

## **Jerusalem Institute for Market Studies (JIMS):**

### **The National Insurance Institute Is Hiding the Real Poverty**

Through statistical manipulations, the National Insurance Institute (NII) presents a distorted picture of the state of poverty in Israel, according to the annual Jerusalem Institute for Market Studies (JIMS) Report on Poverty, issued Tuesday, November 22, in Jerusalem. Such a picture does not allow policymakers to focus their policy on the truly needy, the paper says.

"The NII poverty report is based on surveys of reported income in a given year," says Yarden Gazit, the JIMS economist who authored the Report on Poverty. "Data show that 41% of those classified as poor by the government are able to spend more than the poverty line. Some may be going into debt, but most of them probably do not belong to the ranks of the poor and do not require assistance from the welfare system."

#### **Unreported Income Ignored**

Support for this claim can be found in the fact that among the self-employed poor – who have more tax-evasion opportunities – 63% spend more than the poverty line, compared with only 45% of the working poor and 35% of the unemployed.

#### **Definition of "Working Families"**

Moreover, the NII uses misleading statistical categories which distort reality. The NII's "Poor Working Families" category, defined as families with at least one member who worked at some point during the year. 12.3% were classified as poor. By including both families with one working partner, whose probability of being poor was 40%, and families in which both partners work, whose probability of being poor was eight times lower (5%) in the same category, the NII obfuscates the true state of poverty.

#### **Property-owning Poor vs. the Property-less**

The JIMS Report on Poverty notes that 34.9% of the bottom 10% of income-earning households live in their own apartment. In a society in which many are not able to afford a home, and hundreds of thousands take to the streets in protest of the situation, property-owning low-income households should not be categorized as poor. The NII, however, defines property exclusively through income, and does not take property ownership into account.

#### **Talking Points Rather than Solutions**

"Based on the picture drawn by the NII, policymakers cannot focus on the truly needy, such as single parents, people with disabilities, etc.," says Gazit. Those groups are abandoned in exchange for talking points about the government's duty to guarantee the welfare of its citizens. But it is clear that when one defines a quarter of the country's population, some 1,800,000 persons, as poor, resources spread over such a large number of people could have been better utilized had they been given to those who truly need them."

#### **JIMS: Measuring True Poverty Is Necessary**

A reexamination of the term poverty and the way it is measured is needed. JIMS recommends changes in the way data are gathered and classified, including recording long-term measurement of social mobility in order to find groups who are truly poor, a change in the definition of the term "Poor Working Families," and publishing statistics about the standard of living, in real terms, of those being described as poor.

For more information visit [www.jims-israel.org](http://www.jims-israel.org) or call: Yarden Gazit, 054-5887769.