

4

EMPLOYMENT AND WAGES

1. MAIN DEVELOPMENTS¹

The principal factor influencing labor market developments in 1988 was the slowdown in economic activity. Domestic labor input² in the business sector remained static, and productivity was stagnant. The labor supply of Israelis expanded considerably, increasing both total employment and the rate of unemployment, which rose after its fall in the preceding year. There were significant inter-industry differences in business sector employment. The labor input (man-hours) in industry, agriculture and construction declined, while there was a substantial increase in the private and public services branches. In the public services, where employment had not grown in the previous three years, employment increased in 1988 by 4 percent. This prevented unemployment from rising higher, but possibly also inhibited a greater restraining effect of unemployment on business sector wages. The uprising caused the territories' labor input (man-hours) in Israel to contract by some 25 percent, while the labor input of Israelis increased by 3.5 percent. Total labor input expanded by about 1 percent. Despite higher unemployment, real wages in the business sector continued to rise, albeit more slowly than in the preceding two years. Real labor costs per unit of output rose in 1988 by an additional 1 percent, following increases of 5.8 percent in 1986 and 4.2 percent in 1987. This caused

¹ For the year under review, there are considerable differences between the Labor Force Survey data on employment in the services, and the number of employee posts in the service industries as estimated by the Central Bureau of Statistics from employers' returns to the National Insurance Institute. This chapter in the Bank of Israel Annual Reports usually relied on the labor force surveys, which cover many labor market data. According to the labor force survey, employment of Israelis during the year, in the services and other industries, increased more than shown by the data based on the NII returns. However, the latter estimates are more consistent with the data on the economic slowdown and the slight product growth.

² Defined as the total number of man-hours worked by Israelis and workers from the territories employed in Israel.

a continuing fall in business sector profitability. Wages in the public sector, where they had been eroded more steeply in the past, rose more than in the business sector.

TABLE 4.1
Principal Labor Market Indicators, 1980–88
(Percent change over previous year)

	Average 1980–84	1985	1986	1987	1988
1. Permanent population	-1.7	1.6	1.5	1.7	1.6
2. Migration balance, thousands	7.1	-5.3	-4.8	5.5	-2.5
3. Israeli employees, total	2.0	0.7	1.4	2.6	3.5
<i>of which:</i> Business sector	2.0	0.3	1.7	3.9	3.2
Public services	2.0	1.7	0.7	-0.4	4.2
4. Domestic labor input in business sector	3.9	0.1	2.2	3.8	0.3
5. Real wages per employee post, total	3.8	-9.0	7.8	7.9	6.2
<i>of which:</i> Business sector	3.7	-6.4	9.1	8.1	4.9
Public services	3.9	-14.3	4.4	7.1	9.8
6. Real minimum wage	14.4	-26.3	18.4	24.5	14.0
7. Real daily wages of workers from the territories employed in Israel	1.1	0.4	28.8	15.7	10.8
8. Real labor cost per unit of output in the business sector	0.5	-0.7	5.8	4.2	0.6
9. Labor productivity in business sector ^a	-0.6	5.2	3.5	3.0	0.8
		<i>Percent of labor force</i>			
10. Labor force participation rate	49.8	50.7	50.6	50.4	51.4
11. Unemployment rate	5.1	6.7	7.1	6.1	6.4

^a Estimated on the basis of GDP as measured from the expenditure side.

SOURCE: Based on data of the Central Bureau of Statistics.

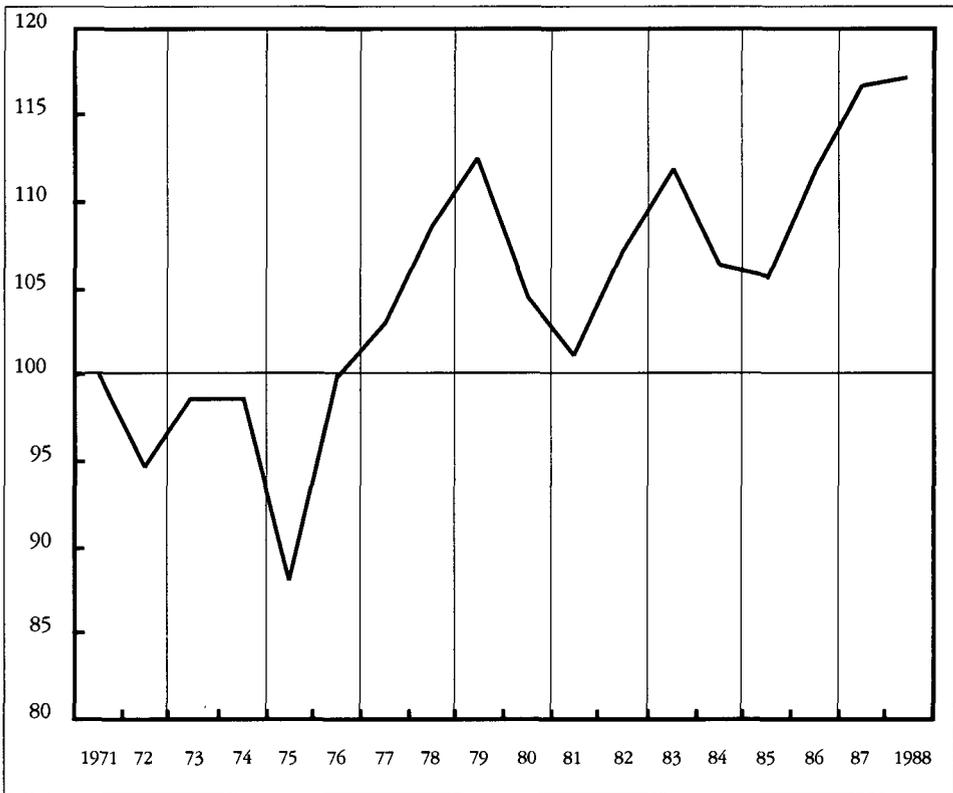
During 1988, the slack in the labor market deepened. This trend is evident in various indicators, such as the decline in demand for labor, the rise in the number of work-seekers, the number of unemployed and recipients of unemployment benefits. The increase in total business sector employment during the year was also below the annual average. Emigration³ in 1988 is estimated at 18,000, while immigration fell short of this number. The net migration balance was therefore negative, with a net emigration of about 3,000 people. Population growth was a mere 1.6 percent, but the working age

³ In the absence of a direct measurement, the number of Israelis who have been abroad for more than a year is used as an approximation of the estimate of emigration.

population grew by 2 percent. In 1988, there was also a substantial increase in the labor force participation rate, apparently due to three factors: a) the entry of more second breadwinners into the labor force; b) higher demand for unskilled labor; and c) an expansion of the public services. Most of the increment to the labor force found employment, despite the economic slack, and the total employment rate increased for the second consecutive year.

Nominal wages per employee post continued to rise, at an average of 23.3 percent for the year. In terms of purchasing power, real wages rose by 5

Figure 4.1
Real Labor Costs—Returns to Labor
in Business Sector Net Domestic Product, 1971–88^a
(Index, 1971 = 100)

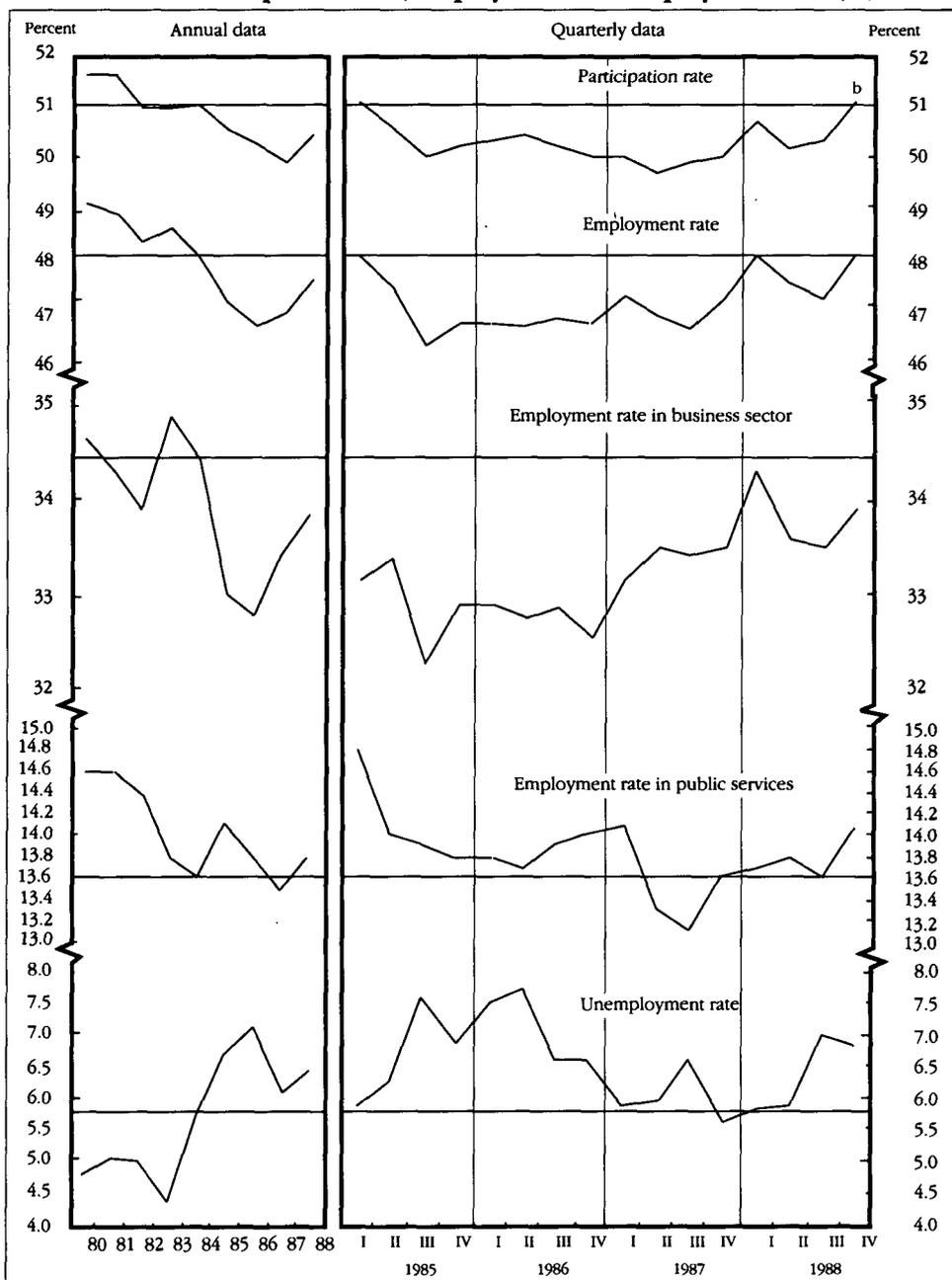


^a The estimate of returns to labor in NDP is obtained from a comparison of the statistics for several variables from different statistical sources (GDP, taxes and subsidies, wages, imputed returns to labor of self-employed, etc.). This method may result in a systematic bias of aggregate returns to labor, since the biases of the different components are cumulated. This bias is probably greater in the estimate of the absolute amounts of the returns to labor; it is less in the estimate of changes between periods.

SOURCE: Central Bureau of Statistics.

Figure 4.2

Labor Force Participation Rates, Employment & Unemployment Rates, 1980-88^a



^a Quarterly data are seasonally adjusted. Adjusted for changes in composition of the population by education, sex and age.

^b The horizontal lines denote the 1984 level.

SOURCE: Central Bureau of Statistics, Labor Force Surveys, and Bank of Israel calculations.

percent in the business sector and 10 percent in the public services. Wage rises during the year, as against the average over the previous year, are less affected by decisions taken in the past. During the year, wages therefore increased less than their average rise in recent years, including 1987. According to partial information, this reflects the beginning of an adjustment of labor costs to the business state of firms. Despite the slower rise of wages, their average level was about 12 percent above the average for 1983–84, prior to the stabilization program, thus contributing to the continued growth of private consumption.

Since the stabilization program unit labor costs have risen cumulatively by 11 percent. This excessive increase calls for explanation. Furthermore, since 1987, there have been no collective wage agreements in the business sector, except for the cost-of-living allowance agreement. Country-wide wage policy therefore contributed only about half of the increase in nominal wages in the last three years (about 11 percent out of the total 23.3 percent increase, during 1988, in the business sector during 1988; see Table 4.3). The remaining 9 percent of the year's wage increase came from agreements at the enterprise level. These agreements were concluded despite the difficulties in the business sector and the slack in the labor market, which could have been expected to lead to a slowdown in the rise of nominal wages, and perhaps even a decline in real wages. Three principal factors explain the excessive rise in labor costs since 1986:

a) Since the stabilization program, expectations have overestimated future inflation and devaluations, and nominal wage increases were granted in line with these expectations.

b) Since 1985, real wages (nominal wages deflated by the consumer price index) have been rising in both the tradeables and the nontradeables sector (see Fig. 4.4). In the nontradeables sector, wages rose more, but price rises in this sector were above average. Therefore, when wages are deflated by specific industry prices, the picture is reversed and labor costs appear to have risen much more steeply in the tradeables sector. (For a discussion of the different price movements of tradeable goods and services versus nontradeables, see Chapter 3.) At least in the short run, wage increases in the nontradeable sectors pull up wages in industry and other tradeable sectors, because employers are reluctant to lose skilled workers and believe that the increase in real wages will be transitory. But under a stable exchange rate regime, the tradeables sectors face stiff competition from imports and in exports. In addition, for part of the time following the stabilization program, tradeables were subject to more effective price controls, and were therefore

unable to raise prices as much as nontradeables. The ensuing impairment of profitability eventually compelled wage increases to be restrained, output to be restricted, and workers to be laid off. Wage increases in fact appear to have preceded the layoffs, which increased in the second half of the year.

c) The high level of unit labor costs (as distinct from their increase) may also be explained by firms' erroneous assessments and employment policies. Enterprises refrained from discharging workers even when their contribution to marginal output was below their cost. Indeed, when dismissals were eventually carried out during 1988 and the labor input was reduced, output did not contract correspondingly, and labor costs per unit of product declined.

Wage increases, particularly in publicly owned firms, are dictated by a system of wage scale linkages, automatic promotions, seniority and, in some degree, the minimum wage law. These arrangements are difficult to change, even when required by economic conditions.

The rise in labor costs in the preceding two years, and their consequences in the year under review, demonstrates that changes in the labor market conduct of economic entities are a protracted process. The rate of nominal wage increase began to slow only by the beginning of 1988, too late and too little to prevent the 1988 slowdown. The lessons of the decline in profitability in 1986–87 were apparently applied only partially in the labor market. Many enterprises which had run into difficulties because of high labor costs, and had kept excess manpower, embarked on recovery programs in 1988, with relatively large-scale dismissals and a more tightly controlled employment of new workers (in part, on a part-time basis).

In view of the accelerating slowdown in production and exports, the increase in unemployment, and the erosion of the real exchange rate, a package of policy measures was adopted at the beginning of 1989. This included a devaluation and a new wage policy for 1989. The principal components of this wage policy were a waiver of the cost-of-living allowance (COLA) for 6 percent of past price rises, the payment of the COLA for another 6 percent by instalments (3 percent immediately, and several payments later), and the conclusion of a new COLA agreement. This provided for 85 percent compensation for price increases exceeding half a percent per month, payable in September 1989 and March 1990. The new agreement leaves a substantial margin for wage adjustments at the enterprise level, without involving a general wage rise, and at the same time protects workers against unexpectedly high price rises (for details, see section 2). Except for this COLA agreement, no collective wage agreement for 1989 was made in the business sector; additional wage increases

depend on specific agreements at the enterprise level and the automatic wage creep. In the public sector, an agreement was concluded for a general increment of 6 percent (over the April-May 1988 level) from April 1989.

The Links between the Labor Markets of Israel and the Territories

As a result of the uprising, the labor input of workers from the territories declined in 1988 by about 25 percent,⁴ as mentioned earlier. (To understand the impact of this decline on the Israeli economy, we shall briefly review the links between the labor markets of Israel and Judea-Samaria and Gaza.)

The removal of the borders between Israel and the territories in 1967, with free movement of workers, increased use of Israeli currency, and the absence of customs duties between the two economies, initiated a process of economic integration. This integration became closer during the 1970s, as the supply of available labor in the territories increased, and the demand of the Israeli economy for unskilled labor rose. Basic market forces in Judea-Samaria and Gaza favor a further increase of employment in Israel and an expansion of mutual trade—because of the rapid growth of the Judea-Samaria and Gaza labor force, the lack of a developed local economy there, the economic slack in Jordan and the oil producing countries, and restrictions on exports from the territories to Jordan. In Israel, by contrast, there is a continued and even increasing demand for workers from the territories.

In 1987, there were about 109,000⁵ residents of Judea-Samaria and Gaza employed in Israel, accounting for 9.3 percent of total employment and 10.8 percent of the labor input (man-hours) in the Israeli business sector. Employment of workers from the territories increased impressively between 1982 and 1987—by 30 percent (chained), particularly in view of the slow growth in the employment of Israelis (about 8 percent) and the rise in unemployment in Israel. Part of the rise in employment of Judea-Samaria and Gaza workers was in construction and agriculture, where the employment of Israelis declined. As shown in Table 4.2, there has been a great increase in the

⁴ The uprising caused only a slight contraction in the number of workers from the territories employed in Israel; its main effect was a considerable reduction of work days and work hours throughout the year, and mainly in the first quarter. Table 4.2 standardizes the number of employees by work hours. The willingness of employers to continue employing many workers from the territories, despite absenteeism and disruptions, and the rise in relative wages of workers from the territories, are evidence for excess demand for these workers

⁵ Based on an updated sample survey with greater coverage.

proportion of workers from the territories in the labor input of construction and agriculture. The increase in the number of workers from the territories employed in Israel was facilitated because they are not unionized, and are therefore mobile between places of employment and occupations, and flexible with regard to wages. This gives them an advantage over Israeli workers, particularly at times of economic slack. The relative wages of workers from the territories rose until the end of the 1970s, as demand for them expanded. At the beginning of the 1980s, the Israeli economy went into a slowdown while the supply of these workers continued to increase. As a result, their relative wages declined as their employment increased (Table 4.2). In 1984 and following the 1985 stabilization, their relative wages fell steeply, rising again in 1986 and 1987, as the Israel's business sector product grew rapidly and employment of workers from the territories increased.

Despite the rapid rise in employment, the ties between the economies are much less important for the Israeli economy than for the territories. The number of Israelis employed in producing goods exported to Judea-Samaria and Gaza has been estimated at about 10,000—no more than 0.7 percent of total domestic employment.⁶ The economic integration between Israel and the territories has indirect labor market effects: Wages in Israel are restrained by the availability of relatively cheap labor; advancement opportunities are opened for Israeli workers employed in unskilled occupations; production and export of cheap-labor-intensive goods are promoted, holding back the adoption of labor-saving technologies). In certain industries, however, the degree of integration is very high, and there has been concern that the uprising would affect them more severely than the average. In construction, sanitation and agriculture, workers from the territories accounted for 42–45 percent of total hired labor; and in the textile and food industries, garages, restaurant and hotel services, their proportion ranged from 10 to 15 percent. About two-thirds of the workers from the territories are employed in unskilled occupations. In certain enterprises and production lines, and other simple occupations, their share in employment is obviously great. Dependence on the availability of these workers has increased, at least in the short run, because until 1987 they replaced Israeli workers on a large scale.

The uprising in the territories has, of course, changed this process of increasing integration. Since the beginning of 1988, it has had a considerable impact on the economy of the territories, and some impact on the Israeli economy as

⁶ Bank of Israel estimate.

well. The uprising's leadership originally attempted to institute a massive boycott of work in Israel. This failed, because residents of the territories have no alternative employment. A different form of absenteeism was subsequently adopted: strikes on certain days of the week, which caused the labor input (man-hours) to decrease more than the number of employees (including those temporarily absent). The first quarter of 1988 saw a 40 percent decline in labor input. Later on, the labor input from the territories rose again, and for the year as a whole it accounted for 8.3 percent of the total labor input in Israel's business sector, compared with 10.8 percent in 1987. This decline was partially offset by higher employment of Israelis who returned to work in industries they had abandoned in previous years. In terms of labor input, the effect of the uprising was therefore not as great as feared. Nevertheless, the decrease in the labor supply from the territories led to a 10 percent rise of the real daily wage

TABLE 4.2

Indicators of the Integration between the Economies of Israel and Judea-Samaria and Gaza, Selected Years^a

	1970	1972	1975	1979– 1980	1984– 1985	1986– 1987	1988
	<i>Thousands</i>						
Number of employed from the territories	22.8	57.9	73.0	81.8	92.8	103.3	109.4 ^b
	<i>Percent of total</i>						
Labor input from the territories as percentage of total domestic labor input in the business sector:							
Construction	11.7	19.4	28.6	30.8	39.8	46.0	38.2
Agriculture	5.0	12.3	11.4	12.1	17.0	19.7	17.5
Wage earners in: Agriculture	15.4	31.4	34.8	37.3	38.6	43.9	43.3
Industry	1.0	3.4	4.6	5.6	5.8	6.3	4.6
Wages of employees from the territories as percentage of total business sector wage bill in Israel	41.9	44.9	46.4	38.1	32.2	39.7	43.5
Construction	48.8	55.8	58.9	48.4	45.5	52.4	57.2
Agriculture	61.7	68.4	62.4	46.6	41.7	56.6	64.2
Industry	40.7	42.2	44.6	33.1	27.9	35.3	38.7

^a The emphasis in this table is on changes in relative wages. Their level is not of much significance, since the comparison is between net daily wages of workers from Judea-Samaria and Gaza and to gross wages of Israelis. Moreover, the wages of Israelis in the business sector include industries and occupations in which no workers from the territories are employed.

^b Includes workers temporarily absent. In 1988, these were especially numerous.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

of workers from the territories. Their relative wages rose from 41 percent of average wages in the business sector in 1987 to 44 percent in 1988. This increase in relative wages was higher in construction and agriculture than in industry (see note *a* to Table 4.2). Trade between Israel and the territories also contracted in 1988, with an impact on industries relying on sub-contracting work, or which exported finished goods, to the territories.

The 1988 decline in the labor input from the territories was due to a politically motivated contraction of the labor supply. Even in a year of recession, market forces would have warranted more employment of workers from the territories in Israel. In 1988, the Israeli economy succeeded in adapting to the shrinkage of the labor supply from the territories. But this may become an impediment to higher GDP growth. There may be ways to reduce this dependence on labor from the territories, by substituting mechanization, closing of certain cheap-labor lines of production, permitting import of some unskilled labor, and substituting imports for some locally produced simple products. Moreover, rising demand and wages may induce Israelis to return to occupations they had abandoned, due to the competition of cheap manpower from the territories.

2. WAGES

In 1988, average nominal wages per employee post rose by 23.3 percent. In the public services wages rose by 28 percent, more than in the business sector. The steeper wage rise in the public services may be explained by their greater erosion in 1985, lower pre-1987 compensation than in the business sector, and a collective agreement for a 5 percent wage increase from June 1988. In the business sector, wages rose by a yearly average of 21.8 percent—less than in the preceding two years, but more than required by the collective wage agreements. The COLA agreement contributed 10 percent to the wage rise in the business sector during the year. The remainder, about 10 percent during the year (7 percent more than the previous year) resulted from the minimum wage law and agreements at the enterprise level (see Table 4.5).⁷ The economic factors which led to the 1988 wage rise and the institutional arrangements which supported it will be reviewed below.

Under the labor market's slack conditions, restraint in nominal wage increases could have been expected, possibly even a decline in real wages. Table 4.3 shows that real wages in the business sector rose on average by 4.9

⁷ Since 1987 there have been no industry-wide wage agreements. This left relatively more room for increments at the enterprise level.

percent in all the main industries (at the one-digit level of classification). In the principal industries (at the two-digit level of classification, there was a large variance of wage increases, albeit smaller than in previous years. Variances, of course, also exist at the enterprise level. This permits us to conclude that the wage increases may be explained by structural changes occurring in the economy, in differences in the demand faced by various industries, and in organizational changes taking place in various enterprises as part of the adjustment process under way since 1985.

Difficulties in the labor market mounted during the year. Many enterprises which until 1987 had failed to make the necessary adjustments—because they were unable to muster the strength to adjust, or because they had enjoyed a demand boom in the previous two years—faced slackening demand and falling profitability in 1988. As a result, a redeployment could no longer be postponed. Workers were dismissed, and in a few cases, workers accepted wage concessions. As may be seen from Table 4.5, business sector wages rose slightly more slowly during the year than the average increase over the preceding year.

TABLE 4.3
Average Real Wages per Employee Post,^a 1981–88
(Percent change over preceding year)

	1981	1982	1983	1984	1985	1986	1987	1988
Total	10.4	-0.4	5.9	-0.4	-9.0	7.8	7.9	6.2
Public services	10.1	-4.7	9.3	1.4	-14.3	4.4	7.1	9.8
Business sector	10.3	1.7	4.2	-1.2	-6.4	9.1	8.1	4.9
Agriculture, forestry & fishing	7.1	2.1	3.1	-0.4	-9.3	9.9	9.4	4.7
Industry	11.9	2.1	5.6	1.9	-7.4	7.0	7.1	3.8
Electricity and water	20.8	-4.5	7.7	-6.7	-7.3	0.3	13.3	5.6
Construction	8.8	4.8	-0.3	-4.5	-9.8	12.8	16.3	3.3
Commerce, restaurants & hotels	11.4	4.8	2.0	-1.2	-1.9	11.5	7.8	5.8
Transport, storage, communications	9.1	-0.6	1.9	1.5	-7.3	9.2	10.1	3.5
Financial and commercial services	9.7	-0.9	7.4	-7.0	-4.7	11.2	5.1	8.3
Personal and other services	3.8	8.2	7.2	-5.4	-9.6	17.6	14.4	6.6
Real disposable wage per employee post ^b	14.5	-2.3	4.2	-3.6	-4.5	9.7	7.5	5.2

^a Data of the Central Bureau of Statistics, based on employers' returns to the National Insurance Institute, deflated monthly by the consumer price index.

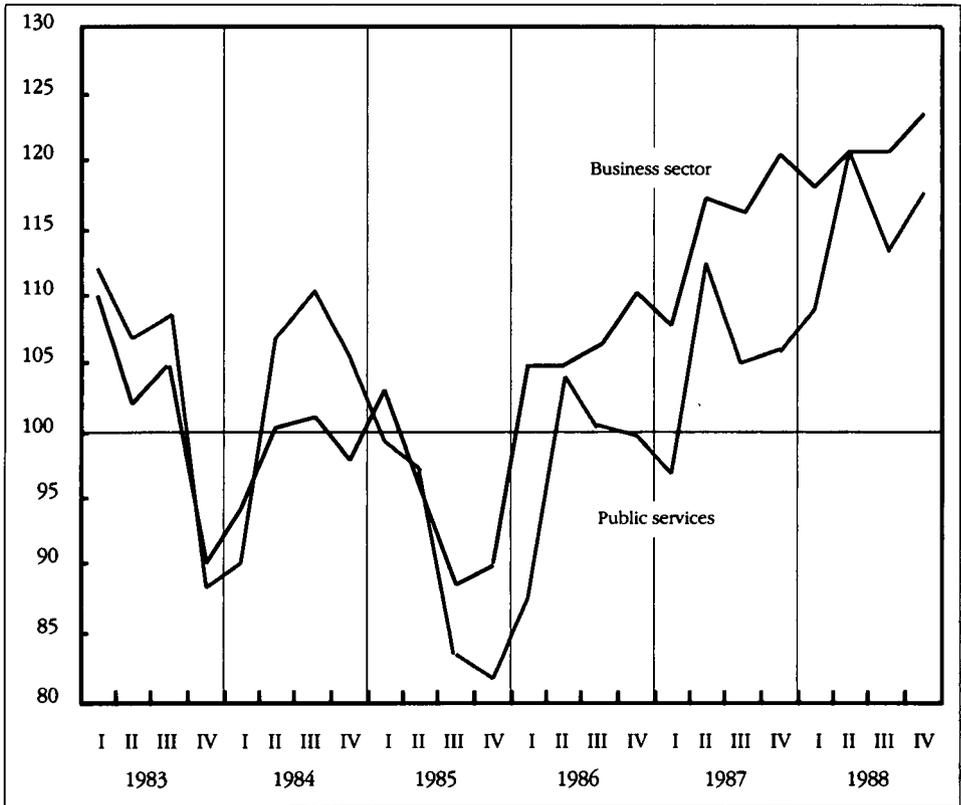
^b Corrected for changes in the rate of direct taxation of wage earnings (deductions for income tax and National Insurance premiums). The estimate is approximate, being based on tax rates (for the method of estimation, see Chapter 5, Table 5.A-3).

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

The rise in wages and labor costs in the business sector since the stabilization program, including 1988, may be explained by several factors:

A. The contraction of the labor supply from the territories in 1988 led to an increase in the wages of these workers, and the replacement of workers from the territories by Israelis in turn raised the latter's wages, as they returned to the labor market which they had left earlier because of low pay.

Figure 4.3
Average Real Wages per Employee Post, Business Sector and Public Services, 1983–88
(Index, average 1982–83 = 100)



^a SOURCE: Estimates of the Central Bureau of Statistics, based on employers' returns to the National Insurance Institute; deflated for each month by the consumer price index.

B. Wages rose in some industries because they enjoyed an expansion of demand. In others, wages did not decline, or adapted in the short run to the wage increases in other industries. Thus, for example, nominal wages increased in the nontradeables industries as higher domestic demand and limited competition raised output prices. Labor costs to employers in these industries

therefore rose only little. Employers in the tradeables industries, who believed the wage increases were transitory, followed suit, raising wages in order not to lose workers. But they were unable to raise their prices as much as the non-tradeables industries, because they faced competition from imports in the domestic market and from other countries in their exports. Price controls imposed during the stabilization period were also more effective in the tradeables industries. Their labor costs therefore rose substantially. This was particularly the case in industries exporting under dollar-denominated contracts, due to the fall in the value of the dollar against other currencies.

TABLE 4.4

Employment and Real Wages from the Perspective of Workers and Employers, Tradeables and Nontradeables Sectors, 1984–88^a

(Percent change)

	1987 over 1984	1988 over 1987	1988 over 1984	Average 1985–88 over 1984
Real wages per employee post, at consumer prices				
Nontradeables industries	16	6	23	10
Tradeables industries	8	4	12	3
Public services	-3	10	7	-5
Real wages per employee post, at producer prices				
Nontradeables industries	6	4	10	3
Tradeables industries	23	5	29	15
Employment of Israelis				
Nontradeables industries	4	7	11	4
Tradeables industries	6	-2	4	4
Public services	1	4	5	2
Domestic labor input, man-hours				
Nontradeables industries	6	3	9	4
Tradeables industries	6	-4	2	3
Public services	2	3	5	2

^a Due to data limitations, only the industrial branches and part of the agricultural branches were classified as tradeables.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

To examine these differential wage movements, labor costs to employers were compared for the various industries (at the two-digit level of classification), deflated by the relevant price indexes of production for the domestic market and for direct exports, and weighted by their 1985 proportion in the

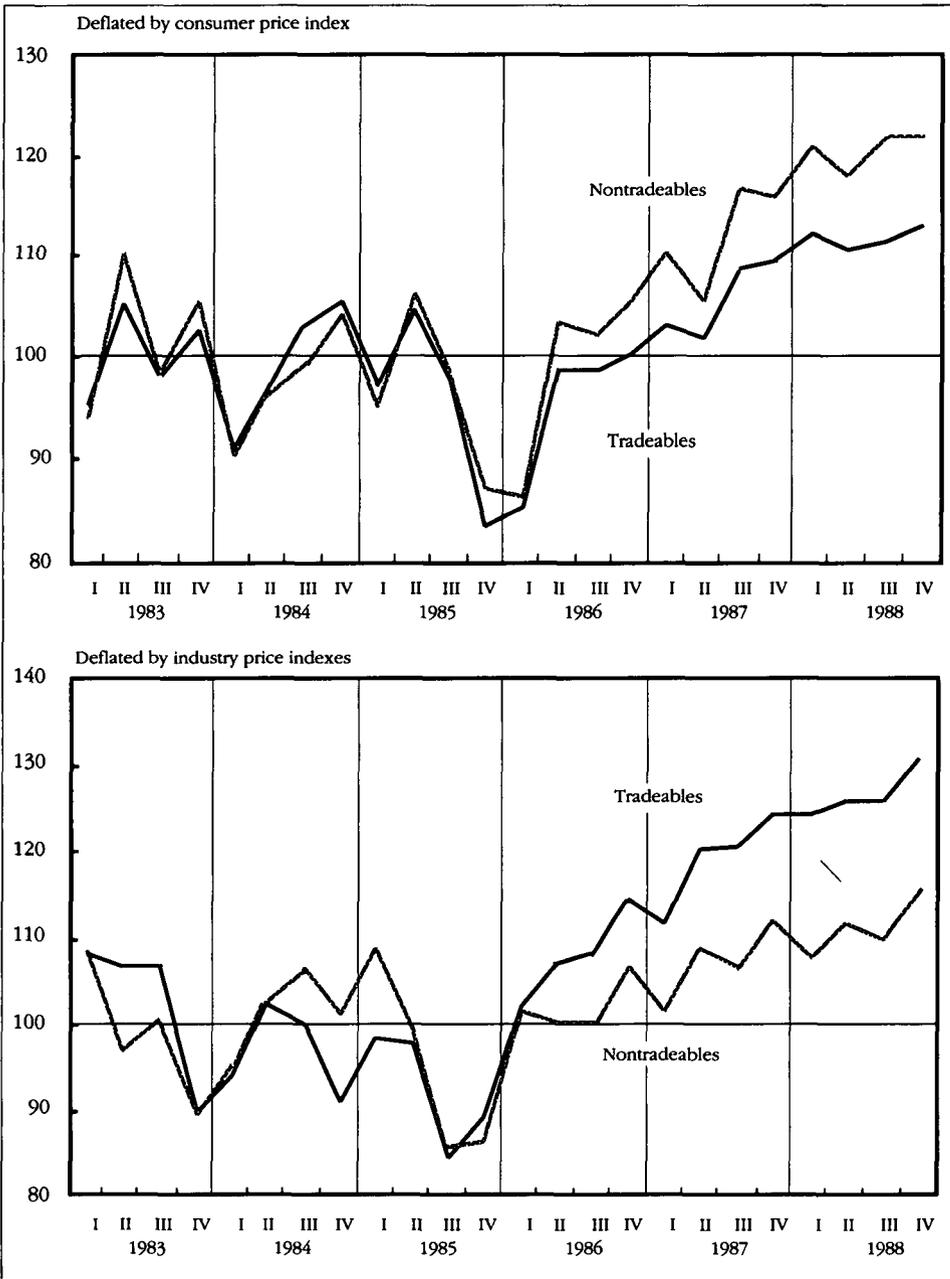
industry's total output. The industry data were then aggregated into tradeables and nontradeables (weighted by the share of wages in each industry in the total 1987 wage bill). It was in fact found that nominal wages in the nontradeable industries of the business sector rose throughout 1984–88 more than in the tradeables industries. However, prices each year rose much more in the nontradeables sector than in the tradeables industries. Real wage costs to producers therefore moved in the opposite direction: they went up much more steeply in the tradeables sector (see Table 4.4 and Figures 4.4 and 4.5). The changes in employment of Israelis adjusted to these trends only in 1988: Employment in the nontradeables sector rose by 7 percent, and contracted by 2 percent in the tradeables sector. In 1988, there was some adjustment of employment to the rise in labor costs, although the multi-annual average increase of employment was similar in both tradeables and nontradeables (Table 4.4).

Wage movements within the tradeables industries according to the proportion of exports in total output (which is a rough approximation of openness to foreign trade) were in a similar direction. In industries where exports account for over 30 percent of output, real labor costs have increased steeply since 1984, while nominal wages rose less than in industries exporting a smaller share of their output. Expansion of employment in export-oriented industries was less than in others. These findings only indicate a link between tradeability and labor costs, since a relatively large portion of exports in the export-oriented industries is denominated in dollars (the value of which had fallen). The effect of the depreciation of the dollar cannot be separated from the effect of openness to foreign trade (for labor costs at industry detail, see the section on industry in Chapter 6).

C. Some enterprises granted economically unwarranted wage increments to avoid confrontations with workers, apparently expecting a quick adjustment—by price increases and devaluation—to wage increases. Both parties to the wage bargain may also have expected that the government would prevent the collapse of enterprises, particularly in development areas. Some losing firms, belonging to concerns where other firms were profitable, were sometimes able to pay economically unwarranted wages. Moreover, high inflation, and the transition to relatively low inflation, at times led to an erroneous assessment of market conditions and the business state of firms—in other words, management errors. Lastly, wage increases in some enterprises were dictated by outside organizations, even when the objective position of these enterprises was at its gravest.

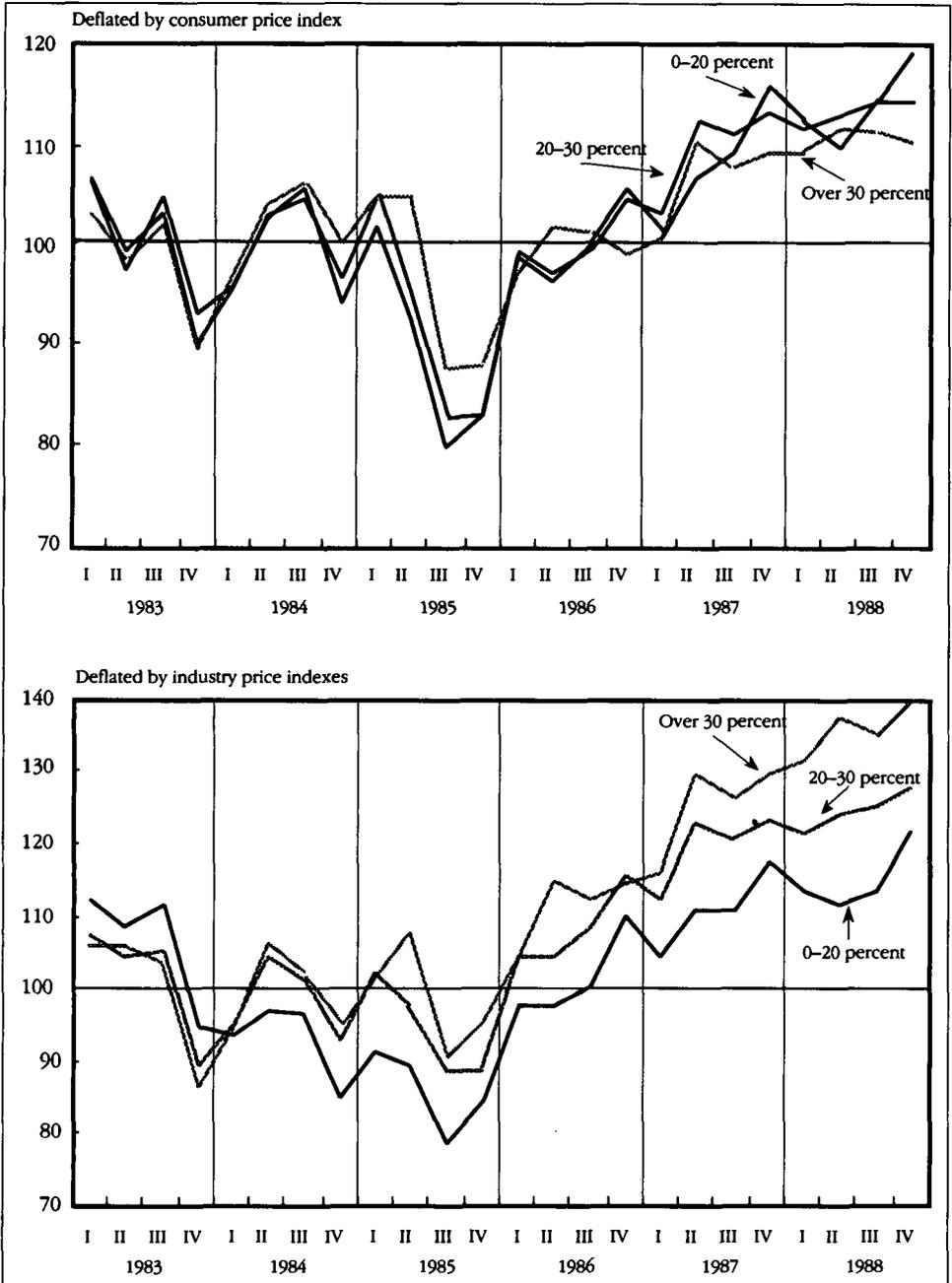
D. Part of the wage increases is dictated by difficult-to-change institutional

Figure 4.4
Indexes of Real Wages in the Business Sector. 1983–88
(Index, 1983–84 = 100)



Source: Based on data of the Central Bureau of Statistics.

Figure 4.5
Real Wages in the Tradeables Industries,
by Share of Exports in Output, 1983-88
(Index, 1983-84 = 100)



SOURCE: Based on data of the Central Bureau of Statistics.

arrangements. The contractual wage scales include an automatic wage creep of seniority pay, promotions, and wage linkages between different firms. These arrangements remain in force even when labor market conditions have changed, or the firm's position has deteriorated. Raising of the minimum wage of workers in the lower brackets also affected other workers, who try to maintain existing wage differentials. This may apply particularly to the food, textiles and clothing industries, and to a lesser extent, to restaurant and hotel services, where workers are less organized. However, the argument that wage increases were dictated by rigid institutional arrangements is only a partial explanation; there were also wage increases in industries where trade unions have little power, and where there were no material labor disputes.

E. Changes in labor force composition brought about some changes in the average wage per employee post. In a recession, junior and young workers, whose wages are lower because they have less skills and experience, are the first to be dismissed. As a result, average wages rise. This can occur on the assumption of downward substitution of workers, (i.e., that engineers, for example, may fulfil the tasks of technicians, technicians substitute for skilled workers, and so forth). In that case resulting changes in productivity will be less than the rise in average wages. Average wages also rose, due to the contraction in the number of relatively low-paid workers from the territories. According to estimates of the Output and Productivity Institute, this accounted for a 2 percent rise in hourly wages in the business sector. From the perspective of the employers, this rise in labor costs is not always accompanied by an increment to output.

Wage Policy and Actual Wages in the Business Sector

As may be seen from Table 4.5, nominal wages rose during the 1980s, and even earlier, in excess of the rates laid down in the collective wage agreements and the cost-of-living allowance agreement. Part of these wage increases were taken into account in the general wage contracts, and part were the result of a general wage policy which was out of touch with the reality of inflation.

In 1985, wages rose much in excess of the rate laid down by wage policy, but the steep price rises in mid-1985 and the wage freeze imposed by the stabilization program more than offset this increase, with real wages falling by 12 percent. Since 1986, the picture is different. The rapid curbing of inflation combined with wage increases (which, due to inflationary expectations and the other factors mentioned earlier, were in excess of the wage agreement

TABLE 4.5

Indicators of Wage Policy in the Business Sector, 1980-88*(Quarterly, and cumulative annual percent change^a)*

	Contractual wage rise, accrual basis ^{a,b}	Nominal wage increase	Wage rise in excess of formal policy	Change in CPI	Maximum contribution of COLA to wage rise	Price rise not compen- sated by COLA (cash basis)	Real wage rise	
	(1)	(2)	(3)=(2/1)	(4)	(5)	(6)=(5/4)	(7)=(2/4)	
1980	124.5	144.3	8.8	136.2	10.1.8	17.0	3.5	
1981	104.0	123.3	9.4	104.6	88.0	8.9	9.1	
1982	115.9	139.3	10.8	130.5	97.1	16.9	3.8	
1983	127.4	159.3	14.0	174.0	112.6	28.9	-5.4	
1984	430.3	501.0	13.3	464.5	350.5	25.3	6.5	
1985	I	23.6	40.6	13.7	29.5	21.0	7.0	8.6
	II	35.7	36.9	0.9	46.9	30.8	12.3	-6.8
	III	24.1	28.5	3.6	47.7	24.1	19.0	-13.0
	IV	-0.1	9.1	9.3	8.9	-0.1	9.1	0.2
	Total	107.9	169.9	29.8	205.7	96.1	55.9	-11.7
1986	I	10.7	18.8	7.3	1.3	10.7	-8.6	17.3
	II	3.2	6.1	2.8	6.6	3.2	3.3	-0.5
	III	5.2	5.1	-0.1	3.0	3.8	-0.7	2.0
	IV	6.1	10.8	4.5	6.6	3.3	3.1	4.0
	Total	27.5	46.8	15.1	18.5	22.6	-3.3	23.8
1987	I	3.6	2.4	-1.1	5.2	2.5	2.7	-2.7
	II	3.8	12.9	8.8	4.2	1.8	2.4	8.3
	III	0.0	1.7	1.7	2.2	0.0	2.2	-0.6
	IV	5.5	8.0	2.4	4.1	5.5	-1.3	3.8
	Total	13.4	27.1	12.0	16.8	10.1	6.1	8.8
1988	I	1.6	2.0	0.4	4.1	1.6	2.5	-2.0
	II	3.2	7.2	3.8	5.0	3.2	1.8	2.0
	III	0.0	2.1	2.1	1.8	0.0	1.8	2.0
	IV	4.5	8.0	3.4	5.1	4.5	0.6	2.8
	Total	9.6	20.6	10.0	17.0	9.6	6.7	3.1

^a The calculation assumes that the COLA and contractual wage increases apply to all wage components, without a ceiling. (This includes an imputed cost-of-living allowance on wage components that represent a refund of expenses, such as car and telephone allowances. The assumption is that these allowances are updated periodically by increases at least equalling the cost-of-living allowance plus contractual wage increments. The same assumption was made regarding advances on the COLA, which generally do not apply to overtime pay, unreported bonuses, etc.)

^b The cumulation base assumes that all wage contracts are implemented at the date they fall due, without postponements and without retroactive payments.

SOURCE: Bank of Israel calculations and data of the Economic and Social Research Institute of the Histadrut (General Federation of Labor).

rates) to lead to a 24 percent rise in real wages during 1986. This was twice their decline in 1985. Wages also rose higher than the rates under the agreement in 1987 and 1988, and price inflation did not fully offset that increase. As a result, the 1988 level of real wages per employee post was 15 percent higher than the 1983–84 average. For the discussion of wage costs to employers, see above and section 1.

Wage Policy in the Public Sector

Three collective wage agreements have been signed in the public sector since the 1985 stabilization program. Each granted wage increments in a different form. The labor contract for 1986/87 gave most public sector employees an additional grade, upsetting existing grade scales and causing many administrative difficulties. The wage increment in this agreement was supposed to be about 9 percent, but in reality was higher. The wage agreement for 1987/88 gave all workers a uniform wage increment of NIS 75, from October 1987; its total cost was estimated at 5 percent of the wage bill. In addition, a five-day work week was to be implemented, beginning in April 1989. The wage contracts for 1988/89 and 1989/90, signed on August 11, 1988, gave all wage scales a 5 percent wage increase, retroactively from June 1988, to be complemented to 11 percent from April 1989. It was also agreed to abolish 'summer hours' and the working week was set at 43.5 hours, reduced to 42.5 hours from April 1989. It was further agreed that employers would increase their contributions by one percentage point for workers insured in a pension fund, and workers would increase their payments by half a percentage point. It was further agreed that the wage increments would not be taken into account in calculating income support eligibility under the minimum wage law. This resulted in a large increase in public sector workers eligible for such support. According to the agreement, the country-wide trade unions were to distribute the wage increase among the different grades of each wage scale. In the year under review, this distribution gave the higher grades a bigger rise than the lower ones, for two reasons: a) the uniform NIS 75 increment given under the previous agreement had amounted to higher percentage increases in the lower grades; and b) lower-grade workers benefit most from the minimum wage law.

In February 1989, the Sussman commission, which examined the public sector wage system, published its report, recommending far-reaching changes in the wage structure.

The-Cost-of-Living Allowance Agreement

The cost-of-living allowance agreement of May 4, 1986, expired at the end of March 1988. This was a period of slowing inflation and stabilization policy.⁸ Under this agreement, a 4.9 percent cost of living allowance was paid in March 1988. In October 1988, a 4.5 percent COLA was paid under a similar ad-hoc agreement. Both in 1988 and in previous years, wage increases laid down in the general wage contracts (the cost-of-living agreement and the collective agreement in the public sector), were below the expected price rises and lower than the actual increase in nominal wages. This left considerable room for wage increases at the enterprise level (see Table 4.14). However, even relatively restrained general wage contracts may be a burden for firms in difficulty. If such firms' wages contain a large component of linkage to wage scales of other enterprises or occupations, and automatic wage creep, the general contracts may lead to undesirable wage hikes.

Only on February 20, 1989 was a new cost-of-living agreement signed, in a form more appropriate for a time of slowing inflation, and designed to reduce uncertainty and leave a sufficient margin for wage determination at the enterprise level. The new agreement has two parts: a) for past price increases of 12 percent,⁹ an immediate compensation of 3 percent, with an additional 3 percent to be paid later in three instalments; b) compensation for future price increases was to be paid on two predetermined dates, September 1989 and March 1990. Each of these payments will disregard 3 percent of the price inflation (i.e., half a percent per month) and compensation for price increases

⁸ Under this agreement, a cost-of-living allowance was paid whenever cumulative price increases amounted to 7 percent or more. The agreement was first applied in June 1986. The rate of compensation was set at 80, 75, or 70 percent of price inflation, depending on whether the price increases had accumulated in one, two, or three months. The agreement further provided for an 80 percent compensation whenever cumulative price rises by any of these dates would be 15 percent or more. Provision was also made for a still higher compensation in case of exceptional price rises. The actual compensation in each COL payment was 70 percent. On March 1, 1987, it was agreed to cut the cost-of-living allowance by 2.7 percentage points.

⁹ The 12 percent includes the effect of the devaluation at the end of 1988. The compensation is to be paid by installments: 3 percent, with February 1989 salaries, an additional 1 percent each payable in August and December 1989, and 0.88 percent in April 1990. It was further agreed that if prices increase between September 1988 and February 1989 were to deviate from the estimated 12 percent, the compensation would be adjusted accordingly in September 1989. The actual price rise was 11.3 percent, and the difference is to be adjusted for in September 1989.

above this rate will be at the relatively high rate of 85 percent.¹⁰ The agreement provides for an additional protection against unexpectedly high price rises; if such rises were to occur by the first date of compensation, September 1989, the rate of compensation was to be re-negotiated. If at the second date the cumulative rise in the CPI were to be more than 8 percent, a 4 percent COL allowance was to be paid on the first of the month of publication of the CPI, as an advance COL allowance to be offset at the following date of a COL allowance.

The Minimum Wage Law

The minimum wage law, which replaced the relevant collective wage agreement, came into force in April 1987. The law was enacted for social considerations, in view of the considerable erosion of the minimum wage due to delays in updating it, both when inflation accelerated and when it slowed in 1986. The law ties the minimum wage to the average wage in the economy. The adjustment is made automatically, each April, the same month in which general wage contracts are usually signed every two years. Each year, the minimum wage is updated whenever a cost-of-living allowance is paid or wage increases for broad sectors are agreed. In April of a year in which no collective agreements are signed, the minimum wage is updated according to the CPI. The new law raised the minimum wage substantially, relative to average 1987 business sector wages. This also had a considerable effect on the 1988 average. The changes in average and minimum wages are shown in Table 4.5(A) and Figure 4.6.

TABLE 4.5(A)

Average Wages in the Business Sector and Minimum Wages, 1987–88
(Percent change)

	Rise over preceding year		Rise during the year (comparison of 4th quarters)	
	1986	1988	1987	1988
Minimum wages	49.7	32.8	40.7	27.1
Average business sector wage	31.4	21.3	22.1	20.6

SOURCE: Report of the Output and Productivity Institute.

¹⁰ Compensation for the rise in the consumer price index for August 1989 over February 1989 will be paid in September 1989, and the March 1990 salaries will include the compensation for the rise in the CPI of February 1990 over August 1989.

In earlier times, the minimum wage has been high relative to average wages, but may have had a lesser effect: it was neither fully enforced nor automatically updated. The minimum wage law raises several important problems: the wage threshold for income support entitlement is narrowly defined, and does not include important wage components, such as seniority allowances, overtime pay, productivity premiums in excess of 30 percent, etc. At times, therefore, workers with relatively high total earnings may be entitled to income support. Moreover, workers with the same income are not equally entitled to income support if their wages are composed of different components. In the wage negotiations, especially in the public sector, the effect of the wage law and the allocation of wage increases, are taken into account. This allows for some limiting of distortions and detrimental influences. Thus, for example, various wage agreements stipulate that certain wage increments will not be taken into account in setting the minimum wage, assuring that income support will not decline. On the other hand, some of the wage increments were given only to the higher grades, in the knowledge that wages in the lower grades will be updated automatically under the law.

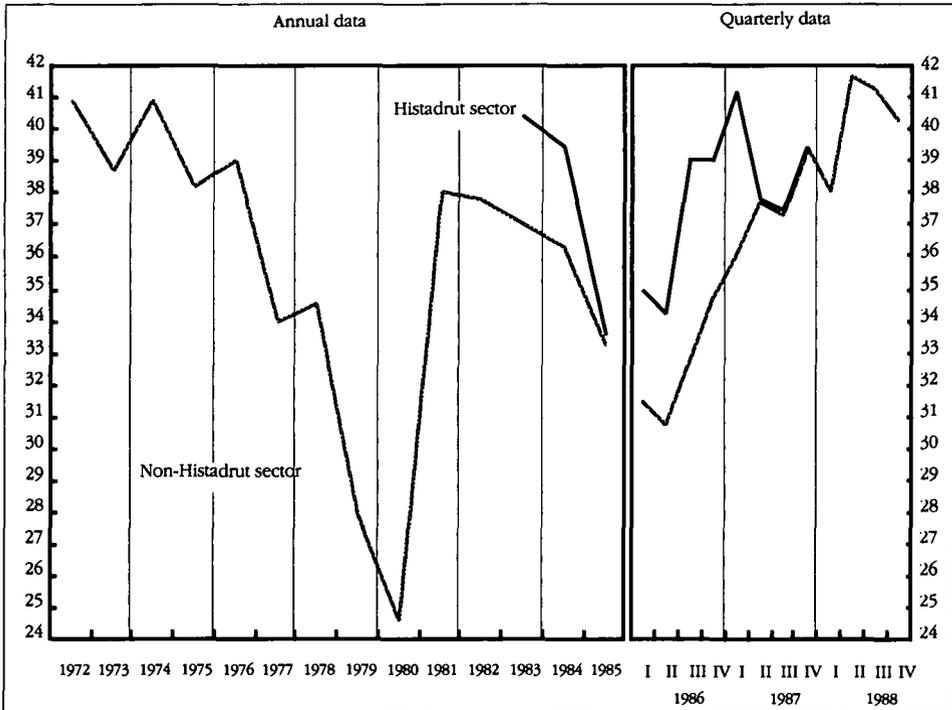
The degree to which the minimum wage law affects actual wages has not been directly researched. It is, nevertheless, cited as one of the causes of difficulties in employment and of excessive wage increases in 1987. Various indicators permit the assumption that, as a consequence of raising the minimum wage and enforcing the law more fully, the number of persons eligible for income support has increased and labor costs have risen.

The industries which may be directly hurt by the minimum wage law are those employing a large proportion of low-wage workers (food, textiles and clothing). The data show that output and employment in the food industries has increased substantially in recent years, including 1988. In any case, this would have warranted a certain rise of wages in these industries. Employment in the textiles and clothing industries indeed declined in 1987, but the relatively high wage increase in these industries is also due to an excessive wage rise—much in excess of the wage contracts—in 1986, itself a result of favorable market conditions. In the commerce and service industries, the minimum wage law did not, in 1988, act as a constraint on increasing employment; these sectors absorbed a large number of new employees.

As provided by the law, the minimum wage rose in April 1989 by 12.4 percent. This increase, which is higher than the expected overall wage rise (about 6 percent in the public sector) will create difficulties for certain low-wage industries, particularly in view of the constraints on expanding employment of

workers from the territories. It should be emphasized that setting wages at a level higher than dictated by the market may express itself in a future contraction of employment, although in 1988, as a result of the uprising in the territories, the demand for unskilled Israeli workers increased, thus preventing a further rise in unemployment.

Figure 4.6
Minimum Wage as Percentage of Average Wage, 1972–88



SOURCE: Based on data of the Economic and Social Research Institute of the Histadrut (General Federation of Labor).

TABLE 4.A-1

Sources of Growth of Israel's Permanent Population, 1980-88

	1980	1981	1982	1983	1984	1985	1986	1987	1988
<i>Thousands</i>									
1. Beginning-of-year population	3,836.2	3,921.7	3,977.9	4,033.7	4,118.6	4,118.6	4,266.2	4,331.3	4,406.5
2. Natural increase	68.0	67.6	68.9	70.5	70.7	71.2	69.9	69.7	71.6
3. Gross immigration ^a	22.2	14.5	16.1	19.1	21.7	12.2	12.3	15.6	16.0
4. Net emigration ^b	4.7	25.9	11.3	4.7	11.3	17.5	17.1	10.1	18.5
5. Migration balance (3-4)	17.5	-11.4	4.8	14.4	10.4	-5.3	-4.8	5.5	-2.5
6. Total population growth (2+5)	85.5	56.2	85.7 ^c	84.9	81.1	65.9	65.1	75.2	69.1
7. End-of-year population (1+6)	3,921.7	3,977.9	4,063.6	4,118.6 ^d	4,199.7	4,265.6	4,331.3	4,406.5	4,475.6
<i>Rates</i>									
8. Natural increase per thousand, ^e total	17.5	17.1	17.2	17.2	16.9	17.1	16.4	15.9	16.0
Jews	14.7	14.4	14.3	14.3	14.5	14.5	14.0	13.1	13.0
Non-Jews	32.2	30.7	31.4	29.6	30.0	29.3	28.7	29.2	30.0

^a Immigrants, tourists acquiring immigrant status, immigrating citizens (children born to Israelis abroad), and persons returning under the family reunion scheme (including East Jerusalem).

^b Israelis residing abroad for over 12 months, less Israelis returning after absence of 12 months or more, potential immigrants going abroad, and residents who have not returned from a visit to Jordan. See also CBS, *Statistical Abstract of Israel 1987*, pp. 141, 145-147.

^c Includes 12,000 from the Golan Heights.

^d According to the 1983 population census.

^e Per thousand of the relevant average permanent population.

SOURCE: Central Bureau of Statistics.

TABLE 4.A-2

Employment of Israelis by Sectors, 1970-88*(Percent)*

	1970	1979	1985	1985 ^a	1986	1987	1988	Average annual percent change		
								1970-1979	1979-1985	1985-1988
Public services	23.9	29.2	29.6	29.9	29.7	28.8	29.0	5.2	1.9	1.5
Business sector	76.1	70.8	70.4	70.1	70.3	71.2	71.0	2.0	1.5	2.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	2.9	1.6	2.5
Financial and business services	5.2	7.8	9.6	9.7	9.8	9.6	10.1	7.7	5.3	3.8
Rest of business sector	70.9	63.1	60.8	60.4	60.6	61.6	60.9	1.5	1.0	2.8
Industry	24.2	24.0	22.9	22.9	23.6	23.4	22.1	2.8	0.8	1.3

^a From 1985, new series, for a working-age population aged 15+ (instead of 14+ in the previous series); population estimates and labor force surveys revised according to the 1983 census data.

SOURCE: Central Bureau of Statistics.

TABLE 4.A-3

Sources of Growth of Labor Force and Incremental Employment by Sector, 1970-88*(Annual average increase, thousands)*

	1970-1973-1977-										
	1973	1976	1979	1981	1982	1983	1984	1985	1986	1987	1988
A. Increment to labor force	Israelis, total population										
Total increment	38.8	15.1	36.0	30.2	18.1	35.9	41.3	23.1	26.3	21.6	58.9
Source: Population growth ^a	34.5	26.4	26.4	23.6	23.5	27.9	31.4	32.2	27.6	28.0	29.8
Change in age and schooling distribution ^b	7.2	3.6	9.8	6.8	9.7	9.2	8.3	9.2	5.4	3.3	11.2
Change in specific participation rates	-2.9	-14.9	-0.2	0.0	-15.1	-0.8	1.6	-18.2	-6.7	-9.7	18.2
	Males										
Total increment	20.3	4.0	13.9	16.2	8.8	18.5	16.0	12.0	10.8	5.4	29.9
Source: Population growth	23.4	17.4	17.0	15.3	14.2	17.4	19.9	20.0	16.9	17.2	17.9
Change in age and schooling distribution	0.0	-1.9	1.8	0.9	3.1	2.0	1.4	0.3	-2.1	-1.2	3.0
Change in specific participation rates	-3.1	-11.5	-4.8	0.0	-8.5	-0.9	-5.3	-8.3	-4.0	-10.6	9.0
	Females										
Total increment	18.5	11.1	22.1	14.5	9.3	17.4	25.3	11.1	15.5	16.2	29.5
Source: Population growth	11.1	9.0	9.5	8.6	9.3	10.1	11.4	12.2	10.7	10.8	12.1
Change in age and schooling distribution	7.2	5.5	8.0	5.9	6.6	7.2	6.9	8.9	7.5	4.5	8.2
Change in specific participation rates	0.2	-3.4	4.7	0.0	-6.6	-0.1	6.9	-10.0	-2.7	0.9	9.2
B. Increment to workers from Judea-Samaria and Gaza											
Total	14.8	-0.1	3.1	1.0	4.2	8.2	2.6	-1.2	5.3	11.5	0.5

(continued on next page)

(Table 4.A-3 continued)

	1970-1973-		1973-		1977-						
	1973	1976	1979	1981	1982	1983	1984	1985	1986	1987	1988
C. Allocation of increment, domestic sectors											
	Total population										
Total increment	53.6	15.0	39.1	31.7	22.3	44.1	43.9	21.9	31.8	33.1	59.4
Business sector ^c	44.9	-1.7	24.3	15.4	16.2	46.2	15.9	-0.1	23.3	46.7	33.5
Public services, employees	11.7	12.5	16.8	11.7	6.3	3.1	5.9	8.3	0.8	0.6	16.0
Israeli unemployed	-2.9	4.2	-1.9	4.6	-0.2	-5.2	22.1	13.7	7.7	14.2	9.9
	Males										
Total	35.1	3.9	17.0	17.2	13.0	26.7	18.6	10.8	16.1	16.9	29.9
Business sector	34.1	-1.3	14.2	9.6	10.2	33.4	6.8	-4.2	14.8	28.2	22.4
Public services, employees	2.9	3.3	4.3	5.5	1.9	-4.0	0.4	3.6	-1.3	0.2	1.7
Israeli unemployed	-1.9	1.9	-1.5	2.1	0.9	-2.7	11.4	11.4	2.6	-11.5	5.8
	Females										
Total	18.5	11.1	22.1	14.5	9.3	17.4	25.3	11.1	15.7	16.2	29.5
Business sector	10.8	-0.4	10.0	5.8	6.0	12.8	9.1	4.1	8.5	18.5	11.1
Public services, employees	8.8	9.2	12.5	6.2	4.4	7.1	5.5	4.7	2.1	0.4	14.3
Israeli unemployed	-1.0	2.3	-0.4	2.5	-1.1	-2.5	10.7	2.3	5.1	-2.7	4.1

^a Assuming the average participation rates of the previous year.

^b Assuming the specific participation rates of the previous year.

^c Includes self-employed in public services.

SOURCE: Central Bureau of Statistics, Labor Force Surveys and Family Surveys in Judea-Samaria and Gaza.

TABLE 4.A-4

The Israeli Labor Force, Selected Data, 1970-88

	Thousands, annual average				Average annual change			Percent annual change				
	1985	1986	1987	1988	1973/ 1970	1979/ 1976	1985/ 1979	1984	1985	1986	1987	1988
Average population, total	4,233	4,299	4,369	4,441	3.2	2.3	1.9	2.0	1.8	1.6	1.6	1.7
1. Working-age population	2,852	2,906	2,962	3,021	3.1	2.2	2.1	2.2	2.2	1.9	1.9	2.0
2. Civilian labor force	1,446	1,472	1,494	1,553	2.8	3.0	2.3	3.0	1.6	1.8	1.5	3.9
3. Participation rate, percent	50.7	50.6	50.4	51.4								
3.a Participation rate, adjusted ^a	50.5	50.2	49.9	50.5								
4. Total employed	1,349	1,368	1,404	1,453	3.5	3.3	1.6	1.5	0.7	1.4	2.6	3.5
5. Unemployed	96.8	104.0	90.4	99.9								
6. Unemployment rate, percent	6.7	7.1	6.1	6.4								
7. Employment rate, percent ^b	47.1	46.7	46.9	47.6								
Males												
1. Working-age population	1,403	1,430	1,457	1,486	3.0	2.1	2.1	2.3	2.2	1.9	1.9	2.0
2. Civilian labor force	893	903	909	939	2.1	1.8	1.7	1.9	1.3	1.2	0.6	3.3
3. Participation rate, percent	63.6	63.2	62.4	63.2								
4. Total employed	836	844	861	885	2.6	2.0	1.0	0.6	0.1	1.0	2.0	2.8
5. Unemployed	56.5	59.1	47.6	53.4								
6. Unemployment rate, percent	6.3	6.5	5.2	5.7								
Females												
1. Working-age population	1,449	1,477	1,505	1,536	3.2	2.3	2.1	2.2	2.2	1.9	1.9	2.1
2. Civilian labor force	554	569	585	615	4.5	5.3	3.3	4.9	2.0	2.8	2.8	5.0
3. Participation rate, percent	38.2	38.5	38.9	40.0								
4. Total employed	513	524	543	568	5.5	5.7	2.7	3.0	1.7	2.0	3.6	4.7
5. Unemployed	40.1	45.2	42.5	46.6								
6. Unemployment rate, percent	7.2	7.9	7.3	7.6								
Workers from Judea-Samaria and Gaza	92.1	97.4	108.9	109.4		4.6	3.1	2.9	-1.3	5.8	11.8	0.5

^a Adjusted for changes in the composition of the population by years of schooling, age and sex; base year for the adjustment—1984. The estimates for 1983-84 are adjusted for a population aged 15+. For the standardization method used for the adjustment, see Bank of Israel *Annual Report 1980*, p. 76.

^b Number of employed as a percentage of working-age population. Adjusted as in note *a*.

TABLE 4.A-5

Employment and Labor Input by Principal Sectors, 1983-88

	1983	1984	1985	1985 ^a	1986	1987	1988	Percent change over preceding year					
								1983	1984	1985	1986	1987	1988
<i>A. Employed persons, thousands, yearly average</i>													
1. Israelis	1,339	1,359	1,368	1,349	1,368	1,404	1,453	3.2	1.5	0.7	1.4	2.6	3.5
2. Workers from territories	90.5	93.1	91.9	92.1	97.4	108.9	109.4	11.0	2.9	-1.3	5.8	11.8	0.5
3. Total employed in Israel	1,430	1,452	1,460	1,441	1,465	1,513	1,563	3.6	1.6	0.6	1.7	3.2	3.3
<i>of which in:</i>													
Public services	397	404	410	408	411	411	427	1.3	1.7	1.7	0.7	-0.1	4.0
Business sector	1,033	1,049	1,050	1,033	1,054	1,102	1,136	4.6	1.5	0.1	2.1	4.5	3.0
<i>B. Labor input, million hours, weekly average</i>													
1. Israelis	48.1	48.9	49.3	48.7	49.1	50.3	52.0	2.3	1.7	0.7	0.8	2.3	3.5
2. Workers from JSG	4.1	4.1	4.1	4.1	4.4	4.9	3.7	8.9	1.7	-1.1	7.7	9.8	-23.9
3. Total labor input	52.2	53.1	53.4	52.8	53.5	55.1	55.7	2.8	1.7	0.5	1.4	3.0	1.1
<i>of which in:</i>													
Public services	12.7	12.7	13.0	12.9	12.7	12.8	13.2	0.7	0.5	2.0	-1.2	0.2	3.8
Business sector	39.5	40.3	40.4	39.9	40.8	42.3	42.5	3.5	2.1	0.1	2.2	3.8	0.3

^a See note *a* to Table 4.A-2.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations; data are rounded.

TABLE 4.A-6

Employment and Labor Input by Principal Industries, 1983-88

	1983	1984	1985	1985 ^a	1986	1987	1988	Percent change over preceding year					
								1983	1984	1985	1986	1987	1988
<i>A. Employed persons, thousands, yearly average</i>													
Construction	1312	125	117	117	109	117	128	6.1	-5.2	-6.6	-6.1	7.3	8.9
Industry	320	328	329	325	339	348	338	3.4	2.6	0.4	4.2	2.7	-2.8
Agriculture	85	86	92	87	85	88	83	0.8	0.9	8.1	-1.4	2.8	-5.0
Transport	87	90	86	86	87	92	95	-1.4	3.0	-3.6	0.5	5.7	3.5
Commerce, personal and business services ^b	319	332	340	335	348	372	402	6.1	4.3	2.2	3.8	6.7	8.2
Financial services	68	66	65	64	64	63	65	7.3	-2.8	-2.1	0.3	-2.3	3.2
Electricity and water	13	13	12	12	12	14	15						
Not known	10	10	9	7	9	9	9						
Total business sector	1,033	1,049	1,050	1,033	1,054	1,102	1,136	4.6	1.5	0.1	2.1	4.5	3.0
<i>B. Labor input, million hours, weekly average</i>													
Construction	5.5	5.1	4.9	4.9	4.5	4.9	4.7	3.2	-6.0	-5.6	-6.5	7.7	-4.6
Industry	12.4	12.8	12.8	12.7	13.3	13.5	12.9	2.9	3.7	0.3	4.8	1.5	-4.3
Agriculture	3.3	3.3	3.7	3.5	3.4	3.5	3.2	2.4	2.7	10.6	-2.2	1.9	-8.4
Transport	3.4	3.6	3.4	3.4	3.4	3.7	3.7	4.5	4.3	-4.8	0.5	7.5	1.4
Commerce, personal and business services ^b	11.7	12.3	12.5	12.3	12.9	13.7	14.6		5.2	1.7	4.8	6.0	6.8
Financial services	2.4	2.4	2.4	2.4	2.4	2.3	2.3	4.4	-2.3	-0.2	0.3	-3.7	2.9
Electricity and water	0.5	0.5	0.5	0.5	0.5	0.5	0.6	-4.0	-2.9	-8.4	10.4	0.4	14.5
Total business sector ^c	39.5	40.3	40.4	39.9	40.8	42.3	42.5	3.5	2.1	0.1	2.2	3.8	0.3

^a See note *a* to Table 4.A-2.

^b Industries 50-59, 73, and 90-99 of the Standard Industry Classification; includes 'other' workers from Judea-Samaria and Gaza (excludes public service employees).

^c Figures do not add up because the water and electricity industry, and 'unknown' were excluded; rounded data.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

TABLE 4.A-7

Unemployment Statistics , 1980-88*(Percent)*

	1980	1982	1984	1985	1986	1987	1988
<i>Percent of unemployed</i>							
Seeking work for over 5 weeks	72.2	73.2	75.6	77.5	75.4	71.5	73.4
Through labor exchanges	57.2	55.2	52.4	51.5	49.6	48.3	47.5
Family heads	36.5	40.7	39.6	42.1	42.4	42.5	42.1
Worked in last 12 months	48.4	50.3	51.2	51.1	50.7	50.2	54.0
<i>of which:</i> Dismissed	46.3	47.9	55.8	59.5	54.9	48.2	50.5
Resigned	17.8	30.2	22.2	19.7	22.2	30.9	24.5
Last employed in:							
Industry	26.6	26.1	25.0	24.3	24.3	25.5	25.8
Public services	20.4	17.8	16.6	14.9	15.9	15.3	13.3
Unemployed males, percent of total	54.5	55.4	54.6	58.6	56.7	52.8	53.4
<i>Unemployed by years of schooling, percent of total</i>							
0-8 years	26.5	24.2	21.6	23.0	20.1	20.3	17.0
9-12 years	56.9	58.8	59.6	60.8	61.8	60.1	63.3
13 years or more	16.6	17.0	18.7	16.0	18.1	19.6	19.7
<i>Unemployed by age group</i>							
14-24	47.0	45.7	43.9	42.4	41.6	38.5	38.5
25-34	30.3	30.6	33.5	32.0	31.1	30.9	30.4
35-54	17.9	20.2	19.2	21.9	23.6	26.3	27.0
55+	5.0	3.5	3.4	3.7	3.8	4.3	4.0
Veteran soldiers	12.7	12.2	11.8	11.7	10.2	9.6	8.5
<i>Unemployment among age groups</i>							
14-24	13.2	14.1	16.3	18.2	18.9	15.4	15.8
25-34	4.5	4.7	6.2	6.8	7.2	6.3	6.8
35-54	2.5	2.7	3.0	3.8	4.1	3.8	4.1
55+	1.6	1.2	1.4	1.9	0.2	2.0	2.0
<i>Unemployment rate by district</i>							
Jerusalem	4.9	6.5	6.8	7.7	7.5	6.9	7.3
Northern district	5.1	5.6	6.5	8.1	9.0	6.5	6.6
Haifa	5.1	5.2	5.3	6.4	7.8	7.1	7.0
Central district	4.0	4.1	5.9	6.3	5.9	5.2	5.6
Tel Aviv	4.6	4.2	5.1	5.2	5.7	5.0	5.5
Southern district	6.2	6.3	7.1	8.8	8.6	7.8	8.5
Total	4.8	5.0	5.9	6.7	7.1	6.1	6.4

SOURCE: Central Bureau of Statistics (in part—unpublished data).

TABLE 4.A-8

Work Seekers and Requests for Workers, 1979-88*(Thousands)*

	Israeli work seekers	Requests for workers	Work seekers who did not accept any available job
1979	20.3	25.7	0.6
1981	34.6	18.2	4.3
1983	31.8	19.0	3.2
1984	37.6	16.3	5.9
1985	42.6	17.3	6.3
1986	42.3	19.2	5.2
1987	37.5	21.8	2.9
1988	46.7	20.5	4.5
1986 I	47.4	18.1	6.8
II	40.7	18.3	5.4
III	43.5	20.7	5.7
IV	37.6	19.9	3.9
1987 I	34.7	21.0	2.7
II	32.2	22.0	2.1
III	39.5	22.0	3.2
IV	43.4	22.0	3.7
1988 I	40.6	21.4	3.2
II	42.5	20.7	3.8
III	49.6	18.6	5.8
IV	54.1	21.4	5.7

SOURCE: Employment Service and Bank of Israel figures.