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Show us the money!

The education system gets enough funding to produce much better results, claims dissident economist Dan Ben-David. It's just not using its budget properly

Systemic failure. Research has called into serious question the education system's efficiency in utilizing the funds it is given.

When one and one doesn't make two

A well-funded but horrifically dysfunctional bureaucracy has driven Israeli education from the top of the developed world to its very bottom. Maverick economist Dan Ben-David explains why the numbers just don't add up

• By HAVIV RETTIG
Photos: Ariel Jerozolimski

For six years, Dan Ben-David has been a reviled figure among Israel's education officialdom. Just last month, Education Minister Yuli Tamir herself accused the Tel Aviv University economist of "doing great damage to the education system," while the Knesset Education Committee last week heard accusations of dishonesty leveled at him by social activists.

The anger at Ben-David is not without cause. While Tamir is demanding another NIS 8 billion be added to the education budget, Finance Minister Avraham Hirchson summarized well the attitude of his ministry since 2000 during a Knesset Education Committee meeting this week. "I'm not ruling out adding to the education budget, but I have to know that every shekel gives results. I won't throw money out to sea." These sentiments, like those of Hirchson's predecessors, are based to a large extent on Ben-David's research.

It is for this result – the slashing of funds when reforms from within the education system were not forthcoming – that Ben-David is vilified, even if, as he insists, his intention was to encourage reform, not to excuse cutbacks.

"After I showed the numbers to [former

prime minister Ehud] Barak's cabinet [in 2000]," he told *The Jerusalem Post*, "I'd get phone calls from [Education Ministry] officials telling me I'd just cut their budget for decades."

Ben-David's research has called into serious question the education system's efficiency in utilizing the funds it is given, demonstrating that a well-funded but horrifically dysfunctional bureaucracy has driven Israeli education from the top of the developed world to its very bottom.

He was thus unintentionally one of the primary causes for some NIS 3.5 billion in cutbacks to the education system for the past four governments, and one of the fulcrums of a bitter debate at the highest levels of the political system. Whether his views are brilliantly incisive or "academic abstractions" that fail to capture the reality, as Education Minister Yuli Tamir has said, has yet to be seen. What is certain, however, is the increasing influence his contentious findings are having on the education budget.

While the debate, key to the country's military strength and socioeconomic health, has gone largely unnoticed in the media, it remains one of the most crucial public policy discussions in Israel today. When high schools lose an entire school day each week to budget cuts, the importance of the discussion for every Israeli family is unquestionable. And when IDF generals warn lawmakers (as they did last month) that the education system does not produce the technical skills needed for the army to maintain its technological edge, the issue becomes one of strategic significance.

THE ESSENCE of Ben-David's argument can be summarized easily: Israel's education budget is one of the highest in the Western world, yet the results achieved are among the lowest.

Ben-David's figures tell the tale best. According to him, Israel spends today (after discounting for international differences in living standards) 23 percent more per pupil on primary school education than the average among member states of the Organization for Economic Cooperation and Development (OECD), an organization whose membership is roughly parallel to the "developed world." In high school, the spending – even after the most recent budget cuts – is equal to the OECD average.

Israeli schoolchildren between the ages of seven and 14 even receive 13.5% more instruction hours than the average among OECD member states, higher than 22 out of 26 countries measured. There are the same number of teachers per pupil in the primary school, hovering at the OECD average of 16.9, while high schools enjoy an even lower ratio, 13.0 instead of the OECD average of 13.3.

Yet, the output – where the money ends up and what it achieves after it is funneled through the system – is downright awful, Ben-David found.

Teachers' salaries are abysmally low. According to Ben-David, the average teacher's salary (crucially, corrected for the standard of living) is 36% lower than OECD countries for a starting elementary school teacher, and 42% lower with 15 years' experience.

Even more perplexing, despite the high teacher-to-student ratio and the abundant instruction hours, Israeli classrooms are enormous, with 5.1 pupils more in each elementary school class than the OECD average, rising to 7.4 per classroom in high school.

Not surprisingly, then, the system doesn't produce the desired results in student achievement. While in 1963, Israel took first place in international standardized test rankings, it lost this position in the 1980s, and the drop has continued ever since. In the years 1995-1999, Israel ranked 39th out of 53 countries, putting it at the bottom of the developed world.

By 2002, according to the Program for International Student Assessment (PISA) exams conducted by the OECD (which did not include the haredim), Israel was 30th, 31st and 33rd out of 41 countries in reading comprehension, mathematics and science respectively, ranking below such countries as Thailand and Romania, from which it imports workers.

Even the top 5% of achievers, the "cream of the crop," scored 35th in the Trends in International Mathematics and Science Study (TIMSS) tests, well behind every other industrialized country.

Not only are the results dropping precipitously, according to Ben-David's figures, but the gaps in educational achievement are growing.

These gaps, which will be reflected by a higher income disparity when today's students enter the workforce, are higher than in 49 out of 53 TIMSS countries examined. In the 2002 PISA exams, the gaps were higher than all other participating countries.

"It's not just worse than the industrialized world, but worse than [most of] the rest of the world as well," Ben-David says. Worse still, the figures demonstrating that investment in the system is reasonably high are from the period following the cuts after 2000. And the test scores continued dropping even during the 1990s, when budgets steadily increased.

"It's not normal to have such a discrepancy between what it costs us and what we were getting out of the system," Ben-David told the *Post* this week. "We have a choice to make: either to raise the efficiency of the system [so that achievement] reflects the lavish funding the system is enjoying, or to lower the budget to reflect the poor results."

"Given the huge importance of education on every aspect of the country's society and economy," he insists, "I have always – and continue to do so today – advocated the former alternative."

SO WHAT can explain the difference between spending and results?

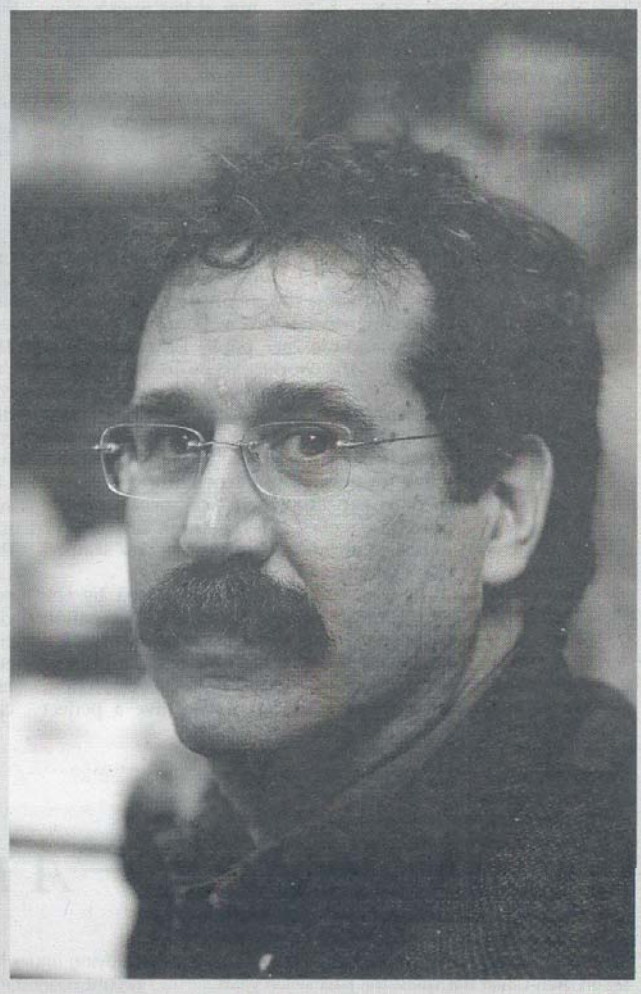
"I don't know," admits Ben-David, adding that whatever it is takes place in the education system itself. "I can only measure what goes in and what comes out. The middle is a black box. There is a complete lack of transparency in the functioning of this system which is entirely man-made."

One example of this opacity relates to the low salaries of the teachers. Ben-David says he simply cannot ascertain whether this is due to the money getting lost in the system, inaccurate reporting to the OECD (such as reporting just the base salaries, while teachers make more due to added tutoring hours and extracurricular duties), or, if most of the money goes to the teachers and the pay is reported correctly, the presence of too many teachers in the system.

"It's got to be one of those three," he says, "but I can't determine which."

Knesset Education Committee chairman Michael Melchior (Labor-Meimad), while rejecting Ben-David's assertion that the system is artificially opaque, admitted at a committee meeting last week that he did not know what was done with the money in the system. "The numbers don't add up for me," he said. "We're always hearing that there's no money, the budget is being cut, test scores are dropping, teachers' salaries are among the lowest in the West... and the whole time our spending is the same as the OECD average? How can this be? Where is all the money going?"

"Among the things missing in the education system are 6,000 classrooms, 1,500 kindergartens and NIS 2 billion for repairing immediate safety threats," said Melchior, who prefaced his comments with statements of dismay at Israel's ever-dropping test scores.



'We have a choice to make: either to raise the efficiency of the system [so that achievement] reflects the lavish funding the system is enjoying, or to lower the budget to reflect the poor results'

– Prof. Dan Ben-David

BEN-DAVID'S critics carefully avoid challenging the numbers themselves, claiming, as one MK recently did in the presence of the *Post*, that "statistics can prove anything," and ending the argument there.

Some simply grandstand with declarations that are, at best, confused, and at worst, dishonest.

Perhaps the most central policy statement that Ben-David's critics ignore is his repeated call for increasing the education budget, "but only if one deals with the root problems of the system."

"My critics think that my main goal is to cut the education budget. That then absolves them from having to tackle the source problems," Ben-David says. "In fact, a comprehensive structural reform will cost extra funds. That is why I very explicitly state publicly in every panel and conference that we need to provide this extra money."

'I'm not ruling out adding to the education budget, but I have to know that every shekel gives results. I won't throw money out to sea'
– Finance Minister Avraham Hirchson

But as Melchior told him at last week's committee meeting, the call to invest extra funds in reform rather than cut funds from an already-teetering system "is not what the Finance Ministry officials heard when you spoke."

Another accusation, repeated often, was heard again last week in the words of an expert testifying before the committee: "Ben-David's correcting for standard of living [in comparing expenditure per pupil] isn't done anywhere in the world except in his calculations."

A senior politician, in a debate with Ben-David at last month's Sderot Conference, also rejected off-hand his use of the standard of living for normalizing expenditure. When he tried to explain why it was necessary, the politician replied, "Yes, I know, it's the PPP [purchasing power parity]. Do you think I don't understand?"

These statements, both witnessed by the *Post*, were revealing. The expert's accusation that Ben-David is alone in correcting teachers' salaries by the standard of living is mistaken. While there are drawbacks to this correction, since no economic tool can give a perfect comparison of budgets or salaries in radically different bureaucratic, political and economic conditions, the importance of including the standard of living in comparing so salary-based an institution as the national education system is accepted by a majority of economists. It is routinely reported by the OECD for this reason.

Finance Minister Hirchson and MK Melchior this week at a Knesset Education Committee meeting. 'The numbers don't add up for me... How can this be? Where is all the money going?' asks Melchior.

In addition, PPP and GDP (gross domestic product) per capita are radically different concepts. Purchasing power parity is a kind of currency exchange rate based on a basket of equivalent goods in each country (the most famous example being the cost of the identical Big Mac in different economies). It is helpful to economists since it is less affected by monetary policy or currency speculation than the standard exchange rate.

GDP per capita reflects the average standard of living in a country. Since the vast majority of education expenditures go to salaries (some 90% in Israel, with similar figures elsewhere), the national expenditure per pupil is closely linked to income per capita. Thus, comparing education expenditures per pupil is well-nigh irrelevant unless it is normalized with GDP per capita.

The claim of the expert attempting to dis-

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A rising star

For many policy analysts, public servants and journalists, Dan Ben-David is one of the central figures in the country's current public policy debates. While he has worked and specialized in international trade, even serving as an adviser to the World Bank and the Director-General's Office of the World Trade Organization, Ben-David has spent the past seven years identifying problems in Israeli educational and social policy and developing working papers that suggest ways of repairing them.

"Over the past five years, Dr. Dan Ben-David's analyses of trends in education, employment, poverty and economic growth have been among the most influential factors in this country's public economic debate," wrote Guy Rulnik, editor-in-chief of *The Marker* and the *Ha'aretz* business section.

"Several years ago, Ben-David published an article that documents the disintegration of Israel's society and economy... a recession that actually began many years before anyone spoke about it... since then this article has become the bible of critics of the Treasury's economic policy," wrote Ronit Vardi of *Globes*.

A married father of three, Ben-David (who spent his formative years and received his doctorate in the US) says he began focusing on the local situation when he "internalized the implications of Israel's long-term trends and the existential danger that they'll pose in another generation or two."

An internationally renowned economist, Ben-David received his Ph.D. from the University of Chicago, studying under Nobel laureate Robert Lucas. He has taught economics at Tel Aviv University for the past 12 years, winning the Outstanding Teacher Award in the Social Science Faculty two years ago.

The Blueprint for Improving the Employment Situation in Israel report published in March 2004 by an interdisciplinary academic team he headed was supported by representatives of both sides of the labor debate, the employers and the unions.

He was also a member of the independent ELA committee which prepared the report A Proposal for Structural Reform of Israel's Education System, which was presented to education minister Limor Livnat and to the Knesset Education Committee in November 2003. The committee's proposals comprise the bulk of the Dovrat Commission recommendations.

Ben-David entered politics last year at the request of former prime minister Ariel Sharon. He occupies the 34th slot on the Kadima list and co-authored the party's socio-economic platform.

The controversy surrounding Ben-David and the budget all started in 2000, when he delivered some shocking findings on the education system to then-prime minister Ehud Barak.

After Barak's election, the new prime minister asked Prof. Haim Ben-Shachar, a former president of Tel Aviv University, to put together a team of some of the leading economists in Israel that would act as an ad-hoc council of economic advisers for a short period. The committee included such men as Prof. Elhanan Helpman, Dr. Dan Ben-David, Dr. Dani Tsiddon, today a senior manager at Bank Leumi, and others.

In April 2000, Ben-Shachar, Helpman and Ben-David met with Barak and then-director-general of the Prime Minister's Office Yossi Kuchik. Upon hearing the economists' report, Barak made an unprecedented decision to convene the entire cabinet for a full-day special meeting – in effect a seminar – in May 2000.

One of the central issues raised by the team through the findings of Ben-David's research, was the steadily worsening condition of the education system.

Ben-David's findings were earth-shattering not because they showed falling test scores. Rather, he demonstrated that the falling scores occurred at a time when the system was being lavished with enormous budget increases year after year.

In the presentation, Ben-David showed that, though the education budget was one of the highest in the western world, the results achieved by Israeli education were the lowest in the West. Ben-David essentially called into question whether the education system was effective enough to utilize the funds it was provided.

– H.R.

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credit Ben-David, coupled with the repeated confusion of the two economic measurements by the senior politician, do not mean that there is no serious criticism of Ben-David's work, but they do serve to demonstrate that a large measure of the anger at his findings prevents some from dealing with the issues he raises.

THE CRITICISM of Ben-David is not in his figures, but in the story the numbers don't tell. Asked to respond directly to Ben-David's assertions, Tamir told the *Post* she is convinced Ben-David had good intentions, but did not understand the blind bureaucracy of the Finance Ministry.

"Dan did not help [bring about] the budget cuts out of a desire to see the cuts. But he was mistaken in thinking that if he showed there's too much money, the money would be redirected to the right places," she said.

She also emphasized that Israel's education system was structurally more complex and inherently more expensive than those of other countries. The system's multi-channeled structure, where haredi, Arab, national religious and national secular school systems all compete for the same funds, creates unavoidable redundancy and expense.

In short, she believes, "Dan falls into the trap of academic abstractions. He doesn't understand the complexities of the system, that it is multicultural, receives immigrants, undergoes war, that 30% of its kids are poor," she said. "These aren't expressed in his calculations, and they all require more money to deal with."

"There is a great need for reform," she admitted, "but first we have to stabilize the system, to create smaller classes and better teachers' pay and training."

MK Ronit Tirosh (Kadima), a former director-general of the Education Ministry, also took issue with Ben-David's conclusions rather than his figures, noting Tamir's point regarding the unique complexity of the system.

"The problem is interpretation," she explained. "[Ben-David] doesn't take organizational culture into consideration and ignores the complexity and special character of the education system. It's built on sectors. If there are too many Arab teachers and too few Jewish

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– Education Minister Yuli Tamir

The future of the state. But will they have the tools to run it?

another country] you would move them from one to the other, but you can't in our system."

The same is true among Jews. "[Even if] there are too many teachers in the haredi sector, they won't go to the secular schools where there's a shortage. Nor would a secular teacher go [to the haredi schools]," she said.

So, as director-general, she found herself "in the stupid situation in which there are enough teachers, but they can't go to the right places. In a normal country, this doesn't happen."

The situation is similar in attempting to build classrooms.

"Among east Jerusalem [Arabs]," for example, "they don't have land to build, so they rent some tiny room. Then you're paying for a teacher for each 15-pupil room, rather than one for 30 kids."

"The dry analysis on paper doesn't show this," she believes. "These are objective problems. It's not that we're blind, uncaring or poor managers, but the problems are unique. The academic analysis doesn't show what's in the field."

FOR BEN-DAVID, however, this criticism is frustrating.

"The real problem is not what Tamir refers to as 'abstractions of academia,' but a state of deep denial bordering on escapism firmly embedded in the people who have headed our education system for years," he says.

If the system is dysfunctional because of too many sectors and streams, it must be reformed, he believes. Tamir and Tirosh were simply describing the problem, a challenge of existential proportions. Ben-David paints a grim picture of the future if drastic reform does not take place.

"The 'complexities' that cause Tamir, Tirosh and the other MKs to recoil from resolving today's educational problems pale in comparison with the future 'complexities' that they and their colleagues are creating for those who will be charged with preserving this country in another generation," he believes. "It is no coincidence that poverty and income inequality in Israel have been on a steadily increasing trajectory since the 1970s – reaching Western pinnacles, and continuing to rise – while Israeli living standards have been falling (in relative terms) farther and farther behind the leading industrial countries for three straight decades.

"Who is accountable for creating this emerging existential domestic danger and who will be held accountable for not dealing with it in time?" he demands.

Instead, he says, there is "a mind-set [that] perceives reality as a hopelessly complex system that one needs to conform to rather than reform, that only more money can fix.

"At stake are not only the future of the state, but the basic human rights of each of our children, regardless of religion, ethnicity and degree of devoutness, to an identical high-quality educational toolbox in core subjects that will enable their survival in a modern, competitive economy." ■