



Israel Must Prepare for Tomorrow's Job Market Today

Outline

Team Leaders:

Daphna Aviram-Nitzan Former head of the migration research unit at Aharon Meir Center for Banking and Economic Policy at Bar-Ilan University and the former director of the economic research division at the Manufacturers Association of Israel (MAI).

Prof. Yotam Margalit Much of Margalit's work focuses on labor markets. At IDI, he heads a project dedicated to developing institutional and legal reforms for Israel's evolving labor market. Margalit is a faculty member of the Political Science Department at Tel Aviv University and holds a Ph.D. from Stanford University. He was also a faculty member at Columbia University.

Team Members:

Representative of: The National Insurance Institute of Israel; Bank of Israel; JDC Israel Tevet; Histadrut; Manufacturers Association of Israel; Central Bureau of Statistics; Knesset Research and Information Center; Samuel Neaman Institute, Technion; The National Economic Council; Prime Minister's Office; The Aaron Dovrat Institute for Economic Policy; Taub Center for Social Policy Studies in Israel; Ministry of Finance; Ministry of Economy and Industry; Social Affairs and Social Services; Millennium Project; Israeli Employment Service; Ministry of Labor

According to many experts from around the world, extensive changes are expected to take place in the labor market over the next few years. These developments stem from a combination of technological advances, demographic shifts, deepening globalization processes and perceptual changes.

As such, countries that do not prepare for these expected changes will face **real threats to the stability of their economies and governments**. Possible risks include:

- A significant increase in unemployment for populations that will not adapt themselves to the needs of the evolving market
- Lack of professional, specialized employees, which will serve as a bottleneck for economic growth
- On the other hand, a sharp rise in the salaries of in-demand skilled workers is expected
- Reduced competitiveness
- Destabilizing of relations between employers and employees
- Growing social polarization due to widening gaps between employees

However, countries' preparation for the labor market's changing needs could lead to improved competitiveness and robustness of their economies, while accelerating innovation and growth, as well as increasing employment levels.

In response, the Israel Democracy Institute (IDI) established a working group several months ago, which aims to formulate a multi-system strategic plan on the future of the labor market. The working group is in its earliest stages and is comprised of representatives from relevant government ministries (including the Ministry of Finance, Ministry of Labor, Ministry of Economy and Industry, Prime Minister's Office, Bank of Israel and National Insurance Institute), employers, employees, research centers and academia. As such, this working group is a unique forum for collaboration among major players in the Israeli labor market and has adopted an approach that takes into account the interrelationship between different facets of the labor market. These aspects include the market's needs (employers and employees) and a system to provide for those needs (training, education, labor laws, and more).

Upon completion of this initial stage of mapping and gaining a deeper understanding of the challenges ahead, the team's work will then shift to formulating operational policy recommendations in three main areas: education, training and labor legislation and regulation.

During the preliminary stage, the team identified a number of recommended courses of action, focusing mainly on vocational training, education and labor relations. Specifically, this refers to: **reducing the mismatch** between workforce supply, as provided by the education system and professional training institutions, and workforce demand, as defined by the needs of the business sector; **strengthening Israel's active labor market policy (ALMP)**, by focusing on the training of employees in their workplace, so as to enhance their job security and set of skills, while meeting the demands of the employers' changing needs; **reinforcing life-long learning (LLL)**; and arranging **flexible labor agreements** that will enhance both the employees' welfare and the employers' flexibility.