

Contents lists available at [ScienceDirect](#)

Human Resource Management Review

journal homepage: www.elsevier.com/locate/humres

The meaning of work, employment relations, and strategic human resources management in Israel

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ARTICLE INFO

Available online xxxx

Keywords:

Meaning of work (MOW)
Employment relations (ER)
Strategic human resources management (SHRM)
Globalization
Changes in Israeli society
High technology

ABSTRACT

The paper deals with the meaning of work, employment relations, and strategic human resources management. First it shows that Israeli workers have become more individualistic and materialistic, and less collectively oriented, as instrumental achievements outweigh contributions to society. These issues apparently influence employment relations and organizational policies. Next, it deals with the corporatist employment relations system, based on tri-partite collective bargaining among employees, employers, and the state. During various times, the relative balance of power among the three parties swayed considerably, according to major political, economic and social events taking place in society. The final section on strategic human resources management focuses on the transition of Israel's Human Resources profession, from the traditional HR role to the new Strategic Human Resource Management role. These three spheres have gone through some significant changes in the last several decades, perhaps not parallel to most industrial nations.

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1. Introduction

The paper examines the meaning of work in Israel in the past several decades, as well as its current dominant work values. It portrays the state of its employment/industrial relations system in association with the major shifts that have taken place in Israeli society in recent years. Finally, it focuses on current strategic human resources management in Israel as well as some future prospects.

Employment relations and human resource management take place at the workplace. They are closely related to employees' values and their meaning of work, hence, are influenced and affected by them. Therefore we believe that a short description of the current meaning of work in Israel may allow a better understanding of its employment relations and strategic human resources management.

As work and its meaning constitutes a pivotal and fundamental component in people's lives, a wide consensus exists among scholars that work and working are of profound importance to them (MOW-International Team, 1987). In addition to its obvious economic functions work has a powerful potential to fulfill other important roles and needs of the individual such as self-esteem, fulfillment, identity, social interaction and status. A better understanding of the meaning of work may shed some light on the fundamental questions of why people work, what sort of goals are important to them, what they seek at work, and what may cause them to stop working. Some answers to these questions may allow organizations and decision makers to determine policies and practices regarding, employment relations (ER) and human resource management. For example, it may allow a better understanding of what is crucial to workers and their unions when employers bargain with them. Is it more money that they want or perhaps more respect or security at the work place? What other important work related values need to be taken into consideration? The meaning of work (MOW) is closely related to strategic human resource management (SHRM), and may have

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some practical implications on various programs related to employees' motivation, recruitment, training programs, and compensation procedures, to name just a few.

Employment relations and human recourse management are intertwined and in many organizations are performed by the same function or department. Nevertheless, in the present paper we choose to provide a distinct presentation of each due to their unique characteristics and development in Israel. Such a presentation allows a thorough discussion and more clarity in depicting some of the major issues, practices, and dilemmas affecting both. The three spheres which are the focus of the present paper (MOW, ER, and SHRM) have gone through some significant changes in the last several decades, which perhaps are not parallel to most industrial nations. In order to better appreciate the current state of these domains we commence with a short description of the major events that took place in recent years and shaped them. Some outcomes of the transformations that occurred in Israeli society, to be described below, may also be observed through the changes that have taken place in the meaning of work, employment relations, and strategic human resources management. The paper will examine these three related aspects and focus on their current state in Israel.

Since its pre-statehood period, Israel has relied upon the existence of a centralistic economic and collectivistic ideological orientation. The ruling coalition has been comprised of various forms of workers' or labor parties that pursued a socialist-collectivist ideological doctrine. This had significant influence on the lifestyle, educational system, economy, and work values in Israel. A turn towards a development of a new era in Israel took place in 1977, with the replacement of the succession of labor-oriented social democratic governments by a coalition of parties headed by the Likud, emphasizing a more liberal ideology and a philosophy that supported a free market economy, as well as a more individualistic orientation. The first buds of decentralization and pluralism have started to appear. Social legitimization of the importance of individual rights, rather than national collective needs, coincided with modern Western norms, which had begun to permeate into the Israeli society. A rise in the standard of living strengthened the trend toward material values, and at the same time weakened the ideology of cooperation, mutual assurance, and aid for feeble sectors of society. During the 1980s and 1990s Israel experienced an accelerated process of "Americanization" (globalization) through an increasing exposure to American culture and lifestyle, such as television programs, cable, and satellite communication systems, which to a great extent convey American and individualistic cultural messages.

The government involvement in the market has gradually declined through the years, and this process has been accelerated with the rise of the Likud party to power. It was expressed mainly through a reduction of government involvement in the economy, as well as in the diminution of subsidies, thus allowing market forces to operate. Israel has actually gone through a gradual move from a relatively centralized economy to a capitalistic market economy. Since the mid-1980s, the process of privatizing state-run organizations has intensified, and large organizations in various industries such as telephony and energy have been privatized. At present the general trend in Israel toward a more individualistic orientation is stronger than ever. Israel is constantly moving from being a centralized society to a decentralized one, from having been dominated by state institutions and a leadership that aimed at collectivism and solidarity, to becoming a more divided, pluralistic, and individualistic society, like most industrialized nations.

1.1. *The meaning of work in Israel*

We have a unique opportunity to analyze the meaning of work in Israel by examining data collected in 1981 ($n = 973$), 1993 ($n = 942$), and again in 2006 ($n = 906$) from representative samples of the Israeli labor force. The same questionnaire was used for the three samples, thus enabling a comparison of the work values that have prevailed in Israeli society during the last three decades. The data in 1980s and 1990s were collected by Harpaz (Harpaz, 1990; Harpaz & Fu, 2002), and in 2006 by Sharabi (in press).

The meaning of work was conceptualized on the basis of the following categories: (1) the centrality of work as a life-role; (2) valued work outcomes; and (3) work goals and their importance. We will commence by first defining the concept of work and then describing the various findings related to the meaning of work (Harpaz & Fu, 2002; MOW-International Research Team, 1987).

1.2. *Defining the concept of work*

Fourteen operational definition statements of the concept of work, which were taken from the literature, were shown to the participants, and they were asked to select four definitions they considered most representative of their concept of work (MOW-International Research Team, 1987). Data analysis indicated a number of notable changes in the definition of work in Israel between the eighties and the nineties. In both samples, the majority of participants chose "if you get money for doing it" as the primary definition of work, but the percentage that chose this definition as the most important representative rose significantly, from 68% to 83. A similar finding persisted in 2006. This indicates an increase in materialistic orientation and its persistence over the past 15 years (see Fig. 1).

By contrast, there was a significant decrease among individuals defining work as "something done in order to contribute to society (the State)": the percentage decreased from 40% in the eighties to 18% in the nineties, and in 2006.

An additional change in the definition of work reflects the changes in the labor market and the different economic reality of the 90s and the new millennium, as compared to conditions that prevailed during the 1980s. This is mainly expressed in choices of definitions that emphasize the limitations placed on workers and the extent of control imposed on the individual in the workplace. In a study conducted in eight different countries, including Israel, in the early 1980s, the definition of work as "something for

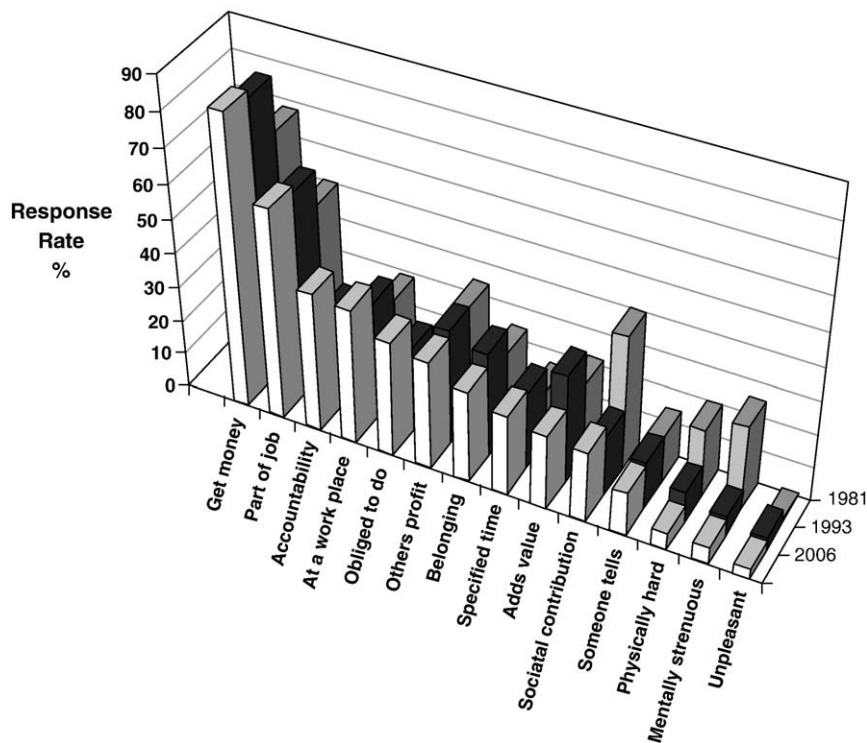


Fig. 1. Differences in work definition statements of Israel's labor force in 1981, 1993 and 2006.

which one is accountable for” received the lowest rating in Israel, while it was significantly more important in the seven other countries. For example, in Japan and Germany, about 50% of the respondents selected this definition as representing work for them, as compared to only 12% of the Israeli respondents (MOW-International Research Team, 1987). During the 1990s, however, the proportion of Israelis attributing importance to this definition rose to 29%, and 33% in 2006, indicating a clear change in the workers' attitudes. In the harsher job market and with a considerable increase in the number of people employed through personal contracts (vs. collective agreements), workers currently attach a greater importance to their work. Their attitudes in this regard align much more with their counterparts in Western countries.

1.3. Centrality of work

The general importance allotted to work in the life of the individual at any given time was assessed in two ways. First, participants responded to the question: “What is the importance and significance of work in your life?” on a 7-point scale from 1 (“One of the least important things in my life”) to 7 (“The most important thing in my life”). In all time periods, work was perceived as relatively high in importance (ranging from 5.35 to 5.52). No significant differences were found among the three time periods regarding the centrality of work. Secondly, we examined the importance of work in the life of individuals as compared with other central aspects in one's life, such as family, leisure, community, and religion. While family was found as the most important domain in Israelis' lives, the data indicate that work is second in importance.

1.4. Valued work outcomes

In order to evaluate the relative importance of a variety of expressive and instrumental meanings ascribed to work, individuals were asked to allocate 100 points to six functions or valued outcomes arising from work, as those that provide or promote status or prestige, income, are time absorbing, interpersonal relations, service to society, and interest and personal satisfaction.

Work as a means of ‘providing income’ gained the first place in all three samples, however; the importance assigned to it increased significantly from 30.5% in 1981 to 43% in the nineties, and then dropped to 39% in 2006 (see Fig. 2).

In contrast, there was a significant decrease in the number of points assigned to ‘Through work I serve society’, from 13.3% in 1981 to significantly lower in 1993 and 2006. Moreover, this aspect of work was ranked third (out of six variables) in 1981, but was placed sixth and last among valued work outcomes in 1993 and 2006. Finally, a significant decrease may be noted in the points assigned to work as a source of personal satisfaction, from 29% in 1981 to 19% in both 1993 and 2006. Results of the valued work outcomes concept reveal an increase in materialistic orientation and its persistence across time.

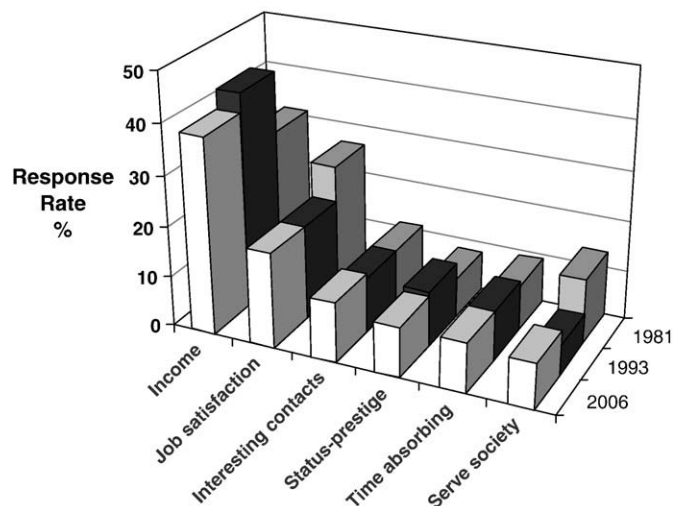


Fig. 2. Valued work outcomes of Israel's labor force in 1981, 1993 and 2006.

1.5. The importance of work goals

Participants were asked to rank the relative importance of 11 work goals, including expressive, economic, personal, and other goals, in their working life. There were significant differences in the rankings of economic benefits and convenience variables (see Fig. 3).

Particularly remarkable was the importance of “pay received for work”, which climbed from third place in 1981 to first place in 1993, and strongly maintained its position there in 2006. “Interesting work” dropped from first to second place in 1993, and assumed the same position in 2006. The importance of “job security” rose to sixth place in 1993 (from 10th in 1981), and ended up fourth in 2006. This could be a reflection of the occupational insecurity in the Israeli labor market in the 1990s, as compared with the early 1980s. This change is mainly due to the deterioration of the Israeli ‘tenure establishment’, the relative weakness of the

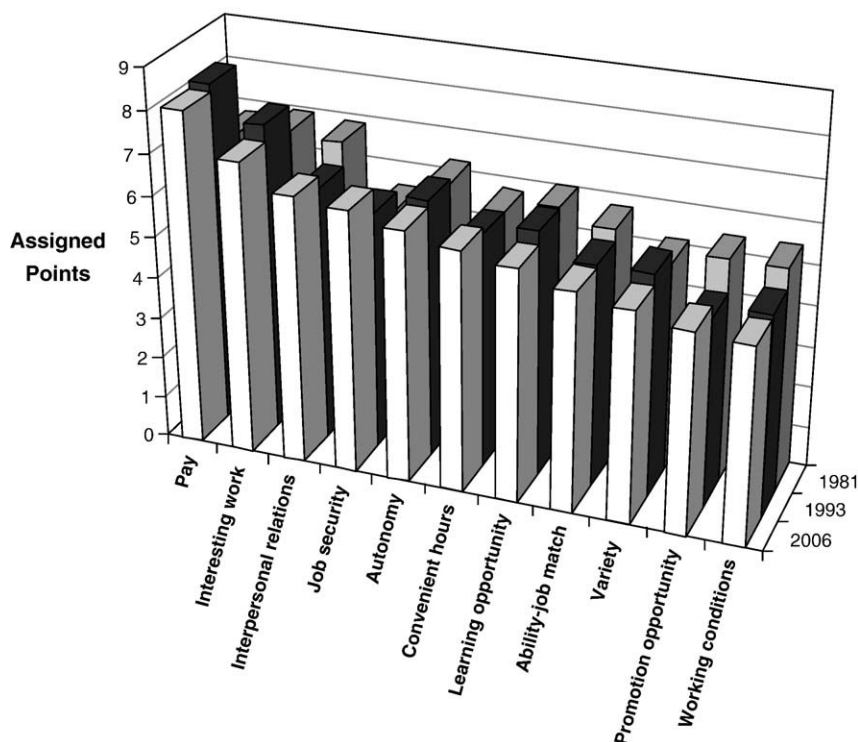


Fig. 3. Differences in importance of work goals of Israel's labor force in 1981, 1993 and 2006.

Israeli general trade union (Histadrut), the rapid shift from collectively negotiated contracts to individual contracts, the relatively high unemployment rate (mainly in the 90s and early 2000s) and the slow rate of economic growth.

1.6. *Israeli workers have become more individualistic*

The data indicate that the central position of work as a life-role increased moderately during the period from the early 1980s to the mid 2000s. Decision and policy makers should be pleased with this finding, as the importance ascribed to work in 1981 was already high. Work centrality is important since previous studies demonstrated a positive correlation with other organizational variables, such as job satisfaction or participation in decision making, and a negative relationship with both absenteeism and employee turnover (Harpaz, 1990).

The findings show that Israeli workers consistently place money or wages paid for work above all other work goals. Israeli workers have become more individualistic and materialistic from the early 1980s, and less collectively oriented, as instrumental achievements outweigh contributions to society. These issues will apparently influence employment relations and organizational policies in the Israeli labor market at the beginning of the millennium. The ongoing processes of individualization and globalization in the Israeli society have some additional implications. Currently, individuals place themselves at the center of attention by pursuing materialistic values, self-benefit, career progress, status and prestige. As workers set the satisfaction of their personal aspirations above the needs of their organizations or society, they may become less committed and loyal to their organizations.

This may result in an increase in inter-organizational mobility and in improving one's personal status. The competition that characterizes individualistic societies can also influence the interpersonal and social relations system in the workplace (as reflected by the data). Replacing collective values with individualistic ones may have an additional effect on society, such as unwillingness to serve the country in various ways. This may increase fragmentation in the state, which still must deal with factions in society and uncertainties in its future security.

The changes that are taking place in Israeli society and its labor market are due to economic and technological developments that are part of global processes, which are not unique to Israel. It does not seem possible, or even desirable, to stop this trend, as these processes have some positive consequences as well, concerning both the individual and economy in general. Individuals invest more in their training and preparation for the world of work, increase their human capital, and consequently, improve their status in the labor market. In the workplace, workers must meet performance standards and are held accountable for everything they do. Yet one cannot ignore the social problems resulting from these processes, such as their influence on social relations, the willingness to make a contribution and to fulfill social tasks, and finding solutions for workers who cannot or have difficulties adjusting to the changing reality.

In conclusion, the meaning that is ascribed to work in Israel is complex. Various motives and preferences influence the centrality allotted to work, work goals and other functions of work in the life of the individual. These attributes influence the way people define work and understand its meaning for them. Managers striving to improve organizational performance must recognize that proposals and plans for change should be consistent with worker attributes and values. At the same time, attention should be paid to the changing importance of roles, or occupations deemed interesting and challenging over time. One cannot treat workers as a static quantum that does not change its attitude and posture vis-à-vis work. Organizations have the obligation to periodically monitor work values of their employees in order to adjust organizational goals and rewards accordingly. An awareness of the values, attitudes, goals, and preferences of workers and potential future workers is essential for shaping organizations' capacity to function better, and even to survive in a reality of frequent and dynamic technological change or changes arising from other environmental constraints.

1.7. *Employment relations in Israel*

Israeli employment relations system is based on the European corporatist model. This model or system is characterized by regulating the labor market, as well as wider social aspects, based on tri-partite collective bargaining among employers, employees, and the state. The pre-state power of the Histadrut enabled an inclusive bargaining concerning most employees' rights, thus significantly influencing the formation of social policies in Israel. Coordination among employers secured that collective bargaining will include most employers in Israel. The fact that until the early 1980s the Histadrut was the second largest employer in Israel (next to the state), instilled an additional layer of security into the system – curbing its demands. This state of affairs came about due to the centralistic nature of the collective bargaining system, forcing the Histadrut to consider the fact that pay increases will also affect its economic enterprises. The state 'supervised' the Histadrut through the dominant role the ruling Israeli Labor Party (Mapai) had over the Histadrut. It also protected employers by placing high customs duties on imported goods. This scheme allowed the state to maintain a relative social rest, as well as an intensive involvement in economic activities in general, and particularly in the labor market. The events that have taken place in Israel since 1977, manifested by the change of power in government, (as described in the opening of this paper) also marked the beginning of a new era in Israeli employment relations.

Of the three partners/parties forming the industrial relations system, the Histadrut federation of labor was most negatively affected by the 'new order'. One of the most dramatic declines in union participation rate has occurred in Israel. It is estimated that membership dropped from about 80% to a current level of about 25% of the labor force (Harpaz, 2007). The main reason for this phenomenon is the passage of a law (legislated in 1995), which prohibited labor unions (namely Histadrut) from offering health care services (Kupat Holim). Moreover, the Histadrut has abandoned many of its non-union functions and activities, and its

influence in Israeli economy and politics has significantly declined. The Histadrut is still a major force in wage and employment issues, predominantly in the public sector.

Relations between the government and the Histadrut, during the last decade have deteriorated significantly, as both parties have been stuck in bitter adversarial conflicts, mainly stemming from the government's perception of the Histadrut as a major obstacle to accomplishing its neo-liberal plans. In recent years, when negotiations between the two parties have not progressed rapidly, or in a direction favoring the government's position, it attempted to strip the Histadrut of its bargaining power, or the right to go on strike, by means of legislation. Another example of the government's attitude towards labor occurred in 2005, during the longest strike in Israel's history (Harpaz, 2007). Drivers at a small private bus company went on strike, demanding better working conditions and wages. When negotiations failed, the Ministry of Transportation interfered, breaking the strike by allowing an alternative bus company to operate in lieu of the striking workers. This was the first occurrence in Israel's history of such an episode in its industrial relations system. This case may also serve as a good illustration of the current state of the labor unions in Israel.

Until the early 1990s, collective bargaining and collective agreements played a fundamental role in the Israeli industrial relations system. These agreements fixed work practices and also covered general wage increases and working conditions, as well as procedural matters pertaining to industrial relations. Throughout this era collective agreements were negotiated and signed on three levels: national, industry, and plant. At each level the employees could frequently receive additional benefits. Bargaining usually began at the national level (termed as the 'framework agreement'), which produced pay increases for all union members, as well as often expanding the agreements to encompass the entire workforce by an 'extension order'. Next, industry bargaining took place in the main industrial or service sectors, resulting in a collective agreement with additional benefits and provisions particular to that branch of industry. Likewise, such agreements were often expanded to the entire industry. In addition to the national and industry agreements, many workplaces negotiated plant agreements, yielding benefits and wage increases specific to that organization. The upshot of this scheme was often a huge number of collective agreements, forcing employers constantly to negotiate with different union units or workers' committees, often causing numerous labor disputes. While this structure afforded workers security and improved their working conditions, it generally gave employers ample flexibility to move workers from one job to another.

Over the years the Histadrut endorsed the negotiation of general collective agreements, which reflected the power of its Trade Union Department to obtain benefits for its members. In recent years collective bargaining has shifted towards decentralization. The focus of negotiations has moved down to the industrial sector, occupational groups, and mostly the plant level. The gap created by the Histadrut's Trade Union Department loss of power has been filled by its strong, sometimes militant trade unions (e.g., Port Authority or Electricity Company employees) or powerful shop committees of local plants.

The deterioration of the Histadrut has been accompanied by a significant decrease in its communication and cooperation with the employers' associations. A major indication of this state is that until recently, no 'framework agreement' at the national level has been signed since 1995. Since then, relations may be described as 'cool', with minimal contacts between the two parties. From the workers' perspective, especially in frail sectors of the economy, the absence of collective bargaining has eroded some of the protection they need (Davidov, 2004).

A shift in the relations between employees and employers took place in 2006. The Histadrut and the Coordination Bureau of Economic Organizations (representing the leading private industrial and economic organizations in Israel) initiated talks, aimed at reaching a new 'framework agreement'. A part of this change may be attributed to the new leadership (perhaps more judicious) that assumed office in both organizations. Furthermore, the two parties perceive government's attempts in recent years to intervene in the industrial relations system through legislation, as a real threat to their flexible and independent operations in the labor market. Prior to their deliberations concerning a new general collective 'framework agreement' for the whole industrial sector, the Coordination Council of Economic Organizations and the Histadrut signed a new agreement. It states, for the first time, that industrial relations in Israel are to be arranged by means of deliberations, negotiations, and the signing of collective agreements, and not by legislation. They hope that this agreement will stymie any unilateral government legislation in the realm of industrial relations in Israel.

A notable recent example of the 'honeymoon' between the Histadrut and the Coordination Council of Economic Organizations is their collective agreement signed in mid 2007. It provides a pension plan for all employees in the labor force who have not received such a benefit. Despite the government's objections to this particular plan, the Minister of Industry, Trade and Labor had to issue an extension order of the pension plan. Accordingly, as of January 2008 all employers have been obliged to allot part of their employees' salaries to pension funds.

1.8. Strategic human resources management in Israel

This section focuses on the transition of Israel's Human Resources profession and Activities, from the traditional HR role to the new Strategic Human Resource Management (SHRM) role, in response to the tremendous changes that have taken place in Israel and its organizational and business environment (Meshoulam, 1989).

For decades the Israeli economy was relatively isolated. Its geopolitical situation dictated a closed and small local market, and limited export capabilities. Its main export depended on agricultural products and controlled arms sales, with very limited manufacturing products. Owing to the political situation, many multinational organizations avoided doing business in Israel due to the small and isolated market, limited infrastructure and the Arab nations' threats of a business boycott against Israel. Since 1967, Israeli economy has been rapidly undergoing major changes, such as growing immigration, exposure to the global market,

introduction of new, sophisticated, high technology products and changes in the political climate. These changes lead the multinational organizations to initiate R&D activities in Israel, including Intel, Motorola, IBM, Kodak, HP and many more. In addition, a large number of organizations started to invest in Israeli companies and in the stock exchange. Since the 1980s, Israel has witnessed a major shift in its HRM. The arrival of multinational organizations, especially in the high technology industry, introduced new demands and methods of management. At first, changes have taken place only in hi-tech industries. However, since the 1980s they began penetrating slowly towards more advanced traditional industries, and at a later stage spread to service organizations as well. The existing common “personnel management” philosophy has been slowly replaced by the new “human resources”, and this new spirit of strategic HRM is already affecting Israel's HRM scene (Meshoulam, 1988).

The Israeli environment, strongly influenced by the changing global environment, is subjected to major changes and demands that require HRM to react. The dominant factor is the changes in technology, coupled with the globalization movement supporting even harsher competition, management of uncertainty, and pressure for flexibility and fast reaction (Howard, 1995). The same environmental forces influence and encourage organizations and young people to invest in quality business education in response to the new demands. Since the late 1980s we have witnessed a significant increase in business education providers, which have contributed to the quality of the country's professional level. For example, from merely five universities offering Business Administration programs in the 1990s to over 25 colleges and universities BA, MBA and HRM degree programs today (Management Studies in Israel, 2007).

Major changes are also taking place in the country's infrastructure, including computer systems, telephone systems and transportation, allowing for growth in domestic and international mobility. The last three decades are characterized, therefore, by major environmental changes that affect management and human resources management in their attempt to adjust their organizations and profession while struggling to create a competitive advantage.

There is no doubt that the changing environment was a major force in shaping the development of the Human Resources function and the HR profession in Israel over time (Meshoulam, 1996). We will review some of these forces, concentrating mainly on the profession in its current position and what seem to be its future trends of development.

1.9. *The changing environment in Israel and its impact on HRM*

Many changes have taken place, each left its mark on the development of the Human Resources profession in Israel; we will focus on three most influential changes and their impact: 1. the growth and development of the high technology industry, 2. globalization, and 3. the strategic movement.

1. *The growth and development of high technology and its impact on HRM.* In order to assure its survival, Israel's unique geopolitical position caused it to invest, at a very early stage, in the development of advanced defense systems. In the early 1950s Israeli scientists had already developed a human and technological infrastructure that served as the springboard for the hi-tech industry. This approach followed the US model of using university and military R&D as a leverage for developing the country's economy. Only in the 1960s did private industry, led by Elron Co., entered the hi-tech field, declaring their goal to establish an electronic industry in Israel. Due to a military embargo in the 1960s, Israel began accumulating knowledge, and gained an international reputation for its innovative abilities and technical solutions. The technological knowledge infrastructure has been adopted by private and government-owned businesses, and has spread into new areas, such as communications, medical products and printing. Even at this stage, the industry was viewed very skeptically by the government and was regarded as an adventure or an experiment (Galil, 1998).

In the 1970s, Israeli companies began to enter the US stock exchange and large multinationals, such as GTI, IBM, Motorola and Control Data, began investing in manufacturing and R&D in Israel. At the same time, the government began recognizing the huge potential of the hi-tech industry. New legislation supporting technological R&D was initiated, currency control was removed, foreign investors were encouraged and the market was fully opened to investors and competition. In the 1980s new partnerships with large foreign companies were formed. New venture capital emerged and new R&D funds were launched to support the blooming innovative movement. Large multinational companies, such as Intel, Motorola, National Semiconductors and others, began investing in production. Some opened large R&D outfits, such as Microsoft, HP, IBM and Intel, investing very large sums of money. The hi-tech industry grew from a sales level of \$1B in 1980 to over than \$7B in 1997, with 75% of the sales in export (Galil, 1998). Today, over 100 Israeli companies are traded on Wall Street; Israeli hi-tech companies are taking the lead in some fields worldwide and actually defining new markets, for example, in the medical equipment field. Government investment in hi-tech R&D has reached over 60% of the total investment in R&D (Farber, 1996). Israel was rated by “Wired Magazine” as number four in advanced technology centers in the world (Israel Business Today, 2000).

The rapid growth of the industry created a demand for talent, a gap that still exists and constitutes a major challenge for human resources. Freedom of mobility among organizations, tight relations between universities and the private industry, and government support were all new phenomena in the Israeli market. Until the late 1980s, the Israeli industry was very protective of its employees, highly unionized and segmented (Bank Hapoalim, 2000).

The ability to reduce the gap emerged from three main sources. First, in the mid-1980s the slowing economic rate released large numbers of employees into the market. They arrived mainly from government-owned industries, such as the Israeli aircraft industry, and joined the hi-tech industry. A second source was the huge immigration from the Soviet Union to Israel during the late 80s and early 90s, including approximately 650,000 people (10% of the Israeli population). Among the immigrants were highly educated and trained technicians, engineers and scientists. The third source was highly educated trained military personnel who

saw the challenge in developing hi-tech in Israel. An additional, more limited source included Israelis who in previous years had left the country for new opportunities, and returned to Israel to join the growing technological market.

Though the growth of the hi-tech industry in Israel was gradual, it had a remarkable impact on Israeli management and HRM. Until the 1960s, Israel's economy and social activities were based on a socialistic philosophy. The Histadrut, Israel's centralized and virtually only labor union, was highly involved in most organizations – public and private. The Histadrut was also the second largest employer in the country (after the government). The main role of HR at that time was labor relations and administrative management. Emphasis was placed on negotiations with the union, administration of labor contracts, and maintenance of employees' records. Many Human Resources managers rose into their roles from internal supervisory positions, and many were ex-union activists who have promoted to HR. Mobility was very limited and, in most cases, involved union intervention.

Firms emphasized productivity and limited their investment in people to training activities aimed at improving productivity. Very little was invested in the utilization of employees' potential and growth. Compensation and Benefits management was regulated by contracts with the labor union and non-unionized organizations following similar patterns. Human Resources, predominantly occupied by men, lacked individuals educated in behavioral sciences or related areas; no university level degree in Human Resources was available in Israel at that time. In contrast, scientific education was highly developed which greatly contributed to the rapid growth of the hi-tech industry. Israel's investment in education was one of the highest in the world – 9.1% of the GNP in comparison with 6.1% in OECD countries. Israel had the highest rate of PhDs and scientists in the world, 135 per 10,000 inhabitants, compared with 85 in the US, and 75 in Japan (Ministry of Education, 2008). Managers, a large number of whom were the product of the military, gave little attention to substantive HR issues, such as development, utilization, and education of the workforce. An overall view of an individual as a resource that needs to be developed and utilized, and, perhaps, assists a company in acquiring competitive advantage, was not part of management's planning.

The emergence of internationally owned or, even just a simple involvement with large worldwide firms, often through private investments, brought about a rethinking of management–labor relations for the organization, in general, and Human Resources, in particular. Hi-tech companies adopted a non-unionization philosophy, actively rejecting unionization and advocating direct individual negotiation.

Though they employed a relatively small portion of the Israeli workforce (20% in 2000), these companies' impact on the Israeli market was out of proportion to their size (Bank Hapoalim, 2000). They introduced the concept of tying compensation to performance, deviating from the policy of pay according to seniority (which still prevails in many parts of the public sector). Experts were needed in order to manage this change, to conduct performance appraisals and design new methods and processes to replace the seniority-related promotion system.

Hi-tech organizations also introduced more aggressive mobility programs, which were essential for their survival. Internal mobility was encouraged, compensated and measured. These activities were relatively new to HR personnel. As companies grew and required new skills and a larger mix of technical disciplines, a new market of professional recruitment emerged. Human Resources began applying professional methods to select and screen people and constructing orientation programs. Recruitment emerged as a new HR expertise. At the same time, new services for recruitment, selection, placement, and consulting businesses emerged in support of the growing market.

Within a very short time, the older and more traditional industries began to appreciate some of the features of the hi-tech model and started imitating their management style and HRM methods. A “new breed” of HR experts was now a highly desired “commodity” in the labor market. As a result, the pressure for professional education grew and many young people joined new university programs in the field of management and Human Resources. The 1970s encouraged young women to enter the male dominated field and new opportunities were now available to them.

High technology industry brought with it an additional important change – an emphasis on innovation. Creating an environment of innovation required a new managerial approach and new HRM emphasis. Empowerment, flexibility, collaboration, better use of employees' collective wisdom, and less formal structures are just a few of the basics in developing and encouraging innovation (Lawler, 2008). In addition, tying compensation to performance, encouragement and recognition were used for creating a new organizational innovative culture. The high-tech organizations encouraged their HRM people to learn and adapt new methods. Many HR managers began to be exposed to international organizations and their standards.

The 1960s through the 1980s were truly revolutionary years in the development of HRM and management in Israel. Though there is still a serious gap between the traditional organizations, especially in the public sector, and the new HR approach, the change has been tremendous, and significantly noticeable. This change had a major influence on HR professional development – several local periodicals in the HR field and related subjects had been established, a new HR association was formed, and several universities began offering behavioral and labor studies as courses or, even, majors. Hence, the profession was preparing itself to move into the next development stage of Strategic Human Resources.

2. *Globalization and Israel.* During the early years of its existence, the state of Israel suffered from a shortage of foreign currency, incurred large military expenses due to the War of Independence with its neighbors, and allocated a relatively large part of its budget for supporting the immigration and absorption of Jewish refugees after World War II. To protect its limited industry, save foreign currency and reduce unemployment, the government curbed imports. This was done via high custom duties and a very strict control of foreign currency movement. Over the years, the government reduced these limitations, and in the 1990s this process was expedited by a series of important government reforms, such as a free trade agreement with several countries, a reduction of custom duties on essential products, the elimination of the foreign currency trade limitations, and deregulation of large institutions, mainly government-owned businesses (Ministry of Education, 2006). Throughout the years, the peace process and the growing reputation of Israeli human capital, as highly trained and innovative people, contributed to the world's growing

trust in the Israeli economy. Foreign investors and multinationals showed a growing interest in Israel's future development and several Israeli companies, such as Delta (textile), Teva (pharmaceuticals), Comverse (hi-tech) and others have become multinationals.

The globalization process caused a drastic change in Israeli industry – export boomed, new international networks were developed, product standards and quality improved drastically so as to comply with international demands. At the end, the hi-tech industry emerged as a powerful entity within the state. The next wave of growth occurred when successful hi-tech firms and entrepreneurs invested in new start-ups in the fields of communications, computerized printing and medical equipment, and more recently, in microbiology.

There were five main reasons for Israel's globalization shift: 1. Human capital level; 2. Advanced scientific infrastructure; 3. Large government support for R&D investments; 4. Military and security production where R&D laboratories contributed to the development of new ideas and innovative products; and 5. International treaties, such as the Common Market (European Union) agreement and the North American Free Trade Agreement (NAFTA) pact, which helped Israel to enter and be accepted as a world contributor.

The globalization process also had a major impact on Israel's commercial and service sector. Large international chains began to operate in Israel – for example: McDonalds, Benetton, Toys R Us, and many more – bringing with them new knowledge and experience. Due to the growing competition, prices were reduced and the quality of the product increased. A new service culture developed, and the public began to appreciate and demand quality service. Large shopping malls were built all over the country, changing buying habits and expectations. Within a relatively short time period, the impact of globalization has affected most households in Israel and set new standards for business and for the public which began experiencing a new life. However, not everything went according to plan. Some new social issues were starting to emerge – a growing income gap between poor and rich, a new breed of poor people, unjust distribution of income and other social ills.

Globalization has had a great impact on Israeli Human Resources Management. International exposure, mergers and acquisitions by and of global organization, have forced a more sophisticated approach to management. New HR methods were introduced, new demands were placed on local companies, and a new set of bench-marks for success was introduced. In order to maintain a competitive edge and an advantage, issues such as leadership development, management from a distance, expatriate management, and recognition of cultural diversity are all demanding an increased attention.

Practical issues, such as differences in labor laws, selection, training and repatriation of experts, have had to change and be adapted to. The need for a corporate culture, and a clear global mission increased the necessity to assure stability. Issues of “think global and act local” have had to be dealt with by HRM in the most practical way. Conflict management and change management are skills required by HR people in order to succeed in its new challenges. The global environment, coupled with the explosion of the high technology industry in Israel, imposes new challenges for the Israeli HR profession, as is also seen in other countries. HR professionals must make the shift to a much more sophisticated and expert's role (Sparrow, 2001; Baird, & Meshoulam, 1986).

Among the major challenges facing the Israeli HR management as a result of globalization are the following:

First challenge – Taking advantage of the growing worldwide competition. The competition is not limited to technology only; organizations compete in their totality: output, production, R&D, marketing and as well as Human Resources. Maintaining a competitive advantage is the name of the game. Human Resources can serve as a good source for gaining such an advantage. This implies that HRM should do its utmost to find ways to assure that employees do not easily leave their positions to work for the competition; their skills cannot easily be bought nor imitated. Therefore, HRM must focus on talent management, diversity issues in the workplace, employee empowerment and challenging work. Israel has a clear advantage due to its highly educated and innovative workforce. The main challenge for HRM is to continue focusing on protecting and cultivating that advantage.

Second challenge – Collaboration. One way to protect organizations from environmental turbulences and uncertainties is to unite forces and collaborate in order to control and utilize efforts. This may mean technological collaboration, market and monetary cooperation, etc. This explains, to some extent, why we witness more and more mergers and acquisitions. The latter include emphasis on building relationships, partnerships and sharing. It means merging organizational cultures and personal egos. Building relationships is a relatively new business phenomenon that requires attention and management knowledge. Again, it provides an incredible challenge for Human Resources, responsible for bringing behavioral knowledge to the organization. It becomes an even greater challenge in multinational corporations where there is often a need to deal with cross-cultural relationships and physical distances among workers, often accompanied by different languages, values, and beliefs. Israel has a greater challenge to overcome, since it is small, far from major markets, and is required to go abroad as its markets and customer base within the country are quite limited. This is well illustrated with firms such as Comverse, Amdocs, Checkpoint, etc. In such cases, collaboration, relation management and communication can become challenging issues.

Third challenge – Expatriates careers. An important aspect from people's management' viewpoint is career issues and continuity. Most expatriates moving to countries outside Israel have working spouses tied to their careers and future development. Many realize now that sending an employee abroad requires management and HR to consider employee's, as well as the family's career needs, and not just the necessity to fill a technical void. The Human Resources' challenge is to design the job to fill that purpose, and to assist the spouse in finding a suitable position frequently involving issues of working permits. HR needs to think of the expatriates return to their home country, bringing with them their accumulated knowledge. Unfortunately, a very large percentage of expatriates that return stay for a short period with their “Mother” company and then shortly after move on to a new place. HR's challenge is to help plan and support the entire cycle of expatriate transfer.

Fourth challenge – Total impact on the HR profession. Major changes in the HR profession became apparent with the growing HR role in general management as a result of the new experiences of Israel in the global scene. An even stronger emphasis is now placed on the need for professional support and sharing of knowledge and expertise among Human Resources experts. A need for sharing data and knowledge called for appropriate professional forums for expressing ideas. The demand for higher qualified professionals who can address complex global issues created a need for a strong professional association, and an accreditation process to set qualifications and standards. Some efforts are already taking place in the professional arena, but there is still a long way to go.

Fifth challenge – Enrich the body of knowledge. Naturally the increased global HR management activities, created the need to gain more knowledge in specific HR international fields that are not developed sufficiently, such as:

- a) Leadership development – to assure continuity and utilization of international assignments as an opportunity for development.
- b) Staffing – recruitment, selection and placement of quality employees for missions abroad; tools for identification of those employees who are independent enough to work from a distance in new and unfamiliar cultures.
- c) Technical HR – management of the technical aspects of compensation, benefits, labor relations, labor laws, mobility, etc. as they vary across countries.

3. *The strategic movement.* The high level of uncertainty and the rapidly changing business environment have added much confusion and complexity to the managerial process. Setting organizational goals that adjust themselves in an environment that is constantly changing requires a proactive approach to management. The purpose of the strategic process is to assist management to systematically understand the opportunities and threats generated by the environment, in the specific context of the organization's strengths and weaknesses. There are many models and approaches to the strategic process, which are beyond the scope of this article. It is still an emerging field with divergent opinions regarding appropriate directions, models and approaches and lacking adequate empirical evidence (Dyer, 1985; Bachrach, 1989).

It seems that it is clear to many that the HR contribution, and perhaps even the profession's *raison d'être*, depend on its ability to become a real partner to senior management in determining the organization's long term direction and strategy, and to take part in selecting the appropriate alternatives to meet the organization's objectives. The added value of the various models of strategic HRM lies in the ability to find the common denominators with which most agree in order to serve as a base for professional direction (Truss & Gratton, 1994). A broad agreement regarding the following basic principles can be identified:

The external environment. Changes in the external environment create opportunities for growth and development in the organization and among HRM professionals all the while confronting the risk of growing competition and change. HRM is expected to assist the organization in building its competitive advantage, utilizing the most central resources in the organization (Freeman, 1985). In Israel, there is growing attention and concern regarding the external environment. Strategic processes that analyze the environment are becoming more popular, and in many cases include the active involvement of HRM. The public sector and service organizations have begun joining this trend. Some examples of public organizations that introduced such a strategic process are Rafael (defense industry) and the Ministry of Justice.

The internal environment. Organizational structure, organizational processes, employees reward systems, placement and organizational culture are all part of the internal environment in which HRM policies are being determined. These internal elements influence the delicate relationship between business strategy and the process of strategic HRM (SHRM). A fit between the internal organizational elements, accompanying strategy and the external environment should be carefully and constantly managed. In the last decade, there has been a growing interest in HRM among global hi-tech organizations in Israel, which stemmed from the need to cultivate and manage an appropriate organizational culture (Guest, 1988; Milkovich, and Boudreau, 1991; Schein, 1992). There is a realization among HR professionals of the need to provide the organization with the "glue" that will assist it in ensuring global identification with the company's headquarters and assist in controlling behavior. In Israel, such efforts have spread into more traditional organizations, for example, a large food industry, a large bank and a very large government-owned manufacturer.

The relationship with business strategy. There is a wide agreement as to the impact of business strategy that defines the organization's direction and human resource practices. The strategy process acts as a bridge between the changing environmental demands and organization's internal capabilities to meet them. Implementing organizational strategy is highly dependent on the availability of people in the appropriate quantity and quality, at the right time, in the right place, carrying the required current and future knowledge. Every business strategy must have a human resource strategy accompanying and supporting it. There also must be an agreement at the three strategic levels: the organization, the specific function and the business unit. A merger strategy, for example, cannot succeed without a careful SHRM process which determines how to bridge between old and new organizational cultures, management tools and policies (Meshoulam and Baird, 1987).

In this respect, Israeli HRM is far behind, mainly due to lack of realization on the part of management as to the contribution of HR to organizational strategy. It is like a self-fulfilling prophecy – due to the fact that management lacks the understating of the HR role, they recruit HR executives who do not have the strategic knowledge or ability, are not part of top management group, are perceived (and in many cases rightly so) not to understand the business and are not required by management to run their function as a business with clear objectives, plans, budgets and accountability. Change requires a major educational effort, not among HR personnel, but their CEOs.

Relation to HR practices. All the various strategic models regard Human Resources practices as the means to implement HR strategy. There is a close relation between the chosen practices (or alternatives) and HR strategy. For example, an organization with a “differentiation strategy” (Porter, 1980) i.e. growth through innovative new products, would encourage innovation. HR practices should be geared to encourage innovation. Starting from selection of individuals, through promotion, rewards, recognition, mobility, development, job design, structure, etc. – all should be geared to encourage innovation. Indeed, many of the practices used in Israel are universal in nature. However, some practices lag the western countries, such as workers' empowerment and workers' engagement programs.

Strategic outcomes. Every strategic process must end with an achievement of set results. Some suggest that the expected results should be: commitment – the degree that HR policy and practices achieve employees' commitment to their work; abilities – the degree that HR policies attract, develop, and maintain people's knowledge; and fit – the degree of fit that the HR policy cultivates between work groups (Beer, Spencer, Lawrence, Mills, & Walton, 1984; Dyer, & Holder, 1988). Others offer different outcomes, including: contribution – expected behavior in order to achieve organizational goals; or flexibility – the expectation that the workforce will adjust to environmental changes (Bamberger & Meshoulam, 2000).

As the strategic HR process and its implementation are aimed at achieving a set of desired outcomes, the ability to measure the results and the criteria by which HR practices and policies are measured become an important issue. The area of HR measurement is ignored, to a large extent, by Israeli managers. Tools are not developed, expertise is minimal and management does not demand it as an integral part of the business. Very few organizations have implemented holistic, systematic measurement methodologies, such as the HR Scorecard (Becker, Huselid, & Ulrich, 2001).

2. Conclusion

While Israel is a relatively young country it is apparent that its inhabitants have gone through a highly turbulent era since its inception in 1948. As is depicted above, this has affected their lives from political, economic, and social perspectives.

The authors of this article wrote a similar chapter describing the meaning of work, employment relations, and human resource management in Israel, in the early 1990s (Harpaz & Meshoulam, 1994). Major changes have taken place in the meaning of work, as was revealed through several measures, between the early 1980s and 1993. Most notable is the finding indicating that Israeli workers have become more individualistic and materialistic in the 1990s and less collectively oriented, as instrumental achievements outweigh contributions to society. While values tend to remain relatively stable, and have not changed much between 1993 and 2006, significant changes have occurred in employment relations and HRM.

Employment relations (termed ‘industrial relations’ till the mid 1990s) have shown some noteworthy changes. Ever since its establishment in 1920, the Histadrut federation of labor had a significant role in determining norms and conditions of employment, sustaining them and even carrying them out. Since the late 1970s the Histadrut gradually lost its power and approximately two thirds of its membership by 1995. The breakdown of the corporatist system resulted in a great adversarial relationship between the government and the Histadrut, further weakening the labor union. Only in recent years, affairs between the two participants in the employment relations system, i.e., the Coordination Council of Economic Organizations and Histadrut federation of labor, have improved considerably. Nevertheless, the Histadrut does not enjoy much support or popularity among the Israeli public.

Finally, we dealt with the status of Strategic Human Resource Management (SHRM) in contrast to the traditional approach, HRM. The latter concentrates its attention on workers' relations, to ensure better motivation and efficiency. SHRM focuses on building partnerships, where employees are a central partner but not the only one. Traditional HR focuses on a group of HR experts who are in charge of program portfolio management. SHRM delegates that responsibility to the employees and their management. The HRM approach is reactive, providing answers to needed issues. The SHRM approach is proactive, searching for future development and impact of the environment, predicting future changes and their impact on the organization and driving solutions ahead of time.

Except for most hi-tech organizations, the majority of Israeli organizations are still at the traditional stage of HRM. We believe that with increased pressure from the environment, the growth of advanced technology and globalization, the need to adapt into SHRM will grow. It is a process that requires time and appropriate internal and external conditions before it can be realized.

Acknowledgements

The authors are grateful to The US-Israel Bi-national Science Foundation (BSF) and the Israel Foundation Trustees for financing the research reported in the paper.

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