

## CHAPTER IX

### WAGES

THE AVERAGE WAGE per normal hour of work<sup>1</sup> was approximately 10 per cent higher in 1961 than in 1960. This was about double the average rate of increase during the preceding three years (see Table IX-1).

The average income<sup>2</sup> per wage-earner<sup>3</sup> rose at an even higher rate—by 11

TABLE IX-1

*Increase in Nominal Wages per Normal Hour of Work,  
by Economic Sector,<sup>a</sup> 1955-61  
(in percentages)*

<i>Sector</i>	<i>1955</i>	<i>1956</i>	<i>1957</i>	<i>1958</i>	<i>1959</i>	<i>1960</i>	<i>1961</i>
Agriculture	—	10.0	6.0	6.0	4.0	2.0	12.0
Industry and crafts	12.0	14.0	11.0	4.0	4.0	3.5	9.0
Building and public works	9.0	12.0	9.0	4.0	4.0	3.5	14.0
Transportation and storage	—	—	—	5.0	3.0	3.0	6.0
Commerce and finance	—	—	—	—	3.0	3.0	9.0
Public services	10.0	13.6	6.0	7.0	8.5	8.0	11.0
Personal services	—	—	—	—	2.5	3.0	6.0
<i>Total</i>	10.6	13.0	8.2	5.3	4.9	4.5	10.0

NOTE: In this table the sign "—" indicates that no data are available.

<sup>a</sup> The classification of economic sectors adopted in this chapter is that of the International Labor Office (International Standard Industrial Classification). In contrast to the classification used in Chapter II—"Resources, Uses, and Incomes"—it includes the health, education, and welfare services of the private and public sectors under "public services".

SOURCE: Bank of Israel.

<sup>1</sup> Straight-time pay, excluding overtime, bonuses, premiums, etc., of all wage- and salary-earners in the economy, apart from members of cooperatives and persons serving in the armed forces.

<sup>2</sup> Total payment received by the wage-earner or salaried employee for his work. This includes payments for regular hours and overtime, bonuses, premiums, advances, retroactive payments, etc. In contrast to previous years, income in 1961 was calculated as including payments for days of absence (holidays, sick leave, etc.), but not other social benefits. As used in this chapter, the term "earnings" refers solely to income from work and does not include income from other services, such as property, investments, etc.

<sup>3</sup> In this chapter the term "wage-earner" is used to cover salaried employees as well as wage-earners *per se*.

TABLE IX-2  
Wage-earners, by Economic Sector,<sup>a</sup> 1960-61

Sector	Number of wage-earners (thousands)		Increase from 1960 to 1961		Wage-earners as percentage of all gainfully employed in the sector	
	1960	1961	thousands	%	1960	1961
Agriculture	45.5	45.5	—	—	37.9	37.3
Industry and crafts	122.0	137.0	15.0	12.3	74.8	77.0
Building and public works	46.0	48.5	2.5	5.4	70.8	71.3
Electricity, water, and sanitary services	15.0	15.0	—	—	93.8	93.8
Transportation and storage	27.1	28.5	1.4	5.2	61.6	62.0
Commerce and finance	42.4	44.0	1.6	3.8	49.3	50.0
Public services	139.0	145.5	6.5	4.7	90.3	90.4
Personal services	28.0	31.0	3.0	10.7	51.9	55.4
<i>All sectors</i>	465.0	495.0	30.0	6.5	66.2	67.3

<sup>a</sup> For the division of gainfully employed by economic sector, see Table VIII-3.  
SOURCE: Central Bureau of Statistics and Bank of Israel.

per cent—reaching IL. 305 per month. The difference between the rate of increase in the average wage and that of average income was due to a change in the average number of hours worked per wage-earner.

Approximately two-thirds of the increase in the average wage was due to the payment of salary advances to employees in the public services and to academically trained personnel,<sup>1</sup> as well as to the raising of basic wages and of seniority and family allowances in other sectors. The remaining third was almost wholly the result of the higher cost-of-living allowance paid in 1961 as compared with 1960 (see section 2 below).

Since the consumer price index was 6.7 per cent higher in 1961 than in 1960, the increase in average real income per wage-earner totalled 4.1 per cent during the year reviewed.<sup>2</sup> Real disposable income<sup>3</sup> increased somewhat less, mainly because of the raising of National Insurance premiums and the introduction of the Absorption Loan.

The average income per family rose at a slightly higher rate than the average

<sup>1</sup> On the basis of salary adjustments finally approved only at the beginning of 1962.

<sup>2</sup> The rate of increase in real income was calculated by dividing the index of nominal wages in 1961 by the average index of consumer prices for the same year ( $111.1 : 106.7 = 104.1$ ). The base for both indices is the average for 1960.

<sup>3</sup> Income after deduction of income tax and Absorption Loan and National Insurance payments.

income per wage-earner, since the moderate upward trend in the average number of breadwinners per family continued in 1961 as well.

The economy's total wage bill grew by some 19 per cent during the year under review—a rate double that of 1960—reaching IL2,114 million. This increase was due to three factors: (1) the number of wage-earners increased by 6.5 per cent; (2) average income per wage-earner went up by 11 per cent; and (3) social benefit payments rose by somewhat less than 1 per cent (see Table IX-3).

Most of the biennial collective labor agreements terminated at the beginning of 1961. Almost all the new agreements included higher basic wage rates, and in many cases family and seniority allowances were also raised. The wage increases provided for in the new agreements widened the differentials between the higher and the lower grades, thus reflecting the continuation of a trend characteristic of the last four or five years.

The renewal of collective labor agreements in the public services sector generally involved protracted negotiations, and in some cases was even marked by strikes, "days of absence from work", or threats to strike. Negotiations were conducted separately with each professional group, and in most cases final agreement was not reached until the beginning of 1962. The negotiations were rendered more difficult by the demands of certain professional groups which insisted upon the Government's honoring its promise to maintain the differential between their salaries and those of other professional groups. Thus, for instance, the Engineers' Union demanded that the differentials which existed in April 1958<sup>1</sup> between the total earnings of engineers and those of five other groups be scrupulously maintained. The principle of maintaining fixed differentials between various professions, as agreed upon by both sides in the negotiations over the new agreements, totally disregards the effect of the manpower supply and demand factor on wages and salaries.

Of the total increase of 32,000 in the number of gainfully employed in 1961, wage-earners accounted for 30,000. Consequently, the proportion of wage-earners among the economy's gainfully employed persons rose from 66.2 per cent in 1960 to 67.3 per cent in 1961. Only slight changes occurred in the absolute dimensions of other groups, i.e. employers, self-employed persons, members of cooperatives, members of kibbutzim, and family members working without remuneration.

The percentage of wage-earners among the gainfully employed varies sharply from sector to sector (see Table IX-2). Approximately 80 per cent of the increase in the number of wage-earners during the year reviewed occurred in sectors where the proportion of wage-earners is relatively high, i.e. in industry, build-

<sup>1</sup> The date on which the previous labor agreement with the engineers came into force. The five groups concerned are Government employees in the administrative grades, industrial workers, building workers, technicians, and foremen.

TABLE IX-3

*Wage-earners, by Sector, Total Wages Earned, and Average Nominal Earnings, 1960-61*

Sector <sup>a</sup>	Distribution of wage-earners by sector (%)		Nominal monthly earnings per wage-earner <sup>b</sup> (IL.)		Increase or decrease from 1960 to 1961 (%)		Total wage payments including social benefits			Wage bill of sector as percentage of total wage bill of the economy	
	1960	1961	1960	1961	Nominal earnings	Real earnings	IL. million		Increase in %	1960	1961
							1960	1961			
Agriculture	9.8	9.2	165	175	6.0	-0.7	99	105	6.5	5.6	5.0
Industry and crafts	26.2	27.7	270	295	9.3	2.4	466	574	23.3	26.2	27.1
Building and public works	9.9	9.8	275	345	25.0	17.2	173	228	32.4	9.7	10.8
Electricity, water, and sanitary services	3.2	3.0	345	390	14.0	6.8	73	83	14.5	4.1	3.9
Transportation and storage	5.8	5.7	320	325	1.6	-4.5	116	124	7.3	6.5	5.9
Commerce and finance	9.1	8.9	260	285	9.6	2.7	143	163	14.3	8.0	7.7
Public services	30.0	29.4	320	360	12.0	5.0	646	760	17.7	36.3	36.0
Personal services	6.0	6.3	180	190	6.2	-0.5	64	76	18.1	3.6	3.6
<i>All sectors</i>	100.0	100.0	275	305	11.1	4.1	1,778	2,114	18.9	100.0	100.0

NOTE: Figures for nominal monthly earnings have been rounded to the nearest IL. 5; percentages and percentage changes, however, have been calculated on the basis of unrounded figures. The differences between the earnings figures cited here and those in the Bank of Israel Annual Report for 1960 are due to changes in the definition and to the fact that some data have been brought up to date. Monthly earnings include paid absences (i.e. holidays, sick leave, etc., but are exclusive of other social benefits.

<sup>a</sup> See footnote <sup>a</sup> in Table IX-1.

<sup>b</sup> See footnote <sup>a</sup>, p. 139.

ing, and the public services. The number of wage-earners in the personal services sector also increased.

## 1. WAGES BY ECONOMIC SECTORS

### (a) *Agriculture*

The average daily wage<sup>1</sup> in agriculture was 12 per cent higher in 1961 than in 1960, reaching about IL. 8.30, as compared with IL. 7.40 in 1960. Most of the increase was due to the rise in basic wage rates for all agricultural workers except those employed in the citrus branch, and to the rise in family and seniority allowance rates for all permanently employed labor. Only about a quarter of the increase resulted from the enlarged cost-of-living allowance paid in 1961.

The average income per wage-earner rose more moderately—by some 6 per cent—reaching IL. 175 per month<sup>1</sup> during the year reviewed. The difference between this rate of increase and the rate of increase in the average daily wage in the sector was due to the decrease in the average number of days worked per wage-earner. In 1961 the average number of days worked per year per wage-earner declined, while the number of wage-earners in the sector remained relatively stable. This development was a result of the reduced scope of unemployment relief projects, a higher degree of mechanization (especially in the cotton branch), and smaller harvests in the vegetable and citrus branches which employ a high proportion of hired labor.

The year 1961 was marked by the continued growth, both in relative and absolute terms, of unorganized (i.e. non-unionized) agricultural labor—primarily from among the Arab population. Unorganized labor normally receives lower wages than those stipulated by the Histadrut, and in most cases receives no social benefit payments.

### (b) *Industry*

The average daily wage<sup>1</sup> in industry was 9 per cent higher in 1961 than in 1960, reaching approximately IL. 11.20. Since there was no change in the average number of hours worked per wage-earner, there was a parallel rise in the average income, which reached IL.295 per month<sup>2</sup> during the year under review.

As regards average earnings per hour, there exist considerable differences between the various industrial branches, ranging from IL. 0.98 per hour in

<sup>1</sup> Average nominal wage for an eight-hour working day, not including social benefit payments.

<sup>2</sup> Including paid absences but not other social benefits.

the clothing branch to IL.1. 88 per hour in mining and quarrying.<sup>1</sup> This wide range is to a marked extent the result of differences in sex and the occupational structure of the various industries; it is also affected by the degree of unionization in the individual branches.

More than half the increase in average earnings per wage-earner in the industrial sector was due to rises in basic wage rates and seniority and family allowance rates as provided for in the new collective labor agreements. Less than half the increase resulted from the enlarged cost-of-living allowance.

### (c) *Building*

Average income<sup>2</sup> per wage-earner in the building sector rose by 25 per cent in 1961—i.e. at a rate double that of the economy as a whole—reaching some IL.345 per month. The average daily wage<sup>3</sup> went up by 14 per cent, from IL. 13.20 to IL. 15.05, owing to a rise in wage rates, larger payments in excess of official wage rates, and the cost-of-living allowance increment. Side by side with the rise in wages, there was a marked increase in the average number of days worked per wage-earner and in the average number of hours worked per day.

During a period when the various sectors compete with one another for available labor, the working conditions particular to the building sector (lack of job security, physical hardships, etc.) necessitate relatively steep rises in wages as compared with other sectors in order to meet the increased demand for workers.<sup>4</sup>

### (d) *Public services*

Average earnings<sup>2</sup> per employee in the public services sector rose by 12 per cent in 1961, reaching approximately IL. 360 per month as against IL. 320 in the preceding year. This rise was due to three factors: (1) about one-third—to the cost-of-living allowance increment; (2) about one-third—to the “wage drift”<sup>5</sup> (mainly upgradings); and (3) about one-third—to higher salaries paid to teachers, and to advances paid to all academically trained employees, all Government employees, and most other employees in the sector just prior to the

<sup>1</sup> The data refer to workers engaged in production only. The calculation was made by dividing the workers' total earnings—including overtime payments, premiums, etc.—by the number of hours worked. Data were obtained from the indices of industrial wages prepared by the Central Bureau of Statistics.

<sup>2</sup> Including paid absences but not other social benefits.

<sup>3</sup> Nominal wage per eight-hour working day, exclusive of social benefits.

<sup>4</sup> In industry the number of wage-earners increased by 12.3 per cent while wages rose by 9 per cent. But in the building sector, the number of wage-earners increased by only 5.4 per cent though wages rose by 14 per cent.

<sup>5</sup> See Bank of Israel Annual Report for 1960, pp. 98–100.

elections to the Fifth Knesset. The advances were paid on account of salary adjustments which were certain to result from the termination of negotiations for the renewal of collective agreements that had expired in 1960 and 1961.

Several of the new agreements with professional groups established permanent arrangements for automatic promotion from grade to grade, solely on the basis of the employee's professional seniority, irrespective of either his ability or his responsibilities.<sup>1</sup> This principle conflicts with sound administrative procedure and seriously hampers the maintenance of a healthy administrative structure.

The present basic wage rates of civil servants and most other employees in the public services sector have remained virtually unchanged since 1955. Nevertheless, the average income per employee has risen by 35 per cent since 1958—primarily through promotions (both automatic and owing to changes in positions) and to camouflaged wage increases in various forms (overtime payments, payments for professional literature, etc.). Promotions exerted a decisive in-

TABLE IX-4

*Civil Servants,<sup>a</sup> by New Basic Wage Rates,<sup>b</sup> 1958-61*

*(cumulative percentages, at March 31 of each year)*

Basic rate (IL.)	Percentage of all civil servants			
	1958	1959	1960	1961
Over IL. 570	0.6	0.7	0.9	1.0
„ IL. 485	1.9	2.2	3.5	3.7
„ IL. 410	4.0	5.1	7.4	8.0
„ IL. 350	8.4	9.8	13.6	14.6
„ IL. 295	10.6	17.3	22.1	23.9
„ IL. 250	22.6	35.4	42.9	45.8
„ IL. 195	81.0	86.2	89.1	90.5
„ IL. 155	100.0	100.0	100.0	100.0

<sup>a</sup> Government employees in administrative, professional, executive, clerical, and laborers' grades, including those on special contracts. Excluding teachers, policemen, and prison guards.

<sup>b</sup> The basic rates include the "old" cost-of-living allowance, i.e. the allowance in force in December 1956, but excluding seniority and family allowances and the "new" cost-of-living allowance in force since January 1957.

SOURCE: Civil Service Commission.

<sup>1</sup> The labor agreement signed between the Government and the Academic Employees' Department of the Histadrut provided, *inter alia*, that "An engineer (i.e. engineer, agronomist, chemist, meteorologist, or physicist) will reach grade D within six years. He will not remain in each of the grades G and H for longer than one year, and he will not remain in each of the grades E and F for longer than two years. An engineer will be promoted to grade C after at least five years' service in grade D, providing he has at least 11 years of recognized professional seniority."

fluence on the breakdown of civil servants by income levels (see Table IX-4<sup>1</sup>). Whereas in 1958 only 10 per cent of the Government employees received basic wages of IL. 295 per month or more, there were almost 24 per cent in this income group in 1961. In 1958 about 23 per cent of the Government employees received basic wages of IL. 250 or more, but by 1961 the proportion had increased to 46 per cent.

(e) *Other sectors*

The average monthly income per wage-earner in the transportation sector totalled about IL. 365<sup>2</sup> in 1961—i.e. 1.6 per cent more than in 1960. This was the slowest rate of increase in any sector of the economy. The reasons are to be found in the decline in the average number of hours worked per wage-earner, especially in road haulage, harbor services, and storage, as well as in the changes in the occupational structure of the sector's wage-earners.<sup>3</sup>

In the commerce and finance sector, the average income per wage-earner rose by 9.6 per cent during the year reviewed, reaching IL. 285 per month.<sup>2</sup> The rate of increase in the average income in banking and finance was similar to that in commerce, leaving intact the very considerable divergence between the average income levels in these branches.

In the personal services sector, the average income per wage-earner went up by 6.2 per cent, to IL.190 per month.<sup>2</sup> This relatively low income level is due to the high percentage of women, many in part-time jobs, employed in this sector. The low average income also reflects the large volume of unorganized (i.e. non-unionized) labor in the sector, the relative weight of which has recently become still larger owing to the influx of Arab workers.

## 2. THE COST-OF-LIVING ALLOWANCE

The biennial cost-of-living allowance agreement between the Histadrut (General Federation of Labor) and the Manufacturers' Association expired at the end of 1960.<sup>4</sup> The agreement for the years 1961 and 1962 has not yet been signed, one issue remaining unresolved: The Manufacturers' Association demanded that

<sup>1</sup> This table does not fully reflect the rise in incomes, since it does not include the retro-active promotion agreed upon at the beginning of 1962.

<sup>2</sup> Including paid absences but not other fringe benefits.

<sup>3</sup> Thus, for example, the average income of wage-earners employed by the passenger transport cooperatives remained virtually unchanged during the year reviewed, despite the rise in the basic wage rates and cost-of-living allowances as stipulated in the new labor agreements. This was due to the transfer of hired workers with considerable seniority and relatively high earnings to "member" status in the cooperatives. Members of cooperatives are not included among wage-earners.

<sup>4</sup> This agreement applies automatically to all enterprises which have signed collective labor agreements.



changes in the cost-of-living allowance rate should take place not more frequently than once a year, on the basis of the average level of the consumer price index during the preceding 12 months. On the other hand, the Histadrut insisted on retaining the existing system, under which a cost-of-living allowance increment may be paid twice a year if price increases warrant this.<sup>1</sup>

During the negotiations both sides agreed to new principles which should greatly simplify the computation of changes in the cost-of-living allowance and prevent the affecting of the consumer price index by seasonal, fortuitous, or deliberately engineered price fluctuations of a temporary character. Thus:

1. The rise in the price level will no longer be calculated by comparing the level of the consumer price index in two specific months (June and December of each year), but rather, on the basis of the average level of the index during the entire period concerned.

2. To warrant an increase in the cost-of-living allowance, the average consumer price index for the period concerned must be at least 3 per cent higher than the level which determined the previous cost-of-living allowance increase.<sup>2</sup>

The measuring of price increases on the basis of an average price index, rather than according to the index for a single month, is likely to negate the influence of fortuitous or deliberate seasonal price fluctuations.

Since the average index for the period July 1960 to June 1961 inclusive was 5 per cent higher than the index according to which the previous rate of the cost-of-living allowance had been determined in July 1960, the Histadrut demanded that the allowance be raised—from 9.7 per cent to 14.7 per cent of the wage.<sup>3</sup>

Though the new cost-of-living allowance agreement has not yet been signed, a cost-of-living allowance of 14.7 per cent was paid together with the salary for August 1961 to all employees in the public sector and in Histadrut undertakings. Later, the increment was also paid to other wage-earners whose wage rates are fixed by collective labor agreements, including those working in enterprises affiliated with the Manufacturers' Association.

<sup>1</sup> It should be noted that it was agreed *not* to include in the new agreement the clause making the immediate payment of a cost-of-living allowance increment imperative if the average index rises by more than 5 per cent during the first three months following the last increase. Instead, "the parties agreed that, in the event of unusual economic developments, they will reopen discussion of the terms of the cost-of-living allowance agreement, allowing the introduction of changes into the agreement by mutual consent only."

<sup>2</sup> According to the previous agreement, the cost-of-living allowance had to be increased when the consumer price index rose "by a number of points the monetary value of which equalled 3 per cent or more of the average wage earned by wage-earners—i.e. IL. 210 per month".

<sup>3</sup> The cost-of-living allowance is paid only on the first IL. 300 of the monthly salary or on the first IL. 20 of the daily wage. The wage, for this purpose, includes the basic rate plus family and seniority allowances, but does not include the cost-of-living allowance paid in the past.

The average level of the cost-of-living allowance in 1961 was thus 4 per cent higher than in 1960—12.2 per cent of the wage as against 8.2 per cent.<sup>1</sup> Cost-of-living allowances were received automatically by 85 to 90 per cent of wage-earners in the economy, and were paid on some 90 per cent of their wages.<sup>2</sup> Consequently, the 4 per cent increase in the average size of the cost-of-living allowance was tantamount to an increase of 3.3 per cent in average wages.

TABLE IX-5  
*The Consumer Price Index and Wages, 1957-61*  
(in percentages)

<i>Year</i>	<i>Increase in consumer price index over previous year</i>	<i>Increase in wages* due to payment of cost-of-living allowance</i>
1957	6.5	4.0
1958	3.4	3.3
1959	1.5	1.7
1960	2.2	1.4
1961	6.7	3.6

\* For those wage-earners actually receiving cost-of-living allowances.  
SOURCE: Central Bureau of Statistics and Bank of Israel.

During the years 1958 to 1960, the rate of increase in wages due to the payment of cost-of-living allowance increments was similar to the rate of increase in the consumer price index (see Table IX-5). However, in 1957 and 1961, when the average level of the consumer price index rose at a relatively rapid rate, the rise in wages due to increases in the cost-of-living allowance totalled only 50 to 60 per cent of the rise in the average level of the index.

<sup>1</sup> The cost-of-living allowance rates were as follows: January-June 1960—6.8 per cent; July-December 1960—9.7 per cent; January-June 1961—9.7 per cent; July-December 1961—14.7 per cent.

<sup>2</sup> See footnote 3 on page 147.