

ISRAEL'S NEW ECONOMIC REALITY WILL ISRAEL'S CHAREDI POPULATION HAVE TO REINVENT ITSELF?

By Eliezer David Jaffe

It is said that about 22 percent of Jerusalem's population is *Chareidi*, and 30 percent of those *Chareidim* receive services from the municipal welfare department.¹ Why is there such great poverty and dependence on welfare, and what effect will the new economic policy have on the *Chareidi* community in Israel?

The Sharon government, with Binyamin Netanyahu heading the Finance Ministry, has been moving relentlessly away from welfare-state economics by providing lower National Insurance payments, forcing citizens to be less dependent on government grants, encouraging privatization, tightening unemployment benefit criteria and aggressively promoting market-economy measures. The state budget for 2004 makes it clear that this economic policy will continue, and the financial situation is not going to get better in the near future for poorer members of the *Chareidi* community

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or for other low-income sectors of Israeli society that have depended on government grants for many years.

Activists from the "welfare establishment" lobby have been busy lobbying to maintain previous welfare standards built up during decades of both Labor and Likud rule. One recent successful effort by the lobby has been to get the High Court of Justice to order the government to define what constitutes a "dignified income level for human existence," to see whether the State has violated the Basic Law on Human Dignity and Freedom by cutting welfare payments.² This renewed discussion of what should be today's poverty line (which was originally set in the early 1970s) could lead to changing the current "relative approach," which sets allowances for basic needs in relation to the average or median income of the total population, to an "absolute approach," where a committee decides what should be the cost of an agreed upon "basket of necessities." It will be fascinating to see which items will be included in such a basket of needs and if a committee will be able to agree upon a list of necessities, or what constitutes a "dignified level of existence." As a member of the committee that

determined the current poverty line during the Begin administration, it is clear to me that all definitions of poverty are influenced primarily by values and economic reality. This is not science, but consensus.

For those watching these social and economic changes in progress, it is important to understand that welfare payments have become so widely used (for example, children's allowances, unemployment insurance, single-parent allowances and income-maintenance payments) and have grown so costly in the past decade that the Israeli middle and upper classes are now in revolt against carrying the tremendous tax burden for these programs. Although the richest 10 percent of Israelis earn 13.5 times more than the poorest, they are also paying over 50 percent of the taxes. The middle class will no longer tolerate a situation where income from welfare is the same or higher than income from work. Members of the middle class firmly believe that many able-bodied people are abusing the welfare system, government aid and taxpayers. These middle-class members support privatization and are fed up with constant strikes

(continued on page 26)

(continued from page 24)

called by a few powerful union leaders who have hijacked the Histadrut Trade Union Association and use it to maintain their own power. The heads of the Ports Authority, the Electric Company, the municipal workers' unions and other wealthy monopolies can bring the economy to a standstill by striking at will, causing the loss of jobs and income to thousands of citizens. It is not at all surprising that no public sit-in or demonstration against the cuts has won any significant public support in Israel during the past three years, despite media attempts to generate sympathy for the protesters.

Aside from the free-market ideology of the political center and right parties, the reality is that after three years of war, local and worldwide economic depression, lack of growth and low tax income, the government cannot sustain previous levels of welfare. In 2003, the government budget deficit was nearly 6 percent of the gross domestic product (GDP). In 2004, the budget for education, welfare payments, National Insurance allowances and other social support will be cut by 4 percent compared to 2003. In this post-socialist era, no party, including the opposition Labor party, is going to go back to a centralized government and heavy public dependency on government welfare programs. Political leaders don't believe in it ideologically, and the government can't afford it, even if the defense budgets are cut.

One of the interesting developments resulting from the struggle to shape new relationships between Israeli citizens and the State, and the rise of the market economy, has been the reaction of the *Chareidi* community and its rabbinical leaders. Prime Minister Sharon understood that he could not include major *Chareidi* parties in his coalition if he was going to reduce welfare payments to large families, *yeshivot* and low-income

groups. A study by the Bank of Israel found that in the *Chareidi* sector, work constitutes only 23 percent of an individual's income while National Insurance allowances constitute 44 percent. The rest comes from local municipalities, other government resources and private help. Among non-*Chareidi* Jews, 45 percent of their income comes from work and 35 percent from National Insurance.³ The decrease in government funding to the *Chareidi* sector has

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caused more *Chareidim* to look to employment. It has also led to the creation of several *Chareidi* centers of secular education around the country.⁴ It has even resulted in some *Chareidi* youth having a somewhat more favorable view towards army duty; being a veteran often provides skills and opens doors to employment. These important developments stem from the facts that 51 percent of Israel's *Chareidim* live below the poverty line and that, in the *Chareidi* community, learning skills to earn a living for oneself and a large family is no longer considered to be a betrayal of Torah study. This is a conceptual revolution—coming from within the *Chareidi* community itself—driven by economic reality. The revolution is also helping

others to recognize that training, responsibility and high motivation can make many *Chareidim* competent employees and businessmen. One Israeli researcher suggests that “the American experience may have a message for *Chareidim* in Israel that points to a possible middle path between full-time religious studies and a life of work.”⁵

A second revolution in the *Chareidi* community has also developed because of the realities of family life. For many decades, problems of neglect, abuse, wife and child battering and family disintegration were hidden within the family or the community. Today there is a growing sensitivity to, and understanding of, the need to acknowledge social and personal problems that require professional help. This has led to a collaboration between *Chareidim* and secular institutions of higher learning in order to train *Chareidim* to become mental health and social service professionals. This partnership between *Chareidim* and secular professionals has reaped outstanding results, by increasing communication and understanding between the two groups and preventing suffering for thousands of people.

Ironically, the economic crisis has led the *Chareidi* community to consider social and financial initiatives that it would not have entertained had the economic situation been better. This is not to say that the *Chareidi* community is not self-reliant and does not have its own internal economy and fundraising and self-help systems. But over the years, *Chareidim* developed a tremendous dependence on income maintenance, income-generating programs of the State and general public services, all of which support isolation. When these sources of income declined due to the new economic policies, some new developments took place within the community.

While there are some *Chareidim* whose attitude towards the government is “We survived Pharaoh,

and we will survive you,” and others who unfortunately accept poverty by choice, there is a definite trend towards encouraging employment. *Chareidi* women are continuing to enter the workplace, but significantly more men are entering the workforce now than ever before.

It is doubtful that *Chareidi* charitable and educational organizations can find the massive funds required to make up for the government support and welfare programs that have been cut. According to the Israeli pollsters Geocartographia, there are 590,000 *Chareidim* living in Israel today in 107,000 households.⁶ The average *Chareidi* family is 5.5 persons, and 40 percent of *Chareidi* families have seven members or more. Private charity will never match the massive universal government child-welfare allowances that have evaporated. Private charity in Israel is truly outstanding (for example, the Israel Free Loan Association—www.free-loan.org.il—has provided over forty million dollars in interest-free loans to more than 22,000 needy Israelis), but such nonprofits cannot replace government income-maintenance programs.

Education and employment are the most viable means to reduce poverty. The government is set on a welfare-to-work policy, and we will see more welfare cuts and more stringent criteria for aiding the able-bodied. Unlike many of my colleagues in the welfare field, I support switching to a market economy, restructuring our welfare system and encouraging healthy people to work rather than be dependent on welfare. But these changes demand that the government be selective in differentiating between those who need help and those who do not, and between those who can work and those who cannot. It also requires that the government determine how best to ease people from dependence to independence while reducing benefits, and it requires that the government create jobs for those willing to work. Unfortunately, the new economic program has efficiently cut public funding, but it has not created a mass number of jobs. The program has not been sufficiently thought out.

Not all of the jobs vacated by deporting foreign workers will be taken by Israelis; there is no WPA (Work Projects Administration) or public work jobs program; money is still given out for unemployment without requiring any work; industries have not relocated to the Galilee and the Negev, where there are huge pockets of poverty; the economy is contracting, not expanding, and small businesses, that in the aggregate employ hundreds of thousands, are in danger.

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It is easy to close taps but much harder to conceptualize a new welfare system with a human face in the market economy.

This is the challenge that the government now faces, and one wonders if it is just another ad-hoc episode in a series of change efforts that will last until the next (frequent) election. A new government with, for example, Shas or other hinge parties that could make or break a fragile coalition, might turn everything around, and the government may revert to irresponsible economic policies.

The same may be true of changes in the *Chareidi* community. It recalls a

time around 1858 when Moses Montefiore, the renowned Jewish philanthropist from England, wanted to fund projects to create places of work for the impoverished *Chareidi* community in the Old City of Jerusalem and other places in Palestine but was criticized by rabbinical leaders for not funding more *yeshivot* for Torah learning.⁷ In contrast, from pre-State years, the *Dati Leumi* (National Religious) camp embraced the concept of integrating secular and Jewish education, and that legacy makes its members less vulnerable today to welfare reform than *Chareidim*. Their large families will also suffer from smaller grants and fewer subsidies, but many of those who identify as *Dati Leumi* have the skills, motivation and social networks to compete in the labor market as tradesmen, professionals, academics and business people. The NRP (National Religious Party) is also still a partner in the government coalition, and until that changes, it will continue to serve as an address for obtaining funding for educational and development projects that benefit its constituency and ideology.

Non-*Chareidi* religious schools are suffering from cutbacks common to the entire public school system, but many parents of students who attend these schools have developed, and pay for, after-school programs held in the schools. These programs are an attempt to compensate for the extracurricular and enrichment classes that were cut.

Nonprofit religious educational programs for adults are suffering from cutbacks in government funding as well, but some of them are engaging in increased marketing and fundraising efforts in Israel and abroad to try to make up for these losses. In 2002, the Israeli nonprofit sector as a whole received 64 percent of its total income from the government through contracts for services or grants.⁸ Today, as the government pulls back from pro-

viding direct services and embraces the market economy, nonprofit education and welfare organizations are reeling from lost income; many of them might not survive the challenge of attaining economic independence. This is true regardless of religious or political affiliation. This may result in mergers, pooling of resources and fewer but more viable nonprofit and educational organizations. This self-reliance could be a healthy development for these fields in the long run.

Will the current *Chareidi* rabbinic leaders give tacit or explicit blessing to *Torah ve'avodah* as a norm, or will they declare themselves against the new trend of learning a religious or secular trade or profession? If the latter is the case, such a declaration will commit thousands of Israeli men, women and

children to lives of poverty. I doubt if that is what God had in mind. **JA**

Notes

1. From a lecture by Shlomi Attias, the deputy mayor of Jerusalem, at a conference on social services and the *Chareidi* community. Bar-Ilan University, Ramat Gan, Israel, 2 March 2004.

2. Proceedings of the High Court of Justice, Jerusalem, Israel, 5 January 2004.

3. Research findings of Dr. Oded Liviatan on poverty in Israel, 1988-2001. Study conducted by Bank of Israel, Jerusalem, 28 October 2003.

4. Examples of some of these new educational institutions are the Chareidi Center for Technological Studies in Jerusalem, which has branches in Bnei Brak, Ashdod and Kiryat

Sefer; the Chareidi College for Women in Jerusalem; the Chareidi Campus in Or Yehuda and the (Chareidi) Academic College in Kiryat Ono.

5. Amiram Gonen, "From Yeshiva to Work: The American Experience and Lessons for Israel," *The Floersheimer Institute for Policy Studies* 4/5 (Jerusalem, 2001).

6. From a study commissioned by the Ministry of Tourism from Geocartographia Surveys, reported in *The Jerusalem Post*, 9 March 2004.

7. Eliezer D. Jaffe, *Yemin Moshe: The Story of a Jerusalem Neighborhood* (New York, 1988), 15-53.

8. Eliezer D. Jaffe, *Giving Wisely: The Israel Guide to Nonprofit and Volunteer Organizations* (Jerusalem, 2000). See also <http://www.giving-wisely.org.il>.