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Policy Brief

May 2019

Two Wars and Demography

A Long Run View of Israel's Recent Elections

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Abstract

Among the study's main findings: the share of votes received by the Right-Religious bloc rose sharply in 1977, when it won its first election, and has been steadily declining ever since (the two most recent elections notwithstanding); the share of votes received by the Center-Left bloc fell sharply in 1977 and has been declining since the mid-nineties – receiving just one-third of the total vote in 2019; the decisive factor in Israeli elections in recent decades has been the increasingly rightward shift of the religious and ultra-Orthodox (Haredi) parties – with the Haredi share of the vote more than tripling since the seventies. Furthermore, while voter turnouts among the Haredim are the highest (80%) among all population groups, the number of votes received by Haredi parties equals 100% of all voting-age Haredim, indicating that many non-Haredim vote for Haredi parties.

The evolution of Israel's political scene helps explain the significant pivot in national priorities away from Israel's key socioeconomic infrastructures such as education, transportation and health. Study findings peel away conventional explanations by showing that government civilian expenditures (that is, excluding military spending) were above or equal to the average OECD government civilian expenditures during the four decades in which the massive changes in Israel's infrastructures occurred. The outcomes of this year's elections serve as both an omen if Israel's Left and Right wing do not come together and a ray of hope if such collaboration might nonetheless occur.

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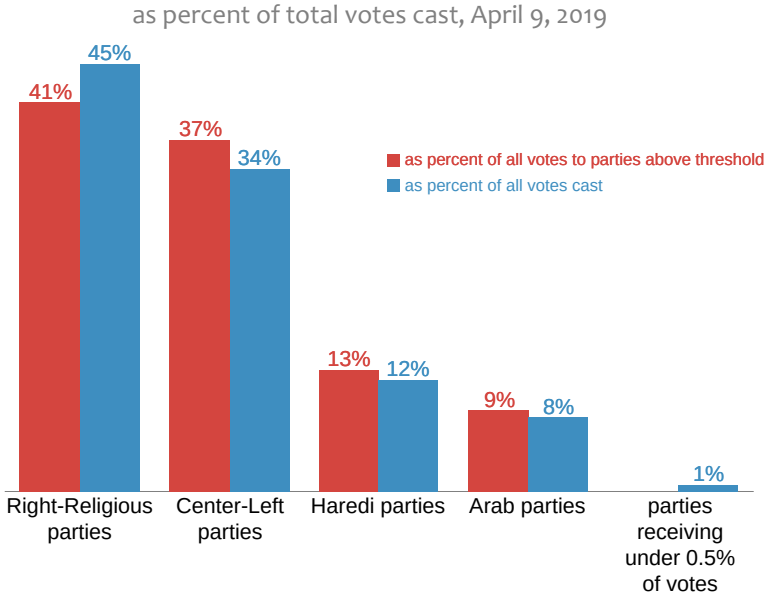
The April 2019 elections

In a country that puts national security concerns above all else in its Knesset elections, three former IDF chiefs-of-staff joined together with Yair Lapid, the leader of a prominent opposition party, Yesh Atid, to establish the new Blue-White party headed by Lt. Gen. (res.) Benny Gantz. This party combined persons with various political leanings spanning the more moderate Left-Right spectrum to create a Center party mounting the first major challenge to Prime Minister Benjamin Netanyahu in a decade. Despite creating history by attaining 35 MKs just a few months after its establishment, this distinctive outcome was matched by the 35 MKs attained by the Likud, in a major improvement over its own performance in recent years.

However, the overall outcome between the major political blocs was much less equal. The religious and Haredi parties, who have become the self-described "natural partners" of the Likud, gave the bloc of Right wing and religious parties 54% of the MKs, locking up yet another government for these parties (Figure 1). The full extent of the gap between the blocks is further obscured by Israel's 3.25% minimum qualifying threshold, which prevented three additional Right-wing/religious parties (with a combined 7.7% of the total votes cast) from entering the Knesset. Had the votes that these parties received not been lost, the right-religious bloc would have actually received several more MKs to cushion its hold on power.

Figure 1



Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: Central Bureau of Statistics and Knesset

To gain a more accurate assessment of Israeli voter preferences, the focus in the remainder of this study – unless noted otherwise – will be on actual votes rather than just on the votes received by parties passing the minimum qualifying threshold. Consequently, votes for the remaining two party blocks, ultra-Orthodox (Haredi) Jewish parties and Arab parties, were also not as straightforward as might otherwise seem. While 68.5% of all eligible Israeli voters went to the polls on April 9, 2019, voting rates varied substantially across population groups. 80% of the ultra-Orthodox (Haredi) Jews 18 years old and above turned out to vote while just 49% of similarly aged Arab-Israelis did the same. But the differences did not end there.

The number of votes actually received by the Haredi parties equaled 100% of all voting age Haredim (Figure 2). The implication is that the Haredi parties received considerable support from non-Haredi voters. At the other end of the spectrum, the votes received by the country's Arab parties amounted to just 32% of the Arab-Israeli voting age population, meaning one-third of the Arab voters voted for non-Arab parties. Finally, the combined votes received by the center-left bloc, the right-religious bloc and parties receiving less than 0.5% of the vote equaled 83% of the entire non-Haredi and non-Arab voting-age

population. Of this 83%, the right-religious bloc received one-third more votes than did the center-left bloc – a sign of the times.

To get a better sense of the long term political direction that Israel has been headed, consider the following thought experiment. Figure 3 examines the two major political blocs in Israel since the country's first elections, but with a couple of twists. All votes to parties attaining at least 0.5% of the total vote are included here – whether or not the parties surpassed the official minimum qualifying threshold. This experiment also ignores the fact that the "natural partners" of today were not always partners in the past. However, to get a sense how the merger between politics and demography has changed Israel, suppose that the current political mergers had existed in the past as well.

In all of the elections prior to the Yom Kippur War, Israel's center-left party bloc held a steady and commanding lead over the right-religious bloc of parties. This lead was actually more pronounced than shown in Figure 3 since the non-Haredi religious party, Mafdal, used to partner with the Labor party. The Yom Kippur War led to a political earthquake with the two blocs attaining near parity. Continuing to partner with the Mafdal religious party for one last time before that party's final swerve rightward, the center-left bloc managed to hold on to power in 1973.

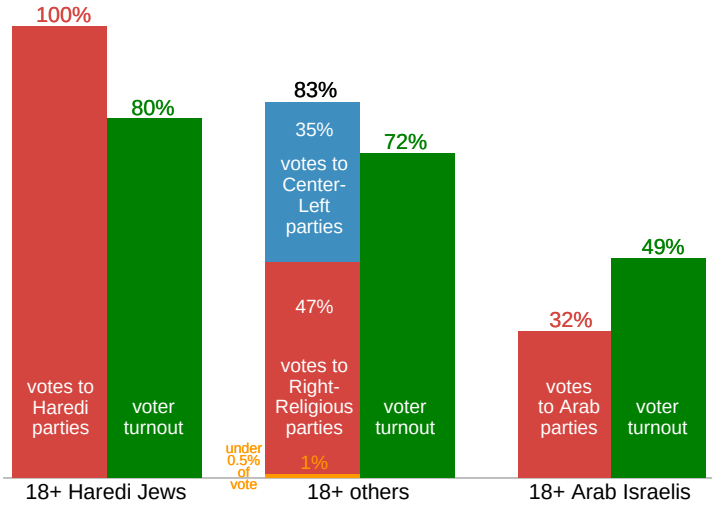
Following their major drop in the seventies, the center-left's share of total votes leveled off before declining further since the early nineties (with a few notable exceptions). In the most recent elections, this bloc – today comprising the Blue-White, Labor and Meretz parties – attained just 34% of all votes cast (Figure 1).

1977 was the year that the Right-Religious bloc gained power for the first time, reaching their all-time zenith with over 50% in that election. But contrary to conventional

Figure 2

Voter turnouts and votes for party blocs*

as percent of respective 18+ population groups, 2019



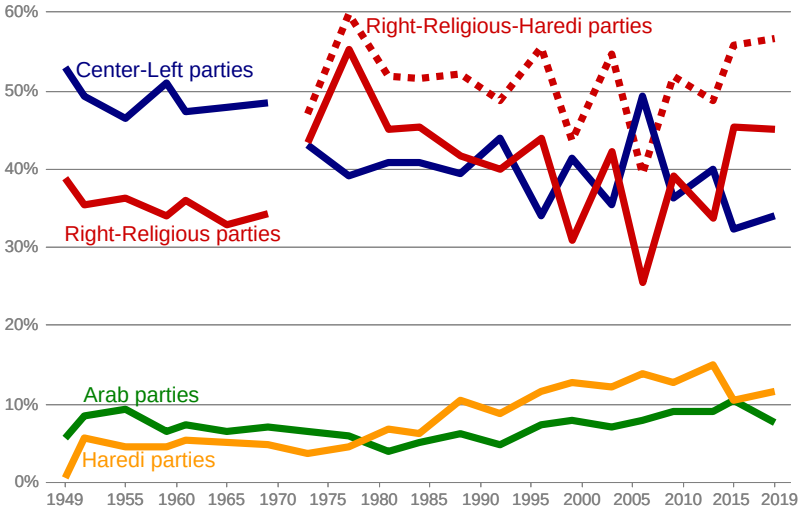
* Haredi and Arab voter turnouts are the share of eligible voters who voted in Haredi and Arab towns (respectively).

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: Central Bureau of Statistics, Knesset and IDI

Figure 3

Votes for party blocs*

as percent of total votes cast (had recent alignments always occurred)



* All parties receiving at least 0.5% of the vote (the current qualifying threshold is 3.25%)

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: Central Bureau of Statistics, Knesset and IDI

wisdom in Israel, the decline of the Center-Left was not matched by a mirror outcome indicating a rise in the Right-Religious share of the total vote. Instead, the Right-Religious share has been on a multi-decade decline from 1977 until the two most recent elections.

The overall change in Israel's balance of political power since the 1977 elections has been due to the increasingly strong rightward shift of the religious party (Mafdal, used to align with the Labor party prior to the 1977 elections) and its various offshoots – and the rapidly increasing share of the Haredi parties. In a sense, the Haredi parties have become Israel's political king-makers since 1977. A coalition with them is what enables one of the two major blocs to rule Israel. In 1973, when the Haredim were not members of the ruling coalition, they received 3.7% of the total vote. This share grew to 11.7% of the total vote by the recent 2019 elections. The Haredi parties, Agudat Israel and Shas, which had never been members of a ruling coalition prior to 1977 (Shas entered the Knesset for the first time in 1984) have been in government for 39 of the 42 years that have elapsed since 1977.

The way we were, and the pivot we made

The shifts in the balance of political power cemented a growing shift in national priorities that began after the Six Day War in 1967 and intensified since the 1977 elections. Less than a million people lived in Israel when the country announced its independence in 1948. With the infusion of Holocaust survivors that were finally allowed in after Israel's birth, and the mass immigration of Jews from the Arab countries – including some that declared war on the nascent nation – Israel's population eclipsed the 2 million mark by the late 1950s. During this period, the country had to build the infrastructures that housed and educated the new immigrants and took care of the nation's health needs, while rationing food and having to defend it from attacks by neighbors who continued to deny Israel's existence.

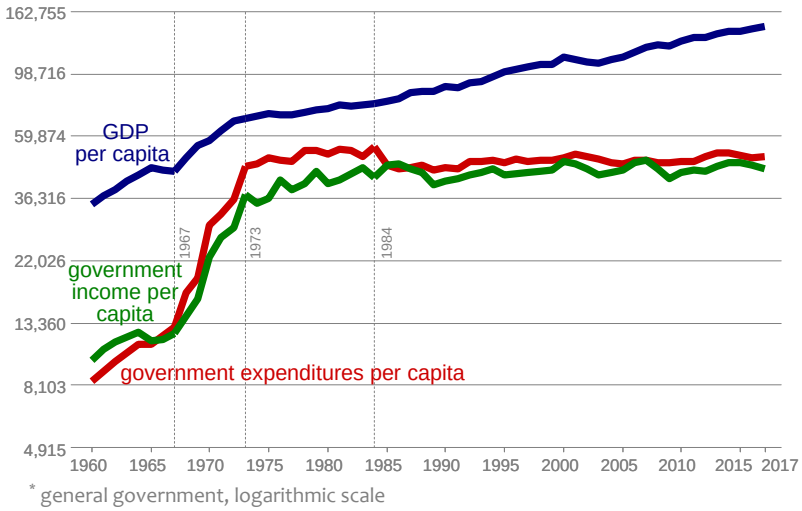
From 1960 until the 1967 Six Day War, the country's population grew by an additional 600,000 people. While this exceptional population growth occurred, Israel managed to find the wherewithal to build the primary infrastructures that catapulted it into the developed world. What made this feat even more extraordinary was the fact that Israel managed to do all this with government expenditures averaging 29.9% of GDP between 1960 and 1966 (this compares with 39.7% of GDP in 2018). Amplifying the uniqueness of this achievement even further is the fact that it was accomplished with a budget surplus averaging 2.6% of GDP.

Israel entered a recession in 1966, from which it rebounded after the Six-Day War the following year. But that is not the only change that occurred after the war. With the physical enlargement of Israel, government expenditures took off (Figure 4). While living standards – as reflected by GDP per capita – rose by 48% in the years 1967-1972, government expenditures per person skyrocketed by 196% (all in real terms, after discounting inflation).

Figure 4

Government expenditures, income and GDP per capita, 1960-2016*

in 2015 prices



* general government, logarithmic scale

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: Bank of Israel and Central Bureau of Statistics

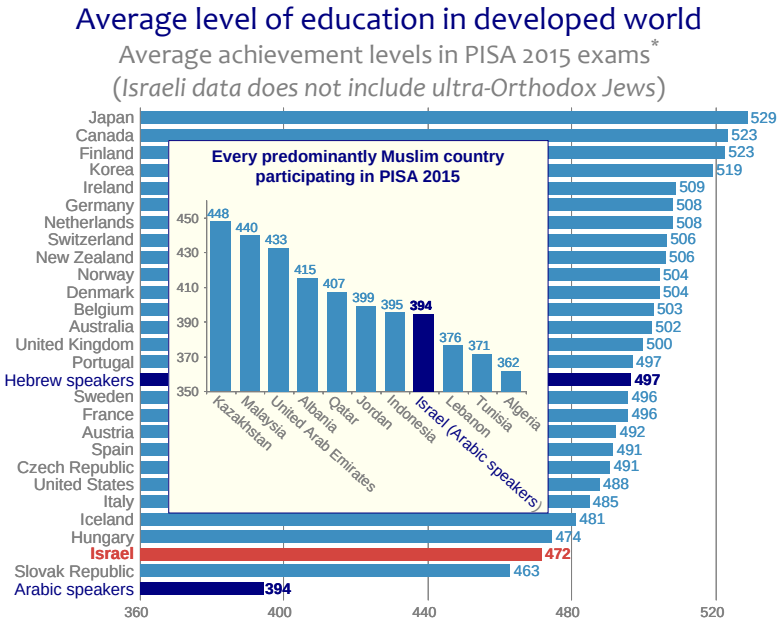
Taxes were raised, with total tax payments per person rising by 144%, but not nearly enough to cover the jump in expenses. The budget surpluses turned into major deficits averaging 10.8% of GDP during the six years following the Six-Day War. The resultant monetary expansion used to pay for the excessive government spending led to a 26% annual inflation rate by 1972.

Then came the surprise attack on Israel in October 1973. The fallout from the Yom Kippur War changed the country forever, with the national elections in 1977 cementing the transformation. National priorities pivoted and the resultant outcomes since then are beyond what most people would have imagined at the time.

The transportation infrastructure was ignored. While Israel had attained parity with the average rate of road congestion in small European countries (Belgium, Denmark, the Netherlands and Switzerland) in 1970, the number of vehicles per kilometer of road in Israel rose by 502% and is today nearly three times the number in those countries (Ben-David, 2019). And this, despite the fact that the number of vehicles per capita in Israel is 40% less than the average in the small European countries.

Israel's schools are among the worst in the developed world (Ben-David and Kimhi, 2017a). Achievements in core curriculum subjects such as mathematics, science and reading place Israel in 24th place out of 25 developed countries (Figure 5). This abysmal result does not even take into account the ultra-Orthodox (Haredi) children, most of whom do not study the material and do not participate in the exams. Non-Haredi Jewish children who did take the exam placed below most developed countries while the scores of Israel's Arabic speakers were below many Third World countries. Their achievements were so low that they scored beneath most predominantly Muslim countries (see insert in Figure 5).

Figure 5



* National average in math, science and reading exams.

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: PISA and Israel's National Authority for Educational Measurement and Evaluation

Israel had seven major research universities by the early 1970s. That benchmark was attained while the number of research faculty per capita rose exponentially to near American levels between 1948 and 1973. The much wealthier and much larger Israel in the subsequent decades has let this number fall steadily – by 60% compared to the mid-seventies (Ben-David and Kimhi, 2017). Though Israel's population has risen by 168% since 1973 and income per person has more than doubled, Israel has not built another Technion, Hebrew University or Tel-Aviv University. Instead, it reduced the total number of research faculty in each of these three institutions by one-fifth.

The much poorer Israel of the first three decades managed to increase the number of hospital beds at the same – phenomenal – population growth rate (Ben-David, 2019). The number of beds per capita remained relatively constant, and high, until 1977. Since that year,

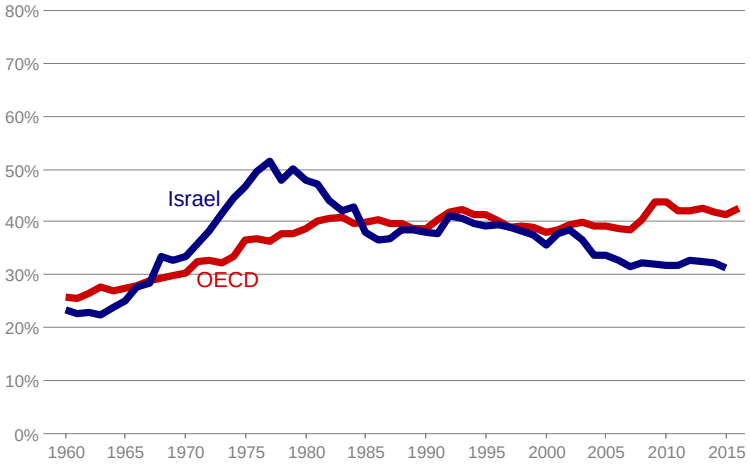
the number of hospital beds per capita has fallen by 45%, bringing Israel to the top of the OECD in terms of hospital occupancy. The congested conditions, lack of sufficient nursing staff and so on have combined to double the share of Israelis dying from infectious diseases over the past two decades. Israeli mortality rates from infectious diseases today are 73% greater than those in the number two OECD country. The number of Israelis dying from infectious diseases each year is 10-12 times the number of persons killed in traffic accidents annually.

Despite repeated claims that the country's high defense spending does not leave sufficient resources for dealing with some of Israel's root socioeconomic challenges, the evidence suggests otherwise. What transpired over the past four decades has been the result of a massive shift in national priorities – from a primary focus on the greater good to predominantly sectoral, business and/or personal interests. Even after deducting defense expenditures and net interest payments, Israel's total civilian expenditures overtook the OECD average after the Six Day War and remained above the OECD until the mid-1980s (Figure 6). From then until the early 2000s, Israel's civilian expenditures roughly equaled the average civilian expenditures in the OECD. In other words, the shift away from developed world norms in some of the country's key socioeconomic infrastructures occurred while Israel's civilian expenditures where above, and then relatively equal to, the OECD average.

Figure 6

Government civilian expenditures

General government expenditure minus defense expenditures and net interest payments, as percent of GDP, 1960-2016



Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: OECD, World Bank and Bank of Israel

Resources at the national level were not lacking. They were simply diverted elsewhere.

The political change

Creation of the new government in 1977 not only involved the rise of the primarily right-wing Likud party over the largely left-wing Labor party, it also signaled a tectonic shift to the right by Israel's religious Jews. The primary representative of the country's religious non-Haredi Jews, the Mafdal party (which was the forerunner of today's Jewish Home party) moved strongly rightward, away from its long-standing partnership with Labor into an alliance – continuing to this day – with the Likud. Further enabling the Likud's rise to power in 1977 was the decision of the Haredi party, Agudat Israel, to join a government for the first time in history.

Future amalgamations of this Haredi party, representing primarily Ashkenazi Jews, were buttressed by Shas, another major Haredi party representing primarily Sephardi Jews – many of whom had not been raised in an ultra-Orthodox environment. Shas entered the Knesset for the first time in 1984. These Haredi parties, which had never been members of a ruling coalition before 1977, have been in nearly every government since then – during 39 of the 42 years that have elapsed since 1977 – including the few non-Likud governments that were in power during this period.

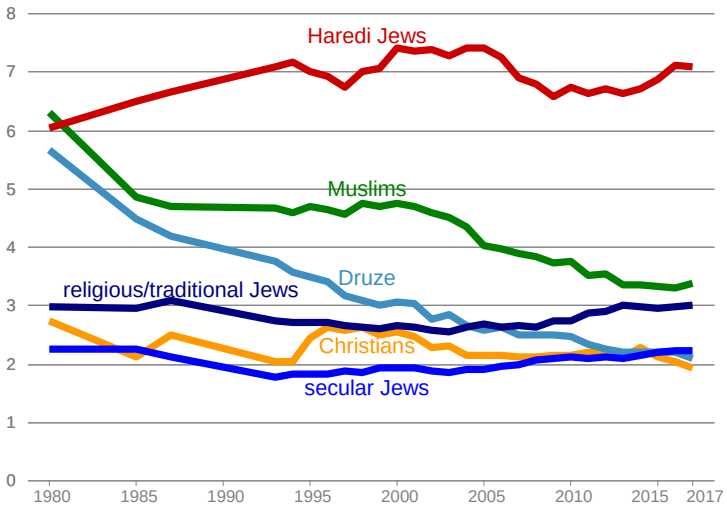
The presence of the religious and Haredi parties in successive Israeli governments helped propel the shift in national priorities. Major expenditures in the West Bank, Golan, Sinai and Gaza (Israel has since left the latter two) were accompanied by substantial transfers of funds to Haredi interests ranging from increases in welfare assistance to subsidization of Haredi schools that prevent education in core curriculum subjects beyond eighth grade to the fastest growing – by far – population group in Israel.

The impact on the Haredim, for example, did not take long to materialize. In just one decade, while fertility rates in all other population groups fell sharply (Muslims and Druze) or slightly (non-Haredi Jews and Christians), Haredi fertility rates rose by a full child (Figure 7). The average number of children per Haredi woman increased from 6.05 in 1980 to 7.07 children by 1990 (Hleihel, 2018). Haredi fertility rates reached 7.42 children per woman a decade later, in 2000, before leveling off.

Figure 7

Fertility rates in Israel*

average number of children per woman, 1980-2017



* middle estimate.

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: Central Bureau of Statistics and Hleihel (2018)

At the same time, employment rates among prime working age (35-54 year old) Haredi men plunged from over 80% in the late 1970s to under 40% in the early 2000s (Figure 8). As a point of reference, employment rates among prime working age non-Haredi men – both Jewish and Arab – with academic degrees remained relatively steady at around 90% for most of this period. In fact, the drop in employment among Haredi men mirrored the decline among non-Haredi men with little or no education.

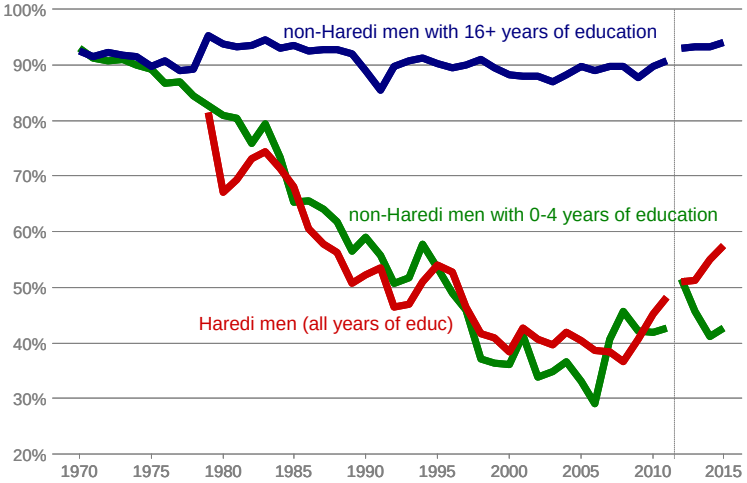
The structural changes that are an inherent part of the economic growth process manifest themselves in a continuous increase in demand for educated and skilled individuals – with a flip side, a relative decline in demand for poorly educated and unskilled persons. While the education received by Haredi men continued to remain at the eighth grade level, at best, Israel's economy had grown and the demand for such individuals plummeted. The combination of insufficient education and the accompanying increases in governmental transfers and aid to the Haredi community led more and more prime working age Haredi men to choose lifestyles of non-work.

While men with 0-4 years of education had comprised roughly a quarter

Figure 8

Male employment Rates, 1970-2015*

by education levels, 35-54 year olds**



* As of 2012, the Central Bureau of Statistics changed the method of labor force survey estimation.

** 1970-1978 includes haredim, After 1979 excludes haredim

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: Central Bureau of Statistics

of Israel's prime working age male population in 1970, that share dropped to a tiny and relatively insignificant number in the 2000s. However, the opposite scenario occurred among the Haredi men, with that society's population increasing exponentially during these decades.

The major intifada-related recession of the early 2000s led to massive cuts in welfare benefits that forced many poorly educated Israelis to enter the labor force for the first time (Ben-David 2016). Employment rates among the least educated – among them, Haredim – rose in the aftermath of the cuts. However, their lack of skills and their very poor education were not supplemented in very meaningful ways.

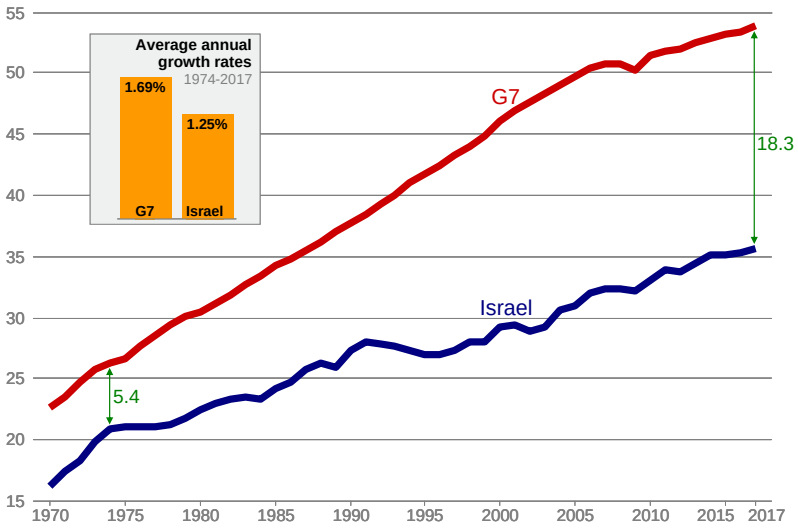
As Israel emerged from its serious recession, there has been a partial rebound in welfare benefits. Consequently, Haredi fertility rates, which had fallen to fewer than seven children per woman, have been rising steadily over the past decade, recently surpassing the seven child mark once again (Figure 7). Employment among Haredi men also stopped rising after 2015, and has even begun to decline recently (Central Bureau of Statistics 2019).

Inundation of the labor market with poorly educated persons has taken its toll on Israel's economy. Labor productivity (defined as GDP per hour worked) in Israel is among the lowest in the developed world (Ben-David and Kimhi, 2017b). As if this were not enough, labor productivity in the "Start-up Nation" has been falling further and further behind the G7 countries who lead the developed world for decades (Figure 9). Labor productivity growth in Israel has averaged 1.25% a year since 1974, compared with 1.69% on average for the G7 countries. This nearly half a percentage point difference in growth rates each year has compounded the disparity over the decades, with the productivity gap between the G7 and Israel rising over three-fold since the mid-1970s.

Figure 9

Labor Productivity, 1970-2017

GDP per hour worked*



* in 2010 PPP-adjusted dollars

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: OECD, Central Bureau of Statistics, Bank of Israel

The low amount produced per hour in Israel – despite a share of the workforce belonging to the cutting edge part of the developed world – is indicative of the very large share of poorly skilled persons in Israel that is dragging average productivity lower and lower below the leading developed countries. Low productivity yields low wages, and that brings up another aspect to this problem. With so few Israelis earning sufficient incomes, the burden of direct taxes has been placed disproportionately on the country's better educated and skilled. While the top two income deciles in the OECD shouldered 50% of the total income tax and social security payments in 2011 (the most recent data available), the top 20% in Israel accounted for 65% of the direct taxes.

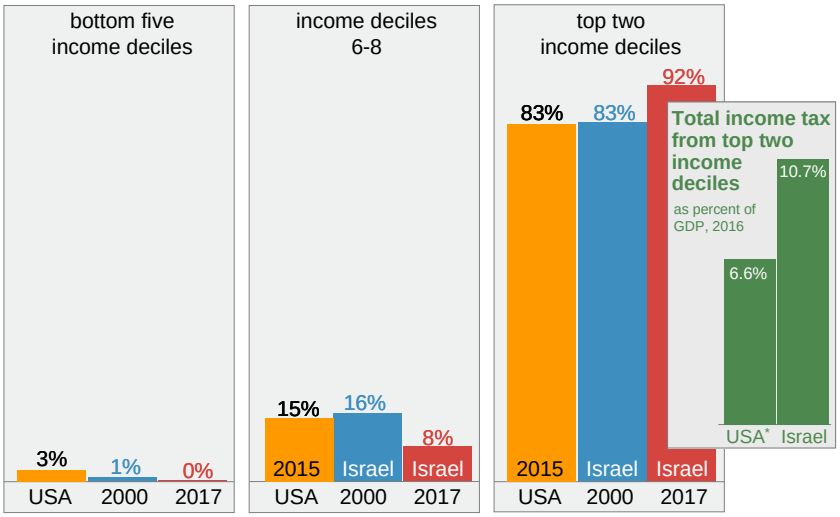
Narrowing the focus to income tax alone (Figure 10), 92% of all income tax revenue in 2017 came from Israel's top two income deciles (as a frame of reference, the average annual gross income of an earner in the ninth income decile was $62,500 in 2017). The bottom 50% of the population was too poor to even reach the bottom rung of the income tax

ladder and paid no income tax. The share of total income tax paid by the top two deciles is up from 83% in 2000. This is equivalent to where the United States – another outlier OECD country – is in recent years. However, the amount of income tax paid by the top 20% of earners in the U.S. population amounted to 6.6% of GDP. In Israel, the income tax burden on the top two income deciles is substantially heavier, reaching 10.7% of GDP.

With the steadily rising gap in labor productivity having an impact on what Israelis could earn in the leading developed countries relative to what they earn in Israel, and having an increasingly heavy direct tax burden placed on their shoulders, it should come as no surprise that a rising number of educated and skilled Israelis are leaving the country – only hastening an already evolving demographic process. For every Israeli academic returning to Israel in 2014, over two and a half academics emigrated (Ben-David, 2019 – forthcoming). By 2017, this number had risen to over four and a half academics leaving for every one that returned. While the overall numbers of emigrating Israelis are still not particularly high in relation to the entire population, these numbers are taking an ever more meaningful bite out of the most educated Israelis.

Figure 10

Share of total income tax revenue paid by income deciles



Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: Finance Ministry and the Center for Federal Tax Policy

Looking ahead

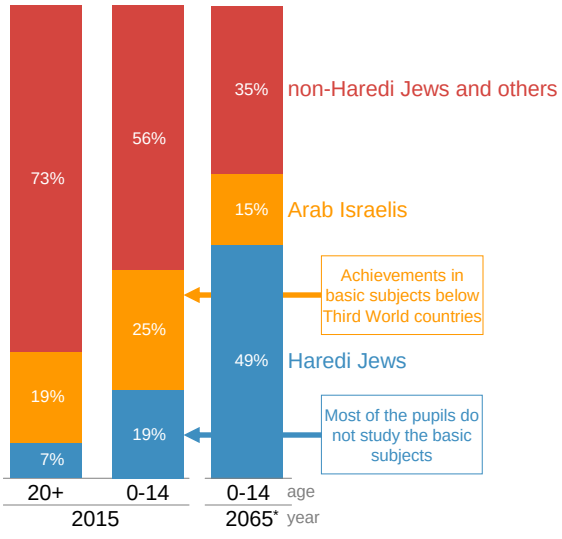
Israel's rapidly changing demographic picture is best captured by Figure 11. Although Haredim comprise just 7% of the 20+ age group in Israel, their children account for almost one-fifth of 0-14 year olds. In the current political environment, neither the right-religious nor the center-left blocs consider forming a government without the Haredim. Of the Haredim's many ultimatums for joining a coalition, probably none is more foreboding for the future of Israel than the demand that their children – primarily the boys – be deprived of their basic right to a core education that could enable them to have occupational options as adults. No other developed country allows such a violation of its mandatory education requirements.

If the current political environment provides extremely limited options, one can only imagine how constricted the political possibilities will be when today's children become adults. As if this were not enough,

Figure 11

Israel's changing demographics

each religious sector as share of total*



* midpoint projection

Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: Central Bureau of Statistics

demographic projections by the Central Bureau of Statistics forecast that in just two generations, nearly one-half of Israel's children will be Haredim.

Aside from the plethora of implications that such a population mix will have on the fabric of Israeli society, there is also the untenable economic aspect that the current vision of the future holds. If the Haredim don't study what they need as children, who will be the physicians that will provide future medical care and who will be the engineers that will maintain the modern economy – not to mention, where will the resources to care for the ever-growing needy population come from?

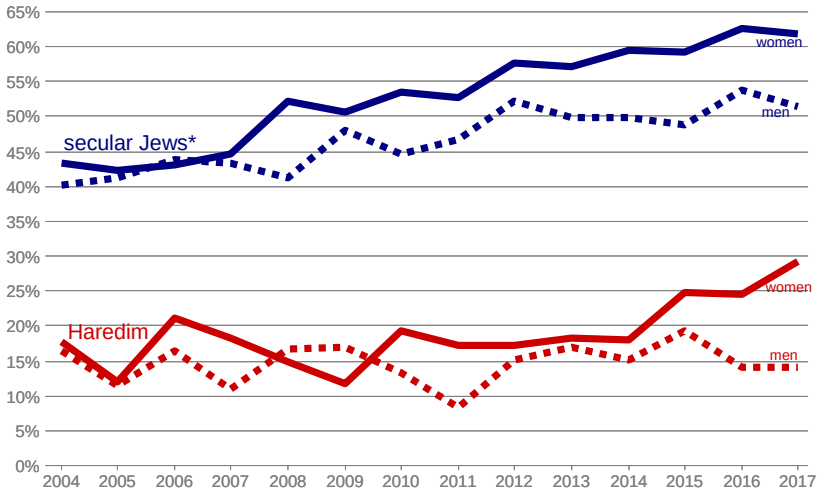
Many Israelis tend to downplay the seriousness of the looming risks. They point to the growing exposure of the Haredim to the outside world that Haredi leaders are so desperately trying to limit. The swelling ranks of Haredim seeking a higher education provide an oft-cited example of increasing awareness among them for the need of an education. Haredi leaders claim that the rigorous Yeshiva training allows boys to circumvent the standard educational process of receiving an adequate core education as children. This claim flies directly in the face of empirical evidence spearheaded by the pioneering work by Nobel Laureate James Heckman, who showed that the earlier one receives a good education, the greater the economic returns later in life – and vice versa.

There are no shortcuts in life. When a Haredi boy does not learn any science or English whatsoever, while even the most rudimentary math and other core education is terminated after eighth grade, then the vast majority have no chance at ever reaching the types of positions so fundamental for the existence of a modern economy. Thus, while the number of Haredim studying towards an academic degree has risen from 4,000 in 2009 to just under 10,000 in recent years, extremely high dropout rates have ensued. As a result, the share of prime working age Haredi men actually receiving a degree (Figure 12) – even from the very low quality colleges that most attend – has remained unchanged since the early 2000s (among women, there has been a slight increase in recent years). In the United States, where Haredim are not allowed to deprive their children of a core curriculum, the 25% share of Haredi adults with an academic degree is over twice the 12% rate in Israel.

Figure 12

Share of prime working age Israelis with academic degrees, 2004-2017

ages 35-54



Source: Dan Ben-David, Shoresh Institution and Tel Aviv University
Data: Central Bureau of Statistics

A potentially saving grace from the 2019 elections is Israel's return to two large parties who together possess a majority in the Knesset. While the current election outcomes may have been due to the extremely polarized views on Benjamin Netanyahu, the upshot provides a possible roadmap for the future. Most Israelis voted for two parties that are ostensibly not too different from one another with regard to Israel's overarching domestic challenges.

It was national priorities that developed the infrastructures which jettisoned Israel into the developed world just a few decades after it came into being – and it was the shift in national priorities that moved Israel onto its currently unsustainable trajectories. The country's future depends on a willingness among that majority who voted for the two large parties to start working together, to begin focusing on the big picture and on the collective future.

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