

## PUBLIC HOUSING IN ISRAEL: ADVANTAGES CHALLENGES AND LIMITATIONS

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### **Abstract**

*“Public housing” provides decent and safe rental housing for eligible low-income families, older people, and persons with disabilities. Public housing is a central component of Israel’s protective net for the weak in society. It seeks to protect vulnerable populations, allowing affordable housing for a public that cannot do so in the free market. This review paper aims to portray and evaluate public housing in Israel. It depicts the objectives, background, trends, challenges, problems, and prospects for the future. The right to housing is a basic right in Israel. Therefore, the state has a limited supply of apartments rented through government companies at a subsidized price to residents who meet the eligibility criteria. Israeli law granted tenants purchase rights after a period of 5 years, thereby preserving the right of public housing residents to live with dignity and shelter. It enables an escape from the cycle of poverty and a better future. It is a means of reducing gaps and providing a social safety net for disadvantaged populations.*

**Keywords:** *public housing; Israel; supply and demand; eligibility; shortage.* **JEL**

**Classification:** M0.

### **1. INTRODUCTION**

The right to housing is primary in Israeli society. Public housing is one of the oldest policy tools for increasing the supply of affordable housing. Hence, public housing is a central component of Israel’s protective net for the weak in society. The state has a supply of apartments rented at a subsidized price to residents who meet the eligibility conditions. It seeks to protect vulnerable populations, allowing affordable housing for a populace that cannot do so in the free market. Criteria of income, family size, age, and disability determine eligibility for public housing. In addition, new immigrants have the right to public housing for 10-15 years after immigrating to Israel (Hananel, 2019; Zamir, Ezra and Kahalyi, 2019). This review paper evaluates public housing in Israel to illustrate the background, challenges, and prospects for the future. It depicts public housing objectives, history, trends, problems, and possible solutions. The paper aims to portray public

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housing in Israel to improve comprehension, illustrate damaging causes, and introduce potential resolutions.

The eligibility period and criteria for public housing relate to before and after receiving the unit. Before receipt of the apartment, applicants must meet rigorous standards, somewhat because of the small supply. Potential occupants must register and have their eligibility examined by officials from the Ministry of Construction and Housing, additional ministries (e.g., Ministry of Immigration and Integration, Ministry of Labor, Social Affairs and Social Services), and a detective agency. Eligibility is repeatedly checked and is limited to individuals who have never owned a house and whose income is below a certain level. Applicants must also meet other criteria, such as marital status, family size, children's ages, and health status (Hananel, 2020). After receiving the apartment, the tenant's financial situation is not examined unless they want to buy the house or request a rental discount. Namely, once the eligible tenants have received a unit, they do not lose the right to live in it, even if they no longer meet the eligibility conditions. However, their share of the rent will possibly increase (Hananel, 2017).

In capitalist countries, the primary justification for public housing has been the market's failure to construct quality residences at affordable prices. Developing public housing in Israel has resulted from severe housing shortages due to wars, immense immigration, urban renewal, job creation during an economic depression, control of social unrest owing to severe housing shortages, modernization and urbanization, and benefit special target groups (Werczberger, 1995). Thus, public housing has social, economic, and national-territorial implications. It can generate jobs, boost the economy, and serve to take control of a territory by shifting citizens (Hananel, 2020). This paper is based on a systematic literature review, and focuses on the aims, advantages, challenges, and limitations of public housing in Israel.

## **2. LITERATURE REVIEW**

The initial aim of public housing in Israel was to supply permanent shelter for immigrants. However, along the years, the objective has changed to provide affordable housing to low-income households and temporary rentals to target groups (Werczberger, 1995). Israel's history, governmental structures, laws, and policies affect the scope and supply of public housing. Since its establishment in 1948, Israel has implemented profound changes in its public housing policies. As a social democratic state with a progressive welfare policy, Israel viewed public housing as an essential policy tool. Public housing comprised 60% of the country's total housing stock, for which most of the population was eligible (Hananel, 2020).

In the 1950s-1960s, Israel tripled its population due to increased waves of immigration. The country presumed a culture of building public housing to accommodate the population growth. It established a government company named Amidar to find housing solutions for the many immigrants. However, Amidar failed to meet the urgent needs; Mainly due to lack of financial budget and suitable

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personnel. hence, its role was reduced to occupying and maintaining buildings owned by the state. Therefore, the legal structure of public housing in Israel is as follows: The state has land ownership, and the leasing companies (e.g., Amidar, Amigour, Halamish, Shikmona, and Heled) manage and maintain the buildings. After the existing public housing stock in Israel dwindled, the state established housing for immigrants. At the end of the 1960s, public housing received an additional objective, which later became the primary goal of providing housing solutions for the elderly and weak population (Gildin, 2018).

Nevertheless, when Israel transformed from a democratic welfare state to a globalized capitalist neoliberal state, the share of total housing stock dwindled to only 1.9% of the population and for the weakest in society (Hananel, 2020; Nardy, 2023). From the 1990s till 2011, governmental actions led to a decrease in the public housing stock. The state ceased the construction of public housing. Thus, since 1992, almost no public apartments have been built in Israel (Hananel, 2020).

Additionally, Israel attempts to sell the dwellings to the occupants. Enacting the Public Housing Purchase Rights Law in 1998 (Israeli legislator, 1998) reduced the supply of public housing apartments since beneficiaries received purchase rights. The money from the sale was supposed to replenish public housing stock. However, the government carried out four different sales operations in public housing, which resulted in a reduction in apartments. Thus, at the end of 2012, only 63,500 public apartments were left in Israel, some of which were unfit. Between 2014 and 2020, the country sold 10,984 houses to people entitled to public housing. Yet, it purchased only 2,796 apartments. Hence, for every four apartments sold, Israel bought one apartment. The inventory of apartments for public housing decreases annually by 2% on average - while the demand only increases. Within five years, the number of people waiting for their first apartment in public housing increased by 63%. If the situation remains, soon, public housing will make up less than 1% of all apartments in Israel, exacerbating the gap between supply and demand (Gildin, 2018; Zamir, Ezra and Kahalyi, 2019; Shahak, 2021).

In the last fifty years, the rate of public apartments from the overall apartment market in Israel has decreased from 23% in 1970 to about 2.5% in 2018. This ratio of public housing situates Israel at the bottom of the scale among the OECD countries, as the average rate in these countries is about 10% of public accommodation from all available apartments. Therefore, in a global comparison, Israel is among the nations where public housing constitutes only a marginal fraction of the housing solutions (Shahak, 2021).

At the end of 2020, the public housing stock included approximately 53,000 apartments in 185 cities. Of these, 785 uninhabited apartments await renovation, and 1,549 are rented to public entities. About 6,844 Ministry of Construction and Housing beneficiaries were waiting for public housing, of which 4,322 were waiting for their first apartment in public housing, and 2,522 public housing tenants were waiting for a change of apartment (Shahak, 2021). Thus, there are

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about 50,000 apartments, whereas 42,000 tenants are legally entitled to buy their homes at a significant discount.

Public housing is not limited to residential problems. It holds societal and financial repercussions. Regarding social and economic equality, most public housing construction in Israel is in development towns and peripheral areas. Thus, public housing may generate and reproduce class structure and widen economic disparities in Israeli society by creating slums and concentrations of poverty (Hananel, 2017). Public housing can also broaden ethnic gaps since Israel's public housing policy differentiates between ethnic groups, whereas there is a negligible percentage of national minorities among public housing tenants (Hananel, 2020).

Furthermore, Israel lacks systematic legislation regarding public housing. The field of public housing has numerous and complex procedures and regulations. There is no uniform and exhaustive definition for affordable housing, only a vague description reflected in various laws and regulations. Hence, statutory and institutional gaps, along with the shortage in public housing, affect the weakest in society (Zamir, Ezra and Kahalyi, 2019). Specifically, the countless procedures and regulations result in a shortage of public housing apartments and the absence of primary policy regulating the field. Most public housing arrangements appear in internal guidelines or uniform contracts (Gildin, 2018). Hence, the lack of a clear strategy impairs the understanding of the state's obligations, the rights of the tenants, and the definition of those entitled to public housing. For example, the Public Housing and Purchase Rights Law (Israeli legislator, 1998) ensures the right of public housing tenants to a dignified existence, a roof over their heads, and an ability to escape the cycle of poverty and improve their future. It is a tool for reducing disparities and providing a social safety net for disadvantaged populations. Yet, most tenants do not exercise their right to do so.

Public housing in Israel suffers from shortage, neglect, inconsistent policies, and lack of systematic legislation. Nevertheless, it is still a significant tool for honest living and a protective net for vulnerable populations. The following section discusses the alternatives to publicly owned housing.

### **3. DISCUSSION**

Public housing problems in Israel stem from a lack of apartments, poor quality dwellings, insufficient government investment in flats' construction and maintenance, and the remote geographical location of most compounds, resulting in unequal employment opportunities, education, and culture. Israel's public housing policy intensifies class-sectarian separation and enhances socioeconomic disparities (Gaf, 2020).

Nevertheless, publicly owned housing is not the only, most effective, or equitable way to assist the weak in society. Numerous alternatives exist, like housing allowances, land subsidies, urban renewal projects, and low-interest loans to developers or buyers (Werczberger, 1995). For decades, Israeli governments have neglected the housing sector, and the public housing stock has deteriorated

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to a point where it is no longer a significant factor in the market. The global economic crisis, the rise in housing prices, and social protests forced governments to find a solution. For example, the Israeli government's main housing expenditure is rent subsidization due to the lack of new construction and inadequate investment in the upkeep of existing apartments. The subsidy amount varies and depends upon various parameters, such as eligibility criteria (e.g., elderly, immigrant, disabled, on income support, etc.), age, number of household members, and residency area. The allocation of rent subsidies is a significant budget component of the Ministry of Construction and Housing. However, a considerable gap prevails between the rent charged on the open market and the rent subsidy. Thus, contrary to the public housing model, which guarantees some certainty, those eligible for rent subsidization need to fund the high cost of rent from their limited resources and are at the mercy of the market (Swirski and Hoffmann-Dishonthe, 2017; Gaf, 2020).

Hence, the limited solutions implemented so far have not led to a significant change, and the number of households that meet the burden of housing expenses continues to grow. Israel is at a crossroads, and the state's failure in dealing with the crisis arises from the government's underutilization of its total power to build public housing on a large scale.

Scholars try to solve the housing problem by encompassing the three tiers of the housing market - ownership, rental, and public housing. For instance, Swirski and Hoffmann-Dishonthe (2017) suggest that Israel can address the unaffordable and unattainable housing crisis by creating a public option, namely, promoting government construction of long-term rental housing at affordable prices for all population strata. The government construction of long-term rental housing will be publicly owned and leased below market prices.

In contrast, Meir and Sorotskin (2019) believe that granting long-term public housing is an ineffective way to advance an adequate standard of living for low-income families. They claim that financial aid is a better solution for the state and the tenant. Meir and Sorotskin (2019) propose to provide almost all rent assistance to eligible people while reserving the tool of public housing for a few thousand households for whom rent aid may not provide an adequate response. They also argue that a period of acute hardship, which justifies the provision of an apartment, is often transient. Therefore, the right to a public apartment should be limited to about seven years.

Hananel (2020) mentioned the option of urban renewal development, nationally and locally, and giving developers the right to build on publicly owned lands to lower the price of housing units. According to this line of thought, public housing stock will increase through urban renewal projects funded by private-sector investment, not state investment.

In summary, public housing in Israel is at a turning point and necessitates a solution. Public housing is a focal element of Israel's protective net for the weak in society. However, currently, the country neglects the vulnerable. Israel must find

an efficient way to balance profitability and well-being, regulations, and social protection to pave a path toward affordable and attainable housing.

#### 4. CONCLUSION

This review paper presents the strengths and weaknesses of public housing in Israel. It exhibits the history, evolution, eligibility, problems, limitations, and possible solutions.

Shortages of affordable housing are a long-lasting challenge in Israel. Low inventory, inadequate apartments, substandard housing, and scarce government investment in construction and maintenance contribute to this problem. Expanding the housing supply is a single approach to tackle shortages and provide more affordable options. Other efforts, like urban renewal development, financial aid, and long-term rental housing, can also increase public housing opportunities.

Public housing in Israel is at a defining moment that demands a resolution. The state must not disregard the weak and should be committed to realizing a competent equilibrium between supply and demand, lucrativeness and social security, and rules and welfare.

This background constitutes a base for research on a Ph.D. entitled “Consumer Behavior and Marketing of Public Housing in Israel,” hoping to embody a stepping stone to achieve the research aims.

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