

Press Release

Taub Center: Wage gaps in Israel are high compared to all other Western countries (except for the U.S.) and continue to rise. Closing these gaps depends on the education system to provide modern work qualifications.

Taub Center: The major cause for the widening wage gaps in Israel is the increasing gap between workers of different educational levels.

It is customary to think that the poverty problem in Israel stems from differences in employment rates. However, it turns out that considerable income gaps exist even among full-time employees.

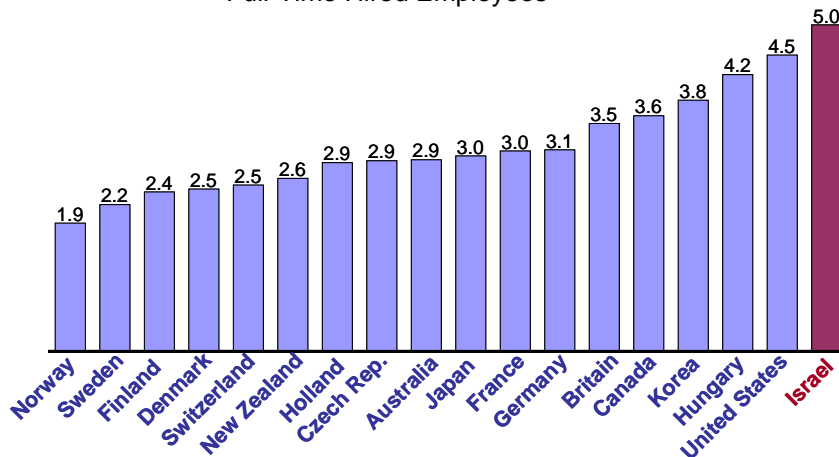
Wage gaps in Israel are high compared to other countries

Wage gaps in Israel were higher than in any other OECD country in 1998 (Figure 1).

Figure 1

Wage Gaps in Israel and OECD, 1998

Wage ratio of workers in the 90th percentile and the 10th percentile Full-Time Hired Employees



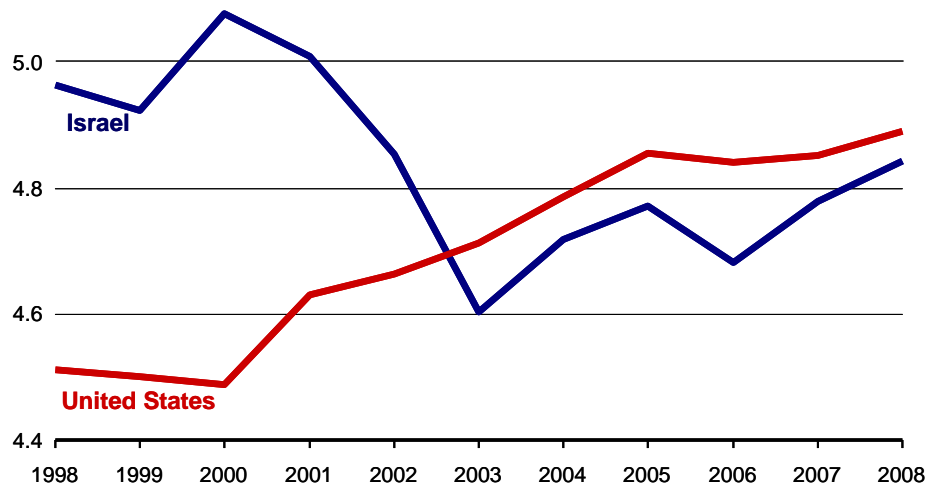
Source: Ayal Kimhi, Taub Center and the Hebrew University.
Data: Processed from Central Bureau of Statistics and OECD.

At the beginning of the decade wage gaps narrowed slightly due to the economic recession (Figure 2), but continued to widen since 2003. In 2008, wage gaps in Israel were slightly lower than in the U.S. – the country with the largest wage gaps among OECD countries.

Figure 2

Wage Gaps in Israel and the U.S., 1998-2008

Wage ratio of workers in the 90th percentile and the 10th percentile
Full-Time Hired Employees



Source: Ayal Kimhi, Taub Center and the Hebrew University.
Data: Processed from Central Bureau of Statistics and OECD.

The determinants of wage gaps in Israel

The major determinants of wages include gender, work experience and education – but while the first two lead to narrowing of the wage gaps, differences in educational levels lead to widening of the wage gaps.

The average wage of males was higher than that of females by 44% in 1998 (Figure 3). This gap has narrowed over time, and by 2008 reached 37%.

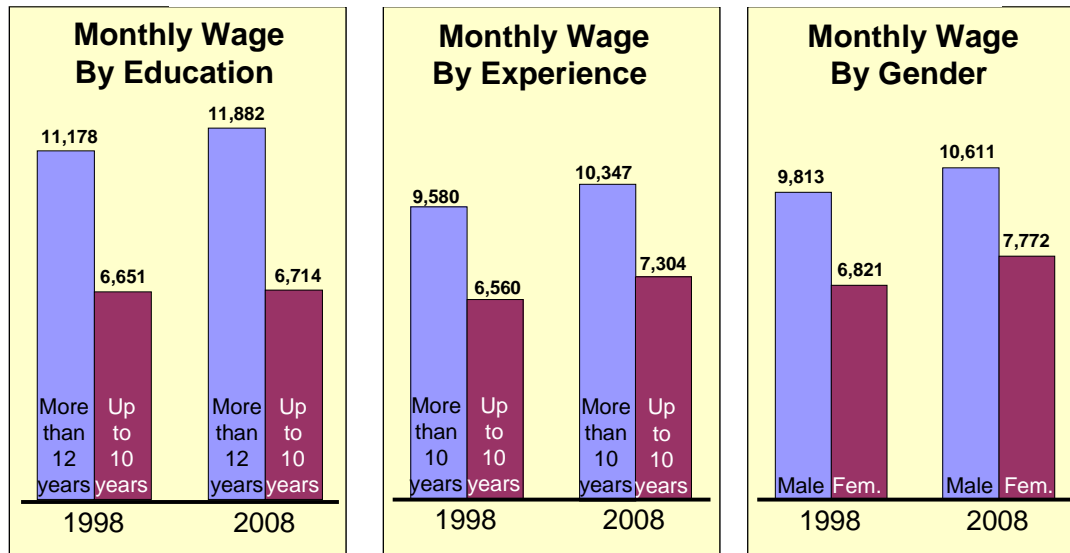
A similar decline, although more moderate, was observed in the returns on work experience. Experienced workers – with more than 10 years of experience – earned 46% more than new workers (with up to 10 years of experience). By 2008, this gap narrowed to 42%.

The wage gaps by educational levels were considerably higher. Educated workers (with more than 12 years of schooling) earned 68% more than less educated workers (with up to 12 years of schooling) in 1998. In the last decade the returns on education increased further, as the wage gap between educated and less educated workers reached 77% in 2008.

Figure 3

Gross Monthly Wages in Israel

Full-Time Employees (NIS, 2008 prices)



Source: Ayal Kimhi, Taub Center and the Hebrew University.
Data: Processed from Central Bureau of Statistics and OECD.

Professor Ayal Kimhi, Deputy Director of the Taub Center for Social Policy Studies in Israel and an economist at the Faculty of Agriculture of the Hebrew University: "The demand of the Israeli economy for educated and qualified workers increases faster than the rate in which Israeli society provides such workers. The need for educated workers stems from the increased importance of technology-intensive industries in the Israeli economy, and therefore it is likely to continue in the foreseeable future."

Professor Kimhi continues: "The key to narrowing wage gaps in Israel is education. The country should give top priority to providing students, who constitute the labor force of the future, modern labor market qualifications. We are not talking about years of schooling only. Israel has a remarkable record of high-school graduation. We are talking about topics of studies, that should be adequate for the demands of the modern labor market, about the quality of teaching and its effectiveness (e.g., class size), and about a supporting school atmosphere. As we see from time to time in the information about student achievements, Israel is still way off the mark in this regard."

The Taub Center for Social Policy Studies in Israel, headed by Professor Dan Ben-David, is an independent, non-partisan institution for socioeconomic research based in Jerusalem. The Center provides decision makers, as well as the public in general, with a big picture perspective on economic and social areas. The Center's interdisciplinary Policy Programs – comprising leading academic and policy making experts – as well as the Center's professional staff conduct research and provide policy recommendations in the key socioeconomic issues confronting the State.

For details or to arrange an interview please contact publicist Yitzhak Rabihiya, "Rav Tikshoret," cellular phone 054-799-9209.

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