

# The Labor Movement in Israel

## Ideology and Political Economy<sup>1</sup>

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Strictly speaking there has been relatively little social history written about Israeli workers. Most of the labor history addressing the period before the foundation of the state of Israel in 1948 as well as after centers on narrating the institutional history of the trade union federation which has monopolized the representation of Israeli labor since 1920. Even Anita Shapira, the premiere historian of Israeli labor, has concentrated in her published work on the view from above.<sup>2</sup> Most historians of the Israeli labor movement—and they are few in number—also have political engagements to one or another actor within the partisan structures they describe which are too intense to allow much interest in the less overtly political narratives that usually make up social history. The tradition of viewing both Israeli and labor history as the outcome of freely chosen ideological commitments also militates against the ways in which social historians see social practice and ideology. This essay must perforce construct its own narrative out of the available historiographical materials. Its focus is therefore on the question which has provided the primary research agenda for several generations of Israeli scholars and politicians: explaining the distinctive character, success and longevity of the Histadrut.

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<sup>1</sup> The author would like to register a special debt of gratitude to the editor of this volume, whose help and guidance went truly above and beyond the call of duty.

<sup>2</sup> Shapira's doctoral dissertation, which was her first book, is a partial exception. Yet it is the only one of her books that has not been translated into English. See Anita Shapira, *Futile Struggle: Hebrew Labor, 1929-1939*, in Hebrew (Tel Aviv: Tel Aviv University and Kibbutz Meuhad, 1977). For a noteworthy exception to the institutional and/or ideological myopia of social history in Israel see David De Vries, "Proletarianization and National Segregation: Haifa in the 1920s," *Middle Eastern Studies*, 30 (4), October 1994, 860-882.

## WHAT MAKES THE HISTADRUT DISTINCTIVE?

The Histadrut, Israel's "peak association" of labor, is a formidable Hydra which is without peer in the post-Communist world.<sup>3</sup> Much of the Histadrut's distinctiveness, when compared with European labor movements, originated in the specific historical conditions that surrounded its establishment in 1920. The Histadrut was a spearhead of a colonization movement that operated under unusual conditions: the settlers were a demographic minority, they relied heavily on propertyless immigrants to establish their presence in the country, they had no coercive power over the indigenous population, and they were substantially dependent on external sources of capital.

These were the conditions that produced a labor organization that was nationalist in orientation, that combined functions normally the province of the bourgeoisie and the state with those of a trade union, and that furnished the infrastructure for enduring Labor Party dominance of Israeli politics and society. The story of the Histadrut since sovereignty revolves around the dialectic between this historical inheritance and shifts in the social, political and economic landscape. The labor organization and much of its historic singularity proved to be remarkably resilient, becoming a deeply embedded pivot in the political economy of Israel. Nevertheless, over the last decade the Histadrut has suffered a series of profound crises, culminating in May 1994 with the termination of Labor Party hegemony, and with it—perhaps—the beginning of the end of the Histadrut's "exceptionalism".

### Essential Features

Far more than just a confederation of trade unions, the Histadrut—whose full title is "The General Organization of Israeli Workers"—has two other principal branches. It owns, solely or jointly, a vast economic empire that includes the largest bank and the biggest industrial conglomerate in Israel. It also operates two of the country's most important social service providers—a "Sick Fund" and a group of pension funds—that provide primary health care and superannuation, respectively, to the majority of Israeli households. Its trade union arm effectively has no rivals, and until recent years could claim to negotiate (in separate framework agreements for the public and private sectors) on behalf of 85% of all wage-earners.<sup>4</sup>

The Histadrut's remarkable potency has been due not only to the wide range of functions and resources under its control, but also its character as an organization. The subunits of the Histadrut—unions, enterprises, the health scheme and so forth—are subject to a high degree of formal central control. At least until quite recently, the Histadrut could claim to

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<sup>3</sup> A recent book by the present author is the foundation of many of the observations made in this essay. See Michael Shalev, Labour and the Political Economy in Israel (Oxford: Oxford University Press, 1992). This book offers more detailed analysis and documentation of issues discussed here, up to the mid-1980s.

<sup>4</sup> A series of innovations early in 1995 have modified some of the traits noted in this paragraph. The government began to implement a National Health Insurance Law that leaves the "General" Sick Fund in the hands of the Histadrut, but eliminates the link between membership in the labor organization and entitlement to the services of its health provider. In addition, the first convention since the unseating of the Labor Party in the May 1994 Histadrut elections agreed, after an acrimonious debate, to add the prefix "New" to the Histadrut's official title. For a catalog of official data concerning the Histadrut prior to the crisis years of the 1990s, see Gavriel Bartal, The Histadrut: Structure and Activities, 10th Edition, in Hebrew (Tel Aviv: Histadrut, 1989).

speak for approximately two-thirds of all Israeli adults. Members obtain affiliation by directly joining the central organization, which in return provides them with access to its services, only one of which is trade union protection. The Histadrut's elected officials, and traditionally its appointed officers as well, are nominated by political parties that control the Histadrut within an institutional framework that closely parallels the national polity. In practice, this meant that from the establishment of the state in 1948, the labor organization and its major divisions were controlled by the same party — the Labor Party and its predecessors — that dominated central and local government. The Histadrut's extraordinary capacities to mobilize workers on behalf of the party, as well as to provide it with money, paid positions and other bounties, were undoubtedly a central pillar of Labor's long period of uncontested dominance, from the mid-1930s to the late 1970s.

From an historical perspective, the labor organization's significance is even more far-reaching than its profound impact on domestic politics. The Histadrut was created in 1920. Between then and the establishment of the sovereign State of Israel in 1948, it functioned as a critical element of Zionism's embryonic "state in the making". In this period the Jewish community in Mandatory Palestine and, more importantly, the worldwide Zionist movement, fielded a number of quasi-governmental organizations that performed both representational and service-providing functions. The Histadrut was one of these organizations, and it was tightly integrated with the others. The labor organization had special responsibility for assisting immigrant absorption through its labor exchanges, health clinics, housing schemes, and so forth. The Histadrut's contributions to establishing a viable Jewish presence in Palestine, and building key parts of the infrastructure of the future state (even including, for a time, its military functions) were undoubtedly central to the success of Israeli state-making. Yet, in accordance with the "Labor Zionist" synthesis to which it was ideologically committed, the Histadrut was also faithful to principles of labor solidarity. Its particular commitments revolved around what was termed generality (*klaliyut*, or "comprehensiveness")—meaning the consolidation of all labor-oriented activity under a single roof; and equality (*shivayon*)—the aspiration to achieve not just equal opportunity but similar conditions of life (including wages) for all members of the "working public".

### **The Histadrut's Problematic Status**

This catalog of glorious achievements is faithful to the self-image of the labor organization and its leaders, as well as the traditional historiography of the Zionist labor movement.<sup>5</sup> However, it is not indicative of the popular image of the Histadrut, which—most notably in the last decade—has been perceived (especially by younger people) as a bloated, self-serving, oligarchic institution long past its prime. The labor organization has become widely recognized as the heavy hand behind old-time Labor Party dominance. In the context of its collective bargaining role, the Histadrut is generally viewed either as an anachronism or an unnecessary brake on "free" trade unionism. Inspired also by changes in government policy that have favored increasing pluralism in the health care field, as well as the strenuous efforts of non-Histadrut sick funds to recruit the profitable younger segment of the market, Histadrut membership has suffered substantially in recent years, particularly in new cohorts.

In public life, throughout the course of Israel's history critics from both inside and outside of the labor movement have repeatedly questioned the *raison d'être* of the Histadrut. They

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<sup>5</sup> For examples of traditional histories of the labor movement see, in Hebrew, Zvi Even-Shoshan, History of the Workers' Movement in Eretz Israel (Tel Aviv: Am Oved, 1963); and in English, Walter Preuss, The Labour Movement in Israel: Past and Present (Jerusalem: Rubin Mass, 1965).

argue that, for a variety of reasons, it has outlived its usefulness. It began life as a state-building vehicle and was later superseded by the achievement of statehood. The rise of a modern economy that increasingly embraces liberal principles and sophisticated modes of operation also renders it a relic. Changing conditions also appear to have rendered the Histadrut more of a burden than a political benefit to the Labor Party. Further indicative of the Histadrut's problematic status is that, with the exception of a handful of historians, it has by and large been ignored by scholars.<sup>6</sup>

### **A Comparative Perspective**

In order to make sense of the Histadrut's extraordinary role in the making and functioning of Israeli society, when viewed over the longue duree, we shall need a more precise grasp of the distinctiveness of the Histadrut than I have offered thus far. The predominant tendency has been to approach this task from a normative perspective, but in my view this hampers rather than facilitates analysis. A more dispassionate approach can most easily be arrived at by adopting a comparative perspective. This however immediately raises the problem of selecting an appropriate frame of reference for comparison. Is Israel best compared to other semi-peripheral states<sup>7</sup>, other settler states<sup>8</sup>, other Middle Eastern states<sup>9</sup>, or the capitalist and democratic nations of the West which are official-Israel's preferred reference group? No one answer is necessarily correct, nor is it necessary for all scholars to select the same answer. In my own research I have found comparisons to the West to be fruitful, not necessarily because of empirical fit, but also as a way of framing significant questions.

This is especially true for the task of freeing the study of the Israeli labor movement from parochialism and, perhaps worse, judgementalism — whether sycophantic or malevolent. An obvious starting-point for comparisons to the West is the fact that the labor movements of Europe and Russia provided both explicit and implicit precedents for the institutional experiments in Jewish Palestine that resulted in the Histadrut as we know it. There are clear "Bolshevik" inspirations for the original centralization, politicization and multi-functionalism of the Histadrut. Ideologically, though, the Histadrut was from the outset much closer to the spirit of reformist socialism. Consistent with this, the leaders of the Histadrut have for decades been active in the international movement of "free" trade unions, just as their partners in the Labor Party have been active in the Socialist International.

The domestic policy program traditionally embraced by the labor movement (Histadrut and Labor Party) in Israel drew much of its rhetorical content from Western European social democracy. Moreover, relations between the union and party wings of the labor movement in Israel, while differing in detail from those that characterize its European counterparts, are

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<sup>6</sup> The literature on the labor movement in Israel is extensively surveyed in my book. Two important exceptions to the generalization of scholarly inattention to the Histadrut are Arie Shirom and Lev Grinberg. For example, see Shirom's Introduction to Labor Relations in Israel, in Hebrew (Tel-Aviv: Am Oved, 1983) and Grinberg's Split Corporatism in Israel (Albany, NY: State University of New York Press, 1991).

<sup>7</sup> Beverly Silver "The Contradictions of Semiperipheral 'Success': The Case of Israel", pp. 161-181 in William G. Martin (ed.), Semiperipheral States in the World-Economy (New York: Greenwood Press 1990).

<sup>8</sup> Gershon Shafir, Land, Labor and the Origins of the Israeli-Palestinian Conflict 1882-1914 (Cambridge: Cambridge University Press, 1989).

<sup>9</sup> Joel Beinin, Was the Red Flag Flying There? Marxist Politics and the Arab-Israeli Conflict in Egypt and Israel, 1948-1965 (Berkeley: University of California Press, 1990).

fundamentally similar to other class-oriented or German-model movements. Last, but by no means least, in its institutional features the Israeli case not only parallels, but in many senses exemplifies, the “neo-corporatist” systems of industrial relations that fascinated comparative political economists in the early 1980s.<sup>10</sup> The Histadrut’s exceptional centralization, membership coverage and functional scope, and the multiple nodes and long time horizons that characterize bargaining between the Histadrut and the state, are quintessentially corporatist.

Viewed from the perspective of social democratic corporatism, what then is particularly distinctive about the Histadrut? I will focus here on three issues: the Histadrut’s target constituency, the way that it evolved, and its impact on labor relations and public policy.

### *Constituency*

Historically, the composition of Histadrut membership more closely approximated a national than a class logic. During the pre-sovereignty period, and to a lesser extent for the first decade after 1948, the Histadrut embraced a nationalistic orientation that mandated closure towards outsiders (i.e. non-Jews). While never repudiating the principle of class solidarity, the Histadrut was intended from the outset to serve only Jewish workers. With few exceptions, prior to 1948 its organizational approach to the Arab working class in Palestine went no further than a largely symbolic attempt to sponsor separate-but-equal trade unionism. After 1948, Israel’s Palestinian citizens were only gradually incorporated into the labor organization, within what was constructed de facto as a dual institutional structure. Membership has never been offered to the non-citizen residents of the occupied territories, even though the majority of the Palestinian working class in the territories, who are employed inside Israel’s pre-1967 borders, are legally required to pay the Histadrut for alleged services rendered.

At the same time, within its targeted constituency, the Histadrut is generous to a fault in opening its ranks to non-workers. Surveys of the Jewish adult public suggest that at least half of the self-employed are Histadrut members. No doubt the major attraction for this group has been access to the Histadrut Sick Fund. Indeed, in that respect there is no real difference between non-workers and workers.<sup>11</sup>

### *Evolution*

Broadly speaking, European labor movements evolved from bottom to top, and from a market to a political orientation.<sup>12</sup> What are called union peak associations arose as the culmination of a process of aggregation that began with local workers’ councils and proceeded to national craft and industrial unions before reaching the so-called confederal level. Peak union bodies were expected not just to raise the level of wage bargaining (indeed, some were denied any authority in the wage field), but rather to represent unions vis-à-vis the state and to further labor’s political aspirations.

The contrast between these patterns of evolution and those that characterized the formative development of the Histadrut could hardly be greater. At the time of the Histadrut’s creation the urban industrial sector on which trade unionism thrives was still in a

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<sup>10</sup> Colin Crouch, *The Politics of Industrial Relations*, second edition (London, Fontana, 1982); Gerhard Lehbruch and Philippe C. Schmitter eds., *Patterns of Corporatist Policy Making* (London and Beverly Hills: Sage, 1982).

<sup>11</sup> For details regarding the scope of Histadrut membership and the nature of member attachment see Shalev, *Labour and the Political Economy* page 31, notes 3 and 4.

<sup>12</sup> Everett M. Kassalow, *Trade Unions and Industrial Relations: An International Comparison* (New York: Random House, 1969).

very early stage of development and except in agriculture, unionism was small-scale and local in character. The creation of the Histadrut did not signify the vertical integration of trade unionism, but instead, an attempt to consolidate and expand the workers' instruments of employment and mutual aid, including—in the future—sponsorship of trade unions.

The founders of the Histadrut constituted a coalition between diverse groups and political entrepreneurs among unpropertied Jewish settlers in Palestine: agricultural workers aspiring to found communes with the aid of the Zionist movement; the competing sick funds, labor exchanges and other services associated with the two main workers' parties; and new immigrants anxious to proceed with the Labor Zionist revolution and dismayed by the petty rivalry that was shackling its progress. Far from constituting a waystation along the road to increasing politicization of an originally economic movement, the Histadrut was actually formed at the initiative of the principal workers' party. The leaders of this party had learned from experience that the only feasible way of dominating a consolidated workers' movement was to opt for coalition-building and to sacrifice direct party proprietorship.<sup>13</sup>

### *Outcomes*

The overriding strategic goal which has linked policy and practice in the best known instances of social democratic corporatism—the Scandinavian nations, Sweden in particular—is “solidarity”. The substantive hallmark of this commitment has, until quite recently, been continuous full employment and comparatively narrow wage differentials. On the surface, the Histadrut is in these respects very much a member of the same family. Closer inspection reveals, however, a long history of concession to “strong” sections of the workforce, and a string of sins of both omission and commission that contributed greatly to the tripartite (*Ashkenazi*-Oriental-Palestinian) ethnic and national hierarchy that follows the fault-lines of a highly segmented labor market.

The superficial analogy between the Histadrut's commitment to full employment and the European equivalent, in which peak associations trade wage restraint for job guarantees, should not be accepted at face value. Until the 1990s full employment in Israel was an integral part of the Zionist consensus, considered indispensable to immigrant absorption and social stability by all major parties and organized interests. A dramatic deviation from this stance occurred almost 30 years ago, when a Labor government that knowingly not only sanctioned a major bout of unemployment, but did so with the Histadrut's full support.

The mid-sixties slowdown is the exception that proves the rule; the Histadrut's credentials as a class-oriented labor organization have always been in doubt. The social and economic policies that Israeli governments pursued during the era of Labor and Histadrut hegemony exhibit pronounced “dualist” features. In practice Israel's welfare state has been relatively niggardly; important elements of it are delegated to political sectors (most notably the Histadrut itself) rather than organized on a universal basis by the state; and its overall effect has been to validate rather than mitigate divisions between Oriental and *Ashkenazi* Jews and between Jews and Arabs. In the realm of economic policy, what is most noteworthy is Israel's abysmal failure, for more than a decade following the first oil price shock in 1973, to adopt effective economic adjustment policies. Other corporatist social democracies benefited in these years from centralized wage-fixing and concomitant social consensus, but Israel suffered from a stagnating economy, a comparatively high incidence of labor disputes, and spiraling inflation.

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<sup>13</sup> Yonathan Shapiro, The Formative Years of the Israeli Labour Party (London and Beverly Hills: Sage, 1976).

## CAN IDEOLOGY RESOLVE THE PARADOXES?

At this point, readers may be asking themselves whether the puzzle that I have posed here is not merely a straw man. If it is true that the Histadrut differs from superficially comparable European labor movements in the scope of its constituency, the pattern of its evolution, and its long-term impact on the political economy, is this not simply the predictable result of its original multiple commitments, to socialism and Zionism? The labor organization's departures from Western norms seemingly become easily understood once the role of Zionist ideology enters the picture. Thus, the Histadrut excluded Arabs and adopted an exaggerated inclusiveness towards Jews because of its determination to advance the cause of Jewish immigration and absorption. It was a labor organization that failed to evolve according to the logic of capitalist industrialization and democratization because it was, in actuality, the institutional embodiment of a "settler aristocracy" subsidized by international sympathizers.<sup>14</sup> According to this logic it is hardly surprising that after statehood the Histadrut degenerated into a tool cynically wielded by the apparatchiks. The most essential Zionist objectives were fulfilled and Histadrut's policies and practices became obviously discordant with those of social democratic labor movements elsewhere.

There is much to recommend this perspective: each of the statements in the preceding paragraph is basically accurate. Yet, in their overall thrust, the statements are also seriously misleading. The labor movement's commitment to Zionism is an incontestable historical fact, but it is questionable whether it can explain the movement's distinctive character. To accept this would be to sidestep the fundamental question of what made Jewish labor embrace Zionist priorities so firmly in the first place.

More fundamentally, to argue that socialist-Zionism was "really" about Zionism more than socialism is to substitute one ideological motive force for another, without questioning the underlying assumption that ideology is capable of explaining social phenomena. This assumption often encapsulates two others: first, that the aspirations of the founding fathers were freely and willfully chosen (rather than adopted during and after the event as a way of making sense of and justifying their actions); and second, that substantive constraints—the problems of making a living, the dynamics of struggling for power—played no determinate role in the directions taken by the labor movement at strategic historical turning points.

In my view, both assumptions are untenable.<sup>15</sup> Labor Zionism and its sympathizers have always made much of the notion that history is driven by the ideas embraced by visionary leaders, and they have frequently expressed the opinion that it is possible for social movements to bring about desirable political and social transformations by "educating" their followers to internalize appropriate "values". Ideologies, from this traditional perspective, are embraced as a matter of choice, selected purposively in light of moral and political

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<sup>14</sup> This view has traditionally been associated with radical critics of Zionism like Maxime Rodinson. See his *Israel, A Colonial Settler State?* (Trans. David Thorstad [New York: Monad Press, 1973]). However, it was also articulated by one of the labor movement's most astute thinkers, Chaim Arlosoroff, in a scathing contemporary attack on what he viewed as the naive pretensions of the orthodox Jewish left. See "The Class War in the Reality of Palestine", Arlosoroff's address to the 1926 Hapoel Hatsair Convention, in Hebrew (pp. 66-74 in *The Social Structure of Israel*. [Jerusalem: Akademon, 1969]).

<sup>15</sup> This position is common to a number of my contemporaries, specifically Gershon Shafir and Lev Grinberg; and also to some heterodox scholars of an earlier generation, notably Yonathan Shapiro and Zvi Sussman. See the citations to works by the first three authors in earlier notes, and Sussman's doctoral dissertation *The Policy of the Histadrut with regard to Wage Differentials: A Study of the Impact of Egalitarian Ideology and Arab Labour on Jewish Wages in Palestine* (Jerusalem: Hebrew University, 1969).

considerations. In the mid-twenties one of the most prominent figures in the non-socialist *Hapoel Hatsair* party, Chaim Arlosoroff, articulated a devastating critique of attempts by the left to interpret labor Zionism in orthodox socialist terms.<sup>16</sup> Yet in archetypal fashion Arlosoroff, no socialist, concluded his critique by trying to convince his comrades that socialist aspirations were nevertheless worth adopting because of their value in mobilizing the rank and file and adding moral authority to the Zionist cause.

### **Ideology and Israeli Scholarship**

Many scholars who work on Israel—including a number on the left—accept the voluntarist perspective, although some have (at least implicitly) expressed reservations.<sup>17</sup> For instance, Carmi and Rosenfeld have recognized that ideas can be used cynically.<sup>18</sup> They argue that in the post-sovereignty era, David Ben-Gurion and his allies propagated a militaristic, state-aggrandizing ideology that helped consolidate their power by marginalizing the left-wing alternative. From a different perspective, S.N. Eisenstadt has argued that in the “post-revolutionary” era after 1948 it was inevitable that Jewish society would enter a less ideological phase, simply because the goals of the revolution had now been realized.<sup>19</sup> Both Carmi/Rosenfeld and Eisenstadt thus recognize that ideals may not always function as the engine of history; but they cast no doubt on the core assumption that the development of the Zionist labor movement in its formative or heroic phase was indeed predetermined by its leaders’ programmatic commitments.

The most significant recent attempt to invoke ideology to explain the historical distinctiveness of the Israeli labor movement is a major work in process by the Israeli political theorist Zeev Sternhell, who also looks to Europe as the appropriate comparative context.<sup>20</sup> Sternhell contends, in essence, that the reason why the Histadrut and the Israeli Labor Party have failed to generate the kinds of social and economic outcomes that might be expected of a progressive labor movement, is that they were never truly committed to the program of the European left.<sup>21</sup> Sternhell points out that Ben-Gurion himself only

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<sup>16</sup> Arlosoroff (see Note 14) was one of the leading Labor Zionist theoreticians between World War I and the Great Depression and among the few to have any academic training in economics and sociology. He was murdered in 1933 under circumstances that remain obscure. A convenient English source is Shlomo Avineri, *Arlosoroff* (London: Weidenfeld and Nicolson, 1989).

<sup>17</sup> Examples are Mitchell Cohen, *Zion and State: Nation, Class and the Shaping of Modern Israel* (Oxford: Basil Blackwell, 1987); and Amir Ben-Porat, *Between Class and Nation: The Formation of the Jewish Working Class in the Period before Israel's Statehood* (New York: Greenwood Press, 1986).

<sup>18</sup> Shulamit Carmi and Henry Rosenfeld, "The Emergence of Militaristic Nationalism in Israel", *International Journal of Politics, Culture and Society*, 3(1), 1989, 5-49.

<sup>19</sup> Shmuel N. Eisenstadt, *The Transformation of Israeli Society: An Essay in Interpretation* (Boulder: Westview Press, 1985).

<sup>20</sup> Sternhell is a major contributor to the study of European fascist ideologies. See his *Neither Right Nor Left: Fascist Ideology in France* (trans. David Maisel [Berkeley: University of California 1986]) and *The Birth of Fascist Ideology* (trans. David Maisel [Princeton: Princeton University Press, 1994]).

<sup>21</sup> Sternhell's ideas have been presented in a variety of formats and are the subject of a book in progress. The discussion here is based on a lengthy article published in the daily newspaper *Ha'aretz* on May 31st, 1991.



adopted socialism as an afterthought, and one of the two parties (not Ben-Gurion's) that merged in 1930 to form the original workers' party, Mapai, was in fact avowedly anti-socialist. Socialism was thus merely a convenient instrument, a "shell" if you will, for assisting in the mobilization and consolidation of Jewish workers and their supporters for purposes that were actually mandated by Zionism.<sup>22</sup>

According to Sternhell, the ideology of the Zionist labor movement in the interwar period suggests a European parallel, but not social democracy. Rather he looks to national socialism, with its tribal-nationalist outlook, reverence for productivity, and contempt for "parasites". Even the kibbutz was only a fig-leaf, that conveniently absolved the labor leaders from responsibility for the evident gap between their egalitarian rhetoric and the realities of Jewish society in Palestine. On this reading, the synthesis between socialism and Zionism was not a synthesis at all, but rather the capitulation of socialism to nationalism.

Sternhell is correct to point to the glaring gap between the so-called "constructive" socialism of national upbuilding favored by Labor Zionism, and the credos favored by both revolutionary and reformist socialists in Europe. Ben-Gurion and his comrades at the peak of the movement indeed exploited socialist myths in order to consolidate their authority over Jewish workers, and to glorify their essentially instrumental struggles for power and money against political rivals associated with the middle classes. However, what is once again lacking in this interpretation is a comparable, interest-based explanation of the labor movement's commitment to Zionism.

### **The roots of labor's marriage to Zionism**

The historical record cannot sustain the assumption that Zionism won out simply because it was the true belief of the labor movement. Indeed, while popular images of Israel's past have obscured it, the fact remains that for most of the Jews who arrived in Palestine during the first half of this century Zionist motivation were irrelevant or of only limited relevance to their decision to immigrate. In 1880 there were nearly half a million Arabs and only about 24,000 Jews in Palestine. The First *Aliyah* or wave of immigration recognized by modern Zionism occurred shortly before the turn of the century. Motivated primarily by antisemitic legislation and pogroms, the newcomers from Russia and Rumania had the effect of doubling the Jewish population. Traditionally Jewish in their outlook, the First *Aliyah* settlers purchased their own land and worked it using European and subsequently French colonial methods. The 35,000 or so immigrants of the Second *Aliyah*, emanating mainly from Russia, arrived during the decade before World War One. In the face of the harsh conditions they found there, the overwhelming majority of these socialist and secular Zionists abandoned the country; but their remnant founded and later continued to head the institutions of the Israeli labor movement.

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<sup>22</sup> In this respect Sternhell's thesis bears a remarkable, albeit unacknowledged resemblance to the far more sympathetic perspective offered by the historian Anita Shapira. Shapira also treats the historic role of socialism in the labor movement instrumentally, as a means to the end of nationalist realization. But while Sternhell implies that the founding fathers were insincere and even cynical in their use of socialist metaphors and "figleaves", Shapira views the packaging of laborist nationalism in socialist rhetoric as evidence of the originality and creativity of the Zionist labor movement prior to sovereignty. Anita Shapira, "Socialist Means and Nationalist Aims", *Jerusalem Quarterly*, (38), 1986, 14-27.

The Allied victory over the Turks in the First World War ended 400 years of Ottoman control of Palestine. With the sanction of a League of Nations "mandate", control over Palestine passed to Britain. On the eve of British rule, an official declaration of support was issued for "the establishment in Palestine of a national home for the Jewish people". To the 60,000 Jews remaining in 1919 were added the 35,000 of the Third *Aliyah*, the first organized Zionist immigration. Still, in 1923 the ratio of Arabs to Jews was about eight to one. Until then the masses of Jews leaving Russia and Eastern Europe had gravitated mainly to the United States. America's gates were closed by new and more restrictive immigration legislation in 1924. The first to be affected were the Polish petit-bourgeois who formed the core of the Fourth *Aliyah*, which brought more than 60,000 immigrants to Palestine in the years 1924-1926. A decade later, the biggest wave of prestate immigration by far (190,000 between 1932 and 1936) was prompted by the rise of Nazism and economic depression in Europe, and included a large number of German and Austrian refugees.

Many of the activists who furnished the leadership of the movement (and later, the state) had reached Palestine as committed socialists in the Second or Third *Aliyot*. Indeed, in the Jewish community in Palestine no less than in Europe, Communism appeared to be on the ascendant in labor movements during the years immediately following the 1917 revolution in Russia and the end of the First World War. It is also a well known matter of record that in the period prior to the British conquest of Palestine, the vast majority of the pioneers of the so-called "second wave" of modern Jewish immigration faltered in their obligation to Zionism, and abandoned Palestine altogether. The presence or absence of ideals of one sort or another evidently cannot explain the preeminence of the national motif in the labor movement.

The affinity between organized Jewish labor in Palestine and the Zionist movement can be understood, in part, via the calculus of realpolitik.<sup>23</sup> Through its partnership with organized Zionism, the labor movement elite gained access to material and political resources, the argument runs, that buttressed its authority vis-à-vis not only its mass membership but its opponents as well. The prestige and the organizational and financial capital that the Histadrut attracted were employed with great effect to suppress or co-opt challengers from both the left and the right. It was this pivotal position between the largest organized section of Jewish civil society and the para-statal bodies of the Zionist movement that gave the Histadrut its extraordinary political potency.

While an elite perspective on the Histadrut's attachment to Zionism is not without merit, it still begs an important question: why were the material and political resources amassed around the Histadrut so compellingly attractive to its members? Perhaps these banal attractions did no more than reinforce their ideological predisposition to internalize Zionist priorities. This predisposition would then constitute the real explanation for labor's actions. I reject this contention. The obstacles facing the economic absorption of Jewish settlement in Palestine were so formidable, that they had very few degrees of freedom for value-based choices. Accordingly, the economic interests of the propertyless newcomers, the self-appointed working class of Jewish Palestine, are indispensable to understanding their motivations.

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<sup>23</sup> This is a thesis which has been most convincingly advocated by Yonathan Shapiro, [The Formative Years of the Israeli Labour Party](#), and is indirectly endorsed by Sternhell as well.

## The Role of Economic Interests

The material position of the proletarian settlers was fraught with difficulties. In the labor market, the unskilled majority were at a pronounced disadvantage in comparison with indigenous Palestinian labor, because they were both less productive and inherently more expensive. Most local labor was semi-proletarian, whereas the sustenance of the immigrants depended solely on their earnings from wage labor. To make matters worse, the habits and customs of the newcomers made their lifestyle substantially more expensive to sustain than that of the “natives”. At the same time, unlike other instances of European colonization, in which conquest and sovereignty provided the settlers with free or inexpensive land, in Palestine only those Jewish individuals or organizations with considerable means were capable of acquiring land in Palestine.<sup>24</sup>

At first, the turn-of-the-century pioneers of the second wave of immigration were spared the full force of these dilemmas by the willingness of the Baron de Rothschild to subsidize the wages of Jews employed in the plantations that he had founded in Palestine in imitation of French colonization in Algeria. It is plausible to assume that had the Baron continued to support the newcomers in this way, and certainly, if he had enlarged his support to furnishing the means for settling them as independent farmers, the pioneers of the second wave would probably have ended up on the margins of Zionist history in precisely the same way as their predecessors.

This outcome was forestalled, however, by the withdrawal of Rothschild’s patronage in 1900, which obliged the new immigrants to face the full force of their unfavorable competitive position vis-à-vis Arab labor. Their attempts to neutralize the threat are largely consistent with the predictions of the theory of labor markets “split” by a rift between cheap and expensive labor.<sup>25</sup> Among these responses were an attempt to lower costs by imitating Arab manners; and its opposite, the “Hebrew labor” struggle aimed at forcibly preventing Jewish employers from hiring Arabs. It rapidly became clear to the immigrants that as atomized individuals they could achieve nothing. In order to more effectively pursue their struggle for “Hebrew labor”, late in 1905 they established two Lilliputian parties, one in imitation of the socialist wing of European Zionism, and the other a non-socialist homegrown variety.

It was during this initial period of experimentation that activists in the emergent labor movement came to several critical realizations. First, that the Jewish planters would only pay the price of hiring their coreligionists if they came to perceive Arab labor as threatening their personal and collective existence—and Jewish labor, correspondingly, as standing for the defense of the Jewish national interest in Palestine. Second, that by combining collectivist responses with the subsidy of a new patron, they could offset or even bypass the cost advantage of Arab labor and at the same time amass sufficient political power to neutralize the planters. This patron was quick to appear on the scene in the guise of the Palestine Office of the WZO (World Zionist Organization) established in 1908.

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<sup>24</sup> For fuller discussion of these issues see Baruch Kimmerling, Zionism and Economy (Cambridge, Mass.: Schenkman, 1983); Zvi Sussman, The Policy of the Histadrut; and Gershon Shafir, Land, Labor and the Origins. The summary account here relies especially heavily on Chapters 3 and 5 of Shafir's volume.

<sup>25</sup> Edna Bonacich, "Advanced Capitalism and Black/White Race Relations in the United States: A Split Labor Market Interpretation", American Sociological Review, 41(1), 1976, 34-51.

## The Mutual Interests of Labor and Zionism

The interests of the labor and Zionist movements in Palestine dovetailed almost perfectly, forming the basis for a close and durable alliance between a settlement movement without settlers, and a workers' movement without work. An almost immediate result was the establishment of a first tiny agricultural commune.<sup>26</sup> WZO support also assisted the fledgling labor movement to begin to establish other bulwarks against the debilitating effect of Arab competition, including training farms designed to improve the Jews' productivity, mutual-aid institutions established under the umbrella of regional workers' associations, and a certain amount of direct subsidy to employers willing to hire Jews.

Unlike the far more substantial immigrations of the twenties and thirties, the newcomers who arrived in the second and third waves, who included the labor movement's founding fathers and mothers, were almost all self-selected idealists. But it was not Zionist zeal alone that led them to seek out an alliance with the WZO. At the time the workers (and even the labor movements in the Diaspora with which they were affiliated) enjoyed insignificant representation in the institutions of world Zionism. Indeed, the Zionist movement's largely petit-bourgeois rank and file, and particularly its elite (composed in part of Jewish magnates and closely tied to them as financiers) were regarded by the socialists as aliens and even class enemies.

The most important basis for collaboration was exchange. The worker-pioneers, unlike most other Diaspora Zionists, were willing to make the move to Palestine. They were ready to actively compete with or help circumscribe Arab labor, rather than reinforcing the Arabs' presence by employing them. Unlike the farmers, they could be persuaded to develop economic frameworks which would enhance Jewish autonomy and provide the basis for absorbing propertyless Jewish immigrants. Finally the laborers, out of both inclination and necessity, were willing to take on the most arduous and financially least rewarding roles in the settlement process. The labor movement's options were similarly confined. By World War One the problem of Arab competition in the plantations had been resolved in the worst possible way—by the exclusion of (Jewish) high-cost labor. The alternatives—whether based on wage labor or communitarian rural settlement—were unrealistic without massive aid from world Zionism.

The requirements of the labor/Zionist partnership made an indelible impression on the Histadrut. These requirements go a long way to explaining the distinctiveness of the Histadrut in terms of both structure (a unitary organization indirectly governed by political parties), and function (the "constructivist" denigration of pure-and-simple trade unionism and corresponding emphasis on creating and organizing employment). The organizational innovations pioneered by the Histadrut were prerequisites for the receipt of large-scale WZO subsidies.<sup>27</sup> It took on sole responsibility for all of the activities undertaken by all of the existing labor organizations, while at the same time removing the direct link between service provision and political rivalry.

As for trade unionism, it is noteworthy that even after the emergence of a vigorous (if still primitive) urban economy in the mid-twenties, unionism retained its marginal status in the Histadrut's institutional design. Indeed, the Histadrut leadership exerted considerable

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<sup>26</sup> On the fascinating story of the catalytic role of the WZO in the founding of what became the kibbutzim, see Chapter 7 of Shafir's Land, Labor and the Origins.

<sup>27</sup> This emerges clearly from the timing of the WZO's release of the founding capital of the Workers' Bank. See Yitzhak Greenberg, From Workers' Society to Workers' Economy: Evolution of the Idea of Hevrat Ovdim in the Years 1920-1929, in Hebrew (unpublished doctoral dissertation, Tel-Aviv University, 1983), 39-41.

efforts to restrain workers' pursuit of their immediate interests in the context of the employment relation. In contrast to the class truces that emerged in some European countries between the wars, the Histadrut's posture of self-restraint was not rooted in a corporatist transformation of industrial relations. Instead, in fulfilling its bargain with the Zionist movement the labor elite internalized Zionist priorities, especially in welcoming immigration. Accordingly, it was argued that trade union pressure ought to be directed towards reserving jobs in the Jewish sector for Histadrut members and safeguarding the "Jewish minimum" wage—but without discouraging investment or harming the country's "absorptive capacity".

The leaders of the Histadrut and the WZO shared the fear that the logic of collective action in the market arena might lead Jewish workers to join forces with their Arab counterparts in struggles against Jewish employers. The "constructivist" approach offered viable alternatives, such as employment in contracting gangs that built roads for Palestine's newly installed British rulers. This type of work yielded wages that Jews could live on by virtue of the political pressure exerted on the British by organized Zionism, and its channeling of funds to the Histadrut which used them to purchase tools and tents for the workers thus employed.

## BEYOND THE FORMATIVE ERA

In developing an explanation for the distinctiveness of the Israeli case from a comparative perspective, I have so far dwelt mainly on the formative era and operated at a rather high level of abstraction. The discussion which follows retains the interpretive emphasis thus far on offering a political-economic alternative to ideology-based explanations, but ventures beyond the formative period prior to 1948. It is intended to demonstrate and concretize the Histadrut's close connections to critical turning-points in Israel's political economy since the creation of the State.

As a result of the first Arab-Israeli war the land base of the State of Israel increased by 20 per cent, while the Arab population within its new borders fell by a massive 80 per cent. By the end of 1948 Israel's armed forces had successfully combated both local resistance and armies of invasion from the surrounding states, in the process helping to thwart the UN plan for an independent Palestinian state. In the context of the former borders of Mandatory Palestine, little more than one tenth of the prior Arab population remained under Israeli jurisdiction. Some 600-750,000 Arabs were driven out or fled, while others had been located before 1948 in areas which now came under Jordanian or Egyptian control.

Mass immigration between 1949 and 1951 brought as many Jews to Israel as had been within its borders when sovereignty was proclaimed. Half of the newcomers were European Jews (the majority from Poland and Rumania), many of them refugees whose homes and families had been destroyed during the war. The others originated in North Africa and the Middle East, principally Iraq and the Yemen. This "Oriental" (in Hebrew, *Mizrachi*) immigration was due in part to the political backlash and upsurge of antisemitism in most Arab states following Israel's creation and its military victory. But both of the components of the mass immigration were in addition actively recruited and transferred at Israel's initiative, in order "to deepen the nation's military manpower reservoir, to preempt the vulnerable empty places in the land, to garrison the new agricultural colonies, and to create the modernized economy that was indispensable for achieving a Western standard of living".<sup>28</sup>

I begin by demonstrating how the framework established so far offers a parsimonious explanation for one of the few aspects of the Histadrut's persona that **did** undergo major

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<sup>28</sup> Howard M. Sachar, A History of Israel (New York: Alfred A. Knopf, 1979), 395.

transformation in the wake of sovereignty, namely the shift from exclusion to inclusion of Palestinian labor.

### **Jewish and Palestinian Labor**

The collapse of the campaign for “Hebrew Labor” after 1948 constitutes an extraordinary strategic and ideological revolution for the Zionist labor movement. In the period of colonization and state-making, insistence on the exclusively Jewish makeup of the workforce of the Jewish economy was the outcome of two mutually reinforcing dynamics. Economically, the demand for exclusively “Hebrew labor” was an attempt by propertyless Jewish settlers to insulate their labor market position from the competitive threat of cheaper Arab labor. Politically, it gave notice that Jewish labor stood at the forefront of the national struggle—a message that was beneficial in garnering both organized Zionism’s support of the labor movement, and the consent of the non-worker public to labor hegemony.

Simple demographics played a significant role in the development of this constellation: the Arab population of Palestine was numerous enough to constitute a real threat to Jewish settlers, both in the labor market, as cheap competitors, and politically, as an opposing national movement. Under different circumstances, the Jews might have opted instead to neutralize the Arab threat to their material and political aspirations by strategies of political repression and economic marginalization. However, as comparison with the partially analogous cases of European settlement in Australia and South Africa makes clear, the problematic element in Palestine was the conjunction of an unfavorable demographic balance (the Jews could not simply swamp the Arabs) with the fact that the settlers had no direct control over the instruments of state power (and hence could not impose their will on the indigenous majority, even if they had wanted to). As a result, the labor market conflict could not be resolved in the ways that expensive labor typically seeks to eliminate the threat posed by cheaper competitors—either forcible exclusion, or else construction of a “caste” system that discriminates against cheap labor while subsidizing employment of expensive workers in relatively desirable jobs. The Zionists could offer only limited positive or negative incentives to the Palestinians to accept their presence and their pretensions to rule.

It should be readily apparent from this analysis why “Hebrew labor” was rendered redundant by Israeli sovereignty. The culprit was not moral exhaustion, “the end of ideology”, or the demise of revolutionary ‘lan.<sup>29</sup> Statehood simply did away with the need for colonization oriented towards the construction of a self-sustaining Jewish enclave. From a national point of view, it was no longer necessary that Jews perform their own menial labor. On the contrary, from the Zionist perspective there was good reason to encourage Arabs to depend on working for Jews (so long as this posed no threat to Jewish labor), since it could be expected to discourage any future impulse towards Arab irredentism.<sup>30</sup>

At the same time, the economic threat posed by Arab labor was by now greatly diminished. First, the scope of the potential threat was dramatically reduced because of the more limited and less permeable boundaries of the new state, and the flight or deportation of the vast majority of the Arab inhabitants of what became Israel. Second, the ecological

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<sup>29</sup> Eisenstadt, The Transformation of Israeli Society; Dan Horowitz and Moshe Lissak, Trouble in Utopia: The Overburdened Polity of Israel (Albany, NY: State University of New York Press, 1989).

<sup>30</sup> See Ian Lustick’s conceptualization and illustrations of “dependence as a component of control” of Arabs by Jews, in his Arabs in the Jewish State: Israel’s Control of a National Minority, (Austin & London: University of Texas Press, 1980).

separation of Arab from Jewish communities, along with the decision of the new regime to place the Arab minority under military rule, made it feasible for the first time to effectively regulate the employment of Arabs by Jews. Third, with the attainment of Jewish sovereignty came enhanced capacities for the political center to privilege Jewish labor—by means of public employment, capital subsidies to other employers, and social policy (public income maintenance, housing, and education).

On the face of it, the mass immigrations of the first few decades of Israeli sovereignty might have severely strained even these protective devices. After a temporary weakening of both the "push" and "pull" factors which had prompted the initial immigration wave, in the ten year period 1955-64 close to half a million Jews immigrated to Israel. About half originated in North Africa, principally Morocco, and more than a third came from Europe, again mainly Poland and Rumania. By 1965 Israel's population had reached 2.5 million, nearly nine-tenths of it Jewish.<sup>31</sup>

Nevertheless, by the late 1950s exclusion of Arab labor no longer served the interests of either the Histadrut or the state. By this time the Israeli economy had adjusted to the shock of the initial waves of immigration and moved onto a path of rapid growth. As a result, institutional obstacles to Arab employment were relaxed. The most important manifestations of this relaxation were the liquidation of Histadrut labor exchanges with the passing of a National Employment Service law, and the progressive opening up of the Histadrut to membership by the country's Palestinian Arab citizens. With these steps, however, neither the state nor the Histadrut became "color-blind". Quite the reverse. State labor exchanges, which enjoyed a legal monopoly on the work-seeking process, were not set up in most Arab localities. In any case, Arab labor was heavily dependent on jobs in Jewish localities for which local (i.e. Jewish) residents were guaranteed the right of first refusal. So far as the Histadrut is concerned, in its role as an employer the labor organization largely retained its traditional Jewish exclusivity. In its capacity as an organ of labor representation, the Histadrut actively recruited Arabs but developed specialized local and national departments for dealing with its Palestinian members, parallel to and in cooperation with those of the state.

In this way the Histadrut functioned as an instrument of political control, employing a wide range of positive and negative incentives to induce Arab citizens to accept the authority of the state and give their votes to the ruling Labor Party. By virtue of its command of health care and other social infrastructure, and its ability to co-opt Arab activists into political or bureaucratic careers, the Histadrut was uniquely placed to exert influence in Arab communities. This marked a profound change in the content of Histadrut activity, but not the nature of the relationship between the Histadrut and the political center. As in the past, this was an alliance rooted fundamentally in mutual interest or "political exchange". But whereas under pre-sovereignty circumstances the political services rendered by the Histadrut were based on defending the principle of Jewish separatism, after 1948 they reflected the needs of both party and state for controlled integration of the Arab minority.

### **After Sovereignty: Labor, Capital and the State**

Because its roles in colonization, statebuilding, and political mobilization overlapped with its nominal function of labor representation, from the moment of its birth the Histadrut was as much a capitalist (employer and entrepreneur) and an organ of state (or more accurately, "the state in the making") as a labor movement. On the face of it, the end of the era of

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<sup>31</sup> After the middle of the 1960s immigration fell to comparatively insignificant levels. However, nearly 150,000 Soviet Jews entered Israel during the 1970s and they were joined by many more in the 1990s.

colonization and statemaking removed the incentive for the political institutions of the Jewish community—now its sovereign authority—to delegate public and communal functions to the Histadrut. It was seemingly no longer essential for the Histadrut to retain its roles in immigrant absorption, social services, and economic activity. Nor was it inevitable that the Labor Party would continue to rely on the labor organization as its organizing and mobilizing backbone. From Histadrut's viewpoint, however, statehood was viewed as a long-awaited opportunity to reinforce its powers and extend its functions by tapping the authority and resources of a sympathetic regime.<sup>32</sup>

The labor movement's longtime leader, David Ben-Gurion became Israel's first Prime Minister. He resolutely sought to absorb and unify the state-like functions that had previously been delegated to social and political movements into the institutional framework of the newly founded state. He succeeded in nationalizing the military—a major trauma for both the left and the right—yet largely failed to compel the Histadrut to shed its quasi-state functions.<sup>33</sup> An important reason for Ben-Gurion's failure was the ambiguity characterizing the interests which it was his task to safeguard. The gains to the state in expanding its functions would have been offset by the burdens of mobilizing the necessary fiscal and administrative resources to take over the social services and economic enterprises hitherto operated by the Histadrut.

Wresting functions from the Histadrut would also have engaged the government in a politically costly battle with a powerful ally. Since the leaders of both the labor organization and the government were emissaries of the same political party, the issue ultimately depended on the costs and benefits to the party. While Ben-Gurion advocated building the party's political base around the state, this strategy could hardly compete with the potential for a state-strengthened Histadrut to deliver votes. Moreover, as we have already suggested in the context of Arab labor, statehood ushered in new horizons for political exchange. Legitimation of economic policy and of the state's role in wage regulation were the most obvious new quid pro quos that the Histadrut could offer. The others ranged as far afield as services provided altogether outside of the domestic arena, such as the Histadrut's role in conducting Israel's foreign policy vis-à-vis Third World states that refused open diplomatic relations.

Under the terms of the unwritten "social contract" that governed relations between the Histadrut and the government after statehood, the Histadrut's role in labor relations for the first time caught up with its corporatist potential. Prior to sovereignty the structure and interests of both capital and the state had prevented the labor organization from imposing its claims to a monopoly of representation and centralized authority to negotiate wage

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<sup>32</sup> For a sampling of interpretations of the dilemmas facing the Histadrut and the Labor Party following statehood, see Peter Y. Medding, Mapai in Israel: Political Organisation and Government in a New Society (Cambridge: Cambridge University Press, 1972); Henry Rosenfeld and Shulamit Carmi, "The Privatization of Public Means, the State-Made Middle Class, and the Realization of Family Value in Israel", pp. 131-159 in J.G. Peristiany ed., Kinship and Modernization in Mediterranean Society (Rome: Center for Mediterranean Studies, 1969); and Gadi Yatziv, The Class Basis of Party Affiliation, in Hebrew (Unpublished doctoral dissertation, The Hebrew University of Jerusalem, 1974).

<sup>33</sup> The "workers' trend" in education and the labor exchanges—both connected in varying degrees to the Histadrut—were disbanded. On the political calculus underlying Ben-Gurion's successes and failures in the nationalization of Histadrut functions, see Asher Arian, "Political and Administrative Aspects of Welfare Policy in Israel", Research report submitted to the Israel Trustees of the Ford Foundation, (Tel Aviv: Tel Aviv University, 1978).



agreements.<sup>34</sup> With the transformation of the state apparatus into a servant of Jewish interests generally and the Labor Party specifically, sovereign authority was now readily applied to buttress the institutional, economic and political strength of the Histadrut and encourage it to take on corporatist responsibilities for restraining worker demands. Even without the partisan political benefits of a strong Histadrut for the ruling party, so far as economic steering was concerned there were good reasons for the state to share this interest. Israel's early years were rent with acute macroeconomic difficulties. Under pressure from the government the Histadrut agreed to cooperate with its austerity program by limiting national wage increases to compensation for increases in the cost of living, while permitting payments to individuals under productivity-boosting incentive schemes. Notwithstanding widespread although uneven wage "drift", the result was a de facto lowering of average real wages. The Histadrut contributed to the cut by ignoring the government's blatant manipulation of the official price index, and by permitting the employment of new immigrants at below union rates.

During the decade of relative labor peace which followed the transition to sovereignty, corporatism functioned as part of a broader array of state-managed restraints on labor militancy. These included labor market dualism, state subsidy, and institutional and political discipline. The Histadrut leadership exploited the labor organization's strengthened position after sovereignty to take steps to insulate itself from the militancy of industrial workers. Instead of implementing recommendations that party control of trade unionism be phased out, or acting on a long-standing commitment to establish a single national union for industrial workers, the Histadrut created an all-powerful Industrial Workers' Section staffed by party appointees inside its Trade Union Department, which fixed wages in cooperation with leaders of the Manufacturing Association and the government's economic ministries.

These organizational changes were complemented by the exercise of coercion. A measure of control over unauthorized strikes was achieved by the open or implicit threat of cutting off medical services to wildcatters. In several dramatic test cases where rebels were not deterred by such sanctions, the authority of the Histadrut center in trade union matters was asserted more aggressively. Mapai also launched a vigorous counterattack on the opposition parties' substantial foothold in union affairs at the workplace and enterprise level. Left-wing militants were ousted from their leadership of a substantial minority of the Workers' Committees of the veteran working class, while in new-immigrant workforces Mapai bosses were implanted as tutelary committee heads. Once in office, the party's delegates were able to use the spoils controlled by the committees—like dispensation of loans, and the power to give or withhold recommendations for promotion—in order to perpetuate their influence.

Institutional and political restraints on labor militancy were complemented by a third regulatory mechanism, labor market dualism. In principle, the Histadrut might have used its organizational power solidaristically in the interests of the relatively powerless workers in the secondary segment of the market. Alternatively, it might have left the field completely open to uncoordinated activity by unions and Workers' Committees. Instead, despite a programmatic commitment to solidarism, the Histadrut's policies and practices made important contributions to labor market segmentation. Dualist tendencies were further encouraged by strong biases in the manner that the state managed economic activities. Those who were ethnically, temporally (in terms of arrival) and politically closest to the labor movement elite enjoyed definite advantages.

The privileges that accrued to the veteran working class that led the state-building effort, and the disadvantages suffered by the Palestinian-Arab citizenry, are perhaps not all that

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<sup>34</sup> For a detailed analysis of the failure of corporatist industrial relations to develop prior to sovereignty, see Shalev, Labour and the Political Economy, Chapter 4.

surprising. But there was also an enduring split within the post-sovereignty mass migration along ethnic lines, between *Ashkenazi* and Oriental Jews. This had to do with the fact that a larger proportion of the European newcomers enjoyed independent means and/or ties (cultural, familial, organizational) with the pre-statehood Jewish population, and were not handicapped by being perceived as "primitive" and culturally alien. Without the protection of severance pay, in the absence of reliable and adequate citizen entitlements to income replacement, and given their characteristic poverty and disorganization on arrival in Israel, the Orientals were especially vulnerable vis-a-vis both employers and the state. Furthermore, their labor market marginality was often tied up with and reinforced by spatial marginality, especially for many Oriental Jews who ended up in "development towns" planted in outlying areas. For their part, members of the veteran working class and the more advantaged elements (primarily also *Ashkenazim*) among the new immigrants, were offered privileged routes of entry into the Israeli economy. These included mobility into skilled and supervisory jobs in the business sector, the opening up of managerial and professional positions in expanding public bureaucracies, and a strengthening of the petit-bourgeoisie and bourgeoisie in response to consumer and state demand.

### **The Contradictions of Full Employment**

The synergy between two massive inflows from beyond Israel's borders—of dependent immigrants and of financial gifts—resulted in rapid economic growth. The result was that labor demand rapidly caught up with supply, and by the early 1960s unemployment had fallen dramatically to only 3-4% of the civilian labor force. However "full employment", nominally one of the Histadrut's most cherished objectives, increased the risk of union leaders being challenged from below. Rank and file workers were unwilling to accept the burden of restraint in the face of labor market conditions favorable to their bargaining power. Under these circumstances, politically and organizationally-mediated limits on labor militancy might well cohabit with the discipline of the market—that is, renewed unemployment. There were thus some institutional pressures on the Histadrut leadership to welcome unemployment.

In theory employers stood to lose most from full employment, but they were handsomely compensated by protected markets, access to cheap credit and machinery, and a variety of other forms of state subsidy. The occupants of entrepreneurial, managerial and other well-remunerated positions were thereby freed of the obligation to convert their profits/incomes into the savings normally necessary to capital formation. The state also made available subsidies to private consumption, to the benefit of the Jewish working class. New immigrants were provided (often with political strings attached) with the basic means of existence, which helped persuade many of them to accept marginal locations in the spatial, economic and political systems—thus protecting vital interests of the state and the ruling party, and their veteran supporters.

The state thus succeeded in simultaneously creating stratificational disparities, and easing distributional conflicts. By the same token, the full employment was primarily a problem for the state. The more that labor was protected from market forces and employer discipline, the greater the cost of subsidizing business, and the greater the dependence on outside support to finance this generosity. The more that workers were allowed to become independent of labor market dictates, the harder it was to sustain both their material dependence on the ruling party, and the territorial and economic roles assigned to them in state-building strategies.

In the 1950s and early 1960s, the state's role as an engine of economic expansion had been threefold: as the source of tremendous direct and indirect demand; as provider of diffuse subsidies which promoted a favorable environment for business generally; and as

the author of selective incentives designed to stimulate the production of exports and import substitutes, and the flow of private (especially foreign) investment. For the state to sustain the massive scale of these activities as consumer, investor and subsidizer, it needed both the special policy problems of the fifties (population expansion) and a hard currency income sufficient to cover the bill. In the early 1960s these exogenous prerequisites began to evaporate. Immigration fell sharply in 1964 and 1965, and there was little prospect of any large-scale exodus from the Diaspora in the foreseeable future. Meanwhile, unilateral transfers and long-term loans—on which the state relied for cheap capital inflow—had reached a plateau. By far the most attractive source of foreign currency, the reparations paid by the German government to Israel as the legatee of the European Jewish communities destroyed during World War II, was scheduled to dry up altogether.

These trends provided the backdrop to the *Mitun* or “moderation” of the mid-1960s, a deep recession that was supported (if not induced) by the policies of Israel’s Labor government and endorsed by the Histadrut. It is true that a slowdown was well-nigh inevitable at about this time due to forces beyond the state’s immediate control (i.e. the running down of immigration and capital inflow). The critical question is how policy responded to these trends, and the evidence is unambiguous: the state, with the aid of the Histadrut, actively sought a recession during a period in which unemployment was already rising. In part, this can be understood as what the Polish economist Michal Kalecki called a “political business cycle”—a deliberate withdrawal of the policy supports on which sustained full employment depends in a Keynesian economy.<sup>35</sup> Leading official spokesmen made no attempt to conceal their intentions. It was stated publicly that labor militancy was a (if not the) fundamental cause of Israel’s economic malaise, and that a dose of unemployment would be the most effective cure. In July 1966, when 40,000 work-seekers were already registered at the labor exchanges, the Minister of Finance was reported as stating that his economic program would require 95,000 unemployed. Moreover the authorities continued to delay, for roughly a year, the adoption of counter-cyclical policies oriented towards easing unemployment. When the recession was ended by the Six Day War (June 1967), unemployment had already passed an astounding quarterly peak, 12.5% of the civilian labor force.

In Kalecki’s scenario, the state was viewed as playing the role of understudy for capital. Governments would be obliged either to repair the damage full employment had caused to “business confidence”, or else see a collapse of output and employment in the wake of declining private investment. Since in Israel most of the investment of the business sector had hitherto been directly or indirectly financed by the public sector, the state not only found it necessary to raise profits by disciplining labor, but also to encourage the captains of industry to accept capitalist responsibilities for driving economic performance.

In itself, unemployment could be expected to help employers halt the growth of wages, gain access to a larger pool of labor, and reestablish managerial authority over layoffs and work practices. But capital was also expected to make sacrifices. Vigorous domestic demand—which under Israel’s high tariff walls had hitherto shielded most producers from the export imperative—was deliberately run down or simply not revived. There was much talk of exposing industry to the whip of international competition, and insistence that the state’s benevolent assistance would no longer be made available to lame ducks. In practice, these incentives were largely unsuccessful, and state subsidy of capital was resumed substantially before policy softened towards labor.

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<sup>35</sup> See Michal Kalecki, “Political Aspects of Full Employment” in Collected Works: Business Cycles and Full Employment (ed. Jerszy Osiatinski, trans. Chester Adam Kisiel, volume one [Oxford: Clarendon Press, 1990]), 347-356.

The strategic logic behind the *Mitun* had been to shift the crisis out of the state's own jurisdiction and into the domains of labor and capital. Israel's military victory and occupation in 1967 rendered such a strategy obsolete. These dramatic geopolitical shifts justified and facilitated a re-expansion of the role of the state, and provided a new formula for economic growth based on Palestinian workers and consumers, military expansion and industrialization, and greatly enlarged US aid.

In the course of the recession the Histadrut, and even more so private employers, had succeeded in regaining the initiative in labor relations. Labor discipline was sufficiently tightened to bear tangible fruit in the form of a decline of wildcat strikes and a growing profit share. In the initial aftermath of the *Mitun* workers' readiness to struggle against the ongoing redistribution of income from labor to capital was dulled by fresh memories of mass unemployment, assisted by the euphoria of military victory and then the hardships caused by the "War of Attrition" on the Suez Canal. Nevertheless, none of these restraining influences were capable of outlasting the conditions which brought them into being. Moreover, the workers' experience of a disciplinary recession hardened their hearts towards its sponsors. Already in the midst of the *Mitun* workers weakened by the labor market crisis discovered that the Histadrut was unwilling and unable to defend them. They turned their anger against the labor organization and subsequently the government as well.

Finding other channels blocked, the stronger of the workplace Workers' Committees cooperated on a regional and even national basis to launch extra-parliamentary protest actions. While the potential of these challenges to radically transform the status quo in labor relations turned out to be short-lived, many workers drew the conclusion that self-reliance was their most effective weapon. Under conditions of renewed economic expansion between the late 1960s and the Yom Kippur War (October 1973), Israel experienced its own variant of the "rank and file revolt" that overtook labor relations in all of the advanced capitalist societies. In parallel, the disadvantaged (primarily Oriental Jews, but in part also Arab citizens) embraced a new politics of protest at the ballot box and, in the Jewish sector, in the streets. Their actions presented a grave challenge to the political authority that the Histadrut and the Labor Party had hoped to restore by the whip of labor market discipline. The combination of partial withdrawal of Oriental and Arab support and defections by disenchanted middle-class *Ashkenazim* administered the fatal blow to Labor Party hegemony in Israel's May 1977 elections, after which leadership of the government was transferred to the populist-nationalist *Likud* Party.

### **The Decline of the Labor Movement**

Mainstream interpretations view the decline of the Histadrut's authority and the Labor Party's electoral standing during the 1970s as resulting from a combination of trends internal and external to the labor movement. The signs of internal decomposition included a loss of ideological vigor and coherence, bureaucratization and corruption. "External" challenges were posed by the policy conundrums that followed the 1967 occupation, and by the growing independence and dissent of Oriental Jewish voters. My analysis of the *Mitun* suggests that the decline of the labor movement can also be interpreted from a political-economic perspective, as a consequence of changes in the relations between the Histadrut, the state and the working class. The punitive strategy adopted by the state and the ruling party in the wake of the political and economic challenges that surfaced during the 1960s left wounds that festered after the post-1967 economic recovery. Workers' disenchantment was further aggravated by the Yom Kippur War, which shook public confidence in Labor Party stewardship and put an abrupt end to economic growth.

The political-economic roots of Labor's political decline were institutional as well as conjunctural. Especially important in this connection was the weakening efficacy of the

Histadrut, both as a vehicle for mobilizing voters and a resource for the political management of the economy on which Labor hegemony was predicated. Caught between its political obligations to party and state, and the militancy of both entrenched and subaltern sections of the workforce, the Histadrut was unable and often even unwilling to brake wage demands and support the government's economic policy. At the same time, the growing independence of Histadrut economic enterprises from political direction, and their burgeoning ties with big business in the private and government sectors, made it increasingly difficult for the state to avoid bearing the brunt of the political and fiscal costs of managing a stagflationary economy. It is the decline of *state autonomy* brought about by these trends which I believe accounts for Israel's twin crises of the late seventies and early eighties: the dethroning of the Labor Party, and severe economic disorder (hyperinflation and fiscal crisis).<sup>36</sup>

Israel's political economy reached a critical turning-point in 1984-85, and once again the Histadrut was deeply implicated.<sup>37</sup> Following the 1984 elections the Labor Party joined the *Likud* in a "national unity" government. An important underlying motivation for the *Likud* was the expectation that its rival would be able to deal more effectively with the Histadrut; while for its part Labor was anxious to regain leverage over policy, at least partly because of the need to protect the Histadrut, its political ally, from growing threats to the viability of its economic and social-policy functions. And indeed, in return for political and institutional compensations, in the summer of 1985 the Histadrut's leadership consented to a radical economic stabilization plan that quickly put an end to inflationary chaos in the economy. More importantly, the enactment of the stabilization plan marked the onset of a new "liberalizing" phase in which the state successfully regained some of its lost autonomy by slimming down its role in economic ownership and steering.

The Labor Party's success in resolving the economic crisis (and also in extricating the Israeli army from its costly and prolonged engagement in Lebanon) raised its political stock, yet failed to alter its political fortunes at the next (1988) elections. Many in the party pointed an accusing finger at the Histadrut, which had largely lost its capacities to get out the vote and instead appeared to be damaging the party's prestige and confining its policy options. Consequently, at the beginning of the 1990s—in a replay of an internal crisis that paralyzed and then split the party in the 1960s—the Histadrut came under attack from disgruntled Labor politicians, particularly those who had risen outside the framework of the Histadrut and the party machine. The Histadrut's critics openly argued that it had become more of a political burden than an asset, and demanded that the party cut its umbilical cord with the labor organization and transfer its non-union functions to the orbits of the state or the private sector.

The contemporary problems of the Histadrut are real enough. In the labor market, Israel has participated in the global trend towards individual employment contracts, labor contracting, and other changes in employment relations which undermine both the objective and subjective attachment of workers to unions. Because of the nature of affiliation to the Histadrut (its link to health care) this trend did not directly harm the membership rate, but it did aggravate the already severe problem of legitimacy. The disorganization of the labor market, the evident ability of privileged sectors of the organized workforce to make gains on their own, and the lack of any concerted effort on behalf of the disadvantaged, all brought the Histadrut's prestige to a new low. Meanwhile, the mainstay

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<sup>36</sup> Shalev, *Labour and the Political Economy*, Chapter 7.

<sup>37</sup> See Michael Shalev and Lev Grinberg, "Histadrut-Government Relations and the Transition from a Likud to a National Unity Government: Continuity and Change in Israel's Economic Crisis" (Discussion Paper 19-89, Pinhas Sapir Center for Development, Tel Aviv University, October 1989); and Lev Luis Grinberg, [Split Corporatism in Israel](#).

of its ability to attract and retain members—the conservative and inefficient Sick Fund—was ill-equipped to face rising competition in the health-care field, especially given the high costs of serving its large body of elderly insurees. Consequently in the 1990s, for the first time since statehood the Histadrut found itself losing members and having great difficulty recruiting new ones. Aggravating the crisis, the labor organization's leadership evidently had no intention of carrying out internal reforms that might have restored its credibility. No less importantly, the economic enterprises associated with the Histadrut were still in the grips of a decade-long crisis. This presented a serious political problem to the Labor Party, not only because of the negative image (outdated institutions that were bleeding the public purse), but because the labor movement economy's desperate need for state support severely limited the party's freedom of maneuver.

## **Two Critical Elections**

As the 1992 general elections approached, the presence of an anti-Histadrut lobby inside the Labor Party was expressed and reinforced by two radical reforms. One was the party's transition from backroom decision-making, dominated by the machine, to primary elections as the main vehicle of candidate selection. The other was the decision to make a public commitment to nationalize health care in a way that would definitively cut the 60-year tie between membership in the Histadrut and the receipt of health services from its associated Sick Fund. Thus it came to be that Yitzhak Rabin led the Labor Party to the national elections in June 1992 in a way that denied the very core of what had once made the labor movement so powerful—and had later rendered it so vulnerable.

This denial by itself cannot account for Rabin's success in reversing the fortunes of the two leading parties. Among the other factors involved, the following are of special note:

1. The cul-de-sac into which the *Likud's* policies regarding peace and territories had led Israel, including US denial of enlarged economic aid.
2. Yitzhak Rabin's personal prestige and his image as being "tough on Arabs", which acted as an antidote to the party's dovish image among voters with mildly hawkish tendencies.
3. The unexpected votes of disgruntled groups: Palestinian Arab citizens, newcomers from the former Soviet Union, and some of the *Mizrachim*. For this political moment, each of these groups had reason to question the efficacy of the parties they found programmatically desirable, and were attracted by Labor's promise to divert government expenditure from the occupation to domestic ends.

Had the Labor Party brought the reforms favored by Rabin and his Young Turk associates to fruition, then the Histadrut would have been transformed beyond recognition. This was particularly true for health care reform. Experience in other countries has shown that, in the absence of non-union functions (typically unemployment insurance), unions fail to retain members in today's unfavorable climate.<sup>38</sup> Combined with the trend towards greater independence between the labor organization and the party, the result would have been the end of the distinctive character of political exchange between labor and the state in Israel: its exceptionally diffuse ("generalized") character, and its complex but undeniable responsiveness to changes in government.

Instead, this scenario was postponed as those who had the most to lose from reform fought an effective rearguard action. Chaim Ramon—a skilled and popular young politician and a

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<sup>38</sup>.Jelle Visser, "The Strength of Union Movements in Advanced Capitalist Democracies: Social and Organizational Variations", pp. 17-52 in Marino Regini ed., Labour Movements Towards the Year 2000 (London: Sage, 1992).

close associate of Rabin, who led the internal party opposition to the Histadrut—was twice defeated, first as Health Minister (his reform plan was rejected) and then as a contender for the party's nomination to head its slate in the Histadrut elections of May 1994 (he was denied the candidacy). As it turned out though, the political masters of the Histadrut achieved only a Pyrrhic victory. Ramon formed a renegade list that (to his good fortune) was ejected from the party, and he used his aggressive critique of what was portrayed as the corrupt regime of the past to claim a landslide victory. For the first time in the Histadrut's history, it is not controlled by Labor (or the parties to which it is heir), which had to settle for the role of junior coalition partner.

In the short time that has passed at this writing since the Histadrut elections, the labor organization's functions, staff and assets have been significantly pruned. However the process is by no means complete, and it is still a possibility (albeit an unlikely one) that the momentum of reform will be stalled. Nationalization of the Histadrut pension funds and privatization of the Histadrut economy are as yet only in the planning stage. The Histadrut has thus not yet turned into first, foremost, and primarily a roof organization of trade unions. It has not abandoned its system of governance by political parties, or its unitary structure based on direct membership in the "federation". Indeed, the new leadership has engaged in intense bargaining with the government in order to preserve this structure, by obtaining a legally-sanctioned checkoff system for dues collection, buttressed by mandatory quasi-dues for "free-riding" non-members.

I interpret these developments as signs of the Histadrut's long-postponed adjustment to the transition from a settlement movement to a sovereign state. All of the labor organization's distinctive features were the product of the era of prestate colonization, with its peculiar challenges of gaining control of land and employment in the face of Palestinian hostility, without being in control of a state apparatus. We saw earlier that one reason that sovereignty failed to instantly eliminate the preceding institutional order was that it continued to offer political advantages to the ruling party and the new state. The other was that the distinctive problems and conflicts of a settler society continued to arise in the new context. For some of these problems, including the political and economic "absorption" of dependent and disorganized immigrants and the management of relations with the remaining Arab population, the Histadrut continued to offer valuable services.

Nevertheless, the question arises of why the currently ongoing process of "normalizing" the Histadrut was delayed for so long. One potentially attractive explanation might be drawn from the sphere of ideology—namely, the delayed entry of Israeli social and political discourse into what has been described as the "post-Zionist" era.<sup>39</sup> Two specific shifts are especially noteworthy. One is the ascendance of a bourgeois worldview that champions the pursuit of personal gain and casts aspersions on the efficacy and desirability of collectivism and state intervention. The other is a sea change in public opinion concerning the national conflict, the fact that since the Palestinian Intifada at least some Israelis sympathetic to the project of a "greater Israel" have reluctantly accepted the imperative of territorial compromise.

In keeping with my argument regarding the origins of the labor movement, I believe that it would be mistaken to interpret these changing values and attitudes as the source of the contemporary transformation of the Histadrut, although they have certainly reinforced it. For one thing, the new geopolitical and political-economic discourses coexist with opposing "texts". For instance, notwithstanding the prominence of neo-liberalism among Israeli elites

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<sup>39</sup> Professor Erik Cohen of the Hebrew University has explicitly conceptualized the contemporary era as "post-Zionist" in several conference presentations and as yet unpublished papers.

there remains a surprisingly robust collectivist consensus in the mass public, which sees the state as broadly responsible for the well-being of its citizens.<sup>40</sup>

More importantly—and again in keeping with my interpretation of earlier periods—while it is still too early to definitively trace the connections, developments in the political economy itself offer crucial clues to understanding why the transformation of the Histadrut was deferred until the 1990s. In our case study of the *Mitun*, it emerged clearly that the Histadrut was deeply implicated in a struggle by the state to regain autonomy from both capital and labor. In the background to this struggle were changes in economic parameters that threatened the state's ability to manage the public purse and the wider macro-economy, but also gave it the tools to fight back. Since the mid-1980s Israel has experienced a return of precisely the same dynamic. Finding its fiscal standing and policy options severely constrained by both big business and strong labor groups, and facing a loss of maneuverability caused by the transformation of its foreign earnings from discretionary "gift capital" to military aid, the state has attempted to turn the encroaching threats of exposure to the world economy and to neo-liberal ideology into levers for establishing a safer haven for itself in a restructured political economy.<sup>41</sup> But in contrast to the mid-sixties, in the 1980s when the state was confronted by economic crisis there was no longer convergence between its interest in regaining autonomy and the interest of the governing party in buttressing its political ally, the Histadrut. Through the *Mitun*, Israel's political elite had pursued two aspirations: to restructure state/economy relations in conformity with the eclipse of conditions for state-led and state-subsidized growth; and to exploit the disciplinary effects of recession in order to restore the labor movement's political authority over the working class. In contrast, the political stewards of the partial dismantling of the state's protective role vis-a-vis the economy and civil society since 1985, have been opposed or at best ambivalent to the Histadrut—whether they were governments formed by *Likud* or Labor.

Finally, it may not be accidental that the liberalizing thrust of recent economic policy in Israel has occurred in chronological proximity to the state's attempt to rid itself of counterproductive burdens in the geopolitical arena, by a negotiated settlement with the PLO that has partially ended the occupation. In any case, the opening of a (however faltering) process of decolonization, just like the trends toward Israel's increased integration with the world economy and the slimming down of government ownership and control, makes plainer than ever the anachronistic character of the Histadrut model of labor organization. Even if the political will of the current leaders of the Histadrut and the party to reform the Histadrut should falter, the structural momentum of reform now appears to be irresistible.

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<sup>40</sup> For evidence of the shifts and continuities in Israeli public opinion discussed here, see *inter alia* Ephraim Yuchtman-Yaar, "The Israeli Public and the Intifadah: Attitude Change or Retrenchment?", pp. 235-251 in Ehud Sprinzak and Larry Diamond eds. Israeli Democracy under Stress (Boulder, Colorado: Lynne Rienner, 1993); and Yochanan Peres and Ephraim Yuchtman-Yaar, Trends in Israeli Democracy: The Public's View (Boulder, Colorado: Lynne Rienner).

<sup>41</sup> Shalev, *Labour and the Political Economy*, Chapters 6 and 7.