The steep rise in home prices brought the importance of housing assistance to the forefront of the nation’s agenda and again raised the discussion of public-housing policy. In the past, the government made broad use of such policy in order to increase housing affordability among population groups whose economic means do not allow them to purchase a home and who spend a large share of their income on rent. This box focuses on public housing and describes its development over the years as well as the characteristics of the dwellings and the residents. It then offers an international comparison of housing assistance. Finally, it examines the advantages and disadvantages of public housing and offers suggestions for the appropriate policy to adopt in this area.

**Housing assistance—past and present**

Currently, the government provides housing assistance primarily in three ways, listed in increasing order of recipients’ needs: (1) Mortgage subsidies; (2) Rental subsidies in the free market, and (3) Allocating accommodations in public housing (and for senior citizens, in assisted living) at subsidized rents. The assistance policy is the responsibility...
of the Ministry of Construction, and there are housing companies that are responsible for the stock of public-housing homes and their maintenance.¹

Over the years, government housing assistance has decreased in all of its channels. The government cancelled the grants for purchasing a home (except for immigrants from Ethiopia), reduced the size of subsidized mortgages and their inherent benefit (Agmon, 2014)—among other ways due to the reductions in the interest rate, cut assistance for rentals in the free market, and allowed their real value to erode.²³ These steps were taken despite the high poverty rate and despite the real increase that occurred in recent years in housing prices. As a result, and to some extent also due to reduced immigration to Israel, government expenditure on housing assistance declined from NIS 4.6 billion in 2000 (in 2014 prices) to around NIS 2.0 billion in 2014. This contraction, in turn, reduced the share of households that do not own a dwelling and whom receive housing assistance through one of two primary channels—public housing and rental assistance. In 1987, before the mass immigration from the former Soviet Union, about half of households that do not own a dwelling received assistance through such channels, and in 2014 only slightly more than one-quarter did, while the share of home ownership declined slightly over those years.

At the end of 2014, there were about 61,000 homes in public housing⁴⁵, and based on administrative data, the tenants paid an average of NIS 340 per month in rent.⁶ The rent level was set in accordance with family characteristics and the location of the dwelling.

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¹ The stock of homes in public housing is primarily managed by the Amidar and Amigour companies. In addition, there are the following municipal companies: Heled—Government-Municipal Company for Housing Renewal and Development Ltd. in Petah Tikva; Halamish—Government-Municipal Company for Housing Renewal Ltd. (Tel Aviv); Prazot—Government-Municipal Company for Housing Ltd. (Jerusalem); Shikmona—Government-Municipal Company for Housing Renewal in Haifa Ltd, as well as “Housing and Development” (primarily in Qatzrin and in Judea and Samaria).
² Due to the social protest in the summer of 2011, the government increased somewhat the amount of rental assistance.
³ The expenditure on housing assistance does not include the value of the rental subsidy in public housing, the cost of purchasing homes for stock (net of revenue from selling the homes), and housing loans. Agmon (2014) and Achdut and Gordon (2004) describe the legislative changes that were enacted since the beginning of the previous decade and that reduced the housing assistance.
⁴ As of 2011, about 2,300 homes were rented to public entities (State Comptroller, 2013). Likewise, about 500 homes are currently not inhabited.
⁵ In addition to the stock of homes in public housing, there are 24,000 assisted living housing units, at low rent, and these homes are occupied by senior citizens (primarily immigrants).
⁶ At the end of 2014, there were 144,000 families receiving free market rental assistance, at an average amount of NIS 880 per month.
Those eligible for a dwelling in public housing include families that have not owned a home since 1971, have exhausted their earning capacity\(^7\), have low income, and who have three or more children unless they are new immigrants.\(^8\) In 2014, more than 2,000 eligible families were waiting for a dwelling in public housing (excluding families waiting to exchange their dwelling), and the average waiting time for a home in the center of the country has reached 5–10 years. It should be noted that those waiting are eligible for an increased rent subsidy.

Public housing has an interesting history. The State of Israel provided, from the day of its founding, rapid and extensive housing solutions in order to absorb the waves of immigration and to develop and settle peripheral areas. In the State’s first decades, many public-housing dwellings were built through public construction, mainly in peripheral areas. The total reached around 200,000 at the end of 1960s (Weinstein, 2014), and they housed more than a quarter of households in Israel. Most of their residents were new immigrants and had few economic means. Beginning in the 1970s, the government changed its policy. First it switched from public construction to homebuyer (and contractor) assistance, and later on to assistance with rents in the free market. In parallel with expanding the use of rental assistance, the government reduced the use of the public housing mechanism—it decreased the stock of homes in public housing by sales initiatives and fewer purchases, and as of the end of 2014 the stock of homes as noted was about 61,000.

The sale to residents of homes in public housing has existed for many years, in order to ensure dwellers the ownership of a home that can be bequeathed as well as for other reasons that will be listed below, and the homes were sold at marked discounts. The first sales initiative (the Great Opportunity) began in the middle of the 1980s and ended in 1994—the discount in that program reached 60 percent in development areas, and through that program about 5,000–7,000 homes were sold each year (Weinstein, 2014).

\(^7\) A high degree of disability or receiving an income support allowance or income supplement for at least two years. Among new immigrants there is a group that is not obligated to exhaust its earning capacity: disabled people, the elderly, and mothers/fathers in single-parent families. Details appear in the report of the Committee to Fight Poverty in Israel (2014).

\(^8\) As an illustration, the following couple is eligible—under certain circumstances—for a home in public housing: veteran in Israel, has three or more children, exhausted its earning capacity, and their income in 2015 was less than NIS 6,033 per month.
In 1998, the Public Housing (Purchasing Rights) Law, 5758-1998, was enacted, and this enabled residents to purchase the homes at a maximum discount of 85 percent (the rate of the discount increases with the tenure in public housing). The law’s enactment was delayed several times, and sales initiatives were conducted instead—“My House” (1999–2000), “Buy your Home” (2000–04), “My Home is Here” (2005–09), and “A Home of My Own” (2008–10). Altogether, about 33,000 dwellings were sold in these recent initiatives, while the number of homes bought for stock during the same period was only about 1,600. Less than half the receipts from the sales were guided to housing projects, and only about 7 percent were guided to the purchase of new homes, even though the funds were originally designated for purchasing new homes for stock (Fidelman, 2011). In any case, since the homes were sold at a marked discount, only a relatively small number of homes could be purchased with the receipts.

In July 2013, the government decided to permit residents to purchase the homes at terms that were set in the Public Housing Law, for five years or until the sale of 15,000 homes from stock. The government has implemented the decision since January 2014, and by the beginning of 2015 residents had submitted 5,500 purchase requests, and about 2,300 homes were purchased. The revenue from the sale of the homes is designated for increasing the stock of public-housing homes, for renovating the homes, and for rental assistance. The Ministry of Construction plans to allocate NIS 1 billion in 2015–16 for the purchase of 1,000 homes, primarily in the center of the country. The Ministry will purchase the dwellings through the housing companies, and to date has transferred NIS 400 million to Amidar for such purposes.

**Characteristics of dwellings and residents in public housing**

Public housing has served as a tool for dispersing the population and therefore many dwellings are located in peripheral areas, as noted, and in particular in the Southern district, where they make up about 7 percent of total dwellings (Figure 1). In Be'er Sheva, they reach about 5,000 (about 7 percent of homes in the city), and in Bet She'an, Dimona, Yeroham and Mizpe Ramon they make up more than 20 percent of the homes (Figure 2).
A considerable majority of such homes is located in neighborhoods with a weak-medium socioeconomic ranking\(^9\) (in many cases rehabilitation neighborhoods). The location of the homes—in the geographic and socioeconomic periphery and far from employment opportunities—reduces working-aged residents’ opportunities to escape poverty.

The dwellings in public housing are very old—their median age is 45 years—and nonetheless the budget for their maintenance is very low. Housing density there is only 0.9 persons per room, mainly because they are frequently occupied by senior citizen households. In many cases there is no alignment between the size of the dwelling and the number of people living in it—an individual or a couple may live in a large dwelling, while families with many children may live in small dwellings (see the report of the Committee to Fight Poverty in Israel, 2014).

We examined the demographic and socioeconomic characteristics of residents in public housing compared with the main target population—poor households\(^10\), who rent a dwelling in the free market and who do not own a home (Table 1). About half of the residents are new immigrants (a considerable majority from Former Soviet Union countries, and about 10 percent from Ethiopia\(^11\)); about two-thirds of the remaining residents were born in Asia or Africa. A high percentage of residents are elderly, single-parent households and receive subsistence allowances. This finding is in line with the fact that the eligibility for public housing is focused on those with low earning capacity: the share of employed persons among the working-aged residents is low relative to the comparison group, and their education level is lower. Net family income per month is around NIS 5,100, and three-fifths of that derives from allowances and support payments (mainly disability allowances, old-age allowances, and income support). More than half of households in public housing are living below the poverty line.

**International comparison**

\(^9\) In Arab villages, there are hardly any public housing homes. In ultra-Orthodox neighborhoods there is a tiny amount.

\(^10\) The comparison group does not include Arabs. The group also does not include a home headed by someone younger than 35, since their share in public housing is extremely small.

\(^11\) About 9 percent of Ethiopian-immigrant households live in public housing.
Western countries also provide housing assistance, through a variety of channels, and there is some heterogeneity in the share of people receiving such assistance in the population and in the amount of public expenditure (European Parliament, 2013). In 2009, dwellings in public housing made up about 8 percent, on average, of total dwellings in the European Union, compared with about 4 percent in Israel (including assisted living), while home ownership in those countries was similar to the level in Israel. However, in Europe as well a prolonged decline can be seen over the years in the number of homes and in their share of total dwellings.

Public housing stock in Israel is small, however, the alternative—rental assistance—is not large, as Israel is in the middle of the OECD ranking in terms of share of those receiving rental assistance (Andrews et al. 2011), but EU countries spent about 0.28 percent of GDP, on average, on assistance at the end of the previous decade, while Israel spent only about 0.16 percent of GDP. In addition to Israel providing relatively low housing assistance, its home prices, relative to per capita GDP, are higher than prices in other advanced economies12, especially in recent years.13 Based on the EU’s (and others’) definition, households that spend more than 40 percent of their disposable income on housing suffer from housing cost overburden. The share of households renting a home in the free market and suffering from housing cost overburden in Israel is about 37 percent, of which one-third are poor14, and the burden is greater than that in most EU countries (Figure 3). Since the incidence of poverty in Israel is greater than that in other countries, and home prices are relatively high, it may indicate that there is a considerable need in Israel to reduce the burden.

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12 Based on the following sources: International Monetary Fund, Bank for International Settlements, Central Bureau of Statistics, Israel Tax Authority (real estate prices register). Data are available for the following countries: France, the Netherlands, Norway, Spain, UK and US. Only in the UK are home prices, relative to per capita GDP, similar in recent year to prices in Israel.

13 There are no parallel available data for rent. However, when conducting an international comparison of rent relative to net salary for various professions (ranked across the scale of salaries in the economy), and focusing on Tel Aviv and major cities in other OECD countries, it is found that in every case Tel Aviv is above the reference median, and in most cases it is in the top third (UBS 2012). With that, it is likely that among countries there are differences in the gap between the ratio of rent to net salary in major cities and the ratio for the country as a whole.

14 The burden in Israel is more common among low income, elderly, and young (especially students) households.
In most Western countries, housing assistance focuses on the weakest population groups, and the share of elderly, poor, and single-parent households among overall public housing residents is greater than their share in the general population. European countries have been working in recent years to improve the physical condition of public housing dwellings and to broaden residents’ socioeconomic range and location, in order to yield some added value from the possible interaction between population groups. Another widespread trend in those countries is to provide housing assistance not only to people earning the least, but also to working families with low incomes, for example by subsidizing rent and encouraging construction of affordable housing.

Conclusion and policy recommendations

As the poverty rate in Israel is high, housing assistance has eroded over the years, the burden of housing is high in international comparison (and over time), and the share of housing assistance is relatively low compared with accepted levels in Western countries, there is room for Israel to expand the system of housing assistance and to update the criteria for receiving such assistance. In order to formulate more detailed recommendations on the proper public housing policy to adopt, its advantages and disadvantages need to be examined.

Public housing ensures a stable protection against the necessity of changing a home due to soaring rent in the free market and/or due to a deterioration in the economic situation of the household—a common occurrence among the needy, as many of them lack occupational stability. In contrast, public housing in its current composition has many shortcomings: (1) It creates a poverty trap—earning above a low threshold is liable to immediately negate eligibility for a dwelling in public housing, because the State does not offset the amount of the assistance proportionately to the increase in labor income. This situation is liable to deter residents from increasing their labor income. (2) The stock of homes is often distant from employment opportunities. (3) The physical characteristics of the homes (such as size and accessibility) are not in line with the needs

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15 This discussion is based on the European Parliament (2013) and Scanlon, et al. (2014).
16 In actuality, very few income tests are conducted for people living in public housing.
of many households (such as the number of people and any disabilities). (4) Large housing clusters are in poor neighborhoods, which is liable to negatively impact the social integration of the residents and perhaps even to strengthen the spatial neglect deriving from the homes not being owned by the people living in them. (5) The homes are old, and since adequate upkeep involves heavy costs, the homes and surrounding areas are frequently in states of neglect.

Nonetheless, it appears that public housing provides a solution to households with low earning capacity, including households of disabled people. Therefore, such population groups should be provided with an adequate stock of public housing homes, and at the same time the homes’ physical condition should be improved. Likewise, their geographical distribution should be aligned with that of the residents—in particular those of working age—and specifically the share of homes outside the geographic and socioeconomic periphery should be increased. As for households with earning capacity, it is suggested to consider broadening other housing assistance alternatives for them, including rental assistance, as such alternatives prevent a poverty trap and allow them to live in areas where they will be able to integrate more easily into the labor market.

Bibliography


European Parliament (2013), Social Housing in the EU.


Eurostat (2014), Living Conditions in Europe.


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Table 1
Demographic and socioeconomic characteristics of poor households living in rented housing and of households living public housing, 2012

<table>
<thead>
<tr>
<th></th>
<th>Poor households living in rented housing</th>
<th>Households living in public housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (median, years)</td>
<td>53</td>
<td>55</td>
</tr>
<tr>
<td>Number of household members</td>
<td>2.9</td>
<td>2.2</td>
</tr>
<tr>
<td>New immigrants (percentage)</td>
<td>50</td>
<td>51</td>
</tr>
<tr>
<td>Married (percentage)</td>
<td>47</td>
<td>23</td>
</tr>
<tr>
<td>Number of years of education</td>
<td>13.4</td>
<td>11.5</td>
</tr>
<tr>
<td>Employed (percentage)</td>
<td>44</td>
<td>42</td>
</tr>
<tr>
<td>Employed, aged 35–54 (percentage)</td>
<td>73</td>
<td>55</td>
</tr>
<tr>
<td>Monthly income (NIS):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, gross</td>
<td>4,230</td>
<td>5,064</td>
</tr>
<tr>
<td>From labor</td>
<td>1,772</td>
<td>1,796</td>
</tr>
<tr>
<td>From pension</td>
<td>46</td>
<td>187</td>
</tr>
<tr>
<td>From allowances and support</td>
<td>2,412</td>
<td>3,062</td>
</tr>
<tr>
<td>Total, net</td>
<td>3,997</td>
<td>4,804</td>
</tr>
<tr>
<td>Total, net—equivalized</td>
<td>1,641</td>
<td>2,512</td>
</tr>
<tr>
<td>Receiving disability allowance</td>
<td>12</td>
<td>28</td>
</tr>
<tr>
<td>(percentage)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Receiving income support (percentage) | 14 | 25

Housing density (persons per room) | 1.1 | 0.9

Monthly expenditure on rent (NIS) | 1,942 | 387


1 Jewish (and other) households headed by someone aged 35 and older, who rent a home from a private individual, and who do not own a home.

2 All the characteristics (except for income and transfer payments) refer to the head of the household.

3 The five upper percentiles, by labor income, of both renting households and public housing households, were not included.

4 Immigrated after 1989, or immigrated from Africa (mainly Ethiopia) from 1980 and onward.

Figure 3
Share of households renting a home in the open market whose housing expenditures exceed 40 percent of their disposable income
(Israel and selected EU countries, 2012)

* Housing expenditures: utilities (electricity, water, gas and heating), current maintenance expenses, home insurance, municipal tax and building committee payments. Household disposable income (adjusted to the Eurostat definition): net household monetary income plus imputed income from employer's vehicle minus current transfers to other households (in Israel and abroad). The definitions appear in Eurostat (2013).

* The Eurozone countries include those who were members of the EU since its establishment plus Estonia, Malta, Slovenia, Slovakia and Cyprus (total of 17 countries).