

Israel: Austerity budget makes workers pay for cost of Sharon's war

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The Sharon government last week approved 2003 budget proposals that include cuts totalling NIS 8.7 billion (five NIS to one US\$). But the budget is so potentially destabilising that all seven Labour Party ministers, as well as the five ministers from the ultra-Orthodox Shas, voted against, leaving the government with just 14 votes in favour and 12 against.

The budget was endorsed by a hard right majority led by nine ministers from Likud and including National Religious Party ministers Effi Eitam and Yitzhak Levy and Natan Sharansky of Yisrael b'Aliyah.

Finance Minister Silvan Shalom hailed proposals to cut the security budget, the welfare budget and other public-sector expenses. Cabinet Secretary Gideon Sa'ar insisted that cabinet discipline must be applied when the measures are put to the Knesset (parliament).

The austerity measures constitute Israel's biggest ever budget cut. They are aimed at making the most impoverished and vulnerable sections of the Israeli working class—the unemployed and single-parent families—pay for the state's economic crisis, one made worse by the ongoing military offensive against the Palestinians which has brought investment and tourism almost to a halt.

Shalom insisted to the press, "We are at war. The economy is turned on its head and we have to stabilise the situation."

Labour did the bare minimum to distance itself from the intended social attacks of its coalition partners, in face of the possible widespread opposition to the bill indicated during its preparation.

David Levi, a minister in Sharon's government on the behalf of the Gesher Party, resigned in protest and others warned of a social rebellion. The proposals were criticised also by Israel's President Moshe Katsav for being unbalanced and by the liberal opposition Meretz

party.

Next year's budget will deny payments to many of the 150,000-plus recipients of National Insurance (NI) benefit, which is presently available to those deemed physically unable to work, earning less than the minimum wage of NIS 3,000 a month, or who have been unemployed for over six months and are no longer entitled to unemployment benefit. The government wants to cut out NI benefits received by many poor families, half of which are single-parent families. One out of ten families will lose the benefit entirely. The rest will lose about NIS 700 a month. Alimony paid by the National Insurance Institute to more than 10,000 women will be either cut or eliminated.

The benefit is also to be removed from the long-term unemployed. According to the *Ha'aretz* newspaper, "Although the income-supplement benefit itself does not exceed the minimum wage, recipients are also entitled to other benefits, such as free public transport and an exemption from municipal tax, bringing the value of the benefit to NIS 5,500 a month."

Sharon's budget proposals are aimed at driving Israeli workers into poor paid jobs, through the removal of benefits and the dismantling of the welfare state. The measures have been accompanied by a series of anti-immigrant measures, aimed at driving out foreign workers who have long provided Israel with cheap labour.

Shalom complained, "It is inconceivable that a person receiving an income supplement should get more than the minimum wage. With such benefits, these people will never get back to the labour market. What may happen is that minimum-wage earners will decide it is not worth their while to work anymore. Our goal is to give people an incentive to work, not the opposite."

To this end, the government has also proclaimed that

some 50,000 foreign workers will be deported every year, and legislation will be changed so that as of January 1, 2003, foreign workers will not get the same tax breaks as Israelis and will, therefore, have less incentive to work there.

Labour leader and Defence Minister Benjamin Ben-Eliezer made a demagogic critique of the budget, saying that it created social inequality by targeting “the unemployed and the weak”. But Labour’s fire was for the most part concentrated on the proposed cuts in the defence budget and a sideswipe noting the fact that there was to be no cut in funds for Zionist settlements on the Occupied Territories, nor in the ultra-Orthodox sector—both key constituencies for Sharon.

Labour’s formal announcement complained that the budget proposal was a “bad one, which harms Israel Defence Forces fighters and also persons who struggle each day to provide for themselves.” The plan does propose defence cuts, but these will be at least partially offset by a \$200 million grant from the United States.

Even the budget’s right wing opponents were more forthright about its anti-working class character. Shas’ opposition to the budget is determined by its own political base amongst poorer sections of Sephardic Jewish workers. Party chairman and Interior Minister Eli Yishai said, “the budget cuts were tantamount to a declaration of war on the unemployed and on anyone who required National Insurance benefits to survive.”

Minister without Portfolio and Gesher faction leader (numbering three) David Levy resigned from the government only three months after joining it. In a public letter to Sharon, he wrote, “The economic plan that was presented the other day with your blessing expresses your lack of awareness of the deep distress of thousands of Israeli families. For these reasons I can no longer fulfil my obligations as a member of this government, and I hand in my resignation.”

Levy is certainly more sensitive than Sharon with regard to the possible political impact of the budget cuts. He functioned as chairman of the Likud Faction in the Histadrut Trade Union from the mid-60s through the early 80s.

The Histadrut has announced a one-day warning strike next week, as part of an ongoing campaign against the austerity plan. Again the move is the minimum response to Sharon’s attacks. The labour federation has been subject to sustained criticism by

various organisations for its silence in face of the planned attacks on welfare rights.

The head of the Histadrut’s Trade Union Division, Shlomi Shani, expressed opposition to the government’s refusal to resume cost-of-living allowances despite rising inflation, and the refusal to complete wage negotiations for 1999-2001 and 2002-2003.



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