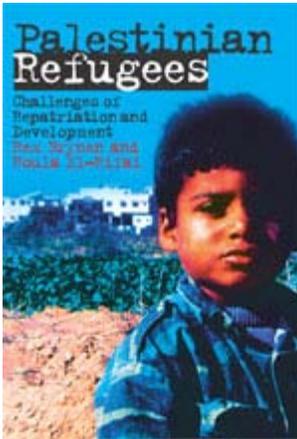


PALESTINIAN REFUGEES Challenges of Repatriation and Development



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Edited by Rex Brynen and Roula El-Rifai

I.B. Tauris/IDRC 2007
ISBN 978-1-55250-231-0
224 pp.



The Palestinian refugee issue remains a central component of the Arab-Israeli conflict. In this timely book, bringing together the most cutting-edge research from various disciplines, Rex Brynen and Roula El-Rifai explore the demographic and developmental challenges that the return of refugees to a future Palestinian state would generate. As well as outlining the social conditions of Palestinian refugee populations, the book addresses key practical questions, such as how the repatriation of refugees would affect the Palestinian economy and how the international community can effectively support the repatriation of refugees. In doing so, the authors examine and draw lessons from repatriation experiences in other parts of the world. The book provides a collection of world-class research and analysis into this complicated problem at a critical moment in the Arab-Israeli peace process, and should form the foundation of any informed policies on the subject.

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9. Land and housing strategies for immigrant absorption: lessons from the Israeli experience

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INTRODUCTION

Israel offers one of the world's largest scale and most consistent experiences (relative to population size) of absorption of legal immigrants since the Second World War. Due to shared aspects of geography, history, demography, and national development trajectories, Israel's experience is particularly salient to its Palestinian neighbour. At the same time, there are also significant differences that call for care in the interpretation of the Israeli lessons and their transfer to the Palestinian context.

This paper details the lessons from the Israeli experience with the absorption of mass immigration in the last five decades. It will examine different immigrant absorption waves and analyse the range of absorption strategies. The conclusions point to the elements of Israel's evolving immigrant-absorption policies that have been more successful, and those to avoid.

This paper is based, in part, on a larger unpublished study prepared for the World Bank. It draws upon a variety of sources: an extensive literature review (in Hebrew and English) of the various aspects of Israel's immigration policy, including land-use, housing, economic, and social dimensions; official documents from the various periods; and official statistics. It also reflects the author's ongoing research and publications about Israel's land-use, housing, and urban policies and laws; as well as international comparative research on planning, land-use laws and policies (Alterman 1988; Alterman and Cars 1991; Alterman 1997; Alterman 2001; Alterman 2002), housing, and neighbourhood policies (Alterman 1988; Alterman and Cars 1991; Alterman and Churchman 1991). The information about policy-making during the mass-immigration wave of the early 1990s and its outcomes draws on this author's in-depth analysis of policy-making during that crisis period (Alterman 2002).

A BRIEF INTRODUCTION TO ISRAEL'S IMMIGRATION POLICY

A cross-national comparative perspective

Israel is a small, densely inhabited country with a natural population growth rate higher than other advanced-economy countries. Palestine is even smaller and denser, and with a much higher natural population growth rate – one of the highest in the world. Yet both countries have parallel histories that have made them – and will continue to make them – nations that absorb immigrants at a much higher rate than most other countries.

The impact of mass immigration on a small country such as Israel – and in the future, on Palestine – is very high, compared with that of another advanced-economy country

among the few which, in recent history, were ready to receive many immigrants, such as Germany. One should take into account the relative size of the population, the economy, average individual wealth and the available land resources. In 1990, when the most recent wave of mass immigration started, Israel had about one fifteenth of Germany's population, Israel's gross national product (GNP) per person was about half of Germany's, and among the lowest among advanced-economy countries. The size of Israel's economy was approximately 3 per cent of Germany's, and its population density, though not the highest among the group of countries, is expected to become the highest in the near future, mainly due to Israel's higher natural growth rates (Alterman 2002: 10–12). The argument, in sum, is that the impacts of mass immigration on Israel's economy, society, geography, and environment have been objectively greater than the impact of immigration on most other advanced-economy countries.

Immigration policy, endemic uncertainty and crisis-proneness

In many ways, Israel's immigration policy is not only different from, but opposite to that of most countries. The goal of the immigration policy of most countries is to turn the demand for immigration from an unknown and potentially unmanageable factor, into one where both the number and traits of the immigrants are controlled and predictable. Israel's policymakers knowingly place the country in an endemic state of uncertainty about the number of immigrants at any given time, their human-resource traits, and the potential impact of mass immigrations. Through this policy Israel has willingly made itself vulnerable to immigration-generated crises. This happened during Israel's formative years (1949–1955) and once again in the early 1990s.

Israel is unique among advanced-economy countries in its consistent open-doors policy toward (Jewish) immigrants, as expressed in law and policy (see below). In this respect, the future Palestinian state is likely to be similar to Israel.

As might be expected, Israel's immigration policy is controversial, being an integral part of the Middle East conflict. While Israeli immigration law and policy is extremely open towards Jews and their non-Jewish family members, it is very restrictive toward others (Rubinstein 1996: 124, 877–893). The rationale for this policy is to preserve the country's scarce land and water resources as a potential haven for Jewish refugees, should there be a resurgence of anti-Semitism anywhere in the world. A related goal is to maintain a Jewish population majority.

Within the ebb and flow of immigration to Israel since its establishment in 1948, one could in retrospect identify more-or-less distinguishable periods characterized by differing contexts and different policies for absorption. [Table 9.1](#) presents a rough division into ten periods, showing the number of immigrants, their dominant countries of origin, the size of the initial population, and the key economic indicators. The division into periods roughly parallels the evolution of strategies for immigrant absorption.

The policy variables for designing absorption strategies

In retrospect, one is able to identify several policy variables that served as the basis for immigrant-absorption policies (in the realm of land use and housing). In the next pages I shall take a close look at each of these policy variables to see how they varied over

time. Thus, Israel can serve as a 'laboratory', so to speak, of policy variables for immigrant absorption that are 'tested' under varying contextual conditions.

Table 9.1: Major periods of immigration to Israel, by number of immigrants, existing population and GDP per capita

Key periods and their characteristics	Typical annual number of immigrants	Israel's population in initial year	Total number of households	GDP per person	
				1996 prices (US\$)	Average annual growth
I: 1948–1951 Mass immigration of refugees	170,000	872,700		3,410	6.2
II: 1952–1959 Moderate, mainly North Africa, Romania	44,000	1,629,500	474,900	4,490	5.3
III: 1960–1966 Moderate, mainly North Africa	50,000	2,150,400	549,000	9,494	6.3
IV: 1967–1970 Low, mainly western countries	22,000	2,776,300	653,900	9,346	4.9
V: 1971–1976 Moderate, mainly USSR	50,000	3,022,100	933,300	11,770	5.2
VI: 1977–1985 Low, South America and western countries	21,000	3,653,200	1,102,500	12,748	0.62
VII: 1986–1989 Stagnation: emigration balances immigration	12,000	4,331,300	1,162,000	14,301	2.4
VIII: 1990–1992 Mass immigration wave from USSR (Commonwealth of Independent States – CIS)	140,000	4,559,600	1,398,100	16,080	2.5
IX: 1993–2000 Moderate wave from CIS	70,000	5,327,600	1,647,000	19,150	1.9 (high till 1996 then dipping into recession)
X: 2001–2004 Moderate-low rate from CIS and elsewhere	30,000	6,508,800	1,815,000	18,000	–3.0

Source: Israel Central Bureau of Statistics, Statistical Abstract (annual reports for the relevant years) 1950–2005

Whenever decision-makers design an immigration absorption strategy they are likely to consider all or most of the five major policy variables depicted in the following list. These are the building blocks out of which Israeli policymakers constructed the country's immigration policies, and altered their choices over time. I don't wish to imply that such decisions were made in a concerted, synchronized or comprehensive way; public decisions are rarely of that nature. The decisions may have been made in an incremental, disjointed manner, but *de facto* at any given time period they did add up to an identifiable set of policies.

The policy variables for designing immigration absorption policies are:

1. Planning law and regulation of development.
2. Land and property rights policy: the role of publicly owned land.
3. Regional development: direction to preferred geographic regions.
4. Housing production:
 - o Production side: type and extent of public intervention in production.
 - o Housing standards.
 - o Consumption side: type of consumer subsidies and targeted populations.
5. Living support 'absorption basket' (for initial period after arrival).

Some of these policy variables have been more reactive to mass immigration and crisis situations, others less so. The most flexible policy variables used to adjust to crises have been housing and living support. Also reactive, but somewhat less flexibly, have been land policy, regional development and (surprisingly?) planning law. Least adjustable to crises through policy instruments have been economic development and employment policy.

In the sections to follow I shall analyse each of the policy variables (grouping some of them), showing how it evolved over time and how it interacted with each of the other policy variables.

PLANNING LAW AND THE REGULATION OF DEVELOPMENT

Most accounts of Israel's immigrant absorption policies – indeed, of any country's immigration absorption policies – neglect a major variable: the role of planning law. Would planning regulations enable the large-scale housing starts and other construction projects triggered by accelerated growth?

Until 1966, land-use planning and development control in Israel were carried out according to the Town Planning Ordinance that Israel inherited from the British Mandate over Palestine and integrated into the Israeli legal system. When the 1965 Planning and Building Law was enacted, the waves of mass immigration that typified Israel's first decade had already subsided. The 1965 law was suitable (or barely suitable) for the country's 'regular' pace of development. However, when mass immigration resumed in 1990, Israeli policymakers found that the planning law was unsuited to dealing with massive development pressures.

The legal status of state-initiated construction

Under the British Mandate over Palestine's Town Planning Ordinance (that stayed in force until 1965), projects constructed by government were exempt from the control of planning law. The British Mandate government was engaged in construction mainly of major infrastructure and military projects. Most housing and social-service construction was left to the initiative of the two major local populations – the Arabs and the Jews. Both communities had an active private construction and non-profit sector.

When the state of Israel stepped into the shoes of the British Mandate Government in 1948 and faced mass immigration, it undertook state-initiated construction at a larger scale. This included the construction of hundreds of large-scale housing projects, entire new neighbourhoods, over 30 new towns, and hundreds of new cooperative and communal villages (for an extensive description of this mammoth project, see Brutzkus 1964, 1969). In addition, the government also undertook many infrastructure construction projects of roads, water supply, regional drainage and sewerage, hundreds of schools, health facilities, and some social facilities (others were initiated by various quasi-public organizations not legally exempt from planning controls). Indeed, by 1965 when a new planning law was enacted, the majority of Israel's currently existing towns, cities and villages, were already on the map. Many of the horses had already run out of the stable.

This massive planning and development effort was not worse, and at times better, than public-sector development carried out during that period in many other countries, including western ones. But its huge scale in a short time (relative to the country's size) magnified the usual maladies that accompany government construction in most countries: Many of the new towns were look-alike copies and oblivious to each unique setting, the housing types were repetitive, and construction standards were not always adequate (Swirski and Bernstein 1980; Darin-Drabkin 1959; Carmon and Czamanski 1990; Carmon 1999; Tanne 1959). Some decision-makers felt that government too should be regulated to some extent.

The 1965 Planning and Building Law went to the other extreme. It did not exempt *any* state-initiated construction projects from going through the full planning and building-permitting process. The reasons for this about-turn have not been well researched, but I will surmise that they reflected three interconnected views: a feeling that since Israel had 'come of age', the need for massive government projects will no longer be as acute as during the country's first initial years; a critical view of the outcomes of the massive construction projects that had bypassed the planning bodies; and an optimistic belief – which turned out to be over-optimistic – that the planning system under the new Planning and Building Law would be able to handle not only private-sector initiatives but also state construction initiatives. However, the 1965 Planning and Building Law did not meet all of these expectations.

The Israel Planning and Building Law in a nutshell

After some 70 mostly minor amendments, the Israel Planning and Building Law still stands today as Israel's main planning law. It is a rather centralized law compared with the planning laws of most other advanced-economy countries (Alterman 2001a). Most

planning decisions at the local level require the approval of the District Planning and Building Commission composed of representatives of central government ministries. The Minister of the Interior has extensive oversight powers. At least on paper, the system calls for a coordinated hierarchy of plans, from the national, through the district, down to the local levels. Lower level plans have to be strictly consistent with all higher level plans. Every action of development or demolition, big or small, requires a building permit; there are hardly any exemptions.

Before I mention the Planning and Building Law's shortcomings in handling the accelerated development brought about by mass immigration, I should say that it has also had some important achievements. It has enabled a large slate of national (mostly sectoral) plans for essential infrastructure projects, has protected parks, and has contributed to the preservation of farmland and coastlines. A less recognized achievement, but perhaps the most significant for the subject at hand, is the fact that after only a few years of adjustment, all state agencies did indeed learn that they must ask for planning approval for all their construction initiatives. This means that since 1966, all state-initiated housing, public services, or infrastructure projects have been subject to planning review, to (some) public exposure, to the growing slate of environmental controls, and (presumably) to better coordination with other public and private projects.

These achievements aside, the 1965 Planning and Building Law came under severe criticism soon after its enactment. The level of criticism increased with time, as land became scarcer and as the level of planning and environmental controls increased. The criticism centred on the multi-layered approval process and the rampant delays. Statutory planning was (and still is) regarded by many as chronically lethargic, and an unnecessary impediment to economic development. While the problem of perceived excessive delay in development approval is not unique to Israel, many Israeli decision-makers view it as *the* major problem in the planning system. Their sensitivity to this issue may be due to the fact that Israel's demographic, economic, and physical-development growth rates are high even during periods without mass immigration, and are higher than most other advanced-economy countries. Palestine's will be higher yet.

Special legislation to meet the needs of mass immigration in 1990

As long as the pace of development reflected relatively moderate immigration and growth rates, during the period from 1966 to 1989, the planning institutions managed to handle the country's needs, more or less. However, and not surprisingly, when the major immigration crisis broke out in late 1989 to early 1990, the single major target for legislative change was the Planning and Building Law and its institutional system (Alterman 2000; Alterman 2002).

The 1990 Planning and Building Interim Law achieved its goal by establishing six Housing Construction Commissions (HCCs), one for each district of Israel. These were to serve as 'single stop' planning institutions for approving any proposed development with at least 200 housing units (public or private) or extension of an existing industrial area. These new bodies were composed of six representatives of the key central government ministries: Interior (two), Housing, the Lands Administration, Transportation, and the Commission for the Preservation of Agricultural Land.

The new law entirely bypassed the local planning commissions that, under the regular law, were an important first station in the approval process. Under the Interim Law the local authorities only had partial representation on the HCCs. Although three local representatives (the mayor and his appointees) would be members of the Commission, their membership would be on a 'musical chairs' basis, for only as long as a plan within their jurisdiction was on the agenda. The elected officials from the opposition would have no voice at all. Ostensibly set up as combined local-district bodies, the six new Commissions functioned more like organs of the central government than as mid-way bodies.

In the name of cutting down approval time, the law also drastically cut citizen review and objection time (from two or three months to a period of only 20 days, including weekends and holidays). Furthermore, it severely limited the time allocated for scrutiny by the planning support staff and for deliberations by the HCCs.

The Interim Law also placed severe limits on the authority of the National Planning and Building Board. It thereby challenged the logic of the entire hierarchy of national, district, and local plans. The HCCs were authorized to approve development that did not accord with a district plan, without requiring the prior approval of the National Board. The new Commissions were even authorized to approve development that contradicted existing national plans as long as they allowed the National Board 20 days in order to halt the HCCs' decision. Otherwise, the HCCs' decision would prevail.

Another goal of the new law was to reduce the powers of the national agricultural land protection body. Under the regular law, all proposed development that impinges on declared agricultural land required the review and approval of the Commission for the Preservation of Agricultural Land (CPAL). The Interim Law brought the CPAL 'down' from its elevated position by making its representative a regular member of each Housing Construction Commission and by authorizing the new commissions to review all plans, even those that convert agricultural land. Although the CPAL representative had the power to call in particular plans for the CPAL's direct review, in the crisis-time atmosphere, that power was rarely used.

There is no doubt that during the height of the crisis, the Interim Law did succeed in enabling a highly accelerated rate of approval of housing and ancillary facilities. It did so in a reasonable time frame that, under the circumstances, balanced the need for fast decisions with a degree of planning scrutiny (Alterman 2002: 90–97; Borukhov 1998). However, compared with non-crisis decision-making, the decisions under the Interim Law often did compromise on environmental assessment, design control, open space preservation, and timely infrastructure completion (Alterman 2000; 2002: 129–169).

Even though the 1965 Planning and Building Law was not abolished and continued to operate side by side with the Interim Law, the latter was to dominate the Israeli land-use planning scene for the next four and a half years (it was extended three times). And even after the crisis was over and the Interim Law was allowed to sunset, in the eyes of pro-development government and private interests, the Interim Law continued to serve as a model of how to bypass the 'planning bureaucracy'. So far, the more draconian of such initiatives have been aborted, thanks to the actions of

environmentally conscious groups and government agencies in charge of regulative planning and the environment, but in 2002 an amendment to the Planning and Building Law instituted a special national body and a streamlined procedure for approving plans for 'national infrastructure' projects.

LAND POLICY AND REGIONAL DEVELOPMENT

In this part I shall discuss the second variable in the list – land policy and property rights instruments as they pertain to immigrant absorption. In addition, I shall also refer to the third variable, Israel's regional development policies and their interaction with immigrant absorption policies.

Introduction to Israel's land system

Israel's immigrant-absorption policies have relied to a large extent on a factor unique to Israel – national ownership of the majority of the country's land area (approximately 93 per cent). The majority of private land is concentrated in pre-state towns (about half of which are in Arab–Israeli villages and towns). Within the major cities, national land holdings are not as large, and are mostly concentrated on the urban outskirts. Municipal land holdings in Israel have always been minimal, consisting at most of local roads and some other public facilities. Nationally owned land figures prominently in most day-to-day activities, such as housing and industry. From a cross-national perspective, the quantitative and qualitative characteristics of Israel's public land holdings place it in a category of its own. It has no equivalent today either in an advanced-economy country (Alterman 2003), or in the Palestinian Authority. Today, Israeli land policy presents an interesting (and counter-intuitive) mixture of public powers alongside a very high level of protection of private property rights – whether on private land or on long-term public leaseholds (Alterman 2006).

The national land holdings served as a major policy instrument for immigrant absorption in each and every one of the immigration waves noted in [Table 9.1](#). Despite the series of decisions that have gradually brought the public leasehold system closer and closer to a freehold system (Alterman 1999, 2003; Bencheitrit and Czamanski 2004), public land policy has played a major role in immigrant absorption even during the most recent mass immigration wave of the 1990s (Alterman 2002: 85–86, 97–103, Cohen *et al.* 1993).

In addition, the fact that the state controls most of the land reserves has enabled the linkage that Israel has made throughout its history, between immigrant absorption and nation building through regional development policies.

The evolution of land policy and regional development instruments

[Table 9.2](#) summarizes the key land policy and regional-planning instruments applied in the various periods of immigrant absorption (combining several of the immigration periods in [Table 9.1](#), as relevant to the discussion of land policy). In the Israeli context, these policies almost invariably were articulated by central government rather than by municipal governments. Central government decided, for the most part, where and when new development for new immigrants was to be located.¹ Municipal involvement

(whether promoting or opposing these policies) was very low during most of the periods discussed. The slightly greater municipal involvement of recent years has not manifested itself directly in land policy, but rather indirectly, through local planning and development controls and through lobbying central government (Alterman 2001b).

[Table 9.2](#) presents the evolution of the land component of immigrant absorption policies in terms of the initial allocation of public land; the determination of the price of land allocated; and the tenure status of the immigrant residents. The Table is therefore closely linked to the evolution of housing policies, to be discussed in the next section.

Table 9.2: *The evolution of public land policies as related to immigrant absorption*

Policy evolution periods (approx. dates)	Public land, property rights and regional policies related to immigrant absorption
1948 to early 1950s Mass immigration waves	<ul style="list-style-type: none"> • Allocation by central government of large tracts of national land for temporary housing sites and ancillary public services (at no cost to the residents and no official establishment of property rights), mostly on the outskirts of existing cities. • Allocation of built-up housing units vacated during the 1948 war (mostly belonging to Palestinians) as temporary housing. Some become the immigrants' secured-tenure permanent housing through pre-State tenant-protection laws, through public long-term leasehold, or through outright freehold purchase by the occupants.
Mid-1950s to mid-1960s High immigration rate	<ul style="list-style-type: none"> • Land allocation (at no cost or artificially low price) for public-sector construction of new permanent neighbourhoods on the outskirts of existing cities and towns. • Allocation of large tracts of national land for the construction of about two-dozen new towns, mostly in peripheral areas, to be inhabited by new immigrants. Land is allocated to state and quasi-public developers at artificially low price. • The property rights of the urban residents in the new housing is initially mostly rental. Gradually (during the 1970s and 1980s) most rental units become 'owner occupied' (more precisely, on long-term urban-sector leaseholds akin to freehold). • Allocation of large tracts of national land for the establishment of scores of new agricultural villages in peripheral areas, most inhabited by new immigrants. Public land allocated for housing, agriculture, and ancillary industrial sites through rural leasehold

contracts, usually at no initial cost to the residents and very low leasehold fee (but in retrospect, the property rights turned out to be insecure).

Mid-1960s to late 1970s Low to moderate immigration rates

- Public-land allocation recedes in importance as a direct instrument of immigrant absorption.
- Exceptions: allocation of national land for several Immigrant Absorption Centres (hotel-like facilities for initial housing and language courses).
- Establishment of new towns ceases; new urban neighbourhoods and new villages are built on public land but are not directly earmarked for new immigrants. Initial market mechanisms developed for valuation of public land before allocation.
- More former immigrant renters of public housing upgrade their tenure to 'ownership' (in fact, long-term leasehold).

Late 1970s to 1989 Low immigration rate

- Public-land policy is *de facto* fully disengaged from immigrant absorption strategies. No more construction earmarked for new immigrant housing
- Immigrant Absorption Centres continue until 1986, then are phased out in favour of the 'direct absorption' policy.
- A major new city (Modiin), as well as scores of new small exurban non-agricultural communities are planned on national land, but are targeted mostly for long-term Israelis to be lured from the central region.
- Market mechanisms for allocation of national land for housing and industry become sophisticated and simulate market prices closely. Lower-than-market prices are used as a lever for population distribution (not earmarked for new immigrants). Prices are reduced in part (Galilee, Negev regions) or in full (along the borders).
- Project Renewal seeks to upgrade the housing of declining neighbourhoods – mostly those targeted for the immigrants of the 1950s and 1960s. The Project indirectly further stimulates transfer of more rental housing to the 'ownership' of the residents. Lower-than-market prices may be charged.

1990–1992 Mass immigration wave

- Available tracts of national land are once again allocated for mass construction of entire new government-initiated urban neighbourhoods and facilities.
- These are not exclusively earmarked for new

immigrants but are triggered by the mass immigration from the former USSR.

- The market mechanism for pricing public land for government-initiated housing is put 'on hold' and developers are given land at no cost or (in high demand areas) at half-cost.

- A very small proportion of the housing units are designated for rental; the vast majority is for sale (long-term lease).

- Most development towns ('new towns') and some exurban neighbourhoods planned at the previous stage receive a population boost from the immigrants.

1993–2000 Moderate immigration rate

- Land policy is once again disengaged from immigrant absorption strategies.

- The market mechanisms for allocating national land are resumed. Lower-than market prices are still used only for population distribution target areas. New immigrants are indirect beneficiaries but the policies are not earmarked for them.

- Experimental land-subsidy programmes are developed for targeted socially deprived communities or social groups.

2000 to date Low immigration rate (*intifada*, terrorism and deep recession)

- New policies of lower-than-market-price allocations of public land in peripheral areas were introduced in 2001 to stimulate the recession-depressed housing market. New immigrants were indirect beneficiaries. But these incentives were almost fully withdrawn in 2003–2004. I predict that they will be reintroduced for border regions in the future.

Lessons to be learned from Israel's land and tenure policies

Several conclusions emerge from [Table 9.2](#):

1 Avoid illegal squatting and ensure that temporary sites are phased out

Unlike most countries with a developing economy that face large waves of immigrants or migrants, Israel's immigrants rarely have found themselves as squatters without established property rights. Intentionally, the temporary sites (camp sites, transit sites) did not give any property rights to the residents, yet their stay there was legal. These sites were planned to be temporary (Jewish Agency 1959) and indeed, most (but not all) were vacated within a few years, usually not beyond the early 1960s (Namir 1972). The residents knew that they were likely to be offered permanent housing. But the precise timing, location, and type of housing were often not known in advance. When such housing did come through it was not always to the immigrants' liking (see

lesson 3). The policy that immigrants should be offered permanent housing has become one of the hallmarks of Israel's housing policy.

The need for temporary housing for mass immigration recurred in 1990–1991. At that time, various policy means were used (such as a 'sunset clause' in planning permits, and agreements signed with local authorities) in order to assure that the sites would not become quasi-permanent and would be phased out within a maximum of five years (Feitelson *et al.* 1992). That did not always hold up, but most sites were indeed cleared within a considerably shorter period than during the 1950s (Borukhov 1998; Alterman 2002: 132–135).

2 View national land holdings as a possible instrument for immigrant absorption

The availability of large vacant tracts of nationally owned land became the major instrument of Israel's immigrant-absorption policy during the 1950s to the early 1960s (Brutzkus 1964: 6) and once again, during the massive wave of 1991–1992 (Alterman 2002: 85–86, 97–103; Cohen *et al.* 1993). Central government was thereby able to control the size and timing of development by using large tracts of vacant land rather than relying on infill. Public ownership enabled government to avoid the need to assemble private land through expropriation or other means of onerous intervention in property rights.

3 Consider the pros and cons of linking regional development policy and immigrant absorption

National land ownership was a major instrument in the Israeli government's ability to link the need to house masses of immigrants with regional-planning goals such as population dispersal to the peripheral and border areas (Brutzkus 1964; Law Yone and Kalus 1995; Garon 1992). In the uncertain geopolitical situation of Israel's early years when the armistice-lines were not yet recognized as national borders, government adopted a planning policy of distributing towns and villages as widely as possible to the country's peripheries in order not to leave entire regions without a 'Jewish stronghold'. These national-development goals were buttressed by environmental and land-use policy goals that sought to deconcentrate the population away from the central region (Brutzkus 1969). These regional development goals were accomplished through the establishment of some 30 new towns and hundreds of new agricultural co-operative villages (Brutzkus 1964, 1969). Nationally owned land was the key instrument for the implementation of this policy.

But the policy of linking national land ownership and immigrant absorption, while being a potent tool for achieving regional-distribution goals, also had major negative outcomes. It has resulted in some of the worst social disparities within Israeli society. The lucky, better-connected or better-off households got access to housing in urban locations, but others were encouraged (often without being given other options) to go to peripheral locations such as new towns or co-operative villages. This period was responsible for much of Israel's social inequality to date. Those who went to the peripheral regions in order to gain permanent housing tended to be the less socially mobile groups among the immigrants (Kipnis 1990). The deprivations that characterize peripheral locations as such, compounded with initial social deprivation of many of the

immigrants, created regions where the new immigrants of the 1950s and early 1960s joined the lower rungs of the socio-economic ladder (Swirski and Katzir 1978; Swirski and Bernstein 1980; Lifshitz 1990).

The policy of dispersing the new towns and villages as widely as possible created nodes with few employment opportunities and usually with an undiversified economy base (Soen and Kipnis 1971). Geographic isolation away from the country's major cities exacerbated social disparities between the new immigrants and the existing Jewish population. The design of the new towns to look 'urban' and be composed of apartment blocks without offering most of the benefits of urban concentrations did not enhance the value of the housing units (Lerman 1976). The more upwardly mobile households tended to leave for better employment in the country's central region, so with each wave of immigrants, the average socioeconomic indicators of these new towns and villages tended to decline further.

During the 'comeback' of mass immigration in 1990, some Israeli politicians sought to re-link immigrant absorption, national land ownership, and population distribution. But other decision-makers regarded the availability of jobs to be an overriding condition for good immigrant absorption, and they opted to reduce incentives for immigrant location in the peripheral regions. The result was a compromise position that was guided by the *de facto* availability of land reserves (Alterman 2002: 86–87).

4 Encourage gradual disengagement of national land policy from immigrant absorption

Since the late 1970s, Israel's public land allocation and pricing policies gradually became disengaged from immigrant absorption (though not necessarily through an explicit decision). That is, public land was no longer allocated specifically for projects earmarked for new immigrants, nor were special pricing mechanisms used to subsidize land for immigrant housing. However, the public land instrument was by no means entirely dropped from public policy; rather, it became more targeted to general regional-development goals such as the 'population distribution' policy rather than directly to immigrant absorption.

The mass immigration wave from the Soviet Union in 1990 led the government once again to view the allocation of national land for immigrant housing as a major policy instrument in the immigrant absorption strategy. Government planners scanned all areas of the country for tracts of national land available for development. However, the 1990 land policies differed significantly from the policies of the 1950s and 1960s. While the trigger was the mass immigration wave, and the original notion may have been to renew the policies of the 1950s, the policy that was finally developed turned out to be much more sophisticated. Only a minority of the tracts were allocated for housing for immigrants, while the majority were allocated to new government-subsidized mixed housing available for purchase by any interested households. As soon as the mass immigration wave subsided, government resumed the full disengagement of national land policy from immigrant absorption strategy (Alterman 2002: 97–103).

5 Increase reliance on the market place in allocating public land

The pricing mechanism for the allocation of public land for immigrant and other publicly

initiated projects changed over time. In the initial periods, a zero or close-to zero price was charged for land allocated to immigrant housing. Gradually and incrementally, a market-emulating pricing system was developed. During the 1960s and into the 1970s this mechanism was called 'chart prices', policy-driven decisions about the pricing of land according to categories of preference. This mechanism was widely criticized for its arbitrariness, inequities and potential misuse, especially where high-demand areas were concerned. The artificial pricing mechanism was therefore gradually phased out and replaced by a tender-based mechanism that applied to most allocations of national land for any purpose (Alterman 2003).

However, when mass immigration resumed in 1990, policymakers reinstated subsidies of housing production through the pricing mechanism for national land. Such land was allocated at no cost anywhere outside the central region, and at half cost in the high-demand central region where land values were very high. The decision-makers soon discovered that in high-demand areas, the subsidy through the land component would rarely reach the consumers, but would be pocketed by the developers (Alterman 2002: 99). They therefore reduced the subsidies in land in the central region. In 1992, when the massive wave tapered down, these subsidies were phased out entirely. The market-emulating mechanism for the pricing of most national land allocations was reinstated. The only remaining exceptions were the regular subsidies that applied to peripheral and border regions (and since 2004 these too have been phased out).

6 Aim for a high rate of home ownership generally and among immigrants

Finally, Israel should be a target of envy for other countries because it has offered secure property rights in housing to most immigrants (in urban areas). This has occurred gradually and incrementally. Three sets of policies have contributed to this outcome: the consistent reduction in the amount of new public housing for rental (Israel Ministry for Immigration Absorption 1975; Alterman 2002: 47–58); restrictions on eligibility for such housing (only the very poor or old); increasing public expectation that households be able to purchase (or long-term lease) a housing unit; availability of (modest) mortgages for this purpose (to be discussed later); and a policy of encouraging gradual purchase of public-housing rental units by their occupants – most of whom are former immigrants or their offspring. Another possibly relevant factor (though likely never to have been thought-out as linked to the above policy) is that Israel has never had rent-protection laws for housing constructed after statehood.

The outcome is that today, the majority of the new immigrants who arrived at any time after the state's establishment own their apartment or house. No such statistic has ever been assembled, but my assumption is that the figure is approximately 65–70 per cent. There are, however, marked differences in the number of years it has taken the immigrants of the different waves to achieve home ownership. The latest wave of new immigrants from the former USSR achieved an over 70 per cent home ownership rate within a few years of their arrival (Alterman 2002: 113–114). But for the immigrants of the 1950s and 1960s it has taken many years, at times a generation, to reach that point. Among the latter, there were large disparities among ethnic groups – immigrants from Europe tended to reach home ownership faster than immigrants from North Africa and the Middle East (Law Yone and Kalus 1995).

Home ownership (usually condominium-apartment ownership) is the main capital asset of most Israeli households. It has proven to be a major determinant of social mobility, and therefore a major tool for immigrant absorption (Carmon 1999, 2001 for Israel; Alba and Logan 1992 for the USA). Compared with rental, home ownership has other important positive benefits regarding residents' motivation for upkeep and maintenance. It is therefore generally recognized as an important player in physical and environmental quality of life (Megbolugbe and Linneman 1993).

HOUSING PRODUCTION AND CONSUMPTION POLICIES

In forging housing policies, government institutions must decide on three main issues: *type and extent of public intervention in the market, desired housing standards, and targeted populations*. Among these three issues I shall use the first issue – the type and extent of public intervention – as the main prism for viewing the evolution of Israeli policies for housing immigrants. The other two issues will be incorporated in that discussion.

I don't mean to imply that Israeli government institutions have developed housing strategies for immigrant absorption in a comprehensive manner; that is rarely the way public institutions anywhere make decisions. However decided, these three issues were part of housing policy at any given time – whether as overt decisions, or by default. However, before focusing on these particular aspects, one should look at the position housing has occupied among the plethora of policy issues relevant to immigrant absorption.

Housing as lead issue

Unlike immigration absorption policies in many countries, including the USA and Canada, in Israel housing has been viewed as the lead issue with which government decision-makers must contend. In many countries, immigrants are expected to look for housing on their own. They often occupy substandard housing in inner cities or squat in makeshift housing on the urban outskirts. This has never been part of Israeli public policy regarding immigrant absorption. In setting public policy regarding priority areas in which government should invest, housing has always taken the lead. This preference held even during the 1990 mass immigration wave when Israel was already an advanced-economy country (Alterman 2002: 81–89). It had a well-developed private housing sector that conceivably may have been able to adjust itself to the increase in demand, but with a long time lag. During the interim, many immigrants would not have had adequate housing and the unmet demand would have driven up housing prices. So policymakers once again identified housing as the lead issue, and directed the largest portion of public investment into housing rather than into other areas such as economic development.

The reasons why housing has always been seen as the lead issue in immigrant absorption are probably deeply embedded in Israeli social values and political expectations. The sight of homeless families has been socially and politically unacceptable throughout Israel's history, irrespective of the country's economy at that time. Politicians have consistently viewed adequate housing as a mark of success in immigrant absorption, and homeless immigrants or their concentration in substandard

housing, as a starkly visible mark of failure.

The policy spectrum: type and extent of public intervention

Beyond the long-term consensus about housing as a priority area in immigrant absorption, the particular strategy of housing provision varied over time, reflecting changes in the economy, society, and the role of government.

[Figure 9.1](#) shows a schematic spectrum of housing policies on the *production* side. The spectrum runs from direct government intervention by means of state-initiated and financed construction on the left, to reliance on the private market for all or most of housing construction initiatives and financing on the right. In the intermediate parts of the spectrum one could place various mixes of public and private roles in housing production, according to the degree of government intervention in the marketplace. The three interim-range policies included in this spectrum refer to particular mixtures of policies applied in Israel at various periods, as will be described in the sections below. The policy on the extreme right has never been practised in Israel and is added here only for the theoretical completeness of the spectrum. A similar spectrum constructed for another country's context might show slightly different policy mixtures in the interim stations.

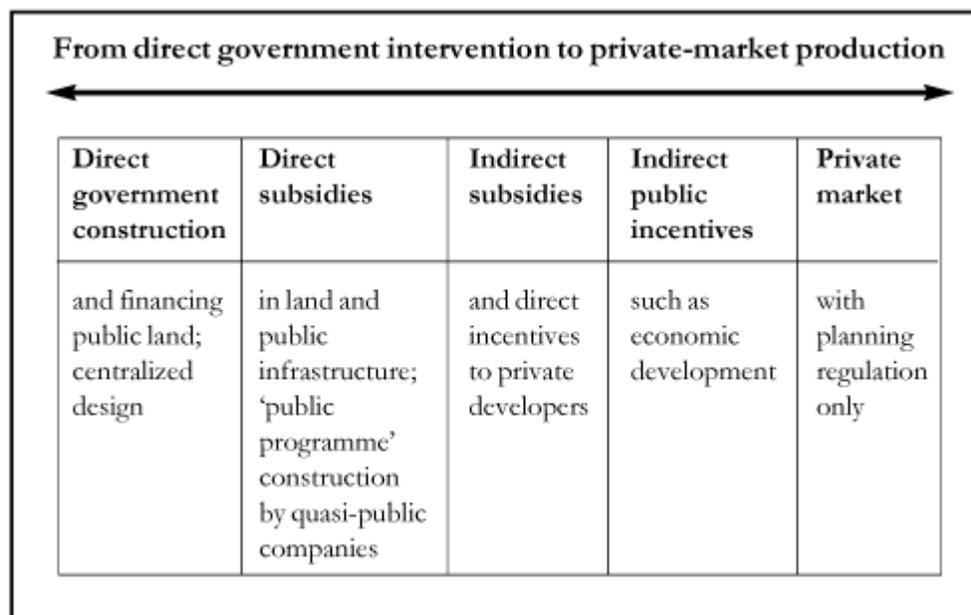


Figure 9.1 Housing production strategies: conceptual policy spectrum

In 1990 the special policies developed for the absorption of a massive number of immigrants from the former Soviet Union, were a combination of policies from both the far and immediate past (Alterman 2002: 97–103). Because the progress along the spectrum of housing production policies has not been entirely linear, I have not indicated the periods along the spectrum.

A concomitant set of policies applies to the *consumption* side. These pertain to the manner in which households get access to public-sector housing. [Figure 9.2](#) presents the policy spectrum regarding consumer-based subsidies as they progressed through

Jewish sector, which in Israel's early years was better organized than the embryonic government bureaux.

During those stressful years of war and incipient statehood, the authorities were able to offer the majority of immigrants only temporary housing. The types of housing 'solutions' delivered during 1948 to mid-1950 – the period of greatest urgency and poorest public resources – included immigrant camps, various dormitory facilities, rural temporary housing, and cohabiting with relatives. These categories total about 55 per cent of the accommodation types used by recently arrived immigrants (Jewish Agency 1959). In addition, about 124,000 (31 per cent) were to be housed in Arab houses and apartments vacated during the war (Carmon and Czamanski 1990: 514; Jewish Agency 1959). Some of these housing units turned into permanent housing, others remained temporary because they were sub-standard. I estimate that during 1948–1950, 65–70 per cent of the immigrants received temporary housing. This percentage increased still further in the following years since the formerly Arab housing stock had been exhausted during this early period, while permanent housing had not yet been completed in any significant amount. The role of the temporary camps and transit sites increased, and hundreds of thousands passed through them.

The temporary camps and transit sites deserve further description because they have become the symbol of the time in both collective and individual recollection. In 1949 the Jewish Agency established its 'Camps Division' whose first project was to prepare a site on the outskirts of the port city of Haifa where immigrants received initial shelter. This massive tent camp handled about 1,000 immigrants entering or leaving daily. In total, 127 camps had been built by 1951 and 250,000 people had lived in them (Bernstein 1980: 6). Each family received a tent of some 16 square metres, and the toilets and bathing facilities were collective (Darin-Drabkin 1955: 36). Conditions in the tent camps were often intolerable, especially during winter.

The fear of social unrest and the financial burden of supplying the immigrants' full needs (employment was hardly possible for these short-term residents) led the Agency in 1950–1951 to begin the construction of 'transit-housing sites' (*ma'abarot*) (Bernstein 1980). These were to supply interim housing until permanent housing was ready. In these sites a variety of temporary inexpensive structures were tried out: 'cloth housing', 'tin housing', 'asbestos housing', wooden shacks, and housing made of a mixture of temporary and some permanent construction materials (Darin-Drabkin 1955: 36–35). These units were tiny in size, with external toilet facilities, although some had running water. The number of immigrants who lived in these transit sites is estimated at 260,000 (Bernstein 1980: 6).

Of all the housing categories of the first period, it is the tent camps and transit sites that have remained as a collective symbol: a symbol of hardship for the hundreds of thousands of Israeli families who passed through them; a symbol of ethnic discrimination; a rallying flag for some politicians; and a symbol for decision-makers and planners of what to avoid in the future.

Permanent government-constructed housing

In 1952, the Jewish Agency and the government set out on one of the world's most

ambitious housing agendas – to supply permanent adequate housing to the new immigrant households who were living in temporary housing and to those who were yet to arrive. By 1964, despite the country's low GDP, a hefty 500,000 units were constructed by the public sector (Carmon and Czamanski 1990: 519). This represented some 70–80 per cent of all housing starts in those years (ICBS 1997). It included both housing constructed directly by government, and housing constructed by a variety of quasi-public agencies. Among these were the Jewish Agency's housing corporations, the Labor Union's (*histadrut*) housing and construction corporations, and various other ideological or political party-based organizations. All these agencies received national land at no or very low cost.

The desire to construct as many housing units as possible in a short time often led the authorities to compromise on building design and construction quality. The government's chronic shortage of foreign currency for importing building materials and equipment also contributed to this negative outcome. The construction standards were basic, and inexpensive materials were used (Carmon 1997; Darin-Drabkin 1959). The need to save on costs of construction (or at least, the perceived short-term savings) led central-government planners and architects to opt for very small apartment sizes (Glikson 1958).

The massive construction project was conducted centrally, and was only marginally sensitive to differences in residents' needs and preferences. Yet, even in the early years, the physical standards for newly constructed housing usually required in-house toilet, running water, electricity, and sewerage connection (Darin-Drabkin 1959: 90). These standards represented a higher physical-facilities level than at that time prevalent in most Eastern European countries and even some western European ones.

The floor areas of the housing units constructed were extremely small. In the early 1950s, the urban housing constructed typically was only 24 square metres in size, often in low-rise double-attached or row housing. Located on the outskirts of urban areas, this housing had a quasi-rural design with relatively large lots that were planned to serve as home vegetable gardens to supplement the families' income (Glikson 1958). In many cases, however, the food-supplement assumption never worked out, whether due to economic reasons or the planners' faulty cultural assumptions. The extra land could not compensate for the sizes of the grossly inadequate housing units. The gardens lay barren in Israel's hot climate, whereas the cost of the dispersed infrastructure was very high.

In order to overcome these deficiencies, from the mid-1950s onwards, decision-makers changed the policies regarding housing design in favour of more urban densities (though by no means high). Walk-up apartment buildings with two to four stories were constructed, with ample spaces among them (once again reflecting the absence of a pricing mechanism for land and the modelling on European-type housing). Apartment sizes were gradually increased, at first to 28–32 square metres, then to an average of 44 square metres, and by the mid-1960s, to 60 square metres (ICBS 1997). The increases in size applied only to new units, so that the cumulative stock contained many very small apartments. But even the improved apartment sizes were still grossly inadequate for most families, especially for the many large families who arrived from North Africa and the Middle East.

The consumption side: group focus, rental public housing and purchase options

The focus during this period was on the immigrants as a *group* whose basic needs had to be met rather than on *individuals* and their choices. Since immigrants usually arrived in groups, often from the same country, the group focus also enabled the authorities to 'send' people to particular housing sites, temporary or permanent.

At this initial period, a large proportion of the publicly constructed permanent housing was allocated via rental. Rental charges were low, and heavily subsidized by government. Very early on during this state-building period, the central government and the Jewish Agency developed policies to encourage renters to purchase (usually, to long-term lease) their housing units (Jewish Agency 1959: 72). These included rent-to-buy programmes, subsidized mortgages with a low initial payment, and an artificially low appraisal of the value of these units.

The eligibility criteria for both temporary and permanent housing were simply that the family in question was a newly arrived immigrant family.² No income or property tests were used (nor were they relevant in most cases since the vast majority of immigrants during this period were penniless). For permanent housing, the eligibility criteria also included a determination that the household had no other permanent housing. In later years during this period, families who were housed in permanent but substandard structures became eligible to move to better housing, if such were available.

The outcomes of government-constructed housing

The goal of the mammoth public-housing project was to provide a permanent housing unit for each immigrant household. That goal was more-or-less achieved by the early to mid-1960s (Namir 1972). So, in quantitative terms of output (and in comparison with other countries of a similar per capita GDP) the national housing project was immensely successful. Furthermore, as we saw in the section on land and property rights, though much of the housing was initially in rental tenure format, gradually many of the residents or their offspring managed to gain ownership of their original apartment or a future one (Jewish Agency 1959). Thus the public housing stock has served as a capital jumping-off point for many families, who were then able to gain mobility to better housing.

Today, the residents of public rental housing are not a large group in Israel. Many are elderly persons or descendants of the immigrants of the 1950s and 1960s; others are new immigrants from the former Soviet Union. The total public rental housing stock in 2004 is estimated at about 75,000. It is further declining through a variety of purchase-by-residents programmes. Only part of this housing stock dates back to the 1950s and 1960s (and has been upgraded since), while the rest was built later. The very fact that today there are only several tens of thousands of public-rental units indicates that the bulk of the housing stock constructed by the government in the 1950s and 1960s has been purchased by the residents. This attests to the success of Israel's housing policy even during Israel's initial years of very tough circumstances.

However, in other terms the public housing project was less successful. The sizes of apartments constructed by government and quasi-government bodies contrasted

sharply with the sizes of apartments constructed by the private or associations sector³ (ICBS 1997; Darin-Drabkin 1959). The private sector continued to operate after Israel's establishment and catered to those sectors of the population that could afford it. Statistics show that the disparity in sizes is maintained throughout this period. Thus whereas in 1950 the average size of housing built by the public sector was about 34 square metres, the equivalent in the private sector was about 63 (ICBS 1997). By 1965 the respective numbers were 60 compared with 90.

This disparity is compounded if one looks at household sizes and degrees of crowding. Those who could afford to purchase housing on the private market tended to be of European origin and had, on average, smaller families than the average for the new immigrants from North Africa and the Middle East. The outcome was that there was a stark disparity between the average levels of crowding among population groups, depending on their length of stay in Israel. In 1957 about 70 per cent of the immigrants who had arrived since 1948 lived in crowded conditions of over two persons per room (including the living room) and a hefty 19 per cent had an average of more than four persons per room (Darin-Drabkin 1959). By contrast, among those who had arrived pre-State, only 6 per cent had over four persons and only 39 per cent over two persons per room. Criteria of crowding were not applied in the allocation of housing until a decade or so later. Only then did public policy attempt to adapt housing-unit sizes to family sizes.

The mass construction of apartment blocks by a central body often also fell short in the qualitative aspects of design. The buildings were designed in a modern style of rectangle blocks modelled on European social housing of the time (Tanne 1959). This reflected the norms according to which most of the architects had been educated. The architecture was almost uniform, irrespective of difference in geography, climate, water availability for garden maintenance, or topography. The architects were oblivious to the differences in family, residential, and design cultures among the many ethnic groups of immigrants (Carmon and Czamanski 1990; Carmon 1999; Lerman 1976). There was little room for adjustment to different modes of living, and little room for individual stamping. The greatest disparity pertained to immigrants from the Middle East and North Africa, many of whom had been accustomed to living in a large common room or perhaps two, and a large courtyard (Swirski and Bernstein 1980: 32). The format of a small apartment divided into small rooms was alien to their lifestyle.

This type of disparity is likely to apply to many of the potential Palestinian returnees, especially those who have been living in refugee camps or villages.

Many of the buildings directly constructed by government deteriorated within a few years, not structurally, but functionally. In retrospect, the 'saving grace' of this housing was the spacious layout and the relatively small number of floors (three or four). This fact turned out to be the major unanticipated asset that in the 1980s enabled the national large-scale Project Renewal to target many of the early immigrant neighbourhoods and upgrade them. The most effective upgrading went beyond renovation, to upgrade the size of apartments. Before Project Renewal, this was done mostly by joining together two adjacent original-size apartments into a larger combined one. After the 1980s, a more audacious programme was applied, which enabled construction of entire new slabs attached to the original apartment building.

These slabs added significant floor space to each apartment in the buildings, but only if the residents were interested in such intervention (Carmon and Hill 1993; Carmon 2002). Such additions were made physically possible thanks to the ample spaces between adjacent apartment buildings constructed in the 1950s, and would have not been possible had the layout been more dense or the buildings much taller.

Second period: from direct government production to direct subsidy policies – 1965 to late 1970s

By the 1960s government planners and politicians realized that continued reliance on centrally designed and constructed housing would be a mistake. Herewith began a consistent trend of gradual reduction in the proportion of direct state-constructed housing and a concomitant rise in the role of the private sector in meeting national housing goals. National housing policy gradually moved along the spectrum of housing policies depicted in Figures 9.1 and 9.2, away from the public extreme, edging its way towards the second station on the way to the private-sector side.

The termination of the temporary and transit housing sites necessitated a new solution for those newly arrived immigrants who did not go directly to permanent housing of their choice. I shall first discuss the 'Absorption Centres' idea that emerged during this period, and will then move on to discuss the policies of this period concerning housing production and consumption.

A substitute for temporary housing: the absorption centres policy

From the late 1960s until 1987 Israel's immigrant-absorption policy featured the idea of 'absorption centres'. These centres combined several functions in one: temporary housing along with essential services such as restaurant, laundry, and storage; a language learning centre and lecture hall (since Hebrew was not, nor is it today, the mother tongue of most immigrants); childcare facilities such as day-care, kindergarten, and playground, a youth club and a synagogue.

The philosophy behind these centres was that new immigrants often encounter 'culture shock', and that these centres would provide the social and educational means and the mutual exchange of information to cushion this shock. Each immigrant had the right to spend several months in an absorption centre. It was assumed that since all their daily needs were taken care of, the immigrant family would be able to use their stay in the absorption centre and the guidance provided in order to search for permanent housing of their choice. But in fact, the centres tended to isolate the immigrants, often lengthening rather than shortening the immigrants' integration into Israeli society and the economy. Some immigrants developed a dependence on these centres, reducing their drive to find housing and work in the 'real world' (Leftman *et al.* 1986).

In 1986–1987 these shortcomings brought about the decision to phase out the absorption centres in favour of a new policy, the 'direct absorption' policy, the epitome of the individual-focused approach (Mikonovski and Caspi 1991). The absorption centres were subsequently used only to house immigrant groups with special needs, such as Ethiopian Jews who immigrated in groups in the 1980s and 1990s.

The consumption side: from group-based to individual-based

The group-based policy of immigrant absorption continued until the mid-1960s. In 1965 the policy was changed, to focus more on the individual household. This change of course followed the decline in numbers of immigrants. It also reflected the accumulated dissatisfaction with the outcomes of the earlier policies, especially those that directed new immigrants to 'development towns' and mass-constructed neighbourhoods (Soan and Kipnis 1971; Lichfield 1972; Swirski and Bernstein 1980; Kipnis 1990; Lifshitz 1990; Gonen 1990). Instead of a policy that offered the immigrants only limited choice about the desired housing type and location, the new policy encouraged private choice, though still within limits.

Beginning in 1965, Israeli social housing policy, which in the 1950s had been largely focused on immigrants, expanded to cover broader groups of the population. This became necessary as new families were formed, most of whom could not afford the type of housing size or location that the small private sector was constructing.

So, planners and decision-makers at the Ministry of Housing set up the rudimentary elements of Israel's 'housing eligibility' policy that has become a major attribute of Israel's housing strategy to date. The concept was that certain categories of households would be considered as 'eligible' for financial help in purchasing (or long-term leasing) a housing unit. As during all periods of Israeli housing policy, public rental housing remained restricted to the very poor and the elderly.

The main categories of eligible households were (and still are)⁴: new immigrants; young couples married within a specified number of years; and households living in substandard or crowded housing (the definition of crowding has changed over time with the rise in housing standards) (Fialkoff 1988: 11). New immigrants were, and still are, eligible for better levels of rent support, mortgage sizes, and mortgage interest rates than non-immigrant Israelis.⁵ Unlike the immigrants, the levels of financial support for which non-immigrant households were eligible were based on socio-economic characteristics of the couple's parental families. The eligibility assessment method evolved gradually over the years, becoming more and more sophisticated in the use of socio-economic indicators.

Direct production subsidies: public-programme housing, 1965–1979

The gradual reduction in direct housing production by government agencies did not mean a retreat from the high position that housing held in Israeli public policy priorities. It is even hazardous to say, that the reduction in the onerous load of designing, financing, executing, delivering, and managing housing production allowed government agencies the 'space' to develop a broader and better housing policy. Rather than focusing mainly on new immigrants, the Ministry of Housing (and in the rural sector also the Jewish Agency) gradually extended its concern to broader sectors of the population and tried to tailor policies to fit a variety of household needs and capacities to pay. A variety of subsidy policies were developed, some instituted temporarily and experimentally, others applied on a long-term basis.

The quasi-public housing corporations

From the mid-1960s to the late 1970s, government policies stood at the second 'station' of [Figure 9.1](#) and were based largely on direct subsidies to quasi-public producers. A small portion of the units was still to be constructed through direct government initiative and funding (Israel Ministry of Immigration Absorption 1975). However, the main part of the new housing policy relied on quasi-public development corporations as producers of social housing by means of production subsidies (Carmon and Czamanski 1990: 519–521). These corporations (most of which have since been privatized) were owned by the National Labor Union (*histadrut*), the Jewish Agency, various political organizations, and various other organizations recognized by the Ministry of Housing.

The housing corporations were obliged to build the subsidized housing in designated locations, according to the specific guidelines of the particular 'Program Specifications' defined by the Ministry of Housing for each site. The Ministry's planners were guided by an overall national target of annual production of units and their desired distribution among the various population groups and regions (in accordance with the national population distribution policy). The programme developed by the Ministry of Housing's architects and planners for each site became part of each developer's contract. It was rather detailed, specifying the number of units, their sizes, their target populations, and even their detailed design. The development companies had little leeway for making decisions. To ensure affordability, there were also restrictions on the maximum size of housing units. The result was that much of the public-sector housing units could easily be distinguished (in the negative sense) from private-sector ones.

During this period, the developers of public-programme housing received direct subsidies in land and infrastructure (see also the above discussion under 'Land policy'). In brief, public land was usually allocated to these corporations at a price much below market value. Some of these corporations received tracts of land that were much larger than needed to fulfill their foreseeable share of building public-programme housing. (In some cases, this accumulation of land turned out in subsequent decades to be a great source of enrichment of these later-privatized corporations). In addition, some or all of the infrastructure and public services were also subsidized by government budgets. The actual construction of these services was sometimes done by state Public Works Department, at other times by the quasi-public development corporations with government financing.

It is important to note that during the period 1965 to 1979 (approximately), those who had 'eligibility status' for subsidized mortgages could use them only towards the purchase of public-programme housing produced by the authorized corporations (Sasson 1992: 18–19). The eligible households were allowed to use their subsidized mortgages only toward the purchase of housing-corporation units (and not private-market housing). Thereby, the housing corporations were in fact ensured a consistent level of demand. Thus, the public-programme housing units were in effect subsidized both on the production side and on the consumption side.

The outcomes of the 1965–1979 housing policy

The outcomes of this period's housing policy were mixed. This policy was in part a reaction to the centralized uniformity of design and construction standards. In this

respect it succeeded somewhat in softening the edge of public-sector housing. Nevertheless, the degree of control imposed on the developers through the detailed 'public programme' concept still produced less variety in housing types and sizes than the market demanded, and too much uniformity of design (Carmon 1997; Tanne 1959). This led to continued tagging of subsidized housing and in many cases, to their long-term deterioration (some became the targets of Project Renewal in the 1980s).

At the same time, this housing policy was socially more successful than the direct government-constructed housing of the 1950s. The fact that households with different backgrounds and different levels of need (expressed in a variety of eligibility levels) could purchase housing in the same neighbourhood or apartment block created a greater social mixture than before. New immigrants were no longer concentrated in housing earmarked for them. Furthermore, since the eligible households could shop around a variety of semi-public producers, this policy produced a quasi-market process. The developers built housing units with some variety in price levels that reflected location, and to some extent also differences in apartment size, density, and design. Socially uniform housing was partially avoided. Such outcomes were better for immigrant absorption than the policies of the previous period, but not yet good enough. The proof is that within a decade or two many of these units deteriorated in upkeep and price levels, trapping their residents in low-value housing units that would hamper the residents' capacity for social mobility.

Third period: indirect production incentives – Public-programme housing, 1979–1989

Starting in the later 1970s or early 1980s, Israel's housing policies moved into the third 'station' of the production-policy spectrum in [Figure 9.1](#), mostly relying on *indirect* subsidies. Partly reflecting the all-times low in the rate of immigration and partly the privatization trends in the general economy, Israel's housing policy took several large steps towards the private-sector side of the spectrum.

Opening the private housing market to eligible households

The main change was to enable eligible households to use their subsidized mortgages on the open housing market, whether new or second-hand. Subsidized mortgages could be used towards the purchase of any housing type, in any urban area (Sasson 1992: 17). (The levels of support continued to vary by region, according to the population distribution policy.) That meant that decision-makers could relax the reliance on housing produced or directly subsidized by the government.

By 1988, the government's *direct* share in housing construction steeply declined, reaching only 5 per cent of housing starts (Alterman 2002: 53–56). Most of the quasi-government corporations were privatized (often along with the public land reserves they had accumulated during the previous period). The public programme share of housing starts also shrank greatly, from about 60 per cent in the 1970s to only 15 per cent in 1989 (CBS 1997).

The circle of developers who were eligible to participate in public-programme housing production was gradually enlarged. Private developers could present their candidacy to

become authorized housing corporations and the Ministry would assess their size, capital, past performance, and reliability. These companies could then compete in tenders put out by the Ministry of Construction and Housing (or at times, by the Lands Administration).

Indirect incentives to private developers in the public-programme housing

The Ministry of Housing's goal was to ensure that housing remained affordable to eligible households. Therefore, the locations where the housing was to be built were not in high-price areas (Haber 1975). At the same time, the Ministry of Housing's policy was to serve all regions of the country, not only the peripheral regions. Affordability was to be enabled by placing caps on the sizes of apartments permissible for purchase with a subsidized mortgage by households of various sizes (Sasson 1992: 18).

The public programme specifications that the Ministry of Housing gave out to developers became more flexible and market-oriented than during the previous period. While the location of the housing project, the number of housing units, and approximate breakdown into types and sizes of apartments would be predetermined in the programme, the detailed architectural design was no longer done by the Ministry of Housing but by the developer's architect (Carmon and Czamanski 1992). To promote social mixture, the Ministry adopted a policy that required the developers to design a variety of housing types and apartment sizes within each housing complex.

The subsidies offered to the developers were smaller and less direct than during the previous period (Sasson 1992: 15–21). The system of large bonuses granted through artificial land prices was abolished in favour of a system of tender, but because the minimal price was set by the public land appraiser's office, in some cases there might be a small subsidy folded into the price of the land. However, in regions outside the high-demand areas, land prices were subsidized outright, the rate of subsidy changing from time to time and from region to region. In high-demand areas, local infrastructure costs were to be largely financed by the developer, with the Ministry or the Lands Administration participating to a lesser extent than in the past. Some land or development-based taxes were also relaxed. In addition, the degree of uncertainty about demand that developers faced was at times lower than on the open market because the Ministry had already performed an assessment of the market of households eligible to buy the public-programme housing.

The outcomes of the 1979–1989 housing policy

The quasi-privatization policies of the 1980s on both the production and the consumption sides had very positive outcomes. The sizes of apartments and their variety were greatly increased compared with the public-programme housing of the 1970s, but were still smaller and therefore more affordable than the private sector was building (CBS 1997). The architectural designs became highly varied, and the quality of construction was high. All in all, public-programme housing became almost physically undistinguishable in quality or design from private-sector housing, yet the prices were usually lower. Because the categories of 'eligible households' had been expanded, and thanks to the Ministry of Housing's policy of encouraging a mixture of apartment sizes in each apartment complex, the socioeconomic mix of residents became potentially

more heterogeneous than in the past (Sasson 1992: 22–23).

However, in some locations the contrary occurred: the social mixture was more uniform than in the past. The fact that more and more eligible households chose to use their housing support to purchase housing on the open market meant that public-programme housing attracted households that had few other choices. The Hebrew term for 'housing for the eligible' increasingly became a euphemism for housing for the poor. The 1980s that saw accelerated social change in Israeli society, also brought about an increasing number of exclusionary decisions by local planning bodies along socio-economic lines.

The fourth period: the housing production strategy developed for the 1990s mass immigration wave

In 1990 when mass immigration resumed, the consistent movement towards the private-market side of the policy spectrum took a sudden partial turn-around. The government found itself having to move partly back towards the public intervention side of the spectrum – but with a difference. Public policymakers feared a repeat of the housing policies of the 1950s and tried to develop policies that would have 'antidotes' against 1950s-like policies.

The decision-making process that accompanied the most recent wave of mass immigration was unlike any that came before. By November 1989, when the gates of the USSR suddenly opened for Jewish emigrants, Israel had thoroughly changed compared to its earlier decades. The 1980s were the lowest immigration years since Israel's founding. The general public had almost forgotten the housing crises of the early years and the policies that accompanied them. Israel had entered a decade of relative stability. The trends of privatization and deregulation in the economy had progressed far. Suddenly, between late 1989 and the beginning of 1990, came the mass-immigration crisis. The estimates were that within three to five years, between one and two million people would arrive. Government policymakers had to ensure enough housing so as to avoid two dangers: homeless immigrants on the one hand, and a hike in general housing prices due to over-demand on the other hand. So, urgently they sought for ways of increasing the housing stock as quickly as possible (Alterman 2002: 88–90).

The strategic dilemmas facing decision-makers

The 1990s housing production programme had clear, quantifiable goals: to maximize quantity and minimize production time, while yet ensuring a reasonable quality of housing. In the spring of 1990, when the official estimate of new immigrants was one to two million within three to five years, planners at the Ministry of Housing estimated that the public-programme housing sector would have to increase its production rate 14-fold, from the pre-crisis rate of some 5,000 units to 70,000 units annually. These would be added to the 15–20,000 units supplied by the private sector in a typical pre-crisis year. (Alterman 2002: 109–113).

In the initial stages of policymaking during this crisis, government decision-makers faced the following strategic dilemmas (Alterman 2002: 86–87).

- *Government or private-sector construction?* Should the government resort to direct construction of public housing, or should it harness the financial and production capacities of the private sector to the greatest extent possible? Recall from the previous section that, by the 1980s, direct public-budget housing constructed by the government had declined to a small fraction of the housing starts. Even public-programme housing, built on public land with private capital, and usually for market-rate sale, had declined to about a sixth of housing starts.
- *Build a stock of temporary housing for the short range or only permanent housing?* Should there be extensive reliance on temporary housing that can be built quickly with public funds, or should resources be directed to permanent housing, even at the risk of having to use interim emergency shelter facilities?
- *Concentrate or disperse temporary housing sites?* If large-scale temporary housing were necessary, should it be concentrated in large sites, or should it be dispersed? Could temporary housing be planned and designed to minimize its long-term negative effects and enable the transition to permanent housing?
- *Target new construction for new immigrants or increase the general housing stock?* Should the government opt for new housing starts designed specifically for new immigrants, or should it prefer a social mixture of new immigrants and Israelis? The latter option would mean that the general stock of new housing should be increased. To be marketable, the standard of such housing would have to be higher than housing designated for new immigrants only, thus requiring a greater investment of both public and private funds.
- *Should new housing be located in regions of national priority, or where there are more job opportunities?* In the selection of locations for the new housing, should the opportunity of mass immigration be used to boost the long-standing policy of population dispersal to the peripheral regions, or should employment opportunities in the country's central region be the overruling consideration?

The crisis atmosphere enabled decision-makers to question entrenched 'sacred cow' policies. The Ministry of Finance's economists were the first to address the dilemma of population dispersal versus jobs. For the first time in Israel's history, a government body recommended a departure from the policy of population dispersal by halting any new incentives for development in the periphery. However, the Ministry of Finance's recommendation was not adopted at that time. Its document was also the first to suggest relaxation of the hitherto 'untouchable' policy of agricultural land conservation. That policy had for decades been a major stumbling block before both public and private developers who proposed the conversion of agricultural land for development on a large scale, especially in the country's central areas where demand was concentrated. The Ministry of Finance document was also the first to state the need for new land-use planning legislation to streamline the processes of plan approval (rezoning) and building permits.

The components of the 1990 housing production programme

After debating these dilemmas, planners and policymakers in the Ministry of Housing

finally developed a programme that, they believed, would provide enough subsidies and incentives to stimulate the construction of the needed amount of housing. Their programme strategy was a compromise between two views: the first was that large-scale direct government-constructed housing was the right solution. The second view was that government should limit its role to regulation and the provision of approved sites on public land, but the private sector should carry out the actual construction with private capital, according to market demand, in a manner akin to the strategy developed during the 1980s – the third period discussed above (Alterman 2002: 53–56).

The compromise solution called for a relatively small number of several thousand 'emergency' units to be built as early as possible through direct government financing. However, most of the housing starts would be built with private capital but with government incentives and subsidies. This type of strategy was not new – it was similar to elements of the public-programme housing that prevailed in Israel's housing policy during the second and third periods discussed above. What was totally new was the highly fortified formula of subsidies developed for this crisis – a formula very different from anything that had existed before. In terms of the [Figure 9.1](#) spectrum, the new strategy combined elements from the third and fourth 'stations' on the one hand, and the first station on the other.

Also very new was the overriding policy of 'direct absorption' (Mikonovski and Caspi 1991). That is, most immigrant groups would be expected to find housing on their own – whether rental housing (with rent allowance) for the initial period, or permanent housing with a subsidized mortgage. The Absorption Centres concept, phased out in 1987, was not reintroduced, except for a small number of very needy groups.

Government-supplied temporary housing

The direct government-constructed housing was of two types: temporary sites for mobile homes ('caravans') and permanent but (hopefully) rapidly constructed and modestly priced low-rise housing ('emergency housing').

The Minister of Housing wanted to import 60,000 mobile home units because he feared that permanent housing construction would take too long and thousands of families would lack any 'housing solution'. The Ministry of Finance, fearing a gross waste of national resources, wanted to minimize the number. The compromise was that 27,000 units were imported from several countries, after a worldwide tender. Planners from the Ministry of Housing and the Lands Administration located undeveloped sites, each of which could accommodate several hundreds or thousands of caravans (Feitelson *et al.* 1992; Borukhov 1998: 211).

Government-constructed permanent housing (tagged 'emergency housing')

The second component of government-constructed housing was 12,000 so-called 'emergency housing' units. This was a misnomer because these were permanent but small (45–60 square metres) low-rise units ('ground-attached' in Israeli planning jargon). These were designed so as to allow for expansion in the future either laterally or through a second floor. These units would be located on sites that could

accommodate a few hundred, at a density of about 16–20 to the net acre (40–50 to the hectare). These were to be constructed only in development towns, especially in peripheral areas – the Galilee and southern area. The construction was to be inexpensive and with few frills.

The government-constructed units of the 1990s turned out to be sustainable both socially and environmentally, thanks to their low-rise format, and their wise design as 'expandable units' through a second floor.

The subsidy and incentives formula for the public programme private-capital housing production

At the beginning of the crisis, the Ministry of Housing's planners and the developers spent months bargaining over the incentive package. The developers held back action, and were tough negotiators. Only in late summer and autumn of 1990 did the Minister of Housing convince the Cabinet to override the Ministry of Finance's opposition to a more generous package of incentives to the developers (Alterman 2002: 97–100). The package of incentives and conditions was composed of several main elements:

- *Bonuses for speed and innovation in construction modes:* This incentive offered very generous bonuses to stimulate the speed of construction. These could reach \$15,000 (per unit?) if a unit were completed within seven months or less. Bonuses for longer periods were also generous.
- *Allocation of public land:* The second type of incentive called for the allocation of public land to developers at no cost. This policy was applied equally in most parts of the country excepting the high-demand central region where subsidies were at 'only' half-price. Since land prices there were much higher than on the periphery, the value of this bonus was very significant. In late 1991, this policy was abolished for the central region, as evidence corroborated initial expert opinion that in a 'sellers' market' subsidies accrue to the developers and are not passed on to the immigrants or other consumers.
- *Infrastructure costs covered:* This incentive did not draw as much attention as the previous two. The Ministry of Housing offered to cover virtually all developers' infrastructure costs – roads, sewerage, and public services.
- *The buy-up commitment:* This subsidy was perhaps the most significant. The developers argued vehemently that a buy-up commitment was necessary, but government was very reluctant to grant it. The developers were concerned that they would need to commit huge resources in the face of great uncertainty. They argued that to increase production capacity dramatically, they would have had to invest large sums in new equipment; import manpower; train local labour, and absorb high financing costs. Yet, the immigrants might suddenly stop coming or might not have enough income to obtain financing for mortgages. After tough negotiations, government finally agreed to buy up any units that developers did not succeed in selling within a specified period of time, and to pay the developers 100 per cent of the agreed-upon value of each unit. In the high-demand central region, the government committed itself to buying up 'only' 50 per cent of the units. The buy-up commitment, however, had a price ceiling, as noted next.
- *A price ceiling:* A ceiling of approximately \$80,000 was set for the buy-up commitment. Since most developers wanted to be eligible for the exercise of the buy-up commitment, if that became necessary, it was assumed that they would keep to the price ceiling. The

ceiling was intended to serve two purposes: to ensure that the new housing would be affordable, and to save on public funds should the government have to activate its buy-up commitment.

- *No restrictions on the 'status' of the potential buyers:* This incentive was a notable departure from the traditional policy of public-programme housing in which the housing was specifically designated for new immigrants and other earmarked households such as young couples. Since the purpose of the crisis-time programme was to increase the *total* housing stock, it was decided that all the units could be sold on the open market, to anyone. This policy also served the planning goal of avoiding social segregation and neighbourhood deterioration, and the developers' goal of opening the market to anyone who could pay. This rule helped increase the potential demand for the public-programme housing, making it even more attractive to developers.
- *Uniform application:* The incentive programme was to apply countrywide, to all local authorities and all sites on public land that the government slated for public-programme housing (with a distinction between the central and peripheral regions). But despite the ostensible uniformity, the price ceiling was not always maintained, as the Comptroller General noted in her 1992 Report (Alterman 2002: 111). Furthermore, some astute local authorities were able to negotiate minor variations in the programme, such as better design control or use of external materials, as I have shown in previous research that compared how two 'matched' local authorities handled the ostensibly uniform centrally imposed guidelines in significantly different ways (Alterman 2002: 146–169).

The economically sophisticated formula for public programme private-capital housing of the 1990s turned out to be very successful in stimulating the private housing construction market to produce an amount of housing ten-fold its usual production.

Tax exemption to encourage the private rental market

The only incentive provided during the crisis to the private housing market was an exemption from the 10 per cent income tax that applied to private rentals before the crisis. This initiative, proposed jointly by Housing and Finance, was enacted in 1990. In the virtual absence of housing constructed especially for rental (this has been so throughout Israel's history), the ad-hoc rental market by individuals who own more than one apartment or are abroad has provided the major rental stock in Israel. Many economists and planners credit the tax exemption with the great increase in the rental housing stock that suddenly appeared during the mass-immigration crisis. I have my doubts because much individual rental income was never reported either before the crisis or during it. The increased supply was due to a steep increase in demand and the resulting hike in prices that made it lucrative to rent out vacant, poorly maintained, or previously converted housing units.

Consumption-side policies in the 1990s: the evolution of subsidies to eligible households for rental and for purchase

The policies developed during the 1990s were the most sophisticated not only on the production side, but also in the consumption side. Before introducing these in detail, I shall summarize the evolution of these policies until the 1990s.

The evolution of consumer-side policies until the 1990s

A consistent element of Israel's housing financial support policy to immigrants has been to provide them with enough money to rent housing during their start-up years, but to encourage them to purchase housing as soon as possible. This meant that, unlike non-immigrant Israelis, immigrant households are eligible for initial rental support, but only for a limited number of years (except for the very needy or elderly). Alongside the opening-up of the private housing market to eligible households, the rental support system too was opened up and gradually deregulated. The particulars of the rental support policy have changed with time, but the details are beyond the scope of this report.

While Israel's policy of encouraging housing purchase has been a consistent leitmotif, the subsidies towards housing purchase have not always been in direct relationship to housing or immigrant absorption goals. Being a major government expenditure item, the levels of support have changed with Israel's macro-economic and social policies, or in response to interest-group political considerations. The size of the mortgages and the levels of subsidy of the interest rates were not always very generous, often lagging much behind the hikes in housing prices, especially during high-inflation periods. The levels of subsidy have consistently been part of the national population distribution policy (Alterman 2002: 50–56; Gal'on 1998). This has meant that the size of mortgages and the levels of subsidy would be higher for the same eligibility category in peripheral and border areas than in the central region.

During the early stages of the mass-immigration period of the early 1990s, the consumer-side strategy was very similar to what had been in effect in the 1980s. That is, under the 'direct absorption' policy, new immigrants were offered rental subsidies for a limited period of time so as to substitute for temporary housing. After that period, it was hoped that most new immigrants would be able to buy (or long-term lease) a housing unit, with the help of subsidized mortgages available to immigrants at privileged terms compared with other eligible categories of Israeli households. The basic categories remained the same as in the 1980s (Israel Ministry of Housing 1989, 1990: Table 11). However, with time, as feedback accumulated from the Ministry of Absorption and the Ministry of Housing, several lessons were learnt.

There has been a gradual shift from rental support granted to the house owner (requiring immigrants to give the authorities copies of the rental leases) to a policy that made the rental support entirely liquid, to be used at the family's discretion. The length of time during which immigrants would be granted rental support and the levels of support varied from time to time in accordance with the monitoring data about the rates of housing purchases (Gal'on 1998).

Rental allowances and the living-support 'basket'

As a result of feedback, several important policy improvements were made in the rental allowances. The first change pertained to the target of the allowances. At first, the allowances were earmarked for housing only, and renters had to produce the leases to prove that the allowances were used legally. This not only caused difficulties for the immigrants, but also led to a hike in rental prices as renters realized that the immigrants had a particular assured sum earmarked for rental only. So, decision-makers changed the policy, later allowing immigrants to receive the rental allowance as

part of the total absorption-support 'basket'.

The second change pertained to the permission to pool allowances. Initially, only one rental allowance could be used per household. With time, this was relaxed to allow more than one family to share an apartment with relatives or non-related persons. This turned out to be the 'great saviour' in that it allowed the rental housing stock – very limited at the outset of the crisis – to 'stretch' itself according to demand and prices.

The third policy improvement dealt with the time limit of the allowances. Initially, the rental allowances were limited to a short period of time and were tied to the production of an actual rental contract. This caused not only stress to many households, but also misinformation, and a tendency by some to delay housing purchase in order not to lose out on the free allowance. Decision-makers found that it was best to lengthen the period of time to allow more households to stabilize their job situation and to have a longer horizon before making the decision to take out a mortgage for housing purchase.

Subsidized mortgages

The key consumption-side policy remained as in the 1980s (the third 'station' of the spectrum in [Figure 9.2](#)). That is, households were each eligible to take out a mortgage according to the number of persons, and these could be used towards the purchase of any unit on the open market (Israel Ministry of Housing 1990: Table 11). With time, a very important relaxation was made that moved the strategy of the 1990s further along our spectrum of policies, into the fourth station. Whereas during the early periods each family had been eligible for only one mortgage, in the early 1990s policymakers reacted to the many requests to combine mortgages. They made the highly critical decision to allow more than one mortgage to be used towards the purchase of a single housing unit (Israel Ministry of Housing 2004: 5).

Many immigrant households have made extensive use of the new flexible policy. For instance, some families took in one or two grandparents, while some parents pooled their eligibility with that of an unmarried adult child. Because there was a housing shortage during the early 1990s, this new policy was not only helpful to the immigrants, it also helped to stretch the housing stock and to increase the rate of housing purchase. While the permission to combine mortgages has generally been a very successful policy, allowing households to set their own priorities and to gain tenure security faster, there have been cases of misuse within families. All in all, however, this policy has been an important factor in the success of the 1990s housing strategy.

The immigrant mortgage system that evolved after the mass-immigration wave of the early 1990s is the most successful in Israel's history (relative to the country's resources). The additional flexibility introduced regarding household choices has been important in enabling an exceedingly high rate of immigrants to gain housing security in a relatively short time – probably one of the highest rates of success in the world. The majority of immigrant families have been able to buy a housing unit within 5–7 years of their arrival.

The outcomes of the public-programme housing of the 1990s

By 1993, the results of the housing-production onslaught were visible everywhere. The policy formula developed led to the delivery of some 100,000 'affordable' housing units, mostly in the form of condominium apartments. These generally were built to a good standard, despite the speeding-up incentives. In some towns, especially the smaller ones, entire new neighbourhoods sprang up, thoroughly changing the physical and social landscape of these towns. The construction blitz added a much-needed stock of medium-sized and smaller apartments to Israel's housing market (Alterman 2002: 104–114).

The housing programme largely relied on the 'trickle down' process. The policymakers' goal was not just to increase the general housing stock so as to avoid homelessness; they hoped that the majority of immigrant households would be able to become homeowners (usually meaning apartment owners) just like the general population. Like the other eligible population groups since the 1980s, the new immigrants were allowed to use their government-subsidized mortgages towards the purchase of *any* housing unit of their choice, whether in the public or private sector (Alterman 105–113).

By September 1999, 73 per cent of the immigrant households that had arrived during the 1990s had already purchased their own housing unit, despite the hike in housing prices that occurred until 1996. Remarkably, this figure is about the same as the equivalent figure for home ownership by the total Israeli population! (Alterman 2002: 113–114). The picture becomes even more impressive if the immigrants are classified by year of arrival in Israel. The new immigrants may achieve an even higher home-ownership rate than the total Israeli population. Among the immigrant households who arrived in 1990, a hefty 91 per cent have already purchased their home, and of those who arrived in the massive wave of 1990 and 1991, 88 per cent and 81 per cent, respectively, have bought a housing unit (Alterman 2002: 114). Even among the immigrants who arrived in 1996, about half had managed to buy a housing unit within three years. These figures also provide an indirect indication of the reasonable success of employment and economic integration.

CONCLUSION

The Israeli experience with immigrant absorption, especially in the area of housing policy, has been very successful in international comparative terms. One of the keys to success has been the capacity of decision-makers to learn from their own mistakes and adjust their policies. This is not to say that the learning process has been adequate, or that mistakes were not repeated. However, in many countries, housing policy suffers from governmental failure more than some other areas of socio-economic intervention. Furthermore, government failure in immigrant absorption is also a common malady in

Table 9.3: *The outputs and outcomes of the housing strategies in key policy periods*

Key periods and their characteristics	Gross annual public investment in housing (million NS)	Average no. public housing units built annually	Average size of private initiated housing unit in m ²	Average size of public-initiated housing in m ²	Percentage of population living in crowded housing*
1948–1951 Mass immigration	804		50	28	
1952–1959 Moderate, mainly North Africa	1,202	19,372	75	45	58
1960–1966 Moderate, North Africa, Romania	1,939	44,760	92	61	39
1967–1970 Low immigration	1,441	8,750	104	74	29
1971–1976 Wave from the USSR	3,805	21,130	110	73	23
1967–1985 Low level – South American and affluent countries	2,180	10,580	126	86	16.2
1986–1989 Stagnation: Immigration and emigration balance	886	3,520	144.4	98	12.5
1990–1992 Mass immigration from former USSR	5,569	34,660	148	85	11.5
1993–2004 Moderate wave from CIS tapering down after 2001	2,867	18,475	152	105	7.9

Source: ICBS 1997, 1998 Note: * More than two persons per room ('room' includes bedrooms and living rooms but not kitchen).

many countries, often compounding the problems encountered in forging housing policies particularly for new immigrants (Carmon 1996).

In the above pages I have attempted to point out those elements of Israel's evolving immigrant-absorption policies that have been more successful, and those to avoid.

In conclusion, I present in [Table 9.3](#) a comparison of the outputs and outcomes of the housing strategies applied in Israel over the various periods. The table shows the gross public investment (in constant IS). These figures should be seen, of course, in relation to the country's economy at each period. In the 1950s, the investment in housing constituted some 35 per cent of the government's total expenditures (Darin-Drabkin 1959). In later periods, this percentage declined.

The table also shows how despite the intake of mass immigration, housing standards in Israel have risen constantly.⁶ The rise in housing standards has applied both to private and public sector housing. In fact, during the 1990s' mass immigration crisis, the government had to make a special effort to reduce the average size of apartments constructed (Alterman 2002: 111–113), which can also be seen in [Table 9.3](#).

So, despite the fact that during Israel's initial years the economy was similar to Palestine's today, and in the 1950s the degree of crowding was 58 per cent, it has declined to 8 per cent today. If one adds an important indicator not shown in the table – the rate of home ownership among all Israelis and the even higher rate among the newest immigrants (well over 70 per cent), one can support the conclusion that Israel's housing policy offers important lessons for other countries.

I personally hope that this report will contribute to the transfer of knowledge among the closest next-door neighbours and that the lessons from the evolution of Israel's policies – both successes and mistakes – can soon be applied usefully to address the intake of Palestinian returnees and the upgrading of current refugee and other inadequate housing. Hopefully, a peaceful settlement between Israel and Palestine will arrive soon.

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