

## CHAPTER XI

### WAGES AND EMPLOYMENT

#### 1. MAIN DEVELOPMENTS

Most indicators show a slackening of the labor market during 1979, following the peak attained at the end of 1978 and the beginning of 1979. However, the average level of employment was still higher than in 1978, when the labor market continued to recover from the 1974-76 recession.<sup>1</sup>

There was a noticeable disequilibrium in the labor market during 1979. The demand pressures evident in the first months disappeared as the year wore on; the level of employment and real wages reached in the first quarter in anticipation of rapid economic growth were greater than justified by the level of activity actually attained. The adjustment of the labor market to the actual volume of economic activity in the course of 1979 found expression in the various indicators at different times during the year.

Signs of weakness in the labor market became discernible in the last quarter of 1979, and even more so in the first quarter of 1980. Labor exchange data indicate an increase in the number of job-seekers, a larger number of unemployed, and a decline in job openings. The 1979 labor force surveys do not reveal a similar picture: they show only some contraction of employment during the year from its 1978 year-end peak and a decline in the labor force participation rate. But manifestations of a slowdown in the labor market are apparent in the survey for the first quarter of 1980 and also in an increase in the unemployment rate.

The average number of gainfully employed in the business sector increased by 2.4 percent in 1979, after a record rise of 3.4 percent in 1978. The number of hours worked per employed was up 2.2 percent, compared with less than 0.5 percent in 1978, so that the total labor input in the business sector grew even faster than in the preceding year—by 4.7 percent. The rapid growth in the number of workers from the administered areas employed in Israel continued. The expansion of the business sector product only slightly exceeded that in the labor input, so that labor

<sup>1</sup> In certain branches of the business sector signs of weakness continued during 1977 as well.

Table XI-1

**POPULATION, EMPLOYMENT, AND WAGES—PRINCIPAL DATA, 1974-79**  
(Percent annual increase)

	1974	1975	1976	1977	1978	1979
Average population	3.0	2.3	2.3	2.3	2.2	2.5
Working-age population	2.9	2.0	1.9	2.1	2.0	2.5
Civilian labor force	0.6	1.5	1.9	3.2	4.2	1.6
Israeli employed	0.3	1.5	1.3	2.9	4.6	2.3
Total manhours of Israelis	1.6	1.9	0.9	0.7	4.9	4.4
Workers from the administered areas	12.1	-3.5	-2.3	-2.9	8.4	9.1
Total employed in Israel	0.8	1.2	1.1	2.6	4.7	2.7
Total manhours worked in Israel	1.7	1.3	0.7	0.6	5.1	4.7
Wages per employee post in Israel	36.3	36.5	32.9	48.4	54.0	92.9
Consumer price index	39.7	39.3	31.3	34.6	50.6	78.3

Source: Central Bureau of Statistics.

productivity edged up only 1 percent. There was a striking drop in productivity in agriculture and construction.<sup>2</sup> This makes it difficult to understand the reasons for the growth of labor input in the business sector and the substantial increase in labor costs per unit of output.

The slowdown of the business sector which began in 1975 was accompanied by a sizable decrease in measured labor productivity. Although the sector rebounded in 1978 and 1979, productivity did not increase correspondingly, due to the appreciable growth in the labor input in 1979, particularly of wage-earners.

During 1978 and the first quarter of 1979 the absorption of new workers proceeded apace, owing to expectations of rapid economic growth stimulated by the peace process and the concomitant military redeployment. These expectations were only partially realized, and consequently the average employment level and real wages in 1979 were higher than warranted by actual developments. In the course of the year the situation was remedied through a decline in employment and job openings and the erosion of real wages (due to the aggravation of inflation).

In the public services the number of employees and their labor input continued to rise in 1979, though to a smaller extent than in 1978, when the level reached

<sup>2</sup> In the construction industry this may have been due to a downward bias in the estimated output, or to an overestimate of the labor input. In contrast to the decline in the employment of Israeli construction workers in recent years, the trend turned up in 1979. The decrease in agricultural productivity was chiefly due to the drought during the winter of 1978/79.

record proportions. Even so, the 1979 increase exceeded the growth of population or the business sector labor force.

Nominal wages per employee post rose very rapidly in 1979, both in the business sector (87.6 percent) and even more so in the public sector (102.5 percent), where retroactive wage adjustments were paid for 1978. Despite the acceleration of inflation, average real wages per employee post were higher this year. This affected the labor supply and raised the real cost of labor per unit of output, thus reducing the demand for labor by the business sector while creating cost-push pressure on prices. Though nominal wages soared in 1978 by as much as 54 percent, real wages and unit labor costs did not rise that year, facilitating the absorption of additional labor.

**Percent Change in Real per Unit Labor Costs and in Real Hourly Wages  
in the Business Sector, 1976-79**

	1976	1977	1978	1979
<b>Real labor costs per unit of output<sup>a</sup></b>				
Deflated by the rise in factor costs, excl. capital gains from subsidized export credit	11.4	2.7	-1.0	10.5
Deflated by the rise in factor costs, incl. capital gains from subsidized export credit	11.0	2.2	0.0	7.3
<b>Real hourly wages<sup>b</sup></b>	8.2	6.9	0.0	3.9

<sup>a</sup> Labor costs according to national accounts data.

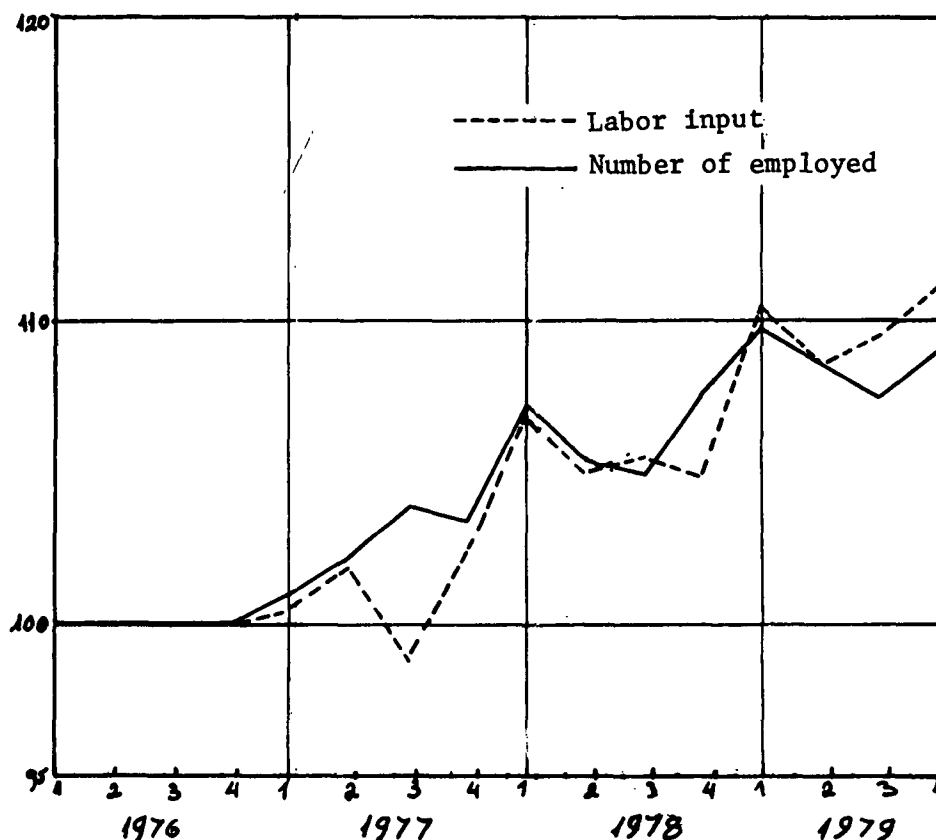
<sup>b</sup> According to National Insurance Institute sources, deflated by the index of private consumption prices.

The rise in nominal wages far exceeded the increases awarded in official agreements; the rise in real wages eclipsed the growth of real product and productivity in the business sector. The worsening of Israel's terms of trade in 1979 did not justify an increase in real wages. Labor's demands for substantial nominal wage increments can be ascribed to the escalation of inflation toward the end of 1978, the lagged and only partial compensation provided by the cost-of-living allowance mechanism, and the erosion of disposable income due to the fact that income tax brackets were only partially adjusted to the inflation rate. Wage claims in the business sector were also influenced by developments in the public sector, where exceptionally large pay hikes were granted at the beginning of 1979, and by expectations of a continued boom in the labor market. The fluctuations in real wages in the business sector were smaller than in the public sector (see Figure XI-3), indicating a more efficient mechanism for adjusting wages to changes in the inflation rate.

Figure XI-1

INDEX OF BUSINESS SECTOR EMPLOYMENT AND LABOR INPUT, 1977-79

(1976 = 100; seasonally adjusted quarterly data)



The attempt to maintain fixed nominal wage agreements for a two-year period failed. Owing to the partial and lagged compensation provided by the cost-of-living allowance, it seems impossible to maintain such agreements during a period of rapid inflation. Moreover, any attempt to implement such a policy tends to produce conditions which stimulate inflation: since the cost-of-living arrangement only partially compensates for the rise in prices, it leads to demands for increases in real wages to match increases in productivity, and thus to very large nominal wage increments at the beginning of the period covered by the agreement. These, in turn, raise real wages appreciably, thereby generating further pressure on the price level from both the cost and demand sides, thus perpetuating the inflationary spiral.

Table XI-2

**SOURCES OF GROWTH OF LABOR FORCE AND EMPLOYMENT BY SECTOR,  
1973-79**

(In thousands; rounded figures)

	Annual increase						
	1973	1974	1975	1976	1977	1978	1979
<b>A. Growth of labor force</b>							
	<b>Total population—Israelis</b>						
Total increase	41.4	6.9	16.8	21.5	37.6	51.2	20.0
Population growth <sup>a</sup>	38.1	32.9	22.7	21.5	23.8	23.6	31.6
Change in age composition <sup>b</sup>	0.5	-0.3	-3.8	0.9	1.5	1.9	1.2
Specific participation rates <sup>c</sup>	2.8	-25.7	-2.1	-0.9	12.3	25.4	-12.8
	<b>Men</b>						
Total increase	23.0	-2.8	4.7	10.1	18.7	17.4	5.7
Population growth	25.7	21.8	15.1	13.9	14.5	16.0	20.2
Change in age composition <sup>b</sup>	1.0	0.0	-0.3	0.8	2.5	1.6	1.3
Specific participation rates <sup>c</sup>	-3.7	-24.6	-10.1	-4.6	1.7	-0.2	-15.6
	<b>Women</b>						
Total increase	18.4	9.7	12.1	11.4	18.9	33.5	14.3
Population growth	12.4	11.1	7.6	7.6	9.3	7.6	11.6
Change in age composition <sup>b</sup>	-0.5	-0.3	-3.5	0.1	-1.0	0.3	-0.1
Specific participation rates <sup>c</sup>	6.5	-1.1	8.0	3.7	10.6	25.6	2.8
<b>B. Increase in workers from administered areas<sup>d</sup></b>	12.7	7.1	-5.9	1.5	-1.9	5.3	6.2
<b>C. Absorption by domestic sectors</b>							
	<b>Total domestic population</b>						
Total increase	54.2	14.0	10.9	20.9	35.4	56.7	26.4
Business sector	41.6	-4.6	-5.9	5.5	19.5	30.1	24.4
Public services—employees	12.2	14.0	15.5	7.9	11.1	29.1	10.2
Israeli unemployed	0.4	4.6	0.8	7.5	4.8	-2.5	-8.2
	<b>Men</b>						
Total increase	35.8	4.3	-1.2	8.6	16.8	23.2	12.1
Business sector	32.6	2.0	-4.5	-1.5	12.3	16.9	14.7
Public services—employees	2.2	2.4	2.7	4.9	2.4	9.1	1.4
Israeli unemployed	1.0	-0.1	0.6	5.2	2.2	-2.8	-4.0
	<b>Women</b>						
Total increase	18.4	9.7	12.1	11.5	18.6	33.5	14.3
Business sector	9.0	-6.6	-1.4	7.0	7.2	13.2	9.7
Public services—employees	10.0	11.8	12.8	3.0	8.5	20.0	8.8
Israeli unemployed	-0.6	4.5	0.7	1.7	2.8	0.3	-4.2

<sup>a</sup> Assuming the average participation rates of the previous year.

<sup>b</sup> Assuming the specific participation rates of the previous year.

<sup>c</sup> The difference in the specific participation rates multiplied by the current year's population.

<sup>d</sup> To eliminate the effect of the war, the data for 1973 exclude the last quarter and the data for 1974 exclude the first quarter.

<sup>e</sup> Including self-employed in public services.

Source: Central Bureau of Statistics and Bank of Israel computations.

**Table XI-3**  
**ISRAELI LABOR FORCE, SELECTED DATA, 1974-79**  
(In thousands)

	Annual average						Percent annual increase						
	1974	1975	1976	1977	1978	1979	1974 <sup>a</sup>	1974	1975	1976	1977	1978	1979
<b>Average population</b>	3,378	3,455	3,533	3,613	3,693	3,784	3.3	3.0	2.3	2.3	2.3	2.2	2.5
1. Working-age population	2,339	2,386	2,432	2,482	2,532	2,596	3.4	2.9	2.0	1.9	2.1	2.0	2.5
2. Civilian labor force	1,131	1,148	1,169	1,207	1,258	1,278	3.7	0.6	1.5	1.9	3.2	4.2	1.6
3. Participation rate (%)	48.3	48.1	48.1	48.6	49.7	49.2							
4. Total employed	1,097	1,113	1,127	1,159	1,213	1,241	4.1	0.3	1.5	1.3	2.9	4.6	2.3
5. Unemployed	34	35	43	47	45	37							
6. Unemployment rate (%)	3.0	3.1	3.6	3.9	3.6	2.9							
<b>Men</b>													
1. Working-age population	1,159	1,182	1,204	1,227	1,251	1,282	3.3	2.8	2.0	1.9	1.9	2.0	2.5
2. Civilian labor force	762	767	777	796	813	819	2.8	-0.4	0.7	1.3	2.4	2.2	0.7
3. Participation rate (%)	65.7	64.9	64.6	64.9	65.0	63.9							
4. Total employed	744	748	753	770	790	800	3.2	-0.4	0.5	0.7	2.3	2.6	1.2
5. Unemployed	18	19	24	26	23	19							
6. Unemployment rate (%)	2.4	2.5	3.1	3.3	2.9	2.4							
<b>Women</b>													
1. Working-age population	1,180	1,201	1,228	1,256	1,281	1,314	3.6	3.1	2.0	2.0	2.3	2.0	2.6
2. Civilian labor force	369	381	392	411	444	459	5.8	2.8	3.3	2.9	4.8	8.1	3.2
3. Participation rate (%)	31.3	31.6	31.9	32.7	34.7	34.9							
4. Total employed	353	364	374	390	423	441	6.5	1.4	3.1	2.7	4.3	8.5	4.4
5. Unemployed	16	17	13	21	22	17							
6. Unemployment rate (%)	4.3	4.4	4.7	5.1	4.8	3.8							
Workers from administered areas <sup>b</sup>	72.2	66.3	64.8	62.9	68.2	74.4	6.2	10.0	-8.2	-2.3	-2.9	8.4	9.1

<sup>a</sup> Annual average for 1974 compared with 1970.

<sup>b</sup> To eliminate the effect of the war the 1974 data exclude the first quarter.

Source: Central Bureau of Statistics labor force surveys and Bank of Israel computations.

The employers' readiness to accept the wage claims was due to premature expectations of rapid economic growth in 1979. Consequently, both employment and real wages rose in the first quarter of the year, and the formal wage framework broke down almost without any strife. It turned out that the level of economic activity was lower than expected and productivity barely increased; thus the first-quarter rise in real wages contributed to the acceleration of inflation. By the end of the year spiraling inflation had eroded most of the real wage increment, even though nominal wages continued to increase rapidly. The accelerated rise of consumer prices reduced the real annual increase in wages per employee post to approximately 3.7 percent in the economy as a whole and only 1 percent in the business sector (see Figure XI-2 and Table XI-9 for quarterly figures).

Along with the slowdown in domestic economic activity, export-related activity expanded during the year under review.<sup>3</sup> The slowdown toward the end of 1979 was reflected more in changes in imports, inventories, and trade than in the production processes themselves, because the substantial export expansion prevented the contraction of employment. Nevertheless, demand pressures disappeared from the labor market, and in certain segments of the business sector, where income elasticity is high and which are more sensitive to an atmosphere of recession (such as the various services, retail trade, clothing, furniture, and leather), the labor input contracted in absolute terms.

The fact that developments in labor force participation were in line with the long-term trends also reflected the absence of demand pressure in this market. There was a moderate increase in the participation rate of women (together with a rise in their educational level), and a decrease in the participation rate of men and of the extreme age groups (the elderly and youths). This contrasted with the situation in 1978, when demand pressure prevented a decline in the male participation rate, while that for women rose. The drop in the number of self-employed and of women working in family businesses without pay, as well as the decline in productivity, supports the conclusion about the absence of demand pressure in the labor market in 1979. The sharp drop in the participation rate of men of working age was, as stated, influenced not only by the ebbing of demand but also by the growth of the armed forces and the smaller number of self-employed.

The relatively moderate increase in public service employment, following the record expansion in 1978, accounted for two phenomena: the small rise in the female labor force participation rate in 1979 (the absence of demand pressure causes a reduction in supply), and a steep 11 percent rise in industrial employment.

<sup>3</sup> In the business sector as a whole production for export was up 8 percent, while production for the domestic market grew by only 3 percent. In industry export production expanded by 11 percent and that for the domestic market by 5 percent, as against 7 and 8 percent respectively in 1978.

Table XI-4

**SOURCES OF GROWTH OF ISRAEL'S PERMANENT POPULATION, 1974-79**  
(In thousand unless otherwise stated)

	1974	1975	1976	1977	1978	1979 <sup>a</sup>
1. Permanent population at beginning of year	3,338	3,422	3,493	3,575	3,653	3,738
2. Total natural increase	69.2	71.2	74.7	70.5	67.6	66.6
3. Rate of natural increase (%)	20.5	20.6	21.2	19.5	18.2	17.6
4. Rate of natural increase among Jews (%) <sup>b</sup>	17.2	17.6	18.0	16.4	15.2	14.5
5. Rate of natural increase among non-Jews (%) <sup>b</sup>	39.5	37.0	38.4	36.3	34.8	34.6
6. Gross immigration <sup>c</sup>	33.5	20.6	20.4	22.2	28.8	39.6
7. Net emigration <sup>d</sup>	19.3	20.2	13.0	14.6	12.0	9.7
9. Migration balance (6-7)	14.3	0.3	7.4	7.6	16.8	29.9
9. Total population growth (2+8)	83.4	71.6	82.1	77.8	84.4	96.5
10. Permanent population at end of year (1+9)	3,422	3,493	3,575	3,653	3,738	3,834
11. Percent annual increase of permanent population at year-end	2.5	2.1	2.3	2.2	2.3	2.6
12. Thereof: Share of natural increase	82.9	99.4	91.4	90.4	80.0	69.0
13. Thereof: Share of net migration	17.1	0.6	9.0	9.6	20.0	31.0

<sup>a</sup> Provisional data.

<sup>b</sup> Per thousand of the relevant permanent average population. The datum for 1972 was calculated for the census population.

<sup>c</sup> Immigrants, tourists acquiring immigrant status, immigrating citizens (children born to Israeli citizens abroad), and persons returning under the family reunion scheme.

<sup>d</sup> Israelis residing abroad for 12 months or more without returning less Israeli citizens returning to the country after an absence of 12 months or more, potential immigrants who left for abroad, and residents who did not return from a visit to Jordan.

Source: Central Bureau of Statistics.

The average unemployment rate continued downward in 1979, falling to 2.9 percent of the civilian labor force. This was accompanied by a sharp decline in the participation rate, in contrast to 1978 when the participation rate rose appreciably while unemployment contracted. In the course of 1979 employment decreased and the number of persons seeking work through labor exchanges grew.

## 2. POPULATION

The population increased by 2.5 percent in 1979, a little faster than during the previous four years. The gross and net<sup>4</sup> contribution of immigration to the population growth was significantly higher than in 1978: the number of immigrants rose

<sup>4</sup> Immigration to Israel less emigration.



38 percent, while emigration decreased slightly.<sup>5</sup>

The growth of immigration, with its related expenditures, tends to accelerate economic activity, just as the contraction of immigration has an opposite effect. The total natural increase remained virtually unchanged in 1979, despite the expansion of the population. In other words, the rate of natural increase continued to decline, for the third consecutive year, among both Jews and non-Jews.

The significant change in recent years in the population's age structure was apparent in 1979 too. In 1970-73, which were years of fairly large immigration and rapid economic advance, the 20-29 age group, which is the main source of growth of the labor force and of demand for housing and durable goods, increased by 35,000 persons on an annual average. However, in 1973-76 this group expanded by only 17,000 a year and in 1977-79 by a mere 7,000 annually. On the other hand, the two extreme age groups continued to grow faster than the population as a whole, and their weight within the total rose accordingly.

For the second consecutive year immigration increased, following several years of stagnation. The figure reached 40,000 (up 38 percent), which was close to the level of the late 1960s and early 1970s. Net immigration contributed 0.8 percent to the average population growth, compared to 0.5 percent in 1978 and even less before.

### 3. LABOR FORCE PARTICIPATION

In 1979 the participation of women in the civilian labor force increased to a relatively small extent compared with the previous year, while the participation rate for men declined sharply. This was in line with the long-run trend, which differed significantly from the 1977-78 situation, when the female participation rate rose steeply while that for males remained stable owing to strong demand pressure in the labor market. During 1979 some 6,000 persons from the administered areas joined the labor force, similar to the increase in 1978.

The absorption of labor by the business sector reached a peak at the end of 1978 and during the first quarter of 1979; it declined in the second quarter and turned up in the latter part of the year. The proportion of men in the working-age population decreased throughout 1979 at an increasing pace in all age groups, including the prime groups (35-54). This was mainly due to the contraction of economic activity in the middle of the year, a decrease in the number of self-employed, and the larger number of male conscripts. With regard to women, as already mentioned, the rapid rise in their participation rate in 1977-78 was checked. There was a decrease in the participation of younger women (the 18-24 age group), a moderate

<sup>5</sup> According to the method used by the Central Bureau of Statistics, emigration is computed as the net increase in the number of Israelis remaining abroad for more than 12 months. Any increase in the number of emigrants during 1979 will only appear in the statistics for 1980.

increase in that of the primary working-age groups (25-44), and no change in the over-45 groups. The proportion of gainfully employed in the female working-age population decreased slightly.

The development of the participation rates in 1979 indicates the weakening of demand pressure in the economy, a certain slowdown of activity in the course of the year, and the reassertion of the long-term trend, related to the rise in the number of years of schooling, the growth of incomes, and the broadening of pension and social welfare arrangements, which tend to reduce labor force participation rates. On the other hand, the rising education level (especially of women) tends to increase their participation rate (i.e. the labor supply). It should be stressed, however, that the relative diminishing of demand for female employees, especially in the public sector, led to a parallel decrease in the supply of such labor.

There were several striking developments in 1979 in female employment: the number of women working in industry increased dramatically—on a scale not known for many years; on the other hand, the growth of female employment in the public services was small compared with 1978, that in personal services declined, while in commerce and restaurants it remained unchanged, indicating some slowdown in part of the business sector during the second half of the year.

The number of male employed increased by approximately 10,000, most of whom found work in the business sector. There was a steep rise in industry, but in agriculture and personal services the level dipped. Table XI-2 shows the manpower increment according to population growth, specific participation rates, and age structure.

The number of weekly hours per Israeli employee increased by 2.7 percent in 1979, with the figure of men rising by some 3 percent and for women by only 0.6 percent. This growth stands out given the steady decline in the level during 1974-77 and its stability in 1978.<sup>6</sup> In contrast to the recovery from the recession in the 1960s, the emergence from the 1978 slump was not accompanied by a strong upturn in weekly hours per employed, despite the demand pressure and the expansion of employment. This was because the slowdown in the 1970s was of a different nature, and was accompanied by a structural change in the economy. The adjustment to this change was made by increasing the number of employees in branches that expanded their production, while the number of hours worked per employee fell and there was some increase in hidden unemployment.

In 1979 the number of hours worked per employee rose once more, side by side with a smaller increase in the number of employed. This was due to three factors:

<sup>6</sup> The data for 1978 were estimated on the basis of the 1978 labor force survey, with the questionnaire being similar to that of previous years. The comparison with 1979 is based on that part of the 1978 survey where the questionnaire was similar to that used in 1979.

the continuation of the structural change, which creates a demand for labor; the influence of structural changes in the past, which resulted in a larger number of hours worked per employee; and cessation of the absorption of additional manpower, which leads to a more efficient use of the existing labor reserve.

The number of manhours per male employed increased more rapidly during the second half of the year, even though domestic demand flagged during this period. It is therefore reasonable to assume that had domestic demand remained at its 1978 level, the rise in manhours per employee would have been even greater. It is important to recall that the decline in the participation rate of the extreme age groups may also have helped to bring up the average number of hours worked per employee. This kind of an increase is of a technical nature and has only minor economic significance. Between 1973 (the first nine months only) and 1978 the number of manhours per employee fell 3.8 percent. In 1979 the level turned up 3 percent despite the long-term downward trend. It must be assumed that at least part of the 1979 increment was due to the drop in the number of part-time workers and in temporary absences from work, which in turn was connected with the lower participation rate of the extreme age groups, the shortening of paid vacations, and the reduction of absenteeism.

#### 4. EMPLOYMENT BY ECONOMIC SECTOR

Roughly half of the Israeli labor force increment, which consisted mostly of women, was absorbed in the public services, as compared with 57 percent in 1978. Despite the relative decrease in 1979, the rate of growth in this sector remained very high. Employment in the business sector rose by some 25,000 persons, of whom about 18,000 were Israelis. Female employment in this sector expanded by 3.9 percent in 1979, while the figure for males edged up only 1.3 percent.

The larger labor input in construction and the big increase in the number of hours per building worker require an explanation, in light of the 4-5 percent drop in productivity in this sector. Moreover, as in the past, the contraction of output did not lead to dismissals on a corresponding scale. The increase in the sector's labor input is particularly surprising, inasmuch as it included the absorption of Israeli workers (in contrast to the long-term trend) as well as of persons from the administered areas. Employment also expanded in allied branches (mining and quarrying, nonmetallic minerals, and trucking services). These developments were not consistent with the moderate real increase in building activity.

In some branches in personal services, retail trade, and the wood and wood products industry—branches that react more quickly to a policy and atmosphere of restraint—employment contracted in 1979. The decline in agriculture, along with lower productivity, was related to the crisis that hit this sector, primarily in

Table XI-5

## NUMBER OF EMPLOYED AND LABOR INPUT IN THE MAIN ECONOMIC SECTORS, 1975-79

	1975	1976	1977	1978 <sup>a</sup>	1979	Percent annual increase			
						1976	1977	1978 <sup>b</sup>	1979
A. Employed (in thousands, annual averages)									
1. Israelis	1,113	1,127	1,160	1,213	1,241	1.3	2.9	4.5	2.3
2. From the administered areas	66	65	63	68	74	-2.3	-2.9	8.4	9.1
3. Total employed in Israel (1+2)	1,179	1,192	1,223	1,281	1,315	1.1	2.6	4.7	2.7
4. In public services	302	310	323	350	362	2.8	4.1	8.5	3.4
5. In the business sector (3—4)	877	882	900	931	953	0.5	2.0	3.4	2.4
6. Thereof: Construction and allied branches <sup>c</sup>	175	165	157	158	164	-5.6	-5.1	0.9	3.7
7. Business sector, excl. construction and allied branches (5—6)	702	717	744	773	789	2.0	3.7	3.9	2.1
B. Labor input of employed (millions of hours, weekly averages)									
1. Israelis	42.63	42.95	43.27	44.44	46.42	0.8	0.7	4.9	4.4
2. From the administered areas	2.60	2.59	2.57	2.79	3.06	-0.4	-1.2	8.8	9.4
3. Total domestic labor input (1+2)	45.23	45.54	45.84	47.24	49.47	0.7	0.6	5.1	4.7
4. In public services	10.54	10.78	10.84	11.55	12.09	2.3	0.6	9.1	4.7
5. In the business sector (3—4)	34.69	34.76	34.99	35.68	37.38	0.2	0.6	3.9	4.7
6. Thereof: Construction and allied branches	6.95	6.60	6.01	6.09	6.63	-5.0	-7.6	5.3	8.8
7. Business sector, excl. construction and allied branches (5—6)	27.74	28.16	28.99	29.59	30.75	1.5	2.5	3.6	3.9

<sup>a</sup> Data on manhours per employed and per employee are from part of a sample taken by a new method.

<sup>b</sup> In 1978 a new sample was taken for the labor force survey and the questionnaire was altered. The comparison between 1977 and 1978 was based on the number of hours worked per employed and per employee as

obtained from the half of the 1978 labor force survey carried out with the old questionnaire. The comparison between 1978 and 1979 is according to the half of the survey that used the new questionnaire.

<sup>c</sup> Wood and wood products, nonmetallic minerals, and trucking services.  
Source: Central Bureau of Statistics and Bank of Israel computations.

Table XI-6

## TOTAL EMPLOYED IN ISRAEL AND LABOR INPUT IN THE BUSINESS SECTOR, 1975-79

	1975	1976	1977	1978	1979	Percent annual increase			
						1976	1977	1978	1979
<b>Employed (in thousands)</b>									
Total business sector	877	882	900	931	953	0.5	2.0	3.4	2.4
Business sector, excl. construction and allied branches <sup>a</sup>	702	717	744	773	789	2.0	3.7	3.9	2.1
Construction	126	119	114	111	116	-5.9	-4.2	-2.5	4.9
Industry	286	287	291	300	315	0.0	1.5	3.2	5.0
Agriculture	81	82	83	85	83	2.4	0.5	3.4	-2.6
Transportation	80	79	80	83	84	-2.1	2.2	2.9	2.2
Trade, personal and business services	246	258	265	275	277	4.8	2.8	3.7	0.7
Financial services	41	39	46	51	53	-2.2	15.2	11.7	5.1
Electricity and water	11	12	14	13	11				
Unknown	6	7	9	13	13				
<b>Labor input (millions of hours, weekly average<sup>b</sup>)</b>									
Total business sector <sup>c</sup>	34.69	34.76	34.99	35.68	37.38	0.2	0.6	3.9	4.7
Business sector, excl. construction and allied branches <sup>a</sup>	27.74	28.16	28.99	29.59	30.75	1.5	2.5	3.6	3.9
Construction	4.97	4.67	4.40	4.27	4.67	-6.0	-5.8	-1.7	9.3
Industry	11.53	11.52	11.37	11.54	12.49	-0.1	-1.2	3.2	8.2
Agriculture	3.18	3.29	3.27	3.40	3.33	3.6	-0.8	6.7	-2.2
Transportation	3.29	3.20	3.20	3.28	3.43	-2.8	-0.1	4.9	4.6
Trade, personal and business services	9.50	9.81	10.16	10.31	10.51	3.3	3.6	1.6	1.9
Financial services	1.61	1.56	1.71	1.90	2.01	-3.1	9.9	12.0	5.9

<sup>a</sup> Wood and wood products, nonmetallic minerals, and trucking.

<sup>b</sup> The number of hours per employed were calculated according to new sample.

<sup>c</sup> The data do not add up owing to the omission of electricity and water and "unknown".

Source: Central Bureau of Statistics and Bank of Israel computations (rounded figures).

agricultural exports and livestock farming. Employment was also down in the diamond industry—a somewhat lagged response to the continuing difficulties facing this industry, which previously had not found expression in the employment level. Presumably skilled manpower was not dismissed, in the hope that the crisis would prove temporary.

Industry in general registered a sharp increase in both employment and the labor input relative to the expansion of industrial output; consequently productivity declined, after reaching a comparatively high level in 1978. The financial segment of the business sector enlarged its personnel and labor input at about the same rate as real GNP, whereas in previous years the number of employees had expanded much faster than real GNP; the change was apparently due to the higher real cost of labor.

The slower absorption of labor (especially female) in the public services and some restraint in other service branches led to a substantial increase in female employment in the business sector, particularly industry. It can therefore be concluded that curtailing the expansion of public services is an essential, although not sufficient, precondition for shifting manpower to the business sector, at least as regards persons with a relatively low education or vocational skill level. Most of the incremental workers from the administered areas were absorbed in construction, which added 3,600 area residents to its payroll, while a further 1,900 were hired by industry and approximately 1,000 in private services.

## 5. UNEMPLOYMENT

The labor force surveys present a different unemployment picture for 1979 from that emerging from employment service data. According to the former, both the number and rate of jobless dropped for the second consecutive year. However, employment service data show a rapid growth in unemployment during the last quarter of 1979, when requests for labor fell off, and the number of persons seeking work increased substantially. These divergences lay in the fact that the timing of the restoration of equilibrium in the labor market varied according to the different indicators. Labor force surveys reflect changes in employment only after a time lag, whereas employment service data show changes more quickly. Indeed, early indicators from the labor force survey for the first quarter of 1980 point to some rise in unemployment. The surveys also show a decrease in employment in the course of 1979, following the high level reached at the end of 1978 and the beginning of 1979. Part of the additional job-seekers belonged to population groups which are not necessarily included in the survey's definition of "unemployed", such as farmers seeking supplementary income through the labor exchanges, women working part-time and looking for additional work, students, etc. At the same time, there was a relative increase in the number of unemployed

**Table XI-7**  
**EMPLOYMENT SERVICE ANNUAL DATA 1976-79**  
(In thousands)

	1976 <sup>a</sup>	1977	1978	1979	Percent annual increase		
					1977	1978	1979
Total job-seekers (adults)	19,649	18,795	18,518	20,290	-4.3	-1.5	9.6
Men	10,972	10,610	10,056	10,834	-3.3	-5.2	7.7
Women	8,677	8,185	8,462	9,456	-5.7	3.4	11.7
Total daily average unemployed	1,444	1,484	1,361	1,477	2.8	-8.3	8.5
Men	882	934	787	829	5.9	-15.7	5.3
Women	562	550	574	648	-2.1	4.4	12.9
Job openings	24,651	23,102	25,466	25,657	-6.3	10.2	0.8
Unfilled job openings	6,569	5,984	8,065	7,725	-8.9	34.8	-4.2
Unplaced job-seekers <sup>b</sup>	4,367	4,381	3,945	5,168	0.3	-10.0	31.0

<sup>a</sup> Excluding April and October, when labor exchange staffs were on strike.

<sup>b</sup> Since January 1978 the figure for unplaced job-seekers does not include those who were referred to professional employment counseling. The data for 1976 and 1977 were adjusted for purposes of comparison.

(as defined by the labor force surveys) seeking work through the labor exchange rather than in other ways.

The number of new unemployed (those who did not work for 12 consecutive months) was on the decline—apparently due to the drop in the labor force participation rate. Among the male unemployed over half worked sometime during the previous 12 months. This would appear to indicate greater labor mobility and more dismissals within this group. Most of the female unemployed did not work during the preceding 12 months. In other words, they joined the labor force for the first time and encountered difficulties in finding employment.

## 6. WAGES

The year reviewed was the second year of the biennial wage agreements, and therefore developments in 1979 were affected to no small degree by what happened in 1978. Nominal wages rose by an exceptional 93 percent on an annual average and 105 percent in December levels (based on quarterly data). Inflation also ran at a very high rate, accelerating sharply in the second half of the year. This moderated the increase in real wages to approximately 10 percent on an annual average to only 4 percent in the course of the year (based on quarterly data).

The nominal wage increases displayed sharp quarterly fluctuations, which were more pronounced than in 1978, partly because retroactive wage adjustments were

**Table**  
**EMPLOYMENT SERVICE**  
**(In**

	1978			
	I	II	III	IV
<b>Job-seekers</b>				
Total	18,289	16,579	20,777	18,425
Men	10,418	9,498	10,737	9,569
Women	7,872	7,081	10,040	8,856
<b>Daily average unemployed</b>				
Total	1,449	1,219	1,435	1,342
Men	902	747	786	713
Women	547	472	648	629
<b>Job openings</b>	23,655	23,272	27,097	27,839
<b>Unfilled job openings</b>	6,343	7,506	8,454	9,956
<b>Unplaced job-seekers</b>	4,024	3,355	4,454	3,945
<b>Unemployed 7 days or more per month</b>	968	686	782	738
<b>Receiving unemployment compensation (not undergoing vocational training)</b>	1,350	1,203	1,131	1,101

<sup>a</sup> Owing to seasonal fluctuations it is preferable to compare each quarter with the corresponding quarter in previous years.



XI-8

**QUARTERLY DATA, 1978-80<sup>a</sup>**  
(thousands)

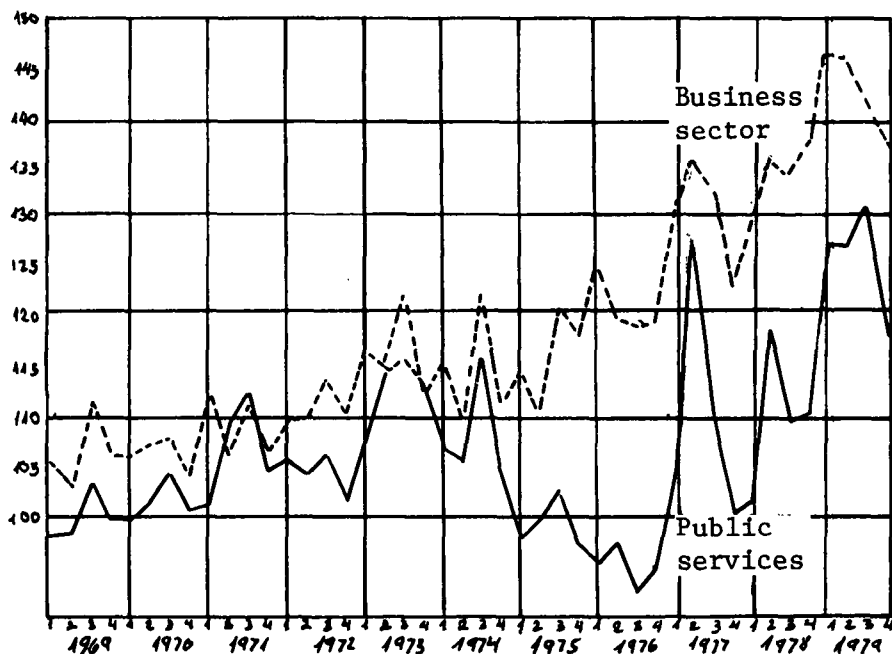
1979					Increase in 1979 compared to same quarter in 1978 (%)				Jan. -Feb. 1980 com- pared to 1979I
I	II	III	IV	Jan.-Feb. 1980	I	II	III	IV	
17,773	17,058	21,823	24,507	27,373	-2.8	-2.3	5.0	33.0	54.0
9,702	9,499	11,233	12,904	17,047	-6.9	0.0	4.6	34.8	75.7
8,071	7,559	10,590	11,603	10,326	2.5	6.7	5.5	31.0	27.9
1,241	1,157	1,467	2,044	5,066	-14.4	-5.1	6.2	52.3	308.2
695	663	793	1,164	3,663	-22.9	-11.2	0.9	63.2	427.1
545	494	674	880	1,403	-0.9	4.7	4.0	39.9	157.4
27,990	24,681	24,347	25,609	17,953	18.3	6.0	-10.1	-8.0	-35.9
10,131	8,887	6,203	5,680	2,924	59.7	18.4	-26.6	-42.9	-71.1
3,850	3,818	5,564	7,439	13,323	-4.3	13.8	24.9	88.6	246.1
671	552	772	1,430	5,913	-30.7	-19.5	-1.3	93.8	
1,101	803	1,028	1,194		-18.4	-33.3	-9.1	8.4	

paid in the public services. The fluctuations of nominal and real wages in the business sector were less severe than in the public services, due to the mechanism developed for adjusting wages to the continuing inflation.

Since the income tax brackets were only partly adjusted, average real disposable income rose by only two-thirds of the rise in gross wages in 1979, on both an annual average and in December levels. The fact that the brackets were not fully adjusted pushed up the average tax rate, and with it the difference between the cost of labor to the employer and the employee's net income. Because of the difference between the precipitate jump in the consumer price index and the slower rise in the price deflator for the business sector product, the real cost of labor (from the employer's viewpoint), rose much faster than the employee's real income. The increase in wage supplements (such as car allowance, advanced study funds, etc.) further widened the gap between the employer's labor costs and the appreciably lower value of the employee's income.

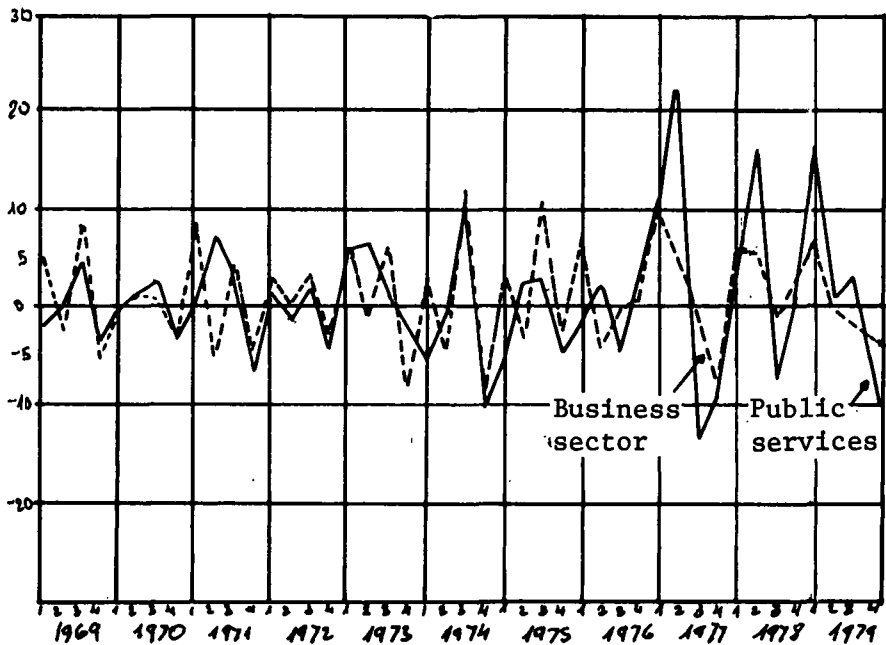
Figure XI-2

INDEXES OF REAL AVERAGE WAGES PER EMPLOYEE POST IN PUBLIC SERVICES AND BUSINESS SECTOR, 1969-79  
(1968 = 100)



The framework agreements and cost-of-living adjustments accounted in 1979 for approximately two-thirds of the rise in nominal wages in the business sector but for a smaller proportion in industry and public services. The awarding of excessive increases in the business sector in the first and third quarter of the year is difficult to explain in the light of Israel's worsening terms of trade and the standstill in productivity. Moreover, these deviations took place almost without a struggle. Real wages went up sharply in the first quarter of 1979, when the economy also took on additional manpower, apparently in anticipation of rapid economic growth. The rise in real wages at the beginning of the year pushed up labor costs, which in turn gave another very sharp twist to the inflationary spiral during the second half of 1979. As a result, there was no further increase in real wages later in the year, though nominal deviations from the agreements signed persisted (see Table XI-9).

Figure XI-3  
CHANGE IN REAL WAGES IN PUBLIC SERVICES AND BUSINESS SECTOR,  
1969-79  
(Quarterly data)



**Table XI-9**  
**WAGE POLICY INDICATORS, 1976-79**  
 (Quarterly percentages, annual cumulative totals)

	Estimated effect of wage policy (accrual basis) <sup>a,b</sup>		Rise in nominal wages		Deviations from formal wage policy		Change in consumer price index (7)	Maximum estimate of c-o-l adjustment <sup>b</sup> (8)	Price rises not covered by c-o-l adjustment (7/8) (9)	Real wage increase	
	Business sector (1)	Public services (2)	Business sector (3)	Public services (4)	Business sector (3/1) (5)	Public services (4/2) (6)				Business sector (3/7) (10)	Public services (4/7) (11)
1976	33.5	34.7	39.2	32.5	4.3	-1.6	35.8	23.5	9.9	2.4	-2.5
I	6.5	0.5	11.3	2.5	4.5	2.0	4.7	—	4.7	6.3	-2.1
II	10.7	18.3 <sup>c</sup>	5.3	12.4	-4.9	-5.0	10.1	10.1	0.0	-4.4	2.1
III	0.5	0.5	6.9	2.4	6.4	1.9	7.7	—	7.7	-0.7	-4.9
IV	12.8	12.8	11.1	12.3	-1.5	-0.4	9.4	12.2	-2.5	1.5	2.6
1977	33.5 <sup>f</sup>	37.1 <sup>f</sup>	42.3	48.4	6.6	8.2	40.1	21.3	15.5	1.6	5.8
I	3.5	0.5	12.5	15.3	8.7	14.7	4.3	—	4.3	7.9	10.5
II	13.9 <sup>d</sup>	17.2 <sup>c</sup>	11.3	30.1	-2.3	11.0	6.5	11.5	-4.5	4.5	22.2
III	3.6 <sup>d</sup>	6.5 <sup>e</sup>	5.5	-7.0	1.8	-12.7	8.0	—	8.0	-2.3	-13.9
IV	9.3	9.3	7.7	6.4	-1.5	-2.7	16.8	8.8	7.4	-7.8	-8.9
1978	59.2	59.3	66.1	64.0	4.3	3.0	49.1	35.8	9.8	11.4	9.9
I	23.9 <sup>g</sup>	12.6	16.9	11.1	-5.6	-1.3	9.8	12.0 <sup>b</sup>	-2.0	6.5	1.2
II	10.3 <sup>h</sup>	21.5	15.5	29.3	4.7	6.4	10.7	7.4	3.1	4.3	16.8
III	0.5	0.5	5.3	-1.1	4.8	-1.6	7.1	—	7.1	-1.7	-7.7
IV	15.9	15.9	16.8	15.4	0.8	-0.4	14.5	12.9	1.4	2.1	0.8

1979	63.6	63.6	99.9	114.1	22.2	31.0	97.3	51.1	30.7	1.2	8.3
I	6.3	6.3	21.7	31.2	14.5	23.4	13.3	5.8	7.1	7.4	15.8
II	20.4	20.4	18.2	19.5	-1.8	-0.7	18.5	12.8	5.1	-0.3	0.8
III	8.9	8.9	16.1	22.5	6.6	12.5	18.9	8.4	9.7	-2.4	3.0
IV	17.4	17.4	19.7	11.5	2.0	-5.0	23.7	16.8	5.9	-3.2	-9.9

<sup>a</sup> This computation assumes that the cost-of-living allowance and wage policy apply to all wage components, without any limit (including the cost-of-living adjustment on such wage supplements as car and telephone allowances, etc.) on the assumption that these are at least partially updated for the increase in the cost-of-living and general wage policy. The same assumption has been applied to advance cost-of-living adjustment payments, which usually exclude overtime, unmeasured premiums, etc.

<sup>b</sup> The accrual basis assumes that every wage agreement is implemented on the agreed date, without any delays or retroactive payments.

<sup>c</sup> Besides the framework agreement, the item includes global overtime payments to senior officials, the updating of wage supplements, etc.

<sup>d</sup> An additional 4.75 percent was paid in the business sector from June.

<sup>e</sup> Includes the education allowance.

<sup>f</sup> This computation assumes that the general opening of wage agreements (the education allowance in the public services and 4.75 percent extra in the business sector) is included in the wage policy effect.

<sup>g</sup> Includes 10 percent compensation for the deferral of the agreements from January to April.

<sup>h</sup> Includes a 2.5 percentage point addition to the advance (from 10 percent to 12.5 percent) and the framework agreement: excludes wage increases provided in branchwide agreements or those at the individual firm level.

Source: Bank of Israel computations.

### *Foreign Currency Reform and Wage Policy in 1978-79*

The liberalization of foreign currency control and the concomitant big devaluation of the Israeli pound in November 1977, which sharply pushed up costs, resulted in a much larger envisaged advance of prices. The cost-of-living allowance arrangement then in force compensated employees after a certain time lag for only 70 percent of the rise in prices. In other words, even had inflation not escalated, a very large uncompensated increase in the cost of living was expected during the period covered by the 1978-79 biennial wage agreements.

The renegotiation of the wage agreements for 1978-79, which began in the first half of 1978 (see the Bank of Israel Report for 1978), was conducted against the background of these expectations, demands for a real increase in line with the rise in productivity, and recognition of the influence exerted on wages by the ongoing inflationary process. Labor's wage claims during the first half of 1978 were relatively moderate considering the circumstances. Nevertheless, the partial implementation of these claims at the beginning of the period of the agreement produced a substantial rise in real wages and generated pressure on prices from the costs side. To these were added further wage demands induced by uncertainties as to the development and stability of real wages, as well as claims for compensation for the only partial adjustment of the income tax brackets for the inflation rate.

During the first half of 1978—despite the fact that most of the new wage agreements had not yet been signed—real wages rose appreciably owing to the payment of advances of 12 and 7.4 percent respectively on account of the January and April 1978 cost-of-living adjustments, as well as to 10 percent compensation for the deferral of wage agreements in the business sector from January to April (which in effect constituted the first of the new wage agreements). Thus the excessive nominal wage demands, the actual rise of real wages at the beginning of 1978, and the signing of agreements including far-reaching nominal concessions in the second half of 1978 combined to sharply accelerate inflation in the last quarter of 1978. The same process repeated itself in 1979: rapid price increases led to bigger nominal wage demands in branches which had not yet signed agreements, and in branches where agreements had already been signed negotiations were informally reopened. The employers agreed to accept these demands in anticipation of vigorous economic growth.

Though attempts were made to restrain wages in the public services in 1978 by offering small nominal increases, signing comparatively modest agreements, and paying only a partial cost-of-living allowance increment, the outcome, as already mentioned, was a serious deviation from the formal agreements and informal increases that were neither uniform nor prestipulated. Nominal wages in 1979 were raised 30-40 percent above the formal framework agreement, presumably in order

Table XI-10

**ANNUAL INCREASE IN AVERAGE WAGE PER EMPLOYEE POST,<sup>a</sup> 1974-79**  
(Percentages)

	1974	1975	1976	1977	1978	1979
Total economy	36.3	36.5	32.9	48.4	54.0	92.9
Public services <sup>b</sup>	34.0	28.0	25.6	56.7	50.4	102.5
Business sector	37.4	41.2	36.9	44.0	55.3	87.6
Agriculture, forestry, fishing	43.1	52.3	32.2	36.4	51.5	86.7
Industry	37.2	43.8	39.4	41.6	55.4	93.1
Electricity and water	23.0	51.0	19.3	70.3	65.1	73.3
Construction	37.2	40.2	40.0	33.9	52.5	90.0
Trade, restaurants, and hotels	38.1	38.0	37.3	44.1	55.1	85.1
Transportation, communications, storage	35.1	35.8	30.5	49.3	58.2	82.1
Financial and business services <sup>b</sup>	35.6	37.4	35.4	49.6	50.1	84.4
Other personal services	38.3	37.9	41.7	42.1	56.8	88.3
Rate of change in consumer price index	39.7	39.3	31.3	34.6	50.6	78.3

<sup>a</sup> Includes residents from the administered areas working in Israel.

<sup>b</sup> In these sectors large wage differentials on account of 1978 were recorded at the beginning of 1979.  
Source: Central Bureau of Statistics.

to avert the erosion of real wages and growing labor unrest. The frameworks agreements were breached by signing pacts at the individual firm level, adjusting various allowances, signing branchwide agreements, paying retroactive increments, and upgrading personnel. The aggravation of inflation in 1979 also affected the cost-of-living allowance agreement: at the demand of the Histadrut (General Federation of Labor) it was partly adjusted for the accelerated rise in prices by the payment of advances on account of the cost-of-living allowance increments in January, July, and September (in addition to the payment of the ordinary increment in April and October), and in October 1979 the rate of compensation was raised from 70 to 80 percent.

The more frequent payment of cost-of-living adjustments, coupled with the increased rate of compensation, seems to have strengthened the direct link between wages and prices, though it may also have taken the place of deviant wage payments. The large deviations from official wage policy in 1978 and 1979 can apparently be ascribed, first and foremost, to the absence of such compensation.

**Table XI-A1**

**LABOR FORCE PARTICIPATION RATES BY AGE GROUPS AND WEIGHT IN  
TOTAL POPULATION, SELECTED YEARS, 1970-79**  
(Percent of total working-age population)

	Total	14-17	18-24	25-34	35-44	45-54	55-64	65+
<b>Men</b>								
1970 <sup>a</sup>	68.8	26.8	45.5	90.7	94.8	94.9	88.8	34.3
1976	64.6	17.6	39.0	86.9	93.2	92.4	84.6	29.5
1978	65.0	17.2	41.2	86.2	92.9	91.3	84.1	30.6
1979	63.9	15.5	40.1	85.3	91.3	90.3	82.7	29.5
Weight of group in total population, 1979	100.0	10.8	18.8	22.7	13.4	12.2	10.3	11.8
<b>Women</b>								
1970 <sup>a</sup>	29.4	17.5	44.7	32.9	31.5	34.3	22.9	5.2
1976	31.9	10.6	40.0	45.0	40.7	38.3	23.7	5.3
1978	34.7	11.4	42.1	50.1	45.8	40.4	24.9	6.0
1979	34.9	10.7	41.1	51.2	47.1	40.8	24.9	6.1
Weight of group in total population, 1979	100.0	10.0	17.6	22.1	13.5	13.4	10.8	12.6

<sup>a</sup> In 1973 the labor force survey sample was changed; the data for 1970 have been adjusted accordingly.  
Source: Central Bureau of Statistics.



**Table XI-A2**  
**EMPLOYEES AND LABOR INPUT IN THE MAIN ECONOMIC SECTORS, 1975-79**

	1975	1976	1977	1978 <sup>a</sup>	1979	Annual increase			
						1976	1977	1978 <sup>b</sup>	1979
<b>Employees</b>									
(thousands, annual averages)									
1. Israelis	850	855	885	932	960	0.6	3.5	5.3	3.1
2. From the administered areas	65	63	62	67	73	-2.5	-1.9	8.7	8.5
3. Total employed in Israel (1+2)	914	918	947	999	1,033	0.4	3.1	5.5	3.4
4. In public services	287	295	306	335	345	2.8	3.7	9.5	3.0
5. In the business sector (3—4)	628	623	641	664	688	-0.7	2.9	3.6	3.6
6. Thereof: Construction and allied branches	138	129	121	120	128	-6.7	-6.2	-0.4	6.5
7. Business sector, excl. construction and allied branches (5—6)	490	494	521	544	560	0.9	5.3	4.6	3.0
<b>Labor input of employees</b>									
(millions of hours, weekly average)									
1. Israelis	32.20	32.13	32.29	33.31	35.17	-0.2	0.5	5.6	5.6
2. Workers from the administered areas	2.59	2.53	2.52	2.76	3.00	-2.3	-0.4	9.3	8.8
3. Total domestic labor input (1+2)	34.79	34.66	34.81	36.07	38.17	-0.3	0.4	5.8	5.8
4. In public services	10.06	10.29	10.30	11.11	11.52	2.3	0.2	10.2	3.7
5. In the business sector (3—4)	24.73	24.39	24.52	24.95	26.65	-1.4	0.5	4.0	6.8
6. Thereof: Construction and allied branches	5.46	5.17	4.74	4.67	5.16	5.3	-8.3	0.1	10.6
7. Business sector, excl. construction and allied branches (5—6)	19.27	19.22	19.76	20.29	21.49	-0.3	2.8	5.0	5.9

<sup>a</sup> Data on manhours per employee are based on a sample taken by a new method.

<sup>b</sup> In 1978 a new sample was taken for the labor force survey and the questionnaire was altered. The comparison between 1977 and 1978 is based on the number of manhours per employee as obtained from the half of the 1978 survey conducted according to

the old questionnaire; the comparison between 1978 and 1979 is according to the half of the survey conducted with the new questionnaire.

<sup>c</sup> Wood and wood products, nonmetallic minerals, and trucking services.

Source: Central Bureau of Statistics and Bank of Israel computations.