

Report: Israel Stole \$2bn from Palestinian Workers

40-year Deception Exposed

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Over the past four decades Israel has defrauded Palestinians working inside Israel of more than \$2 billion by deducting from their salaries contributions for welfare benefits to which they were never entitled, Israeli economists have revealed.

A new report, “State Robbery”, to be published later this month, says the “theft” continued even after the Palestinian Authority was established in 1994 and part of the money was supposed to be transferred to a special fund on behalf of the workers.

According to information supplied by Israeli officials, most of the deductions from the workers’ pay were invested in infrastructure projects in the Palestinian territories — a presumed reference to the massive state subsidies accorded to the settlements.

Nearly 50,000 Palestinians from the West Bank are working in Israel — following the easing of restrictions on entering Israel under the “economic peace” promised by Benjamin Netanyahu, the Israeli prime minister — and continue to have such contributions docked from their pay.

Complicit in the deception, the report adds, is the Histadrut, the Israeli labour federation, which levies a monthly fee on Palestinian workers, even though they are not entitled to membership and are not represented in labour disputes.

“This is a clear-cut case of theft from Palestinian workers on a grand scale,” said Shir Hever, a Jerusalem-based economist and one of the authors of the report. “There are no reasons for Israel to delay in returning this money either to the workers or to their beneficiaries.”

The deductions started being made in 1970, three years after the Israeli occupation of the Palestinian territories began, when Palestinian workers started to enter Israel in significant numbers, most of them employed as manual labourers in the agriculture and construction industries.

Typically, the workers lose a fifth of their salary in deductions that are supposed to cover old age payments, unemployment allowance, disability insurance, child benefits, trade union fees, pension fund, holiday and sick pay, and health insurance. In practice, however, the workers are entitled only to disability payments in case of work accidents and are insured against loss of work if their employer goes bankrupt.

According to the report, compiled by two human rights groups, the Alternative Information Centre and Kav La’Oved, only a fraction of the total contributions — less than eight per cent — was used to award benefits to Palestinian workers. The rest was secretly transferred to

the finance ministry.

The Israeli organisations assess that the workers were defrauded of at least \$2.25bn in today's prices, in what they describe as a minimum and "very conservative" estimate of the misappropriation of the funds. Such a sum represents about 10 per cent of the PA's annual budget.

The authors also note that they excluded from their calculations two substantial groups of Palestinian workers — those employed in the Jewish settlements and those working in Israel's black economy — because figures were too hard to obtain.

Mr Hever said the question of whether the bulk of the deductions — those for national insurance — had been illegally taken from the workers was settled by the Israeli High Court back in 1991. The judges accepted a petition from the flower growers' union that the government should return about \$1.5 million in contributions from Palestinian workers in the industry.

"The legal precedent was set then and could be used to reclaim the rest of these excessive deductions," he said.

At the height of Palestinian participation in the Israeli labour force, in the early 1990s, as many as one in three Palestinian workers was dependent on an Israeli employer.

Israel continued requiring contributions from Palestinian workers after the creation of the Palestinian Authority in 1994, arguing that it needed to make the deductions to ensure Israeli workers remained competitive.

However, the report notes that such practices were supposed to have been curbed by the Oslo process. Israel agreed to levy an "equalisation tax" — equivalent to the excessive contributions paid by Palestinians — a third of which would be invested in a fund that would later be available to the workers.

In fact, however, the Israeli State Comptroller, a government watchdog official, reported in 2003 that only about a tenth of the money levied on the workers had actually been placed in the fund.

The finance ministry has admitted that most of the money taken from the workers was passed to Israeli military authorities in the Palestinian territories to pay for "infrastructure programmes". Hannah Zohar, the director of Kav La'Oved who co-authored the report, said she believed that the ministry was actually referring to the construction of illegal settlements.

The report is also highly critical of the Histadrut, Israel's trade union federation, which it accuses of grabbing "a piece of the pie" by forcing Palestinian workers to pay a monthly "organising fee" to the union since 1970, even though Palestinians are not entitled to membership.

Despite the Histadrut's agreement with its Palestinian counterpart in 2008 to repay the fees, only 20 per cent was returned, leaving \$30m unaccounted for.

The Histadrut was also implicated in another "rip-off", said Mr Hever. It agreed in 1990 to

the Israeli construction industry's demand that Palestinian workers pay an extra two per cent tax to promote the training of recent Jewish immigrants, most of them from the former Soviet Union.

Mr Hever said that in effect the Palestinian labourers were required to "subsidise the training of workers meant to replace them". The funds were never used for the stated purpose but were mainly issued as grants to the families of Israeli workers.

In one especially cynical use of the funds, the report notes, the money was spent on portable stoves for soldiers involved in Israel's three-week attack on Gaza last year.

In response, the finance ministry called the report "incorrect and misleading", and the Histadrut claimed it was "full of lies". However, neither provided rebuttals of the report's allegations or its calculations.

Mr Hever said the government body responsible for making the deductions, the department of payments, had initially refused to divulge any of its figures, but had partly relented after some statistics were made available through leaks from its staff.

Assef Saeed, a senior official in the Palestinian Authority's labour ministry, said the PA was keen to discuss the issue of the deductions, but that talks were difficult because of the lack of contacts between the two sides.

Jonathan Cook is a writer and journalist based in Nazareth, Israel. His latest books are "Israel and the Clash of Civilisations: Iraq, Iran and the Plan to Remake the Middle East" (Pluto Press) and "Disappearing Palestine: Israel's Experiments in Human Despair" (Zed Books). His website is www.jkcook.net.

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