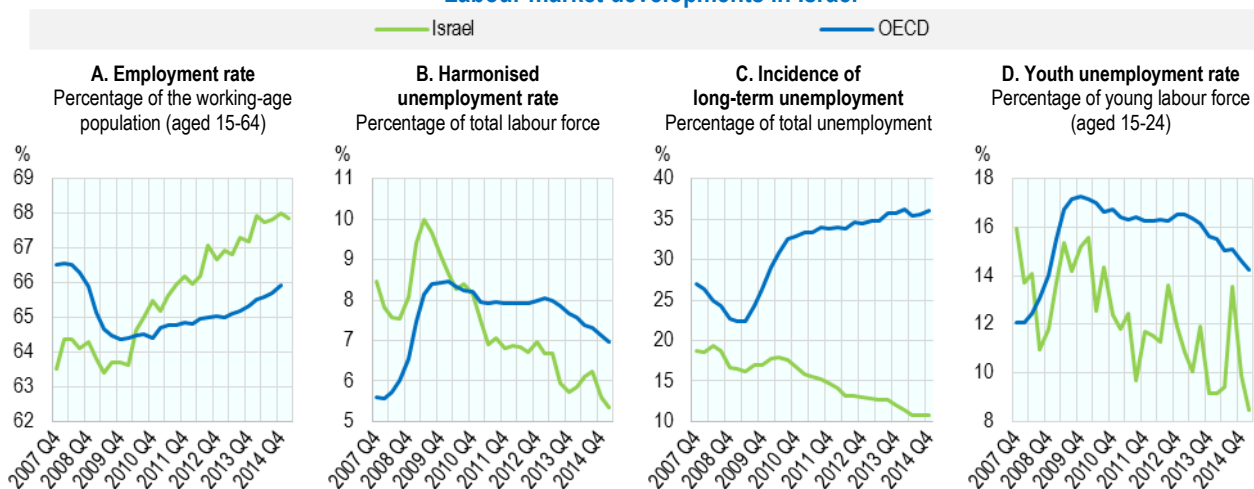


The 2015 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects with a special focus on statutory minimum wages. It also contains chapters on: skills and wage inequality; the role of activation policies to connect people with jobs; earnings mobility, labour market risk and long-term inequality; and job quality in major emerging economies.

[DOI: 10.1787/19991266](https://doi.org/10.1787/19991266)

Labour market developments in Israel



Note: OECD is the weighted average of 33 OECD countries excluding Chile for Panel C, 34 countries in other panels.

Source: OECD Employment Outlook 2015, Chapter 1, <http://dx.doi.org/10.1787/data-00046-en>

RECENT LABOUR MARKET TRENDS AND PROSPECTS

Labour market conditions are improving in many OECD countries but the recovery from the recent economic crisis remains very uneven. Employment is still growing too slowly in the OECD area to close the jobs gap induced by the crisis, even by the end of 2016. Consequently, unemployment for the OECD as a whole is projected to continue its slow decline, reaching 6.6% by the end of 2016.

- Economic growth in Israel recovered quickly from the global crisis. While growth slowed early in 2014, it picked up strongly at the end of the year. The OECD projects that the growth rate will strengthen to around 3.5% by end of 2016. Domestic demand is supported by lower oil prices, further cuts in interest rates and a revaluation of the minimum wage, while the gradual improvement of the global economy boosts exports.

- As a result of its strong growth performance, the unemployment rate in Israel declined by nearly one-half between its post-crisis peak of 10% in 2009 Q2 and its 5.1% value in 2015 Q1. This is 3.1 percentage points below its pre-crisis level and also much lower than the current OECD average (7.0%).
- The Israeli employment rate has also improved markedly in recent years. After dipping slightly in the immediate aftermath of the global crisis, the employment rate climbed quite sharply so that 67.9% of the working age population (15-64 years) was employed in 2015 Q1. This represented an increase of 4.5 percentage points since 2007 Q1 and is more two percentage points above the OECD average (65.9%).

- Youth unemployment has declined markedly in recent years in Israel, reaching 8.5% in 2015 Q1. This is 7½ percentage points below its pre-crisis level, the sharpest decline seen in the OECD area. Indeed, youth unemployment rose by more than 2 percentage points on average in OECD countries.
- The proportion of Israeli youth (aged 15-29) not in employment, education nor training (NEET) was approximately 14% in 2014, very close to the OECD average. Israeli NEETs are more likely than their counterparts in other OECD countries to be inactive, rather than actively searching for a job. This is particularly true of the youngest NEETs: more than 4 out of 5 teenage NEETs are inactive. This group includes many early school leavers whose future career prospects may be quite limited.
- As is shown in the 2015 Employment Outlook, having the educational qualifications and skills required by employers is a key to improving employment outcomes for youth and reducing skills mismatch. The OECD recommends policies that assist workers both to acquire and fully employ their skills at work.

MINIMUM WAGES

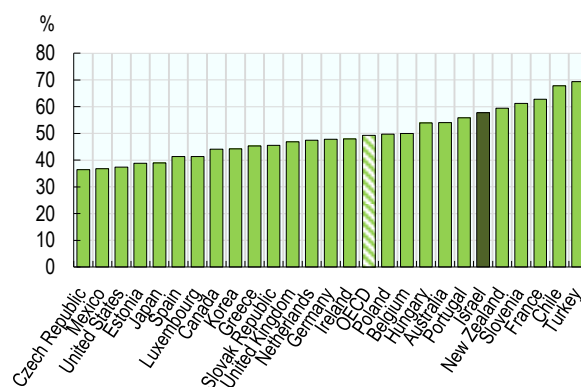
A growing majority of OECD countries use minimum wages as a tool to raise wages at the bottom of the wage distribution and to prevent workers' families from falling into poverty. The effectiveness of these policies depends upon the level of the minimum wage, which could lead to job losses if set too high, and how much minimum-wage workers receive after taxes and benefits.

- In Israel, real hourly wages have fallen slightly since 2007 (at the average rate of 0.1% during 2007-2014). As in the vast majority of OECD countries, wage restraint probably helped to limit employment losses during the recession and to encourage a rebound in employment during the recovery. However, slower wage growth has also reduced the incomes of many households further contributing to economic hardship, especially for those already on low incomes.

- Israel has one of the highest levels of wage inequality among OECD countries, with 90th percentile workers earning 4.9 times more than 10th percentile workers, as compared to the OECD average of 3.5. Low-paid employment is particularly common among minority groups, including Arab, Haredi and migrant workers.
- A minimum wage set at an appropriate level can help to boost earnings for low-income workers. The ratio of the minimum wage to the median wage in Israel is, at 58% in 2013, the sixth highest among the 26 OECD countries with statutory minimum and this rate increased slightly between 2007 and 2013.
- The relatively high minimum wage in Israel risks making it more difficult for the least skilled and experienced workers to find employment. These potential disemployment effects are probably mitigated to a considerable extent by the fact that reduced rates are applied to workers aged 16, 17 and 18.
- Careful coordination of minimum wages with the tax/benefit system can reduce the risk of disemployment effects while reinforcing their impact in reducing in-work poverty.

Minimum wage

Minimum wage as a percent of full-time median earnings



Note: For **Germany**, the data refer to 2015 (and to projections for median earnings).

Source: *OECD Employment Outlook 2015*, Chapter 1.