

Data Snapshot: The Changing Dimensions of Israel's Working Poor

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(Sources are indicated in parentheses.)

Definitions of the working poor

- ◆ Working poor are defined in the official statistics as families in which at least one member is employed at least part-time.

Extent of the Working Poor Population

- ◆ The number of working poor families increased from 160,200 in 2004 to 231,300 in 2013. (1)
- ◆ The poverty rate among employed families increased from 11.8% in 2004 to 13.8% in 2012, and then declined to 12.5% in 2013. (1)
- ◆ The poverty rate in 2013 was much higher among employed families with children (19%), compared with the total working population (12.5%). In 2013, these families included 600,000 children. (2)
- ◆ Working poor as a percentage of all poor families has increased significantly from 40.6% in 2004 to 53.5% in 2013. (1)
- ◆ As is true of the overall poverty rate, the rate of working poor in Israel is also among the highest in the OECD.

Number of Earners in the Family and the Extent of Full-time Employment

- ◆ The number of earners in the family and the degree to which they are employed is a key factor.
- ◆ In 2013, the incidence of poverty in working families with one earner was 24%, but dropped to 6% when there were two earners. It was even lower if both earners were employed full time. (2)
- ◆ In 2013, working families that were poor had fewer earners than non-poor families, and a lower percentage of earners were in full-time employment (62% compared with 78%). (2)

Family Size

- ◆ Large numbers of children is another key factor affecting poverty among those employed, and is a unique feature of Israel's social structure.
- ◆ A significant percentage of the working poor are either Arab or Haredi families with large numbers of children.

Earnings Levels

The size of the working poor population is related to disparities in the wage structure in Israel. In general, wage gaps are large in Israel, and have expanded considerably with the hi-tech revolution.

- ◆ In 2013, only 2.5% of poor wage earners earned above the average wage, compared with 39% of all workers. (2)
- ◆ There are also significant issues with enforcement of minimum wage, as a large percentage of earners in poor families earn below the minimum wage.

Depth of Poverty

- ◆ Another dimension of the extent of poverty is the depth of poverty, defined as the income of the poor as a percentage of the poverty line.
- ◆ It is important to note that the depth of poverty among the working poor (29%) was less than among poor families without a wage earner (51%) in 2013. (2)

Implications

- ◆ Israel faces a very significant challenge in reducing the high rates of poverty among the working population. This will require efforts to increase the full realization of their employment potential, as well as to enhance their earnings by enhancing their education and training and helping them to realize their full potential on the job.
- ◆ It is worth noting that 73% of families in which the head was of working age and not employed were poor in 2013. (2)
- ◆ As shown, after the increases earlier in the decade, there are indications of the beginnings of a decline in the rate of poverty among those employed. This has been attributed to two factors: more working families with two earners and more people working in full-time positions. In addition, there has been a dramatic change in the patterns of wage growth, with low-paid workers sharing in the increase in wages. In the earlier part of the decade, they were either negatively affected or had not gained from the overall wage increase. (2)
- ◆ Finally, it is important to emphasize that low wages are related to the low rates of productivity in the workplace. As the Bank of Israel has repeatedly emphasized, "The productivity of the non-high-technology industries in Israel is low relative to the productivity of corresponding industries in other advanced economies." Increasing productivity is a key component of the effort to increase Israel's overall economic growth in the years ahead. Furthermore, much of the growth in the labor force will need to come from the ranks of disadvantaged groups who are underemployed. Thus, investing in the productivity of today's working poor is critical both to increasing their wages and to increasing overall productivity and growth. (3, 4)

Sources

1. Myers-JDC-Brookdale Institute special analysis of National Insurance Institute poverty data, selected years.
2. National Insurance Institute (NII), *Poverty and Social Gaps Annual Report*, 2013.
3. Bank of Israel, *Annual Report*, 2014.
4. Report by the Israel Committee for the War against Poverty, Part 1 – Plenary Report (July 2014).

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