

JERUSALEM LETTER / VIEWPOINTS

Jerusalem Center for Public Affairs

VP:118 22 Elul 5751 / 1 September 1991

ABSORBING THE MASS IMMIGRATION: FACING REALITY

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Traumatic Years to Come

One million immigrants over five years, 3-400,000 unemployed, some 150-200,000 potential emigrants. The Bank of Israel program for the absorption of a million immigrants, published in April 1991, claimed that if the immigrant forecast is correct, the other numbers are almost fatal. Translated in social terms this means that Israel is in for a number of turbulent and traumatic years, irrespective of what happens in the defense field. In the light of this perspective we have to reappraise our strategic thinking and redefine positions on major issues such as Israel's role as a Jewish homeland, the relationship between Israel and the diaspora, as well as how to occupy people in society.

Though there are also a few olim who do not belong in these categories, Israel is and has been mainly a haven for those who live in fear abroad or are already persecuted. The Zionist

message of Israel is more generous and utopian than that of any other country. Applying the equivalent numbers to the United States, we realize that there is no imaginable disaster in the world that would convince that country's government and citizenry to embrace some fifty or even twenty-five million people over the coming five years.

It is exceptionally generous of Israel to let in all Jews from all over the world, the sick and poor, the uneducated, and the welfare cases. It has even occasionally provided a haven for some people who had reviled it before. However, pushing utopianism beyond its limits threatens to become self-defeating.

No state should take undue risks, in the political, economic or any other field. Israel should first serve the collective interests of its citizens. The Jews abroad who do not share Israel's burdens fully, did not have to sit in the

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ISSN: 0334-4096.

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shelters when the Scuds fell, and do not have to guard its frontiers cannot have the same rights as its citizens. Nor can their interests be considered to have the same priority as those of Israel's citizens.

Israel's Economic Interest

Utopian arguments usually do not enlighten concrete issues, but confuse them. Israel's economic self-interest is much more one of quality than of quantity. Half a million well-absorbed immigrants, who come gradually over a number of years, would probably be a much better solution for Israel than one million immigrants who come in a hectic wave and whose arrival will create major stresses in society.

From the economic and defense point of view, a well-functioning country with a half million new immigrants by 1995 is much preferable to one of a million new immigrants together with high unemployment and emigration.

Even among economists this is a controversial statement. The outgoing governor of the Bank of Israel, Professor Michael Bruno, considers that the best way to make the Israeli economy more efficient is by shock treatment. In his opinion, higher immigration could be the catalyst to bring about reform of the economic system much faster than would otherwise occur.

While some minor shocks may be worthwhile, this observer believes that gradual development and changes are far preferable to the mass shock treatment of a million immigrants over five years. Certainly all those who come should be welcomed and Israeli society should do its best to absorb them, but clearly the hardships of the existing population as well as the newcomers will be much less if only half a million people come over five years.

Honesty and Persuasion

Israel must make an all-out effort to absorb all those who come, yet the Israeli government should make it perfectly clear to potential immigrants that their absorp-

tion will be difficult. While we can certainly use a few more Olympic athletic champions, it is simply not in the interest of this country to increase the already very high percentage of practicing doctors. When they come here, most will have to seek work outside their profession.

Neither can Israel absorb all the engineers in their professions. This is a loss not only for the individuals concerned but also for the country, which would greatly benefit from their skills. But the reality is that there will remain a sizeable gap between what this country needs or can absorb and what is being offered by the immigrants.

On the personal level all of us should try to alleviate individual integration problems. Israel, though, should not and cannot distort the fundamentals of its economic system to accommodate the mass immigration. What is helpful at the microlevel can be harmful at the macrolevel. Comparisons of the present influx with the mass immigration of the late 1940s is most misleading. Israel's then-undeveloped economy could absorb those have-not immigrants much more easily since it did not have to provide them with a high level of services.

Honesty thus requires that potential immigrants be given the best information available to enable them to choose whether they wish to share Israel's future, that of the Soviet Union, or that of any third country which is willing to accept them. As we aim for a free world with democratic alternatives it is also doubtful whether Israel should try to influence other countries as far as their willingness to accept immigrants is concerned. People, in particular educated ones, have to take responsibility for their own choices in life and live with their own destiny.

While many claim that aliya is the raison d'etre of this country and that we should convince as many olim as possible to come here as soon as possible, I beg to differ. Such an approach is typical of self-defeating utopianism. While nobody should be dissuaded from coming here, this

is not the time to persuade people to immigrate but to integrate those who come without persuasion.

What Do We Do to Absorb Them?

Since 300,000 new immigrants are already here and many more are likely to come, what can we do to provide employment for the larger part of them and what other alternatives do we have? Even if Israel had a much more competent government, not enough jobs can possibly be created in the coming five years to employ all immigrants. Furthermore, some of their employment will of necessity be at the expense of other Israeli citizens.

Wages Have to Decline

The first unpleasant consequence of mass immigration and the lack of employment is that wages will have to decline. Since there are few jobs and many people who want them, the laws of supply and demand will reduce the price of labor. With lower wages the Israeli economy can make better use of its spare capacity.

So why are wages not falling when there are already so many immigrants here? One reason is that the labor market is not very flexible. Banks, for instance, are not going to substitute their current employees with cheaper ones, even though there are many who would be delighted to work in the banks for lower salaries and who probably could be trained in a short time for some of the jobs.

The inflexible labor and wage market protects inefficiencies and for that reason more people have no work. Where do flexible wages exist? In many marginal markets, for instance. The cost of cleaning houses is coming down because these are short-term jobs in which there is great labor mobility.

And the free market place shows up in its most ferocious way in one of the freest markets in the economic sense. The newspapers carry stories about how immigrant prostitutes have dramatically undercut existing price levels.

Housing: The Efficient Market Place

While the market place does not work very efficiently in Israel, housing is one area where it has taken care of immigration remarkably well. It is indeed surprising that so many immigrants have found places to live and are not out in the streets.

There are very few homeless in Israel, certainly much less than in some American cities with little immigration. While we have not been very successful in building houses, the existing ones have absorbed all the immigrants.

Raising Finance

In order to absorb immigrants and create employment Israel needs more investment. If a million immigrants come over five years, seventy billion dollars is the figure usually mentioned for investments needed to absorb them. It is doubtful that all this money can be found. Part of the money required will come from local savings. Part will have to be borrowed abroad. A much smaller part will be obtained from fundraising. From this perspective, the potential ten billion dollar housing loan guarantee requested of the American government takes on major importance.

Entrepreneurship

One of the most elusive issues in the process necessary to absorb immigrants is the expansion of entrepreneurship. It is only to a certain extent understood how to incentivate people to expand an existing business, or have successful entrepreneurs diversify. Investment incentives can help accelerate this process.

The Bank of Israel has recommended increasing subsidies granted for new investment and then reducing them gradually to the previous levels over a period of three years. It has also proposed that companies deduct part of their investments from taxes and that the government develop further guarantees to limit entrepreneurial risks. These seem sensible

measures to incentivate entrepreneurship.

Even more elusive is how to encourage new entrepreneurs to enter the market and start a new venture. This is accompanied by a second problem, i.e., we do not know very well which ventures will succeed and which will fail, with most of the money invested in those failures wasted.

Entrepreneurship is a most difficult field in which to establish methodology. Once a project has been realized and is successful, there comes the next question, how to identify the main elements of success and how to transfer and multiply at least part of this know-how. While there are no absolute answers, partial ones can often be found.

One has to try many routes. In the 1960s Israeli university professors in the natural sciences did not dirty their hands with such mundane things as business, but in the late 1970s and 1980s several came out of their ivory towers and started science-based ventures. How did this happen? On the one hand, academic salaries were eroded in relative terms over a long time. It was still noble to be a professor, but only partly viable. On the other hand, a generous incentives policy stimulated science-based initiatives.

Upgrade Project Renewal

In a pluralistic society there is no limit to possible initiatives which can be taken to help the integration of immigrants. One idea to be explored is to upgrade Project Renewal one step. The Jewish communities abroad, which have helped to strengthen social services and infrastructure in weak Israeli communities, could be mobilized to find additional employment for those communities as well. If Israel is to take in major numbers of olim, it does so on behalf of the Jewish people worldwide. Thus, the diaspora effort cannot be limited to money, however important that is.

How difficult would it be for the Jewish community in Montreal, for instance, to make an effort to create 500 additional jobs in their adopted development town of

Yerucham? Project Renewal has brought some of the most talented diaspora entrepreneurs in contact with development towns. They can identify attractive business ideas in their home towns and partly finance their copying in the adopted Israeli community. The chances of such projects to succeed would be above average as they would be scrutinized by highly successful business executives and their staffs. The communities abroad could also send retired businessmen over to assist start-ups. While they may not be able to overcome the peculiar problems of the Israeli economy, they could help at least with exports.

What Not to Do

What should the Israeli government specifically not do? It would be a great mistake to absorb the unemployed in existing public services where they are not needed. Yet temporary activities designed to develop the country's infrastructure and carried out with relatively low overhead would be a meaningful use of government funds, especially when compared to paying unemployment benefits.

It is crucial to stay away from Third World solutions, where one puts people one does not need in government jobs. The alternative plan to put some of them in industry as subsidized kibbitzers is almost as bad. These are pseudoemployed, to whom one wants to give the impression that they are employed.

What to Do with the Unemployed?

What are we to do with those for whom Israel has no employment in the coming years? First of all we should try all the classic solutions of the Western countries in dealing with major unemployment. Besides subsidizing and assisting small entrepreneurial start-ups, those solutions include early pensions, worksharing, assistance in retraining, apprenticeships for young people, and supporting cooperative efforts.

But once this has been done one has to move out of the field of economics and into the area of the broader social

approach. To be unemployed, even if one has unemployment benefits, carries a stigma. This is particularly true among Jews. Being idle also is most depressing and may create bad future working habits.

The future role of labor in Western society is a field to which not enough attention has been given. In Western societies there is much less work available for the average person today than was the case thirty years ago. The average number of working hours has decreased and there is still sizeable unemployment. In today's complex world we also no longer know exactly what productive employment is. In light of this, Israel will thus not only have to give attention to what to do with the employed, but also how to treat the unemployed.

Encouraging "Autonomous Activities"

Ultimately, work will lose its central place in Western society. People will spend a big part of their life carrying out what the French Marxist philosopher Andre Gorz calls "autonomous activities." These are activities which people undertake voluntarily as a purpose in themselves. He includes in this, for instance, artistic activities, studies, volunteering, etc.

There are already some examples of such autonomous activities in Israel. Perhaps the best one is the kollel, where people study Talmud for self-fulfillment. Strangely enough, this activity of a somewhat archaic sector suddenly becomes the summit of modernism and a possible role model for advanced societies. The people studying at the kollel, though in Western terms unemployed, are not embittered. To the contrary, they have reached some of the goals most in line with the Western mood of the moment -- they are happy and are fulfilling themselves.

People who have no other employment or financial resources will be able to undertake autonomous activities only if they get paid for them. Then again, the difference between employment and autonomous activities becomes more vague. The kollel students get a grant for their and

their family's living expenses. As a country with prospective major unemployment, Israel should be happy that there are people who finance kollelim and do not increase the number of unemployed.

One of the routes Israel should follow, rather than make the Russian Jewish immigrants embittered and unemployed, is to create a category of socially acceptable autonomous occupations, at least during a transition period. This could involve a mix of part-time studies and part-time public services. Helping the elderly and infirm is one such public service. Many more can be identified.

The learning could be a mixture of Jewish and secular learning or either one. Some have suggested that prolonging Ulpan learning could be a most useful autonomous activity. The mix of learning and public service would give immigrants both additional knowledge and practical skills.

In the support of autonomous activities, the adoption of immigrants by both Israelis and diaspora Jews can play a major role. Israelis can help with daily problems. A small group can also provide financial support. Jews abroad will unfortunately mainly have to be limited to offering financial assistance in the form of grants for autonomous activities.

These private grants do not have to be very high as the payments to the immigrants should incorporate the monies which they would have received as unemployment benefits. The "scholarships" should be limited in time to bridge the transition period, require performance during the grant period, and keep the recipients looking for employment when the grant ends.

This is again another form of the upgrading of Project Renewal, which has done so much for strengthening Israel-diaspora ties. As mentioned before, communities abroad could go beyond supporting improvements in social services and infrastructure to creating employment. In the sphere of autonomous activities, one should extend it from communities adopting communities to individuals adopting individuals

by making "scholarships" available.

The problem of absorbing immigrants into Israel is not only one of hardware and money, or of housing and work. It is at least as much a software problem in the largest sense of the word, of putting our brains to work to find additional employment for immigrants and for those who have no employment temporarily to find useful autonomous occupations. The more people devote part of their thoughts and

actions to this and other problems, the more constructive ideas will be born and the more immigrants will be absorbed.

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