

# Israeli Co-ops — The Kibbutzim Then and Today

Adapting to Thrive

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## The Background

The Kibbutzim are Israeli voluntary communal co-ops created in 1909 based on a socialist and Zionist ideology, in which there is no private wealth. Their purpose was to develop the Jewish nation when independent farming was not viable, and they grew substantially as immigrants arrived and the government supported them.

## The Problem

As their environment changed and socio-economic problems arose, the kibbutzim faced the need to adapt: this meant the end of a totally equalized co-op and introduction of wages and privatization. Although the reforms saved many kibbutzim from an economic and demographic crisis, critics maintain that the kibbutzim and its ideology are long gone. We aim to analyse the results of the reforms and give policy makers tools to decide if communal enterprises can survive in a capitalist economy.

## The Issues

As other co-ops, the kibbutzim started to face issues as the market pressures increased:

- A less supportive gov't policy
- Poor governance, high consumer expenses, high debt
- Ideology defection, isomorphism, and free-riding
- Shrinkage — in the 1990s, 32% fewer people were living in kibbutz comparing 2003 to 1985



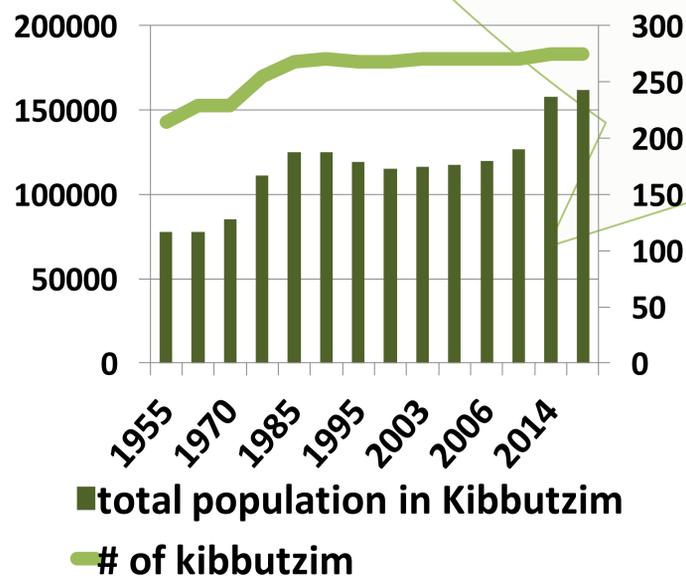
## The Revival

After decades of declining numbers, bankruptcies, and deep changes, the kibbutzim are undergoing a remarkable revival, with a 27% population growth from 2005 to 2015. With 38% of Israel's total agricultural land and only 2% of its population, the kibbutzim are responsible for 8% of Israel's total industrial output, 40% of its agricultural output, and about 8% of total GDP. The kibbutzim show that even highly institutionalized co-ops may be challenged to adapt to changing circumstances, and although changes may be severe and controversial, they can be successful.

## The New Model

To deal with the intrinsic issues resulting from equalized property rights and a competitive market, kibbutzim started to privatize, introducing regular salaries from work and other income sources specific to each individual member. However, the kibbutz retains joint ownership of the instruments of production and other assets, along with a "safety net" to help members in need. Some

kibbutzim maintain a basic budget that is distributed equally among all members along with a percentage of each member's salary.



Model	% of total
Privatized kibbutzim	75%
Communally run	25%