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[REDACTED] SECTION 01 OF 03 TEL AVIV 14992

FOR S/IL, NEA/IAI AND NEA/RA  
PASS LABOR FOR ILAB-DAVEY

E.O.12356: DECL: OADR  
TAGS: KPRP, PGOV, ELAB, IS  
SUBJECT: HISTADRUT AND ISRAEL'S ELECTIONS ✓

REF: A) TEL AVIV 14546, B) TEL AVIV 14114, C) TEL AVIV  
10993, D) TEL AVIV 9572, E) TEL AVIV 11048

1. [REDACTED]

2. SUMMARY

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THE GENERAL FEDERATION OF LABOR (HISTADRUT) IS BOTH  
ISSUE AND ACTOR IN ISRAEL'S ELECTIONS. LIKUD USES  
HISTADRUT PROBLEMS AGAINST LABOR, WHILE LABOR DRAWS ON  
HISTADRUT RESOURCES IN ITS CAMPAIGN, TO THE EXTENT  
PERMITTED BY LAW. HISTADRUT WANTS LABOR IN THE NEXT  
GOVERNMENT TO SAFEGUARD HISTADRUT'S ECONOMIC  
ENTERPRISES, HEALTH CARE SYSTEM, PENSION FUNDS AND OTHER  
SOCIAL INSTITUTIONS AGAINST LIKUD ATTACK. SOME OF THESE

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INSTITUTIONS FACED SERIOUS DIFFICULTIES IN 1988 (REF A,  
C AND D). LABOR TRIED TO DISTANCE ITSELF FROM HISTADRUT  
IN THE EARLY STAGES OF THE CAMPAIGN, BUT BECAUSE  
HISTADRUT PROVIDES MUCH OF LABOR'S (AND MAPAM'S)  
CAMPAIGN MANPOWER, THE TRADE UNION ORGANIZATION WAS  
QUICKLY RESTORED TO GRACE. DOWN IN THE MOUTH IN JULY,  
HISTADRUT OFFICIALS ARE NOW CONFIDENT LABOR WILL DO

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ABOUT AS WELL IN THIS ELECTION AS IN THE LAST. END SUMMARY.

3. HISTADRUT AS AN ELECTORAL MACHINE

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MORE THAN JUST A LABOR FEDERATION, HISTADRUT CREATED AN ECONOMIC AND SOCIAL INFRASTRUCTURE TO EMPLOY AND CARE FOR WAVES OF JEWISH IMMIGRANTS. IT REMAINS A MAMMOTH, FAR-FLUNG ORGANIZATION. MOST ISRAELIS BELONG TO ITS SICK FUND, UNIONS AND/OR WOMEN'S ORGANIZATION (NA'AMAT). KIBBUTZIM, MOSHAVIM, COOPERATIVES AND OTHER HISTADRUT ENTERPRISES EMPLOY 23 PERCENT OF EMPLOYED ISRAELIS. HISTADRUT INSTITUTIONS OPERATE HOSPITALS, CLINICS, DAY-CARE CENTERS, VOCATIONAL SCHOOLS, RETIREMENT AND NURSING HOMES, SPORTS AND YOUTH CLUBS THROUGHOUT ISRAEL. THE LABOR PARTY AND ITS ALLIES (MAPAM AND INDEPENDENT LIBERALS) SELECT ALL ELECTED AND MANY APPOINTED OFFICIALS OF THESE INSTITUTIONS AND OF MOST LABOR COUNCILS OVERSEEING THESE ACTIVITIES IN EACH TOWN OR REGION. PARTY MILITANTS FILL POLICY JOBS THROUGHOUT THE SYSTEM. AT ELECTION TIME, THESE OFFICIALS AND MILITANTS BECOME CAMPAIGN ORGANIZERS AND WORKERS.

4. CAMPAIGN RESTRICTIONS

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CAMPAIGN LAWS FORBID USE OF HISTADRUT INSTITUTION FUNDS AND INSTALLATIONS IN THE CAMPAIGN, BUT NOT PERSONNEL. USE OF SOME OTHER RESOURCES, SUCH AS COMPANY VEHICLES TO GET VOTERS TO THE POLLS, MAY OCCUR. HOWEVER, OUR HISTADRUT SOURCES SAY THEY ARE BEING MUCH MORE CAUTIOUS THIS TIME IN USING RESOURCES FROM HISTADRUT FIRMS; NOT ONLY IS LIKUD WATCHING CLOSELY, BUT THESE FIRMS HAVE PROBLEMS OF THEIR OWN.

5. HISTADRUT AS AN ISSUE

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ALTHOUGH PEACE AND THE UPRISING IN THE TERRITORIES ARE THE TOP ELECTORAL ISSUE, SOCIO-ECONOMIC PROBLEMS ALSO PLAY A ROLE. HISTADRUT IS CENTRAL TO MANY OF THEM. LABOR PARTY PHONE SURVEYS SHOWED THAT MEDICAL CARE AND THE FATE OF HISTADRUT ECONOMIC ENTERPRISES WERE MAJOR VOTER CONCERNS. LIKUD'S CAMPAIGN ALLEGES THAT HISTADRUT CONTROLS AND MISMANAGES TOO MUCH OF ISRAEL'S ECONOMY AND SOCIAL SYSTEM. LIKUD ATTRIBUTES PROBLEMS AT KOOR, HEVRAT OVDIM AND KUPAT HOLIM TO THEIR BEING RUN BY A

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TRADE UNION ORGANIZATION CONTROLLED BY A POLITICAL PARTY. ONE LIKUD ELECTION AD IMPLIED THAT MONEY FROM THE CONSTRUCTION WORKERS' PENSION FUNDS HELPS FINANCE LABOR'S CAMPAIGN.

6. HISTADRUT'S PROBLEMS: KUPAT HOLIM

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HISTADRUT'S GENERAL SICK FUND (KUPAT HOLIM CLALIT) IS A NATIONAL HEALTH MAINTENANCE ORGANIZATION. IT COVERS FOUR-FIFTHS OF ISRAEL'S POPULATION, OPERATES A THIRD OF ITS HOSPITALS AND MOST LOCAL CLINICS. IT HAS BEEN IN TURMOIL THIS YEAR (REF C). HARD HIT BY ELIMINATION OF GOVERNMENT SUBSIDIES, RISING MEDICAL COSTS AND DEMAND FOR BETTER SERVICE, KUPAT HOLIM IS TRYING TO MODERNIZE AND IMPROVE SERVICE. IT HAS BEEN CAUGHT BETWEEN DEMANDS

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[REDACTED] SECTION 02 OF 03 TEL AVIV 14992

FOR S/IL, NEA/IAI AND NEA/RA  
PASS LABOR FOR ILAB-DAVEY

E.O.12356: DECL: OADR  
TAGS: KPRP, PGOV, ELAB, IS  
SUBJECT: HISTADRUT AND ISRAEL'S ELECTIONS

FOR HIGHER PAY BY DOCTORS, NURSES AND OTHER EMPLOYEES  
AND THE FINANCE MINISTRY'S POWER TO VETO INCREASES.  
FINANCE ARGUES THAT ISRAEL SPENDS ADEQUATE FUNDS ON A  
PER CAPITA BASIS FOR MEDICAL CARE BUT THAT WASTE, BAD  
PRACTICES AND BAD ORGANIZATION DIMINISH THE FULL IMPACT  
OF THAT FUNDING. AFTER STRIKES NEARLY ALL YEAR, AN  
AGREEMENT ON EXTRA COMPENSATION FOR A SECOND SHIFT TO  
ELIMINATE BACKLOGS WAS FINALLY APPROVED BY THE FINANCE  
MINISTRY IN OCTOBER.

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7. HISTADRUT'S PROBLEMS: KOOR AND HEVRAT OVDIM

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HISTADRUT ECONOMIC ENTERPRISES (HEVRAT OVDIM) ACCOUNT FOR ABOUT A QUARTER OF GNP. THEY INCLUDE KOOR, ISRAEL'S MAJOR INDUSTRIAL CONGLOMERATE. FACED WITH PROBLEMS

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COMMON TO MATURE INDUSTRY IN THE INDUSTRIALIZED WORLD, KOOR HAS ALSO BEEN CAUGHT IN A PROFIT SQUEEZE AND GENERAL SLOWDOWN IN ISRAEL'S INDUSTRIAL EXPORT SECTOR, EXACERBATED BY INCREASING OVERVALUATION OF THE SHEKEL AND BY HEVRAT OVDIM'S LEADERSHIP IN IMPROVING WAGES AND WORKING CONDITIONS AND GENEROSITY IN SEVERANCE PAY. KOOR LOST A QUARTER BILLION DOLLARS IN 1987. IN MAY AND JUNE, HISTADRUT MADE SWEEPING CHANGES IN KOOR MANAGEMENT AND ORGANIZATION. KOOR TOUGHENED ITS APPROACH TO LABOR RELATIONS. HISTADRUT SIMILARLY RESTRUCTURED HEVRAT OVDIM AND ESTABLISHED A JOINT LABOR-MANAGEMENT COMMITTEE TO REPLACE HISTADRUT'S TRADE UNION DEPARTMENT AS FINAL ARBITER IN LABOR-MANAGEMENT IMPASSES. NEVERTHELESS, IN OCTOBER, BANKERS' TRUST THREATENED TO SUE TO DISSOLVE KOOR (REF A), AND DIFFICULT NEGOTIATIONS ON FURTHER RESTRUCTURING ARE STILL UNDER WAY.

8. NEW OPTIMISM THAT HISTADRUT WON'T SINK LABOR

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IN JULY, THE LABOR PARTY TRIED TO SIDESTEP THE HISTADRUT ISSUE AND GIVE SECRETARY GENERAL ISRAEL KESSAR A LOW PROFILE IN THE CAMPAIGN. HISTADRUT OFFICIALS WERE THEN WORRIED THAT LIKUD WOULD WIN THE ELECTION. THE MOOD CHANGED BY SEPTEMBER. KESSAR'S BLASTS AT PARTY EFFORTS TO KEEP HIM IN THE BACKGROUND (ALTHOUGH NUMBER 4 ON THE LABOR KNESSET ELECTION LIST) HAD EFFECT AND HE WAS BACK IN THE CAMPAIGN. HISTADRUT ACTIVISTS SENSED THAT VOTERS, THOUGH FEARFUL OF JOB LOSS IN HISTADRUT AND OTHER INDUSTRIES AND UPSET AT THE HEALTH CRISIS, SAW HISTADRUT ACTING TO REMEDY ITS PROBLEMS AND GAVE OTHER ISSUES TOP BILLING. IN OCTOBER, THE KUPAT HOLIM IMPASSE WAS RESOLVED, ALTHOUGH PUBLIC DISSATISFACTION REMAINS. BANKERS' TRUST REVIVED THE KOOR ISSUE, BUT THE THREAT TO

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THE NATIONAL ECONOMY AND TO THE MANY LIKUD VOTERS WORKING IN KOOR WAS SO GREAT THAT PRIME MINISTER SHAMIR

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(OF LIKUD) QUICKLY RALLIED THE GOVERNMENT BEHIND KOOR. HOW WILL KOOR AFFECT THE ELECTION? ONE HISTADRUT SOURCE SAID IT MIGHT COST LABOR ONE KNESSET SEAT, BUT NOT GIVE LIKUD AN EDGE. IN ANOTHER LAST MINUTE DEVELOPMENT, HISTADRUT SIGNED AN INTERIM COST-OF-LIVING AGREEMENT WITH THE MANUFACTURERS' ASSOCIATION GIVING ALL EMPLOYED ISRAELIS A 4.5 PERCENT INCREASE, OR ABOUT 50 PERCENT COMPENSATION FOR THE CPI INCREASE SINCE APRIL, RATHER THAN 70 PERCENT AS UNDER THE EXPIRED AGREEMENT. THIS REMOVED THE THREAT OF ANOTHER POTENTIAL PRE-ELECTORAL CRISIS.

9. DISGRUNTLEMENT AT LABOR PARTY CAMPAIGN TACTICS

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ASIDE FROM THE TEMPORARY DECISION TO PUT KESSAR IN THE CLOSET, OTHER LABOR PARTY CAMPAIGN ELEMENTS UPSET MANY IN THE HISTADRUT-LABOR PARTY CAMPAIGN MACHINERY. RATHER THAN TRADITIONAL MASS RALLIES AND DOOR-TO-DOOR CAMPAIGNING, THE LABOR PARTY, ADVISED BY PROFESSIONAL CONSULTANTS, EMPHASIZED THE PERSONALITY OF PARTY LEADER PERES AND USED TELEPHONE SURVEYS TO PINPOINT UNDECIDED VOTERS. DOOR-TO-DOOR CAMPAIGNING WITH THE UNDECIDED IS NOW TAKING PLACE, AND HISTADRUT ACTIVISTS ARE HAPPY TO BE BACK IN THE ACT.

10. PROBLEMS AND MOOD IN THE KEY TEL AVIV AREA

-----  
IN BAT YAM, NEAR TEL AVIV, THE LABOR PARTY MAYOR, DUMPED FOR REELECTION, WILL RUN AS AN INDEPENDENT IN THE FEBRUARY MUNICIPAL ELECTIONS. HE IS STOPPING MUNICIPAL HISTADRUT AND PARTY ACTIVISTS FROM TAKING TIME OFF TO CAMPAIGN NOW. HISTADRUT ACTIVISTS ARE HAVING DIFFICULTY RECRUITING ENOUGH RANK-AND-FILE MEMBERS TO CANVASS THE

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UNDECIDED. IN TEL AVIV, PARTY LEADER SPEISER LOST IN HIS BID FOR THE KNESSET LIST LAST SPRING AND IS SITTING OUT THE CAMPAIGN. NEVERTHELESS, OUR MAJOR TEL AVIV HISTADRUT CONTACT TELLS US, THE TEL AVIV PARTY BRANCH IS FULLY ACTIVE IN THE CAMPAIGN AND RECRUITING ENOUGH ACTIVISTS TO CANVASS THE UNCOMMITTED NOW AND WORK THE POLLS ON ELECTION DAY. HE SAYS BOTH LABOR AND LIKUD ARE DISCONCERTED BY THE GENERAL APATHY. HE ADDS THAT THE TEL AVIV LABOR PARTY SEES MORE CHANCE OF A NARROW LABOR VICTORY ENABLING LABOR AT LEAST TO MAKE PERES PRIME MINISTER IN ANOTHER NATIONAL UNITY GOVERNMENT, THAN OF A LIKUD VICTORY ALLOWING IT TO CHOOSE THE PRIME MINISTER OR FORM A NARROW COALITION.

11. HISTADRUT'S ARABS AND THE ARAB VOTE

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HISTADRUT'S LEADING ARAB, NAWAF MASSALHA (REF E) HAS A SAFE SLOT ON LABOR'S KNESSET LIST. HE HEADS THE PARTY'S CAMPAIGN IN THE ARAB SECTOR, THE FIRST ARAB TO DO SO. HE LEADS ABOUT 200 ARAB EMPLOYEES IN HISTADRUT INSTITUTIONS IN ARAB VILLAGES AND CAN DRAW ON HISTADRUT'S JEWISH OFFICIALS. THEY HOPE HE WILL PARTIALLY OFFSET DEFENSE MINISTER RABIN'S ROUGH HANDLING OF THE UPRISING AND THE DEPARTURE OF PRESENT LABOR ARAB KNESSET MEMBER (DAROUSHE) TO FORM A SEPARATE ARAB PARTY. THEY ARE BETTING THAT MASSALHA AND HIS HISTADRUT ARAB STAFF WILL REDUCE LABOR'S LOSS OF ARAB VOTES, VITAL IN A CLOSE ELECTION.

12. HISTADRUT NEEDS THE LABOR PARTY IN GOVERNMENT

-----  
LABOR PARTICIPATION IN THE FUTURE GOVERNMENT IS VERY IMPORTANT TO HISTADRUT. ALTHOUGH A LIKUD-LED COALITION WITH LABOR IN OPPOSITION WOULD GIVE HISTADRUT'S TRADE UNIONS MORE FREEDOM OF MANEUVER, IT WOULD AGGRAVATE HISTADRUT'S OTHER PROBLEMS. HISTADRUT'S ECONOMIC ENTERPRISES, HEALTH CARE SYSTEM AND PENSION FUNDS WOULD ALL BE VULNERABLE WITH NO LABOR PARTY MINISTERS TO PARRY

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BUDGETARY AND OTHER GOVERNMENTAL MOVES WHICH WOULD WEAKEN THEM FINANCIALLY.

13. BUT NOT EVERYONE IN THE LABOR PARTY AGREES

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ALTHOUGH HISTADRUT OFFICIALS FEEL LABOR PARTY PARTICIPATION IN THE NEXT GOVERNMENT IS VITAL FOR HISTADRUT, THERE ARE THOSE IN THE PARTY WHO OPPOSE PARTICIPATION IN A NEW NATIONAL UNITY GOVERNMENT, ON THE GROUNDS THAT SUCH A GOVERNMENT MIGHT BLOCK MOV8MENT TOWARD PEACE. THEY HOPE TO BRING ABOUT NEW ELECTIONS IF

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LABOR IS UNABLE TO FORM A GOVERNMENT WITHOUT LIKUD. MANY IN HISTADRUT FEAR A FIERCE CLASH IN THE PARTY IF THE ELECTION RESULTS MAKE A NATIONAL UNITY GOVERNMENT THE ONLY OPTION FOR LABOR PARTICIPATION. PICKERING

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