

Pensions on the Kibbutz: The Implications of the Undermining of Social Security for the Aged in Communal Societies

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A. Introduction

A central characteristic of welfare states is the existence of social security arrangements in those societies. Regardless of their nature or extent, all welfare states have a variety of programs aimed at providing citizens with the means to overcome the economic and social distress caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death (ILO, 1984). The importance of these programs is not only that they actually provide people with the means to overcome economic difficulties during times of need, but also that they enable citizens who are healthy and able to provide for themselves with peace of mind, secure in the knowledge that if, and when, the need arises, the social security programs will provide them with adequate benefits (Lerner, 1964).

William Beveridge, the person most identified with the welfare state, described programs providing protection against the reduction of income due to old age and retirement as the most important social security programs (Beveridge, 1942, p. 90). This is due primarily to the many needs of the ever growing elderly population in welfare states and the higher life expectancy of the citizens of these countries. Social security programs for the elderly must provide more people with benefits for longer periods than any other social security program. Thus, while a mother (or father) of a recently born child will require benefits for a period of months until being able to return to work, a retired worker will require, an adequate level of income from social security for one, two or even more decades. Consequently, European Community nations devote more than nine percent of their gross domestic product to expenditure on the elderly, nearly twice the

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expenditure on public health (Organization of Economic Co-operation and Development 1994, p. 61).

Given the importance of social security for the aged, it is not surprising that the struggle to establish adequate social security programs for the elderly has been at the very center of the process of development of the welfare states (Myles, 1984; Palme, 1990; Quadagno, 1988). On a whole, it is possible to identify a clear cut process in all capitalist societies over the last century or so by which responsibility for the economic and social well being of the aged has passed from the family, to the community or to voluntary organizations such as trade unions, and finally to the government. While governments do not bear sole responsibility for the well being of all their post-retirement aged citizens, they do bear the responsibility for providing them with, at the very least, a minimal income.

Though governments have been bearing a greater responsibility for the well being of the elderly in welfare states, in communal societies within these welfare states this responsibility has remained predominantly that of the communities themselves. Seen in an historical perspective, caring for the aged appears to have been a major characteristic of the more stable and longer existing communal societies (Erasmus, 1977). While short-lived communal societies obviously do not usually need to deal with the problem of elderly members, it appears that one of the secrets of the success of the few long-lasting communal societies has been their readiness to provide for the needs of those members who are unable to provide for themselves, and, in particular, for the aged (Reinharz, 1988). During his visits to North American communal societies during the latter part of the 19th century, Nordhoff (1875, p. 406) noted that communal life appeared "to relieve the individual... from the dread of misfortune or exposure in old age."

Observers of contemporary long-existing Hutterite communities have emphasized the degree of communal care for the elderly and its effect on the high degree of stability of these communities and the low level of defection from them. As noted by one of the Hutterites interviewed by John Bennett: "No one has to want here; he can look forward to a long life and will always be taken care of, no matter what" (Bennett, 1967, p. 140). Students of the Hutterite communities have stressed that the ensuring of economic security for the elderly and the maintenance of their prior standard of living are part and parcel of the community's total pattern of economic and ideological security (Hostetler, 1974). Indeed the level of community satisfaction of the needs of the elderly on Hutterite communities is such, that the members do not even receive government social security benefits (Kephart, 1976).

Unlike the Hutterites, the issue of aging and caring for the elderly has not been an issue dealt with in depth in the literature dealing with other intentional communities. This probably derives from the stereotypical image of these communities as being populated by the young. However, in contrast to this image, it would appear that an aging process is indeed affecting many contemporary communal societies. Many of the communities have existed for two or three decades (Questerberry & Morgan, 1993), most of the children born on the communities leave and the relatively few people joining them tend to be middle aged (Metcalf, 1991). As a result, it is possible to discern a changing demographic structure that has tilted more clearly towards the middle aged and elderly. Metcalf's (1986) survey of participants in alternative lifestyle communities in Australia and New Zealand in the early 1980s is indicative of this trend. He found that the percentage of participants over 50 years old (17%) was nearly equal to the percentage of those under 30 (20%).

In recent years, aging and social security for the elderly has been a growing issue of concern on Israeli kibbutzim. Traditionally, the needs of the elderly on Israeli kibbutzim have been met with a large degree of success by the community. While kibbutz members receive old-age benefits from the National Insurance Institute (as do all other residents of Israel), these benefits are channeled directly to the communal chest and, in any case, only cover a small part of the upkeep of many of the kibbutz elderly. Studies indicate that, faced with a growing elderly population, kibbutzim have been willing to devote very significant levels of resources and effort to ensuring that the aging process of members be a positive one, to the largest degree possible.

Thus, for example, many kibbutzim have established elaborate systems of long term care for their impaired elderly, thereby enabling them to remain in the community despite their disabilities (Bergman et al, 1992). In general, treatment of the elderly on kibbutzim differs from that of surrounding society, in that it is based on the needs of the individual members and not on their financial resources (Gal, 1994a).

While kibbutzim appear to ensure the social security of their members in a much more satisfying way than do welfare states for many of their citizens, in recent years there has been a growing tendency among kibbutz members to question the long term validity of this assumption. More specifically, the readiness of most kibbutzim, over the last half decade, to join public or private pension funds can be linked to members' doubts about the ability, or willingness, of their kibbutzim to provide for them in their old age.

In this paper, the development of the debate over pensions on the kibbutz movement will be described, and the changes in attitudes to

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the idea of pensions for kibbutz members will be linked with the notion of social security. Given the aging process in other intentional communities around the world, it would appear that the contours of this debate on kibbutzim have ramifications for all communal societies.

B. Developments in the Debate on Pensions in the Kibbutz Movement

The debate over pensions for kibbutz members has a surprisingly long history. Indeed, it began over forty years ago. Developments in the debate can be divided roughly into three different periods. The first spanned over two decades, beginning in the early fifties and ending in the early seventies. During this period, the debate emerged, reached a peak, and was resolved temporarily. The second period, which can be termed the "Golden Age of the Provident Funds" began in the early seventies and ended very abruptly in the mid-eighties. The final period, which has yet to reach its conclusion, is that during which pension funds became the norm among kibbutz members.

1. The Initial Debate

The debate over pensions for kibbutz members began during the first years following the establishment of the State of Israel. An initial suggestion to provide kibbutz members with pensions was raised in the Histadrut trade union daily, *Davar*, in the middle of 1950. Less than a year later, in June 1951, a formal proposal for the establishment of a pension fund by a kibbutz movement was submitted to the secretariat of the Kibbutz Ha'Artzi movement by Baruch Linn, who in later years was to head the Histadrut social security department. Linn sought to convince the movement leadership that the establishment of a Kibbutz Ha'Artzi pension fund would enable individual kibbutzim to ensure an adequate standard of living for their members in the future and, at the same time, provide the movement with the means to finance the economic growth of the kibbutzim (Linn, 1956). While the Kibbutz Ha'Artzi secretariat did not reject Linn's proposal out of hand, nothing concrete came out of its decision to study the proposal more closely.

Linn, however, did not relinquish the idea and during the years that followed he sought to convince members of the various kibbutz movements of the importance of pensions. Indeed, in 1958 representatives from the different movements participating in a joint social security committee headed by Linn expressed unanimous support for the adoption of pensions by kibbutzim. A small step in this direction was taken in the following year when kibbutzim joined a Provident Fund established specifically for them. Nevertheless, it should be noted

that the main reason for joining the fund was the tax deductions that this form of saving provided.

During the early sixties, the pension issue continued to arouse debate in the kibbutz movement. All of the three large kibbutz movements debated the issue in their representative bodies. While the Kibbutz Ha'Artzi and The Ihud secretariats expressed reserved support for the idea and resolved to negotiate the establishment of a joint pension fund for the entire kibbutz movement, the Meuhad leadership took a different position. In a discussion on the issue in December 1963, movement leader Yitzhak Tabenkin expressed adamant opposition to the idea. "There is no room on the kibbutz for pensions," he said, "Each and every individual is a member with full rights until the very end of his life ... [T]he very notion of pensions implies that the kibbutz is weakening" (Protocol of Kibbutz HaMeuhad Secretariat, 1/12/63). Not surprisingly, the Meuhad secretariat rejected the pension proposal.

In the mid-sixties, the efforts to establish a pension fund for kibbutz members were spearheaded by Aharon Efrat, Linn's replacement in the Histadrut's social security department. These efforts became more intense towards the end of the decade because Efrat was anxious to bring the pension issue to a successful resolution before money invested by the kibbutzim in the provident funds was to be released.

Yet, while Efrat sought to goad the kibbutz movements into establishing a pension fund, fierce opposition to the idea emerged among economic decision makers in the kibbutz movement. On the basis of a report specially prepared for them by a Tel Aviv university expert, members of the economic committee of the Brit Hatnuah Hakibbutzit (a coordinating body of all the kibbutz movements) advised the movement leadership that provident funds were a preferred form of savings than pensions (Protocol of the economic committee, 21/7/66). In the wake of this opposition to pensions by the economic leadership, the idea of a kibbutz pension fund was subsequently rejected in favor of a provident fund. Concrete action in this direction was taken in 1968 when the Kibbutz HaArtzi established its provident fund—Atudot. Three years later, a provident fund for the other kibbutz movements, L'et Gvurot, was also formed.

These provident funds differed from pensions in a number of ways. First, the goal of the funds was to enable the kibbutzim to invest money and receive tax benefits, and not, as in the case of pensions, to provide social security for the elderly. Second, the provident funds were based on the Defined Contribution principle, according to which the returns were linked directly to the amount invested. Pension funds, by contrast, are based on the Defined Benefit principle, by which the pension level is defined ahead of time and its reception is dependent

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upon qualifying conditions, and not only on the amount invested in the fund. Third, kibbutzim joined the provident funds collectively, while membership in pension funds is necessarily on an individual basis. Pension rights belong to the individual, even if he or she is a kibbutz member, and this remains true if the person remains on the kibbutz or leaves it. Fourth, provident funds provided higher interest rates and greater flexibility both for loans and for withdrawal than pensions (Peleg, 1993).

While the economic decision makers were undoubtedly well aware of these differences between the provident funds and pensions, the same was not true of the vast majority of kibbutz members. Indeed, it appears that most kibbutz members did not differentiate between the two funds and in fact were convinced that the provident funds established by the kibbutzim were, in fact, quasi-pension funds. This impression was enhanced by the wording of decisions taken by various bodies of the movements at the time and in which provident funds were equated with pensions. Moreover, the provident funds initiated the payment of monthly allowances to elderly kibbutz members from the funds, an act which further strengthened this mistaken image.

A final development in the first stage of the debate over the pension issue occurred in the early seventies. A government committee was established to draw up a compulsory national pension law in 1969. At the time, it appeared likely that such a law would eventually be adopted and that all Israelis, kibbutz members included, would be required to join pension funds. The likelihood of such a development forced the leaders of the kibbutz movement to reconsider their opposition to pension funds and to agree to the establishment of a pension fund for all the communal agricultural settlements. The idea was that if the kibbutzim were forced to join pension funds, then a fund suited to their unique needs and structure was to be preferred over joining existing funds. This idea was even approved personally by the Minister of Labour. However, when disagreements between the government and the Histadrut prevented adoption of the law, the idea of a pension fund for the kibbutzim was quickly discarded (Beilin, 1971).

2. The Golden Age of the Provident Funds

Public interest in the pension issue died down (temporarily at least) with the failure of the pension law proposal. The event had a similar impact among kibbutz members. During the seventies, there was very little debate on this issue and when it occurred it took place on individual kibbutzim. Most kibbutz members had little doubts about the future of their movement and were confident that the provident

funds would provide pensions for the elderly. Indeed, during this period, which was described by one of the managers of the provident funds as "the golden age of the funds", kibbutzim invested large sums of money in the funds, enjoyed high returns on their savings and received significant loans from the funds (Harari, 1987).

All this changed in the second half of the eighties. The severe economic crisis that engulfed the kibbutz movement during this period had, among other things, significant implications for the pension debate. During the early eighties, when the annual inflation rate in Israel reached over 400% and interest rates rose dramatically, the kibbutzim stopped investing in the provident funds and many sought to withdraw their investments in the funds in order to finance their daily expenses and to avoid paying exorbitant sums on interest for loans. These demands quickly threatened to undermine the liquidity of the funds. Finally, in September, 1986, the severely decimated funds were forced to dissolve themselves and merge with existing provident funds in commercial banks.

The demise of the provident funds was only one of several significant developments during this decade, that had implications for the pension debate. The Israeli economic crisis undermined the economic foundations of many kibbutzim. The rampant inflation and the rising interest rates, government price controls, and mismanagement of investments, pushed some kibbutzim to the very brink of bankruptcy and severely weakened many others. In addition, the demographic structure of the kibbutzim changed dramatically during these years. In the past, the kibbutzim had been characterized by constant population growth and a relatively young membership.

By contrast, during this period, a growing number of young and middle-aged members left, fewer young people joined and the number of elderly members grew rapidly. While in 1972, the percentage of over 65 year olds on kibbutzim was only 4.2%, by the early nineties it reached 10.2%. In the older kibbutzim, the average percentage of elderly members was much higher—17.7% (Lanir, 1993). However, it was only in the wake of events that took place in a single kibbutz in May, 1987, that the issue was brought to the fore once again.

3. The Re-emergence of Pensions

The re-emergence of the pension issue occurred in the wake of what is commonly known as the "Beit Oren Crisis". Beit Oren is a kibbutz situated in the Carmel mountains. While it had suffered social and economic problems prior to the late eighties, the economic crisis intensified the problems on Beit Oren and, by 1987, the kibbutz was on

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the verge of disintegration. The relevance of Beit Oren to the pension issue is due to a proposal made by economic advisors sent to the kibbutz by the movement in order to help it overcome the crisis. In a dramatic meeting held on the kibbutz, the elderly members of Beit Oren were told that the kibbutz would be unable to provide for them in the future and they were advised to leave (Y.Y., Kibbutz, 27/5/87). Word of the meeting rapidly leaked to the press and developments in Beit Oren became the subject of enormous public attention. While the exact nature of the proposals made to the elderly members of Beit Oren has been disputed, the impression was, that for the first time, a kibbutz admitted to being unable to vouch for the future of its members.

The Beit Oren issue rapidly became one of intense debate on kibbutzim and within the movements. Despite attempts by the leadership to deny that the Beit Oren elderly had indeed been told to leave, or to suggest that Beit Oren was an extraordinary case, events on that kibbutz gave rise to renewed discussion of the social security of kibbutz members.

Demands for pensions were raised in the kibbutz press, in general meetings on the kibbutzim, and in sessions of the movement bodies. The feelings that the Beit Oren crisis aroused were well expressed by one of the members of Kibbutz Negba, who wrote in the Kibbutz Haartzi weekly paper: "What happened at Beit Oren can happen in other kibbutzim. The entire issue of pension rights for kibbutz members must be dealt with in a way that will ensure the future of individual members while not undermining the collective principle of the kibbutz " (Vilan, Hashavua BaKibbutz Haartzi, 4/6/87).

While the movement leadership stuck to its traditional opposition to pensions, in the wake of the Beit Oren crisis this position was quickly undermined by the actions of the kibbutzim themselves. Seeking to ensure the social security of their members and to deal with their fears regarding the future, individual kibbutzim began to investigate the pension option. By 1989, the first kibbutzim began joining pension funds. The findings of a detailed survey undertaken recently indicate that, over the next five years, 43% of the kibbutzim joined pension funds, and 68% of the remaining kibbutzim planned to do so in the near future. This trend was common to kibbutzim from all the movements, though it was far more common among the more better off and older kibbutzim (Gal, 1994b).

Over time, the kibbutz movement leadership changed its position on the pension issue. The movements have tended to adopt a relatively passive stand towards pensions. While they have expressed support for the idea, they have not sought to revive the idea of a kibbutz pension fund but rather to provide the kibbutzim with legal and economic

advice. There have also been efforts by the movements to reach agreements with pension funds on programs suited specifically for kibbutzim. However, it is worth noting that the kibbutzim appear to prefer to work directly with the pension funds themselves and to ignore the recommendations of the movement experts.

C. Discussion

How can these developments in the pension debate on kibbutzim be best understood? In order to make some sense of this issue, it is worthwhile reiterating the definitions of the term—"social security". Social security refers both to the actual workings of programs aimed at providing people with the means to overcome a lack of income, and also to the peace of mind that the very existence of such programs provides to the working population. In the social security literature, the first—"objective" sense of the term—is the most common. In the context of this discussion however the second, more subjective meaning, is of particular relevance. Indeed, the key to understanding developments in the pension debate on kibbutzim can be found in the degree of subjective social security of kibbutz members. Thus, the failure of attempts to introduce pensions into kibbutzim during the 1960s was primarily due to the fact that, despite the objective hardships during this period, kibbutz members did not doubt that when they grew old, their needs would be dealt with by the kibbutz. At the time, the needs of the few elderly members were taken care of by the community and there was little doubt in the minds of the younger members that the kibbutz would continue to exist and provide for them when they reached old age. As a result, calls to join pension funds did not gain widespread support. Claims by kibbutz economists that money on the multi-generational kibbutz would be better invested in the means of production or in provident funds were far more persuasive. Kibbutz members were easily convinced that the provident funds were a good solution to their social security needs.

By contrast, in the late 1980s and early 1990s, the situation on kibbutzim changed dramatically. Pensions have remained a relatively unattractive economic option and a convincing case can still be made for the claim that the average kibbutz will have more resources to spend on its elderly members in, say, twenty years if it does not invest in pension funds but rather diversifies its capital between investments and spending on its industrial infrastructure. However, subjective social security needs not economic logic have dominated thinking during this period.

The economic difficulties of many kibbutzim, the growing elderly

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population and the dwindling younger generation, and the weakening of collective values in society, have significantly undermined the sense of social security that was part and parcel of kibbutz life in the past. The future of the movement and that of the individual members is, after Beit Oren, far from clear.

Pension funds are the means by which kibbutzim seek to calm the fears of their middle-aged members. The question is not whether the kibbutzim are providing for their elderly today. They are and will most likely continue to do so. The question is who will provide for future generations of kibbutz elderly. Unpublished polls undertaken by Yaacov Glick indicate that it is among middle-aged kibbutz members that apprehensions about this are greatest and that support for pensions is strongest (Glick, 1990). Pensions ensure that in another fifteen or twenty years, when the middle aged members of the kibbutzim reach retirement age, and the kibbutz cannot provide for their needs (because it no longer exists) or will not do so (because it has refuted its communal principles), they will nevertheless be able to take care of themselves. Pensions, then, are a form of insurance against the extreme situation in which kibbutz members will be deprived of communal financial support during old age.

Basically, the goal of pension funds on the kibbutzim is to indicate to the middle-aged members of the kibbutz, the very backbone of the community, that they can remain on the kibbutz because their future needs will be dealt with whatever happens. Pension schemes on kibbutzim are an attempt by a communal society to deal with the apprehensions of its members regarding their social security, an attempt to restore the undermined confidence of its members in the future of their communal society. It remains to be seen whether the adoption of this sort of social security program at such a late stage will indeed assuage the doubts that have emerged among kibbutz members regarding the future of their project.

This examination of the case of the pension debate on kibbutzim sheds new light on the relatively unexplored issue of social security on communal societies. Economic uncertainty, ideological change, and aging are factors that have relevance for many intentional communities throughout the world. As such, discussions on the changing nature and future perspectives of these communities would do well to take the issue of the social security of their members, both present and potential, into account. Clearly, the case of pensions on kibbutzim need not be unique to this specific sort of communal society. It has obvious relevance to other communities in which the members do not have independent sources of income or the ability to ensure their economic well-being when they are unable to provide for themselves, but rather

are dependent on the common wealth. The pressing nature of this issue on kibbutzim inevitably raises the questions of if and how communal societies can deal successfully with the social security needs of their members before they reach the acute stage which many kibbutzim have reached.

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