

The October 7, 2023 War and Its Impact on Israel's Society and Economy

Taub Center Researchers

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Introduction

On October 7, 2023, Israel was forced into a war against Hamas in the Gaza Strip and into a military confrontation with Hizbollah on its northern border. The war is harsh, long, and expensive, and it has ramifications for all the residents of Israel in every sphere of life. We have an obligation to consider what can be done immediately, even as the war continues, and what must be done once the war ends in order to restore some normalcy, and perhaps even to use the situation as an opportunity to build a better reality and to improve Israel's preparedness to deal with similar situations in the future. In this chapter we will examine some of the impacts and implications of the war in the social and economic spheres and point to some key actions that are necessary to ensure a better future.

Over its 75 years, the State of Israel has experienced more than a few wars and military operations. However, as Table 1 clearly shows, the current war differs in scope from previous conflicts, at least those since 2000. The Second Lebanon War in 2006 lasted for 34 days, Operation Cast Lead in early 2009 lasted for 22 days, and Operation Protective Edge in 2014 lasted 50 days. We do not know how long the current war will last, but it is already clear that it will be significantly longer than any of these conflicts. Even the Yom Kippur War of 1973 — the war that most resembles the current one in terms of the element of surprise — lasted only 20 days (although reserve forces, which were fully mobilized at the time, continued to serve for approximately six months). In the Second Lebanon War some 60,000 reservists were mobilized and in Operation Protective Edge about 75,000, while in Operation Cast Lead there was no significant mobilization of reservists. In the current war, it is estimated that between 200,000 and 300,000 reservists were called up.

* Policy Paper No. 11.2023.

Table 1. Key statistics of military conflicts since 2000

War/Operation	Duration (days)	Number injured	Reservists called-up	Rockets fired	Property damage claims
Second Lebanon War	34	121 soldiers 44 civilians	60,000	4,000	30,000
Operation Cast Lead	22	10 soldiers 4 civilians	—	400	2,000
Operation Protective Edge	50	68 soldiers 6 civilians	75,000	4,500	29,000
October 2023	?	450+ soldiers 850+ civilians 241 taken hostage	200,000–300,000	10,000+	15,000+

Source: Benjamin Bental, Taub Center | Data: Army Spokesman; Tax Authority

In this chapter we will examine the systems that have been seriously affected by the war. The first part will focus on social systems. We begin with the welfare system, which suffered from severe budgetary constraints and personnel shortages prior to the war, with the situation worsening as a result of the war. We then discuss children of all ages, from birth to high school, and describe the impact of the war on them, including expected consequences for the future. Lastly, we examine the health system, which had to deal with a massive number of injuries on October 7 and the days that followed. This pressure has eased over time, and the focus has shifted to the mental health and rehabilitation services, which must cope with psychological and physical injuries on an unprecedented scale.

The second part of the chapter will discuss economic aspects of the war. The labor market has been impacted by the war in four areas: the massive mobilization of reservists; the relocation of residents from the Gaza border area and the northern border to locales far from their places of work; the full closure and subsequent partial reopening of the education system, which has also had a serious impact on parents of young children; and the impact on some economic sectors, particularly construction and tourism. The temporary absence from work of around 20% of the labor force (over 900,000 workers), and particularly of young people, many of whom work in high tech sectors characterized by high productivity rates, as well as the direct expenses of the war, are impacting all the economic systems in Israel and will continue to do so well into the future. We then present some forecasts regarding the developments in the economy.

Lastly we present two important additional issues. The first is the impact of the war on the environment and some possible ramifications this may have for public health — an issue that has not received sufficient attention, but is liable to affect us for years to come. The second issue concerns the expected influence of the war on Israel's demography — mortality, births, and particularly migration — which is likely to be affected both by the events in Israel and by rising antisemitism abroad.

Social service systems

The welfare system

The events of Saturday, October 7, and the mass evacuation of residents at the beginning of the war presented the welfare system in Israel with challenges it has not faced since the establishment of the State in terms of their scope, characteristics, and gravity. Tens or even hundreds of thousands of people were directly or indirectly harmed on that day: people who experienced the attack themselves, and others whose relatives were murdered or taken hostage, alongside entire communities that lost many of their members, and in many cases also their homes. The welfare system in Israel has, for more than a decade, suffered from a severe shortage of social workers, poor infrastructures, and a lack of resources, and struggles to meet the needs of those who use its services even in routine times. In a single day, this system faced tens of thousands of new service users who required a large range of material and emotional responses.

Against this background, the initial response to the evacuees during the first two weeks of the war was provided mainly by civil society organizations, citizen initiatives, and social workers who mobilized to meet the task on a voluntary basis. The Ministry of Welfare and Social Affairs subsequently assumed responsibility for the process of caring for the community of evacuees, while, at the same time, and despite substantial difficulties, continuing to support the efforts of the social services departments in the local authorities to maintain their support for their regular client population. The difficulty in providing proper responses for both these populations simultaneously has created a need to take significant policy steps in order to ensure that the welfare system can function properly during and after the war.

As noted, the welfare system entered the war unprepared. In routine times, the Ministry of Welfare and Social Affairs provides services for approximately 1,040,000 people, primarily through local authority social services departments. According to various estimates, the Ministry's budget is far below that required to ensure that residents of Israel enjoy access to adequate welfare in routine times (Gal & Madhala, 2022; State Comptroller, 2021). In addition to its budgetary limitations, the Ministry also faces a severe shortage of social workers. According to figures for 2022, there were 786 vacant staff positions for social workers in social services departments across Israel, and, in 23 local authorities, one-quarter or more of the staff positions were not filled. Poor working conditions and low salaries make it difficult to recruit new social workers. In addition to the difficulty in filling the existing positions, the number of staff positions in the welfare system is insufficient, resulting in social workers carrying unreasonable caseloads (for further details, see the Welfare chapter in this book).

The vacuum created by the welfare system's inability to function during the first two weeks of the war was quickly filled thanks to the actions of civil society organizations, citizen initiatives, and individual volunteers, particularly social workers, who provided an initial response to the needs of the evacuee population. Thousands of organizations and social associations in Israel provide professional services on an extensive scale even during routine times. As the war erupted, many of these organizations expanded their service networks, and some even moved into new areas of activity in order to deal with the needs on the ground. Alongside the activities of existing organizations, new civil initiatives also emerged on a particularly extensive scale. A study by The Center for the Study of Civil Society and Philanthropy in Israel (Almog-Bar et al., 2023) shows that during the first two weeks of the war, over 1,000 civil initiatives (initiatives by civilians outside the framework of formal organizations) were active in Israel. Some of these worked on an extensive scale, such as the high tech operations room (*hitech4Israel*), which is operating dedicated operations rooms with over 30,000 volunteers from the high tech sector. Alongside the large number of initiatives, the number of citizens volunteering was also larger than usual, and larger than in past emergencies. The initial findings of the above-mentioned study show that during the first two weeks of the war, almost half of the adult population of Israel participated in voluntary activities. Volunteer actions focused mainly on meeting basic needs, but another prominent feature was the mobilization of professional volunteers,

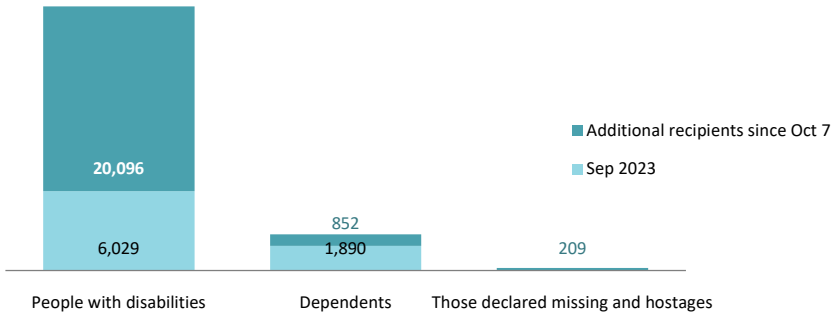
for example in the field of emotional assistance. The broad mobilization of civil society was also apparent in the scope of the financial resources raised within the first two weeks of the war, both in Israel and by the Jewish federations and organizations in North America. It is estimated that hundreds of millions of dollars were raised during this short period. Hundreds of fundraising campaigns were also launched to meet needs connected to the war, some of which raised tens of millions of shekels — this in addition to philanthropic foundations, which it is estimated also provided tens of millions of shekels for war-related purposes (Almog-Bar et al., 2023).

The mobilization of the public welfare system was much slower. During the first few days of the war, the Ministry of Welfare and Social Affairs recruited social workers to provide assistance for the families of those murdered, taken hostage, and missing, to find solutions for orphans, and to operate a hotline providing information. During the second week, the presence of Ministry teams began to reach the facilities that absorbed evacuees from the Gaza border area, and later from other communities in northern and southern Israel. Attending to the needs of this large population — 126,000 evacuees housed in some 220 different facilities around Israel — has required complex organizational actions by the Ministry of Welfare and Social Affairs. This population has very diverse needs — treatment for trauma, meeting basic material needs, and assistance with the uptake of civil rights and connecting with various public agencies. Moreover, the weakening of their communal frameworks, whether due to loss or due to the geographical dispersion of the community members across different facilities, has seriously weakened the sources of support and resilience of the members of these communities.

During the first month of the war, various arrangements were adopted to ensure an ongoing professional presence at facilities housing evacuees. In some cases, the welfare system of the evacuees' home community was also active in the evacuation facilities (for example, Kibbutz Kfar Azza at Shefayim). In others, the social services departments of the host communities assumed responsibility for caring for the evacuees (for example in Jerusalem, Tel Aviv, and Netanya). Where there was a high concentration of evacuees and a limited or weak presence of the welfare system, such as at the hotels by the Dead Sea and in Eilat, most of the burden fell on social workers from the Ministry's headquarters. In addition, social workers in the local authorities continued providing routine care to their population of service users.

Alongside the activities of the Ministry of Welfare and Social Affairs providing services for evacuees, the Ministry of Defense attended to injured personnel from the security forces and to the families of fallen soldiers, while the National Insurance Institute began to locate injured people and the families of the civilian hostages and victims in order to provide immediate financial support and fund other needs. The actions of the National Insurance Institute were undertaken in the framework of the Victims of Hostile Actions Law 1970, which was extended to include the relatives of missing persons and hostages under an agreement with the Ministry of Finance. As Figure 1 shows, this led to a dramatic increase in the number of people receiving assistance under this law. During the first weeks of the war, 20,096 injured persons were added to the 6,029 persons who had been receiving general disability benefits since the beginning of the year, and the number of families of deceased persons rose from 1,890 to 2,742.¹ The National Insurance Institute also began to provide an accommodation grant to persons who evacuated their homes of their own volition and were not admitted to facilities funded by the State. It is estimated that this category of evacuees totals approximately 70,000. The grant is NIS 200 per day for an adult and NIS 100 per day for a child.

Figure 1. Number of recipients of assistance under the Victims of Hostile Actions Law



Source: John Gal and Shavit Ben-Porat (Madhala), Taub Center | Data: NII; Discussion in the Knesset Labor and Welfare Committee, November 15, 2023

1 The figures for the number of injured persons are from November 15, 2023. The figures for the number of families are from December 7, 2023. The statistics concerning the number of new recipients of assistance under this law may change, in part since the statistics here are based on preliminary recognition rather than formal recognition.

The need to address welfare needs during a war created a variety of challenges for the welfare system, and particularly for the Ministry of Welfare and Social Affairs. One key challenge concerns the need to provide responses to the needs of the evacuees in various facilities spread across the country. The heterogeneous nature of the population required the creation of diverse responses on the individual, family, and community levels. Moreover, the attention to the evacuees took place in an environment in which a number of governmental and private agencies were involved, sometimes without a firm professional foundation and in many cases without coordination. The lack of coordination led to duplication and even to competition between different agencies. Moreover, the heavy workload facing the social workers at the facilities, the fact that many of them had no previous acquaintance with the evacuees or their communities, and the high rate of turnover, particularly in places where the presence of the professionals was short-term or on a voluntary basis, all made it more difficult for them to provide the evacuees with appropriate care.

Another key challenge concerns the shortage of social workers and the limited infrastructures in the social services departments. Local authorities that were already suffering from a lack of resources and manpower, or from a lack of professional leadership, faced a particularly serious challenge. Some local authorities reported that the burden imposed on professionals due to the absorption of the evacuees led to the diversion of staff and resources to this task, leading to a reduction or suspension of treatment to service users in the community, even though these citizens also faced increased difficulties due to the emergency situation.

Welfare officials gradually gained control of the situation and coordinated the activities of the welfare system in the evacuation facilities. Coordination was achieved between the different government ministries — particularly welfare, health, and education — and structured procedures were introduced for attending to the evacuees. At the same time, the Ministry of Welfare and Social Affairs took various actions to enable the social services departments to provide the necessary services to their target populations. These ranged from the provision of additional staffing positions for these departments in local authorities in the Gaza border area and the funding of additional work hours for social workers — together with the International Fellowship of Christians and Jews — to establish an accessible network of material assistance, albeit limited in scope, for individuals in need.

However, it is clear that these actions cannot resolve the structural limitations of the welfare system and the long-term challenges involved in caring for the evacuees. Moreover, it can be assumed that, over time, civil society donations and the extent of volunteering will decline, requiring the public system to pick up the slack. Providing solutions for the evacuee population on an ongoing basis, while at the same time attending to the core population of service users, will require a substantial increase in the resources available to the welfare system, as well as the concentration of all the activities in this area under a single professional government ministry. It will also be necessary to regulate the attention provided for evacuees, recruit a large number of social workers to the social services departments, and create a holistic system ensuring accessible and generous financial and material assistance for both longstanding service users and evacuees. Later, there will be a need to invest efforts and resources as the evacuees resume routine life, including ongoing attention to their welfare needs, the strengthening of affected communities, meeting material needs, and creating channels for employment — all this while providing ongoing treatment for trauma and its ramifications for individuals and families. These actions are supposed to be undertaken in the framework of the Tekuma (Revival) Administration established by the government to advance the rehabilitation and development of the communities in the Gaza border area.

Early childhood and the education system

Preschoolers

The harsh war that broke out on October 7 is undoubtedly a traumatic event that may cause enormous damage to parents and children. The emotional shock and the extreme disruption of routine life are liable to negatively affect two factors that are crucial for the proper development of young children: the level of stress experienced by children and their parents, and the level of positive stimuli to which the children are exposed at home and in educational and care frameworks. Researchers agree that exposure to a high level of stress and low level of positive stimuli impairs a child's cognitive and emotional development (for a comprehensive review, see Shavit et al., 2018). Some of the environmental factors associated with the war that are liable to induce high stress levels and impair the ability to provide positive stimuli will be described below. These factors are relevant for all children in Israel, but

the level of exposure and vulnerability varies from place to place. It may be assumed that the potential for exposure and harm is more serious among families living along the Gaza border area and along the northern border, who have experienced combat and terror situations and have even been evacuated from their homes.

When assessing the impact of the war on young children and the significance of its impact — beyond the obvious harm to quality of life and immediate well-being — it is important to bear in mind that early childhood is the most formative stage of human life. During this period there is rapid development of the structure of the brain and the nervous system and of the cognitive, social, and emotional capabilities that provide a foundation for the development of skills and abilities critical for lifelong functioning. Young children's development is influenced by various factors, including exposure to sensory stimuli and stress factors of various types. Exposure to positive and enriching environmental experiences contributes to the child's proper development, while a lack of such experiences and exposure to ongoing and extreme stress events during this developmental phase impedes development, with potential long-term and substantial impact throughout the child's life.

Acute stress liable to impair the child's development usually emerges in response to negative environmental factors such as extreme poverty, neglect and malnutrition, domestic violence, or war. For example, it has been found that children aged 2–7 who were exposed to difficult experiences during the Second Lebanon War — including hearing explosions and alarms, running to bomb shelters, or exposure to the sight of injured people or damaged property — were later found to be suffering from significant stress symptoms, such as abandonment anxiety, fear, excessive crying, difficulty falling asleep, and more (Sadeh et al., 2008). Another study found that 80% of 5-year-old children from Sderot, who were exposed to war-type events on a chronic level during their early childhood, later experienced symptoms of post-traumatic stress disorder (PTSD) or attention deficit and hyperactivity (ADHD); this level is far higher than that found among children of the same age from other communities who did not experience similar events (Halevi et al., 2016). Thus, exposure to chronic stress due to war at a very early stage of life has long-term consequences. Another study found that the exposure of pregnant women to war has a negative impact on their children's academic achievements years later, particularly if the women were living in areas adjacent to war zones (Lee, 2014).

In the past, studies undertaken in Israel concerning the developmental implications of stress originating from war situations have concentrated mainly on peripheral areas, such as the Gaza border area or the Upper Galilee. During the current war, children and families in central Israel have also been exposed to stress (albeit, almost certainly, at lower levels), whether due to repeated sirens or due to the general natural trauma following the events of October 7. Moreover, during the weeks following October 7, the education system — and particularly early childhood education and care frameworks — operated on an extremely limited basis in most parts of Israel. The current extreme situation is certainly very different from the trauma- and stress-inducing situations studied in the past. However, the disruption of routine life, impairment of social interaction, and family stress, and other tension factors noted above are not new for some of the children, particularly young children born before the COVID-19 pandemic, which also led to the partial closure of the education system and high levels of family stress in Israel and around the world. These children are therefore facing ongoing and cumulative damage, exposing entire cohorts of children to long-term harm.

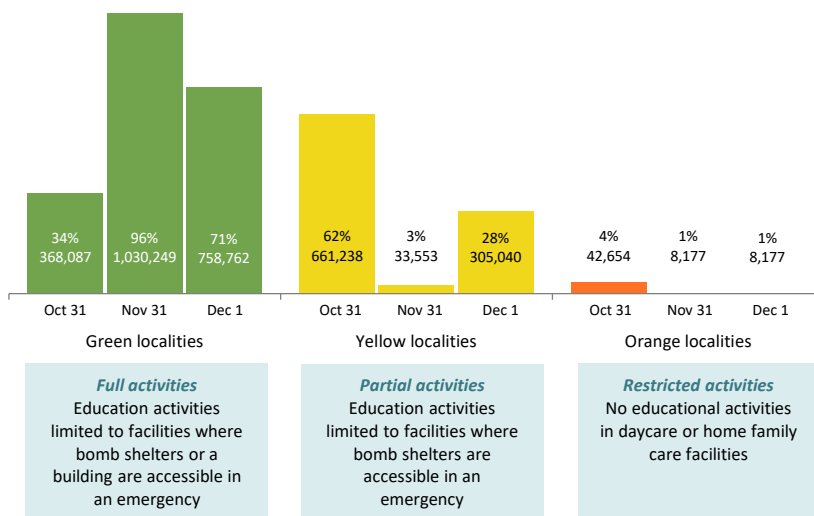
International studies highlight the large differences among socioeconomic strata in terms of the ability of families and children to recover from developmental damage due to stress situations in early childhood. While young children from families living in poverty suffer from the negative impact of stress-inducing life circumstances or events throughout their lives, children from stronger socioeconomic backgrounds have a better chance of recovering from such damage. Moreover, one study found that even prenatal exposure to severe stress events has a negative impact on the cognitive abilities of children from families living in poverty, while such events have no impact at all on children from strong socioeconomic backgrounds (Torche, 2018). Thus, it would seem that exposure to extreme stress factors in early childhood is liable to have cumulative and ongoing life-long effects, while the ability to overcome the gaps created — academic and other — depends to a great extent on the family's socioeconomic status. This finding is particularly concerning in the case of Israel, where the gaps between different socioeconomic strata are relatively large.

During the first 10 days of the war, the entire education system was completely shut down, including in communities placed in the lowest danger *green* category. Thus, all children in Israel experienced some disruption to

their routine lives. Over the following few weeks, activities in educational frameworks took place on a partial basis, as determined by the civil defense ranking traffic light system (orange, yellow, and green). The traffic light map is updated regularly by the Home Front Command's evaluation of the situation as the war progresses. Figure 2 shows the distribution of children from birth to age 5 in Israel according to this system at three points in time: the end of October: three-and-a-half weeks after the attack on Israel, when the war was at a very intense stage; the end of November, during the lull in fighting that accompanied the return of some of the hostages; and at the beginning of December, after fighting resumed. According to the Home Front Command's definitions, in orange areas no educational activities are to be held, including in daycare centers and family home care (up to age 6). In other areas, educational activities may be held, but there is a division between yellow and green areas. In yellow areas, activities are permitted only if it is possible to reach a bomb shelter within a reasonable amount of time. It must be emphasized that many early childhood frameworks, particularly home care frameworks and private preschools, do not have shelters that can be reached within the required time frame, and accordingly these frameworks cannot continue to operate routinely in the yellow traffic light areas.

As Figure 2 shows, as of October 31, nearly 43,000 preschoolers were included in the orange category, where no educational activities are permitted; these included locales in the Gaza border area, the Western Negev, the western part of the Lachish area, and Bnei Ayish, Gan Yavne, and Ashdod. The preschool population of the yellow areas was over 660,000. Naturally, during the lull in the fighting the number of young children in areas included in the orange and yellow categories fell sharply, but after fighting resumed on December 1 it rose again, with over 300,000 children in yellow areas.

Figure 2. Distribution of children from birth to age 5 according to the Home Front Command civil defense policy



Source: Yael Navon, Ori Oberman, Dana Shay, and Yossi Shavit, Taub Center | Data: Government database; Home Front Command

Residents of the local authorities ranked orange, as well as a significant number of residents from locales ranked yellow, were evacuated from their homes following the events of October 7 and the subsequent fighting. The evacuees are being housed in hotels and guesthouses across Israel. These families are now living far from their homes and are struggling to establish an orderly daily routine for their young children. Although part of the enormous network of civil organization that was created after the war erupted is devoted to efforts to engage the evacuee children in everyday activities, their daily routine has changed significantly. The severe trauma they and their parents experienced and the ongoing stress they are facing are liable to leave a mark for years to come.

In conclusion, following the outbreak of the war on October 7, many children in Israel have been exposed to stress due to frequent sirens and explosions heard in their places of residence. A significant proportion of them have experienced the disruption of their daily routine and the suspension of regular

participation in educational and care frameworks. Many of these children also experienced stress situations and disruption to their educational activities during the COVID-19 pandemic. In light of studies showing that stress and a lack of positive stimuli are liable to impair the proper development of young children, it is reasonable to assume that the cumulative disruptions caused by the war may be reflected in developmental lags and emotional and learning issues in the future.

The education system

In some respects, the situation with respect to the education system is similar to that during the COVID-19 pandemic. In this section we will compare the current situation to that of the pandemic period.

Unlike during the pandemic, most of the student population in Israel has been affected — and continues to be affected — only partially by the war, due to the suspension of school activities. In a broader sense, however, almost every student, like almost every adult, has been impacted by the war in some way, whether directly or indirectly.

The concerns we highlighted during the COVID-19 pandemic — falling academic achievements, widening gaps, and increasing violence in schools and outside of schools — largely materialized, and, as a result, school students in Israel were in a relatively poor starting position when the war broke out. In light of this, the education system needs to prepare for all potential scenarios: a full-scale war (including the possible expansion of the war to the north of Israel and other fronts); a low-intensity conflict; or the cessation of fighting and a return to routine. The response to these scenarios naturally requires different actions by different agents — the Ministry of Education, the local authorities, and the education system as a whole.

Continuing regular studies for the population of evacuated students

The most acute problem is the need to ensure proper academic activities for preschool and school students who have been forced to leave their home communities. The number of residents who were evacuated from their homes or who voluntarily left their homes is about a quarter of a million people (2.5% of the total population of Israel), including some 50,000 preschool and school students. Some of these students are concentrated in the hotel zones in Eilat, Hevel Eilat, and the Dead Sea, and the Ministry of Education has already begun

to establish temporary schools in these locations.² The remaining evacuees are dispersed throughout Israel.

Since temporary schools are not intended to provide a long-term solution, the evacuee students should be absorbed into local education systems in their adopting communities. Where there are large concentrations of evacuees from a single community, the students from each community should be concentrated in the same school and the same classes, to the extent possible, in order to facilitate their integration into the new schools. While it is difficult to bring teachers to work in the temporary schools in places such as Eilat and the Dead Sea, in other locations around Israel there will probably not be any need for additional teachers; in some places, it may be possible to receive assistance from teachers among the evacuees. This process may require the allocation of additional staff positions and teaching hours; however, these will be partially offset by the closure of educational institutions in the local authorities whose residents have been evacuated.

In addition, it is important to prepare plans to ensure continued studies throughout the country in the event that the war expands and the entire country is subject to missile attacks for a protracted period.

Security and protective shelters in educational institutions

The subject of security and shelters in schools has been discussed many times in the past, whether following security incidents or following severe earthquakes in other countries. In order to ensure that the education system can continue to function without interruption and protect preschool and school children in emergencies, there is a need to ensure that proper protective measures are in place in all schools. The State Comptroller addressed this issue in a special report published in 2018 and emphasized that the situation is particularly serious in the Arab sector. The Comptroller noted that the gap in the availability of protective shelters in educational institutions in the Arab sector is over 38%; approximately 500 educational institutions in 44 non-Jewish local authorities do not have any protective shelters at all or cannot accommodate all the students in the existing protected spaces (State Comptroller, 2018).

2 The Ministry of Education decided to establish 100 classrooms in prefabricated buildings in these locations. Assuming that an average of 30 children will study in each classroom, this may provide a solution for around 3,000 students, at the most. In any case, this cannot constitute a solution for any extended period of time.

Naturally, it is impossible in practical terms to provide protective shelters in all educational institutions immediately. However, an effort should be made to improve the security and protection in schools as quickly as possible and by all possible means, including by bringing in prefabricated protected areas (bomb walls). It is important to ensure that schools are at least as well-protected as the students' homes, in order to ensure that parents will feel confident and calm when sending their children to school. The efforts to complete the required protection in educational institutions will be undertaken gradually, prioritizing local authorities close to the border and in areas where there is currently no protection at all.

Expanding the support system

The COVID-19 pandemic, which was accompanied by the cessation of activities in educational institutions and disruption of routine life, had serious consequences for children's lives in various key aspects. Among others, these included a rise in dropout rates in high schools in the Jewish sector; worsening phenomena of violence; and a rise in referrals to psychological services. While the pandemic affected all students in Israel equally, the war has had a more serious impact on students from the North and the Gaza border area, relative to other areas of the country. However, it is clear, that if the war continues for a long time, and all the more so if it extends to the entire country should additional groups join the conflict, all these phenomena will be replayed, perhaps even more forcefully. Accordingly, it is vital to strengthen the support system in schools, which includes educational consultants, truant officers, social workers, nurses, and psychologists, and to provide these professionals with dedicated resources, as this will be impossible to achieve without an increase in staffing positions and a rise in salaries.

Bagrut (matriculation) exams

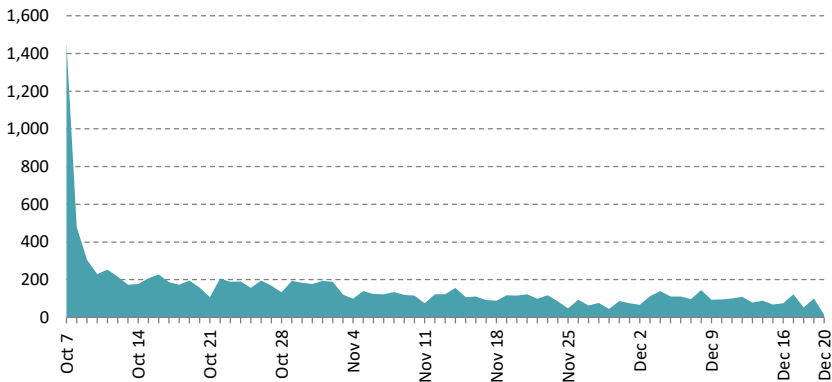
As it did during the pandemic, during the current crisis the Ministry of Education has decided to grant adjustments for students taking their bagrut exams during the 2023/24 school year. This solution is liable to be problematic, since it may create inequality between students based on their proximity to the confrontation lines or to a shelter — two key factors that determine the degree of disruption to studies. Therefore, we suggest that consideration be given to building a different model: the bagrut exams should be cancelled this

year and all 12th-grade students should be recruited to national tasks in areas that are short of manpower — particularly in agriculture. Their bagrut score will be based on a weighting of their achievements in grades 10–11 and from their teachers' impressions of their functioning and their performance in the tasks to which they were recruited.

The health system

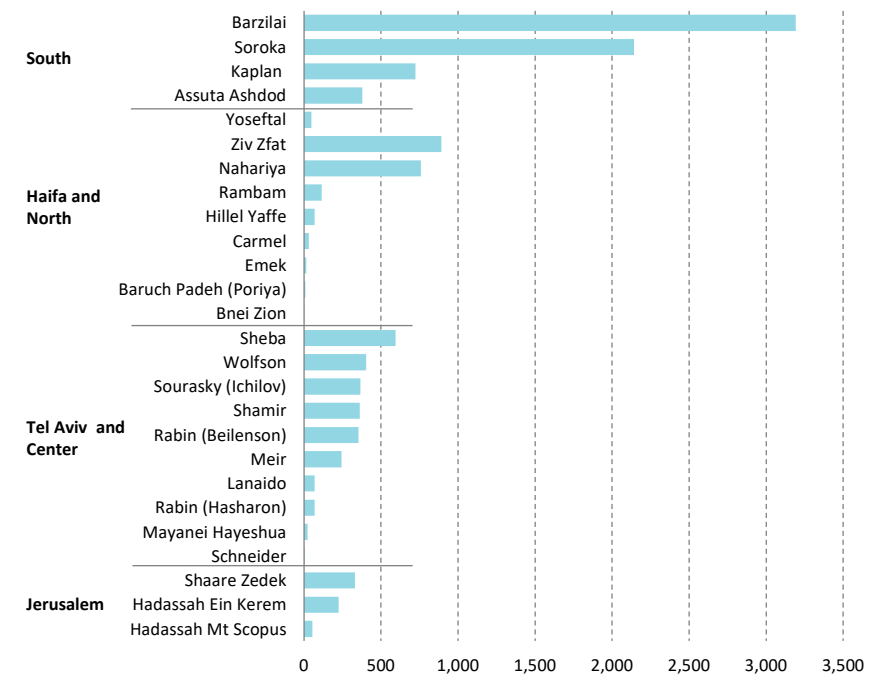
The war of October 7, 2023 is exerting a multifaceted and unprecedented impact on health and on the health system in Israel. According to Ministry of Health figures, since the beginning of the war over 7,500 people have been injured, over 1,450 of whom came to the hospital on the first day of the war (Figure 3). This scale of injuries has not been seen in the past. As Figure 4 shows, most of the injured were admitted to hospitals in the south of Israel, particularly Soroka Medical Center and Barzilai Medical Center. On October 7, Soroka admitted approximately 700 injured persons, around 120 of whom had serious injuries. In order to understand the significance of this figure, we should note that the extreme scenario of a mass casualty incident for which the hospital prepared in various exercises anticipated the intake of 100–200 injured.

Figure 3. Number of injured individuals — daily trend, October 7 through December 20, 2023



Source: Nadav Davidovitch, Taub Center | Data: Ministry of Health data dashboard

Figure 4. Number of injured individuals by hospitals and districts, as of December 20, 2023



Source: Nadav Davidovitch, Taub Center | Data: Ministry of Health data dashboard

At the beginning of November, the Israel National Trauma Council met to discuss conclusions drawn from the events of October 7. Among other issues, the Council discussed the initial triage (from the field) and secondary triage (after arriving at the hospital) of injured persons, including the relations between the evacuating agencies (the military, Magen David Adom, and other rescue services), the hospitals, and the Ministry of Health. The discussion noted that the massive number of injuries, particularly on the first day of the war, complicated the triage process and forced the hospitals to cope with unprecedented pressure, particularly Soroka and Barzilai Medical Centers. Accordingly, there is a need to consider changes in the management of the triage processes for injuries and in the coordination between the various agencies.

Another significant challenge in caring for the injured is the issue of sheltering the hospitals. Despite numerous discussions on the subject, many hospitals in Israel are still not adequately protected. Approximately half of the operating theaters at Soroka Medical Center are not sheltered, while at Barzilai Medical Center, which sustained direct rocket hits, four floors of in-patient departments and critical infrastructures are unprotected, including the blood bank. The State Comptroller's Report addressed this issue a decade ago (State Comptroller, 2014), but despite this warning, progress has been very slow. The lack of protective shelters in hospitals led to the discharge of patients, the cancellation of various activities, and the transfer of patients within hospitals to sheltered areas during the war. According to estimates provided by the Ministry of Finance during discussions held at the Knesset, the cost of sheltering hospitals totals around NIS 4 billion.

In addition to attending to injured persons and preparing for the ongoing war, one of the main focuses of the health system, as defined by the Ministry of Health at a round table session held with civil society organizations,³ is to meet the needs of uprooted and evacuated residents and to prepare to maintain an ongoing emergency routine. Efforts in terms of providing care are focusing on the continued provision of medical services and medicines to the population, nutritional security, and coping with psychological challenges. Tens of thousands of evacuated and uprooted residents who are being accommodated at facilities across Israel — particularly in the Dead Sea and Eilat areas, but also elsewhere — have led to a significant increase in the local population. By way of example, the population of Eilat has more than doubled. This situation creates challenges for the local systems in the provision of medical care. Accordingly, the health funds are now allowing patients to be admitted regardless of their registered address and the different health funds are engaging in cooperation, including for the purpose of providing medicines.

The desire to support the communities of evacuated and uprooted persons sparked a wave of volunteering and activities by civil society. This is welcomed, but it must take place in coordination with the Ministry of Health and other agencies outside the health system. The need for a unified data file led to various coordinating initiatives to ensure continuity of treatment, such as the Yachad system and the Evacuees and Relocated Persons Operation Room

3 See [Summary of a Multi-Sector Discussion: Civil Society Organizations with the Director-General of the Ministry of Health, Moshe Bar Siman-Tov](#).

established by the Ministry of Health. These systems provide coordination between Ministry of Health officials and the health funds in the fields of public health, child development, geriatrics, nutrition, rehabilitation, and mobility. The purpose is both to improve the efficiency of the response and to collect information and analyze it according to different variables, including risk factors. It is to be hoped that this unusual initiative will continue after the war.

Mental health is one of the most dramatic health challenges at this point. Tens of thousands of people have been exposed to extreme events; entire communities have been affected by the war; and immediate support circles have been weakened, not least due to the massive evacuation of populations from their home environments. All these factors have led to a significant increase in the number of people requiring psychological assistance, but it is doubtful whether the system can provide the required response. The mental health system suffers from long-time, continuous neglect in workforce and infrastructures, particularly following the COVID-19 pandemic, which also had significant mental health consequences that were not adequately met. In the field of mental health, we must not neglect the caregivers. Mental health professionals in hospitals and in the community have had to deal with extreme experiences, particularly during the first few days of the war, that also take an emotional toll.

In order to cope with the difficulties in the field of mental health, the Ministry of Health, in cooperation with the health funds, other government ministries, and local authorities, established new Resilience Centers and expanded existing centers, while also widening its support for organizations that operate telephone and online hotlines. A plan was formulated for recruiting mental health caregivers. The current crisis could serve as a turning point for the mental health system, leading to its rehabilitation and strengthening, with an emphasis on expanding the circle of caregivers in the public system and building a trauma-conscious system intended to ensure attention to trauma in all stages of treatment, including by non-mental health agencies.

Another important issue that requires attention both immediately and in the long term is rehabilitation, both physical and psychological. In the first few weeks of the war, some 200 patients were admitted to in-patient rehabilitation departments, and each additional week of fighting can be expected to bring around another 40 patients. At this point there are dozens of amputees and numerous cases of compounded physical and psychological morbidity that

require immediate attention. There is a need to locate and identify patients with rehabilitation needs and to provide a continuum of rehabilitation care, which requires a need to coordinate between caregiving agents inside the Ministry of Health and beyond. It is also important to work to strengthen interdisciplinary rehabilitation centers. Like the mental health system, the rehabilitation system in Israel has also been neglected for many years, particularly in the periphery. Here, too, the crisis offers an opportunity to build infrastructures and strengthen the workforce.

Another focus defined by the Ministry of Health is strengthening the fabric of shared life. Approximately 40% of workers in the health system today are Arabs. The Israeli health system is often mentioned as a model for Jewish-Arab coexistence. However, it is impossible to ignore the tension that exists between the two societies — tension that intensified during and after Operation Guardian of the Walls. The events of October 7 and the subsequent war sparked a wave of anxiety and anger in Israeli society, including in the health system, which is experiencing one of the most serious crises in its history in maintaining collegial relations. The health system — the Ministry of Health, hospitals, and health funds — must work proactively to support its workers as individuals and as teams in order to ensure an appropriate, safe, and respectful working environment that maintains solidarity and focuses on common goals. This will enable the employees in the system to continue to care for patients and injured persons with the devotion that has always characterized them. To this end, it is worth reviewing the recommendations of the Committee on the Elimination of Racial Discrimination and Exclusion in the healthcare system (Ministry of Health, 2018), which regrettably were never implemented. In the first stage, an organizational structure should be built to meet the urgent needs that are emerging by forming a multidisciplinary body to manage and coordinate the issue on the policy level. In the second stage, long-term solutions must be found for the needs of the medical system, including the provision of tools for promoting dialogue and attention.

An additional important issue that has been the subject of discussion in the Ministry of Defense and other security agencies is the sanitation and humanitarian situation in the Gaza Strip. Aside from the immediate impact on the health condition of the population in the area, and apart from the international implications and the possible impact on the continuation of the fighting, this subject also has considerable potential to influence the health

of residents of Israel. According to the reports of international organizations, the water and sewage situation in Gaza is grave: availability of clean water to residents of the Gaza Strip is currently around 3 liters a day, while the World Health Organization recommends a level of 50–100 liters a day per person. This reality, together with the chronic sewage problems, which have worsened during the war, create fertile ground for the development of infectious diseases that could spill over into Israel, in part through sewage that empties into the Mediterranean Sea and eventually reaches the coasts of Israel. At the beginning of November, seven water facilities across the Gaza Strip suffered direct hits and were seriously damaged: three water lines in Gaza City, two wells in Rafah, and reservoirs in Rafah and the Jabaliya refugee camp. The Gaza Municipality warned of an immediate risk of sewage flooding. Four of the five water purification facilities in the area are currently inoperative, resulting in a daily flow of 120,000 cubic meters of sewage into the Mediterranean.

In conclusion, wars have a multidimensional impact on health, and this is particularly true of the current war. The Israeli health system entered the war desperate for resources and suffering from functional difficulties, particularly in fields that have now emerged as particularly critical, such as the mental health system, rehabilitation, and public health. These difficulties, like those in other areas, are particularly evident in the periphery, creating health gaps that are unacceptable in an advanced society. At the same time — and as was witnessed during the pandemic — all sections of the health system once again showed their exceptional capabilities in a crisis situation. The system recovered quickly from the initial shock and began to study the situation in order to provide the necessary responses, making good use of its staff and of the many volunteers who made themselves available, and maintaining fruitful dialogue and cooperation with civil society organizations. The challenges facing the system can serve as a catalyst for reinforcement and development and for narrowing gaps ahead of the long-term task of coping with the war's outcomes while maintaining routine operations as the situation calms.

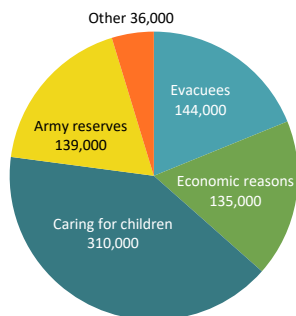
Economic systems

The labor market

The war had a substantial impact on the labor market in Israel with the immediate absence of hundreds of thousands of employees from their jobs, in large part due to the massive mobilization of reservists. As the war erupted, the government approved the drafting of up to 360,000 reservists (for example, see Eichner, 2023). Although there are no precise reports regarding the number of reservists actually mobilized, estimates range between 200,000 and 300,000 men and women. Figure 5 is an attempt to break down the number of those temporarily absent from their place of work on the basis of two reports. According to the Central Bureau of Statistics (CBS) Labor Force Survey for October 2023, about 918,000 workers were temporarily absent from their workplace. Of these, 38,000 were absent due to illness, 115,000 were on vacation, and the majority of the remaining 764,000 were absent for war-related reasons. Of these, 139,000 were serving in reserve duty (a large number of reservists were not working before the war, for example, students, and so are not included in this number). According to the Bank of Israel, 144,000 are evacuees who previously worked but stopped working, and an additional 310,000 (not including evacuees) did not work because of school closures and the need to care for their children. Aside from these, another 135,000 did not work for economic reasons, including employees in places of work with reduced (or no) operations during this period. Some 36,000 others reported not working for other reasons.⁴ Based on these data, 20% of workers were temporarily absent from work during the entire week of the survey, including both men and women. Among women, 32% were absent due to reduced operations at their workplace and 41% for other reasons, the majority apparently due to the need to care for their children during the school closures.

4 See the CBS, Media Release from November 20, 2023, [Key Figures from the Labor Force Survey for October 2023](#) and Bank of Israel, Press Release from November 9, 2023, [A Special Analysis of the Research Division of the Bank of Israel: The Economic Costs of the Absence From Work During the Iron Swords War](#).

Figure 5. Number of employees absent from work for war-related reasons, October 2023

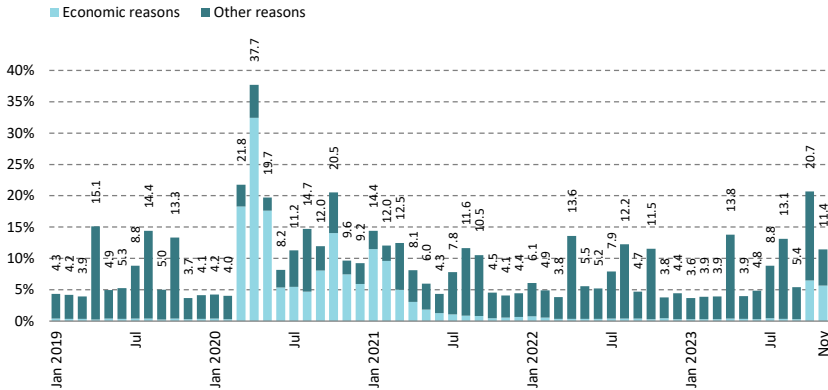


Source: Benjamin Bental and Avi Weiss, Taub Center | Source: Bank of Israel; CBS

Since October, the number of those absent from work has declined from over 900,000 to about 500,000, primarily as a result of the nearly complete reopening of schools. Nevertheless, the number of those absent due to reserve duty remains about the same, and has even increased slightly. Figure 6 presents the proportion of workers absent from their workplace during the entire week of the survey out of all participants in the workforce, from January 2019. The figure distinguishes between two reasons for absence — economic and other. Economic reasons include reduced operations at the workplace or placement on unpaid leave (for instance, during the pandemic), while other reasons include illness, vacation, and reserve duty. The figure shows a clear seasonal increase in absence rates during months that include Jewish festivals and vacations (Passover, the High Holidays, and the summer vacation). In the remaining months, the absence rate is around 4%, only a small fraction of which is attributed to economic reasons. The pandemic shutdowns, and particularly the first shutdown, were exceptional both in terms of the number of absentees and in terms of the large proportion of absentees for economic reasons. It is interesting to compare October 2020 to October 2023. In 2020, October included a shutdown that continued through the 13th of the month, while Simchat Torah fell on the 10th of the month. This year, Simchat Torah fell on October 7 — the day the war erupted. The two months are nearly identical in the share of those absent from work, but the breakdown is not.

In 2020, 14% of the workforce was absent for economic reasons, compared to just 6.5% in 2023. The developments in the subsequent month also show a degree of similarity — in both years there was a fall in the number of absentees. In November 2020, the absentee rate fell to 9.6%, while in November 2023 it fell to 11.4%. However, the weight of those absent due to economic reasons was still significantly higher during the pandemic — 7.5%, compared to 5.6% this year. Following the pandemic, the economy returned to routine activity in mid-2021. It remains to be seen whether a similar return to routine will also occur in 2024.

Figure 6. Workers temporarily absent from work for the entire week, by cause



Source: Benjamin Bental, Taub Center | Data: CBS

Figure 7 presents the proportion of workers absent from their work for any reason for the entire week of the survey in September and October of 2022 and 2023, by sectors employing at least 3% of employees in the economy, together accounting for about 94% of all employees. For the sake of comparison, note that in 2022 Rosh Hashanah fell on September 26, while in 2023 it fell on September 16. Thus, without the war, the impact of the High Holidays on absences in October would have been expected to be smaller in 2023 than in the preceding year. It is clear that the substantial increase in absences in October 2023 is the result of the war.

A comparison by economic sector for October this year highlights the impact of the war on absentee rates in the public sector (which employs approximately one-quarter of all workers) and the non-public sector. While in routine times absentee rates are similar in both sectors, in October 2023, the absentee rate in the non-public sector was 7.4 percentage points higher than in the public sector. The highest absentee rates — and the most unusual in comparison with routine times — are in the construction sector (which employs about 5% of the workers); accommodation and food services (4% of the workers); transportation, storage, mail, and courier services (5% of the workers), and in the public sector: local, public, and defense administration and national insurance (10% of the workers), and education (12% of the workers). The high rate of absence in the construction sector almost certainly reflects reluctance among Arab employees to come to their workplace, alongside concerns by Jewish employers in the sector regarding their Arab employees.⁵

The Bank of Israel estimates that the damage due to the absence of workers during the first three weeks of the war was approximately NIS 2.3 billion per week; this reflects weekly damage of more than 0.1% of GDP. Absence due to the extensive mobilization of reservists was responsible for damage at a level of half a billion shekels a week (this relatively low figure is due to the fact that reservists *work* for the public sector and their output is measured accordingly); damage caused by absence due to the evacuation of residents is estimated at NIS 0.6 billion a week; and absence due to the full closure of schools caused damage of NIS 1.25 billion a week.⁶

Quantitative data concerning the state of employment is available from a quick survey of about 68,000 businesses conducted by the CBS on October 24–26 and from National Insurance Institute figures for persons requesting unemployment benefits.⁷ The CBS survey was conducted among companies in the business sector and its results are broken down by the area of activity of the business. The survey covers all businesses in the manufacturing sectors,

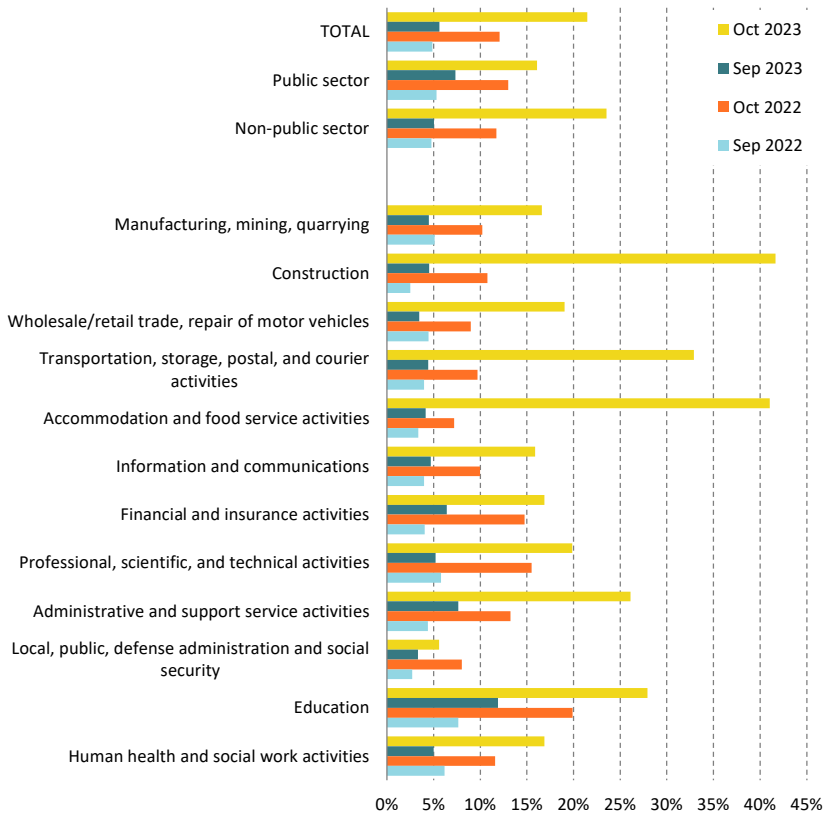
5 See also the Bank of Israel, Press Release from December 10, 2023, [Special Analysis of the Research Division: The Impact of the Iron Swords War on Labor Input in Arab Society](#).

6 See the Bank of Israel Press Release, [Special Analysis of the Bank of Israel Research Division: Economic Cost of Absences from Work during the Iron Swords War](#).

7 CBS, Media Release from November 1, 2023, [Survey of the Condition of Business during the Iron Swords War: Statistics from an Instant Survey for October 2023](#); for unemployment figures, see the website of the National Insurance Institute, [State of War — Persons Requesting Unemployment Benefit from the National Insurance](#).

with a distinction between high tech manufacturing and other industrial sectors; similarly, the report covers all service sectors, and distinguishes between high tech (and finance) services and other service sectors. The survey results characterize approximately 2.2 million workers out of 3.2 million employed in the business sector.

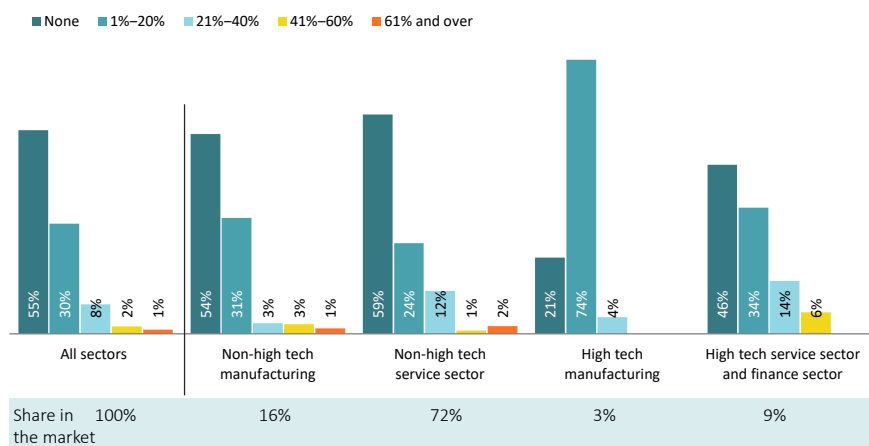
Figure 7. Workers temporarily absent from work for the entire week, selected economic sectors



Source: Benjamin Bental, Taub Center | Data: CBS

Figure 8 presents the breakdown of businesses by the proportion of employees mobilized for reserve duty. As the figure shows, 55% of businesses reported that none of their workers had been mobilized. Of businesses employing over 100 workers, 75% reported a mobilization rate of 1%–20%. In light of the fact that in 2019 these businesses employed 56% of all workers (and 70% of workers in the business sector), this figure is extremely significant.⁸ The high proportion of businesses in the high tech sector reporting mobilization of 1%–20% of their workers is particularly notable. Since the ratio of men to women in the high tech sector is 2:1 (i.e., two men to each woman, as in the rest of the world), the relatively low proportion of businesses in the high tech and finances services sector reporting a similar level of mobilization is surprising.

Figure 8. Breakdown of businesses by proportion of employees in reserve duty, key economic sectors, October 2023



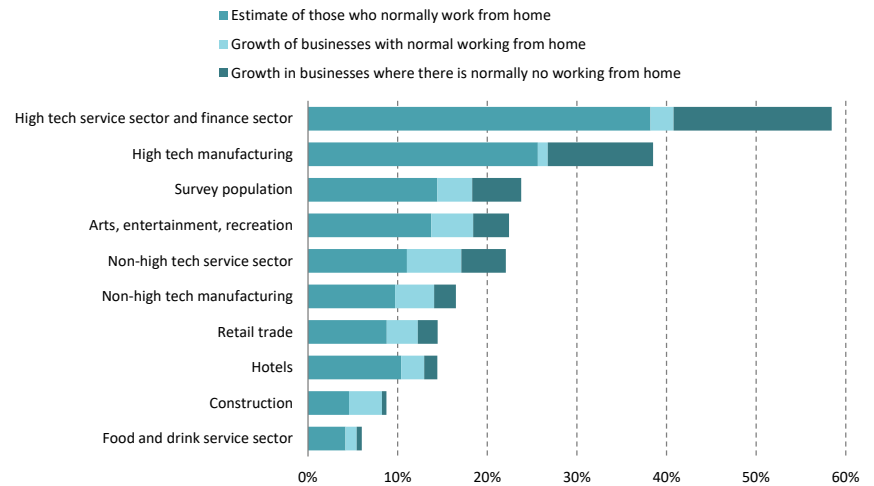
Source: Benjamin Bental, Taub Center | Data: CBS

As in many other fields, the current situation in the labor market differs substantially from that during the COVID-19 pandemic. During the pandemic, the State prevented people from going to work, while during the war it is trying to encourage ongoing employment, to the extent possible. However, in terms

8 See CBS, [Demographics of Businesses, Collection of Statistical Data from the Business Registry, 2011–2019](#), Table 6, July 29, 2021.

of working from home, there is a considerable degree of similarity between the two events. The Bank of Israel estimates that 12% of workers evacuated from the communities in the Gaza border area, the northern border, and Ashkelon are working from home; all told, 16% of the 4.1 million employees in the economy are working from home. In their estimation, the output of these workers is lower than in normal times, and the decline in output is greater among evacuees working from home. Figures 9 and 10 present the findings of a CBS survey examining the proportion of employees working from home. Figure 9 shows that businesses reported a substantial increase in the number of employees working from home, and that this increase was seen both in companies in which some employees worked from home, at least partially, before the outbreak of the war and in companies in which there was no work from home before the war. As expected, there is an increase in the proportion of work from home, and this increase is greater in the high tech sector than elsewhere. Within the high tech sector, the increase is higher in services than in manufacturing.

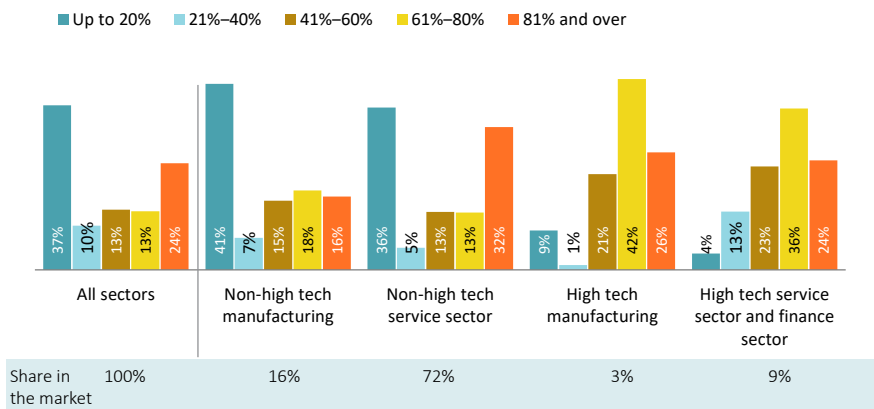
Figure 9. Increase in work from home, October 2023



Source: Avi Weiss, Taub Center | Data: CBS

Figure 10 presents the intensity of work from home: 37% of businesses in Israel reported that they do not have any work from home. However, among companies employing more than 250 workers — which employ over half the workers in the economy (about 60% of workers in the business sector), only 15% reported that they did not have any employees working from home. In all the high tech sectors (manufacturing and services, including finance), the proportion of businesses reporting that 61%–80% of their employees were working from home is particularly high.

Figure 10. Breakdown of businesses by proportion of employees working from home, key economic sectors, October 2023

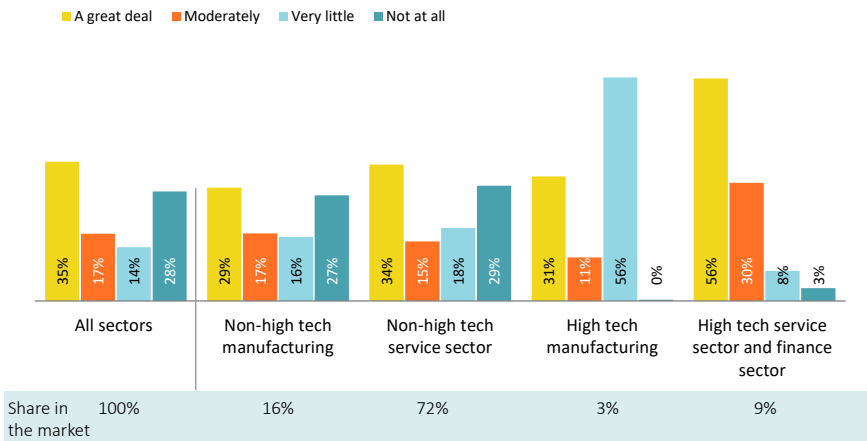


Source: Benjamin Bental, Taub Center | Data: CBS

Lastly, the survey also reveals a picture of the disruption caused to businesses due to school closures (Figure 11). The breakdown of replies by the degree of disruption is fairly similar in the non-high tech manufacturing and service sectors in the economy. Since the weight of these sectors in total employment is high, this fact is also reflected in the figures for the economy as a whole. Specifically, one-third of businesses in the economy report substantial disruption to their operations. Surprisingly, a particularly high share of high tech manufacturing sectors report limited disruption, while the high tech and finance services sector shows an exceptionally high proportion of businesses

reporting substantial disruption to their operations. These figures seem somewhat inconsistent with the proportion of employees working at home in the various sectors, corroborating the Bank of Israel's assessment of reduced output among those working at home.

Figure 11. Breakdown of businesses by disruption of operations due to school closures, key economic sectors, October 2023



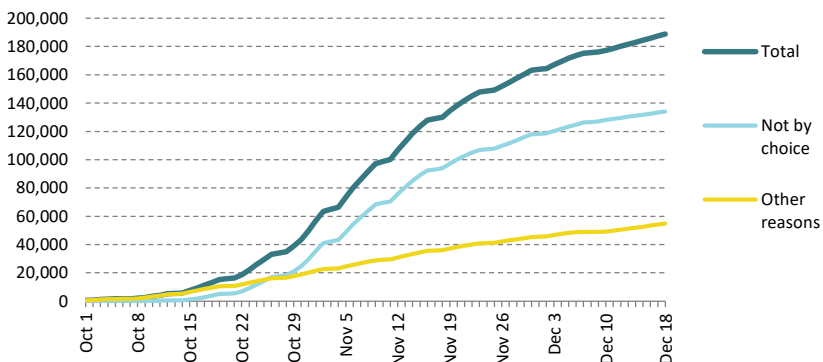
Source: Benjamin Bental, Taub Center | Data: CBS

While the Bank of Israel and the CBS rely on informed evaluations and analyses, the National Insurance Institute reports the actual number of claims for unemployment benefits on a daily basis, including a breakdown by the reason for the claim — dividing between an involuntary furlough and *other reasons*. Figure 12 presents the number of claims for unemployment benefit since the beginning of October. In the first week of October, before the war erupted, there were 1,671 claims, only 60 of which were involuntary unpaid leave. According to a December 18 report of the Employment Services, since then, about 187,000 unemployment claims have been filed, 133,000 of which were attributed to involuntary unpaid leave.⁹ It should be noted that,

⁹ See the website of the Israeli Employment Services, [The Pulse of the Labor Market — November 2023](#), as well as the NII website, [The War — Unemployment requests to the NII](#).

according to NII, the standard number of monthly claims for unemployment benefit is about 20,000.

Figure 12. Cumulative claims for unemployment benefits since the beginning of October 2023



Source: Nir Kaidar, Taub Center | Data: NII

Figure 13 shows the main sectors from which the claimants for unemployment benefit come. Surprisingly, approximately 10% come from the professional, scientific, and technical services sector. Less surprisingly, two sectors — the accommodation and food sector and the wholesale and retail commerce, vehicle repair sector — are each responsible for over 10% of unemployment claims. For one-third of claims the sector is unknown, while the remaining third is spread fairly evenly over 15 other employment sectors.

Figure 13. Proportion of unemployment benefit claims, by sector, October 2023



Source: Benjamin Bental, Taub Center | Data: NII

In conclusion, the labor market in Israel suffered a very severe shock on October 7. The enormous scope of mobilization for reserve duty, the extensive evacuation of communities, and the paralysis of the education system led to a massive absence of workers from their workplaces. These developments are reflected in the Labor Force Survey and the Survey of Businesses conducted by the CBS, as well as in the figures of the National Insurance Institute and the Israeli Employment Services. It appears that the impact of the war seems to have been particularly great in non-high tech service sectors, while high tech sectors and their workers have been less seriously affected. This profile is similar to that during the COVID-19 pandemic. Since the workers placed on unpaid leave during the pandemic were mainly ones with low salaries, their placement on unpaid leave led to an increase in the average salary and average productivity in the economy. It may be assumed that a similar process will be seen now, creating a need to assist workers, and in particular, those with low wages who have probably been affected more seriously by the war than others.

An important question that needs to be considered concerns the Arab citizens of Israel. Over the years, the integration of the Arab population in most sectors of the Israeli economy has gradually improved. The flagship sector in terms

of this integration is the health system, which for many years has provided a model for admirable integration between Jews and Arabs in all jobs and at all levels. Regrettably, there is some evidence that suggests that this bond is beginning to fray. The mutual dependence of the two societies in the context of employment has been significantly impaired during the war. The most prominent example of this is the construction sector, where operations have been almost entirely suspended due to the high dependence on Arab citizens of Israel and Palestinians.¹⁰ The question is how long it will take to mend the rift and return to the shared life seen before the war. At present there is no answer to this question, but it is clear that the return of Arab and Palestinian workers is a primary economic, security, and social interest of the State.

The Israeli economy

At this stage, any macroeconomic assessment regarding the impact of the war on the economy entails a large measure of uncertainty. Like the assessments of the Bank of Israel and the credit rating agencies, those presented here assume that the conflict will not expand significantly to other fronts. The assessments also assume that the intensive military campaign will conclude by the end of this year, but that military operations will continue into 2024.

There is a natural tendency to examine the current war in light of other campaigns and crises Israel has faced since the beginning of the century. In general, both during previous military campaigns and during the COVID-19 pandemic, the Israeli economy showed an ability to recover rapidly. However, the crisis this time is on a completely different scale in terms of the force of the shock, the damage to morale, the loss of the sense of security, the scope of psychological and physical injury, the number of reservists mobilized, and the costs of the fighting.

Israel entered the conflict in an excellent economic condition, but the disaster of October 7 has had a profound impact on the economy. On the most basic level, alongside the terrible massacre, there was also extensive destruction of property. The high rates of absence from the labor market over a lengthy period of time will have a serious negative impact in terms of GDP. Ammunition and operating costs for the IDF forces are so high that even after offsetting

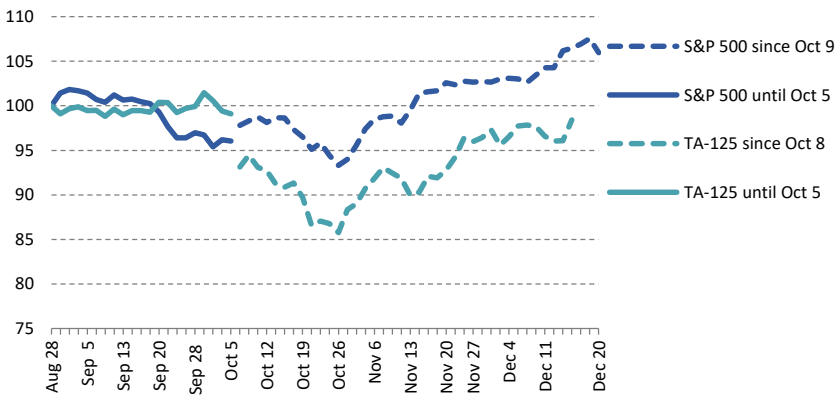
10 The proportion of war-related absences from work was 28% among Arab men and 22% among Arab women, compared to 17% and 16% among Jewish men and women, respectively. See Ministry of Finance, 2023.

the promised aid of \$14.3 billion from the United States, Israel will still face a heavy economic burden.

In order to understand how the market sees the expected impact of the war on the Israeli economy, we compared the performance of the Tel Aviv Stock Exchange to that of the US S&P 500 index over recent months. As Figure 14 shows, from the end of August 2023 through the outbreak of the war, the performances of the TA-125 index were similar or even slightly better than those of the US index. After the war erupted, the Tel Aviv stocks lost 5% of their value, and later a gap of 10% emerged between the yields of the two indices relative to the end of August 2023.

Figure 14. Stock indices in the US and Israel, August–December, 2023

August 28, 2023 = 100



Source: Benjamin Bental, Taub Center | Data: S&P 500; TA-125

Despite the high level of uncertainty regarding the duration and intensity of the war, including whether it will expand to additional fronts, economic agencies that have prepared forecasts of future developments have been cautiously optimistic. The assessments of the Bank of Israel, the credit rating agency S&P, and the Aaron Institute for Economic Policy are based on relatively optimistic

assumptions, assuming that the fighting will continue to be concentrated in the south and that its intensity will gradually decline.¹¹

In the immediate term, the damage to GDP is due mainly to the damage caused to the labor market, as discussed previously. It should be noted that the assessments assume that despite the expected suspension of investments in the high tech sector, this sector will continue to operate approximately at the same level as prior to the war, at least through the final quarter of 2023. The assumption is based on the resources accumulated in this sector during its peak years (2020 and 2021) and on the trend toward a devaluation in the shekel (though this trend has since reversed), which partially compensates for the fall in new investments.

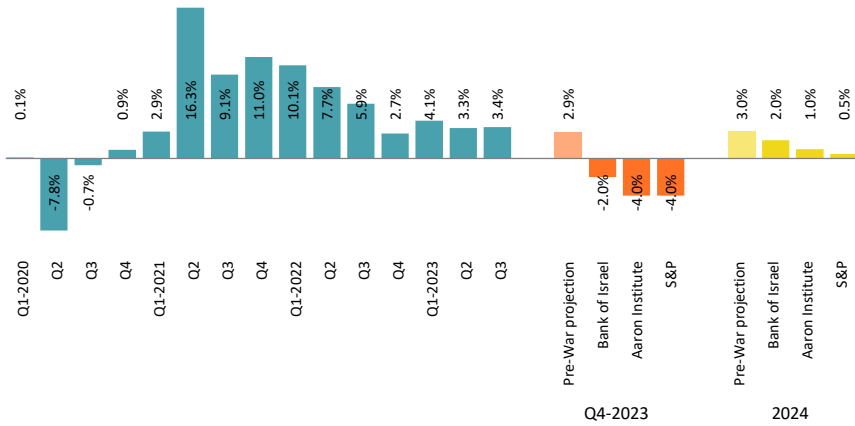
According to the Bank of Israel assessments from July 2023, GDP was due to grow by 3.0% in both 2023 and 2024. The Bank of Israel also published an assessment concerning GDP growth in the third quarter of 2023 (for which there was still no calculation from the CBS at the time the forecast was published). These figures suggest that GDP for the fourth quarter of 2023 was expected to grow by 3.2% relative to the same quarter in 2022 (Figure 15). In its war update, the Bank of Israel reduced the expected annual growth rate for 2023 to 2.0%. By contrast, the S&P agency forecasts that 2023 will end with growth of 1.5%. According to the actual growth figures for 2023 as presented in Figure 15, this figure is equivalent to negative growth of 2% in the final quarter, compared to the same quarter in 2022 if the Bank of Israel's forecasts are correct, and 4% if the forecasts of the S&P and the Aaron Institute are right.¹² Regarding 2024, the Bank of Israel has reduced its forecast growth rate by just 1% and anticipates growth of 2.0%. The Bank of Israel's forecast is based on an analysis of the success of the Israeli economy following previous military campaigns, the expected scope of economic activity during the war, the subsequent rate of recovery, and additional optimistic assumptions — that the priorities in the 2024 budget will be adjusted to the needs of the economy

11 The Bank of Israel published its evaluation on November 27 and the S&P agency on October 24. The publication of the Aaron Institute is from December 1. See the Bank of Israel website, Press Release: Macroeconomic Forecast of the Research Division, November 2023; the S&P website, [Israel Outlook Revised To Negative On Geopolitical Risks; "AA-" Ratings Affirmed](#); Eckstein et al., 2023.

12 An obvious comparison here is to the drop in the growth rate in the second quarter of 2020 by a rate of 7.8% relative to the same period in 2019. It should be recalled that at that time almost 40% of workers in Israel were absent from work.

and that residents from the North will gradually be able to return to their homes without a major war along this border. S&P and the Aaron Institute are more pessimistic on these issues, and suggest that even if a war does not erupt on Israel's northern front, the economy will grow by just half a percent, or 1% at most, respectively. Meanwhile, it should be recalled that the population of Israel is growing by almost 2% a year. Accordingly, these forecasts anticipate a fall in per capita GDP.¹³

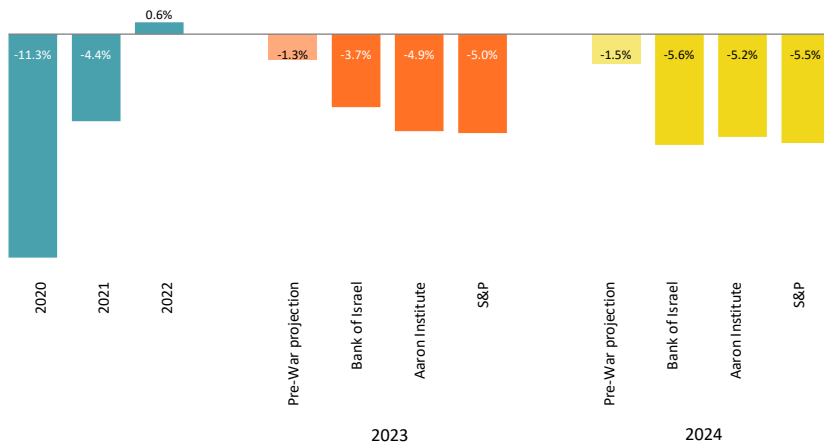
Figure 15. Economic growth since the beginning of the decade and forecast



Source: Benjamin Bental, Taub Center | Data: Aaron Institute; Bank of Israel, CBS; S&P

The assessments of the Bank of Israel, S&P, and the Aaron Institute regarding the expected deficit also vary widely, mainly due to differences in the forecast for GDP growth. While the Bank of Israel anticipates a relatively more modest increase in the deficit in 2023 and 2024, the other two agencies are far more pessimistic (Figure 16).

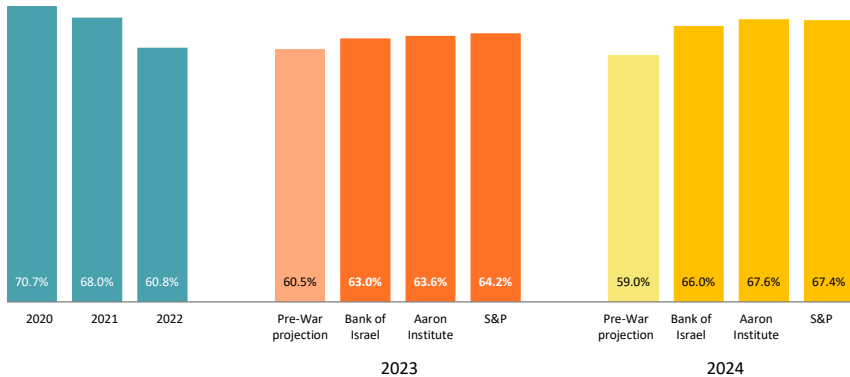
13 The Chief Economist in the Ministry of Finance has updated forecast growth for 2023 to 2%. Regarding 2024, the Chief Economist anticipates growth of 1.6% in the base scenario, 2.2% if the economy recovers rapidly, and 0.2% if recovery is slow. A full-scale war on the northern border can be expected to lead to negative GDP growth of 2% in 2024.

Figure 16. Deficit as a percentage of GDP since the beginning of the decade and forecast

Source: Benjamin Bental, Taub Center | Data: Aaron Institute; Bank of Israel, CBS; S&P

Lastly, the forecasts regarding the deficit and expected GDP growth form the basis for assessing the development of the debt-to-GDP ratio. Figure 17 shows the rapid fall in this ratio since 2020, due mainly to the quick recovery of the economy from the COVID-19 crisis. This trend was expected to continue. It is clear that needs deriving from the war are increasing the deficit and forcing the State to turn to global capital markets. It should be recalled that the interest rate environment that existed during the pandemic years has changed beyond recognition. In 2020 and 2021, the interest rate on 10-year Israel bonds was 1% or less. Over 2022, interest rates rose to 3.4%, and as of the beginning of November, it reached 4.4%. Bonds issued at the beginning of November 2023 offer a yield of 6.25% and even 6.5%. Even after allowing for inflation, this interest is significantly higher than the rate of GDP growth, and, accordingly, in order to prevent a rise in the debt-to-GDP ratio, it is important that the government maintain a deficit of not more than 5% of GDP and introduce suitable reforms to accelerate the GDP growth rate.¹⁴

14 The amendment to the 2023 budget approved by the Knesset does not meet this demand. It remains to be hoped that the 2024 budget will change priorities according to the circumstances that have been created.

Figure 17. Debt-to-GDP ratio since the beginning of the decade and forecast

Source: Benjamin Bental, Taub Center | Data: Aaron Institute; Bank of Israel, CBS; S&P

In conclusion, the disaster of October 7 dramatically altered the trajectory of development of the Israeli economy. Despite difficulties due to Israel's geopolitical status, it was perceived both by its residents and by the world as a resilient regional power with an enviable high tech industry, and was considered a desirable target for foreign investors. The sudden attack, which occurred despite all of Israel's sophisticated monitoring means, and the terrible pogrom by the Hamas terrorists against the residents of the Gaza border area communities, who were besieged for hours without any appropriate response by the military, mortally injured the sense of security among residents throughout Israel. As noted, one of the side-effects of the attack is serious damage to the fabric of relations between Jewish and Arab residents of Israel, with all the accompanying social, security, and economic implications. An additional outcome is a rise in risk and a fall in global confidence in the Israeli economy.

Restoring confidence in the Israeli economy, both among Israeli citizens and in the global markets, is critical in the process of social and economic recovery and in resuming economic growth. The return of the hostages, the outcome of the war, and the economic conduct during and after the war will all have a decisive impact on renewing the contract between the state and its citizens,

on confidence in the Israeli economy in the global markets, and on Israel's standing in the international community.

The environment

Beyond the direct and immediate impact on the population, wars also carry the potential for indirect damage due to changes in the ecosystem. In an emergency, the state systems must be prepared to respond to diverse problems liable to emerge due to damage to essential infrastructures, such as disruptions to the electricity and water supply, glitches in the chain of energy supply for the production of electricity, and the storage and transportation of hazardous materials. In addition, since environmental problems do not stop at territorial borders, they are liable to damage the health of the population in adjacent areas. Thus, for example, epidemics and infectious diseases that erupt due to poor sanitary conditions in wartime may spread to neighboring countries, endangering residents' health. Lastly, in many instances, wartime activities disturb the balance in the ecosystem and may cause damage — sometimes irreversible — to nature and animal life.

Some of these problems, such as vital infrastructures and hazardous materials, require immediate attention. Others require attention on the systemic level and with a long-term perspective. The process of recovery from war offers an opportunity to plan properly in order to build a strong communal area while protecting nature and open spaces, to strengthen individual and communal resilience, and to promote the health of the population. In this section, we will discuss several environmental issues that have been impacted by the war.¹⁵

The energy sector

The risk of damage to energy infrastructures during war requires the use of a variety of means to ensure a continuous supply of electricity to residents. While the steps taken by the Israeli government are enabling the ongoing supply of electricity, some of these actions have far-reaching environmental impacts. The following are some of the most significant effects:

15 This part is based on a publication of the Taub Center from December 2023. See Sadeh and Shafran-Nathan, 2023.

Rerouting of oil containers to the Eilat Ashkelon Pipeline Company in Eilat

Shortly after the war erupted, the Ministry of Environmental Protection approved an increase in the quantity of crude oil transported through the Gulf of Eilat for the duration of the war and for two weeks after its end. The Ministry emphasized that this oil was intended solely for the needs of the Israeli economy. The increase in the quantities passing through the Gulf of Eilat increases the risk of leaks, a potential danger in any shipping operation. An oil spill damages the unique marine environment in the Gulf of Eilat, which is a magnet for tourists from around the world, and would damage the economy of the city, which is based mainly on tourism. To date, the marine ecosystem in Eilat has withstood various changes successfully — both those resulting from human activity and changes in temperature and the concentration of carbon dioxide in the sea. However, an oil spill could cause extensive damage to the coral reef and its environs. A leak could also lead to the shutdown of operations at the desalination plant in Eilat, which provides drinking water for the city, for a period of several months (Israel Society of Ecology and Environmental Sciences, 2021).

A further danger is the risk of damage to the terrestrial environment. The unloading of crude oil at the port in Eilat requires the use of the pipeline of the Eilat Ashkelon Pipeline Company (EAPC). A decade ago, one of the worst ecological disasters in Israel's history occurred in this pipeline in the vicinity of the Evrona Nature Reserve, to the north of Eilat. Five million liters of crude oil leaked from the EAPC pipeline, causing environmental damage on an unprecedented scale to the nature reserve (Israel Society of Ecology and Environmental Sciences, 2021). The flow of oil swept away flora and fauna, including protected species, damaged the soil structure and surface, and harmed micro-habitats and the availability of water in the area. In August 2021, another leak occurred in the EAPC pipeline in the vicinity of Moshav Mishan in Hof Ashkelon Regional Council, although the environmental impact of this incident was more limited (Roeh, 2021).

Use of diesel and coal to produce electricity

In routine times, the Israel Electric Company makes almost no use of *diesel* to produce electricity, due to the serious air pollution it causes and its contribution to increased rates of morbidity and mortality as well as its high

price. However, the proactive disruption of operations at the natural gas platforms, due to their proximity to the combat areas — which could extend to a total shutdown — means that Israel may be forced to resume using diesel and coal for the production of electricity. In preparation for this, the Ministry of Energy and the Electricity Authority instructed the Israel Electric Company to purchase a large quantity of coal and diesel and to lease storage containers for diesel. The combustion of diesel, coal, or mazut entails the emission of larger quantities of inhalable particulate matter (IPM), nitrogen oxides, and sulfur dioxide (a pollutant that is dangerous to the respiratory system and the heart) than the use of natural gas. In Israel, approximately 2,500 people a year die as the result of IPM pollution.¹⁶

Production of electricity from polluting units

On November 11, Noga Ltd.¹⁷ informed the public that it had instructed the Israel Electric Company on an exceptional basis to activate polluting units at three power plants: Orot Rabin (coal), Eshkol (gas or mazut), and Rutenberg (coal). The requirement to activate the restricted production units will remain valid through the end of the war.¹⁸ It should be noted that Noga is empowered to order the activation of polluting units without the approval of the Ministry of Environmental Protection and without air emission permits.

Wind turbines for the production of electricity

The picture is not all bleak, though. Alongside the backup means described above, which entail environmental damage, official approval was granted for the activation of a wind turbine farm for the production of electricity on a scope equivalent to the annual consumption of 70,000 households. On October 12, Energy Minister Israel Katz signed a license for the commercial activation of the Genesis Wind turbine farm on the Golan Heights, which is regarded as the largest turbine farm in Israel. The project includes 39 turbines, 34 of which

16 See the website of the Ministry of Environmental Protection, [The Cost of Air Pollution: The Health Consequences of Air Pollution from Transportation](#).

17 Noga — Independent System Operator Ltd. is a government company established as part of the reform in the electricity industry in order to manage Israel's national electricity system.

18 See [Notice of the Issuing of a Demand for the Exceptional Activation of a Restricted Production Unit](#).

have already been connected to the national electricity grid.¹⁹ This is certainly an important step, and it is hoped that it will lead to additional steps toward the use of renewable energies, thereby helping Israel to achieve the emissions target it has undertaken at international climate conferences.

Use of the Cleanliness Maintenance Fund to finance war needs

In Israel, approximately 80% of waste is transferred for burial. Per capita waste in Israel is 30% higher than the OECD average (OECD, 2023). The majority of the Cleanliness Maintenance Fund is from the landfill tax collected from the local authorities in an effort to limit the amount of waste that is disposed of in landfills. In March 2023, the Minister of Environmental Protection and the director-general of the Ministry announced that the funds in the Cleanliness Maintenance Fund would be used to establish waste segregation facilities, facilities for energy production from waste, and maintenance of the existing facilities in order to implement the plan for a transition to a circular economy aspiring to minimum waste by 2050.

At the beginning of November, the government decided to borrow NIS 820 million from the funds accumulated in the Cleanliness Maintenance Fund in order to increase compensation to reservists.²⁰ This decision follows an earlier decision to borrow NIS 1.42 billion from the fund (Ashkenazi, 2023). It is important to note that according to the State Comptroller's report on the subject of the Cleanliness Maintenance Fund, in 2016–2020, a total of NIS 1.66 billion was transferred from the fund to finance routine governmental operations beyond the purposes of the fund and outside the terms of the Cleanliness Maintenance Law (State Comptroller, 2022). Following these withdrawals, the fund will be virtually depleted, and only about NIS 150 million will remain. Land reserves for the burial of waste in Israel are almost fully used up, and the use of the fund moneys for other purposes may delay the implementation of the strategic plan for waste processing.

19 See the website of the Ministry of Energy and Infrastructures, [In the Middle of the War, the Largest Wind Farm in Israel Receives a Permit from the Minister of Energy and Infrastructure and Will Begin Immediately to Reinforce the Israeli Electricity Sector!](#)

20 Government Decision No. 1023 of November 3, 2023, [Appreciation, Assistance, and Remuneration for Soldiers Who Served during the Period of Fighting in the Iron Swords War.](#)

Burning of waste

The burning of domestic waste, including remnants of plastic and electronic products, is an extremely serious environmental challenge in Israel; since 2018, this practice has been defined as a criminal offense. According to the Ministry of Environmental Protection, the burning of waste is responsible for 74% of emissions of suspected carcinogens (GGER, 2023). In order to combat this phenomenon, the Ministry of Environmental Protection and the Nature and Parks Authority established the Yanshuf ("Owl") Unit, which is responsible for inspecting the unauthorized dumping and burning of waste. However, since the start of the war, the activities of the unit, which comprises just 15 inspectors, have been reduced substantially, since some of the inspectors have been mobilized for reserve duty. During this period, there has been a significant increase in reports from residents of fires caused by the unauthorized burning of waste.

Soil pollution

Prolonged military operations are liable to cause the pollution of soil with toxic metals such as lead, arsenic, mercury, copper, fuels, and other organic materials. This pollution may penetrate the soil and endanger agricultural crops (see, for example, Dzombak, 2022). Accordingly, before the communities in the Gaza border area are rehabilitated and their residents return, it is vital to conduct a survey to identify the presence of soil pollutants and to take steps for soil remediation and rehabilitation as necessary.

In conclusion, Israel's routine security needs sometimes overshadow social and environmental needs, and this tendency is even more apparent during emergencies. In order to prevent potential environmental disasters, such as oil spills or damage to fuel stores during wartime, which will add environmental and health dangers to existing risks, it is important to reinforce the agencies responsible for environmental protection, promote legislation, and enhance enforcement. In recent years, discourse has developed concerning the resilience of the population in the face of extreme climate events, such as heatwaves, drought, and floods. The discussion in this field includes indices for resilience on the levels of physical planning, vulnerable populations, health and mental health services, the response to emergencies, and more. The rehabilitation of the Gaza border area communities offers an opportunity to ensure sustainable physical planning and planning of infrastructures from a social and environmental perspective.

Demography

Prior to October 7, 2023, Israel was on target to experience around 48,000 deaths in 2023. In the horrific attack on October 7, some 1,200 people were killed, and in the ensuing war over 100 soldiers have died to date. From a narrow demographic viewpoint, the increased mortality is inconsequential, even if the war brings mortality close to the 50,000 range of the COVID years. In itself, that will have a very minimal direct effect on patterns of population growth.

However, in broader sociodemographic terms, those numbers could be very consequential to the extent that they prompt substantial changes in Israelis' fertility and migration behavior. In other words, the potential demographic import of the war is indirect. It can be thought of as a cultural response to an unprecedented attack on Israel.

The impact on the young is the most notable thing about the attacks on October 7. This can be seen in first row of Table 2. It lists the number of deaths in Israel across age-groups 0–69 on October 7, 2023. The second row lists the number of deaths throughout 2022. We can see that more 20–24-year-olds were killed on that single day than died in the whole of 2022. There were also very substantial increases in the number aged 25–34 who were killed.

Table 1. Number of deaths by age-group (up to age 70) in 2022 and on October 7, 2023, and years of life lost on October 7, 2023

	0–19	20–24	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60–64	65–69
Oct 7, 2023	99	295	143	82	59	40	50	50	33	35	48
Total for 2022	937	251	247	263	374	497	765	1,049	1,556	2,390	3,687
Total person years lost (YLL)	7,031	17,827	7,925	4,129	2,663	1,588	1,741	1,493	781	649	706

Note: These death data were produced on October 31, 2023. The number of deaths in subsequent releases of this data file will likely be a little higher as deaths of missing individuals are added to the official register.

Source: Alex Weinreb, Taub Center | Data: CBS

Another measure of demographic impact is years of life lost (YLL), which in this case refers to excess deaths, that is, deaths over and above the expected daily number. The YLL is shown in the third row of the table. Given the combined male and female life expectancy between 2015 and 2019 (the numbers for 2020–2022 were negatively affected by COVID), the excess deaths of October 7

are equivalent to 46,533 person-years of lost life. That is the baseline number. It will rise as other war deaths are incurred, especially as most of these will be young soldiers.

All demographic change occurs through the familiar troika of demographic parameters: fertility, mortality, and migration. The current Israel-Hamas war will affect each of these, though the likely effects will play out over very different durations. We address each in turn.

The short-term effects on fertility rates will be determined by two countervailing forces. On one hand, 200,000–300,000 reservists have been pulled away from home, which will reduce coital frequency and the likelihood of conception. Even with some visits home, any reduction in the number of conceptions will last as long as the war. The same can be said for many of Israel's internal refugees, now living in cramped quarters and under stress. On the other hand, there could be an increased desire to conceive a child now, perhaps as a life-affirming cultural response to the October 7 attack. While there is no clear evidence pointing to either heightened or reduced fertility motivation, there is at least anecdotal evidence of increasing prenatal behavior operating through a rise in marriage. Unwed soldiers appear to be accelerating their engagements and weddings. Since more than 90% of births in Israel occur within marriage, it seems reasonable to assume that any temporal bump in the marriage rate will lead to a subsequent temporal bump in births, and a slight rise in first births as a share of total number.

In addition to this potential rise in the fertility of newlyweds, there is some expectation of a classic postwar baby boom as soldiers return home after the end of the war, however, it is not clear what the overall long-term effect on fertility will be. It could, for example, be a tempo effect, with couples choosing to shift the timing of a planned conception, without increasing their overall number of children. If this is the case, the net impact of the post-war baby boom on population growth rates will be close to zero — it won't be zero because lowering the mean age of childbearing while holding per woman fertility rates constant itself reduces the length of a generation. However, it will have a permanent effect on Israel's age structure, since the larger 2024 birth cohort will remain a visible reminder of the 2023 war into the 22nd century.

The war's short-term effects on migration will be felt immediately. In the months prior to the war, protests around the government's proposed judicial reforms triggered a lot of talk about relocation, including some organized by companies and professional organizations. Since October 7, that talk has evaporated. That does not mean that out-migration will not rise — war often triggers movement of people. But the dimming relocation discourse signals a change in the magnitude of the demand to move; or perhaps the moral unacceptability of running away when under attack.

At the same time, international responses to the war, including those of the public in other countries, have had an enormous effect on Israelis' and Jews' perceptions of other countries, and their potential futures in those countries. The sharp rises in anti-Israel and antisemitic protests globally, including in countries with large Jewish minorities, have been widely covered in all Israeli media and social media. Even with Western governments' more active support of Israel, and their physical protection of Jewish communities, those protests almost certainly make those countries less attractive destinations for Israelis considering outmigration. At the same time, they make Israel more attractive for Jews in those countries who are considering *aliya*. For this reason, it is realistic to expect a relative rise in the number of *olim* and Israeli net migration rates over the 2024–2025 period.

Trends in *aliya* from France provide an instructive example of how rising antisemitism acts as a push factor for *aliya*. From 2008 to 2012, between 1,550 and 1,780 people moved from France to Israel every year. The numbers jumped to 2,900 in 2013, then to more than 6,500 per year in 2014 and 2015, before gradually falling back to around 2,500 people per year in the 2018–2021 period. The reason for the jump was a significant rise in antisemitic rhetoric and murders, alongside rising terrorism in France in general (e.g., In Toulouse in 2012; Charlie Hebdo and Hypercacher attacks in Paris in January 2015, and the coordinated November attacks in the same year).

It is important to add one reservation to this expectation of rising net migration to Israel. We expect it to be affected by what happens in Israel after the war. Specifically, a resurgence of Israel's internal divisions that haunted public space and discourse for most of 2023, or a state of permanent conflict and attrition in Gaza or Judea and Samaria, will almost certainly make Israel a less attractive place.

This war's direct effects on overall levels of mortality are limited. In narrow terms, since these deaths are concentrated at younger ages — more than doubling the annual rates of age-specific mortality in people's 20s, and increasing the rate by more than 60% in people's early 30s — there will likely be a more noticeable reduction in Israel's 2023 measure of life expectancy than occurred during the COVID-19 era (when deaths were concentrated among the elderly).

In summary, we anticipate that this war will trigger a mild increase in fertility in the second half of 2024, though this will likely be concentrated in the Jewish population, and in the context of falling fertility, this could be little more than a shift in timing, rather than a rise in cohort fertility. We also anticipate a rise in net migration, mostly stemming from post-war increases in immigration. Finally, we expect almost no effect on mortality beyond deaths that occurred on October 7, 2023.

Conclusion and policy actions

As the other chapters in this book show, Israel is a country with a strong economy that manages to provide social services for its residents at a reasonable standard. Some of the social systems provide an admirable level of service while others require improvement. The war has highlighted the gaps in the level of functioning among the various systems. Unsurprisingly, systems that show functional difficulties in routine times have struggled to provide the necessary responses during the emergency (an example is the mental health system). There is no doubt that the war imposed on Israel on October 7 will have an economic price. However, given proper management, there is a strong probability that the Israeli economy will recover and the damage will not be excessively severe.

War also offers an opportunity to change, adjust, and rebuild some of the social services. In some areas the impact of the war on these services is already apparent; in others it will only be felt during the months and years after the end of the war. Accordingly, action should be taken at this point to make these adjustments and changes in order to allow the public systems to provide the necessary responses now and in routine times and to strengthen them to cope with possible future emergencies.

The following list of actions, based on the needs identified by the Taub Center researchers in the areas reviewed herein, can serve as a foundation for planning some of the changes needed in Israel's social and economic systems. The order of the actions here is based on the sequence of the parts in this chapter and does not reflect any particular order of priority.

Welfare

1. Preparing a detailed plan for the provision of welfare and social work services in the event of the prolonged evacuation of residents from their homes.
2. Enhancing the efficiency of procedures for transferring information about residents from central government to the local authorities.
3. Establishing a mechanism for coordination and support for civil society organizations assisting populations harmed during wartime.
4. Substantially improving working conditions and salaries for social workers in order to solve the problem of under-staffing in the social services departments and to expand their professional personnel.
5. Integrating the social needs of evacuees from the Gaza border area in cooperation with the Tekuma Administration.
6. Supervising the return of the evacuees to routine life while ensuring their long-term material and psychological well-being.
7. Expanding the network of financial and material support for those affected directly and indirectly by the war and its aftermath.
8. Dismantling the government ministries involved in welfare fields and concentrating all responsibilities for welfare in a single ministry capable of setting priorities, providing a suitable professional foundation, and integrating actions.

Education

1. Expanding individual support in schools, particularly in communities along the conflict line, in order to help students who are struggling to close the gaps created due to the war.
2. Improving the academic responses for evacuated students and preparing orderly plans to be used in similar instances in the future.
3. Allocating resources for the provision of shelters in educational institutions.
4. Strengthening the assistance system in schools, including consultants, truant officers, social workers, nurses, and psychologists.
5. Considering alternative models for the bagrut exams over the coming year.

Health

1. Updating an operative plan for the dispersion of patients between hospitals in Israel based on the lessons of October 7.
2. Advancing the opening of the new hospital in Be'er Sheva, including making the appropriate preparations, with an emphasis on personnel.
3. Upgrading the capacity of hospitals in Ashkelon, Nahariya, Tiberias, and Safed to admit and treat trauma victims in an emergency.
4. Completing the sheltering of all hospitals in Israel, with an emphasis on hospitals close to the confrontation lines in the South and North.
5. Rehabilitating, reinforcing, and expanding the mental health system so that it can meet growing needs, and developing a trauma-conscious and trauma-adapted system.
6. Rehabilitating, reinforcing, and expanding the physical rehabilitation system in order to meet growing needs.
7. Reinforcing the Resilience Centers in order to provide a response for all those affected.
8. Refraining from reducing budgets earmarked for the advancement of health and preventive medicine and the advancement of actions in these fields, including in an emergency.

Labor market

1. Advancing a plan for the return of workers to the labor market, including by means of incentives for employers.
2. Placing special emphasis on the employment of Arab citizens of Israel, including actions to restore the relations between the two populations to the situation in the labor market prior to the war.
3. Creating mechanisms facilitating flexible unpaid leave.
4. Preparing plans for the reintegration in employment of reservists who are unable to return to their previous work place.
5. Reinforcing systems facilitating remote work.

Economy and state budget

1. Increasing the defense budget.
2. Expanding resources in order to cope with the outcomes of the war at the expense of non-vital budgets (e.g., a large section of the Coalition Funds).
3. Updating the 2024 budget to reflect the expected changes in state expenditure and income.
4. Ensuring that the deficit does not exceed 5% of GDP and creating a plan for budgetary constraint in 2025.
5. Supporting work places damaged during the war and their employees.
6. Promoting steps and reforms to improve productivity and efficiency among government service workers.

Environment

1. The immediate walking back of steps taken to secure the energy market that entail a real risk of environmental damage.
2. Returning the moneys taken from the Cleanliness Maintenance Fund and utilizing them for their original purpose.
3. Monitoring soil pollution caused by the war and taking steps to remediate and rehabilitate polluted soil.

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MACROECONOMIC TRENDS

1

