

TAUB CENTER

for Social Policy Studies in Israel

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From the Center

The Winter 2015 bulletin showcases some Taub Center research highlights – delving into the impact of education on the wages of Haredim (Ultra-Orthodox), the trend of increasing employment among Israel’s elderly, and the dwindling supply of senior faculty members in Israel’s universities.

The Taub Center has enjoyed a considerable amount of activity over the last few months – from this year’s Singer Series conference on “Strategic Planning and Long-Term Thinking in Policymaking,” with some 200 participants, to our just released *State of the Nation Report 2014*. The publication is available online, and hard copies have been distributed to our mailing list – to request a hard copy and/or to join our mailing list for future publications, please contact info@taubcenter.org.il.

You are invited to review the main findings from our conference and download the *Report*, as well as other Taub Center material, from our brand new website: taubcenter.org.il.

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Return on educational investment for Israel's Haredim (ultra-Orthodox)

As debate continues on how to improve integration of Haredim (ultra-Orthodox) in Israel's labor market, Taub Center findings show the major impact of education in increasing employment rates and wages of the country's Haredi population.

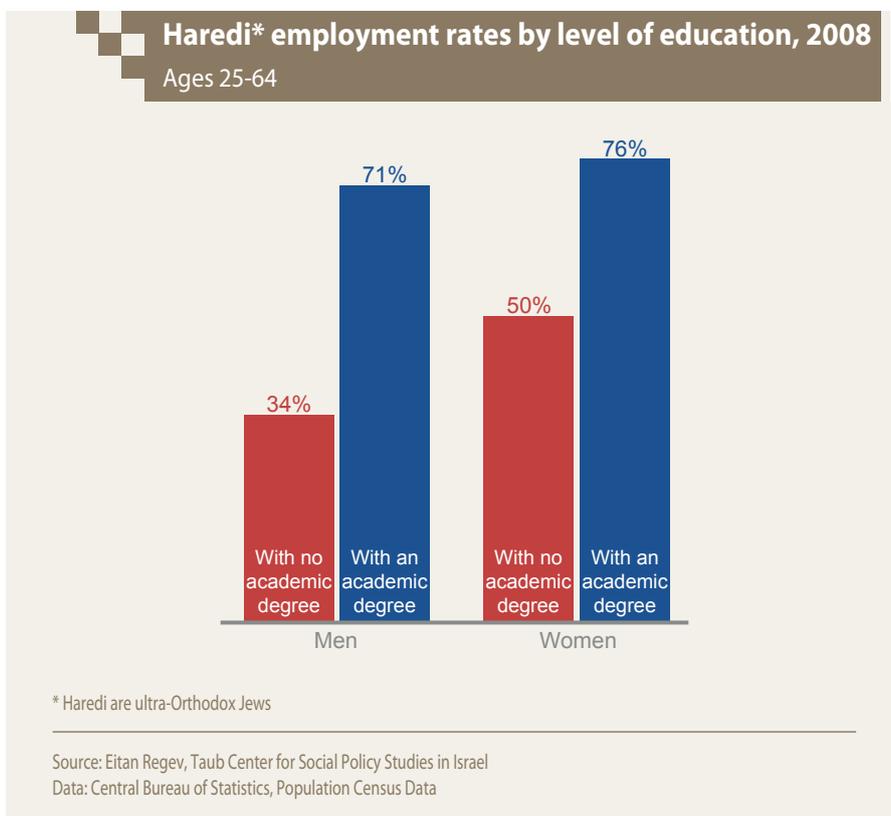
Within Israeli society, a large debate has ensued about how to better integrate the Haredi (ultra-Orthodox) into Israel's labor market and modern economy. To shed light on this issue, Taub Center researcher Eitan Regev explored trends in education and employment among the Haredim. Regev found a substantial decline in both high school and higher education rates among Haredim over time, with the older generation of Haredim more likely to have an academic degree than the younger generation. This is in marked contrast to growing rates of higher education among every other segment of Israeli society, including non-Haredi Jews, Muslims and Druze, and Christian Arab Israelis. Haredi education, particularly for men, is increasingly characterized by fewer years of

formal education, with the number of Haredi men of prime working ages 35-54 having no more than a primary school education rising from under one-third to nearly half over the last decade alone.

What do these declining educational qualifications mean for Haredim when it comes to their integration into Israeli economy? How does the decision to attend a small yeshiva starting after eighth grade, rather than continue with formal education, impact a Haredi boy's prospects for future employment and his earnings potential? Regev's research addresses both issues.

Both Haredi men and women are much more likely to be employed if they hold an academic degree.

As shown in the first figure, while only about a third of Haredi men ages 25-64 without an academic degree are employed, the employment rate doubles to 71 percent for Haredi men with an academic degree. Such a gap, although smaller, also exists among Haredi women. While only half of Haredi women without an academic degree are employed, the figure jumps to 76 percent among those with an academic degree. Across various cities with large Haredi populations (Ashdod, Beit Shemesh, Beitar Illit, Bnei Brak, El'ad, Jerusalem, and Modi'in Illit,) large employment



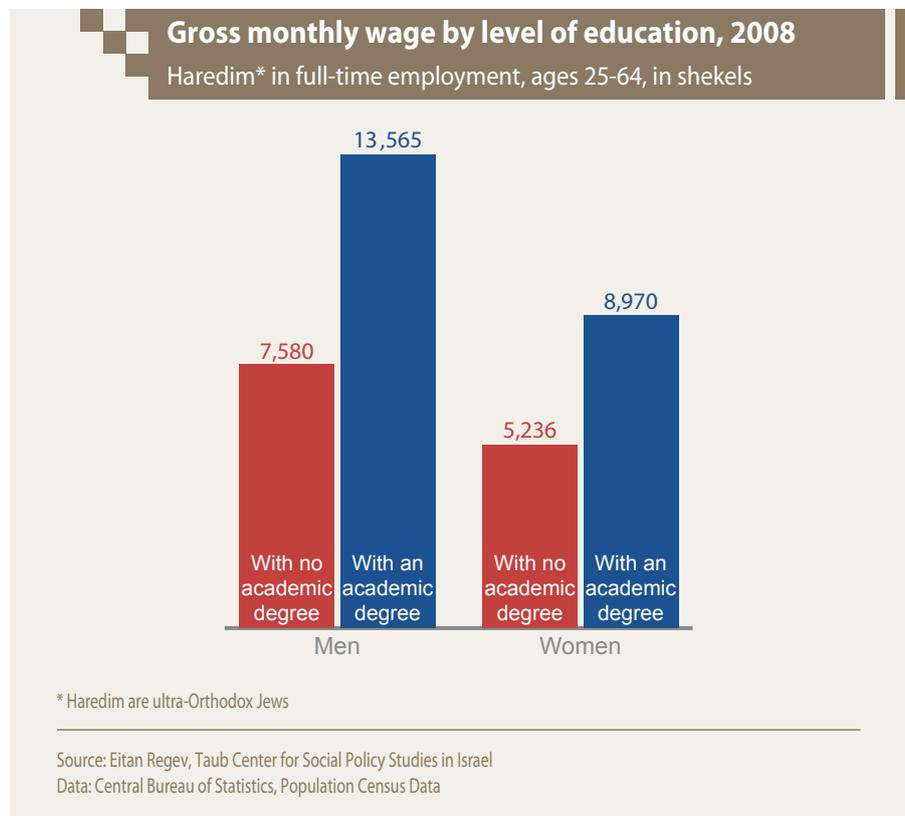
gaps exist between Haredim with a higher education and those without.

Within Haredi society, it is common that women play the role of primary wage earner. Consequently, employment rates of Haredi women surpass those of men. Most Haredi girls receive a secondary education while the vast majority of Haredi boys continue in religious studies only – at the expense of any further formal education beyond primary school. As such, even among those without an academic degree in the Haredi community, women are likely to have a higher level of formal education than men and are thus better able to integrate into the labor market – with a 16 percentage-point employment advantage versus Haredi men. Among Haredim with an academic degree, the gap between the respective employment rates of men and women shrinks to five percentage points, in favor of women.

The role of education transcends beyond the ability to find work, and has a substantial impact on types of jobs available to the individual and the compensation earned. As is common for other population groups, wages for Haredim with an academic degree are much higher than for those without. As shown in the second figure, among Haredi men ages 25-64 who are employed full-time, the average monthly wage of those with a higher education is about 80 percent greater than for those without an academic degree. Haredi women with higher education enjoy wages that are 71 percent higher than their less educated

counterparts. Wage gaps between Haredim with and without an academic degree are evident across the cities with large Haredi populations, with the largest gaps evident in Bnei Brak (105 percent for men; 102 percent for women) and Beit Shemesh (100 percent for men; 81 percent for women).

Not surprisingly, the wage and employment gaps between those with and without an academic degree have an impact on overall household income, which is affected by the education levels of both the husband and wife. In 80 percent of Haredi households, neither the wife nor husband has an academic degree. These households have income that is 62 percent lower than those in which only the wife has an academic degree and 88 percent lower than those in which only the husband has an academic degree. In only five percent of Haredi households, both the wife and husband have higher education – and such households enjoy income that is 157 percent higher than those households with no academic



degree holders (18,943 NIS per month versus 7,382 NIS per month). Sufficient household income from labor is critical to help ensure a decent standard of living for large Haredi families and to prevent households from falling under the poverty line.

Regev's findings on the labor market impact of high school and higher education are important as they provide guidance on policies and programs to improve labor market outcomes and address the high poverty rates among the Haredim. ■

Postponing retirement? Employment trends among Israel's older adults

Taub Center findings show growth in employment among Israelis aged 55 and over during the past decade, although rates among Arab Israelis remain much lower than those of Jews.

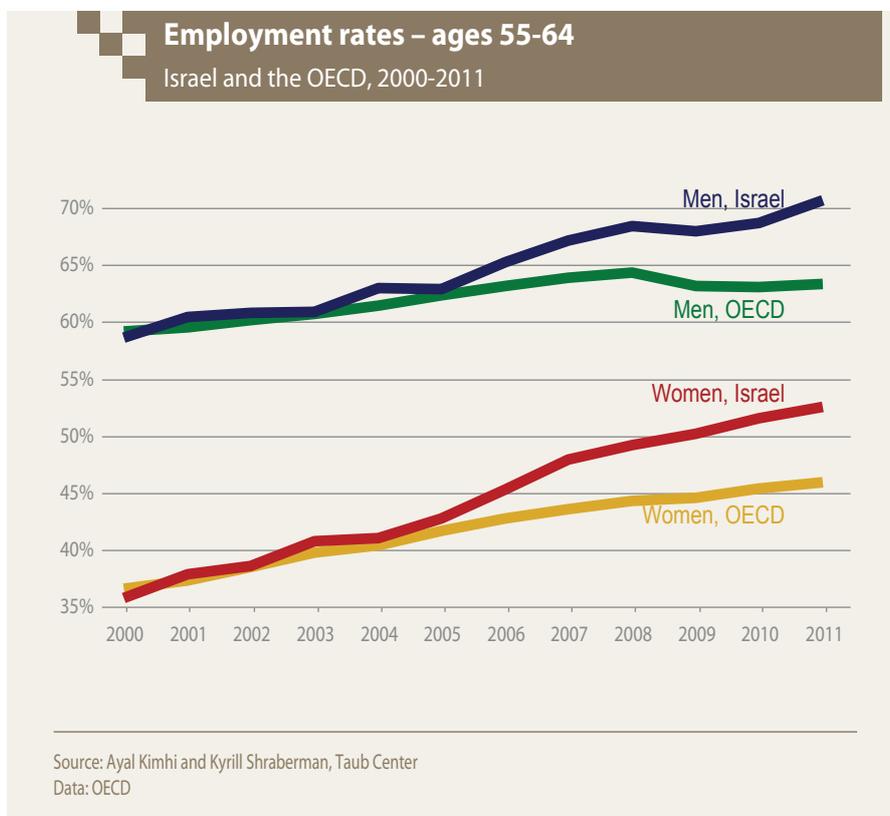
The Israeli population is younger than that of other developed countries, although a substantial increase in the share of older Israelis is expected in the coming years. In 2030, it is expected that Israel will have 233 people over 65 years of age per 1000 people in the working age population, a growth of over 45 percent in the relative share of the elderly population versus 2010. Growing life expectancy has led to mounting pressure on social security, health and pension systems in Israel. In response, it is

important that older Israelis are able to continue participating in the labor market as long as they are physically and mentally capable of doing so.

In a study exploring changing employment patterns among Israel's older adults between 2001 and 2011, Taub Center Deputy Director Prof. Ayal Kimhi and Taub Center researcher Kyrill Shraberman find that within the prime working age population of 35-54, the employment rate of Israeli men is substantially below that of the

OECD, although this gap has narrowed since the first half of the previous decade. The employment rate among females of the same age in Israel was lower than that of the OECD until the mid-2000s, but has increased more rapidly since and is now higher than the OECD rate.

Rates of employment among those aged 55-74 have been steadily increasing in recent years in both Israel and the OECD, generally with more rapid increases seen in Israel. As shown in the first figure, employment rates for Israeli men and women



ages 55-64 increased and were similar to those of the OECD during the first half of the 2000s. However, in the mid-2000s the rates for Israel began to break away from those of the OECD, growing more quickly and leading to a gap of over 6 percentage points in Israel's favor.

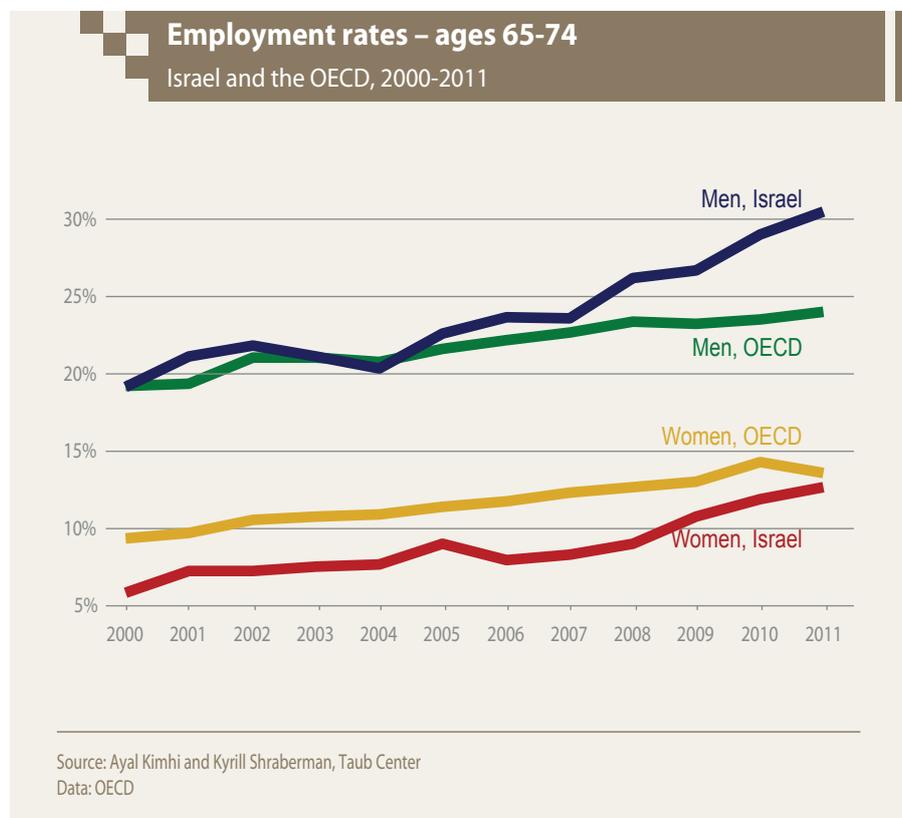
Employment rates among both Jewish immigrant men (those who immigrated to Israel since 1990) and Jewish non-immigrant men in this age group were similar in 2011, at around 75 percent. Jewish immigrant men made particularly impressive strides in employment, having begun the decade with employment rates that were 15 percentage points below those of Jewish non-immigrant men. Arab Israeli men also had notable increases in employment rates beginning in 2007, although they still trailed Jewish non-immigrant and immigrant men by about 25 percentage points in 2011.

The employment rate trends among women ages 55-64 were similar to that of men, although at lower rates: about 60 percent employment for both Jewish immigrants and non-immigrants in 2011. While employment rates of Arab Israeli women doubled in the decade leading to 2011, they remain very low at around 12 percent in 2011.

As shown in the second figure, employment trends among men in the 65-74 year old group in Israel and the OECD are similar to those of men in the 55-64 age group. That is, Israeli employment rates are similar to those of OECD countries until 2004, then increase more rapidly – leading to a

more than 5 percentage point gap in Israel's favor in 2011. Nonetheless, there is a large difference in the employment rate itself between these two age groups. Among the 65-74 male population, the rate is over 40 percentage points lower than that of the younger group, although it is growing more rapidly. For women in the 65-74 age group, Israel has lagged behind the OECD average during the entire 2001-2011 period, although the gap has shrunk to just one percentage point in 2011 as a result of faster employment growth among Israeli women.

Employment rates among all three groups of Israeli men ages 65-74 grew in the previous decade. However, Jewish non-immigrant men widened the gap between their employment rates and those of Arab Israeli men – particularly during the first half of the decade, and maintained about a ten percentage point gap in their favor relative to immigrant men throughout this period. A similar pattern emerges among women in this age group. Employment rates of



Jewish non-immigrant women rose from under 8 percent in 2001 to 14 percent in 2011, leaving them several percentage points higher than those of immigrant woman and much ahead of those of Arab Israeli women, fewer than 2 percent of whom were employed.

Finally, Kimhi and Shraberman explore employment trends among those ages 75 and older. In contrast to the trends seen among men between 55-74 years of age and women between 55-64 years of age, employment rates in the OECD were consistently higher than Israeli rates throughout the decade. While employment rates for Jewish non-immigrant men ranged from 6 to 8 percent during the decade, those for Arab Israeli and Jewish immigrant men ranged from about 1 to 4 percent, with a slight upward trend in the rates for new immigrants in the latter half of the decade. With less than 2 percent of all Israeli women employed in this age group in 2011, there were minimal differences in the employment rates of non-immigrant Jews, immigrant Jews and Arab Israeli women over the past decade.

Increasing employment rates among older adults is leading to greater labor income for this population group – and in turn, reducing poverty rates in terms of market income (income before government transfers and taxes). As Ben-David and Bleikh show in the *State of the Nation Report, 2013*, market income poverty rates among the elderly declined relatively steadily over the past decade, although they still remain high at 51 percent in 2011.

Today, a number of factors are promoting continued labor market participation among older adults, including better health and jobs that are less physically demanding due to the change in occupational mix. In parallel, rising life expectancy, low capital market returns and uncertainty regarding the level of support from social security systems is leading older people to opt for continued employment. Kimhi and Shraberman suggest that Israeli policymakers can support these employment trends by promoting flexible work conditions and the use of tax credits to enable continued employment past the official retirement age. ■

Endangered species: declining supply of senior faculty members in Israel's universities

While the 25 years following Israel's independence were characterized by major development of the country's research universities, the last four decades have witnessed a sharply declining per capita share of senior faculty positions.

A substantial share of Israel's economic success and prestige in the international arena can be attributed to the deep knowledge base and new inventions arising from within this small country. Israel's universities have played a key role in developing cutting-edge research, placing the country among the world leaders in making new discoveries and publishing seminal research findings. However, Prof. Dan Ben-David's findings show that Israel's national priorities with regards to investment in its research universities exhibited a complete turnaround in the 1970s. According to the study,

in contrast to the common perception that the first decade of the 2000s was a "lost decade" for higher education in the country, the long-term trend regarding Israel's research universities has actually remained quite steady since the turnaround forty years ago.

The twenty-five years between Israel's independence in 1948 and the Yom Kippur War in 1973 were both formative and challenging for the new country. Refugees and immigrants from European and Arab countries arrived to Israel with few resources to their name. Several wars erupted

during this period and food was rationed during the 1950s, while Israel's infant economy lagged well behind that of developed countries. Nonetheless, by the time of the Yom Kippur War, Israel had seven research universities, staffed by a rapidly growing number – both in absolute terms as well as relative to population size – of senior faculty members. At their peak in the early 1970s, Israel's universities enjoyed a supply of senior faculty members per capita similar to that of the United States.

Everything has changed since then. The dwindling supply of senior faculty members is representative of the seriousness of this problem. While there were 131 senior faculty members per 100,000 people in 1973, this number had fallen 53 percent by 2010, to only 62 senior faculty members. For comparison, the number of senior faculty members per capita in the U.S. actually increased over the years.

Israel's population grew quickly (133 percent) between 1973 and 2010. As a larger share of the country's population chose to pursue higher

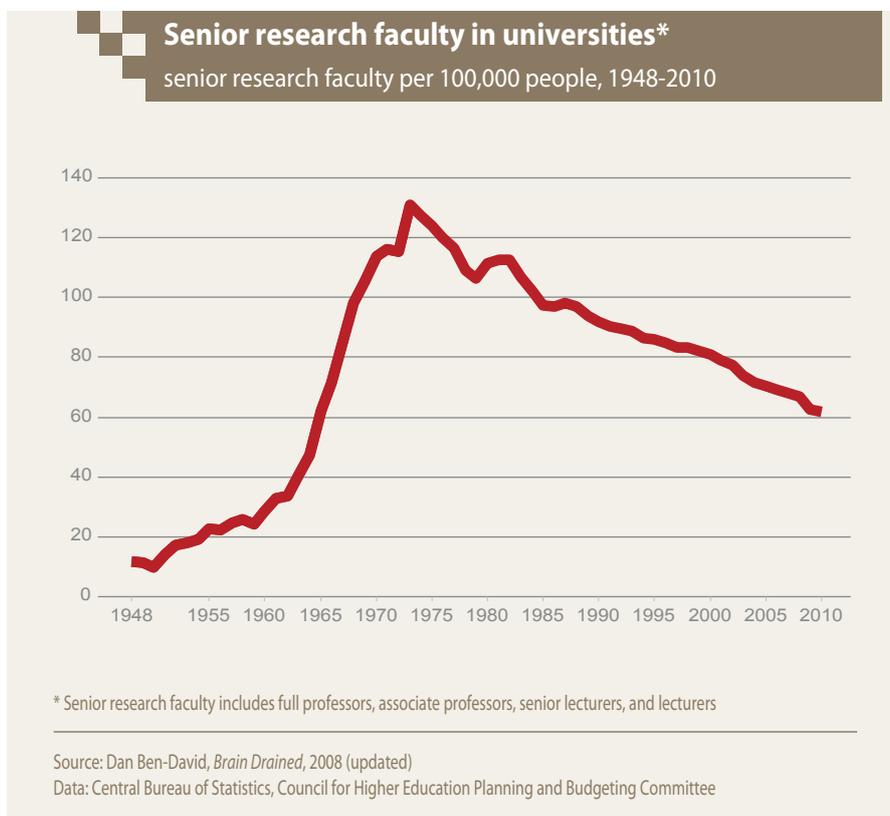
education, the student population in Israel's research universities grew even faster, at 157 percent during these 37 years. In contrast, the number of senior faculty positions in Israel's research universities grew by a paltry 9 percent during the same time period.

Israel's flagship universities actually had fewer faculty members in 2010 than they had in 1973. Specifically, Hebrew University and Tel Aviv University had 17 and 26 percent fewer senior faculty positions, respectively, in 2010 than they did in 1973. The world-renowned Technion, an institution greatly responsible for Israel's high tech revolution and success in this realm, also lost 26 percent of its faculty positions in the years between 1973 and 2010.

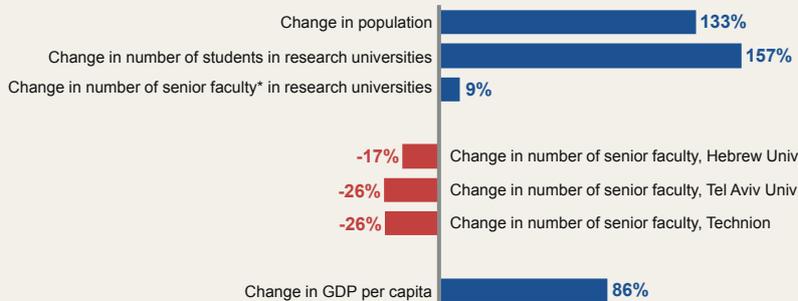
Over the last few decades, Israel's higher education policies have changed considerably. While research universities were deprioritized, the 1990s saw major growth in the development of lower-cost non-research academic colleges,

with the aim of increasing accessibility to higher education for a greater share of the country's population. The emphasis on expanding access via academic colleges was not accompanied, however, by a similar investment in faculty at these institutions. When including both universities and colleges in the analyses, Ben-David's findings show that Israel's higher education student population increased by 428 percent, while the total number of senior faculty rose by just 40 percent.

While the creation of academic colleges has been important in enabling



Changes from 1973 to 2010



Changes in all universities and colleges

428% Increase in number of students
40% Increase in senior faculty

* Senior research faculty includes full professors, associate professors, senior lecturers, and lecturers

Source: Dan Ben-David, *Brain Drained*, 2008 (updated)

Data: Central Bureau of Statistics, Council for Higher Education Planning and Budgeting Committee

and tenure-track positions may discourage talented individuals from pursuing a research path, either in Israel or altogether.

In recent years, there has been growing recognition of the threats facing Israel's major universities. In order to address these threats, the government has developed a program of "excellence centers" designed to attract top Israeli researchers. These centers are characterized by greater freedom with regards to compensation levels and reduced teaching requirements for researchers. However, if Israel wants to continue enjoying the economic

and social benefits of producing world-class knowledge and research, along with intelligent and capable graduates, it must revisit its support for universities. This calls for a re-evaluation of national priorities towards greater investment in universities, and particularly for increasing the number of senior faculty positions. ■

more people to attain a higher education, the trend towards promoting education in academic colleges rather than universities has a couple negative ramifications. First, there is concern about the quality of education provided by faculty members who themselves are not actively engaged in the latest research. Second, the growing lack of tenure

and social benefits of producing world-class knowledge and research, along with intelligent and capable graduates, it must revisit its support for universities. This calls for a re-evaluation of national priorities towards greater investment in universities, and particularly for increasing the number of senior faculty positions. ■

The Taub Center was established in 1982 under the leadership and vision of Herbert M. Singer, Henry Taub, and the American Jewish Joint Distribution Committee. The Center is funded by a permanent endowment created by the Henry and Marilyn Taub Foundation, the Herbert M. and Nell Singer Foundation, Jane and John Colman, the Kolker-Saxon-Hallock Family Foundation, the Milton A. and Roslyn Z. Wolf Family Foundation, and the American Jewish Joint Distribution Committee.

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