



**The Israeli Industrial Relations Research Association**  
**in cooperation with the**  
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**and Friedrich-Ebert-Stiftung in Israel (FES)**

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**The World of Work and COVID- 19 Crisis**  
**Economic, Social and Labour Relations**  
**Implications**

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# **THE WORLD OF WORK AND COVID- 19 CRISIS ECONOMIC, SOCIAL AND LABOUR RELATIONS IMPLICATIONS**

## **Executive Summary**

The international seminar held by the Industrial Relations Research Association of Israel, in partnership with Friedrich-Ebert-Stiftung and the International Labour Organization, focused on the humanitarian, social, and economic crises stemming from the COVID health pandemic. This is a significant precipice that necessitates employing tools previously unknown to us. As this is an acute global disaster, governments of most countries have initiated actions to provide an unprecedented scope of aid to businesses and workers. This seminar also highlighted those sectors most profoundly and painfully impacted by the crisis, including working women, specifically women who are single parents, and students—the next generation of labour market workers.

A range of proposals and solutions were raised for discussion, some comprehensive macro-level, and others specific to certain sectors.

On the broader scope, various sectors, employers, and employees want to have their voices heard in shaping governmental response to the pandemic, the implemented solutions, and recovery methods.

Employer and workers organizations are demanding that their status be reinforced and cemented during national decision making. Two long and strict shutdowns dictated by the government justifies the presence of sector representatives as full partners in shouldering responsibilities and determining a common path with government ministries to consolidate policies that cope with the pandemic while preventing economic collapse. It is the sector representatives, the social partners in this endeavor, who have first-hand experience and best understand the real-time effects of the crisis and are in a position to assist official decision makers and arrive at the right choices and at the right times and at the right proportions. As has been proven time after time, the value of social dialogue is incalculable, both in Israel and across the world. Social dialogue can lay the ground for comprehensive, effective, efficient, and appropriate agreements.

The field of professional and occupational training has long needed to be reformed in Israel. The severity of the COVID pandemic further underlines the imperative need to institute substantive changes in the selected subjects and the relevance of existing programs to current and future economic needs.

The public sector and the public services it provides have been called to rise to the challenges. This sector, proven invaluable during the crisis, must now become better familiarized with sectoral needs today and in the days ahead, continuing to provide essential services while demonstrating optimal efficiency.

COVID has raised questions regarding current safety measures in the workplace, establishing that we must now adapt procedures to the post-COVID world.

The recovery plan following the pandemic relies on the onset of a rehabilitative process under the national tripartite framework.

As for unemployment benefits, the government has made sweeping decisions in this matter that have only increased unemployment rates and furloughing of workers. Other models, specifically the German model, present a more encouraging picture of these indices. It is crucial that we examine what is happening in other countries regarding employment and encouraging businesses and adapt methodologies to the Israeli market.

Another important issue that requires thorough address is the need to keep the public informed. Government decisions and actions must be clear and explained in detail, even when subject to changes in reaction to the pandemic.

And finally, recent surveys indicate the high level of mistrust in the government and its policies<sup>1</sup>. This is a dangerous situation that may erode democratic foundations and is therefore of paramount importance. Renewing public trust in government will rely, among other things, on entering into a pact with the public, a treaty that clarifies the roles of each, particularly during such dire times.

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<sup>1</sup> <https://www.inss.org.il/publication/coronavirus-inss-survey>

## **Introduction**

A multitude of words have already been written about the COVID crisis in Israel and around the world. Research studies, surveys, descriptions, and countless theories have been produced at a dizzying speed.

Clearly, the modern world was shocked at the rate of COVID infection, shortage of information about it, and the sweeping consequences the pandemic has created. It is an elusive disease with a higher infection rate than previously seen and one characterized by radical variances in its health impacts, with some people asymptomatic, others with mild symptoms, some of different ages recovering, and some of the population sadly dying of COVID.

This calamity our world has encountered is an unprecedented combined health-economic-humanitarian crisis that has forced humanity to think in new terms, taking unconventional actions to overcome what appears to be an economic and social tragedy of “biblical” proportions.

In view of the described gaps, setting medium-term and certainly long-term policies is difficult even if such steps are taken at the right moment, as they must be adjusted in relatively short periods of time. This vague situation creates uncertainty regarding hospital capacity, frequent policy changes on opening and closing of industry and commerce, recurrent changes in school teaching and learning methods, and an economic crisis leading to dismissal or suspension of employees from their jobs. Consequently, this creates mental distress, loneliness of the elderly population, family difficulties from being locked down at home, and isolations.

## **Actions taken in Israel and other countries during the COVID pandemic**

It is generally accepted that the crisis began in Europe in January 2020 and on the 27<sup>th</sup> of February of that year in Israel. Once the dimensions of the epidemic were initially grasped, various countries chose a range of ways to deal with the situation, from extremes of utter disregard (England, USA), to cooperating with the public to set restrictions without enforcement (Sweden), to rigid closures and strict enforcement (Italy, Spain, albeit at a relatively late stage).

Israel belongs to a list of countries that have opted for strict and immediate measures accompanied by enforcement: closing the skies (possible because Israel is considered an “island state” as its borders are closed for security reasons due to its regional location), imposing closures, restricting personal space, and primarily enacting radical changes in the workplace. Israel reduced the labour force present in the workplace to 15%, mainly in industry (later increased to 30%), shut down nonessential jobs, authorizing a total ban on in-person services and took additional measures. These actions did produce results; the virus spread was largely halted at an early stage, the burden on hospitals and the health system did not reach catastrophic proportions, and Israel’s death toll was among the lowest in the world.

However, employment managed to survive these upheavals.

In April 2020, the next chapter began in dealing with the pandemic and its consequences—reopening after the shutdown and easing the prohibitions imposed on citizens in all areas of life. The State chose to take a series of gradual steps that were dubbed the “exit strategy”, one that later turned out to be too rapid and led to a second shutdown that exacerbated the socioeconomic problem.

An article by the Institute for National Security Studies discussed three consecutive and partially parallel curves: **the health curve**, **the economic curve**, and **the social curve**.<sup>2</sup> This work focuses on the two latter curves.

The failures of a radical market economy and unrestrained globalization were cruelly exposed and previously dominant approaches, particularly neoliberal agendas, have made way for extensive government involvement in managing the working population, citizens, and other residents—those unemployed, retired, or others, as well as businesses and companies. This has had implications in the labour market for workers, impacting freelance workers and especially small businesses.

Governments have taken expansive economic measures to compensate workers who have lost their incomes, businesses and workers who have been suspended from work due to the severe crisis across the majority of the business world. Trade unions, employer organizations and representatives of specific sectors have negotiated with

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<sup>2</sup> “Social curve”—a term cited from the article “Caution: Dangerous Social Curve Ahead!,” INSS Insight No. 1308, April 26, 2020

governments to establish policies that ensure short-term income and longer-term livelihoods for workers.

It is clearly evident that universal systems worldwide—public health, education, and welfare—have had their deficiencies exposed, and along with the erosion of employee and self-employed worker rights, millions have been left without employment and without “safety nets”.

The International Labour Organization (ILO) continues to publish reviews, procedures from different countries, and ideas on how to emerge strengthened from the current crisis. One publication presents four fundamental areas:

## **Pillar 1**

### **Stimulating the economy and employment**

- Active fiscal policy
- Accommodative monetary policy
- Lending and financial support to specific sectors, including the health sector

## **Pillar 2**

### **Supporting enterprises, jobs, and incomes**

- Extend social protection for all
- Implement employment retention measures
- Provide financial/tax and other relief for enterprises

## **Pillar 3**

### **Protecting workers in the workplace**

- Strengthen OSH measures<sup>3\*</sup>
- Adapt work arrangements (e.g. teleworking)
- Prevent discrimination and exclusion
- Provide health access for all
- Expand access to paid leave

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<sup>3</sup>[https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms\\_740877.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_740877.pdf), p.8

## **Pillar 4**

### **Relying on social dialogue for solutions**

- Strengthen the capacity and resilience of employers' and workers' organizations
- Strengthen the capacity of governments
- Strengthen social dialogue, collective bargaining and labour relations institutions and processes

Regarding Pillar 3, a review conducted on April 23, 2020 by ITUC, deals with the need to determine updated safety protocols in the workplace as employees return to work. The ILO's recommendations for ending the COVID crisis are largely based on the R205 recommendations from 2017, a document that seems to have predicted such a pandemic and its aftermath. It entails policies and strategies that should be adopted during crises, specifically at it pertains to employment and population resilience.

At this point, we should note the vitally important need to call for the drafting of an ILO convention on recommended procedures for pandemic outbreaks that specifically address labour relations and the roles and responsibilities of governments towards citizens while reviewing and deducing practical lessons regarding the labour market and potential reduction of the economic damage caused to people in the working population.

### **The pre-crisis situation in Israel**

Israel's macroeconomic indices were relatively good on the eve of the pandemic outbreak: low unemployment rates, low national debt in terms of GDP, and moderate but stable economic growth. Conversely, social gaps showed little improvement, with repercussions of the high wage gaps and relative poverty indices. Prior to January 2020, the balance of payments went into significant deficit.

These changes, according to various assessments, are reflected in the following table:



	<b>December 2019</b>	<b>April 2020 onward-</b>
<b>Unemployment</b>	<b>Less than 4%</b>	<b>8%-10%</b> <b>Update: In October 2020 unemployment exceeded 12%</b>
<b>National budget deficit</b>	<b>Approximately 7%</b>	<b>Approximately 11%</b>
<b>External debt</b>	<b>Approximately 60%</b>	<b>Approximately 75-80% of GDP</b>
<b>Growth rate</b>		<b>Negative growth</b>
<b>Moody's Rating was lowered from “positive” to “stable,” although the rating itself was not lowered. It is noteworthy that this does not yet reflect crisis outcomes but does address the political instability, possible undermining of the legal system, and the worsening budget deficit. Practical implications may include more severe loan conditions imposed on the State by international financial institutions.</b>		

An important point is that the pandemic outbreak in Israel occurred during a long and ongoing political crisis that entailed three election campaigns in a short time. Although the COVID threat did prompt the formation of a two-premier government, it had shown mediocre to poor abilities hobbled by cumbersome and constant consultation processes while accusations are made within the government, political interests lead to surrendering to influential sectors, and this instability makes another election possible in the foreseeable future. The unemployment rate, whether in the more inclusive definition of unemployed workers or those on forced leave and receiving unemployment benefits from the State, reached close to one million people out of a total 3.7 million in the entire labour market.

The “German model” for employment entails partial unemployment benefits to workers continuing to work despite the crisis or workers whose wages have been cut due to reduced activity. This is the preferred by many employers, trade unions, and even some senior government ministry representatives.

**Mr. Bernhard Schulz**, Head of Labour and Social Affairs in the German Embassy in Israel, presented the model principles. Its contribution lies in that it provides flexibility

in the labour market, facilitating the economy, and saving state resources. The model prevents the severing of ties between employees and their workplace/employers. It offers social security and reduces state expenditures on unemployment benefits.<sup>4</sup>

The **second COVID surge** began in the summer months and led to an increase in morbidity and a shutdown lasting several weeks. Israel was the first to implement these measures, now increasingly adopted in Europe and other countries. The businesses that started to open and somewhat recover from the first surge again underwent closures while attempting to retain some trade through remote services, deliveries, etc.

This produced a Corona life routine: restricted congregations, reduced travel abroad, fewer social gatherings, and increased physical distance. This has led to further damage to the economy and the labour market.

In **Israel's public sector**, a small number of employees were put on temporary leave/furloughed while the vast majority continued to provide public services in a hybrid work format combining home and office hours. At a fairly early stage of the crisis, a collective agreement was signed regulating the work structure and worker rights. The agreement provides managerial flexibility, an unavoidable necessity in these conditions, that might continue to be implemented following the crisis.

### **Conference speaker remarks**

At the opening of the conference, **Adv. Orly Bitty**, IIRRA Chairperson, described the special circumstances of this year's conference. She thanked the two partners responsible for the event's organization and funding—the International Labour Organization (ILO) and Friedrich-Ebert-Stiftung (FES). She remarked that crises reveal weaknesses, while major crises reveal major weaknesses.

**Mr. Maurizio Bussi**, Deputy Regional Director for EUROPE and Central Asia, ILO also made his welcoming remarks, emphasizing the cooperation with the Association and the particular significance of dealing with vulnerable populations reflected in the conference program. He underscored the importance of maintaining workers' stability

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<sup>4</sup> See presentation on the IIRRA website.

during the crisis and the vital importance of continued dialogue between countries. Digital acceleration, he claims, carries a positive message that carries over into other areas of life. In summary, Mr. Bussi stressed the importance of developing a labour market database as a monitoring and research tool, reviewing the innovations and methodologies developed recently by the ILO, and encouraged everyone to seek answers in this expanding body of knowledge.

**Mr. Micky Drill** of FES-Israel underlined the importance of the conference to the Foundation as a major event in its activities. The emphasis placed on relevant topics of discussion highlights the importance of this conference. The emphasis of the event program on relevant topics clarifies why such an event should be held. Mr. Drill noted the participation of guest lecturers in a time when lessons and comparisons could be made to understanding how other countries and international organizations were addressing the crisis.

### **The changes and damage caused by the crisis**

The COVID pandemic and the sweeping changes it has caused in the Israeli economy are apparently here to stay. Even if this is not the case, it has led to several innovations that must be considered.

We learned that within a few days, in-person services can be adapted to digital formats (as evidenced by the Israeli police force that now receive calls via the internet and even medical consultations are provided remotely), we learned that work from home is a lot more feasible than previously imagined (a significant percentage of people who continued to work have done so from home), we learned how to shop online, and finally we learned that we are responsible for addressing our own needs.

These changes significantly impact the labour market in a number of areas: high unemployment rates, increased poverty rates among individuals and families, bankruptcies and liquidations.

**Adv. Ayelet Nahmias Verbin**, Vice President, Manufacturers' Association of Israel, noted that Israeli industry was not doing well before the current crisis. Ongoing decrease in exports, the exchange rate, the shortage of technical workers, and global economic instability were not a good foundation for Israeli industry on the eve of the

crisis outbreak. She criticized the government decision that up mid-2021 unemployment benefits will be provided for workers and supported the German employment model and the arrangement on isolation of workers that fairly apportions the financial cost of payment between the state, employers, and employees. She emphasized the importance of improving vocational training programs and called for more investment in this area. Finally, Adv. Verbin stressed the need to raise productivity while taking advantage of the crisis to improve outcomes in this parameter.

### **Public sector and private sector**

There is a dilemma whether the public sector should share some of the budgetary burden now suffered by the private sector. This question is relevant to solidarity, a leading principal of worker unions, exercised several times as a reaction to deep crises.

**Mr. Ariel Ya'acobi**, Chairman of the Government's Workers Union ("The New Histadrut"), welcomed the collective agreement in the public sector that allowed for regular activity and continued public services at this time, as well as the cooperation demanded by these circumstances. He rejected the critique of state employees accused on lack of solidarity by refusing to cede their rights to those of private sector workers. He noted the committed work of this sector's workers, and finally remarked on his support of the German model that gives flexibility to the employment system.

It should be noted that State compensation systems were not initially set up to make such payments, but these mechanisms improved over time.

**Mr. Idan Cohen**, Head of Strategy Planning, Wages and Labour Agreements Department in the Finance Ministry, hailed the collective agreement getting employees to use vacation periods, service provision during shutdowns, and offered managerial flexibility as a guiding principle. He stated that the principles and achievements reached while removing barriers are extremely positive, and it is possible that the system will continue to operate according to these principles even following the current crisis. Finally, he underlined the importance of managerial flexibility to this system.<sup>5</sup>

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<sup>5</sup>See presentation on the IIRRA website.

## **The damage to weak and marginalized populations**

Detrimental impacts addressed several populations. The conference discussion focused on two particularly vulnerable populations: women's employment and gender issues and young workers in the labour market.

**Women, including single families-** Working women one of the working populations most impacted by the crisis, particularly those employed in service industries or occupations that are at the forefront of the fight against the pandemic. This is exacerbated by the fact that they are absent from work for longer periods than men and bear disproportionate family responsibilities and are therefore more affected by closures of schools or childcare systems. The rate of dismissals of women, including pregnant workers, has increased significantly.

In her research on this subject, **Ms. Hadas Ben Eliyahu**, Director of Yoda'at (She Knows) Center at the Van Leer Jerusalem Institute, emphasized the unique vulnerability of this population. The UN has developed indices on the issue of gender distinctions that allow comparison for each country. Data reveals a dismal picture of poor economic conditions and widening gaps in wages from the eve of the outbreak. No sufficient protection exists that provides women with stable employment. Moreover, many women are employed in part-time or temporary occupations. The change in lifestyle due to shutdowns and isolations also places an additional burden on women in the home because of the responsibilities they shoulder which is greater than that of men in the family.<sup>6</sup>

**MK (Member of Israeli Parliament) Etty Atia** emphasized the income disparities that existed before the Corona crisis. This involves the employment of women in non-remunerative and traditional occupations. Women are underrepresented in high-paying and socially respected jobs. This unfortunate gender disparity also exists in academic studies that lead to these employment gaps. MK Atia also noted the amendment to the Equal Pay Law and the obligation of annual publications on wage comparisons in a gender-relevant distribution and recommended that campaigns are needed to raise public awareness on the matter and the use of additional transparency tools to expose inequality.

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<sup>6</sup>See presentation on the IIRRA website.

It should be noted that the crisis has also affected less protected and vulnerable populations, such as migrant workers, ethnic minorities, and others.

### **Young workers in the labour market**

The second group that was a focal discussion point during the conference was young workers in the labour market.

**Ms. Susana Puerto-Gonzalez**, Senior Youth Employment Specialist, Employment, Labour Markets and Youth Branch, ILO, presented three primary negative areas of impact on young populations in the labour market: difficulties in vocational education and training, loss of jobs due to shutdowns, and decreased income. Layoffs in this population were widespread, including in cases of young workers becoming sick. This situation undermines social security of these workers. Ms. Puerto-Gonzalez called for raising the issue for discussion before the relevant authorities, helping businesses, and increasing vital professional training in times of crisis<sup>7</sup>.

**Ms. Sapir Bluzer**, CEO, National Union of Israeli Students, highlighted the general difficulties of students. Lack of work experience and workplace veterancy are weakening factors. Many of this group have families with small children and working from home is not an easy task for them. The government's inattention to this group is damaging to the future workforce. Students have no voice representing them before the authorities. Ms. Bluzer recommended adding a representative of this group to discussions with social partners as they negotiate with the government. Even when these workers are mobile, they must be protected, as in the Flex security model employed in several European countries.

### **These groups and others were subject to discrimination before the COVID crisis, and now carry a particularly heavy burden.**

This has produced significant harm to independently-employed workers, freelancers, free profession workers, stage workers, actors, and others, along with **all young workers generally and parents of young children** and has had extreme effects of gender discrimination in the labour market.

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<sup>7</sup>See presentation on the IIRRA website.

Caring for the elderly increased has become far more difficult—financially, psychologically, and in terms of nursing. The employment crisis affects certain groups disproportionately.

**Mr. Ori Reshtik**, SHAHAM, The Israeli Actors Organization, presented the problem of freelancers excluded from broad social protections. Most actors in Israel are in this position. A solution is needed to recognize their unemployed status. With this legal situation, this group has received none of the assistance provided to self-employed workers or employees. The solution lies in using the special provisions of Social Security Institute regulations for certain occupations, such as tour guides and lecturers, stipulating that for Social Security purposes they are considered as having employee status. This exception was also extended to the group in question and later stage workers were also accepted within this subgroup and entitled to the assistance.

Other vulnerable populations include people with underlying medical conditions that limit their ability to work and older people who are at increased risk of developing serious health problems.

### **Expenditure of Government- not in right directions**

Unprotected workers, including self-employed and contract workers, are also disproportionately affected by the economic consequences of the virus, as they are not insured against wage drops or provided sick leave and are less protected by conventional social protection mechanisms and other forms of income distribution.

The government took precautionary measures, then added the provision of aid programs. On the one hand, these actions included over-spending by securing unemployment benefits for a year in advance for the unemployed, some of whom preferred not to return to work. On the other hand, the government included furloughed employees in the receipt of unemployment benefits using radical measures without any flexibility that would allow for ongoing employment in cases where work hours were reduced to part-time positions.

## Recommended work principles—Macro perspective

There are tools available that can help mitigate detrimental effects and restore public confidence during a crisis:

\*Conducting a genuine and active social dialogue between employees, employers, and their Organizations is essential to renewing public trust in government institutions and supporting the necessary steps to overcome the crisis.

\*Establishing international labour standards that provide a proven basis for policies focused on sustainable and equitable recovery.

\*Strengthening social networks, especially in communities that require comprehensive public support and investment.

\*Investing in timed, ongoing and coordinated efforts that support employment, income, and demand for work. These measures reduce chain supply disruptions losses and interferences. Continued low consumption rates of workers and their families could lead to a prolonged economic recession<sup>8</sup>.

Economic plans – Stages for 2020 implementation only (millions/ILS)									
		2020 planning	March -April	May	June	July	August	Total	Implementation (%)
Social benefits	Social aid to independently employed workers	10,730	740	1,912	291	2,184	541	5,668	52.82%
	Addressing unemployment with National Insurance	10,221	400	800	400	660	1,980	4,240	41.48%
	Payments to furloughed employees with National Insurance	12,000	920	2,356	2,474	1,237	-200	6,787	56.56%
	Single payment to every citizen for Passover	9,000	2,335	16	0	0	6423	8,774	97.49%
Encouraging employment	Professional/vocational training	275	0	0	0	0	0	0	0.00%
	Aid to businesses-employment encouragement grant	5,390	0	0	0	14	196	210	3.90%

<sup>8</sup> Slide 4 of Roby Nathanson presentation—Expenditure budget for the pandemic: Recommendations for improvement.



In his remarks, **Dr. Roby Nathanson** emphasized the need to implement a macro policy of expansion of essential economic steps and conduct a review of the resource allocation during the first phase of the pandemic.

There is an immediate need to deploy a safety net for small businesses, freelancers, and other vulnerable populations in view of the deep and ongoing damage to these sectors.

Having seen the profound difficulties of freelancers, Dr. Nathanson suggested promoting a social benefit framework according to predefined criteria as in the Spanish model recognizing this population as having specified rights.

**Mr. Sher Verick** from Employment, Labour Markets and Youth Branch, ILO, reviewed the economic situation in different countries and their recovery prospects from the crisis, stating that recovery will continue into 2021 at a relatively slow pace. He emphasized the particular importance of social dialogue during this period and noted that throughout 2021 countries will continue to provide economic aid packages.<sup>9</sup>

**•Effectively informing the public on implemented measures and the need for adapting measures as the pandemic develops**

It is appropriate and advisable to inform the public of policies following rapid and reliable assessments of implemented measures taken to address the economy, jobs, and households. Sector-level variance must be carefully analyzed to alleviate specific problems of each industry sector. Measures should include support for workers and businesses in all affected sectors to prevent further decreases in consumption and investments. This will undoubtedly require greater regulation of digital/online work while improving dialogue and social tripartism to promote social justice and decent work for all.

Employment support and social protection must constitute key components of aid and incentive packages. The crisis can deepen mistrust and a sense of injustice due to difficulties in accessing health services and livelihood avenues, generating social tensions that may undermine sections of the population, worsen existing tensions, and impair social cohesion.

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<sup>9</sup>See presentation on the IIRRA website.

As activity gradually returns to normal, an employment strategy will be needed to encourage demand for “recovering” jobs, thus enabling some avenues for medium to long-term income. This strategy should entail job creation in strategic sectors, rehabilitating a productive business environment, and renewing real growth in employment, the economy, and social services, strengthening these factors in an orderly and structured manner.

## Conclusions and Recommendations

Every obstacle carries with it some measure of opportunity. The COVID pandemic, a global crisis by all accounts, also offers several long-term opportunities for change that can positively impact the labour market<sup>10</sup>.

NEEDED STEPS TO ADDRESS THE UNEMPLOYMENT CRISIS		
TOPIC	STEPS	ESTIMATED COSTS
Unemployment crisis	<ul style="list-style-type: none"> <li>➤ Encouraging investments in physical capital to increase work productivity</li> </ul>	28 Billion ILS
	<ul style="list-style-type: none"> <li>➤ Investments in human capital with vocational training to prevent chronic unemployment</li> </ul>	7 Billion ILS
Aid to independently employed workers	<ul style="list-style-type: none"> <li>➤ Unemployment benefits to independent workers</li> </ul>	420 Billion ILS
	<ul style="list-style-type: none"> <li>➤ State participation through National Insurance in defraying costs of employee isolations</li> </ul>	Investment of up to 2.9 Billion ILS
Aid to sectors particularly affected (education, entertainment, culture, leisure, hospitality and food, tourism)	<ul style="list-style-type: none"> <li>➤ Tax exemption</li> <li>➤ Deducting losses from previous years' profits</li> <li>➤ Accelerated depreciation and expanding definition of exempt dealers/businesses</li> </ul>	
<b>TOTAL</b>		<b>40-45 Billion ILS</b>

<sup>10</sup>Slide 5 of Roby Nathanson presentation.

o **Unemployment benefits and vocational training**—As many workers have been furloughed or lost their jobs, the unemployment benefits provided for a significant proportion of workers who will remain unemployed can be leveraged to instigate fundamental changes, focusing on training or career retraining adapted to new occupations. This will center on relevant areas of employment and the practical study and training tracks they will require.

Another idea worth examining are **partial unemployment benefits**, such as mandated in Germany and other countries. In this framework, workers keep their jobs, even if reduced to part-time, and are provided supplementary unemployment benefits. This maintains employer-employee relations until the crisis is over, having the advantage of preventing costs entailed in severing such ties and offering budgetary savings in unemployment benefits that can be redirected to expanding benefits to greater numbers of unemployed workers.

**Wage subsidies** by partial payment to employers based on employee absorption was tried in the past in Israel during the great immigration wave from the former USSR. Germany operates a similar framework and reports success in its implementation. This idea can also be implemented in the Israeli economy with adjustments. However, many subsidies allocated to hiring workers were left unutilized due to the severity of the crisis, bureaucratic impediments, and the fact that guaranteeing unemployment benefits for a year discouraged quite a number of workers from returning to work.

Another standard response to an employment crisis is the familiar “Volkswagen model” which avoids layoffs and distributively apportioning labour activities among employees by enforcing partial reductions to wages and work hours.

## **Recommendations regarding employment and unemployment**

- Expanding entitlement criteria for unemployment benefits to additional populations that do not necessarily meet the definition of employees. This would require extra unemployment insurance payments.
- **New occupations**—While the pandemic accelerated the disappearance of existing occupations will also increase the number of new and emerging careers. In-person services were curtailed but online or digital services flourished in their place. Pharmacies hired additional staff (sometimes volunteers) to prepare medication packages of medicines for delivery, etc.

One important point that should be noted is the local and global reduction in air pollution during shutdowns, demanding we rethink increasing occupations in green jobs that involve protecting the planet.

- **Providing tools to change the nature of employment**-Shutdowns entailed many employees work in shifts, while many continued to work from home, and children were schooled via distance learning. This requires laying an infrastructure for digital communication tools for education systems and citizens. Most future bureaucratic activities will be conducted from home or remotely, necessitating appropriate preparations. Work teams must be trained for hybrid work formats with some team members working from home and others working from a centralized or separate location.
- Social distancing is here to stay, impacting security work which is now increasingly accomplished through remote testing (using test machines and computers), remote heat testing for those entering crowded areas (such as hospitals and closed malls), and any other invention that will be produced in the future.
- **Independent manufacturing and storage of supplies for general emergencies or a new pandemic surge**-Authorities did succeed in obtaining cotton swabs for COVID tests at a time of severe shortages and struggle of many countries to obtain medical supplies. But one should consider the importance of local production needing to meet State needs in the future,

helping to develop domestic production lines primarily for products needed in similar scenarios, such as PPE and medical equipment.

The crisis will lead to over-reliance on domestic production, chiefly in products defined as essential and normally imported products that are no longer available due to surging global demand. It is also very probable that the globalized markets, typified by vast flows of goods and services, will be restricted as countries increasingly base their economies on local production and immediate supply.

- **Increasing solidarity among population sectors** through meetings and encouraging local products for domestic recovery. This would entail public campaigns focused on this issue.
- **Increasing the structural and substantive association between the triparty factors** to constitute a cohesive and stabilizing entity for shared consultation and coordinated execution. **Social partners should not be applicants or clients of the government, instead playing an important and central role in consultation processes and decision making at the national level.** Field knowledge and incremental steps are required. Representation of worker and employer organizations establishes their economic power and centers the economy and labour market. An accepted standards system generates employment sources, encourages investments in the economy, equips workers with knowledge and technology, and constitutes the backbone of the economy. Additionally, an advisory framework made up of various professionals and non-profits that have relevant knowledge of the issues should be established.<sup>11</sup> According to **Mr. Papadakis**, Senior Social Dialogue and Governance Specialist, Social Dialogue and Tripartism Unit, ILO, based on a comparative survey by country conducted recently, the first phase of the pandemic outbreak did show a significant increase in contacts at the national level.

Coordination was conducted in tripartite or bilateral frameworks and covered a broad range of activities: determining guiding principles, accepted standards and methods, agreements of various types, and joint declarations (including a joint declaration of the “New Histadrut” Workers Union and the Israel

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<sup>11</sup>An insight based on a lecture by Prof. Guy Mundlak addressing labour structure and tripartism in the 2019 International IIRRA conference (November 2019).

Chamber of Independent Organizations and Businesses “LAHAV”).<sup>12</sup> Mr. Papadakis noted that it is not always possible or necessary to reach uniform agreements and at times negotiation can delve more deeply to the sectoral or even enterprise level and thus enable finalizing specific arrangements.

He also noted that research has already established the efficacy of social dialogue as a helpful and cost-effective tool that reinforces democracy.

It is noteworthy that this is the first example in Israel of organizations representing freelancers and free profession workers negotiating with the Histadrut Workers Union on policies and procedures, even though this segment of workers is not traditionally represented in such discussions.

Another point of discussion pertains to a possible tripartite collaboration regarding **vocational training** for currently relevant occupations, specifically the role of social partners and their position concerning government policies.

Should social representatives act solely in the benefit of their “constituency” or function as full partners committed to policy and all its responsibilities? How can partners effectively influence a review at government positions and collaborate on common policies to facilitate economic outcomes and social stability?

- How can social partners and the government establish a genuine and transparent social dialogue to improve the population’s trust in government authorities and strengthen democratic foundations.

Restoring the deeply damaged trust between the government and the public requires a new pact, and social partners will necessarily play a leading role in that great mission.

- **Improving the measure of understanding** that can generate effective collective negotiations. **Mr. David Leffler** of the Economy and Industry Ministry noted that this approach can reduce tensions between parties, especially after short-term damage caused by the current crisis. An example of this is the German model, acceptable to employer organizations, employees, and some government ministries. Despite this recommendation, the Finance Ministry has continued to support provision of unemployment benefits only to

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<sup>12</sup>See presentation by Mr. Konstantinos Papadakis, Social Dialogue and Tripartism Unit, ILO on Association website.

furloughed or unemployed workers, refusing to adopt the flexible model. Without such flexibility, one loses the advantage of preserving work relations and the fiscal saving of partial unemployment entitlement according to set criteria. It is vital to help keep employees in the workplace and financially assist people forced into preventive isolations.

- **Comprehensive reform of professional and career training structure and content**—This framework has not met economic needs for some time. There is no productive communication with employers, training curricula does not match demands or needs. Studied subject matters and management of professional training must be completely overhauled and a new, effective dialogue with employers must be instated. **Ms. Yaffa Vigodsky**, Chairwoman of the Maagalim Foundation, a joint fund for employers Organizations and trade unions, spoke at the conference. Her fund retrains approximately 5,000 workers, but this number is woefully inadequate when compared to market needs. Ms. Vigodsky noted the dispute regarding the Labour Ministry’s participation in fund activities, one contested by the Finance Ministry.
- **Restoring labour laws**, benefits, pension benefits, and the welfare system in view of lessons learned during the crisis and their adaptation to modern needs. This specifically pertains to protective laws not been updated for decades and unreflective of modern labour market regulations. The focus should be on regulating remote work or work from home, redefining entitlements to sickness benefits, relief, flexibility, and accelerated application of social security rights.
- **Improving productivity in various sectors and a necessary reduction of government bureaucracy and regulation**-The Israeli economy fails to meet advanced and satisfactory productivity indices. Two prominent sectors require significant improvement in productivity, efficiency, and the reduction of barriers. A Taub Center<sup>13</sup> study reveals that the Israeli retail sector shows particularly low productivity and highlights the need to provide small and medium-sized businesses with counseling and support in operations and management to develop these parameters.
- Assistance through subsidizing external consultation services to elevate management skills, internal management. Israel’s public sector, especially

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<sup>13</sup> How is productivity in the start-up State so low? Taub Center, Gilad Bernard, 2017.

government and municipal institutions, measure with unsatisfactory performance measures when compared internationally. The information flow from the public is insufficient regarding cutbacks in demand, removing barriers to establish and conduct of businesses, and level of services (including time limits for execution and quality of provided services). Services must be improved and should become a main goal of activities.

- This public sector, one of paramount importance, must be open to the public it serves, constituting a framework whose primary purpose is the provision of the entire gamut of services to entitled recipients while informing and taking proactive steps to exercise the rights of the population. It is essential to hold meetings in small groups, collaborating with public representatives from different sectors, listening and assimilating pertinent criticism, and drawing conclusions that may lead to true improvement. Governments, including the government of the State of Israel, should adopt a model employed in several European countries, conducting joint meetings with trade unions and employer organizations, reaching agreements on measures that protect and preserve employment while preserving the economy and public health.

### **Long-term steps—PC (Post-COVID)**

Climate change, ecological deterioration, and pandemics that threaten public health and the economy are now too great a threat to be ignored. Governments appear to have ignored recommendations of scientists who have called for a united front in the fight against these threats. We understand that the destruction caused by COVID-19 will require new levels of care, social protections, and economic assistance in all countries

- This is true also regarding the climate crisis, as many have argued it can be stabilized that in just a decade, and a 45% global emissions reduction can be achieved in that timeframe. This year, 2020, is the year in which we need to act to secure jobs and livelihoods in the short and medium term against the two global crises.
- The post-COVID world will need to take essential actions for people to regain trust in governments which, in turn, can manage a future that provides guaranteed pensions, supplementary income, and appropriate competencies for the life after the crisis, while also focusing on job creation, fair wages in new



jobs, investment and recovery in infected communities to ensure essential work is still carried out.

This opportunity to make the world safer and more sustainable must be seized. Steps taken to mitigate climate change and rehabilitate employment will prepare us for a future that does not leave anyone behind.

**The relevant approach**—The Israeli economy has experience in emerging from crises, a historical fact to the credit of the State, and one that mandates it currently take proactive measures to restore the economy and society. The rehabilitation is only possible if workers, employers, and the government join forces.

A broad and effective investment in public health and care, primarily aimed at ensuring equitable access to everyone, will strengthen and uphold the entire range of worker rights more than ever before. These steps must include a dialogue with workers and employers to overcome the crisis, preserving employment, protecting against rising unemployment and loss of income, and rebuilding the economy.

A broad consensus is necessary to establish social solidarity, encouraging processes of growth, employment, and competitiveness. All this depends on a framework of dialogue and social and political agreements.

Processes resulting from the crisis, its real-time management, and the strategy for emerging from it, are extremely dynamic and require meticulous monitoring of direct and indirect effects of all interventions, thus ensuring policies remain relevant.

**Social dialogue is vitally important in times of increased social tension and distrust of institutions. Social dialogue mechanisms lay the ground for enlisting commitment of employers and employees necessary for collaborating with governments.** This dialogue can establish a network of protections for employer profits and employee income impacted by indirect effects of the crisis (closure of factories, supply chains disruptions, travel bans, cancellation of public events, etc.).

Social protections must be guaranteed through existing programs and/or ad hoc payments to employees, including subcontracted employees, temporary workers, seasonal and migrant workers, and the independently employed (e.g., through access to unemployment benefits, social aid, and publicly funded employment programs).

Creating job retention plans that include short-term work arrangements and other temporary support for companies, such as subsidized pay and extending employee rights to professional training and subsidy plans. The Economy Ministry has begun subsidizing wages in innovation and high-tech.

**In summary, with clear evidence of eroded trust of the public in the State and uncertainty regarding government responsibilities, especially when residents are undergoing a crisis, the social covenant between the State and its citizens must be revitalized. This social contract will define State obligations to citizens and their obligations to the State. This crisis has exposed us to sectors that must be strengthened: public health, education, and welfare. Moreover, a basic law of social rights must be legislated to cement these changes.**

### **The Post-Pandemic Period:**

#### **Applying “Decent Work” Standards—Toward Crisis Recovery**

At a time when it is first and foremost necessary to create sources of employment, fair labour standards are difficult to formulate. However, standards that lead to fairness and reliable work relations must be maintained, both in a macro view and in the personal context.

**In the post-COVID world and the complex health and economic challenges ahead, and while many hope to return to their old occupations, it is worth presenting a special chapter dedicated to the importance of maintaining and improving fair practices in the workplace, principles and applications that are at the core of ILO activities and those of several member states for decades.**

It is the crisis itself that enables the creation of a better, more sustainable, and stable future, one inclusive of all populations. Increasing social solidarity inspires hope for a better world.

#### **Decent Work—Definition and Implications**

The International Labour Organization defines decent work as employment that respects and enables the development of skills for workers, offering “an opportunity for productive employment that generates fair income, job security, and social protection

for families, better chances for personal development and social integration, freedom of expression, organization, and participation in decisions that affect their lives, and equal opportunities and care for all”.<sup>14</sup>

This has been the ILO’s guiding principle for many years, the foundation for its actions and outcomes. The ILO has created practical tools for working in safe environments, mutual respect in the workplace, and maintaining fair conditions between employers and employees. The tenets of this approach are evident in the **promotion of jobs and businesses, actions to ensure rights at work, expansion of social protections, and promotion of social dialogue**. These are the four pillars of the ILO’s decent work agenda, with gender equality constituting a cross-industry issue.

- Decent work for all reduces inequality and boosts economic and social resilience of populations. “Resilience” refers to the ability of a system, community, or society exposed to threats to effectively resist, assimilate, adapt, change, and recover from its effects, principally through the preservation and restoration of its underlying structures and functions through risk management.
- Decent work is not limited to responding to economic problems; it also impacts the political and social spheres. It not only addresses a variety of working life areas but has become a real need and specific need of broad populations worldwide.
- Policies developed through social dialogue help individuals and communities cope with the impact of climate change while facilitating the transition to a more sustainable economy.
- Respect, hope, and sense of social justice resulting from decent work conditions facilitate the building and preservation of social peace.

### **Decent Work and the COVID Pandemic**

International labour regulations can serve as a “compass for decent labour” in a world grappling with COVID. Maintaining key provisions in these standards (expressly those dealing with safety and health, work agreements, protection of certain categories of workers, non-discrimination, social security, and employment protection) can

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<sup>14</sup>[www.ilo.org/global/topics/decent-work/lang-en/index.htm](http://www.ilo.org/global/topics/decent-work/lang-en/index.htm)

guarantee that workers, employers, and governments conduct decent work practices while making adaptations to the socioeconomic consequences of the pandemic.

Emergency legislation must address the challenge of ensuring that financial benefits or compensation for illness reach those providing services outside the narrow definition of official employment, including subcontracted workers, freelancers, commission-based workers, entrepreneurs, etc.

The distinction between different forms of employment, generally dividing independently employed workers and freelancers from employees in recognized employee-employer relations, has blurred due to the pandemic and its aftermath, requiring substantive amendments to protections offered to various working populations.

Improved growth signals additional resources to create decent employment. This is a simple equation but one which was largely abandoned prior to the COVID pandemic.

Decent work generates income for single-income households which can then spend it in their local economy. Their purchasing power will fuel growth and development of trade, especially smaller businesses which can then hire more employees.

This approach will gradually increase the wages and work conditions of these workers. The generated income increases tax revenues for governments, which are consequently able to extend funding of social benefits to protect those who cannot find work or are unable to work.

## **Summary**

In both broader social and purely economic contexts, the Israeli economy is undergoing a continuing crisis, the scope of which will become clear in the coming months. Clearly, emergence from this crisis requires fortitude and the right economic steps of the emergency government. However, the economy has demonstrated admirable resilience during previous shutdowns in Israel's two most prominent crises, the Six-Day War in 1967 and the 1985 economic crash. These events were both managed by national unity governments and intense tripartite collaboration. These factors are once again called upon to rescue the economy by establishing a national recovery plan supported by the

renowned Israeli optimism and its ability to mobilize and extract its economy from calamity by bringing together all parts of society, including minorities and migrant workers.

**The marked cohesion so evident in times of crisis and emergency and the unflagging confidence in Israeli society provide hope for emerging from this crisis, as has been done in the past.**

*The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung.*

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