Bank of Israel **Research Department**

Compensation to Israeli Holocaust Survivors and the Human Capital of Their Children

Shay Tsur[1]

Discussion Paper 2022.05
January 2022

Bank of Israel - http://www.boi.org.il

[1] Research Department, Bank of Israel - E-mail: tsurshay@gmail.com This Study is related to my PhD Thesis from Tel Aviv University. I would like to thank my PhD advisor Moshe Hazan, Analia Schlosser, Avraham Ebenstein and participants in the Bank of Israel's and Tel Aviv University PhD workshop's seminars for helpful comments and suggestions to this and related studies. The research was implemented in the Research Room of the Central Bureau of Statistics (CBS). I wish to thank Hadas Yafe and David Gordon from CBS for constructing the database and for providing technical support, Dana Haftzadi from the Holocaust Survivors Rights Authority in Israel for providing information and data on the compensation paid to survivors by the Israeli government, and Meir Dubitski for editing the paper.

חטיבת המחקר, בנק ישראל ת"ד 780 ירושלים 91007
Research Department, Bank of Israel. POB 780, 91007 Jerusalem, Israel

השפעת הפיצויים האישיים לניצולי שואה
על ההון האנושי של הדור השני

שי צור

תקציר

חלק מניצולי השואה בישראל החלו לקבל פיצויים מגרמניה ובאמצעות ממשלת ישראל בשנות ה-50 של המאה ה-20, בעוד שאחרים זכאים רק משנות ה-90 של אותה מאה. אני מוצא שלילדים שנולדו להורים שמקבלים את הפיצויים משנות ה-50, יש יותר שנות לימוד בהשוואה לילדים שכבר היו בוגרים בשנות ה-90, כשהוריהם החלו לקבל את הפיצויים. הממצאים בולטים יותר בקרב בנות, עם השפעה ממוצעת של 0.07 עד 0.42 שנות לימוד, תלוי בגובה הפיצוי ברמת משק-הבית, שנע בין 10 עד 60 אחוזים מהשכר הממוצע במשק.

מילות מפתח: משק בית, הון אנושי, פיצויים, ילדים, שואה.

Compensation to Israeli Holocaust Survivors and the Human Capital of Their Children

Shay Tsur

Abstract

Some Holocaust survivors in Israel began receiving compensation in the 1950s, while others became eligible only from the 1990s. I find that children born to parents who receive the compensation from the 1950s have more years of schooling compared to children that were already adults in the 1990s when their parents began receiving compensation. The findings are more prominent among girls, with an average effect of 0.07-0.42 year of schooling, depending on household compensation, which equals 10-60 percent of the average salary.

Keywords: Household, Human Capital, Children, Holocaust.

1 Introduction

Holocaust survivors in Israel have received substantial compensation (also known as "rent") from either Germany or Israel since the 1950s. This topic was subject to extensive public debate in the 1950s over the direct negotiation with Germany. Currently, there is some dispute over whether the payments to the survivors are generous enough, while some groups argue that they have been discriminated against over many years and even today.

This study focuses on one of the most important and curious aspects of the aforementioned debate: the implications of the reparations on the offspring of the survivors. By comparing households whose income increased due to this compensation, but at different timings, I find that compensation paid to parents when their children were young enough leads to an increase in the human capital of the children relative to similar children who were already adults when their parents began to receive the compensation.

An immediate concern regarding identification is the possible effect of parents exposure to the Holocaust in Europe during World War II on the human capital of their children. To address this, I base my identification strategy on some arbitrary rules that allow me to compare between children from households with Holocaust-survivor parents. Specifically, immigrating to Israel before October 1953 was a criterion for receiving compensation from the Israeli government until late in the first decade of the 2000s. Furthermore, health criteria and their stringency have changed over the years. These have differentiated survivors in terms of eligibility, although they all experienced horrific implications of the Nazis' persecutions.

There are three main groups of Holocaust survivors in Israel in terms of the compensation received. The first consisted of survivors who immigrated to Israel from Germany or belonged to the "Germanic language and culture group" who were entitled, for the most part since 1956, to the largest amount of compensation, which includes a monthly payment equal to about 30 percent of the average wage during that period. The second group con-

sists of survivors who immigrated to Israel prior to October 1953 from countries other than Germany and did not manage or did not wish to prove that they belonged to the "Germanic language and culture group". Individuals in this group were, starting from 1957, entitled to a monthly payment equal to about 10 percent of the average wage in the economy. The third group consists of survivors who were not entitled to any compensation until 1996. These individuals were not German, nor did they belong to the Germanic language and culture group. They either arrived in Israel after October 1953 or were not able to overcome the hurdles of the Israeli or German bureaucracies during the 1950s and 1960s.

I find a positive effect of the compensation on the human capital of the children, and it is more prominent among girls. The controlled estimate for girls is highly significant and its size implies that low compensation (received from Israel since the 1950s) to one of the parents is associated with additional 0.07 year of schooling and high compensation (received from Germany from the 1950s) to both parents would be associated with an additional 0.42 year. I also find that high compensation to both parents would be associated with an 8.5 percent increase in the probability for tertiary education of their daughter and with an approximately 13.5 percent increase in her wage.

Due to the link between the countries of origin and the eligibility for the compensation, I perform regressions based on two subsamples of a single country of origin – Poland and Romania. These estimations address the concern that unobserved covariates related to the country of origin bias the estimates. In particular, some Holocaust survivors whose entitlement to compensation was recognized only at a later stage are perceived as second-circle survivors who experienced more moderate injuries in certain countries of origin. The regressions by countries compare recognized Holocaust survivors who immigrated from the same country but happened to arrive to Israel at (slightly, as I show later) different timing, or have not met one or some of the requirements from the 1950s.

I find in these regressions qualitatively similar results, with a larger order of magnitude. Importantly, I find that the estimates are more robust to adding controls than in the

estimations that pool all countries of origin. This suggests that the latter might suffer from imbalances that cause potential inaccuracies in the size of the estimates. The estimations by country strengthen the confidence that a positive effect exists, and provide accurate estimates for the groups whose parents immigrated from Poland and Romania.

The contribution of this study is twofold: first and foremost, it has great importance in the Israeli context. As of 1972 (two years after Germany closed the option to claim), 100,000 survivors received permanent compensation from Germany. Around that period, 25,000 survivors received permanent compensation from Israel, and dozens of thousands more received permanent compensation from Germany or Israel only since the late 1990s. As of the beginning of the 1990s, 7 percent of the households in Israel received compensation. [1]. Many more survivors from the Jewish diaspora received compensation from Germany over the years. The reparations, and the perceived failure of the Israeli government to treat the survivors equally, are the basis of a protracted debate in Israel.

This is the first study that analyzes the effects of the extensive personal compensations to Holocaust survivors based on micro level administrative data[2].

The second contribution is to economic literature that explores the effect of income on the human capital of children. Some studies have explored the effect of conditional payments (Behrman et al. (2005), Attanasio et al. (2011), Baird et al. (2014), Barrera-Osorio et al. (2019)); some have explored the potential of transfers to mitigate poverty (Mayer (1997), Yeung et al. (2002), Milligan and Stabile (2011), Dahl and Lochner (2012), and Akee et al. (2018)); and some have explored the effect of transitory shocks to the household's income on children's outcomes (for example, Duque et al. (2018)). However, only a few studies have managed to explore the effects of a direct, unconditional and permanent increase in the family income on long term outcomes. Heckman and Mosso

[1]The aggregate numbers are based on Teitelbaum (2005).

[2]Studies that have made some progress in that direction are Kreinin (1961) and Landsberger (1969) that explored the effect on consumption and saving patterns, based on "Savings Survey". Teitelbaum (2005) analyzed comprehensively the number of survivors and recipients of compensation based on aggregate administrative data.

(2014) survey related research and find little evidence that untargeted income transfer policies significantly boost child outcomes. My study finds such evidence, as a result of the unique circumstances, and rich administrative data. This setup allows me to identify the long run effect of a permanent increase in family resources on the earnings of the children. The shock that I explore is more similar to shocks to the family's earnings, compared to shocks in the other studies that I mention above, and therefore is closely related to questions about inter-generational persistence of permanent income.

The remainder of the paper is organized as follows: Section 2 presents the historical background of compensation payments to Holocaust survivors in Israel. Section 3 describes the data. Section 4 explains the identification strategy. Section 5 discusses the descriptive statistics and the regressions results, and Section 6 concludes.

2 Reparations and the Personal Compensation of Holocaust survivors

Generally, there are three main groups of Israeli survivors with respect to eligibility for compensation. The first includes survivors who immigrated to Israel from Germany or belonged to the "Germanic language and culture group". The second includes survivors who immigrated to Israel prior to October 1953 from countries other than Germany and did not manage or wish to prove that they belong to the "Germanic language and culture group". Finally, the third group consists of survivors who were not entitled to any compensation until 1996. They arrived in Israel after October 1953, were not from Germany, and did not belong to the Germanic language and culture group. In what follows, I provide a description of how this partition into groups came about.

2.1 The Reparations Agreement

The rise of the Nazis to power in Germany and the subsequent German conquest of Europe in World War II led to the persecution of European Jewry and the mass murder of about 6 million Jews in what became known as the Holocaust. Immediately following the war, in September 1945, the allied powers demanded compensation from Germany. A parallel demand was made toward the end of 1945 to compensate survivors of the Holocaust. Following the establishment of the State of Israel, the Israeli government hoped that the allied powers would also present the demand for compensation of Holocaust survivors. However, it soon became clear that the US, UK, and France had no intention of taking an active role in advancing Israels demands and did not make normalization of diplomatic relations with West Germany conditional on compensation of Jewish Holocaust survivors. As a result, the Israeli government appealed directly to the West German government.[3]

In May 1951, government representatives from Israel met for the first time with West German Chancellor Konrad Adenauer and in March 1952 official negotiations began in parallel between West German representatives and two delegations—one representing the Israeli government and the other representing the "Claims Conference" which was negotiating on behalf of Jews living outside of Israel. The former delegation focused on obtaining collective compensation to finance the absorption of refugees who had survived the Holocaust, while the latter focused on obtaining personal compensation and compensation for damages to the Jewish communities that had been wiped out in Europe.

Prior to the signing of the reparations agreement, which was set to take place on September 10, 1952, the West German government suddenly communicated a demand that in exchange for the reparations the Israeli government would take on the obligation to pay personal compensation to Holocaust survivors who had become Israeli citizens. The Israeli government agreed to this demand without giving it any in-depth thought, due to

[3]The historical review as well as some of the information on eligibility is based on Shinar (1967),Teitelbaum (2008), Bruner and Nachum (2009), Tovy (2015) and Dorner (2008).

concern over the possible failure of the negotiations over collective reparations, which were considered essential for the development of the nascent Israeli economy.[4]

In parallel, the "Claims Conference" signed an agreement with the German government for personal compensation payments to the Holocaust survivors. While this agreement was meant to include only survivors not residing in Israel, some Israeli citizens nonetheless benefited from the agreement. Specifically, this agreement covered survivors who had lived within Germany's 1937 borders and did not live in the countries of the Communist Bloc at the time the agreement was signed. Some of these survivors resided in Israel in 1952 and therefore were entitled to compensation according to the agreement.

2.2 The German Compensation Law

In 1949, a law for the compensation of Holocaust survivors was passed in West Germany. The law applied to Jews of German origin who were victimized during the rise of the Nazis to power. In practice, only a few Jewish claims were approved based on this law. Following the signing of the reparations agreement in September 1952, a process began to improve the situation of Jewish Holocaust survivors according to German law. At the end of September 1953, a year after the reparations agreement was signed, a law was passed in West Germany that provided compensation for Holocaust victims. This law did not constitute a sufficient response either, and many victims discovered that they were not eligible for compensation. Only after the law was amended in 1956 did a large group of Holocaust victims begin receiving compensation from Germany. The compensation law came to be referred to as the "Federal Compensation Law for Victims of National Socialist Oppression" (hereinafter: BEG).

The 1956 amendment expanded the eligibility for individual compensation based on this law and included, in addition to residents of Germany during the Second World War, individuals who could prove they were part of the "Germanic language and culture group".

[4]Over the years, it became clear that the burden the Israeli government had taken upon itself was several times larger than the amount it had received as part of the reparations agreement (Dorner, 2008).

The original purpose of this amendment was to compensate individuals of German ethnic background (mostly non-Jews) who had lived in countries like Poland, Czechoslovakia, Yugoslavia, Hungary and Romania, and were expelled during the war due to their German ethnicity. The way in which the law was formulated, however, made it also applicable to many Jews who belonged to the "Germanic language and culture group" and had lived in those countries. A few of them had immigrated to Israel even before the war and many did so after the war.

Following several extensions, the final date for submitting a request for compensation was set at December 31, 1969. To obtain compensation, the victims had to prove German descent—whether territorial or cultural—and damage to their health (a 25-percent physical or emotional disability) in order to be eligible for the main component of the compensation. The level of compensation increased with the individuals level of disability. According to data of the German Ministry of Finance presented in the Durner Committee report, 65 percent of the amount that was paid to the Israeli survivors was in compensation for health damages; the rest was compensation for the loss of earnings and assets.

2.3 The Israeli Compensation Law

Even though the Israeli government released West Germany from the obligation to pay compensation to many Holocaust survivors who had become Israeli citizens, it was not particularly enthusiastic about compensating those survivors itself. Moreover, the Israeli government's waiver of the right of its citizens to sue the German government for damages was not widely known, and the convoluted formulation of the agreements with the Germans made it difficult for the public to understand their meaning. In practice, the waiver only began to be understood once claims submitted to Germany by survivors who were Israeli citizens were rejected one after another. As the survivors' protests gained momentum, the government was forced in 1957 to enact the "Disabled Victims of Nazi Persecution Law" (hereinafter: the DNP law), which provided a partial solution for Israeli citizens who

were Holocaust survivors and had lost their eligibility for compensation directly from West Germany as part of the reparations agreement.

The aforementioned solution was partial in two respects. First, from the standpoint of eligibility, the law conditioned receipt of compensation on immigration to Israel before the enactment of the first German compensation law in October 1953. The law also denied eligibility to individuals who had immigrated from Germany, since they could apply for compensation from Germany.[5] Second, from the standpoint of generosity, the average monthly compensation paid by the Israeli government for many years was only one-third of the amount paid by Germany (given the same individuals level of disability). Moreover, while the compensation paid by Germany was retroactive to the the beginning of the war, the Israeli government paid compensation retroactive only to April 1954. The terms of eligibility for the disability benefit were similar to those of the German law, namely a minimum disability—physical or emotional—of 25 percent and, as in the case of the German compensation, the amount increased with the level of disability.

2.4 Later Agreements and Legislation

Over the years, the Israeli government tried unsuccessfully to persuade the Germans to compensate the neglected group—victims of the Nazis not of Germanic background who immigrated to Israel after 1953—although it did not change the rule that excluded this group from eligibility for compensation that Israel itself paid. Some of those who belonged to this group began receiving German compensation starting from 1996, following negotiations that began in the early 1990s between the Claims Conference and the German government upon the fall of the Iron Curtain and the unification of Germany. The negotiations led to the establishment of the "Section 2 Fund" which provided compensation to Holocaust survivors who lived under severe conditions for a minimum period determined

[5]This is in in contrast to Jews who lived in countries like Poland, Czechoslovakia, Yugoslavia, Hungary and Romania whose eligibility for the German compensation was more complicated since they had to prove that they belonged to the "Germanic language and culture group".

by the type of conditions.[6] The level of compensation was lower than under BEG.

In 2007, the Benefits Law was passed in Israel in order to provide a solution to Holocaust survivors who did not meet the criteria of the "Section 2 Fund" or had difficulty proving that they spent the minimum time under the conditions defined. Under this law, it was sufficient to prove that a person lived under difficult conditions (in a ghetto or hiding) for at least one day. These survivors were entitled to a lower level of compensation than under the other categories of eligibility.

As a result of the recommendations of the Dorner Committee (June 2008), the benefits paid to survivors under the DNP law were increased substantially, and today they are similar to the compensation received under BEG. In 2014, the conditions for those who were until then entitled to compensation under the Benefits Law were equalized to those for compensation under the DNP law. The same legislation provided those receiving benefits from the "Section 2 Fund" with complementary payments to equalize their benefits to those under the DNP law.

2.5 Recipients in Israel

In sum, the reparations agreement, the German legislation, and the Israeli legislation led to three main groups of Holocaust survivors in Israel. The first consisted of survivors who immigrated to Israel from Germany or belonged to the "Germanic language and culture group", who were entitled, for the most part since 1956, to the most generous compensation of the three groups – a retroactive one-time payment equal to about one average yearly salary, and a monthly payment equal to about 30 percent of the average wage in Israel during that period and most of the time afterwards. This group is labeled as "A" in Figure 1.

The second group consisted of survivors who immigrated to Israel prior to October 1953

[6] Those who were in concentration camps, or confined for at least 3 months in a ghetto, or were in hiding under difficult conditions for at least 6 months.

from countries other than Germany and did not manage or did not wish to prove that they belonged to the "Germanic language and culture group". Individuals in this group were, starting from 1957, entitled to a modest one-time sum (retroactive to 1954) and a monthly payment equal to about 10 percent of the average wage in the economy, which amounted to only about one-third of the monthly payment received by the first group. This group is labeled "B" in Figure 1.

Finally, the third group consisted of survivors who were not entitled to any compensation until 1996. These individuals were not German nor did they belong to the Germanic language and culture group. They either arrived in Israel after October 1953 or were not able to overcome the hurdles of the Israeli or the German bureaucracy during the 1950s and 1960s. This group can be divided into two sub-groups: The first began to receive compensation after the agreements to establish the "Section 2" fund at the end of 1995. The second began to receive compensation only in 2008, according to the Benefits Law.

An important question for the purposes of this study concerns the expectations of compensation held by the survivors after the war, primarily because this information is used to set the cutoff point that represents the beginning of treatment in the empirical analysis. It seems unlikely that any of the survivors had expected compensation prior to March 1952 when the negotiations formally began, and it is reasonable to assume that during the negotiations some of the survivors did expect to receive compensation. Nonetheless, it is fairly certain that during that period, no one knew which group would be entitled and to how much. The Israeli government agreed to release West Germany from an obligation to pay individual compensation to Israeli citizens only in September 1952. But even then, the public possessed only partial information about eligibility. The full picture became clear only after claims for compensation submitted by survivors who were Israeli citizens were rejected by Germany one after another during 1956. Based on this timeline of events, the year 1957 was determined to be the cutoff, which marks the beginning of the treatment in the empirical analysis.

2.6 Threats to the identification: The motivation and the capacity to apply

One potential difference between recipients and non-recipients is related to the motivation to apply. In the early 1950s a large public protest and political debate occurred over direct negotiation with Germany. This protest raises the concern that those who opposed the negotiation did not apply for a rent as a matter of obstinacy or conscience. If so, then the unwillingness to apply might be related to other characteristics that could be correlated to the outcomes of their offspring. Tovy (2015) claims (pages 250-251) that the profound debate over the reparation was not on the payment that Germany should make, but rather on the format of the negotiation. The opposition challenged the government's intention to negotiate directly with Germany, but supported the right to claim reparations using a third party as an intermediary. The opposition believed that a direct negotiation would approve the renewal of Germany's status as part of the "community of nations" and give the impression that the Jewish people forgave the Germans in exchange for money. In the heat of debate, the "Herut" party, which led the opposition to the negotiation, abandoned the profound issue in the debate and gave the impression that receiving money from Germany is wrong under any circumstance. However, after the negotiation was completed and the agreement signed, most of the criticism in Israel was on the material concessions that Israel made and less on the agreement itself. Tovy (2015) notes that a few years after the agreement, the leadership of "Herut" had become reconciled to the agreement and the loud debate abated. I conclude that individuals who refused to apply for the German compensation were in the margins of the survivors, and that this phenomenon is not a big threat to the identification.[7]

Another possible threat to the identification is a potential correlation between the skills and the income of the survivors and their capacity to purchase mediation services from

[7] In an interview I conducted with Dr. Jacob Tovy, he also claimed that a short while after the agreement was signed, the portion of the public insisting that "German money" should not be received was an extreme minority.

lawyers and agencies that could promote their claim for compensation. While it is difficult to rule out or to control for such information, I herein explore this historical context based on Katz (2009). That study discusses the public and private bodies that were involved in handling the personal claims against Germany in the 1950s and 1960s. According to Katz (2009) the "United Restitution Organization" ("URO") was very dominant in assisting survivors to claim compensation in early years, and private lawyers started to offer these services only later, especially since 1957. Katz (2009) suggests that the "URO" employed professional experts who, for an affordable commission efficiently assisted survivors who could not afford to finance private lawyers. At some point, "URO" was recognized by Germany as the official institution that represents survivors in their claims. It is difficult to conclude based on Katz (2009) that private lawyers provided value added to their customers. Somewhat to the contrary, some survivors who had payed considerable amounts to lawyers ended up deceived, having their claims seriously delayed. While there were probably some survivors who could afford and did purchase useful private legal services, it is not likely that the opportunity to hire private services extensively divides the population I research by their competency to claim compensation.

3 The Data

The data set that I use in this study includes administrative information and information from the Israeli censuses of 1995 and 2008. Both provide data on the identity of Holocaust survivors living in Israel who have received personal rent from the German and Israeli governments. Information about the recipients is merged with personal and family characteristics, as well as information on adult descendants.

I have obtained information on those receiving compensation from the Israeli government from the administrative source—The Holocaust Survivors Rights Authority in Israel. This entity has, over the years, managed survivors' requests for compensation and the process of actual payment. Naturally, due to its role, the Authority holds detailed information

on those receiving compensation over the years and on the timing at which they began receiving compensation. This dataset also contains information on their gender and date of immigration to Israel.

Identifying recipients of compensation from the German government (BEG) can be found in the 1995 and 2008 censuses. These data sets also contain rich personal and household characteristics. I integrate these characteristics for those receiving compensation from Germany and for those receiving compensation from Israel.

It should be clear that I don't observe the actual payment that survivors received, rather, the type of compensation they received ("High", "Low" or "Late", as detailed in Figure 1). A concern that this limitation creates is that possibly enlarged amounts that survivors received from Israel based on an individuals higher level of disability that might have been approved to recipients according to the Israeli Law. If, for instance, survivors who receive payments from Israel received them more frequently based on a 75 percent disability level, while recipients of payments from Germany received them based only on 25 percent, then the Israeli payment would be, in fact, similar to the German one.

Aggregate data suggest that as of today, less than 10 percent of the survivors receive from Israel compensation based on 75 percent disability level. [8]. Moreover, most of the survivors with enlarged disability levels have been recognized as such only when elderly, when their health conditions deteriorated with age. Moreover, certainly some survivors receive enlarged payments also from Germany. Therefore, it is reasonable to assume that the measurement error owing to the use of the type of compensation as a proxy for the amounts paid and not the actual amounts is negligible.

As for data about the outcomes, to examine the effect of the compensation on the human capital of the children in a household, I merge information on years of schooling and the "highest diploma" obtained by each child, based on the Education Registry which

[8]Based on information received on July 29 from Mr. Asaf Levy from the Holocaust Survivors Rights Authority in Israel

includes detailed administrative information from the Ministry of Education, and data from the institutions of higher education in Israel. An additional measure of human capital that I explore is the childrens monthly earnings, as reported to the National Insurance Institute.

4 Empirical Strategy

The key to identifying the causal effect of compensation to parents on the human capital of the children (education and wage) is to compare only children born to Holocaust survivors. All the parents in my analysis are recognized by the Israeli and/or German authorities as Holocaust survivors, and the main difference between them is the timing of the recognition and the beginning of the payment. A potentially effective compensation is only the type received from the 1950s ("Early", groups A and B in Figure 1), because the other type ("Late", Group C in Figure 1) is received only from the 1990s and not likely to effect the human capital of children who were already 35 on average by then. The regression I estimate is represented by:

$$HC_i = \alpha + \beta_1 Total\_Early_h + X'_{i,h,m,f}\beta_2 + \varepsilon_i \tag{1}$$

Where $Total\_Early_h$ is the total amount received in the form of early compensation in each household as a share of the average salary in the economy ($Total\_Early_h$). $X'_{i,h,m,f}$ is a set of covariates at the level of the child (i), including age and sex; the household (h), including the duration of marriage; and both parents (m, f), including age, country of origin, years since immigration, and schooling.

The variable of interest in Equation 1 ($Total\_Early_h$) averages, in practice, the effects of the compensation on all groups eligible to some compensation since the 1950s relative

to the group of children for whom both parents have received compensation only from the 1990s. Equation 2 describes a regression that identifies separately the effect of the low compensation (received from Israel since the 1950s) and the effect of the high compensation (received from Germany since the 1950s) relative to children of parents who have received compensation only from the 1990s (from Israel or Germany). I estimate this regression based on a subsample that includes children born to parents who both receive the same type of compensation. The regression is represented by:

$$HC_i = \alpha + \beta_1 Both\_high_h + \beta_2 Both\_low_h + X'_{i,h,m,f}\beta_3 + \varepsilon_i \tag{2}$$

Where $Both\_high_h$ is a dummy variable that equals 1 if both parents receive the high compensation and $Both\_low_h$ is a dummy variable that equals 1 if both parents receive the low compensation. The omitted category is the children whose parents receive the late compensation.

This regression addresses a possible bias that intra-household imbalances between the parents' compensation produces. Importantly, this regression decomposes the effect found in Equation 1 to the effects of the low and high compensations, and consider whether the latter is larger, as one would expect, and if the difference in the magnitude is consistent with the difference in the size of the compensation. .

An interpretation of the coefficients of $Total\_Early_h$ in Equation 1 and of $Both\_high_h$ and $Both\_low_h$ in Equation 2 as causal requires the assumption that children born to a recipient of early compensation are comparable to those born to the recipient of late compensation. I claim that this is the case: most importantly, the difference in eligibility for compensation between these groups is not driven by differential effects of the Holocaust but rather by the timing of immigration to Israel (before or after October 1953) and by the largely arbitrary bureaucratic criteria imposed on survivors during the 1950s and 1960s.

However, if my assumption is violated and the sources of the differential eligibility for compensation are correlated with characteristics that might affect the human capital of the children, then the estimates will be biased. To address this concern, I control for various essential covariates related to these two sources of differential eligibility as well as other sources. Nonetheless, one of the threats to the identification is that the timing and the size of the compensation is so strongly correlated with the countries of origin, such that they are also correlated with unobserved characteristics. Therefore, I perform regressions based on two subsamples of a single-country of origin – Poland and Germany, using the same specification as in Equation 1. I believe that these estimations rule out any reasonable doubts about the identification: it compares recognized Holocaust survivors who immigrated from the same country but happened to arrive to Israel at a different timing, or have not met the arbitrary requirements from the 1950s.

5 Descriptive Statistics and Regression Results

5.1 The effect of transfers on human capital

Table 1 presents descriptive statistics for the sample used in the main analysis: Children born to Jewish Israelis, married once, who immigrated to Israel before 1972. Both parents of all children receive compensation sooner (since the 1950s) or later (since the 1990s), so the analysis is limited only to children of Holocaust survivors. The age of the children as of 2010 is around 50, long after these children should have completed their schooling accumulation. Children of late recipients are younger, on average, than the rest of the sample and especially relative to children of recipients of the high compensation. The sample is equally distributed between boys and girls. The regressions control for the age and sex of the children, and most of them are separated for boys and girls.

Turning to the parents' characteristics, father's age as of 1957 ranges from 26.4 to 34.2 and mother's age from 22 to 29.6. These are the ages of the beginning of the fertility period.

Late recipients are younger than early recipients, especially compared to recipients of high compensation. This difference is reflected in parallel differences in the length of marriage. In any case, there is enough overlap between the ages of the parents in the groups, such that the fact that I control for the age of parents addresses these differences.[9]

While the number of years of schooling of the parents is different across the various groups of recipients, one cannot identify a pattern that threatens the identification. The six groups in the table are ordered from left to right by the size of the total amount that the parents receive from the 1950s, but the schooling of these parents differs regardless of this order. In particular, the schooling of parents who receive 0 from early compensation (group 1) is almost identical to that of parents who received the highest amount (group 6), and averaging between the schooling of the mother and the father produces an identical number between these groups (11.15).

Most of the survivors in this sample are originated from Poland and Romania. The share of Polish survivors within the various groups moves from 0.207 (Mothers from Group 1 - "Both late") to 0.335 (Fathers from Group 5 - "One high One low"). The eligibility of many survivors from Romania have been recognized only in the 1990s and for some of them even only in late 2000s. Therefore, they dominate Group 1, and only a small portion of them is in Group 6 ("Both high"). The vast majority of survivors from Germany receives the high compensation, paid directly by Germany. The Israeli law from 1957 (that establishes the "low" compensation) bans Israeli disbursements to these survivors due to their eligibility for receiving compensation from Germany; indeed, the share of German recipients among the relevant groups (2, 3 and 5) is negligible. The rest of the survivors have arrived from various other countries, and there is no clear pattern to note. The encouraging conclusion from the analysis of the countries of origin is that although some countries of origin are more dominant among specific groups (for instance, Romanians among late recipients), one

[9] 43 percent and 51 percent of mothers in the "Both high" and "Both late" groups, respectively, are 20-30 years old. 50 percent and 46 percent of fathers in the "Both high" and "Both late" groups, respectively, are 25-35 years old.

cannot identify an exclusive relationship between the size of the amounts and the origin of the survivors, and controlling for the country of origin of the parents should address a possible bias in that regard. Nevertheless, to further address this concern I also present and discuss in this section regressions based on subsamples of a single country of origin.

Late recipients immigrated to Israel, on average, after the rest of the recipients, reflecting the fact that many of them have not met the criterion for receiving the Israeli rent from the 1950s – immigrating to Israel before October 1953. However, it is encouraging that the difference in the number of years in Israel is minor: as of 1972, fathers and mothers from Group 1 ("Both late") had been in Israel 22.8 and 22.2 years respectively, while fathers and mothers from Group 3 (Both low) had been in Israel 24.5 and 23.6 years. It means that on average, the survivors had failed to meet that criterion by 1.7 and 1.4 years, respectively, and not to an extent that might produce a bias related to different assimilation in Israel.

Turning to the outcomes of the children, Figure 2 presents the number of years of schooling of the children from left to right by the size of the total amount that the parents receive from the 1950s. The figure also presents the parents' schooling by the same order. The schooling of the children increases with the amounts received by the parents, from 14.6 years in the group in which neither of the parents receive early rent ("None") to 15.1 in the case that both receive the high amount ("Two High"). At the same time, as already discussed, the schooling of the parents is not characterized by any clear pattern. Moreover, the average schooling of the parents in group "none" is exactly the same as the schooling of the parents in group "two high", while the gap between the children is 0.5 in favor of the latter. This finding provides preliminary indication that the compensation to the parents positively affects the human capital of their children.

Table 2 presents regression results where the variable of interest is Total Early, the amount received from early compensation as an approximate share of the average salary. While the top panel presents the results for boys and girls together, the middle and the bottom panels present them separately for boys and girls respectively.

Column 1 presents the relationship between the compensation to parents and the years of schooling of their children without controls. I find an estimate of 0.746; given that Total Early measures the compensation as a share of the average salary (between 0 and 1), the interpretation of the estimate is that compensation that is equivalent to the average salary is associated with a 0.746 year of schooling. Accordingly, low compensation to one of the parents would be associated with 0.0746 year and high compensation to both parents would be associated with 0.45 year, very similar to the 0.5 gap found in figure 2 between None and Both High.

Adding controls to the regression changes the size of the estimates but they preserve their statistical significance and economic importance. The combination of controlling for age and schooling of the parents reduces the estimate to 0.513 (Column 4 in the top panel), while adding each of them separately increases it. The reason for this is that receiving higher compensation is positively correlated with the parents' years of schooling only given age. Considering the positive correlation between the years of schooling of children and parents, complements the explanation for why omitting one or two of these variables leads to upward bias. Adding the rest of the control barely changes the estimate further.

Different estimations for boys and girls generate higher estimates for girls. In fact, controlling for the full set of covariates leaves the estimate for boys only with marginal significance (Column 5 in the middle panel). At the same time, the final estimate for girls (Column 5 in the bottom panel) is highly significant and its size (0.698) implies that low compensation to one of the parents would be associated with 0.0698 year and high compensation to both parents would be associated with 0.42 year. Given the large differences in the results for boys and girls, I present only separated results in the rest of the paper.

Table 3 presents the results of similar regressions, where the dependent variable is a dummy that equals 1 when the child earned some tertiary education (at least a Bachelors degree). While the estimates for boys (the upper panel in Table 3) are low and insignificant,

the results for girls are economically and statistically significant. Low compensation to one of the parents would be associated with 1.4 percentage point increase in the probability for tertiary education and high compensation to both parents would be associated with 8.5 percentage increase.

In a parallel attempt to explore the effect on completing lower levels of education (completion high school or earning "Bagrut" - the Israeli high school matriculation degree) I do not find significant effects. I thus conclude that the increase in the number of years of schooling documented in Table 2 reflects mainly an increase in years of tertiary education.

Table 4 presents the effects of the compensation on the wage of the children (log of the salary in 2010). The results for boys are not significantly different from 0. The estimates for girls are positive in all specifications, and they are larger and statistically significant when all covariates are controlled. The estimate is 0.228, which means that high compensation to both parents is associated with an approximately 13.5 percent increase in their daughters wage.

Considering that the parallel size in terms of years of schooling was approximately half a year, and assuming a standard return to schooling of 10 percent, the results suggest that the 13.5 percent effect of the compensation on girls wage is beyond the effect that goes through the increase in formal education (5 percent).

I also estimated regressions where the dependent variable is income that includes zeros for non-earners and business profits to self employed; the results are essentially the same. Also, I do not find an effect on the probability to be employed. Both results address a concern from a possible selection into the labor market that biases the estimated effect on earnings.

Before moving to discuss the robustness of the results and some extensions, I will discuss the historical context of the findings. Until the early 1970s, the social safety net in Israel was very narrow. Among other things, until the mid 1970s high school education involved notable costs. Therefore, the compensation paid to Holocaust survivors, especially from

Germany, had an important role in improving their welfare and their capacity to finance more investment in the human capital of their children.

The above might also explain why I find larger effects for girls vs. boys. Male youths had in those years a prominent role in the earnings of the household: according to Kriaf (2009), who studied the effect of compulsory and free education on the number of years of schooling, 25 percent of the 17-year old Jewish boys worked in a full-time job in 1970, compared to 15 percent of the girls. Kriaf (2009) uses this to explain why he finds, similarly to my findings, stronger effects of compulsory and free education on the years of schooling of girls vs. boys. It was more costly for them, at least in the short term, to stay longer in the educational system at the expense of working and supporting the household. In another study (Tsur, 2017) I find similar pattern among Arabs in Israel: an increase in child allowance led to an increase only in girls' schooling, while the increase in the allowance was probably not enough to compensate households for the move of boys from employment to school.

5.2 The effect of transfers on human capital: robustness and extensions estimations

To compare properly between the human capital of the children from the groups I analyze it is important to control for the educational background of the parents. While I control the observed human capital of the parents (years of schooling), the extremely difficult circumstances of the Holocaust during the years 1939-1945 (and probably before and after) most likely affected their human capital accumulation. At least, these circumstances affected the formal accumulation of years of schooling and academic diplomas, such that the observed years of schooling do not necessarily reflect the actual differences.

To solve the above issue, it would have been optimal to limit the sample to children whose parents were likely to complete the accumulation of their human capital already before World War II (prior to 1939). However, there are only dozens of children with data

on human capital for 2010 whose parents were, say, 21 years old in 1939 (it would have been preferable to limit the sample even to older parents). I find that limiting the age of the parents to be more than 16 in 1939 (Table 5) leaves enough observations (216 boys and 212 girls); this limitation, at least, drops children whose parents lacked basic education.

Even though the sample analyzed in Table 5 is only about 5 percent of the main sample analyzed in Table 2, the pattern of the estimated effect is preserved: the effect is positive around 1 year of schooling (for compensation in the amount equal to the average salary), and it is larger and statistically significant for girls relative to the effect for boys. However, the estimates are larger for the subsample of Table 5, either because this subsample is based on a more homogenous population, or because the population of this sample is different compared to the main sample. As I report later in this subsection, I find larger estimates also for subsamples limited according to the country of origin of the parents.

To make sure that the childrens outcomes are not affected directly by Holocaust experiences of their own, I limit the sample only to children who were born after the end of World War II (1945). This limitation drops only 90 boys and girls, and the results, presented in Table 6, are almost identical to those in Table 2.

Decisions about the number of children and the investment in their human capital are strongly related. Both can be estimated as dependent variables, but controlling for one of them when the other is a dependent variable creates an endogeneity problem. Nevertheless, to take into account the consideration that these two variables are too correlated such that it is difficult to identify the effect of the compensation on the human capital of the children regardless of fertility decisions, I control the number of children ever born in Table 7. While I find, as expected, a negative estimate for the effect of the number of children in the family on the human capital of the children, this control barely changes the estimates for the effect of the compensation.

In Table 8, I estimate the effect on years of schooling and wage using a sample of parents who both received the same type of compensation: "Late", "Low" or "High" (the

observations in columns 1, 3, and 6 in Table 1). These estimations facilitate three goals: First, it addresses a possible bias that intra-household imbalances between the parents' compensation produces. Second, it decomposes the effect to the one that derives from the low compensation and the one that derives from the high compensation, and considers whether the latter is larger, as one would expect. Third, many of the survivors who receive the high monthly compensation received a one-time large retroactive payment after their eligibility was approved. Therefore, the variable of the monthly compensation does not reflect the entire increase in these households' income; the above regression addresses this concern.

I find that if both parents receive the high compensation, the effect (in a fully controlled regression) on girls' years of schooling is 0.40, similar to the effect calculated for this group based on Table 2 (0.45). Additionally, as expected, if both parents received the low compensation, the effect is lower (0.30, higher than a calculation based on Table 2 that would suggest an effect of 0.15). The effect of high compensation to both parents on girls' wage is 0.187 (or 18.7 percent), in the environment of the effect calculated based on the estimate in Table 4 (13.5 percent). However, if both parents received the low rent, the effect is practically 0.

In Tables 9-11 I focus on two groups of survivors: a group of Israelis whose parents immigrated only from Poland and a group of Israelis whose parents immigrated from Romania (other groups are not large enough). The contribution of these tables is twofold: first, they consider if the effect is heterogeneous between country of origin groups. Second, they address a concern that survivors from different countries are not comparable.

Table 9 provides several insights regarding the relative size of the effects: first, the effects are generally larger than those obtained based on Table 2 (that analyzes children of survivors from all countries). Second, the estimates are higher (and unlike most of the results for boys they are statistically significant) for boys in the case of Poland, and higher for girls in the case of Romania. Third, the estimates for girls are higher in all cases, as

found in previous tables.

These estimations help in addressing the concern that survivors from different countries are not comparable. I find that the estimates in these tables are almost completely robust to adding controls (the differences between column 1 and column 2 and between columns 3 and 4 are minor). In particular, the estimates among girls are almost identical without or with controls. This robustness suggests that the previously discussed estimations that pool all countries of origin suffer to some extent from imbalances that cause potential inaccuracies in the size of the estimates. The current estimations strengthen the confidence that a positive effect exists, and provide accurate estimates for the groups whose parents immigrated from Poland and Romania.

In Table 10 I find a positive, significant, and larger effect compared to the general estimates in Table 3 on the probability to acquire tertiary education among girls from both Poland and Romania. In Table 11 I find prominent effects (more then in Table 4) on the wages of girls whose parents immigrated from Poland. The larger size relative to previous estimates is consistent with the larger effect on schooling that I find in Table 9. Furthermore, the conclusion that the effect of the compensation on the wages of the children is beyond the effect that goes though formal education holds (because the wage estimates are higher than what could be derived from the effect on years of schooling and the returns to those years).

6 Summary

In this study, I evaluate the effect of compensation to Holocaust survivors on the human capital of their children. The identification strategy is based on the essentially arbitrary rules of eligibility that differentiate Holocaust survivors according to whether they received early (low or high) or late compensation.

I find a positive effect of the compensation, especially among girls. Early high compensation to both parents is associated with a contribution of 0.4 year of schooling, an

8.2 percentage point increase in the probability for tertiary education, and an approximately 13.5 percentage point increase in their daughters wage. Due to the link between the countries of origin and the eligibility for the compensation, I perform regressions based on subsamples of a single country of origin (Poland and Germany). I find a larger effect in these regressions: Early high compensation to both parents is associated with a contribution of around 1 year of schooling.

It is useful to consider the above data in the context of the current gaps in education in Israel: according to Dobrin (2015), Israelis aged 25-44 in 2015 both of whose parents were born in Europe or America are 20 percentage points more likely to acquire tertiary education than Israelis whose parents were born in Asia or Africa (49 and 29 percent, respectively). However, the children I analyze in this study are older (around 50 years old), and the general gaps in this population might be larger. Findings from Dobrin (2015) about the gaps among the parents of those 25-44 year old children – approximately 30 percentage points between Europeans or Americans vs. Asians or Africans - suggest, indeed, that the gaps in the past used to be larger.

The results in my study are summarized as a comparison to Dobrin (2015) in Figure 3. They suggest that the high compensation to both parents increases the probability of daughters to purchase tertiary education by 8.5 percentage points. While this number is not negligible, it is much lower than the general gaps in the Israeli society mentioned above. The only case where the effects that I find are as high as the general gaps between European-American to Asian-African Israelis is in the case of girls born to parents from Poland, both of whose parents receive high compensation; this is a minor group relative to the entire population of the second generation of Holocaust survivors. While this study contributes to understanding the effects of the personal compensation to Holocaust survivors on the human capital of the second generation, it is not aimed at explaining the vast educational gaps in Israel, and more research is needed to explain them.

References

Akee, R., Copeland, W., Costello, E. J., Simeonova, E., 2018. How does household income affect child personality traits and behaviors? American Economic Review 108 (3), 775–827.

Attanasio, O. P., Meghir, C., Santiago, A., 2011. Education choices in Mexico: using a structural model and a randomized experiment to evaluate Progresa. The Review of Economic Studies 79 (1), 37–66.

Baird, S., Ferreira, F. H., Özler, B., Woolcock, M., 2014. Conditional, unconditional and everything in between: a systematic review of the effects of cash transfer programmes on schooling outcomes. Journal of Development Effectiveness 6 (1), 1–43.

Barrera-Osorio, F., Linden, L. L., Saavedra, J. E., 2019. Medium-and long-term educational consequences of alternative conditional cash transfer designs: Experimental evidence from Colombia. American Economic Journal: Applied Economics 11 (3), 54–91.

Behrman, J. R., Sengupta, P., Todd, P., 2005. Progressing through PROGRESA: An impact assessment of a school subsidy experiment in rural Mexico. Economic development and cultural change 54 (1), 237–275.

Bruner, J., Nachum, I., 2009. The value of culture: the German legislation and the Israeli practice testing German of Israeli Holocaust survivors (in hebrew). Law and Business 10, 279–303.

Dahl, G. B., Lochner, L., 2012. The impact of family income on child achievement: Evidence from the earned income tax credit. American Economic Review 102 (5), 1927–56.

Dobrin, N., 2015. Equal opportunities in education demographic and socio-economic barriers. Central Bureau of Statistics, in Hebrew (91).

Dorner, D., 2008. Commission of inquiry into assistance to Holocaust survivors (in hebrew). The State of Israel - The Judicial Authority.

Duque, V., Rosales-Rueda, M., Sanchez, F., et al., 2018. How do early-life shocks interact with subsequent human-capital investments? evidence from administrative data. In: IZA World of Labor Conference.

Heckman, J. J., Mosso, S., 2014. The economics of human development and social mobility. Annu. Rev. Econ. 6 (1), 689–733.

Katz, Y., 2009. Holocaust profits: Personal compensation claims from Germany as a source of income in the 1950s and 1960s. ISRAEL, Studies in Zionism and the State of Israel History, Society, Culture (15, Abstract available in English, the full study only in Hebrew).

Kreinin, M. E., 1961. Windfall income and consumption: Additional evidence. The American Economic Review 51 (3), 388–390.

Kriaf, T., 2009. The free compulsary education law in Israel, and liquidity constraints. Bank of Israel Survey (82, in Hebrew).

Landsberger, M., 1969. The effect of personal compensation from Germany: on consumption and savings in Israel and some discussions in the consumption function. Research Department, Bank of Israel, in Hebrew 1 (1), 0–104.

Mayer, S. E., 1997. What money can't buy: Family income and children's life chances. Harvard University Press.

Milligan, K., Stabile, M., 2011. Do child tax benefits affect the well-being of children? evidence from Canadian child benefit expansions. American Economic Journal: Economic Policy 3 (3), 175–205.

Shinar, F., 1967. Between need and feelings (in hebrew). Schocken Books.

Teitelbaum, R., 2005. Personal compensation for holocaust survivors and social stratification in israel. Theory and critique, in Hebrew 27 (1), 71–102.

Teitelbaum, R., 2008. The biological solution: the scandal of personal reparations to Holocaust survivors (in hebrew). Hakibbutz Hameuchad.

Tovy, J., 2015. Destruction and Accounting (In Hebrew). The Haim Rubin Tel-Aviv University Press.

Tsur, S., 2017. Liquidity constraints and human capital: The impact of welfare policy on Arab families in Israel. Discussion Paper, Bank of Israel, Research Department (2017.01).

Yeung, W. J., Linver, M. R., Brooks-Gunn, J., 2002. How money matters for young children's development: Parental investment and family processes. Child development 73 (6), 1861–1879.

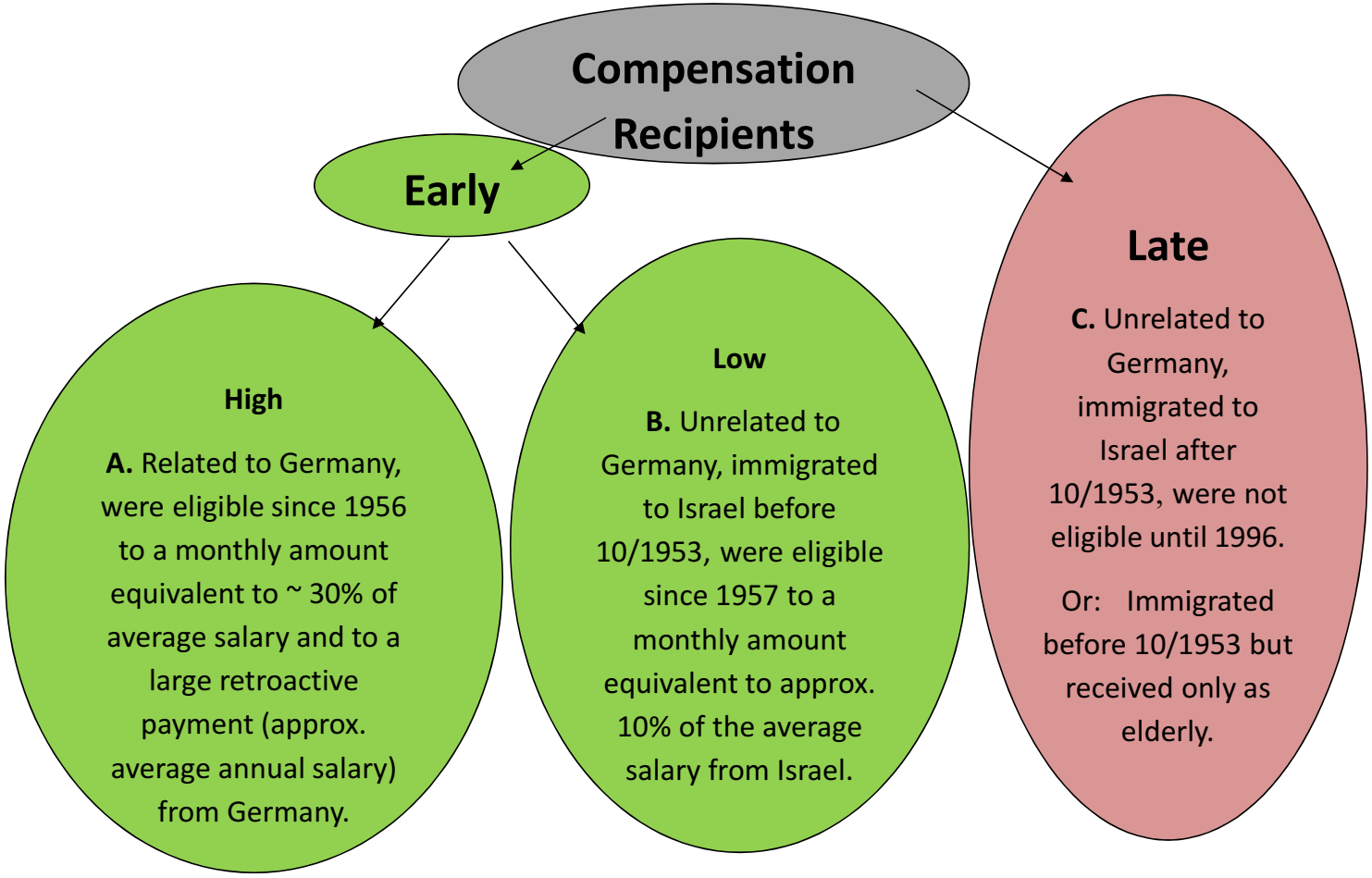

Figure 1: Mapping compensation recipients in Israel.

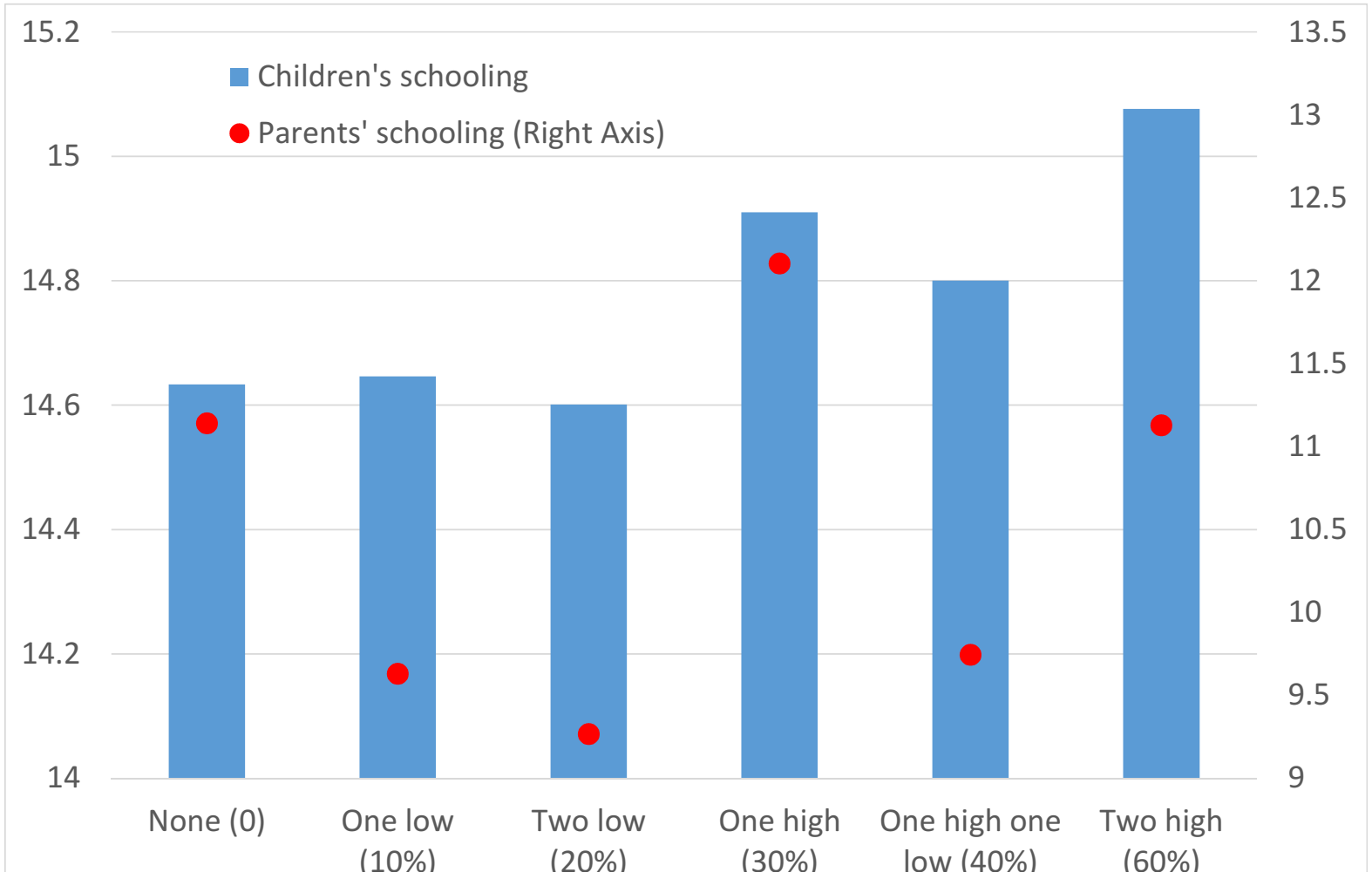

Figure 2: Years of Schooling of Two Generations by the Amount of Early Compensation Received. The figure presents the number of years of schooling by the composition of compensations among households in which both spouses received compensation sooner (beginning in the 1950s) or later (beginning of the 1990s and too late to affect the human capital of the children). The numbers in parentheses are the amounts received as a percentage of the average salary in the economy.

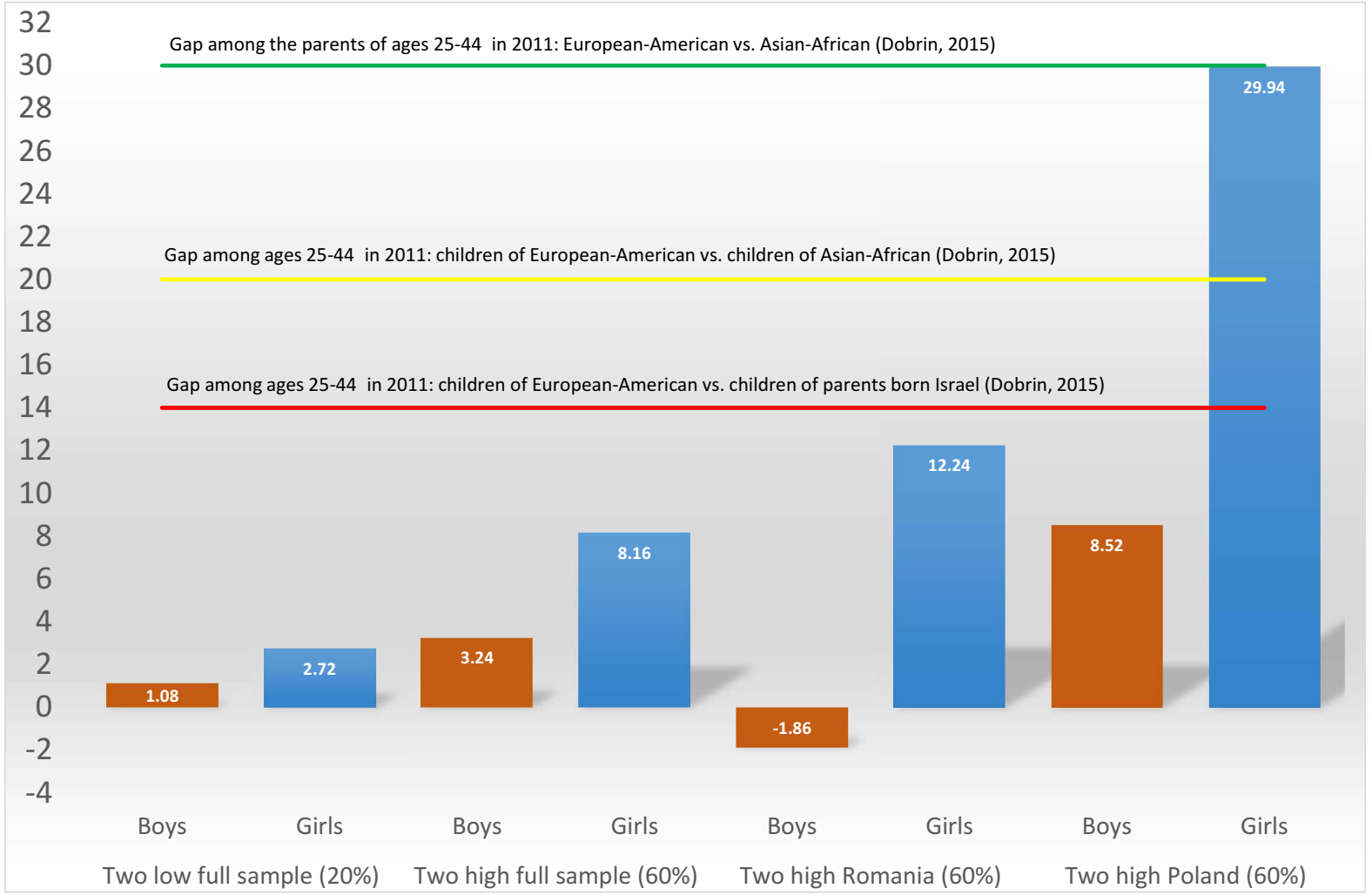

Figure 3: The Effect of The Compensation on the Probability to Acquire Tertiary Education, by the Amount of Early Compensation Received and Countries of Origin. The figure presents the expected difference in the probability to acquire tertiary education by the amount of compensation. The figure presents also the gaps in the probability to acquire tertiary education between various groups in Israel in 2011, based on findings from Dobrin (2015)

Table 1: Summary Statistics for the Main Analysis

	(1)	(2)	(3)	(4)	(5)	(6)
		One low		One high	One high	
	Both late	One late	Both low	One late	One low	Both high
Children's covariates:						
Age in 2010	47.5	50.5	51.9	49.4	52.6	52.5
	(6.4)	(5.9)	(6.3)	(6.5)	(4.96)	(6.7)
Girls share	0.497	0.509	0.468	0.446	0.480	0.499
	(0.500)	(0.500)	(0.499)	(0.497)	(0.501)	(0.501)
Parents' characteristics:						
Total early	0	10	20	30	40	60
Survivor Father	Yes	Yes	Yes	Yes	Yes	Yes
Survivor Mother	Yes	Yes	Yes	Yes	Yes	Yes
Father's age in 1957	26.4	30.8	32.3	30.3	33.6	34.2
	(5.7)	(6.2)	(5.23)	(5.9)	(4.5)	(6.8)
Mother's age in 1957	22.0	25.24	27.2	25.3	28.6	29.6
	(5.3)	(5.7)	(4.9)	(5.9)	(3.8)	(6.2)
Schooling of father	11.3	9.5	9.6	12.8	10.2	11.5
	(4.4)	(3.8)	(3.8)	(7.8)	(4.4)	(4.3)
Schooling of mother	11.0	9.7	8.9	11.4	9.3	10.8
	(3.6)	(3.4)	(3.5)	(3.7)	(3.1)	(4.1)

Continued on next page

Continued from previous page

	(1)	(2)	(3)	(4)	(5)	(6)
		One low		One high	One high	
	Both late	One late	Both low	One late	One low	Both High
Father from Poland	0.239	0.288	0.239	0.319	0.335	0.307
	(0.426)	(0.454)	(0.427)	(0.466)	(0.473)	(0.462)
Mother from Poland	0.207	0.251	0.172	0.248	0.275	0.319
	(0.405)	(0.434)	(0.378)	(0.432)	(0.448)	(0.467)
Father from Asia-Africa	0.000	0.000	0.000	0.022	0.010	0.009
	(0.000)	(0.000)	(0.000)	(0.145)	(0.100)	(0.096)
Mother from Asia-Africa	0.000	0.000	0.000	0.014	0.010	0.005
	(0.000)	(0.000)	(0.000)	(0.119)	(0.100)	(0.068)
Father from Romania	0.395	0.335	0.275	0.212	0.240	0.088
	(0.489)	(0.472)	(0.447)	(0.409)	(0.428)	(0.283)
Mother from Romania	0.405	0.402	0.345	0.308	0.250	0.118
	(0.491)	(0.491)	(0.476)	(0.462)	(0.434)	(0.323)
Father from Germany	0.013	0.008	0.002	0.100	0.045	0.185
	(0.113)	(0.091)	(0.040)	(0.301)	(0.208)	(0.389)
Mother from Germany	0.017	0.004	0.003	0.067	0.020	0.189
	(0.128)	(0.065)	(0.056)	(0.251)	(0.140)	(0.392)
Father from Russia	0.038	0.095	0.055	0.088	0.130	0.127
	(0.191)	(0.293)	(0.229)	(0.283)	(0.337)	(0.333)
Mother from Russia	0.054	0.095	0.040	0.073	0.115	0.060
	(0.226)	(0.293)	(0.195)	(0.261)	(0.320)	(0.238)
Father from other European	0.315	0.274	0.429	0.245	0.220	0.277
	(0.465)	(0.446)	(0.495)	(0.431)	(0.415)	(0.448)
Mother from other European	0.318	0.248	0.440	0.263	0.325	0.282
	(0.466)	(0.433)	(0.497)	(0.440)	(0.470)	(0.450)

Continued on next page

Continued from previous page

	(1)	(2)	(3)	(4)	(5)	(6)
		One low		One high	One high	
	Both late	One late	Both low	One late	One low	Both High
Father born in Israel	0.000	0.000	0.000	0.014	0.020	0.002
	(0.000)	(0.000)	(0.000)	(0.119)	(0.140)	(0.048)
Mother born in Israel	0.000	0.000	0.000	0.022	0.005	0.018
	(0.000)	(0.000)	(0.000)	(0.145)	(0.071)	(0.135)
Father years in Israel in 1972	22.8	23.8	24.5	24.6	24.9	23.7
	(4.596)	(3.507)	(2.396)	(7.531)	(3.312)	(9.482)
Mother Years in Israel in 1972	22.2	22.8	23.6	23.0	24.0	22.6
	(4.7)	(4.0)	(2.3)	(7.3)	(3.6)	(9.1)
Length of Marriage in 1957	-0.3	3.0	4.8	1.3	5.3	5.4
	(5.7)	(4.9)	(4.9)	(6.3)	(3.4)	(6.4)
Children's outcomes:						
Schooling	14.6	14.6	14.6	14.9	14.8	15.1
	(2.580)	(2.446)	(2.516)	(2.526)	(2.178)	(2.634)
Monthly salary (2010)	15,931	15,375	15,524	17,566	15,867	16,450
	(14,409)	(12,864)	(12,898)	(14,501)	(12,874)	(14,996)
# of Obs.	4,811	719	956	1054	323	655

Notes. The Table reports statistics on children born to one time married Jewish Israelis, who immigrated to Israel before 1972, got married before 1954, and both of whom receive compensation sooner (high or low) or later, by the timing of receiving it. 1957 represents the year in which compensations became practically available. Total Early is the total amount received from early compensation in each household, as a share of the average salary in the economy.

Table 2: The Effect of Compensation to Holocaust Survivors on the Years of Schooling of Their Children

All	(1)	(2)	(3)	(4)	(5)
Total Early	0.746***	0.963***	0.804***	0.513***	0.528***
	(0.150)	(0.165)	(0.145)	(0.161)	(0.171)
Constant	14.432***	14.880***	12.361***	11.724***	11.651***
	(0.035)	(0.137)	(0.090)	(0.184)	(0.694)
# of Obs.	8,518	8,518	8,518	8,518	8,518
R-squared	0.003	0.004	0.070	0.072	0.077
Boys	(1)	(2)	(3)	(4)	(5)
Total Early	0.652***	0.714***	0.702***	0.244	0.336
	(0.218)	(0.240)	(0.211)	(0.233)	(0.247)
Constant	14.387***	14.540***	12.215***	11.191***	10.887***
	(0.051)	(0.202)	(0.131)	(0.266)	(0.987)
# of Obs.	4,386	4,386	4,386	4,386	4,386
R-squared	0.002	0.002	0.071	0.076	0.084
Girls	(1)	(2)	(3)	(4)	(5)
Total Early	0.849***	1.220***	0.914***	0.793***	0.698***
	(0.205)	(0.225)	(0.198)	(0.220)	(0.235)
Constant	14.480***	15.217***	12.496***	12.252***	12.384***
	(0.048)	(0.185)	(0.124)	(0.252)	(0.974)
# of Obs.	4,132	4,132	4,132	4,132	4,132
R-squared	0.004	0.008	0.071	0.072	0.076
Controls:					
Parents' age	No	Yes	No	Yes	Yes
Parents' Schooling	No	No	Yes	Yes	Yes
Other Controls	No	No	No	No	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes. The Table reports the results of regressions where the dependent variable is YSC (years of schooling of the child), based on a sample of children born to one time married Jewish Israelis, who immigrated to Israel before 1972, got married before 1954, and both of whom receive compensation sooner or later. Total Early is the total amount received from early compensation in each household, as a share of the average salary in the economy. Other controls are Age and Sex, Length of parents' marriage in 1957, and individual covariates for the father and the mother including: Age, Years since immigration (in 1956) and Country of origin.

Table 3: The Effect of Compensation to Holocaust Survivors on the Probability of Their Children to Acquire Tertiary Education

Boys	(1)	(2)	(3)	(4)	(5)
Total Early	0.055	0.116***	0.063*	0.038	0.054
	(0.038)	(0.042)	(0.037)	(0.041)	(0.044)
Constant	0.441***	0.561***	0.064***	0.008	0.127
	(0.009)	(0.036)	(0.023)	(0.047)	(0.170)
# of Obs.	4,705	4,705	4,705	4,705	4,705
R-squared	0.000	0.003	0.062	0.063	0.075
Girls	(1)	(2)	(3)	(4)	(5)
Total Early	0.093**	0.223***	0.104***	0.157***	0.136***
	(0.040)	(0.044)	(0.039)	(0.043)	(0.046)
Constant	0.500***	0.744***	0.166***	0.286***	0.424**
	(0.009)	(0.036)	(0.024)	(0.050)	(0.190)
# of Obs.	4,308	4,308	4,308	4,308	4,308
R-squared	0.001	0.013	0.050	0.052	0.060
Controls:					
Parents' age	No	Yes	No	Yes	Yes
Parents' Schooling	No	No	Yes	Yes	Yes
Other Controls	No	No	No	No	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes. The Table reports the results of regressions where the dependent variable is a dummy variable that equals one if the child as at least a Bachelors Degree, based on a sample of children born to one time married Jewish Israelis, who immigrated to Israel before 1972, got married before 1954, and both of whom receive compensation sooner or later. Total Early is the total amount received from early compensation in each household, as a share of the average salary in the economy. Other controls are Age and Sex, Length of parents' marriage in 1957, and individual covariates for the father and the mother including: Age, Years since immigration (in 1956) and Country of origin.

Table 4: The Effect of Compensation to Holocaust Survivors on the Wage of Their Children

Boys	(1)	(2)	(3)	(4)	(5)
Total Early	-0.068	-0.138	-0.059	-0.185*	-0.117
	(0.088)	(0.097)	(0.088)	(0.097)	(0.103)
Constant	9.611***	9.498***	9.414***	9.149***	4.783***
	(0.020)	(0.079)	(0.052)	(0.108)	(0.772)
# of Obs.	3,071	3,071	3,071	3,071	3,071
R-squared	0.000	0.002	0.006	0.009	0.037
Girls	(1)	(2)	(3)	(4)	(5)
Total Early	0.103	0.160	0.109	0.108	0.228**
	(0.092)	(0.101)	(0.092)	(0.102)	(0.109)
Constant	9.014***	9.126***	8.769***	8.775***	5.839***
	(0.021)	(0.081)	(0.056)	(0.113)	(0.812)
# of Obs.	2,905	2,905	2,905	2,905	2,905
R-squared	0.000	0.001	0.008	0.008	0.022
Controls:					
Parents' age	No	Yes	No	Yes	Yes
Parents' Schooling	No	No	Yes	Yes	Yes
Other Controls	No	No	No	No	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes. The Table reports the results of regressions where the dependent variable is log the child's salary in 2010, based on a sample of children born to one time married Jewish Israelis, who immigrated to Israel before 1972, got married before 1954, and both of whom receive compensation sooner or later. Total Early is the total amount received from early compensation in each household, as a share of the average salary in the economy. Other controls are Age and Sex, Length of parents' marriage in 1957, and individual covariates for the father and the mother including: Age, Years since immigration (in 1956) and Country of origin.

Table 5: Robustness: The Effect of Compensation to Holocaust Survivors on the Years of Schooling of Their Children, Only if the Parents' Age Was Over 16 in 1939

Boys	(1)	(2)	(3)	(4)	(5)
Total Early	1.221	1.378	0.446	0.588	0.771
	(0.822)	(0.842)	(0.839)	(0.860)	(0.932)
Constant	14.122***	16.557***	12.134***	14.273***	12.024***
	(0.333)	(2.712)	(0.673)	(2.730)	(4.418)
# of Obs.	216	216	216	216	216
R-squared	0.010	0.014	0.067	0.070	0.121
Girls	(1)	(2)	(3)	(4)	(5)
Total Early	1.767***	1.727***	1.562**	1.500**	1.590**
	(0.652)	(0.661)	(0.673)	(0.684)	(0.769)
Constant	14.189***	13.245***	13.480***	12.616***	12.498***
	(0.264)	(2.593)	(0.593)	(2.669)	(3.743)
# of Obs.	212	212	212	212	212
R-squared	0.034	0.035	0.042	0.044	0.116
Controls:					
Parents' age	No	Yes	No	Yes	Yes
Parents' Schooling	No	No	Yes	Yes	Yes
Other Controls	No	No	No	No	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes. The Table reports the results of regressions where the dependent variable is YSC (years of schooling of the child), based on a sample of children born to one time married Jewish Israelis, who were over 18 years old at 1939, immigrated to Israel before 1972, got married before 1954, and both of whom receive compensation sooner or later. Total Early is the total amount received from early compensation in each household, as a share of the average salary in the economy. Other controls are Age and Sex, Length of parents' marriage in 1957, and individual covariates for the father and the mother including: Age, Years since immigration (in 1956) and Country of origin.

Table 6: Robustness: The Effect of Compensation to Holocaust Survivors on the Years of Schooling of Their Children, Only Children Born After 1945

Boys	(1)	(2)	(3)	(4)	(5)
Total Early	0.591***	0.634***	0.648***	0.170	0.283
	(0.219)	(0.241)	(0.212)	(0.234)	(0.248)
Constant	14.399***	14.518***	12.234***	11.146***	10.862***
	(0.051)	(0.203)	(0.131)	(0.268)	(0.985)
# of Obs.	4,345	4,345	4,345	4,345	4,345
R-squared	0.002	0.002	0.071	0.076	0.085
Girls	(1)	(2)	(3)	(4)	(5)
Total Early	0.807***	1.198***	0.875***	0.771***	0.657***
	(0.208)	(0.228)	(0.201)	(0.222)	(0.238)
Constant	14.484***	15.261***	12.481***	12.265***	12.517***
	(0.048)	(0.189)	(0.125)	(0.255)	(0.982)
# of Obs.	4,083	4,083	4,083	4,083	4,083
R-squared	0.004	0.008	0.072	0.072	0.077
Controls:					
Parents' age	No	Yes	No	Yes	Yes
Parents' Schooling	No	No	Yes	Yes	Yes
Other Controls	No	No	No	No	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes. The Table reports the results of regressions where the dependent variable is YSC (years of schooling of the child), based on a sample of children who were born after 1945, to one time married Jewish Israelis, who immigrated to Israel before 1972, got married before 1954, and both of whom receive compensation sooner or later. Total Early is the total amount received from early compensation in each household, as a share of the average salary in the economy. Other controls are Age and Sex, Length of parents' marriage in 1957, and individual covariates for the father and the mother including: Age, Years since immigration (in 1956) and Country of origin.

Table 7: Robustness: The Effect of Compensation to Holocaust Survivors on the Years of Schooling, on The Probability of Their Children to Acquire Tertiary Education, and Wage of Their Children, Controlling the Number of Children Born to The Parents

	(1) YSC Boys	(2) YSC Girls	(3) High Boys	(4) High Girls	(5) Wage Boys	(6) Wage Girls
Total Early	0.374	0.736***	0.060	0.145***	-0.111	0.238**
	(0.246)	(0.235)	(0.043)	(0.046)	(0.102)	(0.108)
Children ever born	-0.233***	-0.182***	-0.046***	-0.049***	-0.089***	-0.060***
	(0.037)	(0.034)	(0.007)	(0.007)	(0.015)	(0.016)
Constant	11.887***	13.180***	0.326*	0.635***	5.500***	6.141***
	(0.996)	(0.982)	(0.171)	(0.191)	(0.777)	(0.814)
# of Obs.	4,386	4,132	4,705	4,308	3,071	2,905
R-squared	0.092	0.083	0.084	0.072	0.048	0.027
Other Controls	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes. The Table reports the results of regressions where the dependent variables are YSC (years of schooling of the child), High (a dummy variable equals one if the child as at least a Bachelors Degree), or Wage (log the child's salary in 2010), based on a sample of children born to one time married Jewish Israelis, who immigrated to Israel before 1972, got married before 1954, and both of whom receive the same type of compensation sooner (high or low) or later. All regressions include the following controls: Age and Sex, Length of parents' marriage in 1957, and individual covariates for the father and the mother including: Age, Years since immigration (in 1956) and Country of origin.

Table 8: Robustness and Extension: The Effect of Compensation to Holocaust Survivors on the Years of Schooling, on the Probability of Their Children to Acquire Tertiary Education, and the Wage of Their Children

	(1) YSC Boys	(2) YSC Girls	(3) High Boys	(4) High Girls	(5) Wage Boys	(6) Wage Girls
Both High	0.188	0.406**	0.037	0.089***	-0.073	0.187**
	(0.171)	(0.166)	(0.030)	(0.032)	(0.073)	(0.076)
Both Low	0.186	0.307**	0.018	0.051**	-0.023	-0.002
	(0.135)	(0.132)	(0.024)	(0.026)	(0.055)	(0.061)
Constant	12.516***	12.666***	-0.293	0.424	4.270***	4.941***
	(1.782)	(1.927)	(0.271)	(0.383)	(1.182)	(1.061)
# of Obs.	3,289	3,133	3,516	3,254	2,294	2,207
R-squared	0.104	0.090	0.089	0.069	0.038	0.026
Controls	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes. The Table reports the results of regressions where the dependent variables are YSC (years of schooling of the child), High (a dummy variable equals one if the child as at least a Bachelors Degree), or Wage (log the child's salary in 2010), based on a sample of children born to one time married Jewish Israelis, who immigrated to Israel before 1972, got married before 1954, and both of whom receive the same type of compensation sooner (high or low) or later. Both high is a dummy variable that equals one when both parents receive the high compensation, Both low is a dummy variable that equals one when both parents receive the low compensation, and the omitted category includes children to parents who receive the late compensation. All regressions include the following controls: Age and Sex, Length of parents' marriage in 1957, and individual covariates for the father and the mother including: Age, Years since immigration (in 1956) and Country of origin.

Table 9: Robustness and Extension: The Effect of Compensation to Holocaust Survivors on the Years of Schooling of Their Children, By Parents' Countries of Origin

	Poland	Poland	Romania	Romania
Boys	(1)	(2)	(3)	(4)
Total Early	1.078**	1.048**	0.581	0.248
	(0.448)	(0.491)	(0.628)	(0.655)
Constant	14.499***	13.345***	14.272***	10.697***
	-0.119	-1.105	-0.097	-0.94
# of Obs.	770	770	1,038	1,038
R-squared	0.007	0.076	0.001	0.117
Girls	(1)	(2)	(3)	(4)
Total Early	1.554***	1.523***	2.229***	2.161***
	(0.444)	(0.484)	(0.590)	(0.627)
Constant	14.363***	14.699***	14.230***	12.558***
	(0.119)	(1.107)	(0.091)	(0.875)
# of Obs.	655	655	1,000	1,000
R-squared	0.018	0.073	0.014	0.077
Controls	No	Yes	No	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes. The Table reports the results of regressions where the dependent variable is YSC (years of schooling of the child), based on a sample of children born to one time married Jewish Israelis, who immigrated to Israel before 1972, got married before 1954, and both of whom receive compensation sooner or later. Total Early is the total amount received from early compensation in each household, as a share of the average salary in the economy. Other controls are Age and Sex, Length of parents' marriage in 1957, and individual covariates for the father and the mother including: Age, Years since immigration (in 1956) and Country of origin.

Table 10: Robustness and Extension: The Effect of Compensation to Holocaust Survivors on The Probability of Their Children to Acquire Tertiary Education, By Parents' Countries of Origin

	Poland	Poland	Romania	Romania
Boys	(1)	(2)	(3)	(4)
Total Early	0.138*	0.142	-0.027	-0.031
	(0.083)	(0.091)	(0.108)	(0.114
Constant	0.446***	0.384*	0.427***	0.175
	(0.022)	(0.209)	(0.017)	(0.166)
# of Obs.	832	832	1,107	1,107
R-squared	0.003	0.063	0.000	0.093
Girls	(1)	(2)	(3)	(4)
Total Early	0.421***	0.499***	0.160	0.204*
	(0.088)	(0.095)	(0.114)	(0.123)
Constant	0.456***	0.865***	0.475***	0.368**
	(0.024)	(0.212)	(0.018)	(0.171)
# of Obs.	690	690	1,027	1,027
R-squared	0.032	0.093	0.002	0.055
Controls	No	Yes	No	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes. The Table reports the results of regressions where the dependent variable is a dummy variable equals one if the child as at least a Bachelors Degree, based on a sample of children born to one time married Jewish Israelis, who immigrated to Israel before 1972, got married before 1954, and both of whom receive compensation sooner or later. Total Early is the total amount received from early compensation in each household, as a share of the average salary in the economy. Other controls are Age and Sex, Length of parents' marriage in 1957, and individual covariates for the father and the mother including: Age, Years since immigration (in 1956) and Country of origin.

Table 11: Robustness and Extension: The Effect of Compensation to Holocaust Survivors on The Wage of Their Children, By Parents' Countries of Origin

	Poland	Poland	Romania	Romania
Boys	(1)	(2)	(3)	(4)
Total Early	-0.144	0.015	-0.205	-0.230
	(0.183)	(0.209)	(0.244)	(0.262)
Constant	9.700***	2.611	9.636***	4.700***
	(0.047)	(2.040)	(0.036)	(1.483)
# of Obs.	526	526	749	749
R-squared	0.001	0.042	0.001	0.032
Girls	(1)	(2)	(3)	(4)
Total Early	0.569***	0.682***	0.030	-0.031
	(0.212)	(0.241)	(0.260)	(0.284)
Constant	8.979***	6.002***	9.002***	5.856***
	(0.055)	(2.111)	(0.037)	(1.398)
# of Obs.	435	435	729	729
R-squared	0.016	0.036	0.000	0.020
Controls	No	Yes	No	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes. The Table reports the results of regressions where the dependent variable is log the child's salary in 2010, based on a sample of children born to one time married Jewish Israelis, who immigrated to Israel before 1972, got married before 1954, and both of whom receive compensation sooner or later. Total Early is the total amount received from early compensation in each household, as a share of the average salary in the economy. Other controls are Age and Sex, Length of parents' marriage in 1957, and individual covariates for the father and the mother including: Age, Years since immigration (in 1956) and Country of origin.