

Press Release

Taub Center: Non-employment amongst ultra-Orthodox men has risen by 200% during the last 30 years.

The annual Taub Center report which has been published today, presents a problematic picture as Israel's 62nd Independence Day approaches, with implications for an unsustainable tomorrow. Some of the main findings in the report include: (details on following pages)

- In 30 years, 78% of Israel's primary school students will be ultra-Orthodox or Arabs, and only 14% will be in the non-religious State school system – if the trends of the past decade continue
- Welfare payments per capita grew by 400% during the last 40 years.
- Since the 1970s the standard of living in Israel has been declining, in relative terms, compared to leading Western countries.

Professor Dan Ben-David: “It is still possible to change direction. The government must understand the implications of these trends and adopt a comprehensive program to change them without delay.”

With Israel's 62nd Independence Day just a few days away, the Taub Center is publishing its annual **State of the Nation Report – Society, Economy and Policy 2009**. The Report's objective is to provide unbiased, professional factual foundations for the Israeli public and its leadership. Its uniqueness lies in the broad picture that it presents: where the country is, where it is going, the implications and what must be done.

The Taub Center for Social Policy Studies in Israel, headed by Professor Dan Ben-David, is an independent, non-partisan institution for socio-economic research based in Jerusalem. The Center provides decision makers, as well as the public in general, with a big picture perspective on economic and social areas. The Center's interdisciplinary Policy Programs – comprising leading academic and policy making experts – as well as the Center's professional staff conduct research and provide policy recommendations in the key socio-economic issues confronting the State.

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1. Male non-employment rates have risen over past 30 years – in particular for haredi (ultra-Orthodox) and Israel Arabs

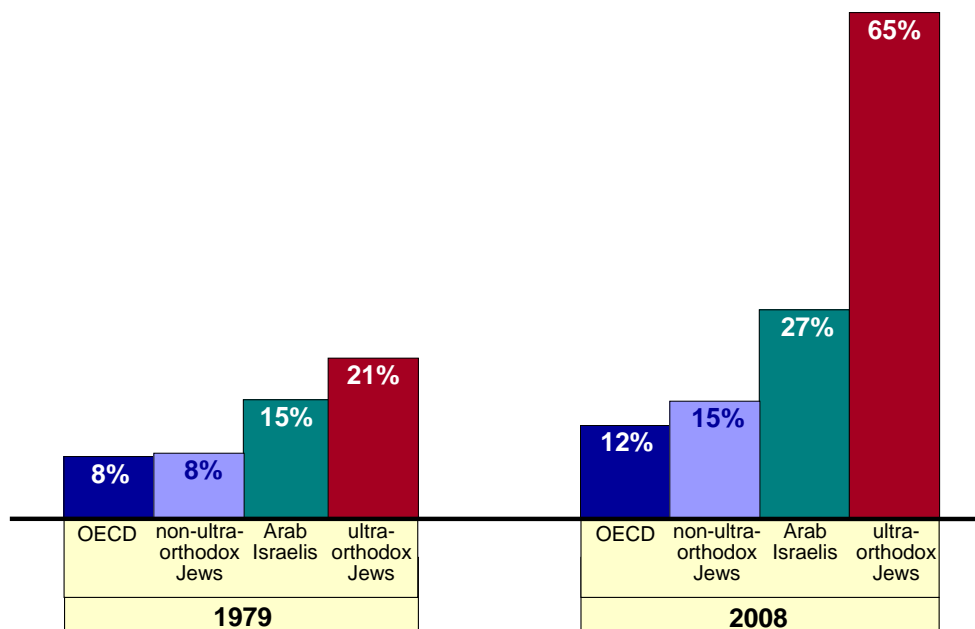
Three decades ago, the rate of non-employment among prime working age (35-54) non-haredi men in Israel was almost identical to the average rate of non-employment among industrialized countries belonging to the OECD (8.47 percent in Israel compared with 8.07 percent in the OECD). Since then, the average rate of non-employment in the OECD grew by about one-half while nearly doubling among non-haredi Jews in Israel. The three-decade-old similarity between Israel and the OECD all but disappeared, and in 2008 the rate of non-employment among non-haredi Jewish men (15 percent) was about one-fourth higher than in the OECD (12 percent).

Non-employment among Israeli Arab men grew from 15 percent in 1979 to 27 percent in 2008. Among the haredi males, the rate of non-employment in 2008 (65 percent) was more than threefold the rate of non-employment of three decades ago (21 percent).

Prof. Dan Ben-David, Executive Director of the Taub Center: “The substantial increase in funding over the years has enabled a growing part of society to choose life styles of non-employment, while multi-year neglect of human capital infrastructures (especially education) and physical infrastructures (especially transportation) prevents many people from obtaining the tools and conditions necessary for coping successfully in a modern and competitive economy.”

Rates of Male Non-Employment, 1979 and 2008

out of male population, ages 35-54



source: Dan Ben-David, Taub Center and Tel-Aviv University
data from the Social Security Institute and the Central Bureau of Statistics

2. In 30 years, 78% of Israel's primary school students will be ultra-Orthodox or Arabs, and only 14% will be in the non-religious State school system – if the trends of the past decade continue

In 1960, 15 percent of all primary school pupils were enrolled in the haredi (ultra-Orthodox) or in the Israeli Arab school systems, while 61 percent were in the non-religious State school system. Two decades later, by 1980, the share of ultra-Orthodox and Israeli Arab pupils rose to 26 percent. Those children are today's working age adults, whose rates of non-employment are described above.

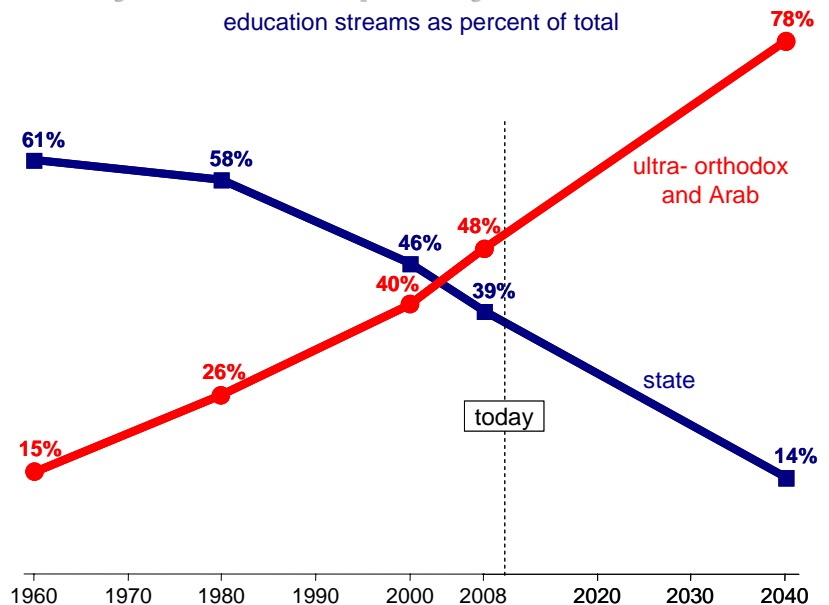
According to Nachum Blass from the Taub Center, over the first decade of the 2000s alone there was a decline of three percent in the number of pupils in the State school system, an eight percent increase in the State-Religious school system, a rise of 33 percent in the Israeli Arab school system, and 51 percent more pupils in the ultra-Orthodox school system. As a result of changes over the past few decades, nearly half (48 percent) of primary school pupils in 2008 were ultra-Orthodox or Israeli Arabs.

If the changes over the past decade alone continue, then in 30 years, in 2040, the share of ultra-Orthodox and Israeli Arab pupils will be 78 percent of all pupils in Israel's primary schools, whereas the share of pupils in the State school system will fall to only 14 percent.

There are two reasons why it should be reasonable to assume that this situation will not materialize. If as adults, these children will adopt their parent's current employment behavior, it will be difficult for the State of Israel to survive. Conversely, if as adults, they adopt employment rates close to Western norms, it is likely that future birth rates will also be different than today's.

Prof. Ben-David: "In order for tomorrow's adults to be employed 30 years from now, then today's pupils need to receive an education befitting the needs of a modern economy. This is not the situation today in Israel. The country's level of education in the core curriculum subjects is the lowest among advanced Western countries – and among haredi and Israeli Arab pupils, it is even lower."

Primary School Pupils by Education Stream

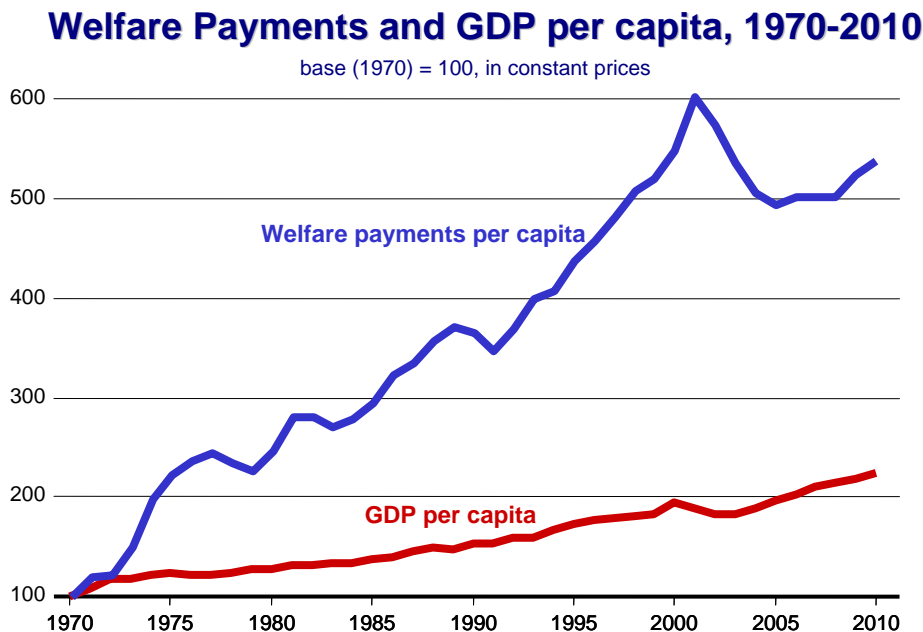


source: Dan Ben-David, Taub Center and Tel-Aviv University data from Israel's Central Bureau of Statistics

3. Welfare payments per capita grew by 400% during the last 40 years

As a result of the steady increase in the extent of poverty and income disparity since the 1970s, it became necessary to make parallel increases in per capita welfare payments in order to prevent these increases from being reflected in net (after-welfare, after-tax) incomes too. However, even after a sharp cutback in welfare payments in the early 2000s, the average per capita payment grew five-fold in real terms (i.e., after adjusting for inflation) from its 1970 level. At the same time, the standard of living – as indicated by per capita GDP – grew only two-fold.

Prof. Ben-David: “It is hard to see how such an increasing gap between both trends – the rate of growth in welfare payments and the rate of growth in Israel’s standard of living – can continue for four more decades. Israel must either implement fundamental reform (significant improvement of the educational and physical infrastructures) to provide a larger section of the population with the tools and conditions necessary to cope in a modern economy, or budget constraints will eventually bring to an end the continuous rise in per capita welfare payments – with all that this implies as far as any further inability to prevent increases in poverty and disparities in net income is concerned.”



source: Dan Ben-David, Taub Center and Tel-Aviv University
data from the Social Security Institute and the Central Bureau of Statistics

Summary

Prof. Dan Ben-David, Executive Director of the Taub Center for Social Policy Studies in Israel:

“The demographic changes that Israel is undergoing have a considerable potential – in comparison to industrialized Western countries, this a country with a very young population – but also pose a great risk, if trends of the past decades continue. On the one hand, the educational level that Israeli children receive places them below each of 25 OECD countries in every international exam given over the past decade. A large and increasing segment of Israel’s children studies in the haredi or Arab school systems in which the level of education in core curriculum subjects is particularly low – though for different reasons in each of the systems.

“On the other hand, Israel’s higher educational institutions are at the frontier of human knowledge. Thus, Israel already has the knowledge necessary to upgrade itself to the highest Western living standards. If we provide Israeli children with the best primary and secondary education in the world, then the ability of those future graduates to upgrade their personal standard of living will be substantially greater, while improving Israel’s overall ability to absorb, assimilate and develop additional knowledge, taking Israel’s overall standard of living to Western peaks.

“The findings reported in the Taub Center’s *State of the Nation Report -- Society, Economy and Policy 2009* indicate that policy must be comprehensive and systemic, focusing on education, employment and welfare together. In addition to replacing non-work incentives with work incentives, it is essential to supply the tools and conditions necessary for coping successfully in a modern economy characterized by steadily growing demand for a well-educated and skilled workforce. Upgrading the level of education will increase the chances of finding work and raising income levels.”