



## **The People Demand Social Justice?**

### **Below: A Few Figures in the Background of the Protest Movement**

August 1, 2011

#### Budget Cuts and the Erosion of Social Allocations

The incumbent government will find it difficult to promote social justice, as the national budget has been crippled by more and more cuts. As a percentage of GDP, the national budget of Israel decreased from 46.2% in 2002 to 40.2% in 2009.

The national per capita budget outlay, which was NIS 32,235 in 2001, had declined to NIS 29,960 by 2009. According to the budget approved for 2011-2012, this outlay is to increase somewhat, but not to return to its 2001 level.

The per capita outlay of social expenditures, which was NIS 12,162 in 2001, declined to NIS 11,436 in 2009. Here, too, the outlay is to increase somewhat in 2011-2012 but not to return to its 2001 level.

#### **Some of the outcomes of the budget cuts:**

- The budget for teaching hours in elementary and high schools declined from NIS 9,639 per pupil in 2001 to NIS 8,162 in 2006; since then it has increased, but the increase is not enough to compensate for the hundreds of thousands of teaching hours lost.
- The investment budget of the Ministry of Education was halved between 2001 and 2008. After 2008 it increased, but it is still significantly lower than it was in 2001.
- The higher education budget, per student, declined from NIS 44,712 in 2001 to NIS 37,241 in 2008. During that period, institutions of higher learning lost hundreds of teaching positions. Per student expenditure is not expected to return, in the foreseeable future, to its 2001 level.
- The 2009 budget of the Ministry of Health, per capita and age-adjusted, was only 95% of what it was in 2001.
- The cost of the basket of health services, which pays for the services Israeli residents receive from the health funds, was in 2009 NIS 8 billion lower than the fully-indexed cost.
- The allowances of the National Insurance Institute (Social Security), which in 2002 reduced the poverty rate by 57.2%, reduced poverty by only 46.7% in 2008, due to budget cuts.
- The central government subsidy for local authorities amounted to NIS 5.2 billion in 2001; in 2011 it will amount to only NIS 3.6 billion.

### Tax Cuts for Corporations and High-Income Persons

The purpose of budget-cutting is, among others, to reduce taxes – a policy that benefits big business and high-income individuals.

In 2003, incumbent Minister of Finance Binyamin Netanyahu initiated a tax-cutting program that continued up to 2010. The main beneficiaries were persons with high incomes. A person whose income was twice that of the average wage received a yearly benefit of NIS 22,971 in 2010, and a person whose income was six times the average wage received a benefit of NIS 74,131.

In contrast, the state coffers lost an accumulated NIS 46.2 billion.

In 2009, an additional tax-cutting program was approved for the years 2011-2016. Here, too, high-income persons were the main beneficiaries. A person whose income is six times the average wage is to receive an annual benefit of NIS 20,923 in 2016, in addition to the benefits resulting from the previous tax-cutting program. In contrast, persons earning the average wage or less – which are the majority of salaried persons in Israel – will not receive one agora in benefits.

Corporate taxes, too, were cut. Not only that: there are corporations with high profits that pay very little tax. The media reported that the Teva Pharmaceutical Company, worth NIS 54 billion, paid in 2009 corporate taxes that amounted to 4.8% of profits, despite the fact that the official corporate tax rate was 26%.

While corporations and high-income persons pay lower taxes today than they did in the past, ordinary citizens pay more – in the form of indirect taxes, first and foremost, valued added tax. In 2011, state revenues from indirect taxes (NIS 104.6 billion) are expected to be higher than revenues from direct taxes (NIS 103.5 billion). This is a reversal of the situation during the past two decades.

It should be added that the tax system in Israel is one of the least egalitarian among the OECD states.

### Inequality: Some Figures

- Between 2000 and 2009, the national income of Israel grew by 33%; while the share of employees grew by 24%, that of employers grew by 44%.
- The top percentile of salaried persons holds 8.7% of the total income of salaried persons. The top percentile of salaried persons and self-employed persons together holds more: 12.8% of earned income.
- At the other end of the spectrum, the share of salaried persons earning up to two-thirds of the median salary, who constitute 26% of all salaried persons, amounts to 7.7% of the total earned income, somewhat less than that of the top percentile.

- In the course of the decade 2000-2009, the share in the national income of the four lowest income deciles decreased from 17% to 16.3%, while the share of the top income decile increased from 28% to 28.5%.
- The **shrinking of the middle class**: since 1988, the size of the middle income stratum decreased from 33% of households to 26.6%, and its share of the total income decreased from 27.9% to 20.5%. The middle stratum includes all the households whose income is between 75% and 125% of the median household income.
- In 2009, the average monthly income of women was NIS 6,280 – 66% of the average monthly income of men. The average **hourly** income of women was NIS 42.6 – 84.5% of the hourly income of men.
- In 2009, the average hourly wage of urban salaried **Ashkenazim** (Israeli-born persons whose fathers were born in Europe or the Americas) was higher than the average monthly income of all salaried persons by 41%; the income of their **Mizrahi** counterparts (Israeli-born persons whose fathers were born in Asia or Africa) was 3% higher than the overall average; the average monthly salary of **Arabs** was only 67% of the overall average.
- In 2009, the annual average cost of the salary of a senior executive in a corporation included in the 25 largest companies listed on the Tel Aviv Stock Exchange was NIS 9.13 million, or NIS 761 per month – **94 times the average monthly salary**.
- Between 2000 and 2009, the poverty rate for families in Israel grew from 17.6% to 20.5%. Among Jewish families, it grew from 14.3% to 15.2%; among Arab families, it grew from 42.9% to 53.5%.
- In 2009, the success rate of 17-year-olds in the matriculation examinations was 46.1%; 54% did not receive a matriculation certificate. In affluent localities, the success rate was 66%. In Jewish development towns, it was 47.3%. In Arab localities (excluding East Jerusalem), it was 34.4%
- In 2009, the average monthly outlay on private health insurance policies in the top income decile was NIS 387; that of persons in the sixth income decile, NIS 181, and that of persons in the second income decile, NIS 82.
- In 2009, households in the top income quintile saved an average of NIS 972 per month for their retirement, while households in the bottom income quintile saved an average of only NIS 35 per month for their retirement.

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