

## Economic Assimilation in the United States of Arab and Jewish Immigrants from Israel and the Territories\*

**I**N RECENT YEARS, NUMEROUS STUDIES on various aspects of Israeli immigration to the U.S. have been published by Israeli and American social scientists. This is not surprising, given the fact that the U.S. is the country of destination for most Israeli emigrants, and that large-scale emigration is inconsistent with Zionism, the dominant ideology in Israel. Thus emigration in general, and to the U.S. in particular, is viewed in Israel as a major social problem.

Perhaps this is why Arab emigration from Israel to the U.S., as well as to other destinations, has rarely been studied. In fact, the vast annotated bibliography on emigration from Israel, published by the Szold Institute,<sup>1</sup> does not contain a single item discussing emigration of Israeli-Arabs. This paper analyzes Israeli-born immigrants to the U.S., both Jews and Arabs. Specifically, it focuses on Jewish and Arab emigration from Israel, the West Bank, and the Gaza Strip to the U.S. until 1980, relying on a subset of the 1980 U.S. census. This data set enables us to distinguish between Israeli-born Jews and Arabs. It is thus possible to describe and test hypotheses regarding the types of Jews and Palestinian-Arabs<sup>2</sup> who emigrated from Israel and the Occupied Territories to the U.S.

The first section of the paper advances the argument that out-migration from Israel and the Occupied Territories to the U.S., unlike in-migration, is governed primarily by economic factors, and that all Jewish and most Arab immigrants to the U.S. can thus be considered economic migrants. The second section briefly discusses theories of immigrant self-selection and economic assimilation and extends them to cases in which one group of the population—in the Israeli case, Palestinian Arabs—faces discrimination in the labor market and elsewhere. This discussion leads to the development of the hypotheses regarding self-selection and economic assimilation of Jewish and Arab immigrants in America. The third section

describes the data sets—the 1980 U.S. census and 1983 Israeli census—and procedures used in testing the hypotheses. The fourth section presents the results, and the final section presents the conclusions and their limitations.

### THE ECONOMIC NATURE OF EMIGRATION FROM ISRAEL TO THE U.S.

Israel is a country of immigrants. As late as 1980, nearly one out of every two Jewish residents of the country was born outside Israel. Most of the 1.8 million Jews who immigrated to Israel between 1948 and 1980 were not economic migrants; the vast majority of them from Europe, Asia, Africa and North America were refugees, Zionists, and religious persons who immigrated to the Jewish State with the active help of the State of Israel and Jewish organizations. Few immigrants were motivated by economic considerations.

Jewish emigration from Israel, however, is a different story. When asked to specify reasons for emigration, many Israeli residents in the U.S. claim that they did not actually emigrate since they “plan to return some time in the future.” Pressed for an explanation for their lengthy stay abroad, only a minority provide the standard answers of economic immigrants. A more typical response for Jewish emigrants, according to a recent ethnographic study of Israelis in New York City, is to engage in a defensive discussion of the “circumstances” that brought them to “be stuck” in New York.<sup>3</sup> Such responses are understandable, given the negative attitudes toward Jewish emigrants in Israeli society. Nevertheless, analyses of emigrants’ revealed preferences suggest that they are motivated by typical considerations guiding economic immigrants—improving their occupational and economic well-being. Emigration rates of Jews from Israel are thus governed almost solely by the economic conditions in Israel and potential receiving countries. During periods of low economic growth, no increase in real wages, and high unemployment in Israel, the wave of emigrants has increased, and the rate of return migration has been low. By contrast, when the economic climate in Israel seemed promising, and recession hit the U.S., emigration rates tended to decline, and the rate of return migration rose. The effects of the Israeli-Arab conflict on Jewish emigration from Israel notwithstanding, the main determinants of the Jewish emigration rate from Israel in a given year were found to be the economic indicators in Israel in the preceding year.

This is not to say that emigration patterns of Israeli-Jews, Israeli-Arabs, and especially of Palestinians under occupation, are divorced from the Israeli-Arab conflict and its ramifications. The conflict, ideological pressures against emigration by both the Jewish and Palestinian communities, as well as actions and policies taken by the Israeli government to inhibit Jewish out-migration and induce return migration (but not the emigration or return migration of Israeli Arabs, let alone of Palestinians under occupation), surely affect emigration from the three communities. It appears, however, that ideological and political forces have generally not affected emigration directly, but have been mediated, for the most part, by economic policies. Thus, Israel provides hefty economic benefits to its Jewish citizens returning from a stay of over two years abroad,<sup>5</sup> but, until 1985, has denied its Arab citizens the same benefits. Likewise, the PLO and Jordan, according to Benvenisti,<sup>6</sup> try to minimize out-migration from the Occupied Territories by funding the practice of *sumud* [clinging to the land].

Unfortunately, no studies of Israeli-Arab emigration since 1950 have been conducted. With the exception of anecdotal and indirect evidence, suggesting that Christians tend to emigrate more than Muslims, little is known about the characteristics of the estimated 25,600 Israeli-Arab emigrants during 1949–79,<sup>7</sup> or about the determinants of their migration. Surely, the lack of economic development in the Arab sector in Israel and the Territories is not divorced from the Israeli-Arab conflict. But the mechanisms through which Arab emigration is affected are mostly economic. A notable exception occurred in the immediate aftermath of the 1967 war. Between June and September 1967, some 200,000 West Bank residents—about one fifth of the population—crossed the border to the East Bank.<sup>8</sup> The vast majority of these Palestinian refugees were clearly directly affected by the war, and some of them, no doubt, reached the U.S. In contrast, a study that analyzed the emigration rates of the 222,000 Palestinian residents of the West Bank and Gaza to all destinations—including the Gulf countries (the main destination region) and the U.S.—during the next 14 years of Israeli occupation (1968–81), revealed that annual emigration rates were governed by economic conditions in the Occupied Territories and Israel, as well as by the job opportunities in receiving countries.<sup>9</sup>

In short, available evidence suggests that, with the exception of 1967, the ebb and flow of emigration from Israel, the West Bank, and the Gaza Strip, appear to reflect economic conditions. These economic conditions and the general subordinate status of Arabs in the Jewish State or under its occupation have consequences not only for emigration rates, but also for

the socio-economic profiles of both Arab and Jewish emigrants who chose the U.S. as their destination, as well as for their rate of economic assimilation in the U.S.

## SELECTIVITY AND ASSIMILATION OF JEWISH AND ARAB IMMIGRANTS IN THE U.S.

### SELF-SELECTION

The vast literature on Israeli (mostly Jewish) immigrants in the U.S. concludes that they are a successful group with respect to their socio-economic achievements in the U.S. This is especially true in terms of education and occupation. At least part of the success was found to be due to selection process in Israel.<sup>10</sup> Regardless of the data and methodology used, Israeli Jewish immigrants in the U.S. were found to be more educated and to hold higher status occupations than both the U.S. and Israeli populations.<sup>11</sup> Whether or not this holds true for Palestinian-Arab immigrants from Israel and the Territories to the U.S. is still an open question, although there is some evidence that they, too, are of higher socio-economic status than the populations from which they were drawn.<sup>12</sup>

That Israeli immigrants to the U.S. were positively selected from their communities of origin is consistent not only with previous empirical research, but also with the dominant theory of immigrant self-selection.<sup>23</sup> Only those who believe they can “make it” in the new country, the theory maintains, take the costly, risky step of starting over elsewhere.

Not all economic immigrants, however, are positively selected. Borjas demonstrated that immigrants’ (labor market) quality depends, in part, on the returns to skills offered both in countries of origin and of destination.<sup>24</sup> A positive selection of immigrants occurs from relatively egalitarian countries that do not reward their skilled workers compared to host countries. But from countries of high income inequality, where skills are generously compensated, the selection of immigrants is negative: the unskilled are those seeking to improve their economic lot by migrating to a more egalitarian country, where they expect to be protected by a net of social services. From this general model, one would expect immigrants from Israel to the U.S. to be positively selected, since Israel of the 1960s and 1970s was far more egalitarian than the U.S. In 1978–79, the ratio of the top 10 percent of income receivers to the bottom 20 percent was 7.3 in the U.S., compared to 3.8 in Israel.<sup>15</sup> The intensity of the positive selection, according to the model,

should be similar for both Jews and Arabs since they belong to the same economy.

#### THE EFFECT OF DISCRIMINATION

This selection model, however, assumes no labor market discrimination.<sup>16</sup> The existence of discrimination in countries of origin raises the migration incentives for the groups subject to discrimination, and attenuates the incentives for the favored groups. Palestinian Arabs, both Israeli citizens and those under occupation, suffer from discrimination in the labor market as well as in other spheres of life. They are subordinated—politically, socially, economically, and legally<sup>17</sup>—to the Jewish majority. Many studies have reported that Arab communities in Israel (and the Occupied Territories) receive from the government substantially less funds per capita than comparable Jewish communities, and are thus underdeveloped economically.<sup>18</sup> Consequently, many Arabs are forced to seek employment in Jewish communities, where they receive lower wages than Jews of similar characteristics for no apparent reason except discrimination.<sup>19</sup>

The relevant question is whether the discrimination results in greater economic loss for skilled Arabs than for those who are unskilled. This would depend on the nature of discrimination practiced in the labor market. In the classic model of wage discrimination, employers pay a wage premium to workers belonging to the favored group(s), hence workers belonging to the unfavored group(s) receive a lower wage rate for the same job and level of productivity.<sup>20</sup> In this model of discrimination, the differential effect of discrimination on workers of different skill levels is an empirical question.

In Israel, however, wage discrimination, although prevalent, is not the dominant method by which Jewish employers keep Arab wages down. Rather, hiring discrimination against Arabs is the common method for securing good jobs for Jews.<sup>21</sup> This discrimination in hiring, in both its statistical<sup>22</sup> and pure<sup>23</sup> forms, hurts educated Arabs more than the less educated.

Most good jobs in the Israeli primary labor market are available in state and local government, and especially in large firms owned or controlled by the state or the Israeli labor federation—the Histadrut.<sup>24</sup> Wages in these workplaces are tied to positions, and individual wage rates are a function of job title, seniority, and education. For legal reasons, practicing pure wage discrimination in such settings is more difficult than practicing hiring discrimination, which is permissible for security reasons. Since many of these firms and government agencies are related directly or indirectly to national

defense, they often require “security clearance.” Facing imperfect information regarding the security risk associated with individual candidates, and assuming that those who served in the military pose less of a risk than those who did not, military service is used as a selection criterion in numerous workplaces.<sup>25</sup> Since most Jews serve in the Israeli military, and most Arabs do not, virtually all Arabs fail to meet this hiring criterion and are thus denied access to such firms, where compensation is relatively high, jobs are organized in internal labor markets, and workers enjoy generous fringe benefits common in the Israeli primary labor market.

There is evidence that security consideration and military service are often used as “legal” ways to discriminate against Arabs even when the relationship of the workplace to security matters is questionable. In one case reported by Wolkinson,<sup>26</sup> physical proximity to a security-related plant, itself employing Arabs, was invoked by a personnel manager to explain the lack of Arabs in his own firm. Even in firms that do not use military service as a screening device, the number of Arabs in professional and managerial jobs is negligible. Pressed for an explanation for this in their own firms, personnel managers admit that they hire Arabs for such jobs only when Jewish workers are not available.<sup>27</sup> Thus, the discrimination in hiring is not limited to statistical discrimination due to security considerations, but is at times pure and simple discrimination in hiring, stemming from the “tastes” and ideology of Jewish workers, customers, and employers who would rather secure high-paying jobs for Jews.

This being the case, past empirical research demonstrates that the Arab labor force has experienced Balkanization: less skilled Israeli Arabs and, since 1967, residents of the occupied West Bank and Gaza Strip, have increasingly become “hewers of wood and drawers of water” in low-skill, dead-end jobs in Jewish communities, where they receive lower returns for their human capital than Jews of similar characteristics.<sup>28</sup> Higher-skilled Arabs tend to remain in their communities, where they are protected from Jewish competition for available government jobs in education and other public services. But since there are not enough jobs in Arab communities for all qualified candidates, many skilled and educated Arabs are forced to join the less skilled in commuting to Jewish communities for low-paying jobs<sup>29</sup> in smaller firms,<sup>30</sup> or join the ranks of the unemployed. In fact, while there is a negative correlation between education and unemployment among Jews, unemployment figures among college-educated Israeli Arabs have been consistently higher than among less educated Arabs.

The important point for the present study is that Arabs do not suffer equally from these hiring practices involving statistical or pure discrimina-

tion in hiring. Highly educated Arabs (i.e., those with at least 12 years of schooling, and even more so college graduates) are the main casualties of discrimination in hiring in Israel's key firms and government bureaucracies. Some firms use military service as a selection criterion only for professional and managerial jobs, but not for blue-collar jobs,<sup>31</sup> thus hurting the educated more than the less educated job applicants. Moreover, less educated Arabs fail to meet the firms' minimum educational requirements, and could not gain access to many such work organizations even if they had not been discriminated against. Consequently, Arabs of higher labor market quality have stronger economic incentives to migrate to the U.S. than Jews of similar labor market quality and Arabs of lesser quality.

Migration incentives are affected not only by absolute improvements in wage rates, but also by the relative improvement of one's position within the income distribution.<sup>32</sup> Immigrants who can improve both their absolute and relative standing are said to have a "strong incentive" to migrate, whereas those who improve only their absolute or relative standing in the income distribution are said to have a weak incentive to migrate. For various reasons, including discrimination, Arabs disproportionately belong to the bottom deciles of income-receivers in Israel.<sup>45</sup> Therefore, migration to the U.S. probably improves both their relative and absolute position within the income distribution. In contrast, highly skilled Jews are likely to improve their absolute standing, but more often than Arab immigrants of similar skills, their relative standing in the U.S. income distribution is similar to or lower than the standing they held in Israel.

In addition to income, immigrants care about their location in other hierarchies, notably those of prestige and power. Here, too, a reasonable assumption is that for the very skilled, those holding positions of power and prestige in Israel—top managers, prominent lawyers, famous journalists, prolific academics, high-ranking officials in government bureaucracies, and the like—immigration to the U.S. often involves a sharp decline in power, prestige, visibility, and other things money cannot always buy. Not so for the very skilled among Arabs. Only a few Israeli Arabs have ever achieved positions of power and influence within Israeli-Jewish society. Assuming that Arabs take the entire Israeli society as their relevant reference group, immigration for the most skilled and talented among the Arabs is likely to improve not only their economic standing, but also their social standing. In short, taking into account the fact that people care about their absolute and relative positions in a variety of social and economic hierarchies, it appears that skilled Arabs have stronger incentives to immigrate to the U.S. than comparable Jews.

Considering that the U.S. labor market rewards skilled workers more than the Israeli labor market does, and that Arabs face discrimination in Israel, but not in the U.S., I can now specify the first two hypotheses to be tested below: 1) that because of the higher rewards to skills, immigration from Israel to the U.S. in the late 1970s—both Jewish and Arab—was positively selected; and, that Israeli Arabs and Arabs under occupation were more positively selected than Jews, since discrimination against Arabs increased the incentives for skilled Arabs to migrate.

To be sure, forces other than returns to skills and discrimination also determine immigrant selectivity from Israel and the Territories. Ideology, cost of immigration, and visa availability are important factors in determining migration from Israel to the U.S. To the extent that these factors are correlated with skill level, they affect selectivity as well. There is no way to determine whether negative attitudes against migration within Jewish and Arab communities affect skilled more than unskilled workers. Within the Arab community, however, ideological inhibitions probably affect Muslims more than members of the relatively affluent, modern, and skilled Christian community in Israel and the Territories, and hence intensifies the positive selection of Arabs. Moreover, Christian Arabs, by virtue of their family connections in the U.S., can obtain visas more easily than other Arabs. The availability of relatives in the U.S. further lowers adjustment costs for Christian immigrants, as well as for Israeli Jews of all social strata. Since being Christian is correlated positively with skill level among Israeli Arabs and other Palestinians, this, too, intensifies the positive selection of Arab migrants to the U.S.

#### SOCIO-ECONOMIC ASSIMILATION

Immigrants' assimilation rate is defined as their annual income growth rate in the new labor market, above and beyond the growth rate of natives of similar demographic characteristics. Steep assimilation rates normally characterize immigrants whose skills are less transferable to the country of destination, as well as refugees who do not have the option of returning to their home countries.<sup>33</sup> Arab immigrants to the U.S., born in Israel and the Territories, are more likely than Jews to have such characteristics.

Arabs' skills are less transferable to the U.S. economy than those of Jews. Arab villages and towns in Israel and the Territories, where most Arab immigrants come from, are very different culturally, socially, and economically, from Jewish cities and towns. It is beyond the scope of this paper to analyze these differences. Suffice it to say, for our purposes, that Arab



communities in Israel and the West Bank have fewer similarities to the U.S. than do Jewish communities. Hence, upon arrival, Arabs have skills that are less transferable to the U.S. market, and therefore should earn less than comparable Jews. But with time in the U.S., Arab immigrants, like other immigrants whose skills are less transferable, should experience steeper wage growth (i.e., more rapid increase in wages) as their skills become more transferable to the U.S. labor market.

The other reason to expect Arabs' assimilation rates to be steeper than Jews' is because Arabs, unlike their Jewish counterparts, have some similarities to refugees, especially with regard to return migration. Notwithstanding the economic nature of Arab migration from Israel and the Territories to the U.S., their behavior in the destination country is similar to refugees' behavior in at least one respect. Palestinian Arab immigrants in the U.S. apparently do not consider returning to their country of origin a viable option. This is in part due to the policies of the Israeli government regarding Arab returnees. The 200,000 Palestinian refugees of the 1967 war have not yet been allowed to return to the Territories. Although most of them settled in Jordan and other Arab countries, some reached the U.S. during 1967–80, but have yet to be granted the option to return for permanent residence in the Territories (including East Jerusalem). Regarding residents of the Territories who were enumerated by the Israeli census of the Territories taken in September 1967, no official Israeli policy on their emigration and return migration can be found. Civil rights organizations, relying on Israeli Supreme Court cases, present evidence that the Israeli authorities often block the return of such Palestinians on technical grounds (e.g., the exit permit was not renewed, and thus the person loses residency), or grant exit permits under severe conditions. For example, Palestinian residents of the Territories between 18–35 years of age are normally not allowed to exit abroad for less than nine months, and in some cases, the minimum period abroad has been set to two, or even three years.<sup>34</sup> Given the nearly universal inverse correlation between years since migration and return migration, this policy lowers the proportion of Palestinians returning to the Territories. With respect to Israeli citizens, Israel's official policy encourages the return of Jewish emigrants, but not of Arab emigrants. Even in the absence of such policies, it is reasonable to assume that Arab immigrants in the U.S., after experiencing relative political and economic freedom, would be reluctant to return to Israel or the Occupied Territories, where they are expected to face discrimination in the labor market, as well as in other spheres of life. Whatever the reasons, it seems that the proportion of Palestinian immi-

grants returning to Israel and the Occupied Territories from the U.S. is far below that of Israeli-born Jews.<sup>35</sup> The important point is that Arab immigrants, once they no longer consider returning to Israel or the Territories, behave like refugees; that is, they have greater incentives than Jews to assimilate into the U.S. economy and “try harder” to succeed economically.

Taken together, the differences between Jews and Arabs in skill transferability and expectations regarding return migration leads to the third hypothesis to be tested below: that the assimilation rates of Arab immigrants in the U.S. have been faster than that of their Jewish counterparts. Whether Arabs eventually surpass Jewish Israeli-born immigrants in the U.S. is an empirical question to be analyzed below.

## DATA

Testing hypotheses concerning self-selection and assimilation of Jewish and Arab immigrants to the U.S. requires data on the two groups in the destination country, as well as in the source country. The immigrant data are based on the 5 percent Public Use Microdata Sample (PUMS) of the U.S. 1980 census. All those stating in the 1980 U.S. census that they were born in “Israel” or “Palestine” were classified as Israeli-born. They include all Israeli-born Jews, all Israeli Arabs, and probably most natives of the West Bank and Gaza Strip, who, by 1980, felt it appropriate to state “Palestine” rather than Egypt or Jordan as their country of birth. The 1980 PUMS contains 3,513 Israeli-born men and women immigrants of all ages. The ancestry and language questions of the 1980 census enabled Cohen and Tyree to identify Jews and Palestinian Arabs fairly accurately among the entire population of Israeli-born in the U.S., and I follow their classification procedure below. Cohen and Tyree<sup>32</sup> identified 1,097 Palestinian-Arabs (31.4 percent), and 2,396 Jews (68.6 percent). The proportion of Arabs found in our subset of males, 25–65 years of age to be used below, is 62 percent Jews (790), and 38 percent Arabs (488).

Nearly half of these immigrants, however, have resided in the U.S. for over 10 years. Although the relevant characteristics of immigrants—e.g., years of schooling and wages—reflect both selectivity and assimilation, the PUMS includes no variables enabling us to distinguish between the two effects. Thus, testing the assimilation hypothesis using the 1980 U.S. census requires an assumption that there were no major changes in the relative “quality”<sup>37</sup> of Arab and Jewish immigrants to the U.S. over time. I am

willing to make this assumption. While the entire population of Israeli-born immigrants (both Jewish and Arab) of the late 1970s was found by Borjas<sup>38</sup> to be of slightly lower socio-economic quality than immigrants of the 1950s and late 1960s, there is no reason to believe that the decline was more pronounced in one group than the other.

Testing the selectivity hypotheses does not require such an assumption. Here, I follow a procedure common in immigrant selectivity studies: The analyses regarding the selectivity hypotheses are confined to immigrant men who arrived in the U.S. in the last five-year period before the census year (henceforth recent immigrants). These recent immigrants had resided in the U.S. an average of 2.5 years and, in 1980, were only at the beginning stages of the assimilation process. The relevant characteristics of such immigrants are considered to reflect their socio-economic quality at the time of immigration, before any meaningful assimilation has occurred. Thus, part of the analyses will be based on a sub-sample of 209 Jewish and 105 Arab men, 25–64 years of age in 1980, who entered the U.S. between 1975–79.

The socio-economic characteristics of these recent immigrants in 1980 should be compared to the characteristics of native Jewish and Arab populations in the country of origin at about the same year they emigrated. To this end, I analyzed the 20 percent sample of the 1983 Israeli census.

The Israeli census does not include information on Palestinian residents of the Territories. Unfortunately, there is no readily available sample of residents of the Occupied Territories; hence, it is impossible to analyze their characteristics with the same degree of accuracy as those of Israeli citizens—Jews or Arabs. The published figures for wages of Arab residents of the Territories indicate that they are lower than those of Israeli Arabs, while their schooling is similar to that of Israeli Arabs.<sup>39</sup> I will therefore consider the West Bank and Gaza Strip populations as having, at most, the same levels of education and wages as those of Israeli Arabs. This assumption imposes a more severe test for the hypothesis that Arab migration to the U.S. is more positively selected than Jewish, since it might raise the socio-economic level of Arabs in the origin country above its true level.

## RESULTS

### DESCRIPTIVE STATISTICS

Before turning to the hypotheses, Table 1 presents demographic and socio-economic characteristics of both immigrant groups in the U.S. by year of immigration.

**Table 1**  
Demographic and labor force characteristics:  
Arab and Jewish men born in Israel and the occupied territories,  
residing in the U.S. in 1980, by year of immigration.

<i>Year of Immigration</i>		<i>All<sup>a</sup></i>	<i>75-80</i>	<i>70-74</i>	<i>65-69</i>	<i>60-64</i>	<i>50-59</i>	<i>1950 &lt;</i>
		<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>
<b><i>N. of cases</i></b>	Arabs	488	105	106	118	58	80	18
	Jews	790	211	165	92	79	168	52
<b><i>Variable</i></b>								
Mean age	Arabs	39.2	37.7	35.8	37.3	40.4	44.4	50.1
	Jews	35.5	32.0	32.7	37.3	36.1	36.5	50.2
% Married	Arabs	80.3	73.3	79.2	83.9	75.9	87.5	83.3
	Jews	74.1	72.0	75.8	72.8	82.3	72.0	71.2
College degree	Arabs	34.6	28.6	27.4	31.4	43.1	46.2	61.1
	Jews	49.4	46.4	35.8	53.3	44.3	60.7	61.5
Mean years of schooling	Arabs	13.1	11.9	12.2	13.2	14.3	14.3	16.3
	Jews	14.9	14.8	13.9	14.8	14.9	15.7	15.0
% Students	Arabs	7.4	14.3	7.5	5.1	1.7	6.3	5.6
	Jews	14.2	29.4	10.3	7.6	6.3	8.9	3.8
% English "very well"	Arabs	65.4	46.7	61.3	63.6	79.3	80.0	100.0
	Jews	75.2	58.8	64.8	78.3	84.8	92.9	88.5
% in Labor force	Arabs	89.5	80.0	90.6	94.8	96.6	87.5	88.9
	Jews	90.8	81.5	95.2	97.8	93.7	92.3	88.5
<b><i>Working only</i></b>								
Mean annual hours	Arabs	2218	1919	2296	2333	2219	2245	2426
	Jews	2070	1783	2146	2248	2138	2128	2174
% PTM <sup>b</sup> occupations	Arabs	37.2	29.9	29.5	35.3	46.6	50.0	50.0
	Jews	53.6	54.4	42.0	53.8	51.3	65.9	63.3
% Sales occupations	Arabs	25.6	18.6	23.8	33.6	19.0	30.3	22.2
	Jews	16.5	14.3	20.4	20.9	14.8	13.4	18.4
% Self-employed	Arabs	36.2	25.6	28.1	44.6	28.6	41.4	56.3
	Jews	24.9	17.1	28.7	34.4	26.0	20.6	32.6
Mean hourly wage(\$): all	Arabs	9.1	6.6	7.5	8.9	11.2	11.7	12.4
	Jews	10.4	8.0	9.1	10.1	10.9	12.3	13.3
Mean hourly wage(\$):salaried	Arabs	8.7	5.5	7.2	9.1	9.4	13.5	14.9
	Jews	9.7	7.5	8.5	9.9	9.4	11.6	12.1

<sup>a</sup> Including 23 Jews and 3 Arabs born to American Parents abroad, for whom year of immigration is unknown.

<sup>b</sup> Professional, technical, and managerial occupations.

Jewish and Arab immigrants from Israel and the Occupied Territories were quite similar with the exception of age. The ages of Arabs were as expected of immigrants: the earlier the immigrants arrived, the older they were in 1980. Thus, those arriving in the 1970s were about 36 years old on average, while those who entered the U.S. during the 1950s were 44 years old in 1980. A different relationship is observed for Jews. In 1980, the average age of Israeli-born Jews who entered the U.S. in 1960–64 was 36.1 years, and for those who arrived during 1950–59, 36.5 years. This implies that the average age of these waves of immigration was 18.5 and 11.5 years old, respectively. Surely, for these early waves of Jewish immigration, we are observing children who immigrated to the U.S. with their parents. Many of the parents were not included in our sample because they were not Israeli-born. Rather, the parents came to Israel as immigrants, lived there for a few years, and then emigrated to the U.S. with their Israeli-born children.

We should take note of these age differences between Jews and Arabs of the 1950–64 cohorts, for they could account for some of the socio-economic differences between the groups. Furthermore, the implications of the age differences for skill transferability, and thus for assimilation rates, of the two immigrant groups cannot be overstated. Many of the Jewish immigrants of the 1950–64 waves who remained in the U.S. actually immigrated as children, and therefore their skills were acquired in the U.S. and were completely transferable. Most Arab immigrants of this period, however, attended schools in Israel and the West Bank, and, as such, their skills were less transferable.

Both groups were fairly successful in the U.S. labor market. Upon arrival in the U.S., a smaller proportion of Arabs than Jews spoke English “very well,” or spoke only English. This is the only measure of transferability of skills available in the census data, and it further supports our assumption that Arabs’ skills were less transferable than Jews’. Nearly 30 percent of the Jews and 14 percent of Arabs were enrolled as students upon arrival in the U.S. Not surprisingly, the proportions dropped substantially with time in the U.S. The mean years of schooling was higher for Jews than for Arabs, but the differences were smaller among those arriving in earlier waves. Given their educational levels, it is not surprising that labor force participation rates of both Jews and Arabs were very high, and that they were employed in high-status occupations. Over 50 percent of the Jews and 37 percent of the Arabs were either professional, technical, or managerial workers. Sales was the other occupational category in which Israeli-born immigrants, especially Arabs, concentrated. Patterns of self-employment underscore the importance of sales among Arab immigrants. Over one-

third of Arab immigrants in the labor force were self-employed,<sup>40</sup> and most of them were engaged in one line of business—grocery stores. Jewish immigrants too, had a high proportion of self-employment (25 percent), but they were engaged in a broad range of businesses (data not shown).

The advantages of Jews over Arabs in education and occupation resulted in wage differentials. Jewish immigrants earned more than Arabs, but again, the differences were larger among recent immigrants than among those who immigrated before 1970. Among salaried workers, however, Arabs who immigrated before 1960 had overtaken their Jewish counterparts by 1980. In fact, salaried Arabs arriving before 1960 earned more than all Jews (either self-employed or salaried) who arrived in the U.S. during the same period. In sum, the results regarding labor force participation, education, occupation, self-employment, and earnings reveal that both groups were fairly successful in the U.S. labor market. With the exception of the earliest migration waves, Jews appeared to be of slightly higher socio-economic standing.

#### EDUCATION AND WAGES OF RECENT IMMIGRANTS

The main variables for testing the hypotheses were education and wages. The first is not affected by labor market discrimination in Israel.<sup>41</sup> It is considered to be the main measured characteristic for labor market quality. Two measures of education were used: years of schooling, and the proportion having at least a college degree. The second variable, wage rate, is used in migration studies as the best summary indicator for individual productivity. Wage rate is considered to be a function of productivity, which is, in turn, determined by all relevant individual characteristics, measured and unmeasured, and is therefore the best indicator for immigrants' labor market quality.

Table 2 presents basic demographic and labor force ratios (Arabs/Jews) among Israeli-born men in Israel and the U.S. The data are presented for both recent immigrants and all immigrants. Among recent immigrants, it is evident that both Jews and Arabs in the U.S. were of higher socio-economic quality than the populations from which they were drawn. While the average schooling in Israel in 1983 was 12.4 years for Jews and 7.8 years for Israeli Arabs, the average schooling of the two recent immigrant groups in the U.S. in 1980 was 14.8 years for Jews and 11.9 for Arabs. Consequently, a much higher proportion of recent Jewish and Arab immigrants had at least a college education compared to those who stayed in Israel and the Territories. In sum, with respect to education, the findings lend support to the first hypothesis; namely, that the selection of both Jewish and Arab immigrants from Israel and the Occupied Territories to the U.S. was positive.

**Table 2**  
Demographic and labor force characteristics and ratios (Arabs/Jews)  
of Israeli-born men, 25–64 years old, by nationality:  
residents of Israel and immigrants in the U.S., 1980.

Country	Residents of Israel		Immigrants in the U.S.				Res. of Israel	Immigr. in the U.S.	
	All		Recent		All		All	Recent	All
Year of Migration Nationality	Jews (1)	Arabs (2)	Jews (3)	Arabs (4)	Jews (5)	Arabs (6)	Ratios(Arab/Jew) <sup>a</sup>		
							(7)	(8)	(9)
<b>N. of cases</b>	51,340	20,549	211	105	790	488	2/1	4/3	6/5
<b>Variable</b>									
Mean age	34.6	38.5	32.0	37.7	35.5	39.2	1.11	1.18	1.10
% Married	80.0	88.3	72.0	73.3	74.1	80.3	1.10	1.02	1.08
% College	17.6	6.2	46.4	28.6	49.4	34.6	0.35	0.62	0.70
Mean schooling	12.4	7.8	14.8	11.9	14.9	13.1	0.63	0.80	0.89
% Language <sup>b</sup>	99.1	51.1	58.8	46.7	75.2	65.4	0.52	0.79	0.87
% in LF	88.8	82.3	81.5	80.0	90.8	89.5	0.93	0.98	0.99
<b>Working</b>									
Annual hours	2353	2051	1783	1919	2070	2218	0.87	1.08	1.07
% self-employed	14.3	13.4	17.1	25.6	24.9	36.2	0.94	1.50	1.46
<b>Hourly wage<sup>c</sup></b>									
All working <sup>d</sup>	—	—	8.0	6.6	10.4	9.1	—	0.83	0.88
Salaried	222	123	7.5	5.5	9.7	8.7	0.55	0.73	0.90
Expected <sup>e</sup>	—	168	—	—	—	—	0.76	—	—

[a] Table reads: the ratio of Arab/Jewish mean age is 1.11 in Israel, 1.18 among recent immigrant in the U.S., and 1.10 among all immigrants.

[b] Hebrew in Israel; English in the U.S.

[c] Dollars in the U.S.; old Shekels in Israel.

[d] Including self-employed, for whom income data in Israel are unavailable.

[e] See text for explanations.

Sources: Columns 1–2: Israeli Census, 1983; Columns 3–6: Table 1.

Turning to the second hypothesis, columns 7, 8, and 9 of Table 2 present ratios of all characteristics (the mean for Arabs divided by the mean for Jews) for Israeli-born Arabs and Jews in Israel and the U.S. The higher the ratio, the smaller the gap between the groups. A ratio of 1.0 indicates parity, and a ratio of over 1.0 indicates that Arabs' characteristics were higher than those of Jews. Among Israeli residents, the ratio (Arab/Jew) for years of schooling is 0.63, while the ratio of the proportions having a college degree was even lower (0.35). In the U.S., among recent immigrants, the respective ratios were 0.80 and 0.62. In other words, the differences in

schooling between Jews and Arabs in Israel were much larger than among those who immigrated from Israel to the U.S. during 1975–80. One can thereby conclude that, with respect to years of schooling and college education, positive selection of Arab immigrants to the U.S. was more pronounced than the selection of Jewish immigrants.

The same picture emerged with respect to the wage rate, the main measure of labor market performance. The ratio (Arab/Jew) for observed average wage rate among recent immigrants in the U.S. was 0.83 for all (salaried and self-employed) immigrants, and 0.73 among salaried workers. In 1983 in Israel, the ratio was 0.55 among salaried workers.<sup>61</sup> In other words, the average wage Arabs earned in Israel was 55 percent of the average wage paid to their Jewish counterparts. Within 1–5 years of arrival to the U.S., the average wage for Arab immigrants was 83 percent of the average wage for Jews.

Recall, however, that because of discrimination, Arab wages in Israel do not represent Arabs' true socio-economic qualities. While I assume no discrimination in the U.S. against Jews or Arabs, discrimination depresses the wages of Arabs in Israel and the Territories. Therefore, wage rates in Israel cannot be taken as representing the true productivity or labor market quality of Arabs. To solve this problem, I estimated what average wage of Arabs in Israel would have been in the absence of labor market discrimination. This was done by estimating the percent of the wage differential between Jews and Arabs in Israel that remained "unexplained" after controlling for productivity related variables, and adjusting Arabs' average observed wage rate by that percentage.<sup>43</sup> The results suggest that, in the absence of discrimination, the average wage of Israeli Arabs in Israel jumps from the observed 0.55 to the expected 0.76 of the average Jewish wage. This, however, is still below the observed ratio of 0.83 among all Arab and Jewish recent immigrants in the U.S. Put differently, even if Arabs in Israel were paid according to their relevant characteristics (i.e., were not discriminated against in the labor market), their wages would have been only 76 percent of their Jewish counterparts. Had the intensity of the positive selection of Jewish and Arab immigrants to the U.S. been similar, we would expect the average Arab immigrant in the U.S. to earn 76 percent of his Jewish counterparts. That the observed ratio in the U.S. was somewhat higher among all working immigrants, including the self-employed (0.83), implies that, among Arabs, the positive selection of immigrants is more intense than among Jews.

In addition to education and wages, other ratios presented in Table 2 (age, labor force participation, annual hours of work, entrepreneurial ten-



dencies) point to the same conclusion: the socio-economic quality of Israeli-born Arabs relative to their Jewish counterparts is higher among recent immigrants in the U.S. than in Israel. Only among salaried workers was the wage ratio in the U.S. (0.73) slightly smaller than the expected ratio in Israel (0.76). Recall, however, that Arabs in Israel suffer not only from discrimination in the labor market, but also in education. This being the case, the education of recent Arab immigrants in the U.S. and, hence, their wages were lower than what they would have been in the absence of discrimination in education in the source country. I present evidence below supporting the third hypothesis, namely, that once Arab immigrants are freed from direct and indirect discrimination in the U.S., they experience steeper assimilation rates than their Jewish counterparts.

#### ASSIMILATION RATES OF ARABS AND JEWS

Among Israeli-born immigrants who had been in the U.S. more than five years, the differences between Palestinian Arabs and Jews were smaller than among recent immigrants. The ratio (Arab/Jew) for years of schooling was 0.80 among recent immigrants and 0.89 among all immigrants. Consequently, the ratio for hourly wages rose from 0.83 among recent immigrants to 0.88 among all immigrants (salaried and self-employed), and from 0.73 to 0.90 among all salaried immigrants. This attenuation could be due to Arabs' older ages among veteran immigrants; or because highly educated Jews tend to return to Israel in higher proportions than highly educated Arabs. A third possibility is that the differences between the socio-economic qualities of cohorts of Arab immigrants are larger than the differences between Jewish cohorts. Finally, it could be that, as hypothesized, the assimilation rate of Palestinian Arabs in the U.S. is higher than that of Jews. The four possible processes are not mutually exclusive, and all probably contribute to closing the gap between Jewish and Arab immigrants in the U.S. over time. However, not all of the processes appear to be of the same significance.

Past research suggests that the rate of return migration from the U.S. to Israel is relatively high among Israeli-born Jews. To the extent that the returnees are of higher quality than of all Jewish immigrants, and that no such return migration occurs among Arab immigrants, this process would contribute to the attenuation of the gap found between Jewish and Arab immigrants in the U.S. However, empirical research has demonstrated that Israeli-born Jewish returnees from the U.S. are either similar to or of only slightly higher education than their counterparts who remained in the U.S.<sup>44</sup> Thus, while this process possibly occurs to some extent, its effect on

the average education of the Israeli-Jewish immigrant population in the U.S. is likely to be very small.

Similarly, as stated before, it is unlikely that the socio-economic quality of Arab immigrants from Israel to the U.S. declined during the 1970s more than that of their Jewish counterparts. The changes in U.S. immigration laws in 1965 affected both groups alike, and there is no evidence that the degree of labor market discrimination against Arabs in Israel appreciably changed from 1950 to 1980.

Finally, the most important process responsible for closing the gap in education and earnings between Jewish and Arab immigrants from Israel and the Occupied Territories is the difference in assimilation rates between the two groups. Table 3 presents wage regressions for the two groups

**Table 3**  
Ln hourly wage regressions, U.S., 1979:  
Arab and Jewish salaried immigrant men, 25–64 years old,  
born in Israel and the occupied territories (t-values in parentheses).

<i>Year of Immigration</i>	<i>Arabs and Jews</i>		<i>Jews</i>	<i>Arabs</i>
	<i>Recent</i> (1)	<i>All</i> (2)	<i>All</i> (3)	<i>All</i> (4)
<i>N. of cases</i>	183	767	496	271
<i>Variable</i>				
Experience	0.035 (1.38)	0.048*** (4.90)	0.044*** (3.52)	0.051*** (3.14)
Experience squared	-0.0004 (-0.693)	-0.0008*** (-3.7)	-0.0004** (-2.45)	-0.0009*** (-2.64)
Years of schooling	0.060*** (3.33)	0.068*** (9.14)	0.071*** (6.76)	0.061*** (5.63)
English “very well”	0.198 (1.65)	0.091 (1.46)	0.116 (1.39)	0.055 (0.597)
Years since migration	—	0.012** (3.93)	0.009** (2.41)	0.021*** (3.69)
Jewish	0.272 (1.93)*	0.044 (0.840)	—	—
Constant	0.247	0.315	0.368	0.297
F ratio	5.42***	31.1***	16.8***	22.3***
R <sup>2</sup> (adjusted)	0.108	0.191	0.138	0.283

\* p < 0.10; \*\* p < 0.05; \*\*\* p < 0.001

(excluding the self-employed, for whom the process of wage and income determination was less clear). Column 1 presents the results among recent immigrants, pooling data for Jews and Arabs. Upon arrival to the U.S., Jews earned 27 percent more than Palestinian Arabs of the same education, experience, and language abilities.<sup>45</sup> However, among Jews and Arabs of all migration waves (column 2), the effect of being Jewish was no longer statistically significant, meaning that Jews no longer enjoyed a wage premium over comparable Arabs. Thus, it is not age or experience that explains the Jewish advantage over Arabs upon arrival to the U.S. Rather, the wage premium paid to recent Jewish immigrants compared to their Arab counterparts was most likely due to the fact that Jews' skills were more relevant to the U.S. labor market than Arabs' skills. This difference between the two groups with respect to skill transferability, together with Arabs' greater incentives to assimilate in the U.S., were responsible for the faster assimilation rates of Arabs compared to Jews. A more direct test of this hypothesis is presented in columns 3 and 4. Assuming no change in relative cohort quality between Arabs and Jews, the coefficients for the variable "years since migration" (YSM) measure the assimilation rates.

The coefficient for YSM is larger for Arabs than for Jews and the difference is statistically significant. Every year spent in the U.S. raised wages of Arab immigrants by 2.1 percent compared to only 0.9 percent among Jews. Thus, upon arrival in the U.S., Arab skills were less transferable to the U.S. market, and they earned 27 percent less than Jews with comparable skill levels (column 1). Every year, however, their skills became more relevant to the U.S. market, and as a result, after 23 years in the U.S., Arab immigrants earned no less than Jews of similar characteristics.

## CONCLUSIONS

The main results of the empirical analyses presented above are unequivocal. First, it appears that, during the period studied, both Jewish and Arab immigrants in the U.S. who were born in Israel or in the Occupied Territories were a select group with respect to their socio-economic characteristics in comparison to the native populations from which they were drawn. Furthermore, the results lend support to the main hypothesis of this study regarding self-selection; namely, that the degree of positive selection was higher among Arabs than among Jews. This was explained as a result of discrimination against Palestinians Arabs in Israel. I argue that, because of discrimination, the incentives for higher quality Arabs to emigrate from

Israel and the Territories were greater than the incentives for Jews of similar characteristics. As a result, the differences in education and earnings between recent Jewish and Arab immigrants in the U.S. were much smaller than in Israel.

Second, the gap between Israeli-born Jewish and Arab immigrants in the U.S. in 1980 was smaller between those who arrived in the U.S. during the 1950s and 1960s than among recent immigrants. I have presented evidence that this was not only because of the relatively young ages of Israeli-born Jewish immigrants compared to their Arab counterparts, but was most likely due to higher rates of economic assimilation experienced by Arabs than by Jews. I believe that the steeper assimilation rates of Arabs reflect the fact that, on the one hand, their skills were less transferable to the U.S. economy and, on the other, their incentives to assimilate in the U.S. were greater, since their expectations of returning to Israel or the Territories were probably lower than those of their Jewish counterparts.

These conclusions, however, are confined to immigrants who reached the U.S. in the 1970s and before. During the 1980s, and especially the 1990s, both the U.S. and Israel have experienced major changes that could affect the selectivity and assimilation of immigrants from Israel and the Territories in the U.S. For one, although income inequality has increased in both countries during the past 15 years, it is no longer clear whether the current economic returns to skills in the U.S. are much higher than those in Israel. For another, the Intifada, the Gulf War, and the peace process may have changed the incentives of Palestinians to leave the West Bank and Gaza Strip. It is also unclear whether the degree of labor market discrimination against Arabs in Israel is as pervasive in the 1990s as it was in the 1960s and 1970s. All these factors, according to the model presented above, could have affected both the numbers and types of immigrants to the U.S. from Israel and the Territories. Future research could use the recently released 1990s U.S. census to study the effect of these changes on the self-selection and economic assimilation of Israeli immigrants—Jews and Arabs—to the U.S. during the past 15 years.

## NOTES

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1. Szold Institute, *Emigration from Israel: An Annotated Bibliography* (Jerusalem, 1989).

2. In the interest of clarity, I often use the terms “Israeli-Arabs” for the non-Jewish citizens of Israel, and “Palestinians” for the indigenous population of West Bank and Gaza Strip. I do not mean to imply that Israeli-Arabs are not Palestinians, nor that all natives of the Occupied Territories view themselves as Palestinians.

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10. Cohen, “Socioeconomic Dualism.”

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15. World Bank, *World Development Report* (New York, 1984).
16. Gary Becker, *The Economics of Discrimination* (Chicago, IL, 1971); Edmund Phelps, "The Statistical Theory of Racism and Sexism," *American Economic Review*, 62 (1972) 659–61; Lester Thurow, *Generating Inequality* (New York, 1975).
17. See David Kretzmer, *The Legal Status of the Arabs in Israel* (Boulder, CO, 1990), for the legal status of Israeli-Arabs.
18. Raja Khalidi, *The Arab Economy in Israel* (London, 1988); Noah Lewin-Epstein and Moshe Semyonov, *The Arab Minority in Israel's Economy* (Boulder, CO, 1993).
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20. Becker, *The Economics of Discrimination*.
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25. Wolkinson, "Ethnic Discrimination in Employment," and "Recruitment and Selection of Workers in Israel."
26. Wolkinson, "Ethnic Discrimination in Employment."
27. *Ibid.*
28. Farjoun, "Palestinian Workers in Israel"; Lewin-Epstein and Semyonov, *The Arab Minority in Israel's Economy*; Semyonov and Lewin-Epstein, *Hewers of Wood and Drawers of Water*.
29. Noah Lewin-Epstein and Moshe Semyonov, "Sheltered Labor Markets, Public Sector Employment, and Socioeconomic Returns to Education of Arabs in Israel," *American Journal of Sociology*, 100 (1994) 621–51.
30. Farjoun, "Palestinian Workers in Israel."
31. Wolkinson, "Ethnic Discrimination in Employment," and "Recruitment and Selection of Workers in Israel."
32. Oded Stark, *The Migration of Labor* (Oxford, 1991).
33. Borjas, *Friends or Strangers*; Chiswick, "The Effects of Americanization."
34. Sharon Rovak, *Complaints of Civil Right Violations in the Territories: Activity of the Center for the Defense of the Individual* (Jerusalem, 1991) [Hebrew].
35. The proportion of Jews who left Israel to all destinations and returned within two years is much higher than the proportion of Israeli Arabs (Central Bureau of Statistics, *Statistical Abstract of Israel* (Jerusalem, 1981)). No comparable

data for the rates of return migration of residents of the Occupied Territories are available.

36. Cohen and Tyree, "Palestinian and Jewish Israeli-Born Immigrants in the U.S."

37. No value judgment is implied by the term "immigrants' quality." Rather, socio-economic (or labor market) quality of immigrants refer to their potential productivity and earnings in the labor market.

38. Borjas, *Friends or Strangers*, 232–4.

39. Central Bureau of Statistics, *Statistical Abstract of Israel* (Jerusalem, 1984)

40. This is higher than the proportions of any of the 42 immigrant groups listed in Borjas, *Friends and Strangers*, 237.

41. It is affected by pre-market discrimination; i.e., discrimination that occurred outside the labor market (in this case, discrimination against Arabs in education) that eventually affect labor market outcomes.

42. For the self-employed in Israel, income and wage data are unavailable.

43. See Yinon Cohen, "Discrimination and Migration," Discussion paper No. 4-94, Sapir Center for Development, Tel-Aviv University (Tel-Aviv, 1994), for details of this analysis.

44. Paul Ritterband, *Education, Employment and Migration: Israel in Comparative Perspective* (New York, 1978); Toren, "Return to Zion," and "Return Migration from Israel."

45. The variables included in the regressions are as follows: Experience is in years (age minus schooling minus 6); English is a dummy variable coded 1 if respondent speaks English "very well," or only English; Jewish is a dummy variable coded 1 if respondent is Jewish; Years since migration (YSM) is a continuous variable (1980 minus the mid-year of the period the immigrant arrived in the U.S.). Those arriving before 1950 were assigned a YSM value of 35.