PALESTINIANS IN THE ISRAELI LABOR MARKET

A Multi-disciplinary Approach

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Palestinians in the Israeli Labor Market

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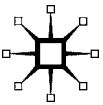

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To our parents

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Foreword

The most meaningful ethnic split in Israeli society is between the Jewish majority and the Arab minority population. Palestinians, citizens of the state of Israel, compose approximately 20 percent of the population of the state and should be viewed as an indigenous population that has been living in the region for generations. The social and political status of the Palestinian minority in Israeli society changed dramatically in 1948 after the establishment of the State of Israel. Prior to the establishment of the state, Palestinians constituted the majority of the population. Jewish immigration and the war of independence changed the social and political status of the Palestinian population of Israel. From a numerical majority, Palestinians had become a subordinate ethnic minority in every aspect of stratification including formal education, occupational status, earnings, wealth, standard of living, and political power. Although they are citizens of the country and can participate in the political system, years of segregation and discrimination have placed them at the bottom of the Israeli system of ethnic stratification. Currently, more than six decades after the establishment of the State of Israel, socioeconomic disparities between Jews and Palestinians have not vanished; Palestinians in Israel still experience difficulties in achieving success in the Israeli labor market.

The book *Palestinians in the Israeli Labor Market: A Multi-Disciplinary Approach* focuses on the socioeconomic status of the Palestinian population of Israel. It constitutes an important contribution not only to the study of economic inequality in Israeli society but also to the literature on economic inequality in labor markets of other multi-ethnic societies. The chapters included in the book underscore the multiple sources for the persisting socioeconomic disparities between Palestinians and Jews and discuss changes that the Palestinian population of Israel had undergone in recent decades. The book also highlights the need for an interdisciplinary approach and for multiple perspectives (i.e., sociological, demographic, economic, and legal) to fully understand the complexities associated with the change and persistence in patterns of socioeconomic inequalities. Most important, the chapters build on previous research on the issue in order to delineate changes that the Palestinian population of Israel has experienced

during the past decades and provide explanations for the question why socioeconomic disadvantages of Palestinians in the Israeli labor market have lasted more than six decades after the establishment of the state.

The chapters of the book deal with sources of labor market inequality in terms of employment and unemployment, occupational concentration, segregation, exclusion, and wages. They provide information on trends and change in patterns of inequality and economic activity of households and especially on increased participation of Palestinian women in labor market activity and the lasting socioeconomic disparities. The chapters also underscore the role of residential segregation in producing labor market inequalities between Jews and Palestinians. Both populations are highly segregated both socially and residentially. Subsequently, Palestinians and Jews are exposed to differential structure of opportunities. Spatial segregation of the Palestinian population has produced, in turn, both economic disadvantages and dependence on governmental agencies. Indeed, the findings presented in this book should be used not only by students of ethnic inequality but also by policy makers who wish to combat discrimination and inequality.

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Acknowledgments

Some of the chapters in this book (chapters 1–3 and 7) are a result of three projects that were hosted and funded by the Israeli Democracy Institute (IDI). We are grateful to the IDI for their support and for hosting the one-day seminar on the integration of Israel's Palestinian citizens in the labor market, which resulted in this book. In particular, we wish to thank Mordechai Kremnitzer, vice president of research at IDI, for his support and encouragement before and during the preparation of this volume. We owe special gratitude to Guy Stecklov, head of the Shain Centre at the Hebrew University of Jerusalem, for providing financial support during the preparations of this volume and for Allison Lach for preparing the index.

We would also like to thank the authors of this volume for their time, effort, and commitment. Without their cooperation, this interesting book would not have been completed.

Finally, we wish to thank a number of reviewers who have read and commented on different chapters of the book. These reviewers cannot be named here, but their contribution is highly appreciated.

Introduction

Sami Miaari and Nabil Khattab

Palestinian Arabs, citizens of the state of Israel (Palestinians hereafter), have turned into an involuntary minority in Israel following the 1948 war, referred to as the "Independence War" by Israeli Jews and as "The Nakba" ("Day of the Catastrophe") by Palestinians. The outcomes of that war were so dramatic and significant that the Jewish-Palestinian relations and the socioeconomic and political status of Palestinians in Israel even more than 60 years after the war are still very much influenced by that event.

The approximately 150,000 Palestinians who remained within the borders of what became Israel in 1948 have been granted a formal Israeli citizenship and by law have become, forcibly though, Israeli citizens. However, they have never been treated by the state as equal citizens, even until this very day. Instead, military rule had imposed restrictions upon Palestinian localities until 1966; Palestinian land was confiscated on a large scale, especially during the first three decades since 1948; and systematic and deliberate discriminatory policies were implemented against them. These practices in turn have resulted in marginalizing the Palestinian community socially, economically, and politically, making the Palestinians in Israel as a whole the most oppressed group in the state.

One of the main mechanisms that has significantly contributed to the success of the state in oppressing and disadvantaging the Palestinian community is the fact that both communities live separately from each other. Residential segregation between the two populations is very high, to the extent that only about 15 percent of all Palestinians live in mixed cities side by side with Jews, whereas the remaining 85 percent live in villages, towns, or cities inhabited by Palestinians only. This segregation has played a major role in reinforcing the ethnic inequality between Jews and Palestinians, especially due to the differential state investments in Jewish and Arab localities over the years. Traditionally, Jewish localities have received a greater share of the national developing budgets, which has widened the gap

between the two populations and intensified the initial disadvantages of Palestinians.

Today, there are slightly over 1.6 million Palestinians in Israel, constituting about 21 percent of the total population. However, the Palestinian population is not homogeneous. It consists of three major religious groups. Muslims comprise 83 percent of the total Palestinian population, Christians about 9 percent, and the Druze about 8 percent. The three religious groups differ from each other in terms of their culture, residence, and social and economic characteristics.

Christians are more likely to be urbanized (reside in urban localities), tend to have a lower average fertility rate, have access to better educational opportunities controlled and managed by various churches, and have an occupational status considerably higher than that of the Muslims and Druze. The latter tend to live in village localities and share a similar cultural background. Additionally, since 1956, Druze males, unlike Muslims and Christians, have been conscripted into the Israeli military, which theoretically entitles them to better life chances compared to the other two groups.

In addition to the spatial segregation between Palestinians and Jews on the whole, the three religious groups are to some extent also residentially segregated from each other, reflecting social and economic disparities between them and facilitating differential and unequal treatment by the state.

The initial disadvantaged position of Palestinians accompanied with the discriminatory practices against them has no doubt hindered their progress. However, over the past two decades, and particularly from the year 2000 onward, a discourse of equality and integration is gradually paving its way within official circles (state officials) as well as within nongovernmental organizations (NGOs) highlighting the economic potential of integrating the Palestinian minority within the Israeli economy and labor market.

This book addresses one of the most fundamental areas where inequality, on the one hand, and chances for progress and integration, on the other hand, can be documented and studied, namely the labor market. The book pursues the position of Palestinians in the Israeli labor market using a multi-disciplinary approach and the most up-to-date research and data available. Each chapter addresses a different aspect of the labor market, and together the chapters provide a comprehensive picture of the challenges and prospects for integrating Israel's Palestinian citizens in Israel's economy.

In Chapter 1, Khattab and Miaari explore the differential impact of business cycles on the risk of unemployment among Jewish and Palestinian

workers in Israel over a period of 14 years, from 1995 to 2009. Their findings show that the effect of economic cycles is more pronounced among Palestinians than among Jews. Palestinian workers are more likely to be ejected from work during recession than Jewish workers, and their re-entry into employment during growth is lower. Similar results were obtained when examining the differences between Jews and Palestinians in relation to the elapsed time between workers' ejection from employment during recessions and their re-entry into the labor market during economic growth, suggesting that Palestinian workers in Israel are used as a surplus (replacement) labor. Khattab and Miaari point out in their chapter that the persistent gap in the risk of unemployment between Palestinian and Jewish workers in Israel and the differing impact of the economic cycles (fluctuations) on both of them suggest that discrimination could be considered as one of the explanations for their labor market disadvantages.

In Chapter 2, Steiner addresses the issue of discrimination against Palestinian workers in the workplace from a legal angle, focusing on the case of the newly established Equality of Employment Opportunity Commission. She argues that the current design of the Israeli employment antidiscrimination legislation has made it almost irrelevant in addressing the reality of highly prevalent discrimination against Palestinians in the workplace. The Equality of Employment Opportunity Commission provides an important opportunity for strategic transformation in the approach to enforcement. In her chapter, Steiner proposes a hybrid strategy to achieve actual equality of opportunity. This strategy combines cooperation with employers in analyzing and altering employment practices with traditional adversarial litigation against noncompliers. She argues that this strategy could be effective in achieving equality of opportunity. In analyzing the role of the commission and the ways through which it can realize its potential, Steiner proposes that the commission must be guaranteed independence, greater staff, and resources. Additionally, a policy needs to be put in place providing a framework for employers to take active measures under the commission's guidance and supervision.

In the third chapter, Miaari and Khattab examine the wage gaps between Jews and Palestinians in Israel's labor market from 1997 to 2009. They show that the ethnic penalty persists even when controlling for education, indicating that returns on human capital among Palestinians are lower than those among Jews. However, this ethnic penalty is lower among highly qualified workers (e.g., academics) than among the manual skilled and unskilled workers, which leads the authors to conclude that human capital (qualification, skills, experience, and so on) plays a role in reducing the pay gap between Jews and Palestinians. In the discussion section of their chapter, they argue that direct discrimination against Palestinian workers

might be a major source of this pay gap, but they admit that in order to confirm this conclusion, a further research is required that takes into account other relevant factors that have not been included in their study, such as the place of residence, the type of economic sector, the level of previous experience, and the required skill level as well as the type of economic industry (i.e., hi-tech, education, health, and so on).

Chapter 4 deals with the question why labor force participation of Arab-Palestinian women in Israel is quite low; the chapter focuses on educated Arab-Palestinian women and traces their employment patterns (participation, self-employment, and occupational distribution) over three periods: 1995–1997, 2001–2003, and 2007–2009. Although in this chapter the main focus is on Palestinian women, Yonay and Kraus also included men as well arguing that the employment of women is related to that of men and cannot be fully understood without taking into account the employment of men. Their findings show that Palestinian women are over-concentrated in teaching and that nursing has become a niche of Muslim and Christian Palestinian women. In the discussion section of the chapter, the authors tend to associate this trend with the exclusion of highly educated Palestinians (women and men) from many lines of academic, professional, and managerial work in the Jewish controlled labor market.

In Chapter 5, Stier examines changes in the earner composition of Arab couple-headed households over time using three main data sources—the 1983 census, the 1995 census, and pooled labor force surveys 2008–2011. In the first section of the chapter, Stier examines changes in earner composition in Israel, comparing Palestinians and Jews in order to assess the relative position of Palestinian families and the rate of change over time highlighting the role of education in accounting for the growth in dual-earner arrangements. In the multivariate analysis, this finding has been further supported. The chapter also highlights the considerable differences in the rate of dual-earners in the three Palestinian religious groups, yet it also shows that the trend toward dual-earner arrangements is similar for Muslims and Christians and much more pronounced among the Druze.

In Chapter 6, Marantz, Kalev, and Lewin-Epstein also focus on Palestinian women, but from a different angle and approach. They explore the ways in which Palestinian women find employment in the Jewish sector, and particularly the Jewish retail industry, which offers Palestinian women new employment opportunities. The authors draw on a new qualitative study within which 61 Palestinian women who work as salespersons have been interviewed. The results suggest that Palestinian women require a "bridge" from inside their own communities, one that is supplied by either friends already working in the Jewish sector or an employment agency. Once they have found employment, the social experience offered by the

retail industry allows them to self-initiate job searching. These findings point toward the importance of "bridges" and new work environments for the incorporation of Palestinian women into the Jewish controlled labor market.

Chapter 7 draws upon almost three decades of data from large annual surveys to examine the role of the welfare state as a major employer of Palestinian women. In the chapter, Shalev and Lazarus show that jobs in education, health, and other social services have fueled most of the growth in the labor force participation of Palestinian women in Israel since the late 1980s. They argue that expansion of social services to Palestinian communities has offset the shortage of other local opportunities, without introducing competition from Jews. Analysis of hourly wages reveals that, unlike their Jewish counterparts, comparably qualified Arab women earn substantially more if employed in the social services than in other branches. Moreover, inside the social services, women of both nationalities with similar education and occupations receive similar earnings, although this equalizing effect has eroded somewhat over the past decade. Shalev and Lazarus list three key dimensions through which social services operate as a labor market for Palestinian women: *human capital requirements,* the degree of *competition for jobs* both inside and outside the social services labor force, and the *wage policy of the social services*. They point out that these three conditions have worked decidedly to the benefit of Arab women leading them to conclude that in its role as an employer the welfare state in Israel has effectively taken on functions usually ascribed to active labor market policies and affirmative action, without ever intending to do so.

In Chapter 8, Khamaisi approaches the issue of labor market using a macro-geographical analytical framework. It discusses the difficulties related to establishing employment centers due to spatial policy, workers' commuting patterns, and municipalities' revenues. Khamaisi uncovers the circumstances and barriers that hinder economic development and employment opportunities by analyzing the reasons for the lack of industrial zones in Palestinian localities and the implications of such shortcomings in relation to employment opportunities. In conclusion, he argues that the key barrier facing the economic development of Palestinian localities is the state's policy, but a range of internal factors amplify the impact of such discriminatory policy.

In Chapter 9, Abu Asba and Abu Nasra address a macro-level question, as in the previous chapter. They analyze the external and internal factors impeding development within Palestinian localities through studying (case study) the food industry. Through the first sections of the chapter, they describe and discuss the Jewish-Palestinian relations from a demographic

and historic perspective, the changes within the Palestinian community in terms of education and employment, as well as the relative position of Palestinians within Israel's economy. Then, they move on to discuss the entrepreneurship at Palestinian localities in general highlighting its peripheral and limited nature followed by the findings section. The findings show that there are external factors (e.g., governmental as well as financial institutions' policies toward Palestinian entrepreneurs) and internal factors (e.g., business culture of entrepreneurs and the political system therein) hindering the development of such economic sector within Palestinian localities in Israel. Their study also shows that although government policy directed toward the growth of economic entrepreneurship among the Palestinian minority in Israel is of great importance, it is not sufficient. Realization of the economic potential inherent in Palestinian localities in Israel and enabling entrepreneurs to break through local market boundaries demand intensive activity on the part of the state, the Palestinian local authorities, and managers of plants themselves.

In the last chapter (Chapter 10), Shdema draws on a secondary analysis of the 1983, 1995, and 2008 Israeli census data in order to examine the Palestinian workforce participation at a locality level (municipalities). He employs a spatial analysis approach focusing on the religious-ethnic diversity within Palestinian and mixed localities, types of municipalities (rural, urban, and mixed Jewish-Palestinian cities), and geographic location. The analysis in the chapter shows a significant fluctuation in relation to the workforce participation rates between localities. High rates of participation have been observed in mixed cities (Jewish-Palestinian), central geographically located municipalities, and those in proximity to Jewish cities. These rates are associated with high educational levels, low fertility rates among women, and predominantly Christian municipalities. The analysis over time reveals that municipalities located in close proximity to Jewish cities experience increased employment rates and those with adequate employment demonstrate high monthly income (mean).

The chapters in this volume together provide a comprehensive and multidisciplinary account of the relative position of Palestinians within Israel's economy. While this book analyzes the sources for labor market inequality between Jews and Palestinians in Israel, it also discusses new developments and changes leading to the rise of employment opportunities for Palestinians, particularly for women such as in the Jewish retail industry (Chapter 6). On the one hand, the book highlights the important role of the state in determining employment opportunities (restricting or facilitating) of Palestinian workers through direct state-promoted discriminating policies (chapters 8 and 9) or the failure of the Israeli antidiscrimination

legislation in tackling discrimination on the part of employers in both private and public sectors (Chapter 2). On the other hand, though not an intended policy by the state, the social services provided by the state has become a major employer for Palestinian women leading to more equality between Jewish women and Palestinian women, at least in terms of earning (Chapter 7).

Part I

The Persistence of Ethnic Penalties

1

On the Reserve Bench: Palestinian Employees in Israel

Nabil Khattab and Sami Miaari

Introduction

This chapter examines the effect of economic cycles on Palestinians' employability in the Israeli labor market compared to that of Jews. It uses labor force panel data from 1995 to 2009 to answer the question: Are Palestinian workers in Israel the first to be fired during recessions and the last to be hired during growth periods?

The main results show a rise in unemployment rate in the Palestinian population between 1996 and 2003. While in the wake of the economic crisis and with the beginning of growth, unemployment rates dropped in both sectors—Palestinian and Jewish—the more rapid and sharper drop was in the Jewish population, leaving Palestinians face higher unemployment rate for a longer period. It can be said that the growth has a very limited positive impact on Palestinian workers and hardly contributes to their employability.

Examining the transition's probabilities of a given worker between labor market statuses shows that in the Palestinian population, the probability of moving from employment to nonparticipation (either unemployment or economic inactivity) during recession is 5 percent higher than that among the Jewish population. A gap of 5 percent in Jews' favor was also found in the probabilities of transition from nonparticipation to employment during periods of growth. Additionally, the data show that during recession

Special thanks goes to the Israeli Democracy Institute (IDI) for funding and supporting this project. Both authors contributed equally to this chapter.

periods, Palestinian workers move more rapidly than Jewish workers from employment to unemployment and slower in the opposite direction (from unemployment to employment) during growth periods. In conclusion we argue that Palestinian workers in Israel are used as a replacement labor (reserve army); that is, they are hired when needed by the mainstream Jewish employers and are the first to be discharged during recession times. Their position at the margin of the Israeli economy, due to both widespread discrimination against them by Jewish employers (Miaari et al., 2011) and political agendas of the successive Israeli governments, helps reinforce their perceived role as a secondary and replacement labor.

A partial explanation for the results obtained lies in the structure of Israel's labor market, which is segmented into two parts: *primary market* (the *main sector*) and *secondary market.* Palestinians in Israel are more likely than Jews to be channeled into the secondary market rather than the primary one (Shavit 1992). Jobs within the secondary market, as argued by Piore (1979), are more physically demanding, get lower pay, tend to be seasonal and temporary, and do not provide but little job security. This partitioning has many and direct effects on the character of the labor force, particularly the Palestinian labor force, which is "captive" to the local market and is characterized by limited industries and occupations therein.

The main body of literature on economic inequalities between Jews and Palestinians in Israel has been published during the 1980s and 1990s. Since then, and especially over the past decade (from the year 2000 and on), very few studies have been conducted resulting in a significant gap in our understanding in relation to the dynamic and extent of social and economic inequality between the Palestinian and Jewish citizens of Israel. For example, Khattab (2006) has examined the effect of residential segregation on unemployment among Jews and Palestinians, but has used data from the 1995 Israeli Census. However, Miaari et al. (2011) and Asali (2006) have used more recent data, but while Miaari et al. (2011) have looked at the effect of the second Intifada in 2000 on the labor market outcomes of the Palestinian citizens, Asali (2006) has looked at the effect on the second Intifada on the pay gap between Jews and Palestinians. Both studies have used data only up to 2002 and 2003, respectively, contributing only little to closing the gap in our knowledge.

This chapter addresses an important aspect of labor market inequality between Jews and Palestinians in Israel by examining the Last in First out (LIFO) thesis using the most recent and most up-to-date data available (labor force panel data from 1995 to 2009). By doing so, this chapter significantly expands our knowledge in this field and contributes to closing the gap in the literature on ethnicity and labor market outcomes not only in Israel but also in other multi-ethnic societies such as the UK, the Netherlands, Canada, and Australia.

The chapter is organized as follows: In the second section, we present the research literature related to the subject, and in the third section, we present the database used and the research method that lies at the foundation of the chapter. In the fourth section, we present the results followed by concluding remarks.

Literature Review

This chapter draws on Freeman's theory (1973) of LIFO and on the Dual Labor Market theory (Piore 1979). According to Freeman (1973), economic cycles are associated with employment statuses of minority groups taking a cyclical pattern of LIFO (LI—last in—at the time of growth and FO—first out—during periods of recession). Freeman (1973) has formulated his theory by studying the American labor market, showing that blacks are the last to be recruited during growth periods and the first to be dismissed during recessions. According to Freeman, among blacks in the United States, there are cyclical patterns of unemployment: During recessions, the unemployment rates among blacks are always higher than among whites.

According to the Dual Labor Market theory, it is almost impossible to understand the disadvantages of some minorities in the labor market without uncovering the segmented nature of the labor market, especially in ethnically or racially divided societies (i.e., Israel, the United States, or other immigration-receiving countries). In these societies two segments are likely to develop, one high-wage primary sector and another more marginal low-wage secondary segment. The two segments offer differing employment conditions; in relation to wages, employment conditions, the extent of job security, and the rules that govern the employment contract and in relation to possibilities of promotion and progress (Dickens and Lang 1985; Piore 1978, 1979).

Ethnic minority workers are overconcentrated within the secondary sector, which makes them more vulnerable to unemployment due to the lack of job security within this sector in conjunction with widespread discrimination as argued by Haughton et al. (1993). The employment conditions within the secondary sector and the discriminatory practices of employers against minority workers make them very sensitive to the economic cycles of recession and growth by placing them at the front of the queue to exit the labor market during recession times and push them to the back of the queue to join the labor market at times of economic growth. Thus, when the economy fluctuates, we should expect different outcomes in terms of increasing employment or unemployment between workers in the primary sector and those in the secondary sector. According

to Piore (1978), workers in the secondary sector are likely to be more affected by economic fluctuations and face higher unemployment rates during recessions. Since minority groups are overrepresented within the secondary sector, they are likely to face greater penalty in the form of higher unemployment rates.

Empirical studies in the United States and Britain show that unemployment rates among ethnic minorities are higher than the comparable rates within the white majority population (Cohn and Fossett 1996; D'Amico and Maxwell 1995; Fieldhouse and Gould 1998; Mouw 2000). For example, D'Amico and Maxwell (1995) found that unemployment among blacks and Hispanics was higher than among whites and that they encounter greater difficulties when joining the labor market. A higher unemployment rate was also found in relation to Turkish immigrants in Belgium, France, Germany, and the Netherlands compared to White majorities in these countries (Heath and Cheung 2007).

Previous studies looking at similar issues in Israel have pointed out that, compared to the Jewish population, the Palestinian minority is severely disadvantaged in most life domains including in relation to their labor market achievements. Palestinians in Israel are more likely than Jews to be unemployed (Khattab 2006) and to get lower wages (Asali 2006; Khattab 2005), and significantly less likely to obtain professional and managerial jobs due to direct and institutional discrimination (Khattab 2002; Kraus and Yonay 2000; Miaari et al., 2011; Yonay and Kraus 2001).

The higher unemployment rate among Palestinians in Israel is associated with a widespread discrimination against them within the main (primary) labor market (Barzilai 2003; Haidar 1990; Khattab 2003), the lack of employment opportunities within their communities—ethnic labor market (Semyonov and Lewin Epstein 1994), and their concentration within the secondary labor market. These factors increase the vulnerability of Palestinian workers within the labor market and undermine their resistance during economic cycles and fluctuations. For example, Sa'di and Lewin-Epstein (2001) discussed the dynamic influence of the labor market and the growth of the liberal economy on employment among Palestinian men, and found a disparity in unemployment rates between Palestinian and Jewish men: The former faced higher unemployment rates resulting, among other things, from an increasing labor market segmentation based on ethnic affiliation of workers.

In relation to the ethnic segmentation of the Israeli labor market, it is important to distinguish between the secondary labor market that is heavily concentrated by Palestinian workers engaging in manual, unskilled, and low-pay jobs and the ethnic labor market (enclave economy) that provides many job opportunities that are considered primary labor market

jobs. For example, teaching jobs in Palestinian schools, health care works in local medical centers (doctors and nurses), and professional jobs within the Palestinian local authorities are all considered primary labor market jobs. These jobs and many more (i.e., accountants, solicitors, dentists, etc. within Palestinian communities) are located within the ethnic labor market—which was developed as a result of the residential segregation between Palestinians and Jews and the gradual spread of services provided by the state (public sector jobs) (Kraus and Yonay 2000; Lewin-Epstein and Semyonov 1994; Shavit 1992). Moreover, many other private businesses have been established by both Palestinian entrepreneurs and Jewish firms (such as private banks, and more recently some hi-tech companies).

However, the Palestinian ethnic labor market in Israel does not meet the demand side of the labor market—workers wanting to join the labor market (Khattab 2002, 2006)—and hence many Palestinian workers will turn to the Jewish labor market for jobs. Most of them will be channeled to the secondary labor market where jobs, as previously mentioned, are physically demanding, unsecured, low pay, and low prestige and are largely considered as dead-end jobs (Sa'di and Lewin-Epstein 2001). Under these conditions, Palestinian workers will be extremely vulnerable to changes in the economy (economic cycles) and any shifts in the minority–majority relations (Miaari et al., 2011). They are likely to face the most severe penalties of economic crises by being the first to be pushed out of the labor market, and will be the last to join work again during economic growth.

Database and Research Method

This study is based on micro-panel data from the Central Bureau of Statistics Labour Force Surveys from 1995 to 2009. These panel data were derived from a series of interviews conducted with individuals in samples of these surveys. Each surveyed household is repeatedly visited four times over six quarters. At the beginning, two interviews are conducted in two successive quarters; then after a break lasting two quarters, two more interviews are conducted. Afterward, those households are removed from the sample. The use of data from such repeating interviews enables the researchers to track changes in traits of each individual in the workforce at four points in time over a 15-month period.

The estimates of transition rates are taken from the tracking of changes taking place over time in the employment status of the same interviewees, and are based on surveys conducted in successive years. For the purpose of choosing the sample for calculating the annual transition probability,

all of the interviewees who appeared in two interviews over a 12-month period were identified out of all those sampled in 1995–2009, that is, those reported in the first and third quarterly interviews, or those reported in the second and fourth interviews. This panel sample of annual changes in individuals' employment status enables estimating annual transition rates between employment modes (Beenstock and Klinov 1998).

The study population includes nearly all work ages in Israel of the Palestinian and Jewish populations. The Palestinian population includes Muslims, Druze, and Christians born in Israel. Because since 2001, the Central Bureau of Statistics has added distinguishing criteria between Palestinian Christians and other Christians, it is important to note that in this study, data on neither non-Palestinian Christians nor interviewees with no religion classification and those not classified before 2001 are included.

In the sample of Palestinians, nor are Palestinian workers from East Jerusalem included because as far as job supply is concerned, there are essential differences between the general population of Palestinian workers in Israel and the Palestinian population of East Jerusalem: Job supply for the former derives from the size of the working-age population, from effects of welfare policy, and from changes in the wage structure. In contrast, job supply for Palestinian workers from East Jerusalem derives from the size of the population and from the demand for their labor in the alternative labor markets to those of the Israeli market, for example, the West Bank and Palestinian countries (Amir and Gottlieb 2005).

Results

Overview

During 1995–2009, two bad recessional cycles can be discerned (Dubman 2010): The first, between Q4 2000 and Q2 2002, was characterized by security shocks; the second, between Q3 2008 and Q4 2009, was affected by the world financial crisis and the collapse of Lehman Brothers Holdings. The recessional cycles of Israel between the years 1991 and 2009, and particularly the last two, were longer and deeper than those between the years1960 and 1990, and the recovery from there was slower than earlier (Dubman 2010).

The past two decades (since 1995) were a turning point in the worsening distress and occupational distress among the Palestinian public in Israel. This was an era of shocks in the domestic and international arena[1] that had far-reaching effects on the structure of Israel's labor market. This

era is divided into subperiods of both prosperity and economic downturn (Miaari et al., 2011). These shocks enable us to conduct a dynamic study of occupational distress over two economic periods and their effect on Palestinians as compared to Jews.

Studying the data on the participation rate in the labor force points to its low rate and higher fluctuation in the Palestinian population compared to the Jewish population (figure 1.1). Moreover, the participation rate in the Jewish population steadily rose during the period in question, except for a certain adjustment during the first recession (2000–2003), whereas participation rates in the Palestinian population "jumped" in 2007. Except for that year, no period is characterized by a clear growth trend in the participation rate of the Palestinian sector.[2] The wide gap between employment and participation rates in the Palestinian population versus the Jewish population stems mainly from the low participation rates of Palestinian women versus Jewish women.[3]

Unemployment rates show that over most of the years studied, unemployment in the Palestinian population was higher than in the Jewish population (figure 1.2). We can also see the high fluctuation level of unemployment in the Palestinian population in contrast to the same datum in the Jewish population.[4]

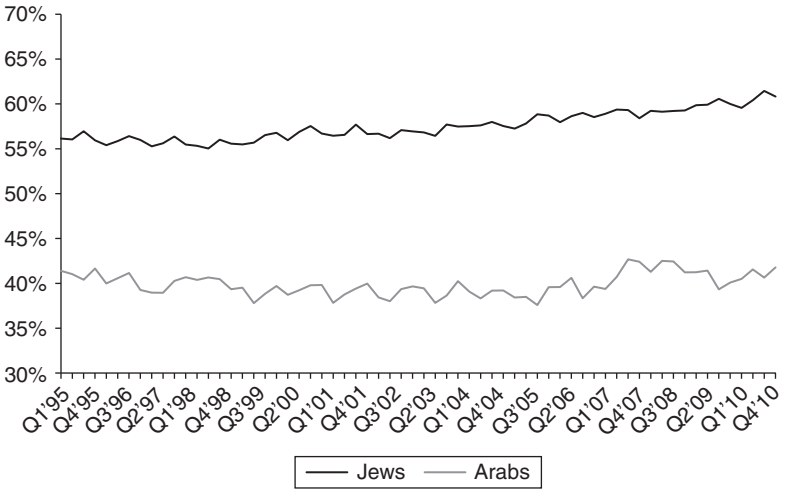

Figure 1.1 Participation rates in the labor force among Jews and Arabs, 1995–2010

Note: Recessional periods are marked in gray.

Source: CBS labor force surveys 1995–2010. Authors' calculation.

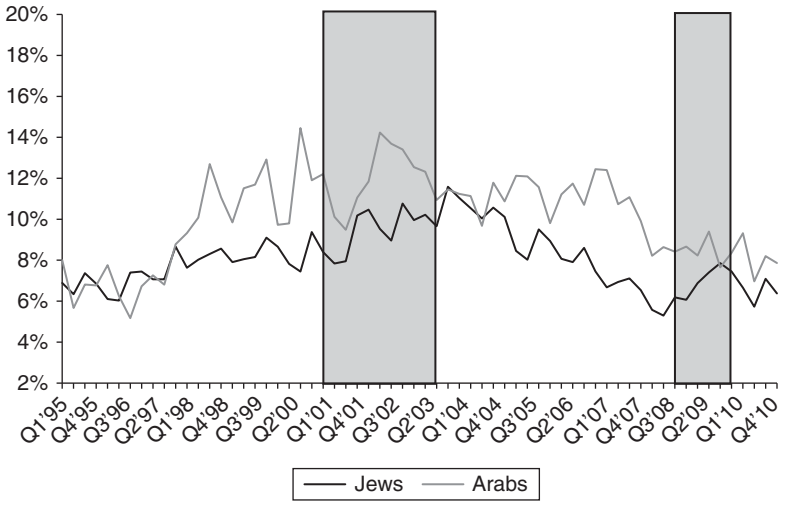

Figure 1.2 Unemployment Rates among Jews and Palestinians, 1995–2010
Note: Recessional periods are marked in gray.
Source: CBS labor force surveys 1995–2010. Authors' calculation.

Looking longitudinally, the period 1995–2010 can be divided into three: The first begins in 1995 and shows a rise in unemployment in both Palestinian and Jewish populations. Unemployment in the Palestinian sector peaks in Q3 of 2002 (during the first recession), while unemployment in the Jewish population peaks in Q3 of 2003 (a year later, and after the recovery from the recession). This period ends in 2003. In the second period, beginning in 2004, the economy begins to grow, yet this growth acts to improve employment in the Jewish sector only, wherein unemployment drops, whereas unemployment in the Palestinian sector holds steady until 2007. The third period begins in 2008 (the second recession). During this period, unemployment among Palestinians begins to rise in Q1 of 2008, whereas among the Jews, it begins to rise only in Q2 of the same year (figure 1.2).

These data show that during periods of economic growth, the response in the Palestinian population in terms of employment is moderate, and occurs later than in the Jewish population. In contrast, during economic recessions, the response in the Palestinian population in employment sectors is strong, and precedes the Jewish response. Moreover, if the recession hit both populations equally, and if the growth period improved both populations equally, we would expect to see a similar trend in both employment and unemployment rates, which is not the case. The data so far

suggest that both populations respond differently to the economic cycles of recessions and growths, supporting previous claims made by Svirsky et al. (2008) and Haidar (2009) in relation to the differential impacts of economic growths on Jews and Palestinians in Israel.

Probability of Transition between Employment Statuses

Examining the probabilities of transition between employment statuses points to the fact that in the Palestinian population, the probabilities of moving during recessions (at an average of two such recessional periods) from employment to nonparticipation is 5 percent higher than for Jews.[5] And during the past two recessional periods—the one following the crisis in hi-tech companies and the outbreak of the second intifada in 2000 and the one following the Lehman Brothers collapse in 2008—the probability of moving from employment to nonparticipation among Palestinians was over 16 percent, compared to 11 percent for Jews (tables 1.1 and 1.2).

The same gap of 5 percent in the Jews' favor also exists regarding the probability of moving from nonparticipation to employment during growth periods. The probability of moving from nonparticipation to employment during the growth years was 10 percent among Palestinians, compared to 15 percent for Jews. The data thereon shows that the wide gap between the populations began forming in 1998.

Sorting the difference in probabilities of mobility between employment and nonparticipation and vice versa by ethnicity, gender, and education shows that the sharpest differences are to be found among Palestinian women and those with low qualifications in both populations (tables 1.3 and 1.4). Accordingly, we see that the population that suffers the most is that of uneducated Palestinian women.[6]

The probability of moving from nonparticipation to employment during both growth and recession in this population group (uneducated Palestinian women) is particularly low (2–4 percent compared to 15–20 percent uneducated Jewish women), and the probability of moving from employment to nonparticipation during recession is much higher for Palestinian women than for Jewish women (average of 36 percent and 12 percent, respectively). Accordingly, the second recession was conspicuously bad, wherein among uneducated Palestinian women, the probability of moving from employment to nonparticipation was 44 percent on average.

While among educated women, overall the results were similar, the gaps were narrower, so that the probability of educated Palestinian women

Table 1.1 Probabilities of transition between labor market states, Palestinians, 1995–2009

Business cycle		*1. From employment to*			*2. From unemployment to*			*3. From nonparticipation to*		
		Employment	*Unemployment*	*Nonparticipation*	*Employment*	*Unemployment*	*Nonparticipation*	*Employment*	*Unemployment*	*Nonparticipation*
Transition w/in growth period	1996	0.88	0.03	0.09	0.49	0.17	0.33	0.08	0.01	0.91
Transition w/in growth period	1997	0.84	0.05	0.11	0.49	0.13	0.38	0.07	0.02	0.91
Transition w/in growth period	1998	0.84	0.05	0.11	0.44	0.21	0.35	0.09	0.02	0.89
Transition w/in growth period	1999	0.83	0.05	0.11	0.35	0.25	0.40	0.07	0.02	0.91
Transition w/in growth period	Q1–3, 2000	0.82	0.07	0.12	0.37	0.24	0.39	0.09	0.03	0.88
Transition from growth > recession	Q4, 2000	0.82	0.05	0.13	0.40	0.28	0.31	0.07	0.02	0.91
Transition from growth > recession	Q1–3, 2001	0.84	0.05	0.12	0.32	0.23	0.45	0.08	0.02	0.90
Transition w/in recession	Q4, 2001	0.84	0.07	0.09	0.43	0.18	0.39	0.08	0.02	0.90
Transition w/in recession	2002	0.83	0.06	0.11	0.31	0.30	0.39	0.07	0.04	0.89
Transition w/in recession	Q1–2, 2003	0.84	0.05	0.11	0.35	0.28	0.36	0.07	0.03	0.90
Transition from recession > growth	Q3–4, 2003	0.85	0.05	0.10	0.28	0.44	0.28	0.08	0.03	0.89
Transition from recession > growth	Q1–2, 2004	0.86	0.04	0.10	0.35	0.28	0.36	0.08	0.03	0.90

Transition w/in growth period	Q3–4, 2004	0.85	0.03	0.13	0.30	0.31	0.39	0.08	0.03	0.89
Transition w/in growth period	2005	0.85	0.04	0.12	0.26	0.33	0.41	0.07	0.03	0.90
Transition w/in growth period	2006	0.87	0.03	0.10	0.28	0.24	0.48	0.07	0.04	0.89
Transition w/in growth period	2007	0.86	0.03	0.11	0.34	0.21	0.45	0.08	0.05	0.87
Transition w/in growth period	Q1–2, 2008	0.86	0.04	0.10	0.36	0.19	0.45	0.11	0.03	0.86
Transition from growth > recession	Q3–4, 2008	0.85	0.04	0.12	0.29	0.25	0.46	0.10	0.02	0.88
Transition from growth > recession	Q1–2, 2009	0.83	0.05	0.12	0.35	0.22	0.43	0.09	0.03	0.88
Transition w/in recession	Q3–4, 2009	0.85	0.03	0.12	0.39	0.19	0.42	0.07	0.03	0.91

Notes: 1. The sample included the entire Arab working-age population in Israel.
2. The definition of "Arab" included Muslims, Druze, and Christians born in Israel.
3. In 2001, the CBS added to its criteria a distinction between Arab Christians and other Christians; therefore, the table does not include non-Arab Christians or interviewees who are unclassified as to religion who had been included in this definition prior to 2001.
4. The sample does not include Bedouins and individuals residing in institutions.
5. In the Arab sample, Palestinian workers from East Jerusalem are not included.
6. The probability of a transition from state i to state j in time t is obtained by dividing the number of individuals who moved to state j by the number of individuals in state i at time $t-1$.
Source: Processing of labor force survey micro-data, 1995–2009. Authors' calculation.

Table 1.2 Probabilities of transition between labor market states, Jews, 1996–2009

Business cycle		*1. From employment to*			*2. From unemployment to*			*3. From nonparticipation to*		
		Employment	*Unemployment*	*Nonparticipation*	*Employment*	*Unemployment*	*Nonparticipation*	*Employment*	*Unemployment*	*Nonparticipation*
Transition w/in growth period	1996	0.88	0.03	0.09	0.45	0.18	0.36	0.13	0.03	0.84
Transition w/in growth period	1997	0.87	0.03	0.09	0.45	0.20	0.34	0.12	0.03	0.85
Transition w/in growth period	1998	0.87	0.04	0.09	0.45	0.21	0.34	0.11	0.04	0.86
Transition w/in growth period	1999	0.88	0.04	0.08	0.48	0.22	0.30	0.11	0.04	0.85
Transition w/in growth period	Q1–3, 2000	0.88	0.03	0.09	0.47	0.19	0.34	0.11	0.04	0.85
Transition from growth > recession	Q4, 2000	0.88	0.03	0.09	0.46	0.22	0.32	0.11	0.04	0.85
Transition from growth > recession	Q1–3, 2001	0.88	0.04	0.08	0.44	0.22	0.34	0.11	0.04	0.85
Transition w/in recession	Q4, 2001	0.87	0.05	0.08	0.35	0.29	0.35	0.11	0.04	0.86
Transition w/in recession	2002	0.87	0.04	0.09	0.43	0.24	0.33	0.10	0.04	0.85

Transition w/in recession	Q1–2, 2003	0.88	0.04	0.08	0.43	0.27	0.29	0.09	0.04	0.87
Transition from recession > growth	Q3–4, 2003	0.88	0.04	0.08	0.40	0.30	0.31	0.10	0.05	0.85
Transition from recession > growth	Q1–2, 2004	0.89	0.04	0.07	0.43	0.28	0.30	0.10	0.05	0.85
Transition w/in growth period	Q3–4, 2004	0.88	0.04	0.08	0.41	0.25	0.33	0.10	0.05	0.85
Transition w/in growth period	2005	0.90	0.04	0.07	0.46	0.25	0.30	0.11	0.04	0.85
Transition w/in growth period	2006	0.90	0.03	0.07	0.45	0.24	0.31	0.11	0.04	0.85
Transition w/in growth period	2007	0.90	0.03	0.07	0.51	0.19	0.30	0.11	0.04	0.85
Transition w/in growth period	Q1–2, 2008	0.91	0.02	0.07	0.48	0.20	0.31	0.11	0.03	0.86
Transition from growth > recession	Q3–4, 2008	0.90	0.03	0.07	0.49	0.18	0.33	0.11	0.03	0.86
Transition from growth > recession	Q1–2, 2009	0.90	0.04	0.07	0.45	0.23	0.31	0.11	0.03	0.86
Transition w/in recession	Q3–4, 2009	0.89	0.04	0.07	0.45	0.22	0.32	0.12	0.04	0.85

Notes: 1. The sample included the entire Jewish working-age population in Israel.
2. The sample does not include individuals residing in institutions.
3. The probability of a transition from state i to state j in time t is obtained by dividing the number of individuals who moved to state j by the number of individuals in state i at time $t-1$.
Source: Processing of labor force survey micro-data, 1995–2009. Authors' calculation.

Table 1.3 Probabilities of transition between labor market states: Men and women aged 25–54 with up to secondary education, 1996–2009

Economic cycles	*Palestinians*				*Jews*			
	Employment to unemployment		*Unemployment to employment*		*Employment to unemployment*		*Unemployment to employment*	
	M	*W*	*M*	*W*	*M*	*W*	*M*	*W*
Transition w/in growth period 1996	0.10	0.25	0.26	0.03	0.08	0.17	0.31	0.15
Transition w/in growth period 1997	0.14	0.37	0.23	0.04	0.10	0.16	0.24	0.15
Transition w/in growth period 1998	0.15	0.44	0.22	0.03	0.12	0.19	0.20	0.15
Transition w/in growth period 1999	0.18	0.35	0.22	0.03	0.11	0.16	0.29	0.18
Transition w/in growth period Q1–3, 2000	0.15	0.44	0.25	0.03	0.10	0.17	0.27	0.16
Transition from growth > recession Q4, 2000	0.21	0.23	0.22	0.02	0.10	0.12	0.27	0.16
Transition from growth > recession Q1–3, 2001	0.13	0.41	0.20	0.03	0.09	0.18	0.31	0.16
Transition w/in recession Q4, 2001	0.12	0.41	0.18	0.03	0.09	0.12	0.21	0.11
Transition w/in recession 2002	0.15	0.29	0.15	0.03	0.12	0.14	0.23	0.16
Transition w/in recession Q1–2, 2003	0.14	0.21	0.15	0.03	0.15	0.09	0.22	0.10
Transition from recession > growth Q3–4, 2003	0.10	0.26	0.17	0.04	0.08	0.16	0.17	0.16
Transition from recession > growth Q1–2, 2004	0.16	0.23	0.25	0.02	0.12	0.16	0.21	0.18

Transition w/in growth period Q3–4, 2004	0.11	0.34	0.18	0.03	0.09	0.14	0.22	0.19
Transition w/in growth period 2005	0.10	0.36	0.22	0.02	0.09	0.11	0.26	0.18
Transition w/in growth period 2006	0.10	0.33	0.19	0.02	0.07	0.10	0.18	0.16
Transition w/in growth period 2007	0.13	0.29	0.21	0.04	0.12	0.14	0.30	0.13
Transition w/in growth period Q1–2, 2008	0.12	0.45	0.25	0.06	0.06	0.12	0.23	0.17
Transition from growth > recession Q3–4, 2008	0.07	0.51	0.29	0.04	0.12	0.14	0.19	0.20
Transition from growth > recession Q1–2, 2009	0.11	0.26	0.27	0.03	0.08	0.08	0.30	0.13
Transition w/in recession Q3–4, 2009	0.12	0.54	0.19	0.03	0.10	0.12	0.21	0.22

Source: Processing of labor force survey micro-data, 1995–2009. Authors' calculation.

Table 1.4 Probabilities of transition between labor market states, men and women aged 25–54 with at least a postsecondary qualification, 1996–2009

Economic cycles	*Palestinians*				*Jews*			
	Employment to unemployment		*Unemployment to employment*		*Employment to unemployment*		*Unemployment to employment*	
	M	*W*	*M*	*W*	*M*	*W*	*M*	*W*
Transition w/in growth period 1996	0.06	0.12	0.36	0.10	0.05	0.09	0.30	0.28
Transition w/in growth period 1997	0.07	0.23	0.31	0.07	0.06	0.09	0.30	0.28
Transition w/in growth period 1998	0.06	0.12	0.42	0.08	0.06	0.09	0.29	0.27
Transition w/in growth period 1999	0.07	0.19	0.38	0.09	0.06	0.10	0.28	0.29
Transition w/in growth period Q1–3, 2000	0.10	0.11	0.36	0.08	0.07	0.09	0.31	0.29
Transition from growth > recession Q4, 2000	0.10	0.15	0.36	0.13	0.05	0.09	0.27	0.29
Transition from growth > recession Q1–3, 2001	0.08	0.12	0.34	0.05	0.07	0.09	0.31	0.25
Transition w/in recession Q4, 2001	0.12	0.08	0.39	0.03	0.09	0.09	0.29	0.27
Transition w/in recession 2002	0.09	0.13	0.27	0.06	0.07	0.10	0.26	0.27
Transition w/in recession Q1–2, 2003	0.11	0.11	0.34	0.06	0.06	0.09	0.30	0.25

Transition from recession > growth Q3–4, 2003	0.10	0.15	0.33	0.08	0.06	0.09	0.26	0.27
Transition from recession > growth Q1–2, 2004	0.10	0.05	0.32	0.06	0.07	0.09	0.26	0.24
Transition w/in growth period Q3–4, 2004	0.09	0.10	0.26	0.07	0.06	0.10	0.29	0.28
Transition w/in growth period 2005	0.10	0.13	0.28	0.06	0.06	0.08	0.29	0.29
Transition w/in growth period 2006	0.08	0.14	0.34	0.08	0.05	0.07	0.30	0.29
Transition w/in growth period 2007	0.07	0.14	0.36	0.10	0.05	0.08	0.31	0.31
Transition w/in growth period Q1–2, 2008	0.08	0.18	0.35	0.10	0.05	0.07	0.30	0.28
Transition from growth > recession Q3–4, 2008	0.09	0.18	0.46	0.10	0.05	0.07	0.30	0.26
Transition from growth > recession Q1–2, 2009	0.09	0.18	0.27	0.10	0.07	0.07	0.25	0.28
Transition w/in recession Q3–4, 2009	0.06	0.14	0.32	0.08	0.07	0.08	0.27	0.28

Source: Processing of labor force survey micro-data, 1995–2009. Authors' calculation.

getting ejected from their workplaces during the recession was 14 percent on average, compared to just 9 percent for educated Jewish women. During growth, the situation of educated Palestinian women was even worse, as the probability of their re-entry to employment was only 8 percent, compared to 29 percent for educated Jewish women.

A similar problem exists in the male population, although to a lesser degree: Among uneducated Palestinian men, the probability of moving from nonparticipation to employment is 3 percent lower than it is for their Jewish counterparts. In contrast, there is a considerable difference between the two recessions in the probability of moving from employment to nonparticipation: In the first recession, in 2000–2003, the probability of moving from employment to nonparticipation among uneducated Palestinian men stood at 15 percent, or 4 percent higher than their Jewish counterparts. In contrast, during the second recession, in 2008–2009, the probability of moving from employment to nonparticipation for Palestinians dropped and plateaued at only 10 percent, while for Jews it neither rose nor fell.

Particularly conspicuous was the difference in this probability during the transition from growth to recession: During the transition that preceded the first recession, it was 21 percent among Palestinians, while during the transition that preceded the second recession, it was only 7 percent. It is likely that this difference stems from the political backdrop of the two periods. One of the causes of the first recession was the mutual fear prevailing at the beginning of the second intifada, which hit employment among Palestinians hard, whereas the second recession occurred against the backdrop of a certain lessening in the tension between the two populations. This finding concurs with the results obtained by Miaari et al. (2011), who found a considerable rise in separation of Palestinians from their employers at mixed firms following the outbreak of the second intifada.

Looking at the situation among educated Palestinian men overall shows that in this population group, the probability of leaving one's job is higher than that among their Jewish counterparts, and the probability of their re-entering the workforce during growth is higher than the parallel probability among Jews. And commensurately, the probability of educated Palestinian men being ejected from their jobs during recession is 9 percent, compared to 7 percent among their Jewish counterparts. Yet the probability of educated Palestinian men returning to work during growth is 34 percent (4 percent higher than that of educated Jewish men). At the same time, here too LIFO is evident, as the data show that during the period wherein the Israeli economy emerged from its recession in 2001–2003, the probability that educated Palestinian men would find work was 3 percent lower than that of educated Jewish men.

We also sought to examine the length of time that passes until re-entry into the workforce during growth, as well as the length of time until exiting the workforce during recession. Tables 1.5 and 1.6 show our overall findings thereon: Table 1.5 shows the average number of quarters of the transition from nonparticipation to employment during growth among those who were in a state of nonparticipation during the preceding the determinant week.[7] During the growth period, in the Palestinian population, the average number of quarters passing until re-entry was 1.88, or lower than the same datum in the Jewish population (1.95 quarters). Sorting this result by gender or education level does not change the overall picture. It is interesting that the average number of quarters until re-entry among educated workers is higher on average than that among uneducated workers. It is likely that this result stems from the longer job search process, or in the wake of exiting the labor force for a longer period during academic studies. At the same time, looking at the transition period from recession to growth shows that the average number of quarters it took for re-entry in the Palestinian population was 1.95, compared to 1.91 in the Jewish population.

Table 1.6 shows the average number of quarters for the transition from employment to nonparticipation during recession among those who were employed during the period preceding the determinant week. The average number of quarters it took for ejection from the workplace in the Palestinian population was 1.83, compared to 1.91 among Jews. The widest point in this gap is seen at the beginning of the transition between growth and recession. For example, in Q4 of 2000 (the beginning of the second intifada) and in Q3 and Q4 of 2008 (the collapse of Lehman Brothers), the average number of quarters for ejection among Palestinians was 0.15 quarters less than that for Jews.

Another interesting finding is that of the spread of the average number of quarters for ejection. There are significant differences between the years in terms of the spread during the recession in the Palestinian population.[8] This phenomenon does not emerge from the data of average number of quarters for re-entry, as therein there is no real gap in the spread between the two populations. Neither does sorting by education or gender show any significant differences.

These results provide a good evidence about the existence of LIFO in the Israeli labor market: The Palestinian public is the first population group hit by recession, the first to be ejected from the workplace, and the last to reap the fruits of economic growth—precisely a time when they experience difficulties finding work.

As aforementioned, these results are not unique to Israel. As early as the 1970s, Freeman (1973) found discrimination against blacks in the US labor

Table 1.5 Average number of quarters for re-entry to employment* among nonemployed before the determinant week during a growth period

Economic cycles	*Palestinians*					*Jews*				
		Educated		*Uneducated*			*Educated*		*Uneducated*	
	Total	*M*	*W*	*M*	*W*	*Total*	*M*	*W*	*M*	*W*
Transition w/in growth period 1996	1.81	1.89	1.64	1.89	1.67	1.91	1.89	1.95	1.82	1.86
Transition w/in growth period 1997	1.81	1.88	1.91	1.76	1.58	1.93	1.96	1.92	1.91	1.86
Transition w/in growth period 1998	1.90	2.00	2.06	1.77	1.72	1.90	1.88	1.95	1.74	1.89
Transition w/in growth period 1999	1.88	2.02	1.84	1.79	1.69	1.90	1.89	1.91	1.93	1.84
Transition w/in growth period Q1–3, 2000	1.83	1.72	1.95	1.93	1.67	1.96	1.97	1.98	1.84	1.91
Transition from recession > growth Q3–4, 2003	1.95	1.99	1.63	2.04	2.14	1.91	1.86	1.98	1.87	1.69
Transition from recession > growth Q1–2, 2004	1.84	1.81	1.79	1.80	2.35	1.94	1.96	1.95	1.81	1.93
Transition w/in growth period Q3–4, 2004	1.79	1.89	1.89	1.67	1.49	1.95	1.99	1.94	1.84	1.96
Transition w/in growth period 2005	1.95	1.91	2.02	1.98	1.87	2.02	2.02	2.04	1.95	1.99
Transition w/in growth period 2006	1.81	1.77	1.74	1.92	1.68	2.01	2.04	1.97	2.20	1.98
Transition w/in growth period 2007	1.95	1.91	1.87	2.06	2.02	1.97	1.95	2.00	1.83	1.95
Transition w/in growth period Q1–2, 2008	1.93	2.05	1.92	1.72	1.96	1.99	2.01	1.98	2.06	1.77
Average for the whole period	1.88	1.90	1.87	1.88	1.78	1.95	1.96	1.97	1.90	1.89

*calculated by counting quarters during which the individual was not employed until her first transition to employment.
Source: Analysis of labor force survey micro-data, 1995–2009. Authors' calculation.

Table 1.6 Average number of quarters for ejection from employment* among employed before the determinant week during recession

Economic cycles	*Palestinians*					*Jews*				
		Educated		*Uneducated*			*Educated*		*Uneducated*	
	Total	*M*	*W*	*M*	*W*	*Total*	*M*	*W*	*M*	*W*
Transition from growth > recession Q4, 2000	1.69	1.55	1.74	1.74	2.03	1.85	1.75	1.88	1.90	2.18
Transition from growth > recession Q1–3, 2001	1.91	2.07	1.81	1.82	1.94	1.92	1.87	1.92	2.07	1.93
Transition w/in recession Q4, 2001	1.97	1.83	2.18	2.04	1.85	1.96	2.07	1.89	2.10	1.63
Transition w/in recession 2002	1.98	1.82	2.04	2.13	1.95	1.91	1.91	1.94	1.89	1.79
Transition w/in recession Q1–2, 2003	1.81	1.94	1.81	1.68	1.76	1.89	1.92	1.88	1.89	1.82
Transition from growth > recession Q3–4, 2008	1.78	1.88	1.80	1.78	1.47	1.92	1.90	1.95	1.82	1.88
Transition from growth > recession Q1–2, 2009	1.86	1.81	2.01	1.77	1.98	1.87	1.86	1.84	1.91	2.14
Transition w/in recession Q3–4, 2009	1.58	1.64	1.69	1.44	1.44	1.93	1.92	1.92	1.98	2.15
Average for the whole period	1.83	1.83	1.87	1.82	1.80	1.91	1.90	1.91	1.95	1.91

*calculated by counting quarters during which the individual was employed until her first transition to non-employment.
Source: Analysis of labor force survey micro-data, 1995–2009. Authors' calculation.

market manifested in longer times seeking work, even in growth periods, as well as this population being the first to be ejected during recession. Similar conclusions were made regarding the status of minority members in the United States (blacks, Hispanics, and Asians), and the status of immigrants to Europe, such as Black Caribbeans, Black-Africans, Pakistanis, and Bangladeshis in the UK and Turks in Germany.

Concluding Remarks

This chapter examined the risk of unemployment among Palestinians and Jews, respectively, in Israel's labor market based on the model of the segmented market (Piore 1979) and the LIFO thesis (Freeman 1973). In Israel, the primary market is located in the center of the country, and most of its employees come from the Jewish population. The Palestinian population, which mostly resides in the periphery (residentially segregated), is restricted to the secondary market only, while only few and lucky ones find primary labor market jobs within the Palestinian ethnic economy. We argued that under conditions of overconcentration at the margins of Jewish-controlled labor market, Palestinian workers serve as a replacement—used according to the changing needs of the Israeli labor market. Therefore, they are likely to be very vulnerable and strongly fluctuate in line with the ups and downs of the labor market. During recession, they are the first to be ejected from the workplace, and during growth periods, they are the last to be rehired.

The data that we present for 1995–2009 regarding fluctuations in participation rates in the labor market, in employment, and in unemployment provide a strong evidence for the LIFO thesis. During growth years, unemployment dropped in the Jewish population before any discernible improvement was discerned among the Palestinian population; and during recession, unemployment rates in the Palestinian population were the first to rise. This finding suggests that over the past decade, nothing has changed in the Israeli labor market. Compared to Jewish workers, Palestinian workers face greater risk of unemployment as they did 20 years ago (Khattab 2006; Semyonov 1986) despite the significant improvement in their educational attainment over the same period and the arguably greater openness of the Israeli labor market.

One of the explanations of the greater penalty faced by Palestinian workers in the Israeli labor market is their overconcentration within the secondary labor market (Sa'di and Lewin-Epstein 2001), which is the first to be hit during recession due to lack of job security (Dickens and Lang 1985; Piore 1978) and widespread discrimination (Haughton

et al., 1993). The persistent gap in the risk of unemployment between Palestinian and Jewish workers in Israel and the differing impact of the economic cycles (fluctuations) on both of them suggest that discrimination is to be considered as one of the explanations for their labor market disadvantages.

In this study we did not measure discrimination, nor do we need to do so. Many previous studies have concluded that discrimination and unfair practices by Jewish employers are a major force behind the poor labor market outcomes of Palestinians and a cause for their greater risk of unemployment (Haidar 1990; Haidar and Zureik 1987; Miaari et al. 2011; Sa'di and Lewin-Epstein 2001; Semyonov 1988; Semyonov and Cohen 1990). Moreover, in a unique and extraordinary "confession" made by the former Israeli prime minister Ehud Olmert in 2008, he described the discrimination against Palestinians over the past 60 years as "deliberate and insufferable."[9] Here too we suspect that discrimination is in play and operates at two levels: first when hiring or firing Palestinian workers, and second by channeling them into the secondary labor market when hiring them. It is most likely that Jewish employers (private and public) use the ethnic background of workers, and not their human capital, as a criterion to decide whether to offer them a job or not. This finding supports our other recent findings in relation to the pay gap between Jews and Palestinians in Israel (Miaari and Khattab Chapter 3 in this book), suggesting that ethnicity remains a major force for economic and social mobility in Israel.

The present study has provided a detailed picture of the differences in transition between different employment statuses between Jews and Palestinians. However, future research should examine theses transitions and the LIFO thesis in relation to various ethnic Jewish groups such as the Mezrahi Jews or the Russian Jews, and in relation to the various religious Palestinian groups, namely Christians and Druze. We suspect that looking at the broad division of Jews versus Palestinians allows us to see only one side of the story, but in order to see the true impact of the deep ethnic and religious divisions of the Israeli society, a high-resolution analysis of these ethnic and religious differences is necessary.

Notes

1. The mass immigration from the former USSR, the Oslo Accords, and Israel's ties with the rest of the world including a large portion of the Palestinian world.
2. An empirical examination showed that in participation and employment rates in the Jewish public, there is a clear time trend, although no real gap was found between the years following 2006 and those before 2006.

On the other hand, regarding participation and employment rates in the workforce in the Palestinian public, while no clear time trend was found, a clear jump of 1.4 percentage points was seen after mid-2006.

3. On the reasons for this gap, see for example, Aromolaran (2004) and Bevelander and Groenveld (2007). In 2009, the participation rate in the labor force among Palestinian women was much lower than that among Palestinian men: 24.6 percent versus 62.8 percent. Accordingly, the participation rate of Palestinian women was also lower than among Jewish women (68.4 percent), and also compared to women in OECD countries (61.5 percent) and women in the United States (69 percent).
4. Standard deviation in the unemployment rate in the Palestinian population is over 20 percent versus that in the Jewish population.
5. Nonparticipation is defined as a situation wherein the individual did not actually work. Therefore, this mode includes both those defined as unemployment (those seeking work) and those who are not part of the workforce. Nonparticipation is defined as a situation wherein the individual is not part of the workforce (i.e., the second category of nonparticipation), for example, pupils, those engaged in volunteering, those unable to work, those living on disability payments, retirees, those whose income is from rents, and so forth.
6. Up to 10 years of schooling.
7. As per the CBS definition, the "determining week" is the week ending on the Saturday before the surveyor's visit to the household.
8. The standard deviation of average number of quarters for ejection among Palestinians during the recession was 0.13, or four times that of Jews.
9. http://www.haaretz.com/news/olmert-decries-deliberate-and-insufferable-discrimination-against-Palestinians-1.257103 (last accessed April 23, 2012).

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2

Combating Discrimination against Arab Palestinians in the Israeli Workplace: The Current Enforcement Failure and the Role of the Newly Established EEOC

Talya Steiner

Introduction

This chapter will address the issue of nationality-based employment discrimination in Israel, focusing on the failure of the current legal framework to effectively address this phenomenon in relation to Arab Palestinians in Israel (hereafter Palestinians). The first three sections of the chapter will briefly present the problem, the existing legal framework and the enforcement failure, and analyze the factors that contribute to the ineffectiveness of the law. The fourth section will sketch an alternate theoretical framework for regulating nationality-based employment discrimination, and describe ways in which these strategies can be used by the newly established Israeli Employment Equality Commission to complement existing enforcement methods. The fifth and final section will address practical steps needed to enable the commission to fully realize its

The research for this chapter was conducted at the Israel Democracy Institute.

potential, including strengthening the commission and altering the legal framework under which it operates.

The Problem of Nationality-Based Discrimination in the Israeli Workplace and the Existing Legal Framework

Although the disparity between Jews and Palestinians in the Israeli workplace can be attributed to a wide array of factors, discrimination against Palestinian citizens is unquestionably responsible for a significant portion of the gap (Asali, 2006; Habib et al., 2010; Levanon and Raviv, 2007). In a recent survey, 22 percent of employers admit openly to discriminating against Palestinian candidates (Prime Minister's Office Survey, 2012), and according to another survey, Israelis perceive nationality-based employment discrimination as highly prevalent, second only to discrimination against older employees (Hendles, 2010). Discrimination against Palestinians in Israel is deeply tied to the political conflict in the region, turning the workplace into a continuation of the political arena.

The impact of discrimination against Palestinians in the workplace reaches far beyond reduced employment opportunities. It undermines individual dignity and group identity as well as precluding any sense of social solidarity. It hamstrings the educational motivation of Palestinian students, as succeeding in school is not perceived as leading to meaningful employment. Clearly, combating nationality-based discrimination is a necessary step for improving an entire complex of social ills.

Discrimination against Palestinians manifests itself in many ways, both in the form of direct discrimination (known as "disparate treatment") and in the form of indirect discrimination ("disparate impact"). *Direct discrimination,* in which individuals are treated differently based on their group identity, can stem from different motivations (Alexander, 1992). One motivation can be the employer's own prejudicial beliefs or ideology. In addition to prejudices regarding the quality of Palestinian employees, Israeli employers' employment decisions are also often effected by their ideological and political opinions (Wolkinson, 1999; Yaakobi et al., 2009). As a partner at an accounting firm put it: "If I have before me, as applicants, a newly discharged Jewish soldier, an ultraorthodox Jew, an Ethiopian Jew and an Arab—the Arab will obviously be my last choice. Once this would have been considered Zionism" (Solomon, 2010).

A second motivation for direct discrimination is business based, in which the employer caters to the discriminatory preferences of customers or employees even when this is not his own personal preference. For example, the head of a call center admitted he constantly monitors the number

of Palestinians in his employ in order to ensure that the Jewish workers do not feel uncomfortable because the Palestinians are "taking over" (Yaakobi et al., 2009). Also, in 2011 a campaign was initiated by the *Lehava* organization to certify for the benefit of consumers which businesses are Palestinian free. For the past decade a website named *Avoda Ivrit* (Hebrew Labor) will advertise only those businesses that exclusively employ Jews.[1]

Finally, a third motivation is financial and is referred to as "statistical discrimination": an applicant's group identity is used by the employer as a proxy for other traits or qualifications (Kelman, 2001). For example, rather than conduct a time-consuming and expensive security check on every individual, statistics are used as the justification for claiming that Palestinians, as a group, pose a higher security threat and are therefore defined as ineligible for certain "sensitive" positions (Rabin Maralioth, 2004).

Indirect discrimination is when neutral criteria adversely impact upon individuals belonging to a particular group. One prevalent form of indirect discrimination affecting Palestinians is the requirement or consideration of army service, since Palestinians are not drafted. In addition, various assessment exams are skewed toward knowledge of Jewish culture and language, thus creating a discriminatory effect against Palestinian candidates (Rabin Margalioth, 2004; Wolkinson, 1999).

The existing legal framework for dealing with employment discrimination is the Equal Opportunities in Employment Act of 1988, which prohibits discrimination based on 15 categories, including gender, race, religion, age, family status, sexual orientation, and nationality.[2] The category of nationality was added in an amendment to the law in 1995. The law prohibits discrimination in all stages of the employment process, from hiring to termination and retirement, and applies to all employers of more than six employees. The prohibition of employment discrimination has been interpreted to include both direct and indirect discrimination (Rabin Margalioth, 2000). The law creates both criminal and civil enforcement measures: employees claiming discrimination can file a civil suit against the employer requesting injunctions or damages, and the State may press criminal charges against discriminatory employers, which can result in monetary fines.

The law has undergone several amendments during its nearly 25 years of existence, several of which were intended to ease the plaintiff's ability to succeed in discrimination suits. For example, the burden of proof was shifted to the employer once threshold requirements were met, and NGOs were permitted to bring suits on behalf of discriminated employees. In 2008 the Equality of Employment Opportunity Commission (EEOC) was established within the Ministry of Industry, Trade and Labor. Modeled

after Equality Commissions existing in other countries, such as the United States, the United Kingdom, and particularly Northern Ireland, the EEOC was meant to improve enforcement of the discrimination statutes.

The goal of the EEOC, as defined by law, is to further the recognition and realization of the legal rights stated in the statute. Victims of discrimination now have the choice of suing in court on their own or filing a complaint with the commission, which can lead to a settlement, mediation, or a civil suit brought by the commission itself. In addition, the commission may file briefs to the courts as *amicus curiae,* and pursue its mandate by way of education, training, running programs, and cooperating with other bodies and organizations, as well as collecting data and conducting research.

The Enforcement Failure in the Case of Discrimination against Palestinians

The prohibition of nationality-based employment discrimination has existed for nearly two decades. Although the impact of law on society is generally difficult to measure and may express itself in various ways (raising awareness to a problem, changing of norms of behavior and expectations, recognition and empowerment), a minimal expectation is that enforcement measures created by law will be activated when the law has been violated. However, the enforcement methods that were created by the law have practically never been used against cases of employment discrimination against Palestinians.

Before elaborating on the enforcement failure in the case of nationality-based discrimination, an overview of the enforcement of the discrimination statutes as a whole is in order, as a basis for comparison. An analysis conducted by Mundlak (2009b) has shown that the first decade of the antidiscrimination legislation (1988–1998) was characterized by several high-profile civil suits, dealing with gender, age, and sexual orientation. Although the lawsuits resulted in precedential decisions in the higher courts that gained public exposure, these precedents were never incorporated into "day-to-day adjudication" in the lower court levels. Nevertheless, since the year 2000 there has been a steady rise in the number of civil suits involving employment discrimination brought by individuals. In addition, in the three years of the commission's existence, approximately 700 complaints have been filed annually, and in 2012 the commission was engaged in 26 civil suits (EEOC, *Annual Report*, 2011). In the criminal realm, a handful of indictments regarding employment discrimination are made each year (Department for Enforcement of Labor Laws, 2007–2011).

When set against the background of this modest but growing degree of activity in all three enforcement routes, the almost nonexistent enforcement activity dealing with nationality-based discrimination stands out starkly. Since the category of nationality was added to the law in 1995, only one criminal charge was brought, the "*Tafkid Plus*" case (1999). In that case, job advertisements required applicants to have prior military service, disparately impacting Palestinians, despite no occupational justification for such a requirement. The company was found guilty and fined 10,000 shekels. Only a handful of civil suits dealing with nationality discrimination were filed in almost 20 years, none of which has reached an appellate level court, and in only one case did the court side with the plaintiff (the "*Rakevet Yisrael*" case, 2009). Only 2 percent of the complaints filed with the commission each year are related to nationality-based discrimination, and out of more than 25 civil cases the commission has initiated and brought to court since its establishment, only one dealt with a claim of nationality-based discrimination (the "*Kimat Hinam*" case, 2011; EEOC, *Annual Report*, 2011). De facto, the various enforcement procedures put into place to combat employment discrimination have not been activated when the cases of discrimination are against Palestinians.

In sum, the current reality is that direct and indirect nationality-based discrimination is prevalent and blatant discriminatory practices remain unchallenged.

Analysis of the Enforcement Failure

The gap between law and reality in the context of employment discrimination has been addressed in the legal literature (Mundlak, 2009a; Rabin Margalioth, 2000). However, the fact that nationality-based discrimination is so drastically under-enforced relative to other categories requires particular attention and analysis. In this section I will focus on two characteristics of the antidiscrimination legislation: the mobilization method of the law and the definition of the behavior that constitutes employment discrimination. The ways these elements are defined is a significant impediment to the enforcement of nationality-based discrimination. A deeper understanding of the malfunctions of the existing framework with particular regard to Palestinians will serve as a basis for the proposal of a new approach.

The Mobilization System of Antidiscrimination Law

Mobilization accounts for the ways in which legal activity is initiated: "law is mobilized when a desire or a want is translated into a demand as an

assertion of right or lawful claim" (Zemans, 1983: 700). Mobilization is especially critical for law aspiring to bring about social change (Burstein, 1991; Burstein and Monaghan, 1986). There are two basic modes of legal mobilization. In the reactive mode, citizens, who presumably act in their own best interest, decide whether or not to initiate legal action. In the proactive mode, the government initiates legal action to promote what it deems to be in the public's best interest. A law may include either or both modes. The Israeli antidiscrimination legislation is based, for the most part, on the reactive mode: civil suits are filed by employees claiming to have suffered discrimination. The commission—for the most part—acts in response to complaints filed, and criminal enforcement is a result of complaints, or focused on areas in which there is no need for intensive investigation (such as discriminatory job advertisements).

The reactive mobilization mode is generally considered more efficient, since the information regarding the occurrence of discrimination is most often in the hands of the victims of the discrimination. It also enables citizens to independently enforce their rights, thus freeing them from political and budget considerations that routinely confine State enforcement (Black, 1973). However, relying solely on mobilization initiated by victims has several disadvantages. At the declaratory level, the message conveyed by this mode of enforcement is that employment discrimination is primarily the concern of those discriminated against, rather than addressing the discrimination as a broad social problem for which the government is accountable (Waterstone, 2008). At the practical level, the reactive mode can lead to severe under-enforcement. In order for legal enforcement to take place, an episode must evolve through three crucial stages, coined as "naming, claiming and blaming": an experience must be perceived as injurious, fault must be attributed to another party, and a remedy must be demanded in legal terms (Felstiner et al., 1981). Quite often occurrences of employment discrimination do not lead to legal actions, resulting in pronounced under-enforcement (Davidov, 2010; Weil and Pyles, 2006).

The under-enforcement caused by the reactive mode of mobilization is particularly severe in the case of nationality-based employment discrimination, for two reasons. The first is that social variables affect dispute patterns (Felstiner et al., 1981). Group identity affects an individual's naming, blaming, and claiming, due to differing expectations of how one ought to be treated, which affects the perception of injury and willingness to blame; varying cultural norms fashion different responses to grievances and the acceptability of demanding remedy; and different groups face different barriers to initiating legal action. When mobilization is left to

individuals, disparities appear in the degree of enforcement and assertions of rights based on the relative strength, organization, and resources of different groups (Mundlak, 2009a; Passachof, 2010). The same law may benefit the different groups protected by it in substantially different ways, since stronger groups may consistently mobilize the law and routinely assert their rights, whereas violations against weaker groups go wanting. Therefore, the Equal Opportunities in Employment Act provides *un*equal protectiong.

In fact, the protection of Palestinians is lower than other groups. Palestinians in Israel have in many ways internalized the reality of discrimination to the point where they may not expect to be treated equally and therefore experience discrimination as inevitable (Barzilai, 2003; Zureik et al., 1993). In addition, they are relatively less aware of their legal rights, generally less organized and politically active, and have fewer resources and face more barriers in approaching the court system, such as language, geography, and trust (Gerlitz, 2010; Mundlak, 2009a; Rabin Margalioth, 2004). Unlike the general Palestinian population, women in Israel are more active and organized and over the years have asserted their rights in these areas; every legislative accomplishment for Palestinian equality in employment (i.e., the antidiscrimination legislation, the legislation of the right for adequate representation in the public service) was based on a prior legislative accomplishment by women.

The second reason that the reactive mobilization mode causes extreme under-enforcement, particularly for Palestinians, is that this type of discrimination is most prevalent in the hiring stage, which is the most difficult to litigate successfully. In most cases of discrimination in hiring, the victim is unaware that he has been discriminated against, the evidentiary difficulties in proving discrimination in this stage are the most severe, psychologically these cases are harder to initiate, and there is least incentive to sue since the degree of compensation is lower than in cases of discrimination in salary and benefits, retirement and termination (Rabin Margalioth, 2000). Other types of discrimination tend to manifest themselves in several different stages, and therefore even if they are under-enforced in the hiring stage, they are actionable in other stages. For example, age-based discrimination in Israel is prevalent in hiring, but manifests itself in salary and benefits, promotion, retirement, and termination as well. Thus, almost all age discrimination suits deal with the termination stage (Doron and Klein, 2007). It is noteworthy that the few cases of nationality-based discrimination were also cases of termination (the "*Rakevet Yisrael*," 2009; the "*Kimat Hinam*" case, 2011), or cases of hiring in which there was no evidentiary dispute (the "*Tafkid Plus*" case, 1999). Thus, the fact that nationality-based

discrimination is most common in the hiring stage makes it even less enforceable than other categories.

The Limited Definition of the Behavior That Constitutes Employment Discrimination

The traditional conception of employment discrimination, sometimes referred to as "first generation discrimination," is that of direct discrimination: a distinguishable event in which a particular actor makes a specific discriminatory employment decision. This understanding of the behavior that constitutes employment discrimination is the one formalized in the Israeli law. However, over the past few decades a more complex understanding of employment discrimination has emerged.

The first change to the classic conception was the introduction of the idea of disparate impact, which no longer required that discriminatory intention be directed toward a specific party. Indirect discrimination, in which neutral criteria adversely affect individuals belonging to a particular group, was also accepted as employment discrimination. This broader definition changed the nature of the suing party from an individual to a group and changed the nature of the evidence from anecdotal to statistical. Proving intention was no longer at the heart of the suit and damages were measured vis-à-vis the group rather than an individual. However, one still had to show that a particular employer behavior had a distinguishable discriminatory effect.

The Israeli courts, following the American lead, incorporated the idea of indirect discrimination into the law, but lawsuits dealing with this kind of discrimination are very few (among other reasons, because of the underdevelopment of class actions), and most of the litigation in Israel still deals with the traditional limited definition of direct discrimination.

The next change to the classic conception of employment discrimination resulted from an attempt to understand persisting gaps in minority employment and wages. A more refined and complex understanding of discriminatory behavior led to the concept of "second generation" or structural discrimination (Bagenstos, 2006; Strum, 2001). In structural discrimination, the focus is on organizational culture, nonformal decision-making practices, and more elusive patterns of interaction, such as networking and mentoring, which in effect exclude nondominant groups. These kinds of behavior create a definitional challenge, since it becomes harder to determine what kind of behavior constitutes discrimination, and this in turn creates a remedial challenge, of finding remedies that are effective in changing second-generation discriminatory behaviors. Litigation in courts for

employment discrimination has essentially followed a tort-like model, with clear-cut rules for deciding blameworthiness. There is a growing realization that this is not suitable for addressing structural practices and patterns (Lemos, 2010; Strum, 2001). Effectively dealing with second-generation discrimination requires not only focusing efforts on intentional acts of individuals, but more importantly, examining the unintentional results of systems and institutions.

First-generation discrimination practices against Palestinians are still very much present in the Israeli workplace. However, second-generation discrimination is even more prevalent. An intricate web of historical, political, and social circumstances have led to the development and entrenchment of patterns and barriers that have resulted de facto in the near total exclusion of Palestinians from several areas of employment (e.g., high-tech, engineering, accounting, and media). One prominent example of second-generation discrimination is the use of "grapevine recruitment," in which the news of a position opening is passed by word of mouth to current employees. This recruiting practice, which is extremely popular in Israel, carries many advantages for employers, especially since it involves no cost (Wolkinson, 1999). It is not banned by the antidiscrimination legislation, but it tends to perpetuate the existing social makeup of the workforce, since the knowledge of an opening does not make its way into socially excluded circles (Grieco, 1987; Nelson, 1986; Shoben, 1986).

In addition, a history of discriminatory practices can create severe chilling effects, leading to suspicion and self-restraint within the discriminated groups that can persist even after the particular practice has been eliminated. Such chilling effects lead many Palestinians not even to apply for work with Jewish employers. According to a recent survey (Arlozorov, 2011), although only 20 percent of Palestinian engineers are employed in their field, nearly half have never bothered to apply for work with a Jewish employer. A first-generation understanding of discrimination does not hold employers responsible for applications that are never received.

The urgent need to address nationality-based inequality in the Israeli workplace demands tackling first- and second-generation issues simultaneously, and not waiting until direct discrimination has been eradicated before addressing second-generation discriminatory practices.

In summation, the existing legislation reflects a first-generation understanding of employment discrimination and a theory of social change according to which change is the responsibility of the victims, to be carried out through litigation against distinct discriminatory behavior, one case at a time. The role of the employers in this theory of change is a passive one—to refrain from active discrimination in specific situations. This approach will not provide greater equality of opportunity for Palestinians

in Israel. A new approach must be developed to overcome the malfunctions described earlier in the text. The State must take a proactive approach toward employment discrimination rather than depending solely on the victims to mobilize the law, and the strategy for addressing the issue must include actions beyond litigation, intended to tackle the full complexity of the phenomenon.

An Alternate Framework of Regulation: The Newly Established EEOC and New Governance Theory

New developments in the field of regulation have brought about a family of theories called "new governance theories" (Lobel, 2004). These theories were developed to address areas that are inherently difficult to regulate due to the complexity of the behavior, the number of actors regulated, and the different contexts in which the behavior occurs. In response to failure of traditional regulation in these areas, new governance theories offer an approach based on principles of participation and partnership, decentralization, flexibility, noncoerciveness, and dynamic learning.

The essence of the theory is that the regulated bodies are active participants in creating the legal standards that govern them, changing the regulation from top-down to joint collaboration. The regulation process emphasizes problem-solving as opposed to the coercion of rules. It also replaces the "one-size-fits-all" approach of uniform rigid requirements with more flexible standards and nonbinding regulations that are then interpreted by the regulated bodies based on their particular context of operation. The result is "regulated autonomy," in which bodies regulate themselves based on personalized standards. This decentralization encourages experimentation, and the standards continue to develop and improve based on mutual learning and experience. Voluntary frameworks and soft law remedies replace strict sanctions (Lobel, 2004).

One of the main criticisms directed at the new governance regulatory approach is the loss of a clear and uncompromising requirement for compliance (Davidov, 2010). The new governance approach is not a foolproof strategy assuring full compliance, but rather an alternate method for areas in which the level of compliance under the traditional method of regulation is generally low. In addition, a new governance approach can be combined with a traditional mode of regulation in a hybrid solution that can potentially maximize the benefits of both approaches.

New governance approaches to regulation have been adopted in various areas, including environmental law and employment safety (Lobel, 2004). In the context of employment discrimination, a new governance approach

typically complements the existing enforcement methods. Employers are recruited as active partners in the pursuit of equality rather than positioned as adversaries. This change in perception stems from an understanding that simply prohibiting discrimination will not bring about large-scale change and that employer passivity is detrimental to the cause of equality. A new governance approach is based on employers' collecting relevant data about their workforce, adopting fair hiring practices, engaging in self-evaluation of recruitment processes and organizational culture in order to detect barriers, setting goals for change, and implementing these goals in all levels of the organization.

Undertaking these measures may be voluntary, but employers may be encouraged by providing free training and assistance or by providing employers that cooperate with immunity from litigation. Employers may also be required by law to undergo training in diverse recruiting and management, to monitor their workforce and submit periodical reports, or to prepare and submit an equality plan for approval and provide evaluations of its implementation. A framework that includes legal requirements may still be considered a new governance approach since the employers are promoting equality based on their own understanding of the applicability of the general standards to the particular context of their workplace, and they are monitoring and evaluating themselves. The State ensures that these processes are taking place, either by using soft law methods, by developing a culture of "shaming" and bad publicity for employers that do not comply, or by using traditional sanctions against employers that fail to take efficient steps as required, which may include blacklisting, prohibiting participation in governmental contracts, administrative lawsuits, and fines.

The creation of the Israeli EEOC in 2008 can be seen as an effort to improve the efficiency of the traditional method of enforcement. From this perspective, this is a positive development. Assisting victims of discrimination makes the litigation process more accessible. Also, rather than the degree of enforcement being relative to the strength and organization of groups as described earlier in the text, creation of the EEOC adds enforcement by an agency to the enforcement by individuals that can lead to a more equitable system of enforcement. Finally, creating an agency with an agenda of equality of opportunity rather than solely relying on the courts, which react on a case-to-case basis, contributes to the deliberate development of a coherent approach.

However, in my opinion, the establishment of the EEOC provides an important, yet unrealized opportunity for strategic transformation in the approach to enforcement against employment discrimination. If one examines the responsibilities of the EEOC as defined by law, it becomes apparent that beyond responding to individual complaints and taking

part in litigation, it was also given responsibility for education, training, and research. Most importantly, the law explicitly mentions that to achieve its goal the EEOC should cooperate with employers. This provision, in my view, represents a shift with revolutionary potential: from viewing employers as passive parties to be regulated to active partners to be engaged.

The EEOC's first strategic plan, published in 2011, declared the issue of nationality-based discrimination as one of its three "flagship" projects. In addition to impact litigation, the commission set as a goal to collaborate with NGOs active in the Palestinian community to raise awareness to rights protected by law, conduct research aimed at locating barriers to integrating Palestinians in the workplace, create an employers group to help develop good practices in this area, and influence public opinion using a media strategy (EEOC, *Strategic Plan*, 2011). These planned activities reflect the principles of partnership, collaboration, and decentralization. The newly established EEOC has already acted in the area of nationality-based discrimination, including filing a petition to prevent the firing of a large group of Palestinian workers from a supermarket based on suspicion of discrimination (the *Kimat Hinam* case, 2011); submitting an *amicus curiae* brief regarding a requirement for army service that led to the termination of Palestinian workers (the *Rakevet Yisrael* case, 2009); distributing a guide to employers regarding good practices for equal recruitment; building awareness by translating the EEOC's website into Arabic; and convening a round table regarding the barriers preventing more recruiting of Palestinian workers, headed by the Minister of Industry, Trade and Labor with the participation of business leaders and NGOs.

By taking a proactive approach against nationality-based employment discrimination, and tackling the full complexity of the phenomenon using a broad strategy that includes collaborating with employers, the commission has demonstrated its potential to branch out beyond traditional litigation alone, and address the elements causing the failure to act against nationality-based discrimination. The creation of the EEOC may be an opportunity to revolutionize the approach toward equality of opportunity in the Israeli workplace and bring about substantial change in employers' practices and entrenched norms, which have contributed to the exclusion of Palestinians from equal participation.

Translating Theory into Reality

Despite its potential, it is questionable whether the Israeli EEOC has the actual ability, in the current reality, to effectively implement a new

governance approach to employment discrimination in general, and to nationality-based discrimination in particular. In this section I will address changes needed both in the agency's structure and in the policy it operates under, to increase its effectiveness in bringing about change in these areas.

The Israeli EEOC: Structure, Resources, and Output

In evaluating the Israeli EEOC's structure, resources, and output I will be drawing upon criteria developed in the European Union (EU) for the evaluation of equality bodies. Over the past decade the EU has seen major growth in the number of equality bodies, due to EU directives requiring member states to designate a body to promote equality and deal with discrimination on the bases of race, ethnicity, and gender (Council Directive, 2000; 2004). The directives themselves include only general provisions regarding the structure of these bodies and the duties they should fill. In 2007 a European network of equality bodies, "Equinet," was established, bringing together 38 bodies in 31 countries, which has engaged in comparatively assessing the different bodies based on common criteria, including structure, resources, and strategies, in order to better understand the characteristics that positively impact on the effectiveness of equality bodies (Ammer et al., 2010; Yesilkagit and Snijders, 2008). Utilizing their method of analysis and the parameters developed, I will elaborate upon three factors that prevent the Israeli EEOC from fully realizing its transformative potential: lack of independence, inability to create a strategic mix in outcomes, and limited scope of responsibilities.

Independence

The EU directives generally emphasize the importance of the independence of equality bodies, but do not elaborate upon the qualities contributing to a body's independence. One of the European studies differentiated various aspects of independence, including formal structural independence, independence in decisions regarding finance and personnel, the ability of the body to set its own agenda and act upon it without the need for permission or fear of retaliation, and the external perception of the body as independent and neutral (Yesilkagit and Snijders, 2008).

Structurally, over two-thirds of the European equality bodies were established as separate entities, and most of them reside in their own separate facility. Even in the cases in which the equality body is formally part of a ministry, they are usually defined as independent agencies (Ammer et al., 2010). By contrast, the Israeli EEOC was established as a unit within the Ministry of Industry, Trade and Labor, and is physically located in the

ministry building and is subordinate to the Minister. The commission is not an autonomous unit, but rather is dependent upon other units in the ministry to receive services such as the drawing up of contracts and public relations assistance, and it requires the ministry's approval regarding hiring and salary decisions. The commission's dependence on the ministry for its finances and services raises concerns as to its ability to freely set its own agenda and make decisions without fear of outside influence or retaliation.

Specifically in the context of dealing with discrimination against the Palestinian minority, which has many political undertones, the independence of the commission is crucial. Distancing the commission from the government is important for gaining the trust of the Palestinian population, and sheltering the commission from political influence will allow it to stay true to its mission. In 2009, the minister who was then in office approved a preliminary plan to turn the commission into a more independent unit, and though internal discussions continue, actual steps have not yet been taken and a timeline for change has yet to be established.

Besides the commission's subordination to the ministry, it is also professionally subordinate to the attorney general, with its litigation powers subject to his approval. While the commission is authorized to sue private employers, it may not sue a governmental office or State service, or even represent a plaintiff suing such an entity. Complaints of employment discrimination by the State, which are filed with the commission, are dealt with according to an internal dispute resolution process that the attorney general ultimately presides over. The individual still has the choice of suing the State on his own without the support of the commission, but the commission may not even file an *amicus curiae* opinion in a proceeding brought against a governmental body and may not voice an opinion before the court, which is contrary to that of the attorney general. On the practical level, the existing internal dispute resolution process is cumbersome and inefficient, rendering the treatment of discrimination in the public sphere less efficient than that in the private sphere. As a matter of principle, limiting the commission's power and independence in dealing with the public sector weakens its prominence and its efficiency in fighting discrimination.

Strategic mix in outcomes

The European comparative analysis emphasizes the importance of creating a strategic mix in the output of equality bodies, as well as reaching a critical mass of each kind of activity, in order for the body to have maximum effectiveness. Only by combining a broad range of activities (assisting victims and impact litigation with data collecting and research, raising awareness,

training efforts, and policy making) can the body have substantial impact on society. This is also fundamental to a new governance approach to the commission's work. In reality, equality bodies often become overloaded in treating individual complaints and end up devoting very little time, if at all, to their broader responsibilities (Ammer et al., 2010).

The Israeli EEOC is authorized to conduct a broad range of activities, and in the few years of its existence, it has initiated action on many fronts, including litigating cases, conducting surveys, recommending policy, establishing an annual equality conference, and cooperating with prominent employers. However, the commission has not been able to produce a critical mass of output in each of these areas, and some areas remain substantially less developed than others. This is mainly due to the small size of the commission's staff relative to its many areas of responsibility. The commission's staff currently totals nine: a national commissioner and three regional commissioners (all lawyers), three staff lawyers, one head of research, and an administrative assistant. There is no specific staff member in charge of employer relations, education and training, and public relations.

The Israeli Commission's budget is approximately 10 million shekels. By contrast, the Swedish Equality Commission's budget is the equivalent of 54 million shekels and it has 90 staff members, and the Northern Ireland Equality Commission has a budget equivalent to 35 million shekels and 120 staff members. The population these commissions deal with is comparable to the Israeli Commission (Equinet Website; Holtmaat, 2006). The limited amount of staff and the disproportionate number of staff with legal training relative to other areas of expertise directly affect the commission's ability to systematically develop activities besides the treatment of individual complaints. This also prevents their attaining a strategic mix of outputs essential to a new governance approach to the regulation of employment discrimination. Making cooperation with and training of employers a priority requires, at the very least, one full-time staff member devoted to this activity, alone.

Scope of responsibility

While some European equality bodies deal with only one form of discrimination (such as the Belgian Institute for the Equality of Women and Men), others consolidate the treatment of multiple forms of discrimination under one unified body. The general European trend is toward unifying equality bodies, and thought has been put into the question of how to prioritize between the different issues while guaranteeing adequate treatment for all (Ammer et al., 2010). The scope of the Israeli Commission's responsibility is relatively broad. It is in charge of 15 different kinds of

discrimination, including gender, family status, age, religion, race, ethnicity, nationality, sexual orientation, and political views. Recognizing its limited resources, the commission has prioritized Palestinian equality, in both the public and the private sector, as one of its three focus areas. However, in choosing its cases for litigation, which is currently the commission's main sphere of activity, it draws from the pool of complaints it receives. Since nationality-based complaints constitute less than 2 percent of all complaints, the commission's litigation resources have been devoted predominantly to issues of gender and age discrimination. In order to create impact litigation in the area of nationality the commission must devote efforts to raising awareness of its existence among the Palestinian population, as well as taking the initiative in litigating in this area rather than relying on leads provided by complaints.

From a different perspective, the scope of the Israeli Commission's responsibility is more limited than its EU counterparts: it is defined only as equality in employment, and not in all services, for example, education, housing, transportation, and health. Since the employment market is deeply connected to the other realms, limiting the commission's activity to dealing with discrimination in employment is a substantial barrier to the commission's ability to fully address the issues at hand. The broadening of the commission's mandate of responsibility is essential, but must also be coupled with additional staff and resources, to ensure the ability to manage the additional workload.

In sum, in order for the Israeli Commission to fully realize its potential to change discriminatory practices through use of a new governance approach, it must be granted both structural and actual independence. Its responsibilities should be broadened to include equality in all services, and its staff should be reinforced with nonlegal professionals who can dedicate attention to other aspects of the commission's mandate. Regarding its legal activity the commission must take a more proactive stance to initiate investigations rather than rely solely on complaints, in order to ensure that its resources are allocated according to its priorities and not steered by the complaints received.

Policy Reform: Adding Active Requirements

As discussed earlier in the text, actually attaining equality of opportunity often requires employers not only to refrain from passive discrimination, but also to actively change existing norms and practices. At present, the commission can encourage employers to take active measures voluntarily, but in order to *require* employers to adopt good

practices, a new policy is needed. Several countries have implemented a model that includes mandatory monitoring of the workforce by employers to locate group underrepresentation, locating barriers that are causing the underrepresentation, creating a corporate equity plan to redress the barriers, and following up to insure implementation of the plan. This model does not require affirmative action, as there is no change in standards and no strict quotas to be reached. This equity model originated in Canada in the 1980s, in the recommendations of the Abella Commission (Abella, 1984) which led to the Canadian Employment Equity Act of 1986. The model was then implemented in Northern Ireland through the Fair Employment Act of 1989, and in South Africa in the Employment Equity Act of 1998. This policy can vary in its application, either broadly to the entire workforce (in Northern Ireland all employers with more than ten employees must conform) or narrowly to governmentally associated contractors (as in Canada).

The implementation of the equity model in different countries was not equally successful. Northern Ireland is by far the most successful example of substantially changing segregation in the workplace (McCrudden et al., 2004; 2009; Osborne and Shuttleworth, 2004). Comparing the Northern Ireland pattern of implementation with that of Canada and South Africa yields insights regarding the conditions necessary for successful implementation (Agocs and Osborne, 2009; Thomas and Jain, 2004).

The first lesson learned is the importance of long-term governmental support and prioritization. In Northern Ireland the issue of employment equity was seen as a necessary stage in a possible peace process, and the program was granted both political and financial support for more than a decade. In contrast, in Canada the topic became less popular, funding was cut, and the rhetoric of support dissipated.

Another insight is the need for a strong implementing body that is involved in all stages of the process. The implementing body must provide material support in training employers regarding their new duties and must assist them in shaping their individual plans. In Canada and South Africa, the implementing body waited passively to receive reports while the primary responsibility for implementation lay with the employers. It is likely that this contributed to the limited success of the policy in these countries.

A third factor to consider is the number of categories to be monitored under the plan. In both Canada and South Africa the equity policy was applied to several different categories—women, people with disabilities, visual minorities, Aborigines, and Blacks. Each of these groups has different characteristics and requires different treatment. The complexity of the monitoring made it difficult for employers to deal at once with so many

categories simultaneously, thus impeding implementation. In contrast, the successful Northern Ireland policy focused solely on religious categories that may have contributed to its success.

I believe that adopting the equity model in Israel is the most effective way to bring about substantial change in employment opportunities for Palestinians. Based on the comparative research described earlier in the text, I believe that the policies promoted by the equity model should be required of governmental employers and employers who provide goods or services under governmental contracts. These employers would be required to actively monitor their workforce for nationality, and submit annual reports to the EEOC. Analysis of these reports, triangulated with data regarding the concentration of national populations in the specific geographic area and profession, will reveal underrepresentation, which the company will have to address with an equality plan for attaining a more balanced representation in its workplace. The plan would be created with the assistance of the EEOC, which would also oversee the plan's implementation. Sanctions would be put into place to guarantee compliance. Interestingly, the OECD has recently recommended the adoption of the monitoring stage of the policy in Israel (OECD, 2010).

Based on the lessons learned from the comparative country analysis described in this chapter, the Israeli EEOC must be substantially strengthened for such a policy to succeed. Only an independent and adequately financed commission will be able to successfully implement its policies. In addition, this proactive policy should be focused, as much as possible, on the single category of nationality-based equality, due to the particular social and political characteristics of this discrimination. However, as representatives of other underrepresented groups are likely to oppose the focused policy if it does not include their own category, adding one additional group, such as gender, may raise the chances of the policy being passed, due to the political power of the women's caucus.[3]

Enacting new legal standards with mandatory requirements will undoubtedly take time. In the interim, the commission should take steps to prepare for the successful implementation of an equitable employment policy. Under the guidance of the commission, employers should be encouraged to undertake voluntary steps to promote nationality-based equality in their businesses. This can be accomplished by ensuring immunity from litigation, as well as by offering free training and good publicity. Recently, the Israeli Government has decided to offer monetary incentives for the absorption of Palestinian workers in certain fields (Peled, 2011). Conditioning the incentives on receipt of training and support from the commission may help insure the long-term success of these measures and leverage them to create a more fundamental change in the atmosphere

and tolerance in the workplace, rather than just raising the number of Palestinian employees in a vacuum.

In addition, the commission can use the public sector to experiment with ways to encourage employers to provide equal access for Palestinian employees. As of a decade ago, legislation requires that Palestinians be adequately represented among State service employees by creating designated job openings for Palestinians and giving preference to Palestinian applicants over Jewish applicants with similar qualifications.[4] As there were no visible results even in the public sector, a parliamentary commission was appointed to analyze the reasons for the failure, and efforts have been made to improve the implementation (Haider, 2009; Parliamentary Investigatory Commission, *Midterm Report*, 2008). The EEOC should take a leading role in these efforts (which are generally led by the Civil Service Commission) and use the opportunity to gain experience in guiding employers in implementing different measures as well as testing the efficiency of different strategies. The commission has initiated just such an effort with regard to the Ministry of Industry and Trade of which it is currently a part (EEOC, *Annual Report*, 2011). Efforts in other governmental offices can give the commission additional experience in managing these processes, which will serve it well in the future.

Conclusion

Using legal measures to accomplish social change is always a challenging endeavor. Legislation aspiring to change patterns of discrimination against minorities must carefully design mechanisms so that they will be utilized by all the different individuals who are the beneficiaries of the law. It must also reflect a deep understanding of the particular contexts of the discrimination in order to ensure that the law addresses the full complexity of the problem. The current design of the Israeli employment antidiscrimination legislation has made it almost irrelevant in addressing the reality of discrimination against Palestinians in the workplace. A new governance approach implemented by an independent and adequately funded Equality Commission using a hybrid strategy of cooperation with and motivating employers, combined with the threat of litigation against noncompliers, may potentially change some of the entrenched practices and may lead to greater inclusion of Palestinians in the Israeli workplace. In order for this potential to be realized, the newly established Israeli EEOC must be guaranteed independence and greater staff and resources, and a policy must be put in place requiring employers to take more active measures to attain actual equality of opportunity.

Notes

1. www.avoda-ivrit.org, last visited June 28, 2012.
2. In this chapter I will be referring to the legal status under the Equal Opportunities in Employment Act of 1988. Employment discrimination was addressed in various ways prior to the passage of that Act, but in a more limited scope and with limited remedies. No legal activity with regard to nationality-based discrimination was pursued before the passage of the Act. For a detailed description of the historical development of Israeli employment discrimination law, see Mundlak (2009a).
3. Monitoring both gender and nationality may also prove beneficial for the cause of nationality-based equality, as Arab women are more disadvantaged than Arab men, and their participation in the workforce is substantially lower than Jewish women.
4. This provision was enacted in an amendment in the year 2000 to the State Services Act (Appointment) of 1959, and was modeled after a similar provision requiring equal representation of women in the public sector.

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3

The Persistent Wage Gaps between Palestinians and Jews in Israel, 1997–2009

Sami Miaari and Nabil Khattab

Introduction

Israel is a deeply divided society comprising different ethnic, national, and religious groups. The socioeconomic status of each of these groups is characterized by both diversity and polarization. At one end, at a low socioeconomic status, lie most of the Palestinians, and at the other end lie the Jews, mainly those with Western background, who enjoy a high socioeconomic status that even wealthy Palestinians have not managed to achieve. Palestinian citizens tend to face harsh conditions and discrimination in the public domain, including the labor market. In the labor market, this discrimination (ethnic penalty) is manifested in lower rates of employment participation, higher unemployment rate, limited access to the most prestigious occupations of managerial and professional jobs, and low income relative to the Jewish majority. In this study we focus on the ethnic penalty in wage income, and examine its dynamic from 1997 to 2009.

While there is a large number of studies on the Jewish-Palestinian social and economic inequality that cover the period up until the late 1990s (Lewin-Epstein and Semyonov 1992; 1994; Semyonov 1988; Semyonov and Cohen 1990; Semyonov et al. 1999; Shavit 1992), the literature is severely limited in relation to recent trends of the Jewish-Palestinian inequalities in

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Israel. Very little is known about these inequalities in recent years, and in particularly since the second intifada in 2000, the first major interethnic incident between the Palestinian citizens of Israel and the majority Jewish population for over two decades (since the "Land Day" of 1976). Thus, this study is the first serious effort since the late 1990s to analyze systematically and in detail the Jewish-Palestinian gap in earnings from work over a period of 13 years—1997–2009. By doing so, this study contributes to the severely limited literature on Jewish-Palestinian inequalities in Israel in particular, and to the study of ethnic penalties in deeply divided societies in general. We argue that in these societies, the ethnic (in our case the national too) division is a salient and constant aspect of the society that is used by the dominant majority (Jewish population) as a criterion to determine the access to social and economic rewards and particularly during periods of economic demographic and geopolitical changes. In these societies ethnic inequality (in earning from work) will persist, but its extent depends on the state of the economy, the minority–majority relations in that meticulous moment, and other changes.

The empirical tests were based on two regression models: The first is an ordinary least squares (OLS) method, and the other is a quantile regression (QR) method. In OLS, two separate tests were conducted: The first included only dummy variables for ethnicity (receiving the value of "1" if Jewish, and "0" if not). The estimate obtained in this test examined the *gross ethnic penalty*. In the second test—in addition to the dummy variable—we control for human capital level, and therefore the estimate obtained examined the *net_ethnic penalty*. The regression models were run among three separate populations: (1) the general population, (2) minimum-wage employees (unskilled workers), and (3) above-minimum-wage employees (skilled workers).

The study's findings show that over the years, the real gap between Jews' and Palestinians' wages in Israel is between 40 and 60 percent in favor of Jews. Among the Palestinians, average pay was 29NIS per hour, compared to 44NIS among Jews. This gap represents the gross ethnic penalty that Palestinians face in Israel.

Between the years 1997 and 1999 the pay gap has widened, apparently due to the wave of Jewish immigration in the 1990s. Thereafter, in 2000–2004, Palestinians' situations improved in the wake of the rise in demand for Palestinian workers following the outbreak of the second intifada, while since the end of the intifada, we have witnessed a widening of the wage gap between the two populations that peaked in 2008, perhaps because of the global economic recession. The full results of the study will be presented later on, in the relevant section, whereas in the next section we shall present and discuss the literature followed by a discussion of the data and methods, and of the findings, and end by some concluding remarks.

Literature Review

The accepted premise in classical economics is that a worker earns his or her wage based on his or her marginal output. Therefore, any pay gaps between individuals must be a result of differences in human capital and other criteria of achievement as expected in a meritocratic society (Blau and Duncan 1967; Treiman 1970). However, studies show that actually workers with similar characteristics in terms of their abilities do not always earn the same wages (see, e.g., Becker 1971). The general pay gap between minorities and majority ethnic groups is defined in the economic literature as "pay gross ethnic penalty"; the gap unexplained by factors related to wage levels is defined as "pay net ethnic penalty" (ethnic penalty hereafter). Occasionally in various groups, the relevant variables for wages have varying coefficients. In such a situation, it is likely that there will be a gap between groups in terms of human capital returns or age (Phalet and Heath 2010).

Previous studies have highlighted the importance of ethnicity as a major force at play in determining social and economic opportunities of people in some multiethnic societies including the Israeli society as a deeply divided one (Cancio et al. 1996; Heath and McMahon 1997; Kraus and Yonay 2000; Modood et al. 1997). For example, Cancio et al. (1996), using data from the Panel Study of Income Dynamics between 1976 and 1983 in the United States have pointed out that the influence of race on wages has become intensified rather than lessened. Using data from the National Survey of Ethnic Minorities conducted in 1994, Modood et al. (1997) have also found that ethnicity is a major source for the differences in educational and economic attainment found between people.

More recent studies have, too, reached similar conclusions in relation to the importance of ethnicity affecting people's social and economic opportunities suggesting that some groups face some penalties due to their ethnic backgrounds. For example, Li and Heath (2008) referring to the "ethnic penalties" in employment have argued that the migrants and their descendants (first and second generations), men and women, of Black African, Black Caribbean, Pakistani, and Bangladeshi ancestry, face ethnic penalty in the British labor market. Longhi et al. (2008), in their study on ethnic differences in wages in the UK, found that all ethnic minority women suffered pay gaps relative to the White British male population. These pay gaps were highest for Pakistani women, whereas lower for highly qualified Pakistani and Bangladeshi Muslim men. Moreover, Nandi and Platt (2010: 3–8) have pointed out that Pakistani and Bangladeshi women suffer the highest gap and face the greatest poverty level relative to males.

Ethnicity in Israel seems to operate in the same direction. Palestinian workers in Israel face both a gross and net ethnic penalty: For many years

their wages have been lower than those of Jews. Since the early 1970s, an Israeli Jew's wage has been 18 percent higher than that of a Palestinian with similar profile. In 1986, Palestinian workers' wages in blue-collar jobs were 87 percent of those of Jews engaged in the same occupations (Handels and Griffel 1988). In 1996–1997, there was an 11 percent wage gap between the groups in the Jews' favor (Klinov 1999).

Lewin-Epstein and Semyonov (1993) found that 42 percent of the wage gap between Jews and Palestinians could be explained by the differences in traits between individuals, and 19 percent could be explained by differences in local labor market characteristics. That is, the income from employment of a Palestinian worker is *more sensitive* to local labor market characteristics than is that of a Jewish worker. In addition, compared to Palestinians, Jews enjoy *higher returns* on their individual traits.

Haberfeld and Cohen (1996) showed that in 1987–1993, income gaps between Israeli Palestinians and Israeli Ashkenazi Jews[1] narrowed more rapidly than did gaps between Israeli Mizrachi[2] and Ashkenazi Jews. The explanation given, therefore, was the drop in employment of Palestinians from the West Bank and Gaza Strip in Israel in the wake of the first intifada (1987), and the consequent rise in demand for local Palestinian worker citizens of Israel.

Using income surveys for 1990–2003, Asali (2006) found that wage gaps between Palestinians and Jews widened in 1990–1999, and then narrowed considerably thereafter. The widening was explained by the entry of new immigrant Jews from the former USSR. Asali hypothesizes that the narrowing should have been related to the second intifada, which lead to a sharp drop in the number of West Bank Palestinians employed in Israel, increasing the demand for local Israeli workers of Palestinian origin, as occurred during the first intifada.

A recent study, one of the very few in recent years addressing this topic (Svirsky et al. 2010), shows that there was no change in urban Palestinian employees' incomes in 2009 from 2008and that their income was one-third lower than the national average, compared to urban Jews' wages—both Ashkenazi and Mizrachi—which rose 3 percent. Some scholars have argued that the reason for the pay gap between Jews and Palestinians in Israel is that Israeli Palestinian workers "suffer occupational discrimination"; that is, many workplaces are unwilling to hire them, and if they are employed, they are oftentimes limited in their occupational choices (Ben-David et al. 2004). In order for us to uncover the existence of discriminatory practices, we should first control for human capital and show that the pay gap is not a result of differences in qualifications, skills, productivity, number of working hours, and experience. In the next section we outline our methods and describe the data used.

Database and Descriptive Statistics of Variables

This study draws on data obtained from the Israeli Income Surveys conducted by the Central Bureau of Statistics for 1997–2009.[3] The studied population includes prime-aged Israeli men (25–65).[4] The study focuses on the population of salaried workers only, due to lack of information on the income of self-employed individuals.

Dependent Variable

The (logarithm) real hourly wage is our dependent variable and was calculated by dividing individuals' monthly incomes by the number of hours worked in a month.[5] Because the simple average might be affected by extreme values (outliers), values below the bottom percentile of real hourly wage distribution for every year were screened out, as were values above the 99th percentile.

Independent Variables

The independent variables included in the analysis of the study data are dummy variables for ethnicity (coded 1 for Jews, and 0 for Palestinians), age, age squared, years of schooling, marital status (a dummy coded 1 for married, and 0 otherwise), full-time employment (a dummy coded 1 if a worker works at least 35 hours a week, and zero otherwise), and occupational background. To measure the occupational background we used an eight-category ISCO scale as follows: Academic Professionals; Associate Professionals and Technicians; Managers; Clerical Workers; Agents; Sales and Service Workers; Skilled Agricultural Workers; Industry, Construction, and Other Skilled Workers; and Unskilled Workers (the last category has been used as the reference category).

Methodology

We use a simple empirical test of human capital theory that estimates the level of the ethnic penalty as the differences between the two groups after controlling for human capital and other individual factors (Heath and Cheung 2007). In the first stage, minority earnings[6] are compared directly to those of the dominant native-born population. The effects of ethnic background on earnings estimated in this first stage lie within the bounds of gross ethnic penalty.

In the second stage, empirical measures of human capital levels and related variables' effects on wages are added to the model. These variables include education, age, and work experience in the local labor market, and in the case of migrants, the country in which the individual was educated, length of stay in the host country, and mastery of the host country language (Phalet and Heath 2010).

The residual effect of ethnic background on earnings after controlling for human capital will be regarded as the *net ethnic penalty*. For example, if a local worker earns 1.5 times what a minority worker earns, and both are the same age and have the same training, this represents the net ethnic penalty. Generally speaking, net ethnic penalty is the gap between the socioeconomic stratum of the minority member and that of a similar hypothetical nonminority member, all other relevant traits (human capital and others such as gender, personal status, and residence being equal.

As such, the clear existence of net ethnic penalty is usually interpreted as evidence of discrimination. The economic models' assumption is that human capital is measured in relevant individual characteristics to economic output. Because ethnicity in and of itself is not relevant to a worker's productivity, it should not affect the size of his wages.

We used two methods for analyzing the wage gaps between Palestinians and Jews: The first was OLS on a pooled sample of workers. As per this method, in addition to individual traits—that is, age, education, personal status, position scope, and occupation—a dummy variable was added that obtains the value of either 0 or 1, depending upon whether the subject is a Palestinian or a Jew, respectively.

Analysis of the OLS focuses solely on the average wage differences between Palestinians and Jews, and yields little information on the extent of variations therein over the wage spread. Empirical proofs from many countries show that focusing on the average might be biased (see Disney and Gosling 1998; Nielsen and Rosholm 2001), and therefore the second method we used is the dummy variable in the QR model, which examines the wage gap at various points along the wage distribution.[7]

Results

Descriptive Analysis of Variables Used in the Study

Table 3.1 shows the data averages of the values used to estimate the empirical models for the years 1997–2009, and compares the averages of the Jewish and Palestinian populations. These variables are the real hourly wage (at 2000 prices), age, education, personal status, and position scope

Table 3.1 Summary statistics of the variables by ethnicity, 1997–2009

Year	*Hourly wage*		*Age*		*Education*		*Personal status*		*Position scope*		*Sample size*	
	Jews	*Palestinians*	*Jews*	*Palestinians*	*Jews*	*Palestinians*	*Jews*	*Palestinians*	*Jews*	*Palestinians*	*Jews*	*Palestinians*
1997	41.20	27.39	41.35	37.69	13.39	10.30	0.83	0.84	0.94	0.92	5,215	887
1998	42.74	28.28	41.72	37.99	13.55	10.82	0.83	0.85	0.94	0.91	5,270	944
1999	43.29	27.15	41.58	37.48	13.60	11.03	0.82	0.84	0.93	0.92	5,247	943
2000	45.36	29.22	41.57	37.75	13.67	11.31	0.81	0.82	0.93	0.92	5,299	888
2001	46.94	31.61	41.79	37.89	13.68	11.70	0.81	0.83	0.93	0.90	5,262	929
2002	44.02	31.05	41.63	37.26	13.76	11.27	0.80	0.83	0.92	0.90	5,471	863
2003	43.28	30.86	41.58	37.28	13.83	11.41	0.80	0.83	0.92	0.89	5,578	856
2004	44.56	32.10	41.99	37.72	13.94	11.33	0.80	0.83	0.92	0.88	5,593	902
2005	44.18	30.04	42.11	37.69	13.96	11.45	0.80	0.83	0.91	0.90	5,579	1,008
2006	44.86	28.33	42.16	38.26	14.08	11.29	0.78	0.83	0.91	0.91	5,687	948
2007	45.64	29.26	42.32	37.89	14.14	11.52	0.77	0.82	0.91	0.90	5,478	965
2008	45.75	27.44	42.67	38.76	14.12	11.24	0.80	0.83	0.92	0.92	5,577	953
2009	44.49	27.73	42.99	38.94	14.11	11.53	0.77	0.82	0.91	0.90	5,961	941

Source: Central Bureau of Statistics salaried worker income surveys for 1997–2009. Authors' calculation.

(part- or full-time). The size of the average sample, in each year, was 6,400 men, 14 percent of whom were Palestinians.

Examining the hourly wage shows that the average hourly wage of a Palestinian is 40–60 percent lower than that of a Jew: The real average hourly wage of a Palestinian was 29.30NIS and that of a Jew was 44.30NIS. The gap between the average wage of a Palestinian and that of a Jew was 51.2 percent over the sample period. As aforementioned, this gap constitutes the gross ethnic penalty of the Palestinian worker.

Regarding the variables affecting human capital, the average age of a Palestinian in the sample was 37.9 and that of a Jew 42. This age gap is consistent with the finding that Palestinian workers tend to leave the labor market at a lower age than do their Jewish counterparts, mainly because Palestinian workers are highly concentrated within jobs that demanding physically and take a toll on the worker's body (Sa'di and Lewin-Epstein 2001). The average education of a Jew was 14 years of schooling, which reflects some postsecondary education, while for a Palestinian it was 11.3 years, of course, reflecting only a high school education.

The marriage rate in the Palestinian population was 83 percent, or 3 percentage points higher than that in the Jewish population. It is likely that this gap reflects the fact that Palestinian society is more traditional, manifested among others by higher marriage rates than those of Jews, as well as lower divorce rates and lower age of marriage. The rate of those working full-time was 90 percent among Palestinians and 92 percent among Jews.

The Pattern of Wage Gaps in Israel between Jews and Palestinians, 1997–2009

Figure 3.1 shows the average wage gap in Israel between Palestinians and Jews (in percentage points of the average Palestinian worker). In 1997–2009, the average wage gap was 51 percent. In 1997–1999, the gap widened, apparently in the wake of entry of immigrants into the Israeli labor force. While the level of individual human capital of these workers was high, they made do with low wages in real Israeli wages terms. The result was that the Palestinian workers were pushed out of the labor market.

The second intifada brought about a sharp drop in the number of Palestinian workers from the West Bank and Gaza Strip in Israel (figure 3.2). Consequently, the condition of Israeli Palestinian workers improved: The wage gap narrowed 20 percentage points, from 59.4 percent in 1999 to 38.8 percent in 2004. At the same time, since the end of the second intifada, the wage gap between the populations again widened,

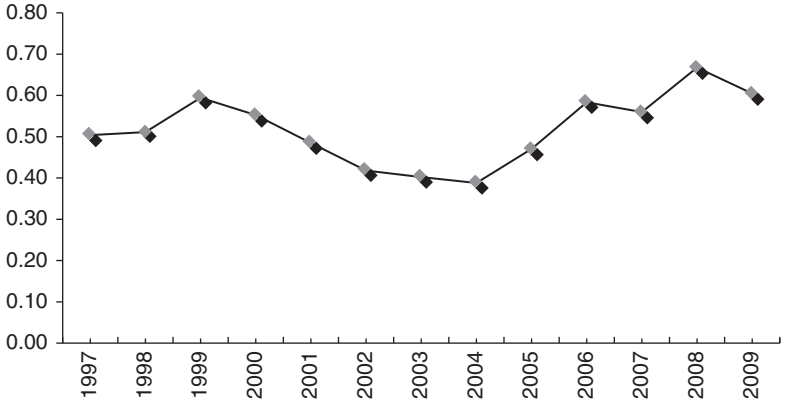

Figure 3.1 Real hourly wage gap in Israel between Jews and Palestinians, 1997–2009

Source: Central Bureau of Statistics salaried worker income surveys for 1997–2009. Authors' calculations.

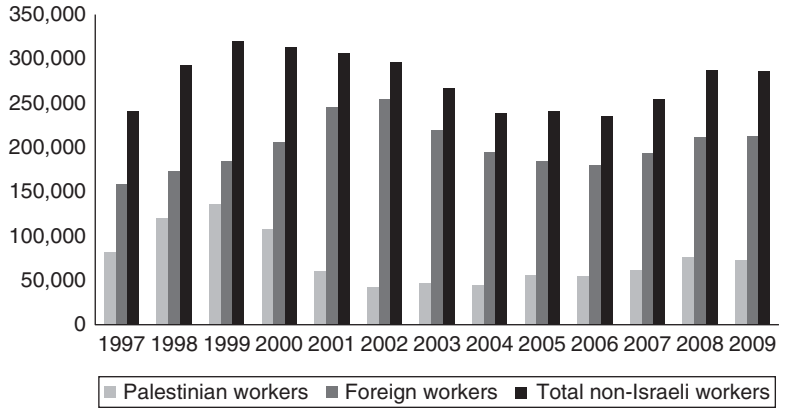

Figure 3.2 Number of non-Israeli workers in the Israeli labor market, 1997–2009

Source: Palestinian Central Bureau of Statistics, Labor force survey for 1997–2009. Israeli Central Bureau of Statistics, labor force survey for 1997–2009. Authors' calculations.

peaking at 66.7 percent in 2008. This widening was the result of the return of Palestinian workers from the West Bank to the Israeli labor market, as well as of an increase in the number of migrant workers (figure 3.2). Additionally, there might be some influence of the global economic recession that has peaked in 2008. These findings show just how sensitive the income of a Palestinian worker is to local labor market fluctuations compared to that of a Jewish worker.

Table 3.2a Real hourly wage gaps between Jews and Palestinians by occupation, 1997–2009

Academic professionals	*Associate professionals and technicians*	*Managers*	*Clerical workers*	*Agents, sales and service workers*	*Skilled agricultural workers*	*Industry, construction, and other skilled workers*	*Unskilled workers*
0.10	0.01	0.30	0.22	0.24	0.14	0.24	0.20
0.16	0.06	0.46	0.36	0.35	0.02	0.24	0.12
0.18	0.21	0.37	0.26	0.20	0.22	0.29	0.14
0.05	0.09	0.29	0.25	0.20	0.26	0.28	0.15
0.08	0.18	0.07	0.19	0.23	0.14	0.32	0.20
0.13	0.12	0.34	0.08	0.14	0.12	0.21	0.05
0.30	0.05	0.24	0.11	0.12	0.01	0.21	0.13
0.08	−0.15	0.32	−0.08	0.14	0.09	0.24	0.12
0.11	0.08	0.46	0.27	0.14	0.13	0.23	0.14
0.13	0.16	0.36	0.17	0.27	0.37	0.26	0.14
0.13	0.06	0.32	0.27	0.30	0.31	0.29	0.12
0.18	0.23	0.32	0.32	0.30	0.30	0.30	0.11
0.38	0.14	0.67	0.17	0.23	0.19	0.28	0.09

Source: Central Bureau of Statistics salaried worker income surveys for 1997–2009. Authors' calculation, authors' processing.

To analyze wage gaps extensively, we compared them as per three indices: occupation, education, and age. Table 3.2a shows the average wage gaps over the studied years by occupational groups. Overall, the wage gaps between the Jewish and Palestinian populations lean unfavorably in the direction of the managerial and professional occupations, with the exception of agriculture: The average pay gap was 0.35 and 0.26, respectively. In contrast, among technical professions and unskilled workers, the gap was narrower, that is, 0.09 and 0.13, respectively.

Table 3.2b compares the wage gaps by education level. Overall, if we do not include those with particularly low education levels (up to six years), whose portion of the Jewish population is very low, we see a narrowing of the pay gap as education levels rise (except in 2009). And the average wage gap among the less educated (7–12 years of schooling) was 0.27; among the more educated (13–15 years of schooling) it was 0.22; and among the highly educated (more than 16 years), it was 0.18. Note that in contrast to the rest of the education groups, the wage gap among the 7–12-year group was similar to the overall wage gap, as shown in figure 3.1. Probably, therefore, the reason is that this is the main population group that serves as a replacement for migrants and Palestinians from the West Bank.

Table 3.2b Real hourly wage gaps between Jews and Palestinians by education, 1997–2009

Years of schooling	0–6	7–12	13–15	16+
1997	−0.03	0.27	0.18	0.08
1998	0.04	0.26	0.33	0.20
1999	0.00	0.30	0.30	0.20
2000	0.05	0.32	0.21	0.20
2001	0.14	0.29	0.22	0.20
2002	0.04	0.25	0.07	0.14
2003	0.02	0.23	0.19	0.11
2004	−0.05	0.24	0.12	0.00
2005	0.15	0.26	0.10	0.12
2006	−0.08	0.27	0.28	0.19
2007	0.05	0.29	0.27	0.14
2008	0.05	0.29	0.34	0.29
2009	−0.11	0.26	0.18	0.39

Source: Central Bureau of Statistics salaried worker income surveys for 1997–2009. Authors' calculation, authors' processing.

The Effect of Ethnicity on Wage Gaps between Jews and Palestinians

Table 3.3 shows the regression results of the pay gap estimate in Israel between the Palestinian and Jewish populations. We ran two regression models, one for the gross pay gap and one for the net pay gap. Both models were run for all workers, for skilled and for unskilled workers separately by year of survey. Below are the main findings:

1. As we see in figure 3.1 and in tables 3.1 and 3.2, the wage gap widened in 1997–1999. Thereafter, during the second intifada (2000–2004), it narrowed, yet in 2005 it widened again.
2. Among the unskilled workers it was found that there is a wide gap between the gross and net ethnic penalty. This finding reflects significant differences between Jews and Palestinians in terms of human capital variables' effects on wages. In contrast, among skilled workers, the gap between the gross and the net ethnic penalty was narrower. This finding illustrated the importance of human capital factor in narrowing the pay gap.
3. In terms of the differences between the skilled and unskilled workers, there were changes in the trend in terms of the level of the ethnic penalty. Overall, in 1997–2007, the ethnic penalty facing

skilled workers was lower than that facing unskilled workers, and occasionally the gap between them was quite wide. At the same time, in 2008–2009, this trend shifted, and today the ethnic penalty paid by skilled workers is higher than that paid by unskilled workers. This finding might be reflecting an increasing and sharper discrimination against educated Palestinians. However, further research is needed to confirm whether this trend is intensifying or has been reversed.

Table 3.3 Estimation of wage gaps between Palestinians and Jews, adjusted and unadjusted, 1997–2009

Year	*All workers*		*Skilled workers*		*Unskilled workers*	
	(1)	(2)	(3)	(4)	(5)	(6)
1997	0.360	0.132	0.123	0.143	0.268	0.115
	(0.017)	(0.016)	(0.051)	(0.044)	(0.017)	(0.018)
1998	0.372	0.184	0.252	0.200	0.263	0.144
	(0.017)	(0.016)	(0.047)	(0.040)	(0.017)	(0.017)
1999	0.400	0.192	0.232	0.219	0.295	0.168
	(0.016)	(0.015)	(0.040)	(0.033)	(0.016)	(0.017)
2000	0.392	0.179	0.200	0.150	0.314	0.179
	(0.018)	(0.015)	(0.038)	(0.032)	(0.017)	(0.017)
2001	0.362	0.184	0.197	0.162	0.293	0.187
	(0.018)	(0.016)	(0.035)	(0.031)	(0.018)	(0.018)
2002	0.314	0.112	0.116	0.082	0.243	0.115
	(0.018)	(0.016)	(0.038)	(0.034)	(0.018)	(0.018)
2003	0.308	0.127	0.122	0.144	0.233	0.110
	(0.018)	(0.016)	(0.039)	(0.035)	(0.018)	(0.019)
2004	0.306	0.086	0.028	0.025	0.241	0.098
	(0.018)	(0.016)	(0.038)	(0.033)	(0.017)	(0.019)
2005	0.348	0.141	0.110	0.091	0.264	0.156
	(0.017)	(0.015)	(0.037)	(0.033)	(0.016)	(0.016)
2006	0.406	0.164	0.246	0.178	0.260	0.145
	(0.016)	(0.015)	(0.041)	(0.032)	(0.016)	(0.017)
2007	0.396	0.177	0.159	0.128	0.285	0.177
	(0.017)	(0.015)	(0.038)	(0.032)	(0.016)	(0.016)
2008	0.448	0.208	0.300	0.228	0.288	0.175
	(0.016)	(0.015)	(0.039)	(0.032)	(0.016)	(0.017)
2009	0.410	0.201	0.286	0.210	0.254	0.159
	(0.016)	(0.015)	(0.035)	(0.031)	(0.016)	(0.016)

Source: Central Bureau of Statistics salaried worker income surveys for 1997–2009. Authors' calculation, authors' processing.

Table 3.4 compares the results of four OLS regression models. The first model presents the factors' main effects without any interaction effects, whereas the other three models present main effects and interaction effects. Model 1 shows that the impact of ethnicity (being a Jew) remains highly significant even after controlling for education, occupational class, and other individual factors. This suggests that the pay gap between Jews and Palestinians is not a result of a difference in their human capital. Some of this pay gap might be associated with other factors that have not been measured here due to the lack of data, such as place of residence (inside or outside the ethnic enclave) or the type of economic sector (private vs. public); however, some of this gap may also be an outcome of a direct discrimination against Israeli Palestinians in the labor market.

Model 2 interacts ethnicity (being a Jew) with age, education, married, full-time employment, and occupations. The results of these interactions show that while there is no significant differential impact of years of schooling on the wages of Jews and Israeli Palestinians, age, being married, and being in full-time employment affect the wages of Jews more favorably compared to the wages of Palestinian workers. The differential impact of occupations (compared to the class of unskilled workers) among Jews is smaller than that found among Palestinians except for the class of academic professionals and the class of managers. There has been no significant difference in relation to academic professionals, whereas the differences between Jewish managers and Jewish unskilled workers were greater than the comparable difference among Palestinians. It is interesting, though, to see that in Model 2 the influence of ethnicity (being a Jew) is negative, suggesting that unskilled and unmarried Jewish workers who are employed in part-time jobs earn less than their Palestinian counterparts.

Model 3 examines the impact of the intifada period on the wages of Jews and Palestinians by including an interaction term between the intifada and ethnicity while still controlling for human capital and other individual explanatory factors as in Model 1. It is interesting to see that the intifada has a positive and statistically significant influence upon the wages of Israeli Palestinians and that within this period the pay gap between Jews and Israeli Palestinians has shrunk. We can see that by looking at the interaction term between intifada and Jews, which is negative. This result supports our initial finding that during the period 2000–2004 (the period of the second intifada) the pay gap between Jewish and Palestinian workers has narrowed.

Model 4 examines the influence of the size of the population of foreign and West Bank Palestinian workers on the wage gap between Jewish and Israeli Palestinian workers. As expected, the size of this population has a significant negative impact on Israeli Palestinians, illustrating how

Table 3.4 Results of regression coefficients of the wage equation, 1997–2009

Variable	*Model 1*	*Model 2*	*Model 2*	*Model 1*
Age	0.0432***	0.0229***	0.0432***	0.0432***
Age squared	−0.0004***	−0.0002***	−0.0004***	−0.0004***
Years of schooling	0.0344***	0.0332***	0.0343***	0.0343***
Personal status	0.1194***	0.0878***	0.1190***	0.1185***
Full time	0.0272***	−0.2129***	0.0275***	0.0271***
Occupation				
Academic professionals	0.4318***	0.4532***	0.4379***	0.4408***
Associate professionals and technicians	0.2745***	0.3039***	0.2805***	0.2836***
Managers	0.4813***	0.4091***	0.4864***	0.4887***
Clerical workers	0.1322***	0.1669***	0.1382***	0.1408***
Agents, sales and service workers	−0.0254***	0.0113	−0.0190***	−0.0157**
Skilled agricultural workers	−0.1342***	−0.0554***	−0.1279***	−0.1248***
Industry, construction, and other skilled workers	−0.0555***	0.0041	−0.0492***	−0.0467***
Age *Ethnicity		0.0224***		
Age squared *Ethnicity		−0.0003***		
Years of schooling *Ethnicity		0.0012		
Personal status *Ethnicity		0.0344***		
Full time *Ethnicity		0.2835***		
Occupation*Ethnicity				
Academic professionals *Ethnicity		−0.0323		
Associate professionals and technicians *Ethnicity		−0.0399*		
Managers *Ethnicity		0.0667*		
Clerical workers *Ethnicity		−0.0419*		
Agents, sales and service workers *Ethnicity		−0.0411**		
Skilled agricultural workers *Ethnicity		−0.1091***		
Industry, construction, and other skilled workers *Ethnicity		−0.0722***		
Ethnicity	0.1605***	−0.5335***	0.1720***	−0.0421
Intifada			0.0681***	0.0702***
Intifada*Ethnicity			−0.0399***	−0.0442***
Palestinians and foreign workers (thousands)				−0.0003**
Palestinians and foreign workers*Ethnicity				0.001***
Constant	1.7079***	2.3241***	1.6821***	1.7661***
No. of observations	83,182	83,182	83,182	83,182
R^2	0.329	0.332	0.33	0.33

*, **, and *** are significant at levels of 10%, 5%, and 1% respectively.
Source: Central Bureau of Statistics salaried worker income surveys for 1997–2009. Authors' calculation.

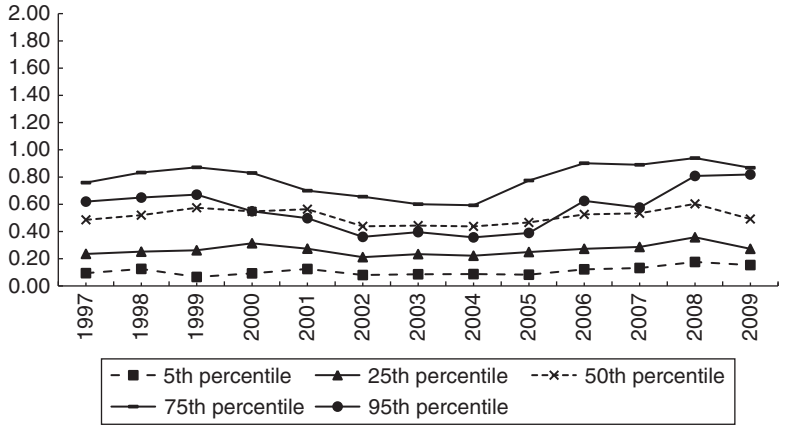

Figure 3.3 Real hourly wage gaps between Jews and Palestinians by percentiles, 1997–2009

Source: Central Bureau of Statistics salaried worker income surveys for 1997–2009. Authors' calculations.

the inflow of cheaper foreign workers (including Palestinian workers from the West Bank) into the Israeli labor market imposes a greater pressure on Israeli Palestinian workers and placing them between two choices: lower wages and unemployment.

Figure 3.3 and tables 3.5 and 3.6 look at wage discrimination at several income levels (by percentile) as part of a regression that included, in addition to the dummy variable for ethnicity, variables for estimates of the employed individuals' human capital. Discrimination at all income levels emerged clearly when the ethnicity variable coefficient was 0.16 (Model 1 in table 3.4). Here too, a similar trend is found to that of the previous results: Discrimination rose in 1997–1999, then dropped in 2000–2004 against the background of the second intifada, and then rose again in 2005–2008. A rise in discrimination was also found to correlate to rising wage levels. As such, the ethnicity variable coefficient rose from 0.066 at the 5 percent level to 0.146 at the median, to 0.29 at the upper level (95 percent—see table 3.5).

A similar trend was also seen in wage gaps (gross) themselves. In figure 3.3, we see a clear trend of widening of wage gaps with the rise in higher income, except for the highest income level (95 percent), wherein there was a narrowing. The figure also shows that the payments shown on the Year axis get more pronounced with the increase in income. At low income levels, it is difficult to determine whether there is a clear time trend, except for the widening of the gaps from 2005, whereas in wage gaps among high income earners, the trends showing up until then are pronounced.

Table 3.5 Comparison of OLS and QR results for all workers

Year	*OLS*	*5th percentile*	*25th percentile*	*50th percentile*	*75th percentile*	*95th percentile*
1997	0.360	0.048	0.050	0.109	0.162	0.273
	(0.017)	(0.033)	(0.024)	(0.021)	(0.022)	(0.047)
1998	0.372	0.097	0.106	0.152	0.217	0.330
	(0.017)	(0.030)	(0.025)	(0.023)	(0.019)	(0.025)
1999	0.400	−0.006	0.094	0.193	0.239	0.347
	(0.016)	(0.032)	(0.015)	(0.020)	(0.031)	(0.036)
2000	0.392	0.046	0.098	0.174	0.253	0.269
	(0.018)	(0.029)	(0.013)	(0.018)	(0.024)	(0.041)
2001	0.362	0.103	0.135	0.176	0.231	0.328
	(0.018)	(0.029)	(0.025)	(0.022)	(0.024)	(0.031)
2002	0.314	0.028	0.061	0.110	0.140	0.248
	(0.018)	(0.028)	(0.020)	(0.023)	(0.031)	(0.038)
2003	0.308	0.057	0.099	0.128	0.154	0.178
	(0.018)	(0.028)	(0.012)	(0.020)	(0.029)	(0.030)
2004	0.306	0.032	0.050	0.058	0.104	0.219
	(0.018)	(0.027)	(0.024)	(0.022)	(0.026)	(0.044)
2005	0.348	0.019	0.099	0.129	0.187	0.276
	(0.017)	(0.029)	(0.016)	(0.025)	(0.019)	(0.029)
2006	0.406	0.076	0.108	0.150	0.186	0.320
	(0.016)	(0.022)	(0.020)	(0.020)	(0.023)	(0.048)
2007	0.396	0.088	0.114	0.148	0.199	0.352
	(0.017)	(0.024)	(0.012)	(0.015)	(0.018)	(0.054)
2008	0.448	0.129	0.153	0.181	0.240	0.352
	(0.016)	(0.017)	(0.015)	(0.019)	(0.019)	(0.029)
2009	0.410	0.138	0.144	0.188	0.250	0.276
	(0.016)	(0.020)	(0.016)	(0.014)	(0.018)	(0.035)

Source: Central Bureau of Statistics salaried worker income surveys for 1997–2009. Authors' calculation.

In table 3.6, we examine discrimination levels in percentiles and in comparison between skilled and unskilled workers. A look at the data shows a rise in discrimination with a parallel rise in wage levels among unskilled workers. In contrast, among skilled workers, while clear income discrimination can be discerned, there is no clear relationship between the extent of wage discrimination experienced and income levels.

The data also show that among skilled workers, there was a rise in discrimination in 1997–1999, a drop therein during the second intifada (2000–2005), and thereafter a rise to record levels in 2005–2008. At the same time, the fluctuations in data are very high. In contrast, among unskilled workers, the fluctuations in wage gaps lessened significantly: a

Table 3.6 Comparison of OLS and QR results, skilled and unskilled workers

Year	*Skilled workers*						*Unskilled workers*					
	OLS	*5th percentile*	*25th percentile*	*50th percentile*	*75th percentile*	*95th percentile*	*OLS*	*5th percentile*	*25th percentile*	*50th percentile*	*75th percentile*	*95th percentile*
1997	0.123	0.170	0.125	0.144	0.135	0.143	0.268	0.007	0.054	0.091	0.156	0.191
	(0.051)	(0.062)	(0.064)	(0.047)	(0.052)	(0.083)	(0.017)	(0.023)	(0.020)	(0.015)	(0.037)	(0.049)
1998	0.252	0.230	0.171	0.137	0.224	0.076	0.263	0.055	0.070	0.137	0.195	0.345
	(0.047)	(0.115)	(0.038)	(0.072)	(0.047)	(0.101)	(0.017)	(0.031)	(0.019)	(0.029)	(0.030)	(0.037)
1999	0.232	0.048	0.139	0.259	0.268	0.261	0.295	−0.015	0.077	0.175	0.227	0.338
	(0.040)	(0.064)	(0.041)	(0.047)	(0.046)	(0.073)	(0.016)	(0.032)	(0.016)	(0.021)	(0.033)	(0.055)
2000	0.200	0.129	0.058	0.108	0.234	0.216	0.314	0.021	0.108	0.184	0.240	0.272
	(0.038)	(0.056)	(0.060)	(0.041)	(0.041)	(0.049)	(0.017)	(0.022)	(0.019)	(0.021)	(0.019)	(0.052)
2001	0.197	0.098	0.150	0.149	0.167	0.228	0.293	0.110	0.115	0.202	0.250	0.307
	(0.035)	(0.040)	(0.056)	(0.044)	(0.038)	(0.070)	(0.018)	(0.034)	(0.027)	(0.025)	(0.025)	(0.037)
2002	0.116	0.057	0.055	0.097	0.064	0.083	0.243	0.039	0.059	0.116	0.150	0.256
	(0.038)	(0.072)	(0.048)	(0.046)	(0.033)	(0.094)	(0.018)	(0.034)	(0.028)	(0.023)	(0.028)	(0.040)

Table 3.6 (Continued)

Year	*Skilled workers*						*Unskilled workers*					
	OLS	*5th percentile*	*25th percentile*	*50th percentile*	*75th percentile*	*95th percentile*	*OLS*	*5th percentile*	*25th percentile*	*50th percentile*	*75th percentile*	*95th percentile*
2003	0.122	0.191	0.160	0.174	0.148	0.135	0.233	0.002	0.074	0.124	0.138	0.190
	(0.039)	(0.062)	(0.047)	(0.043)	(0.043)	(0.111)	(0.018)	(0.041)	(0.019)	(0.017)	(0.023)	(0.049)
2004	0.028	0.079	−0.031	−0.006	0.041	0.094	0.241	0.024	0.064	0.084	0.119	0.246
	(0.038)	(0.069)	(0.051)	(0.057)	(0.043)	(0.068)	(0.017)	(0.031)	(0.017)	(0.018)	(0.021)	(0.061)
2005	0.110	0.062	0.126	0.076	0.069	0.134	0.264	0.012	0.110	0.125	0.207	0.253
	(0.037)	(0.039)	(0.046)	(0.048)	(0.040)	(0.080)	(0.016)	(0.030)	(0.016)	(0.019)	(0.027)	(0.059)
2006	0.246	0.167	0.183	0.166	0.216	0.292	0.260	0.052	0.082	0.144	0.164	0.252
	(0.041)	(0.073)	(0.044)	(0.061)	(0.063)	(0.140)	(0.016)	(0.025)	(0.018)	(0.015)	(0.025)	(0.044)
2007	0.159	0.073	0.097	0.120	0.178	0.228	0.285	0.113	0.123	0.149	0.209	0.384
	(0.038)	(0.064)	(0.031)	(0.044)	(0.040)	(0.086)	(0.016)	(0.036)	(0.024)	(0.018)	(0.025)	(0.049)
2008	0.300	0.166	0.244	0.212	0.254	0.391	0.288	0.098	0.140	0.158	0.201	0.230
	(0.039)	(0.061)	(0.053)	(0.041)	(0.034)	(0.066)	(0.016)	(0.027)	(0.022)	(0.018)	(0.016)	(0.045)
2009	0.286	0.205	0.139	0.182	0.259	0.286	0.254	0.074	0.121	0.175	0.199	0.169
	(0.035)	(0.086)	(0.070)	(0.040)	(0.045)	(0.079)	(0.016)	(0.037)	(0.025)	(0.023)	(0.026)	(0.057)

Source: Central Bureau of Statistics salaried worker income surveys for 1997–2009. Authors' calculation.

rise in discrimination until 2001, a temporary drop therein in 2002–2004, and another rise in 2007. It is likely that the high level of fluctuation among skilled workers stems from the small number of observations of the sample.

The comparison in the pay gap between skilled and unskilled workers shows that among workers in low-paying professions, skilled workers face much higher levels of discrimination than do the unskilled workers. In contrast, at higher wages, discrimination against skilled Palestinian workers was considerably lower than it was against their unskilled counterparts. This conclusion conforms to that presented earlier in the text regarding the importance of education as a factor in narrowing wage gaps.

Discussion and Conclusions

In this chapter we looked at the ethnic penalty in wages that Palestinian citizens of Israel face in the Israeli labor market. Ethnic penalty is defined as socioeconomic disadvantages (pay gap in our case) experienced by minority members in their countries of residence on the grounds of color, cultural, and national racism. In a recent study (Authors 2011), the authors showed that Israeli Palestinians are the first to quit the labor market during economic recession and the last to return thereto during economic growth periods.

In this study, we focused on the ethnic penalty in wages, that is, discrimination against Palestinian workers. Following Becker's (1971) definition, we looked at the wages earned by salaried male Israelis in the main employed age brackets. We are not the first to have studied whether there is wage discrimination in Israel; it was previously studied by Haberfeld and Cohen (1996) and by Asali (2006), who found clear wage gaps between Israeli Palestinians and Jews. However, our study is the first to cover the entire period from the late 1990s up to 2009, providing a unique opportunity to explore the most recent trends in Jewish-Palestinian earning inequality and the extent of discrimination experienced by the Palestinian citizens of Israel in this regard. Additionally, the present study was the first to include factors such as the second intifada and the size of the population of foreign workers in the analysis.

Our findings show that over the years, the pay gap has not narrowed, except for periods during which the number of non-Israelis (migrants and Palestinians from the West Bank) in the labor market dropped. For example, in 2000–2004, a significant drop in the number of Palestinian workers from the West Bank led to a considerable narrowing of wage gaps between Jews and Israeli Palestinians, particularly among unskilled workers. This

finding leads to the clear conclusion that Israeli Palestinian workers in Israel are regarded as a replacement labor (or even a reserve army), in that this "reserve army" is highly sensitive to the state of the economy and tends to fluctuate accordingly, and with it, in the same direction, its labor price.

In this chapter we primarily looked at the ethnic penalty in wages. We thus have attempted to disentangle ethnic element from the other influencing factors in order to explore the dynamics of discrimination in the Israeli labor market over the past decade or so, and where it is increasing or decreasing. Our main finding in this regard is that this has become a constant feature of the Israeli labor market with some fluctuations occurring in line with economic, demographic, and geopolitical changes. It has been found that the ethnic penalty has persisted over the past decade and there was no evidence that this penalty is on its way to fade away.

Among skilled workers (most the bearers of academic degrees), no wide gap was found between the gross and net ethnic penalties. This suggests that human capital (qualification, skills, experience, and so on) plays a significant role in closing the pay gap between Jews and Palestinians. However, this general trend has been reversed in 2008–2009, with the ethnic penalty faced by skilled Palestinian workers being higher than that of unskilled workers. There is no solid evidence that this trend will continue, yet further research is needed to confirm that.

Further in this context, we found that full-time employment has a negative effect on the hourly wages of Palestinian workers. This finding suggests that Palestinian workers are willing to accept less pay (or greater pay gap) for the sake of greater job security. It seems that for them this is a zero-sum equation; they cannot have them both, a high hourly wages and a full-time employment. One of them will have to be compromised.

As mentioned earlier on in this chapter, the ethnic penalty is likely to include two different components: one that might be resulting from factors that have not been included here, such as the place of residence, the type of economic sector, the level of previous experience, and the required skill level as well as the type of economic industry (i.e., hi-tech, education, health, and so on). However, there is a good reason to assume that the other component might be a result of direct discriminatory practices used by Jewish employers against Israeli Palestinian workers. In the present study we have shown that even after controlling for human capital factors and other individual traits, the pay gap between Jewish and Israeli Palestinian workers remains significant for all of the years covered by this study and for skilled and unskilled workers. This demonstrates how salient ethnicity is in Israel in determining people's income from work. This finding about the importance of ethnicity found in this study is in line with previous studies in the United States (Cancio et al. 1996) and in the UK

in recent years (Li and Heath 2008; Longhi et al. 2008; Nandi and Platt 2010). However, future research will have to control for the factors that we did not include here in order to illustrate whether the factor of ethnicity remains so significant, or it fades away. We suspect that the power of ethnicity in deeply divided societies such as Israel is dominant to the extent that major social transformations will be required in order to bring about a real change in this regard. Since these major changes are not anticipated in the near future, perhaps means of legislation and diversity training will reduce the impact of unfair practices by employers.

Notes

1. Jews of European background.
2. Jews of Middle Eastern background.
3. All respondents in the income survey, both Arab Palestinians sand Jews, are residents and citizens of Israel.
4. Women were not included in the sample due to the low level of participation of Arab women in the workforce.
5. The number of hours worked in a month was calculated by multiplying the number of work weeks in the month by the number of hours worked in a week.
6. "Earnings" expresses the individual's yields on the investment in his human capital.
7. See Bassett and Koenker (1982) for details on quantile regressions.

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Part II

The Changing Nature of Female Employment and Its Consequences

4

Ethnicity, Gender, and Exclusion: Which Occupations Are Open to Israeli Palestinian Women?

Yuval Yonay and Vered Kraus

Introduction

When we started our research into Palestinian women's employment in Israel several years ago, very few people, either in academia or outside, were interested. In sociology, Israeli researchers were concerned with comparing either *Mizrahim* and *Ashkenazim*, or Palestinian and Jewish men. But Palestinian women were not very present in the labor market, and it was therefore easy to ignore them. Following a very slow and long upward trend that started in the 1960s, labor force participation rate of Palestinian women in the beginning of the twenty-first century was about 20 percent, a very low figure compared with the much higher labor force participation of Jewish women (Yonay and Kraus 2009).

Recently it has become fashionable in Israeli public debates to claim that two big obstacles for economic development in Israel are Palestinian women and Ultra-Orthodox men. The latter live on small doles they receive from the government while studying Talmud in religious institutions (*yeshivot*). This is an interesting story politically and sociologically but it is not our topic. We are concerned with the second "problem," the fact that Palestinian women "don't work." According to several reports and publicists, the "idleness" of those women, in addition to that of Ultra-Orthodox men, does not allow the Israeli economy to realize its

potential and hampers its competitive edge; fewer workers have to feed larger populations.[1]

We place "don't work" and "idleness" in quotation marks because Palestinian women have always worked and have never been idle. Though not employed in the formal market, women have always been involved either in income-saving works at home or in income-producing practices off the formal market (Sa'ar 2010). But staying out of regular employment in the formal economy is indeed costly both for the women themselves and for the economy as a whole. Women forgo social benefits if they do not have regular jobs (Lobban 1998), and the economy loses the enhanced productivity of formal employment in big organizations and corporations.

In this chapter we argue that Palestinian women do not find enough suitable jobs, because many positions are practically blocked for them. In order to support this claim we analyze the occupational distribution of Palestinian women with postsecondary education and compare it with that of Jewish women. We focus on highly educated women because they are much more prone to work in the formal economy relative to those with secondary education and less. Furthermore, pursuing higher education requires much more resources in terms of money, time, and effort, and hence we can assume more confidently that women with such education are geared toward labor market employment.

Although this chapter is concerned with women's employment, we will also analyze Palestinian and Jewish men, because we think that part of the problem Palestinian women face in finding suitable jobs is related to their competition with their male counterparts, who encounter the same employment barriers as women do in the Jewish-dominated labor market (Lewin-Epstein and Semyonov 1994; Rosenhek 2003; Yonay and Kraus 2001). Since there are socioeconomic differences among women belonging to the three main religious groups of Palestinians (Khattab 2005; Lewin-Epstein and Semyonov 1994; Yonay and Kraus 2009), we will also compare the occupational structure of Muslim, Druze, and Christian women, trying to understand both the specific advantages and disadvantages each group has and the more general predicament they all face in a society dominated by Jews.

Our analysis is based on large data sets collected by the Central Bureau of Statistics (CBS), a governmental agency responsible for large surveys about people's work, income, and consumption. We therefore cannot directly document discriminating behavior of employers and managers. Nor have we talked with Palestinian women about their wishes, motivations, and experiences in the labor market. Yet we believe that by showing where Palestinian women actually work, we can support the assertion that

some options are probably closed for them. This claim will be further explained and argued for in the conclusion of this chapter.

Background Information

Israeli society is composed of Jews, who account for 83 percent of the population, and Palestinians, who account for the other 17 percent.[2] Almost all Jews are either immigrants or second- and third-generation immigrants who have arrived to Israel, then Palestine, since the last decades of the nineteenth century (Cohen 2002). The Palestinians are an indigenous people who constituted the majority of the population until the 1948 war. Since the establishment of the State of Israel as "a Jewish State" in 1948 and following the ensuing war, the Jews became the majority, and the Palestinians who remained in Israel have become a national minority (Ghanem 2001; Ghanem and Mustafa 2011; Jamal 2007; Pappè 2011).

Since statehood, the state policies have been geared to secure Jewish control of the land and to integrate the millions of Jewish immigrants that have arrived at Israel after 1948 (Kimmerling 2001; Shafir and Peled 2002; Yiftachel 1992, 2006). The Palestinian minority has been treated as a hostile group that should be controlled and, if possible, exploited to advance the state goals (Bäuml 2011; Ghanem and Mustafa 2011; Sa'di 2003; Zureik 1979). Large-scale confiscation of land owned by Palestinians turned Palestinian peasants into the reserve army of the burgeoning Israeli industry, forcing men to seek employment as manual workers in construction and manufacture (Carmi and Rosenfeld 1974; Rosenfeld 1978; Yiftachel 1992). Fast economic development allowed Israeli Palestinians to improve their material conditions, but they lagged far behind Jews on all socioeconomic indexes (Kraus and Yonay 2000). The state has provided Palestinians with universal services such as education, welfare benefits, and health, but according to numerous studies those services have been underfunded in comparison with those provided for Jews (Rosenhek and Shalev 2000).

The rapid industrialization and modernization of Israel had mixed outcomes for Palestinian women. The expansion of social services and the transition to a service economy opened many jobs for women, Jewish and Palestinian (Kraus 2002). The modern socialist and liberal ideologies of the leading elites encouraged women's participation in the labor market as well as in politics. Advanced legislation encouraged female employment and banned discrimination, women's right to vote has been guaranteed, schooling has become mandatory for both boys and girls,

and an active women movement has pushed forward ideas of gender equality and has extended support for various groups of marginalized women (Emmett 1996), including Palestinians (Abu-Rakba 1991).[3] Yet, as a minority, Palestinian women were less able to enjoy these achievements. Since development was centered in Jewish urban areas, it has been harder for Palestinians to enjoy its fruits. Furthermore, discrimination and exclusion have prevented Palestinian women from taking advantage of the many opportunities modern service economy and women liberation offer (Herzog 1998, 2004; Kanaaneh 2002; Kraus 2002: Ch. 9; Lewin-Epstein and Semyonov 1992, 1994; Sa'ar and Yahia–Younis 2008;Semyonov et al. 1999; Swirski 2000; Yonay and Kraus 2009). Another reason that Palestinian women have not fully enjoyed the achievements of the women's movement was the political cooptation of traditional Palestinian elites by the state and the consequent repression of progressive forces within the Palestinian society. This political alliance thwarted the spread of new ideas including those supporting women's rights and gender equality (Al-Haj 1988; Hasan 2002; Sa'di 2003).

Given the pervasive discrimination and exclusion of Palestinians by many public and private employers and managers, many Palestinians have resorted to the ethnic economy and to the public sector. The Palestinian economy does give Palestinians some protection, but due to its marginalization in a Jewish-dominated centralized economy, it could not offer enough employment and its rewards have been modest. The public sector is also strongly tilted in favor of Jews, but due to the residential and social segregation, social services in Palestinian communities have been staffed almost exclusively by Palestinians. Moreover, since the public sector has to be run by universal criteria, income gaps between Jewish and Arab employees in that sector have been relatively small. Due to these circumstances, many Palestinians look for employment in public services (Khattab 2002, 2003; Lewin-Epstein and Semyonov 1994; Shavit 1992; Yonay and Kraus 2001).

The importance of the public sector for Palestinians explains why education is so important for Palestinians, especially women.[4] Education is their way to the more favored work in public services (Khattab 2003; Yonay and Kraus 2009). The educational achievements of Palestinian women have improved greatly along the years. At the end of the 1970s, for example, less than 4 percent of Muslim women had an academic degree (including BEd). This rate has crossed 20 percent by 2007–2009. Among Druze women the change was similar, from 1.3 to 19.7 percent by 2007–2009. Christian women have kept their educational advantage over other Palestinian women. Their rate of employment (39.4 percent) is double that of the other two Arab Palestinian religious groups (all figures are calculated

by us for women aged 18–52, based on the CBS labor force surveys; see also Yonay and Kraus 2009).

Yet, for Arab women education is a key for successful career in the labor force. Several studies have discovered a huge gap between labor force participation of those with postsecondary education and those who have only 12 years of education. Just for illustration, in 2002 only 17 percent of Muslim Palestinian women (21–59-year-old) with some or full secondary education were part of the formal labor force, compared with 66 percent among those with at least some postsecondary education. This is a perplexing gap that highlights the importance of higher education for employment of Palestinian women. Among Jewish women the gap is much smaller: 72 percent among those *without* postsecondary education and 82.5 percent among the rest (Yonay and Kraus 2009, table 4.5). Is the very low figure employment of Palestinian women with secondary education (or less) the result of those women who, for whatever reason, wish to work only in their households, or is it the result of the lack of appropriate jobs for women at that level of human capital? The data do not tell, but we will return to this subject in our discussion.

Given the extreme importance of postsecondary education for Arab Palestinian women, it is worthwhile to dwell a bit more on the challenges Palestinians, especially women, face in pursuing academic degrees. First, almost all Palestinians who attend colleges and universities study for the first time in their lives in mixed Arab–Jewish Institutions. Non-Israelis might be perplexed to learn that Jews and Palestinians learn in two separate educational systems in two different languages, Hebrew for Jews and Arabic for the Palestinians. Higher education though is integrated, which means that Palestinian students have to learn in Hebrew and have to join colleges and universities that are located in Jewish communities, are managed and operated mostly by Jews, and have a Jewish majority of students.[5] Palestinian students thus start with a disadvantage relative to Jewish students; they have to get used to study not in their native language and to adopt new codes of behavior. Second, although the two (primary and secondary) educational systems are centralized and run from Jerusalem by the same Ministry of Education, they are far from being equal. The Arab system is greatly underfinanced relative to the Jewish one (Abu-Sa'ad 2004; Al-Haj 1995; Golan-Agnon 2006), and the Arab students, especially those from public schools, must compete with Jews who have graduated from much richer high schools.[6] Third, due to the Jewish-Palestinian conflict, Palestinian students often feel isolated, discriminated against, and even threatened in colleges and universities. Rather than getting help in surmounting such difficulties, they often feel unwelcome (Erdreich and Rapoport 2002, 2006). The number of Palestinian lecturers

and administrative workers, who may serve as role models or extend practical help and empathy, is miniscule at some institutions and nonexisting in many others.[7] Last but not least, tuition is far from trivial for most Arab Palestinian families in Israel, who are concentrated in the lowest income deciles. Palestinians are also ineligible to some fellowships that are earmarked for specific groups composed of Jews only. Women face even more difficulties because in many cases their parents limit their options. Many Arab Palestinian parents, for example, refuse to let their daughters live outside their homes, forcing them to commute or to compromise for a closer academic institution of a lesser quality.

Given these hardships it is reasonable to assume that those who undergo academic studies and endure the difficulties plan to gain the returns for their investment. This is why we think that if some of the women who have gotten academic education do not work, it must be due to the lack of opportunities rather than to "choices" made by them based on cultural precepts.[8] Cultural norms and constraints restrict women (and men), but had women planned to remain housewives, they would not have gone through the long, costly, and often unpleasant process of achieving postsecondary degrees in an alien and perhaps hostile environment, far from the cozy and recognized environment of home and the Arab community.[9]

Our goal in this study is to analyze what Palestinian women who go through this hard process do after they get their degrees? Do they join the labor force? Do they find employment in suitable job? What can we learn from the answer on the wider question of why so few Palestinians participate in the labor force? In the next sections we explain our study and describe our results, and in the last section we will return to these questions.

Data

We used labor force surveys conducted annually by the Central Bureau of Statistics (CBS). We used the surveys between 1995 and 2009, because it was only in the mid-1990s that the number of highly educated women reached significant numbers followed by considerable increase in the entrance of Palestinian women into the labor market. We collapsed three years together in order to increase our sample size. We thus computed the data for three periods of three years each, 1995–1997, 2001–2003, and 2007–2009.

Our analysis included only women and men born in Israel. Immigrants are almost all Jews (due to the discriminatory Law of Return that regulates immigration to Israel), and we did not want to conflate our analysis of

Palestinians (almost all born in Israel) with the effects of immigration of some Jews. Since we are interested in workers with higher education, we included in the analysis people above the age of 24, an age when most people have pursued postsecondary or academic degrees. We stop our analysis at the age of 52, because very few older Palestinian women had belonged to the formal labor force. We excluded Bedouins living in the southern part of Israel because almost half of them live in small villages that are not included in the CBS's labor force surveys. Also excluded are Palestinians residing in Jerusalem because almost all of them are from parts of the city that Israel has occupied since 1967. They lack citizenship, and their social ties are mostly with the Palestinians in the West Bank. For a similar reason we also excluded the small number of Syrians from the occupied Golan Heights, who are included in Israeli official statistics.

Findings

We start with labor force participation. First, among men, participation rates were consistently high and increased slightly along the period analyzed. Christian men (90–92) had a slight advantage over Jews (88–90), and the latter were slightly ahead of Muslim men (86–89). The only exceptions are Druze men whose participation rate had already been the lowest in 1995–1997 (81 percent) and further shrank to 76 percent by 2007–2009. This fact, however, is easy to explain. The data include only the civilian labor force. Druze men are the only Palestinian group drafted to the Israeli army (unlike Jewish women, Druze women are not recruited to the army), and many of them continue in a professional service after the mandatory three-year period of the draft, and are thus excluded from the labor surveys.

Among the four groups of women, the picture is not very different but significant distinctions do exist. Very high proportions of Jewish women with tertiary education, 85–87 percent, belonged to the formal labor force. Christian women were little less likely to be employed, but they still worked outside their homes in quite high rates of 82–84 percent. Muslim women were significantly less active in the formal labor force; only 76 percent of them were employed in 1995–1997, and this rate further declined to 71 percent by 2007–2009. The data for Druze women are not consistent. At the beginning of the period their participation was much lower than all other groups (56 percent only), but they jumped to the highest rate of 86 percent six years later, and then declined to 71 percent. If we treat the 86 percent as a fluke, there might be a moderate upward trend that has closed the gap between Muslim and Druze women (table 4.1).

Table 4.1 Labor force participation of Israelis, aged 25–52, with tertiary education by gender, ethnicity, and year

Year	*1995–1997*	*2001–2003*	*2007–2009*
Men			
Jews	88	89	90
Christians	90	91	92
Muslims	86	88	89
Druze	81	78	76
Women			
Jews	85	86	87
Christians	82	84	83
Muslims	76	73	71
Druze	56	87	71

Although the change across the years is not very big, it does give us the first significant clue for understanding the problems Palestinian women face in regard to their employment. This clue is the declining rates among highly educated Muslim women—by far, the largest Palestinian group (more than 80 percent). It is merely a 5 percent drop, but it still poses an important question: Why are fewer of those who have pursued academic education gainfully employed now than a decade and a half ago? As argued earlier in text, these are women who have made a substantial investment in obtaining an academic degree, and the fact that 29 percent of them are not rewarded for this investment in the labor market is very important.

A possible explanation for the declining rate could be the drastic expansion of tertiary education among Muslim women in Israel (as mentioned previously), an expansion that might have saturated the labor market, at least in the short run. Indeed, this is a plausible explanation, but a comparison with Jewish women with academic education shows that this explanation is not enough. Many more Jewish women than their Muslim counterparts had pursued academic degrees in the beginning of the period studied, and their numbers have continued to rise. And yet, this expansion has not hurt their employment prospective. Eighty-seven percent of them were employed in 2007–2009, even higher than in previous years (85–86 percent). The growing supply of work offered by educated Jewish women has thus met suitable demand, while the *fewer* educated Muslim women have apparently failed to find suitable jobs. It therefore appears to us that the explanation for the declining employment rate of Muslim women is the lack of occupational opportunities, an explanation we will try to further buttress in the following.

What do Palestinian women do in the labor market? Before we turn to analysis of occupations, we looked at the option of entrepreneurship. How many women have some kind of a business, even the most rudimentary one? It is known that small-scale entrepreneurship is an option many members of ethnic minorities adopt because they face discrimination in big organizations, including both private corporations and public agencies (Clark and Drinkwater 1998; Fairlie 2007; Le 1999; Portes and Jensen 1989; Waldinger et al. 1990). Does such kind of business activity appeal Palestinian women, and is it available for them? The answer is a resounding "no"! Less than 3 percent of working Palestinian women, regardless of religion, were self-employed in any of the religious groups and in all three periods studied. This is even fewer than working Jewish women, 7 percent of whom were self-employed in 2007–2009. While we do not know yet why there are so few entrepreneurial women, especially among Palestinians, the meaning of this finding is that business ownership has not been a significant option for Palestinian women.[10]

The paucity of self-employed women becomes very evident when we compare women to men. Among Palestinian men, self-employment (including employers) was considerably higher than within the Jewish majority. Between one-fifth and one-quarter of working Christian men run their own business (24, 21, and 23 percent in the three periods), and growing rates of Muslim men have also been attracted to this track (rising from 13 percent in 1995–1997 to 20 percent in 2007–2009). Yet even Muslim men were more likely to be self-employed than Jewish men (born in Israel), of whom only 11–13 percent of all working men were self-employed. Among Druze the rate of self-employment declined from 18 percent during the first period to 11 percent during the last. The fact that Christian and Muslim men exploit the option of self-employment more than Jewish and Druze men does make sense: They have many more obstacles in finding jobs in the Jewish sector due to discrimination and lack of social networks to connect them to sources of employment. Druze men, who serve in the army, may have more ties with Jews and many of them work in security-related jobs (police, prisons, private guards; see more on this later in text). Given the tendency of Christian and Muslim men to be self-employed, the fact that so few women enter self-employment may allude to difficulties of Arab women to run their own business (table 4.2).[11]

Fitting Jobs

We arrive now to the main point of this chapter in which we examine how many workers in each group work in positions that fit their education.

Table 4.2 Percent of self-employed men, aged 25–52, with tertiary education, by ethnicity and year

Year	*1995–1997*	*2001–2003*	*2007–2009*
Ethnicity			
Jews	13	11	12
Christians	24	21	23
Muslims	13	16	20
Druze	18	11	11

Table 4.3 Occupational enrollment of workers (in percent), aged 25–52 with tertiary education, by gender and ethnic group, 2007–2009

	Fitting for academic education	*Teachers*	*Clerical*	*Services*	*Skilled and unskilled*
A. Men					
Jews	66	5	14	6	9
Christians	46	8	19	5	22
Muslims	40	19	15	3	23
Druze	32	10	16	27	15
B. Women					
Jews	42	23	29	5	1
Christians	28	43	23	5	1
Muslims	15	61	17	6	1
Druze	3	75	12	10	0

For this purpose we defined all academic, professional, and managerial occupations according to the CBS standard classification of occupations as fitting for workers with an academic degree. Part A of table 4.3 describes the distribution of occupations of men with academic education by religious affiliation in 2007–2009. We focus on the most recent period in order to simplify the presentation. The left column in each group is the proportion of men working in fitting jobs as defined earlier in text. The huge gaps between the religious groups are striking. Sixty-six percent of academically educated Jewish men work in academic, professional, and managerial jobs, compared with 40 percent only among Muslim men, and even fewer Druze (32 percent); Christian men are doing a bit better than Muslims, but still much lower than Jews (46 percent).

So in what occupations do the other academically educated men work? Some of them work as teachers. While teaching used to be a respectable occupation in Israel as in many other countries, its standing

as well as its rewards have declined sharply over the past decades. Yet it might be considered suitable for people with academic degrees (Addi-Raccah 2002, for Israel; Hargreaves 2009, for a comparative perspective). As we can see in Part B of table 4.3, only 5 percent of academic Jewish men either chose or were forced to be teachers. Among Muslim academics, in contrast, almost four times more are in teaching positions. Christians and Druze are in the middle, with 8 and 10 percent, respectively, employed as teachers.

Considering teaching as appropriate for academics thus narrows the gaps between Jews and the other groups in regard to fitting jobs. Yet there are much fewer Jews (29 percent) in low-status jobs (those not requiring an academic degree) than academically educated Christian and Muslim men (45 and 41 percent, respectively); among Druze, this figure is even higher and as many as 58 percent of all academic men are employed in nonfitting jobs. The nonfitting occupations are composed of clerical, service, and manual occupations. Clerical positions are held by similar proportions of academic men across the religious groups. Jews are somewhat less likely to be employed in such positions (14 percent), but it is quite similar to the proportions of Muslim, Christian, and Druze men (15, 19, and 16 percent, respectively). The lowest occupations in terms of occupational prestige are service and manual workers. Only 15 percent of academic Jewish men work in such jobs, compared with 26–27 percent among Muslim and Christian men, and as many as 42 percent among Druze. An interesting distinction is that among the latter, service work accounts for 27 percent, and only 15 percent are employed in manual jobs, whereas only 3 percent of Muslim men and 5 percent of Christian are in services. This finding is related to the high rate of Druze in security-related occupations defined as "services." According to our calculations, 14.6 percent of all Druze men (18–52) worked in two occupations only: policemen and security workers.

Among women even fewer proportions than men are employed in the most rewarding academic, professional, and managerial occupations. This is true of Jewish women as well, of whom only 42 percent are employed in those occupation (compared with 66 percent of Jewish men). Among Christian women this proportion falls to 28 percent, and among Muslim women it reaches a strikingly low figure of 15 percent only, but even this is better than the figure among Druze women among whom only 3 percent (!) of academically educated women work in one of those advantageous occupations. Unlike men, however, academic women are not likely to consider manual and service occupation as worthwhile alternatives. Negligible rates of women among all groups are in manual occupations, and modest figures of 5–6 percent are employed in service occupations (10 percent among Druze academic women). Clerical jobs provide employment for

about a quarter of academic Jewish (29 percent) and Christian (23 percent) women, but only to a sixth (17 percent) of the Muslim women and an eighth of the Druze (12 percent).

So what do academic women do? Unsurprisingly very large numbers of them work as teachers. This is a universal phenomenon that can be observed in many countries. But striking differences among the religious groups are telling. Jewish women who have more possibilities to enter the top academic, professional, and even managerial positions are least likely to be teachers (only 23 percent), whereas among Christian academic women, teachers account for 43 percent of all employed women, and among Muslim and Druze women, the figures skyrocket to 61 and 75 percent, respectively. There is nothing bad in being a teacher. It is a coveted job among many Palestinian women in Israel (Addi-Raccah 2002), and probably in many other places around the globe. The negative side of this fact is that these figures also indicate that many other positions that fit working women are blocked, and this may explain the low participation rate among Palestinian women, as we will discuss later in text. One exception that should be made before we move on is nursing. Eight to ten percent of Christian and Muslim women with post-secondary education in the labor force are nurses, and they constitute the majority of Palestinian women in professional jobs. There are almost no Druze women who work as nurses, probably due to a perception among Druze that nursing, which involves physical contact with men, does not fit women.

Multivariate Analysis

So far we presented the occupational structure of various groups of women and men. We know, however, that people's employment is influenced by individual characteristics such as age, marriage, number of children, and educational attainments. Since the various groups might differ over this personal attributes, we conclude this part of the chapter with a multivariate analysis that measures the net impact of gender and religious affiliation on the likelihood to work in suitable jobs, controlling for the above-mentioned personal variables.

The dependent variables in our analysis are the following four occupational groups (assigned "1" when the individual is affiliated and "0" otherwise): (1) academic, professional, and managerial; (2) school teaching; (3) clerical and service work; and (4) skilled and unskilled manual jobs. The control variables are as follows: (1) place of residence, distinguishing between those who reside in mixed localities, the center, and the north;[12] (2) age; (3) marital status; and (4) years completed in post-secondary

Table 4.4 Logistic regression predicting occupational affiliation of highly educated workers, aged 25–52, by ethnicity and gender in 2007–2009*

	Academic and professionals		*School teachers*		*Clerical and service*		*Skilled and unskilled*	
	2007–2009							
	B/ (se)	*Exp*	*B/ (se)*	*Exp*	*B/ (se)*	*Exp*	*B/ (se)*	*Exp*
Ethnicity and gender								
Christian men	−0.740*	0.477	0.631*	1.880	0.247*	1.281	0.996*	2.709
	(0.095)		(0.174)		(0.119)		(0.117)	
Muslim men	−1.002*	0.367	1.636*	5.134	−0.026	0.974	1.030*	2.801
	(0.056)		(0.075)		(0.075)		(0.069)	
Druze men	−1.183*	0.306	0.944*	2.570	−0.110	0.896	0.096	1.101
	(0.149)		(0.225)		(0.183)		(0.196)	
Jewish women	−0.999*	0.368	1.754*	5.778	0.916*	2.500	−2.044*	0.130
	(0.026)		(0.045)		(0.030)		(0.079)	
Christian women	−1.583*	0.109	2.763*	15.852	0.594*	1.811	−2.619*	0.073
	(0.082)		(0.100)		(0.111)		(0.524)	
Muslim women	−2.216*	0.146	3.500*	33.127	0.094	1.099	−2.180*	0.113
	(0.079)		(0.072)		(0.080)		(0.258)	
Druze women	−4.075*	0.017	4.163*	64.241	−0.271	0.763	−18.759	0.000
	(0.607)		(0.254)		(0.342)		(20.73)	
Constant	−4.441		−5.992		3.677		6.481	
Log likelihood	48855		29431		38613		15313	
Df	11							
N	31,501							

*Variables controlled in all models: marital status, age, place of residence, and years completed in post-secondary education.

education. The effects of ethnicity and gender are introduced by creating eight groups of workers (four ethnic groups × two genders; Jewish men served as the reference group). These effects are shown in table 4.4.[13]

Among educated workers both gender and ethnicity determined workers' occupational allocation net of the control variables. In 2007–2009 educated Muslim men have up to 5.1 times higher probability to be employed as a school teacher, and almost three times higher probability to work in unskilled and skilled occupations, than Jewish highly educated men. As might be expected they are also much less likely to work in academic, professional, and managerial occupational jobs (about 63 percent less than Jewish men). The low probability of working in jobs suitable for academically educated men also characterized Christian and Druze men (about 52 and 69 percent less than Jewish men, respectively).

Educated Jewish women are much less likely (63 percent) to be employed in academic, professional, and managerial occupations than

Jewish men. In the case of Muslim and Christian Palestinian women, this huge disadvantage is even larger: They are 85 and 89 percent, respectively, less likely than Jewish men to get a fitting job; for Druze women the odds are practically nil. All women are much more likely than Jewish men to be employed as schoolteachers. While Jewish women have 5.8 times higher odds of being teachers compared to Jewish men, in the case of Palestinian women the net odds are far higher (16 times higher for Christians, 33 for Muslims, and 64 for Druze). In contrast, the net likelihood of all Israeli women to enter manual occupations is much lower than that of Jewish men.

Conclusion

The picture painted by the data presented here is quite clear: All women are concentrated in teaching and are underrepresented in the most prestigious and rewarding academic occupations, but this distribution is most salient in regard to Druze women, and the least skewed in regard to Jewish ones, with Christians and Muslims in between. Palestinian men with higher education are also less likely than their Jewish peers to find a fitting occupation, which is why more Palestinian men choose teaching and even nursing than Jewish men, whose presence in these occupations is quite rare. Men, who are considered as breadwinners and must find work, are much more likely than women to go to manual and service jobs if they fail to find a position suitable for their education. Such a necessity is seldom the case when Jewish men are concerned and much more frequent among Palestinians from all religious groups. This is also an option almost no academic woman chooses, no matter what her religion.

Why are Palestinian women (and men) grossly underrepresented in academic, professional, and managerial occupations? Although our research cannot prove statistical discrimination, we still believe that our results shed light on the opportunities open to Palestinians in Israel. Occupational structures are the outcome of people's choices and organizations' needs. Individuals may choose among available jobs according to remuneration and nonmonetary rewards, interest, personal predilection, and cultural perceptions of what is suitable and prestigious for one's type of a person. Employers and managers also have preferences regarding the age, skills, look, ethnicity, and sex of potential workers. The pricing system, that is, wages, is the mechanism that brings the wishes of potential workers and preferences of firms and organizations into equilibrium. Often it forces "undesirable workers," women and minority in particular, to settle for less attractive jobs or to accept lower wages. It may also push some workers

out of the labor force if they cannot secure a job and income they consider appropriate.

Focusing on the choices potential workers make, some readers may interpret the occupational structure of Palestinian women as evidence for the latter's own preferences, preferences that may reflect their own private wishes or the social norms that dictate what is "appropriate" for women of their kind to do within their communities. The example of nursing among Druze women might be a case in point. The fact that a negligible number of Druze academic women are employed as nurses, compared to 8 percent among the two other Palestinian groups, cannot be explained either by geographical factors (the Druze live in the same areas as Christians) or by discrimination (due to political alliance with the state, Druze are, if anything, less likely to suffer from discrimination; see Firro 2001; Yiftachel and Segal 1998).[14] It does appear that the reason is a cultural attitude that deems nursing unsuitable for women, perhaps due to the close contact with male bodies. When we discussed our findings with Druze colleagues, students, and friends, they confirmed our guess, and we can thus feel safe to say that one reason behind the extremely low figure of Druze in professional and academic jobs, 3 percent only, is related to this cultural view of nursing as improper for women.[15]

But can such cultural attitudes explain the absence of Palestinian women, Muslim and Christian in addition to Druze, from other kinds of employment? May they avoid other jobs that are attractive to Jews but not to them due to views regarding appropriate roles for women in society? We think that this is highly unlikely, and nursing would once again serve to support our claim. Nursing is a hard job, mentally and physically, and it requires night and weekend shifts. Hospitals are usually located in Jewish cities, and Palestinian nurses are therefore compelled to commute from their places of residence to place of work. Yet obviously nursing is an occupation that does attract quite a large number of academic Muslim and Christian women (8.2 percent of both groups in 2007–2009).

The prevalence of nursing among Muslim and Christian women demonstrates that Palestinian women seek good occupations and would not reject opportunities to work in good academic and professional positions just because the latter demand hard work, inconvenient hours, and commuting. Specific jobs might be regarded inappropriate, as the case of nursing among Druze,[16] but the rarity of Palestinian women with academic education from many other lines of employment—management, law, journalism, social science, academia, and so forth—cannot, in our view, be attributed to their preferences or to the moral codes of their communities. We therefore believe that the reason should be searched on the demand side, that is, in their inability to find open positions in many

academic, professional, and managerial occupations. Nursing (and a few other paramedical occupations) has been opened to Palestinians, and since most other positions out of the Palestinian economy have not been so welcoming, it has become an occupational niche within a Jewish space for Arab Palestinian workers.[17]

The existence of such a shelter—a work environment where Palestinians are welcome and treated equally—is, obviously, a positive thing, but its uniqueness highlights the predicament of Palestinian workers in general, and of women in particular. It accentuates the fact that there are many other occupations where Palestinians are few and isolated. Moreover, the fact that this is an exceptional case indicates its precariousness. If Palestinians are kept out of most positions in Jewish public and private organization, may this exclusion be extended to the medical system? The rates of Muslim and Christian female nurses among all employed academic women have declined substantially from 17.3 and 13.6 percent, respectively, in 1995–1997 to 8.2 percent among both groups in 2007–2009. While this might be partially explained by the entrance of more women to new occupations, it seems also to be related to the arrival of hundreds of thousands of immigrants from the former Soviet Union in the 1990s. Many immigrants had medical training, including physicians who could not find work in their occupations, and were accepted to work as nurses, filling positions that would have otherwise been staffed by Palestinian workers.

We can use the example of nursing to highlight another aspect of the employment shortage academic Palestinian women face. Palestinian men face the same obstacles as women in finding suitable jobs in the Jewish-dominated labor market. Hence they compete with women over the same scarce positions that are open for Palestinians, including public services in Palestinian communities (or catering to Palestinians), jobs in the weak Arab economy, and niches like nursing that are hospitable for Palestinians. Thus, while the rate of academic Palestinian women in nursing declined from 1995–1997 to 2007–2009, among Christian men the rate of nurses rose from 1.1 to 3.6 percent. Jewish men, in contrast, are very rare in this field. Teaching is another occupation where Palestinian women and men compete over the limited number of positions (Addi-Raccah 2002). Nineteen percent of Muslim men with post-secondary education (10 percent of Druze, and 7.7 percent of Christians) worked as teachers in 2007–2009, compared with mere 4.4 percent of Jews with similar education.[18]

For many years many Israeli Jews have boasted that Palestinian women in Israel fare better than their Arab counterparts elsewhere due to the ideological commitment to gender equality and legislation aimed at increasing women's involvement in the public sphere. Although Israeli feminists have

exposed many failings in the realization of gender quality, it still seems fair to say that the ideological and cultural environment of Israel have been more supportive of women's participation in formal labor and politics than that in surrounding Arab countries where strong opposition to such idea still exists, and family laws, in some countries, are still based on the idea that women should primarily take care of the household (Anwar 2009). Yet Arab citizens in Israel have an obstacle that Arabs in the surrounding countries do not have: They are a minority. In Arab countries, positions that are deemed suitable for women are filled, of course, by Arab women; there is nobody else to fill the jobs.[19] In Israel, Palestinian women must compete with the Jewish majority over such positions, and since Jews hold most positions of power and material resources, the Palestinians are greatly disadvantaged. Social and cultural capital are defined by Jews and are thus much less accessible for Palestinians. Overt discrimination and prejudice are additional mechanisms that close the doors at the face of Palestinian women, and according to numerous studies they are rampant among Jews and hardly fought against by public agencies (Bar-Tal and Teichman 2005; Smooha 1987; 2004). Utilizing the human resources of Palestinian women requires active policy that would open positions in government offices, public organizations, and private companies that are now practically closed to them, thus enabling them to compete on equal ground with Jewish women and men.

Notes

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1. Just a few examples: Tani Goldstein, "Arab women's employment rose by 40% in a decade," *Ynet*, June 27, 2004 (extracted October 25, 2012); Dan Ben-David, "Moment of Truth," *Haaretz,* February 5, 2007; Hila Weissberg, "Arab Women Invest in Studying and Work in a Garage or a Store," *Haaretz*, March 8, 2012.
2. We refer only to Israeli citizens, excluding Palestinians from East Jerusalem, who are included in Israel official statistics although they lack citizenship.
3. Extensive feminist writing has exposed the patriarchal character of Jewish society in Israel and the failing of the gender equality pretense. Many works have also demonstrated the discrimination and exclusion of underprivileged groups, including Palestinian women and Jewish women from Middle Eastern and North African origins (*Mizráhiyot*). Azmon and Izraeli (1993), Bernstein

(1987; 1992), Dahan-Kalev (2001), Fuchs (2005), Shadmi (2003), Swirski (2000), Swirski and Safir (1991), and Yuval-Davis (1981).

4. Men may go to work in construction and manufacturing, hard jobs but with high income for skilled workers. Women go to manufacturing only as a last resort, and usually as unskilled workers.
5. There are a few small all-Palestinian colleges, where students learn mostly in Arabic, but they are considered less prestigious and serve only a small fraction of the Palestinian population.
6. The curricula of Arab schools are determined by the Ministry of Education, and materials are selected or approved by Jewish officials. All students, Jewish and Palestinian, must pass the state matriculation tests at the end of their secondary school to qualify for academic studies. Palestinian children whose parents can afford it attend private institutions, mostly run by Christian communities and Christian organizations but enrolling non-Christians as well. While these schools are considered far superior to the public Arab schools, they are both costly and selective. Palestinian students who pass the matriculation exams have to take the university entrance tests (available also in Arabic) in order to attend the most prestigious and higher education institutions and prove sufficient mastery of Hebrew in a separate test.
7. Recently some institutions have established orientation programs for new Palestinian students. While this is a significant improvement, it is questionable whether it is enough to overcome unofficial hostility not only from Jewish students but also from Jewish lecturers and administrators.
8. It is true that university attendance not only serves the accumulation of human capital, but is also used as a place to acquire social ties and potential spouses (Oppenheimer and Lew 1995). Yet given the difficulties of obtaining an academic degree, mentioned in this chapter, we believe that such motivations are minor relative to a much more pressing need to improve employment opportunities.
9. Yet for some women (and men) academic studies are the way to free themselves from the constant scrutiny of family members and friends.
10. Since the rates of self-employment were very low in all periods and in all religious groups, there was no point in presenting the data here.
11. We do not know what the nature of these difficulties is. While they might be both cultural norms among Palestinians, they may also be due to economic difficulties in obtaining credit, running a business in the Arab economy, or the shortage of economic opportunities for female business in that sector.
12. Previous studies have shown that in mixed Palestinian-Jewish localities, women's likelihood of joining the labor force is higher than in purely Palestinian ones. We also distinguished between mid-Israel and the North just in case some of the variance is explained by distance from the economic center of Israel.
13. Very much the same results were obtained when analyzing the ethnic and gender effects on occupational allocation using a multinomial analysis.
14. In 2007–2009, the LFS had no Druze nurses at all; due to the small number of Druze women in the survey, one should treat the figures carefully. In the

previous surveys there were three (1995–1997) and five (2001–2003) cases that constituted 7.7 and 3.4 percent, respectively, of all academic Druze women in the sample.

15. We were also informed that the taboo on nursing is losing its grip. One colleague told us that she knew "the first Druze female nurse," and other friends told us that at present there were three to four Druze female nurses in each hospital. We should also mention that there are also fewer *male* Druze nurses (2.0 or 0.9 percent in 2007–2009) than Muslim and Christian (3.5 and 3.6 percent, respectively), which might be related to the lower desirability of this occupation among Druze regardless of gender. Here too, however, the sample size is quite small, and all inferences should be regarded cautiously.
16. The low rate of Druze women in clerical jobs might be another example of cultural constraints. Secretaries often work in a closed environment with male bosses, and it might be considered inappropriate for women.
17. While we acknowledge that our argumentation does not constitute proof of discrimination against Palestinians that prevent them from entering certain appealing occupations, we do believe that our interpretation of the outcomes is supported by the overall evidence as elaborated in text.
18. The share of Palestinian men among teachers is declining in all three religious groups: In 1995–1997 the equivalent figures were 37 percent (Muslim), 24 percent (Druze), and 19.4 percent (Christian) of all highly educated men.
19. Some countries though, mostly rich petroleum producers, have resorted to hiring foreign female employees to work in jobs considered feminine; see Samergandi (1992) on Saudi Arabia.

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5

Changing Earnings Composition in Israeli-Palestinian Households: The Emergence of the Dual-Earner Family

Haya Stier

Introduction

During the past 40 years, women's labor force participation has increased dramatically in most industrialized countries. Paid employment rose in particular among married women. The rise in wives' economic activity markedly changed the traditional organization of the family, with households in which the man is the sole provider becoming a small minority (Bianchi et al. 1999; Spain and Bianchi 1996; Stier and Mandel 2009; Waite and Nielsen 2001). Since 1960, the number of dual-earner families has increased in most industrialized countries. In the United States, for example, the traditional sole-breadwinner family was in the majority until the early 1970s, when the labor force participation rate of married women increased substantially. At that time about a quarter of all married couples maintained a two-earner family, in which both the husband and the wife participated in the market on a *full-time* basis. This type of family became the model of all couple-headed families (38 percent) in 1985 and by the end of the century characterized almost half of all families headed by married couples (Waite and Nielsen 2001: 30–31). Waite and Nielsen state that the rise of the dual-worker family is "... the most dramatic, far

reaching change affecting women, men, and families . . .” during the last three decades of the twentieth century (Waite and Nielsen 2001: 35).

The change in the earner composition of households is seen as an outcome of several social and economic transformations. First, more women have been gaining access to higher education, which in turn has increased the opportunity costs of staying out of the labor force. Women's entrance to higher education in large numbers took place alongside a growth in social services, in most industrialized societies, and the transition to knowledge-based technologies. These changes, which also characterize the Israeli labor market (Stier 2006), resulted in a demand for a professional labor force and better opportunities for women, especially the highly educated, but also those involved in social services and white-collar occupations. Consequently, women increased their labor force participation on a full-time basis (Cohen and Bianchi 1999; Spain and Bianchi 1996). Accordingly, a shift from a sole male provider to a dual-earner family is evident in most industrialized countries (Bianchi et al. 1999; Stier and Mandel 2009). Second, familial processes, in particular the postponement of marriage and decline in fertility, which are related to the rise in education and women's market opportunities, have allowed women to establish their market careers before entering family roles (Brewster and Rindfuss 2000; Taniguchi 1999). Moreover, as a result of normative changes regarding women's economic role, younger cohorts of women have become more oriented toward market work than their mothers' generation. This means that younger women accumulate more work experience, are less likely to drop out of the labor force when their children are young, and in some instances may allocate more of their time to paid employment (i.e., work more hours). Last, macro-economic changes and legislation concerned with gender inequality have opened up better opportunities for women, and as a result their market wages increased over time and they have managed to enter new professional occupations (Blau and Kahn 2006; Spain and Bianchi 1996). In Israel, as in other Western countries, family policies, especially those targeting mothers, alongside ideological changes that promote gender equality, have also facilitated the work of mothers. In addition, economic changes that brought about economic instability as well as deterioration in the power of workers (Gallie et al. 1998), together with the concurrent rise in standards of living and in consumption (Chafe 1991; Schor 1999), have made the dual-earner family a necessity (Waite and Nielsen 2001). Thus, more women at present invest in a “career” (like men) rather than in a “job,” and have a continuous full-time attachment to paid employment (Becker and Moen 1999; Moen and Han 2001; Waite and Nielsen 2001). Given these social and economic processes, wives'

contribution to family income has become more substantial over time (Raley et al. 2006; US Bureau of Census 2003; Winkler 1998).

Why is it important to study the earner composition of families? From an economic point of view, dual-earner families have at least the potential to improve their wellbeing and achieve a higher standard of living. Studies on poverty suggest that having two providers considerably reduces the risk of falling below the poverty line (Stier 2011). The dual-earner family also contributes to gender equality, as women's economic dependency upon their spouses is reduced. Although in most cases women remain secondary breadwinners—due to the traditional division of family responsibilities that prevails in all societies, and because of market inequalities—women's access to money of their own has improved their relative position in the family. Women's economic independence in marriage is considered important for understanding their social and political standing in general and their family behavior in particular (Hobson 1990). In particular, special attention has been devoted to the effect of women's work and their economic independence on the stability of marriage. It has been argued, for example, that the rise in married women's labor force participation explains the concomitant rise in divorce, mainly because women's work affects the division of labor and hence the utility of the family (e.g., Becker 1981), or because access to money of their own allows women to exit unhappy marriages (Hobson 1990). Yet others (e.g., Oppenheimer 1997) see the rise in women's economic independence as strengthening the institution of marriage by increasing the interdependence of spouses and the general wellbeing of the family. Women's paid work is also said to affect their position in the family, in particular with regard to fertility decisions (Cooke 2009) and the division of housework, including women's and men's allocation of time and tasks and how decisions are made within the family context (Stier and Lewin-Epstein 2000, 2007).

While the majority of Jewish households in Israel have two earners, most Palestinian households rely solely on a male provider. This affects the economic standing of Palestinian families as well as women's position within them. The purpose of the current study is to trace changes in the composition of providers in Palestinian couple-headed households, and to relate them to social and demographic processes, including the rise in women's education and the decline in fertility. In particular, I examine the main purpose of this study is to examine the characteristics of the dual-earner family in the Palestinian sector and how they have changed during the past three decades in order to understand the social mechanisms that lead to the emergence of this type of family. The chapter further examines and discusses the implications of these social trends for the economic and

social status of Palestinian families in general, and of women within them in particular.

The Dual-Earner Family in Israel

Israeli women's labor force participation rate is similar to that of women in many industrialized countries (OECD 1998; Israel 2002). The rise in dual-earner families in Israel took place during the 1970s (Stier 2010), with an increase in married women's labor force participation (from 29 percent in the 1960s to 53 percent in 2010) (Israel 2011). The participation rate of women who are of primary working age in Israel (25–54 years old) is even higher (73.6 percent). Concomitantly, the rate of dual-earner families grew from 28 percent in 1973 to 60 percent in 2004 (Stier 2010). The rise in women's economic activity, especially that of mothers of young children, has been attributed to both supply and demand factors. Kraus (2002) suggests that changes in the labor market, particularly the growth of service industries and the welfare sectors, offered better opportunities for women, and the rise in women's education afforded them access to white-collar and professional occupations. Women's education increased dramatically throughout the 1980s and 1990s, which in turn increased their earning potential and made them more attractive to employers. However, not only educated women increased their participation in paid employment: the opportunities that opened up for women attracted the less educated as well (Kraus 2002).

The family in Israel continues to present an obstacle to mothers' economic activity. As in other countries, rates of female employment decline at times of high family responsibilities, and with a larger number of children. Many mothers work on a part-time basis (Stier 1998), which places them in a secondary role as providers. In addition, the Israeli occupational structure is segregated along gender lines, although over time the level of segregation has declined somewhat (Kraus 2002). Women are still excluded from power positions due to discriminatory practices, and their earnings fall substantially below those of men (Kraus 2002). Because women still hold a marginal position in the labor market, Kraus concludes that Israeli women are still secondary breadwinners: they are perceived as such by themselves and by others, and while they have improved their position in the labor market dramatically, the general assumption, namely, that men are responsible for supporting the family, while women are in charge of caring for it, still holds.

Against this general background, it is important to note that Israeli society is not homogeneous, and the rate of labor force participation

of women in general and married women in particular varies considerably across ethnic and national lines. Several studies have documented the low level of labor force participation among Palestinian women in Israel (Khattab 2002; Kraus 2002; Semyonov et al. 1999). In 2010 only 22.5 percent of Palestinian women participated in the labor force, compared to 58.8 percent of their Jewish counterparts; among the 25–54 age group, only 32 percent of Palestinian women compared to 83.4 percent of Jewish women belonged to the labor force. The low level of Palestinian women's economic activity has been attributed to factors at the micro- as well as the macro-level. The Palestinians in Israel are characterized by a low level of education and a high fertility rate. These two factors explain, by and large, why women, in particular married women, refrain from market work (Kraus 2002; Offer and Sabah 2011). Fewer economic opportunities and a traditional culture that promotes women's role as caretakers also contribute to the lower level of economic activity (Kraus 2002; Khattab 2002). Consequently, the labor force participation of women among the Israeli Palestinians is low, resulting in a low rate of dual-earner families among this social group. In 2004, only a minority (about 19 percent) of all couple-headed families in Palestinian society had two earners, compared to a majority of families among all Jewish ethnic groups (Stier 2010).

Although the rate of labor force participation among Palestinian women is low, it rose considerably in recent years—from about 11 percent in the early 1980s to 22.5 percent today (Israel 2011; Kraus 2002; Offer and Sabah 2011)—suggesting an increase in dual-earner families. The changes in women's involvement in paid employment are attributed mainly to improvements in their human capital, namely, the increase in their educational level and the decline in fertility. However, married women had a significantly lower level of labor force participation than unmarried women (Kraus 2002; Offer and Sabah 2011), signifying a more traditional pattern of division of labor among Palestinians at least until the mid-1990s.

Studies on Palestinian women's market activity highlight the heterogeneity within the Palestinian population, mainly the differences between the three religious groups: Muslims, Christians, and Druze. The Palestinian Christians in Israel are more urbanized and less traditional than other Palestinian groups (Al-Haj 1995; Offer and Sabah 2011). Christian women are more educated than their Muslim and Druze counterparts, and have the lowest fertility rate. For example, in 2010 the fertility rate of Christians was 2.14 compared to 3.75 among Muslims and 3.03 among Jews (Israel 2011). Concomitantly, their labor force participation rate is substantially higher than that of other Palestinian women. In 2010, for example, 52 percent of Christian women 15 years of age and older participated in

the labor force, compared to 19.2 percent of the Muslims and 21.2 percent of Druze women (Israel 2011).

The Changing Composition of Earners in Palestinian Couple-Headed Households

For the purpose of analyzing the emergence of the dual-earner family among Israeli Palestinians, the study is based on three main data sources—the 1983 census, the 1995 census, and the labor force surveys 2008–2011—that were pooled (hereafter 2010) in order to obtain a workable sample of Palestinian families. The population under study includes all couple-headed families with heads of households between the ages of 18 and 65.

I start by examining changes in earner composition in Israel, comparing Palestinians and Jews in order to assess the relative position of Palestinian families and the rate of change over time. Figure 5.1 presents four groups of households—male sole provider, dual earner, female sole provider, and

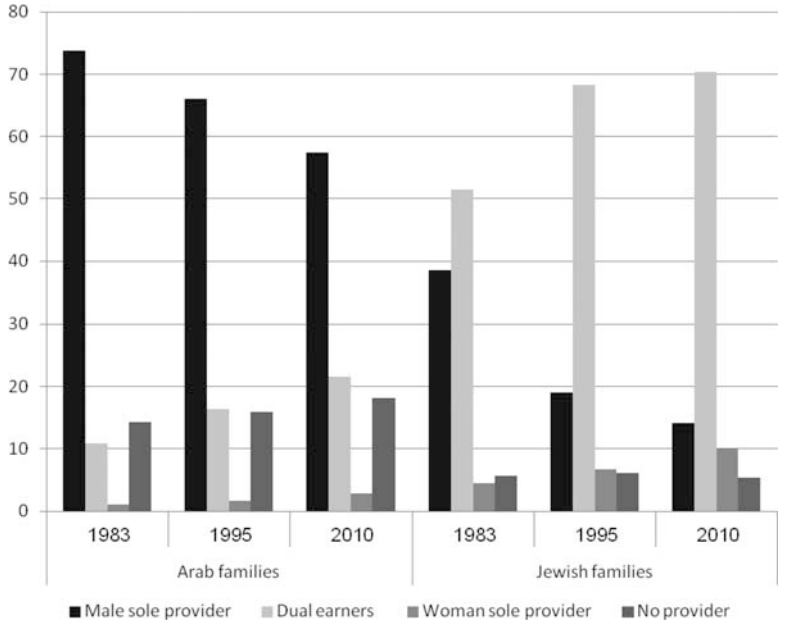

Figure 5.1 Earner composition of Palestinian and Jewish couple-headed families, 1983–2010

no provider—at three points in time: 1983, 1995, and 2010. The trends observed in the Jewish population (right-hand side of the figure) correspond to the changes in earner composition in most Western countries. The rate of male-provider households declined sharply, from 39 percent in the 1980s to a small minority of 14 percent in 2010. The rate of dual-earner families, which were already a majority (half of all families) in 1983, continued to grow, and by 2010 no less than 70 percent of families had both the husband and the wife participating in the labor force. Interestingly, the change in the rate of dual earners from 1995 to 2010 was relatively small, indicating perhaps that this type of family has reached its full potential. During this period there was also a growth in female-provider families, but this type of family, which may be unique to the Jewish population, is beyond the scope of the current chapter. My main interest is in comparing the Palestinian families to their Jewish counterparts. As the figure clearly shows, the majority of Palestinian families are headed by a male provider, as might be expected given the low rate of married women's labor force participation. However, changes can be traced over time—from three quarters of all couple-headed families, the male-provider family declined to 57 percent in 2010. The dual-earner family, still a small minority, grew from 10 percent in the 1980s to 16 percent in 1995, and by 2010 had become characteristic of one-fifth of all Palestinian couple-headed families. Also notable is the rise in families with no provider (from 14 to 18 percent during the period under study), indicating the market difficulties that working-age Palestinian families face, which have been documented in numerous studies (e.g., Lewin-Epstein and Semyonov 1992; 1993; 1994; Sa'di and Lewin-Epstein 2001; Semyonov and Lewin-Epstein 1994).

How different is the earner composition of families in the different religious groups among the Palestinian population? Figure 5.2 presents the rate of male-provider households and dual earners for Muslims, Druze, and Christians at the three points in time. It clearly demonstrates the differences between Palestinian Christians and the other two groups. Among Muslims and Druze, only a small minority of families had two earners in 1983. The relative share of these families grew over time for all groups: among Muslims it rose from less than 9 percent to almost 18 percent in 2010. Among Druze the increase was more significant, from 6 percent in 1983 to 24 percent of all couple-headed families in 2010. Christians always had a higher percentage of dual-earner families—23 percent as early as in 1983—and their numbers grew even faster so that by 2010 more than half of Christian families were headed by two earners (as compared to 70 percent among the Jews). In fact, among this latter group the dual-earner family has now become the majority, with only 34 percent still having a male provider.

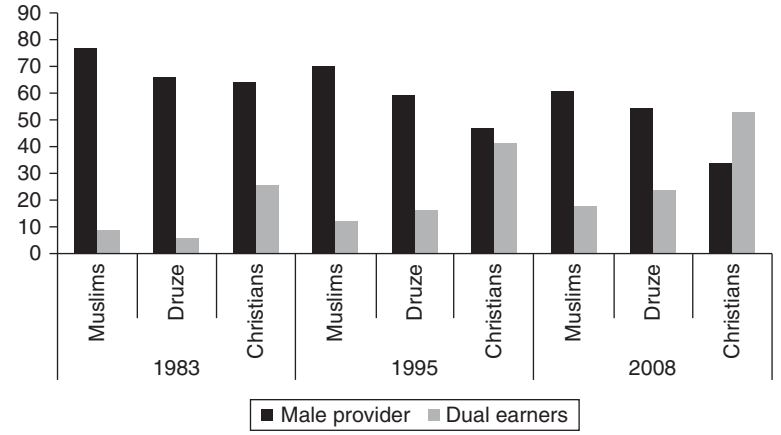

Figure 5.2 Rate of male-provider and dual-earner families among Muslims, Druze, and Christians, 1983–2010

To better understand the sources of group and period differences, table 5.1 presents the major characteristics of couple-headed families, by religion and period. As the table shows, during the past three decades, Palestinian women's educational level rose considerably. In 1983, almost 85 percent of married women had low education (less than high school), but this group declined gradually to half of the population in 2010. The rate of higher education among women rose from 4 to almost 19 percent between 1983 and 2010. The rise in education by and large explains the increase in dual-earner families among Palestinians, because the level of education affects women's labor force participation, as several studies have shown (Kraus 2002; Offer and Sabah 2011). In addition, the number of children in the household declined, while half of households in 1983 had four or more children under the age of 17; in 2010 only a third had four or more children. However, the table also shows that the rate of large families declined mainly between 1983 and 1995 and has not changed much since then. It is therefore difficult to attribute the decline in the number of children to the rising share of dual-earner families.

A closer look at the three religious groups (in table 5.2) reveals the differences between Christians and other Palestinian women in both education and fertility. Ten percent of Christian women had higher education in 1983 compared to only 3 percent of Muslims and almost none of the Druze. By 2010 the difference had become more pronounced, with 40 percent of the Christians having some postsecondary education compared to about 17 percent in the other two groups (indicating, again, a

Table 5.1 Changes in the number of children, education, labor force participation, and work hours among Palestinian married couples ages 18–65, 1983–2010

	Palestinian families		
	1983	*1995*	*2010*
No. of children 0–17 in Household	3.6	2.7	3.2
	(2.6)	(2.0)	(1.9)
Percentage without children	12.2	16.7	14.5
1–3 children	41.0	53.4	54.2
4+ children	46.7	31.9	31.2
Men's education			
Less than high school	79.4	62.1	51.2
High school	11.9	22.6	30.0
More than high school	8.7	15.3	18.8
Women's education			
Less than high school	85.0	65.5	50.7
High school	11.8	24.3	30.5
More than high school	4.1	10.3	18.8
Percentage of men in labor force	84.7	82.4	79.7
Percentage of women in labor force	11.9	17.8	27.8
Monthly working hours (for workers)—men	184.8	189.6	191.9
	(48.7)	(56.6)	(32.1)
Hours—all men	154.3	151.8	143.4
	(81.8)	(91.2)	(87.9)
Monthly working hours (for workers)—women	137.5	134.0	141.2
	(53.5)	(56.1)	(41.6)
Hours—all women	11.3	18.0	30.1
	(40.7)	(50.0)	(60.9)
	18,461	31,721	14,879

more significant rise in the education of Druze women). Similarly, fertility is lower among Christians: only a quarter of the Christian families had four or more children under age 17 in 1983, compared to more than half of the Muslim families. The rate of large families declined among all groups, to 11 percent of Christian families having four or more children and to a third of the Muslims. While these differences explain the higher rate of labor force participation (and, hence, differences in the proportion of dual-earner families) of Christian women, all the groups share a similar trend of increase in the level of women's education and decline in fertility. The table also reveals that the decline in fertility and increase in education

Table 5.2 Changes in the number of children, education, labor force participation, and work hours by religion and period

	Palestinian families		
	1983	*1995*	*2010*
Muslims			
Percentage without children	10.9	15.4	13.1
1–3 children	37.6	39.1	51.8
4+ children	51.5	35.4	35.1
Women's education			
Less than high school	88.5	68.9	54.3
High school	8.3	22.8	29.2
More than high school	3.2	8.2	16.5
Percentage of women ages 15–64 in labor force	9.4	13.4	20.6
N	13,635	24,233	12,096
Christians			
Percentage without children	18.5	24.6	23.6
1–3 children	56.9	62.8	65.0
4+ children	24.6	12.7	11.4
Women's education			
Less than high school	62.7	40.1	21.8
High school	26.9	35.3	38.0
More than high school	10.4	24.6	40.2
Percentage of women ages 15–64 in labor force	27.4	43.2	59.5
N	2,843	4,147	1,451
Druze			
Percentage without children	12.5	16.2	17.1
1–3 children	42.8	53.8	56.1
4+ children	46.7	30.0	16.8
Women's education			
Less than high school	94.1	74.1	49.1
High school	4.5	20.3	33.6
More than high school	1.4	5.7	17.3
Percentage of women 15–64 in labor force	7.4	19.1	31.3
N	1,935	3,048	1,332

were more pronounced among Druze women: while in 1983 they began with an extremely low level of education (94 percent with less than high school) and practically no higher education, by 2010 less than half of the women had low education, while 17 percent achieved higher education. Similarly, Druze women had a higher rate of labor force participation than that of Muslim women from 1995 onward. Druze women also experienced a sharper decline in fertility, starting at a level as high as that of Muslim women, but becoming more similar to Christian women in 2010.

How are these changes related to the increasing rate of dual-earner families? Table 5.3 compares the rate of dual-earner and male-provider families in different categories of education and fertility in the entire population. It depicts the relationship between education and earner composition, according to which the rate of dual earners increases as women's education rises. In 1983, for example, among families where the woman had a low level of education (less than high school), only about 7 percent were dual earners. High school graduates are more likely to work, so in this category 28.6 percent of families had two earners. The rate of dual earners increased dramatically in families where women had postsecondary education (76.7 percent). These relations remained almost unchanged over time (with 7.2 percent dual-earner families in the lowest educational category, 23.8 percent in the middle, and 75 percent when the woman had some postsecondary education). This similar pattern indicates that the increase in the level of women's education is the driving force behind the rise in dual-earner families, but does not necessarily explain behavioral changes within educational groups. The effect of fertility is more complicated—as might be expected, a higher number of children at home constrains women's employment and is associated with a lower rate of dual-earner arrangements. In 1983 about 17 percent of households with less than four children had two earners, compared to only 8 percent of those with four or more children. A similar pattern was obtained in 1995 and 2010, although the rate of dual-earner families rose independently of the number of children. In 2010, 24 percent of families without children, 34 percent of those with one to three children, and almost 17 percent of those with four or more children had both spouses in the labor market. The comparable figures for 1983 were 18, 17, and 8, respectively.

These patterns are quite similar for the three religious groups. Among all groups the rate of dual-earner families increased with education and declines for large families. The major difference between the groups in the rate of dual-earner families noted previously in text seems to result from the differences in their characteristics: educational level and fertility. It is thus safe to conclude that the higher rate of dual-earner families among Christians is mainly a product of their advantage in education and lower fertility rate. However, some changes over time nevertheless deserve attention. The findings suggest that more Christian families became dual earners within each educational group, and the rise is especially salient among the lower educated. For example, the rate of dual earners among Christian women with a low level of education increased from 15 percent in 1983 to 28 percent in 2010, and a similar rise (from 37 to almost 50 percent) took place among families with high school graduate women. Among Muslims there was no such change (the changes among the Druze are modest and should be treated with caution due to the small number

Table 5.3 Percentage of dual earners by women's education and number of children

	1983	*1995*	*2010*
Palestinian population			
Women's education			
Less than high school	7.1	8.2	7.2
High school	28.6	22.9	23.8
Postsecondary	76.7	73.6	75.0
Number of children			
0	17.8	23.9	23.8
1–3	17.2	22.7	33.8
4+	7.9	12.6	16.5
Muslims			
Women's education			
Less than high school	6.1	6.5	6.0
High school	22.2	16.2	18.9
Postsecondary	74.1	68.1	71.1
Number of children			
0	13.0	17.0	18.3
1–3	13.5	16.4	28.1
4+	6.9	11.1	15.0
Christians			
Women's education			
Less than high school	15.0	21.6	27.8
High school	37.4	44.6	48.8
Postsecondary	80.4	82.1	85.3
Number of children			
0	32.0	45.6	51.5
1–3	32.0	49.5	66.9
4+	18.4	31.0	42.3
Druze			
Women's education			
Less than high school	5.4	11.5	9.8
High school	35.3	34.5	30.1
Post–high school	81.0	87.2	83.7
Number of children			
0	15.4	31.1	18.2
1–3	8.3	21.6	35.3
4+	6.1	15.3	23.1

of cases). These figures suggest that factors other than human capital or familial constraints might affect the establishment of a dual-earner family. These could be cultural or structural forces that affect women's ability to join the labor force.

Determinants of Family Type

The main interest of this chapter lies in the effect of the combined characteristics of spouses on the type of family they form, in particular whether and how the effects of education and fertility on the likelihood of living in a dual-earner family have changed over time. The analysis includes couple-headed households in the age range of 18–65, in which the husband participates in the labor force, in order to assess the effect of couple's characteristics on the likelihood that the wife will also join paid employment. That is, only male-provider and dual-earner households are included in the analysis. The dependent variable, then, measures the likelihood that a household has two earners as compared to the more traditional family with the male as the sole provider. The independent variables include *women's education* (in three categories: less than high school, high school graduate [with or without matriculation] as the reference category, and higher [academic or non-academic postsecondary] education); women's age (in years); the number of children younger than 17 in the household (in three categories: ages 0, 1–3, and 4 and above as the reference category); and women's religion (Muslims as the reference category). The models further include characteristics of the husband's work: the number of hours worked, and his occupation (in four categories: high white-collar, which includes professional, technical, and managerial occupations; low white-collar, including clerical and sales occupations; high blue-collar [skilled and semi-skilled occupations]; and low blue-collar [mainly unskilled occupations]) as the reference category. The results of a logistic regression for the three time periods are presented in table 5.4.

The multivariate analysis confirms the importance of education in affecting the likelihood of living in a dual-earner household. Above and beyond the effect of men's market position, religion, and fertility, families where the woman had a lower level of education were only 24 percent ($e^{-1.429}$) as likely as families with a high school graduate wife to have dual earners. In contrast, families where the woman had postsecondary education were eight times more likely ($b = 2.083$) than families with a high school graduate wife to be in a dual-earner arrangement. These relations, as we have seen in the descriptive table, remained almost unchanged across

Table 5.4 Estimated parameters of logistic regression predicting family type

	1983 *b (s.e)*	*1995* *b (s.e)*	*2010* *b (s.e)*
Druze	−0.175	0.764*	0.607**
	(0.129)	(0.072)	(0.098)
Christians	0.761*	1.175*	1.298**
	(0.071)	(0.052)	(0.09)
Woman's age	0.011*	0.016*	0.01**
	(0.003)	(0.002)	(0.004)
Less than high school	−1.429*	−1.165*	−1.286**
	(0.078)	(0.051)	(0.083)
More than high school	2.083*	2.102*	2.251**
	(0.111)	(0.058)	(0.072)
0 children	0.282*	0.303*	0.267*
	(0.096)	(0.052)	(0.108)
1–3 children	0.294*	0.449*	0.338**
	(0.070)	(0.066)	(0.075)
Men's weekly working hours	0.000	0.001*	−0.001
	(0.001)	(0.000)	(0.004)
Men's occupational group			
High white collar	0.146	0.384*	0.677**
	(0.108)	(0.068)	(0.113)
Low white collar	0.082	−0.062	0.413**
	(0.095)	(0.069)	(0.111)
High blue collar	0.095	−0.103	0.25**
	(0.006)	(0.056)	(0.097)
Intercept	−1.845	−2.518	−2.312**
	(0.186)	(0.123)	(0.257)
Pseudo R^2	0.223	0.274	0.320
N	13,222	21,645	9,302

*P<0.05.

time, with a somewhat declining difference between women with low education and those with a high school degree ($b = -1.286$ in 2010), and a more pronounced difference between women with high school and those with higher education ($b = 2.251$ in 2010). In other words, the educational differences increased especially between the better-off and highly educated and all other women. The effect of fertility highlights the constraints that a large number of children pose, with a clear distinction between households

with four or more children and all other families. For example, families with one to three children were 1.3 ($b = 0.294$) more likely than larger families to have an employed wife in 1983. The difference between these two types of families grew over time ($b = 0.305$ and 0.338 in 1995 and 2010, respectively). In addition to education and fertility, the table also indicates that the likelihood of living in a dual-earner family rises with the age of women (probably because older women are more likely to be free of family constraints).

Turning to the effect of husbands' labor market characteristics, the findings suggest a clear change over time. While in 1983 the husband's occupation or his work pattern had no effect on whether his wife worked as well, this was not the case in 1995 and 2010. In 1995, couple-headed families where the husband had a high white-collar occupation (i.e., was also highly educated) were more likely than other families to also have two earners ($b = 0.384$). By 2010, the distinction between occupational groups had become more pronounced, with a much higher probability of forming a dual-earner household when husbands had better occupations: the highest probability (as compared to the lowest unskilled group) is for those with high white-collar occupations, then the low white-collar ($b = 0.413$), and also a higher probability for those with high blue-collar occupations ($b = 0.250$). The differences among the groups are also statistically significant. This finding indicates that in households where the husbands are better educated and probably earn more—the wives are also more likely to participate in the labor force. Considering both the growing difference between highly educated women and other women and the effect of husband's occupation, it is reasonable to argue that economic disparity between Palestinian families has also grown over time.

To understand the processes that give rise to dual-earner families over time, I used the regression results to calculate predicted probabilities of living in dual-earner families under different conditions. Specifically, I examine what the rate of dual earners would be had the education and fertility of women stayed at their 1983 levels and compare the rate to the predicted average in 2010, given women's characteristics in this period. To understand the effect of a specific trait, I calculate first the predicted rate of dual earners in 1983, based on the coefficients obtained from the regression model that pertains to that year (the first model in table 5.4) and women's characteristics during that time period. The same is done to predict the rate in 2010. To calculate the effect of education, I used the 2010 regression coefficients, women's characteristics in that year, except for education, and the average level of education in 1983. That is, I assume no change in education by restricting its level to that observed for the average woman in

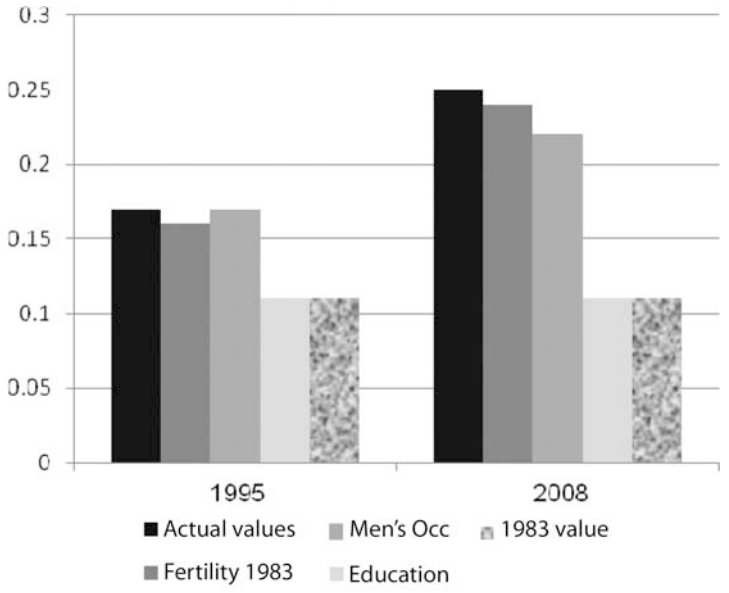

Figure 5.3 Results of simulation

1983. The same procedure is performed to calculate the predicted rate of dual-earner families in case of stability in the fertility rate. The calculated values based on these simulations are presented in figure 5.3, for the years 1995 and 2010.

The figure shows quite forcefully the essential role of education in the formation of a dual-earner arrangement. Accordingly, the increase in dual-earner arrangements can be fully attributed to the rise in education, while the changes in fertility and men's occupational distribution only marginally contributed to changes in the behavior of households. As the figure shows, 11 percent of households had dual-earner heads in 1983 and the rate would have remained the same if women's education had stayed at the average 1983 level. If fertility had stayed at the same level as in 1983, the rate of dual earners would have reached 16 and 24 percent in 1995 and 2010, respectively, which is only 1 percent lower than the actual values in these two years. Men's occupational distribution did not contribute at all in 1995, but contributed 4 percent in 2010. This suggests that women's decisions in 1995 (as well as in 1983, based on the coefficients in Model 1, table 5.4) were taken independently of men's economic standing or their market power. In 2010, however, this had changed, as table 5.4 suggested.

Discussion

The low level of Palestinian women's labor force participation is well documented, and has been attributed to a variety of individual as well as structural barriers (Khattab 2002; Kraus 2002; Offer and Sabah 2011). However, while their market activity is still relatively limited, more married women have joined the labor force over time (Israel 2011). This increase means that more families now have two earners. The current study is aimed at documenting the trend in dual-earner arrangements over the past three decades and identifying the main social attributes associated with it. The study shows that among families headed by married couples, the rate of dual earners doubled from 11 to 22 percent. While still low compared to the Jewish population, this is a substantial increase, which indicates a change in earner composition, evident in all industrial societies.

The main finding of this study is that it is the rise in education that accounts for the rise in dual-earner arrangements among couple-headed Palestinian families. During the period under study, women improved their education dramatically. While a majority of women had low education in the 1980s, only half of them remained so in 2010, while the rate of postsecondary education grew so that now a fifth of all women fall in this category. Also, married women, who were less educated than men, have reached equality in their educational achievements. These two trends—the rise in education and increasing gender equality in education—have also affected household arrangements. As the findings show, the rate of dual-earner households is especially high when the woman holds a postsecondary degree, suggesting that if the educational level of Palestinian women continues to improve, as can be expected, more of them will live in households with two earners.

The study has also documented the considerable differences in the rate of dual earners in the three Palestinian religious groups, yet it shows that the trend toward dual-earner arrangements is similar for Muslims and Christians and much more pronounced among the Druze. The rise in the rate of married women's labor force participation among the Druze was documented in previous studies (Offer and Sabah 2011) and attributed largely to the employment opportunities that opened for these women with the establishment of labor-intensive textile manufactories in the outskirts of Druze villages. While these employment opportunities may explain the rise in dual-earner families between 1983 and 1995, as Offer and Sabah (2011) argue, they cannot account for the further increase during the late 1990s and the early 2000s, as most of the textile companies were shut down. Hence, it is not only the structural conditions that provided incentives to low-skilled women to join the labor force that account for the changes

in households' economic arrangements, but rather other reasons, mainly behavioral changes as noted earlier in text.

The rise in dual-earner families and the role of education in shaping household arrangements have several important implications. First, having two earners improves the economic standing of households, and reduces the risk of poverty. This is an important aspect especially in the Palestinian population, which is subject to high poverty and economic instability (Stier 2011). Second, women's position in the family improves when they have access to money of their own, as numerous studies suggest. Two-earner households have more egalitarian division of labor with higher participation of husbands in housework and child care (Stier and Lewin-Epstein 2007), and women take a more active role in decision-making. Moreover, to the extent that the relatively low level of labor force participation is affected by traditional norms, an increase in education and labor force participation will also affect the normative environment within which young women make their future family and career decisions.

The improvement in men's occupational distribution, which is highly related to their education, coupled with the greater effect of men's market position on the likelihood that both the wife and the husband will join the labor market, suggests that within the Palestinian community, economic disparity is growing. While the economic standing of families was not studied here, the findings suggest that families with a strong economic position, for example, with husbands holding a professional position, also tend to have a working wife, while the more vulnerable families where the husband is unskilled are more likely to have the man as the sole provider. In other words, it is reasonable to assume that married women's employment increases inequality within the Palestinian population as a whole, as well as between the different religious groups. However, as high education expands among this population, more families will have a stronger economic basis by enjoying a two-provider arrangement.

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6

Israeli-Palestinian Women in the Retail Industry: Social Boundaries and Job Search Techniques

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Introduction

There is a growing debate among policy makers in Israel regarding Palestinian female citizens' (hereafter Palestinian women) low labor force participation (LFP) (OECD 2011). This debate revolves mainly around the political and social actions that should be applied to the labor market to motivate Palestinian women's employment.[1] In this debate, however, the question of how processes originating from the labor market itself may enable the incorporation of Palestinian women into its ranks has rarely been addressed.

The past two decades have witnessed a constant rise in Palestinian women's LFP rates, which reached 29 percent by 2010 (though these rates are still considerably lower than LFP rates of Jewish women; see figure 6.1). Paralleling this rise in LFP is a growing incorporation of Palestinian women into the Israeli retail industry, making this sector, which has being going through major transformations in the past two decades, the second largest employment sector, following education (figure 6.2).

Previous studies attributed the low LFP of Palestinian women mainly to a deep chasm between the Palestinian minority and the Jewish society that created two almost separate economies and hindered their employment in the Jewish sector[2] (Haidar 2009).Traditionally, Palestinian women who

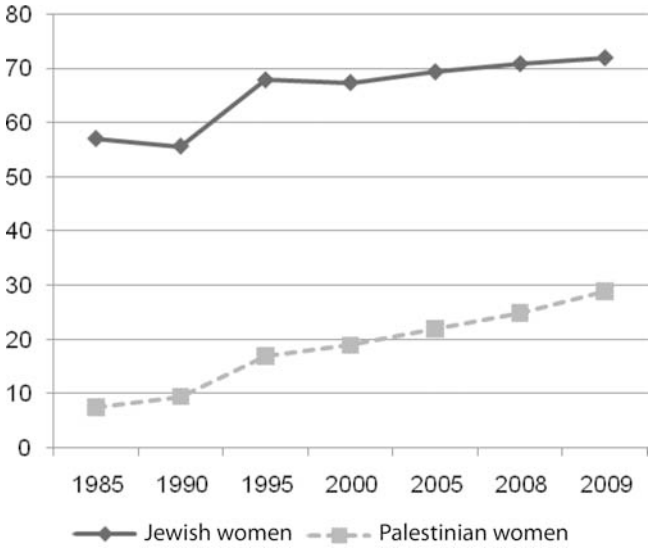

Figure 6.1 Labor force participation rates of Jewish and Palestinian women in Israel (1985–2009)

Source: Israel Central Bureau of Statistics. Labor force surveys (1985–2009).

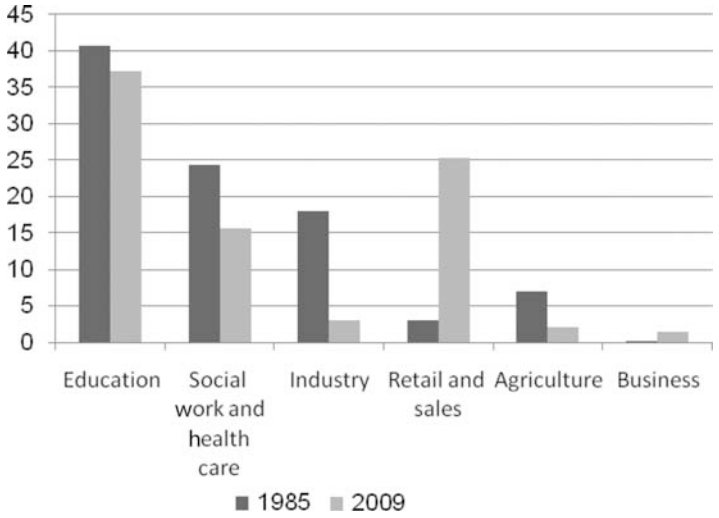

Figure 6.2 Palestinian women labor force participation by economic sectors (1985–2009)

Source: Israel Central Bureau of Statistics. Labor force surveys (1985–2009).

had worked in the Jewish-dominated economy were mostly recruited in large groups by male contractors in agriculture and industry. These women were usually employed in isolation with little direct contact with the wider Jewish population, and often suffered from racism and discrimination (Haidar 2009; Wolkinson 1999). The recent incorporation of Palestinian women into the Israeli retail industry introduces new labor experiences for them in the Jewish-dominated economy where this industry is mostly developing. In contrast to their past employment in manufacturing and agriculture, Palestinian women working in retail as salespersons are placed in daily interaction with the wider Jewish population, in the heart of what has become one of the main social arenas of the society in Israel (Carmeli and Applbaum 2004). In our study, therefore, we wish to gain a better understanding of the mechanisms that facilitate the recruitment and incorporation of Palestinian women into this industry. Examining the job-searching techniques that enable these women to secure a job with Jewish retail managers will promote our understanding on how this industry facilitates their incorporation into the Jewish labor market, overcoming the deep social boundaries that define the relationships between the two societies.

Using semi-structured interviews with 61 Palestinian women working in the retail industry in Israel, we focus on the various ways Palestinian women working in this industry search for and find employment. We explore the ways Palestinian women are able to overcome the deep chasm between the two populations and achieve employment in Jewish-owned businesses that cater largely to the Jewish population. We propose that because of the strong cultural and political boundaries between the Jewish and Palestinian societies, search methods that operate as mediators transcending those boundaries are key for finding a job. These mediators are able to overcome deep emotions of fear and exclusion, enabling Palestinian women to create labor relationships with Jewish employers without breaking away from their own cultural norms. Moreover, once the first job is secured, the unique globally oriented features of the developing Israeli retail industry facilitate close interaction between Palestinian women and Jewish employers, resulting in job mobility based on more direct search methods by Palestinian women.

Palestinian Women and the Labor Market

Palestinians in Israel are highly segregated from the Jewish majority, both geographically and socially, as they have not been fully accepted as part of Israeli society and at times are even viewed as internal enemies (Lewin

et al. 2006; Monterescu and Rabinowitz 2007). These attitudes are also evident in the labor market. During the early stages of the Jewish settlement in Mandatory Palestine, the national Zionist movement wished to monopolize the labor market so that Jewish employers will only employ Jewish workers, thus creating a dual economy, which persists by large until today (Haidar 2009; Lewin-Epstein and Semyonov 1993; Shalev 1992).

Economic segregation deeply shaped Palestinian women's labor patterns and experiences. A relatively small fraction of educated Palestinian women found work inside the Palestinian communities in professions such as teaching, social work, and public service (Kraus 2002). However, the Palestinian enclave provides limited job opportunities for women, especially for the less educated. These women had to seek employment in the Jewish economy where they had been traditionally concentrated in agriculture and manufacturing as unskilled workers (Kraus 2002).

Palestinian women working in the Palestinian communities usually find employment individually through ads or friends and family, while those working in the Jewish labor market have no direct access to Jewish employers. They are mostly hired in groups through local employment contractors—male heads of the family, of clan, or of their communities (Haidar 2009; Kraus 2002). Moreover, Palestinian women working in the Jewish economy often experience discrimination and different forms of blatant racism (Herzog 2004; Wolkinson 1999).

Previous studies have underscored the role of market segregation as a basis for two competing explanations for Palestinian women's low LFP. The first, cultural position emphasizes the patriarchal practices rising from the traditional norms and cultural heritage ruling Palestinian society in preventing Palestinian women from achieving education and working, especially outside of the Palestinian communities (Offer and Sabah 2011; Semyonov et al. 1999). The second view tends to stress the power relations and social boundaries between the Jewish national majority and the Palestinian minority. The discrimination toward the Palestinian minority confines Palestinian women to an economic enclave away from the Jewish economy, severely hindering their opportunities in the labor market (Kraus 2002; Lewin-Epstein and Semyonov 1993).

Yet in many respects the Israeli-Palestinian population is strongly influenced by the economic and cultural developments that have changed Israeli society in recent decades. Students of the Palestinian-Israeli society have portrayed the profound effect global consumerism culture had had on Palestinian society in general and Palestinian women in particular (Kanaaneh 2002). Several studies emphasized the ways in which the new consumption patterns are related to identity, especially of Palestinian

women, as they become the modern western consuming subject, obtaining a new source of power from this global oriented industry, which allows them to gain new status in their society (Forte 2001; Sa'ar 2004). Yet no systematic research has been carried out so far to examine the relationship between the rise of consumerism economy in Israel and the changes in Palestinian women's employment patterns.

We argue that in order to reach a better understanding of the changing employment patterns of Palestinian women, it is necessary to consider not only the preferences and activities of Palestinian women but also the changing job opportunities and the mechanisms that link the two. In this regard the expanding Israeli retail industry offers an instructive case to study. As we shall demonstrate, the retail industry with its particular characteristics introduces Palestinian women to more direct social interactions with Jewish employers and to new employment experiences that represent new forms of Jewish–Palestinian economic relations with a potential to benefit both employers and employees.

The Consumer Industry in Israel and Minority Women

Over the last quarter century, Israel has witnessed rapid growth of a new kind of retail industry. The first shopping mall was established in 1983 starting a process leading to the construction of over 300 malls today all around Israel (ICBS 2010). These malls and the retail chain stores that inhabit them have enhanced the development of a new consumerism economy characterized by intense advertisement, international products, and a global orientation, asking to attract as many consumers as possible and create new consumption spaces and experiences, slowly suppressing privately owned stores (Carmeli and Applbaum 2004).

Former studies have indicated that the relationships between minority women and the consumer industry are quite complex. On the one hand, the industry views them as a potential cheap and compliant labor force, often resulting in exploitation (Dorn and Autor 2011; Sassen 1996). On the other, the Western and global attributes of this new industry and the implied promise to view all people as merely consumers enable the inclusion of minority women, often creating spaces where segregated social groups may closely interact (Zelizer 2005; Zukin 1998). In the United States, the growing consumer industry has also enabled minorities to gain political power: as they became prominent consumers, they have also established a position from which they can voice social demands (Cohen 2004). Moreover, throughout its history the retail industry had employed women, setting new norms regarding women's paid labor, offering them

a safer work environment, which was considered appropriate for women and their abilities (Cohen 2004; Zukin 1998).

Minorities, Job Search Methods, and Labor Outcomes

The literature often distinguishes between informal job searching methods (i.e., help of friends, acquaintances, and family), formal methods (employment agency or adverts), and direct applications (Mouw 2006). In his ground-breaking study concerning the ways in which middle-class men acquire their jobs, Granovetter (1995) showed that workers who used informal Job searching methods yielded better results than those who used more formal practices. However, extensive research has indicated that members of marginalized groups who use informal job searching methods are often unsuccessful in obtaining employment outside of their own communities, which offer them fewer employment opportunities (Green et al. 1999; Mouw 2006). Hence, the outcomes of different job search methods for various individuals are embedded in their social position and their ability to form certain forms of social ties with employers (Bayer et al. 2005; Fernandez and Fernandez-Mateo 2006). Members of marginalized groups face deep social obstacles that hinder their ability to create ties with employers of the dominant population, severely hurting their employment opportunities (Fernandez and Fernandez-Mateo 2006).

Applying the concept of "Social Capital" (Bourdieu 1986; Coleman 1988) most scholars attribute the importance of job-searching methods to the flow of labor market information (Granovetter 2005; Lin 1999). These studies stress that the significance of social ties lies primarily in the information they carry. In "the strength of weak ties" argument, Granovetter explained his results by indicating that people who have a wide network with few overlapping relationships may obtain more labor market information than people with more circumscribed networks (Granovetter 1973). Employers, on their part, prefer informal recruitment methods and referrals, as they offer them more reliable information on potential workers (Castilla 2005). Accordingly, studies explain minorities' failure to obtain employment outside their economic enclave in terms of lack of information regarding employment vacancies and the absence of contacts that could recommend them to potential employers (Aguilera and Massey 2003; Fernandez and Fernandez-Mateo 2006; Mouw 2002). Under these circumstances, using a formal method, such as an employment agency, may present socially isolated groups with more labor market information, resulting in better employment opportunities (van Tubergen 2011).

Yet, when it comes to women, lack of labor market information is only one of several difficulties. Scholars studying gender relations and inequality have consistently stressed the normative and cultural boundaries hindering the employment of women, regardless of the knowledge women have of the labor market (Blau et al. 2006). The extensive research concerning spatial segregation had shown that women of segregated minorities are often bound to their community. This may be a result of feeling insecure in unfamiliar territories, high commuting costs, and the demands of family and raising children (Fernandez and Su 2004). On the other hand, research on social exclusion and discrimination of national and ethnic minorities had revealed the deliberate isolation of minority women from employment opportunities (Reskin et al. 1999; Roscigno et al. 2007). These bodies of research suggest the importance of job search methods not only for their information benefits but also as ways of overcoming the social cleavage separating minority workers from potential employers who are part of the dominant population.

The recent rise in LFP of Palestinian women in retail suggests this industry provides Palestinian women new opportunities to be incorporated into the Jewish sector. In order to gain a better understanding on how to enhance Palestinian women's employment more generally, we explore the different ways in which these women are able to secure employment with Jewish employers. By closely examining the different job search methods through which they find employment in the Jewish retail industry, we wish to advance our understanding on the way these methods are able to create new labor relations between Palestinian women and Jewish employers. We argue that the growing retail industry offers Palestinian women new ways of finding work in the Jewish sector, bridging the chasm between the two populations. Furthermore, the new Israeli consumer industry enables the creation of new social spaces where Palestinian women feel free and comfortable, creating a different labor experience for Palestinian women during the first job, which we argue, lead to a more personal job search.

Methodology

In order to explore the ways Palestinian women look for and find employment with Jewish employers, we conducted semi-structured interviews with 61 Palestinian women who work as sales women in the Jewish retail industry.[3] This method of semi-structured interviews allowed us to focus on the subject at hand, the employment of Palestinian women, while at the same time permitting the interviewees to report experiences and

interpretations that the researchers were not knowledgeable enough to ask about.

The interviews reported here were conducted as a part of a wider research program. These Palestinian women work in retail sites in two Israeli cities: Carmiel, in the northern part of Israel where Palestinians comprise half of the population, and Kfar Saba, located in the fringes of the Israeli central metropolitan area. In order to obtain a full understanding of the phenomenon at hand, we interviewed as many of the Palestinian women working at these sites as possible. We were able to achieve a sample that is diverse geographically and religiously,[4] and in its social attributes, all of which may have influenced their labor history and the way they searched for employment (table 6.1).[5]

As described in table 6.1, 61 percent of the interviewees are Muslim, 31 percent Christian, and 8 percent Druze. Most of them have a high school diploma (62 percent), and some have academic titles (28 percent). Just over half of the sample is less than 24 years old (56 percent), and the rest are between 25 and 35 years old (34 percent) and more (10 percent). Finally, most interviewees were married (64 percent), and 25 percent of them had children.

Following Herzog (2005) we allowed the interviewees to choose the time and place for conducting the interviews. Most interviews were held in the stores' back rooms during work time. In some cases interviews were conducted in a quiet location near their place of work. Most interviews ranged between 20 and 40 minutes and were conducted face-to-face with only the interviewer and the interviewee present.[6] All interviews were recorded and analyzed using the Atlas Ti software. As we interviewed only women who had obtained a job, we do not make casual claims regarding the reasons for their employment. However, comparing former labor and

Table 6.1 Interviewees' personal characteristics

Religion	*Education*			*Age group*			*Familial attributes*		
	Less than high school	*High school*	*Academic*	*18–24*	*25–35*	*35+*	*Married*	*Have children*	*Total*
Muslim	6	24	7	23	11	3	24	9	37
	16%	65%	19%	62%	30%	8%	65%	24%	61%
Christian	0	11	8	9	7	3	11	6	19
	0%	58%	42%	47%	37%	16%	58%	32%	31%
Druze	0	3	2	2	3	0	4	0	5
	0%	60%	40%	40%	60%	0%	80%	0%	8%
Total	6	38	17	34	21	6	39	15	61
	10%	62%	28%	56%	34%	10%	64%	25%	100%

job searching experiences our interviewees had had to their current experiences in the retail industry, we suggest on the ways this industry enables the incorporation of Palestinian women into the Jewish labor market.

Analysis

In what follows, we will first present the general pattern of job search history that emerges from interviews with Palestinian women working in the Jewish retail industry. As a rule the results indicate that initial job search and entry of Palestinian women into this sector tend to be mediated through employment agencies or informal networks. Then, following entry and initial job experience, most interviewees move on to search for better employment opportunities, but this time are more likely to use direct application to employers with no mediators. In the following section we explore these patterns and explain the experiences of Palestinian women in their own terms as revealed in their reports and interpretations during the interviews.

Palestinian Women in the Retail Industry: Ties and Job Search Methods

Table 6.2 summarizes the job-searching patterns in the retail industry of Palestinian women interviewed in this study. The upper part describes which search methods are most *used* by Palestinian women, while the lower panel describes the methods that actually led to their employment.

It is strikingly clear that most women did not stay in the first job they acquired but searched for other places of work. The "First Job" section points to the nature of the initial contact between the interviewees and the retail labor market. As indicated, both in Carmiel and in Kfar Saba, many of the women utilized informal job search methods, with the help of relatives and friends. While none of the women working in Carmiel used employment agencies to find a job, in Kfar Saba the assistance of an employment agency operating in Palestinian communities was the most common search method. This pattern is interesting because while it seems that Palestinian women from both regions face similar obstacles when looking for employment with Jewish employers, they secured employment in very different ways. This suggests that informal contacts and employment agencies play the same function in Palestinian women's employment, yet regional differences are at play.

Moving to the second and third sections of table 6.2, we are presented with another pattern. Focusing first on the methods Palestinian women use, we can observe that as the interviewees gain more experience in the

Table 6.2 Job searching and hiring methods used in retail industry (in %)

Number of job		*First job in retail*				*Second job in retail*				*Third job in retail*			
% of Interviewees		*100*				*92*				*70*			
N		*61*				*56*				*42*			
Methods		*Informal*	*Agency*	*Ads*	*Walk-in*	*Informal*	*Agency*	*Ads*	*Walk-in*	*Informal*	*Agency*	*Ads*	*Walk-in*
Search[b] methods used (%)	Carmiel	85	0	34	10	58	0	10	64	40	0	0	100
	Kfar Saba	55	85	40	4	46	25	14	75	34	0	3	94
Methods through which acquired (%)	Carmiel	78	0	17	5	45	0	3	52	22	0	3	75
	Kfar Saba	7	70	21	2	10	23	4	63	21	0	0	79

[a] For each job section, percentage sum up horizontally.
[b] Percentage may add to more than a 100 percent as interviewees used more than one method.

retail labor market, they show a growing preference toward direct contact. This method overshadows other methods that are abandoned after initial entry into the labor market. Palestinian women, after being initially connected in a mediated way to the retail labor market, move to a more direct and personal approach when seeking new employment. This pattern points to a new form of initiative and agency that is not discussed by literature concerning Palestinian women working in the Jewish sector.

Initial Contact: Bridging the Israeli–Palestinian Gap

The interviews raise two significant forces shaping Palestinian women's employment. The first concerns the social norms surrounding women's work. Palestinian women are still very much bound to their families and especially their male relatives, who have substantial influence on their labor outcomes. Interviewees often claimed their fathers or husbands would not let them work in any job they wanted, and prefer that they work in their community. All of the interviewees said they have strict limitations on the kind of jobs they are permitted to take, saying that they could never work, as many had put it, in "things that do not befit a woman," such as waitressing or auto repair. Retail sales is posed as one of the main vocations women are allowed to engage in. Jamila, a 28-year-old unmarried Muslim woman, presented an alternative lifestyle from the rest of the interviewees, living on her own and voice her own opinions. However, even she claimed: "This is the only thing that I can do. It's a woman's job and I'm a woman, ain't I?" Indeed, 84 percent of interviewees reported they have worked only in the retail industry, or in other service sectors such as call centers.

The second force shaping Palestinian women's employment patterns is the discrimination and exclusion they experience as members of an ethnominority in their daily life in Israel. Maria, a Christian living in one of the small villages near Carmiel, said it is hard to find a job in Carmiel because of the lack of public transportation and feeling unwelcome in this Jewish-dominated environment. Previously she had a job in the town of Carmiel where, as she stated, "I had to take two busses and then when I got there people stared at me like I don't belong. I couldn't stay there for long. It was horrible." Halila, a 32-year-old Muslim woman from the Kfar Saba area, retold many incidences of discrimination and bigotry:

> I once came to work as a cleaning woman in a Jewish-owned bank. On my first day the manager came to me and said "tomorrow you come dressed more like a Jew." I asked him what does that mean, and he said he doesn't want me stinking the bank with Arab clothes. I left that Job, I never came back.

Other women expressed a feeling of complete isolation from the Jewish labor market. Karia, a 41-year-old Muslim woman, who only started to work recently, said:

> It's like you live in another world. I grew up without even thinking about going to work with Jews. There was no way. How would I do it? I don't belong there and wouldn't know where to start. Who to talk to? It's not like in my own village, my own home.

Yet when asked how she nevertheless found her job as a sales worker in a Jewish-owned shop, she explained: "Oh, that's completely different. That was easy. I used an employment agency. It took them a day to find me a job and I was here the next day doing my first shift."

It seems that employment agencies are able to "bridge" the gap between Palestinian women dwelling near Kfar Saba and the Jewish sector. As indicated in table 6.2, most of the women living in this region found their first job through an agency. Moreover, most of these women used employment agencies to search for work. When asked to explain the reason, they usually said that it was the only way to find employment in the Jewish sector, where they feel out of place.

The words of Jamila reflect the views of many younger interviewees:

> When you're sixteen and looking for work you don't know anything. You know you don't want to work in the village, but you don't know how to find work somewhere else. As a child you never walk alone in the Jewish cities, you're never by yourself anywhere outside of the village, so how will you look for a job. That's why all the girls go to an agency. It's easy. They connect you with employers and they do it nicely and fast. That's exactly what you need.

Karia, older than Jamila, represented some of the older women who are married and have children.

> It's not that I can't go by myself, but I'm an old woman, I need some help. I feel awkward to look for a job by myself in the Jewish city and maybe it's even not so suitable for women in my position. It's something I've never done. Plus I don't have the time for all the commuting and searching, with an agency it's so easy and fast.

In the Kfar Saba region there are numerous employment agencies, but only four agencies are owned by Palestinians and are located inside the Palestinian towns and work with retail employers (ICBS 2012). A relatively new phenomenon, originating approximately ten years ago, they are located in the centers of the Palestinian towns, making the labor market

accessible to Palestinian women more than ever before. Indeed, these agencies are used by many Palestinian women in the region, including all of the women interviewed, who did not use any agency located outside of their locality. One of the owners of an agency said that he knows every girl in his city. "It's a small place and you always know a friend of a friend. They always say yes. But nowadays I don't even have to do that because most of them come to me by themselves."

Ralla, who is now 24, recollects the first time she came to the employment agency in her village:

> I was seventeen and very fearful. But the employment agency was just near my house so I knew my dad won't have a problem with my going there. They were very nice, asked me what I want and how much I want to work. There was a woman there and she treated me nicely. She understood what I need. Two days after that I got an offer and I went there and I didn't like it. So the agency looked for another place for me.

The combination of informal ties between the job candidate and the recruiting agent, on the one hand, and the agencies' contacts with Jewish employers, on the other, has been a recurrent theme in many interviews, indicating why employment agencies are the main initial contact to the Jewish sector for Palestinian women residing in the Kfar Saba region. These agencies are able to mediate between Palestinian women and Jewish employers, without undermining these women's family relationships and communities' norms. For these Palestinian women, the agencies provide a solution for a pivotal problem in their lives, created by residential segregation and high social boundaries.

The comparison with the Carmiel region underscores the importance of these agencies' location inside the Palestinian communities in order for them to become mediators for Palestinian women. The Carmiel region also has numerous employment agencies working with the local retail industry, yet none of them are located inside one of the Palestinian communities (ICBS 2012). According to several of the agency owners, they work frequently with local retail businesses, but almost never served Palestinian women applicants. When Palestinian women residing in this region were asked why they have not used the services of an agency, most of them said that there is no point of using a Jewish agency. "What would they help me?" said Ra'aisa, a married Druze woman with two children, "what do they know about my needs? When I first thought about looking for a job I needed information. You can't go to strangers for information."

The portrayal of the agencies as outsiders was a recurring theme in the interviews of women residing in the Carmiel region. The location of the

agencies outside the Palestinian communities and their Jewish ownership made them no different than other Jewish employers. Thus, they could not function as mediators that would allow creating a tie between Palestinian women and the Jewish labor market.

Yet the women from the north also need some form of mediation in order to reach potential employers in the Jewish retail labor market. Some of them, mostly Christians such as Alila, found their first job.

[I was not able to insert a comment.] Should be "... in retail, working for a Palestinian employer whose businesses are located in Jewish cities: "Before I got my first job I didn't know what to do, so I asked my neighbor, who has a store in Carmiel, for a job and he took me. It was the only way I knew back then." Kthila, another Christian woman who manages a store in the Jewish Mall in Carmiel, found her job through her brother.

> He was working here at the mall in security and they were looking for workers. He knew some store owners and connected me with one of them. When I got there he introduced me to the manager, so I felt comfortable.

Other women found their first job through friends already working in the Jewish retail market. Raya, a 21-year-old Muslim, says that without her friend she would have never found a job outside her village.

> I never went outside my village alone. It's inappropriate and I don't feel safe to do it. But I wanted to find a Job outside [the village], so a friend told me she would take me to see her boss. I went when she was there, working, and she introduced me to her boss. She said I was a hard worker, so he took me because she said I was OK.

Maria summed up this recurring method, saying:

> Yes, you can go alone and look for a job, but at first you are very fearful because you don't know what's going on and they (Jewish store managers) are uncertain because for them you're just an Arab girl and they don't know if you'll be any good. So you need a friend who would escort you and be your guide and a confidence certificate.

Maria's words indicate the complexity of mediated social ties between Palestinian women and Jewish employers, and the role they play in securing employment. Indeed personal ties carry information that has a significant role in her chances to be employed, both for her and for the Jewish employer. However, the mediated association is also important because it enables to transcend deep feelings of anxiety, which are a result of intergroup conflict in which both sides are immersed.

The Mall and the Chain Store: A New Work Environment

If the first pattern pointed to the initial contact of Palestinian women with the Jewish retail labor market and a development of new hiring mechanisms, the second pattern—wherein Palestinian women mostly use independent direct job search methods—indicates a change in their relationships with the work environment in the Jewish sector. Palestinian women, both from Carmiel and Kfar Saba, display a growing acquaintance and ease with their work environment after their initial entrance to the retail industry. The interviews indicate that this acquaintance can be broken down to three interrelated themes: deeper knowledge concerning employment conditions, a comfortable feeling of belonging in the new retail sites, and personal relationships with Jewish managers and other workers.

Knowledge is a key factor in deciding to look for a different place of work. As Maria said:

> Everybody needs help at first, but then you know what's going on, and you know how to do things. None of the girls stay in their first Job, because you know you can get better conditions and nicer bosses.

Ulfat, a 24-year-old Muslim, explained:

> After a week you know everything and everyone. And not just in the store you work in, but in all the stores in the mall as well. You meet other girls all the time during your brakes. Everybody's close to one another; even to the Jewish girls. You're never alone. You know how long they have been working, how much they're making, and how much they like their boss. So then you can compare, and if you think you're not getting a good deal you leave. You know there are other places. You know exactly who's looking for new workers.

The way the retail industry is organized in retail sites, where salespeople are far from being isolated from similar places of work and other workers like them, allows Palestinian women to gain extensive knowledge and work conditions and openings.

While the newly gained knowledge that Palestinian women have of employment opportunities is essential for future job search, it is not obvious that they would feel free to act upon this information. It appears that the particular environment of the Mall has an important contribution. The Mall epitomizes the culture of consumerism and market exchange. Its cosmopolitan orientation overshadows particularistic social identities and transports Palestinian female employees from their typical dependent

roles. Palestinian women working in Jewish malls feel free, safe, and equal in the malls' working environment unlike their experiences in other public spaces. They keep referring to the malls as "cosmopolitan" spaces where the familiar local social rules do not apply. Nadila claimed that

> [t]he mall is different. Here we are all the same. Arabs, Jews, Russians, here we are all customers. Equal because we all have the same money. I know many Jewish store managers by name and we say hello to one another. In other places I feel like an Arab or like a woman. In my village I can't do what I want but here I can. This is the future, the mall.

Halila, after recounting countless incidents of racism in the Jewish sector, said:

> But here it doesn't happen. I am safe here, because there are cameras everywhere and guards, so nothing can happen to me. And I'm just like anyone else. Here everybody is the same. It's like you're almost in another place out of Israel. I have never heard or seen of racism in the mall. The bosses here are not like that and the customers are also different than in other places.

Other women, such as Jamila, express a feeling of home and comfort towards the mall: "I come here and it's like my home. Nothing can happen to me here. I can walk by myself, and I know everyone."

These feelings of acceptance and acquaintance enable Palestinian women to search for employment by themselves, as they feel a sense of ease and familiarity with the malls and the social norms ruling them.

> "When I looked for a job," said Ralla, "I came to the mall every day. I knew how to find a job here because I come here all the time to shop. It's better to come looking for a job by yourself, because then they know you're serious. And here I can walk alone and nobody from my village looks at me funny and tells me that Arab women shouldn't walk alone. Sometimes I came with a friend, but it's always better to look for a job directly."

Another reason for the direct relationship with Jewish store owners is the labor process in the retail industry. Stores are working environments where employers and employees spend day after day together in a rather small space. Though hierarchy between workers and managers is noticeable, it is not rigid as managers and salespersons often do the same chores. All of the interviewees expressed a close relationship with their supervisor and store managers, most of them Jewish. They often said they conversed intimately with them and that they could ask for many favors concerning work arrangements. The personal ties that Palestinian women develop with

Jewish store supervisors and managers allow them to approach them more directly. Alis, a 17-year-old Muslim woman, said:

> Once you start working in the mall you understand bosses are just human beings. Store owners just want what you want. We're all the same. So all you need is to come and talk to them. Come and ask for a job and they'll be OK with you.

All interviewees agreed that finding a job directly, and not through a mediator, is better. "Establishing a direct relationship with your employer is always better," explained Maria, "because then you can negotiate your conditions better and have more flexibility." This is reflected in the time they spent with their employer. Most of the interviewees (74 percent) left their initial employer in less than six months. However, 57 percent stayed between one to two years with their second employer, and 86 percent stayed over two years in their third store.

Conclusion

The main purpose of this study was to explore the job search methods of Palestinian women working in the Jewish retail industry and how these are related to the social environment of the Mall. Following the incorporation of growing numbers of Palestinian women into the labor force of the retail industry and its rising significance in their employment rates, we proposed that investigating the experiences of Palestinian female employees in this industry would advance our understanding of matching procedures that may help to further increase the LFP of Palestinian women.

It is evident that substantial cultural and social barriers hinder Palestinian women from independently seeking employment in Jewish-owned enterprises located outside Arab communities. Having been segregated from Jewish society and the labor market, and having faced discrimination in their past work experience, our interviewees underscored the importance of mediating agents that have both the information and the cultural acumen that could serve as a "bridge" between the highly segregated populations of potential Palestinian employees and Jewish employers. In the absence of a mediator, Palestinian women expressed fear and inability to search for employment in the Jewish sector.

The study also raises interesting points concerning the persistence of patriarchy and its ambiguities in Palestinian-Israeli society. Fathers or other male family members often took the lead in finding the jobs women entered. In doing so they also delimited the type of employment they saw fit for their kin. Even when women searched for employment on their own

they had a clear mental map of the range of jobs permitted in their culture. At the same time one cannot ignore the fact that independence was an important motivating factor for seeking employment among many women interviewed. The environment of the Mall provided some relief from the surveillance existing in their homes and villages, and the funds they earned provided greater freedom to consume and possibly more power in the family. Furthermore, even when first job contacts were made by male family members, future job search took on a dynamic of its own in which women decided to use the knowledge obtained in their work environment to improve their employment situation. While these employment patterns may not negate patriarchy, they clearly challenge it and contribute to change that is taking place in the Israeli-Palestinian community.

Most of the literature concerning job search methods and their impact on labor market results stress the importance of the information different methods yield to different social groups. Our analysis, however, suggests that in this case this is not just a technical issue of information but rather a need for a mechanism that would create new forms of social ties, bridging over political and cultural boundaries. This is clearly reflected in the regional variation in the first job search methods. Palestinian women in Kfar Saba area were able to first enter the retail industry using the assistance of employment agencies located inside their communities. In the Carmiel area, on the other hand, all employment agencies were Jewish owned and none were located in the Palestinian communities. Palestinian women in that region therefore mostly relied on personal contacts to find their first retail job. If the success of a job search method was only based on the information it yields, Palestinian women from Carmiel's surroundings would have used employment agencies as well. The fact that they have not indicates Palestinian women require a mechanism that would create an initial connection between them and Jewish employers and not just one that would offer them employment information.

Once they were employed by Jewish employers in the retail industry, almost all Palestinian women shifted to a more direct job searching method. This suggests that creating new forms of labor relationships is a fundamental factor in motivating Palestinian women's employment. The new global-oriented retail industry offers Palestinian women a feeling of equality and acquaintance they do not have in other environments in their lives. The way retail sites are arranged, their global "cosmopolitan" attributes and the personal contacts Palestinian women have with Jewish store managers, allows the former to launch a second – more direct – job search to improve their employment conditions.

Hence, our results suggest that policies aimed to enhance the LFP of Palestinian women in the Jewish-dominated economy must create

mechanisms within Palestinian communities that will facilitate the contact between Palestinian women and the Jewish labor market. It is evident from our study that once employment relations are created, they tend to be self-perpetuating. While in the past, most Palestinian women working for Jewish employers were employed by contractors that "delivered" large numbers of women to a specific employer, in the retail industry Palestinian women are hired individually, albeit sometimes using the help of mediators. In this context they are less dependent and exercise considerable control over where they work and for whom. Furthermore, the mall and the retail chain store present a new work environment.

Previous studies of Palestinian women working in the Jewish sector have also documented various forms of discrimination and blunt racism (Wolkinson 1999). By way of contrast, our interviewees conveyed feelings of equity and indicated having personal and direct relationships with Jewish employers and coworkers. It seems that the new retail sites offer new forms of social spaces that allow a flexibility of social boundaries and their reconfiguration, enabling new forms of interaction between Palestinian women and Jewish employers. This is far from claiming that social boundaries and categories disappear at these sites, but only that these retail sites offer new experiences for Palestinian women that enable them to find employment in the Jewish sector without feeling excluded and abased.

Although some of the women in this study advanced to become store managers, most of our interviewees could only receive a job in an entry-level position. It seems that as Palestinians, their only way to be incorporated to the Jewish retail industry is through the lowest positions. There is no doubt that a driving force in the employment of Palestinian women in the retail industry is the demand for low income and docile labor force. However, we do not know if they are able to rise above the "shop floor" or indeed leave the stores altogether and join the offices of the chains' national managements. Indeed, the developing retail industry presents a new phenomenon and social structure in the Israeli context; however, the question remains: does it represent a new mobility path for Palestinian women, or is it demarcating new social boundaries of inequality where Palestinian women are merely exploited for the benefits of the Jewish majority?

While the public and academic debates are largely concerned with cultural and political barriers to the employment of large number of Palestinian women, this study has indicated that economic changes in the Israeli labor market may have substantial influence on their social and economic positions. We hope that following this study, more research would be done on how and why Palestinian women's reality may change as a result of economic processes and the appearances of new labor practices and environments in the Israeli context. If we wish to have a deeper

understanding on the change in Palestinian women's labor patterns, future research should better account for the association between them and the new Israeli retail industry, revealing how changes in the Israeli labor market may result in the incorporation of Palestinian women into the labor market.

Notes

1. For examples of this discourse, see Basok, M. (April 4, 2012). "The Gap between Arab and Jewish Women Has Grown." The Marker; Isma'eel, N. (September 22, 2010). "Looking for Employment: Arab Women" Ynet; Beor, H. (November 1, 2009). "The PM: We will Lead a Policy That Would Integrate Arab Women in the Labor Market." The Marker.
2. The pronoun "Jewish sector" indicates here either businesses that are owned by Jews or those that are located inside Jewish communities.
3. All of these interviews were done with care by the first author. The interviewer's own position in the field was hard to ignore as an upper middle class Israeli Jew. Normally, someone from such background would not be sitting and talking with a Palestinian woman in an intimate setting as an interview. Israel's social boundaries, some of them discussed earlier, make us their national, gendered, and religious "other," or indeed their oppressor. In addition, we were concerned that our approaching them would be somewhat improper. Despite our worries, we found that many of the women we approached were happy to talk, even if it was for only a few minutes because they were very busy at the time. This of course does not mean that we had managed to break all social boundaries that are very much eminent in the Israeli setting.
4. Bedouin women were not included in the study as they do not participate in the retail labor market (ICBS 2010).
5. Forty-two percent of the women approached refused to be interviewed for various reasons, the common one was no interest. This may reflect a bias toward negative experiences that these women were unwilling to convey. This bias was partly addressed by asking some of their coworkers if they knew of any bad experiences these women have had that may result in their unwillingness to cooperate.
6. All interviews were conducted in Hebrew with some use of Arabic phrases for clarification uses. Though this may present a bias to our data, most of the interviewees displayed a very high proficiency in Hebrew. Moreover, as these women interact daily with the Jewish population and rely on their ability to use the Hebrew for their work, we believe that language does not present a major obstacle in this specific setting.

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7

The Welfare State as an Employer: An Unacknowledged Avenue of Opportunity for Palestinian Women in Israel

Michael Shalev and Amit Lazarus

Introduction

Research on welfare states tends to focus on their role in income distribution and the provision of services. However, functions like education, health, and social care also play a massive role as employers, dominating the public sector labor market. In a comparative analysis of developed economies including Israel, Mandel and Semyonov (2005) found that the public social services accounted for a high of 25 percent of total employment in Denmark and Sweden and a low of 7–8 percent in North America and Germany. By this measure, Israel ranked fourth out of 20 countries.

The literature on the social service labor force (SSLF) shows that it is strongly biased toward female and university-educated employees, and tends to offer superior wages and working conditions for groups suffering from blocked opportunities and pay discrimination (Gornick and Jacobs 1998; Kolberg 1991). Consistent with this body of knowledge, earlier research on the SSLF in Israel in the period 1982–2002 showed that the Arab-Palestinian citizens of Israel (hereafter Palestinian) are much more

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dependent than Jews on social service jobs—and have become increasingly so over time (Shalev 2006).[1] Today some 61 percent of female Arab employees and 12 percent of men work in the SSLF. However, the weighty responsibility of the welfare state as a source of jobs for the Arab population was not planned as a form of employment policy, and it is not conceived in these terms by either policymakers or researchers. Indeed, the lack of attention to the role of the welfare state as an employer is a remarkable oversight in the vibrant ongoing discussion of how to expand Arab women's labor force participation.

The standard policy recommendations currently in vogue for bringing more Arab women into the labor force (their official participation rate is still nearly 50 percentage points below Jewish women) similarly ignore the crucial role of the welfare state as an employer. A recent Bank of Israel publication provides an apt illustration (Yashiv and Kasir 2012). The authors recommend expanding vocational training and guidance, assisting Arab women to solve childcare and transportation problems that hamper their ability to work outside the home, improving their education and encouraging them to modernize their attitudes—in short, everything but the role of the state in directly stimulating demand for female Arab labor by expanding its own services. More critical accounts share the same blind spot. Citing much the same supply-side obstacles as the Bank of Israel study (such as inadequate government assistance in the domains of childcare, transportation, and training), Zu'bi (2009) contends that "state racism and the state's policies of discrimination against Palestinian citizens create real obstacles to the entry of Palestinian mothers into the labor market." In support of this claim it is correctly noted that few Arab women find work in the offices of the central government, but no mention is made of their massive absorption into the SSLF.

This chapter presents the results of an extensive analysis of employment and earnings data aimed at revealing the scope, features, and effects on earnings of employment in Israel's SSLF since the 1980s. Our primary goal is to document the implications for Arab women, but the emphasis throughout will be on multiple and intersecting comparisons—between Arabs and Jews (including specific Jewish ethnic groups), men and women, and different points in time. But before defining our research questions and methodology and reporting on the findings, it is important to reflect briefly on how and why the social services have served as the chief mechanism by which the state in Israel has both promoted and upgraded Arab women's employment. Where do Arabs fit into the historical trajectory of the SSLF in Israel and the public sector more broadly? And why is it that the state, which undoubtedly does discriminate against Israel's Palestinian-Arab citizens in myriad ways, supplies extensive social services

to the Arab population in which the majority of Arab working women find jobs?

As in many other areas of social and economic policy that impact heavily on the Arab population in Israel, the routine operations of the political system and the state apparatus—which rest on liberal and bureaucratic as well as ethno-national foundations (Shafir and Peled 2002)—cause policies to be partly or completely generalized to the citizenry as a whole. Universal and discriminatory social policies are capable of coexisting or even morphing into one another (Rosenhek and Shalev 2000). Political forces operating inside the Jewish majority, the institutional logic of a bureaucratic state, the liberal self-image of Israeli democracy, and the existence of institutions (courts, media, civil society organizations) that serve to limit the scope for "state racism," all explain the extension of education, health, and other lesser (in terms of employment) social services to include the Arab population.

At the same time, the quality and accessibility of social rights and services in Israel is subject to a distinct hierarchy of advantage and disadvantage (Friedman and Shalev 2010). The state often makes special efforts in relation to settlers, soldiers, Jewish immigrants, economically disadvantaged Jews with political clout, and other groups that it has an interest in prioritizing, while making do with substandard services for the Arab sector (as is routinely documented by public interest organizations like *Mada el Carmel* and *Sikkuy*). However, these brakes have not prevented the expansion of social service employment in the Arab sector. Three factors account for this expansion. First, demography. A growing school-age population, alongside an increasing number of elderly and infirm Arab citizens, has fuelled the expansion of education and health services geared to Arab communities. A second causal factor has been increased availability of opportunities for higher and vocational education for Arab women, due in part to the proliferation of semi-privatized colleges and training institutions aggressively recruiting students (another example of unintended spillovers to the Arab population). Third, two different mechanisms have unintentionally provided Arabs with a competitive advantage in obtaining social service jobs. The de facto spatial and social segregation of Arabs and Jews in Israel almost completely immunizes Arab job-seekers from Jewish competition for jobs in the services provided to Arab communities (Yonay and Kraus 2001). Much less significant numerically, but of growing importance, is expanding Arab employment in privatized or semi-privatized social services catering mainly to Jews, like hospitals and pharmacies that once operated as internal public sector labor markets. In such cases the forces of competition, weak employment regulation, and the profit motive have combined to stimulate demand for

trained Arab employees ready to accept pay and working conditions that are unattractive to Jews.

Historically the expansion of social services and public bureaucracies was one of the key avenues by which the ruling party generated upward mobility for what Rosenfeld and Carmi (1976) termed the "state-made middle class." Most of the beneficiaries were veteran Ashkenazim, but as time went on, growing numbers of Mizrachim found superior working-class or lower middle-class jobs not only in public administration and the SSLF but also in infrastructure monopolies and military industries owned by the state or the peak labor organization (Histadrut). Most of this broad public sector, described by Farjoun (1983) as Israel's "bureaucratic labor market," excluded Arabs either de jure or de facto. However, over time the relatively universalistic social services component of the public sector expanded to employ growing numbers of Arab citizens, while the role of the particularistic public sector from which Arabs are excluded contracted dramatically.

Nevertheless, the casualization of large swathes of public employment since the 1980s, due to the decline of collective bargaining and the growth of outsourcing, has undermined the economic position of large numbers of Jews (predominantly women—see Benjamin 2002). Presumably these trends have adversely affected Arabs as well, but the consequences for the wage differential between the SSLF and the rest of the labor market is an empirical question that the present study is the first to investigate systematically. For Arab women the alternative of employment outside the social services predominantly means jobs available in their own or neighboring communities in private services or local government. If these jobs offer worse conditions than those available to Jewish women, Arab women in the SSLF may continue to enjoy a wage premium even if Jewish women do not.

Data and Definitions

Unless otherwise stated, the empirical analyses in this chapter are based on datasets from two CBS surveys and span a period of more than two decades. The surveys are the LFS (Labor Force Surveys) and the IS (Income Surveys). The LFS, similar to the Current Population Survey in the USA, is a large-scale household survey carried out quarterly with a rotating sample. Its coverage has increased over the years, to the point that in the course of a year it now samples more than 100,000 individuals, more than a quarter of whom (26,623) were included in the analysis that generated table 7.1. Today, the IS sample is a subset of approximately one-third of the total LFS sample.

Table 7.1 Arab and Jewish women's employment characteristics, 2009–2010

Arabs	*Labor force characteristics*				*Percent employed in SSLF*			
	Women			*Men*	*Women*			*Men*
	Arabs (%)	*Jews (%)*	*Arabs/ Jews*	*Arabs/ Jews*	*Arabs (%)*	*Jews (%)*	*Arabs/ Jews*	*Arabs/ Jews*
Highly educated	40	48	0.82	0.49	81	39	2.07	3.73
Part-time	57	39	1.47	0.89	74	45	1.65	2.42
Highly educated and part-time	25	15	1.66	1.17	91	61	1.50	2.80
Total	31	83	0.38	0.92	64	32	2.02	1.45

The analyses to be reported here begin as early as 1982 (LFS) or 2002 (IS), ending in 2010. Over this period there have been numerous methodological changes, large and small, in the two surveys. At various points in time the questions asked, classifications of branches and occupations, and other lesser details were modified. The LFS sample gradually grew over the years, with the most important changes affecting the coverage of Arab citizens, which increased particularly in the 1990s. However, the IS sample is only about 40 percent as large as the LFS, and this limitation weighs especially heavily on the Arab sector of the population. The IS samples on which our analysis of earnings is based include about 800 Arab households.

All analyses include only prime-age workers (25–54) or in some specifically noted cases a narrower age group (30–44) and exclude members of cooperatives or kibbutzim and unpaid family workers, as well as residents of East Jerusalem and the institutionalized population. The self-employed have also been excluded, since the social services are made up almost entirely of salaried employees and in any case in its early years the IS did not sample the self-employed. The numerator of the social service share of the labor force is calculated by summing the employees in the health, education, and welfare branches of the economy, except for specific branches that are known to be predominantly in the private sector.[2] Unfortunately the datasets offer no way of knowing whether or not individuals in the social service branches are actually employed by the state—and if so, whether directly or by outsourcing. We will, however, provide an indication of the possible effects of privatization trends, by analyzing changes over time in the earnings of social service employees relative to the workforce as a whole.

The Changing Scope of Social Service Employment

Uniquely among all population groups, the SSLF is the dominant employer of Arab women and it has been the major conduit for their growing entry into the labor market. To some extent this pattern is typical of women workers generally. Research in OECD countries has shown that social service jobs have played a crucial role in driving rising female labor force participation (Daly 2000; Esping-Andersen 1990), and Israel is no exception. More than a decade ago the Adva Center observed that the public social services have become "the primary stronghold of women in the Israeli labor force" (Adva Center 2001: 53). Similarly, Yaish and Kraus (2003) argued that "the major force behind women's integration in the labor force is their opportunity to find employment in the highly regulated, and the most egalitarian, segment of the economy, namely the public sector." However, while previous research shed a great deal of light on the scope and conditions of SSLF employment for Arab women, the focus of these studies was different—on either women or Arabs (e.g., Lewin-Epstein and Semyonov 1994; Yonay and Kraus 2001).

Our first empirical analysis documents the changing extent of SSLF employment for Arab and Jewish men and women, in comparison with other broad sectors of the economy from the late 1980s to 2010.[3] The branches of the service economy are divided between the SSLF and "other services," and all other branches are classified as "production."

The key finding is strikingly clear. Arab women are unique in that the social services have been responsible for the majority of their employment growth since the late 1980s. How, more specifically, do they compare with other population groups in this period? Although Arab men are more dependent on the SSLF than Jewish men, in both cases the proportion is low (about one-eighth and one-twelfth, respectively) compared to the female rate, and has changed very little over the years. For women, both the extent and the trend of SSLF employment differ significantly between Arabs and Jews. In the past few years the proportion of female Arab employees working in the social services has reached more than 60 percent, double the rate among Jewish women. Moreover, the two groups of women exhibit opposite trends—over time the SSLF share has been growing among Arabs and declining among Jews. For Jewish women the service sector outside of health, education, and welfare has always been a more important source of jobs, and over time its role has expanded. Arab women, on the other hand, remain dependent on the SSLF to provide the bulk of their service employment. Moreover, while they were initially more likely than Jewish women to work in manufacturing and other

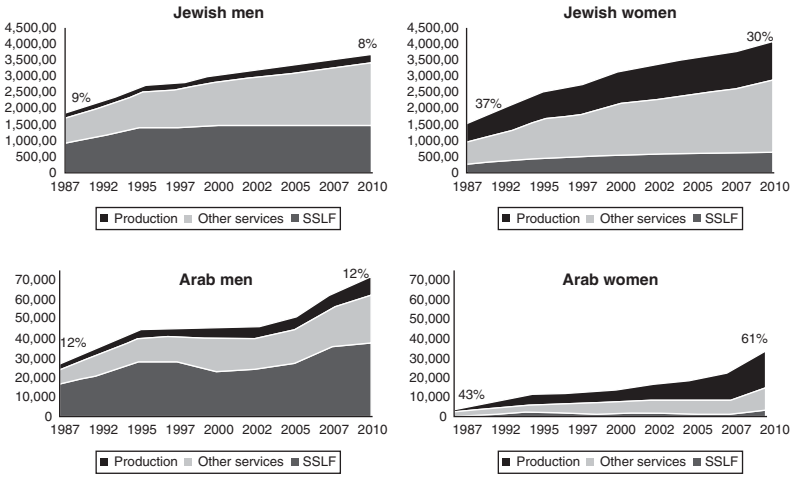

Figure 7.1 Number of employees by broad economic branch and percentage in SSLF

Note: the percentages shown on the charts are SSLF as a proportion of total employment, two-year averages for the beginning and end of the series.

branches of production, this is no longer the case. The average sectoral distribution of employment in 2007 and 2010 for Arab women (for Jews women in parentheses) was as follows: SSLF 61 percent (30 percent), other services 29 percent (52 percent), and production 10 percent (17 percent) (figure 7.1).

Both Arab and Jewish populations are characterized by well-known internal cleavages. From a long-term perspective, employment in the social services was initially dominated by Jewish women of Ashkenazi (mainly European) background. Mizrachi, then Arab, and more recently women from the FSU (former Soviet Union) followed. A view of these trends over the past two decades underlines the uniqueness of the role played by the SSLF for Arab women—but also its differentiation along ethno-religious lines, as we might expect from previous research showing the impact of these divisions on their labor market position (Khattab 2002). All three categories of women—Muslim (66 percent of the female Arab labor force), Christian (24 percent), and Druze (10 percent)—are more dependent on employment in the social services than any non-Arab group, and over time this gap has widened. But as shown in figure 7.2, the rise in the SSLF share of the female Arab labor force since the beginning of the 2000s has been confined almost entirely to the Muslim majority. In this period the proportion of Christian Arabs in the social services has remained a little over

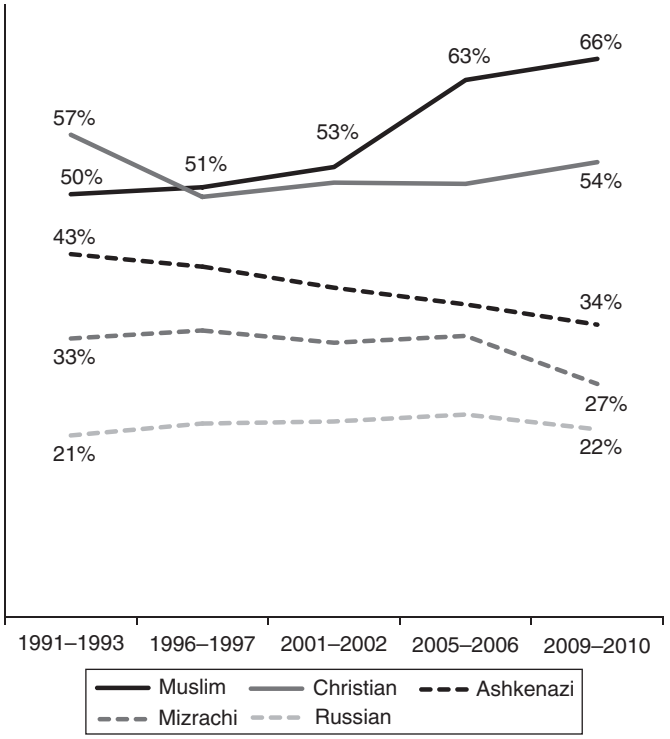

Figure 7.2 Percentage of women employed in the SSLF by origin group

one-half, while among Muslim women it reached two-thirds. The Druze closely tracked the Christians, but their numbers in the sample are too small for reliable analysis.

At the other pole to Arab women are immigrants from the FSU, of whom little more than one in five have been absorbed into the SSLF at any time. The two main groups within the veteran Jewish population are positioned midway between Arabs and Russians, but each of them exhibits a different pattern. The proportion of Ashkenazi women in the social services has always been higher than among Mizrachi women, but until recently the gap was declining as members of the first group diversified their employment while concurrently a steady one-third of the second group remained in the SSLF. Note that foreign and native-born women are combined in these calculations. The only case in which the distinction would have made a difference is the recent drop in SSLF participation by Mizrachi women, which is entirely due to former immigrants.

Why Are Arab Women Overrepresented in the SSLF?

The social services tend to attract particular types of workers. First, jobs in the welfare state (especially teaching) disproportionately employ women—among other reasons because they are relatively friendly to mothers of young children in terms of working hours, vacation schedules, and the feasibility of interrupting careers to have children (for Israel, see Stier and Yaish 2006). Second, social service jobs are predominantly professional or semi-professional and therefore have a high educational profile. To what extent can the exceptionally high rate of Arab women's participation in the SSLF be explained simply by the fact that the supply characteristics of female Arab labor favor precisely toward the kinds of jobs made available by the welfare state as an employer?

Using the most recent available data, Table 7.1 addresses the question of whether the high rate of social service employment among Arab women is linked to two characteristics—higher education and part-time jobs—which are especially common in the SSLF. The left panel documents the prevalence of these characteristics in the labor force as a whole, comparing Arab and Jewish women. The right panel shows the proportion of those having each characteristic who are employed in the social services. For the first indicator—higher education—there is an evident disconnect between the two results. Even though a lower proportion of Arab than Jewish working women have higher education, those who do are more than twice as likely to belong to the SSLF (compare the two ratios of Arabs to Jews). In each row of the table, the ratio of Arab to Jewish percentages is also supplied for men. The results show that although male Arab employees are even less likely than females to have higher education, those who do are much more dependent on social service jobs (again, relative to Jews). This clearly indicates that the employment opportunities open to educated Arabs outside of the SSLF are far more limited than among Jews, regardless of their gender.

Turning to part-time employment, we see that once again the dependence of Arabs on the SSLF (right panel) is not directly determined by their general inclination to gravitate toward certain kinds of jobs (left panel). More Arab women than Jewish women work in part-time jobs, but fewer Arab men do. However, in both cases Arab part-timers—especially men—are more likely to be found in the SSLF than Jewish part-timers. The implication, once again, is that relative to Jews, alternative job openings are limited for Arabs of both genders.

The bottom row of the left panel ("Total") refers to the total number in the labor force as a proportion of the relevant population. This reminds us of the issue that motivates this chapter—Arab women's very low rate

of labor force participation (31 percent), compared to both Jewish women (83 percent) and Arab men (78 percent). The right panel shows concretely how much the specific characteristics in focus here raise their likelihood of working in the social services. The SSLF employs 64 percent of female Arab employees, but 91 percent of those who are both highly educated and work part-time (for Jewish women these proportions are 32 percent and 62 percent; for Arab men they are 12 percent and 86 percent).

The importance of the welfare state as a source of relatively highly skilled and part-time jobs for Arab women is underlined when they are compared with the Jewish origin groups distinguished previously in figure 7.2. Over the past two decades the share of part-timers working in the social services has averaged 71 percent among Arab women. In comparison, the highest level among Jews is 55 percent for foreign-born Ashkenazi women, the lowest is 30 percent for women from the FSU, and Mizrachi women are in between. However, uniquely among Arab women, in the course of the 2000s while the SSLF share of part-time employees was stable, among full-timers it rose sharply from 30 to 47 percent. This indicates that the growing dependence of Arab women on the social services over the past decade has occurred entirely in full-time jobs, rendering the SSLF an increasingly important track to regular employment. This is not true of any non-Arab group.[4] Bringing these figures together, we conclude that not only is the SSLF an avenue for employment of Arab women working part-time where not many other paths are available, but it is also becoming an increasingly important way of entering full-time jobs, implying more blocked opportunities here as well.

A long-term perspective is also needed in order to grasp the role of higher education in bringing Arab women into the labor force via the social services. Here, again, it is essential to relate to intra-Arab diversity. Figure 7.3 documents trends over nearly three decades in the proportion of Muslim and Christian Arab women with higher education in comparison to Jewish women, and also compares their rates of labor force participation. The share of women aged 30–44 with academic training, shown at the bottom of the figure, has risen remarkably over the years in groups of all origins. However, there is a clear distinction among Arabs between Christians, who have come furthest toward closing the gap with the Jews, and Muslims (as well as Druze, not shown), who remain far behind despite sharp increases in the past five years. At the same time, higher education is accompanied in all groups of women by a very high probability of belonging to the labor force.[5] Today Muslim women lag behind Christians and Jews by 10 percentage points, but their 80 percent participation rate is still impressive given their higher probability of having dependent children at home.

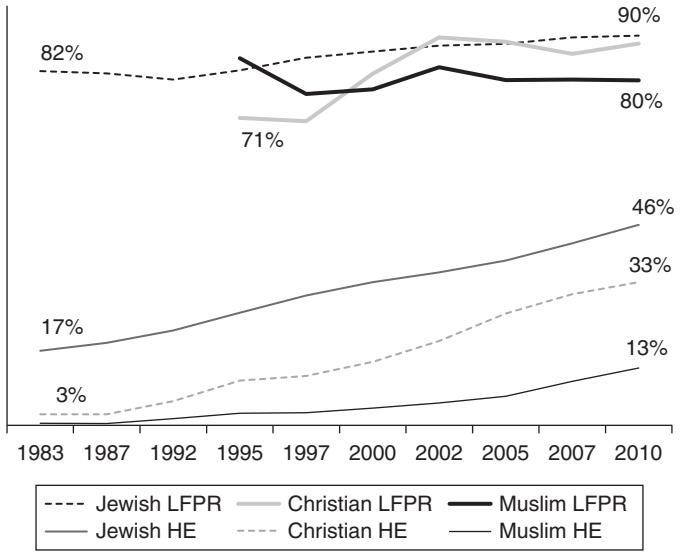

Figure 7.3 Trends in higher education (HE) and labor force participation (LFPR) of the educated

Note: Women aged 30–44, two-period moving averages.

Academically qualified Arab women are much more specialized in a narrow range of occupations like teachers, nurses, and social workers, whose pay is lower than that of lawyers, doctors, and graduates in business administration, professions that have become increasingly common among Jewish women. Since the specializations most common among Arab women are intimately tied to the social services, it is reasonable to assume that in the absence of demand for social service occupations that require a degree, Arab women would not have sought out higher education to anything like the same extent. The dynamic linking the demand for higher education to the supply of social service jobs is particularly clear in the cases of teaching and nursing. Both professions raised the bar over the years to require an academic qualification, which in itself contributed substantially to stimulating higher education among women, especially Arabs.

Our discussion so far of the high rate of Arab women's employment in the SSLF has shown that it can only partially be explained by the factors—beginning with gender itself—that typically attract certain types of workers into social service employment. Even if Arab women were more like Jewish women in their education and other characteristics, we expect

that they would still be overrepresented in the SSLF because of the limited availability of alternative jobs. Logistic regression offers a more precise way of establishing whether gaps between Arabs and other origin groups in their likelihood of working in the social services would have disappeared if there had been no differences between them in background characteristics. Moreover, by running repeated regressions over time it can be established whether the unexplained distinctiveness of Arab social service employment has altered over the years. The full analysis (available on request) provided separate results for ten different years between 1983 and 2010. In addition to gender and parental status, the model also used age, education, part-time employment, and origin (Arabs vs. six other categories) to predict whether employees belong to the SSLF or work in other branches.

The findings reveal that over a period of nearly 30 years, the only group to come anywhere near the *net* odds of SSLF membership among Arabs was Mizrachim, but even in this instance the Arab odds were generally at least twice as high. By 2010 the Arab/Jewish odds ratios stood at 3:1 for all origin groups, except immigrants from the FSU where they were even higher (5:1). This implies a clear answer to the "what if" question: if Arabs in the labor force were more like their Jewish counterparts in respect to age, gender, education, working hours, and the presence of small children, they would still be far more likely than all other sectors of Israeli society to join the SSLF—and the gap has been growing.

An intuitive way of conveying this result is to use the logistic regression coefficients to compute the expected probabilities of social service employment for different origin groups, while assigning fixed values to all other predictors. Figure 7.4 presents predictions for mothers aged 35–44 with higher education, at least one child under five and working in part-time jobs—all features that tend to attract workers to the SSLF (consequently, the analysis yields conservative estimates of intergroup differences). The Arab probabilities are clearly the highest, albeit a little lower in the current decade than previously. The comparison with the two major Jewish ethnic groups is revealing. (Note that since the distinction between foreign- and native-born Jews does not substantively alter the results, the figure presents averages for the two.) In percentage terms, our model predicts that until the late 1990s about 90 percent of employees with the selected features would have worked in the SSLF if they were Arabs, compared with 80 percent of Mizrachim and 75 percent of Ashkenazim. By 2010 the estimates for all groups had fallen, but least of all among Arab women. In both Jewish groups well under 70 percent are now employed in the SSLF, roughly 20 points below their Arab counterparts. The estimates for FSU immigrants are much lower throughout.

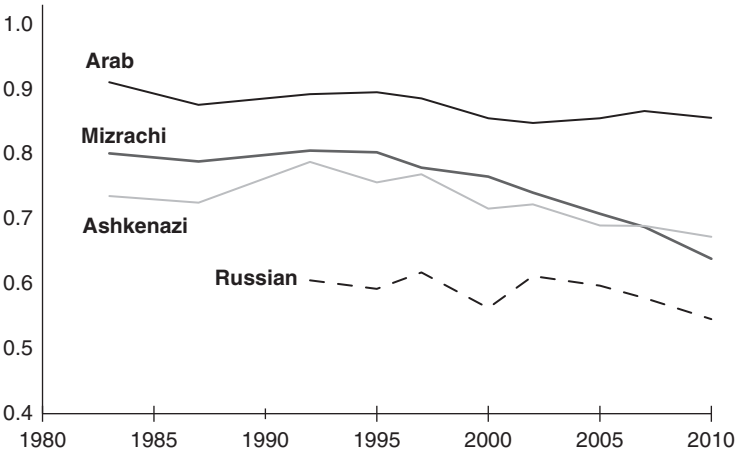

Figure 7.4 Probabilities of being employed in the social services by origin and year

Note: Predictions for mothers aged 35–44 with a child under five and high education, working part-time.

Is There a Social Service Wage Premium? For Whom?

As large-scale public sector employers providing services like schools and medical clinics that are inherently local, the social services are unusually open to hiring the members of "marked" groups (women and minorities) that otherwise suffer from constrained opportunities and low pay. By the same token, the social services should also be less inclined than other employers to practice internal pay discrimination against subordinate groups. In relation to the Arab minority in Israel, we have argued that as a result of spatial and cultural segregation between the Jewish and Arab populations, the expansion of social services inadvertently provided many Arab job-seekers with a refuge from the otherwise intense competition presented by the Jewish population for jobs that are not low in status and pay. Within this sheltered labor market, we claim, the Arab population benefits from high demand for local service providers, as well as the legal or bureaucratic binding of government jobs to nationally standardized job descriptions and conditions of employment, including pay scales. These advantages, in turn, highlight the disadvantages that Arabs face in other segments of the labor market: not only discrimination and unfair competition with Jews in private and public sector workplaces outside of Arab communities, but also competition with one another for scarce local jobs in municipal government or the private sector.

This reasoning suggests that Arabs in the SSLF ought to earn the same as Jews who also work in the social services, and substantially more than the rest of the Arab labor force. However, this is best understood as an ideal-typical scenario. In the real world the advantage we anticipate for Arabs working in the social services might be undermined by negative spillover from the harsher labor market outside. Newly available estimates of unemployment among Arab women put it at a staggering 18 percent—three times the rate for Jewish women.[6] Social service employers may be tempted to deviate from the principle of uniformity, adjusting their wage offers to fit the labor market conditions facing different groups beyond the SSLF (which among Jews tend to be more rather than less advantageous). To the extent that privatization and casualization of many sectors of social service employment have replaced the bureaucratic state as a direct employer by subcontractors, freelancers, and temporary employment agencies, the scope for this kind of wage flexibility has almost certainly increased over time (Mandelkern and Sherman 2010). But even if Arabs earn less than Jews within the SSLF, it could still be the case that they earn more than Arabs working in other branches. This makes it all the more important to pay attention to both potential wage gaps: between Arabs in the social services and Arabs in other branches, and between Arabs and Jews inside the SSLF.

In order to compare earnings across origin groups and between economic branches, it is essential to compare like with like. However, as demonstrated in earlier sections of the chapter, the SSLF has a distinctive makeup in terms of gender, education, and working hours. To avoid the possibly confounding effect of working hours, we analyze hourly rather than monthly wages. And to take account of compositional differences between the Arab and Jewish workforces, on the one hand, and between jobs in the social services and other branches, on the other, we use OLS regressions to control for the effects of these compositional differences on wages.[7] In addition, given the sectoral heterogeneity of jobs, our model also controls for a distinguishing feature of the SSLF, which has not yet entered the analysis—overrepresentation of professional and other comparatively high-status occupations. Finally, gender also needs to be integrated into the model, and not only for the obvious reason that the SSLF is dominated by women and that women generally earn less than men. As we have claimed in relation to Arabs, the gender wage gap may be smaller in the SSLF if the social services are a more equitable employer. Thus, gender may condition (interact with) the SSLF effect.

The regression model is introduced by breaking it down into stages that progressively incorporate these determinants of earnings, in order to statistically control for the effects of differences between the composition of

the SSLF and the remainder of the labor force. To provide a temporal perspective, the analysis has been carried out for 2002 and 2010. The year 2002 represents a time when outsourcing and other wage-cutting practices were less developed than they are today, and working in the SSLF may have been more profitable.

The results are presented in table 7.2. The top five rows show the changing effect of the main independent variable of interest—a dummy variable for employment in the SSLF—as other controls are added to the model. To save space, detailed results for all the coefficients are shown only for the full equation (Model 5). Note that since the dependent variable, hourly wages, has been transformed to natural logs, the coefficients (which have been multiplied by 100) represent percentage effects on earnings. In the few instances where coefficients were insignificant ($t < \pm 2$), they have been grayed out.

Starting out with the gross wage differential between the two sectors, and then moving in steps toward a fully adjusted net differential, reveals that the size and even the direction of the sectoral wage gap depend on what compositional differences (if any) are taken into account. Looking first at the results for 2010, it can be seen that when entered alone into the regression, a dummy variable for SSLF employment has a positive effect on hourly wages, increasing them by 5.2 percent (Model 1). This is the *unadjusted* differential between the sectors, which seems to imply that social service workers enjoy a bonus relative to the rest of the economy. Model 2 shows us, however, that when age (a rough indication of workers' job experience) and the superior educational and occupational profile of the SSLF are taken into account, working in the social services actually imposes a wage penalty of about 14 percent. Thus, although on average observed wages in the social services are higher, this is only because they tend to employ more educated and experienced workers in higher-status occupations.

Controlling for origin, represented by a series of dummy variables for all of the main groups except Arabs (the omitted category), has the opposite effect. When these variables are entered in Model 3, along with the controls previously introduced for human capital, the negative effect of being in the SSLF is slightly attenuated. The reason is that the social services employ significant numbers of low-earning groups (notably Arabs). In similar fashion, Model 4 shows that the prevalence of women in the SSLF combined with their tendency to earn less than men means that controlling for gender substantially curtails the adjusted pay gap between the SSLF and other branches. Combining these results, if the ethnic and gender composition of the workforce was the same both inside and outside the social services, the penalty for working in the SSLF would be

Table 7.2 OLS regressions on the natural log of hourly wages, 2002 and 2010

Model	*Independent variables*	*2002*			*2010*		
		*B*100*	*T*	*Adj. R^2*	*B*100*	*T*	*Adj. R^2*
1	SSLF alone	10.0	7.2	0.005	5.2	4.0	0.001
2	SSLF + Human capital and occupation	−5.7	−4.4	0.338	−13.9	−11.6	0.356
3	SSLF + origin	−5.9	−4.6	0.364	−12.6	−10.5	0.377
4	SSLF + gender	0.7	0.5	0.380	−7.2	−5.8	0.391
5	SSLF + interaction effects	13.3	3.2	0.383	4.4	1.4	0.397
	Human capital and occupation						
	Young (25–34)	−19	−16.3		−22	−21.3	
	Old (45–54)	8	6.1		6	5.7	
	Medium education (13–15 years)	13	10.0		13	11.1	
	High education (16 + years)	26	17.9		28	21.4	
	Top manager	42	18.3		37	17.3	
	Professional	36	18.5		34	20.7	
	Associate professional	22	13.4		21	14.5	
	Blue collar	−20	−12.6		−19	−12.9	
	Menial service	−35	−22.0		−30	−20.7	
	Origin						
	Mizrachi	9	3.5		13	5.0	
	Israeli Mizrachi	19	8.5		28	15.3	
	Ashkenazi	14	5.1		26	10.1	
	Israeli Ashkenazi	24	9.7		35	16.4	
	Russian	−9	−3.8		9	4.4	
	Second-generation Israeli	19	7.6		28	14.4	
	Gender (women)	−19	−15.9		−17	−16.2	
	Interaction terms						
	SSLF*Mizrachi	−10	−2.0		−16	−3.1	
	SSLF*Israeli Mizrachi	−23	−5.2		−21	−5.9	
	SSLF*Ashkenazi	−17	−3.3		−25	−5.4	
	SSLF*Israeli Ashkenazi	−24	−5.1		−33	−8.3	
	SSLF*Russian	−12	−2.6		−7	−2.0	
	SSLF*second-generation Israeli	−26	−5.3		−26	−7.3	
	SSLF*women	7	2.6		10	4.0	

Note: Mid-age (35–44); Low education (<13); Routine white collar; Arab; and Men.

almost halved (from 12.6 to 7.2 percent, after adjusting for other sectoral differences).

Before proceeding to the final stage of the analysis, we compare the findings noted so far for 2010 with parallel results for 2002, revealing some interesting changes. First, in the course of the decade, the average social service premium in the real world fell from 10 to 5 percent. Second, controlling for age, education, and occupation has broadly similar effects in both years. However, because the educational requirements for joining the SSLF have risen since 2002, at that time leveling these variables would not have imposed as heavy a penalty as it does today. In the next step, controlling for origin in 2002 has the effect of slightly amplifying rather than diminishing the SSLF effect. During the 2000s the composition of the SSLF became more biased in favor of low-paid groups (see figure 7.2). Finally, the inclusion of gender in Model 4 completes the accumulated main effects of all the hypothesized determinants of wages. Results for the fully adjusted sectoral gap show that in the past both sectors would have paid the same average wage if their workforces had been similarly composed, but by 2010 the social service sector imposed a wage penalty of more than 7 percent.

What this preliminary analysis tells us is that while at first sight it seems more profitable to work in the social services than in the rest of the economy, this apparent premium is actually the consequence of two contradictory forces. On the one hand, *jobs* in the SSLF are unusually biased toward higher education and high-status occupations, and given this bias, they actually pay less than jobs in other branches. On the other hand, compared with employees in these other branches, *workers* in the SSLF are more likely to be members of disadvantaged groups, especially women and Arabs. From this perspective, social service workers are paid surprisingly well.

These two distinctive features of the SSLF as an employer, which have opposite effects on our estimates of SSLF wages relative to other branches, are the key to its importance for Arab women. The social services combine medium- and high-status jobs, which are in relatively short supply in the labor markets of Arab localities, with wages that may be lower than those theoretically available in other branches, but are more equitable across different social groups. Bearing this in mind makes it easier to understand what changed in the course of the 2000s. The negative effect of the first bias overpowered the positive effect of the second one, with the result just noted—that a distinct penalty has now been imposed on social service workers.

Note, however, that the models estimated so far make a questionable simplifying assumption: that the size of the SSLF bonus is identical for men and women, and is the same for disadvantaged origin groups as advantaged

ones. This assumption is inconsistent with our claim that social service employment is likely to be especially worthwhile for disadvantaged groups like Arabs and women, because they have more limited opportunities and are at greater risk of encountering discrimination outside of the public sector. Accordingly, the final stage of the regression model includes two sets of interaction terms that capture whether the effect of social service employment on earnings differs by gender and origin.

The coefficients estimated for this more comprehensive model make it possible to ascertain whether or not working in the SSLF furnishes Arabs with the two earning advantages distinguished earlier: relative to Arabs employed in other branches and relative to other social service workers (Jews). Starting with the intra-Arab differential, the coefficients obtained for Model 5 imply that in 2010, for Arab men social service employment yielded only a small net gain (4 percent) in hourly wages, which is not statistically significant. In contrast, Arab women in the SSLF enjoyed a much larger bonus (14 percent) compared to their earnings in other branches. Contrasting these results with the ones for 2002, we see that the premium enjoyed by Arab women used to be even higher (20 percent). (The bonus for Arab men in 2002 was also higher, 13 percent.)

Are these benefits of working in the social services unique to Arabs or similar to those enjoyed by the members of other groups? Looking at the results of the interaction of the effects of origin and SSLF in Model 5, we note that in both years the coefficients for all six origin groups are negative and significant, meaning that *all of these groups gain less than Arabs from working in the social services*. Moreover, Arabs have suffered less than other groups from the decline over time in earnings in the social services relative to other branches. Whereas in 2002 several non-Arab subpopulations still benefited from a wage premium for working in the social services, today these interaction terms are so highly negative they turn the SSLF effect into a penalty for all non-Arab groups except Russian women.

While Arab men and women are therefore almost alone in still enjoying an SSLF wage premium relative to members of their origin group who work in other branches, it is nevertheless possible that *inside* the social services the net earnings of Arab employees are lower than those received by Jews. If Arab earnings in other branches lag far enough behind those of Jews, then even a big social service wage premium among Arabs would not necessarily imply that those in the SSLF enjoy parity with Jews. We also need to remember that our main focus is on Arab women, who may be more disadvantaged as women than the members of other groups. To anticipate this possibility, we modify our model to enable gender gaps to vary between origin groups, thereby obtaining more precise estimates of the expected earnings of varying combinations of origin, gender, and

sector. Formally, this means adding the two-way interaction between origin and gender to the model specified in table 7.2.

In order to provide an easily digested overview of the key results, we use Analysis of Variance to compute the expected average wages for women of different origins working in each of the two sectors. This procedure adjusts expected earnings as if each subgroup shared the mean attributes of the population on all other variables (age, education, and occupation).[8] The results in figure 7.5 confirm that, controlling for compositional differences, ethnic inequalities are much lower inside than outside the SSLF. Among women working in the social services, gaps in adjusted hourly pay between Arabs, Russians, and the two groups of Israeli-born Jews are no more than a few shekels in either direction. In contrast, in other branches of the economy, while Russian women with similar characteristics are not far ahead of Arabs, the two veteran Jewish groups earn far more (12–15 shekels per hour).

In order to take a closer look at the implications of this augmented analysis, we need to compare women to men, and to investigate changes over time. To do this we return to the regression framework, which generates percentage effects that are easily compared. Note that the interactions between origin and gender indicate that the net gender wage gap is indeed higher among Arabs than all other origin groups—generally by at least 8 percent, in both 2002 and 2010.[9] With this taken into account, we obtain a clear picture of the impact of origin, gender, and period on

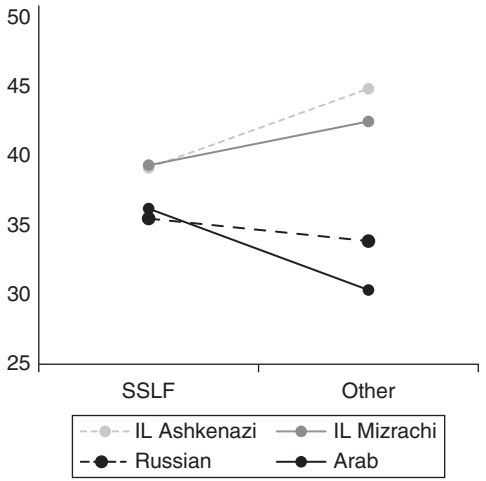

Figure 7.5 Women's adjusted hourly wages by sector and origin, 2008–2010

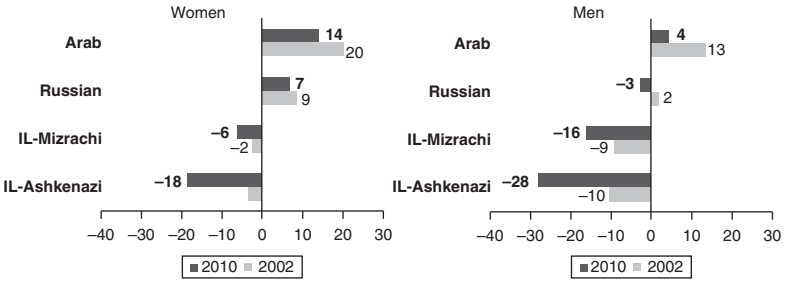

Figure 7.6 Net wage gap (in percentage) between SSLF and other branches, by gender and year

wage differentials between and within sectors. Beginning with the differential between the social services and other branches, figure 7.6 shows that with compositional differences controlled, during the past decade the earnings of the SSLF declined for all groups relative to opportunities elsewhere. But this trend was least pronounced among Arab women, who with a net SSLF bonus of 14 percent remained well ahead of other groups of women, especially the most advantaged—Israeli-born Ashkenazi women, who went from paying a slight SSLF penalty to a very sizable one (18 percent). A similar pattern is evident among men, for whom the SSLF was already unprofitable in 2002—with the exception of Arab men, whose bonus declined to only 4 percent in 2010, while in parallel the penalty paid by Israeli-born Jewish men rose dramatically.

As has already been observed, inside the social services, wage differentials between origin groups are far smaller than differences in the rest of the economy. However, figure 7.7 shows that in 2002 the earnings of Arab women were closer to equality with Israeli-born Jewish women than they are now. Yet in comparison with the parallel earnings disadvantage that Arab women face outside of the social services, the SSLF continues to be far more egalitarian. Interestingly, the findings for men (not shown) also reveal growing Arab-Jewish inequality outside the SSLF, but inside the social services their net wages are very similar to other groups (and in the past they were actually higher). This finding seems to imply that the welfare state is even less likely to discriminate against Arab men than Arab women. It may, however, be due to unmeasured differences in the human capital of the different gender and origin groups and the jobs they perform.

The overall picture is clear. The social services are definitely characterized by more uniformity in pay between similarly qualified workers, regardless of their gender and ethnic background. However, among Jews both sexes increasingly face more lucrative employment opportunities

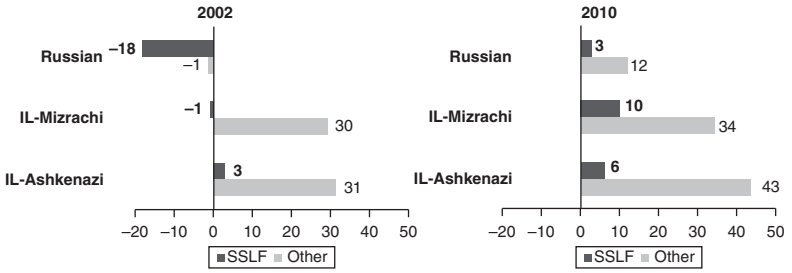

Figure 7.7 Women's net hourly earnings, percentage gaps from Arabs by sector and year

outside the social services than inside, even more among men than among women. In the Arab labor force neither men nor women are able to earn as much outside the SSLF as inside, but in both sectors men manage to get closer than women. Consequently, the evidence supports our claim that the SSLF is particularly beneficial as an employer to Arab women, in comparison with other groups.

What Makes Social Service Jobs Profitable for Disadvantaged Groups?

The final substantive analysis of this chapter takes a different perspective on wage determination inside and outside the social services. We now ask not about *earning outcomes* for varying employment sectors and social groups, but how the *determinants of earnings* differ between them. Until now education, experience, and occupation were interpreted as indicators of potential productivity, and therefore employers' willingness to pay, and our analysis asked what would have happened to earnings in a counterfactual world in which all gender and origin groups were equally valuable to employers in these respects. But in the analysis now to be reported, human capital and occupation are treated as investments by workers, and the question is what returns they receive on these investments. This will help us uncover what makes the SSLF beneficial for disadvantaged groups.

As a group, Arab women stand at the intersection of both gender and ethnic disadvantage in the labor market. Given this dual handicap, we ask whether Arab women gain as much as Arab men and Mizrachi women, each of which possesses only one of these disadvantages. For instance, by comparing the premium for higher education inside and outside the SSLF, we expect to confirm that in all three cases the educated profit from working in the social services, while questioning whether Arab women benefit as much as members of the comparison groups.

The analysis is not limited to differences in returns on productivity-related individual characteristics. We also explicitly model two "family-friendly" features that attract many women—Arabs in particular—into jobs in the social services, with the aim of estimating the value of these advantages in practice. Most Arab women are mothers (75 percent of those aged 25–45 have at least one child under 15 at home), and as such they face two pitfalls that have been well documented in the vast international literature on women and work (Blau et al. 2006): the "motherhood penalty," meaning the tendency for mothers to be paid less than other comparably qualified women, and the "part-time penalty" that mothers risk when they respond to work–family conflict by taking part-time positions.

Because the social services are geared to hiring mothers and offering them part-time jobs, and because the public sector is a *relatively* equitable employer, we expect the risk of both the motherhood penalty and the part-time penalty to be lower for members of the SSLF. If so, the benefits would be especially significant for Arab women, since they appear to confront relatively severe work–family tensions and have access to relatively limited job opportunities. This does not necessarily mean that Arab women benefit more as parents or part-time employees in the SSLF than either Jewish women or Arab men. What mainly interests us are differences between the two sectors of employment in these and other determinants of earnings.

To compare the extent to which different groups enjoy advantages like higher returns to education or less of a motherhood penalty when working in the SSLF, we ran a series of regressions estimating the effects of these variables on logged hourly earnings for different combinations of gender, origin, and sector.[10] As noted, Arab women are compared to Arab men (same origin but different gender), and Mizrachi women (same gender but different origin). Why the latter? Mizrachim are the most appropriate comparison group to Arabs because they are not recent immigrants and represent something of an "in-between" group in the Jewish stratification hierarchy.[11]

Table 7.3 offers a compact overview of the most important results. The table is arranged in two vertical panels. The left-hand panel shows effects for the social services, while the right-hand panel shows absolute differences between the effects found in the two sectors. To give an example, the second figure in the second row indicates that Arab women working in the social services earn 22 percent more if they have a high level of education than at the medium level. Moving to the right-hand panel in the same row, we learn that this bonus is higher by 12 percentage points than the one received by Arab women employed in other branches. Note that statistically insignificant effects are shown in gray type.[12]

Table 7.3 Determinants of hourly wages in different groups and sectors 2008–2010; effects in percent

	Social services			*Social services minus other branches*		
	Arab men	*Arab women*	*Mizrachi women*	*Arab men*	*Arab women*	*Mizrachi women*
Medium vs. low education	47	19	12	37	4	−1
High vs. medium education	17	22	26	12	12	11
Middle vs. younger age	17	17	21	11	10	7
Older vs. middle age	30	12	14	24	−3	−1
Menial services vs. routine WC	4	−9	−35	42	11	8
Associate professional vs. routine WC	2	27	13	11	26	−9
Professional vs. associate professional	8	−11	3	−7	−26	−14
Part-time vs. full-time	24	25	9	17	18	9
Child under 15 vs. other	15	7	6	7	4	−8

Note: WC means "White-Collar."

So far as human capital is concerned, the results show that the social services provide all three groups with enhanced returns to higher education (16 or more years), relative to the medium level of 13–15 years. Although not attaining statistical significance, our best estimates indicate that Arab men and women gain twice or three times as much, respectively, if they work in the social services (more than the returns to Mizrachi women). All groups in the SSLF enjoy a substantially larger "experience bonus."

Returns to occupational attainment are more complex. The table reports results for the most important categories of the six-part occupational breakdown used in our regressions.[13] As shown by the comparison between menial service jobs (e.g., cleaners and child minders) and routine white-collar occupations (which are mainly secretarial and clerical), the social services ease the pay disadvantage attached to lower-status occupations. This is especially important for women, because in both origin groups at least a quarter of them work in menial service jobs. Equally if not more prevalent is the category of "associate professionals," dominated in the SSLF by three occupations—nurses, elementary school teachers, and kindergarten teachers. For both Arab and Mizrachi women, this group of occupations pays more than the category immediately below (routine white-collar work) in both sectors. But in the case of Arab women—and only in their case—this bonus is higher in the SSLF. This finding is particularly noteworthy since not much below half of *all* Arab working

women (44 percent) are associate professionals employed in the social services.

The comparison with Mizrachi women underlines the unique attractions of the SSLF for Arab women. The former actually gain less of an advantage as associate professionals in the SSLF than they do elsewhere, and are much less dependent on these jobs (15 percent of total employment). Mizrachi women working in professional occupations enjoy an even more pronounced advantage if they work outside the social services. In principle this is also true for Arab women, but for them the benefits are largely theoretical since very few of them are employed in these high-status jobs, either inside or outside the SSLF.

What, finally, do our results imply regarding the "family-friendliness" of the welfare state as an employer? Among Arabs—both men and women—hourly earnings in the social services are around 25 percent higher for part-time workers. This is approximately three times the bonus received by Arab and Mizrachi women not employed in the SSLF. We find no evidence that parenthood imposes a wage penalty in Israel (see also Budig et al. 2010). Being a mother actually has a modest positive effect on women's earnings (although it is lower than the fatherhood bonus). In this respect also the welfare state is a relatively benevolent employer of Arab women, since it provides a slightly higher motherhood bonus than other branches. In contrast, among Mizrachi women the bonus is less than half what they receive outside the SSLF.

Conclusions

In Israel, as in other countries, the welfare state has been extensively studied and debated primarily because of its role in the distribution and redistribution of income and services. But its massive scope as an employer has been noticed, if at all, only in a small and specialized literature. At the same time, Arab women's low rate of labor force participation is increasingly perceived by scholars, policymakers, and policy advocates in Israel as a severe social and economic problem (although opinions are divided concerning the roots of the problem). It is remarkable that to date almost no research has juxtaposed these two issues and examined the role of the welfare state as an employer of Arab women.

The present chapter took up this challenge in a series of interrelated steps aimed at revealing the scope, causes, and effects of employment in the social services sector. We began with the simple task of documenting trends in the growth of social service employment over the course of almost three decades, noting that Arab women have become ever more

dependent on the state for jobs in the social services and that these jobs bear the primary responsibility for the growth in their labor force participation rates. Disaggregating the Arab and Jewish female populations revealed that over the past decade, Muslim women are the only group that has experienced a (very substantial) rise in the SSLF share of total employment. The parallel rates for Christian and Druze women are higher than among Jews, but have stagnated. Meanwhile, all major subgroups of Jewish women have experienced a decline.

Attempting to explain these findings, we first examined whether Arab women's characteristics coincide with the well-known bias of the social services sector toward hiring highly educated workers in part-time positions. It turns out that a lower proportion of Arab than Jewish working women exhibit these traits, although those who do have them are much more likely to belong to the SSLF (which is also true for Arab men). This implies that for highly educated and/or part-time Arab employees, opportunities to work outside of the social services are slim. Reinforcing this impression, from a long-term perspective all groups of women exhibit rising proportions with higher education, but only among Arab women does this trend coincide with rising proportions employed in the social services. Given the rising educational requirements of the occupations frequently filled by Arab women (like teachers and nurses), it seems likely that without the availability of social service employment fewer of them would have gone on to higher education, and more of those who did would have found themselves unemployed. Moreover, acute dependency on the SSLF has now spread to other sections of the Arab working population—full-time employees and those with lower education—again implying diminishing opportunities elsewhere. Using regression models, we find that even if the Arab and Jewish labor forces shared identical characteristics in relation to age, gender, education, working hours, and the presence of small children, Arabs would still be substantially more likely than other sectors of Israeli society to work in the social services—and the gap is now larger than ever before.

Our next step was aimed at examining the consequences for earnings of this high dependency on the social services. Once again we used multivariate models to avoid confounding compositional differences between sectors and social groups with gains or losses from working in the social services. We anticipated that due to lack of competition from Jews for social service jobs in Arab communities, and the tendency for public sector wages to be more uniform and equitable than in the private sector, disadvantaged groups who join the SSLF—Arab women in particular—experience two kinds of gains: a sectoral premium vis-à-vis comparably qualified workers employed in other branches, and equality of earnings

with the members of more socially advantaged groups within the social services. Both of these expectations were fully upheld in our results for 2002, but somewhat less so in 2010. The main change was in the size of the sectoral bonus or penalty enjoyed by different groups. Among both men and women, it is still advantageous for Arabs to work inside the social services and for veteran Jews (especially Ashkenazim) to work outside, but the first advantage has diminished while the second grew.

Different ethnic and gender groups confront different opportunity structures outside of the SSLF. If the social service sector had been free to adjust its wage offers to the labor market conditions facing different groups, by 2010 a sizable gap would have opened up between the earnings of Arabs and Jews working for the welfare state. In practice the almost identical adjusted earnings of Arab women and Israeli-born Jews in the social services in 2002 were replaced at the end of the decade by modest though perceptible gaps. As a result, from the perspective of the Arab women who are our primary concern in this chapter, working in the SSLF may be seen today as a mixed blessing, since it offers them superior wages to Arabs with similar qualifications employed in other branches, but no longer pays them as much as Jews who work in the same jobs.

The final phase of our empirical analysis addressed the question of profit and loss by unpacking the determinants of wages for three different combinations of gender and nationality. Relative to groups disadvantaged on only one of these dimensions, how much do Arab women benefit from working in the SSLF? The results showed that returns on human capital (education and experience) are much higher within the SSLF, especially for Arabs. Moreover, other things being equal, the type of occupations typically held by women employed in the social services are better paid in the SSLF, with especially beneficial consequences for Arab women. When we turned our attention to indicators of the costs of work–family conflict for women, it turned out that in Israel both motherhood and part-time employment generate net gains. These unexpected bonuses tend to be even higher in the SSLF, with Arab women gaining as much as Arab men and sometimes more than Mizrachi women.

Our interpretation of how the social services operate as a labor market for Palestinian women points to three key dimensions. The first of these is *human capital requirements*. Jobs in the SSLF have a distinctive high-skill profile. For disadvantaged groups generally—and Arab women in particular—the relative abundance in the social services of jobs requiring higher education accelerates their educational level by holding out the prospect of employment. This leads directly to the second dimension: the degree of *competition for jobs* both inside and outside the SSLF. Although the social services offer relatively "good jobs," for the most part Arabs do

not compete for these jobs with the dominant Jewish majority. Conversely, alternative "good jobs" for Arabs are scarce, spurring intra-Arab competition that could result in SSLF jobs becoming less "good" for Arab women. The balance between these two forces depends on the third dimension, which is the *wage policy of the social services*. Large-scale public employers tend to pay workers in high demand less than the private sector, but are more likely to operate uniform and equitable pay scales and less likely to respond to labor market conditions that invite discrimination against women and minorities. The evidence suggests that these conditions have worked decidedly to the benefit of Arab women. But the corresponding advantages—higher pay than other branches and equal pay inside the SSLF—have eroded somewhat over the past decade, presumably as a result of growing privatization of the delivery of social services.

The policy implications of our study are clear, beginning with the unacknowledged but undeniable fact that for Arab women the social services are their predominant port of entry into the labor market. But in addition, the welfare state as an employer has operated in ways specifically beneficial to Arab women: by encouraging them to invest in higher education, by offering them jobs compatible with the gender roles prevalent in their community, and by refraining from exploiting their limited alternative job options. Moreover, given both the quantity and quality of the services supplied to Arab citizens lag significantly behind those provided to Jews, expansion of social services would be an effective way to simultaneously advance civic equality and bring more Arab women into gainful employment, without simply moving them from poverty without employment into working poverty. Having said that, it is important to acknowledge that research of the type carried out here rests on making theoretically informed inferences from correlational evidence. We have not directly investigated either the behavior of the social services as an employer or the job offers available outside the social services. Some other missing variables could potentially be included in more sophisticated statistical models, like variations in the selectivity (talent and motivation) of workers and the quality of their human capital. Given the high stakes involved, we hope that future research will take up these and other challenges.

Notes

1. For brevity, hereafter the Palestinian-Arab citizens of Israel will be referred to as Arabs.
2. The three 2-digit branches comprising the SSLF are education, health, and "welfare and social work," which following Israel's 1993 SIC are coded 80, 85, and 86, respectively. For the LFS only, a few three-digit categories were

excluded (808—"schools and educational institutions n.e.c.," and 85A—"Veterinary services, para-medical and medical services n.e.c.").

3. Arabs here and throughout have been defined using a combination of nationality and religion variables. The Jewish population, when not divided into origin groups, comprises all "non-Arabs," meaning this category includes those who are not Arab by nationality but are also not Jews by religion. The grouping of branches in figure 7.1 is based on the two-digit classification of the CBS.
4. Detailed results available on request.
5. Due to small sample sizes, results for Arab women are not presented before the mid-1990s.
6. This figure applies to the first two quarters of 2012. Avital Lahav, *YNet*, October 9, 2012. http://www.ynet.co.il/articles/0,7340,L-4289950,00.html.
7. Due to the less complete data on education collected in the IS, education categories are defined less precisely than in previous analyses based on the LFS. Sixteen or more years of schooling corresponds to high education, between 13 and 15 is defined as medium, and less than 13 years of schooling is considered low education.
8. The ANOVA model is identical to the regression model in Table 7.2, augmented by the two-way interaction between gender and origin, but for comprehensiveness also includes a three-way interaction between gender, origin, and sector (which, although significant, had no notable substantive effect on the results). To ensure adequate statistical power, the analysis pools three consecutive years (2008–2010).
9. The results, available on request, are based on the model in Table 7.2 with the addition of interaction terms between gender and the six non-Arab origin groups. While a number of the coefficients (mainly in 2002) do not reach conventional levels of significance, the pattern is clear.
10. The full results of these regressions are available on request.
11. Note that Mizrachim are defined as both immigrants from North Africa and the Middle East and Israeli-born Jews whose father was born in these regions, with the two groups proportionally weighted.
12. Statistical significance was defined as $p < .05$. For the differences in effects shown in the right panel of the table, significance was determined by adding interaction terms between each independent variable and an SSLF dummy variable to the models.
13. The unreported categories are blue-collar jobs and managers, which are both relatively uncommon in the social services.

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Part III

Segregation Matters

8

Barriers to Developing Employment Zones in the Arab Palestinian Localities in Israel and Their Implications

Rassem Khamaisi

Introduction

The shortcomings of Arab Palestinian towns and villages (hereafter Palestinian localities) in terms of economic development raise a number of observations about the causes and barriers that stand in the way of development, eliciting several questions: whether or not the geopolitical situation where the Arab Palestinian (hereafter Palestinian) community has become a minority in Israel with spatial and functional control imposed by the Jewish majority and the State of Israel is responsible for the low socioeconomic conditions? Are the cultural and structural conditions of a community that has undergone distorted stages of false urbanization, fluctuating between tradition and modernization, behind the underdevelopment of the community? (Khamaisi, 2012).

There are various schools of thought that try to explain the phenomenon that led to these observations, including lack of job opportunities, limited employment centers, and lack of industrial zones in Palestinian localities. One school blames the socioeconomic underdevelopment on political, ethnic, and national factors. Others blame them on structural, functional, and cultural factors. However, these factors dialectically interchange. Nevertheless, the literature has overlooked the possibility of a mixture of factors, which work together to inhibit the development of work opportunities in Palestinian localities. For instance, one may claim that

the government policy, which seeks to restrict development in Palestinian localities in order to ensure perpetual dependence on the Israeli economy, is behind lack of industrial zones in Palestinian localities in Israel. Therefore, the constraints imposed on developing industrial zones and economic establishments in Palestinian localities—where they may help create job opportunities—are the outcomes of the government policy that dictates planning and spatial management based on refusing to allocate public land for the sake of establishing industrial zones. This policy is part of a matrix of spatial and functional control on collective and individual levels used systematically against Palestinian citizens so as to diminish any likelihood of success or improvement in their capacity to generate work opportunities and attract investors. Furthermore, the shift of the Israeli market toward a neoliberal economy, the internal obstacles created by the culture of the community, the managerial capacities of the Palestinian local authorities, the conduct of the social elite, and the position of the Palestinian localities in the peripheries of the state assist the Israeli geopolitical/geoeconomic policy in succeeding.

This chapter discusses the circumstances and the barriers related to establishing employment centers due to spatial policy, workers' commuting patterns, and municipalities' revenues. The chapter will also examine the reasons for the lack of industrial zones in Palestinian localities and the implications of such shortcomings as well as the obstacles leading to the lack of work opportunities and the inability to draw in industrial entrepreneurs. These outcomes are the inevitable consequence of low level of economic, industrial, and other services. This chapter will provide observations regarding the implications of lack of employment on the revenues of the local authorities, job provision, and the socioeconomic situation.

The approach used in this chapter is analytical, descriptive, quantitative, comparative, and critical. The data and information used come from different sources, including the publications of the Israeli Central Bureau of Statistics (ICBS) and reports and research studies on the socioeconomic situation, in addition to the spatial and planning status of the Palestinian localities. The chapter also utilizes and analyzes data disseminated by the ICBS on 13 Palestinian and Jewish local authorities as a sample to test the claim that the Palestinian and Jewish localities are comparative in mandates, administrative status, and geographic location. The chapter benefits from a detailed study, which we conducted on three employment/industrial zones in three Palestinian localities, including Kafar Kanna, Sakhnin, and Tamra, in order to understand the circumstances existing in the employment/industrial zones in Palestinian localities, their management, and the barriers that hinder attracting economic entrepreneurs (Khamaisi, 2010b).

The chapter begins with creating a framework for the role of employment zones in enhancing local economic development. It then discusses the policy of maintaining the Palestinian localities' economic development dependent on Israel and the state's industrial zones as the primary source for jobs. It compares Palestinian and Jewish localities and the causes of the disparities between them with respect to economic development and the barriers that prevent the development of fields of employment in the Palestinian communities (the review of the obstacles is based on the data we collected). The chapter closes with an assessment of the barriers, their implications, and the possibility of their removal.

Employment Zones and Their Role in Economic Development

Employment areas, including industrial zones and cities (Al-Hathloul and Al-Sayed, 2001), commercial centers, tourist attractions, and agricultural manufacturing centers, are key leverage to the development process. They provide jobs, attract business entrepreneurs and investors, increase the revenues of the local authorities, and consequently, improve the local economy. Industrial zones that incorporate basic industries enable multiple jobs, and are core for development of employment activities (Weber, 1929). Planning and development of industrial zones serve as a base for jobs, spreading development to surrounding areas (Scott, 2002; Webber, 1984; Zeng, 2011). Thus, there is a positive relationship between the size of an industrial zone and the creation of job opportunities (Amin, 1999; Yuen, 1991). Therefore, a core regional strategy for economic development (Hirschman, 1958; Myrdal, 1959; Tan, 2006) and the creation of employment zones should be to create balanced development in towns, which can compete to attract entrepreneurs, create jobs, and increase revenues (Amin and Thrift, 1995; Hamilton, 1986; Lin, 2009).

Such development strategies require improvement of rural areas and allocation of lands for economic development in order to attract investors. Israel's national and regional plans aim to develop employment zones in the country's peripheries for the sake of attracting young Jewish families, ensuring economic balance, and bridging gaps between the center and the peripheries (Gradus et al., 1993; Razin and Shachar, 1990; Yiftachel, 1991).

Some countries have implemented policies targeting rural areas for development purposes where local authorities competed to benefit from them in order to establish jobs and increase revenues (Fan and Scott, 2003; Lin, 2009; Lin and Monga, 2011; Sunley, 1996). Significantly, ethnic, political, and national agreement between the local authorities and the central government is a prerequisite for provision of the infrastructure (land availability, authorizing planning, local authority's capacities of

drawing in entrepreneurs and developers) to promote economic development (Otsuka, 2007; Otsuka and Sonobe, 2011).

Hence, spatial planning, especially central and gradual planning, is a key tool for land distribution and control of land use (Fruchtman, 1986), enabling the state to focus on developing certain areas and overlook others (Forester, 1989). The central government is the supplier of land and is the party that produces and endorses spatial planning. Figure 8.2 shows the relationship between the various components involved in providing the basic infrastructure available and removing the obstacles standing in the way of developing industrial and job-creation regions. There are three components. Land is the first, and in the case of Israel, the state controls and administers approximately 93 percent of the land, and often aims to carry out its spatial policies in the periphery. The second is spatial planning, which allows the state to authorize land usage for developmental purposes. Spatial planning in Israel is central, and local planning must comply with it. The third is the defining of the jurisdiction of the local authorities once approved by the Minister of Interior, who has absolute power to define such jurisdiction.

These three components are manipulated by the Israeli government in order to realize its geopolitical objectives, including creating development areas in Jewish localities and ensuring implementation of the state policy, which discriminates against Palestinian localities. A state that seeks

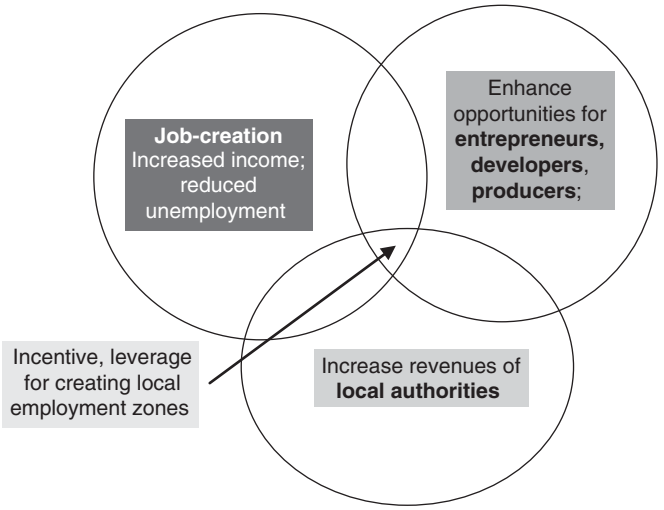

Figure 8.1 Employment and local industrial zones work together to enhance economic development

to develop employment zones allocates land under its control for this purpose. A state may choose to ignore a specific town or area or ethnic group and remove them from its list of areas for which resources, economic development, and job creation are made available. Consequently, the local authorities of such areas will become impoverished and therefore increasingly dependent on the state's resources.

Lack of land may be a barrier in the face of development. There are other factors, including planning, land management, and the community's culture, that enable or disable development. These will be discussed further later.

Figure 8.2 shows that land availability, enabling spatial planning, and management of land within a municipality's jurisdiction may lead to the development of industrial regions that, having attracted developers and entrepreneurs, can provide jobs and increase individuals' income and local authority's revenues.

Subsequently, state policy maneuvers land ownership, legalized spatial planning, and areas of domain as mechanisms and components in the matrix of control over space, functions, and individuals. These policies can also affect which areas are selected and allocated for development and whether the results will be fair planning, impartial distribution of resources, or providing the labor force with incentives to work and live at specific industrial zones.

A number of studies discuss Israel's policy toward its Palestinian citizens, and local authorities (Khalidi, 1988; Lustick, 1980; Shihadeh and

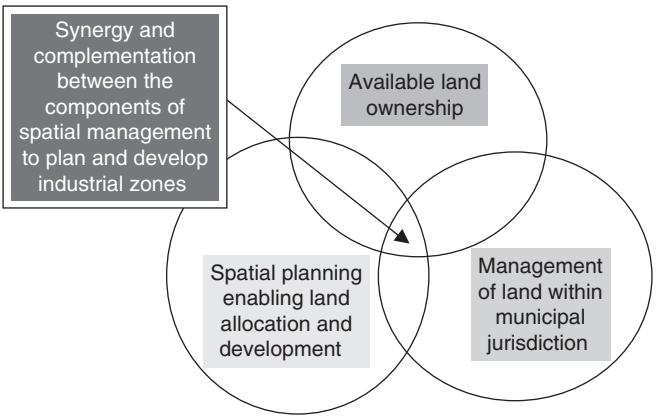

Figure 8.2 Opportunities for planning and development of employment zones and their relation to the components of planning, management, and land planning and allocation

Sabbagh-Khoury, 2006) argue that Israel's policy ensures Palestinian political and economic dependence on the state, while several studies find that Israel exerts control over its Palestinian population (Lustick, 1980; Zureik, Lyon, and, Abu-Laban, 2011). Zureik (1979) argues that the state focuses on internal colonialism and Judaization of space (Khamaisi, 2003). A study by Schnell et al. (1995) explains how Israel's policy hinders the development of industrial zones in Palestinian towns and prevents Palestinian entrepreneurs from investing due to their ethnicity and nationality. Wesley (2006) argues that the economic development of Palestinian localities is meant to ensure dependence on the state and the neighboring Jewish towns.

Israel's policy of strengthening Jewish identity and interests over those of the Palestinian population has partially changed since the establishment of Israel. There have been voices calling for bridging the gap between the Palestinian and Jewish populations of Israel. The Palestinian community has also become more active in demanding its rights and in trying to alter the state of dependency. However, the gaps are still present and employment centers are still limited. Moreover, the Israeli economic policy toward its Palestinian population prevents drawing in Palestinian and other business entrepreneurs.

On the other hand, some argue that the limited employment zones in Palestinian localities are due to the traditional nature of the Palestinian community, which turned into a helpless minority in the aftermath of 1948, scattered at the peripheries in small underdeveloped villages (Khamaisi, 2005; Schnell et al., 1995) (see figure 8.3). There are few lands under public and private ownership that are allocated for industrial development but idle in Kafar Kanna, Tamra, Schnine, and Reine, for instance. The utilized industrial zones are inappropriately managed and do not meet the requirements of the factories and workshops that are built on them (Khamaisi, 2010b). The geographic, structural, social, cultural, and functional aspects that hinder development in Palestinian localities can be overcome provided that there are fair policies that aim toward achieving equal development opportunities for the Palestinian and Jewish populations.

The Situation Regarding Existing Employment and Industrial Zones

There is a connection between the increase in population, the level of economic development, and the creation of employment zones in localities.

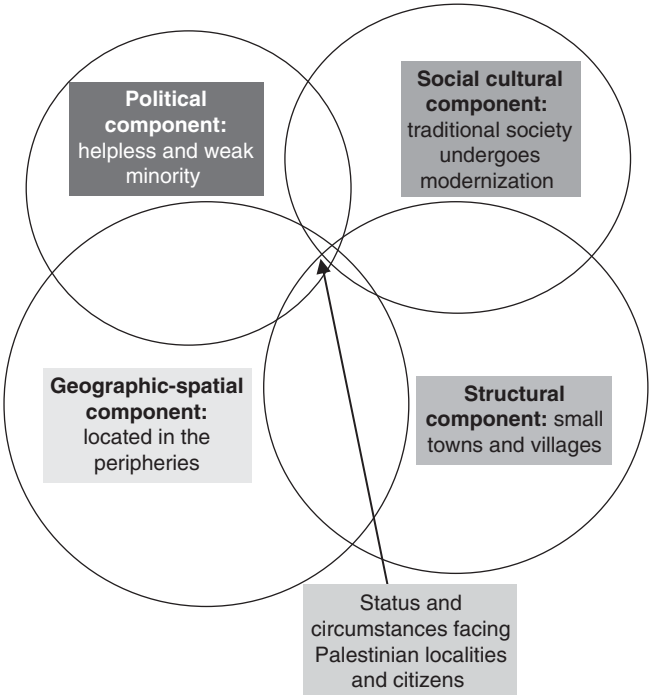

Figure 8.3 Dialectical relation between the four components that hinder the development of employment centers in Palestinian localities

Palestinian localities in Israel depend on the industrial zones and job openings in the neighboring Jewish towns, which were established for the purpose of regional Judaization. The commuting rate of Palestinian employees is an indicator of lacking employment centers, as Palestinian citizens refer to their hometowns as "dormitory towns."

A study examining commuting patterns involved the Palestinian labor force of more than 10,000 residents above the age of 15 who worked outside their hometowns (35 towns—see Figure 8.4). The findings show that 56.73 percent of the labor force in the 35 Palestinian towns in Israel work outside their hometowns. This figure is close to the percentage of the Palestinian labor force in Israel who work outside their hometowns, which totals 55.1 percent, including 69.6 percent working in industry and workshops and 75.9 percent working in agriculture (Gara, 2012). This means that all of the Palestinian localities function primarily as accommodation. However, the rates vary among Palestinian localities; 71.7 percent

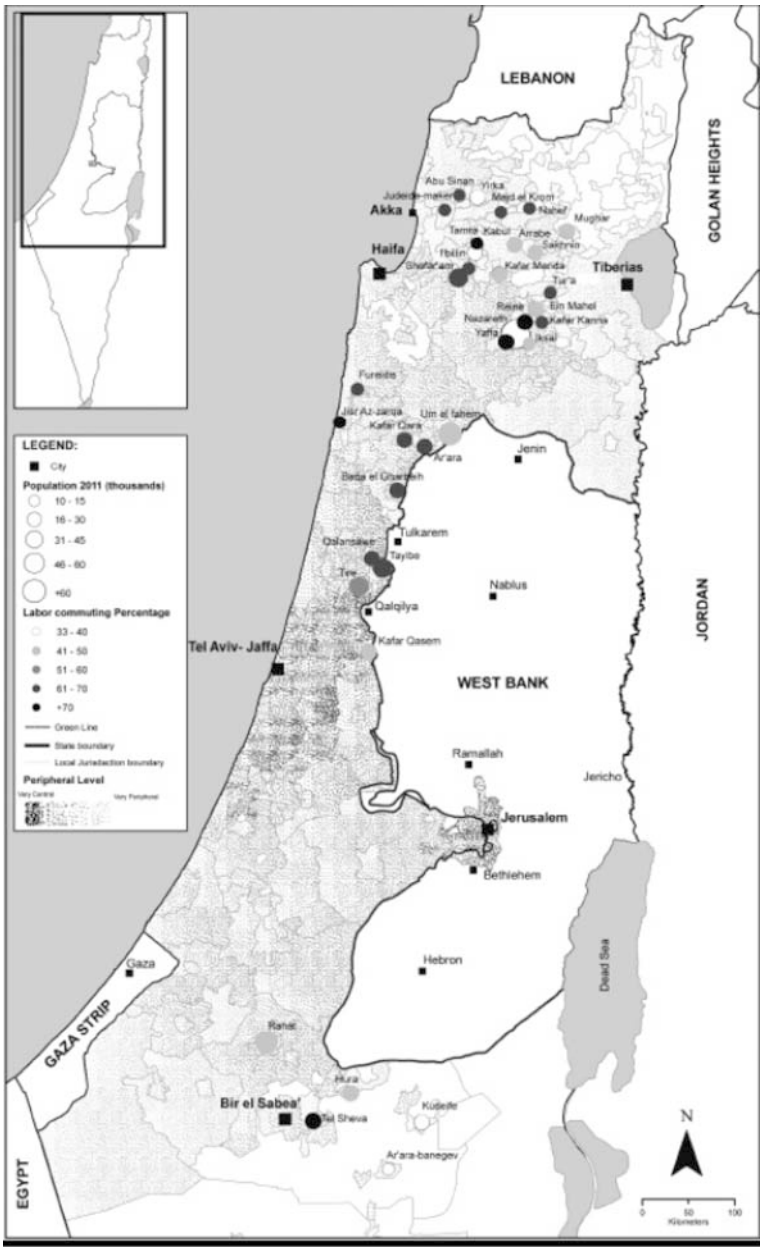

Figure 8.4 Percentage of the work force commuting (2008) in the greater Palestinian localities (more than 10,000, 2011), according to population size and locality on the central–peripheral state map division

and 72.9 percent of Tel Sheva and Reine, respectively, work outside the two towns. On the other hand, 38.1 percent of the labor force of Ar'ara work in the Negev commutes. The findings also show that localities close to employment centers have high rates of commuting. For instance, 67.8 percent, 53.4 percent, and 61.2 percent of the labor force of Tayibe, Tire, and Qalansawe, respectively, commute to work in employment centers outside their localities. Alternatively, localities that are remote from employment centers have low rates of commuting. This is the case regarding Kuseife and Ar'ara in the Negev, where 33.1 percent and 38.1 percent of the labor force, respectively, commute to their workplaces outside their hometowns. Availability of jobs in Palestinian localities reduces the rates of the labor force that commutes to work. Hence, in 2008, the percentage of the labor force that did not commute to work outside their communities in Nazareth, Tamra, Kafar Qasem, Sakhnin, and Kafar Kanna stood at 34 percent, 38.5 percent, 41.8 percent, and 42.8 percent, respectively (see figure 8.4).

In the past, the Palestinian citizens of Israel worked primarily in agriculture; however, land appropriation by Israel and lack of water resources allocated for irrigation inhibited the development of the agricultural sector in Palestinian localities and forced the Palestinian labor force to find alternative jobs. In parallel, the Palestinian community became more educated and modernized, which led to the search for alternative forms of employment.

A survey that included a sample of 3,270 households was conducted in 2007 by the Galilee Society; it showed that 47.1 percent of the labor force aged 15 years or above work within 9 kilometers of their hometowns. The findings of the survey confirm the ICBS data, which also show gender variation in the rate of the labor force commuting, where the percentages stand at 41 percent for males and a high 69.5 percent for females (Galilee Society, others, 2008, table 13.7: 158).

A study by Schnell et al. (1995) shows that the job opportunities that emerged in the Palestinian localities were mainly service jobs in public administration, in order to serve the local community. They did not draw in entrepreneurs from the outside or increase employment opportunities.

Another reason for the lack of job openings in the Palestinian localities was the partial state of modernization and urbanization before 1948, which was concentrated in cities like Nablus, Jaffa, Haifa, and Jerusalem. However, the 1948 war ended the natural cycle of development. The implications of the war for the Palestinians who remained in their hometowns included loss of the economic elite and the middle class. Nazareth was the only town that survived the aftermath, having a population of 22,000 in 1955. The remaining Palestinian localities depended largely on

agriculture. Their populations increased but without expanding the number of employment zones due to a number of barriers and obstacles, which will be discussed later.

Development of Employment/Industrial Zones

The development of employment/industrial zones and workshops in Palestinian localities in Israel underwent three main phases: from 1948 to 1990; the 1990 to 2003; and 2003 to the present.

Phase 1 (1948–1990)

During this phase, Palestinian localities went through a state of rapid latent urbanization. Al Tayibe and Umm Al-Fahm gained the status of municipality in 1982 and 1985, respectively. The Palestinian labor force shifted rapidly from agriculture to industry and services. There was a lack of economic development, including factories and workshops (Khamaisi, 1985). The Israeli government disregarded any planning or development of industrial zones in the Palestinian localities in this phase. Policies were devised to develop Palestinian localities (Bäuml, 2007), and there were many discussions about industrialized Palestinian localities; however, there were no major changes or developments. Some texture factories were moved from Jewish towns to Palestinian localities, especially Druze towns, and industries and workshops were established; however, they were designed for local employment (Schnell et al., 1995) and were built in residential areas. The outlined plans for the localities overlooked the need to allocate land for industries; they intentionally designed Palestinian towns with limitations in spatial expansion and development. The plans assigned land for housing and public utilities, such as schools, and ensured that Palestinian localities' economic development was dependent on employment zones in neighboring Jewish towns (Khamaisi, 1990).

On the other hand, limited initiatives developed for operating factories and workshops to cater mainly to local needs. They occupied only small areas (Atrash, 1992). For instance, the Kafar Kanna outline plan, which was endorsed in 1981, allocated 70 dunams for industries and workshops; Tamra's outline plan of 1979 allotted 335 dunams for industries and workshops; and the Sakhnin outline plan of 1982 allocated 265 dunams. The assigned areas could attract entrepreneurs and limited economic activity. The Palestinian labor force during this phase was economically active in several branches other than agriculture that did not require special skills

but forced most workers outside their hometowns, including construction, industry, and services (Khalidi, 1988).

Phase 2 (1990–2003)

During this phase, the promises of the Israeli economic policies to create industrialized Palestinian localities were translated into actions (Bäuml, 2007; Khalidi, 1988; Khamaisi, 1985; Schnell et al., 1995). Rabin's government won the elections in 1992; its policy was to reduce the developmental gaps between Palestinian and Jewish localities, including the establishment of industrial regions in Palestinian localities. The Ministry of Industry, Trade, and Labour developed industrial zones in 20 Palestinian localities (developed areas totalled 1,737 dunams) (see table 8.1). The peace process enabled Palestinian political parties in Israel to contribute to the recognition of the discrimination of the Palestinian minority and thus to create economic opportunities. The Department of Regional Development in the Ministry of Industry, Trade, and Labour, which was in charge of developing industrial zones in Area A, invested 11 percent of its total investments between 1995 and 2008 in developing industrial zones for the Palestinian citizens of Israel (Ministry of Industry, Trade, and Labour, Department of Regional Development, Economic Research Division, 2011). The state designed three development regions; A, which received full support; B, which received partial support; and C, including the central region, which received no support (Khamaisi, 2011).

This table shows that only 2.62 percent of the land allocated for industry under the management of the Ministry of Industry, Trade, and Labour

Table 8.1 Areas planned, developed, and managed with support of the Ministry of Industry, Trade, and Labour for industrial regions, 2003

Authority	*No. of industrial zones*	*Area of land (dunam) for marketing*	*Areas marketed and used*	*Percentage of un-marketed land*
Palestinian local authority	20	1.737	1011	41.8
Jewish local authority	44	48.844	20.521	58
Joint industrial regions	3	1.807	1.014	43.8
Mixed local authorities	2	2.583	1.780	31.1
Industrial local authorities	2	12.426	2.966	76.2
Total	71	66.300	28.292	57.4

Source: Ministry of Industry, Trade, and Labour (www.tamas.gov.il).

in the peripheries is in Palestinian localities and the rest is located in Jewish towns. Moreover, 3.57 percent of the marketed land is in Palestinian localities. These findings show a lack of employment zones in Palestinian localities that is a direct result of the planning and land allocation process, which designates most industrial areas to lands belonging to Jewish local authorities. Forty-two percent of the land allocated for industry in Jewish towns is utilized compared to 58 percent in Palestinian localities, so that Jewish towns have vast areas still available for industry. There are also barriers blocking the total utilization of the land allocated for industry in Palestinian localities.

The State Comptroller stated in 2001 that the gap between developing industrial zones in Palestinian and Jewish towns located in the peripheries is large despite policy change. The average area of land allocated for industrial zones in Jewish towns in the Negev is 1,622 dunams compared to 1,265 dunams (or 7.8 percent of the size of the land in Jewish towns) allocated for industrial regions in Palestinian Bedouin towns. In the Galilee region located in the north of Israel, Jewish towns are designated 550 dunams for industrial zones while Palestinian towns are allocated a mere 769 dunams (14 percent of the space Jewish towns attain). Wesley (2006) found that before the end of the 1990s, Jewish and mixed towns were allotted 22,700 square meters of land for economic activities (industry, commerce, offices, housing, and hotels) per 1,000 people. On the other hand, Palestinian localities were allocated an area of 4,800 square meters for economic activities per 1,000 people (one-fifth of the quantity of land allocated for the same purpose in Jewish towns in terms of location and population) (Wesley, 2006: 59). Phase 2 shows that the industrial zones included in the master plans of the Palestinian localities in the 1980s and 1990s relied on government initiatives and sources.

Phase 3 (2003–Present)

Policies in this phase shift from developing small industrial zones to developing joint Palestinian—Jewish industrial zones and defining main regional industrial zones as economic leverage. The policies began to be implemented in the aftermath of endorsing regional plan 35 in December 2005, which focused on urban development and establishing large joint industrial regions/fields of employment. Initiatives continued through this stage and aimed at expanding the industrial areas in Palestinian localities such as Kafar Kanna (plan no. 11414 of August 26, 2003) to add 224 dunams to the industrial zone and Sakhnin (plan no. 13011 of October 10,

2007) to add 108 dunams to the industrial zone. Tamra's plan to expand its industrial zone by 300 dunams is still awaiting endorsement by the planning institutions.

However, the establishment of joint Palestinian–Jewish industrial zones faces many obstacles since Jewish towns refuse to share the management and revenues of industrial regions and they insist that Palestinian localities unite their lands with existing industrial regions such as the Bar-Lev industrial zone in the abandoned Palestinian village of *Barwa* whose land was confiscated and partially transformed (1,130 dunams) into a regional industrial zone. Bar-Lev is a joint industrial region shared by three Jewish local authorities: Karmi'el, Matte Asher, and Misgav. There are two factories owned by Palestinian citizens, which employ Palestinian workers in Bar-Lev. The Israeli government, which aims to include Palestinian localities in large industrial areas, proposed to expand the region by 700 dunams and allocated 5 million Israeli Shekels to support the proposal, providing that the Jewish local authorities agree to share the region with Palestinian localities, including Majd Al Kroom, Al Ba'ni, and DeirelAsad. The final plan to expand Bar-Lev has not been approved yet though the proposal was introduced ten years ago. The master plan for the expansion of Bar-Lev has been finalized; it includes 675 dunams belonging to the nearby Majd Al Kroom Jurisdiction.

The industrial region of Tziporit industrial park has a similar story. It was built on the land of the abandoned Palestinian village of *Saforia* to be managed jointly by Palestinian and Jewish localities such as Nazerat Illit, Kafar Kanna, and Meshhed (Wesley, 2006). However, most of the industrial region, an area of 3,000 dunams, is in the jurisdiction of Nazerat Illit; 150 dunams are in Kafar Kanna's jurisdiction, but under state management; and the rest is privately owned. Meshhed is still planning to establish an industrial region within its jurisdiction. The Tziporit industrial zone was annexed to upper Nazareth although there is no geographic continuity between the two places. This annexation reinforces upper Nazareth's standing while undermining that of Kafar Kanna's, while the former collects municipal taxes for the use of the industrial zone of Tziporit, in line with the national policy in this regard.

The policy of establishing joint Palestinian–Jewish industrial regions included five areas, three of which have signed joint agreements. The Ministry of Industry, Trade, and Labour aims to establish an additional five Palestinian–Jewish joint industrial regions (Ministry of Industry, Trade, and Labour, 2011: 12–13). This policy appears positive since it increases job opportunities, attracts entrepreneurs to the peripheries, distributes the revenues of the industrial region among Palestinian and Jewish local authorities, reduces competition and conflict over expanding jurisdictions,

and limits wasting land especially in the Galilee while reducing the gaps between Jewish and Palestinian towns.

While there are positive elements in establishing joint industrial areas (Gonen and Khamaisi, 1992), there are factors that impede implementation. Among the inhibiting factors is the failure of the Jewish local authorities to compromise their advantages and government support. Consequently, Palestinian local authorities have not succeeded in developing independent industrial zones or expanding existing ones since such steps would undermine the government's planning policy to develop joint Palestinian–Jewish industrial regions. Moreover, the Palestinian local authorities' involvement requires the approval of the Jewish local authorities. The government would not push for the Jewish local authorities' approval in this regard in case they refuse to cooperate. The local Jewish authorities do not have the geopolitical, social, or economic incentives to share resources. Sharing would stand in the way of drawing in Jewish entrepreneurs to the peripheries. Therefore, the new policy, which was transformed into spatial planning, precludes the establishment of industrial centers in Palestinian localities.

A study by the Palestinian Centre for Alternative Planning shows that the area allocated for establishing industrial zones does not exceed 3.5 percent of the land allocated for such purposes though the Palestinian population constitutes one-fifth of the Israeli population. Forty-eight out of 74 local Palestinian authorities have approved industrial centers in their master plan, including 25 local authorities with developed industrial zones, 14 of which are independent industrial zones that were established with financial support from the Ministry of Industry, Trade, and Labour. The remaining industrial centers were only partially supported by the ministry and have developed accordingly. The study concludes that the areas allocated for each individual industrial zone in 2007 does not exceed 11.8 square meters (Bana-Jeryes, 2008).

The Revenues of the Employment/Industrial Zones

This section relates to the following question: what is the percentage of the areas of buildings allocated for industrial and economic activities, as an indicator of the size of the locality's employment zone, generating revenues to the local authorities? To answer this question, we collected data on the ranges of the buildings that pay taxes to local authorities and compared them with that of the buildings used for factories, workshops, and economic activities. We calculated the percentage of the local authorities' income from areas used for economic activities (such income is an

incentive to develop industrial centers in localities). The study included 13 Palestinian and 13 Jewish localities of similar populations in the country's periphery (430,200 and 429,700 in total, respectively, in 2011). The largest Palestinian town included is Nazareth, whose population is approximately 73,000 people, while the populations of the rest of the localities range between 20,000 and 50,000 each.

The findings show that the scale of the built areas that pay *Arnona* municipal taxes to Palestinian local authorities is 14 million square meters, which is equivalent to 36.8 percent of the area of 38 million meters in Jewish towns. The total area of buildings allocated for industrial activities and which provide jobs in Palestinian localities is 1.46 million square meters, which is 9.8 percent of the built areas that pay the *Arnona* tax compared to 5.3 million square meters, which is 16.8 percent of the built areas that pay taxes to local authorities in Jewish towns. Hence, the share of tax-paying buildings allocated for industrial activities in Palestinian localities is 57.7 percent of that in their Jewish counterparts. The average income of local authorities from economic activities in Jewish towns is 50 percent compared to 17.6 percent in Palestinian towns (or 35 percent of the amount of their Jewish counterparts)—see tables 8.2 and 8.3.

Findings also show that the volume of industrial buildings that pay taxes to local authorities in Palestinian localities is 1,457,000 square meters, which is 27.5 percent of the same expanse of 5,302,000 square meters in Jewish towns. The areas planned and designated for industrial regions in Palestinian towns is 3,508 dunams or one-fifth of the planned areas for the same purpose in Jewish towns—see tables 8.2 and 8.3. Sections of these areas are supervised by the Department of Regional Development in the Ministry of Industry, Trade, and Labour.

In conclusion, the lack of industrial and employment zones in Palestinian localities is manifested in poor planning as well as in the low-scale tax-paying for use of buildings located in these areas. Swirski and Aghbariyi (2011) argued that 5 percent of the built-up areas allocated for industry, workshops, banks and offices, and paid taxes in 2003 in Palestinian localities was inhabited by 14 percent of the population of Israel (Swirski and Aghbariyi, 2011: 19). Thus, the Palestinian local authorities' drawback is related to structural weakness. This disadvantage is due to the lack of land allocated for industrial/employment zones, which instigates decreased construction of industrial buildings, workshops, and tax-paying structures. It is also due to the Palestinian local authorities' low capacity in collecting taxes. The comparison shows that the buildings used for economic activities in Jewish towns are four times the buildings used for the same purpose in Palestinian localities, strengthening the economic dependency of the Palestinian localities on Jewish ones.

Table 8.2 Built-up areas that pay taxes to local authorities in 13 Palestinian localities and the percentage of area allocated for industrial and economic activities and projected revenues, 2012

Town	*Population (2011)*	*Total of built areas paying municipal taxes (1,000 sq. meters)*	*Percent of tax on buildings allocated for commercial activities and offices*	*Percent of tax on buildings allocated for industry and workshops*	*Total built areas allocated for industry and workshops, commercial activities, and offices (1,000 sq. meters)*	*Total percent of tax on buildings allocated for industry, commercial activities, and offices*	*Percent of income of local authorities from economic activities per total tax on buildings*	*Areas of land allocated for industry in the Master Plan (1,000 sq. meters), 2012*
Nazareth	73.3	2537	11.85	2.25	357.6	14.1	39.39	389
Rahat	54	979.2	5.9	3.3	90.7	9.2	17.71	402
Umm Al-Fahm	47.9	1977.8	1.9	6.8	173.1	8.7	15.97	208
Baqa-Jatt	25.4	1179.5	6.8	2.9	115	9.7	18.13	85
TiratKarmel	37.8	874.6	3.1	5.35	74.1	8.45	17.56	84
Tamra	23.1	870.1	7	0.82	68.3	7.82	14.3	465
Kafar Qasem	19.7	608.9	4.2	8.5	77.1	12.7	17.7	478
Mughar	20.7	802	4.61	0.41	40.6	5.02	9.75	106
Sakhnin	26.7	1084.6	15.2	2.78	195.5	17.98	17.68	375
Arrabe	21.9	534.9	5.3	2	39.2	7.3	4.6	198
Ar'ara	22.7	599.3	8.3	0.48	52.8	8.73	16.45	124
Shefar'am	37.3	1086.7	5.66	1.97	82.9	7.62	19.28	230
Kafar Kanna	19.7	870.6	2.55	7.77	89.9	10.32	19.73	364
	430.2	14005.2	6.33	3.48	1456.8	9.81	17.55	3508

Source: Extracted from publications of the Israeli Central Bureau of Statistics and http://www.mmi.gov.il/IturTabot/taba1.asp.

Table 8.3 Built-up areas that pay taxes to local authorities in 13 Jewish towns and the percentages of areas allocated for industrial and economic activities and projected revenues, 2012

Town	*Population (2011)*	*Percent of residents employed outside town*	*Total of built areas paying municipal taxes (1,000 sq. meters)*	*Percent of tax on buildings allocated for commercial activities and offices*	*Percent of tax on buildings allocated for industry and workshops*	*Total of built areas allocated for industry and workshops, commercial activities, and offices (1,000 sq. meters)*	*Total percent of tax on buildings allocated for industry, commercial activities, and offices*	*Percent of income of local authorities from economic activities per total tax on buildings*	*Areas of land allocated for industry in the Master Plan (1,000 sq. meters), 2012*
Qiryat Shemona	23.2	31.8	2660.9	3.82	6.44	273.5	10.26	47.51	1471
Zefat	32.2	22.3	1366.9	6.23	3.19	128.8	9.42	47.34	697
Karmi'el	44.6	38.9	2949	6.04	16.56	666.6	22.6	53.47	1693
Tiberias	41.7	29.7	2586	8.09	3.58	301.9	11.67	59.84	159
Afula	41.2	42.6	12215.3	1.5	2.25	457.1	3.75	59.22	522
Nazerat Illit	40.7	44.8	3044.7	7.97	15.9	727	23.87	57.11	2088
Betshe'an	16.9	41.3	848.3	5.06	6.88	101.3	11.94	40.68	326
Ofaqim	24.4	48.3	1527.1	2.9	7.9	164.7	10.8	34.24	1149
Sederot	21.1	36.7	972.9	8.1	21.51	288.1	29.61	55.18	614
Arad	23.6	39.5	1760.4	2.6	9.21	208	11.81	33.11	2816
Dimona	32.5	49.9	2110	5.98	7.05	275	13.03	41.06	1693
Rosh Haayin	39.9	66.9	3403.6	19.4	2.77	754.6	22.17	55.85	697
Qiryat Gat	47.7	37.6	2535	8.56	29.11	955	37.67	64.03	3906
	429.7	40.79	37980.1	6.63	10.18	5301.6	16.81	49.89	17831

Source: Extracted from publications of the Israeli Central Bureau of Statistics (ICBS), 2010 and 2011 and http://www.mmi.gov.il/IturTabot/taba1.asp.

Barriers Facing Developing Industrial/Employment Zones

The barriers that stand in the way of establishing employment and industrial zones in Palestinian localities can be divided into four types (see figure 8.3):

1. Political and national/ethnic
2. Social and cultural
3. Structural
4. Geographic

These barriers have indistinct boundaries and work together; they include both external (those related to the policy of the government) and internal (those related to the community's characteristics) barriers (Hasson and Karayanni, 2006; Khamaisi, 2004; 2010a). In what follows, I discuss each of these barriers.

Political and National/Ethnic Barriers

The Palestinian population of Israel was granted Israeli citizenship in the aftermath of the establishment of the state, which was built on the defeat and displacement of Palestinians in the 1948 war. This status, however, did not compensate for their loss of political, economic, and cultural rights. Despite the relative development of the Palestinian localities and citizens, this progress is limited compared to that of the Jewish population, due to state policy, stemming from the nature of the Jewish state, which gives preferential treatment to the Jewish population and sees the Palestinian population as a potential enemy, especially with respect to land ownership. Historically in Israel, the Palestinian leadership has been excluded from, rather than being partners to, government and decision making. On the level of civil society, there is also a separation between Palestinian and Jewish organizations with the exception of several NGOs such as Sikkuy, Abraham Fund, and Jewish Palestinian Centre for Economic Development initiatives where attempts are made to contribute to employment zones in Palestinian localities. However, the Palestinian leaders' lack of participation at the government level remains a barrier to development of employment.

Hence, it is not a coincidence that the distribution of land is in the hands of the state, which uses it to secure development on the basis of national affiliation. Despite the demand for land privatization and expanding the jurisdiction of Palestinian localities, the Israeli government

has procrastinated reforming its policies, resulting in the reduction of land allocated for the sake of employment/industrial zones serving the Palestinian population. The large industrial regions located in the peripheries are close to Palestinian localities' jurisdiction; they are built on state land but annexed to Jewish towns such as the Tziporit industrial park, which is annexed to Nazerat Illit though it is close to Kafar Kanna and Meshhed and has no geographic continuity with Nazerat Illit. The Misgav industrial park, which is close to Sakhnin, is a similar case (Wesley, 2006).

Israel uses land allocation to achieve its geopolitical, social, and economic objectives. Moreover, Israel, as a Jewish state, favors its Jewish population and ensures that the Palestinian population remains dependent on Jewish towns and investors. Zureik (1979) describes this as internal colonialism as well as restriction of development in Palestinian localities. Until the 1980s, it can be argued, Israeli government policy was discriminatory toward the Palestinian population; however, policy is not static. There are currently government decisions such as decision number 1539 of March 31, 2010, which allocates 1 billion shekels to develop Palestinian towns and establish the "Economic Development Authority of Arab and Druze Citizens." However, this positive direction is limited and cannot bridge the deep gaps, especially those created by spending resources on Jewish towns in the peripheries to create employment zones. The current policy of creating joint employment zones located outside of the jurisdiction of Palestinian towns, despite its positive intention, is another tool for restricting the employment opportunities of the Palestinian localities.

Social and Cultural Barriers

Most of the Palestinian population in Israel is concentrated in Palestinian localities including those in the Negev. They belong to traditional village communities that relied on agriculture for their livelihood. With the establishment of the state, the percentage of the Palestinian population working in agriculture dropped; consequently, the Palestinian labor force sought jobs in non-agricultural sectors and cheap labor.

The economic activity of most of the Palestinian population remained within the village and the extended family, in agriculture, service jobs, and workshops. For Palestinian communities, land has social and cultural values; it is also a source of income. Palestinian land owners feared that their lands would be confiscated; they also feared paying taxes on their lands. The disintegration of land ownership as a result of traditions and inheritance laws made it difficult to use land for industrial purposes. The low

use of employment zones (58 percent) in Palestinian localities is due to the limited demand for building workshops, especially outside the family's framework (Schnell et al., 1995).

Hence, the Palestinian population was transformed from an agricultural community to a community of workers employed in non-agricultural jobs, who sought higher income levels in order to meet family needs. They also pursued service jobs that did not require many infrastructural resources yet produced fast profits such as in trade, restaurants, and transport businesses. This culture of consumerism, the search for quick profit, and the lack of organized economic establishments outside the family failed to establish industry. Most workshops in Palestinian localities were designed to cater to local needs; they employed many people and required large areas. They offered "blue collar" jobs. These included textile workshops that aimed to provide jobs for women whose participation in the labor force was low due to traditional and cultural barriers. However, this situation is changing and today there aren't enough jobs to meet women's demands for work.

The social and cultural gap between the Jewish community—where investors and entrepreneurs grew with state support—and the Palestinian community prevented large factories from transferring their location to Palestinian towns. The modern industrial community has patterns of behavior that are different from those of a traditional and conservative community, and both are apprehensive about each other's differences. This mutual exclusion precluded the possibility of developing a common language necessary in order to establish employment zones and economic opportunities in Palestinian localities. Moreover, the Palestinian local authorities' management policy and heads of the local authorities' capacities, who were heads and representative of extended families until the end of the 1980s, failed to use the appropriate means for challenging the economic policies. These circumstances provided the grounds for discriminatory policies, based on accusations of Palestinian local authorities for their failure in drawing in entrepreneurs, blaming the economic underdevelopment and lack of industrial zones on the Palestinian community's culture and structure.

The claim may be partially accurate; however, most of the residents of the Jewish towns and cities in development areas are Sephardim, Eastern Jews who emigrated from Arab and Islamic countries, having a similar culture to non-Jewish Palestinians. This did not stop development from taking place in these towns because the state established industrial centers in them, provided them with labor, and supported investors and entrepreneurs who built factories in them. Israel failed to do the same in Palestinian localities.

These social and cultural barriers are present in the attitudes of the individuals and communities who undergo phases of changing culture, behavior, and consumerism through shifting from being agricultural-based to becoming modern, where services and industry constitute the society's economic structure. The barriers are also present in the management patterns in local authorities, the social and political gaps between the Palestinian and Jewish communities, who are undergoing national, cultural, and geopolitical-based conflicts. Today, some localities such as Kafer Kanna, Sakhnin, and Tamra have planned industrial zones waiting for development, but due to a lack of resources and initiative on the part of the local authorities, the plans are latent (Khamaisi, 2010b).

Structural Barriers

Structural barriers arise from the structure of the Palestinian community where the registered median age in 2011 was 21.8 years (15.7 years for the Palestinian population of the Negev) compared to 33 among the Jewish population (ICBS, 2012: 113–114), explaining their low participation in the labor force. Their rate of dependency is high and the economic capacity of the individual is low—the average income of a Palestinian family provider is two-thirds of the income of his/her Jewish counterpart. The average number of the members in Jewish households in 2011 equalled two-thirds of the average number of members of a Palestinian household (4.75 and 3.12 members, respectively) (ICBS, 2012: 258). This gap in the demographic structure still exists despite the transformations that accompanied the modernization process in the Palestinian community, which led to a fast drop in the number of births. The structure induced family providers to focus on supporting their households, especially since they had limited resources, which hindered potential investment in factories. Also, the size of the age group with the potential to establish workshops was relatively small.

Employment zones in Palestinian towns have not focused on industry; hence, the percentage of Palestinians who work in industry and workshops is 13.3 percent. This structure and that of the professions themselves contributed to the prolonged development of Palestinian industrialists and entrepreneurs who could have developed their hometowns.

The areas of land allocated for workshops and industry in Palestinian towns are insufficient for attracting large factories. Most planned and developed industrial areas target transforming small workshops and factories that emerged inside residential areas and became sources of nuisance and pollution. Most of the industrial centers employ less than ten

people and mainly provide services to the local community. The branches include blacksmiths, carpentries, car repair workshops, brick factories, and concrete factories (Khamaisi, 2010b).

The relatively small size of the Palestinian localities and their incapacity to combine efforts have contributed to impeding the establishment of large industrial regions. All Palestinian towns with the exception of Nazareth developed from small villages and are medium-size localities of less than 50,000 residents, unable to attract large employment zones as larger towns have better chances of producing more jobs. Therefore, the structural conditions and the size of Palestinian towns constitute an additional impediment to developing employment centers.

The changes in the structure of the Israeli economic policies and the shifting from a semi-socialist market to a free market did not aid industrial development. The shift in the structure of the economy encouraged industrial investors to move to the center to large towns and industrial regions where the government provided incentives and support to investors, who exist mostly in Jewish towns and cities. They established employment zones linked to their factories to the outskirt of towns. Currently, Palestinian workshops are migrating from Palestinian localities to industrial zones in Jewish towns such as the relocation of small businesses from lower to upper Nazareth and development of Palestinian factories and workshops in industrial parks such as Kadmat Hagaleel (Ministry of Industry, Trade, and Labour, 2011).

Palestinian investors/owners of workshops or factories aim to benefit from the incentives and support provided by the state and to reach additional markets for their products and services in Jewish towns. They take their products and services to Jewish customers who tend to avoid entering Palestinian towns or Palestinian industrial centers.

The shift in the state's policy to establish joint industrial regions in the peripheries, conveyed in spatial planning and land allocation policy, created structural conditions that impeded the expansion and development of industrial regions in Palestinian localities. The policy itself is held up by the following:

1. The social and political gap and the polarization between the Palestinian and Jewish communities prevent creation of trust, which inhibits sharing. According to the Israeli democratic indicator of 2012, 76 percent of the respondents stated that the tension between the Jews and the Palestinians was the leading source of tension in the country (Herman et al., 2012: 155).
2. Internal political interests, including heads of local authorities who oppose transparency and prefer granting advantages to those who

voted for them and supported them. Such advantages would not be permitted in joint industrial centers. Moreover, there are political persuasions who oppose Jewish–Palestinian partnership for various motives. They lobby against the establishment of joint industrial regions.

3. Wary of a decrease in income from taxes on industrial buildings when additional local authorities share the same or additional financial resources, impeding the process of paying the price of partnership in joint industrial regions.
4. The fear that the planned land not used for the establishment of industries and workshops will be used for the exchange, sale, and profit after being incorporated in an industrial region, especially if the land were privately owned. This would increase the cost of the land, which would be added to the high cost of development in mountainous areas, like in the Galilee.
5. Most of the regional industrial areas are under professional management and include relatively developed industries. The attempt to incorporate Palestinian localities with traditional management created fear among the Jewish authorities that the customary management might affect the industrial zones' professional management. Moreover, absorbing small workshops and car repair garages would affect the image of relatively advanced industrial sections. These claims were presented when Bar-Lev was suggested as a joint Palestinian–Jewish industrial region.

The structural barriers, including the size of the Palestinian localities, their demographic, work branch, and professional structure of the Palestinian labor force, the area of the industrial centers in Palestinian locations, the structural changes in the state's economic policy, and the shifting from establishing industrial regions in Palestinian towns to joint industrial regions have all contributed to impeding development of employment zones in Palestinian towns.

Geographic Barriers

About 80 percent of Palestinian localities are in the peripheries, whereas about 80 percent of the Jewish population lives in the center. Even the Palestinian localities in the triangle region that are close to the center of the country are peripheral due to their location on the outskirts of the central region. This has impeded the development of industrial regions and

employment centers in Palestinian localities and weakened their capacity to compete and attract entrepreneurs.

To overcome the geographic distribution barrier of the Jewish towns, the state of Israel created employment zones in these towns and provided them with incentives. The purpose of these steps was to achieve the policy of Jewish population distribution and promote development. The state also developed the infrastructure of the towns using state treasury resources and created a map of nationally preferred areas, including Palestinian towns. However, it imposed additional conditions on Palestinian towns and Palestinian owners of workshops and factories that couldn't be met. The conditions are based on spatial planning policy and development of the state, factory size, type of production, and consumers' market.

Palestinian localities have formed clusters by urban centers. However, the urban centers did not attempt to create cooperative initiatives and establish joint industrial centers. The attempts to establish an industrial center in Arrabe and Sakhnin failed because each Palestinian locality wanted to have their own industrial region, illustrating that the state's policy that discriminates against Palestinian towns was not met by Palestinian initiatives to develop joint projects.

The transformation of most Palestinian localities from small villages to towns (Khamaisi, 2012) occurred mostly on private land. The geographic pattern of Palestinian localities is different from that of neighboring Jewish towns, contributing to the spread of workshops in the localities where distribution relied on the residences of workshop owners. These elements have all played a role in impeding the development of a town center and land division in Palestinian localities.

Conclusion

The lack of employment zones in Palestinian localities is found in the size and area of their small industrial zones, which consist mostly of workshops and services. It is also presented in the dimensions of the municipal tax revenues in the Palestinian localities. There are several barriers to developing employment/industrial zones in Palestinian localities; however, the key barrier is the state's policy, which discriminates against its Palestinian population. Such discriminatory policy encountered favorable structural, social, cultural, and geographic conditions.

The main difference between Palestinian and Jewish towns similar in size is related to the state's economic and spatial policy, which developed employment and industrial zones in Jewish towns and not in Palestinian localities. The transformations in the state's economic policy toward the

Palestinian population showed that the removal of the barriers in developing industrial regions contributed to developing such regions that constituted somewhat limited economic leverage in Palestinian towns.

The Palestinian localities, which accommodate approximately 14 percent of Israel's population and comprise approximately 13 percent of the industrial sectors of the Israeli labor force, did not secure governmental investments. According to a study by Adva Centre, between 2000 and 2009, Israel invested 28 billion shekels in building industrial facilities. The share of the Palestinian towns in this investment totalled 3.57 percent (Swirski and Aghbariyi, 2011: 25). Thus, Palestinian localities are still outside of Israel's industrial map and the little they are allocated is to ensure their dependency on employment zones in Jewish towns.

Israel uses land ownership, planning, and defining jurisdiction as part of the matrix of control; therefore, the availability of planned land constitutes a key factor in removing the aforementioned barriers. Furthermore, the state has to allocate resources for investment in building infrastructure in the planned industrial zones similar to what happened in the 1990s. Today there are some small industrial zones in Palestinian localities that still fail to attract developers due to the lack of developed infrastructure and management; the government fails to allocate the necessary resources for building and developing infrastructure, and the local authorities mismanage the industrial zones, while neglecting the development and expansion of existing small industry and workshops. Thus, national and local barriers work together in deterring development.

In many assemblies focused on these issues, the Israeli government has concentrated on the cultural and social barriers. The point they try to make is that Palestinian society has to change in order to be provided with the opportunity of developing employment zones. The objectives of the policies that aim to economically develop the Palestinian localities are to reduce gaps rather than bridge them altogether.

The transformations in Palestinian localities, the Israeli market, and perhaps the internal and regional geopolitical relations require changing the "upper hand and Masters Discourse" perspective, particularly by the state, while removing barriers to creating new opportunities. The fact that Palestinian leadership naturally belongs to the opposition government limits its opportunities for economic development. It is therefore necessary to remove the barriers that block Palestinian leadership from being part of the political structure and include it in the decision-making process.

This chapter has provided a discussion on the lack of employment opportunities, the commuting patterns of Palestinian citizens of the state, and the interconnections between them. These factors, combined with the inherent and ongoing crises in the Palestinian municipalities and lack

of employment zones, perpetuate the Palestinian minority's economic dependence on the state.

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9

Factors and Obstacles Impeding Economic Development within Palestinian Localities in Israel: The Case of the Food Industry

Khaled Abu Asbah and Muhammed Abu Nasra

Introduction

The complex relations between the Jewish and Palestinian populations in Israel have been widely researched (Gabison and Hacker 2000; Haider 2009; Khamaisi 2003), depicting the Jewish group as dominant, while presenting the Palestinians as a marginal minority group, especially economically. According to Zalika (2009), their exclusion is reflected in their underrepresentation in industry, especially hi-tech, which is important to Israeli economy.

Several studies have indicated that the Palestinian economy has failed to develop, noting its weakness in terms of occupational characteristics, spheres of activity, and scope (Haider 2009; Zureik 1979). Others addressed the marginality of the Palestinian economy in Israel, asserting that two separate economic entities have emerged in the same country: a Jewish and a Palestinian (Haider 2005; Shihadeh 2006), with widening gaps (Haider 2009; Semyonov and Lewin-Epstein 2004). Recently, the non integration of Palestinian citizens of Israel in the national economy aroused public and academic reactions, as the parties involved became more aware of its price: the Israeli economy loses about NIS 25 billion annually, as reflected in its

GNP, due to failure to use the potential of its Palestinian population (Fars 2009; Sadan and Halabi 2009).

This study reviews economic development initiatives in Palestinian localities in Israel. It constitutes the result of comprehensive research on entrepreneurship, especially in the local food industry, based on the assumption that a particular ethnic group will maintain an advantage in an ethnic industry. This study will provide insight into food industry entrepreneurship and encourage more comprehensive research on entrepreneurship in Palestinian society in Israel. Future studies will shed additional light on Palestinian entrepreneurship in Israel today and propose means of leveraging such businesses as a spur to the local Palestinian and Israeli economy as a whole.

Research Questions

1. What prevents the Palestinian ethnic minority in Israel from penetrating and integrating within the national market?
2. Are the factors retarding development intrinsic to and dependent on the structure and culture of Palestinian society, or are they external, resulting from long-term government policies?
3. What are the chief factors and obstacles impeding the development of food industries at Palestinian localities in Israel?

The study focuses on the food industry due to the assumption that this ethnic population has something unique to offer the Israeli market in this field. Concentrating research on this field will enable the assessment of entrepreneurship in an industry unhampered by quality control issues, enabling us to posit that the factors sought are inherent in other variables that the study will attempt to examine.

Theoretical Framework

Extensive studies were conducted on entrepreneurship and ethnic entrepreneurship, indicating that many countries display high percentages of ethnic entrepreneurship, considering its role in the integration of ethnic minorities in their societies (Light 2005).

Entrepreneurship is defined as pooling and using resources to produce the output of economic and commercial value. Entrepreneurship also addresses the entrepreneur's willingness to risk his or her economic future and social ties in setting up a business; another definition stresses introduction of innovations into the business, such as management methods, new

products, technologies, and penetration of new markets; while another refers to the entrepreneur's commitment to the business and its management, as well as the social and economic efforts he or she invests in its advancement (Aldrich 2005).

The literature also examined the issue of entrepreneurship among immigrants, attempting to explain the difficulties and motivations for development of entrepreneurship among minority groups. The most outstanding model is Waldinger, Aldrich, and Ward's (2006) Interactive Model of Ethnic Business Development, according to which the motives for development of an ethnic economy and entrepreneurship are divided into two categories: opportunity structures, including market conditions and access to business ownership, and ethnic group characteristics, including pre-migration circumstances and resource mobilization.

Opportunity Structures: Market Conditions and Access to Business Ownership

Opportunity structures consist of market conditions affecting ethnic entrepreneurs' economic activity, as well as their legal access to business ownership.

Market Conditions

The success and development of ethnic entrepreneurship depend on the demand for small businesses, fields of commerce open to ethnic entrepreneurs, and the extent of competition (Aldrich and Zimmer 1985). According to Waldinger, Aldrich, and Ward (2006), ethnic entrepreneurs tend to open businesses in industries and markets abandoned by the dominant economy because of instability and low profit levels, shaping the character and scope of entrepreneurial activity, which is ordinarily directed toward the ethnic community itself. The few entrepreneurs who do succeed in the national markets constitute exceptions, as do those active in fields with a developing demand for ethnic products.

Access to Business Ownership

Access is determined according to the legal system and government policy, which impact the development of ethnic entrepreneurship directly or indirectly. The state maintains decisive authority regarding entry permits, permanent resident status, and conditions for running a business.

The Palestinian Population in Israel

Demography

Palestinians accounted for about 20 percent of Israel's citizens in 2010 (Central Bureau of Statistics 2011), half of them youngsters to age 19, constituting some 27 percent of all youngsters in Israel. They comprise a young group compared to the Jewish population, where youngsters constitute 33 percent. Most Palestinians in Israel are Muslim (83 percent) and the remainder are Christian (8.6 percent) and Druze (8.4 percent) (Central Bureau of Statistics 2011).

The Palestinian population in Israel resides in four regions (2010 statistics): The Galilee (56.5 percent), the Triangle (23 percent), the Negev (12 percent), and mixed-population localities (8.5 percent). Most Palestinian localities in Israel are rural. Gradual changes taking place over the past few years in the society and culture of the Palestinians in Israel accord an urban façade to their social behavior, but their rural structure remains intact.

History

During the 1950s and 1960s, lands that served as a nearly exclusive source of livelihood were expropriated from Palestinian citizens of Israel and reallocated as agricultural infrastructures for use by Jewish localities. The work force of Palestinian citizens of Israel was diverted to provide cheap manual labor for the well-developed Jewish economy (Bauml 2007). In 1962, a five-year plan for development of Palestinian and Druze villages was drafted and implemented—primarily through partial development of infrastructures for villages. Private capital that accumulated as a result of work in the Jewish economy helped accelerate private construction, but was used mostly for family consumption and largely spent at Jewish commercial enterprises. Moreover, according to Bauml, villages were initially connected to main traffic routes to facilitate access to Jewish industrial and employment centers. During the 1950s and 1960s, most agricultural lands held by Palestinian citizens of Israel were diverted to the Jewish economy, as were their work force and increasing purchasing power, and invested in the growth of the Jewish economy, placing Palestinians at its margins.

Education

Over the past few years, the level of education has increased among Palestinian citizens of Israel, especially women. In 2005, some 22.6 percent

of the population had 9–11 years of schooling and another 31.3 percent 12 years (Gera 2012). The percentage of university undergraduate degree recipients was 8.4 percent in 2003–2004, and the percentage of students attending university for undergraduate degree studies was 9.1 percent (Central Bureau of Statistics 2011). The total percentage of women among Palestinian university students was 60.6 percent (undergraduate—62 percent, graduate—56.4 percent, postgraduate—41.2 percent) (Gera 2012). Christian Palestinians display significantly higher levels of education than other groups.

Employment

Among the Palestinian population in Israel, the rate of participation in the work force for persons aged 15 and up reached only 39.6 percent in 2006 (59.7 percent men and 19.1 percent women) (Saif 2009), and the percentage of unemployed came to 11.5 percent (Central Bureau of Statistics 2007). According to Central Bureau of Statistics data for 2010, the highest rate of unemployment is in the Negev (20.7 percent) and the lowest in the Triangle (5 percent) (Central Bureau of Statistics 2010). The difference originates in the latter's proximity to central Israel and its more numerous job opportunities. Most employed Palestinian citizens of Israel work in four principal occupations: industry, construction, commerce, and education. The women work primarily in industry, commerce, education, and health and social services (Haider 2009). Men and women display differential rates of participation in the work force: in 2010, 80.1 percent of men aged 25–34 participated in the work force, as compared with only 28.6 percent of women (Central Bureau of Statistics 2011). As age increases, participation rates decline markedly for both men and women.

Haider (2005) underscores the economic sphere as a reflection of the inferior position of the Palestinian population of Israel. He notes that the economic conditions typified by a lack of development may be attributed to government policy and in-egalitarian allocation of state resources. Compared to the Jewish population, Palestinian citizens of Israel suffer increasing poverty and severe inequality in the employment market (Haider 2009).

The Palestinian Population in Israel and the National Economy

There are two separate social and economic systems, each with its own characteristics. The state also maintains separate economic policies (Shihadeh 2006), leading to the development of a well-developed Jewish economy and a lagging Palestinian economy (Khalidi 1988; Shihadeh

2006). The political economy in Israel has experienced transition between two periods—the *developing country* period—from the establishment of the state to the early 1980s—and the *neoliberal state* period, from the mid-1980s on, accompanied by a fundamental change in management of the state economy (Maman and Rosenhek 2009). During both, economic policy accorded preference to the Jewish majority over the Palestinian population of Israel (Sadan 2007), intensifying the latter's dependence on the former, with the intention of blocking the emergence of an autonomous and competitive Palestinian economy (Bauml 2007).

The two economies are a consequence of the policies of state agencies and of events affecting Israel's national economy. On the establishment of the state, the government implemented an interventionary policy, enabling it to guide and direct economic development and to control allocation of government capital and credit (Bauml 2007) according to political/party considerations (Klein and Polisar 1996). The Palestinian minority in Israel had the most to lose under these conditions. To this day, it is perceived as a dangerous minority whose interests are external to the national interest. Its political weakness, a consequence of exclusion from decision-making, worsened as a result of land expropriation policies: the state strove to expel the Palestinian population from its lands, using a strategy that perceives control of land as a means of achieving national security and consolidating Jewish sovereignty. For this purpose, the state instituted military rule over all Palestinian localities in Israel (Khamaisi 2003).

Palestinian localities were also excluded from government development plans; no steps were taken to develop or rehabilitate these localities, which were brought under control of the military government. This further weakened these localities, as the government perceived Palestinian citizens of Israel as temporary residents (Bauml 2007). Moreover, Palestinian localities were not included within development areas and were thus denied government grants and subsidies (Haider 1991). Since the 1950s, this discriminatory policy prevented the economic development and the establishment of factories and infrastructures in these localities, preserving and exacerbating discrepancies between the two populations of Israel (Bauml 2007).

Once military rule was terminated in 1966, Palestinians joined the Israeli work force in low-status jobs: construction, agriculture, and manufacturing (Bauml 2007; Haider 2009). Since the late 1960s, Palestinians in Israel have undergone a gradual transition from traditional economy to manual labor in technological industries in the Jewish economy, with their status rising accordingly (Shalev 2004; 2006). The development of technological industries and the penetration of technology in other fields changed the makeup of the ethnic labor force: Jewish workers of Asian/African

origin abandoned work in construction, agriculture, and traditional industries and Palestinian workers in Israel abandoned simple and unskilled labor in construction, agriculture, and textile manufacturing in favor of work in traditional industries (Haider 2009). Another important development, reinforcing Palestinians' marginalization, was the consolidation of a dual economic structure in the Israeli economy: an economy based on several major government or privately owned mostly defence industries, hiring mostly Jews, alongside numerous small businesses (Maman 2000; 2001). Despite the changes in the status of Palestinian workers in Israel, the labor market maintained its dual, ethnic-based character, maintaining Palestinian workers' vulnerability. Maintenance of a dual labor market was also reflected in the low percentage of Palestinian university graduates in national public service: most university graduates worked in public service only within their own localities, especially in the educational system (Haider 2009), rendering the state the largest employer of Palestinian academicians in Israel, especially women.

As of the mid-1980s, government policies have aimed at opening up Israeli markets to a global economy. While this process has indeed succeeded in developing the Jewish economy and in raising the economic growth rate, it has seriously harmed the Palestinians. Mass immigration from the former Soviet Union, along with the easing of restrictions on foreign workers and the signing of peace agreements between Israel, Egypt, and Jordan—which paved the way toward transfer of textile plants to those countries—worsened the status of Palestinian workers in Israel engaged in traditional occupations (Haider 2009). At present, government market activity is limited (Shalev 2004): privatization trends have led to the transfer of ownership of many corporations from the state to private investors. Moreover, the state has opened the internal market to outside entrepreneurs and investors (Ram 2004), which bears potential for improving the economic status of Palestinian entrepreneurs in Israel, as it enables them to compete with Jewish entrepreneurs. However, Palestinians' economic weakness has prevented them from taking advantage of this opportunity and thus they remain in an inferior position in the market (Haider 2005). Another turning point is the growth of hi-tech industries and the penetration of technology in numerous fields—a trend that led to a decline in demand for unskilled and poorly educated laborers (Haider 2009). Both poorly and highly educated Palestinian citizens of Israel are excluded from the labor market. Even though hi-tech industry constitutes a sizable share of the Israeli economy, only 1 percent of Palestinians' work in this industry (Jabareen 2010). Palestinian workers in Israel are also excluded from public institutions, so that their percentage in civil service is 5.9 percent of all civil servants (3,389 out of 57,222) (Awad and Haider 2008).

Most Palestinian workers in Israel employed in the Jewish labor market work in the secondary market. Many lack education and work in traditional jobs requiring physical strength. By contrast, many Palestinian academicians in Israel work in the sectorial labor market because the options for advancement it offers are unavailable to them in the Jewish market (Lewin-Epstein et al. 1994). It is important to note that the Bedouin population is in a more difficult situation than are Palestinians in Israel as a whole (Abu-Bader and Gottlieb 2008).

The inferior position of the Palestinian population of Israel affected the scope and form of its entrepreneurship. The literature illustrates that Palestinian business entrepreneurship in Israel is marginal because of its reliance on traditional industry and the internal ethnic market, besides its dependence on the Jewish economy (Haider 2005; Schnell and Sofer 2002; 2006; Shihadeh 2006). By contrast, Sofer, Schnell, Drori, and Atrash (1995) claim that specialization in Palestinian entrepreneurship has undergone a change, so that alongside the traditional industries, additional industries developed, such as chemicals, plastics, paper, and printing. The number of employees increased and entrepreneurship became more sophisticated and included new industries such as electronics, diamonds, and glass. Government policy has also impacted the position of the Palestinian population of Israel in the national economy, and has hindered the integration of entrepreneurs therein (Haider 1991; 2005; 2009; Shihadeh 2006).

Entrepreneurship and Industry at Palestinian Localities in Israel

The entrepreneurship rate among all employed persons in the Palestinian population of Israel (about 15.3 percent) is relatively high compared with those of other population groups (Shalit 2002). Nevertheless, for over a decade, the prevailing conception among researchers considers Palestinian economic entrepreneurship to be limited (Czamanski and Khamaisi 1993). In what follows, we review the characteristics of entrepreneurship in Palestinian localities in Israel as reflected in the current literature, followed by a description of the difficulties encountered.

Characteristics of Palestinian Entrepreneurship in Israel

The literature addressing entrepreneurship in Palestinian localities in Israel focuses on industrial entrepreneurship, which constitutes a measure of economic development. In this context, Palestinian entrepreneurship in Israel clearly appears to be limited and to embody certain features characteristic of a peripheral economy:

Poor Accessibility

The Palestinian population of Israel lives mostly in large villages and towns with industrial and commercial assets whose scope is small relative to potential. Geographic access to major urban centers—and from there to markets and economic institutions—is relatively poor, limiting economic and commercial opportunities (Czamanski and Khamaisi 1993). According to Haider (2005), the problem of accessibility is affected not only by geographic distance but also primarily by the inferior status of the entire sector and its exclusion from sources of information and economic and political decision-making centers. Even if their geographic distance to central Israel were small, Palestinian localities in Israel are all inferior in their civil status.

Small Businesses

Palestinian entrepreneurship in Israel consists primarily of small businesses with few employees. The percentage of Palestinian entrepreneurs in Israel employing more than two salaried employees is 12.3 percent (Shalit 2002), meaning that more than 80 percent of Palestinian entrepreneurship in Israel own small businesses with up to two salaried employees. These figures represent the limited nature of entrepreneurship in this sector in terms of local work force, resource mobilization capabilities, and adaptability to demand (Brodnitz and Czamanski 1986).

Low Entrepreneurship Level

When classifying industries among various levels of entrepreneurship, according to features such as employee human capital, scope of investment in development, management style, and ownership, Sofer et al. (1995) noted that a low level of entrepreneurship is a principal feature of Palestinian industry in Israel. These enterprises hardly invest in machinery and development, and engage a work force at a relatively low professional level (Sofer et al. 1995; Shalit 2002). Some 67 percent of enterprises assessed in Sofer et al.'s study display a very low level of entrepreneurship, common chiefly among food and construction industries. Only 2 percent of all enterprises examined, primarily textile plants, reflect the characteristics of high-level entrepreneurship (professional management, bank assistance, quality control, and the like) (Sofer et al. 1995). Today, 18 years after the study was conducted, there are no longer any textile plants at Palestinian localities in Israel and high-level entrepreneurship remains limited.

Traditional Occupations

Palestinians are also focused in traditional industries, with little employment in growing industries. Many enterprises focus on food and beverages, construction, housing, and auto repair (Czamanski and Khamaisi 1993; Sofer et al. 1995). Research on this topic was conducted during the 1990s, but the situation prevails today.

Family Businesses

One outstanding characteristic of Palestinian localities in Israel is the social structure surrounding the extended family and clan. The family is a major source of business entrepreneurship support and most entrepreneurs stress the importance of family partnership in establishing businesses (Brodnitz and Czamanski 1986). This situation has remained largely unchanged over the past three decades. The geographic and social separation of the Palestinian sector from the Jewish one, combined with social cohesion within Palestinian society, proved conducive to the development of clan-supported business entrepreneurship (Yonay and Kraus 2001), displaying several unique features: first, ownership is not separate from management. About 80 percent of all enterprises at Palestinian localities in Israel are privately owned by one entrepreneur, who in most cases carries out management, marketing, and to a great extent production as well (Sofer et al. 1995). Other key positions are often held by family members. Only rarely are professionals from outside the extended family, clan, or locality hired for senior positions such as management and clerical functions. Yonay and Kraus (2001) claim that unlike immigrants who start new businesses, most entrepreneurs among Palestinian citizens of Israel (about 90 percent) joined existing family businesses. Thus, most enterprises display ownership, management, and organizational patterns that are largely of a traditional, family-oriented, and informal nature.

The location of these enterprises reflects family involvement as well. All began activity on the entrepreneur's private land and most continue to function in premises and on land owned by the entrepreneurs, most of which was not originally intended for business purposes and also includes residences. As indicated, capital and management personnel are usually recruited from within the immediate family, leading to its involvement in performance and decision-making (Sofer et al. 1995). Salaried employees are also hired according to family ties or political loyalties; most are residents of the locality and vicinity. Investment in setting up the enterprise is

based on the owner's personal savings and those of his or her extended family. Sofer et al. (1995) believe that the Palestinian sector in Israel is characterized by a tendency to avoid risks, as well as a lack of trust in the banking system. According to Barel (1993), personal savings in the Palestinian sector in Israel were used mostly for consumption, residential construction, and land and less so for economic activity—the result of traditional apprehension regarding risk, as well as the lack of investment opportunities within Palestinian society in Israel.

Impediments

Several of the factors impeding entrepreneurship in Palestinian localities in Israel originate in internal processes, while others are external, resulting from government policy. Land, for example, is mostly privately owned and allocated according to two principles: (a) traditional inheritance practices that divide land into small parcels and (b) conception of land as a nontransferable commodity (Schnell et al. 1995). These features are internal in nature. Land ownership is also dictated by external exigencies such as broad government expropriation that shrank the supply of available land. Residential construction is especially plagued by the lack of available land, giving rise to a system of social values for preservation of land as a family asset (Schnell 1994). There is no doubt that these developments reduced the supply of commercial land for business or industrial entrepreneurship.

The work force, too, reflects traditional characteristics of cultural origin. Employment rates are low among Palestinian women in Israel, especially those with little education, both because of cultural restrictions and because of the young age of marriage, accompanied by a high birth rate (Sofer et al. 1995). There is no doubt that development of workplaces within Palestinian localities in Israel will facilitate employment of women, who have little geographic mobility to outside employment due to traditional restrictions. Employment of women will lead to better use of the work force available at these localities.

Another difficulty became evident following an examination of business ties. Generally, the business sector is characterized by consolidated interests of guild-like business and professional groups. In Israel, this is true only of the Jewish sector. Haider (1991) found that partnerships among investors from several families are rather rare—an observation that remains valid to this day. The Palestinian business sector in Israel lacks organizations that promote the common interests of business persons

or industrial entrepreneurs[1]. Hence cooperation of any kind among Palestinian entrepreneurs is rare, impeding development.

The relevant literature provides a review of external obstacles to Palestinian entrepreneurship in Israel—a combination of history, politics, and economics. One major factor is a discriminatory and discouraging government policy. From the establishment of the state to this day, preference was accorded to integration of mass influxes of immigrants, reflected in land allocation for industrial zones set up in Jewish population centers, and in government economic support for Jewish industry, rendering it difficult for the Palestinians to compete (Schnell et al. 1995). As noted earlier in the text, the development plans of the 1950s and 1960s directed the Palestinian work force in Israel and its purchasing power toward development of the Jewish economy.

Government policy, expressed primarily in the Law for the Encouragement of Capital Investments, considerably limits support for the Palestinian sector in Israel (Barel 1993; Moav and Reingewertz 2006). Officially, many Palestinian localities belong to a list of development regions entitled to benefits, but in practice, they do not receive the requisite permits and are allocated little development funds (Khalidi 1988). From 1994 to 2004, the percentage of permits issued for investment in enterprises located in Palestinian and Druze localities in Israel ranged between 0.07 percent and 1.5 percent of all investment permits. In 1988, for example, about $10 million was invested in Palestinian localities in Israel—only 0.6 percent of all investments (Moav and Reingewertz 2006). The State Comptroller related to the issue in Report No. 52B (2001), emphasizing that industrial infrastructures in the Palestinian sector in Israel are not sufficiently extensive and developed, posing difficulties for local entrepreneurs and deterring others. Many believe that the Law for the Encouragement of Capital Investments is not an appropriate tool for encouraging employment in Palestinian localities in Israel (State Comptroller's Report No. 52).

Another impediment is the involvement of the Palestinian local authorities in Israel, who have an important role in promoting economic entrepreneurship because they constitute the link that connects entrepreneurs with the relevant government ministries and because they can provide direct consultation and reveal relevant knowledge and information (Czamanski and Khamaisi 1993). The head of the local authorities is also a key factor in industrial development, particularly because of his extensive contacts with external bodies. Moreover, the local authorities can

[1] In this context, we should note the initiative of the Centre for Jewish-Palestinian Economic Development, which set up the Palestinian Business Club for Palestinian citizens of Israel who own businesses.

encourage local economic entrepreneurship through bylaws and construction of infrastructures.

There is also a lack of industrial zones in Palestinian localities in Israel. The findings show that infrastructures for industrial zones are lacking in 70 percent of such localities (Schnell et al. 1995) and that development of infrastructures is limited to existing industrial zones. According to Ministry of Industry, Trade and Labour data, in 2005, the percentage of industrial zones situated within Palestinian localities in Israel was 2.8 percent, far lower than even the minimal desired share.

Methods

Concepts

We chose to refer to "Palestinian localities in Israel" rather than "the Palestinian sector" or "Palestinian society" because the Palestinian localities in Israel constitute a framework for community life of most of the country's Palestinian population. Note, however, that 8.4 percent of Palestinian citizens of Israel live outside these localities—in mixed-population cities—and 5 percent (some 70,000 persons) live in unrecognized villages in the Negev.

Although large Palestinian localities may be called "cities," they do not function as actual cities. Despite the presence of certain urban social processes, they do not provide their residents with urban services but essentially constitute large villages. The concept "localities" thus describes them better. Among the Palestinian localities in Israel in which research was conducted, only Nazareth is a true city. Paradoxically, a quarter of the localities examined in this study are Jewish localities (Afula and Pardes Hanna—Karkur).

Sample

The study covered eight food enterprises belonging to entrepreneurs in the Galilee (northern Israel) and the Triangle (central Israel). The dimensions of these enterprises vary; they employ from 5 to 80 persons and produce a variety of products: candies and cookies, canned goods, beverages, coffee and nuts, sausages and meats, and baked goods. Two of the factories are situated in Jewish localities (Afula and Pardes Hanna—Karkur).

The entrepreneurs were divided evenly between two regions: four food enterprises in the Galilee and four in the Triangle. The businesses belonging to entrepreneurs in the Triangle are situated in Jatt, Baqa Al-Gharbiya,

Umm Al-Fahm, and Pardes Hanna—Karkur, while those in the Galilee are located in Afula, Sakhnin, Raina, and Nazareth.

The differences in enterprise dimensions and regions, as well as in production methods and products, provides a highly varied background and overview of food enterprises in Palestinian localities in Israel and supplies sufficient information and knowledge for identification of the difficulties and obstacles that impede development of food enterprises in this society.

Research Method

The research tool developed for this qualitative study comprised a semi-structured interview consisting of four parts: (a) questions about the business owner himself/herself; (b) questions about the enterprise and its business activity; (c) questions revealing internal and external obstacles; and (d) questions aimed at assessing a given food enterprise's potential to advance, develop, and integrate within the national economy.

Analysis of Findings

The interviews were analyzed along the guidelines of Giorgi's (1975) content analysis. Once the interviews were read, the relevant data were sorted into categories and then separated, differentiated, and compared in a search for similarities and differences. The data were then analyzed and meaning units and distinct categories were identified according to themes that arose in the participants' responses. These themes were named according to the findings emerging from the interviews, ensuring compatibility between the analysis and the specific context of the data (Pidgeon and Henwood 1996).

Research Proceedings and Duration

The study was conducted in 2010–2011. Entrepreneurs were found through appeal to two organizations, one in the north and one in central Israel, that promote entrepreneurship among the Palestinian population of Israel. After obtaining a list of entrepreneurs, we selected those specializing in the food industry, contacted them, and explained the study and its objectives to them, emphasizing anonymity and the maintenance of the privacy of responses, which will serve for purposes of the study alone. The interviews lasted about an hour and a half and were conducted in Arabic at a location selected by participants, usually at their own offices. They

were recorded with the participants' permission and were subsequently transcribed.

Principle Findings

Research findings are presented in four subsections according to the topics raised during the interviews:

1. food industry infrastructures in Palestinian localities in Israel
2. food industry support and attention by government institutions and local authorities
3. the market and marketing as obstacles to food industry development at Palestinian localities in Israel
4. family versus professional management as an obstacle to food industry development at Palestinian localities in Israel

Food Industry Infrastructures at Palestinian Localities in Israel

Commercial infrastructures among the Palestinian population of Israel are of very poor quality and are not conducive to the establishment of medium-sized businesses. The chief test of businesses of this size is hiring and production to an extent that responds to the needs of Palestinian society in Israel, besides such aspects as penetrating the national market or competing with Jewish food enterprises. According to Abed, owner of a sausage and meat product factory in Central Israel (hereinafter: "CI"):

> The physical infrastructure at Palestinian localities precludes development of our businesses. We lack basic conditions—infrastructures, an industrial zone. How can we survive under such poor conditions?

The entrepreneurs even avoid inviting guests, potential business partners or anyone who can advance and develop their businesses, as they perceive of their enterprises as inferior to those of their competitors. This conception does not encourage the kind of ambition that is essential for sound business competition, as noted by Ahmad, who owns a tahini factory in northern Israel (hereinafter: "NI"):

> I am ashamed to say that there is an industrial zone in Nazareth or to invite important people who can help me with the plant's development—such as company managers or potential business partners—to visit the plant and see its condition and level. Every time I invited a guest, the visit ended in their having some kind of car trouble because the roads are so bad . . .

> I do not think that Jewish localities, [even] those that have populations a tenth that of Nazareth, lack well-developed industrial zones with appropriate physical infrastructures, enabling them to manage and develop industries properly.

The interviews reveal a lack of communication and failure of the authorities to respond to the entrepreneurs' problems. Plant managers told the heads of their local authorities about the problems of physical infrastructures, but no one listened. In this context, Omar, who owns a canning factory (NI), claimed:

> For two years, I have been pleading with the municipality to repair the road that passes by the plant, but they refused, even though they know that the trucks loading and delivering goods have difficulty with the road in its current state, especially during the rainy season.

This situation is also attributed to flaws in the functioning and performance of municipal leaders and their approach to solution of infrastructure problems, which takes the interests of local functionaries into account. According to Anan, who owns a coffee and spice factory (NI):

> People in the municipality are not doing their work properly and are not taking care of problems and residents' complaints because they only help people who supported them in the elections and their families. They only wake up a few months before election time. That's when they start to make promises that they forget about once they're in office.

The participants warn of the unbearable infrastructure situation, noting that it endangers economic activity at Palestinian localities in Israel. One reflection of this situation is evident in remarks by Hamad, owner of a coffee and spice business (NI):

> If the infrastructures in Palestinian localities remain unchanged and unimproved, the situation of Palestinian economy in general and food industries in particular will be in danger. The difficult infrastructure situation in Palestinian localities keeps us from developing.

Food Industry Support and Attention by Government Institutions and Local Authorities

Participants express being discriminated against by state agencies, believing that the state invests in development of competing Jewish industries but not in Palestinian industries. Rashid, owner of a candy manufacturing plant (CI), addressed this issue as follows:

> In Jewish society, you can find many helping hands extended, but in Palestinian society, you find many hands extended to trip you up. The local authorities, for their part, do not supply the basic needs required for the plant to operate and the state shows us only its tough and discouraging face.

Participants criticized the discriminatory policies adopted by the state against the Palestinian population of Israel in general and the entrepreneurs among them in particular. According to them, the state does not allocate resources, incentives or budgets to encourage business entrepreneurship at their localities. They believe this economic policy limits the development of Palestinian entrepreneurship in Israel despite its business potential. Samakh, who owns a soft drink factory (CI), remarked:

> The state does not accord us benefits or tax concessions that Jewish industries receive and also does not allocate land to us for development and construction of new and higher quality businesses.

Nadal, who owns a coffee and nut processing plant (NI), added:

> There is an industrial zone at every Jewish locality. Why aren't there any at Palestinian localities in Israel? This limits the development of Palestinian industries. Today, I employ 50 workers and I have plans for development, for construction of warehouses to store my products, but I do not have such an option. We are limited despite all our good will and capabilities.

Khaled, owner of a canning plant (CI), had more to say on this topic:

> There is no land for building industries in Umm Al-Fahm, so I asked the Pardes Hanna—Karkur Municipality for permission to rent a lot and set up a factory. I succeeded in obtaining it and in building a plant with very convenient conditions and infrastructures.

Participants question the effectiveness of this solution and its ability to respond to the lack of industrial zones and other land for entrepreneurship, especially when some of their requests were turned down, particularly those calling for construction of factories on large plots of land. Khaled related to the issue as follows:

> I applied to several Jewish localities, asking for permission to move my plant into their area of jurisdiction. They agreed to grant me only 1000 m^2, but that was not enough to set up a plant with 80 employees. My warehouse alone now occupies more land than they intended to give me. I have no solution to the problem and I've knocked on every door, but I simply have not found anyone attentive among state officials or Palestinian local authorities.

Despite the poor conditions under which entrepreneurs operate, some attempted to shift the burden from the local authorities, directing most of their outrage against the state, which is responsible for allocating economic resources. Hamad, who owns a coffee and spice factory (NI), expressed his disapproval:

> The Palestinian local authorities cannot influence the state to allocate land for industry and/or to set up industrial zones for food industries. All they can do is to allocate whatever land they have.

Participants concurred regarding transition to Jewish industrial zones. They believed that this phenomenon should set off a warning signal among local officials, as it would adversely affect the economic development potential of Palestinian localities and increase the dependence on the Jewish population, as Ahmad noted:

> Transfer of industries to Jewish localities will leave the Palestinian local authorities without income and Jewish localities will become rich at their expense. Palestinian localities will remain economically inferior and undeveloped and Palestinian society will remain dependent on Jewish society.

The Market and Marketing as Obstacles to Food Industry Development at Palestinian Localities in Israel

Palestinian food industries in Israel still do not understand the market's operating principles. Entrepreneurs seek to maximize profits with minimal investment—downward attraction that nearly paralyzes them in their struggle against competitors. To this day, Palestinian firms in Israel have taken virtually no initiative in launching advertising campaigns in the Hebrew media. Marketing relies on an ethnic market with numerous competitors. The entrepreneurs are aware of this shortcoming, as one of them indicated:

> We Palestinian entrepreneurs manage our enterprises without strategy or business plans, but as they say in Arabic: Allah al-baraka [Fortune is up to God]! The product will either succeed or not. Hardly anyone carries out market research to find out which products consumers want to see on the shelves.

The research findings indicate that the entrepreneurs are not even familiar with the Palestinian market in Israel and its business potential, and

also lack awareness of the potential in advertising and sales campaigns. Several food industries did realize the importance of advertising, especially before holidays and in certain seasons, investing sizable amounts in marketing and advertising. Such activity is not continued throughout the year, however, as Nadal noted:

> I do not initiate any advertising campaigns to market my products. I don't even bother with sales campaigns or product discounts. I haven't seen such a thing in my life except at one or two plants that do so on special occasions such as Ramadan.

As indicated, even the few companies that do initiate advertising campaigns on few occasions do not conduct marketing activity for their products during the rest of the year. Nevertheless, these advertising campaigns are important in changing the prevailing conception in the national and Palestinian markets in Israel, which perceives products of Palestinian food industries as inferior to those produced by Jewish enterprises:

> My plant manufactures several products. I tried marketing my Palestinian Coffee, a very high quality product, to the Jewish market, but it failed because the place of manufacture is listed on the package, namely a Palestinian locality. This failure is the result of deep-rooted thinking among Palestinian and Jewish consumers alike that Palestinian products are of poor quality. At a certain stage, I decided to initiate an advertising campaign for my product and the results were rather surprising. Demand for the product increased steadily, reaching levels I had never anticipated.

Another participant demonstrated the poor self-image among the Palestinian public:

> Palestinians and Jews alike consider Jewish products to be of higher quality than Palestinian products. To achieve economic success, Palestinian entrepreneurs have to do all they can to change this conception, such as advertising campaigns in the Jewish and Palestinian media aimed at providing public exposure for manufacturers, their products and their high quality.

Family versus Professional Management as an Obstacle to Food Industry Development at Palestinian Localities in Israel

In setting up their businesses, the entrepreneurs rely on their personal savings and those of their families because financial institutions have

very strict criteria regarding loans to Palestinian entrepreneurs in Israel. According to Samakh:

> The bank looks down on Palestinian entrepreneurs and asks for relatively high collateral for the loans they provide us. Furthermore, the banks in Israel refuse to accept homes in Palestinian villages as security. When we tried to mortgage private land to the bank as security, it turned out that the bank assessed its worth as far lower than its market value.

Reliance on family savings limits the commercial development of food industries, especially because it encourages relatives to participate in management, leading to a situation in which the guiding interest of management is that of the family, not the business. In this context, Nadal remarked:

> Everyone understands plant management, everyone wants to have as much control as possible over affairs, everyone wants to employ his sons in the business and you can't stop them because the plant was built with their savings. In other words, you owe them.

Abed added:

> The problem in Palestinian business is that the family influences business management. You have to employ the whole family, in senior positions, even people who are not suited to the task. There's no avoiding it, especially because their parents helped set up the business and without them it never would have been established.

The obligation to hire family members and acquaintances over professionals, including Jews, hinders business development, especially because Jewish employees facilitate ties with the national market. Muhammad, who owns a soft drink concern (CI), addressed this issue:

> All my employees are from my village. . . . I know that hiring Jews will be beneficial for the plant, but I don't like to use their services. It is true that I am using the services of [Jewish] suppliers, but that's because I don't have a choice.

Such views also reveal that the low wages paid to relatives and other local personnel would never be acceptable to Jewish workers. Some enterprises, especially the larger and more successful ones, reflect an entirely different outlook and engage Jewish personnel in key positions, as Khaled notes:

> I hire Jews for important positions because as far as I'm concerned, there's no difference between Jews and Palestinians. What interests me is profits, not ethnic origin. Hiring Jews will open doors that were closed to me and other Palestinian entrepreneurs, such as penetration of the Jewish market.

Family involvement in business management becomes more difficult when the older generation enters the picture, leading to the emergence of intergenerational differences of opinion as the younger generation is interested in a modern, rational, and daring management style. Hamad related to these generation gaps:

> My father wanted to be involved in everything, even the smallest details. This involvement was usually detrimental because age affects management ability. . . . Consequently, [my father] tries to prevent every transaction we try to conduct because of his feeling that this transaction will not be profitable, even though the transactions always succeed greatly. Apparently, his age raises [sic] the threshold of his fear of risk-taking, unlike us. I and my brothers, who are considered young, like doing business and taking risks and will seek any possible means of developing the business.

Discussion and Conclusion

In this study, we attempted to assess the marginal position of Palestinian society in the Israeli national economy, focusing on the food industry to shed light on the factors that impede the development of food enterprises and their penetration of the national market. The study pointed to several difficulties that may be divided into two major categories:

External

Governmental as well as financial institutions' policies toward Palestinian entrepreneurs. Research findings have noted the discriminatory policy adopted by successive Israeli governments to block development of the Palestinian economy in Israel, including the food industry, as reflected in a lack of resource allocation, the absence of investment in development of infrastructures and refusal to allocate land for businesses and industrial zones. According to Bauml (2007), this policy was intended to intensify the dependence of the Palestinian population on the Jewish population, preventing an autonomous economy.

Moreover, the findings indicate that Palestinian entrepreneurs who are citizens of Israel lack access to capital and find it difficult to obtain resources from the Israeli banking system (Khatib and Solomon 2006),

which perceives these entrepreneurs as high-risk borrowers and demand high interest rates and security (Czamanski and Khamaisi 1993; Haider 1991). The chief source of capital is thus the family (Khatib and Solomon 2006). The absence of investment and venture capital firms also hinders the entrepreneurs (Schnell and Sofer 2006). According to Khatib and Solomon (2006), the lack of capital prevents Palestinian entrepreneurs who are citizens of Israel from expanding their business activity.

The combination of government policy and difficulty raising capital contributed to family ownership of enterprises, leading employees are selected on a family basis and family members are overly involved in business decision making. Furthermore, older family members in management tend to avoid taking risks concerning investments. A survey conducted recently by the Authority for the Economic Development of the Palestinian, Druze and Circassian Sectors reveals that 71 percent of Palestinian businesses are family owned (Saif 2009).

The discriminatory policy against the Palestinian population of Israel thus reinforced the cohesiveness of the family unit in this group. According to Rabia (2004), the Palestinian family in Israel has replaced the state, as reflected in assistance with establishing businesses, building homes, acquiring land and more, adversely impacting business, especially because it encourages business ties within the family rather than with entrepreneurs outside it. Thus, despite some initial signs of development in Palestinian entrepreneurship, entrepreneurs are not succeeding in breaking through the boundaries of the local market (Schnell and Sofer 1999; Sofer and Schnell 2000).

Internal

Business development is also impeded by the business culture of entrepreneurs and the political system therein. Entrepreneurs' business culture is highly influenced by the lack of development of commercial and industrial enterprises at Palestinian localities in Israel. Most of the entrepreneurs conduct their businesses according to traditional management methods; moreover, they are unwilling to conduct advertising campaigns, even though they are aware of their importance—especially considering the negative image regarding the quality of goods manufactured at Palestinian localities in Israel.

Palestinian local authorities have a part in the problem, as reflected in their misguided behavior, failure to supply appropriate land for businesses, a lack of basic infrastructures and family-based performance. These factors all adversely affect the development of Palestinian localities in Israel and the economy there. Moreover, such performance harms the local

authorities themselves, as it precludes their self-generated income from these industries (Ghanem and Azaiza 2008).

It appears that Palestinian local authorities in Israel do almost nothing to encourage economic development in their localities. The lack of businesses in localities and the lack of economic companies limit the income of the local authorities and the lack of development of infrastructures deters many entrepreneurs from setting up their businesses at these localities. The failure of Palestinian local authorities in Israel to fulfil their economic function originates in poor management, as they are run by small and unprofessional systems, as well as limited access to national economic and political power (Abu Sharqiya 2008; Ghanem and Azaiza 2008).

The State of Israel maintains a dual policy toward its Jewish and Palestinian citizens, leading to the emergence of two economies (Khalidi 1988; Shihadeh 2006). This occurred despite changes that took place in the state's economic structure, as reflected in its transition from a developing country—in which the state had a powerful position in the market—to a neoliberal state (Maman and Rosenhek 2009). This transition did not impact the Palestinian population, did not improve its status in the national economy, and did not lead to any change in relevant economic/political policy. Policymakers consider the Palestinian minority in Israel as a threat to the existence of the state, seeking to block the emergence of an autonomous Palestinian economy (Bauml 2007).

The study shows that although government policy directed toward the growth of economic entrepreneurship among the Palestinian minority in Israel is of great importance, it is not sufficient. Realization of the economic potential inherent in Palestinian localities in Israel and enabling entrepreneurs to break through local market boundaries demand intensive activity on the part of the state, the Palestinian local authorities and managers of plants themselves.

The limitations of this study are inherent in its non-inclusion of food industries operating in southern Israel. Their inclusion could expose additional points of view, especially because the Bedouin population is considered economically weak in comparison not only to the Jewish population but also to the Palestinian population of central and northern Israel. Moreover, inclusion of other industries will enable more comprehensive exposure of difficulties that impede the development of all businesses at Palestinian localities in Israel.

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10

Social and Spatial Examination of Palestinian Employment in Israel in Single Municipalities*

Ilan Shdema

Introduction

Unemployment and underemployment of the Palestinian minority in Israel are viewed as a major concern by the Palestinian population as well as by the state (Ben-David et al., 2006; Lewin-Epstein et al., 1994; Semyonov and Lewin-Epstein, 1994). Employment rates of the Palestinian minority in Israel are significantly lower than those of the Jewish majority. Aside from the government, there are other institutions and NGOs that report on the severity of the problem, including the Israeli Central Bank (Yashiv and Kasir-Kleiner, 2009), the Ministry of Industry, Trade and Employment (MITE) (MITE, 2010), the Israel Democracy Institute, Adva Center (Jabarin, 2010; Swirski et al., 2008), and Sikkui (Haider, various years). The Organization for Economic Co-operation and Development (OECD) has identified the low employment rates among Palestinians in Israel as a core government priority in need of immediate intervention (OECD, 2010).

Earlier studies in this area have traced obstacles to the significant discrepancies in the quantity and quality of employment measures between Jews and Palestinians. Among the reasons cited in the literature for

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these discouraging employment measures are fewer resources, infrastructure, and jobs supplied to Palestinian municipalities by the government, and employers' discriminatory policies toward Palestinians (Asali, 2006; Khamaisi, 2004; Sa'di and Lewin-Epstein, 2001; Schnell and Sopher, 2006; Wolkinson, 1999). Additional studies pay special attention to women's labor force participation rates, demonstrating that only 27.5 percent of Palestinian women work compared to 77.2 percent of Jewish women in 2010 (CBS, 2011; Drori, 1996; Khattab, 2002; Kark et al., 2009; Lewin-Epstein and Semyonov, 1991, 1992b). Other studies focus on the lack of work opportunities for skilled and academics Palestinians (Al-Haj, 1988; Lewin-Epstein et al., 1994; Reiter, 1997).

Most of the studies are national and lack spatial and regional perspective, such as the fact that labor force participation among municipalities ranges between 20 percent and 55 percent (in 2008) or that the percentage of those working inside their municipalities is between 5 percent and 70 percent.

This chapter addresses the need to review and study Palestinian workforce participation rates by concentrating on single municipalities.[1] It introduces and analyzes each locality in respect to the religious–ethnic diversity within Palestinian and mixed localities, types of municipalities (rural, urban, and mixed Jewish–Palestinian cities), and geographic location. The expectation is that this spatial analysis provides a more detailed and clearer picture of the employment scene. In addition, this examination facilitates a closer look at Palestinians' social characteristics affecting labor force participation. The findings can result in recommendations for employment policy, pointing out encouraging and discouraging variables associated with an inclusive work market.

Specifically, the research raises two central questions. The first—what are the variables associated with labor force participation rates in single municipalities (Palestinian and mixed)?—can be answered by studying Israeli CBS censuses of 2008 and 1983–2008 employment data, employment within the municipality, and women's integration into the workforce. The second question is: What is the relationship between localities' social and spatial characteristics (level of education, ethno-demographic composition, type of municipality, proximity to Jewish cities, and centrality in the state) and labor force participation rates?

Variables Associated with Workforce Participation of Palestinians in Israel: An Examination at the Single Municipality Level

Israel's economy is influenced by the Jewish–Palestinian conflict, which is characterized by the concentration of more job opportunities in Jewish

rather than Palestinian areas. The government's differential allocation of economic resources is viewed as a discriminatory policy toward the Palestinian minority and as a primary barrier for their integration into the labor market (Semyonov and Lewin-Epstein, 1994). This condition is defined as "enclave economy" (or "ethnic economy"), where minorities operate in a separated economic geographical location, and are required to form their own identity and economic realities. However, the "ethnic economy" may have also merit, as it protects the Palestinian minority from fierce and direct competition with superior Jewish companies and businesses.

Palestinian municipalities are clearly viewed as ethnic enclaves, offering inferior jobs and work opportunities (Greve and Salaf, 2005; Khattab, 2003; Lewin-Epstein and Semyonov, 1992a). They are characterized by substantial unskilled blue-collar jobs reflecting their less desirable social, political, and economical status. In periods of stringent economy, they are the first to experience work separation or underemployment (Lewin-Epstein and Semyonov, 1992a; Miaari and Zussman, 2009; Model, 1992).

The underlining assumption is that Palestinian integration into the workforce is greatly linked to their social characteristics, including education level, socioeconomic status, and religious affiliation. There is no doubt that there are additional personal factors that may play a role, such as career aspirations, professional qualifications, and connectivity. A second premise is that municipalities' characteristics are important as well, whether the locality is rural or urban, central or peripheral, and far from the job market (Greve and Salaf, 2005; Semyonov and Lewin-Epstein, 1994).

Methodology

Sample and Data Collection

The sample includes all municipalities in Israel that have Palestinian residents, about 100 localities. They consist of rural and urban Palestinian localities and mixed (Jewish-Palestinian) cities of various sizes (the most representative Palestinian sub-quarters have been selected) (see figure 10.1). A substantial portion of the data has been obtained from the CBS's 1983, 1995, and 2008 censuses.

Research Variables

Employment

Employment variables selected were as follows: annual labor force participation rates in 2008 and in the years 1983, 1995, and 2008[2];

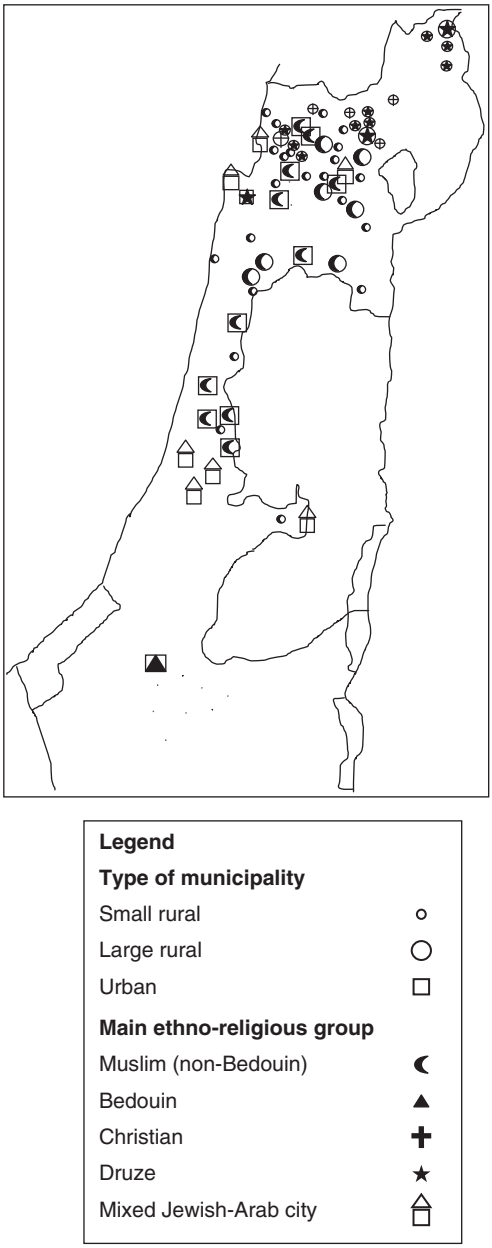

Figure 10.1 Distribution of Diversified Palestinian and Mixed Localities in Israel

"quality" of employment (mean monthly income, (un)skilled jobs); workplace location (within/outside the municipality); and women's workforce participation rates.

Social and Spatial (Independent Variables)

The social characteristic variables used were as follows: level of formal education (censuses of 2008), religious denomination, total fertility rates, and demographic dependency ratio. Spatial variables include the type of locality (rural small/large Palestinian town, mixed Jewish-Palestinian city), centrality in the state (according to CBS definition—classification to five circles), and proximity to Jewish cities.

Data Analysis

The study incorporates secondary analysis procedures. The first classifies workforce participation rates in municipalities according to quintiles and changes over time. The second presents the first classification on maps to reflect workforce participation spatial distribution. The third provides Pearson's *r* correlations between specific social-spatial variables and workforce participation rates. Finally, municipalities are classified according to their type, ethno-religious affiliation, centrality in the state, and proximity to Jewish cities as linked to workforce participation percentage (mean). Table 10.1 provides a summary of procedures used and reasons for their selection.

Research Limitations

Aside from social and spatial variables under study, there are others that may contribute to workforce participation rates, among them local leadership, municipal schemes, and behaviors related to certain individuals and groups.

Findings

2008 Workforce Participation Rates in Palestinian and Mixed Localities

Residents' workforce participation in Palestinian and mixed localities ranges between 20 percent and 55 percent; the mean was 40.2 percent

Table 10.1 Summary of research variables and methodology

Workforce participation variables	*Method used and indicators*	*Reasons for selection of method*
(a) Workforce participation rates (2008)	• Quintiles • Mapping • Pearson's *r* correlation for education, total fertility rates, and dependency ratio • Means according to ethno-religious denomination, type of municipality, centrality in the state, distance from Jewish cities	Provision of array of methods
(b) "Quality" of employment (2008)	• Quintiles • Mapping • Pearson's *r* correlations with monthly income (mean), academic and unskilled jobs	Mapping incorporating both rates and quality measures
(c) Workforce participation rates (1983–2008)	• Changes in workforce participation rates • Three categories of changes (increase, no change, decreased)	Longitudinal perspective
(d) Employment rates within localities (2008)	• Percentages • Mapping • Pearson's *r* correlation with workforce participation rates • Municipality type, centrality in the state, distance from Jewish cities, by mean	Provision of array of methods
(e) Women's workforce participation (2008)	• Quintiles • Pearson's *r* correlation with women's education • Means according to ethno-religious denomination, type of municipality, centrality in the state, distance from Jewish cities	Provision of different descriptive statistics

(SD = 9.67 percent). Table 10.2 presents municipalities according to ranges of labor participation (by quintiles). Workforce participation rates in these municipalities are presented spatially, demonstrating their distribution on Israel's map (see figure 10.2).

Table 10.2 Quintiles of workforce participation in municipalities

Quintile	*Range of labor force participation in %*	*Municipalities*
1st	15.2–31.9	Ras 'Ali, Hura, Ein Qiniyya, Abu Kurinat, Umm Batin, Rummet Heib, Majdal Shams, Hawalid, Kuseife, Abu Ghosh, Dabburye, Qalansawe, Bir El-Maksur, Rahat, 'Arab Al-'Aramsha, Sajur, Kafr Manda, Zarzir
2nd	32–38.3	Ein Mahel, Kafr Kanna, Tur'an, Mughar, Ma'ale Eron (East Wadi 'Ara), Tel Sheba, Bu'eine-Nujeidat, Beit Jann, Ein al-Asad, Tayibe, Ilut, Segev-Shalom, Buq'ata, Fureidis, Tuba-Zangariyye, Kisra-Sumei, Basmat Tab'un, Kabul, Baqa-Jatt
3rd	38.4–43.5	Umm Al-Fahm, Meshhed, Yanuh-Jat, Ibtin, Mazra'a, Tamra, Reine, Sha'ab, Hurfeish, Shefar'am, Shagur, De'ir Hanna, Mas'ade, Sakhnin, Iksal, Jish, Nahef, Muqeible
4th	43.6–49.2	Yirka, Kaokab Abu Al-Hija, Nazareth, Kafr Qasem, Julis, Salame, Yafi, 'Arrabe, Rameh, 'Ar'ara, Jisr Az-Zarqa, Al-Tireh, Eilabun, Abu Sinan, Shibli-Umm Al-Ghanem
5th	49.6–69.7	Zemer, Buqeia, Jerusalem, I'billin, Kafr Qara, Carmel City, Akko, Judeide-Maker, Kafr Yasif, Nazareth Illit, Fassuta, Ramle, Haifa, Lod, Beer Sheba, Ma'alot-Tarshiha, Tel Aviv-Yafo

Note: Municipalities within the quintiles are listed from bottom up.
Source: Author's processing of CBS 2010 municipalities' profiles from 2008 census (CBS 2010).

Most of the peripheral localities are characterized by low employment participation rates compared to central municipalities with high participation rates. However, there are a few exceptions of peripheral municipalities (mostly in the Galilee) that have high employment rates. A Pearson's r correlation has been calculated between residents' education and demographic variables and labor force participation rates in Palestinian and mixed municipalities. Workforce participation rates were negatively correlated with no formal education ($r = -0.38$) and elementary school education ($r = -0.44$), and positively with high school education ($r = 0.63$) and college and university education ($r = 0.64$). In addition, workforce participation rates were negatively correlated with total fertility rate ($r = -0.51$) and dependency ratio ($r = -42$).

Following our research plan, table 10.3 presents means of workforce participation percentages according to spatial and social municipalities' characteristics.

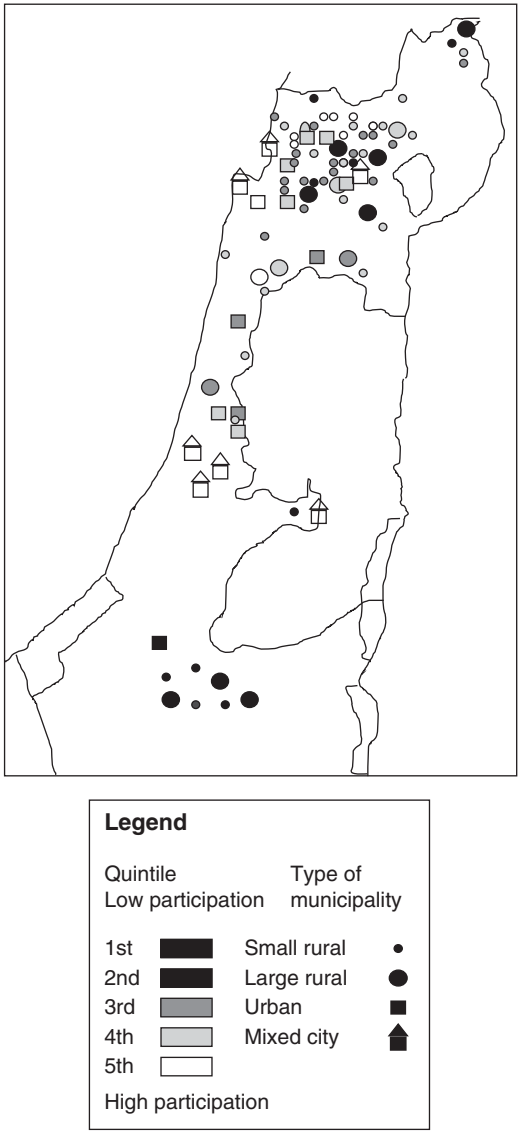

Figure 10.2 Distribution of 2008 Workforce Participation Rates in Understudied Municipalities

Source: Author's processing of CBS 2010 municipalities' profiles (2008 Census).

Table 10.3 Mean workforce participation percentages by spatial and social municipalities' characteristics

Variable	*Workforce mean participation*	*SD*
Type of municipality		
Small rural (less than 5,000)	38.97	11.11
Large rural (above 5,000)	39.32	8.83
Urban	39.68	5.82
Mixed (Jewish-Arab) city	52.32	5.98
Ethno-religious composition (main group)		
Muslims (non-Bedouin)	42.72	7.29
Bedouin	28.80	7.89
Christians	52.20	5.09
Druze	37.80	8.59
Centrality		
1—periphery	38.57	10.88
2	41.05	8.95
3	39.52	9.60
4	41.60	8.38
5—core	49.00	8.58
Proximity to Jewish cities		
Up to 30 minutes' drive	46.73	8.30
Drive of 30–60 minutes	39.46	9.25
Drive of 1 hour and above	37.72	10.39

Source: Author's processing of CBS 2010 municipalities' profiles (2008 census).

"Quality" of Employment in the Localities

The Monthly mean income for employees in Palestinian municipalities in 2008 was 4,532 NIS; the standard deviation (SD) was 532 NIS. These figures represent a considerable dispersion among Palestinian municipalities that may affect the quality of jobs that exist in these municipalities. The figure below (10.3), presents weight of workforce participation rates and monthly income (mean) by municipality according to 2008 CBS profiles.

In addition, workforce participation rates were correlated with "quality" of employment measures. Findings have shown that workforce participation rates correlated moderately with mean income ($r = 0.46$) and marginally with academic occupation ($r = 0.18$). However, the correlation coefficient between workforce participation rates and unskilled occupation has been poor ($r = 0.07$).

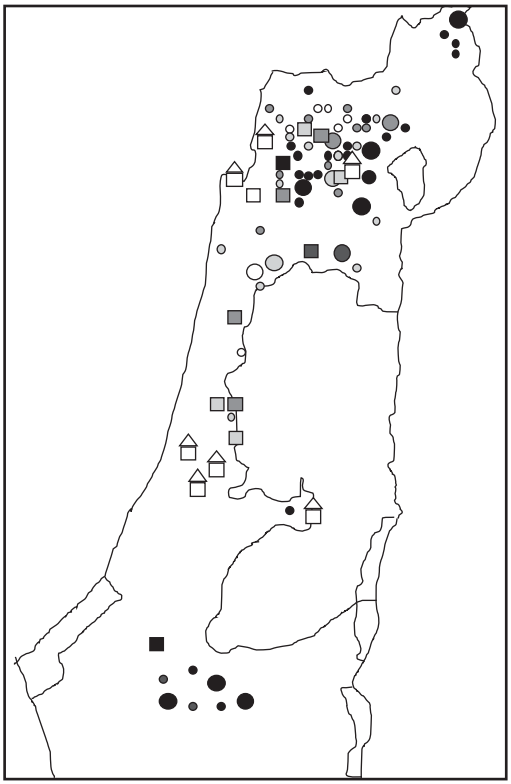

Figure 10.3 The weight of workforce participation rates and monthly income (mean) by municipality (based on CBS's 2008) profiles

Source: Author's processing of CBS 2010 municipalities' profiles (2008 Census).

Table 10.4 Municipalities' workforce participation rates over the period 1983–2008

Category	*Municipalities*
Decreased (4% and above)	Abu Ghosh, Dabburye, Qalansawe, Bir El-Maksur, Kafr Manda, Zarzir, Ein Mahel, Kafr Kanna, Tayibe, Fureidis, Tuba-Zangariyye
No change (less than 4%)	Majdal Shams, Kuseife, Rahat, Tur'an, Mughar, Tel Sheba, Bu'eine-Nujeidat, Jerusalem, Basmat Tab'un, Baqa-Jatt, Yanuh-Jat, Tamra, Reine, Sha'ab, Shefar'am, Nazareth, Rameh, Jisr Az-Zarqa, Nazareth Illit, Ramle
Increased (4% and above)	Buq'ata, Kabul, Umm Al-Fahm, Meshhed, Hurfeish, De'ir Hanna, Mas'ade, Iksal, Nahef, Yirka, Kafr Qasem, Julis, Yafi, Arrabe, Lod, Ar'ara, Al-Tireh, Eilabun, Abu Sinan, Jaljulye, Buqeia, I'billin, Akko, Haifa, Tel Aviv-Yafo

Notes: 1. Municipalities within the quintiles are listed from bottom up.
2. The 4 percent is about half of SD measure.
3. There are about 30 municipalities that have not been included due to missing values or insignificant changes.
Source: Author's processing of CBS 1985, 1997, and 2010 municipalities' data of 1983, 1995, and 2008 censuses.

Workforce Participation in Localities, 1983–2008

Palestinian and mixed municipalities' workforce participation rates for 1983–2008 have been classified according to three categories: increased, no change, and decreased (see table 10.4). The next section covers measures related to employment within the municipality (see tables 10.5 and 10.6; figure 10.4).

Employment within the Municipality's Boundary

The first step is descriptive, presenting municipalities according to ranges of labor participation (by quintiles).

Mean employment percentage within the municipality is described according to municipalities' spatial characteristics (type, centrality in state, and proximity to Jewish cities) (see Table 10.6).

Finally, the researcher presents Palestinian women's workforce participation rates in Palestinian and mixed municipalities, discussed in the next section.

Table 10.5 Percentages of employment within Arab and mixed municipalities

Quintile	*Range of labor force participation in %*	*Municipalities*
1st	5.9–26.6	Shibli-Umm al-Ghanem, Ibtin, Yanuh-Jat, Jisr Az-Zarqa, Ein al-Asad, Fassuta, Mazra'a, Ma'ale Iron, Bir El-Maksur, Kaokab Abu Al-Hija, Muqeible
2nd	27–32.6	Buq'ata, Reine, Sha'ab, Tel Sheba, Yafi, Ramle, Zarzir, Kabul, Abu Ghosh, Meshhed, Ar'ara, Abu Sinan, Kisra-Sumei, Mas'ade, Lod, Nahef
3rd	33.8–45	Ein Mahel, Judeide-Maker, Sajur, Julis, Zemer, Jish, Beit Jann, De'ir Hanna, Ma'alot-Tarshiha, Akko, Kafr Yasif, Tayibe, Segev-Shalom, Carmel City, Jaljulye, Eilabun, Kafr Qara, Tur'an
4th	45.2–55	Fureidis, Baqa-Jatt, Al-Tireh, Rameh, Hurfeish, Basmat Tab'un, Qalansawe, I'billin, Sajur, Shefar'am, Umm Al-Fahm, Hura, Mughar, Sakhnin, Iksal, Mi'elya, Tuba-Zangariyye, Arrabe
5th	55.2–89.3	Nazareth Illit, Dabburye, Bu'eine-Nujeidat, Kafr Kanna, Kafr Manda, Rahat, Kafr Qasem, Majdal Shams, Ilut, Tamra, Yirka, Tel Aviv-Yafo, Nazareth, Kuseife, Beer Sheba, Haifa, Jerusalem

Source: Author's processing of CBS 2010 municipalities' profiles (2008 census).

Table 10.6 Characteristics of localities and percentage of employment within/outside the municipality

Parameter	*In municipalities*	*Outside municipalities*
Type of municipality		
Small rural	31.07	68.92
Large rural	41.01	58.98
Urban	52.50	47.49
Mixed cities	51.31	48.68
Centrality		
1—periphery	30.80	69.12
2	39.99	60.00
3	38.54	61.45
4	47.70	52.30
5—core	59.90	40.10
Proximity to Jewish cities		
Up to 30 minutes' driving	51.38	48.61
Drive of 30–60 minutes	39.73	60.27
Drive of 1 hour and above	35.49	64.50

Source: Author's processing of CBS 2010 municipalities' profiles (2008 census).

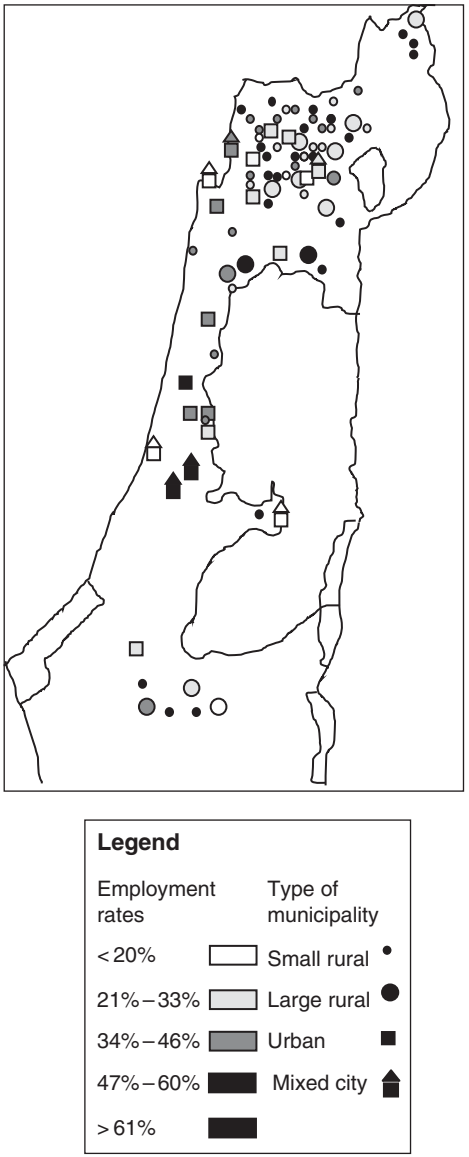

Figure 10.4 Distribution of Employment Rates within Arab and Mixed Municipalities Boundaries (in %)

Source: Author's processing of CBS 2010 municipalities' profiles (2008 Census).

Workforce Participation Rates of Palestinian Women in Palestinian and Mixed Municipalities

Table 10.7 provides quintiles of Palestinian women workforce participation percentages in Palestinian and mixed municipalities.

A moderate correlation coefficient of $r = 0.54$ has been computed between women's educational level and workforce participation percentages. Academicians have shown higher workforce participation percentages compared to those with basic education.

The percentage of employed women is considerably low (25 percent in 2008). However, a closer look at certain spatial characteristics of workforce participation reveals that Palestinian women residing in mixed cities show higher participation rates (38.48 percent). Similarly, the percentage of two

Table 10.7 Quintiles of Arab women workforce participation percentages in Arab and mixed municipalities

Quintile	*Range of labor force participation in %*	*Municipalities*
1st	1.4–12.4	Abu Ghosh, Ein Qiniyya, Hura, Ein Mahel, Ma'ale Iron, Tur'an, Bir El-Maksur, Kafr Kanna, Kafr Manda, Ilut, Fureidis, Majdal Shams, Qalansawe, Rahat
2nd	12.5–18.9	Bu'eine-Nujeidat, Buq'ata, Umm Al-Fahm, Baqa-Jatt, Meshhed, Dabburye, Mughar, Zarzir, Tel Sheba, Kabul, Mazra'a, Basmat Tab'un, Kisra-Sumei, Tayibe, Segev-Shalom, Tuba-Zangariyye
3rd	19–25.1	Sha'ab, Kuseife, Reine, Iksal, Kafr Qasem, Sajur, Mas'ade, Muqeible, Tamra, Ibtin, De'ir Hanna, Nahef, Shefar'am, Ein Al-Asad, Yanuh-Jat, Yafi, Beit Jann.
4th	25.9–37.1	Zemer, Hurfeish, Yirka, Ar'ara, Kaokab Abu Al-Hija, Nazareth, Sakhnin, Shibli-Umm Al-Ghanem, Al-Tireh, Arrabe, Kafr Qara, I'billin, Abu Sinan, Jaljulye, Rameh, Julis, Jish.
5th	37.3–65.3	Jisr Az-Zarqa, Buqeia, Eilabun, Judeide-Maker, Carmel City, Jerusalem, Mi'elya, Fassuta, Akko, Kafr Yasif, Nazareth Illit, Lod, Ramle, Haifa, Beer Sheba, Ma'alot-Tarshiha, Tel Aviv-Yafo.

Source: Author's processing of CBS 2010 municipalities' profiles (2008 census).

subgroups is greater—Christians (43.30 percent) and those living close to central Israel (32.97 percent). On the other hand, Bedouin women present the lowest rate (13.15 percent).

Discussion

Low workforce integration of Palestinians in Israel is a major government concern. This socio-spatial study examines Palestinian labor force participation in single municipalities by employing secondary descriptive statistics including mapping. The expectation is that this unique approach may advance new insights regarding our understanding of this important matter.

The data demonstrate the importance of social (e.g., ethno-religious and formal education level) and spatial characteristics (e.g., type of municipality and centrality) in labor force participation. Similar findings have been reported in earlier studies (Khattab, 2002; Sa'di and Lewin-Epstein, 2001; Semyonov and Lewin-Epstein, 1994). The single municipality observation provides spatial aspects that have been overlooked in previous large-scale studies. A detailed discussion regarding the research variables is presented in the next section, pursuant to the themes presented in Table 10.2.

Palestinians' Workforce Participation Rates and Quality of Jobs in 2008

Social-demographic and spatial variables have been introduced with respect to workforce participation rates and quality of jobs held by residents of Palestinian and mixed municipalities. A central variable that is associated with labor force integration is the resident's level of formal education. Clearly, educated people have better job opportunities than those who lack advanced education (Al-Haj, 1995; Khattab, 2003; Sa'di and Lewin-Epstein, 2001; Semyonov and Lewin-Epstein, 1994). However, there are additional background variables that may contribute to better integration in the workforce. For example, Palestinian Christian women are not only more educated than their Muslim counterparts, but are also characterized by lower fertility rates, which allows them to devote more years to their career development. In this regard, predominantly Christian municipalities tend to be characterized by low dependency ratios, high education levels, and increased labor force participation. Municipalities with a Muslim majority are often described as having high dependency ratios and literacy levels that are associated with lower workforce participation rates. The

poorest labor force integration has been identified in Bedouin localities (e.g., Kuseife, a Bedouin municipality that has a dependency ratio of 1.8 percent and 28.7 percent workforce participation compared to Mi'elya, a Christian municipality with parallel measures of 0.8 percent and 58.8 percent).

In terms of spatial variables, residents of mixed Jewish-Palestinian cities present higher workforce participation rates than those living in Palestinian municipalities, probably because they enjoy better economic infrastructure and job availability. Interestingly, those residing in small and large villages or Palestinian towns have similar employment rates, probably because they resemble them in terms of their characteristics (aside from population size).

Centrality of municipalities in the state has been partially attributed to workforce participation rates. Therefore, residents in central localities enjoy better job market opportunities and higher employment rates than those who live in the periphery (see, e.g., Yafo, Lod, and Ramle). An important variable associated with high workforce participation rates is proximity to Jewish cities. These Palestinian municipalities offer competitive merchandise and services to Jewish consumers who live nearby.

Social and spatial variables were associated also with "quality of jobs." Findings indicate that localities with greater employment rates have better monthly incomes primarily because they enjoy a more affluent job market than municipalities characterized by lower employment rates. In addition, municipalities whose residents have higher means of formal education report better monthly income than those characterized by lower means, primarily because they have better career opportunities. Finally, it appears that the economic infrastructure and job market in these municipalities are linked to better mobility and income.

Longitudinal Trends

In general, 1983–2008 findings present similar patterns as observed in 2008. Specifically, municipalities with a Christian majority demonstrate high labor force participation, whereas Bedouin localities (both in southern and northern Israel) have the lowest rates. Mixed cities have higher workforce participation rates than other types of municipalities. Central Palestinian localities (e.g., Jaljulye, Al-Tireh, and Kafr Qasem), and those that are closer to Jewish cities (e.g., Carmel City—Issifia, Daliat Al-Carmel, and Nahef) enjoy the prosperity and job market that exist in nearby Jewish cities. There are also exceptions to this rule of municipalities that demonstrate better employment rates and income but are located in distant places (e.g., Kafr Qara, Kafr Yasif, and Judeide-Maker). There are decreased

employment rates in municipalities with low social-economic profiles and partially decreased employment rates in those located in the periphery.

Employment within Boundaries of Municipalities

In terms of social characteristics, municipalities that, according to CBS census, demonstrate high social economic profiles provide residents with adequate infrastructure and work opportunities, primarily for those residents who prefer to develop small businesses. In terms of spatial variables, urban development has been associated with better workforce participation rates in Palestinian towns and mixed cities. A central variable is the size of municipality, with small localities offering limited economic resources compared to large ones.

Interestingly, there are higher labor force participation rates in Palestinian towns than in the mixed cities. A possible explanation is that Tel Aviv-Yafo and Haifa are large central metropolitan areas with sufficient job opportunities. Conversely, municipalities such as Lod, Ramle, and Akko are smaller and offer a limited labor supply.

Finally, as indicated, employment within Palestinian municipalities is greatly related to their centrality and proximity to Jewish localities. It is evident that municipalities near Jewish cities can benefit from their extensive markets. However, there are a few exceptions to this rule, such as Majdal Shams (a Druze town in Northern Golan Heights) and Rahat (a Bedouin town in the Northern Negev), remote Palestinian municipalities that have relatively high labor participation rates. Both are central in their region and primarily serve a specific ethnic group.

Workforce Participation of Women in Palestinian Municipalities

In general, findings related to female workforce participation rates in 2008 are similar to the whole population. There are high workforce participation rates in municipalities with high socioeconomic profiles, in particular in those consisting of educated Palestinian Christian women with lower fertility rates than Muslim women. It appears that better transportation (spatial) and childcare opportunities (social) facilitate higher employment rates than localities that lack them.

Outlier Cases

There are a few Palestinian municipalities that are exceptions to the general rules. There are localities that have high employment rates regardless of

their expected social and spatial profile and vice versa. The unique situation of similar municipalities has been discussed in the author's previous field study (Shdema, 2011, 2012). Tayibe and Qalansawe, two Palestinian towns located in the southern "triangle" (close to central Israel), are examples of municipalities that have experienced a decline in labor force participation regardless of their desirable geographical location. This decline is probably related to reported on-going internal social problems, such as high crime rates and known conflict events.

There are other localities characterized by positive labor force measures regardless of their social and spatial characteristics. Kafr Qara is a good example of a municipality characterized by a tradition to acquire high education and achieve economic integration. Umm Al-Ghanem is a small, remote village located in the Jezreel Valley with a substantial number of professional drivers who have turned their village into a success story. Nahef is another small, remote village in the Galilee whose women enjoy adequate employment at the Delta textile factory nearby.

It is probably government policy that makes the difference by investing differential resources and infrastructures in these municipalities. This is the case for Yirka, a Druze village in the Galilee, where the government facilitated an industrial and trade zone center in the 1990s. This economic initiative may have created new jobs and expanded services beyond the village.

Implications

The current research addresses the importance of studying social and spatial variables associated with employment rates of Palestinians in single municipalities. The core conclusion is that most of these variables are interrelated and consistent in explaining workforce participation rates. It is recommended to adopt this perspective in future government employment policies toward unemployment and underemployment in Palestinian municipalities. It is almost impossible to understand localities with extremes in employment rates without adopting a spatial approach, like explaining remote municipalities that have unexpectedly high workforce participation rates or central ones with decreased levels.

The government has to keep a steady policy over time toward single municipalities. Obviously, this strategy has to be directed toward Palestinian localities suffering from severe unemployment rates in order to improve work opportunities. A similar approach has already been successfully implemented in distressed municipalities (Bar-Tzuri, 2003). However, it is important to proceed with this policy beyond municipalities in crisis in order to improve their employment status.

It is highly desirable to improve economic and labor infrastructures within Palestinian municipalities or in certain catching geographical areas (e.g., the Northern Negev, Wadi Ara, Beit Netofa Valley). Unfortunately, the majority of Palestinian employees have to look for job opportunities outside their municipalities by commuting to Jewish cities. Government policy geared toward stimulating and developing internal resources within a given municipality may facilitate new services and promote quality jobs.

Notes

1. The names of Arab municipalities are as per the CBS versions.
2. Employment trends were tracked using 1983, 1995, and 2008 CBS censuses, as they cover the entire localities using the same methods, hence providing an opportunity to compare the various municipalities.

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