Executive summary

In coming years Israel will need to invest substantially in skills, given a growing economy, a wave of retirements among technically trained immigrants from the former Soviet Union, low labour force participation in some sub-populations, and continuing problems with weak labour productivity. Collectively, these factors undermine the Israeli economy and social cohesion.

Key findings

By international standards Israel has many jobs requiring high-level skills and few elementary low-skilled occupations. While this shows that the Israeli economy is particularly dependent on the supply of highly skilled labour, labour shortages are observed in many sectors and occupations. If Israel is to meet the demand for skills and to support its economic growth it can either increase external migration or/and use its education and training system more effectively to respond to labour market needs. Vocational education and training (VET) in Israel can effectively support the Israeli economy by providing the skills in demand on the labour market as well as improving the life chances of individuals.

Key messages

Developing work-based learning

The current school-based VET system serves some students well by providing them with strong academic skills and preparing them well for entry to university. But others are left behind. These are students who do not pass matriculation exams (Bagrut), who drop out during the programme, and who do not continue to higher levels of education for other reasons. These students face uncertain labour market benefits. Reforms are needed to better integrate apprenticeship and work-based learning into upper-secondary VET. They should be part of the mainstream provision, rather than an option for potential drop-outs. This would involve an expansion of apprenticeship programmes, and development of systematic work-based learning placements in selected school-based VET programmes. The requirement of a special exemption to enter an apprenticeship should be dropped.

For adults, diverse work-based learning measures, including apprenticeship may help to alleviate skills shortages and integrate disadvantaged social groups into the labour market. To expand apprenticeship programmes for adults, Israel should devise incentive and support measures based on analysis of relevant costs and benefits for different target groups e.g. by gender, minority status and age.

Involving employers through youth apprenticeship and sectoral training levies

The support of employers is necessary to reform vocational programmes, including expansion of work-based learning in VET. Experience from other countries shows that
programmes with longer work placements, such as apprenticeship, are often used by employers as a recruitment tool. Currently many employers in Israel are not able to realise long-term benefits associated with recruitment of the most able apprentices because many young apprentices enter the military service after completing apprenticeship programmes. When apprentices are rapidly trained and placed in skilled productive work apprenticeships can also yield large short-term benefits to employers. Apprenticeships leading to net benefits in the short term can therefore be particularly attractive to employers in Israel.

Low productivity and skills shortages in several economic sectors are holding back Israel's economic growth. While employers would collectively benefit from more workforce training, it is not always in the individual interest of an employer to offer training. To overcome this barrier, and create the step change necessary to improve the supply of skills, Israel may wish to support the establishment of sectoral training levies initiated by social partners (employers and trade unions). This is an approach which has been used successfully in some European countries.

Creating a coherent and transparent system

The vocational system needs to be internally coherent, with clear relationships between different VET programmes, and clear routes of transfer and progression between vocational training and general education programmes. This allows individuals to make choices between vocational programmes and helps employers to understand and relate to the different vocational programmes. To make the system more coherent, Israel should create a single strategic body that will plan and guide policy development on vocational education and training, and champion VET within government. A national qualification framework would also make the system more coherent and transparent.

In Israel many young people fail to obtain the Bagrut and many do not enter higher education. The offer for these young people is currently weak and underfunded if compared to other post-secondary options. Israel's economic performance and social cohesion depends on giving these young people relevant working skills and integrating them into the labour market. Israel may consider expanding and diversifying provision at post-secondary level, and promote pathways so that vocational choices are not dead ends.

Improving literacy and numeracy in VET programmes

Basic skills of numeracy and literacy have a major impact on life chances. They are positively associated with a range of important economic and social outcomes both for individuals and countries. In Israel, a large share of young people leave initial VET with poor basic skills. Israel should therefore ensure adequate levels of literacy and numeracy in all students, identifying the weakest performers and targeting teaching resources on them to improve performance. One practical step to this end would be to build into all vocational programmes, including youth apprenticeship and technological programmes, increased attention to the basic skills of numeracy and literacy.

In Israel around one in three of those in work have low numeracy or literacy skills, more than most other OECD countries. To tackle this challenge, Israel should also give consideration to building basic skills education systematically into adult programmes. Basic skills are particularly low among Arab Israelis and Haredi Jews. These populations are also less likely to participate in the labour market and are more at risk of living in poverty. Since basic skills are closely related to the labour market outcomes and life chances, addressing basis skills weaknesses in these populations should be a priority.