

ISRAEL

Priorities supported by indicators

Improve education outcomes (2011)

Recommendations: Raise the quality of state-run compulsory education, notably for Arab pupils. As regards the independent ultra-orthodox schools, expand and properly enforce curriculum requirements for state funding. Introduce tuition fees in tertiary education along with student loans with income-contingent repayment.

Actions taken: Upper secondary education reforms beginning in the 2011/12 school year will include higher teacher pay in exchange for increased working hours and a range of pedagogical and other reforms. Other ongoing reforms include raising the school-leaving age, reducing class sizes, as well as reforming final examinations and school-funding formulae.

Cut red tape for businesses (2011)

Recommendations: Follow through on plans to ease building regulations, and continue efforts to streamline the number of, and processing times for business licences.

Actions taken: Partial liberalisation of land ownership is under way, but attempts to streamline and decentralise planning and approval procedures have stalled. Yet, measures aiming to expedite housing construction have been taken to counter rapid house-price growth. A one-stop shop system for SMEs is being developed.

Complete network-industry reform (2011)

Recommendations: Resolve deadlock in the electricity sector, establish an independent telecommunications regulator, and increase competition in post, rail and water services.

Actions taken: In telecoms, the mobile phone connectivity fee was cut further in 2011. In electricity generation, progress towards private production continues with approval of a large plant given in 2011.

Other key priorities

Encourage employment among low-income households (2011)

Recommendations: Pursue welfare-to-work programmes more vigorously, increase the coverage and value of the earned-income tax credit (EITC), and combine stronger enforcement of labour regulation with reduction in the value of the minimum wage relative to average earnings.

Actions taken: A promising pilot private-sector job-placement scheme was abandoned. Also, exceptional increases in the minimum wage have been agreed for July 2011 and October 2012. The EITC is due to apply country-wide, but no increase in its value is planned.

Shift the burden of taxation away from direct taxes (2011)

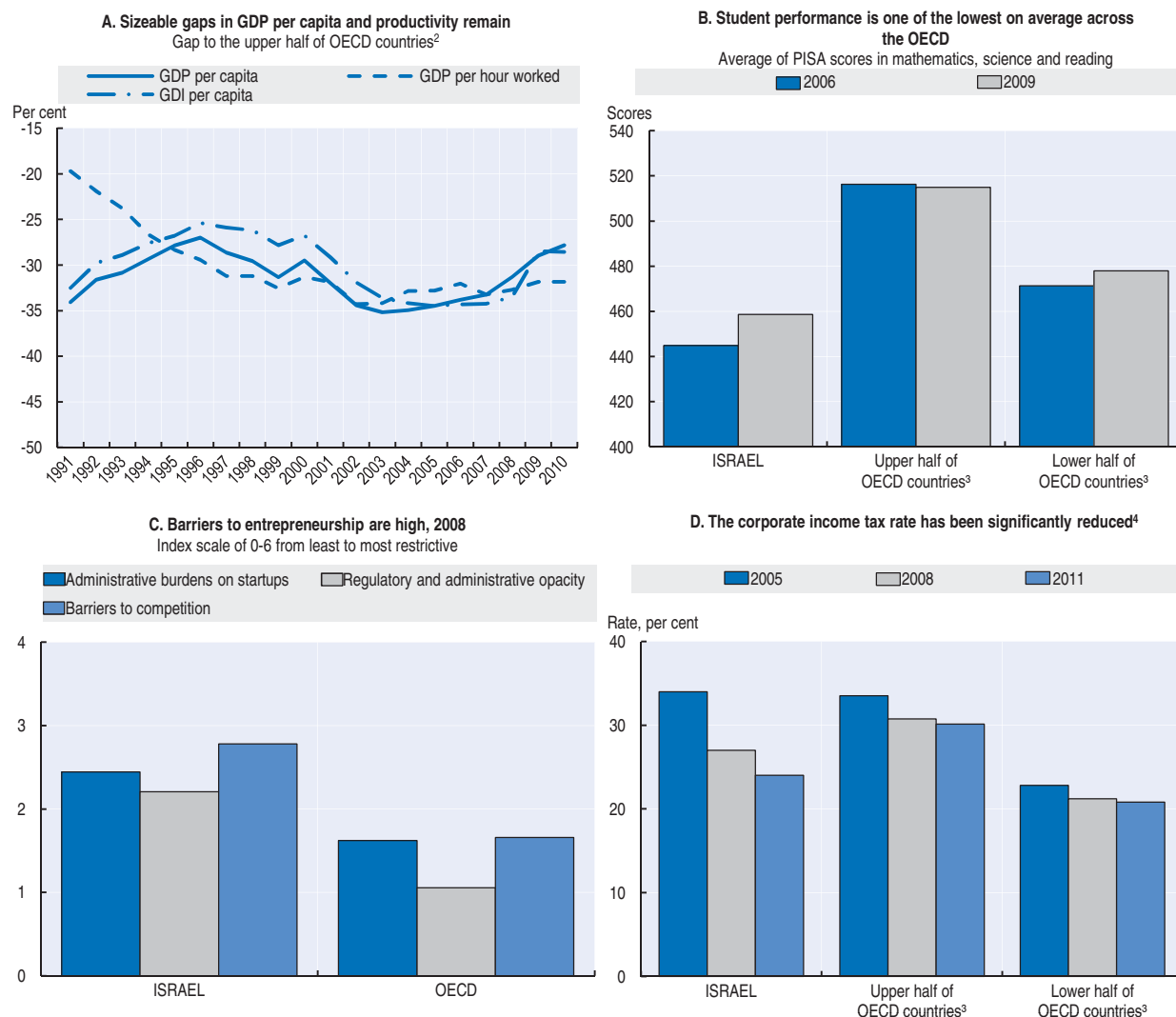
Recommendations: Pursue feasible avenues for raising indirect taxes and continue cutting income taxes.

Actions taken: The corporate income tax rate was reduced in January 2011 along with cuts in some personal-income tax rates.

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- GDP per capita has been gradually moving towards the upper half of OECD countries since the mid-2000s, but a large gap remains, reflecting a shortfall in productivity.
- Among key priority areas, some progress has been made in tax and education reforms, but there have been some backward steps in welfare-to-work measures.
- In other areas, the fiscal regime applying to offshore natural gas has been improved, and several steps have been taken to cool the housing market.

Performance and policy indicators



1. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
3. Upper and lower half of OECD countries in terms of PISA scores in mathematics, science and reading in Panel B and in terms of the level of the corporate income tax rate in Panel D.
4. Combined central and sub-central (statutory) corporate income tax rate.

Source: Chart A: OECD, *National Accounts and Economic Outlook No. 90 Databases*; Chart B: OECD, *PISA 2009 Database*; Chart C: OECD, *Product Market Regulation Database*; Chart D: OECD, *Tax Database*.

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