

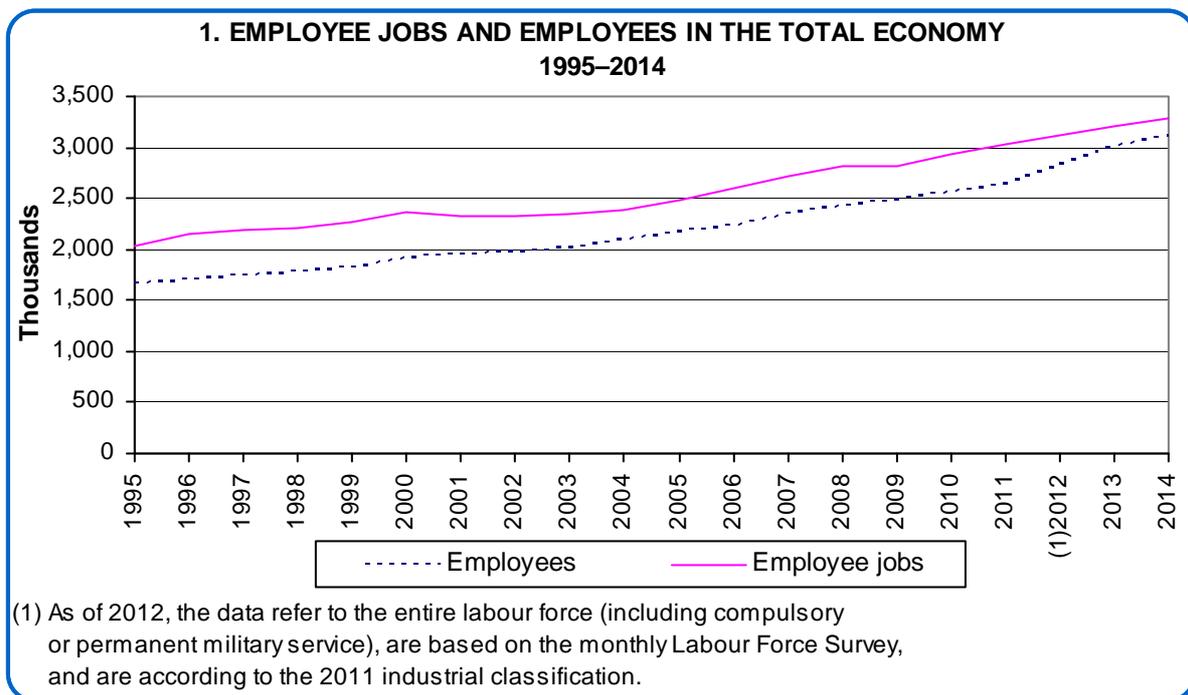
A. Main Findings – Multi-Year Analysis^{1, 2}

Chapter A: Employee Jobs and Wages (National Insurance Institute Data and Other Administrative Sources)

The data series used in Chapters A and B were constructed from the data of labour force surveys, as well as from the series of employment and wages indices of the Central Bureau of Statistics for the period 1995–2014. The number of workers in the high-tech sector was examined according to both data sources, in such a way as to allow linking between them.

In the classification by industries, there is a difference in definitions: In the labour force surveys, employees are classified according to their main workplace, whereas in the employment and wage indices, the classification is according to the establishment in which an employee is reported by the employer to the National Insurance Institute (differences are usually found in establishments that engage in extensive activity as well as in data for workers who are employed through employment agencies).

The high-tech sector is characterized by full-time employment, which, in most cases, does not allow for work in additional jobs. Therefore, it can be assumed that differences between the number of employee jobs and the number of employees in the high-tech sector will be smaller than the difference in the economy as a whole.

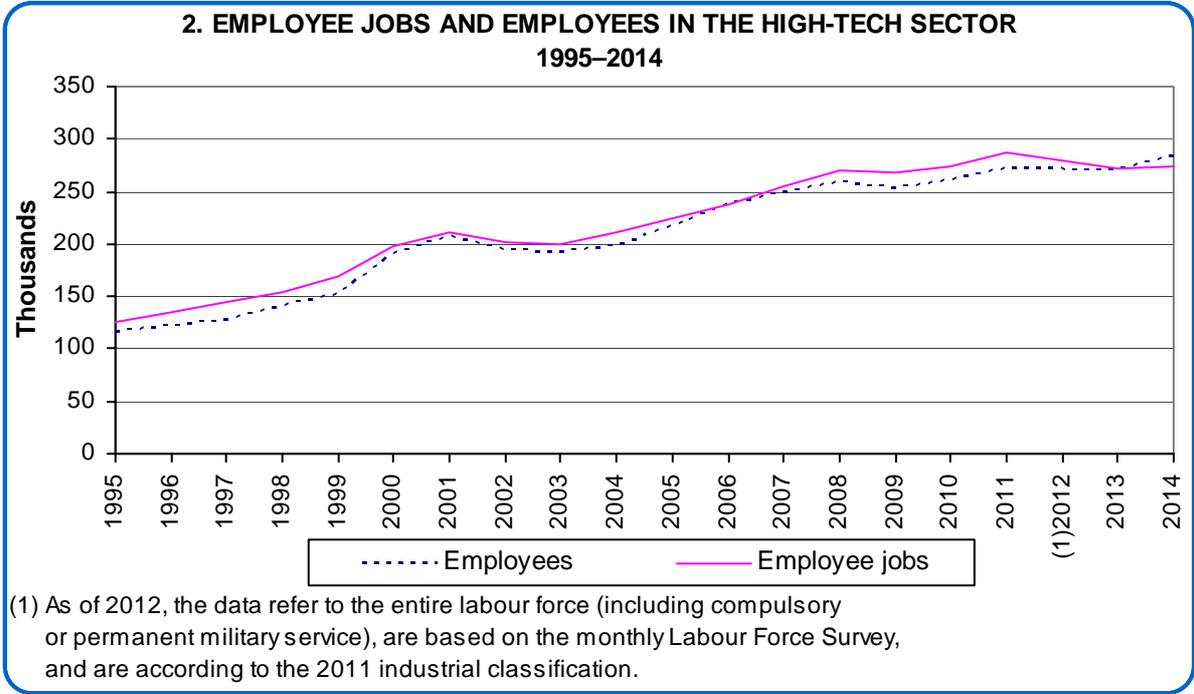


¹ During 1995–2011, the high-tech field was defined according to the *Standard Classification of All Economic Activities 1993*. However, as of 2012, it is defined according to the *Standard Industrial Classification of All Economic Activities 2011*.

² Due to the change in the labour force surveys in 2012 from a quarterly to a monthly format, no comparisons are made between the years 1995–2011 and later years.

Diagram 1 shows that the number of employee jobs in the economy was higher than the number of employees obtained from the labour force surveys, in each of the years covered in the data series. The main explanation for this discrepancy is that in the series of wage and employment indices, employees who appear on the payrolls of more than one establishment or institution in a given month are counted according to the number of times they appear on the payrolls, whereas the labour force surveys record information only on the employee's main workplace.

Another explanation of the gap is that in the labour force surveys, the data relate to a given week in which a person worked, whereas the data in the wage and employment indices pertain to workers who appeared on payrolls in a given month. The data about employees in the wage and employment indices were adjusted to the data about the number of employee jobs in the labour force surveys.

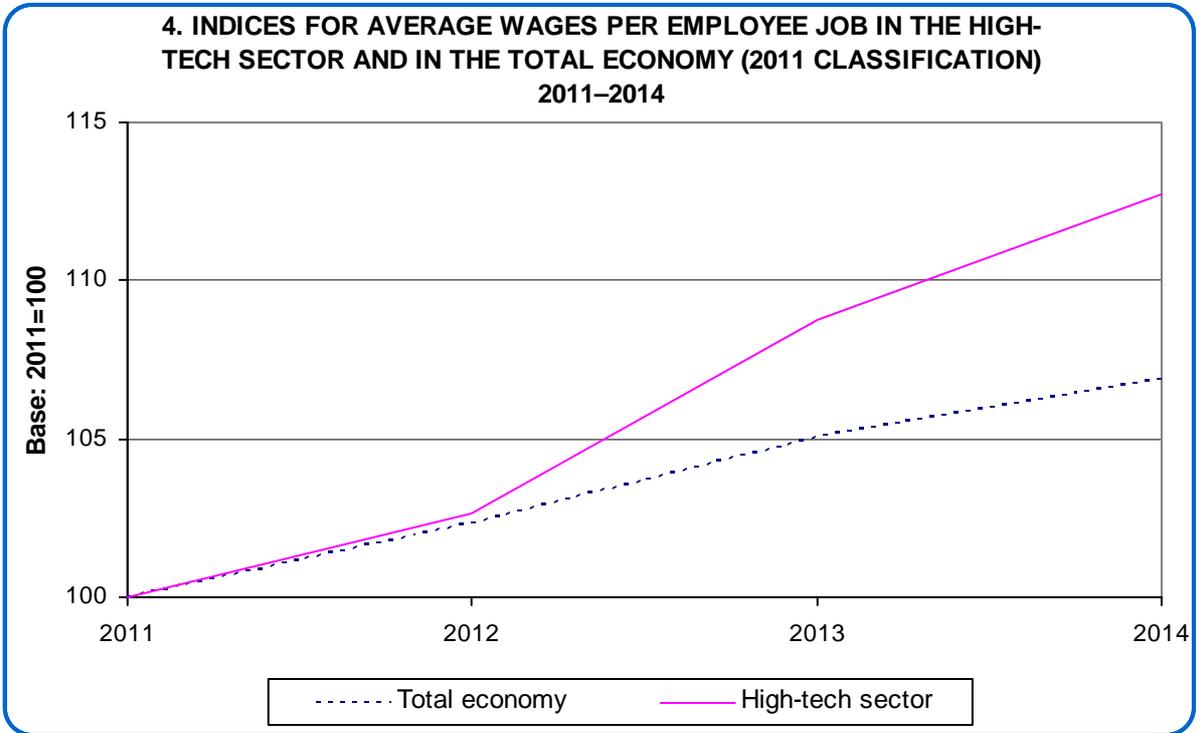
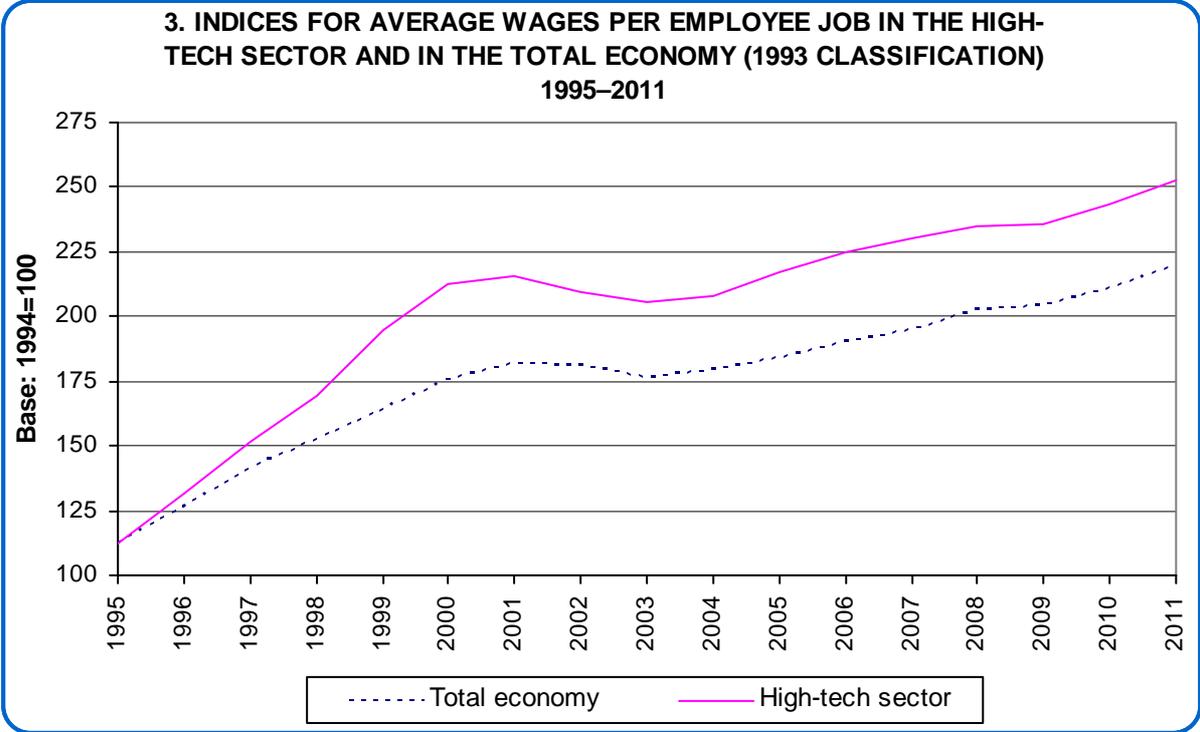


As can be seen in Diagram 2, the two sources of data show the identical trend in the development of the high-tech sector. Despite the discrepancies between the number of employees and number of employee jobs, the two series are very similar. Taking into account the data from the two sources allows, in general, the attribution of the wages to the employees that are in fact employed in high-tech, and then calculation of the gross average monthly wages for an employee job in this sector.

Employee Jobs

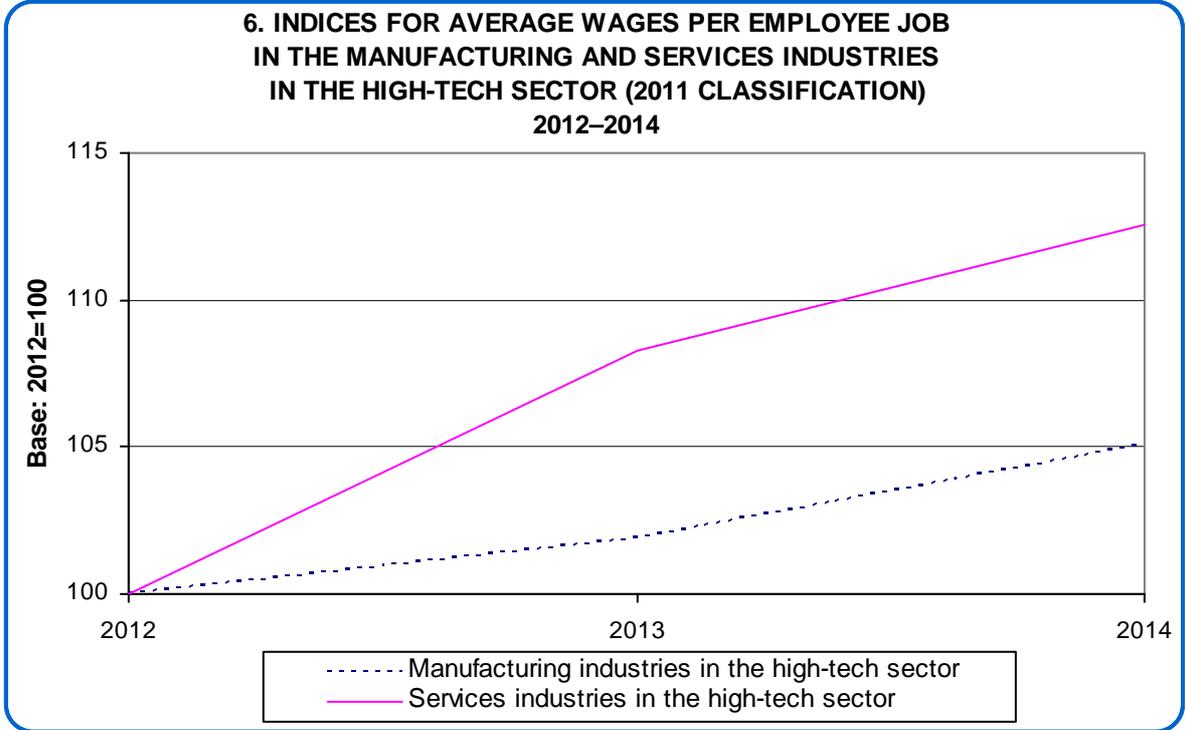
Wages are higher in the high-tech sector than in other industries of the economy. In 2014, the average salary in the high-tech sector was more than double the average salary in the

other industries (NIS 19,413 compared to NIS 9,373). The gap between the change in wages from year to year in the high-tech sector and that change in the other industries, which widened during the 1990s, was relatively stable beginning from 2000.



Wages in the Manufacturing and Services industries in the high-tech sector increased by about the same extent over the years. During 1995–2011, wages in the Services industries

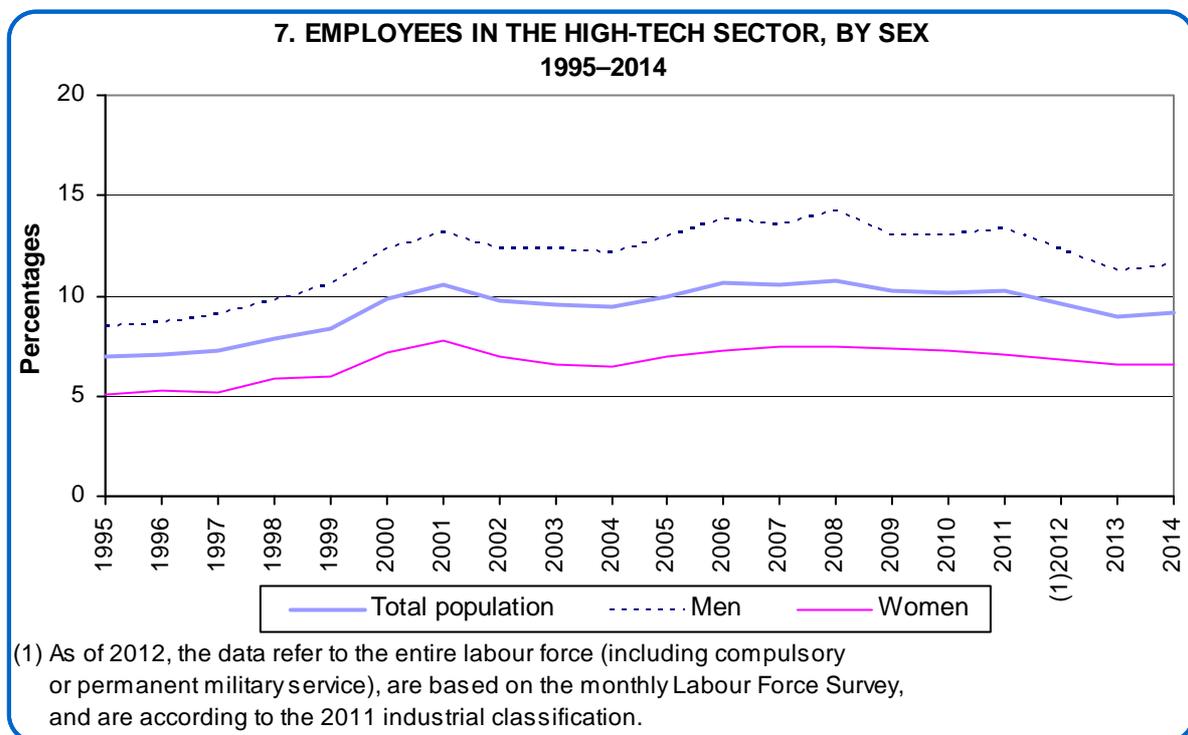
increased by 6 percentage points more than the average wages in the Manufacturing industries in the high-tech sector. During 2012–2014, wages in the Services industries increased by 7 percentage points more than the average wages in the Manufacturing industries in the high-tech sector.



Chapter B: Characteristics of Employees (Based on Labour Force Surveys)

During 1995–2011, the number of employees in the high-tech sector increased from 115,500 to 271,300 – an increase of 135% – whereas the number of employees in the economy overall increased by only 60% during these years. Concurrently, the percentage of employees in the high-tech sector out of all employees in the economy increased from 6.9% to 10.3%.

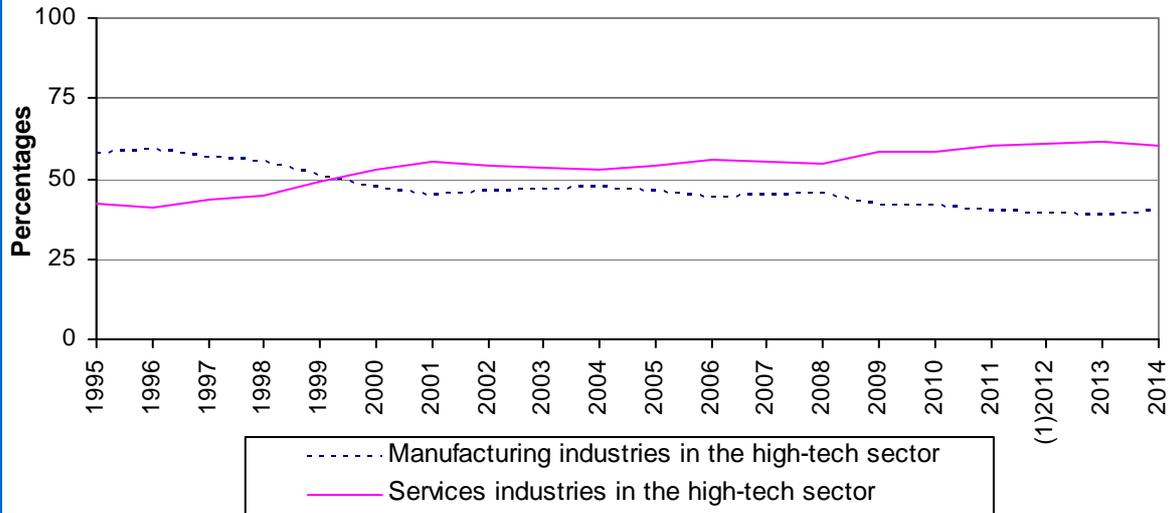
In 2014, there were 283,300 employees in the high-tech sector, who constituted 9.1% of all employees in the economy. The number of employees increased by 8.2% compared to the number in 2012.



More men work in the high-tech sector than women; men constitute two-thirds of the workers. In 2014, 11.5% of all male employees worked in the high-tech sector, and only 6.6% of all female employees worked in the high-tech sector.

The high-tech sector is divided into the Manufacturing and the Services industries. Until 2000, the majority of high-tech workers worked in the Manufacturing industries, but starting in 2000, the majority of high-tech workers worked in the Services industries. As of 2009, approximately 60% of high-tech workers worked in the Services industries.

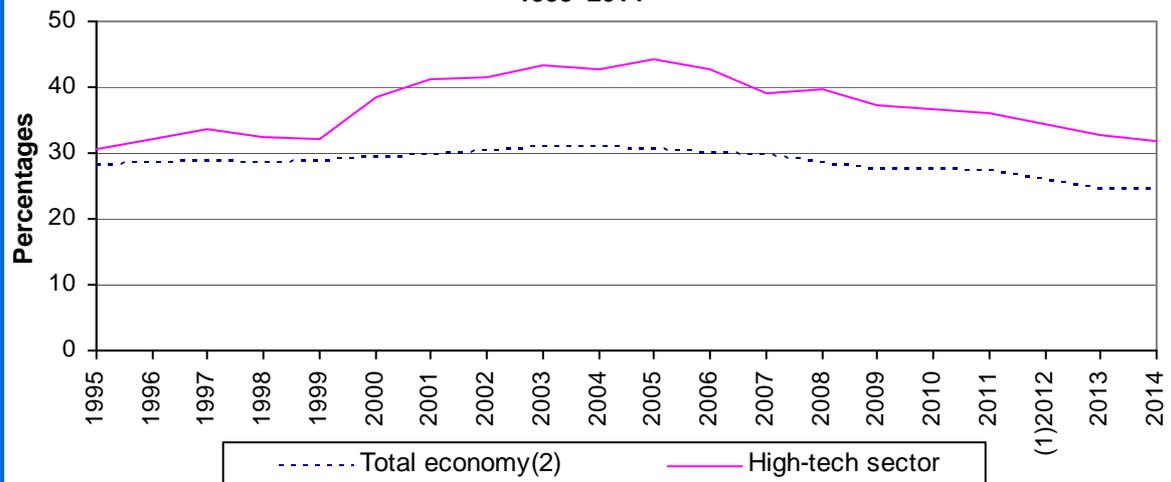
**8. EMPLOYEES IN THE MANUFACTURING AND SERVICES INDUSTRIES
IN THE HIGH-TECH SECTOR
1995–2014**



(1) As of 2012, the data refer to the entire labour force (including compulsory or permanent military service), are based on the monthly Labour Force Survey, and are according to the 2011 industrial classification.

The high-tech sector is characterized by younger workers than in other industries in the economy. In 2014, approximately one-third of workers in the high-tech sector were aged 25–34, compared to one-fourth of workers in the other industries of the economy. During 2001–2006, when the high-tech sector reached a peak, over 40% of workers in the sector were aged 25–34.

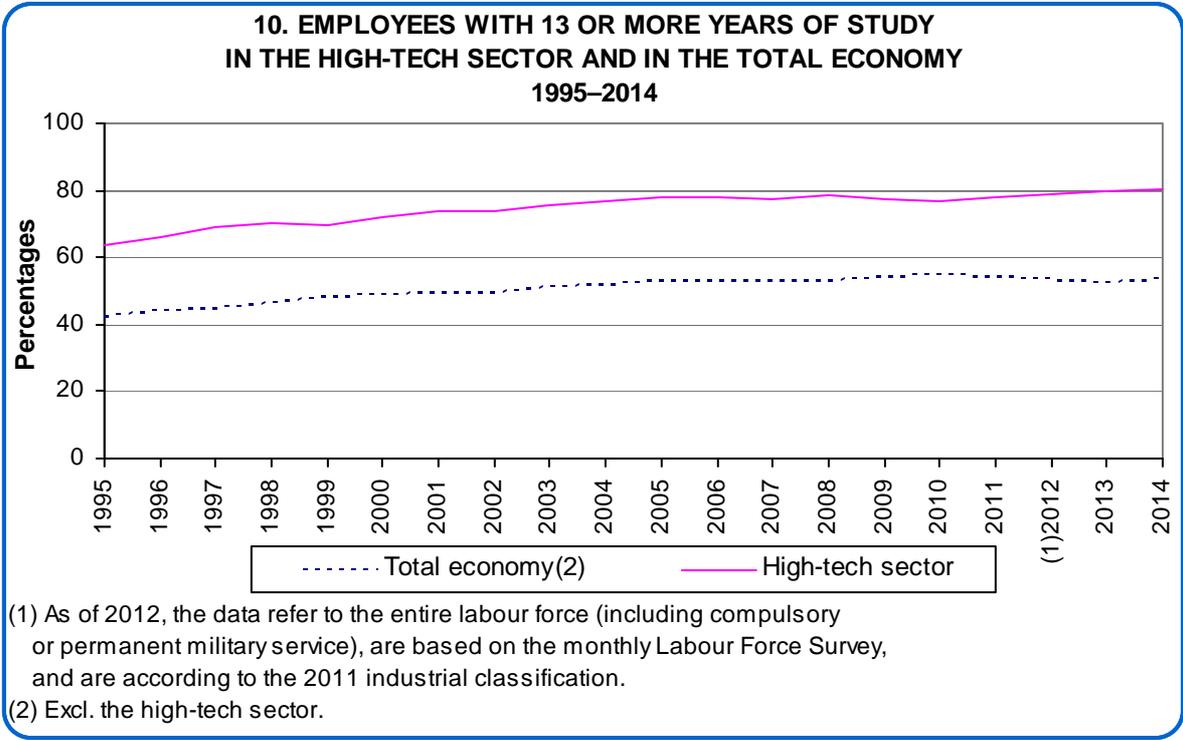
**9. EMPLOYEES AGED 25–34 IN THE HIGH-TECH SECTOR
AND IN THE TOTAL ECONOMY
1995–2014**



(1) As of 2012, the data refer to the entire labour force (including compulsory or permanent military service), are based on the monthly Labour Force Survey, and are according to the 2011 industrial classification.

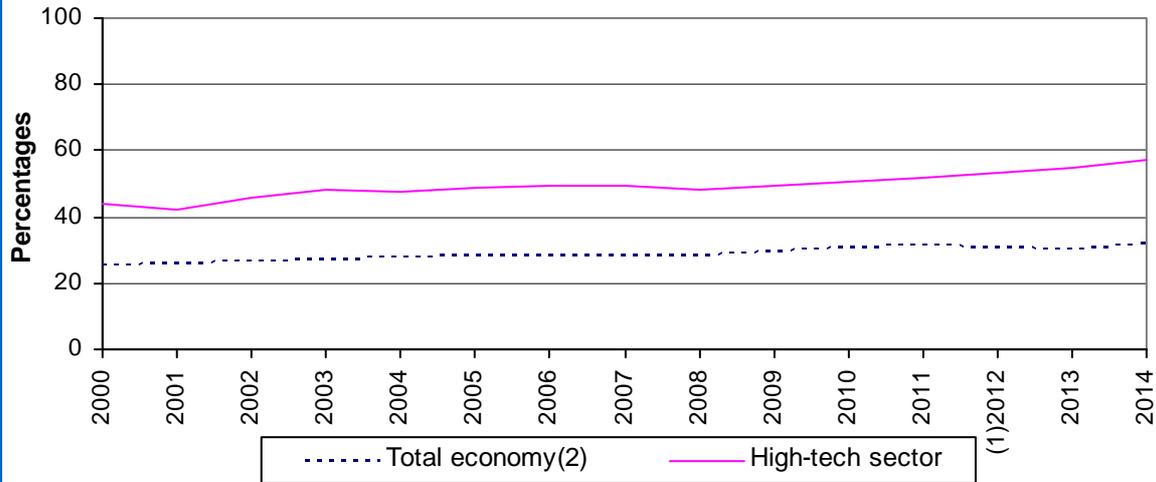
(2) Excl. the high-tech sector.

The high-tech sector is also characterized by workers who attained higher education levels than workers in other industries in the economy. During 1995–2011, the percentage of workers having 13 or more years of study increased from 63.9% to 78.4%. In 2014, the percentages were 77.8% in the high-tech sector and 53.7% in the other industries in the economy.



A larger percentage of high-tech workers have academic degrees than the percentage in the other industries of the economy. During 2000–2011, the percentage of high-tech workers with academic degrees increased from 43.8% to 51.7%. In 2014, the percentage increased to 57.3%, compared to 31.8% in the other industries of the economy.

**11. EMPLOYEES WITH ACADEMIC DEGREES
IN THE HIGH-TECH SECTOR AND IN THE TOTAL ECONOMY
2000–2014**

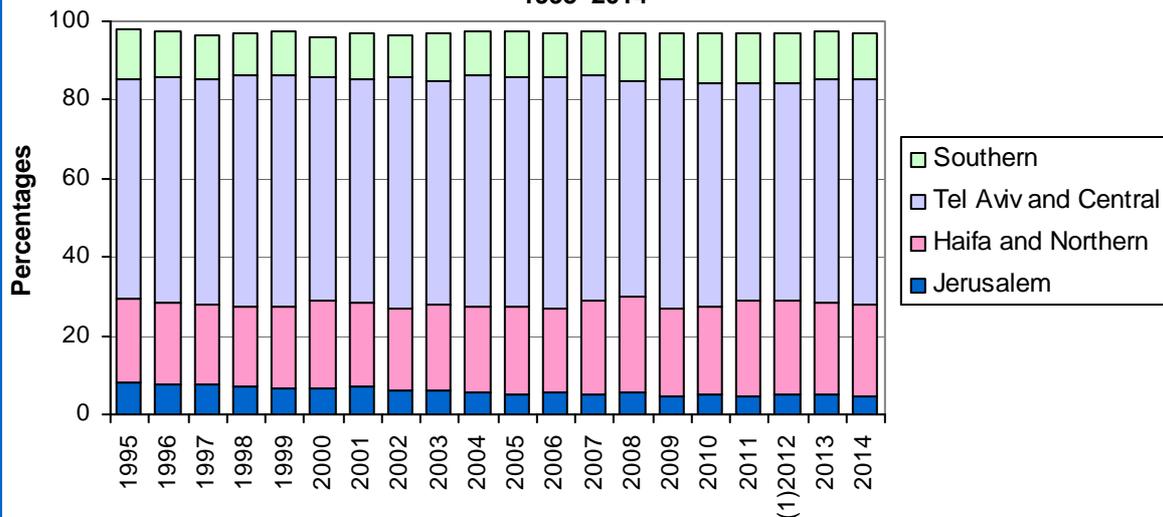


(1) As of 2012, the data refer to the entire labour force (including compulsory or permanent military service), are based on the monthly Labour Force Survey, and are according to the 2011 industrial classification.

(2) Excl. the high-tech sector.

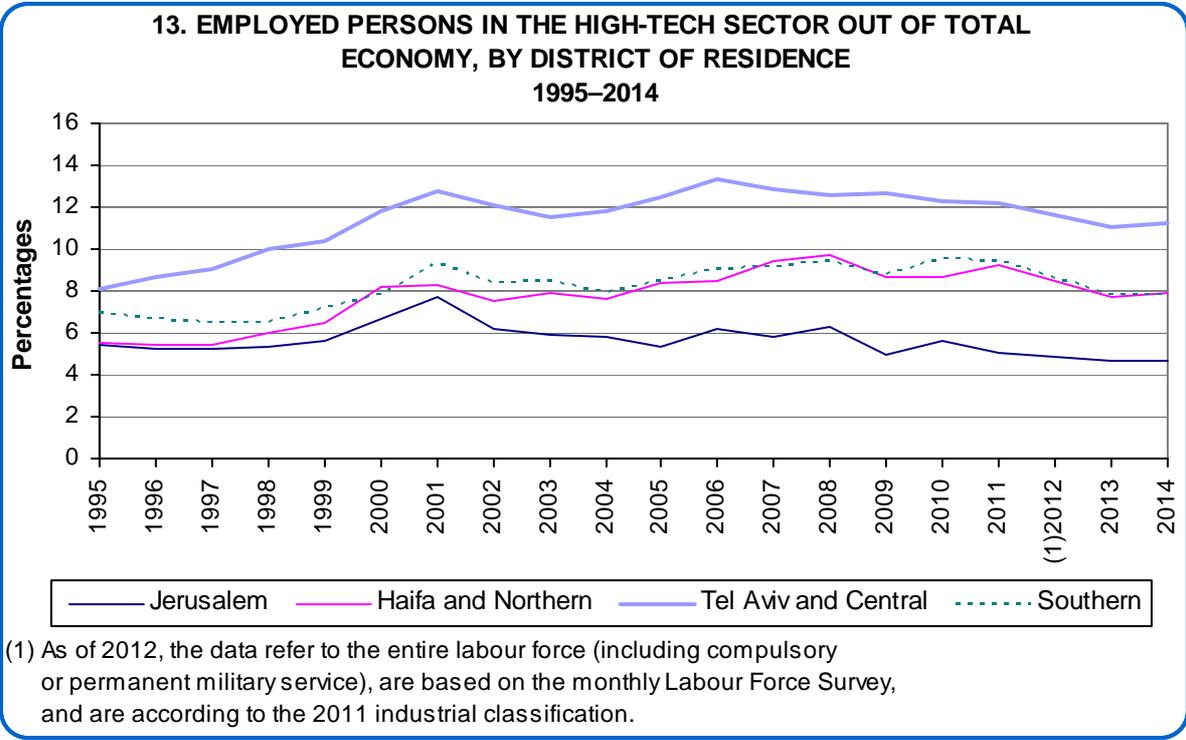
During 1995–2014, the majority of workers in the high-tech sector resided in the Tel Aviv and Central Districts (55-60%), and a minority resided in the Jerusalem District. The percentage residing in the Jerusalem District is continually decreasing: In 1995, 8.1% of workers in the high-tech sector resided in the Jerusalem District, and in 2011, this percentage was only 4.6%. In 2014, the percentage was 4.8%.

**12. EMPLOYEES IN THE HIGH-TECH SECTOR,
BY DISTRICT OF RESIDENCE
1995–2014**



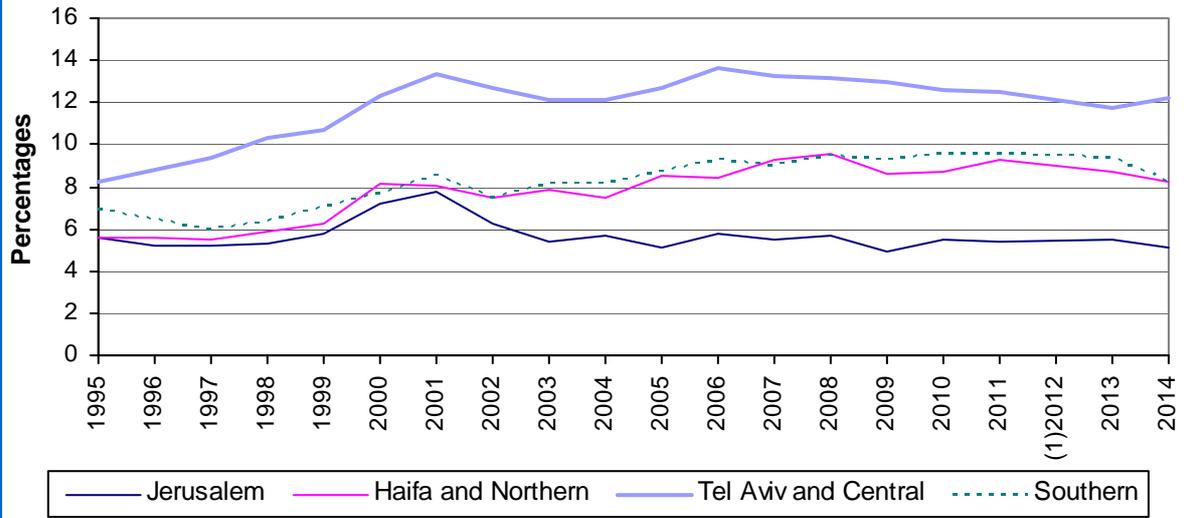
(1) As of 2012, the data refer to the entire labour force (including compulsory or permanent military service), are based on the monthly Labour Force Survey, and are according to the 2011 industrial classification.

The largest percentage of employees in the high-tech sector, out of employees in the various districts, was in the Tel Aviv and Central Districts. During 1995–2011, this percentage increased from 8.1% to 12.2%, and in 2014 it was 11.2%. Jerusalem had the smallest percentage of the employees in the high-tech sector: approximately 5% in 2011 and during 2012–2014.



In 2014, in the Tel Aviv and Central Districts, the percentage of workers in the high-tech sector out of total employees working in this district was larger (12.3%) compared to the other districts, whereas the percentage of employees in the high-tech sector in the Jerusalem District was low (approximately 5.1%).

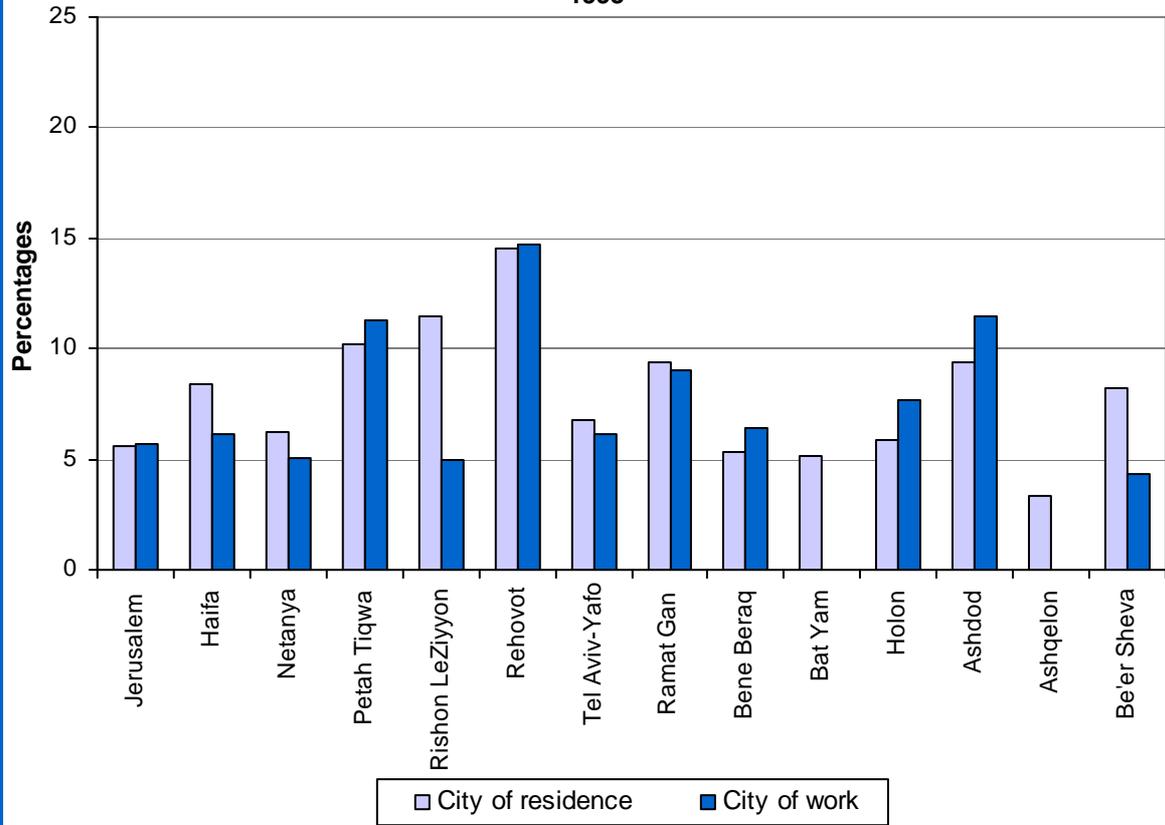
**14. EMPLOYED PERSONS IN THE HIGH-TECH SECTOR OUT OF TOTAL ECONOMY, BY DISTRICT OF WORK
1995–2014**



(1) As of 2012, the data refer to the entire labour force (including compulsory or permanent military service), are based on the monthly Labour Force Survey, and are according to the 2011 industrial classification.

In 1995, in each of the cities of Rehovot, Rishon LeZiyon, and Petah Tiqwa, more than 10% of all employees residing in the city worked in the high-tech sector. In the same year, in each of Rehovot, Petah Tiqwa, and Ashdod, more than 10% of employees working in the city worked in the high-tech sector.

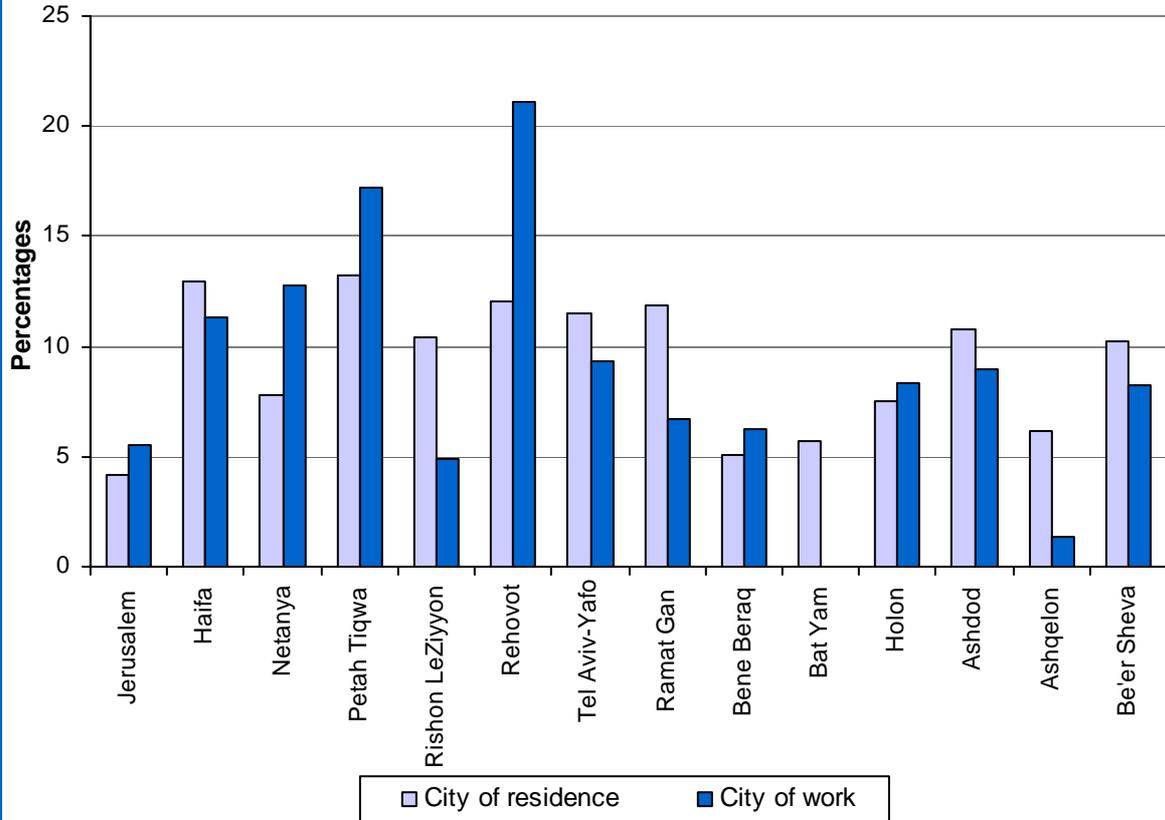
**15. EMPLOYEES IN THE HIGH-TECH SECTOR IN THE LARGE CITIES,(1)
BY CITY OF WORK AND CITY OF RESIDENCE
1995**



(1) Cities with 100,000 or more residents.

In 2014, in each of the cities of Haifa, Be'er Sheva, Ashdod, Ramat Gan, Tel Aviv, Rehovot, Rishon LeZiyyon, and Petah Tiqwa, more than 10% of all employees residing in the city worked in the high-tech sector. Rehovot and Petah Tiqwa stood out in this respect, with 21.1% and 17.2% of employees residing in the cities, respectively, working in the high-tech sector.

**16. EMPLOYEES IN THE HIGH-TECH SECTOR IN THE LARGE CITIES,(1)
BY CITY OF WORK AND CITY OF RESIDENCE
2014**

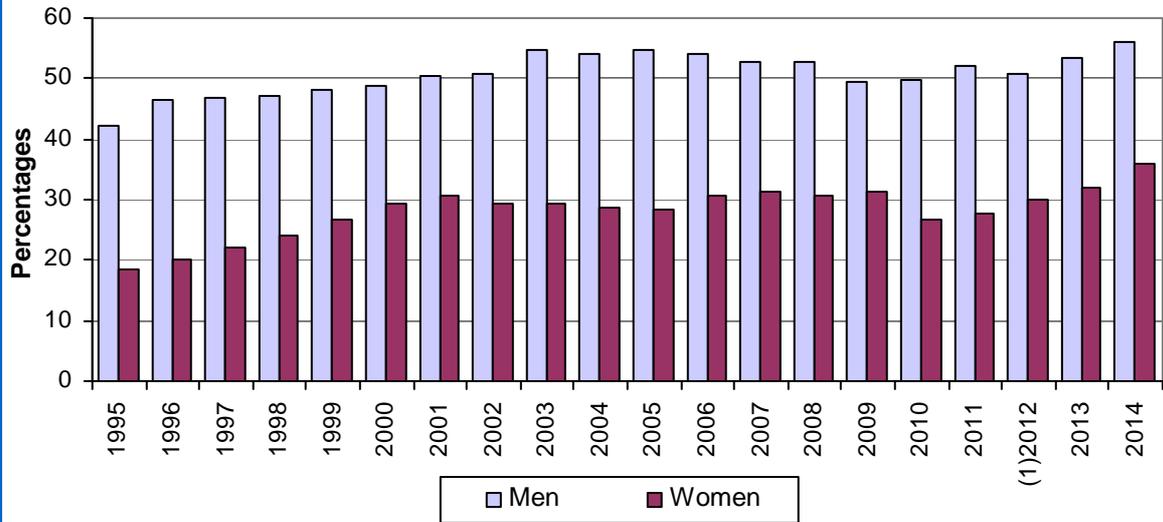


(1) Cities with 100,000 or more residents.

Employee Occupations in the High-Tech Sector

In the high-tech sector, the occupations of employees are defined as “high-tech” or “others”. The percentage of men working in the high-tech sector in high-tech occupations is substantially higher than this percentage among women. During 1995–2011, the percentage of men working in the high-tech sector in high-tech occupations increased from 42.3% to 52.1%, and was 56.0% in 2014. Concurrently, this percentage among women increased from 18.5% to 27.8%, and was 35.9% in 2014.

**17. EMPLOYEES IN THE HIGH-TECH SECTOR WORKING
IN HIGH-TECH OCCUPATIONS, BY SEX
1995–2014**

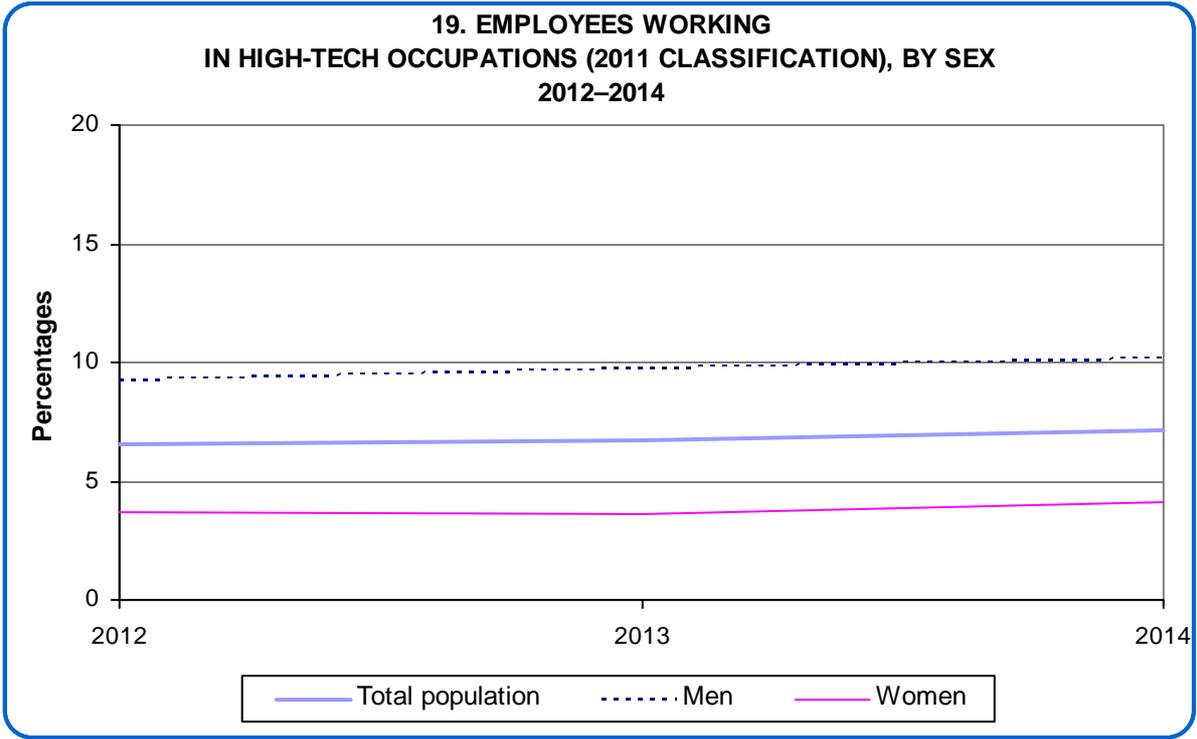


(1) As of 2012, the data refer to the entire labour force (including compulsory or permanent military service), are based on the monthly Labour Force Survey, and are according to the 2011 industrial classification.

During 1995–2011, the percentage of workers in the high-tech sector in high-tech occupations out of all employees increased from 4.6% to 7.1%. Most of the increase was due to men, whose share increased from 6.7% to 10.6%. In 2014, the percentage of workers in the high-tech sector in high-tech occupations out of all employees was 7.2%, and 10.2% among men.

**18. EMPLOYEES WORKING
IN HIGH-TECH OCCUPATIONS (1994 CLASSIFICATION), BY SEX
1995–2011**

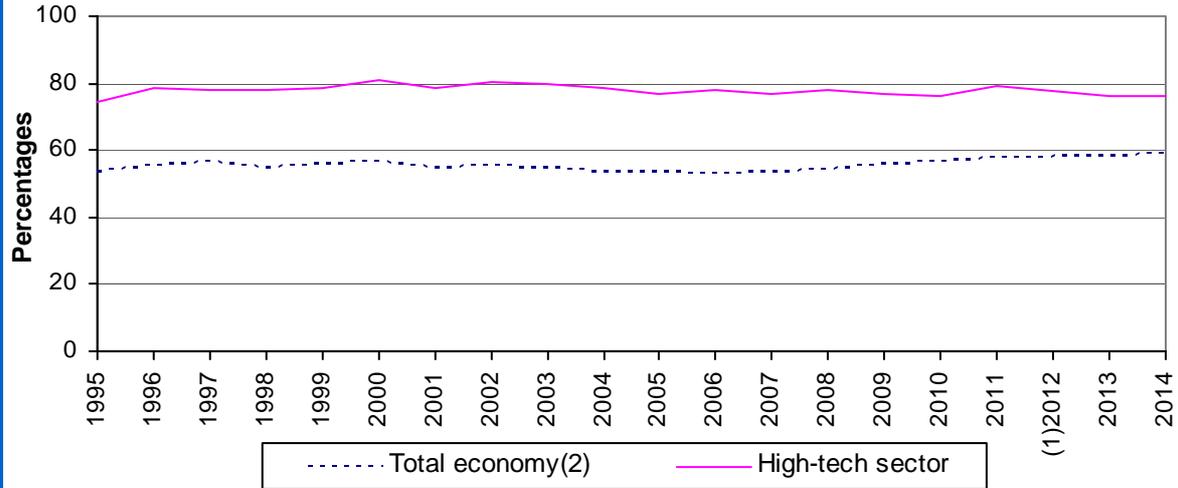




During 1995–2011, the employment multiplier in the high-tech sector in terms of creation of new jobs in other occupations (that are not high-tech) decreased from 1.9 to 1.3. In other words, for each worker in a high-tech occupation in the high-tech sector, 1.3 workers in other occupations were added. In 2014, the employment multiplier was 1.0.

The high-tech sector is characterized by full-time work, for both men and women. The extent of full-time work of women is especially notable: the percentage of women working full-time in the high-tech sector was 20 percentage points higher than women in the other industries in the economy.

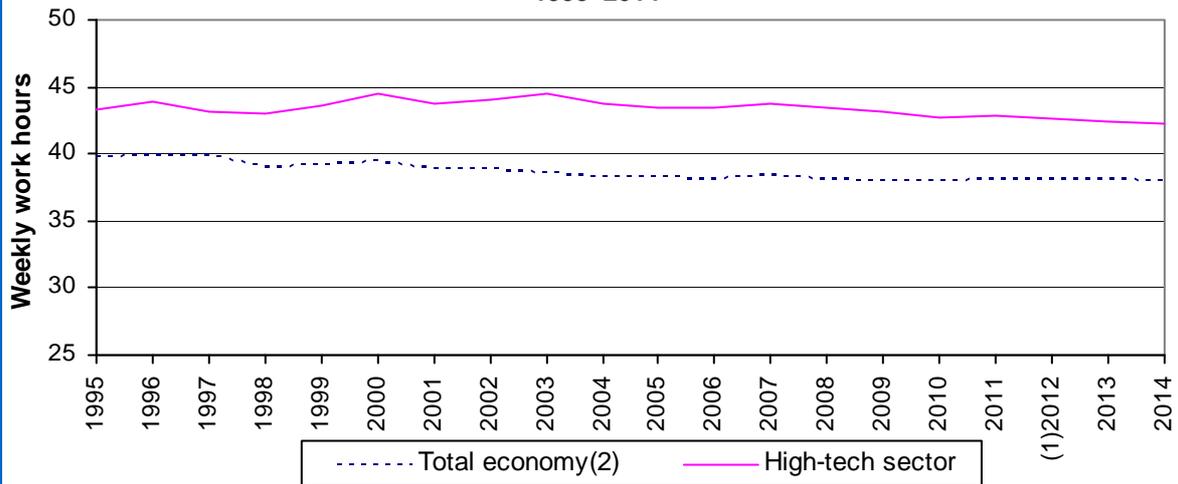
**20. FEMALE FULL-TIME WORKERS (EXCL. ABSENT FROM WORK)
IN THE HIGH-TECH SECTOR AND IN THE TOTAL ECONOMY
1995–2014**



- (1) As of 2012, the data refer to the entire labour force (including compulsory or permanent military service), are based on the monthly Labour Force Survey, and are according to the 2011 industrial classification.
 (2) Excl. the high-tech sector.

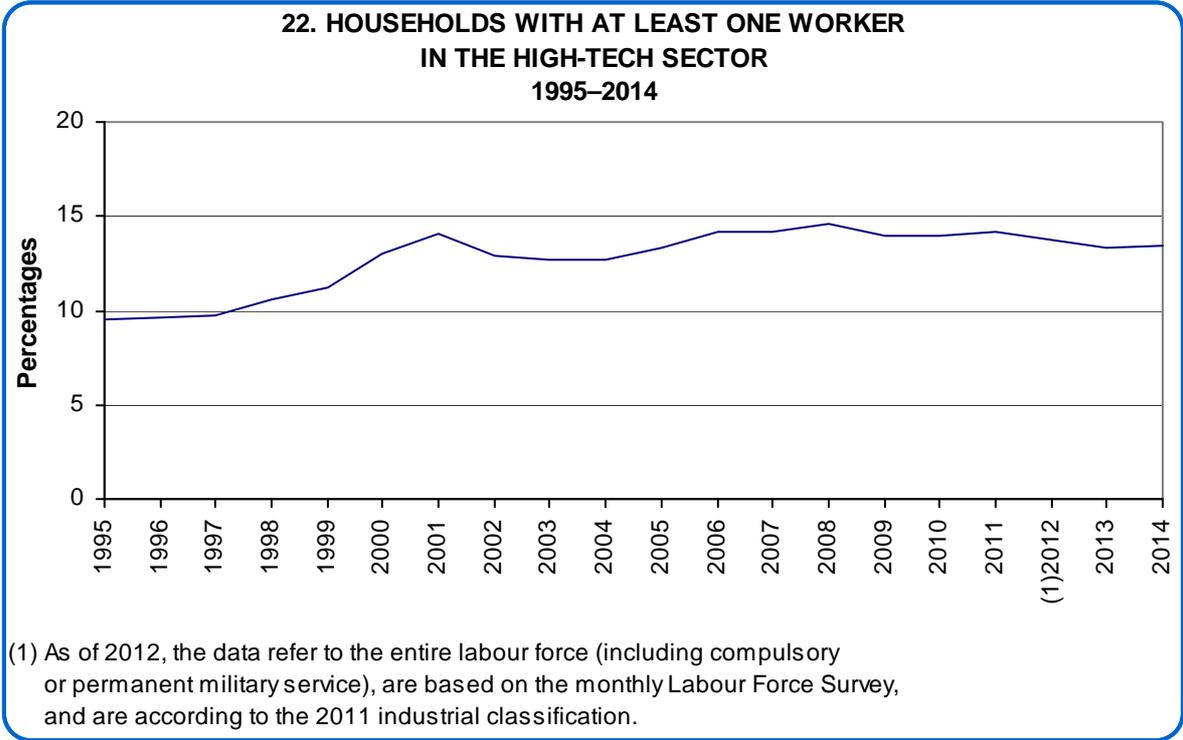
The average number of work hours per week is higher in the high-tech sector than in other industries in the economy. However, during 2003–2011 the gap narrowed from 6 hours to approximately 4.9 hours, and in 2014 it narrowed to 4.3 hours. In 2003, the average number of work hours in the high-tech sector was 44.5 hours, and in 2014, it was 42.3 hours.

**21. AVERAGE WEEKLY WORK HOURS
IN THE HIGH-TECH SECTOR AND IN THE TOTAL ECONOMY
1995–2014**

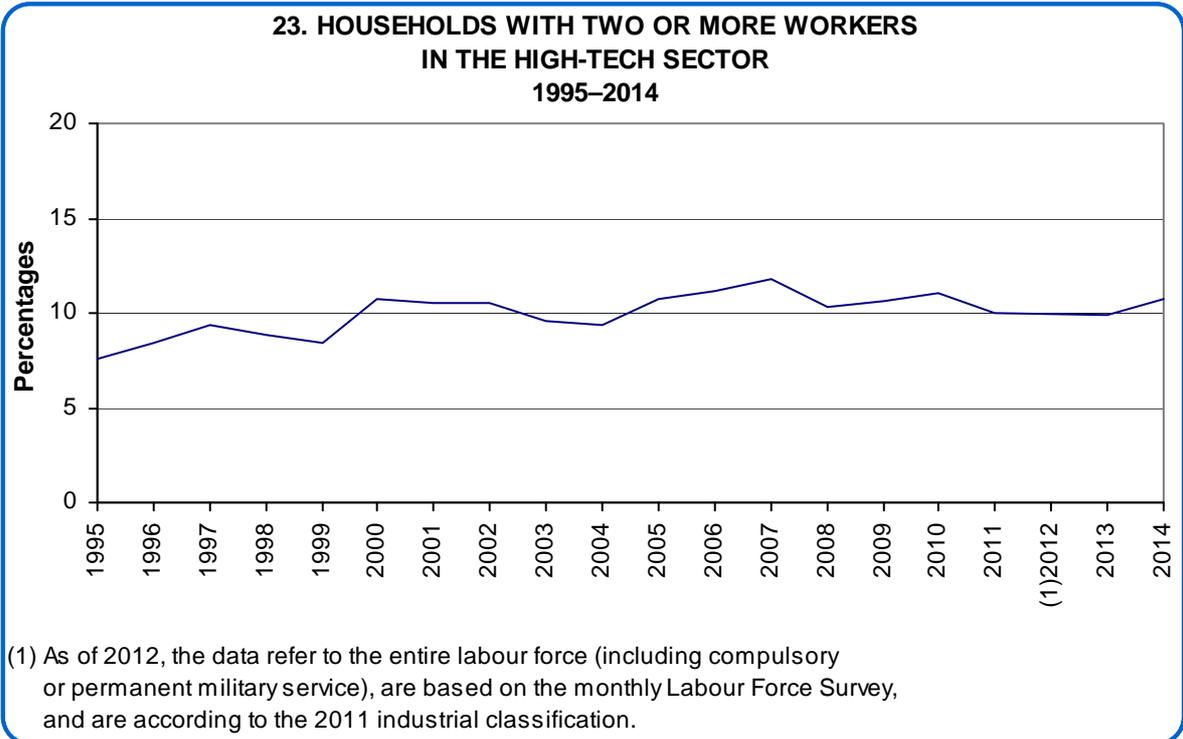


- (1) As of 2012, the data refer to the entire labour force (including compulsory or permanent military service), are based on the monthly Labour Force Survey, and are according to the 2011 industrial classification.
 (2) Excl. the high-tech sector.

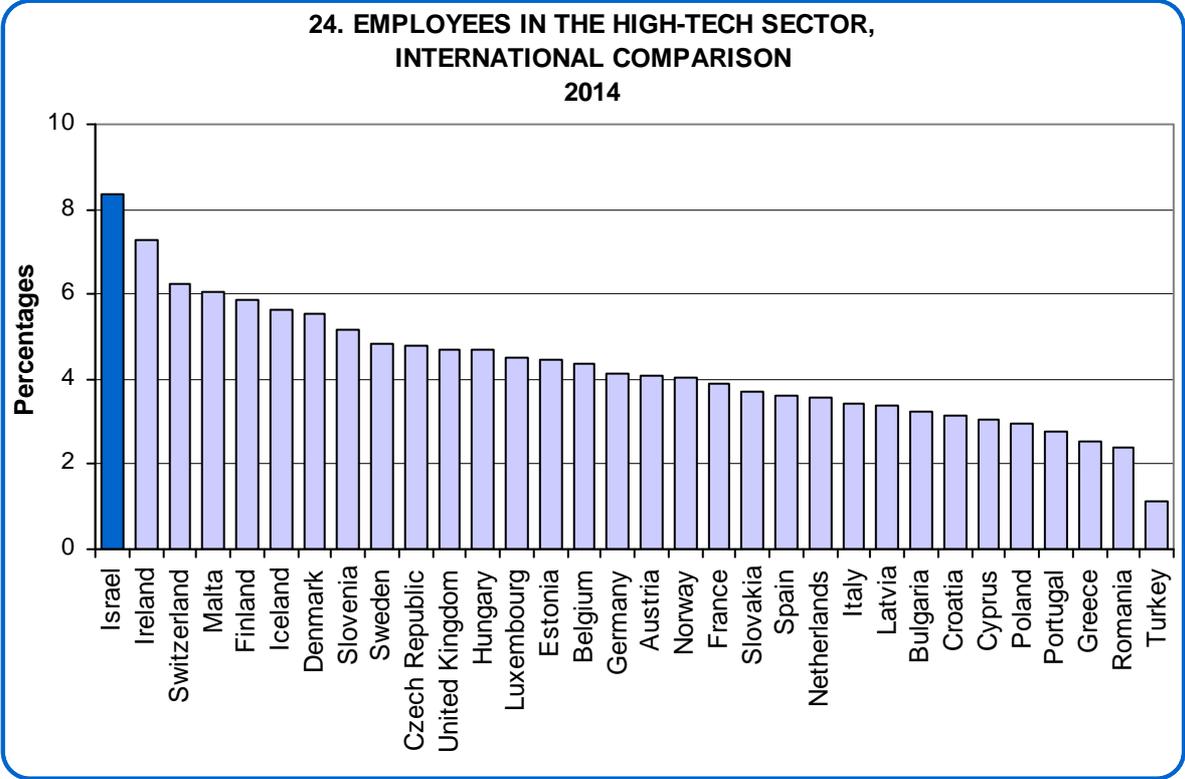
During 1995–2011, the percentage of households including at least one high-tech employee increased from 9.5% to 14.2%. In 2014, this percentage was 13.4%.



During 1995–2011, the percentage of households including two or more high-tech employees, out of households including at least one high-tech employee, increased from 7.6% to 10.0%. In 2014, this percentage was 10.7%.



The percentage of employees in the high-tech sector in Israel is higher than in other countries. In Israel in 2014, 8.3% of employees aged 15–74 worked in the high-tech sector, compared to 4.7% in the United Kingdom, 4.1% in Germany, and 3.9% in France.



Chapter C: Income and Expenditure

(Based on the Household Expenditure Survey and the Combined Income Survey)

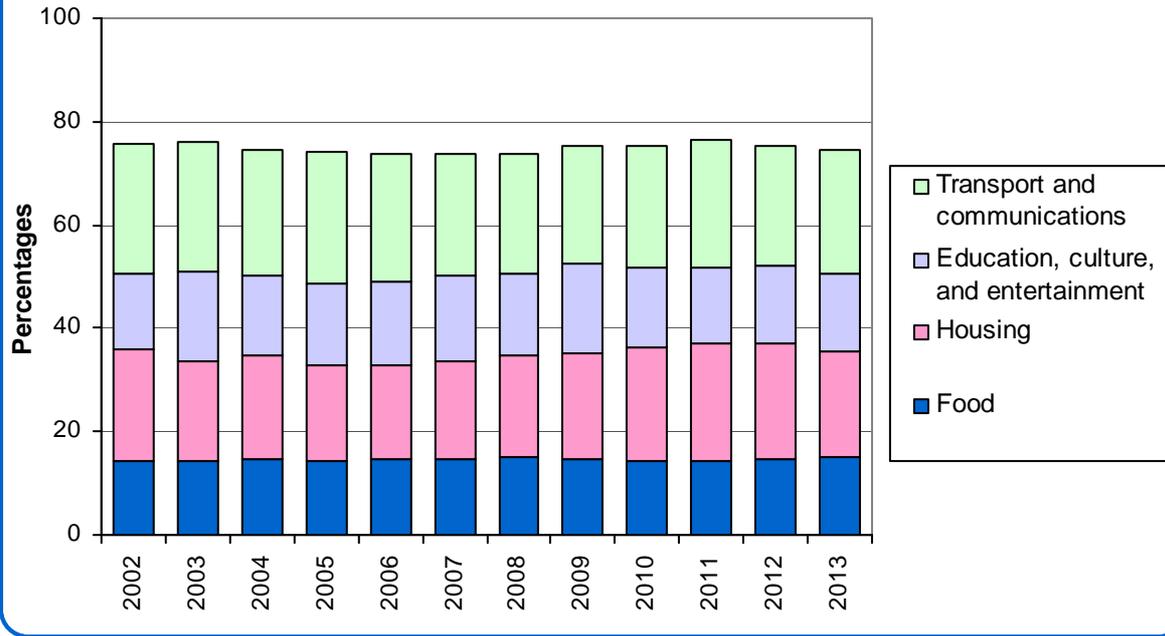
The income for households with at least one person employed in the high-tech sector was higher than the income for households with at least one person employed in another industry of the economy (and no persons employed in high-tech). During 2002–2010, the gap increased from 43.8% to 53.9%, approximately, and in 2013 it declined to 47.4%. In addition, the income per standard person in households with at least one person employed in high-tech was about 50% higher than in households without persons employed in the sector. Expenditure in households with at least one person employed in high-tech was higher than in households with persons employed in other industries. During 2002–2013, the gap between the expenditures of households in the first category and the other households increased from 16.1% to 24.3%.

The net money income of households was higher than their money consumption expenditure. The difference between the incomes and the expenditures was greater in households with at least one person employed in high-tech than in households with persons employed in other industries. During 2002–2013, the gap between the households in the two categories decreased from 31.0 to 23.1 percentage points.

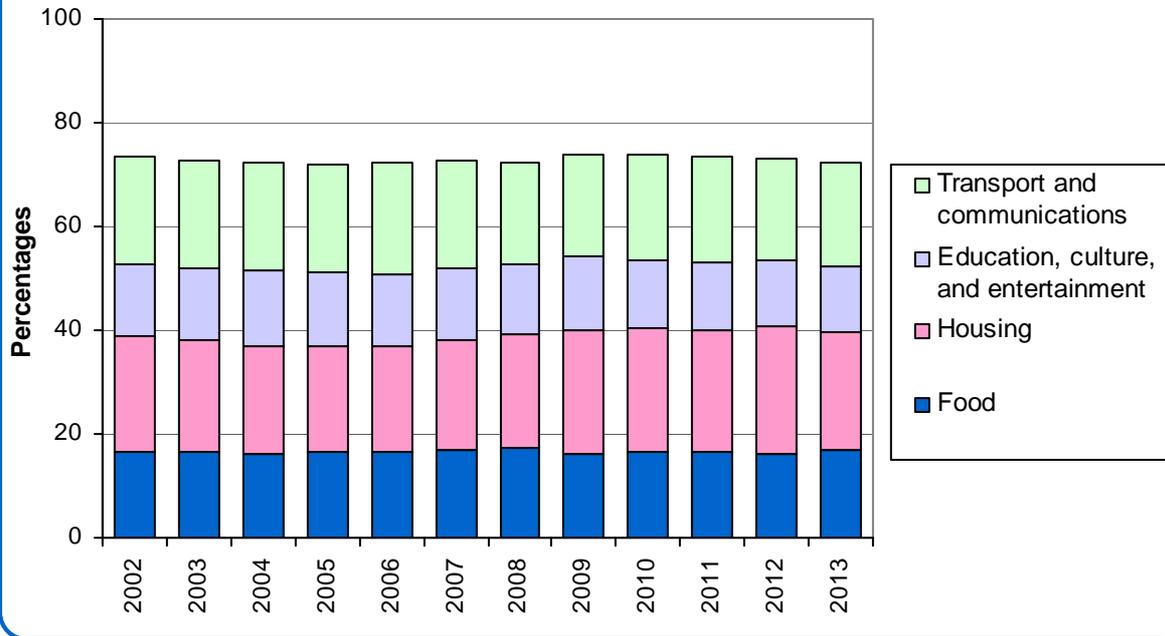
Income and Expenditure, by Type of Household

In households with at least one person employed in the high-tech sector, compared to households with at least one person employed in another industry, the proportion of expenditures on transport and communications was higher, and the proportion of expenditures on food was lower. This indicates that the standard of living in households with at least one person employed in high-tech was higher than in the other households.

**25. COMPOSITION OF EXPENDITURES IN HOUSEHOLDS
WITH AT LEAST ONE WORKER IN THE HIGH-TECH SECTOR
2002–2013**



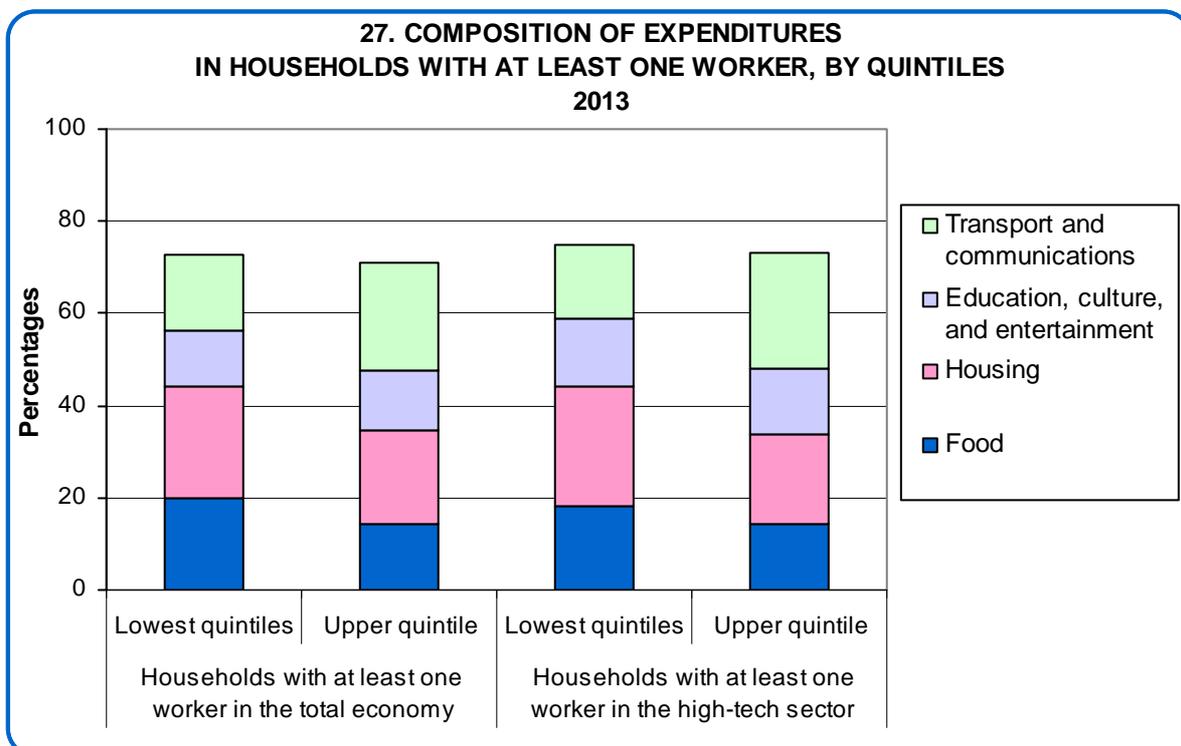
**26. COMPOSITION OF EXPENDITURES IN HOUSEHOLDS
WITH AT LEAST ONE WORKER IN THE TOTAL ECONOMY
2002–2013**



The percentage of expenditures on basic products (food, clothing and footwear, furniture, and household equipment) was lower in households with persons employed in high-tech than in households with at least one person employed in another industry. The gap decreased from 2.3 percentage points in 2002 to 1.8 percentage points in 2013.

In 2002, the percentage of expenditures on meals away from home out of all food expenditures (excluding vegetables and fruit) was higher in households with persons employed in high-tech than in households with at least one person employed in another industry. The gap decreased from 7.7 percentage points in 2002 to 10.6 percentage points in 2013.

There were differences in the distribution of expenditures among the various quintiles, particularly between the highest and two lowest quintiles, both in households with at least one person employed in high-tech and in those with at least one person employed in another industry. In 2013, in households with at least one person employed in the high-tech sector, in the highest quintile, 25.2% of expenditures were on transport and communications, compared to 15.9% in the two lowest quintiles. The percentages of expenditure on education, culture, and entertainment were similar in households with persons employed in the high-tech sector, both in the highest quintile and the two lowest quintiles. In the two lowest quintiles, the percentage of expenditure on food was distributed differently among the two categories of households (18.2% in households with at least one person employed in high-tech and 19.9% in households with at least one person employed in another industry), but in the highest quintile, the difference between the two categories was not substantive.



Chapter D: Education (Based on Administrative Sources)

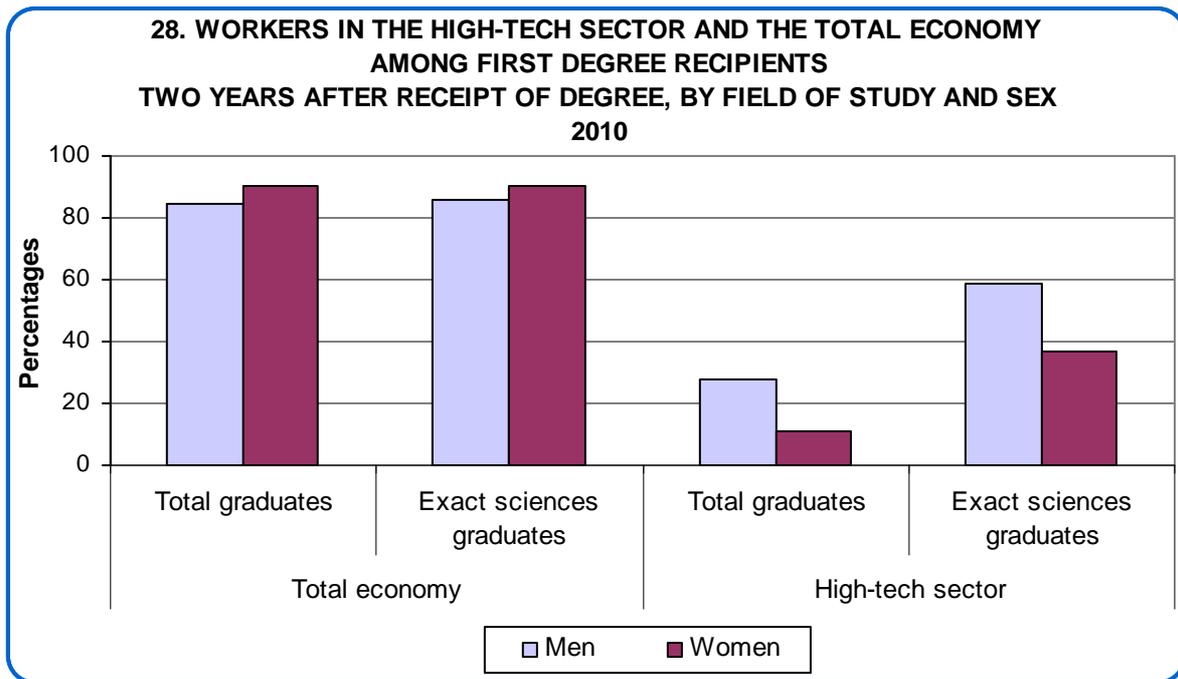
Fields of study such as computer sciences, mathematics, and statistics form a basis for work in high-tech, and graduates in those fields have the potential to work in this sector.

During 2000–2008, the percentage of first-degree graduates in exact sciences out of all graduates increased from 17.0% to 23.3%. During 2000–2002, the main increase was among men: from 29.9% to 39.4%. In 2008, men constituted 61.4% of all first-degree graduates in exact sciences, compared to 41.0% of all first-degree graduates. In the same year, women constituted slightly more than one-third of all first-degree graduates in exact sciences, compared to 59.0% of all first-degree graduates.

The employment rate among recipients of first degrees two years after receiving the degree decreased from 88.3% in 2002 to 83.1% in 2004, and was 79.8% in 2010. Although the percentage of persons employed in the high-tech sector two years after receiving the degree remained stable at about 19%, it decreased to 17.4% in 2010. In 2013 and five years after receiving the degree, the employment rate was 88.1%, and the percentage of persons employed in the high-tech sector remained 17.4%. According to the Labour Force Survey of the entire population, during 2002–2004, the employment rate increased from 48.5% to 49.2%. Concurrently, the employment rate in the high-tech sector decreased from 9.8% to 9.4%.

The employment rate in the high-tech sector among persons who studied exact sciences was at least five times higher than the rate among graduates in other fields. The employment rate in high-tech Manufacturing among persons who did not study exact sciences was very low (only about 2% between 2002 and 2004, and in 2008). Among recipients of degrees in fields connected to high-tech, such as mathematics, statistics, and computer sciences, the employment rate in high-tech was highest: 69.5% in 2002, 74.2% in 2003, and 69.8% in 2004. In 2010, this decreased to 51.3%, and five years after receiving the degree (in 2013), the percentage was 52.5%.

In 2010, the employment rate among women two years after receiving their first degree was higher than among men (90.0% and 84.9%, respectively). However, the employment rate in the high-tech sector was substantially higher among men, for all degree recipients and for recipients of first degrees in exact sciences. In 2010, the employment rate in the high-tech sector out of all men who received first degrees was 27.0%, and out of the men who received first degrees in the exact sciences was 54.8%. By comparison, the employment rate in high-tech out of all women who received first degrees was 11.1%, and out of the women who received first degrees in the exact sciences was 33.3%. The differences were found in Manufacturing as well as in Services industries in the high-tech sector. In 2013, five years after receipt of the degree, the employment rates were similar to those in 2010.



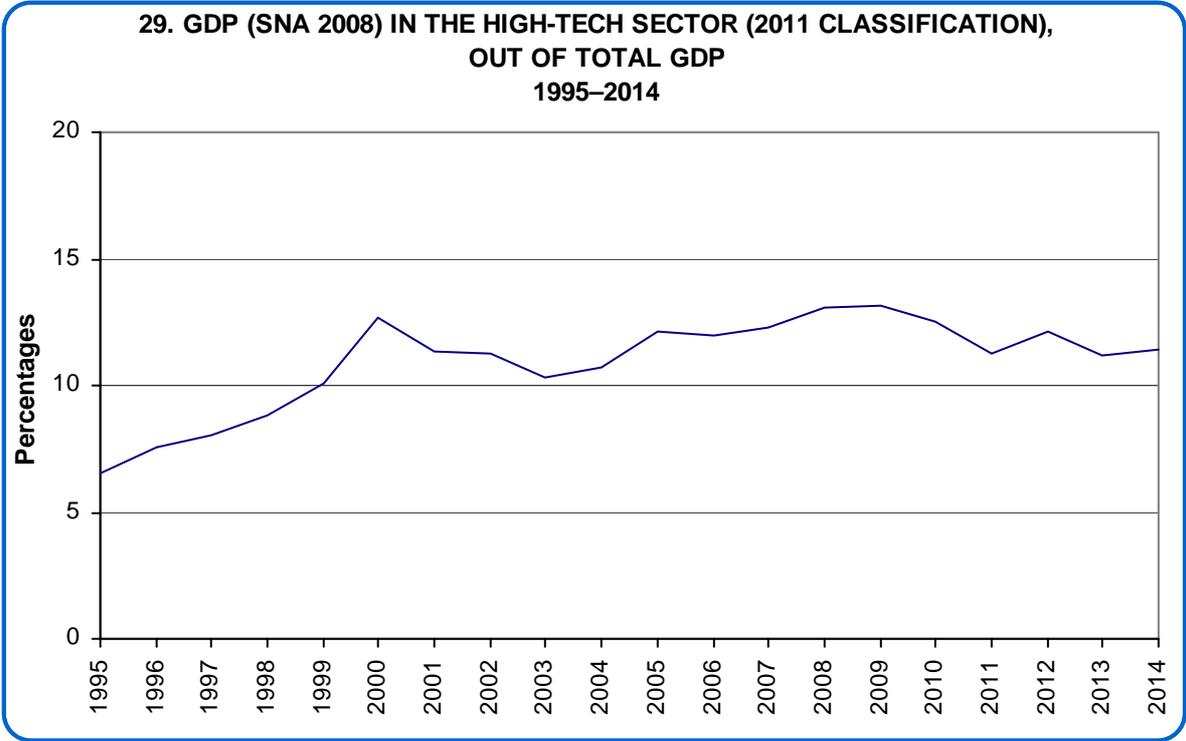
In 2002 in the high-tech sector, the wages of degree recipients in exact sciences were 60.0% higher than those of degree recipients in other fields. The gap increased to 69.2% in 2004, and then decreased to 41.8% in 2010. In 2002, the gap among males was substantially smaller than the respective gap among females (29.3% versus 41.8%). In 2004, the gap among males increased to 41.4%, and was similar to the gap among females (42.0%). In the entire economy in 2010, men who were degree recipients in the exact sciences earned 29.5% more than degree recipients in other fields. However, the gap among women was markedly smaller: 15.9%.

The wages of all first degree recipients employed in the high-tech sector were higher than the wages of first-degree recipients in the entire economy. In 2002, wages in high-tech were 55.2% higher than in the entire economy. In 2004, this gap increased to 66.3%, and in 2010, the gap was 56.9%. However, among recipients of degrees in the exact sciences, the gaps were smaller. During 2002–2004, the gap increased from 28.2% to 30.5%, and in 2010, it increased to 35.8%. Men in high-tech earn about 40% more than men in the entire economy, and women in high-tech earn about 50% more than women in the entire economy.

Men's wages are higher than women's, both in the entire economy, on average, as well as in the high-tech sector. However, the gap is greater in the entire economy than in high-tech. In 2010, the average wages of males were 66.0% higher than those of females in the entire economy, and in high-tech the gap was 58.8%. Examination of the average wages of recipients of degrees in exact sciences reveals that the wage gap between males and females was smaller in the high-tech sector than in the entire economy: 40.5% in high-tech compared to 58.8% in the entire economy.

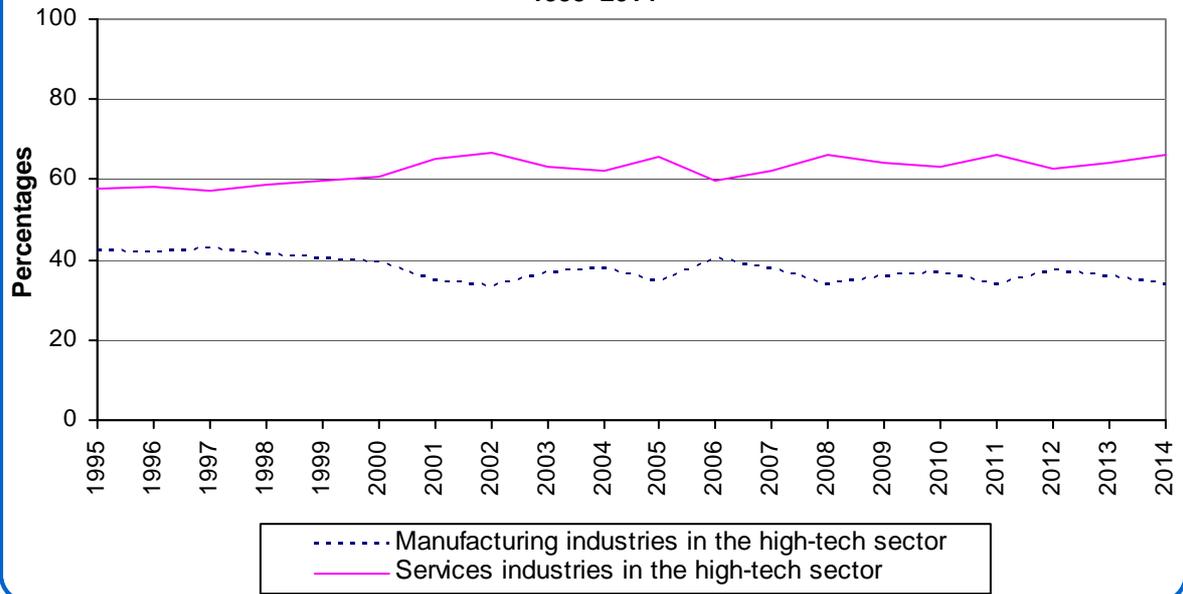
Chapter E: Gross Domestic Product

The share of the GDP in the high-tech sector out of the GDP in the entire economy increased from 6.5% in 1995 to 11.4% in 2014. It should be noted that during 2008–2009 this share even reached 13.1% of the total GDP.



The share of the Services industries in the high-tech sector out of the total GDP is larger than the share of the Manufacturing industries. During 1995–2014, this gap increased from approximately 16 to approximately 33 percentage points.

**30. DISTRIBUTION OF THE GDP (SNA 2008) IN THE MANUFACTURING
AND SERVICES INDUSTRIES
IN THE HIGH-TECH SECTOR (2011 CLASSIFICATION)
1995–2014**



Chapter F: Foreign Trade (Based on Reports of Customs and Other Administrative Sources)

During 1995–2007, export of goods in high-tech Manufacturing increased by about 250% – more than the increase in exports in Manufacturing industries in the entire economy, which amounted to about 180%. During 2005–2014, exports in high-tech Manufacturing increased by 86.2% (according to the 2011 Classifications) – slightly more than in the other Manufacturing industries, in which the exports increased by 79%. Concurrently, during 1995–2007, exports of pharmaceuticals increased by about 900%, and during 2005–2014 exports increased by about 200%. Imports in high-tech Manufacturing increased during 1995–2007 by about 63.5% – less than imports in Manufacturing in the entire economy, which increased by about 96%. During 2010–2014, imports in high-tech Manufacturing increased by about 22%, which was less than imports in the other Manufacturing industries, in which the imports increased by about 46%.

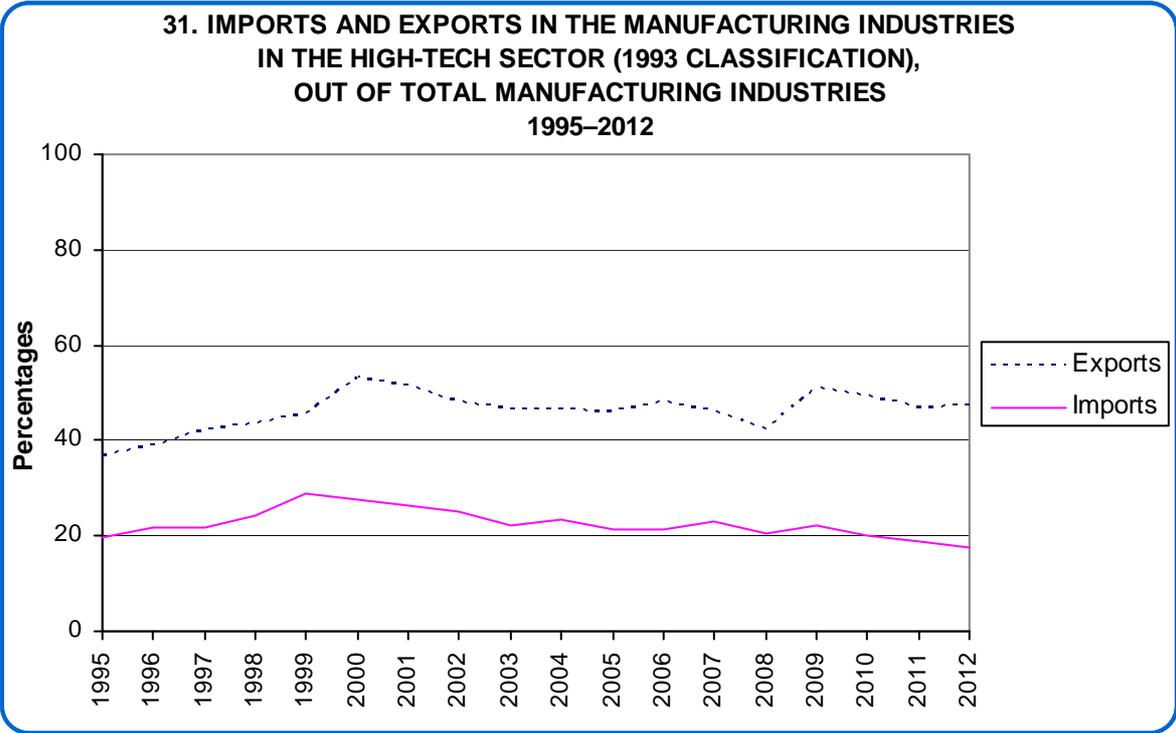
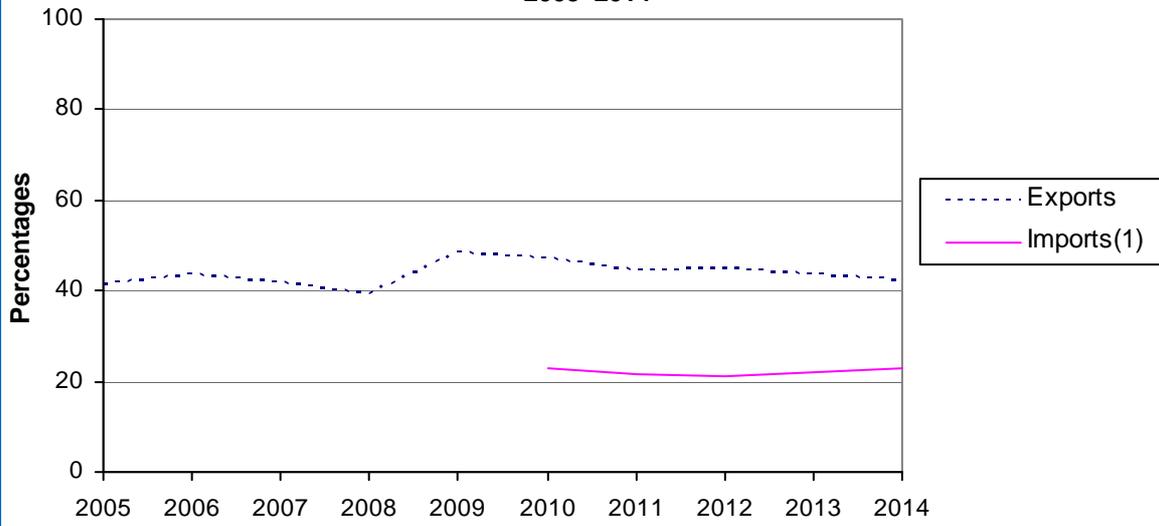


Diagram 31 shows that the share of high-tech Manufacturing out of all Manufacturing industries increased from 37% in 1995 to 46% in 2007. During 2005–2014, the share of high-tech Manufacturing exports out of all Manufacturing industries ranged between 40% and 50%.

**32. IMPORTS AND EXPORTS IN THE MANUFACTURING INDUSTRIES
IN THE HIGH-TECH SECTOR (2011 CLASSIFICATION),
OUT OF TOTAL MANUFACTURING INDUSTRIES
2005-2014**



(1) The data appear as of 2010 because the data for previous years were not updated to the 2011 Classification.

B. Sources of Data and Methodology

Chapter A: Labour Force Surveys

As of 2012, the Labour Force Survey was changed from a quarterly to a monthly format. In addition, the survey was changed from characteristics of the civil labour force to characteristics of the general labour force.

The Central Bureau of Statistics has conducted Labour Force Surveys since 1954.

The survey population includes the permanent (de jure) population of Israel aged 15 and over.

The survey population includes: Permanent residents staying in Israel; permanent residents staying outside of Israel for less than one year; new immigrants and potential immigrants – from the moment of their arrival in Israel; tourists, volunteers or temporary residents staying in Israel continuously for one year or more; as of 1968, includes residents of East Jerusalem; as of 1972, includes the residents of Israeli localities in the Golan District; and as of 1982 includes all the residents of the Golan District. As of 2006, includes the residents of Israeli localities in the Judea and Samaria Area (from 1972 until 2005 – includes also Israeli localities in the Gaza Area).

The survey population does not include: Permanent residents staying outside of Israel continuously for one year or more; tourists, volunteers or temporary residents staying in Israel for less than one year; diplomats, and UN staff.

Sampling Method

The frame: Frames of two types were used to draw the samples: a frame of localities; and a frame within localities. In urban localities and in some rural localities, the frames were the lists of residential dwellings in the municipal tax file. In other localities (except kibbutzim, immigrant absorption centres, and student dormitories), lists of households were sampled. In kibbutzim, the frame was the list of persons aged 15 and over, and for student dormitories and immigrant absorption centres – dwelling units.

The sample was drawn in two stages. First localities were sampled, and afterwards dwellings were sampled. All households living permanently in each dwelling were surveyed. In the quarterly Labour Force Survey, which was conducted until 2011, each dwelling was interviewed at four points in time: twice in consecutive quarter-years, followed by a break of two quarters and once again in two consecutive quarters. In the monthly Labour Force Survey that began in 2012, the interviewing structure was: four consecutive monthly interviews, followed by a break of eight months, and once again four consecutive monthly interviews.

Detailed explanations of the methods appear in *Labour Force Surveys*.³

³ Central Bureau of Statistics (2017). *Labour Force Survey 2015*. Pub. No. 1684. Jerusalem: Author (in preparation).

Chapter B: Employment and Wages (Based on Employer's Reports to the National Insurance Institute and Other Administrative Sources)

Statistics of employment and wages are based mainly on monthly processing of employers' reports on employee jobs and wages (according to the law) as well as partly on other administrative sources. The source of the employers' reports is reports to the National Insurance Institute on form 102 (for employee jobs of Israeli workers) and form 612 (for employee jobs of workers from abroad). The data on employee jobs of workers from the Judea and Samaria and the Gaza Area are obtained from the payments department of the Employment Service. The data on employee jobs of civil servants and workers in local authorities are based on processing of the wage files received from Malam Systems Ltd. and from the Israel Local Authorities Data Processing Centre Ltd.

Preliminary estimates of employee jobs and of average wages per employee job are published approximately two months after the end of the month for which wages were paid. The estimates are processed and published several times, each time at a higher level of reliability.

The sampling framework is the Business Register of the CBS, which is based on administrative sources, the employers file of the National Insurance, and the Value Added Tax (VAT) employers file. The sampling framework of employee jobs of Israeli workers includes all the businesses in which there was at least one job in 2011. The sampling framework of employee jobs of workers from abroad included all the businesses in which there was at least one job of a worker from abroad in 2011.

Comparison with previous periods should be done through chained indices.

For expanded explanation of the methodology, see the Labour and Wages chapter in the Introduction to the *Statistical Abstract*.⁴

Chapter C: Income and Expenditure (Based on Combined Income Survey and Household Expenditure Survey)

Income Survey – The income surveys were conducted between 1965 and 2012 as part of the Labour Force Survey.

During 1997–2011, household income was investigated in two separate CBS surveys: the Household Expenditure Survey (which included an average of approximately 6,000

⁴ Central Bureau of Statistics (2017). [Statistical Abstract of Israel: Annual Data 2016. Chapter 12 – Labour and Wages](#). Jerusalem: Author.

households per year) and the Income Survey, which was conducted together with the ongoing, quarterly Labour Force Survey; one-quarter of the households were also asked about their incomes (the survey included about 8,500 households in a sample). The income data from the two surveys were combined into one system and presented in an integrated fashion. The sample of the combined survey included an average of 14,500 households each year.

As of 2012, as a result of changing the Labour Force Survey from a quarterly to a monthly survey, the Income Survey was removed from the Labour Force Survey. Instead, the Household Expenditure Survey was expanded by about 3,000 households. All data on income and expenditure of households is collected from the Household Expenditure Survey only.

A fuller explanation of the methodology of the Income Survey appears in the publication [*Household Income and Expenditure Data 2015*](#).⁵

Household Expenditure Survey – purposes and uses: to obtain the components of household budget and additional data used for characterizing the living conditions of households in various aspects such as consumption patterns, standard and composition of nutrition, income level and its composition, and housing conditions. In addition, the survey is used in market research to construct models for forecasting consumer behaviour, and research into the application of the indirect tax on various groups in the population. One of the most important uses of the survey is to determine the “weights” for the consumption basket of the consumer price index.

The survey was first conducted at the beginning of the 1950s, and until 1997 was conducted approximately every five years. Since 1997, the survey has been conducted annually.

The survey population – As of 1997, the survey population includes the entire urban and rural population, excluding kibbutzim, collective moshavim, and Bedouins living outside localities. As of 2012, renewed kibbutzim and collective moshavim are also included.

A fuller explanation of the methodology of the Household Expenditure Survey appears in the publication [*Household Income and Expenditure Data 2015*](#).⁵

⁵ Central Bureau of Statistics (2017). *Household Income and Expenditure Data 2015*. Pub. No. 1677. Jerusalem: Author.

Chapter D: Education (According to Administrative Sources)

The data are based on processing of files obtained from the institutions for higher education. The data were compiled, processed, and refined according to the methodology and the professional discretion of the CBS.

Several tables are based on three administrative databases linked via identification numbers, which are provided to all permanent residents of Israel by the Ministry of Interior.

These data sources include:

- (1) Administrative files of first degree recipients during the period from 2000 to 2004. The files also include the subset of first degree recipients who continued studying toward a second degree (in a particular follow-up year), enabling a distinction to be made between graduates who concurrently study toward a second degree and those who do not.
- (2) Individual earnings data from the Israel Tax Authority file, covering all individuals whose income from salaried jobs or from self-employment work is reported.
- (3) Demographic data appearing in the Ministry of the Interior's Population Register.

After the data files were linked through an individual's ID number, a calculation was performed such that the data were aggregated to one total amount for persons who had worked for more than one employer⁶ during a calendar year.

After linkage and aggregation at the individual level, the data on employment were further processed, so that the respondents' earned income in a given calendar year was evaluated in relation to their year of graduation. In other words, the individual's earned income in a given calendar year was indexed to a fixed time interval since the year they received a first degree (e.g., a year, two or three years). Such data configuration enables comparison of different cohorts, as long as the time intervals since first degree attainment are held constant.

Chapter E: Foreign Trade

(According to Customs Reports and Other Administrative Sources)

The data on Israel's foreign trade data that are presented in this chapter deal with Israel's trade in goods with other countries.

⁶ Each company or employer has a unique tax identification number in the Israel Tax Authority.

Sources

- (1) The main source of the import and export data are the documents submitted to the customs authorities by importers or exporters (import and export entries).
- (2) In certain cases, the sources are administrative summaries prepared by institutions supervising foreign trade in products groups, such as the Vessel Registration of the Shipping and Ports Authority.
- (3) The following commodities are recorded in a special way:
 - A considerable portion of the fresh agricultural produce is generally exported on a consignment basis. After the sales are carried out, the data are revised according to the actual revenue in the reports submitted to the CBS by the various companies.
 - Up to 31 December 1982, Import of diamonds was recorded according to administrative summaries; and since 1 January 1983 – according to the system applied for all imports. The system for recording export of diamonds was changed on 1 September 1982.
 - Import and export of ships and aircraft are recorded according to the data received from the Ministry of Transport and Road Safety, and from shipping and airline companies.

A fuller explanation of the methodology appears in the [Imports and Exports chapter](#) of the Statistical Abstract.⁷

⁷ Central Bureau of Statistics (2017). *Statistical Abstract of Israel: Annual Data 2016*. Chapter 16: Imports and Exports. Jerusalem: Author.

Chapter F: National Accounts (According to Various Administrative Sources)

National Accounts for 1980 to 1995 were compiled according to the 1968 recommendations of the UN Statistical Office.⁸

The National Accounts for 1995 to 2013 were based on the system of national accounts SNA2008⁹ prepared by five international organizations: UN, IMF, World Bank, OECD and Eurostat.

A fuller explanation of the data sources appears in the [National Accounts](#) chapter of the *Statistical Abstract*.¹⁰

Chapter G: Balance of Payments

The estimate of the balance of payments is compiled according to the definitions established by the International Monetary Fund (IMF): *Balance of Payments Manual*.

According to those definitions, the balance of payments is a summary of all economic transactions carried out in a given period between residents and non-residents.

Since the 1999 Statistical Abstract, the balance of payments is shown in a new format. This format, adopted by international statistics agencies and by most countries, allows convenient international comparisons of balance of payment flows. Additionally, the definitions and classifications in the new format of the balance of payments were adapted to those customary in the National Accounts, thus obtaining correspondence between the international flows and transactions and the National Accounts.

As of 1967, data include estimates of economic transactions between residents of Israel and non-Israeli residents of Judea and Samaria, the Gaza Area until 2005 (and Sinai until 1982).

The Balance of Payments consists of three main sections:

- a. Current account: An account that shows flows of goods, services, primary income and secondary income between residents and non-residents.
- b. Capital account: An account that shows (1) capital transfers receivable and

⁸ United Nations (1968). *A System of National Accounts, Studies in Methods*. Series F, No. 2. New York: Author.

⁹ United Nations, World Bank (2009). *System of National Accounts 2008*. Commission of the European Communities, International Monetary Fund, Organization for Economic Co-operation and Development. New York: Author.

¹⁰ Central Bureau of Statistics (2016). *Statistical Abstract of Israel: Annual Data 2016*. Chapter 16: National Accounts. Jerusalem: Author.

payable between Israeli residents and non-residents, and (2) the acquisition and disposal of non-produced non-financial assets between residents and non-residents.

- c. Financial account: An account that records transactions that involve financial assets and liabilities and that take place between residents and non-residents.

The current account has been updated since 1995. The financial account and in the International Investment Position (IIP) have been updated since 2006 (as of the 2013 *Statistical Abstract*).

Sources of the Data

The data included in the balance of payments are as follows:

- Reports from business corporations, financial institutions, and other units in the economy
- Foreign trade statistics and reports from customs
- Reports of the VAT authorities on revenue and VAT-exempt revenue
- Designated surveys, in the current account and the financial account
- Concentrated data from the banking system, through the Bank of Israel (the Statistics and Information Section and the Superintendent of Banks)
- Data from various government ministries.

A fuller explanation of the data sources appears in the [International Accounts](#) chapter of the *Statistical Abstract*.¹¹

¹¹ Central Bureau of Statistics (2016). *Statistical Abstract of Israel: Annual Data 2016*. Chapter 15: International Accounts. Jerusalem: Author.

C. Terms, Definitions, and Explanations

Chapter A: Labour Force Surveys

A. Population and Labour Force

Beginning in 2012, changes were made to the Labour Force Survey. The survey was changed from a quarterly to a monthly format. In addition, the survey began to examine the characteristics of the entire labour force instead of only those of the civilian labour force.¹²

Population: The survey population includes the permanent (de jure) population of Israel aged 15 and over.

The survey population **includes:**

1. Permanent residents living in Israel.
2. Permanent residents living abroad continuously for a period of less than one year.
3. New immigrants and potential immigrants, from the moment of their arrival in Israel.
4. Tourists, volunteers or temporary residents living in Israel continuously for one year or more.
5. As of 1968, residents of East Jerusalem.
6. As of 1972, the residents of Israeli localities in the Golan sub-district; as of 1982, all the residents in this sub-district.
7. From 1972 to 2005, the residents of Israeli localities in Judea and Samaria and the Gaza Area; as of 2006, the residents of Israeli localities in the Judea and Samaria area.

The survey population **does not include:**

1. Permanent residents living abroad continuously for one year or more.
2. Tourists, volunteers or temporary residents living in Israel continuously for less than one year.
3. Foreign diplomats and UN persons.

¹² See Central Bureau of Statistics (in preparation). *Labour Force Surveys 2015*. Pub. No. 1684. Jerusalem: Author.

Population of households: The tables pertain to all households, excluding those in kibbutzim, institutions and student dormitories as well as people living outside localities (Bedouins in the south).

Household: One person or a group of persons living together in the same dwelling most days of the week and having a shared food expenditure budget. They may be related or unrelated persons or a combination of persons both related and unrelated.

Weekly civilian labour force: Persons aged 15 and over who were “employed” or “unemployed” during the determinant week. Until 2011 (inclusive), soldiers in compulsory and permanent service were not included in the weekly labour force.

Employed person: A person aged 15 and over who worked in Israel or abroad for at least one hour during the determinant week, at any type of work, for pay, profit or other remuneration.

Included in the definition:

- a. All workers of kibbutzim (in services and other industries) during the determinant week;
- b. Family members who worked in a family business 15 hours or more without pay during the determinant week;
- c. Persons staying in institutions who worked 15 hours or more during the determinant week;
- d. Persons serving in the army (compulsory military service or permanent army) during the determinant week;
- e. Persons temporarily absent from work during the determinant week.

Employed persons are divided into three sub-groups:

- a. **Worked full-time:** All those who worked 35 hours or more during the determinant week.
- b. **Worked part-time:** Persons who worked 1–34 hours during the determinant week.
- c. **Temporarily absent from work:** This group includes all those who were temporarily absent from their regular work during the entire determinant week, due to illness, vacation, reserve army service, decrease in the extent of work, labour dispute, temporary disruption of work (for up to 30 days), etc. Persons who were absent for less than one month are included in this definition. Those who were absent from work for one month to a year are also included in this

group if they had a formal affiliation to a place of work, i.e., it is guaranteed that they will return to the same employer after the period of absence. Persons who were absent for more than one year are not included in this group.

Note that the extent of employment (full- or part-time) is determined according to the number of hours that the employed person usually works (rather than during the determinant week).

Unemployed person: A person aged 15 and over who did not work at all during the determinant week (even for a single hour), and actively sought work during the four weeks preceding the survey by registering at the Labour Exchange of the Employment Service, by personal or written application to an employer, and would have been available to start work during the determinant week had suitable work been offered (“availability for work”). Includes those who were promised employment within 30 days.

Note that a person who was not available to work during the determinant week due to illness or reserve army service is considered an unemployed person.

Not in the weekly labour force: A person aged 15 and over who was neither “employed” nor “unemployed” during the determinant week.

This group includes:

- a. Students who did not work even one hour during the determinant week;
- b. Persons employed in voluntary work without pay during the determinant week;
- c. Persons who cared for children/family members/the household and did not work even one hour outside of the household during the determinant week;
- d. Persons unable to work;
- e. Persons living on an allowance, pension, reparations from Germany, etc., who did not work even one hour during the determinant week;
- f. Family members who worked without pay in a family business for less than 14 hours during the determinant week;
- g. Persons staying in institutions who worked for less than 14 hours during the determinant week.

Religion and population group: The first person in the list of household members is the only household member who is asked about religion. The religion of the first person in the list is registered as the religion of all household members who have an Israeli

identity card. Household members who do not have an Israeli identity card are asked about their religion.

The classification according to population group includes Jews, Moslems, and Others.

Until 2001, there were two population groups: Jews and members of other religions. Members of other religions included all persons who responded that they were not Jewish; until the early 1990s these were mostly Arabs. Following the wave of immigration of the 1990s, the category "Others" was added (see below).

In 2002, the category "Other Religion" was divided into two population groups:

- "Arabs":
 - a. Those living in non-Jewish localities;
 - b. Those living in Jewish or mixed localities, were born in Israel or arrived in Israel before 1990.
- "Others": Living in Jewish or mixed localities, and arrived in Israel in 1990 and after.

Years of study: The number of years spent in regular studies in school, including the current school year (if the person is studying).

Type of last school attended: Type of school last attended by the interviewee, even if he did not complete his studies there.

Highest diploma received: (January–March 2000) The highest diploma that a person received from a school or from official educational settings (excluding a certificate for finishing a course, in-service training, etc.)

Actual work hours per week: The number of hours the employed person has actually worked during the determinant week.

- a. Work hours included in the count are overtime in the same place of work or in other places of work; preparation hours of teachers and artists; waiting hours (e.g., a driver or porter waiting for work); work hours of a non-paid family member in the family business or farm (if the person worked 15 hours or more, on the average, per week).
- b. Average hours of work per week are calculated by dividing the total work hours per week of all employed persons by the number of employed persons.

c. Average hours of work per week are calculated for all employed persons (including those temporarily absent from work) and for employed persons excluding those temporarily absent from work.

District and sub-district: The districts and sub-districts were defined according to the official administrative distribution of the country, in which there are 6 districts and 15 sub-districts.¹³

Includes Israeli localities in the Judea and Samaria Area.

The following changes have been made to “district and sub-district”:

Since 1967, the Jerusalem District includes East Jerusalem.

Since 1972, includes the Israeli localities in the Judea and Samaria and Gaza Areas, the Golan Heights, and Sinai.

Since 1981, the Northern District includes the Golan Sub-District.

Since 1982, does not include the Israeli localities that were evacuated from Sinai.

Since August 2005, does not include the Israeli localities that were evacuated from the Gaza Area and northern Samaria under the Disengagement Plan Law of 2005.

District and sub-district of workplace: Employed persons were classified according to the locality in which they worked. Those working in Judea and Samaria and the Gaza Area were classified as a separate group.

¹³ See Central Bureau of Statistics (2017). *List of Localities, Their Population and Codes 2015*. Jerusalem: Author. (Hebrew only)

B. Classification by Work Status, Industry, Occupation, and Commuting to Work

Employed persons (including persons temporarily absent from work) are classified by their work status, industry, and occupation, according to their work during the determinant week. Unemployed persons and those who are not in the civilian labour force (including soldiers in compulsory and permanent service) who worked in Israel during the 12 months preceding the survey are classified according to their last work.

1. Work status

Employee: A person aged 15 and over who worked for another person in exchange for daily or monthly wages, piece work, or work for any other kind of remuneration.

- a. Also included are self-employed persons who are registered as a limited liability company and receive their wages from that company, as well as members of kibbutzim who receive wages from the kibbutz (that was privatized) or from another employer.
- b. In the Income Survey, an employee was defined as a person who worked for at least one hour for pay during the three months preceding the interviewer's visit.

Recipients of wages from employment agencies or employment contractors: Employees placed in jobs and receiving their wages from the employment agency or employment contractor, while the place of work they were referred to is responsible for implementation of the work.

The following are not included in this definition:

1. Employees who belong to the staff of the employment agency;
2. Employees hired through a subcontractor. In these cases, the subcontractor bears responsibility for the implementation and quality of the work. These employees work mainly in the following industries (*Standard Industrial Classification 2011*): Security activities (code 8010), Combined facilities support activities (code 811), Cleaning activities (code 812), and Home-care services (code 882).

Employer: A person who employs other persons for wages or any other remuneration, including a partner in a business employing others as well as a farm owner employing others for wages.

Self-employed person: A person working in his own business or farm, who does not employ others for wages or any other remuneration. Excludes self-employed persons who are registered as a limited liability company (these are considered employees).

Member of co-operative: A person who, in addition to his salary, shares in the profits of a co-operative. This is also the case for a member of a collective moshav.

Member of kibbutz: A person who lives in a kibbutz and works there **with no pay**, including candidates for membership, relatives residing permanently in the kibbutz, and training groups.

This does not include “volunteers” – people who are not kibbutz members but who live in the kibbutz and work there for wages or other remuneration. Kibbutz members who work for pay outside the kibbutz are considered employees.

Unpaid family member: A family member or other relative working in the family business 15 hours or more during the determinant week without any kind of remuneration. A family member receiving a salary is considered an employee.

2. Industry

Industry: The industry of the establishment or institution in which the interviewee worked. The industry is determined by the main product or service of the classification unit. As of 2013, the interviewees are classified according to the *Standard Classification of All Industrial Activities 2011*.¹⁴ This classification is based on that of the United Nations.¹⁵ From 1995 to 2012, the interviewees were classified according to the *Standard Classification of All Industrial Activities 1993*.¹⁶

If an establishment engages in more than one industry and the various industries may be considered “classification units” (e.g. a textile business working in spinning, weaving and sewing or an institution such as a municipality), the industry is determined by the type of work of the department, or the division in which the interviewee works. A subsidiary unit serving only the needs of the establishment and does not have an accounts department of its own, is not considered a separate department. If the establishment is engaged in several types of work which cannot be separated according to departments, the establishment

¹⁴ See CBS (2012). *Standard Industrial Classification of All Economic Activities 2011*. Tech. Pub. No. 80. Jerusalem: Author.

¹⁵ United Nations (2008). *International Standard Industrial Classification of All Economic Activities*. 4th revision. New York, NY: Author.

¹⁶ See CBS (2008). *Standard Industrial Classification of All Economic Activities 1993*. Tech. Pub. No. 63. 2nd edition. Jerusalem: Author.

industry is determined by its final product. Persons interviewed in kibbutzim were classified according to their industry.

High technology sector: The definition of the high technology sector is based on the *Standard Classification of All Industrial Activities 2011*, as well as on the definitions of OECD and Eurostat.¹⁷ Until 2012, the definition of the high technology sector was based on the *Standard Classification of All Industrial Activities 1993*.

Industries in the High-Tech Sector (1993 Classification)

Code of Industry	Name of Industry
<i>Manufacturing Industries in the High-Tech Sector (High-Tech Industries)</i>	
245	Manufacture of pharmaceutical products for human and veterinary uses
30	Manufacture of office and accounting machinery and computers
32	Manufacture of electronic components
33	Manufacture of electronic communication equipment
34	Manufacture of industrial equipment for control and supervision, medical and scientific equipment
355	Manufacture of aircraft
<i>Services in the High-Tech Sector (Knowledge-Intensive High-Tech Services)</i>	
66	Telecommunications
72	Computer and related services
730	Research and development

¹⁷ See "Recommendations of the Subcommittee for Official Classification of High Technology Industries – Definition of High Technology Industries in Israel" in this source (Hebrew only): http://www.cbs.gov.il/publications/hitech/hi_class_heb.pdf.

Industries in the High-Tech Sector (2011 Classification)

Code of Industry	Name of Industry
<i>Manufacturing Industries in the High-Tech Sector (High-Tech Industries)</i>	
21	Manufacture of pharmaceutical products and homeopathic pharmaceutical preparations
26	Manufacture of computer, electronic and optical products
303	Manufacture of air and spacecraft and related machinery
<i>Services in the High-Tech Sector (Knowledge-Intensive High-Tech Services)</i>	
61	Telecommunications
62	Computer programming, consultancy and related activities
631	Data processing, hosting and related activities; web portals
720	Research and development centres
721	Research and development in engineering and natural sciences

3. Occupation

Occupation: Work carried out by a person at his workplace, regardless of any trade learned if he does not practice it.

- a. As of 2013, the interviewees are classified according to the *Standard Classification of Occupations 2011*.¹⁸ This classification is based on the classification of the International Labour Office (ILO): “International Standard Classification of Occupations ISCO-88.”¹⁹
- b. From 1995 to 2012, interviewees were classified according to the *Standard Classification of Occupations 1994*.²⁰

Occupations in the High-Tech Sector (1994 Classification)

001 – Biologists and related professionals; 002 – Pharmacologists; 010 – Chemists; 011 – Physicists and astronomers; 012 – Geologists and geophysicists; 013 – Mathematicians and actuaries; 015 – Systems analysts and related computer professionals; 023 – Electrical and electronics engineers; 024 – Mechanical engineers; 027 – Computer engineers; 101 – Physical engineering technicians; 121 – Electronics engineering technicians; 122 – Mechanical engineering technicians; 130 – Computer technicians and programmers; 225 – Computer services managers.

Occupations in the High-Tech Sector (2011 Classification)

1330 – Information and communications technology (ICT) service managers; 2111 – Physicists and astronomers; 2113 – Chemists; 2114 – Geologists and geophysicists; 2120 – Mathematicians, actuaries, and statisticians; 2131 – Biologists, botanists, zoologists, and related professionals; 2132 – Farming, forestry, and fisheries advisors; 2133 – Environmental protection professionals; 2144 – Mechanical engineers; 2145 – Chemical engineers; 2149 – Engineering professionals n.e.c.; 2151 – Electrical engineers; 2152 – Electronics engineers; 2153 – Telecommunications engineers; 2511 – Systems analysts; 2512 – Software developers; 2513 – Web and multimedia developers; 2514 – Applications programmers; 2519 – Software and applications developers and analysts n.e.c.; 2522 – Systems administrators; 2523 – Computer network professionals; 2529 – Database and network professionals n.e.c.; 3111 –

¹⁸ CBS (2015). *Standard Classification of Occupations 2011*. Tech Pub. No. 81. Jerusalem: Author.

¹⁹ International Labour Organization (2012). *International Standard Classification of Occupations 2008 (ISCO 2008)*. Geneva: Author.

²⁰ CBS (1994). *Standard Classification of Occupations 1994* Tech. Pub. No. 64. Jerusalem: Author.

Chemical and physical science practical engineers and technicians; 3113 – Electrical engineering – practical engineers and technicians; 3114 – Electronics engineering – practical engineers and technicians; 3115 – Mechanical engineering – practical engineers and technicians; 3116 – Chemical engineering – practical engineers and technicians; 3119 – Physical and engineering science – practical engineers and technicians n.e.c.; 3141 – Life science practical engineers and technicians (excluding medical); 3151 – Ship practical engineers; 3155 – Air traffic safety electronics practical engineers and technicians; 3511 – Information and communications technology operations practical engineers and technicians; 3512 – Information and communications technology user support practical engineers and technicians; 3513 – Computer network and systems practical engineers and technicians; 3514 – Web practical engineers and technicians; 3522 – Telecommunications engineering practical engineers and technicians.

4. Commuting to Work

- a. **Commuter:** A person employed outside his/her locality of residence. There are four levels of commuting to work: in the sub-district of residence; outside of the sub-district of residence but within the district of residence; outside the district of residence, in one locality; outside the district of residence in two localities or more.
- b. **Non-commuter:** A person employed in his/her own locality of residence.

C. International Comparisons

The tables present comparative data on workers in the entire economy and in the high-tech sector. Although precise international comparability was not achieved, the adjusted figures provide a better basis for international comparison than the figures published regularly by each country.

D. Main Changes in the Labour Force Survey, 1995–2014

- **Estimates from the 1995 Population Census:** Starting in 1999, population estimates for the Labour Force Survey were based on the 1995 Census of Population and Housing data. In addition, in 1999, a new weighting method was introduced. The 1998 data were prepared according to the “new” method in order to allow comparison with the 1999 data.

In the new estimation method that was introduced in 1999, in order to obtain estimates that apply to the total survey population, a “weighting coefficient” is determined for each investigated household. All persons belonging to the household have the same weighting coefficient. The weighting coefficient of a household reflects the number of households and the number of persons in the survey population that are represented by the household. This is in contrast to the estimation method that was used up to 1999, in which the persons were weighted independently of the composition of the persons in the household. Therefore, the weights within the same household were not uniform.

At the end of the process, complete compatibility is obtained between the weighted distribution of persons and the current demographic estimates based on the 1995 Census of Population and Housing, according to the weighting groups that were determined. The division into weighting groups was determined independent of religion (except for the division into Jewish localities and Arab localities), in accordance with 39 geographic sectors, and special groups for immigrants from 1990 and after. For most of the geographic groups, 10 age groups were defined, for each sex separately. These groups were calculated in a more detailed manner than was done up to 1999.

- **Changes in the definition of the weighting groups:** One of the characteristics for determining the relevant weighting group is the year of immigration. In the past, a distinction was made between “new” immigrants (up to 2 years in Israel) and other immigrants from 1990 and after. In 2002, immigrants up to 4 years in the country are in a separate weighting group, while the rest of the immigrants were allocated to the relevant geographical grouping determined by their locality of residence. In addition, some changes were made in other weighting groups. The data for 2001 were also processed using the corrected weighting method in order to allow comparison to the data for 2002.
- **Changes to the *Standard Classification of All Industrial Activities*:** In 2003, the classification of the high-tech industries was expanded: several “groups” (3 digits) were added in the divisions of Telecommunications, Computer and related services, and Research and development. In addition, the codes of all employed persons in the survey were examined. In that process, problems were found in the application of some coding rules in the Family Surveys, especially in the case of establishments that engage in more

than one activity. As a result, the industries were recoded. The Tables show the data after the adjustment. The main transitions were in the following industries: Public administration; Community services; Education; Health, welfare, and social work services; and Services for households. Typographical errors and errors in coding were also corrected, and the classification of cases coded as “unknown” was reviewed again. Recoding was only done for the current sample.

Chapter B: Employment and Wages (Based on Employer’s Reports to the National Insurance Institute and Other Administrative Sources)

Employee jobs: The number of jobs of workers (permanent and temporary) who worked for at least one day during the surveyed month (or were on paid leave due to illness, vacation, army reserve duty, etc.), and are on the payroll of establishments or institutions. The definition includes employee jobs of Israeli workers (reported to the National Insurance Institute on Form 102), and employee jobs of foreign workers (reported to the National Insurance Institute on Form 612), as well as employee jobs of workers from the Palestinian Authority. Jobs appearing on the payroll of more than one establishment or institution in that month are counted as many times as they appeared on the payroll, so that the data actually refer to the number of jobs for which wages were paid in that month. Calculations of the number of employee jobs do not take into account the extent of work of the employee jobs.

Distribution of employee jobs according to Form 102

As of 2001, estimates of the distribution of employee jobs and the average wages per employee job are published by groups of liability for National Insurance Institute (NII) payments (according to NII definitions on Form 102). According to changes in the National Insurance Law and the National Health Insurance Law, the rules that apply to paying for National Health insurance and health insurance changed: As of salaries paid for January 2006, payment for National Insurance and health insurance have been deducted from incomes lower than 60% of the average income. Until this time, they were deducted from income lower than 50% of the average income.²¹

Due to a change in the method of reporting on Form 102 as of 2007, estimates of total employee jobs and average wages are published without specifying groups of liability for National Insurance Institute payments.

²¹ See changes to the National Insurance Law on the website of the Central Bureau of Statistics: <http://www.cbs.gov.il/www/publications/sahar/changes2008.pdf> (Hebrew only).

Gross monthly wages: Gross payments paid to all employee jobs in a month, including the basic wages, cost of living allowances, seniority payments, back-pay, advance payments, overtime, premiums, various benefits, grants and supplements (current or non-recurring) such as: on-call, shifts, 13th-month salary, transportation, vacation pay, education and proficiency allowances, and car allowance. The gross wages do not include other labour expenses and sums paid by the employer to funds (such as pension funds or insurance for employees), employers' tax, etc.

Average monthly wages per employee job: The gross monthly wages divided by the number of employee jobs in that month. It follows from the definition of employee jobs that the average monthly wages per employee job is lower than the average monthly wages per employee.

The index of total wages at constant prices is calculated by dividing the index of total wages at current prices by the consumer price index of the respective month. Annual estimates, quarterly estimates and the like are the arithmetical averages of monthly indices at constant prices.

The index of average monthly wages per employee job at constant prices is calculated by dividing the index of total wages at constant prices by the index of employee jobs. Detailed definitions of wages and employment indices appear in: "Employee Jobs & Average Monthly Wages."²²

Chapter C: Income and Expenditure (Based on Combined Income Survey and Household Expenditure Survey)

Household: One person or a group of persons living together in one dwelling on a permanent basis most of the week, who have a joint expense budget for food. They may be related or unrelated persons or a combination of persons both related and unrelated.

- a. A household consists of persons who belong to the survey population (including children), who usually sleep in the dwelling at least four nights a week. Of those who usually sleep in the dwelling less than four nights a week, household members also include those for whom the dwelling is their own permanent civilian address, such as: household members serving in the army (compulsory service or regular army); married persons who reside at another address due to work or studies, but their spouse lives in the dwelling; crew members of aircraft and ships; and household members staying abroad continuously for a year or less.

²² See *Employment and Wages* on the website of the Central Bureau of Statistics: http://10.58.170.5/y_labor/mavo_eng.pdf

Households do not include children and youth at boarding schools, or persons living in student dormitories during the academic year; household members residing at a senior citizens' home; household members staying at a hospital, at institutions for people with disabilities, or in prison for more than a month; and household members staying on a kibbutz while serving in the Nahal ("Fighting Pioneer Youth" brigade) or engaging in volunteer service in a pre-military framework.

- b. The estimates of households based on the Labour Force Surveys, the Household Expenditure Survey and the Income Survey do not include Bedouins living outside of localities in the Southern District and residents of institutions (wards and others). The estimates of households based on Labour Force Surveys also do not include the population of kibbutzim. For further details about special populations included in the estimates of households based on these three household surveys, see the definitions of wages, remuneration, and labour cost in the tables of the *Statistical Abstract*.²³

Standard person: The size of a household affects the level of living that can be maintained on a given income. In order to provide a basis for comparing the level of living of households with varying numbers of members, they are usually classified by income per person. It is also assumed that the number of household members does not have a uniform impact on the potential level of living that can be attained from a given income. Accordingly, there are advantages to a large household. Therefore the number of household members was weighted into a uniform scale. The scale establishes the two-person household as a base unit. The larger the number of household members, the smaller the marginal influence of each additional person. Based on this scale, the number of persons in a household is expressed in terms of standard persons per household. The scale is shown in the table below.

²³ Central Bureau of Statistics (2017). [Statistical Abstract of Israel: Annual Data 2016. Introduction to Chapter 5 – Households and Families](#). Table of Populations Included in Estimates of Households in Household Surveys. Jerusalem: Author.

Actual number of persons in household	Number of standard persons	Marginal weight per person
1 person	1.25	1.25
2 persons	2.00	0.75
3 persons	2.65	0.65
4 persons	3.20	0.55
5 persons	3.75	0.55
6 persons	4.25	0.50
7 persons	4.75	0.50
8 persons	5.20	0.45
9 persons	5.60	0.40
Every additional person		0.40

Earners: A person who worked for pay at least one day during the three months before the interviewer's visit.

Quintile of income: A group comprising 20% of the households (two deciles of income). In the Household Expenditure Survey, where the findings are used as a basis for determining the consumption basket of the Consumer Price Index, consumption expenditures are summed up for households in partial population groups, in accordance with quintiles of disposable income per standard person. The price indices of the consumption basket for families in the different income quintiles are calculated by weighting the price indices of the goods and services, as they are collected for the purpose of calculating the index for the total population, according to the weights of the goods and services in the basket of the appropriate quintile.

Gross money income of household: The total current money income of the household before deduction of compulsory payments (income tax, National Insurance, and Health Insurance). Gross money income includes income of all household members from salaried or self-employed, property, interest, dividends, current income from support and pensions, or any other income. Gross money income does not include non-recurrent payments (e.g.,

inheritance, severance pay from the place of work, etc.). Nor does it include imputations for income from use of own dwelling or various types of income in kind (non-money income).

Net money income of household: Gross money income, as defined above, after deduction of compulsory payments. Data on net income were not obtained directly from the households surveyed, but were calculated on the basis of gross income and the tax rules as applied in Israel.

Net income per standard person: The total current financial income of a household, after deduction of compulsory payments; and the household's total income from services provided as a result of ownership of a dwelling or vehicle; divided by the number of standard persons in the household.

Net income of household: A household's gross income after deduction of compulsory payments. The data of these payments were computed in the household expenditure survey on the basis of Israeli tax regulations, and were not received directly from households.

Capital income: Total income from property in Israel and abroad, income from interest on deposits and bonds, and dividends from shares.

Compulsory payments: Direct taxes imposed on current income, i.e., income tax, National Insurance, and National Health Insurance. These payments were calculated according to the tax rules operating in the economy, and were not obtained directly from households.

Total consumption expenditure: A household's total payments for goods and services as well as the imputation of consumption expenditure for housing services and motor vehicles (for those owning a dwelling or motor vehicle). Payments sometimes include interest, delivery, and installation fees. Purchase of a dwelling and a vehicle is defined as capital formation and not as consumption. The purchase of a product is considered as of the day in which it was received, and the full sum of the purchase is considered an expenditure for a product on the day the product reaches the dwelling, even if it was only partially paid for by that date. Therefore, advance payments for products or services not yet received, or debts paid for a product that is already in the dwelling are considered an increase in savings rather than as a consumption expenditure. Loans (including mortgages) are considered as capital formation/savings and not as expenditure.

Money consumption expenditure: Consumption expenditures without imputation of services on housing and vehicles.

Miscellaneous foods: A group which includes food products such as tea, coffee, cocoa, spices, baby food, powders, dry pulses, vegan and vegetarian products, as well as ready-made food purchased or ordered.

Housing services consumption: The imputed value of the monthly outlay for consumption of owned-housing services, key-money dwellings, and housing provided free of charge. In

other words, the amount that persons who do not rent a dwelling would have to pay if they rented a dwelling.

Miscellaneous household needs (part of the “home and household maintenance” item): A group which includes dishwashing soap, laundry detergents, household cleaning materials, disinfectants, air fresheners, candles, napkins, wipes, etc.

Health insurance: This group includes, since 1997, only payments for *supplemental* health insurance offered by health funds, and policies sold by insurance companies. Payments for state health insurance are considered a tax and fall into the category of compulsory payments.

Other health expenses: A group that includes outlays for medicines, personal hygiene products, eyeglasses, contact lenses, etc.

Vehicle expenses: A group that includes imputed interest and depreciation of vehicles, fixed and variable expenses for all types of vehicles, purchase of two-wheeled vehicles, and rental of vehicles.

Other expenses (transportation): A group that includes outlays for driving lessons, driver’s license renewal, various kinds of haulage, and parking charges.

Other products and services: A “main” consumption group that includes products such as cigarettes, cosmetics, jewellery, as well as legal services.

Chapter D: Education²⁴ (According to Administrative Sources)

The study population: The research includes all persons who attained a first degree between 2000 and 2004 (academic years 1999/2000–2003/04), and whose ID number was linked to the national Population Register.²⁵ It should be noted that first degree recipients who were listed in the national Population Register but have since left the country *are* included in the study population. Consequently, employment rates may be biased downward to a slight degree, because graduates leaving the country are not generally active in the Israeli labour market²⁶ (see the definition of employment rate for more details). First degree recipients do not include graduates of foreign college extensions, and include only persons who were enrolled in recognized institutions, such as Israeli universities, the Open University, academic colleges accredited by the Israel Council for Higher Education and authorized to grant a first degree, and colleges of

²⁴ In this publication, data on first degree recipients in 2008 were added.

²⁵ A small number of first degree recipients were foreign students who did not have Israeli identification numbers. Hence, they were not included in the survey.

²⁶ A detailed examination of data revealed that the magnitude of this migration effect was negligible.

education granting a first degree in education (B. Ed.) under the supervision of the Ministry of Education.

Degree Year (DY): The degree year refers to the year of graduation ceremony. Because most institutions of higher education hold one graduation ceremony per calendar year (in mid-summer), there is usually a time lag ranging from half a year to a year between the time an individual receives official qualification for a degree and the date the ceremony takes place. For example, the persons listed in this report might attain a first degree in the middle of 2001 (at the time of the graduation ceremony) although they actually completed the requirements towards their degree a year earlier, i.e., just after the previous ceremony in the middle of 2000. Therefore, in most cases a time lag of half a year is typical.

First degree only: The phrase “first degree only” represents the study status of individuals after receiving their first degree, and refers to persons who do not study further (towards a second degree) during the relevant calendar year or period since attaining their first degree. This distinction is important, because first degree recipients continuing toward a second degree and have to devote more time to their studies tend to work in temporary part-time jobs in the secondary labour market. Thus, they earn less (while they are studying) than do their counterparts who work without studying simultaneously. Unless otherwise specified, the analysis and description of the main findings pertain only to first degree holders who are not concurrently studying towards a second degree (in the relevant time period). In the Tables section of the publication *Employment and Earned Income Among Bachelor’s Degree Recipients 2000–2004* (appearing on the CBS website), data on income and employment rates are presented separately for all the graduates, including those studying towards a second degree and for those who do not study towards this degree. In order to calculate the absolute number of a first degree recipients by study status toward second degree for a specific year after receiving the degree, the number of persons who were studying toward a second degree during the relevant year is deducted from the corresponding *total cohort* for that same year using the information provided in Appendix A of the publication mentioned above.²⁷ It should be noted that a small percentage (5.8%) of the first degree recipients from the 2000–2002 cohorts were listed as not concurrently studying toward a second degree in the follow-up period, but they had in fact completed their second degree by three or four years after receiving the first degree. Further examination has

²⁷ CBS. (2009) *Employment and Earned Income Among Bachelor’s Degree Recipients – 2000–2004*, pp. 63–67. Jerusalem: Author.

revealed that the impact of this small group on income and employment data was minimal.

Field of study: An aggregation of disciplines based on similarity of subject and common contents.²⁸ A field of study represents the fields of specialization in educational institutions recognized by the Council for Higher Education and authorized to grant an academic degree. It should be noted that the aggregations conform generally – but not exactly – to those found in the CBS publications.²⁹ Because aggregations of fields of study can differ to some degree in institutional settings, caution should be exercised in comparing between institutions regarding fields of study that are especially diverse (e.g., social sciences). Finally, in order to maximize comparability between institutions, all fields of study within the academic colleges of education were included as Education.

Years since degree attainment: This variable represents the calendar year in which incomes were reported to the tax authority, relative to the year of degree attainment. This method of calculation enables the comparison of different time periods, as long as the time frame since degree attainment is held constant (i.e., a cohort calculation). It should be noted that due to lack of data the maximum follow-up period is not equal for all five graduate cohorts (2000–2004). Rather, the length of the follow-up period decreases by one year for each cohort. For example, a four-year follow-up was only possible for those who received first degrees in 2000; a three-year follow-up – for those who received degrees in 2000 and 2001; and a two-year follow-up – for those who received degrees in 2000, 2001, and 2002, etc. In addition, a substantial cohort effect was found for level of income from work and self-employment rates, so these topics are covered in the analysis section only for cohorts of the same follow-up period (for example, a three-year period only for graduates in 2000 and 2001). Employment rates and number of jobs were influenced only slightly by cohort effects, so the analysis in the introduction refers to global period comparisons (not restricted to cohorts with the same follow-up period).

Employment rate: The percentage of graduates in a cohort whose incomes are reported to the tax authority in a calendar year. Because the tax authority file represents a universal data source of formal employment in Israel, persons who are *not* listed in that file are considered within the publication *Employment and Earned Income among*

²⁸ For a detailed list of fields of study, which includes the disciplines that form each field of study, see CBS. (2009) *Employment and Earned Income Among Bachelor's Degree Recipients – 2000–2004*, Appendix B, pp. 68–71. Jerusalem: Author.

²⁹ See CBS (2007). *Students at Universities and Other Institutions of Higher Education 2005/06*, p. XXI. Jerusalem: Author.

Bachelor's Degree Recipients 2000–2004 as being out of the labour force during the relevant calendar year. Nevertheless, this definition of employment assumes that all first degree recipients are active in the Israeli labour force throughout the year, which is not necessarily the case. Hence, a distinction should be made between the above definition of employment and traditional measures of labour force participation used in the CBS Labour Force Survey.³⁰

Earned income is defined as the total gross employment incomes in a calendar year (before compulsory deductions) per person. Hence, income earned in multiple jobs, including income from self-employment of the same person, is summed up. Individual income from other sources such as pension, rent, capital gains, and other support are not included. In addition, income from sources that are not reported to the tax authority are not included (e.g., incomes of Israelis working abroad who are not required to deduct tax, incomes in the informal labour market). The income figures reflect cost-of-living adjustments and are presented in the New Israeli Shekel denomination (NIS), at 2004 constant prices. Since the employment rates are weighted (see above), estimates of monthly income of employees (for the average of the cohort)³¹ can be obtained by multiplying the annual income by the employment rate, and dividing that outcome by 12 (months). It should also be noted that unless indicated otherwise, the incomes appearing in the tables includes incomes from all jobs, irrespective of occupation or industry. This is noteworthy because many recent first degree recipients are not engaged in their field of study but still employed at relatively unskilled jobs in the secondary labour market (e.g., waiters or security guards) while they are searching for professional positions in their field of study. Hence, the fact that they are not working in their field of study is likely to impact on job mobility and incomes, particularly for those first degree recipients whose field of studies does not provide skills required to work in the labour market.³²

³⁰ See Labour Force Definitions in Central Bureau of Statistics (2006), *Labour Force Survey: Changes in the Methodology, Definitions and Questionnaire 1954–2003*. Jerusalem: Author.

³¹ Because the data on number of months of work among self-employed graduates are not reliable, imputations were conducted to a full (12-month) work period in order to calculate the employment rates for those graduates.

³² See Central Bureau of Statistics (2009). [*Employment and Earned Income Among Bachelor's Degree Recipients, 2000–2004*](#). Pub. No. 1368. Jerusalem: Author.

Chapter E: Foreign Trade (According to Customs Reports and Other Administrative Sources)

Subject of Investigation

1. Imports and exports are recorded according to a special system, by which that portion of the trade flowing through customs is included in the statistics. Accordingly, imports do not include goods imported and stored in bonded warehouses, and exports do not include goods exported from these warehouses. Goods in transit are also not included in trade.
 - (a) **Gross imports** include consignments imported from abroad for local use (including finishing and repair) which are released by the Customs immediately after unloading, or which were released after a time from the bonded warehouses of the Customs. Import data do not include commodities put into bonded warehouses, except for a number of productive enterprises, which are recognized as bonded warehouses. Imports do not include consignments which were exported in the past and which were returned to Israel without any further processing.
 - (b) **Net imports:** The data are obtained by deducting from gross imports the value of goods imported earlier and returned to a supplier abroad without processing or changing its form. As there is no way of identifying the date of entry to Israel of the goods which are being returned abroad, the deduction is done on the date of return abroad. For this reason the returns are deducted from the grand total and not from items detailed by industries.
 - (c) **Gross exports** include the flow of products abroad, except consignments of commodities which were previously imported and then returned to a supplier abroad without any processing. This also includes partly finished goods which are sent abroad for additional processing and which eventually will be returned to the sender, and goods which were imported and sold to factors (not the suppliers) abroad without processing.
 - (d) **Net exports** are obtained by deducting from the value of gross exports the value of goods, which were previously exported but were returned to the Israeli supplier without processing or change of form. As there is no means of identifying the original date of consignment abroad of exports returned from there, the deduction operates on the date of return rather than the date of original export. For this reason returns are deducted from the grand total and not from items detailed by industries (excluding diamonds).

2. The date of statistical registration of the import is the date of the release of the goods by the Customs authorities, whereas for exports it is the date of loading the goods on ship, airplane, or trucks (land transport to Jordan).

3. Foreign trade statistics include, among others, the following goods and business activities:

(a) Personal import and export: personal effects of immigrants, seamen, returning residents and foreign diplomats (import) and of emigrants (export).

(b) Parcels dispatched by mail (in recompense or as gifts).

(c) Ships and aircraft are included in import and export data whether they have passed through Customs or not. Imports include ships purchased from abroad by Israeli companies and sailing under Israeli flag or a foreign flag. (It should be noted that ships and aircraft do not undergo the procedure of passing through Customs).

Exports include ships and aircraft that were produced in Israel and those that were previously purchased and later resold abroad in the reporting period.

(d) Products for exhibitions and fairs are, in principle, included in foreign trade data only if they were sold or given away free of charge. Returns from exhibitions are not included in foreign trade but there are technical difficulties in identifying these flows.

(e) Equipment imported or exported on a lease basis (e.g., computers and other data processing equipment).

(f) Gold and silver (non-monetary), both processed or partly processed, scrap and remnants intended for manufacturing, goldsmithing and silversmithing or medical use.

(g) Fuel and food supplied to foreign ships and aircraft in Israeli ports are included in export since 1969, even though they did not pass through Customs.

4. Special transactions and commodities not included in foreign trade statistics

(a) Commodities imported or exported for a limited period of time and returned without having undergone any processing, e.g., personal effects of tourists (including cars); goods intended for exhibitions, fairs, displays, etc.;

commodities intended for temporary storage only; equipment sent to perform contract work and returned after use.

- (b) Effects purchased by tourists in Israel or by Israelis abroad, excluding cases where duty has been charged on goods purchased by Israeli tourists, and then the goods were included in total imports. An estimate of the value of the purchases of tourists in Israel and of Israelis abroad is included in the account of services in the Balance of Payments.
- (c) Engines and parts of aircraft sent by local airlines to their branches or representatives abroad for replacement or repairs and those sent to Israel from branches abroad for repairs or replacement.
- (d) Fish caught by Israeli fishing vessels.
- (e) Monetary gold, securities and legal tender (notes and coins) or currency about to be made legal tender (local currency notes printed abroad are recorded according to the value determined by the printers and not according to face value).
- (f) Fuel and food supplied to Israeli ships and aircraft in foreign ports (recorded in Balance of Payments as services).
- (g) Ballast and dunnage supplied to foreign ships in Israeli ports and to Israeli ships in foreign ports.
- (h) Imported military equipment and weapons (estimated value is included in the commodities account in the Balance of Payments). The flow is not included in the import of goods because it does not undergo the usual procedure of passing through customs.

5. The trade with the Palestinian Authority

The trade data do not include the transactions with residents of the Palestinian Authority. The data also do not include the value of the import and export commodities that were released by the Israeli customs and belong to residents of the Palestinian Authority. Data on trade with Palestinian Authority are published within the Balance of Payment.

Classification by Industries

Export data are presented by industry of origin, meaning: the classification was done by the industry to which the product belongs according to its character, based on the description of the goods in the goods classification and not on the exporter's industry.

This is done as of the *Foreign Trade Quarterly* 1/1995. The definition of the industries is based on the *Standard Industrial Classification of All Economic Activities 1993*.

Starting with Monthly No. 8, 2003, data on export goods were published classified by new industries (of origin), according to the 1993 edition of the *Standard Industrial Classification of All Economic Activities*. Export data classified by new industries can be obtained from the CBS database (as of 1988).

As of 2013, data on export goods are published according to the *Standard Industrial Classification of All Economic Activities 2011*. Data as of 2004 were converted according to this classification.

The Value of Commodities

The value of imports: The value is determined by the importers' report to Customs and is based on the value of the transaction as defined in the Convention on the Valuation of Goods for Customs Purposes (Brussels, 1950). The value of the transaction is the value for which the goods were sold plus expenditure on transportation and insurance as far as the border of the importing country, including costs of unloading at the port of origin. This definition of the value of the transaction in imports corresponds to the value of the goods according to CIF (Cost, Insurance, Freight).

In most of the cases, the value for Customs purposes includes an imputation of local costs – wharfage and portage fees.

Import taxes and other taxes levied on imported goods are not included in the value for Customs purposes.

When import of products is unaccompanied by monetary recompense, and it is difficult to determine the value of the transaction (as in the case of gifts), the value is determined by an estimate based on market price. So, for example, the cost of import of gifts for museums is based on the valuation of an insurance assessor.

Imported commodities that are released against a deposit are recorded according to the actual date of release against the deposit until the final settlement of the account. The amendment of this import value is recorded with final settlement, and also dated according to the actual release of the goods (thus, an amendment of the value of the import may take place after several months).

Import data: The data are recorded in the import entry forms in the currency of the transaction and are calculated in U.S. dollars (USD) and in NIS (New Israeli Shekels), according to the exchange rate on the date they are released by customs. The exchange

rates for these purposes are those for customs purposes on the date of the presentation of the entry forms. In the publications on Foreign Trade, the values of imports and exports are presented in USD.

The value of exports: The export data are recorded according to FOB (free on board) transaction values, without deduction of discounts and commissions paid to foreign factors.

Export data: The data are recorded in the export entry forms in NIS and in the foreign currency in which the transaction is made. The conversion into USD is carried out in the monthly summaries, according to the rate on the day the transaction was registered at customs.

Chapter F: National Accounts (According to Various Administrative Sources)

National Accounts for 1950 to 1995 were compiled according to the recommendations of the UN Statistical Office in 1968.³³

The national accounts for 1995–2013 are based on the SNA2008 system of national accounts,³⁴ which was prepared by five international organizations: UN, IMF, World Bank, OECD and Eurostat.

Gross domestic product at market prices: The sum of the gross values added of all resident producers (output less intermediate consumption), plus net taxes (taxes less subsidies on products) that are not included in the value of output. Gross domestic product is also derived as the sum of expenditure on final consumption plus gross capital formation plus exports less imports. In addition, gross domestic product is derived as sum of primary incomes distributed by resident producer units: compensation of employees plus gross operating surplus plus mixed incomes plus net taxes on both production and imports.

, plus all non-deductible VAT (or similar taxes). Until 1995, the definition of the product was different. It did not include net taxes on imports, but included revenue components received for the exports.

³³ United Nations and World Bank (1968). *A System of National Accounts, Studies in Methods*. Series F, No. 2. New York: Author.

³⁴ United Nations, World Bank, Commission of the European Communities, International Monetary Fund, and Organisation for Economic Co-operation and Development (2009). *System of National Accounts 2008*. New York: Author.

Net domestic product, at basic prices: Gross domestic product at market prices, minus consumption of fixed capital.

For an expanded definition of National Accounts, see the *Statistical Abstract of Israel*.³⁵

Chapter G: Balance of Payments

The International Monetary Fund (IMF) established definitions according to which the balance of payments is compiled. According to those definitions, the **balance of payments** is a statement that summarizes economic transactions between residents of Israel and non-residents during a specific time period.

The Balance of Payments consists of three main sections:

- a. **Current account:** An account which shows flows of goods, services, primary income, and secondary income between residents and non-residents;
- b. **Capital account:** An account which shows: capital transfers receivable and payable between residents and non-residents; and the acquisition and disposal of non-produced non-financial assets between residents and non-residents.
- c. **Financial account:** An account which records transactions that involve financial assets and liabilities and that take place between residents and non-residents.

Updates in the current account have been made since 1995. In the financial account, assets, and the IIP, updates have been made since 2006. These updates were published in 2013 in the tables of the *Statistical Abstract*.

As of 1995, there has been a change in the income account, due to deposits and loans (receipts and payments), as well as a change in the other business services account (imports/exports) due to the transfer of Financial Intermediation Services Indirectly Measures (FISIM) from the primary income account to the services account. This was done in accordance with the new international requirements specified in the sixth edition of the international Balance of Payments Manual (BPM6).

In the financial account and the IIP, changes have been made in the method of estimating commercial credit (as of 2006).

³⁵ Central Bureau of Statistics (2016). [Statistical Abstract of Israel: Annual Data 2016. Chapter 14 – National Accounts](#).

The **current account** includes three main secondary accounts:

- a. **Goods and services account:** This account shows transactions between Israeli and foreign residents in items that are outcomes of production activities.
- b. **Goods account:** Shows transactions related to transfer of ownership of goods between Israeli and foreign residents. In the goods account, values are recorded on an FOB basis (free on board), i.e., without expenditure on transport and insurance. These services are listed in the respective service items, as needed.
- c. **Services account:** Shows the transactions relating to provision of services between Israeli and foreign residents.

Primary income account:³⁶ An account which shows primary income flows between Israeli and non-resident institutional units. Primary income represents the return that accrues to institutional units for their contribution to the production process or for the provision of financial assets and renting natural resources to other institutional units.

The **primary income account** includes:

- a. **Compensation of employees:** Total expenditure for wages and salaries and supplementary expenditures for wages and salaries paid to residents of Israel for work as employees abroad, or to foreign residents for work as employees in Israel.
- b. **Investment income:** The return for providing financial assets.³⁷ This component comprises dividends and withdrawals from income of quasi-corporations, reinvested earnings, and interest.

Secondary income account:³⁸ An account which shows current transfers between residents and non-residents.

³⁶ Former term: income account.

³⁷ See Central Bureau of Statistics (2017). [Statistical Abstract of Israel: Annual Data 2016. Chapter 14: National Accounts](#). "Definitions of Wages, Compensation, and Labour Cost".

³⁸ Former term: current transfers account.