



COUNTRY ANALYSIS 2005
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Summary

A number of factors have contributed to increased pressure on the technological and vocational education and training (TVET) system in Israel. Due to geopolitical and security considerations, Israel is forced to manufacture products of a very high standard. As a relatively small country, Israel finds it difficult to compete on the world markets in mass-produced goods, but it is able to compete in technology-intensive industry with a high demand for skilled manpower.

It is recognised that Israel has one of the most skilled workforces in the world, but at the same time 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.

The Israeli government initiated two major studies aiming at analysing current TVET provision and making policy recommendations: the Dovrat Commission and the Preiss Committee. Both of these delivered reports in 2004.

Israel is outside the scope of most donor funding instruments for TVET reform due to its GDP. However, within the processes of upgrading its TVET system and related labour market policies, Israel could greatly benefit from exposure to other countries' policies in education and training, and notably also those of European Union.



1. Current situation and trends in human resources and labour market development in Israel

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 SMEs.

The Israeli labour market is characterised by a relatively low labour force participation rate (62.2%), a recent sharp reduction in the number of foreign workers, and efforts by the government to integrate the Arab and ultra-orthodox Jewish community into the active labour force.

Unemployment is relatively high at 10.8%, and this has led to a major effort to create jobs and move unemployed people from dependence on welfare to employment (through the Mahalev programme, for example). The programme is aimed at reducing the amount of people on welfare by 35%.

Background

The state of Israel is located in the eastern Mediterranean, bordering Lebanon and Syria to the north, Jordan to the east and Egypt to the south. It has a total area of 22,145 km². The territories of the West Bank and Gaza Strip are governed by the Palestinian Authority, although Israel administrates a number of Jewish settlements in the West Bank.

Israel has a population of 6.8 million in the core part of the state (excluding administered territories). The majority of the population lives in the urban centres (with only 8.6% residing in rural settlements), due to the fact that most of the country, particularly in the south and east, is desert. 52% of the population live in the centre of the country, 30% in the north and 18% in the south. 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.

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 role for the armed forces as an employer, and an important programme of immigration that has directed resources and the architecture of (for example) the education sector towards integration and resettlement projects.

Economic context

In a regional context, Israel is a wealthy, highly developed country with a diversified and integrated economy. Per capita GDP was US\$16,400 in 2004, which is comparable to several European countries. The economy has moved from an agriculturally based, largely collective (kibbutz) economic system to a technologically advanced economy in a liberalised global marketplace.

This transformation has been made possible by the development over the past 20 years of innovative knowledge-based industries, particularly in research and development and manufacturing-based high-technology fields.

The economic policy of Israel's governments since the stabilisation plan of 1985 has strived 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 of government expenditure to GDP has gone down from 63% to around 50%.

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

The economy still has substantial government participation. It depends on imports of crude oil, grains, raw materials and military equipment. Despite limited natural resources, Israel has intensively developed its agricultural and industrial sectors over the past 20 years. Israel imports substantial quantities of grain, but is largely self-sufficient in other agricultural products. Cut diamonds, high-technology equipment and agricultural products (fruit 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 at 1% in 2003, with 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 on welfare (including immigrants and the ultra-religious segments of the population) into employment.

Labour market developments

Government spending on welfare services has been cut back, as have services provided by local authorities (which are also dependent on government funding). As a result, welfare services for the

individual, especially in towns with socio-economically weak populations, have suffered. The welfare services that have been affected by serious budget cuts are those that are not protected by law.

Demographic trends

With the current annual population growth rate of 1.2%, 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 comprise 25% of this number by 2025. Within the context of Israel identifying itself as a Jewish state, and in order to stop the decline in the Jewish share of the population, the government has encouraged and invested heavily in immigration of Jews to Israel from Jewish communities all over the world.

An increase in the ultra-orthodox sector of the education system is very noticeable and in 2003 reached 24% of all primary school children (and about 20% of the whole system). Data show that the vast majority of this increase stems from natural expansion.

Key labour force characteristics

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 permanent army.

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

At the end of 2004, the number of foreign workers was estimated at some 188,000; 96,500 of these did not have work permits, and 91,500 did. Of those with permits, 96% came mainly from 12 countries including Thailand, the Philippines and Romania. Women constituted 28% of those with permits. The percentage of foreign workers in Israel is about nine, which is high in comparison to European countries such as Austria and Germany. It is a clear policy of Israeli governments to decrease the number of foreign workers and encourage Israeli/Jewish workers to take their jobs.

Poverty

The poverty line in Israel is defined as a level of income equal to 50% of median available income. In 2001, the number of poor families reached 319,000; the total number of individuals in these families was around 1.17 million, of whom 531,000 were children. This shows 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 also 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 – 18% in Israel as apposed to 14% in Italy, 11% in Britain and Ireland, 8% in Austria and 7% in Finland. The Israeli economy is one of the few developed economies in which gaps in income have increased since the 1980s between skilled workers and those with higher education on the one hand and unskilled, poorly educated workers on the other. This trend is continuing due to a number of factors. One of the most significant is the fact that economic growth in Israel is strongly driven by advanced technology and ICT. Therefore, an increase in GDP per capita does not lead to a rise in relative wages for unskilled workers or to a reduction in wage gaps or in the scope of poverty. Moreover, the weakening of the unions in Israel and the declining importance of collective work and salary agreements have increased gaps in income. The strengthening of HR contractors is a third reason why wages have stayed so low for “weak” workers – the unskilled, the uneducated, the very young or very old, women, immigrants, and so on.

Migration

Migration does not appear as a main issue in Israel nowadays. However, massive immigration of Jews from countries as diverse as Yemen, Russia and the US has had a number of significant effects on the labour market and the provision of education and training within the country.

Current employment policy measures

As in other developed countries, the current labour market is characterised by globalisation of both manpower and products, and a rapid rate of change in professions and their required skills. The accelerated penetration of new technologies creates a need for a skilled and educated labour force and reduces the need for unskilled workers. In Israel there are additional factors contributing to rising unemployment, such as a significant increase in the number of foreign workers on the one hand, and an increase in immigration from the eastern countries of the former Soviet Union and Ethiopia on the other.

Over the years, Israel has dealt with unemployment in a number of ways. Most of these have been directed at demand for work, but some have been directed at creating job supply.

- *Subsidies for employers*: subsidising salaries of new immigrants, mainly in the fields of science and technology.
- *Grants to set up plants in development areas*: to solve the problem of high unemployment rates in these areas.
- *Initiated works (special projects)*: infrastructure work in building and maintaining roads, and the development and preservation of nature/archaeological sites. These projects were run mainly in the Arab sector and developing towns, but were only partially successful due to inappropriate classification of workers.
- *Vocational training*: one of the main tools for upgrading the supply of labour. In 2003 some 30,000 people studied for various qualifications given by the Manpower, Training and Development Bureau (MTDB) of the Ministry of Industry, Trade and Labour (MoITL).

In July 2002, the government decided to reduce the training budget and to limit the amount and length of entitlement to unemployment pay during training. Today, vocational courses are mainly for those receiving income support and unemployment and who have 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: a reduction in payments to National Insurance for all employers as a way to encourage the hiring of new workers.
- Incentives for employees: the idea of offering negative income tax for employees.
- “Welfare to work” programmes: the most notable programme currently operating in Israel is called Mehalev (“From the heart”) “From dependence on welfare to ensured employability”. This scheme is based on a concept developed in Wisconsin, USA, and has established experimental employment centres in four settlement regions in Israel over the last two years.

HRD trends

Two committees were appointed to make recommendations to the government on HRD in Israel: the Dovrat Commission, a national task force for the advancement of education in Israel; and the Preiss

Committee, a group tasked with examining technological tracks and subjects. Both of these committees published their reports at the end of 2004. The main conclusions and recommendations were:

- TVET is focused on responding to the needs of trade and industry, so while the MTDB deals with the formulation and control of policy for vocational training, the actual implementation of TVET is carried out by private or public companies and educational and training networks.
- TVET in a context of HRD should include significant basic literacy in four areas: mother tongue, English, mathematics and ICT. It should also include lifelong learning skills, especially in the domain of personal and interpersonal skills, and values and ethics.
- It is necessary to invest well-focused resources in TVET programmes with a clear affirmative-action approach. This is particularly true in a context where education gaps between different parts of the population are great and the differences between the salaries of skilled, educated workers and unskilled, uneducated workers grow constantly, while increasing numbers of families and children are living below the poverty line. The reports recommend that this be done in order to support the under-represented groups in the economy, including minorities, new immigrants, women, single-parent families, unemployed, income subsidy recipients and residents of developing towns. These groups should be systematically encouraged and motivated to access and take advantage of the TVET programmes directed at them.

One of the reports recommends that a sort of Council or National Authority be set up to forecast HRD needs in Israel. Such a Council should function as a legally defined statutory body, with a structured mechanism and adequate, ear-marked budgets for ongoing HRD needs analysis and forecasting. This report also advises establishing research and development and implementation model for constant updating of TVET curricula.

In the area of SMEs, and in order to promote their development and increase levels of productivity, the government has some programmes for the provision of training and credit facilities.

Other major trends in the Israeli labour market include integrating Israelis into the job market by hiring foreign workers only if the latter have special qualifications, and reducing salary expenditure in the public sector by reducing the number of personnel in government offices.

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

2. Contribution of HRD to socio-economic development

The Israeli public has become increasingly dissatisfied with the country's education system. Israeli students have not performed well in PISA tests and there is an increasing gap between weak and high-performing students. The Dovrat Commission, charged with carrying out a comprehensive examination of the Israeli education system, has urgently recommended that the Israeli government create a new vision for the TVET system, develop a programme of reform in areas such as reinforcement of public education, bridge the gaps in education resulting from students' socioeconomic backgrounds, improve the status of pre and in-service training for TVET teachers, and introduce results-driven education.

Technological and vocational education and training is the responsibility of two government ministries: the Ministry of Education (MoE), through its Science and Technology Administration, and the MoITL, through the MTDB. There are two parallel processes of TVET under the auspices of these two ministries: for young people (under the age of 18) in technological tracks in comprehensive schools, and for adult training of students over 18 in colleges for technicians and practical engineers. One of the more significant challenges is to develop cooperation between the MoE and MoITL in order to formulate a joint coordinated policy of TVET for HRD in Israel, taking advantage of the experience and expertise gained in both ministries.

Compulsory education

In Israel, primary school covers grades 1 to 6, junior high school grades 7 to 9 and senior high school grades 10 to 12. Senior high school is divided into the academic, technological and vocational, and agricultural tracks; most students follow the academic track, which is followed in popularity by the technological and vocational track.

Within the MoE, the Science and Technology Administration is responsible for the development of curricula, teaching and learning materials, teacher training courses, standards for equipment, and so on.

Vocational education and training under the MoITL

There are three main frameworks within vocational education and training for young people:

- industrial schools, which operate in cooperation with large industrial enterprises. The students are placed in jobs in the enterprise and receive a salary according to the hours worked and their vocational seniority;
- apprenticeship schools, where a number of small factories jointly operate a study workshop in a regional centre – a school for apprentices. The apprentices work in the factories and study for between one and three days a week; and
- work groups and courses for adolescents aged 15–17.5 who neither study nor work but learn at apprenticeship schools for between one and three days a week over a period of one to three years.

Adult vocational education and training is organised into five main frameworks offering a wide range of courses in numerous institutes, training centres, training networks and public organisations:

- vocational training courses at vocational centres;
- training and rehabilitation courses for handicapped people;
- training for technicians and practical engineers, under the responsibility of the National Institute for Technological Training;
- professional retraining for people with an academic degree; and
- in-house training for employee skills upgrading and for the unemployed.

The training of technicians and practical engineers forms a significant part of the post-secondary VET system and takes place in vocational colleges run by educational service providers such as ORT, AMAL, ATID and the College of Administration. Students pay fees, but the courses are also subsidised by the government.

TVET in the context of HRD

TVET and HRD are at present more focused on responding to the needs of the trade and industry (“industrial-model schools”) than to the service sector. This is an important gap in the system and, together with increasing education gaps among 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 change towards the “information economy”, which now comprises the majority of the Israeli labour market.

Recent reforms

As mentioned above, in recent years the Israeli public has become increasingly dissatisfied with the quality and outputs provided by the education system. Israeli students' 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. Incidents of violence among youth and an inadequate school climate have heightened criticism of the education system. 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. The Commission was asked to carry out a comprehensive examination of the education system in Israel and recommend a programme for overall change – structural, organisational and pedagogical – along with guidelines on how to implement such change.

In December 2004 the comprehensive report of the Commission was published. It described the existing situation of the Israeli education system, a new vision for the system, a programme of reform, and recommendations and guidelines for implementation. Its main recommendations were:

- Reinforcement of public education: creating a shared cultural and value system infrastructure for the country's citizens in order to strengthen their social cohesion, with an obligatory core curriculum for all sectors of Israeli society.
- Bridging the gaps: the education system must bridge the gaps stemming from the socioeconomic background, ethnic origin or place of residence of students, with special emphasis on closing the divide between the Jewish and Arab sectors.
- Significant improvement in the teaching profession and its status: the quality of teacher training will be improved, teachers' scope of work will be increased, and rates of pay in the teaching profession will be substantially raised. Teachers will be present at school five days a week for eight hours a day.
- Strengthening the status and independence of schools: schools will be given full responsibility, authority and autonomy in pedagogical, budgetary and organisational issues.
- Target-oriented and result-driven education: translating educational vision and objectives into clear priorities, with measurable objectives and long-term planning.
- Decentralisation of management: the MoE will be a body that sets out policy, provides budgets, sets standards and oversees performance. Operational functions will be transferred to regional educational administrations that will run the nurseries and schools. A school will be responsible for meeting preset objectives and for its students' achievements.
- Measurement and assessment, accountability and transparency: these will all become part of the management culture throughout the education system.
- Strengthening the early stages of education: considerable reinforcement of early childhood education, nurseries and the first years of primary school.
- Pooling of resources and greater efficiency: the teaching budget in nurseries and schools will be allocated on a differential basis according to the socioeconomic status of the student, with significant preference for weaker populations. At least 90% of the education budget will be transferred directly to the schools and nurseries, and the management overhead of the MoE and regional education administrations will not exceed 10%.

These recommendations have not yet been fully implemented; this is due mainly to budgetary problems related to the high cost of improving physical infrastructure and increased salaries for teachers.

The Preiss Committee, which in 2004 was charged with recommending improvements to the technological subjects and tracks within the domain of the MoE, has also encountered implementation problems with its recommendations, as financial incentives to improve technological education in each school have not been allocated by the government.

Public contribution

The move of the MTDB to the MoITL reflected a number of new policy directions for employment and vocational training. These resulted in cutbacks for the TVET sector and a trend towards cheaper and shorter courses consisting partly of on-the-job training in order to respond to the urgent needs of industrial enterprises. Some examples of this trend are:

- vocational training for the construction industry;
- in-service and on-site training for 2,000 construction craftsmen to replace non-Israeli workers. This programme is a joint venture with the Employment Services and the Construction Association;
- pre-employment orientation workshops aimed at developing employment skills, motivation and personal skills in preparation for re-entry into VET and the job market;
- employment greenhouses, which mainly target new immigrants through training and working in a protected environment; and
- a programme for integrating single parents into the job market.

Most of these programmes are tendered to education service providers and education networks.

Private contribution

The private sector provides targeted training for its own employees. One example of this is Israeli Aircraft Industries (IAI), a private company that provides training in a wide range of technological subjects, methodologies of training, and training needs analysis, and integrates new technologies into on-the-job training.

It is claimed by industrialists, among them IAI, that Israel has no national policy for forecasting the HRD needs of its labour market and its economy and that the country will need a more coordinated effort to improve its HRD provision in order for Israel to increase its presence in a dynamic, changing and global market.

3. Current EU interventions in education and training in Israel

Due to Israel's high per capita GDP, there have been no major interventions by donors in TVET education in the country. Israel participates in the MEDA Education and Training for Employment regional programme (ETE), implemented by ETF on behalf of the European Commission.

4. Significant investment by other donors in the field of HRD

The only major donor activity in HRD in Israel consists of contributions from Jewish foundations and individuals to educational establishments, service providers, universities, among other institutions.

5. Main challenges for HRD and labour market related reform and modernisation processes

It appears that a major portion of the TVET system, both in subject matter and in teaching and learning methodologies, is not keeping up with contemporary developments in industry. The transformation from

the industrial economy model to the information economy model is at present the main challenge for the provision of TVET in Israel.

There is a need for a well-coordinated, structured and integrated national effort involving the MoE, MoITL, Industrialists Association and trade unions aiming at addressing issues such as curricula upgrading, introduction of new methodologies and didactics, designing in-service and pre-service courses for teachers and trainers in technological and vocational education, or upgrading equipment within education institutions.

6. Levers in HRD and related labour market policies through which sustainable system reform can be triggered

The main levers for systemic reform would be through long-term investment and multi-year annual planning for education and training, which would imply a national policy promoting the development of human capital.

There should be a national strategy for the development of education and training. Implementation should include public and private institutions, organisations and companies. Israel has bodies with a great deal of experience in education and training, such as the technological school networks; in accordance with government guidelines, these bodies can focus their activities on the current and future education and training needs of the economy.

The most relevant cooperation instrument in TVET and labour market development is the opportunity for Israeli policymakers to become exposed to best practice in education and training in EU Member States. Topics for making such cooperation relevant to the continued development of HRD in Israel include:

- VET teacher training systems;
- cooperation between the government and social partners in TVET and the labour market;
- systems for forecasting HRD needs;
- financing of TVET;
- lifelong learning instruments.

HOW TO CONTACT US

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