

Income Inequality within Moshav Cooperatives

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Abstract

The Israeli Moshav cooperative was made of homogeneous family farms, all equal in size and resources. Over the years, processes of selective migration and specialization have increased heterogeneity of Moshav families. In particular, the number of active farms has decreased, farm sizes increased, as well as farm specialization, and reliance on off-farm income has increased. This paper examines income inequality among Moshav families using a unique data set. It applies inequality decomposition techniques to identify contributions of different income sources to inequality as well as determinants of inequality. The results show that wage income is equalizing, while income from self-employment, either on or off the farm, is disequalizing. Also, schooling is equalizing, while farm size has no effect on income inequality. An increase in the percentage of families without farms increases income inequality. Overall, the trends of increasing the number of non-farm families and the shift towards off-farm income have opposite effects on income inequality.