9 Material Resources: 2013-2014

In the last year, increased attention has been paid to several of the issues arising from this dimension in both of the major centers of Jewish population, Israel and the United States. Though arising from two separate sets of concerns, both debates converge in asking what is required for thriving Jewish communities, and how these needs should be met.

Funding Jewish Life in the U.S.

North American Jewry has been the principal source of Jewish people material resources since the end of the Second World War. Its importance continues into the 21st century because of its share of the overall Jewish population, the close economic relations between the U.S. and Israel (recent strides in Israel's high tech sector are, in part, the result of U.S. direct and portfolio investment,) and its relatively high per capita wealth. Even with the growth of Israel's population and economy, the U.S. community retains importance for Israel as well as other global Jewish communities, particularly those under stress.

The 2008 global economic crisis caused considerable financial pain to Jewish institutions in the U.S. More than five years later, most lost ground has been recovered. But the issue of fiscal sustainability for Jewish causes and activities in the U.S. remains. Even before the meltdown and lingering recovery from the resulting major recession, concern was surfacing about the degree to which there would continue to be a match between sources and uses of resources in U.S. Jewish communities. Philanthropic patterns are shifting with the passing of an older generation. There is an inclination among the succeeding generation to provide proportionately increasing support to non-Jewish causes, perhaps as a concomitant to a decrease in expression of Jewish identification. In addition, there has been a qualitative shift. Although broad generalizations are always punctured by exceptions, there has been a change in the style of Jewish giving. Many major donors, who previously would have been counted upon to be the principal support of the federation system, and who relied upon it as the mechanism for allocation of their gifts to a wide set of uses, are expressing greater interest in giving

that is more targeted or focused, hands on, or both. Such gifts usually also come with a demand for greater transparency and more tangible direct evidence of measurable outcomes.

This qualitative shift to the personal is best described, at this point, as a trend rather than a major swing. But the question of effect and outcomes-based assessment is becoming more central; as American Jewry continues to change, so do its needs. Less changed, perhaps, has been the formal structure of its institutions, particularly in the non-synagogue sphere where the major institutions have existed for 50 to 100 or more years. Adaptation is occurring, to be sure, but largely within the existing organizations. Whether this is sufficient or perhaps even desirable requires analysis, which, in turn, relies upon information.

While all U.S. charities reported that 12% of their income, on average, came from contributions, the proportion was three times higher for Jewish organizations

A more-than-local perspective on the balance of U.S. Jewry's ways and means has long been difficult to obtain and comprehend. This difficulty does not stem from any deliberate obfuscation, but rather results from the way Jewish life in the U.S. has been organized. Its religious institutions, in contrast to Israel and Europe, are entirely self-funded and not required by U.S. law to disclose finances. This means that the transactions in this 'market'[1] take place in thousands of institutions. There have been a few attempts to calculate the 'Jewish GNP' as it has been termed by Mark Pearlman.[2] They have provided some illumination, but have often raised more questions than answers.

The most recent (and in some respects most ambitious) attempt to measure Jewish means placed at the disposal of Jewish causes took form in a series of articles written by Josh Nathan-Kazis for the *Forward* based upon data he gathered from federal tax forms filed in 2012 by those organizations required to do so.[3] Rather than examine a sample of such organizations, the *Forward* performed a grand aggregation of available data for as many non-profit organizations it could identify as being Jewish. It estimates the size of this collective enterprise as at least $26 billion in total assets, with annual revenues in the $12-14 billion range.[4] It also found that majority of effort in 2011 was spent on Israel-related activities (38% versus 20% each for the next two highest uses, education, and health care & social services); and that while all U.S. charities reported that 12% of their income, on average, came from contributions, that proportion was three times higher for the identified Jewish organizations, at 36%.

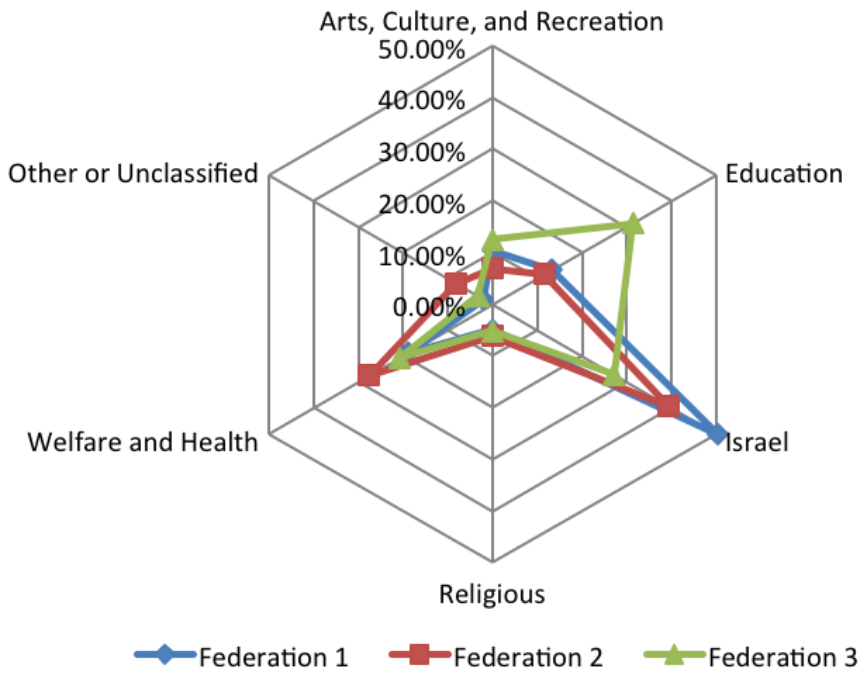
In presenting this analysis of Jewish philanthropy, the *Forward* has provided a service in two ways. The first, of course, is in collating and assessing the data. The second is perhaps even more important. Beyond allowing a peek behind the veil, the aggregation of the many small transactions that constitute the ways and means of Jewish communal life in America calls attention to major issues of both process and priority that should be explicitly addressed – and yet are so often passed

over. Beginning to ask about the sources and extent of Jewish resources and how they are allocated is the first step in addressing the larger question of whether this pattern matches our conception of needs today, and those of the future.

The *Forward's* data raise many questions, as, indeed, must all such efforts. Accurate categorization is difficult because of the judgments required. The large investment in Taglit-Birthright could be considered Israel-oriented giving, but the program has at least as much to do with U.S. Jewish identity and, so, could also come under the heading of education. Similarly, how should a federation donating to a local arts institution versus similar-sized support to the Tel Aviv Museum be considered?

In 2013, JPPI began its own effort to gain insight into such issues. Less comprehensive in design than the *Forward*'s analysis, JPPI instead took a more intensive, in-depth look at three representative North American federations. The two efforts are complementary in the sense that they utilize the same data at different levels of aggregation.[5] Three representative federations in different parts of the U.S. were selected (two with annual disbursements of direct support in the $20-30 million range and one in the $50-70 million range) and their appropriation, gift and grant budgets for 2010 and 2011 (the same year as the *Forward's* snapshot) analyzed.

Figure 1. Appropriations, gifts and grants by three North American federations, by category, 2011



Source: JPPI based upon IRS form 940 filings for 2012.

The primacy of giving to Israel noted by the *Forward* was corroborated, although JPPI's analysis also brought out the distinctions among federations. As shown in Figure 1, the two smaller federations focused 40-50% of their 2011 support on activities JPPI classified as having an Israel focus. The largest of the three, however, gave less than 30% to Israel, and its proportional focus on education was nearly triple that of the other two. Spending on advocacy, outreach, and community bonds and leadership were relatively small in all cases, reaching no more than 4% of the total in one instance and less than 2% in the others.[6]

Both the *Forward's* efforts and JPPI's own highlight the value of establishing a consistent framework for such reporting

The relatively large health and welfare expenditures show that although there is a more expansive social safety net in the U.S. now than when the federation system began in the 19th century, this area of service remains the leading sector for federations after Israel-oriented activity. As pointed out in the *Forward*, this allocation also receives support from federal and local resources. The figure provides a graphic illustration of the relative scale of this effort. The category of arts, culture, and recreation also includes support given by federations to local non-Jewish institutions.[7]

The *Forward* provided a comprehensive snapshot of one year's activities. JPPI's approach allowed a detailed examination of how these priorities might shift over time. In fiscal year 2011, the federation among the three that gave the highest percentage of funds to Israel-oriented efforts *increased* its commitment within a smaller overall budget. The principal trade off was made with health and welfare, which declined by a similar share. On the other hand, the largest of the three showed only minimal shifts during the same period.

The fact that all three had smaller total allocations in 2011 than in 2010 provides some insight on priorities. Part of this may have been due to an easing of the recession, which, perhaps, lessened the need for exceptional federation efforts. Here again, there is considerable variation and regional economic differences may play a role. While the total budget for support declined overall by 2 to 15% across the three federations, health and welfare support declined by more than 20% in one, and increased by 10% in another. The other major activity sectors shown in Figure 1 did not show great variance in proportionality of support while more peripheral activities, such as advocacy, showed wide variations. This calls attention to the fact that federations support specific efforts rather than broad areas, and so such assistance may prove "lumpy" when looked at over time, thus making priority determination more difficult still.[8]

Federations do make available detailed information on their activities. What complicates discussion and policy analysis is that they vary considerably in how such support is characterized at a more aggregate scale in annual reports and other documents. Both the *Forward*'s efforts and JPPI's own point up the value of establishing a

consistent framework for such reporting across Jewish communal philanthropic institutions. This should include those organizations that are not required by law to report to the IRS. A common system and voluntary compliance by all U.S. Jewish institutions would help to address such policy questions as whether American Jews should give more to support Jewish education at home than to the support of Israel.[9]

Though this is a normative question, it is also difficult to address unless the data are available. The three federation budgets examined by JPPI show that once social welfare needs are met, the biggest tradeoff is between Israel and addressing the deep questions of Jewish identity and continuity within the U.S. Two federations place less apparent emphasis on the education component. Is this actually a reflection of priority, of local circumstances, or a mistaken inference by observers because of information inadequacies? We call for a method of reporting such information that goes beyond what is adequate for the purposes of individual organizations and locales and is sufficiently cognizant of the potential for providing more insight and receiving more guidance from a Jewish people perspective.

We also note that the need for education, outreach, and new means for arresting trends of dis-affiliation in the U.S. may increase pressure for reassessment. Coming at a time when the bonds between the U.S. and Israel are increasingly subject to the potential for strain, it behooves leaders within the U.S. to address prioritization questions before this trade-off becomes starker. And it behooves the government of Israel to consider what accepting financial support from the U.S. at historic levels might actually cost in terms of forcing hard choices, equitable burden sharing, and the non-financial bonds that might, under present conditions, be of greater value to Israel going forward.

Uneven Growth in Israel's Economy

Israel's economy has rightly been seen as a major success story both in terms of its relative growth since the domestic crises of the 1980s as well as in absolute terms when compared to growth patterns elsewhere in the world. These accolades certainly appeared justified in light of how well Israel weathered the financial crisis of 2008 and the global recession in the years immediately following. Yet, in this past year there has been more evidence that recent trends may be causing a sputtering of the growth engine. The two major concerns are: 1) a slowing of macroeconomic growth and the resulting fiscal imbalance, and 2) increasing disparity between how different elements of Israel's society benefit from its modern economy. The two are not unrelated and both are significant for the sources and uses of Jewish resources that originate in Israel.

It behooves the government of Israel to consider what accepting financial support from the U.S. at historic levels might actually cost

Economic growth slowed to 3.3% in 2013 from the more typical 4 to 5% of previous years.[10] Worse, the second half of the year saw annualized growth rates of just 2.8%. This is especially worrisome because projections into the future, such as by the IMF, forecast a 3-3.5% growth rate for the coming years despite the enhancement that might be expected as Israel's natural gas discoveries come on line.

The pressure on international trade that accompanies a strengthening shekel may explain part of the slowdown. Market exchange rates saw an appreciation of about 15% in the value of the shekel compared to the U.S. dollar. This is problematic for an economy like Israel's, which is relatively open (that is, for which foreign trade accounts for a large percentage of GDP – about 40% in Israel's case). Although Israel's domestic retail trade is somewhat protective (*de facto* if not necessarily *de jure*) in favor of domestic supply against foreign competition, the appreciating shekel still makes imports cheaper locally and Israel's exports more expensive globally. Part of the shekel's increase may be attributed to the reduction in energy imports that results from bringing greater volumes of domestically produced natural gas and oil on line. The government has taken precautionary measures, such as the formation of a sovereign growth fund, to shield the currency from undue appreciation (the "Dutch disease" of the 1970s) when energy begins to also appear in Israel's basket of exports. It remains to be seen how well this dispels the pressures on the shekel that might otherwise arise. But the strong shekel also tends to favor Israel's high tech producers over more traditional industrial sectors.

Israel's labor productivity is well below the OECD average; worse, the gap appears to be growing over time

The major long-term concern is the gap between Israel's capacities and what it actually produces. Israel's labor productivity is well below the OECD average. Worse, the gap appears to be growing over time.[11] In 1975 the OECD average was about 10% greater than Israel's productivity; in 2012 the differential amounted to about 40%. This continuing, even worsening disparity suggests underlying systemic causes. Certainly, a situation of this persistence is likely explained by a complex of issues rather than any single cause. However, the productivity problem, coupled with the clearly successful performance of Israel's information and communication technology sectors, emphasizes and captures much of the debate that has grown more common in Israel concerning the fundamental disparities that are both cause and effect of this phenomenon.

On the supply side, an important contributor to productivity growth – as well as to the incomes and standard of living enjoyed by individuals – is the knowledge and skill ("human capital") contributed by workers. In Israel, the signs are troubling. International tests of educational performance are relatively low, even if restricted to the Jewish community. For several years the

majority of incoming children have either tracked into the Arab-language or Haredi school systems. The debate over "burden sharing," especially in the case of the Haredim, whose workforce participation is well below that of either non-Haredi Jews or Arabs in Israel, was brought to the fore by the 2013 elections, which saw the Ultra-Orthodox parties excluded from the governing coalition. The combined result was a number of legislative and administrative measures to enhance participation rates – in part by reducing subsidies and removing military service exemptions. The latter carries importance not so much from the perspective of addressing the manpower pinch in the IDF, but because it is Israel's military that determines much of the future employment opportunities for individuals. Passage through the ranks of IDF will probably be a necessary precursor to the ability of many Haredi young men to earn a living as part of Israel's future labor force.[12]

Disparities in education and employment opportunities, especially for the majority of Israelis who are not working in high growth sectors, have further accentuated not only differences in income but also the consequences of such differentials. Housing prices have continued to rise dramatically (some 6% after inflation – up 80% since 2007) as have the costs of food and other essentials such as electricity. The result is a palpable pressure on household incomes and, in the case of too many Israelis, poverty.

Quite simply, Israel's poverty rate, 20.9% of households, is the highest in the OECD. Israel also places in the high end of the spectrum on measures of income inequality. What is troubling is that poverty in Israel is shifting from a problem of workforce non-participation in the Haredi and Arab sectors into a more general "working poor" phenomenon. During the past decade, in which Israel recorded impressive growth while other global economies struggled, the rate of poverty in one-worker households increased from 9.6 to 13.7% while 5% of households with two workers also fell below the poverty line. The poverty rate in Jewish households increased by 3% in this period.

The 2013 annual report of the Bank of Israel stated:

> Action must be taken to increase labor productivity in the economy... and to enhance the integration of populations with low labor force participation. At the time same, action must be taken to ensure that the benefits of growth reach as many segments of the population as possible...In order to achieve these two objectives, it is necessary to improve the level of education for all sectors of the population, broaden and deepen integration in the labor market, increase competition in the economy, thereby also facilitating a reduction in the cost of living, and maintain a reasonable level of public services.[13]

Quite simply, Israel's poverty rate, 20.9% of households, is the highest in the OECD

This seems a tall order, but steps have been taken in all of these areas in the past year. It is interesting to note that the most recent OECD "How is Life?" survey measuring indicators of well-being among the citizenry of its member countries shows that Israelis are not despairing. Israel was placed 13th among 34 countries in subjective overall life satisfaction. It also placed high in relative ranking of categories such as health, income and wealth, and jobs and earnings. (However, Israel scored among the lowest 20% in civic engagement and governance, environmental quality, personal security, work-life balance, and education and skills.)[14] A similar 2013 study using a different methodology (part of a growing trend to move beyond strictly economic measures of well-being such as GDP per capita) also showed high relative levels of life satisfaction for Israel, which placed 11th overall among 156 countries.[15] Statistical analysis of these data showed that six key variables explain three-quarters of the variation in annual national average happiness scores over time and among countries. Besides GDP per capita, these included the less directly economic factors of health and life expectancy, having someone to count on, perceived freedom to make life choices, freedom from corruption, and generosity. The health performance and social solidarity noted in Israel would seem to explain, in part, the relatively positive outcome.

Israel was placed 13th among 34 countries in subjective overall life satisfaction

But the study also noted in a detailed examination of four countries hardest hit by the Euro crisis that the actual fall in GDP per capita experienced by each was insufficient in itself to explain the large drops in measured happiness. The indirect effect of such economic pressures on respondents' perceived freedom to make key life choices was a profound contributor to reduced life satisfaction. In each country the crisis tended to limit opportunities for individuals and caused public services to perform below expected levels. This example brings home that for Israel a slowing of growth, higher costs of living due to institutional economic issues, and a perception of unequally distributed opportunity might become in the future more than just an issue of economics alone.

A Meeting Point

The past year brought new evidence that Jewish communities in the U.S. and Israel are in transition with respect to sources of wealth and budgetary priorities. U.S. Jewry faces serious questions about how to maintain Jewish resources and allocate them to Jewish priorities – one of them being Israel. Israel is enjoying newfound wealth but faces serious budgetary pressures, a continuing and perhaps enhanced defense burden, and socio-economic growing pains, which are new in its experience. At the same time, there are voices abroad and within Israel's government itself seeking to understand the extent and nature of

Israel's responsibility toward Jewish communities abroad.

Each community will have to address the problems that it uniquely faces. It is possible, however, that the solutions that may be arrived at independently may serve Jewish people interests less fully than those that might arise from consideration in the perspective of the Jewish people as a whole. A potentially strong policy step in this direction was taken in June 2014 when the government of Israel approved the "Government of Israel-World Jewry Joint Initiative" to help strengthen young Jews' Jewish identity and enhance connections between world Jewry and the State of Israel. The total planned budget is NIS 570 million for the initial stage of implementation, of which the government will provide a third, with two thirds provided by world Jewry. In 2016, an expansion of the initiative will be brought to the government for approval.

The initiative is to be based on equal partnership between the government of Israel and the Jewish people. A joint steering committee is to develop the program, measure progress, and fund its activities. Day-to-day operations are to be conducted by the Ministry of Diaspora Affairs. The Jewish Agency and its partners, the Jewish Federations of North America and Keren Hayesod-UIA, have made the strategic decision to spearhead the fundraising effort to ensure the initiative's success.

Planning began in 2012 based on a conceptual framework designed by JPPI in 2009. The process included top government officials and both professionals and lay leaders from Jewish communities, organizations, and philanthropic foundations around the world.

The multi-year initiative will involve joint programs between Israel and Jewish communities around the world intended to achieve significant, measurable effects on the young through formal and informal education, Jewish and Israel experiences, campus life, social justice initiatives, and opportunities for life in Israel. Some existing programs may be scaled up and new ones developed. The goal is to offer a range of programs to enable Jews from all denominations, communities, and walks of life to find their place. This includes training for staff and professionals and an advanced online platform to multiply their impact.

If carried out as intended, the significance will be great in signaling the State of Israel's sense of responsibility for ensuring that Jewish life, Jewish identity, and connections to Israel endure well into the future. It may also encourage additional funders to align themselves with the agenda designed to ensure the long-term global thriving of the Jewish people.

Endnotes

1. "Building a Jewish People Perspective on 'Ways and Means', October 2012, http://jppi.org.il/uploads/Building_a_Jewish_People_Perspective_on_Ways_and_Means.pdf .

2. "Jewish GDP Study: Initial Findings", March 2009, [Powerpoint presentation; at the time of this writing we were unable to find a publicly available paper] http://www.jinsider.com/gdp . Other contributions include Erik Ludwig and Aryeh Weinberg (2012), "Following The Money: A Look At Jewish Foundation Giving", Institute for Jewish and Community Research, http://www.jewishresearch.org/quad/01-12/following-money.html; Eric Fleisch and Theodore Sasson (2010), The New Philanthropy: American Jewish Giving to Israeli Organizations, Cohen Center for Modern Jewish Studies(April); Gary A. Tobin, and Aryeh K. Weinberg (2007), Mega-Gifts in Jewish Philanthropy: Giving Patterns 2001-3003, Institute for Jewish and Community Research.

3. All by Josh Nathan-Kazis: "How I Built My Jewish Charity Database", the *Forward*, 28 March 2014; "26 Billion Bucks: The Jewish Charity Industry Uncovered", the *Forward*, 28 March 2014; "Jewish Charities Grow Huge on Cash From Government – Donors Give to Israel", the *Forward*, 4 April 2014; "26 Billion Bucks: Those Jewish Charity Parties? Pricey", the *Forward*, 18 April 2014.

4. The total does not include those organizations, such as synagogues and other religious institutions who are tax-exempt under U.S. law.

5. The data were collected and categorized from Form 990 filings with the IRS by Noah Slepkov of JPPI, using the same source as the *Forward*. In this case, however, each individual appropriation, gift or grant reported as a line item to the IRS was classified by JPPI as falling into the categories of advocacy; arts, culture and recreation; community bonds and leadership; education; Israel; outreach; religious; and welfare and health. This allowed 95-98% of each federation's activities to be categorized with the rest listed as "other or unclassified".

6. Of course, the scale of effort required in these categories is less than in such areas as education or health and welfare which require facilities and permanent staffs.

7. Indeed, the detailed review conducted by JPPI showed that almost every category contains funding to non-Jewish institutions. Advocacy includes all giving to any specific political or lobbying cause, education includes funding to non-exclusively Jewish institutions such as universities and public schools, welfare and health care includes many non-Jewish food banks, shelters, youth programs, hospitals, etc. The question remains whether this funding to non-Jewish institutions might be, in part, earmarked for something specifically Jewish.

8. The federation budgets also reflect directed giving of funds by donors. That is, a donor may provide a philanthropic donation with the understanding that a proportion will be given by the federation as directed by the donors.

9. Guidestar, an NGO which collects information on U.S. 501(c)3 entities also has a voluntary 'transparency' program for charities to provide financial information. However, the focus is on providing assurance to potential donors and not, as we have recommended here, making clear the intent behind support decisions. A reporting system corresponding to Jewish people interests and issues would allow for greater understanding of priorities and allocations.

10. Bank of Israel Annual Report 2013 [preliminary version], 2 April 2014 http://www.boi.org.il/en/NewsAndPublications/RegularPublications/Pages/DochBankIsrael2013.aspx

11. For an accessible treatment, see Dan Ben-David, "Labor Productivity in Israel", Policy Paper No. 2013.05, Taub Center for Social Policy Studies

12. The relationship between IDF service and labor participation for haredim is actually a bit more complex. Under the prior system of deferment, haredim were not allowed to work legally (since their deferred-status "occupation" was studying torah.) Some therefore entered the black market labor force, not paying taxes and remaining in a parallel economy. A major part of the new legislation is to enable haredim not serving in the army to enter the workforce legally through 2017. After 2017, the system of quotas begins, but those who are not conscripted can enter the work force. The result is intended to be an increase in the labor participation rate (which will probably also mean an increase in the unemployment rate, as calculated.)

13. Op. cit.

14. OECD (2013). *How is life? 2013: Measuring Well-being.* OECD Publishing.

15. Helliwell, John F., Richard Layard, and Jeffrey Sachs, eds. 2013. *World Happiness Report 2013*. New York: UN Sustainable Development Solutions Network.