

The State of Organized Labor in Israel

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I. Introduction

Industrial relations in Israel have undergone significant changes over the years. Israel is often still assumed to exhibit an exceptional system in which one major trade union, the General Histadrut, organizes most workers, and whereby coverage of collective agreements is almost complete. While these features appear in other corporatist systems of industrial relations as well, the Israeli case was considered exceptional due to the trade union's extensive ownership of economic activity. Many of the Histadrut's idiosyncratic characteristics in the past were part and parcel of its evolution as an integral part of the Israeli nation-building process. Alas, the historical exceptionality is no longer sustained. Confronted with similar pressures affecting other countries—both internal (e.g., the diversification of the workforce and the move away from traditional industry to services and to more-difficult-to-organize sectors) and external (e.g., pressures of globalization, including the exit of capital and industry and the entry of multinationals as well as migrant workers)—Israel's industrial relations system has been forced to "normalize." Since the 1980s the Israeli system has undergone fundamental change, which is all the more striking in light of its previous total and comprehensive nature. The characteristics of the relatively new system which has emerged are what we seek to unfold here.

We identify the major areas of change, which cover all aspects of industrial relations in Israel—ranging from union density, through the nature of collective bargaining and the state's regulation of the bargaining partners, to changes in the legal environment, strike activity and inter-organizational processes. We argue that all the changes should be understood as derivatives of the transition from a system that most resembled corporatist systems, sharing features with countries such as Austria, Germany, and Belgium, to a much more pluralist system, hence more similar to that in the United States. These changes account for the decline in membership rates and the coverage of collective bargaining, for the decentralization of bargaining, for the growing use of state regulation and the courts, and for the declining use of self-administered systems of dispute resolution, growing importance of nonunion modes of representation, and general fragmentation of what was in the past an exceptionally strong and centralized system. Before presenting these changes in detail, we must therefore briefly present the pre-1980 system and its transformation.

II. *Israeli Corporatism and Its Breakdown*

Until the early 1980s, the Israeli industrial relations system was based on corporatist premises and modeled on European systems. The General Federation of Labor (hereinafter: Histadrut)¹ unionized a large portion of the workforce; the Labor Party was in power; and there were close ties between the Party and the Histadrut. Most employers were organized in over 20 employers' associations, which were coordinated by the Economic Organizations Coordination Bureau. Although the Histadrut, which was clearly the dominant player in the tripartite system, was never fully comparable in substance to trade unions in a corporatist system (Shalev, 1992), the general structure of interests' representation allowed wage policy in Israel to be based on the corporatist principles of cooperation between the state, national employers' associations, and the Histadrut as the representative of most workers (Shirom, 1983).

The corporatist system sought to establish wages and work conditions through negotiated settlements among the social partners, with a strong interventionist position taken by the state. This required consolidating the representation of workers and employers into a centralized and concentrated system. Evidence for the consolidation of the corporatist structure until the late 1970s is the high proportion (about 80–85 percent) of workers who either were members of the Histadrut or covered by collective wage agreements (Cohen et al., 2003). Moreover, only 5 percent of salaried workers were organized in trade unions that were not part of the General Histadrut. Employers' interests were represented by employers' associations, which included the vast majority of all enterprises in the heyday of the corporatist system. Union membership was encouraged by the state's delegation of social responsibilities and economic activities to the General Histadrut (the Ghent System). Consequently, the Histadrut's power rested on four pillars: (a) its political alliance with the Labor government, which was in power uninterruptedly from 1948 to 1977; (b) its vast economic activity, which made the Histadrut the largest non-state employer in Israel; (c) its control over the pensions market; and (d) its almost monopolistic position in the provision of health care.

The old system of industrial relations in Israel can be treated both in terms of exceptionality and in terms of familiar models, such as corporatism. On the one hand, the high membership and coverage rate, the emergence of nationwide bargaining, and the use of extension decrees to extend agreements *erga omnes* (outside of the natural domain of bargaining) all fitted well into the corporatist model. All the same, there were important signs of divergence. The split between bargaining in the public and private sectors indicated one aspect of the exceptionality of Israel's old corporatism. This "split corporatism" (Grienberg, 1991) implied that in the private sector, where the weaker unions were concentrated, the Histadrut could practice corporatist wage restraint. In the public sector, by contrast, where strong professional unions and national workers' committees were concentrated, the Histadrut supported demands for wage increases in an attempt to secure the support of these powerful labor strongholds within the Histadrut. A second unique feature of Israel's corporatism was the dual role of industrial relations—to uphold not only social and economic but also nationalist objectives. The industrial relations system, which was established before statehood, was

recruited to the task of nation-building. Consequently, the objective of building and maintaining a Jewish State was sometimes in tension with that of social solidarity, most evidently affecting the Arab workers who are citizens of Israel and, from 1967, also the Palestinians workers from the Occupied Territories. Finally, substantive indicators of corporatism—such as a low rate of industrial strife—were never really displayed in Israel.

This corporatist system, however exceptional, began to disintegrate in the late 1970s. It is difficult to pinpoint the exact period of time in which this happened. For example, nationwide bargaining over and above the sector level (economic pacts including price-wage agreements) was only achieved in the early 1970s. Just as it seemed that the Israel corporatist model was about to be perfected, however, the first signs of its breakdown began to appear. In the mid-1970s a decline in nationwide sector-level collective bargaining began, in tandem with the rise of independent wage policies at the occupational and workplace levels and the strengthening of the Histadrut's local branches (Brauer, 1990; Kristal, 2002; Sussman and Zakai, 1996, 2004). Most of the decentralization occurred during a relatively short period of five to ten years between the mid-1970s and mid-1980s. Since 1987 there has been no further trend towards decentralization, nor was such a trend detected before the early 1970s (Kristal, 2002). A year or two after the beginning of decentralization, the Histadrut lost its political support with the cessation of the Labor Party's hegemonic reign after the right-wing Likud Party came to power in the 1977 elections. This change did not immediately affect the government's policy or its relationship with the Histadrut, but by the mid-1980s the changing political circumstances significantly shaped the role and position of the industrial relations system in the Israeli political map (Grinberg and Shafir, 2000). Starting in the early 1980s, the membership rates of workers in trade unions began to decline, a decline that has not halted ever since. Changes in the system of labor regulation began in the late 1980s, with the intensive legalization of what was until then the autonomous corporatist sphere of collective bargaining. The withdrawal of the Ghent system in the mid-1990s, by means of privatizing the pensions market and detaching health care provision from union membership, seems to have marked a peak in an ongoing process (Harel et al., 2000). In sum, just as the corporatist system began to adopt all of the central features of corporatism, it also began to gradually strip itself of its corporatist features.

Many reasons account for the gradual eradication of the corporatist pact, but accounting for their relative share and causal sequence lies outside the scope of this study. The co-existing exceptionality and corporatism of the Israeli model, as described above, also assists in understanding the nature of the transformation. Some accounts identify processes that have characterized most developed countries, and particularly those with a centralized system: globalization, decline of traditional unionized industries, and increased workers' heterogeneity (Harel et al., 2000; Zussman, 1995). Other explanations are rooted in the idiosyncratic nature of the Israeli industrial relations system and the Histadrut, whose four pillars—the political alliance with the government, economic holdings, and monopolist positions in the pension and

health care markets—have gradually eroded since the late 1970s (Cohen et al., 2003; Grinberg and Shafir, 2000).

III. *Trends in Membership and Density, 1980–Present*

Changes in Membership and Coverage among Employees. The transition in the Israeli system, away from its corporatist nature towards a pluralist model, can first and foremost be observed in the changes in union density which has affected both the rate of union membership and coverage of collective bargaining, as well as the pace of decline in these two indicators of union density.

The Israeli industrial relations system has always maintained a distinction between coverage and membership. While membership in a trade union is voluntary, the coverage of a collective agreement is determined by law so as to achieve comprehensive coverage. This structural distinction between membership and coverage accounts for the uneven decline in union membership and union coverage during the process of transition. According to the latest available evidence (Cohen et al., 2003), in 1981 79 percent of wage and salary workers were members of the Histadrut. Seven years later, in 1988, membership in the Histadrut had dropped by 11 percentage points to 68 percent, and in 1992 it reached 65 percent. By 1996, about a year and a half after the 1995 health care reform, the membership rate had sunk by an additional 16 percentage points, to 49 percent. In sum, during the 15 years between 1981 and 1996, the General Histadrut's membership rate among salaried workers dropped by about 30 percentage points, from 79 percent to 49 percent. About half of this decline, 14 percentage points, occurred during 1981–1992. The other half occurred between 1992 and 1996 and can be attributed to the health reform law. However, during these years total union membership was somewhat higher than the above figures, as 5 percent of Israel's workers were members of independent unions not affiliated with the Histadrut. Historical estimates for coverage are not readily available. However, in the pre-1980s period, the coverage rate was the same or slightly higher than membership and stood at around 80–85 percent (Shirom, 1983).

The latest available data for union membership and coverage were collected in 2000 based on a representative sample of workers' self-reports about membership and coverage; these results were corroborated by figures provided by the Histadrut and independent unions (Cohen et al., 2003). In 2000 the total membership rate in the Histadrut or independent unions was 45 percent; coverage stood at 56 percent of wage and salary workers. Using a 4-cell typology for coverage and membership, 36 percent were both members and covered, 20 percent were only covered, 10 percent were only members, and 34 percent were neither members nor covered and hence complete "outsiders" to the industrial relations system. Apparently, coverage rates have not dropped at the same pace as membership. The difference between the two is a result of persisting sector-wide agreements in the private sector as well as agreements that cover the whole public sector. While there have been instances in which employers terminated collective agreements that were signed at the enterprise level and instances of employers who withdrew from employers' associations to avoid the continuation of the collective agreement,² central-

ized agreements tend to be more “sticky” and less sensitive to changes in membership rates. As the journal went to press we received initial results from a new survey, suggesting that by 2006 union membership is only about one-third of wage and salary workers, while coverage of collective agreements has remained at its 2000 level.

In addition to the overall decline in union density, the share of membership in independent unions outside the General Histadrut has increased over the years, especially in the last decade. In 2000, the share of the General Histadrut among salaried union members in Israel was about two-thirds, compared to 95 percent until 1990 (Cohen et al., 2003). By 2000, nearly 20 percent of union members in Israel were affiliated with independent professional unions (two teachers unions, the unions of the junior and senior academic staff in the state-owned universities, the medical doctors and the small union of journalists). The remaining 14–16 percent were organized in the National Histadrut, which was relatively marginal in the past but currently is gaining membership quickly, although its functioning in collective bargaining has yet to be tested outside its current engagement (together with the General Histadrut) in the employment of workers by temporary work agencies.

Membership in a union is therefore currently a very nebulous status. Unlike in the heyday of the corporatist system, when the core of the union’s activity was conducted under the umbrella of statewide negotiated agreements, the system is currently more decentralized. Different organs of the Histadrut, as well as unions outside the Histadrut, provide varying levels of representation with a greater variance of strategies, and consequently outcomes.

Changes in Occupational and Industrial Composition. The main change in the industrial composition of the Israeli labor movement between the early 1980s and mid-1990s was the widening gap between Histadrut members in the public and private sectors. While 71–73 percent of public-sector employees reported in both 1982 and 1996 that they belong to the Histadrut, membership in the private sector declined from 46 percent in 1982 to 19 percent in 1996 (Haberfeld, 1995; Harel et al., 2000).

As demonstrated in Table 1, which is based on the 2000 survey (Cohen et al., 2003), membership remained relatively high in public utilities, education, health, and welfare—all of which are predominantly in the public sector. In the private sector union membership remained high in banking and manufacturing. By contrast, low-wage sectors have become predominantly nonunion. This is highly visible in agriculture and construction, where migrant workers currently are a large share of the workforce. Similarly, in the various services and in small trades, where atypical forms of employment prevail, including temporary, casual, or seasonal contracts and employment through intermediaries such as temporary work agencies—the rate of union membership is relatively low. Similar findings can be identified by observing occupational differences, whereby the top occupational groups of academics and professionals are the most organized of all occupations, in part because they are overrepresented in the public sector (mainly education and health professionals) and the finance and banking industry.

Table 1

*Union Membership^a and Coverage^b Rates among Wage and Salary Workers
by Industries and Occupations, 2000*

	Percent Members	Percent Covered
<i>Industry</i>		
Agriculture	22.2	33.3
Manufacturing	56.2	57.5
Electricity and water ^c	60.0	80.0
Construction	36.4	22.7
Wholesale and retail trade, and repairs	37.5	39.3
Accommodation services and restaurants	36.4	39.4
Transport, storage, and communication	41.5	49.1
Banking, insurance, and finance	61.8	61.8
Business activities	32.1	30.8
Public administration ^c	49.2	81.0
Education ^c	62.7	81.4
Health, welfare, and social work services ^c	54.2	68.1
Community, social, and personal services	15.4	38.5
<i>Occupation</i>		
Academic professionals	58.8	73.2
Associate professionals and technicians	45.5	58.4
Managers	51.9	48.1
Clerical workers	44.6	53.2
Agents, sales workers, and service workers	29.4	44.0
Skilled workers	58.8	61.2
Unskilled workers	38.6	40.9
Total	45.2	56.1

Notes: ^aMember in the Histadrut or in trade union. ^bCovered by collective agreement, paying union dues, or worker' committee exists in the establishment. ^cMost workers in the industry belong to the public sector.

Changes in Employers' Membership Rates. In comparison to the decline of membership and coverage rates of employees, the decline of membership in employers' associations is even more striking. A recent survey found that only about 45 percent of the employers are still linked to the collective industrial relations system (Haberfeld et al., 2006). This compares with sporadic evidence regarding the past, when it was estimated that more than 80 percent of the employers were members. However, what may seem to be a relatively contained decrease is actually an overly generous construction of membership rates. Only 18 percent of the (private) employers have actually signed a collective bargaining agreement. Another 17 percent have a collective agreement in force in their workplace because of their membership in an employers' association. This latter group does not complement the sector-wide agree-

ments with enterprise-based agreements, and in some there is no active workers' committee to manage the day-to-day industrial relations. The remaining 10 percent of employers to whom collective agreements apply are not members of an employers' association and have not negotiated a collective agreement themselves. Collective agreements apply to this group only by virtue of extension decrees.

Thus, in the private sector, employers' active endorsement of a collective relationship seems to have become the exception rather than the rule. Moreover, the decline in membership and active support among employers is more severe than among employees. Given that coverage of collective agreements is mainly a function of employers' membership in employers' associations or the signing of individual (enterprise-based) collective agreements, the data on employers' abstention from the collective system indicate future decline in coverage.

IV. Changes in Labor Laws and Policies at the National Level and Key Sub-Divisional Levels, 1980–Present

The system of labor market regulation has changed dramatically since the corporatist heyday of the Israeli system (Mundlak, 2007). These changes are not readily apparent at first, as the process of change was not grounded in a broad legislative reform, as in other countries, such as Australia or New Zealand. The change has been incremental and dispersed in the various areas of labor law.

Generally, the old system of regulation was based on the principle of corporatism, i.e., the role of the law was to secure an autonomous space for the social partners (trade unions and employers' associations) to self-regulate the labor market through broad collective agreements that covered whole sectors and even the entire market. The law of collective bargaining was minimal, leaving discretion to the bargaining agents. However, in resonance with the prescription of corporatist negotiations, statutory and case-law sought to ensure a high level of centralization and concentration. Thus, the law imposed severe barriers on breakaway unions or the establishment of trade unions outside the General Histadrut. Moreover, the law eased the requirements for negotiating broad collective agreements—agreements extending beyond the single enterprise or workplace. Until the 1970s the law did not intervene in strikes, and legal requirements once erected, were concerned with procedural safeguards regarding the use of industrial action but did not reduce the scope of permitted action.

Direct regulation by means of statutory labor standards was limited in scope, usually adopting practices that were already established in collective agreements, ensuring a minimum baseline for all workers in the state so as to avoid competition with unionized sectors. Two central areas of regulation, wages and protection of dismissals, were regulated to a very limited extent. The state sought to ensure the comparative advantage of collective agreements over regulation, guaranteeing that these two core issues would continue to be administered solely by collective bargaining. The primacy of the collective sphere over state regulation and individual contracts was encouraged through various instruments. For example, extension decrees allowed the Minister of

Labor to extend collective agreements outside the natural domain of the agreement, and sometimes even to the state as a whole. Until 1987 the minimum wage was regulated by collective agreements that were extended by the Minister of Labor to guarantee full coverage of the minimum wage without direct intervention of the Israeli parliament.

The changes in the system of regulation began in the late 1980s, several years after the beginning of the decline in the corporatist industrial relations system. Two major trends are particularly noteworthy. The first is the replacement of collective bargaining by an increasing use of the state's power to directly regulate the labor market. Second, in the sphere of collective labor law there has been a change in the function of law from securing the bargaining partners' autonomy to a more interventionist role by the state in regulating and governing the bargaining process and its outcomes. We will briefly demonstrate each of these two trends.

With the decline in the scope of collective bargaining and the weakening of the collective norm, a growing share of workers was found to have very little protection in the labor market. This is often described as a process of privatization in the labor market, where collectively negotiated norms are replaced by individually bargained contracts that are governed by market forces. At the same time, privatization has been complemented by a growing intervention of both the legislature and the labor courts in the area of mandatory labor standards. While statutory intervention in the area of wages has remained limited to the establishment of the minimum wage, this trend is much more visible with regard to the law of dismissals. In this area, both the legislature and the labor courts have been gradually eroding the prevailing doctrine of employment at will (according to which an employer can dismiss the worker for any reason). In the past, the multitude of exceptions to employment at will were rooted in collective agreements, but these no longer cover many workers, and the extent of *de facto* protection accorded by agreements has also been in decline. The legislature's role has been mostly to fashion exceptions related to equal opportunities, prohibiting dismissals that are discriminatory in nature or related to parenthood. Other exceptions have secured the rights of workers not to be dismissed for reasons related to their attempting to organize a trade union or for whistleblowing. The labor courts, relying on general doctrines of private law, have established more general exceptions related to the workers' life cycle, such as protection from dismissal shortly after hiring or at a late stage in the career without taking into consideration the employees' vested interests at work. More generally, the courts have hinted at a move away from an "employment at will" dismissals policy to a "just cause" regime, replicating similar processes that have taken place, for example, in the United States (Schwab, 1993). Not only were these protections offered as a supplement to the gains of collective bargaining, but they were also held to substitute for whatever rules formerly prevailed in collective agreements. In this process, the emphasis of employees' protection was transferred from the collective sphere to that of individual rights.

Similar processes can be traced in other fields of employment regulation. In many areas, new employment issues are being regulated by individual rights. These include

the scope of the employment relationship (which is covered by employment protection), as well as the regulation of atypical contracts, most notably those that are engaged in a trilateral relationship such as temporary employment agencies. Another area of extensive growth in regulation is the prohibition of discrimination and the guarantee of equal opportunities, covering common prohibitions on discrimination at work, as well as establishing more proactive methods such as affirmative action, comparable worth, and accommodation mandates. Further regulation has been established in the sphere of civil liberties, guaranteeing freedom of speech, protection of privacy, freedom of occupation (and restrictions on covenants not to compete), and the like.

Despite the massive transition from collectively negotiated norms to securing individual rights in law, the promise of individual rights remains to a large extent unfulfilled. First, not all assignments of rights and duties have been particularly conducive to the workers interests, as was the case for instance in the area of temporary work agencies (Raday, 1999). More severe is the problem of slack enforcement of rights in Israel (Davidov, 2006). In the absence of a strong trade union, workers are encountering grave difficulties in securing their own rights. Public means of enforcement (e.g., labor inspectors) are poorly funded and utilized. Private means of enforcement, namely lawsuits, are expensive and lengthy, and the outcomes, which usually carry no penalties but only compensation for damages successfully proved in court, are not enough to justify the costs. More generally, the legal *process* has not successfully shouldered the task of providing collective protection despite the development of protective substantive standards.

The second visible trend since the late 1980s is the changing role of collective labor law (Mundlak, 2007). While the law in the past secured the autonomous nature of collective bargaining, it is at present engaged in regulating the process of bargaining and its outcomes. The reason for this change in the law's objectives can be attributed mostly to the bargaining partners' difficulty in resolving their conflicts within the industrial relations system. They no longer need a facilitator, but rather a powerbroker who can administer rights and duties. This can be observed throughout the whole process of bargaining. The courts, and later the legislature, had to develop rules regarding the organization of workers, securing the right to organize a trade union, and determining the most representative union over and above the thin indications provided in the wording of the law. This task was particularly important in a number of disputes where employers started deploying "union-busting" strategies. Similar rules were therefore also necessary in cases where employers sought to terminate the collective bargaining relationship, including all existing agreements, or to separate themselves from employers' associations and the agreements they sought to impose on their members.

The courts further developed rules that regulate the bargaining process, including the duties to disclose information and to bargain (but outcomes have not been mandated). Particularly important was the court's engagement with the law of strikes. Whereas in its initial years the Labor Court was primarily concerned with designing the rules of the game"; more recently it has moved to distinguish between permitted and unlawful forms of strike, on the basis of the strikers' substantive claims. This was

significant in the Court's development of the doctrine on political, quasi-political, and non economic strikes. More recently the Court has also had to regulate new methods of employers' self-help responses, such as dismissals in times of strike, outsourcing of production, and hiring of replacement workers.

Finally, the new collective labor law has also intervened more frequently in the content of collective agreements, primarily when collective agreements have interfered with individual rights, particularly in the area of non discrimination. At other times, the Court has produced various decisions that try to promote individual rights without undermining the collective's decision. Most recently this has also been a concern of the legislature, which exempted establishments with collective agreements from the coverage of a new law on class action suits, holding that when formalized methods of collective labor representation exist, they should override alternative *ad hoc* forms of collective representation. The extent of this exemption is now being debated in the courts, demonstrating the current challenges to the emerging system of labor regulation.

V. Trends in How Unions Affect Wages and Other Economic Conditions

In the past, the corporatist characteristics of the industrial relations system could explain the absence of significant wage disparities between union and nonunion workers. While union members earned slightly more than their nonunion counterparts in the early 1980s, the difference was not statistically significant (Haberfeld, 1995). Not surprisingly, wage regressions including membership in the General Histadrut and a series of standard controls for human capital, occupations, and industries failed to detect an independent union effect on 1982 earnings (Haberfeld, 1995). Apparently, the high rates of membership and direct coverage, together with the indirect coverage by extension orders, suppressed any wage difference between union and nonunion members with similar attributes. The General Histadrut's position as the second largest employer (after the state) also ensured a certain level of restraint on its part in negotiating collective agreements, thereby lowering union wages.

By the beginning of the 1990s, when the industrial relations system in Israel had dramatically changed, a growing wage gap between organized and unorganized workers should be detectable. However, preliminary findings indicated that during the process of change, those who remained members of the General Histadrut did not fare any better than nonmembers. Controlling for the same earnings determinants as Haberfeld (1995), Harel et al. (2000) failed to detect any effect of Histadrut membership on the earnings of salaried workers in 1996. However, this failure to detect a wage effect for union members may be due in part to the fact that membership in the General Histadrut was used as the sole indicator for unionization. As explained in Section III, the decline of corporatism requires a distinction between union membership on the one hand and coverage by collective agreements on the other.

As demonstrated in Table 2, the distinction between coverage and membership reveals the consequences of corporatism's decline. In 2000 the highest wage level

Table 2
Mean Monthly Earning of Workers by Membership and Coverage, 2000
 (Standard Deviation in Parentheses)

Status	Not Covered	Covered
Not Members	5,848 (5,937)	5,454 (4,798)
Members	4,887 (3,151)	6,018 (4,096)

Note: Figures are in New Israeli Shekels (in 2000, 1 \$US = 4.50 NIS).

Source: Cohen et al. (2003).

was found for workers who were members and covered by collective agreements, followed by those who were total outsiders to the collective system (not members and not covered). However, the group of outsiders displays a high standard deviation, indicating that it includes both very well compensated workers (e.g., in the high-tech sector) and very poorly paid workers (e.g., in services). Workers who were covered by collective agreements but not members received lower wages, but the lowest wages were accorded to those who joined the trade union as members but remained uncovered by collective agreements. Thus, coverage is more important than membership, and the true wage effect of belonging to the organized sector requires the combination of both coverage and membership.

In regressions including controls for education, occupation, industry, and other earnings determinants, the wages of workers who were either covered or both covered and members were higher than those of other workers (though the coefficients were statistically significant only among women) (Cohen et al., 2002). Apparently, with the decline of corporatism, the disaggregation by membership and coverage does display a union premium that is more typical of noncorporatist regimes, in which bargaining is localized and decentralized. These findings resonate with those of recent studies conducted in Great Britain and the United States, which revealed that membership and coverage yield different estimates of the union effect on earnings (Andrews et al., 1998; Schumacher, 1999; Hildreth, 2000). Possible explanations of these differences include the weakening of unions' bargaining power by "free-loaders" who are covered but not members, and differences in preferences for non-wage outcomes (e.g., pension plans, job satisfaction) between members and covered workers.

The effects of unions on workers' income, however, are not limited to earnings. Fringe benefits, which are rarely included in earnings studies in Israel, are also affected by unions. Using data from Israel's revenue division, Kristal (2007) shows that employers' contributions to the most common fringe benefits in Israel—workers' pension and training funds (which are effectively a deferred compensation scheme)—were significantly more prevalent among union members than among other workers.

While the precise union effect on individuals' income must await new data, there is ample evidence that all workers, members and nonmembers alike, earned more due to the General Histadrut's power. Analyzing annual average real earnings among salaried workers, Nathanson and Zisser (1997) found that an increase of one percentage point in the unionization rate during 1959–1993 was associated with a rise of about one percent in the overall average real earnings of salaried workers. Moreover, the gradual move from a 45 to a 43-hour workweek during the years 1995–2000, by means of centralized collective bargaining for which an extension decree was issued by the Minister of Labor, shortened working hours without lowering pay, hence increasing the compensation per hour of work. However, collective bargaining affected not only the general level of wages, but also their distribution. Declining union density as well as the decentralization of collective agreements since 1970, in particular the decline in the use of extension decrees, were found to be responsible for as much as one-third of the rise in Israel's earnings inequality, which by 2004 was on par with the levels in the most unequal countries in the Anglo-Saxon world (Kristal and Cohen, 2007).

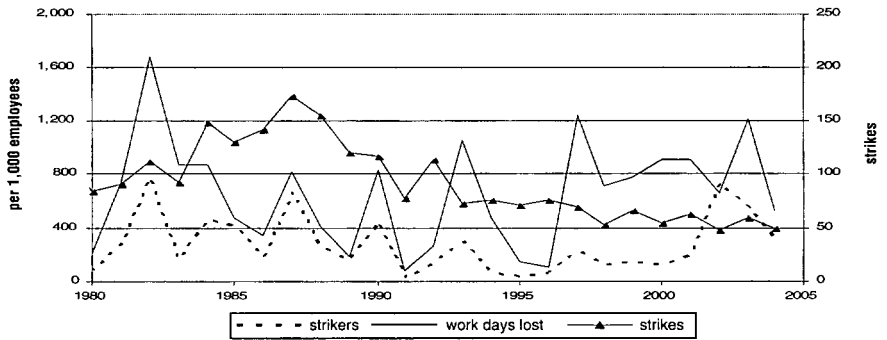
VI. Trends in Strikes and Other Disputes as well as Dispute Resolution Methodologies

The annual number of strikes in Israel from the early 1980s to date exhibits an inverse U shape. There was a rise from 84 strikes in 1980 to a peak of 174 strikes in 1987, with subsequently a gradual decline in their number, down to less than 50 strikes per year at the present time (Israel, 2005, Figure 1a). The number of slowdowns varied as well, but without any clear pattern (Israel, 2005).

However, the indicator of number of strikes might be misleading because it does not provide an indication of their intensity. For that purpose, Figure 1a presents the annual number of strikers and the number of working days (per 1,000 workers) that were lost due to strikes. By these measures, the intensity of strikes in Israel in the past 20 years has been very high relative to countries in Western Europe, United States, Australia, New Zealand, and Japan (Mundlak, 2004). Over time, there have been two relatively long periods of intense strike activity in Israel. The first of these was during the years of hyperinflation (1981–1984) in which, on average, more than one million days were lost each year. Second, since 1997 we have again been observing large numbers of strikers and working days lost as a result of strikes. This peak can be explained by the Histadrut's exercising of the so-called "general strike" in the public sector as a weapon. These large-scale strikes resulted from high unemployment rates in the Israeli labor market (around 10 percent) and privatization and nonstandard employment practices initiated by the government. Furthermore, unprecedented long-term strikes, lasting sometimes for months, in the public sector (e.g., social workers, psychologists, physicians, and municipal employees) have affected the overall number of strike-days lost. Finally, the persistence of industrial action can be attributed to the political climate in which the traditional social partners, particularly the General Histadrut, have been referred to by the Minister of Finance as a "ticking bomb," consequently pushing the Histadrut into a defensive corner.

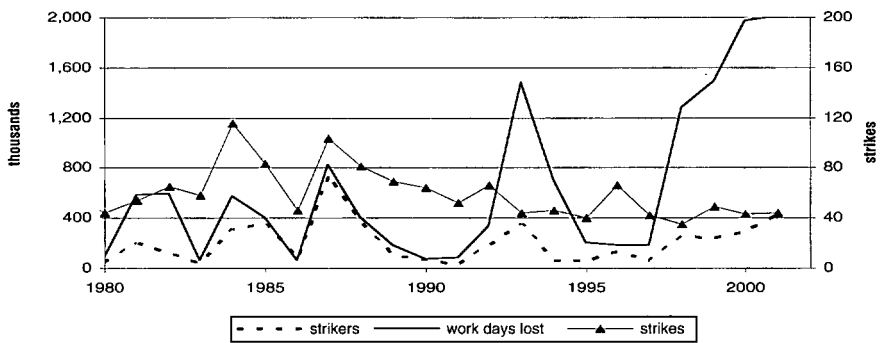
Figure 1
Strikes, Strikers, and Workdays Lost, 1980–2004

a. *Whole Economy*



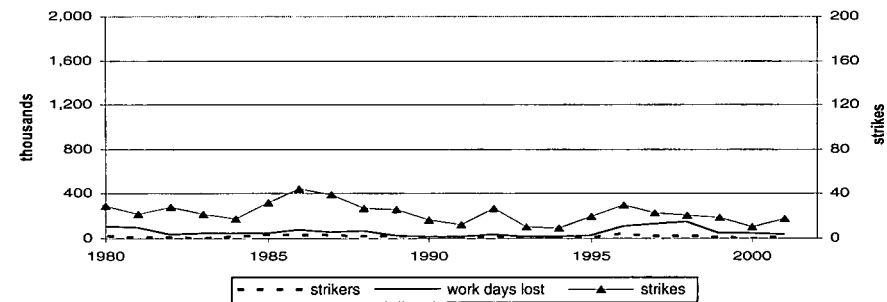
Source: Statistical Abstract of Israel, 2005.

b. *Public Sector*



Source: Data on strikes from Industrial Relations Department in the Labor and Welfare Ministry.

c. *Private Sector*



Source: Data on strikes from Industrial Relations Department in the Labor and Welfare Ministry.

The prevailing political climate has led to the popular argument that Israeli trade unions have always been, and continue to be, extremely militant in their strategies and inconsiderate of economic constraints. This has been buttressed by the observation that there are hardly any strikes in the private sector (Figure 1c), and most of the strikes take place in the public sector (Figure 1b). However, an alternative explanation points at the almost total elimination of any alternative methods of dispute resolution in the public sector. The corporatist industrial relations system crafted methods of dispute resolution that included compulsory mediation, voluntary arbitration, and mandatory arbitration by means of a collective agreement for certain segments of the public sector (Ben-Israel and Mironi, 1989). The data indicate that these methods have hardly been utilized over the past ten years or longer (Mundlak, 2004). Moreover, informal methods of political deliberation over economic and social reform have been ousted in favor of the centralized and unilateral initiation of economic reforms by the Ministry of Finance. Under these circumstances, the trade unions have been marginalized and the use of strikes has remained their favored approach, or, more aptly—their sole feasible response. Current patterns of strikes are therefore a symptom of the crisis in the traditional institutions established in the past by the corporatist system.

The only remaining effective form of dispute resolution for industrial relations is the system of labor courts, which have jurisdiction over all individual and collective labor disputes. Consequently, the continuing use of strikes on the one hand and the ongoing reliance on the labor courts on the other have been part of the process described in previous sections, whereby industrial relations are being replaced by a more legalistic relationship that determines the rights and powers of the parties to the dispute on the basis of legal means of communication rather than industrial mediation of interests (Mundlak and Harpaz, 2002).

VII. *Inter-organizational and Transnational Union Alliances and Formulations*

Israel's geopolitical position has secluded it from the regional alliances that characterize other regions such as North America and the European Union. Thus, while the challenges of globalization have affected Israel adversely in the same way as other developed economies, the solutions of mutual coordination and cross-border organization and standardization, partial as they may be, have remained unexplored.

There are, however, two interrelated trends to note: one internal, the other more transnational in nature. The first is the gradual rise of new forms of workers' representation outside of the trade union movement (Mundlak, 2007), which include mostly NGOs, functioning in civil society. They are part of a growing human rights movement that reaches beyond the traditional sphere of individual liberties. While human rights organizations in the past have focused on civil liberties, since the beginning of the 1990s, as a result of growing neo-liberal tendencies, growing social inequality and the decline in the corporatist nature of social policy making in Israel, they have also turned their attention to social and economic rights. These NGOs focus their attention on the advancement of rights for particular categories of workers. Some focus only

on demographic and identity groups (women, minorities, gays and lesbians, the elderly), while others focus on low-wage workers generally. Their strategies are mostly legal, at two distinct levels: either bringing test cases to the courts, or providing advice and legal representation with regard to day-to-day fulfillment of rights at the workplace (e.g., in cases of withheld wages, unfair dismissals and the like). Moreover, some of the organizations engage in political lobbying to improve the enforcement of labor standards, and others are involved in raising public awareness, for example through demonstrations and shaming techniques. None of these strategies matches the comprehensive nature of trade union representation, but these actions partially fill the void that was created with the decline of trade union representation.

The role of NGOs has been particularly useful with regard to the second, transnational trend: the large share of migrant workers in Israel, which since 1993 has reached approximately 10–12 percent of the workforce (a higher rate than in all counties of Western Europe save Switzerland) (Bank of Israel, 2005). The entry of migrant workers weakened the labor movement in sectors where such workers have been concentrated, such as construction and agriculture. However, the Israeli trade unions did not adapt to the transnational workforce and did not recruit these workers. Instead, the General Histadrut has preserved its restriction on non-Israeli citizens from joining as members of the trade union. Actions on behalf of the migrant workers were few and sporadic, and sometimes not in the interest of the migrant workers themselves. Several NGOs have taken over the representation of these workers. In some cases they have also forged alliances with state- and non-state agents in other countries. For example, one organization has relied on the U.S. State Department to exert pressure on Israel to act against the trafficking of persons (Levenkorn and Dahan, 2003). Another NGO, the Workers' Hotline, has tried to forge connections with NGOs in the Philippines and other labor-exporting states to coordinate the protection of transnational workers.

Together, these two trends aptly demonstrate the shift away from the state-centered corporatism, in which bargaining was negotiated by comprehensive representatives and intended to cover all the workers in Israel, to an emerging post-corporatist alternative. On the one hand there is a growing network of multiple local agents that deal with partially overlapping, merging, and conflicting communities of interests within the state. On the other hand there are growing global connections, among businesses but, as demonstrated here, among workers and NGOs as well. Hence, the global and the local partially bracket the state-centered mode of bargaining.

VIII. *Future Directions and Alternative Scenarios*

In terms of membership, Israel's current rate is higher than that of the Anglo-American systems (United Kingdom, Canada, Japan, and United States), and even higher than some of the European systems (higher than Germany and France and similar to Austria). In terms of coverage, however, Israel's rate has sunk to a level that no longer matches levels of coverage in European corporatist states. Israel's idiosyncratic position and the scope of change seem to point to the Israeli system's being in transition. In

some respects Israel is adopting the characteristics of the American industrial relations system, while in others it retains some of the corporatist features of the past.

In many respects, the Israeli system can already be said to have been "transformed." As has been demonstrated here, membership and coverage have declined considerably. Economic inequality has been on the rise and has been proved to be correlated with the decline of collective bargaining, centralized bargaining, and union membership. Industrial strife remains high and even more volatile, highlighting the failure of the previous corporatist system of disputes resolution. Full employment is no longer a policy objective. Migrant workers and a growing reliance on precarious employment arrangements (most notably temporary work agencies) sustain the imperfect nature of Israel's past model of corporatism. Autonomous regulation of the labor market by comprehensive collective bargaining has been supplanted for by a growingly legalistic environment of rights and duties.

The distribution of workers according to membership/coverage status aptly demonstrates this change. Not only has the General Histadrut ceased to be a central social and economic institution for the population as a whole, but its impact as a trade union for salaried workers is also currently confined to identifiable groups, such as the public sector and workers in industry. Thus, the ubiquitous reign of the social partners associated with corporatism and its alleged benefits no longer prevails.

The map of trade unions is less political than it used to be in the corporatist heyday, and clearly is no longer affiliated with the political elites as in the past. The labor representation of interests has also become more fragmented. The failed organizing attempts have also led to the easing of the rules on the entry of new unions, as well as intensive (yet not particularly effective) regulation of workers' attempts to organize.

Some rival unions are trying more eagerly to enter the industrial relations system and engage in collective bargaining. This is most evident with regard to the National Histadrut. Moreover, the enormous Elementary School Teachers Union left the General Histadrut and has become independent in 1997. A further attempt at internal fragmentation was thwarted in 2006 when the Service and Clerical Workers Union tried to separate from the Histadrut. Despite this failed separation, whether the Histadrut will be able to preserve its unity remains to be seen. As a general proposition, it seems fair to say that the trend in Israeli labor representation is tilted more towards fragmentation than amalgamation.

Predicting whether any of the unions (except those organizing the teachers and small professions) will succeed in recruiting new workers, particularly in unorganized sectors and workplaces, is more difficult. Otherwise stated, whether there is any potential for membership growth is questionable. Workers' preferences for unionization are not straightforward. On average, workers' preferences for membership and coverage matched actual rates in 2000 (Cohen et al., 2003). However, a comparison of their preferences with their current status on membership and coverage showed that there are nearly as many union workers (members and/or covered) who prefer working in a

nonunion environment, as nonunion workers who prefer working in the union sector. Evidently, the system has not stabilized yet and further changes are likely. Yet there are currently very few efforts to channel any resources towards organizing new workers, and there is no evidence that the declining trend in membership and coverage has reversed or even stabilized. The few organizational attempts that have been made have been enterprise-based, thus departing from the traditional patterns of sector-wide bargaining. Consequently, they were also strongly resisted by employers fearing a high union wage premium and did not materialize in a collective agreement, and in most cases not even in a lesser form of collective relations.

These cases also pointed to the changing role of regulation with regard to the identity of labor representatives. Whereas in the past the law—particularly the case-law written by the Labor Court—sought to ensure the dominant position of the Histadrut, as well as the concentrated and centralized nature of its representation, it has become more liberal since the mid-1990s. Yet, while the law grants more leeway to new unions, it has become more difficult to effectively unionize workers. The slight deregulation and greater flexibility of rules with regard to the identity of the “most representative” union has been replaced with a new body of law on the limits of employers’ strategies in times of workers’ efforts to organize.

At the same time, the verdict regarding the future is uncertain. Labor market institutions tend to be “sticky” and the corporatist nature of old institutions has not disappeared. For example, in response to the recent Lebanon war of 2006, a broad collective agreement was promptly struck to regulate the compensation for those who were not able to attend their work during the war. The regulation of workers through temporary work agencies in the private sector is currently conducted under the aegis of a nationwide collective agreement to which an extension decree has been issued. The Labor Courts system, in which there is a trilateral corporatist representation of interests (judge, labor representative, and employers’ representative), succeeded in refuting an attempt to discredit its achievements in 2005. Any claim that analogizes the Israeli system to the American one is therefore an oversimplification.

In view of the various forces that are currently maneuvering between change and tradition, the more likely scenario for the future seems to be the partial Americanization of the Israeli system. This will be particularly evident if bargaining becomes enterprise-centered. Under these circumstances, even a proactive policy of organizing new workers is not likely to achieve major gains for the trade unions, nor is it expected to transform the current wilting of the collective bargaining system. However, the current attempts by the bargaining partners to sustain some form of centralized negotiations and cooperation, as well as unity on the employers’ and the trade unions’ side, suggest that there may be an alternative scenario. While clearly the old system will not be revived, the newly emerging one may present a hybrid between pluralist (United States) and corporatist (Western European) systems. As noted, Israel never fitted neatly into the corporatist model, and it may very likely not fit well into any single model in the new map of divergent models of industrial relations.

NOTES

¹Note that the term "federation" when applied to the Histadrut is inaccurate. The Histadrut was considered a primary organization rather than a federation of other trade unions, only comparable to the structure of the Austrian ÖGB.

²The extent of terminations is not documented, but examples can be derived from litigation in the labor courts.

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