

Haredim aren't as poor as you think



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Ultra-Orthodox Jews are smarter consumers, have interest-free loan funds, and are satisfied even if they are poor, the Haredi Institute for Public Affairs has found.

Over half of the *haredi* (ultra-Orthodox Jewish) community lives below the poverty line, the figures say. According to the Central Bureau of Statistics, 53% of haredim are below the poverty line, the same proportion as in the Arab sector and much higher than the 9%

poverty rate among non-haredi Jews. Average monthly per capita income in haredi society

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is NIS 3,500, half of the average for non-haredi Jews and only a little higher than in Arab society.

Despite these stark figures, a paradox exists. Haredim do not consider themselves as poor, nor do they behave that way. A new book of figures and research by the Haredi Institute for Public Affairs, reported here for the first time, shows that no less than 71% of the haredim are satisfied with their economic situation, compared with less than two thirds of the non-haredi Jews and 53% of the Israeli Arabs.

Furthermore, less than 8% of the haredim feel that they are poor, almost the same figure as for non-haredi Jews. On an index of general satisfaction with life, the figures show that an incredible more than 98% of the haredim report satisfaction with their lives.

It is not just a question of feeling. Less than 10% of the haredim had to go hungry occasionally because of a lack of money, compared with 5.6% of the non-haredi Jews and over 14% of the Arabs. The level of health in the haredi sector is one of the best in Israel. For example, the life expectancy among residents of Bnei Brak, a mostly haredi city, is almost the same as in Givatayim, even though Bnei Brak is one of the poorest cities in Israel.

Another important economic figure is the proportion of those under bailiff's orders, meaning people almost incapable of paying their debts. In the haredi communities, this proportion is only 5%, the same as in the top two income brackets. The figure is 15% in the Jewish sector as a whole and 22% in the Arab sector. In other words, not only do haredim not feel or regard themselves as poor; their behavior is not that of a sector that is incapable of supplying its own needs.

The haredi solutions for escaping poverty

Nitsa (Kaliner) Kasir, who conducted the new study with Dimitri Romanov, claims that there are several explanations for this paradox. The most prominent one is that the real poverty rate in haredi society is significantly lower than the official figures if specific indices concerning the haredi way of life and a comparison within haredi society are taken into account. Such a calculation reveals that the poverty rate varies between 8% and 14%, about one fifth of the official figure.

Kasir uses both the existing figures, including the Food Security Survey results, which are fairly similar in the haredi sector to the Jewish sector as a whole, and a precise research assessment that takes into account the character of haredi society, its rules of behavior, consumption baskets, family spending, etc. An important basic figure for the real poverty rate in the sector is the rates of social assistance for the needy in the haredi cities, which are identical to the poverty rates used by Kasir.

She states that the character of haredi society in effect constitutes an almost closed economy. As a result of these features, a haredi family manages to supply its needs despite significantly lower income. One of the indices cited in Kasir's study, which generated far lower poverty rates, considers the level of income in comparison with average income in the haredi sector, instead of in comparison with the general Israeli public.

One important factor is smart consumer behavior, which differs substantially from the consumer character of modern Western society. The average spending per haredi household, even though the number of people in the household is greater, is 12% less than the average spending per non-haredi Jewish household. If per capita spending is used, the different is much greater - at least 48%: NIS 3,350 per capita per month for haredim, compared with NIS 6,450 per capita per month for the general Jewish public.

This phenomenon is also reflected from the perspective of the haredi service provider, who charges less and accepts a lower profit. Accountant Avigail Shakovitzky, who owns an office with 60 employees, recently won a job tender for a large public agency. One of her competitors petitioned the court, claiming that she could not possibly offer such a low price. Her explanation was her readiness to accept a minimal profit for the service, instead of the profit margin that prevails in the secular firms.

Another reason is the community support system. The relatively closed haredi society maintains within itself an especially high level of community activity, including high rates of volunteerism and donations, mutual aid, concern for the needy, diverse economic support frameworks, etc. A comparison with the general public in the volume of donations tells the story. Despite a low average general income, three quarters of haredi households make regular donations amounting to NIS 500 annually, compared with one quarter of the other Jewish households and less than 10% of the Arab households.

The average annual donation among non-haredi Jews is NIS 200. The system of loans and financing in the haredi sector is especially diverse. It includes the various interest-free loan frameworks and volunteer organizations and other groups granting interest free loans with flexibly spaced repayments. The figures for satisfaction among haredim can be attributed to the haredi/religious way of life, which does not sanctify money and economic status, in the spirit of the Mishnah: "Who is rich? Someone who is satisfied with his lot."

Haredim may be satisfied, but the state pays for it

There are three main reasons for low income in the haredi sector, of which social or economic failure, the usual cause of poverty in other groups, is not one. These reasons involve the intentional character of the sector. First of all, the employment rate in the haredi sector is low. A majority of the men spend their time learning Torah (Jewish religious studies), and many of those in the sector who do work have low-paid part-time jobs.

Secondly, the educational system is geared to religious studies, with few lessons of practical assistance in finding employment. Finally, haredim marry young and have larger families than the Israeli average.

The haredi way of life dictates the economic conditions, and typical haredim are aware of this and accept it. They therefore do not complain about their bitter fate, in contrast to those whose poverty probably results from external reasons, not their own choice.

This low income even if it is not real poverty, is treated as such according to the prevailing international indices. This is one of the main reasons why Israel, together with the US, is at the bottom of the OECD in incidence of poverty, with almost 18% of the population classified as poor.

According to Kasir, the economic consequences of this situation are failure to realize the country's growth potential, due to the absence of half of haredi men from the labor force. As a result of deliberate unemployment in this sector, the state has fewer tax revenues and far more transfer payments, such as allowances. The social cohesion of the country is affected, and there is also a negative impact on the ratio of debt to GDP. This situation also generates negative feelings towards haredim among society as a whole. They are perceived as not bearing the economic burden, not paying taxes, and constituting a burden on taxpayers.

For these reasons, the state cannot allow the status quo to continue; action to change the situation is needed, even if the real poverty rate is lower than the one calculated in the prevailing indices. According to the current policy, the main solution is adapting the labor market to the haredi way of life in order to achieve a target unemployment rate of 60%-70% among men in the coming years.

This way of life cannot be ignored, even if it requires initial investments and social and other concessions in this adaption process, such as kosher food, studies and training programs for men only with exclusively male teachers and lecturers, which arouses opposition among part of the public. The same is also true of military service, which greatly contributes to integration of haredim in the labor market, but leads to political disputes and requires many adjustments from the army in order to absorb haredim.

The changes that threaten to eliminate the paradox

This haredi economic concept, based on built-in satisfaction with the existing situation, regardless of what it is, has been challenged in the past decade by the changes taking place in the sector.

The past decade has seen the phenomenon of the "new haredim" - haredim who are more integrated in Israeli life and are adopting a slightly more open way of life. They have smartphones, go on vacations, buy expensive clothes, and work at jobs in the private sector in accounting, law, commerce, etc. Exposure to the Internet and new fields of knowledge through haredi websites is one of the main reasons for this.

What effect will this process of change have on the haredi concept of "satisfied with his lot"? It is hard to say, both because the process of change is only beginning and because it is difficult to quantify and explain its social and community effects.

Haredim cope with the cost of living by buying only when they have to and in large quantities

Economic behavior in haredi society is different than in secular society. This behavior includes repeated use of clothing (hand-me-downs between children in a family, for example) and any other non-perishable product, and buying something only when it is really necessary, very little spending on luxuries, etc. Spending on communications, i.e. mobile phones, Internet, and computers, is much smaller in the haredi spending basket. Televisions are also usually absent.

In transportation, one of the biggest expenses for an average Israeli family, the saving is evident. The number of vehicles per 1,000 people in the haredi sector is only 85, compared with 345 among non-haredi Jews and 190 in the Arab sector. Most *yeshivas* (institutions of Jewish religious learning) forbid their students to obtain a driving license before they are married. According to figures from the Haredi Institute for Public Affairs, 50% of haredim use public transportation, compared with 27% of non-haredi Jews and only one fifth of the Arab population.

Prices of many products for the haredi sector are lower, for various reasons. The discount supermarket chains - Osher Ad, Zol Po, and others - focus on the haredi sector, as do national chains such as **Rami Levy Chain Stores Hashikma Marketing 2006 Ltd.** (TASE:**RMLI**), which has a special supermarket chain, and Yenot Bitan (Bitan Wines). These chains have alternative products designed for the haredi sector, many of them in larger packages and bearing lower prices.

Another method of lowering prices is group/collective buying that takes advantage of group purchasing power. Where clothes are concerned, the conservative and uniform style also lowers costs. Wardrobes, certainly men's, are quite limited, as is the spending on them.

The commercial method typical of the sector is special miniature home commerce, with thousands of merchants in mainly temporary stores, especially in fashion. In addition,

haredi families go on vacation in Israel in most cases, with a growing pattern of trading apartments during vacation times.

Interest-free loan societies - A combination of a bank with no charges, Yad Sarah (an institution that lends medical equipment free of charge), and Yad 2 for Free (which gives away secondhand items for free)

Gemachim (interest free loan societies) are a social, moral, and economic cornerstone of the haredi community. They originated in the Jewish Diaspora with synagogue charity boxes and the deep social obligation assumed by the Jewish community. They are based on the religious commandment binding on every Jew to give charity, and have taken deeper root in closed haredi communities than in the general society. When these communities moved to Israel, they took their gemachim with them.

Although gemachim are quintessentially haredi, non-haredim also receive assistance from gemachim that grant loans. An important foundation of what gemachim do is the reliability and commitment of those borrowing money and products to return what they took, and themselves to donate when they are able.

Haredi strategist Shlomo Weiser divides gemachim into three categories:

- 1. Gemachim that lend goods** - Gemachim lend goods spanning the entire range of possible products: pacifiers for babies, baby carriages, heaters, and armchairs. Most haredi families supplement their essential furniture, clothing, and other needs from a relevant gemach. There are also gemachim in the sector for perishable products, such as diapers, food, and milk substitutes. The source for these products is repeated use of equipment, donations by families whose children have grown up, inheritances, and monetary donations.
- 2. Charity fund gemachim** - a variety of charity and welfare agencies, the largest of which are the "municipal funds" in haredi cities, "the rabbis' committee," and others. They give living grants, holiday grants, donations for aims such as marriage, and food coupons at the large supermarkets operating in the haredi sector. Their sources of financing are mostly haredi philanthropists, some of whom are from overseas.
- 3. Loan gemachim** - haredi social banks. These institutions grant loans without interest, which Jewish law forbids one Jew to take from another. They are available to everyone and are extraordinarily flexible in the number and amount of payments. The most important source of financing for these gemachim is the haredim themselves, but as repeated long-term deposits, not as donations. The low interest rate given by commercial banks encourages giving surplus money as deposit in the nearest community gemach. The profit on the deposit is the fulfilling the commandment to aid the needy.

Shakovitzky says that well-off haredi families prefer depositing their money in a gemach, thereby contributing to the community. According to this model, a family that contributed when its children were small will need help from a gemach when their children get married. According to Weiser, almost every young haredi man needs a loan from a gemach, the main purpose of which is paying for heavy one-time expenses, such as marriage, buying an apartment and furniture, etc.

Here, due to international tax requirements, the state finds it necessary to regulate activity of gemachim. Shakovitzky, who is involved in the negotiations on legislation for regulating gemachim, says that only when the law goes into effect will it be possible to know the true extent of the gemachim.

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