



**The
Haredi
Institute**
for Public
Affairs

On Culture and Poverty in Haredi Society

Aspects of Poverty in Haredi Society



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Nitsa (Kaliner) Kasir is Vice Chairperson at the Haredi Institute for Public Affairs, and served previously as a Senior Researcher at the Bank of Israel. She established and headed the Labor Market Unit and the Welfare Unit at the Bank of Israel. Her research over the years has focused on poverty and employment, some together with Karnit Flug and Daniel Gottlieb. Kasir is a volunteer for several organizations to advance social agendas and to assist disadvantaged sectors of society. She has served as a member of government commissions addressing the issue of poverty, and was Chair of the Economics and Employment subcommittee of the Commission on the War Against Poverty in Israel (the Alaluf Committee). She was also a member of the Yogev Team for poverty reduction and the Bachar Committee for contending with poverty, and was on the Agenda Committee, both Yitzhaki Committees to examine poverty indices, and other committees. Together with Gottlieb, Kasir drew up the strategy for mitigating poverty on behalf of the Bank of Israel, a program that was submitted to the Prime Minister and the President and which came to serve as the basis for many plans for mitigating poverty that were implemented in the first decade of the twenty-first century.

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The Haredi Institute for Public Affairs was established in 2014, with the goal of advancing research-based policy on civic issues concerning the haredi community and its interaction with Israeli society. The Institute aims to contend with the challenges facing Israeli society, and to address the need for presenting and analyzing the necessary data, in order to develop tools and strategies for the benefit of the haredi community and society as a whole. The Institute aims to serve as the knowledge base for decision makers, professionals and philanthropic entities that come in contact with these issues in their work, and to work with them as a leading professional entity.

On Culture and Poverty in Haredi Society

Aspects of Poverty in Haredi Society

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Abstract

According to the official index of the National Insurance Institute, the poverty rate in Haredi society in Israel is high, standing at more than 50%. However the official poverty index presents only one view of poverty, which does not necessarily reflect the perception of poverty by the population or a low level of well-being. This is true of every population, and all the more so with regard to a closed community with unique characteristics – demographic, cultural and so on.

This article examines various aspects of poverty in haredi society, with a focus on poverty from the perspective of the haredi community. It includes an assessment of a relative poverty index whose reference point is the haredi community, as well as the community's various ways of coping with a low level of income.

An examination of poverty and its contributing factors is important for the purpose of formulating policy aimed at alleviating poverty in a way that is not in contravention of haredi cultural norms. This will enable the improvement of haredim's economic standing while increasing their economic independence, and thereby also improve the well-being of the population at large.

A. Introduction

The poverty rate in Israel as of 2015 stood at 21.7% of the population¹ and is the highest among OECD countries (Chart 1). However, the bleak picture that emerges from the international comparison does not fully describe the problem or the depth of poverty in Israel. Israeli society is composed of population groups with different demographic, educational and employment characteristics, and these groups are very different from each other in the economic standing of their members and their respective poverty rates. One of the poorest population groups in Israel is haredi society, whose poverty rate in 2015 stood at 52.4% (Chart 2).²

In addition to the high rate of poor people in haredi society, which grew from 38% in 1998 to 50-60% in the last decade,³ poverty in this sector is ongoing and deep seated. Furthermore, the depth of poverty is relatively greater among haredim – the average gap between the disposable income of a poor household and the poverty line (the “poverty gap”) in the haredi community is 36% as compared with 30% in the non-haredi Jewish community (Chart 2).⁴ This gap in the depth of poverty means that the average monthly income of a haredi household below the poverty line is NIS 400-600 lower than that of a non-haredi Jewish household below the poverty line.⁵

¹ The incidence of poverty according to the equivalence scale employed by the OECD is 19.6% (see Endeweld, Barkai, Gottlieb & Heller, 2016). This equivalence scale makes greater use of economies of scale than the one in use in Israel’s official index as calculated by the National Insurance Institute.

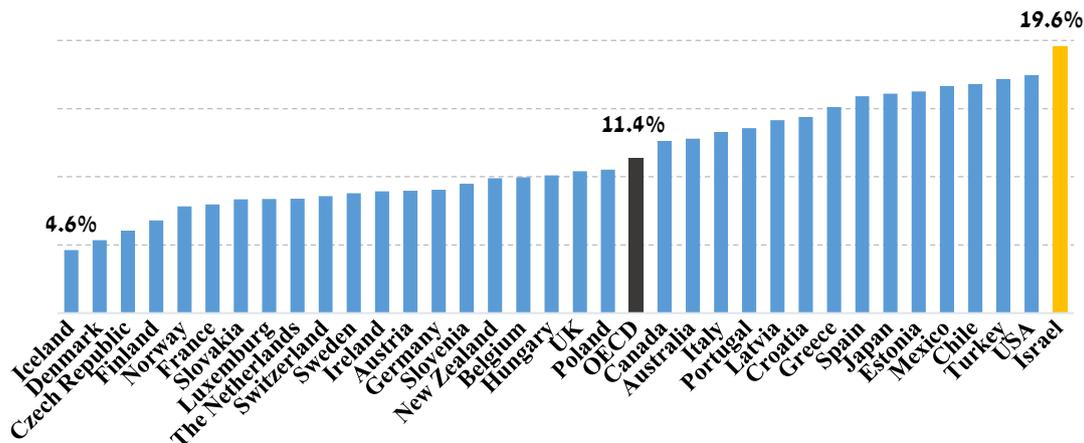
² Research works dealing with the study of haredi society grapple extensively with the question of how to define “haredi” as well as issues concerning the identity of haredim in various surveys. In this work we have elected to use haredi self-definition, unless stated otherwise, and have identified haredim as Jews living in households that affirmed living a haredi religious lifestyle.

³ Until 2014 Expenditure Surveys (and Income Surveys) of the Central Bureau of Statistics did not include a question concerning level of religiosity. Thus, in order to assess the incidence of poverty over a period of time, we have defined haredim as people living in households where the last educational institution attended by at least one household member was yeshiva (“last school” method). It should be noted that based on data from 2014 and 2015, the gaps between poverty rates in haredi society according to the self-definition and the last-school definition were relatively small.

⁴ The poverty gap is the ratio by which the mean income of the poor falls below the poverty line.

⁵ Analysis of the Central Bureau of Statistics’ Household Expenditure Survey for 2014 and 2015.

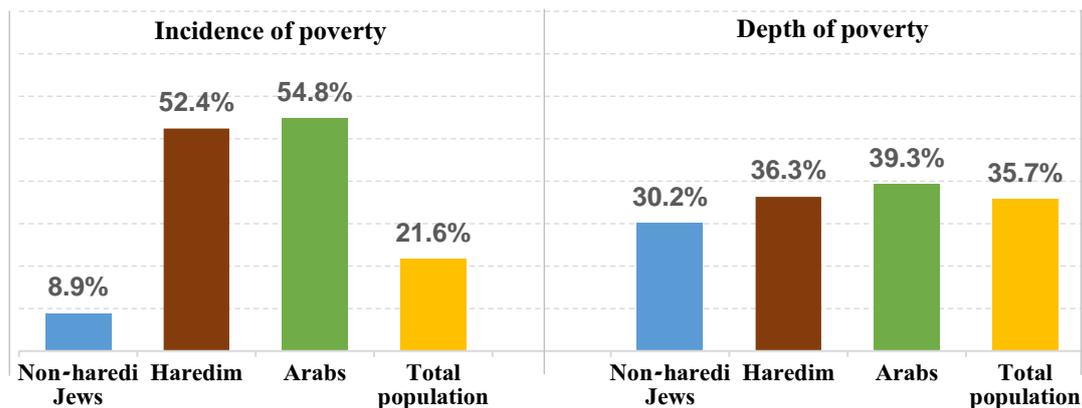
Chart 1
Degree of relative poverty in OECD countries*



Source: OECD Society at a Glance 2016 and analysis of the Central Bureau of Statistics' Household Expenditure Survey, 2015

*Poverty according to disposable income. Calculated using the equivalence scale employed by the OECD (the square root scale, which divides household income by the square root of household size). The data refers to different years in the period 2012-2014, while for Israel the data is for 2015.

Chart 2
Incidence of relative poverty and depth of relative poverty
By population groups, 2015



Source: Analysis of the Central Bureau of Statistics' Household Expenditure Survey, 2015.

* As measured by the "poverty gap" – the average gap between disposable income of a poor household and the poverty line, relative to the poverty line.

Among the key, central tools to help the poor (and to reduce inequality) are progressive taxation and a transfer payments system.⁶ An examination of poverty in haredi society shows that the poverty level based on income (from employment and capital), before direct taxes and transfer payments, was 60% in 2015. This calculation provides a

⁶ Notwithstanding the important contribution of transfer payments to lifting people out of poverty, they contain a disincentive for employment; as such, among some of the poor in society these increase dependency on income not from work (through the welfare system), and keep them below the poverty line. On the connection between the allowances system and employment, see also Brender, Peled-Levi & Kasir (Kaliner), 2002; Flug & Kasir (Kaliner), 2006.

picture of the scope of poverty were it not for the State's intervention. As of 2015, transfer payments and taxes reduced the scope of poverty in haredi society by some 13%. However, as already stated, even after the government's intervention through financial support, such as payments to *avreichim* (married Yeshiva students) and child allowances, the poverty rate (based on disposable income) in haredi society was still in excess of 50%.

Poverty has always held a place in the public discourse. Alongside an examination of the causes of poverty and ways to address it, socioeconomic literature has dealt extensively with the definitions and implications of poverty as well. Poverty describes a low welfare status, but what is that low level of welfare? What defines a poor person – income level, amount of resources at one's disposal, consumption level, potential income⁷, level of utility, or perhaps one's subjective feeling⁸? There is no clear-cut answer to these questions.

A discussion of these issues is found already in the Midrash, Mishnah and Talmud, which mention various definitions of the poverty line as the basis for determining whether a person is considered poor. These definitions developed and changed over time. Thus, for example, in the Mishnah the poverty line is set as a fixed amount of money, while in the Tur, on which the Shulchan Aruch is based, the poverty line is determined as the ability to earn a living and not by an absolute amount.⁹

The poverty index in use in Israel today is objective, relative to the entire population and based on income level. As stated, this index paints a very bleak picture of poverty among haredim. The complexity of the definition of poverty, particularly when discussing a community with distinct cultural characteristics, raises the question: is it really as bad as it seems? In this article we will delve into the issue of poverty in haredi society, assess the key factors of poverty (according to the official definition) and their roots, and quantify their impact on poverty based on the methodology employed by

⁷ See for example Sen, 1992.

⁸ See also Achdut, 2007.

⁹ For further discussion see Hellinger, 1999.

Flug and Kasir (Kaliner).¹⁰ Later on in the article we will also examine poverty in the haredi sector using other indices, and from the perspective of the haredi community.

The purpose of this article is to present a comprehensive picture on the state of poverty in haredi society and its methods of coping with the low income levels. Only an in-depth understanding of all aspects of poverty in the haredi sector will facilitate formulating suitable policy steps that take into account the community's cultural characteristics. These insights into the various facets of poverty are important toward helping to improve the haredim's economic situation while taking into account the needs of Israeli society as a whole.¹¹

B. The reasons for high rates of poverty in haredi society

The high rates of poverty in the haredi community are the result of several factors, the central one inherent in the labor market: the employment rate among haredi men, which is about fifty percent, is significantly low compared with the general population; on account of this many households have a single earner, generally the mother of the family. In addition, the earners in haredi households receive an average hourly salary that is lower than those in non-haredi Jewish households, and the proportion of those working part-time is relatively high.¹² Low wages are, inter alia, the result of a lack of education relevant to the labor market – especially among men but to a degree also among women. Great cultural and religious importance is accorded to the curriculum taught within the haredi educational system; however, it is not relevant to the labor market.¹³

In addition, the average number of children in a haredi household is higher than in non-haredi Jewish households, and hence the income of the haredi household has to support a large number of household members. The combination of low income per

¹⁰ See for example Flug & Kasir (Kaliner), 2001.

¹¹ See Kasir (Kaliner), 2017a.

¹² See Kasir (Kaliner), 2016.

¹³ See also Dahan, 1998; Berman & Klinov, 1997.

household¹⁴ and a large number of family members leads to high poverty rates in haredi society.¹⁵

The importance of the factors enumerated above is supported by an econometric analysis, using Logit regression, which analyzes the impact of various characteristics on the probability of a household being below the poverty line.¹⁶ The ratio of probabilities, calculated using the regression, shows how much greater is the probability of a household to be poor than not to be poor, given certain characteristics.¹⁷ This probabilistic analysis examines each characteristic's marginal contribution to the probability of being poor, and hence its importance.

Results of the regressions run on the haredi population and on the non-haredi Jewish population are shown in Table 1. In the regressions shown in the table the explanatory variables were demographic and other characteristics, such as education, occupation, marital status, number of children, age and area of residence. For each population group two versions of regression are presented, with the second version (regressions 2 and 4 in the table) including the number of earners in the household as a variable, in addition to the variables mentioned above. The underlying assumption in this version is that the number of earners is a variable that is predetermined, and it can therefore be used as an exogenous variable for purposes of the regression. It should be noted that regressions 1 and 3 also indirectly include the impact of the number of earners, through the impact of other variables on poverty, such as marital status and education; *inter alia* these variables determine the number of earners in a household.

¹⁴ See also Malach, Cohen & Zicherman, 2016; Flug & Kasir (Kaliner), 2003.

¹⁵ See also Gottlieb & Kasir (Kaliner), 2004; 2008; Gottlieb, 2007b; Levin, 2009; Tamir, 2010; Dahan, 2012; Poverty Report, various years.

¹⁶ This regression model is based on the methodology employed in the research of Flug & Kasir (Kaliner), 2001 and 2003.

¹⁷ The ratio of probability is defined as the probability of being below the poverty line relative to the probability of being above it, for each variable's impact (namely, relative to the probabilities ratio of the value of the variable being compared), with the other variables remaining fixed. A probability ratio of 1 means equal probability of a household to be below or above the poverty line, while a probability ratio of greater than 1 means a greater probability to be below the poverty line; a ratio of less than 1 means a lower probability of being below the poverty line.

Table 1
Results of Logit Regression: Probability of household being poor
All households by population groups, 2014-2015

The ratio of probability – the ratio between the probability of a household being below the poverty line and the probability of being above the poverty line ¹				
	Haredim		Non-haredi Jews	
	(1)	(2)	(3)	(4)
Number of earners per household (Compared to 0 earners)				
One earner in the household		***0.394		***0.165
Two or more earners in the household		***0.0861		***0.0333
Number of children (Compared to households without children)				
1-3 children	**1.622	***2.097	0.932	***1.839
4-5 children	***3.423	***4.261	***2.080	***4.309
6-7 children	***8.622	***9.375	***5.896	***11.82
8 or more children	***33.33	***38.67	***48.96	***92.24
Education of head of household (Compared to education of 11-12 years of schooling)				
0-10 years of schooling	1.085	1.114	***1.477	***1.509
13 or more years of schooling where last school was not yeshiva	0.710	**0.642	***0.633	***0.617
13 or more years of schooling where last school was yeshiva	0.739	0.831		
Occupation of head of household (Compared to managers)				
Academic professionals	***4.707	***3.931	1.389	1.346
Practical engineers, technicians, agents and clerks	***3.461	***3.178	**1.789	**1.818
Sales and services workers	***6.403	***6.352	***5.359	***5.701
Professional workers (in agriculture, craftsmen, in industry and construction, installation and machinery operators)	*2.495	2.250	***2.313	***2.433
Non-professional workers	***13.30	***9.762	***6.402	***7.042
No occupation (unemployed)	***16.68	***5.251	***15.65	***3.842
Age	0.968	1.019	***0.914	***0.915
Age squared	1.000	0.999	***1.001	***1.001
Senior (65 and over)	0.943	0.671	1.075	***0.647
At least one member of household receives a disability allowance	***0.417	***0.330	*0.835	***0.747
Peripherality index of local authority	**0.687	*0.748	***0.720	***0.793
Accessibility index of local authority	1.172	1.089	***1.278	**1.158
Development town	**1.468	**1.600	***1.887	***1.760
Constant	0.672	1.189	0.595	***6.239
Number of observations	1,258	1,258	12,798	12,798
¹ The ratio of probability is defined as the probability of being below the poverty line relative to the probability of being above it, for the impact of each characteristic (relative to the probabilities ratio of the value of the variable being compared), where the others are fixed.				
*** Significant at 1%, ** Significant at 5%, * Significant at 10%.				
Source: Data analysis of the Central Bureau of Statistics' Household Expenditure Survey, 2014 & 2015.				

The results of the regression show that the number of earners is a key variable that impacts on the probability of people being below the poverty line. As the number of earners increases, the probability of being poor is sharply reduced. A single earner in a

haredi household reduces the probability ratio by 2.5, and two earners or more reduce the probability ratio by 11.6, as compared with a haredi household with no earners. Since in a haredi household there is a dearth of earners (Table 2), this factor strongly impacts on poverty rates in haredi society.

Educational level has an impact on poverty, both through its impact on chances of finding work as well as through its impact on salary levels of those employed. The salaries of haredim are lower than those of non-haredi Jews – by 44% on average among men and 34% on average among women.¹⁸ Wage gaps are influenced by higher education, among other things, which helps increase earning potential; and by the curriculum in haredi educational institutions, which focus on Torah education that is not relevant to joining the work force.¹⁹ The findings of the regression show that an increase in the number of years of schooling reduces the probability of being poor; however this impact is less significant among haredim. Similarly, the regression results indicate that education obtained in yeshiva has no impact on the chances of escaping poverty.

The results of the regression show that the probability ratio, both among haredim and non-haredi Jews, rises when the occupation of the head of the household is not characterized by higher education (and a higher salary). Thus among haredim, when the head of the household works in sales and services, the probability ratio is 6 times higher than that where the heads of households are managers. For practical engineers, technicians, agents and clerks the probability ratio is three times higher than for managers, and for academic professionals, four times. It is important to note that teaching is the most common profession in haredi society, with an overwhelming majority of 75% of haredi academic professionals being employed in this area, where salaries are relatively low.²⁰

Despite the high proportion of haredim employed in teaching, recent years have seen a change, with this employment channel shrinking due to market saturation. Since 2000

¹⁸ See Kasir (Kaliner), 2017b.

¹⁹ See also Dahan, 1998; Malhi, Cohen & Kaufman, 2008; Berman & Klinov, 1997.

²⁰ Based on data analysis of the Central Bureau of Statistics' Labor Force Survey, 2015

there has been a noticeable decline in the proportion of people working in teaching among employed haredim. Many haredim are turning to professional training and higher education, which afford them other employment opportunities – in the general labor market as well. Despite the haredi community's concerns about going out to work in the general labor market, research indicates that the various challenges arising in a heterogeneous work environment are soluble and do not impact negatively on the level of religiosity of working haredim.²¹

An additional finding emerging from the regressions is the considerable impact of the number of children on the probability of being below the poverty line, both in haredi society and non-haredi Jewish society. This is of particular significance in the haredi sector, given the high birth rate. The regressions show that in households with 4-5 children, which represent one-fifth of haredi households (Table 2), the probability ratio is three and four times greater than in haredi households without children.²² This ratio increases as the number of children increases. Thus, for a haredi household with 6-7 children (about one-eighth of haredi households) the ratio of probability is eight to nine times higher than haredi households without children.

²¹ See for example Miletzky, 2017; Kalagy & Braun-Lewensohn, 2017.

²² Haredi households without children represent about one-quarter of all haredi households, and 73% are characterized as older households where the head of the household is aged 55 or more. This finding reflects parents having children when they are in their early twenties, and children leaving home in their early twenties as well, when they get married.

Table 2
Breakdown of households by explanatory variables of poverty (in percentages)
All households by population groups, 2014-2015

	Haredim	Non-haredi Jews
Number of earners per household	100%	100%
No earner per household	19.6%	20.4%
One earner per household	40.1%	27.3%
Two or more earners per household	40.3%	52.3%
Number of children per household	100%	100%
No children per household	24.4%	61.1%
1-3 children	36.7%	35.4%
4-5 children	22.0%	3.2%
6-7 children	12.4%	0.3%
8 or more children	4.6%	0.1%
Education of head of household	100%	100%
0-10 years of schooling	5%	13%
11-12 years of schooling	15%	26%
13 or more years of schooling	36%	60%
13 or more years of schooling where last school was yeshiva	44%	0%
Occupation of head of household	100%	100%
Managers	5%	9%
Academic professionals	21%	2.0%
Practical engineers, technicians, agents and clerks	12%	15%
Sales and services workers	9%	11%
Professional workers (in agriculture, craftsmen, in industry and construction, operators of facilities and machinery)	4%	9%
Non-professional workers	1%	2%
No occupation (Unemployed)	48%	35%
Source: Analysis of the Central Bureau of Statistics' Household Expenditure Survey, 2014 and 2015.		

From the regressions shown above it is evident that educational level, number of earners and number of children in the household are the key factors that explain the presence of a haredi family below the poverty line and the high rates of poverty in this sector. Having said that, it is important to remember that in haredi society the choice of Torah studies over other studies and over work, and raising large families, are key values and the dominant factors impacting on the level of welfare, according to the unique social welfare function of haredi homes.^{23, 24}

²³ See also Dahan, 2006.

²⁴ Berman (2000) analyzes the choices of haredi households within the framework of the “club theory” (Cornes & Sandler, 1986), according to which the individual takes the actions of his social milieu (the “club”) into account in his utility function, and based on that makes his choices in various areas of life. According to Berman a haredi man’s choosing of Torah studies over work and a haredi woman’s choosing of a high birth rate are part of the entrance fee to the community’s club – a club offering services of interest to the haredi household, including mutual insurance and assistance for members.

C. Poverty and economic status from the perspective of haredi society

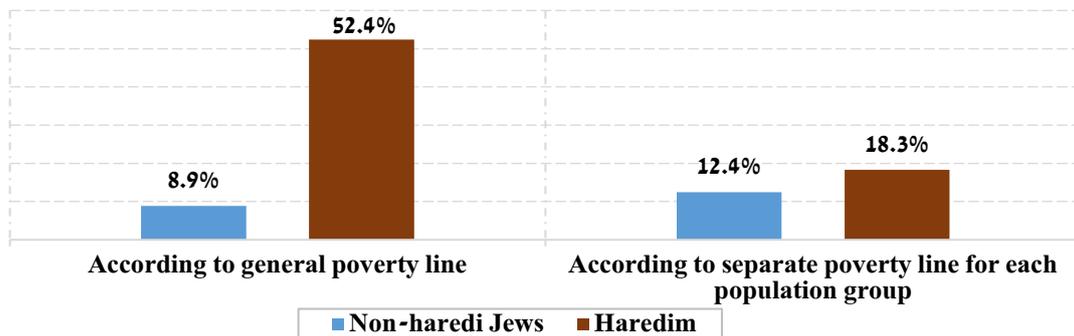
The reference group in measuring poverty in the haredi sector

The official poverty index in Israel is a relative index that assesses the situation of each household against the economic situation of the entire population. According to this approach a household is defined as poor if its income is lower than 50% of the median income in the economy, equivalized for family size. Measuring poverty in relative terms is the accepted method in most Western countries as well.²⁵ Assessing the relative aspect of poverty is extremely important since the lifestyle and outlook of every person are linked to the society in which he or she lives, and it is therefore important to measure an individual's economic capabilities relative to the surrounding environment. Nevertheless, one of the striking characteristics of haredi society is its separation and isolation from non-haredi society. Haredim spend most of their lives among haredi society, at a remove from general society, and this separation is evident in all areas of life: living in separate neighborhoods and towns, separate shopping areas, different educational systems, and more. The separation is out of conscious, deliberate choice, in order to maintain the haredi character of the community. Thus, from the haredi person's viewpoint, the applicable reference group for comparison is the surrounding haredi society and not Israeli society as a whole. In comparison to haredi society alone, poverty is much lower than when compared to the general population – 18.3% as compared with 52.4% (Chart 3). It is important to emphasize that this intra-haredi assessment of the poverty rate provides an additional viewpoint and is not intended to replace an assessment of poverty rates in haredi society as compared with society on the whole, which is the applicable index from the socio-economic viewpoint of the State at large.

In response to Berman's article, Rosenberg (2001) proposes a modification to the "club model" and defines the "haredi club model," in which one of the main services the club offers is prevention of outside influences from the secular world.

²⁵ In many countries in the EU, and at the EU's recommendation, the relative measure of the poverty line is used, which reflects the risk of poverty. According to this definition, the line is defined as 60% of the median income, which is a broader definition than that employed in Israel (Nathanson, Levy & Loewenthal, 2013).

Chart 3
Incidence of relative poverty
By population groups, 2015



Source: Analysis of the Central Bureau of Statistics' Household Expenditure Survey, 2015.

The many facets of poverty: the connection between a life of material poverty and happiness and satisfaction

The poverty index in Israel is set in absolute terms based on the level of income per standard person, though income level is only one aspect of poverty. Poverty is a multi-faceted phenomenon, often characterized also by poor health and a low investment in education, and in certain cases even leads to criminal behavior.

Poverty is generally accompanied by negative cultural and psychological consequences. Anthropologist Oscar Lewis formulated the concept of the “culture of poverty” to give a multidimensional description of the overall life experience of many people in a state of poverty (Lewis, 1971). According to Lewis, the shortage of income is one key characteristic among dozens of characteristics of people in the “culture of poverty.” Other important characteristics are a sense of marginality in society, sense of considerable dependence on others, and a lack of a sense of belonging. People in the culture of poverty have a feeling of social inferiority and low self-esteem. Furthermore, the culture of poverty is characterized by limited social vision and limited sense of history, as well as giving the most attention to problems of the moment and the current state of affairs in the immediate surroundings.

Lewis emphasizes that not everyone defined as poor will necessarily develop a culture of poverty. One of the examples he offers of a poor population that is not immersed in the culture of poverty is the Jewish population of Eastern Europe. According to Lewis,

religion, tradition and community gave the Jews of Eastern Europe a sense of solidarity with Jews all over the world as well as a sense of belonging, which prevented the culture of poverty – and all its negative corollaries – from developing among them.

Similar to the description of the Jews in Eastern Europe, the multi-faceted nature of poverty described above and the “culture of poverty” do not typify poverty in haredi society. In contrast to other poor populations in Israel, where poverty stems mainly from obstacles and barriers and is forced upon the poor, poverty in the haredi sector is largely the result of personal-familial-communal choice²⁶ and stems from the upholding of higher values at the expense of a higher income. In many cases poverty in haredi society is not evidenced by characteristics common to a life of poverty such as poor health and inferior education. Thus, for example, despite low income levels in haredi society, the financial investment in children’s education is high because of the great importance accorded to it; indeed, the number of years of study of haredi men is among the highest in the country.

In respect of health, Chernichovsky and Sharony (2015) note that life expectancy of haredim in Israel, which they measured based on life expectancy in communities with a high concentration of haredim, was higher and better than expected when compared to the socio-economic classification of the community. They attribute this finding to the impact of religious faith on health²⁷ and the high social capital²⁸ typical of this closed community, which impacts “mainly through psychosocial support that reduces stress, as well as through communal assistance.”

Moreover, Torah study is the founding ethos of the haredi public and a supreme value constituting the principal mission of the *avreich* (married Torah student), in accordance

²⁶ See also Gottlieb, 2007a; Dahan, 2012.

²⁷ The connection between religious faith and the state of health is seen in many studies that examined the issue. A survey of some of the studies and of the reasons for this connection can be found in Chernichovsky and Sharony, 2015. See also for example Levin, 1994; Kark, Shemi, Friedlander, Martin, Manor, & Blondheim, 1996.

²⁸ On the connection between social capital and the state of health see for example Brown & Scheffler, 2008.

with the halachic precept “And the study of Torah is equal to them all” (Mishnah, Pe’ah, 1: 1). Even though the study of Torah comes at the cost of forgoing an income, *avreichim* enjoy a high social status that sometimes affects the acceptance of their children into prominent educational institutions and the prospects of finding a good *shidduch* (marriage match) for their children. Furthermore, haredi men who dedicate themselves to Torah studies and become Torah scholars enjoy social prestige and a high social status because they can be in decision-making positions and give advice on halachic matters.²⁹

In addition, in haredi society there is an ideology of choosing a life of modest means and a low standard of living, with the emphasis on non-materiality, according to the principle of “Eat bread with salt, and drink water in small measure” (Mishnah, Avot, 6: 4). Living with modest means allows the haredi public to subsist at a low income level, even an income that would place many households below the poverty line.

Frenkel, Soifer and Mayshar (2003) examine poverty from a different angle, using the revealed preference approach. They emphasize that the deliberate choice of a low income in order to invest in other activities, such as study, reflects different preferences of individuals and households. Thus, in their opinion, poverty (and inequality) must be assessed according to potential income, determined by accessibility of resources that can generate income – such as access to education – rather than according to actual income. This approach is based on the assumption that a household can maximize its income potential if it only chooses to do so. Therefore, an income that is lower than the potential income reflects a preference to invest in other activities rather than increasing the income. This approach of estimating potential income helps take into account the preference of individuals in a broader sense, whether it comes to choosing non-work activities, such as studying, or work that is outside the labor market, such as housework.

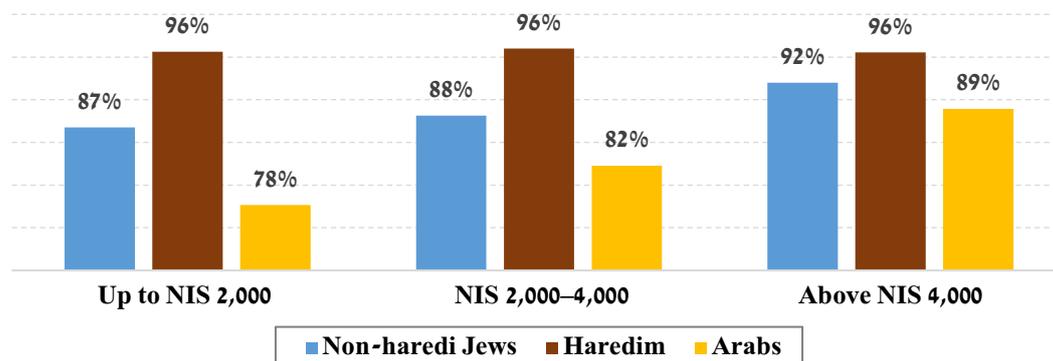
²⁹ See also Zicherman, 2014; Malach, Cohen & Zicherman, 2016.

Pearl (2003) refers to this phenomenon of voluntary choice of a low income as “poverty by choice” and, similarly to Lewis, distinguishes between the classic concept of poverty and poverty that is willingly adopted by haredi society. He emphasizes that the choice of a life of material poverty in haredi society does not contradict a life of happiness and satisfaction, rather the opposite: low incomes are a result of choosing a life of Torah study and of raising a large family, according to the philosophy of the haredi community that it is this type of lifestyle that leads to happiness and satisfaction, and not a life of riches and a higher material standard of living. This is contrary to the prevailing outlook in non-haredi Jewish society.

In recent years happiness and well-being have gained prominence in socio-economic research as well as among policy makers. As part of this process there is growing recognition that happiness indices are key indices in determining economic success (and not just growth indices).³⁰ This approach also emphasizes the importance of assessing general satisfaction with life. The rate of those satisfied with life among haredim in Israel is very high. Moreover, segmentation by household income per capita shows that satisfaction with life among haredim does not vary according to income level, in contrast with the correlation between income level and satisfaction with life in the non-haredi Jewish population – and even more so among the Arab population (Chart 4). This finding highlights the differences between the perception of poverty in haredi society and in the general population where, for the most part, poverty and a low material standard of living are not chosen voluntarily.

³⁰ See for example Clark & Oswald, 1996; Frey & Stutzer, 2002; Benjamin, Heffetz, Kimball and Szembrot, 2012, Stiglitz, Sen & Fitoussi, 2009.

Chart 4
Rate of those satisfied with life according to gross income level per capita
 By population groups, 2014 -2015



Source: Analysis of the Central Bureau of Statistics' Social Survey, 2014-2015.

A study about Israel published by the OECD found that haredim had higher than average satisfaction in areas most important to them such as social ties and health (OECD, 2015). On the other hand, haredim were less satisfied than average in the area of income. However, the higher than average overall satisfaction among haredim – despite the dissatisfaction with income – is consistent with the particularly low importance accorded to income in the order of preferences of haredim, as gauged by the impact of satisfaction in each area on the overall level of satisfaction. These findings highlight the weak link between material well-being and happiness and satisfaction in haredi society.

D. Ways of coping with a low income level

The official poverty index in Israel is calculated on the basis of household incomes (not including benefits in kind³¹) and completely ignores expenditures. Thus, given that poverty is defined relative to society on the whole, the official poverty index does not assess whether the financial income is sufficient to support a household and whether the household can provide for essential needs. Haredi society bridges the low income gap in several ways,³² the main ones being supplementary income from transfer

³¹ See also Gottlieb & Kasir (Kaliner), 2004.

³² Alongside fixed income from work, some households also have occasional income that is not always reported, for example income from studying with a study partner (“*chavruta*”), payments for making a *shidduch* (marriage match), and income from the sale of products from the home, run by the wives.

payments, mutual and communal assistance, and reduction of consumption expenditure.

Transfer payments

A significant income channel that enables the haredi community to meet its needs is income from transfer payments from the State and from other sources.³³ Among the transfers are stipends to *avreichim* and a relatively high level of child allowances in total. As of 2015, some 38% of haredi households were reliant on *avreich* stipends as a source of income (Chart 5). The average stipend per household in 2015 was NIS 1,810 per month, sourced from the State budget and private donations. Apart from that, child allowances are a source of income for three out of four haredi homes. This source of income is more modest and on average stands at NIS 618 per month.³⁴ Additional sources of income relied upon by some haredi households are transfers from other households in Israel, in particular from the parents of a young couple, as well as sizeable income from financial transfers from abroad, generally as stipends for Torah scholars.³⁵ Transfer payments play an important part in reducing the scope of poverty; yet even when taking such income into account, still more than half of haredi households remain below the poverty line.

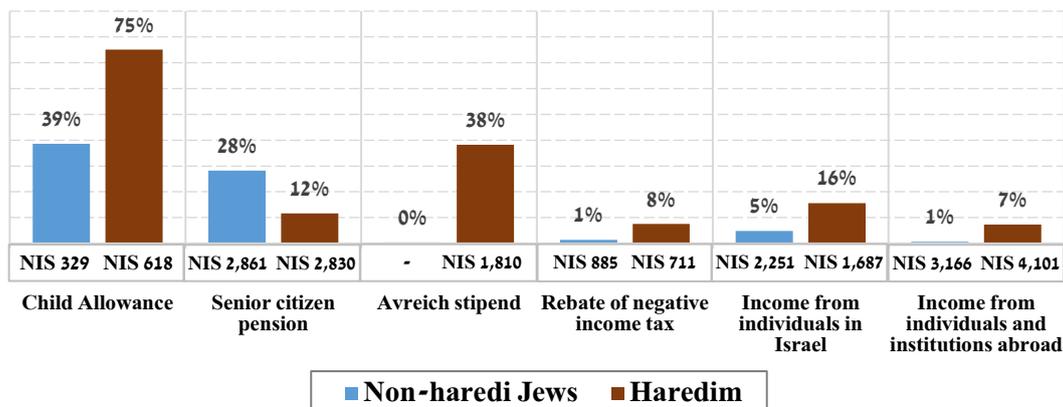
³³ It is important to point out that the poverty rates mentioned above are after payment of taxes, transfer payments from the State to households, and transfer payments from individuals and institutions in Israel and abroad.

³⁴ In 2003 child allowances were significantly cut, following their increase in the years preceding the cuts – mainly on account of the 2001 “Halpert Law,” which increased allowances from the fifth child onward. In subsequent years allowances increased again, until in 2013 they were significantly cut once more (National Insurance Institute, 2013).

³⁵ See also Gal, 2015.

Chart 5

Percentage of households receiving transfer payments and average payment amount
By type of transfer payment and population group, 2015



Source: Analysis of the Central Bureau of Statistics' Expenditure Survey, 2015.
* Since 2015 changes have been implemented in the child allowance, and it has increased slightly.

In January 2017 the Law for Economic Assistance to Support Torah Students and Students in Need came into effect, which entitles *avreichim* and low-income students to a minimum guaranteed income payment of NIS 1,000 per month. This entitlement is given to *avreichim* or students who are parents to at least three children and where the overall income of the household does not exceed NIS 14,400 a year.

Mutual and communal assistance

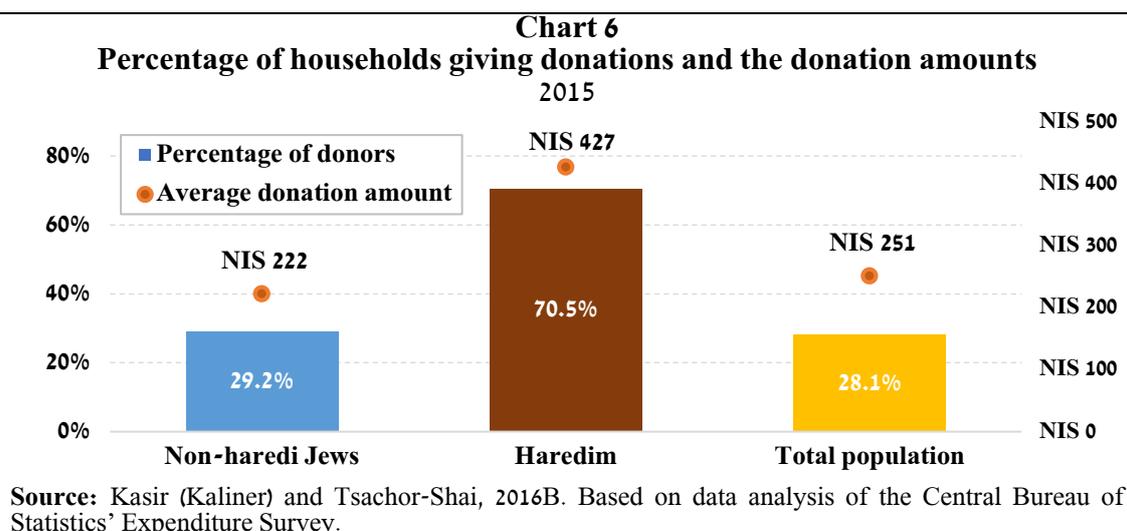
Alongside transfer payments, a significant role is played by mutual assistance in the haredi society, which takes place both privately and through charity organizations. Mutual assistance greatly impacts the ability of a haredi family to live decently, and includes monetary donations as well as donations of goods, non-financial mutual help and a system of interest-free loans.

Donations in haredi society³⁶

Donations are an integral part of communal, social and economic life in haredi society. The commandment to give charity is one of the positive commandments, regarded by Judaism as particularly important: there is a halachic obligation to give charity, as the Torah states (Deuteronomy 14: 22), "You shall tithe all of your grain." According to the

³⁶ Based on Kasir (Kaliner) & Tsachor-Shai, 2016b (updating data for 2015).

halachic view, the donor does not lose out by donating: “Just as a person’s livelihood is determined from Rosh Hashanah, so are his losses determined from Rosh Hashanah. If he is deserving [he merits what is stated in the verse], ‘Share your bread with the poor’; if not, [he will have to] ‘bring the poor that are outcast into the house’” (Bava Bathra 10a).³⁷ Apart from the halachic injunction there are other motives for giving donations, which are influenced by societal norms typical of a closed community; notably, the donor will be regarded with honor and respect.



As of 2015, some 70% of haredi households contributed money to charitable organizations or to private individuals, with the average sum of donations of a haredi household being almost double that of non-haredi Jewish households (Chart 6). A haredi household donates about 4.2% of its income as compared with 1.3% of income in non-haredi Jewish households. An examination of households receiving donations shows that relative to non-haredi Jewish households, a large percentage of haredi households receive donations, be they financial contributions or donations of consumer goods (Table 3). These findings highlight the centrality of donations in haredi society and their being a prevalent way of coping with the low income levels in many households.

³⁷ See also Alfer & Almog, 2008.

Table 3
Percentage of recipients of donations, 2013

	Haredim	Non-haredi Jews
Monetary donations	11%	1%
Assistance with goods	15%	1%
Source: Analysis of the Central Bureau of Statistics' Social Survey, 2013.		

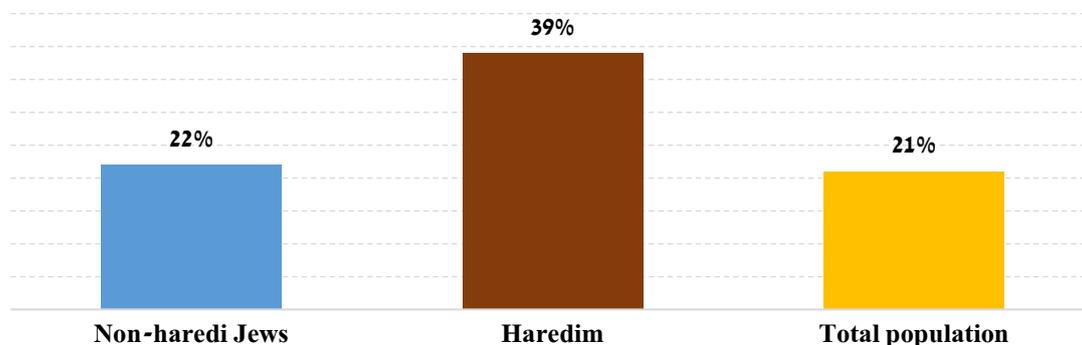
Donations in haredi society are directed to various purposes: donations given directly to the poor as well as through various charity funds and organizations; donations to non-profits that help patients pay for medical treatment, for example, or which help people in trouble or who have been temporarily beset by hard times; and donations intended to support Torah students as well as public religious institutions, such as community synagogues. Halacha obligates giving charity to the poor wherever and wherever they are; however, in line with the dictum of “the poor of your town come first” (Shulchan Aruch, Choshen Mishpat, 97: 1), a significant part of the donations is directed to the needy within the haredi community. These donations assist low-income households to increase their income and save on expenses, as well as cope with providing for the needs of the family by relying on communal support. It is worth noting that donations directed to educational institutions also facilitate a reduction in haredi household expenditure on education; similarly, other donations reduce expenses in other areas.

Volunteering – non-monetary assistance

Volunteering is defined as assisting another without receiving compensation. In haredi society this definition typically includes activities that would not be defined as volunteering in general society – for example, help given to relatives. Having said that, whether an activity is defined as volunteering or as assistance to another, help offered by members of the community to each other is one of the fundamental characteristics of haredi society and is much more common than in the general population (Chart 7). Such lending of a hand can be, for example, helping elderly neighbors or offering assistance to a woman who has just given birth. Volunteering can also be carried out

within a more formal framework, such as a yeshiva that initiates programs to help the needy of the community, and so forth. This culture of volunteerism saves on the costs of services that would otherwise have been provided for pay; instead, they are offered as assistance by community members to one another, as the verse states (Isaiah 41: 6), “Each one helps the other and says to his brother, ‘Take courage!’” Thus, non-monetary assistance can be an important contribution to households defined as poor in economic terms.

Chart 7
Percentage of volunteers
Age 20 and above, 2015



Source: Kasir (Kaliner), Levitz and Tsachor-Shai, 2017. Analysis of the Central Bureau of Statistics’ Social Survey, 2015.

Interest-free loan funds (*Gemachim*)

*Gemachim*³⁸ organizations facilitate interest-free loans, with repayments spread out over a long period. These loans help households that are in economic distress get back on their feet and repay the loan without interest, according to their economic capability. Major life events such as purchasing a home, celebrating a bar mitzvah and marrying off children are also often financed using *Gemach* loans. These charitable organizations operate on donations and deposits that do not bear interest, in accordance with the halachic prohibition (Leviticus 25: 36), “Take no usury or interest from him; but fear your God, that your brother may live with you.” Depositors can withdraw their deposit whenever they need it. Monies in the *Gemach* come both from the community and from wealthy individuals in Israel and abroad.

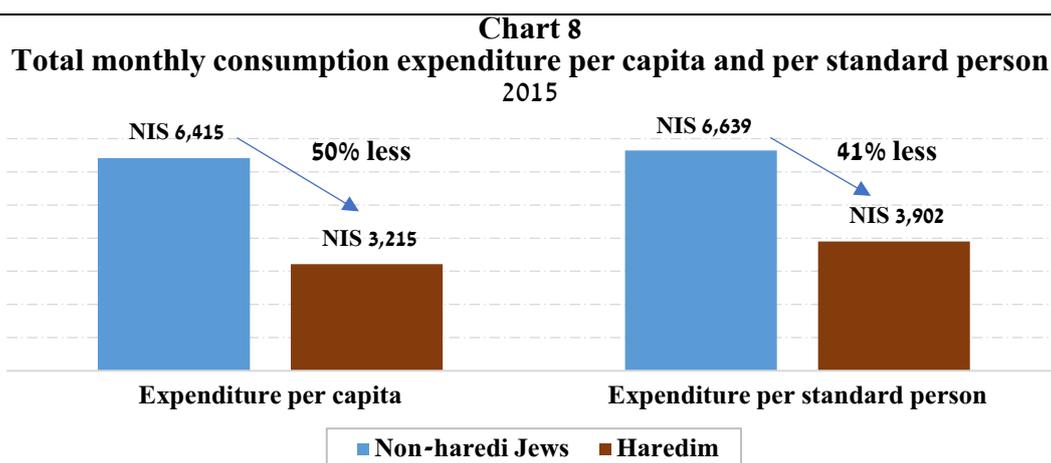
³⁸ Plural of *GeMaCh*, the Hebrew acronym for “lovingkindness”

The incentive to deposit and to donate money to *Gemachim* is both communal and halachic, derived from the biblical commandment of *ma'aser* (tithes) as well as the commandment to lend, whose essence is to lend to those with limited capabilities so that they can support themselves independently. Those depositing money in *Gemach* funds fulfill the commandment when the *Gemach* lends out their money to others, interest-free. Moreover, donations or deposits in *Gemachim* sometimes enable depositors to receive loans in the future.³⁹

Alongside loans given by *Gemachim*, in the haredi community the phenomenon of interest-free loans between individuals is common, without mediation by any outside entity.

Limiting consumption expenditure

Together with the range of coping strategies described above, contending with low income levels is also achieved by limiting consumption and adjusting it to the household's economic reality⁴⁰ and the social norms that advocate spirituality over materialism. Indeed, the monthly expenditure per capita on consumption goods in a haredi household is 50% lower than that in a non-haredi Jewish household, and 41% lower when calculated per standard person (Chart 8).⁴¹



Source: Analysis of the Central Bureau of Statistics' Household Expenditure Survey, 2015.

³⁹ For more on this, see Margalioth 2017.

⁴⁰ See also Levin, 2009. Data analysis of the Central Bureau of Statistics' Social Survey shows that more haredi households report on the household forgoing certain things due to economic constraints.

⁴¹ This calculation takes into account economies of scale for consumption goods: some of the expenses of the household do not increase with the number of persons in the household, or at least increase to a lesser degree with the addition of each person.

In addition, it is not just that a haredi household spends less on consumption goods for each person in the family and per standard person, rather its total consumption expenditure is lower. An examination of the total household expenditure shows that a haredi household spends a total monthly amount that is 15% lower than that spent by a non-haredi Jewish household, even though the number of people on average in a haredi household is 5.13 while in a non-haredi Jewish household it stands at 2.93.⁴²

The lower level of expenditure in haredi households is facilitated by reduced consumption and lower price levels than in non-haredi Jewish society.

Patterns of reduced consumption

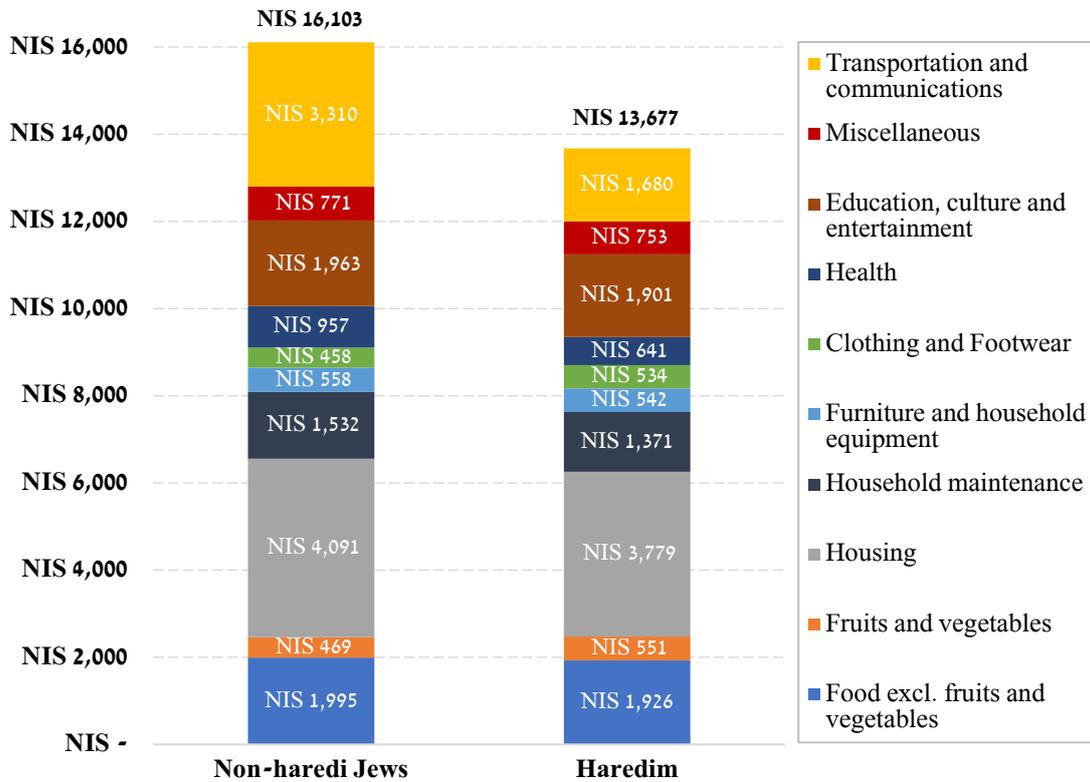
Haredi households espouse a modest way of life that allows for reduced every-day costs and managing on a limited budget (Chart 9). Western consumer culture, in which consumption of luxury goods is widespread and which is so common in Israel, is generally uncommon in haredi society, which is characterized by frugality and minimal luxuries. This is evidenced, inter alia, by the fact that many haredi families don't own a car, do not eat out much, and do not consume entertainment durable goods such as a television, cable or sound systems. Indeed, a comparison of haredi and non-haredi Jews' expenditures shows that there is a noticeable difference in expenditure on various items such as culture, vacations and leisure, as well as transportation and communications (Chart 9), and a higher proportion of haredim do not spend on these items at all (Chart 10).⁴³

This different consumer culture is also reflected in haredi households being used to passing on hand-me-down clothes and secondhand goods within the family and between families, especially children's items.

⁴² Based on data analysis of the Central Bureau of Statistics' Labor Force Survey, 2015. Note that this does not refer to the total fertility of women, rather the number of persons living in an average household at any given time.

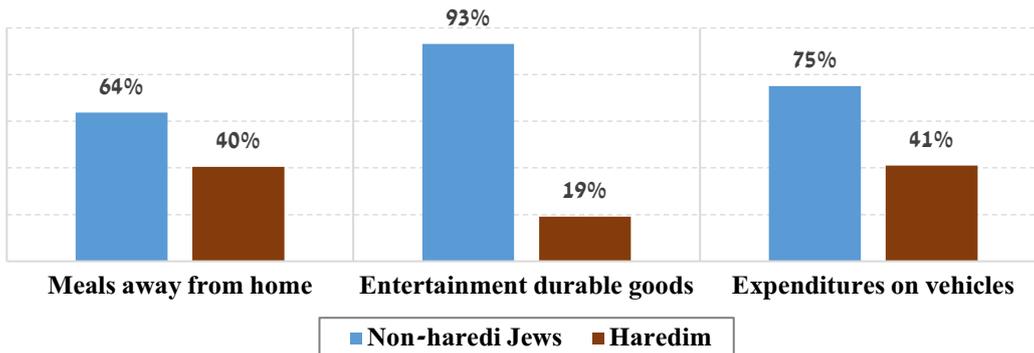
⁴³ The absence of consumption of entertainment durable goods expresses not just being satisfied with less but a religious-cultural preference as well.

Chart 9
Breakdown of monthly consumption expenditure per household
 2015



Source: Analysis of the Central Bureau of Statistics' Household Expenditure Survey, 2015. Analysis of earlier years: for 2011 see Regev, 2014; for 2013 see Horowitz, 2016.

Chart 10
Percentage of household expenditure on various consumption items
 2015

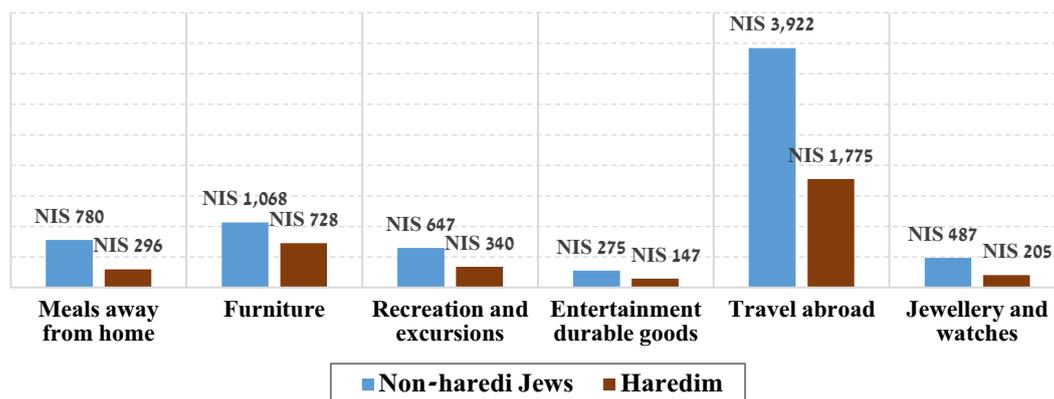


Source: Analysis of the Central Bureau of Statistics' Household Expenditure Survey, 2015.

In addition, haredi households that do spend on “luxuries” do so on a significantly smaller scale than non-haredi Jewish households (Chart 11). Particularly noticeable are the gaps in expenditure on travel abroad, recreation and excursions, and meals away from home (for households spending on these items). Thus, for example, vacation for a

haredi family will be mainly in Israel, often by swapping apartments with relatives.⁴⁴ These differences, insofar as they reflect consumption of various goods and services, point to the cultural difference between haredi society and non-haredi Jewish society.

Chart 11
Household expenditure on various consumption items
 2015



Source: Analysis of the Central Bureau of Statistics' Household Expenditure Survey, 2015.

Price level

The low per-capita expenditure in haredi households is not solely the result of limiting consumption. Another explanation of low per-capita expenditure is the low level of prices in the haredi market as compared with the price level in general society, in the case of some goods noticeably so. Low prices are the result of a different equilibrium between supply and demand, impacted by lower demand in haredi society due to the culture of limited consumerism. In addition, low prices are sometimes the result of collective purchases that provide households with benefits of economies of scale. The aggregate demand by many households purchasing together provides the Haredi household greater bargaining power than the non-Haredi household. Collective purchases are made both in yeshivot and at the communal-neighborhood level, through locally organized not-for-profit operations and charitable organizations such as “Mechira LaKehilla” and “Chasdei Yosef.” In these operations, consumers provide in

⁴⁴ See also Zicherman, 2014.

advance lists of products they need and stock up on large quantities of products that will last them for a long time.

E. Subjective poverty

Another perspective on poverty, which subjectively weights the low level of income and ways of coping with it, is through individuals' sense of poverty. This provides an important, additional criterion for estimating the scope of poverty in society and among different populations.⁴⁵ This definition of poverty is free of any paternalistic approach that assumes society knows better than the individuals what is good for them. In addition, measuring poverty using the subjective approach takes into account the full range of individuals' preferences, such as choosing Torah studies over work, which impacts on their level of individual utility.

Inherent in measuring poverty based on individuals' perception thereof is a subjective equivalence scale,⁴⁶ which reflects the individuals' personal viewpoint concerning various utilities and needs based on different family sizes (Tzameret-Kertcher, 2008). Thus, for example, the equivalence scale is likely to take into account the utility of a higher level of happiness, which is affected by a large number of children in the family, and not just the fact that the household income needs to support a larger number of people. In addition, with use of a subjective scale weight is given to all the expenditures an individual deems necessary – in contrast to the current equivalence scale, which is based objectively on the proportion of expenditure on food according to an Expenditure Survey from 1968/9. This equivalence scale refers only to the fact that the increase in expenditure on food diminishes for each additional person, on the assumption that this type of expenditure reflects the economies of scale in other consumption expenditures as well. Use of a subjective scale can help balance out the bias in the relative, objective index, according to which large families with low incomes are considered poor even in cases where the choice of a high birthrate actually

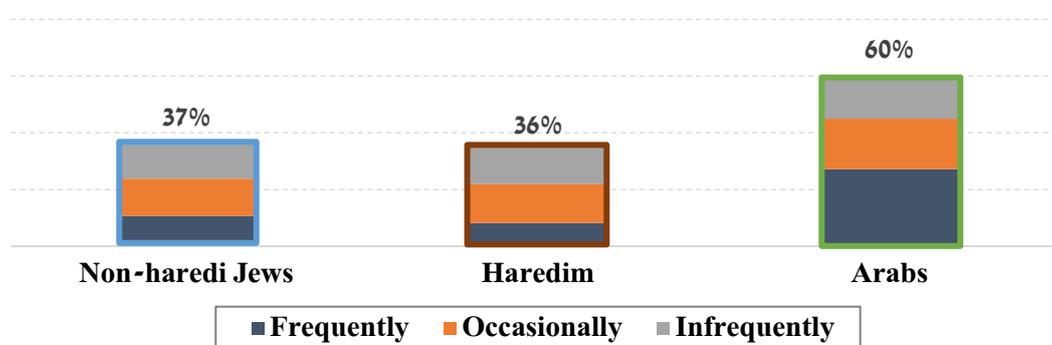
⁴⁵ See also Ravallion, 2012.

⁴⁶ An equivalence scale is a function that factors in the standard number of persons in the household based on the number of persons, namely by factoring in economies of scale in consumption.

increased the well-being of those families, as well as cases where families don't consider themselves poor.

In this study, which examined the key factors impacting on subjective poverty, it was found that these factors were the same as those impacting on objective poverty as concluded in various studies,⁴⁷ and include income level, marital status, family size and country of birth. Having said that, the study indicates that the reference group also has considerable impact on subjective poverty.

Chart 12
Have they ever thought of themselves as poor?
 By population groups, 2014–2015



Source: Analysis of the Central Bureau of Statistics' Social Survey, 2014-2015.

In the light of the findings which show that the reference group has considerable impact on individuals' sense of poverty, and in the light of the fact that subjective poverty takes into account individuals' preferences and their choices in life, it is not surprising that the proportion of haredim who have felt poor at some point in their lives (see Chart 12) is considerably lower than the official poverty rates (see Chart 2). It is possible that this finding reflects general optimism, which is sourced inter alia in religious faith. In addition, it is interesting to note that the scope of the sense of poverty among haredim is similar to that among non-haredi Jews. The similarity in the scope of the sense of poverty between the population groups is consistent with the findings about the smaller gaps in poverty rates between the haredi population and the non-haredi Jewish population, when calculating the poverty line separately for each population group (see Chart 3).

⁴⁷ See for example Part B of this study.

F. Concluding remarks

The picture of poverty in haredi society that emerges from the official indices is very bleak – one out of every two people in the haredi sector is poor, as compared with one out of eleven in non-haredi Jewish society. Furthermore, poverty in the haredi community is both ongoing and deep seated.

And yet this picture of poverty says nothing about the actual subjective experience of poverty or a low level of well-being in haredi society. As evident from the empirical analysis, the high poverty rates among the haredi population stem mainly from the preference of religious studies over work among men, and the choice of a high birthrate. These choices reflect the preferences of the haredi family and increase its level of well-being. An examination of poverty and of the level of well-being requires consideration of additional elements such as potential income levels, the ability to provide for basic necessities, and subjective feelings. Poverty is a multi-faceted phenomenon and therefore such assessment is important in any society, but all the more so in a closed society with special characteristics such as haredi society.

Indeed, an examination of additional aspects of poverty in haredi society shows that the extent of the problem is much smaller than what emerges from the official index. Many poor haredim do not experience poverty and even report a high satisfaction with life, regardless of their income. They have chosen poverty as a way of life that affords them social advantages and a higher status in society; for its part, haredi society provides internal solutions to facilitate coping with low income, based on halachic precepts and communal norms.

These findings raise several issues, notably the degree of commitment – and the duty – of the government and of society to address the issue of poverty in a sector that has chosen poverty as a way of life, and the moral right of the government to intervene in what might be termed a paternalistic fashion, in order to change the economic situation of a population that has elected to live this way.

In this context we must also ask whether a life of poverty is indeed a personal choice. Many households in haredi society choose a life of economic constraint that leads to poverty; however, such choices sometimes reflect a desire to comply with the norms of the surrounding society and to belong to it, not necessarily a desire for a life of poverty (Gottlieb, 2007b; Berman, 2000). Moreover, sometimes it is not an independent choice of the individual, as in the case of children.

Level two of these dilemmas would necessitate that we ask on whom to focus efforts in addressing poverty within haredi society (on the entire household, the father, the mother, or the children born into a poor family); what level of governmental involvement is warranted to address poverty, and what is the nature of such involvement?⁴⁸

The preferred approach to handling poverty in the Western world in recent decades has been to utilize policy tools to increase households' economic autonomy and reduce dependency on welfare services – in particular by encouraging employment and investing in education and vocational training that will increase returns to labor. In many ways this approach echoes the philosophy of the Rambam, according to which “There is no greater virtue than to support a Jew who has become destitute and give him a gift or a loan or enter into a partnership with him or find him work, to put him on a better footing so that he will not be dependent on others” (Rambam, Mishneh Torah, Sefer Zera'im, Hilchot Matnat Aniyim, Ch. 10).

Despite the cultural differences between haredi and non-haredi Jewish society, there are many characteristics common to all poor people, such as low income from work. Therefore, some of the solutions for addressing poverty in haredi society are not unique to this community, such as steps to increase returns to labor among those earning low salaries, by increasing the employment grant (EITC), enforcement of employment laws and more.

⁴⁸ In this context it is worth mentioning by way of example the subsidy of dental treatment for children. This subsidy focuses on the vital needs of children, and mainly helps poor children whose parents cannot afford the costs of dental treatment.

Alongside general steps, government policy to reduce poverty in the haredi sector must also take into account the special characteristics of this community. The solutions must be culture-specific because it is not possible to assist a population in contravention of its beliefs and culture.

The policy steps currently employed to help haredi society focus almost exclusively on integrating haredi men into the workforce, while policy tools to increase the earning capacity of women are hardly employed. This is because the employment rate for haredi women (ages 25-64) is high – 72.5% in 2016 – and has exceeded the target set in a government decision – 63% by 2020. However, the employment rate reflects just one aspect of haredi women in the labor market. An examination of the employment characteristics of haredi women shows worrying results: part-time work, employment at low wages, and frequent violations of working women’s rights.⁴⁹ This situation highlights the need for culturally adapted policy tools to advance haredi women in the labor market: increasing the scope of employment, improving wages, professional advancement and more. That way the economic independence of the haredi community will be strengthened and its poverty reduced,⁵⁰ with respect to its communal norms since in many cases the burden of breadwinning falls on the woman of the household.

⁴⁹ Kasir (Kaliner) & Tsachor-Shai, 2016a.

⁵⁰ Thus, for example, it was found that if haredi women were employed in the same scope of employment as that among non-haredi Jewish women, the poverty rate in the haredi community would be ten percent lower than what it is at present (Kasir (Kaliner) and Tsachor-Shai, 2017).

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