

POLICY PAPER SERIES

**CHANGES IN LABOR FORCE SURVEY DATA
AND THEIR MEANING**

Eran Yashiv

Policy Paper No. 2012.09

שינויים בנתוני סקר כוח אדם ומשמעותם

ערן ישיב

נייר מדיניות מס' 2012.09

All errors are the author's own. The views expressed herein are those of the authors and do not necessarily reflect the views of the Taub Center for Social Policy Studies in Israel.

Short sections of text, not to exceed two paragraphs, may be quoted without explicit permission provided that full credit is given to the source.

Changes in Labor Force Survey Data and Their Meaning

Eran Yashiv*

Abstract

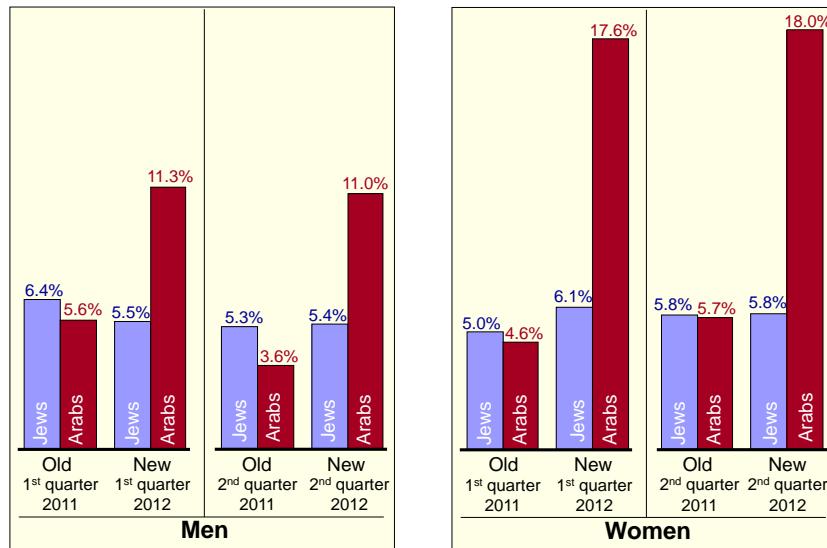
In 2012, the Central Bureau of Statistics began to conduct its labor force surveys in a new way: the central differences were major changes in the sampling and a move from a quarterly to a monthly survey. The change brought about some significant differences in the data. In particular, amongst Arab Israelis there was a dramatic jump in the unemployment rate; it was approximately two times greater in men and three times in women. Following this, the estimates of the unemployment rate in the overall population also rose. Labor force participation rates amongst all populations examined – men and women, Jews and Arabs – were higher than reported by the old survey method. It thus seems that there is a more serious problem of unemployment in the Arab sector than what was reflected by the old survey and it is important to give greater emphasis to steps to deal with this unemployment. At the same time, the picture of the labor force participation rates in Israel, an issue that is central to labor market problems, is somewhat better than it had been believed to be.

* Prof. Eran Yashiv, Chair, Taub Center Economics Policy Program; School of Economics and Chair, Department of Public Policy, Tel-Aviv University; Research Fellow, CEPR, London.

In 2012, Israel’s Central Bureau of Statistics adopted a new labor force survey format. The main changes were a considerable change in the survey’s sampling frame and replacing quarterly with monthly surveys. These changes resulted in some significant differences in the data.

The following figures show data for four quarters: the first two quarters of 2011, based on the old format of the survey, and the first two quarters of 2012, based on the new format. The data are not seasonally adjusted. Figure 1 shows unemployment rates for men and for women; Figure 2 presents labor force participation rates among Israeli Jews and Arabs.¹

Figure 1
Unemployment rate
 comparison between old and new surveys

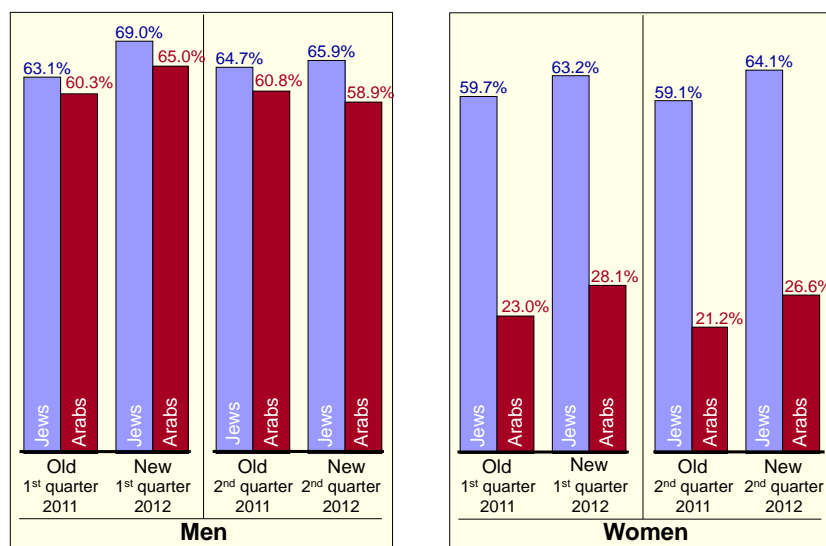


Source: Taub Center for Social Policy Studies in Israel.

Data: Central Bureau of Statistics.

¹ The terms Arabs and Arab Israelis are used interchangeably to refer to the same population.

Figure 2
Labor force participation rates
 comparison between old and new surveys



Source: Taub Center for Social Policy Studies in Israel.

Data: Central Bureau of Statistics.

The figures show the following:

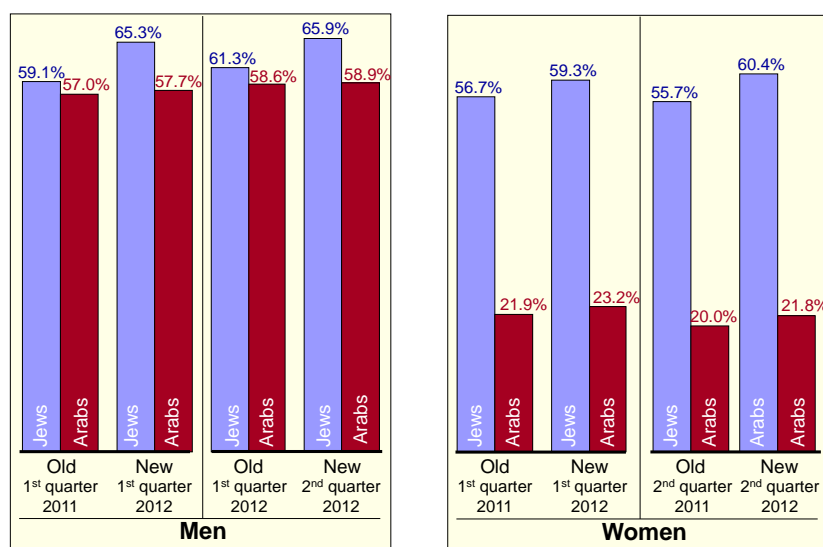
- Unemployment rates did not change significantly among Jews, male or female, between the old and the new survey. Among Arabs, on the other hand, there was a dramatic leap in the unemployment rate: an approximate doubling among men and tripling among women. As a result, the general unemployment rate for the total population increased as well.

- Labor force participation rates amongst all the populations surveyed – men and women, Jews and Arabs – are higher than what was seen in the old survey. In the first half of 2011, the participation rate ranged from 64-65 percent among Jewish men, and went up to 66-69 percent in the first half of 2012. In 2011, the participation rate of Arab men ranged from 60-61 percent, and went up in 2012, to 59-65 percent. For women, the labor participation rates for Jews were some 59-60 percent in 2011 according to the old survey and rose to 63-64 percent in 2012. For Arab women, the rate was 21-23 percent in 2011, while according to the new survey the rate was 28-29 percent in 2012.

What do these changes mean? Three things are clear:

- Unemployment rates among Arabs appear to be much higher than they seemed from the old survey. Likewise, according to the new survey, the share of Arabs in the total unemployed population is higher (approximately 30 percent) and the total unemployment rate is also higher than what was observed in the old survey.
- The labor force participation rate for the total Israeli population appears to have increased by about 4 percentage points over what was noted in the old survey. Nevertheless, the labor force participation gap between Jews and Arabs has remained largely unchanged.
- In the change from the old to the new survey, employment rates for Jews increased in tandem with the higher labor force participation and unchanged unemployment rates (Figure 3). Employment rates for Arabs remained largely unchanged, as higher unemployment rates were offset by higher labor force participation rates.

Figure 3
Employment rate
 comparison between old and new surveys



Source: Taub Center for Social Policy Studies in Israel.

Data: Central Bureau of Statistics.

The current data have two key implications for government policy:

1. There is a bigger problem with unemployment in the Arab sector than what was reflected by the old survey method. Higher priority should therefore be given to measures to combat unemployment in this sector.
2. Labor force participation, long believed to be a major cause for concern in the Israeli labor market, seems to be better than previously thought (on the assumption that the new survey method is more reliable than the old one). Nevertheless, the improvement is not sufficient so as to obviate the significant steps needed in order to handle this important issue.