

Israel's Labor Market: An Overview

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 Internet edition

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Introduction

In recent years, the Israeli economy has been quite robust. Its growth rate is stable, and consumer prices have begun to drop relative to other countries (Bental and Brand 2018). The labor market is strong: participation rates continue to rise, employment rates of both men and women are increasing, and unemployment has reached a historic low. The number of job vacancies has also increased, and wages have been continually rising. These increases, along with a high average number of work hours, indicate that Israel's labor market remains tight.¹

This chapter will present changes that have occurred in the Israeli labor market, and break these down along several dimensions. We begin by providing an overview of developments on the national level and then zoom in to examine changes among specific population groups.

1. The labor market: A general picture

Employment rates

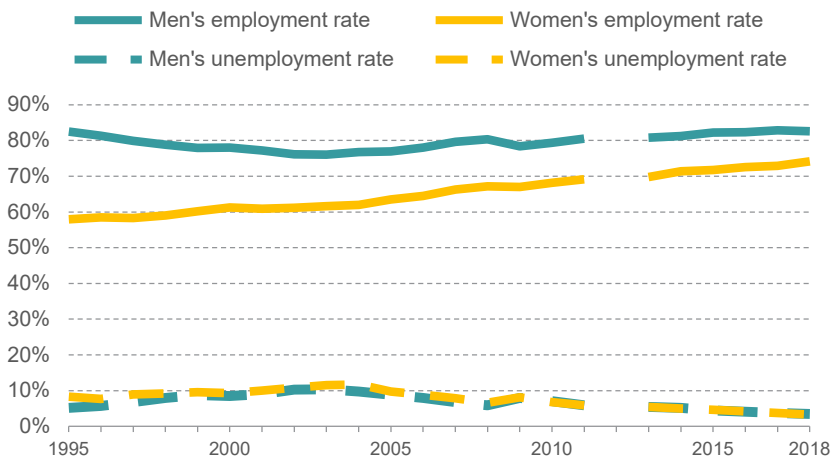
In 2018, Israel's labor market continues to be strong (Figure 1). Labor force participation rates (including employed workers and unemployed residents wishing to work) continue to rise slowly (an increase of less than 1 percentage point since 2014); the employment rate has reached slightly more than 78 percent; and the unemployment rate is continuing to decline,

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1 A tight labor market is one in which employers have trouble filling job vacancies. The index is the ratio between the job vacancy rate and the unemployment rate.

reaching a low of 3.4 percent.² The upward trend in employment affects both men (83 percent) and women (74 percent), and is part of a long-term trend that has continued since 2003. Overall, the employment rate for men has risen by 7 percentage points, while women's employment has increased by 13 percentage points.³ The continual rise in women's employment follows a worldwide trend, but the degree of change in Israel, for both men and women, is large compared to other OECD countries.

Figure 1. Employment and unemployment rates



Note: Data for 2018 are from the third quarter. In 2012, the CBS survey methodology changed, resulting in a break in the data series. Data are without fixed samples.

Source: Hadas Fuchs and Avi Weiss, Taub Center | Data: Central Bureau of Statistics

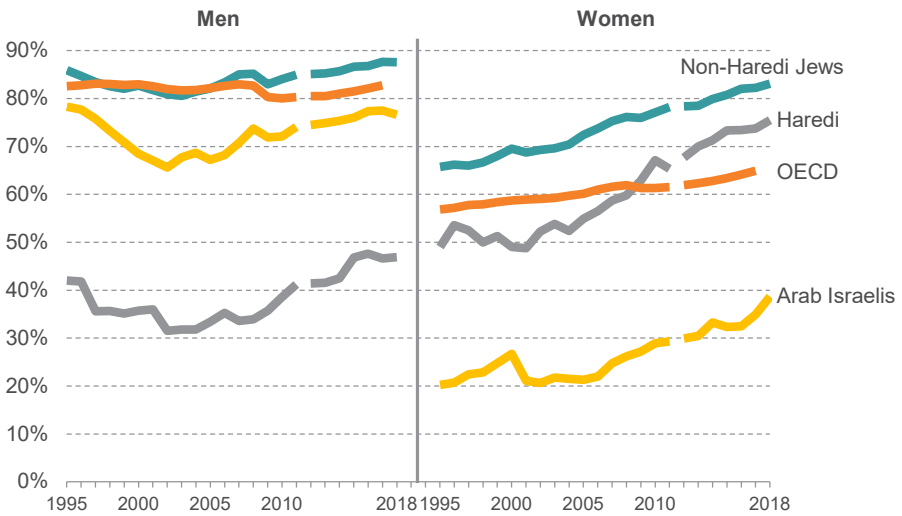
There was a change in the trend in 2003, which can be seen clearly in a breakdown by population group (Figure 2). The only group that shows

² Unless otherwise specified, the data are for ages 25-64; the 2018 figures are for the first three quarters of 2018; all of the data in this section are for fixed samples — excluding institutionalized individuals and Bedouin living in unrecognized settlements (for more detailed information, see the introduction to the CBS *Labor Force Survey*).

³ In 2012, the Central Bureau of Statistics survey methodology changed, resulting in a break in the data series. Data have been concatenated to their level after the series break. Where not otherwise specified, Haredim (ultra-Orthodox Jews) were identified by most recent institution of learning.

no change is that of non-Haredi Jewish women, whose employment rate had been rising for a long time — even before 2003. For all other groups, employment rates had previously been declining or remained stagnant. The sharpest employment rate increase was among Haredi (ultra-Orthodox) women — about 22 percentage points over a decade and a half. Employment rates among Arab Israeli women are particularly low, but after a period with a notably slow increase (2 percentage points between 2012 and 2016), the past two years show a major leap. Overall, since 2003, Arab Israeli women's employment has increased dramatically; the employment rate over this period nearly doubled, to about 40 percent. By contrast, employment rates of Haredi males have shown no change over the last few years, after rising more than 15 percentage points until 2015.

Figure 2. Employment rates by population group and gender
Ages 25-64



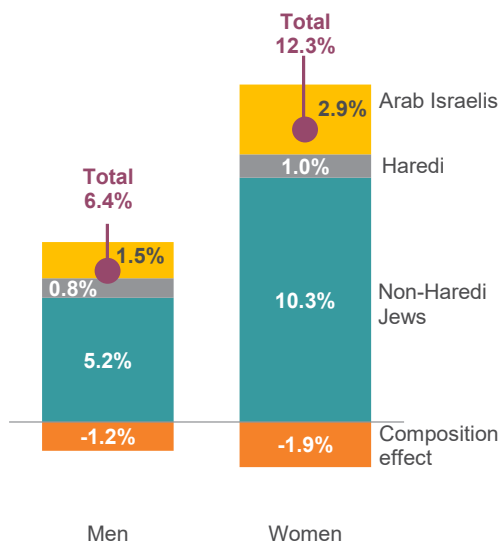
Note: Data for 2018 are from the third quarter. In 2012, the CBS survey methodology changed, resulting in a break in the data series. Data have been concatenated to their level after the series change. Data are without fixed samples (see the explanation in the introduction to the CBS, *Labor Force Survey*).
Source: Hadas Fuchs and Avi Weiss, Taub Center | Data: Central Bureau of Statistics

Employment rates for non-Haredi Jewish men and women are higher than the OECD average, the non-Haredi Jewish women's rate markedly so (only that of Iceland's is higher). The Haredi women's employment rate also surpasses that of OECD women, but the Arab Israeli women's rate is still considerably lower. The employment rate of Arab Israeli men is lower than that of non-Haredi Jewish men, and is also below the OECD average. Thus, the potential for further growth in employment and labor market participation lies with Arab Israeli men and women, and among Haredi men.

In order to shed light on the factors behind the rising aggregate employment rate, the increase is broken down into its determinants – the change in employment rate for each population group and the change in the share of each group in the population. To demonstrate, the change in the employment rate for women consists of changes that took place within each population group, and of the change in the shares of each of the groups within the population over the relevant time period. Assume, for instance, that the employment rate within each population group remains identical

Figure 3. The breakdown of the rise in employment, 2003-2018

Within sectors and the composition effect



Note: Data are without fixed samples through third quarter 2018.
Source: Hadas Fuchs and Avi Weiss, Taub Center | Data: CBS

over time, but the share of Arab Israeli women rises. In such a case the employment rate of women in the economy as a whole would fall due to the rise in the share of the population group with the lowest employment rate. This change is denoted the “composition effect.”

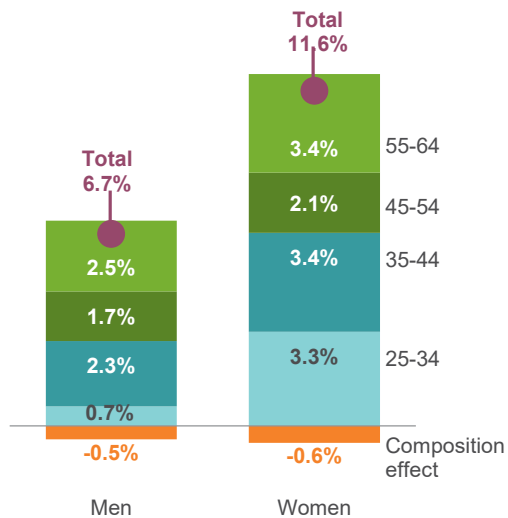
The population group breakdowns for the period between 2003 and 2018 are shown separately for men and women in Figure 3. The total change for women was more than double that of men (12 and 6 percentage points, respectively), but the two genders show quite similar determinants. For both men and women, most

of the employment growth was due to changes in the non-Haredi Jewish population (5 and 10 percentage points for men and women, respectively), mainly because this is the largest of all groups. For both genders, the composition effect (the change in the groups' relative sizes) was negative, a decline of 2 percentage points in both groups. That is, the relative growth of population groups characterized by lower employment rates (Arab Israelis and Haredim) reduced employment rate growth in the economy as a whole. While there was an increase in employment in the minority groups, Arab Israelis and Haredim (2.4 percentage points for men and 3.9 percentage points for women), almost half of the contribution from this increase to the overall employment rate was offset by the decline stemming from these groups' growing share in the population.

Figure 4 shows a breakdown by age group, including the composition effect caused by the change in the age distribution. Although population aging negatively affects employment, the composition effect seen here is relatively small. Among women there is a substantial change in employment

Figure 4. The breakdown of the rise in employment, 2003-2017

Within age groups and the composition effect



Source: Hadas Fuchs and Avi Weiss, Taub Center
 Data: CBS, Labor Force Survey

First, women belonging

to later age cohorts are participating more extensively in the labor market, meaning that they are working more than their predecessors did even as they approach retirement age. Second, the increase in the retirement age means that women are remaining in the labor market for longer periods.

Among men, the most substantial employment rate increase occurred in the 55-64-year-old age group, and to a lesser extent in the 35-44-year-old group. In contrast to women, the contribution from the increase in the younger age group (25-34) was small.

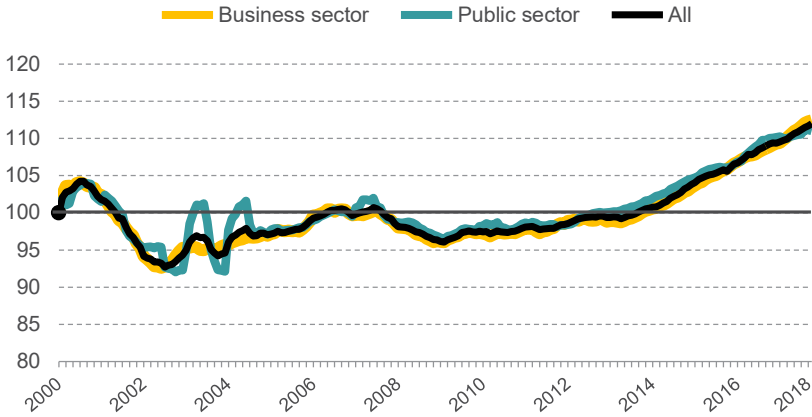
Wages

Together with the increase in employment, wages continued to rise in 2018, at high rates compared to those of the previous year (Figure 5). This is in addition to the rapid increase in real wages that has taken place since 2014 — a total increase of 11 percent. It should be noted that the dramatic wage increases of the past few years have not been accompanied by a similar increase in labor productivity, a necessary condition if this trend is to continue in the long term (Brand, Weiss, and Zimring 2017). Early estimates indicate trends towards improvement in labor productivity in the opening months of 2018; nevertheless, increases in productivity remain much slower than wage rises. In 2017, the wage increase was slightly higher in the public service sphere, while in 2018, it is more noticeable in the business sector. However, the differences are very small; essentially, since 2000, public service and business sector wages have been changing in tandem. Mazar (2014) shows that until the late 1990s, the relationship between the sectors was less robust, and that, while it is a two-way relationship, the private sector's impact on the public sector appears to be more substantial.

Figure 6 presents wages by gender and sector. Most of the differences between the gaps are explained by number of work hours, occupations, education levels, and other objective factors, most of which are measurable (see Fuchs 2016). However, the similarities in average wage between Haredi and Arab Israeli workers — both men and women — is interesting and even surprising given the populations' differing characteristics: school study majors, number of work hours, occupations, and the like. The wage increases of the past few years were greater in the lower income deciles (see, for example, National Insurance Institute 2017), due, to some degree, to the minimum wage increase, but the gaps between the population groups remain similar.

Figure 5. Real wage index

Index year: 2000 = 100

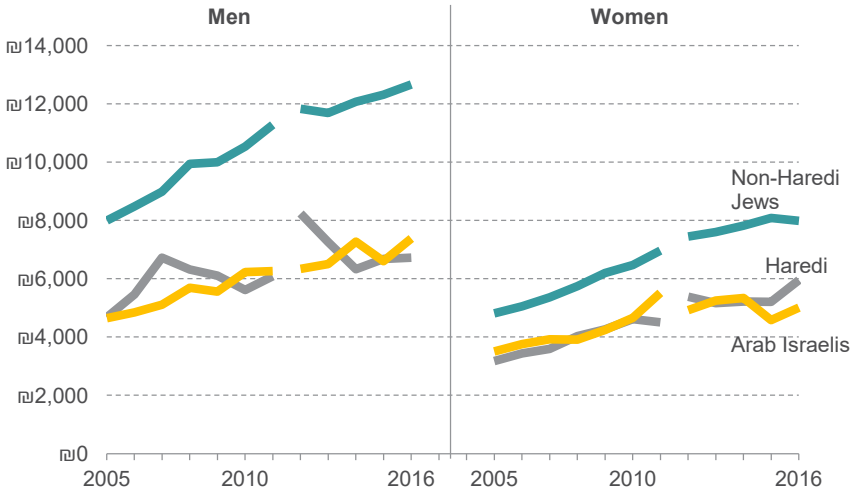


Note: Data are seasonally adjusted; 12-month moving average. Data for until September 2018; all other data are from the end of the year.

Source: Hadas Fuchs and Avi Weiss, Taub Center | Data: Bank of Israel

Figure 6. Average monthly wage

Real wage, 2016 prices



Note: In 2012, the CBS survey methodology changed, resulting in a break in the data series.

Source: Hadas Fuchs and Avi Weiss, Taub Center | Data: CBS, Household Expenditure Survey

Spotlight: High tech employment rates

In Israel, the sector that attracts the greatest attention is high tech. This is not surprising. Though the sector employs 8 to 9 percent of Israel's workers (as of 2017), it contributes 12 percent of GDP, a quarter of the country's tax revenues, and 42 percent of exports (excluding diamonds, as of 2014) (CBS 2017).⁴ This spotlight presents employment rates in this sector by gender and population group (Figure 7).

As we can see, high tech's employment share rose impressively over the course of a decade, but only for part of the population. Although employment increased among non-Haredi Jewish men from 8 to 15 percent, the percent of Arab Israelis and Haredim employed in high tech remained negligible. Women's employment in high tech is also relatively low — a worldwide phenomenon. In 2017, 32 percent of those working in the sector in Israel were women — but, as with men, the employment rate of non-Haredi Jewish women is much higher than of either Haredi or Arab Israeli women. A pleasant surprise is that the Haredi women's high tech employment rate has increased substantially: from less than 1 percent in the middle of the last decade to a bit above 3 percent today.

Although Arab Israeli women study science in high school at much higher rates than do Jewish women (Fuchs 2017), there are no signs of increasing employment in the high tech sector. One reason for this is the different geographical distributions of high tech firms and the population. As shown in Figure 8, while most high tech employment is concentrated in the center of the country, a large percentage of Arab Israelis live in the north (42 percent).⁵

4 For more details on this sector, see Bental and Brand (2018).

5 For a more in-depth discussion and additional explanations of this phenomenon, and for ideas on how to improve the situation, see Fuchs (2017). For a discussion of the impact of commuting on the female Arab Israeli population, see Bleikh (2018).

Figure 7. Share of high tech employment

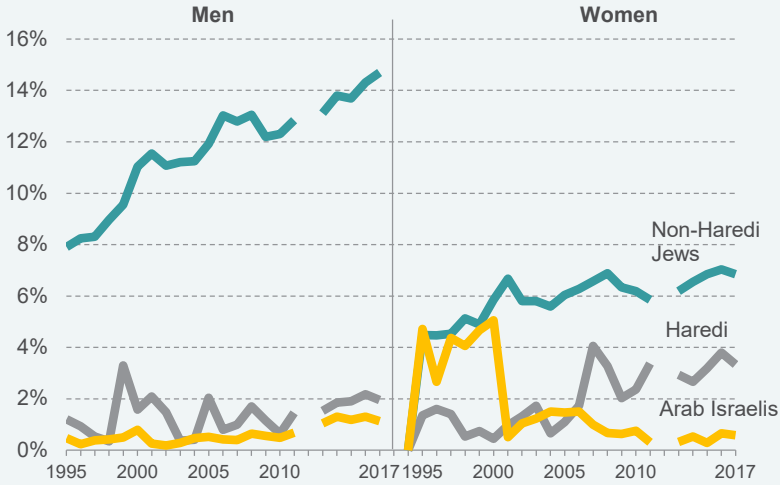
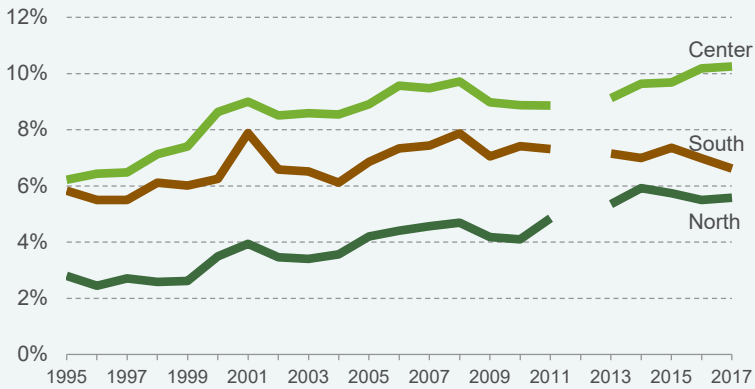


Figure 8. Share of high tech employment by geographic region



Note for both figures: In 2012, the CBS survey methodology changed, resulting in a break in the data series. Data have been concatenated to their level after the series break.

Figure 8: Center includes all districts that are not South or North.

Source for both figures: Hadas Fuchs and Avi Weiss, Taub Center

Data: CBS, Labor Force Surveys

The high tech sector suffers from a shortage of workers in certain areas — software development, for example, is one of the few occupations where the ratio between job seekers and vacant positions is less than one (CBS 2018a); that is, where there are more positions that need to be filled than workers to fill them. The integration of all population groups into this sector is essential for its continued growth, and can contribute to a reduction in income inequality.

2. Labor market trends by population group

This section focuses on several specific population groups. The important parameters of each group will be discussed, and changes in the groups' employment rates will be broken down into their determinants, as was done for the population as a whole.

Arab Israeli employment

As noted in the introduction, the employment rate of Arab Israeli men is lower than that of non-Haredi Jewish men and is below the OECD average (Figure 2). Essentially, after declining sharply until 2003, the group's employment rate returned to its 1995 level only in 2017. The educational status of Arab Israeli men has been slow to improve as well. In the preceding decade (2000 to 2010), the bagrut qualification rate among 12th graders fell (due, among other reasons, to a rise in the percentage of those enrolled in grade 12 — that is, the pupil base expanded).⁶ Between 2010 and 2017, the bagrut qualification rate rose by 11 percentage points, but still remained much lower than the rate for Jewish men.

The increase in the percentage of Arab Israelis pursuing higher education during this period was similar for men and women, though the starting point for women was higher. Even taking into account the large number of Arab Israelis who study abroad, the percentage remains low.

⁶ The Israeli bagrut exam and certificate is a matriculation exam which is often compared to the NY State Regents Examination. A bagrut certificate is awarded to students who pass the examinations in a variety of subjects. The bagrut certificate should not be confused with a high school diploma which signifies the completion of 12 years of study.

The low education level of Arab Israeli men has implications for their employment options, and many work in skilled trades in manufacturing, construction, and agriculture. Although these percentages are declining, they are still quite high — 50 percent in 2017. These skilled trades are characterized by low prestige and low wages, and are at high risk of computerization, which could result in workers in these occupations losing their livelihood (Madhala-Brik 2015). In addition, these are physically demanding occupations, and Arab Israeli men indeed show a major decline in employment rates from age 50 and on.

Workers in skilled trades typically have low education levels; the share of skilled workers among Arab Israeli men without academic degrees is 61 percent (34 percent for Jewish men), and only 6 percent hold academic degrees. These figures underscore the importance of upgrading the education level of Arab Israeli men.

In contrast to the relative stagnation among Arab Israeli men, the past 20 years have seen a significant improvement in the education level and employment rate of Arab Israeli women, though the employment rate itself remains very low. Arab Israeli women's employment increased by 11 percentage points between 2003 and 2014 — a nearly 50 percent increase (Figure 2). Between 2014 and 2016, the rate declined slightly, but in 2017 there was an increase of 2.5 percentage points, and in the first three quarters of 2018, there has been an additional rise of 3.7 percentage points. During the last third of 2018, Arab Israeli women's employment rate reached about 40 percent. This figure is close to the 2020 target for Arab Israeli women's employment (41 percent) set in 2010 by the Committee to Examine Employment Policy in the Ministry of Industry, Trade and Labor (Ministry of Industry, Trade and Labor 2010).⁷

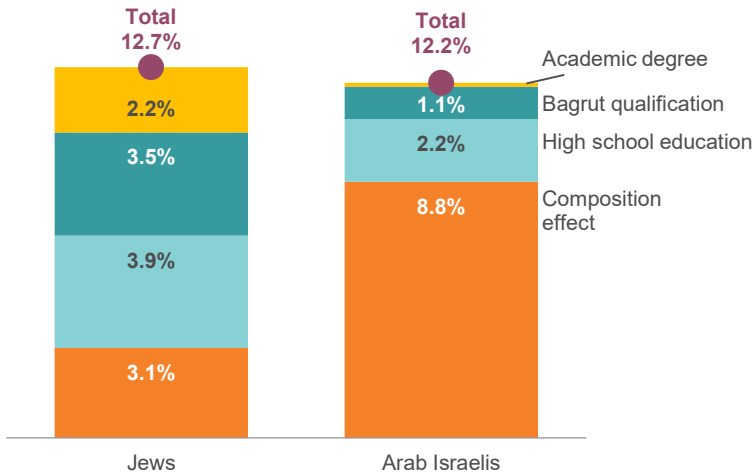
The rise in Arab Israeli women's employment over the past two years should be viewed against the backdrop of a major decade-long improvement in this group's education level — starting with high school studies, bagrut qualification, and technological studies (Fuchs, Yanay, and Blass 2018), and culminating in a higher rate of enrollment in academic programs (Fuchs 2017). The percentage of Arab Israeli women among undergraduate students in Israeli institutions of higher education has continued to rise (Central Bureau of Statistics 2018b). That is, the current percentage of Arab Israeli women students is similar to their share in the population. These developments herald a cultural change in Arab Israeli society. Arab Israeli

⁷ It should be noted that these figures are without fixed samples, that is, they do not include Bedouin living in unrecognized settlements. It is likely that, when adjusting for this population segment, the Arab Israeli women's employment rate is further from the target.

women are more interested in joining the labor market — a change that is also evidenced by their employment rate increase — and this trend is expected to persist in the coming years.

In light of the dramatic rise in Arab Israeli women's employment and education levels, it is important for policy purposes to know whether the increase in the employment rate is a result of changes in education levels (the composition effect), or whether there is also an increase in employment for women who do not continue on to higher education. Figure 9 shows that the increased employment among Arab Israeli women from 2003 to 2017 stems almost entirely from improved education levels (the composition effect). For Jewish women, the breakdown is different: employment rates rose because of higher education levels but they also rose within each educational level. Ultimately, both groups improved their employment rates to similar degrees (around 12.5 percentage points), but for Jewish women the rise in educational upgrade contributed only 24 percent of the employment increase, while the corresponding figure for Arab Israeli women was 72 percent. Employment rates also improved for Arab Israeli women without a bagrut certificate (which contributed 18 percent to the total employment increase), most of the growth was attributable to those who chose to pursue higher education.

Figure 9. The breakdown of the rise in employment, 2003-2017
Within education groups and the composition effect



Source: Hadas Fuchs and Avi Weiss, Taub Center | Data: CBS, Labor Force Survey

Given the importance of education for employment, it could be beneficial to direct Arab Israeli women heading for higher education toward a variety of academic disciplines, especially technological and engineering studies, which have high-income potential (see the *Spotlight* in Fuchs 2017). Higher wages for these women could encourage other Arab Israeli women to pursue higher education in a range of fields, which in turn would raise their employment rates, improve their socioeconomic status, and reduce poverty levels within this group. At the same time, consideration could be given to offering professional support and placement assistance to Arab Israeli women without higher degrees who want to work (as done by the Ministry of Labor's Riyan Centers).

Haredi employment

As noted above, Haredi men have a low employment rate, and this has not risen in recent years (Figure 2). The 2020 target for Haredi men set in 2010 by the Committee to Examine Labor Policy in the Ministry of Industry, Trade and Labor is 63 percent, which, at present, seems unattainable. The Haredi male employment rate has increased since 2010 by only 8 percent, and currently stands at 48.2 percent. Moreover, the increase in employment occurred mainly between 2001 and 2012; since 2015, the rate has remained the same and even declined slightly. The employment rate of self-defined Haredim (as opposed to the commonly used classification based on the most recent study institution — yeshiva) is a little higher at 51 percent in 2018, but this figure, too, has not risen in the past three years. During the third quarter of 2018 the rate actually dropped below 50 percent for the first time since 2014. Just as the benefit cutbacks of the early 2000s led to a significant rise in employment among those with large families to support (Mazar and Reingewertz 2018), the benefit hikes of 2015 may have affected this group's motivation to work and contributed to a reduction in labor supply and employment rate stagnation.

Many employed Haredim hold part-time jobs. About 42 percent of employed Haredi males ages 30-64 worked part-time in 2017, versus 15 percent of non-Haredi Jewish males. About 70 percent of Haredi men employed part-time justify this by the fact that they study in yeshiva. The share of academic degree holders among Haredi males is low, and many of them have not studied a basic core curriculum in school. However, in contrast to Arab Israeli men, only a relative minority of Haredi men are employed in skilled industry/construction trades or in unskilled jobs (only 18 percent of those employed in 2017, compared with 59 percent of Arab Israeli men and

26 percent of non-Haredi Jewish men). About 23 percent of employed Haredi men work in education, most without academic or post-secondary training other than yeshiva study.⁸ Due to the Haredi single-sex schools, including among the faculty, teaching has not experienced the feminization that the occupation has seen in other population sectors.

The employment rate of Haredi women is increasing, and, as noted, it rose rapidly between 2004 and 2013 — an increase of 18 percentage points (Figure 2).⁹ Between 2013 and 2018, the rate of increase slowed, and the employment rate rose by 5.5 percentage points — a figure similar to that for non-Haredi Jewish women. Many Haredi women continue to work only part-time and in teaching where employment conditions are more suited to working mothers. However, the share of those employed in education dropped from 58 percent in 2004 to 46 percent in 2017 (Figure 10). This share is still more than double the share of non-Haredi Jewish women working in education, and is quickly approaching that of Arab Israeli women (38 percent). Note that the rate is expected to stay high; the high fertility rates of Haredi women necessitate many teachers.

The share of Haredi women studying technological education in high school has climbed steeply over the past decade with many studying human resources and bookkeeping (Fuchs, Yanay, and Blass 2018). There has also been a rise in the share of those working in high tech (see the *Spotlight* in this chapter). The percentage of Haredi women pursuing an academic degree is still very low, although many continue their post-secondary studies in Haredi seminaries.

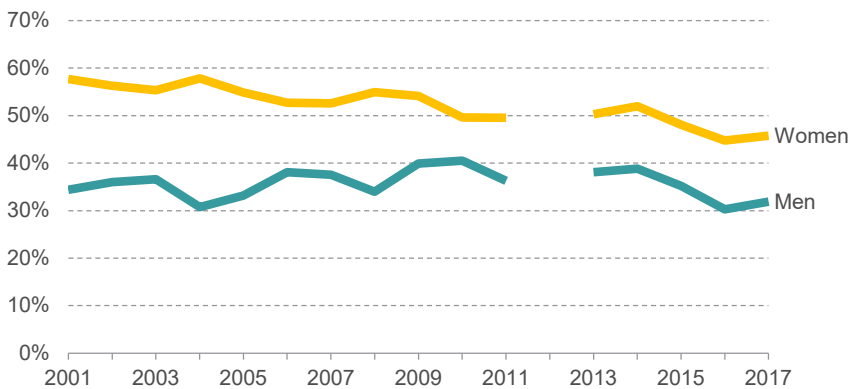
Many Haredi women are still employed in part-time positions — 51 percent in 2017. Of those working part-time, 55 percent do so in order to care for their families and households — a higher share than for Arab Israeli women (36 percent) or non-Haredi Jewish women (30 percent). Interestingly, Haredi women work relatively fewer hours in nearly all occupations and industries. In the high tech sector, for instance, the average number of work-hours for Haredi women between 2015 and 2017 was 36, versus 41 for non-Haredi Jewish women and 38 for Haredi men. The evidence shows that many Haredi women prefer working part-time, which suits their larger families and high fertility rates, and are willing to study a variety of post-secondary school

8 This figure is lower than the percentage of those employed in education shown in Figure 10 because it includes only those employed as teachers.

9 Due to the methodological changes in the CBS *Labor Force Survey* in 2012 and the rapid increase that began during this period it is hard to give an accurate estimate, but the rate ranges between 14.3 percentage points and 19.3 percentage points.

subjects that open occupational avenues that are conducive to part-time employment. Improving the education level at seminaries, while creating new engineering tracks to supplement those already in existence, would open more employment options (some at higher wages) for Haredi women.

Figure 10. The share of Haredim working in the education field



Note: In 2012, the CBS survey methodology changed, resulting in a break in the data series. Data have been concatenated to their level after the series break.

Source: Hadas Fuchs and Avi Weiss, Taub Center | Data: CBS, *Labor Force Survey*

Employment among older adults

Now that the baby boomers (those born between 1946 and 1964) are reaching retirement age, the share of working-age people in the population will fall, and the dependency ratio will increase.¹⁰ While Israel's rate of population aging is low relative to the OECD, when adjusting for the high birth rate the country's dependency ratio is the highest in the OECD. Israel's dependency ratio has been declining since 1984, reaching a low in 2009, but it is expected to rise and to return, by 2030, to its level in the early 2000s (UN Population, intermediate forecast¹¹). Put another way: Israel's share of dependent people was high in the past also, but there is a change in the dependent population's composition, with a rising percentage of seniors. One way of addressing

¹⁰ Dependency ratio is the ratio between the non-working age population and those of prime working age: the 0 to 19 and 65 and over age ranges versus those ages 20 to 64.

¹¹ <https://population.un.org/wpp/Download/Standard/Population/>.

the effect of population aging and the declining share of the working-age population is to raise the retirement age. The retirement age for Israeli men (67) is high relative to the OECD, but the Israeli women's retirement age (62) is low. Israel is one of only three OECD countries in which the gender gap in retirement age is not expected to close in the coming years. For over a decade, the Israeli government has been trying to raise the women's retirement age by two years, to 64, but without success. Yet, even if the retirement age were to go up by two years, a three-year gender gap would remain, and the women's retirement age would still be lower than the OECD median (65).

In addition to the savings that a higher retirement age would bring to the near-bankrupt National Insurance Institute, it would encourage people to stay in the labor market and retire later, and could potentially help reduce the employment pension gender gap.¹² Within the 45-54 age group, Jewish women's employment rates are similar to those of Jewish men, but in the years just before retirement — ages 55-59 — their employment rates become similar to those of pre-retirement Jewish males (60-64).

Alongside the advantages, there is also criticism of initiatives to raise the retirement age. One of the claims is that raising the retirement age harms those who exit the labor market unwillingly at earlier ages, as it would delay their eligibility for old-age benefits by two to five years. There is an argument that the share of women employed in physically demanding jobs is higher than that of men and so their earlier retirement from the labor force is justified and raising the retirement age would unfairly discriminate against them, but it is unclear whether this claim is supported by the data. The population known for exiting the labor force at a relatively young age is Arab Israeli men, many of whom, as noted earlier, work in skilled trades in construction and industry. These jobs are physically demanding and the percentage of women employed in them is small — less than 3 percent of all employed women.

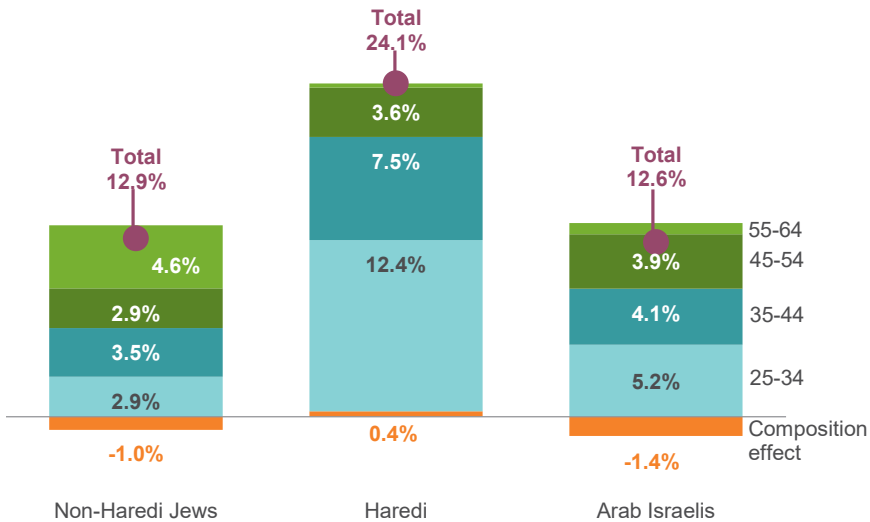
Nevertheless, it appears that women from weaker socioeconomic population groups would indeed be hurt by deferred pensions. In 2004, the retirement age for women rose from 60 to 62, but the employment rate of Haredi and Arab Israeli women (for the most part, those with lower wages) in the 55-64 age group was relatively low, and has barely risen since. (It should be noted that the employment rate of non-Haredi Jewish women with low education levels increased.) Figure 11 shows the various age groups' contribution to rising employment rates by sector (as well as the composition

12 A simulation that examined the impact of retirement age showed that retiring at 67 rather than 62 increases employment pensions by 45 percent (Bowers and Fuchs 2018).

effect). Among non-Haredi Jewish women, the largest contribution to employment growth was that of the 55-64 age group (35 percent of the total increase), while for Haredi and Arab Israeli women most of the employment growth came from the 25-54 age range. That is, employment rates for Arab Israeli and Haredi women were virtually unaffected by the retirement age increase from 60 to 62, and we may assume that they will not be affected by any future increase. At the same time, the male partners of Arab Israeli and Haredi women ages 55-64 are not employed either – the latter due to generally low employment rates, the former because they leave the labor market at relatively young ages. It appears then that those most likely to be negatively impacted by a change in the retirement age are older Arab Israeli and Haredi women.¹³ Accordingly, consideration should be given to providing support for these women should the retirement age actually be raised. Nonetheless, changing the “rules of the game” would likely also lead to major behavioral changes.

Figure 11. The breakdown of changes in women’s employment, 2003-2017

Within age groups and the composition effect



Source: Hadas Fuchs and Avi Weiss, Taub Center | Data: CBS, Labor Force Survey

13 Those affected would be older homemakers eligible to receive the old-age pension at retirement age (National Insurance Institute).

Conclusion

This chapter offers an overview of developments in employment among women and men, and among several specific population groups. This breakdown allows us to examine the factors influencing employment trends. The past decade and a half have seen rising Israeli employment rates for all sectors and genders, and wages have climbed impressively over the last few years as well. The largest employment gains are those of Haredi women, who are approaching the level of non-Haredi Jewish women in this regard, and Arab Israeli women, whose employment rate has doubled and is now approaching its 2020 target figure.

The less welcome news relates to Haredi men, whose employment rate has stagnated in recent years and even started to drop, and Arab Israeli men, who lag far behind Arab Israeli women in terms of improved educational levels. If labor market participation is to keep rising, the participation rates of Haredi men and Arab Israelis, men and women, must increase. Guiding people toward post-secondary STEM studies, providing vocational training to those without academic degrees, and encouraging employers to aim for diversity in the workplace, could help these groups integrate into prestigious, high-paying fields, and thereby strengthen the Israeli economy and society as a whole.

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