The evolution of Israel's third sector: the role of predominant ideology

Abstract

The article presents a case study of the evolution of Israel's third sector. It uses quantitative data on the economic structure of the sector, as well as historical data on the changes it has undergone in the past 80 years or so. This period is subdivided into three eras, each characterised by a different dominant ideology within which third sector organisations develop. The analysis emphasises the interplay between the dominant ideology and the type of existing third sector organisations in each era, and their functions in society. The changes are illustrated using the examples of two key organisations (the Histadrut – Federation of Labour Unions, and the Jewish Agency) and two minority populations (the Charedi – Ultra-Orthodox and the Arab).

Studying the Israeli third sector within the context of its social history provides an opportunity to test some of the theories explaining the evolution and characteristics of that phenomenon. Thus, the article explores the implications and contribution of the Israeli case to international third sector theory.

Introduction

In studying the Israeli third sector, its evolution and current trends, one quickly realises that it has at least two unique features, rarely found in studies of the third sector in other countries. These features are attributed to Jewish history, sociology and political culture: (1) the financial donations supporting the Jewish community living in the Holy Land that have been continuously received for many centuries from Jews residing outside the country and which currently support non-profit institutions; and (2) the patterns of organising and governance
of many of those organisations, patterns that find their origin in Jewish communal organisations in the Diaspora, where Jews had to care about all aspects of their Jewish life through these organisations. Such patterns still persist despite the fact that they now operate within a 'Jewish State'.

In addition to its internal characteristics, the study of the Israeli third sector presents an important case because it is taking place within the context of a very complex and dynamic society. Some of the complexities of Israeli society stem from its unresolved problems along the lines of the relationships with its Arab neighbours (affecting the relationships between its Jewish and Arab populations) as well as the relationship between religion and State, and the notion that it is the 'Jewish State' with Jews in the Diaspora having a stake in it; these obviously create many innate tensions. Such tensions call for creative institutional solutions to enable the use of private resources to meet public needs and vice versa. Third sector organisations played and continue to play a key role in these delicate relationships. For these reasons, such a study has theoretical implications as well. Its unique features provide an excellent opportunity for testing current third sector theoretical formulations, and, based on the data presented, hopefully contributing to the development of new or refined ones.

This paper, then, has three sections:

- A presentation of selected data from a recent study (Gidron, 1996) on the size, composition and other characteristics of the Israeli third sector. These are compared to data from a previous study that took place a decade ago (Rotter et al., 1985).
- An analysis of the evolution of the third sector against the background of major political and societal trends in the past century, with illustrations of the development of two major organisations and two minority populations.
- An analysis of these data against existing theories on the evolution of the third sector, its roles in society and its characteristics, and a development of an original theoretical formulation, which, in the Israeli case, has explanatory power and which should be added to theoretical discussions on these issues.

A similar case study approach was used by Lyons (1993) in his analysis of the development of the Australian third sector. At the present level of development of international third sector theory, such an inductive approach represents an important way of developing this body of theory.
Third sector economic data, 1982-1991

In a recently completed survey of the third sector in Israel (Gidron, 1996) using the Johns Hopkins International Nonprofit Project conceptual and methodological framework (Salamon and Anheier, 1992) a detailed 'map' of the sector was provided. The sector's economic structure was analysed by fields of practice. The study was based on a sample of 1,331 non-profit organisations (out of a population of 8,461) which filed income tax returns for 1991. In fact, this was not the first study on the third sector in Israel. A pioneering study on the subject was sponsored by the Center for Social Policy Studies and performed by the National Statistical Bureau, analysing 1982 data (Rotter et al., 1985). While the definitions in the two studies differed, it is possible to compare the findings in the two studies, at least along some key dimensions, and thus obtain a general picture of the sector's development during the 1980s.

The third sector in the national economy

According to the findings of the 1991 data, the Israeli third sector generated 15.7 billion Shekels (US $7 billion at the prevailing exchange rate). This represented 11.6 per cent of GDP. In 1982, the equivalent figures were roughly $2 billion, which constituted 8.5 per cent of GDP. The growth of the third sector during the 1980s can be attributed both to a general increase in Israel's expenditures on welfare at the expense of defence expenditures; and is also an effect which results from the more comprehensive definitions and better measurements in the Gidron (1996) study. In 1991 the sector employed 310,000 persons, which were equivalent to 171,000 full-time positions, or 13.3 per cent of the salaried work-force. This compares with 130,000 positions in 1982, equivalent to 11 per cent of the salaried workforce. The apparent growth of the sector during the 1980s has both substantive and methodological reasons, namely: (a) actual growth in the number of non-profit organisations and their economic activities, and (b) better and more comprehensive definitions and measuring tools to account for organisations not included in the 1982 study.

The income structure of the third sector

According to data from the 1991 study, the third sector in Israel received less than 50 per cent of its current income from the public sector (46.9 per cent from government and 2.6 per cent from local authorities); with 33.2 per cent coming from earned income; 12.3 per cent from contributions (which are subdivided into 5.6 per cent from
Israelis and 6.7 per cent from non-Israelis, primarily Diaspora Jews); and 5 per cent from other sources, particularly the Jewish Agency and the Histadrut (see below). The 1982 data were not analysed according to these categories, and the division is between the public (government and local authorities) and the private (earned income and contributions) sources. These data suggest that roughly 25 per cent of the income came from 'private' and the rest from public funding. The rise in the 'private' sources of income of the sector in the 1980s can be explained by substantive and methodological reasons, namely (a) a growth in the number of establishments that are not depending on public funding for their existence; (b) a decline in government funding to non-profit organisations; and (c) inclusion in the 1991 survey of organisations, mostly small and medium-size, not included in the 1982 survey (most of these did not exist at this time). These latter tend to be based more on private sources of income.

Fields of practice

The 1991 data also present a detailed picture of the expenditures of the third sector by fields of practice. Health (40.9 per cent of the total sector's expenditures) and education (30.9 per cent) are by far the largest two fields of practice by this measure. These two also represent fields of practice where government funding is highest – between 50 per cent and 69 per cent, depending on the specific field. These two fields combined received 83 per cent of total government support for the third sector. This should come as no surprise, as those two fields of practice include organisations that provide services which are considered public, but, for reasons discussed below, are provided by third sector organisations. They include the Sick Funds, providing primary health care and running non-profit hospitals; institutions of higher, Charedi (Ultra-Orthodox), adult and vocational education, which are exclusively provided by third sector organisations; and some primary and secondary educational institutions.

Other fields of practice are smaller in comparison: Personal social services (9.9 per cent of total sector's expenditures), Culture and Recreation (6.3 per cent), Foundations (4.2 per cent) and Professional, Workers' and Business Associations and Unions (3.5 per cent). All other categories constitute less than 2 per cent of total expenditure each.

The 1982 data do not have such detailed breakdown, but the picture obtained from it accentuates even more the dominance of the two major fields of practice – health and education – which then constituted 85 per cent of the total sector's expenditures.
Relative prevalence of third sector organisations among Ultra-Orthodox (Charedi) and Arab populations.

The Charedi and the Arab populations represent two minority groups with special needs: Arabs constitute roughly 18 per cent of the Israeli population, and the Charedi community constitutes 7-10 per cent. The data demonstrate the differential usage of third sector organisations by the two populations. Whereas, based on the methodology used, it was not possible to come up with an exact figure, it is estimated that close to 2,000 registered establishments (out of a total of some 8,400) have been established by and serve the Charedi population. These provide health, welfare, cultural and educational services to that population only. Except for the educational institutions, in which a high rate of public funding is involved, these organisations are supported almost exclusively by contributions. The estimated parallel number of establishments among the Arab population was only some 400.

The evolution of Israel's third sector

The very large size of the Israeli third sector in comparison to other countries (see, for example, Salamon and Anheier, 1996), and its unique features as they are expressed in those data (contributions from abroad, for example) – as well as the trends detected by the comparison to the previous decade – draw our attention to the forces behind those findings. These could be explained in the context of the historical development of the Israeli society. An analysis of almost any aspect of modern Israeli society has to begin by examining its roots in the relevant values of the Jewish religion, tradition and culture. This is especially true when one examines issues such as philanthropy.

Jews lived for two millennia in semi-autonomous communities scattered around the world. Within this framework they had to (a) adapt to the external conditions which differed from place to place, and (b) organise their internal communal institutions. Religious beliefs as well as objective social conditions are at the root of two phenomena, relevant to our analysis. These are:

- **Legitimisation of pluralism as a basis for the polity.** The lack of a central unit of control over the entire people and wide geographical dispersion resulted in a multiplicity of traditions, conforming to one code, but subject to different interpretations, all acceptable and legitimate (Elazar and Cohen, 1985).
A strong tradition of mutual help and active involvement of individuals in helping the needy (Tzedakah). Adverse conditions accentuated the need for personal responsibility in carrying out communal life and support of its institutions, which became an expected form of behaviour (Katz, 1979; Yishai, 1986).

This often resulted in a large number of organisations active in the community, some for collection of funds, to support local and international Jewish causes (including support of the Jews residing in the Holy Land) and some for local ‘service-provision’: matchmaking, burial societies, soup kitchens etc. (Elazar and Kelcheim, 1987; Eisenstadt, 1989). Eisenstadt (1989), Elazar and Cohen (1985), Jaffe (1992), Lehman-Wilzig (1992a) and Noiberger (1991) point out the striking similarities in the structure of Jewish institutions in Israel and the Diaspora, both in the past and at present. These underlying values can be easily detected in the ensuing analysis of the Israeli third sector.

Scholars of Israel’s social history have analysed the periodic development of Israeli society in three distinct eras (see Lissak, 1970; Eisenstadt, 1989). The divisions are not only historical but also ideological. Each era was shaped by historical events and characterised by distinct ideological orientations which, in turn, shaped future historical events. The three eras are shown in Box 1.

Box 1. Periodisation of Israel’s historical development

The pre-State (Yishuv) era: from 1917 (the Balfour Declaration) until 1948
This was the era in which the infrastructure was laid for the major political and social institutions for the future state. The predominant common ideologies of the time were Zionism, the rebirth of the Hebrew language and culture and pioneering. These were implemented within sectional frameworks which had an additional ideological orientation, such as socialism, capitalism, etc.

The Formative era: from 1948 to the mid-1970s
This period was characterised by mass immigration, wars, the building of the institutional framework and the dominance of the Labour Party. It was characterised by a strong collectivist ideology which emphasised statism as opposed to the sectional orientation of the previous era.

The Pluralistic era: mid-1970s to the present
It was during this period that the heterogeneous character of Israeli society began finding its expression in the institutional framework, and the collectivist ideology was replaced by a more individualistic one, in light of similar developments in the Western world.
In the following discussion we will analyse the development of the Israeli third sector within this periodic framework, showing the relationship between the dominant ideological stance and the type of third sector organisations developing during each era. As some of the historical background data have already been discussed by the author elsewhere (Gidron, 1992), we have chosen to illustrate these trends in two ways. First, we refer to the development of two major organisations - the Jewish Agency and the Histadrut (the Federation of Labour Unions) - focusing on the changes they underwent throughout this period. Second, we examine links with the development of two minority populations: the Charedi (Ultra-Orthodox) and the Arabs. The Jewish Agency and the Histadrut are considered to be major third sector organisations, established in the pre-State era, still in existence today, which played a key role in building the Israeli State and society. In their development they demonstrate the ideological and structural changes that Israeli society underwent. The two minority populations chosen represent two groups that were at odds with the ideological mainstream of the Israeli society, each for its own reasons, but have special needs which cannot always be met within statutory systems. Highlighting those groups accentuates the roles third sector organisations play under such conditions.

Dominant ideologies and the evolution of Israeli society

Third sector activity during the pre-State (Yishuv) era: 1917-1948

The Yishuv era was characterised by distinct ideologies that lasted until the creation of the State, and the society could be termed an ‘ideological society’ whose collective identity was couched in ideological tenets (Eisenstadt, 1970). Specifically, the values underlying these ideologies centred on Zionism, collectivism, pioneering – including self-sacrifice for the future collective good, democracy and the rebirth of the Hebrew language. (For fuller discussions on this era see Bar-Yosef, 1985; Eisenstadt, 1967, 1973, 1989; Etzioni-Halevi, 1993; Wolfsfeld, 1988.) In fact, all organised activity during the pre-State era could be defined as taking place within the third sector. The structure and function of the Jewish Agency can serve as an example of finding an institutional solution to the various forces at play, with the final goal of the establishing of a state very much in mind.

The Zionist movement was comprised of different groups, each holding a distinct ideology. In time these groups were to become political parties. The three main groups were: (a) the ‘Workers Camp’ - representing labour with strongly socialist orientations; (b) the ‘General
Zionists’ – representing business and commerce with a capitalist-liberal orientation; and (c) the ‘Religious Camp’. These were all represented in the World Zionist Federation. Each of these ‘camps’ practised Zionism from their own particular perspective (Eisenstadt, 1989).

The idea that the settling of Israel is a collective responsibility of all Jews was reflected in the way the Jewish Agency – the executive arm of the World Zionist Federation – was structured and evolved. It was established in 1929 in order to bring immigrants and help settle them in Mandated Palestine. This feat was accomplished by raising funds contributed in Jewish communities in the Diaspora. Those funds financed specific projects of purchasing land, establishing new settlements (kibbutzim and moshavim – co-operative settlements) and strengthening existing ones (Bezalel, 1981; Talmi and Talmi, 1982; Eisenstadt, 1989). Thus, the Jewish Agency was the organisation responsible for the settlement of Jews in Palestine. Its structure reflected the division of labour between those who finance these endeavours but live abroad, and those who actually came to settle.

Representing all ideological groups, it served as the de facto ‘government’ of the Jewish community in Mandated Palestine. This included political elements, but also the delivery of social and welfare services. Such a service infrastructure was needed in light of the British policy of non-interference in internal, communal affairs in their colonies or mandated territories (Bar-Yosef, 1985; Eisenstadt, 1989). The services were organised within the framework of the ideological movements. Each of these ‘camps’ felt responsible for its members, and, using a ‘totalitarian’ approach on life, provided them with comprehensive services from ‘cradle to grave’, covering their economic, professional, cultural and educational needs (Lissak, 1970; Bar-Yosef, 1985; Wolfsfeld, 1988; Eisenstadt, 1989). The Jewish Agency served as the co-ordinating body for all these activities (Eisenstadt, 1967; Kramer, 1994).

Another notable institution established during this era was the Histadrut – the General Federation of Labour Unions. According to Eisenstadt (1967) and Zweig (1970), the Histadrut has always been the most comprehensive non-governmental agency in Israel. It was established in 1920 and was to be a ‘government of workers’ and a ‘mutual aid’ system (Bar-Yosef, 1985; Galnoor, 1985). From the outset, the Histadrut was a unique brand of organisation which embodied, in the socialist tradition, a ‘totalitarian’ perspective of caring for all of the workers’ interests and needs, both at work and at home (Zweig, 1970). In order to attain that end, it established trade unions, an organisation for mutual aid, a political branch and a business sector. Specifically it created credit and financial institutions, and life and health insurance plans, while mobilising capital, disseminating the Hebrew language and culture, establishing educational institutions and
aiding in activities aimed at gaining national independence. Its economic branch, Chevrat HaOvdim – the Workers’ Commonwealth – had the goal of establishing public works and companies aimed at providing economic activities and places of employment, as opposed to profit-making (see, for example, Kurland, 1947; Eisenstadt, 1989; Aharoni, 1991; Bartel, 1991; Etzioni-Halevi, 1993). The Histadrut is considered to have been one of the main pillars of the economic and service infrastructure of the State-to-be; on the eve of Israeli independence, 75 per cent of the total population of Jewish workers held membership.

The Ultra-Orthodox (Charedi) population (which in reality is comprised of a number of different factions) represents a Jewish traditional way of life that was prevalent primarily in Eastern European communities up until the Second World War. These communities enjoyed a degree of semi-autonomous status and were able to run their internal affairs based on Jewish values and laws. Such communal organisation included a variety of typical institutions. In the field of education these were Yeshivot (i.e. Torah-learning schools) and, in the field of welfare, it included a vast variety of mutual help and free loan associations, care for widows, matchmaking, burial societies and so on (Eisenstadt, 1989; Friedman, 1991). A typical Jewish community of several hundred families would have encompassed several dozens of what we would call today third sector organisations.

The Zionist immigrants in the twentieth century joined some 25,000 Ultra-Orthodox (Charedi) Jews, mostly concentrated in five ‘holy’ cities, whose families had been living in the Holy Land for many centuries. Their communities were organised in a similar manner to Jewish communities in the Diaspora and, due to the special religious value placed on life in the Holy Land, they were supported by Diaspora Jewry.

The Charedi reaction to the Zionist movement was a negative one: they did not believe in human endeavours as capable of advancing redemption, and therefore perceived Zionist ideals as blasphemy, and Zionists as heretics. During this era, this community continued its traditional way of life undisturbed and was only very marginally involved in the activities that surrounded it. They did not participate in the new institutions that were established to represent the Jewish community, such as the Jewish Agency, nor did they receive financial support from these sources (Eisenstadt, 1973, 1989; Friedman, 1991; Lehman-Wilzig, 1992b).

With the Zionist movement and the return of Jews to Israel, a rivalry developed between Jews and Arabs (Landau, 1993). During the Yishuv era, the two communities developed separately. Arab-Palestinian political organisations were created, but, by and large, they did not include service branches as did the Jewish ones. Social and
educational needs in the predominantly agrarian society of the time were dealt with by the extended family (Gerner, 1991). As a rule, each locality was self-contained and maintained an organisation for the co-ordination of common activities and social, educational and religious services (Zogby, 1975). This fragmented system is related, in part, to the Arab political culture, in which the extended family is the key institution around which life evolves; their provision of services reflected this type of polity (Elazar, 1991).

In summary, what would be termed today third sector organisations were used during the Yishuv era as major mechanisms to achieve the goals of establishing the new society. In the absence of sovereignty, leaders of the Jewish community built and expanded an elaborate organisational network that both represented it politically and dealt with its social, educational, health needs etc. Funding for these organisations came primarily from the Jewish Diaspora, a pattern known for many centuries. This network was characterised by different ideologically-based organisations that co-ordinated activities for a common goal they all shared. The social service arms of these organisations became bases for the future national social service infrastructure. These developments had little effect on the traditional forms of organisations of the other two populations living in the land, the Ultra-Orthodox and the Arabs.

The Formative era: 1948 to the mid-1970s

When the State of Israel was established in 1948, a major ideological change took place. Against the backdrop of heterogeneous mass immigration, wars and economic hardships, a different ideology developed to replace the various 'sectional avenues' to Zionism: The ideology of nationhood or statism (Mamlachtiut) (Wolfisfeld, 1988). This over-riding ideology, coupled with the high value placed on patriotism (Eisenstadt, 1970), stressed the subordination of sectional interests to the interests of the State. It was personified by the first prime minister, Ben-Gurion, who had, by and large, broad support for this ideological stance, as the population finally saw the culmination of its dreams in the establishment of a Jewish State.

The creation of the State and the establishment of statutory bodies raised the following questions regarding the existing service infrastructure: What should happen to the different 'camps' and their service organs within the context of a state? Which services, provided previously by voluntary, sectional institutions, should be replaced by statutory ones? Which should not and why?

While the different ideological 'camps' turned into political parties, the fate of their service organs was more complicated. On the one hand, within the new statism ideology, there were obvious forces that
pulled in the direction of abolishing altogether sectional service structures and replacing them with statutory services. In addition, the concept of the welfare state with the state taking responsibility for providing basic welfare services to its citizenry was also adopted (Aharoni, 1985). This concept was at the core of the welfare legislation in the 1950s including the Mandatory Free Education Law (1953), the National Insurance Law (1953), the Social Welfare Law (1958) and the Employment Law (1959), and the gradual growth in statutory institutional welfare activities. Yet another notion that justified uniform statutory services was that of the melting pot which emphasised the need to create a new 'Israeli', and leave behind the different cultural orientations immigrants brought with them (Levy, 1985).

At the same time, there were other forces that pulled in the opposite direction, namely of leaving certain sectional institutions intact; notable among them was the Histadrut. The Labour Party, which had grown out of the Workers’ Camp, defined the Histadrut network with its elaborate service structure, to be not just a sectarian but a national asset, and one of the government’s major achievements (Yishai, 1986; Aharoni, 1991; Doron and Kramer, 1991). Being also its political power base, the idea that Labour would dismantle the Histadrut service system did not make political sense and was unacceptable to the party’s leadership.

By the late 1950s these opposing forces, as well as other considerations, created what turned out to be largely a mixed welfare system with major parts of it run by third sector organisations. While primary and secondary mandatory education was legislated and has subsequently been provided within a statutory system, vocational, adult and higher education are provided by third sector organisations. A similar pattern evolved in the welfare field: while income maintenance and basic welfare services are provided by law by statutory agencies, a variety of social services for people with mental and physical handicaps, elderly people and so on remained in the hands of third sector organisations. The most striking case was (and is) the field of health, where a national health scheme was never established, and most services were left to the sick funds (health insurance schemes) that provided them during the Yishuv era. The largest was the Histadrut Sick Fund. With its infrastructure of hospitals and clinics, it was the major health scheme in the country on which the vast majority of the population depended. This infrastructure expanded even further in order to care for the masses of immigrants who arrived in the 1950s and 1960s.

This arrangement gave a monopoly in certain fields to the Histadrut service structure, which provided services on behalf of the State. It also ensured clients’ dependency upon the Histadrut (where these
clients accounted for the majority of the population). The government had an interest to preserve this system as it assured its power base, and the Histadrut became a mechanism for the continuation of the dominance of the Labour Party (Shalev, 1992).

This mixed system, whereby many major services were not provided by statutory agencies, had to be placed in the proper context within the statism ideology and the centralised system it created. Eisenstadt (1989) and Horowitz and Lissak (1989) note that the leadership of the young State, coming from a socialist background, established a system of government with direct as well as indirect measures of control over all major institutions. The key to the indirect forms of control was through the Labour Party, dominating all major institutions. Most of the important non-statutory services remained, to a large extent, under the auspices of the Histadrut with the obvious link to the Labour Party. The political proximity of the Histadrut leadership to the political leadership of the State enabled its health scheme, Kupat Holim to receive preferential treatment by the government (in comparison to other, smaller, health schemes). Thus, for example, the government covered its deficits from time to time. Similar arrangements developed in other Histadrut social services, such as in the realms of vocational education and homes for elderly people, and so on. Different variations of that pattern of relationship between the two, could also be found with the Histadrut business sector and around labour disputes where the Histadrut’s function was that of a labour union (Eisenstadt, 1967, 1989; Galnoor, 1985; Bartel, 1991; Lehman-Wilzig, 1992b).

Another facet of the Yishuv era that had to be reconciled within the new statism ideology was the issue of how to deal with the financial donations of Diaspora Jewry in the context of a sovereign state. Central government’s direct and indirect control of most (if not all) realms of public life included the institutions controlling the financial support of Diaspora Jewry of Israel. When Israel gained independence, the problems it faced and the financial help it needed led to a strengthening of the notion of shared responsibility for the existence of the State between Jews who live in it and Jews who live elsewhere. It also gradually led to an institutionalisation of that relationship in the form of a federated system of fundraising abroad and a central system of fund distribution in Israel. Funds for Israel are collected through Jewish communal federations around the world, together with funds needed for support of local Jewish institutions (schools, etc.). Such a system does not allow designated giving – all funds are funneled into a general purse. The total sums collected for Israel in all communities are sent to the Jewish Agency which, being a non-governmental body, is allowed to receive donations.
Thus, with the establishment of a legitimate government, the Jewish Agency, which previously served as the representative of the Jewish community in Palestine, became the link between the Jewish community living in Israel and the Diaspora, which included raising funds abroad and disbursing them in Israel. As funds could not be directed to government ministries, the Jewish Agency ran its own projects, financed entirely by donations from abroad, such as bringing immigrants to Israel, absorption of new immigrants, institutions for youth, afforestation, etc., and, to a lesser extent, allocated funds for local third sector organisations. Decisions on disbursement of funds were made by the Jewish Agency's Board, which, during this era, was also dominated by the Labour Party; this resulted in an allocation policy fitting the priorities set by the government (Ben-Tzadok, 1983). Salpeter and Elitzur (1973) note that policies concerning the use and distribution of resources were actually made by governmental offices, not the Jewish Agency. Donations from abroad then, were also de facto controlled by the central government.

Thus, the Jewish Agency, like the Histadrut, could be viewed during the Formative era as an extension of the central government, performing functions deemed necessary and important but not performed by government, and using donative funds collected abroad for that purpose. Within this centralistic structure, political co-optation was used to subordinate its institutional independence to the dominant centre and to mute potential criticism from a constituency over which the government had no control.

What of the Charedi and Arab communities at this time? Since the former opposed the creation of the State, when it was established many of the factions adopted the stance of refusing to pay taxes, to serve in the army and to participate in elections (Friedman, 1991). However, during the Formative era, some Charedi factions softened their stance towards the State, formed political parties and thus participated, to a degree, in public life. This gave them access to some State funding for their autonomous institutions (Eisenstadt, 1973; Levy, 1988; Friedman, 1991). Understanding the delicacy of the issues involved, the Labour Party leadership, although coming from a totally opposite ideological orientation, did not impose statutory institutions on this community where these were refused. This was especially true in the field of education whereby not only was the statutory educational system not imposed on them, but an independent educational system serving the Charedi community was allowed to continue (as a third sector entity) with substantial public financial support (Friedman, 1991). These concessions can be explained by the fact that the Charedi community, representing a traditional Jewish way of life, could not be simply dismissed without invoking a major outcry by world Jewry.
A more cynical analysis would suggest that some of these concessions were no doubt achieved due to their political clout based on the special role that they played in supporting the Labour Party-dominated coalitions (Eisenstadt, 1973, 1989; Peled, 1985; Friedman, 1991).

Turning to the Arab community, the establishment of the State left the population in a state of shock. The defeat in the war left a primarily rural and disorganised community, geographically dispersed, without a leadership and without a social, political or economic infrastructure. Its situation was exacerbated as it was perceived by State institutions as a potential enemy, or a fifth column. Indeed, until the mid-1960s it was restricted in many aspects of life by the military authorities (Lustick, 1980; Eisenstadt, 1989; Landau, 1993). The overall ideological framework of statism and the ensuing central control by State institutions, covering all major aspects of life, left no room for Arab independent voluntary organisations of any sort, which were viewed as potentially subversive. Public issues were dealt with by Arab political parties, most of them created around the traditional extended family structure, and related to the Labour Party. The only opposition party that existed at the time and attracted substantial Arab votes was the Communist Party, which provided, through its links to the Communist world, some special services, such as scholarships for higher education in Communist countries. However, some third sector service organisations in the Arab community (mostly Christian), such as schools (in Jaffa, Haifa), hospitals etc., which had been established during the pre-State era, did continue to function.

In general, then, the Formative era saw a decline in independent third sector activity. This meshes with Kramer’s (1976) holistic characterisation of the Israeli system as a society in which it was practically impossible to distinguish between public and non-profit service organisations (Gidron, 1992). Furthermore, while during this era a formal Democratic regime existed (with a multi-party system, elections, independence of the Judicial system, etc.), little emphasis was placed on the liberal components of democracy — such as tolerance, heterogeneity of ideas or respect of individual or minority rights (Galnoor, 1985). In such a system, which emphasised strengthening national unity, any form of protest, grassroots organisation and ‘bottom-up’ initiatives were perceived by those in power as a threat, and were subsequently discouraged (Eisenstadt, 1970; Aharoni, 1985; Galnoor, 1985). Therefore, one of the characteristics of the 1950s was the overwhelming absence of political protest (Eisenstadt, 1973; Wolsfeld, 1988). The dominance of statism, national unity and melting pot ideologies, coupled with a highly centralised government, subjected the third sector to national policies and priorities as defined by the government. These factors account for the monolithic character of the third sector.
during that time - it was an additional arm of government, performing its policies, and was perceived as such by the population.

The Pluralistic era: mid-1970s to the present

In the early 1970s, two major events connected to the realm of citizens' political protest marked the decline in statism and the social institutions upon which it was based (Wolfsfeld, 1988; Lehman-Wilzig, 1992b). The first was the rise of the 'Black Panthers' in 1971. The second was the protest movement that developed in the aftermath of the Yom Kippur War in 1973. These events may be seen as opening up an era which emphasised pluralism and individualism as the leading values in society, and brought, in a fundamental way, changes in the relationship between government and its citizenry, with notable consequences on the rapid growth and development of the third sector in new directions. Specifically, the Pluralistic era has been marked by the decline of ideologies that dominated the first two periods and the rise of values which stress individual self-actualisation and mobility, liberalism and acceptance of interest groups and private enterprise. Even the kibbutzim, once the symbol of the collectivist Zionist ideals, moved towards a more individualistic orientation. This new orientation was also a reaction to the paternalistic tendencies of the State and in a sense a rebellion against the notion of power being concentrated in one centre only. Processes of modernisation and urbanisation also had the effect of bringing about a shift to more independent life-styles, a lessening of consensus and a weakening of solidarity (Ben-Tzadok, 1983; Wolfsfeld, 1988). The introduction of television was another contributing factor to the growing disenchantment on the part of many Israelis in their governmental services; through its exposure of world events, it also introduced the 'age of protest' and concepts such as citizens' empowerment into Israeli society.

These social and political processes had a major effect on the nature of the third sector. By 1980, political protest had risen to a level five times greater than that of the 1960s (Atzmon, 1985) with religious factions, women and Arabs taking an active part. This included the rise of extra-parliamentary political groups, notably Gush Emunim (the Block of the Faithful) and Peace Now, representing the right and left wings of the non-institutional political spectrum in the domain of Israel's relationships with its Arab neighbours. Thus, especially in the area of advocacy and political awareness, the growth in third sector activity as compared to the previous era has been remarkable.

But while the advocacy groups received most of the public's attention, growth in third sector activity was not limited to protest and advocacy. In 1980 the Non-Profit Organisation Law ('Amutot Law') was enacted
which formally registers them and regulates their activities (Bar-Mor, 1995). According to Gidron (1992, 1996), since the law’s enactment, 1,500 non-profit organisations on average are registered every year. These organisations are formed mostly by citizens and cover a wide variety of human endeavours. They include a wide variety of service, advocacy and public educational organisations in all fields of practice.

Third sector organisations were therefore in many respects the messengers of the Pluralistic era. While in the previous two eras, they adopted the predominant ideology and functioned within it, the very creation and functioning of this new type of organisation was an ideological statement of individualism and pluralism, which later led to its legitimisation and expression. In other words, the transition from the Formative to the Pluralistic era was facilitated in many respects by third sector organisations, which, instead of expressing in their structure and functions ideologies set by elites, expressed, in their new structure and functions, ideas and beliefs of citizens, to which the elites had to adapt.

During the period between 1950-1980, the financial dependency of the Histadrut on the government for running of many of its services and industries grew steadily. While at first the financial support of its economic industries was politically advantageous for the government since it provided needed jobs, the fact that many of these enterprises were not economically viable later became a major liability. Although it defines itself as a ‘voluntary organisation’ (people can join or drop out at will), its octopus-like structure and its attempt to preserve all functions, some of them contradictory to others, brought about a steady weakening and loss of power of the Histadrut in the late 1970s and 1980s. In addition, several contextual factors such as the loss of power by the Labour Party, moves towards privatisation and the development of alternative services to the ones provided by Histadrut agencies and its inability to react to these developments in time, contributed to its gradual decline (Eisenstadt, 1989; Lehman-Wilzig, 1992b). In the mid-1990s the forces and the ideologies that created such an omnipotent organisation were no longer there, a fact the Histadrut failed to see in time to prevent its demise. By that time it had to sell almost all of its economic enterprises, its Kupat Holim health scheme came under stiff competition from other health schemes, which caused a major change in its structure and strategy (marketing its services). Finally, its traditional Labour Party leadership, that came into power by being active in workers’ councils, lost power to a younger, semi-independent faction of Labour, with the tacit blessing of the Labour Party.

The changing realities in Israel that marked the beginning of the ‘Pluralistic era’, left their mark on the relationship between Jews in
the Diaspora and Israel, and indirectly on the structure and operations of the Jewish Agency. Two factors were involved in this process: (1) the establishment of new forms of third sector organisations in Israel, namely advocacy organisations dedicated to policy changes; and (2) the development of a younger generation of donors in the Diaspora, less interested in supporting the ‘State of Israel’ in general, and more interested in focusing on specific aspects of life in Israel. This led to a gradual decline in the contributions to federated bodies during the 1980s (except during periods of crisis, such as mass immigration from the former Soviet Union and Ethiopia). Some of these donations were replaced by designated contributions to specific Israeli third sector organisations such as hospitals, museums, universities etc., as well as foundations around specific issues (peace, relationships between Jews and Arabs, educational innovation, etc.) supporting small and medium-size organisations. Some of those organisations established fundraising offices abroad competing with the federated mode of fundraising in the Jewish community. In order to counter that trend, the Jewish Agency created new programmes and opportunities that allowed for a degree of designated giving and some measure of direct relationship between the givers and receivers of funds (Carmon, 1989). Yet the major geo-political changes in the Middle East of the 1990s and the strengthening of the Israeli economy have placed a major question mark on the pattern of relationships between Israelis and Diaspora Jewry that an institution such as the Jewish Agency embodies. Calls by Israeli leaders and intellectuals to create a different basis for these relationships, not to base them on donations alone, are likely to have a lasting effect on the function and structure of the Jewish Agency. The recent transfer of many service functions it undertook during the Formative era to the government, further diminishes its role.

Since the mid-1970s, parallel to trends of pluralism, liberalism and individualism discussed above, we have also witnessed a trend towards a return to traditional values and, in some cases, toward fundamentalism in Israeli society. The high birth rate in the Charedi community, and their willingness to participate to a fuller extent in State and municipal political processes, were translated into greater political power in the late 1970s and 1980s. This included the establishment of a new political party which has gradually gained strength and which established third sector organisations of its own – primarily in the educational field.

In a direct parallel to the Histadrut in its early years, these Charedi parties hold a ‘totalitarian’ perspective on life. Here, too, a strong ideological movement not only deals with a person’s belief system, but establishes an independent system of third sector organisations to care for its members’ various needs. First and foremost, this includes an educational system which serves children throughout the entire
day, as opposed to the statutory educational system which is only open until the early afternoon. As privatisation increased and funding for public welfare services decreased, such religiously-sponsored alternatives became very attractive, especially to lower-class populations which could not afford to pay for the privately-sponsored alternatives. These indirect party-sponsored services create a system of dependency and clientism with direct links to voting behaviour.

Maintaining such a structure requires major funding for which the traditional sources - donations by religious contributors - are insufficient. Paradoxically, during the 1980s, when the State decreased funding for statutory social programmes, it became increasingly involved in supporting Charedi institutions, particularly educational ones. This support, while drawing criticism from non-orthodox circles, also enables the government to regulate, to a degree, these institutions. Third sector organisations became primary tools in this dual relationship of the Charedi community's need to maintain an independent stance vis-à-vis the state, but at the same time seeking State support for their programmes. Those factions that have accepted State funding for their institutions have also been willing to participate in other State activities, such as elections. Others have taken a more orthodox stance and do not accept State funding altogether. Their funding comes from donations by orthodox sources at home and abroad, thus curbing 'foreign' influences (Jaffe, 1992).

Finally in this section, we consider the development of the Arab sector in the Pluralistic era. By the mid-1970s this population had developed a new socio-political consciousness, which was a result of several internal processes - such as modernisation and education - and external ones, including closer contacts with the Jewish population and meeting the Palestinians in the West Bank and Gaza. This first found organisational expression on the political level through the creation of independent political organisations and parties, mostly on the local level. At the same time, in a similar development to other Arab countries, as well as to the Jewish community, religiously-based service organisations were also developed. Under the umbrella of Islam, a movement of self-help to provide a wide variety of communal services was created. Its leaders suggested that 'if the State does not help us, we'll help ourselves' (Reches, 1993).

The creation of independent political Arab parties on the one hand, and of religiously-motivated service organisations on the other, served as an impetus to create other third sector organisations. These organisations, some of which developed with external financial and professional support, were either of (1) a protest and political orientation - dealing with issues of concern to this population, such as land rights, discrimination, fighting for social and political change, or (2) service
orientation – providing services not given by State institutions or given in a manner that does not fit the needs of this population (Lustick, 1980; Lehman-Wilzig, 1992b; Landau, 1993).

In sum then, during the Pluralistic era, the collectivist ideologies which had characterised Israel in the past declined and were replaced by values that stressed individualism, liberalism and particularism. This has mirrored developments in other Western countries. Frustration with the ability of central government to provide needed services, coupled with a decrease in State financial allocations, created a context in which citizen involvement in third sector organisations has risen dramatically (Salamon, 1994). This was also the case in Israel. New types of organisations characterise this era: small and medium-size, focused on relatively narrow issues, representing new constituencies and needs, and depending for their existence less on public funding than in the previous era.

Analysis of quantitative data in the historical context

Referring back to the analysis of quantitative data presented above, with this historical analysis in mind, we can see that in many respects the data in the Rotter et al. (1985) study present a picture of the third sector during what we have referred to as the Formative era, whereas the data in the Gidron (1996) study present the sector during the Pluralistic era.

The large size of the third sector in Israel (11.6 per cent of GDP in 1991 and 8.5 per cent in 1982) is clearly attributed to its role as the primary provider of health and certain key education services, which has not changed during the 1980s. The decision to rely on third sector organisations rather than statutory agencies in the provision of these services in the early 1950s has been discussed above.

Yet while this fact reflects a reality created in the Formative era which has not changed in the last decade, other data presented provide at least two indications of the third sector’s movement from the Formative to the Pluralistic eras. First, while the economic predominance in Israel’s third sector of a small number of large organisations, providing health and educational services, funded to a large extent by government, continued, the trend detected was (a) a decline in the rate of the public funding of these organisations, and (b) an increase in the volume of third sector activity outside those large organisations, based primarily on private funding sources. These new small and medium-size organisations reflect a more refined taste, more specific needs of specific populations, and a rise in advocacy organisations. Second, the rate of contributions in the overall current income of the third sector (12.3 per cent), and the fact that it is almost equally divided between contributions by Israelis
and non-Israelis, indicates a trend towards local financial responsibility towards third sector organisations. This contrasts with the notion of a 'division of labour' with Diaspora Jewry discussed above (which also 'excused' Israelis for not contributing, as they pay high taxes and serve in the reserves for many years).

Israel's third sector – a theoretical perspective

As in other countries, the development of Israel's third sector is closely tied to its history and culture. Existing theoretical formulations have limitations in explaining the phenomenon internationally (Anheier, 1995; Hall, 1995), but are used nevertheless (Lyons, 1993). The use of current theoretical formulations in analysing Israel's third sector, shows that different theories explain the existence and development of different facets of the sector during certain periods.

Thus for example, the demand-side economic theories (Hansman, 1987; Salamon, 1987b; Weisbrod, 1988) which all assume functioning of the third sector within the context of a free market economy can clearly explain the growth in non-profit activity during the Pluralistic era. For one, during this era, the Israeli economy moved towards becoming a free market economy, as opposed to the planned economy that was characteristic of the Formative era. Furthermore, the heterogenic character of the Israeli society became more pronounced, resulting in an increased demand for specialised goods and services, catering to a more refined taste of the Israeli consumer, often preferring to pay a higher fee for a non-uniform service. This same atmosphere and social climate, which gave legitimisation to particularistic issues and problems, created a 'demand' for advocacy groups and organisations. This development resulted in the establishment of hundreds of small and medium-size organisations in all fields, dealing with a wide variety of issues, financed mostly from independent sources and donations, and only rarely from public sources.

In the same manner supply-side theories (James, 1987), focusing on the interest of ideological groups to attract members to the group's ideology and offering services for that purpose, can explain the evolution of the Histadrut service structure in the pre-State era, as well as certain Ultra-Orthodox service structures for the Charedi community and Islamic movement service structures for the Arab community.

Stakeholder theory (Ben-Ner, 1993), focusing on the triadic nature of the economic transaction, and adding the donor(s) and their interests to those of the consumer and the supplier in explaining the existence and the behaviour of non-profit organisations, can explain the evolution of many human rights and advocacy groups during the Pluralistic
era. Such groups, focusing on a variety of minorities, or advocating peace and coexistence, etc., were financed almost exclusively by private funds from abroad. It can also explain the crisis the Jewish Agency undergoes, as funders have become less inclined to contribute to a federated system and prefer to have direct links to their donees.

Political and sociological theories view the development of third sector organisations in the context of the relationships between society and State (Elazar and Cohen, 1985; Yishai, 1986). Third sector organisations are viewed as instruments to manage problematic relationships in that realm, especially those between the State and organised labour, as well as between the State and organised religion. Thus, Streeck and Schmitter (1985) portray a corporatist type of society which reminds one very much of the Formative era in Israel. During that era, organised labour, which was an important power base of the Labour Party, was linked to the government through its major organ, the Histadrut. This web of relationships was rewarding to the Histadrut's service structure, especially the Kupat Holim health scheme. But at the same time, this arrangement limited its independent stance and produced co-optative pressures.

Third-party government (Anheier, 1993; Salamon, 1981) is at the base for the arrangements dealing with the unresolved relationships between religion and State. Third sector organisations have been used already in the Formative era, especially in the field of education, to provide services through non-profit organisations to a sizeable part of the population, and thus mitigate potential tension and total alienation of that population. The growing political power of that population in recent years led to a substantial increase in public funding for these institutions. The welfare state crisis (Salamon, 1987a), and the ensuing pressures to curb government spending on welfare programmes, led to a growth in third-party government contract arrangements with non-profit organisations, to provide services previously provided by government (in the field of child welfare, care for elderly people, and care for people with learning and physical disabilities), and a growth in the number of such service organisations and their budgets during the Pluralistic era.

Finally, civic and political culture theory (Eisenstadt, 1967; Elazar and Cohen, 1985; Yishai, 1986) can be used to explain the different traditions of third sector organisations' development and structure in the Jewish and Arab communities.

The analysis of the development of the Israeli third sector in the context of the existing third sector theories, similar to the case of Australia (Lyons, 1993), therefore clearly demonstrates that those theories are able to explain certain facets of the sector or the entire sector during a specific time.
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The analysis of the development of the Israeli third sector in the context of the existing third sector theories, similar to the case of Australia (Lyons, 1993), therefore clearly demonstrates that those theories are able to explain certain facets of the sector or the entire sector during a specific time
period; as in other countries, only a combination of them can account for the entire phenomenon over time.

Predominant ideology

In analysing the different data on the development of the Israeli third sector against the background of the dramatic events the Jewish people and the Israeli society underwent in the past century, and in searching for a single organising principle to explain this development, rather than a multiplicity of those, it becomes clear that such an organising principle is the predominant ideology. In fact, as other scholars of Israeli society have observed, predominant ideology has determined not just one facet of life, but all of them. Thus, an analysis of the Israeli economy would yield similar results, as would an analysis of the educational system or the health system (see Eisenstadt, 1967; Horowitz and Lissak, 1989; Doron and Kramer, 1991). The different ideological orientation explains the transition from a sectional base for the service structure in the pre-State era to a statutory system, and a willing subordination of the sectional organisations' resources to the State's national system in the Formative era. The different ideological orientation also explains the change from a pattern of relationship between the third sector and the government, in which the former serves as a de facto extension of the latter, to a more open and less dependent relationship, and the increase in third sector activity around all issues. These transitions were clearly demonstrated on the two institutional cases – the Jewish Agency and the Histadrut, and on the two minority communities – Charedi and Arab.

The analysis of the third sector within the context of a specific predominant ideology could explain issues such as:

- **Composition of the third sector.** Which areas of practice are covered by third sector organisations (and which are not); relative weights of the different areas in the overall structure of the sector.
- **Roles in society.** Do third sector organisations provide services, engage in advocacy, in social innovation, and/or in public education.
- **Relationship with government.** Predominant modes of relationships: Co-operation, competition; how are these modes expressed (complementing public services, pressuring government)
- **Main sources of income.** Public funding, fees for service, donations.

The predominant ideology framework explains very well the changes in the third sector in Israel along these dimensions, and therefore can serve as a tool to explain its overall evolution and development. But the Israeli case is in a sense unique, as the transitions between the
eras and the ideological changes that went with them were very pronounced; this is especially true for the transition from the pre-State to the Formative era, which was signalled by a specific event.

In a less dramatic fashion, the three eras can also be seen as reflecting the pre-welfare state, the welfare state and the post-welfare state eras, as they evolved in many Western countries, each with their distinct systems of belief and assumptions about society. Thus, Kramer (1981), in his comparison of the relationships between governmental and voluntary agencies in Holland, England, the US and Israel, found that these relationships evolved out of different socio-political contexts, which reflected various stages of development and affinity to predominant ideologies. George and Wilding (1985) and Deakin (1995), in discussing the UK, contrast the Conservative era of the last decade with the previous, post-World War II era. They suggest that during the 1980s ‘anti-collectivism’ resurged and brought with it an emphasis on personal freedom, the family, individualism and non-interference by government (see also Smith, 1995).

Conclusions

The ‘predominant ideology’ formulation has been used in this article to explain the present characteristics and the changes the Israeli third sector has undergone in the past 80 odd years. The predominant ideology formulation focuses on the contextual belief system behind policies, and therefore applies at the macro-level analysis of the sector over time. It especially fit the Israeli case, where this belief system underwent marked changes along specific historical eras. Yet this formulation assumes the existence of ‘ideological eras’: namely, historical periods when the vast majority in society rallies behind a specific and pronounced ideology, and these eras can be compared and contrasted with each other. In the Israeli case, the current era, which is not characterised by a specific ideology but by a plurality of ideologies (and legitimisation of that pluralism), can be contrasted to the former ones. However, future developments in the third sector could not be explained by the predominant ideology formulation unless a new predominant ideology emerges.

Finally, as we saw, the relationship between predominant ideology and the third sector is not necessarily uni-directional, whereby the sector reacts and adapts to the predominant ideology. Evolving around pluralism and freedom of association, the sector is also the framework within which such ideas are developed and carried out, and, when these are the bases for a new era, it is the messenger of new ideological thinking.
<table>
<thead>
<tr>
<th>Era/predominant ideology</th>
<th>Characteristics of third sector</th>
<th>Composition of sector</th>
<th>Roles in society</th>
<th>Relations with government</th>
<th>Main sources of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-State era, 1917 to 1948</td>
<td>Zionism, rebirth of Hebrew language &amp; culture. Pioneering. Sectorialism, i.e. socialism, capitalism, etc.</td>
<td>Primarily health, education, welfare, culture</td>
<td>Service provision, social innovation, building of infrastructure for future State</td>
<td>Independent of sovereign government of the time</td>
<td>Federated donations from abroad and fees for services</td>
</tr>
<tr>
<td>Formative era, 1949 to mid-1970s</td>
<td>Collectivism, statism</td>
<td>Primarily health, education, welfare, culture</td>
<td>Service provision, social innovation, building of infrastructure for future State</td>
<td>Co-operative mode, complementing its services</td>
<td>Public funding, federated donations from abroad and fees for services</td>
</tr>
<tr>
<td>Pluralistic era, mid-1970s to present</td>
<td>Individualism, pluralism</td>
<td>Primarily health, education, welfare, culture; also environment, citizens' rights, foundations</td>
<td>Service provision, social innovation, advocacy</td>
<td>Co-operative and antagonistic modes: complementing its services, pressuring government, in some areas competition with government (as well as business)</td>
<td>Public funding fees for service federated and individual donations from abroad, individual donations from Israel</td>
</tr>
</tbody>
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Notes

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1 There has been a recent controversy among Israeli (and non-Israeli) sociologists on the appropriate tools to analyse the Israeli society. Some of the 'new sociologists' (Kimmerling, 1989; Ram, 1995) criticise the use of ideology to explain developments, suggesting in effect that such a framework serves the point of view of the majority culture and overlooks perspectives of minorities. In our analysis, the focus was clearly on the mainstream of the sector's development and therefore the relationship to the predominant ideology is called for. The illustrations on two minority populations served to demonstrate the effect of the majority culture on their collective behaviour as it was expressed in their third sector organisations.

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