

INCOME DISTRIBUTION DATA REVIEW – ISRAEL²⁴

1. Available data sources used for reporting on income inequality and poverty

1.1. OECD reporting:

OECD Income Distribution Data for Israel are provided by the Central Bureau of Statistics (C.B.S.) and based on the cross sectional household survey conducted by the Consumption and Finance division of the C.B.S. In the OECD database, income inequality and poverty rates are currently available for years 1985, 1990, 1995, 2000, 2005, 2008, 2009 and 2010.

1.2. National reporting and reporting in other international agencies:

Income distribution and poverty indicators for Israel are also available from the Luxembourg Income Study, Statistics Israel, and the National Insurance Institute.

1.2.1 National reporting:

- Statistics Israel is the official national survey in Israel and has been computing data annually since 1974 through the Central Bureau of Statistics (CBS), which is an autonomous unit within the Prime Minister's Office. From the year 1997 the data is based on the combined survey (income + expenditure). And from the year 1997 the Gini was calculated on equivalised disposable household income.
- The National Insurance Institute of Israel (NII) issued a report in 2010 on poverty and social gaps in Israel, with data on income inequality available since 1999.

1.2.2 International reporting:

- The Luxembourg Income Study (LIS) included Israel in years 1986, 1992, 1997, 2001, 2005 and 2007. It is based on the Household Expenditure Survey put together by the Central Bureau of Statistics (CBS).

Table 1 presents the main characteristics of the different sources:

²⁴ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 18. Characteristics of dataset used for income reporting, Israel

| | OECD reference series income distribution database | LIS database | Statistics Israel | National Insurance Institute (NII) |
|--------------------------------------|---|--|------------------------------|---|
| Name | | Household Expenditure Survey | Income survey | |
| Name of the responsible agency | Central Bureau of Statistics | Central Bureau of Statistics | Central Bureau of Statistics | |
| Year (survey and income/wage) | 1985, 1990, 1995, 2000, 2005, 2008, 2009, 2010 | 1986, 1992, 1997, 2001, 2005, 2007 | 1990 - 2009 | 1999, 2002 – 2010 |
| Period over which income is assessed | Income in the previous month. Same reporting period for all income types. All income data are standardized to price level. | Yearly | Monthly | |
| Covered population | | The survey population includes the entire urban and non-urban population (including the population of East Jerusalem) except for kibbutzim, collective moshavim and Bedouins living outside of localities. | | |
| Sample size | 14167 households (2008) | 6,173 households containing 20,364 individuals who completed the interview (2007) | 15171 households (2010) | |
| Sample procedure | Cross-section household survey | Cross-sectional, with monthly rotation of households. | Cross-sectional | |
| Response rate | 85.5% in 2008 | 89.8% (2007) | 84.1% in 2010 | |
| Imputation of missing values | | No imputation was made for income that originates in the use of one's dwelling and for various types of in-kind income (non-financial income). | | |
| Unit for data collection | Household | Household | Household | |
| Break in series | No | No | No | |
| Web source: | http://www.oecd.org/els/socialpoliciesanddata/incomedistributionandpovertydatafiguresmethodsandconcepts.htm | http://www.lisdatacenter.org/wp-content/uploads/our-lis-documentation-by-il07-survey.pdf | CF time series | http://www.btl.gov.il/English%20Homepage/Publications/PovertyReport/Pages/default.aspx |

2. Comparison of main results derived from sources used for OECD indicators with alternative sources

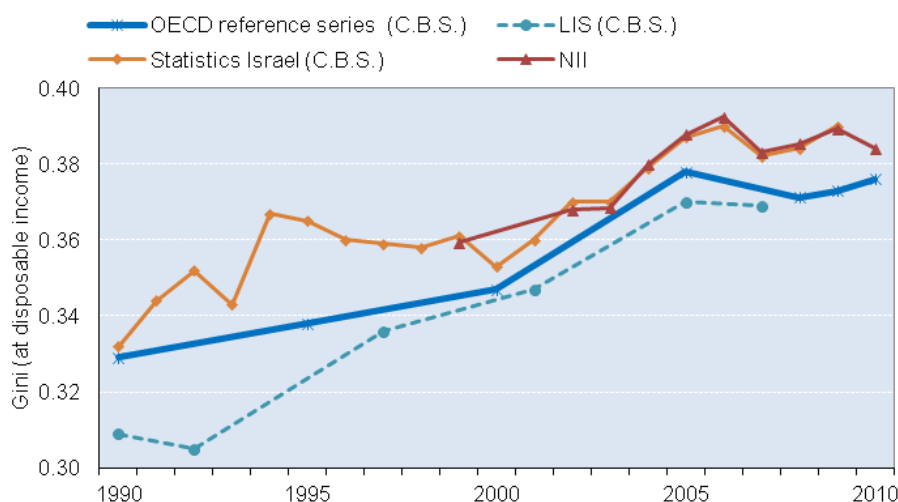
2.1 Income

2.1.1 Time series of Gini coefficients and other inequality indicators

The below figure shows the evolution of Gini coefficients for Israel from 1990 to 2010, as reported by the OECD, LIS, NII and Statistics Israel.

According to the OECD series, income inequality in Israel rose significantly between 1990 to 2010 from 0.338 to 0.376. Overall, the other series show a similar upward trend, although the LIS series shows lower levels of income inequality, while Statistics Israel and the NII show higher levels of income inequality throughout the entire period. The NII also witnessed a decline in income inequality for 2010, while the OECD data suggest an increase.

Figure 25. Trends in Gini coefficient (disposable income)



2.1.2 Time series of poverty rates

According to the OECD income distribution database, the share of the Israeli population living with less than 50% of the median equivalised income (36.675 shekel per year in 2008) has increased from 14.6% in 1990 to 20.9% in 2010.

The LIS and Statistics Israel series both show similar upward levels in poverty rates, with the LIS series reaching 19.4% in 2005 and the Statistics Israel series reaching 19.9% in 2008.

As for child poverty, data is only available for the OECD and LIS series. Both series show generally similar levels of increasing child poverty rates. Levels nearly doubled for the OECD series, with an increase from 14.6% in 1990 to 28.5% in 2010.

Figure 26.1 Trends in poverty rates

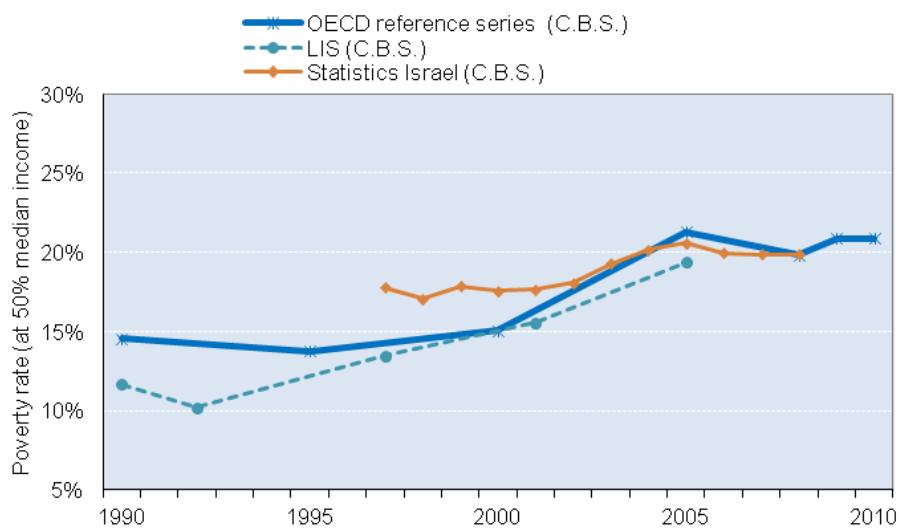
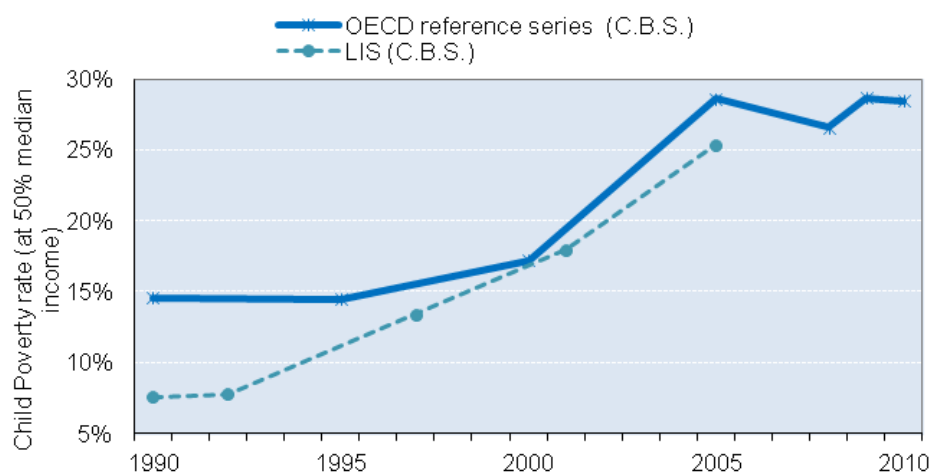


Figure 2.2 Trends in child poverty rates



2.2 Wages

See Part II of the present Quality Review.

3. Consistency of income components shares with alternative data sources

3.1. Comparison of main aggregates: earnings, self-employment income, capital income, transfers and direct taxes

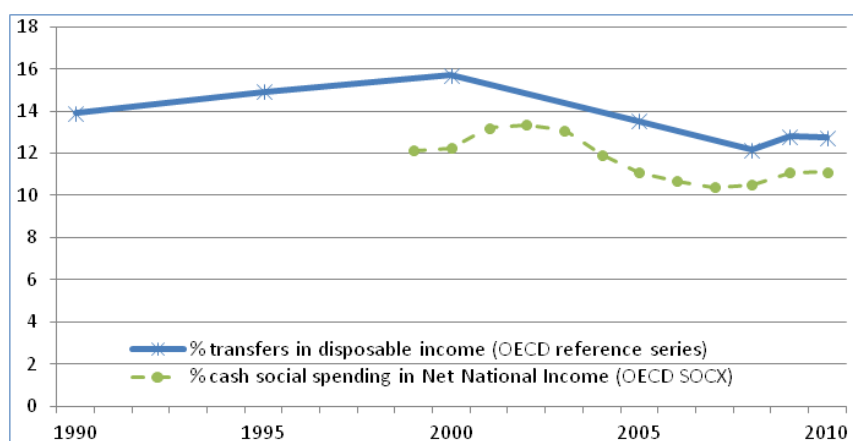
Table 2 shows shares of income components for the latest available year, according to the OECD benchmark series. Unfortunately, such information is not available for alternative data sources.

Table 19. Shares of income components in total disposable income, OECD reference series

| | | | Average income | K | SE | TR | TA | HDI |
|-----------------------|------|----------|----------------|---------|-----------------|-----------|---------|-------------------|
| Survey | Year | Unit | Wages | Capital | Self Employment | Transfers | Taxes | Disposable income |
| | | | | | | | | (HDI) |
| OECD reference survey | 2008 | natcur | 62,426 | 8,197 | 9,962 | 8,912 | -16,146 | 73,350 |
| | | % av HDI | 85% | 11% | 14% | 12% | -22% | |

Figure 3 compares the trend in shares of public cash transfers in equivalised disposable income from the OECD reference series with the share of total cash social spending in net national income, reported from the OECD Social Expenditure database (OECD SOCX). OECD SOCX series include pensions, incapacity, family, unemployment, social assistance. Both series show similar trends throughout the period, except for the latest year.

Figure 3. Trends in shares of public social transfers



4. Metadata of data sources which could explain differences and inconsistencies

Definitions, methodology, data treatment

Differences in equivalence scales

The equivalence scale used by Statistics Israel is not the same as the OECD methodology (square root of household size); it is by the Israeli scale as follows:

| Number of persons in household | Marginal weight per person | Number of standard persons |
|--------------------------------|----------------------------|----------------------------|
| 1 | 1.25 | 1.25 |
| 2 | 0.75 | 2 |
| 3 | 0.65 | 2.65 |
| 4 | 0.55 | 3.2 |
| 5 | 0.55 | 3.75 |
| 6 | 0.5 | 4.25 |
| 7 | 0.5 | 4.75 |
| 8 | 0.45 | 5.2 |
| 9+ | 0.40 ⁽¹⁾ | |

(1) For each additional person.

5. Summary evaluation

Between the different series available for inequality and poverty rates for Israel, the trends are generally quite similar overall, although the national series (Statistics Israel and NII) exhibit higher levels of Gini coefficient throughout the entire period, and the LIS series suggest somewhat lower ones.