

# Chapter VI - Standard of Living and Welfare

## 1. Standard of Living

### Poverty line and extent of poverty

Definition: Poverty is the phenomenon of relative distress that can be assessed in relation to the standard of living that characterizes a society: a family is considered poor if it is unable to purchase a given collection of goods necessary for its subsistence, or when its living conditions are noticeably worse than those typical of the rest of the surrounding society.

The method for measuring poverty is based on three principles:

- A. Viewing the family's available income as the relevant income for assessing poverty. Available income is defined as the family's economic income plus transfer payments (payments received unrelated to economic activity, such as National Insurance benefits), from which direct taxes (income tax, obligatory National Insurance and health insurance payments) are deducted.
- B. Viewing the median available income of the population as the society's representative income.
- C. Adjusting the poverty line to the family size - additional income per head required by a family in order to maintain a fixed standard of living decreases with each added family member.

To enable a comparison between the standard of living of families of different sizes, an "equivalence scale" was developed. This scale translates the number of persons in a family into the number of "**standard**" persons. The scale is based on a two-member family which is assigned a value of two standard persons.

**Standard Number of Persons and the Poverty Line per Family in Israel,  
by Number of Persons per Family, and Percentage of Average Wage  
2013, 2014**

No. of persons per family	No. of standard persons <sup>3</sup>	Poverty Line per Family – Available Income per Family			
		2013 <sup>1</sup>		2014 <sup>2</sup>	
		As percentage of average wage <sup>4</sup>	NIS per month	As percentage of average wage <sup>4</sup>	NIS per month
1	1.25	32.4	2,989	32.8	3,077
2	2.00	51.9	4,783	52.5	4,923
3	2.65	68.8	6,338	69.6	6,522
4	3.20	82.1	7,563	84.0	7,876
5	3.75	97.4	8,968	98.4	9,230
6	4.25	110.3	10,164	111.6	10,461
7	4.75	123.3	11,360	124.7	11,691
8	5.20	135.0	12,436	136.5	12,799
9+ <sup>5</sup>	5.60	145.4	13,393	147.0	13,783

1 The average wage per employee position in 2013, was 9,212 NIS.

2 The average wage per employee position in 2013 was 9,376 NIS.

3. The scale of standard persons is also the standardized scale of persons (Tables VI/10, 13, 14).

4. The source for the average wage is table 4.3 - Average monthly wages per employee job at current prices. CBS, *Wages and Employment Monthly Statistics*, for relevant years.

5. The weight of every additional person is 0.40, so that a family of 10 persons is equal to 6 standard persons.

Basis for the Weighted Scale – A family of two persons, to whom the weight of two standard persons is attributed.

Poverty line - Per standard person, was set at 50% of the median available income per standard person.

A family in Israel is classified as poor if its available income, divided by the number of standard persons in the family, is lower than the poverty line per standard person. The poverty line per family can be calculated in a similar manner - by multiplying the poverty line per standard person by the number of standard persons in the family.

Poverty extent index - Shows the extent of poverty in terms of the percentage of poor families, persons or children in the general population.

Income gap ratio - The ratio between the average income of a poor family and the poverty line income.

The data that appear in tables VI/1-3 are based on the NII's annual reports on Poverty and Social Gaps; those reports draw on the CBS' *Income Surveys*. In 2012 changes were made in the survey format regarding the sample size and the population sample. The changes caused a significant change to the format of the statistical set, and thus caution should be used when comparing data from 2012 on with those of previous years.

For more detailed definitions and explanations, see the [annual poverty reports by the National Insurance Institute \(NII\)](#).

## **Incomes and salary**

Average wage - The average wage per employee's position is based mainly on a representative sample of employers' reports received by the NII, as well as on other administrative sources such as the payment office of the Employment Service, security forces, etc. The average wage is calculated per position, not per employee; it does not include kibbutz members, professional army employees or household help, but does include foreign workers employed in Israel.

Employee - A worker who receives a wage from an employer, who is registered with Income Tax and the NII, and who reports his income monthly. The worker is considered an employee as long as he receives a wage (even during absences due to illness, vacation, studies, etc.). When an employee is employed by several work places, he is counted only once, so that the data reflect the number of employees and not the number of positions. Included in the definition "employee" are workers who were only employed for the duration of the year and people who were self-employed in addition to being salaried employees.

Self-employed - A self-employed person who is registered as such with Income Tax and the NII, and who pays premiums for himself.

Working family – A family (with or without children) in which at least one of the couple works at a salaried job or is self-employed. The family income includes the income of the couple, or single parent, and does not include either any income earned by the children (whether under or over age 18) or the income of other members of the family, even if they live in one household.

Number of work months – The number of months for which the salary is paid to a salaried employee, without taking into account the number of workdays he worked during the month, the percentage of the position or the number of working hours per day.

Wage - Relates to the monthly wage before taxes, including all pre-tax payments paid to salaried employees in a month, such as: base pay, salary adjustments, seniority pay, advances, overtime pay, other premiums, benefits, child support, grants and various increases (regular or non-recurrent), special premiums for "on-call" duties, "13th month" salary, travel and car maintenance expenses, education grants, holiday pay and paid holidays, etc. The wage does not include the regular sums paid by the employer to various sources, such as retirement funds, employee insurance, union dues, employer tax, etc.

Average monthly wage - The average of salaries paid to employees for the months of work during the calendar tax year (January-December).

Average wage during the year – Total wage paid to employees during the year, divided by 12 potential work months. This average wage in effect represents the level of earnings of salaried workers in the annual calculation.

## **Income and Expenditure Surveys**

The investigation and processing unit is the household, which includes all its members aged 15 and over.

Household - Is defined as a group of persons living in one dwelling on a permanent basis most of the week and having a common expense budget for food. A household may include one person or more, and persons who are not relatives.

Head of household - The head of the household is a person aged 18 or over, who is the main wage earner of the household, i.e., an employed person who usually works 35 or more hours a week.

If more than one person in the household fits the definition of head of household, the head is determined by the interviewee.

Wage-earner – A person who worked at least 1 day of the 3 months preceding the visit of the interviewer in the household.

Gross income per household - Total current monetary income of the household before deductions. The gross income includes the monetary income of all members of the household earned from work as employees or from self-employment, from property income, interest and dividends, as well as current income from assistance and pensions. Non-recurrent payments (inheritance, severance pay from a work place, restitutions, etc.) were not included nor income from the use of a dwelling or other type of income in kind.

Net income per household - Gross income as specified above after the deduction of compulsory payments - income tax, national insurance tax, and as of 1995 health insurance as well.

Standard Person – A standard person in the household whose weight on the scale is marginal is determined by his place in the numerical order of the family. The order is based

on the assumption that each person in the household has a less marginal weight in relation to the household expenses. The size of a household affects the standard of living that can be maintained on a given income. In order to create a more appropriate basis for comparing households of different numbers of persons, it is customary to make comparisons according to per capita income. It is also customary to assume that a household is affected by the advantages of size. Therefore, a shift is made of persons according to a standard scale (a table appears at the beginning of the chapter introduction). By means of this scale it is possible to translate the size of a household to the terms of standard persons.

Gross expenditure on consumption – The total payments made by a household on the purchase of products or services, as well as the inclusion of expenditures on apartments or vehicle servicing (the purchase of these items is defined as an investment and not as consumption). These payments may include interest, shipping, or installation.

Miscellaneous foods - A group which includes food products such as tea, coffee, cocoa, spices, baby food, powders, dry pulses, natural and vegetarian products, as well as the purchase or order of ready-made food.

Housing services consumption - The two main components of housing expenditure are rent in rented dwellings and housing services consumption in owned dwellings (including key-money dwellings, and housing provided free of charge). For rented dwellings, the rent expenditure was obtained directly from the households that inhabited the dwellings. For owned dwellings, consumption of housing services was imputed on the basis of the rent in other dwellings of the same size in the same localities or in similar parts of the country.

Health insurance - This group includes, since 1997, only payments for supplemental health insurance offered by health funds, and policies sold by insurance companies. Payments for state health insurance are considered a tax and fall into the category of compulsory payments.

Vehicle expenses - A group that includes imputed interest and depreciation of vehicles, fixed and variable expenses for all types of vehicles, purchase of two-wheeled vehicles, and rental of vehicles.

The data presented in tables VI/4, 10, 11, 13 are derived from the Households' Expenditure Survey conducted regularly by the CBS. In 1997-2011 household incomes were researched in two different surveys: the Households' Expenditure Survey and the Income Survey that was conducted together with the quarterly Labor Force Survey. As of 2012, following the transition of the quarterly survey to a monthly survey, the income survey was taken out of the Labor Force Survey, and the Expenditure Survey - on which the data in these tables are based - was widened.

Estimating the components of the household budget - Most estimates of consumption were obtained on the basis of net expenditure for the commodity purchased, i.e., the positive difference between the household's expenditure for the commodity and its receipts (if any) from the sale of the same type of commodity, excluding housing and car expenses which are sampled differently.

For more detailed definitions and explanations, see: CBS [Household Expenditure Survey 2013](#).

## **2. Allowances and Benefits**

National Insurance benefits - Any benefits received according to the National Insurance Law.

Long-term benefits - Are paid to those who left the labor market as a result of disability, death of spouse or loss of work ability (partial or full loss). The main benefits in this section are old-age and survivors' benefits and general disability benefits.

Income-substituting benefits - Are paid to insured persons of working age who are able to work, but who due to temporary circumstances are not able to earn income from work and, therefore, require temporary assistance to maintain their standard of living. These schemes assure benefits for limited time periods for women on maternity leave, to persons absent from work due to work injuries, to unemployed persons and to persons absent from work due to reserve military service.

Old-age benefits - Until June 30, 2004, the age of entitlement for old-age pensions was 70 for men and 65 for women. Since July 1, 2004, the entitlement age for women has been gradually raised and is due to reach 70, thereby becoming identical to that for men (in certain conditions, the pension begins to be paid 3-6 years earlier). Since January 1996, women who are homemakers are also entitled to a basic old-age pension. The allowance for single persons (senior citizens or survivors) is 16% of the average wage and for a couple 24% of the average wage, according to law.

As a result of the changes in the law regarding retirement age, in recent years there have been fluctuations in the number of recipients of old-age pensions. In 2004 and 2005 there was a decline in the number of recipients due to the rise in the age of retirement. In 2006 there was an increase in the number of recipients of old-age pensions, especially as a result of a special procedure undertaken to include in the pensions people whose date of birth is unknown.

From 2009 the number of recipients was calculated according to the number of benefits granted (and not according to the number of bank accounts to which benefits were transferred, as was the case until 2009), so that each beneficiary, even if receiving benefits in more than one account, was considered a single recipient.

Disability benefits - Are paid to insured persons who, as a result of a physical, mental or psychological disability at birth or caused by sickness or accident, fulfill one of the following conditions:

1. Are unable to support themselves through work or occupation, and do not earn a sum reaching 25% of the average wage.
2. Whose capacities to earn a living from work or occupation, as well as their actual earnings, are reduced as a result of their impediment by 50% or more.
3. In the case of homemakers, whose ability to perform the accepted activities of household management has fallen by 50% or more.

Since January 2004 the minimum level of entitlement for a medical disability stands at 60% (compared to 40% prior to January 2004).

Survivors' benefits - Are paid to the widow or widower of a person who had been insured for at least one year at the time of death.

Restricted mobility allowances - Payment of an allowance and a standing loan for the purchase of a motor vehicle to persons of limited physical mobility. Persons entitled to mobility allowances suffer from leg injuries whose degree of disability exceeds 40% and who possess a valid driving license, and persons of limited physical mobility with a degree of disability exceeding 60% even if they do not possess a valid driving license.

Work disability benefits - Are paid to a person who suffered a work injury that a medical committee determines to be of a degree of 5% or greater.

Maternity allowances - The grant is paid directly to the mother and is intended for purchasing equipment for the newborn. For the first birth the grant totals 20% of the average wage; for the second it is 9% of the average wage; and for the third and any subsequent births it is 6%. In the case of multiple births, the grant is higher: for twins 100% of the average wage, and for every additional child another 50% of the average wage.

Maternity benefits - Are paid to insured women or men who are employees or self-employed, for a period of 7 or 14 weeks. Maternity allowance is equal to the women's average wage of the three months previous to the time she stopped working (either before or after the birth) and is limited to a maximum level defined by the law. Income tax, national insurance fees and the health insurance are collected from the maternity allowance.

In May 1998 the law regarding maternity benefits was amended to allow the spouse of the mother to replace her on maternity leave after the first six weeks, for a period of at least three consecutive weeks.

Child support allowance – As of March 1993, allowances are paid for every child, regardless of the parents' income.

Between March and July 2002 the allowance was decreased by 15%.

From August 2003 all allowances for children were cut gradually as part of a process that was due to end in 2009. In 2007, however, the process was stopped, and the allowance rate of 2006 is to remain unchanged until 2013.

From 2013 allowances for children were equalized, i.e., the allowance is the same for every child in the family, regardless of his numerical place in the family.

Unemployment benefits – A person is eligible for unemployment benefits if he is: an out-of-work wage earner who completed a qualifying period as defined by law and is between the ages of 20 and 67.

An unemployed person is one who is registered and regularly reports to the Employment Service seeking work, and who has not found a job.

Unemployment benefits are calculated on a daily basis, according to the average wage of the unemployed person in the last three months of his employment. The maximum period for which benefits are paid is 138 or 175 days, according to the age and marital status of the unemployed person. A discharged soldier is entitled to a maximum period of 70 days.

Duration of unemployment – the number of days for which an unemployed person receives benefits.

Long-term care benefits – As of July 2004, women aged 64 and over and men aged 67 (retirement age) and over who are dependent on the help of others for most every-day functions, or who are in need of supervision, are entitled to this benefit. The benefit is granted only to those elderly persons who live in independent housing. Those who reside in nursing homes, wards for the disabled, or other institutions for the elderly whose prime source of financing is public funding are not entitled to these benefits.

Supplementary income benefit - The benefit is intended for residents of Israel aged 20 or over who have not found employment and who have no other source of income, or whose income falls short of the minimum level defined by law.

The law defines two rates of benefits, the regular rate and the increased rate.

Data on the various types of recipients of assistance and benefits are from the NII. The data are correct for the end of December of every year.

For more detailed definitions and explanations, see [the NII web site](#).

### **3. Housing Density**

Data on housing density (tables VI/14, 23, 24) are annual averages, obtained from ongoing research on the Labor Force Surveys. They relate to all households in the country (for more on Labor Force Surveys, see Chapter VII introduction).

Average number of persons per household - Is equal to the number of persons living in households divided by the number of households.

Number of persons per room (housing density) - Is calculated by dividing the number of persons who live in a household by the total number of rooms occupied by them for residence. The number of rooms in a dwelling refers only to rooms used for residence and does not include the kitchen, the bathroom or rooms used strictly for business.

For detailed definitions and explanations, see: CBS, [\*Statistical Abstract of Israel, chapter 5: Households and Families, for relevant years \(Int.\)\*](#)

### **4. Welfare**

Social services - The Welfare Department of the Municipality of Jerusalem divided the city into four main geographic service areas: North, South, West and East.

In each area there is a service center for the whole area and a number of bureaus rendering neighborhood services.

Clients - Family units for which a file has been opened. A file may incorporate an entire family that is considered a single "client," but more than one file may be opened per family. If, for example, a whole family is in the care of a social worker, but in addition one of the children receives individual assistance because of a special problem, such as blindness or mental disability, a second file will be opened.

The client population does not include children in special education frameworks. The NII and the Ministry of Labor and Welfare are in charge of the client population. The local authority is the executive authority for welfare services.

Number of clients - Refers to the number of family units that received assistance during the period under review.

Rehabilitation centers - Centers that specialize in taking care of special needs clients (except blindness and deafness, which are handled in separate units). There are 4 area service centers.

Family treatment center – 4 area service centers provide treatment to couples and families that are facing a crisis.

The data are based on the Census of Welfare which is conducted once a year by the Office of Family and Community Services of the Municipality of Jerusalem, and includes every family unit that received assistance during the year. Units that were not active during a particular year are not included in the census.

## **Socio-economic Characterization**

In 2013 the CBS published a socio-economic characterization of the population in local authorities for 2008. Data regarding the socio-economic characterization of Jerusalem's population by statistical area and of other select cities in Israel appear on the [Statistical Yearbook website for 2013, chapter VI: Standard of Living and Welfare](#) (jiis.org).

## **5. List of Sources for the Tables**

Tables VI/1-3 CBS, Financial and Consumer Division; National Insurance Institute, Research and Planning Administration, *Measurement of poverty and income inequality*, for relevant years (Int.)

Table VI/9-11: CBS, Financial and Consumer Division; CBS, Income Surveys for relevant years (Int.)

Tables VI/3, 10, 11, 12, 13: CBS, *Household Expenditure Surveys*, for relevant years

Tables VI/5-9, 12: NII, Research and Planning Administration, *Average Wage and Income by Settlement*, for relevant years (Int.)

Tables VI/15-22: NII, Research and Planning Administration

Tables VI/23, 24: CBS, *Statistical Abstract of Israel*, for relevant years (Int.)

Table VI/25: Municipality of Jerusalem, Welfare Department, Planning Division