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The Diversity Index – Representation and Wages in the Private Labour Market in Israel

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Abstract

The Equal Employment Opportunity Commission (EEOC) initiated a joint project with the Israeli Central Bureau of Statistic (CBS) and Tel Aviv University (Prof. Alexandra Kalev), aimed at mapping data to examine the diversity in representation and wages of different groups suffering from discrimination in the labour market. Based on this mapping a diversity index for the labour market in Israel was developed.

The index examines the level of representation and wages of five groups, which are the most discriminated and vulnerable in the Israeli society: Arabs, persons of Ethiopian origin, women, the ultra-Orthodox community, and persons aged 45 and over, in major industries and sub-industries in the private sector.

The goal of the diversity index is to enable policy makers to establish policies that will improve diversity in the labour markets. The aim of this paper is to describe the indicator (the diversity index) that was developed to deal with discrimination within the Israeli labour market and to present key findings from the diversity index that has been calculated, mainly from gender aspect. The main findings is that women are highly represented in the labour market, but are discriminated against in terms of wage gaps, mainly when they are within the subgroups of the population (Arabs, Ethiopian-origin, Ultra-Orthodox). Thus, double discrimination of women in the subgroups is discernible, both because they are women and because they belong to that subgroup. This implies that the phenomenon of the glass ceiling and the sticky floor is intensified in the discriminated groups examined. Those women are more vulnerable and suffer more from discrimination in the labour force.

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I. Introduction

1. The Diversity Index is an innovative tool, which provides a comprehensive view of the integration of workers from diverse population groups into the Israeli labour market. It is the first of its kind in Israel. The index was developed as part of a policy to implement equality and diversity in the labour market, as well as a means of enforcement against discrimination in the employment market.
2. The project of development and preparation of the index are the result of cooperation between researchers from the Equal Employment Opportunity Commission, the Central Bureau of Statistics and the Department of Sociology and Anthropology at Tel Aviv University. Work on the project began in 2015, and included the mapping of data on representation and wages of discriminated groups in the labour market and the development of the Diversity Index that ranks the various industries.
3. The Equal Employment Opportunity Commission is a governmental body established in 2008 by virtue of Section 18A of the Equal Employment Opportunities Law, 1988. The Commission aims to lead the process of implementing equality and eliminating discrimination in the labour market and to serve as a "normative benchmark" for the adoption of norms and values, which will form the basis for an equal labour market in the State of Israel. Accordingly, the Commission deals with the enforcement of equality legislation at the civilian level and seeks to internalize the appropriate norms of equal opportunities at work. Additionally, it aspires to lead a comprehensive and inclusive reform in the implementation of equal opportunities in the labour market.
4. This project is innovative in several aspects. First, it is based on cooperation as a strategy adopted by the Equality Commission, recognizing the importance of harnessing and connecting stakeholders to achieve common goals. Second, it uses professional knowledge and expertise developed through research to leverage social change and to formulate policies on the integration of different groups in the labour market.
5. The Diversity Index presents a snapshot of representation and wage equality of various demographic groups in Israeli society, which have historically been excluded from the labour market, and from positions of power and influence. The purpose of the index is to promote the use of information to illuminate and guide the activities of businesses, social organizations, and government ministries' policy to increase employment and equal wages for diverse groups in the labour market.
6. This paper presents key findings from the diversity index that has been calculated. The analysis will focus mainly on the gender aspect of each excluded group.

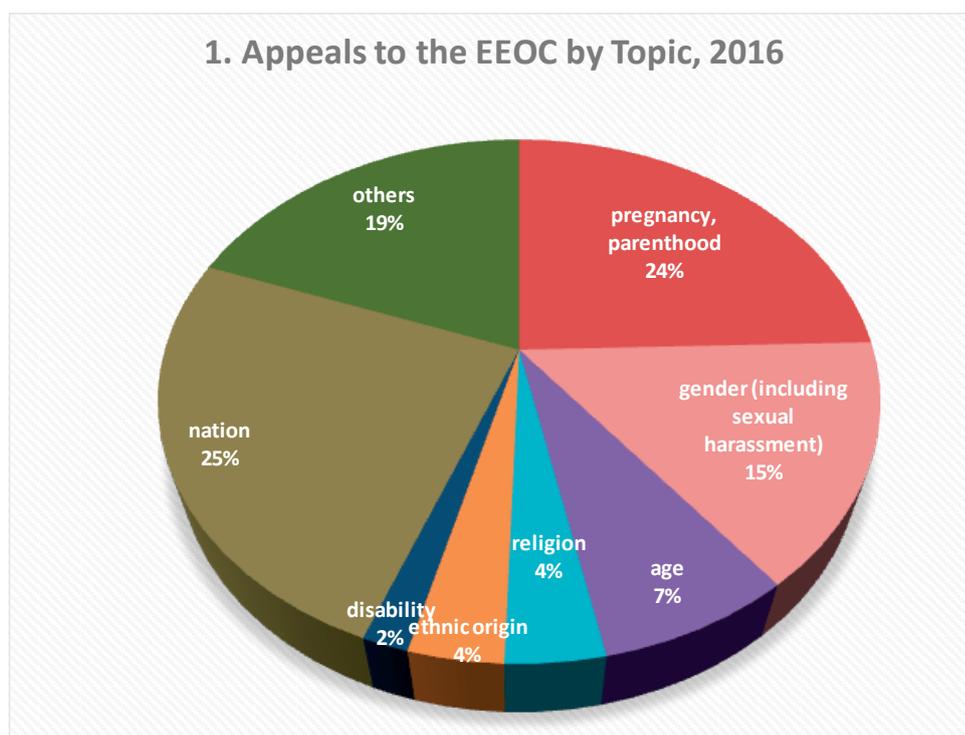
II. Populations Represented in the Diversity Index

A. Selection of Populations

7. This index focuses on five groups that have been marginalized, weak and vulnerable in Israeli society for years. The groups are: Women, Arabs, persons born in or originating from Ethiopia, the ultra-Orthodox, and those aged 45 and over. There are more vulnerable groups in Israel but there is lack of administrative data on them, not like the groups which were measured in the index.
8. Information on discrimination against these groups comes from two sources, one of which is appeals to the Equal Employment Opportunity Commission about discrimination (see on chart 1). The second one is the fact that the state deals with these groups as being worthy of proper representation through legislation in the Civil Service Law.

9. As shown in chart 1, more than half of the appeals to the Equal Employment Opportunity Commission (EEOC) come from a gender background, about 10% on the basis of nationality, about 5% on the basis of religion, and less than one percent on the basis of race. Undoubtedly, this does not cover all the discriminated groups and the data is exposed to bias (not everyone familiar with the possibility to complain via the EEOC), but we can learn a bit from this about the situation in society.

Figure 1: Appeals to the Equal Employment Opportunity Commission



B. The Populations and the Cause of Discrimination

10. There is also an obligation to be properly represented as outlined in the Civil Service Law-Appointments, Section 15A, which restricts government ministries and public sector entities only. These employers are committed to achieving the employment targets defined for groups eligible for affirmative action, which include women in senior positions, Arabs, persons of Ethiopian origin, and persons with disabilities.
11. For the time being, in the private sector there is no systematic monitoring of diversification in the various sectors.

C. The Populations and the Cause of Discrimination

12. **Ethiopian-Origin:** Persons born in or originating from Ethiopia; Anyone who was born in Ethiopia, including those born in Habash¹ and Eritrea and whose religion is Jewish. This group constitutes 1.5% of the country's population. This population suffers primarily from ethnic discrimination.
13. **Ultra-Orthodox Jews:** A very religious Jewish population distinct from the general population in its way of life and customs. Ultra-Orthodox employees were identified in the index by means of an algorithm that attributes a level of religiosity to a person according to his connection to various educational institutions. The source of the data is administrative files in the field of education, in which educational institutions can be associated with the person. This group accounts for 10% of the total population. This population suffers mainly from religious discrimination.
14. **Arabs:** A population originating from the Arab countries and speaking Arabic; for the most part its religion is Muslim, but it can be made up of Christians and Druze as well. This population constitutes 20% of the total population in Israel, and suffers mainly from discrimination on the basis of nationality.
15. **Women** comprise 50% of the population. This population suffers mainly from gender discrimination.
16. **People aged 45+** constitute 42% of the country's population. This population suffers mainly from age discrimination.
17. It should be emphasized that persons born in or originating from Ethiopia, the ultra-Orthodox and the Arabs are sub-groups in the State of Israel, whereas women and persons aged 45+ are included in the total population. In many cases there might be double discrimination, due to race or religious affiliation and due to gender, for example. As noted, this paper will focus on the double discrimination of women members of these subgroups (Arabs, Ethiopian-origin, Ultra-Orthodox).

III. Goals of the Diversity Index

18. The goals are:
 - Providing a tool to the Equal Employment Opportunity Commission to enforce its regulations for diversity and equality upon the labour market.
 - Providing a snapshot of the integration of workers from diverse population groups in the Israeli labour market.
 - Formulating effective public and business policy to increase diversity while using the data of all salaried employees in Israel.
 - Tools for employers in Israel to identify discrimination in the labour market by type of industry and size of organization.

¹ The former name of Ethiopia in Hebrew.

IV. Methodology

A. Data source

19. **Administrative file - Income tax file of employee jobs:** Produced by the Central Bureau of Statistics on the basis of employers' reports to the Income Tax Authority through Form 126 for 2015. The file includes **all employee jobs** in the economy on which the employer reports to the Income Tax Authority.
20. **Form 126:** A report submitted by the employer to the Tax Authority, containing details of the annual salary paid by the employer to each of his employees, and the deduction of the tax from this salary. This file shows the income of all employee jobs reporting to the Income Tax Authority in a given year.

B. Terms and Definitions

21. **Gross wages:** Remuneration in cash or in kind payable by an employer to an employee in return for work done during the accounting period, including compensation for time that the employee did not work, such as yearly vacation, absences, and other paid vacations.
22. Wages include:
 - Remuneration in cash: Payments such as basic wages, cost-of-living allowances, seniority payments, advance payments, overtime, and premiums, as well as various benefits, allowances, grants and supplements (current or non-recurring) such as: on-call, shifts, 13th-month salary, transportation, education and proficiency allowances, car allowance, and convalescence pay.
 - Remuneration in kind: Payments such as contributions for car benefits, contributions for mobile phones, holiday gifts, courses, on-the-job training, and travel abroad.
23. Wages do not include:
 - Social contributions payable by employers such as: pension funds, provident funds, study funds, national insurance, and health insurance. Wages also do not include severance payments.
24. **Employee jobs:** The number of jobs of workers (permanent and temporary) who worked for at least one day (or were on paid leave due to illness, vacation, army reserve duty, etc.), and are on the payroll of establishments or institutions. The data refer to jobs for which wages were paid without reference to the employee's scope of position. **The employee jobs included employees aged 18-64 only.**
25. **Average monthly wages per employee job:** The gross monthly wages divided by the number of employee jobs in that month.²

² It follows from the definition of employee jobs that the average monthly wages per employee job are lower than the average monthly wages per employee.

Everywhere in this paper, the term "employees" refers to "employee jobs" and "wages" to "gross monthly wages per employee job".

26. **Classification of Industries** - Based on the International Standard Industrial Classification of All Economic Activities (ISIC 2008) Revision 4.

C. The Diversity Index Method

27. The index is composed of two dimensions - representation and wage equality, and in each of the dimensions the status of the five groups is examined. The grade received by each Division ranges from 0 to 1 in both representation and wages, as follows:
28. **The representation dimension:** The representation of each group in each of the industries is measured relative to its representation in the working-age population (18-64). In other words, the grade shows the representation of the group in the industry relative to its representation in the labour force:
29. Percentage of representation of group X in the industry out of the total population in the industry/Percentage of representation of group X in the working ages. When the numerator is greater than the denominator, the score obtained is adjusted to 1 (perfect score).
30. The index examines the state of representation of the groups in each industry, in relation to an ideal situation in which the representation in the industry was in full accordance with the supply of working age persons.
31. The representation rate in the population of each of the groups in the index, at working ages (18-64), is as follows:
- Women - 51.1% of the total population aged 18-64.
 - Arabs - 18.7% of the total population aged 18-64.
 - Ethiopian-Origin - 1.1% of the total population aged 18-64.
 - Ultra-Orthodox - 6.7% of the total population aged 18-64.
 - Persons aged 45 and over - 42.2% of the total population aged 18 and over.
32. **The equality in wages dimension:** The wage gap of each group is measured relative to the relevant comparison group. The grade in the index is the percentage of wages of each group out of the comparison group's wages. A grade greater than 1 is adjusted to 1 (perfect score).
33. The wage comparison groups determined for the Diversity Index are as follows:
- Women compared with men;
 - Arabs compared with Jews;
 - Those whom origin is Ethiopia compared with Jews not with Ethiopian-origin;
 - Ultra-Orthodox Jews compared with non-ultra-Orthodox Jews;
 - Persons aged 45 and over compared with those aged 18-44.

V. Main Findings

34. Table 1 presents the ranking of the industries by the grade for representation and the wage equivalency of the working-age population Arabs, Ethiopian-origin, ultra-Orthodox by gender an age group (45 and over) and industry. The rating of the representation ranges from 0 (total absence of representation) to 1 (equal representation relative to the percentage of the group among the working-

age population). A grade greater than 1 indicates over-representation; i.e., the rate of representation of the group in a certain industry is higher than its share of the working-age population. For the pay gap the grade constitutes the percentage of the group's wages of the wages of the comparison group. (women to women and women to men). A score equal to 1 indicates full equality in wages. When the group's wages are higher than the wages of the comparison group, a grade greater than 1 is obtained.

35. The five most diverse industries are "blue collar" industries, where income is very low. Among the white-collar industries, the highest rated industries in the representation index are architecture and engineering services, technical examinations and technical services, and financial services.
36. The lowest sectors in the representation dimension are "white collar" industries, where the income is very high.
37. The index helps to illuminate the wide variance between the groups. The main findings of the index indicate that diversity is also selective within each industry, so that the levels of representation and wage equality of different groups within the industries are significantly different.

Table 1: The diversity index main findings

Economic Branch	Discriminated Group	Employees Participation		Employees aged 45 and over-participation		Women		Employees Women Aged 45 and Over	
		Women	Men	Women	Men	Gender Pay Gap	Pay Gap to the comparison group	Gender Pay Gap	Pay Gap to the comparison group
		0.73	0.91	0.48	0.63	0.68	0.68	0.60	1.32
Agriculture, forestry and fishing	Arabs	1.21	1.58	0.80	1.05	0.58	0.70	0.52	0.62
	Ethiopian-Origin	1.68	1.21	0.91	1.06	0.81	0.93	0.90	0.83
	Ultra-Orthodox	0.18	0.23	0.15	0.18	0.69	0.86	0.65	0.79
Electricity, gas, steam and Water supply	Arabs	0.24	0.78	0.09	0.35	0.69	0.40	0.75	0.41
	Ethiopian-Origin	0.67	1.79	0.00	1.46	0.89	0.54	0.00	0.00
	Ultra-Orthodox	0.50	0.26	0.21	0.22	0.52	0.56	0.65	0.71
Mining and quarrying	Arabs	0.14	1.00	0.00	0.73	0.57	0.33	0.00	0.00
	Ethiopian-Origin	0.00	0.33	0.00	0.35	0.00	0.00	0.00	0.00
	Ultra-Orthodox	0.00	0.13	0.00	0.14	0.00	0.00	0.00	0.00
Information and communication	Arabs	0.11	0.17	0.05	0.10	0.58	0.51	0.57	0.41
	Ethiopian-Origin	0.48	0.41	0.14	0.31	0.58	0.47	0.60	0.65
	Ultra-Orthodox	1.09	0.39	0.40	0.39	0.65	0.64	0.68	0.70
Wholesale and retail trade; repair of motor vehicles and motorcycles	Arabs	0.57	1.02	0.19	0.56	0.58	0.62	0.56	0.60
	Ethiopian-Origin	2.65	2.18	0.62	1.08	0.62	0.64	0.64	0.61
	Ultra-Orthodox	0.59	0.67	0.37	0.46	0.63	0.71	0.62	0.69
Financial and insurance activities	Arabs	0.17	0.26	0.08	0.23	0.58	0.64	0.62	0.72
	Ethiopian-Origin	0.50	0.39	0.12	0.20	0.81	0.54	1.44	0.75
	Ultra-Orthodox	0.69	0.48	0.29	0.39	0.65	0.67	0.72	0.84
Transportation and storage, postal and courier activities	Arabs	0.60	1.22	0.26	0.76	0.49	0.40	0.58	0.41
	Ethiopian-Origin	1.24	1.75	0.44	0.76	0.54	0.53	0.49	0.47
	Ultra-Orthodox	0.39	0.41	0.24	0.33	0.69	0.65	0.77	0.71
Manufacturing	Arabs	0.38	0.73	0.19	0.35	0.55	0.41	0.48	0.42
	Ethiopian-Origin	2.24	2.62	0.92	1.35	0.66	0.48	0.65	0.49
	Ultra-Orthodox	0.30	0.43	0.18	0.32	0.72	0.63	0.68	0.73

38. The rating of the representation ranges from 0 (total absence of representation) to 1 (equal representation relative to the percentage of the group among the working-age population). A grade greater than 1 indicates over-representation; the rating of the pay gap ranges from 0 (total inequality) to 1 (total equality). When the group's wages are higher than the wages of the comparison group, a grade greater than 1 is obtained
39. Women as a whole, have a higher representation than the rest of the groups, but suffer from larger wage gaps than the other groups. Arabs and Ethiopian-origin are overrepresented in non-quality employment. The ultra-Orthodox are represented at relatively high rates in only a few sectors of the labour market, especially in the "white collar" sectors. Finally, those aged 45 and over suffer from low representation in several new industries, but in all industries, except for two "blue collar" industries, their wages are higher than that of those aged 44 and below.
40. The index indicates a wide variance between industries. Patterns in the manufacturing industries and "blue collar" industries differ from those in high-tech industries. In industries where efforts were made to integrate unrepresented groups, the patterns are different than in industries where similar efforts were not made, although not all diversity groups benefit from these efforts.
41. Analyzing women in the discriminated sub groups (Arabs, Ethiopian-origin, Ultra-Orthodox) shows that women indeed are appropriately represented in all industries, but with exceptions - the manufacturing and scientific research and development. Participation of women in the manufacturing industry is very low, although the participation of men, especially in the subgroups, is very high. It can be assumed that women do not participate in that industry because of the nature of the work (physical and manual jobs). For the scientific research industry, the story is different – women do not have the education required. In these industries, the gender pay gaps are also the highest, though a high level of representation does not guarantee wage equality.
42. The discrepancy between the participation rate and the wage equality is well noticeable from a gender perspective. Women are highly represented in the labour market, but are discriminated against in terms of wage gaps, mainly when they are within the subgroups of the population. Thus, double discrimination of women in the subgroups is discernible, both because they are women and because they belong to that subgroup. This implies that the phenomenon of the glass ceiling and the sticky floor is intensified in the discriminated groups examined. Women in the discriminated groups suffer from low income, compared to the other women in the same industry branch (the double discrimination). The phenomenon of the triple discrimination age*sub group*gender is also clearly expressed.
43. A summary of the gender perspective of the discriminated 3 sub-groups (Arabs, Ethiopian-origin, Ultra-Orthodox) indicates that even in industries where the situation of women is good, the situation of women within the subgroups does not catch up to the general average. Those women are more vulnerable and suffer more from discrimination in the labour force.

VI. Further Work

- Improving employee data in terms of education level and the field of education.
- Multi-year comparison - the index will allow us to examine which changes and where they apply over time in representation in employment and wages of diverse groups in Israel.
- The addition of the population with disabilities, which also suffers from discrimination in the labour market.

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