

CHAPTER IX

EMPLOYMENT AND WAGES

1. MAIN DEVELOPMENTS

EMPLOYMENT WAS UP 4 percent in 1969, after advancing 9 percent the year before. The increase in the number of wage earners came to 6 percent, compared with 11 percent in 1968. Wages per employee rose 4.6 percent, a slightly higher rate than in 1968, but low relative to the growth of product per employed. In the private sector, particularly construction and industry, wage increases were higher than in the economy as a whole. The relatively moderate rise in average earnings is apparently explained by the greater supply of workers from the administered areas, who competed with unskilled labor from Israel, and to the restraint displayed by employees because of the security situation and their expectation of wage increases in 1970. Nevertheless, since basic wage rates were not revised and no cost-of-living allowance increment paid, the rise in wages in 1969 cannot be regarded as particularly small, even though it was less than what would have resulted from a free play of market forces.

The population expanded by 2.7 percent and totalled 2,919,000 at year's end. This compares with an increase of 2.3 percent in 1968 and only 1.9 percent in 1967 (excluding East Jerusalem). Despite the acceleration of the growth rate, it was lower than in most of the years between 1948 and 1965. The faster expansion in the year reviewed is attributable both to a higher rate of natural increase and to larger immigration.

A striking feature of the labor market was the continued low participation rate of the civilian labor force¹—50.1 percent as against 50.3 percent in 1968. This low rate—considerably below that of the boom years of the early sixties—can probably be attributed to the extension of military service² and the larger percentage of youths continuing their schooling.

The 3.8 percent rise in employment was less than in 1968. The growth was even throughout the year, except for a slight deceleration in the final months, and largely eliminated what unemployment remained from 1968. The average annual unemployment rate³ of 4.5 percent compares with 6 percent in 1968, but

¹ The civilian labor force participation rate is defined as the percentage of persons aged 14 or over who are either employed or actively seeking employment, as recorded in the manpower surveys of the Central Bureau of Statistics.

² The civilian labor force does not include persons serving in the armed forces.

³ The unemployment rate, which is based on the manpower surveys of the Central Bureau of Statistics, is defined as the percentage of unemployed job-seekers in the civilian labor force.

Table IX-1
POPULATION AND LABOR FORCE CHARACTERISTICS, 1967-69

(thousands)

	Annual averages			Percent average annual increase or decrease (-)		Half-yearly averages			Percent increase or decrease (-) in half-yearly averages	
	1967	1968	1969	1968	1969	July-Dec. 1968	Jan.-June 1969	July-Dec. 1969	From (6) to (7)	From (7) to (8)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Average population	2,715.3	2,806.4	2,877.7	3.4	2.5	2,823.5	2,858.3	2,897.4	1.2	1.4
(2) Working-age population	1,855.9	1,929.1	1,977.6	3.9	2.5	1,941.5	1,962.6	1,993.2	1.1	1.6
(3) Civilian labor force	932.8	969.9	990.1	4.0	2.1	982.4	983.0	997.4	0.1	1.5
(4) Percent of total population	34.4	34.6	34.4	—	—	34.8	34.4	34.4	—	—
(5) Percent of working-age population	50.3	50.3	50.1	—	—	50.6	50.1	50.0	—	—
(6) Total employed	836.0	910.9	945.8	9.0	3.8	926.6	939.0	952.4	1.3	1.4
(7) Total employees	590.6	649.5	689.1	10.0	6.1	659.2	686.8	691.4	4.2	0.7
(8) Wages per employee ^a	570.0	588.1	615.0	3.2	4.6	596.4	605.3	623.9	1.5	3.1
(9) Unemployed job-seekers	96.8	59.0	44.3	-39.0	24.9	55.7	44.0	45.0	-21.0	2.3
(10) Percent of civilian labor force	10.4	6.1	4.5	—	—	5.7	4.5	4.5	—	—

^a Adjusted for seasonality.

SOURCE: Line 1—*Statistical Bulletin of Israel*, Central Bureau of Statistics, March 1970; lines 2, 3, 6, 7, and 9—CBS manpower surveys; line 8—National Insurance Institute and CBS, with calculations for 1969 based on actual data for the first 11 months and provisional data for December.

it was still somewhat higher than during the 1961–65 boom years—3.5 percent. The daily average of unemployed registered by the National Employment Service, which is another indicator of the unemployment situation, showed a greater decline in the number of jobless than did the manpower survey data, so that the unemployment rate may actually have been a little lower. The percentage of unemployed held fairly steady throughout the year.

Whereas wages per employee were up 4.6 percent,¹ hourly earnings increased by 3.2 percent; these rates compare with 3.2 and 0.3 percent respectively in 1968.

The specific rise in wages (i.e. the rise had the skill distribution of the workforce remained constant) would have been somewhat higher in both 1968 and 1969 if a large number of jobless with a low skill level had not joined the ranks of the employed, thereby pulling down the recorded rise in average wages. Apparently the wages of skilled labor went up more than those of the unskilled, partly because most of the incremental demand was for skilled workers, but more so because of the expanded supply of unskilled workers, both from the administered areas and from among those previously unemployed.

Wage earnings went up more rapidly in the private sector, whereas in the public services, where the wage freeze was more effectively applied, only moderate rises were recorded.

The percentage increase in wages lagged behind that of product per employed—a situation similar to that of the two preceding years, but in marked contrast to 1966 when the growth of wages far outpaced that of product per employed. Several factors explain the relatively low rise in average wages. The demand for workers went up by less than the demand for goods and services, because employers had hired excess labor in 1968 in anticipation of a continued upsurge in economic activity. More importantly, because of the flexible supply of workers, the incremental demand for labor (especially unskilled) resulted more in the growth of employment, particularly among those from the administered areas, than in wage hikes. In addition, workers tempered their wage demands because of the security situation and because they expected advantageous results from the renewal of labor agreements in 1970. But considering that the nonrevision of basic wage rates and the cost-of-living allowance

¹ This chapter deals with wages and salaries paid directly to employees. In addition, the employer pays various fringe benefits, such as contributions to social insurance schemes, recreational services, etc. The amount of such benefits is generally determined together with the wage agreements, but no data are available on payments of this type.

Wages are recorded on a cash basis, i.e. in the period in which they are actually paid, without regard to the period for which they are paid.

There are two sources of data on the number of wage earners in the economy: manpower surveys and employers' reports to the National Insurance Institute. In this chapter the survey of employment is based on employment data from the manpower surveys, while the survey of wages is based on employers' reports on the number of wage earners. (The reasons for this procedure are explained in the appendix to the Hebrew edition of this Report.)

kept wages from going up as much as they would have had they been freely determined by market forces, the increase in 1969 was not particularly low—a wage drift of 4.6 percent is fairly substantial.

Industry and construction experienced a particularly strong growth of employment, an indication that most of the incremental demand in the economy was for their output. Wages in fact went up more steeply here than in any other sector—9.8 percent in construction and 6.5 percent in industry.

In 1969 the National Employment Service introduced a number of improvements with a view to reducing frictional unemployment. In addition, regional unemployment practically disappeared following the maturing of investments made in the development areas over the years and because of the demand for labor for defense projects in adjacent areas. Relief work was curtailed considerably after the almost complete elimination of regional unemployment and that due to the economic slump. Apparently the only type of unemployment that remained at its prerecession level was that of unskilled labor.

While the number of strikes and strike-days was greater than in 1968, it was appreciably lower than during the 1961–65 boom period, this too evidence of a weaker upward pressure on wages.

2. POPULATION AND CIVILIAN LABOR FORCE

(a) *Population and immigration*

At the end of 1969 Israel had 2,919,000 inhabitants, 2.7 percent more than the year before. This compares with an increase of 2.3 percent in 1968, 1.9 percent in 1967 (excluding East Jerusalem), and an average of 4.2 percent in 1962–64. Both components of growth—natural increase and immigration—contributed to the faster expansion of the population in 1969.

The rate of natural increase in 1969 was 19.2 per thousand, as against 18.7 in 1968 and 17.6 in 1967. This was the second consecutive year in which the rate went up, after having moved steadily downward after the establishment

Table IX-2

PERMANENT POPULATION AND SOURCES OF GROWTH, 1962-69

	1962-64	1965	1966	1967 ^a	1968 ^a	1969 ^a
Population at end of period (thousands)	2,526	2,598	2,657	2,776	2,841	2,919
Annual increase—thousands	97	72	59	119	65	78
Annual increase—percent	4.2	2.9	2.3	4.5	2.3	2.7
Thereof:						
Immigration	2.2	0.9	0.3	0.2	0.5	0.8
Natural increase	2.0	2.0	2.0	1.7	1.8	1.9

^a The data for 1967, 1968, and 1969 include East Jerusalem.

SOURCE: *Statistical Bulletin of Israel*, Central Bureau of Statistics, March 1970.

of the State. Both the Jewish and non-Jewish population showed a higher rate of natural increase, in both cases due to a rise in the birth rate. The Jewish birth rate, which has been advancing since 1967, reached the level of the early sixties but was still considerably below that of the fifties. While the birth rate among the non-Jewish population displays a long-run declining trend, it is still twice as high as that of the Jewish population.

Net immigration (the number of new immigrants less the number of emigrants) totalled 21,000 in 1969, as contrasted with 12,000 in 1968 and about 6,000 in 1967. In 1961-64 net immigration averaged nearly 51,000 a year. Gross immigration, which amounted to about 27,000 in 1969, has also been rising steadily since 1967, but in 1969 it was still substantially lower than in 1961-64. The immigrants enumerated here are only those who declare themselves as such and tourists who decide to remain permanently. They do not include temporary residents who intend to settle permanently, although from the aspect of the absorption authorities they are like immigrants. Their number in 1969 was about 12,000, compared with some 8,000 in 1968 and less than 4,000 in 1967. Adding the number of temporary residents to gross immigration brings the figure up to 40,000 in 1969. The immigration in the year reviewed originated mostly in Europe and America and was spread evenly throughout the year.

(b) *Working-age population and civilian labor force*

The working-age population grew by 2.5 percent in 1969, the same rate as for the average population. In all other years during the last decade the working-age population had expanded more rapidly than the average population. The change in 1969 was due to the higher birth rate that year.

Since the civilian labor force rose only 2.1 percent in 1969, i.e. by less than the working-age population, there was a slight decline in the labor force participation rate. For the third consecutive year, it stood at a little more than 50 percent, the level to which it had dropped in 1967. The precipitate fall that year was ascribed to the workers' reaction to the large-scale unemployment then prevailing: because the chances of finding work were slim, some of the jobless stopped looking, thus withdrawing from the civilian labor force. The nonincrease in the rate in 1968 and 1969 was apparently due to two factors working in opposite directions: (a) the strong expansion of economic activity which, by reducing the number of unemployed, tended to push up the rate (though with a certain time-lag); (b) the larger number of persons in the armed forces and attending school, which had a contrary effect. The latter development is also borne out by an analysis of the participation rate by age and sex. This shows a striking decline in the 14-17 age group, apparently due to the adding of the ninth grade to compulsory education in the development towns, and a rise among females of almost one percentage point over the previous

Table IX-3
LABOR FORCE PARTICIPATION RATES, BY SEX, 1959-69
(percentages)

	Percent of working-age population participating in labor force			Percent of females in civilian labor force
	Total	Males	Females	
Annual averages				
1959-65	53.2	77.9	28.1	26.3
1966	52.6	74.7	30.3	28.8
1967	50.4	72.1	28.6	28.3
1968 ^a	50.6	71.9	29.2	28.8
1968 ^b	50.3	71.8	28.8	28.6
1969 ^b	50.1	70.4	29.7	29.6
Half-yearly averages				
1967 July-Dec. ^a	50.1	71.6	28.7	28.5
1968 Jan.-June ^a	50.3	71.2	29.2	29.1
July-Dec. ^a	50.9	72.6	29.2	28.7
1968 Jan.-June ^b	50.0	71.2	28.8	28.8
July-Dec. ^b	50.6	72.4	28.7	28.4
1969 Jan.-June ^b	50.0	70.4	29.7	29.6
July-Dec. ^b	50.0	70.4	29.7	29.7
Quarterly averages				
1969 (fourth quarter)	49.6	70.0	29.3	29.5

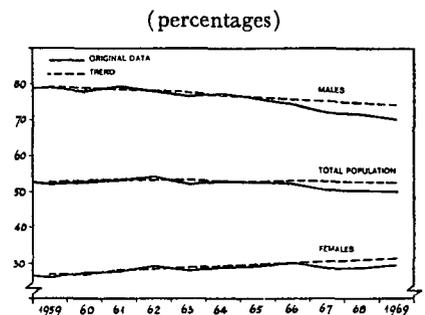
^a Excluding East Jerusalem.

^b Including East Jerusalem.

SOURCE: Central Bureau of Statistics manpower surveys.

year. All age groups showed higher rates, with the exception of the 14-17-year olds. Among women the rate was still lower than it should have been had it followed the long-term trend line, but only slightly so. Among males, on the other hand, there was a drop of 1.4 percentage points, from 71.8 percent in 1968 to 70.4 percent. The decrease occurred in the 14-17 and the 18-34 age groups; for the older age groups the rate went up. This indicates that, besides the greater number of pupils continuing with their schooling, a larger number of persons served in the armed forces. Although there is a long-term downtrend in the participation rate of males, in 1969 it was considerably below

Figure IX-1
LABOR FORCE PARTICIPATION RATE, BY SEX, 1959-69^a



^a The trend for 1960-65 has been calculated from moving three-year averages; that for 1966-69 has been extrapolated from this trend.

SOURCE: Central Bureau of Statistics manpower surveys.

the trend line. If it had developed in 1969 as that for females, the overall participation rate would have exceeded 51 percent.

3. EMPLOYMENT

While the civilian labor force went up by about 2 percent in 1969, the number of employed¹ grew by approximately 4 percent, in an even rise throughout the year. The relatively larger percentage increase in employment can be attributed to the hiring of many of those without jobs in the previous year (not counting the hard-core unemployed). The growth of employment in 1969 was far below the rise of approximately 9 percent in 1968, so that the incremental demand for labor in the year reviewed was still of such proportions that it could be met by expanding the number of employed without driving up wages to any great extent (in most sectors). The smaller percentage increase in employment in 1969 was due not only to the slower growth of aggregate demand, but also to the fact that in 1968 employers apparently took on more workers than actually required at the time, because they expected to expand production and anticipated a shortage of workers; thus they were able to step up production in 1969 without adding greatly to their staff.

Some 4.5 percent more hours were worked in 1969. This was only slightly

Table IX-4
EMPLOYMENT INDEXES, 1968-69

(First quarter of 1968=100)

	Quarterly averages				Annual average
	I	II	III	IV	
1968					
Number of employed	100.0	102.7	104.0	105.9	103.2
Man-hours worked by all employed persons	100.0	99.4	103.3	103.4	101.5
Number of wage earners	100.0	102.8	103.8	105.1	102.9
Man-hours worked by wage earners	100.0	97.8	101.1	101.7	100.2
1969					
Number of employed	105.5	107.2	108.0	107.7	107.1
Man-hours worked by all employed persons	107.1	104.6	104.6	107.7	106.0
Number of wage earners	107.9	109.7	108.8	110.3	109.2
Man-hours worked by wage earners	109.9	106.3	103.8	109.8	107.5

SOURCE: Central Bureau of Statistics, manpower survey for 1969.

¹ The reference here is to Israelis. If workers from the administered areas are included, the rise in the number of employed comes to about 5 percent. In general, this chapter deals with the employment and wages of Israelis only, unless otherwise stated.

higher than the growth of employment, evidence that the number of man-hours per gainfully employed went up very little. The latter also indicates that the incremental demand for workers was within a range where supply was still elastic. This is likewise borne out by the fact that the unemployment rate did not decline to the level of the years of overemployment (it was 4.5 percent in 1969 as against some 3.5 percent in 1961-65), and by the relatively moderate wage advances in certain sectors.

For the second year running, the number of wage earners rose more rapidly than the number of employed as a whole; this contrasts with the drop in their weight in total employment during the slump years 1966-67. The increase in the number of wage earners exceeded 6 percent, bringing, their weight up to 75 percent of all employed, the highest figure ever recorded but in line with the long-run rising trend.

(a) *The administered areas*

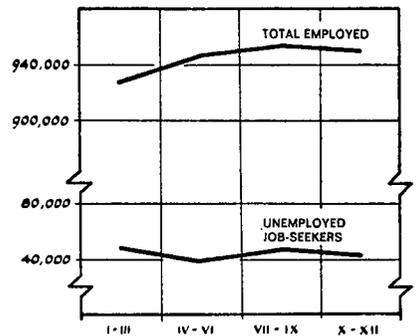
The number of workers from the administered areas was much larger in 1969 than in the previous year. National Employment Service data show that a total of some 8,000 were hired on an annual average through the labor exchanges, the level rising to about 12,000 in the last months of the year and to 22,000 in the first months of 1970. Presumably workers were also hired other than through the labor exchanges, although this phenomenon became less frequent toward the beginning of 1970. According to transit surveys¹ conducted by the Central Bureau of Statistics, about 13,500 persons from the administered areas were employed on a daily average. But even this seems a low estimate, since some of them lived near their place of work and not with their families in the areas; furthermore, checks were not made at all transit points. It appears that the number of employed from the administered areas doubled during the year, averaging at least 16,000, or close to 2 percent of all persons employed in Israel. The administered areas were the source of nearly one-fifth of total incremental employed in the year reviewed.

As in 1968, there were certain conditions in the administered areas that induced workers to seek employment in Israel, although some of them disappeared or weakened during the year. Wages, which had gone up somewhat, particularly

¹ In these surveys, workers who crossed into Israel in order to work were counted at the main transit points.

Figure IX-2

TOTAL EMPLOYED AND UNEMPLOYED JOB-SEEKERS, 1969



SOURCE: Central Bureau of Statistics manpower surveys.

in the Gaza Strip and Northern Sinai, still averaged less than one-fourth of those in Israel. On the other hand, the number of jobless in the administered areas fell rapidly, so that by the end of the year the unemployment rate in Judea and Samaria was below that in Israel, while in the Gaza Strip and Northern Sinai it was similar to that in Israel (in the second half of 1968 the unemployment rates in these two areas were 11 and 17 percent respectively).

To sum up, despite the improved economic conditions in the administered areas and pressure exerted by nationalist elements, a large supply of workers was available from this source in 1969.

(b) *Employment, by final use*

The number of man-hours worked in 1969 rose by about 4.5 percent, compared with 13 percent the year before and an average annual increase of about 5 percent in 1960–64.

The economy can be divided into two parts: one in which output is largely determined by market forces, and one (the public sector and nonprofit institutions) where it is determined mainly by exogenous factors. The discussion in this section concentrates on the former, which accounts for about 80 percent of all employed. In 1969 the increase in the number of man-hours in this part of the economy was 4.3 percent, slightly less than the national average; by contrast, in 1968 it came to 13.8 percent, slightly higher than the average.

The actual change in the number of man-hours can be broken down into two components: that stemming from changes in the demand for goods and services (and hence also from changes in the derived demand for labor), and that stemming from changes in output per man-hour. The analytical tool used here was the input-output table,¹ based on an input-output study for 1958 and partially updated to 1963. The conclusions drawn from it are therefore not precise, but the findings are indicative of trends and orders of magnitude.

In 1969 the percentage increase in employment attributable to the expansion of investment was above the average for the economy as a whole. In 1968 there were above-average increases in incremental employment attributable to exports, public sector purchases,² and investment.

Incremental investment in the last two years contributed relatively more to the growth of employment than any other final demand. This contrasts with the situation in 1966 and 1967, when a sharp cutback in capital spending depressed the demand for labor.

¹ The output required to maintain a given level of each of the final uses was calculated by means of an inverse table of coefficients. The expected volume of employment for maintaining the final uses each year was estimated on the strength of the labor-output coefficients of the previous year, assuming the constancy of the coefficients. The expected volume of employment reflects the influence of changes in demand per se. The difference between actual and expected employment reflects the change in output per man-hour.

² The data on public sector purchases are provisional.

Table IX-5

**ANNUAL CHANGES IN OUTPUT AND EXPECTED CHANGES IN MAN-HOURS
IN THE PRIVATE SECTOR, ACCORDING TO FINAL USE, 1967-69**

(Output in IL million at 1963 prices; man-hours in millions)

	1967		1968		1969	
	Change in output	Expected change in man-hours ^a	Change in output	Expected change in man-hours ^a	Change in output	Expected change in man-hours ^a
Absolute terms						
Investment	-648	-62	528	50	702	67
Exports	394	35	1,235	84	555	37
Public sector purchases						
from other sectors	388	35	307	25	179	12
Private consumption	336	32	886	82	969	75
Total	470	40	2,956	241	2,405	191
Percentages						
Investment	-19.5	-19.1	19.8	20.5	21.9	22.4
Exports	10.6	12.4	30.1	30.0	10.4	11.0
Public sector purchases						
from other sectors	43.7	44.6	24.0	24.2	11.3	9.9
Private consumption	4.2	4.2	10.7	11.7	10.5	9.9
Total	3.0	2.7	18.1	18.1	12.4	12.6

^a The change in the number of man-hours attributable to a change in output, given the employment-output ratio of the previous year.

SOURCE: Bank of Israel input-output calculations.

Whereas in 1968 public sector consumption accounted for much of the additional demand for labor, in the year reviewed its contribution was below the national average.

The striking expansion of exports in 1968 generated a large increase in employment, but in 1969 the additional number of workers engaged in the direct and indirect production of goods and services for export was below the average growth rate for the economy as a whole. As to private consumption, the rate was below the national average for the second year running.

As already noted, the change in the expected number of man-hours reflects the influence of changes in the final uses of the national product. The difference between the expected and the actual change in the number of man-hours shows the change in output per man-hour.

The slower expansion of output in 1969 in itself should have resulted in a smaller rise in the number of man-hours than in the previous year—12.6 as against

Table IX-6

ANNUAL CHANGES IN OUTPUT PER MAN-HOUR IN THE
PRIVATE SECTOR, 1967-69

(percentages)

	1967	1968	1969
Change in gross output ^a	3.0	18.1	12.4
Expected change in man-hours ^b	2.7	18.1	12.6
Actual change in man-hours	-9.0	13.8	4.3
Change in output per man-hour	12.9	3.8	8.0

^a Gross output is the total market value of goods and services produced, including the value of intermediate products. This is not the actual output, but that calculated according to input-output coefficients.

^b The expected change in man-hours compared with actual man-hours in the previous year. The expected number of man-hours has been calculated according to the employment-output coefficients of the previous year.

SOURCE: Bank of Israel input-output calculations.

18.1 percent. The change in output per man-hour operated in the same direction. In 1969 the increase in output per man-hour was 8 percent, as compared with 3.8 percent the year before; the actual number of man-days worked therefore rose by 4.3 percent in 1969, as contrasted with 13.8 percent in 1968. Since in 1968 employers apparently expanded their work-force beyond their immediate requirements in anticipation of higher sales and a shortage of labor, in 1969 they were able to step up output substantially without having to take on many new workers.¹

4. WAGES

Whereas wages per employee rose by 4.6 percent in 1969, the increase in hourly wages came to only 3.2 percent—both rates higher than in 1968. These figures represent an average for the economy as a whole and do not necessarily constitute an accurate reflection of developments in the labor market. Apparently the specific increase in earnings (i.e. unadjusted for changes in the skill distribution of the work-force) rose by more than 4.6 percent, since this average was undoubtedly pulled down by the fact that many of the additional employees in 1969 had been unemployed the year before and received below-average pay in 1969. In addition, wages presumably rose more among skilled than among unskilled workers, because of both the relatively stronger growth of demand for the former and the relatively greater expansion of supply of the latter. Whereas the supply of unskilled labor remained fairly elastic, the supply of skilled workers virtually dried up, with demand pressure reaching the proportions of the pre-recession boom years.

¹ See Bank of Israel, *Annual Report 1968*, Chapter IX, section 3 (c).

Table IX-7

**NUMBER OF EMPLOYEES, MAN-HOURS AND WAGES PER EMPLOYEE,
AND HOURLY WAGES, 1967-69**

	1967	1968	1969 ^a	Percent annual increase or decrease (-)		
				1967	1968	1969
(1) Number of employees (thousands)	620.6	676.9	723.3	-2.9	9.1	6.9
(2) Average number of man-hours per employee per week	38.2	39.5	40.0	-3.0	3.4	1.3
(3) Monthly wages per employee, at current prices (IL)	570	588	615	0.4	3.2	4.6
(4) Average monthly wages, at 1969 prices (IL)	597	603	615	-1.2	1.0	2.0
(5) Hourly wages at current prices (IL)	3.43	3.44	3.55	3.0	0.3	3.2
(6) Hourly wages at 1969 prices (IL)	3.59	3.53	3.55	1.4	-1.7	0.6

^a National Insurance Institute data for December are provisional.

SOURCE: Lines 1 and 3—Central Bureau of Statistics estimates based on National Insurance Institute data.

Line 2—CBS manpower surveys.

Lines 4 and 6—Wages have been deflated to 1969 values by the consumer price index.

Line 5—The total number of man-hours was obtained by multiplying the average number of man-hours per employee according to the manpower surveys by the number of employees according to the National Insurance Institute.

Wage rises were lower than average in the public sector, and above average in the rest of the economy. In the private sector hourly wages went up by 4.3 percent, compared with 3.2 percent in the economy as a whole.

Wages moved up fairly evenly throughout the year, with some acceleration in the third quarter, due entirely to seasonal factors.

The growth of wages lagged behind that of product per employed—approximately 11 percent at current prices. In 1968 and 1967 wages also trailed behind, but in 1966 there had been a sharp movement in the opposite direction. It seems, therefore, that in 1969 there were forces exerting upward pressure on wages which did not find full expression, either in the economy as a whole or in the private sector alone.

That the wage hikes were relatively modest can be attributed primarily to the fact that the heavier demand for workers, particularly unskilled, occurred after some unemployment in the previous year, so that no pressure was generated on wages. The 4.5 percent unemployment rate in 1969 (compared with 3.5 percent in the boom years 1961-65) likewise attests, as already noted, to the continued elasticity of the supply of unskilled labor.

Wage increases in the wake of productivity gains and price rises usually occur

Table IX-8

INDEXES OF WAGES PER EMPLOYEE AND NUMBER OF EMPLOYEES, 1968-69

(First quarter of 1968=100)

	Quarterly averages				Annual Average
	I	II	III	IV	
	Original data				
1968					
Number of employees	100.0	101.0	103.0	104.6	102.2
Wages per employee	100.0	101.4	103.7	103.8	102.2
1969 ^a					
Number of employees	107.2	108.4	110.2	110.8	109.2
Wages per employee	104.9	105.6	108.7	108.3	106.9
	Seasonally adjusted data				
1968					
Number of employees	100.0	103.9	105.6	106.9	104.1
Wages per employee	100.0	102.1	103.7	104.5	102.6
1969 ^a					
Number of employees	108.7	111.6	113.1	113.3	111.7
Wages per employee	104.9	106.4	108.7	109.1	107.3

^a Based on actual figures for the first 11 months of the year and provisional data for December. SOURCE: Central Bureau of Statistics data, based on employers' reports to the National Insurance Institute.

when there is full employment, as employers have to offer higher pay in order to lure workers away from other enterprises. When pressure in the labor market is not strong, the number of workers can be increased without raising wages, since more are available from among the unemployed.

Another factor that restrained wages—again mainly among unskilled labor—was the large number of workers from the administered areas, who averaged about 16,000 in 1969, twice the number of the previous year. The supply of these workers with a wage range lower than that in Israel led to the tempering of wage claims by Israeli labor. Another reason for the relatively moderate wage rise was the restraint revealed in the hope of gaining a revision of basic rates under the wage agreements coming up for renewal in 1970, and also because of the security situation and memories of the recession. Finally, it should be noted that wage increases are for the most part effected under institutional arrangements, such as collective wage agreements and the cost-of-living allowance arrangement. In 1969 the c-o-l allowance was not revised, while wages were frozen

Table IX-9
ANNUAL CHANGES IN HOURLY WAGES AND IN PRODUCT
PER MAN-HOUR, 1965-69

(percentages)

	1966	1967	1968	1969	Average ^a 1965-69
(1) Change in GNP at current prices	9.1	2.7	18.0	14.8	11.0
(2) Change in total wage bill	18.6	-2.6	12.6	11.7	9.8
(3) Change in total man-hours of all employed	-0.8	-5.2	12.2	4.9	2.6
(4) Change in total man-hours of all wage earners	-0.9	-5.6	12.5	8.2	3.3
(5) Change in GNP per man-hour	9.8	8.5	5.1	9.5	8.2
(6) Change in hourly wages	19.8	3.0	0.3	3.2	6.3

* Geometric average of annual rates of change.

SOURCE: (1) Gross national product—Bank of Israel estimates.

(2) Total wage bill—CBS data, based on employers' reports to the National Insurance Institute. Figures for December 1969 are provisional.

(3) The number of hours worked by all gainfully employed was calculated as follows: (a) In computing total employment, the number of wage earners was based on data from the National Insurance Institute, while the number of self-employed was taken from manpower surveys (by deducting the number of wage earners from total employed). (b) The average number of man-hours per employed according to the manpower surveys was multiplied by the number of employed as calculated above.

(4) Total man-hours of wage earners—computed by multiplying the average number of man-hours per wage earner according to manpower surveys by the number of wage earners according to the National Insurance Institute.

under the existing agreements, so that the upward pressure on wages could find expression only in wage drift. However, a 4.6 percent wage drift is quite a respectable figure. Because of the wage freeze, in 1968-69 workers' earnings lagged behind the growth of product per man-hour.

Wage policy and the cost-of-living allowance

Wage policy in Israel is determined by the Histadrut (General Federation of Labor) and the Manufacturers Association. The Government also influences wage policy, both by applying moral suasion on the Histadrut and the Manufacturers Association and by virtue of the fact that it is the largest employer in the country. In the last few years it has also been an actual party to general wage agreements. The reference is to the payment of a Government higher-prices grant to persons in low-income brackets in order to compensate them for the non-increase in the cost-of-living allowance.

Wage policy finds expression in the cost-of-living allowance agreement, which is intended to safeguard the real value of wages against rises in consumer prices, and in the biennial wage agreements concluded between the trade unions and the Manufacturers Association.

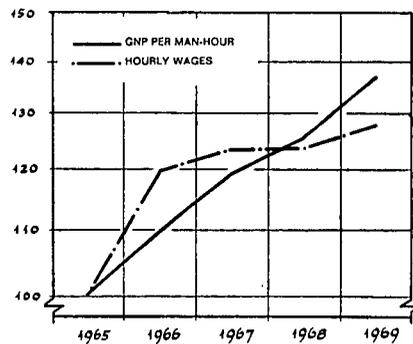
Under its wage policy for 1968 and 1969 the Histadrut decided to settle for the recalculation of the cost-of-living allowance only once a year. Previously it had been computed twice yearly, and a cost-of-living increment was paid if the consumer price index had gone up by at least 3 percent over the last period for which such an increment had been paid. January 1967 was made the base month for calculating the change in the index for purposes of the cost-of-living allowance. Since the index rose by less than 3 percent in 1968, no increment was demanded in 1969. But in 1969 the consumer price index was 4 percent higher than in January 1967; in formulating its wage policy for 1970 and 1971 the Histadrut thereupon demanded revision of the cost-of-living allowance by this rate. Under the "package deal" concluded at the end of 1969 between the Histadrut, Manufacturers Association, and the Government, a 4 percent increment will be paid to compensate for higher prices and according to the customary formula, i.e. on the basic wage, up to a maximum of IL 700 a month.

This inclusion of a cost-of-living allowance clause in the wage agreements may prevent the distortions bound up with the old system. In the past, the cost-of-living allowance increment was determined automatically and independently of the wage agreements. This either resulted in a virtually perpetual wage-price spiral or exacerbated a slump when aggregate demand in the economy ebbed. Thus we find, for example, that the large wage hikes of 1966 drove up prices; since a cost-of-living adjustment was automatic, an increment was paid, causing a further growth of the unemployment created by the recession.

Under the wage-freeze policy in force in 1968 and 1969, basic wage rates remained virtually unchanged in the year reviewed. They rose in only one known instance, and that was due to the implementation of an agreement deferred from 1967. The pressure for higher pay was expressed *inter alia* in the upgrading of personnel, especially in those branches where workers began to be in short supply. In addition, pressure was exerted to add grades, or even to revise the grading; this too, of course, was tantamount to an increase in pay. Thus, in the construction sector two extra top grades were created in 1969, allowing for promotions all along the line. Furthermore, benefits not reflected in wages were also granted, such as the establishment of a fund for advanced study (in the building trades and for university-trained professionals).

Figure IX-3

INDEXES OF GNP^a PER MAN-HOUR AND HOURLY WAGES, 1965-69



Semi-logarithmic scale.

^a At current market prices.

SOURCE: See source to Table IX-9.

5. EMPLOYMENT AND WAGES, BY ECONOMIC SECTOR

Following drastic changes in the sectoral composition of employment in the three preceding years,¹ those in 1969 were more moderate and in line with the long-run trends. The three sectors adding the most employed in the boom years 1961-65—construction, transportation, and industry—showed above-average increases also in 1969.

Table IX-10
EMPLOYMENT, BY ECONOMIC SECTOR, 1961-69
(percentages)

	Sectoral distribution			Average annual increase or decrease (-)		
	1961-65	1968 ^a	1969 ^a	1961-65 ^b	1968 ^a	1969 ^a
Agriculture	14.5	11.2	10.5	-2.7	-2.3	-2.5
Industry and crafts	25.0	26.0	26.2	5.9	16.1	4.3
Construction and public works	9.9	8.1	8.2	7.9	15.9	5.5
Electric power and water	1.8	2.1	1.9	4.1	5.3	-5.2
Commerce and finance	12.5	13.3	12.9	5.8	8.1	1.2
Transportation and communications	6.7	7.3	7.7	6.0	8.3	9.5
Public and business services	22.1	23.8	24.2	3.9	8.0	5.4
Personal services	7.5	8.2	8.4	4.7	11.8	6.0
Total	100.0	100.0	100.0	4.2	9.7	3.8
Total in thousands	815.4	910.9	945.8	33.2	80.2	34.9

^a Including East Jerusalem.

^b Geometric average.

SOURCE: Central Bureau of Statistics manpower surveys.

The growth in the total number of employed and that in the number of wage earners in most cases traced a similar path. Further, wage increases were especially high in those sectors expanding their work-force appreciably, an indication of particularly strong demand pressure in those sectors. In construction, earnings per wage earner rose by about 10 percent, and in industry by 6.5 percent.

(a) *Agriculture*

Following the trend-line of the past ten years, agricultural employment declined, bringing its share in total employment down to 10.6 percent. The decrease amounted to 2.5 percent, almost all of it among the self-employed. If workers

¹ See Bank of Israel, *Annual Reports for 1966 and 1967*, Chapter IX.

Table IX-11

**NUMBER OF EMPLOYEES AND MONTHLY AND HOURLY WAGES,
BY ECONOMIC SECTOR, 1967-69^a**

	Number of employees			Average monthly wages per employee			Hourly wages		
	1969 ^b (^{'000})	Percent average annual increase or decrease (-)		1969 ^b (IL)	Percent average annual increase or decrease (-)		1969 ^b (IL)	Percent average annual increase or decrease (-)	
		1968	1969		1968	1969		1968	1969
Agriculture	39.8	3.8	3.1	348	3.0	1.8	2.08	-1.5	3.0
Industry	205.8	14.0	9.8	602	5.0	6.5	3.27	1.0	4.5
Construction	56.2	8.6	6.4	640	4.5	9.8	3.52	-1.5	8.0
Electricity and water	13.8	4.9	7.8	783	3.0	2.1	4.38	-0.5	3.5
Commerce and finance	74.6	4.2	7.3	655	4.3	4.1	3.69	2.0	3.4
Transportation and communications	52.8	6.5	3.7	845	6.0	4.6	4.64	3.9	3.1
Public and business services	249.8	8.4	5.9	616	1.0	2.2	3.79	-0.5	1.1
Personal services	30.6	10.7	5.9	417	3.9	5.0	2.81	-1.8	4.9
Total economy	723.3	9.1	6.9	615	3.2	4.6	3.55	0.3	3.2

^a See the note on the preceding page.

^b Computed on the basis of actual data for the first 11 months of the year and provisional data for December.

SOURCE: Number of employees and wage payments—CBS data based on employers' reports to the National Insurance Institute; average man-hours per employee—CBS manpower surveys.

from the administered areas are included in the figures, we find that the level held virtually steady compared with 1968. For the second consecutive year, both total wages per hired worker and hourly wages rose at a rate below the national average, a development due to the weakening of demand for farm hands and the increased supply of labor from the administered areas. Agricultural wages are the lowest in the entire economy.¹

¹ A sectoral comparison of wage levels must be accepted with some caution. As already mentioned, wages as defined in this chapter consist only of the amounts paid directly to employees and do not include fringe benefits (in the main contributions to various social insurance plans). There are divergences in the manner of granting social benefits, both as between different categories of workers and between the different sectors. To take one example, the holiday allowance is sometimes paid directly and sometimes indirectly through various funds (in the construction sector, for instance).

(b) *Industry*

As already noted, the total number of persons employed in industry went up at an above-average rate—4.3 percent according to manpower survey data (6 percent counting workers from the administered areas), as compared with a national average of 3.8 percent. Industrial output expanded by 16.4 percent. The increase in the number of wage earners, who account for about 80 percent of total employment in this sector, also exceeded the rate for the economy as a whole, as well as that for total industrial employment; this brought up the weight of industrial employees in aggregate employment, continuing the long-run trend. Total earnings per wage earner rose by 6.5 percent, as against 4.6 percent in the entire economy, while hourly earnings went up by 4.5 percent, as against a national average of 3.2 percent. Particularly high increases were recorded in the clothing, wood, paper, leather, diamond, basic metal, machinery, and electrical and electronic equipment industries.

(c) *Construction*

In this sector too total employment rose at an above-average rate, while the growth in the number of wage earners, who constitute about 85 percent of all employed, was close to the average for the entire economy. If workers from the administered areas are added to the figures, it turns out that the biggest increase in both total employment and employed wage earners took place in this sector, since close to half of all workers from the administered areas were engaged in building trades. Construction output rose by about 24 percent, and wages advanced more here than in any other sector. Wages per hired worker (excluding those from the administered areas) went up by 9.8 percent, and hourly wages by 8 percent. The substantial wage hikes in this sector were apparently due to the heavy demand for labor, which was not fully satisfied by the increased supply from the administered areas, and to the tight supply of skilled labor, which probably accounted for much of the upward pressure on wages.

(d) *Commerce and finance*

Total employment in commerce and finance increased only moderately. But the number of wage earners, who account for 50 percent of this sector's employment and whose weight displays a long-term rising trend, went up to a greater extent. Earnings per wage earner, which are second highest among all the economic sectors, rose at a rate close to the national average.

(e) *Transportation and communications*

Employment here expanded substantially. Earnings per wage earner (including those of members of the transport cooperatives), which are the highest in the entire economy, went up at a rate slightly below the national average. Wage

earners constitute about 65 percent of all employed in this sector exclusive of members of the cooperatives, and about 75 percent including them.

(f) *Public and business services*

Employment in this sector moved up by more than the national average, although the growth in the number of wage earners, who constitute over 90 percent of all employed, was close to the average. As in 1968, wages per employee and hourly wages increased at slower-than-average rates, and for 1968 and 1969 combined these rises were the lowest in the entire economy. The wage-freeze policy appears to have been more effective in this sector than elsewhere.

(g) *Personal services*

In personal services, where hired personnel account for nearly 65 percent of all employed, the total number of employed persons grew at an above-average rate and the number of employees at a rate close to the average. Total earnings per wage earner and hourly earnings went up by more than the national average.

6. UNEMPLOYMENT

Unemployment dropped sharply but was not eliminated in 1969. The unemployment rate went down from 6 percent in 1968 to 4.5 percent, but remained above that of the boom years 1961–65, when the figure stood at about 3.5 percent. According to manpower surveys, there was a 25 percent decline in the number of unemployed job-seekers, while National Employment Service data point to an even greater fall. The average daily number of registered unemployed was more than halved, and the average daily number of persons working on relief projects, who can also be regarded as unemployed, dropped by about 70 percent. Employment Service data (whose limitations will be explained below) show that the unemployment rate was probably less than 4.5 percent in 1969.

Most of the decline in the number of jobless, as well as in the average daily number of persons on relief work, occurred in the first half of the year. This is explained by the fact that the economy approached a state of full employment by the second half of 1969.

In Israel there are two principal indicators of unemployment. One is the number of unemployed persons seeking work, according to the manpower surveys of the Central Bureau of Statistics. The other is the daily average of unemployed registered at the labor exchanges of the National Employment Service. The two measures yield widely disparate results, owing to differences in the definition of unemployment, in the method of collecting data, and in the extent of their coverage.¹ Nevertheless, in the past there was a high correlation

¹ For details see Bank of Israel, *Annual Report 1967*, Chapter IX.

Table IX-12

REGISTERED UNEMPLOYMENT AND RELIEF PROJECTS EMPLOYMENT, 1962-69

	Daily average of registered unemployed adults	Daily average of registered unemployed youth	Daily average of all unemployed (1+2)	Daily average on relief work ^a
	(1)	(2)	(3)	(4)
Absolute numbers				
Annual averages				
1962-65	3,808	1,372	5,180	2,481
1966	7,930	2,063	9,993	3,830
1967	13,525	2,213	15,738	12,635
1968	5,710	1,194	6,905	5,245
1969	2,395	750	3,145	1,543
Half-yearly averages				
1967 July-December	11,361	2,396	13,757	13,524
1968 January-June	6,984	991	7,975	7,062
July-December	4,435	1,397	5,832	3,427
1969 January-June	2,750	664	3,414	1,771
July-December	2,039	836	2,875	1,315
Percent increase or decrease (-)				
Average 1969 as against average 1968	-58.1	-37.2	-54.5	-70.6
Second half of 1969 as against first half of 1969	-25.9	25.9	-15.8	-25.7

^a Persons working a full day only.

SOURCE: Unemployment—National Employment Service; relief work—Central Bureau of Statistics.

between the two indicators (both showed fairly similar changes); this, however, was upset in 1968 and 1969, particularly in the latter year.

According to manpower surveys, the reduction in the number of unemployed in 1968 and 1969 was fairly moderate, and the unemployment rate in the second half of 1969 was 4.5 percent as against 3.5 percent in the early sixties. Employment Service data, on the other hand, point to a sharp decline in the daily average of both registered unemployed and persons on relief work: the former averaged 3,145 (youths and adults) for the year and 2,875 in the second half, as against an average of 5,180 in 1962-65, while the number on relief work was also far below the average level of 1962-65. The picture emerging

from manpower survey data was thus one of relatively full employment, without strong pressure in the labor market, while Employment Service data indicate that the employment level reached an all-time high.

The disparity between the two indicators apparently stemmed from a number of organizational changes made by the Employment Service. These were of two types: changes which reduced the number of registered unemployed, and those which reduced the actual number of unemployed.

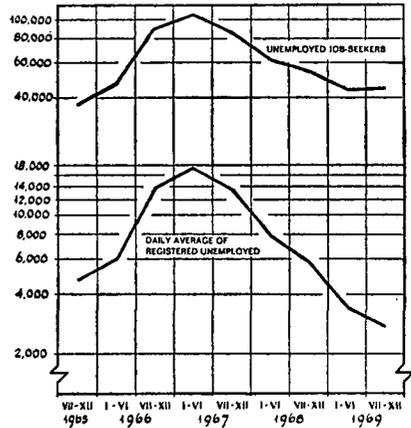
The most important change of the first type was the elimination of the queue in the labor exchanges. Previously one of the criteria for giving out work was the number of days the applicant had been unemployed. The elimination of the queue has relieved job-seekers of the obligation to register each day. This, of course, has brought down the daily average of registered unemployed without affecting the count of unemployed in the manpower surveys, in which different methods of collecting data are used.

In addition, the institution of several organizational changes in the Employment Service has reduced the actual number of jobless. One such change, introduced in January 1969, was the establishment of 13 district labor exchanges and a branch network. This has increased intraregional mobility, since a person looking for work can now be referred to prospective employers anywhere in the district. Another activity was begun in 1968: contact is established with new immigrants in absorption centers and with servicemen about to be discharged, and jobs are sought for them before they leave the absorption center or armed forces. These changes, of course, also affect the actual number of unemployed as measured by the manpower surveys; but since their impact is strongest on those applying to the labor exchanges, the daily average of registered unemployed is affected relatively more.

Some of the different categories of unemployment changed drastically in 1969. There are four main categories of unemployment: regional, structural, seasonal, and frictional. Regional unemployment stems from insufficient demand for goods and services in certain parts of the country. Structural unemployment springs from a surplus supply of certain types of workers, while seasonal unemployment results from a seasonal increase in the supply of labor or a seasonal

Figure IX-4

INDICATORS OF UNEMPLOYMENT:
DAILY AVERAGE OF REGISTERED
UNEMPLOYED AND
UNEMPLOYED JOB-SEEKERS,
1965-69



Semi-logarithmic scale.

SOURCE: Daily average of registered unemployed—National Employment Service; unemployed job-seekers—Central Bureau of Statistics manpower surveys.

decrease in the demand for it. Frictional unemployment represents time lost in changing jobs. The last-mentioned apparently declined in 1969—and to some extent in the previous year as well—as the result of measures taken by the Ministry of Labor to improve the functioning of the labor market, the most important of which have been described above.

The most outstanding change in 1969 occurred in regional unemployment—it largely disappeared. Owing to the concentration of unemployment in certain districts and towns, this type of unemployment had given rise to some of the country's most difficult economic problems, from both the economic and social aspects. But already in 1968 regional unemployment was nonexistent in the Southern District, which had been one of the main foci of such unemployment. In 1969 it was largely eliminated also from the Northern District,

Table IX-13

DAILY AVERAGE OF REGISTERED UNEMPLOYED AND RELIEF PROJECTS EMPLOYMENT, BY DISTRICT, 1965-69^a

(per thousand persons)

	All districts	Northern	Haifa	Central	Tel Aviv	Jerusalem	Southern	Relative standard error ^b
Daily average of registered unemployed								
1965	1.3	2.1	1.4	1.1	0.6	1.3	1.8	0.38
1966	3.1	3.3	3.5	3.3	2.2	2.4	4.4	0.24
1967	5.1	6.2	6.7	4.8	4.3	4.0	4.5	0.20
1968	2.1	3.2	2.8	1.8	1.2	2.2	1.9	0.32
1969	0.8	1.1	1.1	0.7	0.4	1.2	1.1	0.40
Daily average employed on relief projects								
1965	0.9	4.7	0.1	—	—	0.1	1.5	1.91
1966	1.5	5.4	0.5	0.6	0.1	0.3	1.5	1.37
1967	4.8	10.2	4.4	4.2	1.9	2.4	3.7	0.64
1968	1.9	6.8	1.4	0.5	0.3	2.3	1.8	1.16
1969	0.5	3.0	—	—	—	0.5	0.2	2.18
Daily average of registered unemployed and relief projects employment								
1965	2.2	6.8	1.5	1.1	0.6	1.4	3.3	0.97
1966	4.6	8.7	4.0	3.9	2.3	2.7	8.1	0.55
1967	9.9	16.4	11.1	9.0	6.2	6.4	12.9	0.37
1968	3.9	9.9	4.2	2.3	1.6	4.5	3.7	0.70
1969	1.4	4.1	1.2	0.7	0.4	1.6	1.3	0.87

^a Data on registered unemployed and persons employed on relief projects relate to the population at the end of the preceding year.

^b For a detailed explanation, see the appendix to this chapter (in Hebrew only).

SOURCE: Population by district—Central Bureau of Statistics, *Statistical Abstract of Israel 1969*.
Daily average unemployed and relief projects unemployment—CBS, *Statistical Bulletins*.

which had constituted the second principal focus of regional unemployment, so that this problem has been solved for the time being. Investments made in the development areas have matured, and the number of job opportunities has matched the growth of the population. Defense projects in the Northern and Southern Districts, such as the building of fortifications and air-raid shelters, have provided additional employment.

Table IX-14

DAILY AVERAGE OF REGISTERED UNEMPLOYED, BY SKILL LEVEL, 1964-69

(percentages)

	Total unemployed	Unskilled	Skilled	Unemployed skilled labor				
				Construction	Industry and crafts	Transportation and com.	Clerical	Liberal professions and services
Annual averages								
1964	100.0	63.0	37.0	4.6	7.5	3.5	18.0	3.4
1965	100.0	57.1	42.9	4.3	7.8	4.8	21.8	4.2
1966	100.0	49.7	50.3	9.9	12.2	5.4	18.8	4.0
1967	100.0	51.3	48.7	11.1	11.7	4.7	17.0	4.2
1968	100.0	52.0	48.0	7.4	7.4	5.0	23.3	4.9
1969	100.0	57.1	42.9	3.8	5.9	4.7	23.0	5.5
Half-yearly averages								
1968 July-Dec.	100.0	57.1	42.9	4.8	6.0	4.3	23.3	4.5
1969 Jan.-June	100.0	55.5	44.5	4.9	6.1	5.0	23.1	5.4
July-Dec.	100.0	59.2	40.8	2.4	5.6	4.3	22.9	5.6

^a Adults only.

SOURCE: National Employment Service.

As to structural unemployment, there are no indications that the unemployed of 1969 included a greater proportion of unskilled workers than in the boom years of 1960-65. The proportion of skilled labor among all unemployed in 1969 was 42.9 percent on an annual average and 40.7 percent in the second half of the year; in 1964 the figure was 37 percent. But a more severe shortage of skilled workers arose in construction and industry. In the second half of 1969 skilled building workers constituted only 2.3 percent of the daily average of all unemployed, as against 4.6 percent in 1964 and 4.3 percent in 1965; for skilled industrial workers the respective percentages were

5.6, 7.5, and 7.8. Thus, it will be seen that the shortage of skilled labor was roughly of the same proportions as during the first half of the sixties.

Structural unemployment stemming from an oversupply of unskilled workers differs essentially from regional or seasonal unemployment. The latter types can be combated only by active measures, while the former is a short-run reflection of a distorted wage-differential pattern. Skilled workers are apparently paid less than the equilibrium wage, so that there is an excess demand for them; unskilled workers, on the other hand, are apparently paid more than the equilibrium wage, and this gives rise to a surplus supply and unemployment. However, in 1969 the pay of skilled workers may have gone up at a faster-than-average rate, a development operating to reduce this distortion.

The daily average of persons employed on relief projects declined by about 70 percent in 1969, to reach a new low. Relief employment has two economic functions: the first is to supply work at times of falling aggregate demand—during the recession the number of persons working on relief projects did in fact rise, although after a certain time-lag. The second is to supply employment in areas suffering from low demand. Since in 1969 practically full employment existed both countrywide and regionally, there was justification for the drastic curtailment of relief work. Most of the projects were concentrated in the Northern District, apparently owing to some lag in adjusting this type of work to the employment situation there.

7. DISPOSABLE INCOME

Since wages constitute over half of the national income,¹ wage changes have an important effect on consumer demand for goods and services. But in considering wage income and its influence on demand, it would be pertinent to examine disposable wage income (i.e. wages less income tax and National Insurance contributions). The data given below for disposable income per wage earner are understated, since they do not include various transfer receipts, particularly payments to reservists, the higher-prices grant to low-income wage earners, and income from interest. Presumably the sum excluded from the computation of disposable income was much larger in 1969, so that the growth of disposable income shown in Table IX-15 has a downward bias.

The two at-source deductions mentioned above went up more rapidly in 1969 than did wage payments. As to income tax, this was apparently due to a rise in the average rate of tax with the growth of average wages. In the case of National Insurance collections there were two conflicting developments. The existence of an income ceiling subject to National Insurance dues tended to keep

¹ Based on employers' reports to the National Insurance Institute, wages constituted about 40 percent of the national income. But defined more broadly, as it is for the national accounts (i.e. including wages paid by the defense establishment and fringe benefits), the proportion was closer to 60 percent in 1969.

Table IX-15

ANNUAL CHANGES IN DISPOSABLE INCOME PER EMPLOYEE, 1968-69

(percentages)

	1968	1969
(1) Total income from wages	12.6	11.7 ^a
(2) Total income tax payments by employees	21.2	16.8
(3) Total National Insurance payments by employees	19.5	20.1
(4) Total disposable income from wages	11.1	11.1
(5) Number of employees	9.1	6.9 ^a
(6) Disposable income per employee, at current prices	1.7	3.4
(7) Disposable income per employee, at 1969 prices	-0.4	0.9

^a The change in 1969 was computed from actual data for the first 11 months of the year and provisional data for December.

SOURCE: Lines 1 and 5—Central Bureau of Statistics data, based on employers' reports to the National Insurance Institute.

Line 2—State Revenue Administration, Ministry of Finance. Consists of income tax, less refunds and payments on the Absorption and Compulsory Saving Loan. Includes company managers and members of cooperatives.

Line 3—National Insurance Institute.

Line 7—Deflated by the consumer price index.

the percentage increase in collections below that in total wage payments. But this factor was more than offset in 1969 by a higher rate of deduction for the Reservists' Equalization Fund and by the raising of the income ceiling in 1968.

As a result of income tax and National Insurance collections moving up at a faster rate than wages, take-home pay rose less than the wage bill. Disposable wage income per employee increased by 3.4 percent, but in real terms the figure came to only about 1 percent. This small gain continued the trend of the two preceding years, following a strong increase in 1966.

8. LABOR RELATIONS

Labor relations continued to be relatively free of strife in 1969, as they had been in 1966-68. Both the number of strikes and the number of strike-days were much lower than in the first half of the sixties, presumably because of the absence of strong pressures in the labor market, the anticipation by employees of pay adjustments with the renewal of wage agreements in 1970, and the security situation.

Nonetheless, the number of strikes and days lost did show an increase over 1968, apparently reflecting greater tension in the labor market. The issue responsible for most of the increase was wage and grading demands, which are signs of budding unrest. Another pointer in this direction was the higher percentage of wildcat strikes and days lost thereby.

Table IX-16
WORK STOPPAGES, BY MAJOR ISSUE, ECONOMIC SECTOR, AND AUTHORIZATION, 1967-69

	Number of strikes					Number of strike-days				
	1967	1968	1969	Percent annual increase or decrease (-)		1967	1968	1969	Percent annual increase or decrease (-)	
				1968	1969				1968	1969
Total	142	100	114	-29.6	14.0	58,286	71,789	102,162	23.2	42.3
Major issues										
General wage claims and grading	41	35	44	-14.6	25.7	12,057	18,671	50,936	54.9	172.8
Withholding of wages	32	15	9	-53.1	-40.0	6,270	1,096	1,661	-62.5	51.6
Dismissal of workers	24	11	12	-54.2	9.1	21,361	2,050	3,758	-90.4	83.3
Job classification	2	0	7	— ^a	— ^a	1,235	0	846	— ^a	— ^a
Breaking of or refusal to sign labor agreements	11	5	8	-54.5	60.0	4,451	7,183	1,125	61.4	-84.3
Other causes and lockouts	32	34	34	6.3	0.0	12,912	42,789	43,842	231.4	2.5
Economic sectors										
Industry (including mining and quarrying)	53	35	29	-34.0	-17.1	27,006	32,039	22,652	18.6	-29.3
Public and personal services	51	43	51	-15.7	18.6	13,092	29,947	67,111	128.7	124.1
Other sectors	38	22	34	-42.1	54.5	18,188	9,803	12,399	-46.1	26.5
Authorized and unauthorized strikes										
Percent authorized strikes	55.3	47.9	43.6			55.5	61.9	52.9		
Percent unauthorized strikes	44.7	52.1	56.4			44.5	38.1	47.1		
Total	100.0	100.0	100.0			100.0	100.0	100.0		

^a The figure fell to zero in 1968.

SOURCE: 1967—*Strikes and Lockouts, 1965-1967*, Special Publication No. 257, published by the Central Bureau of Statistics in cooperation with the Histadrut Institute for Economic-Social Research; 1968 and 1969—CBS and the Histadrut Institute for Economic-Social Research.