The Effects of Foreign Guest Workers in Israel on the Labor Market Outcomes of Palestinians from the West Bank and Gaza Strip

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Abstract

Using micro panel data from the Territories Labor Force Survey and aggregate time-series data on the number of foreign guest workers in Israel, this paper measures the effects of foreign workers on the labor market outcomes of Palestinians from the West Bank and Gaza Strip. The results of the study indicate that the earnings of Palestinians are significantly reduced by the presence of foreign workers in Israel. A likely long-term presence of foreign workers in Israel suggests that the Israeli market for unskilled labor is an unreliable source of future Palestinian employment and economic growth. The fostering of alternative employment possibilities is especially important for Palestinians that reside in Gaza.