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Policy Paper No. 13.2024

Jerusalem, December 2024

Taub Center for Social Policy Studies in Israel

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Please cite this publication as:

Debowy, M., Epstein, G. S., & Weiss, A. (2024). The Labor Market in Israel in 2024 in the Shadow of War. Taub Center for Social Policy Studies in Israel.
<https://doi.org/10.5281/zenodo.14568425>

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The Labor Market in Israel in 2024 in the Shadow of War

Michael Debowy, Gil S. Epstein, and Avi Weiss

Introduction

With the outbreak of the war, the Israeli economy, including the labor market, experienced a monumental shock. Tens of thousands of employees lost their jobs due to evacuations, large-scale reserve mobilization, and other war-related consequences. Prior to the war, the Israeli labor market was tight (Debowy et al., 2023). While unemployment initially surged in the early days of the war, it quickly stabilized at a slightly higher rate than before the conflict. During the war, the average weekly working hours for Israeli employees declined, but monthly wages in most sectors returned to an upward trend. However, the current equilibrium may be fragile, as future stability hinges on strategic developments and government policies. Additionally, evacuees and reservists continue to face short- and long-term risks to their employment.

In this chapter, we review the labor market's state a year into the conflict and examine the realized and potential impacts of the war on Israel's labor market and the employment of workers. We begin by presenting aggregate unemployment and wage data, examining trends relative to previous years and to other countries. We then analyze employment trends by economic sector delve into the decline in working hours, and focus on employment differences across demographic and geographic lines. Following this, we discuss additional labor-market-related issues, particularly regarding evacuated workers and reservists. Finally, we discuss the impact of current trends and offer forecasts for the future of Israel's labor market.

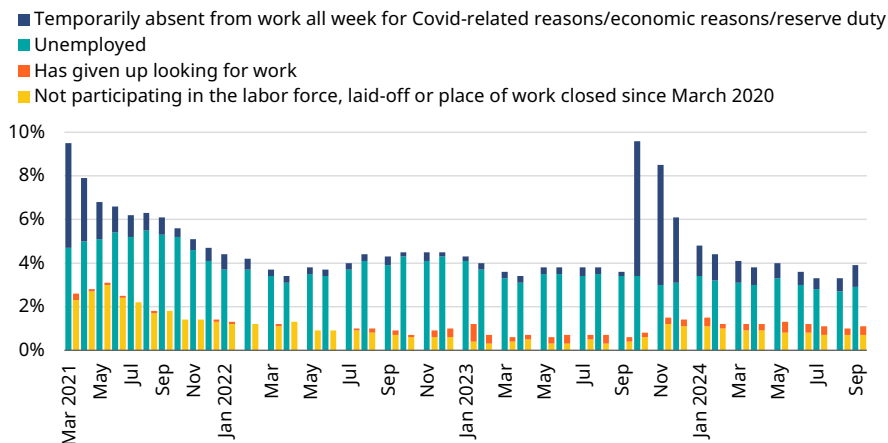
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Unemployment, employment, and wages

Figure 1 presents unemployment and its components since the end of the Covid-19 pandemic in the spring of 2021. During the pandemic, the definition of unemployment was expanded to include furloughed workers and those absent due to Covid-related reasons. This categorization was maintained post-pandemic to encompass employees absent due to economic reasons or exits from the labor force resulting from layoffs or business closures in recent years. At the onset of the war, the definition was updated again to include temporary absences due to military service within the broad unemployment measure.

Between January and September 2023, the narrow unemployment rate averaged 3.5%. Rates in the other components of the broad measure were negligible — each averaging under 0.5 percentage points. With the outbreak of the war, the broad unemployment rate surged nearly 6 percentage points, reaching 9.6% in October 2023, a level not seen since March 2021. Temporary absences remained high in the war's early stages due to extensive reserve mobilization (reservists accounted for more than half of men absent temporarily in December), but dropped significantly by the beginning of the year. However, the share of non-participants who had either given up on job searches or stopped working due to layoffs or business closures increased compared to the previous year, and from January to September 2024, it averaged 1.2% (compared to 0.7% during the same period last year). At the same time, the narrow unemployment rate decreased, averaging about 3% during those months (approximately half a percentage point lower than the same period last year).

Figure 1. Unemployment rate

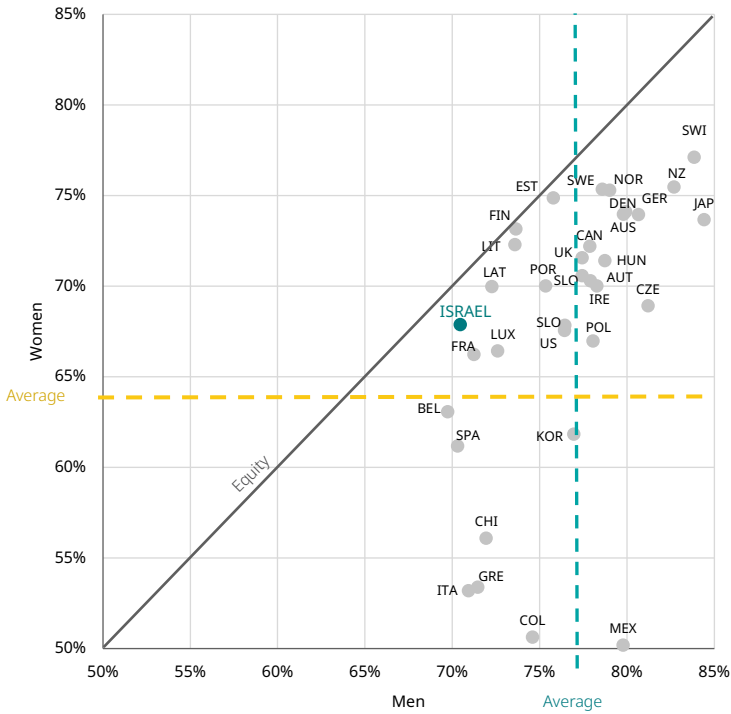


Note: The rates shown are relative to two different populations. The blue bars represent the rate among the labor force, while the yellow and orange bars represent the rate among the non-labor-force population.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Israel's low unemployment rate does not necessarily translate to high employment in international terms (Figure 2). The employment rate of 15–64-year-olds in Israel is similar to the average in high-income countries. This is the result of several factors, including demographic differences (a particularly high proportion of young people working at lower rates) and sectoral and geographic disparities (discussed later). Israel stands out positively in female employment within working age groups but negatively in male employment, partly due to sectoral disparities. As a result, the gender employment gap for workers ages 15–64 in Israel is one-fifth of the OECD average — slightly less than three percentage points.

Figure 2. Employment rate among 15–64-year-olds in selected OECD countries, Q1-2024



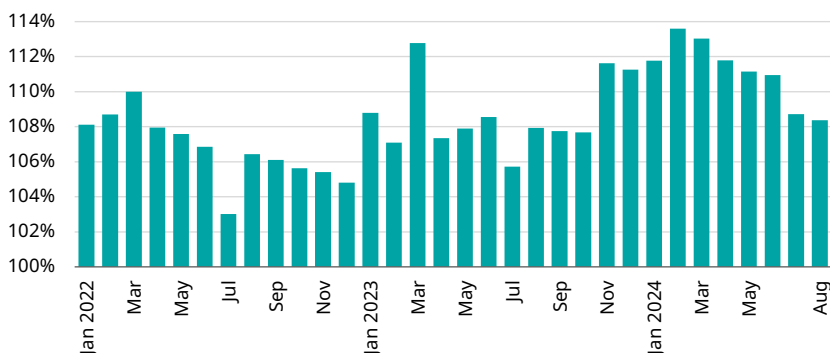
Note: The dotted lines represent the average employment rate in the OECD.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: OECD

Unlike unemployment rates, which have not substantially decreased over the past year, real wages have risen significantly, reversing the previous trend. Figure 3 shows the average monthly wage of employees over the last three years (in constant prices) compared to 2019. Overall, in January–August 2024, the average monthly wage was approximately 3% higher than in the corresponding period of the previous year, and about 11% higher than in the corresponding period in 2019 in real terms — following zero annual growth in the previous two-year periods (2022–2023 and 2021–2022).

Figure 3. Average monthly wage for employees, relative to the same month in 2019

In constant prices

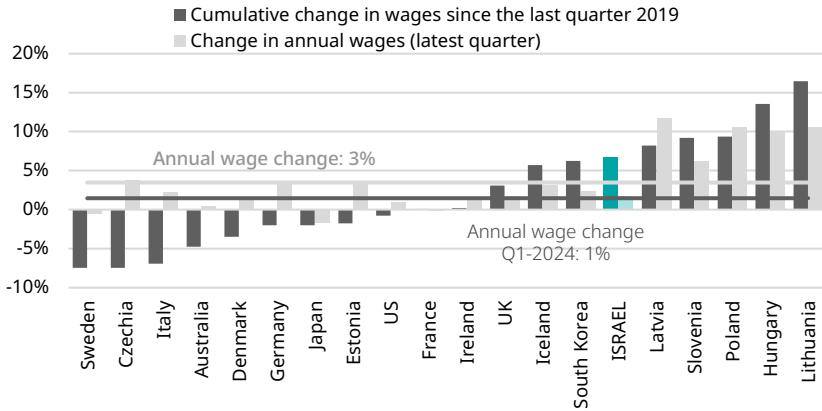


Note: Includes employees temporarily absent from their work place.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

The wage gains in Israel over the past year, while encouraging compared to previous years, are not exceptional when viewed against other high-income countries. Figure 4 illustrates changes in real hourly wages across OECD countries in recent years, with two bars per country. The first bar shows cumulative change from Q4-2019 to the end of 2023 or early 2024, and the second represents the annual change to the end of 2023 or early 2024 from the same period in the previous year. It appears that, in the past year, wage growth in Israel was about half of the OECD average, though the cumulative increase since the start of the Covid-19 crisis was nearly five times the average. This finding suggests that while Israel stood out with exceptional wage increases during the Covid-19 crisis and its recovery, the moderation of wage growth in Israel over the past two years has allowed other high-income countries to narrow the gap — though only a few have surpassed Israel in this respect.

Figure 4. Percentage change in real hourly wages, selected OECD countries, 2024/2019 and 2024/2023



Notes: The horizontal lines represent average rates of change across OECD countries. In all countries except Israel, South Korea, and the United Kingdom, the sectoral composition of the labor force was held constant at the baseline level for calculating changes. The change percentages shown for the United States and Australia were adjusted for background variables. Wage data for the US, South Korea, and Japan exclude public sector employees, while wage data for Israel pertains only to salaried employees.

The latest quarter is Q3-2023 for Israel, Q4-2023 for Japan and South Korea, and Q1-2024 for all other countries. The annual wage change reflects the difference between wages in that quarter and the same quarter of the previous year.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: OECD

In broad terms, we can cautiously conclude that after the initial shock of the war, the Israeli labor market has stabilized amid the wartime routine. Compared to the previous year, there was a slight increase in unemployment and in the rate of non-participants who were recently laid off, gave up job searching, or had their work place closed. More encouragingly, real wages have resumed noticeable growth, albeit on a modest scale relative to other high-income countries, many of which have recently completed post-Covid-19 recovery, while Israel’s recovery was completed earlier. Beyond these aggregate developments, there is substantial variation between sectors, populations, and regions within the country — on which we now elaborate.

Employment, working hours, and wages by sector

Table 1 presents the change in the number of employees across economic sectors through September 2024, compared to the same quarters in 2022 and 2023. The percentage at the end of each column represents each sector's share in total employment in the first three quarters of 2024. Naturally, the war and its associated economic uncertainty have slowed employment growth considerably. Between the first halves of 2023 and 2024, the number of jobs increased by only 33,000, compared to an increase of about 165,000 during the same periods in the previous two years. However, in practice, the number of employees in certain sectors grew by around 88,000, while others lost approximately 55,000 jobs. The sectors with the highest growth included health, welfare, and social services (34,000 additional employees) and education (22,000 additional employees), while the sectors with the most significant declines were hospitality and food services (down 19,000 employees) and information and communication (15,000, excluding high-tech employees). The number of employees in high-tech industries increased by less than 2,000, compared to about 14,000 during the corresponding periods in the previous two years.

Table 1. Percentage change in the number of employees, 2024 compared to 2022 and 2023, by economic sector

	2022			2023			Industry share 2024
	Q1	Q2	Q3	Q1	Q2	Q3	
All industry sectors	5%	5%	4%	1%	1%	1%	100%
Agriculture, forestry, fishery	-7%	3%	8%	-6%	1%	1%	1%
Electricity, gas, steam, air conditioning	-12%	18%	-1%	6%	31%	3%	0.4%
Water supply, sewage, waste management	21%	-14%	-10%	17%	-10%	-13%	0.4%
Construction	4%	11%	12%	-1%	4%	10%	5%
Wholesale/retail trade (excl. diamonds), motor vehicle repairs	11%	8%	0%	4%	-3%	2%	10%
Transportation, storage, postal, courier activities	23%	11%	6%	4%	1%	-2%	4%
Hospitality and food services	3%	0%	-11%	-14%	-7%	-10%	4%
Financial, insurance activities	9%	1%	-6%	8%	-8%	0%	3%

Table 1 (continued). Percentage change in the number of employees, 2024 compared to 2022 and 2023, by economic sector

	2022			2023			Industry share 2024
	Q1	Q2	Q3	Q1	Q2	Q3	
Real estate activities	30%	7%	-3%	6%	14%	24%	1%
Administrative, support services	10%	-1%	-3%	6%	-4%	-7%	4%
Local, public, defense administration, NII	-6%	3%	8%	-1%	2%	3%	10%
Education	10%	9%	11%	4%	4%	4%	13%
Health, social work, long-term care activities	6%	11%	12%	7%	7%	5%	12%
Art, entertainment, recreation	4%	0%	-4%	-3%	6%	4%	2%
Other services	36%	22%	4%	12%	6%	7%	3%
Household as employer	-19%	-12%	-12%	-13%	-4%	-17%	1%
Extra-territorial organizations	7%	0%	43%	-35%	-7%	-8%	0.04%
Manufacturing (excl. high-tech workers), mining, quarrying	4%	-10%	5%	8%	-3%	3%	8%
Information, communication (excl. high-tech workers)	-14%	12%	-5%	-30%	-14%	-19%	1%
Professional, scientific, technical activities (excl. high-tech workers)	-4%	6%	4%	-4%	3%	2%	7%
High-tech services (employees only)	5%	3%	1%	0%	1%	1%	7%
High-tech manufacturing (employees only)	5%	4%	3%	1%	0%	0%	2%

Note: The values in the right column represent the sector's share of total employment from January to September 2024.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

A more encouraging picture emerges in the area of wages. After real wages for employees stalled in the first half of 2023 — partly due to inflation — wages resumed a consistent upward trend in the second half of 2023 and the first half of 2024. Table 2 shows the change in average real wages for employees between 2024 and both 2023 and 2022, by economic sector. The last columns display the sector's share in total employee employment for January–August 2024 and the average monthly wage for salaried employees in the same period. The increase in average wages across the economy was reflected in

the overwhelming majority of economic sectors. However, in the first quarter of the year, sectors in which average wages decreased accounted for more than a third of employment. Notably, wages declined in the education sector and health, welfare, and social services sectors, where the number of employees increased significantly, as well as in local administration, public administration, defense, and national insurance sectors, however, in all these sectors, the average wage increased later in the year at a rate higher than the average in other sectors of the economy. In January–September 2024, the highest average monthly wages were recorded in high-tech services (NIS 32,800), high-tech manufacturing (NIS 29,600), and finance (NIS 23,300). The lowest average wages were recorded in accommodation and food services (NIS 6,300), other services (NIS 6,900), and arts, entertainment, and recreation (NIS 7,700). The wage disparities between sectors remained similar to those in the past two years.¹

Table 2. Annual change in average monthly real wages, 2024 compared to 2022 and 2023, by economic sector

	2022			2023			Industry share 2024	Average monthly wage 2024, NIS
	Q1	Q2	Q3	Q1	Q2	Q3		
All industry sectors	4%	2%	3%	3%	2%	1%	100%	13,500
Agriculture, forestry, fishery	4%	4%	3%	6%	6%	3%	1%	9,200
Mining, quarrying	-22%	23%	0%	-26%	25%	5%	0.1%	30,000
Electricity, water, sewage, waste treatment	3%	4%	4%	2%	5%	1%	1%	22,700
Construction	3%	4%	4%	3%	3%	2%	5%	12,600
Wholesale/retail trade (excl. diamonds), motor vehicle repairs	1%	2%	0%	2%	3%	1%	12%	11,000
Transportation, storage, postal, courier activities	8%	6%	5%	1%	2%	3%	4%	14,400
Hospitality and food services	5%	4%	5%	5%	4%	6%	5%	6,300

1 The average Gini coefficient and coefficient of variation between similar sectors between January-May 2024 and the same period in 2022 and 2023 are identical to two decimal places.

Table 2 (continued). Annual change in average monthly real wages, 2024 relative to 2022 and 2023, by economic sector

	2022			2023			Industry share 2024	Average monthly wage 2024, NIS
	Q1	Q2	Q3	Q1	Q2	Q3		
Financial, insurance activities	-3%	2%	2%	2%	7%	-6%	3%	24,700
Real estate activities	7%	8%	7%	9%	9%	6%	1%	15,800
Administrative, support services	9%	10%	9%	6%	5%	3%	6%	8,000
Local, public, defense administration, NII	4%	-3%	0%	-2%	-4%	-3%	4%	18,200
Education	4%	-5%	8%	-1%	-7%	3%	15%	9,600
Health, social work, long-term care activities	-1%	-5%	0%	0%	-4%	0%	15%	9,100
Art, entertainment, recreation	6%	3%	4%	5%	4%	3%	2%	7,600
Other services	3%	-2%	3%	2%	-2%	3%	4%	6,600
Manufacturing (excl. high-tech workers)	0%	4%	4%	2%	5%	2%	6%	15,200
Information, communication (excl. high-tech workers)	-1%	0%	0%	3%	1%	1%	0.4%	13,400
Professional, scientific, technical activities (excl. high-tech workers)	1%	2%	0%	1%	2%	-1%	5%	14,400
High-tech services	7%	5%	2%	6%	4%	0%	7%	32,800
High-tech manufacturing	8%	11%	12%	9%	4%	8%	3%	29,600

Note: The values in the right columns represent each sector's share of employees in January–August 2024 and their average nominal wage in the same period.

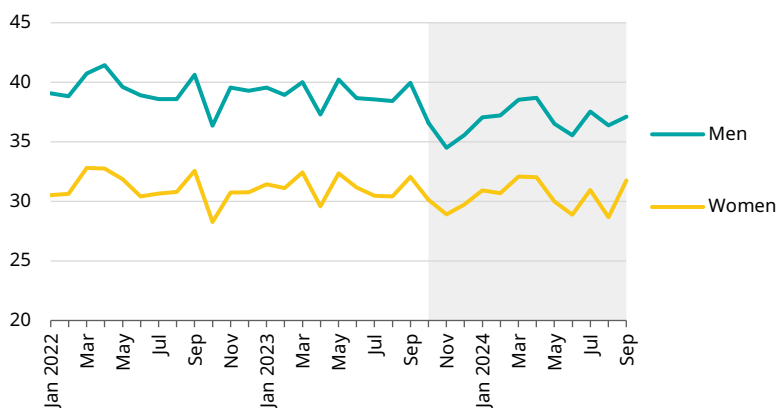
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Alongside the broad wage increases, the past year has seen a significant decrease in the working hours of Israeli employees compared to previous years (Figure 5). In January–July 2024, employees worked an average of 37 and 31 weekly hours (for men and women, respectively), representing a decrease of 5% and 2% (respectively) compared to the same period in 2023, and a decrease

of 7% and 1% (respectively) since 2019. In absolute terms, between October 2023 and July 2024, the average Israeli employee reduced their weekly work time by more than two hours compared to the same period in the previous year, and female employees reduced their weekly work time by half an hour. Overall, a decrease in work hours was observed across all economic sectors (see Appendix Table 1), though gendered differences are evident across sectors.

Among men, the decrease in working hours was widespread and observed across every economic sector. The sharpest declines were seen in the construction sector (two hours less per week in the first half of 2024 compared to 2023) and infrastructure sectors (between two and a half and four hours less). Among women, the decrease was more modest and was most pronounced in hospitality and food services (two and a half hours less in the first half of 2024 compared to 2023), transportation, storage, postal, and courier services (two hours less), and information and communication (one hour less). Conversely, in agriculture, infrastructure, real estate, and arts, entertainment, and recreation, there was an increase of one hour or more in the average weekly work hours of women compared to the previous year.

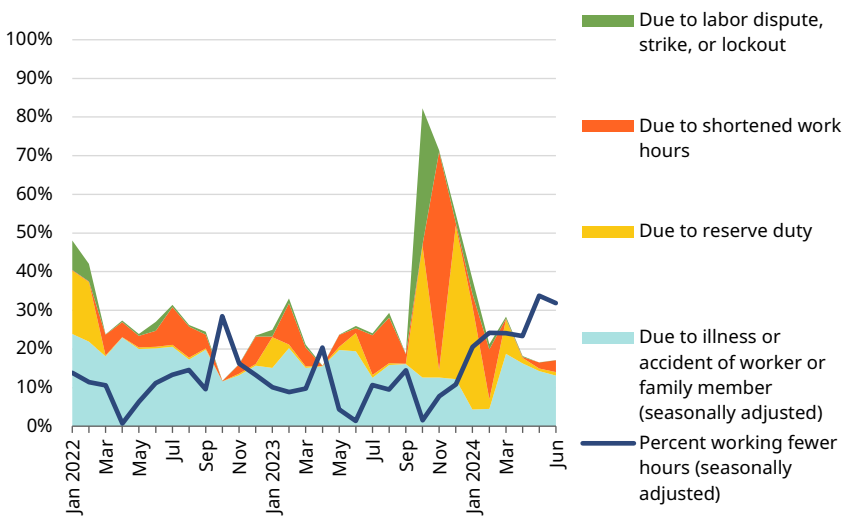
Figure 5. Weekly work hours, seasonally adjusted, by gender



Source: Michael Debowy, Taub Center | Data: CBS

The reduction in working hours is accompanied by a consistent increase in the share of employees reporting that they “worked fewer hours than usual” since October — in the second quarter of 2024, over 30% of workers fell into this category. Figure 6 presents the share of workers who reported working fewer hours than usual (solid line) along with a distribution of selected reasons for reduced hours. Notably, alongside the increase in workers reporting fewer hours, since October 2023 there has been a marked rise in the three main reasons for reduced hours: reserve duty, reduced work volume, and labor disputes or strikes.

Figure 6. Percentage of respondents to the question “Did you work fewer hours than usual last week?” and distribution of main reasons for affirmative responses, 2022–2024



Note: The blue line represents the percentage of respondents who answered affirmatively to the question “Did you work fewer hours than usual last week?” The colored areas indicate the distribution of main reasons cited among those who responded affirmatively. Some primary reasons are rare in routine times, so their share is negligible at many points on the axis.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

This decrease in working hours is also driven by longer-term factors. Reduced working hours in Israel, in the long run, mirror the average trend in other high-income countries (see Appendix Figure 1), though the war likely plays a significant role in this trend. The timing of the decline, its concentration among male workers (who are mobilized for reserve duty at higher rates than women, as will be discussed), and survey respondents' reports on the reasons for reduced hours leave little room for doubt on this issue. Only time will tell if this is a temporary shock or if the ongoing conflict will lead to a sustained relative reduction in working hours.² However, it is noteworthy that the decrease in working hours has not been accompanied by a decline in monthly employee wages in most sectors. Rather, real wages have risen across most sectors, suggesting that reduced hours may not necessarily have negative consequences; on the contrary, the war may have shown both employees and employers that productivity can be maintained even with reduced work hours.³ This theory aligns with survey findings showing that flexibility in work hours is a primary method by which employers attract employees (Gams, 2024).⁴

In conclusion, the past year has been characterized by a broad slowdown in labor force growth and a widespread reduction in working hours, alongside wage fluctuations across different sectors. Most of the employment growth has been concentrated in *publicly-oriented* sectors like education and health (where wages decreased), while the tourism sector lost about 10% of its workforce relative to the same period last year. High-tech sectors, which in previous years had stood out for significant growth in both employment and wages, have seen a substantial slowdown, consistent with a slowdown in economic growth and capital recruitment over the past two years.

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- 2 There is also a possibility that the reduced number of hours will remain steady for an extended period after the initial drop at the start of the war, and in a few years, it may align with the long-term trend of reduced working hours. If this occurs, it would mean that the war has accelerated a deeper process of reducing working hours.
 - 3 Employee wages are determined by both their productivity and their bargaining power. There is also a theoretical possibility that average bargaining power has increased to such an extent that wage growth could occur even alongside declining productivity. However, this scenario is unlikely given the macroeconomic situation and the overall picture of the labor market.
 - 4 A CofaceBDI survey conducted among 120 human resource managers from companies employing a combined 180,000 employees found that 69% of employers expanded options for flexible working hours, and 8% actually shortened the work week to improve their employees' work-life balance (see Gams, 2024).

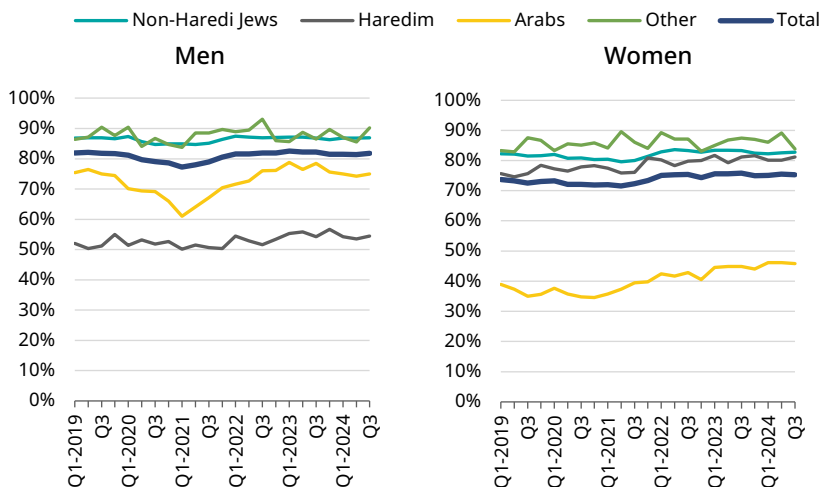
Employment by demographic and geographic breakdown

Figure 7 displays employment rates for men and women aged 25–64 from different groups in Israeli society over recent years. Employment rates for Arab and Haredi (ultra-Orthodox Jewish) men rose impressively during 2023 but have since reversed since the war began (the reversal for Arab men began in the second half of 2023, before the war). In the third quarter of 2024, employment rates among Arabs and Haredim were 75% and 54%, respectively, compared to 87% among non-Haredi Jewish men. Meanwhile, the average weekly hours of Jewish men decreased (Appendix Figure 2), with non-Haredi and Haredi men working an average of 7% and 5% fewer hours, respectively, in the first half of 2024 than in the same periods over the past two years. Conversely, Arab men's working hours remained stable, averaging 39 hours per week in the first half of 2024, compared to 38 hours for non-Haredi Jews and 32 hours for Haredi workers.

Among Jewish women, the high employment levels of the past two years have been maintained. In the third quarter of 2024, the employment rate for non-Haredi Jewish women stood at 83%, and for Haredi women, it was 81%. The situation for Arab women is especially encouraging. Unlike men in this sector, Arab women have seen a consistent rise in employment, reaching 46% this year — the highest rate for the third consecutive year. The average weekly working hours for Arab female employees rose by 4% compared to the previous two years, with an average of 31 hours in the first half of 2024, compared to 33 hours for non-Haredi Jewish women and 26 hours for Haredi women (see Appendix Figure 2).

Overall, during the war, the upward trend in women's employment across all sectors continued with minimal disruption, while employment among Haredi and Arab men declined. Although many sector-specific findings are promising, the decrease in employment for Arabs and Haredim is concerning given the well-known challenges these groups face in the labor market. This decline is compounded by heightened sectoral tensions due to the war, particularly regarding Arab citizens of Israel and the issue of equal burden-sharing.

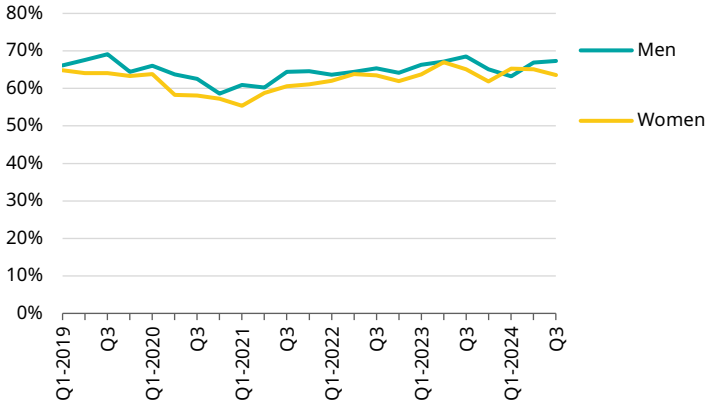
Figure 7. Employment rate, ages 25–64, by gender and sector



Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

The employment of both young and older adults has also been affected by the war, though aggregate data have remained stable. Figure 8 shows the employment rates of men and women aged 20–24. It can be seen that the employment rates for these young adults — historically a few percentage points lower than those of the older population and significantly impacted by the Covid-19 crisis — returned to their late-2019 levels by the end of 2021 and have since remained fairly stable, with a slight upward trend. Additionally, there is no gender gap in employment rates among young adults, supporting the view that the gap observed in older age groups is due to the responsibilities of motherhood and child-rearing. Unlike the younger population, the 67–74 age group has shown a slow and measured recovery from the Covid-19 crisis (see Appendix Figure 3), with employment in this age group only returning to its 2019 level in the course of 2023.

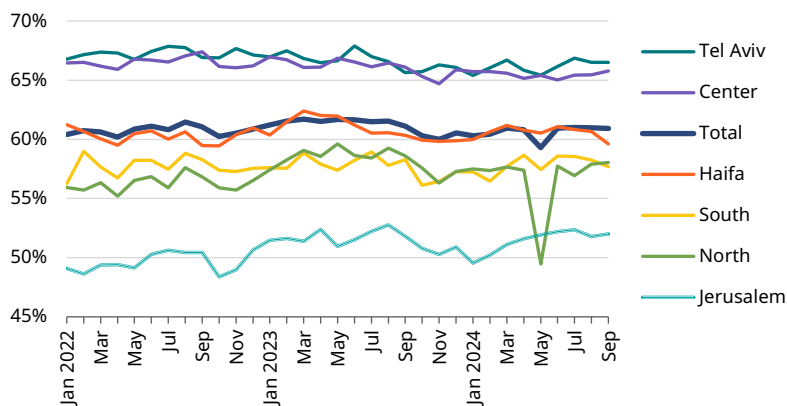
Figure 8. Employment rates, ages 20–24, by gender



Note: Individuals serving in military or national service, as well as employees temporarily absent from work due to reserve duty, are considered employed.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

From a geographic perspective (Figure 9), employment gaps between the periphery and central regions continued to narrow last year. However, the war that broke out in October 2023 temporarily reversed this trend, impacting employment in the Southern and Northern Districts (and even in the Jerusalem District) more than in the Central and Tel Aviv Districts. Since March, however, employment rates in the Jerusalem and Southern Districts have increased, and the gap between these areas and the Center has narrowed, reaching its lowest level since 2019. In contrast, employment in the Northern District — still subject to frequent and intense missile and drone attacks — continues to struggle, and the gap between it and the central regions has yet to close.

Figure 9. Employment rates, ages 15 and over, by district

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

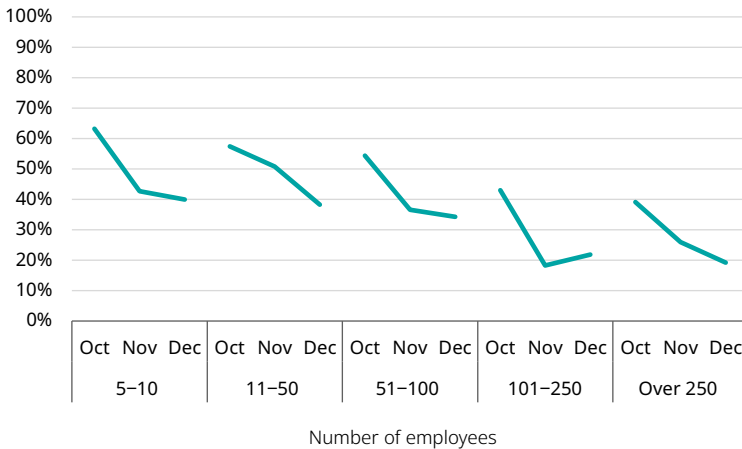
It is clear that aggregate employment data at the district level provides only a partial picture of the war's geographic effects, as entire regions were evacuated and numerous businesses ceased operations, independent of the war's impact on the national economy (see the chapter by Bental and Shami in this collection). Overall, the war has numerous targeted effects on various aspects of the labor market that are not reflected in the aggregate data typically collected, both geographically and beyond. We will now detail several issues related to this.

Additional issues pertaining to the war and the labor market

The outbreak and continuation of the war have left their mark on the Israeli labor market, including the topics covered above. We now focus on more specific impacts of the war on labor market issues, such as work absence due to the upheaval from the war and reserve duty, and employment characteristics of evacuated residents from the South and North.

According to a survey conducted by the CBS (2023) on business conditions during the early months of the current war, over half of employers reported that less than 60% of their employees were actively working in October, and over a third reported this for December. This disruption was particularly severe among small and medium-sized businesses (up to 100 employees), while larger firms experienced relatively less impact (Figure 10).

Figure 10. Percentage of employers reporting up to 60% of employees are actively working, October–December 2023, by number of employees



Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Employees serving in military reserve duty

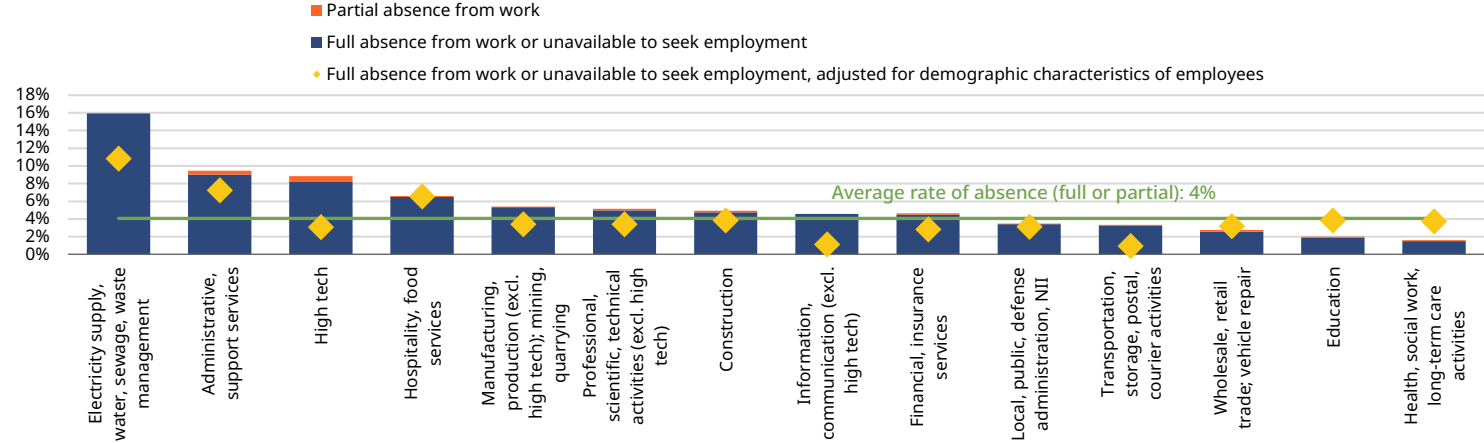
Employee absences are partly due to the large-scale mobilization of employees for prolonged reserve duty since the beginning of the war. The peak of work absences due to reserve duty was in December 2023, affecting 3.4% of employees (approximately 150,000 workers). Although the share of reservists from the labor force decreased significantly in 2024, it remains substantial. For example, in June, about 1% of employees (39,000 people) were absent for the entire week due to reserve duty.

Figure 11 shows the rate of labor market absences due to reserve duty in the last quarter of 2023, at the start of the war, broken down by economic sector. The highest rate was observed in the infrastructure sector, where nearly one in six employees was absent due to reserve duty. In the management and support and high-tech sectors, about 10% of employees were called to reserve duty. Notably, there was a phenomenon of partial work absences due to reserve duty, in which mobilized employees continued to work alongside their military service. This was most prominent in the high-tech sector, where nearly 1% of employees (7% of those mobilized in the sector) continued to work — in some capacity, though not fully — while serving in the reserves.

Differences in reserve duty rates across sectors stem from worker demographics. Certain sectors have a higher proportion of young workers or non-Haredi Jewish men, who make up the majority of the reserve duty population.⁵ The yellow diamonds in each column of Figure 11 show the adjusted absence rate after accounting for age, gender, and worker sector demographics. As shown, high recruitment rates in infrastructure sectors are partially explained by these demographics, though even after adjustment, recruitment in these sectors remains the highest. Additionally, the high recruitment rate in high tech is largely explained by the over-representation of non-Haredi Jewish men and young workers in the sector; adjusted for demographics, the recruitment rate is slightly below average. Similar trends were observed in transportation and logistics, information and communication (excluding high tech), and, to a lesser extent, in finance and traditional industry sectors. In contrast, the rate of reserve duty absences in the agriculture sector (not shown in the figure) is higher than expected given the demographics of its workers. Meanwhile, the low recruitment rates in the education and health, welfare, and social services sectors are mostly explained by the low proportion of non-Haredi Jewish men among employees in these sectors.

5 Appendix Table 2 presents demographic variables alongside the adjusted absence rate based on them for the sectors shown in Figure 11.

Figure 11. Share of workforce absent due to reserve duty, among those under age 50, October–December 2023, by economic sector

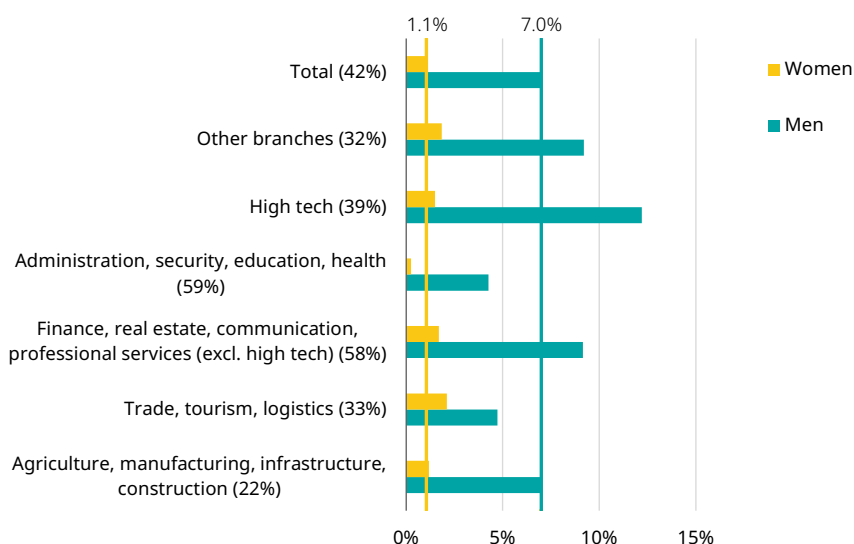


Notes: The horizontal line represents the overall rate of absence (full or partial) in the work force. The columns show the percentage of workers absent or unavailable for job searching due to reserve duty in October–December 2023. This rate is calculated as follows: (number of workers absent due to reserve duty + relevant job seekers unavailable for job searching due to reserve duty) / (number of workers in the sector + relevant job seekers). **Relevant job seekers** are individuals seeking employment who worked within the last two years, with their most recent place of employment in the relevant sector. Due to high employment rates, this is a small group of individuals, and their exclusion from the calculation does not significantly alter the estimated rate. Data for local administration, public administration, defense, and National Insurance sector exclude employees in the subcategories military and defense activities (8422) and public order and security (8423).

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

In examining the demographics of employees serving in reserve duty, it is also important to consider the mobilization of female employees. In the current war, an unprecedented number of 60,000 women were called to reserve duty, making up 20% of all reservists (Gil-Ad, 2024). Figure 12 shows the mobilization rates for women and men in each sector group, with the percentage of women in the overall work force of each sector group noted in parentheses next to the sector name. As expected, the rate of women mobilized for reserve duty was lower than that of men in every sector group, though it is interesting to compare mobilization rates within sectors for each gender separately.

Figure 12. Share of work force absent due to reserve duty, among those under age 50, October–December 2023, by gender and economic sector



Notes: The vertical lines represent the overall rate of absence (full and partial) for men and women in the work force. The number in parentheses next to each sector group represents the percentage of women in the total work force in that sector during the specified period. Sectors are grouped due to the limited sample of women serving in reserve duty who responded to the CBS Labor Force Survey. Men's data are grouped similarly for comparison, though data for men were sufficient to allow for breakdowns by specific sector.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

The figure reveals that the highest recruitment rate for women, approximately 2%, was observed in the finance, real estate, communications, and professional services sectors (where men's recruitment rates were also higher than average), as well as in trade, tourism, and logistics sectors (where men's recruitment rates were relatively lower). Together, these sectors employed around 23% of all women in the work force during the specified period. In contrast, the highest recruitment rate for men, 12%, was observed in high-tech sectors, where women's recruitment rates were around the gender average. Recruitment rates were lowest in public sectors like administration, defense, education, and health, for both men and women.

Due to data limitations, it was not possible to determine if the sectoral distribution among reservists changed after the initial mass recruitment or remained consistent throughout the year. If the sectoral distribution of reservists remains consistent, many sectors will continue to experience significant work force shortages. For example, based on June 2024 reserve duty data (39,000 reservists) and utilizing end-2023 data for their sectoral distribution, more than 6,000 workers in infrastructure were absent due to reserve duty (out of approximately 35,000 total workers in the sector), along with almost 2,000 employees in information and communications (excluding high tech, out of around 74,000), 3,700 in management and support services (out of 142,000), over 2,700 in the already struggling hospitality and food services sector (out of around 169,000), and nearly 4,000 in high tech (out of about 400,000). Beyond the lost productivity (and the compensation cost shouldered by the public treasury), reservists miss out on promotion and skill development opportunities, posing a significant challenge given the cumulative duration of their reserve duty.

Employment of residents from evacuated areas

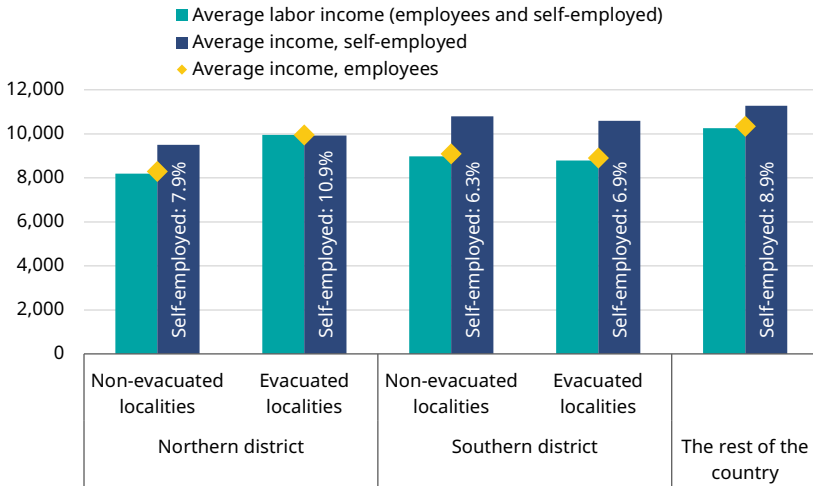
Data limitations make it difficult to track the employment of evacuated residents after relocation. However, we can learn about this worker population from their employment characteristics before the war, which differ somewhat from those of their neighbors and differ greatly from those of the general population. Figure 13 presents monthly income from work for salaried and self-employed individuals in the Southern and Northern Districts compared to other districts in 2022, alongside the share of self-employed individuals in each group of

localities.⁶ In general, in 2022, both salaried and self-employed income was lower in the Southern and Northern Districts than in other districts. In the North, there was notable income disparity between residents of localities due to be evacuated during the war and those of non-evacuated localities: the income of the former group was similar to that of residents of other districts and about 20% higher than that of the latter group, mainly due to higher salaries among employees. Notably, the share of self-employed individuals in evacuated Northern Communities was significantly higher, suggesting greater vulnerability during evacuation, as they lost not only their jobs but also their businesses.⁷ In the Southern District, no significant income differences were observed between evacuated and non-evacuated communities.

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- 6 The **communities** fully or partially evacuated at the beginning of the war include Avivim, Even Menachem, Avshalom, Adamit, Ohad, Ofakim, Or HaNer, Urim, Ivim, Elon, Erez, Ashkelon, Be'eri, Beit HaGdi, Beit Hillel, Bnei Netzarim, Betzet, Baram, Gevulot, Givim, Gevaram, Goren, Gornot HaGalil, Dovev, Dorot, Dishon, Dan, Dafna, Dekel, Zimrat, Zikim, Zar'it, Holit, Hanita, Yevul, Yad Mordechai, Yakhini, Ya'ara, Yiftach, Yir'on, Yesha, Yated, Kissufim, Kfar Giladi, Kfar Yuval, Kfar Maimon, Kfar Aza, Kerem Shalom, Carmia, Liman, Mivtahim, Mavki'im, Magen, Metula, Malkia, Manara, Ma'ayan Baruch, Mefalsim, Metzuba, Margaliot, Misgav Am, Mattat, Naveh, Nachal Oz, Netu'a, Nir Yitzhak, Nir Oz, Nir Am, Nirim, Netiv HaAsara, Netivot, Sa'sa, Sufa, Sa'ad, Ein HaBesor, Ein HaShlosa, Alumim, Ammi'oz, Aramsha, Pri Gan, Tze'elim, Tzohar, Kiryat Shmona, Rosh HaNikra, Rajar, Ramot Naftali, Re'im, Sha'ar Yashuv, Shavei Darom, Sde Nitzan, Sde Avraham, Sderot, Shuva, Shomera, Shokeda, Shlomi, Shlomit, Snir, Shetula, Talmei Eliyahu, Talmei Yosef, and Tekuma.
 - 7 The damage caused by the war to businesses in evacuated communities has compounded ongoing challenges from previous disruptions, such as the Covid-19 pandemic and crime issues, making it increasingly difficult for these businesses to qualify for state compensation. This is because the government's compensation framework focuses on businesses directly impacted by the war and is based on their income from the previous year (Sadeh, 2024; Lukash, 2024).

Figure 13. Average monthly wage for salaried employees and income for the self-employed, by locality and district of residence, 2022

NIS



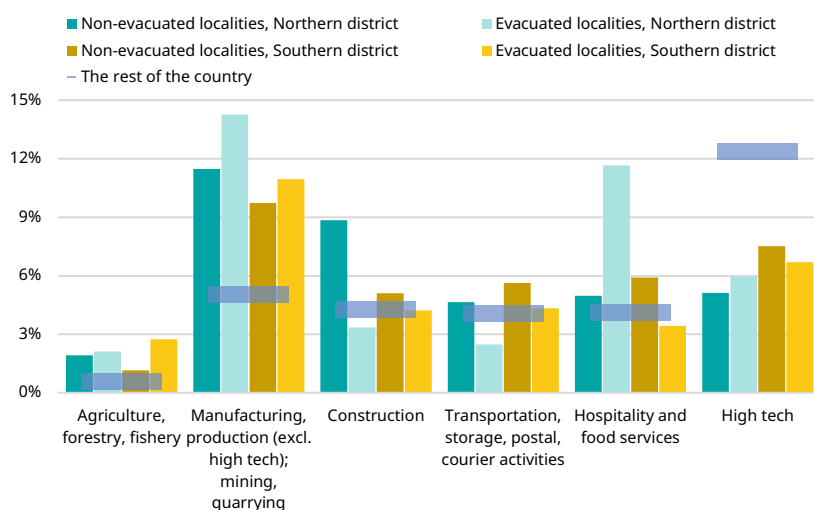
Note: For smaller localities, including some evacuated ones, wage and income data are available only at the regional council level. Therefore, some regional councils are divided so that wage levels are apportioned between evacuated and non-evacuated groups within the district, based on the relative population share of evacuated localities within the council. This approach assumes no significant wage or income differences between evacuated and non-evacuated localities within the same councils and that the relative share of workers in these localities matches their population share.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Wage differences are partly related to variations in the occupational fields of residents in different communities. Figure 14 presents the employment sectors of workers in the year preceding the outbreak of the war, using a classification similar to that in Figure 13. It is evident that residents of the Southern and Northern Districts were employed in agriculture and industry at higher rates than in other districts across the country, while their involvement in high tech was relatively low. Additionally, specific sectoral differences were observed within the districts themselves, between frontline communities that were evacuated and other localities. For example, in the Northern District, the tourism sector employed about 12% of workers residing in evacuated communities, compared to 5%

of workers in non-evacuated communities, and 4% in other districts. Similarly, about 14% of workers in evacuated communities in the South were employed in traditional manufacturing industries — compared to 11% in the rest of the Southern District and only 5% in other districts nationwide. Furthermore, both in the South and the North, the share of construction and logistics workers in evacuated communities was lower than in the rest of the district, while the share of agricultural workers was slightly higher (though still minimal). Interestingly, these wage and occupational differences do not align with significant variations in the formal education levels of workers, especially between evacuated and non-evacuated communities within the same districts (see Appendix Figure 4).⁸

Figure 14. Average share of workers in selected employment sectors, by locality and residential district, Q4-2022 to Q3-2023



Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

8 Although the evacuated communities are, on average, similar in educational composition to the non-evacuated communities, there may be significant educational disparities within the group of evacuated communities, effectively comprising different sub-populations with entirely different educational profiles. See, for example, the analysis by the Ministry of Labor, which distinguishes between Sderot and other evacuees in the South and between Kiryat Shmona and other evacuees in the North (Ministry of Labor, 2024).

Insights into the post-war employment of evacuees can be drawn from a survey conducted by the Ministry of Labor in March–April 2024 among 1,550 evacuees from the South and North. The survey found that about 60% of evacuated salaried employees continued working after evacuation, most at their previous work places. Additionally, around half of the self-employed continued working with clients from evacuated areas, and approximately 60% employed workers from evacuated localities. When asked about potential employment support, about half of evacuated salaried employees expressed interest in training programs or professional development, while a majority of self-employed evacuees from the South (60%) and a sizable share from the North (40%) indicated an interest in financial assistance or returning to their prior businesses (Ministry of Labor, 2024).

Initially, the government's response to evacuee employment focused on compensating employers for employees' wages lost due to evacuation. Subsequently, targeted measures were introduced to promote employment continuity in severely impacted areas and sectors. Between November and June, the government provided a [Return to Work Incentive Grant](#) of NIS 3,000 monthly for evacuee residents who continued working at their previous jobs and those employed in evacuated areas. Additionally, between November and March, an [Incentive Grant](#) of NIS 3,000–NIS 8,000 per month was given to workers in the agriculture and construction sectors during the war (only one of these grants could be received per individual). The end of these grants sparked concerns that many workers might leave their jobs (Lior, 2024). Beyond the grants, which concluded mid-year, no direct employment assistance was provided by government agencies for evacuees interested in career changes (just under half of surveyed evacuated salaried workers, according to the Ministry of Labor survey).

In this gap, various civilian initiatives emerged to assist evacuees in finding new employment, including [Face Forward](#), [Hand in Hand for Evacuees](#), and [710 West](#). These initiatives offer counseling, professional guidance, and networking between self-employed individuals and clients or job seekers and employers (Hauzman, 2024; Shtotland, 2023). These initiatives continue to support evacuated workers, with the number of evacuees seeking a change in their employment (accounting for just under half of salaried employees as of March–April) potentially increasing following the conclusion of grants and the ongoing conflict. Ideally, strategic changes would allow evacuees to return

to their homes and previous employment. However, without such changes, it is essential for government agencies to develop policies to optimize the work force of evacuees and prevent underemployment in a population already severely impacted by the war.

Summary

The upheaval caused by the events of October 7, 2023, and the subsequent war has profoundly affected the Israeli labor market, causing a drop in active employment and an almost total cessation of economic activity in targeted regions. By 2024, the labor market stabilized amid the new reality, albeit with slightly lower employment rates than the previous year and a significant reduction in work hours among employees. Employment growth was concentrated in public-oriented sectors such as health, education, public administration, and defense, while there was a dramatic slowdown in employee recruitment in high tech, and the tourism sector shrank considerably. Alongside these changes, real wages for employees resumed an upward trend, though the extent of the rise was not uniform across economic sectors.

The evacuated population from the affected areas, comprising approximately 143,000 people (Shahar & Lerer, 2024), includes tens of thousands of salaried employees, self-employed individuals, and job seekers whose employment has been disrupted. Most evacuated salaried employees have expressed interest in assistance such as professional training or career change, and a high percentage of self-employed evacuees have indicated a need for economic support. The government has not provided these types of assistance, offering only return-to-work and incentive grants for employment in evacuated areas through the summer of 2024. In this context, various civilian initiatives have stepped in to provide alternative assistance to evacuated workers. Concurrently, the share of workers absent due to reserve duty, which reached a peak of 3.4% in December 2023, has since declined but remained relatively high, at about 1% in June 2024. These mobilized workers reduce the work force across multiple sectors, impacting output in ways not fully captured by total employment figures. Reservists miss out on career advancement opportunities and professional growth, potentially threatening their long-term earning potential given the cumulative reserve duty demands.

Looking to the future of Israel's labor market, various organizations have developed aggregate forecasts. According to the October 2024 forecast of the Bank of Israel (BOI), the broad unemployment rate is expected to drop slightly, averaging 3.5% in 2024 and 3.2% in 2025, assuming the direct economic effects of the war conclude in early 2025 and the government makes the necessary fiscal adjustments to prevent a deficit increase by year-end (Bank of Israel, 2024). The consensus forecast of the Ministry of Finance's Chief Economists Division, based on similar assumptions, anticipates a slightly higher annual unemployment rate of 3.8% in 2024, along with modest wage increases (Ministry of Finance, 2024). Both forecasts suggest that maintaining the current labor market situation — absent positive or negative developments on the war front — will require responsible budgeting.

Ideally, Israel's government would make the required fiscal adjustments without adversely impacting net worker income or cutting high-quality employment programs like education, including higher education, and professional training. Policy makers should aim to minimize the impact on these areas and address the challenges faced by evacuated workers and reservists, whether through security and diplomatic improvements or economic and employment-oriented solutions.

Israel is in the midst of one of the most challenging periods in its history, with no clear end in sight. While the economy and labor market have thus far withstood the intense pressures of wartime circumstances, signs of strain are beginning to emerge. Meeting these ongoing challenges will require prudent and strategic policy, marshaling resources, and optimizing systems while minimizing work force impacts, especially for those directly affected by the war.

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Appendix

Appendix Table 1. Changes in weekly work hours for employees, 2024 versus 2022 and 2023, by economic sector

	2022			2023			Industry share 2024
	Q1	Q2	Q3	Q1	Q2	Q3	
All industry sectors	-3%	-6%	-1%	-3%	-4%	0%	100%
Agriculture, forestry, fishery	-4%	4%	4%	-3%	1%	3%	1%
Manufacturing, mining, quarrying	-2%	-8%	0%	-2%	-4%	-2%	9%
Electricity, gas, steam, air conditioning	0%	-12%	2%	-1%	-15%	6%	0.4%
Water supply, sewage, waste management	-7%	-8%	7%	-6%	-1%	1%	0.4%
Construction	-7%	-8%	-2%	-7%	-3%	-1%	5%
Wholesale/retail trade (excl. diamonds), motor vehicle repairs	0%	-6%	1%	0%	-3%	0%	10%
Transportation, storage, postal, courier activities	-7%	-8%	-6%	-8%	-4%	-4%	4%
Hospitality and food services	0%	-9%	-9%	-5%	-8%	-7%	4%
Information, communication	-4%	-9%	-1%	-4%	-6%	-1%	7%
Financial, insurance activities	-1%	-6%	2%	-1%	-4%	2%	3%
Real estate activities	-2%	1%	-4%	-5%	-7%	-3%	1%
Professional, scientific, technical activities	-5%	-10%	-3%	-5%	-7%	-2%	8%
Administrative, support services	-3%	-10%	-4%	-6%	-6%	3%	4%
Local, public defense administration, NII	-1%	-3%	-1%	-1%	-2%	-1%	10%
Education	-2%	-1%	6%	-2%	0%	11%	13%
Health, social work, long-term care activities	2%	-3%	1%	-2%	-1%	2%	12%
Art, entertainment, recreation	-3%	-6%	-1%	-5%	-3%	5%	2%
Other services	-3%	-4%	2%	-4%	0%	0%	3%
Household as employer	-2%	-5%	6%	-1%	-2%	8%	1%
Extra-territorial organizations	-20%	6%	-5%	-15%	4%	-4%	0.04%

Notes: The values in the right column represent the percentage of employees in the industry out of the total employed in the economy from January to September 2024.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Appendix Table 2. Absence from the labor market due to reserve duty and selected demographic characteristics among those aged 50 and under, October–December 2023, by economic sector

Sector	Absence due to reserve duty (excl. partial absence)	Percent of employees aged 25–40	Percent of employees who are non-Haredi Jewish men	Adjusted absence rate
Electricity supply, water, sewage, waste management	15.9%	63%	59%	10.8%
Agriculture, forestry, fishery	6.5%	37%	36%	7.6%
Administrative, support services	9.0%	58%	38%	7.2%
Hospitality and food services	6.5%	43%	38%	6.6%
Other services	3.8%	50%	18%	5.6%
Construction	4.8%	54%	35%	3.8%
Education	1.9%	54%	12%	3.8%
Health, social work, long-term care activities	1.5%	52%	12%	3.7%
Professional, scientific, technical activities	5.0%	61%	33%	3.4%
Manufacturing (excl. high tech), mining, quarrying	5.3%	51%	46%	3.4%
Art, entertainment, recreation	5.7%	51%	49%	3.4%
Wholesale/retail trade (excl. diamonds), motor vehicle repair	2.6%	44%	33%	3.2%
Local, public, defense administration, NII. excl. sub-industry 8422 (army and defense activities) and sub-industry 8423 (maintaining public order and safety)	3.4%	53%	31%	3.1%
High tech	8.2%	62%	60%	3.1%
Financial, insurance activities	4.5%	56%	39%	2.8%
Real estate activities	7.5%	66%	54%	2.7%
Sector unknown	3.7%	54%	36%	2.6%

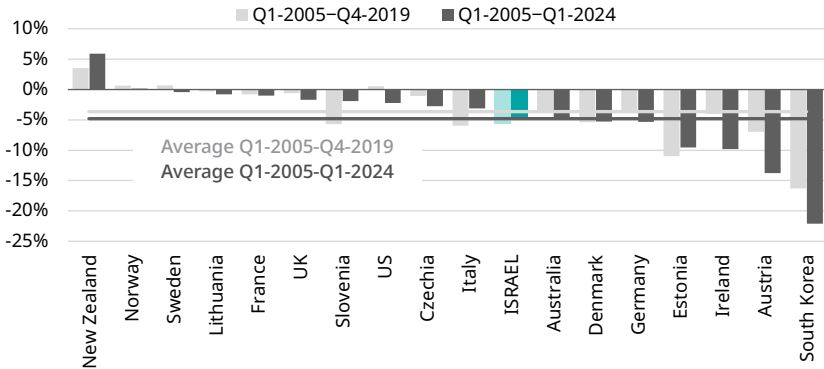
Appendix Table 2 (continued). Absence from the labor market due to reserve duty and selected demographic characteristics among those ages 50 and under, October–December 2023, by economic sector

Sector	Absence due to reserve duty (excl. partial absence)	Percent of employees aged 25–40	Percent of employees who are non-Haredi Jewish men	Adjusted absence rate
Local, public, defense administration, NII	1.4%	24%	52%	2.2%
Information, communication (excl. high tech)	4.6%	59%	50%	1.1%

Notes: The data in the table refer to individuals aged 50 and under during the specified period only. The absence rate is as defined in the note under Figure 11 in the body of the chapter, including partial absence. The adjusted absence rate for each sector is the sum of the sector-specific “residual” (the rate not explained by the two demographic variables) and the all sector average; it can roughly be interpreted as the expected absence rate if all sectors were identical in terms of the demographic variables examined.

Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

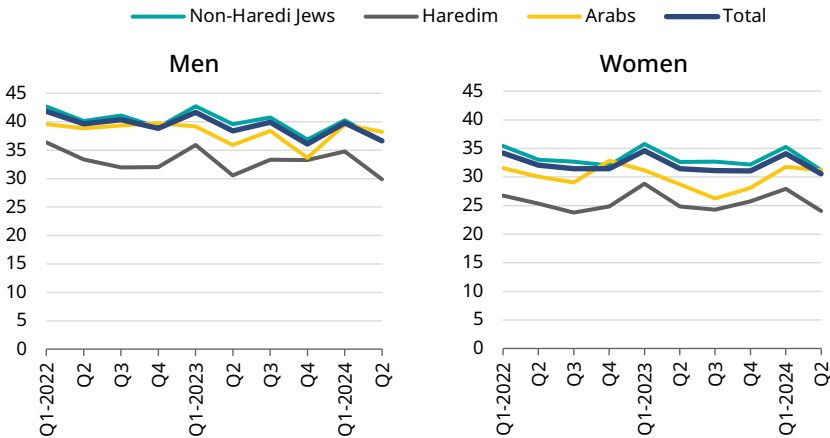
Appendix Figure 1. Rate of change in the average number of work hours, seasonally adjusted, selected OECD countries, 2005/2019 and 2005/2024



Notes: The average working hours per employee is defined as the total working hours divided by the total number of employees in all countries, except for Belgium (average working hours for salaried employees), South Korea (general average working hours per employee), New Zealand (total paid hours divided by total full-time jobs), and the United States (average weekly working hours generally divided by the average weekly wage for salaried employees).

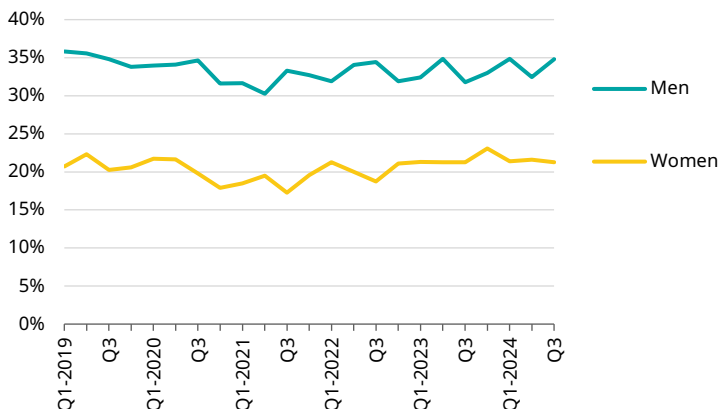
Source: Michael Debowy, Gil Epstein, and Avi Weiss, | Data: OECD

Appendix Figure 2. Actual weekly work hours, ages 25–66, by gender and sector



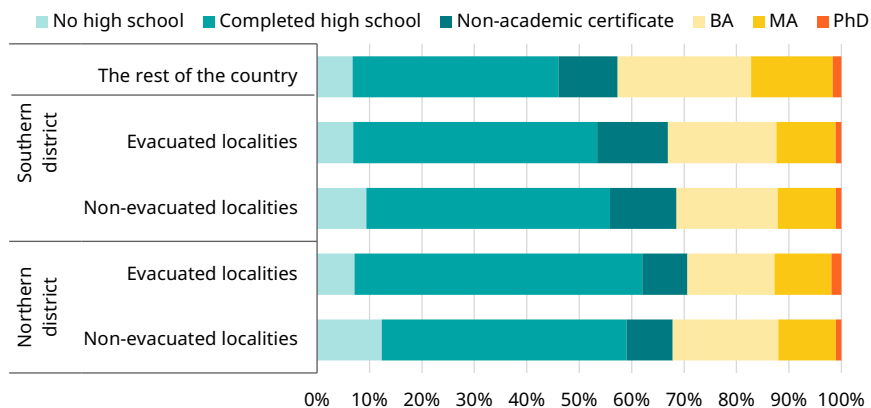
Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Appendix Figure 3. Employment rates, ages 67–74, by gender



Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS

Appendix Figure 4. Worker education, by locality and residential district, Q4-2022 to Q3-2023



Source: Michael Debowy, Gil Epstein, and Avi Weiss, Taub Center | Data: CBS