

Press Release

The Taub Center's *State of the Nation Report 2010*, released today, warns:

Alongside good macro-economic indicators compared to the Western world, gaps in income, education and health are widening, and long-term prospects do not bode well for the future

The Center's researchers, among the leading academic researchers in Israel, present new findings in the *Report* on Israeli employment, education, health, welfare and more.

Taub Center Executive Director Prof. Dan Ben-David submitted the full report yesterday to the Prime Minister, the Finance Minister and the relevant government offices, including practical policy recommendations

Yesterday, the Taub Center delivered its *State of the Nation Report: Society, Economy and Policy 2010* to the Prime Minister, the Finance Minister and the relevant government offices. The Taub Center's annual report provides a professional overview, in clear and accessible language, of Israel's social and economic trajectories and offers policy proposals.

The main theme in the report - tying the various subject areas together - is the issue of inequality, which is highlighted in most of the chapters of the 2010 *Report*. In Israel of 2010, gaps in income, education and health are widening. The Taub Center shows that the level of education in Israel is a major cause of this phenomenon. The key to sustainable economic growth is continuous improvements in productivity, which increases demand for educated and skilled workers, and reduces demand for workers with lower levels of education. The results of these demand shifts can be seen in Figure 1, which focuses on prime working age men. In the less advanced Israel of the early seventies, employment rates in all population groups were above 90 percent. In the technologically advanced Israel of the current millennium, employment rates drop for lower levels of education. If 40 years ago, over 90 percent of men with 1-4 years of education were employed, today the rate is barely 50 percent. Among men with 5-8 years of education, the employment rate doesn't exceed 60 percent.

Educated people are employed more and earn more. Consequently, as the report shows, their rates of poverty are lower, they have better access to health care and medications, and their children exhibit higher levels of educational achievement.

In light of the substantial and continuous decline in demand for unskilled workers, one might expect Israel's government to act resolutely to reduce the supply of workers with low levels of education and skills. But the government has done exactly the opposite: It permits hundreds of thousands of non-Israeli workers with low levels of education to enter the country (Figure 2) – at a rate that has led to one in every seven workers in the business sector who is not Israeli – thus preventing a recovery of employment and wages for Israelis with low levels of education.

While the current macro-economic picture looks relatively good compared to other Western countries, who are recovering from the severe economic crisis, the long term prospects for Israel are quite problematic. The Taub Center shows that this is directly related to the level of education that a large and growing share of Israeli society receives. The education that today's children are given will, to a large extent, determine the ability of future Israel to maintain a first world economy.

Among the main findings of the Report:

- **The Macro Perspective**

- There is a discrepancy between the relative positive indicators of the current economy and the problematic horizon due to long-term problems.
- During the past five years, civilian public expenditures in Israel declined as a percentage of GDP, while growing in most Western countries.

- **Employment and Social Welfare**

- Wage gaps in Israel are high compared to every other developed country, and they are manifested especially in the gaps between workers of varying levels of education (Figure 3). The gaps between employees with work experience of 10 years and above to employees with fewer years of experience have remained around 50% over the past decade, and wage gaps between men and women have declined from around 40% to around 35% over the same period. However, wage gaps between employees with over 12 years of education and those with up to 12 years of education have increased from 66% in 1998 to 80% in 2009.
- The poverty rate among the working population in Israel is high and increasing. Today, most poor people in Israel come from families with a family member who is working.
- Single-parent households in Israel tend to be very poor – over a third of such families are below the poverty line – compared both to two-parent households and to single-parent households in the West (Figure 4).

- **Education**

- After implementing corrections and changes in the definitions of statistics reported on Israel, it turns out that the wages and working conditions of Israeli teachers, compared to their foreign counterparts, are much better than what was previously believed. In addition, among students who are not *haredi* or East Jerusalem residents, there has been an increase in the rates of students studying in the 12th grade, taking the *bagrut* (matriculation) exams, and qualifying for a *bagrut* with grades sufficient to continue to higher education.
- Between 2000 and 2010, the number of students in the state and state-religious school systems declined by one percent, while the number of Arab students grew by 46% and the number of *haredi* students grew by 58% (Figure 5).
- A study examining the level of education among those born between 1955 and 1981 found that the gaps in matriculation rates between various socio-economic levels fell over the years (Figure 6). With regard to children whose parents had only elementary school education, the matriculation rate among those born between 1955 and 1959 was 40%. while among children born two decades later, between 1975 and 1981, the matriculation rate rose to 55%. However, socio-economic gaps persist in higher education, despite its significant expansion.
- An analysis of data from the PISA 2000 and PISA 2006 international exams shows that the size of the young population in Israel, resulting from high birth rates, explains most of the gap between the grades of Israeli students and the international average.
- According to international TIMSS 2003 exams, it turns out that if Israeli students' levels of discipline were to increase to the international average, achievement gaps between Israel and the other countries would narrow substantially.
- Compared to 25 developed countries, the latest PISA test results show that Israeli students' achievements are the lowest, that Israel has the greatest gaps in achievement (Figure 7) and that even the achievements of the top students in Israel are lower than those of the top students in 24 out of the 25 countries.

- **Health**

- Health gaps between the center and the periphery of Israel remain substantial; and the correction to the allocation formula (capitation formula), that was implemented in early 2011, is not sufficient for reducing the inequality (Figure 8). The results of this situation are beginning to show in the public health indicators.

- **Public Opinion**

- The results of the Taub Center's annual social survey show that the sense of social security has increased in the past year, after several years of decline (Figure 9). In Israeli society, individuals' income and education levels impact differences in the sense of social security (to varying degrees).

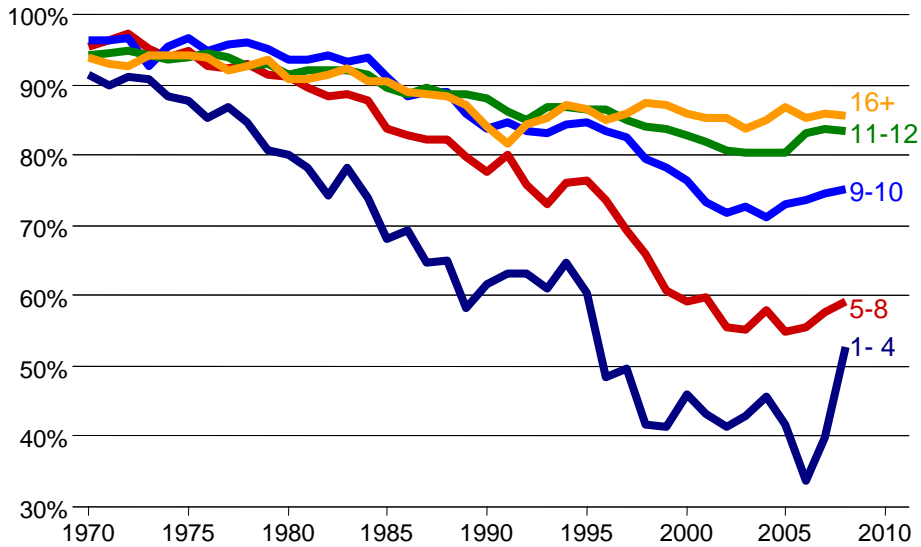
The Taub Center for Social Policy Studies in Israel, headed by Professor Dan Ben-David, is an independent, non-partisan institution for socioeconomic research based in Jerusalem. The Center provides decision makers, as well as the public in general, with a big picture perspective on economic and social areas. The Center's interdisciplinary Policy Programs – comprising leading academic and policy making experts – as well as the Center's professional staff conduct research and provide policy recommendations in the key socioeconomic issues confronting the State.

[For details or to arrange an interview please contact Yitzhak Rabihiya, 054-799-9209.](#)



Figure 1

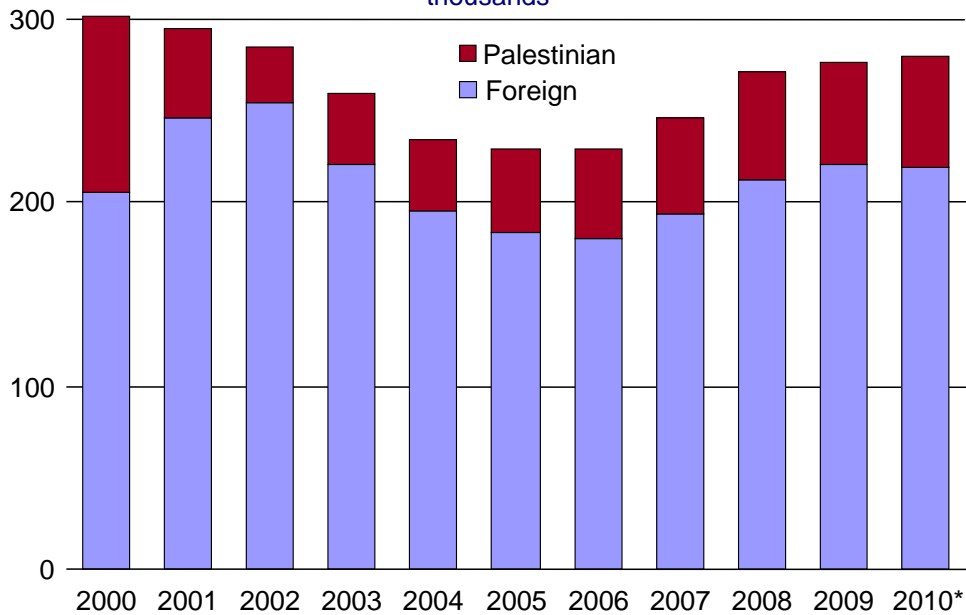
Employment rates, by years of education
as share of 35-54 year-old male population, 1970-2008



Source: Dan Ben-David, Taub Center and Tel-Aviv University.
Data: Israel's Central Bureau of Statistics.

Figure 2

Non-Israeli Workers, 2000-2010
thousands



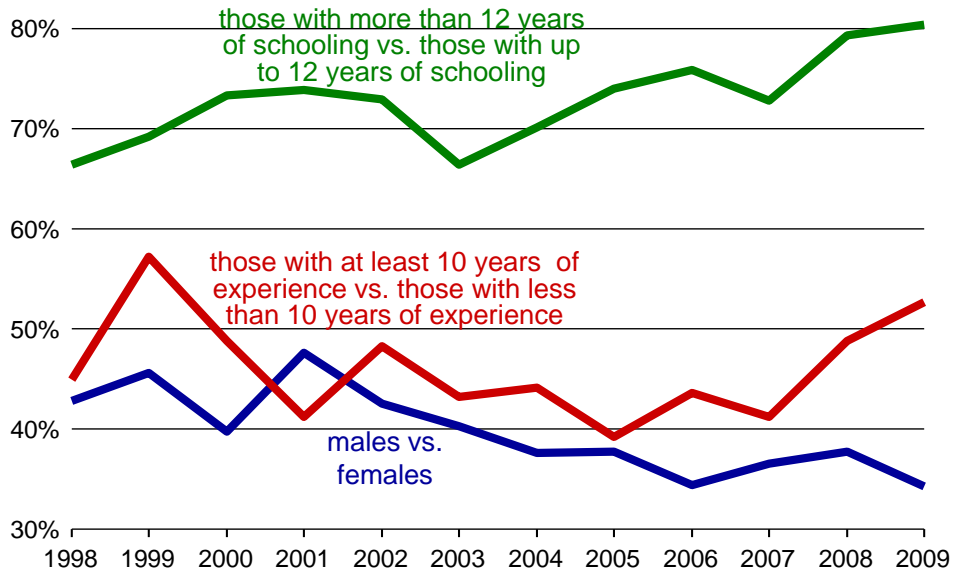
* January-September, 2010.

Source: Taub Center.
Data: Israel's Central Bureau of Statistics and Bank of Israel analysis, 2010.

Figure 3

Wage differentials between groups of workers, 1998-2009

full-time salaried employees

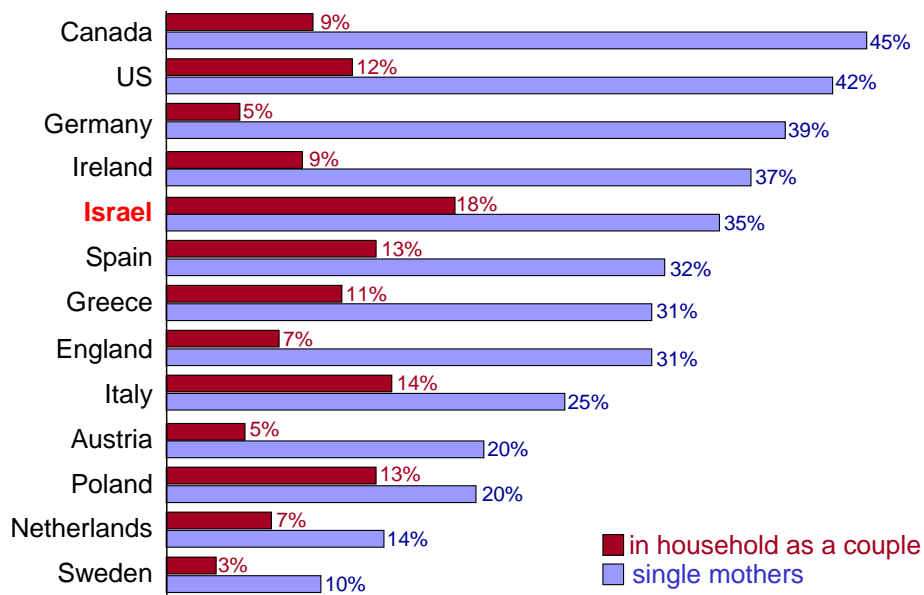


Source: Taub Center.

Data: Israel's Central Bureau of Statistics (Income Surveys).

Figure 4

Poverty rates in families, by mother's family status*, 2004-2005

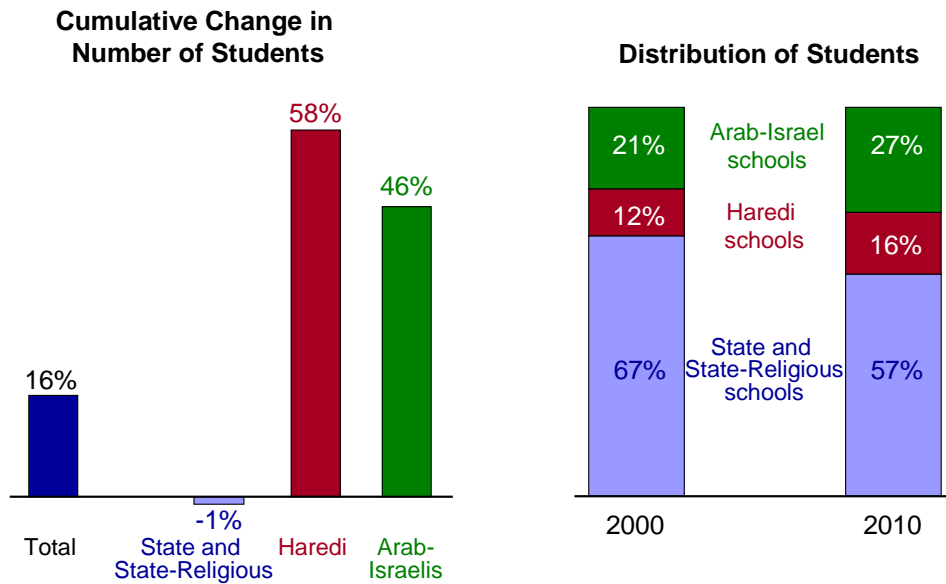


* The comparison relates to mothers aged 18-64.

Source: Taub Center.

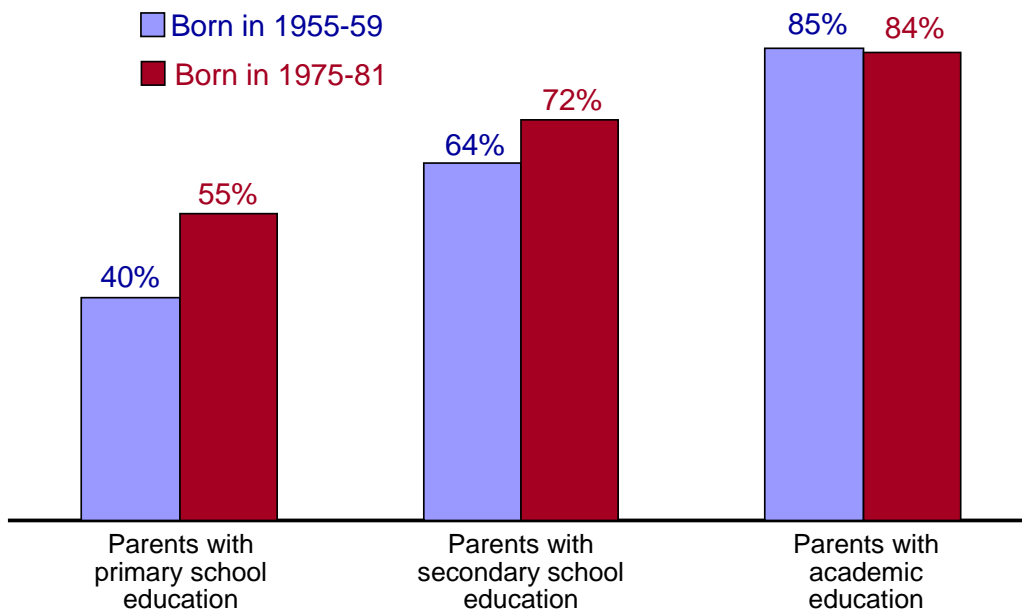
Data: LIS database.

Figure 5
Students in the Education System, 2000-2010
By sector



Source: Taub Center.
Data: Israel's Central Bureau of Statistics.

Figure 6
Eligibility for High School Matriculation (*bagrut*)
By parents' education and birth cohort

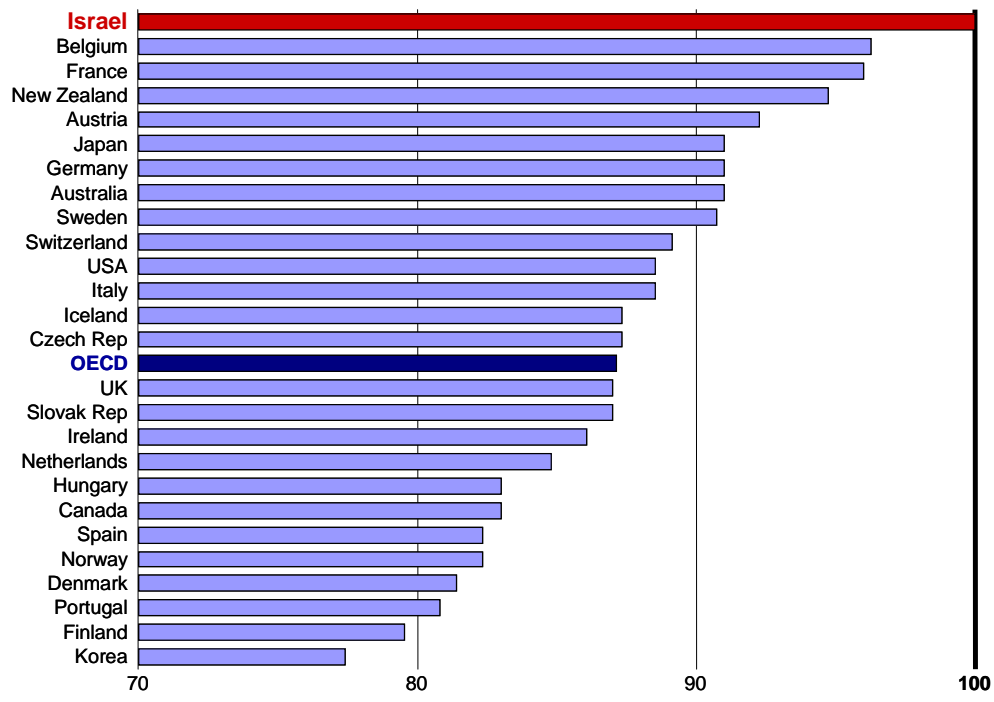


Source: Shavit and Bronstein, Taub Center's *State of the Nation Report*, 2010.

Figure 7

Educational inequality in the western world

Standard deviations in achievements in 25 OECD countries and in Israel,
PISA 2009 exams
Israel, not including ultra-orthodox Jews = 100 (base)



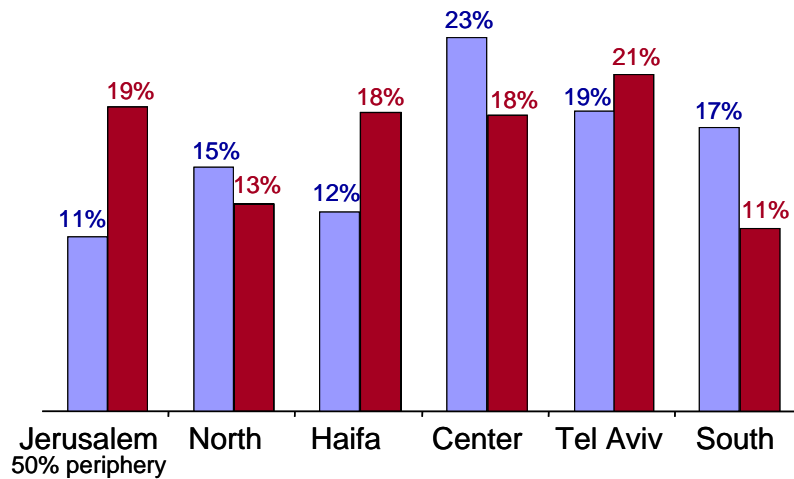
Source: Dan Ben-David, Taub Center and Tel-Aviv University.
Data: PISA.

Figure 8

Estimate of actual and intended budget shares

According to new formula*

■ intended allocation by new capitation formula
■ estimate of actual allocation



* because of rounding of the exclusion of Judea and Samaria, the numbers don't add up to 100%.

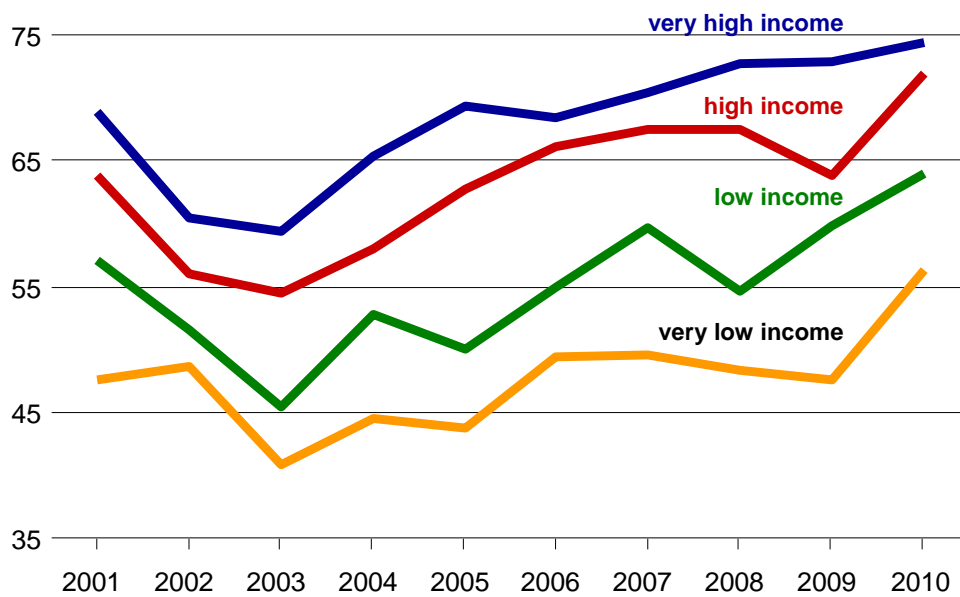
Source: Taub Center.

Data: Israel's Central Bureau of Statistics.

Figure 9

Taub Index of Social Confidence, 2001-2010

by income level



Source: Taub Center.

Data: Annual Social Survey, various years.