

## CHAPTER VII

### WAGES

THE AVERAGE WAGE LEVEL in 1958 was about 5 per cent higher than that of 1957. The major portion of the rise resulted from the increased cost-of-living allowance paid as of mid-July 1958. Compared with the rates of increase in recent years, this 5 per cent rise is relatively small. The slowing down of wage increases may be partly attributed to the wage policy of the General Federation of Labour. During the period under review, wages rose only through higher cost-of-living, seniority and family allowances, productivity bonuses, and changes in gradings. The only major change occurred in the agricultural sector, where the introduction of family and seniority allowances, long-established in most other branches of the economy, raised wage rates by some 7 per cent.

Earnings<sup>1</sup> rose by one per cent more than did wage rates, reaching a level 6 per cent above that of 1957, chiefly because the average number of hours worked increased. As prices rose by only 2 to 3 per cent, real earnings<sup>2</sup> were some 3 to 4 per cent higher in 1958 than in 1957. Moreover, the decrease in the rates of wage deductions in 1958, and in particular—the abolition of the Defence Tax as from April 1958 and lowered income tax rates, left a larger proportion of earnings available for spending.

The markedly higher wage rates and fringe benefits granted during the year to professional personnel employed by the Government and other public bodies sharply increased the skill differential, which had been comparatively low in recent years. Doctors, engineers, teachers, lawyers, social and natural scientists won recognition of professional seniority, partial payment for professional literature, and overtime pay. Although these payments are retroactive to the beginning of the fiscal year 1958, they will be effected only in 1959. They have, therefore, been excluded from the computation of changes in wage rates during 1958.

<sup>1</sup> As used in this chapter, the term "earnings" refers solely to earnings from work and does not include income from other sources, such as investments, property, etc.

<sup>2</sup> Increase in earnings not offset by the increase in prices. See Chapter VI—"Prices," which comments on the fact that prices rose less than is indicated by the consumer price index. Even if the rise in earnings is measured against the increase in the index, it will be found that real earnings rose by some 2.5 per cent.

## 1. FACTORS CAUSING INCREASES IN WAGES AND EARNINGS

The labour contracts signed early in 1957 by the Manufacturers' Association and the General Federation of Labour kept in line with the wage policy of the latter body by fixing basic wage rates for a two-year period, and allowing increases only for increased productivity, upgradings due to greater skill, and higher seniority and cost-of-living allowances. Relatively little pressure was exerted to raise wage rates during 1958, since the level of employment was stable.

The cost-of-living allowance agreement<sup>1</sup>, also signed in 1957 for a two-year period, called for increased allowances only when the rise in the consumer price index from the previous determining month (June or December of each year) exceeded 3 per cent. In accordance with the relatively small rise in the consumer price index, the cost-of-living allowance was increased only once during the year, in mid-July, by 3.6 per cent.

In several major economic branches—specifically in industry, transport, and personal services—the average number of hours worked was greater in 1958 than in the preceding year. This rise in the average number of hours worked ranked second only to the cost-of-living allowance in its importance as a factor in increased earnings.

## 2. WAGES AND EARNINGS BY ECONOMIC BRANCHES

The 432,000 Israel wage earners constitute two-thirds of the total number of gainfully employed persons. This proportion has remained virtually unchanged over recent years. Yet, wide differences are to be found between the various economic branches, in accordance with the specific conditions prevailing in each, ranging from as low as 36 per cent in agriculture to 93 per cent in electricity and water.

*Industry.* Industrial wage rates rose by an average of 4 per cent, as a result of the increased cost-of-living allowance and the normal wage drift—i.e., higher seniority allowances, regrading, etc. Earnings rose by an additional 2 to 3 per cent, due to the following factors:

1. An increase in the average number of hours worked;
2. Payment of holiday bonuses to a larger number of workers;
3. Payment, in Government and Histadrut enterprises, of the outstanding 60 per cent of the "frozen third" owing since 1956;
4. A slight increase in the number of workers receiving productivity premiums.

According to the monthly survey of the Central Bureau of Statistics, covering some 800 enterprises, the average daily earnings of industrial employees rose

<sup>1</sup> For a full discussion of this agreement, see page 72 of the Bank of Israel Annual Report for 1957.

TABLE VII-1  
*Wage Earners, by Economic Branch, 1958*

<i>Economic branch</i>	<i>Number of wage earners (thousands)</i>	<i>Number of wage earners as a percentage of total employment in branch</i>
Agriculture	41.2	35.9
Industry	98.8	69.7
Building	56.6	88.0
Electricity, water and gas	12.2	92.7
Commerce and finance	38.0	47.1
Transport and communications	27.0	61.0
Government and public services	128.9	89.9
Personal services	26.1	50.5
<i>All branches</i>	<b>432.0*</b>	<b>65.7</b>

\* Includes 3,200 wage earners whose economic branch is unknown.

SOURCE: Central Bureau of Statistics.

from IL.10.685 to IL.11.445—an increase of 7.1 per cent. Although this survey cannot be considered as representative of all Israel industry, as it does not include firms employing less than 15 workers, it does indicate general trends. Table VII-2 illustrates the considerable disparity between increases in earnings in the various industrial branches.

TABLE VII-2  
*Average Daily Wages in Industry, by Branch, 1957-1958 (IL.)*

	<i>1957</i>	<i>1958</i>	<i>Increase from 1957 to 1958 (in per cent)</i>
Foodstuffs	10.153	10.583	4.2
Textiles	10.199	11.195	9.8
Clothing and footwear	8.244	9.204	11.6
Leather	10.226	10.980	7.4
Stone and cement	11.072	12.023	8.6
Quarries	12.364	13.512	9.3
Chemicals	11.784	12.758	8.3
Paper and printing	10.685	11.201	5.8
Wood	10.261	10.860	5.8
Metal	10.544	11.184	6.1
Machines	10.468	11.239	7.4
Vehicles	12.692	14.048	10.7
Electrical appliances	10.412	11.145	7.0
Rubber goods	11.623	12.401	6.7
Diamonds	10.201	10.629	4.1
<i>All branches</i>	<b>10.685</b>	<b>11.445</b>	<b>7.1</b>

SOURCE: Central Bureau of Statistics.

Apart from conjunctural developments, various factors affect the wage differential and its rate of increase in different branches, the more important being the average number of hours worked, the predominance of skilled or unskilled labour, and the predominance of male or female workers.

Fringe benefit rates and conditions of work remained virtually unchanged in 1958, since changes in fringe benefits are generally bargained for concurrently with wage rate agreements.

Table VII-3 gives the average rate of fringe benefit payments granted in 1958 by industrial enterprises adhering to labour contracts signed with the General Federation of Labour. As some 15 per cent of industrial workers in Israel—primarily those employed in small-sized handicrafts enterprises—are not covered by labour contracts and usually benefit only from compulsory social welfare payments, the rate for the industrial sector as a whole was somewhat lower.

TABLE VII-3  
*Fringe Benefits as a Percentage of Total Annual Earnings, 1958*

Type of benefit	Percentage
<i>Compulsory social welfare payments<sup>a</sup></i>	
National Insurance <sup>b</sup>	4.8
Annual leave payment	4.0
<i>Total</i>	8.8
<i>Additional payments through labour contracts</i>	
Paid sick-leave <sup>a</sup>	2.2
Employer's contribution to health insurance <sup>a</sup>	2.7
Provident and pension funds <sup>a</sup>	2.5
Additional accident insurance	0.8
Additional annual leave payment	0.9
Paid holidays	3.3
Resort fund	1.1
Severance fund	4.6
<i>Total</i>	18.1
<i>Grand total</i>	26.9

<sup>a</sup> These payments are generally funded, while other items in the table represent maximum payments made directly to the employee.

<sup>b</sup> Includes old age and survivors' pension, maternity benefits, army reserve duty equalization fund and work accident insurance.

SOURCE: The Executive Board of the General Federation of Labour in Israel.

*Building.* The higher cost-of-living allowance paid in 1958 and increased wage rates for plasterers, caused wages to rise by some 4 per cent in this branch as compared with 1957. However, the level of earnings rose somewhat less,

mainly owing to the decline in public construction during the first half of the year. As the shortage of skilled labour was not appreciably relieved in 1958, the practice of granting bonuses to such workers continued. The size of these bonuses did not increase: they generally ranged from 20 to 30 per cent above the stipulated wage rate, as was the case in 1957. Although no precise data are available concerning the scope of these payments, it is estimated that approximately one-fifth of all building workers benefit from them. The rates of payment to the Building Workers' Provident Fund remained unchanged, workers contributing 4.5 per cent of their wages, while the employers paid 21 per cent.

*Agriculture.* Wage rates in agriculture were approximately 7 per cent higher in 1958 than in the preceding year. This rise, which by far exceeds that in any other economic branch, resulted primarily from the payment of family and seniority allowances (long established in most other economic branches) to a large segment of agricultural wage earners, as well as from the higher cost-of-living allowance. Average earnings of agricultural employees rose to a somewhat lesser extent, owing to a slight contraction in the average number of working days per worker. The payment of family and seniority allowances was a direct result of the first collective labour contract for the entire agricultural sector signed between the Farmers' Association and the General Federation of Labour in February 1958. The contract aims at lessening the wage differential between agricultural and other workers and providing greater stability of employment in agriculture. Yet, although it has succeeded in reducing the differential considerably—wages, fringe benefits and conditions of work in this branch of the economy are still below the level prevailing in other economic branches.

*Government.* The average monthly salaries of civil servants were 7 per cent higher than in the preceding year, due to upgradings, increases in the cost-of-living allowance and seniority pay, as well as to the payment of the outstanding 60 per cent of the "frozen third" owing since 1956.

*Transport.* A similar 7 per cent increase took place in the earnings of transport workers. In their case, however, apart from higher cost-of-living allowance, the chief factor appears to have been the increase in the average number of hours worked.

### 3. DISPOSABLE INCOME

In 1958, a larger proportion of earnings remained available for spending than in the previous year, as a result of the following changes in wage deductions:

1. The Defence Tax was discontinued as of April 1958;
2. Increased income tax allowances for larger families were introduced as of April 1958;

3. The increased cost-of-living allowance, paid since mid-July 1958, was tax-free;

4. The ceiling of union dues rose less than did average earnings.

Table VII-4 compares wage deductions in 1957 and 1958, on the basis of average industrial earnings during these years.

TABLE VII-4  
*Wage Deductions as a Percentage of Total Earnings  
of Industrial Workers, 1957-1958*  
(percentages)

	1957	1958
Income tax	7.5	7.0
Defence tax	1.2	0.3
National insurance	1.4	1.4
Union dues	6.4	6.1
Provident funds	3.0	3.0
Miscellaneous	0.5	0.5
<i>Total deductions</i>	20.0	18.3

SOURCE: Bank of Israel.

#### 4. LABOUR CONTRACTS FOR PROFESSIONAL PERSONNEL

In 1958, the Government and the public institutions complied with the demands of professional personnel for sizeable salary increases. Underlying these demands was the insistence that not only should their incomes be raised, but that the skill differential in wage rates be enlarged as well. The bargaining pattern (which in several cases included strikes) and the agreements reached, were almost identical in all cases, applying to doctors, engineers, teachers, lawyers, etc. The four major points under discussion were settled as follows<sup>1</sup>:

1. Payment is to be allowed for professional seniority rather than for seniority at the present place of employment: 2 per cent of the combined basic wage and cost-of-living allowance will be allowed for each of the first five years and 1 per cent for each additional year, up to a maximum of 25 per cent after 20 years of professional seniority;

2. Tax-free partial reimbursement for purchases of professional literature will be granted, ranging from IL.70 per annum in the lowest grade to IL.200 in the highest;

3. The two top grades will receive overtime pay to the amount of IL. 125 per month; all other grades will receive 125 per cent for the first two hours of

<sup>1</sup> Taken from the engineers' contract.

overtime and 150 per cent for each additional hour. All overtime pay is taxed at a flat rate of 30 per cent;

4. As regards regrading, it is impossible at present to estimate the average increase in earnings resulting therefrom, since in many cases the process has not been completed. It should be noted that top echelon administrative personnel gained retroactive payment for overtime, as well as the promise of regrading in 1959. These gains are retroactive to 1st April, 1958, but actual payment will be made in 1959. They have, therefore, been excluded from the computation of changes in wage rates and earnings in 1958.

##### 5. THE LAW FOR THE PROTECTION OF WAGE EARNERS

The law protecting wage earners came into effect on 1st April, 1958. Its primary purpose is to prevent delays in wage payment, and it defines wages broadly to include overtime pay, productivity bonuses, annual leave pay, etc. Fines have been instituted for delays exceeding 15 days—5 per cent of the sum owed for delay in payment by one more week and 10 per cent for each additional week. As these fines are very high—a delay of 3 months doubling the sum owed to the employee—they tend to limit the employers' use of delayed wage payment as short-term interest-free loans.

The law also forbids the practice of delaying the transfer of workers' contributions to insurance and provident funds, as well as delays in paying the employers' liabilities to such funds.

While the law has by no means completely eliminated the practice of delaying wage payments, it seems to be having a positive effect by reducing the duration of the delay.