

XIV Sectors of the Economy

1 NET DOMESTIC PRODUCT AT FACTOR COST

Figure 60 and Table 56 summarize the changes in net domestic product at factor cost for various sectors of the economy for the period from 1952 to 1982.

The role of agriculture shows the greatest overall decrease, and this is possibly a further explanation for the declining prestige of the *halutzic* agricultural pioneer ideal. One could also argue that the share of agriculture fell because of the decline of its prestige. People and governments were more interested in other sectors.

The proportionate share for commerce, including restaurants and hotels, has also greatly shrunk. Little change was evidenced in the shares of manufacturing, construction, electricity and water, transportation and the public service sector. In the public service sector, however, the role of public subsidies (in the form of government loans for domestic production and for exports), first registered in 1975, is of growing significance. The economic activity of the credit and insurance institutions has exhibited a growth nothing short of explosive. In 1982 agriculture grew slightly and services did even better, but the share of industry decreased.

The proportionate decline of agriculture in terms of its share of net domestic production also reflects the changes in the structure of Israel's exports (see section C/XVII/2).

2 OCCUPATIONAL STRUCTURE

The proportion of employees rose from 63.2% in 1955 to 78.1% in 1981 and 78.6% in 1982. That of employers remained relatively constant (3.7% in 1970 and 3.8% in 1982 after slumping to approximately 2.5% between 1974 and 1977). The proportion of self-employed fell from 22.6% in 1955 to 10.2% in 1982 (*Statistical Abstract of Israel*, 1983: 365).

The decreasing role of agriculture is further documented by the changes in the occupational structure (see Figure 61 and Table 57). In 1936, 44.9% of the total labour force in Palestine was still engaged in agriculture. After the Second World War only 32.1% remained in the agricultural sector (1945). Ten years after the independence of Israel, 17.6% of the nation's workforce was employed in agriculture. By 1970 this proportion had fallen almost by half to only 8.8%, and slid further to 5.7% in 1982. All the while public services and industry were growing significantly.

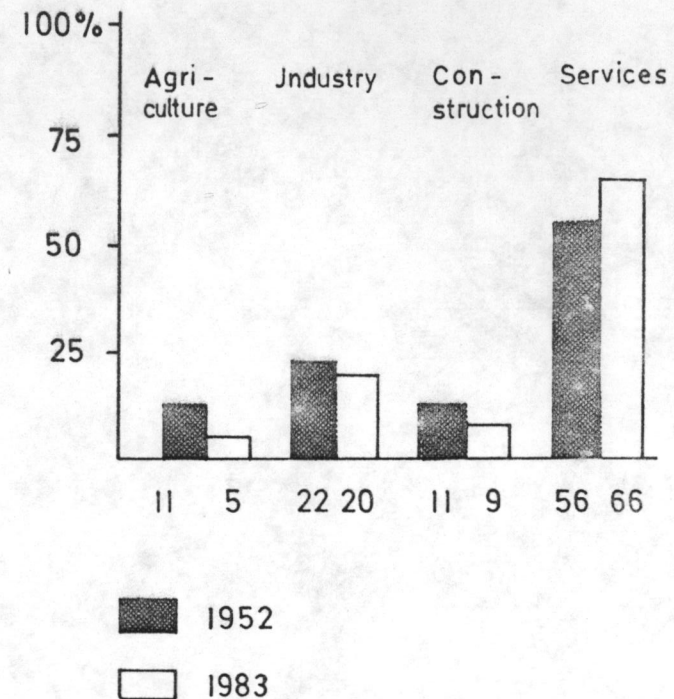


Figure 60 Net Domestic Product at factor costs, 1952-83.

The statistics for the Arab population demonstrate the gap between Jew and Arab as well as the general decrease in the role of agriculture. In 1936, 62% of the Arab population of Palestine worked in agriculture. The 50% who did so in 1945 already represented a considerable drop, and only 11.1% remained in the agricultural sector in 1982, when 18.1% of the Arab labour force was employed in industry, 24.1% in construction, 14.5% in commerce (including restaurants and hotels), 7.8% in transportation, 2.3% in finance and business services, 15.7% in the public service sector and 6.0% in private services (*Statistical Abstract of Israel*, 1983: 355).

In 1936, 19% of the Jewish labour force was employed in agriculture, as compared to only 10% by 1945 and 5.1% in 1982 (*Encyclopaedia Hebraica*, 1958: 731 f.; *Statistical Abstract of Israel*, 1983: 358 f.). The data in Halevy and Klinov-Malul (1975: 65) differ somewhat from the *Encyclopaedia Hebraica*. These authors give 21.4% as the proportion for 1936, 13.4% for 1945 and 10.3% for 1967.

The development of mining and manufacturing during the Mandate period from 1936 to 1945 was rather timorous, despite the demand generated by the war. The massive wave of industrialization following independence is evidenced by the jump from 15.5% of the labour force in this sector in 1945 to 22.4% in 1958. Since then the proportion has remained almost constant (see data in C/XIV). The construction industry was able to increase its share of the total workforce beginning in the 1930s and reaching a high of about 10%

Table 56 Net Domestic Product at Factor Cost for Major Economic Sectors, 1952-84; the figures are given as the percentage of net domestic product at current prices, before adjustment

	Agriculture, Forestry, Fishing	Mining and Manu- facturing	Construction and Utilities	Commerce, Restaurants, Hotels	Transport	Finance and Insurance	Real Estate	Public Services	Private Services
1952	11.4	21.7	10.9	22.7	7.4	2.5	5.2	18.2	—
1953	11.4	22.8	10.0	22.0	7.2	2.6	5.0	19.0	—
1954	12.1	22.4	9.7	21.6	7.6	2.6	5.0	19.0	—
1955	11.3	22.5	10.1	20.6	7.4	2.7	5.4	20.0	—
1960	11.7	23.8	9.5	18.6	8.0	3.8	5.9	18.7	—
1965	8.4	24.2	9.8	17.9	8.5	5.2	7.3	18.7	—
1970	6.5	24.1	12.1	11.0	8.9	8.9	6.1	19.1	3.3
1975	5.7	22.5	12.3	11.9	7.4	11.4	8.6	18.3	3.0
1981	5.0	23.1	11.6	11.1	6.4	-4.5 ¹	8.0	18.3	2.5
1982	5.8	18.6	9.9	12.8	6.5	-5.8 ¹	7.8	22.4	2.9
1983	5.2	19.7	8.8	12.7	7.1	-6.4 ¹	8.6	5.2 ²	3.2
1984	3.8	22.0	7.2	12.3	6.5	13.5	8.5	22.9	3.2
						-6.2 ¹		4.4 ²	
						15.2		22.4	2.7
						-4.9 ¹		4.3 ²	

Notes:

¹ Imported bank service charges.

² Estimates of subsidies for various industries (since 1975).

Source: *Statistical Abstract of Israel*, various vols.

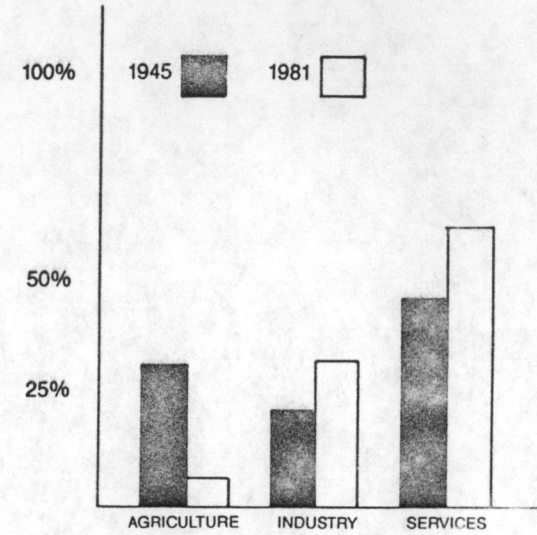


Figure 61 Employment in the major economic sectors, 1945 and 1981 (%).

in the 1960s, but its share fell to 6.2% in 1982 (*Statistical Abstract of Israel*, 1983: 336).

The division in the labour market between Jews and Arabs can be demonstrated in the construction industry. In 1982 only 4.5% of the Jewish labour force was engaged in this sector, as opposed to 24.1% of the Arab workforce (*ibid.*: 355 ff.).

It should be recalled that of the 75,800 workers from the West Bank and Gaza Strip employed in the Israeli economy in 1982, 52.8% were employed in the construction industry (*ibid.*: 780).

Figure 61 and Table 57 illustrate the massive growth of the service sector. Some 30% of all gainfully employed Israelis were to be found in the public service sector alone in 1982. In 1958 the proportion had been 'only' 21.9%. The share of the private service sector actually decreased from 7.6% in 1958 to 5.8% in 1981, but rose to 6.1% in 1982 (also compare wage levels in the various sectors, as shown in Figure 59 and Table 55).

The Jewish/Arab gap can also be easily recognized in the public service sector. Whereas 15.7% of the Arab labour force was employed in this sector in 1982, it comprised 31.3% of the total of gainfully employed Jews (*Statistical Abstract of Israel*, 1983: 355 ff.).

3 AGRICULTURE

The gradual shift away from agriculture in favour of industry and the service sector follows, of course, a worldwide pattern of economic development, this

Table 57 Distribution of Workforce by Economic Sector (%)

	Agriculture, Mining Forestry, and Manu- facturing	Utilities	Construction (building and public works)	Commerce, Restaurants, Hotels	Transport, Storage, Communi- cations	Financing, Business Services	Public and Com- munity Services	Personal and Other Services	Total of Persons Employed (thousands)
1936	44.9	12.0	5.1	14.8			23.1		432
1944	32.2	14.5	5.3	15.6			32.3		545
1945	32.1	15.5	5.3	18.2			28.8		548
1958	17.6	22.4	9.8		6.2	12.3	21.9	7.6	655
1962	15.5	25.0	9.7		6.1	12.3	21.7	7.6	777.1
1967	12.6	24.6	7.6		7.3	13.5	24.1	8.1	835
1970	8.8	24.3	8.3	13.0	7.5	5.2	24.0	7.7	936.2
1975	6.4	24.8	8.1	12.3	7.3	6.7	27.3	6.1	1,112.6
1980	6.4	23.7	6.4	11.7	6.9	8.2	29.6	6.2	1,254.5
1981	6.1	23.4	6.2	12.0	6.7	8.8	30.0	5.8	1,280.1
1982	5.7	22.9	6.2	12.1	6.8	9.0	30.1	6.1	1,298.1
1983	5.5	22.8	6.5	12.8	6.5	9.5	29.5	5.8	1,339.4
1984	5.3	23.1	5.9	12.6	6.6	9.6	29.5	6.4	1,359.0

Notes:

1936-45: Utilities included in industry.

Transport, commerce and financing in a single category.

Private and public services in a single category.

to 1970: Commerce, restaurants, hotels and financing in a single category.

Sources: *Encyclopaedia Hebraica*, 1958: 731 f. *Statistical Abstract of Israel*, various vols.

despite the previously discussed central importance of the *halutzic* ideal of the agricultural pioneer for Zionist ideology. In the long run, this quantitative shift evidenced in the economic statistics necessarily led to a qualitative de-emphasis of certain aspects of the original ideology of development. Agriculture's reduced role in the overall economy also brought with it an unavoidable loss in its once so high social prestige, especially for the *kibbutzim*. The changes which have taken place within the *kibbutzim* and in their relations to Israeli society discussed in section B/VIII/4 must also be viewed against this background (see also A/I/3/g on the prestige of certain occupations).

Table 58 sketches some of the chief stations in the development of Israeli agriculture.

The total land area under cultivation rose from 1.65 million *dunam* (approximately 408,000 acres) in 1948/9 to 4.1 million *dunam* (roughly 1 million acres) in 1981/2. The greatest expansion took place in the 1950s. From the early to the mid-1960s the area under cultivation actually decreased and agricultural land use has risen only slightly since the beginning of the 1970s.

The cultivation of field crops is by far the leading activity. Fruit growing underwent an enormous expansion through the early 1960s, then experienced a phase of slow growth and finally a decline into the mid-1970s, only to undergo a further wave of rapid expansion into the 1980s.

Israeli agriculture is often inaccurately equated with citrus growing. Although the area under cultivation rose steadily until into the 1960s, it then stagnated until into the 1970s and has actually decreased since then.

The mechanization of Israeli agriculture is indicated by the statistics on the numbers of tractors in use. The greatest leap forward was registered in the 1960s and 1970s. The number of tractors in use doubled twice over in this period (see Figure 62).

The net capital stock in agriculture expanded significantly until into the 1960s, but the rate of expansion slowed into the mid-1970s and reversed direction in the early 1980s. The increase in complaints from the agricultural sector since the 1977 change in governments is thus apparently not only politically motivated, but also represents a reaction to a measurable and therefore 'objective' deterioration in this sector of the economy. In addition, agricultural production has been steadily rising in recent years, a factor which does not necessarily bode well for the farmer, as overproduction can lead to reduced profitability.

The crisis in Israeli agriculture since 1977 is also demonstrated by other indicators. Since 1977 the rise in the price index for agricultural goods on the input side has constantly exceeded the index for agricultural output (*Statistical Abstract of Israel*, 1983: 409). This represents an unmistakable reversal of the input/output price relation for the period from 1958/9 to 1976/7, during which the output price index was always higher.

That not only the *kibbutzim* but the cooperative *moshavim* are caught up in the crisis indicated by a comparison between the membership statistics for the years 1981 and 1970 (not to mention the levels of 1960). In contrast to the steady decline in *moshavim* membership, the *kibbutzim* have not done badly at all, even managing to increase the numbers of *kibbutz* members between 1970 and 1982 (see Table 59).

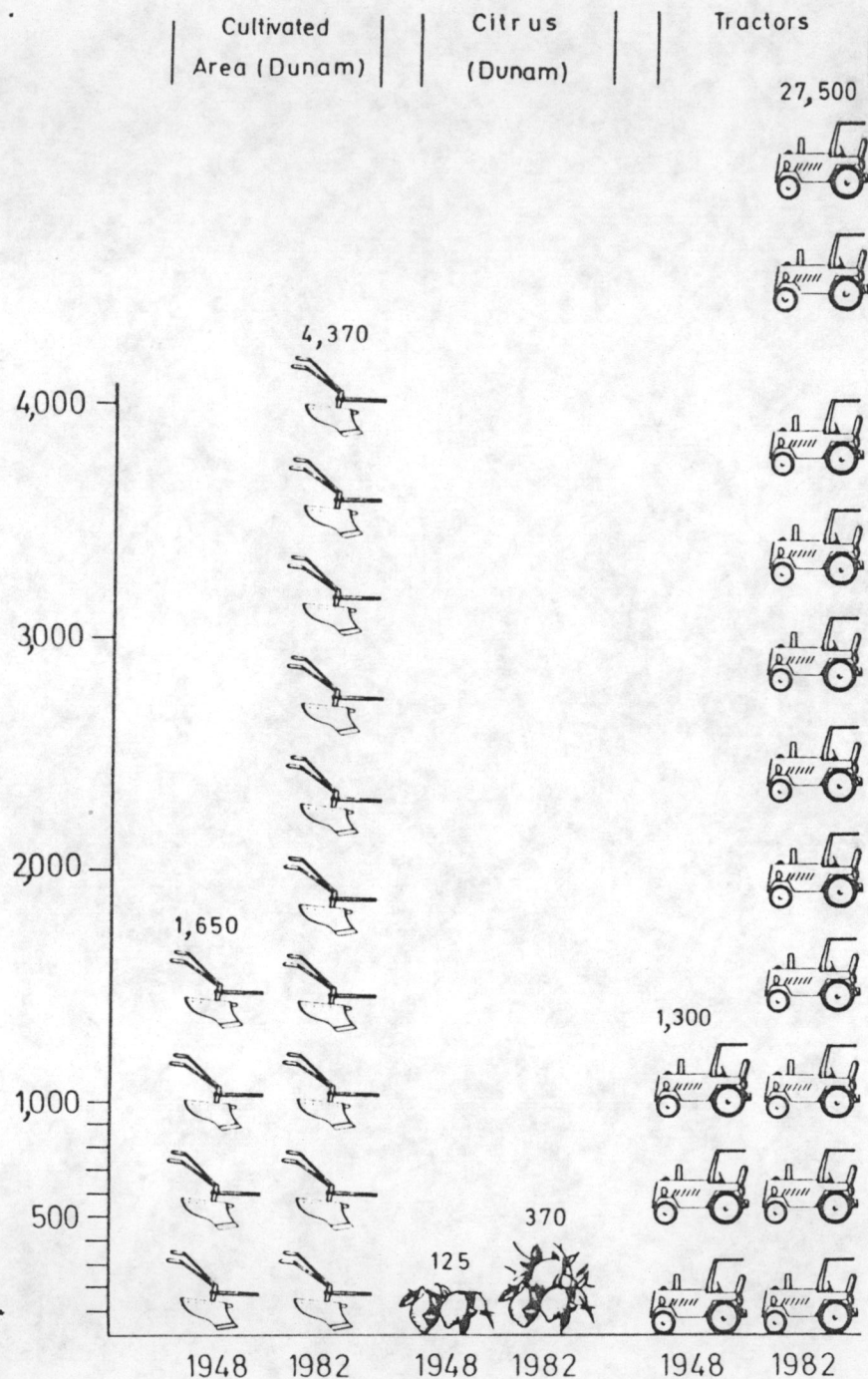


Figure 62 Agricultural development, 1948 to 1982.

Table 58 Agricultural Development, 1948/9 to 1982/3

	Cultivated area (in thousands of Dunam)				Tractors (thousands)	Net	Net
	Total	Field Crops	Citrus Fruit	Other Fruit		Capital Stock 1975/6 = 100	Agricultural Product 1967/8 = 100
1948/9	1,650	1,094	125	230	1.3	—	—
1950/1	3,350	2,636	133	259	3.0	2509	24*
1955/6	3,685	2,681	213	323	4.8	44.1	38
1960/1	4,150	2,915	340	413	7.9	69.9	68
1965/6	4,032	2,648	416	426	12.1	81.3	82
1970/1	4,140	2,695	420	415	16.8	86.9	121
1975/6	4,250	2,845	430	392	21.1	100.0	166
1981/2	4,100	2,595	334	534	26.8	97.0	252
1982/3	4,370	2,500	370	560	27.5	96.6	274

Notes:

— No data available.

1* Data for 1951/2.

Source: *Statistical Abstract of Israel*, various vols.

The data reflect not only the extent of the crisis in terms of membership but the ideological crisis as well. From the very beginning the hiring of paid labour was regarded as irreconcilable with the ideal of the agricultural pioneer. If not from the very beginning, then at last from quite early on in the Yishuv period, however, the ideal was not adhered to. Although the number of wage employees in the agricultural sector fell between 1960 and 1981, it nevertheless remained nearly as high as the total combined figure for *kibbutz* and *moshav* membership. This can, of course, be explained in terms of 'economic necessities', but the gap between the demands of ideology and economic reality cannot be denied.

Even more objectionable from a Zionist-*halutzic* point of view is the rise in the numbers of Arab employees. What Table 59 does not show is that these are largely on the payroll of Jewish employers. What is more, the tendency has been not only to employ 'native' Arabs, but increasingly to 'import' them from the occupied territories.

In short, the data in Table 59 document the abandonment of the Zionist *halutzic* ideal. At the time of its inception in the nineteenth century, the *halutzit* goal was nothing short of the creation of a 'new Jewish man' in the guise of the independent farmer who would not rely on paid labour. The ideal has not been realized and no alternative has been developed.

Of the total value of agricultural production (at current prices) 95.4% was generated by the Jewish sector in 1975/6. The figure for 1981/2 was 95% (*Statistical Abstract of Israel*, 1977: 369, and 1983: 419). This data can only be properly interpreted in comparison with the numbers of Jewish and Arab agricultural workers (see Table 59).

Table 59 Employed Persons in Agriculture by Population Group and Employment Status; figures are given as the annual average in thousands

		1960	1970	1981	1984
All Israelis	Employers, self-employed and members of cooperatives (<i>moshavim</i>)	32.5	28.5	26.7	24.8
	<i>Kibbutz</i> members	21.0	15.5	19.4	20.9
	Unpaid family members	21.4	14.5	9.1	6.0
	Employees	46.2	31.3	31.5	33.9
	Grand total:	121.1	89.8	86.7	85.6
Jews	Employers, self-employed, members of cooperatives, <i>kibbutzim</i> and unpaid family members	61.7	46.5	45.5	43.2
	Employees	36.1	18.0	15.7	17.1
	Jews, total:	98.7	64.5	61.2	60.6
Non-Jews	Employers, self-employed, members of cooperatives and unpaid family members	13.2	12.0	9.7	8.2
	Employees from Israel: West Bank and Gaza Strip:	10.1	13.3	15.8	16.8
	Non-Jews, total:	23.3	25.3	25.5	25.0

Source: *Statistical Abstract of Israel*, various vols.

The dependence of Israeli agriculture on exports grew from 27.7% in 1975/6 to 30% in 1979/80 and to 32% in 1981/2 (at current prices, the percentages of total production destined for export; *ibid.*, 1977: 372 and 1983: 422).

Since 1948/9 the highest total crop value has consistently been obtained in field produce. Citrus produce ranked second and other fruits third, but in 1981/2 citrus production dropped to third place (*ibid.*, 1982: 398 f. and 1983: 419). Again, this reflected the changes in Israel's agricultural sector.

4 INDUSTRY

The number of industrial establishments rose from 1,550 in 1937 to 2,500 in 1946, 4,662 in 1959, 6,325 in 1965/6, 5,857 in 1975/6 and 6,480 in 1979/80 (*Encyclopaedia Hebraica*, 1958: 901; Horovitz, 1973: 57; *Statistical Abstract of Israel*, 1982: 438). The growth in industrialization in Israel since independence is thus manifest. For the first time in many years, there was a drop in

the number of industrial establishments in 1980/1, when the total fell to 6,079 – an indication either of concentration or of a crisis (*Statistical Abstract of Israel*, 1983: 464).

Figure 63 gives data on the size of the various branches of industry in Israel.

The food industry (including tobacco) has continued to account for the largest share of industrial production, but its proportion has fallen from 30.3% in 1951/2 to 18.8% in 1979/80. Metals products has in the meantime taken over second place, followed by oil and chemicals. The total share for machinery, electronic and electrical equipment adds up to about 12%, a drastic drop in comparison with the total of 27.4% in 1962/3. The overall share of the textile industry has also fallen.

(a) SIZE OF INDUSTRIAL ENTERPRISES

Most industrial establishments in Israel employ from one to nine persons. This was true of 72.2% of all firms in 1980 and 66.5% in 1982. However, it is also true that 46.3% of all industrial workers in 1980 and 43.3% in 1982 were employed by companies with payrolls of more than 300 employees (*Statistical Abstract of Israel*, 1983: 451). This constituted a sharp increase in comparison with 1976, when only 39% of the total industrial workforce was employed by large companies, despite the fact that in 1976 there was only one less firm in this category, namely, 153 out of a total of 11,916 (*ibid.*, 1977: 396). In 1980 there were 154 such firms, or 1.4% of the total of 11,199. There were two fewer such large industrial enterprises in 1982, which shows that even the giants can disappear (*ibid.*, 1983: 451).

(b) OWNERSHIP STRUCTURE




























Figure 65 and Table 61 show the distribution in the ownership of Israel's industry, its relative weight and its impact on the labour market. The data do not, however, permit conclusions concerning the market position of individual enterprises.

As the figure and table indicate for the period 1976 to 1980, the number of establishments in the public sector has risen and more persons were employed in this sector as well as in the private sector in 1980 than in 1976. The Histadrut, on the other hand, apparently ran into problems in the period following the 1977 change in governments, although it subsequently recovered. In 1982 the numbers of private and public enterprises both dropped, whereas the number in the Histadrut sector actually grew. (For further details on the ownership structure see Shimshoni, 1982: 234 f.; Aharoni, 1976: *passim*; Wolffsohn, 1983a: 568 ff.)

(c) LOCATION: ECONOMIC AND SECURITY ASPECTS

A brief look at the geographic distribution of Israel's industrial enterprises suffices to recognize the traditional dominance of the Tel-Aviv and Central districts.

In 1979/80, 44% of the country's total industrial plants were located in the Tel-Aviv District alone and employed 27.6% of the nation's industrial workforce. In 1980/1 'only' 41.7% of Israel's total of industrial establishments (employing 27% of the entire industrial labour force) remained in the Tel-Aviv District, an insignificant reduction.

-  Silo
-  Motor vehicles
-  Jet engines
-  Refrigerators
-  Diamonds
-  Tyres
-  Cement
-  Cigarettes
-  Light bulbs
-  Paints
-  Aerosols
-  Electronics
-  Fibres
-  Paper
-  Bottles
-  Cosmetics
-  Shoes
-  Socks
-  Textiles
-  Oil and soap products
-  Wine cellar
-  Confectionery
-  Food products
-  Meat products
-  Instant coffee
-  Dairy products
-  Hotel

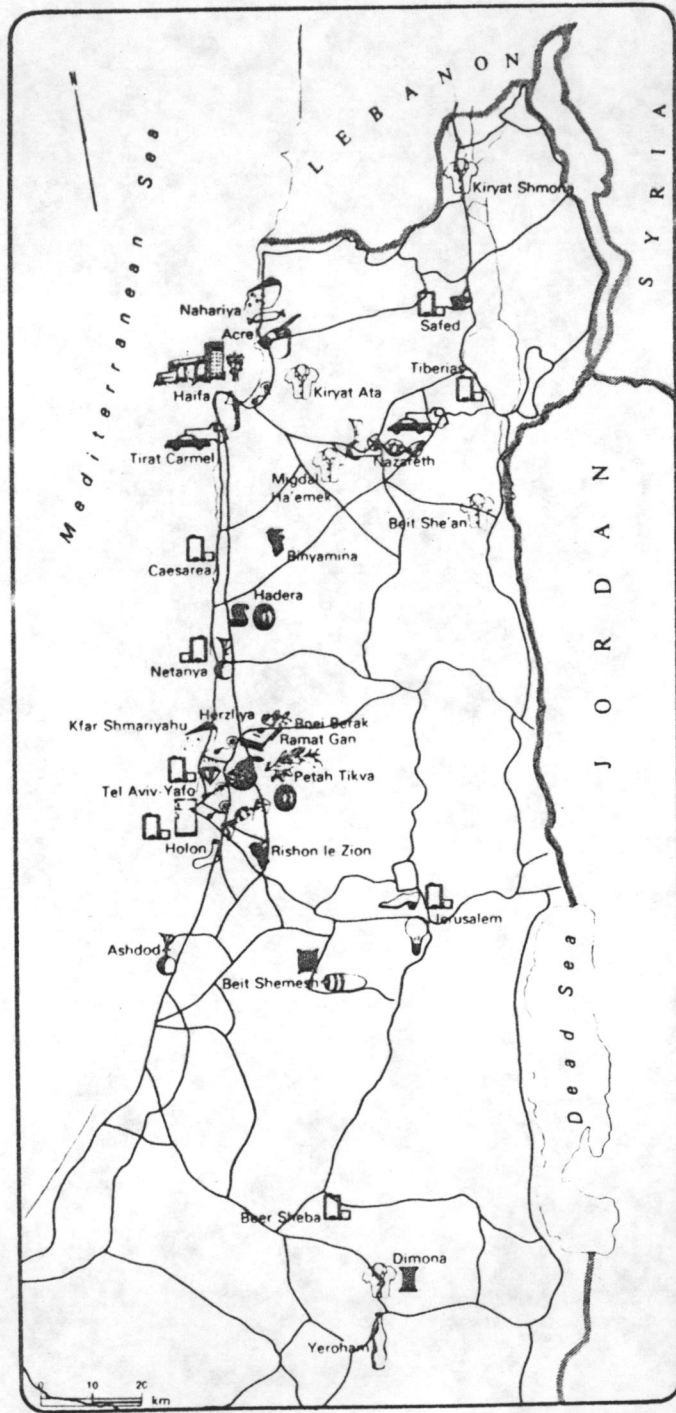


Figure 63 Regional distribution of selected industries.

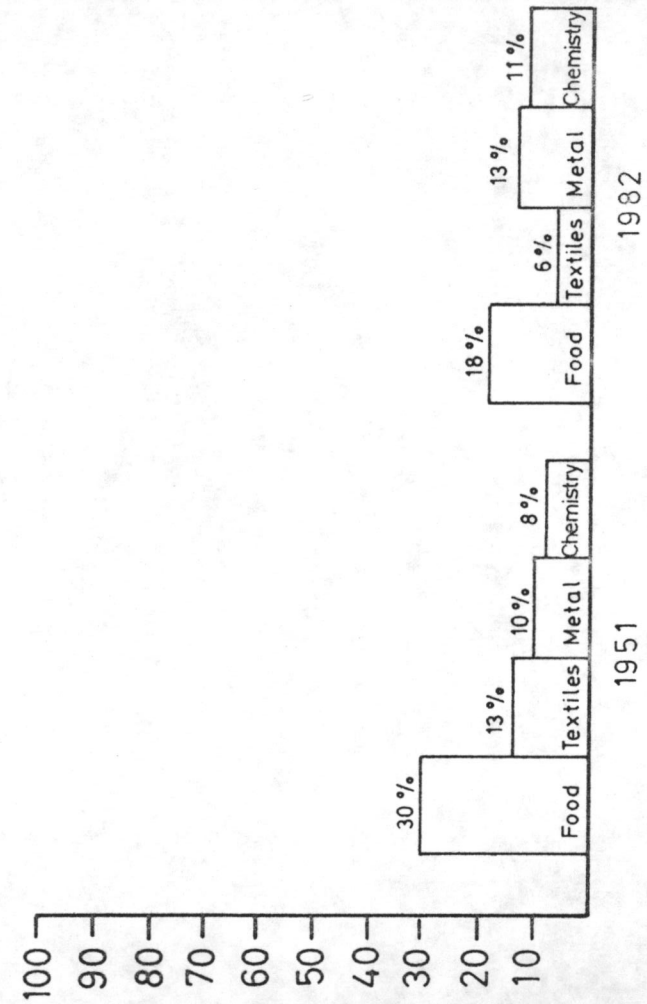


Figure 64 Developments in the industrial sector.

Table 60 Developments in the Industrial Sector

	% of Gross Output (at market prices)			Employed persons (thousands)	
	1951/52	1962/63	1979/80	1962/63	1979/80
Mining	1.6	2.4	2.7	5	5.1
Food	30.3	23.5	18.8	24	38.4
Textiles	12.7	11.2	6.2	22	21.0
Clothing	4.9	2.8	4.7	7	27.3
Leather	3.2	1.7	0.9	5	3.3
Wood	6.2	5.8	3.5	13	14.6
Paper	0.8	2.6	2.5	3	5.9
Printing	2.1	2.8	2.7	3	10.0
Rubber, plastics	1.5	3.6	5.1	8	11.4
Chemicals, oil	7.6	6.0	10.7	8	17.6
Non-metallic	7.9	7.3	4.3	3	10.6
Mineral products			3.5	7	6.3
Basic metal	10.2	9.0	13.0	13	42.0
Metal products			3.2	8	9.7
Machinery	5.1	27.4	9.2	4	30.0
Electrical equip.	1.9	6.7	7.1	7	21.3
Transport	1.5	1.2	1.9	17	6.3
Diamonds	2.6	5.4		11	

Sources: Klinov-Maul, 1975: 88. Horowitz, 1973: 59. *Statistical Abstract of Israel*, various vols.

In 1979/80, 16.3% and in 1980/1, 17.1% of the nation's industrial enterprises with (respectively) 23.8% and 24.3% of Israel's industrial workers were located in the Central District (including Sharon, Petach-Tikva, Ramla and Rishon Lezion).

A further 14.6% of the total plants employing 17.2% of the workforce in 1979/80 (and 15.6% of the plants with 17.6% of the workers in 1980/1) were located in the Haifa District.

The Northern District included 10.3% of the industrial firms (and 13.3% of the industrial labour force), the Southern District accounted for 8.2% of the plants (with 12.7% of the workforce) and the Jerusalem District had 7.1% of the enterprises (and 5.2% of the industrial workers) in 1980/1 (the data refer to establishments with five or more employees; *Statistical Abstract of Israel*, 1982: 436 f. and 1983: 466 f.).

Despite the clearly lopsided nature of this distribution, it has been possible to achieve a limited degree of balance in recent years. In 1975 the Tel-Aviv District still contained 52.6% of all the country's industrial plants, employing 33.2% of all workers in this sector (*ibid.*, 1977: 399). In the same period, however, the Central District's share of the total rose from the 1975 level of 15.8% of the firms (with 5.1% of the workforce).

The seemingly purely economic statistics point to a security problem of the first order. Whatever one's moral view of the matter may be, from an Israeli

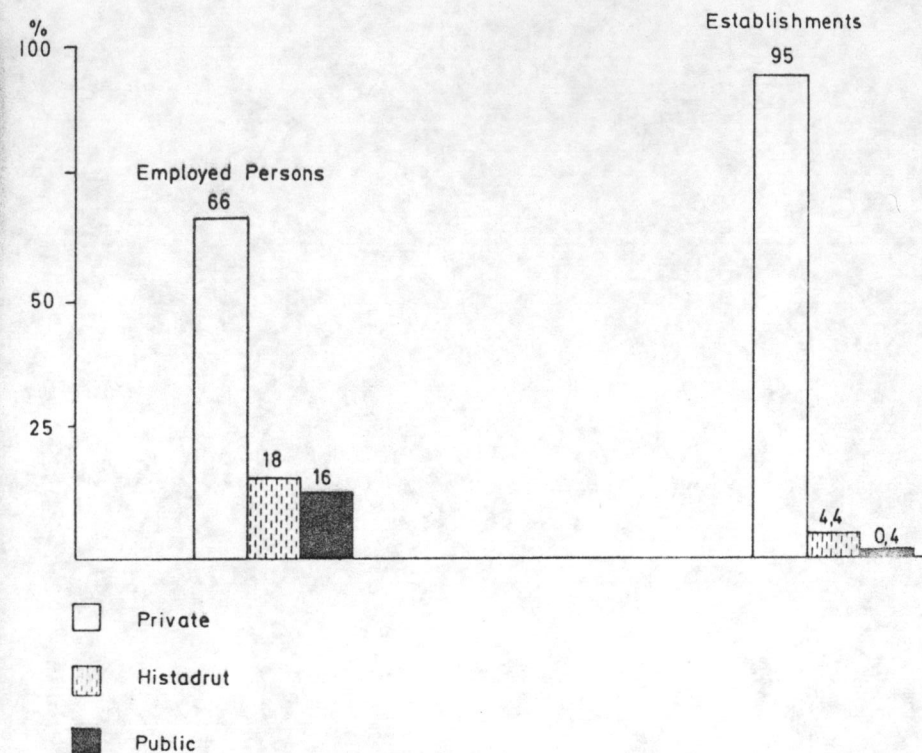


Figure 65 Distribution of ownership in industry, 1984

perspective the West Bank represents a vital geographic and military buffer zone protecting the industrial jugular vein of the nation. Apart from any dreams of aggrandizement, no Israeli politician is likely to agree to extensive territorial concessions concerning the West Bank. The question, of course, remains open as to whether 'security' can be defined solely in military-geographic terms to the exclusion of psychological-political factors.

The role of Israeli industry in relation to the country's exports is discussed in the section on foreign trade (C/XVI).

Table 61 Establishments and Employed Persons by Size and Sector

Sector	Employed Persons (% of total)		Establishments (% of total)		Employed Persons (1000s)		Establishments (number)	
	1976	1980	1976	1980	1976	1980	1976	1980
Private	69.6	71.5	66.3	96.6	193.3	197.1	11,386	10,815
Histadrut	16.4	11.6	17.9	2.8	45.6	32.1	494	314
Public	14.0	16.9	15.8	0.6	38.8	46.6	36	70

Source: Statistical Abstract of Israel, various vols.

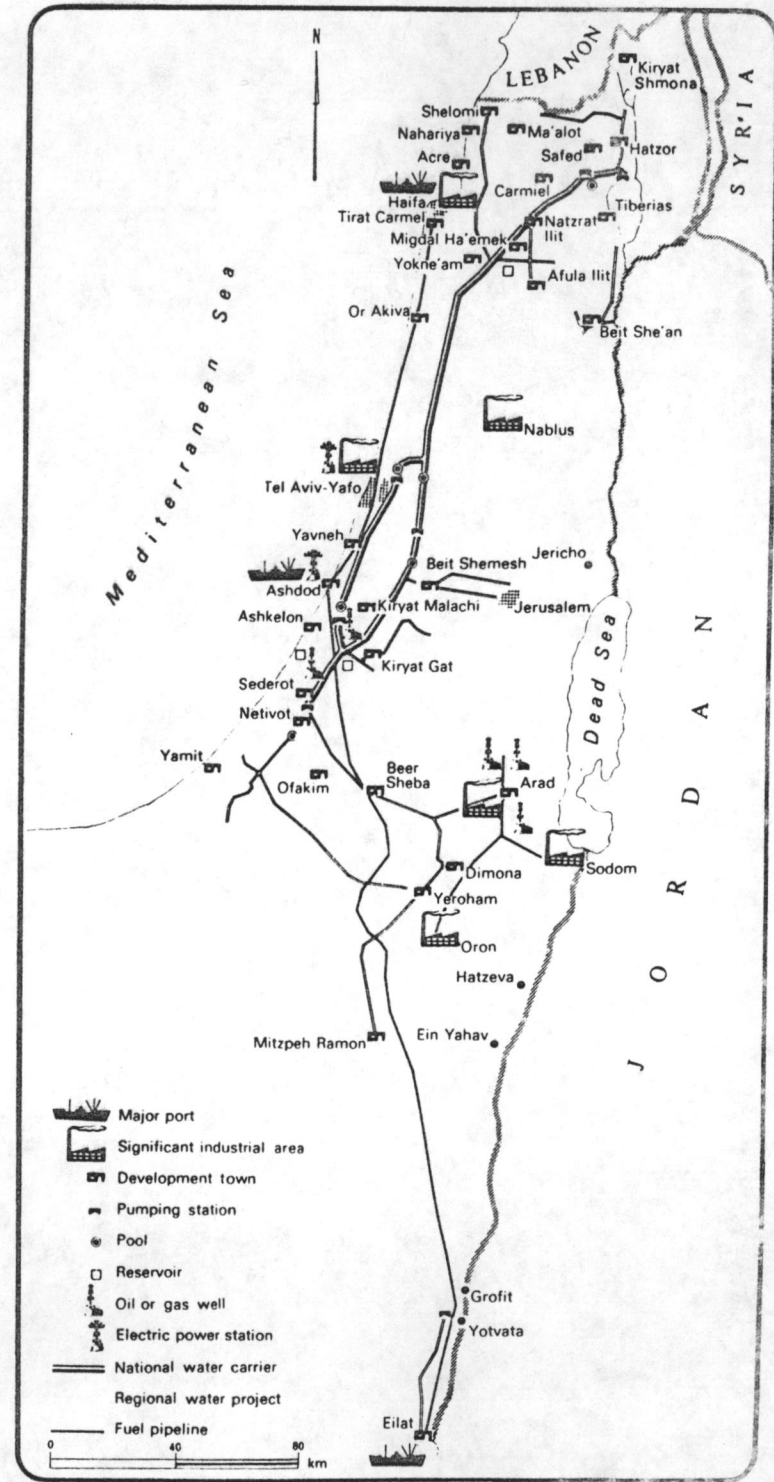


Figure 66 Economic regions