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Labor Market Conditions in Israel, 2006

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Labor Market Conditions in Israel

Over the last decade and a half, the Israeli economy has known periods of high growth as well as periods of recession and negative growth. The major pro-growth factors have been, firstly, the large wave of immigration from the republics of the former Soviet Union in the first half of the 1990s; secondly, in 1994 and 1995, the Oslo agreements with the Palestinians and the peace agreement with Jordan that allowed Israel to expand its international commercial relations; and thirdly, the successful conversion of much of military hi-tech know-how into civilian industries, following the crisis in Israel's military industrial complex after the breakdown of the Soviet Union.

The major factor having a negative effect on the Israeli economy: the Palestinian uprising against the Israeli occupation, beginning with the first Intifada, from 1987 to 1993, continuing with waves of suicide bombings after the signing of the Oslo agreements, and ending with the four-year second Intifada, beginning towards the end of 2000 and formally declared over at the February 2005 Sharm el Sheik summit meeting.

The waves of bust and boom can be seen in Table 4: the table, as it begins in 1990, does not show the recession of 1988 and 1989, brought on by the first Intifada. Immigration from the ex-Soviet Union began slowly in 1989. It increased considerably in 1990 and 1991, bringing with it yearly growth rates of 6% and 7%. Growth was high again in 1994 and 1995, following the peace agreements. Then, with the decrease of immigration and the continuation of suicide bombings, growth slowed down noticeably. The year 2000 was exceptional, marked by the sale of many Israeli start-ups to foreign firms. Then came the second Intifada, which brought with it an unprecedented 3 consecutive years of negative growth in GDP per capita. In the second half of 2003, the Israeli economy resumed growth: 1.5 percent in 2003, 4.8 in 2004, 5.2 in 2005 and 5.1 in 2006.

The boom years did not benefit everyone to the same degree. As can be seen in Table 6, the top quintile is the only income bracket whose share of income grew; the share of the other four quintiles shrank.

Unemployment was high during the first half of the 1990s, with the arrival of hundreds of thousands of new immigrants, and went up again during the second Intifada, due to the contraction of economic activity. That contraction was reflected, among other things, in the growth in the percentage of workers involuntarily engaged in part-time work. Unemployment peaked in 2003 at 10.7%; since, a gradual decline has brought it down to 8.4 in 2006.

Similarly, poverty rates were high during the first half of the 1990s, the years of mass immigration, and reached even higher levels during the second Intifada. Poverty continued to rise in 2004 and 2005, side by side with the resumption of growth. Figures for the first half of 2006 show a halt in the expansion of poverty,

The social-economic data reflect the major national and ethnic divides in Israel: between Jewish and Arab citizens; and among Jews, between those whose origins are in Europe or America (Ashkenazim) and those whose origins are in Muslim and Arab countries (Mizrahim). Another important category is comprised of immigrants who arrived in the 1990s.