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***Incorporating Migrant Workers
into the Israeli Labour Market?***

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Analytical and Synthetic Notes – Political and Social Module
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Incorporating Migrant Workers into the Israeli Labour Market?

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The victory of Yitzhak Rabin in the 1992 Israeli elections opened up a new phase in the history of the Israeli-Palestinian conflict, giving new impetus to the Peace Process. This in turn set in motion a new stage in the dynamics of the Israeli labour market, inducing the recruitment of large numbers of migrant workers to compensate for the loss of the pool of cheap and unprotected Palestinian labour which had been employed in Israel from 1967. As a consequence of the first Intifada, the flow of Palestinian labour into Israel became unstable. Paradoxically, the Peace Process opened by the Oslo Accords between Israel and the PLO in 1993 exacerbated this instability. Although the Protocol on Economic Relations (Paris Protocol) endorsed the principle of labour movement between the OPT and Israel,¹ in order to prevent terrorist actions inside Israel and to halt any erosion of Israeli public support for the Oslo Accords, the Israeli government implemented a policy of total closure of the borders between Israel and the occupied territories. These measures impeded the inflow of Palestinian workers into Israel and interrupted employment in the Israeli labour market with a decline of 33% between 1992 and 1993 (Bank of Israel 1994: 180). This in turn caused severe labour shortages in the sectors of construction and agriculture.

During 1993 Israel continued to deal with the shortage of workers in the secondary labour market by implementing subsidy programmes to attract Israeli workers. As a result Palestinian workers were mostly replaced by Israelis (Bank of Israel 1995: 179), but the growing participation of the latter in the construction sector meant a significant increase in wage levels for employers. Between 1992 and 1993 real wages in Israel fell by 0.5%, but in the construction sector they increased by 4.6% (Bank of Israel 1994: 95). Moreover, with the frequent closures imposed on the occupied territories in 1994, the flow of cheap Palestinian labour declined further and it became increasingly difficult to find enough Israeli workers to replace them (Bank of Israel 1995: 179). Employers' organizations in construction and agriculture stepped up pressure on the government to allow the recruitment of foreign workers. Within government the Ministry of Housing and the Ministry of Agriculture also pressed for the recruitment of cheap and unprotected migrant workers not only to accommodate their clientele—the employers associations—but also in order to avoid a crisis in the key economic sectors of construction and agriculture.²ⁱ

Under these circumstances the Israeli government was forced to modify its previous policy of impeding labour migration and to authorize the recruitment of migrant workers. The number of licenses issued to employers to hire foreign workers increased sharply from about 10,000 in 1993, to almost 70,000 in 1995 and to 95,000 in 1996 (Manpower Planning Authority 2000: Table 4.8). In following years the number of permits subsequently declined to 80,000 in 1998 and roughly 70,000 in 1999 and 2000 (Manpower Planning Authority 2001: Table 4.8). Most of these migrant workers are employed in the two occupational sectors which were major employers of Palestinians: that is, agriculture (almost exclusively workers from Thailand), and construction (mainly workers from Rumania, Turkey and China). A third occupational sector for which migrant workers are recruited is care-services for the chronically sick and elderly (particularly female workers from the Philippines).

In addition, there is the issue of the significant numbers of irregular migrant workers residing in Israel, estimated at around 80,000 in 1999 (Fefferman 2000: 62). These “illegal foreign workers” include spontaneous immigrants, especially from sub-Saharan Africa and Latin America, who enter the country with a tourist visa and stay on to work, and regularly employed migrant workers who have lost their legal status after violating work and residence permit conditions by outstaying their visas or by changing employers. Irregular migrants were employed mainly in the informal labour market in cleaning and other domestic tasks in private households, and as unskilled labourers in small businesses, workshops and by small construction contractors.

The recruitment of migrant workers is clearly a response to demand-side forces caused by the scarcity of cheap Palestinian labour from the occupied territories. Yet this kind of narrow demand explanation fails to provide a comprehensive account of the process. We need instead to examine the political

¹ Protocol on Economic Relations between the Government of Israel and the PLO, of 9 April 1994, Art. VII.

² Statements by the Minister of Housing, Binyamin Ben-Eliezer in *Davar*, 16 April 1994; and by the Minister of Agriculture, Yaakov Tzur, in *Haaretz*, 23 Oct. 1994.

context in which the decision to allow the recruitment of foreign workers was taken, and the way this is linked with the Israeli-Palestinian conflict (Bartram 1998). Like the decision to permit the employment of Palestinians from the West Bank and Gaza Strip in Israel after 1967, the entry of foreign workers was related to long and short-term political considerations related to dynamics of the national conflict. During the 1970s and 1980s, the employment of Palestinian workers in Israel was seen by the Israeli governments as a means to deepen the economic “integration” between Israel and the occupied territories and to promote their *de facto* annexation. After 1993 the change in Israeli strategy of conflict management promoted their replacement with foreign workers.

The shortage of cheap labour was exacerbated by Rabin’s government decision in 1993 to impose closures on the occupied territories as a deterrent to terrorist actions within Israel. Such reactive political considerations were however related to a more basic change in the Israeli strategy of national conflict management. Under the Rabin government one of the principles applied to the Peace Process was that new, stable relations with the Palestinians should be based on a separation between Israel and the Palestinian entity. The replacement of Palestinians with foreign workers was thus part of the general strategy of limiting economic “integration” between Israel and the Palestinian territories. Reflecting this political logic, in 1995 Rabin declared: “We need to bring thousands of foreign workers to reduce the number of Palestinians walking around in our streets.”³ Moreover, one of Israel’s basic concerns was to maintain the situation in which its political interests do not conflict with those of employers in the secondary labour market in possessing a large and secure pool of unprotected workers. By providing this labour force through the recruitment of foreign workers, the government attempted to neutralize the potential opposition to the Peace Process by those employers who were damaged by the limitations imposed on the transit of Palestinians to places of work inside Israel.

From a strictly structural dual labour market perspective foreign workers simply stepped in to replace non-citizen Palestinians in the sectors of construction and agriculture. At the same time the presence of migrant workers in Israel has created a new political situation fraught with tensions and conflicts both within the state apparatus and between state agencies and employers. The Israeli state and employers no longer enjoyed the benefits of access to cheap, non-citizen Palestinian labour force under occupation free of any responsibility for the social and political impact of labour migration.

In the new context of labour migration, the politics of labour-market segmentation and the way in which migrant workers were incorporated into the labour force was heavily conditioned by the ideological and institutional premises of the Israeli migration regime. The basic principle of the exclusivist ethno-national conception of Israel as a Jewish state is the formal demarcation between Jews and non-Jews. With respect to Jews Israel is a “settler regime” actively seeking to attract new members through immigration, whereas for non-Jews Israel operates a highly restrictive immigration regime. In contrast to Palestinian border workers who commuted to Israel from their communities, foreign workers not only work in Israel but also reside in the country, so that their continuous presence and the likelihood of their settling permanently are viewed by large segments of Israeli society and most state agencies as a potential threat to the Jewish character of Israel.

The basic contradiction between the Israeli migration regime on the one hand, and the need to recruit migrant workers on the other, burst onto the public agenda following the victory of a right wing-religious coalition in the 1996 elections (Rosenhek 2000). Many politicians began to make public attacks on migrant workers, depicting them as a threat to society and as a source of crime, social problems and unemployment.⁴ This was the background to a key shift in government policy, at least at the rhetorical level. Since 1996 the declared policy goal has been to drastically reduce the number of migrant workers. For instance, in 1997 the Inter-Ministerial Committee on Foreign Workers set the target of reducing their number to 16,000 documented and 9,000 undocumented by 2002. This was supposed to be done mainly through a gradual reduction of the government-set quotas for documented migrant workers, a substantial increase in the costs of employing migrant labour through special levies imposed on employers, and the massive deportation of undocumented immigrants.⁵

³ *Davar*, 30 Jan. 1995.

⁴ See, for instance, *Haaretz*, 6 Sept. 1996, 23 April 1998, 24 April 1998, and 24 April 1999.

⁵ “Final Report of the Inter-Ministerial Teams on Foreign Workers”, May 1997.

A key element of the new policy was to restore the supply of Palestinian workers to meet the demand for cheap labour in the secondary labour market.⁶ There are several reasons why the government preferred Palestinians over migrant workers. First, a major objective of the state was to resolve the contradiction between the restrictive migration regime and the supply of cheap and unprotected labour through non-Jewish immigration. A report prepared by the Ministry of Labor and Social Affairs stated that: “The workers from Judea, Samaria and Gaza are foreign workers regarding many characteristics of their employment. Their advantage is, however, that they come back to their communities at the end of the work-day and the society does not need to bear the burden of their social absorption.”⁷ The goal was to free the Israeli state from the social and economic costs of incorporating migrant workers into the Israeli labour market and society.

In addition to the premises of the Israeli migration regime, a second set of factors explaining the preference for Palestinian workers relates to political and “security” considerations of national conflict management. Within the state apparatus the military establishment played a major role in opposing the recruitment of migrant workers and pushing for the return of Palestinian workers to the Israeli labour market. The Israeli army and security services considered the employment of Palestinians in Israel as a tool to reduce political tension in the occupied territories. For instance, a senior officer from the IDF Unit of Coordination and Liaison with the Palestinian Authority declared: “The defense establishment strongly opposes the recruitment of additional foreign workers. It is preferable [...] that Palestinians could work and make a living in Israel.”⁸ The argument being that the economic hardship caused by the lack of employment opportunities in Israel was a key factor contributing to political instability and increasing the recruitment capacity of radical Palestinian organizations.⁹

In a broader political context, when Netanyahu’s hawkish coalition came to power in 1996, it caused a basic shift in the long-term strategy of conflict management. The political goal of the new government was to reverse the process of separation between Israel and the territories initiated by Rabin, and to strengthen the dependency of Palestinians on employment in Israel.

The new policy met with strong opposition from employers’ associations in construction and agriculture, who embarked on a political campaign to defeat the state’s plan of drastic reduction in the number of migrant workers.¹⁰ The employers’ associations, supported by the Ministries of Construction and Agriculture,¹¹ demanded that the government increases the quotas for migrant workers in the sectors of construction and agriculture, or at least refrains from reducing them, claiming that the shortage of labour would cause the collapse of their economic activities. They also rejected the state’s attempt to promote the reintroduction of Palestinians into the Israeli labour market, arguing that under the present political conditions the supply of Palestinian labour remains unstable. When terrorist acts are perpetrated, they claimed, the Israeli authorities impose closures on the territories and the inflow of workers is interrupted.

Israeli employers prefer migrant workers because they are more productive and less expensive to employ than Palestinians. Since most migrant workers live in or near their places of work, they are available for far longer work hours than Palestinians, who have to return to their communities in the early afternoon owing to limitations imposed by the IDF. Furthermore, migrant workers are subject to far stricter control by their employers than Palestinians. The social security contributions of employees and employers are much lower than in the case of Palestinian or Israeli workers, making direct labour

⁶ Government Resolution No. 2199, 18 June 1997.

⁷ “Foreign Workers, A Policy Proposal”, Director-General of the Ministry of Labor and Social Affairs, July 1996. See also, statements made by Prime Minister Netanyahu in *Haaretz*, 22 Nov. 1996, and 5 Dec. 1996.

⁸ *Haaretz*, 14 August 1997, 10 August 1997, 25 March 1998.

⁹ Intelligence reports made public in the media stated that Palestinians prevented from working in Israel due to the closures were likely to become supporters of Hamas and the Islamic Jihad (*Haaretz*, 2 Sept. 1997).

¹⁰ Their actions included public demonstrations, advertisements published in newspapers (see advertisements published by the Association of Contractors and Builders in Israel, *Haaretz*, 4 April 1997, 24 July 1997, 13 August 1997, 11 Sept. 1997, 25 Feb. 1998, 24 Dec. 1999) and lobby activities.

¹¹ Ministry of Housing document: “The Position of the Ministry of Housing Regarding the Workforce Required and the Number of Foreign Workers for 1997”, 11 Nov. 1996. On the Ministry of Agriculture’s support of the farmers’ demands see *Haaretz*, 23 Sept. 1999.

costs less onerous for employers.¹² But the main factor which makes labour costs of migrant workers lower to those of Palestinians is the restrictive Israeli migration regime. In order to maintain strict control over migrant workers and to prevent any process of permanent settlement in the country, the government introduced regulations according to which work and residence permits are attached to a specific employer.[REFERENCE TO LEGISLATION - THE REGULATIONS ARE NOT BASED ON LEGISLATION] If workers leave their assigned employer they automatically lose their legal permit to reside and work in Israel. This means that documented migrant workers constitute a captive labour force which is legally prevented from moving freely within the labour market, which consequently has little or no bargaining power to improve their employment conditions, and which is extremely vulnerable to violations of contractual and other labour rights. Hence, instead of reducing the number of migrant workers the regulations led to a significant strengthening of the economic incentives for employers to hire migrant—as opposed to Israeli or Palestinian—workers (Amir 2000). On March 2006 the High Court of Justice ruled that the binding of migrant workers to a particular employer violates their basic rights, and instructed the state to establish new arrangements within six months. In its verdict the Court defined the existing arrangement as a “modern version of slavery” that “hampers the inherent right for liberty, freedom of action and threatens the autonomy of the free will” of migrant workers.¹³

Since the adoption of the government policy to drastically reduce the number of documented migrant workers, employers in the secondary labour market have been largely successful in defeating it. The number of migrant workers employed in agriculture remained stable at a level of 17,000 till 2000. In the construction sector there has been a significant decrease in the number of permits issued for migrant workers, from about 60,000 in 1997 to roughly 37,000 in 1999 (Manpower Planning Authority 2001: Table 4.8). Yet, this reduction may well owe more to the deep recession suffered by the Israeli economy in general, and by the construction sector in particular, since 1997, than to the shift in state policy (Amir 2000). In the care services sector, the number of migrant workers increased from around 8,000 in 1996 to 28,500 in 2004.¹⁴ The resumption of hostilities between Israel and the Palestinians in October 2000 with the start of the second *intifada* [for the same reasons that I don't employ the Israeli names for the wars, like the Six Days War, I neither use the Palestinian names, preferring more “neutral” terms] and the consequent halt to the inflow of Palestinian workers lead to a renewal of employers' demands for the authorized recruitment of larger numbers of migrant workers. As a response, in late 2000 the government approved additional permits for foreign workers, and by the end of 2001 the number of permits again reached 100,000 (Manpower Planning Authority 2002: Table 4.8), declining thereafter to around 95,000 in 2002 and 2003, and to 76,000 in 2004.¹⁵

As regards irregular migrant workers, until 2003 the policy of massive deportation was no more effective than the policy of reducing the number of documented migrant workers. While the number of deportations has increased over the years,¹⁶ it remained well below the goal of 4,000 deportations per month set by Netanyahu's government in 1996.¹⁷ In August 2002 Prime Minister Ariel Sharon announced the establishment of a Migration Authority empowered to carry out the forced deportation of irregular migrant workers. From 2003 onwards the Israeli government has implemented a strict

¹² The social security contributions for foreign workers are 1.3% of the wage (0.6% by the employee and 0.7% by the employer), while for Israeli and Palestinian workers this is 9.83% (4.9% by the employee and 4.93% by the employer). Both Palestinians and migrant workers are only covered by three social security programmes: work injuries, employer's bankruptcy and maternity. Yet, by governmental resolution Palestinian workers and their employers contributed to social security at the same rate as Israelis. This resolution was not extended to migrant workers, and they and their employers only contribute to the social security programmes to which they are entitled.

¹³ HCJ 4542/02, 30 March 2006. See *Haaretz*, English edition, 31 March 2006 available on www.haaretz.com.

¹⁴ The Authority for Foreign Workers, The Ministry of Industry, Commerce and Employment, 22 Feb. 2004 (<http://www.moit.gov.il/NR/rdonlyres/0DC08C38-4110-4913-AC29-B2663FD09FA8/0/sum2004.doc>).

¹⁵ The Authority for Foreign Workers, The Ministry of Industry, Commerce and Employment, 22 Feb. 2004 (<http://www.moit.gov.il/NR/rdonlyres/0DC08C38-4110-4913-AC29-B2663FD09FA8/0/sum2004.doc>).

¹⁶ The number of deportations of irregular migrant workers increased from 2,768 in 1997, to 4,037 in 1998 and 4,615 in 1999 (Bar-Tzuri, 2000).

¹⁷ Resolution No. 717 of the Ministerial Committee on Foreign Workers, 8 Nov. 1996.

policy of deportation, expelling around 22,000 in 2003, 18,600 in 2004, and 6,500 in 2005.¹⁸ In addition, many other irregular migrant workers have left the country voluntarily in order to avoid forced deportation. As a consequence of the deportation policy, which the government presented as a means to reduce unemployment among Israelis, the number of undocumented migrant workers dropped significantly.

Thus, since 1996 the politics of the secondary labour market have evolved around the basic conflict of interests between the state and employers; with the former attempting to reduce the number of migrant workers and to replace them with Palestinians, and the latter opposing this course of action. The state's preferences regarding the supply of alternative types of cheap and unprotected labour (Palestinian border workers vs. migrant workers) are directly related to two basic components of the state-building process in Israel: the extremely restrictive migration regime for non-Jews, and the political demands of conflict management. The state has indeed been instrumental in opening up a new phase in the dynamics of the labour market marked by the incorporation of migrant workers, and it will be extremely difficult to reverse the situation to one where the demand of employers in the secondary labour market for cheap and unprotected labour is met by workers from the Palestinian territories. At this point, under conditions of protracted violent conflict with the Palestinians, the prospects for the return of Palestinian workers to the Israeli labour market are virtually nil. This means that Israel lacks the political and institutional capacity to resolve the contradiction between its restrictive migration regime on the one hand, and the supply of unprotected labour through non-Jewish immigration on the other.

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¹⁸ *Haaretz*, 5 Jan. 2005, 30 Dec. 2005.