The new OECD Jobs Strategy
Good jobs for all in a changing world of work

How does Israel compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new OECD Jobs Strategy provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

Dashboard of labour market performance for Israel

Notes:
- Employment rate: share of working age population (20-64 years) in employment (%).
- Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%).
- Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality.
- Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings.
- Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands.
- Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income.
- Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men).
- Employment gap for disadvantaged groups: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new OECD Jobs Strategy presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- Following several years of strong labour market performance, in which labour participation grew and unemployment reached historic lows, Israel performs now better than the OECD average on all three indicators of job quantity.
Low average wages mean that Israel is ranked 27th in earnings quality. While this result mainly reflects Israel’s level of development, it is also affected by the record-high employment rates, which mean that people previously on the fringes of the labour market are now working and included in the average wage calculation. On the other hand, Israel is ranked above the OECD average for both labour market insecurity and job strain.

Labour market inclusiveness is relatively weak, as reflected by Israel’s high low-income rate. This is partly due to low labour market performance of two major minorities, Arabs and ultra-orthodox Jews. On the other hand, other disadvantaged groups, such as women, older and disabled workers, are doing relatively well in terms of employment.

Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key precondition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers’ productivity and wages and provide an indication of the readiness to respond to future challenges.

Israel scores below the OECD average in all three key indicators of labour market resilience and adaptability, suggesting that they contribute to underperformance on job quantity, job quality and inclusiveness.

Labour productivity growth is slightly below the OECD average, continuing a long-standing issue of sluggish productivity growth. Israel is also below the OECD average with regard to the share of low-performing students. This is partly reflecting the performance of the Arabic education stream, although it has shown some signs of improvement in recent years in other indicators, such as the share of students continuing to the tertiary education system.

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**FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY**

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**Framework conditions for Israel**

<table>
<thead>
<tr>
<th>Bottom OECD performer</th>
<th>Top OECD performer</th>
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<tbody>
<tr>
<td><strong>Resilience</strong></td>
<td></td>
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<tr>
<td>Unemployment cost of a decline in GDP (2000-16)</td>
<td>0.9 pp</td>
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<td>Greece: -1.0%</td>
<td>OECD: 0.0%</td>
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<tr>
<td>Israel: 0.8%</td>
<td>Luxembourg: 0.1 pp</td>
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<tr>
<td><strong>Labour productivity growth (2010-16)</strong></td>
<td></td>
</tr>
<tr>
<td>Greece: -1.0%</td>
<td>OECD: 0.8%</td>
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<tr>
<td>Israel: 0.8%</td>
<td>Ireland: 5.5%</td>
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<tr>
<td><strong>Share of low-performing students (2015)</strong></td>
<td></td>
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<tr>
<td>Mexico: 73.2%</td>
<td>OECD: 31.3%</td>
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<td>Israel: 36.4%</td>
<td>Japan: 15.4%</td>
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Notes: Resilience: average increase in unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).