

## SUMMARY REPORT

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מרכז ארצי למחקר  
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העולם היהודי והקהילייה  
הבין-לאומית

# The Benefits and Costs of Employment Programs for the Haredim Implemented by the Kemach Foundation

Lisa Cave and Hamutal Aboody, January 2011

The Kemach foundation was established in 2007 in response to the large numbers of Haredi men that are not employed and rely on government and other sources of assistance to support their families. Many of these families live in poverty. The goal of the Kemach foundation is to assist the Haredim in integrating into the labor market so that they can become economically independent and support their families.

Essential to the foundation's approach is to provide participants with guidance and opportunities for training that will enable them to achieve levels of earnings that create a positive incentive for them to pursue employment. Kemach utilizes a holistic approach that relies on in-depth testing and counseling to provide the best occupational path for each participant.

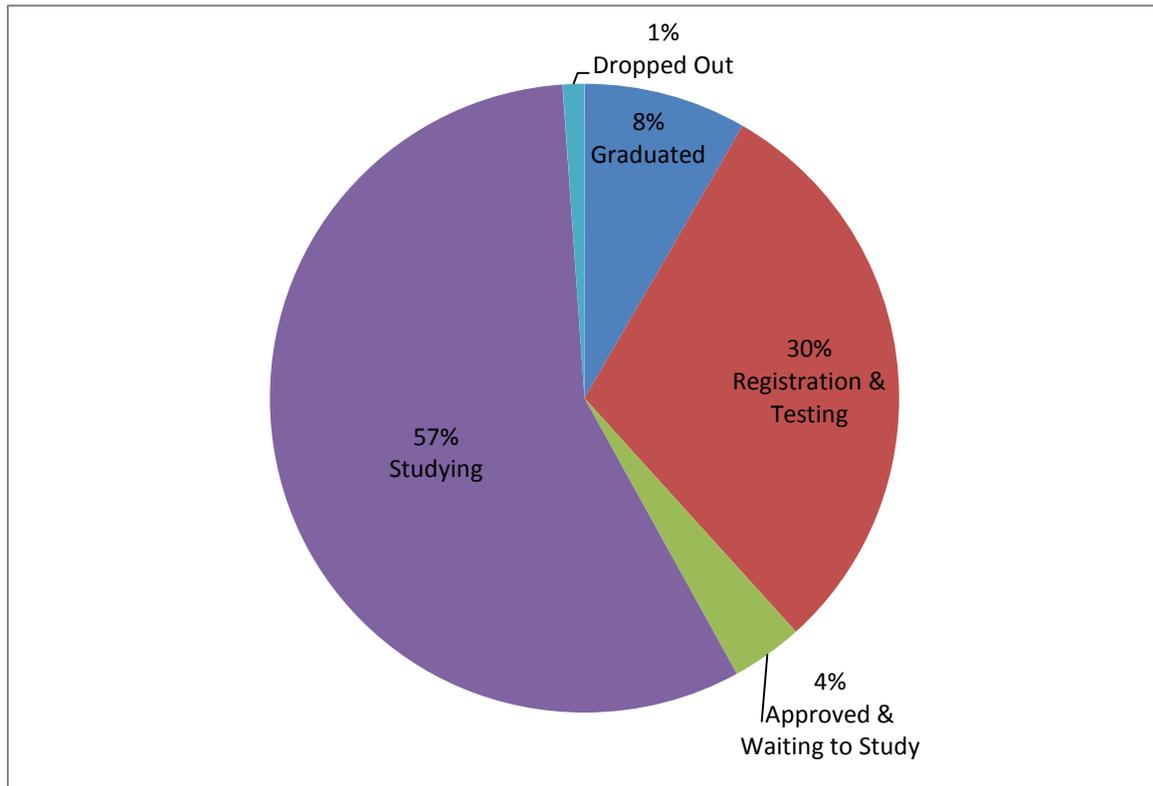
Overall, we find that Kemach has been successful in increasing employment and earnings among most of the participants in the programs. Kemach's efforts to assist the Haredim in integrating into the labor market generate a substantial return on the investment to society, the government, and the participants.

### Participation

The Kemach foundation funds programs independently and together with JDC-TEVET, a partnership between the JDC and the Government of Israel that develops innovative responses to the employment of disadvantaged job groups. Kemach funds two tracks: academic education and vocational training. Since the foundation has only been in operation since 2007, very few academic participants have completed their course of study. However, there have been a significant number of graduates of the vocational

programs. Overall, since 2007 there have been some 5,600 participants in Kemach programs. As of August 2010, 419 participants have graduated from the vocational programs.

**Figure 1: Distribution of Kemach Participants Since 2007**

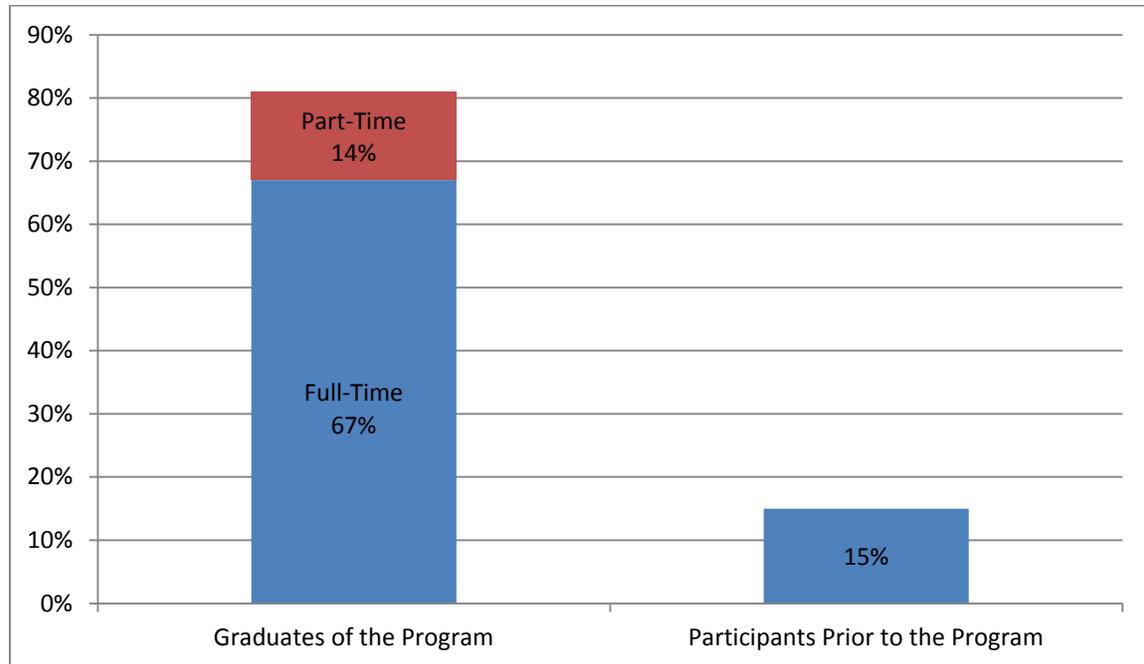


The Myers-JDC-Brookdale Institute was requested to undertake a study of the Kemach vocational programs. The study is based on a survey of graduates conducted by Kemach to examine their employment status and earnings. Out of the 419 graduates, 388 responded to all of the questions in the survey. Based on this data and on the cost data provided by Kemach we conducted a benefit cost analysis.

## Employment

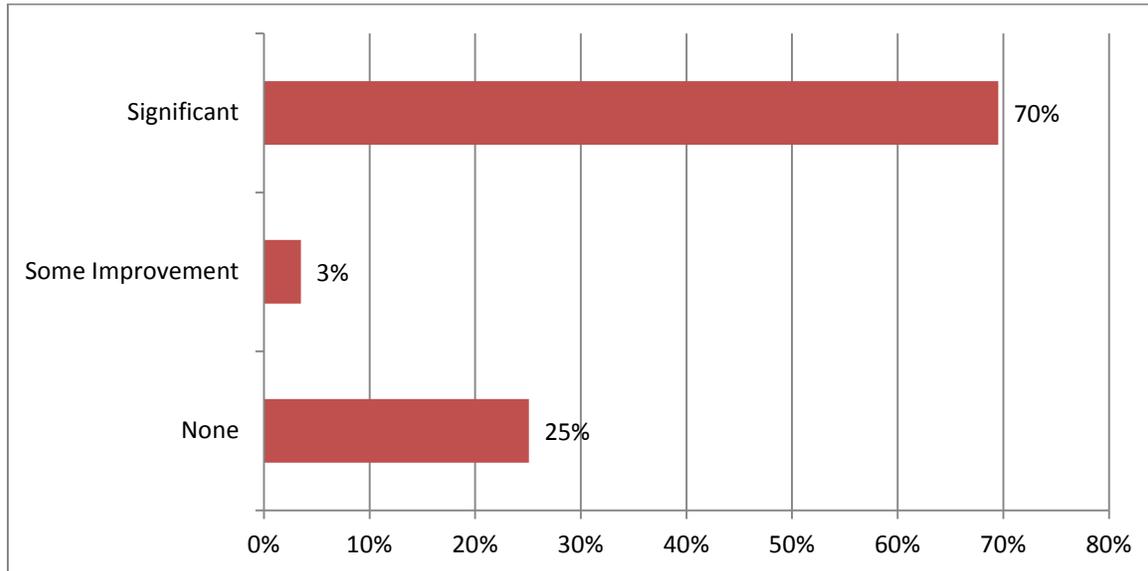
The study reveals that a large percentage (81 percent) of all graduates are employed. This represents an increase of 66 percentage points from the estimated pre-program 15 percent. Sixty seven percent of the graduates are employed in full-time positions and an additional 14 percent in part-time positions.

**Figure 2: Employment Rates of Participants Prior to the Program and After Graduation**



## Earnings

The majority of graduates – 70 percent reported that they experienced a significant increase in earnings, an additional 3 percent reported that they experienced some increase, while only 25 percent responded that they did not increase their earnings. The average earnings level for graduates after completing the program is 65 percent above the minimum wage, adjusted for full-time versus part-time employment.

**Figure 3: Reported Increases in Earnings by Graduates and to What Extent**

### Benefit Cost Analysis

The benefit cost analysis estimates the returns on investment as reflected in the comparison of benefits and costs from three perspectives: society (economic output), government (budget), and the participant (personal status).

The results of the benefit cost analysis are presented in terms of the net benefits (benefits minus costs) and in terms of the ratio of benefits to costs. A positive net benefit or benefit cost ratio of greater than one indicates that the total benefits are greater than the total costs.

### Society (Economic Output)

The benefits to society are measured as the increase in gross earnings, which reflects the value of the participant's economic output - 44,000 NIS. The costs to society include any increases in expenditures for participants due to employment (e.g. childcare and transportation) - 3,600 NIS and the costs of operating the program - 10,300 NIS. The benefits exceed the costs: net benefits are 30,100 NIS per graduate.

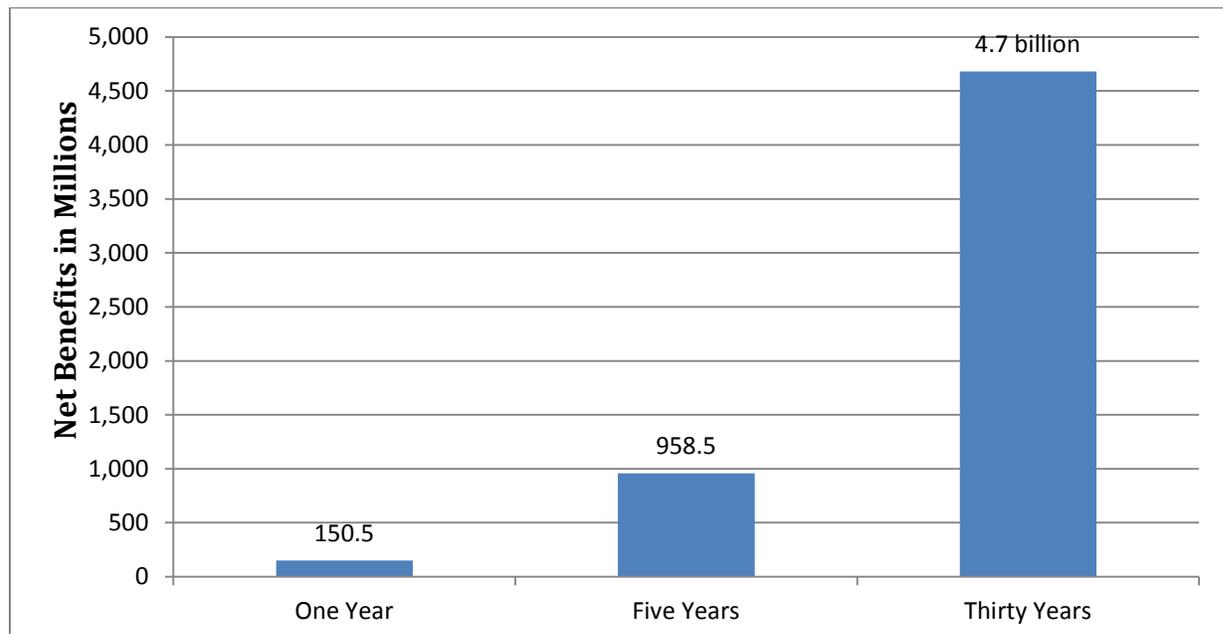
An increase in the number of years of employment from one to five increases the net benefits to society to 191,700 NIS per graduate. A further increase to 30 years of employment raises the discounted net benefits to 936,020 NIS per graduate.

For 5,000 graduates the net benefits to society would be 150.5 million NIS if they work for one year, 958.5 million NIS if they work for 5 years, and 4.7 billion NIS (discounted) if they work for 30 years.

**Table 1: Benefits, Costs, and Net Benefits to Society per Graduate by Assumed Employment Period in 2010 (in NIS)**

<b>Benefit Cost Analysis</b>	<b>One Year</b>	<b>Five Years</b>	<b>Thirty Years</b>
<b>Benefits</b>			
Gross Earnings	44,000	220,100	1.03 million
<b>Total Benefits</b>	<b>44,000</b>	<b>220,100</b>	<b>1.03 million</b>
<b>Costs</b>			
Program Costs	10,300	10,300	10,300
Work-related Expenditures	3,600	18,100	84,800
<b>Total Costs</b>	<b>13,900</b>	<b>28,400</b>	<b>95,100</b>
<b>NET BENEFITS</b>	<b>30,100</b>	<b>191,700</b>	<b>936,020</b>
<b>Net Benefits for 5,000 Graduates</b>	<b>150.5 million</b>	<b>958.5 million</b>	<b>4.7 billion</b>

**Figure 4: The Net Benefits to Society for 5,000 Graduates by Assumed Employment Period in 2010 (in NIS)**



### Government (Budget)

The one year benefits to the government are composed of the change in taxes paid to the government as a result of increased earnings of 3,100 NIS. The benefits to the government are also the savings due to a reduced reliance on welfare payments - 20,700 NIS and other transfer payments - 800 NIS. The training program costs to the government are calculated on the assumption that the government assumes responsibility for Kemach's share of these costs. The training program costs net of the participant's share are 8,425 NIS per graduate. Thus, the benefits exceed the costs: net benefits are 16,175 NIS per graduate.

An increase in the number of years of employment from one to five increases the net benefits to the government to 114,475 NIS per graduate. A further increase to 30 years of employment raises the discounted net benefits to 567,075 NIS per graduate.

For 5,000 graduates the net benefits to the government would be 80.8 million NIS if they work for one year, 572.3 million NIS if they work for 5 year, and 2.8 billion NIS (discounted) if they work for 30 years.

**Table 2: Benefits, Costs, and Net Benefits to the Government per Graduate by Assumed Employment Period in 2010 (in NIS)**

<b>Benefit Cost Analysis</b>	<b>One Year</b>	<b>Five Years</b>	<b>Thirty Years</b>
<b>Benefits</b>			
Tax revenue	3,100	15,500	72,400
Forgone welfare & other transfer payments	21,500	107,400	503,100
<b>Total Benefits</b>	<b>24,600</b>	<b>122,900</b>	<b>575,500</b>
<b>Costs</b>			
Program Costs	8,425	8,425	8,425
<b>Total Costs</b>	<b>8,425</b>	<b>8,425</b>	<b>8,425</b>
<b>NET BENEFITS</b>	<b>16,175</b>	<b>114,475</b>	<b>567,075</b>
<b>Net Benefits for 5,000 Graduates</b>	<b>80.8 million</b>	<b>572.3 million</b>	<b>2.8 billion</b>

### Participant (Personal Status)

The one year benefits to the participant are composed of the change in gross earnings - 44,000 NIS. The costs to the participant include any increases in taxes paid - 3,100 NIS, expenditures due to employment - 3,600 NIS, lost welfare and other transfer payments (these include lost Kolliel scholarships and stipends) - 21,500 NIS, and any tuition costs for the program - 1,900 NIS. The benefits exceed the costs: net benefits are 13,900 NIS per graduate.

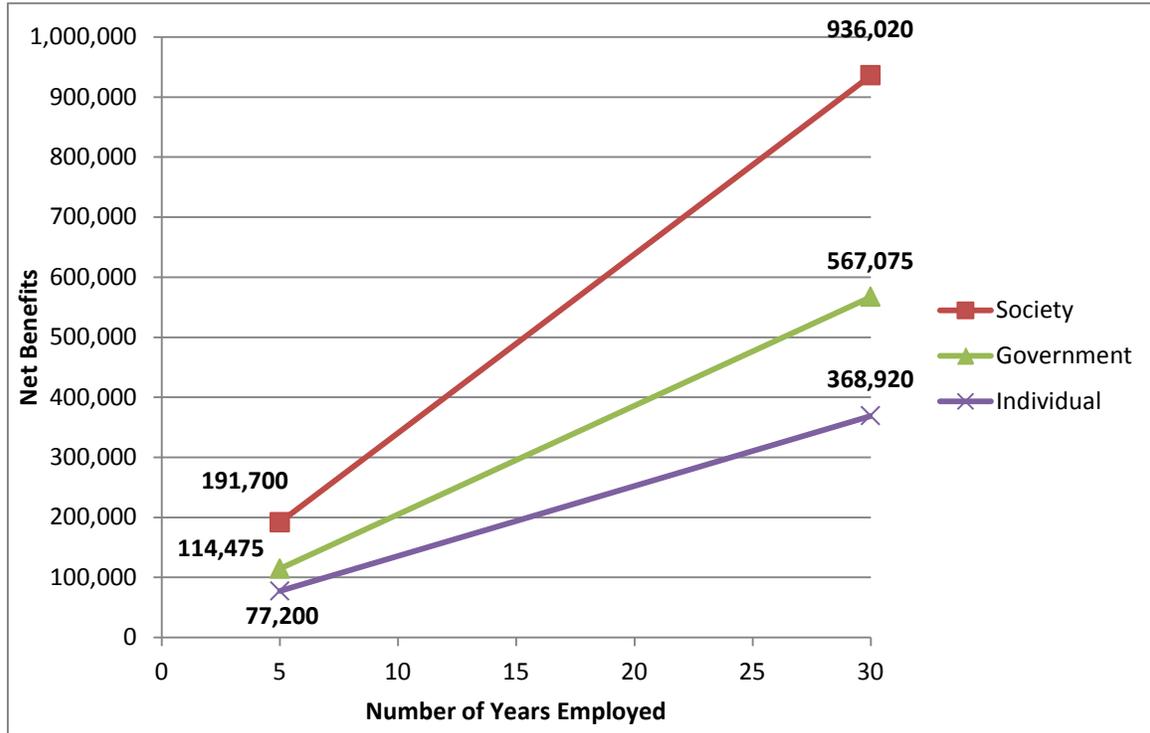
An increase in the number of years of employment to five years increases the net benefits to participants to 77,200 NIS per graduate. A further increase to 30 years of employment raises the discounted net benefits to 368,920 NIS per graduate.

For 5,000 graduates the net benefits to the participants would be 69.5 million NIS if they work for one year, 386 million NIS if they work for 5 years, and 1.8 billion NIS (discounted) if they work for 30 years.

**Table 3: Benefits, Costs, and Net Benefits to the Participant after Completing the Program by Assumed Employment Period in 2010 (in NIS)**

<b>Benefit Cost Analysis</b>	<b>One Year</b>	<b>Five Years</b>	<b>Thirty Years</b>
<b>Benefits</b>			
Gross Earnings	44,000	220,100	1.03 million
<b>Total Benefits</b>	<b>44,000</b>	<b>220,100</b>	<b>1.03 million</b>
<b>Costs</b>			
Program Costs	1,900	1,900	1,900
Work-related Expenditures	3,600	18,100	84,800
Tax payments	3,100	15,500	72,400
Forgone welfare & other transfer payments	21,500	107,400	503,100
<b>Total Costs</b>	<b>30,100</b>	<b>142,900</b>	<b>662,200</b>
<b>NET BENEFITS</b>	<b>13,900</b>	<b>77,200</b>	<b>368,920</b>
<b>Net Benefits for 5,000 Graduates</b>	<b>69.5 million</b>	<b>386 million</b>	<b>1.8 billion</b>

**Figure 5: The Net Benefits per Graduate Assuming 5 and 30 Years of Employment after Completing the Program by Perspective in 2010 (in NIS)**



**Benefit Cost Ratios**

The benefit cost ratios represent the return on every shekel invested.

**Figure 6: Benefit Cost Ratios by Perspective and Assumed Employment Period in 2010**

