

A. General

The Income Survey, the findings of which are presented here, has been conducted regularly since 1965. The findings below pertain to the income of households in which the head of household worked as an employee, was self-employed or did not work; and also include income from wages of individuals (employees and cooperative members only).

The data are based on findings from the last survey, which was conducted during 2007.

Until 1984 income was investigated on an annual measurement basis, and the data were processed and presented in the same manner. In the survey conducted in 1985, substantial changes were made in research and processing methods, and since then income has been investigated on a three-month measurement basis and presented as monthly income.

In 1995, the income survey population was broadened to include households in Arab urban localities with population of 2,000-9,999.

Since 1997, the income estimates have been based on combined income data elicited from two surveys: the Income Survey and the Household Expenditure Survey. The combined survey covers most of the population of Israel, in all types of localities excluding collective moshavim, kibbutzim and Bedouin who live outside localities (for a detailed explanation of the combined survey, see Section C).

During 2000-2001 problems arose in surveying the residents of East Jerusalem; therefore, the data for these years do not include this population.

The income data presented in this publication relate only to money income.

B. Definitions and Explanations

Household: a group of people who live together in one dwelling on a permanent basis most of the week and have a shared food budget.

Head of household: the economic head of household. In 1995 the definition of head of household was changed, and it was determined by the degree of participation in the labour force, irrespective of age and sex. The economic head of household is the main earner of the household; i.e., the employed person (including a member of the permanent army) who usually works more hours per week than other household members. If there is more than one person in the household who fits the definition of head of household or if the household has no earner, the person whom the respondent considers to be head of household is defined as the head of household.

Note: The head of household is aged 18+ (except in households consisting solely of persons aged 15-17, and households where the only employed person is aged 15-17).

An employee: any person enumerated who had some income from wages or salaries in the three months preceding the enumerator's visit.

Household headed by an employee: a household in which the head of household is an employee or a member of a cooperative (see the definition of *employee* above).

Household headed by a self-employed person: a household in which the head of household is self-employed, including a self-employed head of household who employs workers.

Household headed by a non-working person: a household in which the head of household did not work even one day in the three months preceding the enumerator's visit.

An earner: a person who worked at least one day in the three months preceding the enumerator's visit.

The survey population: is composed of all households in Jewish, Arab and mixed localities except for collective moshavim, kibbutzim and Bedouin who live outside localities. In 2000-2001 the data do not include the population of East Jerusalem due to enumeration difficulties. However, in every other year residents of East Jerusalem are part of the survey population. For purposes of comparing the data for these years, data for 1999 and 2002 have been presented twice: once for the entire population, and an additional time without the East Jerusalem population.

Religion and population group: the head of household is the only member of the household who is asked about his or her religion. The head of household's religion is recorded as the religion of all household members. Religion is classified as Jews, Arabs and Others; The group "Jews and others" includes Jews, Christians who are not Arabs and those with no religious classification, and the group "Arabs" includes Moslems, Arab-Christians and Druze.

Gross money income per household (gross income): the household's entire gross current money 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 income from savings are not included. Also, no imputation was made for income that originates from the use of one's dwelling and for various types of in-kind income (non-financial income).

Net money income per household (net income): the gross income, as defined above, after deduction of compulsory payments – Income tax, National Insurance and Health Insurance contributions. These payments are not obtained directly from the enumerated households, but are calculated on the basis of gross income data and the tax regulations of the State of Israel.

Standard person: household size affects the standard of living that a given income can sustain. To create a more appropriate basis for comparing standards of living of households of different sizes, it is accepted to calculate per-capita income in households. This calculation is based on the assumption that the number of persons in a household does not have a uniform effect on the household's standard of living from a given income, because there are advantages to a larger household. Therefore, the number of persons in a household is transformed according to a standard scale, in which a two-person household is the base unit. As the number of persons in the household rises, each added person in the household is assigned a declining marginal value. By means of this scale, household size is converted into standard persons, as shown in the table below:

Conversion of Number of Persons in Household to Number of Standard Persons in Household

Number of persons in household	Marginal weight per person	Number of standard persons
1	1.25	1.25
2	0.75	2.00
3	0.65	2.65
4	0.55	3.20
5	0.55	3.75
6	0.50	4.25
7	0.50	4.75
8	0.45	5.20
9+	0.40 ⁽¹⁾	

(1) For each additional person.

Gross monthly income per employee: the income derived from the division by 3 of the quarterly gross income investigated in the survey. The quarterly gross income is the gross income (i.e., before compulsory payments and taxes) from all places of work where the enumerated person was employed for wages or salary in the 3 months ending the month before the enumerator's visit. This income includes all additions, such as: overtime, vacation pay, clothing allowance, premium payments, etc. This division is also applied to employees who worked only one or two months out of the three months about which they are being questioned. Therefore, in these cases, the calculation of average monthly income is usually lower than their actual salary for the months they did work.

Gross income per employee per work hour: the income derived from dividing the quarterly gross income (see above) by the total work hours for those three months.

Income index: a number that describes the relationship or differences in surveyed income between various groups in the population. Usually, the average income in the population is regarded as 100%, and corresponding incomes in various groups are compared with it.

For example: the index of the monthly income for an employee = 100, compared with the index for monthly income for an employee with an academic profession = 160. I.e., it may be said that the average monthly income of those with academic professions is higher by 60% than the average monthly income of employees.

Deciles: a decile is a group composed of 10 percent of the surveyed population. Deciles are arranged by income level (the “classifying income”), from the household with the lowest income in the lowest decile to the household with the highest income in the uppermost decile.

The income by which the households are classified can be gross income or net income, as well as income per household, per capita or per standard person.

Gini coefficient: an accepted measure of inequality in income distribution among households, ranging from ‘0’ – complete equality, to ‘1’ – maximum inequality.

C. Survey Sample

Extraction of sample: since 1997, the Income Survey has been based on income data collected in both the Income Survey and the Household Expenditure Survey.

1. **Income Survey** – conducted in conjunction with the current Labour Force Survey;¹ where one fourth of the persons in the Labour Force Survey sample who meet the definition of the income survey population are asked about their income.
2. **Household Expenditure Survey**² – conducted each year since 1997 and designed to elicit the components of household budgets and to determine the weights of each component in the “consumption basket” that is used in computing the Consumer Price Index. Respondents in the survey are asked about both their income and their expenditure.

¹ For details on the sampling method, see: Central Bureau of Statistics, *Labour Force Surveys 2007*, Special Publication 1345, Jerusalem, 2008.

² For details on the sampling method, see: Central Bureau of Statistics, *Household Expenditure Survey 2007*, *General Summary*, Special Publication 1363, Jerusalem, 2009.

The survey sample in both surveys is a sample of dwellings, and all households who tenanted each dwelling chosen for the sample on the enumeration date are enumerated (usually, one household per dwelling).

The **samples** in both surveys were extracted in a two-phase process: in the first phase, extraction of a sample of localities using the layer method, and in the second phase, extraction of dwellings in a random-systematic manner in each chosen locality. The main frame for the extraction of the sample of dwellings is the municipal property-tax file. The main samples of dwelling were complemented by samples of dwelling units in student dormitories, immigrant-absorption centres, and sheltered-housing facilities for the elderly. Also, the samples were updated during the survey year by adding new dwellings that were chosen from a special frame composed of newly built dwellings.

The **data** in this publication pertaining to 2007 are based on a net sample of 14,147 households – 7,974 from the Income Survey sample and 6,173 from the Household Expenditure Survey sample.

Survey period: the data for the Income Survey were collected from four quarterly surveys. In each quarterly survey every member aged 15+ of each selected household was asked about his/her income during the three months ending the month before of the enumerator's visit. Thus, each annual survey investigates quarterly income over a fifteen-month period.

The data for the Household Expenditure Survey were collected for about thirteen months, during which data on income were collected for each household member aged 15+, and data on expenditures were collected for the household as a whole. Here, as in the Income Survey, the survey period also spans fifteen months.

D. Processing of Survey Data

The questionnaires collected in the field undergo manual checking, editing and coding. After the data are transferred to magnetic media, a series of logical checks are conducted specifically to find and correct mistakes in the file: checks of links between different variables, checks for total amounts and so on. Also, missing data are supplemented and questionnaires in which data are clearly defective and there is no way to correct them are disqualified. The purpose of the various checks is to correct mistakes that can be corrected and at the same time to eliminate from the final survey data that are deficient and cannot be corrected.

Price adjustment: all income data were standardized to price level – the average price level of the survey year – which was 187.4 points in 2007, according to the base: 1993 = 100.0.

Based on information from the National Insurance Institute, an additional amendment was made, for real changes in salary data of employees, according to industries. This additional amendment partially diminishes the "distribution" of data due to real changes, and amends the various average estimates, even if de-facto the sample is not distributed equally over the survey year.

Imputation of missing salaries: some respondents did not give full information about the investigated variables. Therefore, different calculations are made at the individual level, such as: imputing income for individuals who worked a low number of days and didn't report any salary; imputing salaries for months about which no data were reported, according to the reports on other months; calculation of gross income for those cases where the net income or the paid income were reported; calculation of direct taxes in accordance with the tables of the Income tax, National Insurance and Health Insurance; imputing weekly work hours, for cases where this information was missing.

97% of respondents in the income survey, who worked as employees during the three months for which they were enumerated, reported their gross income for the entire three-month term. 0.7% reported their income for two of the three months and 2.3% reported their gross income for one month only or reported their net income for one month and their gross income was imputed for them.

The missing information was completed by imputing the missing salaries in accordance with up-to-date statistical models and on the basis of all reported income of all employees.

E. Data Estimation

An additional source of income data is the National Insurance Institute. However, there are certain constraints that limit the attempt to compare data from the combined survey with sources from the National Insurance Institute. In the National Insurance Institute data, income is calculated per employee job, and in the combined survey income is calculated per employee. Therefore, an employee working in more than one place of work appears a number of times in the National Insurance data, and the average income calculated per employee on the basis of the National Insurance data is lower than the income per employee in the combined survey. However, not every person registered with the National Insurance Institute worked 3 full months; this fact has an influence in the opposite direction, due to the calculation of the average on a monthly basis.

Despite the differences in absolute data regarding income from various sources, it is possible to use the data on income received from the survey in an efficient manner; both for examining the differences in income between various population groups, and for estimating the changes in incomes over a period of time.

F. Method of Estimation

The estimation method is designed to reduce both sampling errors and the biases that may occur due to the possibility that non-responding households have different characteristics than households that participated in the survey.

To obtain estimates for the survey population at large, a “weighting coefficient” was determined for each enumerated household and for all persons belonging to that household. The weighting coefficient of a household reflects the number of households and the number of persons in the survey population who are represented by this particular household. In the calculation of these weighting coefficients the “non-response” cases were also taken into account (cases that should have been investigated but weren't), as well as cases that were rejected due to missing data about the respondents' income or the extent of their work.

The set of weighting coefficients was determined in a multi-phase “raking” process, in which the distribution of the weighted sample was adjusted for several external distributions, according to selected distribution variables. The adjustment for each of the distributions was made according to:

1. Household characteristics;
2. Individual characteristics – separately (not combined).

Among households, a different adjustment was made for those residing in Arab localities, for new immigrants who settled in Israel up to four years ago, and for the rest of the population, according to the following distributions:

1. Homogeneous groups of households, as determined by statistical methods, by level of consumption expenditure;
2. Groups of types of household, determined on the basis of the size and age composition of the household (for example: elderly persons living alone, young couples, households with children, etc.);
3. 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 evenly distributed over the months of the year, due to fieldwork constraints.

The household-characteristic distributions to which the survey data were adjusted were derived from the Labour Force Survey estimates that are based on a large sample (4 times greater than the Income Survey sample).

For data pertaining to individuals, 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 according to sex, age, and geographic cross-sections, in accordance with the current demographic data of the Central Bureau of Statistics.

For calculating the data in the tables, data were obtained from the Household Expenditure Survey and the Income Survey. Appropriate data from the Labour Force Survey were integrated into the Income Survey; mostly socio-demographic data such as age, sex, continent of birth, year of immigration and level of education, as well as data regarding industry and occupation, and usual work hours.