

Concept

Communal Obstacles for the Integration of the Arab Sector into the Israeli Economy

Introduction

Communal Obstacles for the Integration of the Arab sector into the Israeli economy are mechanisms among Israel's Arab population which make their economic development and integration into Israel's economy more difficult.

Background

The gaps between the Jewish and Arab population are significant in terms of GDP per Capita.¹ Although closing the gaps between the two sectors and utilizing the economic potential of the Arab sector depends primarily on governmental policies,² it also requires dealing with communal obstacles within Arab society.

Without the integration of the Arab population into Israel's economy, the country will be unable to carry out an economic 'leapfrog' and reduce gaps vis-à-vis the 15 leading countries in terms of quality of life (See: [ISRAEL 15 Vision](#)).³

The Main Obstacles

There are several notable communal obstacles within Arab society:⁴

¹ The average annual salary in the Jewish economy is \$19,000 as compared to \$8,000 in the Arab sector. The average monthly salary of Arab households is 7,590 NIS which is 57% of those in Jewish households. See a [Presentation](#) prepared by The Authority for the Economic Development of the Minorities Sector

² According to Yaron Zelekha, former Accountant General in the Finance Ministry "as far as the market is concerned, there is a very significant resource right under our noses which we are not using. There is a whole sector comprised of 1.25m people which - with a bit of initiative and determination - could quickly develop in a way that would mobilize a new engine growth and strengthen the whole economy."

In effect, the easiest way for Israel to achieve a European quality of life is through the growth of the Arab sector which is currently lagging behind." See Yaron Zelekha: [An Engine of Growth under our Noses](#) 4/3/08; also [Israel 2028 Report](#) which claims that "there is a lot of economic and business potential in this [Arab] sector. It would be a travesty for Israel to neglect such a large proportion of its population and give up on improving its situation and contribution to economy and society." (p46)

³ In order for Israel to reduce the gaps in quality of life between itself and the developed nations, it needs to reduce socio-economic gaps within the state. One such condition for socio-economic leapfrogging is identifying potential engines of growth in current unsatisfactory areas.

Such a potential engine could be the Arab sector which despite making up 20% of the population only contributes 8% to the GDP. See Reut Product [The 'ISRAEL 15 Vision' for Social and Economic Leapfrogging](#).

⁴ This document mainly deals with communal obstacles relating to the Arab sector and not to issues characterizing specific minorities such as the Druze, Circassians or Bedouin.

November 17, 2008

- **Failures of the Local Authorities** – local authorities are one of the most important frameworks for socio-economic development for minorities within the state.⁵ Some of the failures in Arab local authorities stem from a continuous policy of discrimination and neglect by the central government. However, the conduct of some of Arab authorities has also play a significant part in the weak economic state of their citizens.⁶

These failures can be divided into three main groups:⁷

- **Unprofessional Management** manifested in: Deficient financial conduct and unbalanced budgets; staffing key positions with inexperienced people in the municipal or civil sphere; the profound interference of the 'Hamula' (the extended family clan) in elections and in the management of local government (including inappropriate appointments and division of resources); little responsibility in promoting the public interest and solid management.
- **Weak Legitimacy** – Local authorities do not always gain trust and legitimacy from their constituencies, mainly due to the lack of integrity of those elected and the dominant nature of the Hamula.
- **Lack of Resources** – Seemingly, the main reason for the shortage of resources in the Arab local authorities is the inequality in the division of economic resources and the allocation of industrial areas by the central government.⁸ However, the low level of tax collection coupled with unprofessional management also greatly contributes to the lack of money.
- **Hamula (The Extended Family Clan)** – The Hamula remains the most important social framework influencing the individual's conduct within Arab society. Apart from inappropriate appointments in local authorities (see above), the clan structure also plays a role in the inefficiency of the Arab business sector. For example, Arab entrepreneurs tend to employ members of their extended family, even if they are not the most qualified for the job. Hamula

⁵ In many respects (both practical and symbolic), local government is more important to the Arab sector than the central government; the influence of the Arab sector over the central government does not reflect its relative size of the population, while local government constitutes a type of 'authentic' independent Arab autonomy; Arab members of local government automatically join the Committee of Heads of Arab Local Councils in Israel which increases their influence in national politics; local government is the largest employer in the Arab sector – both in academia and the general population; local government makes resources more accessible as well as granting jobs in return for favors. See Naif Abu Shakiah "Obstacles in Managing Arab Local Government Authorities" in Eli Rekhess and Sara Ozacky-Lazar (eds.) **Municipal Elections in the Arab and Druze Sectors (2003): Clans, Ethnic Groups and Parties** (Tel Aviv University 2005).

⁶ On this issue, see Assad Aziah, Moshe Gavish, Husam Abu –Bacher and Dan Patir "Local Government in the Arab Sector – a tool for Closing Gaps and Creating Equality between Sectors" in Minorities in Israel – Israeli Arabs; the Herzliya Conference 2003. [Click here](#) for the full article on the **Avraham Fund** website (Hebrew).

⁷ See Rekhess and Ozacky-Lazar (op cited).

⁸ There are a large number of Arab villages which are not recognized by the Government and therefore do not enjoy government investment or municipal services. According to the organization [Bimkom](#), the problem of unrecognized villages is particularly prominent in the Negev in which only 10 out of 46 Bedouin villages are recognized. Though this document does not deal with considerations over whether to recognize these villages or integrate them into existing communities, it should be noted that according to Reut's analysis, the Arab sector will not be able to leapfrog without effective local government.

November 17, 2008

considerations also explain the absence of 'trading-land culture' which is one of the main reasons for the backwardness of Arab Local Authorities.⁹

- **Exclusion of Women from the Work Force** – As many Arab women do not work for traditional reasons, there is a significant lack of women in the work force.¹⁰ This exclusion also results from the lack of funding by the Government of children's day centers or improved transport systems.¹¹
- **Nature of Ownership of Land** – The state's land policies create a shortage of land that could be used for establishing industrial zones or establishing new communities for the Arab sector. In addition, private ownership over land in Arab communities,¹² the relative value afforded to land in an agricultural society, inheritance traditions, the refusal to trade in land and its division between many inheritors, makes it even harder to distribute territory for such purposes.¹³
- **Special difficulty in raising capital** – The low-scale business activities of small Arab entrepreneurs make it harder for them to deal with monopolies and break into new markets.¹⁴

Arab entrepreneurs find it difficult to expand and move from a small to medium business due to the problem of raising capital. Most Arab entrepreneurs get their initial capital through self funding (the Hamula). As these money transfers are rarely documented, Arab entrepreneurs are not always able to present banks with acceptable references to their capital and source of funding. They are therefore often rated as high risk customers by banks and find it difficult to receive further loans to expand their business.¹⁵

- **Polygamy** – This phenomenon is mainly prevalent among Bedouins in the Negev (and is estimated at between 20 – 36% of families there). The economic situation of these families is aggravated by the fact that the women for the most part do not work thus leaving one bread winner who is forced to support many people.¹⁶

⁹ In recent years, the Hamula structure has gained strength and failed to undergo a process of modernization. The absence of a strong central Arab urban center has prevented immigration from villages to the cities. See Muhand Mustafa "Local Elections in the Arab Palestinian minority in Israel: The Strengthening of the Clans and fall of the parties" in Rekhes and Ozacky-Lazar (op cited).

¹⁰ It should be noted that there are signs within the Arab sector indicating certain changes to this trend. Many women want to integrate into the economy and initiate sources of independent employment. One such example is an initiative by 'Kian' to create a women's supermarket in M'rar in 2003. See Ayelet Ilani **Growth from a Different Direction**, a report submitted to the New Israel Fund and Shatil, 2005. Click here for the [full report](#) (Hebrew).

¹¹ See Benny Pepperman "Is it possible to increase Israeli Arab Employment? Individual versus Government Responsibility." From a lecture in the framework of **Work and Discussion – Meetings between Jews and Palestinians in Work, Society and Citizenship**, 2008. Click here for a [full presentation](#) (Hebrew).

¹² Most land in Arab communities is privately owned while in some cases, land ownership is not known. For more information see Sikkuy: The Association for the Advancement of Civic Equality in land in Israel.

¹³ See Rassem Khamaisi "Ownership of the Land as an Obstacle to Development" in Shlomo Hasson and Michael Karni (eds) **"The Arabs in Israel: Obstacles to Equality**, Floresheimer Institute for Policy Studies Jerusalem 2006, [full article](#) (Hebrew)

¹⁴ See Shuki Shtauber "What is stopping Arab businessmen?" [YNET](#) 12/22/05 (Hebrew)

¹⁵ See Yitzchak Schnell and Michael Super **"Obstacles to Economic Development of the Israeli Arab economy"** in Hasson and Michael Karni (op cited).

¹⁶ Orly Lotan **"Polygamy in the Bedouin Population of the Negev"**, submitted to the Commission for Advancing the Status of Women, the Knesset Research and Information Center, 10/17/06.