Inequality and the State in Israel: Implications of the Social Services as an Employer

By

Michael Shalev
The Hebrew University of Jerusalem

Abstract
On the basis of microdata from Labor Force and Income Surveys over two decades, this study considers the impact of employment in health, education and welfare on three different types of economic inequality. More than one fifth of prime-age employees work for the social services, which is especially attractive to women, part-time workers, and those with at least post-secondary education. Ashkenazim historically dominated the sector, but their representation has converged to some extent with other groups. Wage equations show that the social services are a much less discriminatory employer of two vulnerable origin groups, Arabs and (female) immigrants from the FSU. In relation to the gender wage gap, this study finds that once compositional differences are taken into account, women's pay is relatively more favorable in the social services. Moreover, working mothers are accommodated by offering many of them part-time jobs accompanied by a wage bonus. A third type of inequality, between households, is more complex to assess. In contrast to transfer payments, the distribution of earnings from social service jobs is regressive, but this does not mean that household income would be more equally distributed in the absence of these jobs. Given the importance of work in the social services for Arab citizens, as well as their role in favorably employing married women, contraction of the welfare state's role as an employer would have serious distributional consequences.

The Maurice Falk Institute for Economic Research in Israel
Jerusalem, July 2006  •  Discussion Paper No. 06.06