



Economic Policy Principles for Lockdown Emergence

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This is a short summary, for the full paper (in Hebrew) see
<https://www.idc.ac.il/he/research/aiep/pages/policy-papers.aspx>.

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Israel's current efforts to curb the COVID-19 pandemic are based on a policy of **"full distancing"**, since short-term health considerations are prioritized over all other considerations, even though it is impossible to predict how long this lockdown policy should be maintained, and despite the severe economic and social damages involved. Thus, there is a pressing need for a policy based on a cost-benefit analysis, taking into consideration social and economic aspects for both the short and the long terms. **Such a policy of "smart distancing" would aim primarily to reopen the economy in order to minimize the damage to the GDP, while managing the health risks involved.**

This policy will strike a finer balance between the various factors which need to be considered during a crisis and will provide the economy with the breathing space required to contain the pandemic, without causing irreversible damages. It combines **obtaining maximum medical information on individuals with a use of monitoring and selective lockdowns to prevent contagion**, and is based on the following principles:

1. providing transparent information to the general public.
2. Fully disclosed information regarding health situation of individuals.
3. differentiated lockdowns exempting low-risk regions, age groups and industries, given high-quality information on the extent of contagion.

Assuming several conditions are satisfied – further containment of the disease and flattening of the curve on a broad regional level; sufficient provision of equipment and medical teams; up-to-date intelligence regarding morbidity rates; and a capability for rapid, reliable monitoring on the individual level – then immediately after Passover and for the remainder of the year, steps should be taken to reopen the economy and to implement economic support measures, particularly in the employment market.

Every economic policy should include quantifiable, measurable objectives. **Employment objectives should be defined for employees and for the self-employed.** These objectives should specify on a monthly basis the numbers of workers to be returned to employment, sectioned by industry, region and age. Priority should be given to essential sectors, to industries with high product per worker, and to those offering plentiful employment.

Lockdown lifting measures should include **diagnostic procedures and physical distancing measures that will enable as many workers as possible to return to the workplace**, such as testing and ongoing monitoring in the workplace, laboratory tests, cellular tracking, and protective measures for workers. Implementation of regulations should be enforced and

directed using technological aids. A strategic plan for allocation of testing resources should be devised from a comprehensive national perspective, incorporating considerations of indispensability to the economy. And finally, the population should be differentiated so that groups characterized by higher risk, as well as lower economic contribution and productivity, will be subject to stricter distancing measures excusing them from physical presence at the workplace.

Support measures for the national economy should include **insolvency relief measures** for badly hit businesses, and mitigation of the blow to the purchasing power of workers who have lost their jobs. Also, steps should be taken to **encourage employment and foster growth**: a significant reduction of the bureaucratic burden on business activity; an increase in the budget of the Israel Innovation Authority; expansion of the job training apparatus on the basis of the 2030 Committee, to support all unemployed individuals as well as new entrants to the job market; and a drive to accelerate as much as possible the commencement of large-scale projects which produce growth-enhancing infrastructures.

In order to enable the economy to function better in the face of COVID-19, steps should be taken in the employment market to **expand volume of labor** by offering more options for remote work in the public and private sectors, and to enable **faster mobility of employees** by modifying the furlough model and increasing its flexibility. In addition, a clear policy should be presented concerning the rights of each individual furloughed or unemployed due to the crisis, which will provide incentives to employees and employers alike for a return to work. Lateral mechanisms for reduction of labor costs should be put in place and should be directly related to the number of workers the business employs.