



Required: an urgent switch in the national mindset with regard to setting priorities, planning and budgeting

The Taub Center for Social Policy Studies in Israel has released a national plan that shows how – despite conventional wisdom and the usual public discourse – there is no contradiction between setting a comprehensive policy that strives to reduce gaps and poverty on the one hand, while increasing economic growth on the other.

This requires an urgent switch in the national mindset with regard to setting priorities, planning and budgeting. The uniqueness of the program proposed here is its overall, national perspective. This is a comprehensive program for narrowing gaps, reducing poverty and increasing growth. The program is based on three policy spheres: The first, creating incentives and providing tools; the second, creating a supportive environment; and the third, a multi-annual strategic program.

In these days in which the national budget is being determined, it is important that policy-makers see the big picture – and see it from a professional perspective based on facts and research that was conducted over the past few years. With this in mind, the Taub Program is being sent to cabinet ministers, Mks, directors-general of the ministries, and other key policy-makers in Israel.

This is a critical period, in which unsustainable long-run socio-economic trends are intersecting with a current reality that is steadily worsening. As difficult as it is to change direction today, Israel's long-run trends are rapidly bring the country to a point in which the problems will become unsolvable – with all that this implies for the country's future.

According to Prof. Dan Ben-David, Executive Director of the Taub Center and a Tel-Aviv University economist, the severe economic crisis that the country is entering will require unconventional policies, and it is providing the country an opportunity to implement a comprehensive program that political reality made impossible in the past. This is a rare window of opportunity that will not remain open forever.

A Comprehensive Program for Reducing Inequality and Poverty and Increasing Economic Growth in Israel

First policy sphere: Creating Incentives and Providing Tools

In the Israeli economy, there is a disconnect between large sections of the population and many employers. A non-negligible portion of the former group is able to choose non-work as a way of life. Even if they wish to work, many lack the basic skills to function in a modern, competitive, and open economy. Conversely, employers in many fields are able to avoid compliance with labor laws applying to the employment of Israelis, creating an artificial profitability bubble. Israel must address these market failures in order to ensure that more Israelis will be employed, and that the productivity of those employed will increase and enable higher salaries.

The first policy sphere in the Taub Center Program concentrates on the micro level – workers and businesses. It includes replacement of non-work incentives with work incentives in the realms of tax policy, subsidies and assistance received by households, firms and organizations. Alongside the provision of employment incentives, the Program details steps designed toward



increasing knowledge, abilities and vocational skills that can substantially raise the number of Israelis with the tools and the ability to work in a modern, competitive, and open economy.

Second policy sphere: Creating a Supportive Environment

Even if incentives are provided to work and to employ, and even when workers are provided with tools that fit the needs of a competitive economy, failures in the surrounding environment still hamper the ability of many to work outside the home. The second policy sphere seeks to address these failures and to improve conditions enabling employment.

In order to enable a larger number of parents to enter the job market, there is a need to take care of their children. Additional steps include building a fast and inexpensive transportation infrastructure that connects between homes and workplaces in the periphery and the cities; a substantial simplification of cumbersome and complex bureaucracy causing delays and unnecessary costs across the interface between the private and public sectors; provision of equal rights and opportunities in training, work, promotion, and salary for women and minorities; and more.

Third policy sphere: Long-term Strategic Plan

Conventional wisdom notwithstanding, the problems of poverty and inequality that have steadily worsened since the 1970s, and the low rate of economic growth that has characterized Israel since that same decade, are not due to a lack of public resources. For many years, there has been no shortage in Israel's non-defense civilian budgets, and these budgets could have been used to prevent the deterioration in the socio-economic sphere that has transpired over the past three decades. It is all a question of national priorities. The lack of transparency in the allocation of funds has also contributed to the wasteful and ineffective use of public funds.

The state budget must be restructured on the basis of budgetary requirements reflecting national priorities. The civilian aspects of national priorities should include particular attention to the following issues: a comprehensive reform in Israel's education system (outlines of such a reform are detailed in the Program); immediate attention to the crisis in the country's higher education system; intensifying the degree of law enforcement; returning to the government the responsibility for providing a basic social safety net for those who are unable to cope on their own.

For more information, please contact the Taub Center's Communications Consultant, Yitzhak Revihia (054 799-9209) or the Center (02 567-1818).