

Report reveals 1.6 million Israelis living in poverty

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Israel's National Insurance Institute (NII) last week revealed another annual rise in the country's poverty rate. Nearly 100,000 people fell below the poverty line last year, raising the total number impoverished to more than 1.6 million, 24.7 percent of the total population. At 35.2 percent, Israel now has the highest child poverty rate among advanced capitalist countries. The figures demonstrate the depth of the social crisis in Israel, which will be further exacerbated by the government's planned cuts to social spending in the aftermath of the war in Lebanon.

The NII, a governmental welfare body, attributed much of the rise in poverty to previous government cutbacks, particularly of child allowance payments. After coming to power in 2000, former Prime Minister Ariel Sharon and his finance minister, Benjamin Netanyahu, slashed family payments, a policy carried forward by the current Kadima-Labour coalition of Prime Minister Ehud Olmert. The NII calculated that in 2005, child allowance cuts reduced the income of large families by 12 percent and families with two children by 6 percent. A total of 58 percent of large families were under the poverty line in 2005, up from 54.7 percent the year before.

Similar cuts to unemployment benefits have exacerbated the dire situation facing jobless Israelis. Unemployment is almost 9 percent, and the number of long-term unemployed has rapidly increased. In 2004, a quarter of all those out of work remained unemployed for more than a year, compared to just 6 percent in 1997. Only one in five unemployed people receive benefits, due to government restrictions and deliberately onerous bureaucratic procedures. Many who do receive payments are dragooned into menial "welfare-to-work" job schemes.

The NII also revealed the deep regional and ethnic disparities within the Zionist state. Arab-Israelis have a far higher poverty rate than Jews, with 52 percent of Arab

families living under the poverty line. Poverty was the highest in Jerusalem, where 42 percent of residents and 56 percent of children were poor.

A striking feature of the NII report is the rise of the "working poor". Poverty in Israel is by no means restricted to the unemployed, elderly, and disabled. As the country has become more closely integrated into the global economy, the wages and conditions of working people have been systematically downgraded. In order to maintain the profit rates of Israeli companies and to attract international investment, successive governments have privatised state industries, removed business regulations and lowered taxes for the wealthy.

These measures have had severe consequences for working people. "Despite overall economic growth, the percentage of poor families in which the head of the household was employed increased from 11.4 percent in 2004 to 12.2 percent in 2005, from 160,000 families to 177,000 families," *Haaretz* explained. "The percentage of poor families among families with workers increased from 40.6 percent to 43.1 percent. Nearly 60 percent of the working poor held full-time jobs."

A study conducted by the Adva Centre, "Workers, Employers, and the Distribution of Israel's National Income", examined recent changes in the social position of the working class. The report found that since 2003, 65 percent of all new jobs were part-time and predominantly low paid. An extraordinary 20 percent of all new jobs created for men in the past five years were generated as a direct result of the Palestinian uprising, in security and other non-productive industries. Despite productivity increases, average wages have declined since 2000 and two-thirds of workers now receive less than \$US320 a week.

A *Haaretz* article published September 1 described the situation facing one family, the Vaknins. Chaim Vaknin works as a gardener for 30 hours a week and receives the

minimum wage, while his wife Racheli looks after their four children. One-third of their income goes to paying a mortgage on their small two-bedroom apartment. Despite Racheli's family responsibilities and chronic arthritis, authorities forced her into a "welfare-to-work" program in order to qualify for a small income assistance payment. "We receive charity," she said. "We get our schoolbags and clothing second-hand. It's very hard to live on our income."

Israel's offensive in Lebanon will worsen the poverty rate, both through direct reconstruction costs in the north and through cuts to social spending to fund the Israeli Defence Forces' rearmament. According to the Israel Institute of Social and Economic Research, an additional 50,000 people will fall below the poverty line this year.

The Olmert government has proposed an initial round of budget cuts worth \$1.7 billion. The measures advanced by Finance Minister Avraham Hirschson include further reducing child allowances, raising the age of entitlement to unemployment allowance from 20 to 28, increasing university tuition fees by 50 percent, cutting grants for discharged soldiers, firing public service workers and privatising the postal service.

The government intends to make the working class pay for the Lebanon war. Shortly after tabling his budget proposal, Hirschson wrote a grovelling letter to the Federation of Israeli Chambers of Commerce, assuring big business that tax cuts scheduled to take effect over the next four years would not be reversed.

The budget proposals have sparked uproar and provoked fissures within the ruling coalition. Olmert was forced to delay publication of the budget proposal, and offered to withdraw some of the measures after coalition members threatened to vote against the budget in the Knesset (parliament). The government was already under intense pressure following the political debacle it suffered in the aftermath of the Lebanon war.

The general election last March highlighted ordinary Israelis' opposition to the right-wing economic program advanced by successive Israeli governments. The Labour Party, led by former trade union chief Amir Peretz, performed better than expected after focussing its campaign on reversing previous cuts and raising the minimum wage. Several minor parties, including present coalition partners Shas and the Pensioners Party, ran on similar programs. After Olmert's Kadima Party won just 29 of the Knesset's 120 seats, it was forced to accommodate some of the demands of these minor parties to secure its parliamentary majority.

While none of the coalition parties in any way represent the interests of Israeli workers, they are now under pressure from their own constituencies. According to an opinion poll conducted last month, 70 percent of the population oppose reducing welfare payments to fund the defence budget. The Pensioners Party and Shas have threatened to leave the government if cuts are made to child allowances and pension payments.

A Labour Party Knesset faction seeking to topple Peretz has demagogically accused him of betraying the party's program. Prominent Labour "rebel" Shelly Yacimovich seized upon the NII's poverty report. "The children's condition worsens each year," she declared. "Due to the brutal and extreme cut in child allowances, Israel ranks as one of the countries where stipends are the lowest... The labour market has turned into a slave market and work-weary parents, especially single mothers who are sole providers, work hard and are being exploited only to raise poor children." On the proposed budget she stated, "Kadima wants us out of this government. There is no other explanation."

Yacimovich's protests are little more than an empty posture. The Labour Party is directly responsible for the present situation, having presided over a series of right-wing economic reforms and welfare cuts over the past decade. Personal ambition, rather than principled policy differences, drives Peretz's opponents. The Labour "rebels" are led by former economist Avishai Braverman and ex-Mossad director Danny Yatom, who resent Peretz for failing to offer them a cabinet position in the government.

The political divisions within Labour and the ruling coalition are nevertheless real and reflect the Zionist state's social crisis. Sections of the ruling elite are aware that mounting poverty and social inequality brings with it the threat that a mass movement will develop against the established parties. "How many slaps in the face can the weak population take?" Labour politician Nadia Hilou warned. "This may lead to a social intifada."



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