

CHAPTER X

WAGES

1. MAIN DEVELOPMENTS

AVERAGE INCOME¹ PER WAGE EARNER² was 15.7 percent higher in 1965, amounting to approximately IL 500 per month as compared with IL 430 the year before (see Table X-1). In all branches of the economy, with the exception of transportation³ and public services, the growth rates fluctuated between 7 and 10 percent—about the same as those recorded in previous years, or even somewhat lower. In transportation and public services, average income per wage earner rose by 18⁴ and 26 percent respectively (see Table X-2); this can be attributed primarily to the manner in which job classification was implemented in the Government sector and to the “differential adjustment” of the salaries of academic and professional workers following the job classification.

Wage developments in the Government sector in 1965 differed considerably from those in the rest of the economy, the average increase here being 28 percent as against some 9 percent elsewhere in the economy.

During the years 1961–64 the economic boom increasingly generated pressure on the labor market in the urban areas, particularly in the central part of the country. Under conditions of excess demand for workers, the level of wages and increases therein could not be governed by institutional arrangements.⁵ Consequently, in that period there were substantial differences in most branches of the economy between the actual rate of increase in average wages and the increases stipulated in institutional arrangements. In 1965 the excess demand

¹ Income is defined here as earnings from work alone, and does not include income from other sources such as property, investments, pension payments, National Insurance benefits, etc. Income from work consists of payments for straight time and overtime, premiums, holiday grants, retroactive payments, etc. Direct payments for days of absence (vacations, sick leave, etc.) are also included, but not other fringe benefits. It should also be noted that in this chapter income is calculated on a cash rather than an accrual basis, i.e. payments for work performed in the past or advance payments on account of future work are included in income for the period in which they are actually received by the wage earner, and not for the period to which they relate.

² Included in the computations are all wage and salary earners, excluding members of cooperatives and persons serving in the armed forces.

³ Including communications and storage.

⁴ Average earnings of postal and railway employees rose by about 30 percent, while in other transportation and communications subbranches the increases ranged from 7 to 15 percent.

⁵ Collective wage agreements, cost-of-living allowance agreement, etc.

for labor slackened, and toward the end of the year there were signs of unemployment even in some of the districts where in the previous three or four years unemployment had virtually disappeared. As a result of this development, average wages in most branches of the economy rose in 1965 by only slightly more than the rate stipulated in the institutional arrangements.

Most of the increase in average earnings in 1965 was stipulated in institutional arrangements made in 1964.

(1) The decision to carry out job classification in the public services and in part of the transportation branch was incorporated in agreements signed in 1964, but the classification was implemented mainly in 1965.

(2) The biennial wage agreements for 1964-65 provided for a 3 percent rise in most branches, as of the beginning of 1965.

(3) Because of the protracted negotiations, many of these biennial agreements were signed at the end of 1964 and implemented only at the beginning of 1965.

(4) The difference between the cost-of-living allowance rate in 1965 and the average for 1964 was due mainly to the raising of the rate in October 1964

Table X-1

**AVERAGE MONTHLY INCOME PER WAGE EARNER,^a BY
ECONOMIC BRANCH,^b 1961-65
(IL)**

	Nominal monthly income				
	1961	1962	1963	1964	1965
Agriculture	175	185	225	250	265
Industry and crafts	295	325	365	415	455
Construction ^c	345	395	440	480	510
Electricity and water ^d	400	445	495	545	585
Commerce and finance	285	315	365	395	435
Transportation ^e	355	400	450	485	575
Public services	360	415	450	515	650
Personal services	190	210	240	270	295
Total economy	305	345	385	430	500

NOTE: Income figures have been rounded to the nearest IL 5.

^a See p. 209, note 1.

^b In this chapter branches have been defined in accordance with the classification of the International Labor Office. In contrast to the classification used in Chapter II, "Resources, Uses, and Incomes", health, educational, and social welfare services—regardless of whether they are privately or publicly supplied—are here included in public services.

^c Including public works.

^d Including sanitary services.

^e Including communications and storage.

rather than to any increase during the year reviewed. This difference resulted in an increment of nearly 2 percent in average hourly wages.

Average income per wage earner in 1965 was, as stated, 15.7 percent higher than the year before. The consumer price index went up by 7.7 percent, so that the real increase in average income¹ was 7.4 percent—a relatively rapid rate compared with previous years. In all branches, except public services and

Table X-2
INCREASE IN AVERAGE INCOME PER WAGE EARNER, BY
ECONOMIC BRANCH,^a 1961-65

(percentages)

	From 1960 to 1961	From 1961 to 1962	From 1962 to 1963	From 1963 to 1964	From 1964 to 1965	Average annual increase
In nominal terms						
Agriculture	6.0	8.0	19.4	12.3	6.7	10.4
Industry	9.3	10.6	11.9	12.6	10.3	11.0
Construction ^b	25.0	15.5	10.9	8.7	7.2	13.3
Electricity and water ^c	14.3	10.0	12.1	9.8	7.3	10.7
Commerce and finance	9.6	11.4	15.3	9.3	9.0	10.9
Transportation ^d	5.1	11.4	13.4	8.1	18.4	11.0
Public services	12.1	15.8	8.8	14.0	26.1	15.2
Personal services	6.0	10.2	15.0	12.0	10.1	10.6
Total economy	11.4	13.0	11.7	11.8	15.7	12.7
In real terms						
Agriculture	-0.7	-1.4	12.0	6.7	-0.9	3.0
Industry	2.4	1.0	5.0	7.0	2.4	3.5
Construction ^b	17.2	5.5	4.0	3.3	-0.5	5.8
Electricity and water ^c	7.1	0.5	5.2	4.4	-0.4	3.3
Commerce and finance	2.7	1.7	8.2	3.9	1.2	3.5
Transportation ^d	-1.5	1.7	6.4	2.8	9.9	3.6
Public services	5.1	5.8	2.1	8.4	17.1	7.5
Personal services	-0.7	0.6	7.9	6.5	2.2	3.2
Total economy	4.4	3.2	4.8	6.3	7.4	5.2

NOTE: Percentage increases have been calculated on the basis of unrounded figures.

^a See note to Table X-1.

^b Including public works.

^c Including sanitary services.

^d Including communications and storage.

¹ The real increase in average earnings is obtained by dividing the index of the rise in average nominal income (115.7) by the index of the rise in consumer prices (107.7); thus

$$\frac{115.7}{107.7} = 107.4.$$

transportation, the change in average real income per wage earner fluctuated between -1 and +2 percent, while in public services and transportation relatively high growth rates were recorded: 17 and 10 percent respectively (see Table X-2).

Average disposable income¹ per wage earner in 1965 was IL 430 per month, compared with approximately IL 370 the year before—an increase of almost 15.5 percent. Although monthly compulsory pay deductions averaged about IL 10 more than in 1964, totalling almost IL 70, they remained 14.5 percent of gross income—that is, the same as the 1964 level. Disposable income in 1965 was influenced by two factors operating in opposite directions. On the one hand, in accordance with the recommendations of the Zadok Committee, income tax rates were lower than in the previous year; in fact, about IL 50 on an average was refunded during the year because the lower rates were applied retroactively.² On the other hand, the “ceiling” on the amount of wages on which National Insurance is paid was raised from IL 420 to IL 550 per month.³

Table X-3
INCREASE IN HOURLY WAGES AND IN LABOR COST PER MAN-HOUR,
BY ECONOMIC BRANCH,^a 1963-65

(percentages)

	Increase in hourly wages		Increase in labor costs per man-hour		Labor costs per man-hour in 1965 relative to average for entire economy (entire economy = 100)
	1963 to 1964	1964 to 1965	1963 to 1964	1964 to 1965	
Agriculture	14.3	7.8	14.8	7.8	53
Industry	11.3	10.4	11.8	11.1	89
Construction ^b	9.2	7.7	10.0	8.2	101
Electricity and water ^c	8.5	8.1	8.5	9.4	119
Commerce and finance	8.8	9.5	8.8	10.0	80
Transportation ^d	7.6	19.8	7.6	21.2	107
Public services	13.7	25.8	13.7	27.4	135
Personal services	11.6	8.5	12.2	9.0	65
Total economy	11.4	16.0	11.6	16.8	100

^a See note to Table X-1.

^b Including public works.

^c Including sanitary services.

^d Including communications and storage.

¹ Average income net of compulsory deductions: income tax, National Insurance, Absorption Loan, and Compulsory Saving.

² To April 1, 1964.

³ Effective April 1, 1965.

Average hourly wages were 16 percent higher in 1965 than in 1964 (see Table X-3), although the increase during the year was lower—11–12 percent. In the second half of the year average hourly wages in agriculture, industry, construction, and personal services were relatively stable, in contrast to the gradually rising trend of previous years.

The total wage bill, including fringe benefits, amounted to almost IL 4,273 million in 1965, compared with about IL 3,533 million in 1964—a rise of nearly 21 percent.

Labor costs per man-hour¹ in 1965 averaged about IL 3.3, or 16.8 percent more than in the previous year (see Table X-3). The difference between the percentage increase in average wages² and in average labor costs is attributable to the increase in fringe benefit rates during the year under review: the wage ceiling was raised on employer contributions to the National Insurance Institute,³ and family allowances for employees' children, financed by the employer, was instituted.⁴

2. WAGE EARNERS AND WAGES, BY ECONOMIC BRANCH

The average number of wage earners in Israel stood at nearly 622,000 in 1965, as against some 600,000 in 1964—an increase of 3.8 percent. This is a relatively low growth rate as compared with the four preceding years, and it should be viewed against the background of the slight deceleration which occurred in the population and labor force growth rates on the one hand⁵ and in the expansion of certain branches of the economy on the other.

High increases were recorded in the public and personal services (6.2 and 5.1 percent respectively), as well as in commerce and finance (5.0 percent). Almost half the overall increment in the number of wage earners stemmed from the expansion of public services.

In recent years the proportion of wage earners among all gainfully employed has risen gradually, from 67 percent in 1961 to 71 percent in 1965. This has been especially true in agriculture, construction, commerce and finance,⁶ and personal services (see Table X-4).

¹ This is derived by dividing the total wage bill, including fringe benefits, by the number of hours actually worked by wage earners.

² The average hourly wage is derived by dividing total direct wage payments by the total hours actually worked by wage earners. Total direct wage payments include payment for straight time and overtime, premiums, holiday grants, wage differentials and advance payments, direct payment for days of absence (vacation, holidays, illness, etc), but no other fringe benefits.

³ Effective April 1965, the ceiling was raised from IL 420 per month to IL 550.

⁴ See the detailed discussion in section 4 below.

⁵ See Chapter IX, "Population, Labor Force, and Employment", section 1.

⁶ Particularly in finance.

Table X-4
WAGE EARNERS, BY ECONOMIC BRANCH,^a 1961-65
(thousands)

	1961	1962	1963	1964	1965	Percent of wage earners in total gainfully employed ^b in branch	
						1961	1965
Agriculture	45.5	45.0	44.1	46.4	47.1	37.4	40.1
Industry	137.0	152.6	165.3	174.7	177.1	77.1	78.9
Construction	48.5	54.7	58.0	61.0	63.1	70.9	74.3
Electricity and water ^c	15.3	15.5	15.9	16.5	17.2	97.0	97.2
Commerce and finance	44.0	49.0	51.9	55.6	58.4	49.3	53.1
Transportation ^d	28.5	30.1	32.2	34.8	36.0	62.6	64.4
Public services	145.5	153.0	162.3	170.6	181.2	90.8	90.1
Personal services	31.0	34.3	36.8	39.6	41.6	55.6	59.9
Total economy	495.3	534.2	566.5	599.2	621.7	67.4	70.6

^a See note to Table X-1.

^b Including self-employed, employers, members of cooperatives, members of kibbutzim, and family members doing 15 hours or more of unpaid work per week.

^c Including sanitary services.

^d Including communications and storage.

SOURCE: Central Bureau of Statistics; Bank of Israel.

Table X-5
CHANGE IN NUMBER OF WAGE EARNERS, BY ECONOMIC BRANCH,^a
1961-65
(percentages)

	1960 to 1961	1961 to 1962	1962 to 1963	1963 to 1964	1964 to 1965
Agriculture	0.0	-1.1	-2.0	5.2	1.5
Industry	12.3	11.4	8.3	5.7	1.4
Construction ^b	5.4	12.8	6.0	5.2	3.4
Electricity and water ^c	0.7	1.3	2.6	3.8	4.2
Commerce and finance	3.8	11.4	5.9	7.1	5.0
Transportation ^d	5.2	5.6	7.0	8.1	3.4
Public services	4.7	5.2	6.1	5.1	6.2
Personal service	10.7	10.6	7.3	7.6	5.1
Total economy	6.5	7.9	6.0	5.8	3.8

^a See note to Table X-1.

^b Including public works.

^c Including sanitary services.

^d Including communications and storage.

Table X-6

**INCREASE IN NUMBER OF WAGE EARNERS, BY ECONOMIC BRANCH,^a
1960-65**

(percentages)

	Distribution of wage earners in 1965	Distribution of incremental wage earners, 1960-65		Average annual increase, ^b 1960-65
		'000	%	
Agriculture	7.6	1.6	1.3	0.7
Industry	28.5	40.1	31.7	7.7
Construction ^c	10.1	14.6	11.6	6.5
Electricity and water ^d	2.8	1.9	1.5	2.5
Commerce and finance	9.4	14.4	11.4	6.6
Transportation ^e	5.8	7.5	5.9	5.8
Public services	29.1	35.7	28.2	5.4
Personal services	6.7	10.6	8.4	8.2
Total economy	100.0	126.4	100.0	5.9

^a See note to Table X-1.

^b Geometric average.

^c Including public works.

^d Including sanitary services.

^e Including communications and storage.

The total wage-labor input went up by almost 3.5 percent in 1965. The number of man-days¹ in 1965 averaged 259 per wage earner. But it should be noted that there exist considerable interbranch differences: in industry and transportation wage-earners worked an average of 275 days per annum; in construction, commerce and finance, and electricity and water—from 265 to 270; in agriculture—about 255; while in the services the figures were particularly low—243 in public services and 224 in personal services.

As regards wage developments, 1965 differed from the previous three-four years in two respects:

(1) In 1965 average wages in most branches of the economy rose more or less in line with what was stipulated in the institutional arrangements, whereas in earlier years, because of the excess demand for workers, there was a marked disparity between the average percentage increases actually paid and those stipulated in institutional arrangements.

¹ In terms of standard eight-hour days. The figure is arrived at by dividing the annual number of man-hours per wage earner by eight.

(2) In 1965 average wages in the Government sector went up by 28 percent, as against some 9 percent in the rest of the economy. Although in previous years wages in the Government sector had risen more rapidly than in the private sector, the disparity between the two sectors had not been as marked.

Average income per wage earner in 1965 totalled approximately IL 500 per month. The level was relatively high in the public services (IL 650), electricity and water (IL 585), and transportation (IL 575), and relatively low in agriculture (IL 265) and personal services (IL 295). Average real earnings per wage earner rose by 7.4 percent in the year reviewed, a high rate compared with previous years. Public services and transportation showed particularly high increases—17 and 10 percent respectively. Elsewhere, the changes ranged from -1 to +2 percent. Since 1960 average real earnings per wage earner have risen by approximately 29 percent, or an average of about 5 percent per annum. This is high in comparison with other countries. With the exception of public services and construction, the annual growth rate has fluctuated between 3 and 3.5 percent, while in these two branches the figures are 7.5 and 5.8 percent respectively.

Hourly wages were 16 percent higher than in 1964. The increase during the year, however, was lower—about 11–12 percent. In contrast to previous years, when wages in most branches went up gradually during the year, the average hourly wage remained fairly stable in the second half of 1965 in agriculture, industry, construction, and personal services.

Labor costs per man-hour averaged approximately IL 3.3 in 1965—16.8 percent more than in 1964. As indicated by the index in Table X-3, there are marked divergences between branches, the figure being relatively high in public services (IL 4.5), electricity and water (IL 4.0), transportation (IL 3.5), and construction (IL 3.4), and below average in industry (IL 3.0), commerce (IL 2.6), personal services (IL 2.1), and agriculture (IL 1.8).

The total wage bill of the economy, including fringe benefits, amounted to IL 4,273 million in 1965, as against IL 3,533 million in 1964. The increase in the wage bill (21 percent) exceeded that in national income (18 percent), so that the weight of wages in national income went up during the year surveyed.¹ Besides the growth of the wage-labor input (3.5 percent) and the hourly wage (16 percent), the rise of almost 1 percent in the fringe benefit rate also contributed to the growth of the total wage bill. The increase in fringe benefits is mainly attributable to the raising of the maximum wage on which National Insurance must be paid by the employer, and to the introduction of employer-financed family allowances for employees' children.²

¹ See Chapter II, "Resources, Uses, and Incomes".

² As of April 1965, the wage ceiling for National Insurance contributions was raised from IL 420 to IL 550 per month. Family allowances for employees' children, financed by a premium of 1.8 percent of total wages (with no ceiling), was instituted in August 1965. See section 4 below.

Table X-7
TOTAL WAGE BILL, BY ECONOMIC BRANCH, 1961-65
(IL million)

	1961	1962	1963	1964	1965	Percent increase ^b from 1964 to 1965
Agriculture	105	111	131	155	168	8.2
Industry	574	707	857	1,025	1,154	12.6
Construction	228	299	354	408	454	11.4
Electricity and water ^c	87	97	112	127	144	13.2
Commerce and finance	164	203	248	290	334	15.0
Transportation ^d	137	161	195	226	280	23.9
Public services	691	841	971	1,163	1,578	35.7
Personal services	76	92	114	138	160	16.2
Total economy	2,061	2,511	2,982	3,533	4,273	20.9

^a See note to Table X-1.

^b Rates of increase have been calculated on the basis of unrounded figures.

^c Including sanitary services.

^d Including communications and storage.

^e Discrepancies in totals are due to rounding.

(a) *Agriculture*

Average hourly wages in agriculture rose by 7.8 percent in 1965.¹ One-third of this increment resulted from an increase in basic wages² at the beginning of the year, and another third from the rise in the average cost-of-living allowance rate between 1964 and 1965. Most of the remaining third can be attributed to the changed distribution of man-days—an increase in citriculture and a decline in vegetable farming. Since labor costs in citriculture are higher than in vegetable farming, this change brought up the average cost per man-hour in agriculture. In addition, wages in citriculture went up somewhat following a strike in August 1965.³

The rise in wages per man-hour in 1965 amounted to only half that in 1964 (7.8 as against some 15 percent). In 1964 there was an increased demand for farm hands; coming in a period of economic boom and under conditions of a

¹ This figure differs from that cited in Chapter XI, "Agriculture". There the data refer to the Hebrew years (September–August), while in all other chapters they refer to normal calendar years (January–December).

² Most hired farm labor is performed on a piece-rate basis, but the tariffs for piece-rate norms are determined primarily on the basis of the basic wage rate.

³ In 1965 there were about 17,300 strike-days in agriculture, as compared with 1,000–2,000 days in each of the five preceding years.

general excess demand in the labor market, this was reflected by a relatively rapid increase in hourly wages. In 1965, on the other hand, no labor shortage was felt in agriculture.

Average earnings per agricultural wage earner in 1965 were 6.7 percent higher than in the previous year, amounting to approximately IL 265 a month as against some IL 250 in 1964. This percentage gain in average earnings was more moderate than that in hourly wages, since there was a decline of about 1 percent in the average number of man-hours per worker.

The total wage bill in agriculture amounted to IL 168 million in 1965, as against IL 155 million in 1964—a rise of about 8 percent. Labor costs per man-hour—about IL 1.8—were lower than elsewhere in the economy.

The number of persons employed in agriculture went up by 1.5 percent during the year reviewed, totalling approximately 47,000 as against some 46,000 the year before. They constituted 7.5 percent of all wage earners in the economy in 1965.

No substantial changes have occurred in the past few years in the number of gainfully employed¹ in agriculture (117,400 in 1963, 118,800 in 1964, and 117,600 in 1965), but there has been a slow, persistent rise in the proportion of wage earners among total gainfully employed, from 38 percent in 1963 to 40 percent in 1965.

(b) *Industry*

Average hourly wages in industry rose by approximately 10 percent in 1965, the increase in respect of production workers being less than that for other employees. Part of this increment can be ascribed to arrangements stipulated in labor agreements and in legislation enacted in 1964, as follows:

(1) Of the 10 percent increase in average wages, 2 percent was due to the difference between the average cost-of-living allowance rate in 1965 and that in 1964; most of the increase resulted from the rise in the allowance rate in the last quarter of 1964.

(2) Practically all the biennial wage agreements signed in 1964 provided that basic wages for all grades should rise by 3 percent beginning January 1965.

(3) In some of the agreements, particularly in the metal industry, basic rates were revised upward by more than the 3 percent laid down in the Government's wage policy, through the establishment of a new grading scale. The regrading of workers was implemented mainly at the end of 1964 and the beginning of 1965.

(4) In July 1964 the Equal Pay (Male and Female Workers) Law was passed, and it took effect in April 1965. It provides that female workers are entitled to the same pay as males when performing similar duties. Implementa-

¹ Wage earners and non-wage earners combined.

tion of the law raised the hourly wages of skilled female workers, particularly in textile plants, by 25 percent and more.

Average income per industrial employee was approximately IL 455 a month in 1965, compared with about IL 415 in 1964—an increase of 10.3 percent.

The total wage bill in industry rose by 12.6 percent, reaching approximately IL 1,154 million as against some IL 1,025 million in 1964. The average labor cost per man-hour was about IL 3, roughly 11 percent more than the year before.

During the period 1959–64 industry underwent relatively rapid expansion: employing 25 percent of all wage earners in the economy in 1959, it absorbed 40 percent of the additional wage earners in the following years. Expansion slowed down slightly in 1964, but the number of industrial employees still went up to the same degree as all wage earners in the economy. The growth rate slipped appreciably in 1965: the average number of wage earners in industry stood at 177,000 as against some 175,000 in 1964—a rise of 1.4 percent, as compared with 3.8 percent for all wage earners.

(c) *Construction and public works*

In contrast to the rapid expansion during the period 1961–64, construction activity tapered off in 1965. In the last quarter of the year there were even signs of a contraction, and after more than three years of labor shortage, workers began to be laid off.¹

The fact that the number of construction workers still went up by 3.4 percent in 1965 is to be attributed mainly to the increase which occurred at the beginning of the year in the volume of completions of buildings started in the second half of 1964, since the final phase of construction is highly labor intensive.

Construction accounted for about 10 percent of all wage earners in the economy in 1965. The number of workers was approximately 63,000, as compared with 61,000 in 1964. Owing to a slight decline in the average number of man-hours per wage earner, total wage-labor input here went up by only about 3 percent over the previous year.

Average hourly wages in construction were about 8 percent higher in 1965 than in 1964. The increment stemmed mainly from the 3 percent increase in basic wages at the beginning of the year, and from the difference between the average cost-of-living allowance rates in the two years. Part of the increase presumably arose also from the fact that the first workers to lose their jobs were the least skilled, and thus the most poorly paid. The exit of low-paid workers influences the average wage, even if the wage level of the remaining workers remains unchanged.

¹ Since the beginning of 1966 the number of unemployed building workers has been rising. It thus appears that the reduction of activity in the latter part of 1965 was not a passing phase.

Average earnings per construction worker were 7 percent higher in 1965 than the year before, reaching approximately IL 510 a month as against some IL 480. With the change in the labor market, toward the end of 1965, payments over and above the official wage rates, which had been a common feature of earlier years, were drastically curtailed.

The total wage bill in 1965 came to approximately IL 454 million, as against some IL 408 million in 1964—an increase of about 11 percent. Labor costs per man-hour were approximately IL 3.4, about 8 percent over the 1964 figure.

(d) *Commerce and finance*

Monthly earnings per employee in commerce and finance amounted to about IL 435 in 1965, compared with approximately IL 395 in 1964—a gain of some 9 percent. Both in terms of the level of average earnings and the rates of increase therein, there is a marked difference between the financial¹ and commercial sub-branches: average earnings per employee in the former are more than double those in the latter. Average earnings rose in 1965 by about 10 percent in finance, as compared with 6 percent in commerce.

The total wage bill in commerce and finance in 1965 amounted to approximately IL 334 million, as against some IL 290 million in 1964—an increase of 15 percent. Labor costs per man-hour were about IL 2.6, a rise of 10 percent over the previous year.

An average of 58,400 persons were employed in commerce and finance in 1965, as against 55,600 in 1964—a growth of 5 percent. In line with the trend of the previous three-four years, employment expanded more rapidly in finance than in commerce—9 and 2.5 percent respectively.

(e) *Transportation, communications, and storage*

Average earnings per wage earner² in this branch amounted to approximately IL 575 a month in 1965, compared with IL 485 the year before—an increase of 18.4 percent. For postal and railway employees the rise came to nearly 30 percent,³ owing to the manner in which job classification was carried out,⁴ while elsewhere gains ranged from 7 to 15 percent.

The total wage bill went up 24 percent in 1965, amounting to IL 280 million as against IL 226 million the year before. Labor costs per man-hour were IL 3.5 in 1965, 21 percent more than in the previous year.

¹ Banks, financial institutions, insurance companies, etc.

² Excluding members of cooperatives.

³ Including retroactive wage payments made in 1965.

⁴ See the discussion of the implementation of job classification in the section on public services below.

The number of wage earners reached 36,000—3.4 percent over the 1964 figure. This branch employs about 6 percent of all wage earners in the economy.

(f) *Public services*

Average earnings per employee in the public services amounted to approximately IL 650 a month in 1965, as against some IL 515 in 1964—an increase of 26 percent. (In the Government sector, which directly employs about a third of all public service workers, the increase averaged some 28 percent.)

Average income rose faster in the public services than elsewhere in the economy, continuing the trend discernible since 1961.¹

The total wage bill amounted to IL 1,578 million, as contrasted with IL 1,163 million in 1964—an increase of nearly 36 percent. Although this branch employs less than 30 percent of all wage and salary earners, it accounted for 37 percent of the economy's total wage bill, since the level of earnings here is relatively high.

The number of public service employees averaged 181,200 in 1965, as compared with 170,600 the year before—a rise of 6.2 percent. Relatively high increases were recorded in the local authorities and business services;² in health and educational services, as well as in the Government's administrative services, the figure went up by 4–5 percent.

In the second half of 1964 biennial labor agreements³ were concluded, providing for a new salary scale for administrative employees⁴ as well as for academically-trained personnel. The implementation of these agreements continued throughout 1965, and by the end of the year they encompassed practically all civil servants. Implementation of the agreements for a substantial portion of non-Government workers will be completed in 1966. It is thus too early to draw final conclusions as to the influence of these agreements on wages in the public services as a whole.

In terms of wage conditions, public service employees fall into two main groups: (a) administrative personnel and those whose wage scales are linked to administrative personnel; (b) academically-trained personnel and those whose wage scales are linked to theirs.

Since the wage structure in these two groups has developed along somewhat different lines, they are treated separately below.

¹ With the exception of 1963, when the wage-freeze policy succeeded somewhat in preventing substantial wage increases in the public services.

² This subbranch includes economic, engineering, and legal services; accounting and auditing; office-machine services; advertising and public relations.

³ Wage agreements in the public services generally apply to the fiscal rather than the calendar year, as is customary elsewhere in the economy. These agreements cover the period April 1, 1964 to March 31, 1966.

⁴ The implementation of the new scale for administrative employees was made conditional on job classification, as explained below.

1. Administrative personnel and those linked to them¹

Under the agreement signed in August 1964, a new scale was instituted for administrative personnel in the public services,² with effect retroactive to April 1, 1964. The new scale consists of 20 grades, compared with 16 in the old administrative grading.³ Its implementation was made conditional on job classification, according to a system evolved by the Civil Service Commission. Under this system, each job was to be assigned a number of points based on several criteria, the total number of points determining the wage grade.

The job analysis and grading was assigned to several score parity committees.⁴ Separate committees were established in almost every department of the civil service, and in all the secondary units in other public services.⁵ Most of the parity committees were paralyzed in the first months of their work because of the opposition of the employees to their method of operation. As a result, only 300–400 employees were classified in 1964. By the end of 1965, practically all civil servants had been reclassified, as were part of the employees in the rest of the public services. Even in 1965 the work of the committees was in many cases carried out under the pressure of strike threats and of actual strikes.⁶ In most cases the committees agreed to grant a larger number of points, with consequent higher pay gradings than was provided for under this system and in the actual examples prepared by the Civil Service Commission.

2. Academically-trained personnel and those linked to them⁷

The agreements⁸ signed with the academic personnel in the second half of 1964 provided for new wage scales for all grades, and this resulted in an average

¹ Including nurses, social workers, foremen, and laborers given administrative gradings following the abolition of the special wage scales which applied to them prior to the new job classification.

² In addition to the Government, the public services, for purposes of this agreement, include municipalities and local authorities, public institutions, nonprofit institutions, etc.

³ As a result of the way in which the job classification was carried out, the two lowest grades remained vacant; thus *de facto* the new scale consists of 18 grades.

⁴ The parity committees were composed of one representative each of the following bodies: the management of the ministry or department, the Union of Local Authorities, the Civil Servants Union, the Histadrut, and the staff committee. Because of their composition, the committees were called "Committees of Six".

⁵ Each committee was given about a thousand examples of detailed classifications prepared by the Civil Service Commission, and was asked to implement the classification in accordance therewith.

⁶ Strikes broke out among postal, customs, income tax, and other employees. In 1965 there were 127,000 strike-days in the public services—about two-thirds of all strike-days in the economy as a whole that year.

⁷ Including technicians, journalists, rabbis, musicians, etc.

⁸ It should be noted that the agreements concluded with the academic personnel in the public services also apply, in practice, to academic workers employed in other branches.

rise in income of 12 percent.¹ Since the new scales took effect retroactively from April 1, 1964, advance payments were made in the second half of 1964, while the new scales were in most cases implemented only at the beginning of 1965.

The new wage scales were set for a period of two years, but the agreement between the representatives of the academically-trained personnel and the Government provided for the immediate establishment of a parity committee to examine whether, as a result of the implementation of job classification for administrative personnel, "... there had been any impairment of the salary differential between administrative and academically-trained personnel. The committee shall complete its work no later than December 1, 1965, and its conclusions are binding on both sides. If it emerges that the differential has been affected, retroactive adjustments shall be paid for the entire period of the present agreement, which is effective for a two-year period beginning April 1, 1964".²

The parity committee set up to examine this question submitted its conclusions in the latter part of 1965, and recommended that the differential be restored to the level in effect before the implementation of the job classification for administrative personnel, by raising the average income of academically-trained personnel by about 33 percent, i.e. by 18.5 percent over and above the 12 percent stipulated in the original agreements. On the basis of these conclusions, revised pay scales were instituted in December 1965, to take effect retroactively from April 1, 1964. It was agreed by the parties that the retroactive payments due for the period April 1964–November 1965 should be made during the first half of 1966.

(g) *Personal services*

The number of wage earners in the personal services branch went up in 1965 by 5.1 percent, which is somewhat lower than the average rate of growth in the five preceding years (8.2 percent). At the same time, 1965 saw a rise in the average number of man-hours per employee, so that the total labor input rose by 6.7 percent during the year.

Average earnings per employee were 10 percent higher than in 1964, amounting to approximately IL 295 a month as against some IL 270. The total wage bill in 1965 came to IL 160 million, as compared with IL 138 million in 1964—an increase of 16.2 percent.

In 1965 the average number of personal service employees was 41,600, in contrast to 39,600 in 1964.

¹ The increases were slightly higher than average for teachers and doctors, and slightly below average for engineers and other academically-trained personnel.

² Excerpt from the agreement signed on September 9, 1964 between the Coordinating Committee of the Academic Organizations and the Ministerial Committee on Wages.

3. THE COST-OF-LIVING ALLOWANCE

In 1965 the cost-of-living allowance rate reached 38.5 points, following a rise of 0.9 points in January (subsequently, it remained unchanged until the beginning of 1966). This increase meant a rise of IL 22–23 million in the economy's wage bill during the year reviewed.

The cost-of-living allowance rate of 38.5 points is calculated as follows: 28.9 percent (points) on the first IL 500 of the monthly basic pay,¹ and 9.6 percent (points) of the monthly basic pay up to a "ceiling" of IL 700. The maximum cost-of-living allowance in 1965 thus came to approximately IL 212 a month, of which IL 67 was exempt from income tax.²

In 1964 the c-o-l allowance rate was increased twice, averaging 34.6 points for the year.³ In 1965 it averaged 38.5 points, the difference between the average levels thus being 3.9 points. This difference resulted in an average wage increase in 1965 of only 2 percent, since the 3.9-point rise applied to only about 55–60 percent of total wage payments.

Under the cost-of-living allowance agreement, the allowance rate is revised twice a year—in January and July—if the increase in the price level⁴ amounts to 3 percent or more as compared with the level according to which the rate had previously been changed. Rises in fruit and vegetable prices are taken into account, for the purpose of this calculation, only once a year.

Under an agreement signed at the end of 1964 between the Histadrut (General Federation of Labor) and the Manufacturers' Association,⁵ a change was introduced in the method of calculating the cost-of-living allowance; the date for including the rise in fruit and vegetable price was shifted from July to January. The experience of the last few years has shown that the allowance rate generally changes when the price rises for fruit and vegetables are taken into account.⁶

¹ In most cases the basic pay includes seniority increment and family allowance (the chief exception is the Government service, where the c-o-l allowance does not apply to the family allowance).

² 28.9 percent of IL 500=IL 144.5; 9.6 percent of IL 700=IL 67.2; IL 144.5+IL 67.2=IL 211.7. Following the revision of the income tax rates in accordance with the Zadok Committee's recommendations, the exemption of the first 33.6 percent of the cost-of-living allowance was abolished, but the remainder continued to be exempt.

³ 33.6 points from January to September; 37.6 from October to the end of the year.

⁴ As measured by a consumer price index prepared specifically for the purpose of calculating the cost-of-living allowance. This index differs from the consumer price index in the manner in which housing prices are calculated (see Bank of Israel Annual Report for 1964, p. 222).

⁵ Cost-of-living allowance agreements reached between the Histadrut and the Manufacturers' Association apply to all employees in the country whose working conditions are determined by collective labor agreements.

⁶ Since 1957 the c-o-l allowance rate has been raised eight times, and six of these increases took place when fruit and vegetable prices were included in the calculation.

Under the new method of calculation, changes in the rate will apparently occur mainly in January, i.e. at the time when collective labor agreements are renegotiated in most branches of the economy.

Upon the institution of the new method of calculation, the allowance rate was raised by 0.9 points in January 1965, even though the advance of the price level did not reach the 3 percent minimum. In the period January–June 1965 the special price index¹ was 2.85 percent higher, on an average, than the index² according to which the rate had been revised in January 1965. The rise in the price index thus did not reach the minimum of 3 percent, and there was therefore no further increase in the rate in July 1965.³

4. GOVERNMENT FAMILY ALLOWANCE

In August 1965 the National Insurance Institute introduced “insurance for employees’ children”, in place of the family allowance arrangements previously provided for in collective labor agreements. All wage-earning heads of families are entitled to such insurance, including those previously ineligible for the family allowance⁴ either because the terms of their employment were not subject to collective labor agreements or because the agreements did not include a family allowance clause. Under the new arrangement every employed family head receives IL 9 a month for each of his first three children below the age of 18. If the labor agreement calls for a family allowance in excess of this amount, the employer continues to pay the worker the difference between the two amounts. Unlike the family allowance, the Government grant is not included in the calculation of the cost-of-living allowance, and is not taken into account for the purpose of premium rates and overtime payment.⁵

In order to finance this insurance, each employer is required to pay a premium to the National Insurance Institute at a uniform rate—1.8 percent of his wage bill,⁶ regardless of the number of recipients in his employ. The employers pay

¹ Excluding fruit and vegetables.

² Including fruit and vegetables.

³ In January 1966 the rate was raised by 9.3 points.

⁴ In the past, about 20 percent of all wages earners were not eligible for family allowance.

⁵ The institution of insurance for employees’ children does not supersede the large-family grant introduced by the National Insurance Institute in 1959 but supplements it. The large-family grant is given to all families covered by National Insurance—whether wage earners or not—for each child in excess of three. The size of the grant in 1965 ranged from IL 10.50 for the fourth child to IL 15.50 beginning with the eighth. Payments of the grant in 1965 totalled approximately IL 17 million, about 75 percent of it to wage earners’ families.

⁶ Unlike other National Insurance contributions, which are calculated on wages up to a ceiling of IL 550 a month, the premium for this insurance is paid on the entire payroll, with no ceiling.

the insurance grant directly to those entitled to it and deducts the total amount paid from his liability to the National Insurance Institute. Under the family allowance arrangements laid down in labor agreements, there were marked interfirm disparities in the actual sums paid. This stemmed not only from differences in the allowance rates provided for in the various labor agreements, but also from differences in the demographic structure of the labor force. Levying a premium on all employers at a uniform rate has the advantage of distributing the financial burden equally among all employers, while preventing discrimination against the hiring of workers with large families.

The introduction of the new insurance scheme did not materially affect the average income of wage earners' families: those whose working conditions were governed by collective labor agreements had generally received a family allowance at a rate similar to that of the Government grant; furthermore, some of the wage earners who previously were ineligible for family allowance but whom the law made eligible for the Government grant are still not receiving it in practice—this being true mainly in construction, agriculture, and personal services.¹

Premium payments, which started in August 1965, raised average costs per man-hour in the year reviewed by 0.3 percent.²

5. LABOR RELATIONS

In 1965 there were over 200,000 strike-days in the economy; in other words, an average of one-third of a man-day per employee was lost because of strikes. This proportion is similar to that in the United States, Canada, and Japan, but higher than in several European countries.³ As in previous years, about 90 percent of all strike-days in 1965 were wildcat, i.e. without endorsement from the central institutions of the trade union organizations.

In most countries the majority of strike-days take place in industry and in mining and quarrying. Israel is an exception in this respect, in that most of the strike-days are concentrated in the public services: in recent years this branch, which employs about 30 percent of all wage earners, accounted for

¹ Insurance funds run by workers' organizations have demanded that payment of the insurance be entrusted to the funds rather than the employers, in order to ensure full compliance with the law.

² If the insurance had not partially replaced the family allowance previously paid under labor agreements, the premium payments would have raised the average costs per man-hour by approximately 0.7 percent.

³ In Italy the rate is approximately one man-day a year; in France, Sweden, the Netherlands, and West Germany it fluctuates around one-tenth of a day. This comparison is somewhat defective, because of the relatively small number of countries which compile statistics on this point.

over 60 percent of all strike-days in the economy.¹ During the year reviewed most of these strikes centered on employees' demands for higher job classification gradings.

In industry 35,000 days were lost in strikes in 1965, about the same figure as in the three preceding years; this represented approximately 17 percent of all strike-days. In agriculture 17,000 strike-days were recorded (about 9 percent of the total), as compared with 1,000–2,000 days in previous years; most of the strike-days in agriculture resulted from the relatively long strike by citrus workers.²

Table X-8
NUMBER OF STRIKES, STRIKERS, AND STRIKE-DAYS,
BY ECONOMIC BRANCH, 1965

(percentages)

	No. of strikes	No. of strikers	No. of strike-days
Agriculture	6.5	3.5	8.5
Industry	24.5	10.0	17.3
Construction ^a	2.5	0.2	0.1
Electricity and water ^b	6.9	4.1	2.6
Commerce and finance	6.5	3.0	3.1
Transportation ^c	14.1	7.8	5.8
Public services	39.0	71.4	62.6
Personal services	—	—	—
Total	100.0	100.0	100.0
Total in absolute figures	277	93,425	203,670

^a Including public works.

^b Including sanitary services.

^c Including communications and storage.

SOURCE: Institute of Economic Research of the Histadrut.

In the last few years the average duration of strikes has steadily declined, but the number of strikers has gradually increased, and "the strike has become an instrument in negotiations."³

¹ According to Histadrut data, only one-third of all strike-days in 1964 occurred in the public services. But in evaluating these data, one must take into account that they do not include slow-down strikes. If the relatively long slow-down strike of the Post Office workers in 1964 were included, the share of the public services in total strike-days would have been much greater than 60 percent.

² The strike, which broke out in August 1965, lasted over a week.

³ See *Strikes and Lockouts, 1960–65*, Institute for Economic Research of the Histadrut, December 1965.

This development should be viewed against the background of the prolonged labor-management negotiations. Whereas in other countries it is customary to conduct negotiations prior to the expiration of the existing agreement, in order to ensure normal labor relations and to avoid the need for retroactive wage payments, in Israel negotiations begin only after the old agreement has expired, and they often continue for a year or more. Most of the collective labor agreements in the economy expired at the end of 1965, but so far (May 1966) new agreements have yet to be signed in most branches.