

## **Wage Earners from Foreign Countries: Policy and Implementation Recommendations of the Special Committee**

In response to the government decision (October 1996) to reduce the Israeli economy's dependence on wage earners from foreign countries, a special ministerial committee was established to suggest ways to implement that decision. The primary recommendations made are presented in the following.

**צוות היגוי  
מרחים י'ז**

**ד"ר יינפריד וויט  
ח"כ יהודה לנקר  
ח"כ יוסי בילין**

**מרחים הדעתן י'ל  
ו'ד דאסון**

**בחסות:  
קרן פרידריך אברט**

**Steering Committee**  
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### **Summary of Primary Recommendations**

- Over the next five years, a policy of gradual reduction of the employment of wage earners from foreign countries in Israel is to be initiated. The aim of that policy is to reduce the number of these workers from the current level of 8.5% of the labour force to 1% by the year 2000.
- These workers are to be replaced by local labour, both Israeli and Palestinian, through programs encouraging employment of Israelis, by granting of special work permits to Palestinians, and by establishing regional industrial parks along Israel's borders.
- This program is also to entail increasing the costs associated with the employment of wage earners from foreign countries — that is, financial guarantees and taxes — and by reducing the profitability of their employment.
- The enforcement of legal strictures, including regulation and control of employers, as well as the imposition of punishments and fines on unlicensed employers, would be intensified. In addition, workers lacking work permits would be deported.

## **Assessment of the Recommendations**

These recommendations, presented and publicised by the committee in April 1997, comprise the government's first systematic treatment of the issue. They represent a consistent policy, formulated from a comprehensive, strategic perspective, with respect to the employment of wage earners from foreign countries within the local labour market.

These recommendations are, nonetheless, problematic. First of all, the attempt to reduce the number of wage earners from foreign countries by means of deportation and increased costs of employment contradicts a number of international agreements signed by Israel. Such measures also go counter to the increasing market openness witnessed in advanced industrial countries.

Furthermore, the estimates made by the committee regarding the number of wage earners from foreign countries can be questioned. According to sub-committee figures, there are about 170,000 wage earners from foreign countries (about 45% lacking work permits) actually working in Israel. These represent about 8.5% of the total civilian labour force. It appears, however, that their true numbers are much greater — an estimated 200,000-250,000; consequently, the recommendations are inadequate to the scope of the problem.

Publication of the recommendations have also come too late, as the above figures indicate. Given that the situation is inherently irreversible, efficient implementation of the measures would have been feasible only if they had been determined at a much earlier stage.

Moreover, the recommendations make no mention of the living conditions of wage earners from foreign countries working in Israel. There is no attempt to confront their needs in the areas of health, education, and other social services, services required particularly by those ethnic groups already living in Israel for some time.

The solution to the issue of work permits is also over-simplified. The possibility of granting permits on the basis of more sensitive selection mechanisms — such as staggered or non-uniform residence periods, or different countries of origin —similar to those employed in other industrial countries, should be considered. For instance, preference can be made for countries whose citizens are less likely to chose permanent residence in Israel.

On a related issue, measures for increasing employer costs (e.g., higher licensing fees as well as larger fines to employers hiring wage earners from foreign countries, particularly those lacking work permits) seem to be appropriate for compensating the state and society for the externalities resulting from the employment of these workers. Associated steps may also provide incentives for workers to leave the country upon expiration of their permits. Nevertheless, as indicated above, whether or not these measures agree with Israeli and international labour legislation is still to be determined.

### **Summary**

Beyond the fact that these recommendations represent the first statement of any policy, formulated in Israel, regarding the employment of wage earners from foreign countries, the underlying assumption — that such employment is undesirable — has inspired a mode of confrontation unsuited to current conditions. In addition, we cannot assume that these measures, particularly deportation, will achieve the desired goal of providing a significant number of employment solutions on the local or regional level.