Why Do Arabs Earn Less than Jews in Israel?

By

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Abstract

This paper uses fourteen years of income data between 1990 and 2003 to measure wage differentials between Israeli Arab and Jewish workers in Israel. The wage gap it discovers is decomposed into components corresponding to human capital, occupational segregation, selectivity, and a residual, which may reflect discrimination. The unadjusted hourly wage gap between Arab and Jewish workers almost doubled from 40% in 1990 to 77% in 1999. By 2003, however, it had declined to 56%. The general picture is for inequality in salaries to have exacerbated sharply during the 90s, along with diminished opportunities in a skilled and integrated workforce for Arabs, before easing to some degree in the first three years of this decade. This paper sets out to explore a range of explanations for these trends.

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