A Picture of the Nation

Israel's Society and Economy in Figures

Avi Weiss

2023

- Macro-Economic Trends
- Labor Markets
- Spotlight: Gender & Sectoral Labor Market Differences
- Demography
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- Education

TAUB CENTER
FOR SOCIAL POLICY STUDIES IN ISRAEL

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Avi Weiss

Taub Center for Social Policy Studies in Israel
Jerusalem, June 2023

The research upon which most of the figures and analyses in this booklet are based can be found in the ***State of the Nation Report 2022*** and other Taub Center publications

Taub Center for Social Policy Studies in Israel

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The Taub Center is an independent, nonpartisan, socioeconomic research institute based in Jerusalem. The Center conducts quality, impartial research on socioeconomic conditions in Israel, and develops innovative, equitable and practical options for macro public policies that advance the well-being of Israelis. The Center strives to influence public policy through direct communications with policy makers and by enriching the public debate that accompanies the decision making process.

Center address:
15 Ha'ari Street, Jerusalem, Israel
Tel: 972 2 567 1818
Fax: 972 2 567 1919
Email: info@taubcenter.org.il
Website: www.taubcenter.org.il

English lay-out: Laura Schreiber

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FOREWORD

It is my honor and pleasure to present the 2023 edition of *A Picture of the Nation*. As in the past years, we present the situation and trends in each of the main areas researched at the Center — macroeconomic trends, labor markets, demography, health, welfare, and education. In addition, we present three Spotlights with some of the most interesting and important findings from new studies published over the last year. The first analyzes gender and sectoral labor market differences, showing that gender wage gaps have not narrowed over time, and that they continue to be explained mainly by differences in work hours and occupations. The second looks at immigration to Israel and within Israel. It shows a particularly large number of immigrants to Israel in 2022 with a unique age composition. The analysis of internal migration focuses on mixed cities in Israel, and looks at how internal migration influences the population composition of these cities from a sectoral and socioeconomic perspective. The final Spotlight is on the environment and health and marks the Taub Center's entry into a new field of research. These are the first fruits of the newly inaugurated Research and Policy Initiative for Environment and Health, formed in cooperation with the Forum for Health and the Environment. Continue to follow us in this area, there is much more to come!

FOREWORD

As is now widely known, Israel has been undergoing a period of uncertainty since the beginning of 2023. Some of the decisions and actions being considered by Israel's current government will have very significant implications for all the fields studied at the Taub Center. While we cannot ignore these events, the present compilation is based mostly on research completed before this period of uncertainty. There is no doubt that future publications will confront the effects directly as we see things play out.

I trust that the findings presented in this book will help inform decision makers and the general public, and continue to serve as an asset to all readers. Israel is a remarkable country with many accomplishments and many outstanding problems. Israel, in its complexity, is reflected in these pages.

Prof. Avi Weiss

President, Taub Center for Social Policy Studies in Israel
Professor of Economics, Bar-Ilan University

MACRO-ECONOMIC TRENDS

The Israeli economy has largely remained resilient and has recovered from the COVID-19 pandemic, not all of its components have done so fully though. The share of high tech workers in the labor force is increasing (despite recent downturns in demand by some firms), and wage gaps between those in high tech and those in other industries continue to widen. Part of the inequality stems from a lack of private and public capital in Israel, and the resultant low productivity prevalent among non-high tech workers. This is discussed in this section along with a comparison of Israel to other high-income countries in terms of price increases and price levels.

The government's intention to legislate far-reaching judicial reforms has created considerable economic uncertainty. Among other consequences, this uncertainty has manifested itself during the first months of 2023 in a 6% devaluation of the Israeli shekel. While neither Moody's nor Fitch have changed Israel's credit ranking, both agencies, as well as the OECD and the IMF, have expressed concerns regarding the planned legislation as well as the absence of broad consensus about the proposed constitutional reforms. The coming months and years will show us the extent to which these concerns are justified.

Towards the end of the COVID pandemic, GDP grew faster and private consumption slower than the multi-year average

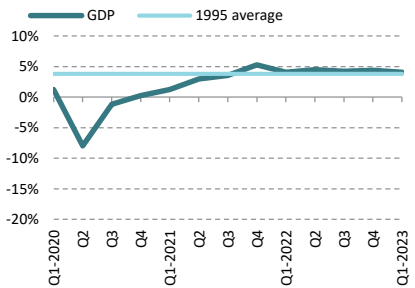
In the graphs: The graphs follow the annual GDP growth rate and its components (in seasonally adjusted fixed prices) in each quarter relative to GDP growth in the same quarter in 2019. The straight line shows the average growth rate of the components between 1995 and 2019. In each graph, except for the one focusing on public consumption, the significant impact of the COVID-19 pandemic is evident. In addition, there is a notable trend of a return to the multi-year average rate of growth, with only investment growth still lagging behind the pre-COVID rate.

Beyond the graphs: Per capita GDP in the first quarter of 2023 (in 2015 prices) is almost identical to what would have been expected from an annual growth rate in GDP per capita of 1.8% — the multi-year average — since the last quarter of 2019. In contrast, private consumption lagged behind by about NIS 1,000 per capita in the first quarter of 2023 relative to the 2.1% growth level that the multi-year average would have predicted during this period.

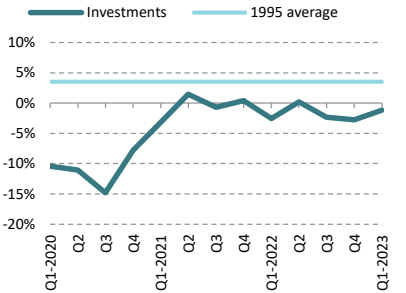
Source: Benjamin Bental and Labib Shami, Taub Center | Data: CBS

Annual growth rates of GDP and its components since 2019

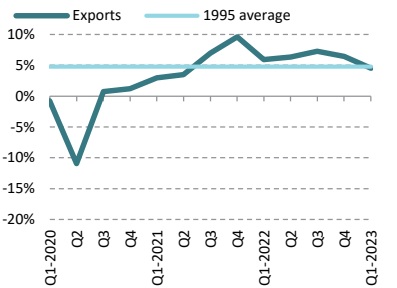
GDP growth rate



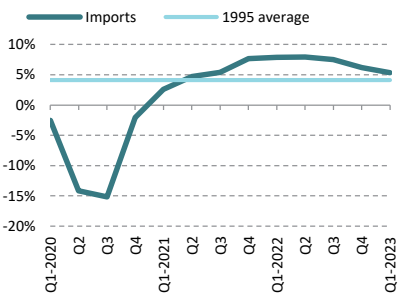
Investment growth rate



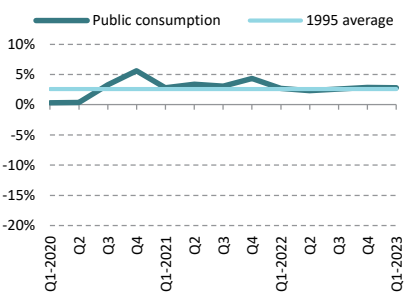
Export growth rate



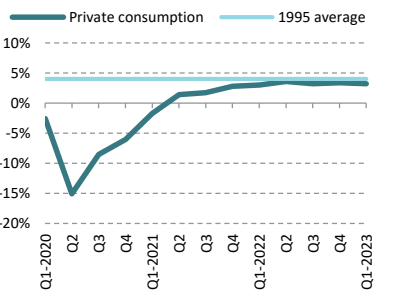
Import growth rate



Public consumption growth rate



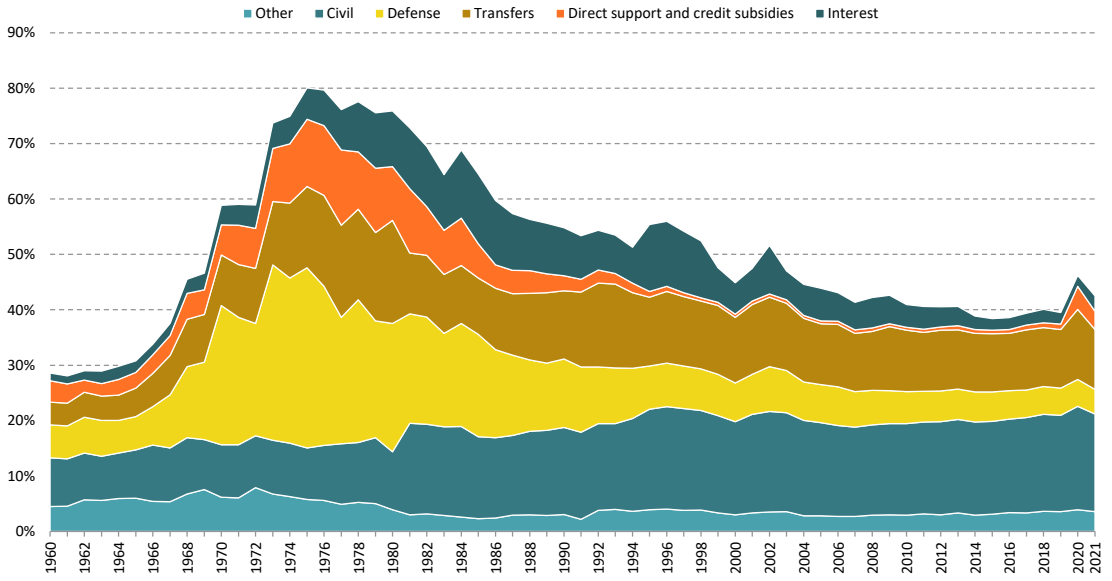
Private consumption growth rate



Vast changes over time in government expenditures

In the graph: The graph epitomizes the great transformation of the Israeli economy during the last 50 years in several ways. Foremost is the steady decline of the government's expenditure share in GDP. From a totally unprecedented peak of 80% in 1974, it has stabilized at around 40% during the past decade. This dramatic change stems from the decline in defense expenditures, going from almost a third of Israeli GDP during the second half of the 1970s, to roughly 5% (and even less) in recent years. The government's changing role in the economy is clearly seen by the rapid decline of direct subsidies, down from well over 10% in the late 1970s to less than 1% in the first decade of this century. The COVID-19 pandemic is clearly seen as a cause for a temporary increase in this item. Finally, as Israel's debt has been declining, so has the burden of servicing the debt from over 10% in the 1980s (and then again in the mid-1990s as a result of the massive immigration from the former Soviet Union), to well below 3% in recent years. As a result, the government could afford to double the share of civil expenditures from less than 9% to almost 18%.

Government expenditure as a percent of GDP



Source: Benjamin Bental, Taub Center | Data: Bank of Israel

Prices in Israel are rising, though at a slower rate than in other countries

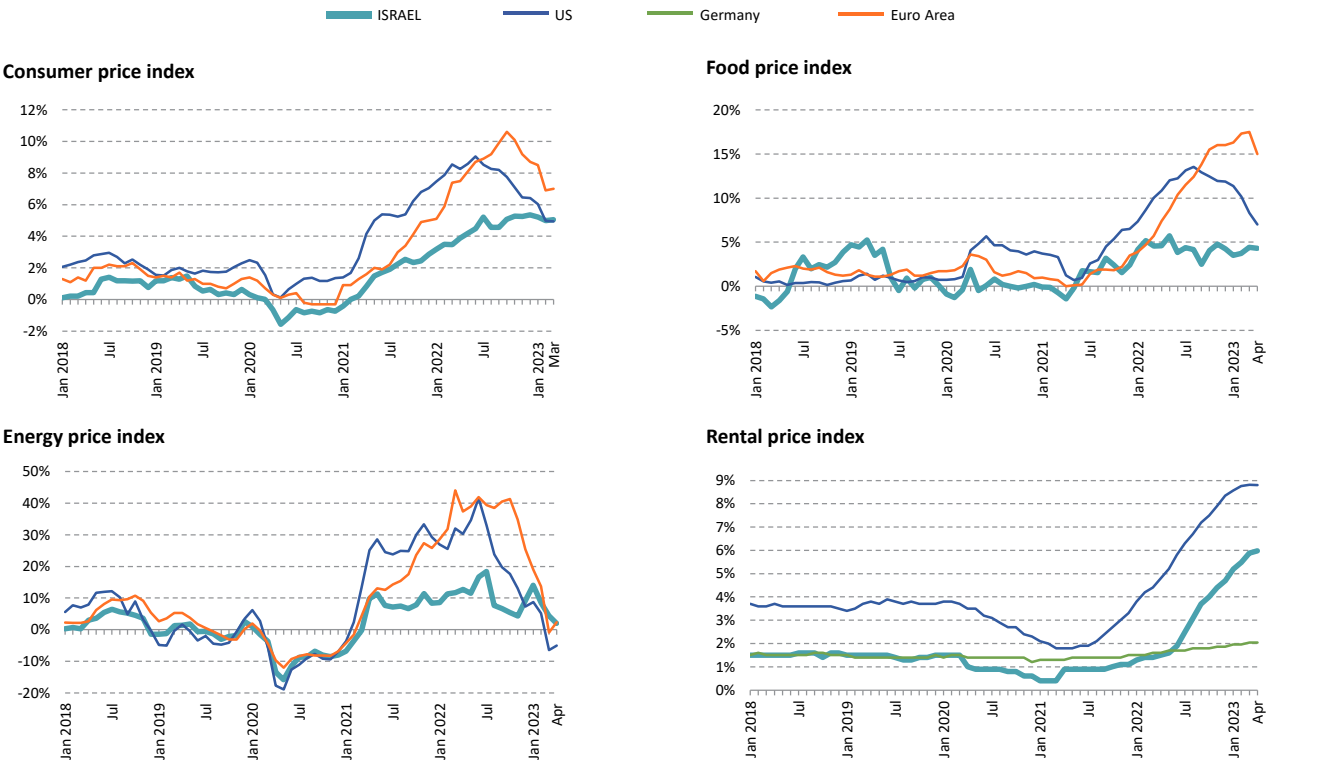
Background: In the past, Israel has known periods of high inflation, particularly in the 1970s and 1980s, however, until the recent increases, prices changed little for nearly a decade.

In the graphs: Similar to developments in the US and the Euro Area, the consumer price index began to rise in Israel at the beginning of 2021 in parallel with a slowdown in economic activity due to COVID, and continued to rise in 2022 as a result of the Russia-Ukraine war. The rise in prices in Israel was more moderate than in the US and the Euro Area and this continues to be the case even as there are signs of a slowdown in price rises, especially in the US. In particular, for food prices (a large portion of which are non-tradable goods) and even more so for energy prices (which are tradable goods), increases in Israel in 2022 were much lower than those in the US and the Euro Area. Even rental prices in Israel rose less than in the US, but not less than in Germany (which we use to represent the Euro Area since the OECD does not publish data on rental prices in the Euro Area in aggregate form).

Beyond the graphs: Inflation has become a problem in all advanced economies. In Israel, beyond the price pressures that occur worldwide, inflation has also been affected by the weakening of the Israeli shekel, which has resulted from the increased uncertainty unleashed by the internal political tensions. Like the Fed and other central banks, the Bank of Israel has been increasing interest rates in an attempt to curb the inflationary spiral, and the market has reacted accordingly. The inflation in Israel is expected to return to the upper bound of its target, and fall to 2.9% within a year.

Source: Benjamin Bental and Labib Shami, Taub Center | Data: OECD

The increase in CPI indices in Israel, the US, and the Euro Area



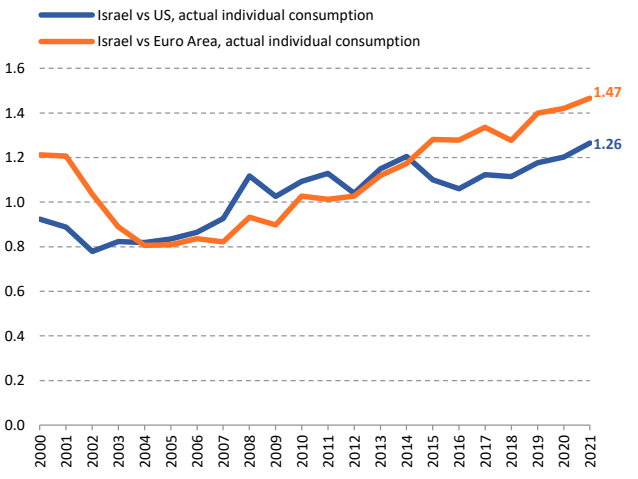
The strengthening of the shekel in the past decade has increased the relative cost of living in Israel

In the graph: Throughout the past decade prices in Israel have hardly risen. Nevertheless, prices in Israel are perceived to be significantly higher than those in Europe and the US. Clearly, such comparisons are affected by the exchange rate between the Israeli shekel and foreign currencies. As a result of the strengthening of the shekel over the past decade, in 2021 Israel was more expensive than Europe by almost 50%, and more expensive than the US by 26%.

Beyond the graph: Israel is a small economy and not a part of any economic union. This limits the ability of domestic producers to fully exploit returns to scale, which, in turn, limits the number of producers and the amount of competition inside the country. In addition, apart from in the high tech sector, labor productivity is low. On top of these structural problems there are regulatory barriers limiting domestic competition as well as competing imports. These factors contribute significantly to the high cost of living in Israel.

Note: Actual individual consumption consists of goods and services actually consumed by individuals, irrespective of whether these goods and services are directly purchased and paid for by households.

Cost of living in Israel relative to the US and the Euro Area



Source: Benjamin Bental and Labib Shami, Taub Center | Data: OECD

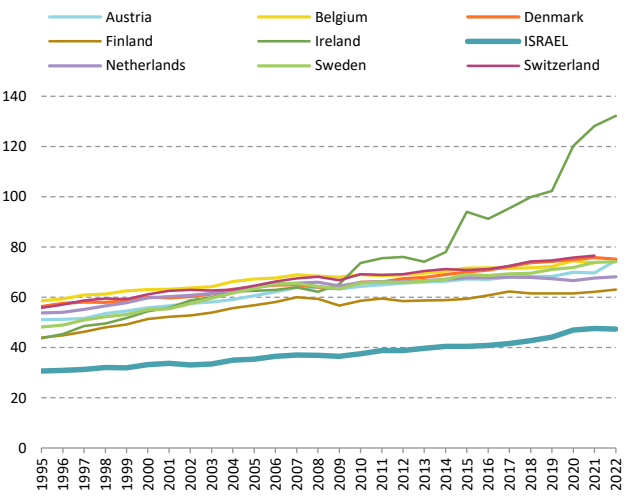
GDP per work hour in Israel is particularly low relative to that in similar countries

In the graph: GDP per work hour in Israel is substantially lower than in other countries with a similar population size and economic structure that rely primarily on human capital and not natural resources. This gap was present 40 years ago, and relative to most countries has even grown. Finland and Ireland, whose GDP per work hour was similar to Israel's in the early 1980s, have completely gone in a different direction.

Beyond the graph: Israel's low labor productivity stems from various sources related to the quality of human capital, regulation, government inefficiency, and also from low levels of employee private capital and public capital per capita as described in the following pages.

GDP per work hour in similar countries

2015 prices, PPP dollars



Note: Similar countries are those where the population size and economic structure are similar to those in Israel.

Source: Benjamin Bental and Labib Shami, Taub Center | Data: OECD

Compared to similar countries, private capital per employee has not grown over the past 40 years

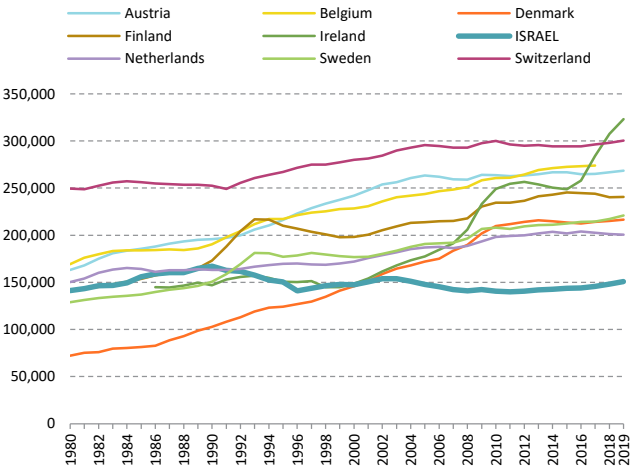
Background: Private capital includes machinery, buildings, computing infrastructures, and equipment that enable production.

In the graph: Private capital per employee in Israel has not changed over the past 40 years, in stark contrast with developments in similar countries. Denmark, where private capital per employee in the mid-1980s was even lower than in Israel, surpassed Israel at the close of the past century and continues to grow. Finland, Sweden, and Ireland, whose private capital per employee was similar to Israel's, have also left Israel far behind.

Beyond the graph: Since private capital contributes about 30% of GDP, if the level of private capital per employee in Israel was similar to that in Sweden, the Netherlands, and Denmark, the gap in GDP per work hour, shown on the previous page, would be about 10% lower.

Private capital per employee in Israel and similar countries

2017 prices, PPP dollars



Note: Similar countries are those where the population size and economic structure are similar to those in Israel.

Source: Benjamin Bental and Labib Shami, Taub Center | Data: IMF; OECD

Public capital in Israel is also far below that of similar countries

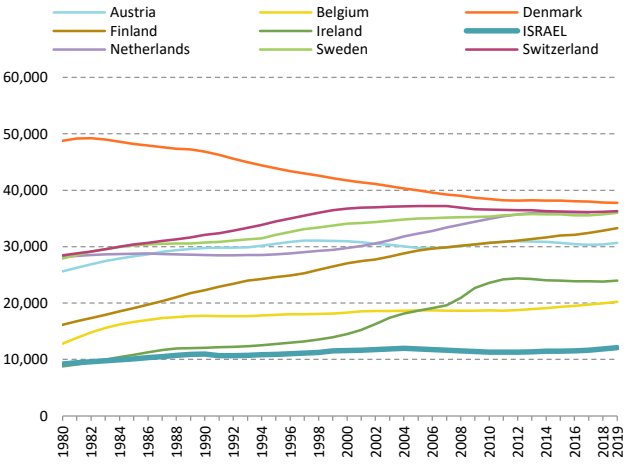
Background: Public capital includes roads, steel tracks, sea and air ports, communication networks, and electricity.

In the graph: As in the case of private capital per employee, public capital per capita has remained almost stagnant for the last 40 years.

Beyond the graph: The narrowing of the gap between Israel and other similar countries requires a considerable public investment, particularly in infrastructure. International calculations regarding the elasticity of GDP to public capital invested in core infrastructure (transportation and communications) suggest that bringing the level of infrastructure in Israel to the level in other high-income countries would contribute greatly to narrowing labor productivity gaps between Israel and similar countries.

Public capital per capita in Israel and similar countries

2017 prices, PPP dollars



Note: Similar countries are those where the population size and economic structure are similar to those in Israel.

Source: Benjamin Bental and Labib Shami, Taub Center | Data: IMF; OECD

LABOR MARKETS

The labor market has already completed its recovery from COVID-19, with participation rates for men returning to their pre-pandemic levels, while those of women are once again rising as they have been for decades. Wages are on the rise, but the increase is not uniform, and wages in the high tech sector are both higher and growing at a faster pace than in other sectors of the economy. Even within the high tech industry itself, there are significant wage disparities among different skill levels.

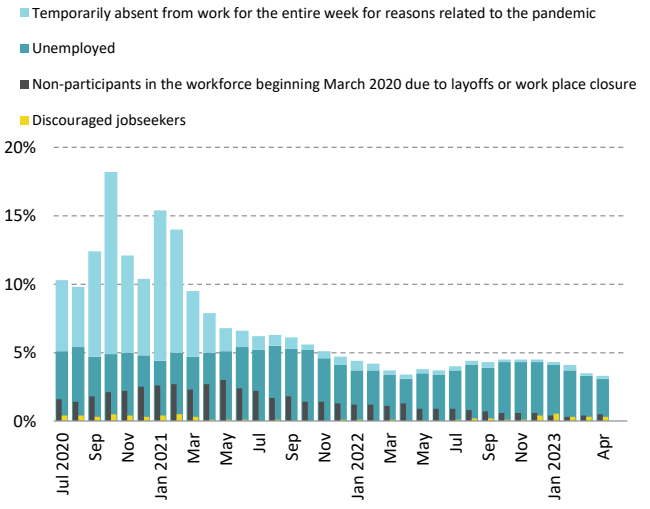
A return to pre-pandemic unemployment levels

Background: The recent growth of the economy (see pages 10–11) is primarily the result of the recovery of the labor market. The unemployment rate consists of those aged 15 and over who express a willingness to work but are unable to find employment out of the entire labor force (which includes currently employed individuals as well).

In the graph: In 2022, the share of those unemployed was between 3% and 4%, which represents about 190,000 men and women — similar to the 2019 rate. The share of workers who were laid off since March 2020 and who have not returned to work or are not looking for work out of the population of those aged 15 and over in Israel has also dropped continuously, and at the end of 2022 was about 0.4% (roughly 27,000 people). In January 2021, the share of workers who were temporarily absent from work for COVID-related reasons was about 11% of the labor force; by mid-year it fell to less than 1%.

Beyond the graph: Since the middle of 2022, the CBS has stopped reporting the number of workers absent from their place of work for COVID-related reasons.

Rate of unemployment



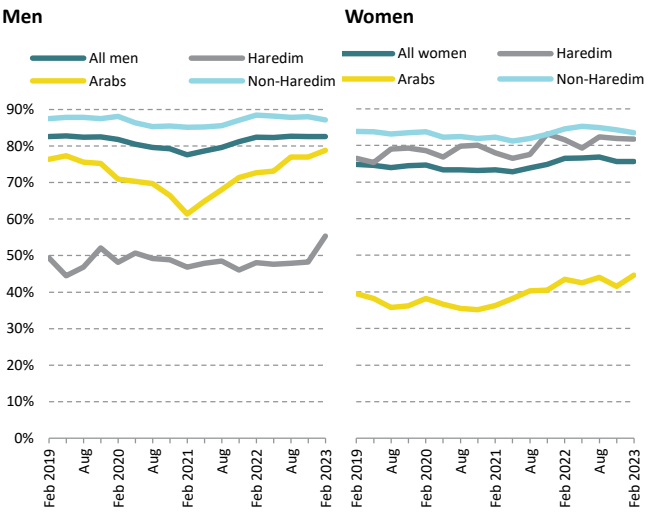
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Increased employment for women, steady for men

In the graph: Among Jewish non-Haredi men, employment fell during the pandemic and returned to pre-pandemic levels at the beginning of 2022. For Arab men, the fall began before the pandemic, intensified during the pandemic, was halted in the summer of 2021, and has recovered since then. The employment of Haredi men remained somewhat lower than prior to the pandemic until the fourth quarter of 2022, but has risen since then. Employment of women was generally less affected by the pandemic compared to employment of men. The employment rate among women started to increase by the end of 2021, and this upward trend has continued into 2022.

Beyond the graph: Note that these figures do not include individuals receiving unreported income which may be a substantial number in some population groups. The two most ambitious employment goals of the Committee for Employment Advancement Towards 2030 are for Arab women (53%) and Haredi men (65% if the exemption age for army service is not lowered to 22, and 70% if it is). While the former seems imminently reachable given current trends, the latter seems overly ambitious.

Employment rate among workers aged 25–64, by gender and sector



Note: Employment rates include workers on furlough due to COVID-19.
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

A rise in the number of positions in the high tech service sector, but not in the high tech manufacturing sectors

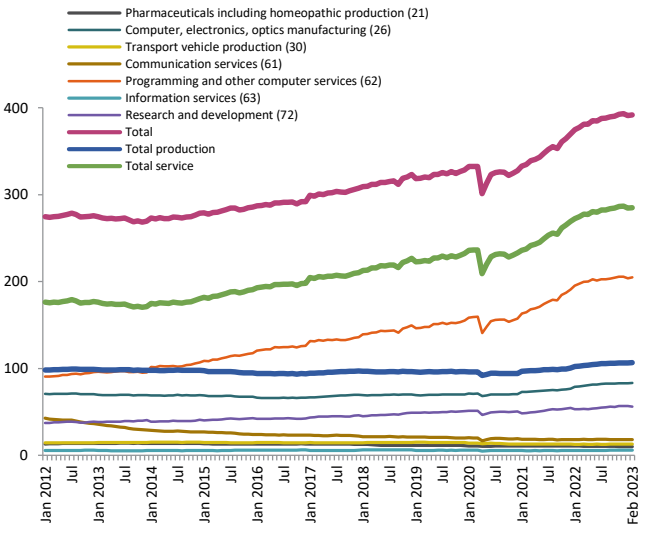
Background: The high tech industry is comprised of subsectors in the areas of manufacturing (pharmaceuticals, electronics, transport vehicles) and services (communications, programming, information, research and development).

In the graph: The number of job positions in the manufacturing sector (the dark blue line) has remained quite stable — about 100,000 workers — since the beginning of 2012. In contrast, employment in service sectors has risen considerably: from approximately 170,000 to 270,000 positions; the main increase occurred in the fields of programming and computer services.

Beyond the graph: Jobs in the high tech industry are about 11% of all positions in the marketplace, while the contribution of the sector to GDP is estimated at between 15% and 16%. The beginning of 2023 indicates a slowdown in the growth of the high tech sector.

Monthly number of jobs in the high tech sector

Thousands



Note: Sector code is in parentheses.

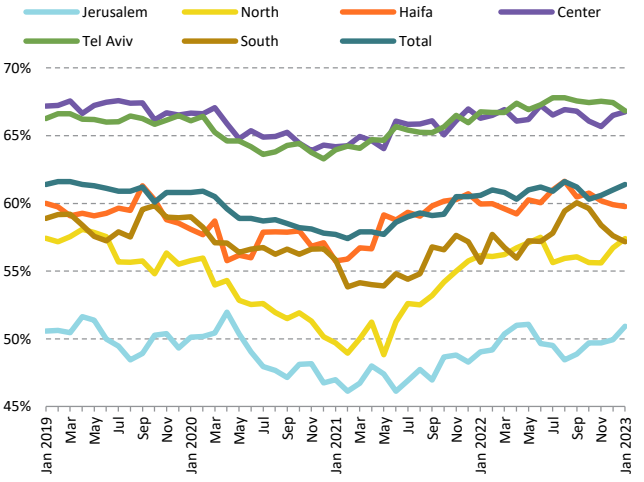
Source: Benjamin Bental and Labib Shami, Taub Center | Data: CBS

Employment levels remain low in the periphery

In the graph: By the beginning of 2022, the employment rate throughout the country returned to the average rate of employment of 2019. Even in Jerusalem, the South, and the North, where there were declines of 10% or more in rates of employment during the pandemic, employment has recovered fully. However, employment in those regions remains lower than in the Center and Tel Aviv regions — similar to what it was prior to the pandemic.

Beyond the graph: The lower levels of employment in some of the regions is partially explained by the identities of the populations in these different areas. For instance, the large portion of Haredim (low levels of employment for men) and Arabs (low levels of employment for women) in Jerusalem and in the periphery helps explain their low levels of employment. However, other issues, such as fewer quality employment opportunities in some areas (as in the North and South) also play a part that could be addressed by improving infrastructures in these areas.

The rate of employment among the 15+ age group, by region



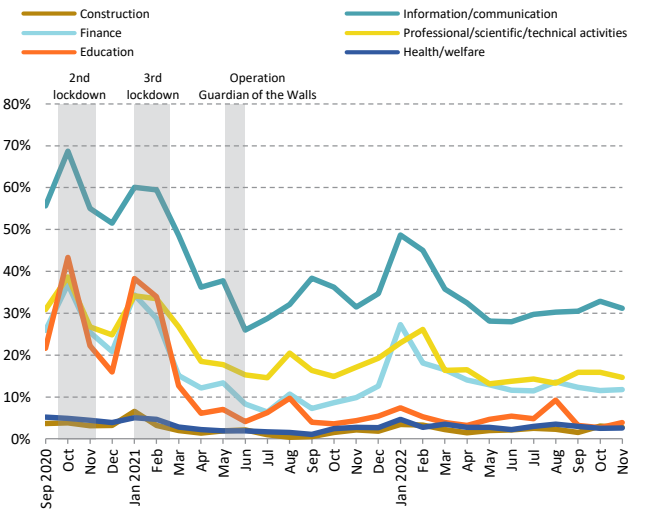
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Rates of working from home in the high tech sector remain high even after the pandemic

Background: Work from home was a solution for many workers who could not get to their place of employment during the lockdowns that were imposed to limit the spread of COVID-19.

In the graph: During the peak of the second lockdown, employees in the information and communication sector worked remotely from home for over 70% of their working hours. In contrast, health and welfare workers as well as workers in the construction sector, who usually are unable to provide services remotely, worked the smallest share of their hours from home. In the course of 2022, the rates of remote work leveled off. Workers in information and communication work about one-third of their hours from home; workers in the professional services, scientific and technical activities as well as financial service providers work about 15% of their time from home. As expected, workers in the education system, who during lockdowns worked 40% of their hours remotely, are similar today to workers in health and welfare and those in construction, who work a few hours from home.

Share of hours worked from home out of all work hours, by economic sector



Source: Noam Zontag, Shavit Madhala, and Benjamin Bental, Taub Center | Data: CBS

Similar percentage increases in wages for men and women in each sector

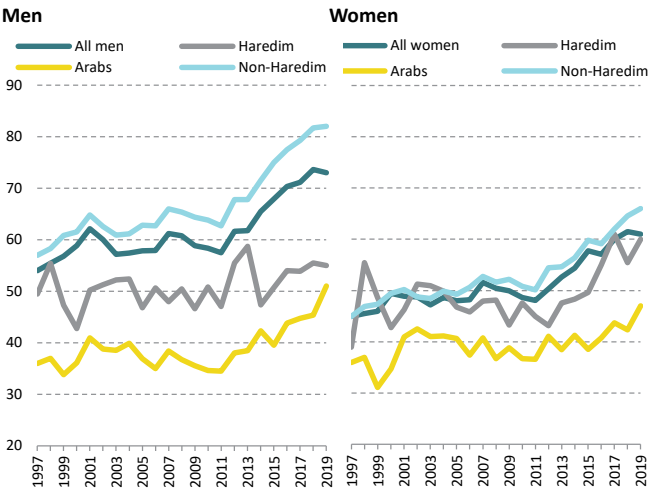
Background: Women's employment rates have been rising consistently and significantly for decades while those of men have remained fairly constant. The expected effect on wages depends on whether the increase was more supply driven or demand driven.

In the graph: In practice, wages have risen at fairly similar rates for men and women in each sector of the population. For example, between 1999 and 2019, the average real hourly wages of both Arab men and women rose by 51%, those of non-Haredi men and women rose by 35% and 40%, respectively, and those of Haredi men and women by 16% and 23%, respectively. These increases were accompanied by a narrowing in the hourly wage gap between Jewish and Arab women, but the monthly wage gap widened. The gaps grew between non-Haredi Jewish men on the one hand and Arab and Haredi men on the other.

Beyond the graph: Since women's wages are, on average, lower than those of men, a similar percentage increase means a growing wage gap. This will be discussed further in the next Spotlight (pages 31–39).

The hourly wage in the 25–64 age group, by gender and sector

2019 prices, NIS per hour



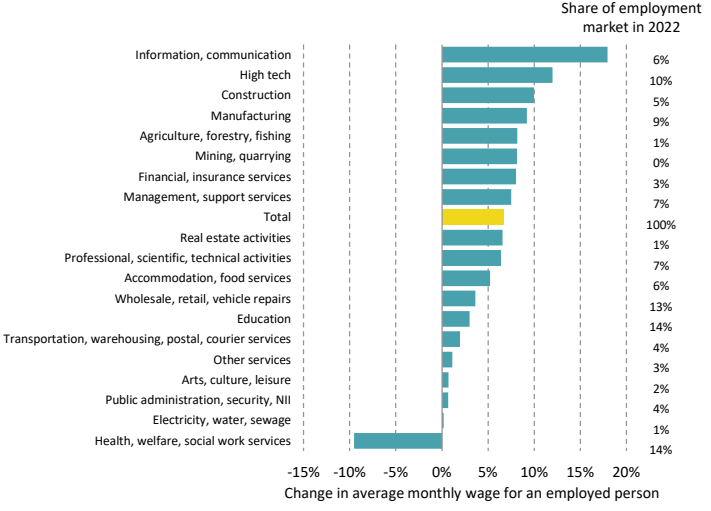
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Wages have risen unevenly in different industries, with high tech leading once again

In the graph: The graph shows the change in average monthly wage by industry between 2019 and 2022. The column on the right indicates the industry's share of the employment market in 2022. Especially pronounced is the decline of about 10% in the average wage in the health and welfare sector, which is the result of a sharp rise in the number of jobs at low wages (such as COVID testing jobs) that were added during the pandemic.

Beyond the graph: The high tech industry has a significant influence on wage trends in the economy due to its large share in employment (around 11% in 2023), the noticeable increase in average wages within the sector, and the fact that workers from various population groups have integrated into it over the past decade.

The rate of change in the average monthly wage between 2019 and 2022, by industry



Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

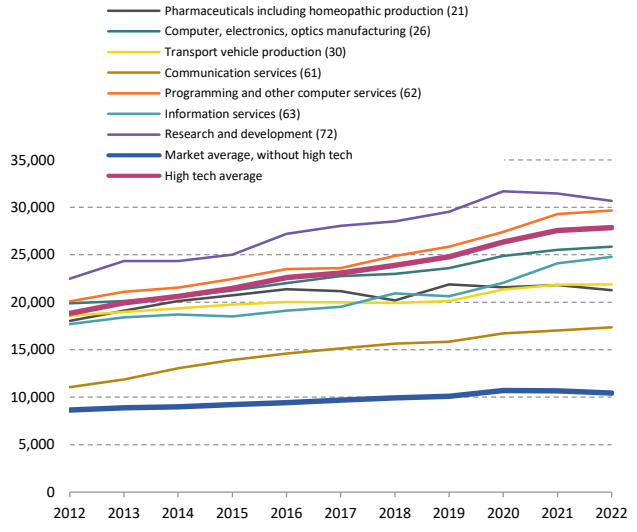
The average wage in the high tech industry is almost three times higher than in the rest of the economy

In the graph: Focusing on the high tech industry shows that wages of workers in research and development are the highest of all the sectors, with an average monthly wage of about NIS 31,000. Next comes programming and computer services, where employment has grown the most rapidly (as shown on page 24) and with an average monthly wage of about NIS 30,000. The overall average monthly wage in the high tech industry is about NIS 28,000 — almost three times the average wage of workers in the other industries in the economy.

Beyond the graph: This gap reflects the high labor productivity in the high tech sector and its large contribution to GDP (15%–16%) and to exports (more than 50%).

Average monthly wage

2022 prices, NIS



Note: Sector code is in parentheses.
Source: Benjamin Bental and Labib Shami, Taub Center | Data: CBS

SPOTLIGHT

Gender & Sectoral Labor Market Differences

Wage gaps between different population groups, especially those associated with gender or different subpopulations (such as different ethnicities, religions, or races), have been part of global public discourse for many decades. New estimates show that these gaps are quite persistent, and have shown little sign of disappearing. Even when controlling for objective differences between the groups (though one needs to ask why these differences persist), gaps remain. In this Spotlight we focus on gaps in more than just wages.

For the discussion on page 36–39, the Jewish population was divided into three parts: Ashkenazi Jews, they or both their parents were born in Europe or America (30% of the Jews); Mizrahi Jews, they or both their parents were born in Asia or Africa (25%); and all others (44%).

Gender wage gaps persist

In the graphs: Gender wage gaps continue to be large in Israel. The average pre-tax monthly wage gap over the shown period was about 35%, amounting to NIS 4,100 in 2014 and NIS 4,600 in 2018. The largest gap exists among non-Haredi Jews and others (37%) and among Arabs (36%), with the smallest being among Haredim (24%). The average gap in after-tax monthly wages for the entire population was about 20% smaller than that in pre-tax wages during this period.

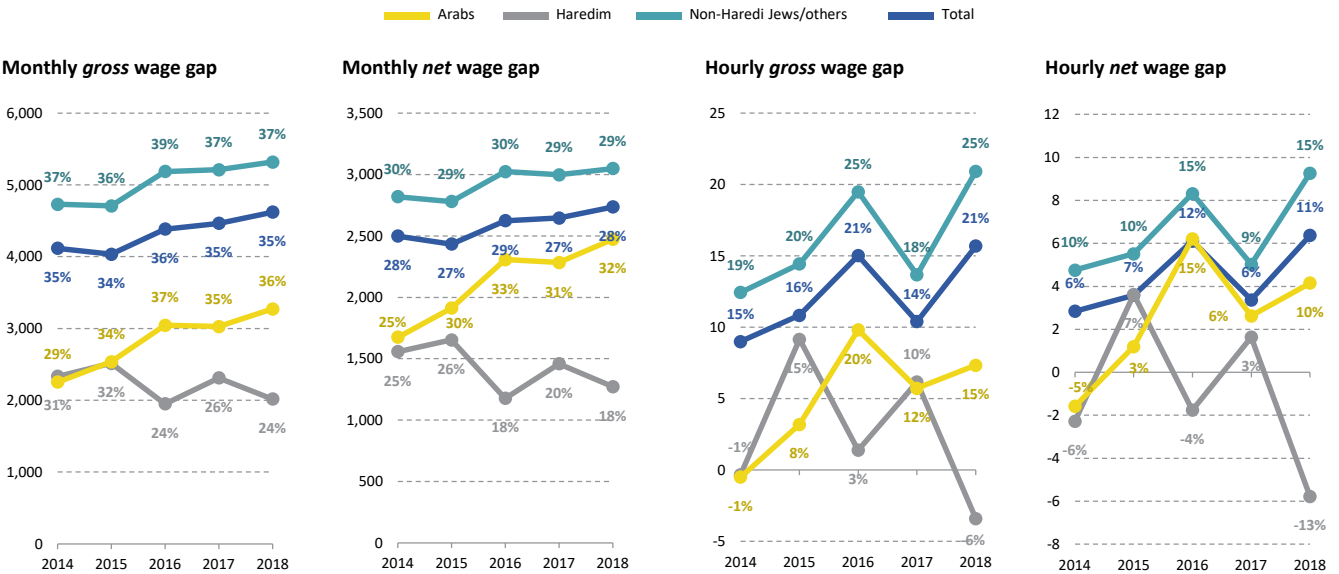
With regard to hourly wages, the largest gap in 2018 was among non-Haredi Jews and others (NIS 21), then Arabs (NIS 7), while among Haredim, women earn a higher hourly wage than do men.

Beyond the graphs: Only among Haredim was there a decline in the gender wage gap over time. It is likely that this was partially the result of the entry of unskilled Haredi men, who tend to work limited hours and for low wages, into the labor market during this period, as well as increased education levels for Haredi women. The comparison between gaps in monthly wages and in hourly wages shows that, in this sector, gender wage gaps are purely the result of differences in the number of work hours.

In all population groups other than Haredim, the gender gap in the hourly wage grew between 2014 and 2018.

Gender wage gap, all employment positions, by population group

NIS



Note: The height of the markers represents the gap in shekels in absolute terms; above or below the marker appears the gap as a percentage of men's average wage in the relevant population group.

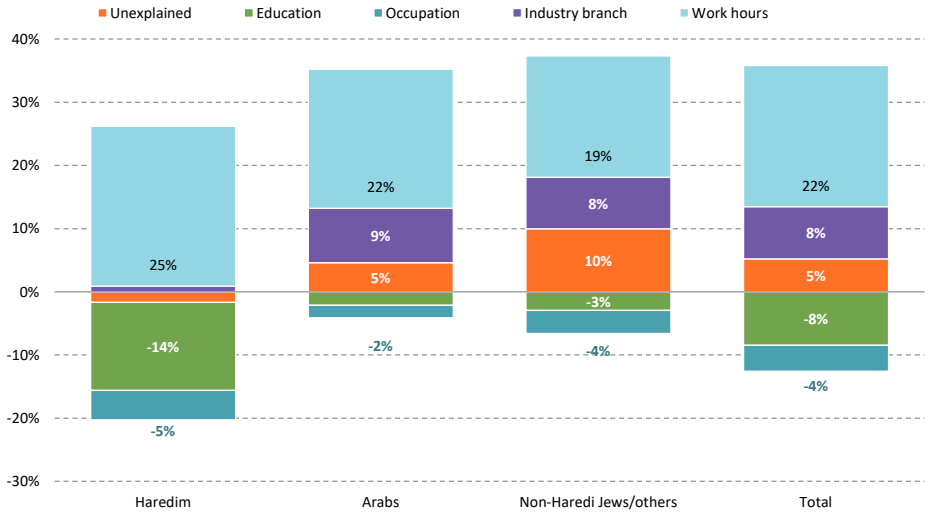
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

The gender wage gap is mostly attributed to various work patterns, but a portion of it still remains unexplained

In the graph: The graph shows a breakdown of the wage gap into components. From the overall wage gap of 35%, work hours explain 22%, the economic sector of employment 8%, and the remaining 5% is unexplained. The same basic breakdown exists for Arabs. Among non-Haredi Jews and others, the unexplained portion was larger, at about 10%, while the rest of the components remained similar. For the Haredi population, however, the number of work hours explains almost the entire wage gap with the economic sector hardly contributing at all. Two other factors — education level and occupational choice — are factors that work in favor of women and increase their wages, so the measured wage gap is actually an underestimated measure of the true gap.

Beyond the graph: Among Jews (both Haredim and non-Haredim), it was found that marriage explains a statistically significant though negligible portion of the wage gap (slightly less than 1%), which is apparently the result of differences in the marriage premium in wages between men and women (see pages 38–39).

The contribution of selected factors to the gender wage gap, by population group, 2017–2018



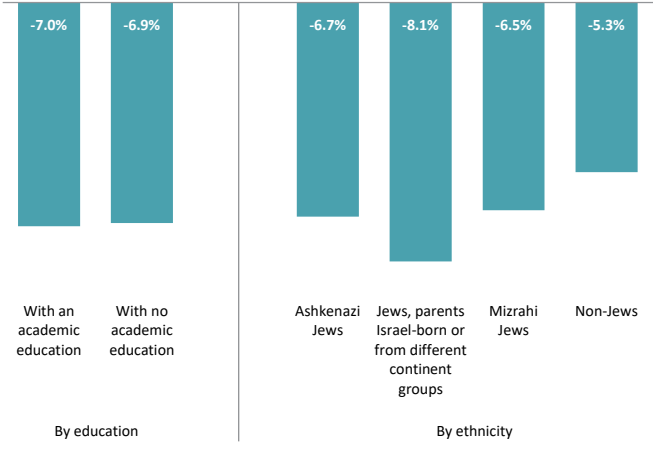
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

For all population groups, women are less likely to be in the upper echelon of wage earners

Background: The methodology used to break down the Jewish population groups is explained on page 31. Level of education and years of experience have a substantial effect on the likelihood to rise to the top decile of wage earners in Israel. The magnitude of these effects is independent of gender.

In the graph: Despite this, the likelihood of women selecting into the top income decile is much lower than it is for men. The graph presents the difference between men and women in their probability of selecting into the top decile while holding all other observed differences constant. It can be seen that the gap is nearly identical for those with and without an academic degree. Furthermore, the gender gap is somewhat smaller among non-Jews and is particularly large among Jews whose parents are Israel-born or born on two different continent groups.

The difference between men and women in the probability of selecting into the top decile, 2017–2018



Note: All differences reach the statistical significance level of $p < 0.01$.
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

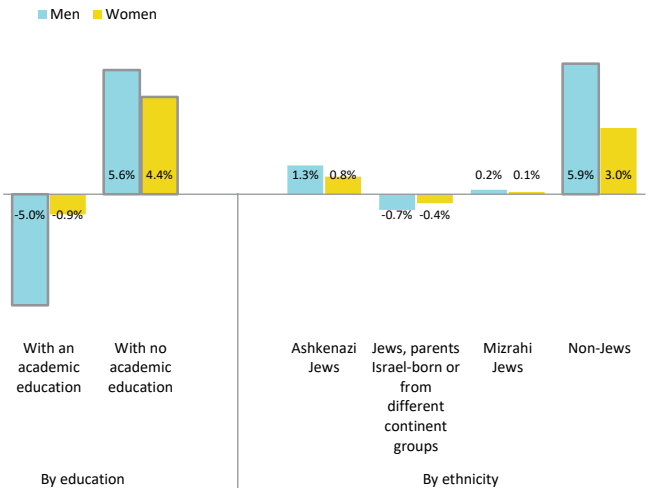
The path to high incomes for those without higher education runs through self-employment

In the graph: The methodology used to break down the Jewish population groups is explained on page 31. The graph focuses on the difference between the self-employed and employees in the probability of reaching the top decile. Among male university graduates, self-employment predicts a 5% lower likelihood of selecting into the top decile, while among individuals without an academic degree — men or women — the likelihood is 4%–6% higher for the self-employed.

Among Jews, being self-employed does not affect the likelihood of reaching the top decile, while among non-Jews, self-employed men have a 6% advantage over employees.

Beyond the graph: These findings demonstrate that there are different routes to the top decile — through formal education and experience and through self-employment. The former tends to be open mostly to workers from stronger sectors of the population, while the latter depends less on education and experience, and is also available to workers from weaker sectors of the population.

The difference between the self-employed and employees in the probability of selecting into the top decile



Note: Columns outlined in gray represent a statistical significance level of $p < 0.01$.
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Men earn a larger marriage premium than women, but women's premium continues beyond marriage

Background: The methodology used to break down the Jewish population groups is explained on page 31. The existence of a *marriage premium* — the consistent tendency of married individuals to earn more than their unmarried colleagues, even after taking into consideration other factors that affect wages, such as age, education, and occupation — has been documented since the second half of the 20th century, first among men and in recent decades among women also. The premium tends to be lower for women.

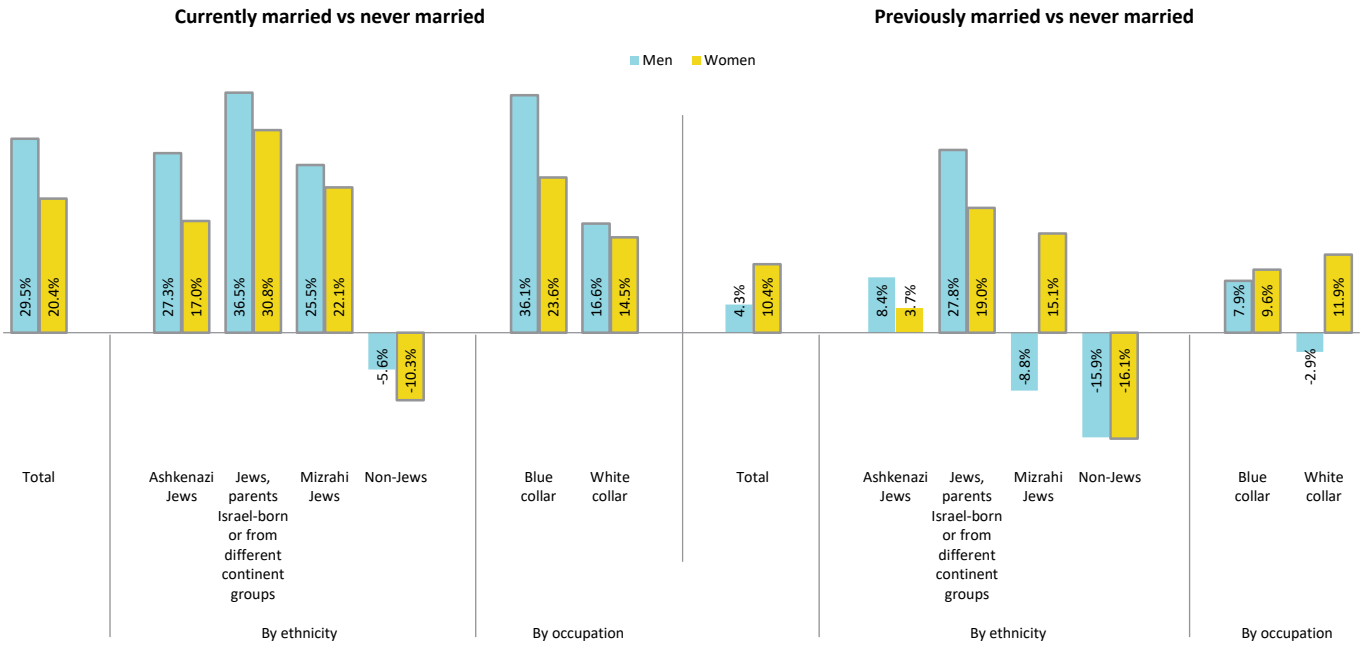
In the graph: The hourly wages of currently married men tend to be about 30% higher than those of their unmarried peers, an advantage that disappears for those no longer married. Married women earn about 20% higher wages than do single women, and half of this advantage is retained by those previously married.

The size of the premium differs by ethnicity, with non-Jewish married men having no marriage premium. The highest premium is received by third-generation and mixed-origin Jewish men — at about 36%, as opposed to 25%–27% for other Jewish men — and this is also the only group of Israeli men for which previously married individuals retain a portion of the marriage premium. Jewish women have premiums ranging between 17% and 31%, while among non-Jewish women, current and past marriage corresponds to wages that are about 10% and 16% lower than those of unmarried women, respectively.

Differentiating by occupation, all married white-collar workers receive a premium of 14%–17%, while the premium is higher and there is a more prominent gender difference among blue-collar workers. Previously married women have a similar wage advantage for both types of occupations, while previously married men who are blue-collar workers enjoy a premium of about 8%.

Beyond the graph: These estimates are similar to those found in other high-income countries.

The marriage premium, the general working population, 2017–2018



Note: Columns outlined in gray represent statistically significant values.
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

DEMOGRAPHY

Major demographic changes are underway in Israeli society. Marriage rates for men and women in all religions are falling, those who marry are marrying later, they are having somewhat fewer children, and divorce rates are on the rise for non-Jewish populations. More details about these and other demographic trends in Israel are presented in the following pages.

Life expectancy in Israel remains relatively high

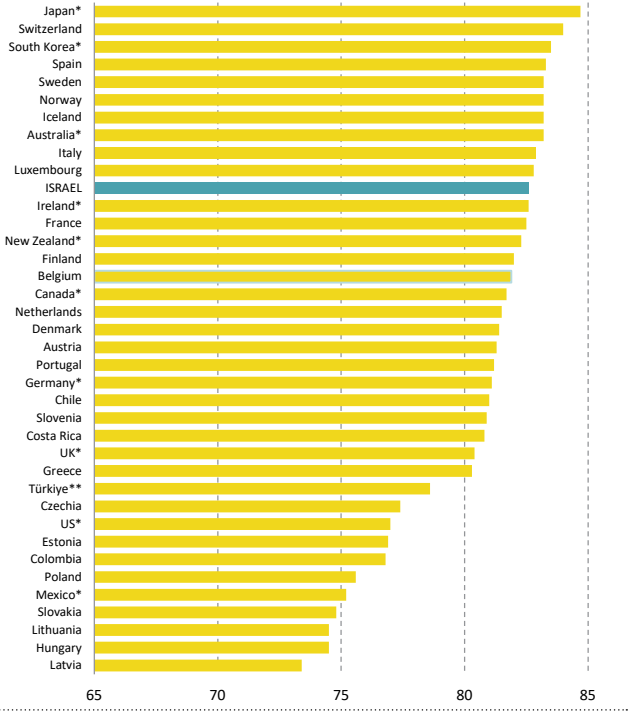
In the graph: The population of Israel is characterized by high life expectancy. As in all high-income countries, women's life expectancy is higher than that of men (84.6 years compared to 80.5 years).

Beyond the graph: Life expectancy in Israel declined in the course of the COVID-19 pandemic, although to a relatively moderate extent (3 months between 2019 and 2021). The decrease in the OECD countries was 6 months on average. This decline in life expectancy in Israel was almost halted in 2021 despite a 73% increase in deaths from COVID-19.

Mortality rates among population groups in Israel are not equal. Life expectancy of Arab men in 2021 was the lowest (76.3 years) and the life expectancy of Jewish women was the highest (85.1 years). Jewish men (81.3 years) and Arab women (81.2 years) have very similar life expectancy.

Another index in which Israel excels is *Healthy Life Expectancy* (HALE), in which Israel ranks sixth in the world.

Life expectancy in the OECD countries, 2021



Note: * data from 2020; ** data from 2019; all other data are from 2021.
Source: Baruch Levi and Nadav Davidovitch (updated), Taub Center | Data: OECD

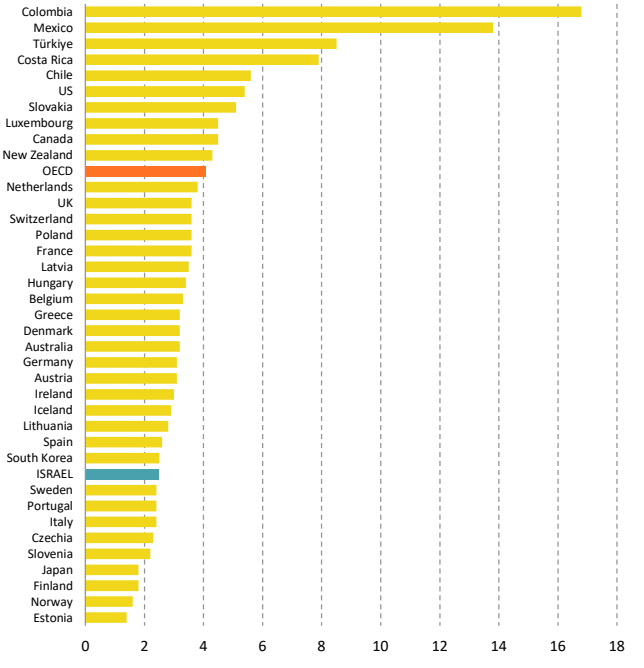
Low infant mortality rates

In the graph: Israel is also characterized by low rates of infant mortality, which have been steadily declining over the years. In 2020, infant mortality in Israel stood at 2.5 deaths per 1,000 live births, compared to an average of 4.1 in the other OECD countries.

Beyond the graph: These data are particularly impressive considering the high fertility rates in Israel, the low rates of prenatal testing among Haredi women, and the high rates of consanguineous marriages in Arab society in Israel.

Here, too, there are considerable gaps among population groups. Among Jews and others, infant mortality rates are 2.3 deaths per 1,000 live births, while the rate is 5.4 deaths in the Arab population. The figure reaches about 9 deaths per 1,000 live births among the South's Bedouin population who often marry within the family and suffer from higher rates of birth defects as well as other risk factors. In all districts, the general trend over the last decade is a decrease in infant mortality.

Infant mortality per 1,000 live births in the OECD countries, 2020



Source: Baruch Levi and Nadav Davidovitch, Taub Center | Data: OECD

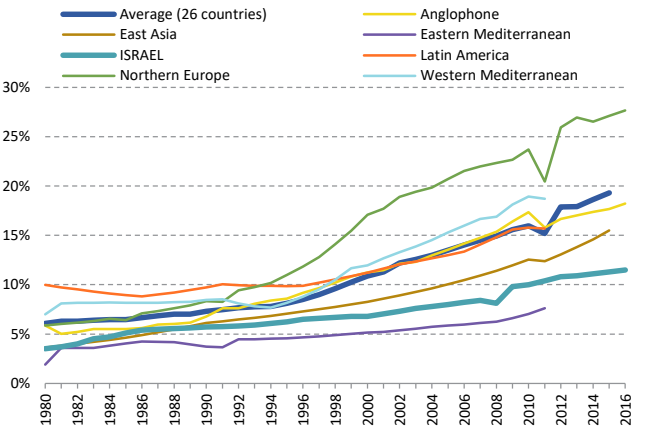
Increasing likelihood to remain single, but still relatively low

Background: One of the quiet global social transformations of the last 40 years has been the movement away from near-universal marriage among younger cohorts. By 2016, the share of women never having married by age 40 had climbed to 28% in Northern European countries, was pushing toward 20% in Anglophone and Western Mediterranean countries, and was trending upward almost everywhere.

In the graph: Upward trends in Israel over the same period, alongside other countries in the Eastern Mediterranean region, were more modest, pointing to a region-wide retention of more traditional marriage norms. In Israel, the percentage of women who had never married by age 40 rose from less than 4% in 1980 to almost 12% in 2016.

Beyond the graph: Trajectories and levels similar to those in Israel were found in Cyprus, Greece, and Jordan.

Percent of women age 40 who have never married, by region



Note: Average does not include Israel. Northern European countries: Belgium, Denmark, Germany, Netherlands, Norway, Sweden; Western Mediterranean countries: France, Italy, Portugal, Spain; Anglophone countries: Australia, Canada, UK, US; Latin American countries: Argentina, Brazil, Chile, Mexico; East Asian countries: Japan, Singapore, South Korea; Eastern Mediterranean countries: Cyprus, Egypt, Greece, Jordan, Türkiye.
Source: Alex Weinreb, Taub Center | Data: United Nations

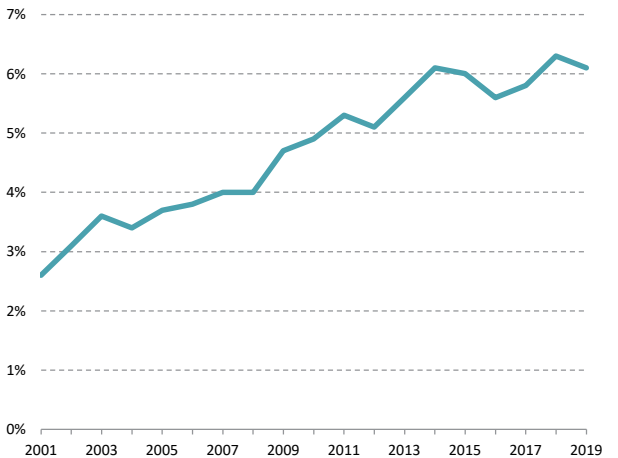
The share of couples who are cohabiting has doubled since the turn of the century

Background: Alongside changes in fertility (pages 46–47) and an increase in women's employment rate (page 23), in recent years there has been a decline in marriage rates (previous page), an increase in the marriage age, and a delay in the age at which women give birth for the first time. In addition, there has been an increase in the rate of couples who choose to marry without official state recognition.

In the graph: The graph shows another growing phenomenon — an increase in the rate of couples cohabiting. This percentage remains significantly lower than in other high-income countries.

Implications: These processes and others have a significant impact on the labor market and the behavior of individuals in it. Relationships, families, and joint household management have an impact on employees' preferences, constraints, bargaining power, and ability to manage risks from potential employers.

The share of individuals not officially married but living together out of all Jewish couples



Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

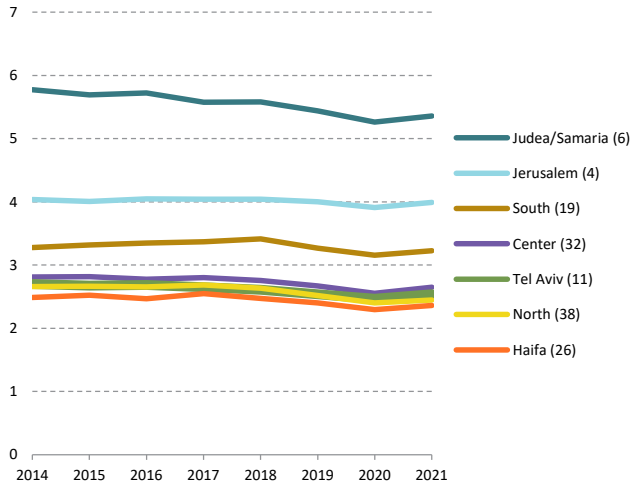
COVID partially reversed fertility reductions in all districts in Israel

In the graph: Data on the Total Fertility Rate (TFR) in 136 towns and cities with at least 10,000 residents point to a fertility reduction in each and every district during the 2014–2020 period (by around 0.25 children on average), with a particularly sharp reduction of 0.5 children in Judea/ Samaria. The COVID-19 pandemic reversed some of this decline, pushing fertility back up to its 2018–2019 levels.

Beyond the graph: By 2020, the TFR had fallen below replacement level in Tel Aviv and Ramat Gan (1.84 and 1.80, respectively), and was around replacement level and on a downward trend in a number of other Israeli cities, especially Haifa (2.04) and Bat Yam (2.07). In 2021, it climbed by around 0.1 children in most Israeli cities.

In international terms, Israel's fertility rate remains very high. In 2020, even in the Haifa district, with the lowest TFR rate in Israel (2.30), the rate was higher than in all but three of the 1,426 districts in the NUTS-3 districts of Europe (the division of districts at high resolution used by the European Union).

Total Fertility Rate (TFR) by district



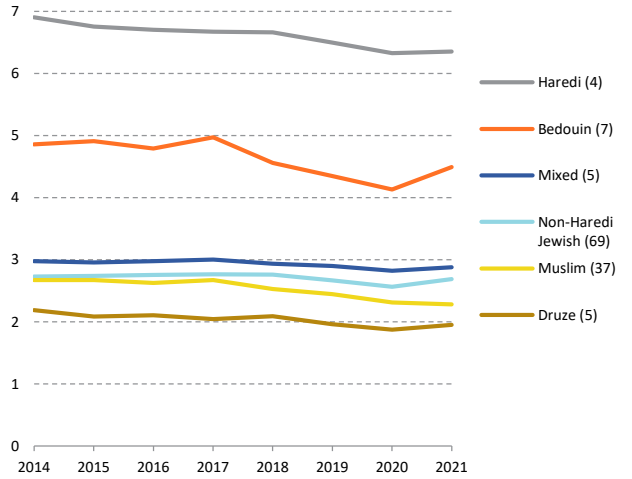
Note: The TFR is the number of children a woman can expect to give birth to in the course of her lifetime. The number of towns in each district is in parentheses.
Source: Alex Weinreb and Kyrill Shraberman, Taub Center | Data: CBS

Falling fertility for all population groups also in smaller towns

In the graph: Fertility often falls first and fastest in large cities. In Israel, signs of fertility reduction can also be found in small towns associated with all population groups. We see this by categorizing the 127 towns/cities with between 10,000 and 100,000 residents (as of 1.1.2020) by majority ethno-religious group. Even with the mild rise in the TFR during the first year of the Covid pandemic, the overall trend is downward. In non-Haredi Jewish towns and mixed towns, the reductions in fertility began in the second half of the 2014–2020 period and averaged a relatively moderate 0.2 children. In both Bedouin and non-Bedouin Muslim towns, fertility began to fall earlier, and it has fallen further, by 0.7 and 0.3 children relative to 2016 levels, respectively. Likewise, fertility also fell steadily in smaller Haredi towns, from 6.9 to 6.3 children. Although their rates remain higher than the TFR in Bnei Brak and the other older Haredi cities (with stable TFRs of around 5.8 children), a 0.6 child reduction in 6 years is substantial.

Finally, these trends in smaller towns point to the emergence of below replacement-level fertility in Druze communities.

Total Fertility Rate (TFR) in 127 towns/cities with 10,000–100,000 residents, by population group



Note: The TFR is the number of children a woman can expect to give birth to in the course of her lifetime. The number of towns in each district is in parentheses.
Source: Alex Weinreb and Kyrill Shraberman, Taub Center | Data: CBS

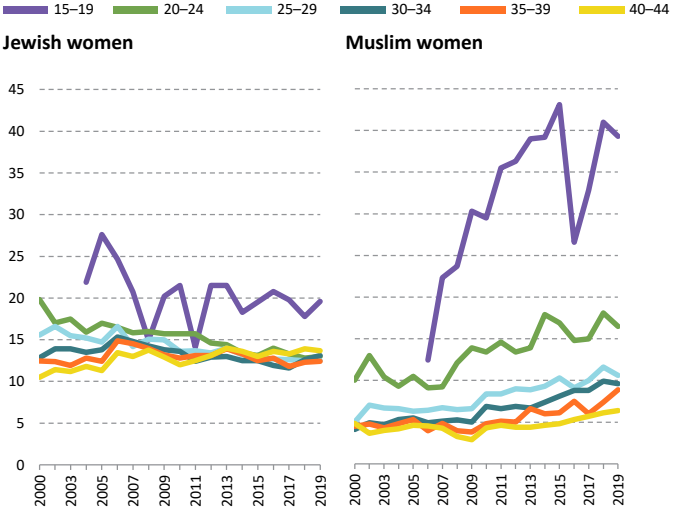
Divorce rates converging across age groups for Jewish women, increasing for Muslim women

In the graph: In 2000, for every 1,000 married Jewish women in each age group between ages 20–44, between 11 and 20 women divorced annually. Age-specific rates were highest at ages 20–24, somewhat lower at ages 25–29, and so on. By 2019, the age-specific divorce rates above age 20 had converged into a much smaller range: between 12 and 14 divorces per year per 1,000 marriages.

Muslim women's divorce rates in 2000 were less than half that of their Jewish counterparts. At all ages 25 and over, only around 5 women divorced per 1,000 marriages. Yet by 2019, Muslim women's divorce rates had climbed in all age groups.

Implications: The relative stability of divorce rates in the Jewish sector over the last 20 years has disguised divergent trends in different age groups: younger Jewish women are divorcing less, and older Jewish women are divorcing more. In contrast, divorce rates in the Muslim population for those over 25 are converging to those of the Jewish population.

Number of divorces per 1,000 married women, by age and sector



Source: Alex Weinreb, Taub Center | Data: CBS

SPOTLIGHT

External & Internal Migration

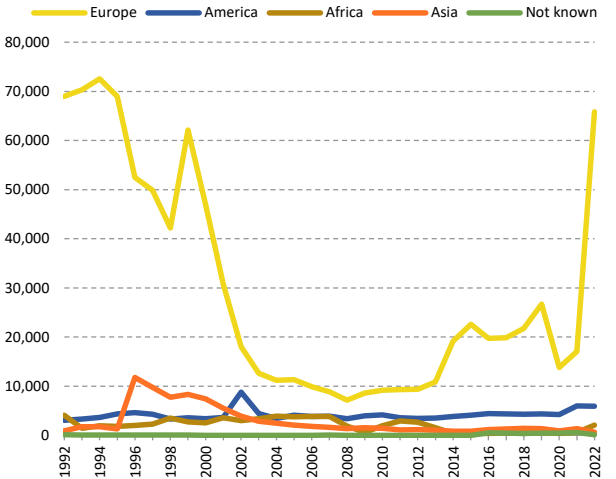
In the following pages we address two issues. First, we show the effect of the Russia-Ukraine war on immigration to Israel, and demonstrate one way in which this migration differs from previous migrations. We then analyze population changes in eight mixed Jewish-Arab towns in Israel from a socioeconomic perspective.

A large increase in immigration due to the Russia-Ukraine war

In the graph: In 2022, 74,500 people immigrated to Israel — 84% were from Eastern Europe. The majority of all immigrants last year, 59%, arrived from Russia, and another 20% from Ukraine. This is more than twice the annual number of people who immigrated during the pre-COVID period, and the most since the end of the large migration from the former Soviet Union in the 1990s.

Beyond the graph: Some of these new arrivals are likely to leave Israel in the near- or medium-term, although perhaps not in the numbers expected (see the next page).

Number of immigrants to Israel, by emigration continent



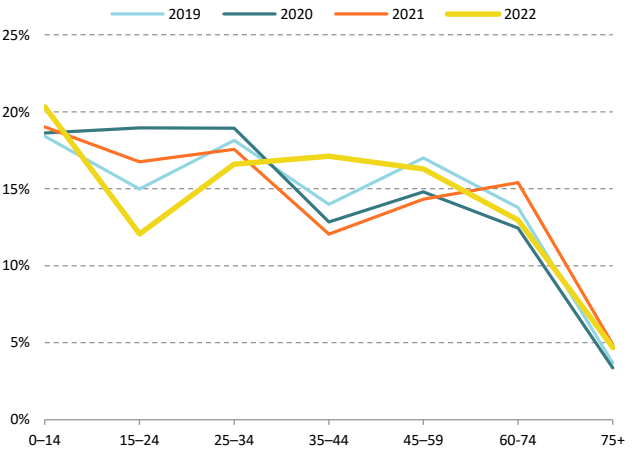
Source: Alex Weinreb, Taub Center | Data: CBS

Migrants who arrived in Israel due to the Russia-Ukraine war are older than usual

In the graph: The age distribution of those arriving in 2022 differed from that of the usual migrants. The 2019–2021 immigrant population had the classic age distribution of a migrant population, peaking from the early 20s to early 30s, with a relatively small share of children and another much smaller post-retirement bump. In contrast, the modal age of the larger 2022 immigrant population is 10 years older. Not surprisingly, the share of children migrants — on average about 30 years younger than that peak age (since the mean age at childbirth is around 30) — is also higher.

Beyond the graph: The slightly older profile of the immigrants arriving in 2022 makes them less mobile than their younger and more childless counterparts in earlier years, so fewer may leave than might otherwise be expected. On the other hand, older immigrants have more difficulty learning Hebrew, which limits their ability to make the best use of their skills in the local labor market.

Age distribution of immigrants into Israel

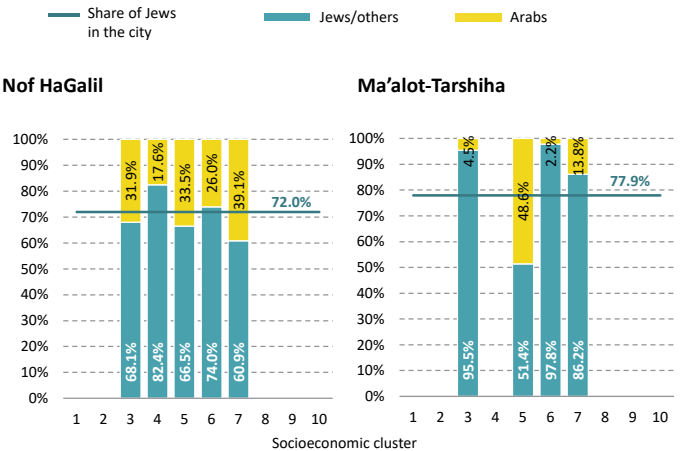


Source: Alex Weinreb and Kyrill Shraberman, Taub Center | Data: CBS

In most mixed cities the incomes of Arab residents tend to be lower than those of the Jewish residents

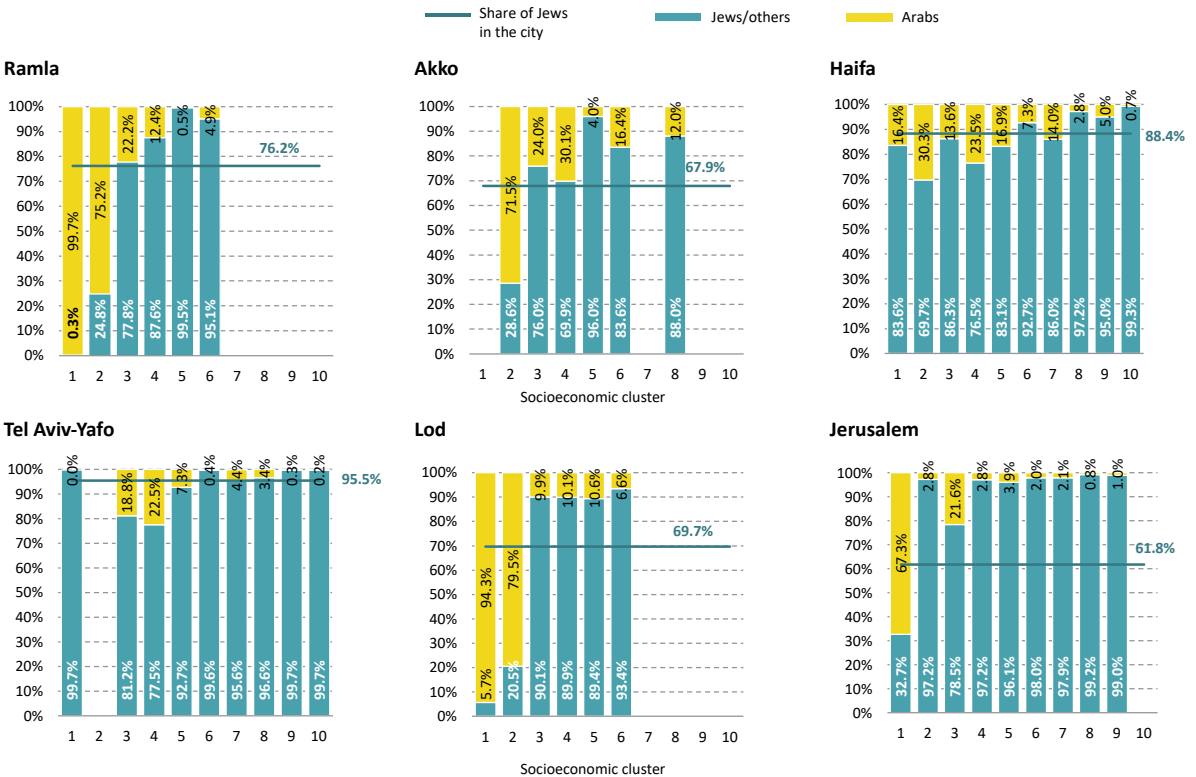
In the graphs: The graphs show the population composition (Jews/others and Arabs) in eight *mixed* cities by socioeconomic clusters. In Lod, Ramla, Akko, and Jerusalem, the share of the Arab population in the lower clusters is substantially greater than their share in the city's population. In Haifa and Tel Aviv-Yafo as well, the distribution of the Arab population tends towards the lower socioeconomic clusters, although it is less extreme. The two most balanced cities are Ma'alot-Tarshisha — though their Arab residents are mostly in the fifth cluster and the Jewish and other residents are in the sixth — and Nof HaGalil, where the distribution of the two populations is quite similar.

Population structure within the socioeconomic clusters in the mixed cities, annual average, 2017–2020



Source: Benjamin Bental and Labib Shami, Taub Center | Data: CBS

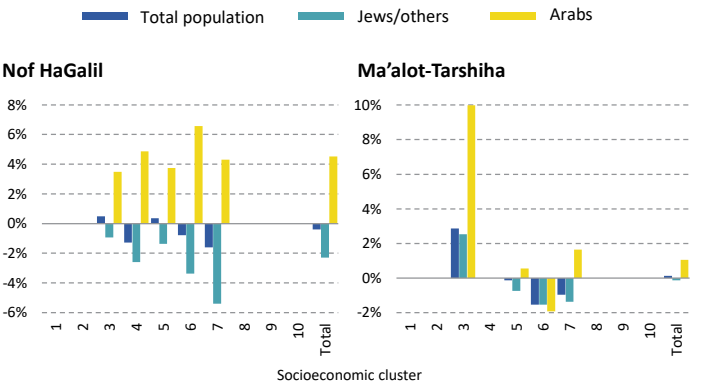
Population structure within the socioeconomic clusters in the mixed cities, annual average, 2017–2020



Differences among mixed cities in their external migration patterns

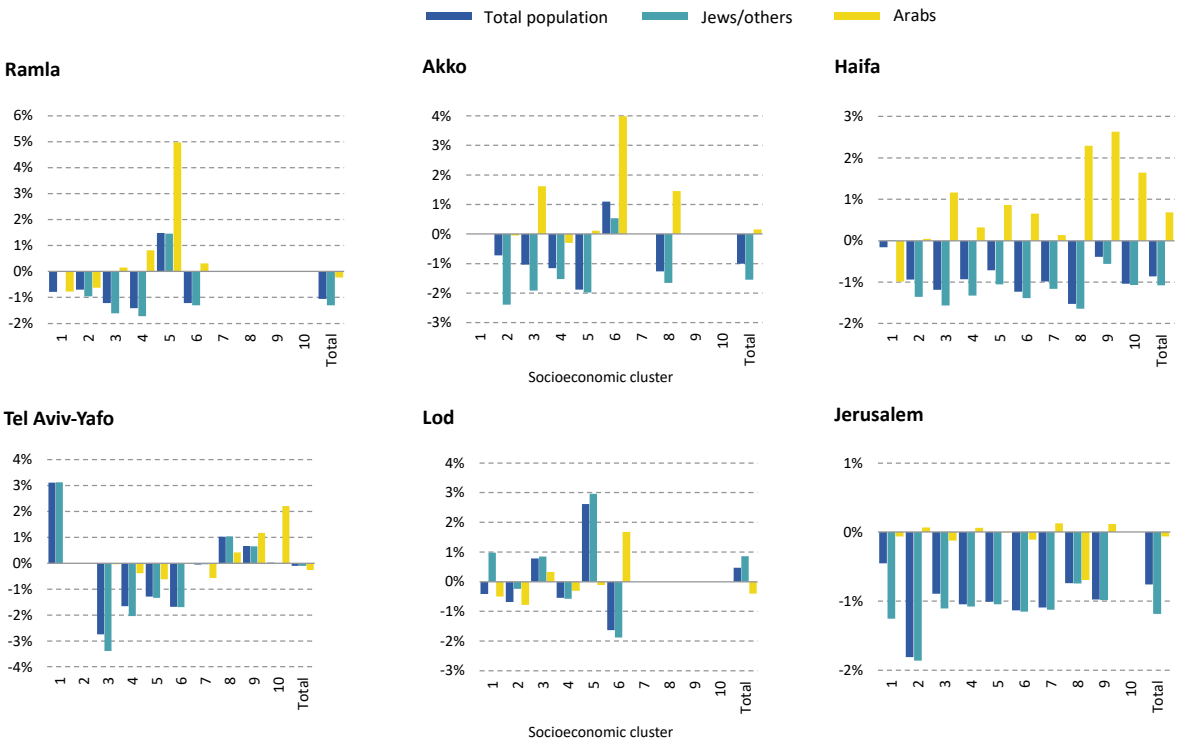
In the graphs: The graphs show the migration rates in mixed cities relative to the population in each socioeconomic cluster for Jews and others, Arabs, and the overall population. Jerusalem is characterized by negative external migration and patterns over the clusters are almost exclusively for the Jewish population. Haifa, Nof HaGalil, and Akko have migration patterns in contrasting directions: Arab migrants coming into the cities and Jewish/other populations leaving. In Haifa, the striking pattern is one of a relatively high addition of Arab population from the higher socioeconomic levels. In Ma'alot-Tarshiha and Ramla external migration patters from certain socioeconomic clusters are positive while they are negative for other clusters. Nevertheless, the external migration patterns for both populations are similar.

Average annual rate of change of the population groups resulting from external migration, by socioeconomic cluster, 2017–2020



Source: Benjamin Bental and Labib Shami, Taub Center | Data: CBS

Average annual rate of change of the population groups resulting from external migration, by socioeconomic cluster, 2017–2020

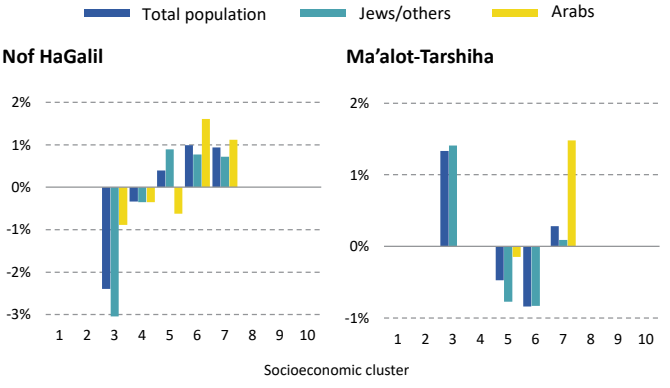


Similarity between Jews/others and Arabs in their internal migration patterns within mixed cities

Background: Internal migration within cities and towns in each population group sum to zero by definition.

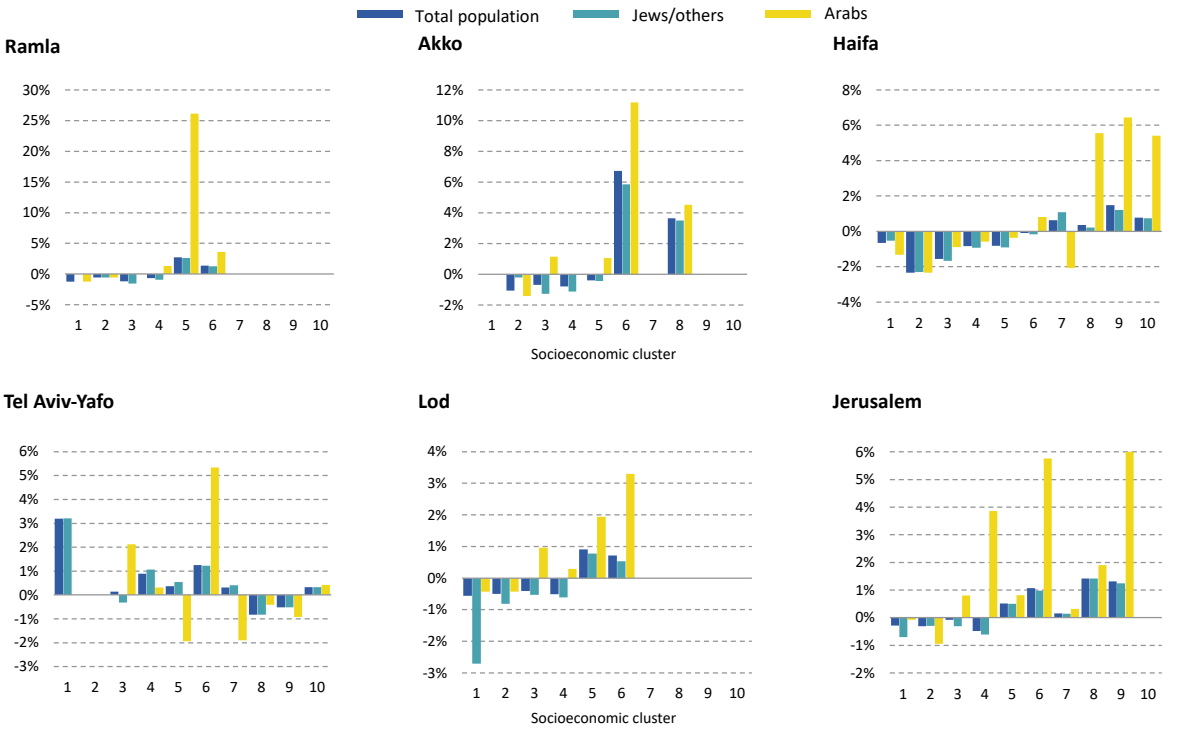
In the graphs: The graphs present the rate of internal migration of population groups between statistical areas that belong to different socioeconomic clusters. Internal migration patterns of Arabs and Jews/others in the mixed cities are similar. In Jerusalem, Haifa, Lod, Nof HaGalil, Akko, and Ramla the trend of the two groups is to leave the neighborhoods that are of lower socioeconomic status for those of a higher status. In Tel Aviv-Yafo and Ma'alot-Tarshisha, there is a trend for the Jews/other population to migrate to areas associated with lower socioeconomic status. Arab internal migration patterns in these towns seem to be more complicated.

Average annual rate of change of the population groups resulting from internal migration, by socioeconomic cluster, 2017–2020



Source: Benjamin Bental and Labib Shami, Taub Center | Data: CBS

Average annual rate of change of the population groups resulting from internal migration, by socioeconomic cluster, 2017–2020



HEALTH

Three years after the outbreak of the pandemic, the healthcare system continues to deal with the challenges that it faced prior to the crisis, and in particular health disparities, both in health outcomes and in manpower and budgets.

The budget for the healthcare services basket has eroded continually and is not updated according to those measures recommended by many professional committees over the years. Low public expenditure leads to long waiting times for appointments and consultations, to workforce shortages, and to shortages in essential equipment. All of this is even more evident in the periphery of the country.

Of particular concern in recent years is the sharp rise in narcotic pain medication consumption (opioids) in Israel. In 2020, Israel placed first worldwide in prescription opioid consumption, in particular due to a sharp increase in the use of fentanyl.

An erosion in medical allocations since the passing of the National Health Insurance Law-1994

Background: The National Health Insurance Law-1994 entitles every resident to a basket of healthcare services. A list of the medications and technologies that are included in the healthcare services basket is set by law and updated according to the recommendations of a public committee. At the beginning of each year, the government budget is set, including the amount of money available to the various health care funds in order to provide this service basket. The sources of the funding are health insurance payments that are divided according to a capitation formula, an amount paid by individuals and households, and additional money provided by the state as needed.

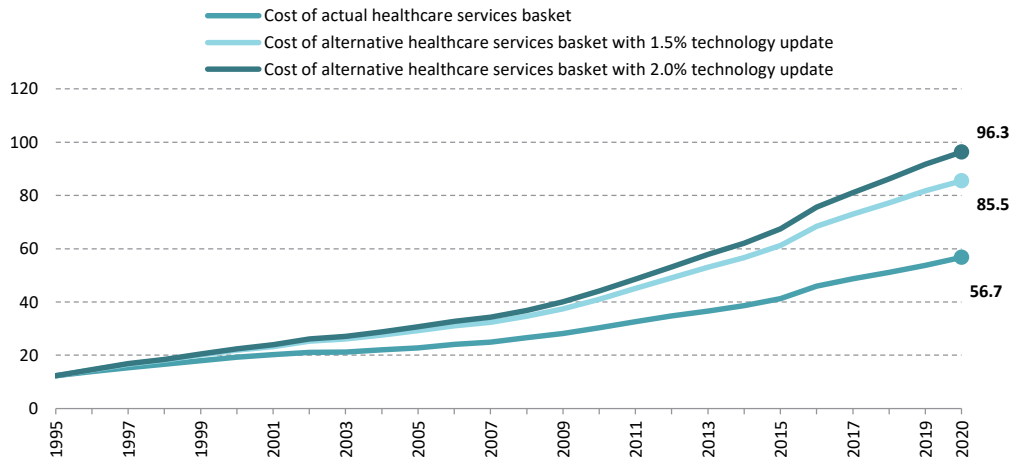
In the graph: The graph displays the actual cost of the healthcare services basket and its updated cost according to a set of coefficients recommended by official committees and medical experts. The recommended updates are meant to cover increased expenditures stemming from demographic and technological changes, and anticipated cost increases.

In 1995, the cost of the basket was about NIS 12 billion. In 2020, it had already reached about NIS 56.7 billion, based on the coefficients specified in the law and in government decisions. However, had the basket been updated as per the alternative coefficients, its cost would have reached NIS 85–96 billion (depending on the technology coefficient used). This is a gap of 56%–70% between the actual and alternative cost of the basket.

Beyond the graph: The healthcare services basket is the main component of public healthcare expenditure. Its erosion has affected the availability, accessibility, and quality of services. Moreover, the erosion has spurred the development of a private healthcare market, sometimes at the expense of the public healthcare system, which has in turn undermined public confidence in the system and exacerbated inequality in healthcare. This raises major concerns for the quality of the healthcare system in the near future.

The actual and alternative cost of the healthcare services basket

NIS billion



Source: Baruch Levi, Gabi Bin Nun, and Nadav Davidovitch, Taub Center | Data: Ministry of Health

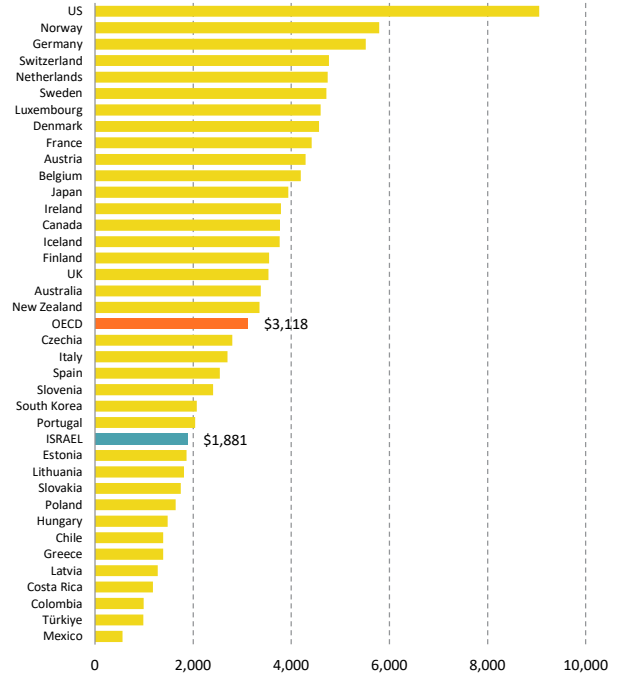
Relatively low per capita public healthcare expenditure in Israel

In the graph: In 2019, public healthcare expenditure per capita in Israel was about 60% of the average in the OECD countries, which puts Israel in 26th place among them. **Beyond the graph:** It is worth pointing out that these numbers are not adjusted for the population's age profile. The population in Israel is young relative to most of the OECD countries, suggesting that Israel's ranking would improve when accounting for this. However, adjusting by age does not change Israel's ranking in any significant way because Israel has the highest fertility rate of all OECD countries, and healthcare expenditure at very young ages (in particular, up to the age of one) are also relatively high. As in other OECD countries, 2019–2021 saw a sharp increase in public healthcare expenditure, from 4.8% in 2019 to 5.8% in 2020 and 5.5% in 2021, while private expenditure remained stable at about 2.6% between 2019 and 2021.

The reality of coping with the COVID-19 pandemic showed the world the importance of a robust public healthcare system.

Public healthcare expenditure per capita in the OECD, 2019

PPP dollars



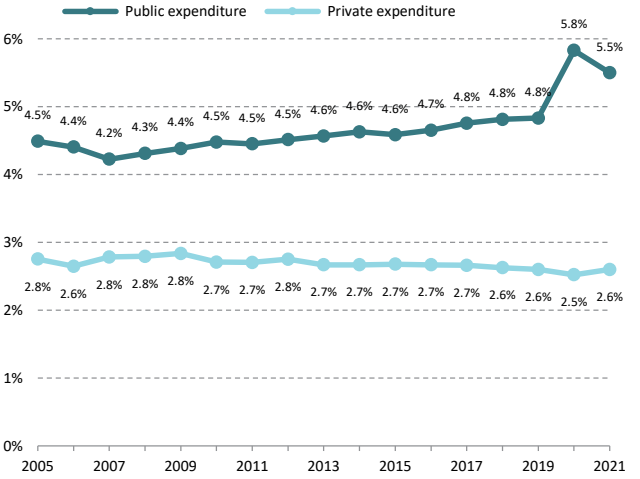
Source: Baruch Levi, Gabi Bin Nun, and Nadav Davidovitch, Taub Center | Data: OECD Health Statistics

About a third of expenditure on healthcare is private

Background: In 2021, the share of national expenditure on healthcare decreased to 8.1% of GDP. A slight decrease also occurred in the average of the OECD countries (9.7%), and the gap between OECD spending and Israeli expenditure remained unchanged. Expenditure per capita, in constant prices, increased by 6.9% between 2020 and 2021.

In the graph: In 2020, public healthcare spending accounted for 70% of the national expenditure. In 2021, the share of public financing decreased to about two-thirds, including contributions from abroad (1% of the spending on healthcare), with the remaining one-third being private expenditure. This decrease partially reflects the gradual return to pre-COVID figures (including the relatively low national expenditure compared to other OECD countries) following the lockdowns and restrictions that characterized 2020, which led, among other things, to a decrease in the consumption of private healthcare services.

Public and private expenditure on healthcare in Israel as a percent of GDP



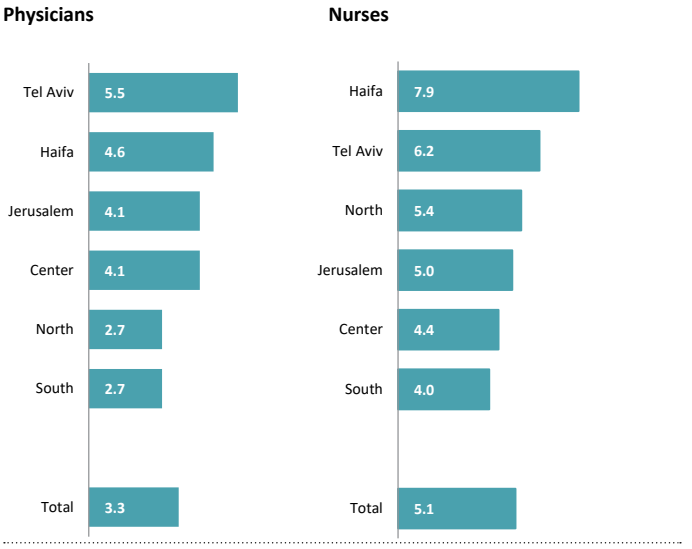
Source: Baruch Levi and Nadav Davidovitch, Taub Center | Data: CBS

Large gaps in healthcare providers between the center and the periphery

Background: The geographic dispersal of physicians and nurses is important in order to address gaps in accessibility and availability of healthcare services.

In the graph: The number of physicians and nurses per capita in the center of Israel and in large cities is generally higher than in the geographic periphery. For example, the number of physicians per capita in the Tel Aviv district (which is the highest rate) is 2.3 times higher than in the Northern district (which is the lowest), and the number of nurses per capita in the Haifa district (the highest) is 2.05 times higher than in the Southern district (the lowest). These inequalities directly affect accessibility to healthcare services and should be addressed.

Number of physicians and nurses per 1,000 population, by district, average for 2019–2021



Source: Baruch Levi and Nadav Davidovitch, Taub Center | Data: Ministry of Health

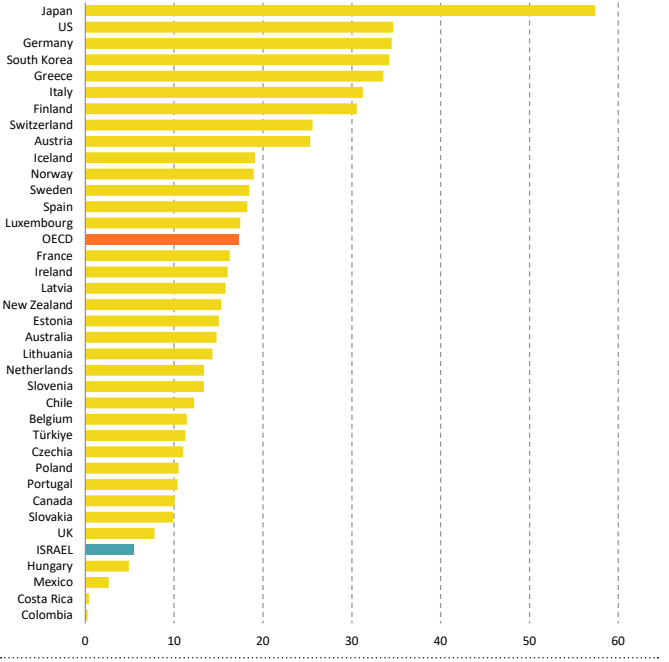
Major shortages in advanced medical devices

In the graph: The number of MRI machines in Israel in 2020 was very low relative to other countries: 5.5 machines per million population compared to 17.3 devices on average per million population in the OECD countries. This number is lower in only four other high-income countries.

Beyond the graph: A comparable situation is observed regarding the number of CT machines. There are 9.9 machines per million population in Israel, whereas the average figure in the OECD countries is 27.4 machines per million population.

In terms of MRI exams, Israel also lags behind, but not by as much, hinting at more efficient use of its limited MRI stock. In 2015, there were 1.89 times as many MRI exams conducted per capita in the OECD on average as in Israel. By 2021, this ratio had fallen to 1.59.

Number of MRI machines per million population in the OECD countries, 2020



Source: Baruch Levi and Nadav Davidovitch, Taub Center | Data: OECD

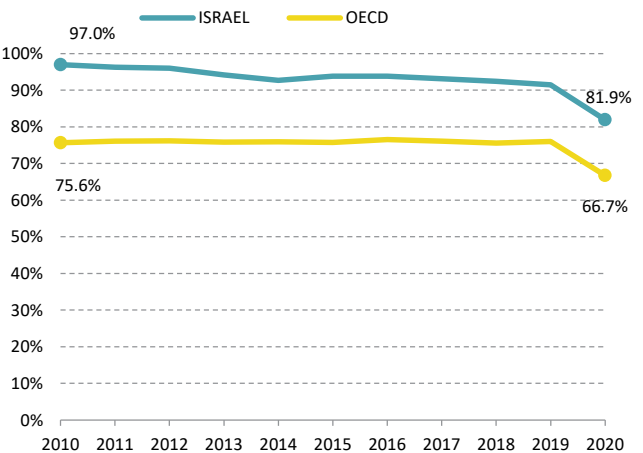
Especially high hospital bed occupancy rates

Background: Throughout the last decade, there has been a decrease in the number of long-term hospitalization beds per capita in Israel, from 3.97 beds per 1,000 population aged 65 and over in 2010 to 2.9 beds in 2021. The number of hospital beds per capita for rehabilitation remained stable.

In the graph: In 2020, the occupancy rate in general hospital beds in Israel dropped to approximately 82%, compared to more than 90% throughout the previous decade. This can be attributed to an overall reduction in hospital activity during the pandemic, especially during its first months. A sharp decrease was recorded in most OECD countries, with Israel remaining at the top of the OECD ranking of occupancy rates, second only to Canada.

Beyond the graph: While this seems to imply a highly efficient system, it results in significant shortages of available beds when demand peaks, for instance during the winter.

Occupancy rates for general hospital admissions, Israel and the OECD average



Source: Baruch Levi and Nadav Davidovitch, Taub Center | Data: OECD

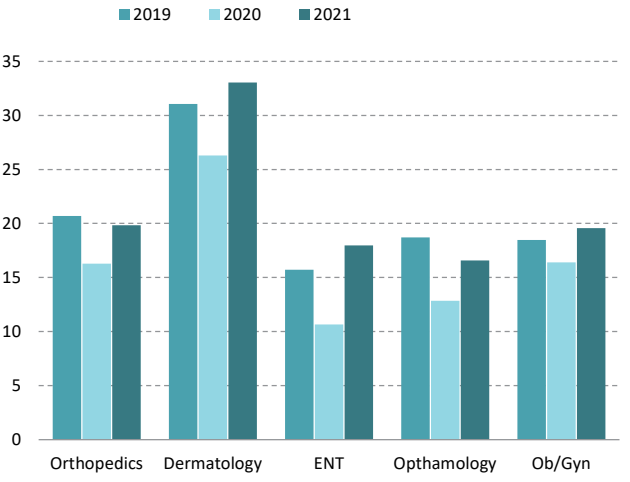
Long waiting times for some medical specialists

Background: The Ministry of Health publishes waiting times for medical consultations in the community in selected specialties. To avoid any seasonal effect, the comparison refers to the fourth quarter of each year.

In the graph: The waiting times for dermatology consults are extremely high (over 30 days). The waiting times for other medical professionals range from 15 to 20 days on average. Comparing 2021 and 2019, there has been a slight increase in waiting times for some specialties, while a decrease has been observed for others. In 2020, there was a decrease in waiting times for all specialists. This may be related to the decrease in demand for non-urgent healthcare services during the height of the COVID-19 pandemic.

Average waiting times for medical consultations

Fourth quarter of every year, number of days waiting



Source: Baruch Levi and Nadav Davidovitch, Taub Center | Data: Ministry of Health

Israel is a world leader in consumption of strong pain medications (opioids)

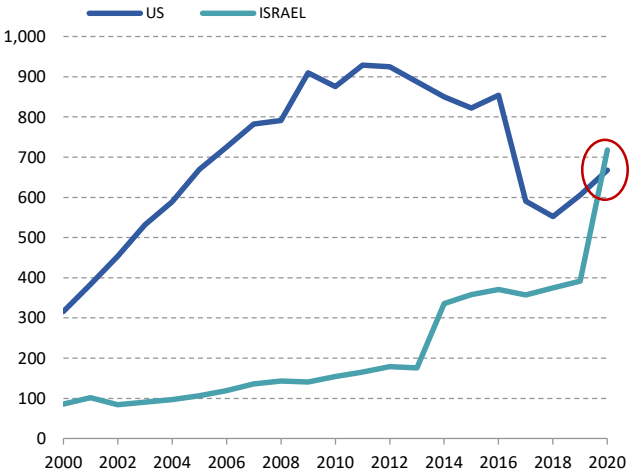
Background: Until 2011, consumption of prescription opioids in Israel was relatively low. Israel relied on opioid alternatives and on weaker opioids such as propoxyphene and codeine. In 2011, Israel banned the use of propoxyphene, and, in 2015, it placed limits on the use of codeine. During these years, there was an increase in the use of the strong opioids oxycodone and fentanyl, and, since 2014, there has been a sharp increase in the use of fentanyl.

In the graph: The rate of increase in opioid consumption in Israel between 2012 and 2015 was the highest among all OECD countries. Since then, the situation has worsened. Fentanyl consumption in Israel has continued to increase, and, in 2020, Israel became the country with the highest consumption of prescription opioids in the world.

Beyond the graph: After 2020, Israel began a slowdown in prescribing fentanyl. It is essential to provide those addicted to pain medications a safe alternative to prevent the move to illegal drugs and to avoid a crisis, like that in the US which, in 2021, led to the death of some 80,000 people from overdoses.

Opioid consumption in Israel and the United States

Morphine milligram equivalent per capita



Source: Nadav Davidovitch, Yannai Kranzler, and Oren Miron, Taub Center | Data: INCB

SPOTLIGHT

Environment & Health

The Taub Center recently inaugurated The Research and Policy Initiative for Environment and Health, formed in cooperation with the Forum for Health and the Environment. In the following pages we offer samples of this important subject, which we feel confident will become a fruitful area of research for the Center. Our goal, as always, is to provide policy makers with the data and analyses required for wise decision making for the benefit of all the populations in Israel.

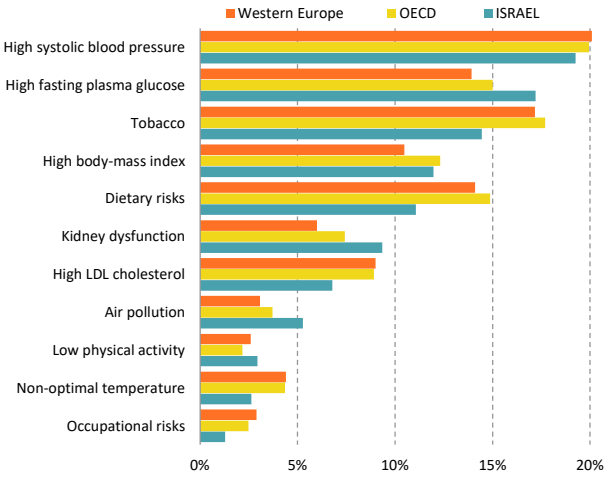
Israel's mortality risk-factor ranking for non-communicable diseases differs from that of the OECD

Background: The Global Burden of Disease study collects and collates information on the prevalence of established health risk factors and on the burden of disease, disability, and mortality in every country. Available data cover 1990–2019.

In the graph: The ranking of risk factors for non-communicable diseases — responsible for most deaths in high income countries — is similar between the OECD and Western European countries. Israel's profile is a little different. There is less mortality associated with dietary risks, occupational risks, and alcohol use, but more mortality associated with air pollution, diabetes, and kidney dysfunction.

Implications: Mortality from exposure to air pollution is responsible for a larger percentage of deaths in Israel than in the OECD and Western Europe, and for a loss of 2.5% of GDP. The two leading risk factors, high systolic blood pressure and high fasting plasma glucose, both consistent with Israel's high prevalence of diabetes, also have other environmental attributes. For example, they are reduced by neighborhood walkability and green space.

Leading mortality risk factors from non-communicable diseases in Israel, Western Europe, and the OECD, 2019



Source: Maya Sadeh, Taub Center | Data: Global Health Data Exchange (GHDx)

Decrease in built-up areas per capita in Israel

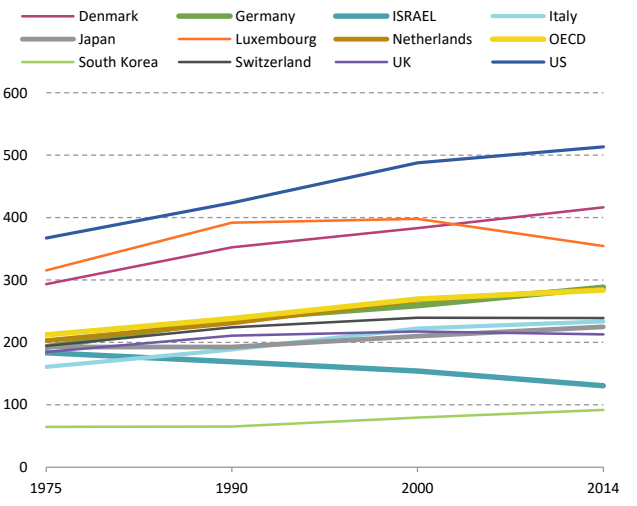
Background: Given Israel's rapid rates of population and economic growth, it is not surprising that the share of land devoted to artificial surfaces (buildings, roads, commercial sites, etc.) has been growing rapidly: from 1.8% of land coverage in 1992 to 5.2% in 2019.

In the graph: In 1975, Israel's level of built-up areas (roofed structures) per capita was just below that of the average of countries that would become members of the OECD, and it was half that of the US. As of 2014 (latest OECD data), these per capita measures had risen in almost all OECD countries. In Israel, in contrast, the per capita measure of built-up areas fell by around 35%, despite the sharp rise in standards of living in general and in the size of new housing stock relative to housing built in the 1960s and 1970s.

Implications: Israel has become better at fitting more people into a small vertical space, even as living standards have continued to improve.

Built-up areas per capita, selected OECD countries

Square meters per person



Source: Alex Weinreb and Kyrill Shraberman, Taub Center | Data: OECD

Exposure to air pollutant PM2.5 is substantially higher than in other high-income countries

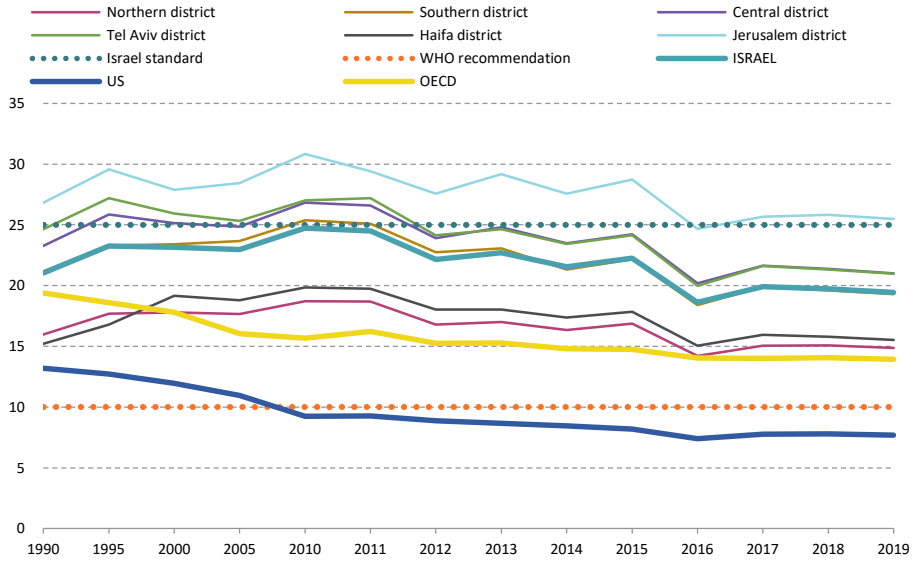
Background: Fine particulate matter (PM2.5) is the air pollutant that poses the greatest risk to health globally, affecting more people than any other pollutant. Chronic exposure to PM2.5 considerably increases the risk of mortality and morbidity due to respiratory, cardiovascular and cerebrovascular disorders, diabetes, and a range of cancers (e.g., lung, throat, and mouth). Premature mortality from ambient particulate matter was responsible for about 5% of deaths in Israel in 2019. The underlying rate — 267 deaths per million — is similar to the OECD average.

In the graph: In 1990, average exposure to PM2.5 in Israel was similar to the OECD average. By 2010, PM2.5 exposure in Israel was almost 60% higher than the OECD average, and in 2019, exposure levels were 39% higher than the OECD average. This was twice as high as in the US, UK, Spain, and Denmark, and about three times as high as in most Scandinavian countries, Australia, and Canada. In fact, in not a single district in Israel, even the Northern district, where PM2.5 exposure levels are the lowest, did they fall below the OECD average.

Implications: Barring early medical interventions or the emergence of new medical technologies that can mitigate or reverse the effects of exposure, premature mortality from PM2.5-related conditions will likely climb above the OECD average in the near future.

Average exposure (micrograms) to ambient particulate matter (PM2.5) in the US, OECD, and districts in Israel

Micrograms per annum



Source: Alex Weinreb and Kyrill Shraberman, Taub Center | Data: OECD

Climate threats in Israel: Temperatures have been rising since the nineties

Background: Observations that have been conducted around the world since the 1950s show that climate change has increased the frequency, strength, and duration of heat waves. According to projections of the Intergovernmental Panel on Climate Change (IPCC), this trend is expected to continue even more forcefully in the coming decades.

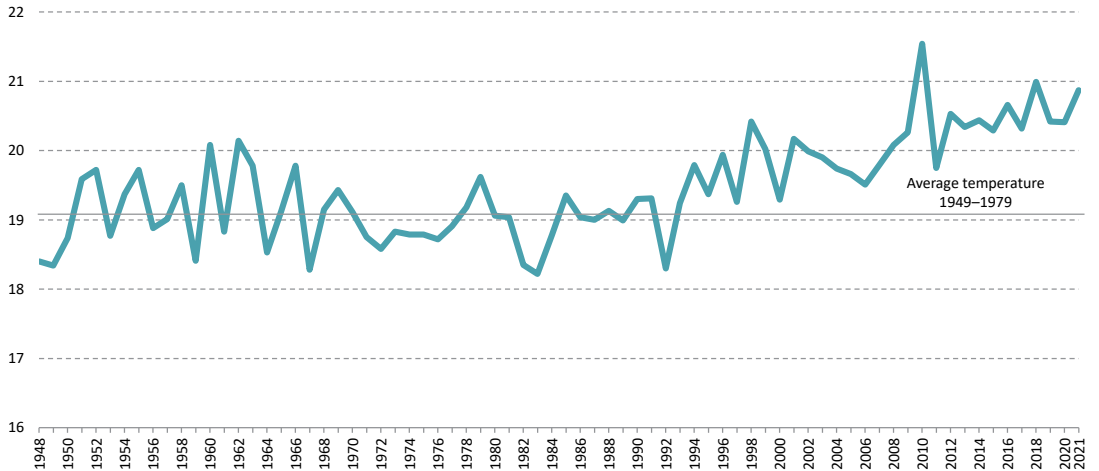
In the graph: In Israel, as well, there has been a substantial growth in the frequency of heat waves, and in the past three decades the average temperature in Israel had climbed by around 1.5 degrees Celsius.

Beyond the graph: Exposure to extreme heat causes significant physiological stress that impacts all the bodily systems, primarily the heart. In order to cool the body, the vascular system generates a massive flow of blood to the skin, through increased heart activity at the expense of other systems and perspiration. When the body does not succeed in cooling itself, or when the humidity in the air is so great that perspiration is ineffective, the internal body temperature rises. This situation is especially dangerous for adults, infants, individuals with chronic illnesses like diabetes and heart conditions, as well as for individuals who take medications that affect the nervous system. A rise in body temperature can cause a variety of physiological effects, the most severe being heat stroke that can lead to death. Data indicate that heat waves are related to additional risks of 11.7% in mortality from heart disease and an increase of 0.8% in morbidity. In addition, heat waves have a notable impact on daily life — for example, through reduced physical activity, depression, anxiety, and increases in violent behaviors.

In Israel, the number of premature deaths due to the burden of heat is higher than the OECD average, although it is smaller than in other countries with similar climate and advanced healthcare systems.

Average annual temperatures in Israel

In Celsius



Source: Nir Kaidar, Maya Sadeh, and Alex Weinreb, Taub Center | Data: CRU TS v. 406

WELFARE

Although it has been stable or even dropped slightly over the last two decades, the level of both poverty and inequality in Israel are very high compared to those in other high-income countries. This is particularly true for families with children, and even more so for families with young children, with significant implications for the future success of those children.

Social spending on social security and health increased greatly during the pandemic, but has since decreased, sometimes even below the pre-pandemic levels, with the obvious example being unemployment benefits. One important positive recent change is large increases in the levels of long-term care insurance and income support for the elderly.

Family income during the first thousand days of a child's life has a critical influence on future academic achievements

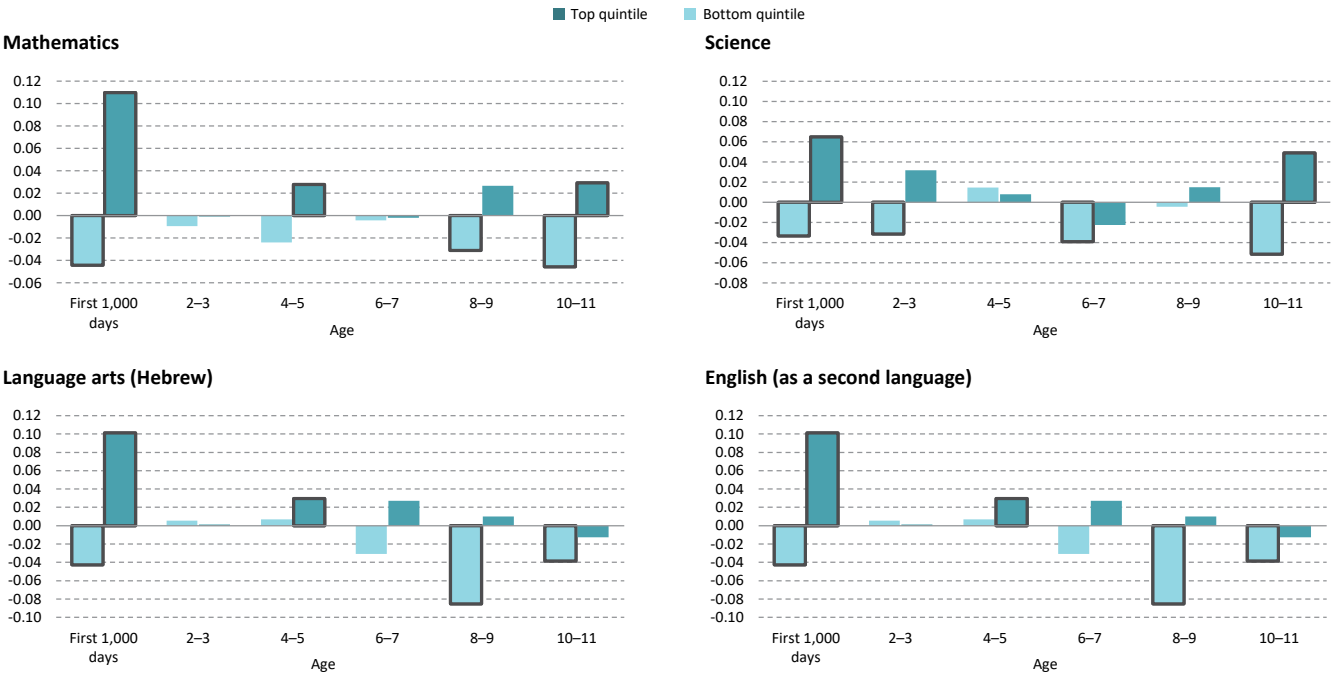
In the graphs: The graphs look at the influence of family income from the first thousand days of a child's life and then every two years until the age of 11 on their educational achievements on the Meitzav exams administered in Grade 5 (for children born between 2000 and 2005). The columns indicate differences in exam scores for those students who are in the highest and lowest family income quintiles at each age relative to children in the other three quintiles of family income. Socio-demographic variables such as parent's level of education, family size, child's gender, sector, and birth weight were controlled for in the analysis. Columns outlined in gray represent statistically significant differences in scores.

The findings show that family income during a child's first thousand days of life has a statistically significant influence on academic achievements in Grade 5 (a negative influence for a child in the lowest income quintile at that age and a positive influence for a child in the highest income quintile at that age). Family income at later ages usually has no statistically significant impact, except for that closest to the age when the exam is administered (ages 10–11).

Implications: These findings highlight the importance of a family's financial situation in the first thousand days of a child's life, a period that is considered critical for development and a determinant of the future course of a child's life. The findings gain significance given the high poverty rates among children (see pages 80 and 82) and the economic inequality between social strata in Israel.

Test score differences on the Meitzav exams in fifth grade and family income in the highest and lowest SES quintile (relative to the middle SES income levels)

Test score differences in standard deviation units



Source: Dana Shay and Yossi Shavit, Taub Center | Data: CBS

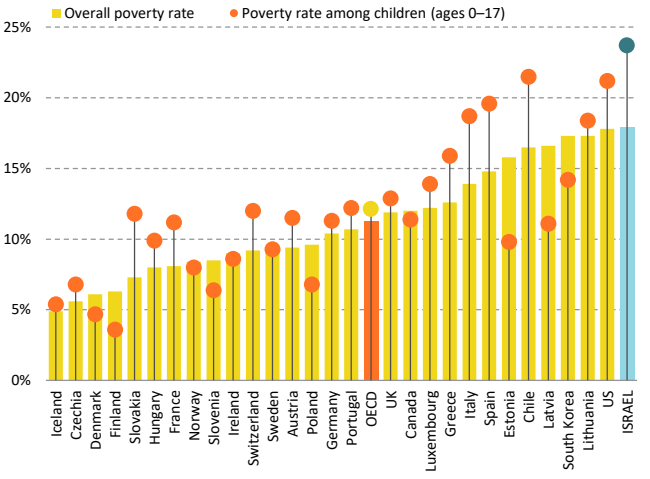
The share of individuals with income below the poverty line in Israel is high, particularly among children

Background: The poverty line in high-income countries is defined as some percentage, usually 50% or 60%, of the median income. The poverty rate can then be measured either by calculating the share of households with income below the poverty line, or the share of individuals with income below the poverty line, with income per individual calculated as a function of the number of individuals living in the household. This graph measures the latter, while the following two use the former.

In the graph: The percentage of individuals living below the poverty line in Israel is higher than in most other high-income countries. In 2019, the overall poverty rate in Israel was about 17%, which is significantly higher than the OECD average of about 12%. Moreover, the incidence of poverty in Israel is particularly high among children: 22% of children ages birth to 17 live in families with incomes below the poverty line, compared to an OECD average of 13%.

Overall poverty rate and the poverty rate among children from birth to age 17, 2019

After taxes and transfer allowances, OECD countries



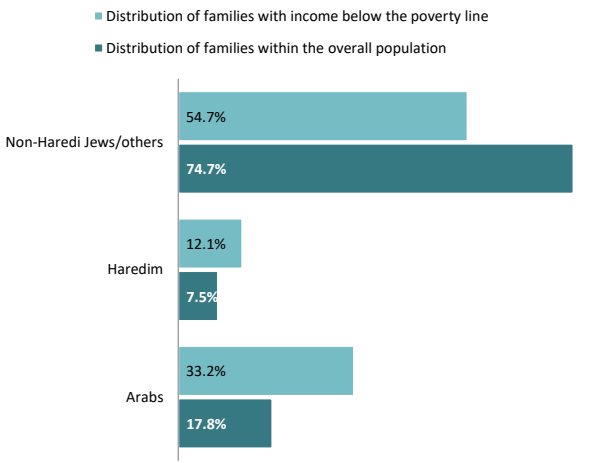
Source: Dana Vaknin, Yossi Shavit, and Isaac Sasson, Taub Center (updated) | Data: OECD

Poverty in Israel is not strictly, or even mostly, a Haredi and Arab problem

Background: Based on administrative data, one result of government intervention in 2020 in response to the COVID pandemic was that the portion of households with incomes below the poverty line was 20.4%, a drop from the 2019 rate of 21.2%. In 2021, 21% of families in Israel were below the poverty line.

In the graph: Based on these data, although non-Haredi Jews and others make up some 75% of all households in Israeli society, their share of the population with income below the poverty line is only about 55%. By contrast, this share for households from the Haredi sector and from Arab society is almost double their share in the general population. Thus, while Haredi and Arab households are overrepresented among those below the poverty line, such poverty is not strictly, or even mostly, limited to these population groups.

The sectoral distribution of families in Israel and in the population of families with incomes below the poverty line, 2021



Source: John Gal, Shavit Madhala, and Ori Oberman (updated), Taub Center | Data: NII

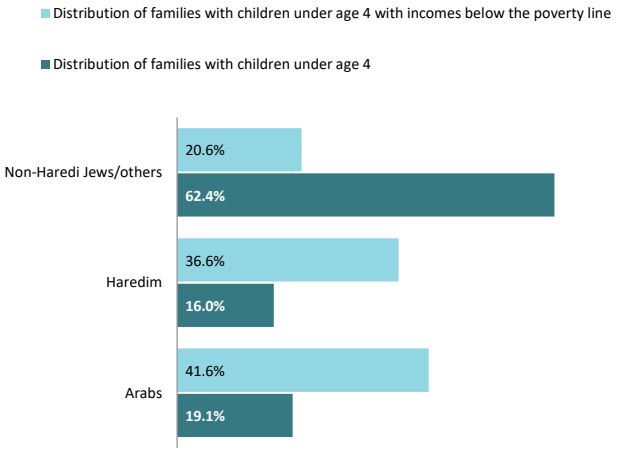
An overwhelming majority of households below the poverty line with children ages birth to 4 are Haredi or Arab

In the graph: On the previous page, we observed that the majority of households living below the poverty line belong to the non-Haredi and other population groups. However, if we limit the analysis to households with very young children (from birth to four years old), a different picture emerges. Some 25% of these households live below the poverty line, and almost 80% of them belong to the Haredi and Arab societies, despite the fact that they account for only 35% of households with children in that age range.

Beyond the graph: In fact, 58% of Haredi households and 55% of Arab households with children these ages are below the poverty line. For individuals, the numbers are even higher (63% and 58%, respectively). For non-Haredi Jewish households, the corresponding numbers are only 8% of households and 9% of children.

Implications: Given the importance of these formative years of a child's life, and the conclusive findings regarding the detrimental effects of familial poverty at this time on future success, it is crucial to reduce poverty in these populations.

The sectoral distribution of families with children under age 4 and families with children under age 4 living below the poverty line, 2018



Source: Yael Navon (updated), Taub Center | Data: NII

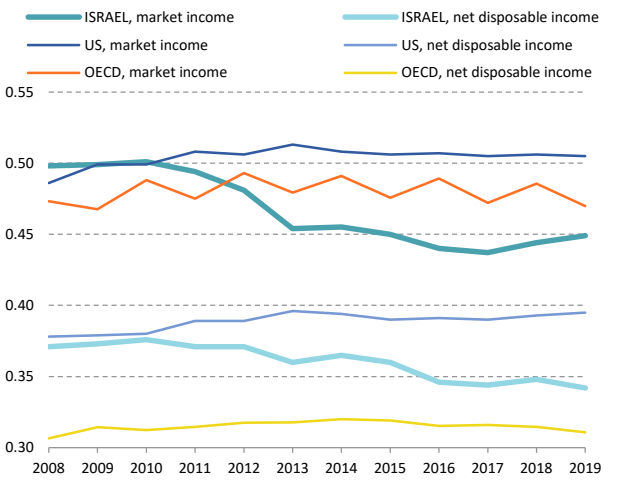
Income inequality is on a downward trajectory, but the effect of taxes and transfer payments is relatively small in Israel

Background: The Gini index measures income inequality; the higher the number (between 0 and 1), the greater the inequality.

In the graph: The graph compares Israel to the US and OECD countries in terms of income inequality, for both gross income (income before taxes and transfer payments) and disposable income (income after taxes and transfer payments). Israel has one of the lowest levels of income inequality among OECD countries in gross income, but one of the highest in disposable income. In fact, in the latter, inequality is lower only than in Costa Rica, Latvia, Lithuania, Türkiye, the UK, and the US.

Beyond the graph: This discrepancy arises due to the relatively low level of income redistribution through taxes and transfer payments, which stems, in part, from the relatively low rates of taxation. Inequality in net disposable income has been falling steadily for more than a decade due to welfare benefit cuts in 2003, the resultant rise in employment in the Haredi and Arab sectors, and the increase in the minimum wage. The index fell in 2020 as a result of the government's allocations in response to the pandemic but rose again in 2021.

Gini index, Israel, the US, and the OECD



Note: OECD data were available through 2019 for most countries.
Source: Haim Bleikh and Avi Weiss, Taub Center | Data: OECD

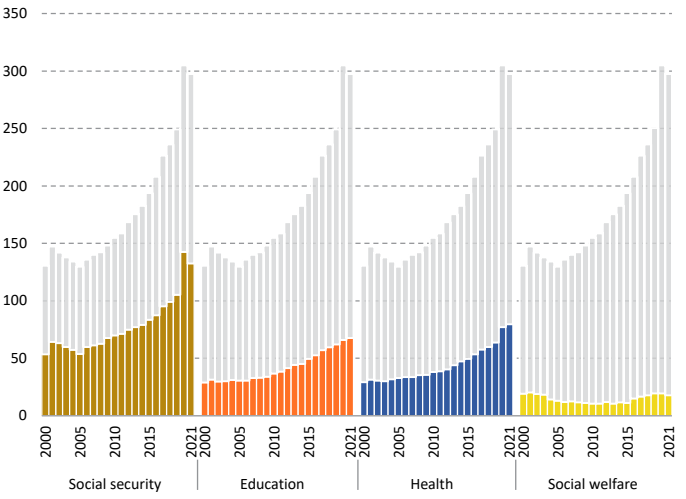
Increases in expenditure on health and education, decreases in social security and social welfare

Background: Israel's social expenditure, which consists of expenditure on health, education, social welfare, and social security, was NIS 297 billion in 2021, a decrease of NIS 7 billion from 2020. This comprised 59% of total government expenditure, which was about NIS 500 billion. The share of GDP fell back below 20% in 2021, to about 19%. This is higher than prior to the pandemic, but there is a clear trend to reduce the resources for social issues.

In the graph: The changes in 2021 reflect different aspects of dealing with the pandemic. While social security expenditure decreased in 2021 by NIS 10 billion, expenditure on health, which increased in 2020 by 21%, continued to grow in 2021 — by about NIS 2 billion. Expenditure on social welfare decreased by NIS 2 billion, mainly a NIS 1 billion reduction in the Ministry of Housing budget to NIS 4 billion, and a reduction in the Ministry for Social Equality's budget to NIS 180 million, about half of the 2020 budget. No significant changes were recorded in other items of expenditure on social welfare.

Expenditure by area out of total social expenditure

2020 prices, NIS billion



Source: John Gal, Shavit Madhala, and Ori Oberman, Taub Center | Data: Ministry of Finance; Ministry of Health; NII

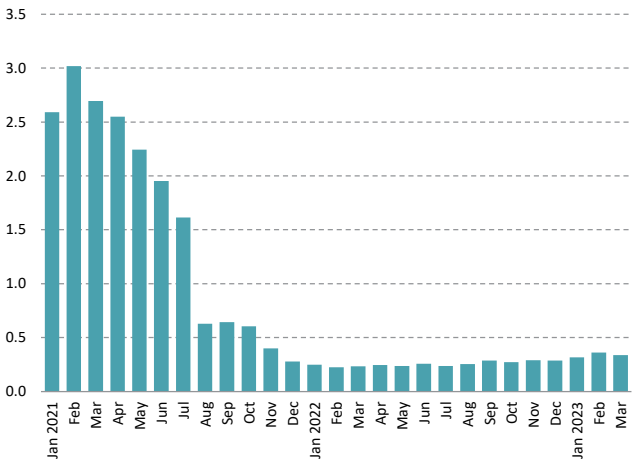
Unemployment benefit expenditures have returned to pre-pandemic levels

Background: The main changes in the social security system were in the amount of benefits paid by the NII, especially in the unemployment insurance program. Easing of eligibility requirements, extensions of the eligibility period, and the expansion of coverage for those on furlough led to a very considerable expansion of unemployment benefits. This policy tool was central in the government's fight against the impact of the pandemic on the labor market and on household incomes.

In the graph: In 2020, unemployment expenditure was about NIS 23.5 billion — more than five times the expenditure in 2019, which amounted to about NIS 4 billion. Even in 2021, more unemployment benefits were paid than usual, but the total expenditure on them, about NIS 19.5 billion, was about 20% lower than in 2020. At the beginning of 2022, unemployment expenditure constituted only about one-tenth of the amount during the corresponding period in 2021. In 2022, total spending on unemployment insurance dropped dramatically and was only NIS 3.2 billion, below the pre-pandemic levels.

Expenditure for the payment of unemployment benefits, 2021–2023

NIS billion



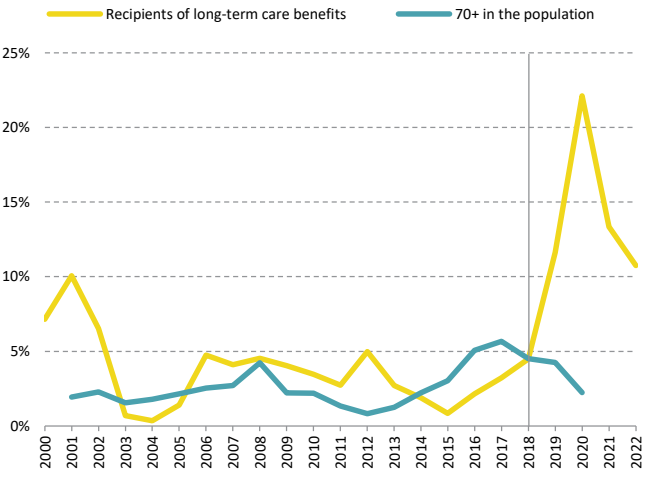
Source: John Gal, Shavit Madhala, and Ori Oberman, Taub Center | Data: NII

Marked increase in the scope and scale of long-term care insurance for the elderly

Background: One of the areas of expanding activity of the social security system in Israel in recent years is long-term care insurance for the elderly. In 2021, expenditure in the area of long-term care constituted one-tenth of total NII expenditure.

Beyond the graph: From 2000 to 2018, the rise in long-term care expenditure was primarily due to growth in the population of the elderly. However, since 2019, the growth also reflects policy changes that have eased accessibility to services and altered the way assistance is provided. Long-term care insurance includes various types of assistance, ranging from services to financing of personal care. Until recent years, the benefit was in-kind. The reform that was implemented in 2018 brought about significant changes in the patterns of utilization of the Long-Term Care Insurance Act, resulting in a substantial increase in both the number of eligible recipients for assistance under the law and the budget allocation for these services Even after the sharp rise in the number of those entitled to the benefit, the number of benefit recipients continues to increase, although at a slower rate.

Rate of change in the portion of long-term care benefit recipients and in the portion of people aged 70 and over in the population



Note: The vertical line marks the beginning of reforms in long-term care benefits.
Source: John Gal, Shavit Madhala, and Ori Oberman, Taub Center | Data: CBS; NII

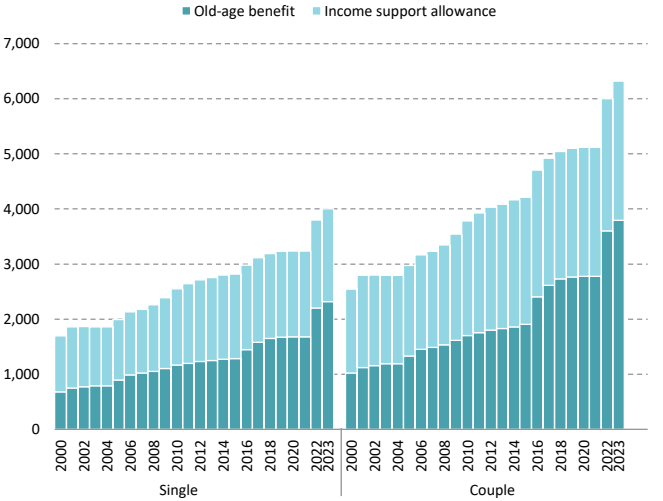
An increase in the level of income support for low-income elderly and survivors

Background: Another significant change in the social security system in recent years is the increase in the level of income support, that is, the supplement given to recipients of an old-age or survivor benefit whose income is low. The supplement is intended to ensure a reasonable standard of living for senior citizens whose sole or main source of income is the old-age benefit. In mid-2021, it was decided to further increase the benefit and to also increase the amount of earnings that are permissible without affecting eligibility.

In the graph: From January 2022, the amount paid to a single beneficiary increased from NIS 3,237 to NIS 3,799, while couples received NIS 6,002 instead of NIS 5,117 before the raise. In 2022, spending on income support benefits for the elderly was NIS 4.4 billion as compared to only NIS 2.9 billion in 2021. The increase does not result from an increase in the number of recipients, but rather primarily from an increase in the income itself to benefit recipients.

The average old-age benefit and income support benefit

Current prices, NIS per month



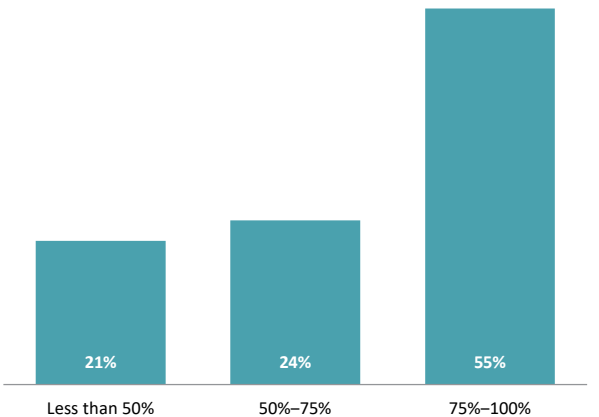
Source: John Gal, Shavit Madhala, and Ori Oberman, Taub Center | Data: NII

A significant shortage of social workers

Background: Despite the continuous increase in the number of graduates from social work schools each year, many social workers are leaving the profession. This trend is evident in the large number of vacant positions in the welfare services. Among the positions financed by the Ministry of Welfare and Social Affairs, one-tenth (558 positions) of those in the local authority social service departments are not staffed. The Union of Social Workers estimates that there are approximately 1,500 vacant social work positions. The difficulty in staffing social work positions in the public sector is evident: 24% of all those hired in local authority social service departments leave their jobs in their first year of employment. There are several reasons for this high turnover rate, some of which are related to the relatively low salaries of social workers compared to those with other academic degrees.

In the graph: Another reason is the common phenomenon of part-time employment. This is widespread and characterizes many civil service jobs in this profession.

Distribution of government-employed social workers, by percent of employment position, 2021



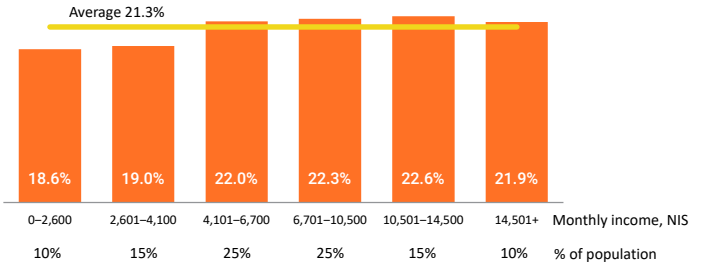
Source: John Gal, Shavit Madhala, and Ori Oberman, Taub Center | Data: Ministry of Welfare and Social Affairs; State Comptroller

More than 20% of the adult population in Israel care for a family member

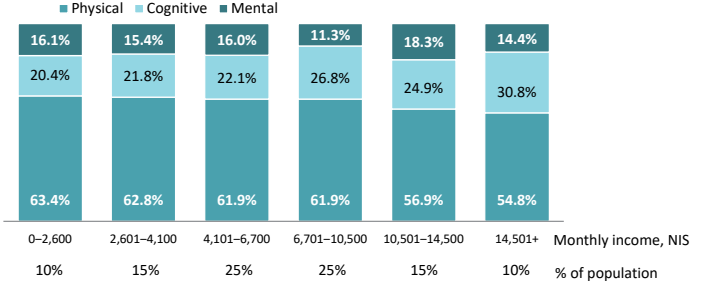
Background: In Israel, as in other high-income countries, caregivers are often family members. About one-fifth of the adult population in Israel is involved in long-term care giving (for half a year or more) for a family member. There are three main categories of caregiving: physical — difficulties due to old age or physical disability not associated with age or disease; cognitive — cognitive issues related to age or emotional issues; and mental — autism, intellectual disability, or loneliness.

In the graphs: The graphs divide households according to income per capita, adjusted for the number of family members. For those in the two lowest income groups, the portion of caregivers is a bit lower than the average, and they tend to care for those with physical disabilities, as do caregivers in the two middle income groups. In the two highest income groups, caregivers give less care for physical issues and more for cognitive and mental disabilities. It is possible that those with higher incomes are able to secure help more easily for family members with physical needs.

Percent of family caregivers by net monthly income per capita, 2019



Distribution of caregivers by type of care required and by net monthly income per capita, 2019



Source: Rachel Arazi, Benjamin Bental, and Nadav Davidovitch, Taub Center | Data: CBS

The more time spent in caregiving activities, the higher the risk of impact on employment

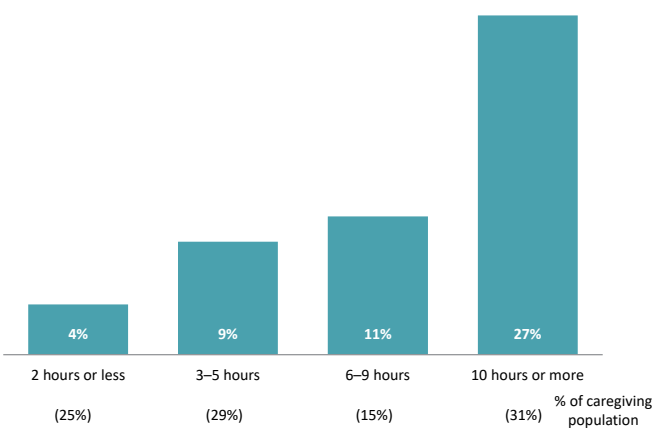
Background: In the 2019 CBS Social Survey, caregivers were asked to report whether their employment was impacted by their caregiving activities. Only 12% responded positively, with a large variance in the extent of the impact — from loss of work hours or work days to cutting back on paid employment or loss of work.

In the graph: As expected, the impact on work is largely dependent on the number of weekly hours spent caregiving. Only 4% of those who spend up to 2 hours a week felt that their jobs had been impacted. The portion increases as the number of hours spent caring for a family member increases, and jumps to 27% of those who spend 10 hours or more in caregiving activities.

Beyond the graph: According to the data, about 10% of Israelis spend the equivalent of one work day a week in caregiving activities, which is about 2% of work days in the economy. Given that work comprises 60% of GDP, this represents a loss of some 1.2% of GDP annually.

Probability of reporting that work has been impacted by the amount of time spent in caregiving, 2019

Hours per week



Source: Rachel Arazi, Benjamin Bental, and Nadav Davidovitch, Taub Center | Data: CBS

EDUCATION

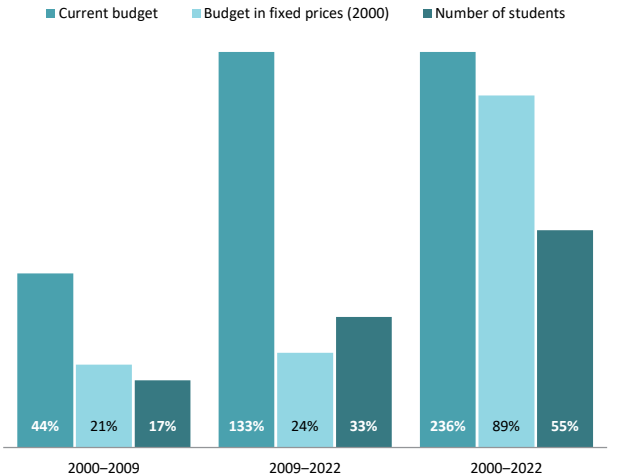
Despite public perceptions, most indicators point to an overall improvement in Israeli education systems. Among other things, allocations have grown, class sizes have fallen, student achievements have increased (for the most part), gaps between the school systems have declined, and teacher qualifications have increased. Some of these changes are examined in the following pages.

Significant real increase in education budget per student

In the graph: Between 2010 and 2022, the Ministry of Education budget in real terms grew much faster than the number of students in pre-K through 12 (89% increase in budget vs 55% increase in the number of students). During the first decade of this century, the number of students and the real budget grew at similar rates.

Beyond the graph: In 2000, the total expenditure on education in current prices was 8% of GDP. In 2009 it fell to 7.3%, but in 2022 it again rose to the 8% level. The portion of the education budget out of the state budget (not including the development budget and the capital account), which was 18.7% in 2000 and in 2010 was 20.4%, decreased to 18.3% in 2023. That is, despite the large increases in Haredi education in the 2023–2024 budget, the share of the education budget out of the state budget has declined.

The rate of growth in the Ministry of Education budget and in the number of students in school (pre-K though 12)



Source: Nachum Blass, Taub Center | Data: Ministry of Education, Economics and Budgeting Administration website

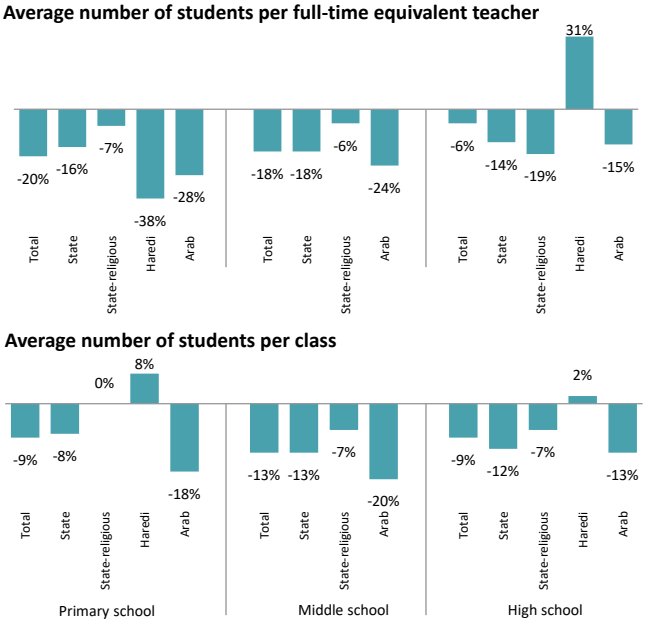
Class sizes and the number of students per teacher are falling

Background: The more rapid growth in the budget than in the number of students during the second decade of this century (shown on the previous page) is what allowed for the changes shown here.

In the graph: The budgetary increase illustrated on the previous page was not the only improvement. Both the number of students per full-time teaching position and the average class size has fallen at most education levels and in most education streams. The exception is in parts of the Haredi education system, primarily due to the high rate of increase in the number of students as seen in the increase in class size. The population that benefited much more than others from the addition to the budget was the Arab sector, and as a result there has been a narrowing of gaps between the Arab and Hebrew education sectors.

Source: Nachum Blass, Taub Center | Data: Ministry of Education

Rate of change between school years 1999/2000 and 2019/2020



The match between the subjects taught by teachers and what they were trained to teach has improved

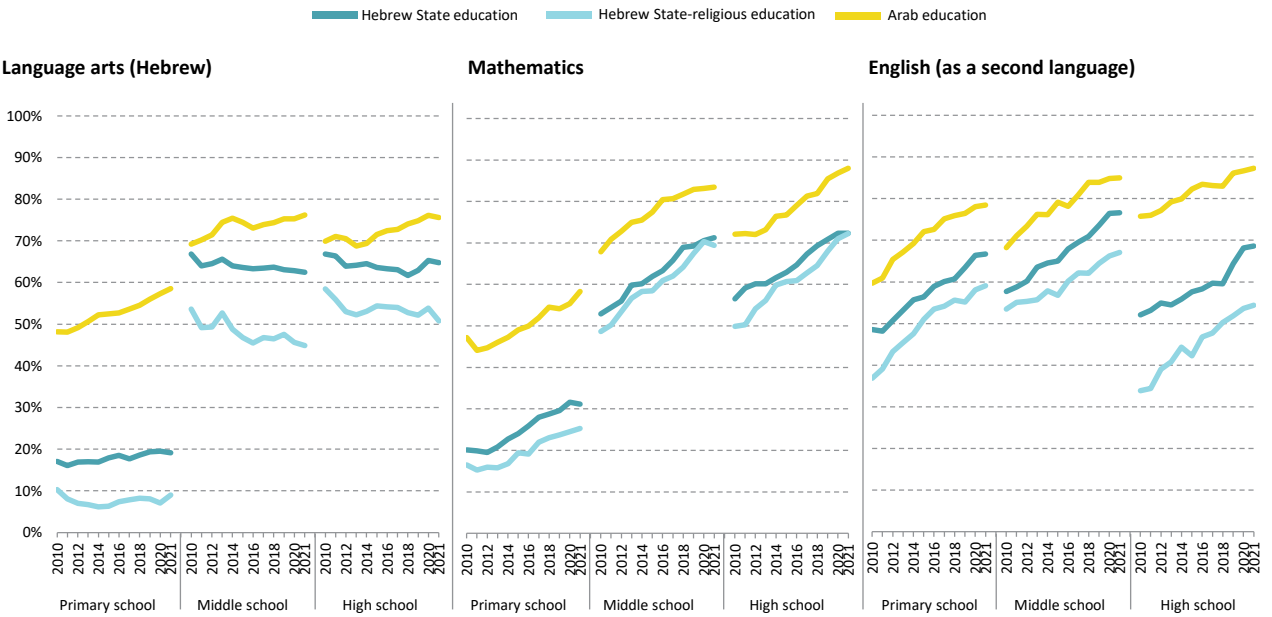
In the graphs: In primary school education only about 20% of teachers in the Hebrew State education system and about 10% in the State-religious education system who teach language arts (Hebrew) have training in teaching this subject. The reason may be that school principals feel that Hebrew as one's mother tongue coupled with teaching skills is sufficient training to teach language arts. In the Arab sector, where the teachers' mother tongue is Arabic, separate training in teaching Hebrew is almost always a necessary requirement and, therefore, the share of teachers who are trained to teach Hebrew language arts reaches 60%.

In middle schools and high schools, the match between teachers' training and the subject they teach is better than in the primary schools, and in the State system it is better than in the State-religious system, although a clear decline is seen in both systems. Here, too, the situation in the Arab sector is better than in the Hebrew education sector.

With respect to the match in mathematics and English (as a second language), in 2021 there were still many teachers whose training did not satisfy the requirements of the Ministry of Education. Nonetheless, the data indicate that the current situation is better than in the past — at all levels of education and in all of the population sectors.

Beyond the graphs: It is likely that one of the reasons the Arab sector seems to be in a better situation than the Hebrew sector is that Arab teachers are younger on average and their training is more current.

Share of teachers with appropriate training for the subject they teach



Source: Nachum Blass, Taub Center | Data: CBS

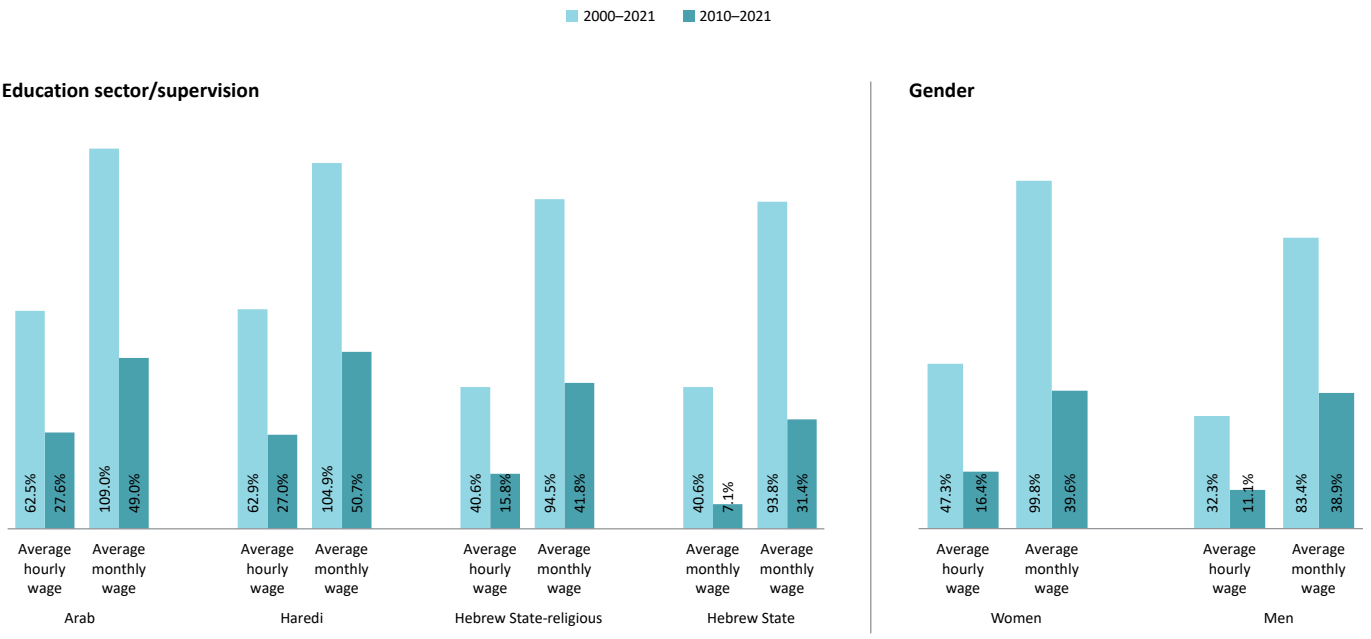
Teacher wages have risen substantially but differentially since the turn of the century

Background: Between 2000 and 2021, the average monthly wage of teachers (in nominal terms) rose by about 90% and the hourly wage rose by 43%, but the increases were not the same for all teachers. The highest increase in monthly wages was in the Arab sector (109%), and the lowest was among men (83%). The highest increase in hourly wage was 63% in the Haredi sector and the lowest was 32% among men. The reason that monthly wages rose more than the hourly wage is changes in the structure of a full-time position, which now includes a greater number of work hours always carried out by the teachers, but for which they previously received no compensation (preparation time, meetings, and the like).

In the graphs: The wages of women teachers increased more than those of men, particularly in hourly terms. The wages in the Arab and Haredi education systems rose more than in the State and State-religious schools.

Beyond the graphs: Other breakdowns: (1) The teachers highest wage increase was among over age 50 with seniority of 21–30 years. (2) There was greater improvement in the wages of teachers in locations with a low socioeconomic ranking, apparently due to the large portion of Arab or Haredi teachers. (3) The hourly wages of teachers without an academic degree improved more than those of teachers with one, although monthly wages rose more among teachers with a bachelor's degree and even more for those with a master's degree. (4) Increases in monthly wages of teachers in all education levels were quite similar, while the rise in hourly wages was lowest for high school teachers and highest for primary school teachers. This reflects the differences in the definition of a full-time position at the different education levels in the latest wage agreements (with almost no differences in pre-school, a move from 30 to 36 hours in primary and middle school, and from 24 to 40 hours at the high school level).

Rate of change in salaries of teaching manpower, by selected characteristics



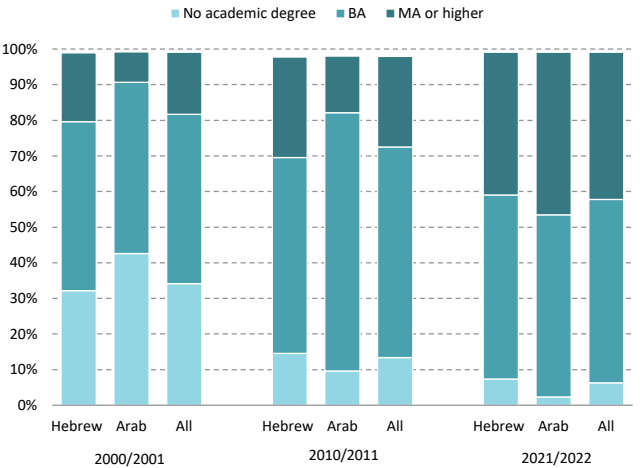
Source: Nachum Blass, Taub Center | Data: CBS

Improvement in the level of education among teachers

In the graph: The share of degree holders among teachers has risen substantially. The vast majority of teachers today have at least a bachelor's degree. Of note is the closing of gaps in teachers' education between the Hebrew and Arab education systems. In 2023, the share of teachers with a bachelor's degree in the Arab education sector was very similar to the share in the Hebrew education sector, while the share of teachers with a master's degree was even higher.

Beyond the graph: An important question that arises is whether a teacher's education level reflects the quality of their teaching. The findings on this question are ambiguous, particularly with respect to the effect of a master's degree on the quality of teachers in the Hebrew education sector.

Teaching manpower, by sector and teacher education level



Note: The categories do not sum to 100% in the CBS publication.
Source: Nachum Blass, Taub Center | Data: CBS

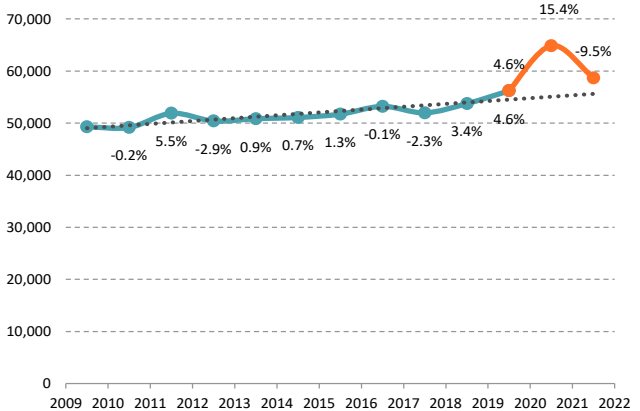
The number of first year undergraduates continued to surpass the long-term trend in 2022

Background: The pandemic and the lockdowns led to a sharp increase in the number of new students in higher education. What was unclear at the time was whether the initial increase during the 2020/2021 academic year was composed of new students who had intended to study in any case and simply started earlier, or people who would not have acquired an academic education were it not for the pandemic.

In the graph: In the 2021/2022 academic year, the number of new undergraduate students was lower than in 2020/2021, but it was still well above the expected rate given the long-term trend. It seems likely, therefore, that many of the new students in 2020/2021 would not have enrolled in higher education had it not been for the pandemic and they entered the system only because of the restrictions imposed in response to it.

Beyond the graph: It will be interesting to examine this one-time shock and its implications for the individuals involved and for the economy as a whole in coming years.

Number of new undergraduate students and the rate of change



Note: The dotted line represents the long-term trend and is based on the period from the 2009/2010 academic year to the 2019/2020 academic year.
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

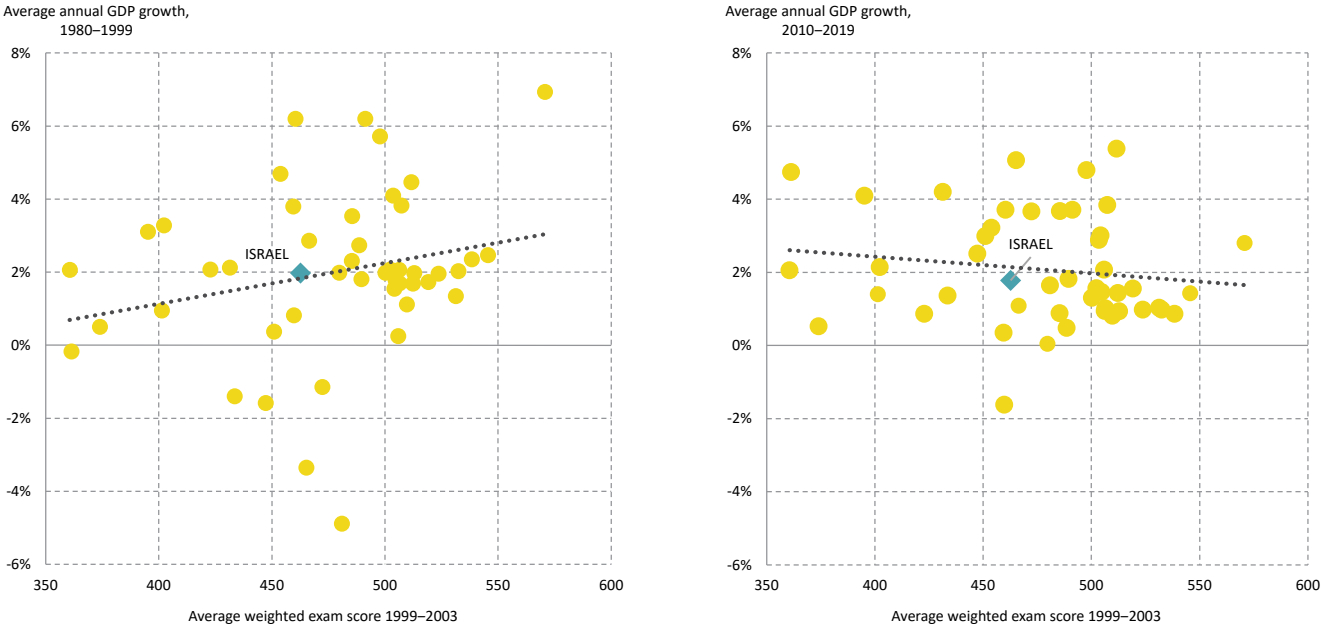
Future GDP growth seems unrelated to the success in international student achievement exams

Background: Standardized student achievement tests like PISA and TIMSS are widely used across countries to judge the effectiveness of the education system. One of the main reasons for investing in these tests — and for shifting educational priorities in the wake of poor results — is that countries' test performance is thought to be a strong predictor of future economic growth.

In the graphs: The relationship between students' average scores on standardized tests in the 1999–2003 period and the countries' average growth in 1980–1999 (left graph) and in 2010–2019 (right graph) is quite different. The relationship with past growth is clearly positive. The relationship with growth in the 2010–2019 period, conversely, is moderately negative. These different patterns suggest that rapid economic growth in the last two decades of the last century predicted higher test scores, but those high scores did not predict subsequent economic growth.

Implications: The importance placed on scores in international exams may be misplaced or, at the very least, exaggerated. It is clearly true that human capital is an important predictor of economic performance and growth. Yet economic performance is also affected by many other factors, and standardized tests may not easily capture some key attributes of that human capital.

Rate of change in average annual GDP per capita 1980–1999 and 2010–2019 and exam scores 1999–2003



Source: Nachum Blass, Michael Debowy, and Alex Weinreb, Taub Center | Data: IEA; OECD; World Bank

Policy Program Fellows

Demography

Alex Weinreb (Chair), Karin Amit, Jon Anson, Avraham Ebenstein, Zvi Eisenbach, Dov Friedlander, Anastasia Gorodzeisky, Ahmad Hleihel, Eliahu Ben Moshe, Barbara Okun, Avi Paltiel, Sergio Della Pergola, Liat Raz, Uzi Rebhun, Ameed Saabneh, Jona Schellekens

Education

Nachum Blass (Chair), Shlomit Amichai, Shlomo Beck, Rami Benbenishty, Carmel Blank, Yigal Douchan, Eli Eisenberg, Yariv Feniger, Isaac Friedman, Meir Kraus, Orit Levin, Ariel Levy, David Maagan, Zmira Mevarech, Fadia Nasser-Abu Alhija, Yael Navon, Joel Rapp, Rita Sever, Yossi Shavit, Edna Shimoni, Rami Sulimani, Eran Tamir, Yuli Tamir, Yuval Vurgan, Zvi Yanai, Noam Zussman

Health

Nadav Davidovitch (Chair), Dorit Adler, Anat Arbel-Shamir, Alexander Aviram, Uri Aviram, Ran Balicer, Shlomo Barnoon, Yitzhak Berlowitz, Nakhle Beshara, Bishara Bisharat, Orna Blondheim, Adi Brender, Shay Brill, David Chinitz, Keren Dopelt, Tal Dovev, Asher Elhayany, Miri Endblad, Leon Epstein, Ronni Gamzu, Yigal Ginat, Dan Greenberg, Itamar Grotto, Eitan Hai-Am, Jonathan Halevy, Eran Halperin, Michael Hartal, Avi Israeli, Orit Jacobson, Avigdor Kaplan, Galit Kaufman, Rachel Kaye, Muhammad Khatib, Shira Kislev, Maya Leventer-Roberts, Baruch Levi, Jacob Menczel, Shlomo Mor-Yosef, Roei Ben Moshe, Adi Niv-Yagoda, Gabi Bin Nun, Meir Oren, Baruch Ovadia, Shani Paluch-Shimon, Eran Politzer, Sigal Regev-Rosenberg, Bruce Rosen, Judith Shamian, Amir Shmueli, Haim Silber, Varda Soskolne, Jochanan Stessman, Aviad Tur-Sinai, Leah Wapner, Salman Zarka, Dan Zeltzer

Labor

Einav Aharoni-Yonas, Rani Dudai, Gil Epstein, Haggay Etkes, Mark Feldman, Daniel Gottlieb, Nitsa (Kaliner) Kasir, Oren Levin-Waldman, Yaakov Loupo, Miki Malul, Guy Mundlak, Dalia Narkiss, Tali Regev, Dmitri Romanov, Moshe Semyonov, Ofer Setty, Sigal Shelach, Arie Syvan, Yossi Tamir, Aviad Tur-Sinai

Macro-Economics

Benjamin Bental (Chair), Yarom Ariav, Gilad Brand, Adi Brender, David Brodet, Doron Cohen, Naomi Feldman, Reuben Gronau, Jack Habib, Moshe Mandelbaum, Dan Peled, Assaf Sarid, Haim Shani, Eytan Sheshinski, Shmuel Slavin, Avia Spivak, Michel Strawczynski, Shlomo Yitzhaki, Ben-Zion Zilberfarb

Welfare

John Gal (Chair), Michal Almog-Bar, Avishai Benish, Orly Benjamin, Allan Borowski, Nissim Cohen, Israel Doron, Rana Eseed, Zvi Feine, Daniel Gottlieb, Anat Herbst-Debby, Roni Holler, Nitsa (Kaliner) Kasir, Chana Katz, Michal Koreh, Michal Krumer-Nevo, Lihi Lahat, David Levi-Faur, Ibrahim Mahajne, Miki Malul, Ronen Mandelkern, Baruch Ovadiah, Nadav Perez-Vaisvidovsky, Tehila Refaeli, Yekutiel Saba, Talia Meital Schwartz-Tayri, Shmulik Sheintuch, Sigal Shelach, Edna Shimoni, Roni Strier, Yossi Tamir, Noam Tarshish, Aviad Tur-Sinai, Idit Weiss-Gal, Uri Yanay, Amos Zehavi

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