

CHAPTER IV

EMPLOYMENT AND WAGES

During 1986 the labor market saw a slow revival, which picked up considerably in early 1987. The overall level of activity in 1986, however, did not rise above the labor market's depressed trend in recent years, which had taken a further downward turn as a result of the July 1985 stabilization program (see Tables IV-1 and IV-2, and Figure IV-2). On average, the employment rate¹ fell and the unemployment rate rose. During the year, however, employment increased gradually, with a change of trend in the unemployment rate: following a rise in the first half of the year, it fell in the second, and the decline continued into early 1987. In 1986 wages in the business sector rose considerably (in terms of purchasing power²)—by as much as 13 percent, as compared to a wage increase of only 8.3 percent in the public sector. This rise in business sector wages exceeded the increments foreseen in the stabilization program and the rate consistent with economic conditions. In the face of only a small rise of productivity this wage increase raised the real cost of labor to employers and impaired business profitability, thereby slowing the revival of economic activity and employment.

The steep rise of wages this year, following their sharp decline (in terms of purchasing power) in the preceding year as a result of the stabilization program, was influenced by several factors: in the beginning of the year—by difficulties in the adjustment of the wage system to the sharp fall of the inflation rate, and later in the year—by an upturn in the demand for labor in various sectors. However, this does not explain the full extent of the wage rise: the institutional factors involved in the process of wage deter-

¹ The number of employed persons relative to the working age population; the estimates are adjusted for changes in the composition of the population by age, sex and education (see note 13 below).

² The estimate of real wages in this chapter is corrected for a bias in the conventional estimation, which deflates nominal wages (usually paid at the beginning of the month) by the consumer price index which approximately reflects the price level in the middle of the preceding month. This difference of half a month causes the conventional estimate of real wages to be upward-biased to a degree which depends on the inflation rate. In order to correct for this bias, we have deflated nominal wages by a synthetic price index—the geometric average of two consecutive price indexes—which approximates the price level at the beginning of the month.

Table IV-1
POPULATION, EMPLOYMENT, AND WAGE PER EMPLOYEE POST, 1979-86
 (Percent change over preceding period)

	1979	1980	1981	1982	1983	1984	1985	1986
Working-age population	2.6	2.5	1.8	1.8	2.0	2.2	2.2	1.9
Civilian labor force	1.6	3.2	2.3	1.3	2.6	3.0	1.6	1.8
Israeli employed persons	2.3	1.1	2.0	1.4	3.2	1.5	0.7	1.4
Employment rate of Israelis ^a	(50.0)	(49.2)	(49.1)	(48.5)	(48.8)	(48.3)	(47.3)	(46.9)
Total man-hours of Israelis	4.0	-1.1	2.6	-	2.3	1.7	0.8	0.8
Residents of Judea, Samaria and the Gaza District employed in Israel	8.7	-3.0	1.0	4.2	8.4	2.8	-1.3	6.2
Total employed in Israel	2.6	0.8	2.0	1.6	3.5	1.5	0.6	1.7
Total man-hours worked in Israel	4.4	-1.3	2.6	0.3	2.6	1.9	0.3	1.4
Real wage per employee post ^b								
Estimate A	8.5	-3.4	11.1	-0.9	4.7	-2.5	-6.8	11.7
Estimate B	10.0	-3.0	10.4	-0.4	5.9	-0.4	-9.0	7.8
Real disposable wage per employee post, ^c based on estimate A	3.7	-4.5	14.6	-2.6	3.7	-4.8	-2.2	15.4

^a The number of employed persons relative to the working age population; the estimates are adjusted for changes in the composition of the population by age, sex and education (see note 13 below); base year for the correction—1985.

^b Both estimates are CBS data based on employers' returns to the National Insurance Institute, deflated monthly by the Consumer Price Index. Since wages are on average paid at the end of the month, deflation by the average CPI for the month biases the real wage upwards at times of inflation. Estimate A is corrected for this two-week timing discrepancy by deflating the nominal wage for month t by the geometric mean of the CPI for $t, t-1$. Estimate B is not corrected.

^c 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 the estimate see Chapter V, Table V-9) and should therefore be treated with caution.

SOURCE: Central Bureau of Statistics—*Monthly Bulletin of Statistics*, labor force surveys and family surveys in Judea, Samaria and the Gaza District; and Bank of Israel calculations.

mination and public pressure led to compliance with excessive wage demands of various groups of workers.

Average real wages per employee post (in terms of purchasing power) rose in 1986 by 11.6 percent, but the increase in disposable wage earnings³ per employee post was much higher: as inflation slowed down, the tax brackets widened in real terms so that

³ Adjusted for changes in the rate of direct taxation (deductions for income tax and employee's contributions to National Insurance). The estimate is an approximate calculation, based on tax rates and income brackets, and should therefore be treated with caution. (For the description of the estimation method, see Chapter V, The Public Sector, Table V-9, notes c and d.)

Table IV-2
EMPLOYMENT AND UNEMPLOYMENT, 1985-86
(Quarterly data)

	1985				1986				1987	2nd half 1985 over 1st half 1985	1st half 1986 over 2nd half 1985	2nd half 1986 over 1st half 1986
	I	II	III	IV	I	II	III	IV	I	(Percent change)		
<i>Employed persons in Israel, thousand</i>												
Israelis	954	951	932	949	958	958	971	960		-1.3	1.9	0.8
Workers from Judea, Samaria and Gaza District	89.3	89.5	88.8	89.8	90.4	96.5	96.1	95.9		-0.1	4.6	2.7
Total	1,043	1,041	1,021	1,039	1,048	1,055	1,067	1,056		-1.2	2.1	1.0
Public services	410	401	401	401	397	401	408	419		-1.1	-0.5	3.7
Total employed in Israel	1,453	1,442	1,422	1,440	1,445	1,456	1,475	1,475		-1.1	1.4	1.7
<i>Unemployment rate, percent of labor force</i>												
Men	5.5	6.2	7.2	6.5	6.5	7.0	6.4	6.4	4.8			
Women	6.6	7.0	8.1	7.2	8.4	9.3	7.6	6.7	7.1			
Total	5.9	6.5	7.5	6.7	7.2	7.9	6.8	6.5	5.7			
<i>Employment rate^a</i>	48.3	47.5	46.5	47.0	46.8	46.7	47.2	46.9				

^a See note a to Table IV-1.

SOURCE: Central Bureau of Statistics, labor force surveys and family surveys in Judea, Samaria and the Gaza District, and Bank of Israel calculations.

the direct taxation of wage income was reduced. As a result, disposable wage earnings per employee post, which in 1985 had declined by 2.2 percent, rose in 1986 on average by 15 percent. In the business sector, the wage hike translated into an increase in average wage expenditure per man-hour; from the workers' perspective, wages rose by 8.9 percent compared with a decline of 1.7 percent in the preceding year (see Table IV-3). However, in the last two years labor costs to employers rose much more, as the set of prices confronting them is different from that facing consumers: as part of the stabilization program, fiscal policy sought to reduce the deficit, primarily by substantial cuts in subsidies and higher net indirect taxes. These raised prices of private consumption while the prices confronting employers—the factor cost of the business sector product—did not rise as much.⁴ As a result, wage costs per man-hour to employers rose in 1986 by 14.3 percent,⁵ following a 9.8 percent increase in 1985. Labor productivity rose in 1986 by 1.7 percent, so that real labor costs rose by 12.4 percent—following a 6 percent increase in 1985, when labor productivity grew by 3.6 percent.⁶

⁴ These effects on the consumption purchasing power on the one hand, and on factor costs of the product on the other, are reflected in the change in relative prices, P_c/P_y , the ratio of the implicit index of private consumption to the implicit price index of business sector NDP at factor cost. In 1985 this ratio rose by 11.7 percent and in 1986—by 5 percent (see Table IV-3). It should be pointed out that the implicit price index of private consumption is not identical with the consumer price index (in the last two years the rise of the latter was 8 percent higher than the former). The calculation of the consumer price index is independent of the national accounts, and therefore permits no consistent comparison with NDP prices.

⁵ It has been suggested that inflation may bias the real product estimates as well as the estimate of real wages (see note 1). These effects has not yet been researched in their entirety. This chapter therefore presents wage expenditure and labor costs of employers without correction for the inflation bias.

⁶ Symbols are as follows: P_c is the implicit price index of private consumption, y is labor productivity (real business sector NDP per manhour), P_y is the implicit price index of the business sector NDP at factor cost, w is compensation of employees per man-hour; real labor cost to employers, C , is then given by

$$C = \frac{W}{P_y Y} = \left[\frac{W}{P_c} \times \frac{P_c}{P_y} \times \frac{1}{Y} \right]$$

Labor's share in NDP	Wages (in terms of private consumption)	Relative prices: (private consumption business sector NDP)	1/ labor productivity
-------------------------	--	--	--------------------------

In the conventional estimate of annual changes in wage expenditure and real labor cost to employers, the changes in nominal average wage expenditure are adjusted for changes in the business sector NDP (or by changes in business sector NDP adjusted for changes in labor productivity). At times of inflation this method gives greater weight to changes at the end of the year than at the beginning. For recent years, and, especially for 1985, when developments in the second half of the year were very different from those in the first half, this method of estimation biases the estimates considerably. In order to correct for

Table IV-3
CHANGE IN BUSINESS SECTOR LABOR COSTS^a 1975-86
 (Percent change over preceding period)

	Average,								
	1975-78	1979	1980	1981	1982	1983	1984 ^b	1985 ^b	1986 ^b
1. From employees' perspective, in terms of private consumption ^c	7.7	4.0	-0.9	10.1	4.6	2.9	-5.4	-1.7	8.9 ^d
2. From employers' perspective, in terms of value added ^e	6.9	6.6	-3.0	0.8	4.8	3.4	-6.0	9.8	14.3
3. Real labor costs to employers ^f	6.9	5.7	-8.8	-1.8	6.8	3.1	-7.4	6.0	12.4
4. Relative price of business sector product ^g — $P_y/P_c = [1+(1)]/[1+(2)]$	0.7	-2.5	2.1	9.2	-0.2	-0.5	-0.6	-11.7	-5.0
5. Labor productivity ^h	0.0	0.9	5.6	2.6	-1.9	-0.3	-1.3	3.6	1.7

^a According to national accounts definitions.

^b In 1984-86 changes in labor costs and in the relative price of the net domestic product of the business sector were estimated by a different method: the estimate of annual changes was obtained from the geometric mean of the quarterly changes (weighted by product at constant prices) during the year, as compared with the preceding year. This method was chosen to correct for biases in the estimates of annual changes due to extreme fluctuations in the inflation rate between quarters, which were particularly marked in 1985.

^c Wage expenditure per man-hour, including fringe benefits, deflated by the implicit price index of private consumption as estimated in the national accounts.

^d In 1986 labor costs to employers were reduced by 2 percent as a result of the reduction in employers' national insurance contributions. Hourly wages per *worker* therefore rose more than labor costs—by 11 percent.

^e Hourly wage expenditure as in note (c), deflated by the implicit price index of the business sector net domestic product, at factor cost.

^f As in note (e), excluding changes in labor productivity (estimate of product from resource uses).

^g Implicit price index of business sector NDP relative to implicit price index of private consumption

^h Real business sector NDP per man-hour..

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

(continued from preceding page)

this bias, we have estimated the changes in wage expenditure and in relative prices of the business sector NDP in 1984, 1985 and 1986 as the geometric mean of the quarterly changes in each year as compared with the same quarter in the preceding year. The quarterly changes are weighted by the NDP at constant prices.

Real labor costs to employers are defined as the share of labor costs in the value of the product to employers (i.e., in the business sector NDP at factor cost). A rise of real labor costs affects economic growth, employment and the economy's competitiveness in foreign trade⁷ since it means a decline in the return to capital and lower profitability, decreasing investment and and lower employment. It may therefore be assumed that the steep rise of real labor costs has restrained business sector activity in 1986. The changes in real labor costs apparently reflect different trends in various sectors: the excessive wage rise, combined with domestic demand pulls, contributed in 1986 to an appreciation which had an adverse effect on the sectors producing tradable goods, and particularly on exports to the U.S. Estimates of real wages and of industrial output for export, in terms of effective exchange rates, show that the index of the share of wages in industrial exports—which in 1985 had declined by 11 percent—rose in 1986 by 22 percent (the share of wages in output was similar in both halves of the year).⁸ In contrast to this, it emerges that the very large increase of private consumption, which boosted domestic demand, caused a rise in the relative prices of various services and of industrial goods principally oriented towards the domestic market (see Chapter III). It may therefore be assumed that in these sectors profitability did not fall as much as in the other sectors.⁹

In 1986 the government took steps to reduce the rate of taxation on labor. From July 1986, employers' contributions to the National Insurance Institute were reduced by 4.5 percent of the wage bill. This measure, which was intended to stimulate growth in the business sector and to moderate pressures on the price level, is effective only when the economy is not in full employment, as has been the case in 1986. This positive policy did not yet come into full effect in 1986 because wages in the business sector were still on the rise and offset the decline of labor costs also in the second half of the year, after employers' national insurance contributions had been reduced. In early 1987 the government reduced these contributions by an additional 2.7 percent of wages, and it may be assumed that this policy will contribute to price stability and growth.

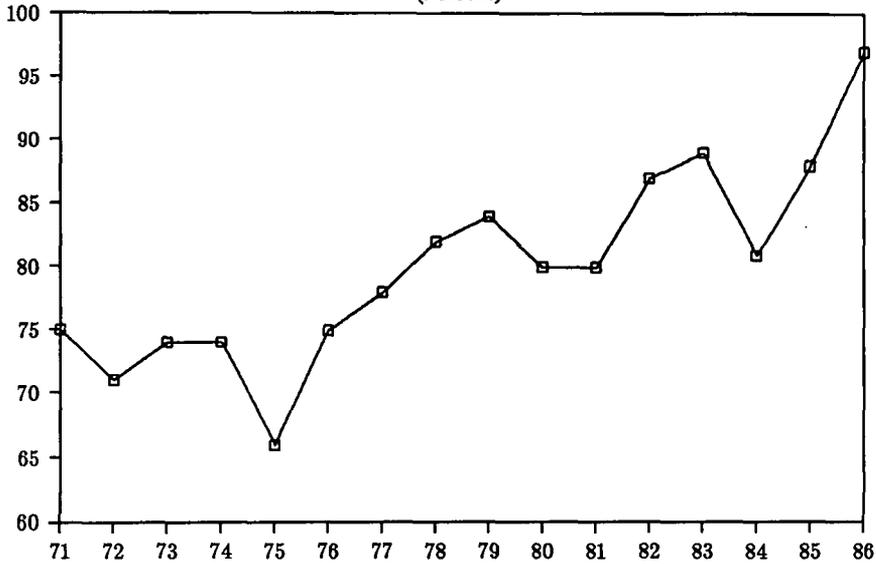
The excessive rise of real labor costs, in 1986 as in earlier years (see Figure IV-1), raises questions as to the manner in which Israel's labor market functions. Large wage

⁷ We assume an aggregate production function with unit elasticity of substitution between labor and any of the other production factors, so that the returns to labor and other production factors under competitive conditions are constant. Various econometric findings have not led to a rejection of the hypothesis of such production functions in some Western economies. Other studies have assumed different production functions and have found that the relative competitive shares of labor and capital may change over time. For most Western economies, however, no substantial changes are expected except over periods of more than two decades.

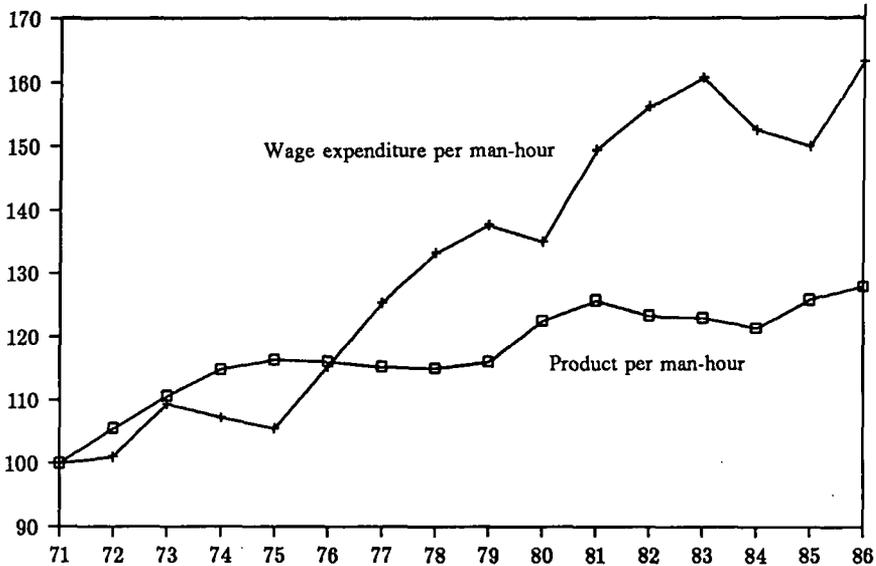
⁸ For a detailed discussion of the profitability of exports see Chapter VII.

⁹ In 1985 these differences between the various economic sectors were in the opposite direction.

Figure IV-1
REAL LABOR COST IN THE BUSINESS SECTOR—RETURNS TO LABOR IN
BUSINESS SECTOR NDP, 1971-86^a
 (Percent)



BUSINESS SECTOR WAGE EXPENDITURE AND PRODUCT PER MAN-HOUR, 1971-86^b
 (Indexes, 1971 = 100)



^a The estimate of the returns to labor in GDP is obtained from a comparison of several variables from different statistical sources (GDP, taxes and subsidies, wages, imputed returns to labor for self-employed, etc.). This method may result in a systematic bias of the estimate 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 amount of the returns to labor; it is less in the estimate of changes between periods.

^b See Table IV-3, rows 1 and 5.

increases in the business sector which are divorced from the state of employment and the rise of productivity indicate that there are groups in the public whose social aspirations impel them to push for wage increases to a level that is incompatible with full employment and economic growth.

Institutional factors exert an upward push on wages in other countries as well. Thus, in several West European countries excessive wage rises in recent years have been accompanied by falling employment and higher productivity; together, this prevented real labor costs from rising. No such combination has occurred in Israel: the excessive wage rise did not lead directly to lower employment and higher labor productivity, so that real labor costs went up. This shows that institutional factors are at work in Israel's business sector which have a considerable influence also on the level of employment and go beyond economic considerations. A significant number of firms in the business sector do not operate only as profit-maximizers¹⁰ and, as a result, decisions regarding wages and employment are in some instances non-economic. A considerable number of firms acquiesce in the decline in profits that results from this policy, and some even accept an accumulation of losses over many years. Excessively high wage levels that have in this manner been established for various categories of workers in important economic sectors, in time become the norm for other sectors as well, and reduce the profitability of production.

Wage trends in 1986 deviated from the path traced out by the stabilization program,

Table IV-4
SECTORAL COMPOSITION OF EMPLOYMENT, ISRAELIS, 1970-86
(Percent)

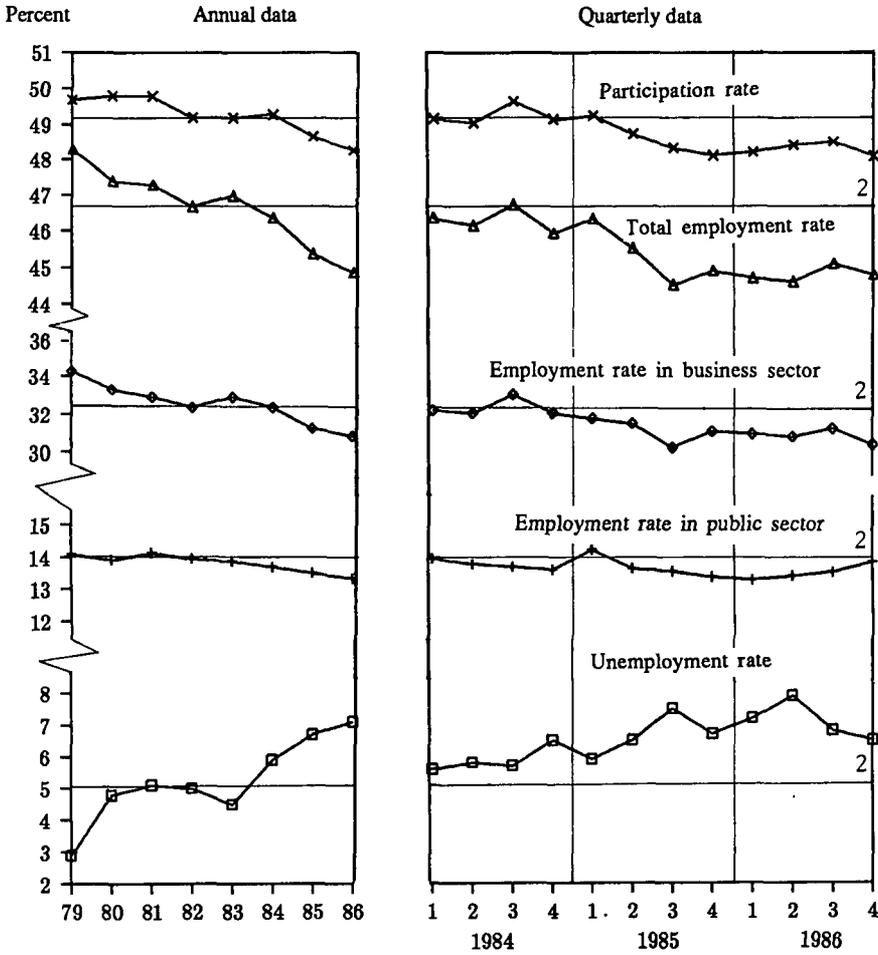
	1970	1979	1983	1984	1985	1985 ^a	1986	Average annual rate of change	
								1970-1979	1979-1986
Public services	23.9	29.2	29.3	29.3	29.6	29.9	29.7	5.2	1.7
Business sector	76.1	70.8	70.7	70.7	70.4	70.1	70.3	2.0	1.6
Thereof: Financial and business services	5.2	7.8	9.4	9.5	9.6	9.7	9.8	7.7	4.8
Industry	24.2	24.0	22.7	22.9	22.9	22.9	23.6	2.8	1.3
Other business sector	70.9	63.0	61.3	61.2	60.8	60.4	60.5	1.5	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	2.9	1.6

^a New series from 1985: (a) working-age population and labor force—age 15+ instead of 14+ so far; (b) estimates of population and labor force corrected according to the 1983 population census.

SOURCE: Central Bureau of Statistics, labor force surveys.

¹⁰ For example, the enterprises of the defense establishment, the public companies of transport and communications, and part of the Histadrut enterprises.

Figure IV-2
LABOR FORCE PARTICIPATION RATES, EMPLOYMENT
AND UNEMPLOYMENT RATES, 1979-86^a



^a Adjusted for changes in population structure by age, sex and educational level; seasonally adjusted.

^b The horizontal lines denote the 1982 level.

SOURCE: Central Bureau of Statistics.

in which—considering that the government encountered difficulties in cutting its direct demand—higher indirect taxes were the principal instrument for reducing the deficit. The level of gross wages (in terms of purchasing power) had to be reduced in order to prevent a decline of profitability resulting from these higher indirect taxes. Even without the excessive rise in gross wages, the lower direct tax burden due to the slowdown of inflation would have assured a reasonable rise of disposable wage income. Although the collective wage contracts in the business sector and the c.o.l. agreement themselves did not exceed the limits set by the stabilization program, the actual wage movement was different: substantial wage increments were granted at the enterprise and industry level, and these raised average wages in the business sector above the level planned in the framework of the new economic policy.

The causes of this excessive wage rise are not quite clear. It may be assumed that they had their origin in wage contracts concluded at the industry and enterprise level before the adoption of the stabilization program; these stipulated wage increases the actual size of which was not fully taken into account by the parties to the agreements. It is also possible that employers had erroneous expectations as regards the renewal of devaluations in early 1986. It emerges, however, that these deviations from the planned path of wage rises at the beginning of the year not only failed to be corrected subsequently, but even gathered momentum. Higher demand for labor in some economic sectors in the second half of the year reinforced this development, but this partial recovery of demand does not provide an adequate explanation of the extraordinarily high average wage increase during the year. In part, it reflects the influence of institutional factors in the wage bargaining process, which exert an upward push on wages as an expression of social expectations.¹¹ An excessively high wage level leads to a contraction of employment and a decline of investment, and thereby keeps growth below its potential rate. Paradoxically, it eventually has the effect of reducing wage levels and living standards. In order to promote the revival of economic growth and counter pressures that run counter to the country's economic circumstances, the public must become more aware of this basic problem. Wage movements must reflect the differences in profitability and labor productivity between industries and firms; no justification exists for global wage increments.

¹¹ For example, the institutional pressures for a steep rise in the low wage brackets, which eventually led to the enactment of a minimum wage law.

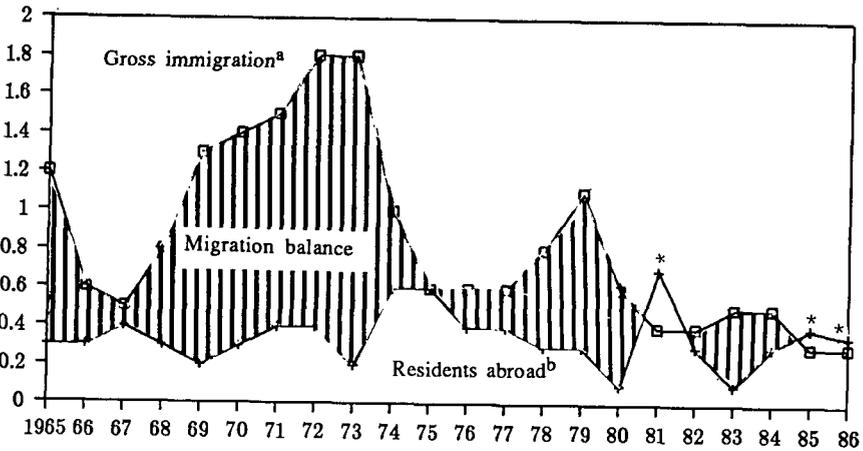
The processes in the labor market are brought out by the changes in labor force participation rates and the employment rate¹² after adjustment for changes in the population structure.¹³ A comparison of participation rates, employment and unemployment rates is presented in Figure IV-3, which shows that there has been no change of trend in the labor market in 1986. In the first half of 1986 employment tended to decline while the participation rate increased slightly, so that the unemployment rate rose. In the third quarter of the year employment picked up, both in the business sector and in the public sector, reducing the unemployment rate and returning it to the end-1985 level. In the fourth quarter employment in the business sector again declined, while there was a slight rise in the public sector. As a result of a lower participation rate, the unemployment rate continued to fall despite this decline in employment.

Developments of the employment structure this year reflect the changes that took place in the composition of the business sector by industries: the rapid contraction of the construction industry continued, while the weight of commerce, hotels, restaurants and business services went up. However, the number of persons employed in financial services has not yet declined to the extent warranted by the slowdown of inflation. Industry's share in total employment rose in 1986, especially in branches producing primarily for the local market. This change contrasts with the trend of previous years, when employment expanded mainly in export-oriented branches. The structure of employment in 1986 seems to reflect the changes in the composition of demand: a substantial expansion of private consumption demand and a contraction of the demand coming from defense consumption.

¹² The employment rate in each economic sector is defined as the number of employed persons relative to the working-age population.

¹³ Labor force participation is determined primarily by personal characteristics such as sex, age and educational level, while cyclical economic developments affect the specific participation rates of each category. In order to estimate these factors, one must eliminate the effect of changes in age, sex and educational composition of the population. The standardization method used here holds specific participation rates constant. For the formal presentation, see Bank of Israel, *Annual Report 1980*, p. 76.

Figure IV-3
MIGRATION BALANCE, 1966-86
 (Percent of permanent population)



^a Immigrants, tourists acquiring immigrant status, immigrant Israelis (children born abroad to Israeli nationals), and persons returning under the family reunion scheme.

^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*.

* Negative migration balance.

SOURCE: Central Bureau of Statistics.

Table IV-5
AVERAGE REAL WAGE PER EMPLOYEE POST BY INDUSTRIES, 1979-86
 (Percent change over preceding year)

	1979	1980	1981	1982	1983	1984	1985	1986
Total	8.5	-3.4	11.1	-0.9	4.7	-2.5	-6.8	11.6
Public services	13.5	-8.4	10.9	-5.3	8.2	-0.8	-12.3	8.3
<i>Business sector</i>	5.9	-0.6	10.9	1.2	3.1	-3.2	-4.1	13.0
Agriculture	4.3	-2.1	7.7	1.5	2.0	-2.6	-6.3	13.5
Industry	4.6	-0.7	12.5	1.5	4.5	-0.2	-4.6	10.7
Electricity and water	-3.1	1.9	21.4	-5.1	6.6	-8.6	-4.5	4.9
Construction	5.1	-2.1	9.4	4.2	-1.3	-6.5	-6.5	16.8
Commerce, restaurants & hotels	3.4	-5.3	12.8	4.2	1.0	-3.2	0.6	15.4
Transport, storage, communications	2.0	0.7	9.7	-1.2	0.9	-0.6	-4.5	13.0
Financing and business services	4.1	3.1	10.3	-1.5	6.3	-9.0	-2.2	14.9
Personal and other services	5.5	-4.6	4.4	7.6	6.1	-7.3	-6.5	22.0

SOURCE: CBS data based on employers' returns to the National Insurance Institute, deflated monthly by the Consumer Price Index and, in addition, corrected for the bias in the conventional method of deflation (see note b to Table IV-1). The data include workers from Judea, Samaria and the Gaza District employed in Israel.

Table IV-6
THE ISRAELI LABOR FORCE, SELECTED DATA, 1970-86

	Thousands						Percent annual change									
	1982	1983	1984	1985	1985 ^a	1986	1973	1979	1986	1981	1982	1983	1984	1985	1986	
Average population, total	4,027	4,076	4,159	4,233	4,233	4,299	3.3	2.3	1.8	1.8	2.0	1.2	2.0	1.7	1.6	
1. Working-age population	2,757	2,813	2,876	2,939	2,852	2,906	3.2	2.3	2.1	1.8	1.8	2.0	2.2	2.2	1.9	
2. Civilian labor force	1,367	1,403	1,444	1,467	1,466	1,472	3.7	1.3	2.3	2.3	1.3	2.6	3.0	1.6	1.8	
3. Participation rate, percent	49.6	49.9	50.2	49.9	50.7	50.6										
3a. Participation rate, corrected ^b	49.2	49.2	49.3	48.7	48.7	48.4										
4. Total employed	1,298	1,339	1,359	1,368	1,349	1,368	4.4	1.0	1.6	2.0	1.4	3.2	1.5	0.7	1.4	
5. Unemployed	68	63	85	99	97	104										
6. Unemployment rate, percent	5.0	4.5	5.9	6.7	6.7	7.1										
Males																
1. Working-age population	1,359	1,386	1,418	1,449	1,403	1,430	3.8	2.2	2.0	1.8	1.7	2.0	2.3	2.2	1.9	
2. Civilian labor force	862	880	896	908	893	903	2.8	0.5	1.7	1.9	1.0	2.1	1.9	1.3	1.2	
3. Participation rate, percent	63	64	63	63	64	63										
4. Total employed	824	845	850	851	836	844	3.2	0.3	1.0	1.7	1.0	2.6	0.6	0.1	1.0	
5. Unemployed	38	35	47	58	57	59										
6. Unemployment rate, percent	4.4	4.0	5.2	6.4	6.3	6.5										
Females																
1. Working-age population	1,397	1,427	1,458	1,490	1,449	1,477	3.6	2.4	2.1	1.8	1.8	2.1	2.2	2.2	1.9	
2. Civilian labor force	505	522	548	559	554	569	5.8	3.0	3.3	3.0	1.9	3.4	4.9	2.0	2.8	
3. Participation rate, percent	36	37	38	38	38	39										
4. Total employed	475	494	509	518	513	524	6.5	2.4	2.6	2.6	2.2	4.2	3.0	1.7	2.0	
5. Unemployed	30	28	39	41	40	45										
6. Unemployment rate, percent	6.0	5.3	7.0	7.3	7.2	7.9										
Workers from Judea, Samaria and the Gaza District	81	88	90	89	89	95		4.6	3.2	1.0	4.2	8.4	2.8	-1.2	6.2	

^a See note 1 to Table IV-4.

^b Corrected for changes in the composition of the population by years of schooling, age and sex; base year for the correction—1981. For the standardization method used for the correction, see Bank of Israel *Annual Report 1980*, p. 76

SOURCE: Central Bureau of Statistics, labor force surveys and surveys of families in Judea, Samaria and the Gaza District.

Table IV-7
SOURCES OF GROWTH OF LABOR FORCE AND INCREMENTAL EMPLOYMENT BY SECTOR, 1970-86
 (Annual average increase, thousands)

	1970-73	1973-76	1977-79	1980	1981	1982	1983	1984	1985	1986
A. Increment to labor force										
				Total population—Israelis						
Total increment	38.8	15.1	36.0	40.2	30.2	18.1	35.9	41.3	23.1	26.3
<i>Source:</i> Population growth ^a	34.5	26.4	26.4	31.8	23.6	23.5	27.9	31.4	32.2	27.6
Change in age and schooling distribution ^b	7.2	3.6	9.8	6.5	6.8	9.7	9.2	8.3	9.2	5.4
Change in specific participation rates	-2.9	-14.9	-0.2	1.9	0.0	-15.1	-0.8	1.6	-18.2	-6.7
Males										
Total increment	20.3	4.0	13.9	17.6	16.2	8.8	18.5	16.0	12.0	10.8
<i>Source:</i> Population growth	23.4	17.4	17.0	19.8	15.3	14.2	17.4	19.9	20.0	16.9
Change in age and schooling distribution	0.0	-1.9	1.8	0.2	0.9	3.1	2.0	1.4	0.3	-2.1
Change in specific participation rates	-3.1	-11.5	-4.8	-2.4	0.0	-8.5	-0.9	-5.3	-8.3	-4.0
Females										
Total increment	18.5	11.1	22.1	22.6	14.5	9.3	17.4	25.3	11.1	15.5
<i>Source:</i> Population growth	11.1	9.0	9.5	12.0	8.6	9.3	10.1	11.4	12.2	10.7
Change in age and schooling distribution	7.2	5.5	8.0	6.3	5.9	6.6	7.2	6.9	8.9	7.5
Change in specific participation rates	0.2	-3.4	4.7	4.3	0.0	-6.6	-0.1	6.9	-10.0	-2.7

B. Increment to workers from Judea, Samaria and the Gaza District

Total	14.8	-0.1	3.1	-2.4	1.0	4.2	8.2	2.8	-1.2	5.5
-------	------	------	-----	------	-----	-----	-----	-----	------	-----

C. Allocation of increment, domestic sectors

Total, both sexes	53.6	15.0	39.1	38.0	31.7	22.3	44.1	44.1	21.9	31.8
Business sector ^c	44.9	-1.7	24.3	5.8	15.0	16.0	46.2	17.3	0.3	23.2
Public services, employees	11.7	12.5	16.8	5.4	11.7	6.3	3.1	4.9	8.2	1.0
Israeli unemployed	-2.9	4.2	-1.9	26.8	4.7	0.0	-5.2	21.9	13.4	7.2
Males										
Total	35.1	3.9	17.0	15.4	17.2	13.0	26.7	18.8	10.9	16.3
Business sector	34.1	-1.3	14.2	1.1	9.6	10.2	33.4	8.1	-3.8	15.0
Public services, employees	2.9	3.3	4.3	-0.8	5.5	1.9	-4.0	-0.7	3.6	-1.3
Israeli unemployed	-1.9	1.9	-1.5	15.1	2.1	0.9	-2.7	11.4	11.4	2.6
Females										
Total	18.5	11.1	22.1	22.6	14.5	9.3	17.4	25.3	11.1	15.5
Business sector	10.8	-0.4	10.0	4.7	5.8	6.0	12.8	9.1	4.1	8.3
Public services, employees	8.8	9.2	12.5	6.2	6.2	4.4	7.1	5.5	4.7	2.1
Israeli unemployed	-1.0	2.3	-0.4	11.7	2.5	-1.1	-2.5	10.7	2.3	5.1

^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 surveys of families in Judea-Samaria and the Gaza District.

Table IV-8
SOURCES OF GROWTH OF ISRAEL'S PERMANENT POPULATION, 1978-86

	1978	1979	1980	1981	1982	1983	1984	1985	1986 ^a
<i>Thousands</i>									
1. Beginning-of-year population	3,653.2	3,737.6	3,836.2	3,921.7	3,977.9	4,033.7	4,118.6	4,199.7	4,266.2
2. Natural increase	67.6	68.8	68.0	67.6	68.9	70.5	70.7	71.2	70.1
3. Gross immigration ^b	28.8	39.6	22.2	14.5	16.1	19.1	21.7	12.2	12.2
4. Net emigration ^c	12.0	9.7	4.7	25.9	11.3	4.7	11.3	17.5	15.5
5. Migration balance (3-4)	16.8	29.9	17.5	-11.4	4.8	14.4	10.4	-4.7	-3.3
6. Total population growth (2+5)	84.4	98.7	85.5	56.2	85.7 ^d	84.9	81.1	66.5	66.8
7. End-of-year population (1+6)	3,737.6	3,836.2	3,921.7	3,977.9	4,063.7	4,118.6 ^e	4,199.7	4,266.2	4,330.0
<i>Rates</i>									
8. Natural increase per thousand ^f , total	18.3	18.2	17.5	17.1	17.2	17.2	16.9	17.1	16.4
Jews	15.2	15.0	14.7	14.4	14.3	14.3	14.5	14.5	14.0
Non-Jews ^f	34.8	34.8	32.2	30.7	31.4	29.6	29.0	29.9	28.2
9. End-of-year population,									
percent change over preceding year	2.3	2.6	2.2	1.4	1.9	2.1	2.0	1.6	1.5
Thereof: Natural increase, percent	80.1	69.9	79.5	-	93.5	83.0	85.9	-	-
of total migration balance	19.1	30.3	20.5	-	6.5	17.0	14.1	-	-

^a Provisional data.

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

^c 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 1986*, pp. 132, 136-138.

^d Includes 12,000 from the Golan Heights.

^e According to the 1983 population census.

^f Per thousand of the relevant average permanent population.

SOURCE: Central Bureau of Statistics.