

for the auto workers remains high. If it is true that the undertakers' knowledge of the availability of life insurance affects the selection and sale of funeral arrangements, the relatively high amount available to the auto worker's survivors may account in part for the relatively high funeral cost.

Other reported uses of group life insurance proceeds varied with the stage of adjustment. The survivors in 1965 reported more frequently that they saved at least part of the money. About three-fourths of the 1963 survivors and half the 1965 survivors used at least part of the group insurance proceeds for current consumption purposes.

*Personal impact of the breadwinner's death.*—Marriage and remarriage plans are strongly related to the widow's age and the size of the family. Only 8 percent of the 1963 widows had remarried at the time of the interview; more than 20 percent of the widows with children under age 9 had remarried.

About 20 percent of the survivors reported use of nonfamily sources of financial advice following the worker's death. Most of them were satisfied with the advice, but 22 percent felt that they should have gone elsewhere for advice, generally to a lawyer.

Group activity of the widows declined appreciably after the husband died. The percentage of children who were not doing well in school doubled after the father's death for 1963 and more than tripled for 1965 survivors.

*Summary.*—In assessing the findings it should be recognized that the distinction between immediate and ongoing expenses and the budget standard and other measures of adequacy used are artificial constructs developed for the purposes of this study. If they are used within the limits attributed to them, they reveal important aspects of the problems and adjustments of the survivors of industrial workers.

The indicated deficiencies in financial resources for the group studies may understate their longer-range adjustment problems. Life insurance benefits, even if taken in monthly installments, are fixed in amount and limited in duration. Negotiated survivor benefits are also limited in duration. Except for social security benefits, which

may be adjusted through legislation, the benefits for survivors of active employees have generally been fixed by the collective-bargaining agreement in effect at the time of the worker's death. The cost and standard of living are not fixed, however.

The study data also reflect the fact that 1963 and 1965 were good years for the auto workers and the economy, as well as the years immediately before these workers' deaths. The authors feel that, despite the assured nature of the benefits, the picture for survivors might be considerably worse if the economy or the auto industry were to fall on "harder times" (perhaps through a decline in net assets and earnings of secondary wage earners).

The authors point out that, in generalizing from these findings for the auto industry to other groups with less in income or survivor or related benefits, the observations in the preceding paragraphs should be kept in mind. For groups with greater income or more comprehensive benefits, the effect of rising costs and standards of living must also be recognized. For both groups, projections of future income and benefits is hazardous. The earnings opportunities of widows may, however, be expected to decline with advancing age, given the age and background of the widows studied.

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## Social Security Abroad

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### POVERTY IN ISRAEL\*

A study of poverty in Israel indicates that 16.7 percent of all families, or 10.5 percent of the total population, were counted as poor in 1966, on the basis of an index defined by Israeli minimum subsistence requirements.<sup>1</sup> According to the study, the principal cause of poverty in Israel was the nonselective character of immigration during the period 1948-54, when large numbers of unskilled, aged, and physically handi-

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<sup>1</sup> I. Kanev, *Social and Demographic Development and the Shape of Poverty in Israel*, Economic and Social Research Institute and Research, Department of Health Insurance (Kupat Holim), Tel Aviv, 1968.

capped immigrants entered the country—most of them without funds.

The poor in Israel in 1966 numbered 279,000 individuals in 11,800 families. The report identified them in terms of three principal public-support categories rather than by their social or demographic characteristics.

Those in the largest of the three groups were recipients of long-term public assistance—97,500 individuals in 25,000 families. On the average, this group received 34 percent of their income from public sources. The relative size of the group remained approximately the same during the 7-year period from 1960 to 1967, at about 3.8 percent of all Israeli families.

The second largest group consisted of 97,000 persons (26,000 families) classified as unemployed, either because of lack of skills (78,000 individuals in 20,000 families), or because of physical handicaps (19,000 individuals in 6,000 families).

There were 85,000 aged persons (60,500 families) in the third main group. Sixty-two percent of them received national insurance pensions; 27 percent (who were ineligible for national insurance) received old-age assistance; and 11 percent were employed by the Rehabilitation Service (Hameshakem).

These public-support categories may be translated roughly into the following social categories, in order of size and with some overlapping: low-income large families, needy aged persons, the unskilled unemployed (who also, on the average, have large families), and the physically handicapped. It may thus be inferred that the principal problem of poverty in Israel in 1966 was that of the large family with a breadwinner in a low-income occupation or irregularly employed. The report identified the unemployed poor as “unskilled,” indicating that they constituted a hard-core group. It might, however, be noted that the period of the study coincided with a temporary period of relatively high overall unemployment.<sup>2</sup> With the improvement in general economic conditions, some members of this group may have ceased to be countable as poor.

<sup>2</sup> From 1958 to 1966, the unemployed constituted less than 4 percent of the total labor force. As a result of the 1966 recession, the unemployment rate mounted to an estimated 19 percent by 1967. See “Prospects for Unemployment Insurance in Israel,” *Social Security Bulletin*, September 1968, pages 25–26.

## Poverty Benchmarks

Like the poverty index for the United States, developed by the Social Security Administration, the Israeli poverty index is based on an “economy food plan.” Food expenditures were given considerably more weight in the Israeli index than in that of the United States—and (apparently) more weight than that given in the poverty benchmarks developed by the Economic Council of Canada. In Israel, such expenditures represented more than one-half the total family budget at the poverty line; for the United States (1966) they were assigned a value of one-third.<sup>3</sup>

The poverty cut-off of the Economic Council of Canada assigned 70 percent of family or individual income to a composite of the three essentials—food, clothing, and shelter.<sup>4</sup> No value was specified for food expenditures alone. If, however, outlays for food were assumed to represent as much as two-thirds of the composite base, the relative proportion of total income spent on food by needy Canadians would still lie below the Israeli percentage.

The different weights assigned to food outlays in the United States and Canadian indexes and in the Israeli index presumably reflect higher standards of living in the two Western countries.

In 1966, the Israeli poverty cut-off for a family of four was 3,163 pounds a year (\$903). This figure was based on family consumption patterns for food and other items at 1963–64 prices for workers in the lowest of five earnings classes. Food expenditures were corrected for added nutrients, for variations in requirements among three age groups, and for wastage in single-person households. The Israeli “economy food plan” for a four-person family (including two adults and two children aged 7 and 11) amounted to 140.8 pounds (\$40) a month at 1963–64 prices, or 52.5 percent of total monthly family expenditures. The balance of 123.2 pounds was distributed among clothing, furniture, household upkeep, entertainment, and miscellaneous items. Housing costs were excluded from the budget.

The Israeli report points out that the 1966

<sup>3</sup> See Mollie Orshansky, “The Shape of Poverty in 1966,” *Social Security Bulletin*, March 1968, pages 3–32.

<sup>4</sup> *The Challenge of Growth and Change* (Fifth Annual Review of the Economic Council of Canada), Queen’s Printer, Ottawa, 1968. See also “Poverty Study in Canada,” *Social Security Bulletin*, February 1969, pages 41–43.

poverty income threshold for an Israeli family of four bore the same relationship to the national median income for four-person families as the poverty income threshold did in the United States in 1966. The Israeli poverty cut-off of 3,163 pounds (\$903) represented 39 percent of the median income for families of four: 8,080 pounds (\$2,308). In the United States, comparable figures were \$3,335 (nonfarm poverty threshold, four-person family), representing 40 percent of \$8,340, the median income for four-person families.

On the basis of standards developed by each country, 10.5 percent of the Israeli population in 1966 was classified as poor; fifteen percent of the U.S. population was counted poor in 1966, and 25 percent of the Canadian population was thus classified in 1961.

### Characteristics of the Poor

The statement in the Israeli poverty study that need is largely the result of nonselective immigration policies was based on a series of surveys conducted in 1961, 1963, and 1963-64 of families receiving various types of public assistance. According to the 1963-64 survey, 93 percent of families receiving public support entered the country after 1948, and 79 percent were immigrants from developing Asian and African countries. In addition, immigrants were admitted without regard to physical condition, financial circumstances, employability, or age. These conditions were directly related to the differentiating characteristics of the population receiving support, described below.

*Large families.*—Supported families averaged five persons as against 3.9 in the Jewish population of Israel. One-half of the supported families had five members or more; the countrywide rate for the Jewish population was 27 percent.

*Low rates of full-time employment.*—Thirty-five percent of those of working age did not work at all during the year under review; 48 percent worked only part of the year and 17 percent worked full time. Employment status was directly related to the educational level attained, according to the report.

*Employment in unskilled low-income occupations.*—Among those with some employment during the survey year (65 percent of the supported population), nearly half were employed in agriculture and services, compared with 30 percent of the overall employed population; less than one-tenth were professional, managerial, and white-collar workers, in contrast to 23 percent of the entire employed population. About one-fourth were employed in special Government-supported relief projects. (The percentage of industrial workers was not reported.)

### Poverty and Public Programs

Under Israeli social welfare policy, provision for those defined as poor includes family allowances, old-age benefits, and work projects. Family allowances currently provide monthly payments of 12.50 pounds (\$4.10) for each of the first three dependent children, and large family allowances are payable to families with four or more children at rates ranging from 12.50 pounds for the fourth child to 17.50 pounds for the eighth and successive children.

These programs may help to maintain the families of low-income employed workers at a level above the poverty line. They would not, however, be equally effective for an unemployed or partially employed worker receiving long-term public assistance, since family allowance payments count as an offset against means-tested assistance payments, whether they are general assistance payments or supplementary income-tested old-age or survivor benefits under the national insurance program.

Old-age benefits include a flat-rate benefit of 68.05 pounds a month, or 102.07 pounds for a couple. The beneficiary is entitled to a supplement up to 25 pounds a month (or 41.55 pounds for a couple) if he has no income except his pension and support from relatives. Some 40 percent of Israeli old-age pensioners receive the supplement. As the study points out, the national insurance pension and full supplement represent an income below the poverty line for both single and two-person households. The study recommends an increase in old-age benefits.

Special allowances are made to retired persons

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TABLE M-4.—Selected social insurance and related programs: Contributions and taxes collected, 1939-69

[In thousands]

Period	Retirement, disability, and survivor				Hospital insurance under OASDHI <sup>1,2,3</sup>	Unemployment		
	Old-age and survivors insurance <sup>1,2</sup>	Disability insurance <sup>1,2</sup>	Federal civil service <sup>3</sup>	Railroad retirement <sup>2,4</sup>		State unemployment insurance <sup>5</sup>	Federal unemployment taxes <sup>7</sup>	Railroad unemployment insurance <sup>8</sup>
Fiscal year:								
1939-40	\$604,694		\$131,880	\$120,967		\$853,955	\$107,523	\$49,167
1944-45	1,309,919		486,719	285,038		1,251,958	184,544	131,993
1949-50	2,106,388		662,262	550,172		1,094,406	226,306	18,855
1954-55	5,087,154		469,856	600,106		1,142,009	279,986	23,720
1959-60	9,842,685	\$987,079	1,509,695	606,865		2,164,757	341,108	161,912
1960-61	11,292,676	1,022,002	1,745,833	570,713		2,361,279	345,356	161,308
1961-62	11,454,643	1,020,866	1,759,409	564,218		2,709,253	452,638	155,259
1962-63	13,327,762	1,076,621	1,884,796	571,534		3,005,409	945,367	157,682
1963-64	15,502,726	1,143,161	2,036,419	593,477		3,043,408	846,567	156,057
1964-65	15,857,212	1,175,244	2,182,203	635,545		3,046,428	614,891	152,300
1965-66	17,865,947	1,556,652	2,277,013	683,458	\$908,797	2,961,878	561,014	148,411
1966-67	22,567,002	2,249,397	2,469,071	776,493	2,704,884	2,911,247	596,773	145,665
1967-68	22,662,430	2,699,368	2,724,981	814,399	3,557,662	2,597,675	600,990	139,591
1968-69 <sup>9</sup>	25,952,686	3,532,434	2,890,611	893,410	4,423,236	2,555,110	634,219	134,401
1968								
July	1,561,912	248,401	254,649	7,768	314,771	237,476	1,939	704
August	2,894,897	301,000	225,685	87,079	433,776	497,476	377	10,076
September	1,587,309	338,567	245,899	76,967	423,083	14,319	1,138	23,481
October	1,439,032	235,336	285,871	17,702	288,216	149,752	1,281	761
November	2,417,957	269,593	226,494	145,281	339,644	299,201	568	8,987
December	1,347,238	217,824	255,942	71,543	268,419	14,048	88	24,629
1969								
January	1,382,610	198,689	266,515	11,354	246,744	100,265	100,836	444
February	2,966,019	387,941	221,089	143,255	492,186	237,492	505,489	8,984
March	1,982,203	257,153	236,824	83,074	337,877	15,365	9,751	24,065
April	2,774,957	366,544	247,554	8,101	418,377	288,236	4,869	709
May	3,637,913	442,640	230,121	158,607	568,545	684,773	5,888	5,885
June <sup>9</sup>	1,960,639	268,746	193,967	82,589	345,374	16,705	2,004	25,676
July <sup>9</sup>	1,974,809	250,940	346,774	12,283	318,187	238,906	854	504

<sup>1</sup> Represents contributions of employees, employers, and the self-employed in employments covered by OASDHI under the Social Security Act, on an estimated basis, with suitable subsequent adjustments. Data for earlier years reflect former appropriation bases. Includes deposits by States under voluntary coverage agreements. Employee-tax refunds deducted. Excludes transfers from general revenues.

<sup>2</sup> Excludes transfers between OASDHI system and railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

<sup>3</sup> Represents employee and employing agency (Government) contributions. Employee share includes voluntary contributions to purchase additional annuity. Data reported by Federal Civil Service Commission.

<sup>4</sup> Beginning 1959, net of tax refunds. Excludes contributions for hospital insurance coverage of railroad workers.

<sup>5</sup> Excludes reimbursement from Treasury general funds for cost of benefits or persons not insured for cash benefits under OASDHI or railroad retire-

ment. Includes contributions for hospital insurance coverage of railroad workers under the Social Security Amendments of 1965; excludes interest thereon.

<sup>6</sup> Represents deposits in State clearing accounts of contributions plus penalties and interest collected from employers and contributions from employees (3 States in recent years). Excludes contributions collected for deposit in State temporary disability insurance funds. Data reported by State agencies.

<sup>7</sup> Represents taxes paid by employers under the Federal Unemployment Tax Act. Beginning 1961, net of tax refunds. Includes tax proceeds for financing temporary extended unemployment compensation programs for 1958 and 1961.

<sup>8</sup> Beginning 1947, also covers railroad temporary disability insurance.

<sup>9</sup> Preliminary.

Source: *Monthly and Final Statement of Receipts and Expenditures of the U.S. Government* and other Treasury reports, unless otherwise noted.

## POVERTY IN ISRAEL

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not covered by national insurance. Men aged 60 and over and women aged 55 and over who entered Israel after April 1954 were excluded from coverage under the national insurance system. They are eligible for either of two types of means-tested payments: Aged persons living alone without any source of income receive payments approximating the national insurance benefit, less supplement. Aged persons living with relatives who contribute to their support receive smaller amounts.

Certain aged and handicapped workers are employed by the Rehabilitation Service. The monthly average number of workers for 1967 was 6,700, principally employed in unskilled and semiskilled occupations.

Work relief projects, supplemented by means-tested grants, were set up for able-bodied unemployed workers aged 21-65. There is no statutory unemployment insurance program in Israel, although the establishment of such a program at some future date has been recommended.<sup>5</sup>

<sup>5</sup> See *Social Security Bulletin*, September 1968, pages 25-26.