



press release for Sunday, November 29

**Taub Center: Welfare assistance per capita has risen five-fold over the past four decades – while average incomes per capita in Israel doubled during this period.**

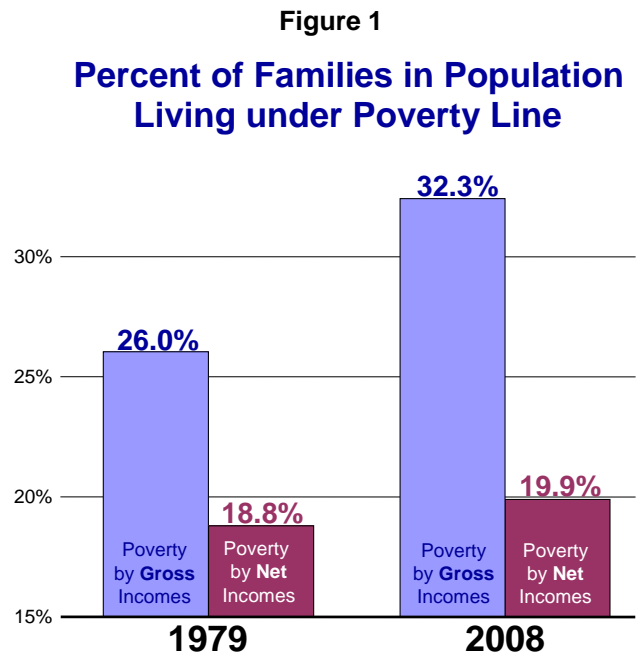
**Taub Center: The extent of poverty according to gross incomes – that is, before welfare payments and taxes – rose substantially over the past three decades. Approximately one-third of the families would have lived below the poverty line today, were it not for welfare assistance, compared to roughly one-quarter of the families in 1979. However, after welfare and taxes, poverty rates are lower and they are very similar today to what they were three decades ago: about one-fifth of the families then and now live under the poverty line, numbers that are still quite high relative to the West.**

**Prof. Dan Ben-David: “Instead of dealing with the root causes of poverty, Israel preferred symptomatic treatment, with an emphasis on welfare payments. The problem is that these rates of increase in welfare assistance – as important as they are as a social safety net of last resort – are not sustainable in the long run.”**

A new study by the Taub Center for Social Policy Studies in Israel in the Center upcoming annual publication on the state of society and the economy shows that Israel is on an unsustainable long-run social and economic trajectory.

Rates of poverty and inequality in Israel are amongst the highest in the world. Instead of dealing with the root causes of the problems, Israeli governments have preferred to deal with the symptoms by spreading an ever-increasing safety net of welfare payments. “On the one hand,” says Prof. Dan Ben-David, Executive Director of the Taub Center and a Tel-Aviv University economist, “we are lucky that we have been able to provide such a net, even with all its faults. On the other hand, welfare assistance per capita in Israel has risen five-fold in the past four decades while the average income has only doubled. These increases are not sustainable in the long run.”

In 1979, about one-quarter of the families in Israel would have lived below the poverty line had it not been for welfare assistance – i.e. according to their gross incomes (Figure 1). Today, some 30



source: Dan Ben-David, Taub Center and Tel-Aviv University data from Israel's Social Security Institute



years later, this figure is around one-third of families in Israel. After welfare payments and taxes – that is, according to net incomes – poverty rates decline considerably and are even similar to what they were three decades ago: about one-fifth of families today live below the poverty line, rates that are still high relative to the West.

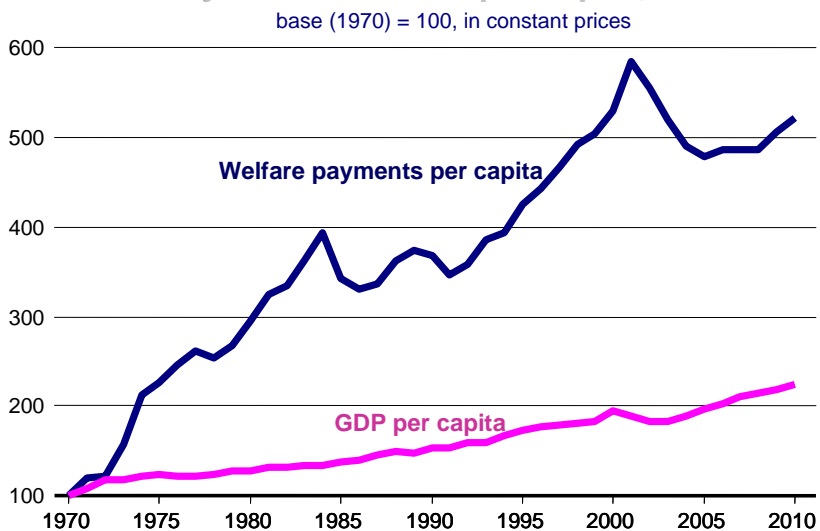
According to Prof. Ben-David, “the problem is that the public debate in Israel deals only with poverty and inequality in net incomes and misses the trends that are developing behind the scenes – in gross incomes – that is, before the welfare assistance and taxes. These reflect the real problem: an increasing portion of the public is unable to manage in a modern, competitive economy.”

When the social safety net is spread, it is possible to reduce rates of poverty and inequality in terms of net incomes. But a country that ignores what is happening in terms of gross incomes is then obliged to spread an ever-increasing social safety net – that costs more and more money – but deals only with symptoms than reducing the phenomenon at their core. As can be seen in the figure, stopping the rise in poverty and inequality in net incomes – while they continue to rise in terms of gross incomes – translates into a continual rise in welfare assistance. While per capita income in Israel doubled since 1970, per capita welfare assistance rose six-fold by 2001 (Figure 2).

This balloon exploded after the outbreak of the *intifada* and the onset of the deep recession that greatly reduced the government income from taxes. The result was a significant reduction in welfare payments and a simultaneous rise in poverty and inequality in net incomes – which began to finally reflect what had really been happening in terms of gross incomes over the past several decades.

Despite the fact that the welfare budgets for 2009 and 2010 are expected to rise again in per capita terms, and will apparently reduce the rates of poverty and inequality in net incomes, not enough has been done to deal with the underlying reasons that poverty and inequality are so high to begin with.

**Figure 2**  
**Welfare Payments and GDP per capita, 1970-2010**



source: Dan Ben-David, Taub Center and Tel-Aviv University  
data from Israel's Social Security Institute and the Central Bureau of Statistics



# TAUB CENTER

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Prof. Ben-David concludes, “If far-reaching comprehensive policies are not implemented soon to deal with these fundamental problems, then Israel will face social and economic dilemmas in the future that can’t be solved. On the one hand, it will not be possible to continue to increase welfare assistance over the next four decades at the rates of increase that characterized they have increased over the past four decades. On the other hand, with poverty and inequality rates already amongst the highest in the Western world, then non-treatment of their underlying causes implies that it will no longer be able to hide further increases in poverty and inequality in gross incomes and they will be reflected in net incomes as well.”

The Taub Center for Social Policy Studies in Israel, headed by Prof. Dan Ben-David, is an independent, non-partisan, socio-economic research institute based in Jerusalem funded by the American Jewish Joint Distribution Committee and private donations. The Center provides the country’s leading decision makers and the wider public with a big picture perspective on social and economic issues. The interdisciplinary teams – that include leading researchers from academia and experts from the policy field – and the professional staff of the Center conduct studies and develop policy recommendations on the main social and economic issues that Israel faces.

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