



TAUB CENTER
for Social Policy Studies in Israel



The American
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ISRAEL

SOCIAL -
ECONOMIC
REVIEW

2007

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Social-Economic Review

Jerusalem, December 2007



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Taub Center for Social Policy Studies in Israel

The Taub Center for Social Policy Studies in Israel, established in Jerusalem in 1982 and funded mainly by the American Jewish Joint Distribution Committee, is a private, nonprofit, independent and nonpartisan institution. Its objectives are to assist in shaping public policy to the benefit of the population of Israel by means of research and education in social policy issues, and to contribute to public involvement in molding this policy by enriching the public debate that accompanies, or should accompany, the decision-making process. The Taub Center also aspires to help elucidate Israel's social programs for friends of Israel overseas. In its work the Taub Center stresses the bold integration of the social and economic dimensions in the formation of public policy. The Taub Center takes no position on the issues that it studies, but presents and explains the policy questions and the implications of proposed solutions, and offers alternative suggestions for solving problems.

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Since 1914, JDC has extended the help of American Jewry to Jews in need of rescue, relief or reconstruction in communities throughout the world. In Israel, JDC works in partnership with the country's people and government to strengthen Israel's capacity to care for its least fortunate citizens. JDC's work is supported primarily by contributions to the annual campaigns of the Jewish community federations throughout the United States in partnership with United Jewish Communities. To find out more about the JDC and its programs, please contact:

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Sources: Bank of Israel, Central Bureau of Statistics, National Insurance Institute, OECD, The World Bank, WHO

Foreword

Israel as a welfare state maintains many social and economic arrangements with the explicit aim of insuring a minimal standard of living for the entire population: there is an array of transfer payments for children, the unemployed, persons with disabilities, and other groups; the delivery of health care and personal social services for all inhabitants in need; as well as an education system for children and adults. All these and other arrangements rely on productive economic activity that gives the government the resources to fund the services. It also works the other way around. Health care services allow the population to pursue its activities, including its economic activities, and the education system gives them the training they need to optimize their participation in the labor market.

This elaborate relationship faces various counter pressures, some of which are probably related to political ideology. Conservatives apply constant pressure to trim social budgets regardless of circumstances: in times of economic contraction or sluggish growth, an effort is needed to keep the budget in balance, leading to “temporary” cutbacks in social expenditure. Afterwards, if the economic good times return, budget discipline is urged so as not to return to the bad old days of no growth.

On the opposite side, those who favor maximum expansion of the welfare state sometimes omit economic limitations and constraints from their calculations. The existence of a generous system of social benefits definitely affects in some cases the incentive to work. Likewise, various elements in the pension system place the system in danger of actuarial insolvency due to the aging of the population, reduction over time in deposits to the system, and other developments.

As can be seen in the following charts, government social expenditure has stagnated in recent years and due to continued population increase, the result has been a cutback in per capita terms. In education, for example, the allocation from the State budget has remained largely stable for a number of years. Increases in the student population, though, mean that this is actually a gradual erosion of funding for education. Shifting the payment from the government to the individual or the household for education may prove to yield negative results. Those segments of the population that are in most need of extra educational investment in terms of remedial classes, enrichment programs and the like, are the least able to afford extra out-of-pocket expenses.

The Israeli education system has been rocked by crises, criticism, and poor achievement on international testing. The Taub Center researchers have shown that in

order to significantly improve international test rankings, the education system should invest in improving the achievements of the lowest quintile. The education system may attain better results if an effort to narrow educational disparities is made. Ultimately, there can be no doubt that there is a close relationship between educational investment and economic growth.

Similarly, health care services are in strong demand and the tendency to allow them to be used without limit may result in their abuse. However, the effort to restrain costs by means of co-payment arrangements – in other words, by shifting the burden of funding from the public sector to the families – has the opposite result of the one intended. The need to increase health care spending should be met in other ways.

As the result of many factors, including government policies, societal and economic gaps have widened despite the growth in the economy. Between the years 2003 and 2005, the economy grew by an average of 6% per capita. While this sounds good, incomes for the country's upper decile grew by some 13%, while at the same time, the incomes for the country's lowest decile grew by only 5%. In addition, for a number of years now, Israel and the US have vied for the unenviable position of having the highest rate of income inequality among the Western, developed countries.

As the statistics in the following tables show, there have also been positive developments in the economy and in the overall social well-being of the population. For instance, despite budgetary pressures on services including the health services, there have been advances in the overall health of the population. Infant mortality rates are especially low and longevity statistics are impressive.

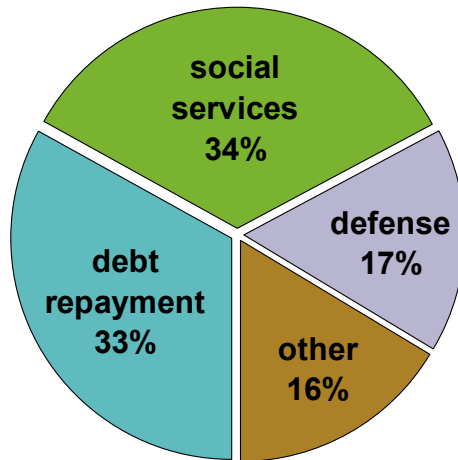
In this year's Review, special attention is devoted to indicators of demographic characteristics of Israel that impact on the economic and budgetary realities. Among the graphs are statistics on fertility rates, marriage and divorce, working mothers and more. All of these changing societal characteristics have their impact on the economy and each has implications for social-economic arrangements that need to be strengthened and balanced. As for policy, it requires an open-minded approach that is aware of the social realities and integrates the advancement of social objectives into the range of economic policies.

Yaakov Kop
Jerusalem, December 2007

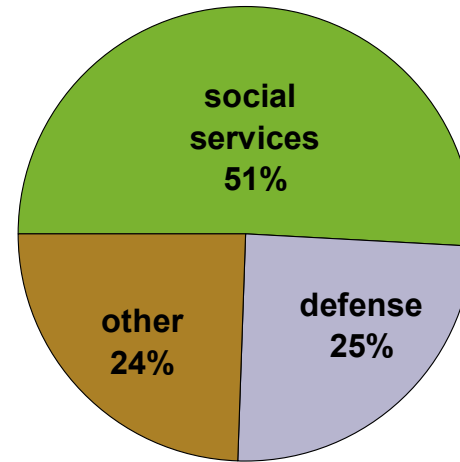
The distribution of the State budget – 2008: social services are one-third of the total budget

Total budget: NIS 323 billion

Including debt servicing

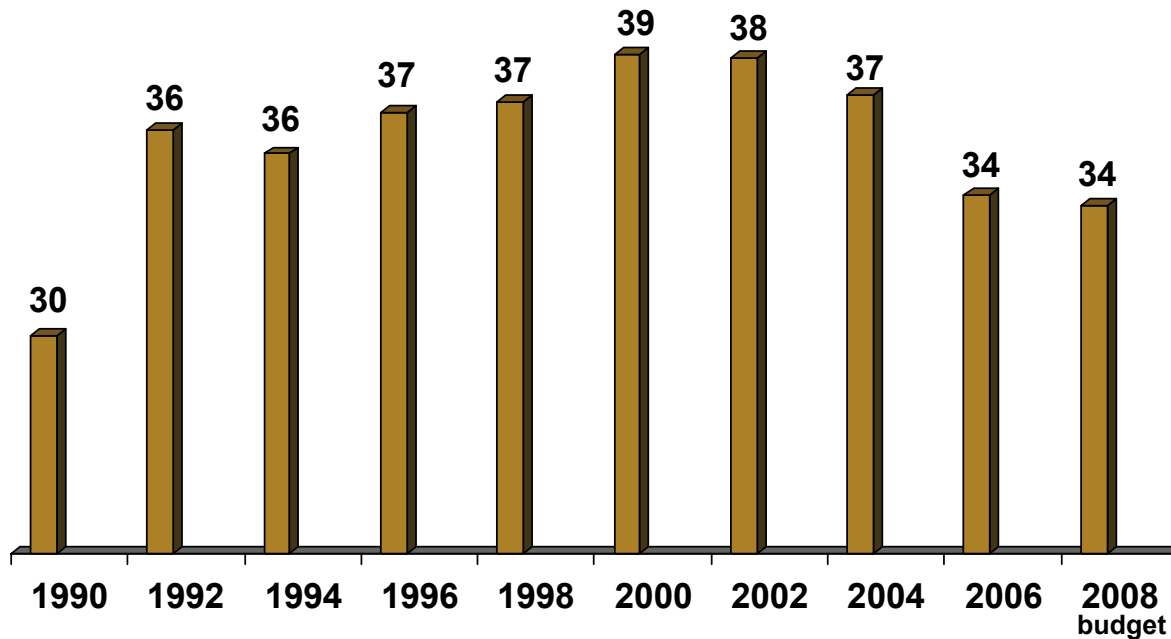


Not including debt servicing

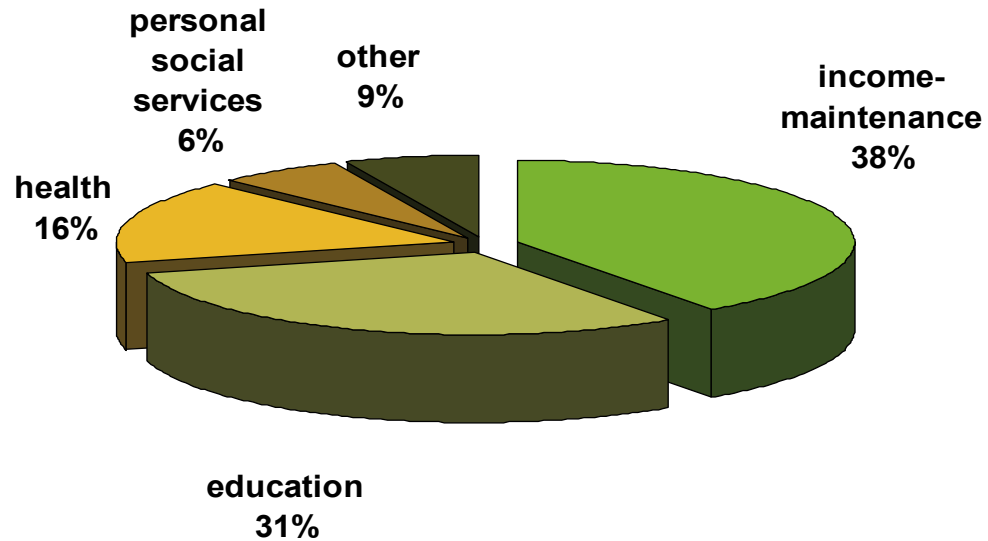


Social expenditure as a percent of total budget: the decline in government social expenditure continues

Percent

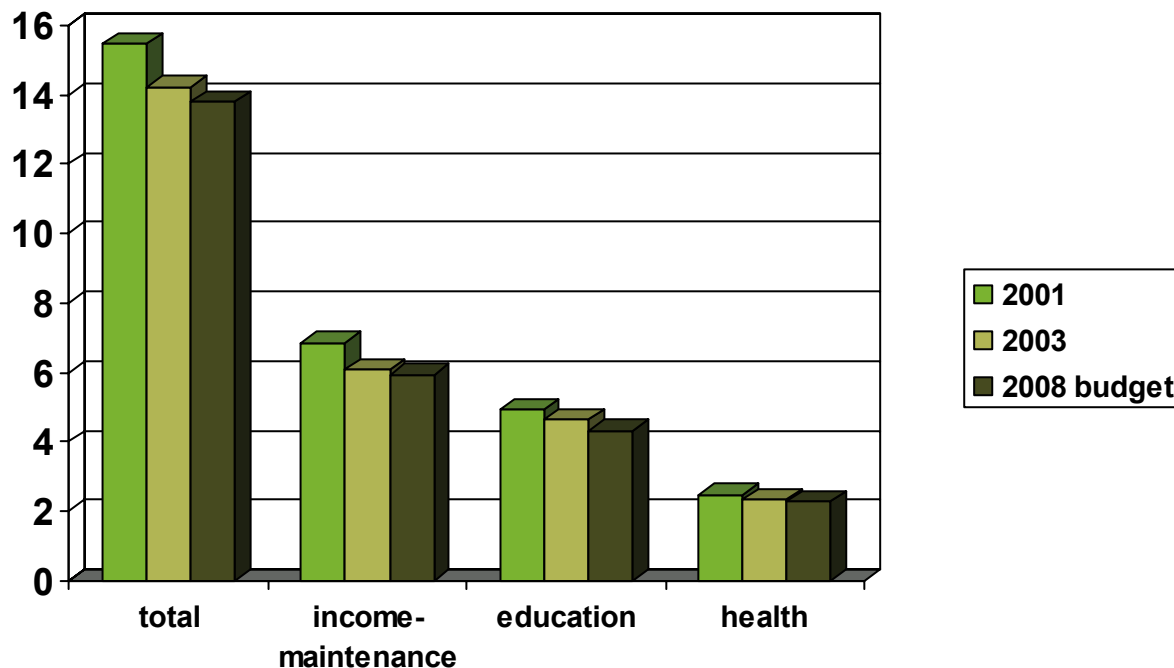


The distribution of social services budget – 2008



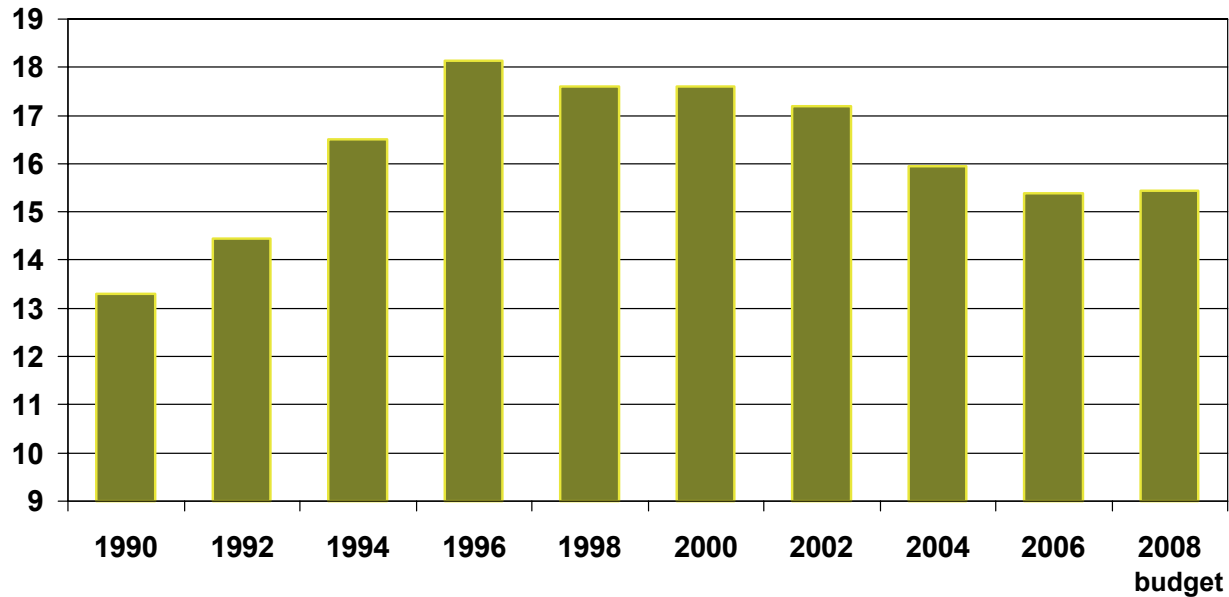
Per capita social expenditure: a steady decline particularly in education and income-maintenance

Current budget, NIS thousand, constant prices



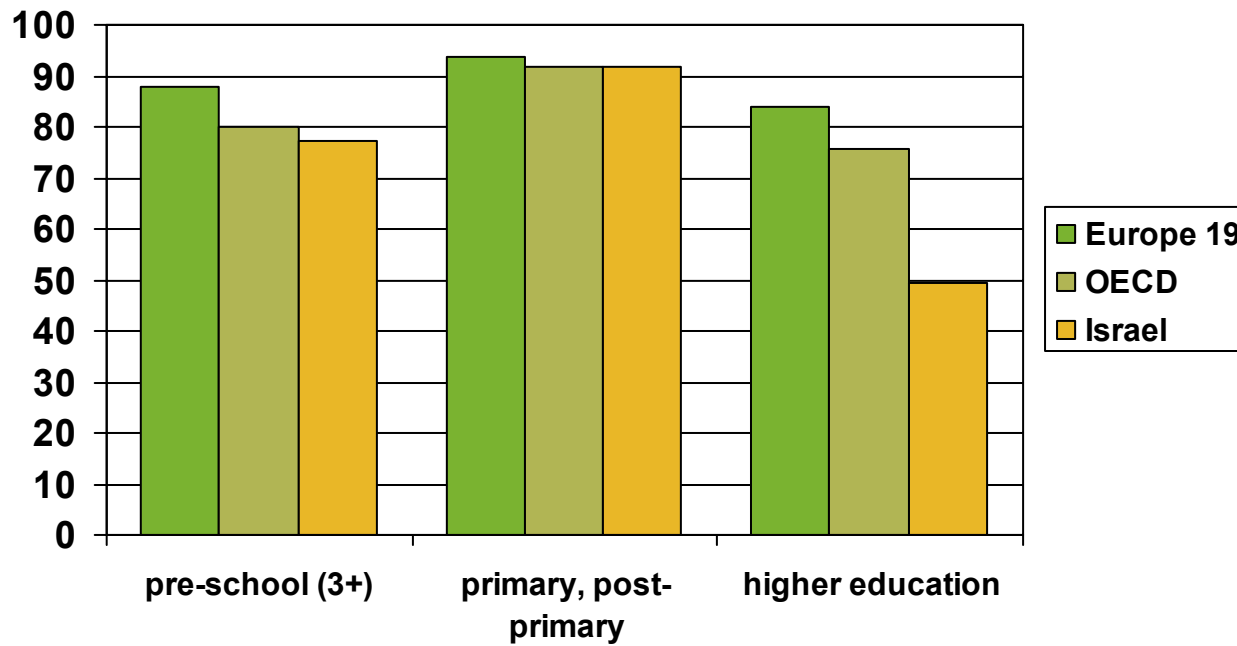
Government expenditure per student on education: low compared to the 1990s and the beginning of the millennium

NIS thousands, constant prices, current budget



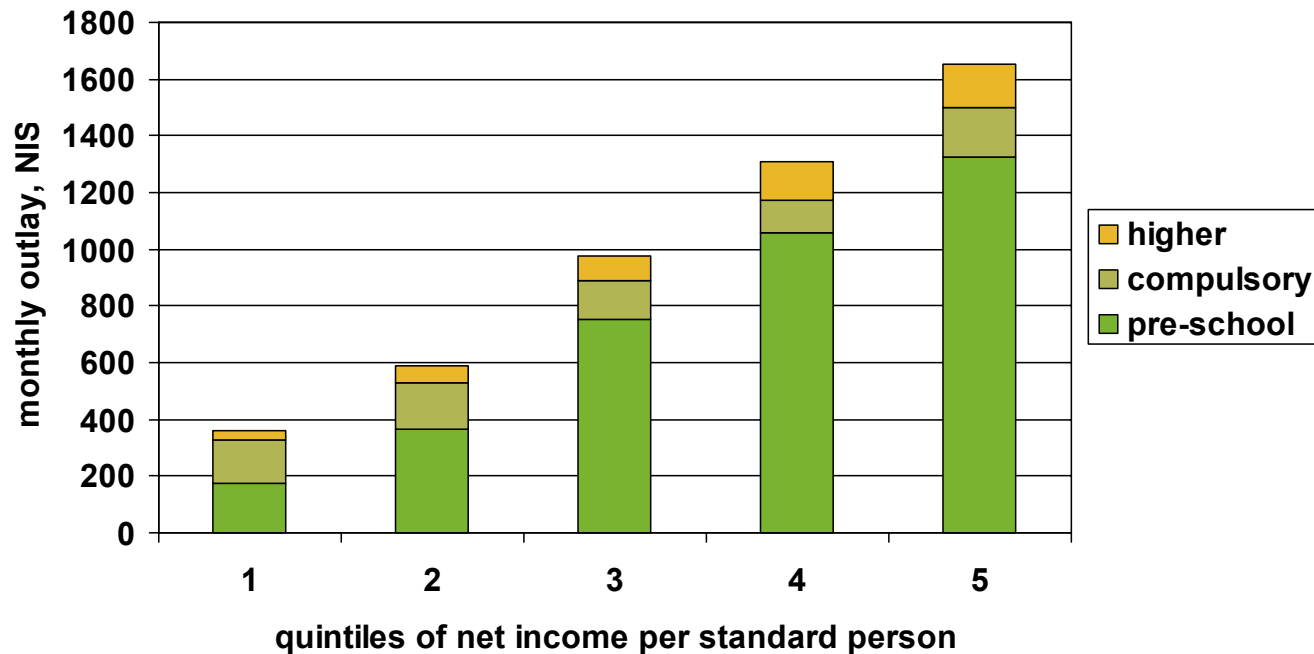
Public expenditure on education: low compared to other countries, especially in higher education and pre-schools

Percent of overall expenditure on education, by level



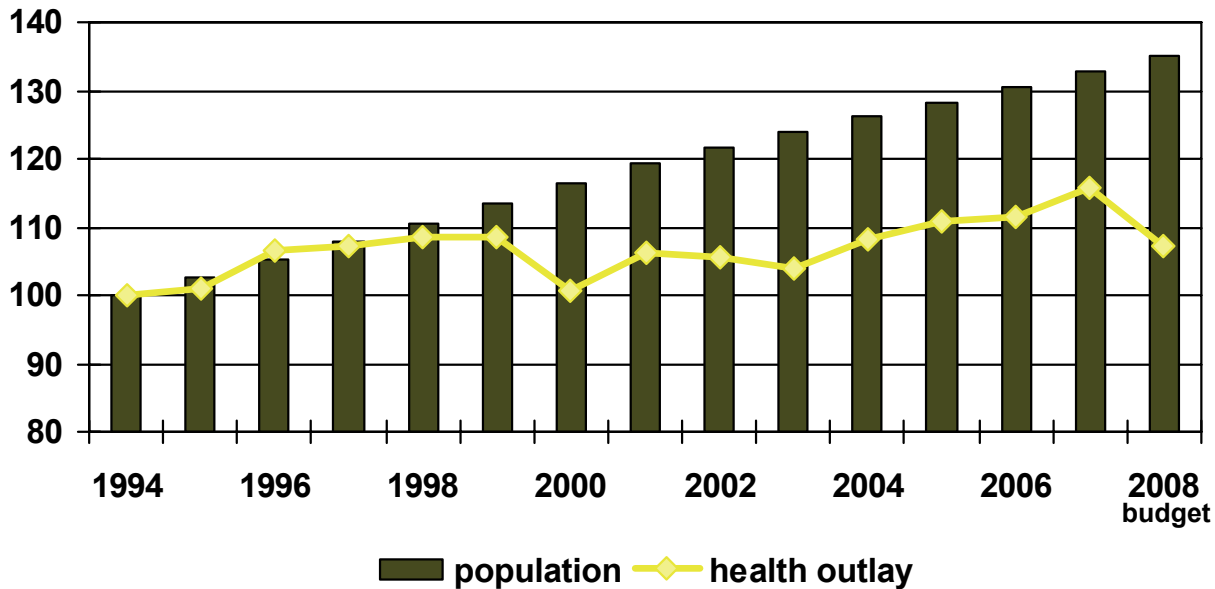
Household expenditure on education: inequalities stand out at pre-school and higher education levels

Monthly outlay of households with children, by net income quintiles



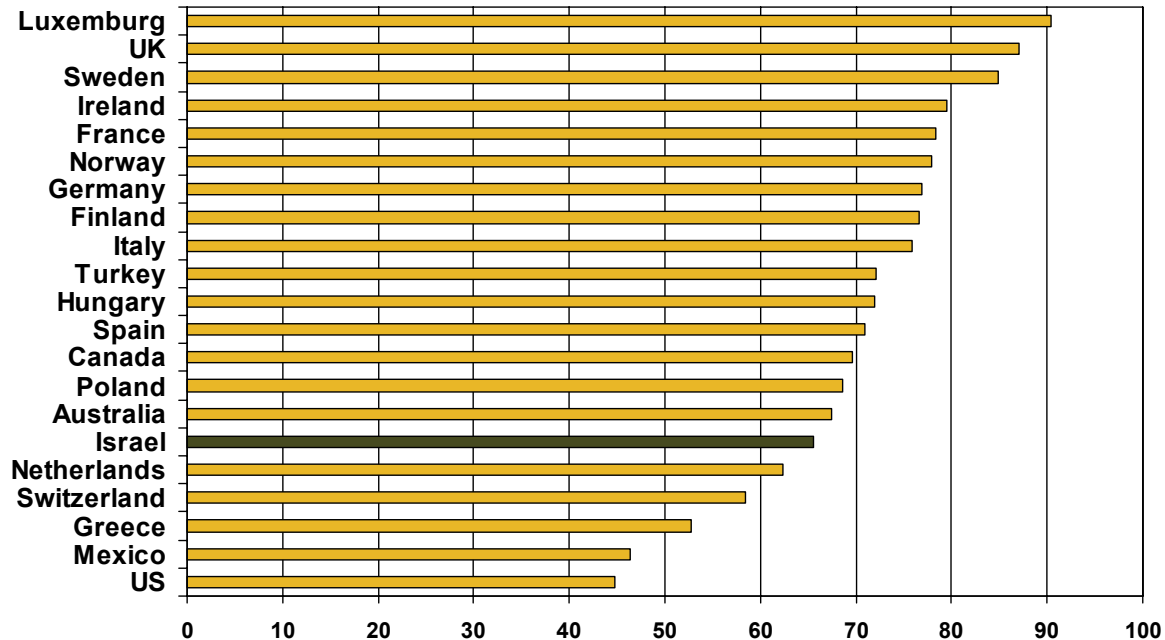
Government outlay on health and population growth: spending has not kept pace with population growth since late 90s

Index: 1994=100



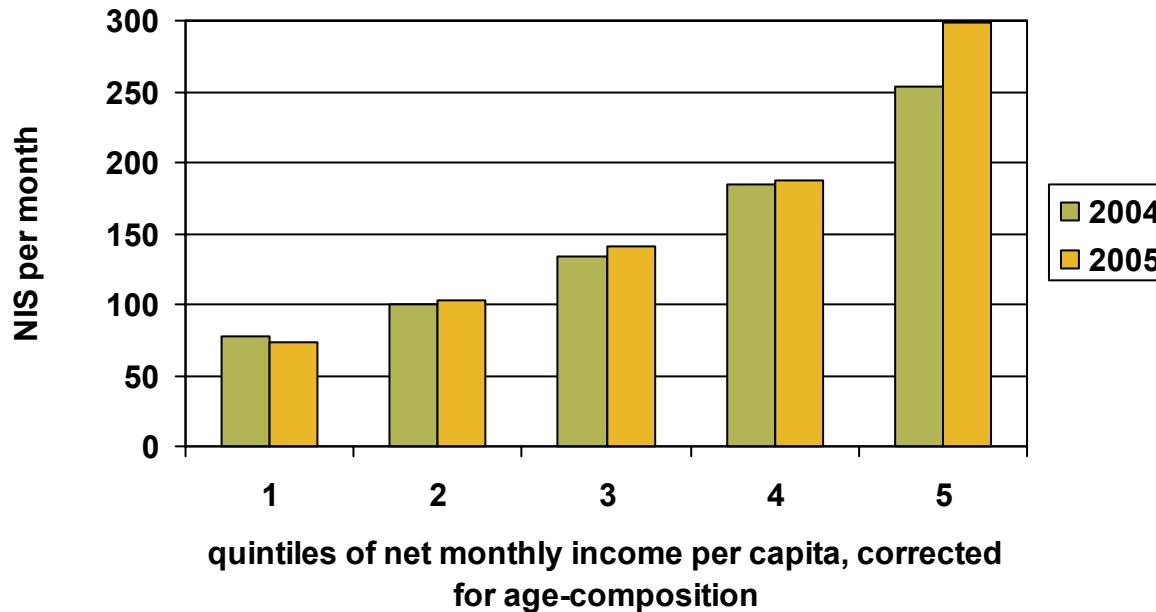
Public expenditure on health: the share of public expenditure in Israel is less than in most OECD countries

Percent of national expenditure on health

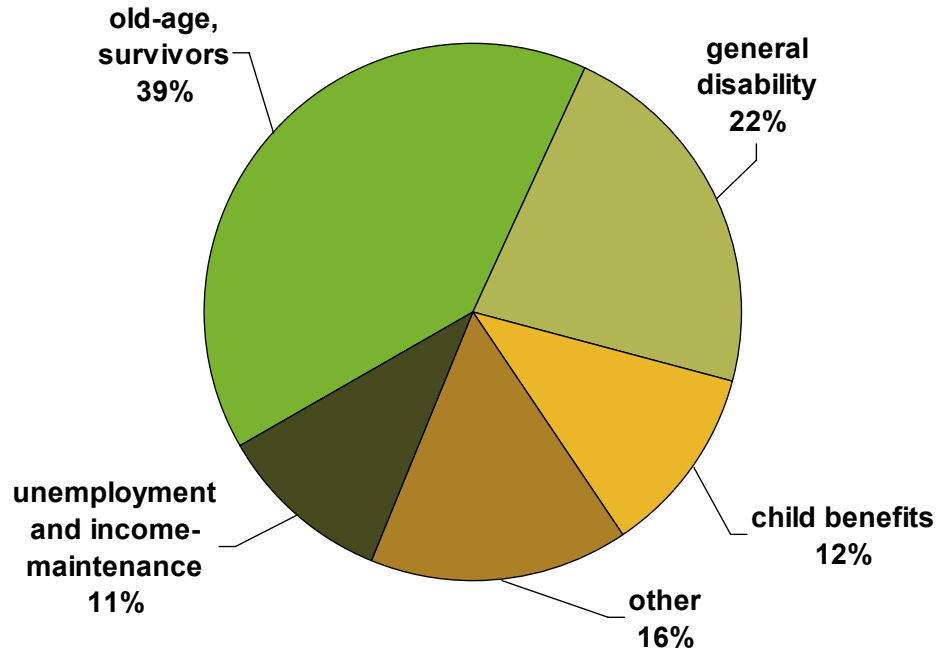


Household expenditure on health: gaps between income quintiles continue to widen

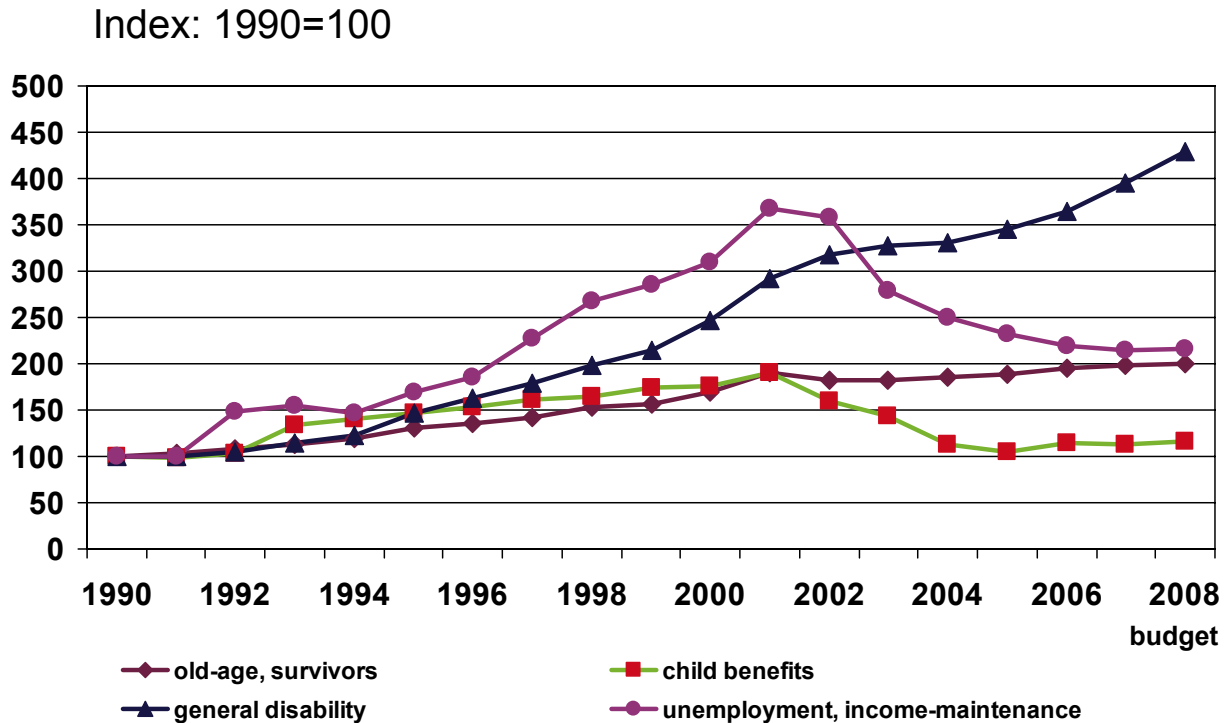
Monthly expenditure



National Insurance benefits – 2008: most transfers are to the elderly and the disabled

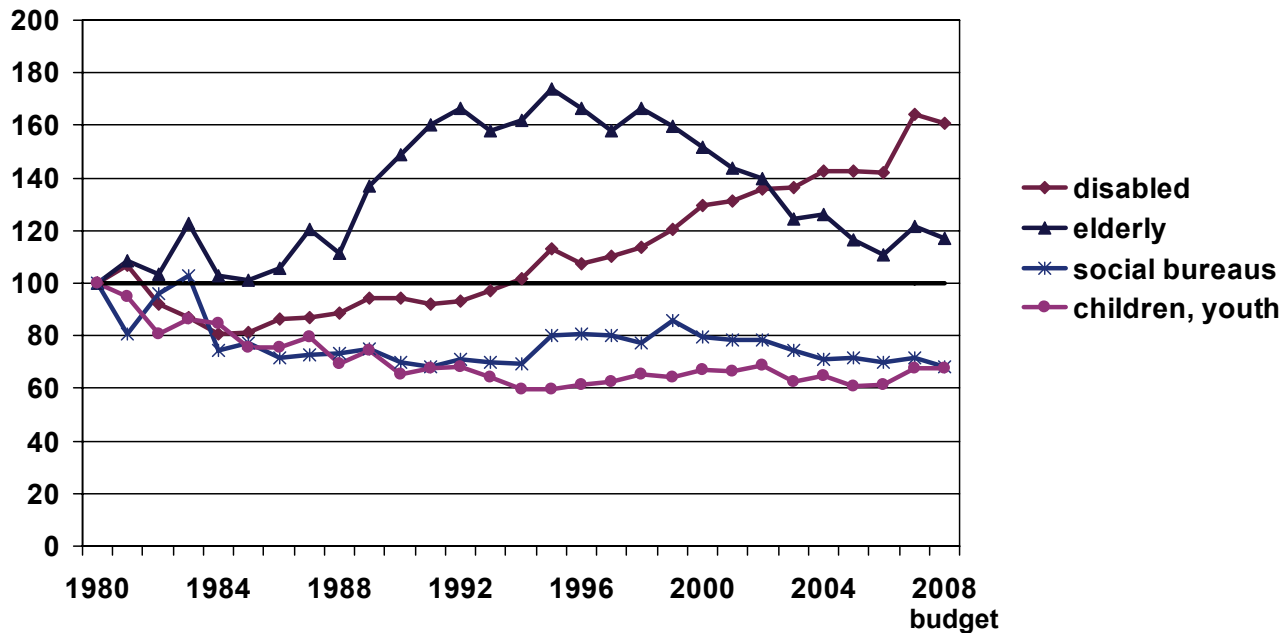


National Insurance benefits: different trends in main items – increases in general disability allowances over time



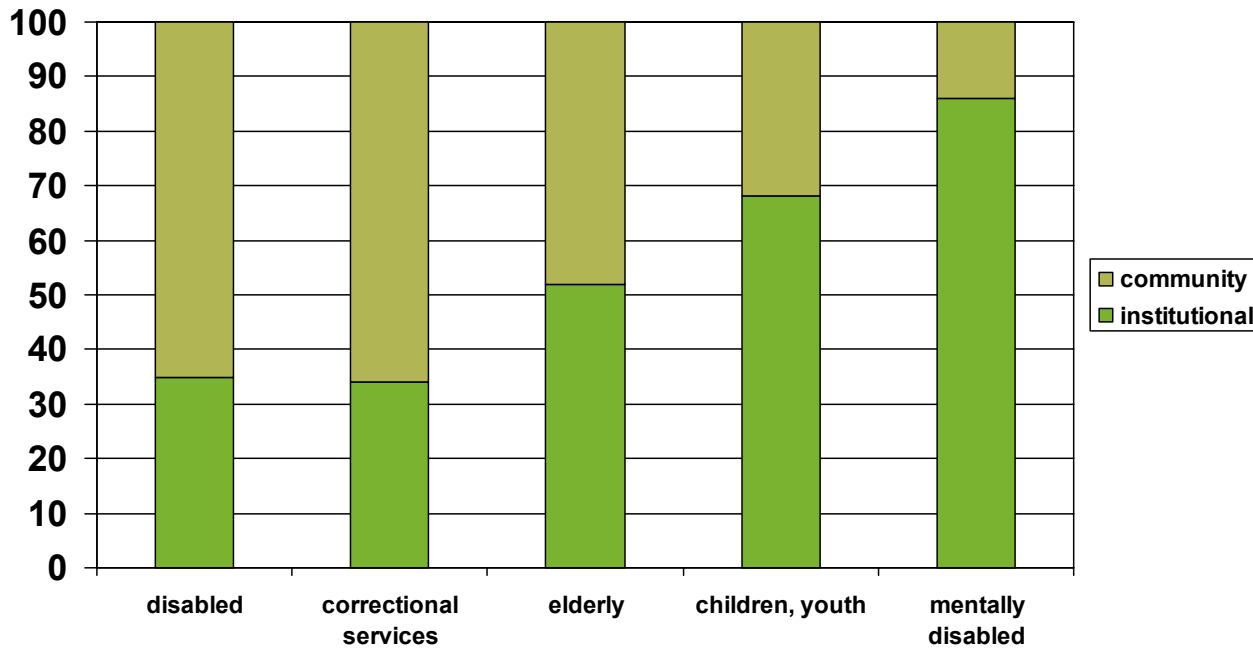
Personal social services: spending on children lags behind population growth and spending on the elderly is declining

Index: 1980=100, per capita spending



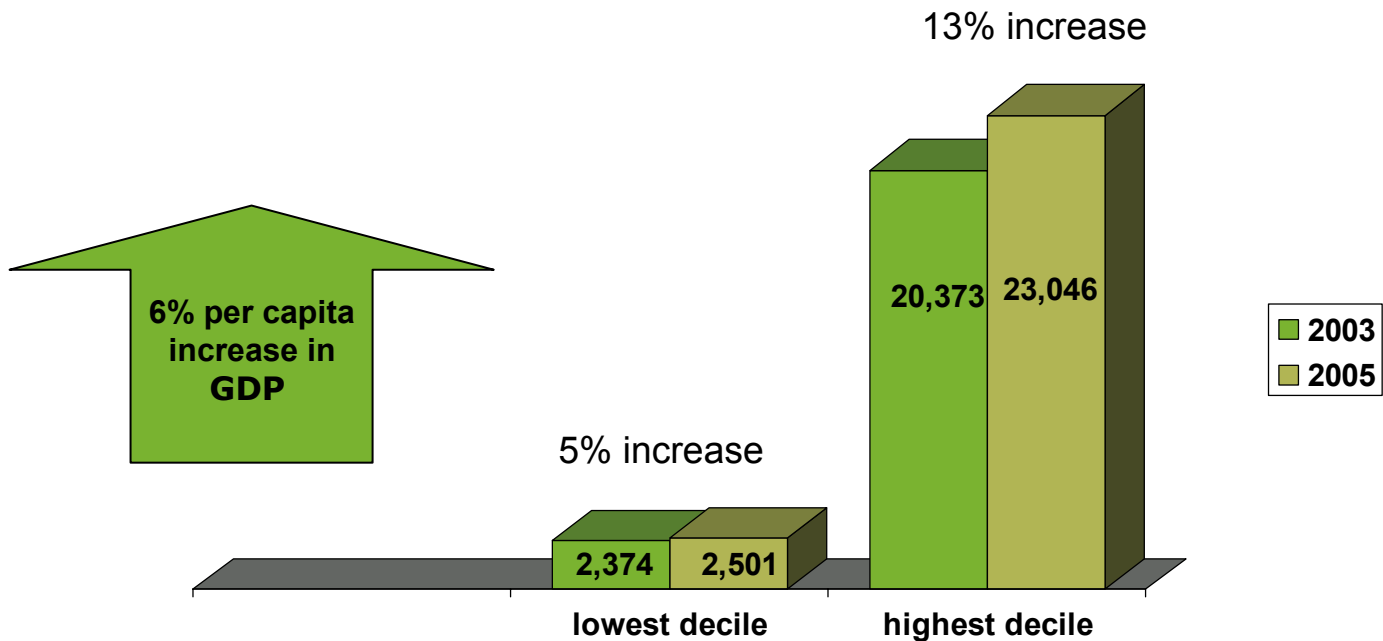
Institutional and community-based services: personal social services spending by main items

Percent



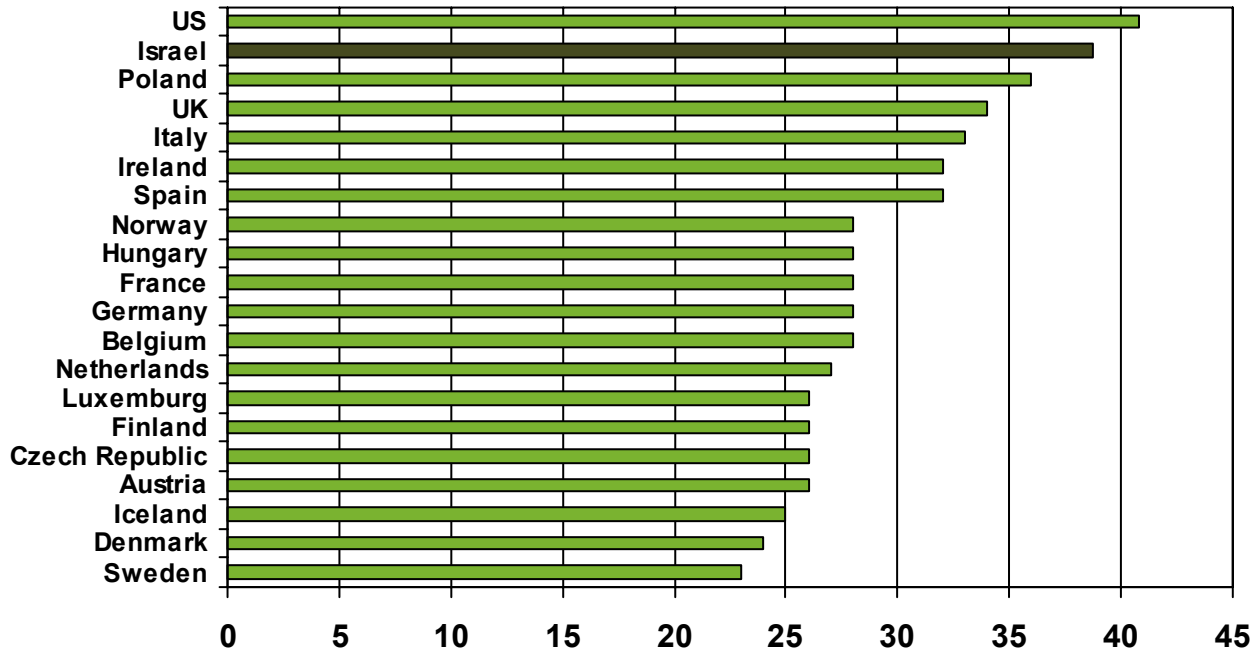
Economic growth and social gaps: unequal benefits from economic growth

Net monthly household income by standard person



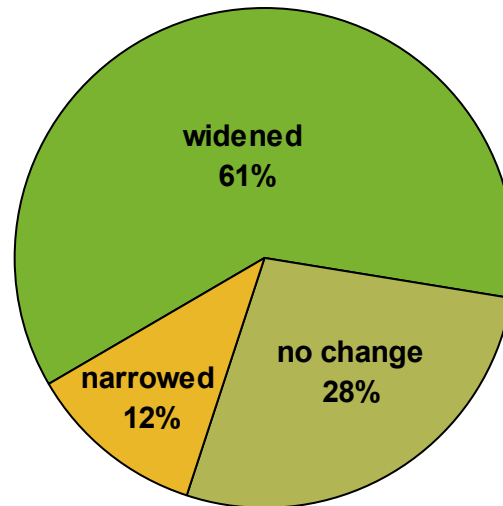
Income inequality: Israel and the US rank highest in income inequality

Gini Index



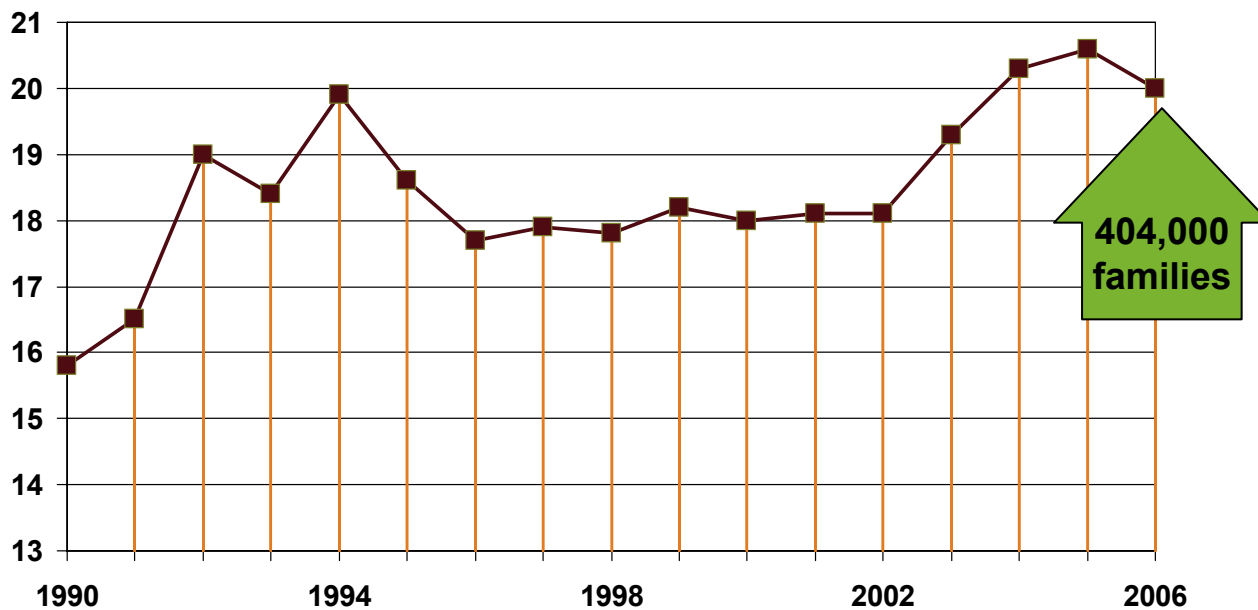
Taub Center Survey: the majority feel that socio-economic gaps have widened

Do you think that the socio-economic gaps have “widened”, “narrowed” or “stayed the same” over the past year?”



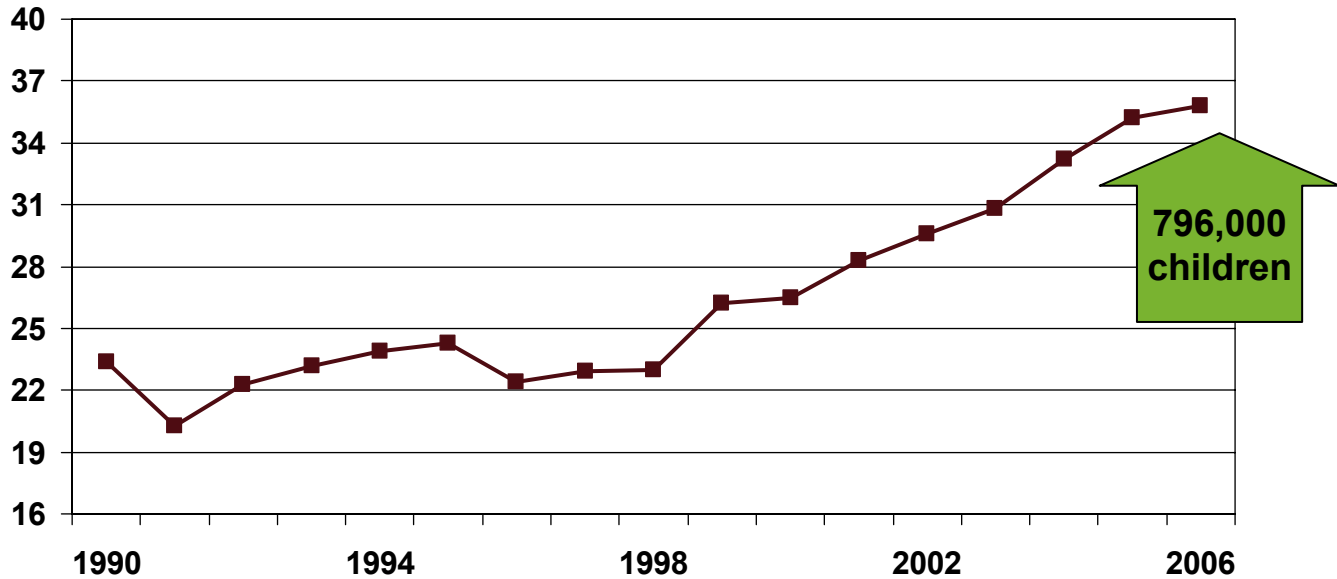
Poverty levels: one-fifth of Israeli families live below the poverty line

Percent of poor families, after taxes and transfers



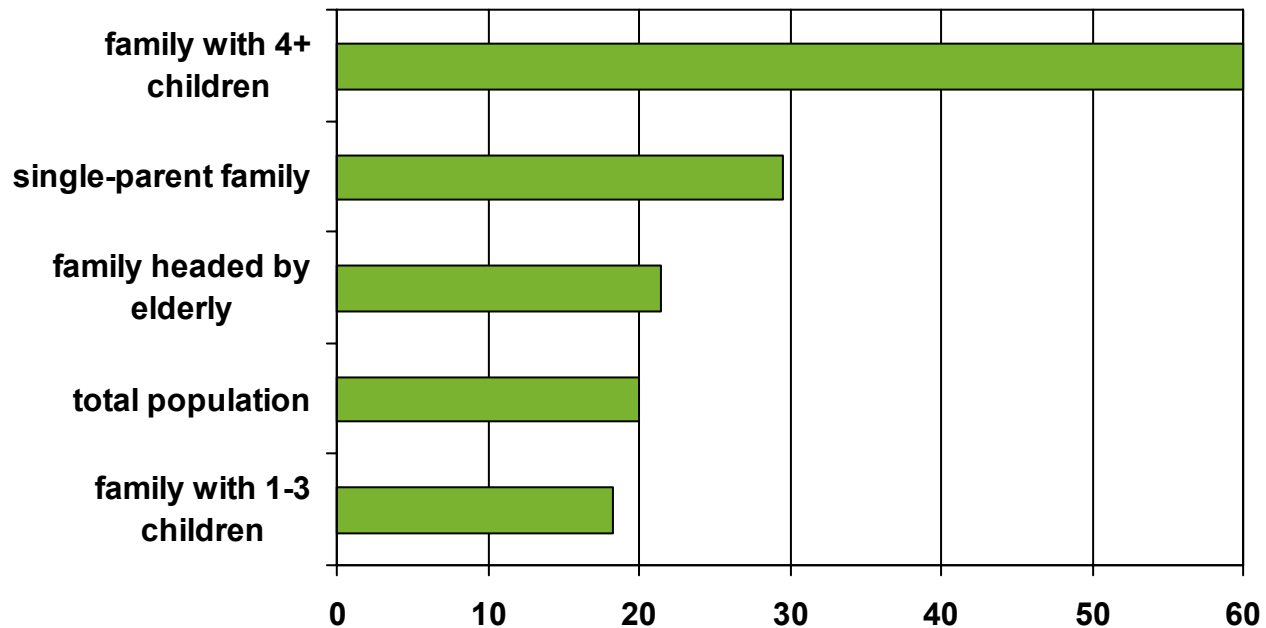
Poverty among children: a continual rise – more than one-third of Israel's children live below the poverty line

Percent of poor children, after taxes and transfers

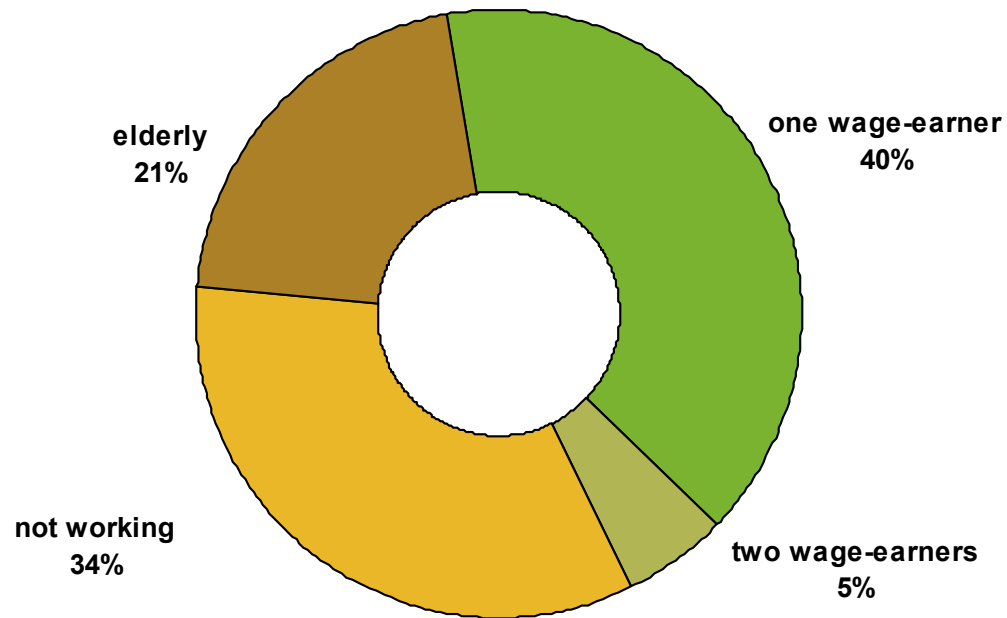


Families in poverty: the prevalence of poverty is greater among large families and single-parent families

Percent of poor families

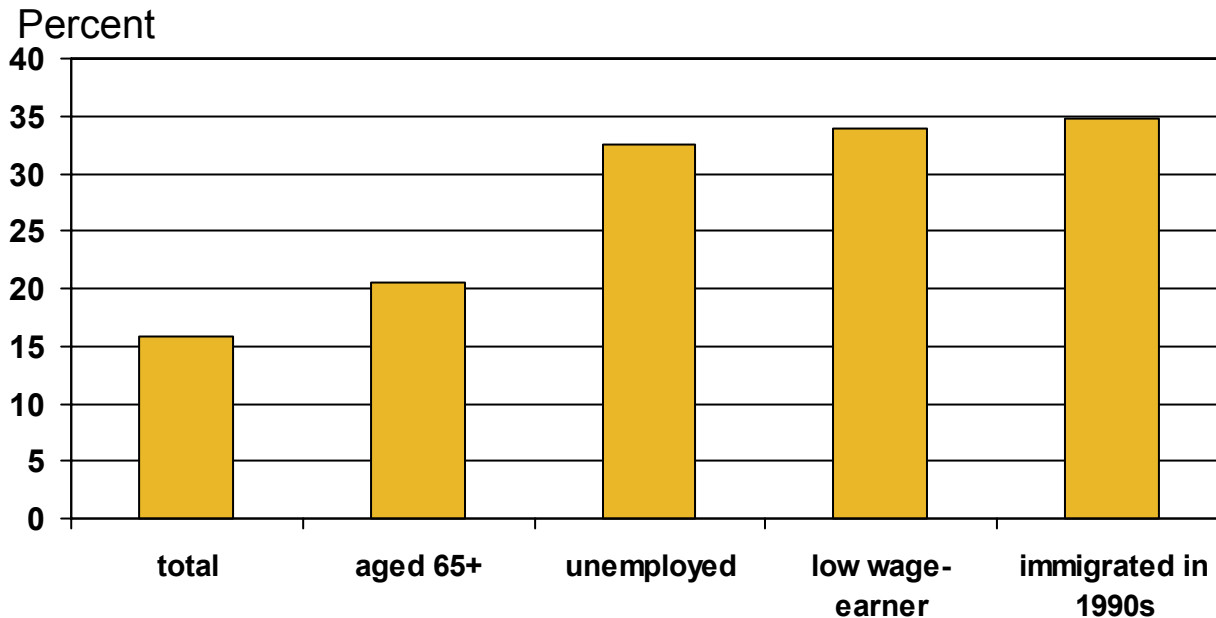


Distribution of poor families: nearly half of all poor families are working families

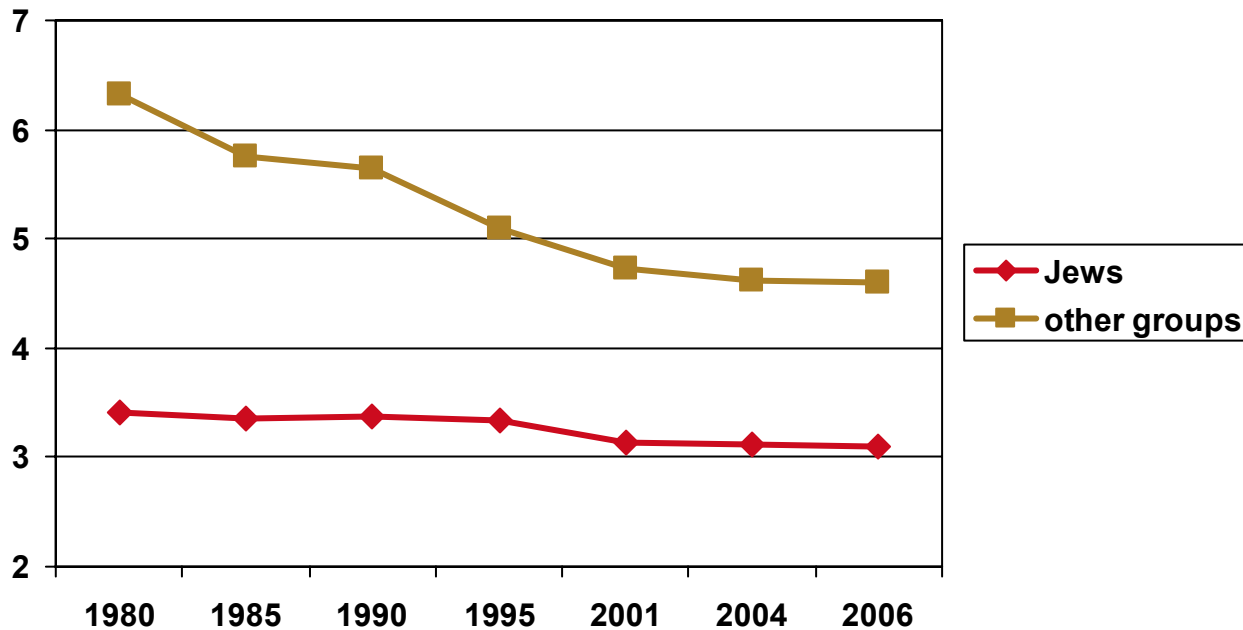


Taub Center Survey: socio-economic confidence is lower for immigrants, low-wage earners, unemployed and the elderly

Rate of respondents who rated their socio-economic confidence as “not so good” or “not good at all”

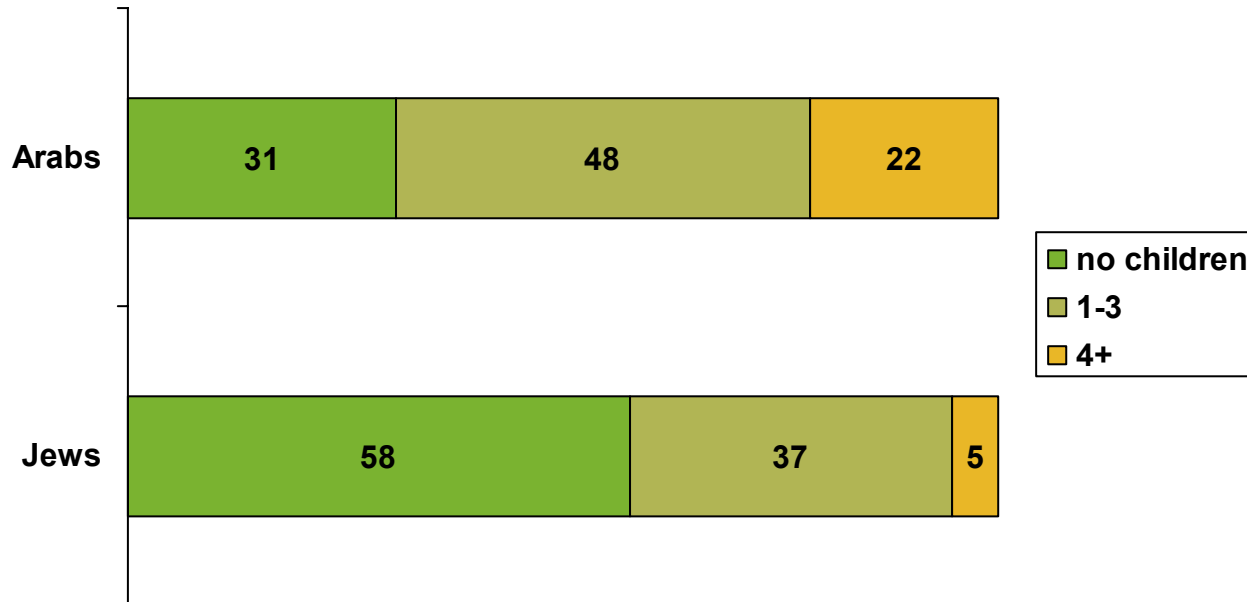


Average household size: differences between Jews and other population groups have narrowed



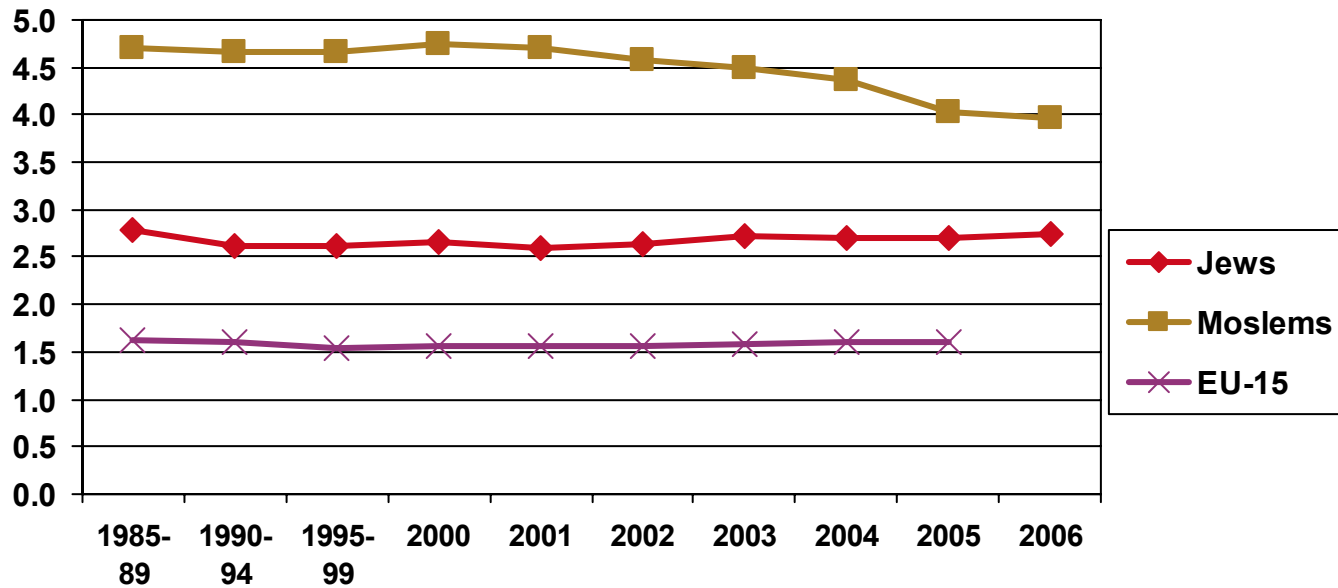
Households by number of children: large differences between population groups

Percent



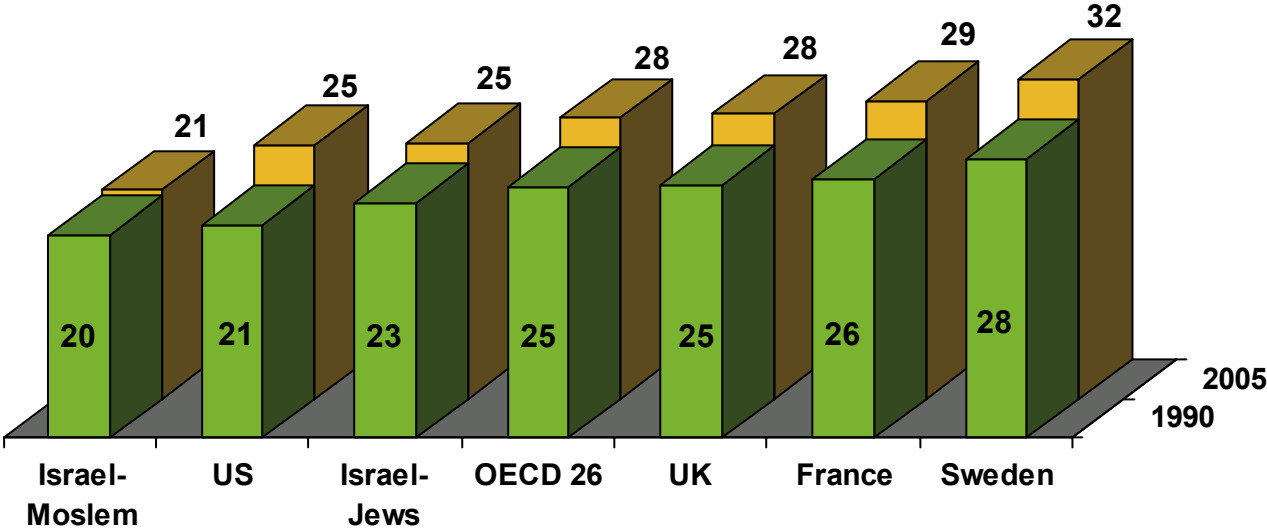
Fertility rates: high rates relative to Europe, some decline among Moslems, stability and a slight rise among Jews

Total fertility rate



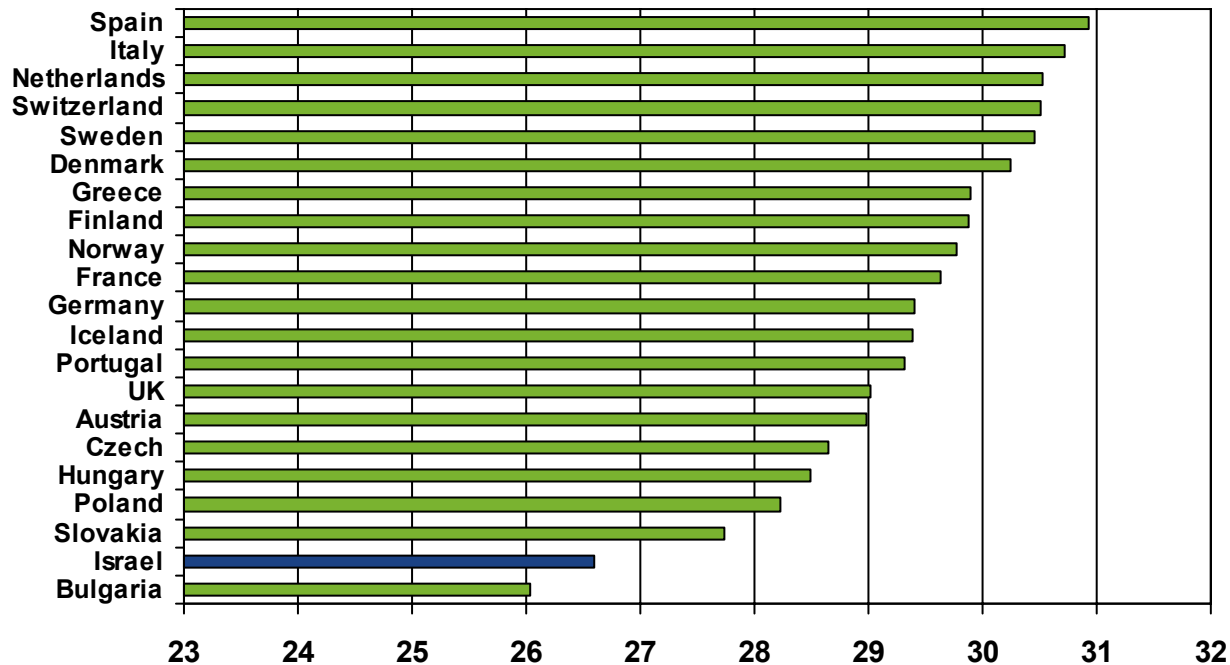
Women's age at marriage: brides are younger in Israel than in most OECD countries

Median age of woman at first marriage

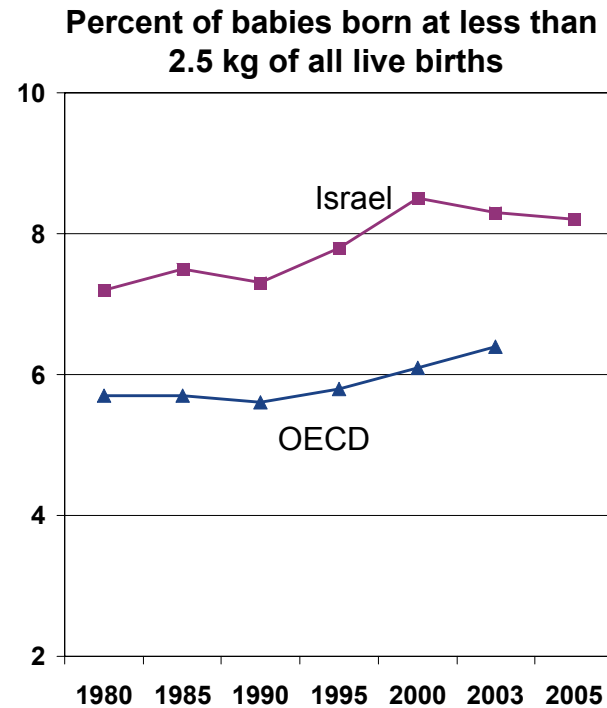
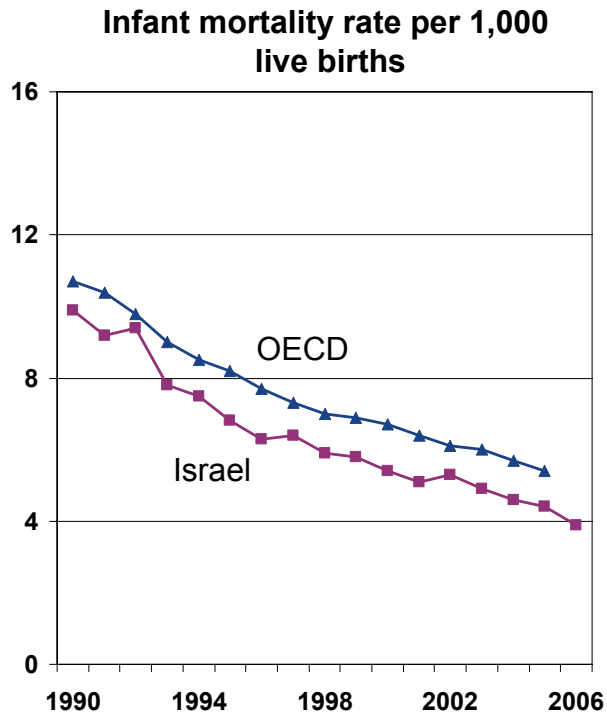


Mother's age at first child's birth: Israeli mothers are younger than in other developed countries

Median age in Europe, average in Israel

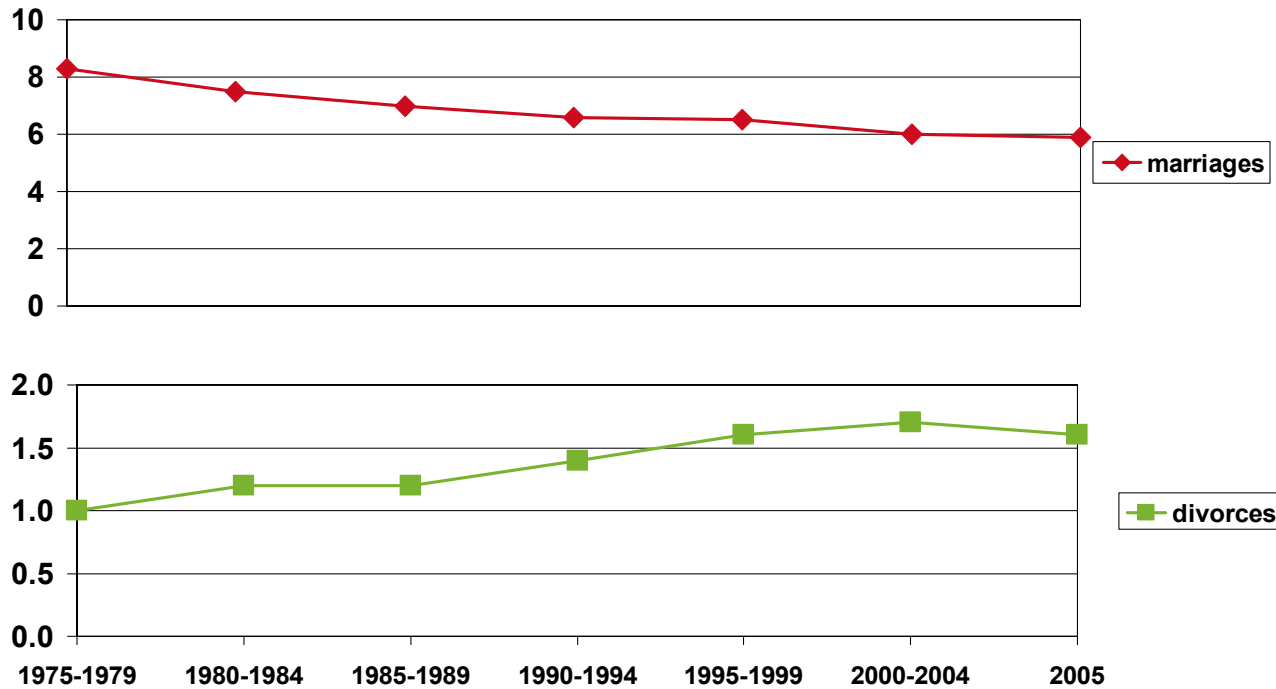


Infant mortality and low birth weight: more babies with low birth weight, and low infant mortality in Israel



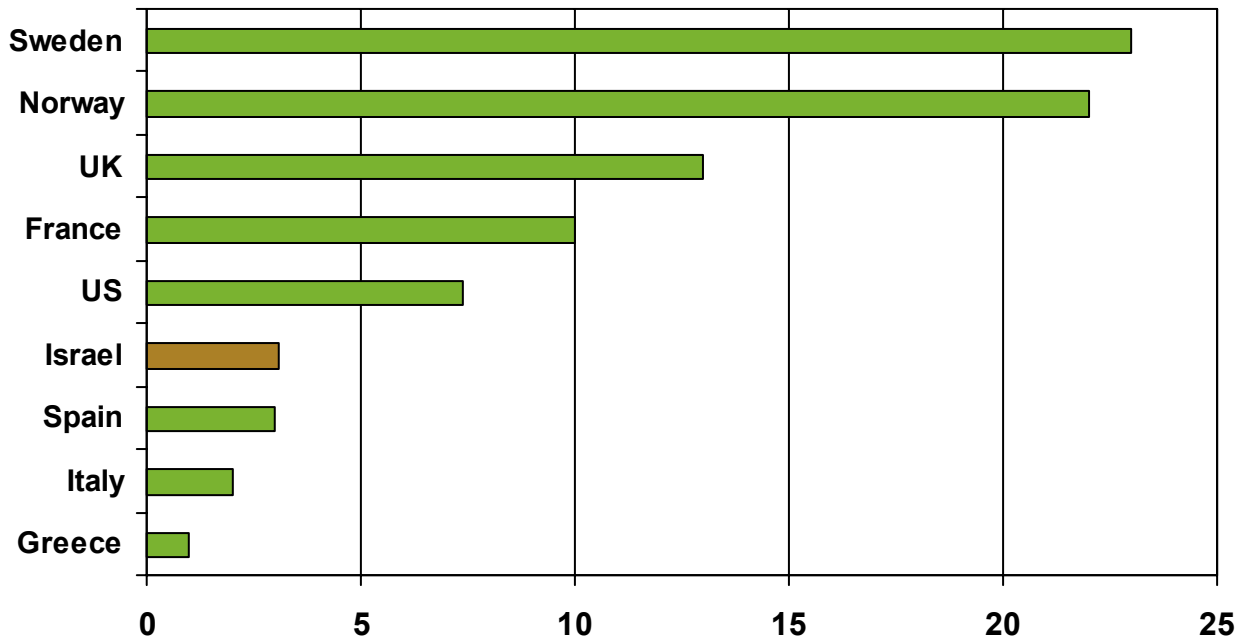
Marriage and divorce: marriage rates are declining, divorce rates are rising

Rates per 1,000 population



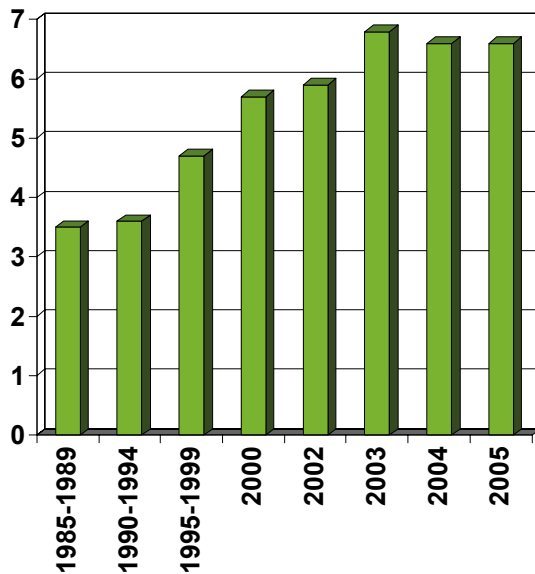
Unmarried couples: numbers are still low compared to other developed countries

Percent of all couples

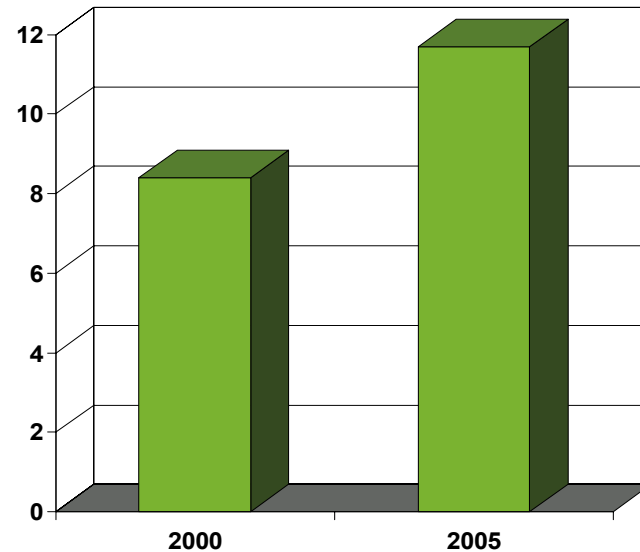


Single mothers: numbers are increasing over time

Births to single Jewish women
rates per 1,000 single women aged 15-44



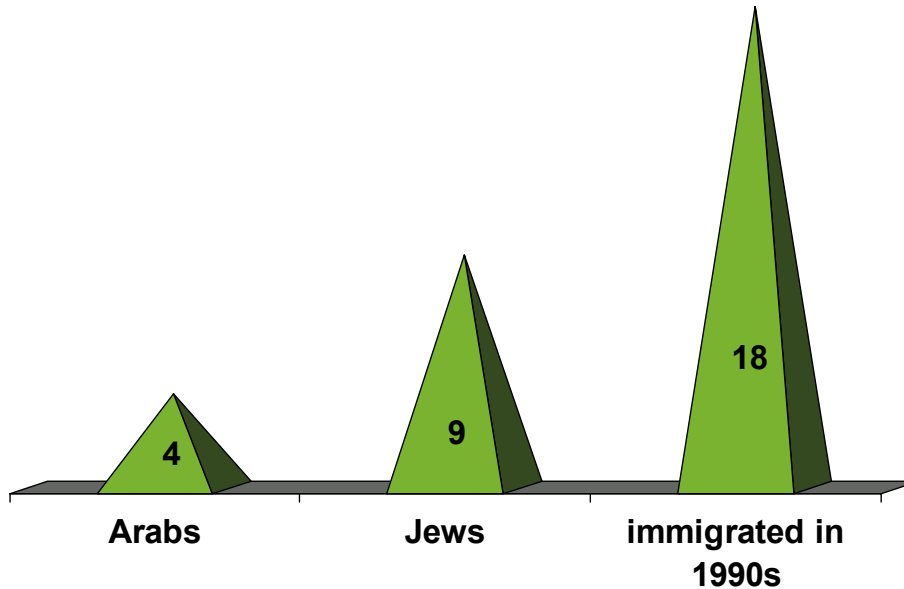
Number of mothers
thousands



Children in single-parent households:

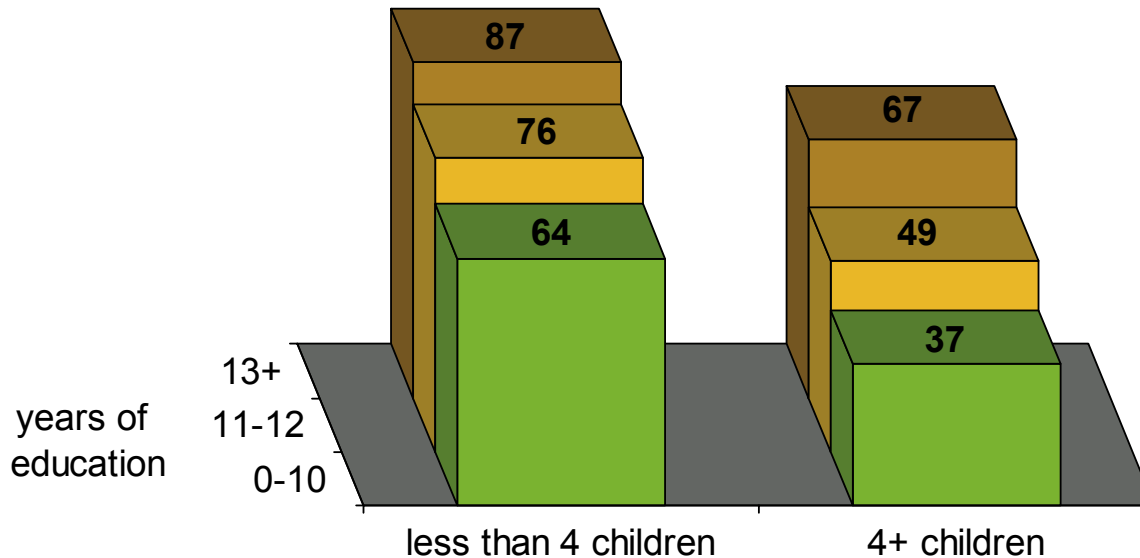
164,000 children under age 17 live in single-parent homes

Percent of children in single family homes, by groups



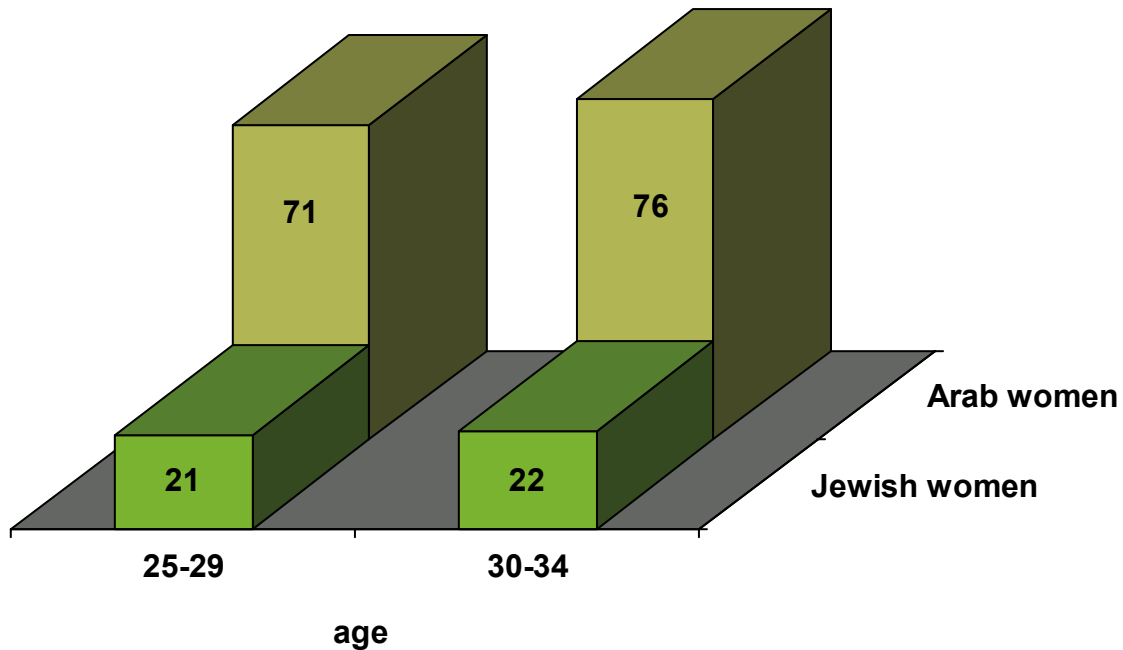
Working mothers: low labor force participation for those with more than 3 children, especially women with low education

Labor force participation rates, percent, average 1998-2005



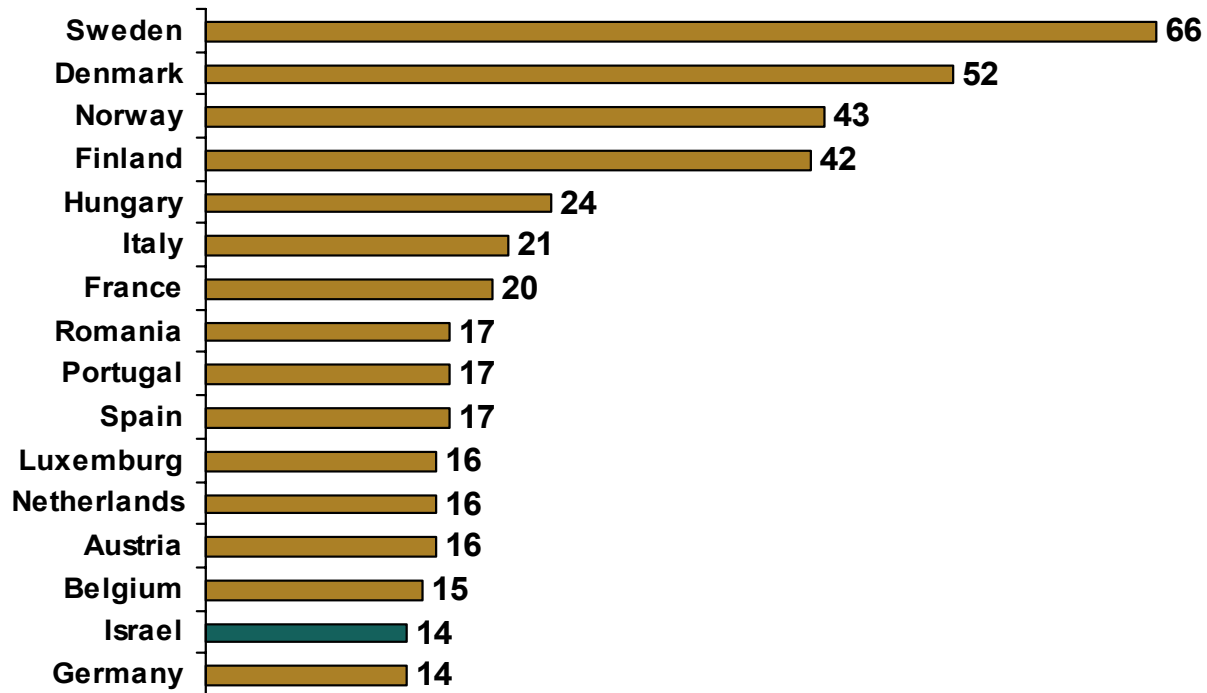
Women who don't work or study: more than 70% among Arab women and one-fifth of Jewish women

Percent



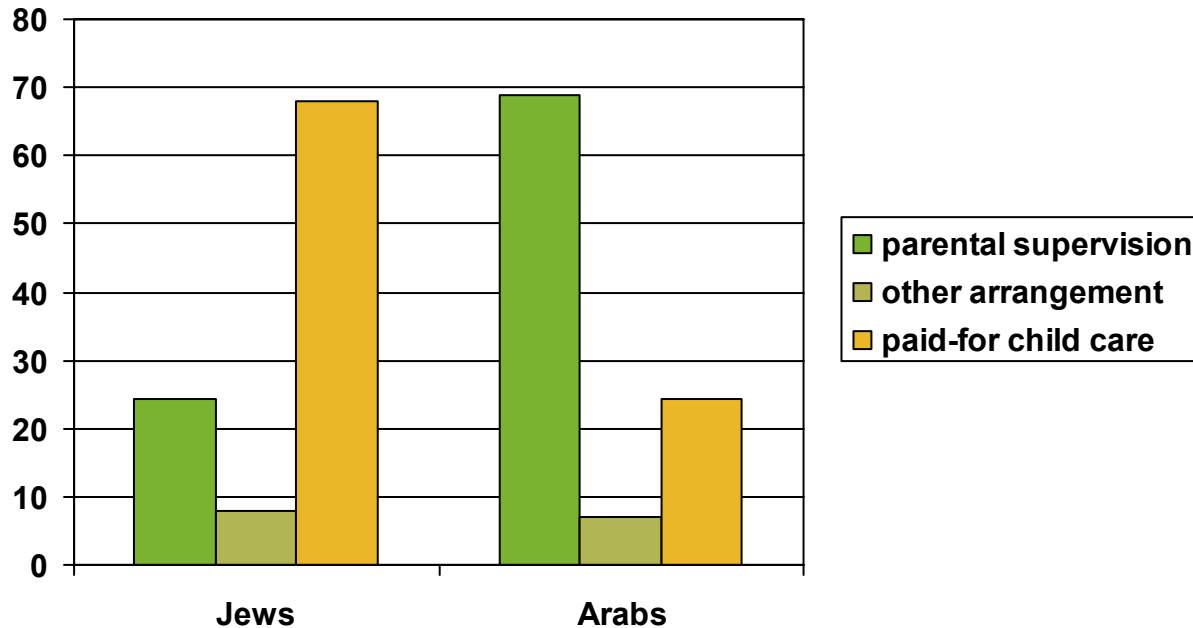
Maternity leave: shorter than in the European countries

Weeks of paid leave



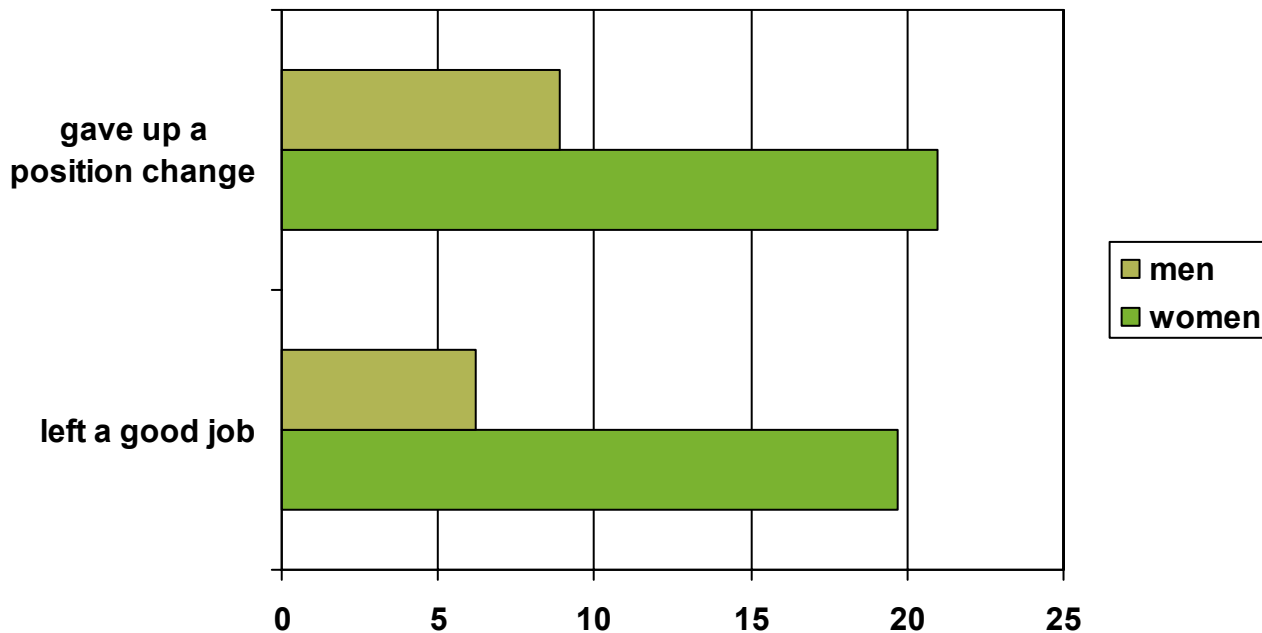
Pre-school attendance: marked differences between Arab and Jewish populations

Percent of all children aged 3 months to 5 years



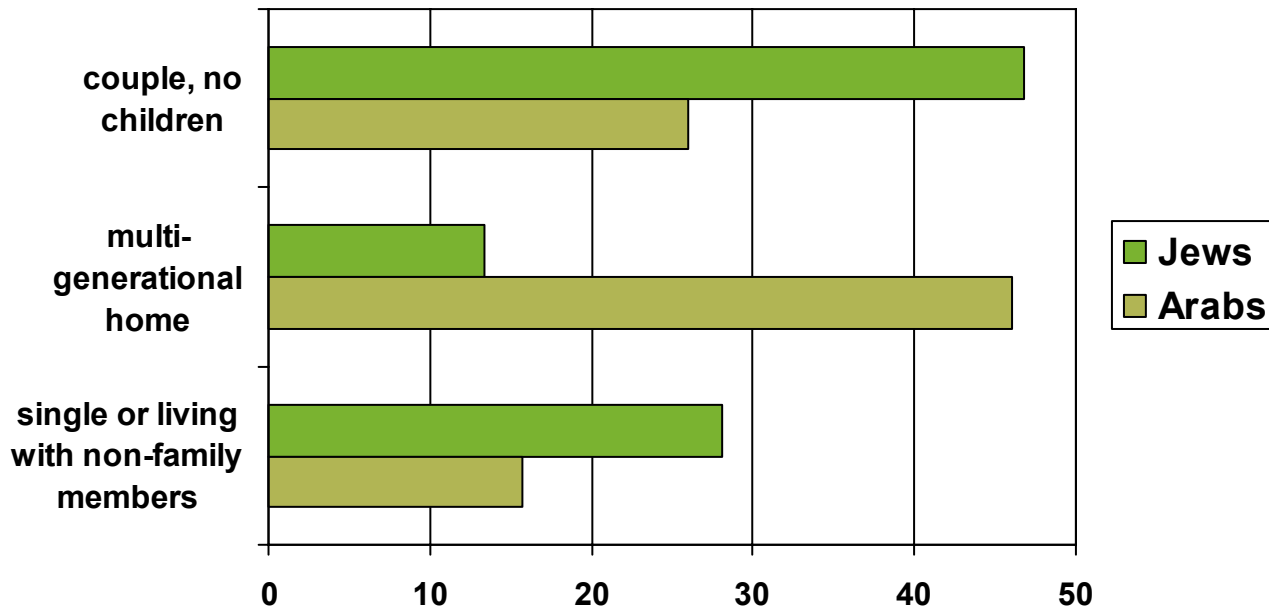
Employment problems for parents of young children: difficulties at work for parents of children aged 0-13

Percent of total



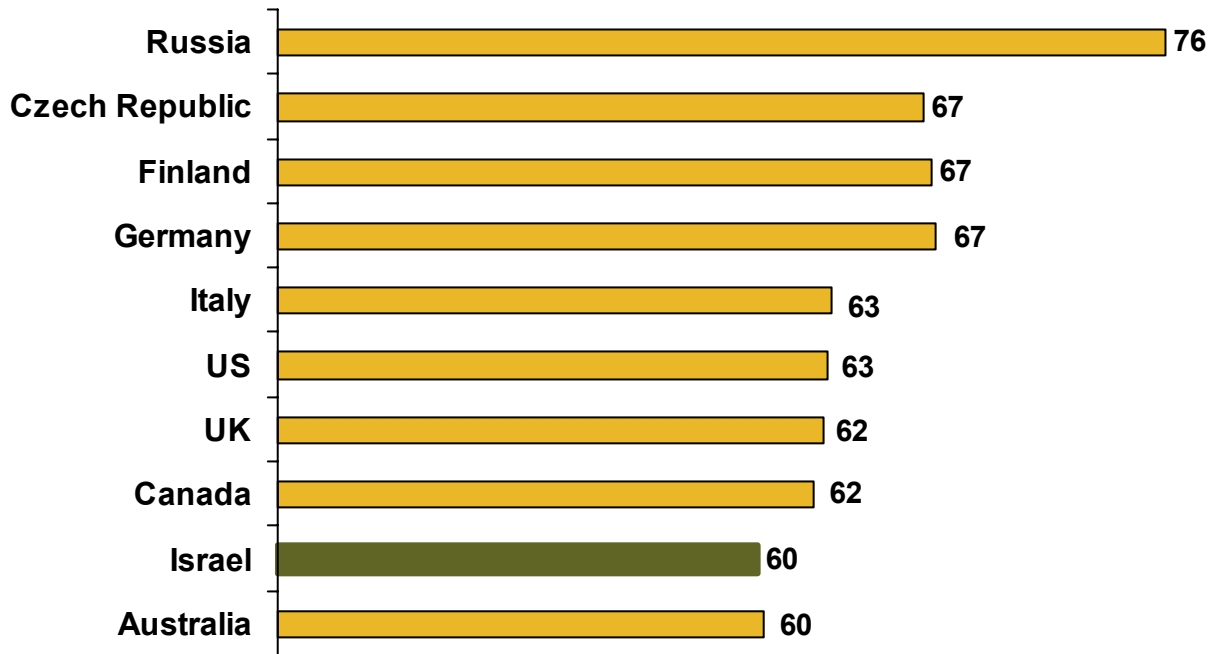
Household composition of the elderly: differences especially in the number of multi-generational households

Percent of all households with a member over age 65



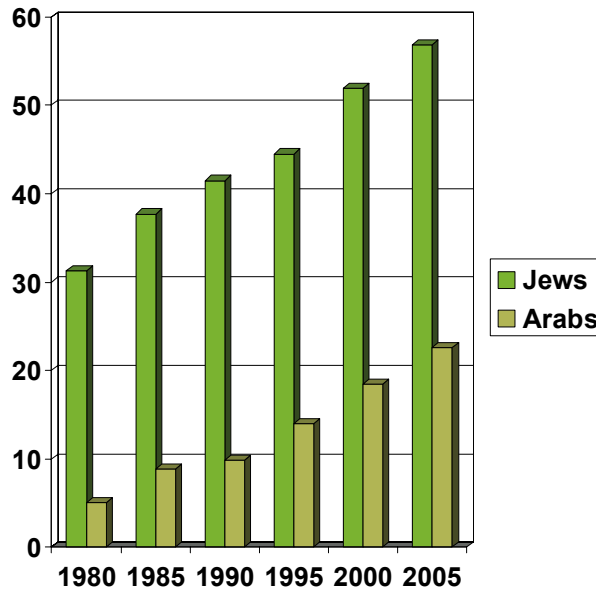
Percent of women among the elderly: Israel has a relatively low share of elderly women

Percent of women in population aged 75+

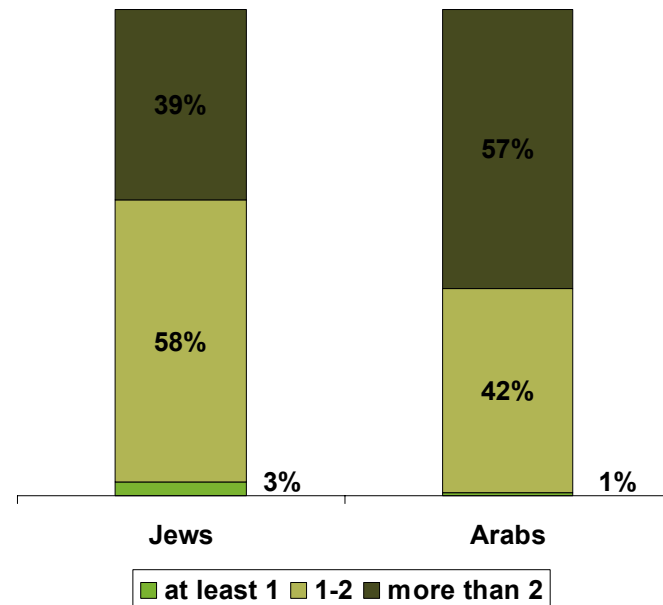


Housing density: lower among Jews but among large families there is less difference between sectors

Households with less than 1 person per room, percent



Households with more than 3 children, by number of persons per room





**Taub Center for
Social Policy
Studies in Israel**

The Center assists in shaping public policy to the benefit of the population of Israel by means of research and education in social policy issues. Established in 1982 under the leadership and vision of Herbert M. Singer, Henry Taub, and the American Jewish Joint Distribution Committee (JDC), the Center is funded by a permanent endowment created by the Henry and Marilyn Taub Foundation, the Herbert M. and Nell Singer Foundation, Jane and John Colman, the Kolker-Saxon-Hallock Family Foundation, and the JDC.

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