

Haredi Economics

Brian J. Friedman, CFA

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During the first quarter Prime Minister Netanyahu's coalition government introduced legislation to overhaul Israel's judicial system. Hundreds of thousands of people opposed to the reforms poured into the streets, worried Israel's judiciary will lose its independence. Most of the protesters are non-Orthodox Jews fearful the judicial reforms are a prelude to an undemocratic theocracy. While we are also concerned about the current version of the legislation, we believe the balance of demographic, social, and economic forces in society will ultimately be reflected in Israel's legal and political institutions. A solid compromise now could significantly strengthen Israel's constitutional framework. Even if the current legislative package passes the Knesset intact, however, it will merely be the first chapter in an extended process to renegotiate Israel's social compact.

The new government includes a more aggressive coalition of religious political parties that reflect differing conceptions of Judaism and its relationship to the State of Israel. The two major religious camps are the Ultra-Orthodox and the Religious Zionists. In this letter we will address concerns raised by judicial reform opponents regarding Ultra-Orthodox Jews, particularly economic concerns, while just briefly touching on the Religious Zionists (to be addressed in a future letter).

The Ultra-Orthodox are the Fastest Growing Segment of the Israeli Population

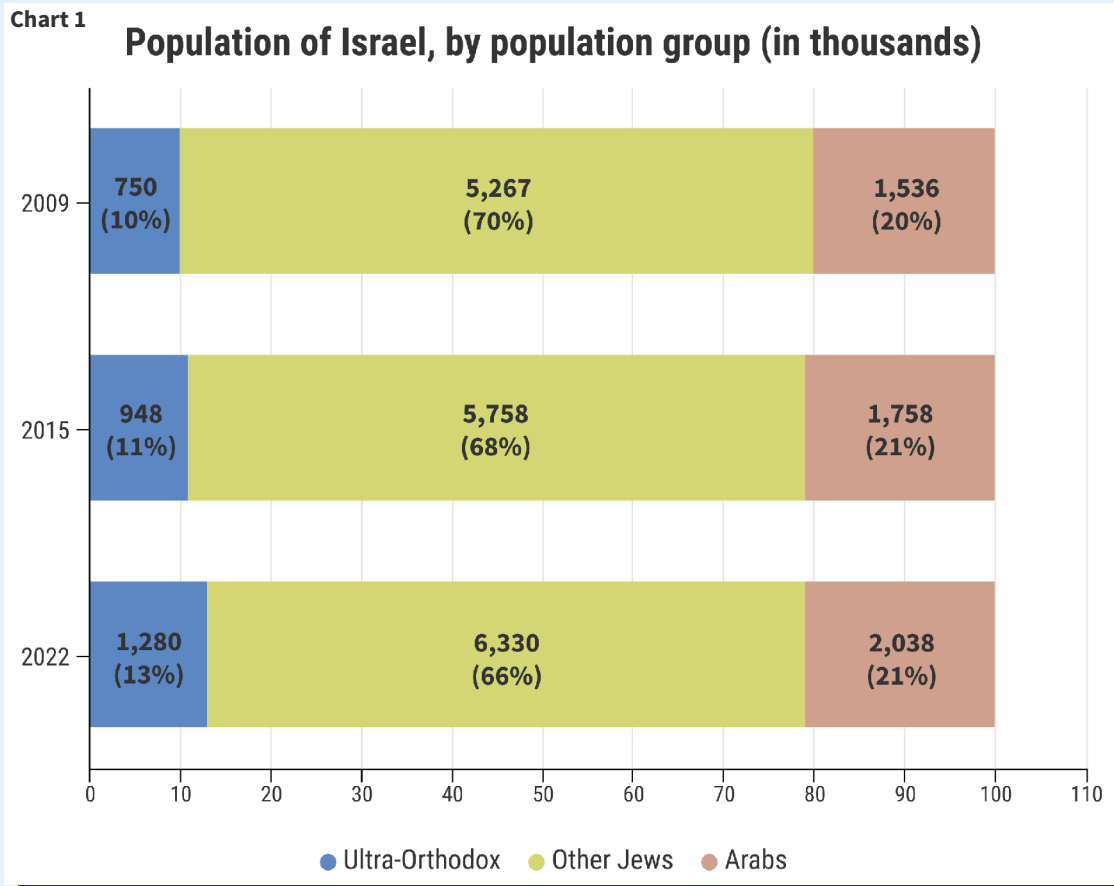
Ultra-Orthodox Jews, often called Haredim (those who tremble before the Lord) in Hebrew, occupy a special status within Israeli society and law. Yeshiva students are exempt from military conscription, for example, as long as they avoid paid employment and pursue religious study full-time. Although Torah study is supported by state subsidies and private donations, the average Haredi family income is only half of non-haredi Jewish households. The poverty of the Haredi Jewish community is often perceived as a looming threat to the economic future of Israel by non-Haredi Jews. However, the improved integration and inclusion of the Haredi community could unlock untapped potential for additional economic growth in Israel.

Prime Minister David Ben-Gurion's initial draft deferment applied to 400 yeshiva students in 1949 but deferments grew exponentially in subsequent years. In the 1990s the Israeli Supreme Court using its newly asserted power of judicial review declared the draft deferment system violated the principle of equality under the law. In response the Knesset passed several packages of compromise legislation to preserve draft deferments, but each was rejected by the Supreme Court as unconstitutional. While Haredi draft deferment is certainly not the only issue motivating the current government coalition, it is emblematic of demographic and social trends that must be better addressed by Israel's political system and the law.

Many non-Orthodox are worried about Israel's demographic trends and their political, social, and economic implications for the future. With their substantially larger family sizes, the Haredim evolved from negligible percentages of the population in Israel's early decades to almost 17% of Israeli Jews today. In its annual "Statistical Report on Ultra-Orthodox Society in Israel" the Israel Democracy Institute (IDI) estimates there are now 1.28 million Haredim in Israel.

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Source: <https://en.idi.org.il/haredi/2022/?chapter=48263>

Many of the Ultra-Orthodox are also concerned about this demographic trend, a fact often unappreciated by Israel's non-Orthodox majority. They understand that Haredi social and economic isolation only works if they remain a small minority subgroup within a larger majority society. They fear the requirements of economic and military participation will tempt many of their adherents to leave the fold. The Israeli state has not yet crafted an adequate solution for Haredi special status, but neither has the Haredi leadership grappled with the inevitable transition of their own communities.

The Ultra-Orthodox are not Monolithic

Demographic estimates of Israel's Jewish population by religious affiliation are tricky and fluid, but religious attitudes can best be understood along a spectrum even among the Ultra-Orthodox. When viewed from afar the Haredim can seem homogeneous, but upon closer inspection they are rather heterogeneous. To adequately participate in elections, Haredi political reality aggregates into two major parties: Shas and United Torah Judaism.

Shas represents Sefardi and Mizrahi Ultra-Orthodox, but also draws some support from less observant Jews wanting to express their Middle Eastern cultural heritage. In the current Knesset Shas holds 11 seats. Since Arab parties hold 10 seats, this means Shas comprises 10% of the remaining 110 seats held by Jewish parties. United Torah Judaism's 7 seats represents 6.4% of Jewish representation in the Knesset.

United Torah Judaism is a political alliance that represents the Ashkenazi Haredi community in Israel. However, this alliance is comprised of two separate sub-parties, namely, Agudat Yisrael and Degel Ha-Torah, which at times hold conflicting views. Agudat Yisrael primarily represents Hasidic Jews, while Degel Ha-Torah represents a group of Hasidic critics who are variously referred to as Litvaks (Lithuanians) or Mitnagdim (Opponents). These groups are further divided according to prominent rabbis and their respective yeshivas, often retaining the moniker of their former locations in Europe. As a result, the Haredi community in Israel is not homogenous, and there exist internal differences and nuances that can affect their political views and priorities.





Ultra-Orthodox vs. Modern Orthodox

For the most part the Haredi parties are considered “non-Zionist” rather than “anti-Zionist.” They are not opposed to the State of Israel, but they do not ascribe religious significance to the state. In this attitude they are closer to secular Israelis and markedly different from those represented by the Religious Zionist party. The Religious Zionists won 14 seats in the last election or 12.7% of the Jewish vote, and many believe Israel has a right to assert sovereignty over the entire land promised to the Jewish people in the bible.

Most of the people who support the Religious Zionist parties can be described as Modern Orthodox Jews. In opinion surveys, about 1.25 million Israelis describe themselves as Modern Orthodox but, unlike the Haredim who almost all voted for Ultra-Orthodox political parties, not all Modern Orthodox Jews voted for the Religious Zionists.

Modern Orthodox Jews tend to integrate secular education and work into their religious lifestyle. They are often highly educated and hold professional jobs in fields such as law, medicine, and business. Hence, Modern Orthodox Jews are inclined to be more involved in the wider Israeli society and economy, and their participation has contributed to Israel's economic growth and success.

In Twenty Years, Non-Orthodox Israelis will Still be the Majority

Demographic projections based on current birth rates estimate that in 20 years the Ultra-Orthodox could comprise 22% to 28% of Israel’s Jewish population and the Modern Orthodox may expand to between 16% and 18% of Israel’s Jewish population. Even with the substantial expected growth in these two groups, however, the non-Orthodox should retain a majority between 54% and 62% of the Israeli Jewish population in the year 2043. Clearly with these demographic trends, a workable accommodation must be reached amongst all of these groups for Israel to thrive economically, politically, socially, and militarily into the future.

| | Population (millions) |
|-------------------------|-----------------------|
| Ultra Orthodox | 1.28 |
| Modern Orthodox | 1.25 |
| Non-Orthodox | 5.07 |
| Total Jewish Population | 7.60 |

Source: IIA's estimates based on data from IDI and Pew Research

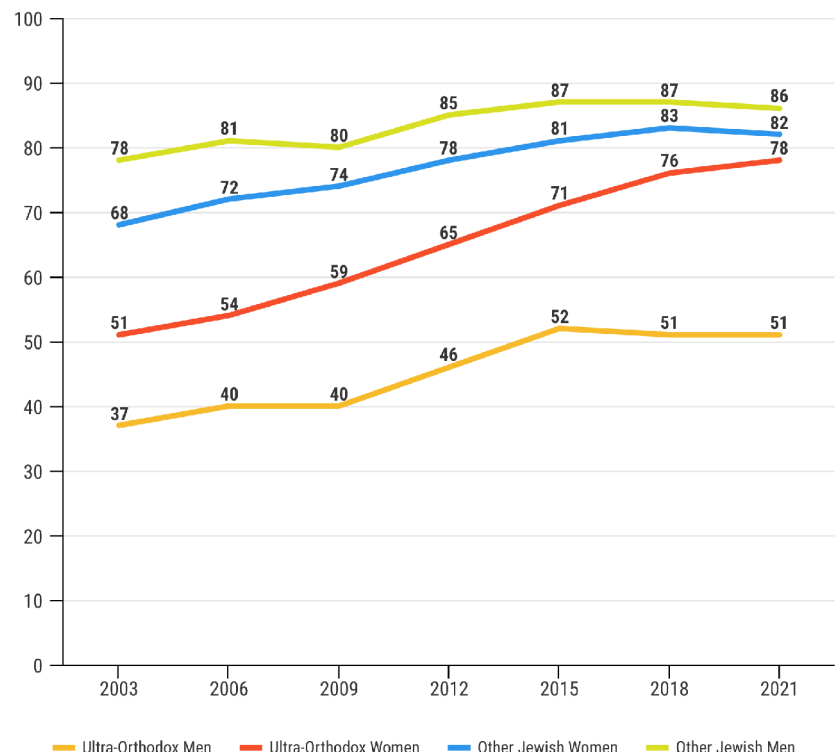
More Ultra-Orthodox are Working and Women are the Primary Breadwinners

As noted above the Haredim face particularly challenging dilemmas as their numbers grow, but detectable change is already afoot. As you can see in Chart 2, employment rates for both Haredi women and men are rising rapidly. While a shocking 44% of the Haredi community lives below the poverty line, this is a significant reduction from the 58% living in poverty in 2003. It is important to note that, according to opinion surveys, only a small fraction of the Haredim consider themselves poor, and most agree their religious lifestyle is worth the economic sacrifice.

Despite their overall satisfaction, economic reality is gradually encroaching into the Haredi way of life. Even with the substantial increases proposed by the current coalition government, subsidies for educational institutions and Torah study cover a shrinking percentage of rising living costs in Israel. The Haredi community is reluctantly adapting to their changing economic circumstances with women emerging as the main breadwinners. Although 78% of adult Haredi women now work, they often hold part-time jobs with substantially lower pay than non-haredi Jewish women.

Chart 2

Employment rates, ages 25–64, by population group (%)



Source: <https://en.idi.org.il/haredi/2022/?chapter=48266>





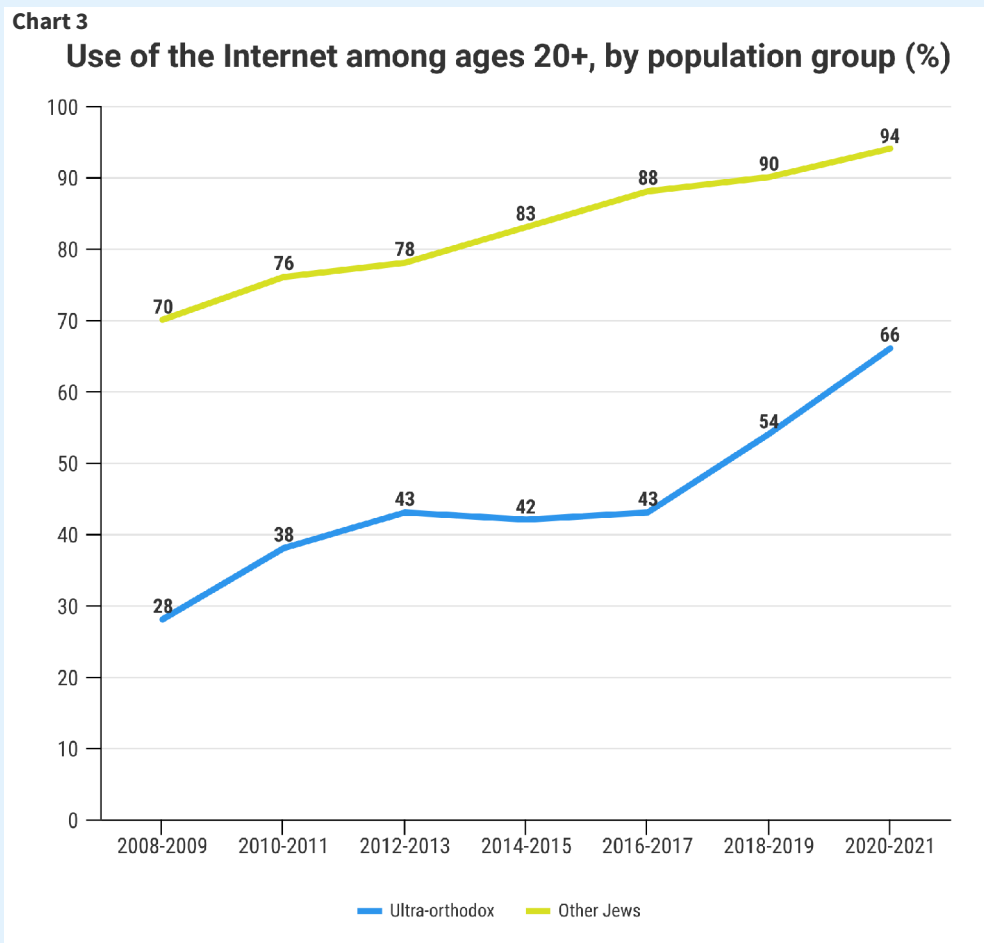
Moreover, both Haredi men and women are disproportionately employed in the state-subsidized Haredi educational system.

In the coming years the quality of Haredi employment will likely improve along with the quantity. Already 1/3 of Haredi women work outside education in other private sector industries. This number will most likely expand because subsidies and budget allocations to the Haredi sector are not expected to increase commensurate with the rapid growth of the community or the cost of living. Additionally, this expansion is often met with strong political resistance from other segments of Israeli society who bear a higher tax burden. Although lagging women, more Haredi men are also entering the work force because the yeshivas (religious study for unmarried men) and kollels (religious study for married men) cannot possibly accommodate all of them.

Ultra-Orthodox Birth Rates are Falling

Predicting Haredi demographics is tricky enough, but predictions regarding Haredi attitudes as they emerge from social isolation are almost impossible. Over the past 20 years, fertility rates of Haredi women fell from 7.6 births per woman to 6.5 today. Entrance into the work force probably played an important role in this trend, but maybe attitudes toward family size changed a bit as well. Will rising employment in terms of quantity and quality for both Haredi men and women place further downward pressure on birth rates? Even a modest deceleration in Haredi population growth, or a softening of isolationist tendencies among a small proportion of the Haredi population, could have dramatic implications for Israeli society in the coming decades.

Israeli society is incredibly dynamic and, despite outward appearances, the Haredim are no exception. Labor force participation is one significant indicator of this shift, but there are other indicators as well. For example, use of the internet was once categorically shunned by most Ultra-Orthodox, but as you can see in Chart 3, internet use is expanding rapidly. Of course, creative Haredim produce or approve “kosher” web sites and applications, nonetheless the shift reflects changed attitudes over time.



Source: <https://en.idi.org.il/haredi/2022/?chapter=48263>





Democracy is Compatible with Ultra-Orthodox Judaism

Several years ago, opinion polls conducted by Pew Research asked Israeli Jews whether democracy was compatible with a Jewish state. Among all Jews surveyed, 78% answered yes, with 79% of Modern Orthodox, 80% of Masorti (non-Orthodox but traditional Jews), and 76% of secular Jews also indicating yes. Perhaps surprisingly a clear majority of 58% of Haredim also answered yes. Democracy requires compromise and tolerance, even if begrudgingly.

It is important to remember that Jewish Orthodoxy is qualitatively different than other monotheistic religious traditions. Discussion and debate about the law are its core principles, but it has also adapted to a wide variety of political circumstances over the centuries. Before the Holocaust, exemptions from economic life were the preserve of a small academic elite. The Haredi economic structure in Israel is therefore both unique and recent from the vantage point of history. Much of it will change in the coming decades because - due to demographic, economic, and political realities - the Haredim have no other realistic choice.



For more information contact:
Amy Kaufman [Director, Investor Relations](#)
303.861.3798 | akaufman@israelinvestmentadvisors.com
www.israelinvestmentadvisors.com

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