Growing social inequality in Israel

Rick Kelly
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The Adva Centre, a Tel Aviv-based social research organisation, recently released its annual report on social divisions within Israel.

The study, "Israel—A Social Report 2004," highlights a range of statistical research illustrating the growing social inequality in the Zionist state that has been accelerated by a series of government cuts to social spending and tax cuts for the wealthy.

The report based its survey on an historical overview, assessing the implications and consequences of Israel's integration into the global economy over the past two decades.

In the mid-1980s, both Likud and the Labour Party agreed to pro-business measures that encouraged foreign investment and export growth. Shortly after, significant levels of foreign capital flowed into the country, particularly in areas such as computer and information technology, pharmaceuticals, and medicinal and scientific equipment. Many other sectors, however, such as manufacturing and agriculture, stagnated.

While Israel experienced a relatively strong record of economic growth in the 1990s, the economic imbalances together with sustained attack on the wages and conditions of the working class led to the rapid acceleration of social inequality. "There was a large increase in the income and standard of living of a relatively small percentage of Israelis," the Adva Centre report states, "while for the majority, there was no noticeable benefit, and some experienced a relative decrease in their standard of living. In the last four years, due to the Intifada, those tendencies have been exacerbated."

The Palestinian uprising within the Occupied Territories, beginning in September 2000, led to a massive reduction in foreign investment, and some sectors, particularly tourism, all but collapsed. Economic growth plummeted from 8 percent to -0.1 percent. Per-capita gross domestic product fell from US$17,800 in 2000 to $15,700 two years later.

This overall figure is a misleading one, because the incomes of the wealthiest 10 percent of Israelis continued to rise during this period while everyone else experienced a decline. The Likud-Labour government of Ariel Sharon has repeatedly called on Israelis to accept the need for common sacrifices in the face of the intifada, but Israel's wealthy elite have been largely unaffected by the economic crisis.

Over the past five years, the trend of widening social inequality has accelerated. In 2003, the top 10 percent of Israeli households received 28 percent of total income, whereas the bottom 50 percent received just 24 percent. This inequality is even more pronounced with regard to the share of total wealth.

The social position of Israel's ruling class has been bolstered by successive rounds of income tax and corporate tax cuts. The corporate tax rate was 61 percent in 1986; it currently stands at 34 percent. Sharon plans to further reduce this to 30 percent. This "welfare for business," as the Adva Centre defines it, has helped finance capital to play an increasingly important role in the Israeli economy. The financial and business services sector—covering areas such as banking, insurance, and investment—grew by 50 percent between 1995 and 2001.

Israel's business elite also rewarded itself in the 1990s with massively increased remuneration packages. In 2003, the average salary of a senior manager in the leading 100 companies was US$700,000, and this figure did not include benefits or stock options. The same year, senior management across the entire corporate sector earned salaries 36 times greater than the minimum wage. This was up from 30 times the minimum wage in 1994.

In contrast, the proportion of middle class households—which the Adva Centre defined as those for which income is between 75 and 125 percent of median income—fell by 15 percent between 1988 and 2002, and their share of the national income dropped by 25 percent.

Israel now has a substantial and growing number of working poor. In 1989, 10 percent of all working people lived in poverty; by 2003, this has risen to 32 percent. The Israeli working class now faces pressures no different from those experienced by workers in other advanced countries—stagnating and declining wages, and the rapid growth of casual and part-time work. Of the 80,000 jobs created in Israel last year, three quarters were part-time.

The government of Prime Minister Ariel Sharon has taken significant steps towards dismantling what remains of the Israeli welfare state. In the first few decades after independence, the Zionist state developed an extensive and relatively generous welfare system and network of social services. Today, however, in the face of the dictates of the capitalist global economy, both Likud and the Labour Party agree that such unprofitable expenditures must be radically reduced, if not eliminated.

In 2004, out of the 30 countries belonging to the Organisation of Economic Cooperation and Development, Israel ranked 24th on the scale of social expenditure. This was down from 20th place just two years earlier. Unemployment allotments have fallen by a staggering 43 percent since 2002—and this without any significant decrease in unemployment, which currently stands at almost 10 percent. The National Insurance Institute has estimated that only one in five of those out of work are eligible for any unemployment benefits. Similar welfare cuts can be seen in every other area. Family payments are down 40 percent; guaranteed income for retirees down 20 percent.

In both the health and education systems, government spending has been reduced and private provision has been promoted. The Sharon government has effectively developed a two-tier health system by stealth. The state health system is being starved of funds, encouraging those who can afford it to pay for their own treatments. According to the Adva Centre, private health spending more than doubled between 1997 and 2002.

In February, 90 public hospital officials and doctors demanded that the government convene a public inquiry to investigate the health care crisis. “Paediatric wards are overflowing and intensive care units are blocked to capacity,” they wrote. “Behind these numbers lie people in flesh and blood. The situation is claiming victims.”

Similarly in education, while the number of schoolchildren grew between 2001 and 2005, per-capita spending on teaching was cut by 12 percent. The resulting shortfalls in schools’ budgets are expected to be met by parents’ contributions. In Jewish high schools, parents now pay an average of US$285 a year.

The Adva Centre’s report portrays a society in the midst of a deep and intractable social crisis. The Israeli government’s constant provocations against the Palestinian people can only be adequately understood in this context. Sharon’s war measures—while aimed in the first instance towards advancing his “Greater Israel” strategy and shoring up his right-wing base—are also directed at intimidating the working class and using fear to cover over the deep social divisions wracking Israeli society.

The Labour Party, Sharon’s coalition partner, is an active accomplice in all of this. Similarly, Israel’s national trade union body, Histadrut, refuses to seriously challenge any aspect of the government’s right-wing economic reforms. Histadrut remains a political and economic pillar of the Zionist state, but it is in steady decline as large numbers of workers have deserted it. Its membership in 1989 stood at 1.6 million, while today only 700,000 remain in its ranks.

The rightward lurch of the Labour Party and the trade union bureaucracies makes all the more absurd the Adva Centre’s perspective of a return to the nationally regulated, welfare state, Keynesian economy. The imperatives of capitalist globalisation have exposed all of the contradictions and reactionary pretensions of Labour Zionism. The only way forward for the Israeli working class is to abandon all forms of national and religious exclusivism, and take up the struggle against the profit system in solidarity with workers in Palestine and throughout the Middle East.