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‘Poverty drops 18.8% in just four years’

By RUTH EGLASH
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38% of those defined as ‘poor’ by the NII in ‘09 would have been called middle class a few years ago, says report by J’lem institute.

The country’s poor are significantly better off than they were a decade ago, with the number of people living in absolute poverty falling by 18.8 percent in just four years, according to a report published by the Jerusalem Institute for Market Studies on Sunday.

Released to coincide with the International Day for the Eradication of Poverty and one day before various Knesset committees discuss the poor, the report calls into question the annual figures published by the National Insurance Institute (NII), which show that poverty rates are continually rising, and suggests that the situation is not as grim as depicted.

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Authored by economist Yarden Gazit and based on consumer trends data from the Central Bureau of Statistics, the Jerusalem Institute for Market Studies report is the first to measure absolute poverty as opposed to relative poverty in the country. It shows that Israelis, even those with the lowest salaries, are able to pay for their basic needs and even allow themselves luxuries and savings.

“The poor are better off now than they were five years ago. More poor people can afford cellphones or a car and more are home owners; this is what we measured,” Corinne Sauer, the institute’s executive director, told *The Jerusalem Post*.

She explained that under the classic way of measuring relative poverty, “if Bill Gates suddenly made aliya, that would lead to another 10,000 people being declared poor, because he would increase the average wealth by so much.”

“In Israel, people get confused by the definition of poverty and the social gap.

They look only at the social gap, but when you are talking about poverty it’s good to go back to basics and see what people have,” Sauer said.

According to the report, despite claims by some that the lowest wage earners have not benefited from the

economy's growth, the real disposable income of the lowest 20% of wage earners rose by 8.2% between 2002 and 2008.

In addition, based on purchasing power, poverty fell by 23% between 2003 and 2008, indicating that more and more people were able to provide for their basic needs and even allow themselves luxuries and savings, said the report.

The institute's research also showed that 450,000 people moved from the "unable" to the "able" to provide group, and cellphone ownership in the poorest 10% of households increased from 52.3% in 2001 to 80.3% in 2008.

The increase for this group was similar for Internet subscription, which increased from 2.5% in 2001 to 27.6% in 2008, and for computer ownership, which rose from 23.3% in 2001 to 49.3% in 2008.

Similarly, the research found that home ownership among the lowest 10% of net-wage earners increased from 36.7% to 41.3% from 2001 to 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," the report noted.

The Jerusalem Institute for Market Studies' findings directly contradict those of the NII, which reported in its most recent report released last year that 420,100 families, or 1,651,300 people, lived below the poverty line in 2008, with some 783,600 children considered poor. All those figures have been steadily increasing in recent years.

The report explained the contradiction by saying that the poverty line identified by the NII is "relative, and as [average] 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 the NII statistics show," said the report. "38% of those called 'poor' by the NII in 2009 (600,000 people) would have been called middle class a few years ago."

Prof. Leah Achdut, who was deputy director-general for Research and Planning at the NII from 2001-2006, responded to the report by saying that there are different ways to measure poverty.

"The National Insurance Institute has its own way, the Bank of Israel has another way, but the best way is to first check where a person fits into their society and then look at whether their standard of living improves faster or slower than the average," said Achdut, currently a lecturer at the Ruppin Academic Center and a member of the economics and social program at the Van Leer Jerusalem Institute.

"The goal is to check whether a person has enough money to obtain the basic basket of needs, and even within that marker, there are many different ways to measure this," she said, highlighting that the results will always change and could even be contradictory depending on the period for which the poverty rate is checked.

However, Achdut maintained that "since 2000, poverty in Israel has grown and so has the gap between rich and poor.

"Its only when you use alternative methodology that you get a different result," she said.

Sauer said, "It is not just semantics, we just approached it using a different idea. Everyone was being so overdramatic and saying there are so many poor; we just had to make a distinction."

She added: "Within every group there is always going to be a cluster of people whose lives are not getting any better and I am not saying there are no poor in Israel, just that they are less poor now than they were five years ago."

Asked about the reports of soup kitchens and aid charities that continually struggle with increasing demand, Sauer responded: "They all need to make a living. If they reported that their needs were less, then fewer people would donate to them."

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