Adva Center
Information on Equality and Social Justice in Israel
مركز أدفا
معلومات حول المساواة والعدالة الاجتماعية في إسرائيل
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Israeli Employers' Share of the National Income Continued to Grow while Workers' Share Continued to Shrink – Despite the Global Financial Crisis

In 2009, employers' share of the national income rose, while the share of employees decreased. The employers share increased from 15% in 2008 to 17% in 2009, and the employees' share decreased, from 62% to 60%. **In other words, the blunt of the global financial crisis of 2008-2009 hit employees, not employers.**

From a 10-year perspective (2000-2009), it appears that the last decade was good for employers. While it is true that between 2000 and 2002, employers' share of the national income decreased from 14% to 10%, by 2004 that share had returned to its former level. After that it continued to increase, to 17% in 2009.

For employees, the decade was not beneficial: in 2000, their share of the national income was 66%; by 2009 it had declined to 60%.

While the difference in percentage points is not great, the actual sums are quite significant. In 2009, Israel's national income amounted to NIS 654 billion. One percent of this was NIS 6.54 billion. Had the employees' share of the national income in 2009 been 66%, as it was in 2000, and not 60%, employees would have received, as a group, NIS 39.2 billion more in wages. If we divide this sum by the number of salaried persons in 2009 – 3.014 million (including migrant workers) - we find that, on average, each employee would have received an additional NIS 13,000 a year, or NIS 1,083 a month.

Another indicator of the growing income inequality in Israel is the difference between the increase in national income and the increase in the share of employers and employees. Between 2000 and 2009, the national income grew by 30%; while the share of employees grew by only 17%, the share of employers grew by 59%.

- Over the last decade, the net domestic product per work hour increased by 7.3% in the business sector and by 7.5% in the economy as a whole. In contrast, the compensation per work hour declined by 7.8% in the business sector as well as in the economy as a whole. In 2009, this decline was notable: while the net domestic product per work hour rose by 2.9% in the economy as a whole and by 2.6% in the business sector, the compensation per work hour declined by 5%, both in the business sector and in the economy at large.
- In 2009, the salaries of directors-general in companies listed on the Stock Exchange rose by approximately 9% to NIS 2.54 million per year, or NIS 212,000 per month. This is a significant increase since 2008, and it is worth mentioning in view of the fact that it occurred in the midst of a world financial crisis. The growth in the compensation of senior managers is the most significant change in Israel in the area

of salaries, and it is especially salient against the background of the fact that the average wage per employee job in Israel declined between 2000 and 2009 by 4% in real terms. **In 2009, while the salaries of director-generals rose by 9% in real terms, the wage per employee job declined by approximately 3% in real terms.**

- Inequality is rampant not only with regard to salaries but also with regard to fringe benefits. Employers in traditional industries paid out, on average, NIS 13,918 per worker in fringe benefits; employers in hi-tech industries paid out, on average, NIS 42,800 per worker – about three times as much.