

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

# ISRAEL: A SOCIAL REPORT 2014

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## ISRAELI'S HEART LIES IN WESTERN EUROPE, BUT ITS FEET ARE PLANTED AT THE EASTERN AND SOUTHERN MARGINS OF THE CONTINENT

We belong to the West — that is how most Israelis see themselves and their country. In Israeli public discourse, the countries of reference on almost every topic are those of Western Europe and North America. On the face of it, this sentiment has its justifications: Israel has Nobel Prize laureates in chemistry, economics and literature. Israel has satellites circling Planet Earth. Israel has academic institutions that place high on international rankings. Israeli scientists and entrepreneurs register more international technological patents than their counterparts in most other countries. Israeli films win prizes in Europe and in the United States. Israelis feel at home when traveling to the countries of Western Europe and to the United States.

Yet, on most social and economic indicators, Israel ranks closer to southern and eastern European countries than to the United States or the countries of Northern and Western Europe. Israel's median disposable household income is similar to that of Slovenia, the Czech Republic, Greece and Spain. The same is true for the average wage of Israelis. Israel's GDP per capita is similar to that of Spain and only a bit higher than that of Slovenia and the Czech Republic. Israel's middle class is in retreat. Israel's poverty rate is closer to the poverty rates of South American countries like Mexico and Chile than to those of most Western countries.

Israel's economy is actually showing impressive advances. In the decade following the crisis caused by the second Palestinian Intifada, between 2004 and 2013, Israel's GDP grew by approximately 45%. The global financial crisis of 2008 hit Israel less hard than it hit other countries. Israel was able to find new markets in India, China and Russia. Participation in the labor force rose while unemployment declined.

Yet the fruits of growth, instead of trickling down, as promised by politicians, trickled up, as if defying the laws of nature. Employers' share of national income grew during the 2003–2012 period, from 11% to 15%, while workers' share decreased from 66% to 62%. Employees' real wages, whether median or average, hardly changed. The bargaining power of employees is on the wane, parallel with the weakening of labor unions and the growth of the phenomena of contracting out jobs. At the same time, the earnings of top corporate executives have skyrocketed. Publicly held financial assets, which as we know are concentrated mainly in the hands of the top one percent, have vastly increased. The resulting inequality places Israel amongst the countries of Eastern and Southern Europe — and at quite a distance from the West of the continent.

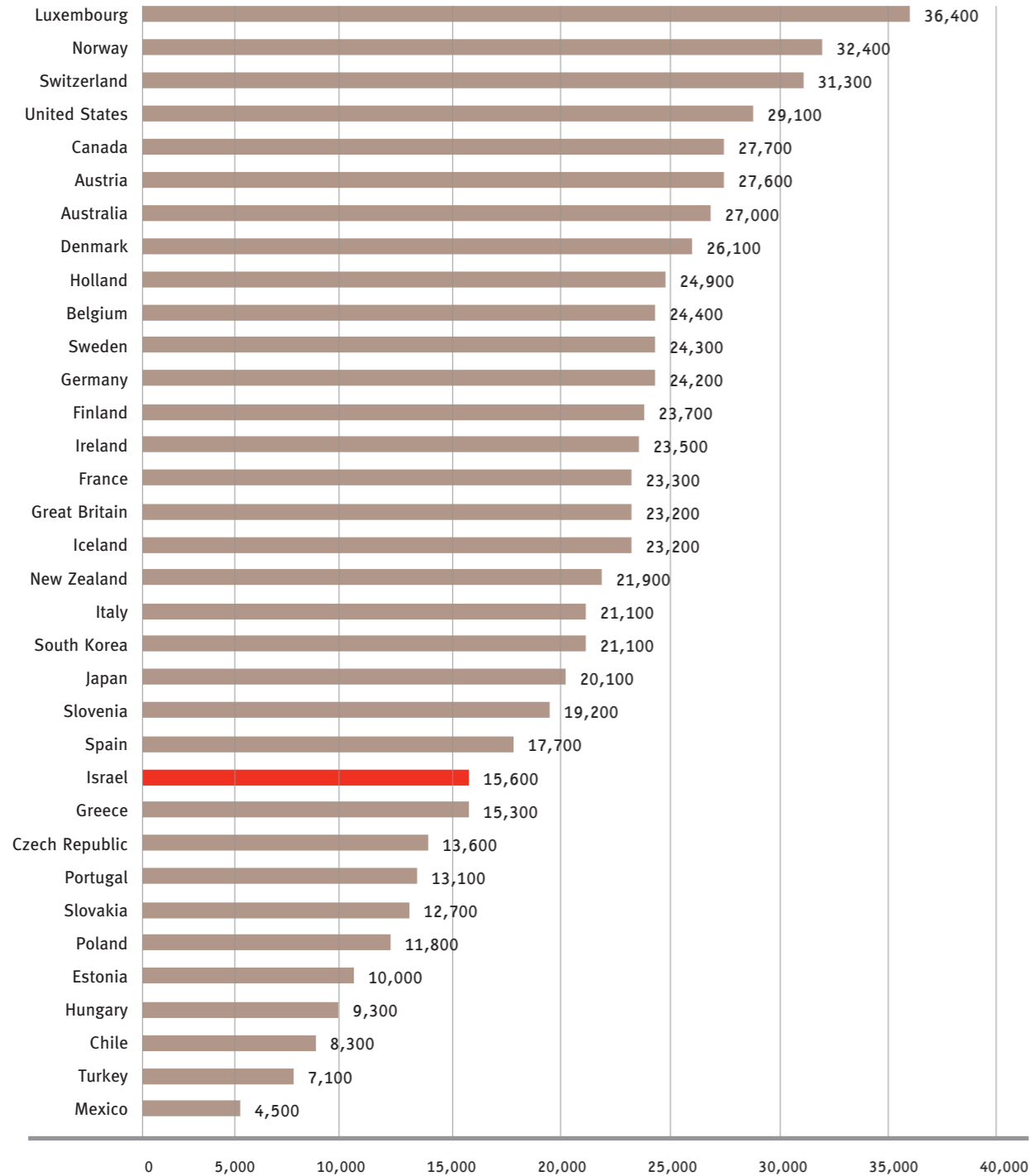
The Israeli “West” is an island populated by the high tech

industries and the financial institutions. That is, by a small sector of the Israeli population. Israeli leaders, their attention and resources focused on maintaining occupation of the Palestinian territories, are not doing very much to expand that island so as to accommodate additional Israelis. Israel is devoting fewer and fewer resources to civilian needs: as stated by the Bank of Israel, “public expenditure in general, and civilian expenditures in particular, are lower than the average for OECD countries . . . the size of public services, public investments in infrastructures and in government anti-poverty programs are lower than average levels in other OECD countries.” Tax policy favors the big corporations and the rich, thus foregoing resources that could enable the government to upgrade the standard of living of most Israelis.

Thus, most Israelis are firmly planted in Eastern and Southern Europe. Israel's grip on “the West” is weak. A great collective effort is required to strengthen and widen that grip. Such an effort, in turn, can come only after Israeli leaders free themselves from two illusions: one, that economic growth, in and by itself, can bring about the necessary improvement; two, that Israel can keep on growing indefinitely without a political settlement of the Israeli-Palestinian conflict.

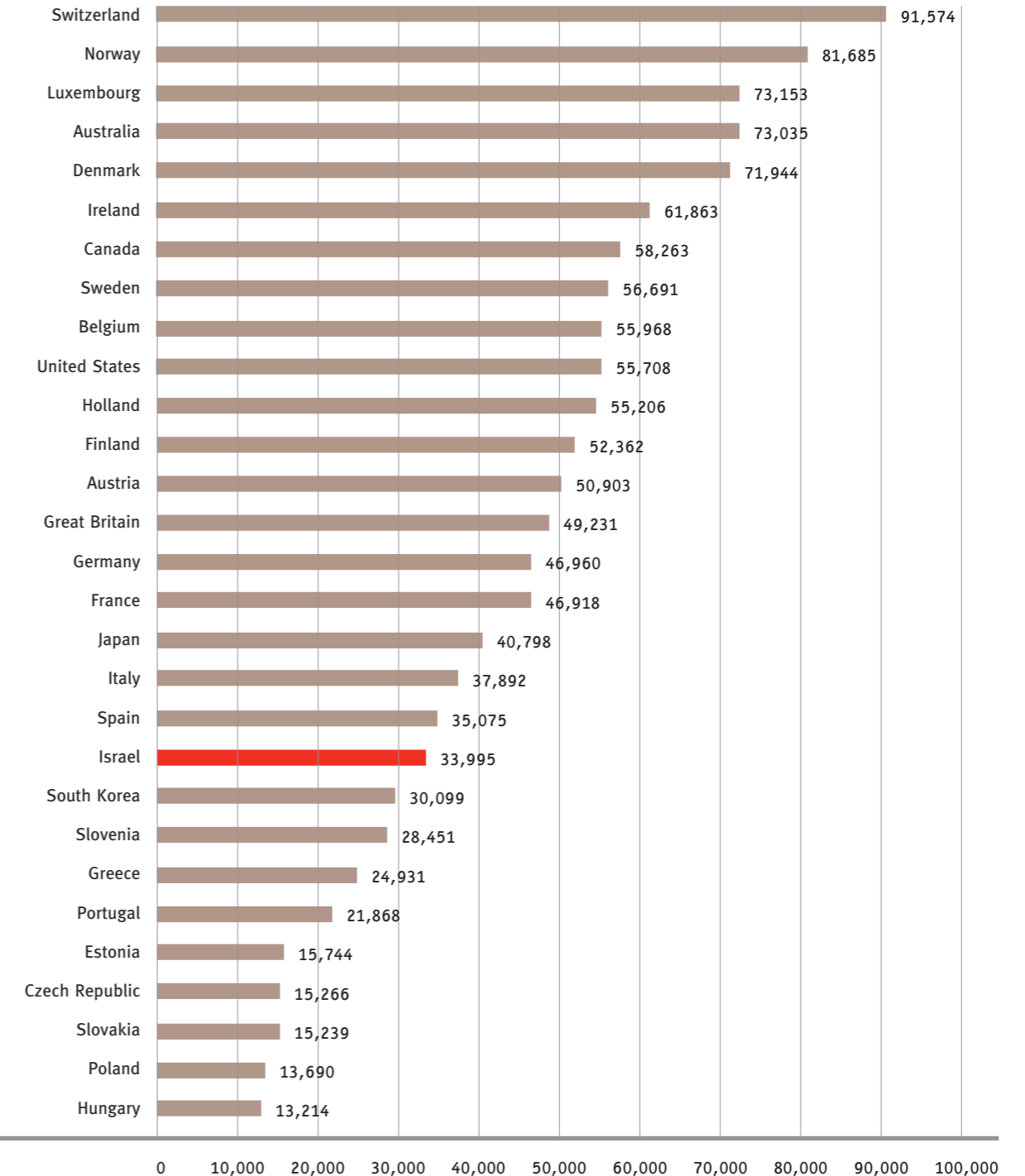
### Median Disposable Income of Households among OECD Countries, 2010

In US dollars, based on purchasing power (PPP)



### Average Yearly Wage for a Full-time Job in OECD Countries, 2013

In US dollars, current prices, at exchange rates



## ECONOMIC GROWTH AGAINST A BACKGROUND OF INSTABILITY

Economic growth is generally presented as the key remedy for all social ills.

If that were the case, the socio-economic situation of Israel would be better than it is today, as Israel experienced greater economic growth than European countries in the wake of the global financial crisis. Between 2008 and 2013, Israel's GDP increased at an average annual rate of 3.6%, compared to the average of 0.65% per year in OECD countries.<sup>1</sup>

As we will see, that growth did not bring Israel much closer to the West, for two main reasons. Firstly, if Israel is to have a standard of living similar to that of Western European countries, it needs to experience high levels of economic growth for a much longer period of time, as the per capita GDP in those countries is much higher than that of Israel. For

example, it is \$46,000 in Germany and \$60,000 in Sweden, compared to \$36,000 in Israel (in 2013, current prices). If it is to catch up, Israel's economy will need to grow like the "tigers" — China, India, or Brazil.

This is not what happened. The reasons given by the powers that be: low productivity or low workforce participation, especially on the part of Haredi men and Arab women.

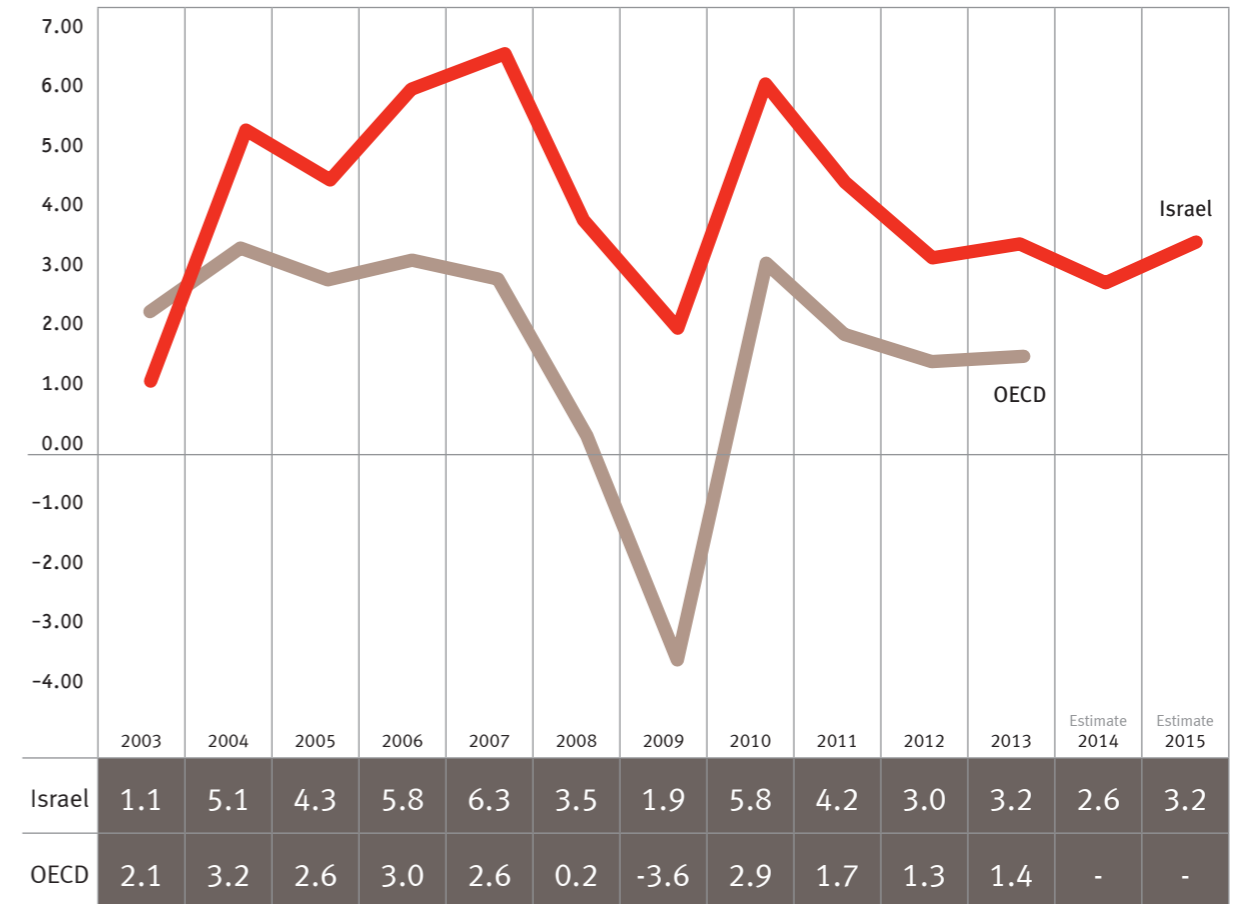
A less oft-repeated explanation, if not an unknown one, is the absence of a political settlement with the Palestinians and the high frequency of violent confrontations with them. Large confrontations like the first and second intifadahs caused real harm to the Israeli economy. For example, the second intifadah led to two years of negative growth in Israel's GDP. More limited confrontations occur quite frequently: since the

second intifadah, the following confrontations took place in the Gaza Strip: "First Rain," September 2005, "Summer Rains," June 2006, "Hot Winter," February 2008, "Cast Lead," December 2008, "Pillar of Defense," November 2012, "Protective Edge," July 2014. The direct economic implications of each of the above campaigns were limited, but their accumulated effect on specific social groups and geographic areas was damaging. They also resulted in an atmosphere of instability, a hesitancy to invest, and the fragility of Israel's credit rating.

Moreover, in the absence of a political settlement, Israel devotes a large part of its resources to its security needs, at the expense of social and economic investments that could stimulate economic growth and improve the lot of numerous Israelis

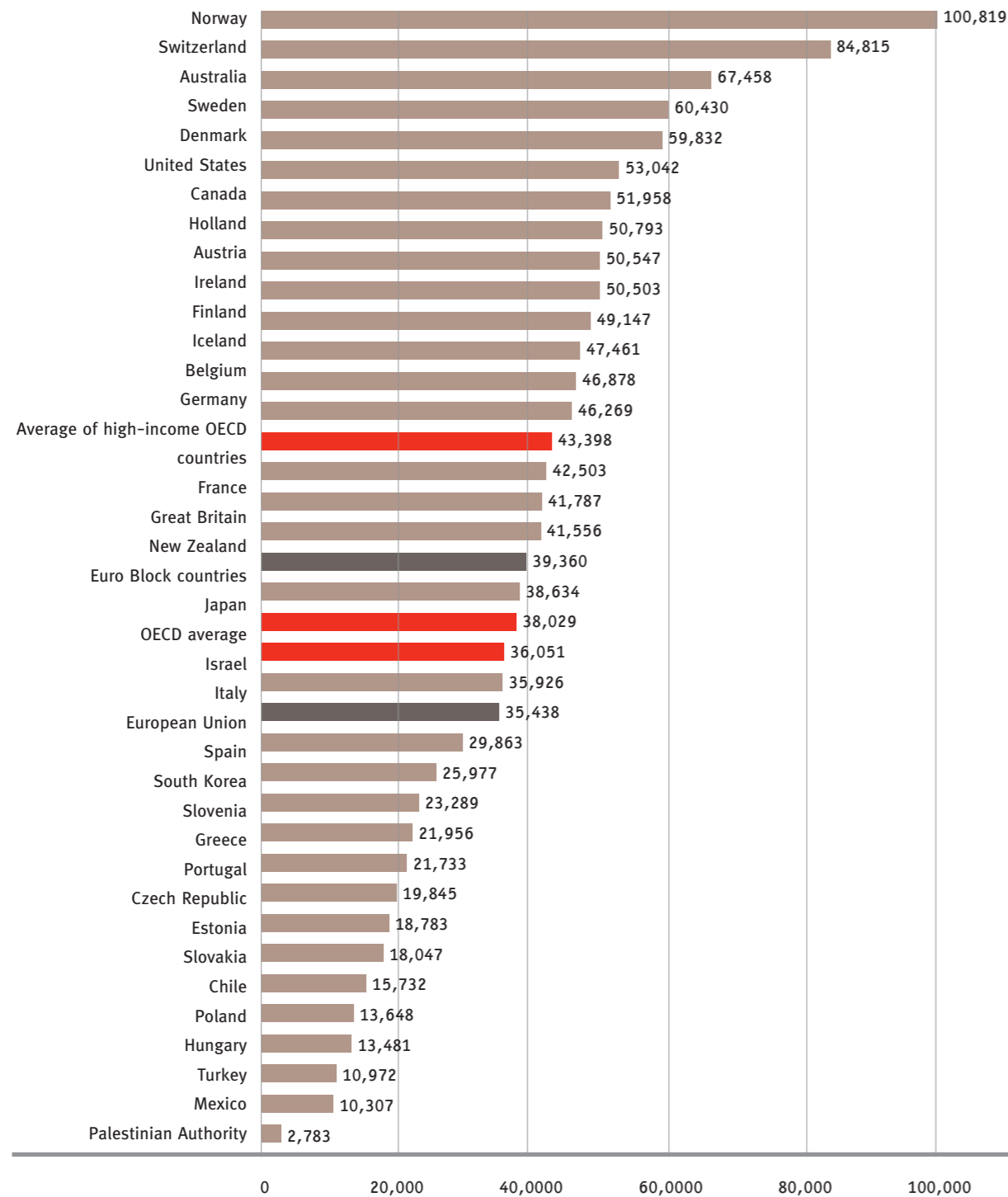
## Economic Growth in Israel and in OECD Countries, 2003-2013 and Forecast for 2014-2015

In percentages



Sources: Adva Center analysis of CBS, *Statistical Abstract of Israel*, various years; CBS, Press Release, "Early Estimates of National Accounts for 2014," December 31, 2014; Bank of Israel, Macro-Economic Forecast of the Research Department, December 29, 2014; OECD figures: [www.data.worldbank.org](http://www.data.worldbank.org)

### GDP Per Capita, Israel and OECD Countries, 2013



Source: World Bank website: [www.data.worldbank.org](http://www.data.worldbank.org)

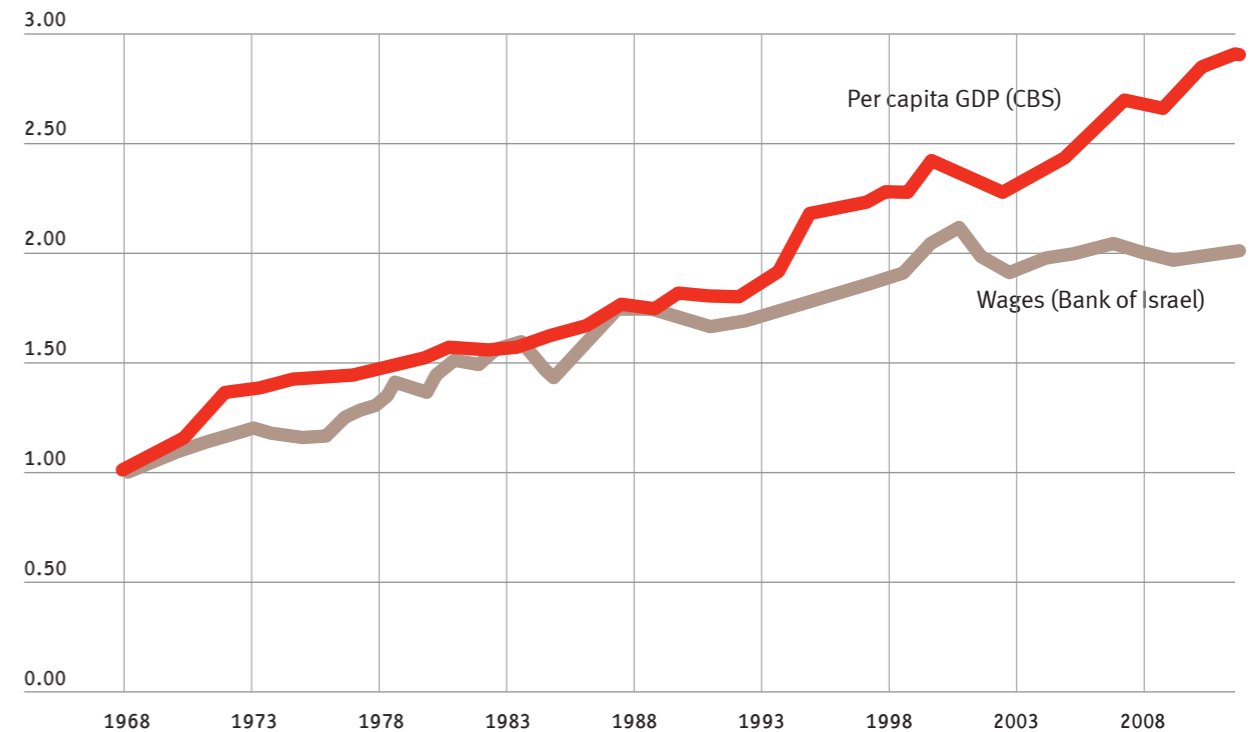
### WEALTH IS ON THE INCREASE, BUT SALARIES LAG BEHIND

The main reason that economic growth is not reflected in improvements in the standard of living of the general population is that the fruits of economic growth, which are supposed to trickle down, actually trickle up.

A study published by the National Insurance Institute found that in the past, economic growth — as measured by an increase in per capital GDP — was accompanied by an increase in real wages. “However,” the report continues, “while from the beginning of the

1990s until about 2000 wages increased in tandem with the increase in per capita GDP, if at a lower rate, from then on, real wages did not change. This means that the fruits of economic growth did not (on average) go to the workers but rather were channeled in other directions.”<sup>2</sup>

### Economic Growth and the Increase in Real Wages in Israel, 1968-2012



Source: Miri Endeweld and Oren Heller, “Wages, the Minimum Wage and their Contribution to Reducing Poverty: Israel in International Comparison,” National Insurance Institute, 2014, Working Paper 119.

## WHO REAPED THE FRUITS OF ECONOMIC GROWTH? ONLY A SMALL MINORITY

Firstly, the profits of employers increased, especially those of owners of large corporations. Figures on the distribution of the national income reveal that while the share of workers decreased, from 67% in 2002 to 62% in 2012, the share of employers increased from 8% to 15%.<sup>3</sup>

Employers, and especially the major ones, know how to remunerate those who serve them: first and

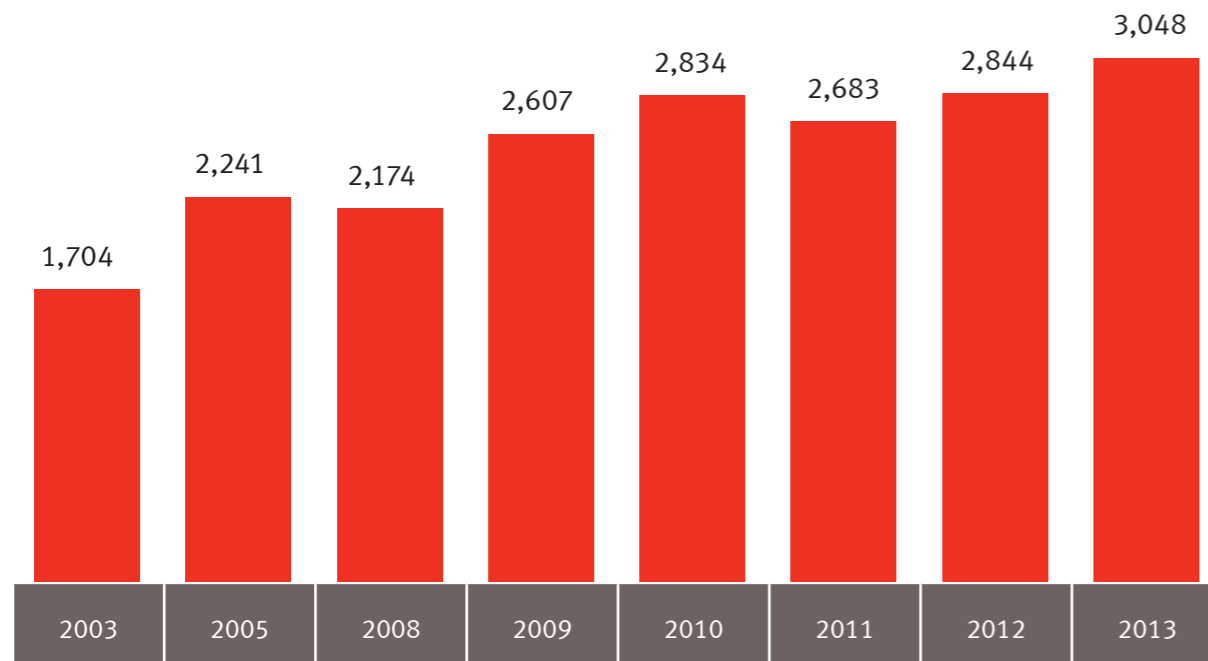
foremost senior managers. In the decade between 2000 and 2010, the average annual salary bill of a manager of the 25 largest corporations traded on the Tel Aviv Stock Exchange more than doubled, from NIS 415,000 to NIS 998,000.<sup>4</sup>

In general, wealth in Israel is on the increase. This is clear from what is referred to as “financial assets held by the public” (bank deposits, securities, pension savings and

life insurance policies)<sup>5</sup>. Between 2003 and 2013 these assets grew by some 80%, from NIS 1,704 billion to NIS 3,048 billion. In Israel, breakdowns of financial assets by income bracket are not published. However, from what is known about such breakdowns in other countries, it is reasonable to assume that the top one percent in Israel holds a large part of those assets.

### Financial Assets Held by the Public, 2003-2013

In NIS billions, 2013 prices



Source: Adva Center analysis of CBS, *Statistical Abstract of Israel*, various years.

## WHO SHOWED GAINS ABOVE AND BEYOND GDP GROWTH?

While the wages of 99 percent of Israelis failed to rise in tandem with economic growth figures, those of the top managers of the largest corporations showed much greater gains.

We have information about their salaries because Israeli law requires companies traded on the Tel Aviv Stock Exchange to publish the salary bills of their top five wage earners. (We have no information about top executive salaries in companies not traded on the Tel Aviv Stock Exchange.) The figures presented here include the most recently published ones, relating to 2013.

In 2012, the salary bill of the top executives of the largest

corporations declined relative to 2011. Among the reasons for this decline: public criticism of executive wages, problems that beset several large companies, and changes in regulations. In 2013, executive salaries (not including bonuses and stock options) returned to and even surpassed their 2011 levels.

The 2013 salary bill of the directors-general of the 100 largest companies whose stocks were traded on the Tel Aviv Stock Exchange was, on average, NIS 6.16 million per year, or NIS 513,000 per month.

The average salary bill of the five highest earners in these companies was NIS 3.96 million per year, or NIS 330,000 per month.

The table below shows that the most significant decrease (in 2011) was in non-salary remuneration — bonuses, stock equity, and “other.” This occurred at the time that the salaries of directors-general declined somewhat and the salaries of top executives as a whole rose.

In 2013, the gaps between the salaries of the five highest wage earners in the largest corporations and the salaries of other Israeli employees were extremely large: the average monthly salary bill of top executives was 36 times the average salary (NIS 9,212) and 77 times the minimum wage (NIS 4,300).

### Executive Salary Bills in the Top 100 Companies Traded on the Tel Aviv Stock Exchange, 2011-2013

In NIS thousands, at 2013 prices

	Top Executives			Directors-General		
	2011	2012	2013	2011	2012	2013
Average monthly salary bill	553	383	513	350	291	330
Wage or management fee	226	218	231	165	170	173
Bonuses	190	123	163	108	90	90
Stock equity	252	129	165	128	82	97
Other	28	10	54	38	21	32

**Notes:**

1. Does not include the following corporations: Teva, Elbit, and Nice, which publish their reports in the US.  
 2. The analysis was conducted by economist/accountant Safa Sabah Agbaria.

Source: Adva Center analysis of corporate financial reports from the website of the Government Securities and Commodities Authority for the years 2011 and 2013.

## ABOUT ONE-THIRD OF EMPLOYEES EARN THE MINIMUM WAGE OR LESS

The National Insurance Institute publishes figures on wages by three categories: (1) minimum wage or less, (2) minimum to average wage, and (3) above the average wage. Unfortunately, these figures become available after a two-year lag.

In the period following the second intifadah, the proportion of persons

earning the minimum wage or less increased: in 2002, they comprised 31.7% of wage earners; in 2003 they comprised 35.4%, and in 2006 a similar proportion. After that, the proportion declined; in 2011 it was 30.5%. In 2012 the proportion increased to 31.3%.

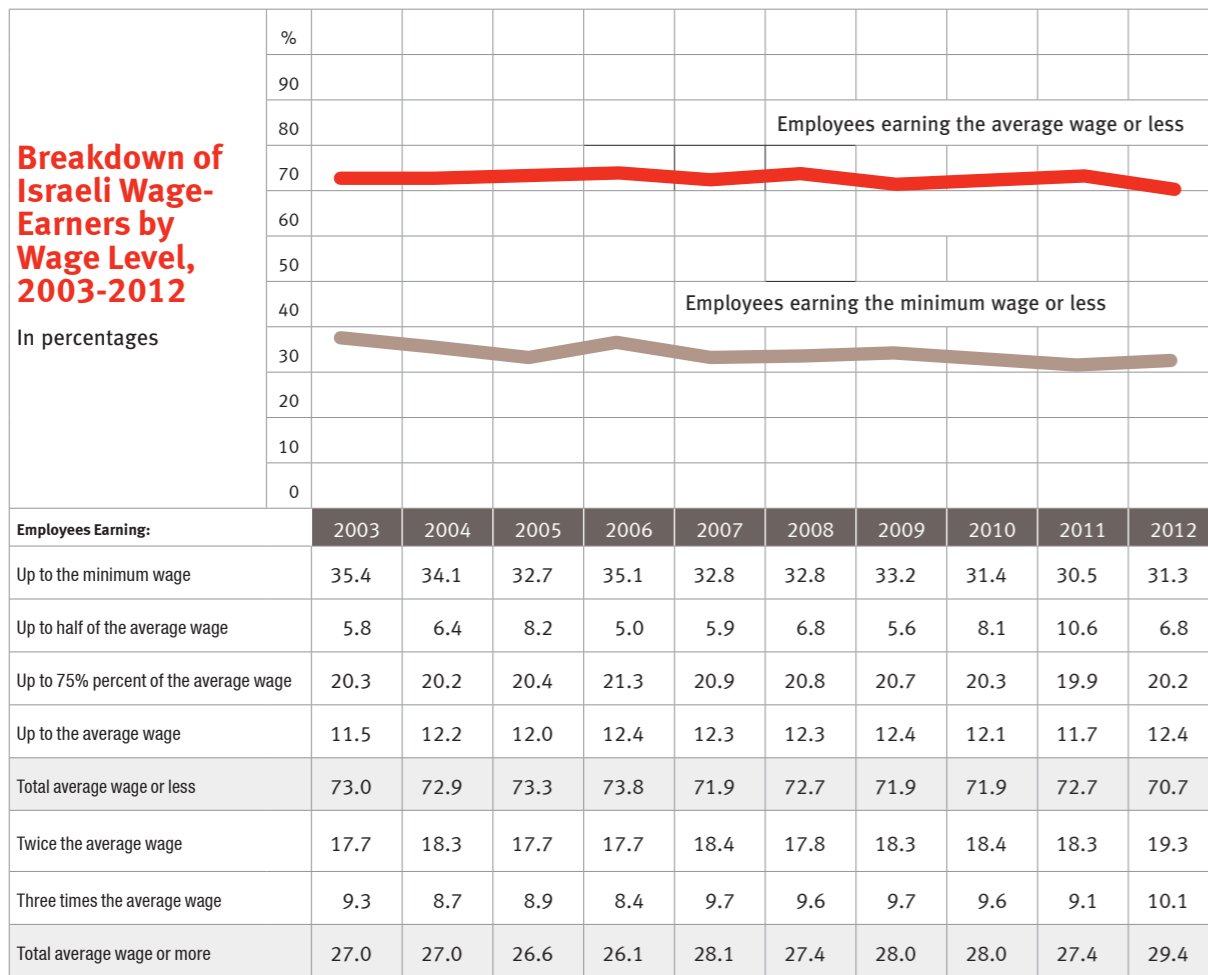
In 2012, the proportion of Israeli

workers earning the average wage or less was 70.7%.

The figures reflect wage stability. Despite general agreement that the minimum wage fails to provide a decent standard of living, the proportion of Israelis at that wage level did not decrease significantly over the last decade.

### Breakdown of Israeli Wage-Earners by Wage Level, 2003-2012

In percentages

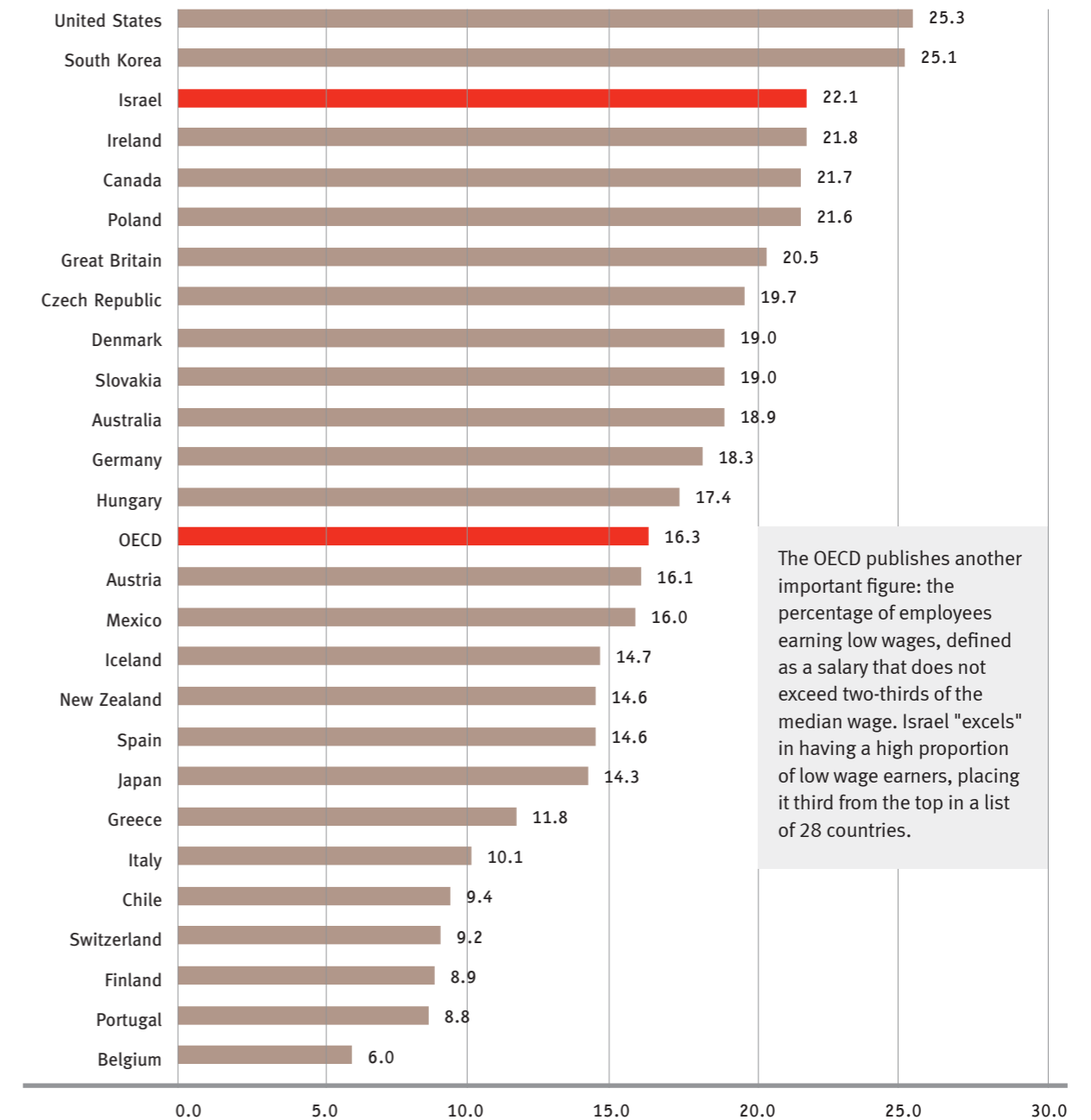


**Notes:**

1. The average wage in 2012 was NIS 9,514, in current prices.
2. The minimum wage that year was NIS 4,150.
3. Figures are rounded.

**Source:** Adva Center analysis of Jacques Bendelak, "Average Wages and Salaries by Locality and Selected Economic Variables," National Insurance Institute, various years.

## Percentage of Employees Earning Low Wages in Israel and in OECD Countries, 2012



The OECD publishes another important figure: the percentage of employees earning low wages, defined as a salary that does not exceed two-thirds of the median wage. Israel "excels" in having a high proportion of low wage earners, placing it third from the top in a list of 28 countries.

**Note:** Figures for Switzerland are for 2010 and for Israel and Chile, 2011.  
**Source:** OECD, *Employment Outlook 2014*, Table N, p. 287.



## GENDER PAY GAPS

Gender pay gaps are quite stable: while the monthly pay gap decreased somewhat, the hourly pay gap remains the same.

The table below presents monthly and hourly salary figures for Israel and other selected countries. The figures for Israel, which are for 2012–2013, are from the new

household expenditures survey conducted by the CBS.

The gaps are especially large when it comes to monthly pay, due to the fact that many women work part-time. The monthly pay of women is 68.1% of the monthly pay of men.

In contrast, women's hourly pay is

85.6% of men's hourly pay.

In international comparison, Israel's hourly gender pay gap of 15.5% is in the middle of the table, placed between countries whose hourly gender pay gap is 20% and countries whose hourly gender pay gap is much lower — 10%.

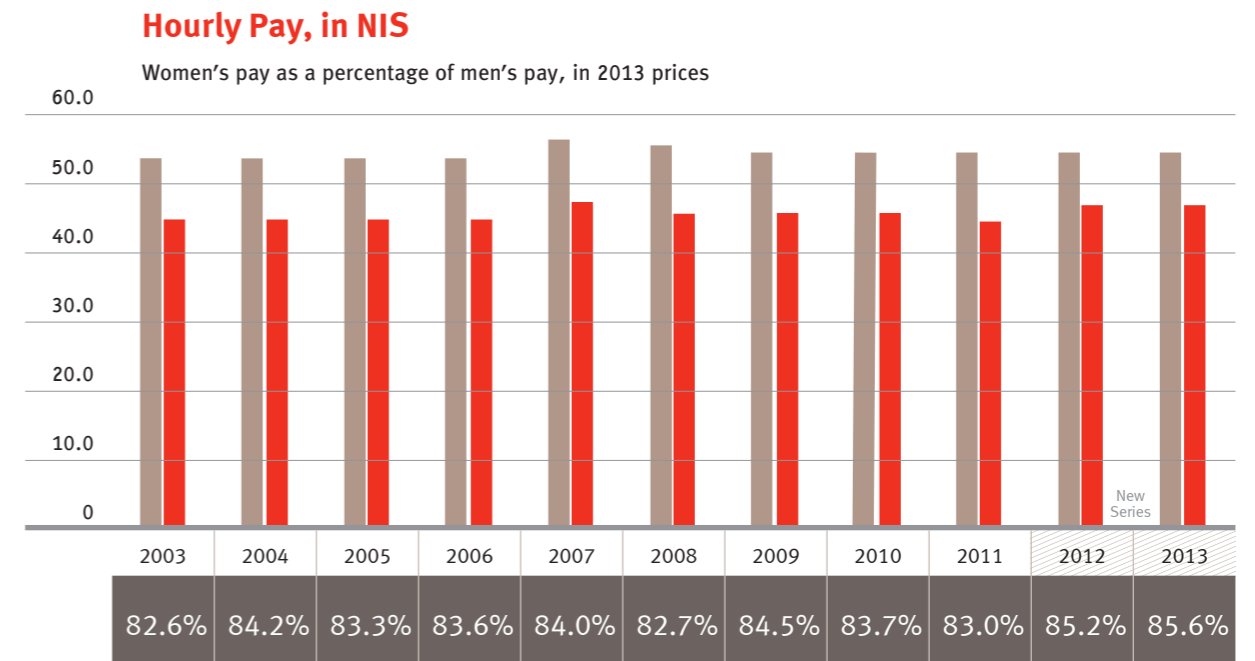
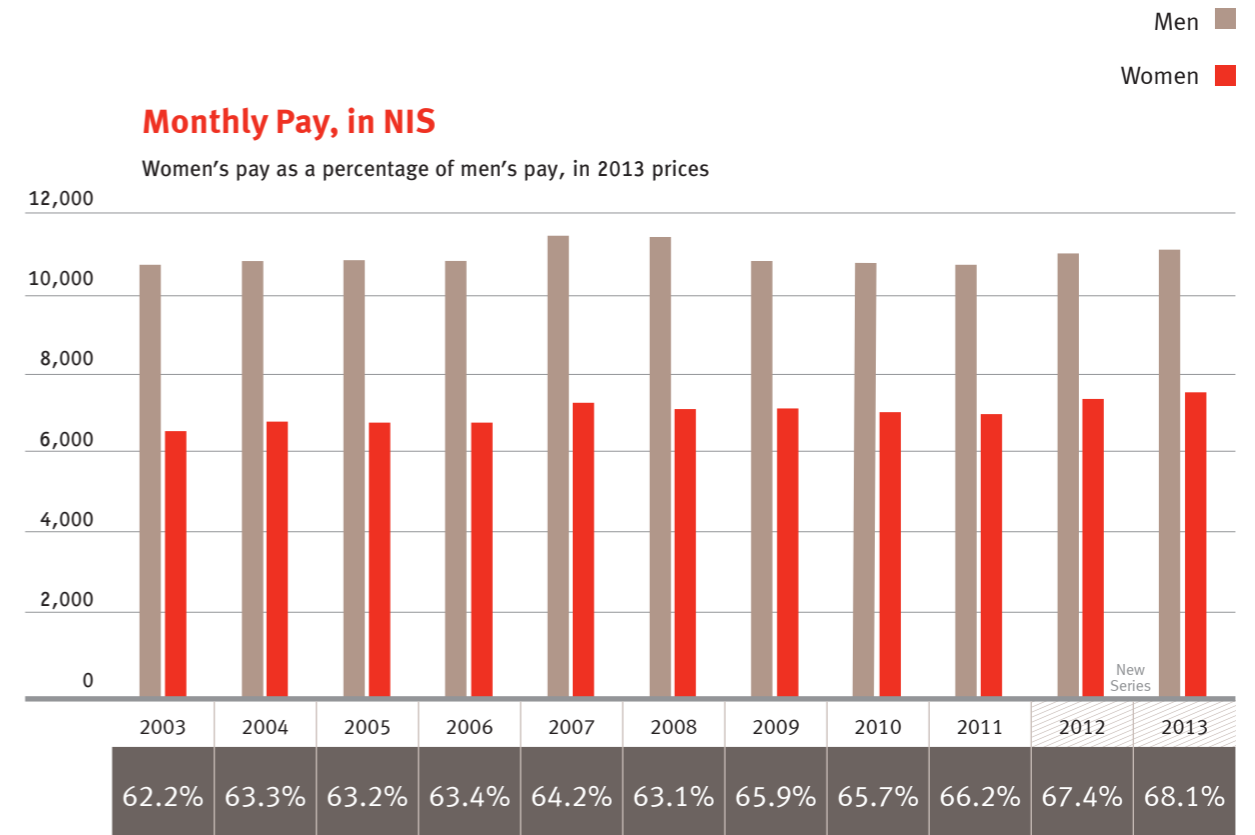
### Hourly Gender Pay Gap, Selected Countries, 2012

In percentages

Country	Hourly Gender Pay Gap	Country	Hourly Gender Pay Gap
Estonia	30.0	Denmark	14.9
Austria	23.4	France (2011)	14.8
Germany	22.4	Bulgaria	14.7
Czech Republic	22.0	Canada	14.0
Slovakia	21.5	Ireland (2010)	13.9
Hungary	20.1	Latvia	13.8
Finland	19.4	Lithuania	12.6
Great Britain	19.1	United States (2011)	10.6
Switzerland (2011)	17.9	Belgium	10.0
Spain	17.8	Rumania	9.7
Holland	16.9	Luxembourg	8.6
Cyprus	16.2	Poland	6.4
Sweden	15.9	Malta	6.1
Portugal	15.7	Italy (2011)	5.8
<b>Israel</b>	<b>15.5</b>	Turkey (2010)	3.8
Norway	15.1	Slovenia	2.5
Greece (2010)	15.0		

Source: UNECE, Statistical Data Base, September 2014

### Women's Monthly and Hourly Pay as a Percentage of Men's Pay, 2003-2013



Sources: Adva Center analysis of CBS, Income Surveys, various years.



## ASHKENAZIM, MIZRAHIM AND ARABS

Pay gaps between Ashkenazim, Mizrahim and Arabs are quite significant.

Below we present figures on pay gaps between three groups: Arabs, second-generation Ashkenazi Jews (whose fathers were born in Europe or America), and second-generation Mizrahi Jews (whose fathers were born in Asia or Africa). It should be noted that among Jews, the second generation is the largest group — larger than the group of first generation immigrants and larger than the group of third generation

Jews, whose fathers were born in Israel.

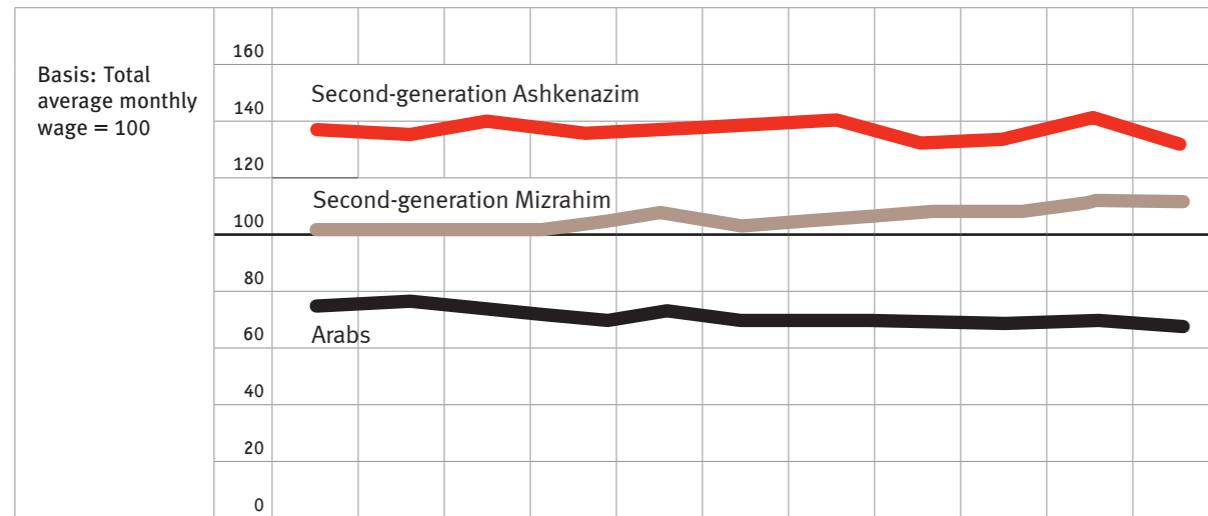
In 2013, whereas the average monthly wage was NIS 9,030, the average monthly wage of Arabs was NIS 6,076 — the lowest of the three groups, placing it 33% below the average. This proportion has been stable since 2008. It should be noted that in 2004 the average monthly wage for Arabs was proportionately higher — 24% below the average wage.

The average monthly wage of

Ashkenazim — NIS 11,897 (2013 prices) was the highest, amounting to 32% above the average monthly wage. In 2012 the average wage of Ashkenazim was NIS 12,425 (in 2012 prices). It is not clear whether the decline is the result of the new measuring methodology or if it is indicative of a temporary change like the one that occurred in 2010–2011.

The average monthly wage of Mizrahim, NIS 10,033 (2013 prices), places that group 11% above the national average, similar to the situation in 2012.

### Average Monthly Wage, 2003-2013



	New Series										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Average monthly wage	100	100	100	100	100	100	100	100	100	100	100
Second-generation Ashkenazim	137	136	139	136	137	138	141	133	133	142	132
Second-generation Mizrahim	100	100	100	102	106	100	103	107	107	111	111
Arabs	73	75	72	68	71	67	67	68	67	68	67

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

## Pensions

### INEQUALITY WILL ALSO CHARACTERIZE THE NEXT GENERATION OF SENIOR CITIZENS

In 2013, households in the top quintile put aside an average of NIS 1,244 per month, which is 15-fold the average sum that households in the bottom quintile put aside for retirement: NIS 83.

The standard of living of the two

types of households at retirement will be quite different.

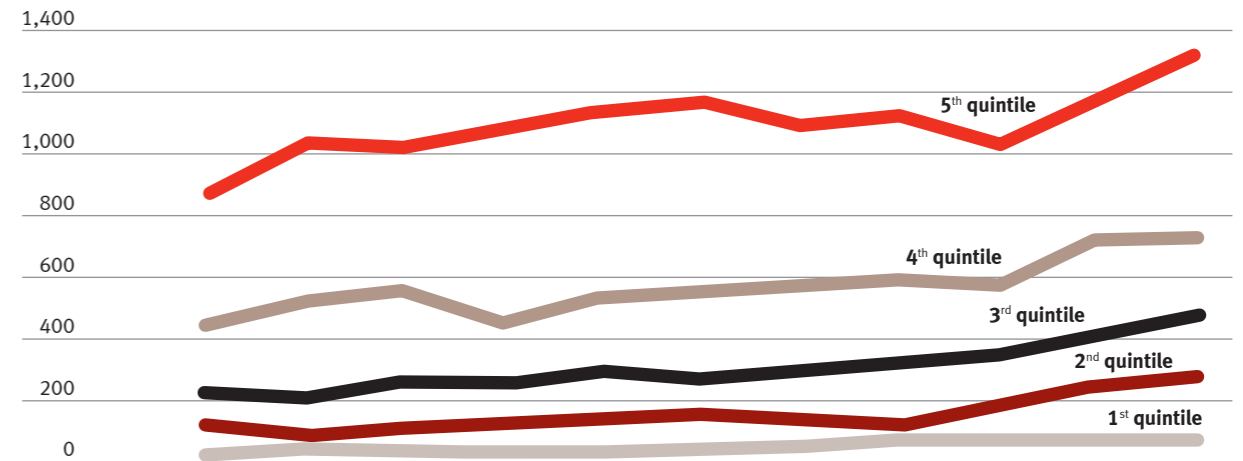
It should be noted that the average includes households in which no one puts aside savings for retirement, together with households that do have pension

savings.

Moreover, saving for retirement is more common among employees from the middle and upper classes, despite the fact that pension savings have been mandatory for everyone since 2008.

### Monthly Savings for Retirement, by Income Bracket, 2003-2013

By net income per standard person In NIS In 2013 prices



	New Series										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1 <sup>st</sup> quintile	28	44	32	29	30	37	38	56	60	74	83
2 <sup>nd</sup> quintile	111	93	116	124	141	155	150	136	180	229	253
3 <sup>rd</sup> quintile	242	236	269	274	293	283	303	326	341	411	480
4 <sup>th</sup> quintile	434	491	517	450	501	516	538	572	551	683	706
5 <sup>th</sup> quintile	857	1,013	1,009	1,072	1,105	1,124	1,067	1,088	1,018	1,127	1,244

Sources: Adva Center analysis of Household Expenditures Survey, various years.

## ONE IN FIVE FAMILIES LIVES BELOW THE POVERTY LINE

The monthly income of about one-fifth of Israeli families is so low that it places them below the poverty line (defined as 50% or less of the median income of Israeli families). In 2013 the poverty rate was 18.6% — slightly lower than in 2012, when the poverty rate was 19.4%

In 2013 there was also a decline in the poverty rate of Arab families: from 54.3% in 2012 to 47.4% in 2013. One of the explanations for this decline is the increase in labor force participation among Arabs. Still, the gap between the Jewish and Arab populations of Israel is very large: the poverty rate among Arab families is 3.5 times that of Jewish families.

Among Jews, the highest poverty rate is to be found among Haredi Jews, similar to the rate among Arabs.

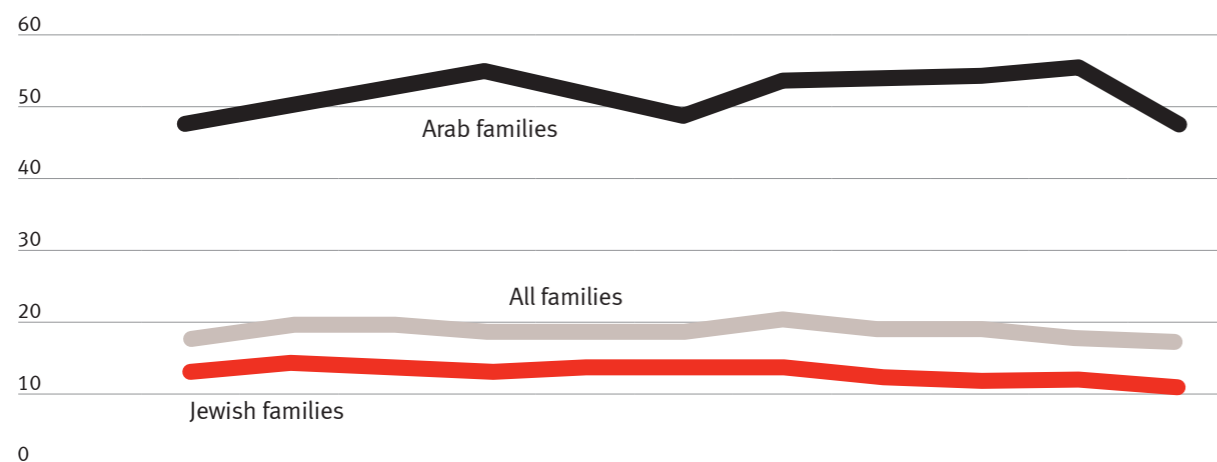
The reasons for Israel's high poverty rate are numerous: among others, low business investment in peripheral areas in general and in Arab localities in particular, the fact that many of the new jobs created are only part-time jobs at low pay, and the increase in employment through contracting agencies.

On December 21, 2014, the organization *Latet* published its annual alternative poverty report, which indicated an **increase** in the poverty rate between 2012 and 2013, in contrast to the figures

published by the National Insurance Institute, which, as we have seen, showed a slight decline. Publication of the alternative poverty report stimulated a debate over how one ought to define poverty. It should be noted that the figures used by the National Insurance Institute are based on the definition of poverty accepted by statistical agencies around the world. Still, the technical definition — 50% of the median income — is problematic when a reality test is applied to it, for if the poverty line for a family of five is NIS 8,900, no one can claim that a family of five with an income of NIS 9,000 is not poor.

### Poverty Rate among Families in Israel, 2003-2013

After transfer payments and direct taxes, in percentages



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
All families	19.3	20.3	20.6	20.0	19.9	19.9	20.5	19.8	19.9	19.4	18.6
Arab families	48.3	49.9	52.1	54.0	51.4	49.4	53.5	53.2	53.5	54.3	47.4
Jewish families	14.9	15.9	15.9	14.7	15.0	15.3	15.2	14.3	14.2	14.1	13.6

**Notes:** Poverty figures do not include the Bedouin population of the Negev, which was not included in the CBS survey upon which the poverty figures of the National Insurance Institute are based.

**Sources:** National Insurance Institute, *Annual Report*, various years.

## UNEMPLOYMENT IS A POVERTY TRAP

Israel's economic leadership is proud of the fact that the national unemployment rate is low — 5.6% in November 2014<sup>6</sup> — compared with the average of 11.5% in the Euro zone.<sup>7</sup>

However, the average unemployment rate fails to reveal large gaps between different localities and population groups. Unemployment affects mainly weaker population groups: it is much higher in Arab localities than in Jewish localities, in Jewish development towns than in affluent localities, among women than among men and among Arab women than among Jewish women.

Unemployment affects those whom Israel's education system failed to provide with a good education. It also affects young people who have not yet managed to get a foothold in the labor market, as well as older

persons who were laid off their jobs and find it difficult to find new employment because of their age.

The following table presents unemployment figures on job seekers by locality for the month of September 2014, as published on the website of the Government Employment Service of the Ministry of the Economy. Job-seekers are persons who registered at the Government Employment Service. However, numerous unemployed persons do not register, either because there is no office near their home, because their past applications for jobs went unanswered, or because they despaired of finding a job. Thus, the number of job-seekers is lower than the actual number of unemployed persons. Unemployed persons are those whom the Central Bureau of Statistics defines as "not

employed." Unfortunately, such figures are not published by locality; thus we chose to present figures on job-seekers, as they allow us to see differences among localities.

At the top of the table of job-seekers are to be found Arab localities, and at their head — Bedouin localities in the Negev. In the largest Bedouin locality, Rahat, job-seekers in September 2014 constituted 33.3% of the work force. Similar rates are to be found in some of the large Arab villages in the North of the country: Arrabe (27.8%), Tamra (23.9%), Sakhnin (24.8%) and Mghar (15.4%).

In most Jewish localities, the percentage of job-seekers is below 5%. However, larger rates were to be found in development towns like Yeruham (16.4%) and Dimona (15.4%).

## Proportion of Job-Seekers by Locality, September 2014

From high to low

Locality	Job-seekers as a percentage of the work force
Laqye	43.2
Ar'ara BaNegev	37.5
Tel Sheva	34.4
Rahat	33.3
Segev Shalom	31.8
Sha'ab	30.9
Umm al-Fahm	30.8
Arrabe	27.8
Sakhnin	24.8
Deir Hanna	24.8
Kuseife	24.6
Tamra	23.9
Mughar	23.9
Kafar Kanna	23.7
Judeide-Maker	23.4
Hura	21.5
Ma'ale Iron	21.3
Buq'ata	21.2
Kafar Manda	20.6
Bu'eine-Nujeidat	19.9
Mas'ade	19.8
Bir el-Maksur	19.0
Ilut	18.8
Kabul	18.3
Shefar'am	18.2
Bi'ne	17.7
Tuba-Zangariyye	17.6
I'llillin	17.4
Ein Mahel	17.3
Basma	16.7
Tur'an	16.6
Abu-Sinan	16.4

Locality	Job-seekers as a percentage of the work force
Yeroham	16.4
Tayibe	16.3
Ka'abiyee-Tabbash-Hajajre	16.3
Mizpe Ramon	15.5
Akko	15.5
Dimona	15.4
Kafar Yasif	15.1
Meshhed	15.1
Mazra'a	14.7
Yafi	14.6
Nazareth	14.5
Shibli Umm al-Ghanam	14.3
Reine	14.1
Majd al-Krum	13.6
Zefat	13.6
Majdal Shams	13.5
Ofaqim	13.1
Nahef	12.9
Iksal	12.7
Deir al-Asad	12.7
Qiryat Mal'akhi	12.6
Rame	12.5
Daburiyya	12.4
Shelomi	12.3
Eilabun	12.2
Netivot	12.2
Bet She'an	12.0
Julis	12.0
Yirka	11.9
Jisr az-Zarqa	11.8
Sederot	11.6

Locality	Job-seekers as a percentage of the work force
Zarzir	11.4
Qiryat Gat	11.3
Fureidis	11.2
Beit Jann	11.0
Basmat Tab'un	9.6
Sajur	9.3
Tirat Karmel	9.2
Abu Ghosh	9.1
Ma'alot Tarshiha	9.0
Qalansawe	8.9
Betar Illit	8.9
Tiberias	8.8
Ar'ara	8.8
Yanuh-Jat	8.7
Nazerat Illit	8.6
Daliyat al-Karmel	8.6
Qazrin	8.6
Kisra-Samei	8.4
Or Aqiva	8.2
Nahariyya	8.2
Migdal Haemeq	7.9
Hazor Hagelilit	7.8
Isfiya	7.8
Kafar Qara	7.7
Be'er Sheva	7.6
Ashqelon	7.6
Qiryat Yam	7.5
Ashdod	7.4
Afula	7.4
Arad	7.3
Zemer	7.2
Baqa-Jatt	7.1

Locality	Job-seekers as a percentage of the work force
Peqi'in	7.0
Qiryat Shemona	6.9
Immanu'el	6.9
Karmi'el	6.8
Lod	6.5
Yoqne'am Illit	6.5
Qiryat Atta	6.3
Hurfeish	6.0
Rekhasim	5.9
Bet Shemesh	5.8
Hadera	5.8
Modi'in Illit	5.8
Pardes Hanna-Karkur	5.6
Rosh Pinna	5.5
Yavne	5.4
Ramla	5.3
Jish (Gush Halav)	5.3
Qiryat Eqron	5.2
Eliakhin	5.2
Qiryat Bialik	5.0
Bene Beraq	5.0
Qiryat Motzkin	5.0
Jerusalem	4.9
Bene Ayish	4.8
Haifa	4.8
Elat	4.8
Netanya	4.7
Tire	4.7
El'ad	4.7
Be'er Ya'aqov	4.7
Bat Yam	4.4
Rehovot	4.4

Locality	Job-seekers as a percentage of the work force
Gan Yavne	4.3
Binyamina-Giv'at Ada	4.3
Or Yehuda	4.2
Kefar Weradim	4.0
Kefar Yona	4.0
Qiryat Arba	3.8
Petah Tiqwa	3.7
Qadima-Zoran	3.6
Oranit	3.6
Zikhron Ya'aqov	3.6
Ramat Yishay	3.6
Mazkeret Batya	3.6
Giv'at Ze'ev	3.6
Gedera	3.5
Ari'el	3.5
Rishon Leziyyon	3.4
Tel Mond	3.4
Rosh Haayin	3.4
Ma'ale Adumim	3.3
Nesher	3.3
Bet Arye	3.2
Bat Hefer	3.2
Holon	3.1
Even Yehuda	3.1
Yehud	3.1
Mevasseret Ziyon	3.1
Tel Aviv-Yafo	3.1
Kafar Qasem	3.0
Ganne Tiqwa	3.0
Nes Ziyonna	3.0
Qiryat Tiv'on	2.9
Alfe Menashe	2.7

Locality	Job-seekers as a percentage of the work force
Giv'at Shemu'el	2.7
Sha'are Tiqwa	2.6
Metar	2.6
Ramat Gan	2.6
Kefar Sava	2.6
Qarne Shomeron	2.5
Jaljulye	2.5
Azor	2.5
Kefar Habad	2.5
Giv'atayim	2.5
Elqana	2.4
Qedumim	2.4
Modi'in-Makkab-bim-Re'ut	2.4
Hod Hasharon	2.3
Omer	2.3
Qazir-Harish	2.3
Ra'annana	2.2
Pardesiyya	2.2
Lahavim	2.1
Herzliyya	2.1
Qiryat Ono	2.1
Kokhav Ya'ir	1.9
Har Adar	1.9
Bet El	1.9
Ramat Hasharon	1.8
Qesaryya	1.8
Shoham	1.8
Efrat	1.7
Kefar Bara	1.4
Savyon	1.3

Source: Website of the Government Employment Service, [www.taasuka.gov.il](http://www.taasuka.gov.il)

## SUMMING UP: INEQUALITY IN ISRAEL — AMONG THE HIGHEST IN OECD COUNTRIES

If there is one figure that sums up the figures presented in the foregoing pages on economic growth and income distribution, it is the degree of inequality in Israel, as measured by the Gini coefficient.

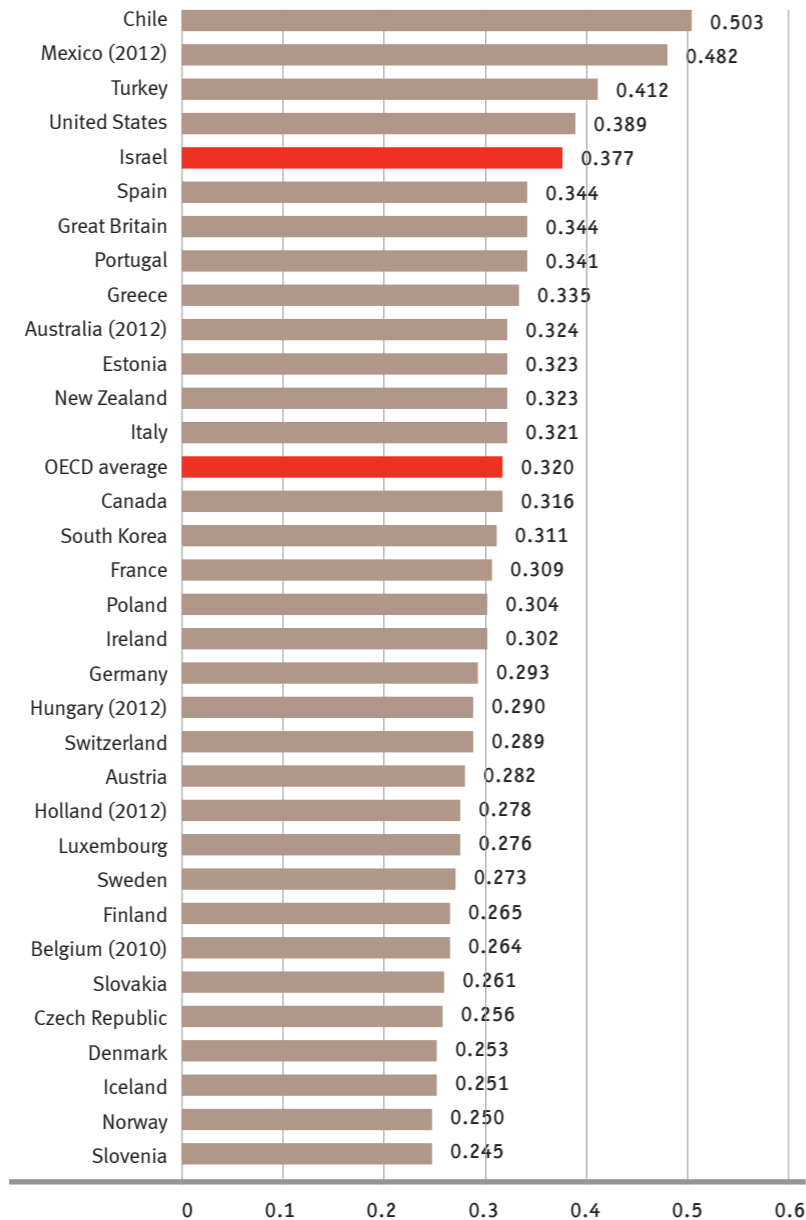
The Gini coefficient is a measure of income inequality that ranges from 0 (when everybody has identical incomes) to 1 (when all income is in the hands of one individual).

Israel's Gini coefficient is among the highest in OECD countries; in 2011, the Gini coefficient was 0.377, fifth highest among 34 countries.

Since the middle of the 1980s, inequality, as measured by the Gini coefficient, has risen by an average of 3.5% in OECD countries. In Israel, it rose by 15.6% — from 0.326 to 0.377.<sup>8</sup>

### Inequality in OECD Countries, 2011

Gini coefficient, by disposable income after direct taxes and transfer payments



Source: [www.stats.oecd.org](http://www.stats.oecd.org)

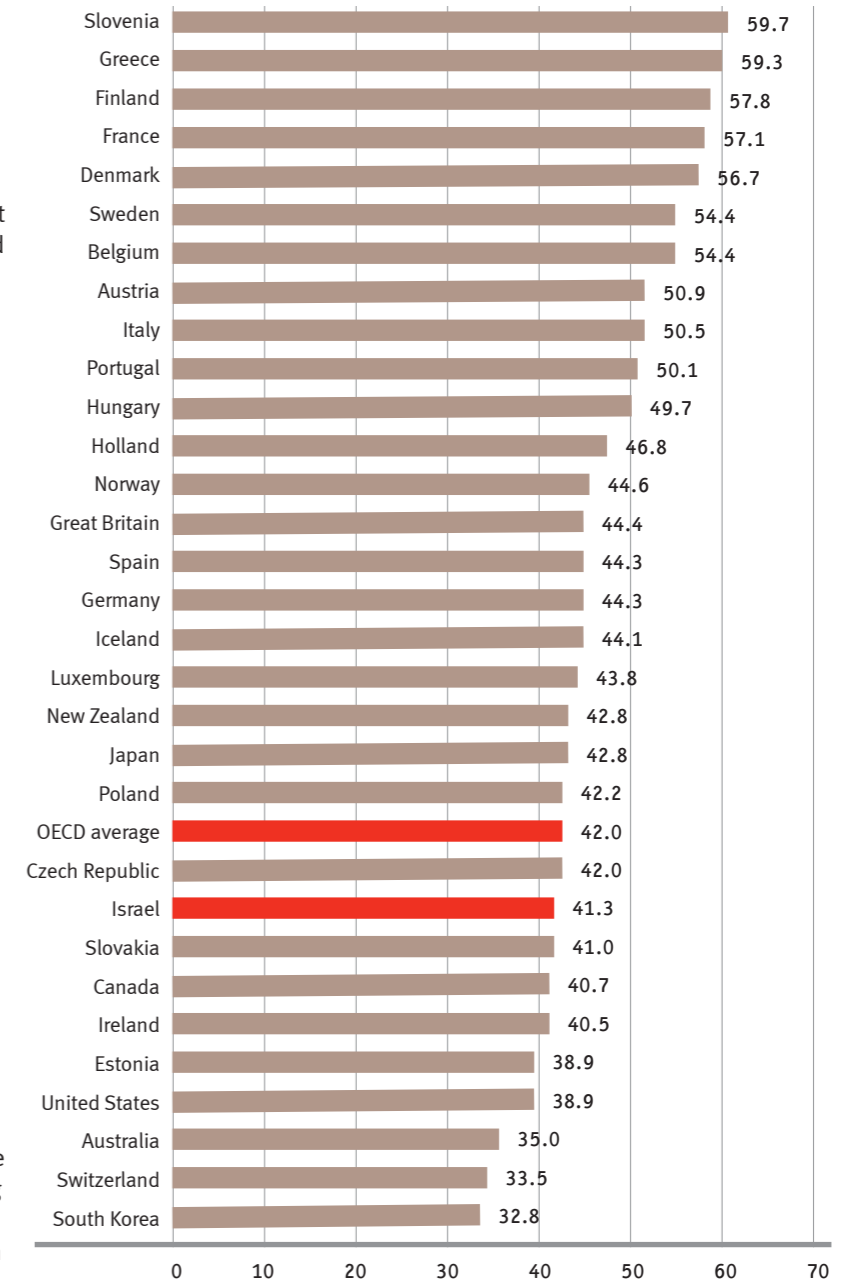
## ISRAEL'S PUBLIC EXPENDITURE IS NOT SUFFICIENT TO OFFSET LABOR MARKET INEQUALITY

Over the past three decades Israel has been striving to strengthen the business sector, in the expectation that this will stimulate widespread economic growth. During Israel's first three decades, the state was the main actor shaping economic and social policies — economic development, employment, immigrant absorption, housing, education — but in recent decades, it has sought to shift responsibility and resources to the business sector.

The result has been a tight fiscal policy that led, among other things, to the dilution of the social services provided by the state: schooling, higher education, health, welfare and social security. Total government expenditure (including local authorities) in 2013, which constituted 41.3% of GDP, places Israel with the countries of Eastern Europe and those with a tradition of low government spending like New Zealand and Canada (which have much lower defense expenditures than Israel). Moreover, government social security and social assistance expenditures (the purpose of which are to assist households and individuals in their hour of need, like social security transfers, tax exemptions and services for toddlers, senior citizens and disabled persons) amounted to 15.8% of GDP, close to the bottom of the scale of spending in OECD countries.

Thus, Israelis who wish to receive the best services find themselves paying out of pocket for more than the public services provide for education and health.

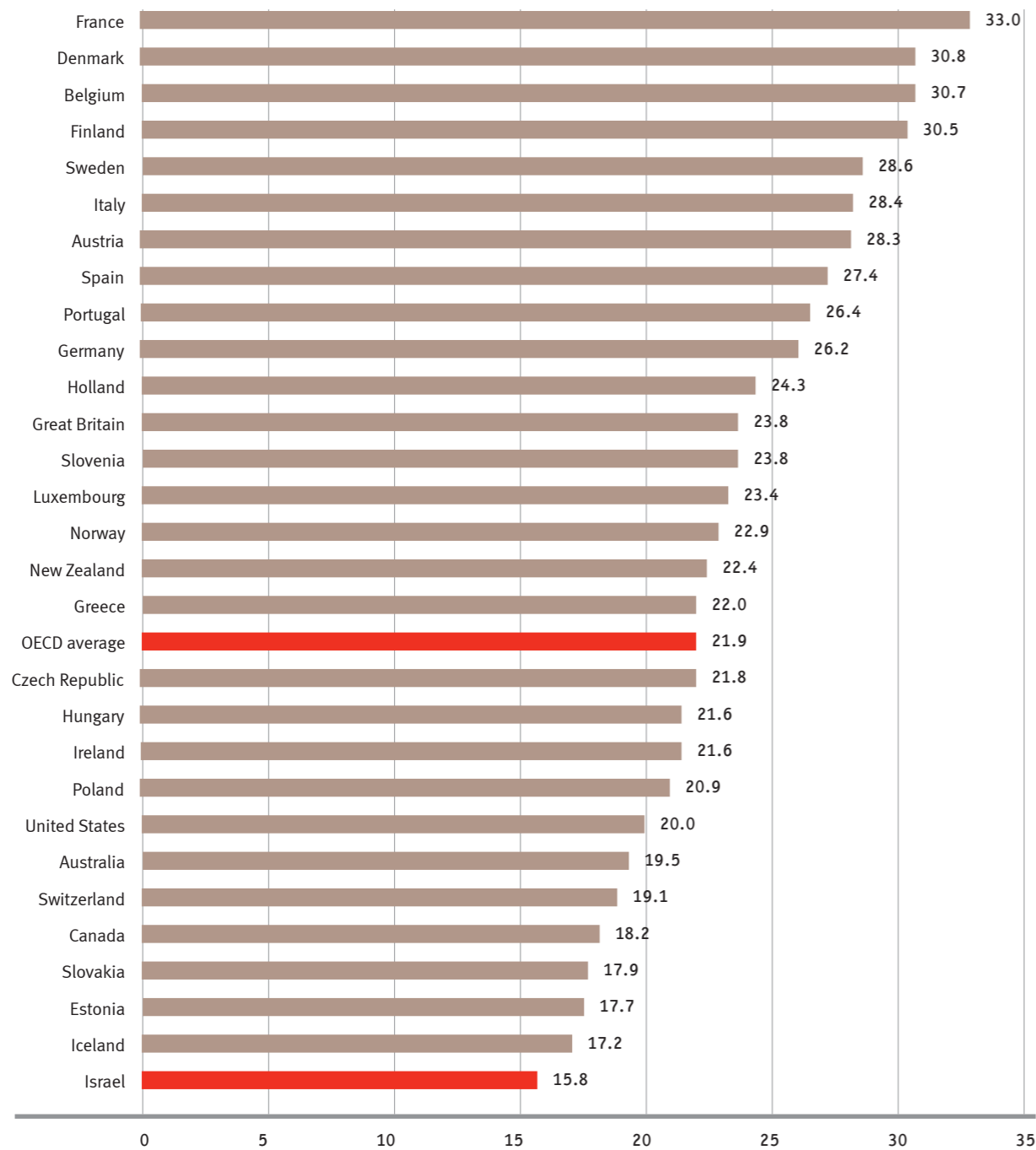
### Total Government Expenditures in OECD Countries, as a Percentage of GDP, 2013



Note: Government expenditures include the central government, the local authorities and the National Insurance Institute.

Source: OECD, *Economic Outlook*, Vol. 2014, Issue 2, Annex Table 25.

### Percentage of GDP Expended on Social Security and Social Assistance, OECD Countries, 2013



**Note:** Figures include old-age and survivors' pensions, disability, income maintenance, active labor policies, unemployment compensation, housing assistance and health care subsidies.

**Source:** OECD, National Accounts Database, OECD StatExtracts, [www.stats.oecd.org/index.aspx?datasetcode=SOCX\\_AGG](http://www.stats.oecd.org/index.aspx?datasetcode=SOCX_AGG).

### INEQUITABLE TAX POLICY

Low government spending keeps taxes relatively low. Indeed, at the beginning of the past decade the government cut spending and lowered direct taxes. If once upon a time it could have been argued that the burden of direct taxes in Israel was among the highest in the West, today it is among the lowest.

However, at the same time that direct taxes -- income and corporate taxes -- were lowered (while the large corporations paid less than the official corporate tax rate), indirect taxes, foremost among them valued added tax, were raised.

OECD figures for 2012 show that

in Israel the share of indirect taxes (VAT, sales tax, import duties) in total tax revenues -- 39.2% -- is higher than the average in OECD countries -- 33.6%. This means that affluent persons in Israel contribute less than their counterparts in OECD countries to financing the country's needs.

Revenue from social security taxes is also relatively low in Israel -- 17.1% of total tax revenues -- compared to the average of 26.2% in OECD countries. This is due to the fact that employers were given large social security tax breaks, in the framework of efforts to strengthen the business sector by lowering the cost of labor. The result: the ability of the National

Insurance Institute to finance an adequate social support system was eroded. Most of the social security transfers in Israel are lower than those in other OECD countries.

In addition to increasing inequality, lowering direct taxes has the effect of reducing the capability of governments to invest in services that could compensate for the unequal distribution of the benefits of economic growth. We are talking about the provision of schooling, higher education and a social safety net for Israelis for whom economic growth fails to supply with the tools needed make a decent living.

### Distribution of Revenues from Taxation: Israel Compared with the OECD Average, 2012

Percentage of total tax revenues



**Source:** [www.stats.OECD.org](http://www.stats.OECD.org)



**Public Education**

**HIGHER EDUCATION: ONLY A MINORITY GO ON TO COLLEGE**

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

Only a minority reach the top: By 2013, only 29.4% of young people who were 17 years old in 2005 had gone on to higher education in Israel.

Following the climb of this age group, we find that in 2005, 82% of seniors were enrolled in tracks leading to matriculation. The matriculation diploma was obtained by 46.4% of the age cohort. And some of these diplomas were not up to the standards of college admission. The result was that only 39.5% of young people with high

school diplomas qualified for college admission.

Not all of those who qualified actually enrolled in universities: only 29.4% made it; that is, somewhat more than one out of four.

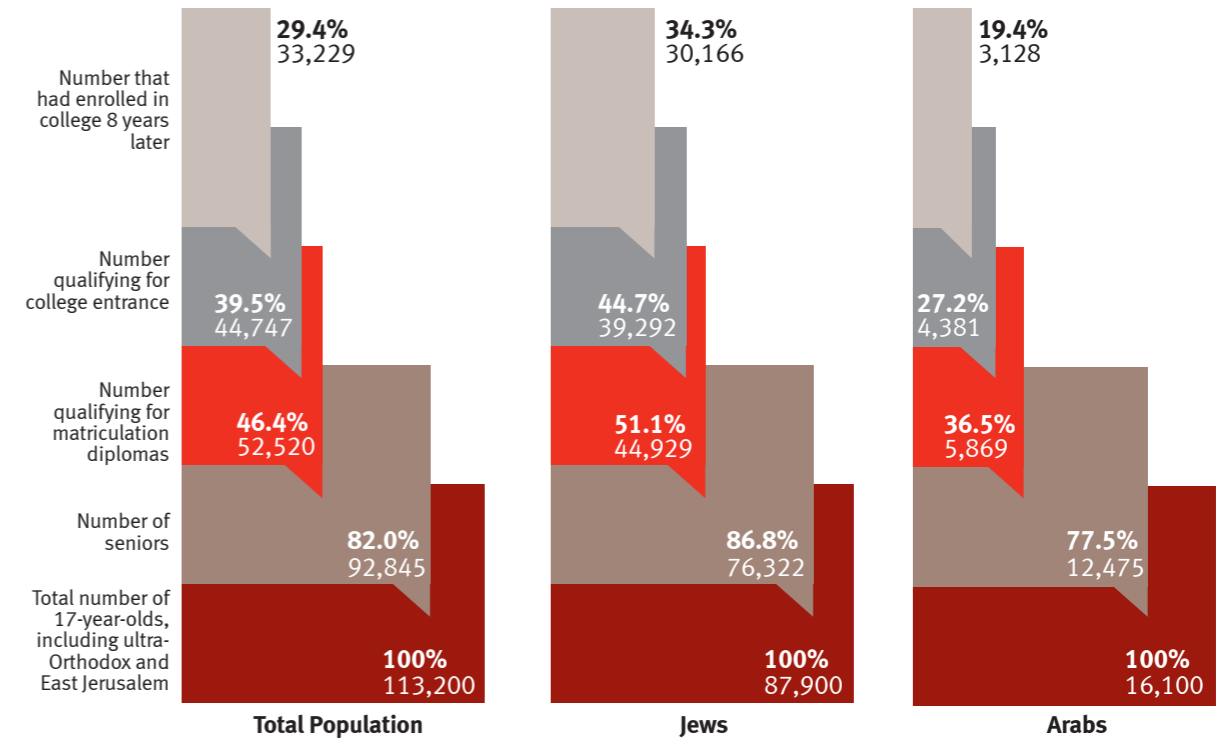
The proportion of Jewish youngsters going on to college was double that of Arab youngsters. However, it should be mentioned that many Arab youngsters go abroad to study. For example, in 2007, 5,400 Arab students were studying in Jordanian universities.<sup>9</sup>

The foregoing figures refer to institutions under the supervision of the Council for Higher Education, which apply admissions criteria set by the Council; the figures do not include the Open University or teachers' seminaries. The Open

University has no admissions requirements and boasts a wide age range of students. In the 2012/13 school year, 46,544 students, most of them 25 years of age or older, were enrolled. The number receiving academic degrees in 2013 was 3,810.<sup>10</sup>

The teachers' seminaries are also not under the aegis of the Council for Higher Education, and the entrance requirements to these institutions vary. In the 2012/13 school year, 32,164 students were enrolled in teachers' seminaries, about 90% of them for undergraduate degrees. If we add the first-year students in the academic teaching colleges, the number of those enrolled in academic studies within eight years of completing high school increases by 4.1%.<sup>11</sup>

**Percentage of 17-year-olds in 2005 Who Had Enrolled in College by 2013**



Sources: Adva Center analysis of Ministry of Education, Pedagogical Department, Examinations, Matriculation Figures, various years; Adva Center, *Success Rates in the Matriculation Exams*, various years.

## SUCCESS IN MATRICULATION EXAMS

The proportion of Israelis who go on to college is relatively low, primarily because the proportion of youth who succeed in the matriculation exams is low.

In the 1980s and 1990s, the success rate in the matriculation exams among all 17-year-olds rose 10 percentage points each decade: from 20% in 1980 to 30% in 1990 to 40% in 2000. In the first decade of this century, the success rate was uneven but did not break the 50% barrier. In 2013, for the first time, the percentage of students passing their matriculation exams — 53.4% — passed the 50% mark. Now we need to see if this progress is maintained in the coming years.

### Success Rates in Matriculation Exams among 17-year-olds

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
48.3	49.2	46.4	45.9	46.3	44.4	46.1	48.3	48.1	49.8	53.4

**Note:** Includes students in Haredi education and Arab students in East Jerusalem.

**Sources:** Ministry of Education, "Matriculation Success Figures," PowerPoint November 2014; Ministry of Education, Matriculation Figures, various years.

### Matriculation Success Rates by Locality, 2013

Localities with a population of 10,000 or more

Locality	Proportion of 17-year-olds who passed their matriculation exams	Locality	Proportion of 17-year-olds who passed their matriculation exams	Locality	Proportion of 17-year-olds who passed their matriculation exams
Ra'annana	(90)	Sederot	68	Fureidis	51
Mazkeret Batya	(89)	Azor	66	Baq al-Gharbiyye	50
Tel Mond	87	Deir al-Asad	65	Arrabe	50
Modi'in-Makkabbim-Re'ut	(86)	Netanya	65	Tiberias	49
Giv'atayim	85	Qiryat Bialik	65	Tayibe	49
Beit Jann	84	Zikhron Ya'akov	64	Kabul	49
Giv'at Shemu'el	84	Or Yehuda	63	Tire	47
Hod Hasharon	84	Be'er Sheaa	63	Migdal Haemeq	47
Nes Ziyvona	82	Giv'at Ze'ev	(63)	Arad	47
Herzliyya	80	Nazerat Illit	(63)	Ramla	47
Even Yehuda	79	Elat	62	Umm al-Fahm	46
Ganne Tiqwa	79	Tirat Karmel	62	Ofaqim	45
Rosh Haayin	(79)	Qiryat Yam	62	Tur'an	45
Gan Yavne	78	Qiryat Eqron	62	Yirka	45
Qadima-Zoran	78	Ashkelon	61	Iksal	44
Qiryat Ono	78	Tamra	61	Kafar Manda	44
Qiryat Atta	(78)	Laqye	61	Shefar'am	44
Yavne	76	Dimona	60	Tel Sheva	43
Ma'aleh Adumim	75	Kefar Yona	(60)	I'billin	42
Rishon Leziyyon	75	Hadera	59	Kafar Qara	42
Yoqne'am Illit	(73)	Isifiya	59	Reine	42
Nesher	73	Afula	59	Bet Shemesh	41
Ramat HaSharon	73	Pardes Hanna-Karkur	58	Lod	41
Tel Aviv-Yafo	73	Jatt	57	Abu-Sinan	40
Or Aqiva	(72)	Karmi'el	57	Ma'ale Iron	40
Mughar	72	Sakhnin	57	Kuseife	38
Yehud	71	Qiryat Tiv'on	57	Ara'ra	38
Ramat Gan	71	Ashdod	56	Zefat	37
Holon	70	Majdal Shams	56	Ein Mahel	36
Nahariyya	(70)	Yafi	55	Kafar Qasem	35
Qiryat Shemona	70	Nahef	55	Ara'ra BaNegev	35
Haifa	69	Majd al-Kurum	54	Qalansawe	35
Ma'alot-Tarshiha	(69)	Kafar Kanna	53	El'ad	33
Rehovot	69	Netivot	53	Rahat	32
Binyamina-Giv'at Ada	68	Qiryat Gat	53	Hura	31
Bat Yam	68	Judeida-Makar	52	Jisr az-Zarqa	19
Kefar Sava	68	Gedera	52	Jerusalem	18
Mevasseret Ziyvon	68	Daliyat al-Karmel	52	Betar Illit	10
Petah Tiqwa	68	Akko	52	Bbne Baraq	6
		Nazareth	51	Modi'in Illit	3

**Source:** Adva Center analysis of Ministry of Education, website; CBS, database of 17-year-olds by locality for 2013.



## THE HIGH SCHOOL VOCATIONAL TRACK

In recent years, there has been a demand, especially on the part of industrialists, to expand vocational education in high schools. Prime Minister Binyamin Netanyahu expressed support for the demand at a Cabinet meeting, at which Silvan Shalom, Minister of Development of the Negev and the Galilee, responded angrily, “[Let’s see you] send your own son to learn to become a welder.”<sup>12</sup>

The background to the anger expressed by Minister Silvan Shalom and others is the fact that since 1965, when high school vocational tracks were expanded, they were intended for and attended by Mizrahi pupils. In fact, vocational education was expanded in the first place in order to enable Mizrahi youngsters to receive a high school education, as during the period of expansion very few of them attended high school, most of which were academic. In the 50 years since that time, vocational tracks became the main track offered in high schools

in Jewish development towns, in the poor neighborhoods of the big cities, and, today, in Arab localities. Generally, vocational tracks are part of so-called “comprehensive” schools that include one or two academic tracks.<sup>13</sup>

It should be noted that in contrast to the impression given by persons demanding expansion of vocational education (today referred to as “technological” education), vocational education has not disappeared from the Israeli high school scene: up to the 1990s, about 50% of high school students were enrolled in them. While the proportion of high school students enrolled in vocational tracks has declined, in 2014, 35% of Jewish high school students and 43% of Arab high school students were still enrolled in vocational tracks.<sup>14</sup>

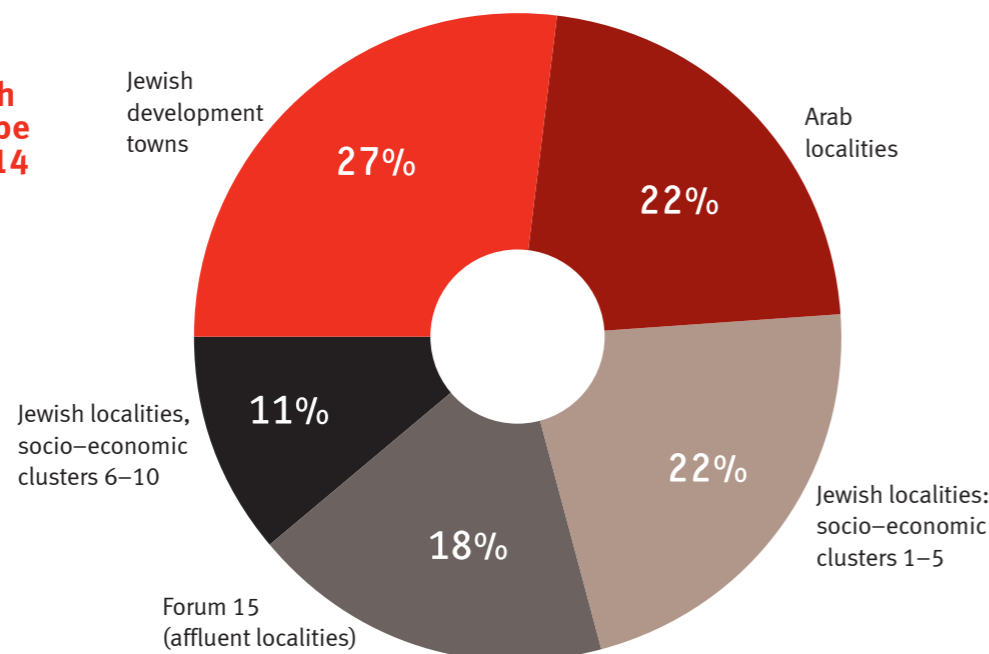
On average, the achievements of vocational track students are lower than those of academic track students. The following table shows

that among students graduating from high school in 2005, 43.8% of graduates of academic tracks had begun college study by 2013, compared with 31.2% of graduates of vocational tracks.

The table below shows the location of high schools belonging to the two largest networks of vocational track high schools, ORT and Amal. Out of 159 schools belonging to the two networks, 113 (71%) were to be found in localities with a low socio-economic rating: 35 in Arab localities, 43 in Jewish development towns, and 35 in other localities rated at the bottom half of the socio-economic scale. It should be noted that in most affluent cities, vocational high schools, if they exist at all, are to be found in the poorer neighborhoods. In other words, vocational or technological education are still considered options primarily for Mizrahi and Arab students, or, to put it another way, for students from low-income localities or neighborhoods.

### Distribution of ORT and Amal Vocational High Schools, by Type of Locality, 2014

In percentages



Source: Adva Center analysis of the websites of the ORT and Amal school networks, December 2014.

## WHO GOES TO COLLEGE?

Those who enter college are not a representative cross-section of Israeli society. The table below shows data for those who graduated high school in 2005 and entered a university or academic college within 8 years of completing high school, i.e., by 2013. The highest figures for entering college were recorded for Jews who graduated from an academic track in a locality

classified as belonging to a high socio-economic cluster. The lowest figures were for Arabs from localities classified as belonging to a low socio-economic cluster.

Among Jews, there is a big difference between the percentage of graduates of academic tracks attending college — 43.8% — and graduates of technological tracks — 31.2%. The percentage of persons from

localities classified as belonging to the top three socio-economic clusters — 52.5% — is double that of persons from localities classified as belonging to the bottom 4 socio-economic clusters — 25.1%.

The percentage of women going on to college is higher than the percentage of men: 39.2% compared to 31.3%.

### High School Graduates of 2005 Who Entered an Israeli University or Academic College by 2013

By various characteristics  
Percentage of all who graduated high school in each row

Total	35.4	Total Jewish sector schools	38.6	Total Arab sector schools	19.9
Men	31.3	Men	34.0	Men	17.0
Women	39.2	Women	42.9	Women	22.1
		Graduates of academic tracks	43.8	Graduates of academic tracks	21.1
		Graduates of technological tracks	31.2	Graduates of technological tracks	18.2
		Live in localities in socio-economic clusters 1-4	25.1	Live in localities in socio-economic clusters 1-2	15.7
		Live in localities in socio-economic clusters 5-7	39.5	Live in localities in socio-economic clusters 3-4	22.6
		Live in localities in socio-economic clusters 8-10	52.5	Live in localities in socio-economic clusters 5-10	37.0

Source: CBS, *Statistical Abstract of Israel 2013*, # 64, December 2014.

## IN 2012/2013 MOST UNDERGRADUATES CAME FROM AFFLUENT TOWNS

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

In the 2012/13 school year, 20.5% of the 20–29 year-olds from affluent localities were enrolled as undergraduates in Israeli universities and academic colleges, about 3 times the proportion from Arab localities — 7.5%. The proportion in Jewish development towns was 13.0 — a higher proportion than in Arab localities but lower than the proportion from affluent Jewish cities and towns.

Looking at universities alone, the proportion of undergraduates from affluent localities was 9.3% — compared to 5.3% from development towns and only 4.8% from Arab cities and towns.

The figures for academic colleges are 11.2%, 7.7% and 2.8%, respectively. The disparities in attendance at academic colleges are particularly striking in view of the fact that one of the aims of the public academic colleges is to provide opportunities for young people from the socio-economic periphery. Unfortunately, the figures published by the Central Bureau of Statistics do not allow us to

differentiate between public and private academic colleges.

In the period between the 2002/03 and 2012/13 school years, the proportion of 20–29 year-olds enrolled in universities declined from 7% in 2002/03 to 6.3% in 2012/13. In parallel, the proportion of those enrolled in academic colleges rose, from 4.4% to 8.1%.<sup>15</sup>

These figures do not include persons studying at the Open University or in teachers' seminaries. Students in teachers' seminaries constitute 2.4% of the 20–29 age group.<sup>16</sup> A similar calculation is not possible for the Open University, many of whose students are older.

## Undergraduates in Israeli Universities and Academic Colleges, 2011/2012

By locality, as a percentage of 20–29 year-olds

Locality	Percentage of undergraduates		
	University	Academic College	Total percent
<b>Total</b>	<b>6.3</b>	<b>8.1</b>	<b>14.4</b>
Omer	19.2	15.7	34.9
Kefar Tavor	17.3	16.8	34.1
Lehavim	19.8	14.2	34.1
Savyon	11.5	21.7	33.2
Metar	17.6	15.6	33.2
Kokhav Ya'ir	15.7	15.9	31.6
Kefar Shemaryahu	9.1	22.2	31.3
Shoham	12.7	17.6	30.4
Har Adar	18.1	12.0	30.1
Oranit	10.9	18.2	29.1
Pardesiyya	11.2	17.7	28.9
Efrat	14.9	13.6	28.5
Modi'in–Makkabbim–Re'ut	11.9	15.2	27.2
Ra'annana	12.2	14.3	26.5
Kafar Kama	12.0	14.1	26.1
Giv'at Shemu'el	16.6	9.4	26.0
Ramat Hasharon	10.7	15.1	25.8
Mazkeret Batya	10.6	15.1	25.7
Ganne Tiqwa	11.0	14.0	25.0
Metula	5.4	19.6	25.0
Qiryat Ono	11.0	13.9	24.9
Yesud Hama'ala	12.4	12.4	24.8
Even Yehuda	10.3	14.3	24.5
Qedumim	8.7	15.6	24.3
Elkqna	10.5	13.2	23.7
Mi'elya	13.2	10.4	23.6
Bet Arye	7.9	15.4	23.3
Rosh Pinna	8.3	14.6	22.9
Alfe Menashe	8.4	14.4	22.8
Qiryat Tiv'on	13.2	9.6	22.8

Locality	Percentage of undergraduates		
	University	Academic College	Total percent
Nes Ziyvona	8.5	14.2	22.7
Hod Hasharon	9.6	13.1	22.7
Nesher	15.5	7.1	22.6
Yehud	8.3	14.3	22.6
Kefar Sava	9.1	13.0	22.1
Herzliyya	8.5	13.5	21.9
Mevasseret Ziyon	10.7	10.9	21.6
Gedera	8.4	13.1	21.5
Gan Yavne	8.3	13.0	21.3
Fassuta	13.1	8.0	21.1
Qiryat Motzkin	11.5	9.5	21.0
Qarne Shomron	7.5	13.4	20.8
Zikhron Ya'akov	11.2	9.3	20.5
Giv'atayim	8.8	11.4	20.2
Rishon Leziyyon	6.6	13.6	20.2
Nahariyya	11.0	9.1	20.1
Karmi'el	8.8	10.8	19.6
Rehovot	8.9	10.7	19.6
Bet El	6.1	13.5	19.6
Qiryat Bialik	10.1	9.4	19.5
Tel Mond	7.9	11.2	19.1
Qadima–Zoran	8.3	10.6	18.9
Petah Tiqwa	6.9	11.6	18.4
Ramat Gan	7.8	10.6	18.4
Haifa	11.9	6.3	18.2
Tel Aviv–Yafo	8.3	9.7	18.0
Rosh Haayin	6.1	11.8	17.9
Rame	10.8	7.0	17.8
Binyamina–Giv'at Ada	8.3	9.1	17.4
Peqi'in	10.8	6.6	17.4
Yavne	6.5	10.8	17.3

Locality	Percentage of undergraduates		
	University	Academic College	Total percent
Yoqne'am Illit	7.4	9.7	17.2
Jish (Gush Halav)	12.0	4.9	16.9
Nazerat Illit	6.9	9.8	16.7
Qiryat Shemona	4.1	12.5	16.6
Giv'at Ze'ev	6.1	10.4	16.6
Ma'ale Adumim	5.7	10.9	16.5
Afula	5.0	11.1	16.2
Ma'alot-Tarshiha	8.0	7.8	15.8
Bene Ayish	6.8	9.0	15.7
Holon	4.7	10.7	15.4
Hurfeish	9.1	6.3	15.4
Netanya	4.9	10.4	15.3
Qiryat Yam	7.9	7.3	15.2
Ashkelon	5.7	9.6	15.2
Shelomi	8.1	7.1	15.2
Be'er Sheva	6.5	8.6	15.1
Ashdod	5.8	9.3	15.1
Ma'ale Efrayim	2.0	13.0	15.0
Qiryat Eqron	4.5	10.4	14.9
Qazrin	6.9	7.9	14.8
Elyakhin	3.0	11.7	14.7
Qiryat Gat	5.7	8.9	14.6
Kefar Yona	4.4	10.1	14.5
Pardes Hanna-Karkur	5.5	8.9	14.4
Qiryat Atta	6.9	7.5	14.4
Kafar Yasif	10.2	3.9	14.1
Ariel	2.7	11.4	14.1
Migdal Haemeq	4.6	9.4	14.0
Qiryat Arba	4.5	9.0	13.5
Azor	3.8	9.5	13.3
Eilabun	9.4	3.9	13.3
Daburiyya	7.9	5.3	13.2
Bet She'an	5.3	7.9	13.2
Mizpe Ramon	4.7	8.3	13.0
Sederot	3.0	10.0	13.0

Locality	Percentage of undergraduates		
	University	Academic College	Total percent
Hadera	4.5	8.4	12.9
Arad	5.8	6.9	12.6
Akko	7.1	5.4	12.5
Sajur	9.1	3.4	12.5
Hazor Hagelilit	4.4	8.0	12.4
Yafi	7.8	4.5	12.3
Julis	6.7	5.5	12.2
Tiberias	6.1	6.1	12.2
Or Aqiva	4.1	7.8	11.9
Nazareth	7.5	4.2	11.7
Tirat Karmel	5.6	6.0	11.5
Zefat	5.8	5.7	11.5
Or Yehuda	2.5	9.1	11.6
Dimona	4.4	7.0	11.4
Be'er Ya'aqov	3.0	8.5	11.4
Elat	6.8	4.5	11.2
Sakhnin	6.9	4.1	11.1
Abu Gosh	5.8	5.1	10.9
Beit Jann	4.9	6.0	10.8
Kaokab-Abu alHija	8.1	2.7	10.7
Deir Hanna	6.8	3.8	10.6
Bat Yam	3.3	7.2	10.6
Mughar	6.5	3.9	10.4
Kafar Qara	6.6	3.5	10.2
Arrabe	6.5	3.5	10.0
Tamra	7.8	2.1	9.8
Ramla	2.3	7.4	9.7
Netivot	3.2	6.5	9.7
Lod	3.1	6.6	9.7
Yeroham	3.9	5.6	9.5
Ofaqim	2.5	6.9	9.4
l'billin	7.6	1.8	9.4
Tur'an	6.7	2.7	9.3
Shibli-Umm al-Ghanam	6.1	3.2	9.3
Judeida-Maker	7.1	2.2	9.3

Locality	Percentage of undergraduates		
	University	Academic College	Total percent
Qiryat Mal'akhi	3.0	6.3	9.3
Kafar Kanna	6.8	2.4	9.2
Kafar Bara	4.7	4.5	9.1
Yirka	2.7	6.4	9.1
Nahef	6.3	2.7	9.0
Kabul	7.0	1.9	8.9
Reine	5.9	3.0	8.9
Shefar'am	6.4	2.4	8.8
Jaljulye	3.6	5.1	8.8
Tire	4.8	3.9	8.6
Abu-Sinan	7.1	1.5	8.6
Iksal	5.1	3.4	8.5
Yenuh-Jat	6.3	2.3	8.5
Jerusalem	3.6	4.8	8.4
Ghajar	0.9	7.4	8.4
Zemer	5.3	2.9	8.2
Kafar Qasem	4.9	3.0	7.9
Tayibe	4.4	3.4	7.9
Mazra'a	6.1	1.7	7.8
Bu'eine-Nujeidat	5.6	1.6	7.2
Kisra-Sumei	4.8	2.4	7.2
Meshhed	5.3	1.9	7.2
Buq'ata	3.3	3.9	7.2
Bet Shemesh	2.5	4.6	7.2
Qiryat Ye'arim	1.4	5.7	7.1
Laqye	3.4	3.6	7.1
Sha'ab	5.4	1.5	6.9
Qalansawe	3.7	3.1	6.8
Majdal Shams	3.7	3.1	6.8
Basma	4.7	1.9	6.6

Locality	Percentage of undergraduates		
	University	Academic College	Total percent
Umm al-Fahm	4.5	2.0	6.5
Mas'ade	3.2	3.0	6.3
Ar'ara	3.5	2.6	6.1
Ein Mahel	4.3	1.6	5.9
El'ad	1.3	4.6	5.9
Ma'ale Iron	3.7	2.1	5.7
Daliyat al-Karmel-Isifiya	3.7	2.0	5.7
Ka'abiyye-Tabbash-Hajajre	3.3	1.9	5.2
Kuseife	2.7	2.5	5.2
Fureidis	3.6	1.5	5.1
Basmat-Tab'un	3.3	1.5	4.9
Ilut	2.3	2.3	4.6
Tel Sheva	1.9	2.6	4.5
Baqa-Jatt	2.9	1.6	4.5
Bene Baraq	1.2	3.1	4.2
Rahat	1.5	2.5	4.0
Kafar Manda	2.4	1.3	3.7
Hura	1.8	1.8	3.6
Bir el-Maksur	3.2	0.4	3.6
Shaghor	2.3	1.1	3.4
Zarzir	1.4	1.8	3.2
Immanu'el	1.3	1.9	3.2
Rekhasim	1.4	1.8	3.2
Segev Shalom	0.9	2.0	2.9
Betar Illit	0.6	2.2	2.8
Ar'ara BeNegev	1.2	1.6	2.8
Ramat Yishay	1.3	1.3	2.6
Modi'in Illit	0.5	1.4	1.9
Jisr az-Zarqa	0.8	0.4	1.2
Tuba-Zangariyye	0.3	0.2	0.6

**Notes:**

1. Includes localities with at least 30 students and at least 2,000 residents; and does not include localities belonging to regional councils.

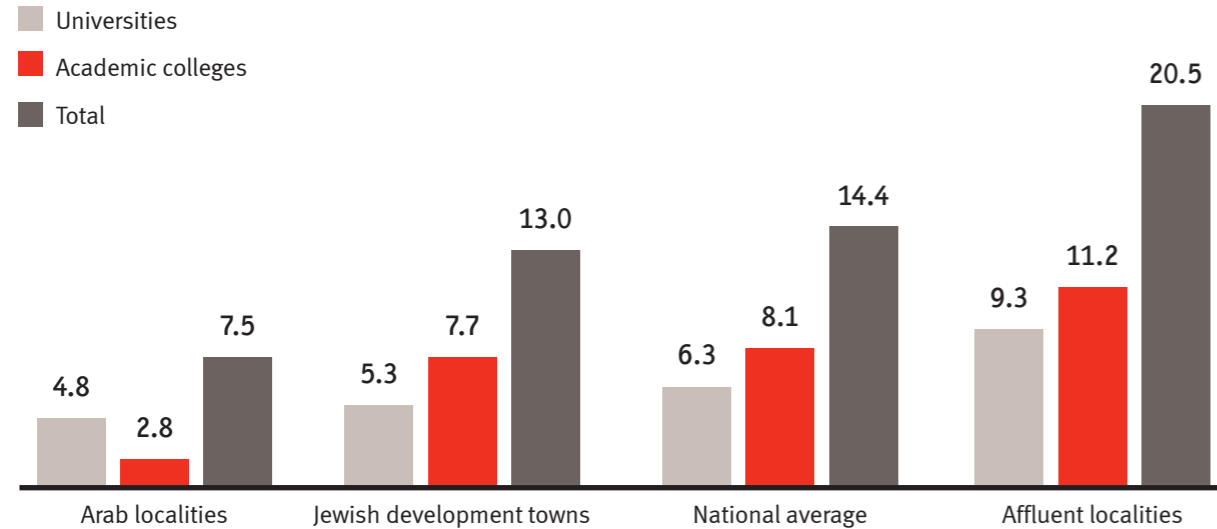
2. The national average includes all localities in Israel, including those not presented in the table.

3. Does not include students in teachers' seminaries or the Open University or Arab students from mixed cities.

Sources: Adva Center analysis of CBS, "Local Authorities in Israel, 2012," database, CBS website; figures on undergraduate students courtesy the Higher Education Department at the CBS.

### Undergraduates in Israeli Universities and Academic Colleges 2011–2012

By type of locality  
Percentage of 20–30 age group in localities with 30 or more undergraduates



**Notes:**  
Includes localities with at least 30 students and at least 2,000 residents; and does not include localities belonging to regional councils. The national average includes all localities in Israel, including those not presented in the table. Does not include students in teachers' seminaries or the Open University or Arab students from mixed cities.  
**Sources:** Adva Center analysis of CBS, "Local Authorities in Israel, 2012," database, CBS website; figures on undergraduate students courtesy the Higher Education Department at the CBS.

### Health Care System

#### EROSION OF PUBLIC FINANCING AND INCREASED CO-PAYMENTS

In 2013, the gap continued to widen between the desirable and actual levels of funding for the basket of health services provided by the public health funds.

The desirable level of funding requires annual indexing of the cost of the basket of services to keep pace with demographic and technological changes, as well as changes in the cost of health inputs.

This has not happened, however, as the National Health Insurance Law of

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

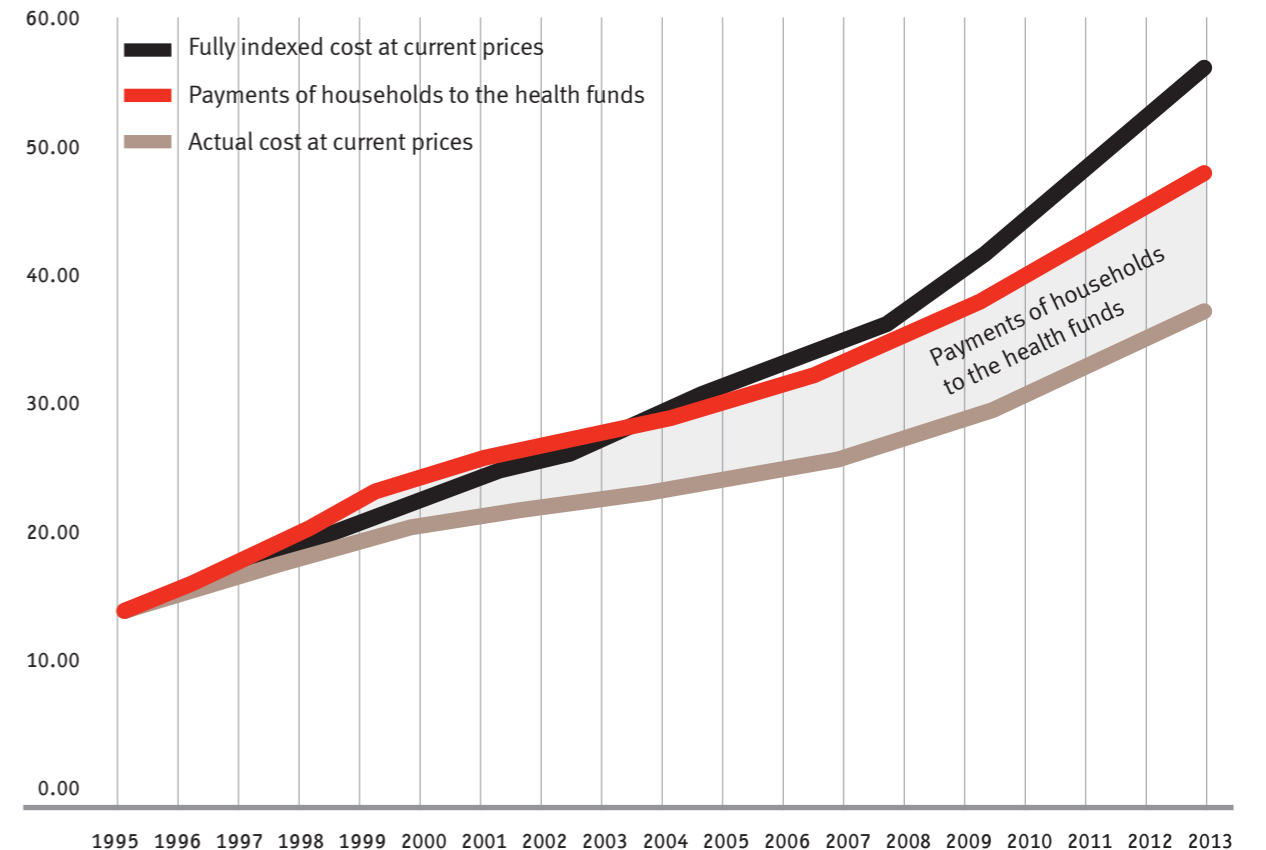
When indexing is not comprehensive, the health system has to raise funds from additional sources, first and foremost by imposing co-payments on patients to help pay for medications and medical services — above and beyond the monies they pay in health taxes — and by the sale of supplemental insurance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

Had the basket of services been fully indexed every year, from 1995 to 2013, it would have cost NIS 56.88 billion, whereas the actual budget in 2013 was NIS 36.55 billion.

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

#### Cost of the Basket of Health Services 1995–2013

In NIS billions



## Cost of the Basket of Health Services 1995–2013

In NIS billions

Year	Actual cost at current prices	Actual cost at current prices + actual payments of households beyond the health tax	Fully indexed cost
1995	12.24	--	12.24
1996	13.86	--	14.56
1997	15.36	17.16	16.83
1998	16.61	18.81	18.46
1999	18.01	21.21	20.60
2000	19.27	22.77	22.50
2001	20.27	24.47	24.06
2002	21.12	25.82	26.03
2003	21.14	26.54	26.96
2004	22.01	27.91	28.66
2005	22.77	28.97	30.74
2006	24.04	30.74	32.71
2007	24.95	32.45	34.52
2008	26.58	34.58	37.05
2009	28.14	36.74	40.36
2010	30.33	39.43	43.67
2011	32.67	42.27	47.91
2012	34.78	45.28	52.46
2013	36.55	48.06	56.88

### Notes:

1. Fully indexed — calculated in accordance with three indicators: demographic changes, technological improvements, and changes in the index of health inputs.
2. The costs include other minor elements not included in our calculation.
3. The fully indexed cost shows how much the basket of services would have cost had it kept pace with the above changes and remained at the same level as it was in 1995.
4. Household payments include both supplemental and private insurance policies, co-payments for medications and treatments -- both those included in the basket of services and those not included.

**Sources:** Adva Center analysis of Ministry of Health, *National Health Insurance Law of 1995–2013 Statistics*, edited by Daniela Arieli, Tuvia Horev and Nir Kadar, November 2014, Health Ministry website; household expenditures courtesy the Department of National Accounts at the CBS.

## THE BURDEN OF PAYMENTS DOUBLED

As a result of the erosion of government financing for the basket of health services, the burden of payments on health care consumers has grown. Additional expenses may include, for example, the purchase of supplemental insurance policies,

primarily to choose a surgeon or obtain a second opinion, but also in order to purchase medicines and additional medical services.

In 2003, this burden amounted to NIS 6.6 billion. In 2013, the burden grew to NIS 11.3 billion.

How do we arrive at these figures? They represent the total income of the health funds and commercial insurance companies from the sale of supplemental insurance and co-payments (to the health funds) for medicines and treatments.

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

In addition to health tax 2003–2013 In NIS billions 2013 Prices

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 Estimates
Health fund income from the sale of supplemental insurance	1.7	2.0	1.9	2.1	2.5	2.7	3.0	3.2	3.4	3.7	4.1
Health fund income from co-payments for medications and services	3.1	3.3	3.5	3.6	3.7	3.4	3.3	3.3	3.1	3.3	3.3
Insurance company income from the sale of health insurance	1.8	2.0	2.1	2.3	2.7	2.9	3.2	3.2	3.4	3.8	4.1
Total income of health funds (in addition to government transfers) and insurance companies	6.6	7.3	7.5	8.0	8.9	9.1	9.4	9.7	9.9	10.8	11.5

### Notes:

1. Includes Health Fund revenues received in the framework of the National Health Insurance Law (medications, doctors' fees, various quarterly payments) as well as for medications and treatments not included in the Health Law.
2. Does not include nursing care insurance.
3. 2013 figures are estimates.

**Source:** Adva Center analysis of figures received courtesy the Department of National Accounts at the CBS.

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

In 2013, the average monthly expenditure of households in the top income bracket on private health insurance policies amounted to NIS 247. The expenditure on supplemental health fund insurance policies was slightly higher, NIS 284. Thus the total monthly household spending on health insurance beyond the health tax in the top income bracket was NIS 531.

Households in the top income decile spent twice as much on health insurance as those in the sixth decile and 4 times as much as those in the second decile.

In 2013, the share of extra health insurance in total household expenditures on health amounted to 35%.

Everyone paid more for health care, but high-income households could afford to purchase more insurance — and more expensive kinds — while low-income households could afford to buy much less.

It should be noted that the figures are averages that hide the fact that in the lower income brackets there are households that do not purchase any extra health insurance policies.

Supplemental (marketed by health funds) and private health insurance (marketed by insurance companies) lead to a number of distortions in the public health system:

First of all, they have a negative effect on the public and universal nature of the health system. Persons

with additional health insurance policies receive priority when it comes to surgery; the losers are persons without such policies.

Secondly, private health policies have led to surgeons leaving public hospitals in the afternoons in order to perform operations in the framework of private health insurance policies. This situation leads to the creation of waiting lists for surgery and for consultations with specialists in the framework of the public health system.

If we were to conduct a survey with regard to the accessibility of health care services to citizens by economic decile, we would most probably find large gaps in favor of persons in the higher income brackets.

## Total Monthly Outlay on Supplemental and Private Health Insurance Policies of Households in the 2nd, 6th and 10th Income Deciles

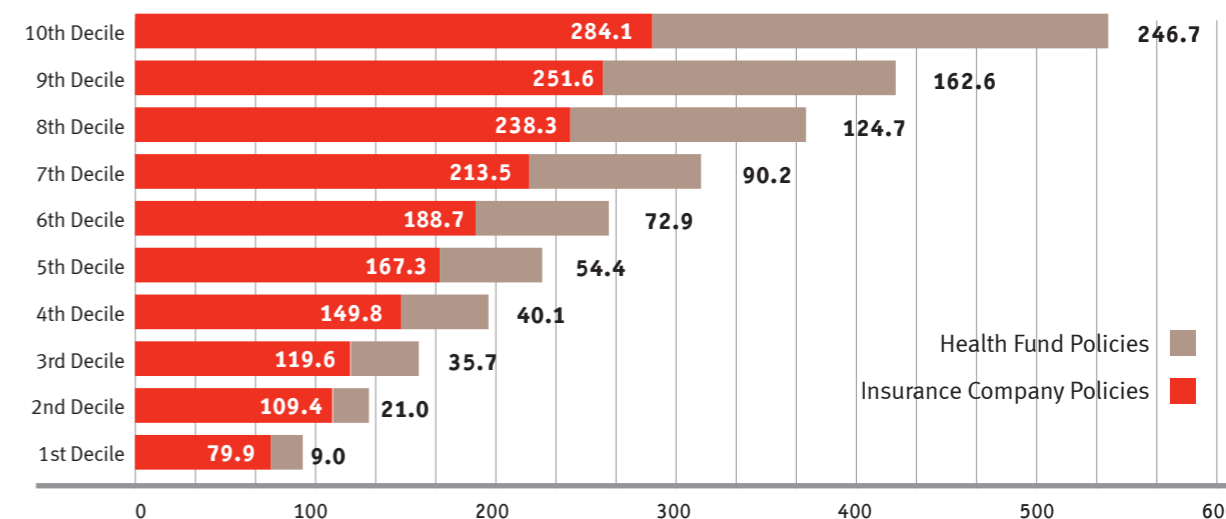
By net household income, in NIS, 2013 prices

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
New Series											
Decile 2											
Private	17	4	8	18	18	19	11	15	22	17	21
Supplemental	49	53	63	64	65	75	79	90	92	95	109
Total	66	57	71	82	83	93	89	106	114	112	130
Decile 6											
Private	36	40	47	56	62	48	50	84	65	65	73
Supplemental	91	104	113	113	132	133	148	151	165	182	189
Total	128	144	159	169	193	182	198	234	230	246	262
Decile 10											
Private	145	134	206	201	183	196	215	242	285	225	247
Supplemental	141	154	163	170	189	191	210	230	255	272	284
Total	287	288	369	371	371	387	425	472	541	497	531

Source: Adva Center analysis of figures received courtesy the Household Consumption Department of the CBS.

## Total Monthly Outlay on Supplemental and Private Health Insurance Policies of Households, by Income Decile, 2013

By net household income, in NIS, 2013 prices



Source: Adva Center analysis of figures received courtesy the Household Consumption Department of the CBS.



**Endnotes**

- 1 Adva Center, *Workers and Employers and the Division of National Income 2012*, April 2013.
- 2 Miri Endeweld and Oren Heller, “Wages, the Minimum Wage and their Contribution to Reducing Poverty: Israel in an International Comparison,” National Insurance Institute, 2014, Working Paper 119.
- 3 Adva Center, *Workers and Employers and the Division of National Income 2012*, April 2013.
- 4 Adva Center, *Israel A Social Report 2011*, December 2011.
- 5 “Financial assets held by the public” include assets owned by individuals and corporations, households, firms and pension funds. They do not include assets held by the government, the Bank of Israel, commercial banks, mortgage banks and investments of foreign residents.
- 6 In January 2012 the CBS changed its methodology for calculating unemployment, in accordance with the demands of OECD. Under the new system, data are collected on a monthly basis and they include not only the civilian labor force but also persons in compulsory military service and regular military personnel. Thus, unemployment figures under the new system are higher than they were previously: CBS, Press Release: “Figures from the Manpower Survey for November 2014,” December 22, 2014.
- 7 August 2014: [http://europa.eu./rapid/press-release\\_STATA-14-16-146\\_en.htm](http://europa.eu./rapid/press-release_STATA-14-16-146_en.htm)
- 8 Adva Center calculation based on OECD Stat.
- 9 Khalid Arar and Kussai Haj-Yehia, 2013, “Higher education abroad: Palestinian students from Israel studying in Jordanian universities,” *Journal of Applied Research in Higher Education*, 5(1), pp. 95–112.
- 10 Council for Higher Education, *Higher Education in Israel 2014*, May 2014.
- 11 CBS, *Statistical Abstract of Israel 2014*, Tables: 8.48, 8.54.
- 12 Leor Dattel, “Send Your Son to Learn to be a Welder,” *The Marker*, October 22, 2014.
- 13 CBS, *Statistical Abstract of Israel 2014*, Table 8.19.
- 14 The figure is for students in the Hebrew education system. CBS, *Statistical Abstract of Israel 2014*, Table 8.48.
- 15 For details see: Adva Center, *Israel — A Social Report*, various years.
- 16 Adva Center analysis of CBS, *Local Authorities in Israel 2012*, database, CBS website; figures on undergraduates received courtesy the Department of Higher Education at the CBS.



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