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"THE SOCIAL POLICY OF DENIAL: UNEMPLOYMENT IN ISRAEL"*

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ABSTRACT

When reality does not match the dream nations tend to suffer. In Israel unemployment compromises social democratic ideals. The country oscillates between bombast and despair. Official data is not trusted. Those who leave Russia on Israeli visas and do not come are "drop-outs." Those who leave Israel for other countries are "yordim." Those who go to work every day when there is nothing to do are draining the nation with "hidden unemployment." These are terms of derision. Some of the difficulty with unemployment data and understanding Israeli response to the problem may be for security reasons. Israelis have lived in an almost continuous state of war since 1922. The danger from living under such pressure is that it increases the denial; policy thinking is rigid and bureaucracy grows. Israel has survived because of its capacity for flexibility and innovation. Continued replacement of these qualities by denying economic realities may threaten its survival and peace in the world.

The Jerusalem Post of May 9, 1977 has a story headlined:

Unemployment up, but 'there are jobs for all who want them,' official says.¹

Similar statements appear frequently in the Israeli press. If they were political sophistry designed to fool a gullible public they could be ignored. This is not the case, Israelis are realists; they are not gulled easily. The headline is true; but it needs to be explained. Unemploy-

*Revision of paper presented at 27th annual meeting, Society for the Study of Social Problems, Chicago, September, 1977.

ment is rising in occupations requiring a university degree and in the building trades. Skilled industrial labor is in short supply. Whenever the real diverges too far from the ideal it tends to be stressful to a society.² The paradox of rising unemployment and a shortage of skilled labor is an affront to the socialist ideals on which Israel is founded.³

Vidich and Bensman have outlined categories which describe community behavior when reality is painful. They include, "the repression of inconvenient facts,..the falsification of memory and the substitution of goals,..the surrender of illusions,..mutual reinforcement of the public ideology, ...avoidance of public statements of disenchantment and the exclusion of the disenchanteds."⁴ All these forms of denial are present in the Israeli response to unemployment.

Prior to the last election the Alignment (5/13/77) promised, "The maintenance of full employment and the efforts to reduce inequalities in the social, economic and cultural spheres." The Alignment lost the election and the Likud promised tougher things. Milton Friedman appeared on the scene. He does not see how inflation can be controlled without the use of controlled unemployment:

when told that the question of unemployment in Israel was a "sacred cow," Friedman replied that "There are a lot of sacred cows. But you get buried by what the cows produce." (5/24/77)

Yet when the new government introduced its first belt-tightening economic measures unemployment was not included in the package. Simcha Erlich the Finance Minister:

promised that the Treasury would endeavor to insure full employment... "Heaven forbid that a Jew should remain unemployed." (6/22/77)

Israel has an unemployment rate. The Ministry of Labor figures average about 3% since the creation of the State. Currently (4/8/77) it is 4% or almost 50,000 people. These figures are comparable to those in the 1967 recession. The true figure is probably much higher. For ministers in government to continue to talk as if a problem does not exist is denial in the extreme. It prevents understanding the problem. In Wildavsky's words:

The task of analysis is to create problems -- preferences tempered by possibilities -- that are worth solving ... Only by suggesting solutions which take on the character of programs linking governmental resources with social objectives, do we understand what might be done. Policy analysis involves the creation of problems that are solvable by given organizations in a particular arena of action. A policy analytical problem, then, cannot exist apart from a proposed solution, and its solution is part of an organization -- a stable structure of incentives -- without which there can be no will to act.

Perfect organizations have no problems, Mechanisms whose parts fit perfectly create no friction, make no noise, allow no error. Where there is no error there can be no analysis. Policy analysis serves organizations that want to correct their mistakes. These self-evaluating organizations are the opposite of -- as Michael Crozier defines bureaucracy -- "an organization that cannot correct its behavior by learning from its mistakes." How are organizations supposed to learn? By using the internal mechanism specialized for this purpose, their own management information system.⁵

In Israel these management information systems are dis-trusted. Until the country is willing to develop reliable data on unemployment, even the Labor Ministry and the Bank of Israel report different figures, it will not be possible to do meaningful policy analysis

The Dream and the State

A tenet of the faith on which Israel is founded requires full employment with no status distinctions among workers. In 1950 Golda Meir introduced the first labor laws with ringing phrases about the nobility of work and the glory of equality.⁶ Scarcely two years later she faced the reality of unemployment by asking for its abolition:

When we are shocked at the thought of unemployment, it wasn't only fear of this phenomenon from the human

point of view - there was something more than this - we have always said, and rightly, that we as socialists see absolutely no justification for unemployment anywhere, even less so in our country: there's no room here for people out of work - there wasn't before the state was established and there isn't now.⁷

The problem has not gone away. The combined effects of long term unemployment and underemployment have created what threatens to be a permanent poverty class.

A powerful vision helped found Israel and insure its survival. But, the dedication and effort called forth in crises cannot be sustained for solving the problems of day-to-day living. Indeed, constantly invoking the ideal seems to prevent realistic appraisal. For example, except for unemployment insurance, by the end of the 1950's Israel had a modern system of social welfare. It did not pass its first law until 1970 and it quickly amended it in 1972 to make it more effective.⁸ Up to this time the pros and cons of unemployment insurance had been discussed in terms of its social desirability in a socialist state.⁹ To let the unemployed be deprived of necessary programs while a debate on principles took place goes beyond denial; it is cruel.

Definition As Avoidance

Definitions tend to keep down whatever rate is reported. The Israeli definition of being employed follows the United States definition. A person is considered employed if he works at least one paid hour during the week. The difference comes in the way unemployment is defined. In the United States registering at a state unemployment office, looking for work, or even asking a friend all qualify. In Israel the definition starts by requiring registration at a General Labor Exchange and then ends in that rarity in any bureaucratic definition, etc. Official figures only report the registered. "An unemployed is a person for whom at least one unemployment day was registered during the month." A person to be registered had only to be listed at the exchange once during the year.¹⁰ This might make it easier if people registered but there is no clear picture of who does and who does not register.

Hidden Unemployment, Labor Productivity, and Business Efficiency

Under Israeli law it is difficult to fire a person, even when there is no work. There is little inclination to change the law. Men go to work where there is no work or only make work. This has come to be called hidden unemployment. It hinders the effort to make the economy more efficient. For example, The Ashdod port container terminal was complete for over a year before it went into operation because it took that long for labor contracts to be signed. At the same time, in an effort to impress customers who were getting restive over continual labor troubles interfering with deliveries, stevedores loaded five times the citrus crates in one shift.¹¹

On the day that the Ashdod workers were accomplishing their feat the Haifa port was working to capacity and 12% of their workers could not be utilized and had to be put on maintenance work. The response of the Port Authority is to try to eliminate jobs through attrition. The unions will strongly resist this.

It is not Israelis but foreign experts, hired, invited, or volunteer, who call attention to this issue. Israelis succeed in ignoring the advice no matter what its source. Sir Marcus Sieff chairman of the board of Marks and Spencer said:

When initially we wanted to help Israeli suppliers with some of the production and technological experience we acquired over many years, most of them said "take a running jump. We know it all." (1/24/77)

An American productivity consultant, Mitchell Fein said:

There are no free rides in an economy. If a civil service, or any other organization, is inefficient, overstaffed and getting wage increases without raising its productivity, the day of reckoning must come. And when it does it comes with a bang, as it did in New York City. (1/4/77)

So great is the pressure to avoid public unemployment it would appear that hidden unemployment will be continued at any cost. The personal consequences are great. Who knows

which causes the greater destruction of morale and personality; being unemployed or going to a job everyday when there is no work to do? There is at least the possibility of developing job training for areas of shortage or public service programs if the problem is identified. At this point everyone knows there is a problem called hidden unemployment but that is as far as it goes.

Yordim

Outmigration is a sensitive issue. Both the Zionist vision and survival dictate that continued population growth is important. The term for leaving, "yordim", has come to have negative connotations. Given the social disapproval of emigration few Israeli's actually signify their intention to leave permanently when they move abroad. Over 80% of the Israeli immigration quota to the U.S. is unused. David M. Cohen (3/13/77) estimates that almost 10% of the population is more or less permanently living abroad. The National Insurance Institute (7/6/77) has announced that it will begin making a computer check to distinguish Israeli's working abroad on local contracts and those who appear to have settled abroad. This will permit cutting off children's allowances to those who have settled elsewhere.

Most Yordim I have met seem to be under the age of 40. The predominant reason they give for leaving was that they couldn't find work to give them an adequate living. While it is true that the second generation of a nation never can have the zeal of its revolutionary pioneers, and this may play a role, it is probable that the yordim are telling the truth. Real understanding of the problem will have to wait until someone is willing to study it.

Dropouts

People who emigrate from Russia on Israeli visas and then do not come are called "dropouts." Currently about half those leaving Russia do just that. The chief alternative option is the United States. This leads to much squabbling among Jewish organizations. This intramural head-knocking must give the Russians great satisfaction. It would appear that they have controlled their emigration

in ways that would cause Israel the greatest difficulty and embarrassment. Many of those who come are academics or are college educated with white collar skills. The Housing and Absorption Minister has expressed concern about (6/7/77) 600 college educated immigrants who had been in absorption centers over four months without receiving realistic job offers. He also expressed doubts about 3000 others who had jobs only because their employer received time-limited government subsidies. In addition, problem families are difficult to absorb; these are one-parent, or large, infirm parents, handicapped, or culturally disadvantaged. While such families have constituted about one-fourth of all immigrants over the last three years, they are one-third of the Russian immigrants.

Stories of immigrants who are fired or who do not get promised jobs are often in the papers. The government (7/22/77) has unsuccessfully tried to set up job retraining for 2000 unemployed college educated immigrants. This is not surprising; college trained people are reluctant to accept skilled work even when the pay is higher.¹² The Jews from Russia may be classified as quasi-refugees when they leave. The minute they reach Vienna they are immigrants because they have choices. It is tantamount to a law of immigration that people tend to go where there are jobs. It is also a law of immigration that word about job opportunities spread rapidly. What it all boils down to is that Israel has limited capacity to absorb the job skills many immigrants have, especially those from Russia. It continues to encourage immigration as a matter of national policy.

The Religious

Israel is a state founded by Jews. It was created by socialist Zionists and a world which after World War II used its collective guilt about the Holocaust for a rare moment of unanimity, the Arabs excepted. They brought sovereignty to a small piece of land which had not known independence since the Roman conquest. Those who had most to do with creating the state were secular. If they were not opposed to religion they tended to ignore it. Due to the structure of the Israeli political system no one party has ever won a clear majority. Religion has chosen to play a political role. Though its representation in the Knesset is small it has exercised disproportionate influence.

The religious were not great advocates of Zionism. While this has changed even today one small sect rejects the state and others are lukewarm in their participation. When they are unemployed many do not register and hence are not counted.¹³

The religious are disproportionately represented amongst the poor. The majority are non-western in origin. They carry the additional burden of trying to acculturate to a western oriented society. The Minkowich report, which is modeled on the Coleman report, says (7/17/77) that 33 percent of the pupils in regular State schools are disadvantaged while 73 percent in State supported religious schools are disadvantaged. On any characteristic that was examined students from these schools are on the wrong end of the comparison. This is especially true in math and science. Students emerge from these schools without the basis for acquiring skills needed in the labor force. This helps create second and third generation poverty.¹⁴

Even religious families can't hold together under the relentless pressure of poverty in a modern state. Poverty related indicators of social problems are on the rise. For example, (3/3/77) delinquency indictments for those under 18 increased 10 percent from 1974 to 1975. No one has done a study to indicate how much the religious contribute to undercounting unemployment.

Arab Labor

Understanding Israeli unemployment is complicated by Arab workers from the administered territories. The distortion is hard to pin down; for, once again different officials use different figures. On 5/19/77 Moshe Baram the Labor Minister reported, "approximately 65,000 Arab workers living in administered areas are still employed in Israel, compared with 80,000 working here at the end of 1974." In the same days papers Dov Kochavi the director of the employment service reported:

The official number of workers from the territories has risen somewhat, from 41,000 at the end of 1976 to 43,000 by the end of April, 1977, but much of the increase represented "laundering" of the figures, ... This means that workers who had formerly been employed illegally were not included in the official statistics.

It is not possible to ascertain which official's statistics can be accepted. What is clear is that large numbers of agricultural and other workers come into Israel to work in places where Israelis either don't live or will not work. In theory if no Arabs from the territories worked in Israel there would be no unemployment in the country.

Between a Rock and a Hard Place.

Reasons for the pervasiveness of denial go beyond mere clinging to an impossible dream. The most important concern security. Life in Israel is predated by security implications. Even election results are held open so that the soldiers vote is integrated into other figures and no one can know how many men were on duty that day.

Security considerations not only help account for lack of information on the economy but they also make for an unnatural economy. The government owns about half the country's resources and every year receives about half the national income. Defense considerations deny it economic flexibility. The 1973 Yom Kippur war was enormous in its cost and it would appear rearmament on both sides has been even more so. The intensity of this war can be shown from the fact that in just 10 days both sides lost more tanks than in the entire North African campaign of World War II. These tanks were more costly than their World War II counterparts and their replacements cost even more. In addition, the war unleashed an inflation that has been running at 35% a year.

Marcus and Rosen identify defense and security as a major element in the Israelis' social psychology. They note that 25% of the GNP and 83% of the tax income go for defense. To this they add that repeated wars have left Israelis with a sense of isolation, with a feeling that they must go it alone. Israeli society developed in a pressure cooker mixing ethnic groups from all over the world. Israel is a nation of scarred people; the majority of the present population either suffered from the Holocaust or are refugees from Arab countries.¹⁶

The Arab refusal to negotiate directly with Israel helps prop up the country's shaky economy. As long as Israel is in a permanent state of crisis it probably will

get the material aid it needs to survive. All it has to do is stay strong enough not to need foreign troops.

Conclusion

Understanding unemployment in Israel is an exercise in chasing a phantom. The pressure the country lives under brings all the denial mechanisms into play. There is a scarcity of accurate data; the nature of the problem is unclear; hidden unemployment is used to prevent the problem from being so severe that it comes to public notice; the issue is displaced onto yordim and dropouts; and the religious make the problem's limits more difficult to see.

In the long run economic warfare by the Arabs poses a greater threat to Israel than the military threat. It is not clear how in the short run the Arabs can pose a real military threat. Aside from any strategic reasons there might be for support from the western world their guilt over allowing the Holocaust to go on, when they could have stopped it, gives Israel a powerful moral lever.

In contrast to its economic behavior the Israeli government is relatively realistic and efficient in assessing its armed forces and security needs. The contrast between economic denial and military efficiency leads me to conclude that economic problems may make Israel more vulnerable than lack of peace negotiations or even another war.¹⁷ Arab economic warfare has probably been more effective than has been admitted.

If peace does come the critical question is whether the society can make the transition from a war- to a peace society. Most Israelis are so hungry for peace that their standard reply to questions about peace planning is that things will take care of themselves. It is not too hard to imagine a scenario where peace becomes a threat to Israel's survival. Israel is a rigid society. Denial is a pattern which is deepset and hard to change. Most of the available talent in the country is devoted to the military and agriculture. This is one of the reasons Israelis, as the evidence in this paper reflects, do not display the stereotypical Jewish skill in business.

Until now the military has been committed to democracy

and has not exercised disproportionate power. Yet, one of the biggest props to the economy comes from growing sales of military goods. There is little evidence that Israel is planning for a peacetime economy. If peace comes Israel will provide a test case for transforming the cultural base of a militarily based society. Continued denial of unemployment, the economic problems associated with it, and the resulting lack of effective policy analysis may see to it that the experiment does not have a chance to get under way.

¹Unless otherwise indicated all subsequent references with the date in parentheses are from this source.

²A recent social profile intended as a base for planning doesn't include unemployment in 16 variables examined. See Ministry of Social Welfare, Division of Planning, Social Profile of Cities and Towns in Israel (Jerusalem: Government Printing Office, 1977).

³Ruben Schindler, "Unemployment Assistance During the Period of the Yishuv: Philanthropy, Productivity, and Mutual Aid," Journal of Jewish Communal Service, LIII (Summer, 1977), pp. 356-367.

⁴Arthur J. Vidich and Joseph Bensman, Small Town in Mass Society, Anchor Books (Garden City, New York: Doubleday and Company, Inc., 1960), pp. 297-320.

⁵Aaron Wildavsky, "Policy Analysis is What Information Systems are Not," Working Paper *53, July, 1975, mimeo.

⁶Golda Meir, "The First Labor Laws," in This is Our Strength, ed. by Henry M. Christman (New York: The Macmillan Company, 1962), pp. 53-57.

⁷Golda Meir, "Israel's Unemployment Problem," This is Our Strength, ed. by Henry M. Christman (New York: The Macmillan Company, 1962), pp. 60.

⁸U.S. Department of Health Education and Welfare, Social Security Programs Throughout the World, 1975, Research Report No. 48 (Washington: Government Printing Office, 1975), pp. 112-113.

⁹I. Kanev, Social and Demographic Development and the Shape of Poverty in Israel (Tel-Aviv, Israel: Economic and Social Research Institute and Research Department of Health Insurance Kupat Holim, 1968), pp. 79-81.

¹⁰U. S. Bureau of the Census, Statistical Abstract of the United States, 95 ed. (Washington, D. C.: Government Printing Office, 1974), p. 334 and Central Bureau of Statistics, Statistical Abstract of Israel 1976, No. 27 (Jerusalem: Government Printing Office, 1977), pp. 56, 57, 61.

¹¹The Chemical Industry (8/1/77) complains that Ashdod won't put on a third shift. Israelis do not like night work.

¹²Aside from this difficulty 8/1/77 "An analysis of the wage figures show that the former governments policy of favoring production workers over those in the services was not reflected in pay patterns."

¹³The evidence for unemployment is often visible. Mr. Michael Jameson a student at Haifa University School of Social Work worked with street gangs in a development town. At a time when official statistics reported 16 people as unemployed, under age 18, and not in school Mr. Jameson could identify over 100 persons in this category. He knew or had contact with only a part of the population in this town. One member of the Knesset, Mordechai Elgrabli, is trying to focus attention on what he says (7/27/77) are 20,000 children between the age of 14 and 17 who are not in school and not working. This is 9.1% of the children in this range; for the 17 year olds it is 13.4% of the age group.

¹⁴What betrays the crassness of religion's involvement in politics is that for years they controlled the Ministry of Welfare. Since unemployment was not supposed to be a problem the Labor party had little interest in the Ministry. Eliezer Jaffe (10/24/77) described the last incumbent from a religious party in that office thusly:

Zevulun Hammer, now Minister for almost a year, has launched no broad campaign for reorganization of social welfare in Israel. He has made too many

early pronouncements, and proposed off-the-cuff remedies to complex problems.

Mr. Hammer has now moved on to be Minister of Education.

¹⁵ (2/25/77 p. 11 Magazine) Ahron Megged notes that the illiteracy rate for Israeli Jews is higher than for any other Jewish group in the world:

About 37 percent of Israeli adults have less than an eighth grade education. About 14 percent less than a fourth grade education and close to 8 percent have never been to school.

These problems are several times greater in the religious population from traditional lands. In addition there are attendance problems. In the Tel Mond prison for young offenders 90 percent of the offenders are of Asian-African origin. Israel is indeed a modern state.

¹⁶ J. Marcus and H. M. Rosen, "An Overview," in Children and Families in Israel, ed. by A. Jarus et. al. (New York: Gordon and Breach, 1970), pp. 26-31.

¹⁷ Probably the biggest reason mitigating against another war is the potential cost to the United States and Russia. (2/12/77) Since the 1973 war the ordinance equipment maintained by the army has increased in sophistication and by 300% in quantity. (underlining added)