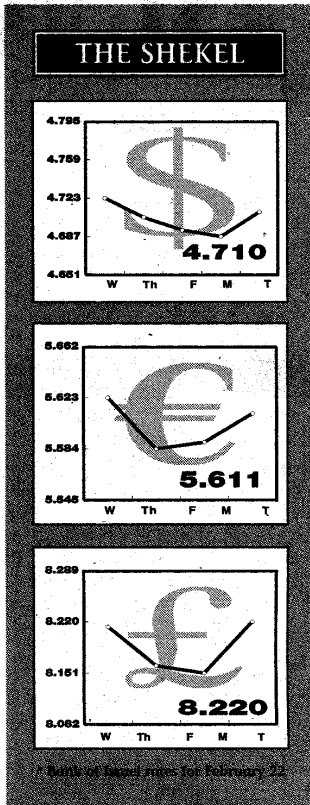




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Studying for matriculation examinations. The high-school graduation level in Israel still leaves room for improvement.



# Learn and grow

A researcher shows that education leads to higher growth rates in per-capita income

BY AVI KRAWITZ

**I**ncreasing education levels and decreasing the size of the public sector will stimulate economic growth in Israel, and will serve as the most effective counter to the rising social gaps, according to Daniel Levy, professor of economics at Bar-Ilan University. The conclusion was based on research he recently completed on the relationship between education levels and economic growth.

"One-time handouts and welfare payments will not solve the problem of rising poverty," Levy told *The Jerusalem Post*. "The government needs to help people increase their skills, which ultimately help increase productivity levels."

Levy said that while it had long been clear that higher education levels bring higher per-capita income, for the first time the research showed that education also leads to higher growth rates in per-capita income.

It therefore follows, he added, that policy makers need to make a greater effort to make higher education more accessible, especially to low income and low socioeconomic segments of society.

Poverty issues rose to the forefront of public debate in the run up to the March 28 elections when the National Insurance Institute published, in January, its biennial poverty report, which indicates that over one-third of all children in Israel live below the poverty line.

The Treasury, under former finance minister Benjamin Netanyahu and continuing under

current Finance Minister and Acting Prime Minister Ehud Olmert, embarked on a program to encourage participation in the workforce by cutting taxes and reducing welfare payments.

Earlier this month, Likud leader Netanyahu presented his party's economic platform, which included further moves in the same direction, including introducing negative income tax for low wage earners. In stark contrast, Labor Party Chairman Amir Peretz has championed increasing the minimum wage level and bringing in more welfare payments.

Emphasizing the need to motivate the workforce, Levy quoted Finance Ministry figures for 2004 which showed that just 83% of males between age 25 and 54 were participating in the workforce, i.e. either working or actively looking for employment, placing Israel at the bottom of the list of OECD (Organization for Economic Cooperation and Development) countries, where the average work participation is 92%.

"These figures show that Israel has a long way to go, and needs to seriously encourage participation in the labor force," he said. "Our research confirms that education is key to providing for this and answering many social problems."

While Israel is considered a relatively highly educated society, ranking amongst the world's strongest investors in education (around 8% of GDP in 2000), and with a high proportion of college degree holders, Levy said the high-school graduation level still leaves much room for improvement and that college education is still considered a luxury.

"We need to adopt the attitude that college education be seen as an obvious next step after school, as it is in the US," he said.

The research, which Levy conducted with two of his former students while he worked at Emory University in Atlanta, Prof. Matthew Higgins, of the Georgia Institute of Technology, and Prof. Andrew Young, of the University of Mississippi, surveyed 3,058 US counties with varying levels of education attainment levels.

Their findings showed a strong correlation between the size of

the public sector and economic growth, where the larger the public sector, the slower the growth.

Israel, he reported, has a very high percentage of output produced by the public sector which contributes to the widening socioeconomic gaps.

"It is important to note that any attempts to solve problems of growing economic gaps between rich and poor by increasing the share of government expenditure in the public sector, will in the end lead to lower economic growth and thus prove harmful to our well-being," he said. ■