

CHAPTER X

WAGES ¹

THE AVERAGE HOURLY WAGE was approximately 10.5 per cent higher in 1963 than in 1962. The highest rates of increase were in commerce and finance and the personal services sector (17 and 13 per cent respectively), and the lowest in public services and agriculture (about 9 per cent).

The raising of the cost-of-living allowance rate accounted for 60 per cent of the increase in the average hourly wage in 1963, whereas in each of the three preceding years this factor was responsible for only a third of the total increment. The cost-of-living allowance rate was increased at the beginning of 1963 and remained unchanged during the year.

Owing to the wage-freeze agreement, which covered some 80 per cent of the

Table X-1
INCREASE IN NOMINAL HOURLY WAGES,
BY ECONOMIC SECTOR, 1962-63
(percentages)

Sector ^a	Increase over previous year	
	1962	1963
Agriculture	5.3	8.5
Industry	12.2	11.6
Construction	14.2	11.0
Commerce and finance	12.5	16.8
Transportation, com., storage	11.8	12.1
Public services	13.5	8.6
Personal services	11.5	13.4
All sectors	12.3	10.7

^a The definition of economic sectors used in this chapter accords with the 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 are privately or publicly supplied—are here included in the public services sector.

¹ Wages as defined here include salaries, and wage earners include salary earners, but exclude members of cooperatives and persons serving in the armed forces.

country's wage earners, the basic wage rates in force since 1961 remained unchanged during the year reviewed. The wage-freeze policy did not affect all sectors equally, and seems to have been more effective in public services than elsewhere.

Because of the pressure of demand for labor, average hourly wages continued to rise during the year reviewed, though the rate of growth varied as between sectors and between occupations (see Table X-1).

Average income¹ per wage earner was 11.5 per cent higher in 1963 than in 1962, reaching approximately IL 385 per month as against IL 345 per month in 1962.

The rate of growth in average earnings per employee was highest in agriculture, where it came to 19 per cent. This high rate was due to the combined effect of a 10 per cent increase in the number of hours worked per employee and a rise of 8.5 per cent in the average hourly wage. Average earnings of employees in the commerce and personal services sectors advanced by 15 per cent. In contrast to the trend of recent years, average earnings per employee in public services went up by only 9 per cent—less than in any other sector. Elsewhere in the economy the rise ranged from 10 to 12 per cent.

Real average earnings² were 4.6 per cent higher in 1963 than in 1962. Average real disposable income—i.e. real income net of taxes and compulsory payments³—rose by 2.8 per cent.

The number of wage earners in the country reached 566,000—32,000 or 6 per cent more than in 1962. About 13,000, or 40 per cent, of the increment were absorbed by industry, where the rate of expansion was the most rapid—some 8 per cent. In other economic sectors, except agriculture, the number of wage earners rose by 6 to 7 per cent. In agriculture there was a decline of 2 per cent.

The economy's total wage bill, inclusive of fringe benefits, increased by 18.3 per cent, reaching approximately IL 2,900 million, as compared with some IL 2,500 million in 1962. A third of the entire wage bill was paid in the public services sector, and 29 per cent in industry.

The number of man-days lost in strikes declined sharply, from 235,000 in 1962 to 124,000, owing mainly to the wage-freeze policy, under which the negotiation of collective labor agreements was deferred for one year. However, the experience of the early months of 1964 shows that this decline was of a

¹ In this chapter income is defined as earnings from work only, and does not include income from other sources, such as property, investments, restitution, etc. It consists of all wages received by the employee for his work, including payments for straight time and overtime, premiums, grants, retroactive payments, advances, and direct payments for days of absence (holidays, vacations, and sick leave), but not including other fringe benefits.

² The rate of increase in real income is obtained by dividing the index of nominal income (111.5) by the index of the rise in consumer prices (106.6).

³ Income tax, Absorption Loan, Compulsory Saving, and National Insurance.

temporary nature only. The percentage of man-days lost in 1963 through wild-cat strikes (i.e. those not authorized by the central bargaining institutions of the labor organizations) remained at 90 per cent of all strike-days, the same as in 1962.

1. THE WAGE-FREEZE POLICY

The changes that occurred in the average wage level during 1963 were influenced *inter alia* by the raising of the cost-of-living allowance rate, the wage policy of the Government and of the labor organizations, and the situation in the labor market. These factors did not always affect wages in the same direction and, of course, each affected the wage level to a different degree. Moreover, the influence of each varied in different occupations.

At the beginning of 1963 the collective labor agreements, which fix the wage rates paid to approximately 80 per cent of Israel's wage earners, expired. In view of the Government's stabilization policy, both sides consented to extend the agreements for another year. In this respect, therefore, 1963 was a year of wage freeze.

The wage-freeze policy did not affect all sectors equally. It appears to have been more effective in the public services than elsewhere in the economy. This may have been partly due to the fact that labor relations in this sector are more institutionalized than in any other. The employees' expectations of obtaining appreciable increases at the end of the wage-freeze period may have been a contributory factor.

In the large¹ unionized industrial concerns, average hourly wages rose less than in small enterprises, most of which are not unionized. This too may be attributed to the wage-freeze policy.

Owing to the continued buoyant state of the economy, demand pressure was felt in the labor market in 1963—primarily in the central region of the country and in various urban areas, where unemployment has virtually disappeared. If despite the stability of the official wage scales average wages increased at a rate almost double that warranted by the raising of the cost-of-living allowance rate, this must be ascribed chiefly to the pressure of demand in the labor market.

As a result of this pressure apparently, average hourly wages in the commerce and personal services sectors rose by 17 and 13 per cent respectively. In these sectors, the collective labor agreements cover a relatively small proportion of the employees, and consequently the wage-freeze policy had little effect here.

Moreover, in certain branches of industry, where a shortage of highly skilled labor was felt, average hourly wages went up at a relatively rapid rate: by 16 per cent in the electrical equipment branch, 15 per cent in chemical prod-

¹ Enterprises employing more than 50 wage earners.

ucts, 14 per cent in the machinery branch, and 13 per cent in metal products, diamonds, and nonmetallic minerals.

Table X-2
AVERAGE MONTHLY INCOME PER WAGE EARNER,
BY ECONOMIC SECTOR 1960-63
(IL)

Sector ^a	Nominal monthly income				Per cent increase from 1962 to 1963	
	1960	1961	1962	1963	Nominal income	Real income
Agriculture	165	175	185	225	19.4	12.0
Industry	270	295	325	365	11.9	5.0
Construction	275	345	395	440	11.4	4.5
Electricity and water	345	390	420	450	7.2	0.6
Commerce and finance	260	285	315	365	15.3	8.2
Transportation, com., storage	320	325	360	400	11.1	4.3
Public services	320	360	415	450	8.8	2.1
Personal services	180	190	210	240	15.1	8.0
All sectors	275	305	345	385	11.5	4.6

NOTE: Income figures have been rounded to the nearest IL 5; percentage changes have been calculated on the basis of unrounded figures.

^a See note to Table X-1.

2. WAGES, BY ECONOMIC SECTOR

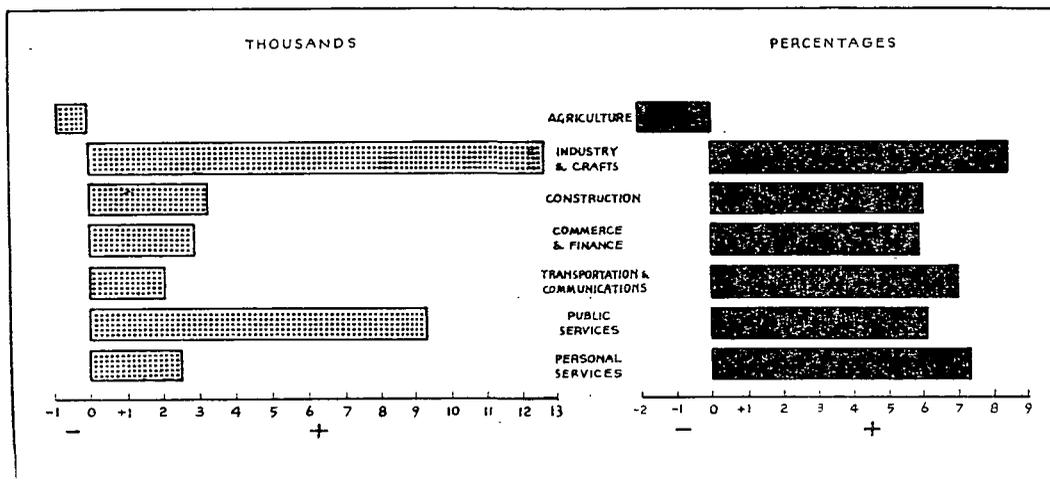
Average income per wage earner rose by 11.5 per cent in 1963 to reach some IL 385 per month, as against approximately IL 345 in 1962. Relatively large rises occurred in agriculture (19 per cent), commerce and finance (15 per cent), and personal services (15 per cent).

In 1963 the highest average income was to be found in public services and in the electricity and water sector (IL 450 per month), followed by the construction sector (IL 440); the lowest was in personal services (IL 240) and agriculture (IL 225). In industry and commerce the figure came to approximately IL 365 (see Table X-2).

The number of wage earners grew by 6 per cent in 1963, reaching 566,000 as compared with 534,000 in 1962. Of the 38,000 additional gainfully employed absorbed by the economy during the year reviewed, 32,000 were wage earners. Approximately 13,000 of the latter found employment in industry, some 9,000 in the public services, and 2-3,000 in each of the remaining sectors. Only one sector, agriculture, showed a decrease—of about 1,000 (see Table X-3). In line with the trend of recent years, the proportion of wage earners in agriculture continued to drop during 1963 (7.8 per cent of total

Diagram X-1

CHANGE IN NO. OF WAGE EARNERS, BY ECONOMIC SECTOR, 1963



wage earners as against 8.4 per cent in 1962), while that in industry went up (29.2 per cent as against 28.6 per cent).

Wage earners constitute about 70 per cent of all gainfully employed persons in the Israeli economy, but their weight varies from sector to sector. It is as high as 90-95 per cent in public services and in the electricity and water sector, but less than 40 per cent in agriculture. In other sectors it ranges from 50 to 65 per cent.

The average number of hours actually worked per week by wage earners came to approximately 40. In all sectors except the services, the number ranged between 42 and 43; in the public services it stood at 37, and in the personal services at only 34. The smaller number of hours in the public services sector was due to two reasons: first of all, for many full-time positions in this sector the working week comes to 41-44 hours (and in educational services even less), as compared with 47 hours in most of the other sectors; and secondly, the number of paid days of absence¹ is relatively high in the public services. In personal services the main factor was the relatively high proportion of part-time jobs, especially among women employees.

The economy's total wage bill reached IL 2,946 million in 1963, as against IL 2,491 million in 1962—an increase of 18.3 per cent. Of this figure, 32.9 per cent was paid by the public services sector, which employed 28.7 per cent of all wage earners in the country. Next in order was the industrial sector, which accounted for 29 per cent of both the national wage bill and the number of wage earners (see Table X-4).

¹ Vacations, holidays, etc.

Table X-3

WAGE EARNERS, BY ECONOMIC SECTOR, 1960-63

Sector ^a	1960	1961	1962	1963	Increase or decrease (-) from 1962 to 1963	
					('000)	(%)
Thousands						
Agriculture	45.5	45.5	45.0	44.1	-0.9	-2.0
Industry	122.0	137.0	152.6	165.3	12.7	8.3
Construction	46.0	48.5	54.7	58.0	3.3	6.0
Electricity, water, and sanitary services	15.2	15.3	15.5	15.5	—	—
Commerce and finance	42.4	44.0	49.0	51.9	2.9	5.9
Transportation, commu- nications, storage	27.1	28.5	30.1	32.2	2.1	7.0
Public services	139.0	145.5	153.0	162.3	9.3	6.1
Personal services	28.0	31.0	34.3	36.8	2.5	7.3
All sectors	465.2	495.3	534.2	566.1	31.9	6.0
Percentages						
					Wage earners as a percentage of total gainfully employed ^b in the sector in 1963	
Agriculture	9.8	9.2	8.4	7.8	37.6	
Industry	26.2	27.7	28.6	29.2	78.4	
Construction	9.9	9.8	10.2	10.2	72.4	
Electricity, water, and sanitary services	3.2	3.0	2.9	2.7	95.7	
Commerce and finance	9.1	8.9	9.2	9.2	52.3	
Transportation, commu- nications, storage	5.8	5.7	5.6	5.7	63.4	
Public services	30.0	29.4	28.6	28.7	90.7	
Personal services	6.0	6.3	6.4	6.5	58.4	
All sectors	100.0	100.0	100.0	100.0	69.5	

^a See note to Table X-1.

^b Total gainfully employed includes wage earners, self-employed, employers, members of co-operatives, members of kibbutzim, and family members receiving no pay but working 15 hours or more per week.

SOURCE: Central Bureau of Statistics and Bank of Israel.

Table X-4
THE NATIONAL WAGE BILL, BY ECONOMIC SECTOR, 1960-63

Sector ^a	1960	1961	1962	1963	Per cent increase from 1962 to 1963
IL million					
Agriculture	99	105	111	131	17.5
Industry	466	574	707	857	21.2
Construction	173	228	299	354	18.6
Electricity and water	74	85	93	99	7.2
Commerce and finance	143	163	203	248	22.1
Transportation, communications, storage	116	124	145	172	18.7
Public services	586	691	841	971	15.4
Personal services	64	76	92	114	23.4
All sectors ^b	1,720	2,046	2,491	2,946	18.3
Percentages					
Agriculture	5.7	5.1	4.5	4.4	
Industry	27.1	28.1	28.4	29.1	
Construction	10.0	11.2	12.0	12.0	
Electricity and water	4.3	4.1	3.7	3.4	
Commerce and finance	8.3	8.0	8.1	8.4	
Transportation, communications, storage	6.7	6.1	5.8	5.9	
Public services	34.1	33.7	33.8	32.9	
Personal services	3.8	3.7	3.7	3.9	
All sectors	100.0	100.0	100.0	100.0	

^a See note to Table X-1.

^b Discrepancies are due to rounding; percentage changes have been computed on unrounded figures.

(a) *Industry*

Average income per industrial employee rose by 12 per cent in 1963, reaching about IL 365 per month as compared with IL 325 in 1962.

The average hourly earnings of production workers advanced by 11 per cent, reaching IL 1.71 as against IL 1.54 in 1962. At the beginning of the year reviewed, wages went up as a result of the raising of the cost-of-living allowance rate. During the year the pressure of demand for labor pushed wages up still further, though the increase varied from branch to branch.

There was a relatively moderate rise of 8 to 9 per cent in average hourly earnings in the textile and clothing branches, while workers in the metal, diamond, chemical, and nonmetallic mineral branches received above-average increases, ranging from 13 to 16 per cent.

There are considerable differences between the various subbranches as regards hourly payments to production workers. In 1963 these ranged from IL 1.12 in the clothing branch to IL 2.20 in basic metals. The disparities were due *inter alia* to variances in the structure of the labor force (in respect of both sex and the level of vocational skill) and in the composition of the labor input (overtime, shift work, etc.), as well as different practices as regards the payment of production premiums.

Table X-5
AVERAGE HOURLY EARNINGS OF PRODUCTION WORKERS
IN INDUSTRY, 1962-63
(IL)

Branch	Average hourly earnings		Per cent increase from 1962 to 1963
	1962	1963	
Food	1.55	1.70	10.0
Textiles	1.44	1.57	9.3
Clothing	1.04	1.12	8.4
Wood, wood products, furniture	1.49	1.64	10.3
Paper, cardboard, and products thereof	1.44	1.58	10.2
Printing and publishing	1.67	1.79	7.2
Leather and leather products	1.34	1.44	8.0
Rubber and plastics	1.57	1.69	7.4
Chemical and petroleum products	1.70	1.95	15.0
Nonmetallic minerals	1.81	2.05	13.2
Diamonds	1.67	1.90	13.2
Basic metals	1.95	2.20	12.9
Metal products	1.52	1.73	13.2
Machinery	1.54	1.75	14.1
Electrical equipment and electronics	1.38	1.61	16.0
Transport equipment	1.79	1.99	11.2
Miscellaneous	1.12	1.27	13.3
All branches ^a	1.54	1.71	11.0

NOTE: The figures refer to production workers only, and have been obtained by dividing the workers' total earnings, including overtime pay, premiums, etc., by the number of hours worked.

^a All branches of industry except mining and quarrying.

SOURCE: Central Bureau of Statistics.

In most branches wages rose faster in the smaller than in the larger enterprises;¹ nevertheless, average monthly earnings per wage earner remained 30 to 40 per cent higher in the latter. The number of wage earners also expanded more rapidly in the smaller than in the larger concerns. More than two-thirds

¹ A small enterprise is here defined as one employing less than 50 persons.

of the additional wage earners were absorbed by small enterprises, which during the year reviewed employed some 55 per cent of all industrial workers.

The number of employees in the sector rose by 8 per cent in 1963, reaching 165,000 as compared with 152,600 in 1962. Thus the sector employed approximately 30 per cent of the country's wage earners.

(b) *Construction*

In contrast to the two preceding years, construction earnings rose only moderately in 1963. In 1961 and 1962, when construction activity was on a high level, the increased demand for skilled and unskilled workers pushed up hourly earnings more rapidly than in other sectors. But since the second half of 1963 the expansion of construction activity has slackened, and this is apparently reflected also in the rate of wage increase.

Average earnings per construction worker rose by 11.4 per cent in 1963, reaching approximately IL 440 per month as compared with IL 395 in 1962. Hourly wage payments increased to the same extent, mainly because of the raising of the cost-of-living allowance rate and the bigger proportion of skilled labor. Official wage rates remained unchanged in 1963, as did the bonuses paid over and above these rates. The average daily wage, including payments over and above the official scale, amounted to nearly IL 19, as against IL 17.2 in 1962.

The number of construction workers went up by 3,300 in 1963, reaching 58,000. The sector employs approximately 10 per cent of the country's wage earners.

(c) *Transportation, communications, and storage*

Average earnings per wage earner in this sector rose by 11 per cent in 1963, reaching IL 400 per month as compared with approximately IL 360 in 1962. The number of wage earners went up by 2,000, or 7 per cent, during the year reviewed, and totalled 32,000—i.e. 6 per cent of the total number of wage earners in the economy.

The average income of port and storage workers rose to the considerable extent of 17 per cent. This was partly due to the increase in the average number of hours worked per wage earner. In other branches average earnings rose by 10 to 12 per cent.

(d) *Commerce and finance*

Average earnings in the commerce and finance sector rose by 15.3 per cent, a relatively fast rate as compared with other sectors, and totalled approximately IL 365 per month as against IL 315 in 1962. This increase was chiefly due to the greater demand for personnel. The restraining influence of the wage-freeze agreement was not seriously felt in this sector, since the collective labor agreements cover only a small proportion of its wage earners. Average earnings moved

up at a similar rate in both the commerce and finance branches, but they remained 25 to 30 per cent higher in the latter.

The number of wage earners in the commerce and finance sector rose by 6 per cent, reaching 52,000 as against 49,000 in 1962. About two-thirds of the additional employees were absorbed by banks and financial institutions.

(e) *Personal services*

The average income per wage earner in the personal services sector reached approximately IL 240 per month in 1963, as compared with IL 210 in 1962—an increase of 15 per cent. But even after this advance, the average income level remained lower than in other sectors. The pressure of demand for personal services, on the part of both tourists and the local population, continued to be felt in 1963, and this was apparently one of the main factors pushing up wages.

In each quarter of the year reviewed average wages per wage earner were higher than in the corresponding quarter of the preceding year. Owing to the seasonal nature of the hotel industry, the rise was especially marked in the second and third quarters, both as against the corresponding quarters of 1962 and as compared with the preceding quarters of 1963.

The number of wage earners in the sector grew by 7 per cent in 1963, reaching 37,000 as compared with 34,000 in 1962. Most of the additional employees found work in the hotel industry and in domestic service.

(f) *Agriculture*

Average hourly wages in this sector were 9 per cent higher in 1963 than in 1962. The average daily wage rose from IL 9.0 in 1962 to IL 9.8. This increase was due not only to the raising of the cost-of-living allowance rate, but also to the considerably larger number of days worked in citriculture, where wages are higher than in other branches of agriculture. Another factor raising the average wage was the higher hourly payment received by members of the Arab communities.¹

The number of agricultural wage earners declined in 1963 by 1,000, from 45,000 to 44,000. However, the input of hired labor increased by approximately 8 per cent, owing chiefly to the bigger crops of vegetables and citrus—two branches which together employ almost half of all wage earners in the sector.

Average earnings per wage earner rose faster in agriculture than in any other sector during the year reviewed—by 19 per cent—and reached approximately IL 225 per month, as compared with about IL 185 in 1962. Nevertheless, the average income level was still the lowest in the country. The increase

¹ As a result of the informational campaign conducted by the National Employment Service among the Arab inhabitants, their average wage rose appreciably. But the National Employment Service did not succeed in transferring the organization of work among the Arabs (particularly of females and youths) from private labor contractors to the labor exchanges.

in average income per wage earner was due to two factors: a rise of 8.5 per cent in the average hourly pay and a growth of 10 per cent in the average number of hours worked per wage earner.

(g) *Public services*

The average income per employee in the public services sector rose by 8.8 per cent in 1963, reaching IL 450 per month as against IL 415 in 1962. The rate of increase here was smaller than in any other sector, whereas during the 1959–62 period it was among the highest. The wage-freeze policy appears to have been more effective in this sector than anywhere else. The fact that about 80 per cent of the wage earners were directly employed by the Government, Histadrut, and local authorities presumably contributed to the effective implementation of this policy.

The number of employees in the public services reached 162,000 in 1963, in contrast to 153,000 in 1962—an increase of 6 per cent. Approximately a third of the additional wage earners were employed in the educational services, which have been expanding rapidly owing to the increase in the number of children of compulsory school age. In business services¹ too the number of wage earners increased considerably during the year reviewed.

3. THE COST-OF-LIVING ALLOWANCE

The rise in the cost-of-living allowance rate accounted for more than half the total increase in average wages per wage earner in 1963, as against only one-third of the total increase during the three preceding years.

At the beginning of 1963² the cost-of-living allowance rate was raised from 22.6 to 28.9 per cent, and it stayed at this level for the remainder of the year. The average cost-of-living allowance rate in 1962 was 18.3 per cent.³ The difference between the average rate in these two years was thus 10.5 per cent, but the actual resulting rise in average wages was only 6.5 to 7 per cent, for two reasons:

1. The cost-of-living allowance is not paid on the total wage, but only up to a “ceiling” of IL 500 of the monthly basic wage rate⁴ (inclusive of family and seniority allowances).
2. The cost-of-living allowance agreement does not apply to some 15 to 20 per cent of Israel’s wage earners.

¹ Accounting, auditing, engineering, technical, economic, and legal services, advertising and public relations, and other business services.

² On January 16.

³ 14.7 per cent between January and July 15, 1962, and 22.6 per cent between July 15 and the end of the year.

⁴ Or on the first IL 20 of the basic daily wage.

Table X-6
INCREASE IN C-O-L ALLOWANCE RATE IN JANUARY 1963
AND ITS EFFECT ON INCOME

(IL)

Basic monthly wage	Gross income ^a		Per cent increase in gross income	Net income ^b		Per cent increase in net income
	Assuming 22.6% c-o-l allowance	Assuming 28.9% c-o-l allowance		Before raising of c-o-l allowance	After raising of c-o-l allowance	
200	245.2	257.8	5.1	241.0	253.4	5.1
300	367.8	386.7	5.1	339.7	358.3	5.5
400	490.4	515.6	5.1	420.1	445.3	6.0
500	613.0	644.5	5.1	494.6	526.1	6.4
600	713.0	744.5	4.4	546.3	579.8	6.1
700	813.0	844.5	3.9	596.3	627.8	5.3
800	913.0	944.5	3.5	642.6	674.1	4.9
900	1,013.0	1,044.5	3.1	687.4	718.9	4.6
1,000	1,113.0	1,144.5	2.8	732.3	763.8	4.3

^a Basic wage plus cost-of-living allowance.

^b Gross income less deductions on account of income tax, Absorption Loan, Compulsory Saving, and National Insurance. The calculations were made on the basis of tax rates applicable to a married man with two children.

Following the raising of the cost-of-living allowance rate, gross income¹ of wage earners with basic wages of less than IL 500 per month rose by 5.1 per cent (see Table X-6). Above this income level, the rise in gross income gradually decreased, reaching only 2.8 per cent in the case of persons with basic wages of IL 1,000 per month. However, since the cost-of-living allowance is exempt from income tax, it increases net income² to a greater extent than gross income. The rate of increase in net income rose gradually from 5.1 per cent for employees with a basic wage of IL 200 per month to 6.4 per cent for those with IL 500 per month. As from the latter income level, the rate of increase in net income began to decrease again, though less rapidly than the rate of increase in gross income: in the case of employees with basic wages of IL 700 per month, the rate of increase was still greater than in the case of employees with a basic pay of IL 200 per month (5.3 as against 5.1 per cent). For employees earning basic wages of IL 1,000 per month, the rate of increase in net income reached 4.3 per cent, as compared with only 2.8 per cent in gross income.

¹ Basic wages and the cost-of-living allowance.

² Gross income less compulsory payments: income tax, Absorption Loan, Compulsory Saving, and National Insurance.

4. DISPOSABLE INCOME

In 1957/58,¹ when the average cost-of-living allowance rate was 2.4 per cent, the gross income ratio between basic wages of IL 1,000 per month and those of IL 200 per month was 4.9:1, and the net income ratio, 3.0:1. In 1963/64, when the average cost-of-living allowance rate was 30 per cent, the gross income ratio fell to 4.3:1, while the net income ratio (assuming constant tax rates) was 2.9:1 (see Table X-7). Because of the "ceiling", the cost-of-living allowance caused the gross income ratio between these income levels to drop from 4.9 : 1 to 4.3 : 1. But since the cost-of-living allowance is exempt from income tax, there was only a slight change in the net income ratio (from 3.0 : 1 to 2.9 : 1).

Table X-7

INDEX OF NET INCOME^a

(Basic wage of IL 200 per month = 100)

Basic wage per month (IL)	In 1957/58 on the basis of 1957/58 taxes	In 1963/64 on the basis of 1957/58 taxes	In 1963/64 on the basis of 1963/64 taxes
200	100	100	100
400	170	177	178
600	226	233	235
800	266	265	272
1,000	300	291	307

^a Gross income less income tax and other compulsory payments. The calculations were made according to tax rates applicable to a married man with two children.

Table X-8

EFFECT OF TAX RATES ON NET INCOME, 1957/58 TO 1963/64

Basic monthly wage (IL)	Index of nominal net wages ^a				Index of real net wages			
	1957/58	1959/60	1961/62	1963/64	1957/58	1959/60	1961/62	1963/64
200	100.0	105.6	111.9	128.2	100.0	101.2	96.5	95.5
400	100.0	108.3	116.2	134.1	100.0	103.8	100.2	99.8
600	100.0	109.8	117.8	133.2	100.0	105.3	101.6	99.2
800	100.0	111.5	119.8	131.2	100.0	106.9	103.3	97.7
1,000	100.0	112.8	123.3	131.4	100.0	108.1	106.3	97.8

^a See note to Table X-7.

¹ The fiscal year, running from April 1 to March 31.

During the period 1957/58 to 1963/64, changes were introduced in both income tax and National Insurance rates, while various other special taxes were introduced or abolished.¹ Table X-8 shows the effect of the current tax rates in force in different years on net income (both nominal and real) at various income levels.

Table X-9

RATIO OF NET INCOME* TO GROSS INCOME, ON THE BASIS OF
TAX RATES IN EFFECT IN DIFFERENT YEARS

Basic wage per month (IL)	Net income as a percentage of gross income			
	At 1957/58 tax rates	At 1959/60 tax rates	At 1961/62 tax rates	At 1963/64 tax rates
200	97.6	98.6	98.3	98.3
400	86.4	88.4	88.4	87.3
600	78.8	81.7	82.0	80.0
800	70.5	74.6	75.8	73.1
1,000	64.0	68.7	71.3	68.1

* See note to Table X-7.

Table X-9 shows net income as a percentage of gross income at various income levels in 1963/64. For comparative purposes there is also shown the percentages of net income that would have resulted from the application of 1957/58, 1959/60, and 1961/62 tax rates during the year reviewed. Applying the 1957/58 tax rates, net income at all levels would have been lower than under the tax rates applicable during the other years. On the other hand, applying the 1961/62 tax rates, net income would have been higher than according to the tax rates of other years.

From the data cited in Tables X-7, X-8, and X-9 conclusions should not be drawn as to the actual changes in the earnings of employees at various income levels. The tables show only the effects of the cost-of-living allowance and compulsory payments on the various income levels.

5. LABOR RELATIONS

If one is to judge according to the number of work-days lost through strikes,² labor relations have deteriorated in recent years. In 1960, 36,000 days were lost in strikes, in 1961—68,000, and in 1962—235,000.³ In 1963 there was a

¹ The Defense Levy, Compulsory Saving, and the Absorption Loan.

² Excluding slowdown strikes.

³ In the years 1961-63 Israel lost more working days per wage earner by strike action than the United States, Canada, Holland, Sweden, Great Britain, or Japan, but fewer than Italy.

decrease in the number of days lost, which totalled 124,000, but apparently this was chiefly due to the postponement of negotiations over the renewal of collective labor agreements to the beginning of 1964, and does not testify to any real improvement in labor relations.¹

The share of the public services sector in work stoppages is especially large. This sector, which employs less than 30 per cent of the total number of wage earners, accounted in each of the last two years for 65 to 70 per cent of all strike-days in the economy. This development must be viewed in the light of the prolonged period of negotiations over the renewal of collective labor agreements—up to two years in some cases—as well as to the monopolistic situation prevailing on both the supply and demand side in respect of certain vocations.

In general, strikes break out when negotiations reach a stalemate. Sometimes a temporary respite is secured by submitting the points at issue to a public committee, but in most cases such committees do not bring about a quick resolution of labor disputes.

A further development indicating a change in the nature of labor disputes in recent years is the increased number of wildcat strike days (unauthorized by the central bodies of the labor organizations). Wildcat strikes accounted for 40 per cent of all days lost through strike action in 1960, 62 per cent in 1961, and as much as 90 per cent in 1962 and 1963.

6. WAGE RATES

During the years 1957 to 1963, union wage rates (including the cost-of-living allowance) for all categories of production workers in industry rose by some 35 to 40 per cent. This uniformity in the rate of increase must be ascribed to the Histadrut's industrial wage policy (see Table X-10).

Over the same period, the average hourly earnings of production workers in this sector rose by 54 per cent. But there were appreciable differences in the growth rate as between the various branches—41 per cent in textiles and clothing, 62 per cent in metal products, 63 per cent in diamonds, and 71 per cent in chemical products, to give only a few examples.

Presumably these disparities between the increase in wage rates and that in hourly earnings were to a certain extent due to changes in the vocational structure of the industrial labor force. Nevertheless, it is obvious that in part they were also due to variances in the degree of demand pressure for labor in the different branches. This pressure arose in recent years in the major industrial areas of the country as a result of the full employment situation; its influence is strikingly reflected by the changes that occurred in wage rates and

¹ The outbreak of strikes in the early months of 1964 indicates that the respite was only temporary.

Table X-10
INDEX OF OVERALL WAGE RATES, 1957-63
(1957=100)

Vocation and grade	1957	1959	1961	1963
Metal workers^a (electrical equipment)				
Top grade	100.0	107.4	120.4	138.6
Middle grade	100.0	109.0	121.4	139.7
Lowest grade	100.0	109.2	121.7	140.0
Food processing workers^b				
Top grade	100.0	105.2	117.0	134.6
Middle grade	100.0	105.2	116.8	134.4
Lowest grade	100.0	105.3	119.7	137.7
Textile workers^b (cotton)				
Top grade	100.0	105.3	117.1	134.7
Middle grade	100.0	105.1	116.9	134.5
Lowest grade	100.0	105.2	117.0	134.6
Administrative and clerical staff^c				
Top grade	100.0	120.8	144.4	162.7
Middle grade	100.0	105.2	124.9	148.1
Lowest grade	100.0	105.2	117.3	136.4
Engineers^d				
Top grade	100.0	157.8	184.6	198.7
Middle grade	100.0	130.1	142.7	166.4
Lowest grade	100.0	107.5	117.9	135.4
Doctors^e				
Top grade	100.0	133.6	165.7	177.4
Middle grade	100.0	132.6	158.7	176.2
Lowest grade	100.0	126.8	160.6	178.3

^a The rate includes basic wages and the cost-of-living allowance; in the highest grade (AA 3) also the maximum seniority allowance, and in the middle grade (C)—half the maximum seniority allowance. In the lowest grade (unskilled worker) no seniority allowance is included.

^b There are no vocational grades in this scale. The rate includes basic wages and the cost-of-living allowance; in the highest grade also the maximum seniority allowance, and in the middle grade—half the maximum seniority allowance. In the lowest grade the starting wage and cost-of-living allowance only are included.

^c The rate includes basic wages, cost-of-living allowance, and advances; in the highest grade (1) also IL 125 per month global overtime, and in the middle grade (7)—half the maximum seniority allowance. No seniority allowance is included in the lowest grade (15).

^d The rate includes basic wages, cost-of-living allowance, and allowance for professional literature; in the highest grade (A in 1957 and A++ in other years) also IL 125 per month global overtime and the maximum seniority allowance, and in the middle grade (D)—10 per cent overtime pay and half the maximum seniority allowance. No seniority allowance is included in the lowest grade (H).

^e The rate includes basic wages and the cost-of-living allowance, special allowance for being on call, hospital allowance, and professional literature allowance. In the highest grade (A in 1957, A+ in other years) also the maximum seniority allowance; in the middle grade (D)—half the maximum seniority allowance. No seniority allowance is included in the lowest grade (H).

hourly earnings in the various branches within a short period of time, since it is not plausible that the vocational structure of the labor force underwent a drastic change within one or two years. Between 1961 and 1963 there were no changes in basic wage scales, and the overall wage rates rose only because of the 15 per cent increase in the cost-of-living allowance rate.¹ Nevertheless, over the same period hourly earnings advanced as follows: textiles—24 per cent, clothing—19 per cent, metal products—38 per cent, diamonds—51 per cent, and chemical products—46 per cent. Variances no less striking may be discovered when comparing the change in the cost-of-living allowance rate between 1962 and 1963 (about 6.5 per cent) with the change in average hourly earnings over the same period (see Table X-5).

Between 1957 and 1963 overall wage rates² were increased in most grades of personnel in the public services (administrative and clerical staff, engineers, doctors, etc.) by as much as 50 to 100 per cent³ (see Table X-6). During the same period the Histadrut consented to the raising of employee earnings in the public services, but tried to avert, as far as possible, extensive revisions in basic wage rates. Because of this policy, incomes in the public services were raised chiefly through the introduction of new allowances and by agreements ensuring automatic upgrading. In the administrative-clerical scale, for instance, basic wage rates have not been raised since 1957, but the seniority allowance rates have been revised, seniority can now be transferred from grade to grade, a “regrading” has been carried out, automatic overtime allowance introduced, advances granted against future wage increases, etc.⁴

Between 1957 and 1963 the overall salary rates of doctors were raised almost uniformly in all grades by 76 to 78 per cent, but as regards the administrative-clerical and engineers’ scales the increases were twice as large in the highest as in the lowest grades (where hardly any personnel have remained). The fact that despite the rise in the cost-of-living allowance rate there has been virtually no change in the ratio between the salary rates for the high grades and those for the low grades, shows that the influence of the cost-of-living allowance “ceiling” has been largely neutralized by increases in other wage components.

During this period the average income of doctors in Government service rose

¹ The cost-of-living allowance agreement does not apply to some 20 per cent of industrial employees, and consequently the effect of the change in the cost-of-living allowance rate on hourly earnings is reduced to only 12 per cent.

² The overall wage rate includes not only the basic wage rate and the cost-of-living allowance, but also other increments connected with the grade of the employee and not with changes in his labor input, such as the allowance for professional literature, automatic overtime payments, hospital allowance, advances, etc. (see also note to Table X-6).

³ In the lowest grades of the clerical and engineering scales the rise was smaller—35 to 40 per cent—but hardly any personnel remained in these grades. On the other hand, in the lowest grade of the doctors’ scale, where employees still remained, the increase came to 78 per cent.

⁴ See Bank of Israel Annual Reports for 1959, 1960, and 1962, Chapter IX.

by 91 per cent, of engineers—by 87 per cent, and of administrative staff—by 62 per cent. Partial data show that in nongovernmental public services the average income per employee in these professions rose even more.

During the last two years the average income of doctors and engineers employed by the Government rose by 16 per cent,¹ and of administrative staff by 21 per cent. The fact that these rates are lower than those for many other occupations is apparently attributable to the influence of the “ceiling”² on the cost-of-living allowance and to the wage-freeze policy.

¹ This calculation does not include wage adjustments paid to professional staff during this period (1962 and 1963) on account of former years.

² At the beginning of 1964 the “ceiling” was raised to IL 700.