



State of Israel

Office of the State Comptroller and Ombudsman

The 71B Annual Audit Report



Jerusalem | March 2021



Foreword

The 71B Annual Audit Report is the second part of the State Comptroller's annual report. This part deals with a variety of topics and includes, inter alia, several audits regarding the preparedness of the Israeli authorities to the challenges of the changing labor market, focusing on aspects relating to human capital of the current and future workers.

The importance of the state audit is particularly evident at this time, in light of the COVID-19 pandemic, which had significant effects on population's needs in many fields. I wish we all return to routine life soon.

Extensive and rapid changes occur in the labor market around the world and these changes are reflected in new combinations between technologies from different fields - physical, biological and digital. The scope of these changes, as well as the speed of their occurrence and their impact is unprecedented, affecting also the Israeli labor market. The unique aspects of the labor market in Israel emphasize the need to adapt the skills provided to students by the education system – the future workers – as well as the skills of current workers, to those changes.

The audit regarding The Preparedness for a Changing Labor Market was conducted as part of an international audit in cooperation with the State Comptrollers of the European Union and several countries – Finland, South



Korea, Italy, Bulgaria, and North Macedonia. The following is a brief review of the findings.

The audit regarding **The Preparedness of the Ministry of Education for the Changing Labor Market** indicated that the Ministry prepared policy documents on the matter of the required skills, and had started to implement it in its units. However, the audit found deficiencies in the plan and the policy, in the implementation of the skills in the curricula, in assessment and measurement methods, and in the level of pedagogical flexibility given to schools. These made it difficult for schools to provide students with the required skills for the 21st century.

The section on **The Learning Environment in Lower Secondary Schools as the Infrastructure for Imparting the Skills of the 21st Century** indicates that at the eve of the Covid-19 pandemic crisis in 2020, the physical, technological and ICT environment of schools (especially high schools) in general and of high schools in particular did not provide optimal conditions required to effective imparting of the 21st century's skills in general, and technological and digital literacy in particular. The availability of ICT learning means to students and teachers was poor, and the changes performed to the physical environment of high schools were not sufficient to support optimal innovative learning.

To prepare its graduates for future success, the education system must impart to its students, in addition to values and knowledge in various subjects, the skills they will need as adults in their social, personal, and professional lives in the 21st century. It is recommended that the Ministry of Education formulate a comprehensive policy and a designated strategic program for the implementation of these skills among students in the education system. The strategic program should be the foundation to fruitful collaboration between all relevant Ministry units and should deal with, Inter alia, the following aspects:



inclusion of the skills in the curricula, assessments and measurements and examination of means to expand the pedagogical flexibility of high schools.

In regard to the physical and technological environment, the procurement program the Ministry of Education formulated during the COVID-19 pandemic in order to narrow ICT gaps in schools and promote digital infrastructure for remote learning is noteworthy. It is recommended that the Ministry of Education utilize the budget allocated to it to implement a comprehensive program for remote learning, and that it continues to take actions to improve the physical and technological learning environment. The Ministry should also increase the number of schools that benefit from an innovative and effective learning environment and from various technological tools. It is also recommended that the Ministry encourage schools (primarily high schools) to participate in projects that advance such environments while removing barriers, taking into consideration the gaps in schools of a lower socio-economic level and in ultra-Orthodox and non-Jewish education.

The advanced High-Tech industry in Israel stands out in international comparison, and has earned it the status of a 'startup' nation. This industry is the principal growth engine of the Israeli economy, contributing 12% to the state's gross domestic product (GDP). The section regarding the **State Actions to Increase the Number of Employees in the High-Tech Industry** shows that, in 2019, there were 18,500 vacancies in the high-tech industry, and that the industry needs excelling university graduates with professional experience in the hardware and software fields. To ensure that Israel continues to be a 'startup nation', government authorities (The Council for Higher Education; the Ministry of Finance; the Ministry of Education; the Ministry of Labor, Social Affairs and Social Services; and the Ministry of Defense) should work to remove the barriers that prevent attaining this objective. It is necessary to address the existing shortage of skilled personnel in the high-tech industry



and ensure a long-term solution for suitable personnel; a special and crucial emphasis must be placed on fully involving the Ministry of Education in this task. An additional source for broadening the potential high-tech workforce lies in integrating populations that are currently insufficiently represented in the industry, and practically excluded from it - first and foremost - women, but also the Arab and Jewish-ultra-Orthodox populations. A further challenge that emerged from this audit, is addressing the shortage of academic staff and reducing the dropout rate of university students from high-tech subjects - this is essential in order to ensure the next high-tech generation.

The State Comptroller also conducted an audit on the matter of **Adapting Lifelong Learning and Vocational Training for Adults to the Changing Labor Market**. The audit indicated that the number of workers in Israel employed in jobs at high risk of becoming obsolete in the next few years reaches approximately 600,000 (15% of all jobs), whereas 2.1 million employees (54% of jobs) face a medium-level risk. In light of the changing labor market and the concern that many workers will find it difficult to integrate into it, it is recommended that the relevant ministries - primarily the Ministry of Labor, Social Affairs and Social Services; the Ministry of Education; the Ministry of Economy; and the Ministry of Finance - examine the current vocational and professional training array and ways to improve it, including training programs for adults, taking into consideration the need to offer these programs to the most needed populations. The relevant ministries should collaborate with employers in vocational qualification programs according to the audit's recommendations. These actions is significantly important, in light of the economic crisis caused by COVID-19 pandemic, which will most probably require adaptations and professional changes in the economy, especially in the affected sectors. This should be seen as an opportunity to upgrade the skills of many unemployed people enabling them to adapt to the



changing labor market and integrate into the workforce as soon as possible.

Digital literacy is defined as the set of skills, proficiency and knowledge required for functioning well in a digital environment and is recognized as essential in the 21st century. In an era of a unique and rapid technology revolution, digitally literate workers are expected to have a significant advantage in the labor market. The section on **Teaching Digital Literacy to Children and Adults** indicates that in 2015, Israel had the widest digital gap among participating OECD countries in the problem solving in technology-rich environments test¹, taken as part of the PIAAC² skills survey. The digital gap is prevalent among the Arab-Israeli and the ultra-Orthodox populations. As digital literacy is considered essential for optimal integration in the changing labor market, promoting digital literacy has the capacity to prevent the broadening of gaps and to improve labor productivity. For this reason, promoting digital literacy should be set as a goal to be achieved in all learning and training environments. Emphasis should be placed on imparting all kinds of digital skills to children and youth - as tools they will use throughout their lives and as a basis for lifelong learning; as well as enabling adults who do not have a strong grasp of these skills, to acquire them. At the audit completion

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- 1 This refers to the gap in Israel between the scores of the 95th percentile and the 5th percentile on the test. The digital gap is also expressed in the inequality between groups based on accessibility to technology, ability to use it, opinions regarding it and the range of uses of it.
 - 2 PIAAC (the Programme for the International Assessment of Adult Competencies) is a programme of assessment and analysis of adult (ages 16 through 65) skills. The PIAAC Survey of Adult Skills - conducted on behalf of the OECD (Organisation for Economic Co-operation and Development) - measures adults' proficiency in key information-processing skills - literacy, numeracy and problem solving in technology-rich environments - and gathers information and data on how adults use their skills at home, at work and in the wider community. It examines, inter alia, the individual's ability to use digital technology, the level of their technological proficiency and its alignment with labor market needs. The first cycle of the PIAAC survey was conducted in three rounds - in 2001-2012, 2014-2015, and 2017. Israel participated in the second round, between April 2014 and January 2015, and is scheduled to participate in the second cycle of survey that will be conducted in 2022-2023.



date, the COVID-19 pandemic had erupted in Israel and around the world, its impact emphasizing the need of students and teaches for digital literacy that enables remote learning; It is recommended to improve the level of digital literacy among adults, with an emphasis on the unemployed, in order to enable them to integrate into the changing labor market in stable and quality employment.

The employment crisis resulted from the outbreak of the COVID-19 pandemic in March 2020 emphasizes the importance of investing in human capital, in the unemployed, and in future workers (today's children and youth), in order to increase their employment capabilities in a constantly changing reality and to reinforce the high-tech sector. This is particularly necessary for Israel's low-income and unskilled populations, and the audits in this report put special emphasize on these populations. Furthermore, this crisis creates an opportunity for change and investment in imparting the skills in the education system, seeing the future need of today's students to optimally and stably integrate into the changing labor market.

The report includes a section on the **Driving Test Reform** of 2017, which was formulated by the Ministry of Transportation. The reform contributed to reducing the waiting period for driving tests and to improving the effectiveness of the tests. Furthermore, video documentation of the driving test allows better supervision of the test and assist students to appeal against the results. Notwithstanding, the State Comptroller found several deficiencies in the implementation of the reform that led to additional costs. These included mitigations given to concessionaries by the Ministry of Transportation not according to the tender provisions, and changes to the IT system that were not taken into consideration when the system was characterized. Since the implementation of the reform, there has been a decrease in the percentage of



students successfully passing the driving test (38.8% compared to 44.8%); and an increase in the percentage of justified appeals (8.5% compared to 1.7%); the average payment made by the Ministry of Transportation to concessionaires per test was higher than the tests fees charged to the students (a difference of 12.6 million NIS in 2019); and supervisors were overtasked, making it necessary to evaluate the effectiveness of their work. It is recommended that the Ministry of Transportation draw conclusions from the implementation of the driving test reform so that in the future, before publishing a tender, it will conduct a comprehensive strategic work, in order to reduce uncertainty and to present accurate data. It is also recommended that the Ministry conduct a satisfaction survey among students and driving teachers to draw conclusions from the reform and improve its service for the benefit of the public.

Plastic materials used in the production of beverage containers, if not recycled, can remain in nature for hundreds of years and its degradation is slow. As a result, the environmental pollution these containers generate constitutes a global problem whose damages reach billions of dollars a year. The audit on the **Aspects of the Application of the Deposit Law on Beverage Containers** indicated that, in 2008, 28% of household waste in Israel stemmed from the dumping of beverage containers in landfills - 22% from large bottles and 6.5% from small bottles. In 2018, more than 1.8 billion beverage were sold in Israel, out of which 765 million were large ones. According to the Deposit Law on Beverage Containers of 1999, a deposit of 30 agorot must be placed on each beverage container of volume less than 1.5 liters. A manufacturer or importer can decide that the amount of the deposit for a full container will be higher than the amount provided by the law.

The State Comptroller recommends that the Ministry of Environmental Protection (MoEP) continue to promote actions that lead to the preservation of the land and the reduction of environmental pollution, as is customary



in OECD countries. It is also recommended that the MoEP examine the amendment of the targets, so that the target of collection of plastic beverage bottles sold every year reaches 77% by the year 2025, and 90% by the year 2029. Furthermore, the MoEP should regulate the issues under its responsibility to ensure that the Israeli economy is able to make the adaptations required to apply the Deposit Law on Large Beverage Containers on the determining date, December 1, 2021.

Netivei Israel, the National Transport Infrastructure Company, Ltd., is the government company engaged in the planning and executing significant national projects in transportation, economic and social aspects. As a government company, Netevei Israel manages hundreds of projects simultaneously for which it employs hundreds of vendors. This requires the company to be efficient, transparent, and cost-conscious. The audit on **Netivei Israel – Engagements with Vendors and Employee Recruitment** found deficiencies in the company's engagements with various vendors, in the evaluation of vendors, and in the management of its pool of legal advisors. The audit also found deficiencies in the recruitment process of senior employees, most of whom were recruited after the crisis in 2015, when Netevei Israel operated without a proper management structure. In light of the deficiencies found, the company's management and the Companies Authority should ensure that engagements with vendors and recruitment of personnel at all levels are held in accordance to the Company's procedures and guidelines, in full transparency, while maintaining equality and good governance principles.

The sections in this report deals with many issues that have a significant effect on various aspects of our lives. I wish to thank the employees of the State Comptroller's Office for their professional, thorough and objective work, especially in light of the challenges, during the COVID-19 pandemic.



The audited bodies must act quickly and efficiently to rectify the deficiencies that have not yet been rectified, as required by law. The Office of the State Comptroller will continue to monitor and ensure the rectification of the deficiencies.

A handwritten signature in blue ink, appearing to read 'Matanyahu Englman'.

Matanyahu Englman

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and Ombudsman

Jerusalem, March 2021