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MATERIAL HARDSHIP IN ISRAEL

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Material Hardship in Israel

Haya Stier and Alisa Lewin*

Abstract

This study focuses on material hardships faced by the poor in Israel, and the manner in which various groups of poor people, primarily Arab Israelis and Haredim, deal with these economic difficulties. The study, based on the Central Bureau of Statistics Social Survey data, reveals that a large number of Israelis experience economic difficulties in buying food, paying for basic needs, and obtaining medical care and prescribed drugs. As was expected, those who suffer from poverty also suffer material hardship, although economic difficulties are not limited to the poor. It was found that different groups of the poor are distinguished by the number of concessions they are forced to make. Poor Arab Israelis consistently experience more severe material hardship than Haredim, since many of them also grew up in poverty and they have fewer support networks relative to Haredim. These findings have important implications for social policies, especially due to the long-term consequences of economic hardship on health and the inter-generational transmission of poverty and they draw attention to the need to lessen material hardships among the poor.

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This study was inspired by the argument made by Nobel laureate (economics) Amartya Sen (1999) that “poverty must be seen as the deprivation of basic capabilities rather than merely as lowness of incomes, which is the standard criterion of identification of poverty” (p. 87). Although income is an important determinant of family well-being as well as access to services and basic needs, studies show that it does not fully capture the extent of material hardship faced by families (Beverly, 2001). Poor people are more likely than others to experience material hardship and deficiency but “there is no one-to-one match between the aspects of poverty and aspects of material hardship” (Iceland and Bauman, 2007, p. 391). Therefore, this study sets out to investigate material difficulties among the poor in Israel, with a special focus on the relationship between economic deficiencies and poverty income (half of the median per capita income). This study also focuses on a comparison between social groups – primarily Haredim (ultra-Orthodox Jews) and Arab Israelis, which are two particularly poor groups in Israel – in order to understand the differences in the way in which each group copes with economic difficulties. This examination of economic hardship may give insights into the more subjective significance of inequality and poverty, and it may be possible to use these insights in policy planning directed towards narrowing the sources of specific distress (such as food insecurity and health inequalities).

1. Definition of Poverty: Difficulties and Problems

In most countries, poverty is determined by household income. Focusing only on poverty income, though, does not reveal the wide variation in the living conditions of families in poverty. Indeed, families with similar levels of income per capita may experience different living conditions, and they may have varying needs due to differences in their life situations. Older families face a different set of needs than young families with children. Similarly, families with sick or disabled family

members have to allocate their resources differently from healthier families. Moreover, people with strong ties to the community may have additional sources of support and may find alternate ways of meeting their needs, while others may have to struggle or give up some of their basic needs in order to make ends meet. Savings, for example, allow families to purchase goods and services and thus to cope with economic difficulties. Property may be sold and may facilitate access to credit which can be used to finance consumption in a period of shortage. In addition, goods and services can be obtained without income, through social networks, public resources, and self-production. Focusing on material hardship, therefore, can shed light on the living conditions of individuals, families, and social groups in a more direct way than can be captured through an examination of income alone.

Poverty studies in Israel (e.g., National Insurance Institute (NII), 2012; Stier, 2011) have documented the concentration of poverty among certain groups in Israeli society – mainly Arab Israelis (53.5 percent are below the poverty line), Haredim (54.3 percent are below the poverty line), and single mothers (30.8 percent are below the poverty line). According to the recent poverty report (NII, 2012), about one-fifth (19.9 percent) of Israeli families lived below the poverty line¹ in 2011. This figure has been relatively stable during the last decade. Interestingly, in 2011, the elderly, who were at a higher risk of poverty than the overall population during the 2000s, had the same rate of poverty as the general population due to increased government support and the rise in the age of retirement.

Though illuminating, these figures tell very little about the actual material conditions in which the poor live, and how these conditions may vary across different social groups.

¹ The poverty line is measured in standardized per capita disposable income – that is, after accounting for welfare transfers and taxes.

2. Conceptualizing Material Hardship

What Is Material Hardship?

While official poverty in most developed countries is still defined in relative terms (half of the median per capita income (NII, 2012)), researchers have long searched for alternative measures and recent surveys have started to include questions about economic difficulties in meeting basic needs.² Still, there is no uniform standard as there is for the measure of income poverty and there is no agreement as to which questions should be asked or how material hardship should be measured. In general, studies have identified different dimensions of hardship. For example, a study in the United States found four dimensions: health hardship, food insecurity, bill-paying difficulties, and housing hardship (Heflin et al., 2009). A study comparing countries in the European Union identified three dimensions: consumption deficiencies, household facilities, and neighborhood environment (Whelan et al., 2008). This study joins these efforts by identifying two dimensions of material hardship in Israel: one includes the consumption of basic needs (food and utilities) and the other relates to health needs.

Who Suffers from Material Hardship?

Initially, policy makers were interested in material hardship because it was thought to distinguish between long-term and temporary poverty, but more recently studies have shown that material hardship is not limited to long-term poverty. Indeed, families experiencing temporary poverty may also experience material hardship. For example, families who suddenly fall into poverty may not have had time to make adjustments to their

² There were several attempts to refine and change the official measures of poverty, both in Israel and other countries. However, none of these measures (e.g., Alfandari, 2005) looked at the direct measure of difficulties in making ends meet.

standard of living to prevent material deficiencies. Social policies may alleviate economic difficulties by subsidizing necessities such as food and home utilities for the poor and by providing public health care. Social networks, friends, and family may alleviate economic pressures by providing resources, gifts, and loans to pay for basic needs in times of need.

Unsurprisingly, there is a relationship between the risk of poverty and the risk of material hardship (e.g., Iceland and Bauman, 2007). Studies found that families with a large number of children, single mothers, the unemployed, and those with lower education have a higher likelihood of suffering from poverty and material difficulties than other families (Endeweld et al., 2012; Whelan et al., 2004). The strength of this relationship, though, may differ across social groups or along the life course. For example, in their study of economic hardships along the life course, Mirowsky and Ross (1999) found that younger people suffer more hardship than the elderly. This finding seems surprising given the differences in labor force participation by age, and the strong relationship between work and poverty. Moreover, poverty rates tend to be higher among older people. Mirowsky and Ross (1999) provide two explanations for their findings. First, there are policy differences in programs aimed at the young and the old in the United States. Social policy in the U.S. (Social Security, Medicare) reduces the economic burden for the elderly, but fails to care for the very young groups. Second, economic hardship is an income-to-needs measure, and the elderly have fewer needs because they generally have fewer household members to support. They are also more likely to have fewer housing expenses because they may have already paid for their homes. Although the elderly are likely to have more medical expenses than younger adults, U.S. policy provides universal health care to the elderly, thus reducing hardship among older families compared to younger families.

There is only limited information in Israel regarding economic difficulties and deficiencies. A recent study conducted by the Israeli National Insurance Institute focused on food insecurity (Endeweld et al.,

2012) and found that almost 19 percent of Israelis experienced food insecurity, with half of them reporting significant insecurity. This study also documented a high correlation between food insecurity and poverty as measured officially by disposable income. As found in the United States (Mirowski and Ross, 1999), the Israeli study shows that food insecurity is lower among the elderly in comparison to younger people.

The main objective of the current study is to identify families most likely to experience material hardship. The study also sets out to explore areas of severe insecurity. Finally, the study points to strategies families employ to cope with these difficulties. For example, some groups may have better support systems and more political clout than other groups, thus they may have access to different resources in times of crisis.

3. Methodology

The study draws from Israel's Social Survey 2007, conducted by Israel's Central Bureau of Statistics. In that year the survey focused on the issue of poverty and welfare. This data set is a large representative sample of Israel's population and includes more than 7,000 respondents with detailed socioeconomic information. It is particularly suited for the current study because it has questions on material difficulties. In addition, the data set also includes several questions on poverty at earlier points in the respondent's life course as well as some questions about social support. Hence, this data set allows an examination of the long-term effect of poverty on current material hardship, and the role of social support in alleviating economic hardships.

Material difficulties are measured using two sets of questions. The first set of questions related to the purchase of basic services. Respondents were asked whether, due to financial difficulties over the last 12 months, they had: (1) refrained from purchasing food; (2) refrained from heating or cooling their apartment; (3) had their electricity or telephone services disconnected. The second set of

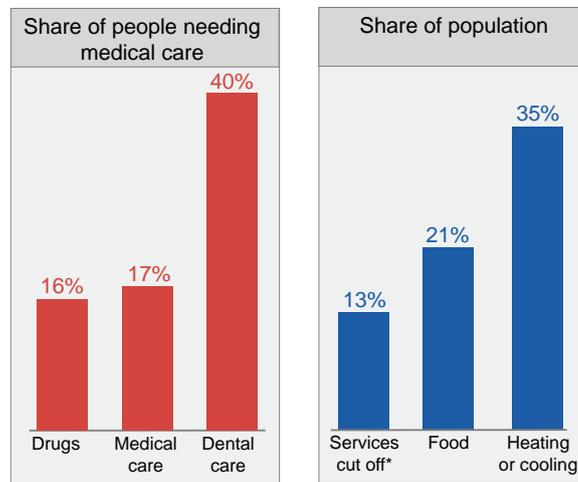
questions dealt with the issue of health services. Respondents were asked whether, during the last 12 months, they needed medical or dental treatment, and whether they needed prescription drugs. Those who needed treatment were then asked whether due to economic difficulties they had refrained from: (1) seeking medical treatment; (2) seeking dental treatment; (3) purchasing prescribed medications.

These questions refer to basic goods and services, which are less likely to be affected by personal preferences than other goods, and, therefore, it is assumed they reflect actual difficulties. The following analysis presents a comparison of the various measures in order to reveal different family strategies for dealing with economic deficiencies. Some families may reduce their expenditures on food, some forgo dental treatment, and some may be ready to live in more difficult housing conditions. Next, economic difficulties among poor people from different social groups will be examined.

4. Material Hardship Among Israelis: Findings

To what extent do Israeli citizens suffer from material hardship? Figure 1 shows that 21 percent of respondents reported difficulties in purchasing food due to a lack of money, about 13 percent had their phone or electricity disconnected, and almost 35 percent did not heat or cool their apartments because of economic difficulties. Of those who needed medical treatment, 17 percent were unable to obtain it due to economic difficulties, a similar number did not purchase prescribed drugs, and 40 percent of those who needed dental care refrained from seeking care. A composite measure of the three basic necessities that counts the number of areas in which respondents had to make concessions (not including medical needs) indicates that 19 percent had difficulties in only one area, 14 percent in two of them, and about 7 percent could not afford all three: food, heating or cooling utilities, and electricity or phone services.

Figure 1
Percent forgoing basic necessities, 2007



* Telephone or electricity

Source: Haya Stier and Alisa Lewin, Taub Center

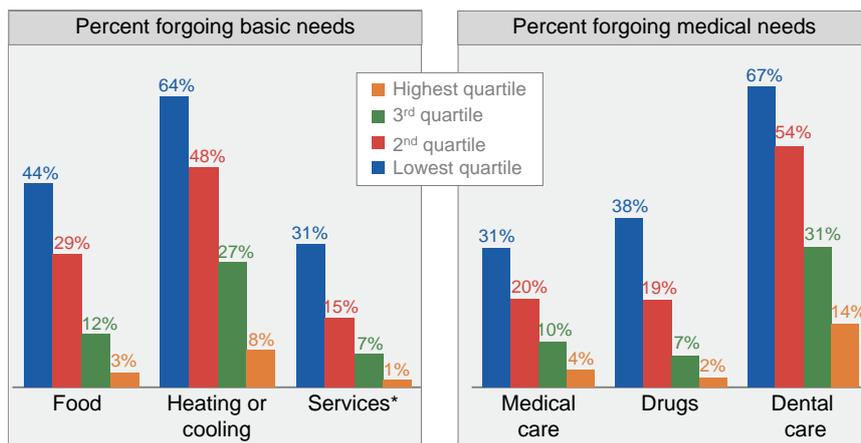
Data: Central Bureau of Statistics, *Social Survey*

In order to understand how economic difficulties are related to poverty, Figure 2 presents the percent of people who make concessions in the different areas by per capita income quartiles.³ As expected, the lowest income category (first quartile), which is close to the poverty line, experiences the most economic hardship. Even those whose income

³ Income quartiles divide households into four equal-sized groups on the basis of their net household income from all sources standardized for household size. The first quartile is the lowest income group and the fourth quartile is the highest income group. Although this is not an accurate measure of the poverty line, it identifies those households with incomes that fall close to the poverty line.

places them in a higher income category, though, suffer a substantial amount of material hardship. For example, some 44 percent of those in the lowest income quartile (the first quartile) did not buy food because of financial difficulties. This means that almost half of the poor in Israel suffer from some level of food insecurity. The numbers are also relatively high, though, for the second quartile where 29 percent refrained from buying food. Similarly, 31 percent of the poor and 15 percent of those in the second quartile had their electricity or phone disconnected while most of the lowest quartile (almost two-thirds) and nearly half of the next quartile did not heat or cool their homes.

Figure 2
Percent forgoing basic and medical needs, 2007
 by per capita income quartiles



* Telephone or electricity

Source: Haya Stier and Alisa Lewin, Taub Center

Data: Central Bureau of Statistics, *Social Survey*

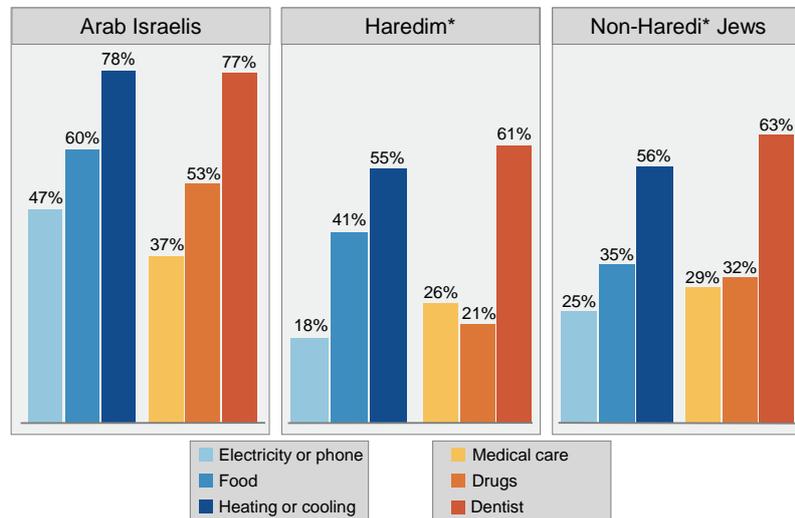
Although most people in Israel are covered by health insurance, not everyone can afford medical treatment. Again, forgoing medical care is related to poverty, but it is not restricted to the poor. A third of those in the lowest quartile who needed medical treatment could not afford it, and 38 percent could not purchase prescribed medications. The numbers are also high for those in the second quartile where about a fifth could not afford medical care or had to forgo prescribed drugs.

Apparently, a high percentage of those in need of dental care tend to forgo it: more than two-thirds of those with low income, more than half of those in the second quartile, and almost a third of those in the third quartile who needed dental treatment refrained from treatment due to financial difficulties. The high percentage of people forgoing dental treatment points to the high cost of private dental care and to the need to include dental care in more general and accessible insurance. It also may be viewed as a counterfactual argument suggesting what would happen if universal national health insurance were not available in Israel.

Economic Difficulties Among Different Social Groups

Poverty is not randomly distributed among social groups in Israel. Studies have shown that Arab Israelis and Haredim have the highest level of poverty among social groups in Israel: 57 percent of Arab Israelis and 61 percent of Haredim are in the lowest income group. However, it is not clear whether all poor people experience material deficiencies in the same way. Figure 3 shows a comparison of the tendency to forgo basic needs among three groups in the lowest income quartile: Arab Israelis, Haredim and non-Haredi Jews. The data show that the Arab Israelis experience substantially higher levels of economic hardship than the Haredim or the general low-income population in Israel.

Figure 3
Percent forgoing basic and medical needs, 2007
 among the lowest income quartile, by population group



* Haredi/m are ultra-Orthodox Jews

Source: Haya Stier and Alisa Lewin, Taub Center

Data: Central Bureau of Statistics, *Social Survey*

The findings show consistently that Arab Israelis experience more economic deficiencies than Haredim, in all areas considered. Almost half of the Arab Israelis with low income had difficulties in paying for telephone and electricity compared to 18 percent of the Haredim and one-quarter of the non-Haredi Jews. More than half of Arab Israelis in the lowest income quartile had difficulties buying food, compared to 41 percent of the Haredim and 35 percent of the non-Haredi Jewish population. Similarly, Arab Israelis refrained more than others from heating or cooling their homes (78 percent compared to 55 percent among the Haredim).

There is a similar pattern regarding difficulties in accessing medical and dental treatment. Interestingly, buying prescription medication varies considerably among the poor groups in Israel. Again, Arab Israelis have a higher rate of concession: 53 percent compared to almost one-third of non-Haredim. Among Haredim, 21 percent reported refraining from buying prescribed drugs.

The comparison of Arab Israelis and Haredim is particularly illuminating because they share some similarities in demographic characteristics: they are relatively young, have large families, and both groups have employment difficulties. Nevertheless, it seems that Haredim are more similar to the overall Jewish population in their level of material deficiencies than Arab Israelis, who seem to experience the highest levels of hardship. Why are the two groups so different?

In order to better understand the differences between Arab Israelis and Haredim, the two poorest groups in Israel, it is necessary to ask whether they differ on important characteristics that lead to economic hardship. A closer examination of the demographic and socioeconomic characteristics of these groups reveals important similarities and differences that may account for their different levels of hardship.

Figure 4 presents the percent of workers among Arab Israelis, Haredim, and non-Haredi Jews in the overall population and in the lowest income quartile. The figure shows that non-Haredi Jews and Arab Israeli men have the higher labor force participation rates than Haredi men: 73 percent and 72 percent respectively compared to 50 percent of the Haredim. The comparable numbers for the poorest group are 61 percent for Arab Israeli men, 45 percent for non-Haredi Jews, and 32 percent for Haredi men.

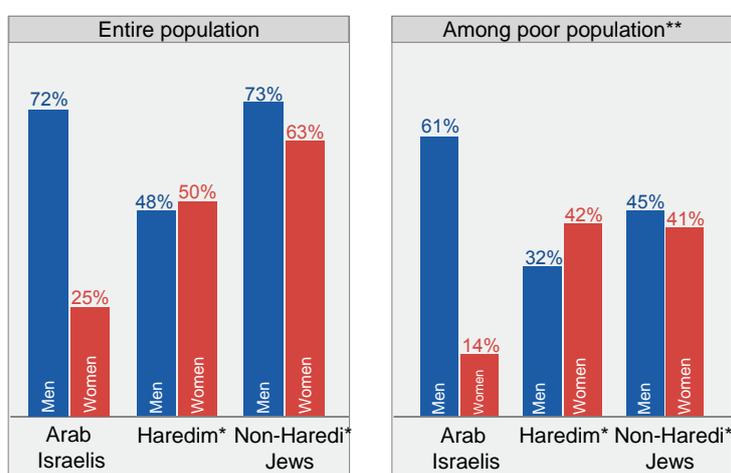
Among the Haredim, the percent of women who work (50 percent in the overall population, 42 percent among the poor) is high compared to Haredi men (50 percent and 32 percent, respectively) or Arab Israeli women (25 and 14 percent, respectively). Haredi women's incomes complement their household income in light of the very low Haredi male labor force participation. As a consequence, the household income of

Haredim and Arab Israelis in the entire population and in the lowest quartile is quite similar. The average monthly household income of poor Arab Israeli families is about NIS 3,900; poor Haredim have an average monthly income of NIS 4,100; and the average monthly income of non-Haredi Jews is only NIS 3,300. Due to differences in family size, Arab Israelis and Haredim have similar income per standardized person (NIS 1,056 and 1,067 respectively) while non-Haredi Jews in the lowest income quartile have almost NIS 1,323 per capita.

Figure 4

Labor force participation rates by gender, 2007

age 20 and over



* Haredi/m are ultra-Orthodox Jews

** Lowest income quartile

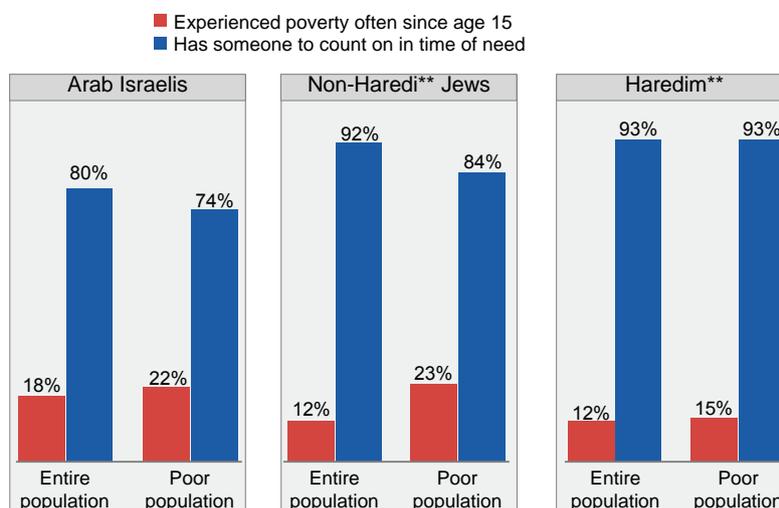
Source: Haya Stier and Alisa Lewin, Taub Center

Data: Central Bureau of Statistics, *Social Survey*

These figures mean that work activity and income do not explain the differences in economic difficulties experienced by the different groups living in poverty. It is possible that the groups differ in other characteristics that are closely related to the ability of poor people to make ends meet. As mentioned, people with low income may have different living conditions and different access to resources. These other resources could be their own assets or social networks that provide help and support in times of need.

All respondents to the 2007 Social Survey were asked whether their family of origin experienced poverty when they were growing up and whether they have anyone to count on in times of need. Figure 5 presents the differences on these characteristics. The figure shows that the Arab Israelis tend to come from somewhat poorer family backgrounds than others (18 percent compared to 12 percent of the Haredim and 12 percent in the non-Haredi Jewish population).

Figure 5
Selected characteristics of poverty and support networks, 2007
 by population groups, in the entire population and among the poor*



* Lowest income quartile

** Haredi/m are ultra-Orthodox Jews

Source: Haya Stier and Alisa Lewin, Taub Center

Data: Central Bureau of Statistics, *Social Survey*

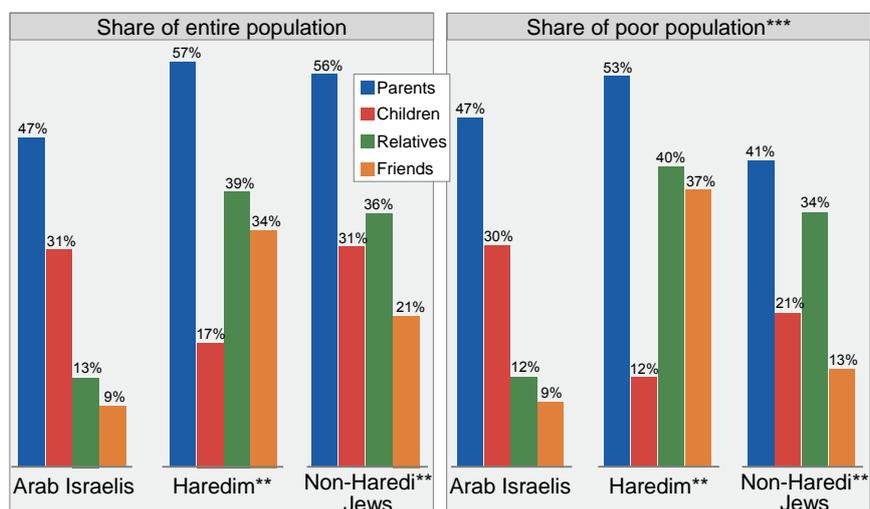
The difference in poverty background is more pronounced when comparing those in the lowest income quartile. Poor Arab Israelis and poor non-Haredi Jews are more likely than Haredim to have experienced poverty as they were growing up – 22 percent and 23 percent of the two former groups compared to 15 percent among the Haredim. These findings suggest that Haredim are the “new poor,” a status that may have implications on their ability to draw support from their family and social networks.

Indeed, the most substantial difference between Arab Israelis and Haredim seems to be in their social networks. Almost all of the Haredim (93 percent) said that they have someone to count on in times of emergency and need, compared to only 80 percent of the Arab Israelis and 92 percent in the rest of the population. Examining Arab Israelis, Haredim, and non-Haredi Jews in the lowest income quartile reveals further that almost all poor Haredim (93 percent) have someone to count on in times of need, whereas only 74 percent of poor Arab Israelis and 84 percent of non-Haredi Jews had this social support.

In light of the findings presented in Figure 5, one possible explanation for the difference in material difficulties experienced by Arab Israelis and Haredim is suggested: the supportive nature of the Haredi community and the culture of *ezra hadadit*, or reciprocal social support. This culture of social support may not be sufficient to bring poor people out of poverty, but it may reduce the level of material hardship they experience by providing food, medicine, and other necessities.

More information on support systems is provided in the 2009 Social Survey, conducted by the Israeli Central Bureau of Statistics that included data on family relations and religiosity. In this survey, respondents were asked whether they could get financial support from family, relatives or friends, if they needed to urgently raise a sum of NIS 5,000. Figure 6 presents the results and depicts the main differences between Arab Israelis, Haredim and non-Haredi Jews. As can be seen, Haredim are much more likely to be able to get immediate financial support from their parents, relatives, or friends, while Arab Israelis are less likely to have these sources of support. Instead, they are more likely to rely on their children for help. This pattern is evident both in the overall population and among the low income group.

Figure 6
Potential sources of urgent financial support
 by population groups, 2009



* Possible sources to immediately raise NIS 5,000

** Haredi/m are ultra-Orthodox Jews

*** Lowest income quartile

Source: Haya Stier and Alisa Lewin, Taub Center

Data: Central Bureau of Statistics, *Social Survey*

Since more currently poor Arab Israelis come from poor family backgrounds than currently poor Haredim, as was shown in Figure 5, they are less likely to be able to rely on their parents, relatives, or friends, who are likely to be poor as well. Haredim, in contrast, tend to be the “new poor” and may rely on their parents, relatives, and friends who are likely not to be poor.

Figure 6 sheds light on cultural differences between social groups in Israeli society. The tight networks of Haredim and their obligation to

support each other probably helps them make ends meet even though they are poor, have many children, and have low levels of male labor force participation (Cohen, 2006). Since Arab Israelis come from a poor background, their networks are poor as well, and their ability to lean on others in hard times is limited. Moreover, they also have more obligations than Haredim to support their parents, an additional financial burden when resources are limited.

It is also possible that Haredim are less likely to report material hardship than Arab Israelis, either because they do not consider such complaints legitimate or because they have access to food and medical services that are cheaper than for the rest of the population.

5. Conclusions

This study set out to shed light on the material hardship characterizing life in poverty. The inquiry was guided by Sen's (1999) notion that the "relation between low income and low capability is variable between different communities and even between different families and different individuals [...]" (p. 88). The study compared the material hardships of three specific social groups in Israel.

Although it was not surprising that the poor suffer more material hardship than others, it was interesting to find that economic difficulties are not limited to the poor. The second income quartile, which is not poor in official terms, suffers a substantial amount of material deficiency, as well. This finding has important policy implications, especially with regard to food insecurity and forgoing medical treatment and medicine.

The findings also point to another dimension of inequality in Israel. They show that poor Arab Israelis experience higher levels of material hardship than poor Haredim. Poor Arab Israelis also are more likely to have grown up in poverty than poor Haredim. That is, according to the survey findings, in contrast to Haredim who are the "new poor," a higher percent of Arab Israelis reported having grown up in poor families. This

poor background may also explain the finding that Arab Israelis have smaller social networks on which to draw in times of need, and they are more likely than Haredim to give money to their parents and less likely to receive money from their parents. These differences may help explain the different levels of material hardships experienced by two groups that are characterized by similar incomes and labor force participation rates (for each household).

These findings have important policy implications because they demonstrate that low income quartiles experience substantial material hardship. Even with Israel's highly subsidized public medical insurance, people with low incomes have difficulties paying for the medical care and the medications they need. These findings also demonstrate the importance of having subsidized public medicine. If healthcare were not public, the situation would be much worse, as evidenced by the high percentage of individuals forgoing dental treatment, which is not included in Israel's public health insurance.

Experiencing material hardship may also have more important long-term consequences for health and the inter-generational transmission of poverty than income poverty alone. Forgoing medical treatment and experiencing food insecurity have long-term implications for health and employment, and they also have long-term effects on children's health and school achievement. Beyond the need to reduce income inequality in a society with growing inequality, these findings call attention to the need to reduce material hardship among the groups that experience it the most.

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