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TECHNOLOGY

Israel's Goal: Draw Ultra-Orthodox Jews Into Tech Boom

Government Programs Offer Mentoring, Funding to Help Haredim Break Into Tech Sector

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By ORR HIRSCHAUGE

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Nissim Hazan pitches Clean City, the winner of a haredi-startup competition. Programs aim to help haredim. *Jerusalem Venture Partners*

TEL AVIV—Amid Israel's tech boom, the government and many of the country's biggest tech employers are scrambling to bridge a gap between those who write JavaScript and those who read scripture.

Israel's tech-savvy defense industry and its small internal market have combined to help the country become a bigger player in the global tech industry. That has led to a bevy of startups and given rise to a community of tech entrepreneurs. Meanwhile, a wave of deal making, public listings and venture-capital funding has made Tel Aviv one of the world's brightest tech hubs.

But a large and fast-growing swath of Israel's population is missing out—the country's ultra-Orthodox Jews, or haredim.

"Until a couple of years ago the ultraorthodox had no part in 'Startup Nation,'" said Yitzik Crombie, founder and chief executive of iSale Global, a haredi startup and co-founder of the Haredi High-Tech Forum, a recently registered nonprofit organization.

Earlier last month, the economy ministry's chief scientist, Avi Hasson,



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unveiled two initiatives: 200 hours of free mentoring offered to haredi entrepreneurs; and a new state-funded program for ultraorthodox startups of up to 2 million Israeli shekels (about $578,200).

The funding goes to the startups themselves—for every shekel they get from a nongovernmental investor they can get 5.6 shekels from the government as an equity investment or loan that can be paid as a percent of future revenues.

"More haredi tech employees means more tech employees and more innovation," Mr. Hasson said in an interview.

Sponsored by the government, programs aimed at haredim have popped up offering computer sciences, engineering and biotechnology studies over the past five to six years. The government offers a loan equal to full tuition fees for haredi men accepted into scientific academic studies. Upon graduation, the loan becomes a grant that the recipient no longer has to pay back. The Israeli government also offers subsidies for employers who hire new haredi staff.

Companies like IT-services provider Matrix IT Ltd. and semiconductor and software development service company RaChip Ltd. make use of the relative high employment rates of haredi women—69% of haredi women age 25 to 62 were employed as of the first quarter of 2014—to offer development and quality-assurance services.

These companies provide the women with a same-sex work environment, a censored Internet connection that blocks access to websites seen as ethically unsound according to rabbinical law, and a relatively short—by tech-industry standards—8-hour workday to help with child care.

Companies such as these have already formed an industry employing thousands of haredi women offering support and tech services. The low wages and subsidies enable them to compete with outsourcing services from India, Russia and Eastern Europe.

However, haredi men have had a more difficult time breaking into the tech sector. A recent survey conducted by the Ministry of the Economy's Equal Employment Opportunities Commission shows that 37% of the country's employers don't want to hire haredi men. The commission wrote that "the survey data raises difficult questions regarding public attitudes in general and employers' attitudes in particular toward employees from different communities."

For over a generation, Israel's ultraorthodox religious population, especially its men, has largely stuck to its study halls, seminaries and synagogues. Only 45% of haredi Israeli men age 25 to 64 are currently employed as of the first quarter of 2014, according to Israel's Ministry of Economy.

The haredim make up about 12.5% of Israel's eight million people, up from 9% a decade ago, according to data from The Taub Center for Social Policy Studies in Israel. Poverty rates among the community have swollen from 44% to 57% in the past decade.

Moshe Friedman, founder of Kamatech, a nonprofit organization aiming to become a bridge between the haredi population and the Israeli tech sector, said he had to raise money for his video startup in London after failing to do so in the Israeli investment



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market. "Local investors told me 'no venture fund would ever invest in a haredi startup.' I personally witnessed just how hard it is for an ultraorthodox to break into the ecosystem," Mr. Friedman said.

However, there have been some signs of progress, recently. Mr. Crombie's iSale startup, which is currently developing a mobile app for salespeople, is now serving hundreds of clients. Another startup, Selfpoint, has recently joined Microsoft Corp.'s MSFT -0.39% Israeli accelerator program, part of the tech giant's global effort to nurture startups.

"Around two years ago I started seeing a change. I found that my neighbor across the street has also started a startup, and a few guys were writing code in a basement next to us," said Mr. Crombie, who lives in Kfar Chabad, a small town southeast of Tel Aviv populated mostly by haredim.

Jeremie Berrebi, an ultraorthodox father of 10, and co-founder of Kima-Ventures, an angel investing group, sees a rise in haredi entrepreneurship. "It started as a trickle. Nowadays I'm meeting with dozens of haredi entrepreneurs," Mr. Berrebi said in an interview.

His ambition is to build a haredi tech co-working space in Bnei-Brak, an ultraorthodox suburb of Tel-Aviv, just a few miles away from the technology parks of Israel's economic capital.

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