



## Subsidizing Early Childhood Care in Israel – Current Conditions and a Proposal for Change

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*This paper reviews the current policy in Israel of subsidizing early age education, compares it to other countries, reviews its effectiveness in light of the policy's goals, and offers a warning regarding the risk of current conditions, and recommendations for other ways to achieve the intended goals.*

The **first chapter** reviews the data on day-care centers for early childhood, while the **second** scrutinizes how ineffective the policy is in carrying out its intended goals.

The **third chapter** studies the data from Canada, the Netherlands, Mexico, and England in comparison to Israel and the **fourth chapter** proposes the changes that will realize the original goals.

### Summary:

The State of Israel subsidizes early education care (from birth to three years old) using the “certified centers” mechanism. Parents are eligible for subsidies only in official care centers operating under the Labor Department’s supervision. The bottleneck of certified centers leads to situations such as only half of all eligible mothers being granted the subsidy in 2018. The cost of childcare as compared to the EU is steadily rising. The eligibility for a subsidy in a certified center is contingent on both parents working a weekly twenty-four hours. As a result of this threshold requirement, most beneficiaries of the subsidy are mothers who work full time in the highest income percentiles.

In the past decade, the state has invested above a billion NIS in the construction of day care centers, yet the demand for certified centers still outpaces the supply. The absence of competition in the costs of day care centers, strict regulation, and the high concentration of the subsidized centers market (42% of them are operated by local authorities) lead to the low accessibility and low quality of the certified day care centers. Israel invests, per child, approximately a quarter of the average invested in other developed countries, while babies and toddlers in Israel spend twenty-four more hours in day-care centers than the average in Europe. A lower investment combined with more hours leads to lower quality.

Although the goal of the subsidy is the promotion of female employment, the high threshold of employment requirement means non-working or part time working mothers are not eligible. The subsidy was intended to assist women seeking first employment in overcoming the “motherhood” barrier and in later advancing to better and worthier jobs. Mothers who are students are eligible only if they study twenty-four weekly hours, which doesn’t align with the academic week; subsequently, only one percent of subsidized mothers are students.

Furthermore, the current model does nothing to promote non-working populations – Arab mothers and Haredi fathers. Arab under three-year-olds constitute 5% of those subsidized in certified centers – 18% less of their proportion in the general population. Most Arab mothers do not work and are therefore ineligible for subsidy. In the Haredi sector, fathers’ learning hours are considered student hours, creating an incentive to remain unemployed, and leading to the overrepresentation of Haredi

under three-year-olds in the certified centers: 27% of the children in certified centers are Haredi, which is 4% higher than their proportion in the general population.

Another major goal of investing in early education is reducing disparities. It is worth investing in early education for at-risk children if they become useful members of society as adults. The current system, however, does not reduce disparities. The care centers are not accessible to the vulnerable: the employment barrier prevents women from the lower percentiles from getting subsidized and the accessibility barrier leads to less care centers in vulnerable towns. After controlling for children from Haredi and Arab sectors, the data show that only 2% of children living in Cluster 1 towns benefit from subsidized day care, as opposed to 31% from Cluster 9.

Subsidized centers are further incapable of reducing disparities due to their low quality. In fact, the long hours spent in low quality care are deleterious to both at-risk and normative children. There is serious concern that the government subsidizes day care centers that pose a risk to children, in which case it cannot be said to be acting in their educational interest.

Comparative review shows that free early age education is actually harmful for children, due to the following dynamic: free education increases the supply of eligible parents and day-care hours, leading to a higher demand for longer hours which produces more manpower for more hours, causing the quality of the centers to deteriorate. More children spend more hours in low-quality day-care centers – and are thereby harmed.

#### **Recommendations:**

There are three possible – and rival - goals for the policy of subsidizing early age education, and each requires a different subsidy model; therefore, the state must first decide which goal it seeks to promote.

If the goal is **boosting employment**, the state should **subsidize Arab mothers** by policy steps geared towards dismantling cultural and higher education barriers. Data on day care centers in the Arab population show that subsidizing early education does not affect employment.

If the goal is **cost of living**, the **voucher system** is best geared to be effective. Parents will receive proportionate government assistance according to their income for the number of desired hours (capped at thirty to prevent harm). By doubling the cost of a day care center hour from 10 to 20 NIS and lowering the eligibility threshold to 12 weekly work hours for both parents (thus also creating incentives for employment), the centers are predicted to rise in quality as government investment grows and the hours diminish. Accessibility will double since parents will be subsidized in the private market as well. The main beneficiaries of such a model would be middle-class families with two working parents.

If the goal is **the good of the child**, the current model is diametrically opposed to it. Israel must implement the **immediate cessation of the current subsidy model** and move to one that **subsidizes only at-risk babies and toddlers**. They are the population set to gain from subsidized, high-quality early education and the investment in whom has long term benefit.

[Full Paper in Hebrew](#)

