The discussion in the previous chapters allows us to approach the study of positive cases of labor migration with a fresh perspective. The question we will ask concerning labor migration to Israel is no longer simply: why did Israel import foreign labor? The question also becomes: why did Israel fail to follow another strategy for solving its labor supply problems? The relevance of this question is reinforced by the fact that many Israeli policymakers did not want foreign labor and held a clear preference for an alternative solution. The heart of the matter is that such a solution was not achievable, given certain features of the Israeli state.

I will argue here that the importation of foreign labor in Israel is directly connected to the structure of the Israeli state, a structure which frustrated efforts to implement the kind of policy measures that would likely have significantly reduced the demand for cheap foreign labor. The policy process for at least some economic issues in Israel exhibits a number of characteristics that sharply distinguish it from economic policymaking in a developmentalist state such as Japan. In particular, this process is highly politicized, fragmented, and marked by short-term thinking. These characteristics mean that in many cases private interests have the ability to block changes that threaten their interests, and in particular their profits. This statement is especially true concerning the difficult changes that would have been required for restructuring the construction industry in Israel, a precondition for limiting the number of foreign workers while also achieving other goals important to the government.

Because the government was unable to bring about changes that would have reduced labor requirements, and because increasing the housing stock was an important national priority, policymakers
perceived that they had no choice but to accede to contractors’ demands for imported labor when Palestinian workers became unavailable. Some policymakers believed that, in making this decision, they were simply acting like policymakers in any other advanced capitalist country, where foreign labor was taken to be an inevitable outgrowth of economic development. We have already established grounds for rejecting this view. The Israeli decision to import labor was inevitable only in a certain institutional context that put alternative solutions to labor shortages out of reach. As we will see, Israeli policymakers did not want to open its labor force to non-citizens any more than Japan did. In addition to the economic costs of foreign labor, we can consider that Israel is an ethno-nationalist society to the extent that the presence of foreigners is considered highly undesirable, except as tourists.¹ Nor was the structure of the two economies different in a way that predisposed Israel to “need” foreign workers in the mid-1990s more than Japan had experienced such a need 25 years earlier.² The factor that effectively distinguishes the two countries on this question is the institutional structure of the state as it affects the capacity for economic policymaking. If the Israeli government had been able to implement a different policy, it almost certainly would have done so, and the presence of foreigners in the labor force would have remained quite small.

I begin with a brief discussion of perspectives on policymaking in Israel, to provide a context for understanding the policymaking process concerning foreign workers and to clarify some misconceptions in the literature. I then summarize the history of Palestinian workers in Israel, an important precursor to the more recent experience with other foreign workers. The analysis of foreign workers themselves, focusing on construction workers, then has three sections: a descriptive summary of basic parameters, an examination of why efforts to pursue alternative solutions failed, and a discussion of the policy process that led to the decisions to allow imported labor. I also include a brief treatment of foreign workers in agriculture.

Policymaking in Israel

To interpret the policy process concerning foreign labor, we must understand to what extent that process shares characteristics with other policy areas that have been central to Israeli governance, especially concerning the economy. As a first step in this discussion, I will attempt to sort out some of the claims made by a variety of observers concerning economic policymaking in Israel. I argue here that a common perception