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In the Wake of COVID-19: Important Questions for Israel in 2021 and Beyond

Taub Center Researchers
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Editing and lay-out: Laura Schreiber

Center address: 15 Ha’ari Street, Jerusalem, Israel
Telephone: 02 5671818     Fax: 02 5671919
Email: info@taubcenter.org.il   Website: www.taubcenter.org.il
In the Wake of COVID-19: Important Questions for Israel in 2021 and Beyond

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Israel’s experience throughout the COVID-19 pandemic has been much like a roller coaster ride. The first lockdown in March, the rapid opening and restart of the economy in April and May, the start of the school year followed by the almost immediate closing of schools, the inevitable second lockdown in September, reopening and re-closing. And, of course, more recently, the expectation (hope?) that the rapid pace of vaccinations will ease us into a smooth end to this ride, and that soon we will be back on solid ground.

This document is an attempt to map out some of the remaining bumps in the ride, what the solid ground will look like, how it will differ from our starting point, and what challenges and opportunities we will face in the coming years. In many ways, a return to the pre-COVID-19 status quo is not sufficient; we should seize the opportunities offered us by the crisis to propel society toward a brighter future. In this document we bring together a collection of insights from our top experts in the different policy fields studied at the Taub Center — macroeconomics, the labor market, welfare, education, demography, and, of course, health. The issues are all intertwined, as will become clear.

* Participants in the preparation of this survey (in alphabetical order): Prof. Benjamin Bental, Dr. Carmel Blank, Nachum Blass, Prof. Gil Epstein, Prof. John Gal, Suzie Patt-Benvenisti, Dr. Labib Shami, Prof. Yossi Shavit, Prof. Alex Weinreb, and Prof. Avi Weiss.
1. Economic growth: back on track?

GDP growth is the main macroeconomic indicator of the economy’s progress. At the beginning of 2020, a growth rate of 3.4% was expected. In reality, GDP for 2020 is lower than for 2019 by 2.5% — 5.9 percentage points less than the GDP would have been without the COVID-19 pandemic. Since the population in Israel grew by 1.8% in 2020, GDP per capita will decline by 4.3%, pushing the economy back to where it was in 2016.

If the vaccination program continues at a rapid pace, as it is expected to, the Bank of Israel is forecasting growth of 6.3% in GDP per capita in 2021 and 5.8% in 2022 (each relative to the previous year). In this case, GDP at the end of 2022 will almost close the gap and nearly return to the level it would have been without COVID-19. The forecast in the case of a slow rate of vaccination or some unexpected problem in the vaccination process (such as the appearance of resistant strains) lowers the expected growth rate to 3.5% in 2021 and adjusts the forecast to 6% in 2022. In this case, by the close of 2022, a gap of two years will remain in the growth of GDP per capita.

The forecast in the absence of the COVID-19 crisis assumes growth of 3.4% per year in GDP, i.e., 1.6% per year in GDP per capita.
2. The deficit: Expenditure cuts and higher taxes?

Will the new government manage to reduce the budget deficit to the levels needed to reduce the national debt, and if so, how quickly?

According to the Accountant General in the Ministry of Finance, government expenditure accounted for 28.4% of GDP at the end of 2019, while revenues stood at 24.7%. Accordingly, the deficit in 2019 was 3.7%. The data also show that in 2020 government expenditure grew by 22.5%, primarily due to the COVID-19 crisis (expenditure not related to the crisis grew by only 2.8%). The government’s cumulative annual expenditure in 2020 accounted for 34.5% of GDP while its revenue fell to 23% of GDP, a gap that created a deficit of 11.5%. The Bank of Israel expects that under a scenario of rapid vaccination, the deficit will decline to 8% in 2021 and to 3.6% in 2022 if the government adopts a budget policy as prescribed by law, or to 4% if not. In the more pessimistic vaccination scenario, the forecasted deficit for the next two years will be 11% and 6%, respectively.

2 See Estimated Budget Execution on the Ministry of Finance website.
The large deficit in both 2020 and 2021 has a significant effect on the national debt. Government policy on the expenditure side (allocations toward different government activities) and on the revenue side (taxation) is therefore of crucial importance, as will be explained in the next section. Recall that in both 2019 and 2020 the government operated without an approved budget, and until there is a new government, there will be no budget for 2021 either. Apart from dealing with the emergency situation created by the COVID-19 crisis, government activities have not been adjusted to meet the needs of the population and the economy. In addition, a Basic Arrangements Law has not been passed and few reforms have been initiated. Since Israel’s response to the COVID-19 crisis is highly dependent on government policies, which have financial implications, it will be important to track the economic performance of the new government after it has been established.

A reduction in the deficit can be accomplished by cutting expenditures and/or raising taxes. Given the wide socioeconomic gaps in Israel, it will be very difficult to make significant cuts in civilian expenditures without further harming disadvantaged groups (see section 6–8, 10–12 and 14). In recent years, the government has usually refrained from raising taxes, but it appears that in the current situation there may be no choice. The main question is which taxes will be raised and by how much. If there is a desire to avoid increasing inequality in Israel, then it will be necessary to refrain from raising indirect taxes, which are fundamentally regressive in nature.

3 The Basic Arrangements Law is a government-sponsored bill presented to the Knesset each year alongside the State Budget Law. It covers a broad range of issues the government seeks to promote and incorporates legislative amendments and reforms that underlie the government economic policy.
3. The national debt: back to a sustainable situation?

In view of the need to reduce the debt-to-GDP ratio, will the deficit be reduced and will there be a rapid return to growth?

Israel entered the COVID-19 crisis with a national debt totaling 60% of GDP, which is significantly lower than in most OECD countries. The budget deficit that resulted from the crisis in 2020 and the simultaneous drop in GDP will increase the debt to about 72% of GDP. According to the Bank of Israel forecast, under the assumption of rapid vaccination of the population, the debt will continue to grow to 76% in 2021 and will drop somewhat to 74% in 2022. Under the pessimistic scenario, it is expected that the debt will be 82% of GDP in the coming two years.

These debt-to-GDP ratios set Israel back by a decade or more. Nonetheless, the interest payments at current interest rate levels are not expected to be a major burden on the budget. In particular, as long as the GDP growth rate is higher than the interest rate, the debt can be rolled over from year to year while reducing its level relative to GDP. As of the end of 2020, the yield on Israeli government bonds with a 10-year maturity was about 0.8% in global markets. This is a low rate, but higher by 28 basis points than at the end of June 2020. At the beginning of March 2020, the interest was even lower at 0.42%, but it jumped by about 100 basis points within the first two weeks of the first lockdown. This volatility points to the potential risk that arises from a large debt-to-GDP ratio and requires scrutinizing the response of the global market, particularly after the formation of a new government and submission of a budget.

Even in an environment with reasonable interest rates, the government will have to take significant steps to return the debt-to-GDP ratio to a manageable level, among other reasons because a high ratio could jeopardize Israel’s credit rating and lead to a rise in the interest rate that Israel has to pay on its debt. In this regard, lowering the deficit is essential. In addition, it is important that the government take steps to advance growth and thereby reduce the debt burden relative to GDP.
4. Is there a threat to the stability of the financial system?

Will bankruptcies endanger the stability of the financial system?

In order to supervise the economy’s financial stability, we need to carefully monitor the system’s vulnerability, the shocks that threaten the system, and the system’s resilience to those shocks.\(^4\) The credit risks in the economy, which include the level of leverage (debt), the risk of default on loans, and households and businesses being unable to meet their commitments, are among the Bank of Israel's indicators of financial stability in Israel. In particular, a major wave of bankruptcies could undermine the stability of the entire system.

The financial system, under the guidance of the Bank of Israel, is helping households and businesses deal with the crisis, by means of deferring loan payments, including mortgage payments, and by expanding credit lines. These measures are meant to be temporary. Indeed, by the end of November, the period of deferral had ended for about 59% of the debt that had been deferred, where the rate of deferred debt for which the deferral period had ended was about 70% among large and mid-size businesses and about 74% and 64% among small and micro businesses, respectively. For private customers, the rate stood at about 52% of non-housing loans and about 56% of housing loans. As of the end of November, the total of all deferred debt was about NIS 161 billion, out of a total credit of about NIS 1,053 billion, or in other words, a rate of about 16%. This high rate of debt deferment calls for a close monitoring of the default risk in these sectors and an assessment of the threat to the stability of the financial system.

Monitoring financial vulnerability that is due to credit risk is particularly important in view of the fact that the close-to-zero interest rates are expected to continue for a protracted period. While low interest rates support the economic recovery, they may increase financial vulnerability in view of the high demand for cheap credit, which reduces the resilience of the financial system and the economy to future shocks.
5. A partial reduction in unemployment is expected but its components need watching

Unemployment will decline, but how many workers will become discouraged and leave the labor market entirely?

In recent years, the rate of unemployment hit a historic low rate of 3.8%. As a result of the pandemic, the broad unemployment rate rose to more than 20% in March 2020 and to more than 35% in April.\(^5\) After the economy opened again the rate fell to about 10% but returned to about 20% during the second lockdown in October. At the end of 2020, the rate was around 16%. Unemployment will decline considerably in the coming two years, although even the optimistic forecast predicts a rate of 5.4% in 2022, higher than Israel has seen in half a decade.

As time passes, the number of workers on unpaid leave will decline — some will return to their previous employment while others will not. Some of the latter group will find new employment, some will continue searching for work and still others will give up and leave the labor force entirely. Therefore, there are two statistics that are perhaps even more important than the unemployment rate. The first is the share of the working-age population that is employed, which better indicates the re-absorption of individuals who were on unpaid leave and, additionally, the integration of workers in new places of work. The second is the number of workers who exited the labor force as a result of the COVID-19 crisis — a rate that is likely to be higher among more vulnerable populations. This population will require the attention of the social welfare system (see Sections 8 and 9).

\(^5\) The standard definition of unemployment is limited to people who are not employed and searching for a job. The broad unemployment rate also includes workers who have been temporarily put on unpaid leave as a result of the COVID-19 crisis and also those who have given up searching for a job.
6. The return to work will not be uniform and it is essential to assist disadvantaged populations

Will disadvantaged populations succeed in returning to the labor market and how long will it take them to return?

Special attention should be given to the composition of the unemployed population. Unemployment is disproportionately concentrated among low-earning workers, the young, those with less education, and workers in specific industries like the food and tourism sectors.\(^6\) Thus, for example, 44% of the unemployed during the crisis were young, even though their share in the labor force is only 38%. These were the primary groups that were placed on unpaid temporary leave or were fired from their places of employment. There are already signs that these groups are finding it difficult to return to the labor market due to a mismatch between worker skills and employer requirements.

\(^6\) See the presentation by the Department of the Chief Economist, A Picture of the Labor Market, given at the Eli Hurvitz Conference, December 2020.
Moreover, studies show that extended periods outside the labor market affects worker skill levels and dramatically lessens their wages once they return to the labor market.7

These phenomena are liable to adversely affect the favorable trend in the distribution of income in Israel during the last five years, as witnessed by the decline in the Gini index by 0.5% indicating a reduction in income inequality. This drop was largely attributed to the entry of low-skilled individuals into the labor market (primarily Haredi (ultra-Orthodox Jewish) women). In view of the fact that these workers have been particularly hard hit by the COVID-19 crisis, the downward trend in the Gini index is likely to flatten out, if not reverse (see Section 10).

7. Training for low-skilled workers

Social welfare services play an important role in encouraging entry into the labor market through vocational training programs. The growing reliance on technology (such as the replacement of cashiers with self-checkout systems and the replacement of personal services with remote ones) is making it difficult for low-skilled workers to enter this new labor market. Vocational training programs are intended to enhance the human capital of those workers who have difficulty integrating into the labor force due to the lack of appropriate skills or to the fact that they belong to a marginalized social group. The Labor Department within the Ministry of Labor, Social Affairs and Social Services was established to create and implement programs of this sort. It was allocated about NIS 375 million last year for vocational training programs and programs aimed at specific populations and the unemployed. To date, due to objective impediments to implementing programs of this large a scale, only a small part of the budget has been utilized. Past experience shows that it is especially difficult to tailor vocational programs to the needs of varied populations, raising questions about their efficacy.

Recently, there has been a marked increase in the range of activities enacted by the Ministry of Labor and Social Affairs and Social Services in this area. Even though it would have been valuable to enact them from the start of the crisis, the current efforts are most welcome. The wider the scope of vocational training and the more populations that it reaches, the greater its potential positive influence on poverty levels and inequality in Israel, as well as on the ability of disadvantaged populations to improve their situation. Activities in this area and their degree of success in integrating disadvantaged populations into better paying occupations and workplaces should be monitored.

8. The difficulty in reentering the labor market and work grants

Will the state offer support to disadvantaged workers who reenter the labor market at low wages or will the number of “working poor” increase?

Even when the labor market recovers, returning to full employment is expected to be a lengthy process (see Section 5). One of the big challenges will be to find the optimal point at which the social security system encourages the unemployed to reenter the labor market while ensuring a reasonable standard of living for those who have not yet managed to do so. While redefining the limited period of eligibility for unemployment benefits is appropriate in the current situation, returning to the conditions of unemployment benefits that were in place prior to the crisis means readopting a limited paradigm of unemployment benefits that do not provide adequate protection for the unemployed.

In view of the difficulty that some unemployed people have finding suitable and reasonable employment, it is essential that, in addition to encouraging their entry into the labor market through vocational training programs (see Section 7), reasonable income levels be ensured both in order to keep workers in the labor market and to prevent further growth in the number of “working poor.” Alongside a minimum wage and guarantees of reasonable working conditions, a work grant can help achieve this goal (indeed, several policy measures of this type were adopted during the crisis). However, the work grant is low and therefore its contribution to confronting poverty in working
families is very limited. Moreover, uptake of the grant is also low — only 70% of those eligible have taken advantage of the grant. This tool could be much more effective if it increased the monthly income of all low-earning households. It should be remembered, though, that a benefit of this sort may also lead to more workers working clandestinely and may also lower their willingness to work longer hours in order to increase their income.

9. Remote work, internal migration and the effect on real estate prices

Will we see internal migration from the center of the country to the periphery or from the large cities to smaller ones?

During the lockdowns, many workers began to work from home. The phenomenon became widespread in many industries, especially in high tech (about 72% of the workers in information technologies and 61% in business and administration worked remotely in some capacity during the second shutdown). Many workers continued to work remotely part- or full-time even after the various lockdowns. There are strong indications that this trend will continue after the pandemic (for instance, in high tech, almost 40% of employers are interested in continuing remote work arrangements), which may, among other things, affect the demand for office space and, as a result, rental prices for office space.

This may have implications for residential patterns as well. Alongside those who prefer urban dwelling are those who choose to live in the city because they have to go to work every day, and proximity to their place of employment both minimizes commuting time and costs and increases access to more employment options.

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8 The Labor Force in 2020, employment during corona and actions by the labor branch, Ministry of Labor, Social Affairs and Social Services, February 2021 (in Hebrew).
The move to remote work during the COVID-19 pandemic has magnified advantages that are not connected to the labor market — like suburban living as well as residential options that are further afield. Thus, we might see a movement away from the center of the country toward the north and south, or out of bigger cities, in general, to residential options that are less expensive and offer more spacious dwellings and an improvement in quality of life. There are signs of this in both the US and the UK, with both experiencing increases in property purchases in rural areas and smaller cities. Indeed, PricewaterhouseCoopers 2021 UK Economic Outlook is predicting the first reduction in London’s population in the 21st century. Internal migration data will allow us to see if there are similar patterns emerging in Israel.

In addition, if the movement is substantial this could lead to a reversal in the housing price dynamics that have prevailed for a decade and more. It is conceivable that the demand for housing in the center could fall leading to a (relative) fall in prices, while those in the periphery could increase as more people seek housing solutions in those areas. There were some signs of this in Fall 2020 sales, which relative to 2018 and 2019, were strongest in the south of the country. Real estate sales in the south in the third quarter of 2020 were 31% higher than in the third quarter of 2018; they were 2% higher in Jerusalem; and they were lower in all other areas of the country. Housing prices in the south in the third quarter of 2020 were higher by 8% than in the third quarter of 2019, and 6% higher than in the third quarter of 2018. These are higher price rises than in any other area of the country. Such a move away from the center would have other effects as well as it would bring a more educated population to these more remote communities, affecting, among other things, the quality of schools.
10. A fear: Increasing poverty and inequality

Will the necessary steps be taken to prevent an increase in poverty and inequality?

The year of COVID-19 was, to a large extent, also the year of the welfare state. The system withstood a difficult challenge during the year and successfully provided an essential safety net for many citizens. According to the National Insurance Institute figures, the welfare state interventions — in the form of unemployment benefits and grants — reduced the incidence of poverty by half in 2020. However, now that an end to the crisis and a period of return to normal economic activity are expected, there is a risk that the welfare state system will return to its pre-crisis situation or even regress, especially in view of the expected demands to cut government expenditures (see Section 2). A reversal at this point is liable to bring about a considerable widening of social gaps and a deepening of distress among those living in poverty and in need of assistance.

Integration into the labor market will not be a feasible option for many individuals and families in distress, whether due to age, physical and/or emotional limitations, the lack of demand for their labor skills, or social barriers. Therefore, local social welfare services, social workers, and the social welfare non-profit organizations need to provide solutions to problems that were exacerbated during the crisis. This includes the large increase in the number of people applying for assistance, particularly regarding domestic violence (which grew by 9%) and financial distress (6%), and the increase in the number of new cases being handled (26%). To help social workers and non-profits deal with the extra load, a special fund was established to help non-profits, and social workers’ salaries were increased. Nevertheless, if at the end of the crisis there is a reduction in the size of the social security net and a cut in the social welfare budget, this will place an impossible burden on the local social services and will lead to the collapse of many social welfare non-profit organizations.

Compounding this problem, at the end of the period of eligibility for unemployment benefits (which is currently planned for the end of June 2021), many of the unemployed will be forced to rely on the income support benefit (see Section 6). This benefit has a number of limitations, including the fact
that the benefit is less than one-half of the poverty line and that an estimated one-third to one-half of those potentially eligible do not take-up the benefit. In contrast to the changes in unemployment benefit policies, the limitations of the income support benefit were not addressed during the crisis. Reinstating the previous unemployment benefit policies and leaving the income support benefit in its current format may create a large group of new poor, condemning them to economic and social distress.

In the decade prior to the COVID-19 crisis, the social welfare system was characterized by stability in social expenditure and a lack of any real change in the incidence of poverty. A number of new policy initiatives during the second half of the decade, the expansion of the labor market, and the raising of the minimum wage led to a measured improvement in the situation toward the end of the decade (hence the reduction in the Gini coefficient, Section 6). There is currently a fear that in the wake of the pandemic these achievements will be expunged, and that the situation of vulnerable populations may even worsen.

11. The adoption of remote learning

Remote learning is taking root and will likely become an integral part of the education system. The rapid and large-scale exposure of teachers, students, and parents to a variety of systems and technologies will lead to major changes in many layers of the education system. We mention a few of the more prominent ones. The first is a change in the balance between the various functions of the school, and in particular between its function as a provider of knowledge and skills and its social function of uniting different groups with a diversity of needs and sometimes conflicting outlooks to form a single cohesive society. The necessity to transition to online teaching has revealed both numerous possibilities for acquiring knowledge and skills through a means other than frontal school-based instruction and the problems implicit in the lack of in-person contact between students, and between students and teachers.

The transition to remote teaching as part of the routine educational experience necessitates several preliminary steps:

1. A determination of which subjects it is important to continue by means of frontal teaching in the schools and which can and should be taught remotely;
2. An assessment of the role of remote instruction versus traditional learning in schools for various subjects across different age groups;
3. A strengthening of teachers’ abilities to use new technologies and pedagogical methods to teach various subjects;
4. The creation of a consensus with the teachers’ unions regarding the inclusion of remote teaching as an integral part of a teacher’s work;
5. Closing gaps in infrastructure among schools (the level of computerization within the schools and the school’s connection to its immediate and remote environments) and among students (access to computers, fast internet, a home environment or one in close proximity that enables remote learning).

The steps taken so far, such as the distribution of 125,000 computers, are important, but the gaps are still large, and it is imperative to continue closing them to the extent possible.

Remote learning also has an influence on higher education. There are courses that cannot be taught online, such as courses with labs, and there are many courses in which remote learning is as effective as learning on campus and perhaps even superior to it. Though it is difficult at this stage to estimate what the scope of remote learning will be, it is reasonable to assume that universities and colleges will continue to teach some courses online. This may be a significant benefit for students living in the periphery who will not have to travel as frequently to campus as in the past and will be able to learn at home. As such, this transition to a more hybrid educational model may be particularly beneficial to socioeconomically disadvantaged populations and may improve economic mobility while reducing inequality and poverty. At the same time, the possibility of remote learning at the universities may strengthen the universities at the expense of the colleges.
12. Smaller classes and differential budgeting

Can smaller class sizes be retained, and if so, how?

The COVID-19 pandemic has exposed disparities in the education system in terms of technological infrastructure in the schools and in students’ homes (see Section 11). It has also strengthened the awareness of the fact that the solutions adopted — primarily remote teaching — have, in fact, widened academic gaps and have been to the detriment of disadvantaged populations from the perspective of both education and health. The need to shift to learning in small groups of no more than 20 students and to provide computer-based solutions to schools and students has led to a significant allocation of additional resources (NIS 4.2 billion). It has served to rapidly improve the technological infrastructure in schools and provided “end-user solutions,” i.e., computers and internet infrastructure, to some of the population that until the COVID-19 pandemic were at a disadvantage in this regard. Furthermore, and perhaps more importantly, a reality of smaller class sizes has been created – something that was practically unimaginable prior to this crisis. There is a real concern that during the next year or two there will be enormous pressure to reduce the Ministry of Education budget to its former size and the maximum class size to its prior level and perhaps even larger. In order to preserve the strides made possible by the COVID-19 pandemic, it is proposed that the principle of differential budgeting again be adopted in its original format. This principle is supposedly already in place today, however, it is only being partially implemented, with differential budgeting taking place only in primary and middle schools, where allocations are made on a per-class basis. It is worthwhile considering adopting differential budgeting throughout the education system — from kindergarten through high school — with a significantly higher per student budget for students from disadvantaged socioeconomic backgrounds than for those from stronger backgrounds. Additional channels that according to many can contribute to savings and greater efficiency in the education budget, and that have become feasible following the experience accumulated in the education system during the COVID-19 crisis, are the cancellation or significant downsizing of the bagrut (matriculation) exams and the shift to a five-day school week.
13. Strengthening the autonomy of local authorities and school principals

Will the current trend of strengthening the autonomy of local authorities and school principals that we have witnessed in the past year continue?

During the crisis, the Ministry of Education did not always demonstrate the ability and determination required to steer the system it is charged with overseeing. In contrast, the local authorities, the school principals, and the teachers succeeded, to one extent or another, in operating the schools under conditions of extreme uncertainty. The increased autonomy of the local authorities and the school administrations at the expense of the Ministry of Education’s centralized control is essentially a positive development, but it also involves a substantial risk of widening the gaps between school systems in more prosperous areas and those in areas with fewer available resources. There will again be a need to define, or perhaps redefine, the division of functions between the Ministry of Education and the local authorities.

A suitable division would have the Ministry of Education continue setting policy and guidelines for administration, supervision, and oversight of policy implementation, and providing guidance and assistance to the local authorities and schools that require it. On the other hand, the responsibility for day-to-day management and modification of Ministry of Education rules as indicated by local conditions would fall to local authorities, the directors of the education departments in the local authorities, and mostly to school principals. With the reallocation of functions and responsibilities, there will be a need to set clear rules regarding the scope of the powers to be transferred to each local authority — and perhaps also different levels of autonomy — based on its ability to wisely use those powers. The varying levels of autonomy among the local authorities to operate the school systems in their jurisdiction are meant to ensure that educational and social equality between the local authorities is not critically harmed. The differential transfer of power to the local authorities should be accompanied by the guidance and assistance of the Ministry of Education to the local authorities and schools that do not meet the organizational and professional baseline required by the Ministry. It would be beneficial for the process to take place together with a strengthening of voluntary cooperation and understanding among the various players: The
Ministry of Education, the local authorities, the school principals, the teachers and the teacher organizations, the community of researchers and other professional educators, and the parents. The creation of a National Council on Education could be an important step in this direction.

14. The effect on very young children

Will there be long-term damage to very young children?

Many studies worldwide indicate that attendance of early childhood frameworks by both infants and young children is likely to have positive benefits for children’s cognitive, academic, emotional, and social development, and also provides stimulation that encourages cognitive development. Therefore, apart from the instability and adjustment problems experienced by young children due to the opening and closing of preschool frameworks during the past year, the loss of learning days is liable to result in significant developmental lags. In addition, research in Israel and worldwide shows that more educated parents tend to invest more time in the cognitive development of their children relative to parents with less education. Therefore, while children from families with a strong socioeconomic status may have benefited from enrichment during the periods of lockdown at home, it is likely that children from families with a weak socioeconomic status, often with a large number of children, did not get the enrichment they would have received in a preschool setting. Therefore, it is likely that prolonged periods at home created a larger lag among children from disadvantaged socioeconomic backgrounds and has widened gaps in Israel, which were already wide. These gaps are expected to accompany these children into the future and even to widen in the long term.

Many families have also experienced a prolonged period of stress as a result of parents’ health and economic concerns, which have led to a high incidence of symptoms of depression, including apathy, avoidance, and exhaustion. The extended exposure of young children to this situation is also liable to disrupt their normal development and harm their long-term learning potential. The extended periods children are spending at home with parents who report that they themselves are suffering from fatigue and having difficulty
setting boundaries has also contributed to a significant rise in screen time. The adverse effect of screen time on child development manifests itself in numerous ways, from weight gain, sleep disorders, and attention problems to impairments in language development and lower scholastic achievements. Therefore, the World Health Organization has recommended that children up to the age of two not be allowed any screen time and from the age of two to five only one hour of screen time per day. Data gathered by the Taub Center indicate that during the second lockdown in September 2020, almost 70% of the parents reported that their children consumed more screen time than they do normally. More than 60% of children up to the age of two watched television and almost one-third of them watched for more than an hour. At later ages, the rates were even higher and screen time was even longer.

Figure 4. Distribution of responses to the question: How much screen time (Smartphone, computer, tablet, television, video games) does your child consume now compared to more normal times?

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<th>Less</th>
<th>Somewhat less</th>
<th>The same</th>
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<td>17%</td>
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Source: Taub Center researchers | Data: Survey conducted among parents of young children during the COVID-19 lockdowns by the Taub Center Initiative on Early Childhood Development and Inequality

There are a number of steps that can be taken to reduce the damage both in the short and long terms. These include: (1) psychological support and assistance to parents with young families; (2) media publicity on the wise use of screens; (3) encouragement of parents, and in particular those in disadvantaged populations, to spend time with their children in ways that contribute to their cognitive development; (4) encouragement of the teaching staff in government-supervised educational frameworks to reach out to their students’ parents to offer them guidance; (5) allocation of additional preschool
hours both in the coming year and in subsequent years; (6) improvement in the quality of early childhood education frameworks; and (7) preparation of primary schools to offset the developmental lags of the COVID-19 cohorts when they begin school in order to compensate for the deficits that have emerged.

15. Changes in healthcare?

To what extent will the transition to community care and the use of online medicine continue to grow?

With the onset of COVID-19, the government and the healthcare system invested additional resources in order to safeguard the functioning of the system and to improve it. Thus, for example, in order to deal with the expected morbidity from the virus and prepare for a level of morbidity much greater than ever previously experienced, about 500 new positions for physicians and about 3,200 beds were added to the hospital system, which represents an addition of 16% to the existing number of beds in the acute care hospitals. Of the additional beds, about 1,000 were standard beds and about 2,200 were temporary beds, placed in parking lots and protected spaces, areas not normally used for patient care. With that, the number of hospital beds and doctors per capita in Israel is low relative to that in other OECD countries, and this remains true even when adjusting for the age distribution. One important question is to what extent will these resources continue to be allocated after the pandemic is over?

Israel has faced a growing problem of pressure in emergency rooms and hospitals for many years, especially in peak illness times. Long waiting times and hospital beds in hallways are by now regular and expected scenes. There are those who argue that this is a sign of a dearth of hospital beds relative to some “ideal.” Others argue that the problem lies more in the locus of medical care, and that Israel should invest more in expanding community-based health care and not necessarily hospital care.

Indeed, the community-based health system has been one of the great success stories of the current pandemic. Centered around the health funds (kupot holim), this was the frontline for testing, vaccination, and the effective
maintenance of population health in general. Arguably, however, the real triumph of the health funds over COVID-19 predates the epidemic. The health funds were instrumental in reducing the incidence of severe COVID-19 cases because they were the key players in enacting effective preventive medicine in years leading up to 2020.

Another change in healthcare by the health funds has been in the provision of remote medical services, particularly appointments with doctors and nurses, which have become considerably more prevalent. On the assumption that telemedicine will continue after the crisis passes, this can potentially have a major effect on waiting times for doctor visits and the quality of service. An expansion of telemedicine services, along with increased care in the community including home hospitalization, could help overcome some of the shortcomings that currently exist in the system.

16. Other health effects of COVID-19

Will a solution be found to health issues that worsened during the COVID-19 pandemic?

COVID-19 took its toll on public health in other areas as well – first and foremost in the area of mental health. According to a November 2020 survey by the Central Bureau of Statistics, the mental health status of 30% of those over age 21 worsened during the crisis (compared to 20% in its May survey), with 19% reporting feelings of depression, 21% reporting feelings of loneliness, and 37% reporting feelings of stress and anxiety.10 According to a survey of 108 directors of mental health clinics conducted by the Mental Health Division of the Ministry of Health, there were dramatic increases in applications for mental health treatment during the second lockdown, with an average increase of 7% in applications for mental health care during the first lockdown as compared to the same period in the previous year, and an average increase of 20% in the second lockdown. Over 56% of clinics reported an increase in patients with applications that included suicidal content and ideation.11

The mental health issues arising from pandemic-related isolation and stress are likely to persist well after the pandemic is under control. Their incidence has increased from lockdown to lockdown, and with this proliferation of mental health challenges, the need for public mental health services offered through the health funds will only grow. Waiting times for diagnostic appointments and for psychological and psychiatric services were notoriously long even before the pandemic began. In January 2021, the Director General of the Ministry of Health called for a reduction in waiting times for diagnostic appointments to two weeks and waiting times to see a psychologist to six weeks. Yet in order to really shorten waiting times, there is a need for greater investment in the mental health infrastructure, including increased staffing in mental health clinics, higher salaries for public mental health professionals, increased incentives for the study of psychiatry (which will only have an effect over the long term), and raising awareness of short-term solutions that are in place, like mental health hotlines. The question, then, is whether sufficient investments will be made to allow resolution of the mental health issues generated by the COVID-19 pandemic in the short and long terms.

There is risk of increased waiting times and morbidity in other areas, as well. The Ministry of Health and the health funds noted decreases in diagnostic testing for serious illness (e.g., mammography, colonoscopy, fecal occult blood) in 2020 as compared to 2019. At least part of this is due to the public’s hesitation to seek care during lockdowns and periods of high infection rates. While this effect was greater in the early months of the pandemic, the year over year reduction was also substantial and points to a risk of both delayed diagnosis of serious disease, as well as a likelihood of increased waiting times for diagnostic tests as the pandemic subsides.

12 Fuchs, N., & Gal, I., The effects of corona: A dangerous drop in testing for other serious diseases in all the kupot. Ynet, 3 December 2020 (in Hebrew).
COVID-19 will have little direct effect on Israel’s demography. Unlike historical epidemics, the 3,338 deaths attributed to COVID-19 by January 1, 2021, added a mere 7–10% to the overall number of deaths that Israel would have experienced in 2020. Even if the roughly 2,600 deaths that have occurred since January 1 are added, the overall mortality is dwarfed by the roughly 182,000 births expected in 2020 (the numbers have not yet been released). In other words, overall population growth rates will hardly be affected.

Likewise, since those COVID-19 deaths disproportionately occurred among people older than 70, the epidemic as a whole has led to a moderate 2.4-month reduction in life expectancy in 2020. One question that demographers are asking is what the likely effects of COVID-19 are going to be on mortality and life expectancy in 2021. This is a particularly interesting question in Israel for two reasons. First, 2020 was a record-breaking low mortality year for people under 30, who make up about 50% of the population. Rates among people ages 0–19 were 23% lower in 2020 than they were in the 2017–2019 period, and they were 4% lower among people ages 20–29. Second, by the end of the epidemic, the population of elderly will be, arguably, a little healthier than it was immediately prior to the epidemic because of what population biologists call a “selection effect” — COVID-19 “selected” the weakest and sickest. Third, new investments in the health system this year (see Section 15), or changes in demand for health services are likely to continue to reduce morbidity and mortality rates. We are already seeing one positive sign: there have been no reported deaths during the 2020–2021 flu season.

All this means that even with the excess mortality in January and February 2021, we could see an increase in life expectancy by the end of 2021, and it may even be larger than usual.
18. Increased net immigration to Israel?

Will the expected increase in aliyah occur and to what extent?

One of the possible indirect effects of COVID-19 is on net migration to Israel, which has been increasing since 2008. There have been two main components to this increase. First, aliya (immigration to Israel) has been increasing: more than 33,000 new immigrants (olim) came to Israel in 2019, the first time that the number had passed 30,000 since 2002, and more than double the number in any year between 2008 and 2012. Second, with each passing year since 2002, fewer people have been leaving Israel, while the population has grown by 36%. In both 2001 and 2002, around 27,000 left. In 2017 and 2018, only 14,000 left.\(^\text{13}\)

Together, these movements have pushed net immigration into Israel above 20,000 people per year.\(^\text{14}\) There are some signs that this number will increase considerably over the next couple of years, as there has been a significant increase in the number of immigration “files.” The anticipated increase in aliya and returning citizens arises from three main factors. The first has been referred to as “Coronavirus Zionism”: countries with the largest Jewish communities outside Israel — the US, Russia, France, and the UK — have all experienced much higher COVID-19 mortality per capita than Israel, and, more recently, a much slower and faltering vaccination campaign (barring the UK and, to some extent, the US). Both of these facts carry weight when making the decision to come to Israel. Second, there is a straightforward push factor: in many countries, the rise of the populist right and progressive left, some of whose members are explicitly antisemitic, has accelerated because of the

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\(^\text{13}\) We use the Central Bureau of Statistics definition of someone who has left Israel as someone who has been out of the country for more than one year.

\(^\text{14}\) If we were to include undocumented immigrants — typically tourists who overstay their visas — the net positive gain would be greater.
COVID-19 epidemic, and is squeezing Jews from both sides.\textsuperscript{15} Third, there is an economic factor. Financial losses associated with the epidemic have reduced the appeal of staying put.

We need to be careful about how to attribute any potential increases over the next few years. For example, even if there is a substantial increase in immigration in 2021-22, some of that will merely compensate for the relatively low immigration during 2020, and some will also replace migration that would have occurred a little later. In the short-term, however, the effects will be felt here and need to be anticipated.

19. The effect of COVID-19 on fertility

Will fertility in Israel increase or decrease as a result of the COVID-19 pandemic?

How, if at all, will the pronatalist norms and practices that drive fertility in Israel be affected by the epidemic? There are two schools of thought.

One suggests that we will see a mini baby-boom. Young couples who have not yet reached their fertility goals may think it worthwhile conceiving now, since COVID-19 has prevented work or travel. The earlier exit of some of their parents from the labor force may also have made those elders more available for childcare — younger grandparents have a stronger pronatal effect than older grandparents.\textsuperscript{16} Being surrounded by death-related discourses may have increased younger couple’s motivation to “celebrate life,” which for some is expressed best in terms of fertility. Finally, and perhaps most simply, because

\textsuperscript{15} These are long-term trends widely documented by historians of antisemitism (e.g., see chapters 2-12 in Robert Wistrich’s \textit{A Lethal Obsession} (Random House); Chapter 7 in Walter Lacqueur’s \textit{The Changing Face of Antisemitism} (Oxford University Press); and for an interesting focus on the US, Stephen Norwood’s \textit{Antisemitism and the American Far Left} (Cambridge University Press). These trends are also widely documented on Jewish public opinion in Europe. See, for example, repeat surveys by the European Union Agency for Fundamental Rights (FRA), especially sections on Jews’ feelings of safety and security.

people are at home more, they may have had more frequent sex, which in itself leads to more pregnancy, since even the most modern forms of contraception are not 100% effective.

The other school of thought suggests that, if anything, COVID-19 will lead to a reduction in fertility. For many people, there is simply too much employment and financial insecurity. Changing cultural factors may be augmenting the power of these COVID-19-inspired economic considerations. Over the last few years, there have been emerging discourses about the legitimacy of being “childfree” in Israel, and about the ecological costs of children here and in highly developed and consumerist societies in general. These concerns may be amplified by COVID-19. Finally, alongside the loneliness and physical detachment foisted on the older generation by COVID-19, many grandparents felt a new freedom, and many will not give that up to serve as babysitters for their grandchildren.

Some mix of these two schools is also possible. For example, it may be that as the pandemic lengthened, the effects on fertility shifted from a more triumphant, proceptive fertility after the first lockdown in the spring to a more defeatist, contraceptive lack of fertility as Israel entered the second and third waves. Or perhaps different subpopulations’ fertility will diverge in new ways. In the Arab Israeli, Haredi, and religious communities, there is virtually no fertility outside of marriage, so any COVID-19-related reduction in the number of marriages will have direct effects on the number of first births 9 to 15 months later. This could, in turn, reduce lifetime number of births. The economic hardship could also have a detrimental effect on fertility. However, note that Haredi fertility may be somewhat less sensitive to economic pressures arising from the lockdowns — labor force participation and consumption-related expectations are already low, and various funding mechanisms for basic goods are already in place — which would imply no change at all beyond the effects of delayed marriage. A priori, it is not clear which of these will be the dominant force pushing fertility in Israel in 2021.
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The Taub Center was established in 1982 under the leadership and vision of Herbert M. Singer, Henry Taub, and the American Jewish Joint Distribution Committee. The center is funded by a permanent endowment created by the Henry and Marilyn Taub Foundation, the Herbert M. and Nell Singer Foundation, Jane and John Colman, the Kolker-Saxon-Hallock Family Foundation, the Milton A. and Roslyn Z. Wolf Family Foundation, and the American Jewish Joint Distribution Committee.