

SOCIOECONOMIC INEQUALITY IN ISRAEL

A Theoretical and Empirical Analysis



*Edited by Nabil Khattab,
Sami Miaari, and Haya Stier*



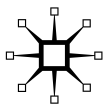
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Introduction

Nabil Khattab, Sami Miaari, and Haya Stier

Inequality has been at the center of scholarly and policy attention in many industrialized countries. The rise in income inequality during the last decades, which characterizes many industrial countries, led to growing concerns for future economic, social, and political stability of societies and the well-being of their citizens. Recent studies highlight the drivers of inequality as well as its consequences (e.g., Salverda et al. 2014). Economic changes within the Western world during the last few decades have contributed greatly to the rise in inequality and poverty, affecting the opportunity structure open to different groups in society and the income distribution. Increasing competition due to the opening up of international markets and to an influx of migrant workers on the one hand, and technological developments on the other hand, changed employment opportunities and the structure of demand for workers. These changes have increased opportunities for the highly skilled and narrowed those for workers lacking the appropriate skills and educational background. In addition, economic and financial crises further increased employment instability and affected the wages of, especially, vulnerable groups of workers, while traditional worker protections have eroded with the weakening of labor unions. All of these factors have sharpened economic inequality and left the labor market's more vulnerable groups with uncertainty, low wages, and worsening work conditions.

In addition, changes in the welfare system have had a particularly negative impact on groups characterized by a high degree of economic vulnerability. Cutbacks in the support extended by many Western countries to the unemployed and to single-parent families, as well as the implementation of welfare-to-work programs and the creation of incentives for labor market participation, have brought numerous low-skilled workers into the labor force, where they are employed in low-wage jobs. That said, inequality is affected by household strategies, and the increase in dual-earner household and the total hours households allocate to market work explain not only changes in inequality over time but also differences in the economic position of different groups within a society. Similarly, premarket inequalities, especially those related to the educational