

CHAPTER VII

WAGES

IN 1957, gross wages and salaries per gainfully employed¹ rose by an average of 9 per cent. The increase by branches of economic activities was as follows: industry (including public utilities)—11 per cent; construction—9 per cent; Government services and public institutions—7.5 per cent; and agriculture—6 per cent.

The estimated increase in construction refers only to the change in wage rates and not, as in the case of other sectors, to average earnings per gainfully employed. There is reason to believe that, in practice, there was a greater increase in earnings in construction than that reflected by available data.

In 1957, as opposed to 1956, no increases occurred in basic wages in any one of the economic sectors. The increase in earnings was due to higher fringe benefits such as cost-of-living allowance, benefits arising from wage agreements concluded in former years, upgradings due to skill, seniority and family allowances, as well as benefits related to an increase in output or to a longer number of hours worked. Take-home pay—i.e. wages after deduction of income tax, defence tax and national insurance—rose at a similar rate.

In view of the few changes made in the collective agreements for the different sectors, the volume of fringe benefits remained virtually unchanged.

The total wage bill rose by about 18 per cent over the year, while the number of wage and salary earners increased by 8 per cent.

1. FACTORS MAKING FOR AN INCREASE IN WAGES

(a) *Cost-of-living allowance*

As from July 1957, the cost-of-living allowance was raised in all sectors covered by the collective cost-of-living agreement linked to the consumers' price index. The rate of increase was 3.2 per cent above the level of earnings in December 1956. The increase applied to gross monthly earnings up to IL. 500, and to gross daily wages up to IL. 20. As the earnings for December 1956 were higher than their annual average in 1956, the payments of the cost-of-living allowance resulted in an annual increase in wages of 4 per cent—about half of the increase in gross earnings.

¹ Calculated by dividing total wages and salaries paid by the number of days worked, irrespective of the number of hours worked.

The new cost-of-living agreement was in operation in 1957 for the first year. In accordance with this agreement, the cost-of-living allowance is raised if the consumers' price index rises during the determining months by 3 per cent or more over the last period in which this allowance was paid. The determining months are June and December. If, however, the index in March or September rises 5 per cent or more over the index when the allowance was last changed, cost-of-living will be paid from the beginning of the following month, and even prior to the determining month following it.

As a result of the new agreement, the cost-of-living allowance became less sensitive to fluctuations in the consumers' price index. Consequently the increase in the cost-of-living allowance in 1957 was less than in the previous year.

(b) The wage drift

Wages rose as a result of the average increase in family and seniority allowances on the one hand, and of upgradings on the other hand. Other fringe benefits not related to the worker's skill or output, such as premiums not connected with output, also rose. In the Israel economy, where entries into the labour force exceed exist from it, these factors contribute to a net addition to earnings.

(c) Output premiums

Earnings also rose as a result of the increase in output per worker. This is reflected by the higher wages paid for overtime, as well as by the premium paid for piece work and by the higher premiums for productivity.

(d) The supplement of the "frozen third"

Employees of the government and of public institutions as well as part of the workers in industry were paid in 1957 the balance of one-third of the wage and salary rise due under the wage agreements of the end of 1955 which had been frozen in 1956. A further 40 per cent of the "frozen third" of 1956 were paid in August 1957. These two supplements brought about a rise of 3 per cent in the wages and salaries of recipients. This was equal to a rise of about 1 per cent in the total wage bill.

(e) Payments above the prevailing wage rate.

In certain sectors, there was a shortage of unskilled workers during boom periods; in some areas even unskilled labour was short. To obtain labour for these sectors, employers were obliged to pay wages above the official wage rates. This was true in respect of skilled workers in industry and in building and applied also, during certain periods, to the Southern and the Negev areas. The increase in total wages as a result of this factor was estimated at 0.5 per cent of the wage bill.

2. WAGES AS A FACTOR IN PRODUCTION COSTS

As the increase in wages was accompanied by an increase in output per worker, the rise in money outlays on labour per unit of output was lower than that in gross wages. Discounting the wage increase due to the increase in output, the rise in wages was only 7 per cent.

As to the wage increase, it should be remembered that in 1957, contrary to 1956, there was, generally speaking, demand and not cost inflation.

The extensive demand for labour was satisfied without causing a considerable increase in wage rates with the exception of building and agriculture during the peak season in agricultural and development areas.

Employment relief continued over the year. Workers engaged on employment relief are employed for only a number of days in a given month at daily wages which are considerably lower than average. It may, therefore, be concluded that, even if there had been a greater demand for labour, it would have been possible to employ more unskilled labour without thereby raising their wages.

3. WAGES BY ECONOMIC SECTORS

Agriculture

The 6 per cent increase in wages in agriculture was lower than in other sectors because, with the exception of the cost-of-living allowance, this sector is not influenced by the other factors outlined under section 1 above. The reason for this is that agricultural employment is largely seasonal in character, and thus a great number of workers are unable to acquire the right to social benefits. Furthermore, additional labour employed in agriculture was recruited among unskilled workers and among workers engaged on employment relief. Thus the increase in the numbers employed in agriculture leads to a rise in the percentage share of low wage recipients in this sector, but lowers the total rate of increase in earnings.

Industry

In 1957, average earnings in industry were 11 per cent higher than in 1956. This rate of increase exceeds that of the cost-of-living allowance and of the wage drift. Higher output premiums and overtime payments which are particularly important in industry were responsible for this.

Construction

The wage index of the Central Bureau of Statistics shows a rise of 8.8 per cent in average daily earnings of workers employed in this sector—from IL.9.150 to IL. 9.950.

In 1957, the boom in building construction led to an increase in the demand for labour, particularly for skilled labour. This in turn led to an increase in

TABLE VII-1
*Percentage Share of Deductions of Gross Average
Earnings in Industry, 1957*

<i>Deductions</i>	<i>Percentage of gross earnings</i>
Income tax	7.5
Defence tax	1.2
National Insurance	1.4
<i>Total deductions of direct taxes</i>	10.1
Union dues	6.4
Provident fund	4.0
Workers' Committee fees and miscellaneous	0.3
<i>Total social deductions</i>	10.7
<i>Total deductions</i>	20.8

SOURCE: Bank of Israel.

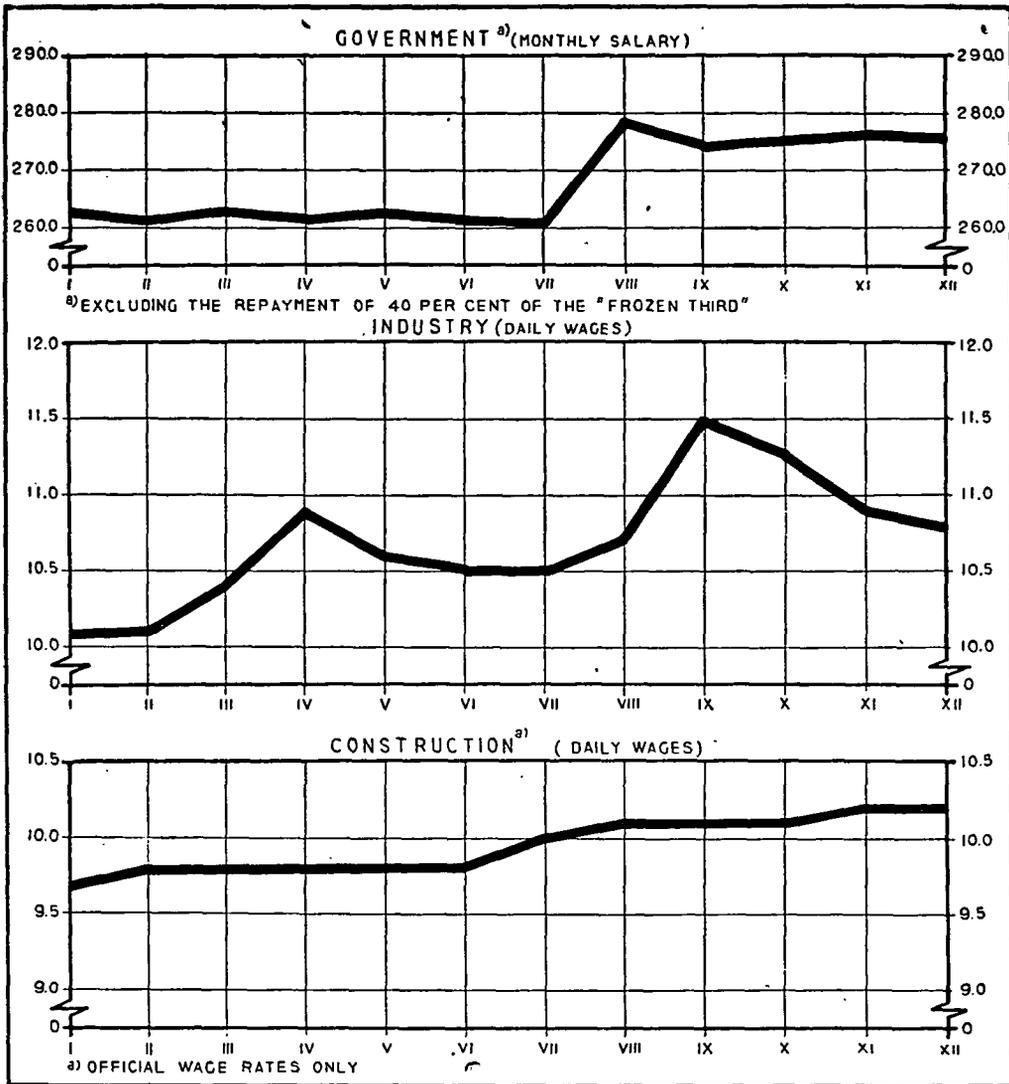
TABLE VII-2
Average Daily Wages in Industry, 1957
(IL.)

<i>Period</i>	<i>Average daily wages</i>
1956 Average	9.6
1957 Average	10.7
1957 January	10.1
February	10.1
March	10.4
April	10.9
May	10.6
June	10.5
July	10.5
August	10.7
September	11.5
October	11.3
November	10.9
December	10.8
Percentage increase: 1956 average over 1957 average	11.5

SOURCE: Bank of Israel.

DIAGRAM VII-1

Monthly Salary in Government Service and Daily Wages in Industry and in Construction



wages which rose in extreme cases up to IL. 15 a day above the official wage rates. In certain periods and also in some areas, even wages of unskilled labour rose to IL. 3 a day above the official rates.

Government Service and Public Institutions

The number of exits and entries in these services was relatively low. In view of the fact that the number of employed did not change considerably, the varia-

tions in average earnings may be assumed to represent the changes in the gross salaries of civil servants.

It will be remembered that the increase in salaries from August 1957 was due to the cost-of-living allowance and to the payment of 40 per cent of the "frozen third".

The average monthly salaries of civil servants rose in 1947 by 6.2 per cent over 1956. After the payment of 40 per cent of the "frozen third", the rate of increase amounted to 7.5 per cent. While it is true that this rate of increase was lower than that in other sectors, it should be viewed in the light of the large salary increase granted to these employees in 1956, following the conclusion of the collective agreement at that time.