CHAPTER 25

Immigrants in Israel

Sarit Cohen-Goldner
Bar-Ilan University; and IZA—Institute for the Study of Labor

Contents

1. DISTINGUISHING FEATURES OF MIGRATION TO ISRAEL

The study of the determinants and the consequences of immigration is particularly interesting and important in a country like Israel, in view of the profound impact of immigration on the social and economic structure of the country and the great range of geographical origins and cultural backgrounds of the immigrants.

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In the short span of 65 years, Israel has increased its population from about 800,000 to 7.8 million. Immigration was and still is a significant factor in Israel's impressive population growth, accounting for 36% of population growth since its establishment to 2011. Even today, almost 27% of the Jewish population are foreign-born and over a half of Jewish native-born are second-generation Israelis, i.e., descendents of immigrants (CBS, 2013, Statistical Abstract, Table 2.6). From an international perspective, according to the UN Israel was ranked in 2010 as number 17 in the list of countries with the highest number of immigrants and was number 7 in the list of countries with the highest share of immigrants in the population (United Nations, 2011).[1]

Israel perceives the immigration of Jews as one of its major goals. The Proclamation of the Establishment of the State of Israel states: "*The State of Israel will be open for Jewish immigration and the ingathering of the exiles . . .*". Indeed, with the establishment of the State, in May 1948, the government of Israel acted in partnership with the Jewish Agency and Jewish institutions to organize and fund the transportation and integration of Jews from the Eastern and Western Diaspora. Between the establishment of Israel in mid-1948 and the end of 1951 the Jewish population doubled with over 600,000 new immigrants. About 80% of all Jewish migration worldwide (excluding migration of Jews across European countries after World War II) between the establishment of the state to 1953 has been to Israel.

The fundamental legislation Law of Return (1950) granted any Jew the right to migrate to Israel and to become an Israeli citizen, although the law did not define who was considered a Jew. In 1970 the Law of Return was amended so that the right to migrate to Israel was also granted to the family members of Jews, including spouses of Jews, children of Jews and their spouses, and grandchildren of Jews and their spouses. Thus, although according to Jewish law (*halacha*) Jewish identity is conferred only through matriarchal descent or conversion, Israel's current Law of Return grants an Israeli citizenship to anyone with Jewish ancestry or family even though they are not considered Jewish according to Jewish law.

The application of the Law of Return resulted in the growth of the Jewish population from 1.2 million at the end of 1950 to 5.7 million at the end of 2009 (CBS, 2010 Statistical Abstract).[2] Furthermore, by the end of 2012, Israel was the largest Jewish community in the world, hosting over 43% of world core Jewry.[3]

[1] Native-born refers to those who were born in Israel. Individuals who were born abroad and immigrated prior to the establishment of the state of Israel are therefore considered as immigrants.

[2] According to Raijman (2009), about half of non-Jews who entered Israel during the 1990s came under the Law of Return (mainly from the FSU and also the Falash Mura from Ethiopia), while the other half came as temporary foreign workers.

[3] CBS (2013, Statistical Abstract, Table 2.11). The second largest Jewish community in the world is the US, with 5.425 million Jews who comprise 39.1% of world Jewry in 2012 and later in the list are France (478,000 Jews), Canada (380,000), and the UK (290,000). For further discussion on the definition and estimates of world Jewry, see Sheskin and Dashefsky (2012, American Jewish Yearbook) and North American Jewish Databank.

While modern immigration worldwide is often characterized by (continuous) flows of immigrants, Jewish immigration to Israel takes the form of cycles, often referred to as waves of immigration. In each wave, nearly all the immigrants arrived from a single source country or neighboring source countries. Thus, immigrants from different source countries often have different tenures in Israel. For example, after the establishment of the state in May 1948, during 1948–51, most of the immigrants were refugees from refugees' camps in Europe in the aftermath of World War II. In the mid-1950s immigrants arrived mainly from North Africa, Poland, and Hungary, while in the mid-1960s Israel absorbed immigrants mainly from North Africa and Romania. During the 1970s there were two waves of immigrants from the Soviet Union, and during the 1990s immigrants arrived mainly from the former Soviet Union (FSU) and Ethiopia. Table 25.1 presents the number of Jewish immigrants by period of immigration and last continent of residence.

In the pre-state period as well as in the years after the establishment of the state, this cyclical feature was driven by the interplay of several determinants that governed Jewish immigration to Israel. The main determinants Sikron (1957) lists are: (a) the changing political and economic conditions of the Jews in the various countries of the Diaspora; (b) the changing influence of ideological factors (religious and Zionist) on Diaspora Jews; (c) the changing policies of various countries with respect to emigration in general, and Jewish emigration in particular; (d) the changes in immigration policies in Palestine–Israel and in other countries absorbing Jewish immigration and the changes in the work done by Jewish institutions in organizing the immigration; and (e) the changing political, economic, and social conditions in Palestine and Israel.

These determinants were more complex than those of many immigration movements overseas in the second half of the nineteenth century and the beginning of the twentieth century, in which economic conditions in the country of origin, compared to those in the destination country, have constituted the main pull and push factors respectively. In later years Jewish immigration waves became dependent mainly on political turning points in the various countries of origin such as Ethiopia, Latin American countries, and the former Soviet Union.

Another prevalent difference between early Jewish immigration to Israel and other modern international migrations is the relatively low rates of emigration from Israel. Immigrant-receiving countries often face a parallel movement of emigration. This movement is composed mainly of newly arrived immigrants who return to their original country or migrate to a new destination and, in addition, of native-born individuals. Generally, immigration and emigration are positively correlated: the greater the influx of immigrants, the greater the number of emigrants. The low rate of emigration from Israel in the pre- and post-statehood years suggests that during the Mandatory period Jewish immigrants intended to settle in the country and so did those who came in the

Table 25.1 Jewish immigrants by period of immigration and last continent of residence*

	Absolute numbers						% of total	
Period	*Total*	*Asia*†	*Africa*	*Europe*†	*America and Oceania*	*Not known*	*Asia–Africa*†	*Europe–America and Oceania*†
Before the establishment of the state of Israel								
1919–14/5/1948	482,857	40,895	4041	377,381	7754	52,786‡	10.4	89.6
1919–23	35,183	1181	230	27,872	678	5222	4.7	95.3
1924–31	81,613	9182	621	66,917	2241	2652	12.4	87.6
1932–38	197,235	16,272	1212	171,173	4589	3989	9	91
1939–45	81,808	13,116	1072	62,968	108	4544	18.4	81.6
1946–14/5/1948	56,467	1144	906	48,451	138	5828	4	96
After the establishment of the state of Israel								
15/5/1948–2012	3,108,681	437,221	511,196	1,863,657	265,014	31,593§	30.8	69.2
15/5/1948–1951	687,624	237,352	93,951	326,786	5140	24,395	49.9	50.1
15/5/1948–31/12/1948	101,828	4739	8192	76,554	478	11,865	14.4	85.6
1949	239,954	71,652	39,215	121,963	1422	5702	47.3	52.7
1950	170,563	57,565	26,162	81,195	1954	3687	50.2	49.8
1951	175,279	103,396	20,382	47,074	1286	3141	71.9	28.1
1952–54	54,676	13,238	27,897	9748	2971	822	76.4	23.6
1955–57	166,492	8801	103,846	48,616	3632	1597	68.3	31.7
1958–60	75,970	13,247	13,921	44,595	3625	582	36	64
1961–64	228,793	19,525	115,876	77,537	14,841	1014	59.4	40.6
1965–68	82,244	15,018	25,394	31,638	9274	920	49.7	50.3
1969–71	116,791	19,700	12,065	50,558	33,891	577	27.3	72.7
1972–74	142,753	6345	6821	102,763	26,775	49	9.2	90.8
1975–79	124,827	11,793	6029	77,167	29,293	545	14.3	85.7
1980–84	83,637	6912	15,711	35,508	25,230	276	27.1	72.9
1985–89	70,196	6563	7700	36,461	19,301	171	20.4	79.6
1990–94	609,322	5900	32,157	553,622	17,220	423	6.3	93.7
1990	199,516	940	4472	189,650	4315	139	2.7	97.3
1991	176,100	622	20,251	152,142	3023	62	11.9	88.1

1992	77,057	891	4075	68,962	3006	123	6.5	93.5
1993	76,805	1728	1431	70,315	3283	48	4.1	95.9
1994	79,844	1719	1928	72,553	3593	51	4.6	95.4
1995	76,361	1247	1772	68,987	4330	25	4	96
1996	70,919	11,791	1998	52,475	4587	68	19.5	80.5
1997	66,221	9769	2283	49,903	4248	18	18.2	81.8
1998	56,730	7712	3514	42,155	3316	33	19.8	80.2
1999	76,766	8324	2681	62,147	3580	34	14.3	85.7
2000–04	181,416	22,051	16,251	119,544	23,558	12	21.1	78.9
2005–10	103,491	9692	15,752	54,800	23,219	28	24.6	75.4

*Including potential immigrants and tourists who changed their status to immigrants. As of 1970 excludes immigrating citizens.
†Until 1995 the Asian republics of the USSR (former) were included in Europe; as of 1996 they are included in Asia.
‡Including about 11,000 illegal immigrants and about 19,500 tourists who remained in Israel, and whose continent of residence and period of immigration are not known.
§From 15/5/1948 till end of 1969 including non-Jews; as of 1970 they are included according to last continent of residence.
Source: CBS (2011, 2013), Statistical Abstracts, Table 4.2.

early statehood years.[4] Moreover, the transition of entire communities after statehood corresponds to *ex-post-facto* refugee movements and thus these migrations were irreversible (DellaPergola, 2005). While emigration rates of recent immigrants from the FSU increased, the emigration rate from Israel is still relatively low compared with most OECD countries (OECD, 2010).

Last but not least, modern Jewish migrations overseas in general, and Jewish immigrations to Israel in particular, often had a somewhat less pronounced character of selectivity than many non-Jewish international migrations. While economic factors play a growing role in Jewish immigration to Israel, the main motivation of earlier waves was ideological. This motivation was reflected, among others, in the age, education, and occupational distributions of the migrants. Unlike economic migrations that usually motivate young adults to migrate, immigrants to Israel often come from all age groups.

Mass migrations of entire communities or of considerable parts thereof, like the waves from Asia, certain African countries, and Bulgaria in the early statehood years, lost almost entirely any such selective character. Its distribution by sex, age, marital status, and structure of families was rather "regular" and similar to that of the entire population. Nevertheless, not all Jewish immigrations to Israel lack selectivity. For example, some waves of immigration to Palestine during the Mandatory period had a selective character and there is some evidence that immigrants who arrived from the FSU after the initial waves of the early 1990s are also more selective.

While immigration has shaped the rate of growth of the Israel Jewish population and its demographic composition, it has also created socio-economic diversity within the Jewish population. The ethnic diversity of mass migration of Jews to Israel after the establishment of the state in May 1948, along with the limited resources and infrastructure needed to absorb the migrants, created a socio-economic stratification of Jewish population by ethnicity, which left its mark on Israeli society today. Furthermore, the influx of Jewish migrants in the early statehood years further deepened the national disparity between Jews and Arabs, which evolved during the British Rule in Mandatory Palestine (Metzer, 1998; Cohen and Haberfeld, 2003). The challenges to integrate such a sizeable and diverse immigrant population have strengthened in the last two decades due to the arrival of about 900,000 immigrants from the FSU. The large scale of this wave acted to create a relatively supportive environment for these immigrants in Israel, which enabled them to continue using the Russian language and to maintain cultural traditions.

A relatively new channel of immigration to Israel that was legally established in the early 1990s is non-Jewish immigration of (low-skilled) temporary foreign workers (FWs), mainly from Asia, Africa, and South America. Israel has managed to meet the demand for high-skilled workers through its Jewish migration. The demand for

[4] One exception is 1953, when net migration was negative, implying that more people emigrated than immigrated.

low-skilled workers was met after the Six-Day War in 1967 by cross-border Palestinian workers. However, frequent border closures of the West Bank and Gaza led to a severe labor shortage in the construction and agriculture sectors, in which Palestinian workers had been concentrated. This shortage was further intensified in the early 1990s with the massive arrival of immigrants from the FSU who had to find housing.

In addition, since the second half of the 2000s, illegal immigrants from Africa (primarily Eritrea and Sudan) entered Israel, mainly through the Egyptian border. Many of these illegal immigrants seek an asylum status based on the United Nations' guidelines of the Convention Relating to the Status of Refugees. According to the Population, Immigration and Border Authority (PIBA), as of mid-2013 there were approximately 69,000 FWs with a valid work permit, 14,000 illegal FWs, 54,000 asylum seekers, and 93,000 tourists whose visa expired. While legally the status of FWs differs from that of refugees or tourists whose visa expired, individuals from all these groups play an active role in the Israeli labor market.[5]

The two current types of immigration (Jewish vs. non-Jewish) are asymmetric in several dimensions. First, Jewish immigration is based on hundreds of years of immigration while immigration of temporary labor workers and asylum seekers is a relatively new phenomenon in Israel. Consequently, there are ample data and research on the economic, sociological, and cultural integration of the different waves of Jewish immigration, while the datasets and research done on other migrants are relatively poor.

Second, while the policy towards Jewish migrants was formed as early as 1950, two years after the establishment of the state through the legislation of the Law of Return, Israel still lacks a coherent immigration policy towards labor migrants and asylum seekers. A first step towards the legislation of immigration law that would regulate the entrance and status of residence of labor migrants and asylum seekers took place in late 2010.

A third feature that illustrates the asymmetry between Jewish and non-Jewish migrations to Israel is related to attitudes towards immigration. Immigrants of Jewish ancestry are mostly welcome and are perceived as immigrants whose integration into the Israeli society is of high importance. The positive attitudes towards Jewish migration is expressed in the Hebrew terminology *Aliyah*, which means ascent and is used to describe immigration to Israel (the migrants are called "Olim"), while the opposite action, emigration from Israel, is referred to as *Yeridah* ("descent").

On the other hand, attitudes towards temporary work migrants or asylum seekers and refugees are more complex. With the entrance of substantial numbers of foreigners into Israel in recent years there have been claims that non-Jewish immigrants might influence the Jewish majority and the Jewish nature of the state of Israel, since they created

[5] The Central Bureau of Statistics estimate of total foreign workers also includes tourists from non-developed countries who remain in Israel beyond their visa expiration date, assuming they stay for work purposes.

non-Jewish ethnic communities in Israel. In addition, there are also some claims that these migrants might constitute a security threat.

To summarize, traditionally Israel is identified as a country of *Aliyah*. However, many social scientists claim recently that since the 1990s Israel can be viewed as a typical immigrant-receiving country (Raijman, 2009). Due to the long history and profound research of Jewish immigration and the poor data on recent labor migrants and asylum seekers, a large portion of this chapter is devoted to Jewish immigration while the last section deals with labor immigration and asylum seekers.

The rest of the chapter is organized as follows. Section 2 reviews major Jewish immigration waves to Israel from the time of the Turkish rule in 1882 up to today, while Section 3 focuses on the economic consequences of migration in the context of these different waves. Specifically, it addresses the classical questions in the international literature on the performance of immigrants in the new country, the convergence of their wage to that of natives and their impact on natives' outcomes, as well as other related questions. Section 4 documents non-Jewish migrations to Israel, the arrival of temporary foreign workers and asylum seekers. Section 5 discusses future prospects of immigration to Israel and concludes.

2. A COUNTRY OF IMMIGRANTS—THE HOMELAND OF JEWISH PEOPLE

From the earliest days of their dispersion, Jews from various countries, including Arab countries as well as European countries, were attracted to the Land of Israel. Modern immigration to Palestine is customarily dated from the year 1882, when a large and organized group of immigrants—"*the BiIu*"—came after the pogroms of 1881 in Russia with the goal of establishing a state for the Jewish People.[6] This section provides a chronological survey of the main immigration waves of Jews to Palestine/Israel from 1882 on.

2.1 Jewish immigration to Palestine during the Ottoman Turkish Rule (1882–1918) and during the Mandatory period (1919–48)[7]

The first two waves took place while Palestine was still under Turkish rule and thus only general estimates on the size of the wave and the composition of immigrants are available. These estimates are based on a census taken in 1916–18, which dealt with the length of stay in the country, and on other documents of that period.

The First Aliyah (1882–1903) included mainly members of the "*Hibat Zion*" (Love of Zion) movement in Czarist Russia. The pogroms of 1881 had renewed the interest in

[6] In the middle of the nineteenth century the majority of world Jewry was concentrated in Czarist Russia and other parts of Eastern Europe. However, religious persecution hastened the onset of Jewish mass migration to central and Western Europe, and in part to other continents.

[7] Based on Sikron (1957).

Zionist ideology and stimulated large-scale immigration from Russia to Palestine. The remainder of the immigrants in this wave came from Yemen and several other countries. The gross estimated number of immigrants in this wave is around 20,000–30,000 immigrants.

The Second Aliyah (1904–14), known as the "Labor *Aliyah*", included many members of workers' organizations in Czarist Russia, though there were members of the middle classes too. The main factors that stimulated this wave were push factors: the pogroms in Russia and the failure of the 1905 revolution. This immigration wave again included Jews from Yemen and North Africa. The gross estimated number of immigrants in this wave is around 35,000–40,000 immigrants.

The Third Aliyah (1919–23). A new era in the history of Jewish immigration began with the occupation of Palestine by the British and the proclamation of the Balfour Declaration, which revived the hope of many Jews to establish a Jewish national home in Palestine. At the same time, the Russian revolution struck a hard blow at the Zionist organizations remaining there, stimulating emigration. During this period the "*Hechalutz*" (*pioneering*) Organization was established with the aim to train the immigrants, mainly in agriculture and rural crafts.

The establishment of the British civil administration brought with it the recognition of the status of the Zionist Organization and the relaxation of restrictions on immigration. Immigrants who were considered by the Zionist Organization as necessary and beneficial to the country, and for whom subsistence and housing for one year were guaranteed, were permitted to enter. On the other hand, the introduction of entry categories in the Immigration Ordinance of 1921 acted in the other direction to limit the scope of immigration. About 35,000 immigrants entered the country during this wave.

The Fourth Aliyah (1924–31).[8] This wave of immigration, which was mainly from Poland, is known as the immigration of the "middle classes" (capitalists), even though it also included many members of the working class. Both push and pull factors governed this immigration. Polish Jewry faced worsening economic and cultural conditions. Many Jews holding high government positions were dismissed, whilst the taxation policy of the Polish government had a particularly adverse effect on the Jewish middle class. While these push factors should stimulate immigration, it was quite difficult to find an appropriate destination country. Immigration quotas in the US for emigrants from Eastern Europe were low. In addition, the serious economic crisis prevailing in Palestine in 1926–27 caused a drop in immigration, since the official policy was now based on the criterion of "economic absorptive capacity". This crisis also caused considerable emigration from Palestine. During this period about 82,000 immigrants arrived (or about 10,000 a year), whilst 23,000 emigrants left.

[8] In some bibliographic sources the Fourth Aliyah refers to the years 1924–29 and the Fifth Aliyah refers to the period 1929–39.

The Fifth Aliyah (1932–38). The persecution of the Jewish community in Germany by the Nazi regime and the world economic crisis with its grave consequences for large sections of European Jewry resulted in considerable emigration from central Europe. At the same time, the rights of minorities in east European countries were also severely restricted and many Jews left for Israel. In a different part of the world, in Yemen, oppression of the Jewish minority also contributed in this period to immigration of Yemenite Jews to Israel.

The combination of these push factors in various source countries caused the largest wave of immigration during the Mandate period, with the arrival of 217,000 immigrants, approximately 30,000 per year.[9] Moreover, the infusion of capital resources and professionally trained personnel from among the Jewish German immigrants initiated a period of economic prosperity in Palestine.

After the Arab revolt in 1936, further immigration restrictions were implemented and in 1939 the British government officially adopted the "White Paper" policy, which states that Jewish immigration to Palestine under the British Mandate was to be limited to 75,000 over the next five years, after which it would depend on Arab consent.

Immigration during World War II (1939–45). This immigration was restricted by the grave restrictions of the Mandatory government laid down in the White Paper. Nazi persecution of European Jewry created an ever-increasing pressure for immigration, with ships carrying refugees without visa, illegally entering the country. However, despite the great efforts of the Jewish community in Palestine to rescue Jews from the European holocaust, it was not always successful under the conditions then prevailing in both Europe and Mandatory Palestine. Indeed, not even the officially authorized five-year quota of 75,000 immigrants was entirely exploited. Between 1939 and 1943, only 35,000 legal immigrants were registered, plus some 19,000 illegal immigrants who were added to the quota. During the seven-year period (1939–45) approximately 92,000 immigrants (legal and illegal) arrived.

Immigration after World War II (1946–48). The struggle for the right to immigrate to Palestine after the holocaust and the organized attempts to overcome existing immigration restricting laws reached a high level of intensity during this period. The result was that about half of the immigrants were illegal. The gross number of immigrants arriving during this period was 60,000.

During the Mandatory period (1919–48), Jewish immigration to Palestine constituted about 30% of Jewish migration worldwide. When the mandate ended in 1948, the Jewish population of Palestine numbered 650,000, compared with about 56,000 in 1919. Thus, in less than 30 years, the Jewish population increased more than 11-fold. About 87% of all immigrants came from Europe, about 10% from Asia, and about 3% from Africa and America. In the same period nearly 60,000 emigrated.

[9] During this period immigration to Palestine exceeded one-half of all Jewish intercontinental migration.

2.2 Jewish immigration to Israel in the early statehood years (May 1948–53)

When the State of Israel was established in May 14, 1948 and opened its gates to every Jew who wished to come, the organizational burden of immigration and the task of absorbing immigrants in Israel fell on the Jewish Agency, the American Joint Distribution Committee and other Jewish organizations, who cooperated with the Israeli government. During the first months of statehood (May to August 1948), when the War of Independence was still in progress, the immigrants consisted mainly of young people—pioneers and volunteers.

Mass immigration began in September of 1948, when displaced persons from camps in Germany, Austria and Italy, along with masses of emigrants who came from Eastern Europe to these countries, began to arrive.[10] Those illegal immigrants to Palestine who were caught during the Mandate period and sent to camps in Cyprus were brought to Israel during the winter of 1948–49. At about the same time, the mass transfer of the Jewish community of Bulgaria and the immigration of large sections of Yugoslav Jewry and considerable numbers of Turkish Jews began.

In 1949, the governments of Poland, Romania, and Hungary placed restrictions on emigration, and therefore only isolated groups succeeded in emigrating directly from these countries. Only after strenuous efforts of Jewish organizations did Poland and Romania permit unrestricted emigration. By the time restrictions were re-imposed by Poland (early 1951) and emigration forbidden by Romania (1952), 100,000 Polish and 120,000 Romanian immigrants were already in Israel.

The establishment of the State of Israel endangered many Jewish communities in Arab countries. In 1949, the Imam of Yemen agreed to allow Jews to leave his country and the massive operation known as "the Magic Carpet operation" to airlift almost the entire Jewish community of Yemen began. This operation brought about 50,000 Yemenite immigrants and was completed a year later.

While operation "Magic Carpet" was still in progress (May 1950), operation "Ezra and Nehemia" began, aiming to bring to Israel almost the entire Jewish community of Iraq. The transfer brought about 125,000 Iraqi Jews, as well as 27,000 from Iran. The majority of the Jewish community in Libya emigrated in 1949 and 1950, with small remnants following shortly after; the journey was generally direct, though some immigrants came via Italian and French ports. These were the main sources of immigration, although simultaneously small numbers of Jews continued to arrive from other parts of the world.

[10] Even before World War II and more pronouncedly after the war, Jews moved across European countries before migrating to Israel or elsewhere. Thus, migration from Europe is generally counted as a whole and not by country of birth or last country of residence.

The three-year mass immigration came to an end in October 1951 as the monthly flow of immigrants dropped from more than 20,000 in the first half of 1951 to about 5000, and declined further to 2000 immigrants per month in 1952 and to less than 1000 the following year. This decline was caused by Israel's economic difficulties following mass immigration, by the poverty of the immigrants, and by the restrictions on emigration from East European countries.

One should note that unrestricted immigration meant that any Jew who wanted to come to Israel would be accepted (with the exception of immigrants constituting a real danger to public health or security). Furthermore, it meant that Jews who wished to come to Israel were granted free transportation to Israel and were taken care of through the first stages of their absorption in the country.

Given the large scale of immigration during the early statehood years and the limited sources, at the end of 1951 the Jewish Agency decided to introduce selection criteria for prospective immigrants desiring free transportation and care. The main selection criteria were based on age, health condition, and occupation as follows:[11]

1. Eighty percent of the immigrants must be chosen from the Youth Aliyah candidates, *Chalutzim* (pioneers), prospective agricultural settlers, trained workers up to 35 years of age, and families in which the wage earner is not more than 35 years of age.
2. Those selected must bind themselves in writing to work in agriculture for two years.
3. Approval will be given only after a thorough medical examination made under the supervision of an Israel physician.
4. Not more than 20% of the immigrants may be above the age of 35—unless they belong to families in which the wage earner is capable of working, or unless they are invited and provided for by relatives in Israel.
5. Approval for the immigration of those invited by relatives in Israel will be given only after the capability and readiness of the relatives to provide for the immigrants has been determined.

It is important to note that the selectivity rules above were not applied to "rescue" immigration countries where Jews' lives were endangered, nor where there were exceptional cases and circumstances. They applied only to those prospective immigrants who had to be financed by Jewish organizations. Any immigrant who was willing to immigrate without being financed by the Jewish organizations was not subject to any limitations. Thus, the large Jewish communities of Western Europe and America were not affected by emigration restrictions. They were not the sources of large-scale immigration, either before or after the founding of the State. Immigrants from these countries were idealists and pioneers who were not stimulated by political pressure or poor economic conditions.

[11] Sikron (1957, Chapter 3), based on immigration papers no. 20 (Hebrew)-Jewish Agency, November 1952.

In terms of character and composition by country of origin, immigration since statehood has differed widely from the immigration during the British Mandate. Specifically, there has been an absolute and a relative increase in the number of immigrants from Asia and Africa, whilst immigration from Europe has declined (see Table 25.1). The increase in the share of immigrants from Asia and Africa increased mainly due to the transfer of entire Asian-African Jewish communities to Israel, as described above, while the decline in the share of European immigrants resulted mainly from the execution of millions of Jews during World War II. While during the Mandatory regime, only about 11% of all immigrants originated in Asia and Africa, their share increased to 50% after the establishment of the State during 1949 and 1950, and to 72% in 1951 (Table 25.1).[12]

The change in the countries of origin during the Mandate period and the early statehood years was reflected in the different traditions and customs that the immigrants from African and Asian countries brought with them, compared to those brought by immigrants from central and East European countries. In addition, it was also reflected in the educational, social, and professional backgrounds of the immigrants. For example, the pre-1948 immigrants were among the most highly educated population in the world, while the immigrants arriving in the early statehood years had a much lower level of schooling. Easterlin (1961), who conducted a comparative study on educational attainment in various countries, found that in the late 1940s Israel stood out significantly: in 1948, almost 10% of the male Jewish population had a full academic education. This was higher than in the US and more than double compared to many countries for which he had data. He concluded that "It is no exaggeration to say that in 1948 the educational level of the Jewish population in Israel was close to the highest in the world" (p. 71).[13]

The sharp differences in the skill levels of immigrants originating in different regions of the world before and after statehood are the core of the prevailing Jewish Israeli social stratification. Even today, 65 years after the establishment of Israel, it is customary to divide the Israeli Jewish population into communities (*eidot*) of Westerners (*Ashkenazim*) and Easterners (*Sephardim*). *Ashkenazim* are defined as Jews of European descent (excluding Spain, Greece and Bulgaria, and a part of Yugoslavia) and their Israel-born children, while *Sephardim* (*Sepharad* is the Hebrew translation for "Spain") are those who originated in Asia and North Africa, and who centuries ago were driven out of Spain and dispersed into many countries, including Bulgaria and Greece, including their offspring. While in the early statehood years, the vision was to create a unified culture and Israeli identity and the government favored and encouraged the "melting pot" attitude, this

[12] The only exception was right after the establishment of the state from May to December 1948, when Europe remained the predominant source of immigrants—85% (Table 25.1).

[13] The high socio-economic status also led to improved health standards. Life expectancy rose between 1926 and 1944 by about 10 years, reaching a level of 64.1 years for men and 65.9 for women (Neuman, 1999).

vision did not come true and the dominant approach nowadays is to encourage multicultural society.

2.3 Other major Jewish immigration waves[14]

2.3.1 Immigration from Morocco 1954–64

The establishment of the state of Israel endangered the Jewish community in Morocco. During the early statehood years (1948–51) about 28,000 Moroccan Jews migrated to Israel. The fear for Moroccan Jews intensified during 1954–55 as Moroccan independence from France seemed to be drawing nearer. During these years about 35,000 Moroccan Jews migrated legally to Israel. After the independence of Morocco in 1956 approximately 30,000 Jews illegally left Morocco to move to Israel. This migration episode ended in 1961 when one of the boats, named *Egoz*, which carried Moroccan Jews and Israeli agents, sank. The tragedy of *Egoz* created an international pressure on King Hassan II and led to an additional wave of about 80,000 Moroccan Jews to Israel during 1961–64.

2.3.2 Immigration from the USSR during the 1970s

The Six-Day War in 1967 had motivated Russian Jews to claim the right to migrate to their homeland. Jewish organizations and individuals throughout the world worked on behalf of the Soviet Jews and pressured the Soviets to permit Aliyah. Their activities resulted in a slow trickle of immigration between 1969 and 1973, where some 150,000 Jews succeeded in making Aliyah. These immigrants were highly educated and highly motivated to be integrated in Israel. Most of them chose to reside in major cities in Israel and invested in Hebrew acquisition.

2.3.3 Immigration from Ethiopia during the 1980s and 1990s

During the 1980s a new channel of immigration from Ethiopia was established. In 1975 the Chief Rabbinate of Israel recognized the Ethiopian community of "Beta Israel" as Jews, and in 1977 the Israeli government decided to bring them to Israel. In 1977–84 some 8000 Ethiopian Jews gradually arrived in Israel.

"Operation Moses", which took place in 1984, brought to Israel about 8000 Ethiopian Jews who had fled to Sudan during the famine, 1500 of them children and young people who arrived without their parents. After the two and a half months when the operation was kept a secret, leaks to the media brought the airlift to an end due to Arab pressure on Sudan. Many Ethiopians died in the desert from the difficult conditions and at the hands of bandits. In 1991, a second, larger operation took place—"Operation Solomon". Following a regime change in Ethiopia, the new government agreed, for a

[14] Most of the figures are taken from the official website of the Israeli Ministry of Immigrant Absorption, <http://www.moia.gov.il/English/FeelingIsrael/AboutIsrael/Pages/KnowIsrael.aspx>.

sum of 40 million dollars, to permit the exit of the Jews remaining in Ethiopia. During "Operation Solomon", which lasted less than 48 hours, 14,000 Ethiopian Jews were airlifted to Israel. The total number of Ethiopians who arrived in Israel during the 1990s is approximately 40,000.

The Ethiopian immigrants came from a very different culture and from rural society. Many of them came with only a few years of formal education and had difficulties in learning Hebrew. These factors held back their integration into the Israeli society and into the labor force, as we discuss below. According to the latest press release of the Central Bureau of Statistics on Key indicators of the Ethiopian Community in Israel, at the end of 2011 the Ethiopian community in Israel amounted to 125,500 inhabitants, consisting of approximately 81,900 born in Ethiopia and 43,500 children born in Israel whose fathers were born in Ethiopia (second-generation Ethiopians).[15]

2.3.4 Migration from the Former Soviet Union (FSU) in the 1990s

The biggest wave of immigration since the 1960s followed the dissolution of the Soviet regime in the last months of 1989. Between 1990 and 2000, 875,000 newcomers immigrated to Israel from the FSU.[16] While the migration wave was highly concentrated, with approximately 330,000 immigrants arriving in 1990 and 1991, more immigrants arrived from the FSU in the 2000s, but these waves were much smaller (see Figure 25.1). The main motivation for this *Aliyah* was not necessarily ideological or Zionist, like in the 1970s, but rather it was driven by the changes that took place in the states comprising the Soviet bloc. First, the Soviet Union lifted its emigration restrictions. Second, the political instability and the uncertain economic climate at the beginning of the 1990s greatly increased the incentives to migrate. Third, Israel was one of the few feasible destinations, as it imposed no entry restrictions and no lengthy waiting periods.[17]

In addition to its unprecedented scope, this wave also had distinguished social–cultural features. FSU immigrants have a high level of imported human capital, which is reflected in their high level of education and in the share of immigrants who held academic positions in their country of origin. About 60% of the working-age immigrants were college educated, as compared to only 30–40% of native Jewish Israelis in 1989.[18]

The scope of the Soviet *Aliyah*, the immigrants' ties to their homeland, and their concentration in specific residential areas led to a tendency toward social–cultural segregation. This segregation may also have been reinforced by the slow and gradual integration of FSU immigrants in the Israeli labor market (see Cohen Goldner et al., 2014).

[15] http://www.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=201211307 (in Hebrew).

[16] While most of the immigrants from the FSU came under the Law of Return, a considerable fraction of these immigrants are not Jews according to Jewish law.

[17] These arguments are more relevant for those who arrived in the early 1990s than for those who arrived in later years.

[18] See <http://www.cbs.gov.il/www/publications/migration_ussr01/pdf/tab01.pdf>.

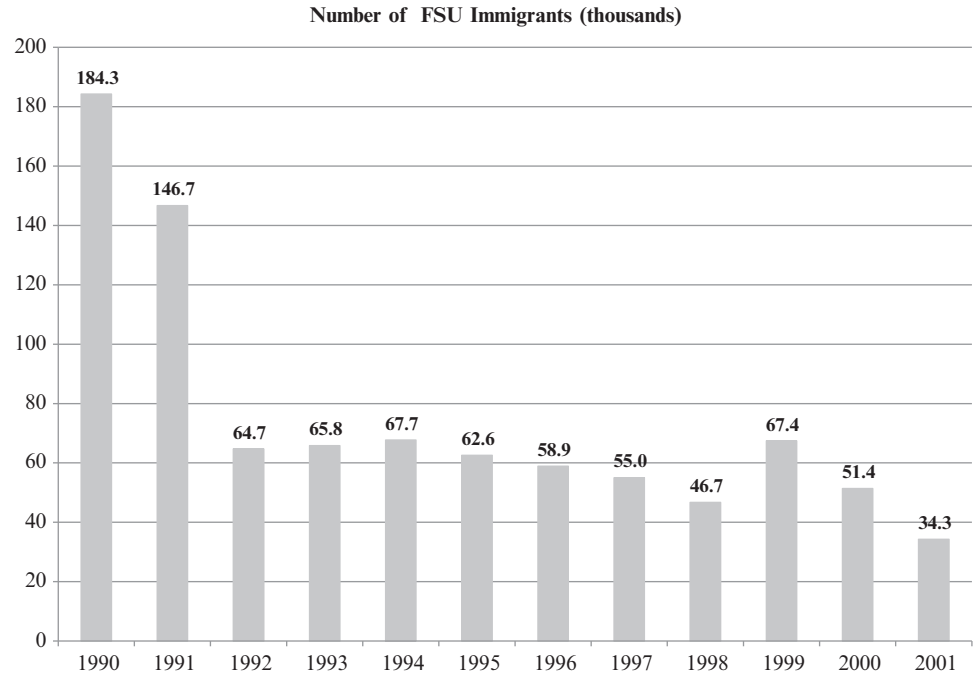

Figure 25.1 ***Number of FSU immigrants (thousands).*** Source: *CBS (2006), Immigrant population from the former USSR – Demographic trends 1990–2001, Table 1.*

2.4 Emigration from Israel

In countries receiving immigrants there is an almost parallel movement of emigration. This movement is usually composed of newly arrived immigrants who return to their source country or migrate to a new destination if their original expectations did not come true. In addition, native-born individuals also can choose to migrate elsewhere.

During the Mandate period the average emigration rate was 12%, while after statehood, during 1948–53, it was about 7.3% (Sikron, 1957). For comparison, Sikron (1957) reported the emigration rates in the early 1900s in three major receiving countries: the US 33%, Argentina 47%, and Australia 70%.[19] The Israeli figures thus indicate that Jewish immigrants who arrived during the Mandatory period and those who came in the early statehood years intended to settle in Palestine/Israel.[20] The widespread notion that emigration is not a big concern in the Israeli context took a sharp turn in recent years due to

[19] Nonetheless, Sikron (1957) noted that the emigration rate among Jewish immigrants to the US during 1908–24 was only 5%.

[20] The main exception is the Fourth Aliyah (1924–31), when the emigration rate from Palestine was more than 25%.

new line of research that showed that not only is emigration from Israel substantial, but that it also has a strong (disturbing) selective nature.

Emigration from Israel, known as "*Yeridah*", was not studied extensively, due to lack of reliable data. However, in recent years due to the information technology revolution there is a worldwide growing interest in the emigration of educated workers, known as "the brain drain", and this interest has not excluded Israel. Lamdani (1989) was among the first to suggest that emigration of native Israelis from Israel (mainly to the US) is motivated, *inter alia*, by economic factors such as unemployment and living standards.

Beenstock (1996a) used a three-year panel data from the Immigrant Absorption Surveys to study the role of "absorption failure" of immigrants to Israel on remigration. The main finding was that in the three-year absorption horizon that was investigated, remigration does not appear to be related to employment absorption. On the other hand, remigration is negatively affected by housing and other indicators of absorption, as well as the characteristics of the immigrant and his family. In the case of immigrants from Eastern Europe and the USSR who came before 1990, unemployment does increase the likelihood to emigrate. A possible explanation is that these immigrants are less ideological. Many of them would not have been granted exit visas from their origin countries had they requested to move to another country apart from Israel. If they find work in Israel, they choose to remain; but if not, they try to re-emigrate to third countries.

Gould and Moav (2007) examined how the rate of *yeridah* varies according to education levels, employment status, income, marital status, and the number of years living in Israel. Using data from the 1995 Israeli census, combined with an indicator for *yeridah* status as of 2004, they found that emigrates do not constitute a representative cross-section of the Israeli population. Rather, they constitute a group of people that is significantly younger and more educated than the general Israeli population. Specifically, the probability of emigrating from Israel is 2.5 times higher for individuals with a bachelor's degree or a higher degree than for those with less education. This "brain drain" emigration pattern is magnified among recent immigrants from the FSU to Israel. Many of the young, educated FSU immigrants have moved on to Western countries, and there is even a significant amount of emigration back to Russia.

In another paper, Gould and Moav (2008) examined the effect of inequality and the returns to skills on the incentives to emigrate. They developed a theoretical model that distinguishes between two types of skills: general skills that are both transferable and observable; and country-specific skills that are non-transferable and unobservable. The model predicts that the relationship between general skills and the probability to emigrate is positive, but is inversely U-shaped for the local skills. Using data on Israelis in 1995 that either stayed or moved as of 2004, they found evidence supporting these main predictions. First, the probability of emigrating increases with education (an observed skill with a much lower return in Israel). Second, the probability of emigrating increases and then decreases with residual wages (the unobserved skills).

Since most of the skilled Israeli emigrates choose the US as their destination, Gould and Moav exploited variation across sectors in the relative return to skills between Israel and the US in order to identify the causal effect of inequality in each country on the propensity to emigrate. They find that a lower relative return to unobservable skills in Israel provides incentive for higher ability Israelis to migrate, and that the positive relation between education and the probability of emigrating is stronger in sectors where the relative return to observable skills in Israel is lower.

Another channel of skilled emigration from Israel was investigated by Ben David (2008), who studied the substantial flow of university researchers to the US. According to his data, the Israeli academics residing in the States in 2003–04 represented 24.9% of the entire senior staff in Israel's academic institutions that year—twice the Canadian ratio and over five times the ratio in other developed countries. He listed four main reasons for the emigration of Israel's leading researchers from its universities: (a) insufficient positions; (b) relatively low salaries in comparison with employment possibilities abroad and in Israel's private sector; (c) inadequate funding of research laboratories; and (d) an archaic institutional organization of universities.

While Israel has not put enough effort in the past to fight the Israeli academic "brain drain", one recent initiative that was approved by the government in 2010 is the establishment of Israeli Centers of Research Excellence (I-CORE) in Israeli universities and colleges over a period of five years. The aim of the program is to stimulate cooperation between Israeli researchers from abroad and from Israel and to encourage the integration of Israeli researchers abroad in academia in Israel. The total budget approved for this program is approximately 1.5 milliard Shekels.

Another initiative to bring back Israeli emigrants is the establishment of "Contact Center" in July 2007 by the Israeli Academy of Sciences. The purpose of this center is to help Israeli scientists abroad find suitable work in the scientific community in the country. By the end of 2011 about 2109 Israeli researchers who work abroad and wish to return to Israel were registered through the Contact Center, among them 1609 holding a Ph.D., 468 doctoral students who studied abroad, and the rest holding B.A. and M.A. degrees. Analysis of Contact Center data indicates that most of the Israeli researchers abroad live in the US (1393), the UK (179), and Canada (83). The rest are located in different countries worldwide. About 40% of the registered researchers belong to social sciences and humanities, more than 33% specialize in life sciences, and about 25% engage in mathematics, engineering and exact sciences. It is estimated that about 200 scientists who resided abroad found a job in academia in Israel through the "Contact Center". Those who return receive a full refund for the special payments for health insurance, customs and income tax concessions, etc.[21]

[21] For more details, see <http://www.academy.ac.il/>.

3. THE ECONOMIC CONSEQUENCES OF JEWISH MIGRATION

Israel provides an interesting case study for the economic consequences of migration as it provides a large pool of immigrants from a variety of geographical origins and cultural backgrounds. The large number of Jewish immigrants relative to the size of the population during the Mandate period and early statehood years and later in the early 1990s facilitated the study of macroeconomic aspects of migration, while the rich microdata collected on the immigrants laid the foundation for extensive research on the performance of immigrants in Israel. This section opens with macroeconomic analysis of Jewish migrations to Israel and later shifts to microeconomic analysis.

3.1 Macroeconomic consequences

3.1.1 The effect of immigration on economic growth

Ben-Porath (1986) studied the two-way relationship between population and economic growth of the Jewish sector of Mandatory Palestine during 1922–48 and in Israel since its establishment to 1982. The record of long-term growth in total product and Jewish population in Palestine and Israel is exceptional by world standards. For example, shortly after the establishment of the State in 1948, the annual rate of population growth, which was driven exclusively by immigration, was 20% over a period of two years (1950–51) and per-capita GNP grew at about 10% annually (Table 25.2). The fact that such high rates of population increase were accompanied by a long-term increase in per-capita income is also remarkable: 4.8% annually in the Mandate period, a similarly high rate in 1948–51, and 5.2% in 1951–72, in contrast to 0.8% in 1972–82.

Immigration affects the economy through the supply side, by expanding the supply of labor (and often of capital). It also creates direct demand for housing and generates surges in demand that directly affect the level of activity and may induce further changes in factor supplies. In the opposite direction, immigration, emigration, and the natural rate of population increase are responsive to economic conditions in the host country.[22]

The immigration rate that determined the rate of population increase was a dominant factor in changing Israel's working-age population and the labor supply. Yet the effect of immigration on labor supply changed over time due to the change in the composition of immigrants by country of origin and age. For example, most of the pre-1948 immigrants were around working age (20–64) and their age distribution resembled that of European migrants to other countries. On the other hand, the massive waves of immigrants in 1948–51 included a high proportion of families with many children. Consequently,

[22] Studies of long swings in immigration to the US, for example, emphasize the dominant role of demand conditions in the US in initiating waves of immigration before World War I (Kuznets and Rubin, 1954; Kuznets, 1958; Abramowitz, 1961).The main observation for this period was that the long swings in net immigration tended to follow those in GNP per worker and to precede those in the real volume of residential construction ("Kuznets cycles").

Table 25.2 Annual growth rates of population, production, and capital, 1922–2001

	Population	GNP	Per-capita GNP	Capital stock	Per-capita consumption	Immigration (proportion of population)
1922–32	8.0%	17.6%	7.8%	13.7%		8.2%
1932–47	8.4%	11.2%	3.0%	9.8%		6.4%
1947–50	21.9%					19.8%
1950–51	20.0%	29.7%	10.0%			13.2%
1951–64	4.0%	9.1%	4.9%	12.3%	5.1%	2.2%
1964–72	3.0%	8.9%	5.5%	8.4%	3.6%	1.3%
1972–82	2.1%	3.2%	0.8%	6.7%	3.2%	0.9%
1982–86	1.4%	3.3%	1.7%	3.4%	2.4%	0.5%
1986–89	1.4%	4.0%	2.3%	2.9%	2.7%	0.6%
1989–93	3.8%	5.7%	1.9%	3.6%	2.7%	3.6%
1993–97	2.1%	5.0%	2.4%	7.4%	3.8%	2.1%
1997–2001*	1.7%	2.7%	0.3%	6.5%	0.9%	1.6%

*GNP and per-capita GNP growth rates are for 1997–99.
Sources: Ben-Porath (1986), CBS (2003), Statistical Abstract, and ISDC Economic Time Series.

between 1950 and 1965 the working-age population grew at significantly lower rates than the total population.

In addition to the quantitative effect of immigration on labor supply, there have also been sharp differences in the skill levels of immigrants arriving in different waves, which affect the quality or efficiency of the labor force. The pre-1948 immigrants were among the most highly educated population in the world (Easterlin, 1961), while the immigrants arriving in 1948–60 had a much lower level of schooling. During the 1970s, those who originated from the Soviet bloc had a significantly higher level of schooling than the local Israeli population.

Wages of immigrants typically increase with the length of stay in the destination country due to language acquisition, the accumulation of other country-specific skills, and upward occupational mobility. The average length of stay in Israel increased following mass immigration. Assuming that an immigrant reaches the income of equivalent native Israeli after 20 years, Kuznets (1973) estimated that this rise in length of stay contributed approximately 1.5% to growth in income per capita in the 1950s and 1960s.

Another channel through which immigration affects growth is by inducing capital inflow. Immigration creates direct demand for housing and exerts an indirect effect through consumption-derived demand for capital. In addition, the increased supply of labor raises the marginal productivity of capital and thus the demand for capital. In the Mandate period, private capital imports were substantial and were directly related to immigration: the correlation between private capital imports and immigration for 1924–39 is 0.95. The post-1948 immigration brought insignificant private capital

imports. Capital imports were mostly in the hands of the public sector, driven by a demand created by immigration and other factors. Since the growth rate of capital during the Mandate period was higher than the growth rate of the labor force, this period, as well as the period of 1951–64, was characterized by an increase in capital per capita and in the capital–labor ratio (Table 25.2).

Another important element in the effect of population on economic growth is based on increasing returns to scale. Despite rapid growth in the Mandate period, the Jewish population was still small in 1948. While the Mandate authorities restricted immigration on the grounds of "limited absorptive capacity", which implies decreasing returns to scale in the short run, the data indicate increasing returns to scale in the long run. Suggestive support for increasing returns to scale during the Mandate is found in Metzer (1982) and Beenstock et al. (1995). Metzer (1982) found that the period of rapid growth in per-capita income was associated not only with an increase in capital per capita but also with an increase in total factor productivity, while Beenstock et al. (1995) estimated a Cobb–Douglas production function for the Jewish economy during 1922–47 and noted that the sum of the coefficients on capital and labor is 1.28.

Regarding the possibility of causality in the opposite direction, from economic growth to immigration, in the Israeli context, it cannot be argued that Jewish immigration during the Mandate period and in the post-state period was "caused" by the economic conditions in Mandatory Palestine and Israel. Although there is some evidence that the immigration policy of the Zionist movement was sensitive to the conditions of employment in Mandatory Palestine, the immigration waves before 1948 were driven mainly by various exogenous shocks in the countries of origin, including economic fluctuations, security conditions, etc. The mass immigration of 1948–51 was also exogenous to the economic conditions in the new state, as for most of the displaced Jews from Europe after World War II and for Jewish communities in Arab countries, Israel was the only destination accessible. Thus, economic conditions in Israel affected immigration in the early statehood years mainly through the immigration policies of the government and the Jewish Agency. In later years immigration of entire communities diminished and became dependent on political turning points in the various countries of origin such as Ethiopia, Latin American countries, and the former Soviet Union.

Using Granger causality tests, Ben-Porath found strong evidence that in the Mandate period immigration "caused" economic growth. In the other direction, most of the evidence on causality from the economic indicators to population is found for the post-1951 period, where the growth rates of per-capita GNP or of total GNP and of per-capita or total private consumption "cause" the rate of population growth, the ratio between immigrants and population, and the net immigration ratio. The only significant two-way causality is found between the unemployment rate and the growth rate of population in 1926–48. That is, unemployment is the only economic variable that also affects immigration in this period. The one-way causality from population or immigration to the

growth in capital stock is significant in the Mandate period and marginally significant in the statehood period.

Eckstein and Weiss (2002) extended Ben-Porath's data for the period 1983–2001 (Table 25.2). The observed positive correlation between population and economic growth was maintained throughout the most recent mass migration episode in the 1990s. During 1989–93, the population grew by 3.8% annually, mainly through migration, while the annual growth rate in per-capita GNP was 1.9%.

The extraordinary number of immigrants from the FSU during the 1990s, coupled with the striking observation that despite their high level of skills the effect on native Israeli workers was either transitory or of a small magnitude, renewed the interest in studying the macroeconomic consequences of migration.[23] Several papers that take a macroeconomic approach to analyze the integration patterns of FSU migrants suggest that these patterns are consistent with the hypothesis that during this period the Israeli economy can be approximated as a competitive (open) economy with a Constant Returns to Scale (CRS) production function.

For example, Razin and Sadka (1993) and Sussman (1998) used a simple aggregate model with a Cobb–Douglas production function to describe the co-movements of population, GDP, employment, wages, and the capital stock. Since the implication of this technology, under competitive conditions, is that the wage rate is proportional to output per worker, they viewed the continued rise in per-capita GNP as an indication that the mass influx of immigrants was accompanied by a corresponding increase in other inputs and in productivity, without a substantial negative impact on the wages and employment opportunities of native Israelis.

Cohen and Tai-Hsieh (2001) used data on the annual increase of labor supply due to the arrival of immigrants during 1990–97 to calibrate an open-economy neoclassical growth model, which is characterized by a CRS production function. Introducing a fixed cost of adjusting labor and capital into the model, they showed that it provides a good fit to the observed changes in Israel's macroeconomic variables during the 1990s. While in the short run natives' wages and employment are adversely affected by the arrival of immigrants, the endogenous response of capital accumulation offsets in the long run is a significant part of the initial adverse effect of immigration on natives.

Hercowitz and Yashiv (2002) studied the effect of FSU immigrants on the employment of native Israelis using a reduced form of a macroeconomic model that assumes an open economy and perfect capital mobility. Again, in this setting immigration does not affect the long-run employment of natives and their relative wages since capital adjusts.

[23] There is no evident adverse effect of FSU immigrants on the participation and unemployment rates among native Jews, while there is some evidence that during the initial influx of FSU immigrants there was a temporary reduction in wages of native Israelis (for more details see Cohen Goldner et al., 2012, Chapter 2).

However, in the short run, the gradual entrance of immigrants into the labor market leads to a change in the relative price of domestic goods, which in turn affects the demand for labor and, as a result, employment. Their main finding is the negative effect of immigration on native employment a year after arrival. The delay is attributed to the positive impact of immigration on the excess demand for goods and thus on the demand for labor earlier on.

Taking a different approach, Eckstein and Weiss (2002) constructed a quality-adjusted labor aggregate that takes into account productivity differences between FSU immigrants and comparable natives. Specifically, they assumed that in each period, at each level of schooling, the difference in productivity between immigrants and natives is reflected in their wage differences. Using this quality-adjusted labor aggregate they constructed an adjusted capital–labor ratio and showed that this ratio is almost flat from 1990 to 1994, supporting the CRS technology hypothesis. Furthermore, they found that within six years the adjusted and unadjusted (standard) capital–labor ratios are almost identical. This convergence reflects the higher quality of immigrants who came to Israel in the early 1990s and the declining number of new immigrants.

Gandal et al. (2004) examined two open-economy mechanisms through which Israel may have absorbed changes in labor supplies related to the FSU immigration inflow: the adoption of global changes in production technology, towards Skilled-Biased Technological Change (SBTC) and national changes in the mix of traded goods produced. They used the production side of the Heckscher–Ohlin model to decompose how changes in factor employments are absorbed, using a panel of industry–year observations spanning all Israeli non-military GDP and data on changes in US production techniques. They found that the effects of global SBTC in Israel can more than offset the increase in the relative supply of skilled workers due to the arrival of FSU immigrants and other demographic changes, while changes in the output mix of traded goods contribute little to absorption of factor-supply changes in Israel. In addition, during the immigration shock Israel-specific changes in production techniques combined with the rising Israeli skill premium are consistent with Israel-specific SBTC but not with factor-supply-driven factor-price changes.

While the aforementioned studies take different approaches to analyze the macroeconomic effect of the recent mass immigration from the FSU, the underlined message is that it is reasonable to assume that the Israeli production function during the last decades can be approximated by a CRS production function, with some frictions in the short run. Brezis and Krugman (1996) offered a different theoretical explanation to the question of the impact of a large-scale migration wave, such as the one from the FSU to Israel, on the recipient country. While the short-run impact is a reduction of real wages of natives, over the longer term, the endogenous response of investment, together with increasing returns, may well actually increase real earnings. However, these long-run gains are not assured and may depend on both policy and expectations.

3.1.2 The impact of immigrants on natives' wages and employment

The concern that immigrants may compete with local workers is one of the main factors that drive negative attitudes toward immigrants in Europe and the US (see Bauer et al., 2000). However, the economic literature did not find conclusive evidence for such an adverse effect and there are ongoing debates between economists regarding the methodology of the measurement of such an effect.

In Israel, Beenstock et al. (1995) showed that immigration lowered wages in the short run during the Mandate years. Bahral (1965) also showed that following the mass migration of 1949–51 real wages of natives fell. Simon (1976) studied the impact of Soviet immigrants who arrived in the 1970s on natives' earnings. His analysis took into account three channels through which immigrants affect Israelis earnings. The two channels that adversely affect natives are the burden of immigrants on the welfare system due to the cost of the various benefits each immigrant receives and the increase in labor supply, which pressures the capital–labor ratio (and wages) down. The third channel—the participation of immigrants in the Israeli army and associated increase in the production of defense—positively affect natives. According to his estimates, the net effect is negative only in the first year after arrival and later becomes positive such that three years after migration the immigrant pays back his absorption costs and from that point on he contributes to the welfare of the State.

The impact of the recent mass migration from the FSU on various outcomes of Israeli natives was studied in several papers. Those papers that focused on labor market outcomes of natives concluded that despite the extraordinary number of immigrants and their high level of skills, the effect on native workers was either transitory or of small magnitude. For example, Friedberg (2001) found that the relative growth rate in wages of native Israelis in occupations that absorbed large numbers of FSU immigrants fell from 1989 to 1994. Since the occupational choice of the immigrants in Israel is endogenous, she used the occupational distribution of FSU Jews prior to immigration as an instrumental variable for their current occupational choice in Israel and found little evidence of occupational relative wage pressures on native Israelis. Cohen Goldner and Paserman (2011) used repeated cross-sectional data to estimate the impact of FSU immigrants with different duration in Israel on natives' employment and wages in a segmented labor market, in which segments are defined by various combinations of occupation and skills. Controlling for the distribution of immigrants among the various labor market segments, they found that immigration had a short-run adverse impact on the wages of natives, both men and women, with the effect dying out after 5–7 years.

Looking on novel labor market outcomes of natives, Cohen Goldner and Paserman (2006) examined how mass migration from the FSU affected natives' probability of moving from employment to non-employment and vice versa. The empirical analysis is based on microdata from the Israeli Labor Force Survey from 1989 to 1999, which allowed them to follow natives and immigrants over a period of 18 months. Their results indicate

that, for men and women, the share of immigrants in a given labor market cell was generally positively associated with natives' probability of moving from employment to non-employment. However, controlling for the endogenous sorting of immigrants across cells, this effect is substantially reduced for men, and disappears or is even reversed for women. This finding suggests that immigrants selectively end up working in jobs with high turnover and that natives were not facing higher probability to exit employment due to immigrants' presence in a certain occupation. There is also no evidence that FSU migrants affected natives' probability to move from non-employment to employment. The finding that the effect of immigration on natives' transitions is washed away once selectivity of immigrants is controlled is consistent with that of Friedberg (2001) on wages.

3.1.3 The impact of immigrants on the housing market

This topic, while important, was almost not studied in Israel. This section will briefly survey the topic and provide some indicators on the Israeli housing market.

From its independence until the 1980s, Israel's absorption policy was highly centralized. The state was actively involved in housing construction for immigrants, as well as job creation. The government linked immigrant absorption to other national goals such as population dispersion and Jewish settlement of the land. Housing policy was central to these goals, and in early years immigrants were directed to specific locations designated by the state (Lewin-Epstein et al., 2003). It is therefore not surprising that traditionally, immigration episodes to Israel initiated massive public housing programs. In addition, the government built absorption centers that served as hostels where newcomers resided for the first months in Israel. In many cases, these centers also provided information services on employment opportunities and on various immigrant rights as well as Hebrew classes (*Ulpan*).

Absorption policy underwent major changes in 1987, when "direct absorption" policy was formulated based on free market fundamentals. According to this policy, immigrants can freely choose their residential locality and work. The immigrant receives from the state an absorption package that includes living allowance, funds for initial expenses in the new country and other monetary and non-pecuniary benefits, and he can choose how to spend it. The new policy was marked by a certain measure of success and satisfaction among some immigrants, especially those who quickly found apartments and succeeded in entering mainstream Israeli society (Doron and Kargar, 1993).

Although housing conditions in Israel improved dramatically during the 1970s and 1980s, obtaining suitable housing was still a difficult problem for most Israelis, even before the recent wave of immigration from the FSU. Compared with western nations, Israelis averaged 1.3 persons per room, twice that of OECD countries (Doron and Kargar, 1993).

Table 25.3 Consumer price index, rent price index and dwelling price index, 1989–95 (1988 = 100)

	CPI	Rent price index	Dwelling price index
1989	120.2	137.1	131.6
1990	140.8	165.0	179.3
1991	167.6	225.0	234.9
1992	187.6	266.8	258.4
1993	208.2	310.5	309.5
1994	233.8	336.2	391.8
1995	257.3	350.2	455.6

Source: Borukhov (1998, Table 1).

During the first months of 1989, before the actual arrival of FSU immigrants, various estimates on the expected number of immigrants were published in the Israeli media. These estimates led to a sharp increase in housing prices and rent prices in 1989 despite the fact that immigrants started arriving in Israel only in October that year (Table 25.3). In the early months of 1990 there were still vacant apartments for rent and immigrants found housing relatively easily. In a few months, most of the apartments in the center of Israel were occupied and immigrants started looking for housing also in the north and in the south.[24] While arrival of 200,000 immigrants annually requires building at least 67,000 dwellings (assuming the average size of a household is less than three persons), during 1988–89 construction starts of only about 20,000 dwellings (annually) took place (Borukhov, 1998).

The growing influx of immigrants in a short time during 1990 created a flourishing rental market and a sharp rise in rentals. This sharp increase in rents also had serious consequences for veteran Israelis who did not own apartments and now were pushed out of the rental market. In some localities this situation led to serious tensions between immigrants and veteran Israelis. Despite the rapid influx of immigrants between 1989 and 1990, the Israeli government remained virtually inactive in the housing market until mid-1990.

In June 1990 the government took some steps to promote short-term solutions for the housing problem. It exempted landlords from direct taxes on rental housing incomes since it feared that taxing rents withdrew apartments from the housing market. In addition, the shortage of affordable housing eventually forced the government to pay a high price for temporary housing solutions, such as caravans. Looking for long-term solutions, the goal was to make more public land available and to shorten the licensing procedures for new construction. This shift in policy led to construction beginnings of 42,380 (83,510) dwellings in 1990 (1991) and to completion of 19,960 (42,270) dwellings in 1990 (1991).

[24] Unlike many western countries, Israel does not have an infrastructure of rental housing. The government had about 10,000 units available for rent in 1989, and most of them were located in the periphery.

Nonetheless, this shift in policy had created a new set of difficult problems in the housing market as the government chose to build apartments in locations that were not always desired by the newcomers. Specifically, the government altered housing costs across regions of the country through both supply and demand interventions. On the housing demand side, as a part of the absorption package, the government provided immigrants with direct grants for rent and subsidized mortgages to encourage immigrants to purchase their own homes. The extent of benefits and subsidies depended on, among other things, the region of residence chosen by the immigrants.

On the housing supply side, the public sector built more in the periphery, where the bulk of public land reserves were located, while the private sector built more in the central region. In 1992, for example, the government completed 4500 dwelling units in the central district and 20,000 units in the southern district. In contrast, in the same year the private sector completed 5800 units in the center and 3000 in the south (Lipshitz, 1998, Chapter 4). In the southern district public building was concentrated in Beer-Sheva, which is the largest metropolitan center in the south of Israel and in Qiryat Gat, Ashdod and Ashkelon, which were small to medium-sized cities located within commuting range from metropolitan employment centers. Public building in more remote localities like Arad and Dimona that could barely support economically the indigenous population remained empty, as immigrants preferred to stay in the established population centers that promised some prospects for employment.

In general, the data indicate that immigrants preferred the center of Israel. They preferred to find suitable jobs than adequate housing and in many cases several families lived in the same apartment located in a big city. In 1989–94, for example, immigrants bought 91,000 apartments, 40% of them in Tel-Aviv and the central district, 20% in Haifa (north) district, and the rest in more Northern and Southern districts (Lipshitz, 1998, Chapter 4). In contrast, those who chose to live in the periphery generally refined from house purchasing despite the lower cost. This might indicate their intention was not to live in the periphery permanently.

Table 25.3 presents the consumer price index as well as rent price index and apartments price index (not corrected for quality) for 1989–95. While it does not prove causality from immigration to housing prices it does demonstrate the positive correlation between them. Bar-Nathan et al. (1998) suggested that the rise in housing prices during 1993–94 was not driven exclusively by immigration but also by monetary expansions.

3.2 Microeconomic consequences

The main questions the worldwide economic literature on immigration addresses are how do immigrants perform in the labor market in terms of employment, wages, occupations, etc. and how well do they perform in comparison to natives. Another related

question is how the earnings gap between natives and immigrants differs for immigrants from different source countries and different arrival cohorts.

These questions and others were also studied in Israel both in the context of immigrants from a specific wave or a specific source country and more generally using a larger pool of immigrants from several waves and source countries. The answers to these questions depend mainly on the demographic characteristics of the immigrants, which are often derived from the selection process that triggered immigration. Since economic factors play a major role in the decision to migrate in modern international migrations, there is an abundant literature on the selection of migrants. As pointed out in the first section, early Jewish immigration waves to Israel entailed fewer economic-selective features. In the early statehood years entire communities were transferred to Israel while in other periods in many cases the only feasible destination for Jews was Israel. Hence, in the Israeli context, only a few papers deal with the selection of migrants and to our knowledge all of them focus on FSU migrants who arrived in Israel during the 1990s.

The recent mass migration wave from the FSU represents a more selective immigration as it took place continuously over more than a decade and the changes in the share of those arriving in Israel out of those leaving the Soviet Union may reflect a response to economic conditions in Israel and other possible destination countries. Locher (2004) focused on FSU migrants to Israel between 1989 and 1998. She pointed out that the average education level of FSU immigrants to Israel has declined throughout this period. She suggested that this pattern results from considerations of human capital investment. Specifically, imported human capital, though producing no return upon arrival, is complementary to locally acquired human capital. Thus, more educated immigrants who receive a higher return for their investment in local human capital choose to migrate and invest earlier. Estimating a Logit hazard model and using data from the 1995 Census and the 1995–98 Labor Force Surveys (LFS), she found that more educated people migrate earlier, and that this effect decreases with age, since older immigrants have a shorter expected horizon in the Israeli labor market.

She also found that education does not affect the timing of migration for immigrants who spend less time in the labor market, old immigrants, and married mothers with young children. All these findings support the notion that the selection of migrants is driven by considerations of human capital investment as opposed to other explanations.

Cohen and Kogan (2007) compared the performance of FSU immigrants to Israel and Germany in the 1990s and did not find appreciable differences in patterns of educational self-selection of immigrants to both countries. However, in both countries the immigrants arriving in the second half of the 1990s are less educated than their counterparts arriving in the early 1990s. In a related paper, Cohen and Haberfeld (2007) compared the educational levels and earnings assimilation of Jewish immigrants from the FSU in the US and Israel during 1968–2000. The comparison is viewed as a natural experiment in immigrants' destination choices since between 1968 and 1989 FSU immigrants were entitled

to refugee visas in the US and thus could choose freely their destination, while after 1989 FSU Jewish immigrants to the US had to rely on family reunification to obtain immigrant visas. The results suggest that FSU immigrants to the US are of significantly higher educational level. In addition, immigrants to the US experience significantly faster rates of earnings assimilation in their new destination than their counterparts who immigrated to Israel. When the immigration regulations in the US changed in 1989, the adverse effects of the policy change on the type of FSU immigrants coming to the US were minor and temporary. Furthermore, this positive self-selection of FSU immigrants to the US hardly changed after 1990, the year Germany replaced the US as the provider of refugee visas to Jews from the former Soviet Republics. As early as 1992, the gaps in the educational levels between FSU immigrants coming to Israel and to the US returned to their pre-1989 levels, and the differences in earnings assimilation of post-1989 immigrants in the US and Israel are similar to the differences detected in the 1980s.

We now turn to review some of the main studies that tried to address the aforementioned questions in the Israeli context. In many cases, immigration initially entails the obsolescence of imported skills. The process of economic absorption involves learning the host country's specific skills like the local language, as well as on-the-job acquisition of skills. Consequently, the typical wage profile of immigrants is characterized by a low wage upon arrival and a relatively steep slope, which indicates a fast wage growth subsequently.

The performance of immigrants in the Israeli labor market in general and in comparison to natives, in particular, has drawn attention since statehood. But while in the early years it was summarized only by descriptive statistics, in later years it was investigated using various sophisticated econometric methods.

The conventional databases used for studying the labor market outcomes of immigrants and natives are the population censuses that are carried out once every few years (1948, 1961, 1972, 1983, 1995, and 2008) and the annual Labor Force Survey (LFS) and Income Survey (IS), all conducted by the Israeli Central Bureau of Statistics (CBS). In addition, there are special surveys targeting subpopulations of migrants conducted by various institutions like the CBS, the Ministry of Immigrant Absorption, Myers-JDC-Brookdale Institute Center for Research on Immigrant Absorption, etc. Some of the data collected in these surveys is cross-sectional data and some is panel or retrospective data.

As described in the previous section, the state of Israel was established on waves of immigrants and the majority of immigrants who arrived during the Mandate period originated mainly from Europe. In the early statehood years, the share of immigrants from Europe declined while the share of those originating in Asia-Africa increased (Table 25.1). Thus, most of the descriptive statistics on the performance of immigrants to Israel in the early years often refer to wage and employment differentials between Easterners (*Spharadim*) originating in Asia–Africa and Westerners (*Ashkenazim*) originating in

Europe–America. Easterners were disadvantaged in most dimensions– they had less education than Westerners and had a shorter duration in Israel.

Hanoch (1961) was among the first to analyze the earning gap between immigrants by origin continents using cross-sectional data. He found that this gap is significant controlling for differences in age structure, time in Israel, occupation and education, and that it increased during the 1950s. Amir (1980, 1987) documented a fall in the earnings gap between earnings of heads of families who originated from Asia and Africa (AA) and those from Europe and America (EA) from 37% during 1957–58 to 32% during 1963–64. In 1968–69 the weekly income difference for family heads was 26%, and in 1975–76 it dropped to 13%. Ben-Porath (1973) documented the occupational differences between immigrants from AA and EA and Israeli native-born. In 1969 about 20% of the employed males were Israel-born, while more than 40% were immigrants from EA and slightly less than 40% were immigrants from AA. About 50% of men born in EA held white-collar occupations, compared to less than 25% of those born in AA. Furthermore, within white-collar occupations, EA men earned more than AA men. Bensimon and Della Pergola (1984) suggested that the occupational differences between AA immigrants and EA immigrants result also from the more pronounced occupational downgrading immigrants from AA experienced upon arrival in Israel.

The persistence of the ethnic wage gap in Israel became more disturbing as it was also transmitted to the Israeli-born offspring of immigrants (second-generation immigrants). Cohen and Haberfeld (1998), for example, found that in spite of a slight narrowing of the ethnic gap in schooling, the overall earnings gap between second-generation Eastern and Western immigrant men has increased in the period 1975–92.

Since the mass migration of FSU in the 1990s, the distinction between AA and EA immigrants is no longer valid. Nevertheless, this distinction is still used today in the context of second-generation migrants and the third generation. Apparently, there are still substantial differences between these groups in terms of educational attainment, geographical distribution, etc. Even today, 65 years after the establishment of the state, these differences are often the source of social and political tension.[25]

The standard examination of immigrants' wage assimilation allows the return to human capital to differ between immigrants and natives. Thus, the return to education, experience, etc. may be different for immigrants than for natives. The detailed data on year of immigration in the Israeli 1983 census allowed Friedberg (2000) to add to this framework the distinction between human capital acquired abroad and human capital acquired domestically in Israel. The reasoning for this distinction is that the quality and compatibility of foreign human capital may differ from those of local human capital.

[25] More information on ethnic stratification in Israel can be found in Neuman and Silber (1996), Cohen (1998), and Cohen et al. (2007).

Only one-third of Jewish men aged 25–65 in the 1983 census are native-born Israelis. The foreign-born are classified into four area-of-origin groups: (1) Western Europe and the Americas (EA), (2) Eastern European, (3) Soviet, and (4) those from Asia and Africa (AA). Given this setting, she found that, upon arrival, immigrants to Israel earn approximately one-quarter less than their native counterparts of comparable measured skill levels. This gap can be fully attributed to the significantly lower value placed on the immigrants' human capital. With few exceptions, human capital acquired abroad receives a lower return than human capital acquired in Israel. The return to education obtained abroad is higher for immigrants from EA than for immigrants from AA, while the return to labor market experience acquired abroad is generally insignificant.

Furthermore, Friedberg found that the portability of education varies significantly with its level. Elementary school education is equally valued, almost regardless of where it was acquired. The source of high school education, however, is an important determinant of its value, with domestic high school earning the highest return. The return to post-secondary schooling obtained abroad also varies greatly with its origin.

Finally, acquiring further education in Israel (following immigration) is associated with a rise in the return to education obtained abroad for AA immigrants, with weaker effects for EA immigrants. For Western and Soviet immigrants, the return to origin-country schooling also rises with the accumulation of Israeli work experience. These later findings suggest a compound benefit to immigrants of receiving further training following immigration. Policy wise, Israel subsidizes training and re-training programs for immigrants as part of the "absorption package" each Jewish immigrant receives upon arrival. Data on recent FSU immigrants show that a significant portion of these immigrants chose to take advantage of this opportunity and attended a subsidized vocational training program after their arrival (see discussion below).

Another work along the line of Friedberg (2000) is Eckstein and Weiss (2004), who studied the dynamics of wage growth of FSU male immigrants and the potential convergence of immigrants' wages to those of natives. Like Friedberg (2000), they distinguished between imported and locally accumulated human capital and further assumed that the return to imported human capital may change with years-since-migration. Using repeated cross-sectional on native and immigrants they estimated a non-linear wage function that includes interactions between imported skills and local wage growth. This framework enabled them to identify the sources of wage growth for immigrants. They found that upon arrival immigrants receive no return to their imported skills and that the increase in this return accounts for about half of the unconditional annual growth in wages during the first 10 years in the country. Occupational transitions are found to be an important source for wage growth, primarily for highly skilled immigrants who arrived in Israel with academic degrees and for immigrants who arrived at a young age and suffered occupational downgrading upon arrival. Finally, they found that the

average wage of immigrants approaches that of comparable natives, though there is no convergence due to the low return on imported skills.

While it seems optimal to study immigrants' earnings growth using longitudinal (panel) data that follow the same immigrants over time, this kind of data is scarce. The inference on earnings dynamics using cross-sectional data (as in Hanoch, 1961) might induce different biases. The use of repeated cross-sectional data (e.g., Friedberg, 2000; Eckstein and Weiss, 2004) possibly eliminates the known "cohort effect" bias but may be subject to other possible biases, for example due to selective return migration. Beenstock et al. (2010) used data from the Israeli censuses of 1983 and 1995 in order to study the methodological aspects of estimating the earnings growth of immigrants using cross-sectional data, repeated cross-sectional data (synthetic cohorts), and longitudinal data. The census data have been matched to form longitudinal data on immigrants who were observed in 1983 and 1995. They compared the results obtained from these three techniques and found that using the panel structure of the censuses, the earnings growth of immigrants between 1983 and 1995 did not depend upon duration in Israel in 1983. Thus, there is no evidence that immigrants' earnings growth diminishes with duration in Israel. On the other hand, when the same data were analyzed as synthetic cohort and cross-sectional data, the results are supportive of the notion that the impact of duration (time since migration) diminishes over time. The conflicting findings using the different methods result, in part, from the positive selection of the "survivors" who were matched in 1983 and 1995. In addition, while the analyses of panel data and synthetic cohort implicitly assume that the returns to human capital are fixed over time (i.e., there are no period effects), the Israeli data indicate that the returns to local human capital increased between 1983 and 1995. The authors related this rise to the mass arrival of Russian immigrants with almost no Israeli-specific human capital and the increased demand for workers with Israeli-specific labor skills. The possibility of survivor bias and period effects, which may be endogenous to the effects of immigration on the labor market, should be taken into account in any analysis of immigrants' earnings dynamics.

The role of Hebrew proficiency in the labor market absorption of immigrants also received considerable attention in the Israeli immigration literature. Chiswick and Miller (1995) explored the endogeneity between dominant language fluency and earnings. The empirical tests were conducted primarily for Australia, with international comparisons to the US, Canada, and Israel. The results for Israel in this comparative study are based on Chiswick (1993), who analyzed the determinants of Hebrew language fluency among immigrants in Israel using the 1983 Israeli Census.[26]

In each of the four countries they found that fluency in the destination language is greater the greater the use of the destination language in the country of origin, the longer the duration of residence, the smaller the proportion of people in the immigrant's area of

[26] Chiswick's (1993) working paper was later expended (see Chiswick, 1998).

residence who speak the mother tongue, and if the spouse does not have the same mother tongue. In addition, fluency increases with efficiency in language acquisition; it increases with the level of schooling and decreases with age at immigration. Other variables being the same, fluency rates are lower the greater the probability of return migration, the greater the linguistic distance between the origin and destination languages, and among refugees than among economic migrants.[27] Living among others who speak the same non-destination language as the immigrant retards the acquisition of destination-language fluency in a manner that varies with other characteristics. A minority-language enclave has a greater depressing effect on destination-language fluency among the immigrants with lowest levels of fluency—that is, those recently arrived, the less well educated, and those who immigrate at an older age.

Using a standard human capital earnings function model they found that dominant country language fluency (Hebrew in Israel) is associated with statistically significant 5.3–9.3% higher earnings in Australia, 16.9% in the US, 12.2% in Canada, and 11% in Israel. Using the Israeli *Ulpan* system as an example, these estimates of the labor market benefits of language fluency are used to estimate the rate of return on the investment to become fluent if there are also cost estimates. *Ulpan* usually involves six months of intensive Hebrew language training to bring adults to a modest level of fluency and literacy (reading and writing). Assuming fluency for adults costs the equivalent of six months to one year of full-time potential earnings, the estimated rates of return based on labor market earnings (assuming a long working life) would vary from about 9–18% for Australia, 11–22% for Israel, 12–24% for Canada, and 17–34% for the US. These rates of return would be higher for young adult permanent immigrants, as they learn language skills more rapidly and have a longer remaining working life than for older immigrants.

Finally, Chiswick and Miller's (1995) tests for the endogeneity of language skills indicate that those who anticipate higher earnings for unmeasured reasons if they were to become fluent are more likely to acquire destination language fluency. Thus, in addition to the response of fluency to incentives (economic, exposure, and efficiency), earnings and language fluency are determined jointly.

Beenstock (1996b) studied the process of Hebrew proficiency acquisition among immigrants who came to Israel in the 1970s using panel data from the Immigrant Absorption Survey (IAS). The IAS provides detailed (self-assessed) questions concerning Hebrew language skills: understanding, speaking, reading, and writing. Immigrants were followed up during their first three years in Israel and their progress was monitored. Thus, the panel data enabled him to investigate both the level and the rate of change of Hebrew

[27] In the Israeli context it is reflected by lower Hebrew fluency rates among North American immigrants who have a high rate of return and lower fluency rates among Soviet refugees than among other European immigrants. The linguistic resemblance of Arabic to Hebrew may explain the higher level of Hebrew fluency of North African Jews who lived in Arab countries.

language skills. Moreover, due to the special structure of the panel, it allows Beenstock to study the assimilation process of immigrants of different cohorts. He found that immigrants who need Hebrew for their work are more motivated to progress and do better. So do immigrants who are employed. Thus, his findings tend to conform to the "human capital model" according to which language skills may be viewed as a specific form of human capital that complements other aspects of human capital. The immigrant invests in language capital when he thinks it will promote his employment absorption and when the cost of language absorption is low.

Berman et al. (2003) examined how language acquisition affects immigrant earnings growth using retrospective data on linguistic proficiency for recent Soviet immigrants. They focus on high-skill occupations (computer programmers and technicians) as well as on low-skill occupation (gas station attendants, construction workers). The main finding is that language complements high-skill occupations. Improved Hebrew accounts for two-thirds to three-quarters of the differential in earnings growth between immigrant and native computer programmers and technicians. In contrast, Hebrew fluency had almost no effect on wage growth of immigrants in the low-skill occupations and no evident wage convergence was found in these occupations.

The economic integration of the least advanced group of immigrants, Ethiopians, was rarely studied and most of the existing economic indicators for Ethiopian immigrants are based on simple statistics from various surveys. The Ethiopian immigrants came from a very different culture and from rural society. Many of them were farmers and had limited familiarity with the educational frameworks and workplaces of a modern society. These factors, together with their difficulty in studying Hebrew, held back their integration into the workplace. The unemployment rate among Ethiopian-Israelis (including their Israeli-born offspring) in 2006/07 was 14% compared with 7% among the general Jewish population (Myers-JDC-Brookdale Institute of Gerontology and Human Development, 2010).

The struggle of Ethiopian immigrants was further intensified given the fact that they arrived in parallel to the arrival of the highly skilled FSU immigrants. Thus, while most of these FSU immigrants took advantage of the new "direct absorption" policy that was implemented during the late 1980s and allowed immigrants to choose freely their residential location, this was not the case for Ethiopian immigrants. Many of the older Ethiopians still reside in public absorption centers or caravans in the periphery and are still dependent on public services and assistance. Recently, a number of public policy changes have been made concerning Ethiopian youth, mainly in three directions: integrating youth into schools in their home communities; referring youth studying outside their home communities to high-level boarding schools and to matriculation programs; and tracking down and treating youth at risk (Lifschitz et al., 1997). The Ministry of Immigrant Absorption together with other organizations also operates special programs for Ethiopians to promote their integration with respect to housing, education, employment, etc.

According to the latest press release of the Central Bureau of Statistics on Key indicators of the Ethiopian Community in Israel, in 2011 the access rate for taking the matriculation certificate exams among the Ethiopians was 87% of 12th grade graduates compared with 82% among the 12th grade graduates in the Israeli Jewish (Hebrew) education system. However, their eligibility rate was lower: 43% versus 58% respectively. The share of Ethiopians with a matriculation certificate that meet the minimum requirements of Israeli universities is about 22%, while for all students of Israeli Hebrew education the rate is 50%. Eligibility rate is higher among Ethiopia-born immigrants than among second-generation Ethiopians—49% versus 39% respectively. In contrast, the share of second-generation Ethiopians with a matriculation certificate that passes the threshold rate of Israeli universities is higher among the second generation—26%, compared with 18% among Ethiopia-born immigrants. This suggests that the second-generation Ethiopians have a higher potential to acquire academic education in the future.

One of the few scholarly studies on Ethiopian youth is Gould et al. (2004), who studied the effect of initial elementary school environment on the performance of Ethiopian children who arrived in Israel in 1991 during *Operation Salomon*. The arrival of the immigrants in Operation Salomon was sudden and the families were allocated randomly to absorption centers across the country. Thus, this quasi-random assignment produced a natural experiment whereby the initial schooling environment of Ethiopian children can be considered exogenous to their family background and parental decisions.

Using panel data on a sample of Ethiopian children, Gould et al. (2004) were able to track where Ethiopian children went to elementary school and follow them throughout their high school years. The quality of the elementary school environment in this study was measured by the average scores on standardized mathematics and Hebrew tests a year prior to the wave of Ethiopian immigration. Hence, they are exogenous to the sudden and unexpected influx of Ethiopian children into the Israeli school system. This exogenous variation was used to test whether the elementary school environment is related to different outcomes 4–7 years later, when the children are supposed to be in high school. The outcomes the authors considered are the quality of the high school attended, dropping out at various stages in high school, advancing to various stages in high school without repeating a grade, and passing the all-important matriculation exams necessary to attend university.

The results suggested that attending an elementary school with high pre-immigration math scores reduces the chances of a student dropping out of high school by 4 percentage points relative to an average dropout rate of 10%, and increases the passing rates on high school matriculation exams by 8.2 percentage points relative to an average of 27%. In contrast, attending elementary schools with high verbal (Hebrew) scores has no effect on most of the high school outcomes. This later finding might be due to the fact that Ethiopian children learned Hebrew in separate classes and with inexperienced teachers,

so that the quality of a school's verbal program for regular students was inconsequential to an Ethiopian student's later scholastic achievement. Overall, these results point to the importance of the early schooling environment, and suggest that aspects of the elementary school itself may be a key factor in determining high school success.

In another paper, Epstein and Siniver (2012) chose to compare the integration of Ethiopian immigrants in the Israeli labor market to that of Israeli Arabs, who until now were considered to be the least successful group in the labor market. Using data from the income survey, they found that the wages of low-educated Ethiopian male immigrants converge to those of Israeli male Arabs after about 10 years while in the case of women it takes more than 20 years. That is, Ethiopian men close the wage gap with Israeli Arabs more rapidly than Ethiopian women. These results suggest that upon arrival in Israel, Ethiopian immigrants are less successful than Israeli Arabs and are replacing them at the bottom of the ladder.

Another work on a less investigated group of immigrants, Yemenites, is Gould et al. (2011). They exploited the unique 1949 *Magic Carpet Operation* where 50,000 Yemenites were airlifted to Israel in order to study the long-term impact of early childhood environment. To do this, they exploited random variation in the living conditions experienced by Yemenite children after arrival in Israel. Upon their arrival, the Yemenites were dispersed throughout the country into makeshift absorptions camps. Conditions in the camps were sparse—they often slept in tents with no running water, bathrooms, and electricity. After about six months to a year, most of the immigrants were moved to other predominantly new settlements throughout the country, while others stayed in their original camps, some of which later evolved into established communities or cities.

The Yemenites put their trust in the Israeli authorities to make decisions about where they should go and what they should do. As a result, they were scattered across the country in a manner that was largely irrespective of their background characteristics. This was easily done since Yemenites were rather homogeneous—they all lacked formal schooling and arrived essentially without any wealth. The authors used this quasi-random allocation of immigrants across locations to study a variety of long-term outcomes. They found, for example, that Yemenite immigrant children placed in "good sanitary conditions, in an urban locality and not an ethnic enclave" were more likely to obtain higher education, marry at an older age, have fewer children, and work at age 55.[28] The estimated effect on education levels is quite substantial. Growing up in a high quality environment led to a 9-percentage-point increase in the high school matriculation rate (relative to a mean of 27%), and to a 0.6 increase in total years of schooling (relative to a mean of 11.4). These are equivalent to increases of about 0.18–0.20 standard deviations in the outcome measures. Remarkably, early environment also affects the next generation—children who lived in a better environment grew up to have children with more education. Overall,

[28] The effects are found mainly for girls.

these findings illustrate the profound effect of initial conditions in the destination country on long-term outcomes and should be taken into account in policy design towards immigrants.

The most investigated immigration episode is undoubtedly the recent mass migration of (highly skilled) FSU immigrants in the 1990s, both due to its size and to the rich data collected on these immigrants. The evident observation on occupational downgrading of FSU immigrants upon arrival along with the subsequent gradual upgrading led to a series of studies that employed dynamic model framework and are estimated using various panel datasets. These models emphasize the role of immigrant's human capital investment in the process of occupational mobility and wage growth, where local human capital takes the form of training, language acquisition, work experience, and search strategy.

Israel invests heavily in immigrant absorption and offers a range of specific policies for facilitating integration, both for the highly skilled and the least educated immigrants. One of the benefits included in the "absorption package" that Israel grants Jewish immigrants is the eligibility to participate in government-sponsored classroom training. The Israeli training programs are quite invested relative to those in the US and many of these programs are offered to high school graduates as well as college graduates who lost their job.[29] The investment of immigrants in local human capital via participation in training is one of the main features studied in Cohen Goldner and Eckstein (2008, 2010). They used a unique panel collected by JDC-Brookdale Institute, which follows FSU immigrants who arrived in the early 1990s for a period of up to 10 years, on a quarterly basis. The panel data allowed them to design and estimate dynamic models for males (Cohen Goldner and Eckstein, 2008) and females (Cohen Goldner and Eckstein, 2010) that can separately identify the effects of imported and local human capital on labor mobility and earnings. The models include two main determinants of occupational transition: (1) investment in local human capital in the form of experience, vocational training and language, and (2) employment opportunities in two broadly defined occupation categories, white collar and blue collar. The main transition patterns observed in the panel data are as follows: after two quarters, during which the immigrants study Hebrew in *Ulpan*, employment in blue-collar jobs increases rapidly and non-employment drops sharply; however, employment in white-collar jobs increases at only a slow rate. Participation in training programs begins after learning Hebrew and peaks at the end of the first year in the host country; it then slowly declines to zero. These transitions reach steady-state levels after about five years in Israel and overall the patterns are similar for male and female immigrants. The models were estimated using data on the first five years in Israel, while the data for the next five years were used for comparison with the models' five-year-ahead predictions.

[29] Immigrants were eligible to participate in a training program even if they already found a job in Israel, though most of them chose to participate before ever working in Israel.

The main findings are broadly similar for female and male immigrants. The initial availability of white-collar job offers is found to be relatively low and participation in a training program significantly increases it. This implies that the impact of training on job search friction is an important channel through which human capital affects labor mobility. In addition, training has no impact on wages in blue-collar jobs, while it has a significant impact on white-collar wages. Another important result, in line with Friedberg (2000) and Eckstein and Weiss (2004), is that, conditional on the investment in local skills, the wage return on imported skills for both male and female immigrants is close to zero.

The occupational downgrading FSU immigrants experienced upon arrival implies a loss for both society and the immigrants. Weiss et al. (2003) formulated and estimated a dynamic discrete-choice model to provide a deeper analysis of the potential expected lifetime-earning loss for immigrants due to the partial adjustment of their imported skills to the new country. Specifically, immigrants are usually overqualified for the jobs they undertake and therefore they are not paid for their overeducation. According to their estimates, immigrants can expect lifetime earnings to fall short of the lifetime earnings of comparable Israelis by 57%, of which 14% reflect frictions associated with unemployment and job-distribution mismatches and 43% reflect the partial adaptation of imported schooling and experience to the local labor market. The gap between immigrants and natives in terms of present value is larger than in terms of expected wages after 20 years, which reflects the loss in wages during the early phase of the integration process.

A unique paper by Buchinsky et al. (2010) studied the joint decision of location of residence and labor market activity among FSU immigrants who arrived between 1989 and 1995 and worked as engineers in the FSU. Specifically, they developed a dynamic model to measure the consequences of Israeli government intervention in the housing market on the labor market outcomes of these immigrants. While immigrants were allowed to freely choose their first residential location anywhere in the country, the government had established a number of policies in the housing market to influence these first location choices and, consequently, all subsequent relocation choices. These interventions provided economic incentives for the suppliers of housing (builders) as well as for the consumers (i.e., the immigrants) as the government altered building costs of housing, prices, and differential mortgage subsidies across the different regions of the country.

The study found significant differences in the wage offer functions for the white-collar workers across the regions, while the regional differences for the blue-collar workers are not as pronounced. In addition, their estimated traveling costs associated with commuting to work from one region to another are enormous. Consequently, individuals tend to live close to where they work. Most commuters who travel across regions do so to regions adjacent to their residence. In faraway regions, such as the Negev, individuals almost exclusively work and reside in the same region. Examination of four

policies, whose versions were considered by policymakers in the past within their framework, demonstrates that the most effective policy in creating the right incentives for the immigrants to fulfill the government goal, namely to move them to the Negev and Galilee regions, is the one that grants a lump-sum residential subsidy of 50,000 New Israeli Shekel (NIS) to all individuals that move after arrival in Israel to either the Galilee or the Negev.

While the effect of immigration on the natives' labor market outcomes has received considerable attention in the literature, only a small number of papers studied the impact of immigration on the school system. Gould et al. (2009) examined the impact of immigrant concentration during elementary school on the long-term academic outcomes of native Israeli students in high school, using administrative panel data on school enrollment and test scores for each fifth grade child from the 1993–94 school year until the 2000–01 school year, the year this cohort was scheduled to graduate from high school. The sheer size of FSU immigrants who came to Israel in the 1990s created a large variation in the absorption level of immigrants across schools throughout the country. The raw data show that the fraction of immigrants in fifth grade is strongly negatively associated with dropout rates and high-school matriculation rates of natives. This correlation is not surprising given that immigrants tended to locate in poorer areas that are more likely to be populated with lower-achieving native students, regardless of the local level of immigrant concentration.

To account for the endogenous placement of immigrants into areas, Gould et al. (2009) exploited random variation in the number of immigrants across grades within the same school.[30] Controlling for the total number of immigrants in grades 4–6 and on the total number of children in grade 5, they found that fifth grade immigrant concentration has a marginally significant negative effect on matriculation rates and a small and statistically insignificant effect on dropout rates. Specifically, an increase of 10 percentage points in the immigrant concentration in the fifth grade raises a native student's dropout rate by (a statistically insignificant) 0.3–0.4 percentage points, relative to an average of 5.4% in their sample; it lowers a native student's matriculation rate by 1.5–1.8 percentage points, relative to an average of about 61% in the sample.

This effect is roughly equivalent to a third of the total gap in matriculation rates between native and immigrant students. For comparison purposes, the magnitude of the effect is similar to the estimated effect of reducing a father's education by three-quarters of a year, or changing the school's socio-economic index by two-thirds of a standard deviation. Furthermore, they found that the negative effect of immigrants on native outcomes is larger for native students from a more disadvantaged socio-economic

[30] For example, conditional on the total number of immigrants in a given school in grades 4–6, the actual number of immigrants in grade 5 can be considered as being determined solely by random factors such as variation in the year of birth among the pool of immigrant children in the school district.

background, and that the effects are generally non-linear—they are stronger at lower levels of immigrant concentration (going from 0% to 10% of the class) than at higher levels of concentration (going from 10% to 20% of the class). These results indicate that the negative impact of immigrants is mitigated when their concentration is high, suggesting that the integration of immigrants is easier when they are present in sufficiently large numbers.

4. NON-JEWISH MIGRATION TO ISRAEL—TEMPORARY WORK MIGRANTS AND ASYLUM SEEKERS

While Sections 2 and 3 focused exclusively on Jewish migrations to Israel under the Law of Return, this section is devoted to non-Jewish migration to Israel, namely temporary foreign labor migrants (FWs) and asylum seekers. Non-Jewish migration to Israel is relatively a new phenomenon whose scope has accelerated over the last two decades and is expected to be a dominant channel of migration to Israel in the near future due to the expected low rates of Jewish migrants under the Law of Return. Currently, non-Israeli workers constitute a significant share of the Israeli labor force despite the declared policy targeted to reduce it drastically.

The three main groups of foreigners in Israel are:

1. Temporary foreign workers who entered Israel with a work permit and currently stay in the country legally or illegally.
2. Individuals who entered the country as tourists and did not leave Israel once their tourist visa expired. The CBS estimate of foreign workers who entered Israel without a work permit is based on the assumption that tourists from non-developed countries, who remain in Israel beyond their visa expiration date, do so for work purposes.
3. Individuals who seek an asylum status based on the United Nations' guidelines of the Convention Relating to the Status of Refugees.

According to the Population, Immigration and Border Authority (PIBA) as of mid-2013 there were approximately 69,000 FWs with a valid work permit, 14,000 illegal FWs, 54,000 asylum seekers, and 93,000 tourists whose visa expired. While legally the status of FWs differs from that of refugees, individuals from the two groups as well as the third group of tourists play an active role in the Israeli labor market.

Israeli policy towards workers from abroad is aimed at ensuring that foreign workers do not settle permanently. The work permit usually allows the worker to stay a maximum of 63 months, and only in rare cases was the status of the worker or his relatives changed to permanent resident.

The growing number of FWs and asylum seekers warrants comprehensive research on their impact on the labor outcomes of natives and on the Israeli economy. However, the poor data collected on these groups stand in sharp contrast to the rich data on Jewish immigrants. The comprehensive analysis of the economic consequences of Jewish

migration that was covered in Section 3 was feasible due to the detailed data collected on Jewish immigrants. The national annual Labor Force Survey covers only citizens and permanent residences and does not cover FWs nor asylum seekers who reside in Israel less than a year. Thus, there is almost no official reliable detailed data on the demographic characteristics of FWs and asylum seekers. In addition, in some cases FWs, tourists from non-developed countries with no valid visa, and asylum seekers cannot be distinguished in the available data.

This section provides a short historical review of these two groups (FWs and asylum seekers) and of the Israeli policies towards each group. It also presents studies that tried to address the impact of FWs on labor market outcomes of native Israelis.

4.1 Foreign workers

Israel has managed so far to meet the demand for high-skilled workers through its Jewish migration. The demand for low-skilled workers, primarily in construction and agriculture, was met after the Six-Day War in 1967 by cross-border Palestinian workers and since the 1990s also through the entrance of temporary foreign workers. In 1987, Palestinian workers constituted 49% of all employees in construction and 45% in agriculture. Hence, these sectors' reliance on non-Israeli workers was substantial before the entrance of FWs.

Foreign workers employment in Israel started in 1991 due to the deterioration of security situation and increasing demand for unskilled workers. Border closures of the West Bank and Gaza led to a severe labor shortage in the construction and agriculture sectors. The worsening security situation shifted employer interest to more reliable temporary workers from abroad who are not affected by security conditions. Israeli lobbyists yielded heavy pressure on the government to replace Palestinian workers with FWs in order to provide an adequate housing solution for the large number of migrants arriving from the FSU. Similarly, farmers' lobbying also acted to replace Palestinians with FWs in agriculture as the new immigrants from the FSU refused to work in either construction or agriculture under the prevailing conditions (Borowski and Yanay, 1997; Weiss et al., 2003).

Like in most countries that employ FWs, some of the FWs in Israel are legal and hold a valid work permit and some are not. Typically, a foreign worker receives a work permit for one year and can extend it such that the maximum length of stay in Israel is 63 months.

The three major sectors that employ FWs are construction, agriculture, and home-care for the elderly. The latter has become the largest and fastest-growing sector employing FWs, mainly women. Each sector is subject to its own regulations and transfer among sectors is not generally allowed. In order to regulate the access of employers to FWs, Israel imposes quotas on certain sectors. The sector and occupational restrictions and quotas are set through informal negotiations between different ministries, and are often strongly

influenced by requests from the employer organizations.[31] Quotas for FWs were introduced in September 1993 for agriculture and in May 1994 for the construction sector.

Despite the concentration of FWs in Israel in a very small number of sectors, the number of FWs grew dramatically in a short time. According to the PIBA data there were 2500 FWs in Israel in 1991 and in 2011 the estimated number of FWs was around 89,000 (approximetly 75,000 legal and 14,000 non-legal).[32] While these figures refer only to those who entered Israel with a work permit, the official CBS data refer to *workers from abroad*, which includes FWs (legal and non-legal), asylum seekers, and tourists from non-developed countries who stayed in Israel after their visa expired. The evolution of Palestinian workers and of workers from abroad is presented in Figure 25.2.[33] The sharp decline in the number of Palestinian workers in the early 2000s due to the second Intifada was associated with a further increase in the number of foreigners.[34]

The CBS data also distinguish between documented (or reported) and undocumented (or unreported) foreigners. Documented foreigners refer to foreigners whose employer reported their employment (and paid social security tax, etc.) to the National Insurance Institute (NII). Both CBS data and administrative data from the NII on wages and employee jobs of foreigners are partial since they are available only on reported (documented) foreigners, who in recent years constitute only about 30–40% of the total number of workers from abroad.

The division of workers from abroad into documented vs. undocumented is presented in Figure 25.3. The figure stresses the relatively constant number of documented workers, in contrast to the great increase in the number of undocumented workers. While the various policies adopted by the government to reduce foreign worker employment should have been reflected in both series, there is no evidence for a consistent reduction in the number of non-documented foreigners. In fact, these policies, if not fully enforced, can explain part of the increase in the number of undocumented FWs.

In addition, according to the 1991 Foreign Workers Law, authorization to work in Israel was granted to the employer and not the worker, who did not have access to the

[31] In addition to the above sectors, there are two other channels for employment of highly skilled FWs in Israel. The first is specialists or experts and the second is specialty industrial workers (e.g., metalworkers) and "ethnic chefs". However, the scope of these channels is negligible in comparison to the low-skilled channel.

[32] <http://www.piba.gov.il/PublicationAndTender/ForeignWorkersStat/Documents/561353new.pdf> (in Hebrew).

[33] Hereafter the term FW will refer to workers from abroad, unless otherwise stated.

[34] With the second Intifada in 2000, the quotas for Palestinian cross-border workers were drastically cut for security reasons. Palestinian workers must receive security clearance in order to work in Israel. They are dependent on their employers for their work permit, since they must demonstrate a full-time job offer prior to applying for security clearance. Currently, most workers must be over 30 and married with children to receive clearance, after which they are issued a work permit, which must be renewed every few months.

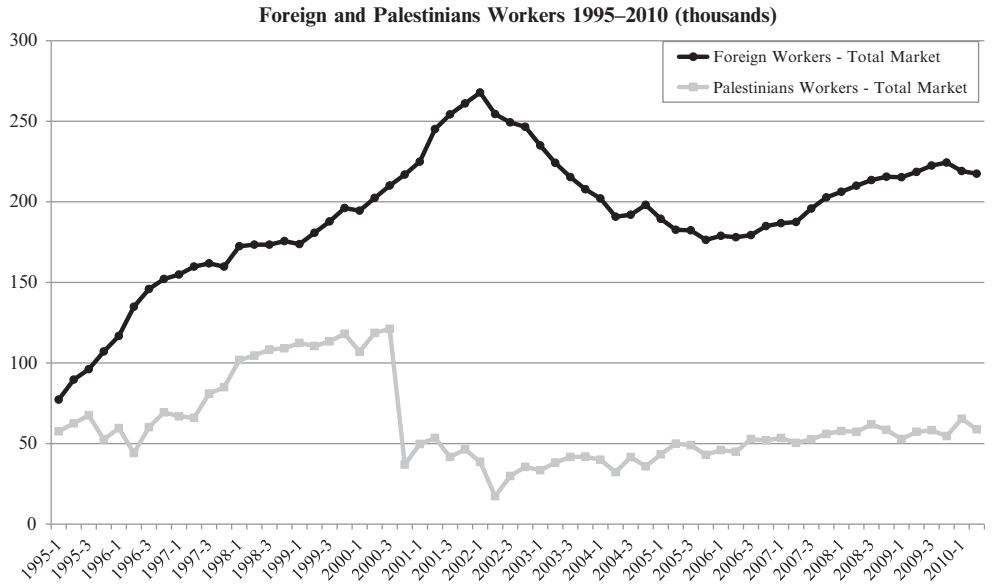

Figure 25.2 ***Foreign and Palestinians workers, 1995–2010 (thousands).***

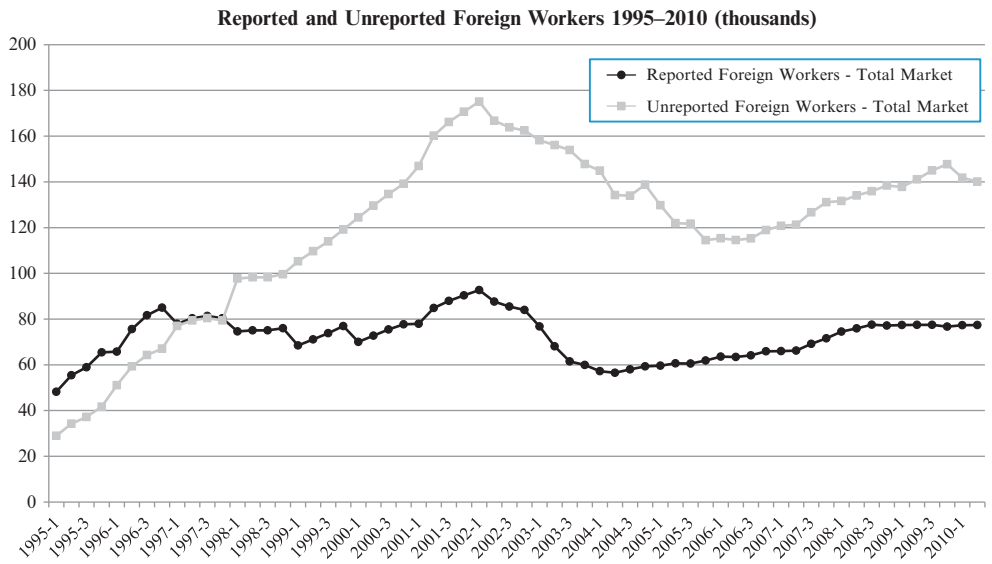

Figure 25.3 ***Reported and unreported foreign workers, 1995–2010 (thousands).***

Israeli labor market. This system, known as the "binding system", was also a major contributing factor to the sharp increase in the undocumented population in the late 1990s. According to the OECD (2010), most of the undocumented workers who overstayed in the country despite their work permit having expired did so not because the five-year limit had been reached, but because they had left their employer or their employer had not complied with contractual requirements. Nonetheless, about 32,000 foreigners who entered Israel during 1995–2005 with a work permit (and therefore according to the five-year limit had to leave Israel during 2000–10), remained in Israel in 2011.[35]

Figure 25.4 displays the shares of Palestinian workers and FWs in the business sector during 1997–2007. The figure illustrates the increased reliance of the business sector on FW employment. The fact that the share of undocumented FWs is about twice the share of documented FWs reflects the incentives of Israeli employers as well as of illegal FWs not to report their employment, especially in light of the declared policies through the 2000s to drastically cut the number of foreigners. It also highlights the problematic use of the partial data collected only on documented FWs.

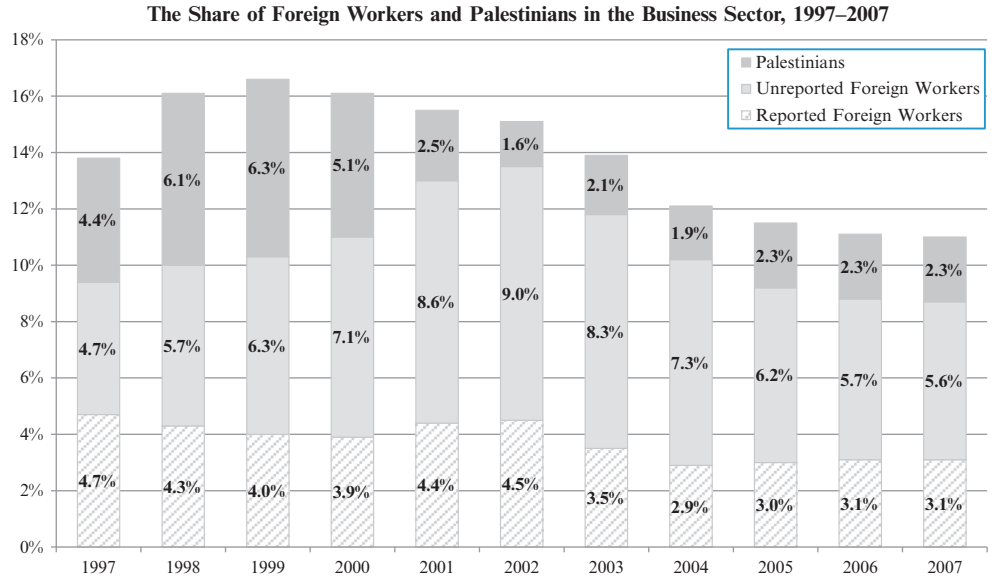

Figure 25.4 ***The share of foreign workers and Palestinians in the business sector, 1997–2007.*** Source*: Bank of Israel Annual Report (2007).*

[35] Kushnirovich (2012, Ruppin Yearbook on Immigration, Table 8.5), <http://www.ruppin.ac.il/pages_e/Ruppin_Yearbook_on_Immigration2012.aspx?>. In the case of foreigners who work in the home-care sector for the elderly, there are exceptions to the five-year limit. In certain cases where the Israeli employer asks to continue employing the foreigner, the work visa can be further extended.

From an international perspective, FW employment in Israel is relatively high and the share of FWs in the Israeli Labor Force is twice the share in most western counties (OECD, 2010). The arrival of FWs changed the ethnic composition of non-Israeli workers in Israel dramatically in a short time. While in the early 1990s most of the non-Israeli workers were Palestinians, in a few years they became the minority. In addition, the redistribution of permits over the different sectors has led to changes in the ethnic and gender composition of the FWs during the 1990s and the 2000s (see Table 25.4).[36] For example, in 1996 more than a half of the FWs holding a work permit who entered the country were European, while in 2010 their share declined to less than a quarter.

While Israel has little official information on the demographic characteristics of the temporary foreign workers, the common knowledge is that FWs are largely low educated (e.g., Thai farmers in agriculture, Chinese villagers in construction) except, perhaps, for the Filipina care workers who are more skilled. The JDC-Brookdale Institute conducted a survey in 2002 among Filipina women. About 76% of the women in this survey

Table 25.4 Admission of foreigners with work visas by country/region of nationality

	1996	1998	2000	2002	2004	2006	2008	2010
Total	90.8	64.2	52.2	33.2	47.9	32.7	30.3	32.3
Asia total	36.8	29.1	23	22.9	37.6	24.4	21.4	24
Turkey	9	2.9	1.8	0.6	1.4	1.1	0.9	0.8
Lebanon	5.2	5.4	0.9	0	0	0	0	0
China	3.6	3	2.9	1.8	2.8	3.3	2.3	1.6
Philippines	3.2	6.7	7.6	7.4	6.5	6.4	5.5	5.8
Thailand	14.9	9	8	12.1	10.4	9	5.8	7.6
Other Asia*	0.9	2.1	1.8	1	16.4	4.6	7	8.1
Africa total	0.4	1	0.6	0.3	0.1	0.1	0.2	0.1
Europe total	49.8	30.7	26.7	9.4	9.7	8	8.1	7.7
Bulgaria	3.3	2.4	2.3	1.1	0.8	0.4	0.2	0.1
Former USSR†	4.4	3.4	4.3	2.1	3	4.3	5.8	5.7
Romania	37.9	19.3	16.6	4.5	4.8	2.6	1.4	0.9
Other Europe	4.2	5.6	3.5	1.7	1.1	0.7	0.7	0.9
Other countries	1.4	3	1.7	0.6	0.4	0.2	0.6	0.5
Unknown	2.4	0.5	0.1	0	0	0	0	0

*Including Asian countries of the Former Soviet Union.
†Including European countries of the Former Soviet Union.
Source: CBS (1996–2010), Statistical Abstract, Tables 4.10 and 4.11.

[36] While the table shows that the number of FWs with work permits who *entered* the country generally declined over time, one should bear in mind that over this period the number of FWs *staying* in the country increased (Figure 25.2).

reported their occupation prior to their arrival in Israel: 44% worked in sales, 16% in nursing, 8% in schoolteaching, and 8% in other professions.

The non-Israeli workers, most of whom are unskilled, come from countries with significantly lower income and per-capita GDP than Israel.[37] Thus, it is profitable to stay in Israel and they are willing to work for a lower wage and for longer hours than Israelis. The average wage of FWs in Israel, primarily in construction and agriculture and as home care, is lower than the average wage of Israelis in these industries and in some cases even lower than the minimum wage. Figures 25.5 and 25.6 show the number of salaried documented FWs in selected sectors and the corresponding wage they receive respectively. Again, it should be stressed that documented (reported) workers do not represent the whole population of FWs and the partial figures should accordingly be viewed with caution. The number of documented salaried FWs increased from 2004 to 2011 by about 25,000

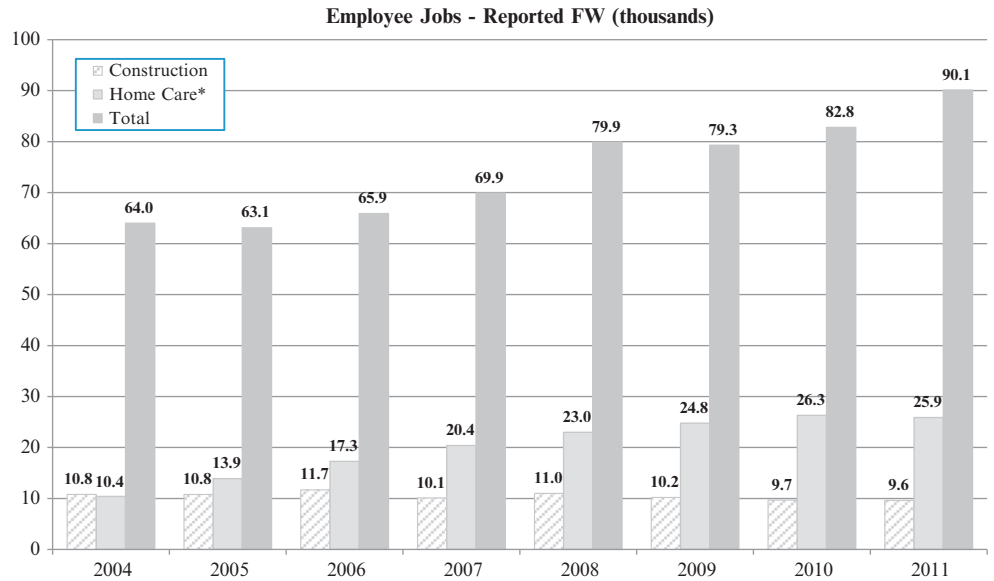

Figure 25.5 ***Employee jobs—reported FWs (thousands).*** *Home care refers to economic branch 862 and does not include home-care workers who are paid directly by the individual they work for. Source: *CBS Monthly Bulletin of Statistics, various issues.*

[37] Israel's per-capita GDP was about $25,500 in 2007 (adjusted for purchasing power). The per-capita GDP in the source countries (like China, the Philippines, and Thailand) ranges from $5000 to $10,000. In the Palestinian Authority per-capita GDP in 2007 was less than $1500. The average wage per hour in these various places is less than one dollar (Bank of Israel Annual Report, 2007).

(Figure 25.5). The number of documented salaried workers in construction was rather constant over this period, while the number of documented workers in the home-care sector increased by more than 15,000, explaining 60% of the total increase. One should bear in mind that the data for the home-care sector are incomplete as many FWs in this sector are employed directly by the person who employs them and not by manpower agencies.

The associated real average monthly wage of reported (salaried) FWs is shown in Figure 25.6. The average wage for all documented salaried FWs ranged during 2004–11 between 4330 and 4880 NIS, which is equivalent to 1148–1293 US dollars in 2010 prices. It started at 4700 NIS in 2004 and after increasing to 4880 NIS in 2006, declined to 4520 NIS in 2011. In agriculture, the average monthly wage ranged between 4470 and 4920 NIS, and the overall increase during 2004–11 was 334 NIS (88 US dollars). The data for the home-care sector suggest that those who are employed mainly through manpower agencies earn as little as 2000 NIS or 530 US dollars per month. The estimate is that those who are employed directly by the person who employs them earn more, around 600–800 US dollars. Figure 25.6 also shows that the construction sector earns the highest wage among the three leading sectors that employ FWs, between 5530 and 7135 NIS. In addition, the growth rate of real wage in this sector

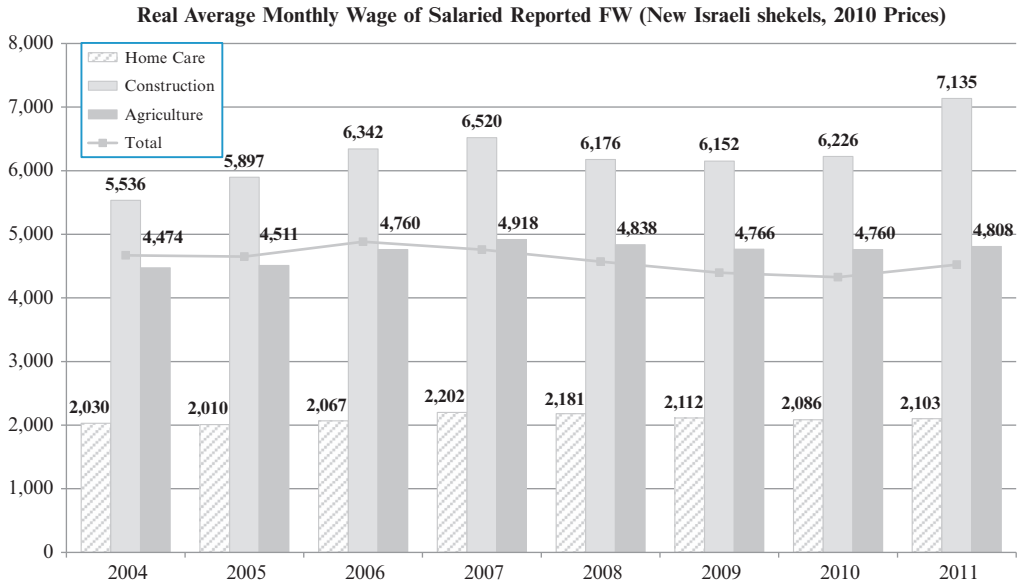

Figure 25.6 ***Real average monthly wage of salaried reported FWs (New Israeli shekels, 2010 prices).*** *Home care refers to economic branch 862 and does not include home-care workers who are paid directly by the individual they work for. Source: *CBS Monthly Bulletin of Statistics, various issues.*

during 2004–11 is also highest among the investigated sectors—29%. In comparison, the real average monthly wage of Israeli salaried workers in construction grew by 5% over the same period. It is difficult to identify the sources of this remarkable increase due to the lack of further data on the demographic characteristics of these foreign workers as well as on the job they perform.

Despite the lack of data on socio-demographic characteristics of FWs, a few papers attempted to measure the impact of FWs on various labor market outcomes of Israelis and several official committees tried to address this issue.[38] The most common argument against low-skilled foreign worker employment is that it adversely affects wages and employment of low-skilled natives and thus increases wage inequality and poverty amongst natives.

Gottlieb (2002) used the Income Survey to study the effect of FWs on wages and on the wage structure of Israeli workers during 1995–2000. He found that the ratio of non-Israeli workers to Israeli workers in the sector had a negative effect on wages of low-educated (0–11 years of schooling) Israelis in industry, agriculture and business services, and a positive effect on wages of Israelis with 12+ years of schooling in these sectors. The finding that non-Israeli workers did not affect low-educated Israeli workers in construction (the main intensive sector for FW employment) is explained by the high cross-sector elasticity among low-educated Israelis that led them out of this sector.

Gottlieb and Amir (2005) used the short panel structure of the Israeli Labor Force Survey to study the impact of non-Israeli workers on the transitions of Israeli workers from employment to unemployment or out of the labor force. The main impact they found is on the business sector. The public sector, however, was not affected at all. They also found that in 1990–2000, the probability of Israelis to move from employment to unemployment or out of the labor force in construction and agriculture was much higher than other groups. No impact was found on Israeli women because most workers during the period of study were males (the home-care sector started developing only at the end of the period). They argued that beyond the direct positive effect of non-Israeli workers on the likelihood of Israeli workers to exit employment, there is an additional indirect effect though the impact of foreigners on the wage structure of Israelis. That is, an increase in the labor supply of non-Israelis lowered the demand for Israeli workers, pushing their wages down and hence increased their tendency to exit employment.

Zussman and Romanov (2003) simulated the effect of substituting 30,000 FWs in construction with Israeli workers over a period of three years. They found that with a small governmental subsidization, housing prices will not dramatically increase. They also showed that while the wage of blue-collar workers (who substituted FWs) declined, wages of white-collar workers increased.

[38] For a comprehensive survey on reforming policies regarding foreign workers in Israel, see Kemp (2010).

The studies mentioned above, along with the figures on foreign workers' low wages, suggest that the large supply of non-Israeli labor reduces the employment possibilities for unskilled Israelis and leads to a decline in the equilibrium wage in those industries that employ foreign workers. According to Gottlieb (2002), FWs also had a spillover adverse effect on wages of unskilled Israelis in industries with a low proportion of foreign workers. Thus, for example, the employment of non-Israelis in the construction industry (which in many countries represents the upper benchmark of earning ability for unskilled workers) leads to lower wages for unskilled workers in physically easier and less dangerous occupations, such as cleaning and security.

While the study on the impact of FWs on native Israeli outcomes does not raise concerns regarding the self-selection of foreigners across sectors, the setting of foreigners' employment in Israel raises a concern of reverse causality between foreigners' employment and native Israeli outcomes. That is, if native labor shortages in a particular sector increase the number of foreign workers as a response (and not the opposite), estimating the effect of FWs on natives using simple OLS regressions might not be appropriate and would yield biased and inconsistent estimates. This concern was not addressed in the papers above and warrants further research.

Other related studies attempted to measure the impact of FWs on Palestinians' outcomes. Miaari and Sauer (2006) found that FWs depressed employment opportunities for Palestinians in Israel, while Aranki and Daoud (2010) found that border closures had a stronger effect on Palestinian employment in Israel, while foreign workers depressed the wages of Palestinians working in Israel.

4.2 Asylum seekers

Asylum seekers (often called infiltrators) are a relatively new phenomenon to Israel. Israel's border with Egypt exposes it to illegal flows of immigrants from countries to which repatriation is impossible. While asylum flows into Israel are relatively small compared with many OECD countries (OECD, 2010), this phenomenon is accelerating. Part of the early group of asylum seekers was Sudanese who could not be repatriated and did not have access to the status-granting process because they are citizens of an enemy state. In recent years, however, the majority of infiltrators originated from Eritrea.

Infiltrators who are non-deportable asylum seekers under international law are granted a special visa that allows them to stay in the country. However, many of them not only stay in the country, but also work in Israel, mainly in services (cleaning) and in hotels. They are now a visible part of Israel's social landscape in the Central district (e.g., in the southern neighborhoods of Tel Aviv) and in the South. The Immigration Authority regularly publishes a report on the number of infiltrators, their home country, and their status. According to the latest report, 54,201 infiltrators who entered the country through the Egyptian border and were caught in the border or inside the country live in Israel

in mid-2013: 36,067 (67%) of these infiltrators are Eritrean, 13,551 (25%) are Sudanese, and the rest come from other countries.[39] For comparison, among the 31,840 infiltrators who lived in Israel in 2010, 25% were Sudanese and 57% were Eritrean.

4.3 Immigration policy towards foreign workers and asylum seekers

As with many OECD countries, Israel employed foreign workers before it had a foreign-worker policy. As a result, policy has chased the phenomenon rather than governed it (OECD, 2010). Klinov (2006) identified five main stages of policy towards non-Israeli workers:

1. 1970—The regulation of Palestinian labor requiring Palestinians to hold a work permit, linked to a specific employer and subject to the same wages as Israeli workers.
2. 1991—The Foreign Workers Law that ties the foreign worker to his employer (the "binding system").
3. 1993/94—Government decision to strategically reduce the employment of Palestinian cross-border workers and to establish quotas for foreign workers.
4. 2000s—Government decisions to reduce the number of foreign workers.
5. 2006—The High Court of Justice decision to facilitate mobility of FWs across employers and change the binding system.

Several government official committees tried to propose operative actions aiming to reduce the number of FWs. However, the figures on the number of FWs, presented above, suggest that these recommendations were not fully implemented or delayed. The work assumption of the various committees was that FW employment adversely affects vulnerable groups in the Israeli populations, mainly Israeli Arab workers in construction and the less-educated Israeli Jews. The Rachlevsky committee advised in 2002 deportation of 100,000 FWs. In practice, fewer undocumented FWs were deported since this recommendation was made. During 2003–04, 38,000 FWs were deported due to high enforcement of the policy. However, in later years the number of deported FWs declined to about 3000–4000 annually. According to the Israeli Immigration Authority, about 130,000 FWs and their family members have been deported or left Israel voluntarily since 2002.

The report of the Eckstein committee (2007) mentions other channels in which FWs adversely affect the Israeli economy such as increase in poverty due to transitions of Israelis from employment to unemployment, changes in labor force structure that may adversely affect technological progress, etc. On the positive side, it mentions FW employment in home-care services as advancing home care for the elderly. The main problem with the management of FWs in Israel, according to Eckstein, is the division of ministerial responsibility across different government ministries. In order to solve some

[39] <http://www.piba.gov.il/PublicationAndTender/ForeignWorkersStat/Documents/561353new.pdf> (in Hebrew).

of the problems associated with FW employment, the 2007 Eckstein committee made the following recommendations:

1. Agriculture—Hiring FWs in distanced areas where they would have a minor effect on employment of Israelis. The main recommendation here was to employ FWs in the south of Israel.
2. Construction—The availability of cheap FW labor delays technological improvement and substitutes low-skilled Israeli workers; the committee recommends gradually reducing FW employment, where the target is no FWs in the sector.
3. Home care—The committee argue that despite FWs substituting Israeli low-skilled women, the government should consider continue hiring them since home care, even by foreigners, provides better treatment than institutional care for the elderly.

In a more recent committee, Eckstein (2010) also suggested recruitment of seasonal FWs in agriculture through the International Organization for Migration (IOM) and expansion of loans for farmers. The committee also recommended investment in "hand-replacement" technology and subsidies for farmers who employ permanent Israeli workers. The aims of these reforms are to reduce the dependency of the Agriculture sector on FW employment and to facilitate the ability of Israel to compete in international standards of FW employment with other OECD countries.

Current government policy towards FWs mainly focused on employment method, issuing number of work permits by sectors, and also deportation policy towards illegal FWs. The lack of consistent policy towards non-Jewish migration brought so far a substantial number of non-Jewish immigrants instead of controlling their number. Furthermore, a very large proportion of this group of migrants entered or stays in the country illegally. This reality brought about several proposals to form a coherent policy through formal legislation, like the Law of Return for Jewish immigration. For example, Avineri et al. (2010) suggested that the considered immigration policy should respond to social, economic, political, cultural, and security needs. They proposed to assess the impact of any potential policy according to its impact in five different areas: (a) security and public order; (b) economic interests; (c) its absorptive capacity in terms of the size and composition of its population; (d) its national identity and socio-cultural complexion; and (e) its social service systems. While these considerations are quite general, they suggest that the proposed policy should also reflect the unique features and interests of Israel as the homeland of the Jewish people. Obviously, the formation of such a policy is a heavy task and until it is accomplished, Israel management of non-Jewish migration would be more responsive to changes in this channel of migration rather than governing these changes.

Nevertheless, a first step on the road to a formal policy towards FWs took place in late 2010. The Ministry of Law set up a committee to prepare a proposal for a coherent immigration law for Israel for immigrants who are not qualified to enter Israel and obtain legal status according to the Law of Return. This proposal aims to regulate the three main issues concerning the entrance and legal residence of non-Jewish immigrants: family

reunification and immigration for the purpose of marriage, labor immigration, and immigration of refugees.

5. FUTURE PROSPECTS

While Jewish immigration today is rather low with an annual average of around 17,000 immigrants arriving during 2010–12, Israel still faces social, economic, and cultural challenges of integrating a sizeable and diverse immigrant population. In addition, it faces a relatively new channel of non-Jewish immigration, mainly foreign labor migrants and asylum seekers. This section addresses the main challenges in light of these trends as well as in light of the accumulated experience it has gained so far from previous episodes of immigration.

5.1 Promoting immigration—Decreasing emigration

There is probably no doubt that Israel needs to ease the integration of Jewish immigrants by offering them Hebrew classes (*Ulpan*), an "absorption package" that includes many benefits and also operates special programs that aim to advance the economic and social integration of specific immigration groups of immigrants. The integration of the recent mass migration wave from the FSU is considered a success story: most of the immigrants of working age entered the labor market rather quickly. Nevertheless, the data and, correspondingly, the findings in various studies that imported human capital of recent FSU migrants is virtually zero, coupled with the very slow transition of immigrants to white-collar occupations, indicate that there is some "waste" of knowledge associated with a loss of income for the immigrant and the society (Weiss et al., 2003). This waste might have affected the relatively high emigration rate of FSU immigrants and suggests that more emphasis should have been placed on the occupational integration of the migrants, mainly the older ones. Yet some indicators on the very young FSU immigrants who came as young children show that they resemble native Israelis both in their occupational distribution and in their wage levels (Cohen Goldner et al., 2014). Hopefully, their re-emigration rates would be lower.[40]

World core Jewry is now concentrated in developed countries (see footnote 3). While the number of Jews in the US exceeds the number of Jews elsewhere by millions, the diversity of American Jewry along with their high rate of assimilation suggest that immigration from the US to Israel will not play a more dominant role than it used to. Immigration from France has grown in the last few years and is expected to be the most significant in the near future. The most dominant push factor for French Jewry today

[40] High re-emigration rates do not necessarily indicate a failure to absorb. Re-emigration rates among Ethiopians are very low despite their harsh integration (OECD, 2010). Nonetheless, most of them probably do not expect better integration elsewhere and stay in Israel.

is related to rising anti-Semitism. In addition, French Jews often consider themselves as Zionists. In a recent survey, many of the French immigrants stated the decision to leave France and the decision to come to Israel were interrelated. Yet the French immigrants confirmed they face language and cultural difficulties and also difficulties in finding appropriate employment. Given these difficulties, one of the suggestions that was raised to enhance future immigration from France is to open Hebrew classes and workshops for the potential immigrants in France and to connect potential immigrants and Israeli employers before the immigrants arrive. The Israeli government and the Jewish agency should recognize these needs and act accordingly if they want to encourage French Jews to make Aliyah.

5.2 Encouraging the return of Israelis abroad

According to the Database on Immigrants in OECD Countries, there were about 160,000 Israeli-born between the ages of 15 and 64 living in the OECD in 2000–01. More than 60% of them live in the US (OECD, 2010, Chapter 7). While Israel has developed a broad set of policies and initiatives to assist new (Jewish) immigrants with their integration, it was less active in developing new policies to bring back native Israeli emigrants.

Elizur (1980) studied the attitudes of Israelis in the US based on surveys conducted in the 1970s. He claimed that emigration is driven mainly by considerations related to personal development, i.e., the desire for higher education, the utilization of talent and knowledge, and professional advancement. Additional factors are the quest for suitable employment, higher income, and a higher standard of living. Thus, the ability of Israel to attract Israelis residing abroad in developed countries should focus mainly on enhancing suitable employment, etc. The success of the latest I-CORE program and the Contact Centers for returning Israeli scientists, described in Section 2, illustrates the importance of such initiatives.

Given the expected low immigration rates, bringing back Israeli emigrants has become a national priority in Israel. The Ministry of Aliyah and Immigrants Absorption now displays on its website a long list of benefits that are offered to returning residents in a variety of fields such as: tax exemptions and concessions granted on imports of various items, assistance in school for children of returning residents, employment assistance including employment placement before arriving in Israel, provision of subsistence income during the period of job search, tax benefits to employers that employ a returning resident, etc.[41] Hopefully, these efforts will pay off and the number of returning residents will grow.

As regards pull and push factors concerning returning residents, the economic stability Israel has seen in the recent 2008 financial crises relative to other developed countries may

[41] See: <http://www.moia.gov.il/English/ReturningResidents/Pages/default.aspx>.

also act to reduce emigration from Israel and to return some of the Israelis residing in these countries.

5.3 Direct absorption and the geographical distribution of immigrants

In the pre-state period one mainstream ideology was to work the land of Israel. A large proportion of the early collective settlements were established that later became the geographical periphery of Israel. By no means during this period was the geographical periphery a socio-economic periphery. In fact, many of the political leaders in later years came from these peripheral regions. In the early statehood years, due to geopolitical–security conditions, the Israeli government regarded the policy of "population dispersion" as one of its major goals. The implementation of this policy was feasible due to the influx of about a million immigrants, mainly from North Africa and Asia, in the 1950s. The government used the settlement process of these immigrants as a means of population dispersal and sent many of them to Galilee in the north and to the Negev desert in the south. In the early 1960s immigrants constituted 70–90% of the population in many of the relatively new "development towns" in these regions (Lipshitz, 1998). At the same time the large cities (Tel-Aviv, Haifa, Jerusalem) and smaller cities in the core of the State (Ramat-Gan, Netanya, Petach Tikva) expanded and progressed economically. It was then that the geographical periphery became a socio-economic periphery.

The revival of the Negev desert, the southern part of Israel, has been the vision of the founders of the state. However, these visions have not come true and in many respects the Israeli periphery is still behind compared to the central parts of the state.

The tendency of recent FSU immigrants to settle in metropolitan centers and not in developing cities in the periphery, despite government intervention to promote the periphery, suggests these housing interventions are not sufficient to achieve population dispersion (via immigrant dispersion). The highly skilled FSU immigrants preferred to compromise on adequate housing and less on employment opportunities, and this attitude would probably hold also for future potential migrants from France and other western countries.

5.4 Migration management: beyond Jewish migration

Since the state was established by and for Jews, Israel's migration policies have focused almost exclusively on Jewish immigrants and their integration. However, due to the decline in the number of Jewish migrants along with increasing numbers of labor migrants and asylum seekers in recent years, Israel is facing increasing migration management challenges similar to EU countries. The legislation of the immigration law that started in late 2010 would regulate the size and the legal status of these groups and ensure the rights of these migrants.

In the meantime, there have been some initiatives to offer immediate help to FWs and asylum seekers. For example, in 2007, the Center for International Migration and Integration (CIMI), an independent organization dedicated to the development of effective practices in the fields of migration and integration, partnered with UNHCR and the Hotline for Migrant Workers (NGOs) to provide responses in three areas of immediate and urgent needs—health, mediation with Israeli services, and psychosocial support. In addition, CIMI acts to promote systematic and sustainable programmatic and policy responses. These responses focus on three areas: children and youth, integration, and disseminating good practices. CIMI also partnered with UNHCR-Jerusalem in the creation of assisted return programs (Assisted Voluntary Return, AVR, programs) for refugees residing in Israel and scheduled to return to their home countries.[42]

As mentioned above, so far Israel has managed to meet the local demand for high-skilled labor demand through its Jewish migration and low-skilled demand through temporary labor migrants. However, due to the decline in the number of highly skilled Jewish migrants, this approach may not be sufficient in the future and Israel should consider establishing a channel of high-skilled labor migrants, similar to other OECD countries that grant permanent status to some highly qualified labor migrants (OECD, 2010, Chapter 7).

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[42] For more details, see <www.cimiglobal.org>.

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