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# Innovative higher education learning outcomes and financing trends in Israel

Gury Zilkha

Zilkha Consultancy Ltd, Israel

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## ABSTRACT

Many changes in Israeli higher education have occurred during the last two decades as the country evolved from having less than 20 higher education institutions to having more than 65 institutions. The number of students has risen from about 100,000 to more than 250,000. From a semi-monolithic system that consisted mainly of research universities, the Israeli higher education system developed into a two-tier system. In spite of these dramatic changes, still more than half of the relevant age group cannot pass the academic requirements for admission to higher education. A vibrant academic system should cope with social and economic changes alongside academic issues. This paper analyses the current higher education system in Israel and its historical background. It analyses the main factors that brought structural changes in recent years and outlines the weaknesses of the current system. Finally, it contextualizes the existing educational funding formula and focuses on various socioeconomic indicators that may be combined into a new funding model.

## 1. Introduction

The higher education system in Israel is a unique phenomenon. It originated a century ago within a small population of around 200,000 inhabitants who had achieved their independence just 67 years prior. Since then, it has grown into a system that has more than 65 higher education institutions with almost 300,000 students, 8 research universities, and 6 Nobel Prize laureates. Higher education in Israel evolved gradually, without any central planning, up to the late 1950s. The few higher education institutions that were established consisted mainly of private initiatives. The Hebrew University in Jerusalem and the Technion in Haifa were established in the 1920s, and the Weizman Institute and Bar Ilan University were joined in the 1950s by Haifa University and Tel Aviv University as extensions of the Hebrew University. Notably, most research universities in Israel were created by individuals rather than by governments.

Alongside this development, the sources of income of those institutions were mainly non-governmental. In the 1960s the government started, in a sporadic manner, to fund universities. At that time, two more universities were established: Ben-Gurion University and the Open University. At the beginning of the next decade, the 1970s, funding higher education was officially conducted by the Ministry of Education and Culture, but in practical terms, the Ministry of Finance was in charge of budgeting and financing higher education.

The budget process was mainly incremental. There were few universities, and budget negotiations for each university were con-

ducted on an individual basis. Most university presidents had direct access to government officials and to cabinet ministers, particularly to the Minister of Finance. In 1975 the allocation mechanism was delivered to a new body, the Planning and Budgeting Committee (PBC), which was established as a subcommittee of the Council for Higher Education. But it was not until 1977 that the funding powers were given to the PBC. During the 1970s and 1980s the system gradually developed, but mainly concentrated on the existing universities.

Since the beginning of the 1990s, with the influx of immigrants from the former Soviet Union and growing demand for higher learning, the system grew rapidly, due to the establishment of new academic colleges that were focused mainly on teaching undergraduate students. Since then, the PBC has conducted a series of multiyear agreements with the Ministry of Finance indicating long-term goals and academic outputs in teaching and research. These agreements mainly focus on increasing student enrollments, graduates, and investment in competitive research.

As demonstrated in Fig. 1, the number of undergraduate students began to grow rapidly in the 1990s. The year 2005 was the breaking point where the number of students in colleges exceeded those at universities. Among the academic colleges, there are many private institutions that are not publicly funded. Those institutions grew rapidly due to massive demand for acquiring degrees in law and business studies. The shift from research universities to colleges gave universities the opportunity to invest more in graduate education, as

E-mail address: [guryz@bezeqint.net](mailto:guryz@bezeqint.net).

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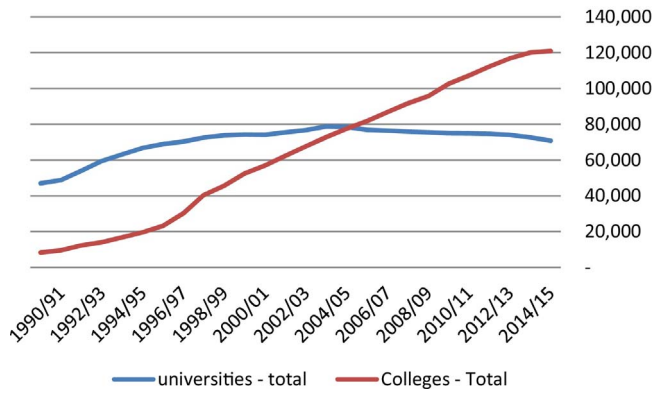


Fig. 1. Number of Undergraduate Students at Universities and Colleges. Source: By the author, with data from the Central Bureau of Statistics (CBS).

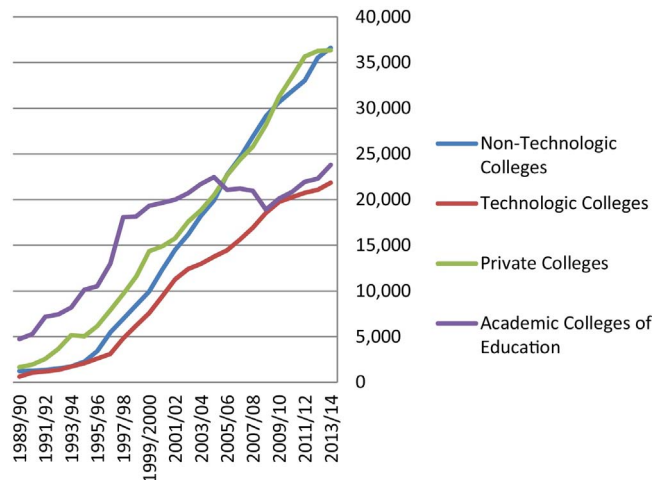


Fig. 2. Number of Undergraduate Students at Academic Colleges. Source: By the author, with data from the CBS.

will be presented in Fig. 2.

Private initiatives brought tremendous growth to the number of undergraduate students. This growth was channeled toward degrees in law studies and business administration. Those subjects were considered general education and were highly demanded. Public colleges also demonstrated huge growth. Within 20 years the number of students grew from a few thousand to 90 thousand students (Fig. 2).

Although the majority of graduate students are still enrolled at universities, there is a steady growth of graduate students at public and private colleges, many of them studying for an MBA degree. The majority of MBA studies take place at private institutions (Fig. 3).

This paper will describe and analyze the development of Israeli higher education, its structure, its financing methods regarding the system strength and weaknesses and its social role.

The paper will analyze the current funding mechanism and will suggest a revised method for funding that applied to socio-economic factors.

## 2. System and structure

The higher education system in Israel has 63 institutions (Fig. 4), of which 9 are universities (including one Open University) and 54 are colleges. 22 of these colleges are teacher training institutions, 20 are public institutions, and 12 are private (Fig. 4). The Council for Higher Education is responsible for accreditation as well as for quality assurance. The PBC is responsible for long-term planning, strategic planning, and fund allocations for teaching and research.

Since the 1990s, the trend of growth in student enrollments has

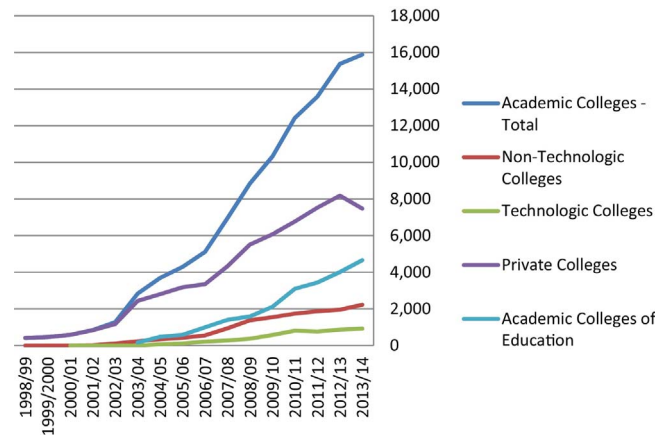


Fig. 3. Number of Graduate Students at Academic Colleges. Source: By the author, with data from the CBS.

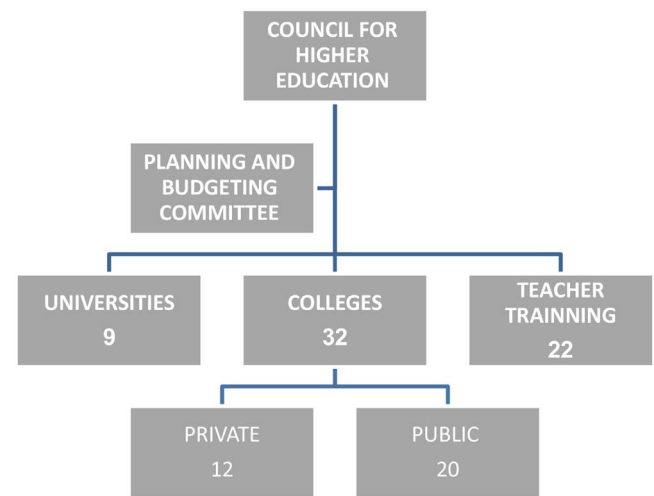


Fig. 4. Israel System of Higher Education. Source: By the author.

shifted from the traditional universities to the newly born academic colleges. Those colleges have developed gradually over the last 20 years, and in 2014, they accommodated more than half of undergraduate students. Despite such growth, they receive less than 20% of government funding for teaching. This is due to the funding formula of the PBC, which calculates student enrollments according to discipline. The universities, through the funding formula, get more than 70% of PBC budgets, due to outputs in teaching and research.

Unlike undergraduate student enrollments, most of the growth in graduate student enrollments was at the university level. Graduate degree student enrollments more than doubled during the last 20 years, while the age group cohort grew by only 35%.

### 2.1. Israeli higher education budgets and finance

The central funding for universities and academic colleges is done through the PBC. In addition, the Ministry of Education is responsible for the teacher training sector. Various ministries and private initiatives fund other non-academic tertiary education institutions. PBC funding for higher education institutions consists of four elements:

- Direct funding for teaching,
- Direct funding for research,
- Earmarked allocations, and
- Judgmental adjustments.

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