

CHAPTER XII

THE LABOR FORCE, EMPLOYMENT, AND WAGES

1. MAIN DEVELOPMENTS

The level of employment held steady in the year reviewed. The number of employed did not rise, taking the year as a whole, and in the course of the year it actually fell. In the private sector,¹ there was an absolute decrease in the number of employed and, beyond that, in the labor input per employed. Up to the third quarter of the year these declines were balanced by a rise in employment in the public services. Wages per employee post rose by approximately 35 percent on an annual average, but in view of the rise of about 40 percent in the Consumer's Price Index, this substantial jump in nominal wages constituted a decline in real wages.

Particularly striking is the phenomenon that the halt in the rise of employment in view of the continued growth of the working-age population was reflected only slightly in a rise in general unemployment, taking the year as a whole, and that the higher level of unemployment that made its appearance in the second half of 1973 not only did not continue to rise during 1974 but actually declined. Hence, 1974 can be defined as a year of full employment, at least in the narrow sense of the term.

The phenomenon of departure from (and non-entry into) the labor force instead of a rise of unemployment was due to a number of factors, among which the war and its ramifications occupy an important place. The increase in the draft army, the retention of potential additions to the labor force in the army for protracted reserve duty (which was not without its recompense), and the flexibility of a marginal labor force that joined and left the labor force in accordance with the market situation, combined to absorb the brunt of the deceleration and the decline in the demand for workers; a steady rise in unemployment—whose absolute dimensions were small—is found only among the principal breadwinners (aged 25 and older, and not bachelors).

¹ As used in this chapter, "the private sector" refers to all branches of the economy excluding public and community services and electricity and water supply. Since the definition is based on branches, this sector also includes Government and Histadrut business enterprises.

Table XII-1

POPULATION, EMPLOYMENT, AND WAGES — PRINCIPAL DATA, 1971-74

(in thousands, unless otherwise stated)

	Annual averages				Percent annual increase or decrease (-)		
	1971	1972	1973	1974	1972	1973	1974
1. Average population	3,045.6	3,146.2	3,251.2	3,348.0	3.3	3.3	3.0
2. Working-age population	2,097.2	2,169.1	2,247.1	2,314.4	3.4	3.6	3.0
3. Civilian labor force	1,032.8	1,076.1	1,117.7	1,122.8	4.2	3.9	0.5
4. Labor force (3 ÷ 2)	49.2	49.6	49.7	48.5	—	—	—
5. Israeli employed	997.1	1,047.0	1,088.2	1,089.1	5.0	3.9	0.1
6. Israeli employees	744.5	787.2	818.3	826.1	5.7	4.0	1.0
7. Total weekly man-hours of Israeli employed (million hrs.)	39.8	42.3	40.9	41.4	6.3	-3.3	1.2
8. Unemployed Israeli job-seekers	35.7	29.1	29.5	33.7	-18.5	1.4	14.2
9. Unemployment rate (8 ÷ 3)	3.5	2.7	2.6	3.0	—	—	—
10. Number of employed from administered areas	33.8	52.4	61.3	68.7	55.0	17.0	12.1
11. Total employed in Israel (5+10)	1,030.9	1,099.4	1,149.5	1,157.8	6.6	4.6	0.7
12. Israeli employee posts ^a	842.0	870.2	886.3	904.5	3.3	1.9	2.1
13. Total employee posts in Israel ^b	875.3	911.8	930.1	947.1	3.9	2.0	1.8
14. Monthly earnings per Israeli employee post, ^c excl. fringe benefits (IL)	801	918	1,171	1,576	14.6	27.6	34.6
15. Monthly earnings per employee post in Israel, ^b excl. fringe benefits (IL)	781	893	1,137	1,535	14.1	27.3	35.0
16. Daily average adult unemployed	938	744	879	844	-20.7	18.1	-4.0

^a Including part-time and supplemental work.^b Including workers from the administered areas.^c Wages and salaries are calculated on a cash basis—i.e., payments for work performed in the past or advance payments on account of future work are included in the data for the period in which they were actually paid and not for the period to which they relate.

SOURCE: Central Bureau of Statistics.

The demand for workers, which had grown at a rapid rate until 1972, and particularly between 1971 and 1972, slowed down during 1973. Various indicators (job openings and unfilled job openings) pointed to a lessening of the surplus demand for workers as early as 1972, and this reflected mainly a flexible supply of supplementary workers that did not lag behind the great increase in

demand. During 1973 there were a number of signs attesting to the emergence of a deceleration in demand as compared with supply: a steady decline in the number of fully employed beginning in 1973, a decline in the number of man-hours per employed, a rise in the rates of unemployment, a deceleration in the rate of the rise in employment during the year, and, at the end of 1973, an ever-sharpening decline in the labor force participation rates. Among the reasons for the change in the employment trend before the war were the cyclical slow-down in construction, the decline in tourism, and the contraction of demand on the part of the defense establishment with regard both to construction jobs and orders from industry.

The war intensified some of these developments (construction, tourism), gave rise to additional factors that contract the demand for workers (depressing real income, creating an atmosphere of restraint, encouraging a preference for imports owing to expectations of price rises, and a preference for investment in financial assets owing to uncertainty). Parallel to this, part of the export markets were also impaired (particularly plywood, clothing, and diamonds). On the other hand, as a result of the war there was an increase in demand on the part of the defense establishment (though it may be that the bulk of the increase was met before the end of the year). In addition, demand for Israeli exports increased in a number of areas (chemical products, metal products, and electronics).

As to developments in the course of the year, we must distinguish between the effects of the war, and particularly the protracted mobilization of reservists, on the development of actual labor input (a sharpening of the decline in the first quarter of 1974 in comparison with the same period in 1973 and, to a decidedly lower extent, in the succeeding quarters as well), and the interference of the war and the protracted mobilization on the behavior of the public, including that of the employers. Thus, in employment statistics (as in others) a particular sluggishness is evident in the first quarter, followed by some recovery in the second (but in comparison with the second quarter of 1973 the labor input in the private sector is lower, even if account is taken of the intensified mobilization), and a renewed decline from the third quarter on.

Average earnings per employee post in 1974 were about 35 percent higher than in 1973. This datum, which is based on employers' reports to the National Insurance Institute, does not necessarily reflect the full earnings or the changes that occurred in them, as has recently emerged from the data submitted by various employers to the Ben-Shahar Committee. In comparing the change in earnings from 1973 to 1974, a special problem was the reliability of employers' reports, in view of the war and the intensified mobilization of reservists. In any event, even if there was a more rapid rise in other payments to workers that went unreported, it does not appear that any increase occurred in real earnings, since between 1973 and 1974 the level of consumer prices rose by about 40 percent. The cost-of-living allowances that were

Table XII-2
SOURCES OF GROWTH OF ISRAEL'S PERMANENT POPULATION, 1964-74
(in thousands, unless otherwise stated)

	1964	1965	1966	1967 ^a	1968	1969	1970	1971	1972	1973	1974 ^b
1. Permanent population at beginning of year	2,430.1	2,525.6	2,598.4	2,657.4	2,776.3	2,841.1	2,919.2	3,001.4	3,095.1	3,200.5	3,307.6
2. Total natural increase	48.2	50.0	50.8	47.3	53.3	56.2	59.7	64.7	63.1	63.3	68.9
3. Rate of natural increase	19.4	19.5	19.2	17.6	18.3	19.2	20.1	21.2	20.0	20.1	20.6
4. Rate of natural increase among Jews ^c	16.1	16.2	16.1	14.9	15.9	16.2	16.9	18.0	16.7	16.8	17.4
5. Rate of natural increase among non-Jews	45.0	44.6	43.4	38.7	39.0	40.5	39.1	39.3	39.0	39.1	38.6
6. Gross immigration ^d	55.0	31.1	16.0	14.5	21.0	26.6	25.1	31.5	49.2	51.7	31.4
7. Thereof: Number of immigrants ^e	55.0	31.1	16.0	14.5	20.7	24.9	21.2	26.1	43.4	44.9	23.9
8. Net emigration ^f	7.7	8.3	7.8	11.5	9.4	4.7	2.6	2.5	6.9	7.9	19.4
9. Migration balance (6-8)	47.3	22.8	8.2	3.0	11.6	21.9	22.5	29.0	42.3	43.7	12.0
10. Total growth of population (2+9)	95.5	72.8	59.0	118.8	64.9	78.1	82.2	93.7	105.4	107.1	80.9

11. Permanent population at end of period (1+10)	2,525.6	2,598.4	2,657.4	2,776.3	2,841.1	2,919.2	3,001.4	3,095.1	3,200.5	3,307.6	3,388.4
12. Percent increase in permanent population	3.9	2.9	2.3	4.5 ^g	2.3	2.8	2.8	3.1	3.4	3.3	2.4
13. Thereof: Share of natural increase (%)	50.5	68.7	86.1	94.0	82.1	72.0	72.6	69.1	59.9	59.2	85.8
14. Thereof: Share of net immigration (%)	49.5	31.3	13.9	6.0	17.9	28.0	27.4	30.9	40.1	40.8	14.2
15. Potential immigrants ^h						10.3	20.6	25.4	25.7	23.8	19.7

^a Since 1967 the population of East Jerusalem is included in Israel's permanent population.

^b Provisional data.

^c Per thousand permanent population. The rate of natural increase among non-Jews in 1967-69 does not include East Jerusalem.

^d Immigrants, tourists changing their status to immigrants, potential immigrants who acquire immigrant status, immigrating citizens (children born to Israeli citizens abroad), persons returning to East Jerusalem under the family reunion scheme since 1968.

^e Immigrants and tourists acquiring immigrant status.

^f Declaring emigrants plus citizens residing abroad for 13 months or more, less Israeli citizens returning from abroad after an absence of 13 months or more.

^g Since 1967 includes the population of East Jerusalem (no separation is made for natural increase and the migration balance).

^h In 1969 a potential immigrant was defined as a "person entitled to an immigrant visa or an immigrant certificate under the Law of Return and who intends to enter Israel and to stay there for more than three months." Such persons are really temporary residents who come to explore the possibilities of settling in Israel, and hence are not included in the permanent population or in the source of its growth.

SOURCE: Central Bureau of Statistics.

increased three times this year, and by substantial amounts, and the general agreement on the raising of basic wages by from IL 50 to IL 80, explain the bulk of the rise in earnings; apart from the usual wage creep no significant departure from these institutional arrangements can be discerned. The raising of the tax rates caused a sharpening of the decline in real disposable income. Nevertheless, from the aspect of the producers wage increases were higher than price increases, this owing to the abolition and reduction of subsidies, the raising of indirect taxes, and the raising of import prices. This development—wage increases caused by external factors and not accompanied by parallel increases in producer prices—operated in the direction of contracting the demand for labor on the part of employers.

It should be noted that the rise in the wages of employees from Judea and Samaria and the Gaza Strip who work in Israel was lower this year than it was for Israelis (28.5 percent, according to family surveys in the administered areas),² in contrast to previous years, when it was the other way round, even though there is still a considerable gap to the disadvantage of the wages of the non-Israeli employees. There is evidence indicating that the wages of temporary workers which are fixed ad hoc and free from institutional arrangements (and which in the last few years were considerably higher than the official rates, particularly in the building trades), declined even in nominal terms.

It can be said in summation that the rise in earnings was essentially the result of institutional arrangements, the purpose of which was to bring earnings in line with the changes in the general price level; that the wages of marginal, temporary, and unorganized workers, which are not fixed in accordance with institutionalized rates and arrangements, rose to a lesser degree or even declined, contributing to the retirement of marginal workers from the labor force. On the other hand, even the moderate rise in wages, relative to the rise in consumer prices, which brought about a decline in real wages, was still rather high, at least with respect to part of the employers in the private sector, which explains the tendency to reduce the demand for workers.

2. LABOR FORCE PARTICIPATION, EMPLOYMENT, AND UNEMPLOYMENT

The most striking phenomenon of 1974, and one without parallel since the recession of 1967, was the scanty rise in the civilian labor force and even an absolute decline in part of it, as against the increase in the working-age population— though even in the latter there was slight deceleration both on the annual average and in the

² This figure may possibly show a downward bias, but not such as to constitute a substantive difference.

Table XII-3

MAIN EMPLOYMENT INDICATORS, JANUARY-SEPTEMBER 1972-74

(percent increase over same period year before)

	1972 ^a	1973 ^a	1974 ^a	1974, quarterly		
				I	II	III
1. Working-age population	3.4	3.6	3.2	3.4	3.1	3.0
2. Thereof: Males	3.3	3.4	2.8	2.9	2.8	2.8
3. Labor force	4.4	3.6	1.3	1.4	2.1	0.3
4. Thereof: Males	2.9	3.4	-0.4	0.2	-0.3	-1.2
5. Israeli employed	5.2	3.9	0.7	0.8	1.1	0.2
6. Thereof: Males	3.7	3.5	-0.6	0.0	-0.8	-0.9
7. No. of employed from administered areas	63.9	24.2	6.0	-1.5	3.3	15.0
8. Total employed in Israel	7.0	4.9	1.0	0.6	1.2	1.1
9. Thereof: In the private sector	7.5	4.6	-0.7	-0.5	-0.6	-0.9
10. Actual labor input	7.3	3.3	-4.0	-9.8	-0.4	-1.8
11. Thereof: In the private sector	7.5	3.2	-6.2	-12.1	-2.4	-4.0
12. Thereof: In the public sector	6.2	3.7	3.5	-2.1	6.4	6.9
13. Israeli unemployed	-17.5	-7.2	26.1	29.2	54.5	3.4
14. Percent of working-age population employed	1.7	0.2	-2.3	-2.5	-1.9	-2.7
15. Thereof: Males	0.3	0.0	-3.4	-2.9	-3.4	-3.7
16. Employee posts (National Insurance data)	4.3	3.5	0.5	-1.1	0.7	1.8
17. Thereof: Private sector	3.0	1.9	-1.9	-3.1	-1.7	-0.9
18. Employees in industry	5.9	2.4	1.8	0.2	2.5	2.4
19. Man-days in industry	6.6	3.8	-4.4	-8.7	-4.3	0.0
20. Employees in construction	11.7	7.6	-10.3	-13.5	-10.2	-7.2
21. Man-days in construction	7.5	8.0	-18.8	-22.0	-21.4	-13.3
22. Unemployed — daily average	-21.6	—	2.8	12.3	-1.7	-2.2
23. Adult job-seekers	-6.0	—	0.4	-1.4	1.5	1.3
24. Unplaced job-seekers	-8.8	—	20.5	18.1	26.9	17.1
25. Job openings	1.7	-13.1	—	—	—	—
26. Unfilled job openings	26.0	-17.5	—	—	—	—
27. Help wanted advertising linage	13.5	17.2	-0.6	-12.0	15.9	-5.5

^a January-September.

SOURCE: Lines 1-15—Central Bureau of Statistics, Manpower Surveys in Israel and Family Surveys in Judea and Samaria and in Gaza; lines 16-17—CBS, from National Insurance data; lines 18-19—CBS, Industry Section; lines 20-21—CBS, Construction Section; lines 22-26—Employment Service; line 27—Advertising Association of Israel.

Table

THE LABOR FORCE AND EMPLOYMENT, BY SEX: ANNUAL

(in

	Civilian labor force	Employed	Unemployed	Labor force as percentage of population aged 14 and over	Employed as percentage of population aged 14 and over	Unemployed as percentage of civilian labor force	Civilian labor force	Employed ¹
Both sexes								
Annual averages								
1970	1,001	963	38.2	49.3	47.4	3.8	704	680
1971	1,033	997	35.7	49.2	47.5	3.5	720	698
1972	1,076	1,047	29.1	49.6	48.3	2.7	741	724
1973	1,118	1,088	29.5	49.7	48.4	2.6	765	746
1974	1,123	1,089	33.7	48.5	47.1	3.0	759	740
Quarterly data								
1973 I	1,099	1,072	26.7	49.5	48.3	2.4	751	733
II	1,108	1,085	22.4	49.5	48.5	2.0	762	747
III	1,130	1,097	32.6	50.1	48.6	2.9	779	759
IV	1,135	1,099	36.3	49.8	48.2	3.2	767	746
1974 I	1,115	1,080	34.5	48.6	47.1	3.1	752	733
II	1,131	1,097	34.6	49.1	47.6	3.1	760	741
III	1,133	1,099	33.7	48.8	47.3	3.0	770	752
IV	1,112	1,080	31.8	47.6	46.3	2.9	753	736

SOURCE: Central Bureau of Statistics.

course of the year, owing to the contraction of immigration, the increase in emigration, and the war. In short, there was a significant decline in the labor force participation rate.

Before proceeding to a detailed discussion of the participation rates of the working-age population in the civilian labor force, it should be noted once again that the working-age population rose on an annual average only slightly less than in previous years (see Table XII-6).

Preliminary figures indicate an increase in emigration,³ in addition to the drop in

³ In the absence of direct and complete data on emigrants from Israel, the scope of annual emigration is represented by the change in the number of Israelis residing abroad one year or more.

XII-4

AVERAGES, 1970-74 AND QUARTERLY DATA, 1973-74

(thousands)

Males					Females				
Unemployed	Labor force as percentage of population aged 14 and over	Employed as percentage of population aged 14 and over	Unemployed as percentage of civilian labor force	Civilian labor force	Employed	Unemployed	Labor force as percentage of population aged 14 and over	Employed as percentage of population aged 14 and over	Unemployed as percentage of civilian labor force
23.8	69.2	66.9	3.4	298	283	14.4	29.3	27.9	4.8
22.5	68.8	66.7	3.1	313	299	13.2	29.8	28.5	4.2
17.2	68.5	66.9	2.3	335	323	11.9	30.8	29.7	3.5
18.2	68.3	66.7	2.4	353	342	11.3	31.3	30.3	3.2
18.1	66.0	64.4	2.4	364	349	15.5	31.3	29.9	4.3
17.3	67.9	66.3	2.3	348	339	9.4	31.3	30.5	2.7
14.9	68.4	67.0	2.0	346	339	7.5	30.9	30.2	2.2
20.1	69.4	67.6	2.6	350	338	12.5	30.9	29.8	3.6
20.6	67.6	65.8	2.7	368	352	15.7	32.2	30.8	4.3
19.2	66.0	64.4	2.6	363	347	15.3	31.4	30.1	4.2
18.7	66.3	64.7	2.5	372	356	15.9	32.0	30.6	4.3
17.6	66.7	65.2	2.3	363	347	16.0	31.1	29.7	4.4
16.6	65.0	63.5	2.2	359	344	15.1	30.5	29.3	4.2

immigration, principally from the Soviet Union. Nevertheless, it can be seen from Table XII-6 that despite the previous drop in immigration and the rise in emigration from about 8,000 in 1973 to about 20,000 (Table XII-2, lines 6-8), the working-age population rose by about 32,000 and it was only a substantial decline in the labor force participation rate that reduced the increase in the number of participants to about 5,000, as compared with more than 40,000 in each of the two previous years.

On the other hand, the general unemployment statistics point to a relatively small increase in unemployment on an annual average and in the course of the year, despite the trend of decline in unemployment. The increase in unemployment is particularly noticeable among females, whereas among males the increase is minuscule and there was even a decline in the number of unemployed males during

the year (see Table XII.4).

Since the picture with respect to females is clearer—a definite rise in unemployment that held true even after the long-term rising trend in participation rates was replaced during the year by a decline—the discussion below will concentrate mainly on males. In 1974 there were special circumstances—the increase in the size of the draft army, longer reserve service, and war casualties—that operated to reduce the participation rates. Close examination reveals, however, that these sectors were responsible for only part of the decline in participation rates; there was a drop in these rates even in groups that are not subject to army service—males aged 14-17, females, and Israeli Arabs.

Following are some possible explanations of the decline in participation rates, including an elaboration of the explanations touched on above.

First, the effects of the war. Since persons serving in the draft army are not included in the civilian labor force, an increase in the share of the working-age population so serving decreases, by definition, the rate of participants in the civilian labor force. Then there is the factor of the protracted reserve duty brought about by the war. Theoretically, this factor should not cause a decline in participation rates, since a person who is ordinarily employed and has been called up for reserve duty is defined in manpower surveys as “employed, temporarily absent from work.” Nevertheless, it appears that reserve duty of such extraordinary scope and duration may well have reduced the participation rate in three ways:

(a) New candidates for the labor force (discharged soldiers, high school graduates, etc.) are inactivated. Since they did not belong to the labor force before, the extended reserve duty interferes with their joining it. It is also safe to assume that in some cases members of the family had difficulty in defining the status of a reservist who had not been regularly employed before the war, even if he regarded himself as belonging to the labor force.

(b) Apart from the necessity for protracted army service, which makes it difficult to work or seek work, it should be kept in mind that the reservist is paid whether or not he had any work income before his reserve duty. It may be assumed that youths who had no family responsibilities made do with the pay they received for their reserve service and made no great effort to seek work in the periods between one call-up and the next.

(c) It may be assumed that those who left, or failed to join, the labor force included war invalids, some of whom found difficulty in finding work even after their discharge, and received financial support that made it possible for them not to join the labor force. In this connection mention should be made of the exemption from tuition fees and subsistence allowances that were given to discharged soldiers.

Table XII-5

CIVILIAN LABOR FORCE PARTICIPATION RATE, BY SEX AND AGE, 1963-74^a

(percentages)

	All age groups	14-17	18-34	35-54	55-64	65+
Total						
1963	52.7	31.2	57.7	63.1	55.2	19.7
1964	53.4	33.6	56.8	63.4	58.4	24.0
1965	52.8	32.8	57.0	62.8	58.8	22.3
1966 ^b	53.1	31.3	58.1	63.4	57.9	23.8
1967	50.4	26.9	54.8	62.1	55.4	21.4
1968	50.3	28.3	55.1	62.3	54.9	18.3
1969	50.1	25.2	53.9	63.1	56.6	20.2
1970	49.3	22.8	53.2	62.8	55.1	19.5
1971	49.2	21.1	53.6	62.9	55.5	18.8
1972	49.6	21.6	54.4	63.7	54.4	18.2
1973	49.7	20.4	55.1	63.5	54.6	18.9
1974	48.5	16.4	53.3	64.4	52.9	18.7
Males						
1963	77.0	36.1	80.0	96.9	88.2	33.9
1964	77.3	39.3	77.2	96.8	90.6	42.3
1965	76.1	38.1	76.2	96.4	91.0	39.7
1966 ^b	75.5	36.0	76.1	96.5	90.3	41.1
1967	72.1	30.7	71.7	95.4	88.1	37.1
1968	71.8	32.4	72.5	95.3	86.5	32.6
1969	70.4	29.2	68.6	95.4	89.0	35.0
1970	69.2	27.3	66.7	94.9	88.5	33.8
1971	68.8	25.1	66.8	94.7	87.8	33.2
1972	68.5	25.3	67.3	94.7	86.2	31.4
1973	68.3	24.2	67.7	93.9	86.2	32.6
1974	66.0	19.9	64.3	93.8	85.9	31.5
Females						
1963	28.1	25.7	35.0	30.3	19.3	5.8
1964	29.2	27.5	36.0	31.4	22.4	6.7
1965	29.4	27.1	37.5	30.9	22.9	6.0
1966 ^b	30.6	26.3	39.6	32.2	23.5	6.7
1967	28.6	23.0	37.2	31.0	21.2	5.6
1968	28.8	24.0	37.2	31.5	21.6	4.5
1969	29.7	21.0	38.7	33.1	23.0	5.7
1970	29.3	18.1	39.1	32.8	22.1	5.0
1971	29.8	16.8	40.0	33.2	23.3	4.9
1972	30.8	17.6	41.0	34.8	22.9	5.5
1973	31.3	16.3	42.1	35.2	24.1	5.5
1974	31.3	12.8	42.0	36.9	22.4	6.0

^a Includes East Jerusalem since 1968.^b Data for 1966 have not been revised; the Central Bureau of Statistics has published a correction of the overall rate, but since it was not broken down into its component elements, we have used unrevised data for that year.

SOURCE: Central Bureau of Statistics.

The subsistence allowances were made conditional on the recipients not working.

So much with respect to the influence of the war.

Between 1965 and 1973 the scope of the grants paid by the National Insurance Institute to the various eligibles—old age and survivors allowances, grants for children, etc.—increased twice as much as did the total wages paid in the economy. In 1974 it was easier for potential participants in the labor force to stop looking for work when a deceleration in the demand for workers became evident. The higher standard of living and a network of income-supplementing arrangements also reduced the weight of the contribution of “other members of the family” to family income.

In 1973 the weight of family income from property and grants came to about 6 percent, equalling the weight of family income from the work of other members of the family (excluding the head of the family and his spouse), with the former rising and the latter declining. The decline in real wages—which was apparently particularly sharp among marginal and temporary workers who, owing to their lack of tenure, profited less from the institutional arrangements of the cost-of-living allowance—may well have operated side by side with the rise in the level and scope of the supplementary grants to bring down the rate of labor force participation.

Against this background it is easy to understand the concentration of the decline in participation rates among the 14-17 age group, the 18-24's (who serve in the draft army), the 25-34's (part of whom bore the brunt of extended reserve duty and intensified recruitment in the regular army, and part of whom did not yet have family responsibilities), as well as the decline among persons 55 and older. It is important to note, however, that even among the other age groups we find a decline in the participation rates, though only to a small degree.

With respect to the order of development it appears that the increase in unemployment in the third quarter of 1973 (in some subgroups the change, as we have noted, occurred as early as 1972) gradually, beginning in the fourth quarter of 1973, turned into (and this was closely connected with the war and the intensified enlistment in the draft army and mobilization of the reserves) a substantial decline in the participation rate. Among the subgroups particularly sensitive to factors causing a decline in the participation rate—mainly young bachelors—the departure from the labor force also included the non-employed. Total unemployed declined from the peak at the end of 1973—36,300—to 31,800 at the end of 1974, but for every unemployed who ceased to be so, eleven persons “abandoned” the civilian labor force, and at the end of 1974 the latter was smaller by 51,300 than it would have been had the participation rates of the end of 1973 held fast.

To sum up: the decline in participation rates among males and the end of the rising trend in participation rates among women go beyond that which is explainable

by external factors and, at least in part, constitutes a reaction to the contraction of work opportunities and the decline in real wages. But even if we attribute the entire decline in participation rates to external factors—i.e., if we regard it as a contraction not dependent on labor supply—we would still have to explain the unusual phenomenon of a rising trend in the rate and number of non-employed despite the contraction in supply. Such a situation can only be explained if a contraction in demand for workers exists at the same time.

Theoretically, it is possible that an independent contraction in labor supply, accompanied by a change in the composition of the demand for workers at a given or even rising level of demand, will bring about some rise in the unemployment rate owing to the intensified disharmony between the occupational composition of the supply and the occupational composition of the changing demand. Examination of the data of employment development (also see below) reveals a good many branches in which the decline of the demand for workers is evident and a small number of subbranches in industry where the demand for their output increased and where there was reason to expect that their demand for workers would also rise. Indeed, in those branches the number of workers did increase substantially, but even if from the demand aspect the increase could have been even greater, the weight of these branches in total employment could not counterbalance the contracting demand for workers in the other branches.

3. EMPLOYMENT

(a) *Main findings*

The war and the intensified mobilization make it difficult to compare this year with previous ones, and even the reliability of the adjustment for seasonality is impaired and interferes with the comparison of proximate periods within the year. Hence, the tables in this chapter present a great variety of period comparisons, in which various periods are compared with corresponding ones in the previous year or years.

In general, the employment trend in 1974 was downward. A comparison of each quarter with the corresponding one in 1973 shows the second quarter of 1974 to be the best. The first quarter was still sharply affected by the war, and in the third quarter there was a decline (in comparison with the third quarter of 1973), which is to be attributed mainly to the "regular" trends of development that made their appearance in the economy. In the last quarter there was a further decline, in comparison with its predecessors in 1974, but here it is possible that seasonal factors were responsible in some cases. On the other hand, there is no point in making a

Table XII-6

**SOURCES OF INCREASE IN LABOR FORCE PARTICIPANTS AND
IN NUMBER OF EMPLOYED, 1971-74**

(in thousands)

	1971	1972	1973	1974
Change in participants				
Total	31.4	43.7	41.4	5.1
1. Due to change in population ^a	31.1	34.5	38.1	32.2
2. Due to change in age composition ^b	1.2	2.5	0.5	-2.1
3. Due to change in participation rate of each age group ^c	-0.9	6.6	2.8	-25.0
Males	16.6	21.4	23.0	-6.0
1. Due to change in population ^a	20.8	23.8	25.7	20.4
2. Due to change in age composition ^b	1.3	2.1	1.0	-1.7
3. Due to change in participation rate of each age group ^c	-5.5	-4.5	-3.7	-24.7
Females	14.8	22.3	18.4	11.1
1. Due to change in population ^a	10.3	10.7	12.4	11.8
2. Due to change in age composition ^b	-0.1	0.4	-0.5	-0.4
3. Due to change in participation rate of each age group ^c	4.6	11.1	6.5	-0.3
Change in number of employed				
Total	33.9	50.3	41.0	1.1
1. Due to change in population ^a	29.9	33.4	37.0	31.5
2. Due to change in age composition ^b	1.2	3.0	-0.3	-2.0
3. Due to change in participation rate of each age group ^c	2.8	13.9	4.3	-28.2
Males	17.9	26.7	22.0	-5.7
1. Due to change in population ^a	20.1	23.1	25.0	19.9
2. Due to change in age composition ^b	1.4	2.0	0.2	-1.6
3. Due to change in participation rate of each age group ^c	-3.6	1.6	-3.2	-24.0
Females	16.0	23.6	19.0	6.8
1. Due to change in population ^a	9.8	10.3	12.0	11.4
2. Due to change in age composition ^b	-0.2	1.0	-0.5	-0.4
3. Due to change in participation rate of each age group ^c	6.4	12.3	7.5	-4.2

^a Assuming general (employment) participation rates of the previous year.

^b Assuming specific (employment) participation rates of the previous year.

^c The difference in the specific (employment) participation rates multiplied by the population of the year in question.

SOURCE: Central Bureau of Statistics and computations of the Bank of Israel.

Table XII-7
PERCENT OF WORKING-AGE POPULATION
EMPLOYED, 1963-74

	Total	Males	Females
1963	50.8	74.5	26.7
1964	51.6	74.9	28.1
1965	50.9	73.5	28.1
1966	48.7	69.3	28.0
1967	45.2	64.9	25.4
1968	47.3	68.0	26.5
1969	47.8	67.8	27.9
1970	47.4	66.9	27.9
1971	47.5	66.7	28.5
1972	48.3	66.9	29.7
1973	48.4	66.7	30.3
1974	47.1	64.4	29.9
1972 ^a			
I	48.3	66.7	29.9
II	48.3	66.6	30.1
III	48.5	67.6	29.5
IV	48.0	66.9	29.3
1973			
I	48.3	66.3	30.5
II	48.5	67.0	30.2
III	48.6	67.6	29.8
IV	48.2	65.8	30.8
1974			
I	47.1	64.4	30.1
II	47.6	64.7	30.6
III	47.3	65.2	29.7
IV	46.3	63.5	29.3

^a Owing to seasonality in the employment data, the quarterly data in this table, like those in the other tables in this chapter, should be compared with the quarterly data in a comparable period.

SOURCE: Central Bureau of Statistics.

comparison with the last quarter of 1973, which was hard hit by the war and the widespread mobilization of reservists.

Comparing the first nine months of 1974 as a unit with the corresponding period in 1973 shows that the number of employed rose by about 1 percent, as against a rise of about 7 percent in 1972 and of about 5 percent in 1973.

This rise must be credited to the continued increase in the public services, for in the private sector there was an absolute decline of 0.7 percent (compared with a rise of 7.5 percent in 1972 and 4.6 percent in 1973). The declining trend is more

striking in the datum for labor input—which takes into account the man-hours per employed. In the economy as a whole there was a decline of 4 percent (compared with a rise of 7.3 percent in 1972 and of 3.3 percent in 1973), with a particular sharp drop—6.2 percent—in the private sector. Part of this steep decline is attributable to the absence of workers owing to protracted reserve duty, but even if we add the man-hours that were lost on account of reserve duty we still have a decline of 2.5 percent in the first nine months of 1974 (in the third quarter the decline was 3.4 percent). This cardinal phenomenon of a decrease in employment is also expressed in the other data, such as the number of full-time employed, where again the decrease goes beyond that which is explainable by the protracted reserve duty.

As against this trend of a decline in employment, we are struck by the fact that the number of unemployed rose only moderately in the first nine months of 1974 (from 27,000 to 34,000), and was on the decline in the course of the year. This phenomenon has been dealt with at length in the preceding section. Here it suffices to note that the main reaction to the phenomenon of the contraction in employment in the face of the continued increase of the working-age population was a substantial drop in the labor force participation rates. Nevertheless, among population groups who could not afford to withdraw from the labor force (adults with families) we find a consistent and protracted rise in unemployment, although very small in absolute terms (see the preceding section). It should also be kept in mind that in the last few years special steps were taken to ease the employment problems of special groups, measures which contribute to reducing the visible extent of the unemployed. Thus, for example, the number of new immigrants who received financial assistance in connection with employment (mainly in public institutions) rose in 1974 by about 60 percent, and this over and above the temporary frameworks for assistance in immigrant absorption (Hebrew-language ulpanim, absorption hostels, vocational courses).

From the branch distribution of the employed, too, it can be seen that the contraction of employment stemmed from the slowdown of private demand, for within the private sector (which in general contracted as compared with the public services) the decline was particularly striking in the construction, trade, and personal services branches—where it was obviously not labor supply that was the constraining factor.

(b) Trends in employment in recent years

Further examination of the employment statistics of previous years shows that the declining trend in employment in 1974 was no sudden development. As early as

1972, which was a record year in the growth of employment, it appeared that the large increase in demand for workers was accompanied by a parallel increase in supply, which prevented a further sharpening of the surplus demand for workers. There were even signs of a weakening demand (data of job openings and of unfilled job openings, which reached a record high at the beginning of 1972 and were on a decline thenceforth), and from the end of 1972 an increase of unemployed in various age groups among males was discernable. In 1973 there was a deceleration of the increase in the demand for workers relative to the rise in supply, and this phenomenon sharpened greatly in 1974. Beginning with the second quarter of 1973, workers were recorded as shifting from full to partial employment. In the third quarter of 1973 the overall rate of unemployment increased, and beginning with the last quarter of 1973 there was an ever-sharpening decrease in the labor force participation rates—a phenomenon that was dominant throughout 1974. This intensified departure from the labor force had the effect of reducing the volume of visible unemployment, but at the same time unemployment increased among the 25-plus age group (particularly among females and in the 25-34 age group), and the general decline in labor input per employed continued, this being reflected in the continued switch from full to partial employment and in the decrease in man-hours per employed (in both data going beyond that which is explainable by the protracted reserve duty).

The following table presents the main data with respect to the extent of local employment by sector in the first nine months of 1972, 1973, and 1974, which point to the growing deceleration in the development of employment in the private sector in comparison with the public sector. Beginning in 1973 the public sector, which until then had difficulty in competing with the private sector and had many unfilled positions, showed an improvement in its situation.

**GROWTH OF LOCAL EMPLOYMENT IN THE PUBLIC AND PRIVATE SECTOR,
JANUARY-SEPTEMBER 1972-74**

(percent change from previous year)

	Private sector			Public sector		
	Employed	Man-hours per employed	Total man-hours	Employed	Man-hours per employed	Total man-hours
1972 (I-IX)	7.5	—	7.5	5.2	0.8	6.0
1973 (I-IX)	4.6	-1.2	3.2	6.6	-2.8	4.8
1974 (I-IX)	-0.7	-5.5	-6.2	6.1	-2.4	3.5
1974 (I-IX) adjusted for reservists	-0.7	-1.8	-2.5			

A ratio that various economists both abroad and in Israel have recently come to favor as an indicator of employment tendencies is the rate of employed in the working-age population. This datum combines, for certain purposes, the information provided by the figure for the labor force participation rate (which is also affected by long-term trends) and the customary statistic for the rate of unemployed among participants in the labor force (which reflects directly the short-term changes in the labor market).

A follow-up of this variable (Table XII-7) since 1963 (total population) points to the entry into the recession (following a rise contrary to the trend in the peak year of 1964), a quick departure from the recession in 1968 and 1969, a slight decline in 1970 (expectations stemming from the "package deal" and the deceleration in private residential construction), accelerating slightly in 1971 and continuing to rise in 1972 and 1973, only to drop substantially in 1974.

(c) Development of the demand for workers in the private sector

It was argued in the previous section that the rise in employment reached its apex in 1972, and that in 1973 there was a deceleration that worsened into a real decline in 1974. Following is a description of a number of developments that may have brought about this change.

1. The cyclical nature of the construction branch. The (too) large increase in building starts from 1962 onward stabilized in the beginning of 1972, and turned into a decline from the second quarter of 1973.

2. A decline in orders for earthwork jobs on the part of the Ministry of Defense, as early as 1972, and for industrial products in the course of 1973.

3. A steep decline in tourism to Israel beginning 1972.

4. A deceleration in the increase in investments in industry, particularly in equipment (where the investment is determined exclusively by the industrialists), beginning in 1972. Among the possible reasons are the following: over-investment in the first years after the slump of 1966-67, the apprehensions as to a policy of restraint by the Government, and apprehension concerning difficulties in obtaining skilled workers, which intensified in the course of 1971.

5. After the war real income declined, uncertainty increased in the economy, and the difficulties in the construction and tourism branches sharpened. Export branches were also hit; these included plywood, clothing, and diamonds, as well as branches that serve the construction branch: non-metallic minerals, basic metals, trucks, and lumber. In private demand there was a preference for hoardable products and those in which particularly high price increases were anticipated, such as imported durable goods. In the local market index-linked financial investments were preferred to

investments in real estate.

6. On the other hand, job openings in the defense establishment began to increase, as did openings in the export of metal and electronic products and of chemical products.

The general picture, then, is a trend of contraction in the activity of some branches of the private sector which was likely to create a cumulative decelerating process, particularly in view of the reduced real income that resulted from the Government's policy of soaking up excess means of payment.

(d) *The structure of employment*

In Tables XII-8, 9, and 12 the detailed changes in employment by branch are presented. Particularly striking is the decline in total employment in the private sector as against a rise in the public services.⁴ This reversal of trend began in 1973, and in itself testifies to a deceleration in the demand of various branches in the private sector. Conspicuous for their decline in this sector are the construction, commerce, and personal services branches, with respect to which we have external information about a deceleration in demand for their output. Outstanding in the other direction is the financial services branch, a fact which, once again, is in harmony with evaluations regarding a switch in interest from speculative activity in the housing and real estate market to the financial areas, owing to the assured linked return. In transportation and communications and in industry smaller declines were recorded in actual labor input and, deducting the effect of workers called up for reserve duty, the record shows stabilization in the first nine months of the year in comparison with 1973. It must be emphasized that while the deceleration and the decline in the various "real" branches in 1974 were of course sharpened by the intensified mobilization, these remained in force even after an adjustment was made for this influence. Moreover, excepting financial services, the third quarter was relatively weaker—from the aspect of employment—than the second (comparing the corresponding quarters of 1973), and despite the difficulties involved in comparing the last quarter (because of seasonality and the 1973 war), it appears that this situation tended to worsen in the last quarter of 1974.

Appreciable changes also occurred within industry itself among the sub-branches and even within the sub-branches, and it seems that there was considerable labor

⁴ The division into sectors is not clear-cut. Thus, for example, postal workers, on account of other statistical considerations, are included in the private transportation and communications branch. The intention is to make a distinction between the "private" sector that operates in the open market and the "public" sector that is dependent on the State budget.

Table

ISRAELI EMPLOYED, TOTAL EMPLOYED IN ISRAEL, AND MAN-HOURS

	Israeli employed								
	Total economy			Private sector			Public sector ^a		
	Employed (thou- sands)	Average weekly man- hours per worker	Man- hours per week (millions)	Employed (thou- sands)	Average weekly man- hours per worker	Man- hours per week (millions)	Employed (thou- sands)	Average weekly man- hours per worker	Man- hours per week (millions)
1973									
I	1,072	40.8	43.76	798	41.6	33.20	275	38.5	10.56
II	1,085	39.4	42.77	805	40.5	32.57	280	36.4	10.20
III	1,097	38.4	42.09	822	40.4	33.22	275	32.3	8.87
IV	1,099	32.0	35.19	823	31.2	25.69	275	34.5	9.49
1974									
I	1,080	36.6	39.56	794	36.8	29.22	286	36.2	10.34
II	1,097	38.8	42.56	798	39.7	31.71	299	36.3	10.85
III	1,099	37.2	40.88	804	39.1	31.42	295	32.0	9.47
IV	1,080	39.5	42.61	791	40.2	31.80	290	37.3	10.81
Jan.-Sept.									
1972	1,044	40.2	41.92	783	41.4	32.41	261	36.4	9.51
1973	1,085	39.5	42.87	808	40.8	33.00	277	35.7	9.87
1974	1,092	37.5	41.00	799	38.5	30.78	293	34.8	10.22
Jan.-Dec.									
1973	1,088		40.95	812		31.17	276		9.78
1974	1,089		41.40	797		31.04	292		10.37
									Rates of
1974									
I	0.7		-9.6	-0.4		-12.0	4.1		-2.1
II	1.1		-0.5	-0.8		-2.6	6.5		6.3
III	0.2		-2.9	-2.2		-5.4	7.4		6.7
IV	-1.7		21.1	-4.0		23.8	5.2		13.9
Jan.-Sept.									
1973	3.9		2.3	3.3		1.8	6.1		3.8
1974	0.7		-4.4	-1.2		-6.7	6.0		3.4
Jan.-Dec.									
1974	0.1		1.1	-1.9		-0.4	5.8		6.0

^a "Public sector" encompasses all public and community services (not necessarily governmental), as well as electricity and water supply.

"Private sector" refers to all other branches, including Government and Histadrut business enterprises.

"Total employed" includes workers employed in Israel from Judea and Samaria and from the Gaza Strip.

PER WEEK IN THE PRIVATE AND PUBLIC SECTORS,^a 1973-74

Total employed								
Total economy			Private sector			Public sector ^a		
Employed (thou- sands)	Average weekly man- hours per worker	Man- hours per week (millions)	Employed (thou- sands)	Average weekly man- hours per worker	Man- hours per week (millions)	Employed (thou- sands)	Average weekly man- hours per worker	Man- hours per week (millions)
1,131	40.7	46.01	855	41.4	35.38	276	38.5	10.64
1,153	39.4	45.44	871	40.4	35.15	282	36.5	10.29
1,165	38.4	44.81	888	40.3	35.84	277	32.4	8.97
1,148	31.9	36.68	871	31.1	27.11	277	34.5	9.57
1,139	36.5	41.52	851	36.6	31.10	288	36.2	10.42
1,167	38.8	45.25	866	39.6	34.30	301	36.4	10.95
1,178	37.4	44.01	880	39.1	34.42	298	32.2	9.59
1,148	39.2	45.04	856	39.9	34.13	292	37.3	10.90
1,097	40.1	43.97	833	41.2	34.37	263	36.5	9.61
1,150	39.5	45.42	871	40.7	35.45	279	35.8	9.97
1,161	37.5	43.59	866	38.4	33.27	296	34.9	10.32
1,150		43.24	871		33.37	278		9.87
1,158		43.95	863		33.49	295		10.47
change^b								
0.6		-9.8	-0.5		-12.1	4.2		-2.1
1.2		-0.4	-0.6		-2.4	6.6		6.4
1.1		-1.8	-0.9		-4.0	7.6		6.9
0.0		22.8	-1.7		25.9	5.4		13.9
4.8		3.3	4.6		3.1	6.1		3.7
1.0		-4.0	-0.7		-6.2	6.1		3.5
0.7		1.6	-0.9		0.4	6.1		6.1

^b As compared with the corresponding period in the previous year.

SOURCE: Central Bureau of Statistics: Manpower surveys in Israel and Family Survey in Judea and Samaria and in the Gaza Strip; computations of the Bank of Israel.

mobility that is not adequately reflected in the available statistics. The contraction in the demand for labor made it possible for a number of plants that suffered from a cumulative shortage of labor to fill their requirements. There is evidence to the effect that plants that were expanding rapidly had no difficulty in increasing the number of their workers substantially. Despite this general evaluation, there was a shortage of various types of skilled labor—mainly in metals and electronics—the demand for which increased in order to fill orders both from the defense establishment and from abroad. The phenomenon of structural changes in demand is likely (at any given level of demand) to increase the demand for workers relative to the demand for labor input (this on the quite reasonable assumption that in places where demand declines the first step is not to fire workers but to reduce the labor input per employed). And, indeed, we find a decline in the man-hours employed and in total labor input in relation to the number of employed. The fact that the decline also applies to the number of employed in the private sector shows—assuming that structural changes exist—that the total demand tended to contract even to a greater extent than appears from the direct employment data.

In this context it should be kept in mind that worker mobility, even when concurrent with the contraction of employment in various enterprises and branches, does not require the dismissal of workers in a significant volume. The employment turnover in construction, industry, and personal services is so great that contraction of employment can be attained in the individual plant by reducing the absorption of new workers simultaneously with the current departure of workers.

This is perhaps the place to consider a phenomenon that seems to contradict the picture as presented up to this point. In the number of workers from the administered areas working in Israel (they are included in the various employment tables under "total employed in Israel"), there was a significant increase during the year: 6 percent in the first nine months of 1974, and 15 percent in the third quarter, which we describe above as a "weak" quarter. Moreover, while the increase was particularly striking in the construction branch, it also applied in agriculture and industry. Even though it seems at first glance that this phenomenon points to supply constraints as the factor determining the employment trends in 1974—particularly as the conventional expectations are that the workers from the administered areas who lack right and seniority will be the first to go in the event of a slow-down of activity—the opposite evaluation of the phenomenon is more reasonable. It is precisely a definite deceleration in activity and uncertainty as to developments in the future that makes it more worthwhile to employ workers from the administered areas at low pay and without social benefits or work rights. This, so long as the deceleration in employment does not require the dismissal of workers in a significant volume (the increase in employment from the administered areas in Israel occurred in

unorganized work; in the number of man-hours per employed there was a decline). Moreover, in contrast to previous years, the rate of the rise of wages of workers from the administered areas (28.5 percent) was lower than it was for Israelis. It transpires that in unskilled, difficult, and poorly-paid jobs the workers from the administered areas managed to oust marginal Israeli workers (including Israeli Arabs), particularly in view of the fact that, as already mentioned above, some of these found alternative employment and income in the form of army service. Such a "conquest" of a branch, involving the ousting of the Israelis, is particularly striking in the construction branch, in which most of the temporary employment is unorganized. Things have reached such a pass that unskilled jobs have come to be considered the preserve of workers from the administered areas, and Israeli youths refuse to touch them.

(c) *Development in the course of the year*

Table XII-8 shows the uneven trends in employment during the year. Two principal factors jointly dictated the form of the development, which is built on a comparison of the various quarters to their parallels in 1973. The war and the protracted mobilization of reservists created a "hole" in economic activity at the end of 1973 and the beginning of 1974. The agreements on the separation of forces and the discharge of the reservists led to a steep rise in the second quarter, in which the economic activity also reflects a compensation for work that was previously deferred, an intensified demand on the part of the public, among whom the atmosphere of self-restraint that had accompanied the war had weakened, and to a certain extent, perhaps, even more optimistic expectations of employers. This stands out particularly in the data on help wanted advertising lineage, which reached an all-time high in the second quarter of 1974 (and has since declined sharply). In the third quarter of 1974 economic activity returned to its normal level, and it reflects, more than any other quarter (in comparison with the corresponding quarters in 1973), the existing trends of development in the economy. The general trend in the third quarter was a decline in employment and in the demand for workers after the relative growth in the second quarter (once again, it must be kept in mind that the second quarter, though relatively good, was lower in absolute numbers in the private sector than the second quarter of 1973 even after the "correction" of the data for the intensified reserve duty). The fourth quarter of 1974, as we have indicated, is difficult to compare with its counterpart in 1973, while a comparison with the third quarter of 1973 makes it necessary to take into account seasonal changes in the employment data. Nevertheless it appears that the various data clearly point to a continuation of the downward trend, with the public sector joining the private sector in the fourth

Table XII-9
TOTAL EMPLOYED AND MAN-HOURS IN THE "PRIVATE SECTOR",^a
BY BRANCH, 1971-74^b

	Average weekly man-hours per worker	Total employed	Agricul- ture	Industry	Construc- tion	Trade	Transport- ation and communi- cations	Financial services	Personal services	Unknown and correction of rounding	Public services
Employed (thousands)											
1971 (Jan.-Sept.)		775	92	244	105	127	75	56	74	2	
1972 (Jan.-Sept.)		833	98	254	125	138	77	60	77	6	
1973 (Jan.-Sept.)		871	92	281	131	143	78	67	77	2	
1974 (Jan.-Sept.)		866	86	287	122	135	83	69	75	9	
1972 I		811	98	253	118	129	76	60	74	3	
II		830	99	250	127	138	74	58	82	2	
III		859	96	259	130	147	80	60	76	11	
IV		845	89	268	127	141	80	62	77	1	
1973 I		855	89	278	127	137	76	64	82	2	
II		871	95	276	128	147	76	70	73	1	
III		888	93	288	138	145	82	67	73	2	
IV		871	96	282	118	137	84	71	77	6	
1974 I		851	91	276	110	140	81	69	77	7	
II		866	84	285	123	137	84	69	76	8	
III		880	82	300	134	127	86	70	73	8	
IV		856	78	283	129	132	87	72	70	5	
Man-hours per week^c (millions)											
1971 (Jan.-Sept.)	41.2	31.95	3.55	10.20	4.40	5.50	3.30	2.30	2.55	.15	
1972 (Jan.-Sept.)	41.2	34.35	3.80	10.75	5.20	5.90	3.35	2.40	2.75	.20	
1973 (Jan.-Sept.)	40.7	35.45	3.60	11.65	5.35	6.05	3.35	2.65	2.70	.10	
1974 (Jan.-Sept.)	38.4	33.25	3.25	11.25	4.65	5.50	3.25	2.65	2.55	.15	

1972 I	41.6	33.75	3.75	10.95	5.00	5.50	3.25	2.50	2.65	.15	
II	40.4	33.55	3.85	10.35	5.10	5.85	3.25	2.30	2.80	.05	
III	41.7	35.80	3.80	10.95	5.50	6.35	3.60	2.40	2.80	.40	
IV	41.8	35.35	3.55	11.55	5.35	6.20	3.45	2.55	2.65	.05	
1973 I	41.4	35.40	3.35	11.85	5.20	5.90	3.35	2.70	2.95	.10	
II	40.4	35.15	3.70	11.35	5.20	6.10	3.35	2.70	2.65	.10	
III	40.3	35.85	3.75	11.80	5.65	6.20	3.40	2.55	2.45	.05	
IV	31.1	27.10	3.10	8.80	3.30	4.95	2.50	2.25	2.15	.05	
1974 I	36.6	31.10	3.20	10.45	3.75	5.55	2.90	2.55	2.50	.20	
II	39.6	34.30	3.25	11.55	4.90	5.65	3.45	2.65	2.50	.35	
III	39.1	34.40	3.20	11.85	5.30	5.20	3.45	2.70	2.55	.15	
IV	39.9	34.15	3.00	11.60	5.00	5.50	3.60	2.80	2.45	.20	
				Percent increase or decrease (-) ^d							
1974 ^e I		-3.2	4.5	-2.8	-18.9	3.1	-4.5	3.4	-6.3		
II		-1.0	-10.7	3.2	-4.3	-5.9	4.4	-0.4	-4.2		
III		-3.4	-14.1	1.1	-5.6	-15.6	2.2	6.6	4.8		
January-September											
1972		7.5	7.0	7.2	18.2	7.3	1.5	4.3	7.8	..	6.0
1973		3.2	-5.3	8.4	2.9	2.5	—	10.4	-1.8	..	4.8
1974		-6.2	-9.7	-3.4	-13.1	-9.1	-3.0	—	-5.6	..	3.5
1974 ^e		-2.5	-6.2	0.4	-9.7	-5.5	0.7	3.9	-1.9	..	

^a See definition in Table XII-8.

^b The reliability of the quarterly branch data is lower, and we therefore preferred to present only annual data in previous reports. Nevertheless, owing to the special development this year it was thought advisable to present detailed data.

^c Rounded to 0.05.

^d Each period in comparison with the corresponding period in the previous year.

^e Estimate of the change in labor input were it not for the intensified mobilization of reservists.

SOURCE: Central Bureau of Statistics and computations of the Bank of Israel.

quarter with respect to a decline in the number of employed.

(f) *Employment exchange data*

In this section we discuss in greater detail the data of the Employment Service which, owing to the many changes that have been introduced in the past two years, must be treated with considerable caution.

The data with regard to the series of job seekers, unplaced job seekers, and daily average of unemployed were changed in January 1973 when the Unemployment Insurance Law took effect. Theoretically, statistics are now available for two successive years based on uniform definitions, but it appears to us that owing to the length of time required to introduce a new system, and to the effect of the war (which temporarily raised the figures for job seekers and the daily average of unemployed), there are grounds for employing these figures only with respect to 1974 and not in comparison with 1973 or for comparison of 1972 and 1973.

During 1974 itself (excluding the effect of the war at the beginning of the year) the series of job seekers and the daily average of unemployed were stable. We find a slightly rising trend only in the series of unplaced job seekers. In general, this picture is in consonance with the findings of the manpower surveys, which were discussed at length in the preceding sections: despite the deceleration in employment there was no increase in the number of unemployed but a parallel reduction in labor force participation. Moreover, the detailed data point to a substantial departure of young people from the labor force, and for them there is no point in registering at the labor exchange in the hope of getting unemployment compensation, since they lack a previous qualifying period as employed. (In 1973 about 48 percent of total adult job seekers in the exchanges were in the 18-24 age group, and together with the 25-34 age group they constituted close to 70 percent. From the labor force surveys we have seen that it was in these age groups that the decline in participation rates was concentrated.) Another interesting datum in this context is the decline in the rate of job seekers who turn to the Employment Service as a means of finding work. This rate declined from 63 percent in 1970 to 50 percent in 1973 and to 36 percent (albeit on the basis of a revised questionnaire) in 1974. In 1974 itself the rate continued to decline, reaching 33 percent in the last quarter.

Finally, it should be noted that in 1965/66 the series of job seekers and the daily average of unemployed were late in pointing to the change, doing so only at the beginning of 1966. The series of unplaced job seekers belonging to the same group of series preceded them and, as noted, in 1974 too it was this series that indicated a rise.

The problem is more serious in the series of job openings and unfilled job

Table XII-10
EMPLOYMENT SERVICE DATA, 1970 TO FIRST QUARTER OF 1975
 (seasonally adjusted data)

	Job openings	Unfilled job openings	Job- seekers	Unplaced job- seekers	Daily average unem- ployed	Help wanted advertising linage (original data)
	(1)	(2)	(3)	(4)	(5)	(6)
Annual data						
1970	31,353	4,272	23,833	5,715	1,596	25,780
1971	35,075	7,133	19,421	4,057	942	34,670
1972	35,405	8,477	18,508	3,699	746	38,250
1973 (Jan.-Sept.)	31,362	6,995	×	×	×	44,020
Quarterly data						
1972 I	36,548	9,391	×	×	×	34,790
II	35,523	8,003	×	×	×	41,850
III	35,826	7,945	×	×	×	36,070
IV	33,723	8,570	×	×	×	40,290
1973 I	32,618	7,425	×	×	×	43,650
II	29,981	6,573	×	×	×	43,370
III	31,488	6,987	×	×	×	45,030
IV	27,402	6,290	×	×	×	20,330
1974 I	27,887	6,171	×	×	×	38,430
New series						
1973 I	×	×	17.124	2.509	809	43,650
II	×	×	16.361	2,554	862	43,370
III	×	×	16.848	2,582	842	45,030
IV	×	×	17.399	3,443	986	20,330
1974 I	×	×	17,112	3,113	918	38,430
II	27,417	7,800	17,005	3,253	831	50,260
III	24,513	7,444	16,468	2,960	814	42,540
IV	25,000	7,761	16,999	3,260	823	36,390
1975 I	25,003	7,673	16,386	3,360	913	26,570

Note: The introduction of new series, including new definitions and methods of gathering data, destroys the continuity of the series and precludes comparisons between the two series.
 SOURCE: Columns 1-5: National Employment Service (adjustment for seasonality from Bank of Israel computations); column 6: Advertising Association of Israel.

openings. These changed in the course of 1974, and at this stage it appears that there is no way of dealing with them either in comparison with previous years or during 1974 and the beginning of 1975. One of the changes was that the exchanges approached places of work on their own initiative in order to discover whether there were job openings, but until the system is institutionalized it is sensitive to differences between exchanges and between months stemming from the degree of effort invested in seeking "orders" (and hence in the figure for unfilled job openings).

At the same time it should be noted that the data for the previous years, 1972 and 1973, point to a declining trend after a steep rise up to the beginning of 1972. We have relied on this turn, among other things, as an indicator of the changes that occurred in employment as early as 1972. Here it should be kept in mind that these series were the earliest to point to the previous recession, by indicating a turn starting at the end of 1964.

4. WAGE DEVELOPMENTS

Wages and salaries per employee rose by 35 percent on an annual average, in comparison with 1973. This constitutes an acceleration in the rate of wage increases, for in the first nine months of 1973 wages were 25 percent higher than in the corresponding period of 1972. Wage data, the source of which is employers' reports to the National Insurance Institute, also include wage payments to employees serving in the reserves. Since the number of reservists on active duty was extremely high in the last quarter of 1973 and in the first quarter of 1974 the rise in wages per employee does not reflect the rise in the labor costs of the employers. In addition, the reliability of the data for the last quarter of 1973 is lower than usual, owing to missing reports and imprecise reports during and immediately after the war. It is thus better to compare the third quarter of 1974 with the third quarter of 1973. The increase in wages per employee as between these two periods amounted to about 38 percent. The increase in wages per man-hour was about 35 percent on an annual average and about 43 percent between the third quarter of 1973 and the third quarter of 1974.⁵ We cannot ignore the fact that the wage data in the third quarter are influenced by the increase of the cost-of-living allowance in July 1973 and July 1974, and by the greater number of reserve-duty days served in the third quarter of 1974 as compared with the third quarter of 1973. Despite this qualification it appears to us that the increase in wages, from the aspect of the employers, was higher than that reflected in the annual average increase, in view of

⁵ Information about the number of man-hours per employee is to be found in the manpower surveys of the Central Bureau of Statistics.

the greater number of reserve-duty days in 1973 than in 1974. Wage developments in the private sector, including and excluding fringe benefits, were similar.

The share of labor in the national income of the private sector, excluding housing, remained constant in 1974 as compared with 1973. In other words, the wage rise in 1974 kept pace with the rises in prices, factors of production, and productivity. At the same time the increase in wages was lower than that in the Consumer's Price Index, the latter amounting to 40 percent.⁶ In other words, real wages, from the viewpoint of employees as consumers, declined in 1974.

Under conditions of a more rapid rise in consumer prices than in producer prices it is reasonable to assume that the market forces will adjust wages at a rate that falls between the rise in producer prices and that in consumer prices. The play of forces between the labor unions and the employers' associations should also lead to this result. The fact that wages rose only at a rate similar to that called for by the rise in producer prices (plus productivity) seems to point to some falling off in demand, which was expressed in a non-increase in wages and only slightly in unemployment. It is reasonable to conjecture that the pressures for wage increases applied by the trade unions were weaker in 1974 both because of the effect of the Yom Kippur War and because of the tension that prevailed in the first half of 1974.

The data on strikes bear this out. The number of strikes decreased by 26 percent in 1974 in comparison with 1973, and the number of workdays by 86 percent. The phenomenon is also reflected in the fact that the wage agreements that were in force in 1973 were extended to April 1974, and in the further fact that wage agreements did not deviate from the wage policy adopted by the Histadrut.

Another indication of a sluggishness in the demand for workers is that the wages of workers from the administered areas rose in 1974 by 28.5 percent. This was the first time that the wages of these workers rose by less than those of the Israelis. The wages of workers from the administered areas are more sensitive to the forces of the market than are those of Israeli workers, so that this is further evidence of a slackening in the demand for workers.

The existing wage agreements, as we have noted, were extended to April 1974, and in that month the Histadrut Executive decided on its wage policy for 1974. The main decision was that basic wages should rise by from IL 50 to IL 80. Agreements in this spirit, and in general without deviations, were signed in the middle of 1974. According to an estimate of the Histadrut's Department of Economic and Social Research, the wage agreements increased total wages by about 8 percent. In January 1974 a cost-of-living allowance of 14.8 percent was paid on the first IL 700 of the

⁶ The more rapid rise in consumer prices than in producer prices stems from the great increase in indirect taxation and in import prices.

Table XII-11

EMPLOYEE POSTS, EARNINGS, AND EARNINGS PER POST, MONTHLY, 1973-74
(including organized workers from the administered areas)

	Total			Excluding public services		
	Posts (thousands)	Earnings (IL million)	Average earnings (IL)	Posts (thousands)	Earnings (IL million)	Average earnings (IL)
1973 I	938.8	965.4	1.028	623.7	642.9	1.031
II	932.2	1,037.7	1.113	623.1	677.3	1,087
III	952.2	1,145.9	1.203	638.2	763.2	1.196
IV	897.0	1,085.6	1.210	586.4	689.0	1,175
1974 I	928.3	1,249.1	1.346	604.9	814.5	1.347
II	938.4	1,335.5	1.423	612.5	859.4	1,403
III	969.7	1,605.2	1,655	633.0	1,036.5	1,637
IV	952.1	1,627.2	1.709	619.5	1,052.0	1,698
January-September						
1973	941.1	1,049.7	1,115	628.3	694.5	1,105
1974	945.5	1,396.6	1.477	616.8	903.5	1,465
January-December						
1973	930.1	1,058.7	1,138	617.9	693.1	1,122
1974	947.1	1,454.3	1,536	617.5	940.6	1,523
Percent increase over corresponding period of previous year						
1974 I			30.9			30.6
II			27.9			29.1
III			37.6			36.9
IV			41.2			44.5
January-September			32.5			32.6
Entire year			35.0			35.7

SOURCE: Central Bureau of Statistics, based on employers' reports to the National Insurance Institute.

basic wage, which raised wages by about 7 percent. Following the drastic reduction of subsidies in February, an advance was paid in that month on account of the July c-o-l allowance, in the amount of 6 percent. This increment raised total wages by about 3 percent. In July a c-o-l allowance of 20.7 percent was paid, the ceiling now being raised to IL 1,000. This payment raised total wages by about 10 percent. In December, a c-o-l allowance of up to IL 200 was paid, raising total wages by about 8 percent. It transpires, then, that the provisions of the wage agreements and the c-o-l allowances were responsible for the bulk of the wage increase that occurred in 1974.

Table XII-12
EMPLOYEE POSTS BY ECONOMIC BRANCH (INCLUDING WORKERS FROM THE ADMINISTERED AREAS),^a 1971-74
(in thousands)

	Total	Private sector ^b	Private sector ^c	Agriculture	Industry	Electricity and water	Construction	Trade and hotels	Transport equipment and communications	Financial services	Public services	Personal services	
1971	875.3	285.4	589.9	40.9	238.8	10.0	81.9	72.6	58.6	59.9	275.4	37.2	
1972													
Jan.-Sept.	909.5	302.9	606.6	39.0	244.7	9.8	88.4	73.7	60.1	64.3	293.1	36.4	
Entire year	911.8	304.8	607.0	38.1	245.2	9.9	88.8	73.5	60.1	64.8	294.9	36.5	
1973													
Jan.-Sept.	941.1	323.1	618.0	32.2	249.6	10.4	90.8	76.0	61.2	71.1	312.7	37.1	
Entire year	930.1	322.6	607.5	31.4	246.4	10.4	87.3	74.4	60.9	70.9	312.2	36.2	
1974													
Jan.-Sept.	945.5	339.4	606.1	30.2	248.4	10.8	84.7	73.1	62.0	72.8	328.7	35.0	
Entire year	947.2	340.5	606.7	29.5	248.3	10.8	84.9	73.1	62.3	73.7	329.7	35.0	
1973 I	938.8	325.5	613.3	36.7	249.0	10.5	88.4	73.9	59.7	68.9	315.1	36.7	
II	932.2	319.4	612.8	31.0	246.3	10.3	90.6	75.3	60.8	71.6	309.1	37.2	
III	952.3	324.4	627.9	28.7	253.5	10.5	93.6	78.7	63.1	72.8	314.0	37.5	
IV	897.0	321.0	576.0	29.1	236.6	10.3	76.7	69.7	60.1	70.4	310.6	33.4	
1974 I	928.3	334.1	594.2	33.6	245.0	10.7	80.0	69.5	61.0	71.0	323.4	34.0	
II	938.4	336.3	602.1	30.2	247.0	10.5	83.1	73.8	61.2	71.9	325.9	35.2	
III	969.8	347.8	622.0	26.9	253.1	11.1	91.0	76.0	63.7	75.5	336.7	35.7	
IV	952.1	343.6	608.5	27.4	247.9	11.0	85.4	73.0	63.3	76.3	332.6	35.0	
						Rates of change^d							
1973 (Jan.-Sept.)	3.5	6.7	1.9	-17	2.0	..	2.7	3.1	1.8	10.6	6.7	2	
1974 (Jan.-Sept.)	0.5	5.0	-1.9	-6	-0.5	..	-6.7	-3.8	1.3	2.4	5.1	-6	
1974 (Jan.-Dec.)	1.8	5.5	-0.1	-6	0.8	..	-2.7	-1.7	2.3	3.9	5.6	-3	
1974 II	0.7	5.3	-1.7	-3	0.3	..	-8.3	-2.0	0.7	0.4	5.4	-5	
1974 III	1.8	7.2	-0.9	-6	-0.2	..	-2.8	-3.4	1.0	3.7	7.2	-5	
1974 IV ^e	-0.0	5.9	-3.1	-5	-2.2	..	-8.8	-7.2	0.3	4.8	5.9	-7	

^a There has been a steady increase in the share of employees from the administered areas working in Israel who are not represented in National Insurance data. This is seen from a comparison of family surveys in the administered areas with data based on employers' reports to the National Insurance Institute. Consequently, the percentage of change in employee posts in the private sector, in which the workers from the administered areas are concentrated, is biased downward.

^b Including public services and electricity and water.

^c See definitions in Table XII-8.

^d Each period compared with the corresponding period of the preceding year, except for the last line.

^e Compared with the third quarter of 1973.

SOURCE: Central Bureau of Statistics, based on employers' reports to the National Insurance Institute.

In January 1975 the December c-o-l allowance was completed, up to 30 percent. This constituted, in effect, a wiping out of the effect of the steps of November 1974, for under the existing arrangement a c-o-l allowance of 36 percent should have been paid.

Analysis of the increases in prices in the past year indicates that for the most part they were the result of external developments on the costs side: the increase in import prices, the change in the exchange rate, the levying of indirect taxes, and the reduction of subsidies (see the detailed discussion in Chapter IX). These developments seem to point to the fact that the existing cost-of-living arrangements, whereby the allowance is paid in accordance with the Consumer's Price Index in its entirety (with only slight modifications), are liable to create further pressure on production costs—this time from the wage side. This situation significantly limits the ability of the Government to improve the balance of payments by means of the price mechanism.