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## THE LABOR MOVEMENT IN ISRAEL

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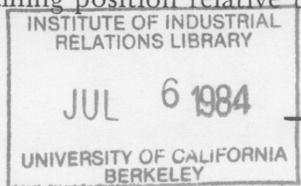
In these difficult times for the labor movement in America, it is important to look at instances where labor plays an instrumental role in shaping society. One such case is Israel, where the Histadrut (General Federation of Labour) has played a vital part in establishing the state and its social and economic institutions. The Histadrut functions as a trade union, with three fourths of Israeli wage earners as members. Its uniqueness, however, lies in its role as a direct producer of goods and services at a level unmatched by independent trade unions elsewhere. Despite some recent setbacks, the combined impact of the Histadrut's various activities is consistent with its founders' commitment to a unique brand of socialism.

**The Labor Economy** – The Histadrut was established in 1920 as an organization dedicated to creating a Jewish homeland along socialist lines. In its early days the Histadrut's most important activity was creating employment opportunities for the small but growing Jewish population in Palestine. Land development played a key role, with the Histadrut providing support to the idealistic pioneers who founded kibbutzim (collective villages) and moshavim (cooperative agricultural villages). It also set up a construction company--still Israel's largest building contractor--for both housing and basic infrastructure projects. In some ways the Histadrut could have been described as a "state within a state," setting up labor exchanges and providing directly for the medical, educational, cultural, recreational, and welfare needs of its members.

Even today the Histadrut serves as an important producer of goods and services in Israel, with its various enterprises employing roughly 25% of the labor force while contributing a similar fraction of GNP. Its Sick Fund provides health insurance and routine treatment to over 80% of Israel's population (*Jerusalem Post*, International Edition, March 4-10, 1984), and kibbutzim and moshavim still dominate agriculture. Producer cooperatives such as the bus company are also affiliated with the Histadrut, as are consumer and agricultural marketing cooperatives.

Of perhaps still greater interest is the role played by Hevrat Ovdim (Workers' Association), the Histadrut's holding company. Since World War II it has established plants producing such vital commodities as rubber, glass, cement, steel, and machinery, in addition to construction activities. Hevrat Ovdim also controls Israel's second largest bank. In theory all of this represents a genuine worker-owned economy, with each Histadrut member possessing one voting share, but in practice effective control rests with managers appointed by top Histadrut leadership. These leaders are chosen on the basis of political party affiliation, with the Labor Party having won every election. Unlike the kibbutzim, moshavim, and cooperatives, Hevrat Ovdim employees have only a limited voice in decisions affecting their own workplaces. In a recent *Jerusalem Post* interview two veteran Histadrut leaders deplored the tendency toward bureaucratization: nonetheless the achievements of Histadrut enterprises in building the Israeli economy have been remarkable.

**The Histadrut as a Union Movement** – The Trade Union Division of the Histadrut was not established until 1941, yet it today plays an important part in determining wage policy in Israel. Formal wage negotiations take place at the national and industry-wide level, with the Histadrut opposed by the Manufacturers' Association. At one time labor's strong solidarity assured its ability to maintain the upper hand against a somewhat fragmented management, but recently the Manufacturers' Association has become an equally cohesive force. A second source of Histadrut strength has been its ability to exert political influence on government economic policies by means of close ties between its own leadership and that of the Labor Party which held power before 1977. Above all the existence of virtually uninterrupted high demand for labor has left the Histadrut in a strong bargaining position relative to management, although it has not always used this advantage to the fullest.



In practice Histadrut wage policies have been plagued by conflicting objectives. As with all unions it seeks to maintain good working conditions and a high standard of living for its members, but at the same time the leadership has often sought to restrain wage and other demands in the national interest. The Histadrut officially promotes egalitarian wage policies, but in practice has generally bowed to political and economic pressures from its more skilled and professional affiliates seeking to maintain wider differentials. While local bargaining is supposedly restricted to grievance procedures, promotion and seniority policies, health and safety matters, and the like, local groups have often managed to circumvent the national agreement by negotiating wage increments in the form of non-monetary fringe benefits, special allowances for "unique" job attributes, and across-the-board promotions. Over the last 15 years there have been numerous wildcat strikes in Israel, particularly among government employees.

One key issue in Israel has been the payment of cost of living allowances (COLAs) to workers. Originally intended as a way of protecting the less well-paid workers from inflation (with upper limits on the size of payments), the COLA has itself become, in the opinion of many economists, an important mechanism for perpetuating inflation. In the 1950s and 60s, with prices rising less than 10% annually, it was sufficient to pay the allowance once a year, with workers catching up fully through the next national agreement. In some years the Histadrut even agreed to forego the COLA entirely. More recently, however, double and triple-digit inflation have forced quarterly payments. In 1974, a balance of payments crisis forced the government to raise taxes, reduce food and fuel subsidies, and devalue the currency. The resulting inflationary spiral has with some justification been blamed in part on the Histadrut's ability to obtain compensation for these initial price increases.

Last October, with Israel facing a new balance of payments crisis, the conservative government began attempting to enforce reductions in both public and private spending. To that end it is apparently allowing inflation to act as a tax on real earnings, and seems willing to tolerate high unemployment in order to weaken labor's bargaining position. The architect of the new policies, Finance Minister Yigal Cohen-Orgad, has repeatedly called for a social contract among labor, business, and government in order to spread the burden of his admittedly tough remedy for the economy's ills. Reductions in subsidies to business would theoretically be offset by reduced labor costs, but to date the Histadrut has refused to participate in such talks, demanding **monthly** COLA payments in light of near-runaway inflation. In the past several months many public employees have struck in order to maintain their real incomes.

Most labor contracts expired on March 31, but any negotiations may be put off until after elections scheduled for July 23. In the past, conservatives have called for the abolition of the labor economy, but this is not expected to be a factor in the current campaign. Still, however, it is clear that the Histadrut would get along with a potential Labor government better than it does with the current authorities. Thus it is conceivable, though by no means certain given rank and file sentiment, that a Labor government would be more successful than the current one in negotiating a social contract. As of now Israeli political observers expect a fairly close election, with Labor rated a slight favorite.

--David Brauer

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