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Differential Budgeting in Israeli Education

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Abstract

On international tests such as the OECD Program for International Student Assessment (PISA) and Israel's own standardized national tests (GEMS), Israel exhibits greater inequality in outcomes than most other OECD countries. This inequality is strongly correlated with the student's socioeconomic background.

The Ministry of Education, backed by the government as a whole, has a long-standing commitment to equal opportunity in education and to closing the gap between rich and poor in an education system that is publicly funded almost in its entirety. The ministry has always understood that this requires investing additional resources in children who have greater needs as a result of their deprived socioeconomic background. Indeed, this principle has been reiterated and fleshed out by two prominent public commissions established by the ministry to investigate this issue—the Shoshani and Dovrat commissions. (Dr. Shimshon Shoshani served three terms as director general of the Ministry of Education; Shlomo Dovrat is a prominent businessman with a long history of involvement in education.) This principle has also been embodied in various funding formulas used by the ministry over the years, including the current "Strauss formula."

In practice, however, the very modest level of differential budgeting clearly falls short of the far-reaching recommendations of these two prestigious government commissions—and of public expectations. The Strauss formula is applied only to hours of instruction in primary and middle schools and is limited to 5%–7% of the budget. It does not apply to earlier or later stages of schooling or to other expenditure lines.

Moreover, this very modest degree of differential budgeting is offset by the regressive pattern of contributions by local authorities to the schools within their own jurisdictions. There are no official statistics on the socioeconomic gradient of all spending on Israel's education system—this lack of a clear picture is part of the problem—but it cannot be ruled out that at least in parts of the system funding is actually regressive, with children from stronger socioeconomic backgrounds enjoying greater resources.

This report sets out the theoretical and empirical underpinnings for promoting equal opportunity in education through differential budgeting that compensates for socioeconomic deprivation; examines past efforts to try and understand why they were not as successful in practice as was hoped; surveys the current state of affairs; and proposes guidelines for differential budgeting that address the challenges that blocked successful change in the past.

The purpose of these proposed changes is to promote equality of opportunity in education in Israel and to reduce the correlation between students' educational outcomes and their socioeconomic background.

Two objective difficulties must be recognized in this regard. First, the preponderance of empirical evidence indicates that there is no direct link between spending and educational outcomes, but only links mediated by specific policy interventions: it is not how much is spent that matters, but what is done with the money. Second, education in itself cannot do all the work. Israel has among the highest levels of child poverty among the OECD countries. Educational gaps that result from children's socioeconomic background cannot be closed without addressing the huge socioeconomic gaps themselves.

In addition, past experience indicates that there are formidable political and bureaucratic obstacles that must be surmounted. The political obstacles derive from the need to change the allocation of resources to the population groups in Israel; specifically, increasing the share received by the two poorest segments—the Arab and the Ultraorthodox. This must necessarily come at the relative (and possibly the absolute) expense of the other streams that serve the more dominant elements of society and will likely entail a greater fiscal contribution by the more affluent local authorities to offset subsidies to poorer local authorities. The bureaucratic obstacles revealed by efforts to implement the recommendations of the Shoshani Report stem largely from opposition to budget cuts and to a reduction in the powers and influence of senior ministry officials.

Three key principles underlie the proposal. The first states the obvious: closing socioeconomically based education gaps is desirable only if it is achieved by improving the education outcomes of the disadvantaged and not if it means lowering the achievement of the more affluent. The second principle is transparency, which can be achieved only through a clear and simple funding formula, applied fairly to all. The proposed formula is predicated on a basic grade-specific per-student allocation, modified by loadings for special tracks (e.g., vocational studies), special ethnic or religious-based cultural and language needs, and socioeconomic deprivation, with extra allocations to small or geographically remote schools on a graduated basis. The third principle is that a viable policy must be seen to be effective. This entails, on the one hand, specifying the policy interventions for which the supplementary budget allocations for socially disadvantaged children are earmarked; and, on the other hand, measuring their success in terms of a lower correlation between educational outcomes, both positive and negative, and socioeconomic background.

In addition to these principles of policy design, no policy can be successful if it fails to firmly and explicitly address the political and bureaucratic obstacles to budget reform that stymied past efforts.