

CHAPTER IX

POPULATION, LABOR FORCE,
AND EMPLOYMENT

THE AVERAGE POPULATION of Israel expanded in 1965 by 85,000, or 3.4 percent, reaching 2,563,000 as against 2,478,000 the year before. This growth rate was lower than in the three preceding years, when it ranged from 4 to 4.5 percent. The slowdown was due to the smaller volume of immigration.

This slower increase was reflected in the growth of the working-age population (3.5 percent in 1965 compared with an average of 4.5 percent during the years 1960-64), as well as of the civilian labor force (see Table IX-1).

Owing to a slight decline in the labor force participation rate, the civilian labor force expanded at a lower rate than the working-age population (3.2 against 3.5 percent). The drop in the labor force participation rate was apparently connected with the slackening of demand for labor, which resulted in the withdrawal of marginal workers from the labor force.

The number of gainfully employed in 1965 rose from 855,000 to 881,000,

Table IX-1

AVERAGE POPULATION AND LABOR FORCE CHARACTERISTICS, 1963-65
(thousands)

	1963	1964	1965	Increase or decrease (-) from 1964 to 1965		Average increase or decrease (-) from 1961 to 1964
				'000	%	%
Average population	2,380	2,478	2,563	85	3.4	4.0
Working-age population	1,591	1,658	1,716	58	3.5	4.5
Civilian labor force	846.0	883.2	911.1	27.9	3.2	4.5
Percent of total population	35.5	35.6	35.5	—	—	—
Percent of working- age population	53.2	53.3	53.1	—	—	—
Gainfully employed	817.0	854.5	881.1	26.6	3.1	5.0
Persons seeking work						
Absolute number	29.0	28.7	30.0	1.3	4.5	-6.8
Percent of labor force	3.43	3.25	3.29	—	—	—

SOURCE: Bank of Israel estimates based on manpower surveys of the Central Bureau of Statistics.

an increase of approximately 27,000, or 3.1 percent. Whereas the growth of gainful employment in the four preceding years was accompanied by a non-increase or even a drop in the number of persons seeking work, the number of job-seekers in 1965 went up by about 1,000; most of this rise occurred in the second half of the year.¹

The weakening of demand for labor resulted from the slowing down of economic activity; the latter was partly due to the decline in immigration and was reflected by a decrease in public housing construction and in a smaller demand for goods and services.

Most of the additional gainfully employed were in the services and transportation sectors, whereas employment in agriculture continued to fall, and the increase in industry and construction was less than in 1964.

The indicators of registered unemployment (National Employment Service data on the daily average of registered unemployed and the daily average of able-bodied persons engaged in relief work) show that unemployment began to rise only in the early months of 1966, whereas a moderate decline was recorded in 1965. The difference in these findings is partly explained by the fact that the slowdown in employment occurred mainly in construction and agriculture, where workers do not tend to register regularly at labor exchanges in view of the seasonal and irregular nature of their work.

1. POPULATION AND LABOR FORCE

The country's population went up 2.9 percent in 1965. The number of Jews grew by 2.7 percent and non-Jews by 4.7 percent; the latter rise was due to the high rate of natural increase²—three times that of the Jewish population (46.8 as against 16.4). Whereas the growth of the non-Jewish population resulted entirely from natural increase, this factor accounted for only 60 percent of the Jewish population increment.

The rate of natural increase among the non-Jewish population has been rising steadily since 1951 (37.8 in 1951 and 46.8 in 1965), with the opposite being true of the Jewish population (a decline from 26.5 in 1950 to 16.4 in 1965). During the past two years a change was discernible in the Jewish population growth trend (the rates during the last three years were as follows: 1963—15.9, 1964—16.2, 1965—16.4).

The civilian labor force grew by 28,000 during the year. As stated, its weight in the total working-age population fell somewhat.

The expansion of the civilian labor force is determined by the increase in the working-age population and changes in the labor force participation rates

¹ These conclusions are based on the findings of the Central Bureau of Statistics manpower surveys.

² Natural increase is the increment during the year per thousand persons.

Table IX-2
POPULATION AND SOURCES OF GROWTH, 1961-65

	1961	1962	1963	1964	1965
	Thousands				
Population at end of year	2,234	2,332	2,430	2,526	2,599
Increase—in percentages	3.7	4.4	4.2	4.0	2.9
Increase—in thousands	80	98	98	96	73
	Percentages				
Total increase	100	100	100	100	100
Net immigration	47	56	54	49	
Natural increase	53	44	46	51	

SOURCE: Central Bureau of Statistics.

of the various population groups. The degree of labor force participation depends on such factors as educational level, school attendance rate, age, sex, continent of origin, length of residence in the country, etc.

In the last few years the overall labor force participation rate of the working-age population has held steady at 53.1-53.3 percent. This stability occurred despite changes in the age structure, which by themselves would have depressed the participation rate, but were offset by the effect of the excess demand for labor prevailing during this period.

The share in the total population of age groups with relatively low participation rates (aged 15-19 and 65+) moved up from 20 to 25 percent, while that of the 20-54 group, which has the highest participation rate, decreased from 69 to 63 percent (see Table IX-3).

Table IX-3
STRUCTURAL CHANGES IN POPULATION AGED 15+ FROM 1960 TO 1964
AND LABOR FORCE PARTICIPATION RATES IN 1963

(percentages)

Age group	Percent of total population		Labor force participation rates in 1963	
	1960	1964	Age group	Participation rate
15-19	12	16	14-17	31.5
20-34	32	29	18-34	57.9
35-54	36	34	35-54	63.3
55-64	12	12	55-64	55.4
65+	8	9	65+	19.7
Total	100	100	Total population	53.0

SOURCE: Central Bureau of Statistics.

The decline in the participation rate in 1965 can apparently be ascribed to the withdrawal from the labor force of marginal groups, such as women and elderly persons.

2. CHANGES IN THE QUALITY OF THE LABOR FORCE

The labor force is a fairly heterogeneous factor of production, and from the aspect of its contribution to output, a distinction must be made according to various quality measurements such as occupation, education, returns to labor, etc.

The yardstick used in this section for examining the qualitative changes in Israel's labor force over time (1950-61) is education—expressed in money terms (the cumulative investment required in order to attain various educational levels).

The principal conclusion emerging from the data is that the average educational level of the labor force declined during the early part of the period reviewed (by 5 percent from 1950 to 1952) and remained relatively stable thereafter¹ (see Table IX-4). The decrease stemmed from changes in the population structure caused by the mass immigration of the early 1950's.

These changes would have reduced the quality of labor even more were it not for the steady rise in the educational level of all continent-of-origin groups.

Table IX-4
PER CAPITA EDUCATIONAL STOCK OF LABOR
FORCE (AGED 25-65), 1950-61

Year	Per capita educational stock (IL, at 1957 prices)	Index
1950	6,427	100.0
1951	6,140	95.5
1952	6,123	95.3
1953	6,123	95.3
1954	6,094	94.8
1955	6,028	93.8
1956	5,985	93.1
1957	6,020	93.7
1958	5,998	93.3
1959	5,983	93.1
1960	5,998	93.3
1961	6,000	93.4

SOURCE: "Changes in the Quality of Labor Input in Israel, 1950-61", Bank of Israel Bulletin No. 25, April 1966, p. 38.

¹ Indicators based on the 1963 manpower survey show that the trend held steady until 1963.

The latter development was mainly due to the investments made in education during those years (see Table IX-5).

Table IX-5

CHANGES IN EDUCATIONAL LEVEL DUE TO CHANGES
IN POPULATION STRUCTURE* AND CHANGES IN
EDUCATIONAL LEVEL OF POPULATION GROUPS, 1950-61

Year	Changes in educational level due to:		
	Changes in composition of population by continent of origin	Changes in average educational level of the three population groups ^b	Changes in (1) and (2)
	(1)	(2)	(3)
1950	100.0	100.0	100.0
1951	96.5	98.1	94.7
1952	95.8	98.3	94.3
1953	95.4	98.7	94.3
1954	94.6	98.9	94.0
1955	93.3	99.2	93.1
1956	92.0	99.5	92.1
1957	91.5	100.2	92.4
1958	91.0	100.6	92.4
1959	90.6	100.9	92.3
1960	90.3	101.6	92.9
1961	89.9	102.2	93.3

* Population aged 25-65.

^b The three groups are: (1) Israeli-born, (2) Afro-Asian born, (3) European-American born.

SOURCE: See the source for Table IX-4.

3. EMPLOYMENT

During the year reviewed the number of gainfully employed in the economy increased by 27,000, of whom 83 percent were wage earners.

The excess demand which existed in the labor market in the past few years weakened in 1965. Whereas during the period 1960-64 the number of additional gainfully employed exceeded the increment to the civilian labor force, in 1965 it was some 1,000 less than the increase in the civilian labor force.

The easing of demand for labor was particularly striking in construction and industry. In 1960-64 the share of these two sectors in incremental gainfully employed was about 50 percent, but in 1965 it declined to 20 percent.

In agriculture the downtrend in gainful employment, which had begun in 1962, continued during the year reviewed. Most of the additional gainfully employed—about 82 percent—were absorbed in services, commerce, and transportation (see Table IX-6).

Table IX-6
GAINFULLY EMPLOYED, BY ECONOMIC SECTOR, 1964-65

	Gainfully employed (thousands)		Percent change from 1964 to 1965	Average percentage change from 1960 to 1964	Percentage distribution of incremental gainfully employed	
	1964	1965			1960 to 1964	1964 to 1965
Agriculture	118.8	117.6	-1.0	—	-1	-3
Industry	221.6	224.5	1.3	8.0	39	11
Construction	82.8	84.9	2.5	6.1	11	8
Electricity and water	17.0	17.7	4.1	1.4	1	2
Commerce and finance	105.8	109.9	3.9	5.4	13	15
Transportation and communications	54.0	55.9	3.5	5.2	6	7
Public and business services	188.0	201.2	7.0	5.2	23	49
Personal services	66.5	69.4	4.4	5.3	8	11
Total	854.5	881.1	3.1	5.1	100	100

SOURCE: Bank of Israel estimates based on manpower surveys of the Central Bureau of Statistics.

4. LABOR INPUT, BY ECONOMIC SECTOR

(a) *Agriculture*

The number of gainful agricultural workers continued downward in 1965. Between 1960 and 1965 the share of this sector in total gainfully employed fell from 17 to 13 percent.

Total labor input (the number of gainfully employed multiplied by the average number of man-hours) edged down by 1 percent in 1965. Most of the reduction occurred in fruit growing (excluding citrus), vegetables, and in work connected with investments within the sector, while there was an increase in the citrus and industrial crop branches.

These developments led to an increase of about 1.5 percent in the number of wage earners and a decrease of approximately 2.5 percent in the number of self-employed farmers (kibbutz and moshav members and unpaid members of farming families).

(b) *Construction*

Output in the construction sector increased only slightly in 1965, but labor input was up nearly 2 percent. The difference is partially explained by the rising share of construction jobs involving a relatively greater labor input (the increased weight of housing in total new construction put in place, the higher proportion of finishing work in residential construction, etc.).

Gainful employment in the construction sector rose in 1965 by approximately 3 percent, but there was a slight decline in the average number of hours worked. The increase in employment took place mainly at the beginning of the year, the demand for labor declining appreciably in the latter part.

(c) *Industry*

The growth of industrial employment slowed down in 1965 (an increase of about 1 percent compared with an average of 8 percent in 1960-64). As a result, this sector absorbed only 11 percent of all additional gainfully employed in 1965, as compared with an average of 40 percent in the four preceding years.

This moderate rise during the year reviewed was accompanied by a gain of about 8 percent in labor productivity. This development can be ascribed in part to the investment in labor-saving equipment made in previous years, when a labor shortage prevailed in the economy.

The average working-week, as well as the total input, rose in 1965 at about the same rate as gainfully employed—1.3 percent.

(d) *Transportation and communications*

This sector took on an additional 2,000 persons approximately in 1965, bringing up the number by about 3.5 percent. Some 60 percent of the increment were wage earners.

Two branches showing a substantial rise in gainful employment were communications (posts) and road passenger transport (chiefly buses); elsewhere the increases ranged from 3 to 4 percent.

(e) *Commerce and finance*

Gainful employment in this sector was 4 percent higher in 1965—a slightly slower increase than in the four preceding years (5.4 percent). As in the previous two years, most of the growth occurred in banks, insurance companies, and financial institutions (up nearly 9 percent), whereas in commerce, which accounts for about 80 percent of all personnel in the sector, the increase was only 2.5 percent.

(f) *Public and business services*

This sector accounts for roughly 23 percent of all gainful employment in the economy, and 90 percent of its personnel are wage earners. In 1965 the employment figure went up by approximately 13,000, or 7 percent; this is a high growth rate in relation to both other sectors and the average for the sector during the four preceding years.

As in the past, employment in the business services advanced at a relatively rapid rate in 1965—by approximately 15 percent; this brought up its proportion of the total for the entire sector to about 15 percent. Part of the increase during the year reviewed can be attributed to the work connected with the elections.

The percentage increases in the other branches were lower, except for the local authorities which showed a rise of 9 percent. Administrative personnel in the Government and in educational and health services went up by 5 percent, slightly more than the population growth rate.

(g) *Personal services*

In 1965 the rise in gainfully employed here was similar to that attained in the three preceding years—about 5 percent. The average number of weekly man-hours also went up. This incremental labor input stemmed from the increased demand for the sector's services, on the part of both tourists (whose numbers rose by 18 percent, without any change in their average length of stay) and the local population.

5. UNEMPLOYMENT

Labor exchange figures for 1965 point to a moderate decline in unemployment. The increase in the number of job-seekers indicated by manpower survey data, as already stated, was reflected in the figures of the National Employment Service only at the beginning of 1966. This increase is seen in both the original and the seasonally adjusted figures of the manpower survey data (see Diagram IX-1).

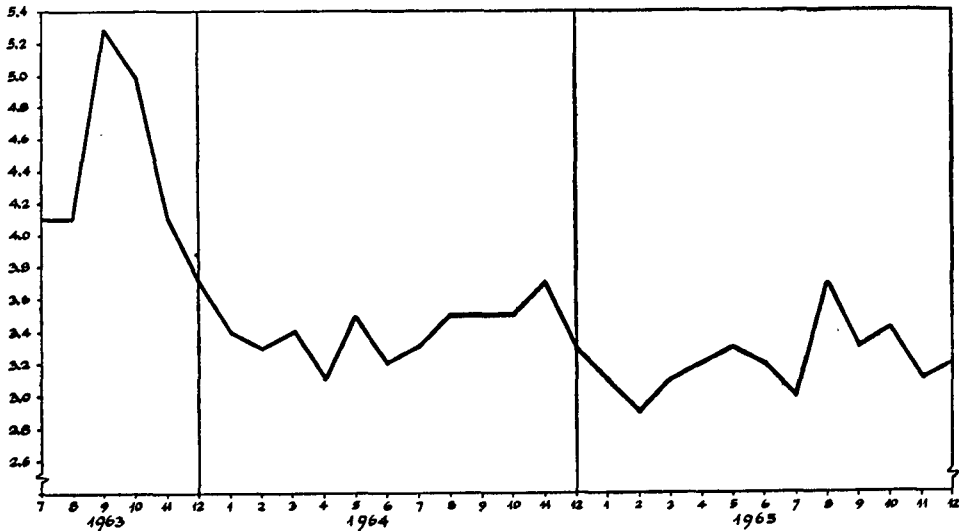
The daily average of unemployed (adults and youth) registered with the labor exchanges declined in 1965 by 5 percent, in contrast to a 15 percent decrease in the previous year, while the daily average of able-bodied persons engaged in relief work remained virtually constant in 1965, after a 15 percent drop in 1964 (see Table IX-7).

Whereas in previous years changes occurred in the distribution of unemployed by the number of workless days per month—as reflected in the average number of workless days per unemployed per month—there was no change in 1965 in the depth of unemployment (see Table IX-8).

Diagram IX-1

DAILY AVERAGE OF REGISTERED UNEMPLOYED (SEASONALLY ADJUSTED),
1963-65

(thousands)



SOURCE: Central Bureau of Statistics.

For the first time since 1960, there was an increase in daily average unemployment in the Haifa and Tel Aviv Districts, which previously were considered to be areas of overemployment.

Table IX-7

TOTAL REGISTERED UNEMPLOYMENT, 1963-65

	1963	1964	1965	Percent increase or decrease (-)	
				From 1963 to 1964	From 1964 to 1965
Daily average of registered unemployed adults	4,032	3,399	3,200	-15.7	-5.9
Daily average of registered unemployed youth	1,389	1,225	1,180	-11.5	-3.7
Daily average of all registered unemployed	5,421	4,624	4,380	-14.6	-5.4
Daily average of able-bodied persons engaged in relief work	2,711	2,318	2,294	-14.5	-1.0

SOURCE: Central Bureau of Statistics and National Employment Service.

Table IX-8

**DEPTH OF UNEMPLOYMENT—JOB-SEEKERS BY NUMBER OF
UNEMPLOYED DAYS PER MONTH, 1962-65**

(percentages)

Unemployed days per month	Percentage of job-seekers			
	1962	1963	1964	1965
1-6	75	78	81	82
7-12	14	13	12	11
13-18	6	5	4	4
19+	5	4	3	3
Total	100	100	100	100
Average unemployed days per job-seeker per month	5.0	4.5	4.0	4.0

SOURCE: National Employment Service.

The decline in 1965 in the daily average of unemployed adults in the Northern and Southern Districts was due to the steps taken by the Employment Service to regulate unemployment, job-seekers in these places being directed elsewhere where work was available. The increased number of persons engaged in relief

Table IX-9

REGISTERED UNEMPLOYMENT, BY DISTRICT, 1964-65

District	Daily average of job-seekers				Daily average of persons on relief work ^a		Percent increase or decrease (-) from 1964 to 1965		
	Adults		Youth				Daily average of unemployed		Daily average of persons on relief work ^a
	1964	1965	1964	1965	Adults	Youth			
Northern	1,014	853	287	238	1,817	1,863	-15.9	-17.1	2.5
Haifa	480	596	125	110	99	26	24.2	-12.0	-73.7
Central	531	509	291	350	—	—	-4.1	20.3	—
Tel Aviv	469	499	162	157	—	—	6.4	-3.1	—
Jerusalem	327	288	134	133	41	29	-11.9	-0.7	-29.3
Southern	578	456	226	192	361	376	-21.1	-15.0	4.2
Total	3,399	3,201	1,225	1,180	2,318	2,294	-5.9	-3.7	-1.0

^a Able-bodied persons only.

SOURCE: Central Bureau of Statistics and National Employment Service.

work was another contributory factor. Unemployment among youth decreased throughout the country, with the exception of the Central District where a rise of 20 percent was recorded.

6. UNEMPLOYMENT, BY DISTRICT

As in previous years, unemployment in 1965 was relatively highest in the Northern and Southern Districts, where most of the development areas are located. These districts accounted for about 28 percent of the total civilian labor force, whereas their share in unemployment (adults and youth) and in relief-work employment came to 40 and 98 percent respectively in 1965.

The large share of the Northern and Southern Districts in overall unemployment can be attributed to the fact that the improvement in the employment situation during the past five years was concentrated in the other districts. During this period the share of the Northern and Southern Districts in total unemployed days rose from 27 to 41 percent, and in relief-work employment from 80 to 98 percent (see Table IX-10).

Table IX-10

UNEMPLOYMENT IN THE NORTHERN AND SOUTHERN DISTRICTS AS A PERCENT OF TOTAL UNEMPLOYMENT, 1961-65

	1961	1962	1963	1964	1965
Daily average of unemployed adults					
Total	5,143	4,602	4,032	3,399	3,200
Northern and Southern Districts					
Absolute number	1,423	1,495	1,691	1,592	1,309
Percentage of total	27	32	42	47	41
Daily average of persons on relief work					
Total	2,401	2,596	2,711	2,318	2,294
Northern and Southern Districts					
Absolute number	1,928	2,252	2,541	2,178	2,239
Percentage of total	80	87	94	94	98

SOURCE: National Employment Service.

Despite the mounting demand for workers during the years 1962-64, the employment situation in the development towns failed to improve and registered unemployment there even rose somewhat. This was due to structural reasons apparently connected with the slow progress made in transferring enterprises to these areas and in establishing new ones there. Apart from their

remoteness from the main population centers and the lack of infrastructure and auxiliary services of a suitable standard, there is the problem of the relative low quality of the labor force available in these places (see Table IX-11). As long as unemployment was a problem specific to these areas, the general economic prosperity failed to reduce the volume of overall unemployment.

Table IX-11

**INDICATOR OF LABOR FORCE QUALITY IN DEVELOPMENT
TOWNS: PER CAPITA EDUCATIONAL STOCK OF
WORKING-AGE POPULATION, 1963**

(IL thousand, at 1957 prices)

	Total	Males	Females
Total Jewish population	4.9	5.5	4.4
Population of development towns	3.0	3.5	2.5

SOURCE: "Investment in Education and Human Capital in Israel", Bank of Israel Bulletin No. 23, Table 1, and "Manpower in Development Towns", Manpower Planning Authority, Jerusalem, December 1964.