Israel’s Haredi Population: Progress and Challenges
October 2015

In 2014, an estimated 911,000 Haredim lived in Israel.

- 58% of the Haredi population is age 19 or younger (an estimated 520,000 children), compared with 36% of the broader Israeli population.
- 3% are age 65 or older, compared with 11% of the broader Israeli population.

Between 2014 and 2034, the percentage of Haredim in the population is expected to increase:

- In the overall population from 11% to 17% [1]
- Among children ages 0-19: from 16% to 27% [1]
- Among elderly age 65 and older: from 3% to 5% [1]
- Haredi life expectancy is the same as for other Israeli Jews, and is projected to rise in similar fashion (from 80.8 years for men and 84.8 years for women in 2014 to 84.5 years for men and 89.3 years for women in 2034). [1]

Haredi Families

- Of all families with children from birth to age 18, 28% have 5 or more children, compared with 8% in the overall population.
- In 2009, the average fertility rate for Haredi women was 6.2 children, compared with 2.4 in the non-Haredi Jewish population. This rate is expected to decrease to 5.3 children by 2030.[1]

Education

- At age 14, the vast majority of Haredi boys cease secular studies.
- In 2014, 25% of first-grade students (about 30,000 students) were enrolled in Haredi schools. This percentage was similar in the upper grades.[4]
- In 2013-14, 8.6% of Haredi 17-year-olds received a general matriculation certificate, compared with 70.9% of all other Jewish 17-year-olds. 4.4% received a university-level matriculation certificate, compared with 60.7% of all other Jewish 17-year-olds.[5]
- In 2011, among Haredim ages 22-64, an estimated 6% of men and 14% of women had higher education, compared with 29% in the general Jewish population.[2]
- Interest in academic studies in the Haredi sector has increased. In 2015, about 9,800 Haredi students were enrolled in institutions of higher education, up from 6,800 in 2013.[3]
**Employment**

- There has been progress over the past decade in Haredi employment, but the gaps for men remain very large, as reported by the Bank of Israel.
- For women ages 25-64, the rates increased from 50.9% in 2003 to 65.4% in 2012 and then to 70.8% in 2014, and are approaching the rates of non-Haredi Jewish women (80%).
- For men ages 25-64, rates of employment increased from 36.6% in 2003 to 41.2 in 2012 and then to 45.2% in 2014, but remain far below the rates for non-Haredi Jewish men (86%).
- For Haredi men ages 25-40, employment rates are even lower; in 2011, only 34% were employed.
- There is a significant gap in monthly earnings between Haredim and all Israelis. In 2013, Haredi men had average monthly earnings of 10,310 NIS compared with 12,130 NIS among all Israeli men. Haredi women earned 5,838 NIS per month compared with 8,066 NIS for all Israeli women.

**Poverty**

- The gaps in employment rates, education, and family size translate into major gaps in economic status between Haredim and other Jews.
- Poverty rates have been increasing since 2000. In 2013, 66.1% of Haredi families lived below the poverty line.

**Military/National Service Participation**

- In recent years, there have been efforts to integrate Haredi men into the military. In 2013, about 3,000 Haredi men served in the military, in both integrated and segregated units.

**Sources:**

7. JDC-Tevet.
1. **Israel's economy is performing well.** This is visible in GDP growth—Israel has not had the sharp post-crisis slowdown that many other countries have experienced. It is also visible in employment creation—since 2007, employment has grown from 59 percent of the working age population ratio to 68 percent.

2. **Nevertheless, policy makers are confronted with a number of challenges.** The fiscal deficit remains stubbornly high, leaving limited buffers to respond to shocks. Inflation is negative—well below the Bank of Israel’s (BOI) target—but housing prices continue to rise. Labor productivity is low and the gap with the United States is widening. And income inequality is among the highest in advanced countries.

### Outlook

3. **The economic outlook is positive.** Growth this year is expected to rebound to 3 percent (from 2.8 percent in 2014), the result of strong private consumption growth—driven by rapid employment growth, near-zero interest rates, falling import prices, and the rebound from the impact of military operations last year. Inflation will turn positive, reaching ¾ percent at the end of the year and the target band next year. There is not much slack in the economy: staff judges that the output gap is near zero. In the medium term, output will grow around 3-3 ¼ percent—in line with our current estimate of potential output growth.

4. **Risks to the outlook are balanced.** Growth could disappoint if growth in Israel’s trading partners were weaker, geopolitical tensions in the region heightened, or the shekel appreciation continued. A sharp correction in housing prices could also slow growth. Growth could also be stronger than expected, for example, if trading partner economies recover faster or investment in the natural gas sector increases. Monetary tightening in the United States would likely help Israel, as it would exert downward pressure on the shekel, which would boost growth and inflation.

### Rebuilding fiscal space

5. **By international standards, Israel has a high, structural, and persistent fiscal deficit.**

   - If we use international accounting standards and include the inflation compensation of indexed bonds *above* instead of *below* the line as is currently done, the deficit is almost 1 percent higher than the 2½-3 percent reported in Israel.
• Israel’s deficit is structural. The current deficit originates from tax cuts between 2003 and 2010, which were not offset by sufficient expenditure reductions. It is not the result of cyclical weakness: compared with 2007—when Israel had a balanced budget—the unemployment rate has fallen from 7.3 to 5.4 percent, even though the labor force participation rate has increased sharply.

• Efforts to reduce the deficit have repeatedly been deferred. In theory, Israel has an expenditure rule and a deficit rule underpinned by a debt target, but they have been revised so often that in practice there is no effective fiscal anchor.

6. The fiscal deficit needs to be reduced. Current levels leave few buffers to deal with shocks, such as housing price correction, renewed conflicts, or a sharp recession. The decline in debt—from 94 percent in 2003 to 67 percent in 2014—has already almost come to a halt, and if deficits are not reduced, public debt will start to edge up again. If deficits stay around 3 percent (4 percent on international standards) and with real GDP growth around 3 and inflation around 2 percent, the debt ratio will converge to 80 percent of GDP over the longer term. Sticking to the current deficit law that reduces the deficit to 1½ percent of GDP by 2019 is critical. If adhered to, the debt ratio would converge to 50 percent of GDP over the longer term.

7. Reducing the deficit will be a challenge.

  ❖ Measures will be needed to stick to the current expenditure ceiling. This is because the plans in the coalition agreement would raise spending above the current ceiling.

  ❖ The expenditure ceiling is not tight enough to bring about the desired deficit reduction. The real growth rate of the expenditure ceiling (around 2.6 percent) is barely below the growth rate of real GDP (3 percent).

8. This challenge should be addressed immediately and not put off to the future. Policy makers need to decide how to reduce the deficit. If civilian expenditure is considered too low to be reduced, then measures on the revenue front should be identified. In this context, the mission advocates an explicit revenue and expenditure fiscal framework to meet the 1½ percent of GDP deficit target. This framework should explicitly identify the policies in the next 4 years to bring down expenditure and raise revenue to meet the medium-term deficit targets. Adjustment efforts should seek to minimize the impact on growth. This favors raising revenues from indirect rather than direct taxes and finding savings from current rather than capital spending.

9. Next year’s budget should take an important first step in reducing the deficit. The 2015 budget will likely be passed only in the fall—too late to introduce new measures. As the fiscal deficit for this year is likely to exceed the deficit target in the current law (2¾ percent of GDP rather than 2.5 percent), the deficit in 2016
should be brought down by at least half a percent relative to 2015, equivalent to the drop envisaged under the current deficit law.

Bringing inflation back to target

10. **Low inflation does not reflect domestic weaknesses, but is largely imported.** Our analysis suggests that low inflation is mostly the result of the fall in oil prices and the lagged impact of the shekel appreciation in the first half of 2014, while increased competition in the telecommunication industry and one-off reductions of electricity and water rates have also contributed. The temporary nature of low inflation is also evident in inflation expectations, which remain well anchored within the target band.

11. **Inflation is expected to return to the target band in 2016**—the result of the shekel depreciation in the second half of the 2014, the tapering of energy price declines, robust domestic growth, and tightening labor markets which are expected to exert upward pressure on wages. Indeed, since February, a strong rebound in consumer prices has been visible.

12. **This suggests that monetary policy can be put on hold.** With little slack and unemployment at historic lows, further stimulus is not needed. The overall policy mix (with broadly neutral fiscal policy and near zero interest rates) is already very accommodative.

Managing risks from rising housing prices

13. **Boosting the supply of housing is critical to contain housing price increases.** Housing prices have increased sharply in recent years, as demand—further boosted by low interest rates—has increased and supply has not kept up. In this context, the mission welcomes the intentions of the new government to boost supply through various measures and to concentrate several housing-related authorities into one ministry to shorten the planning process.

14. **Macroprudential measures remain vital to containing risks to financial stability emanating from the housing sector.** So far, measures have been effective in containing household leverage. However, further tightening may be needed in the future.

Safeguarding financial stability

15. **The financial sector is stable but exposure to the housing/real estate/construction sector has risen.** Banking sector credit to the housing/real estate/construction sector accounts for around 44 percent of loans. The real estate/construction sector has also been active in the corporate bond market, where spreads have been low even for issuances with low ratings and weak collateral. In this context, risk diagnoses and assessments should be done on an ongoing basis. Stress
tests—ideally covering not only credit and market but also liquidity risks—should take into account the interconnectedness of various institutions and instruments as well as macro-financial feedback loops.

16. **Efforts to increase banking sector competition should ensure that financial stability remains paramount.** Increasing competition could lead to reduced fees, improved services, and increased access to credit, but it could also raise risks to financial stability—particularly if it would lead to weak new banks or rapid credit growth and an erosion of credit standards. It will thus be important to keep prudential policies strong.

17. **The adoption of remaining key recommendations from the 2012 FSAP should be completed.** Pending legislative initiatives to reduce systemic risk (amendment to the Mutual Funds Law and an amendment to the Banking Ordinance to strengthen the crisis resolution framework) should be finalized. A formal Financial Stability Committee, focused on macroprudential policies in normal times, should be established with the BOI Governor taking the leading role.

**Addressing low productivity and income inequality**

18. **Labor productivity in Israel is relatively low, and the gap with the United States has been widening.** Productivity is partly low for benign reasons: sharp increases in the working age population (fueled by high birthrates and immigration) and an increase in the labor force participation rate have kept production labor-intensive and thus labor productivity growth low. However, TFP growth has also been very low. Productivity will come under further pressure from the rapidly rising share in the population of the Haredi and Israeli Arabs—groups that have generally lower education, productivity, and participation levels.

19. **Without an increase in labor productivity growth, GDP growth will slow in the future.** In the past two decades, much of Israel’s growth has come from the use of additional labor. With the increase in the labor force participation rate likely to level off and unemployment already at record lows, future employment growth will likely slow to the rate of working age population—some 1½ percent. If productivity does not pick up, GDP growth will slow accordingly.

20. **Raising productivity should become a priority.** Israel has a lot of macro-flexibility—it has managed to absorb an incredible increase in the labor force. But what Israel needs is more *micro-flexibility*, that is, more competition at the micro level. According to OECD product market restrictions indicators, Israel has too much regulation and restriction, and not enough competition.

21. **We therefore welcome the intentions of the new government to boost competition in several sectors,** including transportation, food, the financial sector, and commodity imports. Efforts should also continue to address infrastructure gaps and improve education.
22. **Income inequality is high.** This reflects both high inequality of labor-income, with a high share of both high-paying and low-paying jobs relative to other countries; as well as less redistribution through the tax/transfer system than in other countries. Poverty is concentrated among the Israeli-Arab and Haredi populations, which have lower labor force participation rates, less education, and larger families, but even among non-haredi Jews income inequality is higher than in almost all advanced countries.

23. **Reducing inequality requires concerted efforts from across government agencies, stakeholders, and communities.** A comprehensive poverty reduction strategy could be formulated to address critical structural problems hindering the effective inclusion of the Haredi and Israeli-Arab populations in society and the labor market, including poor rural infrastructure and transportation and low quality of education.

*We would like to thank the authorities and private sector counterparts for their cooperation and hospitality.*
The Jerusalem Institute for Policy Studies
Center for the Study of Haredi Society

The Ongoing Transformation of Haredi Population in Israel:
Past Developments and Future Options in Education and Employment

Prof. Amiram Gonen and Rabbi Bezalel Cohen

A report presented to the Maimonides Foundation

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The Center for the Study of Haredi Society (CHIS)

CSHS nests within the organizational framework of the Jerusalem Institute for Israel Studies (JIIS), founded in 1978 as an independent, non-profit research organization and think tank and currently headed by Director General Meir Kraus. In 2013, JIIS decided to enhance its research activities by establishing CSHS, focusing on various issues concerning the current budding socio-economic transformation that is taking place, which is leading to the gradually increasing involvement of the haredi population in the general Israeli economy, society and civic affairs. CSHS aims to increase its impact on municipal and national policy makers through ongoing interaction with them regarding the choices of research topics that concern them, as well as bringing to their attention policy recommendations based on research projects.

Heading the Center is Prof. Amiram Gonen, professor emeritus of the Hebrew University. He is former head of the Jerusalem Institute for Israel and the Floersheimer Institute for Policy Studies and wrote several research reports on haredi society.

Rabbi Bezalel Cohen is a member of the board of the CSHS and currently head and founder of Hachmey Lev Yeshiva in which general studies for high school matriculation are included. He studied at several haredi yeshivas, served as research associate at the Floersheimer Institute for Policy Studies, Jerusalem Institute for Israel Studies and Israel Democracy Institute. He is also the former head of education and employment programs for haredim at Israel-JDC. He is one of the founders of Kemach Foundation for Professional Advancement of Haredim.

Prof. Amiram Gonen and Rabbi Bezalel Cohen are the co-authors of the following report.
OVERVIEW

This report traces some main aspects of the changes which the haredi population has undergone in the recent decade and a half, particularly with the growing numbers of haredi persons involved in academic studies, vocational training and eventual gainful employment. These changes are an indication that a large number of haredi persons are eager to respond to the challenge of transforming the male component of their population to be more involved in the general economy and society and move away from the model of a scholars’ society which brings about poverty and a heavy burden on society at large.

The report addresses the following topics:

**Background**
- The basic challenge: poverty generated by high population growth;
- Evolution of the haredi population in Israel as a “scholars’ society”; and its basic economy;
- The early emergence of vocational training.

**Higher Education**
- The spread of academic studies for haredi students;
- The role of philanthropic foundations in the provision of tuition scholarships;
- The need for a more intensive pre-academic preparatory program and ongoing auxiliary tutoring throughout undergraduate studies for haredi students;
- The need to balance between academic studies and vocational training;
- Increasing the share of important and demanded academic subjects;
- How long to continue to maintain in academic studies the high degree of haredi segregation and gender separation.

**Employment**
- On-going activities in job referral and placement;
- Still unattended issues in employment;
- The inadequate input of general studies in elementary haredi education.

**Elementary and High School Yeshiva Education**
- The total lack of general studies at yeshivas for boys of high school age;
- Setting up Haredi high school yeshivas as an alternative to the classical haredi yeshiva.

**Summary of Open Options for Philanthropy**
The Ongoing Transformation of Haredi Population in Israel:
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A. GENERAL BACKGROUND

The basic challenge

Israel faces a crucial challenge regarding its growing ultra-orthodox sector: how to integrate this population group more actively into the country’s economy and society while maintaining the community’s unique traditions and lifestyle. Several elements underlie this challenge:

- **Poverty**: Many haredi men do not participate in the labor force, and their families are economically supported by state transfer payments of all kinds, philanthropy and income provided by female spouses. As a result many haredi households are much poorer than the rest of the Jewish population in Israel. The current situation is the result of the evolution among the haredi population of what has come to be termed a “Scholars’ Society”, in which haredi men are expected to be fully engaged in Torah studies.

- **High population growth**: This economic challenge is particularly acute due to the high demographic growth rates as a result of high birth rates – 6.5 children per woman as opposed to 2.9 for the general Jewish population. Demographic forecasts show that this situation is due to intensify in the near future as a result of the demographic growth of the haredi population. Currently the haredi population is estimated to consist of over 830,000 persons, comprising about 11 percent of the population of Israel or 13.5 percent of the Jewish population. If the current haredi growth trend continues, haredi population will amount in 2028 to about a fifth of the Jewish population. The share of haredi pupils in the first grade by that year is expected to amount to about 40 percent. Demographic forecasts indicate that by 2059 the share of haredim in the Jewish population will be over a third. In terms of age structure, the haredi youth (0-19) will form about half of the country’s population.

- **High fertility rates**: In earlier years the current high haredi birth rate of 6.5 per a haredi woman was even higher – around 7.5. Several reasons were suggested to explain this drop in the fertility rate among haredi women:
  - The rising rate of employment among haredi women;
The cutting by the government of social transfer payments, including child allowances, since 2003;
The growing number of ba’alei teshuva joining haredi ranks and importing lower fertility rates from their previous cultural setting;
Slowly adopted norms of a smaller number of children per family by a currently limited proportion of the haredi population.

Evolution of the haredi population in Israel as a “scholars’ society”

Several developments have led to this evolution:

- **Decimation of haredi population in the Holocaust**: A relatively larger proportion of the haredi population in eastern and central Europe was annihilated during WWII due to their former reluctance to emigrate to “treife medines” (non-kosher) elsewhere, including North America Zionist and secular Eretz Israel;

- **The challenge to rehabilitate the former “world of Torah”**: The need to recreate the cadre of rabbis, dayanim (religious judges) and other clergy as well as fully learned scholars;

- **Informal declaration of a haredi revolutionary state**: Each young man should be fully mobilized to the task of rebuilding the “world of Torah”.

- **The special circumstances in Israel** in which there is a threatening presence of other Jewish competing alternatives:
  - A culturally threatening compulsory military service.
  - Culturally threatening Jewish state educational systems: secular and religious-Zionist.

- **Early accommodation by the Israeli establishment** by granting the haredi population:
  - A limited deferment from military service.
  - An autonomous haredi educational system.

- **Differences between haredi ethno-cultural groups**: The haredi population in Israel is divided among three main ethno-cultural groups, differentiated by ethnic origin and attitude towards intensive Torah learning, on the one hand, and toward earning work, on the other:

  - **Lita’im or Lithuanian mitnagdim**: Ashkenazi origin in northeastern Europe who cherish above all intensive engagement in the learning of religious scriptures. This tradition has been developed in northeastern Europe (Lithuania and northeastern Russia and northern Poland). They were the originators of the “scholars’ society” through their development of a network
of yeshivas already in northeastern Europe in the 19th century. At that time only a handful of young elite scholars were trained for several years.

- Hasidim or Hasidic of Ashkenazi origin in southeastern Europe (Galicia, central Poland, eastern Hungary, Slovakia, and northern Romania). The Hasidic movement originally grew and spread as a popular alternative mode to the scholastic character of the Lithuanian one. In Israel, the Hasidim have gradually adopted some partial aspects of the Lithuanian scholastic mode and have developed their own yeshivas, while still remaining more inclined to engage in earning a living, mainly in commerce and crafts.

- Sephardim or Mizrachim (of Eastern origin), extending from Persia and Bukhara in the east, Yemen in the south to Morocco in the west. They have shared with the Hasidic group the positive inclination toward working for a living and a rather limited tendency to be involved in intensive Torah learning. However, in recent decades they have been increasing drawn to the Lithuanian mode, especially by their current elite, trained in Lithuanian yeshivas. But a substantial part of this group is still involved in active earning work, though, like the majority non-haredi population of Sephardic origin, they are less inclined toward academic education and more concentrated in vocational training, partly because of channeling practices of Israeli educational institutions.

The basic economy of the haredi scholars’ society

General characteristics

Almost two-thirds of haredi households are considered poor. Several factors are acting to bring about this deep level of poverty among haredim:

- A gradual reduction of the rate of participation of haredi men in the labor force because of haredi men's cultural preference of being engaged in full-time Torah studies and leaving breadwinning to their wives. In the early 1970s the rate of participation of haredi men in the labor force was around 65 percent, and it decreased to less than 40 percent in the 2000s.

- A low level of income earned by haredi women as well as by those haredi men who opt to work and earn a living.

- A large number of children per household due to the high fertility rate of haredi women.

Sources of income in the haredi scholars’ society
The main sources of income for haredi households are a mixture of earned income, state subsidies and allowances:

- **Income from reported employment.** Less than half of haredi men are reported as being employed, mostly at very low salaries. Meanwhile, less than two-thirds of haredi women are employed, mostly at low salaries and to a large extent in education or personal services.

- **Income from unreported employment** earned by an unknown proportion of both men and women who are engaged in unreported work, most often drawing quite a low income.

- **Income subsidies** paid by the government to households qualified as poor. About 60 percent of haredi households are qualified as such.

- **Discounts on local payments** to households qualified as poor. Many haredi households get significant discounts on local taxes or payments to educational institutions run by local authorities.

- **Child allowances**, paid to all households in Israel. With a large number of children common in haredi households, this source of income could play an important part in their total income.

- **Kollel scholarships.** Haredi men engaged in Torah studies at a kollel are paid a scholarship by the kollel at which they study. Funds for the payment of these scholarships, originating in philanthropic contributions from around the world, vary significantly by type of kollel and by the length of time spent in such studies during the day. Kolles that are well-endowed with philanthropic contributions pay a much higher scholarship than those poorly endowed.

- **Charity grants** distributed by philanthropic associations, foundations and individuals.

**Sources of household financing**

The main source of financing among the haredi population is:

- **Gemach (Interest-free loans):** Such loans are made by a community organization known by the acronym of gemach (gemilut chasadim). They are made available for helping households in paying for various needs. Many households recycle their loans by taking loans from other gemach organizations. There are no data on the magnitude of indebtedness among haredi households.

**“Discovery” of the haredi scholars’ society by researchers**

The realization of the emergence of an increasingly poor and state-dependent haredi scholars’ society has been growing since the 1990s with the publication of numerous research works. Several research publications were instrumental in bringing awareness to the government and other public
organizations regarding the existence of a pressing economic and social problem in the unchecked growth of a haredi scholars’ society in Israel:

- Menachem Friedman in his “The Haredi (Ultra-Orthodox) Society – Sources, Trends and Processes” (The Jerusalem Institute for Israel Studies, 1991) has defined and described the existence of a “scholars’ society” among the haredi population.

- Eli Berman and Ruth Klinov in their “Human Capital Investment and Nonparticipation (or: Jewish Father Stops Going to Work)” (The Maurice Falk Institute for Economic Research in Israel, 1997) and Eli Berman in his “Sect, Subsidy and Sacrifice: An Economist’s View of Ultra-orthodox Jews (Jerusalem Institute of Israel Studies, 1998) have offered an economic analysis of the preference of haredi men not to work and the economic support they get from their community.

- Amiram Gonen in his studies on haredi communities outside of Israel, in New York ("Between Yeshiva and Work: The American Experience and Lessons for Israel," The Floersheimer Institute for Policy Studies, 2001) and London ("Between Torah Learning and Earning: A Society of Learners and Providers in London", The Floersheimer Institute for Policy Studies, 2005) has shown that under conditions outside of Israel – no compulsory military service, no haredi political parties in parliament and no tradition of full-time Torah learning in the Holy Land – the vast majority of haredi men are gainfully employed, and full-time Torah learning is limited to their years of youth and early adulthood.

- Rabbi Bezalel Cohen has described and analyzed various aspects of the economic consequences of haredi economic distress as a result of an overgrown commitment to men’s full-time engagement with Torah learning and the inability of rabbinical leadership to bring about a policy change ("Patterns of Economic Distress and Employment in Haredi Society – A View from Within," The Floersheimer Institute for Policy Studies, 2005).
B. THE EARLY EMERGENCE OF VOCATIONAL TRAINING

The need to train the haredi population for the entering into the labor force has been gradually recognized since the late 1990s. The first to be involved in this process were vocational training institutions, which viewed the haredi population as an emerging source of filling vocational jobs, now increasingly needed in the Israeli economy, and then often filled by foreign workers and previously by Palestinians from the West Bank and Gaza. The main institutions involved in this task were:

- **The Section on Vocational Training at the Ministry of Trade and Industry** identified haredim as a new source to recruit for the depleting vocational training programs after the depletion of the old sources, originating in the immigrants of the 1950s and 1960s. This section initiated many specific training programs in which haredi men and women received some sort of vocational training.

- **Tevet (ת"פמ)** was set up as an organization by the Israeli government (Ministry of Economy and of the Treasury) and JDC-Joint Israel to build vocational training programs for minority groups such as Arabs and immigrants from Ethiopia; it has since incorporated the haredi population in its programs. In cooperation with the Section on Vocational Training at the Ministry of Trade and Industry, Tevet has developed a series of many short vocational training programs for haredi men, including those still engaged in full- or part-time Torah learning as well as for haredi women eager to enhance their earning capabilities and professional advancement. The series, called in Hebrew “Parnassa Bechavod (פרנסה בכבוד - honorable earning of a living), included training for vocational professions such technicians, computer programmers, bookkeepers and tax counselors for men, and hydro-therapists or remedial teachers for women. Gender separation was strictly kept, as was the “spiritual” conformity of the study content to the haredi world view. Haredi leaders and activists consented to the series and cooperated with it.

Tevet also organized a special program of vocational training courses offered for free to haredi women, called Tzofia. The program was managed by a haredi women's organization by the name of Pelech.

- **The Haredi Center for Vocational Training** was first established in Jerusalem, and then opened branches in other concentrations of the haredi population: Bene Berak, Ashdod, Haifa, Bet Shemesh and Modi’in Illit, thus offering the necessary accessibility for haredi men still involved in intensive Torah learning at their local kollels or working haredi women and housewives interested in upgrading their employment capabilities with no need to travel to distant vocational training centers. The Center offered haredi men and women various levels of vocational training, including...
the higher level of “practical or para-engineer” (第三人オノメディア=handasai) in fields such as building and architecture.

- **Various organizations** were established in some of the major haredi centers in which specific vocational training programs were offered. Some of the entrepreneurs were haredi, while others were already in the vocational training market and branched off to establish programs designed for haredi trainees. Even the Chief Rabbinate became actively involved in organizing courses to train haredim for all kinds of professions related to the Jewish religion such as shoichet (שוחט), moihel (ሞሌ) (and sofer stam (ם) (מוהר) (and sofer stam (ם) (מוהר)).

All of these activities were able to add quite a few haredi men and women to the lower ranks of the trained work force. The challenge had still remained to introduce them to the middle-ranking professions and even higher-ones.
C. ACADEMIC STUDIES

Several institutions participated in the early emergence of academic studies for haredim. The process has been a gradually developing combination of initiatives by activists and entrepreneurs, mostly haredi, initiatives of academic institutions recognizing the growing demand for their services and the growing recognition of the Council of Higher Education, led at the time of Prof. Manuel Trajtenberg. The first academic institutions to be engaged with haredi students were the following:

- The first attempt at setting up a program of academic studies for haredim was led by Shas party activists who asked the American-based Touro College to provide academic education to haredi students. The prime motivation has been to enable Shas membership to undertake government and other public positions demanding university degrees. Touro College was ready to provide studying conditions according to haredi cultural norms, such as gender separation.

- The Council of Higher Education (CHE), dissatisfied with the level of academic studies at Touro College, terminated it but while being urged by some haredi activists to act to open separate haredi frameworks for academic studies, has embarked on its own program to provide publicly-financed academic studies targeted for haredim and according to their norm of gender separation, following the realization that this format would reduce one of the barriers standing in the way of haredi men and women to academic studies. Two institutions were approved: The Jerusalem Haredi College and the Bene Berak Haredi College. However, they were not established as independent fully-accredited academic institutions, but were rather designed as organizational “platforms” for teaching, examining and degree-granting by fully-accredited academic institutions such Bar Ilan University, Haifa University and Hadassah Academic College. These two haredi “platforms” were set up to be gender-separated.

- Lev Academic Institute (known also as the Center for Higher Technology), a religious publicly-financed academic institution in Jerusalem, devoted mainly to engineering and natural science subjects, and practicing gender separation from its early start, has begun to develop separate “institutes” for the teaching of haredi male and female students. Later, it incorporated in its teaching system the Lustig Haredi Women’s College in Ramat Gan, again devoted to technological subjects.

- Ono Academic College, a privately-financed academic institution located in the town of Qiryat Ono, a suburb of Tel Aviv, has pioneered in the private sector by establishing a separate campus for haredi students in the neighboring town of Or Yehuda. It was the first private academic institution to identify the growing demand for academic institutions among the haredi population.
It concentrated on offering courses in law, business administration and accounting, which were at
the time in high demand among Israeli students in general. This Ono Haredi Campus soon emerged
as one of the major producers of haredi graduates, men and women, in spite of the fact that tuition
costs were three times higher than those in publicly-financed academic institutions. The Ono
Haredi Campus managed to provide ample scholarships to many of its haredi students. The
Wolfson Foundation was one of the early funders of these scholarships.

• **The Open University** has been the first to introduce haredi students to an academic institution
  without gender separation. The project was initiated by Amiram Gonen and Rabbi Bezalel Cohen.
  Full tuition scholarships were funded jointly by Dr. Albert Dov Friedberg of Toronto and the Open
  University and were restricted to haredi men, being mostly affected to the prevalence concept of
  the “scholars’ society”. The advantage for haredi students was the fact that the Open University
  was designed from its beginning as an academic institution not requiring a high-school
  matriculation certificate (*bagrut*). It also provided ample study texts and online materials that
  enabled students to depend on distant learning. It also had branches in many towns across the
  country and thus made academic studies accessible to the haredi population that was, by then,
  spreading away from its two long-standing geographical concentrations of Jerusalem and Bene
  Berak. The Open University, recognizing its lack of mathematics and English language, offered
  haredi students special preparatory courses in these two subjects.

• **Expanding the network of haredi academic frameworks – Mahar (מק"ס) project**: After over a
decade of experience with the two haredi “platforms” (see above), CHE has embarked on a project
of attaching haredi academic frameworks or campuses to many other academic institutions. The
project included CHE’s per-student special financial support for the establishing and the managing
of these separate frameworks as well as full tuition loans to students that could turn mostly into
grants in preferred subjects such as engineering and computer science. Some living stipends are
offered as well in these preferred subjects. This is the first time CHE is directly involved in tuition
loans and living stipends, indicating the particular importance it attaches to supporting academic
studies of haredim and especially to their study of preferential subjects.

Following tender published by CHE, quite a few academic institutions followed suit and have
opened such a separate haredi campus, sometimes set quite geographically apart from their main
general campus. The first academic institutions to respond actively to CHE’s Mahar project were
Ashkelon Academic College, Bezalel Academy for Art and Design, Hadassah Academic College
in Jerusalem, the Hebrew University of Jerusalem, Jerusalem Engineering College, the Technion in
Haifa, Sami Sham’oun College of Engineering in Be’er Sheva and Zefat Academic College. The newly established Haredi Straus Campus of Hadassah Academic College was the one to recruit a substantial proportion of the new haredi registrants to this new CHE project in 2013. A survey of all registrants indicated that over 40% of them were in such haredi campuses located in the peripheral areas of the country, indicating a growing demand for academic studies among the haredi population living in the country’s periphery which, until 2012, had little opportunity to participate in an academic setting suited to its cultural preferences. This 2013 survey also shows that registrants are equally divided between women and men, reaffirming other indications of a recent increase in the participation rate of haredi men in academic studies.

All of these efforts to open up academic studies to haredi men and women have led to a constantly growing number of haredi students. In the school year of 2011/12 the number of haredi students was 7,350. It is estimated that the number reached as high as 10,000 in the year 2014/15.
D. THE ROLE OF PHILANTHROPIC SUPPORT

One of the severe barriers to the academic studies undertaken by haredi students is their inability to pay tuition due to the dearth of economic resources. Most of them are already married and have to provide for their families with the meager income they draw from various resources. The parents too can often not afford to support their grown up offspring in this endeavor; sometimes they are reluctant to do so or are even unaware of the need because of not being told. As a result, philanthropic foundations have gradually realized that the provision of financial assistance to haredi students is a crucial challenge to address and an important task. Several such foundations rose to the occasion:

- **The Wolfson Foundation** was recruited by the Ono Haredi Campus, as mentioned above. At the time, there were no other sources available. Later, other sources became available.

- **Yedidut Toronto Association** was established shortly after the beginning of Dr. Albert Dov Friedberg's involvement in the provision of scholarships to haredi students in partnership with the Open University, based on its own fundraising for this purpose from its own contributors around the world. The number of students in this particular project was limited to 120 for the average length of four years of undergraduate studies. When the number of applicants for scholarships continued to grow, Dr. Friedberg expanded his contributions and added this line of activity to other philanthropic activities in Israel and put them under one roof to be established as Yedidut Toronto Association. By then its tuition scholarships amounted to 70 percent of tuition costs and the range of academic institutions in which such scholarships were granted was appreciably widened.

- **Kemach Association** started its operation in the provision of tuition scholarships for haredi students following the example of the scholarship project at the Open University. Mr. Leo Noe of London was the initial funder and was later joined by others. In its early years Kemach closely followed rabbinical rules on the age of applicants, first restricting it to 25 years and above for married men but over time, as demand expanded, the age limit has gradually relaxed. Early on, Kemach was the main provider of scholarships to haredi students at separate haredi campuses or “platforms”. For some years Kemach was the major contractor for the distribution of Tevet scholarships for haredi students funded by the Ministry of the Treasury. Yedidut Toronto participated in it for two years and then withdrew to the provision of scholarships based on its own philanthropic funds only. When a decision was made by CHE to provide tuition scholarships and living stipends to its Mahar project students, Kemach was again chosen to be in charge of distribution. It has thus become a multi-purpose organization “offering various solutions for haredi men turning to professional studies for further employment opportunities.”
- **Halamish Program** (חלל"ש) is a privately funded program devoted to providing tuition scholarships to haredi students studying engineering and hard science subjects who prepare for work in Israel’s industry. It operated only in a few academic institutions offering these subjects such as the Lev Institute in Jerusalem, the Technion in Jerusalem and Sami Sham’oun Technological College in Be’er Sheva.
E. ISSUES OF ACADEMIC AND VOCATIONAL STUDIES

The following chapter delineates a series of standing issues underlying many of the activities associated with academic studies for haredi students. The list can serve as a guide for the particular needed efforts still demanded in order to improve the quite impressive process of transformation being undergone in recent years:

The need for a satisfactory pre-academic preparatory program

It was immediately clear that there was a need to attend to the lack of high school education among haredi men because of their full-time devotion to Torah learning at the age when others are engaged in subjects required for entering academic and vocational institutions, primarily mathematics and English language. Haredi women students did not have this problem because in their high school and post-high (known as “seminars”) education they had to take most of the core courses.

Facing this situation, CHE demanded that all prospective haredi students must participate successfully in a Pre-academic Preparatory Program (PPP), a format that had existed for many years earlier for persons applying for academic studies who did not have a good enough high-school matriculation record or for some reason did not complete their high school education. CHE approved the establishment of haredi-segregated and gender-separated such pre-academic programs in each academic institution with a targeted setting for haredi men students. In institutions where there has not been a separate haredi framework of studies, haredi prospective students have to join the PPP serving all students in each of these institutions. The Ministry of Education, responsible for high school education, subsidizes the costs of the PPPs and also extends scholarships to those who need them.

But there are enough indications that for many, if not for most, haredi students, a one-year PPP program is not enough to breach the gap between the lack of a solid four-year high school education and the challenges presented by studies in many of the more technologically- and methodologically-oriented professional subjects such as engineering, hard science, psychology and economics, least to say medicine. In these academic subjects, the most pressing part of the PPP program is in mathematics and English language, which are essential to them. There are indications that the insufficient preparatory work done in the PPP program is the cause of severe difficulties and obstacles for haredi students to successfully complete their undergraduate studies.

In addition to the improvement of the PPPs, there is also a need to develop an effective ongoing auxiliary teaching program during academic studies. Many haredi students experience difficulties as a result of the lack of knowledge and skills as they continue in their academic studies.
Some unstructured and even haphazard aid is sometimes extended to them, but in most cases they are left disadvantaged in comparison to other non-haredi students in the system, often leading to delay in completion of courses, a need to repeat them again after failing exams, or even dropping out of academic studies. No substantiated research is available on this aspect, but from the experience gathered by the authors, this is a serious problem that has to be addressed. Haredi male students, because of their unsatisfactory preparation during their high school years (yeshiva ketana), need to be provided with all kinds of “crutches” on the way to academic graduation. It will also help a lot when obtaining a “practical engineer” education.

Policy decision needed: There is a need to look more in-depth into the PPP program for haredi students based on research and analysis and then to weigh the practical ways for building an appropriate format of a PPP program. Another issue is the extension of the study of mathematics and English language into the second and third year, parallel to regular academic studies. Additional substantial financial resources will be needed to improve the PPP programs for haredi students. Philanthropic foundations may look into this option of joining to face this challenge.

Vocational training versus academic education

As government and public organizations turned their attention to the preparation of haredi persons to earning occupations, the question arises of which course is the right one – vocational training or academic studies. In the early years of changing policies of government agencies, the ruling attitude was that the best, fastest, easiest and least-costly track for haredi men to acquire earning skills is through vocational training. The reasons given for that were many:

- "Haredi men have no time for a long training" - Haredi men marry at a young age and have to earn quite immediately and therefore have no time for long-term academic studies.
- “Haredi men need parnassa (earning) and not studies – they have their own Torah learning” – therefore they prefer fast and simple vocational training).

However, the last decade has witnessed a growing readiness of haredi men and women to undertake academic studies after many decades of abstaining from such courses. Such a change is often associated with the realization that academic studies may contribute to higher income and social standing associated with future employment. The last decade has also seen the growth of supply of academic studies offered by a variety of public and private organization.
In recent years there has been a growing recognition that in some academic fields, such as law and business administration, there has been an overproduction of haredi graduates who cannot find an appropriate job.

**Policy decision needed:** A major policy decision has to be taken on this issue after in-depth research into future demand for graduates of academic studies vs. demand for those of vocational training.

**Increasing the share of important and demanded academic subjects**

Most haredi students are enrolled in law, business administration and accounting, subjects perceived as in demand in the labor market and rather easy for haredi men with deficient high school-level preparation. Haredi campuses of privately-financed colleges, particularly the one at Ono College, are almost exclusively devoted to offering these subjects to haredi students. The result has been that a growing number of haredi graduates of these subjects are having difficulties securing a place of work. In law and accounting, this problem starts with the inability to find a place of internship needed for professional certification.

At the same time, not enough haredi students are studying subjects such as engineering and physical sciences, which demand a heavy load and a well-founded prior high school level preparation. The government tries to deal with this issue by offering living stipends for students enrolled in such subjects, but the level of support is not encouraging enough to make a significant change.

**Policy decision needed:** There is already a beginning action taken by CHE to differentiate in the level of financial assistance between strategic and non-strategic academic subjects. Philanthropy, industry and business could be recruited as partners in this task.

**How much of a separate setting for haredi students and for how long?**

Most haredi students prefer a haredi-segregated non-coeducational setting. Haredi students enrolled in coeducational academic setting do so because they cannot find their desired subjects in the separate setting or because they are willing to deal with such a setting in their own way. As haredi academic studies have begun to spread to more academic institutions due to the last major Mahar policy decision by CHE, there emerged in some of them, and especially in The Hebrew University of Jerusalem and Tel Aviv University, a limited but “noisy” opposition to a separate setting that contradict the liberal ideals of gender equality.
Policy decision needed: A decision has to be made as to how long the current support should be given by CHE only to separate haredi settings. This decision is particularly relevant to the policy of offering loans/partial scholarships to students of these frameworks. The question arises of whether such financial support should be extended to haredi students opting to study under no separation, many of whom do so in order to be able to follow academic studies unavailable at the separate haredi frameworks. What measures should research have to be carried out as to the changing attitude through time among haredi prospective students. Research measures must be carried out regarding the changing attitudes over time among haredi prospective students.
F. EMPLOYMENT

Initial Success

Rates of participation in the labor force continue to rise among haredi women. The rates for haredi men, on the decline for 30 years during the creation of the haredi "scholars’ society," have recently been on the upsurge but are still much lower than those for non-haredi men. While in 2002 only 27 percent of haredi men aged 25-54 participated in the labor force in 2012 this rate rose to over 46 percent.

On-going activities in job referral and placement

The government, through its Ministry of the Economy and its associated agencies and partnerships, has put a lot of effort into developing employment among haredi men and women. Its partnership with the JDC has brought about the establishment of a network of referral and placement centers called Mafte’ach (מקוף) in order provide access to these training programs and to jobs after their completion of the training in them. The Tzofia vocational training program, mentioned in a previous chapter, included all the accompanying needed services for ensuring employment, such as referral and job placement.

Recently, the Ministry of the Economy and the Municipality were instrumental in establishing a one-stop center in Jerusalem and Benei Berak, the two major haredi concentrations, to be engaged in many of the tasks connected with employment for haredim, from referral to vocational training programs to job placement. Kemach won the tender on managing the new one-stop referral and job placement center in Jerusalem. It remains to be examined whether a large, integrated and perhaps bureaucratic establishment will fit many of clannish Hassidic men and women. In response, the Belz Hassidic group is operating its own referral and placement body, catering to its own members as well as to members of other Hassidic groups.

There are many other smaller players in the field of referral and placement. The Haredi Center for Vocational Training is intensely interacting with employers, thus enabling not only job placement but also making available on-the-job further training and even scholarships from employers for the initial training. The Kemach and Yedidut Toronto foundations also do this with students to whom they provide scholarships and loans for studies. Yedidut Toronto widened its operations regarding the support of haredi students to career counseling. Some haredi campuses do the same.
Issues of employment still unattended

It seems that advising students on the search for jobs is well covered. The Ministry of the Economy has allocated much money for this. The challenges to be met are mainly in the job market itself. Here are some of the main ones:

- The reluctance of many employers and fellow workers to take on a new recruit of another somewhat threatening culture that demands strict kashrut and strict keeping of the Sabbath and holidays.
- The unwillingness to have separate working quarters for haredi workers, in particular for women.
- The price paid by segregated places of work for haredi women in terms of much lower salaries than they could earn in gender-integrated places of work.
- The low pace of on-the-job professional advancement when working only with haredi women.

It seems that these problems need some time to be accommodated or settled. There is very little research address to such issues.
G. EDUCATION

The general situation

Haredi education, in particular, presents a significant challenge to the integration of the haredi population into the country's economy and society, especially with regards to haredi men. Haredi education is strictly divided between boys and girls, not only in terms of physical separation but also in the teaching content. But while the education of haredi boys prepares them eventually to become full-fledged members of the "Scholar's Society", totally engaged in Torah learning, the education of haredi girls prepares them for participation in the labor force in addition to turning them into pious and devoted members of their haredi society. This challenge has been emphasized in the recent years of transformation with regards to vocational training and academic studies among haredi men. They face barriers and obstacles that arise from their insufficient or even total lack of knowledge and skills acquired by Israeli school boys during their years of state elementary and secondary education; meanwhile, haredi male youth spend most of their time in school, particularly at the yeshiva (high school) level, in Torah learning. It is quite clear that unless some substantial changes are brought about through the introduction of such knowledge and skills to the haredi education of boys, all the hardships, obstacles and barriers will persist on the way to the integration of haredi men into the general economy and society in Israel. This challenge is therefore crucial, but it is lined with much opposition from many among the haredi population.

The situation is quite different with regards to haredi education for girls and young women. Unlike the male channel of education, the female channel is not as dominated by religious studies. Haredi girls get an adequate high school education in many of their schools and more so in the seminar (called so for their historical role as a teachers’ training institution). In many of these haredi girls’ high schools and seminars the level of studies is high, so much so that it prepares them well to excel in vocational training and academic studies in later years. These women graduates arrive there without having to take the pre-academic preparatory program, as is mandatory for most haredi men.

As is well evident, the underlying reason for the substantial difference between female and male education in haredi population is the evolving different role of each gender in the haredi scholars’ society. The men were increasingly assigned to Torah learning while the women became the main providers of livelihood. In earlier decades the main source of income earned by
women was in the education of the younger generation of girls. The income in this kind of occupation was meager. Moreover, with growing numbers of women trained to be teachers, there were not enough placements for many of them, and other alternative occupations had to be found outside the internal haredi economy. To develop knowledge and skills for such occupations, courses in mathematics, computer programming, science, English language, management and alike were introduced in the curriculum of haredi women’s high schools. As a result, many haredi women filled a variety earning positions in the general economy and came close to the rate of participation in the labor force common among the non-haredi Jewish population – in the high sixties.

Since the main current challenges lie in haredi boy’s education, the next section will describe it in some detail while overlooking the description of haredi girls' education, the essence of which has been portrayed in short above.

**Haredi boys’ education**

**Elementary-age education**

Most haredi boys participate in some measure, though unsatisfactory, of general studies beyond the heavy dose of religious education. Recently, the Ministry of Education is involved in an effort to bring in parts of haredi elementary education into the realm of state education, thus raising the level of general studies to be offered to a growing sector of haredi boys. However, a significant part of haredi elementary education for boys, studying in haredi schools known as Talmud Torah or cheider, is lacking in general studies and particularly in English language and mathematics, the two general subjects necessary for future active participation in the economy and society as adults.

One of the main reasons for the difficulty in introducing a higher level of what has come to be termed limudei liba (Hebrew acronym for core studies in elementary education) has been the ineffective supervision powers by the Ministry of Education, in the face of harsh and persisting opposition by haredi rabbinical leadership. The sustained opposition stems from the long virtual autonomy that haredi education has enjoyed while the Israeli state system has been unaware of the future implication of a rapidly growing proportion of haredi non-participants in the labor force. Another reason for opposing core studies is the fear of the impact they might have on the haredi world view and religious commitment of the younger generation. The traumatic
remembering of the “flood” of secularization and modernization of East European ultra-orthodox Jewry during the late 19th century and early 20th century is still deeply entrenched.

Recently, the Ministry of Education formed a special “Haredi District” to enhance its supervision of the sector of haredi schools in which such supervision stands some chance. It remains to be seen whether these efforts will be sustained after a new government will be established after the March 17, 2015 elections. The return of haredi parties to the governing coalition after some years of absence might change the situation for the worse. But it is also possible that the process will persist due to increased demand on the part of some of haredi parents, increasingly aware of the benefits of a significant portion of modern education for the future of their children. Another important source of hope is the involvement of a dedicated haredi staff, recently trained in academia and devoted to the national task of improving haredi education. Often, such a kernel of an able and devoted cadre is what is most needed for the perseverance and eventual flourishing of a project.

**Education at high school and post-high school age**

At the age of 13, haredi boys are shut off from any contact with general studies. While girls move to the ‘seminar’ level and continue to be involved with general studies, boys move to study at a *yeshiva ketana* where they are totally immersed in Torah studies with no dose of general studies whatsoever. At the age of 16-17, boys continue take up intensive Torah studies at a *yeshiva gedola* up until the time that they are married. This two-tier yeshiva education, in which no general studies are present, though subsidized to differing degrees by government, is a major obstacle to a growing number of young haredi men considering vocational training or academic studies in order to enhance their standing in the employment market. Nevertheless, the growing involvement with academic studies of haredi men has brought to the foreground the problematic nature of haredi education in terms of the barriers it builds for the integration of these men in the general economy and their contribution to the economic welfare of their families.

**Bypassing the barrier to core studies - haredi high school yeshivas**

There are only a handful of institutions at the age level of *yeshiva ketana* that include general studies in their curriculum, offering their male pupils a balanced syllabus of Torah and general studies, thus enabling the attainment of a high school matriculation (*bagrut*), a prerequisite for university or college education. These institutions are known in Israel as *yeshiva haredit tichonit*
(haredi high school yeshiva), following to a large extent the North American model. One of the latest developments of such a yeshiva has taken place in Jerusalem. Rabbi Bezalel Cohen, one of the authors of this report, is behind this idea and acts as the head of the yeshiva. The few earlier ones were established outside Jerusalem.

Haredi high school yeshivas are frowned upon by much of the rabbinical leadership, which views these institutions as an anathema and a threat to the full immersion in Torah studies in the established yeshiva ketana track. Being boarding schools and small in number, these institutions charge much higher tuition costs and are therefore available to a very small fraction of the haredi population. However, there seems to be a growing demand for such an educational track among haredi households as the need for academic education for their sons becomes clearer to them.

Policy decision needed: The format of haredi high school yeshivas seems to be an efficient way to offer haredi parents and their male offspring a haredi optional track in addition to the existing one where religious content takes all the time at the high school age. It is based on choice and therefore dependent on the demand for such an option, now increasingly intriguing haredi parents and youth. If a network of such institutions were to be developed in regions in which potential customers reside as a result of philanthropic support, including tuition scholarships and living stipends, a real change can be affected without trying the ram core studies through the walls of existing yeshivas. Such a growing network may make a considerable change.
SUMMARY OF OPEN OPTIONS FOR PHILANTHROPY

Out of the further needed action on the part of philanthropic foundations portrayed in this report, here are the three most challenging and doable ones:

- The strengthening of the pre-academic preparatory program in universities and academic colleges.
- Establishment of an ongoing auxiliary tutoring service for haredi students throughout their undergraduate studies.
- Setting up Haredi high school yeshivas as an alternative to the classical haredi yeshiva. This line of action will serve to remove barriers to academic studies experienced by haredi students as a result of their lack of exposure to general studies and skills during their yeshiva years.
The Ultra-orthodox Community in Israel: Between Integration and Segregation

Betzalel Cohen

Over the past few years the ultra-orthodox (haredi) population in Israel has experienced many changes in lifestyle, challenging it with many new issues. One of the main questions accompanying these changes is the extent of the haredi sector’s integration into general Israeli society in all aspects of life. In this article I will present two different and conflicting trends that can be seen in the various responses to these changes.

Growing Closer or Growing Apart?

In recent years we have witnessed significant changes in Israel's haredi society: in job market participation, in enlisting for army and national volunteer service, and in enrollment in vocational and academic studies. Some of these processes—the decisive ones—are influenced by economic factors, and others by political, social, technological ones.

Haredi society has expanded relative to the rest of society as a result of natural increase, and this has raised many questions regarding
Historically speaking, it seems that since the establishment of the state until recently, it is possible to point clearly to an active process of isolation and segregation of haredi society (by its choice) from general Israeli society. This is expressed in all areas of life: places of residence, education, media (newspapers, radio, internet sites), and more. Therefore, the expectation was that the changes of the past few years in haredi society’s employment, enlistment and education patterns would bring about a greater involvement in Israeli society and greater closeness between the haredi community and general Israeli society. In this article I will examine whether this has indeed transpired. To this end I will bring examples from the fields of housing, employment, IDF enlistment and vocational/academic studies.

**Housing**

In the past, most of the haredi population lived in proximity to national-religious and secular populations, especially in the cities of Jerusalem, Tel Aviv, Petah Tikva and Bnei Brak. However, over time, separate haredi neighborhoods were established, followed by new all-haredi cities. National-religious and secular residents left some neighborhoods, turning them into haredi enclaves, and haredi residents left neighborhoods with secular majorities. Today almost all of the haredi population lives in distinctly haredi concentrations. In mixed neighborhoods, tensions and disagreements often surround various issues such as driving on Shabbat, installing an *eruv* (ritual enclosure), allocating buildings for synagogues and schools, control of community councils, and the like.

Despite the above-noted processes of change in haredi society, there seems to be no change in the trend towards geographic segregation. The dominant trend in housing is the establishment of separate neighborhoods
and towns for each sector, and it seems that none of the parties is interested in living in integrated housing. Should haredi residents seek to live in a mixed neighborhood, or secular and religious Zionists wish to live in a haredi neighborhood, this act will likely be interpreted as part of a plan to take over and alter the existing character of the neighborhood or town.

In complete opposition to the above-described situation, are the activities of Adraba and Netiot, two organizations that for the past several years have been encouraging the establishment of communities of orthodox Zionists and newly religious haredi populations. These organizations apparently prefer to establish communities in mixed neighborhoods and towns. Two such communities have been established, one in Haifa and one in Ma'alot, and it seems that they have managed to integrate well into their surroundings.

**Employment**

During the past decade the Israeli government, in partnership with public and philanthropic organizations, has initiated programs to encourage employment in the haredi sector. These are intended to create jobs and encourage employers to hire haredi workers, and concomitantly to train haredi personnel for required professions and employment fields. This initiative has significantly increased employment rates within the haredi community, among both women and men.

One of the most successful programs was carried out in the haredi town of Upper Modi'in and has since become a model for other places. A center was established that employs thousands of haredi women in various fields: computer programming, call centers, document scanning, preparing legal briefs, and more. The center strictly enforces a religious work environment, e.g., separation between men and women, no work on in-between holiday days (e.g., during the festivals of Sukkot and...
Passover), allowing workers to leave early for Chanukah candle lighting, strictly kosher food in vending machines, and the like. This model shows how raising employment levels can exist in parallel to the continued trend towards segregation.

On the other hand, many young haredi people who graduated from vocational and/or academic studies have found jobs in the general job market, in either the private or public sector, despite initial challenges in being accepted into a integrated work place and the need for a period of adaptation.

It can therefore be seen that there are differing approaches towards integration of the haredi sector into the general job market among those involved in increasing employment. The core issue is whether it is preferable to retain segregation between the haredi and other sectors, or to integrate them in employment. At this point it seems most sensible to state that both approaches are correct, since it is not really possible to create enough separate jobs for all haredi people seeking to enter the job market. On the other hand, if we do not find separate solutions for those haredi people who prefer them, we will not be able to maximize the full potential of this work force.

**Enlistment in the Israel Defense Forces (IDF)**

As part of the steps taken to increase the enlistment rate of young haredi men into the IDF, the military has set up two designated tracks. One is *Netzach Yehuda*, better known as the *Nacha"al Haredi*, and the other is the *Shachar* track (Hebrew acronym of "haredi integration"). These differing tracks demonstrate the two approaches described above.

Basic training in *Netzach Yehuda* takes place in a completely separated area (with canvas fencing all around) on a major army base, with no contact with any other soldiers, especially female military
personnel. The haredi soldiers are provided food under a very strict level of kosher supervision, engage in regular religious study classes, prayers, proper observance of the Sabbath and holidays. The soldiers in this track are highly trained combatants, who are then deployed into units that protect the Jordan Valley, and their third year of service is dedicated to study.

The *Shachar* tracks are designed to integrate young haredi men into the IDF’s technical and technological units. At the start of their military service the soldiers acquire a profession in which they work throughout their time in the IDF. After training these soldiers are then integrated into various army bases where certain guidelines are observed, such as an immediate work circle of men only, regular religious study classes, strict kosher food, and crucially, they live at home and commute to the base daily.

We see that in one model, haredi soldiers become part of the fighting troops while remaining in segregated units, while in the other model haredi soldiers work in a semi-segregated team but within the general military environment. It is important to note that *Netzach Yehuda* is intended for unmarried men age 18 and older, while the *Shachar* track is aimed at married men aged 22 and up. It seems that the haredi world is more cautious and protective towards unmarried men in terms of contact with mainstream military personnel, which includes women and secular soldiers at all levels.

**Vocational and Academic Studies**

Among the steps taken to increase the rate of employment among the haredi sector are many activities aimed at encouraging both men and women to join vocational training programs and enroll in academic institutions. This population sector expresses an overwhelming
preference for separate programs designed to accommodate their needs and religious requirements, be it separate vocational training programs, separate academic institutes or separate haredi branches of colleges. The percentage of haredi students enrolled in general academic or training institutions is currently very low, although it is growing.

Creating separate professional and vocational frameworks for haredi students may adversely affect the quality of study at times. Specifically, it leads to a limited range of vocational and study courses. This, in turn, impacts employment options, especially for positions requiring advanced degrees that are not taught at haredi colleges.

"Being in a Diaspora Among Jews" or "Being Part of All of Israel"

The picture that emerges from the above indicates that there are two conflicting trends within the processes of change that the haredi sector is experiencing. The first is the desire to preserve segregation in the workplace, in the IDF and in higher education. The second is the desire to integrate into the general population in those very same places.

The first trend stems from the approach that describes the haredi situation within the state of Israel as "being in a diaspora among Jews". According to this approach, those observing the Torah and all its commandments must separate themselves as much as possible from the surrounding population in order to preserve their religious identity and beliefs. The second trend derives from the view that the people of Israel are one entity that includes those who observe the commandments and those who don't, and that these differences do not preclude mutual responsibility, as Judaism teaches that all Jews are brothers. This outlook also justifies living together, despite wide differences and disagreements in worldview.
Those in favor of segregation claim that without these barriers many may become somewhat negligent of religious observance. In contrast, those supporting integration see total segregation as an extreme approach that runs the risk of causing a serious rift in Israeli society. They fear it will also increase polarization and hostility towards the haredi sector by mainstream Israeli society. These differences in opinion have occupied internal haredi public discourse over the past few years, as can be discerned in the polemic regarding the “New Haredi”. It seems that resolution of this issue is largely dependent on the ability of those who integrate to retain their identity while remaining fully committed to the haredi population's basic values and lifestyle, despite the lack of segregation.

**Melting Pot versus Multiculturalism**

The two conflicting trends mentioned here do not depend solely on the inner processes of the haredi world. They are also influenced to a great extent by the prevailing atmosphere in the general public. Ben Gurion's (Israel's first Prime Minister) concept of statehood and the melting pot were a real and tangible threat to the continued existence of the haredi lifestyle. Haredi Judaism had no interest in melting into secular, Western-oriented, Zionist society, and indeed, their cultural segregation and entrenchment has succeeded beyond belief, creating a sub-society numbering about one million.

The multicultural approach has replaced the melting pot concept and significantly reduced the haredi community's existential anxiety. This attitude recognizes the right of the haredi sector to maintain its unique culture, while at the same time it encourages their integration into all areas of employment, studies, military and volunteer service. This is what allows a haredi person to feel comfortable in a completely secular environment at work, in the IDF or in academic studies.
We are now at the point where Israeli society is being put to the test. Does Israeli society honestly wish to include the haredi sector while enabling them to preserve their cultural identity? Or is this only lip-service, concealing a wish to change haredi beliefs and life style?

Conclusion

I believe that for our future here in the Land of Israel and the state of Israel we must find the way to a full, communal life together, not just one in which we live alongside each another. This, to my understanding, is the only way we can survive as one Jewish people living together in their own state. For this reason we must become better acquainted, despite the vast differences between us. The changes taking place in haredi society today seem to me necessary and positive. Yet the most important task faced by all is to make sure that these processes do not include a slide into secularism, as this would leave no alternative but to renew haredi segregation. Our joint fate must have a shared purpose for the future of us all in this country.
Bank of Israel Governor Predicts Economic Failure Unless Haredim Integrate

Bank of Israel Governor, Dr. Karnit Flug warned of several demographic red flags that indicated obstacles that may stand in the way of future success for Israel. One of the hurdles she foresaw was the Haredi population and the need to integrate them into the workforce, Globes reported.

In a lecture to the Israel Economic Association, she presented two future economic scenarios for Israel. The first, which she calls “convergence”, is based on the narrowing of relevant education gaps and employment between the diverse sectors of Israeli society, i.e. integrating Arabs and Haredim into education and the workforce. In this scenario, the rate of productivity growth which presently stands at 1.4% annually, would fall to 0.8%. The second scenario is one in which the education and employment gaps in Israeli society remain as they are today. In this scenario, the rate of productivity growth would fall to 0.5%.

Flug said, “If we don’t influence the fundamental causes that are bringing about lower productivity and slower growth, not only will we fail to catch up with the productivity levels of the most advanced Western countries but the demographic trends and processes to realize the rise in the educational levels that we are currently seeing will work to significantly slow down the rate of future GDP per capita growth.”

This is not the first time Flug has addressed the issue of the effect of Haredim on the economy. In January 2014, she spoke at the Davos World Economic Forum about how the Haredi and Arab populations pose a huge challenge for Israel both economically and socially. She noted that both communities tend to have very large families and suffer high poverty rates, with nearly 60% falling below the poverty line compared with 12% for the general population. Flug said Haredim needed to study core academic subjects to help them integrate into the workforce.

At the time, her comments were received by the Haredi parties with resounding criticism.

Aryeh Deri, Chairman of the Shas party, told Kikar Hashabat that “in normal countries, no matter how important a senior official may be, he would be fired over such a grave utterance.” Deri accused her of “slinging mud and refuse on entire sectors in Israel in order to make excuses for a financial situation for which she is responsible.”

Deputy Health Minister Yaakov Litzman (UTJ) said that Flug’s words are “baseless false accusations against families with many children, which stem from lack of knowledge and crude generalizations, which lead to unnecessary hatred and polarization.”

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A Picture of the Nation
Israel’s Society and Economy in Figures

Cost of Living
Housing
Inequality and Poverty
The Labor Market
The Shadow Economy
The Elderly
Education
Healthcare

2015
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Taub Center for Social Policy Studies in Israel
Jerusalem, May 2015
Taub Center for Social Policy Studies in Israel

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The Taub Center is an independent, nonpartisan, socioeconomic research institute based in Jerusalem. The Center conducts quality, impartial research on socioeconomic conditions in Israel, and develops innovative, equitable and practical options for macro public policies that advance the well-being of Israelis. The Center strives to influence public policy through direct communications with policy makers and by enriching the public debate that accompanies the decision making process.

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The situation of the poor has worsened, though less in households with older members than in younger households

Pensions lessen poverty among the elderly

Living with younger family members helps lower poverty among the elderly

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The portion of the education budget within the total government budget has risen substantially

Spending per pupil remains low relative other developed countries

The growth in the share of Haredi and Arab Israeli children in preschool has stopped

The rise in the bagrut qualification rate continues

The share of outstanding pupils rose slightly and the share of weak pupils declined, the reverse of the OECD trend

Overcrowding in classrooms has declined somewhat but remains high relative to other developed countries

The number of pupils studying higher level math is declining

The level of math studies in high school has an influence on wages

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The physician population is aging

Private expenditure on healthcare rose much faster than public spending

Out-of-pocket and private insurance financing of healthcare in Israel are high relative to the OECD

Health Basket allocations focus on life-extending treatments rather than on improving quality of life
The focus in early 2015 was on Israel’s national elections. As in the run up to the previous elections, social and economic issues were central in many party platforms, from the price of housing and food to the economic status of various population groups within Israeli society.

This issue of A Picture of the Nation provides a comprehensive portrait of the issues that concern the general public in Israel, offering a professional, objective and interdisciplinary perspective. Readers will find a focused yet in-depth survey of familiar topics, such as inequality among different segments of the population, alongside subjects that may be less well-known, like the condition of the elderly and the influence of the shadow economy on Israel’s economy overall.

The figures and information in this booklet represent an “at-a-glance” look at issues that are covered in-depth in other Taub Center publications, all of which are available on the Center’s new website: www.taubcenter.org.il. Readers are invited to visit the site as well as the Center’s Facebook pages to find more evidence-based, reliable information on the issues of society and economy in Israel.
Many Israelis face economic challenges on one level or another, and it is difficult to find a subject that arouses more discussion and debate in the public conversation. What the public feels is borne out by the findings of Taub Center studies: many Israeli households – across sectors and income levels – have difficulties covering their monthly expenditures. This is especially pronounced among Haredi (ultra-Orthodox Jewish) households, where monthly spending exceeds reported income on average by some 25 percent. Among the leading causes of the high cost of living are food and housing prices.
Spending exceeds income in the average household at most income levels

For all income levels except the highest income quintile, spending is higher than income in the average household. This means that a great many households live with an ongoing deficit and must dip into savings or get help from family. The main cause of this deficit is the down payment needed to take out a mortgage. At current prices, households in the first 4 quintiles cannot remain deficit-free when buying an apartment. This does not mean that 80% of households are overdrawn at the bank – some are helped by parents, some continue to rent, and others inherited or bought their homes before the recent sharp rise in prices.

Source: Eitan Regev, Taub Center for Social Policy Studies in Israel
Data: Central Bureau of Statistics, Household Expenditure Survey
Average incomes are lower than spending, especially among Haredim

Income levels of the average household are lower than expenditures across all population groups. While among non-Haredi Jews the gap is only NIS 864, among Haredim (ultra-Orthodox Jews) it reaches NIS 3,209 per month - a level that is one-third higher than their reported household income. This is also high relative to Muslim households, where the gap is NIS 1,919. The size of this gap in reported income and spending may be partially explained by widespread work in the shadow economy. At the same time, it may reflect the inability of the average household, especially Haredim, to finance a home solely from their own income.

Source: Eitan Regev, Taub Center for Social Policy Studies in Israel
Data: Central Bureau of Statistics, Household Expenditure Survey
Haredim make use of benefits and supports more than households in other sectors

The amount of benefits and supports that Haredi households receive from both private and public sources are about NIS 1,300 higher than in other sectors. Support to Haredi (ultra-Orthodox Jewish) households from the National Insurance Institute (NII) is lower than in other sectors, because the population is relatively young and there are few old-age allowance recipients among them. A significant portion of the disparity between Haredi and non-Haredi households is due to support from private sources. Haredi households receive on average NIS 535 from other households (in Israel and abroad), and NIS 1,331 from institutions in Israel that are not the NII (Ministry of Welfare, yeshivas and the like). Most of these funds come from private sources as well.

MONTHLY HOUSEHOLD BENEFITS AND SUPPORT
by population group and source of support, in shekels, 2011

<table>
<thead>
<tr>
<th>Population Group</th>
<th>National Insurance Institute Benefits</th>
<th>Benefits from other institutions in Israel**</th>
<th>Ongoing support from households in Israel*</th>
<th>Ongoing support from individuals abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Druze</td>
<td>1,555</td>
<td>205</td>
<td>1,795</td>
<td>154</td>
</tr>
<tr>
<td>Non-Haredi Jews</td>
<td>1,504</td>
<td>205</td>
<td>1,772</td>
<td>154</td>
</tr>
<tr>
<td>Christians</td>
<td>1,586</td>
<td>95</td>
<td>1,980</td>
<td>95</td>
</tr>
<tr>
<td>Muslims</td>
<td>1,993</td>
<td>55</td>
<td>1,993</td>
<td>55</td>
</tr>
<tr>
<td>Haredim***</td>
<td>1,331</td>
<td>381</td>
<td>3,256</td>
<td>154</td>
</tr>
</tbody>
</table>

* Income from individuals in Israel; alimony/child support; other ongoing income

** Ministry of Defense, Ministry of Immigrant Absorption, Ministry of Construction and Housing, Ministry of Social Affairs and Social Services, the Jewish Agency, yeshivas and the like; ongoing scholarships

*** Haredim are ultra-Orthodox Jews

Source: Eitan Regev, Taub Center; Data: Central Bureau of Statistics, Household Expenditure Survey
Haredim rely on higher mortgages than in the past to purchase apartments

The rate of homeownership among Haredim (ultra-Orthodox Jews) is relatively high, whether due to the practice of purchasing a home for young adults before they get married or because of this sector’s common practice of investing in real estate. Over time, though, their ability to purchase apartments has become more limited; their monthly mortgage payments have risen by NIS 900 in the last decade (an increase of 72%) while the average purchase price only rose by 6%, in part due to the move of many Haredi families to cities in Judea and Samaria where housing is relatively cheap. Their greater reliance on mortgages reflects a significant depletion of resources among Haredim. Some Haredim make up the difference by getting mortgages from private charities at a zero interest rate.

<table>
<thead>
<tr>
<th>Population Group</th>
<th>Real Change in Apartment Prices</th>
<th>Real Change in Monthly Mortgage Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Haredi Jews</td>
<td>34%</td>
<td>6%</td>
</tr>
<tr>
<td>Haredim*</td>
<td>31%</td>
<td>72%</td>
</tr>
</tbody>
</table>

* Haredim are ultra-Orthodox Jews

Source: Eitan Regev, Taub Center for Social Policy Studies in Israel
Data: Central Bureau of Statistics, Household Expenditure Survey
Food prices in Israel have risen significantly relative to OECD countries

The rise in food prices plays a substantial role in the high cost of living in Israel. Between 2005 and 2011, food prices rose significantly, and most food groups became more expensive than in other OECD countries. For example, the prices of dairy products in Israel were only 6% higher than the OECD average in 2005, while in 2011, they were 51% higher. In the same years, bread, grains and baked goods, which were 19% cheaper than in the OECD in 2005, became about 26% more expensive.

DIFERENCE IN FOOD PRICES BETWEEN ISRAEL AND THE OECD AVERAGE*

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total food and beverages</td>
<td>-16%</td>
<td>19%</td>
</tr>
<tr>
<td>Fruit/vegetables</td>
<td>-40%</td>
<td>-15%</td>
</tr>
<tr>
<td>Meat/poultry</td>
<td>-30%</td>
<td>-8%</td>
</tr>
<tr>
<td>Fish</td>
<td>-19%</td>
<td>-19%</td>
</tr>
<tr>
<td>Bread/grains</td>
<td>-8%</td>
<td>-8%</td>
</tr>
<tr>
<td>Other**</td>
<td>-1%</td>
<td>-3%</td>
</tr>
<tr>
<td>Alcoholic drinks</td>
<td>40%</td>
<td>33%</td>
</tr>
<tr>
<td>Oils/fats</td>
<td>51%</td>
<td>56%</td>
</tr>
</tbody>
</table>

* The difference between prices in Israel and the average OECD price

** Other foods: instant food mixes, prepared meals (frozen or dried), granola, baking aids, baby food, deliveries of prepared food, chewing gum, milk and soy desserts, dried beans and legumes, coffee and tea, sauces, spices, meat and cheese substitutes

Source: Dov Chernichovsky and Eitan Regev, Taub Center
Data: OECD
Import rates of foods are very low

The food industry in Israel is quite monopolistic, and most of the food that is sold is produced by a small number of companies. At the beginning of the 1990s, imports were gradually introduced into the Israeli market. The program led to a significant rise in the import of items like shoes, clothing and furniture, but food products have been and continue to be imported at low rates. Today, imported food represents only 16% of private expenditure on food. Impediments to importing food and low import rates mean that local manufacturers have little competition and are able to charge high prices for many food items.

Source: Eitan Regev, Taub Center for Social Policy Studies in Israel
Data: Central Bureau of Statistics

SHARE OF IMPORTS OUT OF CONSUMPTION, 1995-2011

- Household needs
- Shoes, clothing and personal items
- Furniture
- Food
Imports are relatively low in food groups with high levels of consumption

Most of the private expenditure on food in Israel is in the categories of bread products, meat products, fresh fruit, milk products and soft drinks. The import rate of these goods is very low. In contrast, those food groups with higher import rates, like sugar products and fish, represent a small part of private food spending. The low rates of import for these main expenditure categories means that the level of competition in the local food market is low and contributes to the high cost of food in Israel.

Source: Eitan Regev, Taub Center for Social Policy Studies in Israel
Data: Central Bureau of Statistics
Housing

Housing prices play a key role in the cost of living, since a relatively large share of a household’s expenditure is devoted to either rent or mortgage payments. An in-depth study conducted by the Taub Center showed the factors that contributed to the sharp rise in housing prices over the past few years, among them a limited building supply caused by over-centralization and complex bureaucracy that impede planning processes. In addition, the low interest rates and the low taxation levels for income from rental properties have increased the demand for investment properties, and the high prices are pushing young people out of the buyer’s market.
Housing prices rose sharply in just a few years

Housing prices in Israel were frozen and actually declined in real terms (relative to the Consumer Price Index), for many years in the early 2000s. In 2007, the change in the trend began, and in 2008, there was a rapid rise in housing prices. Rental prices also rose during this period, albeit at a slower rate.

* Data are for January of each year

Source: Noam Gruber, Taub Center for Social Policy Studies in Israel
Data: Central Bureau of Statistics, Household Expenditure Survey
More people are buying properties as investments, especially high earners

The primary reason for the rise in housing prices is the low interest rates caused by the worldwide recession. Money was diverted from financial assets to real estate, and lenient tax regulations on rental income (as opposed to tax on capital investments) also contributed to the trend.

Between 2006 and 2012, the number of Israelis owning 2 or more apartments (i.e., investing in real estate) rose four-fold from 2.1% to 8.1%. This rise was across all income groups, although the wealthy set the tone, with real estate investment in the top income quintile rising from 6% in 2006 to 22% in 2012, twice as much as in other income groups. Supply did not match demand, leading to a sharp rise in prices.

Source: Noam Gruber, Taub Center for Social Policy Studies in Israel
Data: Central Bureau of Statistics, Household Expenditure Survey
Households in the highest income quintile invest in real estate more than all other income groups combined

The highest quintile is responsible for 53.5% of real estate investments. Their average investment stands at over NIS 6,000 per month – a sum greater than the average expenditure of the 4 other quintiles combined. Of this sum, about NIS 4,500 is invested in buying residential apartments, about NIS 500 in renovating existing properties, and just under NIS 1,000 goes to buying investment apartments (more than the combined investment of the other 4 quintiles). The highest quintile’s investment in real estate is 3 times higher than that of the 4th quintile, which invests about NIS 2,000 per month.

Source: Eitan Regev, Taub Center for Social Policy Studies in Israel
Data: Central Bureau of Statistics, Household Expenditure Survey
Complex bureaucracy means new construction in Israel takes an average of 13 years

One of the reasons for the slow rise in housing supply is Israel’s lengthy building process. Construction takes 13 years, with 11 of those years taken up with bureaucratic processes and only 2 years dedicated to actual building. In comparison, in most EU countries building licenses take 8-12 weeks to receive, which means that the process in Israel takes 50 times longer than in most European countries. Studies show that when supply and demand for housing grow in parallel, the chances for a real estate bubble are mitigated.

* Permit from the local committee
** Tender publication and decision regarding the winner

Source: Noam Gruber, Taub Center for Social Policy Studies in Israel
Data: Bank of Israel
Crowding in Israeli homes is among the highest in the developed world

Crowding, as measured by the number of rooms per person, is much higher relative to other countries with greater populations (Korea and Holland) or with similar populations (Belgium and Japan).

*For those countries without data from 2011, the most recent data available was used*

Source: Noam Gruber, Taub Center for Social Policy Studies in Israel
Data: Bank of Israel
The youngest and oldest households devote the greatest share of income to rent

Since 2008, there has been a sharp rise in the share of household income spent on rent, indicating a greater economic burden on households. Those most hurt were the youngest and the oldest renters, who lost about 5% of their disposable income from 2008 to 2011. Overall, the portion of income spent on household rental payments returned to the 2003 level by 2011. Nevertheless, this measure does not reflect the compromises that renting households often make regarding the size, location or quality of their apartment due to the costs of rental properties.

Source: Noam Gruber, Taub Center for Social Policy Studies in Israel
Data: Central Bureau of Statistics, Household Expenditure Survey
Government rent subsidies went down by 15 percentage points in the last 7 years

One of the results of the sharp increase in housing prices is that the relative level of rental assistance has also eroded. Even though the absolute amount of rent subsidy has actually slightly increased (an annual average of about 0.3%), the sharp rise in rent means that the amount of the subsidy within the total amount paid on rent has fallen behind from about 40% of the average rent in 2005 to 25% of the average rent in 2012.

Source: Sagit Azary-Viesel and Haya Stier, Taub Center
Data: Ministry of Construction and Housing; Budget Department, Ministry of Finance
INEQUALITY AND POVERTY

Changes in the labor market alongside demographic developments and policy changes in government transfer allowances have led to a rise over time in the poverty and inequality rates among households in Israel. Even though the past few years have seen a degree of moderation with even a slight easing in these measures, both poverty and income inequality in Israel are among the highest in the Western world. These inequalities are evident in homeownership rates, in capital investment levels, as well as in patterns of food consumption.
Inequality among households in Israel is almost the highest in the OECD

Disposable income inequality in Israel (i.e., income inequality after accounting for taxes, allowances and benefits) has narrowed slightly in the past few years, but it still remains among the highest in the developed world. Possible reasons are demographic differences between Israel and other countries, high income disparities in Israel’s labor market, and lower effectiveness of the economic safety net relative to other countries.

* Calculated using the National Insurance Institute method
** Not including those countries for which there is no data for 2010

Source: Haim Bleikh, Taub Center for Social Policy Studies in Israel
Data: Luxembourg Income Study (OECD); Central Bureau of Statistics (Israel)
Poverty rates have declined slightly in the past few years but remain among the highest in the developed world.

About one-fifth of households in Israel are below the poverty line after taking the effect of the welfare system and taxes into account. More recently, the rise in the poverty rate has been more moderate with even a slight reduction relative to the years with the highest levels, though levels are still high when compared to other OECD countries.
The majority of income from rental properties goes to the stronger economic groups

Inequality among households is seen also in the real estate market. The highest income quintile benefits from two-thirds of the income from rental properties generated by all households. The average rental income of households in the highest quintile stands at NIS 1,500 per month (double the income from rent among the other 4 quintiles). Since the number of renters is higher in the lower quintiles, this serves to worsen income inequality as rent money passes from the lower socioeconomic groups to the higher ones.
Food expenditures vary greatly depending on income level

In the area of food expenditures, there are substantial differences among households of varying income levels. When comparing the expenditures of the highest quintile to the lowest, the highest quintile spends 113% more on fruit and vegetables, 113% more on eggs and dairy products, and 73% more on bread, grains and baked goods. Not surprisingly, those in the highest quintile also tend to spend relatively more money on eating out, while among the lower quintiles (1-3), this expenditure is fairly low.

* Expenditure on alcoholic beverages (in shekels): top quintile (32); 4th quintile (18); 3rd quintile (13); 2nd quintile (9); bottom quintile (9); ** Expenditure on vegetable oils and fats (in shekels): top quintile (19); 4th quintile (17); 3rd quintile (18); 2nd quintile (18); bottom quintile (14)

Source: Dov Chernichovsky and Eitan Regev, Taub Center

Data: Central Bureau of Statistics, Household Expenditure Survey
The two lowest deciles spend less on food than what is considered to be the normative expenditure.

The average monthly per person expenditure on food in the 3rd to 5th deciles is about NIS 660. The stability of this figure shows that households subjectively view this level as a normative expenditure on food – that is, a greater level of spending is considered a luxury while a lower amount indicates an insufficient amount of food which is expressed either in less food or food of a lower quality. Monthly spending by the 2nd decile on food is NIS 99 lower per month than the normative expenditure, while the lowest decile spends an amount that is NIS 192 less per person than the normative amount.

**Average Monthly Per Person Expenditure on Food**
by income deciles, in shekels, 2011

<table>
<thead>
<tr>
<th>Income deciles</th>
<th>Bottom decile</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>Top decile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>470</td>
<td>563</td>
<td>639</td>
<td>658</td>
<td>688</td>
<td>758</td>
<td>829</td>
<td>920</td>
<td>1,011</td>
<td>1,427</td>
</tr>
</tbody>
</table>

* The normative expenditure range is defined as the lowest group of income deciles with minimal differences in food expenditures.

Source: Dov Chernichovsky and Eitan Regev, Taub Center
Data: Central Bureau of Statistics, Household Expenditure Survey
The lower income deciles consume less milk, eggs, fruit, and vegetables

The two lowest deciles, which are located below the poverty line, have to forego expenditure on dairy products and eggs; the average household expenditure on this food group in the 2nd decile is NIS 22 lower than the normative expenditure (22%), and the expenditure of the lowest decile is NIS 29 lower (29%). An even more significant concession is made on fruit and vegetables (not shown in this figure). In this food category, the 2nd decile was short NIS 25 (18%) to reach normative spending, while the lowest decile was short NIS 48 (35% of the normative expenditure).

Average Monthly Per Person Expenditure on Dairy Products and Eggs
by income deciles, in shekels, 2011

* The normative expenditure range is defined as the lowest group of income deciles with minimal differences in food expenditures.

Source: Dov Chernichovsky and Eitan Regev, Taub Center
Data: Central Bureau of Statistics, Household Expenditure Survey
THE LABOR MARKET

Inequalities are also apparent in wages in Israel. Although wage gaps in Israel have shown a continuous downward trend, they are still among the highest of all OECD countries. Most of the disparity is between workers at the medium-wage level and those at the higher-wage levels, while workers in low-wage occupations have actually experienced a relatively high rise in their wages compared to the median wage, apparently due to an increase in the minimum wage. Other developments in the labor market are linked to the relation between education and employment. Over the years, the rates of educated workers have risen in Israel, as has the value of education in the marketplace. Nevertheless, trends in returns on education are mixed, with an increase in returns for those occupations characterized by lower wages and a decline in returns for those employed in high-wage occupations.
Income disparities in Israel are among the highest in the West

In 2011, the gross monthly wages of a salaried full-time employee in the 90th income percentile was almost 5 times that of a worker in the 10th percentile. Only the US had such a large disparity, and in the Scandinavian countries, the difference was half that of Israel’s. While wage gaps are declining, analysis shows that wage increases are mostly in the lower part of the distribution; the gap has narrowed between workers in the lower- and middle-wage groups, while the gap between the middle- (50th percentile) and higher-wage earners (90th percentile) is still high – and higher than other countries.

Source: Ayal Kimhi and Kyrill Shraberman, Taub Center
Data: Central Bureau of Statistics, Income Survey; OECD
Wage gaps are narrowing with a rise in the wages of low-earning workers

Between 1997 and 2011, low-earning workers’ wages grew more relative to the median wage. Wages of those in the highest income decile grew at a similar rate as those at the median, while wages of those in the 6th to 8th deciles did not manage to keep pace with the median. As a result, wage gaps grew between workers in the mid to high deciles and those with the highest wages, and narrowed between those with low wages.

Looking at time periods shows that the majority of the gap narrowed in Israel during the recession of 2001-2003, when the highest wages declined relative to the median and the wages of the lowest decile rose relative to the median.

Source: Ayal Kimhi and Kyrill Shraberman, Taub Center
Data: Central Bureau of Statistics, Income Survey
Rise in work-hours for young, academic workers relative to high school graduates

Between 1997 and the middle of the 2000s, there was a significant rise in the number of work-hours for those with at least 16 years of schooling relative to those with no more than 12 years of schooling. The rise was primarily among younger workers (those with 0-10 years of experience) and was especially sharp among women.

The relative rise in work-hours of those with an academic education was primarily due to their relative increase out of all workers over time, as well as due to the fact that the employment rate of those with an academic degree is substantially higher than those without a degree.

* Numbers on the vertical axis show in percentages the greater number of work-hours of those with 16+ years of schooling versus those with 0-12 years of schooling

Source: Ayal Kimhi and Kyrill Shraberman, Taub Center Data: Central Bureau of Statistics, Labor Force Survey
Returns on higher education are on the rise

From 1997 to 2011, there was a moderate wage increase for those with higher education relative to those with no more than a high school education. This is because at the same time as there was a rise in the supply of educated workers, there was an increase in the demand for these workers. As such, the wage gap in their favor has not narrowed.

The wage gap among men is greater and rose substantially more than among women. A possible explanation is the greater rise in the supply of educated women in the labor force. Another possible explanation is that demand for educated workers rose in the occupations dominated by men.
Returns on higher education lessened among those in high-wage occupations

The wages of workers with at least 16 years of schooling in high-wage professions declined in fixed prices between 1997 and 2011 while the wages of workers with the same level of education in lower-wage occupations increased.

Nevertheless, the overall return on higher education among workers increased over the period, as there was a rise in the share of workers in high-wage occupations – primarily managers, associate professionals and technicians, and clerks.

Changes in Hourly Wage Between 1997 and 2011

by occupation and years of schooling, in fixed prices

<table>
<thead>
<tr>
<th>Years of Schooling</th>
<th>Low-wage occupations*</th>
<th>High-wage occupations**</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-12 yrs</td>
<td>-1%</td>
<td>+1%</td>
</tr>
<tr>
<td>13-15 yrs</td>
<td>+6%</td>
<td>-1%</td>
</tr>
<tr>
<td>16+ yrs</td>
<td>+4%</td>
<td>-9%</td>
</tr>
</tbody>
</table>

* Skilled workers, agents, sales and service workers, unskilled workers
** Managers, academic professionals, associate professionals and technicians, and clerical workers

Source: Ayal Kimhi and Kyrill Shraberman, Taub Center
Data: Central Bureau of Statistics, Income Survey
Changes in supply and demand of workers affect wages

Between 1997 and 2011, the share of certain occupations in the labor market, including managers, academic professionals, and sales and service workers, grew. At the same time, wages rose for agents and workers in sales and services, indicating a rise in demand over supply in this group. In contrast, the wages of academic professionals declined, which shows a greater supply than demand. As a rule, there was a rise in wages in those occupations with medium/low wages, like skilled workers and agents, and a decline in the wages of high- and medium-wage occupations, like academic professionals and clerks, respectively. As a result, wage gaps narrowed among employed workers in the market.

Source: Ayal Kimhi and Kyrill Shraberman, Taub Center
Data: Central Bureau of Statistics, Labor Force and Income Survey
THE SHADOW ECONOMY

When discussing possible reasons for the growth of the government budget, it is important to consider the shadow economy. The dimensions of the shadow economy in Israel are especially high relative to other developed countries and by minimizing this phenomenon – whether by easing the bureaucratic burden involved in paying taxes or by influencing societal norms – the state could increase public spending and decrease tax levels at the same time.
The scale of the shadow economy in Israel is high relative to other advanced countries

The size of Israel’s shadow economy is estimated at 20% of the GDP, which is approximately NIS 200 billion. Were it possible to lower this rate by about 10%, to the levels of other advanced countries like the US, Japan and Britain, Israel’s GDP would be about NIS 100 billion higher, and tax income to the state would be approximately NIS 40 billion higher – an amount equivalent to the country’s education budget.

Source: Noam Gruber, Taub Center for Social Policy Studies in Israel
Data: Buehn, Andreas and Friedrich Schneider (2012), Shadow Economies Around the World: Novel Insights, Accepted Knowledge, and New Estimates
Relative to the OECD countries, the tax burden on small businesses in Israel is high.

A central factor in the shadow economy is the tax rate on the self-employed and small businesses, where the ability to hide income is greatest. Some of the OECD countries give tax breaks to small businesses. In contrast, the overall tax rate in Israel (composed of VAT, corporate tax and dividend tax for shareholders) stands at almost 58%, a relatively high rate.

### Effective Tax Rate for Small Businesses

<table>
<thead>
<tr>
<th>Country</th>
<th>VAT/Sales tax</th>
<th>Corporate tax</th>
<th>Dividend tax</th>
<th>Total Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>18.8%</td>
<td>23.6%</td>
<td>67.4%</td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>23.0%</td>
<td>32.3%</td>
<td>65.0%</td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>24.3%</td>
<td>14.8%</td>
<td>62.0%</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>12.1%</td>
<td>14.8%</td>
<td>61.7%</td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>21.0%</td>
<td>15.1%</td>
<td>61.1%</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>17.6%</td>
<td>59.1%</td>
<td>64.8%</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>14.9%</td>
<td>58.4%</td>
<td>64.1%</td>
<td></td>
</tr>
<tr>
<td>Israel</td>
<td>18.0%</td>
<td>16.1%</td>
<td>57.6%</td>
<td></td>
</tr>
</tbody>
</table>

* Calculations include preferential tax for small businesses
** Average of all the states

Source: Noam Gruber, Taub Center for Social Policy Studies in Israel
Data: OECD
Time spent on tax reporting in Israel is long relative to other countries

Bureaucratic reporting requirements reflect another aspect of the tax burden. The weight of this burden is especially high relative to the profits earned by small businesses and the self-employed. In Israel, tax reporting takes on average 235 hours annually, close to an hour for every work day. This is a high price for small businesses, and could possibly lead many of them to hide income.

Source: Noam Gruber, Taub Center for Social Policy Studies in Israel
Data: World Bank; Buehn and Schneider (2012)
Tax breaks are biased toward large companies

Hiding of income by small businesses in Israel is frequently seen as legitimate, as their tax rates are often higher than those of large companies. In fact, under the Encouragement of Capital Investments Law, large companies have lower tax rates, which can be as low as one-fifth of the normal tax rate.

In Israel, as in most OECD countries, small businesses are big business – 55% of employees in the labor market are employed by small to medium businesses (up to 100 workers). Nevertheless, the ability of large businesses to bargain directly with the government on the terms of their taxation gives them a significant advantage over small businesses with limited bargaining power.

* According to Encouragement of Capital Investments Law

Source: Noam Gruber, Taub Center for Social Policy Studies in Israel
Data: Ben-Naim, Galit and Tamir Gedalia (2013), Report of the State Revenue Division 2011-2012, Chapter 9, Ministry of Finance
Instituting mandatory reporting could lower tax evasion

Those OECD countries that have mandatory tax reporting, that is, every citizen has to file tax reports, have smaller shadow economies as a percent of GDP, as well as lower tax collection costs (as a share of total tax collected). Mandatory reporting has also been recommended in Israel by several government committees: Ben-Shahar (1975), Sheshinski (1988), Ben-Bassat (2000), and Arbeli (2013). However, these recommendations have not been adopted. Today’s easy technological tools make the possibilities of instituting general tax reporting relatively low cost, both for the state and the citizen.

The Shadow Economy as a Share of GDP and Collection Costs as a Share of Tax Revenues

according to whether or not tax filing is mandatory, average for OECD countries

<table>
<thead>
<tr>
<th>Countries with no required tax filing</th>
<th>Countries that require tax filing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shadow economy size as percent of GDP (2007)</td>
<td>16.5%</td>
</tr>
<tr>
<td>Collection costs as percent of tax revenues (2011)</td>
<td>0.87%</td>
</tr>
</tbody>
</table>

Source: Noam Gruber, Taub Center for Social Policy Studies in Israel
Data: World Bank; Buehn and Schneider (2012)
The Elderly

Retirement-age individuals are among the most vulnerable members of society, as they leave the labor force and increase their dependence on government allowances and subsidies. There have been some positive trends in old-age allowances in Israel, like a rise in the share of those entitled to pension benefits and an increase in old-age allowance levels relative to the average wage in the market. Nevertheless, the poverty rate among the elderly is still high, especially among those households with no income from pension savings.
Old-age benefits rose in real terms, but declined relative to per capita GDP

The level of old-age allowances has remained stable since 1995 (in real terms), and in the past few years has even risen slightly. In contrast, when the average allowance is measured as a percent of per capita GDP, the trend since 2002 has been the opposite; the level of the allowance has declined from 27.1% of per capita GDP to 24% in 2012. If per capita GDP is considered a measure of standard of living, the old-age allowance has not managed to bring the elderly to the population’s average standard of living, and since 2002, the condition of the elderly has worsened.

Source: Sagit Azary-Viesel and Haya Stier, Taub Center
Data: National Insurance Institute, Central Bureau of Statistics
The budget of the Service for the Elderly Department is only partially utilized.

The Service for the Elderly Department provides personal and social services to the elderly in the community and in day care centers. Between 2005 and 2012, the unit had an annual budget of approximately NIS 400-500 million (in the original budget and the amended budget, after changes and additions), yet there is a consistent gap of tens of percent between the budget designated for the unit and the budget that is actually used. In effect, this means that the elderly population did not receive all of the services that they might have been entitled to receive. The budget utilization rate has been low for many years, although there has been some improvement lately.

Source: Sagit Azary-Viesel and Haya Stier, Taub Center
Data: Budget Department, Ministry of Finance
The situation of the poor has worsened, though less in households with older members than in younger households.

One of the measures of poverty is depth of poverty – that is how far below the poverty line is the household income of a poor family. In households with elderly members, the depth of poverty is less than in families without elderly members (i.e., they are closer to the poverty line), a fact likely due to their receipt of government allowances and the smaller size of the average elderly household. Likewise, over time, the condition of poor households without elderly members has worsened more substantially than those households with elderly members.

**Depth of Poverty**

The gap between average income of poor households and the poverty line, in percent, by household composition, 1997-2011*

* Data for 2000-2001 do not include residents of East Jerusalem

Source: Haya Stier and Haim Bleikh, Taub Center
Data: Central Bureau of Statistics
Pensions lessen poverty among the elderly

Employment pensions improve the economic situation of households with retirement-age members. Among those entitled to income from a pension, the poverty rates are consistently much lower, and stand at about 1-2%. In contrast, in households with retirement-age members who do not have income from a pension, the poverty rates are much higher – around 35% of the overall population and reaching a high of about 75% among Arab Israelis.

**Poverty Rates Among Retirement-Age Individuals Living in Households with No Income from Pensions**

Out of all retirement-age individuals in households without income from pensions, by population group, 1997-2011*

* Data for 2000-2001 do not include residents of East Jerusalem

Source: Haya Stier and Haim Bleikh, Taub Center
Data: Central Bureau of Statistics

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**A Picture of the Nation 2015**

**The Elderly**
Living with younger family members helps lower poverty among the elderly

One way for the elderly to deal with economic, physical and social difficulties is to live with working-age family members. As of the past few years, approximately 20% of households headed by a working-age person have retirement-age members. Such "extended family households" are characterized by lower rates of poverty than both households headed by retirement-age individuals and younger households without any retirement-age members.

**Percent of Households Below the Poverty Line**
by household type, disposable income, average for 2010-2011

- **Retirement-age head of household***: 13% (Long-time residents), 21% (FSU immigrants), 68% (Arab Israelis)
- **Households with retirement-age members****: 8% (Long-time residents), 5% (FSU immigrants), 40% (Arab Israelis)
- **All household members under retirement age**: 14% (Long-time residents), 11% (FSU immigrants), 52% (Arab Israelis)

* Head of household is retirement age or classified as spouse of retirement-age individual
** Neither head of household nor spouse is of retirement age

Source: Haya Stier and Haim Bleikh, Taub Center
Data: Central Bureau of Statistics
Over the past few years, there have been several positive trends in the education system in Israel and among them an increase in the Ministry of Education budget. Nevertheless, in many areas there is still room for improvement. Despite budget increases, the education budget remains low relative to other developed countries and overcrowding in classrooms in among the highest in the West.

An apparent trend in the education system is a decline in the number of pupils taking the matriculation (bagrut) exams at the highest level of math (5 units). This is an especially worrying development given that new research by the Taub Center shows that the level of math studied in high school has an impact on labor market achievement.
The portion of the education budget within the total government budget has risen substantially.

In the past few years there has been a substantial rise in the proportion of the education budget within the total government budget. The main reason for this is the new labor agreement with teachers that fundamentally changed working conditions and raised wages. These agreements made it possible for the Ministry of Education to implement important processes like increasing the number of teaching hours and lowering the number of pupils per class.

* Original budget data without amendments or final expenditure data
Source: Yulia Cogan and Nachum Blass, Taub Center
Data: Ministry of Finance
Despite the real rise in the Ministry of Education budget, which increased at a faster rate than the overall spending on education in OECD countries, the rate of increase was not enough to keep Israel’s per pupil expenditure on par with the OECD average. While the number of pupils in Israel rose in 2010 relative to 1995, in the OECD it decreased. As such, the gap between per pupil expenditure in Israel and the OECD average has continued to widen. (In Israel, most of the budget increase began in 2013-2014 and the data is not yet available; it could show a distinctly different picture.) The gaps are especially pronounced until 2010, which was before the new wage agreements and implementation of the Trajtenberg Committee recommendations.
The growth in the share of Haredi and Arab Israeli children in preschool has stopped

Between 2000 and 2010, the share of Haredi (ultra-Orthodox Jews) and Arab Israeli pupils in preschools grew, while the portion of state Jewish-education declined. Since 2010, there has been a change in this trend. The growth in the number of Arab Israeli pupils has completely stopped and the rate of growth in Haredi pupils has slowed down substantially. In 2013, another change was also apparent: the percent of pupils in Haredi education declined somewhat (from 25% to 23% in one year), and the relative size of state Jewish-education rose from 37.7% to 40%. These changes have significance for the education system, since the Haredi and Arab Israeli populations are considered weaker in educational achievement terms and are in need of additional resources.

* Haredi education is the ultra-Orthodox Jewish education system

Source: Nachum Blass and Haim Bleikh, Taub Center
Data: Ministry of Education
The rise in the bagrut qualification rate continues

The rate of those who qualify on the matriculation (bagrut) exams has risen substantially over the past few years: from 46.3% in the 2006-2007 school year to 49.8% in the 2011-2012 school year. In 2013 (which does not appear in the figure), the percentage of pupils qualifying for the bagrut rose to 53.4% of the age cohort – the highest level since the establishment of the state. The improvement in the bagrut qualification rate was concentrated among non-Haredi Hebrew speakers and Arabic speakers, while among Haredim, there has been almost no change in the past few years.

The vertical axis shows the total number of 18-year-olds within each population group. The percentages reflect the share of each bagrut classification within each population group.

* Does not include East Jerusalem; ** Haredim are ultra-Orthodox Jews

Source: Nachum Blass, Taub Center for Social Policy Studies in Israel
Data: Ministry of Education

A Picture of the Nation 2015

Education
The share of outstanding pupils rose slightly and the share of weak pupils declined, the reverse of the OECD trend.

The international PISA exams test pupil achievement in various countries at different points in time. Between 2006 and 2012, the share of outstanding pupils on the Israeli exam rose slightly, and the share of weak pupils (whose scores fell in the lowest two levels) declined by nearly 7 percentage points. In contrast, in the OECD countries, there was a slight decrease in the share of outstanding pupils and the share of weak pupils decreased by only 2 percentage points. Despite these improvements, the share of weak pupils in Israel remains high relative to the OECD average.

Source: Nachum Blass, Taub Center for Social Policy Studies in Israel
Data: PISA
Overcrowding in classrooms has declined somewhat but remains high relative to other developed countries.

Crowding in Israeli classes is considered especially high and has even led to a demand by the public to lower the number of pupils per class in the coming year. The Ministry of Education, which promised in the teacher wage agreements to lower this number, has succeeded in reducing the average number of pupils per class but only partially. Since 2008, the number of classes has grown more than the number of pupils. Nevertheless, classes in Israel are still extremely crowded relative to the average in other countries: 28 pupils in a high school class versus the OECD average of 21.

**Change in the Number of Classes and Pupils**
by education level, between 2008 and 2013

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Lower secondary</th>
<th>Upper secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. of pupils</strong></td>
<td>16%</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>No. of classes</strong></td>
<td>11%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Average pupils per class</strong></td>
<td>-4%</td>
<td>-11%</td>
<td>-5%</td>
</tr>
</tbody>
</table>

Source: Nachum Blass, Taub Center for Social Policy Studies in Israel
Data: Central Bureau of Statistics
The number of pupils studying higher level math is declining

In the past few years, there has been a substantial decline in the number of pupils taking the matriculation (bagrut) math test at the highest level of 5 units – from about 20% in the middle of the previous decade to only 13% in 2011. This is partially explained by the rise in the share of Haredi (ultra-Orthodox Jews) and Arab Israeli pupils (primarily Bedouin and pupils in East Jerusalem) who take the bagrut exams at the lower number of units of study.

Source: Nachum Blass, Taub Center for Social Policy Studies in Israel
Data: State Comptroller’s Report 2014
The level of math studies in high school has an influence on wages

The average wage of those who studied math at 5 units is substantially higher than the wages of those who studied at lower levels, even when controlling for test scores. Some of the difference comes from the academic field of study or the chosen profession – those who studied 5 units of math tend to study and work in areas that are considered more prestigious, like computer sciences and engineering. Nevertheless, the level of study has a direct impact on wages even when controlling for relevant factors – particularly socioeconomic characteristics and bagrut scores on other subjects that could be indicative of other variables like cognitive skills, learning ability and motivation.

<table>
<thead>
<tr>
<th>Bagrut score</th>
<th>Bagrut math level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Average monthly income from work (NIS)</td>
<td></td>
</tr>
<tr>
<td>60 or lower</td>
<td>6,427</td>
</tr>
<tr>
<td>61-70</td>
<td>6,394</td>
</tr>
<tr>
<td>71-80</td>
<td>7,002</td>
</tr>
<tr>
<td>81-90</td>
<td>6,820</td>
</tr>
<tr>
<td>91-100</td>
<td>7,192</td>
</tr>
<tr>
<td>60 or lower</td>
<td>6,407</td>
</tr>
<tr>
<td>61-70</td>
<td>6,244</td>
</tr>
<tr>
<td>71-80</td>
<td>6,873</td>
</tr>
<tr>
<td>81-90</td>
<td>6,772</td>
</tr>
<tr>
<td>91-100</td>
<td>7,169</td>
</tr>
<tr>
<td>Average monthly income from salaried employment (NIS)</td>
<td></td>
</tr>
<tr>
<td>60 or lower</td>
<td>7,596</td>
</tr>
<tr>
<td>61-70</td>
<td>7,766</td>
</tr>
<tr>
<td>71-80</td>
<td>7,877</td>
</tr>
<tr>
<td>81-90</td>
<td>8,726</td>
</tr>
<tr>
<td>91-100</td>
<td>9,528</td>
</tr>
<tr>
<td>Average hourly wage for salaried employment (NIS)</td>
<td></td>
</tr>
<tr>
<td>60 or lower</td>
<td>9,041</td>
</tr>
<tr>
<td>61-70</td>
<td>10,038</td>
</tr>
<tr>
<td>71-80</td>
<td>11,281</td>
</tr>
<tr>
<td>81-90</td>
<td>11,001</td>
</tr>
<tr>
<td>91-100</td>
<td>14,979</td>
</tr>
<tr>
<td>60 or lower</td>
<td>9,326</td>
</tr>
<tr>
<td>61-70</td>
<td>9,527</td>
</tr>
<tr>
<td>71-80</td>
<td>11,534</td>
</tr>
<tr>
<td>81-90</td>
<td>10,759</td>
</tr>
<tr>
<td>91-100</td>
<td>14,252</td>
</tr>
<tr>
<td>60 or lower</td>
<td>54</td>
</tr>
<tr>
<td>61-70</td>
<td>51</td>
</tr>
<tr>
<td>71-80</td>
<td>63</td>
</tr>
<tr>
<td>81-90</td>
<td>62</td>
</tr>
<tr>
<td>91-100</td>
<td>78</td>
</tr>
</tbody>
</table>

Source: Ayal Kimhi and Arik Horovitz, Taub Center
Data: Central Bureau of Statistics
HEALTHCARE

The Israeli healthcare system is in serious crisis. Public expenditure on healthcare is low relative to other countries with nationalized, universal healthcare services. Private expenditure comes mostly from patient out-of-pocket payments and not from private insurance, as in other countries. In addition to a shortage in in-patient hospital beds, manpower is shrinking and aging. In some medical specialties and in nursing care, signs of this trend are already being felt, and in other fields, a shortage of manpower is predicted within the next few years.

A recent Taub Center study, the first of its kind, throws light on the methods of budget allocation by the Health Basket Committee, which determines the new technologies included in the health basket of services (i.e., those technologies covered by public health insurance). Currently, the committee leans toward life-extending therapies, although a new study by the Taub Center shows that there are other medical conditions that, while not fatal, impact the quality of life of many Israelis. The budgeting of their treatment in the health basket should be seriously considered.
Public funding of healthcare services in Israel relative to GDP is lower than in other countries in the West

The portion of public healthcare expenditure as a percent of GDP in Israel is declining over time, and the gap is taking Israel further away from both the US and the OECD average even after accounting for the age structure of the countries. This means that relative to resources, Israel devotes a lower portion of its GDP to public funding of healthcare services compared to OECD countries (average) and the US.

PUBLIC HEALTHCARE EXPENDITURE*

as percent of GDP, 1995-2012

* Adjusted for standardized person using Israeli risk adjustment terms (old capitation method) as percent of GDP

** Average for 23 OECD countries (excluding USA)

Source: Dov Chernichovsky and Eitan Regev, Taub Center
Data: Central Bureau of Statistics, OECD
The physician population is aging

In the last 3 decades, there has been a 60% decline in the share of young doctors (35 and under) in the population: 0.96 young doctors per 1,000 people in 1980 versus 0.39 young doctors per 1,000 people in 2012. At the same time, there has been a rise of 95% in the share of older doctors (65 and over) in the population: from 0.58 older doctors per 1,000 people in 1980 to 1.13 in 2012. This trend reflects the fact that the generation of immigrants who represented the majority of physicians in Israel over the past 2 decades is reaching retirement age, and not enough younger doctors are entering the system.

Source: Dov Chernichovsky and Eitan Regev, Taub Center
Data: Central Bureau of Statistics, OECD

CERTIFIED PHYSICIANS PER 1,000 POPULATION
by age groups: under 35; 65 and over, 1980-2012

A Picture of the Nation 2015  57  Healthcare
Private expenditure on healthcare rose much faster than public spending

The per capita public expenditure on healthcare in Israel grew cumulatively only 20.8% from 1995-2011: from NIS 3,902 to NIS 4,715 (in 2005 prices) – a growth rate of about 1.2% per year. In contrast, private per capita expenditure grew during those years at a rate of 69.5%: from NIS 1,735 to NIS 2,940 – an average rate of growth of 3.4% per annum.

Source: Dov Chernichovsky and Eitan Regev, Taub Center
Data: Central Bureau of Statistics, OECD
Out-of-pocket and private insurance financing of healthcare in Israel are high relative to the OECD

Overall private funding of healthcare in Israel stands at 3% of GDP. The percent of expenditure by private insurance companies is 0.82% of GDP in comparison to 0.45% of GDP in OECD countries and 5.24% in the US. The share of direct out-of-pocket expenditure in Israel is very high at 2.05% of GDP, while in the OECD, it is 1.47% and in the US it is 1.8%. In other words, relative to the OECD, a greater share of health expenditure in Israel is financed by private insurance, yet Israelis’ direct out-of-pocket expenditure is also significantly higher – something that raises doubts regarding the effectiveness of health insurance, both public and private, in lowering out-of-pocket spending.

Source: Dov Chernichovsky and Eitan Regev, Taub Center
Data: Central Bureau of Statistics, OECD
Health Basket allocations focus on life-extending treatments rather than on improving quality of life

Most of the accepted health measures used in Israel are based on life expectancy; other developed countries use measures that take into account quality of life, function loss and premature death (such as DALYs measures – Disability-Adjusted Life Years indicators). In Israel, the budget handled by the Health Basket Committee, the body that determines the new technology budget, is biased toward life-lengthening treatments at the expense of those that reduce morbidity. For instance, orthopedic issues, which greatly affect quality of life, remain largely unbudgeted by the Health Basket Committee.

DISTRIBUTION OF HEALTH BASKET COMMITTEE BUDGET as compared to distribution of deaths and disease burden*, by select medical condition**, 2010

Share that each condition represents out of overall:
- Health basket budget
- Deaths
- Disease burden*

* Disease burden is measured via the Disability-Adjusted Life Years (DALYs) indicator, which accounts for both deaths and disability
** Conditions are listed in order of those receiving the highest budget allocation by the Health Basket Committee; not all medical conditions budgeted by the Health Basket Committee appear in this figure.

Source: Dov Chernichovsky and Liora Bowers, Taub Center
Data: Institute of Health Metrics and Evaluation, Global Burden of Disease collaboration
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