Comparing business cycles peaks and troughs the unemployment rate in Israel has declined steadily since the early 2000s. We evaluate the extent to which this development reflects variation in business cycle intensity versus changes in structural, non-cyclical, factors. To that end we utilize a theoretical flow-accounting model, similar to Blanchard and Diamond (1989), to study the dynamics of unemployment and vacancies in response to cyclical and structural changes in the labor market. We then use insights from the model as identifying restrictions on a structural VAR system in unemployment, vacancies and the labor force. The impulse response functions of the empirical model are in line with the predictions of the theoretical model. In particular, cyclical fluctuations, interpreted as aggregate activity shocks, move unemployment and vacancies in opposite directions, giving rise to the Beveridge curve, while structural movements, interpreted as changes in the process of matching unemployed workers to vacant jobs and developments in labor supply, shift the Beveridge curve. Our estimates suggest that non-cyclical factors are accounted for at least half of the decline of the unemployment rate during the period between 2004-Q1, when unemployment peaked at 10.9 percent, and 2011-Q4, when it marked a trough at 5.4 percent. We also document a shift inward of the Beveridge curve since 2004.