

# Who Provides Welfare and Education Services? Local Spending on Welfare and Education in Israel

**John Gal and Adi Tarabeih**

## Taub Center for Social Policy Studies in Israel

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## Introduction

Local authorities are the prime providers of welfare and education services in Israel. To this end, they develop and operate the welfare and education infrastructures in their jurisdictions and employ some of their staff. This role came into the spotlight with the outbreak of the war following the massacre of October 7, and with the internal displacement of a large number of residents from the Gaza border area and the Upper Galilee area for a period of time of as yet unknown duration. As a result, the welfare and education role of the local authorities grew disproportionately overnight. This was the case both for those localities that absorbed the displaced families and which are currently required to meet their education and welfare needs as well as the increased needs of their own local residents, and for the local authorities of origin, in which the local residents experienced severe trauma and violence and are dealing with the direct and indirect results of Hamas' murderous rampage as well as the war. This is a long and complex task that is expected to continue well after the fighting has ceased.

A large proportion of the local authorities' budgets and their independent revenue is devoted to education and welfare services. Alongside the local authorities, central government also funds part of the welfare and education services, directly employs a large proportion of their staff (particularly in education), sets policy and is responsible for their regulation. The current war, with its economic repercussions, has placed the issue of the funding of these services and their division between central and local authorities on the public agenda. This paper provides a firm basis for a discussion of the operation of education and welfare services and the funding of these systems on the local level in the coming years.

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This report focuses on the budgeting of education and welfare services in local authorities in Israel, while distinguishing between funding provided by the central government (via the Ministry of Welfare and Social Affairs and the Ministry of Education) and that provided by the local authorities. In preparation for the Taub Center conference, which will focus on the relations between the local authorities and the central government, we provide an up-to-date picture (for 2021) of the budgeting of services that affect the lives of almost every resident of the local authorities. In particular, we examine the trends in the budgeting of welfare and education systems in local authorities and in the budgeting relationship between local authorities and central government. We also highlight the differences between local authorities according to their socioeconomic ranking and the main population group they serve. Finally, we look at the implications of the aforementioned on the level of welfare and education services delivered to residents.

The research highlights the heavy burden imposed on local authorities in Israel to finance welfare and education services and the fact that many of them allocate more resources to their welfare and education services than required by the arrangement with the central government. At the same time, the research findings underscore the disparities across local authorities and the difficulties faced by those local authorities whose needs outstrip their resources, particularly in the Arab community. Inequality in the budgeting of education and welfare systems — whether it is due to government policy or to disparities in the resources allocated by the various local authorities to welfare and education — has far-reaching implications. This is particularly true for welfare service users and for students in those local authorities with the fewest resources, who usually face the greatest social challenges.

The study is based on data from the Central Bureau of Statistics (CBS) and the Ministry of Welfare and Social Affairs for 242 local authorities in Israel.<sup>1</sup>

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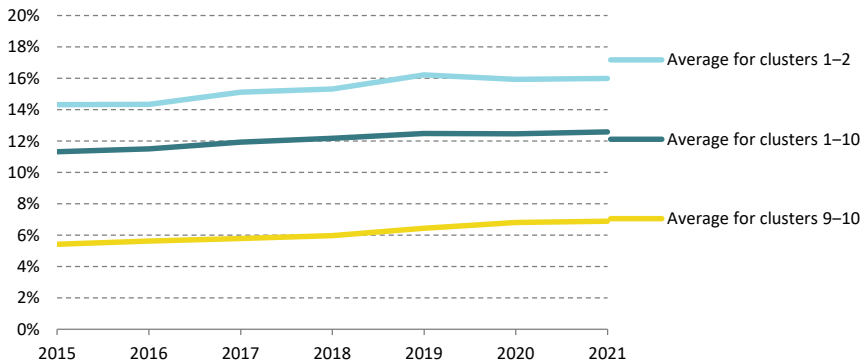
1 Current data on expenditures on education and welfare on the local authority level during the ongoing war are not available. This study is based on complete data from 2021. The analysis includes only 242 local authorities (out of 257) due to the lack of full data on a number of local authorities. In addition, the data relate to the regular budget (without extraordinary budgets). In the section on the division of financing between the local authorities and the central government, the data relate only to funding from the Ministry of Welfare and Social Affairs and the Ministry of Education.

### Welfare and education in Israel's local authorities

Expenditure on welfare and education accounts for a significant share of local authority budgets in Israel. In 2021, local authorities devoted a total of NIS 36.4 billion to welfare and education. About NIS 11.5 billion of that was funded directly by the local authorities from their independent revenues. On average, the local authorities devoted 49.6% of their total budgets to these two service areas. As can be seen from Figure 1, a long-term analysis (2015–2021) shows a small increase in the share of the local authorities' budgets devoted to welfare (from 11.5% to 12.6%), with a similar trend in education, though with greater volatility (from 35.1% in 2015 to 37% in 2021; Figure 2).

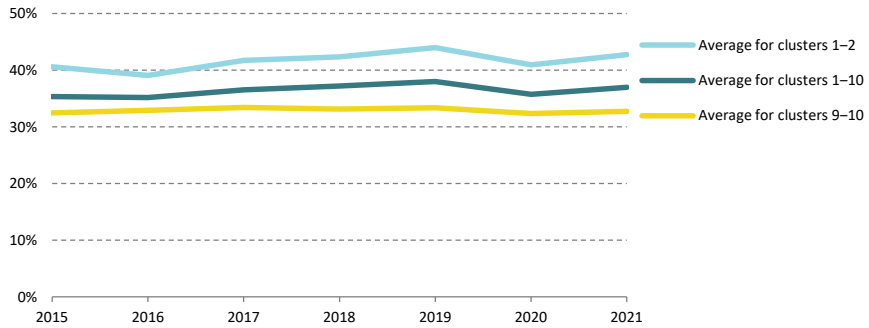
Expenditure on welfare and education is not uniform across local authorities. In weaker local authorities it constitutes a much larger share of the budget than in stronger local authorities. Although the proportion of local authority budgets allocated to welfare and education has risen since 2015, the increase in local authorities with the lowest socioeconomic rankings (1 and 2) was much steeper than in local authorities with the highest rankings (9 and 10).

**Figure 1. Expenditure rate on welfare out of total local authority expenditures**



Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

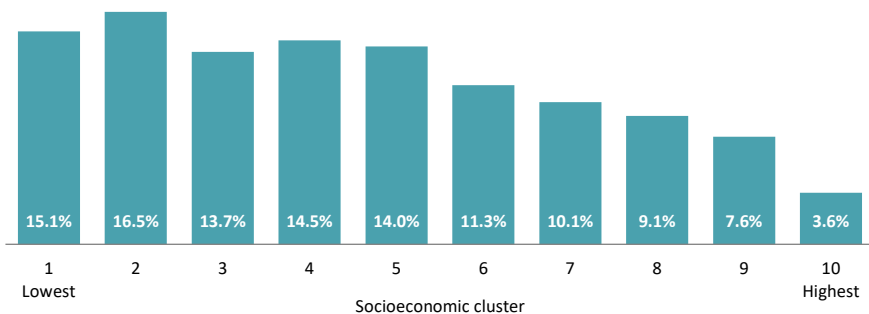
**Figure 2. Expenditure rate on education out of total local authority expenditures**



Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

Figure 3 further enhances the picture in the field of welfare. It shows that the lower the socioeconomic ranking of a local authority, or in other words the worse its social problems are and the fewer resources it has, the larger is its share of expenditure on welfare within its budget. Thus, the weakest local authorities (ranking of 1) spend 15.1% and even 16.5% (ranking of 2) of their total budget on welfare alone, while the strongest local authorities spend only 3.6%–7.6%.

**Figure 3. Expenditure rate on welfare out of total local authority expenditure, by socioeconomic cluster, 2021**



Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

A corresponding examination of spending on education (Figure 4) reveals a similar pattern. The share of expenditure within the total budget of the lowest ranking local authorities is much larger than that for the strongest local authorities. In the weakest local authorities (ranking 1), almost one half of their budget is devoted to education while in the strongest local authorities (rankings 9–10), the proportion ranges from 18.7% to 35.9%. This disparity reflects not only the social reality but also demography, or, in other words, the proportion of children in the local population and the need to provide them with educational services.

**Figure 4. Expenditure rate on education out of total local authority expenditure, by socioeconomic cluster, 2021**



Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

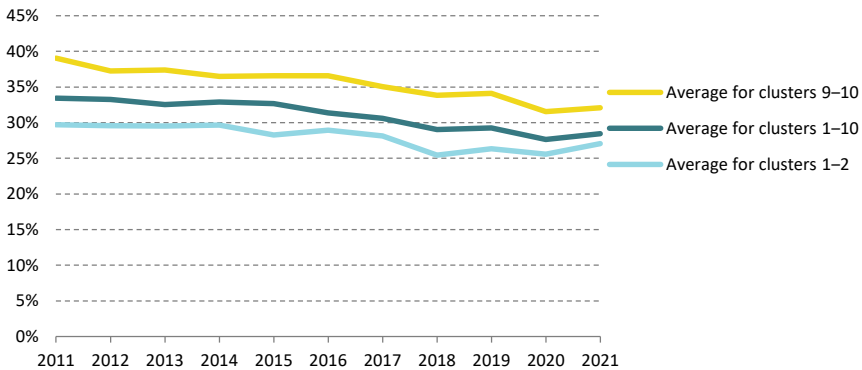
### Local authority financing of welfare and education services

Welfare and education services in Israeli local authorities are funded in part by central government and in part by the local authorities themselves. In the case of welfare services, the government determines, on the basis of various criteria, the size of the budget for each local authority and conditions the budget on the participation of the local authorities according to a matching formula (Avgar, 2017). The rate of participation required of the local authorities is usually 25% (Gal et al., 2017). The local authorities can, of course, increase their social welfare budgets from their own revenues and they do so to varying degrees.

In the area of education, the division of funding between the government and the local authorities varies with the type of local authority, the type of activity, and the type of function. In contrast to social welfare, most State participation in the funding of education is not conditional on the participation of the local authority (Dahan, 2021). As in the case of welfare expenditure, local authorities can increase their expenditure on education according to their own priorities and budget constraints.

The following graphs depict the participation of local authorities in the welfare and education budgets. As can be seen in Figure 5, the average participation of a local authority in funding social welfare was 28.5% of total expenditure in 2021, as compared to 33.4% a decade earlier. There is a similar trend observed in education: the average rate of participation by local authorities in education fell from 35.5% in 2011 to 29.1% in 2021 (Figure 6).

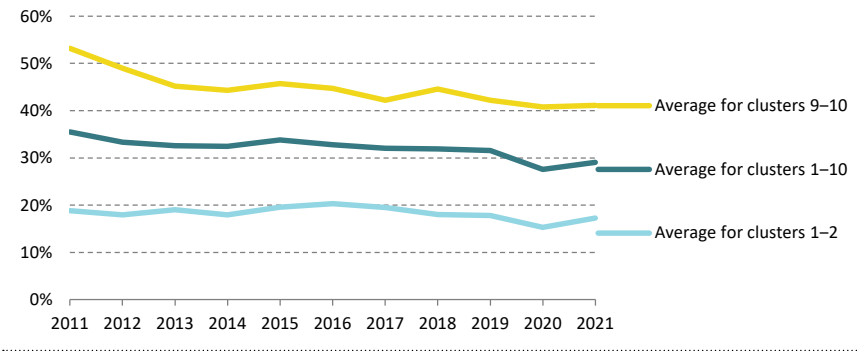
**Figure 5. The rate of expenditure from local authority independent revenue sources on welfare out of all local authority expenditures**



Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS



**Figure 6. The rate of expenditure from local authority independent revenue sources on education out of all local authority expenditures**



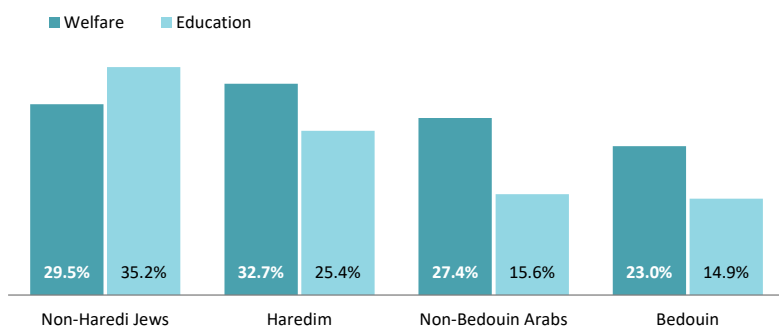
Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

Figure 5 and 6 also show the large variation in the participation levels of the local authorities in expenditure on welfare and education by socioeconomic ranking. In both local authorities with a low socioeconomic ranking — which suffer from the greatest social distress and whose resources are the most limited — and local authorities with a high socioeconomic ranking, the average level of funding of welfare services is higher than that required by the matching system (i.e., 25%). However, while among the weak local authorities the rate of participation at the end of the period was higher than required by only a few percentage points (2.1 percentage points), in local authorities with the most available resources (ranking 9–10) it was much higher than the requirement (by 7.1 percentage points). In addition, it emerges that there was a drop in the average rate of participation in the funding of welfare services in all of the local authorities; however, there was a larger decline in the strong local authorities — from 39% in 2011 to 32.1% in 2021, in contrast to a decline from 29.7% to 27.1% in the weak local authorities.

The variation in the participation rates of local authorities in funding education is even greater. While in local authorities with a low socioeconomic ranking (ranking 1–2), the average rate of participation in the education budget is fairly stable over the years (ranging from 18.8% in 2011 to 17.3% in 2021), the proportion among the strongest local authorities (ranking 9–10) was much higher — ranging from 53.2% at the beginning of the period to 41.1% at the end.

Figure 7 presents the average participation in expenditure on education and welfare in local authorities according to their main population group. As can be seen from the figure, in Jewish local authorities (not including Haredi local authorities) the funding of education is particularly high — more than one-third (35.2%) of total expenditure. In Arab local authorities, and in particular the Bedouin community, the rate of participation is much lower — 15.6% and 14.9%, respectively. In social welfare, there is a similar pattern: the participation in expenditure on social welfare accounts for a larger share of budgets in Jewish and Haredi local authorities (29.5% and 32.7%, respectively) relative to Arab and Bedouin local authorities (27.4% and 23.0%, respectively).

**Figure 7. The rate of expenditure from local authority independent revenue sources on welfare and education out of all local authority expenditures on each area, by population group, 2021**



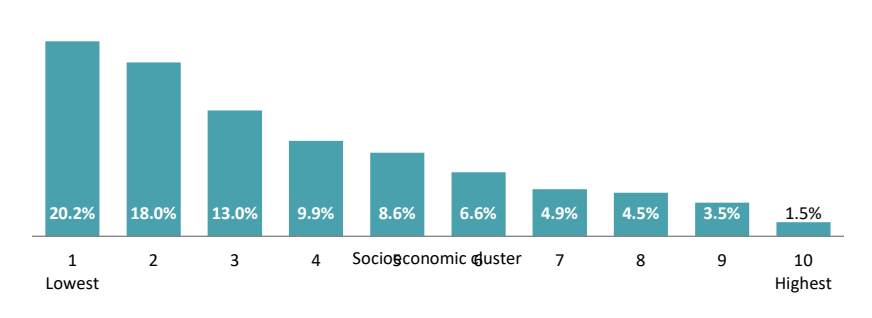
Note: According to the main population group in the local authority.

Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

Another way to look at the participation of the local authorities in the budget for social services is the share of expenditure on welfare as a proportion of a local authority's total independent revenues. An examination according to socioeconomic ranking (Figure 8) shows a clear and unambiguous pattern: weak local authorities (rankings 1–4) bear a larger burden of financing, ranging from 9.9% to 20.2% of their independent revenues, as compared to only 1.5%–4.9% among the strong local authorities (rankings 7–10). This trend is also reflected when we look at differences between population groups (Figure 9).

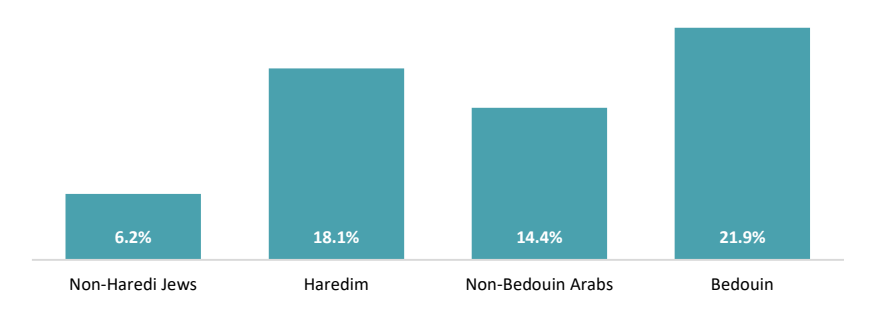
Thus, in Jewish local authorities (not including the Haredi local authorities), the share of independent revenue devoted to welfare is the smallest (6.2%) while in the Bedouin local authorities it is the largest (almost one-quarter — 21.9%). In between are Haredi local authorities, with a relatively large share of expenditure — 18.1% of total independent revenue, and Arab local authorities (not including the Bedouin local authorities) with only 14.4%.

**Figure 8. The rate of expenditure from local authority independent revenue sources on welfare out of all local authority expenditures, by socioeconomic cluster, 2021**



Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

**Figure 9. The rate of expenditure from local authority independent revenue sources on welfare out of all local authority expenditures, by population group, 2021**



Note: According to the main population group in the local authority.

Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

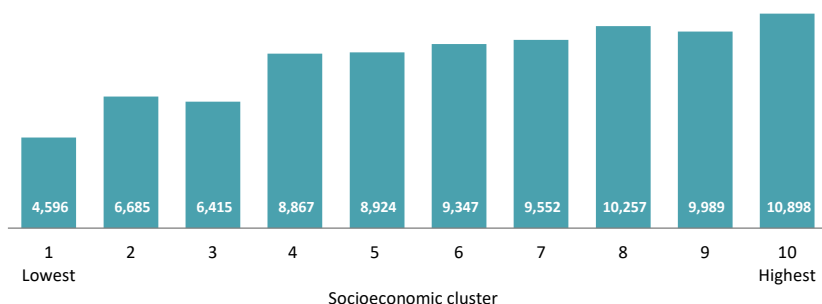
## Expenditure devoted to the target populations of welfare services

In order to further understand the variation in the expenditure on welfare services across the local authorities, we examined the average annual expenditure devoted by the social services departments to individual and family service users.<sup>2</sup>

As can be seen from Figure 10, there are large disparities between local authorities in the level of annual expenditure on welfare services provided to their service users. In local authorities with the lowest socioeconomic rankings (1 and 2), the average annual spending per service user ranges from NIS 4,596 to NIS 6,685 per year, while in local authorities with the highest rankings (9 and 10), it ranges from NIS 9,989 to NIS 10,898. In other words, investment in a welfare service user in a strong local authority is twice that in a weak one.

**Figure 10. Annual average expenditure on welfare services per service user, by socioeconomic cluster, 2021**

NIS

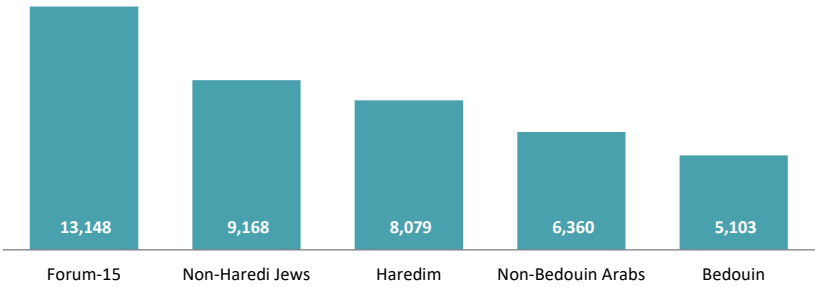


Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

2 The term service user refers to someone who is registered as receiving service in the social services department, as well as other family members. This is based on the fact that providing service to an individual often means providing it to other family members as well.

Figure 11 describes the disparities between local authorities with respect to the average annual expenditure on a welfare service user according to population group. In order to emphasize the differences, we added the corresponding figure for the Forum-15, an organization that brings together the financially strongest cities in Israel which do not receive equalization grants or government development grants and rely solely on their own revenue.<sup>3</sup> The findings show that the average annual expenditure on a service user in the strong local authorities — the cities in the Forum-15 — is almost three times larger than that in Bedouin local authorities and double that in the Arab local authorities: over NIS 13,000 annually vs NIS 5,103 and NIS 6,360, respectively.

**Figure 11. Annual average expenditure on welfare services per service user, by population group, 2021**  
NIS



Note: According to the main population group in the local authority.

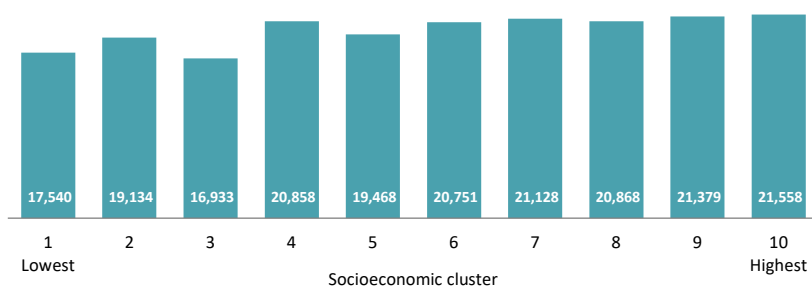
Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

3 The Forum-15, which is also known as the Independent Cities Forum, was established in 1999. The forum currently includes 17 of the strongest cities in Israel: Ashdod, Ashkelon, Be'er Sheva, Giv'atayim, Herzliya, Hadera, Holon, Haifa, Kfar Saba, Netanya, Petah Tikvah, Rishon LeTsiyon, Rehovot, Ramat Gan, Ramat Hasharon, Ra'anana, and Tel Aviv-Yafo.

Finally, we looked at the annual expenditure on a family unit that is under the care of the local authority's welfare department, by socioeconomic ranking (Figure 12).<sup>4</sup> Here again disparities emerge between the higher and lower rankings, although they are smaller in this case. Thus, local authorities with a ranking of 1 (the lowest) invest an average of NIS 17,540 per year in a family while local authorities with a ranking of 10 invest NIS 21,558.

**Figure 12. Average annual expenditure on welfare services per service user family, by socioeconomic cluster, 2021**

NIS



Source: John Gal and Adi Tarabeih, Taub Center | Data: CBS

## Conclusion

In this study, we examined investment by local authorities in Israel in two services that are essential for most of the residents of Israel, namely education and welfare. In these domains, the local authorities are not just a conduit for transferring resources from the central government to the citizen, but also have an important role in the provision of those services and their funding. It is clear that the events of October 7, 2023 and the ensuing war have substantially increased the needs for education and welfare services that local authorities must provide.

4 The term service user family refers to families — whatever their size — who are registered with the social services department.

The study compared local authorities with different socioeconomic rankings and population groups. The findings show that, in general, the budget devoted by local authorities to education and social welfare account for about half of their total budgets (49.6% on average). However, while the strong local authorities (rankings 9 and 10) spend on average about one-third of their total budgets on these areas, the weak local authorities (rankings 1 and 2) spend on average about 60%. Significant differences were found in an examination of the share devoted to welfare as a percentage of the local authority's independent revenue. Thus, local authorities with a ranking of 1–4 spend 10%–20% of their independent revenue on funding welfare services for their residents, while local authorities with rankings of 7–10 spend only 1%–5%. In a breakdown by population group, local authorities that serve a Bedouin population devote 22% of their independent revenues to financing welfare services, while local authorities with a primarily non-Haredi Jewish population devote only 6.2%. Finally, an examination of a local authority's investment in the target population of its social welfare department showed that a strong local authority invests twice as much on average per individual service user per year relative to a weak one.

The disparities across local authorities that serve populations with different socioeconomic rankings — with respect to both the burden imposed on them and the size of the budget available to them — are evidence of the limitations implicit in existing budgeting methods and the inequality between residents of local authorities with different socioeconomic statuses and between the various populations groups they serve. These findings require a reexamination of the mechanism for the budgeting of welfare and education services in the local authorities, the method for allocating resources among the local authorities, and the separation of responsibility in these domains.

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