

ISRAEL

ETF Country PLAN 2007

1. Socioeconomic background

Israel, due to its high GDP and development conditions, is not a recipient of technical assistance from the EU or other international donors. However, as a partner in the Barcelona process and in the European Neighbourhood Policy (ENP), it participates in regional activities and in exchanges and partnership activities with EU member states. The ENP objectives for cooperation between the EU and Israel have materialised in an action plan covering a wide range of cooperation issues. It is within this context that Israel is a partner country of the ETF.

Israel's constant state of conflict and war with its neighbours has had a significant impact on economic and social conditions within the country, resulting in a large public sector, a major employment role played by the armed forces, and an important immigration programme that has directed resources and the architecture of—for example—the education sector towards integration and resettlement projects.

In a regional context, Israel is a wealthy, highly developed country with a diversified and integrated economy. Per capita GDP was 16,400 USD in 2004, making it comparable to several European countries.

In a relatively short time, the Israeli economy has moved from an agriculture-based collective system to a technologically advanced, knowledge-based, liberalised economy. This has led to the privatisation of a large number of public companies and increased government support for entrepreneurship and the establishment of small and medium-sized enterprises (SMEs). This transformation has been made possible by the development, over the past 20 years, of innovative knowledge-based industries, particularly in R&D and manufacturing-based high-technology fields.

The economic policy of Israel's governments since the stabilisation plan of 1985 has striven to reduce the state's share of GDP expenditure and to redirect economic resources to activities in the business sector in order to ensure sustainable growth. The percentage contribution of government expenditure to GDP has thus dropped from 63% to around 50%.

Government policies have encouraged industrial R&D, capital investment, currency liberalisation and privatisation, as well as human resource investment. This has allowed companies to develop and compete in the world marketplace, frequently as cutting-edge leaders.

The economy, which still has substantial government participation, depends on imports of crude oil, grain, raw materials and military equipment. Despite limited natural resources, Israel has intensively developed its agricultural and industrial sectors over the past 20 years. Although it imports substantial quantities of grain, it is largely self-sufficient in other agricultural products. Cut diamonds, high-technology equipment and agricultural products (fruits and vegetables) are the leading exports. The Israeli-Palestinian conflict, difficulties in

the high-technology, construction, and tourist sectors, and fiscal austerity in the face of growing inflation led to small declines in GDP in 2001 and 2002. The economy grew by 1% in 2003, however, due largely to improvements in tourism and foreign direct investment. In 2004, rising business and consumer confidence—as well as higher demand for Israeli exports—increased GDP by 3.9%.

The government's chief economic objectives are to increase the speed of privatisation of government-owned companies, minimise the number of foreign workers, reduce the size of the public sector, and move people off welfare (including immigrants and the ultra-religious segments of the population) into employment. Government spending on welfare services has been cut back, as have services provided by local authorities (which are also dependent on government funding).

The Israeli labour market is characterised by a relatively low labour force participation rate, a recent sharp reduction in the number of foreign workers, and efforts by the government to integrate the Arab and ultra-orthodox Jewish community in the active labour force.

Relatively high unemployment has led to a major effort to create jobs and move unemployed people from dependence on welfare to employment (for example, through the Mahalev programme, which aims to reduce the amount of people on welfare by 35%).

Out of the total population of Israel, about 2 million are outside working age, while some 4.8 million are of working age. Of these, about 2.6 million work. This figure includes 2.4 million Israelis, 180,000 foreign workers and some 20,000 Palestinians. There are also 150,000 soldiers on national service and some 50,000 in the standing army.

The employment rate (men and women) is 55.7%, the labour force participation rate 62.2% and the official unemployment rate is 10.5% in Israel. These figures represent a lower labour force participation rate, lower employment rate and higher unemployment rate than those for OECD Europe

Israel has a population of 6.4 million in the core part of the state (excluding administered territories). The majority of the population lives in urban centres (with only 8.6% residing in rural settlements)—due to the fact that most of the country, particularly the south and east, is desert—and 52% of the population live in the centre, 30% in the north and 18% in the south of the country. The average number of household members in Israel is quite high, at 3.54 in Jewish families and 4.91 in Arab households. The population growth rate is 1.2% per annum. With this annual growth, the current population of 6.4 million is expected to reach 9.25 million by 2025. The Arab population, which has a higher birth rate than the Jewish population, will represent 25% of the population by 2025. Given that Israel identifies itself as a Jewish state, in order to stop the decline in the Jewish share of the population, the government has encouraged and invested heavily in Jewish immigration to Israel from Jewish communities all over the world.

The poverty line in Israel is defined as a level of income equal to 50% of the median available income. In 2001, the number of poor families reached 319,000, representing a steady increase in poverty compared to 2000 and 1999. In 2001 the poverty index stood at 38.5% before transfer and tax payments, and at 26.9% after transfer and tax payments. This index has continued to rise steadily in recent years.

The number of low-income workers in Israel has risen since the 1980s and is one of the highest in the OECD countries, at 18% for Israel as opposed to 14% for Italy, 11% for Britain and Ireland, 8% for Austria and 7% for Finland. The Israeli economy is one of the few developed economies in which, since the 1980s, the income gap has increased between skilled workers/higher education graduates and unskilled/poorly educated workers.

Migration is not an important issue in Israel, but the massive immigration of Jews from countries as diverse as Yemen, Russia and the USA has had a number of effects on the labour market and on the provision of education and training within the country.

2. Key policy issues and strategies in human resource development

Current employment policy measures

Over the years, Israel has dealt with unemployment in a number of ways, most of which have been directed at the demand side, but some of which have been aimed at creating a supply, as follows:

- Subsidies for employers of new immigrants, mainly in the fields of science and technology.
- Grants to set up plants in areas earmarked for development to solve their high unemployment problems.
- Initiated works (special projects), including infrastructure work on road building and maintenance and the development and preservation of natural/archaeological sites.
- Investment in vocational training, which is rated as one of the main tools for upgrading the labour pool. In 2003 some 30,000 people studied for various qualifications issued by the Manpower, Training and Development Bureau of the Ministry of Industry, Trade and Labour.
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In July 2002 the government decided to reduce the training budget and to limit the amount of and length of entitlement to unemployment pay during training. Vocational courses are now mainly aimed at people receiving income support, who are unemployed, and/or who have had less than 12 years of schooling.

A number of measures have been introduced to increase the labour market participation rate. Among these are:

- Reduction of work hours and redistribution of work between employees (for example, introducing sabbaticals for employees).
- Incentives for employers, such as a reduction in national insurance payments for all employers as a way to encourage the hiring of new workers.
- Incentives for employees, such as negative income tax.
- Welfare-to-work programmes.

In order to increase levels of productivity, the government aims to promote the development of SMEs and of independent workers by providing training and credit facilities.

Other major trends in the Israeli labour market include integrating Israelis into the job market by permitting foreign workers to be hired only if the latter have special qualifications, and reducing public sector salary expenditure by reducing government office staffing levels.

Privatisation has been a consistent trend, with major consequences for the structure of the labour market. This policy has also increased the need to improve the flexibility and content of education and training provision in Israel.

Human resource development policies

A number of factors have increased pressure on the technical and vocational education and training (TVET) system in Israel. Geopolitical and security considerations force Israel to manufacture products of a very high standard. As a relatively small country, Israel finds it difficult to compete on world markets for mass-produced goods, although it is able to compete in technology-intensive markets, for which skilled manpower is required.

It is acknowledged that Israel has one of the most skilled workforces in the world. However, the gap between the best and weakest students is widening, and Israelis are becoming increasingly dissatisfied with the level of skills and qualifications that the TVET system is able to deliver.

TVET and human resource development (HRD) are at present more focused on responding to the needs of trade and industry (with industrial-model schools) rather than of the services sector. This represents an important gap in the system and, together with widening education

gaps between different parts of the population and the low-achiever status of the TVET system, is a major issue that needs to be addressed in order for the TVET system to switch to the information economy, which now accounts for a significant proportion of the Israeli labour market.

Israeli student achievements in the international PISA and TIMSS exams have shown a sharp decline; even more worrying is the increasing gap between high-performing and weak students. The increasing involvement of industrial and economic figures in education, along with various pressures and political needs, led the government, at the initiative of the Minister of Education, to appoint the Dovrat Commission in September 2003, followed shortly thereafter by the Preiss Committee. Both of these delivered reports in 2004.

The main conclusions and recommendations were:

- Reinforcement of public education: A shared cultural and value system infrastructure needs to be created for the country's citizens in order to strengthen social cohesion, based on an obligatory core curriculum for all sectors of Israeli society.
- Bridging gaps: The educational system needs to bridge gaps stemming from the socioeconomic background, ethnic origin or place of residence of students, with special emphasis needing to be placed on closing the divide between the Jewish and Arab sectors.
- Improvements in teaching quality and status: The quality of teacher training needs to be improved, the scope of work of teachers needs to be widened, and rates of pay in the teaching profession need to be substantially raised. Teachers should be present at school five days a week, eight hours a day.
- Strengthening the status and independence of schools: Schools should be given full responsibility, authority and autonomy in pedagogical, budgetary and organisational issues.
- Target-oriented and results-driven education: Educational vision and objectives need to be translated into clear priorities, with measurable objectives and long-term planning.
- Decentralisation of management: The Ministry of Education should elaborate policies, provide budgets, set standards and oversee performance. Operational functions in regard to running nurseries and schools should be transferred to regional educational administrations. Each school should be responsible for meeting preset objectives and for the achievements of its students.
- Measurement and assessment, accountability and transparency: These goals should be incorporated in the management culture throughout the entire education system.
- Strengthening the early stages of education: Considerable reinforcement is required for early childhood education, nurseries, and the first years of primary school.
- Pooling of resources and greater efficiency: Teaching budgets for nurseries and schools should be allocated on a differential basis according to the socioeconomic status of the student, with preference given to weaker population elements. At least 90% of education budgets need to be transferred directly to schools and nurseries, and the management overheads of the Ministry of Education and regional education administrations should not exceed 10%.
- TVET for HRD should include basic literacy in four key areas: These areas are the mother tongue, English, mathematics and the information and communications technologies. TVET should also include lifelong learning skills, especially in the domain of personal and interpersonal skills, values and ethics.
- Forecasting HRD needs in Israel: A council or national authority should be created to function as a legally defined statutory body, with a structured, systematic mechanism and an adequate, designated budget for ongoing HRD needs analysis and forecasting.
- Establishment of an R&D and implementation model for constant updating of TVET curricula.

3. EU and other donor policies and interventions

As mentioned above, Israel, due to its high GDP and its developed economy, is not a recipient of international HRD aid. However, it is a partner of the EU in the Euro-

Mediterranean Partnership (MEDA) and participates in regional programmes like the MEDA-funded Education and Training for Employment (ETE) project, among others.

Cooperation with the EU is now channelled through the ENP, and specifically, through the ENP action plan and the European Neighbourhood and Partnership Instrument (ENPI). The issue of support to HRD focuses particularly on people-to-people contacts. The main aim is to foster the participation of Israel in HR programmes operated by the EU or by EU member states, as an instrument for the further development of the HR system in the country and as a source of inspiration for some of the reforms that the Israeli authorities wish to implement.

4. Mid-term perspective ETF intervention strategies contributing to added value in national, EU and donor reform-support policies

ETF strategy aims at contributing to prosperity and development in the European region through cooperation and partnership in human resource policy development and implementation. In accordance with its mid-term perspective (2007-2010), the ETF will seek to improve HRD in Israel in the areas of education and training from a lifelong perspective, as also in regard to labour market issues.

Given that Israel is a non-recipient of technical assistance, and given the recent political developments in the region, the ETF will closely follow the strategy and indications of the European Commission (EC) in terms of support.

In particular, the ETF will focus on contributing to the participation of the West Bank and Gaza Strip in the ENP, by monitoring the implementation of the ENP action plan in HR-related aspects. This will be combined with country intelligence (updated information on the status of HRD issues in Israel), networking, and contacts at the technical and expert level with relevant stakeholders.

At the same time, the ETF will foster the participation of Israel in EU regional programmes, namely, MEDA-ETE (implemented by ETF) and the Euromed Charter for Enterprise.

The ETF will also develop the conceptual work for the establishment of future networks. Apart from the expert networks existing in programmes like ETE, the ETF will develop concepts for networks in the ENP region, in which Israel will play a part.

In the mid-term, providing there is a mandate from the EU and given stable political and security conditions, the ETF will support technical exchanges of best practices between Israel and EU member states, along the lines described in the ENP action plan. This will lead to improvements in innovation and quality—two areas that have been identified in Israeli policies as key areas. Another potential area for cooperation is in connection with the observatory function (OF) project, which links in with the Israeli priority of setting up a system for forecasting and monitoring HRD needs in the country.

5. Work programme 2007: objectives and indicators

ETF objectives for Israel: To contribute to HRD in Israel, in line with EU cooperation priorities and through regional activities.

PROJECT NUMBER	PROJECT TITLE	SPECIFIC COUNTRY OBJECTIVE	EXPECTED OUTCOMES	ACHIEVEMENT INDICATORS	SOURCES OF VERIFICATION	(YEARLY) OUTPUTS	PROJECT DURATION
ENPI07-01	Facility to respond to EC requests	To contribute to the implementation of ENP objectives in Israel in the HRD field	As a result of the monitoring of the ENP action plan, analysis and relevant information provided as input to EU programming and in contribution to the definition and monitoring of EU external policies	<ul style="list-style-type: none"> Report on the monitoring of HRD priorities in the action plan for Israel provided by ETF at the request of EC services. ETF input is considered in the EC documents 	EC reports on monitoring of the action plan, Other programming documents	Input on state of implementation of ENP action plan on VET issues	2007
ENPI07-02	Entrepreneurship learning and skills development	To support the EC in the implementation of the Euro-Med Charter for Enterprise	<ul style="list-style-type: none"> Data on progress and status in line with the objectives of Charter enable comparisons with MEDA region countries Synergies between developments in the Charter and MEDA regional project on education and training Dissemination and exchange of experiences between the Charter and MEDA regional projects participants on entrepreneurship and skills development 	<ul style="list-style-type: none"> Contribution to the working group on entrepreneurship Monitoring indicators of the Charter developed and put in place 	Enterprise and Industry DG National coordinators for implementation of the Charter Progress reports	Progress report 2008 Report by the working group on entrepreneurship	2007

ENPI07-03	MEDA – ETE	To support MEDA partners in the design of relevant technical and vocational education and training policies that can contribute to promoting employment through a regional approach	<ul style="list-style-type: none"> Enhanced national capacities on specific issues linked to education and training reform Contribution to the setting up of a permanent OF network at the national level through exposure and participation to the regional OF network Relevant information and analysis on issues relevant to education and training reform in Israel (in particular apprenticeship and quality) Enhanced dissemination and exchange of experiences on issues related to education and training reform between EU member States, partner countries and other donors 	<ul style="list-style-type: none"> Participation of relevant Israeli stakeholders in the annual forum Participation of relevant Israeli stakeholders in the events organised for each component <p>Expert input by Israeli stakeholders provided in the preparation of thematic and comparative reports</p>	EC National authorities MEDA countries Mission reports Progress report	Annual project forum Yearly work plan Six monthly progress reports	2007-2008
ENPI07-07	Networking	To reinforce regional exchanges of experiences on sector policy development and implementation	<ul style="list-style-type: none"> Strengthened policy formulation and implementation capacities of Israeli stakeholders in overall or specific reform issues Dissemination and networking activities (including peer reviews) that expose Israeli stakeholders to EU policies, and those of EU member states and other partner country experiences on education and training sector reform in the region 	<ul style="list-style-type: none"> Selected stakeholder participation in network activities and provision of relevant input when requested New networks are fully operational in an integrated manner at the national and regional levels and in coordination with other ETF networks 	ETF quarterly reports Project plan for 2008	Concept note and work plan	2007-2013