

# LABOUR MARKET AND EMPLOYMENT POLICY IN ISRAEL



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# PREFACE

The European Training Foundation (ETF) has provided regular input to the European Commission (Directorate-General for Employment) throughout the process of structured Euro-Mediterranean policy dialogue on employment that was initiated in 2008 to address poor employment prospects in the region. Reform of the European Neighbourhood Policy in 2011 placed further importance on job creation and inclusive growth in the region (European Commission, 2011a; and 2011b) and the ETF provided support in the form of three employability reports. These were presented to the Euromed High-Level Working Groups on Employment and Labour in 2007, 2009 and 2011, in preparation for the ministerial conferences. The reports aimed to contribute to policy dialogue between the European Union, the ETF and partner countries through the provision of good quality analysis of employment policy and employability in the region.

The process continued in 2013, with the launch of a further round of ETF analysis that looked into employment policies in selected countries of the region. This new generation of country reports has moved on from analysis of labour market trends and challenges to the mapping of existing employment policies and active labour market programmes (ALMPs), including some assessment of the outcomes and effectiveness of these measures in addressing employment challenges. Each report also includes a short description of the socio-economic context in the country, the emergence of new players and actors, and any recent policy changes (government, donors, funding, etc.).

This report was drafted by Lilach Lurie, PhD. The desk review and statistical data analysis are complemented with input provided by stakeholders in government offices, civil society organisations and academia. These included contributions from the Ministry of Economy (Commissioner of Employment and the Training Guidance Division), the Small and Medium Business Agency (SMBA), the Israeli Civil Service, the Israeli Central Bureau of Statistics (CBS), the National Insurance Institute (NII), Histadrut, the Van-Leer Research Institute, Tel-Aviv University, the Hebrew University, and the Micro-Business and Economic Justice Programme. Officials from these bodies were interviewed by the local expert to provide opinions on employment policies. This report reflects the findings of these interviews, but the views expressed in this report do not necessarily represent those of the stakeholders interviewed.

European Training Foundation  
September 2014

# 1. THE ISRAELI LABOUR MARKET

Israel has enjoyed strong economic growth over the last decade and its labour market has fared relatively well in recent years (OECD, 2010a; and 2013a). In 2012, the national unemployment rate was relatively low, at 7% against an OECD average of 8.2%<sup>1</sup>. Labour participation for the working age population (15-64) was 71.5% to an OECD average of 70.9%<sup>2</sup>, with a rate for the entire population aged 15+ at 63.6% (**TABLE 1.1**).

**TABLE 1.1 LABOUR FORCE PARTICIPATION RATES BY AGE, 2012 (%)**

	70+	65-69	60-64	55-59	45-54	35-44	25-34	18-24	15-17	Total
<b>All</b>	8.6	35.1	59.1	72.8	80.3	83.7	81.2	66.7	11.3	63.6
<b>Women</b>	4.4	25	48.2	66.4	75.2	77.5	77.6	65.2	11.1	58.1
<b>Men</b>	14.2	46.6	71.1	79.3	85.9	90	84.8	68.2	11.6	69.3
<b>Arabs</b>	6.4		32.5		49.5	62.7	63.7	50.7	5	46.7
<b>Arab women</b>	–		13.3		24.5	35.9	42.2	31.9	1.1	27.1
<b>Arab men</b>	13.8		51.7		74.6	87.5	85.1	68.5	8.7	66.1

Sources: CBS, 2012a; and 2012b

In the same year, the unemployment rate for Israeli youth (15-24) was only 12.1%, against an OECD average of 16.3%, and Israel's youth labour force participation rates (49.5%) were higher than the OECD average (47.4%)<sup>3</sup>. These high rates of youth employment are largely due to the fact that the Israeli Central Bureau of Statistics (CBS) has included the figures for youth in compulsory military service within the labour force figures since 2012 (OECD, 2013a, p. 18)<sup>4</sup>.

Despite the relatively good employment rates, Israel also has high levels of poverty and income inequality (OECD, 2013a). Income dispersion, as measured by the Gini coefficient, is among the widest in the OECD area (0.3777 as of 2011)<sup>5</sup>. Poverty rates are highest among Arab and ultra-Orthodox minority groups (OECD, 2013a, p. 17). Both groups (specifically Arab women and ultra-Orthodox men) experience high rates of unemployment and Table 1.1 clearly shows that only 27% of Arab women are employed. Both of these groups have a lack of employment skills which are at least partly a result of poor education systems (Ben-David, 2014)<sup>6</sup>. The Israeli labour market is also characterised by a high rate of non-standard forms of work (OECD, 2013a).

In 2013, 16.6% of all Israeli youth aged 15-29 were unemployed or inactive, and could be classed as not in education, employment or training (NEET) (**TABLE 1.2**)<sup>7</sup>. These figures are close to the OECD average (OECD, 2014b), with only slightly higher rates of NEETs aged 15-24 in Israel (15.7% against 13% [CBS data 2013; and OECD, 2014b]). Table 1.2 shows relatively high numbers of NEETs in Israel during the transition from school to the army (26.8% of 18 year-olds are considered NEETs) and in the later transition from army service to work or higher education (20.3% of 21 year-olds are considered NEETs)<sup>8</sup>.

1 OECD StatExtracts: [http://stats.oecd.org/Index.aspx?DatasetCode=LFS\\_SEXAGE\\_I\\_R](http://stats.oecd.org/Index.aspx?DatasetCode=LFS_SEXAGE_I_R). In January 2014 Israel's unemployment rate was 5.9% only. See CBS at: [www.cbs.gov.il/reader/?Mlval=cw\\_usr\\_view\\_Folder&ID=141](http://www.cbs.gov.il/reader/?Mlval=cw_usr_view_Folder&ID=141).

2 Ibid.

3 OECD StatExtracts: [http://stats.oecd.org/Index.aspx?DatasetCode=LFS\\_SEXAGE\\_I\\_R](http://stats.oecd.org/Index.aspx?DatasetCode=LFS_SEXAGE_I_R) (19 March 2014).

4 See also OECD, 2014a, p. 30.

5 <http://stats.oecd.org/Index.aspx?DataSetCode=IDD>.

6 See also OECD, 2014a on skills mismatch.

7 The concept of NEETs refers to young people (aged 15-29 or 15-24) who do not hold a job, do not participate in training and are not students. NEETs are considered to be 'at risk' as they are jobless and inactive and lack access to learning opportunities (ETF, 2014, p. 3).

8 Men aged 18-21 and women aged 18-20 are expected to perform compulsory military service in the Israeli army.

Groups of young people who do not serve in the army (Arabs, ultra-Orthodox Jews and people with disabilities) have particularly high numbers of NEETs, with the Arab population presenting the highest numbers of all. In 2009, 40% of Arab youth aged between 18 and 22 were inactive (NEETs) compared with only 17.3% of Jewish youth (Eckstein and Dahan, 2011).

**TABLE 1.2 NEETS BY AGE AND SEX (AGE RANGE 15-29), 2013 (%)**

Age	NEET rate		
	Male	Female	Total
15	3.7	2.4	3.0
16	6.7	4.5	5.6
17	12.2	9.7	11.0
18	26.7	26.9	26.8
19	16.4	16.6	16.5
20	11.1	20.3	15.6
21	17.1	23.6	20.3
22	20.1	23.7	21.9
23	20.8	22.8	21.8
24	13.2	20.1	16.5
25	12.8	22.6	17.6
26	14.2	22.2	18.3
27	12.4	27.3	19.7
28	12.6	25.5	18.9
29	11.9	24.3	17.9
<b>Total</b>	<b>14.0</b>	<b>19.2</b>	<b>16.6</b>

Source: CBS data 2014

## 2. KEY ACTORS IN LABOUR MARKET POLICIES

Leading government players in the labour market and social security sector include sub-departments within the Ministry of Economy<sup>9</sup>, Israel's social partners (the Histadrut Federation of Trade Unions and the employers' union Hitachdut Hatasianim), the National Insurance Institute (NII) of Israel (responsible for providing unemployment benefits and income support), and the Ministry of Finance (with schemes such as the negative income tax programme)<sup>10</sup>. The Ministry of Education plays a major role with regard to compulsory education<sup>11</sup>.

In the past few decades, Histadrut, Israel's major trade union, has lost control over healthcare and pension plans, but the entity still sits alongside the government and the Hitachdut Hatasianim on the tri-pillar roundtable responsible for drawing up employment and economic policies (Mundlak, 2007, pp. 121-124). In June 2014, Israel's social partners signed a collective agreement that compelled private sector employers with more than 100 employees to employ workers with disabilities. Most Israeli workers (56%) are covered by collective agreements, but only 25% belong to a union (down from 80% in the 1980s) (Haberfeld et. al., 2010; Cohen et al., 2003; and CBS, 2013b). A new employee union, the Koach La Ovdim – Democratic Workers' Organisation has appeared in recent years.

Non-governmental organisations representing specific groups of employees play a more important role than in the past. These include entities such as the Israel Women's Network (representing women employees); the Kav LaOved – Worker's Hotline (representing disadvantaged workers including foreign workers); and Waak-Maan (an employee union representing Arab workers).

<sup>9</sup> Entities include (i) the Commissioner of Employment; (ii) the Industrial Relations Department; (iii) the Small and Medium Enterprise Agency; (iv) the Israeli Employment Service Authority; (v) the Training Guidance Division; (vi) the Equal Employment Opportunity Commission; and (vii) the Director of Research and Economics.

<sup>10</sup> See [www.mahanak.org.il/](http://www.mahanak.org.il/) [in Hebrew].

<sup>11</sup> On the role of the Ministry of Education with regard to technical and vocational education and training, see ETF, 2012.



### 3. NEW EMPLOYMENT LAWS

From the outset, Israel enacted employment laws to provide all workers with decent employment rights, ensuring basic entitlement to: a minimum wage, annual leave, paid sick leave, an occupational pension, protected working hours, a right to severance pay and the right to a safe workplace<sup>12</sup>. Special laws forbid the employment of youth under the age of 15 and impose strict limits on youth working hours<sup>13</sup>, which may go some way toward explaining the low employment rates of teenagers in Israel. In spite of the strict legislation, however, many workers in Israel do not actually enjoy their rights (OECD, 2013a). The problem of rights realisation is especially significant among the most disadvantaged groups of employees (contract workers, low-paid workers, Arabs, ultra-Orthodox and foreign workers).

In the last three years, Israel has made significant efforts to increase the enforcement of employment laws and to promote equality in employment (Ministry of Industry, Trade and Labour, 2011a). In December 2011, the Israeli Parliament (the Knesset) enacted The Law for Increased Enforcement of Labour Laws (2011), enabling employment inspectors (on behalf of the Ministry of Economy) to impose administrative fines on employers who violate employment rights. The law also includes special protection for contract workers by making the end-user (the service 'buyer') responsible for enforcement (OECD, 2013a). Under the stipulations of Article 17, the Ministry of Economy publishes the names of employers who violate the law and who receive fines on a new website<sup>14</sup>.

Over the years, the Knesset also enacted many laws to promote employment equality and prevent employment discrimination<sup>15</sup>. The Civil Service Appointment Law of 1959 requires the public service to take affirmative action in hiring women, Arabs and Ethiopian Jews<sup>16</sup>. The Equal Employment Opportunities Law of 1988 forbids employment discrimination on account of a person's sex, sexual tendencies, personal status or on the basis of their age, race, religion, nationality, country of origin, views, party or duration of reserve service (Article 2). In 2008, the Knesset established the Equal Employment Opportunity Commission (EEOC)<sup>17</sup> to prevent employment discrimination and enforce anti-discrimination legislation.

<sup>12</sup> For a list of Israel's employment laws in English, see the Ministry of Economy website at: [www.moit.gov.il/NR/exeres/9034396F-AC64-4C44-9466-25104B45FBB1.htm](http://www.moit.gov.il/NR/exeres/9034396F-AC64-4C44-9466-25104B45FBB1.htm). For a historical review of Israel's employment law legislation, see Mundlak, 2007. The right to an occupational pension is regulated in an extension order.

<sup>13</sup> Youth Labour Law (1953); and Apprenticeship Law (1953).

<sup>14</sup> See <http://israelnewtech.gov.il/FinancialSanctionsPublications/Pages/default.aspx>

<sup>15</sup> Examples of antidiscrimination laws include the Employment Equal Opportunities Law 1988; Employment of Women Law 1954; Male and Female Workers Equal Pay Law 1996; and Equal Rights for Persons with Disabilities Law 1998.

<sup>16</sup> As of the end of 2011, the Ethiopian Jewish community in Israel numbered approximately 119,700. Most of the community immigrated to Israel in two successive waves, in 1984 and 1991. See Myers-JDC-Brookdale Institute, 2012.

<sup>17</sup> The EEOC is a department within the Ministry of Economy.

## 4. PASSIVE LABOUR MARKET POLICIES: UNEMPLOYMENT BENEFITS AND INCOME SUPPORT BENEFITS

Passive labour market policies are Israel's main tool in protecting individuals from social exclusion. NII provides two main benefits that are supposed to provide an economic safety net for the unemployed and inactive population: unemployment benefit and income support benefit. Unemployment benefits provide an unemployed person with a source of subsistence for the duration of his/her unemployment, until he/she manages to find work (NII website, 2014). In recent decades, the Israeli government has revised eligibility requirements for both programmes and has reduced payment rates, partly in response to budgetary constraints but also to counter the 'unemployment trap' caused by the provision of benefits (Gal, 2005). Israel managed to dramatically decrease the number of income support recipients from 143,640 in 2008 to 133,800 in 2013 (**TABLE 4.1**).

One of the major challenges facing Israel now, is how to get welfare recipients into employment. Israel spends a substantial amount on direct support for welfare recipients (although the figure is relatively low in international comparisons), some of which could be channelled into ALMPs. In 2012, NII spent over ILS 2.4 billion on income support benefit for 133,800 recipients (**TABLES 4.1** and **4.2**). Moreover, in 2002-03 the Knesset tightened benefit eligibility criteria, including changes to the income test and in the employability test, while also reducing the amount of the benefits (NII, 2004). These changes mean that, in 2014, many of the unemployed and inactive population, especially the young, are no longer entitled to unemployment or income support benefits (Maron, 2014).

**TABLE 4.1 NUMBER OF INCOME SUPPORT BENEFICIARIES (AND THEIR SPOUSES), 2008-12**

	2008	2009	2010	2011	2012
	(average)				
<b>Number of beneficiaries</b>	143,640	143,553	140,808	135,631	133,800

Source: NII, 2013, p. 88

**TABLE 4.2 INCOME SUPPORT PAYMENTS, 2008-12 (MILLION ILS)**

	2008	2009	2010	2011	2012
<b>Payments</b>	2,392	2,482	2,527	2,477	2,493

Source: NII, 2013, p. 92

# 5. JOB PLACEMENTS: THE PUBLIC EMPLOYMENT SERVICE AND PRIVATE EMPLOYMENT SERVICES

## 5.1 THE PUBLIC EMPLOYMENT SERVICE

The Public Employment Service (PES) plays an active role in getting welfare recipients into employment. The Israeli PES has 71 chambers employing a total of 593 employees. The PES major role is to provide services linking jobseekers with employers seeking employees (Employment Service Law 1959, Article 2). In 2013, PES placed 44,454 out of a total of 506,540 registered jobseekers in jobs (Israeli Employment Service Annual Summary 2014). In half of all cases (21,753) the placement was not successful over time.

PES also provides guidance and counselling for unemployed jobseekers (OECD, 2014) including assistance in writing CVs, preparation for job interviews and advice on job placements and vocational training (PES website). In 2013, PES staff provided employment consultancy to 34,905 jobseekers (Hirsh, 2014).

PES cooperates with other bodies on vocational training and vocational guidance, in particular the Ministry of Economy (Israeli Employment Service website; and OECD, 2014). In 2013, PES and its partner agencies provided the following services to jobseekers: occupational psychological counselling (2,670 jobseekers); vocational training (Ministry of Economy, 1,967 jobseekers); personal training vouchers (Ministry of Economy, 2,680 jobseekers); job search workshops (5,793 jobseekers); occupational Hebrew courses (452 jobseekers) (Hirsh, 2014).

The Israeli PES currently operates under some limitations. The constrained annual budget of ILS 191 million (in 2013) means that there are a relatively small number of employees (593) to work with a large body of jobseekers (506,540 jobseekers in 2013)<sup>18</sup>, and several of the PES services have recently been passed over to private entities. Also, most applicants who contact PES do so in order to apply for unemployment or income support benefits rather than for any other purpose, as registration with the entity is a necessary step in this process (State Comptroller, 2011, pp. 1119-1120; Israeli Employment Service Annual Summary 2014). Eligibility criteria for both programmes are very strict and, consequently, young people ineligible for unemployment benefits or income support will generally not register with PES. In 2013, only 67,321 jobseekers aged between 18 and 24 registered with the Israeli PES (Hirsh, 2014)<sup>19</sup>.

## 5.2 EMPLOYMENT CENTRES FOR THE ARAB AND ULTRA-ORTHODOX COMMUNITIES

A multi-year plan for economic and social development in the Arab community aims to have 21 special employment centres open by the end of 2014, with 18 already open as of June 2014 (Commissioner of Labour, 2014). In 2012, the same source state that seven employment centres were currently active serving 4,000 clients and placing 40% of them (1,800 recipients) in jobs.

For the ultra-Orthodox community, eight special employment centres were developed and opened in tandem (updated to June 2014)<sup>20</sup>.

All of the employment centres in the Arab and ultra-Orthodox communities are outside the remit of the Israeli PES.

<sup>18</sup> Data from Hirsh, 2014.

<sup>19</sup> Hirsh (2014) states that there are no registered jobseekers under 18.

<sup>20</sup> See <http://mafteach.org.il/>

## 6. LIFELONG LEARNING: SCHOOL, TERTIARY EDUCATION AND VOCATIONAL TRAINING

### 6.1 SCHOOL AND TERTIARY EDUCATION

Israel has a well-educated population (OECD, 2013b). Education is compulsory between age 5 and 18, with free education provided between age 3 and 18 (OECD, 2014a, p. 14). Some 90% of Israeli youth have at least upper secondary qualifications; a rate higher than the OECD average of 82% (op. cit., p. 15). The majority of secondary education students (60%) enrol in general academic upper secondary education, one third opt for technological programmes, and 3% opt for industrial schools or apprenticeship pathways (op. cit., p. 14).

General and technological upper secondary education both lead to the 'Bagrut' matriculation exam that is a normal requirement for entry into academic post-secondary education (OECD, 2014a). In 2007, 42% of 25-34 year-old Israelis had a tertiary qualification; a figure significantly higher than the OECD average of 34%. In 2011, there were more women than men with tertiary education (OECD, 2013b). Only 26% of 25-34 year-old Arabs hold a tertiary qualification and tertiary attainment is also very low among the ultra-Orthodox population (op. cit.). Israel's annual expenditure per student by educational institutions (from primary to tertiary education) is almost a third less than the OECD average (OECD, 2013c).

The system of vocational schools (technological and industrial schools) in Israel has been discussed extensively in several ETF, OECD and Knesset reports (see for example ETF, 2012; and 2013; OECD, 2014a; and Vargen and Natan, 2008). Several of the vocational schools are regulated by the Ministry of Economy, which is also responsible for the regulation of post-secondary vocational education, while others are regulated by the Ministry of Education.

**TABLE 6.1 FIRST-YEAR STUDENT ENROLMENTS, BEGINNING OF 2011/12 SCHOOL YEAR (%)**

Universities	Practical engineering and technician programmes	Academic colleges
38	14	48

Source: OECD, 2014a

### 6.2 MATCHING SKILLS TO LABOUR MARKET DEMANDS

OECD reports (2014a, p. 30) state that the Israeli economy is threatened by a growing skills shortage. Employers are voicing concern over the inadequacy of vocational skills among school-leavers and, as the highly-skilled migrants from the former Soviet Union reach retirement age, there will be a substantial exacerbation of the skills shortages. Enhanced vocational provision is also necessary to increase economic activity in the growing Arab Israeli and ultra-Orthodox populations (OECD, 2014a).

In 2013, the Ministry of Economy set up a new Jobs Rated website that aimed to fulfil two purposes. The first was to enable youth (and other populations) to make better-informed decisions on their educational choices, and the second was to enable the regulators (including the Ministry of Economy) to improve compatibility between labour supply and demand within the economy.

This new website strengthens ties between the labour market and education and includes information on the current demand for various professions in different geographical areas, giving a high rating to those professions with a good demand for workers and a low rating to those with poor demand. The website also shows the average wages

for each profession. As of June 2014, the website gives very high ratings to the following professions: registered nurse (681 positions; ILS 7,879); academic in computer science (502 positions; ILS 23,739), construction worker (2,064 positions; 5,634 NIS), computer practical engineer (302 positions; ILS 14,477), electrician (1,836 positions; ILS 6,336) and teacher (553 positions; ILS 8,796).

## 6.3 VOCATIONAL TRAINING

Vocational training is an important tool in improving the compatibility between labour offer and the supply needs of the economy. Moreover, vocational training has the potential to integrate individuals into employment and to promote mobility in the labour market (King and Eyal, 2012). Within the Ministry of Economy, the Israeli Manpower Training and Development Bureau (the Bureau) regulates the government vocational training system for adults (King and Eyal, 2012), working for a target population of jobseekers that includes discharged soldiers, the unemployed, immigrants and unemployed university graduates (Ministry of Economy, 2013). The Bureau regularly checks and evaluates the numbers of job placements of its graduates.

An evaluation study from 2014 examined the employment status of the 2011 cohort of vocational training graduates two years after completing their studies. The study found that most graduates (78.1%) were working in 2013 (two years after completing their training). However, most graduates (55%) were not working in the field in which they had trained. The study also identified several sectors where most graduates did work in the field of training two years after graduation, and these were: metal and machinery (58.6%), day care workers (53.7%), hospitality (53.2%), electricals and electronics (50.7%) (Porat, 2014).

The Bureau has developed some new programmes in recent years, including a voucher scheme that has run since 2007. This training voucher enables participants to approach a training institute of their choice and to receive partial funding for the course selected (Ministry of Economy website; Ministry of Industry, Trade and Labour, 2012a). The highest priority target groups are ultra-Orthodox men, Arab women and people with disabilities (Ministry of Economy website). The Bureau also supports on-the-job-training opportunities through training while working or via special classes in the workplace (Ministry of Industry, Trade and Labour, 2012a).

However, Vocational Training in Israel is also facing some major challenges. The first of these is the fact that there is no statutory right to vocational training<sup>21</sup> in a system where the Ministry of Economy determines the eligibility criteria for state-funded vocational training. These eligibility criteria are only published in part and they are subject to frequent change. Most recipients of vocational training are allowance seekers referred through PES, and the strict eligibility conditions for unemployment benefits mean that less than 1% of all unemployed received vocational training in recent years (NII, 2013a). Furthermore, budgetary constraints place other limitations on the number of vocational training openings and eligibility conditions are tightly restricted (cf. OECD, 2014, pp. 35-36). Moreover, in 2012, the gross budget for vocational education for adults was given as ILS 84,000, but only half of the budget (ILS 44,768) was actually spent (Ministry of Economy, 2013). Lastly, alternative routes to training in the past relied extensively on union membership. In Israel, many collective agreements provide employees with a right to a training fund<sup>22</sup> and the Israeli Civil Service provides and funds comprehensive vocational training for its employees (Lurie, 2013). The effectiveness of these tools is doubtful due to the sharp decrease in union membership and there is a need to develop new mechanisms<sup>23</sup>.

<sup>21</sup> The Public Employment Service Law of 1959 declares that PES will 'cooperate with other bodies with regard to vocational training and vocational guidance'.

<sup>22</sup> Employees and employers allocate money to the funds every month and the State provides tax benefits for money allocated to the funds. In practice, training funds in Israel frequently serve as investment mechanisms rather than training tools.

<sup>23</sup> One example of this is Maagalim – a new fund which finances training for senior workers. See <http://magalim.org.il/>

## 7. EFFORTS TOWARD A NATIONAL WELFARE-TO-WORK PROGRAMME

Over the last 15 years, welfare-to-work programmes have emerged all over the Western world. These programmes aim to transform 'passive' social security systems reliant mostly on benefits, into 'active' systems that place far greater emphasis on engaging unemployed people in the labour market (Benish, 2014; and Paz-Fuchs, 2008). Over the last few years, Israel has implemented several ALMPs.

The Earned Income Tax Credit programme has been in operation since 2008, and this was expanded across the country in 2012 (OECD, 2013a, p. 10). The programme provides low-waged workers (above the age of 23 with at least one child, or above the age of 55) with a work grant<sup>24</sup>. According to the NII the programme had reduced poverty among young workers with children and senior workers in the year 2012 (NII, 2013b).

The Investment Centre within the Ministry of Economy also provides wage subsidies to enterprises that employ workers in the periphery focussing on special groups of workers (Ministry of Economy, 2013a).

In recent years, a series of ALMPs have been promoted by the Prime Minister's Office (OECD, 2010a). In 2012, the Ministry of Economy appointed a senior official to lead employment policy development and regulation (OECD, 2013a). These initiatives are being specifically targeted on groups with low participation rates in the labour market such as Arab women, ultra-Orthodox men and social service users, and the measures used include: the creation of employment centres; expansion of vocational training programmes through the use of a voucher system; expansion of programmes to encourage business entrepreneurship, and; the development of industrial parks (Ministry of Industry, Trade and Labour, 2012a). Private contractors (and not PES) work in partnership with the TEVET Employment Initiative<sup>25</sup> programme and play a major role in the design and implementation of new ALMPs.

Between 2005 and 2010 Israel implemented two pilot welfare-to-work programmes (the Wisconsin programmes) with the help of private contractors<sup>26</sup>. The main objective was to reduce welfare expenditure by reducing the number of people receiving income support, integrating these people into the labour market. However, in 2010, the Knesset abandoned the programmes in response to strong public opposition. These programmes were extensively studied and evaluated by the Israeli government (Myers-JDC-Brookdale Institute and NII research reports 1-5), academic researchers (e.g. Benish, 2014; and Maron, 2014) and international organisations (OECD, 2010; and 2013a). These evaluations identified the main flaw as being the emphasis on rapid integration into employment ('work first') without sufficient focus on job quality (Lurie, 2013a; and OECD, 2013a, p. 31).

The Ministry of Economy is currently promoting a new welfare-to-work programme known as Magaley Ta'asuka which will be implemented in 2014 through private external consultants working with PES<sup>27</sup>.

<sup>24</sup> For more details on the programme see: [www.misim.gov.il/maanakavoda/](http://www.misim.gov.il/maanakavoda/).

<sup>25</sup> TEVET is a partnership between the Israeli government and the American Jewish Joint Distribution Committee designed to help young people in vulnerable groups find jobs through vocational programmes (OECD, 2014a).

<sup>26</sup> 'Mehalev' was the first programme, but major changes were introduced in 2007; the extended programme was renamed 'Lights to Employment'.

<sup>27</sup> For more details on the programme see: Israel Employment Service, Maagalay Ta'asuka at: [www.taasuka.gov.il/NR/rdonlyres/0DCA19CF-5E8C-4F36-A663-8762B8BAA93D/0/tassukacerkle300114.pdf](http://www.taasuka.gov.il/NR/rdonlyres/0DCA19CF-5E8C-4F36-A663-8762B8BAA93D/0/tassukacerkle300114.pdf) [in Hebrew].

## 8. ACTIVE LABOUR MARKET PROGRAMMES TOWARD AT-RISK YOUTH

In May 2013, the Prime Minister's Office established a roundtable forum on integrating at-risk youth in employment<sup>28</sup> where participants from the public sector, civil society organisations and the business community will work toward a new employment policy for at-risk youth in Israel. The new roundtable constitutes a first step toward the design of a new universal active labour market policy for at-risk youth.

A number of NGOs implement ALMPs targeted on youth, several of which are publicly funded, such as the Youth Centres and family enrichment centres or Afikim.

### 8.1 YOUTH CENTRES

Youth centres run by local authorities provide young people aged 18-30 with various municipal services in education, training, employment and leisure<sup>29</sup>. Since 2001, the American Jewish Joint Distribution Committee (JDC), together with some government agencies and several local authorities, has been promoting a youth employment programme within the local youth centres. The goal of the programme is to bring unemployed young people with no higher education into employment.

Youth centre employment programmes provide applicants with a variety of employment tools through a series of three-to-four meetings with centre staff that cover elements such as employment counselling, preparation for job interviews, and assistance in CV writing. The centre provides applicants with information about vocational training and employment facilitation services (Gros, 2013; and Machtiv Cohen, 2013).

In 2009, the Dialogue consultancy company conducted a survey of 595 young people who visited youth centres. The survey found that most of the respondents (74%) came to the centre seeking a job, 57% received assistance with their CV in the centres, 52% reported referrals to potential employers and 44% received employment consulting. Only 26% received training within the centre and a mere 15% were referred to funded training. A third of all respondents reported that the centre did not help them at all (Dialogue, 2009). Some 62% reported that they were currently working, but 87% of the employed respondents did not find their job through the centre.

### 8.2 AFIKIM

The Afikim programme was established in 2007 by TEVET and the Young Adult Services department of the Ministry of Social Affairs and Social Services, with funding from the government and local authorities. In 2013, there were 18 local authorities operating the programme (Yochananof et al., 2013). Afikim aims to integrate NEETs (aged 18-27) into employment. The programme guides youth along an 18-month entry-level integration path that helps them to acquire a vocation and find a job in their chosen profession. Each participant gets a personal employment-coaching programme delivered by a staff member (op. cit.). The programme includes components such as: one-on-one coaching, group work, professional skill building and assistance with job placement.

In 2013, the Mashav applied research company evaluated Afikim and found that 73% of participants were working full time at the end of the programme, compared with 48% at the beginning. The outcomes also revealed that 79% of participants were working full time a year after completing the programme, with 61% of participants in a professional job. Perhaps unsurprisingly, those participants who received professional training were much more likely to work in a professional job (Babay and Frear-Dror, 2013).

<sup>28</sup> See [www.pmo.gov.il/policyplanning/shituf/Pages/roundtable.aspx](http://www.pmo.gov.il/policyplanning/shituf/Pages/roundtable.aspx)

<sup>29</sup> See [www.tevet4u.org.il/projects.php?id=145](http://www.tevet4u.org.il/projects.php?id=145)

## 9. ISRAELI DEFENCE FORCES PROGRAMMES TOWARD AT-RISK YOUTH

The Israeli Defence Forces (IDF) operate a restricted number of programmes targeted at integrating at-risk youth (aged 18) into the army service and into society. In 1981, the IDF established the Centre for Promoting Special Populations (MAKAM), the most well-known programme for at-risk youth. This centre supports youth populations that would otherwise not adapt to the IDF, facilitating their experience of meaningful contributory service that will help them adapt to work and life after national service. In their last year of service, the MAKAM soldiers receive professional training alongside a special labour market preparation programme. Several research projects have evaluated the MAKAM programme over the years, all of which have pointed to its success in integrating youth in society (Rabinovich, 2009).

The Ministry of Defence (Veterans' Department) operates special programmes designed to integrate all discharged soldiers into the labour market; most of these are 20 or 21 years old. Discharged soldiers are entitled to funding that they can put toward either higher education, training, starting a business or a house purchase<sup>30</sup>. Discharged soldiers who take jobs officially identified as 'vital work' are entitled to an additional special grant from NII<sup>31</sup>. Youth who do not serve in the army or perform alternative civilian service are not entitled to such support.

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<sup>30</sup> Veterans Law 1994, articles 12, 13, 14, and 17; Ministry of Defence website.

<sup>31</sup> National Insurance Law 1995, Article 174. See National Insurance Institute website: [www.btl.gov.il/English%20Homepage/Benefits/Grant%20to%20discharged%20soldiers%20performing%20vital%20work/Pages/default.aspx](http://www.btl.gov.il/English%20Homepage/Benefits/Grant%20to%20discharged%20soldiers%20performing%20vital%20work/Pages/default.aspx)



# 10. MEASURES TO SUPPORT THE GROWTH OF SMALL AND MEDIUM-SIZED ENTERPRISES

In some situations, self-employment offers the only route to a job, and measures that encourage the unemployed to establish businesses can provide a degree of protection from social exclusion. While some of these businesses do take on other employees, most are sole operators employing only themselves (CBS, 2013). In 2012, approximately 12% of the Israeli workforce was self-employed. While some workers choose self-employment others are forced into it.

In 2012, there were 505,528 businesses operating in Israel<sup>32</sup>, with 96% of all businesses classed as small (up to 20 employees) or micro (up to four employees). Only 1% of all businesses fell in the big business category (more than 100 employees or an annual turnover of more than ILS 100 million) while the remaining 3% were classed as medium-sized (less than 100 employees and annual turnover of less than ILS 100 million). Most employees in the business sector worked in big businesses (1.85 million), while only 1.4 million were employed in small and medium businesses (SMBA, 2014).

Young people who wish to establish a new business in Israel face several obstacles including ignorance of the basic requirements needed for starting a business, fear of bureaucracy and restricted access to credit. In 2012, only 15% of all loans provided to the business sector by Israeli banks went to small businesses (SMBA, 2013, pp. 49-50).

The small number of young people who manage to overcome the above obstacles and establish a new business still face many risks. CBS data show that while most new businesses operate for over a year, only 50% of businesses are still operating after five years (SMBA, 2014). Moreover, independent workers in Israel are not entitled to the usual employment rights such as: the minimum wage, annual leave, paid sick leave or an occupational pension. Independent workers are also not entitled to unemployment benefits from NII if their business fails.

The Israeli government provides good support for hi-tech companies and research and development activities (Ministry of Economy Investment Centre website, 2014). The 1959 law for the Encouragement of Capital Investments provides several benefits to investors and the Incubator and Yozma programmes (OECD, 2010) provide good examples of programmes that support start-ups and research and development.

However, the same level of support is not given to individuals wishing to establish micro-businesses in sectors other than hi-tech. The SMBA within the Ministry of Economy promotes the development and activity of small and medium enterprises<sup>33</sup>, but there is no 'special law' to support these endeavours. At present, the Israeli government is pushing a new bill on the promotion of small and medium-sized enterprises presented by the SMBA through the Knesset (SMBA, 2013). The SMBA runs a range of programmes targeted on specific groups, the content and coverage of which are updated from time to time. The programmes currently include assistance in the preparation of micro-business loans (SMBA, 2013).

The Ministry of Economy funds the local small business development centres (MAOF) through the SMBA. These centres specialise in helping entrepreneurs, micro-, small- and medium-businesses by offering them consultancy and other initiatives<sup>34</sup>.

Also, several NGOs and law clinics in universities provide business development assistance to micro-businesses<sup>35</sup>, and one good example of this can be seen in Keren Shemesh; a unique philanthropic organisation assisting young entrepreneurs to establish their first business. Since its founding in November 2005, Keren Shemesh has provided support to over 1,400 new businesses (Keren Shemesh website).

<sup>32</sup> In 2011, the figure was closer to 492,952.

<sup>33</sup> See <http://sba.economy.gov.il/Pages/default.aspx>

<sup>34</sup> In 2014, the small business development centres (MAOF) will replace the MATI centres established in the early 1990s (SMBA annual report 2014).

<sup>35</sup> See for example the Micro-business and Economic Justice Programme in Tel-Aviv University Law Faculty ([www.law.tau.ac.il/Eng/?CategoryID=278](http://www.law.tau.ac.il/Eng/?CategoryID=278)).

Another successful example can be seen in the Dualis Social Investment Fund, which supports social business initiatives that demonstrate an ability to grow and create social impact while also making a profit. The Fund particularly focusses on initiatives that use a business approach to resolve social problems (Dualis website), such as the Liliyot restaurant project which employs at-risk youth in order to integrate them into society (Liliyot website). Research by York in 2010 reported the positive effects of employment in the restaurant on the young people involved.

# 11. CONCLUSIONS AND RECOMMENDATIONS

Israel's labour market has performed relatively well in recent years and unemployment rates have been relatively low. Israel's compulsory education, strict restrictions on the employment of teenagers and compulsory army service mean that most Israeli young people are in education, training, employment or army service. Relatively low rates of Israeli youth are NEETs.

The Israeli government has taken several steps toward getting the unemployed into work over the last few years. These have included major restrictions on the eligibility criteria for income support and unemployment benefits, and the development of several active labour market policies. Israel's ALMPs focus on specific targeted groups known to experience low participation rates in the labour market. Evaluation studies point to success in several programmes, but the active labour market policy still faces some challenges.

- Although Israel has sharply cut income support and unemployment benefits, passive labour market policies (and not active labour market policies) are currently being relied upon as the main tool in protecting individuals from social exclusion.  
**Recommendation:** Regulators should promote active labour market policies to replace the old passive labour market policies (Auer, 2002; de Koning, 2007; and Meager, 2007). Active labour market policies can form a 'bridge' and save individuals from social exclusion.
- The sharp cut in benefits has pushed many individuals into poverty. Moreover, employment in Israel does not save individuals from poverty as even families with two working adults are in danger of poverty (NII, 2013b). The main problem of the Israeli welfare-to-work programme was its emphasis on 'work first' rather than high quality work.  
**Recommendation:** Regulators should attempt to link skills to labour market demand by investing in education and vocational training that leads to high quality jobs. The new Jobs Rated website provides information on job opportunities and wages. Wages should be taken into account when approving vocational training.
- The Israeli PES has a limited budget and serves mainly allowance seekers. Israel's policy in recent years has been to establish public-funded private employment centres for targeted groups of employees including Arabs and ultra-Orthodox Jews.  
**Recommendation:** There is a need to strengthen PES in Israel and to decide upon the optimal division of work between public and private centres (OECD, 2013a). Strict monitoring of the private centres is needed as previous experience of privatised ALMPs in Israel showed a need for strict regulation.
- Israel lacks a 'universal' active labour market policy and specifically ALMPs toward youth. Moreover, most ALMPs are developed and implemented outside the government ministries, with TEVET and private contractors playing a major role in the design and implementation of new ALMPs. According to the OECD, public spending on ALMPs in Israel is particularly low compared to international standards, at a rate that is the second lowest in the OECD after Mexico (OECD, 2013a, p. 30).  
**Recommendation:** Israel needs to develop a new comprehensive national policy.
- Vocational training in Israel faces challenges that include budgetary constraints and the lack of a universal or targeted legal right to vocational training.  
**Recommendations:** Israel needs to strengthen the Israeli Manpower Training and Development Bureau in the Ministry of Economy; and Israel needs to define a universal legal right or a targeted right for vocational training.
- Individuals wishing to establish a micro-business face major challenges.  
**Recommendations:** Israel must develop and offer more financial assistance to micro-businesses and use self-employment as a tool with which to save individuals from social exclusion; and Israel should make efforts to provide the self-employed with unemployment benefits and occupational pensions.
- There is currently no universal programme to deal with NEETs in Israel. The Ministry of Defence applies a few programmes, but these are restricted to discharged soldiers.  
**Recommendations:** Israel should draft a comprehensive national programme on NEETs; and Israel should expand the special programmes applied to discharged soldiers to all Israeli youth.

# ACRONYMS

<b>ALMPs</b>	Active labour market programmes
<b>CBS</b>	Central Bureau of Statistics
<b>EEOC</b>	Equal Employment Opportunity Commission
<b>ETF</b>	European Training Foundation
<b>EU</b>	European Union
<b>IDF</b>	Israeli Defence Forces
<b>ILS</b>	New Israeli shekel
<b>JDC</b>	Joint Distribution Committee
<b>NEET</b>	(Young people) Not in education, employment or training
<b>NGO</b>	Non-governmental organisation
<b>NII</b>	National Insurance Institute
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PES</b>	Public Employment Service
<b>SMBA</b>	Small and Medium Business Agency

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Workers' Hotline (NGO): [www.kavlaoved.org.il/en/](http://www.kavlaoved.org.il/en/)



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