

Inequality in Israel

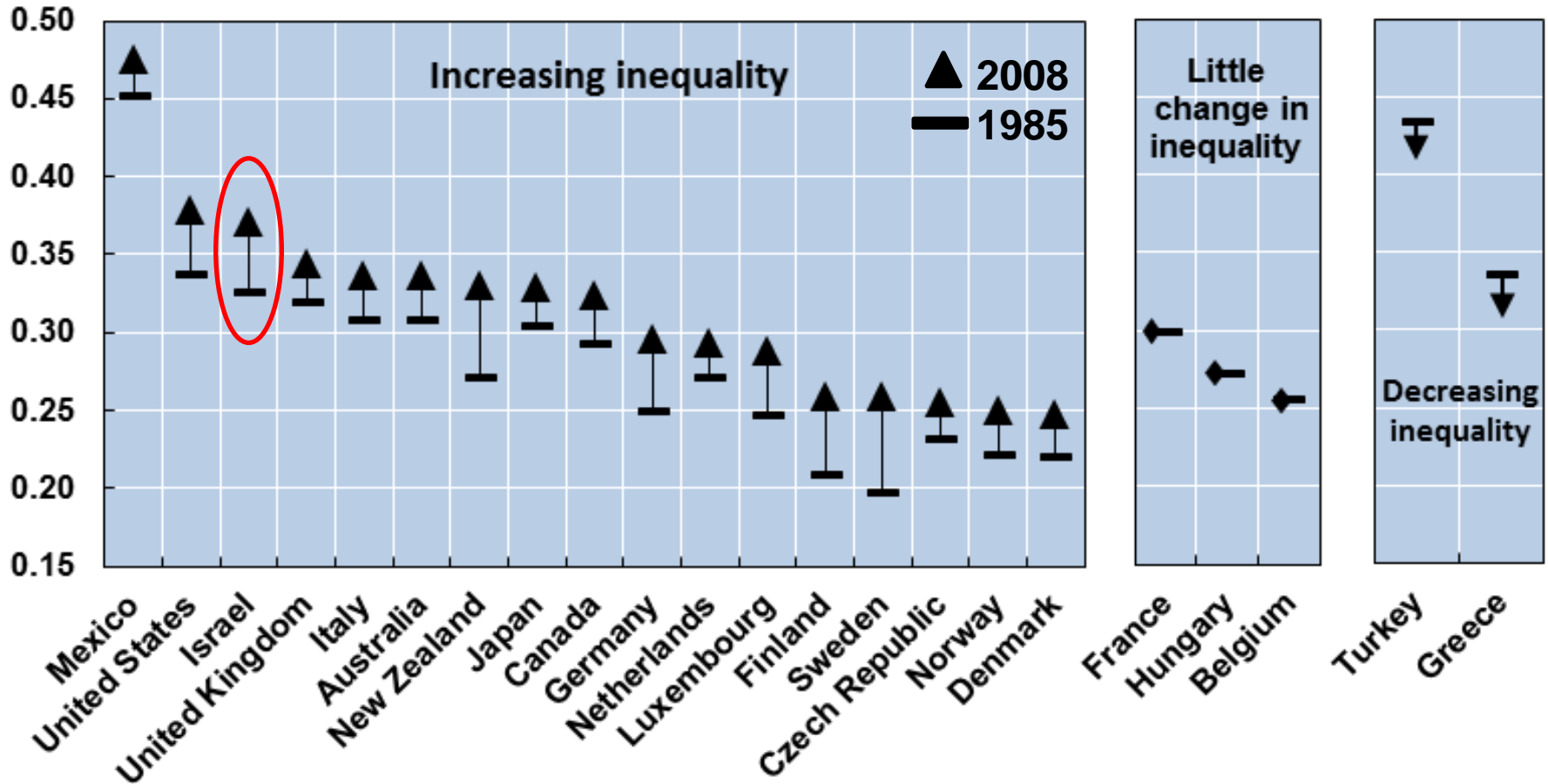
The Taub Center

**Karnit Flug, Incoming Governor
Bank of Israel**

October 30, 2013

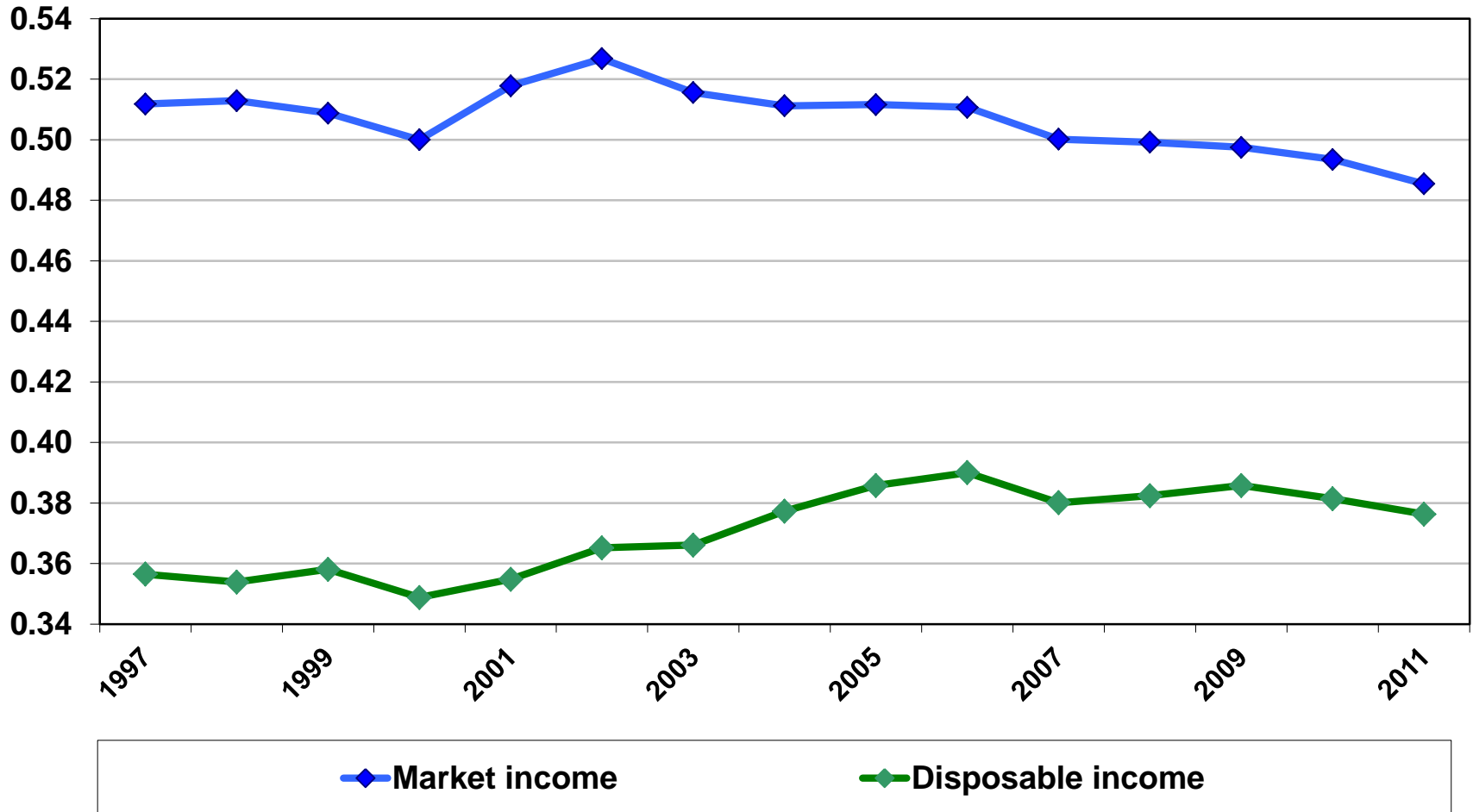
Gini coefficients of disposable income inequality

(Mid 1980s and late 2000s)



Inequality in Israel

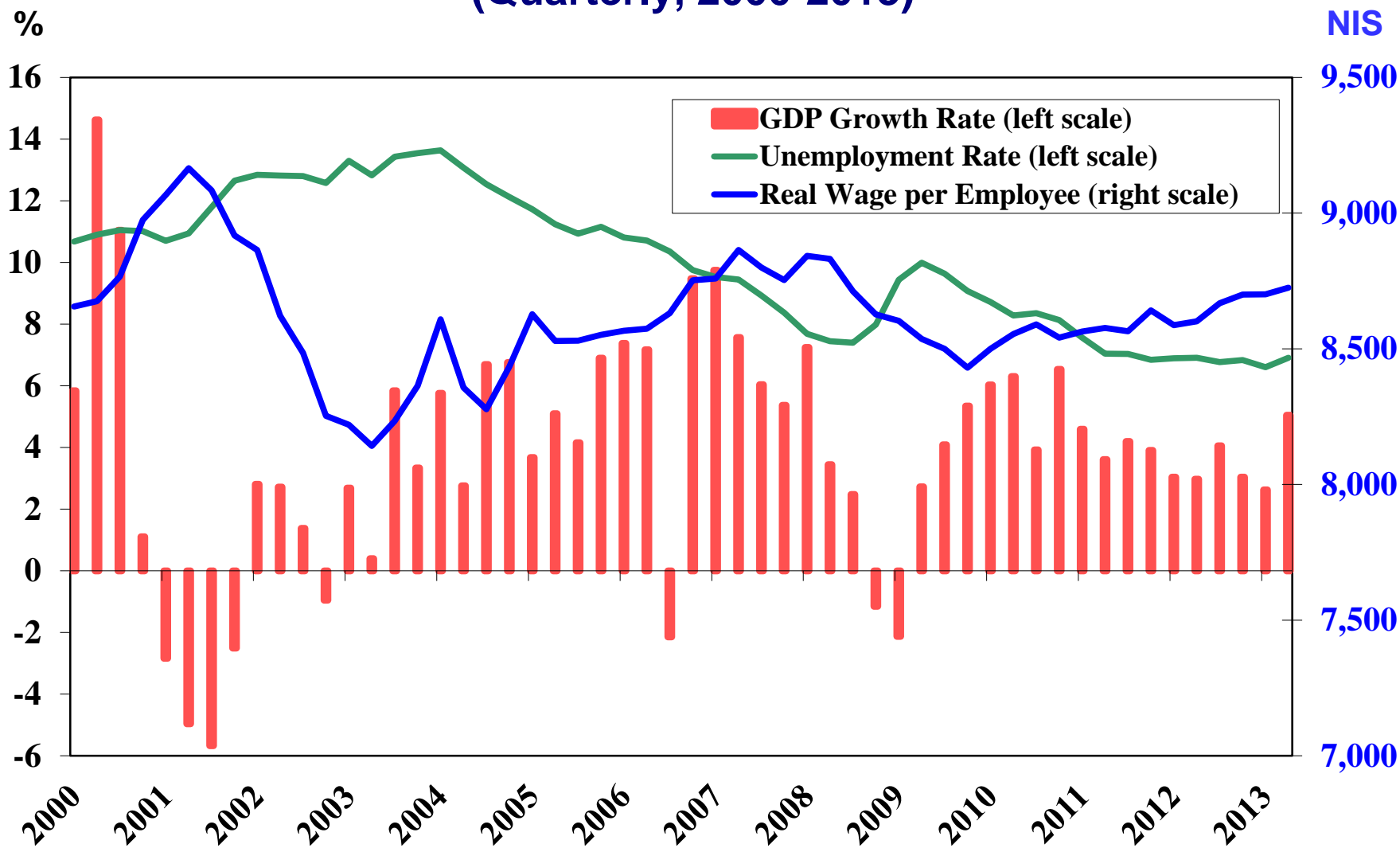
Gini Index (1997-2011)



Income inequality between and within population groups (Theil coefficient)

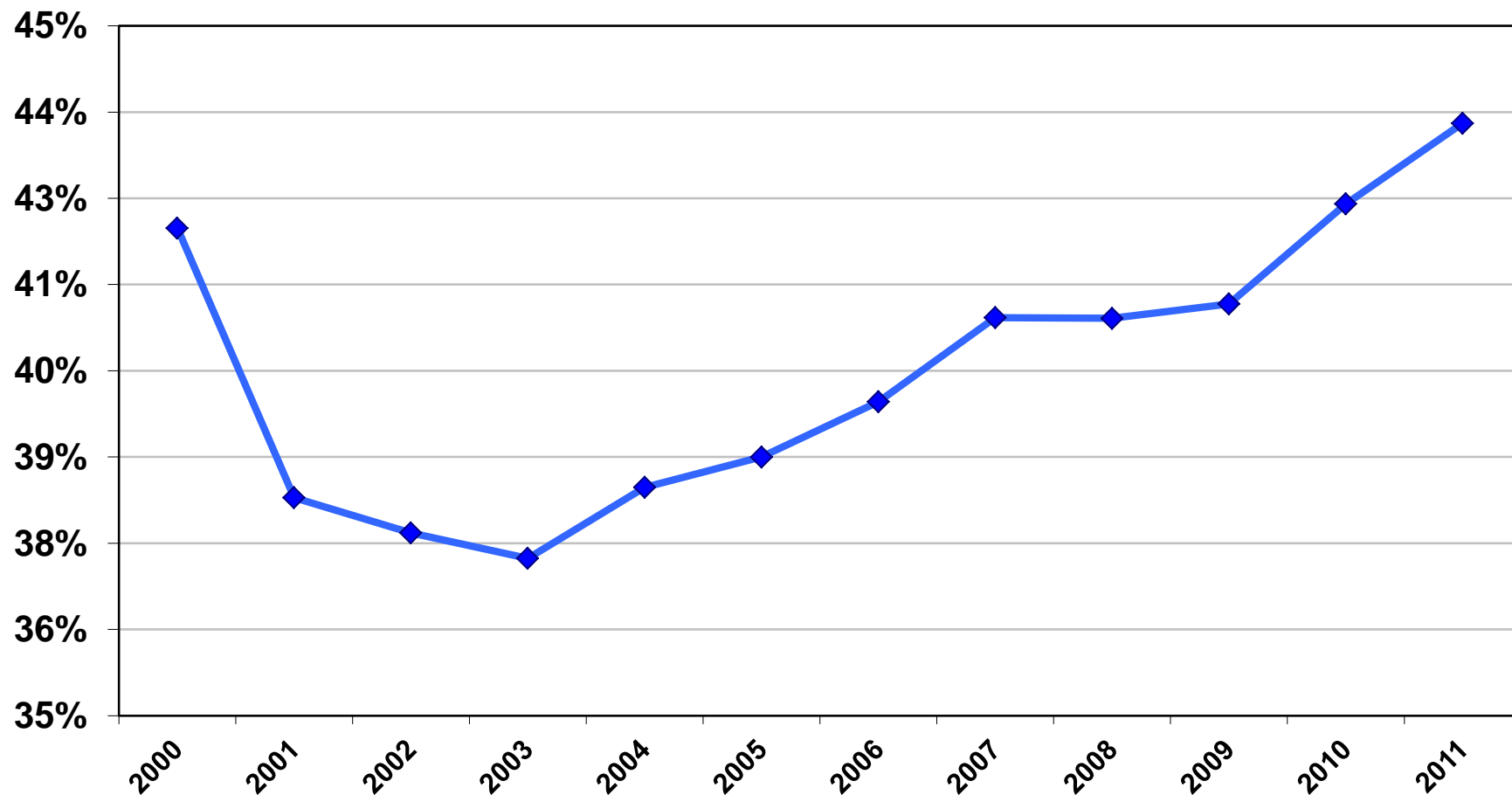
		1997	2004	2011	Change from 1997-2011
Market income	Between	0.019	0.029	0.034	0.015
	Within	0.296	0.283	0.26	-0.036
	Total	0.315	0.312	0.295	-0.020
Disposable income	Between	0.016	0.026	0.03	0.014
	Within	0.206	0.208	0.204	-0.002
	Total	0.222	0.234	0.234	0.012

Unemployment rate (15+) and real wage per employee post (Quarterly, 2000-2013)



Source: Based on Central Bureau of Statistics.

Percentage households with two or more wage earners (2000-2011)



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:

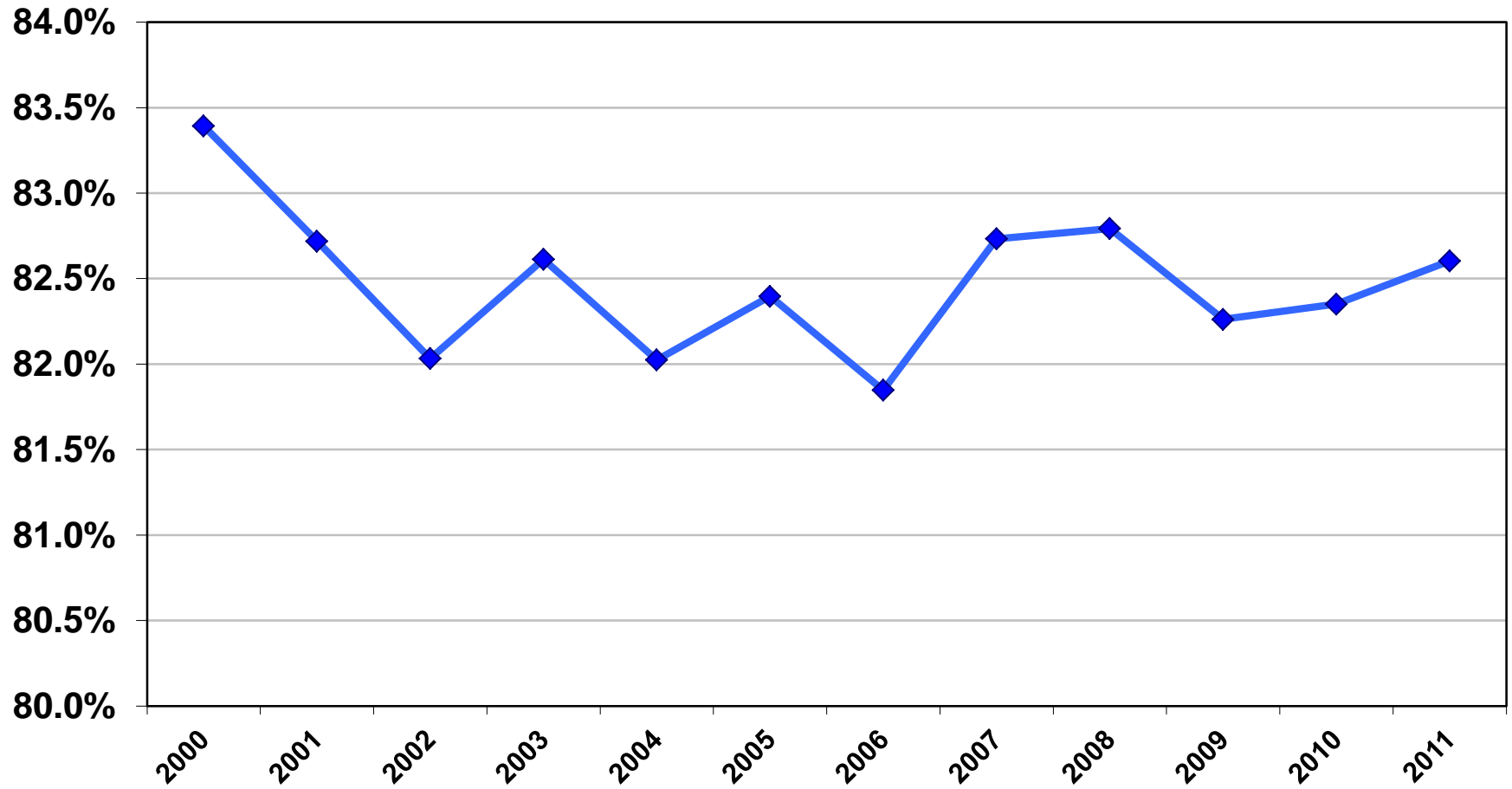
- Are we at the right balance between labor market flexibility and the level of inequality?**

- 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)



Real income from work in households with two or more wage earners (2000-2011)

