

Executive Summary

Bridging Social-Economic Gaps through the
Education System

Assaf Amit

Milken Institute Fellow

About the Milken Institute Fellows Program

The Milken Institute Fellows Program accelerates Israel's economic growth through innovative, market-based solutions for long-term economic, social, and environmental challenges. Our goal is to accelerate Israel's transition from a Start-up Nation to a Global Nation with solutions that others can replicate.

Directed by the Milken Institute Israel Center, the Milken Institute Fellows Program awards annual fellowships to outstanding Israeli university graduate students. Through the Milken Institute Fellows program, we train some of Israel's best and brightest young professionals in creating pragmatic financing and economic policy solutions, and they deploy them as resources to government ministries, nonprofits and other key organizations. Our applied research and Financial Innovations Labs® are a launching pad for transformative change, using innovative financing mechanisms, programs and policies to bridge social, regional, economic and productivity gaps within Israel and between Israel and the world.

In addition, Fellows craft their own policy studies during their internship aimed at identifying barriers to job creation and capital formation in Israel. The Fellows' research, carried out under the guidance of an experienced academic and professional staff, support policy makers who shape economic reality in Israel. The program offers the ultimate training opportunity, combining real-life work experience with applied research.

Throughout the year, Fellows receive intensive training in economic and financial analysis, public policy processes, and research methods. They acquire tools for communication and presentation, policy analysis, leadership and project management. The fellows participate in a weekly research workshop where they meet senior economic and government professionals, business leaders, and top academic and financial practitioners from Israel and abroad. They also participate in an accredited MBA course. The course, which focuses on financial and economic innovations, is taught at the Hebrew University School of Business Administration by Prof. Glenn Yago (Senior Director/Senior Fellow at the Milken Institute).

Fellows Program alumni can be found in senior positions in the public and private sectors. Some serve in key positions in government ministries while others work at private-sector companies or go on to advanced graduates studies at leading universities in Israel, the United States and Great Britain. Within the program's framework, more than 80 research papers have been published, catalyzing reforms, reducing barriers, accelerating economic growth, and improving the quality of life for Israel's citizens.

The Milken Institute Fellows Program is a non-partisan, non-political organization. It is funded by the Milken Institute and other leading philanthropic organizations and individuals in the United States and Israel.

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Contact us: info@mifellows.org



The term “human capital” refers to the collection of skills, abilities, and knowledge of individuals, and the economic value that these can produce. In Israel, a country that does not enjoy large stores of natural resources (although the recent gas discoveries), human capital should be one of the key growth drivers of the economy. Unfortunately, a crucial element in developing human capital is in deep crisis: Israel’s education system has been the target of negative public opinion. Everyone from alumni and students’ parents to teachers and principals have frequently criticized the system amid a backdrop of discouraging evidence from PISA tests (the International Education Tests of the OECD). Test results indicate wide gaps in scores, with a large percentage of poor students and only a small percentage of outstanding students.

In recent years, numerous research studies have strongly indicated a close connection between the education system and economic growth (for more information, see the writings of U.S. researcher Eric Hanushek). Given the state of education in Israel, these findings only increase the concern for the future of its economy.

How exactly can the education system contribute to improving human capital in the Israeli economy? This study attempts to clarify the issue. To do this, we interviewed 40 experts in various fields: senior economists in academia and the public sector, senior business executives, human-resource professionals, and experts in education, science, and technology. We questioned them about how the education system can foster human capital in Israel, covering such details as the skills and knowledge that it should impart to its children, as well as the allocation of resources, while also addressing the general policies of the education system.

The first conclusion derived from the interviews is that the faculty in schools and kindergartens is the key to developing human capital in the Israeli economy. Although this conclusion, at face value, is not new—there is a wealth of evidence showing the great importance of teachers in developing the talents of students—analysis of the interviews leads to a more insightful and detailed prescription. Simply put, today’s labor market requires an abundance of abilities that, in turn, require a high-quality teaching staff capable of fostering these valuable skills. Among them are independent learning and problem solving, broad familiarity with different areas of study, English-language proficiency, critical thinking, articulate written and oral expression, mathematical and scientific knowledge, and civic and ethical awareness.

Unfortunately, the low status of teachers is a significant obstacle to reaching these desired goals. Given budgetary constraints, creativity is needed to strengthen the image of the teaching profession and guarantee the quality of education. Our study offers several suggestions, including raising the acceptance threshold for the profession, promoting and developing plans to integrate outstanding candidates into the education system, and turning teaching into a clinical profession similar to social work or psychology. We also suggest giving more independence to principals and teachers, as well as investing in the work environment of educators as part of efforts to retain outstanding teachers and elevate the status of the profession.

In addition, suggestions were raised in economic and organizational contexts. Investment in specific populations, including underserved communities and children aged 3-6, seems a necessity in view of the desire and need for human capital development. These particular populations have the highest potential for a high return on investment. Many experts also specifically mentioned the need for economic and social investment in the Israeli Arab population as a means to strengthen the human capital in the Israeli economy and society as a

whole. Other recommendations focused on alternative measures of success for schools and the creation of a database system for managing the teaching workforce.

Of course, uncertainties remain. Education as a whole is characterized by many questions and few immediate answers—such is the learning process. Hence, there is a need for a research-based education system that is entrepreneurial and innovative. Israel has already proven its ability to excel and lead in research, science, and technology, so it is only natural that education could also benefit from the qualities and methods that led to success in those fields. The small size of the Israeli educational system may be an advantage in this respect. Adopting a policy of research and innovation would allow examination of new ideas and new teaching methods, creating a platform for experimentation and assessment. In a few years, such a policy can bring significant knowledge that will make the education system in Israel a world leader and contribute significantly to strengthening Israel's society and economy.

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Milken Institute Fellows Program
4 Washington St.
Jerusalem, 9418704, Israel

info@mifellows.org
www.mifellows.org