

Social Dialogue for Workplace Learning Case Study 3 2012

ILO, Skills and Employability
Department

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How training can help reduce a labour shortage

*In its conclusions to the General Discussion on **Skills to improve productivity, employment growth and development**, the International Labour Conference, June 2008, requested that the Office generate and share information on good practices in how collective bargaining can promote workplace learning. This Case Study is one in a resulting series of case studies on social dialogue and collective bargaining for skills development produced by the Skills and Employability Department in cooperation with the Bureau for Workers Activities, the Bureau for Employers Activities, and the Industrial and Employment Relations Department. The case studies were researched and written by Lori Brumat, working as research officer with the Skills and Employability Department. In addition to thanking her, I would also like to express appreciation to Michael Axmann and Christine Hofmann for supporting this work and for the inputs from other colleagues in the Skills and Employability Department, the field offices, the Sectoral Activities Department, the Gender Bureau, and the Enterprise and Job Creation Department.*

Christine Evans-Klock, Director, Skills and Employability Department, ILO.

Name of the agreement

Collective Agreement in the Construction, Infrastructure, Heavy Equipment, Public Works and Renovation Sector¹

Validity period

2010–13, but originally signed in January 2010, updated on 20 July 2011. It was applied to unionized and non-unionized workers alike, following the publication of an extension order.²

Parties

- Construction and Wood Workers Union of Israel, affiliated to the Histadrut;
- Association of Contractors and Builders in Israel (employer organization).

Type

Collective bargaining agreement.

Level

Industry-wide.

Worker population concerned

Israel's construction industry workforce, which, according to the Central Bureau of Statistics, in 2011 consisted of some 175,000 legally-employed workers (unionized and not), including 19,000 Palestinians³ and 5,000 foreigners (mainly Chinese).

Goals

To draw more workers to the construction industry by improving:

- the **standing of workers** through higher wages, better qualification prospects, and a clear course for promotion;
- the **reputation of the construction industry** in terms of poor working conditions and wages and reliance on migrant workers that dissuades Israelis from joining it.

“We need more workers: no matter how much we pay, even the least qualified workers do not want to spend hours in the sun or develop physical problems after years of building walls,” said Mr. Ysaac Gurvich, Deputy Director General of the Association of Contractors

¹ Name translated from Hebrew by the Association of Contractors and Builders in Israel. The relevant documents in English and Hebrew are available upon request to emp.skills@ilo.org.

² An extension order from the Ministry of Industry, Trade and Labor broadened the coverage of the agreement to all nonunionized workers and employers within the construction industry. The extension order was requested by the Association of Contractors and Builders to avoid being penalized with respect to other employers who are not party to the agreement as these would otherwise incur lower labour costs.

³ Palestinian workers under the agreement are defined as workers from the areas of Judea, Samaria and Gaza.

and Builders. “The goal of this agreement is to show that we want good workers and are willing to pay more for them.”

Historical background

The Israeli construction industry’s labour shortage

The creation of the State of Israel in 1948 required manpower that was not available then.

Palestinians were traditionally employed in construction, catering, agriculture and domestic work. The first uprising of the Palestinians in the Occupied Territories from about 1987 to 1993, however, led to the signing of the Oslo Accords, which laid the grounds for the creation of a Palestinian State. Since then, Israeli authorities frequently closed the check points between the Occupied Territories and Israel. This prevented Palestinians from working in Israel, triggering Israeli employers to seek alternative labour.

The fall of the Berlin Wall led to a new wave of immigration into Israel in the 1990s. Being Israeli citizens, Russian immigrants could claim (typically higher) Israeli wages.⁴ Therefore, in addition to Palestinians workers, Israeli employers, including in the construction industry, increasingly turned to non-Jewish workers from other parts of the world.

The Israeli construction industry today employs some 5,500 foreign workers (mainly Chinese, Moldavians and Turks). To that figure the Government has authorized the addition of another 2,500 migrants in February 2012, according to Ms. Neta Vayg-Malka, assistant to the Chairman of the Construction and Woodworkers Union.

That maximum of 8,000 workers compares to the 80,000 foreign workers employed in the construction industry in the 1990s. Israeli employers in construction have pressured the Government to authorize foreigners to work in Israel as, while Israeli workers shun the industry, demand for housing is growing. Some 40,000 Israeli resident families need a place to live when only 30,000 houses are being built, estimated Mr. Gurvich.

To build those additional 10,000 houses, however, the industry would need another 20,000 foreign workers to carry out the low-skilled, physically strenuous jobs Israelis will not do (i.e. jobs such as plastering, iron bending, flooring or molding), according to Mr. Gurvich. That would in turn allow the hiring of more Israeli workers in higher-skilled, construction-related jobs such as truck drivers, foremen and even architects, he added.

The Israeli Government is intent on encouraging the hiring of Israeli workers. And yet even though in 2010 the unemployment rate in the country has dropped to 6.6 per cent from 7.5 per cent the previous year and some 100,000 jobs were created during that time, according to Central Bureau of Statistics figures.

⁴ Collective bargaining agreements and Israeli labour law apply to all workers regardless of origin, ethnicity or religion, according to Avital Shapira-Shabirow, Director of the Histadrut’s International Department.

Israeli authorities grant foreign workers work permits for a maximum of 60 months (five years).⁵ Now, through a series of added costs (housing, food, work permit, registration fees, 15 per cent tax, etc.) an hour of work done by a foreign worker costs about 62 Israeli shekels (ILS), or about 16.5 USD, compared to ILS40 for Israelis, according to Mr. Gurvich. What is more, foreign construction workers are entitled to a total payment of 211 work hours per month, even if they in fact do not work them.

“Our industry will always need a number of foreigners,” said Ms. Vayg-Malka. “Just like in other countries, it is not realistic to think that Israelis will ever be the only ones working in construction.”

- **The Histadrut**

The Histadrut, the ancestor of the New Histadrut, was founded in 1920 before the creation of the State of Israel as a surrogate non-partisan, non-political state establishment. Thus when it started functioning, the role of the Histadrut went far beyond that of traditional unions: it catered to the entire population – not just workers – and offered a variety of services.

It provided health care, running hospitals, sick homes, and clinics throughout the country; helped create employment, including in the cooperative sector of kibbutz and moshav; represented workers by economic branch, occupation or employer before local works councils; promoted women’s rights for example by operating subsidized day-care centres; created pension funds for workers and operated retirement homes; and provided other cultural and educational services.

In 1995, a new law on social security (the National Health Insurance Law of 1994, enacted a year later) supplanted the Histadrut’s main role as service-provider to the Israeli population, forcing it to reinvent its role, membership recruitment and funding.

The separation of the “general sickness fund” from the Histadrut had meant a huge loss of income for the organization, as the number of contributing members and corresponding fees collected dropped as a result of the fewer services offered. And so the Histadrut, led by a newly formed party, Ram, in 1994 became the New Histadrut.

The Histadrut’s membership started at about 4,400 in 1920 and in 1983 reached a high of 1,600,000 (including dependents) -- more than one-third of the total population of Israel and about 85 per cent of all wage earners.⁶ Today it has about 700,000 members and is

⁵ Employers who hire migrant workers through employment agencies (or licensed manpower companies) must deposit ILS700 (about \$186 at time of writing) each month for their pension, severance pay and study fund in a special account. The workers receive the money (minus a 15 per cent income tax) when they leave Israel permanently, on condition that they do so before their working visas expire.

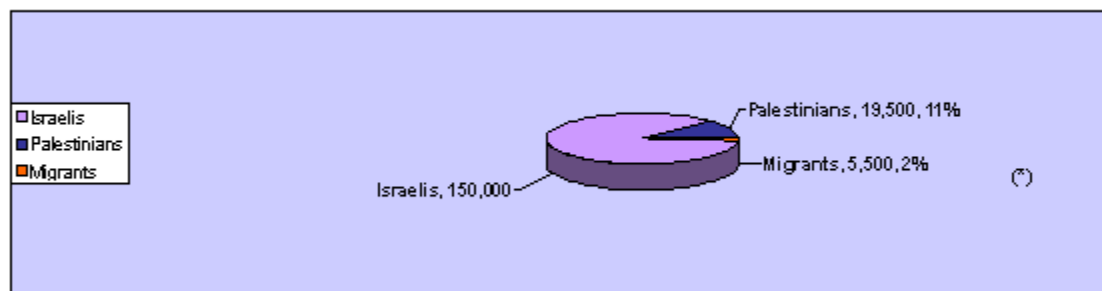
⁶ About 170,000 Histadrut members were Arabs (who were admitted to membership from 1959).

affiliated with the International Trade Union Confederation (ITUC) and its affiliated unions belong to various global federations.

- **The Construction and Wood Workers union**

Today, the workers employed in Israel's construction industry are 85 per cent Israelis (150,000), 11 per cent Palestinians (19,500) and 2 per cent foreign migrants (5,500), mainly Chinese workers:

Figure 1: Breakdown of the construction industry's workforce



() This data does not include 800 Turkish workers employed by Yilmazlar Group, a Turkish building company, or the Sudanese and Eritrean workers who have specific asylum-seeker visas.*

The Israeli Construction and Wood Workers union is affiliated to the Histadrut and a member of the Building and Wood Worker's International (BWI),⁷ a Global Union Federation (GUF) established in December 2005.

In November 2009, the Construction and Wood Workers Union had announced it would work to update the industry-wide agreement to include all workers whether Israelis, Palestinians, or foreigners. For that, the Histadrut changed its statutes to allow foreign workers to join unions, which was until then impossible.⁸

In 2011, the Construction and Wood Workers union had some 35,650 members, less than a fifth of whom were full members entitled to social and recreational services, benefits and discounts on top of being covered by the collective bargaining agreement.

⁷ The BWI is the Global Union Federation grouping around 328 trade unions representing around 12 million workers in the building, building materials, wood, forestry and allied sectors in 130 countries.

⁸ It is noteworthy that unionization of foreign workers in the construction industry in Saudi Arabia, Bahrain and the United Arab Emirates is still prohibited.

Israelis and migrants are now allowed to become full members of the Histadrut. Their “affiliation fees” – 0.95 per cent of their wages – are directly levied by employers.⁹

In the case of Palestinians working in Israel, however, “trade union fees” (another 0.8 per cent of wages) are directly levied off the workers’ wages by the Israeli immigration authorities, which splits 50-50 this trade union fees with the Histadrut’s Palestinian counterpart, the Palestinian General Federation of Trade Unions (PGFTU).

Consequently, Palestinian workers are entitled to all legal services but not to vote or run for office in the Israeli union, or enjoy the additional benefits, recreational services and discounts of the full membership.¹⁰

Below is an excerpt from the June 2008 agreement signed between the Histadrut and PGFTU that explains this transfer of fees between the Israeli and Palestinian unions:¹¹

From the date on which this Agreement is signed, and thereafter, the distribution of and consideration for the monies of the Organization Tax shall be as follows:

The Histadrut shall transfer to the PGFTU, each month, half of the monies for Organization Tax actually collected by the Histadrut from the legal Palestinian Workers employed by Israeli employers.

Half of the monies for Organization Tax will remain in the hands of the Histadrut and the Histadrut shall act to protect and preserve the rights of the Palestinian Workers in the field of labor relations and shall provide the Palestinian Workers with trade union services (e.g. legal services).

The trade union services that the Histadrut shall provide to the Palestinian Workers will be provided on the base of the professional and organizational infrastructure of the Histadrut’s Trade Union Department.

Finally, as of May 2005, migrant construction workers are only employed in Israel through “licensed manpower companies”, which assign them to various building contractors. Migrant workers recruited in their native country can be required to pay a “recruitment fee” to cover the costs of employment agencies abroad and in Israel.

⁹ For more on the statutory rights of migrant workers in Israel, see the official Israeli Government portal: http://www.piba.gov.il/PublicationAndTender/Publications/Documents/FOREIGN_WORKERS_RIGHTS_HANDBOOK_EN.pdf [accessed 31 January 2012].

¹⁰ This stems from an Israeli law stipulating that workers cannot be affiliated with two labour unions simultaneously. As a result, Palestinian workers are affiliated with the PGFTU.

¹¹ See Article 8, paragraphs a, b and c, of the agreement.

- **The Association of Contractors and Builders in Israel**

The only employer organization in the industry consisting of some 4,000 active contractors, the Association of Contractors and Builders represents some 1,800 companies. Its members employ about 80 per cent of construction workers in Israel.

Salient clauses on training in collective bargaining agreement between the Histadrut and construction industry employers

First, the agreement improves the standing of construction workers by increasing their wages and improving their working conditions.

Since the updated collective bargaining agreement came into force on 1 February 2012, wages in the construction industry have increased by 6 per cent in two subsequent pulses.

Table 1: Wages per worker category and skill level, before and after the collective bargaining agreement (ILS)

Date	Construction worker Level 1	Construction worker Level 8	Foreman Level 1	Foreman Level 7	Renovation worker ¹² Level 1	Renovation worker Level 5
Before the agreement	4,350	6,200	6,550	8,200	4,350	6,000
After the agreement (as of 01/2012)	4,614	6,577	6,948	8,698	4,614	6,364

The minimum wage (rank 1), the only wage category to have been further increased beyond that as of 1 February 2012, now stands at ILS5,000 (about \$1,330) – almost 15 per cent higher than the ILS4,350 it was worth before the agreement. That also compares to the minimum wage of ILS 4,300 that will become effective in the rest of the Israeli economy by October 2012.

The maximum number of hours worked in a month for a 100 per cent pay rate are now set at 182. Hours worked in excess of that limit, up to 29 hours a month, are to be paid at the

¹² In the collective bargaining agreement, a “renovation worker” is defined as one whose main occupation is “the restoration, conservation and upgrading of buildings (...).”

overtime pay rate. The standard working week is 42 hours long, versus 43 hours in the rest of the economy.¹³

Second, the agreement then aims to encourage workers to undergo occupational training by funding three quarters of it.

Third, it sets a clear path for promotion. Indeed, workers having undergone the induction training are automatically promoted from rank 1 (i.e. the minimum wage) to rank 2 (see table 1 above). Promotion up to rank 3 (inclusive) is automatic: every three years of full employment in the construction industry in Israel, an employee advances by one grade.

Promotions to rank 4 and above – and the corresponding adjusted wages – are authorized by a “grades committee”, consisting of a representative of the association of employers and one from the Histadrut. It can exceptionally decide on a faster promotion for some workers.

Finally, because it is mandatory for contractors to have at least a foreman on a construction team in order to open a building site, foremen are valued and up-skilled through the agreement. Whereas other workers are entitled to training after three years, foremen are from their first day of employment in the industry.¹⁴ These regular courses include certified training in infrastructure, crane operation, public works, use of heavy equipment, as well as exchanges with employer-worker groups from other countries.

The training body

The Fund for the Promotion and Development of the Construction Sector in Israel was established in 1990 by the Histadrut and the Construction and Wood Workers union, and is co-managed by them.

The training courses, overseen by the Fund, are for the most part taught at private schools accredited by the Ministry of Industry, Trade and Labour.

The foreman’s certified training course is offered at Maltav, an institution specialized in technical occupational training in construction and run by the above-mentioned ministry.

In 2011, some 1,537 workers were trained by the Fund on various subjects including workplace safety (see tables 2 and 3 below for a list of courses).

¹³ In actual fact, however, migrant workers put in many more hours. Employers indeed often pay workers by the assignment – say, producing a whole floor by a certain date/time for a given price – and are able to increase their working time beyond the statutory 211 hours, explained Ms. Vayg-Malka.

¹⁴ Organized by a “foremen’s club.”

Training content

The training provided to workers through the Fund includes the following subject matters:

- foreman certified training (total 600 hours);
- prevention of construction defects, “structure” i.e. building foundations and frame;
- health and safety measures on tower cranes and skyscrapers (several dozens of hours of training, including practical training).

In 2009, the Fund carried out 1,268 courses to workers in the industry. The tables below are provided by the Association of Contractors and Builders.

	Safety in Work at a Height	Instructors for Work at a Height
Total	7'575	324
Israelis	5'097	324
PA	922	
Foreigners	1'556	

Table 2: Attendance of courses on workplace safety

Training Categories	
Total Courses	834
Signalmen	50
Traffic safety regulation	3
Scaffolding 5	4
Construction defects	30
Mast climbers	8
Safety supervisors	1
Foremen	19
Management and supervision	1
Work at a height	658
First aid	10
Frame builders - industrialized construction	50

Table 3: Specialized training courses

Training costs and funding

Employers pay the workers' minimum trade union affiliation (“trade union fees”), levying 0.8 per cent of their monthly wages, directly to the Histadrut.

The employers contribute another 0.8 per cent of the wages to finance the union's training Fund for the Promotion of Development in the Construction Industry, mainly to prevent

workplace accidents and provide special skills training (e.g. in electrical or special machinery use).

To enroll their workers in the training, employers apply to the Fund, which in turn covers 75 per cent of the training costs. The remaining 25 per cent are paid by the workers themselves or indeed their employers, depending on individual arrangements.

The costs of the training courses range from ILS900 (about \$239) to ILS18,000 (about \$4,783), the most expensive being the foreman's training course.

The impact of training

- **On the workers**

The parties are currently working to design a training system in foreign languages for migrant workers, most of whom do not speak Hebrew.

"If we are realistic, the July agreement will only apply to Israelis and Hebrew speakers at first and very shortly will also be implemented for migrant workers in foreign languages," said Ms. Vayg-Malka.

Judging by the training currently undertaken – the majority of which are compulsory workplace safety-related courses – the agreement might not suffice to promote training among workers and employers since it does not render vocational training obligatory.¹⁵

Employers are reluctant to let their employees go to train rather than work on the site given the labour shortage, and workers are tired after a day at work and unwilling to give up the income to go train, Ms. Vayg-Malka explained. In the next collective agreement to be signed in august 2013, the two parties are intending to enforce promotion in ranks through compulsory vocational training.

Clearly, the courses have to be seen as yielding a higher pay if they are to draw more workers. While that correlation is obvious to both workers and employers in the case of the foreman's course – building sites cannot be opened without a foreman on the team – it is not as obvious for other courses.

¹⁵ That in itself is a positive achievement, however. According to data of the National Insurance Institute, the workplace safety courses provided by the Fund have resulted in 2009 in a 5-per-cent drop in the number of people injured in workplace accidents.

Finally, the financing of training is a sticking point that needs further clarification, according to Ms. Vayg-Malka. The agreement has not stipulated who is to pay for the worker's working day during the training. The most likely outcome of the ongoing negotiation is that it will be split 50-50 between the workers and their employers, she added.

- **On the employers**

Even before the agreement's clauses pertaining to training are implemented, the employers know that the way they will recoup their investment in their workers is by being able to take on more building contracts. "How much the training will cost is not the question," said Mr. Gurvich. "What we want is workers who want to work and stay in our industry."

ILO Case Studies in the series on Social Dialogue for Workplace Learning

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4. South Africa: *How training can be part of a crisis-response strategy to save jobs within sustainable firms*
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6. United States: *How training can strengthen the bargaining position of workers and boost productivity*