Inequality in Israel

The Taub Center

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Bank of Israel

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Gini coefficients of disposable income inequality
(Mid 1980s and late 2000s)

Inequality in Israel

Gini Index (1997-2011)

Market income
Disposable income

Source: Bank of Israel.
### Income inequality between and within population groups (Theil coefficient)

<table>
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</thead>
<tbody>
<tr>
<td><strong>Market income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between</td>
<td>0.019</td>
<td>0.029</td>
<td>0.034</td>
<td><strong>0.015</strong></td>
</tr>
<tr>
<td>Within</td>
<td>0.296</td>
<td>0.283</td>
<td>0.260</td>
<td><strong>-0.036</strong></td>
</tr>
<tr>
<td>Total</td>
<td>0.315</td>
<td>0.312</td>
<td>0.295</td>
<td><strong>-0.020</strong></td>
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<tr>
<td><strong>Disposable income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between</td>
<td>0.016</td>
<td>0.026</td>
<td>0.030</td>
<td><strong>0.014</strong></td>
</tr>
<tr>
<td>Within</td>
<td>0.206</td>
<td>0.208</td>
<td>0.204</td>
<td><strong>-0.002</strong></td>
</tr>
<tr>
<td>Total</td>
<td>0.222</td>
<td>0.234</td>
<td>0.234</td>
<td><strong>0.012</strong></td>
</tr>
</tbody>
</table>

Source: Bank of Israel.
Unemployment rate (15+) and real wage per employee (Quarterly, 2000-2013)

Source: Based on Central Bureau of Statistics.
Percentage households with two or more wage earners

(2000-2011)

Source: Bank of Israel.
Summary

• Inequality in disposable income distribution rose until 2006 before stabilizing at a very high level.
• Inequality in distribution of market income is high, but has been falling since 2002.
• Most inequality comes from within groups.
• Most of the increase in inequality comes from the increase in inequality between groups.
• The labor market in Israel is very flexible (high & rising participation rates, low unemployment, wages are responsive to the business cycle).
• There is a clear trade-off between labor market flexibility and disposable-income inequality.
• The reductions in transfers and in direct taxes over the years contributed to both.
Questions:

- Are we at the right balance between labor market flexibility and the level of inequality?

- Are there policies that can contribute to reducing inequality while maintaining labor market flexibility?
Thank you
Proportion of income from work out of total household income

(2000-2011)

Source: Bank of Israel
Real income from work in households with two or more wage earners

(2000-2011)

Source: Bank of Israel