

# WORKERS, EMPLOYERS

## and the Distribution of Israel's National Income

### Labor Report: 2006



Dr. Shlomo Swirski Etty Konor–Attias

ADVANCEMENT

Board of Directors

- Dr. Yossi Dahan, Chair
- Ms. Gilberte Finkel, M.A., Treasurer
- Professor Ismael Abu-Saad
- Dr. Nitza Berkovitch
- Dr. Dani Filc
- Professor Hubert Law-Yone
- Dr. Rachel Kallus
- Professor Uri Ram
- Dr. Yitzhak Saporta
- Professor Rifka Savaiya
- Professor Oren Yiftachel
- Professor Yossi Yona

Audit Committee

- Attorney Ovadia Golestany
- Attorney Dori Spivak

Staff

- Director: Ms. Barbara Swirski
- Academic Director: Dr. Shlomo Swirski
- Research Coordinator: Ms. Etty Konor-Attias
- Researcher/Co-coordinator Women’s Budget Forum: Yael Hasson
- Co-coordinator Women’s Budget Forum: Attorney Ola Shtiwee
- Researcher: Attorney Noga Dagan-Buzaglo
- Outreach Coordinator: Yael Vurgan
- Office Manager: Mira Asseo



This report was published thanks  
to a generous contribution from the  
Heinrich Böll Foundation

Introduction

**Workers, Employers, and the Distribution of Israel’s National Income:**  
**Labor Report 2006** provides a picture of the situation in Israel with regard to employment, unemployment, wages, and how the National Income is distributed between workers and employers.

Most of the data presented here relate to the current wave of economic growth that began in the second half of 2003; on selected issues, we present data covering a longer time period.

The current wave of growth began in 2003, following a deep recession brought on by the second *intifadah*, which erupted in September 2000, together with the bursting of the global high-tech bubble. These events were reflected in two years of decreased GDP, 2001-2002, and three years of decreased per capita GDP as well, 2001-2003.

In the second half of 2003, with the decline of suicide bombings within Israel, economic activity began to pick up, showing a modest growth of 1.5% that year, though not enough to increase the per capita product. The next two years saw more growth: 4.8% in 2004, 5.2% in 2005, and 5.1% in 2006. In the last two years, the per capita GDP also increased, by 3.4% and 3.2%, respectively.

This growth, however, has not yet brought about many of the anticipated changes. While National Income increased, its distribution is far from egalitarian: The share of employers has sharply increased, while the workers’ share is on the decline.

Unemployment has gone down, but much more slowly than following the unemployment wave of the early 1990s. Indeed, the proportion of the long-term unemployed is on the rise, as is the proportion of persons who have given up looking for jobs. And although demand for workers has increased, a large number of the jobs being offered, especially to women, are part-time.

**Part**  
**1**

**Distribution  
of the  
National  
Income  
Between  
Workers and  
Employers**

## Distribution of the National Income Between Workers and Employers

The distribution of National Income is largely a reflection of the relative power of each of the two main players: employers and workers. Fluctuations have been recorded in this division throughout modern history: In the 1800s, for example, the workers' share of the National Income in various European countries was low, while the employers' share was high. During the period of the two world wars, on the other hand, the workers' share increased, partially as a result of strong labor unions.

In general, the proportional share of each side has been stable over long periods of time. Through most of the 1990s, Israeli workers (both salaried and self-employed) brought home approximately three-quarters of the National Income. (Although their salaries are lower, workers are far more numerous than employers.)

The scales can tilt in favor of employers in a number of ways: rapid economic growth, the introduction of new technologies, the import or immigration of cheap labor, or moving production to countries where wages are not protected; the weakening of labor unions also increases the employers' share. Workers, on the other hand, require intense and prolonged efforts to tilt the scales in their favor: they are helped by the strengthening of labor unions or a profound change in the political system.

Changes in the relative shares of employers and workers are measured in percentages of National Income. Since 2003, the employers' share has risen from 6% to 12%, while the workers' share has dropped from 71% to 66%. Although just a few percentage points, this translates into significant amounts: In 2006, for

### National Income

National Income is defined by the Central Bureau of Statistics (hereinafter, the CBS) as follows: The Gross Domestic Product excluding income (from work and property) paid to foreign workers and foreign businesses operating in Israel, and including income from Israeli workers and Israeli businesses earned abroad.

In other words, the National Income

is defined to include the income of Israelis – workers and employers – whether they worked in Israel or abroad. The income of foreign workers and foreign business owners operating in Israel is considered part of the National Income of the countries from which they come. We begin with the distribution of National Income between workers and employers.

example, Israel's National Income was NIS 520.5 billion. One percentage of this is NIS 5.2 billion. If the share of workers in the National Income that year was 71%, as it had been in 2003 (and not 66% as it actually was in 2006), workers as a group would have received an additional NIS 26 billion. To translate this into individual earnings, we can divide it by the total number in the Israeli labor force – some 2.8 million in 2006 (including non-Israeli workers), yielding an additional NIS 9,285 per year, on average, or NIS 770 per month. The amount lost by the workers remained in the hands of the employers.

## The Workers' Share, the Employers' Share

National Income is composed of the workers' share, the employers' share, and taxes on domestic production.

### The Workers' Share

The workers' share of the National Income has three elements:

compensation paid to local wage-earners; compensation to the self-employed; and compensation to workers from abroad.

The compensation paid to wage-earners includes direct payments for wages as well as benefits paid by the employers – pension, social security, etc.

Although, as noted, the CBS does not include the income of workers from abroad in the calculation of National Income, we include these figures.

Migrant workers from abroad and Palestinians constitute a significant portion of the Israeli labor force (some 8-10%, according to various sources), and yet their share of the National Income, as we shall see, is small.

The figure used by the CBS for calculating the compensation of non-salaried workers (the self-employed)

is based on the number of work hours multiplied by the average hourly wage in the business sector in which they work.

### The Employers' Share

The employers' share, called the "operating surplus" by the CBS, is calculated by deducting two sums from the domestic product: (1) the workers' share; and (2) taxes on domestic production. In large part, the operating surplus is the business sector.

The operating surplus presented in the following tables does not include income from housing, in order to focus on the compensation received by employers from productive economic activity.

The operating surplus is biased low: first, because it does not include capital grants, which constitute some 2% of business production; and, second, because in small private businesses, owners declare some of their earnings as "wages," thus adding to the workers' share of the National Income, rather than to the employers'.

Distribution of National Income

The current decade has seen major changes in the Israeli economy: The first was the Palestinian *intifadah* that broke out in September 2000, which, together with the bursting of the global high-tech bubble, led to an unprecedented contraction of economic activity in Israel. The recession that ensued reduced the profitability of business owners and the overall income of workers. The second process began in late 2003, when the recession began to recede and growth was renewed, accelerating since 2004: This period was characterized by expansion of several economic sectors, such as high-tech and financial services, with recession continuing in others, such as construction; the erosion of salaries in several economic sectors; the gradual easing of unemployment, and the dramatic growth of profitability in several sectors of the economy, particularly high tech and banking. (Unfortunately, data about National Income are not available by economic



Distribution of National Income, 2000-2006  
NIS millions • Constant 2006 prices

	2000	2001	2002	2003	2004	2005	2006
<b>Total National income</b> Market prices	436,540	441,885	427,118	429,813	456,102	486,057	520,508
<b>1. Workers' share:</b> Compensation of Israeli residents	313,515	323,631	309,826	304,222	316,218	326,732	340,748
Compensation: resident employees	288,616	298,219	285,511	278,469	289,678	299,315	313,495
Compensation: self-employed	38,392	37,657	36,157	36,066	35,120	36,451	35,850
Less: Compensation of workers from abroad	13,493	12,245	11,843	10,312	8,580	9,034	8,597
<b>2. Employers' share:</b> Domestic operating surplus, not including owner-occupied dwellings	36,839	22,850	15,239	25,799	34,985	45,924	61,591
<b>3. Net taxes on domestic production</b>	86,578	86,048	89,072	87,988	93,400	97,052	96,686

**Notes:** 1. Excludes domestic income from rent and from properties and business activities abroad.  
2. National Income in market prices includes the share of workers (salaried and self-employed), the share of employers, and net taxes on domestic production.  
3. Compensation of Israeli residents includes the wages of workers from Judea, Samaria, and Gaza as well as workers from abroad.  
**Source:** Adva Center analysis of data received from the National Accounts Department of the Central Bureau of Statistics, March 20, 2007.



Distribution of National Income, 2000-2006  
NIS millions • Constant 2006 prices

	2000	2001	2002	2003	2004	2005	2006
<b>Total National Income</b> Market prices	100	100	100	100	100	100	100
<b>1. Workers' share:</b> Compensation of Israeli residents	72	73	73	71	69	67	66
Compensation: resident employees	66	68	67	65	64	62	60
Compensation: self-employed	9	9	9	8	8	8	7
Less: Compensation of workers from abroad	3	3	3	2	2	2	2
<b>2. Employers' share:</b> Operating surplus, not including owner occupied dwellings	8	5	4	6	8	9	12
<b>3. Net taxes on domestic production</b>	20	20	21	21	21	20	19

**Notes:** 1. Excludes domestic income from rent and from properties and business activities abroad.  
2. National Income in market prices includes the share of workers (salaried and self-employed), the share of employers, and net taxes on domestic production.  
3. Compensation of Israeli residents includes the wages of workers from Judea, Samaria, and Gaza as well as workers from abroad.  
**Source:** Adva Center analysis of data received from the National Accounts Department of the Central Bureau of Statistics, March 20, 2007.

sector, so we are unable to present a breakdown.) All these led to a decrease in the workers' share and an increase in the employers' share of the National Income. The table above allows us to trace this change. In 2000, the year of the high-tech bubble, National Income was NIS 436.5 billion (an increase of 8% over 1999). Of this, the workers' share was 72% and the employers' share (the "operating surplus"), 8%. In the following year, 2001, with the meltdown of high tech and the onset of the *intifadah*, National Income increased at a lower rate – 1.2%, reaching NIS 441.9 billion. The workers' share of the National Income increased slightly to 73%. The profitability of employers, however, declined severely: The overall sum they received plummeted from NIS 36.8 billion to NIS 22.9 billion (a drop of 40%),

and their share of the National Income shrank from 8% to 5%.

In 2002, the effects of the recession triggered by the *intifadah* were felt by everyone: National Income fell dramatically from NIS 441.9 billion to NIS 427.1 billion (a drop of 3.3%). The total received by workers also shrank, though their share of the (reduced) National Income remained the same – 73%. The total earned by employers plunged from NIS 22.9 billion to NIS 15.2 billion – a nadir for that entire period – and their share of the pie contracted to 4%.

In the second half of 2003, with greater calm in the conflict with the Palestinians, economic growth was renewed. Now employers’ income grew and somewhat exceeded 2001 levels. Conversely, workers’ income continued to diminish, as well as their share of the National Income, from 73% to 71%, while the employers’ share (the “operating surplus”) grew from 4% to 6%.

This trend continued in 2004-2006: The amount received by workers grew somewhat, and in 2006 even surpassed the level set in 2001, but their share of the (expanding) National Income continued to decline, from 69% in 2004 to 67% in 2005 and 66% in 2006. In parallel, the employers’ share continued to increase – from 8% in 2004 to 9% in 2005 and 12% in 2006. The income received by employers almost doubled, from approximately NIS 35 billion to

Distribution of National Income in the Business Sector

The employers’ share has grown considerably, not just in terms of National Income, but also in terms of its share of business sector income alone. In the business sector, which comprises most of the operating surplus, the employers’ share is larger than its share of the entire economy, which we saw on the previous page; the workers’ share is concomitantly smaller.

In 2000, during the period of the high-tech bubble, the workers’ share in the business sector GDP (remuneration for work) was 62%, while the employers’ share (the operating surplus) was 19%. In the following two years – during the recession – the workers’ share increased slightly, while the employers’ share declined to 16%. Since the revival of economic growth, the employers’ share in the business sector GDP has been on the rise. By 2003, their share had reached 19% – similar to that of 2000, before the *intifadah*. In 2004, it increased to 21%, in 2005 it rose to 22%, and in 2006, it climbed to its highest level in the past decade – 25%.

On the other hand, the share of workers has been falling, from 63% in 2002 to 57% in 2006 – the lowest level of this decade.



Distribution of National Income in the Business Sector, 2000-2006  
Percentages of the GDP in the Business Sector

	2000	2001	2002	2003	2004	2005	2006
Total National Income Market prices	100	100	100	100	100	100	100
1. Workers' share:	62	65	63	61	59	58	57
Compensation to employees	52	55	54	52	51	50	49
Compensation to self-employed	10	10	10	10	9	9	8
2. Employers' share: Operating surplus, not including owner occupied dwellings	19	16	16	19	21	22	25
3. Net taxes on domestic production	19	19	21	20	20	20	18

**Note:** Some columns total more than 100% because of rounding off.  
**Source:** Adva Center analysis of data received from the National Accounts Department of the Central Bureau of Statistics, March 20, 2007.

Compensation for Work Decreases

The declining share of workers in the National Income and the increased share of employers are also reflected in data published by the CBS on compensation per hour and product per hour of work.


Compensation per hour is calculated by dividing the total compensation for work (wages and social benefits) by the total number of hours worked (by wage-earners only) in one year.

Product per hour is calculated by dividing the total product by the total number of hours worked by both salaried and self-employed workers; this is a measure of productivity.

Compensation per product is calculated by dividing the compensation per hour by the product per hour.

As can be seen in the table below, the product per hour, which had fallen during the years of recession, rose significantly during the growth years, and today is higher than it was prior to the *intifadah*. At the same time, the compensation per product has declined since 2003, both in the economy in general and in the business sector (see also Bank of Israel Report 2006, pp. 165-166).

In other words, Israel's present wave of growth is characterized by a rise in productivity that is not reflected in the hourly wages of workers.



**Product Per Hour Rises; Compensation Per Hour Declines**  
2000–2006 • Index 2000 = 100

Year	All Sectors of the Economy			The Business Sector		
	Compensation per Hour	Product per Hour	Compensation per Product	Compensation per Hour	Product per Hour	Compensation per Product
2000	100.0	100.0	100.0	100.0	100.0	100.0
2001	102.8	100.5	102.3	102.6	98.9	103.8
2002	97.4	96.9	100.5	96.6	93.2	103.6
2003	95.6	97.6	97.9	95.1	95.5	99.6
2004	98.2	102.1	96.2	97.4	100.8	96.6
2005	98.5	104.0	94.7	99.6	105.3	94.6
2006	100.8	107.0	94.1	101.8	109.3	93.2

Source: Adva Center analysis of data received from the National Accounts Department of the Central Bureau of Statistics, March 20, 2007.

Part 2

High Wages, Low Wages





Slight Rise in Wages of Salaried Workers

In the previous section, we saw that, since 2003, the workers' share of National Income has been declining, while the employers' share has been rising. Here we show how this is reflected in wages.

We begin with hourly wages, since a large proportion of the new jobs in the economy are part-time positions. The table below shows average hourly wages for selected sectors of the economy.

It can be seen, first, that in the last three years of growth, wages have also begun to rise, those of women increasing slightly more than men's. Women's wages have particularly increased in the financial and business services. Men's wages, however, decreased in three of the seven sectors surveyed, remaining unchanged in the others, with the exception of two sectors that have prospered in recent years – business services and banking, insurance, and financial services.

Second, the hourly wage is lowest in hotel and restaurant services, and highest in banking, insurance, and financial services.

Third, there are significant differences between men's and women's hourly wages. Interestingly, the higher the wage level, the greater the gap between men's and women's wages: The smallest gap is in hotel and restaurant services (a gap of approximately 14% in 2005), and the largest gap is in banking, insurance, and financial services (a gap of 53% in 2005).

How is this slight increase in hourly wages consistent with the fact that the workers' share of the National Income is decreasing? Some of this can be explained by the fact that a large number of the jobs created during this period of growth are part-time – we will discuss this later – and therefore the total number of hours worked is relatively lower.

Salaries of Senior Executives

While the hourly wage of salaried workers increased slightly during the current wave of growth, the wages of senior executives leaped forward.

*Globes*, an Israeli business daily, publishes annually the salaries of the top five executives of corporations traded on the Tel Aviv Stock Exchange.

According to *Globes*, the average wage of a senior executive in an Exchange-listed company rose from NIS 1.83 million in 2004 to NIS 1.95 million in 2005 and NIS 2.09 million in 2006. In short, the salaries of these executives grew by some 40% between 2003 and 2006.



Employees' Salaries

Average Gross Hourly Wages in Selected Sectors of the Economy • by Gender • 2003 and 2005 • In ascending order of salaries for men in 2005 • NIS • Constant 2006 prices

	Men		Women	
	2003	2005	2003	2005
Total	45.7	45.9	37.7	38.2
Hotel and restaurant services	29.4	28.3	26.8	24.9
Trade and repair of motor vehicles	37.2	36.6	27.8	28.2
Manufacturing	46.1	46.2	35.4	36.4
Health, welfare and social services	56.8	54.4	38.8	39.7
Education	55.0	55.2	42.7	42.5
Business services	53.4	56.3	41.5	42.2
Banking, insurance & finance	74.0	79.4	48.0	51.8

Sources: Adva Center analysis of data from the Central Bureau of Statistics, *Income Survey*, 2003 and 2005.

Salaries of Senior Executives

Average Annual Salary Bill of Senior Executives in Companies Listed on the Tel Aviv Stock Exchange • 2003–2006 • NIS millions • Constant 2006 prices



Source: *Globes* magazine, "Executive Salaries 2006," April 1, 2007.



Regardless of Where They Work, Most Workers Get Low Wages

As we have seen, there are considerable differences in average per-hour wages in different sectors of the economy. In 2005, workers in banking, insurance and financial services earned, on average, slightly more than twice as much as workers employed in hotel and restaurant services.

However, if we examine wages within each sector of the economy, we find that wage levels are unequal across the board: In all the sectors, without exception, a large portion of the workers earn low wages and a small portion earn high wages. What happens is that the high salaries of a small number of workers often raise the average for the entire sector.

We can examine this phenomenon using data published by the National Insurance Institute that provide breakdowns of wages by sector in relation to the average wage. The first year for which such data are available is 1994 and the most recent, 2004.

On average, about 40% of salaried workers in 2004 received wages equivalent to half or less of the average wage (i.e., they earned NIS 3,782 a month or less). In the hotel and restaurant sector, where wages are lowest, 48.7% of workers earned half the average wage or less. But even in the field of banking, insurance and financial services, where the average wage is much higher, a similar proportion – 45.1% - earned wages that were no higher than half the average wage.

Sixty percent of workers earned no more than NIS 5,043 – 75% of the average wage –in 2004.

The proportion of those earning more than the average wage in 2004 was 27%. This was higher in the sectors of manufacturing, transportation, and banking, insurance and financial services; in contrast, in commerce, hotel and restaurant services, and other services (personal and social services, domestic cleaning services performed by individuals, companies and other non-governmental bodies) – the proportion was 16%.

The proportion of workers earning particularly high salaries – three times the average wage or more, i.e., at least NIS 20,000, was 3.5%. This was higher in banking, insurance and financial services (5.4%) and lower in hotel and restaurant services (1.8%).



Employees' Wages in Israel Relative to the Average Wage  
By Job Sector • 1994 and 2004 • Percentages • Monthly Average

Economic Branch	Year	Up to average wage – cumulative			More than average wage		
		Employees earning up to 50% of the average wage	Employees earning up to 75% of the average wage	Total employees earning the average wage or less	Employees earning up to twice the average wage	Employees earning up to three times the average wage	Employees earning three times the average wage or more
Total	1994	41.9%	61.3%	72.5%	18.7%	5.5%	3.3%
	2004	40.2%	60.4%	72.7%	18.5%	5.3%	3.5%
Manufacturing	1994	34.4%	56.8%	69.4%	20.7%	6.3%	3.6%
	2004	27.7%	51.2%	67.2%	21.3%	6.4%	5.0%
Electricity, water supply and construction	1994	33.1%	60.6%	73.8%	17.5%	5.1%	3.6%
	2004	37.8%	62.8%	74.9%	17.0%	5.7%	2.4%
Trade, restaurant services	1994	51.7%	73.1%	83.4%	11.6%	2.8%	2.3%
	2004	48.7%	72.3%	83.5%	12.2%	2.5%	1.8%
Transport	1994	24.1%	42.6%	56.0%	25.1%	12.9%	6.0%
	2004	33.9%	55.7%	68.6%	20.4%	7.2%	3.8%
Banking and business activities	1994	46.3%	63.4%	72.6%	17.7%	5.1%	4.5%
	2004	45.1%	62.7%	71.7%	16.2%	6.7%	5.4%
Social services	1994	41.2%	58.9%	70.8%	20.8%	5.6%	2.8%
	2004	39.9%	58.9%	73.1%	20.8%	4.0%	2.1%
Other services	1994	54.4%	72.5%	82.4%	12.7%	2.8%	2.0%
	2004	56.4%	74.7%	84.0%	11.2%	2.9%	1.9%

Notes: The total includes employees in the agriculture sector and employees whose field of employment is unknown.  
Source: Adva Center analysis of data received from the Research and Planning Administration of the National Insurance Institute, January 25, 2007.

Fringe Benefits

Increasing wage differentials have been accompanied by differentials in fringe benefits. This can be seen from the data on payments made by employers for the social benefits of their employees.

In addition to their wages, workers are entitled to payments by the employers for the following purposes: social security, continuing education, pension and unemployment compensation, transportation, cafeteria meals, and the like.

The following table presents the total outlays for wages and fringe benefits in the area of manufacturing, where the categories are graded by technological sophistication.

The table clearly shows differentials among the groups of workers with regard to fringe benefits. In 2005, employers in the traditional technological industries paid a total of NIS 1.5 billion for fringe benefits for their workers, a sum that amounted to 15.9% of the total salary in that category.

In contrast, employers in the elite technological industries expended a total of NIS 2.573 billion on fringe benefits, which amounted to 21.2% of the total salary in that category.

The table also shows that the share of fringe benefits paid out by employers to their workers declined somewhat in all technological industries.



**Total Employer Outlays for Fringe Benefits**  
As a Percentage of Total Salary Payments in Manufacturing • by Degree of Technological Sophistication • 2003–2005 • NIS millions • Constant 2006 Prices

	2003	2004	2005
<b>Traditional Technological Industries</b>			
Employees (thousands)	114.1	110.3	110.7
Wages of employees	9,396	9,210	9,472
Total employers' outlays for fringe benefits	1,525	1,519	1,499
Fringe benefit outlays as percentage of wages	16.2%	16.5%	15.8%
<b>Mixed Traditional Technological Industries</b>			
Employees (thousands)	83.2	73.2	74.7
Wages of employees	7,967	7,187	7,357
Total employers' outlays for fringe benefits	1,350	1,268	1,280
Fringe benefit outlays as percentage of wages	16.9%	17.6%	17.4%
<b>Mixed High-Tech Industries</b>			
Employees (thousands)	52.0	55.6	56.1
Wages of employees	7,127	7,827	8,234
Total employers' outlays for fringe benefits	1,726	1,838	1,879
Fringe benefit outlays as percentage of wages	24.2%	23.5%	22.8%
<b>Elite High-Tech Industries</b>			
Employees (thousands)	62.9	63.3	65.8
Wages of employees	11,516	11,357	12,108
Total employers' outlays for fringe benefits	2,551	2,426	2,573
Fringe benefit outlays as percentage of wages	22.2%	21.4%	21.2%

**Notes:** 1. The category of Elite High–Tech Industries excludes the aircraft industry.  
2. Data from 2004 are based on a new survey.

**Sources:** Adva Center analysis of Central Bureau of Statistics, *Manufacturing Indices*, various years; figures received directly from the Business Department of the Central Bureau of Statistics.

Top Wage-Earners vs. Bottom Wage-Earners

2003 - 2005

Finally, we present figures on the salaries of two groups of workers: salaried workers in the top income centile and low-waged salaried workers as defined by the Organization for Economic Cooperation and Development (OECD), i.e., those earning no more than two-thirds the median wage.

The figures below are based on an analysis performed by the Adva Center on data from surveys of the Central Bureau of Statistics. The analysis includes wage-earners only, and excludes the self-employed.

The first table presents figures for wage-earners at the bottom of the scale, and the second, the top one percent of wage-earners.

The table reveals that low salaries – those under two-thirds the median wage – have risen little from 2003 through 2005: from NIS 3,490 to NIS 3,495 a month. High salaries – at the level signifying entry into the highest centile – have also changed little in this period: from NIS 31,704 to NIS 32,071 a month.

Notably, both groups enjoy a similar portion of the total income: in 2005 wage-earners at the bottom received some 7% of the total income, and wage-earners at the top, 6%. However, low wage-earners comprised 25% of all wage-earners in Israel, while the top centile includes just one percent of all wage-earners.



Workers Earning up to Two-Thirds of the Median Wage, 2003–2005 • NIS • Constant 2006 prices

	2003	2004	2005
Median wage	5,234	5,336	5,242
2/3 the median wage (low wages)	3,490	3,557	3,495
Low-wage earners as a percentage of all workers	25.6%	26.2%	25.3%
Salaries of low-wage earners as a percentage of all salaries	7.5%	7.8%	7.3%

Sources: Adva Center analysis of Central Bureau of Statistics, *Income Surveys* files, various years.



Workers in the Top Centile 2003–2005 • NIS • Constant 2006 prices

	2003	2004	2005
Threshold of the top centile	31,704	31,139	32,071
Top centile workers as a percentage of all workers	1%	1%	1%
Salaries of top centile workers as a percentage of all salaries	6.4%	5.8%	6.1%

Sources: Adva Center analysis of Central Bureau of Statistics, *Income Surveys* files, various years.


Who’s Who

2005

Over a third of salaried women in Israel – 35.8% – are in the bottom category of wage earners in Israel (NIS 3,500 a month or less); 15.6% of men are in this category. As for men, 1.7% are in top category of wage earners; only 0.2% of women earn this much.

Approximately one quarter of the Jewish (25.2%) and one quarter of the Arab (26.4%) workers receive the lowest level of wages. Significant differences emerge, however, among the top wage earners: 1.1% of Jewish, but only 0.3% of Arab workers fall into the group of highest wage earners. Among Jews, 22.3% of second-generation Mizrahi Jews (fathers born in Asia or Africa) earn the lowest salaries, compared with 17.7% of second-generation Ashkenazi Jews. On the other hand, 2.8% of second-generation Ashkenazi Jews earn the highest level of wages, compared with only 0.6% of second-generation Mizrahi Jews. Two additional groups are notably visible among those earning low wages – immigrants from the former Soviet Union (31.3%) and those with fewer than 12 years of education (31.6%).

The group with the smallest proportion of low wage earners are those with 16 or more years of education – only 14.8%. This group also has the largest proportion of wage earners in the top centile – 2.9%.



**Low-Wage Earners and High-Wage Earners**

2005 • Percentages of the Total in each Cell

	Low wage earners in this group	High wage earners in this group
Men	15.6	1.7
Women	35.8	0.2
Jews and others	25.2	1.1
Arabs	26.4	0.3
Mizrahi Jews: born in Israel to fathers born in Asia/Africa	22.3	0.6
Ashkenazi Jews: born in Israel to fathers born in Europe/America	17.6	2.8
Immigrants from former USSR, since 1990	31.3	0.1
Persons with up to 12 years of schooling	31.6	0.1
Persons with 13-15 years of schooling	26.1	0.5
Persons with 16 years or more of schooling	14.8	2.9

Source: Adva Center analysis of the Central Bureau of Statistics, *Income Surveys files*, 2005.



Most New Jobs Created Since 2003 are Part-Time

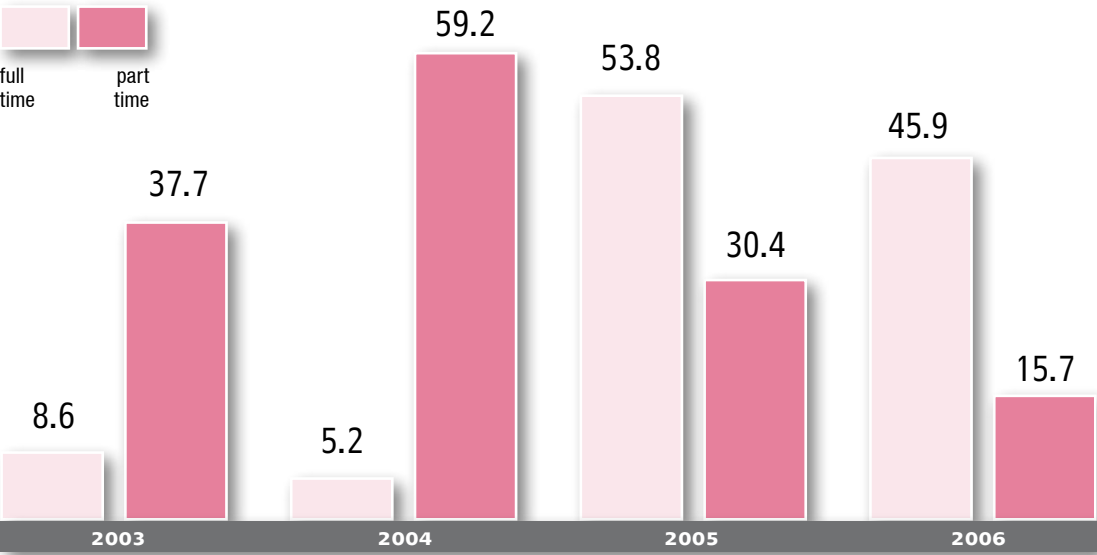
Most of the jobs created during the current wave of growth in Israel are part-time. As we shall see, more than a quarter of their holders would prefer to work full-time.

Between 2003 and 2006, 256,500 new jobs were created; 143,000 of these (56%) were part-time and the balance of 113,500 (44%) were full-time.

In 2005, for the first time, the number of new, full-time jobs exceeded the number of new part-time jobs. This trend has continued, but in 2006 there were fewer new full-time jobs than in 2005.

New Employees

By Type of Job • 2003–2006 • Thousands



**Note:** Does not include persons temporarily absent from work.

**Sources:** Adva Center analysis of Central Bureau of Statistics, Press Release of February 28, 2007, "Statistics from the Manpower Survey for the Last Quarter of 2006 and for the Year 2006"; CBS, *Manpower Survey 2005*.

New Employees

By Type of Job • 2003–2006 • Percentage Change

Type of Job	2003	2004	2005	2006
Full-time	0.6%	0.3%	3.5%	2.9%
Part-time	6.2%	9.2%	4.3%	2.1%

**Note:** Does not include persons temporarily absent from work.

**Sources:** Adva Center analysis of Central Bureau of Statistics, Press Release of February 28, 2007, "Statistics from the Manpower Survey for the Last Quarter of 2006 and for the Year 2006"; CBS, *Manpower Survey 2005*.

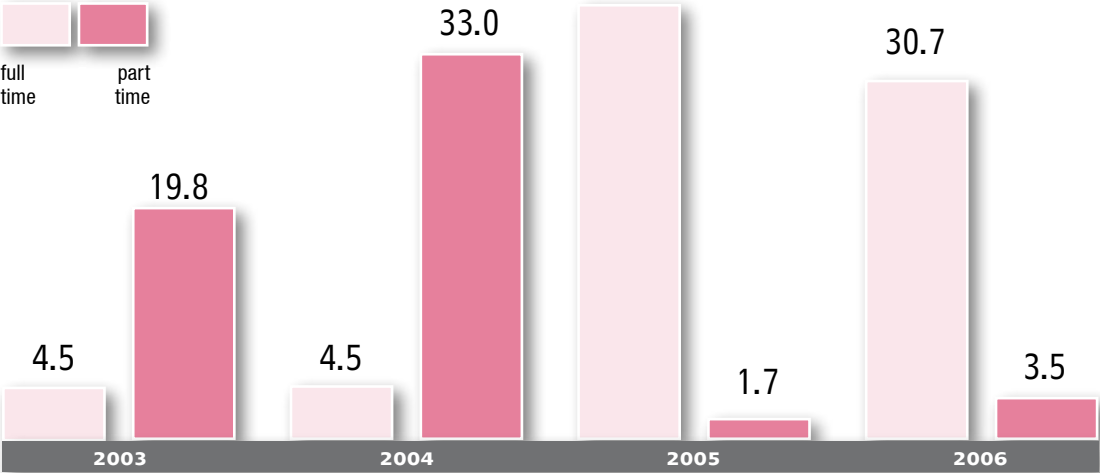
Most New Men's Jobs Created Since the Renewal of Economic Growth are Full-Time

Examining the figures by gender, we find that most of men's new jobs are full-time, while most of women's new jobs are part-time.

With respect to men, the current wave of economic growth is divided into two distinct periods: In the years 2003-2004, 85% of the new jobs created were part-time, while in the more recent years of 2005-2006, 93% of the new jobs created were full-time.

New Employees: Men

By Type of Job • 2003–2006 • Thousands



**Note:** Does not include persons temporarily absent from work.

**Sources:** Adva Center analysis of Central Bureau of Statistics, Press Release of February 28, 2007, "Statistics from the Manpower Survey for the Last Quarter of 2006 and for the Year 2006"; CBS, *Manpower Survey 2005*.

New Employees: Men

By Type of Job • 2003–2006 • Percentage Change

Type of Job	2003	2004	2005	2006
Full-time	0.5%	0.5%	3.8%	3.0%
Part-time	10%	15.2%	0.7%	1.4%

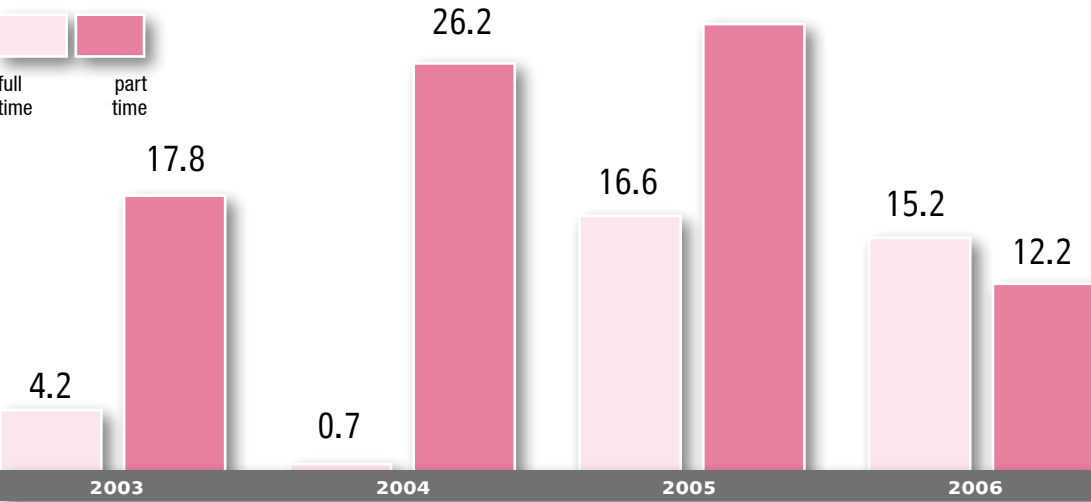
**Note:** Does not include persons temporarily absent from work.

**Sources:** Adva Center analysis of Central Bureau of Statistics, Press Release of February 28, 2007, "Statistics from the Manpower Survey for the Last Quarter of 2006 and for the Year 2006"; CBS, *Manpower Survey 2005*.

Most New Women's Jobs Created Since the Renewal of Economic Growth are Part-Time

The picture is different for women: During the current wave of growth, 2003-2006, the percentage increase of part-time jobs was significantly higher than the percentage increase of full-time jobs. During this 4-year period, only 30% of the 121,600 new jobs taken up by women were full-time. Nevertheless, for women as for men, 2005-2006 saw an increase in the number of full-time jobs.

New Employees: Women  
By Type of Job • 2003–2006 • Thousands



**Note:** Does not include persons temporarily absent from work.  
**Sources:** Adva Center analysis of Central Bureau of Statistics, Press Release of February 28, 2007, "Statistics from the Manpower Survey for the Last Quarter of 2006 and for the Year 2006"; CBS, *Manpower Survey 2005*.

New Employees: Women  
By Type of Job • 2003–2006 • Percentage Change

Type of Job	2003	2004	2005	2006
Full-time	0.8%	0.1%	3.0%	2.7%
Part-time	4.4%	6.1%	6.3%	2.5%

**Note:** Does not include persons temporarily absent from work.  
**Sources:** Adva Center analysis of Central Bureau of Statistics, Press Release of February 28, 2007, "Statistics from the Manpower Survey for the Last Quarter of 2006 and for the Year 2006"; CBS, *Manpower Survey 2005*.

What Kinds of Jobs Were Created?

The new jobs are in different sectors of the economy. Below we discuss women and men separately. (Note that data about the distribution by economic sector are available only up to 2005; therefore, the total figures presented below are different than those presented on the previous page, which also include 2006.)

Women

About half (49%) of the new jobs held by women are in the areas of health, welfare, social services, and education. The salaries in these services, especially in social and welfare services, are relatively low. In the business sector, business services experienced the greatest job growth. As evident in the following table, the business service category showing the most significant job growth was "Security and Cleaning Activities" (a growth rate of 45.7%), which consists of unskilled jobs at low pay. Another category with high growth is "Other Business Activities," which includes legal, bookkeeping and accounting services; advertising; architectural and engineering services, and other business services (a growth rate of 20%).

Women: New Employees by Economic Sector  
2003–2005 • Economic Sectors With at Least 2,000 New Female Employees • In Descending Order of Number of New Women Employees • Thousands and Percentages

	New Female Employees 2003-2005	Percentage Change 2003-2005
Total	107.3	10.3%
Health, Welfare and Social Services	27.0	15.0%
Education	25.0	11.4%
Business Activities	23.4	20.3%
Thereof: Other business activities	12.6	20.7%
Thereof: Legal and notary services	3.7	25.2%
Thereof: Architecture, engineering, and other technical activities	2.6	22.8%
Thereof: Security and cleaning activities	7.9	45.7%
Trade and Repair of Motor Vehicles	9.6	7.4%
Household Services by Individuals	6.4	20.3%
Transport, Storage and Communications	5.9	14.5%
Hotel and Restaurant Services	5.4	13.4%
Banking, Insurance & Finance	4.9	11.4%
Manufacturing	4.4	4.2%
Thereof: Publishing and printing	2.7	36.0%

**Source:** Adva Center analysis of Central Bureau of Statistics, *Manpower Surveys*, various years.



Men

Approximately one-third – 37,000 – of all new jobs taken by men were in the general category of Business Activities, including the sub-category “Security and Cleaning Services,” which alone contributed 12,200 new jobs. This means that 12% of the new jobs resulted from the *intifadah*, and were not a product of normal economic growth. Together with the low-paying jobs, much better paying jobs were also taken up by men, primarily in the high-tech industry. These parallel developments reflect the split structure of the Israeli economy – dramatic growth in fields that have little investment and low wages, in parallel with fields that are heavily invested and offer high wages.

Men: New Employees by Economic Sector

2003–2005 • Economic Sectors With at Least 2,000 New Male Employees  
• In Descending Order of Number of New Men Employees • Thousands and Percentages

	New Male Employees 2003-2005	Percentage Change 2003-2005
Total	101.9	8.2%
Business Activities	36.7	23.0%
Thereof: Other business activities	13.2	21.5%
Thereof: Architecture, engineering, and other technical activities	4.8	24.4%
Thereof: Legal and notary services	2.4	16.0%
Thereof: Security and cleaning activities	12.2	34.9%
Thereof: Computer services	7.2	17.8%
Hotel and Restaurant Services	16.8	31.9%
Trade and Repair of Motor Vehicles	15.7	8.7%
Transport, Storage and Communications	9.8	9.2%
Manufacturing	9.7	3.6%
Manufacturing: Metal products	5.0	13.3%
Manufacturing: Electronic components	4.2	40.0%
Manufacturing: Transport equipment	3.1	19.4%
Manufacturing: Industrial equipment for control & supervision, medical & scientific equipment	2.3	12.7%
Construction	7.6	6.9%
Community, Social, & Personal Services	6.0	10.9%
Health, Welfare & Social Services	5.0	9.2%
Agriculture	3.4	9.1%

Source: Adva Center analysis of Central Bureau of Statistics, *Manpower Surveys*, various years.

High Tech  
Cannot  
Employ All  
Israelis

The most glamorous sector of the Israeli economy is high tech. It accounts for about half of all industrial exports and contains some of the biggest economic success stories of recent years.

However, only a small portion of the Israeli labor force works in high tech – 10% in 2005 – even using the broadest possible definition, which includes not just the high-tech industry, but also high-tech services (see box below).

The high tech sector in Israel was adversely affected by the bursting of the global high-tech bubble in 2000, as well as by the recession resulting from the *intifadah*. This was clearly reflected in a loss of jobs. The decline came after the number of jobs had almost doubled in the second half of the 1990s, from 115,500 in 1995 to 207,500 in 2001.

During the years of *intifadah*, 2001-2003, high tech lost 15,000 jobs; in 2003, it had a total of 192,600 jobs. The female workforce declined by 11% and the male workforce by 5%.

In 2004, Israel’s high tech sector began once again to expand, reflected in 4,500 new jobs – 3,700 of them in electronic components (2,800 to men and 900 to women). In 2005, however, the biggest increase was in the field of “Medical and Scientific Equipment for Control and Supervision.”

It should be noted that the *intifadah* affected not only jobs but also wage levels. Between 2001 and 2003, the average monthly wage for salaried persons in high tech declined by 10.5%, from NIS 15,787 to NIS 14,126. The sharpest decline was in high-tech services, especially computer services – a drop of 16%.

When Israel began to emerge from the recession in 2004, there was a small increase in the average monthly wage in high tech, which continued in 2005.

The hi tech sector includes a number of manufacturers (pharmaceuticals, machinery, electronic components, communications equipment, quality control equipment, and the aircraft industry), as well as a number of services (communications, computer services, research and development).





Hi-Tech Workers

By Gender • 2000–2005 • Total Workers and Percentage of New Workers  
• by Sub–Sector • Thousands

	2000	2001	2002	2003	2004	2005
<b>High-Tech Sector - Total</b>	<b>189.3</b>	<b>207.5</b>	<b>193.2</b>	<b>192.6</b>	<b>197.1</b>	<b>217.2</b>
Men	123.1	134.6	126.1	127.8	131.5	143.8
Women	66.0	72.7	67.0	64.8	65.5	73.5
New Workers: Men	22.9	11.4	–8.5	1.7	3.7	12.3
New Workers: Women	13.9	6.7	–5.7	–2.2	0.7	8.0
<b>Manufacturing in the High-Tech Sector</b>	<b>89.2</b>	<b>92.2</b>	<b>89.3</b>	<b>89.7</b>	<b>93.4</b>	<b>100.0</b>
Men	60.9	61.5	61.0	62.5	65.0	65.9
Women	28.3	30.5	28.1	27.2	28.4	30.4
New Workers: Men	6.9	0.6	–0.5	1.5	2.5	4.5
New Workers: Women	4.4	2.2	–2.4	–0.9	1.2	2.1
<b>Services (knowledge-intensive) in the High-Tech Sector</b>	<b>100.1</b>	<b>115.3</b>	<b>103.9</b>	<b>102.9</b>	<b>103.7</b>	<b>117.3</b>
Men	62.3	73.1	65.1	65.3	66.5	74.3
Women	37.7	42.2	38.9	37.7	37.2	43.0
New Workers: Men	16.0	10.8	–8.0	0.2	1.2	7.8
New Workers: Women	9.5	4.5	–3.3	–1.2	–0.5	5.8

Sources: Adva Center analysis of Central Bureau of Statistics, Manpower Surveys, various years.



Average Wage of Hi-Tech Workers

2001–2005 • NIS • Constant 2006 Prices

	2001	2002	2003	2004	2005
<b>High-Tech Sector – Total</b>	<b>15,787</b>	<b>14,525</b>	<b>14,126</b>	<b>14,430</b>	<b>14,875</b>
<b>Manufacturing in the High-Tech Sector - Total</b>	<b>15,103</b>	<b>14,523</b>	<b>14,337</b>	<b>14,449</b>	<b>14,850</b>
Thereof: Electronic components	12,208	12,445	12,379	10,799	11,029
Thereof: Electronic communications equipment	18,305	17,278	17,270	18,217	18,551
Thereof : Industrial equipment for control and supervision, medical and scientific equipment	17,788	16,970	16,624	17,353	17,745
Thereof: Transport equipment (including aircraft manufacture)	14,062	13,621	13,502	13,418	14,026
<b>Services (knowledge-intensive) in the High-Tech Sector – Total</b>	<b>16,315</b>	<b>14,527</b>	<b>13,957</b>	<b>14,414</b>	<b>14,895</b>
Thereof: Communications	11,124	10,129	9,865	9,515	9,424
Thereof: Computer services	18,291	16,180	15,422	16,009	16,481
Thereof: Research and development	17,394	16,346	16,195	17,432	18,487

Note: Data for 2004 and 2005 are based on a new survey.  
Sources: Adva Center analysis of Central Bureau of Statistics, Manpower Surveys, various years.

## Renewed Economic Growth: Not a Boon to All Workers

At the time of writing, some 290,000 Israeli workers are unable to benefit from the renewed economic growth, either because they are unemployed, have despaired of finding work, or are working part-time instead of full-time. Each of these groups is briefly reviewed below.

### The Unemployed

During the *intifadah*, unemployment rose sharply: In 2002, 2003 and 2004, unemployment exceeded 10%. Such a high level of unemployment had previously occurred only in 1991-1993, during the peak years of immigration from the former Soviet Union.

In the past two years, with resumed economic expansion, unemployment gradually decreased to 9% in 2005 and 8.4% in 2006 (CBS, *Labor Force Survey 2005*; Press Release of February 28, 2007).

### The Worsening Situation of the Unemployed

Unemployed persons are entitled to unemployment compensation only under certain conditions. The first requirement is that they register with the Government Employment Service. If, after registration, the Employment Service fails to find work for them, they are entitled to submit a request for unemployment compensation to the National Insurance Institute.

The bureaucratic procedures result in only some of the unemployed registering with the Employment Service – about 80% on average since 1995. A much smaller proportion actually receives unemployment compensation: In 1995-2001, an average of 46% of the unemployed received compensation (calculation based on Esther Toledano, *Recipients of Unemployment Compensation in 2005*, Table A). Between 2002 and 2006, the terms of entitlement to unemployment compensation became much more stringent. As a result, the proportion of unemployed persons receiving compensation dropped to about 24% in 2006 (data from the Research and Planning Administration of the National Insurance Institute, April 26, 2007). In addition, the payments themselves were sharply curtailed. As a result, although the number of unemployed persons rose, total payments declined from an average of NIS 3.754 billion in 2001-2002 to NIS 1.957 billion in 2006 (at 2006 prices; Esther Toledano, *Recipients of Unemployment Compensation in 2005*, Table 2; data for 2006 were obtained from the Research and Planning Administration of the National Insurance Institute, April 26, 2007).

In other words, the safety net which once existed for unemployed women and men has greatly deteriorated.

### Increase in the Duration of Unemployment

While the unemployment rate is slowly declining, the duration of unemployment is increasing. In 2005, some 24% of unemployed women and 27% of unemployed men remained unemployed for over a year; two years earlier, in 2003, only 18% of men and women remained unemployed for that long. The proportion of those seeking work for over four years has also recently increased, and the number of those seeking work for 2-4 years also rose slightly. On the other hand, the proportion of those seeking work for two years or less has declined.

### Unemployed Persons Who Give Up Looking for Work

Among the unemployed, there is another significant group – those who have given up looking for work. These are people who want to work, but whose failed efforts over a long period of time have led them to stop looking for a job. In 2005, their proportion among Jews amounted to 1.0% of the Jewish work force, compared with 1.3% in 2000 (for April through December 2000). If we add those who have given up looking for a job to the ranks of the officially unemployed, we find that the real unemployment rate is higher than that reported in the media. The increase in the number of people who gave up looking for a job is greater among Arab and “other” citizens (“others” are Christians who are not Arabs, most of them immigrants from the former Soviet Union), and this is especially true for women. Over the last five years, the proportion of male “Arabs and others” who have given up on finding a job increased from 4.1% to 8.7%, while the proportion of women increased from 6.9% to 12.8%. In short, 10% of the civilian work force of “Arabs and others” are men and women who have despaired of finding a job (CBS, *Labor Force Surveys*, various years).

### Part-Time Workers Who Desire Full-Time Jobs

Finally, another group that might be added to the ranks of the unemployed are workers employed part-time who desire full-time jobs. In 2000, some 19% of part-time workers in Israel reported that they wanted to work full-time; in 2006, this rose to 23.0%. These women and men want to work more, but are not finding full-time positions (ibid.). The proportion of dissatisfied part-time workers in Israel is three times larger than in countries of the OECD. An analysis conducted by the Bank of Israel noted that some 80% of dissatisfied part-time employees are women (Bank of Israel, 2005 Report, pp. 178-181).

