

## **POLICY PAPER SERIES**

### **WORKING AND POOR**

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# Working and Poor

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Haya Stier\*

## *Abstract*

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*This chapter reviews poverty rate trends among Israel's working population over the past 30 years, with the aim of identifying the social characteristics of working families living in poverty, and the factors leading to a situation in which employment fails to prevent poverty. The poverty rate among Israel's working population is high and trending upward; working families currently account for most of Israel's poor. Poverty among the employed stems from a combination of economic factors, in particular: low wage jobs and a lack of opportunities for low-skilled workers; demographic/family characteristics such as large families and a low percentage of two earner families; and, political factors, particularly the level of support provided to large families and to workers with employment difficulties. These factors lead to exceptionally high poverty rates among the working Arab population, which is characterized by barriers to employment, low levels of female participation in the labor market, and large families.*

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Israel's poverty rate, one of the highest in the Western world, poses complex social and economic problems for the State and for its social policy makers. Poverty is not distributed uniformly throughout the population, and a number of different social groups are at high risk of falling into poverty. Studies conducted in recent years (Flug and Kasir, 2001; Lewin and Stier, 2002; Stier and Lewin, 2002) have shown that poverty rates are exceptionally high within the ultra-Orthodox and the Arab sectors, due to a variety of demographic and social factors, including large numbers of children per family, limited labor force participation and low skill levels. Poverty is also prevalent among single-parent families headed by women – households that are particularly vulnerable economically.

The discussion on poverty has traditionally focused on people who do not participate in the labor force, that is, those who are dependent on national insurance payments and institutions. Many of the groups that fall into this category are characterized by a high degree of vulnerability: single-parent families headed by women, the unemployed, people with physical disabilities, and the elderly. Many social programs aimed at fighting poverty have been aimed at returning poor people, single mothers, and the unemployed to the labor market in order to ensure their escape from poverty. Recent years witnessed the implementation of a welfare-to-work policy with the declared purpose of raising employment rates while reducing the dependence of Israeli households on National Insurance payments. Programs of this kind, which have been instituted by other countries as well, have generally succeeded in bringing large numbers of people into the labor force. However, over the last few years scholars and social policy makers have become increasingly attentive to rising poverty rates within the working population (Andres and Lohmann, 2008).

According to official Israeli statistics, in 50 percent of poor families the head of the family is a labor force participant, while a not insignificant percentage of all workers – over 12 percent in 2008 and 13.4 percent in 2009 in Israel, and seven percent on average in the OECD

countries (Andres and Lohmann, 2008) – live under the poverty line. In the industrialized world there is a growing recognition that employment by itself does not prevent poverty, and that the welfare system has been unsuccessful in significantly improving the economic status of the working poor.

Why doesn't work enable individuals and their families to escape poverty? Some feel that developments within the Western world's labor markets over the last few years have contributed greatly to the rise in poverty rates within the working population. Industrialized labor markets are currently characterized by economic instability that is expressed both in significant fluctuations in unemployment rates and in the employment difficulties of workers who, while they may succeed in finding employment, often earn wages too low to maintain a decent standard of living, or who are employed only part-time despite their desire to invest more of their time in the labor market. In general, there has been a reduction in the quality of various labor indices like employment security and the ability to develop skills suited to Western labor markets. These markets are characterized by increasing competitiveness due to the opening up of international markets and to an influx of migrant workers as well as technological developments that have changed the labor configuration and distribution of opportunities within the labor market. These changes have increased opportunities for the highly skilled and narrowed those for workers lacking the appropriate skills and educational background. In addition, traditional worker protections have eroded with the weakening of labor unions. All of these factors have sharpened economic inequality and left the labor market's more vulnerable groups with uncertainty, low wages and suboptimal work conditions. It should also be remembered that some workers encounter barriers to being hired like discrimination or opportunity structures that keep them from fully integrating into the labor market or which channel them into unstable, low wage occupations incompatible with a decent standard of living.

In addition to changing labor conditions and eroding worker status, particularly with regard to low-skilled workers, changes in the welfare

system have had a particularly negative impact on groups characterized by a high degree of economic vulnerability. Cutbacks in the support extended by many Western countries to the unemployed and to single-parent families, as well as the implementation of welfare-to-work programs and the creation of incentives for labor market participation, have brought numerous low-skilled workers into the labor force where they are employed in low wage jobs. The programs and incentives have not, however, succeeded in improving these workers' standard of living; in many cases they have actually made things worse (Blank, 1997).

Low wages and difficult work conditions are not the sole reasons why labor force participation does not offer protection against poverty. While labor market wages are paid to workers based on their skills and productivity, poverty is a characteristic of families and is a function of a family's place relative to the poverty line – which is itself relative. It is defined by two main characteristics: family income and number of family members. For example, a low wage worker (usually a woman) may not necessarily be poor if there is an additional earner in the household (generally a man) earning a high salary; a family with a single earner and a large number of children may be poor even if the earner's wage is not particularly low. The welfare system can supplement the family's income and raise it out of poverty. By the same token, a reduction in benefits might intensify poverty even for families with one or more wage earners.

This chapter reviews poverty rate trends among Israel's working population over the past 30 years with the aim of identifying the social attributes of working families living in poverty, and the factors leading to a situation in which employment fails to prevent poverty. Focusing specifically on the working poor is important because those who fall into this category "play by the rules" yet have no chance of winning the game. An understanding of the causes of poverty may facilitate the formulation of more effective policies, whether in the social welfare or the labor market spheres.

## 1. *Changes over Time in the Poverty Rates of Working Families*

Poverty rates in Israel are among the highest in the Western world (Central Bureau of Statistics, 2009). A fifth of all Israelis live under the poverty line, a figure that does not seem to improve even during periods of economic growth. One prominent feature of Israel's poverty picture is its high rate of poverty among families with at least one member who is a labor force participant. The most recent poverty report (National Insurance Institute, 2010) gives a poverty rate of 13.4 percent for all working families, accounting for half of all Israeli families living in poverty. In order to understand how the status of Israeli working families has changed, the discussion will focus on families where the head of the household is aged 25 to 64. Limiting head-of-household age makes it possible to focus on the poverty rate of families headed by people of working age, the majority of whom have completed their studies.<sup>1</sup> "Worker" is defined in this chapter as someone who is actively employed in the labor market.<sup>2</sup>

Figure 1 surveys poverty trends over recent years within the Israeli population and among families where the head of household is employed in the labor market.<sup>3</sup> The poverty line relates to households and takes household income and number of household members into account. The data on poverty within the working population refer to households with at least one member who is a labor force participant (generally the head of household), and it presents the number of people (poverty per capita) living in poor families.

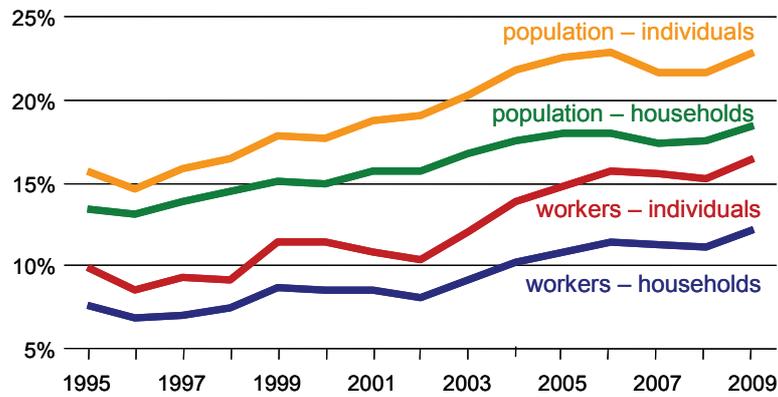
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<sup>1</sup> The data are based on income surveys for different years and do not include residents of East Jerusalem. The poverty line is likewise calculated without reference to this population.

<sup>2</sup> The worker population does not include the unemployed, who, according to this definition, are part of the labor force.

<sup>3</sup> Throughout this chapter, the term "working household" refers to households headed by people aged 25-64 employed in the labor force.

Figure 1  
**Poverty rates in the population and among workers,**  
**1995-2009, by household head aged 25-64**



**Source:** Taub Center for Social Policy Studies in Israel.

**Data:** Central Bureau of Statistics.

Poverty levels have been trending upward since the mid 1990s. Despite a stabilization or even something of a decline in certain years (e.g., during 2005-2008), 18.5 percent of all households were living below the poverty line in 2009, compared with 13.4 percent in 1995 (Figure 1). In parallel, the overall rise in poverty rates for all households was accompanied by a rise in the poverty rate for families whose head of household was employed. Within the relevant age group (25-64), the poverty rate rose from 7.6 percent in 1995 to over 12 percent in 2009. At the same time, while the overall poverty rate has risen steadily since 1995, the trend for working people has been inconsistent. In 2003 there was a sharp rise in the percentage of workers living under the poverty line after years of moderate increase (1996-2002). A similar pattern was found when poverty rates for individuals living in families headed by people who are employed were examined. As expected, the poverty rate

for this group is higher than the household poverty rate, which rose from ten percent in 1995 to 16.5 percent in 2009. Here as well, it is interesting to note a certain moderation in the poverty rates of those living in working households during the period 2006-2008; however last year saw a rise in the poverty rates of working households and of individuals living in working households.

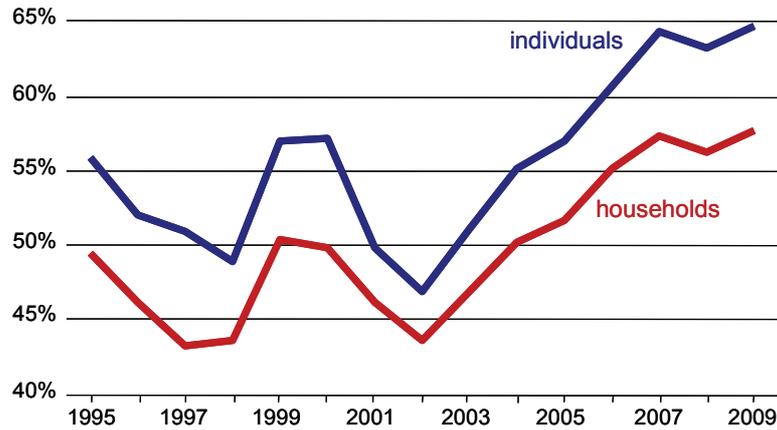
Along with fluctuations in the percentage of families with one or more working heads of household that do not manage to escape poverty, the relative share of working households within Israel's overall working-household population (headed by people aged 25-64) has changed as well. During the latter half of the 1990s there was a significant decline in the percentage of poor families with employed heads of household, from half of all poor families in 1995 to 44 percent in 1998 (Figure 2). However, despite the fluctuation in the relative share of workers within the poor population as a whole, the overall trend is upward – whether the figures are calculated in terms of households (a rise from 44 percent in 2002 to 58 percent in 2009) or in terms of individuals living in poor families with a working head of household – from 56 percent to 65 percent.<sup>4</sup> That is, while the rise in overall poverty rates has moderated, and along with it the percentage of poor people within the working population, Israel's poverty mix is changing. Today, most poor people are living in families where at least the head of household (and frequently other household members as well) play an active economic role. The overall trend may reflect processes rooted in a changing employment situation and in a worsening of Israeli work conditions, as well as in changes in the array of supports provided by the Israeli welfare system to disadvantaged groups.

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<sup>4</sup> The number of individuals refers to people living in household headed by working people who are themselves aged 25-64 (working or not).

Figure 2

**Percent of poor households headed by a worker**  
as a percent of all poor households in Israel, 1995-2009  
by households and individuals, household head aged 25-64



**Source:** Taub Center for Social Policy Studies in Israel.

**Data:** Central Bureau of Statistics.

## 2. Who Are the Working Poor?

The rise in overall poverty rates and among families headed by workers is not distributed evenly across all population groups. Studies on poverty in Israel (Bank of Israel, 2008; Flug and Kasir, 2001; Shayo and Vaknin, 2001; Lewin and Stier, 2002) have called attention to high concentrations of poverty among several specific groups within Israeli society, particularly Arabs, the ultra-Orthodox and single mothers.

The high poverty rates among the ultra-Orthodox are due primarily to low labor market participation rate, and to the large numbers of children per ultra-Orthodox families (Ben-David, 2010). (The present chapter will not be discussing the ultra-Orthodox.) Among Arabs, by contrast, poverty

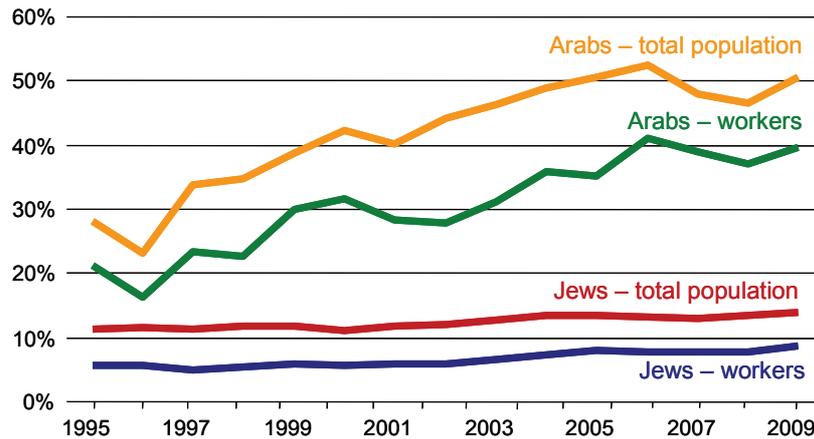
stems from a variety of reasons, including difficulties in employment, often manifested in withdrawal from the labor market at a relatively young age, problems finding work (Sa'di and Lewin-Epstein, 2001), low-wage jobs, as well as a number of demographic factors, like large families and especially low employment levels for women. Single mothers, whose labor market participation rates are relatively high and whose families are usually smaller, are also poorer due to their sole wage earner status.

An increase in the number of Arab workers, for example (without any change in their employment patterns or in the welfare system's policy toward them) may explain the rise in the percentage of poor workers or their proportion within the overall poor population. In the same way, the rise in the percentage of the working poor may be due to changes in the welfare system – particularly with regard to populations that had not previously participated in the labor market, such as single mothers and, in particular, mothers of young children. The entry of additional economically weak groups into the labor market and the cutting of income supports that had previously supplemented income from work, may also explain the increase in the working poor population and in that population's share within the overall poor population. In other words – as was found in a number of other countries (Blank, 1997) – the welfare-to-work programs that were intensively implemented from the early 2000s and the creation of work incentives alongside the reduction in benefits, not only failed to significantly change Israel's poverty picture, but actually led to a rise in the percentage of workers living in poverty.

Poverty rates for Jews and Arabs, as presented in Figure 3, point to the Arab population's high degree of economic vulnerability. While the overall poverty rate, like that of the working population, rose during the first half of the 2000s, the percentage of Jewish families within the population of households headed by people aged 25-64 that fell under the poverty line was significantly lower than that of Arab families in the same category. Also, the increase in poverty among Jewish families was

very low – from 11.3 percent at the beginning of the decade to 14 percent by its end.

Figure 3  
**Poverty rates in the population and among households  
 headed by a worker, 1995-2009**  
 by sector, household head aged 25-64



Source: Taub Center for Social Policy Studies in Israel.

Data: Central Bureau of Statistics.

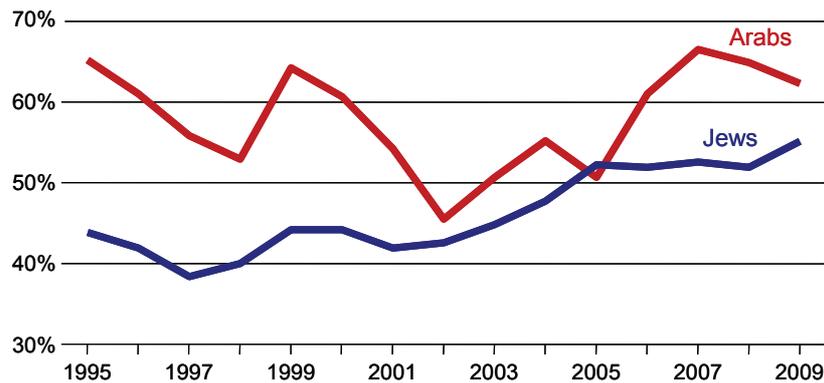
Among Jewish workers in the relevant age group, the poverty rate is even lower – 5.7 percent of all workers in 1995 and 8.7 percent today. Interestingly, within this group poverty rates were quite stable during the period 2005-2008, although they rose by a percentage point last year (from 7.7 percent to 8.7 percent.) For Arab households headed by people aged 25-64, a different picture emerges. Firstly, Arab poverty rates are significantly higher than amongst Jews throughout the period in question. Moreover, the disparities between the two population groups widened significantly: during the mid 1990s, 28 percent of all Arab households in the relevant age group were poor (the lowest figure was for 1996 when 23 percent fell under the poverty line), but by 2000 the poverty rate had risen

to over 42 percent, while in 2009 half of this population was living in poverty. Secondly, during the period 2001 to 2006 there was a steep rise in poverty rates (from 40 percent to 52 percent) which has since declined somewhat. The picture for working people is very similar: in 1995, 21 percent of Arab households headed by workers (aged 25-64) were living under the poverty line and the figures trended upward. Today, 40 percent of working households are poor. To conclude, work does not, in general, protect the Arab population in Israel from a very low standard of living.

An interesting picture emerges when the composition of Israel's poor population is examined. As shown in Figure 2, half of poor households have at least one member who is a labor market participant. Figure 4 presents the percentage of poor households (i.e., all households under the poverty line headed by people aged 25-64) that are headed by workers both Jews and Arabs. What is found is that, within the relevant age group, most poor households are, in fact, headed by working people, and that the poor population has changed in many ways over time (in terms of head-of-household employment status). Throughout the period in question (except in 2005), the percentage of poor households headed by an employed person is higher among Arabs than among Jews; however, the gap between the two groups is unstable – in certain periods it becomes narrower (during 2002-2005, for instance), while at other times it widens. When disparities narrowed, the finding could be traced to two simultaneous developments. The first of these was a decline within the Arab sector in the percentage of poor people who were labor market participants. This was due apparently to an influx of foreign workers into the Israeli labor market during the latter half of the 1990s that caused a lessening of employment opportunities primarily for those with low educational levels (Ben-David, 2010). At the same time, there was a steady increase in poverty among working Jews which ultimately moderated toward the mid 2000s. This rise in poverty may reflect a rise in the percentage of single-parent families, or it may be due to market difficulties related to the wave of immigration during the 1990s and changes in labor arrangements within the Israeli economy as a whole.

Starting in 2005 the disparity between the two population groups expands, due primarily to a rise in the proportion of working poor families within the Arab population: in 2008, 65 percent of all poor Arab households were headed by workers, versus 52 percent among Jews. However, in 2009 the gap narrowed again due to an increase in the percentage of working Jewish heads of households living in poverty, and a decline in poverty rates among working Arabs. Overall, one finds that the percentage of working poor within the Arab population declined somewhat compared with the situation in 1995, while the proportion of working poor within the Jewish population rose steadily throughout the period, from 44 percent at its start to 55 percent at its end.

Figure 4  
**Percent of households headed by a worker  
 out of all poor households, 1995-2009**  
 by sector, household head aged 25-64



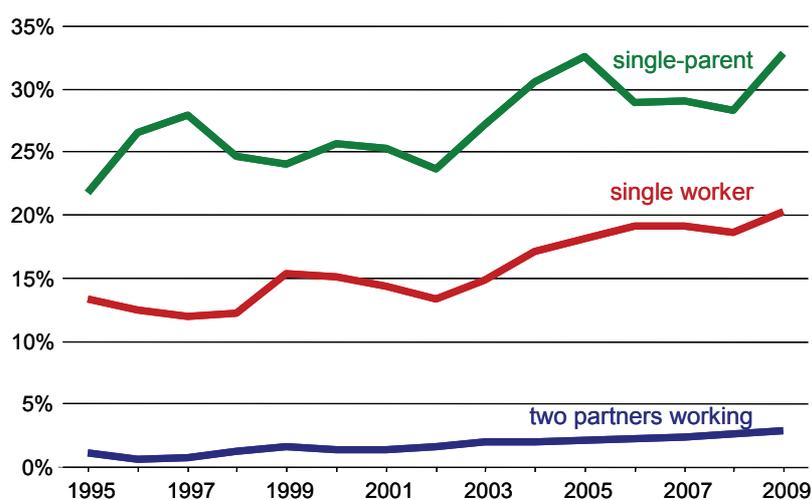
**Source:** Taub Center for Social Policy Studies in Israel.  
**Data:** Central Bureau of Statistics.

Work in and of itself, as noted, is not a shield against poverty. One also has to take into account demographic and other population related factors, especially household composition and the number of wage

earners. Large households with only one earner are more economically vulnerable, and in many cases the salary of a single earner is insufficient to ensure a decent standard of living. Figure 5 compares three types of household: households headed by couples in which both partners participate in the labor market; couple-headed households in which only one partner works; and single-parent (or single-person) households categorized as households headed by a single working person (without a partner) and with children up to age 18. A consideration of household wage earner composition points to significant disparities between single earner households (particularly single-parent households) and two earner households. The poverty level of households headed by two working people is very low (though trending upward), and is similar to the overall poverty level within the Jewish working population. In fact, most two earner households are Jewish (Stier, 2010).

Figure 5

**Household poverty rates, by number of wage earners,  
1995-2009, household head aged 25-64**



**Source:** Taub Center for Social Policy Studies in Israel.

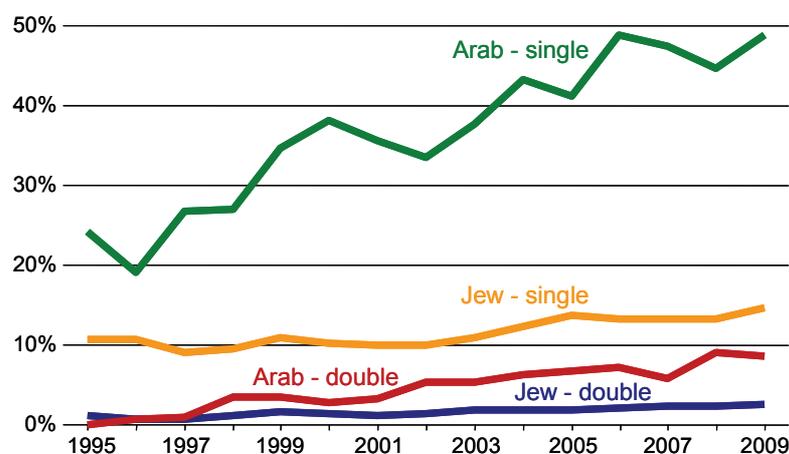
**Data:** Central Bureau of Statistics.

When Jewish and Arab household wage earner structures are compared, an interesting picture emerges (Figure 6): the poverty level of Arab households in which both partners are active in the labor market is very low and comparable to that of similarly configured Jewish households until 1997; after 1997, though, the poverty rate for two earner households has risen significantly, from an almost insignificant amount in 1995 to 8.5 percent. At the same time, the poverty rate increase for Jewish households of this kind has been very small. This change could reflect complex processes, particularly the worsening of market conditions for Arabs in Israel during the 1990s and most notably the disappearance of jobs for low-skilled Arabs due to a massive influx of foreign workers into the Israeli labor market, as well as labor arrangement changes as noted previously. However, it may also be that the increase reflects reductions in child allowances and other benefits on which families depend. As can be seen, the poverty rates of two earner families have increased most drastically since 2003. Another possible explanation is the changing characteristics of two earner families, as reflected in the entry of low-skilled women into the labor market and the rising percentage of large families in which both partners participate in the labor market (see the following discussion), but which still do not manage to raise their income above the poverty line.

Two additional findings of importance are found: firstly, single-parent households headed by a labor market participant have the highest poverty rates of all. This may be attributed to the fact that, in the absolute majority of these households, the wage earners are women – whose market power is lower than that of male wage earners (the prevalent situation in couple-headed households with only one earner). One also finds that the first half of the 2000s witnessed a significant rise in poverty rates among working people, within both the single-parent family and the single income family populations – due, apparently, to the decline of the welfare state as manifested in sharp child allowance cutbacks (single income households have more children) and in reduced income support benefits (on which single-parent families depended). Nor did welfare-to-

work programs, at least during their early years of operation, do well by single mothers; only during the second half of the 2000s was there a decline in poverty rates for single heads of households who were labor force participants.

Figure 6  
**Household poverty rates by number of wage earners  
 and by sector, 1995-2009**  
 household head aged 25-64



**Source:** Taub Center for Social Policy Studies in Israel.  
**Data:** Central Bureau of Statistics.

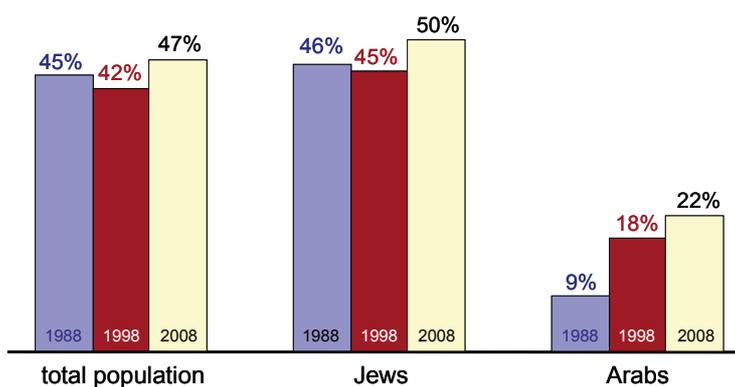
The comparison between Jewish and Arab single income households (Figure 6) raises many questions. Why is the poverty rate for Arab families so high? If it was due to the number of household wage earners, as Israeli policy makers insist (Bank Israel, 2008), there would be only small discrepancies based on household wage earner composition. However, Figure 6 shows that the largest discrepancies exist between single income households in the Arab and Jewish populations. Not only

are poverty rates for the Arab population in question significantly higher than for the Jewish population, but poverty rates for Arab workers who are sole wage earners have increased more rapidly and started earlier than for Jewish workers. For example, the poverty rate for Arab single income households – which was 38 percent at the beginning of the 2000s versus ten percent for Jewish single income households – reached 48.7 percent in 2009 (an increase of over ten percentage points), compared with just 14.6 percent for Jews. Moreover, the disparity between single earner and two earner households within the Jewish population is relatively small (ranging from ten percent to twelve percent throughout the period in question), while in the Arab sector it is much more significant and actually rose from 25 percent to over 40 percent. This disparity appears, as will be seen, to be attributable to differences between the two populations in household demographic and socioeconomic characteristics.

Families headed by single earners are the most vulnerable group within the working family sector. Who are these families? In order to understand the attributes of vulnerable households within the two population groups, a comparison of two household types is presented: those headed by sole wage earners and those headed by two earners. Firstly, about half of Israeli households headed by people of working age have two earners, and the percentage of two earner households has been rising, particularly since the late 1990s. Figure 7 shows that the percentage of two wage earner families is significantly higher in the Jewish population. In 2008, for example, half of all Jewish households had two earners, versus a fifth of all Arab households. However, over time one finds that the main increase in this kind of household has been in the Arab sector: in 1988, only a small minority (less than ten percent) of households headed by employed people had two earners; this figure grew to 18 percent during the 1990s and to 22 percent by the late 2000s. The Jewish population had a much more moderate increase – from 46 percent to 50 percent. The rise in the proportion of two earner households is due primarily to women's growing participation in the labor market.

The Jewish population's relative stability in this regard also reflects a rise in the number of households headed by single people during the period in question.

Figure 7  
**Households with two wage earners**  
 out of all households with wage earners, by sector, 1988-2008



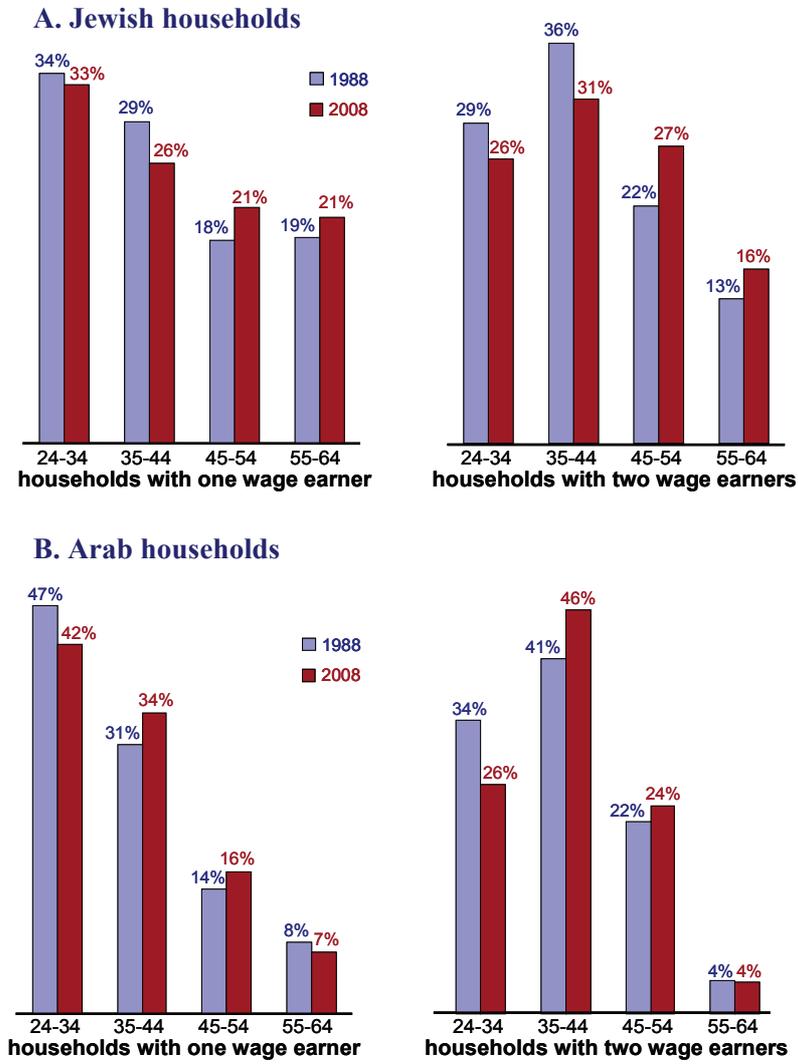
**Source:** Taub Center for Social Policy Studies in Israel.

**Data:** Central Bureau of Statistics.

The following is a comparison of single earner and two earner households in the Jewish and Arab sectors. With regard to the demographic characteristics of the two types of household, Arab single earners are younger than their Jewish counterparts, as shown in the two parts of Figure 8. Over all time periods, over 70 percent are under age 45. The figure is very similar for two earner families, in contrast to a rate of 50 percent amongst all Jewish sole wage earners.

The two groups differ significantly with regard to number of children per family (Figure 9, parts A and B). In 2008, 60 percent of all Jewish single wage earners had no children in their households, and only six percent had four children or more. By contrast, a quarter of all Arab

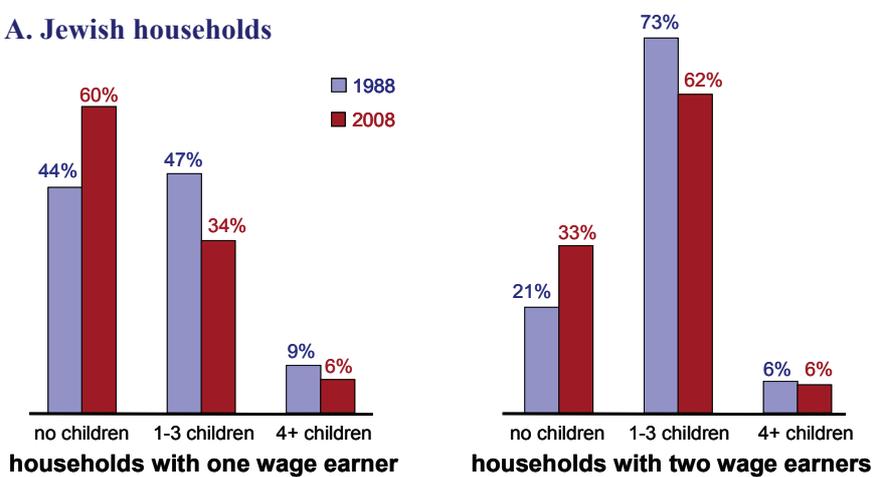
Figure 8  
**Distribution of households, by age and number of wage earners**  
 1988 and 2008



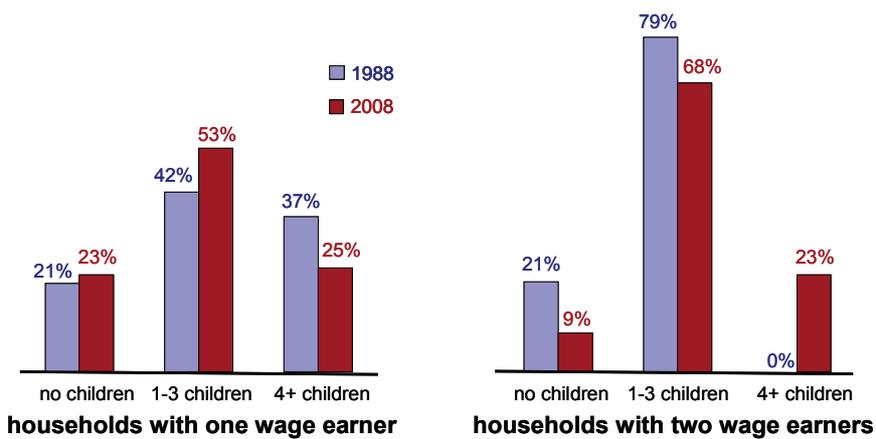
Source: Taub Center for Social Policy Studies in Israel.  
 Data: Central Bureau of Statistics.

Figure 9  
**Households, by number of children and wage earners**  
 1988 and 2008

**A. Jewish households**



**B. Arab households**



Source: Taub Center for Social Policy Studies in Israel.  
 Data: Central Bureau of Statistics.

families headed by a single wage earner were families with four or more children, while a similar figure was obtained for single wage earners in households with no children. These differences may account for the discrepancies between the two groups in terms of poverty rates for single earner households.

When the groups are compared at two different points in time, 1988 and 2008, several interesting developments are found. Firstly, among Jews there was a significant rise in the proportion of households with no children, both for single earner households (from 44 percent to 60 percent of all households) and for two earner households (from 21 percent to 33 percent of all households of this type). At the same time, there was a decline in the proportion of households with one to three children. These changes are the result of demographic processes that affected both the younger and the older age groups. On the one hand, there is a tendency to delay starting a family (later marriage and parenthood), and on the other hand, an overall aging of the population. These processes are typical of Western countries in general.

In Israel's Arab sector a similar change did not take place; households without children account for a fifth of all households headed by a single earner, while the proportion of households with no children within the two earner household population declined from 21 percent to just nine percent. The Arab population witnessed a decline in the percentage of single earner families with four or more children (from 37 percent to 25 percent), and a rise in the proportion of such families among two earner households – in 1988, these families were not represented at all, while in 2008 they accounted for a fifth of all two earner households. The change stems from two simultaneous developments: a decline in fertility that reduced the relative share of large families within the Arab population (with a concomitant increase in the proportion of smaller single earner families); and women's growing participation in the labor market, particularly amongst those with large families.

These findings support the argument that, despite a decline in fertility among Arabs over the past decade and a rise in married women's labor

market participation (see also the Central Bureau of Statistics, 2008), and in addition to a worsening of market conditions for Arab workers, part of the rise in the percentage of the working poor may be attributed to the child allowance cuts that took place during the early 2000s. This is inasmuch as the child allowances enabled the average Arab family to maintain a decent standard of living.

With regard to wage earner labor market characteristics, Arab heads of household (whose single earner poverty rates are significantly higher than those of Jews) are also more likely to be employed full-time than their Jewish counterparts – 65 percent of all Jewish single earners versus 77 percent of Arab single wage earners worked full-time in 2008 (Figure 10). Over time there was a decline in the percentage of full-time workers who were also sole earners – the decline was most intensive during the period 1988-1998 (not shown in Figure 10) and characterized both Arab and Jewish households, with the disparity between the two groups remaining largely unchanged. The reason for this significant decline is difficult to determine.

Also, for all time periods, Jewish heads of households with two earners enjoy better employment status than do Arab heads of household who are sole wage earners. In 2008, for example, 82 percent of all Jewish heads of two earner households worked full-time, versus 65 percent of all single earner heads of household. A similar discrepancy exists between the two previous points of time. The situation is different in the Arab sector. On the one hand, the percentage of full-time workers is lower among two earner households – only 66 percent of the heads of these households worked full-time in 2008, compared with 77 percent of sole earners. On the other hand, only those Arab households that had two wage earners witnessed a rise in the percentage of heads of household who were employed full-time.

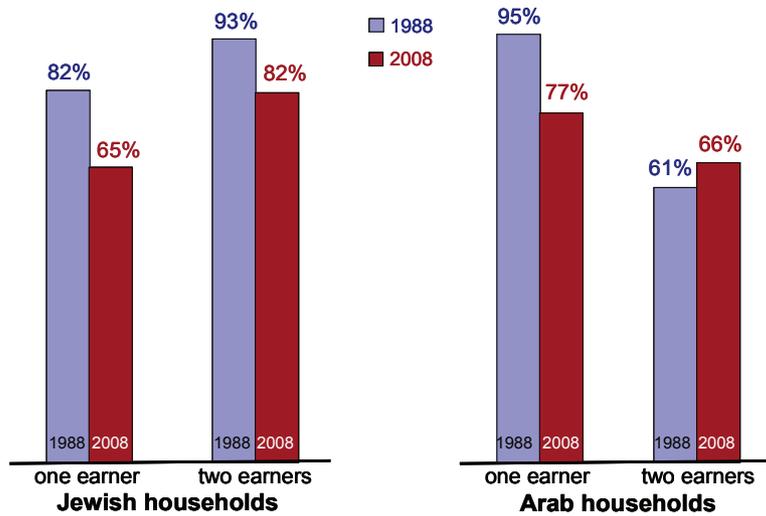
Within the Jewish population of single wage earners, the decline in the percentage of those working full-time may be attributable to an increase in the number of single-parent families headed by women, particularly in the wake of the massive influx of former Soviet Union (FSU) immigrants

during the early 1990s. It may also be due to a growing ultra-Orthodox population in which part-time employment for men is widespread, and in which the proportion of families in which the wife is the sole earner is rising (Stier, 2010).

However, this kind of development did not emerge within the Arab population. It may be hypothesized that market difficulties and an inability to find full-time jobs, particularly for low-skilled members of this sector, led to a decline in the percentage of those employed full-time, and thus to a worsening of these families' economic status.

Figure 10

**Rate of household heads working a full-time position**  
by number of wage earners and sector, 1988 and 2008



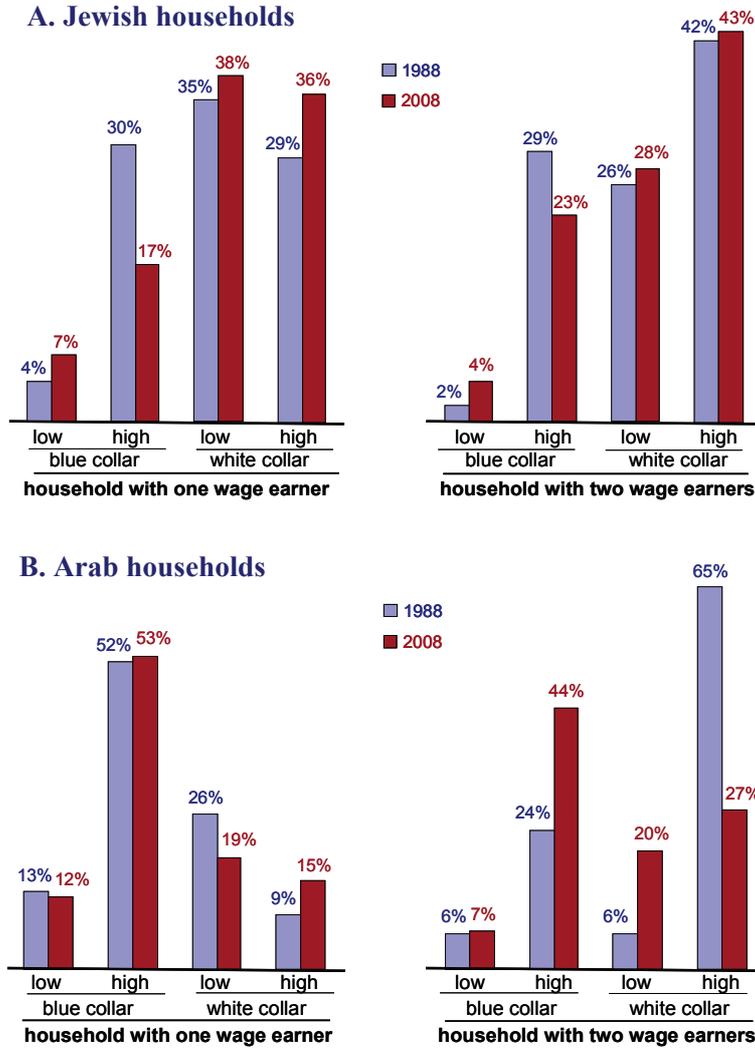
**Source:** Taub Center for Social Policy Studies in Israel.

**Data:** Central Bureau of Statistics.

Support for this hypothesis may be found in the employment distribution of the two groups (Figure 11). Occupations were divided into four categories: high-level white collar occupations, including academic/professional, technical and administrative workers; lower-level white collar occupations, e.g. clerical and service workers; high-level blue collar occupations, e.g. skilled manual laborers; and low-level blue collar occupations, and unskilled workers. Jews occupy a higher rung on the employment ladder. In 2008, 36 percent were employed in professional occupations, with a similar number in the lower-level white collar category. Among Arabs, 15 percent were employed in professional occupations in 2008, compared with just nine percent in 1988. Half of Arab sole wage earners are high-level blue collar workers, a group whose poverty rates have risen especially sharply in recent years.

Interestingly, there has been a change in the occupational distribution of Arab families with two earners. In the past, the absolute majority of these families were headed by people employed in professional occupations (high-level white collar); by 2008, however, women's labor market participation had come to characterize not only highly educated families but all levels of the population. In 1988 only a fifth of two wage earner families were headed by high-level blue collar workers, while in 2008 this figure had risen to 44 percent of all two wage earner families. At the same time, the proportion of families headed by professionals declined from 65 percent to just 27 percent of all families in which both partners participated actively in the labor market. This change (which did not occur in the Jewish sector) may have helped to narrow disparities between families and to strengthen those families which, without the partner's income, would have become poor. Moreover, during the period in question, the overall percentage of white-collar families increased (from 15 percent of all Arab families to 18 percent), with a particular rise (nearly fivefold) among two earner families. This change in occupational distribution may also help explain the rise in poverty rates that nevertheless occurred among two earner families in the Arab sector, most of which is still concentrated in lower paying fields. This did not occur

Figure 11  
**Distribution of households by profession of household head and number of wage earners**  
 1988 and 2008



Source: Taub Center for Social Policy Studies in Israel.  
 Data: Central Bureau of Statistics.

within the Jewish sector, in which the proportion of families headed by people of relatively high earning capacity, due to an abundance of opportunities in the labor market, is still very high (and growing). It should also be noted that in most of these families both spouses are employed in white-collar fields, which serve to further enhance the families' economic status.

### *3. Causes of Poverty Among Working Families*

The high percentage of the working poor and the fluctuations that have occurred over time inspire speculation about why households headed by at least one labor market participant fail to avoid poverty. One is also drawn to wonder what factors lay behind the fluctuations that have occurred in worker poverty rates overall, and within each specific population group.

As noted earlier, poverty among working families may be related to labor market participation levels, to type of occupation, to worker skill levels, and to wage levels. For couple headed two earner households poverty rates are low; by contrast, when households have only one wage earner, their risk of falling into poverty rises. This risk increases when the head of household is a woman, due to wage disparities between women and men in the labor market, and to the double burden borne by mothers of small children who have to support their families as sole earners.

However, Israel's welfare system also has an important role in influencing levels of poverty. Since 1994 there have been significant changes within the welfare system and in the levels of support provided to the weaker segments of Israeli society. While the second half of the 1990s witnessed an expansion of support, since 2003 there has been a sharp withdrawal of assistance to the weaker sectors on the part of the welfare system. This is reflected in extensive cuts in benefits of all kinds: child allowances have been slashed; eligibility for income support has been greatly restricted and the payments themselves reduced; and

welfare-to-work programs have been instituted for the purpose of raising labor market participation rates.

Israel's Reduction of Poverty and Income Inequality Law 1994 significantly improved the eligibility status of vulnerable families for state assistance, particularly that of single-parent families. Support for needy families also increased accordingly. An important change was introduced regarding child allowance eligibility for Arabs, which had previously been limited due to this population's non-participation in national service. The changes in child allowance policy that took effect in 1996 and which stipulated equalization of allowance payments to Jews and Arabs from the third child on, considerably improved the economic status of large families in the Arab sector.

The rise in child allowance levels peaked during the early 2000s with the passing of the Large Families Law (2001). However, once the allowances were cut beginning in 2002 and changes were introduced regarding income support eligibility criteria for single-parent families, the achievements of the war on poverty undertaken during the 1990s were effectively nullified. The economic status of working families suffered a significant decline, particularly within the Arab sector where the number of large families is greater. These changes were reflected in a rise in the overall poverty rate, and in poverty rates among working people in particular.

In order to trace the effects of these changes over time, both within the welfare system and with regard to the demographic characteristics of the working population as a whole, three points in time corresponding to the introduction of changes in the system were chosen: 1988 – before the Reduction of Poverty and Income Inequality Law was passed and before the wave of mass immigration from the FSU; 1998 – after the Reduction of Poverty and Income Inequality Law was passed and child allowance payments were equalized between the different population segments (with the passing of an amendment applicable to the Arab population); and, 2008 – after the passing of the Economic Arrangements Law in the

early 2000s and its aftermath in the form of massive child allowance cutbacks and restrictions on eligibility for income support.

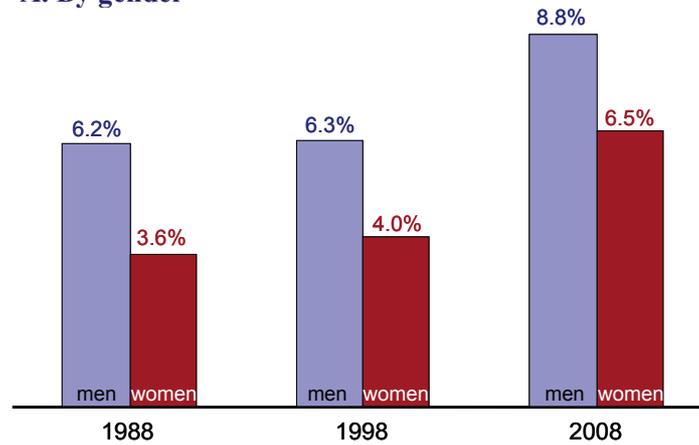
These three points in time are also meaningful with regard to changes that emerged in the labor market, including a significant decline in the power wielded by trade unions, a transition to temporary contracts throughout the labor market, including a large section of the public sector, a rise in the percentage of foreign laborers, which likely contributed to a lessening of employment sources for the country's weaker population segments, and, in addition, demographic changes in the wake of the FSU immigration wave. Beyond the sheer size of this mass immigration to Israel, which took place during the 1990s, the FSU immigrant population is characterized by a high proportion of single-parent families – a demographic whose numbers in Israel increased from 33,000 in the mid 1980s to 108,000 during the first half of the 2000s (Achdut, 2009).

The following figures present the poverty rates of various employed groups over the course of these three time periods. The data refer to the entire population of working people aged 25-64 and, within this population, to workers whose families live below the poverty line.

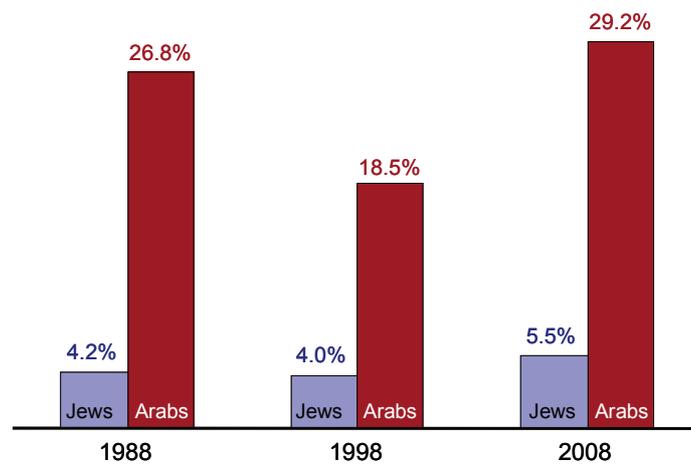
The poverty rate for men who actively participated in the labor market is higher than that of women (Figure 12, Part A). One can see that the 1990s were characterized by relative stability in the poverty rates of both groups. However, since 1998 there has been a rise from six percent to nine percent in the poverty rate for men, and from four percent to seven percent for women. The gender disparities are not surprising, inasmuch as most poor families are headed by couples, in which both partners are classified as “poor.” Poverty is concentrated among single wage earner families, which are usually families headed by male wage earners. Also, there is a certain degree of selectivity regarding women who join the labor market: those whose earning power is particularly low are less likely to participate in the labor force. However, one can also see that the gender disparities are narrowing. This indicates both that the percentage

Figure 12  
**Poverty rates among workers**  
 1988-2008

**A. By gender**



**B. By sector**

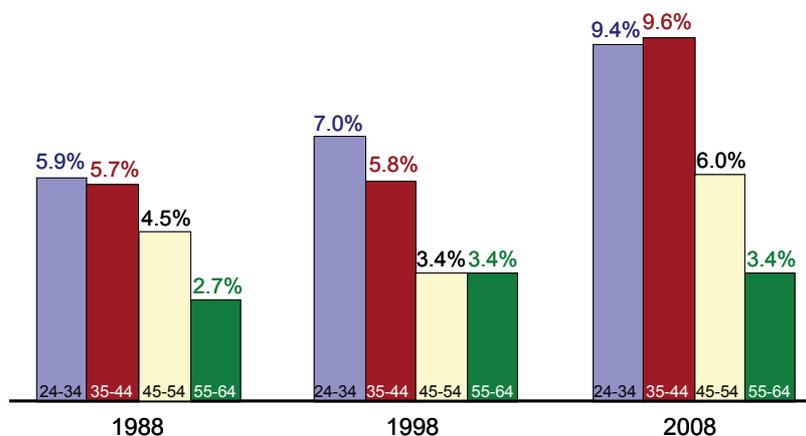


**Source:** Taub Center for Social Policy Studies in Israel.  
**Data:** Central Bureau of Statistics.

of families headed by women who are sole earners is growing, and that low earning women have been joining the labor market in recent years.

The second part of Figure 12 shows that poverty rates for working Arabs are significantly higher than for Jews, as already noted. One also finds that the gap between the two population groups narrowed considerably during the 1990s, when the level of support for Arabs through child allowances was made equal to that received by Jews. However, the gap widened again during the 2000s due to massive child allowance cutbacks through the Economic Arrangements Law (although this development applied equally to both populations, Arab families are larger, making them more likely to be harmed by the cuts). Notably in this context, Figure 13 shows that poverty rates for working people are higher in the younger age groups during all time periods and particularly since 2008. These age groups receive lower pay and their households are characterized by the presence of young children.

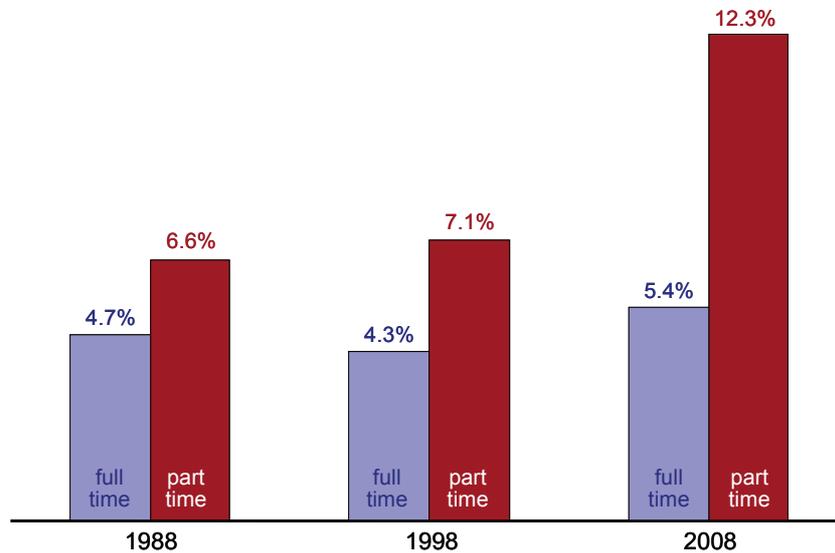
Figure 13  
**Poverty rates among workers**  
 by age, 1988-2008



Source: Taub Center for Social Policy Studies in Israel.  
 Data: Central Bureau of Statistics.

Labor market characteristics, particularly employment status (number of hours worked) and field of employment, influence the poverty rates of working people. With regard to employment position, as might have been expected, poverty rates are higher for those employed on a part-time basis<sup>5</sup> (Figure 14). Disparities between full-time workers and part-time workers grew significantly over the last two decades – while during the late 1980s there was a two percentage point gap between the two groups, by 2008 the gap had grown to seven percentage points. Likewise, although overall poverty rates for working people increased between

Figure 14  
**Poverty rates among workers**  
 by part-time or full-time positions, 1988-2008



**Source:** Taub Center for Social Policy Studies in Israel.

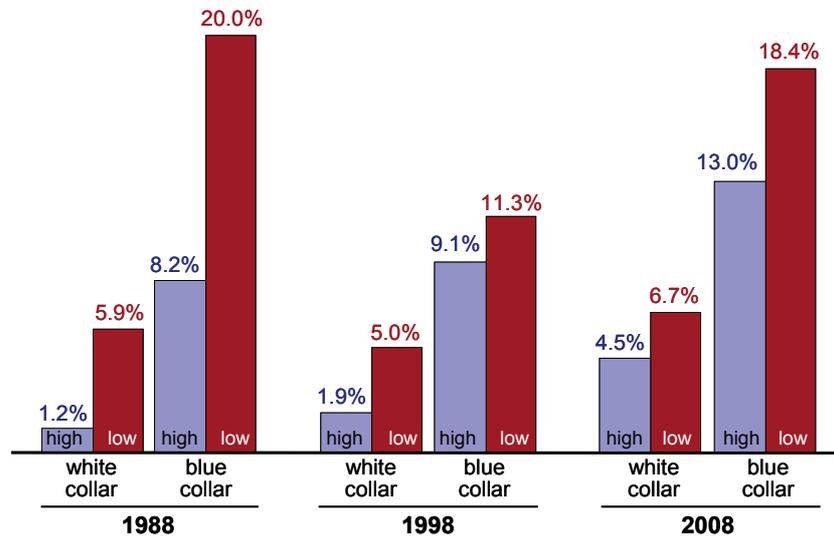
**Data:** Central Bureau of Statistics.

<sup>5</sup> A part-time job is defined as one that entails fewer than 35 hours of work per week.

1988 and 2008, the increase was significantly greater for part-time workers (from 6.6 percent to 12.3 percent), compared with those employed full-time. An increase of this kind can indicate changes of two kinds: changes in the economy with a greater availability of part-time, low paying jobs; or, changes resulting from a rise in the number of “weak” workers, primarily those lacking the skills that are in demand and employed part-time, whether by choice or due to an inability to secure full-time work (Cohen and Stier, 2006). It may also be that the forced entry into the labor market of people with employment difficulties, especially those with family constraints, e.g. single mothers of young children – an outcome of the welfare-to-work programs and of the drastic restrictions in income support eligibility – has pushed these people into part-time, low paying jobs.

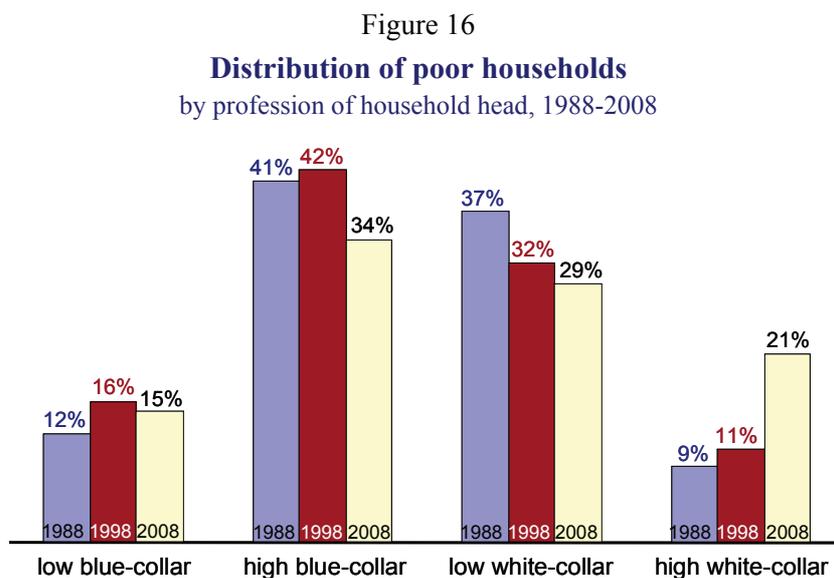
Regarding field of employment, poverty rates are low in the white-collar occupations and particularly high among unskilled workers in the low-level blue-collar occupations (“unskilled workers”) (Figure 15). At the same time, despite the low poverty rate of the high-level white-collar population (professional, technical and administrative occupations), this rate has also increased over time, from 1.2 percent to 4.5 percent. This change may indicate both a worsening of labor market conditions even for this highly-skilled group, and a change in the demographic composition of the high-level white-collar population, due to a sharp rise in the labor market participation rate of women, many of whom are employed in white-collar occupations. A significant rise in poverty rates was also experienced by high-level blue-collar workers, particularly skilled workers – from eight percent to thirteen percent. In the past, labor unions protected the interests of this group, which enjoyed a high degree of employment security. The labor market changes of recent years, including the *Histadrut*’s (Israel’s largest labor union) decline in power, have also harmed the employment conditions of these workers.

Figure 15  
**Poverty rates among workers**  
 by type of work, 1988-2008

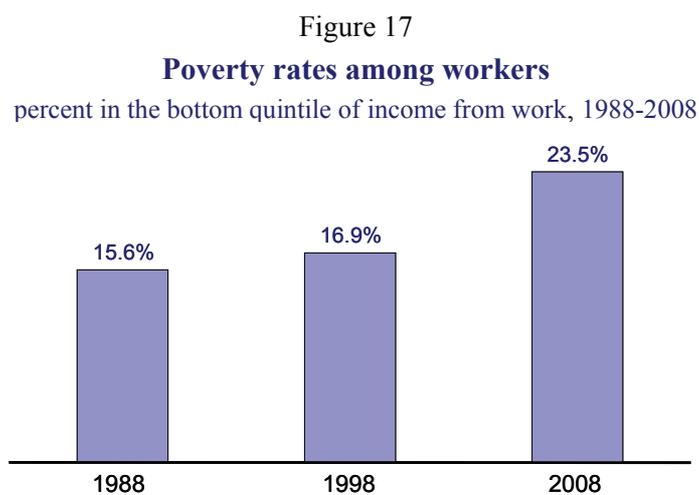


**Source:** Taub Center for Social Policy Studies in Israel.  
**Data:** Central Bureau of Statistics.

An examination of the occupational distribution of the heads of poor households (Figure 16) shows that the proportion of high-level white-collar workers within the poor household population more than doubled over the last few years, from 8.6 percent to 21.3 percent. Poverty rates, which had been relatively high among low wage earners, also increased significantly during the past two decades (Figure 17).



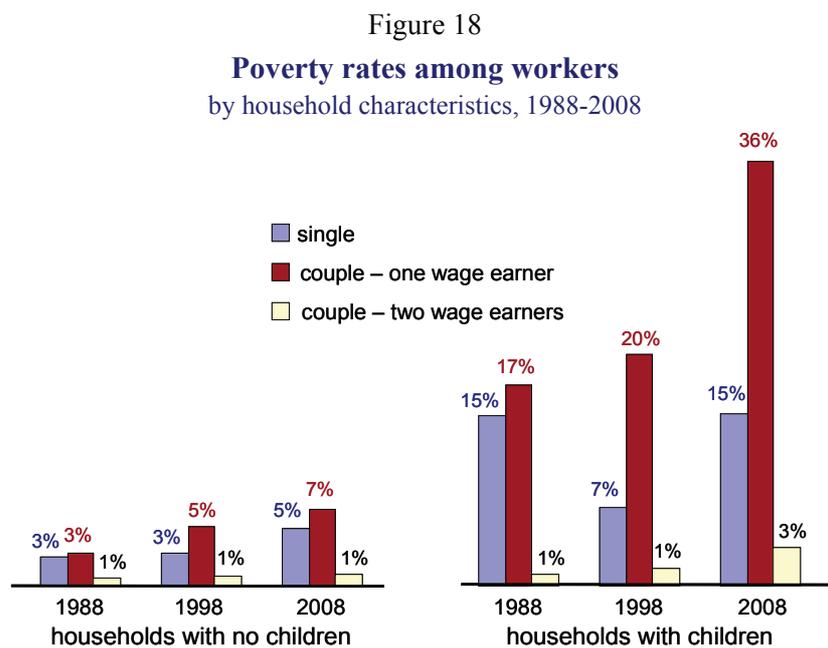
**Source:** Taub Center for Social Policy Studies in Israel.  
**Data:** Central Bureau of Statistics.



**Source:** Taub Center for Social Policy Studies in Israel.  
**Data:** Central Bureau of Statistics.

During the late 1980s and the late 1990s, 16 percent of low wage earners (Israel's lowest wage quintile for each of these time periods) belonged to poor families. By 2008, the poverty rate for this group had risen to nearly 24 percent. That is, although low wages are not the sole cause of poverty within the working population, the changes that have occurred over time point to a strengthening relationship between individual wage levels and family economic status – whether because more sole wage earners are earning low wages, or because the combined efforts of all household members are insufficient to raise families out of poverty.

These findings indicate that the labor market is a significant factor in determining the standard of living of individuals and their families, and, consequently influences poverty levels. However, poverty is also strongly impacted by household structure and organization. Figure 18 points to major differences in family poverty rates by wage earner composition. Poverty rates are especially high for families with children supported by single earners; the rate for this group rose from 17 percent in 1988 to 36 percent in 2008. Families with children headed by single parents – a group that is also subject to employment difficulties and whose economic vulnerability is high – actually experienced a significant decline in poverty in 1998 after the Reduction of Poverty and Income Inequality Law was enacted. However, this group's poverty rate had returned to 15 percent by 2008, due to the Economic Arrangements Law and the cuts in National Insurance payments and eligibility. For all household types, the presence of children raises poverty rates, particularly when there is a sole family wage earner (whether the family is headed by a couple or a single parent). Poverty rates for families without children also rose during the time period under discussion, particularly families with sole earners. That is to say, the presence of children alone does not explain the inability of sole earners to provide for their families in a market that fails to offer living wages.



**Source:** Taub Center for Social Policy Studies in Israel.

**Data:** Central Bureau of Statistics.

As noted, poverty among working people may be attributed to low wages and to the inability to find full-time work (Bank of Israel, 2010). As noted in the Bank of Israel report, poverty among the employed stems primarily from “low earning ability,” also among full-time workers. There are a number of reasons for low wages. These include a lack of skills suited to the labor market, inadequate education that channels workers into low wage occupations, unstable employment contracts, and lengthier periods of unemployment. Unskilled workers’ employment difficulties make them vulnerable to discrimination and exploitation by employers. In the absence of adequate enforcement of minimum wage laws, “weak” workers, particularly those from socially disadvantaged

groups (e.g., Arabs and women), find themselves in the labor market for years on end, working full-time yet unable to provide for their basic household needs (Sussman, 2004; Lewin, Stier and Caspi-Dror, 2006). However, even workers whose wage is higher than the minimum are not always able to meet their family needs, particularly in instances where a large family is being supported by a sole wage earner.

The two groups' demographic characteristics and the changes that they have undergone over time point out the main differences between the working poor and Israel's working population as a whole. Over the two decades being examined, several important demographic changes have occurred.

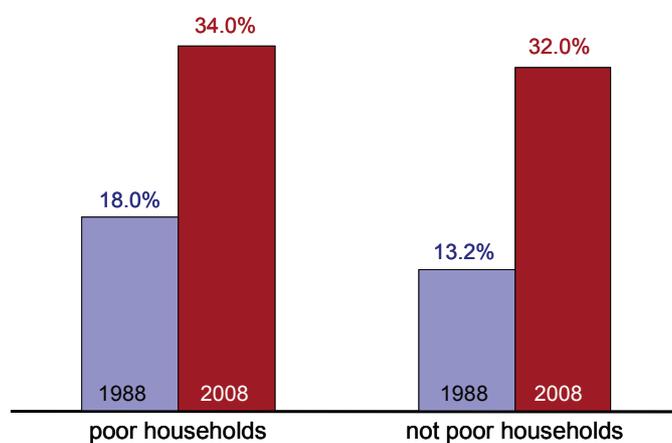
Firstly, the percentage of households headed by women has grown, as may be seen in Figure 19.<sup>6</sup> Within the not-poor population, the percentage of households headed by working women grew from 13 percent in 1988 to 32 percent in 2008. For poor households there was an increase during this time period from 18 percent to 34 percent. Although households headed by women are poorer than those headed by men, the difference in the percentage of poor and not-poor households headed by women is not particularly high for each of the points in time under examination. In 1988 the gap was five percent (18 percent of poor households were headed by women versus 13 percent of not-poor households), and it had narrowed to two percent by the late 2000s.

Regarding the difference between Jews and Arabs, the chances of an Arab family being poor have increased over the years. This sector's share in the poor population as a whole rose from about a quarter in 1988 to 38 percent today, in contrast to its representation within the not-poor population, which comes to just nine percent (Figure 20).

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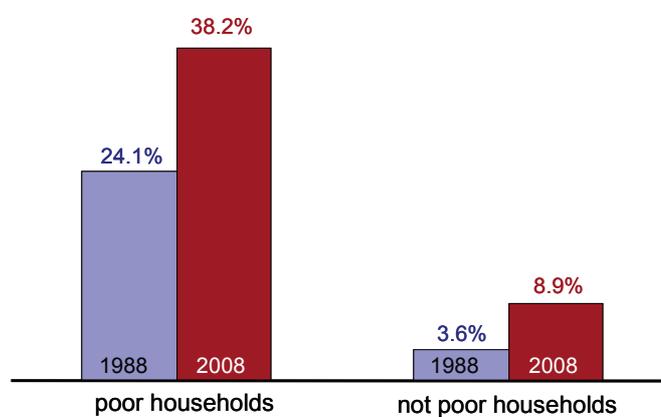
<sup>6</sup> A woman can head a household as a single person or as a member of a couple. In the case of a couple-headed household, the head of household is the member of the couple who devotes the most time to the labor market.

Figure 19  
**Households headed by women**  
1988 and 2008



**Source:** Taub Center for Social Policy Studies in Israel.  
**Data:** Central Bureau of Statistics.

Figure 20  
**Arab households**  
1988 and 2008

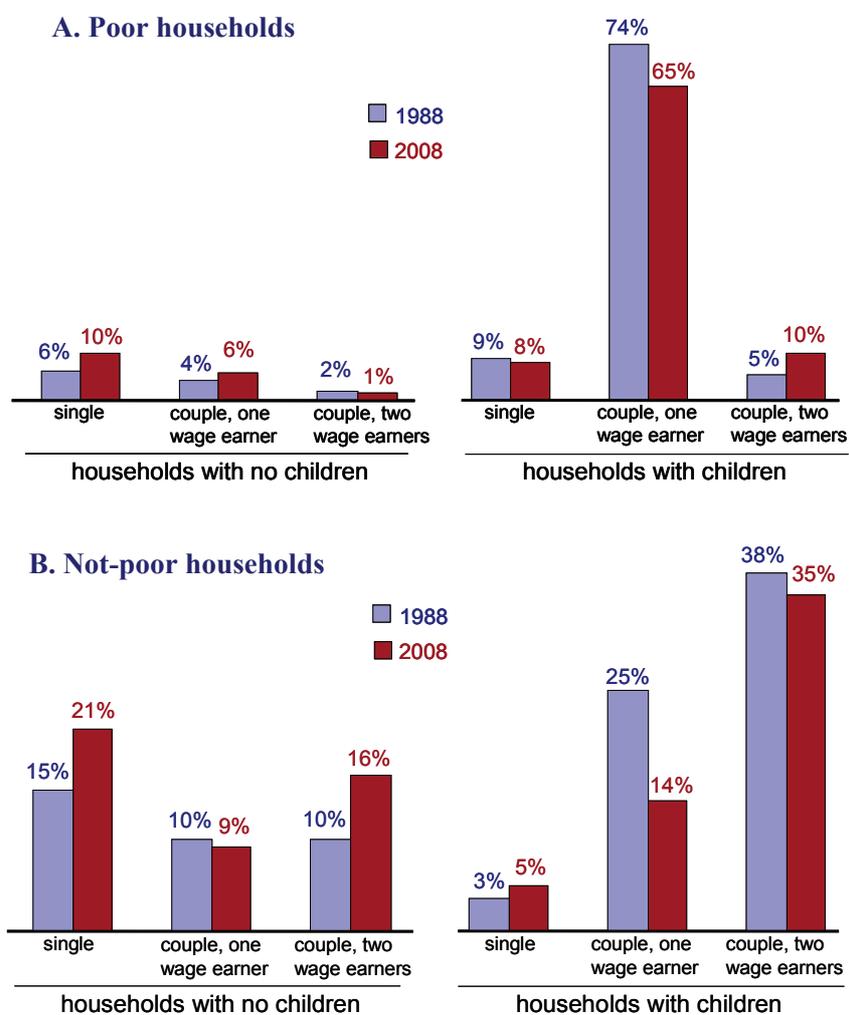


**Source:** Taub Center for Social Policy Studies in Israel.  
**Data:** Central Bureau of Statistics.

Poverty within the working population is thus concentrated among single earner families with children: in 1988, three-fourths of all poor households headed by working people were households with a sole wage earner (Part A of Figure 21), compared with a quarter of all not-poor households with a single earner (Part B of Figure 21). Over the years, the percentage of couple headed households with children and supported by a sole labor market participant has declined, both among the poor (from 74 percent in 1988 to 65 percent in 2008) and among the not poor (from 25 percent to 13.6 percent respectively). At the same time, there has been a significant rise in the percentage of poor families with children headed by two wage earners – from 5.2 percent in 1988 to 9.9 percent in 2008. The percentage of these families within the not-poor population has remained stable, even dropping slightly from 37.5 percent to 35.2 percent. That is, despite the concentration of poverty within the single wage earner population, it cannot be argued that the rise in poverty among working people stems from a rise in the proportion of these families within the population as a whole, inasmuch as poverty rates also rose for families with two earners. Another type of family that is at risk for poverty is the single-parent family, whose share within the poor population did not change during the 1988 to 2008 period, but whose representation within the population of not-poor families increased slightly during the same period, from 3.5 percent to five percent.

Regarding families with children, there has been a significant rise in the percentage of poor families with four or more children, from 28 percent of all poor working families during the late 1980s to 34 percent by the late 2000s. At the same time, their representation within the not-poor population declined (Figure 22, parts A and B).

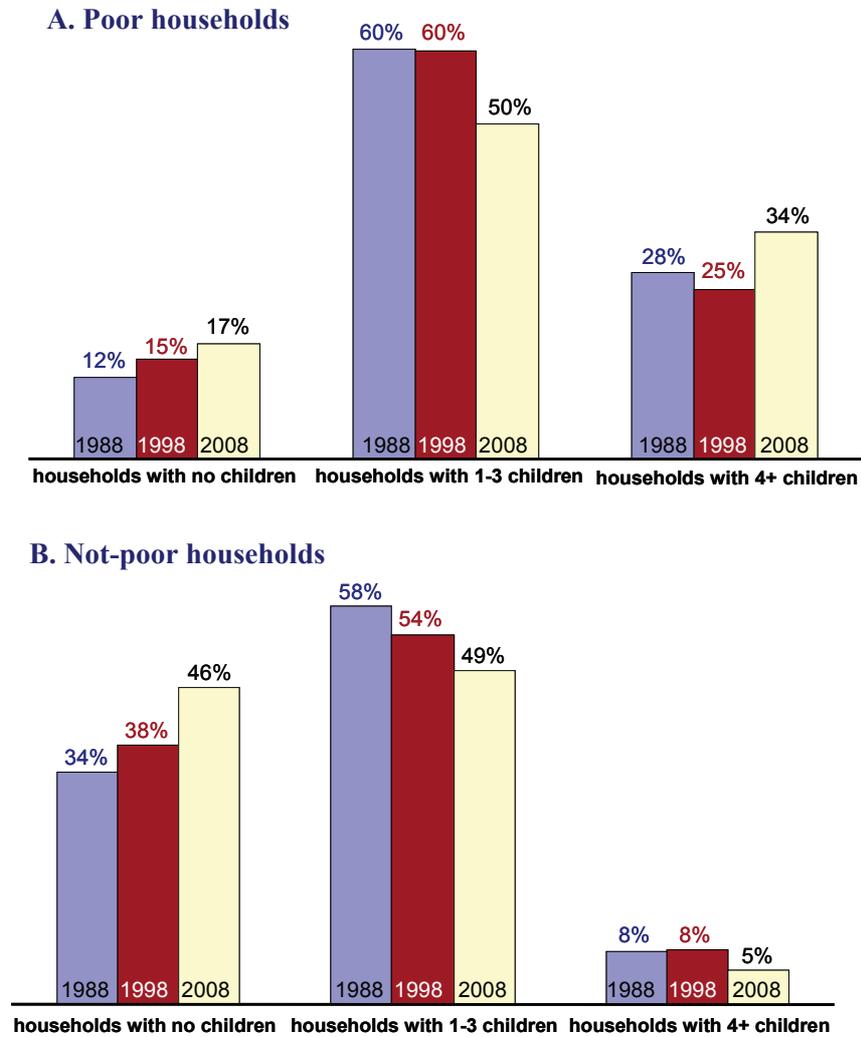
Figure 21  
**Distribution of households by household composition**  
 1988 and 2008



**Source:** Taub Center for Social Policy Studies in Israel.

**Data:** Central Bureau of Statistics.

Figure 22  
**Distribution of the number of children in households**  
 1988-2008



**Source:** Taub Center for Social Policy Studies in Israel.

**Data:** Central Bureau of Statistics.

It has been argued, based on earlier studies, that single wage earner families with many children are at the highest risk of poverty, and in fact the high percentage of the working poor within the Arab sector can be explained by these two characteristics. Note the percentage of single earner families with four or more children within the Arab population in Figure 9B, and the relatively low percentage of such families among Jews as shown in Figure 9A. One cannot, however, maintain that the rise in poverty rates among working Arabs is due to a growing prevalence of families of this kind, as their actual representation within the population has decreased over the years – from 36 percent in 1988 to 25 percent in 2008. Moreover, as noted, the child allowance cutbacks had a harsh impact on large families and worsened their economic situation.

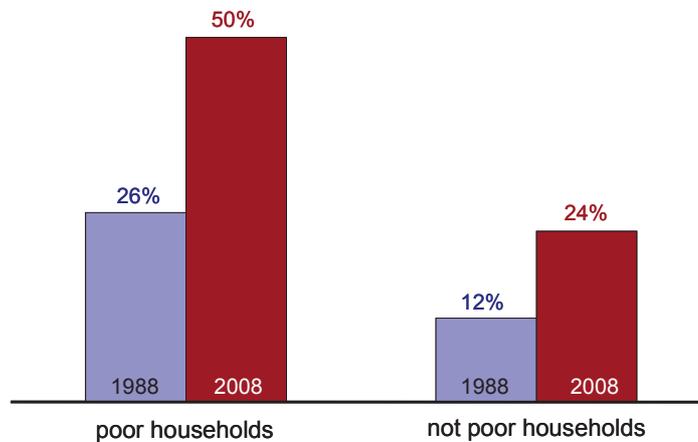
With regard to the employment characteristics of poor and not-poor people at the three chosen points in time, another interesting picture emerges. Firstly, the poor household population, during all time periods, has a higher percentage of part-time workers than does the not-poor household population (Figure 23). However, this percentage increased significantly between 1988 and 2008, particularly during the 1990s – from 26 percent in 1988 to 50 percent in 2008. The percentage of part-time workers among not-poor households doubled as well, from 12 percent to 24 percent. This increase may reflect a change in the gender composition of the working population as a whole, due to women's rising employment rates.

Regarding occupational distribution, the heads of poor households are concentrated primarily in the high-level blue-collar occupations. Although this group's representation among the poor is on the decline (from 41 percent to 34 percent over the two decades), it is still significantly higher than its corresponding percentage within the not-poor population (which dropped from 30 percent to 22 percent) (Figure 24, both parts). Even more interesting is the growing presence of white-collar employees among the heads of poor households – from nine percent in 1988 to 21 percent in 2008 while there was a much more modest increase in not-poor households, from 36 percent to 39 percent. That is, the work

skills of poor people are usually lower than those of not-poor people but skills on their own cannot prevent poverty. Moreover, the improved skill levels that characterize the Israeli population as a whole have not led to a decline in the working poor phenomenon. This is due, apparently, to several factors: the inability of poor people to obtain full-time jobs in high-level white-collar occupations; a deterioration of work conditions for highly skilled workers; or, the fact that a high percentage of women currently serve as primary household wage earners and are still concentrated in “women’s” occupations. While these occupations belong to the high-level white-collar realm (e.g., teaching and nursing, as well as a number of professions requiring advanced degrees) they typically offer shorter work days, part-time positions and lower wages.

Figure 23

**Percent of household heads working part-time**  
1988 and 2008

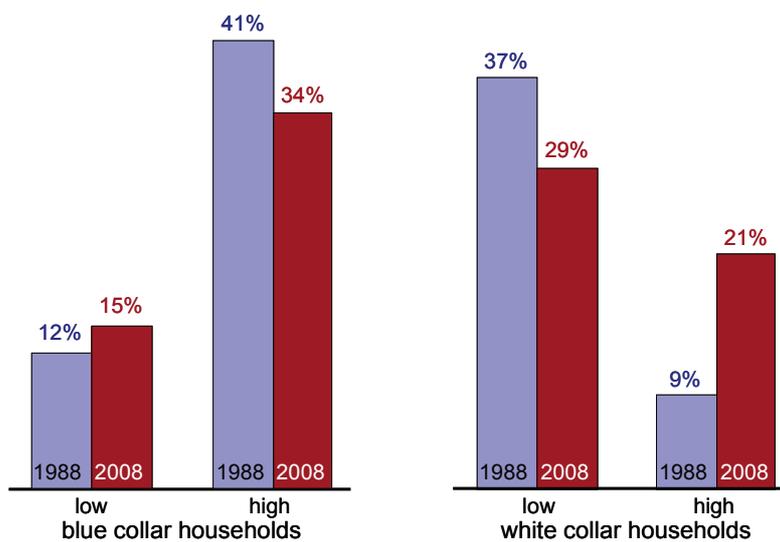


**Source:** Taub Center for Social Policy Studies in Israel.

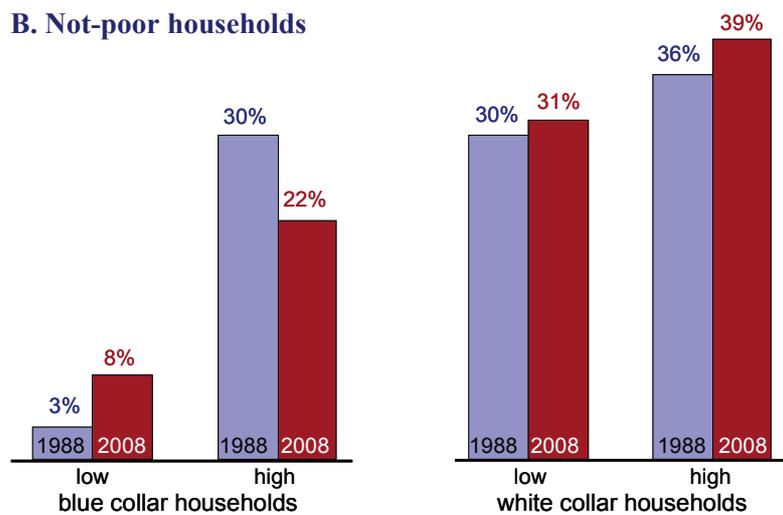
**Data:** Central Bureau of Statistics.

Figure 24  
**Distribution of households by profession of household head**  
 1988 and 2008

**A. Poor households**



**B. Not-poor households**

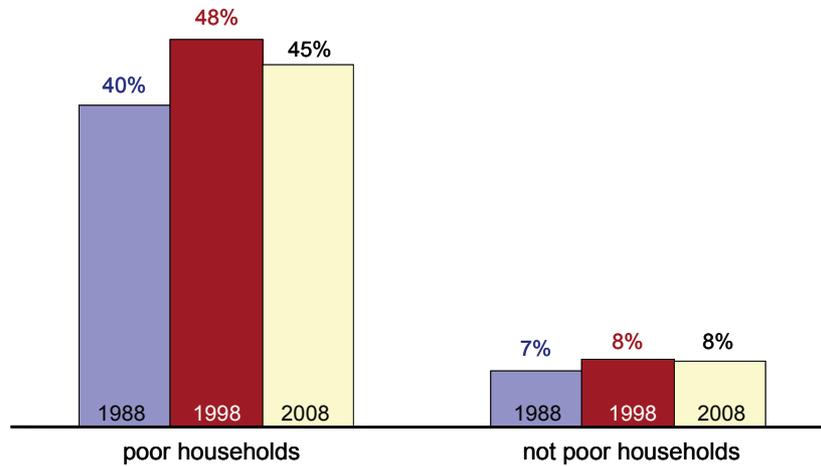


**Source:** Taub Center for Social Policy Studies in Israel.

**Data:** Central Bureau of Statistics.

Wages in the lowest income quintile (defined here as low wages), despite their strong impact in determining the household standard of living, do not on their own explain the growing presence of the working poor (Figure 25). Although a significant percentage of the heads of poor households earn low wages (40 percent in 1988 and 45 percent in 2008), versus eight percent of the not-poor population, trends over the two decades were inconsistent and cannot account for the growing number of working Israelis who are poor.

Figure 25  
**Percent of households with low incomes out of all households**  
1988-2008



**Source:** Taub Center for Social Policy Studies in Israel.

**Data:** Central Bureau of Statistics.

**In conclusion**, on the one hand, the sharp child allowance cutbacks hurt all households with children and particularly those households with four children or more. These cutbacks deprived many families of a major income source, especially those families with only one working head of household. It goes without saying that the economic status of families with no employed members and many children worsened even more. At the same time, tightening the eligibility criteria for other allowances (such as the single-mother allowance) likely encouraged the entry into the workforce of many people whose earning ability was not particularly high. It might be assumed that in 2008 more people were working for low pay than in previous years, but the data do not bear this out. In fact, the percentage of low wage earners within the entire poor population in 2008 was not significantly different from, and was actually slightly lower than the percentage in 1998 (although it had increased relative to 1988). The deterioration in the worker situation took place primarily during the 1990s. However, the rise in poverty rates among working people over the past decade stems mainly from the welfare system's withdrawal of support and from a worsening of living conditions for groups such as large and single-parent families that had traditionally received state assistance but now experienced cuts in support and not from a worsening of labor conditions for "weak" workers.

#### *4. Conclusion and Policy Implications*

How can policy help solve the problem of the working poor? This study indicated that poverty is due to a variety of factors, and that when tracing the reasons for poverty within specific social groups one must take the groups' distinctive characteristics into account. Nevertheless, the problem of the working poor does not exist in isolation from broader forces contributing to poverty and inequality, and, therefore, cannot be resolved without reference to poverty within the population as a whole.

For the most part, poverty affects couple headed families with a single wage earner and single-parent families headed by women. With regard to families headed by couples, one must understand the reasons why the non-working partner refrains from entering the labor market. In most cases, these partners are women who face not only constraints imposed by the labor market regarding the suitability of their skills to the jobs available, but also family constraints, particularly in the area of childcare and daycare costs. These issues may either encourage or prevent women from engaging in economic activity. They are also relevant to single-parent families in which women are the sole earners.

At the most general level, policy mechanisms can be divided into two types. The first of these focuses on the labor market and aims to improve employment opportunities and income from work. The second type is intended to improve family incomes within the transfer payment framework (pensions and other means geared toward similar goals). Since one of the primary causes of poverty among working people is low wages, one of the main policy mechanisms employed to address this problem is that of raising the minimum wage.

Using a minimum wage increase as a strategy to resolve the problem of the working poor raises a number of different issues, in particular that of the strategy's impact on the demand for workers. Essentially, the minimum wage affects workers only, and has no meaningful influence on poverty rates in general (Marx and Verbist, 2008).

Similarly, tax mechanisms (like a negative income tax) affect worker wage levels but do not necessarily have an impact in terms of labor market participation. However, minimum wage increases can be an employment incentive for certain groups, such as single mothers – particularly if they cover childcare costs. It should also be remembered that salary adjustments do not resolve the central issue of low wage employment – a problem that may be caused by the absence of the necessary skills on the part of workers. A broader policy would have to take into account the importance of education and vocational training in improving worker skills.

One of the main problems faced by working poor households is their reliance on sole earners. A large portion of the disparity between Jewish and Arab households stems from the fact that most Jewish households have two earners, while Arab households in which both partners participate in the labor force are a minority (Stier, 2010). However, because the labor market participation rate of educated and married Arab women is exceedingly high (Ben-David, 2010), a policy aimed at encouraging women's labor market participation would have to focus on employment opportunities for women with low skill levels. Policies seeking to encourage labor market participation as a way of lowering poverty rates in general, should focus both on creating suitable jobs for the low skilled population (e.g., manufacturing and service jobs) and on improving these workers' skills and marketability.

One important point to be considered is the need to improve women's ability to balance work and family life, with particular attention to those sectors characterized by large families. That is particularly relevant to Arabs and the ultra-Orthodox which are the poorest groups within both the general and the working populations as well as to single-parent families headed by women. Toward this end, the supply of subsidized day care centers might be increased, and a long school day instituted. These are measures that would make employment more feasible and enable mothers to be active participants in the labor market.

A factor that has a particularly strong impact on poverty rates, both within the population at large and among working people, is the welfare system. Studies from around the world have found that poverty rates cannot be lowered in the absence of an appropriate and supportive system of government benefits (Cantillon, Marx and Van den Bosch, 2003). Moreover, the research indicates that a welfare system intended solely for poor people does not achieve its goal and is not more effective than a universal system that supports all population segments, however much a universal system may appear to divert resources from needy populations (Korpi and Palme 1998; Oxley, Dang, Förster and Pellizari, 2001).

This study called attention to the fact that the status of working people deteriorated with particular intensity after 2003, following cutbacks in child allowances, which had previously played a major role in ensuring the well-being of Israeli families, and which had helped curb poverty rates among single-parent families headed by women. The child allowance cutbacks explain, to some degree, the spiking poverty rates among working Arab families. The income support population was also hit hard during the period in question, when many families saw their benefits slashed.

Although single mothers' labor market participation rates have risen, their employed status has not adequately compensated them for the loss of income caused by the National Insurance benefit cutbacks. These families have remained poor (Achdut, 2010). It turns out that benefit cuts on their own, as a means of influencing household behavior and forcing people into the labor market with an absence of an adequate infrastructure enabling their integration into the labor market, are of little advantage. By contrast, family oriented policies that take into account the needs and constraints of different household members have proven effective in a number of countries in bettering the situation of vulnerable groups such as single-mothers. Moreover, as long as the labor market offers only inferior opportunities for earning a living, a policy of cutbacks will not only be ineffective but will be entirely incapable of ensuring that families survive. Ultimately, such a policy will raise poverty rates and widen disparities between the various groups of which Israeli society is composed.

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