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## **Wealth Inequality: Ethnic Disparities in Israeli Society**

Running head: Ethnic wealth inequality in Israel

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**Abstract**

The paper examines wealth distribution across ethnic groups in Israel and evaluates the role of labor market rewards, intergenerational transfers in producing ethnic disparities. Israel SHARE data from 2005-6 are used in the analyses. The findings reveal considerable ethnic disparities in wealth. Wealth disparities are most pronounced when Israeli born are compared with Arabs and with immigrants from the Former Soviet Union. Further analysis suggests that wealth buildup in Israel is influenced by two major sources: income flows and inheritance. The differential impact of the two sources on wealth disparities can be best understood when considering the unique position of each ethnic group in Israeli society. The findings are discussed within a comparative perspective and in light of sociological theory.

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## **Introduction**

Students of social stratification and ethnic inequality have traditionally focused on labor market outcomes, especially on occupational status and on earnings, to examine unequal distributions of economic rewards across ethnic and racial groups. The logic embodied in this approach is rooted in the individualistic ‘status attainment’ and ‘human capital’ market paradigms which operate under the premise that one’s position in the stratification system is largely determined by one’s position in the production system, as reflected by labor market outcomes (e.g. Blau and Duncan 1967, Hauser and Featherman, 1977; Jencks 1972).

In recent years, however, a growing number of researchers have called attention to the importance of family wealth and family resources in the production and re-production of economic inequality in general and ethnic inequalities in particular (e.g. Oliver and Shapiro 1995; Conley 1999, 2001, 2003; Campbell and Kaufman 2006). These researchers argue that family resources and intergenerational transfers contribute substantially to the variation in life chances. Subsequently, they underscore the need to go beyond labor market outcomes to better understand the scope of economic inequality in society and the implications of such inequality for economic well-being in general and for ethnic inequality in particular (Oliver and Shapiro, 1995; Conley, 1999, 2001, 2003).

The study of wealth is especially important for understanding ethnic and racial inequalities for two major reasons: first, wealth disparities are much greater than income disparities, and second, wealth inequalities are not only produced through labor market processes but also through intergenerational family transfers. Furthermore, wealth has significant and pronounced consequences for quality of life in older age long after exiting the labor market. To date, most studies on ethnic-linked wealth inequality have focused on American society (e.g. Oliver and Shapiro; Conley 1999; ; Shapiro 2007; Sykes 2003; Avery and Rendall 2002; Wolf 1995, 2002; Kiester 2004, Cobb-Clark and Hildebrand, 2006; Campbell and Kaufman, 2006). Very few studies examined the issue in other societal contexts (for notable recent exception see Bauer et al 2007).

In order to contribute to this growing field of research, the present paper reports a study of ethnic wealth inequality in the older population of Israel. It provides a comparative perspective into the social processes associated with creation of ethnic gaps in wealth holdings and examines whether and to what extent the mechanisms of wealth accumulation in Israel differ from those observed in American society. To achieve these goals we, first, investigate disparities in net worth, real assets and financial assets (which are the two major components of net worth) across several Israeli ethnic groups; and second, estimate the extent to which ethnic disparities in

household's wealth can be attributed to income differences, unequal family transfers, and differences in socio-demographic characteristics of the households.

### **Theoretical Considerations: Previous Theory and Research**

Wealth has long been viewed in the sociological literature as a distinct dimension of social stratification that needs to be studied independently from labor market outcomes for several reasons. First, although wealth inequality is related to other forms of inequality, it is typically more extensive than income or earnings inequality (Wolff, 1995). Conley (1999, 2001) and Oliver and Shapiro (1995) as well as Elmelech (2008) show that in the United States race-linked disparities in wealth are much greater than racial disparities in income or in earnings. Second, household wealth may impact one's standard of living and economic security separately from the effect of income (Semyonov and Lewin Epstein, 2001; Spilerman 2004). Third, although household wealth is partly the result of excess income over expenditures, the association between income and wealth across households is relatively weak (Wolff 1995; Keister and Moller 2000). Indeed, labor market inequality only partially overlaps with disparities in wealth and therefore, wealth should be viewed as distinct from earnings and as an analytically separate dimension of social stratification. In other words, wealth can provide economic security and well-being that earnings or income alone cannot provide. This is especially evident with regard to older populations, many of whom are no longer economically active.

Household wealth is typically generated in three ways governed by different, and at times counteracting, institutional logics. For most households the labor market serves as the primary source of earnings and income. The income is used to cover household consumption and the remainder is saved and added to household assets (Modigliani 1988). A second means by which household wealth is accrued is by means of family transfers. Economic assets, whether financial or real, are transferred from family members to others, both within and across generations (Becker 1991; Mulligan 1997; Wahl 2002). Some intergenerational transfers are given in the forms of gifts and bequests and some are transferred in the form of inheritance. While the magnitude of family transfers varies quite widely, it is by no means marginal to the process of household wealth accumulation and economic well being (Gale and Scholz 1994; Menchik and Jankoplos 1998; Szydluk 2004; Semyonov and Lewin-Epstein 2001).

The third source of household wealth is government transfers. Oliver and Shapiro (1995) referred to such transfers as "state sponsored opportunities" suggesting that in America ethnic minorities had been traditionally excluded from participation in state sponsored opportunities (e.g. homesteading, land acquisition, education and housing) and therefore disadvantaged in

accumulation of economic assets. In contemporary welfare states labor market hardship and low economic outcomes are often compensated by government transfers. For some families such transfers constitute a substantial share of their income, although families differ in access to information on how governmental resources can be fully exploited.<sup>1</sup>

Studies that focused on ethnic wealth inequality, whether in the United States (e.g. Oliver and Shapiro, 1995; Conley, 2001; Campbell and Kaufman, 2006) or in other societies (e.g. Bauer et al. 2007), revealed considerable disparities between the amount of wealth held by members of the majority population and the amount of wealth held by households belonging to subordinate racial and ethnic minorities. For example, in one of the early studies of wealth inequality in the United States, Blau and Graham (1990) found that, average household wealth among blacks amounts to only 18 percent of the wealth held by white households (wealth was estimated by the value of net liquid assets and equity in homes and family cars). They also found that, after controlling for differences in income and a series of socio-demographic characteristics, about three-quarters of the racial disparity in wealth remained unaccountable. Subsequently, they go on to argue that racial differences in inheritance and other forms of intergenerational transfers play a greater role than income or business in producing racial disparities in wealth holdings. Indeed, it was demonstrated (e.g. Smith, 1995) that when compared to whites, African-Americans have a lower incidence of providing transfers to children and lesser amounts are involved when a transfer takes place.

While comparing blacks and whites in the financial consuming system, Hiltz (1971) argued that black families suffer from a ‘multiplier effect’ in the accumulation of wealth. Since blacks have lower earnings and less financial resources than whites, they have to spend a greater share of their income on necessities and, thus, are less able to save money or to invest in real assets. Along this line, Blau and Graham (1990) suggest that poor persons in general, and members of subordinate ethnic groups in particular, have to devote a greater proportion of their income and capital to the purchase of necessities that depreciate in value—a car instead of a house—even though the latter has become a major source of wealth creation for most households (Spilerman et al. 1993). Indeed, researchers that examined the composition of wealth holdings observed sharp differences between the wealth buildup of the rich and the poor. The very rich hold most of their resources in business investment assets (e.g. stocks, bonds, commercial real estate) while the poor households hold most of their equity in main residence and automobile (Mishel, et al. 1999; Wolf 2000).

Researchers have also noticed considerable variations in assets portfolios held by whites and ethnic minorities (Terrel, 1971; Oliver and Shapiro, 1995; Blau and Graham, 1990;

Orzechowski and Sepielli 2003 Cobb-Clark and Hildebrand, 2006). The amount of wealth held by white households in the form of income producing assets (bonds, stock, and business) is considerably larger than among ethnic minorities. Likewise, home equity accounts for approximately one third of white households' net worth, while home equity accounts for more than half of blacks' and Hispanics' net worth. In other words, in addition to the size of the wealth gap either between white and Hispanic households or between white and black households, there are qualitative differences in the composition of the assets: subordinate ethnic minorities hold larger share of their (of smaller size) wealth in 'functional assets' (e.g. homes and cars) while white households hold a larger share of their wealth in the form income-producing and financial assets (bonds, stocks and businesses).<sup>2</sup>

For most families, except for the ultra rich, equity accumulated in housing assets has become the single most important component of household wealth and is often used, therefore, as a proxy of wealth (Lewin-Epstein et al. 1997; Semyonov et al. 2003; Munro 1988; Oliver and Shapiro 1995; Thorns 1981). There is, however, considerable variation in rate of homeownership and in the value of housing across ethnic groups. It was repeatedly demonstrated that subordinate ethnic minorities are less likely to own a home, and when they do, the value of their home is considerably lower than that of households belonging to the majority population ( Horton and Thomas, 1998; Semyonov et al. 2003; Lewin-Epstein et al 1997; Krivo 1995, Krivo and Kaufman 2005 ). Yet, the homes minorities own constitute larger share of their net worth than the homes that members of the majority population own ( Orzechowski and Spielli 2003; Elmelech, 2008; Blau and Graham, 1990 ).

Generally speaking, researchers attributed ethnic disparities in home-ownership and home-value to a combination of factors, including discrimination in, both, the labor market and the housing market, residential segregation and social policies (Semyonov et al. 2003; Lewin-Epstein et al. 1997; Oliver and Shapiro 1995; Krivo and Kaufman 2004, Horton and Thomas, 1998). Since appreciation in housing value is a major source of economic disparities, and since houses are often transferred across generations in the form of inheritance, housing can also play a major role in producing, re-producing and accentuating ethnic disparities in wealth across generations and over time.

The findings revealed by past studies on ethnic-linked wealth inequality are quite consistent and lead to similar conclusions: subordinate ethnic minorities (e.g. blacks, Hispanics in the US) have been disadvantaged in their ability to accumulate wealth when compared to members of the majority population. These disadvantages can be attributed to a number of factors including: lower ability to generate earnings in the labor market and thus less ability to save and

invest in income producing assets. In part, this resulted from discriminatory policies in the labor and housing markets and from limited access to 'state sponsored opportunities' (Oliver and Shapiro, 1995). Disadvantages associated with lower ability to transfer economic resources across generations had reproduced inequality in wealth holding across generations and over time (e.g. Conley 1999, 2001). Indeed, a substantial part of the disadvantages in wealth accumulation among ethnic minorities in the United States have developed over a rather long period of time. In the words of Oliver and Shapiro(1995, pp.5-6): "the same social system that fosters the accumulation of private wealth for many whites denies it to blacks, thus forging an intimate connection between white wealth accumulation and black poverty. Just as blacks have had 'cumulative disadvantages' many whites have had 'cumulative advantages'.

The thesis that the process of wealth accumulation varies across ethnic groups as introduced by Oliver and Shapiro was further developed by Campbell and Kaufman (2006). While comparing whites' wealth holding to Blacks, Asian-Americans and Mexican-Americans they contend that determinants of wealth exert differential effects on wealth accumulation of each group. That is, as a result of circumstances associated with past and contemporary discrimination, whether in the labor or in the housing market, the impact of socio-demographic attributes on wealth accumulation may differ from one group to another. Specifically, Campbell and Kaufman (2006) demonstrate that socioeconomic attributes are more consequential for wealth accumulation among whites than among other groups. Following this logic, we expect intergenerational transfers, labor market outcomes and socio-demographic attributes not only to differ across groups but also to exert differential impact on the buildup of financial assets and real assets across ethnic groups. Indeed, we expect the process of wealth determination to vary across groups.

Although there is general agreement among students of American society that disparities in wealth are produced through differential successes in the labor market, through differential rates of intergenerational transfers and through differential access to state sponsored opportunities, there is little empirical research that examines whether patterns of ethnic-linked wealth inequality that were observed in the United States are similar in other societies and whether sources of wealth disparities are uniform across ethnic groups. It is possible that social processes that produced wealth disparities between Blacks and Whites as well as Hispanic and Whites are specific to the American context, and that ethnic disparities in other societies take on different forms and have different antecedents. In other words, it is not clear whether patterns observed in American society, a society dominated by market economy and where discrimination against ethnic and racial minorities had been practiced for generations in the labor market, in the housing market and in schools, can be found in other societies. Thus, in the analysis that follows we will

focus on Israeli society where ethnic relations are quite complex and different from the United States.

### **The Setting: Ethnic Stratification in Israel**

Israel is a multi-ethnic society inhabited by Jews and Arabs. It is characterized by unusual ethnic diversity. Whereas the most salient-meaningful ethnic split in Israeli society is between Jews and Arabs, ethnic differences among Jews who arrived from different regions of the world are quite substantial. Arabs constitute approximately 20 percent of the citizens of Israel. They have lived in the region for generations, mostly in rural communities and villages and with little exposure to modern-western culture. Although Arabs are composed of several sub-groups (i.e. Muslims, Druze, Christians) the overwhelming majority of the non-Jewish population in Israel is Muslim (over 80 percent). We will refer to them hereafter as Arabs, overlooking differences among the sub-groups. Since Jews had begun populating the country, at the turn of the 20<sup>th</sup> century, political competition and conflict have pervaded the Jewish-Arab relations. However, when the state of Israel was established in 1948 the Arab population in Israel found itself in a subordinate position to the Jewish population politically, socially and economically. To-date Arabs are still subordinate to the Jewish population in every aspect of social stratification. They have lower levels of formal education, occupational status, earnings and standard of living (Lewin-Epstein and Semyonov 1993; Semyonov et al. 1996). Their lower earnings and lower standard of living, however, cannot be fully attributed to their lower education and occupational positions and is often attributed to their subordinate position in Israeli society (i.e. discrimination) and limited access to ‘state sponsored opportunities’ (Lewin-Epstein and Semyonov, 1993).

Although Jews arrived in Israel from practically every corner of the globe, the Jewish population is characterized by an ethnic cleavage between two major geo-cultural groups that are roughly of equal size: Jews of European or American origin (hereafter European-Americans) and Jews of Asian or North African origin (hereafter Asian-Africans). The latter group is subordinate to the former one on every dimension of stratification. Specifically, when compared to Asian-Africans, Europeans-Americans are characterized by higher level of formal education, they hold occupations of higher status, they attain higher earnings, they own homes of higher values and enjoy higher standard of living (Semyonov et al. 1996; Semyonov and Lewin-Epstein, 2001). The socioeconomic gaps between the groups have persisted since the establishment of the state in 1948 to date (e.g. Haberfeld and Cohen 2007).<sup>3</sup>

In recent decades an additional distinct group of citizens is commonly identified in Israeli society. Following the downfall of the Former Soviet Union, Israel was faced by a mass of

immigrants from the former Soviet republics. Specifically, between the beginning of 1989 and the end of 2002 more than 400,000 immigrants arrived in Israel, increasing its Jewish population by more than 10 percent. The flow of “Russian immigrants” has continued, although at a lower rate throughout the years. By the end of the century, “Russian immigrants” have constituted almost 20 percent of the Jewish population of Israel. This group of immigrants is highly selective in term of education and occupational status. More than two thirds of the ‘Russian immigrants’ have arrived with academic education; a similar proportion had professional and scientific occupations in country of origin. Despite generous government financial aid, tax exemptions, retraining programs and various types of assistant and support (in the form of basket of absorption) many were not able to find jobs similar to those they left in country of origin and experienced downward occupational mobility (Rajzman and Semyonov 1998). Although recent assessments reveal that with the passage of time “Russian Immigrants” are improving occupational status and gaining economic outcomes, they are still lagging behind Israeli-born and are yet to close considerable gaps both in the labor market and the housing market.

In the analysis that follows we examine disparities in net worth, real assets and financial assets between Israeli-born and each of the four major Israeli ethnic groups, respectively. We comparatively examine and evaluate the size of the disparities, differential patterns of wealth accumulation and sources for these disparities. The comparisons and estimation of the sources for wealth disparities would enable us to shed light on the mechanisms that produce wealth disparities and thus, to better understand the sources for wealth inequality in society.

### **Data and Variables**

The present analysis takes advantage of a unique data set collected in Israel during 2005-2006 as part of the SHARE project (The Survey of Health, Ageing and Retirement in Europe). The dataset includes a nationally representative full probability sample of 2603 respondents in 1774 households where at least one member is 50 years or older. Face to Face interviews are conducted in respondents’ homes using CAPI. The questionnaire is highly structured, designed to ensure comparability with data collected in other countries. In addition to the 90 minutes interview, respondents filled out a short self-completion questionnaire. Household information is obtained from the primary respondent. The questionnaires cover a broad range of topics. For the purpose of the present research the most relevant are: family assets both real and financial assets (that permit estimation household’s net worth and components of wealth), sources of income, labor force status, intergenerational transfers and socio-demographic characteristics of the household. The focus on respondents over the age of 50 permits an examination of households in

advanced stages of the life cycle; that is, it has the advantage to focus on households that have had opportunities to accumulate wealth.

Three dependent variables that are used in the analysis as indicators of household's wealth are: net worth, real assets and financial assets after subtracting household debts. Household's net worth is defined as the sum of net real and net financial assets; financial assets reflect the sum of values of accounts, bonds, stocks, mutual funds and savings (net of financial liabilities); real assets pertain to the values of primary residence net of mortgage, other real estate, owned business and owned cars. All assets are measured in Euro. However, since the distributions of the indicators of wealth are skewed and contain both negative and zero values, we followed previous researchers (e.g. Campbell and Kaufman, 2006 Cobb-Clark and Hildebrand, 2006) and transformed the distributions. In the present study we added to the Euro value of wealth a constant (to avoid zeros) and transformed the distribution to natural logarithm. Specifically, to each indicator of wealth we added twice the minimum value of wealth and divided it by 1,000. These indicators of wealth were then transformed using the natural logarithm. (i.e.  $\ln [(wealth/1000) + (2 \times \text{minimum})]$ ).

The two sources of wealth — income flows generated via labor market activities and intergenerational transfers—are the major mechanisms through which wealth is accumulated. The magnitude of income flows are estimated by the gross annual income (from all sources) of the household in Euros, and intergenerational transfers are measured by the amount of household's received inheritance in Euros. While the first indicator serves as a proxy of the income flows generated through economic activities over the life course the second indicator serves as a proxy of flows obtained through intergenerational transfers. Since we focus on older populations we refined the income information by including three dichotomous indicators to clarify the respondents' situation: retired (retire =1), pension (receive =1), government transfers (receive = 1).

Ethnicity is defined by respondent's geo-cultural origin. Five origin groups are distinguished (using dummy variables): Israeli born, Israeli Arabs, Jews born in either Europe or America, Jews born in either Asia or Africa, and new immigrants arriving from the Former Soviet Union after 1989.<sup>4</sup> The household's characteristics (used mostly for control purposes) include: respondent's age (in years), marital status (dummy variables distinguishing among married, divorced, widow, single), education (5 categories of formal education), household size (number of persons), and number of employed persons in the household. We also added a proxy for time in the Israeli labor market (in years) as a control variable.<sup>5</sup> The list of variables, detailed definitions and mean values are listed in Table 1.

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Insert Table 1 about here

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## **Analysis and Findings**

### *Descriptive Overview*

Table 2 displays the characteristics of the five major ethnic groups in Israel for a descriptive overview. The data reveal considerable differences in socio-demographic characteristics and substantial disparities in wealth. Those born in Israel are by far the wealthiest group in Israeli society and the immigrants from the Former Soviet Union, who arrived only recently to Israel, have the lowest amount of accumulated wealth. The average net worth of Israeli-born households exceeds 400,000 Euros while the net worth of immigrants from the Former Soviet Union is less than 20,000 Euros. Indeed, the wealth disparity between new immigrants and Israeli-born is dramatic, with the former group averaging only 5% of the net worth of the latter group. Wealth disparities between Israeli-born Jews and Arabs are also substantial. The average net worth of Arab households reaches only one quarter of the net worth held by the Israeli born group. The wealth accumulated by European-American and Asian-African households, respectively, constitutes two-third and three-fifth of the net worth of the Israeli-born population. Clearly, Israeli ethnic groups are ranked on hierarchical scale of wealth with Israeli-born on the top of the scale and new immigrants on the bottom of the scale. European-American Jews and Asian-African Jews, although not as wealthy as Israeli-born Jews, are substantially wealthier than the Arabs.

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Insert Table 2 and Figure 1 about here

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For the most part, disparities in net worth between ethnic groups reflect ethnic disparities in real assets. The data presented in Table 2 and in Figure 1 show that in all ethnic groups real assets constitute a major portion of the household's net worth. Among Israeli born real assets accounts for 84% of wealth and among Asian-African Jews and European-American Jews real assets account for 88% and 79% of their net worth, respectively. Among Arabs the value for financial assets is negative indicating that debts and financial obligations exceed financial holdings and that, on average, net worth of Arab households can be fully attributed to real assets. The low values of real assets (and financial assets) among new immigrants from the Former

Soviet Union are most likely a result of their short tenure in Israel. The revealed gaps underscore the hardship of migration. It is very difficult for immigrants to accumulate wealth (whether in terms of real assets or financial assets) during a short period of time in a new country and within one generation.

Ethnic groups in Israel differ in the amount of their accumulated wealth, their earnings (as a proxy of income flows produced by labor market activity) and the intergenerational transfers they received in the form of inheritance. Specifically, the mean income of Israeli born is more than twice the size of the income of Arabs and new immigrants and 1.25 and 1.4 the income of European-Americans and Asian-Africans, respectively. Likewise, 35% of the Israeli-born households received inheritance as compared to only 2% among new immigrants, 19% among Arabs, 15% among Asian-Africans and 24% among European-Americans. Furthermore, the sum of inheritance received by households of Israeli-born was considerably larger than the sums received by other groups. The monetary value of their inheritance was almost ten times larger than that of new immigrants, more than twice than the inheritance received by either Arabs or Asian-Africans and 1.3 times greater than the value of inheritance received by European-Americans. From this point of view, intergenerational transfers seem to have a multiplier effect on wealth building among Israeli-born. That is, more of them had received inheritance and the sum of the inheritance they received was considerably larger.

From these data it seems quite clear that Israeli-born enjoy advantageous position with regard to wealth building: their income is higher than the income of any other group, more of them had benefited from inheritance and the size of the inheritance they had received is higher than that of any other group. New immigrants, by contrast are at the greatest disadvantage; their income is lowest, hardly any of them had received intergenerational transfers in the form of inheritance, and the inheritance that the very few of them had received is of very little monetary value.

Table 3 presents percent distributions of the five major ethnic groups across 10 rank-ordered deciles categories of wealth (for net worth, real assets and financial assets) as well as values of the index of net differences—ND—resulting from comparisons of each group, respectively, with Israeli-born (listed at the bottom of the table). While the percent distributions enable us to examine whether the groups are differentially distributed across rank-ordered categories of wealth, the ND provides us with an estimate of the probability that a specific group (i.e. Israeli-born) has greater wealth than other groups (e.g. Arabs). When ND takes a value of 0 the distributions of the two groups are equal; a value of 1 indicates that all individuals in the first

group are wealthier than all individuals in the second group; and a value of -1 indicates the opposite (Liebersohn, 1975).

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Insert Table 3 about here

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The data displayed in Table 3 demonstrate, rather clearly, that Israeli born older adults are more likely to be concentrated in the highest deciles of the wealth distribution (whether net worth, real assets or financial assets) and Arabs and new immigrants are overrepresented in the lower categories of wealth. The disparities in net worth are most pronounced between Israeli-born and new-immigrants ( $ND = .82$ ) and least pronounced between Israeli-born and European-Americans ( $ND = .10$ ). In other words, the values of the ND suggest that the probability that an Israeli-born would be wealthier than a new immigrant is considerably higher (82%) than the probability that he would be wealthier than an immigrant from Europe or America (10%).

The ethnic disparities in real assets, although slightly lower than the disparities in net worth, resemble to a great extent the disparities observed for net worth. The ethnic disparities in financial assets, however, are considerably lower than the disparities observed either in net worth or in real assets and take somewhat a different form. Financial disparities are most pronounced when Israeli born are compared with Arabs ( $ND=.59$ ), followed by the disparities between Israeli born and the new immigrants ( $ND=.30$ ) and negligible ( $ND=.01$ ) when Israeli born are compared with European Americans.

### *Multivariate Analysis*

Although the findings presented thus far are revealing in terms of Israel's stratification system, they do not inform us whether and to what extent ethnic disparities in wealth are generated by different levels of household earnings, differences in the amount of inheritance received by the households or differences in socio-economic and socio-demographic attributes. It is also not evident from the data whether earnings and intergenerational transfers have a similar impact on net worth of different ethnic groups. To address these issues we estimated several multivariate regression models to predict, respectively, net worth, real assets and financial assets. The results of these analyses are presented in Table 4.

Three equations are estimated for each indicator of wealth. In equation 1 we let each indicator of wealth (i.e. net worth, real assets and financial assets) be a function of ethnicity. In equation 2 we include among the predictors of wealth, in addition to ethnic origin, variables representing the two major sources of wealth accumulation (i.e. income and a dummy variable

indicating whether one had received inheritance) and the socio-demographic attributes of the household (i.e., age, marital status, education, household size, whether retired and whether is a pension recipient, number of employed members in the household, and whether is a recipient of government transfers) as controls. We also include in the equation an interaction term between retirement status and income to account for the fact that retirement income underestimates the actual flow of income that a household may have had. In equation 3 we add to the set of predictors the amount of inheritance received by the household.

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Insert Table 4 about here

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The data presented in Table 4 suggest that, in general, the two components of wealth are similarly determined. Specifically, real assets and financial assets as well as net worth are likely to increase with income flows generated by labor market activity and with the amount of inheritance received by the household. In all equations, the coefficients both for income and for the amount of inheritance received by the household are positive and significant (even after controlling for all household attributes).<sup>6</sup> The higher the income of the household and the larger the size of the inheritance a household had received the wealthier is the household.

The data also reveal that even after considering differences in income flows and in the amount of inheritance received there are considerable ethnic disparities in wealth, especially between Israeli-born and new immigrants from the Former Soviet Union and between Israeli-born and Arabs. The observed disparities in net worth between Israeli-born and Jews of European or American origin and between the former and Jews from Asia or African declined considerably after taking into consideration differences in socio-demographic attributes of households and differences in income flows and in the amount of inheritances. In fact, the partial coefficient for Jews of Asian or African origin is no longer significant.

The findings regarding real assets are quite similar to those observed for net worth with two exceptions: first, when considering variations across ethnic groups, differences in the value of real assets between Jews and Arabs (and not only between Israeli-born and Asian-Africans) were reduced to statistical insignificance.; second, receiving an inheritance per se has no significant effect on the value of the real assets. The findings regarding financial assets reveal that when compared to either Arabs or Jews from the Former Soviet Union the Israeli-born group has accumulated more financial assets than expected on the basis of their socio-demographic characteristics, income flows or the amount of their inheritance. The value of the financial assets

accumulated by European-Americans or Asian-African is similar to the value of the financial assets held by Israeli-born (the difference between the groups are not statistically significant when considering differences in socio-economic attributes, income and inheritance).

*Estimating sources of the ethnic gaps*

Although the results from the regression analysis presented in Table 4 provide estimates for the net average differences in wealth among ethnic groups, they do not provide a complete picture of the sources of these differences. That is, it is not clear from the data presented thus far whether some ethnic groups are wealthier than other groups because of their advantageous position in the labor market or because of higher amounts of intergenerational transfers they received in the form of inheritance or both. Likewise, differences in the ability to convert income streams into wealth may play a role in the observed ethnic disparities.

Therefore, in Table 5 we display a series of regression equations predicting wealth and the two components of wealth for each group separately. In each equation an indicator of wealth (i.e. net worth, real assets, and financial assets) is taken as a function of inheritance and income plus, education, age, and household size. These equations enable us to examine whether and to what extent wealth and its two components are differentially determined by income flows, by intergenerational transfers and by key socio-demographic variables (i.e. age, education and household size).

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Table 5 about here

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The analysis reveals considerable differences in the ways wealth has been determined across groups. Most notably, while income flows strongly influence the wealth of Israeli-born, European American Jews and Asian-African Jews, it has only moderate impact on net worth of Arabs and no effect on the net worth of newly arrived immigrants from the Former Soviet Union. Inheritance has no significant effect on net worth of all groups, except for Asian-African Jews. Likewise, education and age do not significantly influence the net worth of all groups. Size of household, however, has positive a effect on net worth of Soviet immigrants (perhaps due to number of earners in the household unit that consolidate efforts to increase wealth accumulation). The results for real assets are similar to those observed for net worth with one minor exception (value of real assets among Soviet immigrants tends to decrease with age). Inheritance is likely to increase financial assets off all groups but income has no significant impact of the financial assets of Arabs and negative effect on financial assets of Soviet immigrants (perhaps immigrants that

receive higher incomes are in deeper debts due to mortgage and other purchases they were able to obtain).

Since the data presented in Table 5 demonstrate that net worth, real assets are differentially determined across groups, it seems important to examine the sources of the gaps between groups, especially between Israeli-born (the wealthiest group) and each of the other groups. Decomposing mean wealth differences between Israeli-born and each of the other groups can provide more informative estimates of the extent to which ethnic disparities in income flows and in inheritance are responsible for wealth gaps between the Israeli-born group and the other ethnic groups and the extent to which wealth accumulation is differentially determined across groups.

There are several techniques for decomposing mean differences between groups via regression equations. Since we are mainly interested in the role played by labor market earnings and intergenerational transfers in producing wealth disparities between ethnic groups, we adopt a procedure recommended by Oaxaca (1973) Iams and Thornton (1975) and Jones and Kelly (1982) that enables to arrive at three major components. The first component pertains to differential returns (differences in coefficients); the second component pertains to differences in mean characteristics, and the third component captures an interaction between returns and characteristics across groups. In line with our interest in the role played by differential incomes and differential inheritance received by groups we further identified the amount of the wealth disparity that can be attributed to differences in mean income, differences in mean inheritance and difference in mean socio-demographic attributes.<sup>7</sup>

Results of the decomposition procedure that was applied to net worth, real assets and financial assets comparing Israeli-born Jews with Arabs, New Immigrants from the former Soviet Union, Jews of European-American origin and Jews of Asian-African origin are presented in Table 5. The figures reveal that approximately one quarter of the wealth advantage of the Israeli born over the Arab minority can be attributed to differences in mean characteristics and mean resources, one quarter to differential returns on these characteristics and resources and about half to interaction between characteristics and return. The net worth difference between Israeli born and Jews of European or North American origin is split almost equally between differences in their mean characteristics and differential returns on these characteristics. In this case there is practically no contribution from the interaction between characteristics and returns. While the entire gap between Israeli born and Jews of Asian or North African origin is attributed to differences in mean characteristics, such differences do not account for the gap between Israeli born and Jews who recently immigrated from the Former Soviet Union. The gap between these

two groups is accounted for almost equally by differential returns on the group's attributes (50%) and to an interaction component (43%).

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Insert Table 6 about here

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When we examine the role played by mean differences in income, inheritance and socio-demographic characteristics of the household in the net worth disparities between Israeli born and other groups a clear picture emerges. In all comparisons, except for that with Jews from the former Soviet Union, the gaps are largely attributed to higher market earnings rather than to differences in inheritance. More specifically, higher incomes among Israeli born account for 26% the net worth gap between Israeli born and Arabs, 45% of the gap between Israeli born and Jews from Europe or America and 73% of the gap between Israeli born and Jews from Asian or North African countries. Income differences, however, do not explain the net worth gap between Israeli Born and Jews from the former Soviet Union.

The data regarding real assets reveal similar patterns to those observed for net worth. That is, differential earnings account for most of the net advantage Israeli born have in real estate holdings. Differential amounts of inheritance account for a relatively small portion of the advantage in real assets holdings of Israeli born. It is noteworthy, nonetheless, that while differences in the mean value of inheritance contribute only marginally to the gap in real assets and net worth, the proportion of the gap due to inheritance differences is largest when comparing the wealth of Israeli born and Jews from Asia or North Africa (13-14 percent). The latter group is comprised for the most part of Jewish communities that fled the Arab and Moslem countries in which they lived when the State of Israel was created or shortly thereafter. They left much of their property behind. If we add to this the fact that in most families there were many siblings it is clear that their wealth could not have been created by means of inheritance.

Turning now to financial assets, the patterns appear to be less systematic. The entire gap between Israeli born Jews and Arabs can be attributed to different processes of financial wealth accumulation. It is not the attributes such as income, inheritance, and socio-demographic characteristics, but the ways these are transformed that makes the difference. A similar, albeit modified, pattern is revealed for the financial wealth disparity between Israeli born and Jews from the former Soviet Union, except that in this case most of the gap is due to differences in returns. The disparity in financial assets between Israeli born and European-Americans are negligible and hence it does not make much sense to investigate its source. As to the financial wealth difference

between Israeli born and Jews from Asia and North Africa, it is primarily due to the different socioeconomic composition of the two groups.

### **Conclusions**

The purpose of our study was to investigate the wealth distribution of major ethnic groups in Israel and to evaluate the role played by labor market rewards and intergenerational transfers in producing ethnic disparities in household wealth. The examination was conducted for net worth as well as for the two major components of household wealth: real assets and financial assets. The analysis reveals considerable ethnic disparities in wealth. The ethnic disparities are most pronounced when Israeli-born Jews (the most advantageous group in Israeli society) are compared with New Immigrants from the Soviet Union and with the Arab minority population. It is less pronounced when Israeli-born are compared with Jews of Asian-African origin and with Jews of European-American origin.

Most of the household wealth is held in the form of real assets. This is in line with research conducted in other societies and derives from the fact that for most households the family dwelling comprises the largest part of their assets. In the case of the Arab minority the average family has negative net financial assets so that all its net worth is held in the form of real assets. These findings may attest to the economic disadvantage and vulnerable position of the non-Jewish Arab minority in the Israeli labor market and to economic discrimination many of them face in the Israeli labor market. Indeed, Arabs' low net-worth can be mostly attributed to their low ability to compete on equal terms with Jews in the Israeli labor market. While Arabs experience difficulties in accumulating wealth due to their lower ability to produce earnings in the labor market, many Arabs do own real-estate and property that have been in the possession of their families for generation, mostly in the rural communities and villages in which most reside. Indeed, the role of real assets, especially of housing, for ethnic inequality in particular and for inequality in transmission of wealth across generations should be further studied and evaluated in other societies and within a broad cross-national comparative perspective.

The results of our analysis highlight the fact that wealth buildup is strongly influenced by two major sources: income flows and intergenerational transfers in the form of inheritance. The data show, however, that the impact of the two sources on wealth disparities differs considerably from one ethnic group to another and can be best understood when interpreted within the unique context of the Israeli system of ethnic stratification. More specifically, low wealth among new immigrants from the former Soviet Union cannot be attributed to either low income or low amounts of inheritance. It could be attributed, however, to their late arrival in the country.

Apparently, the new immigrants had not been in Israel long enough to accumulate similar wealth as the Israeli-born group (especially in the form of housing). This could be also the case among other groups that are immigrating in increasing numbers to North America and Europe.

The wealth of Jews who immigrated to Israel from European countries and from the Americas is only slightly lower than the wealth of Israeli-born Jews. Although European-Americans are placed at the top of the stratification hierarchy, next to the Israeli-born population, their labor market outcomes are not as high as comparable Israeli-born Jews. Indeed, disparities in income flows account for portion of the wealth gap between the European-American and the Israeli-born groups. Jews who immigrated to Israel from countries in Central Asia and Africa had experienced difficulties in assimilation and incorporation into Israeli society. They are still disadvantaged in the attainment of socioeconomic rewards when compared to European-American Jews. Consequently, their lower wealth as compared to Israeli-born Jews can be attributed both to lower income flows and lower amounts of inheritance.

The data presented in this article show that patterns of wealth buildup differ considerably across ethnic groups, both in terms of the size of the wealth gaps and the of wealth accumulation. Further the sources of the gaps in Israeli society seem to differ from what had been observed in the American society. According to Conley, for example, most of the wealth gaps in the US between blacks and whites had been created through intergenerational transfers. According to Oliver and Shapiro, however, wealth disparities between blacks and whites in the US had been created through blacks' 'cumulative disadvantage' and whites' 'cumulative advantages' over many generations mostly through discrimination processes. In our study we find that differential earnings produced in the Israeli labor market are responsible for most of the ethnic disparities in wealth. Intergenerational transfers in the form of inheritance, however, play relatively a minor role in producing wealth disparities in Israel.

The difference might be rooted in the short history of Israel as compared to American society. Unlike the US, the Jewish immigrants, who arrived in Israel during the twentieth century had not been able yet to build up wealth and to transfer it across generations. Subsequently, wealth gaps in Israel and their sources can be understood only when cast within the unique social context of Israeli society and in light of the historical peculiarities that have led to the emergence of the Israeli system of ethnic stratification. It could be also different from patterns of wealth inequality in societies on which very little research on wealth inequality had been done to date.

The data presented by this paper clearly suggest that the study of economic inequality in general and ethnic inequality in particular should not be limited only to labor market outcomes such as occupational positions and earnings. The study of economic inequality needs to go

beyond labor market outcomes to better understand the scope of economic inequality and its implications for economic well-being. Household wealth and family economic resources should be viewed, thus, as two major dimensions of ethnic-linked economic inequality. The data reveal that both economic outcomes produced through labor market activities and intergenerational transfers contribute to variations in wealth, hence, to variations in life chances and quality of life. Furthermore, the contribution of labor market outcomes and intergenerational transfers to wealth buildup varies considerably across ethnic groups. Indeed, patterns of wealth accumulation in general and sources of inequality in wealth accumulation in particular as well as consequences of wealth inequality should be understood within the social context of each society and should be further studied from a cross-national comparative perspective.

## Endnotes

1. Since we do not have a direct measure of ‘state sponsored opportunities’ the present analysis will focus mostly on labor market income and intergenerational transfers, while controlling for ‘government welfare transfers’ and assuming that part of the effect of ‘government sponsored opportunities’ is transmitted indirectly through other measures.
2. For example, in 2000, the median net worth of non-Hispanic households was estimated at \$79,000 as compared with \$9,750 and \$7,500 for households with Hispanic and with black householder, respectively (Orzechowski and Sepielli 2003; Elmelech 2008) Likewise, the median wealth held by native-born Americans is 2.3 greater than the median wealth held by foreign born for couples and 3 times greater for singles (Cobb-Clark and Hildebrand 2006).
3. Most immigrants from North Africa and the Muslim countries of Central Asia and the Middle-East arrived in Israel shortly after the establishment of the state immediately after the war of independence. These immigrants were culturally more traditional, had lower levels of formal education, and were generally less equipped for a modern economy. They suffered thus from multiple disadvantages as compared to Jews of European origin. Their late arrival coupled with lack of appropriate socioeconomic resources and personal ties and connections to those who controlled social, political and economic resources and concentration in peripheral towns and communities have increased their disadvantageous position in Israeli society.
4. We do not have geo-cultural origin for Israeli-born respondents in the data set. Considering, however, the historical patterns of immigration to Israel and the age of this group we can operate under the premise that most are of Israeli-born are of European origin. This might decrease gaps between Israeli-born and other groups, especially between Israeli born and first generation immigrants of European origin.
5. Since we study the older population and since most respondents were born outside Israel, time in the Israeli labor market is only weakly associated with age (the correlation between age and time in the Israeli labor market across all groups is  $r=0.22$ ). In the regression analysis the VIF measure is not trivial (VIF=4.9) but still at an acceptable level. The VIF value is mostly due to this variable’s association with various population groups (especially with dummies for Israeli born).
6. The results make it evident that it is the amount of inheritance rather than simply receiving an inheritance that make a difference for household wealth.
7. The components of the decomposition equation are given in Table 6 along with the results of the decomposition.

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**Table 1: Definitions and distributions of the variables in the analysis**

<b>Variables</b>		<b>Mean/percentag e</b>	<b>S.D.</b>
Net worth	Household's net worth in Euro: Sum of real and net financial assets.	248707.26	548133.31
Financial assets	Household's net financial assets in Euro: Sum of values of accounts, bonds, stocks, mutual funds and savings net of financial liabilities	38801.51	107179.03
Real assets	Household's real assets value in Euro: Sum of primary residence net of mortgage, value of other real estate, of owned business and owned cars	209905.75	508583.47
Age	Household respondent's age in years	64.19	9.65
Origin	Household respondent's origin:		
	Israeli born	29.12%	
	Israeli Arabs	6.53%	
	Europe/American born	22.12%	
	Asia/African born	25.35%	
	New immigrants from FSU	16.89%	
Marital status	Household respondent's marital status:		
	Married	67.13%	
	Divorced	9.53%	
	Single	3.68%	
	Widow	19.55%	
Education	Household respondent's education level:		
	Less than high school	29.47%	
	High school graduate without matriculation exam	15.01%	
	High school graduate with matriculation	12.59%	
	Professional education	13.67%	
	Academic education	29.00%	
Household size	Number of person in the household	2.48	1.43
Retired	1= Household respondent retired	.40	.49
Years in Israeli labor market	Current age (or 65 for retired) minus years of schooling. For immigrants who arrived after the age of 25: Current age (or 65 for retired) minus age at arrival.	36.94	15.22
Pension recipient	1= Household respondent receives pension	.20	.40
Income	Household's gross annual income in Euro	16691.97	31819.25
Inheritance received	1=Household received inheritance	.21	.40
Inheritance amount	In Euro	69812.36	606574.35
Government transfers	1=household received governmental transfers or payments (e.g. national security payments, unemployment compensation)	.45	.50
Number of workers	Number of workers in household	.45	.66

**Table 2: Means (S.D.)/percentages of the variables in the analysis by origin groups**

	Israeli born	Arabs	FSU new immigrants	Europe/America	Asia/Africa
Net worth	406521.43 (814913.72)	98414.34 (186996.08)	19992.08 (45540.27)	267426.39 (404329.47)	242081.49 (448891.12)
Real assets	342423.13 (756447.72)	109582.55 (94530.94)	13420.63 (32846.51)	210743.23 (379737.00)	213614.25 (432699.87)
Financial assets	64098.29 (130983.42)	-11168.21 (155808.77)	6571.44 (32792.21)	56683.16 (107378.23)	28467.24 (78966.29)
<u>Real assets</u>					
Net worth	.84	1.11	.67	.79	.88
Age	59.87 (7.82)	63.19 (9.18)	63.88 (8.64)	69.08 (10.98)	65.35 (8.81)
Marital status:					
Married	74.46%	89.16%	57.82%	59.17%	66.49%
Divorced	10.94%	0.50%	13.71%	6.80%	9.84%
Single	2.97%	1.10%	10.98%	1.97%	1.78%
Widow	11.58%	9.24%	17.49%	32.06%	21.81%
Education:					
Less than h-school	21.1%	76.1%	.6%	22.5%	52.7%
H-school w/out	19.5%	5.5%	1.0%	15.5%	21.4%
Matriculation					
H-school with	13.9%	2.8%	9.9%	17.7%	11.0%
Matriculation					
Professional	13.5%	2.3%	23.7%	16.1%	8.2%
Academic	32.0%	13.2%	64.7%	28.3%	6.7%
Household size	2.49 (1.33)	4.06 (2.00)	2.40 (1.27)	2.12 (1.20)	2.42 (1.39)
Retired	.29 (.45)	.34 (.47)	.39 (.49)	.56 (.50)	.43 (.49)
Years in Israeli labor market	40.85 (6.91)	44.87 (7.42)	8.13 (5.08)	40.46 (11.58)	44.15 (7.62)
Pension recipient	.20 (.40)	.04 (.20)	.00 (.00)	.30 (.46)	.28 (.45)
Income	35870.94 (38255.11)	13203.01 (8338.24)	14932.96 (11897.03)	29660.29 (26814.35)	24861.16 (36508.54)
Inheritance received	.35 (.48)	.19 (.39)	.02 (.12)	.24 (.43)	.15 (.35)
Recipients' inheritance	429039.4 (1652744.46)	187600.90 (209002.65)	45825.04 (5629.47)	324665.4 (1142441.15)	183060.8 (285964.98)
Government transfers	.37 (.48)	.55 (.50)	.17 (.37)	.57 (.50)	.59 (.49)
Number of workers	.68 (.69)	.27 (.46)	.40 (.66)	.38 (.67)	.32 (.56)
N	488	109	283	371	425

**Table 3: Deciles Distribution of Net Worth, Financial Assets and Real Assets by Ethnic Origin and Index of Net Difference of Ethnic Groups Compared with Israeli-born**

deciles	<u>Distribution within:</u>					
	Israeli born	Arabs	FSU new immigrants	Europe/America	Asia/Africa	
<b>Net worth</b>						
1	34606.40	.099	.200	.772	.087	.144
2	89191.74	.101	.281	.148	.152	.170
3	123173.80	.100	.147	.048	.119	.138
4	161151.65	.099	.161	.000	.109	.101
5	201751.73	.101	.112	.000	.111	.113
6	255088.38	.101	.043	.031	.084	.076
7	322874.12	.100	.044	.000	.124	.073
8	455769.82	.099	.005	.000	.089	.080
9	719420.62	.100	.000	.000	.073	.057
10		.099	.006	.000	.050	.048
	<b>ND<sup>a</sup></b>		<b>.48</b>	<b>.82</b>	<b>.10</b>	<b>.21</b>
<b>Financial assets</b>						
1	-2318.99	.099	.241	.058	.069	.157
2/3 <sup>b</sup>	89.19	.196	.596	.186	.194	.302
4	4887.71	.103	.000	.529	.140	.159
5	18730.27	.102	.132	.116	.137	.103
6	35676.70	.105	.018	.054	.102	.069
7	62434.22	.096	.012	.016	.072	.042
8	107030.09	.101	.000	.000	.110	.066
9	190870.34	.098	.000	.032	.080	.052
10		.100	.000	.009	.095	.050
	<b>ND<sup>a</sup></b>		<b>.59</b>	<b>.30</b>	<b>.01</b>	<b>.25</b>
<b>Real assets</b>						
1	17838.35	.101	.084	.776	.096	.136
2	72245.31	.099	.303	.157	.149	.138
3	99002.83	.100	.128	.035	.089	.114
4	124868.45	.105	.161	.023	.121	.134
5	154301.72	.097	.091	.000	.107	.086
6	196221.84	.099	.130	.010	.170	.135
7	232790.46	.099	.031	.000	.073	.050
8	335360.95	.101	.061	.000	.097	.088
9	611855.36	.099	.005	.000	.061	.066
10		.099	.006	.000	.038	.054
	<b>ND<sup>a</sup></b>		<b>.34</b>	<b>.83</b>	<b>.12</b>	<b>.16</b>

<sup>a</sup> Index of net difference (Lieberson, 1976) was computed for each group in comparison to the Israeli born group.

<sup>b</sup> Second and third deciles were combined due to a large proportion of empty cells.

**Table 4: Coefficients (t-values) from OLS regressions predicting net worth and wealth components<sup>a</sup>**

	<b>Net worth</b>	<b>Real assets</b>	<b>Financial assets</b>
Intercept	1.627**	1.551**	6.280**
Origin:			
Arabs	-.043* (-2.428)	-.025 (-1.378)	-.026** (-3.280)
Europe/America	-.027* (-2.477)	-.033** (-2.898)	.003 (.566)
Africa/Asia	-.009 (-.830)	-.002 (-.183)	-.009 (-1.912)
FSU new immigrant	-.104** (-4.868)	-.100** (-4.602)	-.018 (-1.798)
Age	.006 (.995)	.004 (.716)	.003 (1.024)
Age square	.000 (-.905)	.000 (-.623)	.000 (-1.024)
Marital status:			
Divorced	-.029* (-2.200)	-.016 (-1.193)	-.019** (-3.145)
Single	-.010 (-.506)	-.003 (-.148)	-.010 (-1.083)
Widow	.007 (.576)	.013 (1.114)	-.007 (-1.302)
Education	.005 (1.604)	.002 (.534)	.005** (3.513)
Household size	.001 (.332)	.002 (.745)	-.001 (-.848)
Retired	-.788* (-2.039)	-.877* (-2.229)	.176 (.995)
Pension recipient	-.037** (-3.386)	-.048** (-4.290)	.009 (1.796)
Government transfers	-.029** (-3.125)	-.021* (-2.270)	-.013** (-3.069)
Number of workers	-.024** (-3.026)	-.023** (-2.890)	-.005 (-1.271)
Years in labor market	.001 (1.119)	.000 (.571)	.000 (1.726)
Inheritance recipient	-.239** (-2.776)	-.182* (-2.071)	-.115** (-2.918)
Inheritance amount <sup>b</sup>	.022** (3.049)	.016* (2.136)	.012** (3.615)
Income <sup>b</sup>	.484** (22.849)	.487** (22.545)	.059** (6.096)

Income <sup>b</sup> X retirement	.068*	.076*	-.016
	(2.004)	(2.191)	(-1.000)
R <sup>2</sup>	.467	.437	.165

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\* p<0.05 \*\* p<0.01

<sup>a</sup> The dependent variables are the natural logs of the actual values divided by 1000 and supplemented by twice their minimum. Four extreme cases were omitted.

<sup>b</sup> variables are natural logs of actual values in Euro.

**Table 5: Coefficients (T values) from OLS regression equations predicting net worth and wealth components by ethnicity**

	Israeli born	Arabs	FSU new immigrants	Europe/America	Asia/Africa
<b>Net worth</b>					
Intercept	.811*	5.257**	7.468**	2.402**	1.766**
age	.001 (.690)	.000 (-.250)	.000 (-1.295)	.000 (-.311)	.000 (.075)
education	.005 (.865)	-.001 (-.188)	-.003 (-1.118)	-.004 (-.757)	.011 (1.848)
Household size	.010 (1.394)	.002 (.482)	.008** (4.994)	-.003 (-.434)	.006 (1.089)
Income	.566** (16.491)	.179** (2.986)	-.022 (-1.333)	.435** (12.287)	.486** (15.984)
Inheritance	.001 (.475)	.001 (.951)	.003 (1.823)	.002 (1.600)	.004* (2.057)
R <sup>2</sup>	.416	.097	.102	.354	.450
<b>Real assets</b>					
Intercept	.671 (1.654)	4.935** (6.943)	7.007** (48.543)	2.595** (6.165)	1.448** (4.005)
age	.001 (.532)	.000 (-.186)	.000* (-2.438)	.000 (-.238)	.000 (-.005)
education	.001 (.163)	-.002 (-.349)	-.001 (-.449)	-.006 (-1.088)	.002 (.382)
Household size	.012 (1.477)	.002 (.560)	.008** (6.531)	-.005 (-.662)	.005 (.917)
Income	.570** (15.929)	.199** (3.107)	.009 (.740)	.409** (11.248)	.506** (16.143)
Inheritance	-.001 (-.449)	.001 (.841)	.000 (.416)	.000 (.211)	.003 (1.685)
R <sup>2</sup>	.391	.100	.200	.294	.437
<b>Financial assets</b>					
Intercept	6.272** (40.128)	7.102** (78.730)	7.494** (45.010)	6.110** (28.708)	6.720** (46.061)
age	.000 (.559)	.000 (-.532)	.000 (.609)	.000 (-.189)	.000 (.078)

education	.006*	.001	-.003 (- 1.165)	.002 (.714)	.012** (5.003)
Household size	.000 (.121)	.000 (-.547)	.001 (.577)	.003 (.705)	.002 (.812)
Income	.066** (4.798)	-.006 (-.780)	-.041** (- 2.779)	.083** (4.512)	.026* (2.078)
Inheritance	.002** (3.368)	.000 (1.312)	.003* (2.146)	.003** (4.147)	.001 (1.924)
R <sup>2</sup>	.117	.054	.053	.152	.109

**Table 6. Decomposition of disparities in net worth, real assets, and financial assets between Israeli born Jews and each of the other population groups**

	Arabs		Europe/America		Asia/Africa		FSU	
	Euro <sup>a</sup>	percent	Euro <sup>a</sup>	percent	Euro <sup>a</sup>	Percent	Euro <sup>a</sup>	percent
<b><u>Net Worth</u></b>								
NWi-NWs	141.71	100.00%	54.12	100.00	65.78	100.00%	205.00	100.00%
Returns effect $\Sigma(Bi-Bs)Xs+(Ai-As)$	34.21	24.14	30.66	56.66	5.30	8.05	104.02	50.74
Composition effect	36.29	25.61	24.29	44.88	70.17	106.67	12.02	5.86
[income] $(Xi-Xs)Bs$	37.19	26.24	20.01	36.98	47.86	72.76	-4.23	-2.06
[inheritance] $(Xi-Xs)Bs$	2.27	1.60	3.29	6.07	8.72	13.26	10.46	5.10
[age education & size] $\Sigma(Xi-Xs)Bs$	-3.17	-2.24	.99	1.83	13.58	20.65	5.79	2.83
Interaction effect $\Sigma(Bi-Bs)(Xi-Xs)$	70.85	50.00	-1.14	-2.11	-10.06	-15.30	88.60	43.22
<b><u>Real Assets</u></b>								
RAi-RAs	113.73	100.00%	57.15	100.00	51.93	100.00%	189.40	100.00%
Returns effect $\Sigma(Bi-Bs)Xs+(Ai-As)$	15.46	13.59	33.69	58.94	-1.13	-2.17	87.07	45.97
Composition effect	38.44	33.80	19.01	33.26	60.61	116.71	7.16	3.78
[income] $(Xi-Xs)Bs$	41.38	36.39	18.80	32.89	49.90	96.09	1.78	.94
[inheritance] $(Xi-Xs)Bs$	2.15	1.89	.44	.78	7.38	14.20	1.81	.96
[age education & size] $\Sigma(Xi-Xs)Bs$	-5.09	-4.48	-.23	-.40	3.33	6.42	3.57	1.88
Interaction effect $\Sigma(Bi-Bs)(Xi-Xs)$	59.41	52.23	4.17	7.30	-7.97	-15.36	94.74	50.02
<b><u>Financial Assets</u></b>								
FINi-FINs	50.95	100.00%	3.86	100.00	25.88	100.00%	44.35	100.00%
Returns effect $\Sigma(Bi-Bs)Xs+(Ai-As)$	25.77	50.58	.19	4.96	8.04	31.08	32.66	73.64
Composition effect	.97	1.90	10.01	259.27	21.16	81.77	6.23	14.04
[income] $(Xi-Xs)Bs$	-1.32	-2.59	3.81	98.76	2.59	10.01	-7.71	-17.39
[inheritance] $(Xi-Xs)Bs$	.42	.83	4.42	114.39	3.40	13.14	10.78	24.30
[age education & size] $\Sigma(Xi-Xs)Bs$	1.86	3.66	1.78	46.11	15.17	58.62	3.16	7.13
Interaction effect $\Sigma(Bi-Bs)(Xi-Xs)$	24.30	47.68	-6.35	-164.55	-3.28	-12.66	5.55	12.50

<sup>a</sup> Values represent the logarithmic transformation of Euro figures, multiplied by 1000.

