

CHAPTER IX

POPULATION, LABOR FORCE, AND EMPLOYMENT

1. MAIN DEVELOPMENTS

THE OUTSTANDING DEVELOPMENTS in the manpower situation in 1966 were the much slower growth of the population and the rapid mounting of unemployment.

The population expanded by 2.2 percent in the course of the year—the lowest rate since 1953. This was largely due to the sharp decline in immigration. The level of unemployment at year's end was more than three times as high as in any of the five preceding years.¹ The upsurge in the number of jobless was an inevitable outcome of the slowdown in economic activity which began in the latter part of 1965.

The recession dampened demand for labor, and in contrast to previous years, when employment grew at about the same rate as the civilian labor force, the average number of gainfully employed did not rise at all in 1966, and toward the end of the year it even fell off precipitately. On the other hand, the civilian labor force continued to expand, mainly as a result of the natural growth of the population, which added an average of some 58,000 persons of working age,² of whom approximately 36,000 joined the civilian labor force³ (see Table IX-1). This stability, and even decline, in gainful employment, together with the rise in the number of potential workers, is one indicator of the magnitude of the drop in the manpower utilization rate and the increase in unemployment. Other indicators are provided by direct measurements of the number of jobless.

In Israel there are two different and independent direct estimates of unemployment. Despite the divergences between them, both give a similar picture of the general development of unemployment during the year. The two estimates are (1) the number of unemployed according to manpower surveys; and (2) the daily average of unemployed registered with the labor exchanges of the National Employment Service.

¹ This finding is yielded by all indicators of the volume of unemployment (see Table IX-4).

² Aged 14 and over.

³ The civilian labor force consists of all persons of working age who are gainfully employed and those who are unemployed but seeking work. (For a more detailed definition, see the *Statistical Abstract of Israel*, No. 17, published by the Central Bureau of Statistics, 1966, p. 286.)

As can be seen in Table IX-1 (lines 7 and 8), there is a wide disparity between the two estimates. This is due partly to differences in data collecting methods,¹ but in the main to different definitions of unemployment,² particularly in the manner of seeking work.

It should be noted that even in former years, when the economy was flourishing and there was a shortage of labor, manpower surveys showed more than 30,000 unemployed (over 3 percent of the civilian labor force).

The slackening of economic activity in 1966, together with the continued growth of the civilian labor force, brought up the average number of unemployed, according to the manpower surveys, to 70,200, or 7.4 percent of the labor force. Analysis of this estimate (see Table IX-4) shows that unemployment rose throughout the year, and by the last quarter it reached 99,100, or 10.3 percent of the labor force.

National Employment Service data reveal a similar picture. In 1966 the average daily level of unemployment, including youth, stood at 10,100, as against 4,500 in the two preceding years. In the last quarter of the year it reached 16,500 and in the last month, 19,400.³

The depression in the labor market was relatively modest at first—at the end of 1965 and the beginning of 1966. During this period activity began to sag in several branches of the economy, chiefly construction. This can be mainly ascribed to the curtailment of work on certain public projects, which were not directly dependent on the level of activity in the private sector. The repercussions were felt in other branches of the economy having strong input-output links with them. These developments influenced the direction in which unemployment grew during the initial period, it being concentrated in several regional foci and in certain branches.

In the following period, from the second quarter of 1966 until the end of

¹ Manpower survey findings are based on a quarterly sample of some 6,000 families (15,000 adults), carried out by the Central Bureau of Statistics. Daily average unemployment is estimated according to the number of persons registered at the labor exchanges of the National Employment Service.

² The distinction between the two definitions can be best illustrated by describing an unemployed person at a given point of time, according to each of the definitions. In the case of the manpower survey, the typical unemployed is a person of working age who has not worked at all (not even a single hour) for one week and who has actively looked for employment in any manner whatsoever—by registering with a general (National Employment Service) or any other labor exchange, by personal or written application, by attempting to establish an independent business, etc. The typical unemployed according to the second definition is a person of working age who has not worked for one day but who on that day actively sought work solely by applying to a general labor exchange. These conceptual differences are likely to yield widely disparate estimates, without either of them being statistically deficient.

³ The growth of daily average unemployment toward the end of 1966 was apparently due in part to the larger number of persons registering at labor exchanges following the various announcements regarding possible future unemployment benefit payments.

Table IX-1

AVERAGE POPULATION AND LABOR FORCE CHARACTERISTICS, 1964-66
(thousands)

	Annual averages			Average Oct.- Dec. 1966	Percent average increase or decrease (-)		
	1964	1965	1966		From 1965 to 1966	During 1966	From 1961 to 1965
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Average population	2,478	2,563	2,629	2,650	2.6	2.2	3.9
(2) Working-age population	1,656	1,727	1,785	1,798	3.3	2.6	4.4
(3) Civilian labor force	883.6	912.4	948.4	959.8	3.9	3.3	4.5
(4) Percent of total population	35.7	35.6	36.1	36.2	—	—	—
(5) Percent of working-age population	53.4	52.8	53.1	53.4	—	—	—
(6) Gainfully employed	854.0	879.2	878.2	860.7	-0.1	-4.0	4.7
(7) Daily average of regis- tered unemployed	4.6	4.4	10.1	16.5	129.5	254.7	-10.9
(8) Unemployed according to manpower surveys	29.6	33.2	70.2	99.1	111.4	163.3	-2.2
(9) Percent of civilian labor force	3.3	3.6	7.4	10.3	—	—	—

SOURCE: Line 1—*Statistical Bulletin of Israel*, published by the Central Bureau of Statistics, Jerusalem, February 1967, p. 6; lines 2, 3, 6, and 8—manpower surveys; line 7—National Employment Service data.

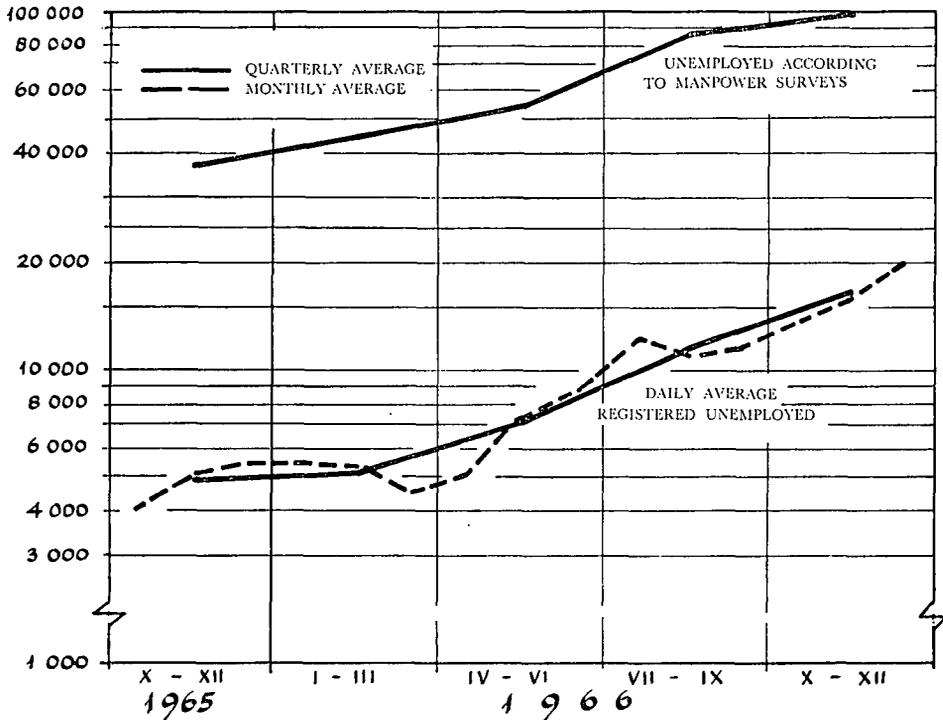
the year (including the first months of 1967), the rising trend in unemployment grew stronger. Demand pressure in the private sector apparently eased up appreciably following the decline in incomes and the changed business outlook as a result of developments in the previous period. The slump spread to numerous other markets, and consequently affected the employment situation in branches producing for them. The rapid increase in unemployment was thus accompanied by its spread throughout a large part of the economy, it no longer being confined to several isolated pockets and branches, as at first.

Unemployment not only grew quantitatively, but it also underwent a structural change. The number of building, industrial, and farm workers laid off rose sharply, and pockets of unemployment began to form also in the central part of the country, where previously unemployment had always been very low. All population groups showed a marked upsurge in unemployment,¹ though

¹ The rate of unemployment in a given population group is the ratio between the number of unemployed and the total number of persons in that group belonging to the civilian labor force.

Diagram IX-1

DIRECT INDICATORS OF UNEMPLOYMENT: DAILY AVERAGE OF REGISTERED UNEMPLOYED AND UNEMPLOYED ACCORDING TO MANPOWER SURVEYS, 1965-66



Semi-logarithmic scale.

SOURCE: Daily average of registered unemployed—National Employment Service data; Unemployed according to manpower surveys—Central Bureau of Statistics.

not to the same degree. There was an exceptionally big rise among Arab workers. On the other hand, the percentage increase among women and among youth aged 14 to 17 was smaller than for other sections of the population. While unemployment hit those with a lower level of education relatively harder, pockets of unemployment also developed in some professional fields, chiefly engineering, the humanities, and the social sciences. Another conspicuous development in 1966 was the deepening of unemployment, reflected by an increase in the average number of idle days per jobless per month.

As regards the development of the population, the outstanding change during the year was, as already noted, the fall in immigration and the consequent decrease in the population growth rate. The working-age population expanded more rapidly in 1966, although there was a further decline in the share of the middle age group, which tends to be relatively more active, economically speaking. The share of those of European-American origin continued downward,

while that of Israeli-born showed a further increase. The civilian labor force expanded by 3.9 percent as compared with the previous year, a faster rate than that of the total working-age population. Despite the conspicuous growth of unemployment, the labor force participation rate held steady,¹ and even tended to rise. In line with the trend of the past few years, the rate for males continued to decline, and that for female workers went up.

Manpower survey data indicate a slight drop in the annual level of gainful employment. The figure advanced slightly in the first quarter of the year, but thereafter moved steadily downward. This trend did not characterize all branches of the economy: whereas employment fell off steeply in some branches, others showed a rising level.

The initial and sharpest drop in employment took place in the building industry and those supplying it with intermediate products and raw materials. Substantially lower levels were also recorded in industries producing other capital goods and consumer durables. Branches producing principally for current consumption generally showed a higher annual figure, although in some cases the trend began to weaken toward the end of the year. In contrast to this, branches working mainly for the overseas market had a higher employment rate in 1966, with most of the increase being accounted for by a single industry—diamond polishing.

A sectorial analysis of developments in the employment situation shows a striking decline in construction and industry, a smaller drop in agriculture, and an increase in the services. It should be stressed that, if the reduced level of employment in the construction sector be regarded as a necessary evil and that in agriculture as the outcome of a long-run tendency to introduce technological labor-saving improvements, then the development giving most cause for concern in 1966 was the contraction of industrial employment.

2. POPULATION AND LABOR FORCE

(a) *Population and immigration*

In 1966 the growth of the population slowed down, mainly as a result of the sharp decrease in immigration.

At year's end the population stood at 2,657,000—an increase of 58,000, or 2.2 percent, over 1965. This growth rate is the lowest since 1953, and considerably below the average of over 4 percent per annum in the first half of the sixties. Nevertheless, it is still high in comparison with advanced countries in Western Europe and North America.

¹ The labor force participation rate is the ratio between the number of persons belonging to the civilian labor force and the total working-age population.

The downtrend in immigration, noticeable since the end of 1963, became more pronounced in 1966. Net immigration, which in recent years accounted for over half the population increment, accounted for only one-third in 1965 and one-eighth in 1966 (see Table IX-2).

Table IX-2
POPULATION AND SOURCES OF GROWTH, 1962-1966

	1962	1963	1964	1965	1966 ^a
	Thousands				
(1) Population at end of year	2,332	2,430	2,526	2,599	2,657
(2) Increase—in thousands	98	98	86	72	58
(3) Increase—in percentages	4.4	4.2	4.0	2.9	2.2
	Percentages				
(4) Total increase	100	100	100	100	100
(5) Net immigration	56	54	49	31	12
(6) Natural increase	44	46	51	69	88

^a This column has been calculated on the assumption that the number of emigrants in 1966 was identical with that in 1965. According to a more realistic assumption that the number of emigrants in 1966 grew by some 3,000 as compared with the previous year, the following estimates are obtained: population at the end of the year—2,654; percent increase—2.1; absolute increase—55,000. Of this growth, net immigration accounted for only 6 percent. SOURCE: Col. 1, 2, 3, and 4—*Statistical Abstract of Israel*, 1966, No. 17, published by the Central Bureau of Statistics, Jerusalem, 1966, Table B/2, p. 21; col. 5—*Statistical Bulletin of Israel*, Central Bureau of Statistics, March 1967, Table 1, pp. 7-8.

The fall in the annual birth rate, which was especially marked among the non-Jewish population, was offset by a similar drop in the death rate, so that the natural increase in 1966 (19.3 per thousand) held virtually steady compared with the previous year (19.4 per thousand). However, the rate of natural increase among the non-Jewish population was considerably higher than that of the Jewish population—43.1 and 16.2 respectively.

Another factor influencing the size and composition of the population is emigration. While it was impossible to give a final estimate of the extent of emigration in 1966¹ at the time of this report, preliminary figures show that, while the volume was greater in 1966 than in the two preceding years, it did not greatly exceed that of 1963 when 10,900 persons left the country, or that in the second half of the fifties when it came to over 11,000 per annum.²

¹ Most of the emigrants do not declare their intention of leaving the country for good; hence emigrants are defined as residents who leave the country and fail to return within one year of the date of their departure. A final estimate of the volume of emigration can therefore be made only at the end of one year at least.

² The reference is to 1956, 1957, and 1958. In 1952 and 1953 emigration amounted to about 13,000 per annum.

(b) *Working-age population*

The number of persons of working age averaged 1,785,000 in 1966—some 58,000, or 3.3 percent, more than in 1965. This is a faster increase than that of the total population but slower than the annual growth of the working-age population in the first half of the sixties (see Table IX-1).

The working-age population did not expand at a uniform rate in all component groups. In line with the trend of the past few years, the share of the 35-54 age group fell, while that of the younger and older groups moved up. The proportion of Israeli-born increased, whereas that of the European-American origin group declined. The share of the Afro-Asian and the minority groups remained practically unchanged. These structural changes have a significant bearing on changes in the labor force participation rate.

(c) *Civilian labor force*

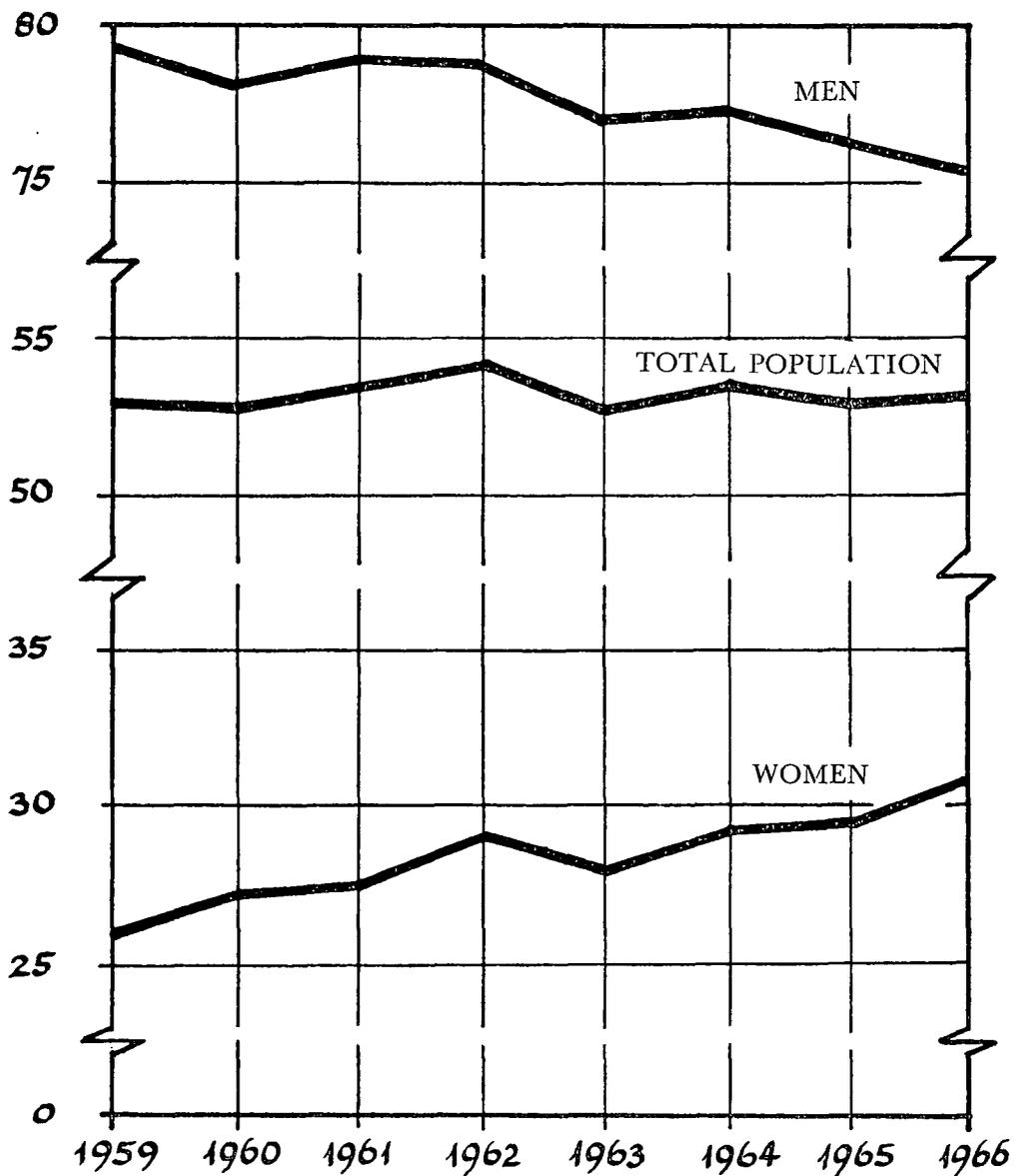
In 1966 there were 948,400 gainfully employed and unemployed job-seekers, compared with an average of 912,400 the year before. This growth of 3.9 percent in the labor force was higher than that of the total population and of the working-age population (see Table IX-1), and therefore brought up the labor force participation rate.

The labor force participation rate during the past decade has fluctuated between 52 and 54 percent. The reason for this irregular trend is to be found in the fact that the two component elements display a distinct but opposite movement: the rate among males has been falling since the end of the fifties, whereas that for females has been advancing (see Diagram IX-2 and Table IX-3).

The decline in the rate for males in 1966 and in preceding years is consistent with the structural changes in the working-age population (in the main due to the decreased weight of the middle age group). It can therefore be concluded that during this period there was no marked change in the specific participation rate of males. On the other hand, the increased participation of women, which runs counter to the structural changes in the population, is proof of a specific rise and attests to a behavioral change.

In 1966 the changes in participation rates did not deviate from the pattern described above, despite the steep rise in unemployment. Examination of the structural changes that took place in the population in 1966 reveals that they should have reduced the overall participation rate by approximately 0.7 percent. However, while the rate for males did in fact decline to about this extent (from 76.1 percent in 1965 to 75.5 percent), that for females went up by 1.2 percent, bringing up the overall rate from 52.8 to 53.1 percent. The rise in the case of females can be attributed both to the uptrend in their specific participation rates and to the pressures arising during the slump period which

Diagram IX-2
LABOR FORCE PARTICIPATION RATES, BY SEX, 1959-66
 (percentages)



SOURCE: Table IX-3.

Table IX-3

LABOR FORCE PARTICIPATION RATES, BY SEX, 1959-66

(percentages)

Year	Percentage of working-age population participating in labor force			Percentage of women in civilian labor force
	Total	Men	Women	
	(1)	(2)	(3)	
1959	52.8	79.1	26.1	24.6
1960	52.9	78.1	27.3	25.7
1961	53.5	79.0	27.6	25.6
1962	54.1	78.7	29.2	26.9
1963 ^a	52.7	77.0	28.1	26.4
1964	53.4	77.3	29.2	27.2
1965	52.8	76.1	29.4	27.7
1966	53.1	75.5	30.6	28.7

^a As from this year, manpower survey data are calculated according to a slightly different weighting system. This change produced a downward bias in the participation rates for 1963. Under the former system, the rates for that year would have been: total—53.0 as against 52.7 percent; men—no change; women—28.6 as against 28.1 percent.

SOURCE: Manpower surveys.

impelled many women to enter the labor market as a growing percentage of the main breadwinners lost their jobs.

3. UNEMPLOYMENT

The accelerated growth of unemployment was the outstanding change in the labor situation in 1966. The two basic causes of this development were the easing of aggregate demand pressure and the rise in real wage rates.

Demand for capital assets, especially construction, began to fall off at the beginning of 1965. Initially, the decline was apparently of a cyclical nature, an inevitable outcome of the high rate of capital formation in earlier periods (again especially in respect of the construction component),¹ but primarily it was due to the decline in immigration. In the latter part of 1965 and the beginning of 1966, work on a number of large-scale public development projects was completed, but no new projects were undertaken. The slackening of demand during this period can apparently be attributed to the moderation of public sector operations. The weakening of the various markets grew more pronounced in the second quarter of 1966, a trend that continued until the

¹ A detailed discussion of these factors will be found in Chapters II, III, and XIII.

end of the year (and also into the first months of 1967). The sharp contraction of demand on the part of households and private business—the outcome of reduced incomes and changes in business prospects induced by developments in preceding periods—apparently found expression at this stage. The slower growth, and decline, in various components of aggregate demand depressed the derived demand for labor as well.

Real wage rates soared in 1965 and the first part of 1966, despite signs of an impending recession. Responsibility for this development, which was not checked until the middle of 1966, must be largely attributed to the public sector, which carried out a job reclassification and in its wake revised wage scales to an appreciable degree.¹ Wage rises in themselves are liable to reduce the demand for labor.

While demand pressure in the labor market subsided, supply continued to grow as more persons joined the civilian labor force as a result of the natural population increase. The consequence, of course, was a surplus supply of labor and mounting unemployment.

The sharp increase in the volume of unemployment was accompanied by qualitative changes, reflected in its human, geographical, and sectorial structure.

(a) *Aggregate level of unemployment*

Two fundamental developments make it possible to estimate the magnitude of incremental unemployment: (1) the stability, and even slight drop, in the average employment level as a result of the economic recession, and (2) the expansion of the civilian labor force due to natural population increase.

Additional indicators of the volume and development of unemployment are the direct measurements—unemployed according to the Central Bureau of Statistics manpower surveys, and the daily average of unemployed registered by the labor exchanges of the National Employment Service. Despite the disparity in the absolute figures (which, as already pointed out, is due mainly to different definitions), both estimates show a similar development in the scope of unemployment.²

The main findings on unemployment, as estimated in the manpower surveys, are set out in Tables IX-1 and IX-4. Even in the five years preceding 1966, when economic activity was quite vigorous, these estimates showed an annual average of 30,000 or more unemployed. Another striking feature is the upsurge in the number of jobless in 1966. As against 33,200 in 1965, which represented

¹ See Chapter X, "Wages".

² There is in fact a high statistical correlation between the two sets of data (see the statistical appendix to this chapter—in Hebrew only). The same conclusion emerges from the graphic presentation in Diagram IX-1, or from a comparison of lines 4, 5, and 6 in Table IX-4.

an unemployment rate of 3.6 percent, the figure in 1966 averaged 70,200, or a 7.4 percent unemployment rate. Toward the end of the year it jumped to 99,100—an unemployment rate of 10.3 percent. A more detailed analysis of the data (Table IX-4) shows that the growth of unemployment was relatively moderate in the first quarter of 1966 but accelerated by the end of the first half.

Table IX-4
INDICATORS OF THE ABSOLUTE LEVEL AND RATE OF UNEMPLOYMENT,
1963-66

	Annual averages				Quarterly averages in 1966			
	1963	1964	1965	1966	I	II	III	IV
	Thousands							
(1) Civilian labor force	839.5	883.6	912.4	948.4	941.9	941.3	950.8	959.8
(2) Unemployed according to manpower surveys	30.5	29.6	33.2	70.2	44.1	52.8	84.9	99.1
(3) Daily average of registered unemployed adults	4.0	3.4	3.2	7.9	4.0	5.9	8.7	13.0
	Rates							
(4) Unemployed according to manpower surveys as a percentage of labor force (2) ÷ (1) × 100	3.6	3.3	3.6	7.4	4.7	5.6	8.9	10.3
(5) Daily average of registered unemployed adults per thousand labor force participants (3) ÷ (1) × 100	4.8	3.8	3.5	8.3	4.2	6.3	9.2	13.5
(6) Ratio between daily average of registered unemployed and unemployed according to manpower surveys (3) ÷ (2) × 100	13.1	11.5	9.6	11.3	9.1	11.2	10.2	13.1

SOURCE: Lines 1 and 2—Central Bureau of Statistics manpower surveys; line 3—National Employment Service data.

A similar picture is obtained from National Employment Service data (the main findings are presented in Tables IX-4 and IX-5). These indicate that daily average unemployment rose from 4,407 in 1965 to 10,077 in 1966. In December 1966 it soared to 19,376, as against 5,643 in the same month of 1965. An analysis of changes during the year again shows that the growth of unemployment was fairly moderate in the first quarter of the year but gained speed thereafter.

Despite the rapid growth of unemployment over such a short time, two distinct subperiods can be discerned. The first began at the end of 1965 and

continued until the spring of 1966. During this time the slowdown in construction activity was already in full force and the capital asset market was increasingly losing vigor. But it is still possible to point to a number of specific developments which touched off the growth of unemployment and largely accounted for its dimensions in the initial period. Among them was the completion of the following projects: the National Water Carrier, the construction of Ashdod and Eilat ports, the Dead Sea Works expansion program, the second power station at Ashdod, and the railway line from Beersheba to Dimona. In addition, certain Government construction projects were shelved. Besides the laying-off of workers from these public projects, activity was reduced in a number of large private enterprises, particularly textile, plywood, and metal plants.

These developments aggravated the unemployment situation, but did not turn it into more than a local problem. Unemployment was concentrated in certain places, mostly in the development towns, and hit mainly those employed in building and public works and some industrial workers.

Table IX-5
REGISTERED UNEMPLOYMENT, 1963-66
(thousands)

	Daily average of unemployed adults	Daily average of unemployed youth	Daily average of all unemployed	Daily average on relief work ^a	Percentage of youth in total unemployed
Annual averages					
1963	4,032	1,389	5,421	2,711	25.6
1964	3,397	1,229	4,626	2,318	26.6
1965	3,200	1,207	4,407	2,296	27.4
1966	7,930	2,147	10,077	3,830	21.3
Quarterly averages, 1966					
I	4,039	1,047	5,086	2,579	20.6
II	5,917	1,134	7,051	2,733	16.1
III	8,737	2,927	11,664	4,114	25.1
IV	13,027	3,478	16,505	5,890	21.1
December levels					
1965	3,960	1,503	5,463	2,442	27.5
1966	15,848	3,528	19,376	6,815	18.2
Percent increase in 1966 average as compared with 1965					
	147.8	77.9	128.7	66.8	—
Percent increase during 1966					
	300.2	134.7	254.7	179.1	—

^a Able-bodied persons.

SOURCE: National Employment Service.

During this period unemployment grew at a relatively slow rate. In the six months between October 1965 and March 1966, the average monthly increase in the number of unemployed according to manpower surveys was 4.5 percent, and that in daily average registered unemployment was 2.6 percent.

But during the next period, from the spring of 1966 to the end of the year (and also the beginning of 1967), unemployment mounted as a result of the curtailment of activity in a large number of economic branches, apparently following the reduction of private sector demand. This time it is not possible to identify the growth of unemployment with any specific occurrence in a particular place, plant, or project. Unemployment began to spread rapidly to the central part of the country and affected more than building and certain industrial workers. Owing to the changes in the composition of final demand in the economy, workers were laid off mainly in those industries producing construction inputs, investment goods, and consumer durables. Unemployment during this period rose more rapidly than in the preceding six months: during the last three-quarters of 1966 the average monthly increase in the number of unemployed according to manpower surveys was 10.0 percent, and that for daily average registered unemployment came to 16.6 percent.

(b) *Structural changes in unemployment*

Besides the rise in the total number of jobless, there were striking changes in the internal structure of unemployment—in its age, continent of origin, sectorial, and geographical composition. Dismissing the greatest number of workers were construction, industry, and agriculture. Of the average increment of 37,000 unemployed according to manpower surveys in 1966, approximately 8,000 were building, 9,000 industrial, and 3,000 farm workers.¹

Though immigration in 1966 was on a small scale, the number of unemployed who had never before worked in Israel doubled as compared with the first half of the sixties—15,700 as against an average of 7,500 in the three preceding years. This group includes, in addition to immigrants, youths just joining the labor force, as well as many persons who in times of unemployment tend to enter the labor market for the first time.²

The increased share of the minority groups in the total number of unemployed was the outstanding structural change according to population group. As to Jewish unemployed, which in previous periods had been characterized by the relatively high proportion of the Afro-Asian origin group, there were hardly any changes, on an annual average, in its continent-of-origin composition in 1966. However, a closer examination of the development of unemployment

¹ There were also 8,000 unemployed who had never before worked in Israel, and smaller increments in other sectors.

² These include women and other members of the family where the main breadwinner was unemployed.

in the course of the year reveals that in the first half it grew more rapidly among those of African and Asian origin, whereas in the second half it rose faster among Israeli-born and those of European-American origin.

Unemployment rates according to age group vary widely. The high rates for the youngest group (14–17) in previous years is particularly striking. One out of every seven members in this group was unemployed, as against a general average of one out of 30, and one out of 67 in the 35–54 age group, where the unemployment rate has been exceptionally low. Comparison of these figures emphasizes the gravity of the unemployment problem among young persons even during periods of buoyant economic activity.

Precisely during the period of mounting unemployment in 1966, the young age group was apparently hit relatively less hard. A study of National Employment Service data (presented in Table IX–5) shows that, while the daily average of adult unemployed rose during the year by 147 percent, among youth it went up only 71 percent. Moreover, the proportion of youth among total unemployed dropped from 27.5 percent in 1965 to 18.2 percent. Manpower survey findings give a similar picture.

It should be emphasized that this fact is not evidence of relative stability in the employment of youth. In part it stemmed from the exit of a large number of young persons from the civilian labor force (i.e. there was a drop in their participation rate), which is characteristic of certain population groups in times of rising unemployment.

While the manpower surveys indicate that those with a post-primary education were relatively less affected, it is nevertheless clear that widespread unemployment developed among certain groups of university graduates. From the middle of 1965 to the end of 1966, the number of university graduates registering at labor exchanges more than doubled, while the number of job vacancies fell to less than a quarter. A more detailed analysis of the data shows that much of the pressure came from engineering, humanities, and social science graduates, being less noticeable in other fields.

One characteristic feature of the year reviewed was the formation of pockets of unemployment also in areas of flourishing economic activity, mainly in the central part of the country (see Table IX–6 and Diagram IX–3). In previous years, when employment was at a peak level, there were relatively high unemployment rates in the north and south of the country, where most of the development towns are located, while the Central District, in particular Tel Aviv, had a low rate. With the swelling of the number of jobless in 1966, the rate soared in all sections of the country. Development areas still showed above-average rates, but the most rapid increase occurred precisely in the Central District.

The relatively moderate increase in unemployment in development areas is explained by the fact that the level here was high right from the start. Another factor was the energetic and widespread measures taken to check unemployment,

Table IX-6

**DAILY AVERAGE OF REGISTERED UNEMPLOYED,^a BY DISTRICT,
1964-66**

(per thousand persons)

District	Annual average			December 1966	Percent change from 1965 to 1966
	1964	1965	1966		
Northern	2.7	2.1	3.3	6.0	57
Haifa	1.2	1.4	3.5	6.9	150
Central	1.2	1.1	3.3	6.9	200
Tel Aviv	0.6	0.6	2.2	5.3	267
Jerusalem	1.6	1.3	2.4	4.3	85
Southern	2.4	1.8	4.4	7.5	144
All districts	1.4	1.3	3.1	6.1	138

^a Adults only.

SOURCE: Central Bureau of Statistics, *Statistical Abstract of Israel*, 1966, p. 23, and 1965, p. 26; National Employment Service data.

chiefly relief work (see Diagram IX-2). The rapid absorption of labor in such work in development areas was made possible by the existence of permanent machinery to deal with it (this had been set up in previous periods), and because of Government sensitivity to the unemployment problem in these areas.

Relief work was expanded in other parts of the country as well. In Tel Aviv and the rest of the Central District, for instance, relief projects employment was resumed on a large scale in August, after a long interval in which no recourse was had to this measure.

As unemployment grew in scope, it also deepened (measured in terms of the average number of idle days per month per jobless). As against an average of four idle days in 1965, the figure in 1966 rose to 6.6, and by year's end stood at 9.1 (see Table IX-7). Like the total number of unemployed, the deepening of unemployment accelerated in the second half of 1966 (see Table IX-7).

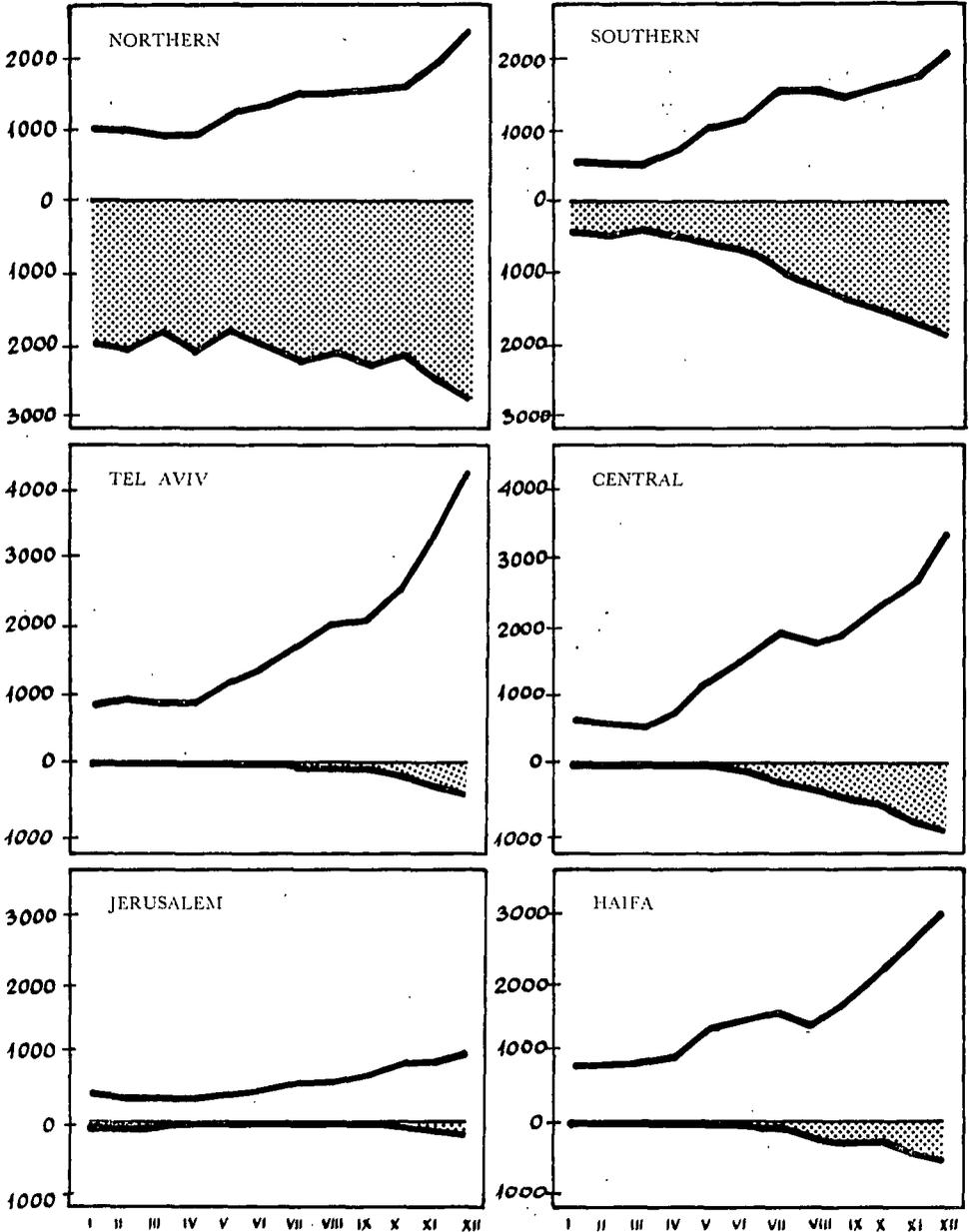
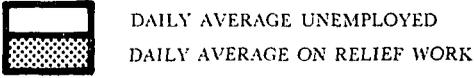
4. EMPLOYMENT

In 1966 the level of employment began to decline, a trend that became more pronounced in the second half of the year. Compared with 1965, there was no rise in the average number of gainfully employed in 1966, and during the course of the year the figure even dropped by 4 percent. This development constitutes a sharp departure from the pattern of the previous five years, which showed an average annual rise of 4.6 percent.

The decline in employment and the growth of unemployment depressed the

Diagram IX-3

DAILY AVERAGE OF REGISTERED UNEMPLOYED AND RELIEF PROJECTS
EMPLOYMENT, BY DISTRICT, 1966
(thousands)



SOURCE: National Employment Service.

Table IX-7

**DEPTH OF UNEMPLOYMENT—JOB-SEEKERS,^a BY NUMBER OF
UNEMPLOYED DAYS PER MONTH, 1962-66**

(percentages)

Unemployed days per month	Total	1-6	7-12	13-18	19	Average unemployed days per job-seeker per month
Annual average						
1962	100.0	75	14	6	5	5.0
1963	100.0	78	13	5	4	4.5
1964	100.0	81	12	4	3	4.0
1965	100.0	82	11	4	3	4.0
1966	100.0	65	17	9	9	6.6
Quarterly averages, 1966						
I	100.0	77	12	6	5	4.8
II	100.0	71	16	7	6	5.6
III	100.0	63	18	10	9	6.8
IV	100.0	55	21	11	13	8.1
December 1966	100.0	50	21	13	16	9.1

^a Adults only.

SOURCE: National Employment Service.

manpower utilization rate. Whereas in former years over 96 percent of the civilian labor force were gainfully employed, in the year under review only an average of 92.6 percent were employed, and toward the end of the year the rate even dropped below 90 percent (see Table IX-8).

Table IX-8

GAINFULLY EMPLOYED AND CIVILIAN LABOR FORCE, 1965-66

(thousands)

	Average 1965	Average 1966	Quarterly averages, 1966			
			I	II	III	IV
(1) Gainfully employed	879	878	898	889	866	861
(2) Civilian labor force	912	948	942	941	951	960
(3) Gainfully employed as a percentage of civilian labor force	96.4	92.6	95.3	94.5	91.1	89.7

SOURCE: Central Bureau of Statistics manpower surveys.

The year reviewed also saw a drop in the average number of hours worked per employee. This reflects the tendency on the part of many enterprises to eliminate overtime, reduce the working week, make personnel use up accumulated leave, send many workers on unpaid vacations, sometimes for an unspecified time, and to take other steps characteristic of slump periods.

A striking development was the rise in gainful employment in the services, in contrast to the drop in almost all other sectors, especially construction, industry, and agriculture.

The nonuniform decreases in the different components of demand affected in varying degrees the employment trend in the groups of branches as classified according to the final destination of their output.

The sharpest drop of all occurred in construction and industries supplying it with intermediate products. There was also a steep decline in branches producing investment goods and consumer durables. On the other hand, those turning out products for current consumption were only slightly affected, while employment went up conspicuously in export branches, notably diamond processing.

(a) *Agriculture*

The downtrend in the number of gainful agricultural workers, which has persisted for several years, continued in 1966, the decline amounting to about

Table IX-9
GAINFULLY EMPLOYED, BY ECONOMIC SECTOR, 1966

	Gainfully employed, 1966 ^a (%)	Average annual increase or decrease (-)		
		From 1965 to 1966		From 1961 to 1965 (%)
		Thousands	Percent	
Agriculture	12.6	-2.0	-1.8	-0.4
Industry and crafts	25.3	-2.9	-1.3	6.4
Construction	8.7	-13.8	-15.3	7.2
Electricity and water	2.1	1.1	6.1	(1.0)
Commerce and finance	13.0	2.5	2.2	5.1
Transportation and communications	6.6	-0.8	-1.3	7.0
Public and business services	23.5	9.7	4.9	5.4
Personal services	8.2	5.2	7.8	4.5
Total	100.0	-1.0	-0.1	4.7

^a Owing to the revision of the absolute level in certain sectors, these figures are not comparable with those appearing in previous Annual Reports.

SOURCE: Bank of Israel estimates based on the findings of a National Insurance Institute sample of wage earners, as well as on manpower surveys, industrial indexes, and data received directly.

2 percent. The drop in the labor input was smaller because of a decrease in the number of those temporarily absent from work¹ and a rise in the average number of hours worked per employee.²

In contrast to earlier years, many members of farm families tended to return to agriculture in 1966. This was apparently due to the growth of unemployment and the dismissal of many workers in the urban centers. As a consequence of this development, many farm hands were laid off, the majority of them joining the ranks of the unemployed.

Table IX-10
GROSS INVESTMENT IN AGRICULTURE, 1958-66
(IL million, at 1965 prices)

	Orchards, buildings, land reclamation, livestock, irrigation networks, etc.	Machinery and equipment	Total	Machinery and equipment as a percent of total investment
1958	192	31	223	13.9
1959	181	40	221	18.1
1960	150	40	190	21.1
1961	131	47	178	26.4
1962	127	41	168	24.4
1963	114	35	149	23.5
1964	116	47	163	28.8
1965	98	46	144	31.9
1966	88	46	134	34.3
Percent average annual change in 1958-66	-9.1	6.4	-5.9	—

SOURCE: Table V-7.

Most of the decline in employment occurred in the field crop branch (especially fodder, which was badly hit by drought), and in work of a capital nature, while there was a rise in vegetable and fruit farming.

One of the long-term factors in the contraction of farm employment is the composition of the sector's investments which have fallen steadily since the

¹ The reference is to the average number of employees absent from work because of illness, holidays, service in the reserves, strikes, inclement weather, or a temporary interruption of work of up to 30 days.

² Besides these factors, it should be noted that in comparison with the agricultural years 1964/65 and 1965/66, the estimated percentage decrease in employment was lower still. Calculations of the labor input in agriculture based on production norms show that in those years it did not drop at all. See the discussion of this point in Chapter XI "Agriculture".

end of the fifties (see Table IX-10). There has been a sharp decline in labor-supplementing investments such as fruit orchards, buildings, land reclamation, livestock, irrigation networks, etc. As against this, there has been a constant rise in labor-saving investments such as machinery and equipment: whereas outlay on machinery and equipment amounted to 14 percent of total agricultural investment in 1958, it reached 34 percent in 1966.

(b) *Industry and mining*

The average number of industrial employees in 1966 was about 3,000, or 1.3 percent, below the previous year's level. In the first quarter of the year there was some rise in employment, but the trend turned downward in the second quarter, gathering momentum during the last four months of the year. There was also a decline in the average number of hours worked per employee.

Since the final destination of industrial output is quite heterogeneous, the picture for the sector as a whole does not clearly reflect developments in the component branches. The policy of economic restraint made itself felt in varying degrees in the different groups of branches, particularly when classified according to the final destination of their output.

The first branches to be seriously hit were those manufacturing inputs for the construction sector. Employment was already declining at the beginning of 1966, and the trend became more pronounced during the course of the year. These branches, which showed the biggest decline in employment, include quarry products, nonmetallic minerals, basic metals, and wood and wood products.

Employment also fell off markedly in industries producing investment goods and consumer durables. In the first quarter of the year the trend edged up somewhat, in the second quarter it tapered off, and in the third quarter it began to drift downward in most cases. Among the branches in this group are machinery, metal products, transport equipment, electrical equipment, and furniture.

On the other hand, branches producing mainly for current consumption generally experienced a rise in average employment during the year. However, in the final quarter the level began to decline in most branches. This group includes foodstuffs, clothing, and paper and printing. One industry which deviated from the general trend was leather and leather goods, which showed a decrease right from the beginning of the year.

The diamond industry, most of whose output is marketed abroad, recorded a big increase in employment. The rate came to 20 percent, which was large even in comparison with earlier years. This industry was not affected by the general decline in domestic demand in 1966. On the contrary, it benefited from the larger supply of labor in the local market, as well as from the more favorable conditions in the overseas market.

(c) *Construction*

This sector played a major role in the slowdown of economic activity, being both one of the factors which set the process in motion and the sector most severely hit by it.

Gainful employment dropped by an average of more than 15 percent compared with 1965, and during the course of the year it fell to an even greater extent—20 percent.

There were four factors tending to depress construction activity in the past two years.¹ The first, of a cyclical nature, resulted from overinvestment in previous years, notably 1964. Added to this was the sharp contraction of immigration. These two factors were already at work at the beginning of 1965, when activity first began to sag.

Fluctuations in the scope of countrywide development projects, which are generally initiated by the Government and carried out by public sector companies, constituted a third factor. As already pointed out, at the end of 1965 and the beginning of 1966, a number of such projects were completed and no new ones were undertaken. Many workers employed on these projects were laid off without any alternative jobs being found for them.

In the second half of 1966, private sector demand began to weaken appreciably. As already noted, the drop was most severe in real estate, which of course again hit the construction sector particularly hard.

(d) *Transportation and communications*

This sector dismissed an average of some 800 workers in 1966, reducing the employment level by about 1.3 percent. At the same time, fewer hours were worked per employee. Most of the decline apparently took place in inland freight haulage (especially road transport). The smaller volume of construction had a marked impact on transportation as well, for this sector is one of the major users of freight services. Employment likewise fell off in the shipping branch, following the slower growth of output and the decline in passenger carrying capacity.

As against this, the number employed in the transit industry went up somewhat, despite the fall in road passenger transport.² There was also a rise in civil aviation due to the larger volume of business.

(e) *Public and business services*

Some 10,000 more persons were employed in this sector than in the preceding year—a growth of 4.9 percent. While this is a high rate compared with other sectors, it is nevertheless lower than that recorded here in previous periods.

¹ For a detailed discussion of these factors, see Chapter XIII, "Construction and Housing".

² The reason for this was the relatively moderate drop in passenger transport on fixed bus routes, most of the decrease taking place in special journeys (see Chapter XIV, "Transportation and Communications").

The demand for most of the services supplied by this sector is mainly a function of the growth of the population,¹ and it is not sensitive to cyclical changes in the open market. Since most of these services are provided by the Government or other public sector bodies, their supply is not based on commercial considerations.

Above-average increases were recorded in the civil service, local authorities,² and health services. However, it should be noted that the number of temporary Government employees fell below the previous year's figure.

(f) *Commerce and finance*

As in the case of other services, gainful employment here expanded in 1966, the rise coming to 2.5 percent—less than in previous years.

A striking development was the larger average number of hours worked per employee, in contrast to an opposite trend in the economy as a whole and in most sectors.³ The biggest rise occurred in petty and retail trade and in insurance.

(g) *Personal services*

This sector showed the highest percentage increase in employment in 1966. The growth rate came to 7.8 percent (representing an average of some 5,200 additional workers), which is high also in comparison with that recorded by this sector in previous years.

The biggest rise was in domestic service, and was presumably due to the increased activity of women in the labor market—a development affecting both supply and demand for this service.

¹ The reference is mainly to health, educational, welfare, legal, and religious services.

² This rise apparently stemmed in part from the much larger number of persons engaged in relief work supplied by local authorities.

³ This was apparently due to the increased share of petty trade in this sector.