



# History and Haredi Sociology

# Meet the Israeli Economy

Hila Axelrad and Itschak Trachtengot\*



Policy Paper 2023.07 / December 2023

This is a short summary, for the full paper (in Hebrew) see

<https://www.runi.ac.il/research-institutes/economics/aiep/policy-papers>

\* Dr. Hila Axelrad is a senior researcher at the Aaron Institute for Economic Policy, Reichman University, and Head of the Center for Economic Policy of the Haredi Society. Dr. Itschak Trachtengot is a researcher at the Aaron Institute for Economic Policy. The authors thank Dr. Amit Loewenthal and Mr. Tom Sadeh for their help in analyzing some of the data presented in this paper.

# Aaron Institute for Economic Policy

## Dedicated to the memory of Aaron Dovrat

The vision of the Aaron Institute for Economic Policy in the Tiomkin School of Economics is to support sustainable economic growth and social resilience, along with poverty reduction. To achieve these goals, the institution strives to design a strategy based on measurable goals, which can be subjected to international comparison, and propose detailed plans for economic policies based on the most updated international knowledge. We focus primarily on reforms towards economic growth stemming from increasing employment and raising the GDP per hour worked (labor productivity) in Israel.

The key measure of sustainable economic growth – GDP per capita – is still low in Israel compared to leading developed countries, and so is labor productivity. Through its economic studies, the Aaron Institute presents goals, innovative policy tools, and reforms to promote growth, high-quality employment, and labor productivity.

The Institute's mission is to help shaping the socioeconomic policy in Israel through the development of long-term plans that address the full range of economic and social issues facing the Israeli economy. Our main focus is families with less than median income, who comprise significant parts of the Arab and Haredi (ultra-Orthodox) populations. In these groups specifically, increasing employment and productivity would greatly contribute to achieving the goals of growth, social resilience, and poverty reduction. In addition, our studies aim to influence the professional discourse, and to stimulate discussion based on reliable information and socioeconomic research that offers practical tools to achieve these goals.

### → **Board Members:**

Mr. Shlomo Dovrat (Chairman), Mr. Jaron Lotan (Vice Chairman), Ms. Yael Andorn, Mr. Yarom Ariav, Mr. Gabi Ashkenazi, Ms. Dita Bronizki, Prof. Zvi Eckstein, Prof. Martin Eichenbaum, Prof. Itay Goldstein, Mr. Koby Haber, Prof. Niron Hashai, Mr. Rony Hizkiyahu, Ms. Anat Levin, Mr. Zvi Limon, Prof. Rafi Melnick, Mr. Roni Naftali, Mr. Ronen Nir, Dr. Tali Regev, Mr. Haim Shani, Ms. Ofra Strauss.

### → **Head:**

Prof. Zvi Eckstein.

### → **Scientific Committee:**

Prof. Zvi Eckstein (Chairman), Prof. Martin Eichenbaum, Prof. Efraim Benmelech, Dr. Assaf Eilat, Prof. Zvi Hercowitz, Dr. Osnat Lifshitz, Prof. Rafi Melnick, Prof. Omer Moav, Dr. Tali Regev, Dr. Yaniv Yedid-Levi.

### → **Contact details:**

Reichman University, P.O. Box 167, Herzliya, ISRAEL 4610101

Phone: 972-9-9602431

Email: [aaron.economics@runi.ac.il](mailto:aaron.economics@runi.ac.il)

Website: <https://www.runi.ac.il/en/research-institutes/economics/aiep>

## History and Haredi Sociology Meet the Israeli Economy

In the first years following the founding of the State of Israel, Haredi (ultra-Orthodox) individuals had taken part in all aspects of life within the young state – education, employment, and the army – in contrast to the present situation where the majority of Haredi society is isolationist and many of its men do not serve in the army or integrate into employment. This study examines how historical developments since the founding of Israel and sociological characteristics of Haredi society have shaped the changes that have taken place over the years in the Haredi society and in its relationship with the state of Israel, and which economic trends can be seen in recent years.

With regard to the Haredi society and its relationship with the state, the 75 years since Israel was founded can be split into three main periods: the first one, from the founding of Israel up to the political turnover of 1977, is the time when the seeds of isolationism were sown and the “society of scholars” was established. During this period, most Haredi men participated in the workforce, were part of the Israeli middle class, and their average number of children per family was only slightly higher than the Israeli average. During the second period, between 1977 and 2002, Haredi society grew and solidified itself. Haredi representatives were played a central role in the government, and the policy of isolationism was reinforced. This period saw a drastic drop in workforce participation and an increase in the number of children per family. The third period, since 2002, heralds a trend of change. Following changes in government policies, more Haredi people – both men and women – have been integrating in employment, in academia and in non-academic vocational training, as well as in military service, albeit in much smaller numbers.

At the same time, research points to other trends in Haredi society: Haredi men are entering employment at a younger age; their employment rates are on the rise; Haredi families are moving to the geographic periphery and to heterogeneous cities (such as Ashkelon, Haifa, Bat-Yam); and there is an increase in the share of Haredi households where both spouses are working, matched by a decrease in the Haredi poverty rate over the last decade. Analyzing data from non-economic surveys reveals that many Haredi people feel that they identify with the state of Israel, and their Israeli identity is undoubted. Feelings of identity and belonging were found to be positively correlated with employment, particularly employment in mixed-gender workplaces and high-quality employment (manifested in high wages).

In light of the trends of recent years, and given the new reality brought about by the Iron Swords War, we propose policy recommendations which, in our view, may improve the current situation in a manner which would be compatible with the ways of life, the identity and the character of Haredi society.

First, we recommend striving to achieve the targets set by the Employment 2030 Committee regarding the employment quality of Haredi women aged 25 to 39 and the employment rates of Haredi men aged 25 to 66. This requires improving labor productivity through improving the education and the human capital level of graduates of the school system and vocational training courses, with state participation in the funding of training courses which demonstrate a return of at least 6% in terms of wage premiums. In addition, it is necessary to remove the legal barriers and the negative economic incentives which restrict the integration in employment of young Haredi men, such as lowering the age of exemption from military draft, and resolving the issue of equality in the burden of service through the provision of a framework for military and civic service. We believe that refraining from compulsion, while also providing appropriate tracks and boosting the motivation to enlist, will increase the rates of Haredi people choosing this option. Therefore, we recommend enhancing the existing service tracks and building a high-quality framework of national-civic service for Haredi people who do not join the army.

There is a need for a comprehensive reform in the vocational training system, according to the recommendations of the Employment 2030 Committee, along with expanding the numbers of trainees in vocational training courses. When designing new training courses and adapting existing ones, the emphasis should be on occupations in high demand, and each course should be assessed according to the wage premium criterion. Finally, there is a need for preliminary occupational counseling which will include occupational diagnosis, training and placement, before undertaking employment/education and in later stages of working life (redundancy, career change, quitting a job, etc.).