

Policy Brief

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Changing the discourse

A visual primer for Israel's 2019 elections

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Abstract

With Israel at a major crossroads, the country is headed for the polls. Knowing how to separate the wheat from the chaff in an environment that provides a relentless bombardment of data is vital. The visual primer below is unique in this regard. It drills under the often superficial discourse to provide a vivid picture on Israel's primary long term socioeconomic challenges. It is a primer showing where the country was in past, where it is today, and where it is headed – a primer that should interest and unite all Israelis, whether they are right-wing or left-wing, religious or secular, Jewish or Arab.

While nearly all of the serious election-related attention in Israel tends to focus on national security issues, that fundamental concept has come to encompass far more than many are aware of. The past several years have been relatively good for Israel from an economic perspective, like an abundant oasis – but one that is currently situated on a very problematic, and remarkably steady, highway toward an unsustainable future. Contrary to conventional wisdom, Israel's is not a predetermined path etched in stone. Voters have a say, and a responsibility, in determining the direction that the country is headed, but that window won't remain open forever.

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The way we were

During the 1970s, Israel changed its national priorities in some of the more basic socioeconomic realms – which led to quintessential changes in its primary long-term socioeconomic trajectories. The young Israel was poor, inundated by new immigrants with just the clothes on their backs. It went through a period of food rationing and wars of existence. But despite Israel's meager resources, the founding generation found the wherewithal to build not only towns and roads but also – for example – hospitals and universities.

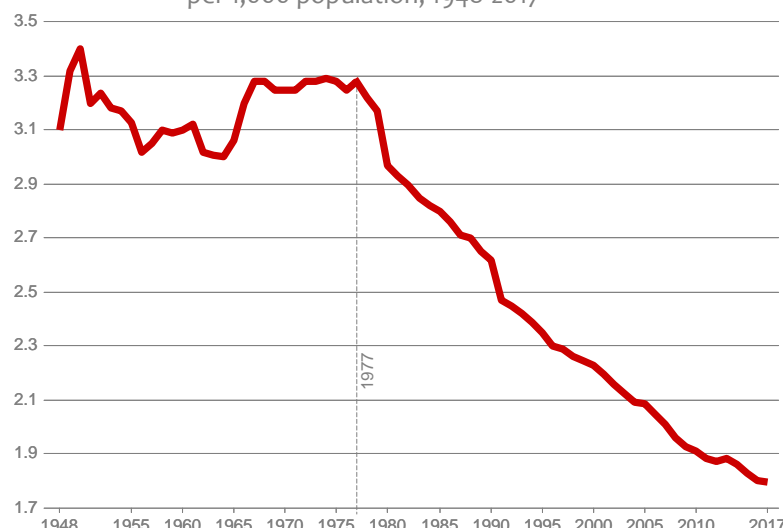
By the mid-seventies, hospitals were built from Safed to Eilat, with the growth in hospital beds matching the population's phenomenal growth rate. By the mid-seventies, seven research universities had been built and the number of academic researchers in Israel, per capita, approached American levels.

Neglecting the health system

The number of hospital beds per capita has been in a free fall since the mid-seventies (Figure 1).

Figure 1
Hospital beds*

per 1,000 population, 1948-2017



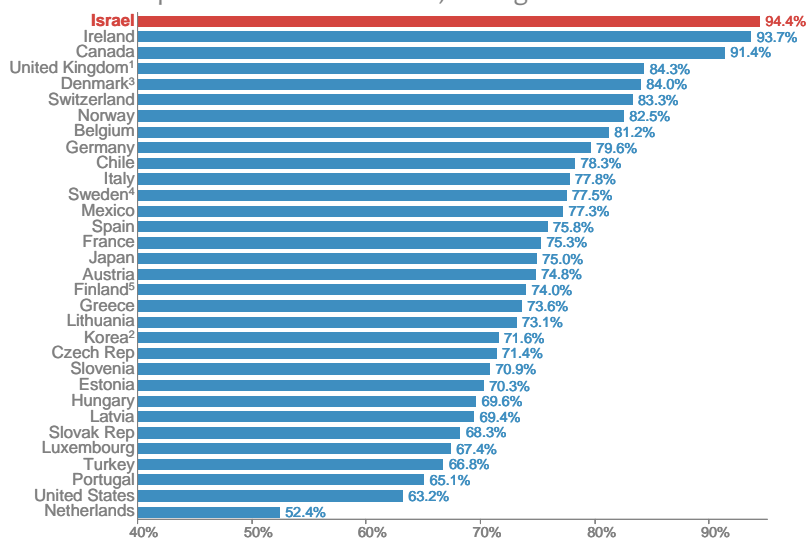
* Curative (acute) care hospital beds.

Source: Dan Ben-David, Shores Institute and Tel Aviv University
Data: Central Bureau of Statistics

Figure 2

Hospital occupancy rates

as percent of available beds, average for 2012-2016



¹ 2010, ² 2003, ³ 2001, ⁴ 1996, ⁵ 1995

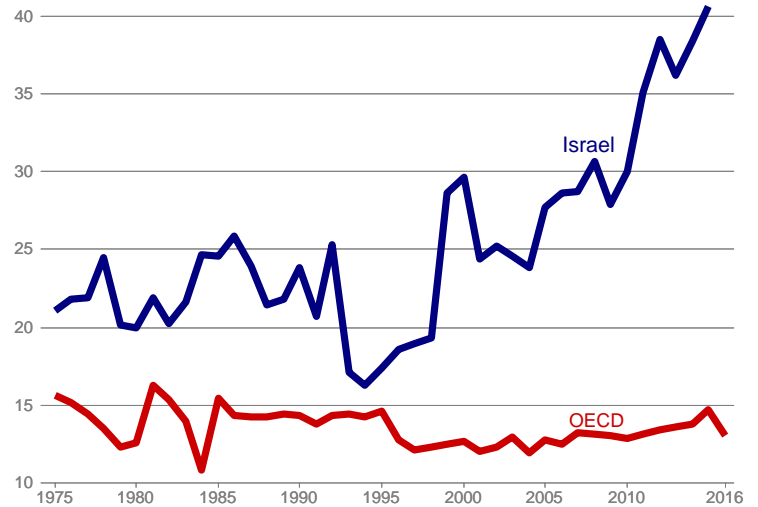
Source: Dan Ben-David, Shores Institute and Tel Aviv University
Data: OECD

Consequently, Israeli hospitals today have the highest occupancy rates in the OECD (Figure 2).

The ongoing neglect of the health system has exacted a price. The dilution of resources and manpower has not only led to long lines, congestion, suffering and violence by patients. Over the past two decades, the share of Israelis dying from infectious and parasitic diseases has doubled (Figure 3).

Figure 3

Deaths from infectious and parasitic diseases per 100,000 population*, 1975-2016



* adjusted by the ratio of standardized population to actual population

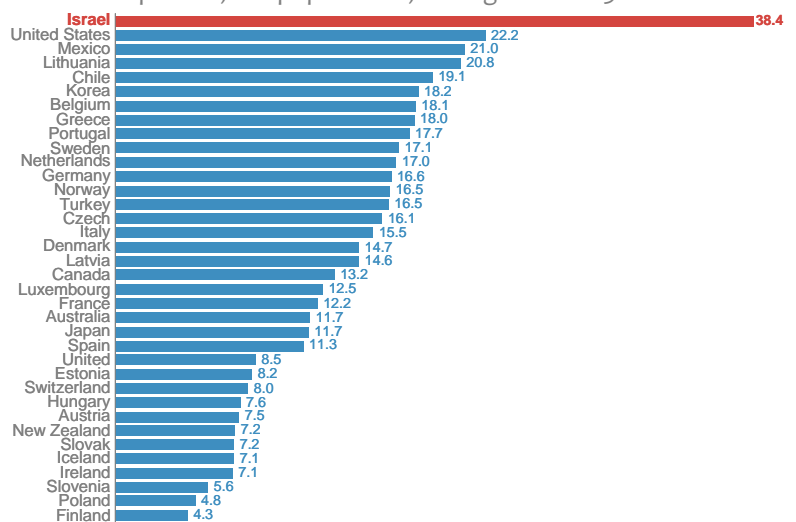
Source: Dan Ben-David, Shores Institute and Tel Aviv University

Data: OECD

The leap in the number of Israeli deaths per capita from infectious and parasitic diseases places Israel alone at the top of the OECD countries, with 73% more deaths per capita than the number two country, the United States (Figure 4). The annual number of deaths from infectious and parasitic diseases is a double-digit multiple of the number of Israelis killed each year in traffic accidents.

Figure 4

Deaths from infectious and parasitic diseases per 100,000 population*, averages for 2013-2016



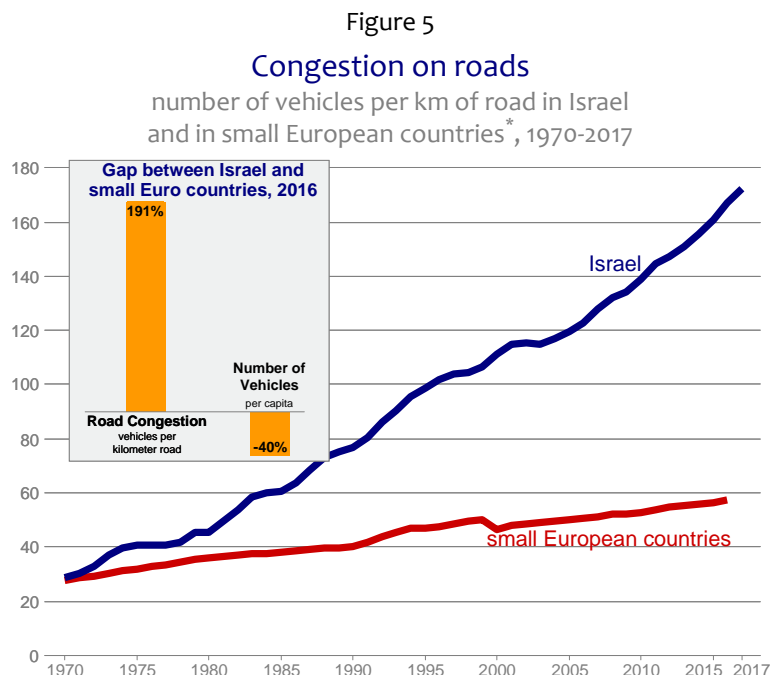
* adjusted by the ratio of standardized population to actual population

Source: Dan Ben-David, Shores Institute and Tel Aviv University

Data: OECD

Neglecting the transportation infrastructure

Israel's founding generation brought the congestion on the country's roads to parity with the average for small European countries in the early 1970s. Since then, Israeli road congestion has risen to nearly three times the congestion there – and this, despite having 40% less vehicles per capita in Israel (Figure 5). It is simply a situation in which there are no adequate substitutes for travel in private vehicles. The results are extreme congestion and endless traffic bottlenecks.



* Belgium, Denmark, Netherlands and Switzerland.

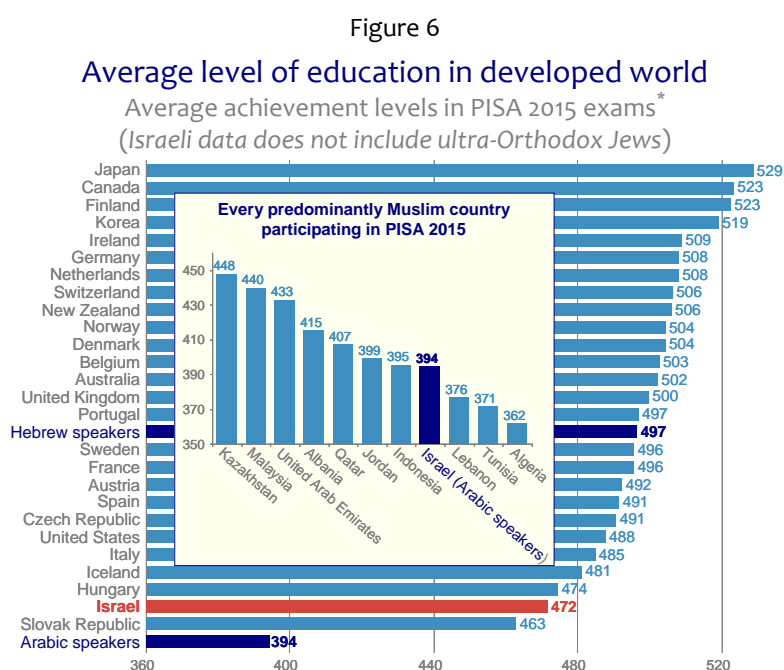
Source: Dan Ben-David, Shores Institute and Tel Aviv University

Data: Central Bureau of Statistics, OECD, World Bank and Ingram and Liu (1999)

Neglecting the education system

The achievements of Israeli children in core curriculum subjects are at the bottom of the developed world – and this is without even taking into account the ultra-Orthodox (Haredi) pupils, who do not study the core subjects and do not participate in the international exams (Figure 6). The achievements of Arab-Israeli children are beneath those of Third World countries – in fact, below the majority of predominantly Muslim countries.

The graph provides a peek at the future since the children from all of the various countries will have to compete with one another in the global marketplace. This is how the various countries are preparing their children for that eventuality.



* National average in math, science and reading exams.

Source: Dan Ben-David, Shores Institute and Tel Aviv University

Data: PISA and Israel's National Authority for Educational Measurement and Evaluation

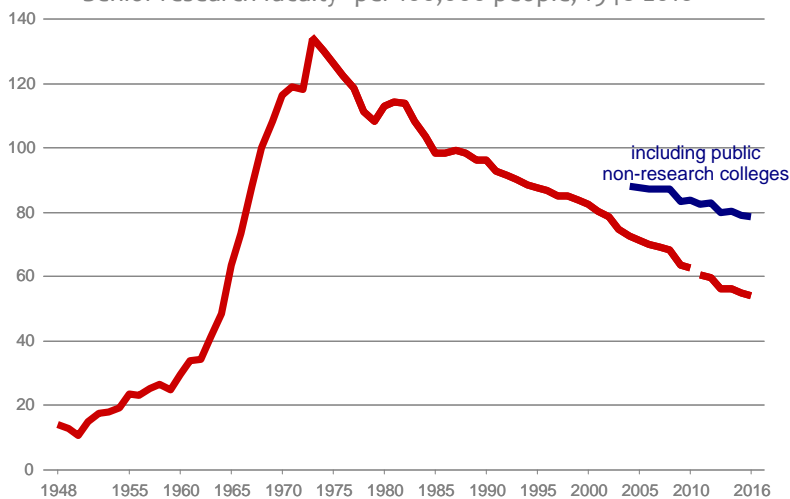
Neglecting the cutting edge

Since the mid-seventies, Israel's population has more than doubled. It is considerably wealthier than the founding generation (GDP per capita has also more than doubled since the 1970s). But the country's national priorities changed. Israel has not built another Technion, or Hebrew University, or another Tel-Aviv University. The number of research university faculty per capita today is 60% lower than it was in the much poorer Israel of the 1970s (Figure 7).

Figure 7

Senior research faculty in universities

Senior research faculty * per 100,000 people, 1948-2016



* Senior research faculty includes full professors, associate professors, senior lecturers and lecturers. Basis of data changed in 2011.

Source: Dan Ben-David, Shores Institution and Tel Aviv University

Data: Central Bureau of Statistics and the Council for Higher Education

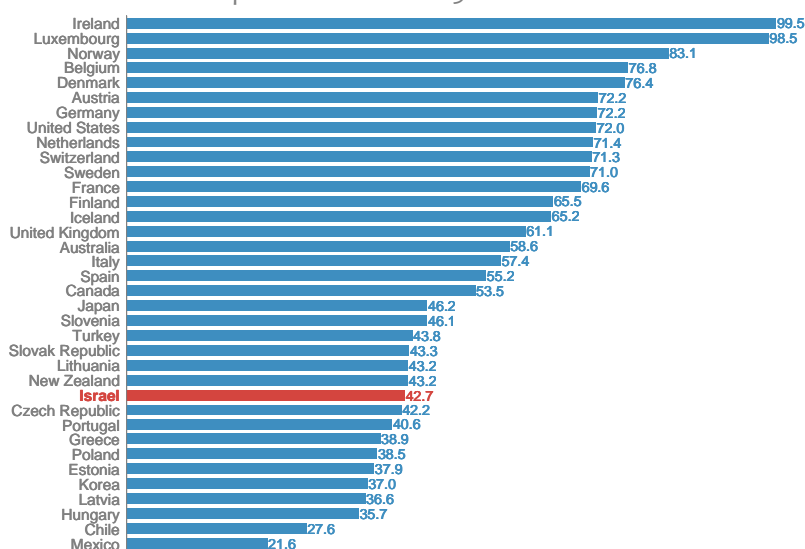
Results of the neglect

With one of the developed world's most under-developed transportation infrastructures and a level of education at the bottom of the developed world, it should come as no surprise that Israel's labor productivity is below that of most developed countries (Figure 8). Labor productivity is a key determinant of income: if the average amount produced in an hour by an Israeli is low, then the average hourly wage that the person receives will also be low.

Figure 8

Labor Productivity in 2017

GDP per hour worked in 36 OECD countries *



* in current PPP-adjusted dollars

Source: Dan Ben-David, Shores Institution and Tel Aviv University

Data: OECD

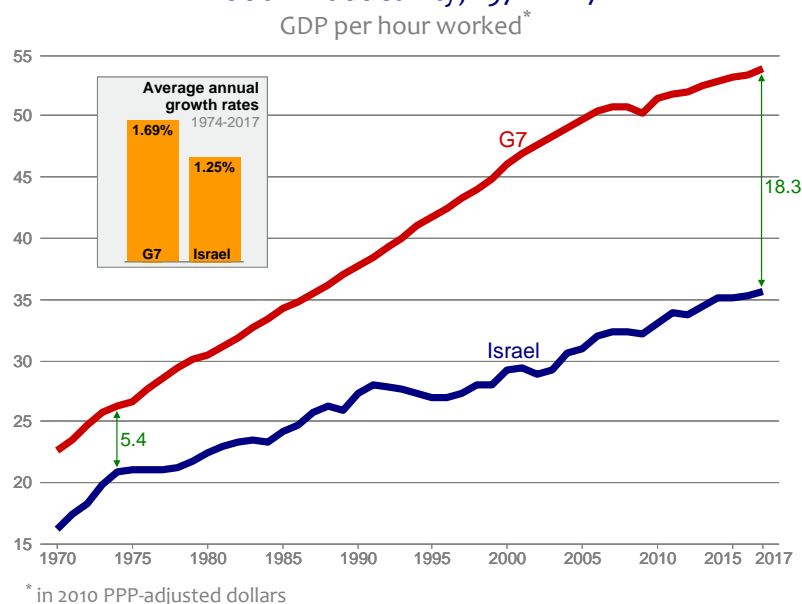
Labor productivity in Israel is not just low. It has been falling further and further behind – in relative terms – to the labor productivity of the world's leading economies. Since the mid-seventies, the gap between the G7 countries and Israel has risen more than three-fold (Figure 9). The trajectory of the past four decades will not be sustainable four decades from today – with all of the implications that this has on Israel's future.

The larger the gap between what educated and skilled Israelis can earn abroad and what they receive in Israel, the smaller the likelihood that Israeli society will be able to keep them at home. With time, it will become increasingly easier – especially for educated and skilled Israelis – to decide between leaving the country or remaining and earning below their potential. Such a decision will become easier still when they'll take into account that fewer and fewer shoulders will have to carry a larger and larger burden – from taxes to military service.

Already today, the income of half the country's population is so low that they do not even reach the bottom rung of the income tax ladder and pay no income tax whatsoever. 92% of all income tax revenue comes from just 20% of the population – an increase from 83% in the year 2000 (Figure 10).

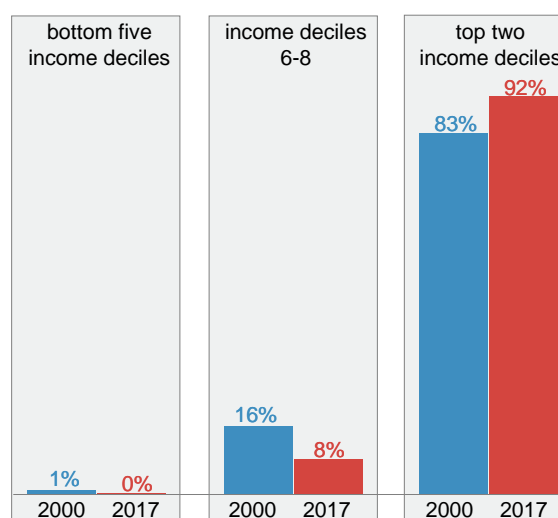
If this is the current situation, what will happen when today's first graders reach working age? How many will possess the tools to work in a modern economy, and how many will need assistance to survive? When the national leadership fails to understand or display an interest in root treatment that will require a change in direction, how many of the young and educated will remain in Israel to bear a steadily rising tax burden resulting from an increasing number of needy alongside a decreasing number of tax payers?

Figure 9
Labor Productivity, 1970-2017



Source: Dan Ben-David, Shores Institute and Tel Aviv University
Data: OECD, Central Bureau of Statistics, Bank of Israel

Figure 10
Share of total income tax revenue
paid by income deciles



Source: Dan Ben-David, Shores Institute and Tel Aviv University
Data: Finance Ministry

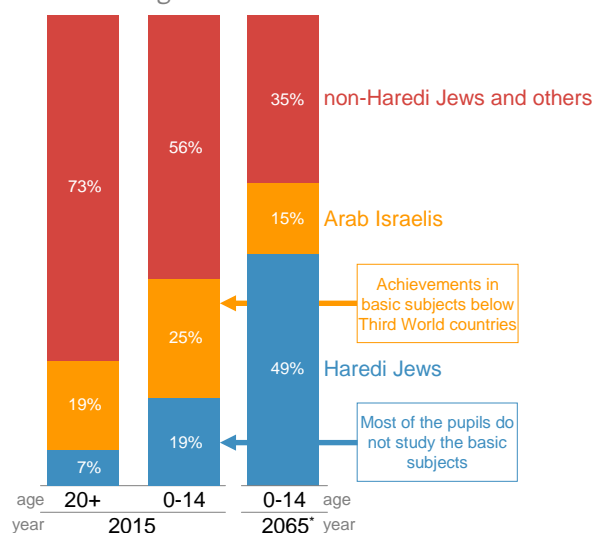
The future – if Israel does not wake up in time

It's time to change the public discourse taking place in Israel and to rethink outdated paradigms. National security is not just planes and tanks. It is also the ability to maintain a First World defensive capability.

Roughly half of Israel's children today receive a Third World education, and they belong to the fastest growing parts of the population (Figure 11). A Third World education will lead to a Third World economy. But a Third World economy cannot support a First World army – with all of the implications that this has on Israel's future ability to survive in the world's most violent region.

Israel has reached one of the most decisive crossroads in its history. The national priorities that will be decided in the coming years, before the country eclipses the demographic-democratic point of no-return, will determine if Israel will be or will not be in future generations.

Figure 11
Israel's changing demographics
 each religious sector as share of total



Source: Dan Ben-David, Shores Institute and Tel Aviv University

Data: Central Bureau of Statistics

The Shores Institute is an independent, non-partisan policy research center. The institution conducts impartial, evidence-based analyses of Israel's economy and civil society. Its objective is to assist in moving the country towards a sustainable long-term trajectory that raises Israel's living standards while reducing disparity among its citizens. To further this goal, the Shores Institute informs Israel's leading policymakers and the general public, both inside and outside the country, through briefings and accessible publications on the source, nature and scope of core issues facing the country, providing policy options that ensure and improve the well-being of all segments of Israeli society and create more equitable opportunities for its citizens.

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