

## Israeli Labor Market- First Quarter 2015

The 1<sup>st</sup> Quarter of 2015 was characterized by a relative deterioration of the labor market which was reflected in a decrease in the employment rate and in the rate of full time employees. However, a decrease was also registered in the unemployment rate, both for male and female employees.

In contrast, the decrease in the participation rate was due mostly to the decrease in the male participation rate. The decrease in the participation rate was most evident in the southern and northern parts of Israel. Examining the labor market on the basis of the targets set by the employment committee (headed by Prof. Zvi Eckstein) in 2010 shows that most targets set by the committee are expected to be met. However, there are doubts as to whether the targets for Arab women and Orthodox Jewish men will be met. This is in spite of the sharp increase registered by Orthodox Jewish women in recent years, surpassing the target set by the committee.

### Explanation of key terms

Labor market data include three main rates: participation rate, unemployment rate, and employment rate. The definitions of these rates are as follow:<sup>1</sup>

$$\text{Participation rate} = \frac{\text{participants}^2}{\text{working age population}} = \frac{\text{employed} + \text{unemployed}}{\text{working age population}}$$

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<sup>1</sup> An employee is an individual who worked for a salary for at least one hour in the specific week he was asked about, an unemployed person is an individual who wasn't employed but was trying to find a job actively during the previous four weeks. A participant in the labor market is someone who was either employed or unemployed according to these definitions. Working age is defined as 15+. The decision to include individuals from 15 years old in the work force is due to the fact that the mandatory education law used to include pupils until the ninth grade only, and therefore after this age pupils could be employed.

<sup>2</sup> Not all population of the working age participates in the work force, for example high school students or higher education students who don't seek employment, etc.

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$$\text{Unemployment rate} = \frac{\text{unemployed}}{\text{participants}} = \frac{\text{unemployed}}{\text{employed} + \text{unemployed}}$$

$$\text{Employment rate} = \frac{\text{employed}}{\text{working age population}}$$

### Trends in the 1<sup>st</sup> Quarter of 2015:<sup>3</sup>

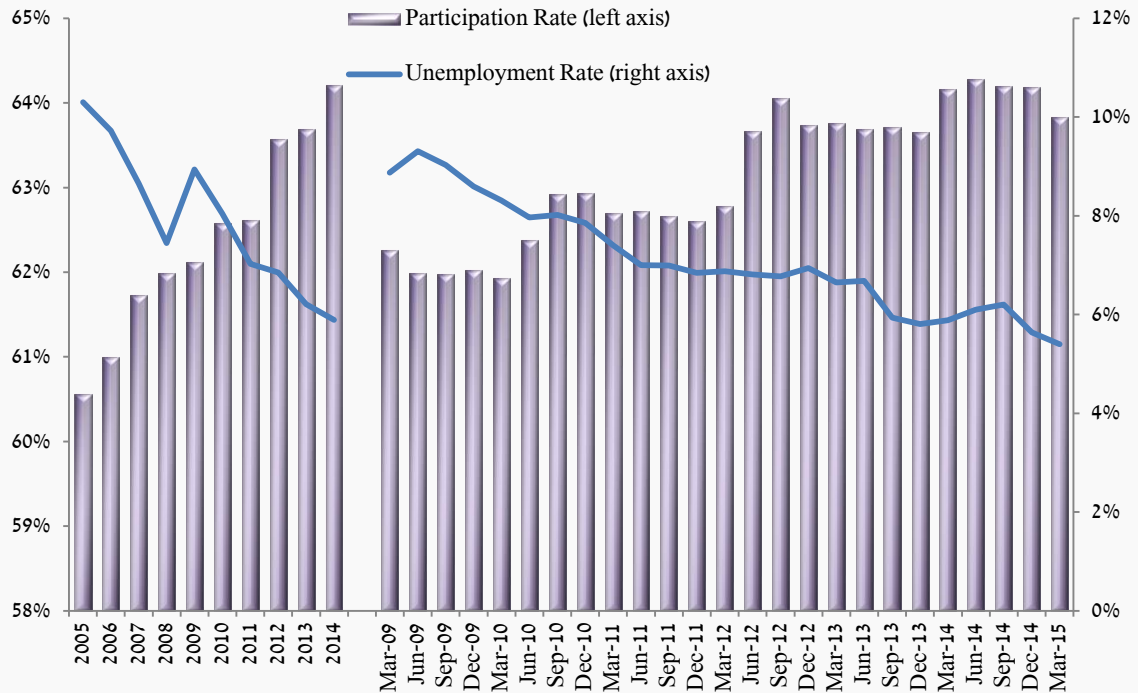
Figure 1 presents the developments in the labor market starting in 2005, focusing on the quarterly developments since the height of the Sub-Prime crisis. In the last quarter of 2014 the Israeli labor market peaked, when the employment rate for working ages totaled 60.6 percent. During the first quarter of 2015 a decrease was registered in that index, thus reaching the level that was registered during the first half of 2014 at 60.4 percent. The decrease in the employment rate was due to a relatively sharp decrease in the participation rate from the peak level that was registered in 2014 (see figure 1). This decrease was moderated by a further decrease in the unemployment rate, which continued to break historical records. Current data places Israel among the best labor markets in the OECD.

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<sup>3</sup> Most of the data in the first quarter of 2015 are compared with the data from the last quarter of 2015.

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**Figure 1: The unemployment rate and participation rate for ages 15+**



Source: CBS

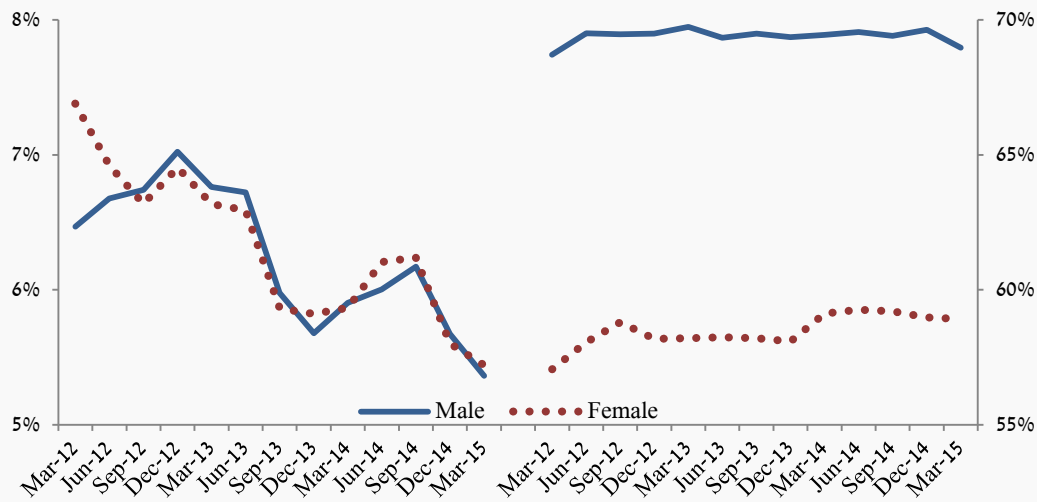
Data until 2011 (including) is chained according to the CBS' chaining coefficient

The decrease in the unemployment rate registered in the last two quarters is reflected in both genders, while previous gaps between gender groups were closed completely in recent years (see figure 2). However, the decrease in the participation rate that was evident in the 1<sup>st</sup> quarter of 2015 was reflected among males only, while female participation remained mostly unchanged.

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**Figure 2: Unemployment rate and participation rate for 15+**

**By gender**



Source: CBS

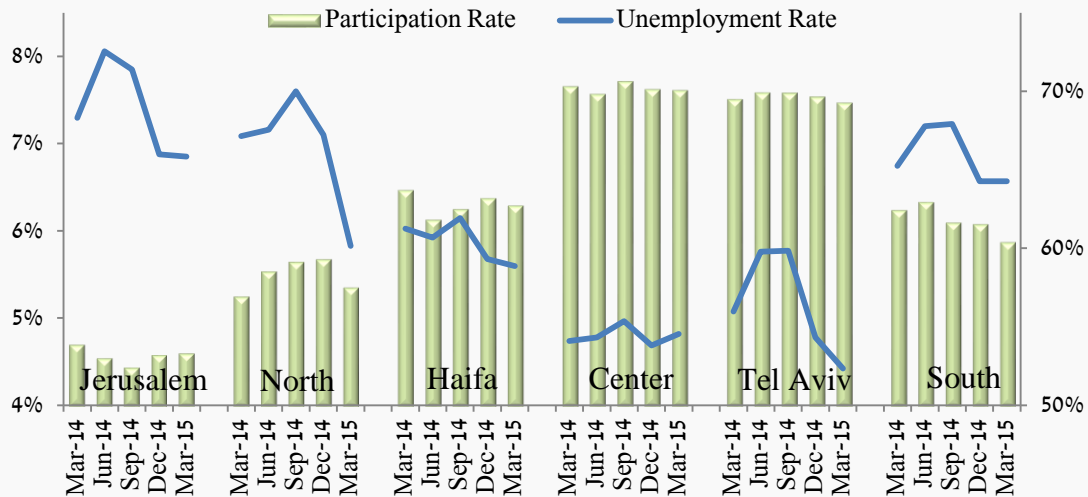
The examination of the labor market data by district indicates that the improvement in the unemployment rate during the last two quarters took place in all districts, except for the center district which maintained a relatively low unemployment rate.

The decrease in the participation rate in the 1<sup>st</sup> quarter was evident in most districts, with the southern and northern districts showing significant decreases. The Jerusalem and the center districts remained consistent in the last quarter.

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**Figure 3: Unemployment rate and participation rate for 15+**

**By district**

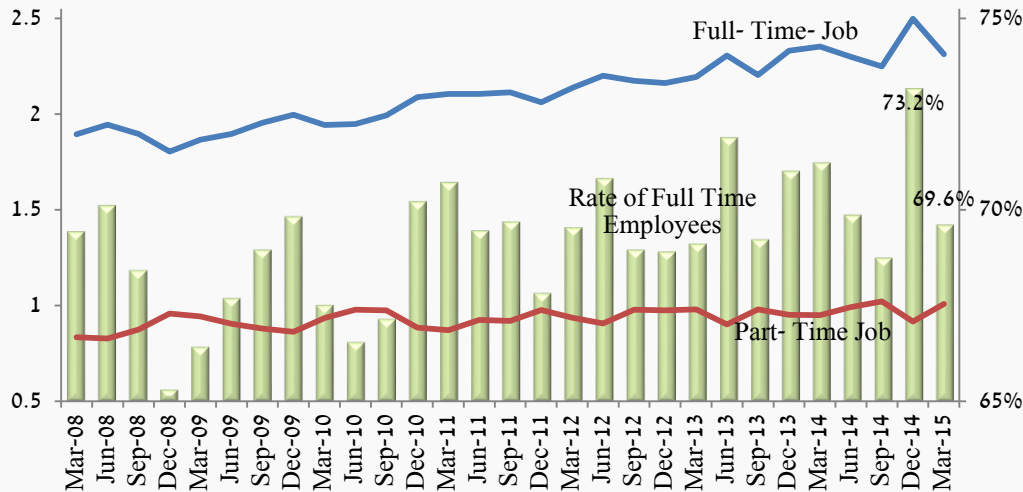


Source: CBS

The deterioration in the labor market in the 1<sup>st</sup> quarter (the decrease in the participation and employment rates) was also reflected in the total number of full time employees decreasing and part time employees increasing. As a result, the total number of full time employees decreased in the 1<sup>st</sup> quarter by approx. 3.5 point percentage.

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**Figure 4: Level of employment by the extent of work**



Source: CBS

Data until 2011 (including) is chained according to the CBS' chaining coefficient

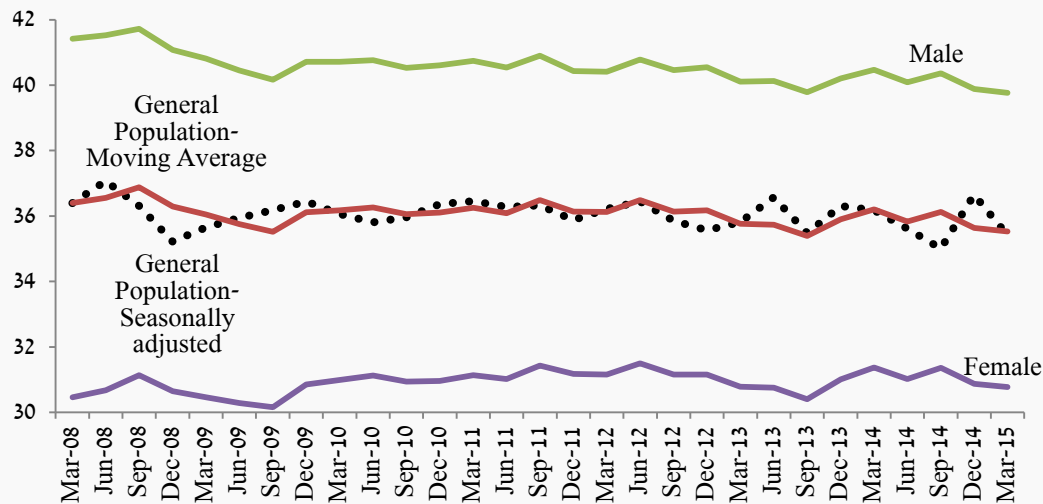
Data of weekly working hours per employee (figure 5) indicate decreasing trend in the number of weekly working hours in the last quarters. An ongoing decreasing trend is evident for males since 2008, while the decrease for females began only in recent quarters, after maintaining a relatively consistent level since 2010<sup>4</sup>.

<sup>4</sup> Except for a temporary decrease in the first half of 2013, that was followed by a quick recovery in the beginning of 2014.

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**Figure 5: Weekly working hours per employee**

Seasonally adjusted (dotted line), and moving average of the last four quarters



Source: CBS

Data until 2011 (including) is chained according to the CBS' chaining coefficient. Data for females and males are a moving average of the four last quarters due to the lack of seasonally adjusted data.

Examining data of the unemployed by the length of the unemployment period reveals an increase on the part of the long term unemployed (unemployed for the past 12 months) reaching 38 percent, an increase from its lowest level of 35 percent which was registered in the 3<sup>rd</sup> quarter of 2014. However, the current level is still significantly lower than the level registered in the beginning of 2012 (more than 47 percent). Furthermore, the increase in the total number of the long term unemployed was due mostly to a decrease in the number of other unemployed. Thus, the amount of the long term unemployed decreased by five percent over the last two quarters, compared with a decrease by approx. 17 percent in the number of unemployed who have worked during the last year.



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### **Progress in achieving the employment committee goals**

In 2010, Prof. Zvi Eckstein, Head of the Employment Committee, submitted its recommendations to the Government of Israel. A part of the report was dedicated to setting targets for increasing the employment rate for the Israeli economy, and specifically for two sectors which are characterized by lower employment rates: Orthodox Jews (mostly men), Arabs (mostly women) and people with disabilities. The targets in the report referred to 2020. Based on the data of the labor market from the 1<sup>st</sup> quarter of 2015, the Israeli Central Bureau of Statistics analyzed the employment statistics for these sectors, thus allowing the examination of the level of convergence to these targets.

In the beginning of 2012 an adjustment in the methodology for the labor force survey was performed, resulting in a significant increase in labor data, especially among employees from 18-24 years old.<sup>5</sup> However, the targets of the employment committee remained unchanged, since they were based on OECD employment rates while the methodological change was meant to adjust the Israeli survey to the method common in the OECD.

### **General population:**

The committee set the employment target for the general population between ages 25-64 to 76.5 percent, while the latest data is 76.2 percent (average of the last four quarters, ending with the 1<sup>st</sup> quarter of 2015, see figure 6).

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<sup>5</sup> The increase in the employment rate for this group is due to the changing of definition for mandatory service soldiers from non- participants to employed.

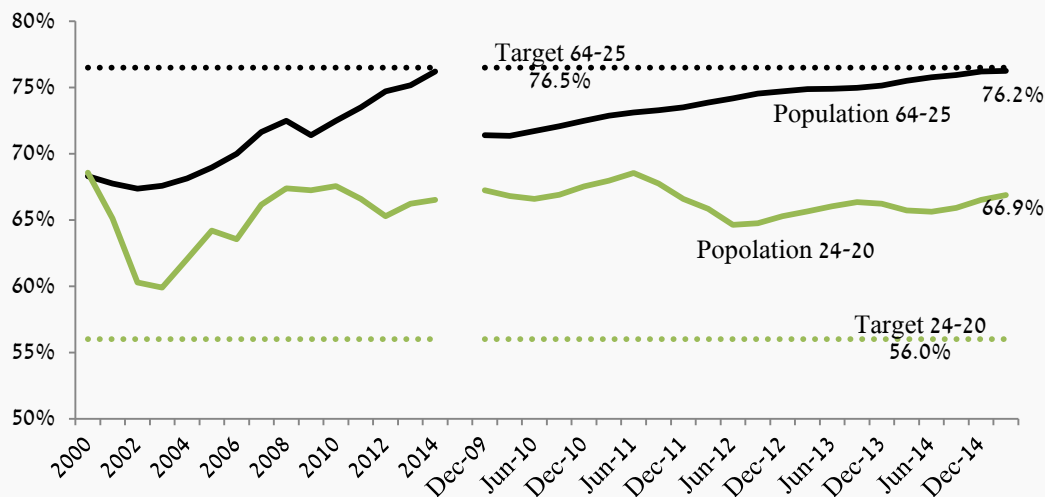




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**Figure 6: Employment rate and the target of the employment committee  
(Eckstein committee)**

### Yearly and quarterly data



Source: CBS

Data until 2011 (including) is chained according to the CBS' chaining coefficient. Quarterly data are a moving average of the last four quarters due to seasonally adjusted data.

In relation to the target for the population aged 20–24 (56 percent), the inclusion of mandatory service soldiers as employed has brought a significant increase in the employment rate of this age (67 percent), and above its target.

### Arab population:

The Arab population is usually characterized by a lower employment rate, especially among women. Thus, the unemployment rate for Arab males and females in 2014 was 5.6 and 7.2 percent, respectively<sup>6</sup>, compared with an unemployment rate of 5.0 percent for both males and females in the general population.<sup>7</sup>

The committee set the target for Arab male employment at 78 percent, and for Arab female at 41 percent. Figure 7 shows that the target for Arab men is reachable,

<sup>6</sup> These data follow a significant decrease in unemployment rates in 2013-2014

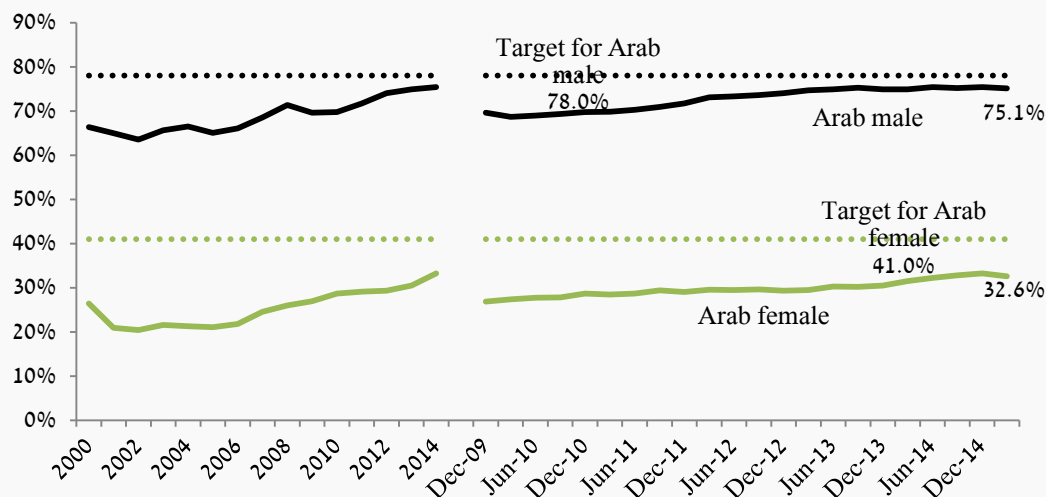
<sup>7</sup> Unemployment rates are lower in the general population excluding the Arab sector (and Orthodox Jews)

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whereas for Arab females, despite the increase that was recorded over time, the employment rate is still significantly lower (by approx. eight percentage points) than the target set by the committee.

**Figure 7: Employment rate and the target of the employment committee (Eckstein committee)**

### Yearly and quarterly data



Source: CBS

Data until 2011 (including) is chained according to the CBS' chaining coefficient. The quarterly data are a moving average of the last four quarters due to the lack of seasonally adjusted data.

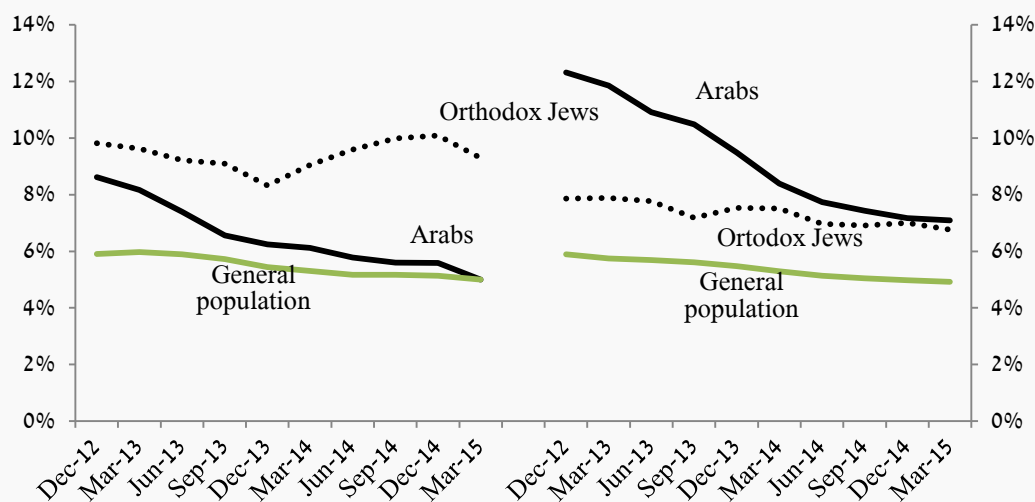
Examining data for ages 20-24 indicates that the target for Arab male (65 percent) has already been met (last data 67.4 percent), but for Arab female the target (42 percent) is far off the current rate (last data 27.2 percent).

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### Orthodox Jewish population<sup>8</sup>:

The Orthodox population is also characterized by lower employment rates, however for this sector the focus is on increasing male employment. The Orthodox population, much like the Arab population, has greater unemployment rates than the non-Orthodox Jewish population (see figure 8).

**Figure 8: Unemployment rate - quarterly data**



Source: CBS

The data are a moving average of the last four quarters due to the lack of seasonally adjusted data.

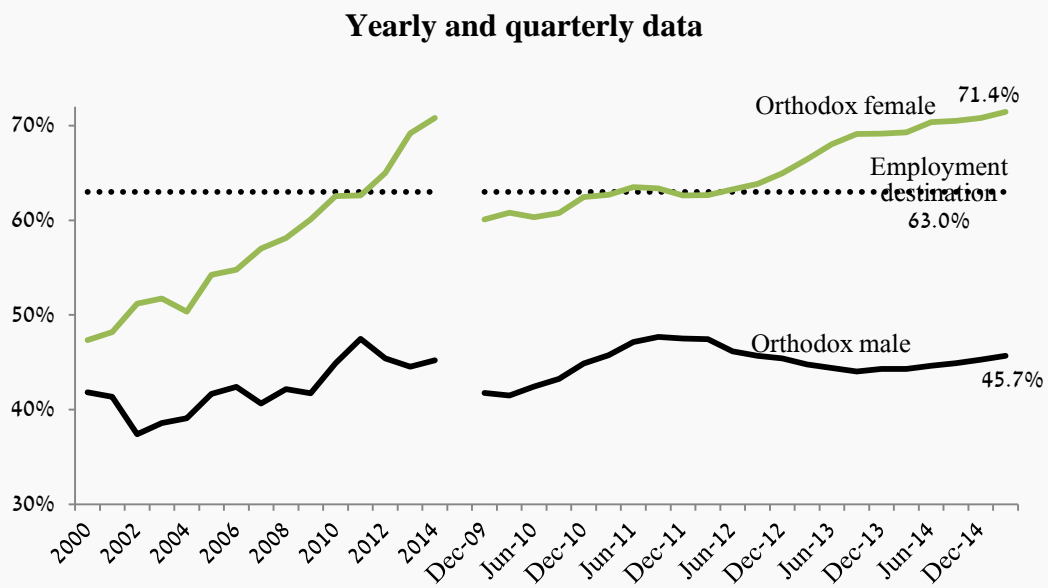
Examining the employment rate of the Orthodox Jewish population in relation to the targets set by the committee indicates a significant gap between men and women. Among Orthodox women the employment rate increased significantly above the target set by the committee and its current level is only slightly lower than the level of the general population. In contrast, the employment rate for Orthodox men remains significantly lower than the target, as since the beginning of 2012 up until 2014 a

<sup>8</sup> An Orthodox person is defined, in accordance with the definition of the Council for Higher Education, as a person who is part of a household, that for one of its members, the last educational institute was a higher level Yeshiva or a Kolel

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decrease was registered in Orthodox male employment rates, caused by an increase in the unemployment rate.

**Figure 9: Employment rate and the target of the employment committee (Eckstein committee)**



Source: CBS

The quarterly data are a moving average of the last four quarters due to the lack of seasonally adjusted

