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**בשיתוף:**  
**קרן פרידריך אברט**

*Senat 357 for political and social issues:*

**Main Indicators for Israel compared with OECD Countries**

**Main Conclusion:**

- The population growth rate in Israel is higher than the OECD average. This is a result, among other reasons, of the religiousness of a significant part of its citizens (both Muslims and Jews).
- The percentage of youth who are not studying or working is at first glance much higher than the OECD average, but when taking into consideration military service, the percentage is lower than OECD average.
- Thanks to the high level of medical and sanitation services in Israel, infant mortality is relatively low and life expectancy high.
- The percentage of poor households is significantly higher than OECD average, but it is calculated differently. When applying the OECD calculation to Israeli data the poverty rate is lower, but still higher than OECD average.
- Relatively low wages of teachers and the large number of students per class in Israel contribute to the poor achievements of Israeli children in the PISA exams.

In May 2007, the Organization for Economic Co-Operation and Development (OECD) invited Israel to negotiations for joining the organization. The process of joining the OECD is lengthy, as the joining country must pass a series of evaluations of its ability to meet the organization's standards in various policy areas. Israel's suitability to the OECD is examined according to a list of indices set by the organization, which include population data, macro-economic trends, employment and education. On the face of it, in terms of the economy, technology, the political and legal system, human rights, democratization and the welfare system, Israel is a fully developed country. However, two meta-factors make Israel a unique case: the first – its being a heterogeneous immigrant country, with a significant religious population (23%), both Muslims and Jews; the second – the regional conflict.

These meta-factors influence the various indices in direct and indirect ways. In what follows, we will present the main indicators in Israel as compared with the OECD countries, while attempting to relate to those meta-factors and to explain those indices in which Israel is not ranked high enough.

<b>Population</b>	<b>2006</b>	
	<b>Israel</b>	<b>OECD average</b>
1. Annual population growth rate	1.8%	0.6%
2. Population density – people per square kilometer (2004 data)	294	120
3. Percentage of elderly (+65)	9.9%	13.8%
4. Percentage of girls, 15-19, who do not work or study (2005 data)	25.1%	7.3%
5. Percentage of boys, 15-19, who do not work or study (2005 data)	26.1%	8.3%

The population growth rate in Israel is higher than the OECD average. This growth rate is a result of natural growth, which is different in each sector of the population: according to the social survey for 2006, among families with children (at least one child), the average number of children among the ultra-orthodox is estimated at 4.7, among Muslims at 4.6, and among secular families at 2.3, with the average number of children in the Jewish sector as a whole coming to only 2.9 children. The West Bank has the highest natural growth rate in the world, because it is populated by groups which are religious and are also supported by the Israeli health system, which provides very high quality services by a Western standard, as can also be seen from the high life expectancy. High life expectancy also contributes to the population growth rate. The relationship between young people participating in the workforce and the elderly who do not participate in it is known as the dependency ratio. In Israel, because of the high birth rate, the dependency ratio is lower than OECD average, notwithstanding high life expectancy. The high rate of teenagers who apparently do not study or work is a result of obligatory military service in Israel; the military absorbs about half of the 18-19 age-group, so that out of the 25.1% and 26.1% of teenage boys and girls, respectively, who do not work or study, 20% are soldiers. The percentage of teenagers who do not work or study in practice in Israel is therefore lower than the OECD average, and comes to about 5.1% and 6.1% for teenage boys and girls, respectively.

<b>Health</b>	<b>2006</b>	
	<b>Israel</b>	<b>OECD average</b>
1. Fertility – average number of children of women aged 15-49 (2005 data)	2.84	1.63
2. Infant mortality – number of deaths per 1,000 live births (2005 data)	4.4	5.5
3. Life expectancy – women (2005 data)	82.2	81.4
4. Life expectancy – men (2005 data)	78.5	75.7

Since 2005, Israel has a universal health system based on the payment of about 1% of the income, accompanied by provision of services according to need. Medical and sanitation services in Israel are of very high quality, and as a result infant mortality is lower than international averages and life expectancy of the population is high. While mortality rates are low among the general population in Israel, fertility rates vary among the different sectors – influenced both by the places of origin of immigrants to Israel and by the degree of religiosity, among both Jews and Muslims. However, fertility rates are falling in the past decades, owing to modernization processes.

<b>Macroeconomic trends</b>	<b>2006</b>	
	<b>Israel</b>	<b>OECD average</b>
1. GDP per capita (PPP dollars)	24,271	31,469
2. GDP growth rate (over last year)	5.2%	2.9%
3. Inflation (over last year)	2.2%	2.5%
4. Debt / GDP ratio (2005 data)	96.9%	58.8%
5. Government deficit as percentage of GDP	1.4%	-1.8%
6. Balance of payments as percentage of GDP	3.2%	0.65%
7. Broad government expenditure as percentage of GDP	46.8%	42.3%
8. Social public expenditure as percentage of GDP	16.2%	20.9%
9. Total tax burden as percentage of GDP (2005 data)	36.8%	32.2%
10. GINI income inequality index	0.39	0.31
11. Percentage of poor households (2005 data)	20.6%	10.2%

In its macroeconomic situation, Israel meets the objectives of the developed countries in a number of key figures – growth rate, inflation and the government deficit. However, there are some problematic indices, led by the debt / GDP ratio.

The origin of this problem is the lack of fiscal restraint in the late 70s and early 80s, in order to finance the government's activities during the hyperinflationary period. However, the long term positive trends of the growth rate and monetary stability imply that the root cause of the external debt enlargement no longer exists, and therefore we can assume that external debt will be reduced over the years. Another important point is the percentage of poor households. According to the National Insurance Institute, 20.6% of the households in Israel are poor – a higher percentage than the OECD countries' average. In Israel, the poverty threshold is calculated according to monetary income, not including imputed income from the use of a self-owned residence or car. Another important issue is the way of calculation of a standard person on which the poverty rate calculation is based. For example, a family of three will be seen as including 2.65 standard people in Israel and 1.73 standard people in the OECD countries. Since the two population groups with the highest poverty rates are the Arabs and the ultra orthodox, groups characterized by a high fertility rate, these calculation differences become highly significant. When this figure is calculated according to the OECD equivalence scale and according to the total income (including ownership of residences and cars), the percentage of poor households in Israel falls to 16.5%.

<b><i>Employment</i></b>	<b>2006</b>	
	<b>Israel</b>	<b>OECD average</b>
1. Employment rate, percentage of civil workforce	50.9%	66.1%
2. Employment rate – men	56.3%	75.6%
3. Employment rate – women	45.9%	56.8%
4. Employment rate among 15-24 age group	26.6%	43.3%
5. Employment rate among 25-54 age group	71.5%	76.5%
6. Employment rate among 55-64 age group	54.9%	53.0%
7. Percentage employed in part time job among all employed	24.9%	16.1%
8. Unemployment rate (not employed)	8.4%	6.1%
9. long-term unemployment (percentage of unemployed over a year among total unemployed)	32.5%	32.2%

The compulsory military service affects the index of employment and inactivity of youth aged 15-24. Since soldiers at regular service are not part of the civil workforce, it is not surprising to find that the percentage of 15-19 year-olds who do not work or study is significantly higher in Israel than the OECD average. The large difference in the 15 to 24 age group is also explained by the long waiting and vacation periods caused by the military service. If we include those serving in the army as if they were part of the workforce, the general participation rate rises to 57.3% instead of 50.9%.

<b><i>Education</i></b>	<b>2006</b>	
	<b>Israel</b>	<b>OECD average</b>
1. Rate of tertiary education graduates as percentage of total population at graduation age	35%	36%
2. PISA scores in science	454	500
3. PISA scores in reading	439	492
4. PISA scores in mathematics	442	498
5. Number of students per class – elementary school (2005 data)	26.6	21.7
6. Number of students per class – junior high-school (2005 data)	31.7	23.8
7. Teachers' annual wage (with 15 years seniority)	\$25,131	\$45,666

Although the percentage of higher education graduates corresponds to the OECD average, the other indices lead us to believe that this figure will fall in the future, as the quality of school education is lower than the average of developed countries. This is a result, among other things, of the annual pay of senior teachers in Israel being half that of the OECD average, and the much larger number of students per class. Considering these two indices, the low Israeli PISA exam results come as no surprise. Clearly, there must be a fundamental reform in the education system in Israel in order to make the most of the existing high potential.