

Israel's demographic transformation will reshape its economy and education system within a generation

Nearly half of Israel's first-graders now attend schools that do not teach the full core curriculum, a threshold crossed for the first time in 2025. The convergence of ultra-Orthodox fertility rates roughly triple the secular Jewish rate, a dramatic decline in Arab fertility, and the political entrenchment of parallel education systems has set Israel on a trajectory that every major economic institution — the OECD, Bank of Israel, IMF, and Israel's own leading think tanks — warns will erode GDP per capita by up to **10-15%** by mid-century absent structural reform. This report synthesizes the most current data from the Israel Central Bureau of Statistics (CBS), the Israel Democracy Institute (IDI), the Shores Institution, the Taub Center, the OECD, the Bank of Israel, and INSS to map the demographic shift underway, quantify its economic consequences, and assess both policy scenarios and international parallels.

For the first time, religious first-graders outnumber secular ones

The 2025-2026 school year marked a historic inflection point. According to Ministry of Education data, [\(Cleveland Jewish News\)](#) Israel enrolled approximately **179,564 first-graders**, distributed as follows:

Sector	Students	% of total	% of Jewish sector
State (mamlachti / secular)	66,185	36.9%	47.8%
State-religious (mamlachti-dati)	29,470	16.4%	21.3%
Ultra-Orthodox (Haredi)	42,751	23.8%	30.9%
Arab	26,975	15.0%	—
Bedouin	11,418	6.4%	—
Druze	2,702	1.5%	—

Combined religious first-graders (state-religious plus Haredi) totaled **72,221**, exceeding secular enrollment of 66,185 by roughly 6,000 students — an unprecedented gap. [\(All Israel News\)](#) Within the Jewish sector alone, secular students have fallen from **61% in 2000** to **48% in 2025**, while the Haredi share has surged from **20% to 31%** over the same period, as documented by Prof. Sergio DellaPergola of Hebrew University. [\(The Times of Israel\)](#) The number of secular first-graders has declined in both 2024 and 2025 — an unprecedented consecutive drop [\(The Times of Israel\)](#) that DellaPergola attributes partly to emigration of secular families.

Projections for 2035 and 2050 are not published at the granular grade-level, but population-level forecasts leave little ambiguity. CBS projects the Haredi share of total population will reach

approximately **16% by 2030, 20% by 2040, and 24% by 2050.** (The Israel Democracy Instit...) Among children aged 0-4, Haredim already constitute **25.7%** of the cohort, compared with just 6.4% among 50-54-year-olds (eJewishPhilanthropy) (shoresh) — a generational ratio that will mechanically transform classroom composition over the next two decades. Dan Ben-David of the Shoresh Institution summarizes the trajectory bluntly: (The Media Line) roughly **half of Israeli children today receive what is essentially a third-world education,** (The Times of Israel) combining the Haredi and Arab sectors where core subjects like mathematics, English, and science are either absent or taught at levels far below OECD standards. (eJewishPhilanthropy +2)

Fertility trends are converging — but not fast enough to alter the trajectory

Israel's overall total fertility rate of approximately **2.91-3.0** (2023-2024) makes it the highest-fertility country in the OECD by a wide margin, (The Jerusalem Post) (Populationpyramids) nearly double the OECD average of 1.5. (Taub Center) (The Times of Israel) But this national figure masks dramatic variation across sectors.

Haredi fertility has declined meaningfully but remains extraordinarily high. The IDI's 2025 Statistical Report places the Haredi TFR at approximately **6.5** (2021-2023 average), down from a peak of **7.5** in 2003-2005 — a decline of roughly one child per woman. (Israel Democracy Institute) The Haredi Institute for Public Affairs reported a figure of **6.1** as a "43-year low." (Ynetnews) Drivers include women's increasing educational attainment and gradual labor market integration. Children ever born to Haredi women aged 25-29 fell from 2.96 in 2004 to 2.0 in 2024, suggesting younger cohorts are spacing births more widely. (Taub Center)

Arab/Muslim fertility has declined dramatically. Muslim TFR fell from approximately **9.2** in the 1960s (Taub Center) to **4.6** around 2000, (Wikipedia) then to **3.51** in 2011, (Wikipedia) and to an estimated **2.68-2.70** in 2024 (Taub Center) — now meaningfully below the Jewish average for the first time since records began. Druze fertility has collapsed to **1.64**, (Wikipedia) and Christian Arab fertility stands at **1.62**, both below replacement. (Taub Center) This convergence means the Arab share of first-graders has actually decreased from 26% in 2000 to approximately 23% in 2025.

Secular Jewish fertility remains remarkably high by Western standards at approximately **2.0-2.2**, above every other OECD country's national average. (INSS) (Taub Center) National-religious women maintain a TFR of roughly **4.0**, while traditional (masorti) women average around **2.5-3.0.** (The Times of Israel) Non-Haredi Jewish women overall average **2.2** children. (INSS +2)

The Taub Center's demographic projections for the CBS assume continued convergence: secular/traditional women approaching **1.7** by the late 2030s, Haredi women declining to approximately **4.3** by 2040, and Arab women falling to **2.0-2.7** depending on religiosity. (Taub Center) Even under these declining-fertility assumptions, the Haredi share of the population doubles roughly every 25 years (The Times of Israel) because the base is now so large and the age structure so young (Shoresh) (INSS) — **57% of Haredim are under 19,** (Wikipedia) compared with 31% in the general Jewish population. (The Israel Democracy Instit...) (Israel Democracy Institute)

The Haredi share of working-age Israelis will roughly double by 2050

Current data paints a stark picture of the labor force challenge. Haredim constitute approximately **14% of Israel's working-age population** but generate only **4% of national direct tax revenue**, [\(The Times of Israel\)](#) according to a 2025 IDI study by Gabriel Gordon. The employment rate gap is driven almost entirely by men: **Haredi men's employment rate stands at 54%** [\(Jppi\)](#) (2024), [\(The Israel Democracy Instit...\)](#) [\(Wikipedia\)](#) compared with **87%** for non-Haredi Jewish men [\(INSS\)](#) [\(The Israel Democracy Instit...\)](#) — a **33 percentage-point gap**. [\(Jppi\)](#) Approximately 70% of non-employed Haredi men aged 25–44 are yeshiva students, [\(Taub Center\)](#) and the number of yeshiva and kollel students reached **158,000 in 2023**, a 73% increase since 2013. [\(OECD +2\)](#) Haredi women, by contrast, have nearly closed the participation gap, [\(OECD\)](#) reaching **80%** employment [\(Wikipedia\)](#) versus 83% for non-Haredi Jewish women. [\(The Israel Democracy Instit...\)](#) [\(INSS\)](#)

But participation rates understate the economic gap. Haredi men who do work earn only **49% of the monthly income** of non-Haredi Jewish men [\(Jppi\)](#) (NIS 9,929 vs. NIS 20,464 in 2022) [\(The Israel Democracy Instit...\)](#) — and this ratio has actually **worsened** from 76% in 2003, [\(The Israel Democracy Instit...\)](#) reflecting concentration in low-productivity sectors. [\(The Israel Democracy Instit...\)](#) Only **23% of Haredi men** earn enough to pay income tax, versus 62% of non-Haredi Jewish men. [\(The Israel Democracy Instit...\)](#) [\(Wikipedia\)](#)

CBS projects the Haredi share of the 20–64 working-age population will rise from **10% in 2020 to approximately 15–17% by 2040 and 20% by 2050**. [\(INSS\)](#) The OECD projects the combined Haredi and Arab-Israeli share will increase [\(OECD\)](#) from roughly **30% today to 46% by 2065**. [\(OECD\)](#) [\(OECD\)](#) Among those designated for military service — a proxy for the young-adult pipeline — the Haredi share is projected to reach **33% by 2040 and 40% by 2050**.

[\(The Israel Democracy Instit...\)](#)

The Bank of Israel has warned that if Haredi labor participation remains at current levels, **income taxes would need to rise by 16%** to maintain current revenue-to-GDP ratios. [\(OECD\)](#) [\(OECD\)](#) The IDI's 2025 tax study projects that the additional tax burden on each non-Haredi worker will grow from **NIS 3,540 per year today to NIS 11,266 by 2048** under status-quo assumptions. If Haredim participated at non-Haredi rates, the additional revenue would be **NIS 9.5 billion in 2025, rising to NIS 44.6 billion by 2048**. [\(The Times of Israel\)](#) [\(The Israel Democracy Instit...\)](#)

Education and GDP are on a collision course with demography

The national bagrut (matriculation) eligibility rate stands at approximately **71%**, but this average conceals a chasm between sectors. State and state-religious schools achieve roughly **85%** eligibility. The Haredi sector achieves only **16%** [\(The Israel Democracy Instit...\)](#) [\(The Israel Democracy Instit...\)](#) — and among Haredi boys, a mere **14%** even sit for the exam. [\(Israel Democracy Institute\)](#) [\(Wikipedia\)](#) Among Arab students, historical rates have been significantly lower than Jewish sector averages, though Bedouin eligibility reached 60.4% in 2020–2021 and Druze students achieved 91.3%.

[\(Israel National News\)](#)

Israel's PISA performance tells the same story from a different angle. The 2022 PISA placed Israel at **458 in mathematics** (OECD average: 472), **474 in reading**, and **465 in science**. (OECD +2) Hebrew-speaking students scored approximately **490** in math (ResearchGate) — near the OECD average — while Arabic-speaking students scored approximately **388**, (ResearchGate) a gap of over 100 points that represents **5-7 years of schooling**. (Madan) (The Jerusalem Post) Haredi boys largely do not participate in PISA testing. (The Times of Israel) Ben-David notes that had they been included, the national average would be substantially lower. (Shoresh) (shoresh) Israel's within-country achievement gap between top and bottom deciles is the **2nd largest in reading and 3rd largest in math** among all PISA participants. (Madan +2)

The IDI's landmark February 2026 study projects that under a stagnation scenario, the national matriculation rate would **fall from 71% to 61.5% by 2050**. (The Jewish Chronicle)

(The Israel Democracy Instit...) The share of 35-44-year-olds with a bachelor's degree would drop by **3.4 percentage points**. Under convergence, matriculation would instead reach **83.6%** — a **22-point spread** between scenarios. The higher education pipeline is already constrained: Haredi students constitute only **5% of university enrollment** despite being 14% of the population, (The Israel Democracy Instit...) and a 2019 State Comptroller report found three-quarters of Haredi men and over half of Haredi women drop out of higher education before completing degrees. (AJC)

The GDP consequences are severe. The Shoresh Institution documents that only **10% of Israelis work in high-tech**, where productivity is 25% above the OECD average and which generates roughly half of exports. The remaining **90%** have average productivity **40% below** the OECD average. (Shoresh +4) Just **20% of the population** contributes **92-93%** of income tax revenue. (Shoresh +2) INSS calculates that GDP per capita in the Haredi and Arab sectors is below the Middle East average (~\$19,000/year), while non-Haredi Jewish GDP per capita ranks among the highest in the Western world. (INSS) The IDI estimates the GDP loss from Haredi non-integration could exceed **10% of GDP — approximately 160 billion shekels (\$52 billion) in 2023 terms** (The Israel Democracy Instit...) — by 2050. (The Israel Democracy Instit...)

Published scenarios reveal a 12-percentage-point GDP fork in the road

Multiple institutions have modeled Israel's economic future under contrasting assumptions about integration. The most rigorous are the IDI's February 2026 two-scenario study and the OECD's 2025 three-scenario long-term spending projection.

The OECD's "**Melting Pot**" scenario — in which Haredim and Arab Israelis progressively converge toward majority-population employment rates, working hours, and productivity — yields GDP per capita **8% higher than baseline by 2065**. (OECD) The "**Frozen Rates**" scenario, where current disparities persist indefinitely, produces GDP per capita **4% lower than baseline**. (OECD) The total spread between best and worst outcomes is **12% of GDP per capita**. Critically, the OECD decomposes the effect: **Haredi integration alone accounts for roughly 6 percentage points** of the gain, while Arab-Israeli integration contributes approximately **2.5 percentage points**. (OECD) The Haredi effect is larger because of faster population growth, larger employment gaps among men, and greater room for improvement in working hours.

The **IDI's convergence scenario** shows the national matriculation rate reaching 83.6% versus 61.5% under stagnation (The Israel Democracy Instit... The Times of Israel) — a gap that would cascade through higher education, workforce quality, and tax revenue. Under stagnation, average monthly net fiscal transfers to the state fall by **NIS 1,000 per household (25%)**, (The Israel Democracy Instit...) while under convergence, overall employment rises 0.8 percentage points above current levels. (The Israel Democracy Instit...)

INSS projects that without significant Haredi education reform, GDP per capita would **shrink by 5% by the early 2030s, 10% by 2050, and 15% by the early 2060s** (INSS) relative to a hypothetical scenario with unchanged population composition. The Taub Center's fiscal analysis projects a **12% reduction in the national fiscal support ratio by 2050**, with one-third attributable to the increasing Haredi share and two-thirds to general aging. (ScienceDirect)

A critical asymmetry shapes the policy landscape: **Arab integration is already progressing**, with Arab labor income growing at 4% annually from 2012–2022 (The Times of Israel) and the Arab household poverty rate falling from 54% to 42%. INSS explicitly notes that "the Arab sector is moving in the opposite direction — making an increasing contribution to the economy." (INSS) **Haredi integration has stalled or reversed** — the number of yeshiva students grew 73% since 2013, (OECD) Haredi men's income ratio to non-Haredi men worsened from 76% to 49%, (The Israel Democracy Instit...) and the current coalition doubled yeshiva budgets (Pearls and Irritations) to NIS 2.4 billion. (The Times of Israel) In May 2024, 130 Israeli economists signed a warning letter invoking a "spiral of collapse" if current trajectories continue. (Shoresh) (shoresh)

International parallels offer cautionary tales and one success story

Israel's situation — a rapidly growing subpopulation with low educational attainment in a developed economy — has instructive parallels elsewhere, though none are exact matches.

Europe's Roma population provides the closest structural comparison. Roma constitute 6–10% of the population in Bulgaria, Slovakia, Romania, and Hungary, with significantly younger demographics, severe educational gaps (68% early school leavers, (European Parliament) only 12% completing upper secondary), (European Union Agency fo...) and measurable economic costs. The World Bank estimated in 2010 that closing Roma employment gaps could add **€9.9 billion annually** in output across just four countries, and that fiscal gains from education investment would be **2.4 to 7.7 times the cost**. (World Bank) (Beyond Intractability) Yet the EU's 2011–2020 Roma Integration Framework was assessed as largely a failure due to its non-binding nature (Eera-ecer) — a cautionary finding for Israel, where Haredi education policy has similarly relied on voluntary compliance rather than enforcement.

The Amish in the United States represent a demographic near-twin — TFR of 5.3–6.0, population doubling every 20 years, (Wikipedia) education ending at 8th grade (constitutionally protected since *Wisconsin v. Yoder*, 1972). But the critical difference is economic: **Amish men are culturally expected to work**, and approximately 50% now earn income from non-agricultural enterprises. (Medium) Amish communities are largely self-sufficient and make minimal claims on public services. (Mutualinterest) This demonstrates that low formal education need not mean

economic dependency — but requires a cultural expectation of productive labor that the Haredi model of full-time Torah study for men does not share.

The UK's Pakistani and Bangladeshi communities offer the most optimistic comparison. In 2000, only 30% of Pakistani/Bangladeshi boys achieved five good GCSEs versus 50% nationally.

(University of Bristol) By 2013, Bangladeshi pupils had reached or exceeded the White British average, (Publishing Service) and low-income students from these backgrounds now have **higher** university progression rates than low-income White British students. (Office for Students) The drivers included strong parental expectations, targeted funding (the Ethnic Minority Achievement Grant), and recruitment of teachers from within the community. This case demonstrates that fast-growing, initially low-attaining populations can close educational gaps within a generation — but only when cultural norms favor education and employment.

France's banlieue populations illustrate persistent failure despite 40-plus years of urban and educational policy, where France remains the OECD country where socioeconomic background has the greatest impact on school performance. (The New Republic) **Belgium** shows similar patterns, with one of the largest immigrant-native employment gaps in the OECD. (IZA)

Conclusion: the window for structural reform is narrowing

The data converge on three insights that go beyond summary. First, **the education system is the upstream driver of every downstream economic outcome** — without core curriculum in Haredi schools and quality improvement in Arab schools, labor market interventions will remain palliative. The 22-percentage-point spread in projected matriculation rates between IDI's stagnation and convergence scenarios by 2050 (The Israel Democracy Instit...) (The Times of Israel) cascades through university enrollment, workforce productivity, tax revenue, and military capacity. (The Israel Democracy Instit...) Second, **the demographic arithmetic is now essentially locked in for the next 18 years** — children who will enter first grade in 2043 are already born, and they are disproportionately Haredi. This means the policy window for affecting workforce outcomes in 2040–2050 is not the future but the present. Third, **international experience shows that integration is achievable but voluntary frameworks fail** — the UK's Pakistani/Bangladeshi success required targeted resources and aligned cultural incentives, while the EU's non-binding Roma strategy (Eera-ecer) and France's banlieue policies produced negligible results despite decades of effort. (Global Challenges) Israel's unique political economy, in which the fastest-growing population holds coalition veto power over the very education reforms that all major institutions prescribe, makes this challenge qualitatively harder than any international parallel.

(eJewishPhilanthropy +3) The OECD, IMF, Bank of Israel, IDI, (The Israel Democracy Instit...) Shoresh Institution, Taub Center, and INSS have all arrived at essentially the same diagnosis and the same prescription — condition school funding on teaching the core curriculum, equalize per-pupil spending, (OECD) and restructure incentives that discourage labor participation. (OECD)

(The Jerusalem Post) The question is no longer analytical but political.