

## CHAPTER IX

### WAGES

AVERAGE NOMINAL income<sup>1</sup> per wage-earner was 12.8 per cent higher in 1962 than in 1961, reaching some IL 345 per month,<sup>2</sup> as compared with approximately IL 305 per month in 1961. The rates of increase were relatively higher in the public services and in the construction sector, where they reached 15.8 and 15.2 per cent respectively. In agriculture average nominal income rose by the relatively moderate rate of 8 per cent, while in most of the other economic sectors the increase ranged from 10 to 12 per cent (see Table IX-1).

Average real income<sup>3</sup> rose by 3 per cent, compared with a rise of 4 per cent the year before.

Real disposable income per wage-earner (i.e. average real income less taxes and other compulsory payments<sup>4</sup>) rose by only 1 per cent, chiefly because of the substantial increase in the total deduction for the Absorption Loan and the introduction of the Compulsory Saving Program.

The average wage per normal hour of work<sup>5</sup> was approximately 12 per cent greater in 1962 than in 1961. More than a third of the increase was due to the higher cost-of-living allowance increment paid in 1962. The remainder largely resulted from the excess demand for labor in most sectors, which pushed wages up beyond the official rates, led to payments for fictitious overtime, etc. In the public services, on the other hand, the rise in wages and salaries—apart from the change in the cost-of-living allowance increment—was a direct result of pressure by labor unions, especially those representing professional personnel. This pressure found expression in strikes and threats of strike action, and led

<sup>1</sup> Of all persons receiving wages or salaries, excluding members of cooperatives and persons serving in the armed forces. In this chapter, income is defined as income from work only, and does not include income from other sources, such as property, investments, restitution payments, etc.

<sup>2</sup> Total wage or salary received by the employee for his work; it includes payments for straight time and overtime, premiums, grants, retroactive payments, advances, and direct payments for days of absence (such as holidays, vacations, and sick leave), but does not include other fringe benefits.

<sup>3</sup> The rate of increase in real income is obtained by dividing the index of nominal income—112.8—by the index of the rise in consumer prices—109.5 ( $112.8 : 109.5 = 103.0$ ).

<sup>4</sup> Income tax, Absorption Loan, Compulsory Saving Program, and National Insurance.

<sup>5</sup> Exclusive of overtime and shift bonuses, premiums, retroactive payments for work performed in previous years, etc.

Table IX-1  
**AVERAGE MONTHLY INCOME PER WAGE-EARNER AND TOTAL WAGE BILL,  
 BY ECONOMIC SECTOR, 1960-62**

Sector <sup>a</sup>	Nominal monthly income (IL)			Per cent increase or decrease (-) from 1961 to 1962		Total wage bill including fringe benefits (IL million)			Per cent increase from 1961 to 1962	Total wage payments in sector, as a per cent of total wage bill		
	1960	1961	1962	Nominal income	Real income	1960	1961	1962		1960	1961	1962
	Agriculture	165	175			185	8.0	-1.3	99	105	111	6.1
Industry and crafts	270	295	325	10.6	1.0	466	574	707	23.2	27.1	28.1	28.4
Construction	275	345	395	15.2	5.2	173	228	299	30.7	10.0	11.2	12.0
Electricity, water	345	390	420	7.8	-1.5	74	85	93	11.4	4.3	4.1	3.7
Communications, trans.	320	325	360	10.8	1.2	116	124	145	17.0	6.7	6.1	5.8
Commerce, finance	260	285	315	11.4	1.8	143	163	203	24.1	8.3	8.0	8.1
Public services <sup>b</sup>	320	360	415	15.8	5.8	586	691	841	21.8	34.1	33.7	33.8
Personal services	180	190	210	10.2	0.7	64	76	92	21.9	3.8	3.7	3.7
All sectors	275	305	345	12.8	3.0	1,720	2,046	2,491	21.7	100.0	100.0	100.0

NOTE: All income figures have been rounded to the nearest IL 5. Percentage changes were calculated on the basis of unrounded figures. Differences between income data cited in this table and data cited in Bank of Israel Annual Reports for 1960 and 1961 are due to the correction of figures and to a change in the definition of income: in this table, income includes also direct payments for days of absence (holidays, vacations, etc.):

<sup>a</sup> The definition of economic sectors used in this chapter accords with the International Standard Industrial Classification of the International Labor Office. In contrast to the classification used in Chapter II—"Resources, Uses, and Incomes"—all health, educational, and social welfare services—regardless of whether they belong to the public or private sector—are here included in the public services sector.

<sup>b</sup> Corrected data.

to 30 per cent of the employees in this sector being promoted in grade, as well as upward adjustments of salary scales.

The average number of wage-earners rose by approximately 8 per cent, reaching 534,200 in 1962 as against 495,300 in 1961. More than 90 per cent of the gainfully employed persons who entered the labor force during the year under review were wage-earners. The proportion of wage-earners to the total number of gainfully employed persons accordingly rose from 67.4 per cent in 1961 to 68.7 per cent in 1962.

The total wage bill of the economy<sup>1</sup> reached IL 2,491 million in 1962, as against IL 2,046 million in 1961—an increase of 21.7 per cent. The rate of increase was greatest in the construction sector, where it reached some 31 per cent, while the lowest increase (about 6 per cent) took place in agriculture (see Table IX-1).

## 1. WAGE-EARNERS IN INDIVIDUAL SECTORS

The proportion of wage-earners among the gainfully employed varies considerably from sector to sector (see Table IX-9). They constitute over 90 per cent of those employed in public services and in the electricity, water, and sanitary services sector; between 70 and 80 per cent in the industrial and construction sectors; over 60 per cent in the communications and transportation sector; between 50 and 60 per cent in commerce, finance, and personal services; and less than 40 per cent in agriculture.

The number of wage-earners in the economy was 7.9 per cent larger in 1962 than in 1961; reaching 534,200 as compared with 495,300. The highest rate of expansion—approximately 13 per cent—took place in the construction sector, which absorbed some 6,000 additional workers. There were also relatively substantial increases in industry and commerce—11.4 per cent in each case. Of the 39,000 wage-earners who entered the labor force during the year under review, approximately 40 per cent were absorbed by industry, and some 20 per cent by public services.

## 2. EFFECT OF THE DEMAND FOR LABOR ON WAGES

During the last few years of economic boom, employment grew at a faster rate than the population. This phenomenon was particularly striking in 1962: the total population and the working-age population increased by 4.5 per cent, whereas the number of gainfully employed rose by 5.7 per cent. Besides the normal sources of increase of manpower—new immigration and persons reaching working age—two other sources have tended to grow in importance in the last few years: (a) persons previously unemployed, and (b) persons who pre-

<sup>1</sup> Including fringe benefits.

Table IX-2

## WAGE-EARNERS, BY ECONOMIC SECTOR, 1959-62

Sector	1959	1960	1961	1962	Increase or decrease (-) from 1961 to 1962	
					Thousands	%
<b>Thousands</b>						
Agriculture	46.0	45.5	45.5	45.0	-0.5	-1.1
Industry and crafts	115.0	122.0	137.0	152.6	15.6	11.4
Construction	46.0	46.0	48.5	54.7	6.2	12.8
Electricity and water	15.1	15.2	15.3	15.5	0.2	1.3
Communications, trans.	26.3	27.1	28.5	30.1	1.6	5.6
Commerce and finance	41.1	42.4	44.0	49.0	5.0	11.4
Public services	134.0	139.0	145.5	153.0	7.5	5.2
Personal services	27.0	28.0	31.0	34.3	3.3	10.6
<b>All sectors</b>	<b>450.1</b>	<b>465.2</b>	<b>495.3</b>	<b>534.2</b>	<b>38.9</b>	<b>7.9</b>
<b>Percentages</b>						
					Wage-earners as a per cent of all gainfully employed in sector, 1962 <sup>a</sup>	
Agriculture	10.2	9.8	9.2	8.4	37.5	
Industry and crafts	25.5	26.2	27.7	28.6	78.4	
Building	10.2	9.9	9.8	10.2	72.7	
Electricity and water	3.4	3.2	3.0	2.9	95.7	
Communications, trans.	5.8	5.8	5.7	5.6	63.2	
Commerce and finance	9.1	9.1	8.9	9.2	51.4	
Public services	29.8	30.0	29.4	28.6	90.7	
Personal services	6.0	6.0	6.3	6.4	57.7	
<b>All sectors</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>68.7</b>	

<sup>a</sup> Besides wage-earners, these figures include self-employed, employers, members of cooperatives, members of kibbutzim, and members of the family who do not receive wages but work 15 or more hours per week.

SOURCE: Bank of Israel.

viously did not seek work, either because prospects were poor or because the wage rate was insufficiently attractive.

Wage developments during 1962 demonstrate the marked influence exerted by demand pressures on the labor market and on the wage level. The intensification of economic activity was accompanied by a growing demand for labor, which was concentrated chiefly in urban areas in Central Israel, where today there is virtually no unemployment.<sup>1</sup> The demand for manpower in excess of supply, sharpens the competition between employers for labor and pushes up the wage level. In 1962, a year in which wage rates were not raised,<sup>2</sup> approximately half the rise in average income per wage-earner may be ascribed to this factor. The increase in wages following the pressure of demand for labor took two forms: payments in excess of the wage rates stipulated in collective labor agreements, be it for fictitious overtime pay, and promotions.

### 3. DEVELOPMENTS IN REAL INCOME, 1958-62

Average nominal income per wage-earner rose by 41 per cent from 1958 to 1962, while the rise in average real income totalled 15.5 per cent (see Table IX-3). The rate of increase varied considerably as between the different economic sectors. In agriculture, communications, and the personal services sector, average real income hardly rose throughout the 1958-62 period. In agriculture and personal services, this was partly due to the larger proportion of non-Jews employed, since such employees usually receive wages lower than the average rate in their sector. In the communications and transportation sector, on the other hand, the reasons were the transfer of highly paid wage-earners to member status in cooperatives and the decline in the number of overtime hours per worker, especially in 1961.

The biggest increase in average real income took place in the construction sector. This was chiefly due to the intensified activity in this sector during the last two years, which not only caused a rise in wages per hour of work but also increased the average number of hours worked per employee.

In industry, which employs some 30 per cent of all wage-earners, average real income has risen by approximately 9 per cent since 1958. It may be assumed that the average earnings of skilled workers rose to a larger extent, owing to the greater demand for such labor. On the other hand, the accelerated absorption of unskilled and "marginal" labor has tended to act as a damper on the rate of increase in average income for the entire sector.

In public services, the rise in average real income was relatively steep, totalling some 21 per cent (see section 4[a] below).

<sup>1</sup> See the discussion of unemployment in Chapter VIII, p. 151.

<sup>2</sup> Apart from professional personnel and other relatively small groups in the public services.

Table IX-3

## INDEX OF AVERAGE INCOME PER WAGE-EARNER, BY SECTOR, 1959-62

(1958 = 100)

Sector	Nominal income				Real income			
	1959	1960	1961	1962	1959	1960	1961	1962
Agriculture	107.0	107.0	113.4	122.5	104.8	102.5	101.8	100.4
Industry and crafts	106.0	110.2	120.4	133.2	103.8	105.6	108.1	109.2
Construction	104.0	106.6	133.3	153.6	101.9	102.1	119.7	125.9
Communications, transportation	110.5	114.9	116.7	129.3	108.2	110.1	104.8	106.0
Commerce, finance	103.5	107.8	118.1	131.6	101.4	103.2	106.0	107.9
Public services	104.0	113.6	127.2	147.3	101.9	108.8	114.2	120.7
Personal services	102.5	106.8	113.4	125.0	100.4	102.3	101.8	102.5
All sectors <sup>a</sup>	106.5	112.3	124.8	140.8	104.3	107.6	112.0	115.4

<sup>a</sup> Including the electricity, water, and sanitary services sector.

SOURCE: Bank of Israel.

## 4. WAGES, BY ECONOMIC SECTOR

Average nominal income per wage-earner rose by 12.8 per cent during the year under review, reaching approximately IL 345 per month<sup>1</sup> as compared with IL 305 in 1961. The highest incomes were in public services and the electricity and water sector—IL 415 and IL 420 per month, respectively; the lowest was in agriculture (IL 185 per month) and personal services (IL 210).

(a) *Public services*

In the public services sector, which employs some 30 per cent of the country's wage-earners, average income per wage-earner reached IL 415 per month in 1962, as compared with approximately IL 360 in 1961. The rate of increase was thus 15.8 per cent—higher than in any other sector of the economy. This increase was due to three factors:

1. Approximately a third of the increase accrued as a result of the higher cost-of-living allowance increment paid in 1962.

2. Another third was due to wage and salary increases following promotions.

3. The remaining third was the result of higher seniority allowances, payments of "advance" adjustments to the administrative grades, and payments of salary adjustments to academically trained personnel, teachers, nurses, technicians, etc.

As stated, a considerable part of the rise in average income per wage-earner in this sector has in recent years been due to labor union pressure, which found

<sup>1</sup> Including payments for days of absence, but excluding other fringe benefits.

expression in strikes and threats of strike action. The promotions and increases in salary rates of doctors and engineers, which followed the signing of collective labor agreements with these groups at the beginning of 1962, caused an automatic rise in the salaries of many other groups, whose salary scales are directly or indirectly linked to those of the engineers and doctors.

Consequently, average nominal income per wage-earner in the sector has gone up by 47 per cent since 1958, while average real income has increased by over 20 per cent (see Table IX-3). Moreover, this has happened despite the relatively small alterations in basic wage and salary scales applicable in this sector in recent years. A major proportion of the increment in average income must be ascribed to promotions, which continued even after the regrading process was officially completed in 1959. Approximately 30 per cent of all wage-earners in the sector were promoted in each of the years 1960, 1961, and 1962.

The process of rapid promotion is especially striking among Government employees<sup>1</sup> (see Table IV-4). As regards the engineers' salary scales, the percentage of engineers in grade A or higher<sup>2</sup> increased from 3 per cent in 1959 to 14 per cent in 1962, while the percentage in grade C or higher rose from 30 per cent to 64 per cent over the same period. In grades F, G, and H, the proportion of engineers declined from 18 per cent in 1959 to 3 per cent in 1962. No engineer is to be found today in the lowest grade of their scale.

The process of rapid promotion is equally striking in the case of administrative, executive, and clerical personnel (who, in Israel, are graded in a single scale). Between 1959 and 1962, the promotion of personnel in grade 3 or higher was almost doubled. The proportion of personnel in grade 5 or higher (grade 5 being considered the first senior executive grade) increased by two-thirds. The proportion of officials in grade 9 or higher, which in 1959 was less than 60 per cent, rose to 74 per cent in 1962.

In the lawyers' grade scale, there was no change in the proportion of personnel in grade E or higher, which remained at 85 per cent of the total, but the distribution between the various grades altered appreciably: the proportion of staff in grade B or higher rose from 5 per cent in 1959 to 16 per cent in 1962, while the proportion of lawyers in grade C or higher doubled, from 16 per cent in 1959 to 32 per cent in 1962.

The promotion of employees on the manual workers' pay scale only partly explains the increase in the average income of this group. Besides promotions, a rise of over 10 per cent in the wage rates was implemented in 1961. Moreover, a large number of employees were transferred from this scale to the foremen's and technicians' scales, where pay rates are higher.

<sup>1</sup> Wage developments in Government service are a reliable indicator of the developments in other public services.

<sup>2</sup> Grade A, A +, and A + +.

**Table IX-4**  
**GOVERNMENT EMPLOYEES, BY SALARY SCALE**  
**AND GRADE, 1959 AND 1962\***

(cumulative percentages)

Grade	1959	1962
<b>Administrative, executive, and clerical</b>		
3 or higher	1.8	2.9
5 or higher	7.9	12.9
7 or higher	26.9	38.1
9 or higher	58.6	74.0
11 or higher	85.5	93.7
<b>Engineers</b>		
A + +	—	0.7
A or higher	3.0	14.3
C or higher	30.3	63.6
E or higher	82.1	96.9
G or higher	99.4	100.0
<b>Lawyers</b>		
A or higher	0.9	1.1
B or higher	5.1	15.8
C or higher	16.2	32.2
D or higher	40.2	61.9
<b>Laborers</b>		
A or higher	3.5	6.1
C or higher	22.3	38.2
E or higher	58.9	67.6
G or higher	85.0	92.8

\* On March 31 of each year.

SOURCE: Civil Service Commission.

**(b) Industry**

Average daily wages in industry were about 10.5 per cent higher in 1962 than in 1961, reaching IL 12.40 per day<sup>1</sup> as compared with IL 11.20 (see Table IX-5). Average income rose to the same extent—by 10.6 per cent—reaching approximately IL 325 per month, as compared with IL 295 in 1961.

The biennial labor agreements in force in Israel industry were last renewed in 1961, and therefore wage rates remained unchanged during the year reviewed.

Approximately half the increase in average income was due to the higher cost-of-living allowance paid. The remaining half was the result of the "wage

<sup>1</sup> Nominal wage for an 8-hour day, excluding fringe benefits.

drift", which was more marked during 1962 than in previous years owing to the greater excess demand for labor.

Table IX-5

INCREASE IN NOMINAL WAGES PER NORMAL HOUR OF WORK,  
BY ECONOMIC SECTOR,<sup>a</sup> 1958-62

(percentages)

Sector	1958	1959	1960	1961	1962
Agriculture	6.0	4.0	2.0	12.0	8.0
Industry and crafts	4.0	4.0	3.5	9.0	10.5
Construction	4.0	4.0	3.5	14.0	14.3
Communications, transportation	5.0	3.0	3.0	6.0	10.4
Commerce, finance	—	3.0	3.0	9.0	11.4
Public services	7.0	8.5	8.0	11.0	13.7
Personal services	—	2.5	3.0	6.0	9.8
All sectors	5.3	4.9	4.5	10.0	11.9

NOTE: The sign "—" indicates that data are not available.

<sup>a</sup> The definition of economic sectors used in this chapter accords with the International Standard Industrial Classification of the International Labor Office. In contrast to the classification used in Chapter II, "Resources, Uses, and Incomes", all health, educational, and social welfare services—regardless of whether they belong to the public or private sector—are here included in the public services sector.

SOURCE: Bank of Israel.

Average monthly income of workers permanently employed in enterprises employing 50 persons or more is much higher than that of workers in smaller enterprises. This manifestation is characteristic of all branches of industry, though the differentials vary between one branch and another (see Table IX-6). In 1962 the average income per employee<sup>1</sup> in large metal concerns was approximately 50 per cent higher than that in the smaller enterprises in this branch, being IL 391 and IL 262 per month, respectively. In textiles and clothing and in the food industry the differential was somewhat smaller than in the metal industry. In the industrial sector as a whole, the differential comes to approximately 40 per cent: the average monthly income in enterprises employing 50 persons or more was IL 380 per month in 1962, while in smaller ones it was IL 276.

<sup>1</sup> The data relate not only to wage-earners but also to members of cooperatives and to proprietors working in their own enterprises.

Table IX-6

**AVERAGE MONTHLY INCOME OF PERMANENT EMPLOYEES<sup>a</sup>  
IN INDUSTRY, BY BRANCH AND SIZE OF FIRM, 1962**

Branch	Average monthly income (IL)		Index of average monthly income	
	Up to 49 workers	50 workers or more	Up to 49 workers	50 workers or more
Food	274	364	100	133
Textiles and clothing	235	315	100	134
Metal	262	391	100	149
Others <sup>b</sup>	306	407	100	133
All industries	276	380	100	138

<sup>a</sup> Permanently employed wage-earners who worked at least 25 days per month. This table also includes members of cooperatives and proprietors working in their own enterprises.

<sup>b</sup> Exclusive of mining and quarrying.

SOURCE: Central Bureau of Statistics.

(c) *Construction*

The average income per wage-earner in the construction sector rose by 15 per cent in 1962, reaching approximately IL 395 per month as against some IL 340 in 1961. Owing to the relatively high wages paid and expectations of a continued boom in the future, the number of wage-earners in this sector expanded by some 6,000 during the year under review. The average daily wage—inclusive of payments over and above the rates approved by the Histadrut (General Federation of Labor)—went up by 14.3 per cent (which was less than the percentage increase in the prices of the sector's output), reaching approximately IL 17.20, as against IL 15 in 1961 (see Table IX-5). The sector's total wage bill, including fringe benefits, rose by 31 per cent in 1962 since, besides the increase in average income and in the number of wage-earners, there was a rise in the rate of employers' contributions to the construction workers' insurance fund.

(d) *Agriculture*

The average income per wage-earner in the agricultural sector rose by 8 per cent, reaching some IL 185 per month, as against about IL 175 in 1961. This relatively low rate was due to the continued and more intensified replacement of Jewish labor by non-Jewish labor, which receives relatively lower wages. At the same time, it should be stressed that the gap between the wage rates of Jewish and non-Jewish workers has been narrowed, mainly as a result of pressure exerted by the National Employment Service to transfer the organization of the work of non-Jewish wage-earners from private labor contractors to the Labor Exchanges.

The average daily wage in agriculture reached IL 9, as compared with IL 8.30 in 1961.

The number of wage-earners employed in agriculture declined by 1 per cent, while a similar decline occurred in the total number of work days of wage-earners. The sector's total wage bill therefore increased by only 6 per cent.

(e) *Other sectors*

In the personal services sector, average income per wage-earner rose by 10 per cent, reaching approximately IL 210 per month in 1962 as against IL 190 in 1961.

In the communications and transportation and the commerce and finance sectors, average incomes rose by approximately the same rate—11 per cent. In the former, average monthly income per wage-earner reached some IL 360 as against IL 325 in 1961—a growth of 10.8 per cent; in the commerce and finance sector, the figure climbed by 11.4 per cent, to approximately IL 315 as compared with about IL 285 in 1961.

## 6. COST-OF-LIVING ALLOWANCE

More than a third of the additional average income per wage-earner was due to the higher average cost-of-living allowance increment paid in 1962. This accounted for some 4.5 to 5 per cent of the 13 per cent growth in average nominal income. During the period from January 1, 1961 to July 15, 1961, the cost-of-living allowance constituted 9.7 per cent<sup>1</sup> of basic wage rates,<sup>2</sup> and from July 16, 1961 until December 31, 1961—14.7 per cent. Payment of the cost-of-living allowance at the 14.7 per cent rate continued until July 15, 1962, but as from this date the rate was raised to 22.6 per cent.<sup>3</sup> The difference between the average allowance paid in 1962 (18.3 per cent) and that paid in 1961 (12 per cent) was thus 6.3 per cent. This difference, as already mentioned, caused a rise of only 4.5 to 5 per cent in the average income per wage-earner, and this for two reasons:

1. The arrangements governing the payment of the cost-of-living allowance do not apply to some 10 to 15 per cent of all wage-earners.

2. The allowance is paid only on part of the wage-earners' income. It is not paid on that part exceeding IL 500 per month, on previous cost-of-living

<sup>1</sup> This rate was introduced on July 16, 1960.

<sup>2</sup> Including family and seniority allowances; the cost-of-living allowance is paid on the first IL 500 of the monthly wage or salary or on the first IL 20 of the daily wage.

<sup>3</sup> The increment of 7.9 points in the cost-of-living allowance (from 14.7 to 22.6) represents the difference between the average consumer price index for the period July 1961 to June 1962 (114.3) and the average consumer price index for the period July 1960 to June 1961 (106.4), according to which the previous rate of the cost-of-living allowance was calculated (see Table IX-7).

allowance increments, or on a large number of other payments such as the "advance" on account of new pay scales in the administrative-clerical grades, the supplemental overtime payment to doctors, the Arava desert allowance, etc.

Table IX-7

INCREASE IN INCOME DUE TO RAISING OF COST-OF-LIVING ALLOWANCE IN JULY 1962, BY INCOME GROUP

Gross income <sup>a</sup> (IL)	Net income <sup>b</sup> (IL)	C-o-l allowance increment of 7.9 points (IL)	Per cent increase	
			Gross income	Net income
200	200	13.78	6.9	6.9
300	289	20.66	6.9	7.2
400	366	27.55	6.9	7.5
500	436	34.44	6.9	7.9
600	500	39.50	6.6	7.9
700	556	39.50	5.6	7.1
800	607	39.50	4.9	6.5
900	657	39.50	4.4	6.0
1,000	704	39.50	4.0	5.6

<sup>a</sup> Including cost-of-living allowance at the rate of 14.7 per cent, as paid between July 1961 and June 1962. In July 1962 the cost-of-living allowance was raised by 7.9 points, from 14.7 to 22.6.

<sup>b</sup> Gross income less income tax and Absorption Loan.

Since the cost-of-living allowance is free of income tax, it increases the disposable income to a greater extent than gross income. The allowance raises the disposable income of persons earning between IL 500 and IL 600 per month gross relatively more than it does those with smaller or larger incomes. Despite the IL 500 "ceiling", the allowance increases the disposable income of persons earning IL 600 per month to a greater extent than it raises the disposable income of persons earning up to IL 400 per month. The increase accruing to persons earning IL 700 per month is almost identical with that accruing to persons earning IL 300 per month, and greater than that accruing to persons with incomes lower than IL 300 (see Table IX-7).

## 7. WAGES, TAXES, AND DISPOSABLE INCOME

The sum total of taxes and other compulsory payments deducted from the income of wage-earners was 44 per cent larger in 1962 than in 1961. This big increase was due to three factors:

1. The introduction of the Absorption Loan toward the end of 1961, at the rate of 12 per cent of the income tax deduction.

2. The introduction of the Compulsory Saving Program in the second half of 1962.

3. The rise in average income, which increased the number of wage-earners in the higher income brackets, where the marginal income tax rates are larger.

Table IX-8  
INCOMES OF WAGE-EARNERS, TAXES, AND  
NET INCOME, 1961-62  
(IL million)

	1961	1962	Per cent increase
1. Total income of wage-earners <sup>a</sup>	1,808.0	2,200.3	21.7
2. Income tax and National Insurance	174.1	218.8	25.7
3. Absorption Loan	4.0	23.6	490.0
4. Compulsory Saving	—	14.0	—
5. Total compulsory payments (2) + (3) + (4)	178.1	256.4	44.0
6. Total net income (1) - (5)	1,629.9	1,943.9	19.3
Net increase in average income per wage-earner			1.0

<sup>a</sup> Including direct payments for days of absence, but not other fringe benefits.

<sup>b</sup> The rate of increase has been calculated by dividing the rate of increase in total net income by the rate of increase in consumer prices and the rate of increase in the number of wage-earners [119.3 : (109.5 × 107.8)].

The total income of wage-earners reached IL 2,200 million in 1962<sup>1</sup>—an increase of 22 per cent as against 1961. However, owing to the big increase in taxes, the net disposable income of wage-earners expanded by only some 19 per cent (see Table IX-8).

Real disposable income per wage-earner<sup>2</sup> rose by an average of 1 per cent.

<sup>1</sup> Including direct payments for days of absence, but excluding other fringe benefits.

<sup>2</sup> Total disposable income divided by the rate of increase in the number of wage-earners and the rate of increase in consumer prices [119.3 : (109.5 × 107.9)].