

Press Release

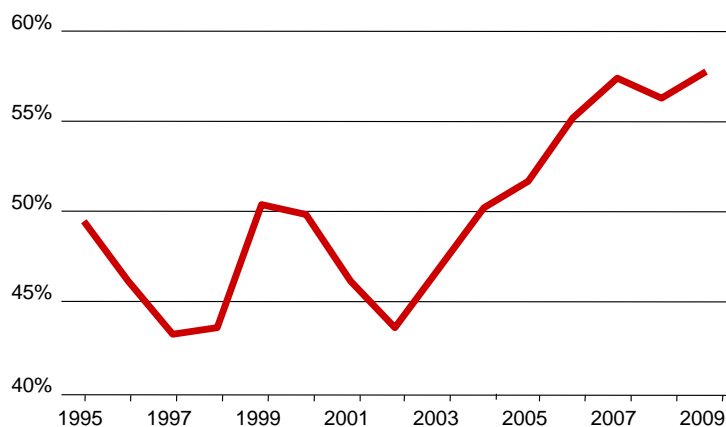
As protests of the high costs of living continue, the Taub Center reveals that the share of working poor in Israel has risen substantially: 13.4% of working families are poor today as opposed to 7.6% in 1995.

- **Unlike before, most poor families nowadays work: 58% of heads of households in poor families worked in 2009, vs. 44% in 2002.**

In the Taub Center's forthcoming *State of the Nation Report 2010*, Professor Haya Stier, Chair of the Taub Center's Social Welfare Policy Program, focuses on the phenomenon of the working poor in Israel. She found a substantial increase in the proportion of poor families headed by an employed person (among households headed by a person between the ages of 25 and 64). Consequently, today, the head of family works in the majority (58%) of poor households, and yet the family remains below the poverty line. This is a substantial increase compared to a rate of 44% of poor households who were headed by a working individual in 2002.

Poor households headed by a wage earner as percent of all poor households, 1995-2009

for families headed by person aged 25-64



Source: Taub Center for Social Policy Studies in Israel.

Data: Central Bureau of Statistics, Income Survey, various years.

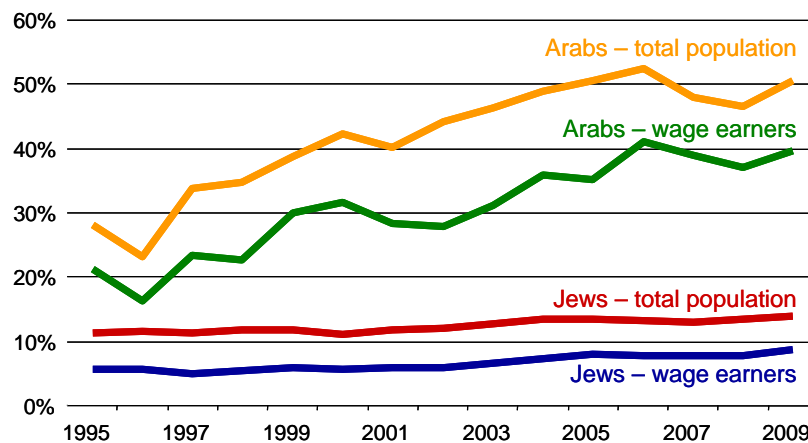
The poverty rate in Israel in terms of net incomes (i.e., after taxes and welfare payments) is one of the highest in the developed world – and has risen considerably in the past decade: 18.5% of households in Israel were poor in 2009, compared to 13.4% in 1995. Poverty in Israel is defined by having a household income of less than half the national median household income, adjusted for family size. It is easy to see that families without any earners are very vulnerable to poverty, but families with wage earners can also find themselves below the poverty line, if earnings are low, or if there are many household members. In Israel, 13.4% of all working families (headed by

a working individual, age 25-64) are below the poverty line, compared to approximately 7% on average in OECD countries.

Prof. Stier: "One reason for this trend is the government's policy of encouraging poor people to work rather than to live off of public assistance. The primary objective of this policy was to help people escape poverty, but in many case it merely shifted families from the unemployed poor to the working poor, without much change in their standard of living." The inducements to work may have involved too much "stick" (reduction of benefits) and too little "carrot" (improving the compensation from work). As a result, such programs may have saved money for the Treasury without making a major impact on poverty levels.

Prof. Stier discovered that the rise in the working poor has been concentrated among Arab Israelis. While the rate of working poor among Jewish Israelis remained relatively low and has risen only slightly in terms of percentage points since 1995, general poverty rates and the share of working poor among Arab Israelis have doubled, and are now around 50% and 40% respectively, compared to 28% and 21% in 1995. According to Prof. Stier, Chair of the Taub Center's Social Welfare Policy Program, "Generally speaking, work does not protect the Arab population in Israel from a very low standard of living."

Poverty rate in the population and amongst households headed by a wage earner, 1995-2009
by sector, head of household aged 25-64



Source: Taub Center for Social Policy Studies in Israel.

Data: Central Bureau of Statistics, Income Survey, various years.

Prof. Stier found several reasons for the high rate of working poor among Israeli Arabs:

- **Low labor force participation rates for women**, resulting in a low proportion of two-earner households among Arab Israelis.
- **Deterioration in earnings** – Arab men are concentrated in low-skill jobs which have faced lower demand and competition from cheaper foreign workers in recent years. This evidence was also borne out directly in the Taub Center's *State of the Nation Report 2009*.

- **Demographic differences** – Among single-earner households, in comparison with Jewish Israelis, Arab Israelis tend to have a larger proportion of young (under 35) household heads, who are before their peak earning years. Arab Israeli households also have more children on average.
- **Lower child allowances** – Because working Arab households have a higher number of children on average than do Jewish households, the reduction in child allowances in recent years has had a greater impact on Arab Israeli working families

The Taub Center for Social Policy Studies in Israel, headed by Professor Dan Ben-David, is an independent, non-partisan institution for socioeconomic research based in Jerusalem. The Center provides decision makers, as well as the public in general, with a big picture perspective on economic and social areas. The Center's interdisciplinary Policy Programs – comprising leading academic and policy making experts – as well as the Center's professional staff conduct research and provide policy recommendations in the key socioeconomic issues confronting the State.

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