

## A. GENERAL

This is the first CBS publication to present data on Arab households, based on the Household Expenditure Survey and the Combined Income Survey. The publication presents comparative data on Arab and Jewish households in a variety of aspects related to households (consumption, income, housing conditions, and ownership of durable goods). Most of the tables presented here are taken from the Household Expenditure Survey and the Combined Income Survey 2006<sup>1</sup>, except for the tables that present comparative data over a period of years (where data are taken from the Household Expenditure Survey and the Combined Income Survey 1997-2006).

The Household Expenditure Survey has been conducted since the 1950s. Until 1997, it was conducted approximately once every five years. Since 1997, the Central Bureau of Statistics has conducted the survey annually.

In addition, since 1997, the CBS has been combining income data obtained from the Household Expenditure Survey with data from the Income Survey into one survey, i.e., the Combined Income Survey.

These regular surveys cover the entire population, excluding kibbutzim, collective moshavim, and Bedouins living outside localities. In 2000-2001, the population of East Jerusalem was not surveyed due to difficulties encountered in collecting the data.

In 2003, a question on religion was added to the Household Expenditure Survey. A representative of the household was the only household member asked about religion. The household representative's religion is registered as the religion of all household members. Therefore, **as of 2003, an Arab household is defined as** a household whose representative is Muslim or Druze, or a Christian who resides in a non-Jewish locality. A **Jewish household is defined** as a household with a Jewish representative.

**Until 2003, an Arab household was defined** as a household that is in an Arab locality and/or whose members completed the survey questionnaire in Arabic. **A Jewish household** was defined as all households in Israel, except households that were defined as Arab.

In this publication, the data on income and compulsory payments are based on the Combined Income Survey, whereas the data on expenditures, ownership of goods, and housing are based only on the Household Expenditure Survey.

Data on **expenditures, housing, and ownership of durable goods** in the publication are based on a sample of 791 Arab households and 5,214 Jewish households surveyed in the 2006 Household Expenditure Survey, which represent 267,944 Arab households and 1,676,186 Jewish households in the total population.

The **income** data in this publication are based on a sample of 2,138 Arab households and 12,195 Jewish households surveyed in the 2006 Combined Income Survey, which represent 297,905 Arab households and 1,964,712 Jewish households in the total population of Israel.

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<sup>1</sup> Central Bureau of Statistics (2007), *Household Expenditure Survey 2006 – General Summary*, Special Publication No. 1310, Jerusalem.

## B. MAIN FINDINGS

### 1. Households, by Age Composition and Type of Household

#### 1.1 Persons per Household, by Age

The age composition of Arab households is different from that of Jewish households. In contrast to the Jewish population of Israel, the Arab population is characterized by a high percentage of children<sup>2</sup> and a low percentage of adults<sup>3</sup>.

Birth rates are high among the Arab population of Israel, and young people aged 0-17 comprise about one-half of that population. By contrast, young people aged 0-17 comprise only one-third of the Jewish population.

The proportion of the Jewish Israelis aged 45-64 is almost twice the proportion of Arabs in that age group. In the 65+ age group, the proportion of Jewish Israelis is almost three times higher than that of Arabs.

In large households with four or more persons, the difference between Jews and Arabs is smaller. In Arab households with four or more persons, 53.2% of the children are up to age 17, compared with 48.3% in Jewish households of that size.

**Table A.- Persons in Households, by Age**

**2006**

Age	All Households		Households with 4+ Persons	
	Arabs	Jews	Arabs	Jews
	<b>Percentages</b>			
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
0-17	45.7	30.1	53.2	48.3
18-44	39.2	37.8	36.6	35.5
45-64	11.8	20.9	9.1	14.8
65+	3.3	11.2	1.1	1.4

#### 1.2 Type of Household

Arab households are characterized by high concentrations of children: about 73% of all Arab households have children, compared with about 42% of all Jewish households.

Among the Arab population, the proportion of households with three adults and children is relatively high (22.6%), and the percentage of one-person households is relatively low (4.0%), compared with 11.4% and 20.8%, respectively, among the Jewish population.

<sup>2</sup> Child – aged 0-17.

<sup>3</sup> Adult – aged 18 and over.

Evidently, this is due to the living patterns commonly found in Arab society, where several nuclear families belonging to the same extended family typically share the same household, as well as to the marriage patterns prevailing in Arab society.

**Table B.- Households, by Type of Household**  
**2006**

	Arab Households	Jewish Households
	<b>Thousands</b>	
<b>All households</b>	<b>267.9</b>	<b>1,676.2</b>
	<b>Percentages</b>	
<b>All households</b>	<b>100.0</b>	<b>100.0</b>
Household with one person	4.0	20.8
One adult with children <sup>1</sup>	1.9	2.9
Two adults without children	9.7	23.8
Two adults with children	48.4	27.8
Three or more adults without children	13.4	13.3
Three or more adults with children	22.6	11.4

(1) Adult – aged 18 and over.

Child – aged 0-17.

## **2. Consumption Expenditure**

### **2.1 The Composition of Consumption Expenditure, 1997 and 2006**

**(see Tables 1.1, 1.2)**

In 2006, the average monthly expenditure for a basket of goods and services in Arab households was NIS 9,976, compared with NIS 11,494 in Jewish households.

Between 1997 and 2006, consumption expenditures increased gradually in Arab and Jewish households. In 2006, the average monthly expenditure for a basket of goods and services in Arab households was NIS 9,976 – an increase of 8.9% in real terms compared with the average monthly consumption expenditure in Arab households in 1997 (NIS 7,371).

In Jewish households, the average monthly consumption expenditure for a basket of goods and services was NIS 11,494 in 2006 – a 12.8% increase in real terms compared with 1997 (NIS 8,198).

The composition of the basket of consumption expenditures in Arab households is different from the basket of expenditures in Jewish households. In Arab households, the weight of expenditures is greater for basic goods such as: food, furniture and household equipment, and clothing and footwear. In Jewish households, the weight of expenditures is greater for services in areas such as health, education, culture and entertainment, and transport and communications

However, the data indicate that between 1997 and 2006, the weight of expenditures for food, furniture and household equipment, and clothing and footwear decreased among both Jewish and Arab households.

**Table C.- Consumption Expenditure in Jewish and Arab Households, by Main Groups  
1997, 2006**

Consumption group	1997				2006				Arabs	Jews
	Arabs		Jews		Arabs		Jews			
	NIS per month	%	NIS per month	%	NIS per month	%	NIS per month	%	% real change	% real change
<b>Total consumption expenditure</b>	<b>7,371</b>	<b>100.0</b>	<b>8,198</b>	<b>100.0</b>	<b>9,976</b>	<b>100.0</b>	<b>11,494</b>	<b>100.0</b>	<b>8.9</b>	<b>12.8</b>
Food (incl. fruit and vegetables)	1,901	25.8	1,403	17.1	2,405	24.2	1,786	15.5	-4.9	-4.3
Housing	1,545	20.9	1,823	22.2	1,649	16.5	2,517	21.9	-6.4	21.1
Maintenance of dwelling	613	8.3	741	9.0	1,070	10.7	1,190	10.4	19.6	10.0
Furniture and equipment	513	7.0	448	5.5	602	6.0	418	3.6	17.9	-6.2
Clothing and footwear	521	7.1	362	4.4	523	5.2	368	3.2	32.0	33.6
Health	142	1.9	325	4.0	459	4.6	598	5.2	121.8	26.3
Education, culture and entertainment	590	8.0	1,125	13.7	833	8.4	1,654	14.4	19.4	24.3
Transport and communications	1,140	15.5	1,590	19.4	1,793	18.0	2,427	21.1	21.3	17.7
Other goods and services	404	5.5	381	4.7	642	6.4	537	4.7	13.6	0.7

## 2.2 Consumption Expenditures for Selected Goods – 2006

**Food (excluding fruit and vegetables):** The expenditure for food in Arab households comprised 19% of the total consumption expenditure, compared with 12.6% in Jewish households.

Within the category of food expenditures, Arab households spent NIS 624 per month on meat and poultry (33% of the total expenditure for food), whereas Jewish households spent NIS 250 per month on meat and poultry (only 17.2% of their total expenditures for food). Arab households spent NIS 159 per month on meals away from home (8.4% of their total expenditures for food), whereas Jewish households spend NIS 272 per month on meals away from home (18.7% of their total expenditures for food).

**Housing:** Housing expenditures consist mainly of rent payments for households living in rental housing, and imputed housing services for households living in their own dwellings. Imputation of expenses for housing services is based on the estimated rental payments that

the household members living in their own dwellings would have paid if they had been renting those dwellings. Most of the housing expenditures (93.4%) among Arab households consist of imputed housing services for the dwelling they own, compared with 75.4% in Jewish households. Only about 6% of all housing expenditures among Arab households (NIS 104) were for rent, compared with about 20% among Jewish households (NIS 514 per month on the average).

**Health:** Among Arab households, about one-half of the total health expenditure (NIS 252 per month) was for dental care, whereas about one-fourth of the total health expenditure in Jewish households (NIS 148 per month) was for dental care.

In Arab households, about 12% of the total expenditure for health was for health insurance (supplementary and private), compared with about 27% in Jewish households.

**Education, culture and entertainment:** Arab households spent NIS 45 per month on newspapers, books, and stationery – about half of the total expenditures for that item in Jewish households. Expenditures for computer, Internet, and accessories amounted to 10.3% (NIS 86 per month) of the total expenditure for education, culture and entertainment in those households, compared with 6.3% (NIS 104 per month) in Jewish households.

The expenditure for recreation and excursions in Arab households was about one-fourth of the expenditures for that item in Jewish households (NIS 27 and NIS 110, respectively).

**Transport and communications:** Arab households spent NIS 353 per month on their current cellular telephone bills – about 19.7% of their total expenditure for transport and communications. Jewish households spent NIS 295 per month on their current cellular telephone bills – 12.2% of their total expenditures in this consumption group.

**Miscellaneous goods and services:** About one-third of the total expenditures for consumer goods (NIS 216 per month) in Arab households was for cigarettes, tobacco and accessories. In Jewish households, the proportion of expenditures for those items amounted to 16.8% (only NIS 90 per month).

**Table D.- Monthly Consumption Expenditure for Selected Goods in Households  
2006**

	Arab households	Jewish households
	<b>NIS</b>	
<b>Food (excl. vegetables and fruit)</b>	<b>1,891</b>	<b>1,454</b>
Thereof:		
Meat and poultry	624	250
Meals away from home	159	272
Soft drinks	138	76
<b>Housing</b>	<b>1,649</b>	<b>2,517</b>
Thereof:		
Monthly rent	104	514
<b>Health</b>	<b>459</b>	<b>598</b>
Thereof:		
Dental treatment	252	148
Health insurance (supplementary & private)	55	163
<b>Education, culture and entertainment</b>	<b>833</b>	<b>1,654</b>
Thereof:		
Recreation and excursions	27	110
Computer, Internet and accessories	86	104
Newspapers, books, and stationery	45	91
<b>Transport and communications</b>	<b>1,793</b>	<b>2,427</b>
Thereof:		
Cellular telephone, current bill	353	295
Regular telephone, current bill	93	130
Travel abroad	168	429
Public transport	95	102
<b>Miscellaneous goods and services</b>	<b>642</b>	<b>537</b>
Thereof:		
Cigarettes, tobacco and accessories	216	90
Services – personal and cosmetic	22	66
Organization dues and donations	22	55

### **2.3 Consumption Expenditure, by Number of Earners - 2006**

Consumption expenditure in Arab households without any earners amounted to NIS 7,159 per month – over 2.3% more than the consumption expenditure in Jewish households without any earners. The more earners there are in a household, the wider the gaps in consumption expenditures between Jewish and Arab households, and Jewish households have the advantage. In households with one earner, consumption expenditures in Arab households amounted to 96.3% of the expenditure in Jewish households. In households with two earners, the proportion was 87.4%.

Among both population groups, the more earners there were per household, the lower the weight of expenditures for food, housing, and health.

Over one-fourth of the total consumption expenditure of Arab households with no earners was for food, whereas the proportion of expenditures for food in Jewish households with no earners was smaller (16.5%). Among Arab households with two or more earners, expenditures for food comprised 20.7% of the basket of consumption expenditures, compared with 15.2% among Jewish households.

Expenditures for transport and communications services among Arab households was 11.8% in households with no earners compared with 21.7% in households with two or more earners. This difference in the weight of expenditures derived mainly from expenditures for maintenance of vehicles, which are most common among Arab households with two or more earners

**Table E.- Monthly Consumption Expenditures, by Number of Earners Per Household  
2006**

	Arab households			Jewish households		
	No. of earners			No. of earners		
	0	1	2+	0	1	2+
	<b>NIS</b>					
<b>Consumption expenditure – total</b>	<b>7,159</b>	<b>9,948</b>	<b>13,313</b>	<b>6,999</b>	<b>10,327</b>	<b>15,234</b>
	<b>Percentages</b>					
<b>Consumption expenditure – total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Thereof:						
Food (incl. fruit and vegetables)	27.9	24.9	20.7	16.5	15.7	15.2
Housing	21.3	16.8	13.2	30.3	23.4	18.7
Health	5.4	4.5	4.3	7.3	4.9	4.8
Education, culture and entertainment	5.5	7.6	11.3	10.5	13.2	16.2
Transport and communications	11.8	18.1	21.7	14.9	20.5	23.2

### 3. Income

#### 3.1 Composition of Income 1997, 2001, and 2006

The average monthly gross money income of Arab households in 2006 was NIS 7,590 – 57.3% of the income of Jewish households (NIS 13,245). The gap is slightly smaller when net money income per household is calculated (i.e., the net money income of Arab households was 61.7% of the income of Jewish households).

In 2006, 76.8% of the gross income of Arab households derived from work, compared with 75.3% for Jewish households. Income from allowances and assistance amounted to 20% of the total household income in Arab households, compared with only 12% in Jewish households.

Examination of money income per household over time reveals a steady increase in the gap between Jewish and Arab households. The net money income of Arab households was 75.2% of the income of Jewish households in 1997, 73.2% in 2001, and only 61.7% in 2006.

**Table F.- Average Monthly Income Per Household  
1997, 2001, 2006**

	1997		2001		2006	
	Arabs	Jews	Arabs	Jews	Arabs	Jews
	<b>NIS</b>					
<b>Net money income – at 2006 prices</b>	<b>6,587</b>	<b>8,759</b>	<b>7,222</b>	<b>9,860</b>	<b>6,614</b>	<b>10,725</b>
<b>Gross money income – at 2006 prices</b>	<b>7,974</b>	<b>11,355</b>	<b>8,819</b>	<b>12,888</b>	<b>7,590</b>	<b>13,245</b>
	<b>Percentages</b>					
<b>Gross money income – total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
From work	75.2	77.9	73.1	77.0	76.8	75.3
Thereof:						
From employed work	78.9	83.5	76.7	86.6	79.6	85.2
From pension and social insurance funds	(1.4)	6.9	(2.0)	6.9	2.3	8.0
From allowances and assistance	22.6	13.3	24.6	13.2	20.0	12.0
Thereof:						
From the National Insurance Institute	95.2	80.5	95.5	80.5	92.3	73.9

### 3.2 Monthly Income by Number of Earners in the Household - 2006

In Arab households, the gross money income per household without earners was NIS 3,357 per month. By comparison, the gross money income was NIS 13,293 per month – 4 times more – in households with two or more earners.

In Arab households without earners, which comprise most of the elderly population, 82.5% of the income (NIS 2,768) derived from allowances and assistance, and most of the assistance was from the National Insurance Institute.

Only 10% of the income (NIS 335) in Arab households without earners derived from pension and social insurance funds. By comparison, in Jewish households without earners 40.6% of the total monthly income (NIS 2,217) derived from pension and social insurance funds.

**Table G.- Monthly Income, by Number of Earners in Household  
2006**

	Arab Households				Jewish Households			
	Total	No. of earners			Total	No. of earners		
		0	1	2+		0	1	2+
	NIS							
<b>Gross money income – total</b>	<b>7,590</b>	<b>3,357</b>	<b>6,992</b>	<b>13,293</b>	<b>13,245</b>	<b>5,462</b>	<b>10,596</b>	<b>20,118</b>
	Percentages							
<b>Gross money income – total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Thereof:								
From work	76.8	~	82.1	91.1	75.3	(0.8)	71.8	89.3
From employed work	79.6		76.4	83.9	85.2		81.1	86.7
From self-employed work	20.3		(23.6)	<16.1>	14.7	100.0	18.9	13.3
From pension and social insurance funds	2.3	(10.0)	<1.7>		8.0	40.6	8.0	2.6
From allowances and assistance	20.0	82.5	15.6	7.1	12.0	51.2	15.1	4.0
Thereof:								
From the National Insurance Institute	92.3	90.9	93.5	94.3	73.9	78.4	67.0	74.4

#### 4. Housing 1997, 2001, and 2006

Among Arab households, the rate of dwelling ownership is high, and the percentage living in rented dwellings is low.

In 2006, the rate of dwelling ownership in Arab households was 84.9%, and about 7% of all Arab households lived in rented dwellings. Among Jewish households, by contrast, 68.9% owned their dwellings and 26.6% lived in rented dwellings.

Between 1997 and 2006, the average size of dwellings owned by Arab and Jewish households was almost the same – about 4 rooms. However, because Arab households usually have more people, they are characterized by greater housing density. In 2001 and 2006, the average housing density of Arab households was about 1.3 persons per room, compared with less than one person per room in Jewish households.

Between 1997 and 2006, there was a gradual increase in the size of owned dwellings among Arab and Jewish households. Concomitantly, housing density declined among both populations.

The value of dwellings owned by Arab households almost doubled (from NIS 351,000 in 1997 to NIS 634,000 in 2006). Among Jewish households, the increase in the value of dwellings was less (from NIS 719,000 in 1997 to NIS 850,000 in 2006).

**Table H.- Selected Data on Housing  
1997, 2001, 2006**

	1997		2001		2006	
	Arabs	Jews	Arabs	Jews	Arabs	Jews
Average number of persons in household	5.54	3.42	5.06	3.35	5.07	3.29
Average standard persons in household	3.94	2.80	3.69	2.76	3.70	2.73
Average number of rooms in household	3.49	3.76	3.88	3.94	3.89	4.07
Housing density (no. of persons per room)	1.61	0.93	1.31	0.86	1.31	0.82
Percentage of households living in owned dwelling	82.2	68.8	90.0	69.0	84.9	68.9
Value of owned dwelling (nominal – thousands of NIS)	351	719	466	783	634	850
Percentage of households living in rented dwelling	9.0	26.2	5.7	26.7	7.0	26.6

## 5. Ownership of Durable Goods

### 5.1 Ownership of Durable Goods 1997, 2001, and 2006

Based on the findings presented in Table I, it is possible to follow changes in the standard of living of Arabs and Jews between 1997 and 2006.

The table indicates that during that period, the rates of ownership of most durable goods increased in Arab as well as in Jewish households.

Rates of ownership of most **electrical home and kitchen appliances** increased more substantially in Arab households. For example:

Microwave – in Arab households, increased from 26.5% in 1997 to 65.8% in 2006; in Jewish households, increased from 58.6% in 1997 to 84.7% in 2006.

Deep freezer – in Arab households, increased from 15.6% in 1997 to 23.8% in 2006; in Jewish households, increased from 15.6% in 1997 to 18.3% in 2006.

Vacuum cleaner – in Arab households, increased from 31.8% in 1997 to 52.3% in 2006; in Jewish households, increased from 62.1% in 1997 to 68.4% in 2006.

**Telecommunications goods:** There was a substantial increase in ownership of cellular telephones between 1997 and 2006. Among Arab households, only 25.8% owned one cellular telephone in 1997, whereas 88.8% owned one cellular telephone in 2006; 2% owned two cellular telephones in 1997, whereas 55.2% owned two cellular telephones in 2006. In contrast, ownership of telephone lines declined. The same trend can be observed in Jewish households – the rates of ownership of one and two cellular telephones rose substantially, whereas ownership of telephone lines declined.

## 5.2 Ownership of Durable Goods - 2006

### Ownership of Kitchen Appliances

In Arab households, higher rates of ownership were found for freezers (23.8%), and cooking stoves (61.1%) than in Jewish households (18.3% and 53.1%, respectively).

However, in Jewish households higher rates of ownership were found for microwaves (84.7%), cooking and baking stoves (47.8%), baking stoves (46.2%), and dishwashers (37.6%) than in Arab households (65.8%, 42.6%, 45.7%, and 12.4%, respectively).

Substantial differences between Jewish and Arab households were found with regard to rates of ownership of **telecommunications and entertainment equipment**:

Computer – 51.8% of the Arab households had a computer and 25.9% were Internet subscribers, whereas the rates in Jewish households were 67.9% and 58.9%, respectively.

Cable or satellite TV subscribers – there was a relatively large gap between Jewish and Arab households in ownership of this commodity. The rate of ownership in Jewish households was five times higher than in Arab households (76.4% versus 14.3%, respectively).

D.V.D. – 24.4% of the Arab households owned a D.V.D., compared with 44.1% of the Jewish households.

Cellular telephone – there was a relatively small gap between Arab and Jewish households in ownership of one cellular telephone (88.8% and 86.7%, respectively). A larger gap was found in ownership of two or more cellular telephones (55.2% and 62.9%, respectively).

**Table I.- Rates of Ownership of Durable Goods in Households  
1997, 2001, 2006**

	1997		2001		2006	
	Arabs	Jews	Arabs	Jews	Arabs	Jews
Microwave	26.5	58.6	50.6	73.3	65.8	84.7
Deep freezer	15.6	15.6	21.6	16.4	23.8	18.3
Cooking and baking stove	50.8	64.6	50.4	57.1	42.6	47.8
Baking stove	36.6	28.0	40.5	35.9	45.7	46.2
Dishwasher	5.5	27.7	8.9	31.6	12.4	37.6
Vacuum cleaner	31.8	62.1	36.2	68.0	52.3	68.4
Cooking stove	52.2	37.2	51.5	44.2	61.1	53.1
Personal computer	12.9	36.0	31.9	51.9	51.8	67.9
One phone line, at least	80.8	96.7	73.6	93.8	64.5	89.7
One cellular phone, at least	25.8	39.3	64.0	75.0	88.8	86.7
Two or more cellular phones	2.0	7.8	11.7	40.7	55.2	62.9
D.V.D. <sup>1</sup>			12.4	7.3	24.4	44.1
Cable or satellite TV <sup>2</sup>			30.3	78.2	14.3	76.4
Internet subscriber	0.9	5.0	5.3	24.5	25.9	58.9
One car at least	43.2	54.1	53.8	57.0	54.3	62.6

(1) Ownership of this commodity has been examined as of 2001.

(2) Until 2000, included only cable TV subscribers. As of 2001, includes both cable and satellite TV subscribers.

## C. SURVEY METHODS<sup>4</sup>

### 1. General

**Purposes and uses:** The survey aims to obtain data on the components of household budgets, as well as additional data, that characterize various aspects of the living standard of households, such as consumption patterns, leisure activities and entertainment, level and composition of nutrition, level and composition of income and housing conditions. In addition, the survey is also used for market research, for construction of models to predict consumer behavior, for research on the incidence of indirect tax among various population groups, etc. One of the most important uses of the survey is to determine weights for the consumption “basket” of the Consumer Price Index.

**Survey population:** As of 1997, the survey population includes the entire urban and non-urban population except for kibbutzim, collective moshavim and Bedouins living outside of localities.

In 2000 and 2001, the population of East Jerusalem was not surveyed due to difficulties encountered in collecting data, but as of 2002 this population is again included in the survey.

**Investigation unit:** The investigation unit is the household; i.e., a group of people living in the same dwelling most days of the week, with a shared budget for food expenditures.

### 2. Sampling Method in Household Expenditure Survey 2006

#### (a) Sampling Model and Probability

A two-phase sample was drawn for the survey: in the first phase, a sample of localities was selected; and in the second phase, dwellings were sampled from the chosen localities.

The final sampling probability was uniform for all dwellings in the population - 1:266. The sampling probability was determined on the basis of estimates of the anticipated proportion of non-respondents in the survey, the planned size of the sample, and the total number of households in the survey population in the middle of the survey year.

#### (b) Sampling of Localities

The sample of localities was derived from the list of localities belonging to the survey population (known as the “sampling frame for localities”). The size of each locality in the survey population was calculated - an estimate of the total number of households expected in the middle of the survey investigation period.

A total of 171 localities were included in the sample.

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<sup>4</sup> For a detailed description of the survey methods and data collection procedures, see: Central Bureau of Statistics (2007), *Household Expenditure Survey 2006 – General Summary*, Special Publication No. 1310, Jerusalem.

Sixty localities from the sampling frame, where approximately 80% of all households of the survey population reside, were included in the survey with certainty. Each locality constituted a separate sampling stratum.

The remaining 812 localities that fit the definition of the survey were placed in 37 sampling strata on the basis of their similarity in terms of different variables such as locality type, socio-economic characteristics, and geographic proximity to one another. Interviewing quotas were allocated to each sampling stratum (each quota comprised approximately 13 dwellings in the gross sample), in accordance with its size. The localities were arranged separately for each stratum on the basis of various characteristics, and a random-systematic sample of localities was drawn in accordance with their size. Altogether, 111 probability localities were sampled.

### **(c) Allocation of the Sample Across the Survey Investigation Year**

In addition to population groups, the survey aims to represent the various periods of the investigation year. Therefore, the interviewing quotas were allocated by weeks so that a balanced sample would be obtained for each quarter-year, according to various socio-economic and geographic characteristics.

## **3. Investigation Method and Survey Period**

**Collecting the survey data** - data were collected from each household in an integrated manner, in the following ways:

- (a) A questionnaire on household structure - filled out by the **interviewer**, providing basic demographic and economic data on each member of the household (e.g., age, sex, country of birth, year of immigration, status at work, etc.)
- (b) A biweekly diary - in which the **household** recorded each member's daily expenditures over a period of two weeks.
- (c) A questionnaire on large or exceptional expenditures and on income - filled out by the **interviewer** on the basis of reporting by the household, related to the 3- or 12-month period preceding the interview date (depending on the rarity of expenditures for the items investigated).

**Survey period** - the data were collected "in the field" over a period of approximately 13 months, beginning in January of the survey year and ending in January of the subsequent year. Investigation of the sample was spread across the entire survey period, so that all weeks in the investigation period would be represented.

Estimates of expenditures obtained from the diary refer approximately to the survey year. For example, in the Household Expenditure Survey 2006, estimates of expenditures obtained from the questionnaire pertain to a 15-month period (from October 2005 to December 2006), or a 24-month period (from January 2005 to December 2006), according to the type of expenditure.

#### **4. Data Processing**

**Editing and coding:** Diaries submitted by households underwent an initial editing at the district offices of the Central Bureau of Statistics. Afterwards, the questionnaires were forwarded to the subject unit at the main office for data entry, which included keying in, editing, logic and quality checks, and coding of commodities. During keying in of the data some of the logical checks were performed.

**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. For example, the difference between a household's expenditure for a new refrigerator and its receipts from the sale of an old refrigerator constitutes that household's estimated expenditure for the purchase of a refrigerator. This method was used for most goods and services in the survey.

Other methods were used to estimate expenditure on housing and motor vehicles:

##### ***Housing***

The two main components of housing expenditure are rent in rented dwellings and housing services consumption in owned dwellings. 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.

The imputed data on rentals in 2006 were obtained from three sources:

- (1) The current survey of rentals, which was conducted within the framework of the Consumer Price Index
- (2) Rental data on households living in rented dwellings, from the Household Expenditure Survey itself
- (3) Outside sources

For key-money dwellings, housing services consumption was calculated by imputing the difference between actual rent paid and the full amount of rent, according to the average rental rates on the free market, as obtained from the three above-mentioned sources.

##### ***Motor Vehicles***

Motor vehicle expenditures were estimated on the basis of the "value of services" obtained from the vehicle. Thus, the value of services obtained from the car was estimated for every car-owning household on the basis of the depreciation of the car and the alternative interest on the capital invested in it. The alternative interest was also imputed as income for the household.

Imputations from outside sources were performed on several additional budget components, when the households did not provide data for them. Such imputations were also conducted for items that usually have uniform prices or have a known method of calculation: various

fees (such as radio, television, and motor vehicle licenses), the values of motor vehicles and compulsory payments (income tax, national insurance and national health insurance).

All budget components for each household were reduced to a common denominator: an estimate per month at a uniform price level of the mean of the survey period. Hence, the expenditures culled from the diary were multiplied by approximately 2.17 to convert them to a monthly value, and the estimates based on the questionnaire were obtained by dividing by 12 or by 3, depending on the period to which the question referred.

The average price index was 117.9 points for the 2006 survey period, with a base of 1998 = 100.0.

**Estimation method** – The method aims to reduce potential sampling errors and biases deriving from the fact that non-responding households may have characteristics that differ from those of the participating households.

In order to obtain estimates for the entire survey population, a **weighting coefficient** was determined for each household investigated, with all members of a given household having the same weighting coefficient. A household's weighting coefficient reflects the number of households and persons in the survey population, which that household represents.

The set of weighting coefficients was derived in a multi-stage process by the "raking" method, in which the distribution of the "weighted" sample is adjusted to ensure consistency with external distributions according to selected distribution variables. The adjustment was performed separately for characteristics of households and for individuals (without combining the two) in each of the distributions.

For households, the adjustment was made for three groups:

1. Population in Jewish and mixed localities (without new immigrants)
2. Immigrants from 2003 on
3. Population in non-Jewish localities.

For these distributions the division differs according to household characteristics:

- ❑ Groups of households that are homogeneous in terms of their expenditure, as determined by statistical methods.
- ❑ Groups of types of households, defined according to household size and age composition of household members (elderly persons living alone, young couples, households with children, etc.).
- ❑ Groups of households defined on the basis of the time they were investigated. These groups are meant to balance the "weighted" sample over the survey year, and to prevent biases that might result from the fact that the survey sample was not retroactively evenly distributed over the months of the year, due to fieldwork constraints.

The distributions by characteristics of households, to which the survey data were adjusted, are taken from Labour Force Survey estimates that are based on a large sample.

The weighting coefficients for the various groups of households were determined in a way that would also assure full correspondence between the survey estimates and the distribution of the survey population by sex and age groups, and geographic cross-sections based on the current demographic data of the Central Bureau of Statistics.

## 5. Reliability of the Estimates

The estimates presented in this publication are based on a sample survey, and may therefore be subject to two main types of errors:

- (a) **Sampling errors:** arise from the fact that the survey investigated only one sample of households and their individual members, and did not cover all the households and individuals in the population.
- (b) **Non-sampling errors:** result from other factors that may be present, even when a full census of the entire population is conducted.

### (a) Sampling Errors

The sample on which this survey is based is one of very many possible samples of the same size that could have been drawn from the same population by the same method.

**Estimate  $X'$**  is the estimated value, based on the specific sample of this survey, for the corresponding value  $X$  that would have been obtained if a full census had been conducted.

**The sampling error of the estimate,  $\sigma'(X')$ ,** is the mean difference between all estimates that could have been obtained from all possible samples of the same size and the same method, on the one hand, and the value that would have been obtained if a full census had been conducted under the same data-collection conditions.

**The confidence interval for the estimate** is an interval that contains the census value  $X$  at a given predetermined level of confidence,. The estimate  $X'$ , based on the sample, and the estimate of its sampling error,  $\sigma'(X')$ , make it possible to construct a confidence interval at a predetermined confidence level, so that the interval contains the census value  $X$  at the stipulated confidence level.

The confidence interval is usually presented at a confidence level of 95%. Therefore, the boundaries of this confidence level are calculated as  $X' \pm 2\sigma'(X')$ . For every table of subgroups in this publication, the sign " $\pm$ " and the values of the two sampling errors for this estimate are presented beneath the estimate (in small letters).

### (b) Non-Sampling Errors

The obtained estimate and its sampling error make it possible to deduce the census value. However, this value may be different from the real value for the population because it may be affected by non-sampling errors. Non-sampling errors are very difficult, if not impossible, to estimate. In this survey, these errors fall into the following categories:

1. **Non-response biases:** About one-sixth of the households that should have been investigated in the sample did not participate in the survey for various reasons.<sup>5</sup> Since the characteristics and consumption habits of this group of households may be different from those of households that participated in the survey, the survey estimates may be biased.

The method of estimation used in the survey (“weighting”) substantially reduces errors of this type but does not eliminate all of them.

2. **Response errors:** The survey estimates are based on data provided by interviewees and, therefore, may be subject to response errors.

The detailed expenditure records in the fortnightly diaries were not always complete and accurate. Deficiencies in recording may be attributed to several causes: the family got tired of keeping the diary during the course of the two-week period; omission of “small” expenses such as children’s pocket money and purchases at kiosks; deliberate omission of “socially unacceptable” expenses such as alcoholic beverages and gambling; insufficient detail in the list of purchased products; inclusion of purchases made prior to the two-week period of the diary; and omission caused by failure to keep a current record of expenses as they are incurred.

Information collected about the various questionnaire items may also be subject to errors of various types. Since the responses were based on interviewees’ memory (with reference to three months or an entire year), some current expenses may be excluded or, alternatively, expenses incurred prior to the relevant period may be included. Inaccurate reporting of details related to various expenses may also be caused by reliance on memory - unless the information is based on documents. Moreover, response errors may be generated by misinterpretation of the questions or failure to follow instructions for filling out the questionnaire.

The interviewers asked household members to base their reports on documentation, and in cases where data seemed unreliable they would return to the households and make corrections when necessary. Despite these attempts, and notwithstanding various tests performed in the course of data processing, the responses may still contain inaccuracies that can bias the survey estimates.

3. **Processing errors:** In the various stages of processing, which include entry of data from the questionnaires, coding the commodities, and logical checks, there is potential for errors that affect the reliability of the estimates.

It is usually very difficult, if not impossible, to estimate the effect of non-sampling errors on the survey estimates. Nevertheless, it should be noted that the biases caused by these errors are sometimes in opposite directions and may therefore partially offset each other.

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<sup>5</sup> See: Section 4 “Results of the Field Work” page XXV in: Central Bureau of Statistics (2007), *Household Expenditure Survey 2006 – General Summary*, Special Publication No. 1310, Jerusalem.

## D. DEFINITIONS AND EXPLANATIONS

**Household:** A group of persons sharing the same dwelling most days of the week, and having a shared food expenditure budget. A household includes soldiers in the regular army.

**Religion and population group:** As of 2003, a question was added about the religion of the household's representative (the first household member who responded to the survey questionnaire). The religion of the household's representative was registered as the religion of all household members.

As of 2003, an Arab household is defined as a household whose representative is Muslim or Druze, or a Christian who resides in a non-Jewish locality. A Jewish household is defined as a household with a Jewish representative.

Until 2003 (in this publication, between 1997 and 2002), an Arab household was defined as a household that is in an Arab locality and/or whose members completed the survey questionnaire in Arabic. A Jewish household was defined as all households in Israel, except households that were defined as Arab during that period.

**Standard person:** The size of a household affects the level of living that can be maintained on a given income. In order to provide a basis for comparing the level of living of households with varying numbers of members, they are usually classified by income per person. It is also assumed that the number of household members does not have a uniform impact on the potential level of living that can be attained from a given income. Accordingly, there are advantages to a large household. Therefore the number of household members was transformed into a uniform scale. The scale establishes the two-person household as a base unit. The larger the number of household members, the smaller the marginal influence of each additional person. Based on this scale, the number of persons in a household is expressed in terms of standard persons per household. The full scale is presented in the following table:

<b>Actual number of persons in household</b>	<b>Number of Standard persons</b>	<b>Marginal Weight per person</b>
1 person	1.25	1.25
2 persons	2.00	0.75
3 persons	2.65	0.65
4 persons	3.20	0.55
5 persons	3.75	0.55
6 persons	4.25	0.50
7 persons	4.75	0.50
8 persons	5.20	0.45
9 persons	5.60	0.40
Every additional person		0.40

**Earners:** a person who worked at least one day in the three months preceding the interviewer's visit.

**Child:** aged 0-17.

**Adult:** aged 18 and over.

**Gross household money income:** a household's entire gross current financial income, i.e., before deduction of compulsory payments (income tax, National Insurance and Health Insurance contributions). Gross money income includes the income of all household members from employed or self-employed labour and from property, interest and dividends, support and allowances from institutions and individuals, pension income, and any other current income. Non-recurrent receipts such as inheritances and compensation are not included. Also, 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).

**Net household money income:** the gross money income, as defined above, after deduction of compulsory payments. Data concerning compulsory payments were not obtained directly from the enumerated households, but were calculated on the basis of gross income and the tax rules as applied in Israel.

**Net money income per standard person:** the net household money income divided by the number of standard persons in the household.

**Net income per household:** a household's entire income, including current money income as well as non-financial income from the estimation of housing services and motor vehicle services consumption from dwellings or motor vehicles owned by the household.

**Net income per standard person:** the net household income divided by the number of standard persons in the household.

**Compulsory payments:** direct taxes applied to current income - income tax, National Insurance contributions, and National Health Insurance. These payments were computed on the basis of the various tax regulations, and were not received directly from households.

**Consumption expenditure:** a household's total outlays for commodities and services and imputation of consumption expenditure for housing and motor vehicle services (since the purchase of these goods is defined as investment, not consumption). Outlays sometimes include interest, delivery and installation fees. The purchase of a product is considered as of the day the product is received, and the full purchase price is considered an expenditure for a product on the day the product reaches the dwelling, even if it was only partly paid for by that date. Therefore, advance payments on account of products or services not yet received, or payment of debts on account of products already delivered, are considered an increase in savings rather than a consumption expenditure.

**Components of the basket of goods and services in the Household Expenditure Survey:** all of the goods and services are divided into 10 main items: food (excl. vegetables and fruit), vegetables and fruit; housing, dwelling and household maintenance; furniture and household equipment; clothing and footwear; health; education, culture and entertainment; transport and communications; miscellaneous goods and services. Within each item there is

a division into subgroups, and each subgroup includes the goods and services as reported by the households, e.g., Health is divided into four subgroups – health insurance, dental treatment, health services, and other health expenditures. Each subgroup contains individual products, e.g., health insurance includes supplementary insurance in all of the various health funds, as well as other health insurance policies.

**Miscellaneous food products (part of Food):** 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 (part of Housing):** the imputed value of the monthly outlay for consumption of owned-housing services, key-money dwellings, and housing provided free of charge (See page XXVIII).

**Miscellaneous household needs (part of Dwelling and Household Maintenance):** a group which includes dishwashing soap, laundry detergent, household cleaning materials, disinfectants, air fresheners, candles, napkins, baby wipes, etc.

**Health insurance (part of Health):** this group includes, from 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.

**Other health expenses (part of Health):** a group that includes outlays for medicines, personal hygiene products, eyeglasses, contact lenses, etc.

**Vehicle expenses (part of Transport and Communications):** 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 (see page XXVIII).

**Other expenses (part of Transport and Communications):** a group that includes outlays for driving lessons, driver's license renewal, various kinds of haulage, and parking charges.

**Other products and services:** a "main" consumption group that includes products such as cigarettes, cosmetics, jewellery, as well as legal services.

**Ownership of durable goods:** a percentage of households in a certain group that own or have use of a certain kind of durable equipment; e.g., the percentage Arab households that have a microwave, a television set, an automobile, etc. (Table I in the Introduction and Tables 14.1-17).