

COMBATING POVERTY

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Economic policy

Agenda 21 calls for

“the promotion of economic growth in developing countries that is both sustained and sustainable . . .”

Israel’s official assessment takes pride in the fact that

“[t]he government implements policies directed at creating an efficient economy, including . . . reduction of state subsidies and budget deficit, deregulation and privatization.”

In other words, the Israeli government has accepted the neo-liberal doctrine adopted in the 1980s by the World Bank and the International Monetary Fund. The doctrine states that, in order to qualify for loans from international institutions and to be considered worthy investment targets, developing countries and emerging markets (Israel is considered an emerging market) are required to keep inflation low by keeping interest rates high, to decrease public spending, decrease budget deficits, deregulate markets and investments, and privatize public enterprises. As recent crises in South East Asia have shown, this doctrine sometimes causes more harm than good and does not necessarily reflect the best interests of the countries involved. According to Professor Joseph Stiglitz, Nobel Prize recipient and chief economist of the World Bank between 1997 and 1999, the International Monetary Fund reflects the stand of the US Treasury Department, which in turn reflects the interests of Wall Street and the multi-nationals (*Ha’aretz*, October 11, 2001).

The Israeli government obediently follows the advice of the World Bank and the International Monetary Fund: it has made determined efforts to reduce the budget deficit, regardless of the whether the economy is growing or stagnating. Since the mid-nineties, when Israel began to experience a slow-down in economic growth, this policy has been harmful to low-income

Israelis, especially those living in peripheral areas: Arab cities, towns and villages, and Jewish “development towns.” The harm done by following the recommendations of the International Monetary Fund too closely can be illustrated by figures on educational achievements and unemployment.

Unemployment: The Government Employment Service regularly publishes figures on unemployment by locality. Those counted as unemployed include persons unemployed for six days or more who reported to the Employment Service that they were looking for work.

In June 2001, 17 of the 22 localities with unemployment rates over 10% were Arab communities; 4 were Jewish “development towns” and 1 (Acre) was a mixed low-income community of Jews and Arabs. The constituency of the high-unemployment localities is typical of the unemployment picture in recent years. The reason for the high unemployment in these localities traces to underdevelopment and limited employment opportunities in the communities themselves.

Table 1: Israeli Localities with Unemployment Rates over 10%, 2001

Locality	Unemployment Rate
Kufr Manda	22.6%
Ein Mahal	21.4%
Cabul	20.8%
Tamra	19.2%
Ya'fia	15.2%
Eibilin	15.1%
Shfar'am	15.0%
El-Azazma	14.5%
Tel Sheva	14.5%
Nazareth	13.8%
Rahat	13.7%
J'dida-Makhar	13.7%
Sakhnin	13.3%
Dir Hana	12.9%
Kufr Kana	12.6%
Yeruham	12.0%
Dimona	11.9%
Ashkelon	11.9%
Ar'ara	10.6%
Acre	10.6%
Maghar	10.3%
Kiryat Gat	10.1%

Source: Daniel Gottlieb, "Characteristics of Unemployed Persons in Israel—An Up-to-date Picture," *Bank of Israel*, August 2001, p. 13.

Educational Achievements: In 2000, 40.8% of Israeli 17-year-olds received baccalaureate diplomas—the sine qua non for college entrance. Over the last two decades, the success rate of Israeli youngsters has increased by 10 percent a decade, from 20% in 1980 to 30% in 1990 to 41.8% in 2000. (Swirski and Etkin, 2001). At this rate, assuming that the pace of improvement continues, it will take another 60 years for college attendance to become universal.

Most of the localities with success rates of 50% or higher are well-established or affluent communities in the center of the country; in all the Arab localities save one, and in 11 of the 21 Jewish "development towns" for which figures are available, the success rate was below the national average (*ibid.*, 3). Moreover, there is a high association between the income level of residents of the locality and the success rate. This means that the Israeli education system does not, as a rule, provide a way out of poverty and does not alter the inequality in Israeli society (*ibid.*, p. 7).

Reducing income gaps

Agenda 21 states that

" . . . greater equity in income distribution and human resource development remain major challenges everywhere."

Israel's official report declares that

"[t]he twin goals of reducing economic gaps and securing economic protection for every resident and family in times of temporary and permanent need are achieved by means of a comprehensive system of insurance and welfare programs, run by the National Insurance Institute."

While it is true that Israel has a comprehensive system of social insurance and welfare programs, and that taxation and transfer payments work to reduce income gaps, greater equity in income distribution is most effectively achieved not through the welfare system but through the labor market. The trend over time is increasing inequality on the basis of income alone.

The table below presents the inequality of family income prior to transfer payments and direct taxes, as measured by the Gini coefficient. The higher the coefficient, the greater the inequality: 0.0 would mean absolute equality, while 1.0 would signal absolute inequality. There is a clear trend of increasing inequality.

*Inequality of Family Income Before Transfers and Taxes,
as Measured by the Gini Coefficient, 1979–1997*

Year	Gini Coefficient
1979	0.4318
1980	0.4337
1981	0.4390
1982	0.4441
1983	0.4392
1984	0.4723
1985	0.4678
1988	0.4574
1989	0.4741
1990	0.4799
1991	0.4901
1992	0.4977
1993	0.4940
1994	0.5019
1995	0.4971
1996	0.4956
1997	0.5045

Source: National Insurance Institute, Annual Survey, 1997/98, 1999, 90.

The point is further illustrated by poverty figures. While poverty rates after direct taxes and transfer payments have not shown much change over time, poverty rates before direct taxes and transfer payments have been steadily growing: for families, from 27.9% in 1979 to 32.3% in 1999; for individuals, from 23.8% in 1979 to 31.2 in 1999; and for children, according to their parents' income, from 23.1% in 1979 to 36.7% in 1999 (Swirski and Konur-Attias, 2001).

Poverty rates provide another indicator of the income gaps between different social groups in Israel. Looking at the percentage of families living in poverty (after direct taxes and transfer payments), we find that the Arab minority in Israel has the highest poverty rate: the disposable income of 42.9 % of Arab families positions them below the poverty line, compared with 14.3% of Jewish families (Memo from National Insurance Institute, 2001).

Poverty Rates After Transfers and Direct Taxes, 1979–1999

Year	Families (%)	Individuals (%)	Children (%)
1979	27.9	23.8	23.1
1980	28.1	24.2	23.4

1981	28.8	24.1	22.2
1982	29.8	25.0	24.1
1983	29.5	24.0	21.7
1984	30.7	25.6	23.5
1985	31.3	26.3	24.3
1988	32.6	28.0	27.9
1989	33.0	28.0	27.8
1990	34.3	30.4	31.4
1991	35.1	31.2	30.9
1992	34.7	31.4	32.6
1993	34.6	31.2	33.0
1994	34.2	31.3	34.5
1995	33.8	31.1	35.2
1996	34.3	30.3	33.4
1997	33.2	31.4	35.5
1998	32.8	31.5	36.7
1999	32.2	31.2	36.7

Source: National Insurance Institute, Annual Report, various years.

It should also be pointed out that income maintenance programs provide support payments that bring recipient household incomes only slightly above poverty level, defined as half the median income per standard person. Also notable is the fact that transfer payments decrease the percentage of Jewish families living in poverty by 44%, while they decrease the percentage of Arab families living in poverty by only about 20 percent (National Insurance Institute, *Annual Report 2000*: 56).

It also needs to be pointed out that the social safety net which Israel's official report credits with closing income gaps is undergoing a process of erosion. Unemployment compensation has been seriously reduced in recent years; it is no longer linked to the last wage, and the period of entitlement has been reduced (Fraenkel, 2001). The director-general of the Israel Finance Ministry has gone on record saying that if he had his way most income maintenance payments for persons of working age would be abolished (*Ha-aretz*, October 3, 2001), and, indeed, the Finance Ministry has proposed a series of amendments, the purpose of which is to reduce maintenance payments and related welfare benefits (Cabinet decisions, September 16, 2001).

Rights of women

Agenda 21 states that among other things, anti-poverty strategies need to focus on the rights of women.

Contending that there have been “significant advances” in the status of women, **Israel’s official report** mentions legislative changes that were brought about by a Knesset Committee on the Advancement of the Status of Women. It also counts among Israel’s achievements in this area the establishment of an Authority for the Advancement of the Status of Women in the Prime Minister’s office “to formulate policies that eliminate discrimination against women and empower them to take their place in society.” The report specifically mentions the Law for Women’s Employment 1998, which “guarantees equality for women.”

Indeed, the Knesset Committee on the Advancement of the Status of Women has promoted legislation designed to protect women’s rights. However, the major problem in Israel is not lack of progressive legislation but lack of enforcement mechanisms. The Women’s Employment Law (1954, not 1998!) mentioned in the official report does not guarantee equality for women. There are a number of new laws that mandate greater equality between men and women at the workplace, but the laws lack teeth—enforcement mechanisms. The Equal Pay to Female and Male Employees Law, 1996, which has yet to be tested in the courts (*Takdin*, August 2001), declares that female and male employees working for the same employer are entitled to equal pay in return for equal or equivalent labor and requires equal pay for comparable work. Since Rio, the Equal Employment Opportunities Law of 1988, which bans discrimination in hiring, employment conditions, promotions, professional training, dismissal, severance pay, retirement benefits, sexual harassment and job advertising, on grounds of gender, marital and parental status, sexual orientation, age, race and country of origin, has resulted in dozens of applications to the labor courts. According to Raday, “the increase in litigation is probably less than it might have been, had not the burden of promoting feminist litigation fallen entirely on voluntary women’s and civil rights organizations, feminist litigators and individual plaintiffs.” This brings us back to the problem of lack of enforcement mechanisms. Raday contends that “[a]ttempts to acquire funding for an Equal Employment Opportunity Commission have failed up to now. The costs of litigation are formidable . . .” (Raday, 2001b: 124).

The Authority for the Advancement of the Status of Women, established in 1998, has a small budget (NIS 2 million in fiscal 2001) and a staff of five. It is too early to speak about its impact.

Strengthening employment

Agenda 21 calls for

“direct action in eradicating poverty by strengthening employment and income-generating programmes.”

Israel’s official report states that

“[i]n 1999, the government decided to initiate a large-scale experiment for integrating long-term unemployed individuals into the labor force.”

In Israel, the second half of the 1990s was characterized by economic slowdown and increasing unemployment. Under such conditions, it is difficult to imagine employment opportunities opening up for persons suffering from long-term unemployment.

Still, following the current trend, in 1999, an inter-ministerial committee was set up to explore the possibility of an Israeli “welfare reform” or “welfare to work” program. After a delegation visited the United States, Denmark, and Holland, a new committee was set up to work out the outlines of an Israeli “workfare” program (Shaviv, 1999). The committee submitted its interim report in August 2001. Among its recommendations was a proposal that, if accepted, will have an adverse effect on unemployed single mothers. Israeli law entitles single mothers with children under the age of 7 to enhanced income maintenance on the basis of an income, but not an employment test. The reasoning behind the law is that mothers of young children should be given the option of taking care of their own children.

In contrast, the proposal set forth in the 2001 interim report requires an employment test for mothers of children between the ages of 3 and 7—a clear reduction of entitlements, with no new employment or vocational training opportunities in sight.

While the recommendations of the committee have not been acted upon, due to a turf battle between the Finance Ministry and the Labor and Social Affairs Ministry, the deliberations of the committee have already served as a backdrop for cutbacks in income maintenance and related welfare benefits. These cutbacks were included in the Budget Arrangements Bills for the State Budget for fiscal 2001 and fiscal 2002.

What needs to be done?

- One way to change the unemployment picture is for the Israeli government to invest directly or channel investment into the development of Arab localities and Jewish “development towns.” To date, development of Arab localities has not been on the public agenda; development of peripheral Jewish towns received its last impetus in the 1960s. Another way is to create rail transport from these communities to the commercial centers of the country. Both involve government expenditure. In recent years, infrastructure outlays on railroads have increased, but they are still less than half those on interurban highways (Swirski, et al., 2001), and they are not being made on lines that connect the center with the periphery.
- The way to change the education picture is to cease the present trend of privatization of the public school system, and to invest in education in poor urban neighborhoods, Jewish development towns, and Arab communities. However, the education budget has been stagnant since 1995; investing in education will necessitate decreasing the budget deficit at a slower rate or making significant cuts in other areas. This runs counter to the government line, which contends that it expends too much, not too little, on education (For example, Cabinet decisions, September 16, 2001). To prove this point, it presents spurious figures on comparative education expenditures in Israel and other countries, (Ben-David et al., 2000), figures that one of the major authors of the document cited has admitted are erroneous (July and September, 2000).
- To prevent poverty from increasing, Israel’s welfare state, including its safety net provisions, needs to be preserved.
- Without an adequately budgeted and staffed Equal Employment Opportunity Commission charged with active enforcement of laws mandating gender equality, real progress in this arena will be very slow.
- The most effective way to reduce poverty is to work on the long, not the short run. Israel needs to improve the public schools in low-income neighborhoods, Arab and Jewish alike, so that the next generation will have better qualifications. For present welfare recipients, more vocational upgrade programs need to be implemented. The trend of cutting welfare benefits without offering alternatives should be halted, and any changes made in income maintenance provisions should be linked to programs

designed to improve the workplace skills and job opportunities of persons on the welfare rolls.

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