



THE ECONOMIC STATUS OF ARAB CITIZENS OF ISRAEL: AN OVERVIEW

The Mossawa Center has identified several strategic actions that need to be taken to improve the socio-economic situation of the Arab community in Israel. These actions are related to local, national and international actors.

1. Planning

State control on city planning has been identified as an obstacle that needs to be dealt with. Lack of approval of development plans for most Arab cities and towns can motivate private investors to stimulate economic activities. According to the Mossawa Center's economic department 40 million NIS need to be invested in finalizing city plans in 40 Arab localities.

2. State Budget and Infrastructure

The Arab citizens' share from the governmental development budget for the year 2008 is 944 million NIS, which forms only 7.6% of the 12.4 billion Shekel total development budget.

Budget demands for the year 2009 include:

- a. Development budgets for schools, neighborhoods and industry – 2393 million NIS
- b. Additions to the balance grant – 360 million NIS
- c. Anti-poverty programs, specifically targeting child poverty – 550 million NIS
- d. Kindergartens for the ages 3-4 – 330 million NIS

TOTAL: 3.553 million NIS

Governmental institutions and private investors need to increase their investments in improving infrastructure in the Arab community. The main fields that must get priority in the near future are:

- Transportation
- Industrial zones
- Housing projects
- Schools

Taking into consideration that the Israeli government is planning to invest in infrastructure as a result of the national and international crisis and considering the high level of employment in the Arab community it will be important to allocate at least 1 billion NIS out of the 22 billion that the government is planning to invest in improving basic infrastructure in the Arab community.



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3. Employment

Public and private sectors need to increase the participation of Arab workers with special focus on women's employment. Several fields of employment have been identified in the last year as important areas that can improve levels of employment in the near future including governmental offices. Out of more than 50,000 employees in governmental offices, 4,000 are Arab. Government decisions and legislation to improve this situation have not been fully implemented. According to the last official governmental targets, by 2007 there should be 11% Arab workers in the economy, for example of more than 70,000 employees in the high tech companies only 300 Arabs are working in this field. This target needs to be realized.

Since the first Economic Conference in 2007, the Mossawa Center identified four new areas of cooperation between Jews and Arabs to increase the level of Arab employment in the high tech sector. In 2007 over 8,000 jobs in the high tech field have been outsourced to India and Romania. Training and targeting Arab graduates can increase the participation of Arab workers in this field. The 2008 economic crisis may affect the high tech industry and governmental and civil society action is needed to ensure that after the economic crisis this industry will be open and ready to include Arab workers.

The field of research in Israel is funded from local companies, international companies, governmental resources and international public resources in the EU (for example the Seventh Research and Development initiative) the US and others. Only 1.5% of researchers in Israel are Arab researchers, less than 1% of the technical teams of the research and development institutions are Arab employees. Conditionality of participation of Arab researchers and technical staff in these research institutions can improve the level of employment of Arab workers. The Ministry of Science and the Ministry of Education and international actors should develop such systems that can positively discriminate in favor of Arab workers in research institutions.

Additionally Mossawa estimates that 30 million NIS must be invested in developing infrastructure and to encourage building tourist businesses.

Trained infrastructure workers (taking into account that over 30% of Arab workers are unskilled workers) and most of this group are included in infrastructure and agricultural work and jobs. It' is important to invest in training these workers or potential workers.

The unique status and linguistic abilities that the Arab community in Israel have can be added value to increase the volume of business initiatives that workers in this community can be involved in. Regional economic cooperation can benefit from business initiatives that have linguistic accessibility in Arabic, Hebrew and English parallel to physical accessibility to Israel, the West Bank, Jordanian and Egyptian markets.



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4. Trade and Exports

Most local Arab industries today are concentrated in the fields of the food and trade industries. Small but important newly developed industries are concentrated in the fields of medical equipment and high tech. Educational products based on Israeli development can have a massive potential of 400 million clients in the region.

The private sector needs an institutional support system to increase exports to Europe and the Arab region. Such support systems have been increasingly improving the exports from Israel in general and abroad. Economic benefits that have been given by the European markets to the Israeli products need to be accessible to Arab industries.

5. Media

Currently the Arab media face new challenges in youth accessibility to the internet and the cable stations that are broadcasting from the Arab region. The Arab community has been marginalized from the Hebrew speaking media, especially the three TV stations, channels 1, 2 and 10.

Over 400 million NIS have been allocated by private and public sectors for advertising for governmental and private sectors. This amount shows an increase in investment and advertising in the Arab media but is still far from realizing the full potential in this area. Russian and Haredi media in Israel have a lot of funding. Lack of an Arab TV station is limiting the potential that exists in the Arab media and in TV stations that are broadcast locally and regionally in Arabic.

Print media, cinema and TV production are important fields for information, cultural exchange, visibility and political dialogue as well as important tools for marketing private and public funding. Investment in media production is needed to improve employment and visibility of the Arab community in Israel and in the Middle East in general.

6. Investment instruments

The private sector is a very important actor in economic development. Escalation in regional tension would affect the private sector immediately. Economic development is needed to ensure stability and economic growth. Governmental guarantees in cooperation with private investors would create faster investment in building infrastructure in the Arab community.

Currently just three, relatively small banks are the main banking instruments that are financially supporting the Arab community, these are; Markantil Bank, Hapoalin and the AI or Arab-Israel Bank.

These banks are too small to take risks in investing and developing infrastructure. For the last 60 years these banks were securing their private investments by getting a higher percentage of interest. Banking and funding in the Arab community



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demands new intervention, revitalization and new actors that can take the lead in investment in the private sector and infrastructure services. Private financing in building schools, housing projects, sewage systems and industrial zones have proved effective but with risks that have been highlighted since the last economic crisis took place. Governmental guarantees for 25% of the funding that will be allocated by the private sector are needed as soon as possible. The current government has been in the process of creating a private equity fund in the past two years. The RFI request for information process was finalized by the end of November 2008. Six groups, some of them leading investors, participated in the RFI process. It should be ensured that the process will be finalized by the end of the year and bids will be published before the Israeli election in February 2009.

7. Regional co-operation

A two state solution and peace process based on principles of the Arab League Initiative and the 2002 Road Map would provide space for real hope in the region. The regional crisis was affecting the Israeli economy in general and the Arab community's economic status as well. Most international actors in the region that have been involved in promoting economic cooperation between Palestinians and Israelis failed to value the importance of the Arab community to be included in the economic cooperation in the region. Trade investment, tourism and labor are fields of normal cooperation between Arab Palestinians of the state of Israel and Palestinians from the West Bank and Gaza Strip.

According to USAID data the amount of money that has been invested by the Palestinians citizens of the state of Israel in one year into the Occupied Territories economy before September 2000 is about 10 times what USAID is allocating for humanitarian aid and development in the West Bank and Gaza Strip. For the last 8 years economic cooperation between Palestinians in the Occupied Palestinian Territories and Palestinians inside Israel has decreased. Since the beginning of 2007 it has been shown that better cooperation to yield more growth is possible. During the last year hotels, restaurants and markets in the Occupied Territories are reporting higher increases in the number of visitors than ever. For example so far in 2008 Bethlehem hosted over 1 million tourists and hotel occupancy rates were above 75%.

Jordanian universities are reporting more that 5,000 Arab students on their campuses. According to the Mossawa Center's Economic department's analysis over 300 million NIS are being invested in the Jordanian economy by these people. Lack of planning is resulting in lack of investment on the side of the Arab community in maximizing its potential in regional economic development. An Arab university in the Galilee has been an Arab demand since 1981. Such a university can mobilize economic growth around its campus. Additionally cooperation in tourism between Nazareth, Bethlehem and Jerusalem has huge potential to attract millions of tourists from Muslim and Christian tourists from all over the world.



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Exchange of trade and products have to be secured by all regional and international parties of the peace negotiation teams. The following fields have been already identified as fields that have huge potential for regional economic cooperation:

- a. Trade (in the fields of the food industry, infrastructure for housing, clothes and furniture, which are the main products of the region)
- b. Tourism
- c. Education
- d. Industrial zones
- e. Labor
- f. Culture

8. Human Resources

Gaps in investment in education created differences in skills between Jews and Arabs in Israel. While the Israeli economy needs highly skilled, qualified and trained human resources, lack of accessibility to higher education and proper educational training creates high percentages of unskilled Arab labor that work for short periods in the low infrastructure industry in Israel. There are currently 36,000 unskilled Arab workers in the labor market.

Change should begin within high schools and vocational guidance centers should be created and should be able to offer services and information for Arab youth to be included in the job market as an outcome of this higher education and vocational training.

Short term training programs offered by the Ministry of Industry and Labor for youth should take into consideration the job market and the youth's qualities and aspirations.

Higher educational institutions should ensure affirmative action programs to take part equally in fields that are needed in the job market such as science and technology. Affirmative action efforts are offered by national and international donors for new immigrants and Jews from Mediterranean backgrounds. Bridging the gaps between communities in education and training must become a national task and special resources should be allocated to ensure diversity in higher educational institutions.

9. The status of Arab women

Arab women constitute half of the total number of Arab students at universities in Israel, yet only 18 percent of these women are integrated into the Israeli workforce. The loss to the economy? A staggering 6.2 billion NIS every year.

The growth that was supposed to lead to the expansion of employment opportunities did not occur as far as the Arab population is concerned, but this was particularly acute with respect to Arab women. While the rate of participation of Arab men in the workforce is high and equal to that of Jewish men, a large difference exists



between the participation of Arab and Jewish women in the work market. That is to say, only 18 percent of all Arab women of working age, approximately 72,000 women (out of 401,000 women 15 years of age and older), participate in the labor force, in comparison to 56 percent of Jewish women and 59 percent of Arab men. The analysis made by the socioeconomic unit of the Mossawa Center shows that the direct loss to the economy due to the low participation of Arab women in the workforce is NIS 6.2 billion a year, an annual loss of one percent of the GNP. This amount could significantly contribute to an increase in income per capita among the Arab population, which is particularly important when examining the poverty levels prevailing today — the average per capita income in the Arab population is about \$7,700 a year, while the national average per capita income in Israel is \$19,000.

This low level of participation has persisted for years, despite the improvements in the level of education and human capital among Arab women. The mean number of years of schooling for Arab women has recently risen to 11 years, and Arab women constitute approximately 51 percent of the Arab students studying at higher education's institutions.

The failure to integrate Arab women in the workforce in Israel is prevalent in both the private and the public sectors. Figures show that less than 1,170 Arab women work in the civil service out of 56,000 civil servants, meaning the rate of Arab women employed in various government offices is no more than two percent of total government employees.

Israeli industries seek far and wide to employ women and men from both developed and developing countries, in fields from agriculture to technology, but they have not succeeded in discovering the potential presented by Arab women as a large, well-educated work force, available right on their doorstep.

The employment figures for 70,000 Arab women indicate over-concentration in three main industries: education, health services and welfare. 80 percent of employed Arab women work in these sectors, all of which require an academic education. Arab women make up just 1% employees in government services, which is just 600 employees. The potential of unemployed academic women remains unexploited.

Arab women are still distant from the field of business entrepreneurship — only a few women have begun working as independent operators and business managers. However, there are a few cases of women who have been independently successful in various business fields, from boutiques to factories, and even large industrial plants.

Non-profit and social organizations focusing on the field of Arab women's employment, center on traditional fields of occupation. Two organizations operating in the Negev, Sidri and the Laqiya Women's Association, employ hundreds of women in traditional textile industries. These social organizations provide an example of possible directions for the development of women's employment opportunities, but need support from the state for their ongoing existence. When the market fails to cope with reality, state involvement is required to develop tools available to its citizens that will counter these situations.

Establishing special foundations, creating vocational centers, subsidizing the employment of women in the private sector, encouraging business entrepreneurship



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in certain industries, giving preference in civil service positions, establishing industrial zones close to Arab communities, attracting factories that will employ Arab workers, and developing transportation access are all integrated tools available to government ministries, particularly the Ministry of Trade and Industry, to improve the employment status of Arab women. Support frameworks for employed mothers and their children are an important component in the national program as well. Without government and private tools, Arab women will have difficulty in integrating into the workforce and contributing to the economic improvement for Arab families in general. The Israeli economy has successfully absorbed tens of thousands of immigrants, mainly from the former USSR, in less than ten years. Hi-tech firms are outsourcing workplaces and importing foreign workers in the fields of infrastructure and agriculture. It should not be difficult for the economy to absorb similar numbers of Arab women. A state that wishes to maintain high economic growth rates cannot ignore the issue of integrating Arab women into its workforce.