

## **New Study:**

### **Report on Poverty in Israel**

A first-ever examination of actual and long-term poverty in Israel reveals that statistics issued annually by the Institute for Social Security are misleading. The first annual Report on Poverty of the Jerusalem Institute for Market Studies shows that Israel has made great strides in reducing poverty over the past ten years.

Some of the findings of the report, authored by JIMS economist Yarden Gazit, are:

1. The number of people living under an absolute poverty line has fallen by 18.8% in 4 years:

In 2004 18.1% were under this poverty line while in 2008, only 14.7% were. This contrasts with Social Security's claim that Israelis are impoverished, with 23.7% under the 2009 line it uses. The difference, JIMS explains, is that Social Security's line is relative and as income rises over the years, so does the line, meaning many people are categorized as "poor" even if they are earning enough to live adequately. Israelis are much better off than Social Security statistics show. 38% of those called "poor" by Social Security in 2009 (600,000 people) would have been called middle class a few years ago.

2. Real disposable income of the lowest 20% of wage earners rose 8.2% from 2002-2008. According to JIMS, despite claims to the contrary by some politicians, Israel's economic growth has benefited the lower wage earners.
3. Based on Purchasing Power, poverty has fallen by 23% from 2003-2008, from a rate of 28.3% to a rate of 21.8%. This rate refers to families unable to purchase basic goods. The drop in the rate indicates more and more Israelis are able to provide for basic needs and even allow themselves luxuries and savings. A total of 450,000 moved from the "unable" to the "able" to provide group. Specifically:
  - Cell phone ownership in the lowest 10% of households rose from 52.3% to 80.3% from 2001-2008.
  - Internet subscription among the lowest 10% rose from 2.5% to 27.6%.
  - Computer ownership in the lowest 10% rose from 23.3% to 49.3%.

Similarly, ownership of microwaves, DVDs, air conditioners and dryers rose. According to JIMS, the much-discussed "social gap" measured by Social Security indicates that poor people can buy less than wealthy people, but what matters is that people considered poor are now able to find work using cellphones and computers and live with air conditioners and DVDs.

4. Home ownership among the lowest 10% of net wage earners rose from 36.7% to 41.3% from 2001-2008. In other words, even as home prices were rising, there was a rise of 12.5% in the number of poor families owning their own homes.

5. One-third of those categorized as poor are Arabs. Life expectancy for Israeli Arab women rose by 2.9 years from 2001-2009, from 77.8 years to 80.7. For Arab males it rose by 1.8 years, from 74.5 to 76.3, showing that the poor are healthier than in the past.
6. Approx. 31% of those called “poor” have pension funds within 5 years.
7. At least 30% of those called “poor” move out of the lowest 20% of wage earners and into higher income percentiles within 2 years.
8. Social Security almost automatically categorizes many young wage earners as poor, further skewing all its statistics. A newcomer to the labor market, lacking skills or work experience, naturally has lower wages. The JIMS report shows that Israel does well on social mobility statistics, and most of these young wage earners, rather than being poor, are actually on their way to being middle or upper class. According to JIMS, calling them poor, or lumping them with others who are perennially poor in order to talk of millions of poor, makes it impossible for policymakers to consider a rational policy to address those who really are poor.

Social mobility makes the national breast beating that occurs every year after publication of the Institute for Social Security’s statistics, which measure social gaps not poverty, irrelevant. The relevant statistics are long-term examinations of the poor, actual wages, ownership of goods and access to services.

The full Report on Poverty is available (in Hebrew) at [www.jims-israel.org](http://www.jims-israel.org)  
For more information: