ACCELERATE

DECEMBER 2
NEW YORK, NY

HAREDI EMPLOYMENT & ECONOMIC EMPOWERMENT IN ISRAEL

#accelerate2015

JEWISH FUNDERS NETWORK

RACHIEL CHARITABLE TRUST
IN SUPPORT OF THE KEMACH FOUNDATION

SIR MICK & LADY DAVIS
KIRSH FOUNDATION
DANIEL GOLDMAN
CAMMEBY'S MANAGEMENT FUND CO. LLC
American Jewish Joint Distribution Committee
Sir Mick Davis
Jewish Giving and Israel

Why Kemach?
The Jewish Giver
The Motivations and The Result

- Responsibility / Accountability
- The cause
- The interest
- The profile
The Jewish Giving
Changes over time

From a Contributor

Interested in:
- Emotionality
- Legitimacy
- Efficiency
- Accountability
- Programmes

To an Investor

Interested in:
- Strategy
- Impact
- Effectiveness
- Return
- Sustainability
- Projects

Charity

Philanthropy
Some propositions

- Israel remains work in progress – but Israel is an “adult”
- Soup Kitchens for the impoverished, emergency relief for the traumatised, boots for soldiers, are the responsibility of the Government of the State of Israel
- The greatest project of the Jewish People – the building of the modern State of Israel is not complete

AND

- The strategic imperatives of Israel are the responsibility of ALL of the Jewish People
## The Existential Threats

### Political
- The neighbourhood (Iran, ISIS, et al)
- Palestinian conflict
- BDS
### The Existential Threats

<table>
<thead>
<tr>
<th>Political</th>
<th>The Divided Society</th>
</tr>
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<tr>
<td>- The neighbourhood (Iran, ISIS, et al)</td>
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Diaspora Philanthropy and Israel 21st Century Strategic Imperatives

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Socio-Economic
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#### Socio-Economic
- The economic miracle is fading
Economic growth over the past decade can be deceiving since the most severe recession to hit Israel and the G7 countries in recent decades occurred at different times.

Israel’s economy hit bottom in 2003 after the second Intifada.

A half decade later (in 2008-2009), while the Israeli economy was well on its way towards recovery, the major developed economies plunged into their greatest recession since the 1930s.

Consequently Israel grew much more quickly than nations that still have not completely emerged from their Great Recession.

Average Annual Growth in GDP per Capita
2004-2014

<table>
<thead>
<tr>
<th></th>
<th>Average Annual Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>G7</td>
<td>2.3%</td>
</tr>
<tr>
<td>Israel</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

* The G7 countries: the United States, Canada, the United Kingdom, Germany, France, Italy and Japan
Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: OECD
GDP per hour (labour productivity) is the primary determinant underlying a country’s long-run steady state economic growth path.

Labour productivity is also a key factor in determining wages.

The average amount produced per hour by an Israeli is low, therefore the average wage per hour received by that Israeli is low as well.

Israelis therefore need to work many more hours to make ends meet.

*GDP per hour worked in all 34 OECD countries, in current ppp dollars
Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: OECD
Israel’s labour productivity is not only low, it has been falling further and further behind the leading countries of the world since the mid-1970s.

Israel is a story of two countries in one. A part of Israel is cutting edge – the universities, hi-tech, medicine, and so on – but a large, and growing, share of the population is not receiving either the tools or conditions to work in a modern, competitive global economy.

This part of Israel is like a huge weight on the shoulders of the rest, a weight that is becoming increasingly heavier over time.

The greater the gap between what skilled and educated Israelis can receive abroad and what they receive at home the easier it will be to decide between leaving, or remaining and earning below potential while continuing to shoulder an increasingly heavy burden.

Since the mid-1970s, the gap between the leading developed countries and Israel has increased by almost five-fold. This is not sustainable.

**Labour Productivity**

GDP per work hour*, 1970-2014

*In 2005 PPP-adjusted dollars

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: OECD, Central Bureau of Statistics, Bank of Israel
The extensiveness of Israel’s income inequality is highlighted when the focus turns to the middle class. While there is no formal definition of middle class, a sample excluding the poorest 25% and the wealthiest 25% of the population is illuminating.

The ratio of disposable income received by an individual at the 75th percentile to that received by an individual at the 25th percentile in Israel is 2.9 vs 1.5 to 2.3 for the developed world.

Over the past two decades, the 75%/25% ratio in Israel has risen to the peak of the developed world.

This issue is pervasive and extends to all corners of Israeli society – not just the Haredi and Arab Communities.

Middle Class Income Inequality in 23 OECD Countries, 1973-2013
Disposable income at 75th percentile relative to the 25th percentile*

*Based on individual weights
Source: Dan Ben-David and Sarit Menahem Carmi, Shoresh Institution
Data: Luxembourg Income Study
Growth economies do not always solve or cure poverty. Remember poverty is both an absolute and relative concept!

Israel’s poverty line is 50% of the country’s median income (as a nation’s economy grows, its median income rises – and with it, the poverty line, which may or may not leave a greater percentage of the population beneath it)

During most of the 1990s, poverty rates fluctuated around one-third of the Arab-Israelis and just under half of the Haredim

Between the latter part of the 1990s and the middle part of the past decade, poverty rates in these two groups rose substantially, settling on roughly 52% of the Arab-Israelis in recent years and about 60% among the Haredim

The majority of individuals in each of these two large – and growing – populations is below the poverty line

* based on individual weights
Source: Dan Ben-David and Moty Citrin, Shoresh Institution
Data: Central Bureau of Statistics
Israel’s poverty rate is far above that of the 22 remaining OECD countries in the LIS sample. (The marked increase in the share of Haredim and Arab-Israelis under the poverty line is the primary cause of the national increase)

**BUT** Israel’s poverty rate of non-Haredi Jews, is however also one of the highest in the OECD

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*No observation for 1994

**Poverty Line recalculated for only non-Haredi Jews

Source: Dan Ben-David and Sarit Menahem Carmi, Shoresh Institution
Data: Luxembourg Income Study and Central Bureau of Statistics
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#### Socio-Economic
- The economic miracle is fading
  - Declining standards of education
A declining share of Israelis studying maths at the highest level

- The share of Israeli 12th graders taking the maths matriculation exams at five units – the highest possible level – has been declining in recent years.
- After rising from 12% to 14% at the turn of the millennium, there has been a decline of over one-third in the percentage of test-takers in 5 units of maths.

### Share of 12th Grade Test-Takers in 5 Units in Maths

<table>
<thead>
<tr>
<th>Year</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>12.3%</td>
</tr>
<tr>
<td>2003</td>
<td>13.3%</td>
</tr>
<tr>
<td>2005</td>
<td>13.3%</td>
</tr>
<tr>
<td>2006</td>
<td>14.1%</td>
</tr>
<tr>
<td>2007</td>
<td>13.4%</td>
</tr>
<tr>
<td>2008</td>
<td>12.2%</td>
</tr>
<tr>
<td>2009</td>
<td>11.8%</td>
</tr>
<tr>
<td>2010</td>
<td>10.7%</td>
</tr>
<tr>
<td>2011</td>
<td>10.1%</td>
</tr>
<tr>
<td>2012</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

Source: Ayal Kimhi and Arik Horovitz, Shoresh Institution (based on findings from 2015 Taub Center study by the same authors)

Data: Central Bureau of Statistics
The average achievement level of Israeli children in math, science and reading is below 24 of the 25 relevant OECD countries (had the Haredi children participated in the exam, Israel’s national average would have been even lower).

Achievement levels of non-Haredi Hebrew speakers were below the median country.

The education that Israel provides its Arabic-speaking children yielded results below many developing countries (including neighbouring Jordan).

Israeli children will not be able to compete with the children of the OECD in the marketplace.

Israel’s small size means that it does not have the economies of scale that larger countries have. Hence, it is highly dependent on international trade to ensure economic viability for its domestically-sourced products, and for the supply of many commodities and services that Israel is unable to produce. Israel cannot, and should not, compete in low-end production at developing world salaries.

Only high-end markets can yield high wages.

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**Level of Educational Achievement**

In 25 OECD Countries and in Israel**, PISA 2012 Exams

* *national average in maths, science and reading exams
** Israel excluding Haredi Jews

Source: Dan Ben-David, Shoshresh Institution and Tel Aviv University (in the Taub Center’s A Picture of the National 2014)
Data: PISA
The OECD administers an additional exam focusing on simple problem-solving abilities. It defines six levels of problem-solving abilities:

- **Level 1 students** tend not to be able to plan ahead or set sub-goals - the prime candidates for lives of poverty in a modern, competitive, global economy.
- 22% of Israeli pupils (non-Haredi) were unable to even reach the OECD’s minimum Level 1 of problem-solving – the lowest by far in the OECD.
- When such a large share of children receive developing world levels of education and primary skills it is an **OY Vey** moment.

*The share of pupils below Level 1
**Israel not including Haredi Jews

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: PISA and Israel’s National Authority for Educational Measurement and Evaluation
While the average level of achievement in math, science and reading among Israeli children lies near the bottom of the developed world, the average disparity in these subjects within Israel (again non-Haredi children) is far and away the highest among developed countries.

This exceptionally high degree of educational inequality will be reflected in further income inequality going forward.

Educational inequality in core subjects at top of developed world

Educational Inequality*
In 25 OECD Countries & in Israel**, PISA 2012 Exams

*National average standard deviation in maths, science and reading exams
**Israel excluding Haredi Jews

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Date: PISA
Almost half of Israel’s children today are receiving a Third World education – and they tend to come from the fastest growing portions of the population

Children receiving a Third World education will only be able to maintain a Third World economy

A third world economy cannot support the First World defence and security force that Israel needs!

Distribution of Pupils in First Grade, 2014

- Arabic speakers: 25%
- State (non-religious): 42%
- Haredi (ultra-Orthodox): 19%
- Religious: 14%

Most of the pupils do not study the basic subjects

Achievements in basic subjects below Third World countries

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Date: Ministry of Education
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Socio-Economic
The economic miracle is fading
- Declining standards of education
- Low labour force participation
Labour force participation rates among prime working age Israeli women are nearly identical to the OECD average, BUT they are very low among prime working age men. The share of 35-54 year old Israeli men\(^1\) seeking employment is the third lowest among all OECD countries.

Labour Force Participation among Prime Working Age (35-54) Males
In all 34 OECD Countries, 2014

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\(^{1}\)The prime working-age focus on 35-54 year olds rather than on the more traditional 25-54 age group is due to the fact that Israelis must serve several years in the army, which delays academic studies and entry into the work-force.
The fewer the years of education, the lower the employment rates – and the faster the rate of decline in employment (this is what happens as you move from a developing economy to a developed economy).

In the case of Haredi men, the sharp decline in employment rates over the past 3 decades mirrored the employment decline among completely uneducated males.

In view of the Haredims’ rapid demographic growth, this is a situation that is not sustainable over the long-run.
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  - Low labour force participation
  - Impoverished/inadequate infrastructure
Productivity improvements require investments in human and physical capital. There is a strong relationship between physical capital investments and labour productivity across the developed world. When the amount invested per hour worked in Israel is at the bottom of the OECD, it should not come as a surprise that the amount produced per hour – i.e., labour productivity – is also very low.

*In current PPP-adjusted dollars
Source: Dan Ben-David, Shoresh Institution and Tel Aviv University (in the Taub Center’s State of the Nation Report 2013)
Data: World Bank, OECD
Fewer vehicles per capita – but among the most congested roads in the OECD

- One key factor directly affecting both productivity and inequality is the transportation infrastructure.
- Congestion on Israel's roads – as measured by the number of vehicles per kilometre of road – was nearly identical to the average congestion in small European countries in 1970.
- In 2011, congestion on Israeli roads was over three times the overall OECD average – though the number of vehicles per capita in Israel was 38% less than the OECD average.
- In Israel that the number of vehicles per capita is lower than in 30 of the other 33 OECD countries (cost of cars and their usage is so prohibitive), and yet the congestion on Israel’s roads exceeds that in 30 of the 33.
- While there has been an increase in road construction over the past decade, the number of vehicles per surface area of road still increased by 16% between 2005 and 2013.

Congestion on Roads in Israel & in Small European Countries*
Numbers of Vehicles per kilometre of Road, 1970-2012

*Belgium, Denmark, Netherlands and Switzerland
Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
No Serious rail alternatives

- The primary mass transit alternative to cars is rail but Israel has never even been close to what the small European countries offer.

- The number of passenger-kilometres travelled relative to population size in Israel is but a small fraction of the European alternative. (Even the substantial improvement in the past decade and a half is marginal in comparison to what needs to be done!)

[The recent increase (in the last decade alone) in annual passenger-kilometres in the small European countries is greater than the total annual number of passenger kilometres per capita ever attained by Israel, even after including the recent improvements]

- There are many plans on the table in Israel, but too few projects are actually being implemented - an age old story of the Israel system.
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  - Declining standards of education
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  - Imperished/inadequate infrastructure
Considerations/Questions

- Can the intervention achieve strategic impact
  - Is it focused?
  - Does it have measurable outcomes?
- Will a broad funding base leverage the outcomes?
- Is it relevant to world Jewry?
- Does the intervention facilitate the participation of Israel’s People and Government?
- Is it grounded in the universe of the possible?
- Will it be self-sustaining over time?
Diaspora Philanthropy and Israel
Why Haredi employment?

- Addresses poverty, unfairness, entitlement and disgruntlement!
Israel’s overall tax burden is relatively low, its share of total tax revenue emanating from direct taxes is also relatively low, and the proportion of direct taxes coming from individuals is relatively low as well. So it would appear to be obvious that the primary focus needs to be on raising direct taxes on individuals.

Except that this is not as obvious as it may initially appear:

- **Individuals** – be they employees, self-employed or non-employed – account for 72% of Israel’s social security contributions, compared to 41% in the OECD

- Nearly 50% of the Israeli population pay no income tax at all. 20% of the population account for 89% of the entire income tax revenue

So the question is, who would the additional income taxes be levied on – those whose incomes are so low that they do not even reach the bottom rung of the income tax ladder, or those already shouldering 89% of the burden?
A great deal of support for Haredi households comes from private sources—charity!

- On average support of NIS 535 comes from other households (in Israel and abroad), and NIS 1,331 from institutions in Israel that are not the National Insurance Institute (NII) - Ministry of Welfare, yeshivas and the like - and much of these funds come from private sources.

- The benefits that Haredi households receive from both private and public sources are about NIS 1,300 higher than in other sectors. (Support from the NII is lower because the population is relatively young.)

Monthly Household Benefits and Support
By population and source of support, in shekels, 2011

* 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

Source: Deitan Regev, Taub Center
Data: Central Bureau of Statistics, Household Expenditure Survey
Addresses poverty, unfairness, entitlement and disgruntlement!

Universal Jewish challenge!
Diaspora Philanthropy and Israel
Why Haredi employment?

- Addresses poverty, unfairness, entitlement and disgruntlement
- Universal Jewish challenge!
- Existential issue which goes to the heart of the long-term sustainability and competitiveness of Israel!
Major changes in the future composition of Israel’s population

Today’s children are tomorrow’s adults

The fastest growing segments of Israel’s population tend to be those who are also receiving the worst core education

Future Population of Israel

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Haredi Jews</th>
<th>Haredi Jews</th>
<th>Arab-Israelis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>80%</td>
<td>4%</td>
<td>16%</td>
</tr>
<tr>
<td>2009</td>
<td>70%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>2059</td>
<td>50%</td>
<td>27%</td>
<td>23%</td>
</tr>
</tbody>
</table>

(3.9 million)  (7.6 million)  (15.6 million)*

(projection)

Source: Dan Ben-David, Shorensh Institution and Tel Aviv University
Data: Central Bureau of Statistics and Bank of Israel
In just over four decades from today, what will happen if employment and productivity rates among Haredim and Arab-Israelis remain as they are and do not converge to those of the rest of society?

- The result will be an almost 10% decline in national labour participation rates.
- With a smaller share of the population working, this will have a negative impact on the tax base.
- Many of these same individuals will need government assistance so spending will need to rise.

Projected Changes in Labour Participation Rates
Possible Scenarios: 2010-2059

Source: Bank of Israel
If employment and productivity rates among Haredim and Arab-Israelis do not converge to those of the rest of society, then – despite the expected increase in tax revenues from Israel’s newly-found gas fields – the ratio of government tax revenues to GDP is expected to fall sharply alongside a steep increase in the ratio of government expenditures to GDP.

The government deficit, as a share of GDP, will increase more than four-fold!

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*Based on Central Bureau of Statistics’ middle projection
Source: National Economic Council, Prime Minister’s Office
Data: Finance Ministry (Geva)
With government incomes falling and expenditures rising under the scenario in which employment and productivity rates among Haredim and Arab-Israelis do not converge to those of the rest of society, Israel’s debt will rise to unmanageable heights – and a default event is probable.

While defaults are seismic events on any national scale, the Israeli predicament will be far worse than common scenarios:

- Israel’s primary problem is that a very large share of an entire generation will have grown up without the skills to support a modern economy
- A large share of those with the education and the skills – and alternatives in other countries – may no longer be in Israel to pass these skills on to the next generation if and when the country defaults

*Based on Central Bureau of Statistics’ middle projection
Source: Finance Ministry (Geva)
Diaspora Philanthropy and Israel
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- Universal Jewish challenge!
- Existential issue which goes to the heart of the long-term sustainability and competitiveness of Israel!
- Scalable!
- Within the universe of the possible!
The opening of Haredi colleges in recent years is good and there has been a substantial increase in the number of Haredim in higher education.

**BUT**

- However, beware of the fallacy of anecdotal evidence
- The relevant measure is not the absolute number of Haredim with an academic degree but the share of Haredim with such degrees
- The percentage of prime-working age (35-54 year-old) Haredi men and women with academic degrees remains very low and relatively stable over the past decade. This contrasts sharply with the much higher, and rising, rates of academic attainment among non-Haredi Jews in Israel
- When the age group is lowered to 20-34, the rates are even lower for the men while in the case of women, these have risen to rates roughly similar to those among prime working-age Haredi women
As an economy develops, the economic growth process entails a continuously increasing demand for educated and skilled workers – with just the opposite for those who are poorly educated and unskilled:

- The wages of Israeli workers with more than 12 years of education have risen by more than the wages of those with up to 12 years of education
- The quantity of work by Israeli workers with more than 12 years of education rose by more than those with up to 12 years of education
- The fact that both relative wages and the relative quantity of work rose is an indication of a movement upwards and to the right along the supply curve – which is caused by a relatively greater increase in the demand for educated workers than in their supply.
The primary reason that Haredi Jews in Israel are so poorly educated appears to be related more to their political power within the country than to actual religious constraints. They do not allow the full national core curriculum into most of their classrooms and schools and most men do not even receive a formal education beyond eighth grade.

A unique feature of Israel’s education system is that it allows Haredi parents to use religion as a means to prevent their children from receiving an education that will provide them with alternatives when they become adults. Consequently, it is very difficult for such individuals to eventually reach higher education, even if they may one day become interested in doing so:

- Though their adherence to the Jewish religion is ostensibly similar, the share of Haredi Jews in the States with academic degrees is twice that of Haredi Jews in Israel!

- Education and the Jewish religion were not always considered foreign to one another as they may appear to some today. After all, Maimonides, the Rambam, was a physician – and, an illuminating example from more recent times: the Lubavitcher Rebbe Schneerson was as an electrical engineer who studied mathematics at both the University of Berlin and the Sorbonne.
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Diaspora Philanthropy and Israel
Why Kemach?

- **Coherent** vision and strategy!
- **Coherent and trusted** intervention done *with the* Haredi Community *not for* them!
- **Coherent** programme of assessment, training, support and placement!
- **Coherent** partnership with Government!
- **Coherent** results to date:
  - Since 2007 – 12,500 scholarships awarded
  - Since 2010 (first graduation) – 5,000 graduates (drop-out rate less than 5%) across all sectors of the economy
    - Average starting wage NIS 8,000 per month (minimum wage NIS 4,650 per month)
    - 40,000 to 50,000 benefit from the 5,000 employed!
- **Coherent and legitimate** need to do more:
  - By 2020 the annual loss to the state = NIS 9 billion
  - By 2030 the annual loss to the state = NIS 13.5 billion!

**Kemach works and can be scaled to do even more**
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  - Low labour force participation
  - Imperished/inadequate infrastructure
Yaron Neudorfer

CEO
Social Finance Israel
New Approach to Increase Haredi Employment: Social Impact bonds

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Accelerate and JFN Conference
December 2015
What is a Social Impact Bond?

A social and financial instrument that for the first time, enables a contract with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector economic benefits.

1. **Investors**
   - Investment

2. **Intermediary**
   - Funding and supervision of effective intervention programs

3. **Service Provider**
   - Measurable improvement of the social/health issue

4. **Government/other beneficiary**
   - Pay for success while maintaining % of the savings

5. **Investors**
   - Return of capital plus a return
SIB’s gaining widespread use and support

1. SFUS
2. SFI
3. SFUK

- SF involved
- Other
- SF involved, DIBs etc.
The Benefits of Social Impact Bond

A Social Impact Bond aligns the interests and provides benefits to all stakeholders involved:

- **Government**
- **Investors**
- **Third sector**
- **Target Group**

Through a Social Impact Bond five direct benefits are created:

- The social-issue is ameliorated through in a quantifiable rigorously measured intervention.
- Social services are financed through, new, sustainable capital which enables the scaling-up of successful social interventions.
- Philanthropic money directly funds successful results.
- The beneficiary organization enjoys a cost-saving or/and, additional income (with no upfront investment).
- The investor may earn an acceptable uncorrelated rate of return on capital supplemented by a social return.
SFI has developed innovative models to tackle the most pressing social issues, and is on its way to develop many more.

**Early Stages**
- Initial Feasibility

**Intermediate Stages**
- In-depth Research & Coalition Building

**Final Stages**
- Agreements and Financing

- Arab Financial Empowerment
- Child Care
- Improving K-12 Math
- Haredi Men Employment
- Reducing Recidivism
- Tackling Type 2 Diabetes
- Reducing Dropout Rates (Higher education)
Social Impact Bond to tackle dropout from tertiary education
Case study
Dropout from higher education is significantly more prevalent among weakened populations (low socio-economic families, first generation in higher education, minorities, members of the periphery etc.’).

- Loss of tuition fees and cost of time invested in studies.
- Loss of future tuition revenues in addition to loss of revenues from the government.
- Loss of taxation and GDP growth, shortage of skilled labor.

Dropout rates – extensive and costly social issue
A culturally sensitive, highly personalized, and rigorous intervention

**Before the academic year**
- Mathematics and physics prep.
- Enhancing the Hebrew language (for Arab students)
- Preparation for studies, time management, expectations adjustment, campus orientation, etc.

**During the degree studies**
- Academic assistance throughout studies: constant enhancements, learning in small groups, personal lessons
- Pre exams, focus on academic preparation
- Scholarships: for eligible students and according to socio-economic situation
- Workshops to enhance learning skills
- Mentoring**
- English enhancement**
- Assistance with final project

*The program is adapted to each academic institution, and the characteristics of student in the target group, according to research (focus group, interviews and data analysis)
Increasing employment rates within the ultra-orthodox (Haredi) community in Israel

Social impact Bond

*All figures presented are not final and subject to governmental approval
The low labor force participation rate amongst Haredi men presents an acute social and economic challenge to Israeli society.

<table>
<thead>
<tr>
<th>Social Cost</th>
<th>Economic cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only about 47% of Haredi men participate in the labor force.</td>
<td>The low rate of labor force participation creates a significant cost to the Israeli economy. SFI has conducted economic research to quantify the annual cost of</td>
</tr>
<tr>
<td>Subsequently, that entire segment of society, is plagued with high poverty rates.</td>
<td>these challenges.</td>
</tr>
<tr>
<td>Over 55% of Haredi households are beneath the poverty line.</td>
<td>Subsidies and social benefits</td>
</tr>
<tr>
<td></td>
<td>▪ 8,945</td>
</tr>
<tr>
<td>The average Haredi household has approximately, 6.5 children, the majority of whom are raised in conditions of poverty and in an environment which is not conducive to future employment.</td>
<td>Loss of tax revenue (health, social security and income)</td>
</tr>
<tr>
<td></td>
<td>▪ 19,308</td>
</tr>
<tr>
<td></td>
<td>Loss of GDP</td>
</tr>
<tr>
<td></td>
<td>▪ 64,092</td>
</tr>
<tr>
<td></td>
<td>Total annual cost for each unemployed Haredi man</td>
</tr>
<tr>
<td></td>
<td>▪ 92,345</td>
</tr>
</tbody>
</table>

*Pareto inc. research paper, 2012
SFI’s SIB for Haredi Employment

The State of Israel as well as several non-for-profit organizations are currently operating training and work placement programs for Haredi men financed through a fee-for-service mechanism that could benefit from a precise measurement.

**SFI in collaboration with the Ministry of the Economy are pursuing the launch a Social Impact Bond financed program for vocational training and work placement of Haredi men, with following core principals:**

- **Pay for success**
- **Rigorous independent assessment**
- **Performance Management**
- **Retention of Best practices**

**Cost of program** → **Undertaken by impact investors**

**Outcome payment** → **Shared by the government and the philanthropic sector**
SFI’s SIB for Haredi Employment – Structure

Investors

Social Finance Israel

Financial Arranger / Operational Oversight

Intervention with about 450 Haredi men

NGOs

Training
Preparatory studies
Soft skills
Work placement

Performance Linked Repayment

Pay for Success

50% Government
50% Philanthropy

Independent Assessment
Using philanthropic funding as outcome payment can bring several advantages:

- **Pooling resources**: An opportunity to pool resources across multiple mission oriented philanthropists.

- **Payment by results**: Payment is being done only for measured social outcomes. Performance-based contracting validated through data collection and evaluation.

- **No financial risk**: If there are no measurable successes – no payment will be made by outcome payers.

Target: leveraging philanthropic money to create proof of concept aiming and subsequent scaling-up by the government
**Benefit for other stakeholders**

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Communities</strong></td>
<td>- Access to an increased supply of effective social services&lt;br&gt;- Personally tailored solutions</td>
</tr>
<tr>
<td><strong>Non-profit organizations</strong></td>
<td>- Access to growth capital to scale up operations&lt;br&gt;- Access to a stable and predictable revenue stream (without labor-intensive fundraising) allowing long-term strategic planning.&lt;br&gt;- Facilitated coordination with other organizations working on overlapping problems</td>
</tr>
<tr>
<td><strong>Investors</strong></td>
<td>- Achievement of financial returns and social impact&lt;br&gt;- Investing in social issues that are supported by defined metrics.&lt;br&gt;- Evergreen philanthropy: recycling of monetary returns back into social issues - <em>leveraged philanthropy</em>&lt;br&gt;- Participation in a new asset class with portfolio diversification benefits&lt;br&gt;- Investment is unaffected by market volatility (no correlation to other asset classes)</td>
</tr>
</tbody>
</table>
Make your philanthropy count

Thank you!

Yaron Neudorfer
yaron@socialfinance.org.il
Naama Elefant

CFO
Kemach Foundation
22,000 Applicants

132,000 Affected Individuals

7,255 Current Students

By Field of Study

- Academic: 4,294
- Vocational: 2,714
- Technical: 247

Budget 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarship</td>
<td>6,920</td>
</tr>
<tr>
<td>Students Guidance Center</td>
<td>1,036</td>
</tr>
<tr>
<td>One stop center</td>
<td>2,372</td>
</tr>
<tr>
<td>Overheads</td>
<td>417</td>
</tr>
<tr>
<td>Resource Development</td>
<td>328</td>
</tr>
<tr>
<td>Operating Budget</td>
<td>11,073</td>
</tr>
<tr>
<td>Direct funding and reductions</td>
<td>10,291</td>
</tr>
<tr>
<td>Total</td>
<td>21,364</td>
</tr>
</tbody>
</table>

Up to date: 38 Million Dollars for scholarships

37 Different professions ranging
Shaindy Babad

CEO, Temech
“Women’s economic empowerment is a prerequisite for sustainable development.”
- The Organization for Economic Co-operation and Development (OECD)

“In places where women’s participation in the labor force grew fastest, the economy experienced the largest reduction in poverty rates.”
- Dr. Sarah Degnan Kambou, President, International Center for Research on Women

“Employment for women plays a vital role in promoting the robust, shared growth needed to end financial distress.”
- Jim Yong Kim, President, World Bank

“When we invest in women and girls, we are investing in the people who invest in everybody else.”
- Melinda Gates, Co-Founder of the Bill and Melinda Gates Foundation
Culture changes from WITHIN are

- Powerful
- Efficient
- Effective
- Permanent

Dr. Martin Luther King, Jr.

Crystal Lee Sutton

Employment, Entrepreneurship, Empowerment
Temech is a respected internal force within the Haredi community which empowers, educates, trains and places women in gainful employment.

Robin: "I wanted to innovate. To make a difference. An impact on my community. Temech not only taught me how, they guided me every step of the way and now I am changing both thought and practice."

Etti: "I was dissatisfied with my own situation, assumed many others felt the same, and turned to Temech for direction, support and skills. Now I lead over 50 women, which support 50 families and stand as an example and a voice in my community for women’s education and employment beyond the expected roles."

Tova: "I took a skill many Haredi girls have and Temech helped me foster that skill to provide sustainable, full time income for 20+ families in 2 communities."
Daniel Goldman

Trustee
Goldman Foundation
“30% of the students at Yeshiva Ketana may not make it”

- Rabbi Bezalel Cohen, JDC, Kemach, Hachmay Lev
it is OUR problem
Crossing the Chasm
“85% of one’s success at the work place is attributed to soft skills and only 15% to technical skills.”

- Harvard Study
Early Adoption is Happening
After the Chasm comes the Mountain
Michal Tzuk

Director of Employment Regulation and
Senior Deputy General
Ministry of Economy, Israel
The Israeli Labor Market
Haredi Employment Perspective - Current and Future Challenges
Michal Tzuk
Ministry of Economy
December 2015
Unemployment Rate & Participation Rate
Population aged 15+

In the last decade: A rise in the labor force participation rate and a decline in unemployment.
Employment Rates, 2014
Population aged 25-64

- Arab women: 33.2%
- Ultra Orthodox men: 45.2%
- Ultra Orthodox women: 70.8%
- Arab men: 75.4%
- None Ultra Orthodox Jews: 82.7%
- Israel: 76.2%
Who will Form the Future Labor Market?

The demographic forecasts in the next few decades present challenges for Israeli society.
Employment Rates, 2008 - 2014 & 2020 Targets
Ages 25-64

<table>
<thead>
<tr>
<th>Group</th>
<th>2008</th>
<th>2013</th>
<th>2014</th>
<th>2020 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arab women</td>
<td>30.5%</td>
<td>33.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Haredi men</td>
<td></td>
<td>40.0%</td>
<td>44.5%</td>
<td></td>
</tr>
<tr>
<td>Haredi women</td>
<td></td>
<td></td>
<td>57.1%</td>
<td></td>
</tr>
<tr>
<td>Arab men</td>
<td></td>
<td></td>
<td>69.2%</td>
<td>70.8%</td>
</tr>
<tr>
<td>Total population</td>
<td></td>
<td></td>
<td>73.3%</td>
<td>74.9%</td>
</tr>
</tbody>
</table>

2008, 2013, 2014, and 2020 targets are shown for each group.
The Demographic Effect on Employment
The Overall Employment Rate assuming no change in the employment rate in each population group

![Graph showing employment rate trends from 2010 to 2059]
Infrastructure
• 10 Employment “one stop centers”
• Capacity of ~10,000 participants

General and Vocational Training (supply side)
• Employment skills Workshops
• Basic English, math and technological courses
• Vocational training
• Encouraging SME

Employment Incentives (demand sids)
• OJT
• Partial wage subsidy

~260M NIS
~130M NIS
~100M NIS
Additional Actions

• Moving forward to high level, quality jobs
  – Haredi women

• Working with various sectors:
  – the high-tech sector;
  – the civil service and others
And what’s next?

Need for investment in creation of new jobs

• In conjunction with working with individuals on required skills to take the first steps into the workforce
Tens of thousands of Yeshiva grads

Large Population

Most of them Married + children

Solid

Not a job hopping type

Loyal

Only 45% employment rate in the segment

Big Opportunity

Hard, unspoiled workers

No Nonsense

Attractive Cost-benefit Equation

Value

Over 90% of Employers who hired a Haredi employee, are pleased of their choice

Haredi Employment – A win-win deal
Haredi Employment – the next step

The Government of Israel will support all efforts - investments to create new jobs as well as in efforts to work with each individual.

We need to move forward and create various, high wage, quality jobs.

Greater need for cooperation between the Business sector, Government and NGOss to endorse the issue of Haredi employment.
We invite you to contact us:

Ultra Orthodox Sector Employment Director
Shira Brliner
ShiraP@economy.gov.il

Head of Israel Economic Mission in New York
Nili Shalev
Nili.Shalev@israeltrade.gov.il
Thank you