, the program is implemented by the mayor in cooperation with all organizations and agencies active in the city (enforcement, social services, education, immigration, etc.).

It is important that the program take into account the significant exposure and special implications for poor families and the implications for the efforts that need to be made to address these needs. This will reinforce all the other efforts that are being made to address the challenges faced by these families.

3.4 Israel Defense Forces (IDF)

The IDF, in addition to being responsible for the safety and security of the State of Israel, has a commitment to its role in addressing Israel's social challenges. On the one hand, all of the social problems that young adults encounter are taken with them as they enter the army and impact on their ability to serve and the quality of their service. At the same time, service in the IDF is based on the concept of its being a people's army and military service is both a core value and a national need. The IDF recognizes the need to be sensitive to the social challenges faced by its recruits and its role in the effort to prepare them for civilian life.

The wellbeing of the soldiers is the direct responsibility of their commanders and the broader support system that the army has created. This includes specialized social welfare personnel, who are responsible for identifying soldiers who are in need of and eligible for special assistance. The IDF makes efforts to receive timely information about the economic and social status of soldiers prior to their conscription to better address these issues from the earliest stages of initiation into the army.

A comprehensive approach to addressing the problems of families living in poverty should not overlook the special needs of the young adults from these families who are serving in the army. Furthermore, the goal should not only be to help ease the period of military service but to turn military service into an important opportunity for these young adults. Clearly military service may be the last time that these young people will be in a state-supported framework and appropriate support and guidance towards civilian life may well ease the way.

3.5 Sectorial Approach to Different Populations

The analysis of poverty in Israeli society emphasizes population groups and sectors (e.g., the ultra-Orthodox, Arabs (including Bedouins as a special group), new immigrants, etc.) who are characterized by much higher rates of poverty than the average in the population. Each group has its own characteristics, which often pose barriers that make it more difficult to cope with the challenges posed by poverty. As the recommendations in the report are accepted and implemented, the interventions will have to be adapted to the various populations in light of their special needs.

The Committee based its work on an overall review, the situation, the problems and required solutions for the entire population living in poverty. The recommendations in this report are presented from this perspective, and do not include attention to the specific needs of the various subgroups.

3.6 Single Mothers

The recommendations of the Committee are based on the overall view of the needs of all people living in poverty in Israel, and do not focus on specific sectors and population groups. One of these groups is single-parent mothers. The support today for these families is inadequate and in the implementation of the committee recommendations, it is important to pursue ways to expand the assistance to this group, including opportunities to pursue post-secondary education.

3.7 Social Impact Bonds

Israeli society faces a variety of severe social problems that require financing and, therefore, creative financial solutions are required.

Social Impact Bonds is a financial instrument that raises capital from private and institutional investors to fund the activities of nonprofit organizations involved in addressing social problems in areas such as employment, prisoner rehabilitation, health, education, youth at risk, etc.

The Committee did not address the broader issue of the sources of funding for its recommendations. In view of the growing success of this financing method around the world, the Committee believes that it is important to evaluate the role that this financial strategy can play in some of the recommendations.

3.8 Activities of the Third Sector

Nonprofit organizations play a significant role in the war against poverty in Israel, as developers and providers of services, as a source of complementary funding for the public system, and as a source of volunteers.

There is currently a lack of sufficient collaboration, coordination and synchronization between the public sector and the voluntary sector. On the one hand, this may lead to the duplication of efforts, but, on the other, some individuals may not receive the assistance they need.

Cooperation and coordination between the nonprofit and public sectors, and among the various third sector agencies at the national and local levels should be strengthened to produce a more effective utilization of all available resources and to strengthen the effort to assist families living in poverty.

Chapter 4:
Background to the Establishment of the Committee,
its Structure and its Procedures

4. Background to the Establishment of the Committee, its Structure and its Procedures

On November 5, 2013, the Minister of Social Affairs and Social Services appointed Eli Alaluf to head the Israel Committee for the War Against Poverty in Israel, and shortly thereafter, the members of the Committee were appointed.

The letter of appointment commissioned the Committee to recommend action to be taken by the state for a comprehensive war against poverty.

The Committee was convened against the background of the increase in poverty in Israel since the year 2000 and the recognition of the need for an overall perspective on poverty as a multidimensional problem requiring an integrative approach by all branches of government.

4.1 Committee Membership

The plenum was made up of 50 members with expertise in a wide range of areas. It also included representatives from different social institutions concerned with poverty: representatives from the public sector at the national and field levels, local authorities, academia, representatives of major NGOs and social activists. In selecting the Committee members, efforts were made to include a broad representation of opinions and viewpoints.

The subcommittees included some members of the plenary committee and additional members involved with the specific topic dealt with by the Committee. On average, each subcommittee had 10 members.

4.2 The Committee's Organizational Structure and Procedures

The Committee worked through the plenary committee, subcommittees, additional forums and the administrative team.

The Plenary

The plenary committee approved the overall strategy for the Committee's work and for setting up the forums and subcommittees. In the early meetings, key representatives of the system presented their views of the problem and proposed courses of action. The committee subsequently received reports from the subcommittees and provided feedback to enable them to continue their work. In addition, the Committee chairman held consultations with the Minister of Social Affairs and Social Services, the Prime Minister's Office, and the Minister of Finance and his staff, as well as other relevant ministers.

Additional Forums

In addition to the plenary committee, additional forums were established:

- **Forum of chairs of subcommittees:** This was a forum for ongoing consultation during the Committee's work. The forum received regular updates about the work of the subcommittees. It also met to discuss the emerging recommendations in order to create an integrative perspective on the nature and content of the recommendations and the relationships between them. In addition, the forum developed the crosscutting recommendations.
- **Subcommittees:** The subcommittees conducted in-depth examinations in their respective areas that addressed various dimensions of poverty in greater depth: social services and income support; employment and earnings; educational opportunity; health; and housing. They prioritized the main issues, evaluated existing programs for addressing these issues and identified the main deficiencies. Based on their analysis, recommendations were formulated to address the issues and were submitted to the plenary committee.

Administrative Team

The administrative team was responsible for coordinating and managing the processes that took place in the various forums and comprised the chairman and coordinators who assisted the plenary and subcommittees. The team coordinated meetings of the various forums and drew up inter- and intra-subcommittee agendas; prepared background documents for the forum meetings; coordinated meetings with public agencies; was in charge of consolidating the recommendations; and wrote this report.

4.3 Public Involvement in the Committee's Work

This team consisted of the chairman, a coordinator and three members of the plenary. Its mandate was to pursue ways to involve the public in the Committee's work. The public was included at various levels.

The plenary meetings were open to the public and the media and allowed them to make comments from the floor. Representatives of organizations involved with poverty were invited to appear before the plenary and subcommittees which included social activists and representatives of families living in poverty. At the Committee's initiative, a plenary meeting was devoted to hearing evidence from people living in poverty.

The committee had an active website, where it announced the dates of meetings and posted minutes of plenary meetings, and additional updates on its work.

The website had contact details for the Committee, including fax number and email. The Public Involvement team reviewed and responded to all inquiries received by the Committee through all media

(telephone, email, fax, mail) appropriately. The contents of the inquiries were transferred to the relevant subcommittee.

4.4 Process of Prioritizing the Recommendations

The recommendations reflect a broad, integrated perspective of all areas affecting and affected by poverty.

The crosscutting recommendations refer to all aspects of life. They are based on an overall perspective of the needs of people living in poverty and set out the organizational requirements. They constitute the foundations on which the public and social systems can start addressing the issue of poverty in Israel. They are not directed at any one specific ministry.

The subcommittees formulated a broad range of recommendations. Out of these, a more limited list was selected for inclusion in the committee's final, plenary-approved recommendations. The process of choosing among the recommendations took into account the effectiveness, feasibility and cost of each proposal. An attempt was made to include a range of recommendations relating to the various dimensions of poverty reflecting the multidimensional approach and the importance of encouraging coordinated action and integrated care.

Chapter 5:
Official and Multidimensional Definitions of Poverty

5. Official and Multidimensional Definitions of Poverty

5.1 Official Definition

Poverty is a multidimensional social phenomenon that affects people, families and communities that experience it in the present and in the future.

The Relative Approach and Definition of Poverty Line

The official definition of the State of Israel, as manifested in the annual publication of the National Insurance Institute, is as follows: “The measuring of poverty in Israel, similar to most western countries and international organizations, is based on the relative approach according to which poverty is a phenomenon of relative distress that must be evaluated in relation to the standard of living that characterizes the society. Specifically, a family is defined as poor if its standard of living, as reflected by the disposable income per standard individual, is lower than half the median of this income.” The National Insurance Institute’s annual publication on poverty is based on surveys of annual income and expenses conducted by Central Bureau of Statistics on an ongoing basis.³

Based on disposable income, the poverty line per standard individual in 2012 was NIS 2,820, which translates into a poverty line based on a family size described in the following table. Accordingly, the poverty line based on family size in 2012 is presented in Table 1. The table shows that the poverty line is NIS 2,820 per individual, NIS 7,219 per family of four, and NIS 12,634 per family of nine.

Table 1: Poverty Line per Family Size, 2012

No. of People in the Family	NIS Monthly
1	2,820
2	4,512
3	5,978
4	7,219
5	8,460
6	9,588
7	10,716
8	11,731
9	12,634

Source: National Insurance Institute, 2013.

³ National Insurance Institute, Poverty and Social Gaps Annual Report, 2012.

Definition of Family Income

In measuring poverty, two definitions of family income apply:

1. **Economic income:** Including gross income from work (independent or salaried), assets, pension from work, and support from other households. This definition reflects mainly the income from the economic activities of a family. The reduction of economic poverty identifies with the objective of leading people to independence, in the sense of a level of income above the poverty line based on their economic activities.
2. **Disposable income:** Economic income plus transfer payments, deducting direct taxes (income tax and National Insurance Institute fees). In other words, the income of a family to satisfy its needs. The reduction of poverty in terms of disposable income reflects the economic activities of the family as well as the redistribution of income by the tax and pensions system. The measure of payment transfers include, in addition to the National Insurance Institute's pensions, additional types of financial support that are measured in the survey of family expenses, such as assistance in rent.⁴

According to the definition of relative poverty, the poverty line is updated every year according to the increase in the median per capita of all families in the economy.

Definition of the Unit for the Measuring of Poverty

The basic unit for measuring poverty is the household, where the income of all individuals in the household are summed up.

Based on the guidelines of the Central Bureau of Statistics, the type of household is defined by the characteristics of the head of the household in terms of age, origin, etc. Therefore, the practice is to depict the scope of poverty in terms of the number of households below the poverty line. Furthermore, it is also customary to present poverty in terms of the number of individuals in poor households.

Definition of the Depth of Poverty

The main definition of depth of poverty is the increment between the income of a family living in poverty and the poverty line in terms of the family's size. This difference is divided by the poverty line to express the gap in percentage – it is called 'income gap ratio'. In the following sections, it will be referred to as depth of poverty.

⁴ Other components of financial support, such as employment grants to working families and others, are not yet measured.

5.2 Multidimensional Definition

Many references exist in the literature to the fact that poverty is not only an issue of low income but also a broader, multidimensional problem. There is no single agreed-upon manner to define multidimensional poverty. It is only possible to indicate the components that are highlighted and common to different definitions in the literature. Each component has a unique importance to understand the experience of people living in poverty.

Upon treating these components, a distinction is made between the characteristics of the individual and various components of the systems that affect the individual's life. In this context, there is a separation between gaps in resources and results and gaps in opportunities.

Different approaches were developed based on the work of Amartya Sen (Sen, 1985), which referred to capabilities and exclusion, that developed at the end of the 1990s and refer to poverty as the lack of accessibility to social resources (Bradshaw, 2000; Townsend, 1962; Nussbaum, 2003; Gordon et al, 2000).

Another angle refers to poverty as the continuous lack of different sources of capital (like financial, physical, human, social, and communal). In other words, lack of resources and opportunities that enable an individual in a household to better their quality of living, plan their future, and realize their chances of social mobility. According to this definition, people living in poverty face structural barriers that do not allow them to accumulate new capital and realize the capital at their disposal.⁵

Around the world, there are attempts to create a policy for coping with poverty based on the multidimensional approach (for example, OPHI)⁶.

These approaches refer not only to the practical impact of the opportunities, but also to the ideological significance of ensuring equal opportunity and the importance of this objectives for both adults and According to these approaches, the state is heavily responsible for removing the barriers for equal opportunity.⁷

Later in this report, other poverty dimensions are presented (beyond data based on family income), which emerge from the literature on multidimensional poverty.

⁵ Yekutiel Tzeva, presentation to the Committee, 2014.

⁶ OPHI website.

⁷ Townsend, P. (1962) 'The meaning of poverty', *British Journal of Sociology* 8; Sen A.K. 1985. *Commodities and capabilities*. North Holland, Amsterdam.; Nussbaum M. (2003) *Capabilities as fundamental entitlements: Sen and social justice*. *Feminist economics*, 9, 2-3, pp 33-59.; Bradshaw, J. and Middleton, S. (2000) *Child poverty and social exclusion*; Gordon, D., Levitas, R., Pantazis, C, Pastsios, D., Payne, S., Townsend, P, Adelman, L., Ashworth, K., Middleton, S., Bradshaw, J., and Wiliams, J. (2000). *Poverty and Social Exclusion in Britain*. Joseph Rowntree, Krumer-Nevo M., and Barak A. 2006. "Participatory action research: The welfare System from the Perspective of welfare Services Users", *Social; Foundation*., 11-38: 72. Security;

Dimensions of Poverty:

Upon examining the issue of poverty, we must refer to the variety of characteristics that affect those living in poverty, which create the need for a multidimensional perspective.

A. Characteristics at the Individual and Family Level

- 1. Broader perspective of financial aspirations (financial capital):** Financial resources beyond income (assets, savings, liabilities, financial support from the extended family)
- 2. Broader perspective of the concrete significance of standard of living:** Specific components of standard of living, such as nutrition level, housing level, or environmental conditions in the neighborhood
- 3. Integrated perspective of financial, health and social problems:** Additional problems of the family (health-related or social) among parents or children, such as physical limitations, learning disabilities, emotional difficulties and problems, addictions and other non-normative activities, difficulties in familial relationships, a child at risk due to developmental, behavioral or learning issues
- 4. Broader perspective of social resources (social capital):** Social network and social support (extended family, neighbors, friends)
- 5. Ability to cope (human capital):** Capabilities, strengths and motivation of the family to actively cope with its difficulties; recognition of the potential for changing the situation and their ability to affect it

B. Characteristics at the Public and Economic Systems Level (Opportunities and Barriers)

- 1. Labor market:** Opportunities for employment, for developing human capital, salary structure and equality of opportunity
- 2. Symbolic public dialogue:** Conceptualization of poverty in terms of recognition (Lister, 2004); in other words, the fact that poverty elicits in people suffering from it a sensation of embarrassment, stigma, and lack of recognition of their knowledge. A social policy for the treatment of poverty must therefore be based on the recognition of the strengths, capabilities and knowledge of people experiencing poverty and not on blaming them for being poor.⁸
- 3. Social services (education, health, employment, social services, etc.):** Accessibility, quality and compatibility
- 4. Characteristics of the living environment:** Violence, recreational opportunities, commercial services

⁸ Lister, R. (2004). Poverty. Polity Press.

- 5. Knowledge and information:** Access to information and knowledge, and assistance in realizing rights and opportunities

The following four meanings are added to these dimensions:

- 1. Cumulative effect:** The more the individual or the family are negatively affected by more dimensions, the deeper the distress and the lower the quality of living
- 2. Living conditions:** Many dimensions affect also the standard of living. For example, a family with debts and special expenses (like health expenses) will live at a lower standard than a family without such expenses
- 3. Causality and the dynamics between the various dimensions at the individual level:** Some of the dimensions at the individual level lead by themselves to a lower income, some are affected by income, and yet others both lead and are affected by the income. When characteristics like health, personal social condition and personal security pose challenges, they may make it difficult to realize opportunities and thus lead to entering into or deepening poverty. These characteristics may also worsen as a result of living in poverty. For example, a health problem may lead to a lower participation in the workforce and reduced income, thus entering a condition of poverty. Living in poverty by itself may later make it difficult to treat the health issues, and thus deepen poverty and make it difficult to come out of it.
- 4. Role of public and financial systems:** The process of falling into poverty is affected by the opportunities and barriers presented by the society and its institutions, including, of course, the public service systems. These systems are designed to create opportunities and help the individual realize them. Therefore, accessibility to these systems and their quality are critical. Opportunities may help them come out of poverty, whereas barriers may deepen it.

Looking at poverty as a multidimensional phenomenon has many repercussions in terms of planning how to cope with it, as manifested in later sections of this report.

Chapter 6:
Poverty in Israel and the Influence of Taxes and
Benefits on the Reduction of Poverty –
Current Situation

6. Poverty in Israel and the Influence of Taxes and Benefits on the Reduction of Poverty – Current Situation

This chapter presents the situation of poverty in Israel in 2012, according to the official definition of the National Insurance Institute, which is based on family income and size. All data is taken from the reports of the National Insurance Institute. First, the report presents the situation in 2012 of those living in poverty in terms of the percentage and depth of poverty, and the trends since the year 2000. Then, it presents an international comparison with OECD countries (hereinafter, the developed countries). Then it addresses the types of families living in poverty in terms of the percentages of poverty, and their weight among all poor families. In some items, it makes a distinction between the rate of poverty according to the economic income before taxes, income from work, pension and assets, and the percentage of poverty according to disposable income after taxes and benefits.

6.1 Extent and Depth of Poverty in Israel – 2012

In 2012, the rates of poverty by disposable income were: 19.4% among families, 23.5% among individuals, 33.7% among children, and 23.3% among the elderly. According to economic income before taxes and transfer payments, the rates are: 30.3% among families, 31.4% among individuals, 39% among children, and 48.9% among the elderly. In other words, the transfer payments and tax system reduce the rate of poverty by approximately 36% among families and 52% among the elderly, but much less among children (14%) (Table 2).

The significance of poverty depends not only on the scale of families defined as poor, but also in the depth of their distress, that is, the depth of poverty. There are several indexes for measuring the depth of poverty. The report refers to the most basic index – the increment between the income of those living in poverty and the poverty line, also called “depth of poverty”. It is customary to examine the “depth of poverty” as the percentage of the poverty line, and the National Insurance Institute calls this index “income gap ratio”. As indicated, the poverty line is calculated according to the number of individuals (including children) in a family. For a family with a given income, the more children in a family, the poverty line that is calculated for it will be higher (the income necessary so that the family is not considered a poor family is higher). The poverty gap will be higher respectively. It is possible to calculate this depth per individual family or to calculate the average of all poor families.

The average depth of poverty is 34%. That is, poor families are, on average, 34% below the poverty line. In other words, their income is, on average, 65% of the poverty line. The depth of poverty is obviously much higher and according to economic income – 56%, and the percentage of reduction is higher in some of the poverty scale and reaches 39%.

In summary, at the family level, the impact of the system of taxes and support is similar in terms of the extent of poverty and the depth of poverty. We succeed much less in reducing poverty among children.

Table 2: Extent and Depth of Poverty 2012, Families, Individuals, Children and Elderly, by Economic Income and Disposable Income

Poverty Rates	Economic Income	Disposable Income	Rate of Reduction
Total families	30.3	19.4	36.0
Individuals	31.4	23.5	25.0
Children	39.0	33.7	13.6
Elderly (individuals)	48.9	23.3	52.4
Depth of poverty	56.3	34.4	39.0
Absolute Numbers			
Families	686,700	439,500	
Individuals	2,345,700	1,754,700	
Children	945,900	817,200	
Elderly (individuals)	391,600	186,700	

Source: National Insurance Institute, Poverty and Social Gaps Annual Report, 2012.

6.2 Trends Since 1999

In the analysis of trends, we refer to the year 1999, which represents the situation before the economic crisis at the beginning of the 2000s and the Second Intifada, and to the year 2002, which was already affected by these two events. We also refer to the years 2011 and 2012, which represent the situation today. As indicated in the National Insurance Institute's report, in 2012, there was a significant change in the survey on which the estimates of poverty are based, and there is a certain difficulty in comparing the year 2012 to previous years. Therefore, we use also the data from 2011. Notwithstanding, the conclusions regarding the trends are not significantly different (see Table 3).

Trends in Poverty Rate and Depth by Disposable Income

The poverty rates increased in 2011 and 2012 compared with 1999 and 2002. The trend of increase was in particular until 2005; thereafter, there was a stabilization of poverty rates.

We present the trend among families, followed by the trend among individuals – elderly and children.

Families:

- The difference compared with 1999 is not that significant. The rate of poverty increased from 18% in 1999 to 20% in 2011 and 19% in 2012

- There was an increase in the depth of poverty from 30% in 2002 to 34% in 2012

Individuals:

1. Overall: The overall poverty rate increased over the decade from 19.5 in 1999 to 23.5 in 2012. Most of the increase incurred up to 2005 and the poverty rates have declined somewhat. As we see below, this reflects two very different trends among elderly and children.

2. Elderly:

- Since 1999, there were increases and decreases in the poverty rate. In 2011, the poverty rate was 20% and in 2012, it was 23%. This is somewhat lower than the rate of poverty at the earlier part of the decade which reached a peak of 25%.

3. Children:

- The major increase in poverty since 1999 has been among children - 26% in 1999 compared with 35% in 2005 and 34% in 2012. Thus, most of the increase occurred until 2005, and since then it stabilized with a small decrease in 2012.

Trends in the Reduction of Poverty by Transfer Payments and Taxes

Among others, the increase in poverty is related to the lower ability of the transfer payments and taxes system to reduce poverty. The rate of reduction in the rate of poverty among families between economic income and disposable income decreased from 47% at the beginning of the decade to approximately 39% in 2011 and approximately 37% in 2012 (Table 4).

Table 3: Trends in the Rate and Depth of Poverty among Families and among Individuals, Children and the Elderly by Disposable Income

	1999	2002	2005	2011	2012
Families					
Poverty rate	18.0	18.1	20.6	19.9	19.4
Depth of poverty	25.8	29.7	33.1	34.7	34.4
Individuals					
All individuals	19.5	21.1	24.7	24.8	23.5
Children	26.0	29.6	35.2	35.6	33.7
Elderly	23.9	19.4	25.2	19.8	23.3

Source: National Insurance Institute, Poverty and Social Gaps reports – multiple years.

Table 4: Trends in Poverty Rates by Families, Individuals and Children and in the Rate of Reduction in Poverty Rate between Economic Income and Disposable Income

	2002	2005	2011	2012
By Economic Income				
Families	33.9	33.6	32.8	30.3
Individuals	33.2	33.8	33.7	31.4
Children	39.7	41.1	41.9	39.0
By Disposable Income				
Families	18.1	20.6	19.9	19.4
Individuals	21.1	24.7	24.8	23.5
Children	29.6	35.2	35.6	33.7
Rate of Reduction				
Families	46.6	38.7	39.3	36.6
Individuals	36.4	26.9	26.4	25.2
Children	25.4	14.4	15.0	13.6

Source: National Insurance Institute, Poverty and Social Gaps reports – multiple years.

6.3 International Comparisons with Developed Countries

This section presents an international comparison of poverty in Israel and in developed countries. The OECD follows and publishes data about inequality and poverty in developed countries. OECD data is based on the same relative approach adopted by the National Insurance Institute in Israel, but the measuring of poverty is different in relation to the size of a family compared with Israel. The OECD assumes more advantages to a family when the number of its members is higher. In other words, each additional individual leads to a smaller increase in the estimate of the needs of the family, which is expressed in a smaller increase in the poverty line. The data about Israel presented in this section was calculated also according to the OECD assumption, and therefore is slightly different from the official rates presented by the National Insurance Institute. Furthermore, OECD data is less updated and there is a minor difference in the years used as the basis of comparison. The OECD presents data on poverty only by individuals (see Table 5). The rate of poor individuals in Israel is much higher than the average of developed countries – approximately 19% in Israel in 2012 compared with 11% in developed countries in recent years. The poverty rate in Israel is the highest among all countries, with the countries closest to Israel being the United States and Japan.

The difference in the depth of poverty is smaller: approximately 32% in Israel compared with 27% in average in developed countries. Israel is ranked in the seventh place.

The gap in poverty rates compared with developed countries can be found in all age groups, but there is a particularly larger different among the elderly and children. The poverty rate among old people in Israel is 21% compared with the average of 15% in developed countries, which ranks Israel in eight place. Among children, the gap is even bigger, with a poverty rate of 28% in Israel compared with 13% in average in the developed countries. Therefore, Israel ranks at the top of the table with the highest poverty rate among children.

In summary, in Israel the poverty rate is the highest among developed countries, and it ranks in the highest place. The poverty rate is above the average among both children and old people, with a larger gap among children. That is, the poverty rate among families with children is the rate that ranks Israel at the top of the list.

Table 5: Extent and Depth of Poverty among Individuals by Disposable Income in Israel Compared with the OECD (Western Countries)

Disposable Income	Israel		OECD		
	Year	Poverty rate	OECD Average (Recent Years)	Highest Other than Israel*	Israel's Rank*
All Individuals					
	2010	20.9	11.3	USA	1
Poverty rate	2012	18.8	11.1	Japan	1
Depth of poverty	2011	31.8	27.2	USA/Korea	7
Children	2011	28.0	12.6	USA/Spain	1
Elderly	2011	20.7	14.8	Korea	
Inequality index	2012	0.365	0.313	USA	2

Sources: National Insurance Institute, 2013. Poverty and Social Gaps, Annual Report, 2012, National Insurance Institute, 2013. Annual Report, 2012.

*In the determination of Israel's rank, we did not take into consideration Turkey, Chile and Mexico.

6.4 Subgroups Representation

This section presents the extent and depth of poverty by subgroup. We relate primarily to family unit but also refer selectively to individuals and children. A distinction is made between types of families and population groups (see Table 5):

1. Family types

- A. Families with children by family size
- B. Single-parent families
- C. Family of working age/working and not working

2. Population groups

- A. Arabs
- B. All Jews
- C. Ultra-Orthodox

Family Types

A characteristic that significantly affects the poverty rate is family size. This stems in part from the fact that the level of income required to reach the poverty line is much higher among large families. Moreover, there is a correlation between family size and the level of education of the parents and the rate of participation in the workforce. This is manifested in high differences in poverty rate by family size. Thus, the poverty rate by disposable income among families with children is approximately 25% and increased from 18.5% in families with 1-3 children to 67% in families with 5 and more children. There is a smaller gap in the depth of poverty – 31% among families with 3 children and 41% among families with 5 and more children.

The poverty rate is also very much influenced by the employment status of the family. The poverty rate is 66% among families without an earner of working age, and decreases to 25% when there is one earner, and to 5% when there are two earners. It decreases even more, to 1%, if there are two earners with full time jobs.

Employment has a very significant effect on the depth of poverty (by disposable income); it is 54% among families of working age that do not work, and decreases to 31% among families with one earner, and to 22% among families with two earners. In other words, poor people that work are in better financial condition even if they are below the poverty line.

Single-parent families are another type of family with a relatively high poverty rate of approximately 29%, and a depth of poverty of 33%.

Population Groups

The trends by family types are directly related to the gaps in poverty between population groups. Among all Jews, the poverty rate is 14%, but it increases to 53% among the ultra-Orthodox and to 54% among Arabs.

Among the ultra-Orthodox and Arabs by disposable income, there is a higher rate by economic income. The poverty rate by economic income is 26% among all Jews, compared with 59% among the Arabs and 68% among the ultra-Orthodox. This rate expresses a lower participation in the workforce and a lower earning power. Similarly, the poverty rate by economic income of a family with 5 children or more is 71%. The differences in the depth of poverty are less dramatic. The depth of poverty of Jewish families is 30%, compared with 40% among Arabs and 36% among the ultra-Orthodox.

Table 6: Poverty Rate and Depth among Families by Population Groups, 2012

	Poverty Rate		Depth of Poverty	
	Economic Income	Disposable Income		
Total Population	30.3	19.4	36.0	34.4
Population Groups				
All Jews	25.9	14.1	45.5	29.8
Ultra-Orthodox	68.0	53.2	21.8	36.3
Arabs	59.2	54.3	8.4	39.6
New immigrants	34.8	17.3	50.1	25.1
Family Types				
Total Families with Children	30.5	24.8	18.7	35.4
1-3 children	24.5	18.5	24.6	31.4
4 children and more	60.7	56.6	6.7	39.4
5 children and more	71.1	67.1	5.6	40.6
Single-parent families	45.1	29.0	35.8	36.0
Employment Status of the Head of the Household				
Works	19.7	13.7	30.6	29.2
Employee	20.1	13.7	32.0	28.7
Independent	16.5	13.4	19.2	33.1
Does not work among those of working age	89.1	66.1	25.8	54.2
One earner	36.0	24.6	31.7	31.4
Two earners and more	6.8	5.0	26.2	22.3

Source: National Insurance Institute, Poverty and Social Gaps Annual Report, 2012.

6.5 Representation of Each Group among the Poor by Disposable Income

This section presents the representation of the various groups among the poor by type of family and disposable income (see Table 6).

It should be pointed out that the picture that emerges about the ranking of groups by their weight among all poor is different from the picture that emerges from their ranking by poverty rate among them. Both perspectives are relevant and each has its own unique significance. Poverty rate reflects the risk of the group of living in poverty. The weight of the groups refers to their size relative to the size of all poor people. A high poverty rate of a specific group affects the rate of economic poverty more when the weight of the group is higher among the entire population. For example, among Ethiopian immigrants, the poverty rate is higher, but since the group is small (1.5% of the entire population), its weight among those living in poverty is low, and therefore its effect on the overall poverty rate is low as well.

Working Families

Working families represent 56% of those living in poverty, despite the relatively low poverty rate among them. These families have increased their weight substantially since 2002, when they represented only 38% of poor families. A special analysis by the Bank of Israel indicates that the increase in the participation of less educated employees in recent years has increased the weight of the working poor. Notwithstanding, these families have decreased their depth of poverty by entering the workforce.

Families with Children

Families with children represent 58% of all families living in poverty. The weight of families with 1-3 children is higher than the weight of families with 4 and more children (36% compared with 22%), despite the higher poverty rates among the larger families. No significant difference was found between the years 2002 and 2012 in the weight of families by family size.

In terms of families with children, we looked also at the distribution of children by family size. First, children represent 46% of all individuals living in poverty. 40% of children come from families with 1-3 children, despite the fact that the poverty rate among them is much lower (see Table 8).

Single-Parent Families

Single-parent families represent approximately 9% of all families living in poverty. Their weight in 2012 increased a little compared with their weight in 2002.

Families by Population Groups

Other Jewish families represent 45% of all those living in poverty, whereas the poverty rate among them is only 19%. Conversely, ultra-Orthodox families represent 19% and Arab families 37% of those living in poverty.

Table 7: Weight of Families Living in Poverty by Subgroups and by Disposable Income

	2002	2011	2012
Type			
Working poor	37.7	52.9	56.0
Families with children	57.4	60.9	57.6
1-3	37.2	38.4	35.8
4 or more	20.2	22.5	21.7
Single-parent families	7.9	8.5	9
Population Groups			
Ultra-Orthodox		12.5	18.8
Arabs	33.1	38.9	36.6
Other Jews		48.6	44.6
Jews	66.9	61.1	63.4

Source: National Insurance Institute, Poverty and Social Gaps reports – multiple years.

Table 8: Weight of Children Living in Poverty by Family Size

	2012
Weight of children in total number of individuals	46.5
Children by Family Size	
Children in families: 1-3	40.0
Children: 4 and more	60.0
Children: 5 and more	39.6

Source: National Insurance Institute, Poverty and Social Gaps Annual Report, 2012.

6.6 Summary

The poverty rate in Israel is very significant and the highest among developed countries. The difference stems primarily from the rate of poverty among families with children. The depth of poverty is also above the OECD average, and Israel ranks in the seventh place.

Poverty has increased since 1999 and 2002 compared with 2012, but since 2005, it has been relatively stable. The increase is manifest mainly in children.

The rate of poverty is particularly high among families with no earner and large families with four or more children, and thus among ultra-Orthodox and Arab families. The high weight of large families with low education levels poses a unique challenge to Israeli society in respect of preventing and reducing poverty. Notwithstanding, each population group has a significant weight among poor families, both in families with 1-3 children and in Jewish families that are not ultra-Orthodox.

The rate of poverty by economic income (before paying taxes and receiving transfer payments) in 2012 was 30%, and decreases to 19% by disposable income (after paying taxes and transfer payments). This is a reduction of 37%. At the beginning of the decade, the rate of decrease was higher and reached 46%. It decreased due to the changes in the tax and transfer payments system.

According to the relative poverty, the basis for the measuring of poverty rate is related to the extent of inequality in society, which is similar in its trend to that of the poverty rate. According to OECD data, the level of inequality in Israel is almost the highest among developed countries. Inequality has increased significantly since between 1999 and 2005, and decreased slightly in 2011. This trend is the basis for understanding also the data on the scope of poverty in Israel.

Chapter 7:
Indicators of Multidimensional Poverty

7. Indicators of Multidimensional Poverty

This chapter presents the relationship between various social need indicators and the economic situation of families. The indicators give expression to the multiple dimensions of poverty and expand the understanding on life in poverty in Israel. The indicators are based in part on situations (e.g. delays in payment of bills, for example), and in part on feelings (e.g. depression or the sense of ability to cope with problems). In general, there is lack of systematic data about the various dimensions of poverty. Furthermore, it is not possible to present the data in relation to a standard single measure of economic status and we made use of several measures. Thus the data presented in this chapter gives a partial and selective picture of the multiple dimensions of poverty.

7.1 Data Sources

The data are taken from a number of data sources.

Some of the data were taken from the 2013 Social Survey of the Central Bureau of Statistics (CBS), which included special questions about the social welfare of the population. Some came from other sources: other CBS surveys, the Myers-JDC-Brookdale Institute Public Opinion Survey of the Performance of the Healthcare System, and data from the National Authority for Measurement and Evaluation in Education (RAMA).

1. Indicators of financial and emotional hardship: These are taken from the Social Survey, and presented by total disposable income. It should be noted that the Social Survey cannot at present be used to identify populations that live in poverty according to the official definition of income per standard adult of a family, as defined by the National Insurance Institute (NII) but we use instead a rougher proxy.

All income levels are presented in the tables; however in most cases, the findings in the text are presented for the group with the lowest income (less than NIS 5,000, which represents 17% of the families), and the group with the highest group (above NIS 17,000, which represents approximately 40% of the families).

In the tables, we present the two extremes. The questions in the Social Survey offer a series of response categories on the continuum between "Very good," and "Not good at all," or between "Very often" and "Never."

2. Health indicators: These are taken from the Myers-JDC-Brookdale Institute Public Opinion Survey on the Healthcare System and are presented according to quintiles of income per standard adult.

3. **Social needs indicators:** These are taken from the CBS Statistical Abstract of Israel, in which the tables are based on data from the Ministry of Social Affairs and Services, and presented by the CBS socio-economic index of municipalities.
4. **Educational indicators:** These are taken from the National Authority for Measurement and Evaluation in Education RAMA and from the CBS Statistical Abstract of Israel, and presented by the socio-economic index of municipalities or according to Ministry of Education index of the socio-economic status of the family.

7.2 Financial Difficulties-Dimension

1. **Housing expenditures services – delays in payments and disconnection of services due to economic difficulties in the last 12 months:** The lower the income level, the greater the number of respondents reporting delays in rent or mortgage payments (17% with income up to NIS 5,000, vs. less than 2% with income above NIS 17,000), delays in payment of bills such as electricity, municipal taxes, telephone or water (44% vs. 4%), and on disconnection of services like telephone or water due to economic difficulties in the last 12 months (20% with income up to NIS 5,000 vs. 1% with income over NIS 17,000).
2. **Concern about the ability to save for the future:** The lower the income level, the more worried the respondents are about not being able to save money for the future (39% with income up to NIS 5,000 vs. 12% with income above NIS 17,000).
3. **Urgent appeal for NIS 5,000 urgently to cover an important need that arises:** Among the lower income levels, more respondents reported that if they urgently had to raise NIS 5,000 for an important need, they would not ask anybody (26% with income up to NIS 5,000 vs. 11% with income above NIS 17,000).

Table 9: Delay in Payments or Disconnection of Services in the Previous 12 Months due to Economic Difficulty, by Total Net Income

	Delay in Payment of Rent or Mortgage	Delay in Payment of Bills	Disconnected from Services like Telephone, Electricity, Water
Up to 5,000	17	44	20
5,001-8,000	13	39	16
8,001-10,000	10	26	8
10,001-17,000	6	16	4
Above 17,000	2	4	1
Total	9	25	9

Source: Social Survey, Central Bureau of Statistics, 2013.

Table 10: Worried about Being Unable to Save Money for the Future, by Total Net Income

	Very Worried	Not Worried at All
Up to 5,000	39	16
5,001-8,000	53	15
8,001-10,000	32	19
10,001-17,000	52	17
Above 17,000	21	25
Total	82	19

Source: Social Survey, Central Bureau of Statistics, 2013. Question: Are you worried that you will not be able to save money for the future? (Possible answers: Worried, Not So Worried, Not Worried at All, Don't Know).

Table 11: Would Not Ask Anyone for Support when Having to Raise NIS 5,000 Urgently for an Important Need, by Total Net Income

	Would Not Ask Anyone for Support
Up to 5,000	26
5,001-8,000	18
8,001-10,000	14
10,001-17,000	11
Above 17,000	11
Total	16

Source: Social Survey, Central Bureau of Statistics, 2013.

7.3 Emotional Dimension

1. **Depression:** The lower the income, the greater the number of respondents who reported that they always or frequently feel depressed (19% with income up to NIS 5,000 vs. 3% with income above NIS 17,000), and fewer reported that they never feel depressed (33% vs. 56%, respectively).
2. **Sleep disturbances:** The lower the income level, the greater the number of respondents reporting that, in the previous 12 months, they had worries that always or frequently kept them awake (34% with income up to NIS 5,000 vs. 11% with income above NIS 17,000). Fewer reported that they never feel that way (22% vs. 34%, respectively).
3. **Ability to cope with problems:** The lower the income level, the fewer the respondents who reported that in the last 12 months they felt they could always or frequently cope with their problems (only 45% with income up to NIS 5,000 vs. 86% with income above NIS 17,000).

Table 12: Felt Depressed and had Worries Disrupting Sleep in the Previous 12 Months, by Total Net Income

	Always or Frequently	Never
1. Feels Depressed²		
Up to 5,000	19	33
5,001-8,000	12	43
8,001-10,000	7	45
10,001-17,000	5	49
Above 17,000	3	56
Total	9	46
2. Sleep Disruption³		
Up to 5,000	34	22
5,001-8,000	22	26
8,001-10,000	19	28
10,001-17,000	15	30
Above 17,000	11	34
Total	19	29

Source: Social Survey, Central Bureau of Statistics, 2013.

Table 13: Felt Able to Cope with Problems in the Previous 12 Months, by Total Net Income¹

	Always or Frequently	Sometimes, Now and Then	Seldom	Never
Up to 5,000	44	37	11	6
5,001-8,000	55	34	7	3
8,001-10,000	63	28	5	2
10,001-17,000	73	23	2	1
Above 17,000	86	21	2	0.3
Total	65	27	5	3

Source: Social Survey, Central Bureau of Statistics, 2013. Question: In the last 12 months, did you feel that you could cope with your problems? (Possible answers: Always, Frequently, Sometimes, Now and Then, Seldom, Never, Don't Know).

7.4 Social Dimension

Individuals registered with the social services: The lower the socio-economic level of the locality, the higher the percentage of individuals registered with the social services (32% in the lowest cluster vs. 7% in the highest).

Table 14: Individuals Registered with Social Services Departments, by Socio-economic Cluster of the Locality, 2012¹ (Percent of the Population of the Locality)

Cluster	Individuals Registered with Social Services
Cluster 1 (low)	32
Cluster 2	26
Cluster 3	22
Cluster 4	18
Cluster 5	19
Cluster 6	15
Cluster 7	12
Cluster 8	11
Cluster 9	10
Cluster 10 (high)	7

¹ Source: Statistical Abstract of Israel, Central Bureau of Statistics, 2013.

7.5 Health Dimension

In this section, the data are presented by income per standard adult.

- 1. Assessment of health status:** The lower the economic status, the greater the prevalence of health problems: 25% vs. 15% reported moderate or poor health status, 29% vs. 21% reported emotional distress.
- 2. Forgoing treatment or medication for various reasons:** The percentage of the population who went without treatment or medication for any reason (cost, waiting time, distance, etc.), is 44% among the lower quintile compared to 30% in the upper quintile. The gap is even higher among those who went without due to difficulties making the payment (21% compared with 6%,).

Table 15: Health Status by Income Quintiles

Quintile	Overall Health Status Assessment – Moderate or Poor	Emotional Distress	Went without Treatment or Medication for Various Reasons	Went without Treatment or Medication Due to Cost
Quintile 1	25	29	44	21
Quintile 2	28	25	36	13
Quintile 3	21	21	41	14
Quintile 4	18	20	34	8
Quintile 5	15	21	30	6
Total	21	23	37	12

Source: Public Opinion on the Level of Service and Performance of the Healthcare System, Myers-JDC-Brookdale Institute, 2013.

7.6 Educational Dimension: Achievements (Children)

- 1. Growth and Effectiveness Measures for Schools (GEMS) 2012/2013:** Children from a lower socio-economic background had lower GEMS scores in all subjects (Hebrew, mathematics, English and sciences), in two age groups (fifth and eighth grades), and in both examination languages (Hebrew and Arabic).⁹
- 2. High school matriculation that meets university admission requirements:** There is a large gap in the percentage of students eligible for matriculation certificates that meet university admission requirements between localities in low and high socio-economic clusters,. The gap is particularly

⁹ RAMA (National Authority for Measurement and Evaluation in Education)

noticeable within the Jewish population with 7% in localities in clusters 1-2 and 27% in clusters 3-4, compared with 76% in localities in clusters 9-10.¹⁰

- 3. International examinations (PISA, PIRLS, TIMSS):** As reported by RAMA, the gap in achievements in international examinations in Israel by the socio-economic background of the students is among the highest among the countries participating in the examinations.

Table 16: Eligibility for Matriculation Certificates that Meet University Admission Requirements among Twelfth-Grade Students, by Socio-economic Sector and Cluster of the Locality, 2010/11

Socio-economic Cluster	Jews	Arabs
1-2 (low)	7	36
3-4	27	37
5-6	52	37
7-8	68	46
9-10 (high)	76	-

Source: Statistical Abstract of Israel, 2013, Central Bureau of Statistics.

7.7 Summary

There is a strong connection between all the indicators and the socio-economic level of the household. The lower the socio-economic status, the greater the percentage of families reporting problems. Thus, a significant percentage of families living in poverty have at least one other problem that requires special attention, beyond their lack of income and usually more than one. As described in the previous chapter, some of the indicators examined not only constitute an additional problem, but may also be a cause of the decline into poverty. Some are also both.

At the same time, we see that not all families living in poverty have to contend with problems in all the dimensions. There are families that experience health difficulties and others that do not; those that feel that they can cope with their problems and those that cannot; whose children are successful in their studies and those that are not; and so on. Each family has its own nexus of problems.

The data in this chapter reinforce the importance of creating a system that can carry out a broad assessment of the problems of the families and adapt the responses to the unique nexus of needs of each family. This integrative approach to assisting families in poverty will not only ease their distress but also weaken and even prevent the vicious cycle of mutually reinforcing problems that both lead to increased poverty and are exacerbated in turn by poverty.

¹⁰ Central Bureau of Statistics, Statistical Abstract of Israel, 2013, Table 8.26.

Chapter 8:
Poverty from the Macroeconomic Perspective

8. Poverty from the Macroeconomic Perspective

The challenge of coping with poverty should be examined against the background of key economic and demographic trends, in order to establish the relationship between economic and social challenges.

8.1 Long-Term Per Capita Income¹¹

A. In per capita income in Israel lags behind other OECD countries. In 2013, per capita income in Israel was 92% of the OECD average and 63% of that in the United States.¹² The gap between Israel and the US is expected to increase. This is also an expression of lower levels of worker productivity.

B. The per capita GNP is an expression of the level of productivity.

The following are some of the possible explanations for the low productivity level in Israel:

1) Extent of physical capital (means of production) – the rate of investment in physical capital in Israel is low and, as a result, the levels available to the Israeli worker are lower than in OECD countries.

2) Business environment – the productivity level is expected to be higher in competitive economies. According to a report by the Committee to Increase Economic Competition, the level of competition in Israel is low. Furthermore, bureaucratic barriers, regulations and the legal system impact negatively on productivity. The World Bank's *Doing Business* report notes that there is room for improvement in these areas in Israel.

3) Increase in the workforce – in recent years, employment in Israel has increased and inexperienced employees, whose productivity is relatively low, have joined the workforce.

4) Number of working hours – the average number of working hours in Israel is higher than the OECD average, and this too decreases productivity.

C. Rate of increase – in 2004, per capita income began to increase significantly. However, in recent years, the trend has slowed down. In 2013, the rate of increase was 1.3, and according to Bank of Israel forecasts, in 2014 it will be 1.1. This compares to a rate of increase of 3.0 in 2004 and 2005.

D. Several factors threaten the growth rate of per capita income in the years to come, above all demographic changes.¹³ The forecasts for the future depend very much on how successfully these factors are addressed.

¹¹ Source: Bank of Israel.

¹² The data are calculated on the Purchasing Power Parity (PPP) principle – the conversion rates that generate the same purchasing power for different currencies by removing the differences stemming from different price levels among countries (OECD definition).

¹³ Based on data from the Central Bureau of Statistics (mid-term forecast). Source: Paltiel, Ari, et al. 2012. Long-Term Demographic Projections for the Israeli Economy (Hebrew).

- 1) Aging of the population: Since 2010, the population aging rate has accelerated. This trend is expected to continue in the coming decades. The projection is that the percentage of people age 65+ will increase from approximately 10% in 2009 to approximately 17% in 2059, and the ratio between people age 65+ and the main working ages (25-64) will increase from 21% to 40%.
- 2) Population composition: The current trend, which is expected to continue, shows an increase in the proportion of ultra-Orthodox and Arabs in the population in general, and in the population of working age in particular. According to the forecast, in 2059, the ultra-Orthodox and Arabs are expected to constitute around 50% of the entire population, compared with approximately 30% today. These population groups are characterized by low participation in the labor force and low work productivity, and hence their salaries are low. Moreover, these groups have many children per family, and require more support to rise above the poverty line.
- 3) Human capital: Over the next few years, the average educational level of people of working age is expected to decrease, and the gaps in education are expected to increase.¹⁴ The reasons are many and stem from a combination of factors, including:
 - A. Increase in the weight of populations whose education level is relatively low, or is not effective for the needs of the labor market
 - B. In the next few years, the number of educated new immigrants is not expected to increase.
 - C. Aging of the population and, as a result, increase in the weight of people with a relatively low educational level.

Today, Israel ranks 16 among OECD countries in terms of the average number of years of education (among the main working ages). Based on the forecast, and assuming there is no change in the level of education of the respective population groups, Israel's ranking is expected to drop to 26 in 2059. The slowdown in the rate of increase of average education of those of working age will slow down the contribution of human capital to growth. Since the 1970s, the increase in the average number of years of study has contributed 40% of the total growth per capita. In the 2000s, the contribution was 20% of per capita growth.

¹⁴ Source: Economic Development in Recent Months 136, April to September, 2013, Research Division, Bank of Israel, Jerusalem; Memo by Argov (2013), Bank of Israel.

8.2 Development of Poverty in Israel and Implications for the Future

- A. The trends that slow growth also lead to an increase in inequality and poverty. Increased poverty will mean fewer resources are available to contend with the multiple needs of the poor.
- B. Globalization in trade and in the labor market also plays a role in the increase in poverty and inequality. On the one hand, this process increases the potential for growth and an enhanced standard of living, but on the other, it is detrimental to the relative status of individuals with a lower level of education. Globalization in trade exposes the economy to labor-intensive imports from countries where wages are low, and increases competition in the traditional branches of the export markets. These structural changes in the economy favor the education-intensive branches, and economic growth tends towards the hi-tech sectors.¹⁵ Consequently, the relative demand for workers with a low level of education decreases. Employment of foreign workers in Israel, whose cost is particularly low, also reduces the demand for Israeli workers with a low level of education.

8.3 Social Expenditure as a Percentage of GNP and in the Government Budget

The rate of social spending and the amount allocated to reducing poverty are another significant factor affecting the extent of poverty. In Israel, the rate of social spending is among the lowest among OECD countries. Social spending in Israel accounts for 15.8% of GNP compared with an average of 21.9% in OECD countries.¹⁶ Social spending in Israel is 37.5% of total public spending, compared with the OECD average of 44.5%.¹⁷

Several factors limit the ability to increase social spending and its percentage of GNP, to bring it closer to the percentages in OECD countries:

- A. The cyclically adjusted deficit in Israel is higher than in most developed countries. The current fiscal policy has to contend with the need to reduce the budget deficit both by increasing taxes and by reducing expenditure.
- B. Defense needs: Expenditure on security and defense in Israel is high compared with OECD countries. In 2011, defense expenses in Israel amounted to 6.2% of GNP compared to the 1.4% average in the OECD.

¹⁵ Karnit Flug, Nitza Kasir and Sigal Rivon (October 2000), "Unemployment and Education in Israel: Over Business Cycles, Structural Changes, and Technological Changes." *The Economic Quarterly*, 374-416.

¹⁶ Source: OECD data as at 2013.

¹⁷ Source: OECD data as at 2011.

C. Demographic changes: Maintaining the current level of public services – education, health and social services – requires an increase in spending in view of the expected demographic changes.^{18,19}

8.4 Summary

This analysis has indicated the difficulties encountered in efforts to reduce poverty and, at the same time, illustrates the necessity of taking steps to reduce economic poverty. The integration of poor populations into the workforce will contribute to growth and ensure that the fruits of growth will trickle down to them and help to extricate them from poverty in the long term. Furthermore, it will increase available public resources and increase support for individuals with limited ability to integrate into the workforce. The need to enable people living in poverty to become financially independent, coupled with the need to help those who are unable to do so, requires the right balance between the allocation of resources to incentivize labor market participation and the provision of income support.

Under conditions of low growth, in order to allocate more resources to reduce poverty there is a need for the government to change its budget priorities or increase taxes.

¹⁸ Source: Geva, A, "Demographic Changes and their Effects on Public Expenditure," Ministry of Finance (Hebrew). Based on the assumption that the components of public expenditure are expected to increase with the growth rate of per capita GNP. Thus, for example, to continue providing the current level of health services, the changes will require an increase in public expenditure on health of approximately 0.5% of GNP in 2029 compared with 2009, and of approximately another 0.4% of GNP in 2059.

¹⁹ Source: Committee for the Evaluation on How to Maintain Financial Strength, National Insurance Institute. Public expenditure on old-age pensions and long-term care are expected to increase. To maintain a similar level of old-age pensions, the average contribution of employees to finance old-age pensions in 2029 will have to be 44% higher than in 2009.